

# INTERIM REPORT JANUARY - JUNE 2019



Major result improvement in  
SSAB Americas, decline in SSAB  
Europe

July 19, 2019

**SSAB**

# Interim Report for January-June 2019

## The second quarter

- Sales were SEK 20,654 (19,263) million
- Operating profit before depreciation/amortization was SEK 2,419 (2,582) million
- Operating profit was SEK 1,316 (1,630) million
- Earnings per share were SEK 0.98 (1.27)
- Operating cash flow was SEK 1,696 (1,325) million
- Net debt/equity ratio was 16% (20%), excluding IFRS 16

## Key figures

SEK millions	2019 Q2	2018 Q2	2019 Q1	2019 Qs 1-2	2018 Qs 1-2	2018 Full year
Sales	20,654	19,263	20,017	40,672	36,652	74,941
Operating profit before depreciation and amortization, EBITDA	2,419	2,582	2,755	5,174	4,418	8,712
Operating profit	1,316	1,630	1,674	2,990	2,546	4,940
Profit after financial items	1,230	1,427	1,583	2,813	2,196	4,403
Profit after tax	1,014	1,313	1,285	2,299	1,983	3,564
Earnings per share (SEK)	0.98	1.27	1.24	2.22	1.92	3.45
Operating cash flow	1,696	1,325	1,139	2,835	2,086	5,969
Net debt, including IFRS 16	11,809	-	10,114	11,809	-	10,527
Net debt, excluding IFRS 16	9,915	11,881	8,096	9,915	11,881	8,582
Net debt/equity ratio (%), including IFRS 16	19	-	16	19	-	18
Net debt/equity ratio (%), excluding IFRS 16	16	20	13	16	20	14

(In the report, the figures in parentheses refer to the corresponding period for the previous year.)

## Comments by the CEO

SSAB's operating profit for the second quarter of 2019 was SEK 1,316 million, down SEK 314 million compared with the second quarter of 2018. Lower earnings were attributable to SSAB Europe, which was affected primarily by higher iron ore costs. Group operating cash flow increased to SEK 1,696 (1,325) million.

Demand for SSAB Special Steels was good during the quarter. Operating profit was somewhat higher than a year earlier at SEK 544 (522) million. Higher realized prices were largely counteracted by higher iron ore costs.

Demand in Europe weakened during the second quarter and SSAB Europe's shipments were down compared to last year. This was primarily due to weaker demand from the automotive industry. Operating profit dropped to SEK 66 (907) million. A sharp rise in iron ore prices and weaker steel prices have resulted in exceptional pressure on margins on the European market.

Second quarter operating profit for SSAB Americas rose to SEK 872 (365) million. This improvement was driven by significantly higher realized prices and lower scrap metal prices compared to the second quarter last year. Demand was good in most customer segments, although the sentiment at distributors is cautious.

There is some uncertainty as to how the business cycle will develop looking ahead. Weaker steel prices on our home markets, Europe and the USA, imply a cautious sentiment at distributors and demand is expected to be seasonally weaker during the third quarter. The current staffing level is aligned with a relatively high production rate, with a large number of temporary employees, which gives us flexibility when the market slows down. During the third quarter, the production volume will be lower and the number of temporary employees will be reduced accordingly. Among other things, the smaller blast furnace in Oxelösund will be idled. In addition, already planned measures to cut other costs in all divisions are being carried out. At the same time, our strong balance sheet gives us a sound basis to continue to develop the company, regardless of business conditions.

## Outlook

In North America, demand for heavy plate is estimated to be relatively good during the third quarter of 2019. In Europe, underlying demand is expected to be somewhat weaker, intensified by a seasonal slowdown. Global demand for high-strength steels is expected to be good during the third quarter of 2019, albeit with a seasonal slowdown.

For SSAB Americas, shipments during the third quarter of 2019 are expected to be in line with the second quarter. Shipments for SSAB Europe are expected to decrease during the third quarter, partly because of planned maintenance outages. Shipments for SSAB Special Steels are expected to decrease somewhat during the third quarter.

Prices realized by SSAB Americas and SSAB Europe during the third quarter of 2019 are expected to be lower compared with the second quarter. Prices realized by SSAB Special Steels are expected to be somewhat lower during the third quarter. Continued higher iron ore costs will have a negative impact on margins during the third quarter, mainly for SSAB Europe, but also for SSAB Special Steels.

## Major planned maintenance outages

The table below shows all major planned maintenance outages for 2019 and the costs of outages completed during 2018. The figures include the impact of the direct maintenance cost and the cost of lower capacity utilization (underabsorption), but exclude lost margins.

	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
SEK millions	Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4	Full year	Full year
SSAB Special Steels	-	-	-	-	-	-	260	350	260	350
SSAB Europe	-	-	-	40	280	240	145	130	425	410
SSAB Americas	-	-	-	-	-	-	415	285	415	285
Total	-	-	-	40	280	240	820	765	1,100	1,045

## The market

According to the World Steel Association, global crude steel production for the first five months of 2019 amounted to 764 (728) million tonnes, up 5.0% compared with the same period in 2018. Chinese steel production increased by 10% and steel production in North America rose by just under 4%, whereas production in the EU-28 decreased by over 2% compared with the same period in 2018.

In North America, demand for heavy plate was generally good during the second quarter. However, demand from distributors was cautious and their main focus was on destocking. In Europe, demand was fairly stable in several segments during the quarter, with the exception of weaker demand from the automotive industry and a continued cautious sentiment from distributors. Stock levels at distributors are considered to be in balance. Global demand for high-strength steels remained good during the quarter.

In North America, market prices for heavy plate decreased rapidly during the second quarter. In Europe, market prices for both strip and heavy plate fell during the quarter. Steel imports into Europe has been on a high level during 2019 and good availability from local steel mills has resulted in general market pressure on prices. In China, market prices for both strip and heavy plate were relatively flat during the quarter.

## SSAB Group – First half year of 2019

### Sales and operating profit

Sales for the first half of 2019 were SEK 40,672 (36,652) million, up SEK 4,020 million or 11% compared with the first half of 2018.

Operating profit for the first half of 2019 was SEK 2,990 (2,546) million, up SEK 444 million compared with the first half of 2018. This improvement was primarily attributable to SSAB Americas and SSAB Special Steels, whereas earnings for SSAB Europe were lower.

### Sales and result per business segment

SEK millions	Sales			Operating profit		
	2019 Qs 1-2	2018 Qs 1-2	Change	2019 Qs 1-2	2018 Qs 1-2	Change
SSAB Special Steels	10,013	9,816	197	1,222	957	266
SSAB Europe	17,391	16,943	448	412	1,564	-1,152
SSAB Americas	9,426	7,403	2,023	1,828	494	1,334
Tibnor	4,798	4,312	486	68	149	-82
Ruukki Construction	2,964	2,666	298	81	-3	84
Other	-	-	-	-84	-134	50
Depr. surplus values	-	-	-	-537	-480	-57
Group adjustments	-3,920	-4,487	568	-	-	-
<b>Total</b>	<b>40,672</b>	<b>36,652</b>	<b>4,020</b>	<b>2,990</b>	<b>2,546</b>	<b>444</b>

### Profit after tax and earnings per share

Profit after tax (attributable to shareholders in the parent company) for the first half of 2019 was SEK 2,289 (1,975) million, equating to SEK 2.22 (1.92) per share. Tax was SEK -514 (-213) million, which equates to a tax rate of around 18% (10%) of profit after financial items.

### Cash flow, financing and liquidity

Operating cash flow for the first half of 2019 was SEK 2,835 (2,086) million. Compared with a year earlier, cash flow was impacted primarily by higher operating profit.

Net cash flow amounted to SEK -1,074 (175) million. Compared with the first half of 2018, net cash flow was affected negatively by the acquisitions of Sanistål and Piristeel, as well as by a higher dividend to shareholders. Total capital expenditure, including acquisitions, was SEK 1,867 (865) million. Net debt at June 30, 2019 was SEK 11,809 (11,881) million. The net debt/equity ratio was 19%. Excluding IFRS 16, the net debt/equity ratio was 16% (20%).

The term to maturity of the total loan portfolio at June 30 averaged 6.4 (6.2) years, with an average fixed interest period of 1.1 (1.0) years.

Cash and cash equivalents were SEK 4,427 (2,134) million and non-utilized credit facilities were SEK 7,153 (7,110) million, which combined corresponds to 15% (13%) of rolling 12 months' sales.

### Return on capital employed/equity

Return on capital employed before tax and return on equity after tax for the last 12 months was 7% and 6% respectively, the same as for the full year 2018.

### Equity

With earnings of SEK 2,289 million and other comprehensive income (mostly consisting of translation differences) of SEK 1,753 million, shareholders' equity in the company amounted to SEK 61,918 (58,181) million, equating to SEK 60.12 (56.50) per share.

## SSAB Group – Summary of the second quarter of 2019

### Sales and operating profit

Sales for the second quarter of 2019 were SEK 20,654 (19,263) million, up 7% compared with the second quarter of 2018 and up 3% compared with the first quarter of 2019.

Operating profit was SEK 1,316 (1,630) million, down SEK 314 million compared with the second quarter of 2018. This decrease was related to weaker earnings for SSAB Europe. Compared with the first quarter of 2019, the result fell by SEK 358 million.

### Sales and operating profit by business segment

SEK millions	Sales			Operating profit		
	2019 Q2	2018 Q2	Change	2019 Q2	2018 Q2	Change
SSAB Special Steels	5,139	5,142	-3	544	522	22
SSAB Europe	8,814	8,892	-78	66	907	-842
SSAB Americas	4,555	4,040	514	872	365	507
Tibnor	2,534	2,253	280	29	83	-54
Ruukki Construction	1,690	1,578	112	95	59	37
Other	-	-	-	-18	-58	40
Depr. surplus values	-	-	-	-272	-248	-25
Group adjustments	-2,077	-2,642	566	-	-	-
<b>Total</b>	<b>20,654</b>	<b>19,263</b>	<b>1,391</b>	<b>1,316</b>	<b>1,630</b>	<b>-314</b>

### Analysis of total change in sales and result \*)

	Sales		Operating profit	
	Change vs Q2, 2018 %		Change vs Q2, 2018 SEK m.	
Volume	-5	Price and product mix	620	
Price	4	Volume	-220	
Product mix	1	Variable cost	-365	
Currency effects	4	Fixed cost	-390	
Other sales	3	Currency effects	80	
		Capacity utilization	-40	
		Other	1	
<b>Total</b>	<b>7</b>		<b>-314</b>	

\*) Estimated change, the figures in the table have been rounded.

## Raw materials

SSAB has iron ore supply contracts with LKAB in Sweden and with Severstal in Russia. During the contract period, prices vary depending on the market index. SSAB sources coking coal from Australia, the USA and Canada, usually on annual supply contracts with monthly pricing. SSAB Americas regularly purchases scrap metal in the spot market as a raw material for their production. Purchase prices for iron ore rose sharply during the second quarter and a small part of this increase impacted second quarter costs. The normal lead time between purchasing raw materials and booking the cost means that the main impact from higher prices during the second quarter will be in the third quarter of 2019

### Change in SSAB's average purchase prices, second quarter of 2019

% change	Change vs. 2018		Change vs. 2019	
	USD	Q2 SEK	USD	Q1 SEK
Iron ore	38%	50%	14%	18%
Coking coal	-4%	5%	-11%	-9%
Scrap metal	-19%	-12%	-10%	-8%

## Production and shipments

Crude steel production during the second quarter of 2019 was up 1% compared with the second quarter of 2018 and up 5% compared with the first quarter of 2019.

Rolling production during the second quarter of 2019 was down 1% compared with the second quarter of 2018, but up 2% compared with the first quarter of 2019.

SSAB's steel shipments during the second quarter of 2019 were 1,722 (1,811) thousand tonnes, down 5% compared with the second quarter of 2018 and down 1% compared with the first quarter of 2019

### Production and shipments

	2019	2018	2019	2019	2018	2018
Thousand tonnes	Q2	Q2	Q1	Qs 1-2	Qs 1-2	Full year
Crude steel production	2,100	2,081	2,000	4,100	4,142	8,028
Rolling production	1,926	1,941	1,889	3,815	3,850	7,391
Steel shipments	1,722	1,811	1,744	3,467	3,619	6,899

## Profit after tax and earnings per share

Profit after tax (attributable to shareholders in the parent company) for the second quarter of 2019 was SEK 1,010 (1,310) million, equating to SEK 0.98 (1.27) per share. Tax was SEK -216 (-114) million, which equates to a tax rate of around 18% (8%) of profit after financial items.

## Cash flow, financing and liquidity

Operating cash flow for the second quarter of 2019 amounted to SEK 1,696 (1,325) million. Compared with the second quarter of 2018 cash flow was impacted positively by less working capital being tied up.

Net cash flow amounted to SEK -1,577 (-136) million. Compared with the second quarter of 2018, net cash flow was impacted by, among other things, higher payments for strategic investments including the acquisition of Sanistål, as well as by a higher dividend to shareholders. Total capital expenditure, including acquisitions, was SEK 1,227 (507) million. Net debt at June 30, 2019 was SEK 11,809 (11,881) million.

### Operating cash flow and net debt

SEK millions	2019 Q2	2018 Q2	2019 Qs 1-2	2018 Qs 1-2	2018 Full year
Operating profit before depreciation/amortization	2,419	2,582	5,174	4,418	8,712
Change in working capital	-240	-805	-1,496	-1,604	-967
Maintenance expenditures	-401	-417	-753	-702	-1,943
Other <sup>1)</sup>	-82	-34	-91	-26	167
Operating cash flow	1,696	1,325	2,835	2,086	5,969
Financial items	-150	-235	-243	-376	-541
Taxes	-702	-105	-956	-341	-628
Cash flow from current operations	845	986	1,636	1,370	4,800
Strategic expenditures in plants and machinery	-231	-90	-344	-153	-397
Acquisitions of shares and operations	-595	-	-770	-10	-11
Divestments of shares and operations	-	-	-	-	76
Cash flow before dividend	19	896	522	1,207	4,468
Dividend paid to shareholders	-1,545	-1,030	-1,545	-1,030	-1,030
Dividend, non-controlling interest	-6	-2	-6	-2	-3
Acquisition, non-controlling interest	-45	-	-45	-	-
Net cash flow	-1,577	-136	-1,074	175	3,435
Net debt at beginning of period <sup>2)</sup>	-10,114	-11,391	-10,527	-11,574	-11,574
Net cash flow	-1,577	-136	-1,074	175	3,435
Revaluation of liabilities against equity <sup>3)</sup>	-46	-556	-237	-711	-666
Other <sup>4)</sup>	-72	202	29	230	224
Net debt at the end of period	-11,809	-11,881	-11,809	-11,881	-8,582

<sup>1)</sup> Other includes purchased emissions allowances of SEK -28 (-) million for the first half year. The full year 2018 includes purchased emissions allowances for SEK 111 million as well as the reversal of the capital loss on the divestment of the Russian operations in Ruukki Construction by SEK -217 million as it was a non cash flow generated item.

<sup>2)</sup> The opening balance 2019 has been adjusted for IFRS 16.

<sup>3)</sup> Revaluation of hedges of currency risks in foreign operations.

<sup>4)</sup> Mainly consisting of cash flow effects on derivative instruments and revaluation of other financial instruments in foreign currency and cash and cash equivalents.



## Business segments – Second quarter of 2019

The information in the tables below excludes the depreciation/amortization on surplus values on tangible and intangible assets relating to the acquisitions of IPSCO and Rautaruukki. For more information about the business segments, see page 23.

### SSAB Special Steels

#### Second quarter in brief

- Good demand – third quarter expected to be seasonally weaker
- Shipments were 339 (339) thousand tonnes
- Operating profit rose to SEK 544 (522) million

#### Key figures

SEK millions	2019 Q2	2018 Q2	2019 Q 1	2019 Qs 1-2	2018 Qs 1-2	2018 Full year
Sales	5,139	5,142	4,874	10,013	9,816	18,869
Operating profit before depreciation/amortization, EBITDA	703	656	842	1,545	1,224	1,946
Operating profit	544	522	678	1,222	957	1,421
Operating cash flow	759	897	440	1,199	967	1,150
Number of employees at end of period	2,908	2,788	2,899	2,908	2,788	2,844

#### Sales and operating profit

Sales were more or less unchanged compared with the second quarter of 2018 and amounted to SEK 5,139 (5,142) million. Higher prices had a positive impact of 6 percentage points, positive currency effects 3 percentage points and a better product mix 1 percentage point. Other sales (including internal sales) had a negative impact of 10 percentage points.

Compared with the first quarter of 2019, sales were up 5%. Other sales (including internal sales) had a positive impact of 3 percentage points and currency effects a positive impact of 2 percentage points.

Operating profit for the second quarter of 2019 was SEK 544 (522) million, up SEK 22 million compared with the second quarter of 2018. Higher prices had a positive impact on earnings, although this was partly counteracted by higher variable costs, primarily of iron ore.

Compared with the first quarter of 2019, earnings were down SEK 134 million. Weaker earnings were largely attributable to higher variable costs, primarily iron ore, and somewhat lower capacity utilization.

Both blast furnaces in Oxelösund have been operating since the beginning of the year. After the mid-term repair of one of the blast furnaces in Raabe, Finland, has been completed during the third quarter, the smaller blast furnace in Oxelösund will be idled and the number of temporary employees will be reduced.

#### Market trend

Overall demand was good during the second quarter of 2019. Demand from Material Handling, which also includes mining-related equipment, was good and shipments increased compared with the first quarter of the year. Demand from Heavy Transport continued to be at a good level, whereas the Construction Machinery segment was somewhat weaker.

#### Production and shipments

Crude steel production was up 13% compared with the second quarter of 2018 but down 11% compared with the first quarter of 2019.



Rolling production for the second quarter of 2019 was down 6% compared with the same period in 2018 and down 10% compared with the first quarter of 2019.

External shipments of steel during the second quarter of 2019 were largely unchanged compared with both the second quarter of 2018 and the first quarter of 2019.

### Production and shipments

	2019	2018	2019	2019	2018	2018
Thousand tonnes	Q2	Q2	Q1	Qs 1-2	Qs 1-2	Full year
Crude steel production	343	305	385	728	539	918
Rolling production	130	138	145	276	259	493
Shipments	339	339	338	677	685	1,298

Figures for steel shipments include high-strength steel produced at SSAB Europe's and SSAB Americas' steel mills.

### Cash flow and capital expenditure

Operating cash flow during the second quarter was SEK 759 (897) million. The change is largely explained by more working capital being freed up during the second quarter of 2018.

Capital expenditure payments during the second quarter were SEK 131 (72) million, of which SEK 18 (8) million were strategic investments.

## SSAB Europe

### Second quarter in brief

- Weaker demand and higher iron ore costs
- Operating profit dropped to SEK 66 (907) million
- Lower production volume in the third quarter

### Key figures

	2019	2018	2019	2019	2018	2018
SEK millions	Q2	Q2	Q 1	Qs 1-2	Qs 1-2	Full year
Sales	8,814	8,892	8,577	17,391	16,943	32,796
Operating profit before depreciation/amortization, EBITDA	469	1,259	738	1,207	2,257	4,153
Operating profit <sup>1)</sup>	66	907	347	412	1,564	2,757
Operating cash flow	150	765	-543	-394	1,308	3,039
Number of employees at end of period	6,854	6,811	6,868	6,854	6,811	6,826

<sup>1)</sup> Excluding depreciation/amortization on surplus values on tangible and intangible assets related to the acquisition of Rautaruukki. Depreciation/amortization on surplus values was SEK 61 (57) million during the second quarter.

### Sales and operating profit

Sales were down 1% compared with the second quarter of 2018 and amounted to SEK 8,814 (8,892) million. Lower volumes had a negative impact of 6 percentage points. Higher prices and a better product mix each had a positive impact of 1 percentage point and positive currency effects 2 percentage points. Higher other sales (including internal sales) had a positive impact of 1 percentage point.

Compared with the first quarter of 2019, sales were up 3%. Higher prices and positive currency effects each had a positive impact of 1 percentage point as did other sales (including internal sales).

Operating profit for the second quarter fell to SEK 66 (907) million, down SEK 841 million compared with the second quarter of 2018. Higher variable costs, primarily iron ore, accounted for most of the decrease. Also lower volumes and somewhat lower capacity utilization pulled down the result. During the third quarter, the production volume will be lower and the number of temporary employees will be reduced. In addition, already planned measures to cut other costs are being carried out.

Compared with the first quarter of 2019, earnings contracted by SEK 281 million. Higher variable costs, primarily of iron ore, had a negative impact on earnings.

## Market trend

Demand during the second quarter of 2019 weakened, primarily attributable to the Automotive segment and Steel Service Centers. Demand from Construction was seasonally higher compared with the first quarter.

## Production and shipments

Crude steel production during the second quarter of 2019 was down 2% compared with the second quarter of 2018, but up 13% compared with the first quarter of 2019. Repairs and maintenance of one of the blast furnaces in Raahe had a negative impact on the first quarter of the year.

Rolling production was unchanged compared with the second quarter of 2018 and up 3% compared with the first quarter of 2019.

External shipments of steel during the second quarter of 2019 were down 6% compared with the second quarter of 2018 and unchanged compared with the first quarter of 2019.

## Production and shipments

	2019	2018	2019	2019	2018	2018
Thousand tonnes	Q2	Q2	Q1	Qs 1-2	Qs 1-2	Full year
Crude steel production	1,120	1,147	993	2,113	2,322	4,576
Rolling production	1,198	1,200	1,162	2,361	2,380	4,494
Shipments	909	963	907	1,816	1,902	3,561

Production figures include high-strength steel made for SSAB Special Steels. These volumes are not included in SSAB Europe's shipments.

## Cash flow and capital expenditure

Operating cash flow during the second quarter was SEK 150 (765) million. Compared with the second quarter of 2018, cash flow was impacted primarily by lower earnings.

Capital expenditure payments during the second quarter of 2019 were SEK 367 (297) million, of which SEK 129 (29) million were strategic investments.

## SSAB Americas

### Second quarter in brief

- Good demand in several customer segments – distributors cautious
- Significant downturn in spot market prices towards the end of the quarter
- Operating profit rose to SEK 872 (365) million

## Key figures

	2019	2018	2019	2019	2018	2018
SEK millions	Q2	Q2	Q 1	Qs 1-2	Qs 1-2	Full year
Sales	4,555	4,040	4,871	9,426	7,403	16,878
Operating profit before depreciation/amortization, EBITDA	1,037	526	1,119	2,156	809	2,459
Operating profit <sup>1)</sup>	872	365	956	1,828	494	1,837
Operating cash flow	837	-383	1,239	2,077	-252	1,523
Number of employees at end of period	1,243	1,239	1,238	1,243	1,239	1,250

<sup>1)</sup> Excluding depreciation/amortization on surplus values on tangible and intangible assets related to the acquisition of IPSCO. Depreciation/amortization on surplus values was SEK 207 (192) million during the second quarter.

## Sales and operating profit

Sales were up 13% compared with the second quarter of 2018 and amounted to SEK 4,555 (4,040) million. Higher prices and positive currency effects each had a positive impact of 10 percentage points. Lower volumes had a negative impact of 7 percentage points.

Compared with the first quarter of 2019 sales were down 6%. Lower volumes and lower prices each had a negative impact of 5 percentage points. Positive currency effects had an impact of 3 percentage points and a better product mix 2 percentage points. Other sales (including internal sales) had a negative impact of 1 percentage point.

Operating profit for the second quarter of 2019 was SEK 872 (365) million, up SEK 507 million compared with the second quarter of 2018. Improved earnings were primarily due to higher prices and lower costs of raw material, primarily scrap.

Compared with the first quarter of 2019, operating profit was down SEK 84 million. Lower earnings were primarily due to lower prices. Lower volumes, mainly to distributors, also had a negative effect.

## Market trend

Demand continued to be good in several customer segments during the second quarter of 2019. Compared with the first quarter, shipments increased to the Energy and Heavy Transport segments. Demand from Steel Service Centers decreased.

## Production and shipments

Crude steel production was up 1% compared with the second quarter of 2018 and up 3% compared with the first quarter of 2019.

Rolling production was down 1% compared with the second quarter of 2018 but up 3% compared with the first quarter of 2019.

External shipments of steel were down 7% compared with the second quarter of 2018 and down 5% compared with the first quarter of 2019.

## Production and shipments

	2019	2018	2019	2019	2018	2018
Thousand tonnes	Q2	Q2	Q1	Qs 1-2	Qs 1-2	Full year
Crude steel production	637	629	621	1,258	1,281	2,534
Rolling production	597	603	581	1,178	1,210	2,404
Shipments	475	509	500	974	1,032	2,039

Production figures include high-strength steel made for SSAB Special Steels. These volumes are not included in SSAB Americas' shipments.

## Cash flow and capital expenditure

Operating cash flow during the second quarter of 2019 was SEK 837 (-383) million. Compared with the second quarter of 2018, cash flow was impacted positively by higher earnings and less working capital being tied up.

Capital expenditure payments during the second quarter were SEK 103 (48) million, of which SEK 64 (28) million was strategic investments.

## Tibnor

### Second quarter in brief

- The acquisition of Sanistål was completed during the second quarter
- Operating profit decreased to SEK 29 (83) million, due to lower margins

### Key figures

SEK millions	2019 Q2	2018 Q2	2019 Q 1	2019 Qs 1-2	2018 Qs 1-2	2018 Full year
Sales	2,534	2,253	2,264	4,798	4,312	8,434
Operating profit before depreciation/amortization, EBITDA	73	103	78	152	190	313
Operating profit <sup>1)</sup>	29	83	38	68	149	230
Operating cash flow	10	170	79	89	200	205
Shipments, thousand tonnes	219	188	188	406	364	705
Number of employees at end of period	1,197	1,061	1,079	1,197	1,061	1,077

<sup>1)</sup> Excluding depreciation/amortization on surplus values on tangible and intangible assets related to the acquisition of Rautaruukki. Depreciation/amortization on surplus values was SEK 6 (6) million during the second quarter.

### Sales and operating profit

Sales were up 12% or SEK 281 million compared with the second quarter of 2018 and amounted to SEK 2,534 (2,253) million. The acquisition of Sanistål's steel distribution business, which was completed during the second quarter, accounted for SEK 317 million.

Compared with the first quarter of 2019, sales were up 12%.

Operating profit for the second quarter of 2019 was SEK 29 (83) million, down SEK 54 million compared with the second quarter of 2018. Lower earnings were primarily due to lower margins, including revaluation of inventory.

Compared with the first quarter of 2019, earnings were down SEK 9 million.

### Market trend

Demand was more or less stable during the quarter, but with a slowdown towards the end of the period, relating among other things to the construction sector in Sweden and Denmark.

### Cash flow and capital expenditure

Operating cash flow during the second quarter was SEK 10 (170) million. Compared with the second quarter of 2018, cash flow was impacted negatively by lower earnings and more working capital being tied up.

Capital expenditure payments during the second quarter of 2019 were SEK 547 (23) million, of which SEK 531 (16) million were strategic investments and acquisitions. The increase in capital expenditure payments related to the acquisition of Sanistål's steel distribution business (see page 28).

## Ruukki Construction

### Second quarter in brief

- Sales rose by 7% compared with the second quarter of 2018
- Operating result rose to SEK 95 (59) million, driven by higher volume

### Key figures

	2019	2018	2019	2019	2018	2018
SEK millions	Q2	Q2	Q 1	Qs 1-2	Qs 1-2	Full year
Sales	1,690	1,578	1,274	2,964	2,666	6,140
Operating profit before depreciation/amortization, EBITDA	141	92	30	171	62	305
Operating profit <sup>1)</sup>	95	59	-14	81	-3	178
Operating cash flow	-25	5	-20	-45	12	303
Number of employees at end of period	1,848	2,443	1,802	1,848	2,443	1,801

<sup>1)</sup> Excluding depreciation/amortization on surplus values on tangible and intangible assets related to the acquisition of Rautaruukki. Depreciation/amortization on surplus values was SEK -3 (-8) million during the second quarter.

### Sales and operating profit

Sales were up 7% compared with the second quarter of 2018 and amounted to SEK 1,690 (1,578) million. Sales increased mainly in Building Systems and Residential Roofing.

Compared with the first quarter of 2019, sales were up 33%, primarily attributable to normal seasonally stronger demand in Residential Roofing.

Operating profit for the second quarter was SEK 95 (59) million. The improvement compared with the second quarter of 2018 was due to higher volumes in all business areas.

Compared with the first quarter of 2019, earnings were up SEK 109 million, primarily due to seasonally higher sales in Residential Roofing.

### Market trend

Demand in the construction industry was seasonally better during the second quarter compared to the first quarter and the underlying demand was at a good level in Ruukki Construction's main markets.

### Cash flow and capital expenditure

Operating cash flow during the second quarter was SEK -25 (5) million. Compared with the second quarter of 2018, cash flow was impacted negatively by more working capital being tied up.

Capital expenditure payments during the second quarter were SEK 39 (26) million, of which SEK 10 (10) million were strategic investments.

## Sustainability

### Key figures – rolling 12 months

	2019 Q2	2018 Q2	2019 Q1	2018 Full year
<u>Responsible partner</u>				
Lost time injury frequency (LTIF) <sup>1)</sup>	5.1	5.7	6.0	6.1
Total number of injuries (LTIs) <sup>2)</sup>	153	171	180	184
<u>Sustainable operations</u>				
Energy consumption, GWh <sup>3)</sup>	9,421	9,372	9,454	9,448
Energy intensity, kWh/tonnes crude steel	1,180	1,167	1,187	1,177
Carbon dioxide emissions, Scope 1, thousand tonnes <sup>4)</sup>	9,890	9,751	9,806	9,833
Carbon dioxide emissions, Scope 2, thousand tonnes <sup>5)</sup>	1,201	1,213	1,186	1,189
Carbon dioxide emissions intensity, tonnes of CO <sub>2</sub> /tonnes crude steel <sup>6)</sup>	1.39	1.36	1.38	1.37

<sup>1)</sup> Number of accidents resulting in an absence of more than one day per million working hours (LTIF, Lost Time Injury Frequency), including contractors

<sup>2)</sup> Number of accidents resulting in an absence of more than one day (LTIs, Lost Time Injuries), including contractors

<sup>3)</sup> Total energy consumption (electricity, purchased fuels and purchased heat)

<sup>4)</sup> Direct emissions from production (Scope 1)

<sup>5)</sup> Indirect emissions from the generation of purchased electricity, heating and steam (Scope 2)

<sup>6)</sup> Includes Scope 1 and Scope 2

### Responsible partner – Safety

SSAB's lost time injury frequency resulting in an absence of at least one day (LTIF) was 5.1 (5.7) (rolling 12 months). The trend in safety performance has been moving in the right direction during 2019. Health and safety continues to be a top priority at all levels of the organization.

### Sustainable operations – Environment and HYBRIT

SSAB's total energy consumption related to electricity, purchased fuels and purchased heat was 9,421 (9,372) GWh (rolling 12 months). SSAB's direct (Scope 1) CO<sub>2</sub> emissions were 9,890 (9,751) thousand tonnes and indirect (Scope 2) CO<sub>2</sub> emissions were 1,201 (1,213) thousand tonnes. The slight increase in direct CO<sub>2</sub> emissions is partly due to the start-up of the second blast furnace in Oxelösund, which is the smallest blast furnace in the group and also less CO<sub>2</sub> efficient.

SSAB is migrating towards a fossil-free steelmaking process through HYBRIT (Hydrogen Breakthrough Ironmaking Technology), which is a joint initiative from SSAB, LKAB, and Vattenfall. Work on building the pilot plant in Luleå is progressing to plan and the plant is expected to be ready in 2020. In May, The Swedish Environmental Protection Agency awarded HYBRIT its Environmental Goals Prize for "Boldness and momentum". The Environmental Goals Prize recognizes and rewards ambitious and successful environmental work, which contributes to Sweden achieving its environmental goals.

More information on HYBRIT is available at [www.hybritdevelopment.com](http://www.hybritdevelopment.com).

More information on sustainability at SSAB is available at [www.ssab.com/company/sustainability](http://www.ssab.com/company/sustainability) and in SSAB's Annual Report 2018, see [www.ssab.com/company/investors/reports-and-presentations](http://www.ssab.com/company/investors/reports-and-presentations).

## Risks and uncertainty factors

For information regarding material risks and uncertainty factors, reference is made to the detailed description in the annual report for 2018. No material new or changed risks and uncertainty factors have been identified during the year.

## Accounting principles

This interim report has been prepared in compliance with IAS 34.

The accounting principles are based on International Financial Reporting Standards as adopted by the EU and ensuing references to Chapter 9 of the Swedish Annual Accounts Act. The accounts of the parent company have been prepared in compliance with RFR 2 and the Swedish Annual Accounts Act.

No material changes in accounting principles have taken place since the Annual Report for 2018, other than the information below.

### IFRIC 23, Uncertainty over income tax treatments

This interpretation applies from January 1, 2019. The interpretation has not had any impact on the Group's opening balances at January 1, 2019.

### IFRS 16, Leasing

The Group has applied IFRS 16, Leasing since January 1, 2019. IFRS 16 mainly affects lessee accounting and the main impact is that all leases that were recognized as operating leases are currently recognized in a way that resembles the previous recognition of financial leases, i.e. a right-of-use asset and a lease liability are recognized. For more information, see page 26.

## Subsequent events since the end of the reporting period

Ruukki Construction has agreed to divest its Building Systems business to German based Donges Group. The divestment will allow Ruukki Construction to fully focus on profitable growth in its product businesses within Residential Roofing and Building Components. Subject to the approval of relevant competition authorities, the transaction is expected to close by the end of 2019. The business now being divested had sales of around SEK 1.1 billion in 2018 with a breakeven result on EBIT-level.



## Affirmation

The Board of Directors and the President & CEO affirm that this half-year report provides a fair and true view of the operations, financial position and earnings of the Parent Company and Group, and describes the material risks and uncertainties facing the Parent Company and the Group.

Stockholm July 19, 2019

Bengt Kjell  
Chairman

Sture Bergvall  
Director

Petra Einarsson  
Director

Marika Fredriksson  
Director

Mikael Henriksson  
Director

Pasi Laine  
Director

Matti Lievonen  
Director

Bo Annvik  
Director

Tomas Westman  
Director

Marie Grönborg  
Director

Martin Lindqvist  
President & CEO

## Review report

SSAB AB, corporate identity number 556016-3429

### Introduction

We have reviewed the condensed interim report for SSAB AB as at June 30, 2019 and for the six months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, July 19, 2019  
Ernst & Young AB

Rickard Andersson  
Authorized Public Accountant

## Financial reports in accordance with IFRS – Group

The figures in the tables have been rounded, which might affect aggregates

### Summary of consolidated income statement

SEK millions	2019 Q2	2018 Q2	2019 Qs 1-2	2018 Qs 1-2	2018 Full year
Sales	20,654	19,263	40,672	36,652	74,941
Cost of goods sold	-18,289	-16,432	-35,531	-31,972	-65,339
Gross profit	2,365	2,832	5,141	4,680	9,602
Selling and administrative costs	-1,260	-1,186	-2,512	-2,278	-4,691
Other operating income and expenses	177	-33	295	105	-36
Affiliated companies, profit after tax	33	18	66	38	65
Operating profit	1,316	1,630	2,990	2,546	4,940
Financial income	72	131	288	264	353
Financial expenses	-158	-334	-464	-614	-890
Profit for the period after financial items	1,230	1,427	2,813	2,196	4,403
Tax	-216	-114	-514	-213	-839
Profit for the period	1,014	1,313	2,299	1,983	3,564
Of which attributable to:					
- Parent Company's shareholders	1,010	1,310	2,289	1,975	3,549
- Non-controlling interest	4	3	10	8	16

### Consolidated statement of comprehensive income

SEK millions	2019 Q2	2018 Q2	2019 Qs 1-2	2018 Qs 1-2	2018 Full year
Profit for the period after tax	1,014	1,313	2,299	1,983	3,564
Other comprehensive income					
<u>Items that may be subsequently reclassified to the income statement</u>					
Translation differences for the period	448	2,941	2,123	4,334	4,009
Cash flow hedges	-40	188	-170	270	231
Hedging of currency risks in foreign operations <sup>1)</sup>	-46	-556	-237	-711	-666
Share in other comprehensive income of affiliated companies and joint ventures	-	-	-7	-	3
Tax attributable to items that may be subsequently reclassified to the income statement	18	84	87	100	100
Total items that may be subsequently reclassified to the income statement	380	2,656	1,796	3,994	3,677
<u>Items that will not be reclassified to the income statement</u>					
Remeasurements of the net defined benefit liability	-28	-1	-62	28	27
Tax attributable to items that will not be reclassified to the income statement	5	0	12	-6	-8
Share in other comprehensive income of affiliated companies and joint ventures	-	-	7	-	-
Total items that will not be reclassified to the income statement	-23	-1	-43	22	19
Total other comprehensive income for the period, net after tax	357	2,655	1,753	4,016	3,696
Total comprehensive income for the period	1,371	3,968	4,052	5,999	7,260
Of which attributable to:					
- Parent Company's shareholders	1,368	3,965	4,043	5,988	7,242
- Non-controlling interest	3	3	9	11	18

1) Hedging is structured such that the net/equity ratio is unchanged in the event of changed exchange rates.

## Summary consolidated statement of changes in equity

SEK millions	Equity attributable to the Parent Company's shareholders				Total equity	Non-controlling interest	Total equity
	Share capital	Other contributed funds	Reserves	Retained earnings			
Equity, December 31, 2017	9,062	23,021	2,041	19,107	53,231	63	53,294
<u>Changes Jan. 1 – Jun. 30, 2018</u>							
Adjustment opening balance - change in accounting principle, IFRS 9				-7	-7	-	-7
Adjusted equity, January 1, 2018	9,062	23,021	2,041	19,100	53,224	63	53,287
Total comprehensive income for the period			3,994	1,994	5,988	11	5,999
Dividend, shareholders				-1,030	-1,030		-1,030
Dividend, non-controlling interest						-1	-1
Equity, June 30, 2018	9,062	23,021	6,035	20,064	58,181	73	58,255
<u>Changes Jul. 1 - Dec. 31, 2018</u>							
Total comprehensive income for the period			-320	1,574	1,254	7	1,261
Dividend, non-controlling interest						-2	-2
Equity, December 31, 2018	9,062	23,021	5,715	21,638	59,437	78	59,514
<u>Changes Jan. 1 - Jun. 30, 2019</u>							
Total comprehensive income for the period			1,797	2,246	4,043	9	4,052
Non-controlling interest through business acquisition <sup>1)</sup>						47	47
Investments, non-controlling interest			-3	-14	-17	-30	-47
Dividend, Parent company shareholders				-1,545	-1,545		-1,545
Dividend, non-controlling interest						-6	-6
Equity, June 30, 2019	9,062	23,021	7,509	22,325	61,918	98	62,017

<sup>1)</sup> Non-controlling interest from the acquisition of Piristeel Oy.

There are 1,029,835,326 shares with a quotient value of SEK 8.80.

## Summary of consolidated balance sheet

SEK millions	2019 30 Jun	2018 30 Jun	2019 1 Jan	2018 31 Dec
<b>Assets</b>				
Goodwill	31,128	30,126	29,994	29,994
Other intangible assets	1,166	1,727	1,444	1,444
Tangible fixed assets	26,256	24,388	25,914	23,953
Participations in affiliated companies	794	690	697	697
Financial assets	580	569	608	608
Deferred tax receivables <sup>1)</sup>	425	486	507	507
<b>Total fixed assets</b>	<b>60,349</b>	<b>57,986</b>	<b>59,163</b>	<b>57,202</b>
Inventories	22,177	17,577	19,813	19,813
Accounts receivable	9,557	9,911	8,784	8,784
Current tax receivables	152	304	195	195
Other current receivables <sup>2)</sup>	2,903	3,791	3,879	3,894
Cash and cash equivalents	4,427	2,134	2,598	2,598
<b>Total current assets</b>	<b>39,217</b>	<b>33,717</b>	<b>35,269</b>	<b>35,284</b>
<b>Total assets</b>	<b>99,565</b>	<b>91,703</b>	<b>94,432</b>	<b>92,487</b>
<b>Equity and liabilities</b>				
Equity for shareholders in the Company	61,918	58,181	59,437	59,437
Non-controlling interest	99	73	78	78
<b>Total equity</b>	<b>62,017</b>	<b>58,255</b>	<b>59,514</b>	<b>59,514</b>
Deferred tax liabilities	612	754	1,044	1,044
Other long-term provisions	632	606	605	605
Long-term non-interest bearing liabilities <sup>2)</sup>	297	356	324	324
Long-term interest-bearing liabilities	12,311	11,114	11,000	9,693
<b>Total long-term liabilities</b>	<b>13,853</b>	<b>12,829</b>	<b>12,973</b>	<b>11,666</b>
Short-term interest-bearing liabilities	4,811	4,986	4,161	3,523
Accounts payable	14,177	11,491	13,375	13,375
Current tax liabilities	147	313	333	333
Other current liabilities	4,560	3,828	4,076	4,076
<b>Total current liabilities</b>	<b>23,696</b>	<b>20,619</b>	<b>21,945</b>	<b>21,306</b>
<b>Total equity and liabilities</b>	<b>99,565</b>	<b>91,703</b>	<b>94,432</b>	<b>92,487</b>
Pledged assets	1,294	2,146	2,305	2,305
Contingent liabilities	2,129	2,984	1,860	2,273

<sup>1)</sup> Of the Deferred tax receivable, SEK 100 (165) million constitutes a valuation of the future tax credits regarding investments in Alabama, USA. Since the credits cannot yet be booked as income, a corresponding liability has been booked as Long-term non-interest bearing liabilities.

<sup>2)</sup> Other current receivables comprise short-term bank deposits (escrow agreement) in the amount of SEK 1,232 (2,084) million.

## Valuation of financial assets and liabilities

Financial assets and liabilities in the balance sheet are valued based on their classification at acquisition value or fair value. Both interest rate derivatives and currency derivatives are valued at fair value. In the balance sheet item "Other current receivables" derivatives are valued at a total of SEK 262 (528) million and in the balance sheet item "Other current liabilities" derivatives are valued at a total of SEK 249 (57) million. In the balance sheet item "Financial assets" derivatives are valued at a total of SEK 90 (144) million and in the balance sheet item "Long-term non-interest bearing liabilities", derivatives are included valued at a total of SEK 18 (4) million.

Other financial assets and liabilities in the balance sheet are reported at acquisition value. In the case of valuation at fair value, the loans at fixed interest reported in the balance sheet item "Long-term interest-bearing liabilities" (including short-term part) would exceed the reported amount by SEK 50 (42) million. However, since the loans will be held until maturity, this does not affect the reported value.

### Assessment of the fair value of financial instruments

Classification takes place hierarchically on three different levels based on the input data used in valuing instruments. On level 1, listed prices on an active market are used, e.g. stock exchange prices. On level 2, observable market data regarding assets and liabilities other than listed prices are used, e.g. interest rates and return curves. On level 3, the fair value is determined based on a valuation technique which is based on assumptions which are not based on prices or observable data.

The fair value valuation of the financial assets in SSAB is based on data in accordance with level 2, with the exception of electricity derivatives, where the fair value is based on listed market prices, and which are therefore classified on level 1.

## Summary of cash flow

SEK millions	2019 Q2	2018 Q2	2019 Qs 1-2	2018 Qs 1-2	2018 Full year
Operating profit <sup>1)</sup>	1,316	1,630	2,990	2,546	4,940
Adjustment for depreciation and impairment	1,104	952	2,184	1,872	3,771
Adjustment for other non-cash items <sup>1)</sup>	-97	-36	-85	-66	174
Received and paid interest	-150	-235	-243	-376	-541
Tax paid	-702	-105	-956	-341	-628
Change in working capital	-240	-805	-1,496	-1,604	-967
Cash flow from operating activities	1,231	1,402	2,395	2,031	6,750
Capital expenditure payments in plants and machinery	-632	-507	-1,124	-855	-2,451
Acquisitions, shares and operations	-595	-	-770	-10	-11
Divested shares and operations	-	-	-	-	76
Other investing activities	15	2	22	41	104
Cash flow from investing activities	-1,212	-506	-1,873	-825	-2,282
Dividend paid to shareholders	-1,545	-1,030	-1,545	-1,030	-1,030
Dividend, non-controlling interest	-6	-2	-6	-2	-3
Change in loans	853	-2,917	1,641	-3,232	-5,988
Change in financial investments	74	433	1,033	355	270
Acquisition, non-controlling interest	-45	-	-45	-	-
Other financing activities	203	889	152	542	640
Cash flow from financing activities	-467	-2,628	1,230	-3,366	-6,111
Cash flow for the period	-448	-1,732	1,752	-2,160	-1,644
Cash and cash equivalents at beginning of period	4,873	3,863	2,598	4,249	4,249
Cash in acquired subsidiary	0	-	37	-	-
Exchange rate difference in cash and cash equivalents	3	3	40	45	-7
Cash and cash equivalents at end of period	4,427	2,134	4,427	2,134	2,598

<sup>1)</sup> The result for the full year 2018 includes items affecting comparability of SEK -240 (-) million, mainly relating to the capital loss on the divestment of Ruukki construction's business operations in Russia. The size of the Group's own equity has not been affected to any greater extent since most of the loss relates to foreign realized currency effects which have been reclassified from other comprehensive income to profit/loss for the period.

## Key figures

	2019 Q2	2018 Q2	2019 Qs 1-2	2018 Qs 1-2	2018 Full year
Operating margin (%)	6	8	7	7	7
Earnings per share (SEK)	0.98	1.27	2.22	1.92	3.45
Equity per share (SEK)	60.12	56.50	60.12	56.50	57.71
Dividend per share (SEK)	1.50	1.00	1.50	1.00	1.00
Net debt/equity ratio (%) <sup>1)</sup>	19	20	19	20	18
Equity ratio (%) <sup>1)</sup>	62	63	62	63	64
Adjusted average number of shares during the period (millions)	1,029.8	1,029.8	1,029.8	1,029.8	1,029.8
Number of shares at end of period (millions)	1,029.8	1,029.8	1,029.8	1,029.8	1,029.8
Number of employees at end of period	14,594	14,843	14,594	14,843	14,313

<sup>1)</sup>The opening balance 2019 has been adjusted for IFRS 16.



## Financial reports – The Parent Company

### Summary of the Parent Company's income statement

SEK millions	2019 Q2	2018 Q2	2019 Qs 1-2	2018 Qs 1-2	2018 Full year
Gross profit	-	-	-	-	-
Selling and administrative costs	-98	-104	-199	-199	-345
Other operating income/expenses	44	36	86	72	178
Operating profit/loss	-54	-68	-114	-127	-167
Financial items	-41	447	-250	184	210
Profit/loss after financial items	-95	379	-364	57	43
Appropriations	-	-	-	-	1,738
Profit/loss before tax	-95	379	-364	57	1,781
Tax	20	162	76	233	-147
Profit/loss after tax	-74	541	-287	289	1,634

### The Parent Company's statement of comprehensive income

SEK millions	2019 Q2	2018 Q2	2019 Qs 1-2	2018 Qs 1-2	2018 Full year
Profit/loss after tax	-74	541	-287	289	1,634
Other comprehensive income					
<u>Items that may be classified to the income statement</u>					
Cash flow hedges	-6	6	-7	32	-23
Tax attributable to other comprehensive income	1	-1	2	-7	5
Total items that will be reclassified to the income statement	-5	4	-6	25	-18
Other comprehensive income, net after tax	-5	4	-6	25	-18
Total comprehensive income for the period	-79	545	-292	314	1,616

### Summary of the Parent Company's balance sheet

SEK millions	2019 30 Jun	2018 30 Jun	2018 31 Dec
Assets			
Fixed assets	74,762	69,428	72,325
Other current assets	6,411	12,687	10,697
Cash and cash equivalents	2,728	690	1,553
Total assets	83,901	82,805	84,576
Equity and liabilities			
Restricted equity	9,964	9,964	9,964
Unrestricted equity	51,151	51,686	52,988
Total equity	61,115	61,650	62,952
Long-term liabilities and provisions	7,958	7,913	6,604
Current liabilities and provisions	14,829	13,242	15,020
Total equity and liabilities	83,901	82,805	84,576

## Information about business segments

SSAB has been organized into five reportable business segments with a clear profit responsibility. The business segments consist of the three steel divisions: SSAB Special Steels, SSAB Europe and SSAB Americas as well as the fully owned subsidiaries Tibnor and Ruukki Construction. Tibnor and Ruukki Construction are operated as independent subsidiaries.

### SSAB Special Steels

SSAB Special Steels has global responsibility for the marketing and sales of all SSAB's quenched and tempered steels (Q&T) and hot-rolled, advanced high-strength steels with yield strengths of 690 MPa and above. SSAB Special Steels is responsible for steel and rolling production in Oxelösund (Sweden), and for sales of the above products produced in Mobile (USA), Raahe (Finland) and Borlänge (Sweden). When SSAB Special Steels sells steels made by another division, the revenue is reported by SSAB Special Steels and the accounts are settled between the divisions at the cost of goods sold.

### SSAB Europe

SSAB Europe has responsibility for strip, plate and tubular products in Europe, and global profit responsibility for the Automotive segment (cold-rolled strip). SSAB Europe is responsible for steel and plate production in Raahe and Hämeenlinna (Finland), and in Luleå and Borlänge (Sweden).

### SSAB Americas

SSAB Americas has profit responsibility for heavy plate in North America, and for steel and plate production in Montpelier and Mobile, USA.

### Tibnor

Tibnor is the Group's distributor of a full range of steel and non-ferrous metals in the Nordic region and Baltics. Tibnor buys and sells materials produced both by SSAB and other suppliers.

### Ruukki Construction

Ruukki Construction is responsible for the sales and production of energy-efficient building and construction solutions, with a focus on northern and eastern Europe. Ruukki Construction includes Plannja.

## Specification of sales during the first half year

The following table describes external sales by business segments broken down by geographical areas and product areas.

External sales, Jan-Jun 2019	Business segments					
	SSAB Special Steels	SSAB Europe <sup>1)</sup>	SSAB Americas	Tibnor	Ruukki Construction	Total <sup>1)</sup>
SEK millions						
<u>Geographical areas</u>						
Sweden	208	3,461	-	2,094	585	6,348
Finland	148	2,415	-	834	1,139	4,536
Germany	915	1,213	-	15	7	2,151
Other EU-28	2,712	5,192	-	912	929	9,744
Norway	55	331	-	836	219	1,441
Russia	204	177	-	-	6	386
Other Europe	351	128	-	6	53	538
USA	2,031	659	8,903	0	1	11,595
Canada	581	1	415	-	3	1,000
Rest of the world	2,477	400	30	21	3	2,932
<b>Total</b>	<b>9,683</b>	<b>13,977</b>	<b>9,349</b>	<b>4,718</b>	<b>2,945</b>	<b>40,672</b>
<u>Product area</u>						
Steel products	9,294	12,923	9,338	-	0	31,555
Trading operations	-	-	-	4,718	-	4,718
Ruukki Construction operations	-	-	-	-	2,935	2,935
Slabs, by-products and scrap	261	1,010	-	-	-	1,271
Other	127	44	11	-	10	192
<b>Total</b>	<b>9,683</b>	<b>13,977</b>	<b>9,349</b>	<b>4,718</b>	<b>2,945</b>	<b>40,672</b>

<sup>1)</sup> The figures for SSAB Europe's sales per geographical area have been corrected for the first quarter of 2019, which also affects the group total.

External sales, Jan-Jun 2018	Business segments					
	SSAB Special Steels	SSAB Europe	SSAB Americas	Tibnor	Ruukki Construction	Total
SEK millions						
<u>Geographical areas</u>						
Sweden	422	3,229	-	2,052	622	6,325
Finland	130	2,174	-	777	740	3,820
Germany	735	1,184	-	20	3	1,942
Other EU-28	2,626	5,090	-	553	814	9,084
Norway	29	309	-	797	262	1,396
Russia	158	123	-	-	164	444
Other Europe	519	168	-	3	32	722
USA	1,666	695	6,734	0	1	9,097
Canada	549	5	581	-	-	1,135
Rest of the world	2,104	527	25	21	8	2,686
<b>Total</b>	<b>8,938</b>	<b>13,503</b>	<b>7,340</b>	<b>4,224</b>	<b>2,646</b>	<b>36,652</b>
<u>Product area</u>						
Steel products	8,304	12,820	7,280	-	-	28,404
Trading operations	-	-	-	4,224	-	4,224
Ruukki Construction operations	-	-	-	-	2,646	2,646
Slabs, by-products and scrap	544	614	49	-	-	1,207
Other	90	70	11	-	0	171
<b>Total</b>	<b>8,938</b>	<b>13,503</b>	<b>7,340</b>	<b>4,224</b>	<b>2,646</b>	<b>36,652</b>

## Specification of sales during the second quarter

The following table describes external sales by business segments broken down by geographical areas and product areas.

External sales, Quarter 2, 2019	Business segments					
	SSAB Special Steels	SSAB Europe	SSAB Americas	Tibnor	Ruukki Construction	Total
SEK millions						
<u>Geographical areas</u>						
Sweden	97	1,720	-	1,056	198	3,071
Finland	78	1,296	-	421	858	2,652
Germany	499	547	-	7	1	1,054
Other EU-28	1,358	2,600	-	616	512	5,086
Norway	29	165	-	386	66	646
Russia	113	106	-	-	3	222
Other Europe	187	61	-	3	38	289
USA	980	327	4,284	0	0	5,592
Canada	299	1	209	-	1	511
Rest of the world	1,332	181	9	8	2	1,532
<b>Total</b>	<b>4,972</b>	<b>7,003</b>	<b>4,502</b>	<b>2,497</b>	<b>1,679</b>	<b>20,654</b>
<u>Product area</u>						
Steel products	4,767	6,470	4,498	-	0	15,736
Trading operations	-	-	-	2,497	-	2,497
Ruukki Construction operations	-	-	-	-	1,669	1,669
Slabs, by-products and scrap	139	510	-	-	-	649
Other	66	24	4	-	10	103
<b>Total</b>	<b>4,972</b>	<b>7,003</b>	<b>4,502</b>	<b>2,497</b>	<b>1,679</b>	<b>20,654</b>

External sales, Quarter 2, 2018	Business segments					
	SSAB Special Steels	SSAB Europe	SSAB Americas	Tibnor	Ruukki Construction	Total
SEK millions						
<u>Geographical areas</u>						
Sweden	226	1,605	-	1,065	328	3,224
Finland	53	1,151	-	407	460	2,072
Germany	391	621	-	10	1	1,023
Other EU-28	1,348	2,483	-	280	500	4,611
Norway	6	168	-	434	150	758
Russia	75	66	-	-	102	243
Other Europe	276	87	-	1	21	383
USA	719	461	3,630	0	0	4,811
Canada	467	-57	345	-	-	755
Rest of the world	1,073	282	12	10	6	1,383
<b>Total</b>	<b>4,635</b>	<b>6,867</b>	<b>3,987</b>	<b>2,206</b>	<b>1,568</b>	<b>19,263</b>
<u>Product area</u>						
Steel products	4,268	6,693	3,949	-	-	14,910
Trading operations	-	-	-	2,206	-	2,206
Ruukki Construction operations	-	-	-	-	1,568	1,568
Slabs, by-products and scrap	320	156	34	-	-	510
Other	46	18	4	-	0	69
<b>Total</b>	<b>4,635</b>	<b>6,867</b>	<b>3,987</b>	<b>2,206</b>	<b>1,568</b>	<b>19,263</b>

## Accounting principles – IFRS 16, Leases

### The Group as lessee

The right-of-use asset and lease liability are recognized at the start of the lease term. The lease liability is initially recognized at the present value of future lease payments discounted at the rate implicit in the lease agreement, or where this cannot be determined, the Group's incremental borrowing rate. Subsequent measurement of the lease liability is done by increasing the value to reflect the interest rate and the decrease the value due to payments. In addition, any remeasurements of the lease liability are taken into account.

The acquisition value of the right-of-use asset consists of the initial value of the lease liability plus any advance payments and other initial direct costs. Subsequent measurement of the right-of-use asset is at acquisition value less accumulated depreciation and any accumulated impairment, and taking into account any remeasurements. Depreciation is recognized on a straight-line basis over the lease term or over the economic life of the asset if it is reasonably certain that title will transfer to the Group, for example, through exercising an option to purchase at the end of the lease term.

An exception to the new principles that the Group is applying is applicable to low value leases, where no right-of-use asset or lease liability is recognized. These will be recognized as a straight-line cost over the lease term. The Group defines low value leases as, for example, office equipment such as printers, copying machines, coffee machines and other assets having a value of less than around SEK 50 thousand in new condition.

### Transition to IFRS 16

The Group has applied the simplified transition approach and has not restated any comparable figures for earlier periods. This means that the right-of-use asset has been recognized at the same amount as the lease liability plus the advance payments made immediately prior to transition. Lease liability has been calculated by applying the incremental borrowing rate on transition. The Group has elected to apply the practical expedient of not reconsidering whether or not a lease exists. The exception regarding recognition of low value leases has also been applied at transition. This is an exception which will continue to be applied after the transition.

As at December 31, 2018, the Group's non-cancellable lease commitments (undiscounted) amounted to SEK 2,964 million, of which SEK 656 million were financial leases. In addition, SEK 121 million in lease commitments is attributable to assets of low value. These are recognized as a straight-line cost over the lease term. Regarding the remaining lease commitments, rights of use amounting to SEK 1,961 million and lease liabilities of SEK 1,946 million have been recognized as at January 1, 2019. The transition has not affected shareholders' equity since under the transition approach all earlier finance leases will continue to be recognized as leases in accordance with IFRS 16.

The tables below show the impact of transition to IFRS 16.

### Transition effect of IFRS 16, Leasing

SEK millions	2019 Jan 1
Total lease commitments as per December 31, 2018	2,964
Previous financial leasing agreements according to IAS 17	-656
Leasing agreements, low value	-121
Variable leasing fees (linked to index or interest)	13
Total impact undiscounted as of January 1, 2019	2,201
Discounting	-255
Impact on lease liability as of January 1, 2019	1,946
Prepayment, leasing fees	15
Impact of right of use as per January 1, 2019	1,961

The weighted average incremental borrowing rate applied to lease liabilities recognized in the balance sheet at the date of initial application is 3.74%

Adjusted Opening balance as per January 1, 2019:

## Consolidated balance sheet

SEK millions	2018 Dec 31	Adjustment IFRS 16	2019 Jan 1
<b>Assets</b>			
Intangible assets	31,438	-	31,438
Tangible assets	23,953	1,961	25,914
Other fixed assets	1,811	-	1,811
<b>Total fixed assets</b>	<b>57,202</b>	<b>1,961</b>	<b>59,163</b>
Other current receivables	3,894	-15	3,879
Other current assets	31,390	-	31,390
<b>Total current assets</b>	<b>35,284</b>	<b>-15</b>	<b>35,269</b>
<b>Total assets</b>	<b>92,487</b>	<b>1,946</b>	<b>94,432</b>
<b>Equity and liabilities</b>			
Equity for shareholders in the Company	59,437	-	59,437
Non-controlling interest	78	-	78
<b>Total equity</b>	<b>59,514</b>	<b>-</b>	<b>59,514</b>
Long-term interest-bearing liabilities	9,693	1,307	11,000
Other provisions and long-term non interest-bearing liabilities	1,973	-	1,973
<b>Total long-term liabilities</b>	<b>11,666</b>	<b>1,307</b>	<b>12,973</b>
Short-term interest-bearing liabilities	3,523	638	4,161
Other current liabilities	17,783	-	17,783
<b>Total current liabilities</b>	<b>21,306</b>	<b>638</b>	<b>21,945</b>
<b>Total equity and liabilities</b>	<b>92,487</b>	<b>1,946</b>	<b>94,432</b>

Impact on key figures

Profit/loss after tax will decrease for 2019 due to the application of the new principles compared to how the profit/loss after tax would have been recognized applying the earlier IAS 17. This is due to the fact that the new standard results in a front-loaded recognition of the costs at the beginning of a contract, which is due to the recognition of the interest expenses. EBITDA will increase since the costs for the operating leases was included in EBITDA when applying previous principles, but the depreciation on the right-of use asset and the interest expense on the lease liability are excluded from EBITDA. Operational cash flow will increase, while the cash flow from financial activities will decrease, but the total cash flow will not be affected. However, working capital will decrease as net debt and the net debt/equity ratio rises.

Parent company as lessee

The parent company will apply the exemption rules under RFR 2 and will therefore not apply IFRS 16. The parent company will continue to recognize all leasing agreements as a straight-line cost over the lease.

## Acquisition of Piristeel Oy – Preliminary purchase price allocation

During March 2019, Ruukki Construction acquired a 67% holding in the Finnish company, Piristeel Oy. Piristeel is Finland's leading manufacturer of roof safety products and rainwater systems. The preliminary purchase price allocation that was made in the first quarter of 2019 has been finalized during the second quarter. The purchase price amounted to SEK 176 million and fair value of the acquired net assets amounted to SEK 96 million. The Group's cash and cash equivalents has been affected by SEK -139 million.

## Sanistål A/S asset deal - Preliminary purchase price allocation

During April 2019, Tibnor acquired the steel distribution business of Sanistål A/S, Denmark's second largest steel distributor. The steel distribution business acquired had sales of approximately SEK 1.9 billion in 2018. A preliminary purchase price allocation is presented below.

Preliminary purchase price allocation	SEKm
Purchase price	518
Preliminary fair value for the acquired net assets	-518
Preliminary calculated goodwill	0

Final purchase price allocation of surplus values will be done during the year the third quarter of 2019.

Assets and liabilities at the time of the acquisition	
	Preliminary purchase allocation of fair value
	SEKm
Real estate	256
Other tangible fixed assets	12
Inventory	255
Short-term liabilities	-4
Total acquired net assets	518
Change in the Group's cash and cash equivalents at the time of the acquisition	
	SEKm
Purchase price paid	-518
Total	-518



## Relevant reconciliations of non-IFRS-based performance measures

SSAB has applied the guidelines issued by ESMA (European Securities and Markets Authority) on alternative performance measures (AFMs). These performance measures are not defined or specified in accordance with IFRS, but provide complementary information to investors and company management about the company's financial position and development. Besides the definitions below, definitions of the non-IFRS-based performance measures below can be found in the Annual Report.

### Operating profit before depreciation/amortization, EBITDA

SEK millions	2019 Q2	2018 Q2	2019 Qs 1-2	2018 Qs 1-2	2018 Full year
Operating profit	1,316	1,630	2,990	2,546	4,940
Depreciation and impairment	1,104	952	2,184	1,872	3,771
Operating profit before depreciation/amortization, EBITDA	2,419	2,582	5,174	4,418	8,712

### Operating profit before depreciation/amortization, EBITDA, excl. items affecting comparability

SEK millions	2019 Q2	2018 Q2	2019 Qs 1-2	2018 Qs 1-2	2018 Full year
Operating profit before depreciation/amortization, EBITDA	2,419	2,582	5,174	4,418	8,712
Items affecting comparability	-	-	-	-	240
Operating profit before depreciation/amortization, EBITDA, excl items affecting comparability	2,419	2,582	5,174	4,418	8,952

### Return on capital employed before tax, rolling 12 months

SEK millions	Jul 18- Jun 19	Jul 17- Jun 18	2018 Full year
Operating profit	5,384	4,478	4,940
Financial income	376	422	353
Total	5,761	4,899	5,293
Average capital employed	76,914	73,642	74,417
Return on capital employed before tax, %	7%	7%	7%

### Return on equity after tax, rolling 12 months

SEK millions	Jul 18- Jun 19	Jul 17- Jun 18	2018 Full year
Profit for the period, after tax	3,880	2,906	3,564
Average equity	60,599	54,128	57,341
Return on equity after tax, %	6%	5%	6%

## Operating cash flow

SEK millions	2019 Q2	2018 Q2	2019 Qs 1-2	2018 Qs 1-2	2018 Full year
Cash flow from operating activities	1,231	1,402	2,395	2,031	6,750
Reversal received and paid interests	150	235	243	376	541
Reversal tax paid	702	105	956	341	628
Maintenance expenditures <sup>1)</sup>	-401	-417	-753	-702	-1,943
Other investing activities <sup>2)</sup>	15	2	-6	41	-7
<b>Operating cash flow</b>	<b>1,696</b>	<b>1,325</b>	<b>2,835</b>	<b>2,086</b>	<b>5,969</b>

<sup>1)</sup> See the definition of Maintenance capital expenditures in the Annual Report.

<sup>2)</sup> Other investing activities primarily refer to cash flow from long-term receivables and investments and purchase of emission allowances.

## Net debt

SEK millions	2019 30 Jun	2018 30 Jun	2018 31 Dec <sup>3)</sup>
Interest-bearing assets <sup>1)</sup>	5,994	4,692	5,126
Interest-bearing liabilities <sup>2)</sup>	17,803	16,573	15,653
<b>Net debt</b>	<b>11,809</b>	<b>11,881</b>	<b>10,527</b>

<sup>1)</sup> Interest-bearing assets primarily refer to long-term and current interest-bearing receivables and investments, together with derivatives and cash and cash equivalents.

<sup>2)</sup> Interest-bearing liabilities primarily consist of long-term and current interest-bearing debt, pension liability and derivatives.

<sup>3)</sup> The closing balance on December 31 has been adjusted for IFRS 16.

## Financial information, per quarter

### The Group's result per quarter, excluding items affecting comparability

SEK millions	1/17	2/17	3/17	4/17	1/18	2/18	3/18	4/18	1/19	2/19
Sales	15,739	17,115	16,188	17,017	17,388	19,263	19,038	19,251	20,017	20,654
Operating expenses	-14,129	-14,966	-14,192	-15,250	-15,572	-16,699	-16,487	-17,295	-17,295	-18,269
Depreciation/amortization	-926	-961	-927	-939	-920	-952	-961	-938	-1,081	-1,102
Affiliated companies	17	17	20	14	21	18	11	16	33	33
Financial items	-253	-291	-225	-206	-147	-202	-153	-34	-91	-86
<b>Result before tax</b>	<b>449</b>	<b>914</b>	<b>864</b>	<b>636</b>	<b>769</b>	<b>1,427</b>	<b>1,447</b>	<b>1,001</b>	<b>1,583</b>	<b>1,230</b>

## Sales per quarter and division

SEK millions	1/17	2/17	3/17	4/17	1/18	2/18	3/18	4/18	1/19	2/19
SSAB Special Steels	3,925	4,133	3,627	4,368	4,674	5,142	4,684	4,369	4,874	5,139
SSAB Europe	7,657	8,378	7,245	7,768	8,051	8,892	7,754	8,099	8,577	8,814
SSAB Americas	3,019	3,138	3,340	3,230	3,363	4,040	4,713	4,762	4,871	4,555
Tibnor	2,019	2,057	1,733	2,012	2,058	2,253	1,949	2,173	2,264	2,534
Ruukki Construction	1,131	1,531	1,640	1,471	1,088	1,578	1,799	1,674	1,274	1,690
Other	-	1	-	-	0	0	0	0	0	0
Group adjustments	-2,012	-2,123	-1,397	-1,832	-1,846	-2,642	-1,861	-1,827	-1,843	-2,077
<b>Total</b>	<b>15,739</b>	<b>17,116</b>	<b>16,188</b>	<b>17,017</b>	<b>17,388</b>	<b>19,263</b>	<b>19,038</b>	<b>19,251</b>	<b>20,017</b>	<b>20,654</b>

### Operating profit before depreciation/amortization, EBITDA, per quarter and division, excluding items affecting comparability

SEK millions	1/17	2/17	3/17	4/17	1/18	2/18	3/18	4/18	1/19	2/19
SSAB Special Steels	377	495	353	777	569	656	670	52	842	703
SSAB Europe	1,182	1,381	1,031	811	998	1,259	814	1,082	738	469
SSAB Americas	8	201	468	141	283	526	951	699	1,119	1,037
Tibnor	118	88	65	63	87	103	73	50	78	73
Ruukki Construction	8	97	137	65	-29	92	136	111	30	141
Other	-66	-95	-38	-75	-71	-53	-81	-24	-52	-3
Total	1,627	2,167	2,016	1,782	1,836	2,582	2,563	1,971	2,755	2,419

### Operating profit/loss per quarter and division, excluding items affecting comparability

SEK millions	1/17	2/17	3/17	4/17	1/18	2/18	3/18	4/18	1/19	2/19
SSAB Special Steels	243	362	219	641	434	522	536	-72	678	544
SSAB Europe	826	1,022	680	460	657	907	460	733	347	66
SSAB Americas	-157	39	316	-15	129	365	790	553	956	872
Tibnor	99	67	44	42	67	83	53	28	38	29
Ruukki Construction	-29	63	105	32	-62	59	103	82	-14	95
Depreciation on surplus values, IPSCO	-157	-194	-180	-182	-179	-192	-198	-203	-201	-207
Depreciation on surplus values, Rautaruukki	-51	-53	-53	-54	-54	-56	-57	-57	-64	-66
Other	-72	-101	-42	-81	-76	-58	-86	-28	-67	-18
Total	702	1,205	1,090	844	916	1,630	1,600	1,035	1,674	1,316

### Items affecting comparability, per quarter and business segment

SEK millions	1/17	2/17	3/17	4/17	1/18	2/18	3/18	4/18	1/19	2/19
SSAB Special Steels	-	-	-	-	-	-	-	-	-	-
SSAB Europe	-	-	-	-	-	-	-	-	-	-
SSAB Americas	-	-	-	-	-	-	-	-	-	-
Tibnor	-	-	-	-	-	-	-	-	-	-
Ruukki Construction	-	-	-	-	-	-	-	0	-	-
Other	-	-	-	-	-	-	-213	-27	-	-
Total	-	-	-	-	-	-	-213	-27	-	-

## Production and shipments

Thousand tonnes	1/17	2/17	3/17	4/17	1/18	2/18	3/18	4/18	1/19	2/19
<b>Crude steel production</b>										
- SSAB Special Steels	265	229	180	282	234	305	217	162	385	343
- SSAB Europe	1,168	1,196	1,146	1,089	1,175	1,147	1,049	1,205	993	1,120
- SSAB Americas	569	602	634	635	652	629	645	609	621	637
- Total	2,002	2,027	1,960	2,006	2,061	2,081	1,911	1,976	2,000	2,100
<b>Rolling production</b>										
- SSAB Special Steels	83	147	111	155	121	138	145	89	145	130
- SSAB Europe	1,253	1,203	1,104	1,058	1,180	1,200	1,031	1,082	1,162	1,198
- SSAB Americas	545	553	603	582	607	603	612	582	581	597
- Total	1,881	1,903	1,818	1,795	1,909	1,941	1,788	1,753	1,889	1,926
<b>Steel shipments</b>										
- SSAB Special Steels	277	304	293	318	346	339	320	293	338	339
- SSAB Europe	982	991	871	901	939	963	810	850	907	909
- SSAB Americas	486	452	508	525	523	509	517	491	500	475
- Total	1,745	1,747	1,672	1,744	1,808	1,811	1,646	1,634	1,744	1,722

## Note:

This report has been published in Swedish and English. In the event of any differences between the English translation and the Swedish original, the Swedish Report shall prevail.

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Report for January-September 2019

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