

INTERIM REPORT JANUARY -
SEPTEMBER 2019



Weak market impacted SSAB
Europe, while SSAB Americas
held up well

October 23, 2019

SSAB

Interim Report for January-September 2019

The third quarter

- Sales were SEK 18,840 (19,038) million
- Operating profit before depreciation/amortization excluding items affecting comparability was SEK 1,327 (2,563) million
- Operating profit, excluding items affecting comparability, was SEK 300 (1,600) million
- Operating profit, including items affecting comparability, was SEK 150 (1,387) million
- Earnings per share were SEK 0.03 (0.85)
- Operating cash flow was SEK 1,038 (1,922) million
- Net debt/equity ratio was 15% (17%), excluding IFRS 16

Key figures

SEK millions	2019 Q3	2018 Q3	2019 Q2	2019 Qs 1-3	2018 Qs 1-3	2018 Full year
Sales	18,840	19,038	20,654	59,512	55,689	74,941
Operating profit before depreciation and amortization, EBITDA ¹⁾	1,327	2,563	2,419	6,501	6,981	8,952
Operating profit ¹⁾	300	1,600	1,316	3,290	4,146	5,181
Profit after financial items ¹⁾	201	1,447	1,230	3,014	3,643	4,644
Profit after tax ¹⁾	184	1,096	1,014	2,483	3,079	3,805
Earnings per share (SEK)	0.03	0.85	0.98	2.25	2.77	3.45
Operating cash flow	1,038	1,922	1,696	3,872	4,008	5,969
Net debt, including IFRS 16	11,424	-	11,809	11,424	-	10,527
Net debt, excluding IFRS 16	9,526	10,192	9,915	9,526	10,192	8,582
Net debt/equity ratio (%), including IFRS 16	18	-	19	18	-	18
Net debt/equity ratio (%), excluding IFRS 16	15	17	16	15	17	14

¹⁾ Excluding items affecting comparability. For detailed information see pages 3 and 30.

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

Comments by the CEO

SSAB's operating profit, excluding items affecting comparability, for the third quarter of 2019 was SEK 300 million, down SEK 1,300 million compared with the third quarter of 2018. Lower earnings were primarily attributable to SSAB Europe. Group operating cash flow for the third quarter was SEK 1,038 (1,922) million.

Demand for SSAB Special Steels weakened during the third quarter, primarily in Europe. Shipments were down and operating profit was lower than the same quarter prior year at SEK 358 (536) million. Margins declined during the quarter mainly due to higher iron ore costs.

Demand in Europe was seasonally lower and weaker business conditions meant that the decline was more pronounced than normal. Operating profit for the third quarter fell to SEK -480 (460) million. Exceptional pressure on margins on the European market continued to have a negative impact on third quarter earnings, which were also negatively impacted by the planned mid-term repair of one of the blast furnaces in Raahe. Market prices of iron ore decreased during the latter part of the quarter and will lead to lower raw material costs for SSAB Europe during the fourth quarter.

Third quarter operating profit for SSAB Americas decreased to SEK 522 (790) million, primarily due to lower realized prices. Demand was relatively stable and shipments were up somewhat compared with the previous quarter.

Heading towards the end of the year, we see a more pronounced seasonal slowdown than normal. Several measures were taken already in the third quarter to cut costs across the Group; production rates were reduced on several lines and the smaller blast furnace in Oxelösund was idled, there was a significant reduction of temporary employees, reduced working hours and temporary lay-offs were introduced together with other costs savings measures. To achieve further reductions of cost and capacity, we will idle one of the blast furnaces in Raahe at the end of November. At the same time, our strong balance sheet, low net gearing and limited debt maturities the coming years give us a sound basis to continue to develop SSAB. The HYBRIT initiative, aiming to produce fossil free steel, is proceeding according to plan and is generating a lot of interest among our customers.

Outlook

In North America, demand for heavy plate is estimated to be relatively stable during the fourth quarter of 2019. In Europe, underlying demand is expected to be weaker, especially towards the end of the year. Global demand for high-strength steels is expected to be somewhat weaker during the fourth quarter, primarily related to Europe.

For SSAB Americas, shipments during the fourth quarter of 2019 are expected to decrease compared with the third quarter, mainly as a result of a planned maintenance outage in Mobile. Shipments for SSAB Europe are expected to be at the same level as during the third quarter, whereas shipments for SSAB Special Steels are expected to decrease somewhat.

Prices realized by SSAB Americas and SSAB Europe during the fourth quarter of 2019 are expected to be lower compared with the third quarter. Prices realized by SSAB Special Steels are expected to be somewhat lower during the fourth quarter.

Major planned maintenance outages

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

Major planned maintenance outages

	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	285	240	150	130	435	410
SSAB Americas	-	-	-	-	-	-	425	285	425	285
Total	-	-	-	40	285	240	835	765	1,120	1,045

The market

According to the World Steel Association, global crude steel production for the first eight months of 2019 amounted to 1,240 (1,188) million tonnes, up 4.4% compared with the same period in 2018. Chinese steel production increased by 9% and steel production in North America by just under 1%, whereas production in the EU-28 decreased by just under 3% compared with the same period in 2018.

In North America, demand for heavy plate was relatively good during the third quarter. However, distributors adopted a cautious sentiment towards the end of the quarter in the wake of falling prices. In Europe, demand was marked by a seasonal slowdown during the first half of the quarter and by weaker underlying demand from several customer segments during the second half. Distributors continued to be cautious as a result of the weak price trend and short lead times. Demand for high-strength steels was somewhat weaker in Europe and North America but remained good in other geographies.

In North America, market prices for heavy plate continued to fall during the third quarter, partly as a result of lower scrap prices. In Europe, market prices for both strip and heavy plate fell, especially towards the end of the quarter. Also in China, market prices for both strip and heavy plate fell during the quarter.

Items affecting comparability

During the third quarter, items affecting comparability had a negative impact of SEK 150 million on other operating income and expenses. The item is largely related to an estimated capital loss following the divestment of Ruukki Construction's project operations, Building Systems. In July, a decision was taken to divest Building Systems to Donges Group, which is owned by the German investment company Mutares. The divestment is subject to the approval of the relevant competition authorities and the transaction is expected to be completed towards the end of 2019. The business that is being divested had sales of around SEK 1.1 billion in 2018 and broke even at the EBIT level.

SSAB Group – Nine month summary

Sales and operating profit

Sales for the first nine months of 2019 were SEK 59,512 (55,689) million, up SEK 3,822 million or 7% compared with the first nine months of 2018.

Operating profit, excluding items affecting comparability, for the first nine months of 2019 was SEK 3,290 (4,146) million, down SEK 856 million compared with the first nine months of 2018. This decrease was primarily attributable to SSAB Europe.

Sales and result per business segment

SEK millions	Sales			Operating profit ¹⁾		
	2019 Qs 1-3	2018 Qs 1-3	Change	2019 Qs 1-3	2018 Qs 1-3	Change
SSAB Special Steels	14,521	14,500	22	1,580	1,493	87
SSAB Europe	25,028	24,697	331	-68	2,024	-2,092
SSAB Americas	13,872	12,115	1,757	2,350	1,283	1,067
Tibnor	6,977	6,260	717	70	202	-132
Ruukki Construction	4,758	4,466	292	215	100	115
Other	-	-	-	-136	-221	85
Depr. surplus values	-	-	-	-722	-735	14
Group adjustments	-5,645	-6,348	704	-	-	-
Total	59,512	55,689	3,822	3,290	4,146	-856

¹⁾ Excluding items affecting comparability. For amounts see page 30.

Profit after tax and earnings per share

Profit after tax (attributable to shareholders in the parent company) for the first nine months of 2019 was SEK 2,317 (2,854) million, equating to SEK 2.25 (2.77) per share. Tax was SEK -531 (-564) million, which equates to a tax rate of around 19% (16%) of profit after financial items.

Cash flow, financing and liquidity

Operating cash flow for the first nine months of 2019 was SEK 3,872 (4,009) million. Lower operating profit was partly offset by lower tied up working capital.

Net cash flow amounted to SEK -676 (1,850) million. Compared with the first nine months 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 2,561 (1,321) million. Net debt at September 30, 2019 was SEK 11,424 (10,192) million. The net debt/equity ratio was 18%. Excluding IFRS 16, the net debt/equity ratio was 15% (17%).

The term to maturity of the total loan portfolio at September 30 averaged 7.1 (6.1) years, with an average fixed interest period of 1.1 (1.3) years.

Cash and cash equivalents were SEK 4,266 (4,148) million and non-utilized credit facilities were SEK 7,250 (7,025) million, which combined corresponds to 15% (15%) 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 6% and 5% respectively, whereas the figures for the full year 2018 were 7% and 6% respectively.

Equity

With earnings of SEK 2,317 million and other comprehensive income (mostly consisting of translation differences) of SEK 4,178 million, shareholders' equity in the company amounted to SEK 64,371 (58,512) million, equating to SEK 62.51 (56.82) per share.

SSAB Group – Third quarter of 2019

Sales and operating profit

Sales for the third quarter of 2019 were SEK 18,840 (19,038) million, down 1% compared with the third quarter of 2018 and down 9% compared with the second quarter of 2019.

Operating profit, excluding items affecting comparability, was SEK 300 (1,600) million, down SEK 1,300 million compared with the third quarter of 2018. This decrease was primarily related to SSAB Europe. Compared with the second quarter of 2019, the result was down SEK 1,016 million.

Sales and operating profit by business segment

SEK millions	Sales			Operating profit ¹⁾		
	2019 Q3	2018 Q3	Change	2019 Q3	2018 Q3	Change
SSAB Special Steels	4,509	4,684	-175	358	536	-178
SSAB Europe	7,637	7,754	-117	-480	460	-941
SSAB Americas	4,446	4,713	-266	522	790	-267
Tibnor	2,179	1,949	231	2	53	-50
Ruukki Construction	1,794	1,799	-6	134	103	31
Other	-	-	-	-52	-86	35
Depr. surplus values	-	-	-	-184	-255	71
Group adjustments	-1,725	-1,861	136	-	-	-
Total	18,840	19,038	-198	300	1,600	-1,300

¹⁾ Excluding items affecting comparability. For amounts see page 30.

Analysis of total change in sales and result *)

	Sales		Operating profit ¹⁾	
	Change vs Q3, 2018 %		Change vs Q3, 2018 SEK m.	
Volume	-2	Price and product mix	-560	
Price	-4	Volume	-120	
Product mix	1	Variable cost	-190	
Currency effects	3	Fixed cost	-350	
Other sales	1	Currency effects	50	
		Capacity utilization	-150	
		Other	20	
Total	-1		-1,300	

¹⁾ Estimated change, the figures in the table have been rounded.

¹⁾ Excluding items affecting comparability. For an explanation and amounts, see page 30.

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 on the spot market as a raw material for their production. Purchase prices for iron ore fell during the end of the third quarter. This, combined with lower prices for coking coal, will result in lower raw material costs during the fourth quarter compared with the third quarter, especially for SSAB Europe.

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

% change	Change vs. 2018		Change vs. 2019	
	USD	Q3 SEK	USD	Q2 SEK
Iron ore	44%	54%	-2%	-1%
Coking coal	0%	7%	-8%	-6%
Scrap metal	-22%	-16%	-10%	-9%

Production and shipments

Crude steel production during the third quarter of 2019 was down 1% compared with the third quarter of 2018 and down 9% compared with the second quarter of 2019.

Rolling production during the third quarter of 2019 was down 5% compared with the third quarter of 2018 and down 12% compared with the second quarter of 2019.

SSAB's steel shipments during the third quarter of 2019 were 1,614 (1,646) thousand tonnes, down 2% compared with the third quarter of 2018 and down 6% compared with the second quarter of 2019.

Production and shipments

	2019	2018	2019	2019	2018	2018
Thousand tonnes	Q3	Q3	Q2	Qs 1-3	Qs 1-3	Full year
Crude steel production	1,902	1,911	2,100	6,002	6,053	8,028
Rolling production	1,696	1,788	1,926	5,510	5,638	7,391
Steel shipments	1,614	1,646	1,722	5,081	5,265	6,899

Profit after tax and earnings per share

Profit after tax (attributable to shareholders in the parent company) for the third quarter of 2019 was SEK 28 (879) million, equating to SEK 0.03 (0.85) per share. Tax was SEK -16 (-351) million, which equates to a tax rate of around 31% (28%) of profit after financial items.

Cash flow, financing and liquidity

Operating cash flow for the third quarter of 2019 amounted to SEK 1,038 (1,922) million. Compared with the third quarter of 2018 cash flow was impacted by lower operating profit.

Net cash flow amounted to SEK 398 (1,674) million. Total capital expenditure, including acquisitions, was SEK 694 (455) million. Net debt at September 30, 2019 was SEK 11,424 (10,192) million.

Operating cash flow and net debt

SEK millions	2019 Q3	2018 Q3	2019 Qs 1-3	2018 Qs 1-3	2018 Full year
Operating profit before depreciation/amortization	1,177	2,350	6,351	6,768	8,712
Change in working capital	205	-209	-1,291	-1,813	-967
Maintenance expenditures	-456	-407	-1,209	-1,110	-1,943
Other ¹⁾	113	189	22	163	167
Operating cash flow	1,038	1,922	3,872	4,008	5,969
Financial items	-140	-119	-383	-495	-541
Taxes	-262	-81	-1,218	-422	-628
Cash flow from current operations	636	1,722	2,272	3,092	4,800
Strategic expenditures in plants and machinery	-235	-48	-579	-201	-397
Acquisitions of shares and operations	-3	0	-773	-10	-11
Divestments of shares and operations	-	-	-	-	76
Cash flow before dividend	398	1,674	920	2,881	4,468
Dividend paid to shareholders	-	-	-1,545	-1,030	-1,030
Dividend, non-controlling interest	0	-	-6	-1	-3
Acquisition, non-controlling interest	-	-	-45	-	-
Net cash flow	398	1,674	-676	1,850	3,435
Net debt at beginning of period ²⁾	-11,809	-11,881	-10,527	-11,574	-11,574
Net cash flow	398	1,674	-676	1,850	3,435
Revaluation of liabilities against equity ³⁾	-370	81	-607	-630	-666
Other ⁴⁾	357	-67	386	163	224
Net debt at the end of period	-11,424	-10,192	-11,424	-10,192	-8,582

¹⁾ Other includes the reversal of the estimated capital loss on the divestment of operations by SEK -150 (-213) million as it was a non cash flow generated item.

²⁾ The opening balance 2019 has been adjusted for IFRS 16.

³⁾ Revaluation of hedges of currency risks in foreign operations.

⁴⁾ Mainly consisting of cash flow effects on derivative instruments and revaluation of other financial instruments in foreign currency

Business segments – Third 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 and excludes items affecting comparability. For more information about the business segments, see page 22.

SSAB Special Steels

Third quarter in brief

- Weaker demand, especially in Europe
- Shipments decreased to 299 (320) thousand tonnes
- Operating profit decreased to SEK 358 (536) million

Key figures

SEK millions	2019 Q3	2018 Q3	2019 Q2	2019 Qs 1-3	2018 Qs 1-3	2018 Full year
Sales	4,509	4,684	5,139	14,521	14,500	18,869
Operating profit before depreciation/amortization, EBITDA	509	670	703	2,053	1,894	1,946
Operating profit	358	536	544	1,580	1,493	1,421
Operating cash flow	60	7	759	1,258	974	1,150
Number of employees at end of period	2,918	2,830	2,908	2,918	2,830	2,844

Sales and operating profit

Sales were 4% down compared with the third quarter of 2018 and amounted to SEK 4,509 (4,684) million. Lower volumes had a negative impact of 7 percentage points and other sales (including internal sales) had a negative impact of 4 percentage points. Higher prices had a positive impact of 2 percentage points, positive currency effects 4 percentage points and a better product mix 1 percentage point.

Compared with the second quarter of 2019, sales were down 12%. Lower volumes had a negative impact of 12 percentage points and other sales (including internal sales) 2 percentage points. Product mix and currency effects each had a positive impact of 1 percentage point.

Operating profit for the third quarter of 2019 was SEK 358 (536) million, down SEK 178 million compared with the third quarter of 2018. Higher variable costs, primarily of iron ore, and lower volumes had a negative impact.

Compared with the second quarter of 2019, earnings were down SEK 186 million. Weaker earnings were largely attributable to higher variable costs, primarily iron ore, and lower volumes.

The smaller blast furnace in Oxelösund was idled at the end of the third quarter after completion of the mid-term repair of one of the blast furnaces in Raahe, Finland. SSAB Special Steels also took further measures to reduce costs.

Market trend

Demand weakened during the third quarter of 2019, especially in Europe, but also in North America. Major OEMs, among others, were more cautious. The Heavy Transport and Construction Machinery customer segments were weaker, whereas demand from the Material Handling segment, which includes mining-related equipment, was somewhat more stable.

Production and shipments

Crude steel production was up 64% compared with the third quarter of 2018 and up 4% compared with the second quarter of 2019. The increase compared to a year earlier was because both blast furnaces in Oxelösund were operating during the third quarter of 2019.

Rolling production for the third quarter of 2019 was down 8% compared with the same period in 2018 but up 3% compared with the second quarter of 2019.

External shipments of steel during the third quarter of 2019 were down 7% compared with the same period in 2018 and down 12% compared with the second quarter of 2019.

Production and shipments

	2019	2018	2019	2019	2018	2018
Thousand tonnes	Q3	Q3	Q2	Qs 1-3	Qs 1-3	Full year
Crude steel production	355	217	343	1,083	756	918
Rolling production	134	145	130	410	404	493
Shipments	299	320	339	975	1,005	1,298

Figures for steel shipments include high-strength steel produced at SSAB Europe's and SSAB Americas' steel mills but sold by SSAB Special Steels.

Cash flow and capital expenditure

Operating cash flow during the third quarter was SEK 60 (7) million. Lower tied up working capital had a positive impact on cash flow compared with the third quarter of 2018.

Capital expenditure payments during the third quarter were SEK 98 (63) million, of which SEK 9 (11) million were strategic investments.

SSAB Europe

Third quarter in brief

- Weaker demand and significant pressure on margins
- Operating profit fell to SEK -480 (460) million
- Shipments were 794 (810) thousand tonnes

Key figures

	2019	2018	2019	2019	2018	2018
SEK millions	Q3	Q3	Q2	Qs 1-3	Qs 1-3	Full year
Sales	7,637	7,754	8,814	25,028	24,697	32,796
Operating profit before depreciation/amortization, EBITDA	-67	814	469	1,140	3,071	4,153
Operating profit ¹⁾	-480	460	66	-68	2,024	2,757
Operating cash flow	-90	1,028	150	-484	2,336	3,039
Number of employees at end of period	6,838	6,801	6,854	6,838	6,801	6,826

¹⁾ Excluding depreciation/amortization on surplus values on tangible and intangible assets related to the acquisition of Rautaruukki. Depreciation/amortization on surplus values was SEK 62 (58) million during the third quarter.

Sales and operating profit

Sales were down 2% compared with the third quarter of 2018 and amounted to SEK 7,637 (7,754) million. Lower volumes had a negative impact of 2 percentage points and lower prices 3 percentage points. Currency effects had a positive impact of 2 percentage points and a better product mix 1 percentage point.

Compared with the second quarter of 2019, sales were down 13%. Lower volumes had a negative impact of 13 percentage points and lower prices 2 percentage points. Product mix and currency effects each had a positive impact of 1 percentage point.

Operating profit for the third quarter fell to SEK -480 (460) million, down SEK 940 million compared with the third quarter of 2018. Higher variable costs, primarily iron ore, and lower steel prices accounted for most of the decrease. Also lower capacity utilization, owing to the mid-term repair of one of the blast furnaces in Raahel, Finland, and lower

production rates pulled down the result. During the third quarter, several measures, including a reduction of temporary employees and shorter working hours, were taken to cut costs. At the end of November, one of the blast furnaces in Raahe will be idled, resulting in further reduction of temporary employees, as well as additional temporary lay-offs. The annual capacity of the blast furnace being idled is around 1.3 million tonnes. The impact of the cost reductions is expected to be seen as of the fourth quarter of 2019.

Compared with the second quarter of 2019, earnings fell by SEK 546 million. Significantly lower volumes had a negative impact on earnings, as did higher variable costs, primarily of iron ore, and lower steel prices. Also lower capacity utilization relating to annual maintenance and the repair in Raahe, as well as lower production rates following the weaker demand, pulled down the result.

Market trend

Demand was seasonally weaker during the third quarter of 2019 and the downturn in the business cycle made the decline more pronounced. Several customer segments were weaker and distributors had a cautious sentiment. The Construction segment was stable and SSAB Europe also saw a relatively stable trend in the Automotive segment, where high-strength steels account for most of the volumes.

Production and shipments

Crude steel production during the third quarter of 2019 was down 11% compared with the third quarter of 2018 and down 17% compared with the second quarter of 2019. Repairs to one of the blast furnaces in Raahe had a negative impact on the third quarter of the year.

Rolling production was down 5% compared with the third quarter of 2018 and down 18% compared with the second quarter of 2019. This decrease was partly because of the planned maintenance of the rolling mill and partly because of a lower production rate due to weaker demand.

External shipments of steel during the third quarter of 2019 were down 2% compared with the third quarter of 2018 and down 13% compared with the second quarter of 2019.

Production and shipments

	2019	2018	2019	2019	2018	2018
Thousand tonnes	Q3	Q3	Q2	Qs 1-3	Qs 1-3	Full year
Crude steel production	930	1,049	1,120	3,043	3,371	4,576
Rolling production	980	1,031	1,198	3,341	3,412	4,494
Shipments	794	810	909	2,610	2,712	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 third quarter was SEK -90 (1,028) million. Compared with the third quarter of 2018, cash flow was impacted primarily by lower earnings.

Capital expenditure payments during the third quarter of 2019 were SEK 407 (315) million, of which SEK 126 (34) million were strategic investments.

SSAB Americas

Third quarter in brief

- Relatively stable demand
- Lower realized prices
- Operating profit decreased to SEK 522 (790) million

Key figures

	2019	2018	2019	2019	2018	2018
SEK millions	Q3	Q3	Q2	Qs 1-3	Qs 1-3	Full year
Sales	4,446	4,713	4,555	13,872	12,115	16,878
Operating profit before depreciation/amortization, EBITDA	697	951	1,037	2,853	1,761	2,459
Operating profit ¹⁾	522	790	872	2,350	1,283	1,837
Operating cash flow	943	949	837	3,020	697	1,523
Number of employees at end of period	1,240	1,244	1,243	1,240	1,244	1,250

¹⁾ Excluding depreciation/amortization on surplus values on tangible and intangible assets related to the acquisition of IPSCO. Depreciation/amortization on surplus values was SEK 118 (198) million during the third quarter.

Sales and operating profit

Sales were down 6% compared with the third quarter of 2018 and amounted to SEK 4,446 (4,713) million. Lower prices had a negative impact of 13 percentage points and other sales 2 percentage points. Positive currency effects had a positive impact of 6 percentage points, a better product mix 2 percentage points and somewhat higher volumes 1 percentage point.

Compared with the second quarter of 2019 sales were down 2%. Lower prices had a negative impact of 14 percentage points. Higher volumes had a positive impact of 10 percentage points and positive currency effects and a better product mix each had an impact of 1 percentage point.

Operating profit for the third quarter of 2019 was SEK 522 (790) million, down SEK 268 million compared with the third quarter of 2018. Lower earnings were mainly due to lower prices.

Compared with the second quarter of 2019, operating profit was down SEK 350 million. Lower earnings were primarily due to lower prices, the impact of which was partly offset by higher volumes.

Market trend

Demand was relatively stable during the third quarter in SSAB Americas markets. Compared with the second quarter, shipments increased to Steel Service Centers. However, the sentiment at Steel Service Centers was more cautious towards the end of the quarter, as heavy plate and scrap prices decreased somewhat in September.

Production and shipments

Crude steel production was down 4% compared with the third quarter of 2018 and down 3% compared with the second quarter of 2019.

Rolling production was down 5% compared with the third quarter of 2018 and down 3% compared with the second quarter of 2019.

External shipments of steel were up 1% compared with the third quarter of 2018 and up 10% compared with the second quarter of 2019.

Production and shipments

	2019	2018	2019	2019	2018	2018
Thousand tonnes	Q3	Q3	Q2	Qs 1-3	Qs 1-3	Full year
Crude steel production	617	645	637	1,875	1,926	2,534
Rolling production	581	612	597	1,759	1,822	2,404
Shipments	521	517	475	1,496	1,548	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 third quarter of 2019 was SEK 943 (949) million. Compared with the third quarter of 2018, cash flow was impacted negatively by lower operating profit, whereas higher release of working capital had a positive impact.

Capital expenditure payments during the third quarter were SEK 138 (78) million, of which SEK 85 (5) million were strategic investments.

Tibnor

Third quarter in brief

- Weaker demand
- Operating profit decreased to SEK 2 (53) million due to lower margins

Key figures

	2019	2018	2019	2019	2018	2018
SEK millions	Q3	Q3	Q2	Qs 1-3	Qs 1-3	Full year
Sales	2,179	1,949	2,534	6,977	6,260	8,434
Operating profit before depreciation/amortization, EBITDA	47	73	73	198	263	313
Operating profit ¹⁾	2	53	29	70	202	230
Operating cash flow	-111	-125	10	-23	75	205
Shipments, thousand tonnes	190	160	219	596	524	705
Number of employees at end of period	1,171	1,066	1,197	1,171	1,066	1,077

¹⁾ 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 third quarter.

Sales and operating profit

Sales were up 12% or SEK 230 million compared with the third quarter of 2018 and amounted to SEK 2,179 (1,949) million. The increase was related to the acquisition of Sanistål's steel distribution business, which contributed with SEK 336 million. The acquisition was completed during the second quarter of 2019.

Compared with the second quarter of 2019, sales were down 14%, due to seasonally weaker demand.

Operating profit for the third quarter of 2019 was SEK 2 (53) million, down SEK 51 million compared with the third quarter of 2018. Lower earnings were primarily due to lower margins, including revaluation of inventory.

Compared with the second quarter of 2019, earnings were down SEK 27 million. Lower shipments, among other things had a negative impact on earnings. Tibnor has taken measures, including staff reduction in Finnish operations, to reduce costs.

Market trend

Demand weakened in many customer segments during the quarter and was also lower compared to the third quarter of 2018.

Cash flow and capital expenditure

Operating cash flow during the third quarter was SEK -111 (-125) million. Compared with the third quarter of 2018, cash flow was impacted negatively by lower earnings but positively by lower tied up working capital.

Capital expenditure payments during the third quarter of 2019 were SEK 18 (17) million, of which SEK 7 (4) million were strategic investments.

Ruukki Construction

Third quarter in brief

- Stable demand
- Operating result rose to SEK 134 (103) million, driven by Residential Roofing

Key figures

SEK millions	2019 Q3	2018 Q3	2019 Q2	2019 Qs 1-3	2018 Qs 1-3	2018 Full year
Sales	1,794	1,799	1,690	4,758	4,466	6,140
Operating profit before depreciation/amortization, EBITDA	179	136	141	350	198	305
Operating profit ¹⁾	134	103	95	215	100	178
Operating cash flow	201	156	-25	156	168	303
Number of employees at end of period	1,842	2,388	1,848	1,842	2,388	1,801

¹⁾ 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 third quarter.

Sales and operating profit

Sales were basically unchanged compared with the third quarter of 2018 and amounted to SEK 1,794 (1,799) million. Sales increased mainly in Residential Roofing, among other things because of the acquisition of Piristeel, whereas sales in Building Components were somewhat weaker.

Compared with the second quarter of 2019, sales were up 6%, primarily attributable to seasonally stronger demand in Residential Roofing.

Operating profit for the third quarter was SEK 134 (103) million. The improvement compared with the third quarter of 2018 was due to Residential Roofing, including the acquisition of Piristeel.

Compared with the second quarter of 2019, earnings were up SEK 39 million, primarily due to seasonally higher sales in Residential Roofing.

Market trend

Demand in the construction industry was seasonally good during the third quarter and also the underlying demand was at a good level in Ruukki Construction's main markets. However, Building Components' customers in the Nordic market were a bit more cautious.

Cash flow and capital expenditure

Operating cash flow during the third quarter was SEK 201 (156) million. Compared with the third quarter of 2018, cash flow was impacted positively by higher earnings and Ruukki Construction also released more working capital.

Capital expenditure payments during the third quarter were SEK 31 (22) million, of which SEK 8 (4) million was strategic investments.

Sustainability

Key figures – rolling 12 months

	2019 Q3	2018 Q3	2019 Q2	2018 Full year
Responsible partner				
Lost time injury frequency (LTIF) ¹⁾	4.7	6.1	5.1	6.1
Total number of injuries (LTI) ²⁾	140	185	153	184
Sustainable operations				
Energy consumption, GWh ³⁾	9,274	9,444	9,421	9,448
Energy intensity, kWh/tonnes crude steel	1,163	1,172	1,180	1,177
Carbon dioxide emissions (Scope 1), thousand tonnes ⁴⁾	9,878	9,770	9,890	9,833
Carbon dioxide emissions (Scope 2), thousand tonnes ⁵⁾	1,193	1,208	1,201	1,189
Carbon dioxide emissions intensity, tonnes of CO ₂ /tonnes crude steel ⁶⁾	1.39	1.36	1.39	1.37

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

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

³⁾ Total energy consumption (electricity, purchased fuels and purchased heat)

⁴⁾ Direct emissions from production (Scope 1)

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

⁶⁾ 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 4.7 (rolling 12 months) and the total recordable injury frequency (TRIF) was 12.9 (rolling 12 months), which meant a clear improvement. The positive trend in safety performance is a result of systematic and consistent work across the organization.

Sustainable operations – Environment and HYBRIT

SSAB's total energy consumption related to electricity, purchased fuels and purchased heat was 9,274 GWh (rolling 12 months). SSAB's direct (Scope 1) CO₂ emissions were 9,878 thousand tonnes and indirect (Scope 2) CO₂ emissions were 1,193 thousand tonnes. The slight increase in CO₂ emissions intensity was partly due to the operation of the second blast furnace in Oxelösund, which is the smallest blast furnace in the group and also less CO₂ efficient. The increase was also related to the mid-term repair of one of the blast furnaces in Raahe carried out during the third quarter and which normally makes the production system somewhat less 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. At the UN Climate Summit in New York in September, HYBRIT was highlighted as one of the most ambitious and most transformative initiative to tackle climate changes. In October, it was announced that SSAB, LKAB and Vattenfall are to invest SEK 150 million and the Swedish Energy Agency is contributing SEK 50 million towards the construction of a hydrogen storage facility at the HYBRIT pilot plant. The pilot plants for fossil-free steel production will be used from 2021 to 2024 and the partners in the initiative are already looking into the possibility of scaling up production by building a demonstration plant in 2025, three years earlier than previously planned. It should then be possible to produce fossil-free steel from iron ore for commercial use. For more information go to www.hybritdevelopment.com

More information on sustainability at SSAB is available at www.ssab.com/company/sustainability and in SSAB's Annual Report 2018, see 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 25.

Subsequent events since the end of the reporting period

In October 2019, Mikael Nyquist, Managing Director of Tibnor, decided to leave his position. Kimmo Väkiparta, who has previously had several management positions within SSAB, has taken the role as acting Managing Director of Tibnor, until a replacement is found.

Review

This report has not been reviewed by the auditors.

Stockholm, October 23, 2019

Martin Lindqvist
President & CEO

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 Q3	2018 Q3	2019 Qs 1-3	2018 Qs 1-3	2018 Full year
Sales	18,840	19,038	59,512	55,689	74,941
Cost of goods sold	-17,467	-16,341	-52,998	-48,313	-65,339
Gross profit	1,373	2,697	6,514	7,377	9,602
Selling and administrative costs	-1,182	-1,045	-3,694	-3,323	-4,691
Other operating income and expenses ¹⁾	-53	-275	242	-170	-36
Affiliated companies, profit after tax	12	11	78	49	65
Operating profit	150	1,387	3,140	3,933	4,940
Financial income	396	-22	683	242	353
Financial expenses	-495	-132	-959	-745	-890
Profit for the period after financial items	51	1,234	2,864	3,430	4,403
Tax	-16	-351	-531	-564	-839
Profit for the period	34	883	2,333	2,866	3,564
Of which attributable to:					
- Parent Company's shareholders	28	879	2,317	2,854	3,549
- Non-controlling interest	6	4	16	12	16

Consolidated statement of comprehensive income

SEK millions	2019 Q3	2018 Q3	2019 Qs 1-3	2018 Qs 1-3	2018 Full year
Profit for the period after tax	34	883	2,333	2,866	3,564
<i>Other comprehensive income</i>					
<u>Items that may be subsequently reclassified to the income statement</u>					
Translation differences for the period	2,766	-592	4,882	3,741	4,009
Cash flow hedges	-14	-53	-183	217	231
Hedging of currency risks in foreign operations ²⁾	-370	81	-607	-630	-666
Share in other comprehensive income of affiliated companies and joint ventures	-	-	-	-	3
Tax attributable to items that may be subsequently reclassified to the income statement	82	-7	169	94	100
Total items that may be subsequently reclassified to the income statement	2,465	-571	4,261	3,422	3,677
<u>Items that will not be reclassified to the income statement</u>					
Remeasurements of the net defined benefit liability	-39	28	-101	55	27
Tax attributable to items that will not be reclassified to the income statement	8	-6	20	-11	-8
Total items that will not be reclassified to the income statement	-31	22	-80	44	19
Total other comprehensive income for the period, net after tax	2,434	-549	4,181	3,465	3,696
Total comprehensive income for the period	2,468	334	6,514	6,332	7,260
Of which attributable to:					
- Parent Company's shareholders	2,461	331	6,495	6,318	7,242
- Non-controlling interest	7	2	17	14	18

¹⁾ In the third quarter, items of SEK -150 (-213) million attributable to the estimated capital loss on investment of operations.

²⁾ 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					Non-controlling interest	Total equity
	Share capital	Other contributed funds	Reserves	Retained earnings	Total equity		
Equity, December 31, 2017	9,062	23,021	2,041	19,107	53,231	63	53,294
Changes Jan. 1 – Sep. 30, 2018							
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			3,420	8,898	6,318	14	6,332
Dividend, shareholders				-1,030	-1,030		-1,030
Dividend, non-controlling interest						-1	-1
Equity, September 30, 2018	9,062	23,021	5,461	20,968	58,512	76	58,588
Changes Oct. 1 - Dec. 31, 2018							
Total comprehensive income for the period			254	670	924	4	928
Dividend, non-controlling interest						-2	-2
Equity, December 31, 2018	9,062	23,021	5,715	21,638	59,437	78	59,514
Changes Jan. 1 - Sep. 30, 2019							
Total comprehensive income for the period			4,261	2,234	6,495	17	6,514
Non-controlling interest through business acquisition ¹⁾						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, September 30, 2019	9,062	23,021	9,973	22,313	64,371	106	64,477

¹⁾ 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 Sep	2018 30 Sep	2019 1 Jan	2018 31 Dec
Assets				
Goodwill	32,675	29,883	29,994	29,994
Other intangible assets	1,107	1,581	1,444	1,444
Tangible fixed assets	26,428	23,714	25,914	23,953
Participations in affiliated companies	721	685	697	697
Financial assets	594	578	608	608
Deferred tax receivables ¹⁾	439	507	507	507
Total fixed assets	61,965	56,947	59,163	57,202
Inventories	22,881	19,190	19,813	19,813
Accounts receivable	8,752	9,689	8,784	8,784
Current tax receivables	265	193	195	195
Other current receivables ²⁾	1,993	3,412	3,879	3,894
Cash and cash equivalents	4,266	4,148	2,598	2,598
Total current assets in continuing operations	38,157	36,633	35,269	35,284
Assets held for sale	652	337	-	-
Total current assets	38,810	36,969	35,269	35,284
Total assets	100,774	93,917	94,432	92,487
Equity and liabilities				
Equity for shareholders in the Company	64,371	58,512	59,437	59,437
Non-controlling interest	106	76	78	78
Total equity	64,477	58,588	59,514	59,514
Deferred tax liabilities	289	907	1,044	1,044
Other long-term provisions	681	575	605	605
Long-term non-interest bearing liabilities ²⁾	286	353	324	324
Long-term interest-bearing liabilities	12,066	12,528	11,000	9,693
Total long-term liabilities	13,322	14,363	12,973	11,666
Short-term interest-bearing liabilities	3,744	3,572	4,161	3,523
Accounts payable	14,527	13,042	13,375	13,375
Current tax liabilities	268	399	333	333
Other current liabilities	4,134	3,825	4,076	4,076
Total current liabilities in continuing operations	22,672	20,839	21,945	21,306
Liabilities held for sale	303	127	-	-
Total current liabilities	22,975	20,966	21,945	21,306
Total equity and liabilities	100,774	93,917	94,432	92,487
Pledged assets	1,352	2,090	2,305	2,305
Contingent liabilities	2,203	2,702	1,860	2,273

¹⁾ Of the Deferred tax receivable, SEK 84 (164) 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.

²⁾ Other current receivables comprise short-term bank deposits (escrow agreement) in the amount of SEK 1,290 (2,029) 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 676 (267) million and in the balance sheet item "Other current liabilities" derivatives are valued at a total of SEK 108 (151) million. In the balance sheet item "Financial assets" derivatives are valued at a total of SEK 88 (151) million and in the balance sheet item "Long-term non-interest bearing liabilities", derivatives are included valued at a total of SEK 22 (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 212 (178) 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 Q3	2018 Q3	2019 Qs 1-3	2018 Qs 1-3	2018 Full year
Operating profit ¹⁾	150	1,387	3,140	3,933	4,940
Adjustment for depreciation and impairment	1,027	963	3,211	2,835	3,771
Adjustment for other non-cash items ¹⁾	131	225	46	158	174
Received and paid interest	-140	-119	-383	-495	-541
Tax paid	-262	-81	-1,218	-422	-628
Change in working capital	205	-209	-1,291	-1,813	-967
Cash flow from operating activities	1,111	2,165	3,506	4,197	6,750
Capital expenditure payments in plants and machinery	-692	-529	-1,816	-1,384	-2,451
Acquisitions, shares and operations	-3	-	-773	-10	-11
Divested shares and operations	-	-	-	-	76
Other investing activities	-18	38	3	78	104
Cash flow from investing activities	-713	-491	-2,585	-1,316	-2,282
Dividend paid to shareholders	-	-	-1,545	-1,030	-1,030
Dividend, non-controlling interest	0	-	-6	-1	-3
Change in loans	-1,344	719	297	-2,512	-5,988
Change in financial investments	1,123	93	2,156	448	270
Acquisition, non-controlling interest	-	-	-45	-	-
Other financing activities	-367	-425	-215	117	640
Cash flow from financing activities	-588	387	642	-2,979	-6,111
Cash flow for the period	-190	2,062	1,562	-98	-1,644
Cash and cash equivalents at beginning of period	4,428	2,134	2,598	4,249	4,249
Cash in acquired subsidiary	-	-	37	-	-
Exchange rate difference in cash and cash equivalents	28	-47	68	-3	-7
Cash and cash equivalents at end of period	4,266	4,148	4,266	4,148	2,598

¹⁾ The result for the quarter includes items of SEK -150 (-213) million relating to the estimated capital loss on divestment of operations.

Key figures

	2019 Q3	2018 Q3	2019 Qs 1-3	2018 Qs 1-3	2018 Full year
Operating margin (%)	1	7	5	7	7
Earnings per share (SEK)	0.03	0.85	2.25	2.77	3.45
Equity per share (SEK)	62.51	56.82	62.51	56.82	57.71
Dividend per share (SEK)	-	-	1.50	1.00	1.00
Net debt/equity ratio (%) ¹⁾	18	17	18	17	18
Equity ratio (%) ¹⁾	64	62	64	62	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	14,561	14,839	14,561	14,839	14,313

¹⁾ 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 Q3	2018 Q3	2019 Qs 1-3	2018 Qs 1-3	2018 Full year
Gross profit	-	-	-	-	-
Selling and administrative costs	-87	-77	-287	-276	-345
Other operating income/expenses	36	74	121	146	178
Operating profit/loss	-51	-3	-166	-130	-167
Financial items	2,841	46	2,593	229	210
Profit/loss after financial items	2,790	42	2,427	99	43
Appropriations	-	-	-	-	1,738
Profit/loss before tax	2,790	42	2,427	99	1,781
Tax	93	-6	169	227	-147
Profit/loss after tax	2,883	36	2,596	326	1,634

The Parent Company's statement of comprehensive income

SEK millions	2019 Q3	2018 Q3	2019 Qs 1-3	2018 Qs 1-3	2018 Full year
Profit/loss after tax	2,883	36	2,596	326	1,634
<i>Other comprehensive income</i>					
<i>Items that may be classified to the income statement</i>					
Cash flow hedges	0	-3	-7	29	-23
Tax attributable to other comprehensive income	0	1	2	-6	5
Total items that will be reclassified to the income statement	0	-2	-6	23	-18
Other comprehensive income, net after tax	0	-2	-6	23	-18
Total comprehensive income for the period	2,883	34	2,591	348	1,616

Summary of the Parent Company's balance sheet

SEK millions	2019 30 Sep	2018 30 Sep	2018 31 Dec
Assets			
Fixed assets	71,526	72,686	72,325
Other current assets	9,728	8,978	10,697
Cash and cash equivalents	2,474	2,805	1,553
Total assets	83,728	84,468	84,576
Equity and liabilities			
Restricted equity	9,964	9,964	9,964
Unrestricted equity	54,034	51,720	52,988
Total equity	63,998	61,684	62,952
Long-term liabilities and provisions	7,588	9,405	6,604
Current liabilities and provisions	12,142	13,380	15,020
Total equity and liabilities	83,728	84,468	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, nine months

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

External sales, Jan-Sep 2019	Business segments					
	SSAB Special Steels	SSAB Europe	SSAB Americas	Tibnor	Ruukki Construction	Total
SEK millions						
Geographical areas						
Sweden	252	4,712	-	2,903	1,056	8,923
Finland	205	3,411	-	1,200	1,649	6,465
Germany	1,257	1,804	-	23	8	3,092
Other EU-28	3,816	7,571	-	1,540	1,538	14,465
Norway	74	464	-	1,158	363	2,058
Russia	305	261	-	-	9	575
Other Europe	503	299	-	11	96	910
USA	2,983	1,002	13,051	0	1	17,037
Canada	839	0	644	-	4	1,486
Rest of the world	3,835	598	38	26	3	4,501
Total	14,069	20,123	13,733	6,861	4,727	59,512
Product area						
Steel products	13,537	18,651	13,722	-	1	45,911
Trading operations	-	-	-	6,861	-	6,861
Ruukki Construction operations	-	-	-	-	4,726	4,726
Slabs, by-products and scrap	338	1,403	-	-	-	1,741
Other	193	69	10	-	0	273
Total	14,069	20,123	13,733	6,861	4,727	59,512

External sales, Jan-Sep 2018	Business segments					
	SSAB Special Steels	SSAB Europe	SSAB Americas	Tibnor	Ruukki Construction	Total
SEK millions						
Geographical areas						
Sweden	520	4,579	-	2,942	992	9,034
Finland	185	3,479	-	1,157	1,175	5,996
Germany	1,064	1,780	-	28	4	2,876
Other EU-28	3,706	7,219	-	796	1,432	13,153
Norway	48	450	-	1,177	473	2,148
Russia	253	195	-	-	277	725
Other Europe	709	227	-	6	71	1,013
USA	2,676	1,044	11,064	1	1	14,785
Canada	821	7	915	-	-	1,743
Rest of the world	3,255	867	50	28	16	4,216
Total	13,236	19,846	12,029	6,136	4,441	55,689
Product area						
Steel products	12,507	18,597	11,913	-	-	43,017
Trading operations	-	-	-	6,136	-	6,136
Ruukki Construction operations	-	-	-	-	4,441	4,441
Slabs, by-products and scrap	595	1,146	92	-	-	1,833
Other	134	103	24	-	-	262
Total	13,236	19,846	12,029	6,136	4,441	55,689

Specification of sales during the third quarter

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

External sales, Quarter 3, 2019	Business segments					
	SSAB Special Steels	SSAB Europe	SSAB Americas	Tibnor	Ruukki Construction	Total
SEK millions						
Geographical areas						
Sweden	44	1,252	-	809	470	2,575
Finland	57	996	-	366	510	1,929
Germany	342	591	-	7	0	940
Other EU-28	1,104	2,379	-	629	609	4,721
Norway	19	133	-	321	144	617
Russia	101	84	-	-	3	188
Other Europe	152	172	-	5	43	372
USA	951	343	4,148	0	0	5,442
Canada	257	0	228	-	1	487
Rest of the world	1,358	198	7	6	0	1,569
Total	4,386	6,146	4,384	2,143	1,782	18,840
Product area						
Steel products	4,243	5,728	4,384	-	0	14,355
Trading operations	-	-	-	2,143	-	2,143
Ruukki Construction operations	-	-	-	-	1,782	1,782
Slabs, by-products and scrap	77	393	-	-	-	470
Other	66	25	-	-	-	91
Total	4,386	6,146	4,384	2,143	1,782	18,840

External sales, Quarter 3, 2018	Business segments					
	SSAB Special Steels	SSAB Europe	SSAB Americas	Tibnor	Ruukki Construction	Total
SEK millions						
Geographical areas						
Sweden	98	1,350	-	891	370	2,709
Finland	56	1,305	-	380	435	2,176
Germany	329	597	-	8	1	934
Other EU-28	1,080	2,129	-	242	618	4,069
Norway	19	141	-	380	211	752
Russia	95	72	-	-	114	280
Other Europe	190	59	-	3	39	291
USA	1,010	348	4,329	0	0	5,688
Canada	272	2	334	-	-	608
Rest of the world	1,151	341	26	7	8	1,531
Total	4,299	6,343	4,689	1,912	1,795	19,038
Product area						
Steel products	4,203	5,777	4,633	-	-	14,613
Trading operations	-	-	-	1,912	-	1,912
Ruukki Construction operations	-	-	-	-	1,795	1,795
Slabs, by-products and scrap	52	532	43	-	-	627
Other	44	34	13	-	0	91
Total	4,299	6,343	4,689	1,912	1,795	19,038

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

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

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 – 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

There were no changes in the preliminary purchase price allocation during the third quarter. The final purchase price allocation will be done during the fourth 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

Assets and liabilities held for sale

During the third quarter assets and liabilities have been reclassified as holding for the purposes of sale. These assets and liabilities refer to Ruukki Construction's project business, Building Systems, and 25% of the holding of Helens Rör. Sale is subject to the approval of the relevant competition authorities and it is expected to be able to complete the transaction of Building Systems towards the end of 2019 and the divestment of Helens Rör during the first quarter of 2020.

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 Q3	2018 Q3	2019 Qs 1-3	2018 Qs 1-3	2018 Full year
Operating profit	150	1,387	3,140	3,933	4,940
Depreciation and impairment	1,027	963	3,211	2,835	3,771
Operating profit before depreciation/amortization, EBITDA	1,177	2,350	6,351	6,768	8,712

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

SEK millions	2019 Q3	2018 Q3	2019 Qs 1-3	2018 Qs 1-3	2018 Full year
Operating profit before depreciation/amortization, EBITDA	1,177	2,350	6,351	6,768	8,712
Items affecting comparability	150	213	150	213	240
Operating profit before depreciation/amortization, EBITDA, excl items affecting comparability	1,327	2,563	6,501	6,981	8,952

Return on capital employed before tax, rolling 12 months

SEK millions	Oct 18- Sep 19	Oct 17- Sep 18	2018 Full year
Operating profit	4,147	4,776	4,940
Financial income	794	316	353
Total	4,940	5,092	5,293
Average capital employed	78,375	73,938	74,417
Return on capital employed before tax, %	6%	7%	7%

Return on equity after tax, rolling 12 months

SEK millions	Oct 18- Sep 19	Oct 17- Sep 18	2018 Full year
Profit for the period, after tax	3,032	3,207	3,564
Average equity	62,019	55,773	57,341
Return on equity after tax, %	5%	6%	6%

Operating cash flow

SEK millions	2019 Q3	2018 Q3	2019 Qs 1-3	2018 Qs 1-3	2018 Full year
Cash flow from operating activities	1,111	2,165	3,506	4,197	6,750
Reversal received and paid interests	140	119	383	495	541
Reversal tax paid	262	81	1,218	422	628
Maintenance expenditures ¹⁾	-456	-407	-1,209	-1,110	-1,943
Other investing activities ²⁾	-18	-36	-25	5	-7
Operating cash flow	1,038	1,922	3,872	4,008	5,969

¹⁾ See the definition of Maintenance capital expenditures in the Annual Report.

²⁾ 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 Sep	2018 30 Sep	2018 31 Dec ³⁾
Interest-bearing assets ¹⁾	5,026	6,445	5,126
Interest-bearing liabilities ²⁾	16,450	16,637	15,653
Net debt	11,424	10,192	10,527

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

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

³⁾ 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	3/19
Sales	15,739	17,115	16,188	17,017	17,388	19,263	19,038	19,251	20,017	20,654	18,840
Operating expenses	-14,129	-14,966	-14,192	-15,250	-15,572	-16,699	-16,487	-17,295	-17,295	-18,269	-17,524
Depreciation/amortization	-926	-961	-927	-939	-920	-952	-961	-938	-1,081	-1,102	-1,028
Affiliated companies	17	17	20	14	21	18	11	16	33	33	12
Financial items	-253	-291	-225	-206	-147	-202	-153	-34	-91	-86	-99
Result before tax	449	914	864	636	769	1,427	1,447	1,001	1,583	1,230	201

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	3/19
SSAB Special Steels	3,925	4,133	3,627	4,368	4,674	5,142	4,684	4,369	4,874	5,139	4,509
SSAB Europe	7,657	8,378	7,245	7,768	8,051	8,892	7,754	8,099	8,577	8,814	7,637
SSAB Americas	3,019	3,138	3,340	3,230	3,363	4,040	4,713	4,762	4,871	4,555	4,446
Tibnor	2,019	2,057	1,733	2,012	2,058	2,253	1,949	2,173	2,264	2,534	2,179
Ruukki Construction	1,131	1,531	1,640	1,471	1,088	1,578	1,799	1,674	1,274	1,690	1,794
Other	-	1	-	-	0	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	-1,725
Total	15,739	17,116	16,188	17,017	17,388	19,263	19,038	19,251	20,017	20,654	18,840

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	3/19
SSAB Special Steels	377	495	353	777	569	656	670	52	842	703	509
SSAB Europe	1,182	1,381	1,031	811	998	1,259	814	1,082	738	469	-67
SSAB Americas	8	201	468	141	283	526	951	699	1,119	1,037	697
Tibnor	118	88	65	63	87	103	73	50	78	73	47
Ruukki Construction	8	97	137	65	-29	92	136	111	30	141	179
Other	-66	-95	-38	-75	-71	-53	-81	-24	-52	-3	-37
Total	1,627	2,167	2,016	1,782	1,836	2,582	2,563	1,971	2,755	2,419	1,327

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	3/19
SSAB Special Steels	243	362	219	641	434	522	536	-72	678	544	358
SSAB Europe	826	1,022	680	460	657	907	460	733	347	66	-480
SSAB Americas	-157	39	316	-15	129	365	790	553	956	872	522
Tibnor	99	67	44	42	67	83	53	28	38	29	2
Ruukki Construction	-29	63	105	32	-62	59	103	82	-14	95	134
Depreciation on surplus values, IPSCO	-157	-194	-180	-182	-179	-192	-198	-203	-201	-207	-118
Depreciation on surplus values, Rautaruukki	-51	-53	-53	-54	-54	-56	-57	-57	-64	-66	-67
Other	-72	-101	-42	-81	-76	-58	-86	-28	-67	-18	-52
Total	702	1,205	1,090	844	916	1,630	1,600	1,035	1,674	1,316	300

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	3/19
SSAB Special Steels	-	-	-	-	-	-	-	-	-	-	-
SSAB Europe	-	-	-	-	-	-	-	-	-	-	-
SSAB Americas	-	-	-	-	-	-	-	-	-	-	-
Tibnor	-	-	-	-	-	-	-	-	-	-	-
Ruukki Construction	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-213	-27	-	-	-150
Total	-	-	-	-	-	-	-213	-27	-	-	-150

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	3/19
Crude steel production											
-SSAB Special Steels	265	229	180	282	234	305	217	162	385	343	355
- SSAB Europe	1,168	1,196	1,146	1,089	1,175	1,147	1,049	1,205	993	1,120	930
- SSAB Americas	569	602	634	635	652	629	645	609	621	637	617
- Total	2,002	2,027	1,960	2,006	2,061	2,081	1,911	1,976	2,000	2,100	1,902
Rolling production											
- SSAB Special Steels	83	147	111	155	121	138	145	89	145	130	134
- SSAB Europe	1,253	1,203	1,104	1,058	1,180	1,200	1,031	1,082	1,162	1,198	980
- SSAB Americas	545	553	603	582	607	603	612	582	581	597	581
- Total	1,881	1,903	1,818	1,795	1,909	1,941	1,788	1,753	1,889	1,926	1,696
Steel shipments											
- SSAB Special Steels	277	304	293	318	346	339	320	293	338	339	299
- SSAB Europe	982	991	871	901	939	963	810	850	907	909	794
- SSAB Americas	486	452	508	525	523	509	517	491	500	475	521
- Total	1,745	1,747	1,672	1,744	1,808	1,811	1,646	1,634	1,744	1,722	1,614

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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Year-end report for January-December 2019

The Year-end report for 2019 will be published on January 28, 2020



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