

Improved result, cash flow and financial situation

Presentation of the Q2/2016 result

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July 22, 2016



SSAB

Agenda

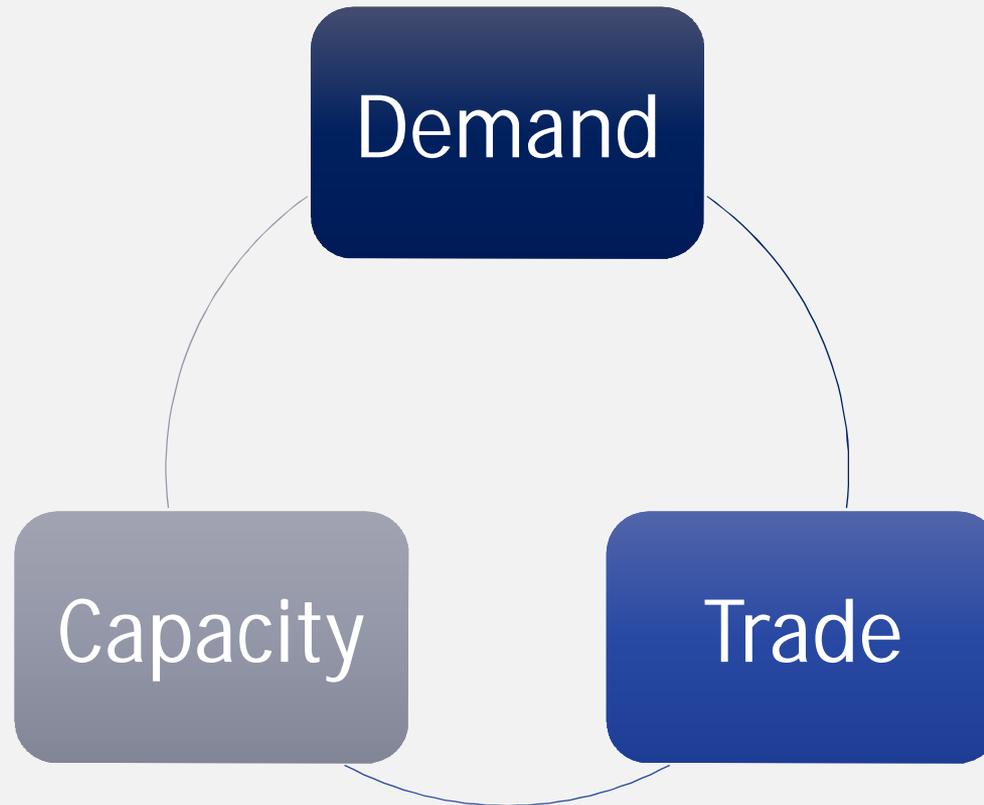
- ▶ Market situation and Q2/2016 in brief
- ▶ Financials
- ▶ Outlook
- ▶ Q&A



An aerial night photograph of a city, likely Singapore, showing a complex multi-level highway interchange. The image is characterized by long-exposure light trails from cars, creating vibrant streaks of white, red, and blue light that curve and cross over each other. The surrounding cityscape is illuminated with various lights, including streetlights and building lights, creating a dense, glowing urban environment. A large white triangular graphic is overlaid on the right side of the image, containing the text.

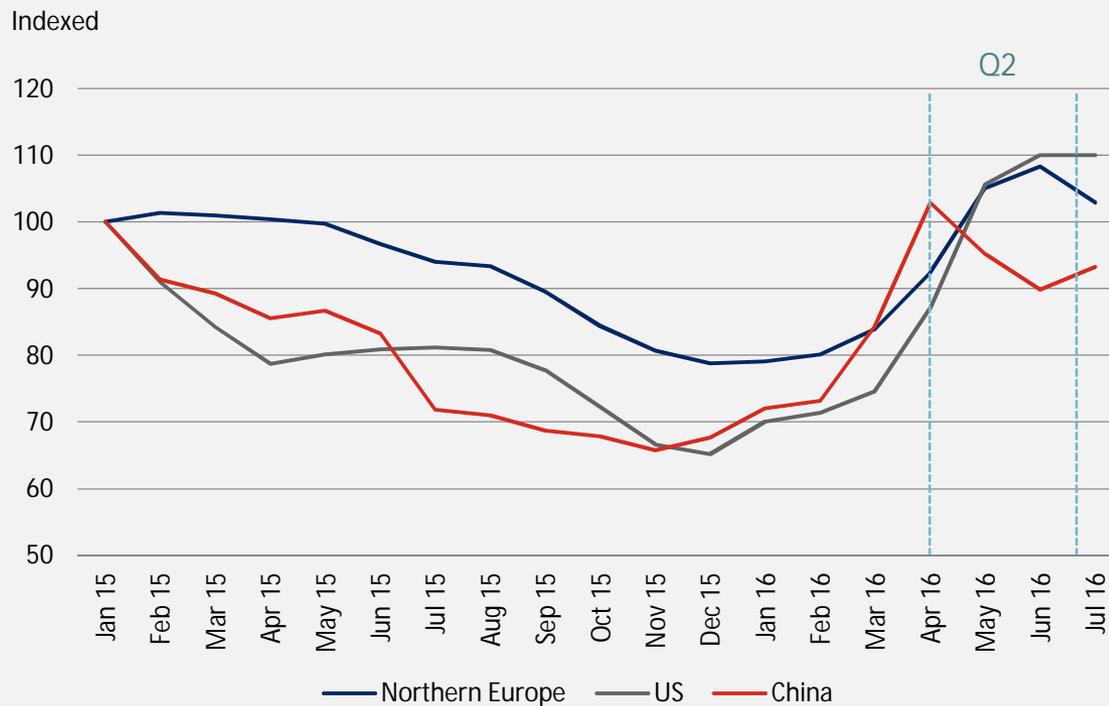
A stronger SSAB
toward industry-
leading profitability

The three most important factors affecting steel industry



We are currently experiencing periods of "micro cycles"

Hot Rolled Coil (HRC) price development in Northern Europe, US and China



Market situation in Q2

Apparent demand improved and prices increased

- ▶ Apparent demand was clearly higher than in Q1
 - Lower imports to Europe vs. Q1
 - SCCs in US purchased material at the same rate as they sold material
- ▶ Steel prices increased both in Europe and in North America, however, from a very low level



Summary of Q2/2016

Substantial improvement driven by higher volumes and synergies

- ▶ EBIT amounted to SEK 668m, up SEK 858m compared with Q1/16
 - Higher shipments and prices
 - Positive synergy impacts
 - Better capacity utilization
- ▶ Strong operating cash flow at SEK 1.2bn
- ▶ Synergy program completed

Key figures

SEKm	Q2/2016	Q2/2015	Q1/2016
Sales	14,471	15,303	12,964
EBITDA ¹	1,585	1,246	744
EBIT ¹	668	301	-190
Operating cash flow	1,151	1,462	77

1) Excluding items affecting comparability

Synergy program completed

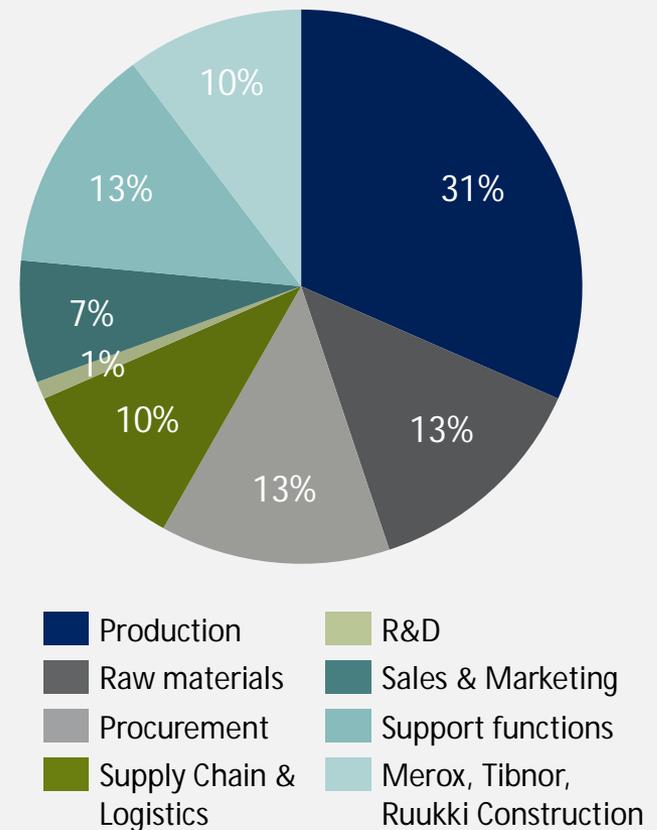
Higher synergies and one year earlier than originally planned

Run-rate & P/L impact of cost synergies

SEKm	Q2/2016	FY 2015
Run rate at the end of the period	2,000	1,100
Synergies, gross	475	625

- ▶ Synergies are part of the overall program to reduce costs by SEK 2.8bn from 2017 onwards
- ▶ Proceeding according to the plan to reduce 2,400 jobs by the end of 2017

Distribution of cost synergies



SSAB Special Steels

Positive development in shipments

- ▶ Demand improved in several segments, especially in Heavy Transport
- ▶ Shipments up 7% from Q2/2015 and 8% from Q1/2016
- ▶ EBIT was SEK 303m, up SEK 101 million from Q1
 - Driven by higher volumes

SEKm	Q2/2016	Q2/2015	Q1/2016
Sales	3,398	4,077	3,132
EBITDA	437	433	345
EBIT ¹	303	293	202
Shipments, ktonnes	277	260	256



- 1) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki
- 2) Figures for 2014 are pro forma, as if SSAB had owned Rautaruukki during the year

SSAB Europe

Substantial improvement due to higher shipments and prices

- ▶ Good demand from Automotive and Heavy Transport segments
- ▶ Shipments increased 2% from Q2/2015 and 7% from Q1/2016
- ▶ Operating result improved clearly from Q1/2016
 - Higher volumes and prices
 - Lower costs due to synergies

SEKm	Q2/2016	Q2/2015	Q1/2016
Sales	6,668	7,097	6,040
EBITDA	728	459	244
EBIT ¹	366	94	-118
Shipments, ktonnes	1,013	991	946



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SSAB Americas

Good apparent demand and higher prices

- ▶ Good demand from Steel Service Centers and wind tower segment
- ▶ Shipments were up 11% vs. Q1/2016
- ▶ Operating result improved clearly from Q1/2016
 - Higher volumes and prices
 - Increased scrap cost

SEKm	Q2/2016	Q2/2015	Q1/2016
Sales	2,841	3,027	2,428
EBITDA	309	313	209
EBIT ¹	162	154	55
Shipments, ktonnes	526	471	475

Sales and EBITDA margin²



- 1) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of IPSCO
- 2) Figures for 2014 are pro forma, as if SSAB had owned Rautaruukki during the year

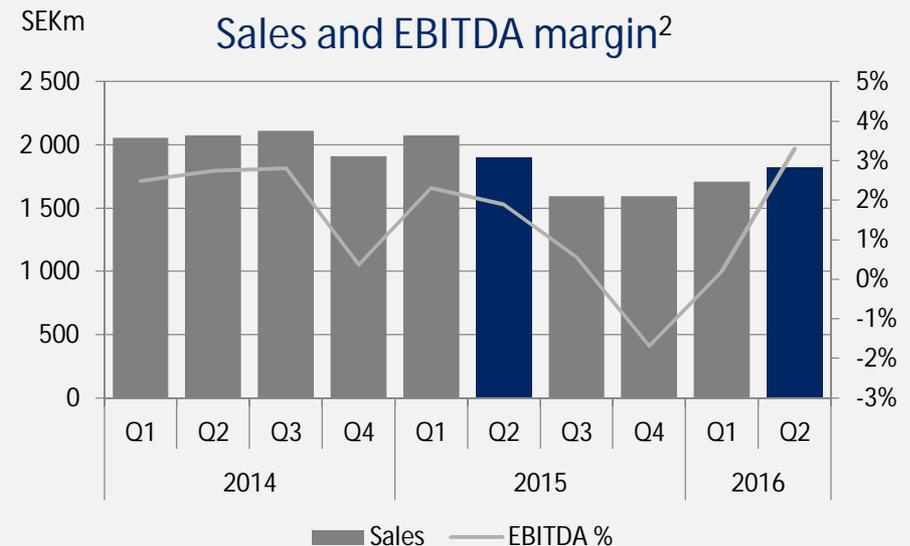


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Demand developed positively and shipments increased

- ▶ Sales were up 7% vs. Q1
- ▶ Shipments increased 6% vs. Q2/2015 and 8% vs. Q1
- ▶ Operating result improved SEK 56m from Q1/2016 due to better margins and higher volumes

SEKm	Q2/2016	Q2/2015	Q1/2016
Sales	1,820	1,899	1,707
EBITDA	60	36	4
EBIT ¹	39	16	-17



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- 2) Figures for 2014 are pro forma, as if SSAB had owned Rautaruukki during the year

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Ruukki Construction

Cost savings led to clearly better profitability

- ▶ Sales were seasonally up, but flat vs. last year
- ▶ Operating result improved SEK 62 million from Q2/2015
 - Mainly due to the ongoing cost savings program

SEKm	Q2/2016	Q2/2015	Q1/2016
Sales	1,444	1,488	928
EBITDA	114	57	-10
EBIT ¹	75	13	-48



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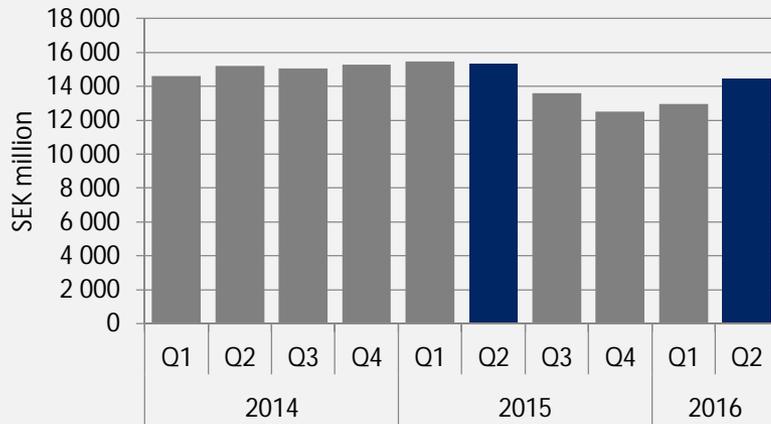
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Financials

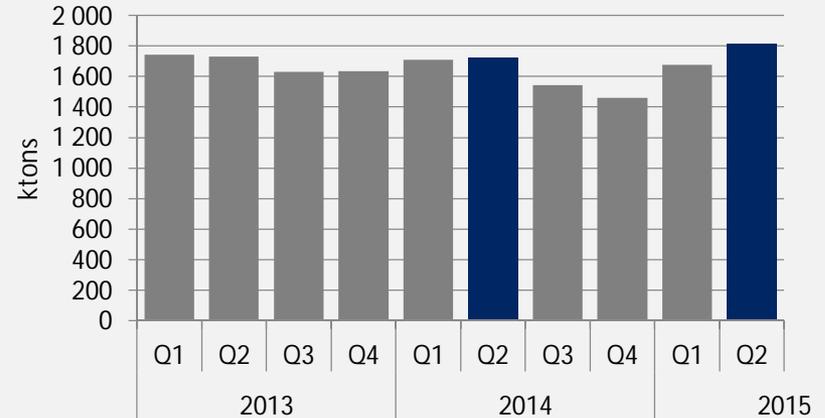
Higher shipments and profitability

EBITDA/tonne improved significantly

Sales



Shipments²



EBITDA and EBITDA margin¹



EBITDA¹ per tonne delivered steel



Note: Figures for 2014 are pro forma, as if SSAB had owned Rautaruukki during the year

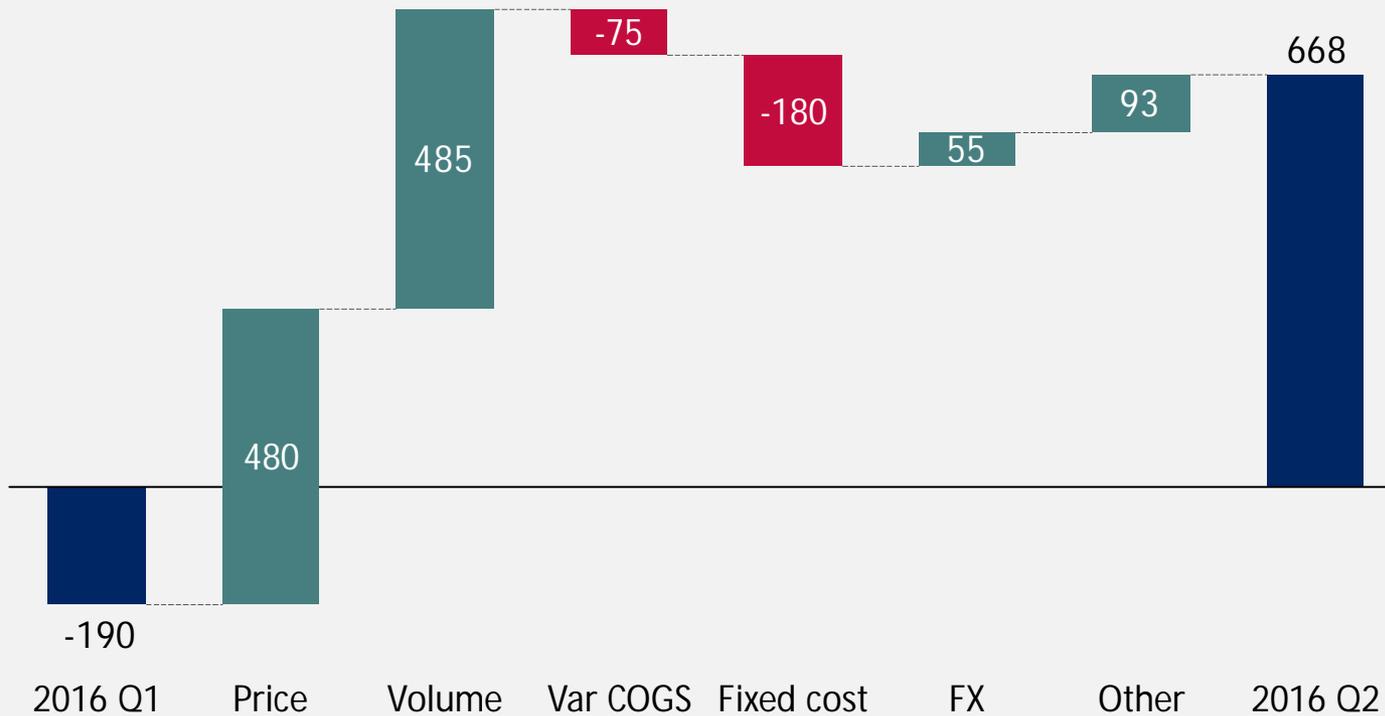
1) Excluding items affecting comparability

2) Including the steel operations: Special Steels, Europe and Americas

Change in operating profit

Q2/2016 vs. Q1/2016

SEKm

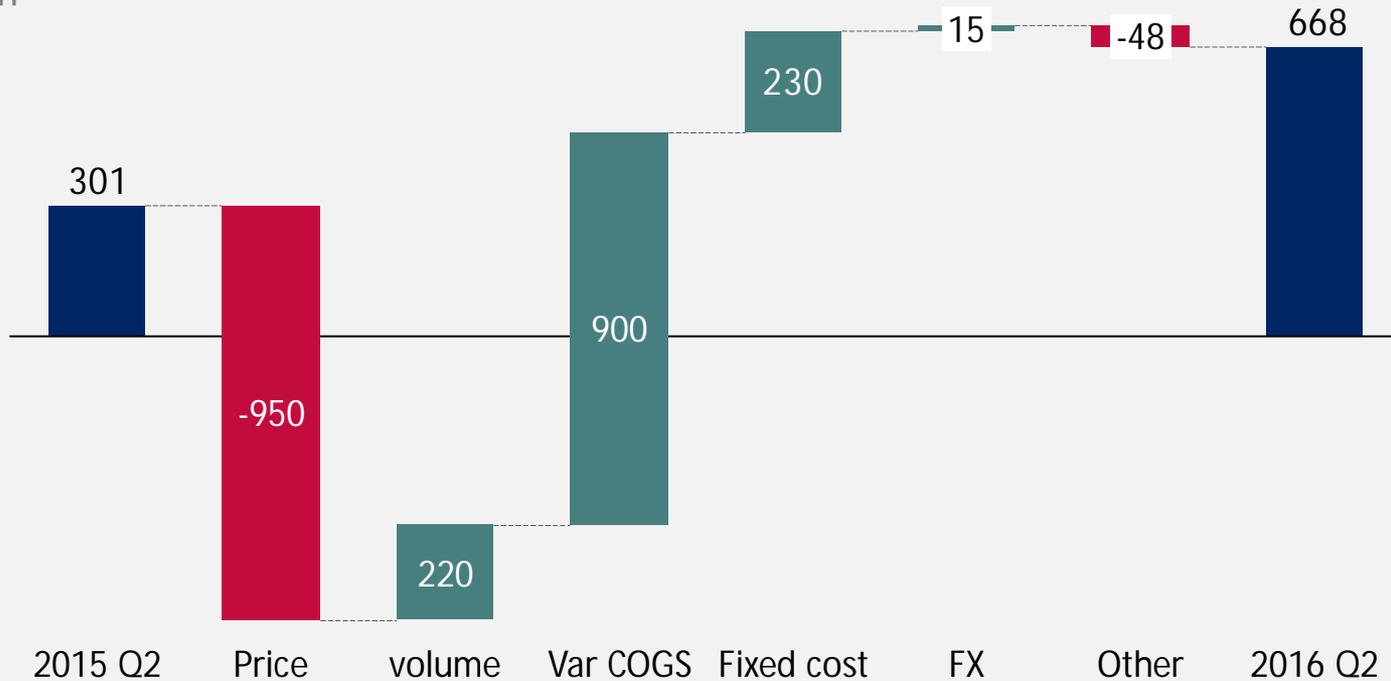


Note: Excluding items affecting comparability

Change in operating profit

Q2/2016 vs. Q2/2015

SEKm



Note: Excluding items affecting comparability

Strong operating cash flow despite increased account receivables

SEKm	Q2/2016	Q2/2015	Q1/2016	1H/2016
Operating profit before depreciation/amortization	1,509	1,236	741	2,250
Change in working capital	-66	632	-476	-542
Maintenance expenditure	-263	-491	-219	-482
Other	-29	85	31	2
Operating cash flow	1,151	1,462	77	1,228
Financial items	-359	-292	-178	-537
Taxes	-50	-204	-48	-98
Cash flow from current operations	742	966	-149	593
Strategic capital expenditure in plant and machinery	-69	-194	-88	-157
Acquisitions of shares and operations	-14	-33	-7	-21
Divestments of shares and operations	0	-4	-	-
Net cash flow¹	659	735	-244	415

1) Before proceeds from the rights issue

Rights issue completed, financing package in place

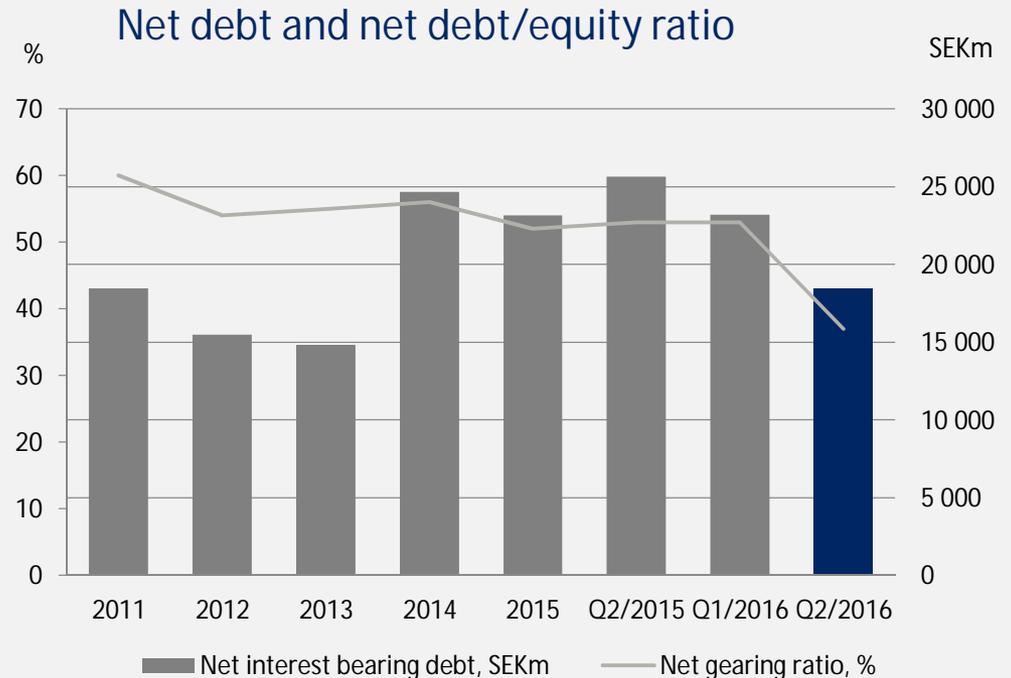
- ▶ The rights issue was oversubscribed and SSAB received proceeds of SEK 4,911 million in equity after transaction costs
- ▶ Comprehensive refinancing done
- ▶ Additional SEK 5bn in debt reduction by year-end 2017
 - Divestment of non-core assets
 - Own cash-flow generation



Will take down net debt/equity ratio to ~30% by end 2017 and take away material financing needs during coming years

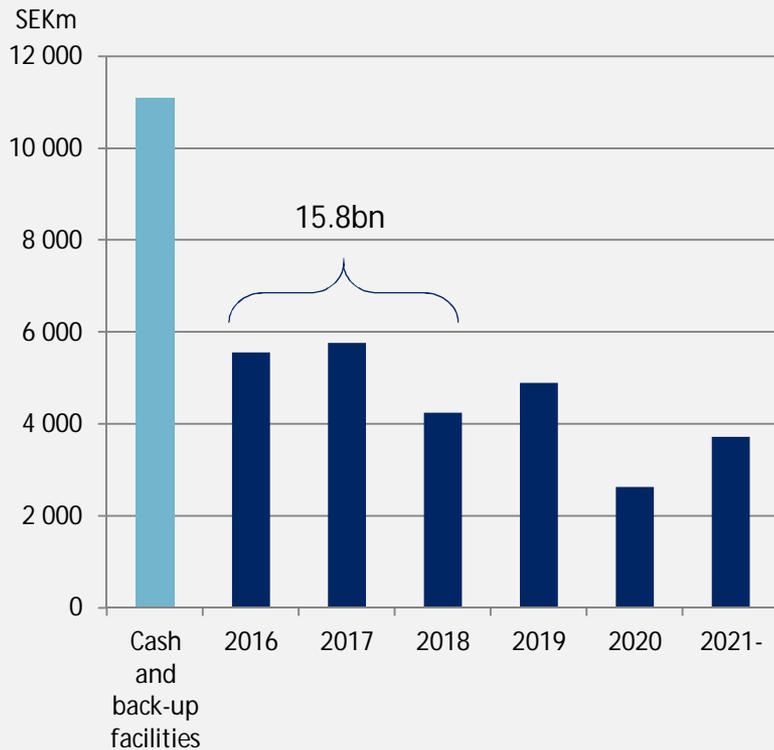
Net debt decreased and gearing went down

- ▶ Following the completed rights issue, net gearing ratio decreased from 53% to 37%
- ▶ Net debt decreased by SEK 4.8bn and amounted to SEK 18.4bn

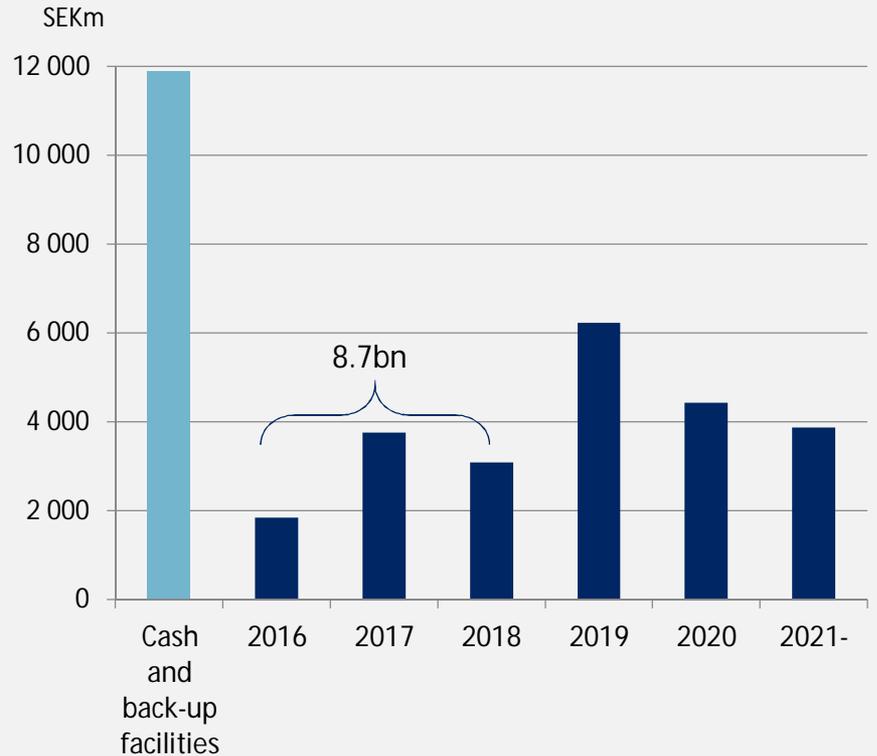


Reduced maturities in the coming years

Q1/2016

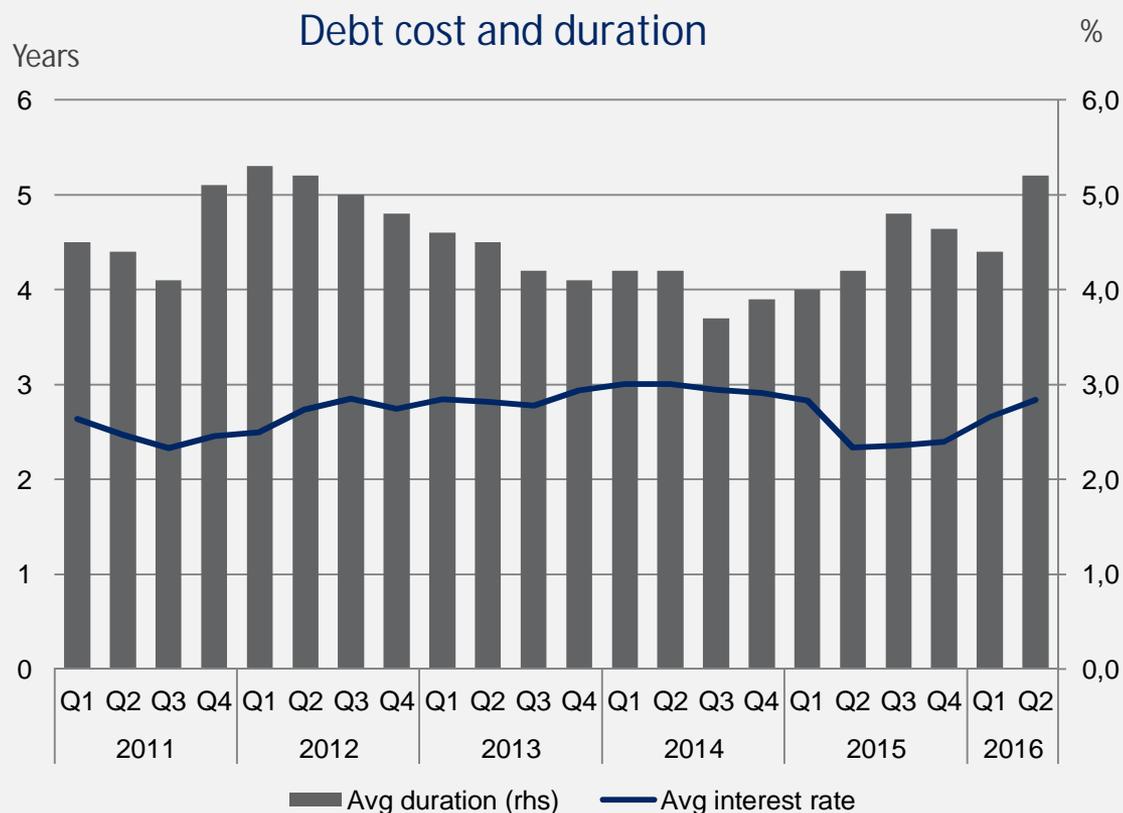


Q2/2016, after rights issue and refinancing



Longer duration on debt portfolio

- ▶ Duration on the loan portfolio increased to 5.2 years vs. 4.4 years at the end of Q1/2016
 - Averaged fixed interest term was 0.9 (0.9) years
- ▶ Average interest rate was 2.8% (2.7 % in Q1/2016)



Maintenance outages in 2016

- ▶ Estimated costs SEK 500m during Q3-Q4 2016
- ▶ Due to the demand situation, SSAB Europe pushed back parts of its outage from Q3 to Q4
- ▶ Since Q3 is seasonally weaker, SSAB Americas' outage in Montpelier is moved from beginning of Q4 to end of Q3

Major, planned maintenance outages 2016

SEKm	Q1/2016	Q2/2016	Q3/2016	Q4/2016
SSAB Special Steels				130
SSAB Europe			100	70
SSAB Americas	20	20	200	
Total	20	20	300	200

Outlook

SSAB's outlook for Q3/2016

- ▶ In North America, demand for heavy plate is expected to be somewhat lower, mainly due to the normal seasonal slowdown
- ▶ In Europe demand is expected to be seasonally weaker
 - Import volumes continue to be lower than at the end of 2015 and beginning of 2016
- ▶ Demand for high-strength steels is expected to be relatively unchanged vs. Q2
- ▶ Overall, SSAB's shipments during Q3 are expected to be lower than during Q2, but at a higher price level



Roadmap toward industry-leading profitability



Questions & Answers

Appendix

Several anti-dumping measures are in place and under preparation in EU and the US

	In place (examples)	Under preparation
Europe	<ul style="list-style-type: none">▶ Wire-rod (China)▶ Electrical steel (China, CIS, South Korea, US)▶ Stainless cold-rolled (China, Taiwan)	<ul style="list-style-type: none">▶ Cold-rolled carbon steels (China, Russia)<ul style="list-style-type: none">- EU imposed preliminary AD duties: 13-16% for China and 20%-26% for Russia▶ Hot-Rolled flat carbon steels (China)▶ Hot-Rolled flat carbon steels (Brazil, Russia, Iran, Serbia and Ukraine)
US	<ul style="list-style-type: none">▶ Hot-rolled sheet and coils (China, Russia, India, Ukraine, Indonesia, Taiwan, Thailand)▶ Heavy plate (China, India, Indonesia, Russia, Ukraine)▶ Cold-rolled sheet and coils (China, Japan)<ul style="list-style-type: none">- Final AD duty decision in May 2016: 266% for Chinese and 71% for Japanese producers	<ul style="list-style-type: none">▶ Hot-rolled sheet and coils (Australia, Brazil, Japan, Korea, Netherlands, Turkey)<ul style="list-style-type: none">- Preliminary duties decided, final decision expected in Sep 2016▶ Cold-rolled sheet and coils (Brazil, India, Korea, Russia, United Kingdom)▶ Heavy plate (Austria, Belgium, Brazil, China, France, Germany, Italy, Japan, South Africa, South Korea, Turkey, Taiwan)<ul style="list-style-type: none">- US ITC found reasonable indication that US mills were injured by the 12 countries- Preliminary AD decision expected in Nov 2016

SSAB's key customer segments – outlook

Segment	Outlook for Q3 vs. Q2	Comments on outlook
Heavy Transport		<ul style="list-style-type: none"> ▶ Stable demand expected in Europe ▶ Railcar production in US is expected to continue a steady decline, also truck industry slowing down
Automotive		<ul style="list-style-type: none"> ▶ Automotive is expected to remain at high level in Europe and in the US
Construction Machinery		<ul style="list-style-type: none"> ▶ Demand in the main European markets expected to remain on good level, ▶ Slowdown in US with lay-offs at major producers
Mining		<ul style="list-style-type: none"> ▶ Activity still low, but some signs of improvement seen driven by replacement investments
Energy		<ul style="list-style-type: none"> ▶ Continued solid demand for wind expected in North America ▶ Oil-related segments are expected to remain slow
Construction Material		<ul style="list-style-type: none"> ▶ Demand expected to be on Q2 level or slightly below ▶ Sweden and Poland expected to remain at good level, Finland improving from low level, and some positive signs in Russia
Service Centers (US)		<ul style="list-style-type: none"> ▶ Inventories currently at normal, Service Centers in a wait-and-see mode

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