

# Solid earnings improvement driven by SSAB Europe

Presentation of the Q1/2017 result

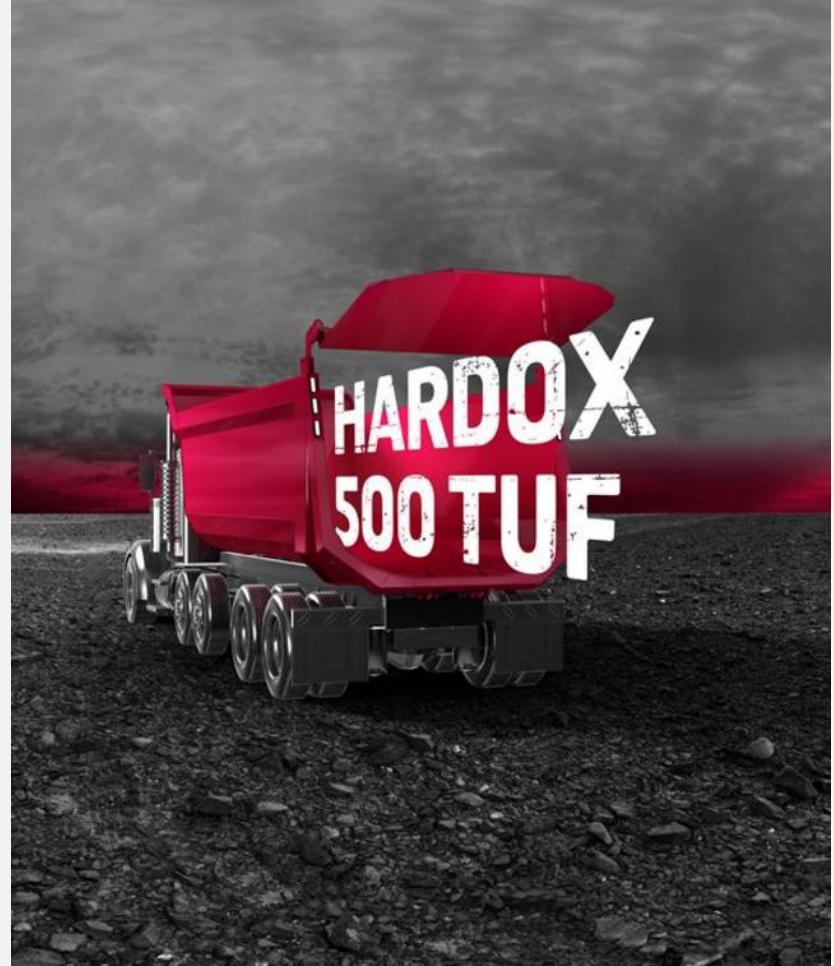
Martin Lindqvist, President & CEO  
Håkan Folin, CFO

April 21, 2017

SSAB

# Agenda

- ▶ Q1/2017 and performance by division
- ▶ Financials
- ▶ Summary & outlook
- ▶ Q&A

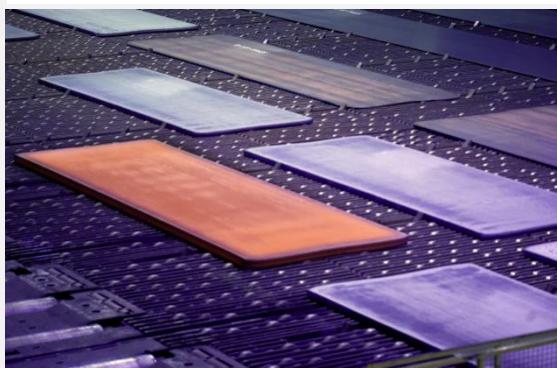


# Q1/2017 and performance by division

# Highlights in Q1/2017

## Improved production flexibility

- Good level of deliveries in SSAB Special Steels despite the Oxelösund breakdown
- SSAB Europe and SSAB Americas mills produced high-strength steels above expectations



## Strong performance from SSAB Europe

- High deliveries and production level, better prices and mix
- Automotive premium volumes up ~20%



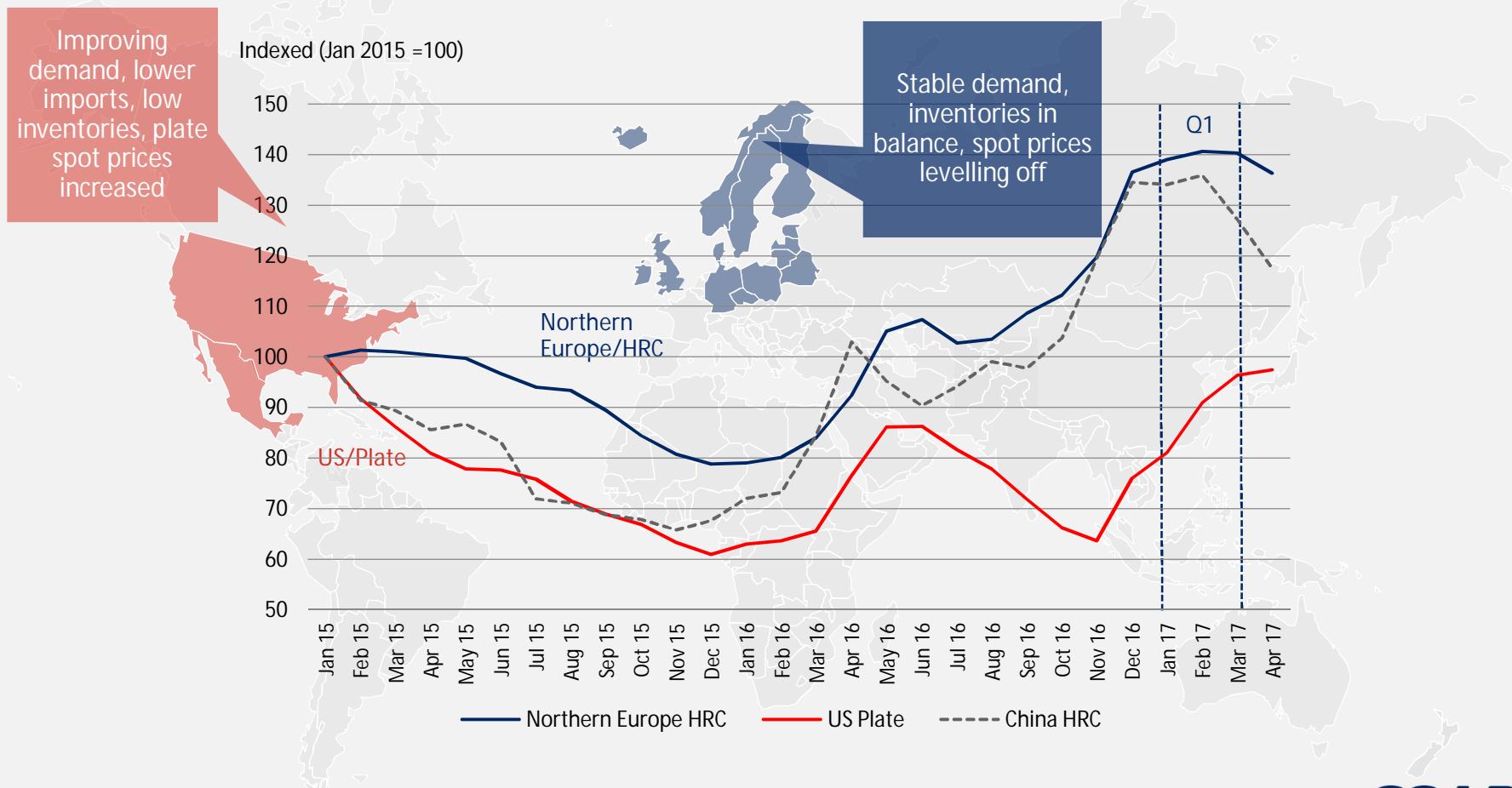
## New products and progress in sustainability

- New wear plate Hardox 500 Tuf launched
- HYBRIT project gained support from The Swedish Energy Agency



# Improved market situation both in Europe and North America

Spot price development: Hot Rolled Coil (HRC) in Northern Europe, Plate in US, HRC in China



# Anti-dumping measures are in place and under preparation in EU and the US

## In place

Europe

- ▶ Cold-rolled carbon steels (China, Russia)
- ▶ Hot-Rolled flat carbon steels (China)
  - Final AD duties for strip 18%-36% in April 2017
  - Final AD duties 65%-74% for plate in Feb 2017

US

- ▶ Hot-rolled sheet and coils (China, Russia, India, Ukraine, Indonesia, Taiwan, Thailand)
- ▶ Hot-rolled sheet and coils (Australia, Brazil, Japan, Korea, Netherlands, Turkey)
- ▶ Heavy plate (China, India, Indonesia, Russia, Ukraine)
- ▶ Heavy plate (China, Austria, Belgium, Taiwan, France, Germany, Italy, Japan, South Korea)
  - Final AD decision for the 8 countries in March 2017 – increased duties vs. preliminary duties
  - Final AD and CVD decision on Chinese plate AD margin of 68% and a subsidy (CVD) margin of 251%

## Under preparation

- ▶ Hot-Rolled flat carbon steels (Brazil, Russia, Iran, Serbia and Ukraine)
  - EU decided not impose preliminary duties, final decision expected in Oct 2017
- ▶ Corrosion Resistant Steel (China)

- ▶ Cold-rolled sheet and coils (Brazil, India, Korea, Russia, United Kingdom)
- ▶ Heavy plate (Turkey, Brazil, South Africa)
  - Preliminary AD decision in place for Turkey, Brazil, South Africa

# Summary of Q1/2017

Solid earnings improvement driven by higher prices and volumes

- ▶ EBIT of SEK 702m, up SEK 595m compared with Q4/16
  - + Higher prices
  - + Higher volumes
  - Maintenance outage in Mobile
  - Higher costs of raw materials
- ▶ EBIT up SEK 895m vs. Q1/16
- ▶ Operating cash flow at SEK 876m
- ▶ Gearing at 32% (34%)

## Key figures

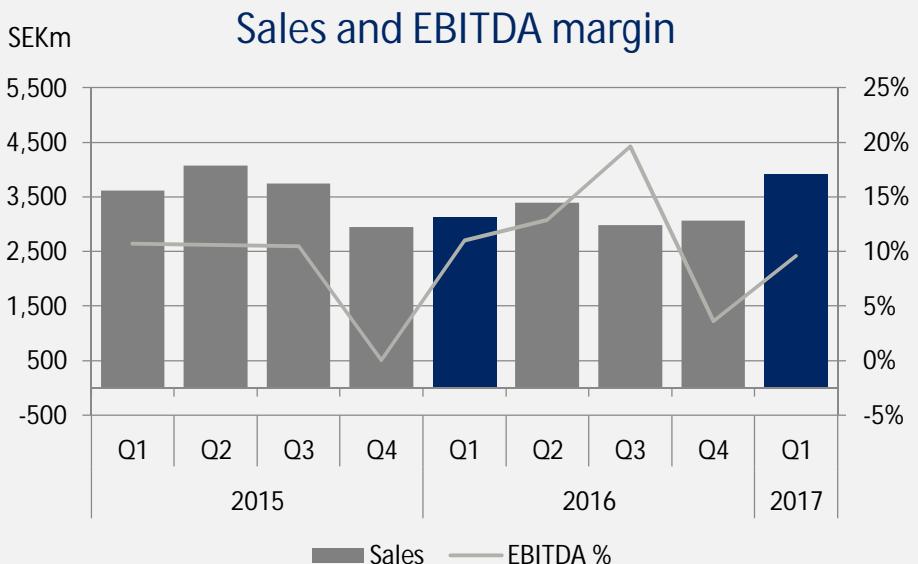
SEKm	Q1/2017	Q1/2016	Q4/2016	FY 2016
Sales	15,739	12,964	14,442	55,354
EBITDA	1,627	741	1,066	4,951
EBIT	702	-193	107	1,213
Operating cash flow	876	77	1,053	3,207

# SSAB Special Steels

## Improved result despite the breakdown

- ▶ Shipments increased 8% vs. Q1/2016 despite the breakdown
  - Improving demand in several segments
  - Flexible production system
- ▶ EBIT was SEK 243m, up SEK 272m vs. Q4/2016
  - + Higher volumes
  - + Lower fixed costs
  - Breakdown in Oxelösund
  - Higher raw material costs

SEKm	Q1/2017	Q1/2016	Q4/2016	2016
Sales	3,925	3,132	3,066	12,582
EBITDA	377	345	111	1,453
EBIT <sup>1</sup>	243	202	-29	902
Shipments, ktonnes	277	256	233	1,008



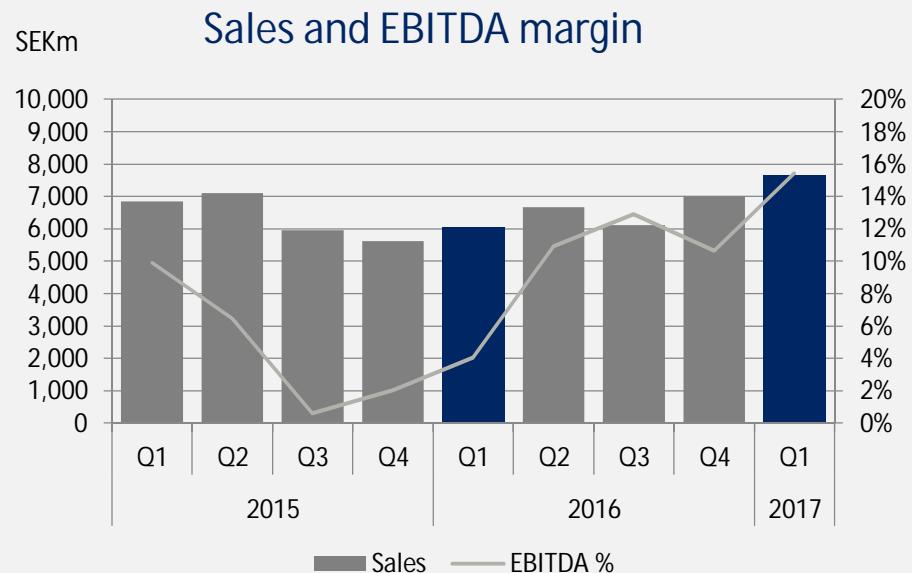
1) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki

# SSAB Europe

## Strong result improvement due to higher prices and volumes

- Shipments +9% vs. Q4/16
  - Good demand in all segments
  - Automotive continued at high level
- EBIT in Q1 was SEK 826m, up SEK 450m vs. Q4/2016
  - + Higher volumes
  - + Higher prices
  - Higher raw material costs

SEKm	Q1/2017	Q1/2016	Q4/2016	2016
Sales	7,657	6,040	7,001	25,831
EBITDA	1,182	244	746	2,458
EBIT <sup>1</sup>	826	-118	376	1,000
Shipments, ktonnes	982	946	898	3,720



# SSAB Americas

## Lower profitability due to the Mobile outage and higher scrap costs

- ▶ Demand improved during Q1
  - Continued good demand from Energy segment
- ▶ EBIT was SEK -157m, down SEK 123m from Q4/16
  - + Higher prices
  - Mobile outage
  - Higher scrap costs

SEKm	Q1/2017	Q1/2016	Q4/2016	2016
Sales	3,019	2,428	2,825	10,639
EBITDA	8	209	136	737
EBIT <sup>1</sup>	-157	55	-34	110
Shipments, ktonnes	486	475	502	1,924



# Tibnor

## Higher volumes and better margins

- ▶ Shipments +8% vs. Q4/2016
  - Good level of demand in all main market areas
- ▶ EBIT was SEK 99m, up SEK 119m vs. Q4/2016
  - + Better margins
  - + Higher volumes

SEKm	Q1/2017	Q1/2016	Q4/2016	2016
Sales	2,019	1,707	1 813	6 879
EBITDA	118	1	57	191
EBIT <sup>1</sup>	99	-20	34	106



1) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki

# Ruukki Construction

Result improvement due to higher sales volumes

- ▶ Seasonally lower demand
- ▶ Sales +22% vs. Q1/2016
  - Growth in Building Components and Roofing segments
- ▶ EBIT was SEK -29m, up SEK 19m vs. Q1/2016
  - + Higher volumes

SEKm	Q1/2017	Q1/2016	Q4/2016	2016
Sales	1,131	928	1,353	5,304
EBITDA	8	-10	45	322
EBIT <sup>1</sup>	-29	-48	7	171

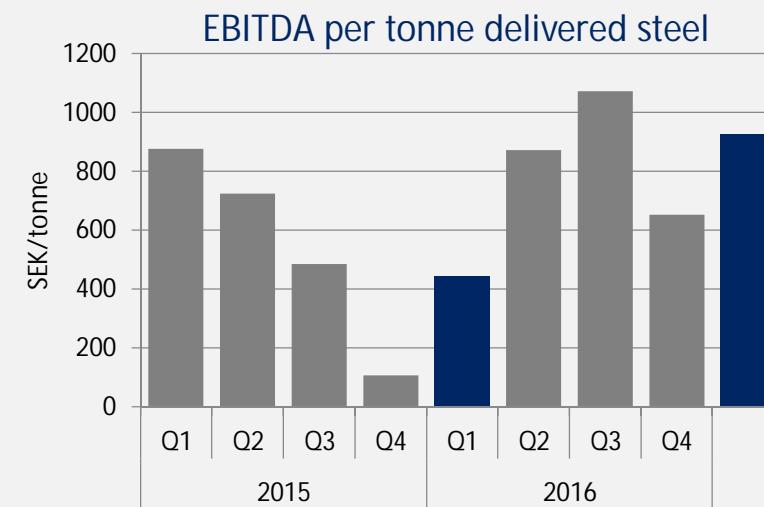
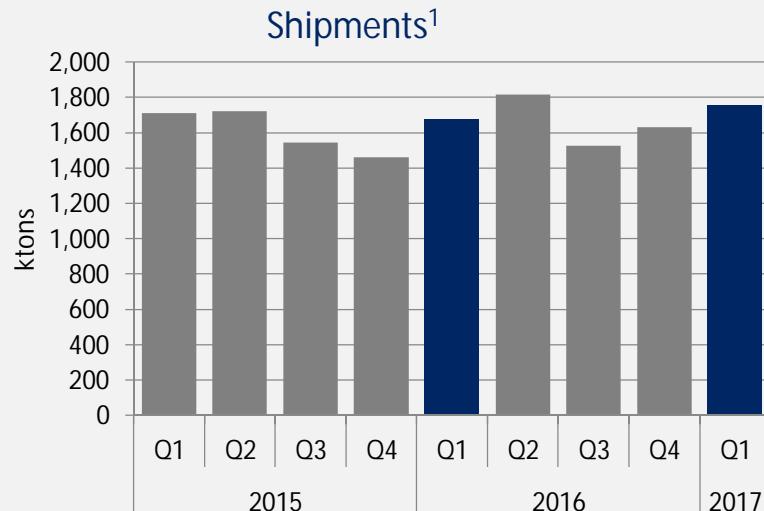


1) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki

# Financials

# Strong profitability improvement

## Higher sales due to both higher prices and volumes



<sup>1</sup>) Including the steel operations: Special Steels, Europe and Americas

# Change in operating profit

## Q1/2017 vs. Q1/2016

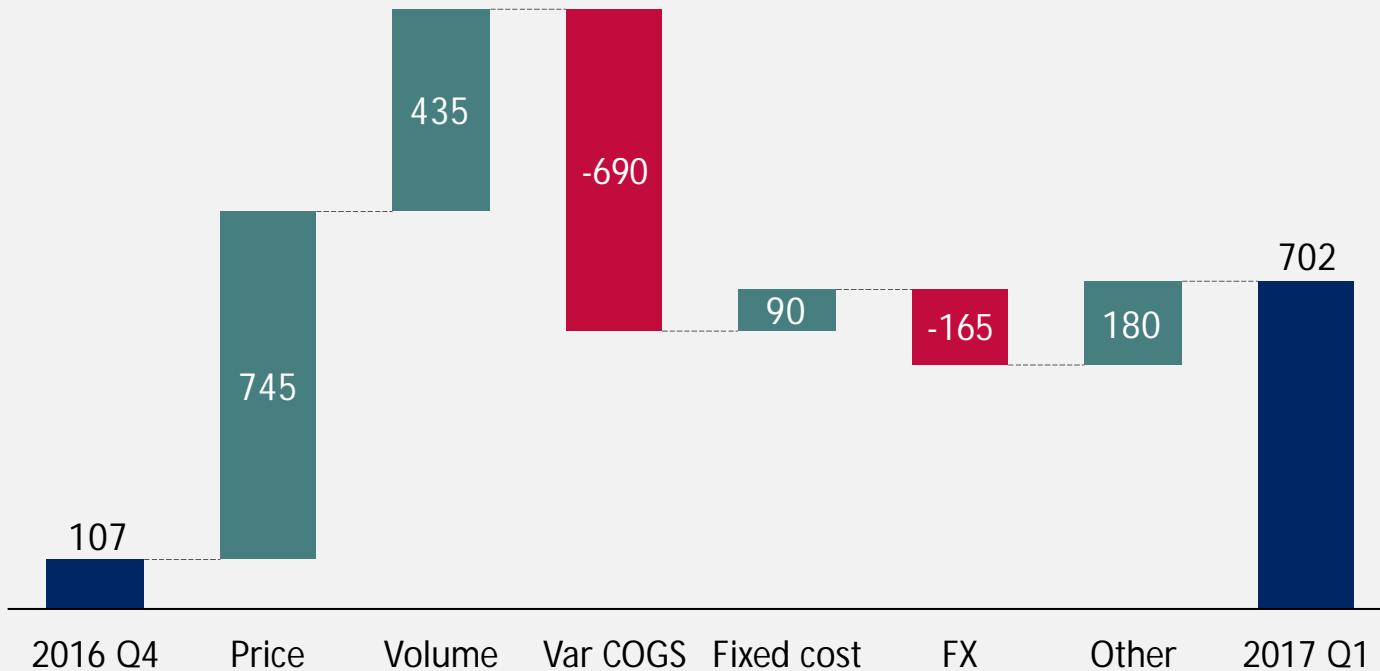
SEKm



# Change in operating profit

Q1/2017 vs. Q4/2016

SEKm



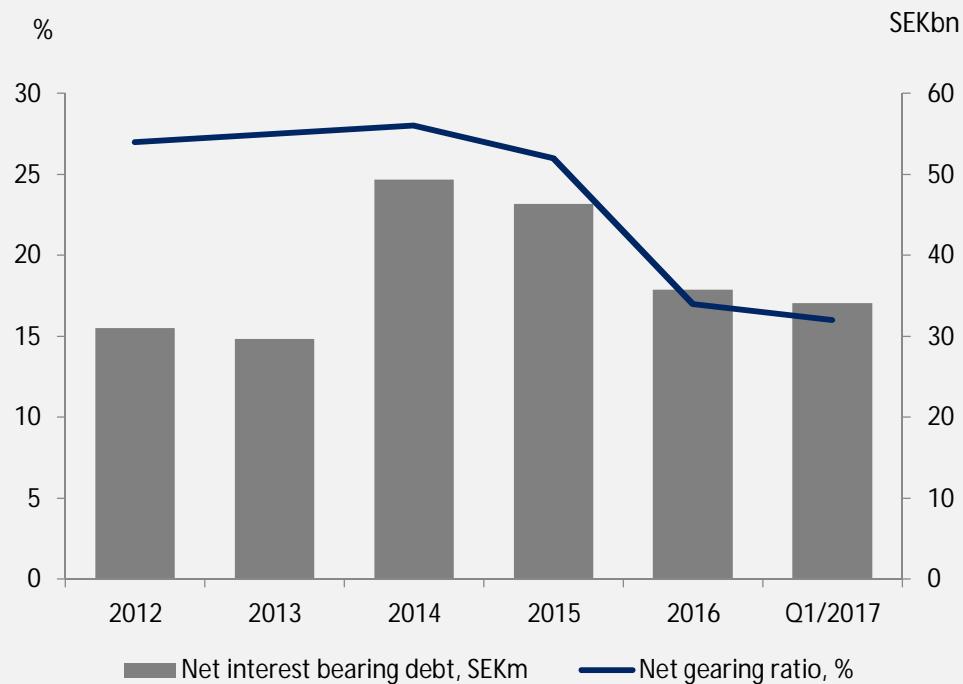
# Good operating cash flow despite higher inventories and accounts receivables

SEKm	Q1/2017	Q1/2016	Q4/2016	2016
Operating profit before depreciation/amortization	1,627	741	1,066	4,951
Change in working capital	-526	-476	417	-661
Maintenance expenditure	-215	-219	-365	-1,053
Other	-10	31	-65	-30
Operating cash flow	876	77	1,053	3,207
Financial items	-222	-178	-271	-994
Taxes	-21	-48	244	80
Cash flow from current operations	633	-149	1,026	2,293
Strategic capital expenditure in plant and machinery	-44	-88	-83	-273
Acquisitions of shares and operations	0	-7	-	-46
Divestments of shares and operations	0	0	-	-
Net cash flow	589	-244	943	1,974

# Net debt and gearing decreased

- ▶ Net gearing ratio decreased from 34% at the end of 2016 to 32%
- ▶ Net debt decreased by SEK 0.9bn and amounted to SEK 17.0bn

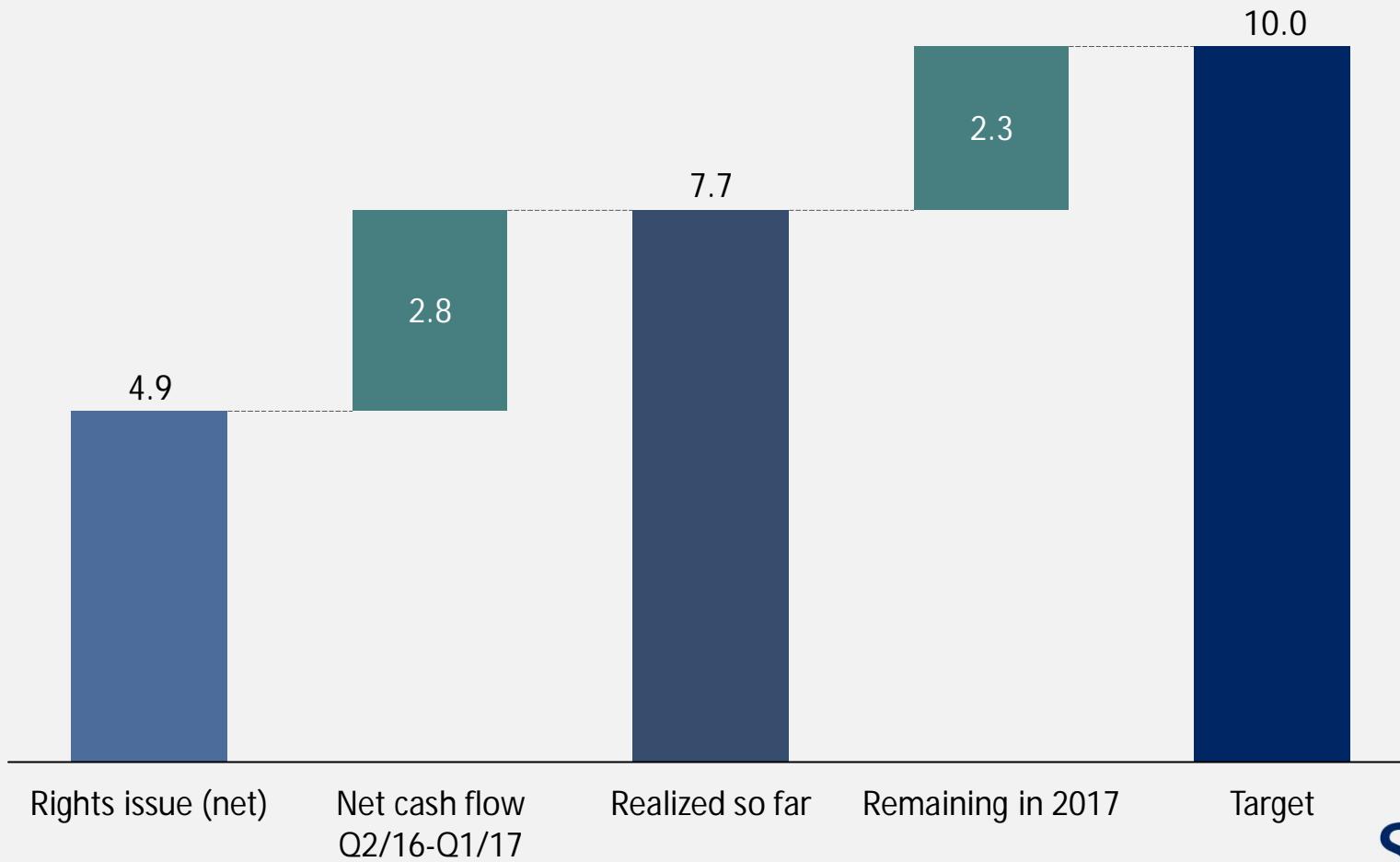
Net debt and net debt/equity ratio



# Net debt reduction according to plan

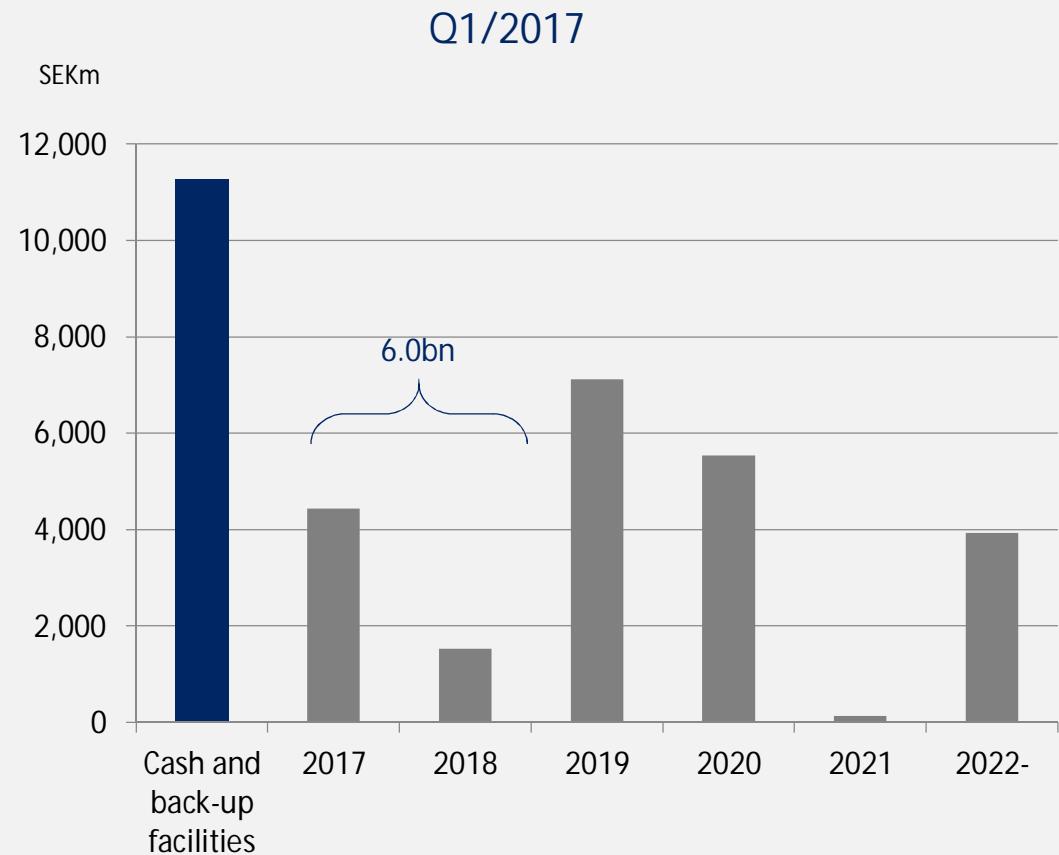
SEK 10 bn. between the end of Q1/16 and the end of 2017

SEK bn



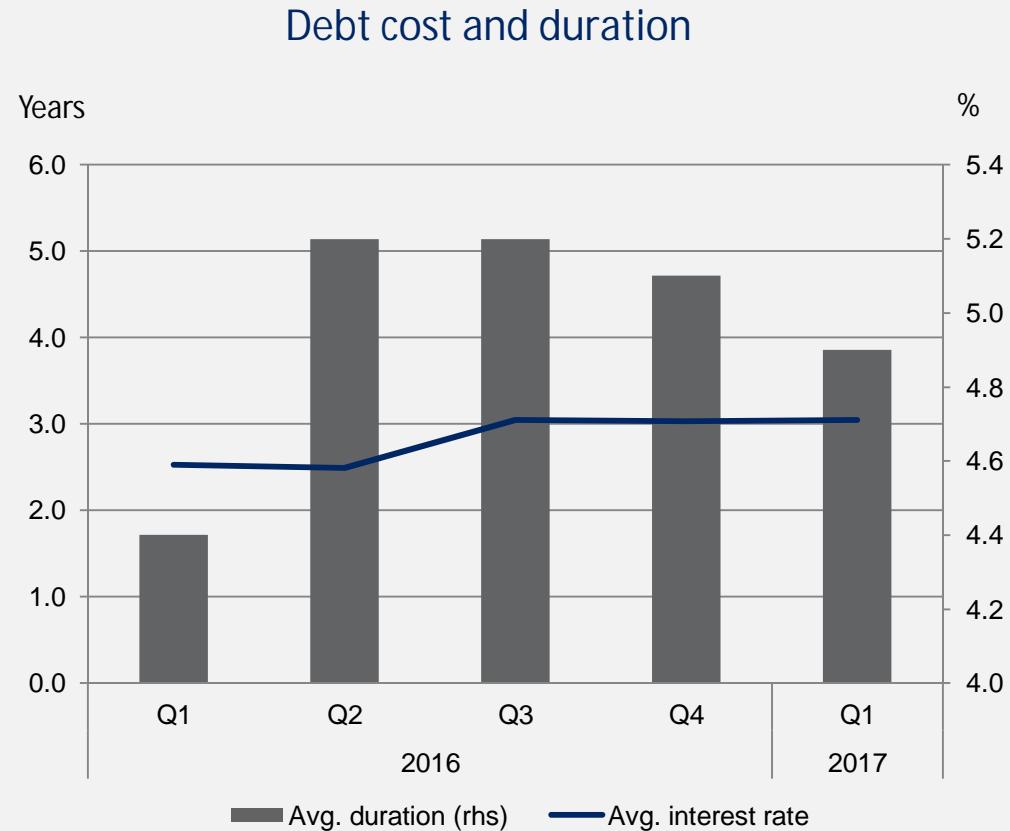
# Balanced maturity profile in coming years

- ▶ Loans maturing in 2017-2018 amounted to SEK 6.0bn
- ▶ Of the total maturities in 2017, commercial paper accounts for SEK 0.75bn
- ▶ Bond issue of SEK 1bn and buy-back of 1.2bn outstanding bonds 2017 and 2019, effective in Q2



# Duration on debt portfolio and interest rate

- Duration of the loan portfolio was 4.9 years (5.1 at the end of 2016)
- Averaged fixed interest term was 0.7 years (0.8)
- Average interest rate was 3.05% (3.03 % in Q4/2016)



# Higher raw material prices

New contract with LKAB for iron ore pellets with monthly pricing

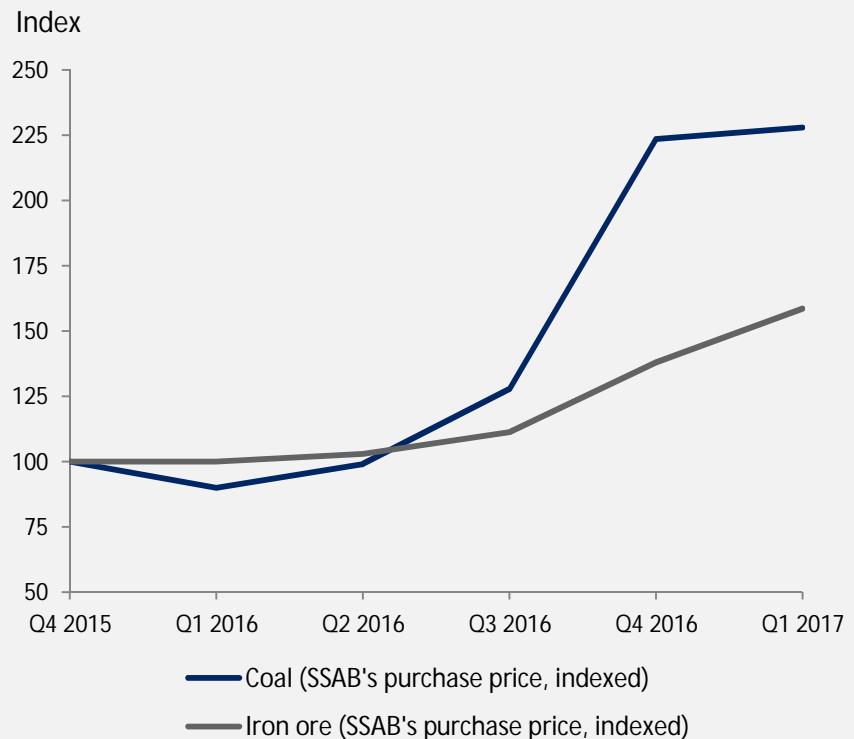
## Coking coal

- Average coking coal purchase price in Q1 was 2% higher in SEK vs. Q4/16

## Iron ore

- Average pellet purchase price in Q1 was 15% higher in SEK vs. Q4/16
- New contract with LKAB for the period April 1, 2017- March 31, 2018
  - Prices are adjusted on monthly basis

SSAB's purchase price, coking coal and iron ore



# Scrap spot prices continued to increase in Q1 along with other raw materials

- ▶ Scrap spot prices in US at the end of Q1/17 were:
  - 6% higher vs. Q4/16
  - 20% higher vs. Q1/16



Source: AMM

# Outlook

# SSAB's outlook for Q2/2017

- ▶ In North America, demand for heavy plate is expected to be good both from Steel Service Centers and end customers
- ▶ In Europe, demand is expected to be good
  - No major changes in inventory levels expected
- ▶ Demand for high-strength steels is expected to develop positively
- ▶ Overall, SSAB's shipments are expected to be somewhat higher than during Q1
- ▶ Realized prices are expected to be higher than in Q1, however mitigated by increased raw material costs
- ▶ Work started on the major maintenance outage in Mobile during Q1 and was completed during the beginning of Q2

# Swedish Steel Prize 2017 finalists lead the way with innovative design concepts



# Questions & Answers

# Appendix

# Maintenance outages in 2017

- ▶ Costs were SEK 180m for Q1/2017 (incl. direct costs and under absorption)
  - SSAB Americas SEK 160m, SSAB Europe SEK 20m
- ▶ Q2/2017 costs are estimated to be SEK 250m
  - SSAB Americas SEK 230m, SSAB Europe SEK 20m

## Major, planned maintenance outages 2017

SEKm	Q1/2017	Q2/2017	Q3/2017	Q4/2017	2017	2016
SSAB Special Steels			230	0	230	250
SSAB Europe	20	20	170	100	310	300
SSAB Americas	160	230	0	0	390	290
Total	180	250	400	100	930	840

Note: The estimates shown in table includes direct maintenance cost and cost of lower capacity utilization (under absorption), but excludes lost margins.

# SSAB's key customer segments – outlook

Segment	Outlook for Q2 vs. Q1	Comments on outlook
Heavy Transport	➡	<ul style="list-style-type: none"><li>▶ Growth in demand expected in Europe</li><li>▶ Railcar production in US is expected to continue to decline</li></ul>
Automotive	➡	<ul style="list-style-type: none"><li>▶ Automotive is expected to remain at high level in Europe and in the US</li></ul>
Construction Machinery	➡	<ul style="list-style-type: none"><li>▶ Demand in the main European markets is expected to pick-up somewhat</li><li>▶ Demand in US is showing some signs of recovery from low level</li></ul>
Mining	➡	<ul style="list-style-type: none"><li>▶ Higher repair and maintenance activity in the Mining sector</li></ul>
Energy	➡	<ul style="list-style-type: none"><li>▶ Continued solid demand in wind energy segment expected</li><li>▶ Oil-related segments are expected to pick-up</li></ul>
Construction Material	➡	<ul style="list-style-type: none"><li>▶ Demand expected to pick up seasonally</li></ul>
Service Centers (US)	➡	<ul style="list-style-type: none"><li>▶ Demand from Service Centers is expected to be fairly stable in Q2, although inventories are still low</li></ul>

# SSAB



*A stronger,  
lighter and more  
sustainable world*