

# Presentation of the Q3/2019 results

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The SSAB logo is located in the bottom right corner of the slide. It consists of the letters "SSAB" in a bold, white, sans-serif font. The background of the slide is a photograph of two industrial workers. The worker in the foreground is wearing a yellow hard hat with a headlamp, safety glasses, and a dark blue work jacket with reflective yellow-green stripes. He is pointing his right hand, which is wearing a blue and white work glove, towards the left. Another worker is partially visible in the background, also wearing safety gear. The overall tone of the slide is professional and industrial.

# Agenda

- ▶ Summary of Q3/2019
- ▶ Financials
- ▶ Outlook
- ▶ Q&A



# Summary of Q3/2019

- ▶ Weak market in Europe, lower earnings
- ▶ SSAB Americas held up well
- ▶ High-end products more stable
- ▶ Measures to cut costs implemented
- ▶ Decent operating cash flow and strong balance sheet



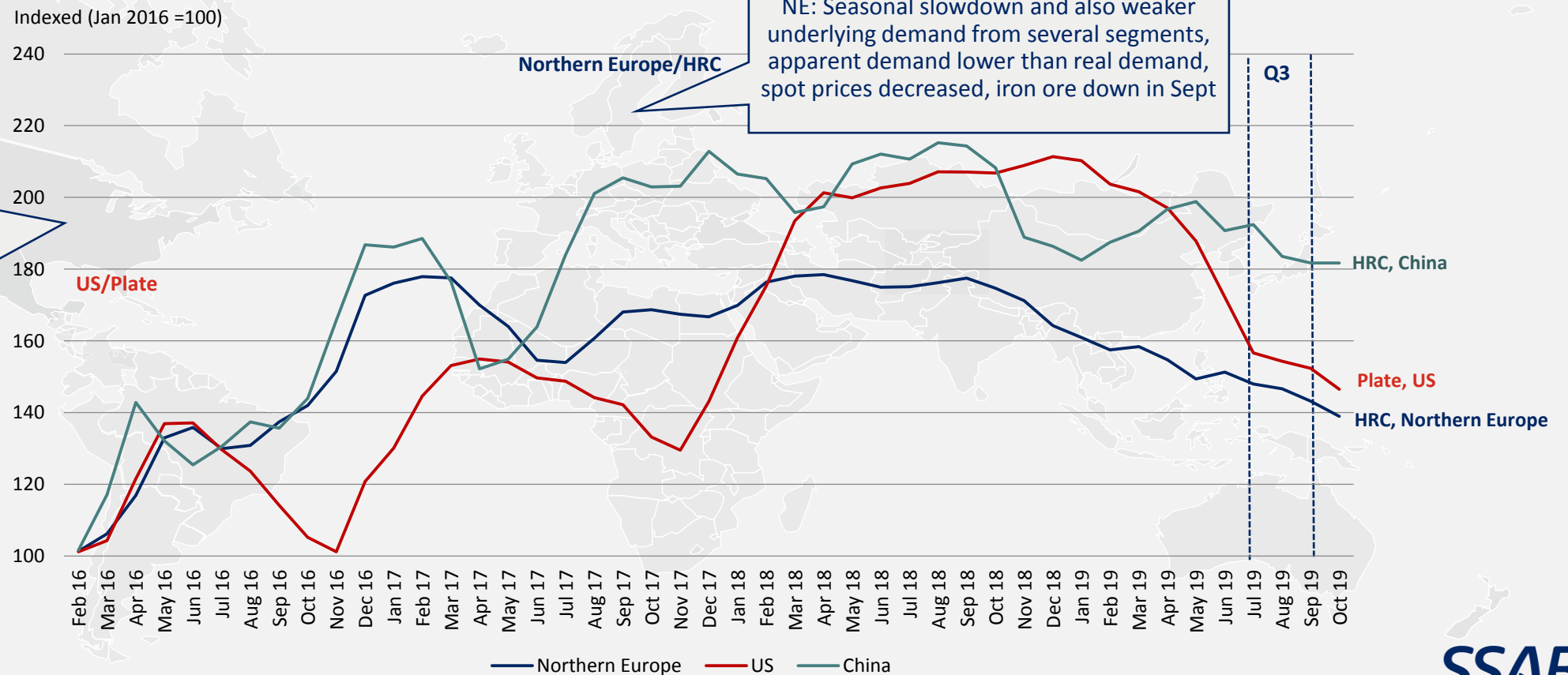






# Demand weakened and steel prices remain under pressure

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



# Lower earnings – weaker market and higher iron ore cost

- ▶ EBIT of SEK 300m, down SEK 1,300m vs. Q3/18, SEK 1,316m in Q2/19
  - Lower result was mainly due to SSAB Europe
  - Total shipments were down 2% vs. Q3/18 and 6% vs. Q2/19
- ▶ Earnings per share SEK 0.03 (0.85)

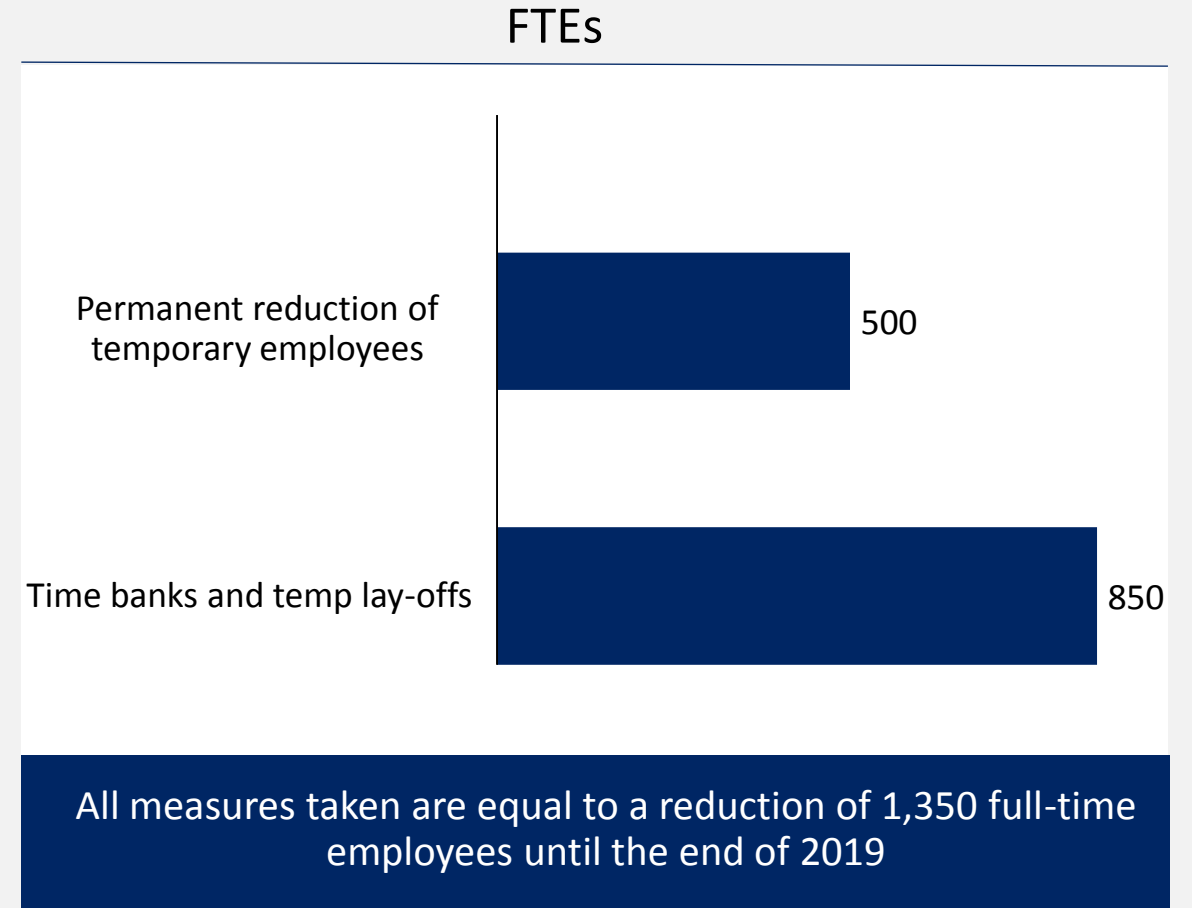
## Key figures (SSAB Group)

SEKm	Q3/2019	Q3/2018	Q2/2019	2018
Sales	18,840	19,038	20,654	74,941
EBITDA <sup>1)</sup>	1,327	2,563	2,419	8,952
EBIT <sup>1)</sup>	300	1,600	1,316	5,181
Earnings per share (SEK)	0.03	0.85	0.98	3.45
Shipments, ktonnes	1,614	1,646	1,722	6,899

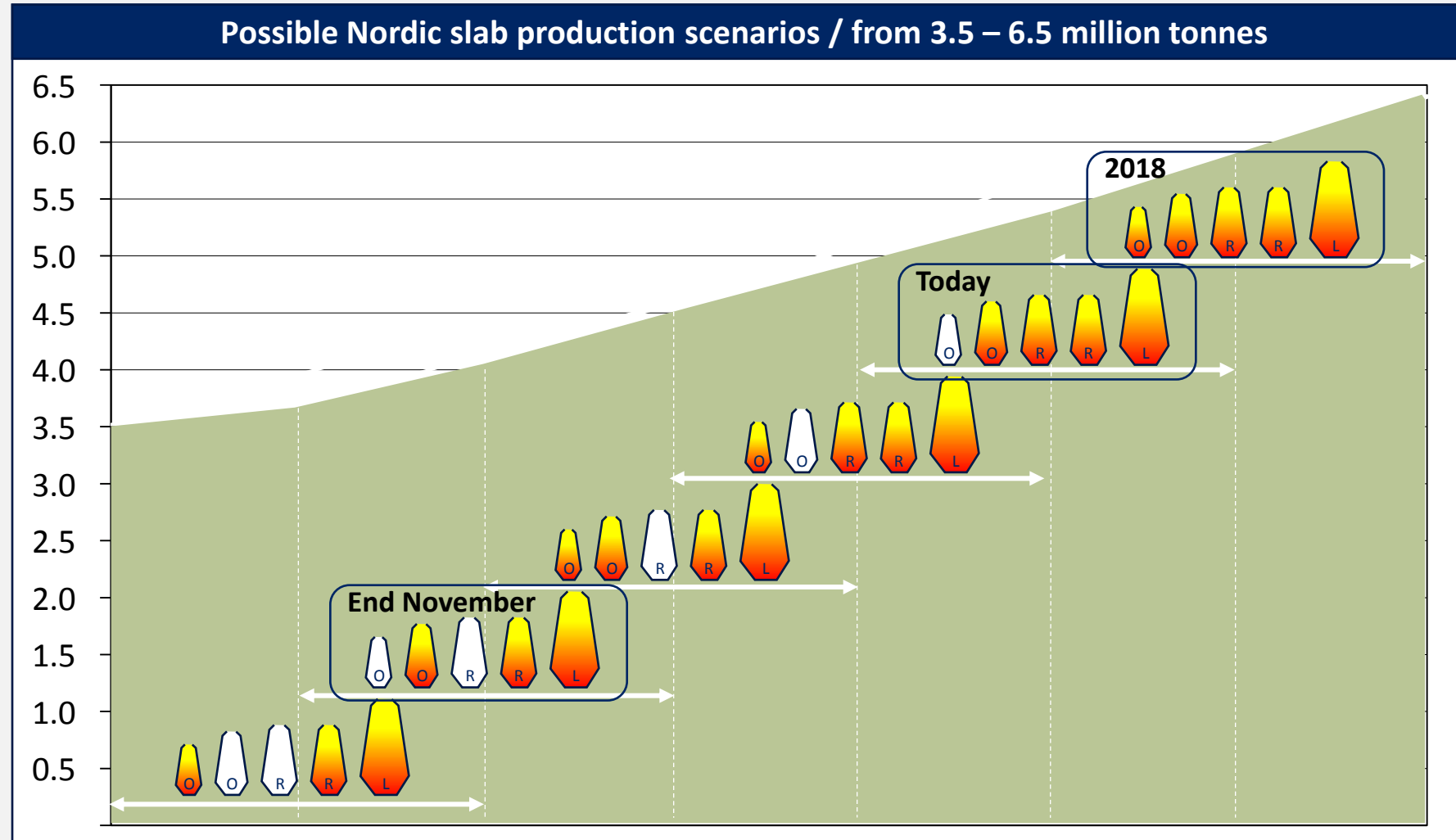
*1) Excluding items affecting comparability*

# Measures to cut costs implemented

- ▶ Reduced production rates
- ▶ Smaller blast furnace in Oxelösund idled (capacity ~0.5m tonnes)
- ▶ Other cost reduced (traveling, consultants, etc.)
- ▶ Using own personnel instead of contractors where possible
- ▶ One of the blast furnaces in Raahe will be idled at the end of November (capacity ~1.3m tonnes)
- ▶ Idling means more underabsorption in the short term



# Decided to go to a 3 blast furnace production scenario starting end of November





# Decent operating cash flow in Q3 and strong balance sheet

- ▶ Operating cash flow amounted to SEK 1,038m (1,922)
- ▶ Net gearing 15% excl. IFRS 16, a decrease of 1%-point vs. Q2/19
  - Reported net gearing 18%

Operating cash flow, SEK million



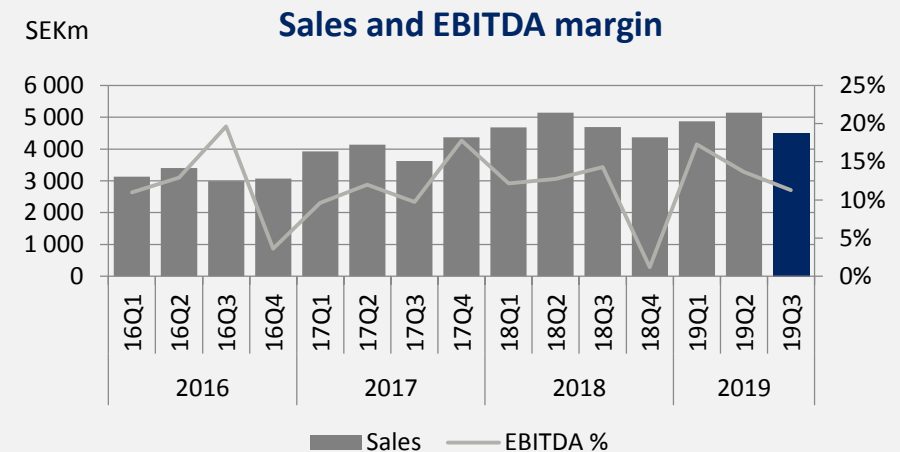
# SSAB Special Steels

## Higher iron ore costs, lower shipments

- ▶ Weaker demand mainly in Europe, but also North America, major OEMs more cautious
- ▶ EBIT of SEK 358m, down SEK 178m vs. Q3/18
  - Lower volumes
  - Higher variable costs, primarily of iron ore
- ▶ Shipments -7% vs. Q3/18 – Hardox and Strategic products holding up well

### Key figures

SEKm	Q3/2019	Q3/2018	Q2/2019	2018
Sales	4,509	4,684	5,139	18,869
EBITDA	509	670	703	1,946
EBIT	358	536	544	1,421
Shipments, ktonnes	299	320	339	1,298



# SSAB Europe

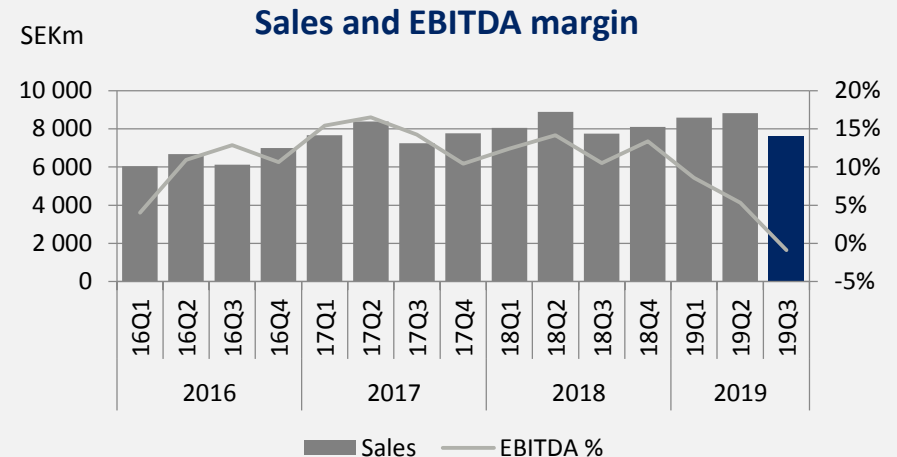
## Weaker demand and significant pressure on margins

- ▶ Seasonal slowdown and downturn in business cycle
  - Automotive premium more stable
- ▶ EBIT of SEK -480m, down SEK 940m vs. Q3/18
  - Higher iron ore costs
  - Lower steel prices
  - Mid-term repair in Raahe
- ▶ Shipments -2% vs. Q3/18 and -13% vs. Q2/19

### Key figures

SEKm	Q3/2019	Q3/2018	Q2/2019	2018
Sales	7,637	7,754	8,814	32,796
EBITDA	-67	814	469	4,153
EBIT <sup>1)</sup>	-480	460	66	2,757
Shipments, ktonnes	794	810	909	3,561

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





# SSAB Americas

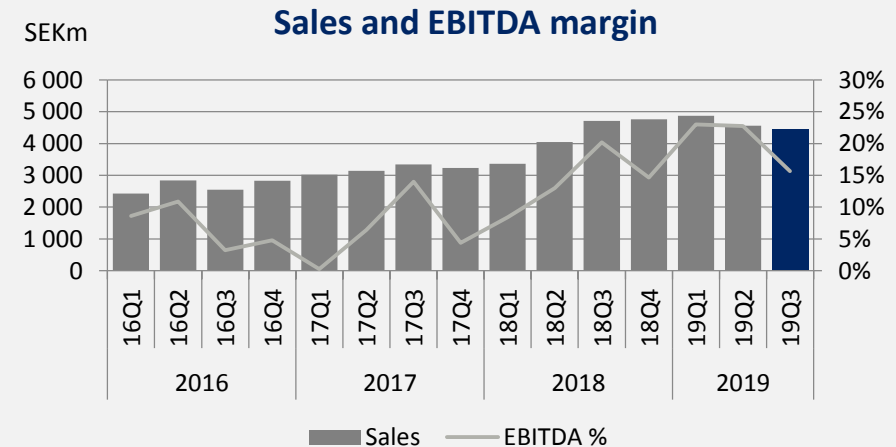
Lower result due to lower prices

- ▶ Stable demand
- ▶ EBIT of SEK 522m, down SEK 268m vs. Q3/18
  - Lower plate prices
- ▶ Shipments up 1% vs. Q3/18, and 10% vs. Q2/19
  - Shipments to distributors (Steel Service Centers) increased

## Key figures

SEKm	Q3/2019	Q3/2018	Q2/2019	2018
Sales	4,446	4,713	4,555	16,878
EBITDA	697	951	1,037	2,459
EBIT <sup>1)</sup>	522	790	872	1,837
Shipments, ktonnes	521	517	475	2,039

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



# Tibnor and Ruukki Construction

Weaker demand for Tibnor, while Ruukki Construction improved year-over-year

## Tibnor

SEKm	Q3/2019	Q3/2018	Q2/2019	2018
Sales	2,179	1,949	2,534	8,434
EBITDA	47	73	73	313
EBIT <sup>1)</sup>	2	53	29	230
Shipments (ktonne)	190	160	219	705

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

SEKm

### Sales and EBITDA margin



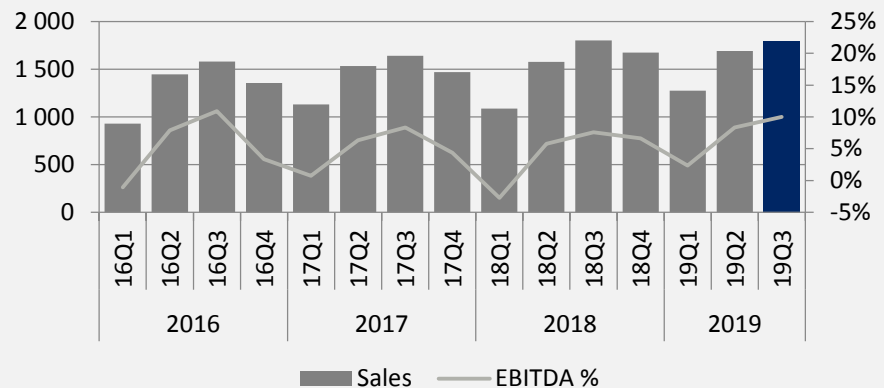
## Ruukki Construction

SEKm	Q3/2019	Q3/2018	Q2/2019	2018
Sales	1,794	1,799	1,690	6,140
EBITDA	179	136	141	305
EBIT <sup>1)</sup>	134	103	95	178

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

SEKm

### Sales and EBITDA margin

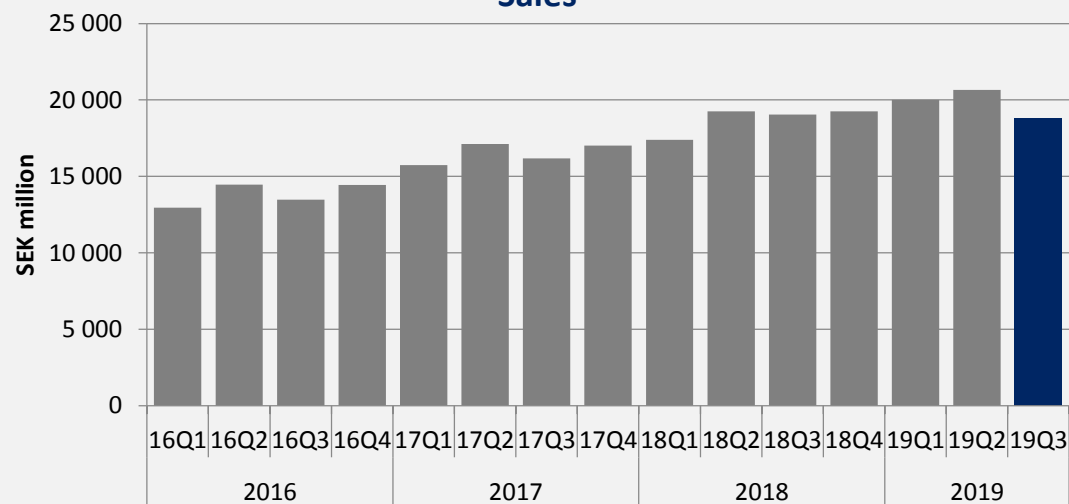


# Financials

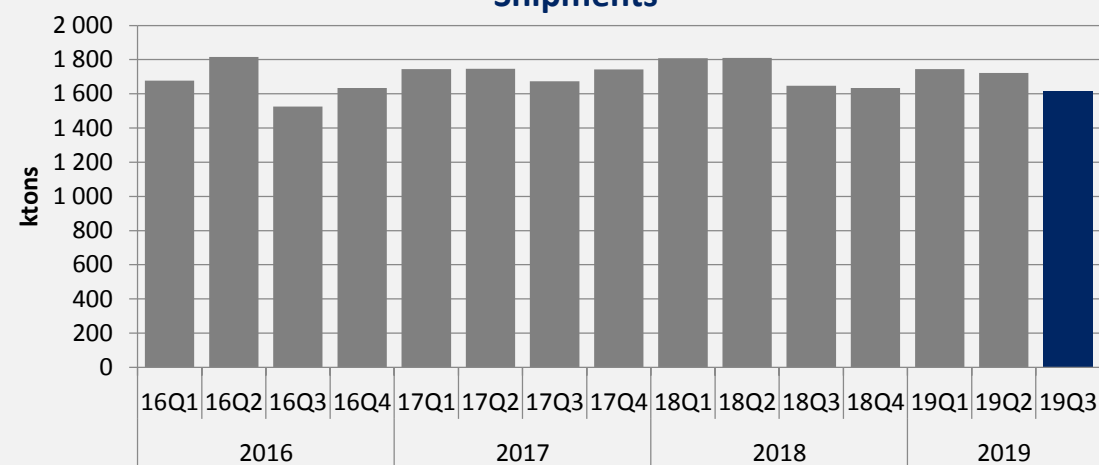


# Weaker market and higher iron ore cost impacted Q3

## Sales



## Shipments<sup>1</sup>

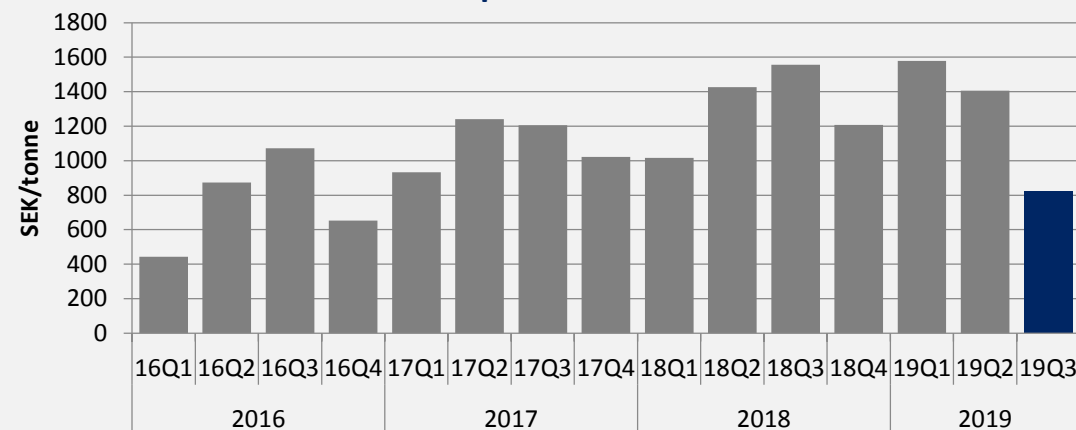


1) Including the steel operations: Special Steels, Europe and Americas

## EBITDA and EBITDA margin<sup>2</sup>

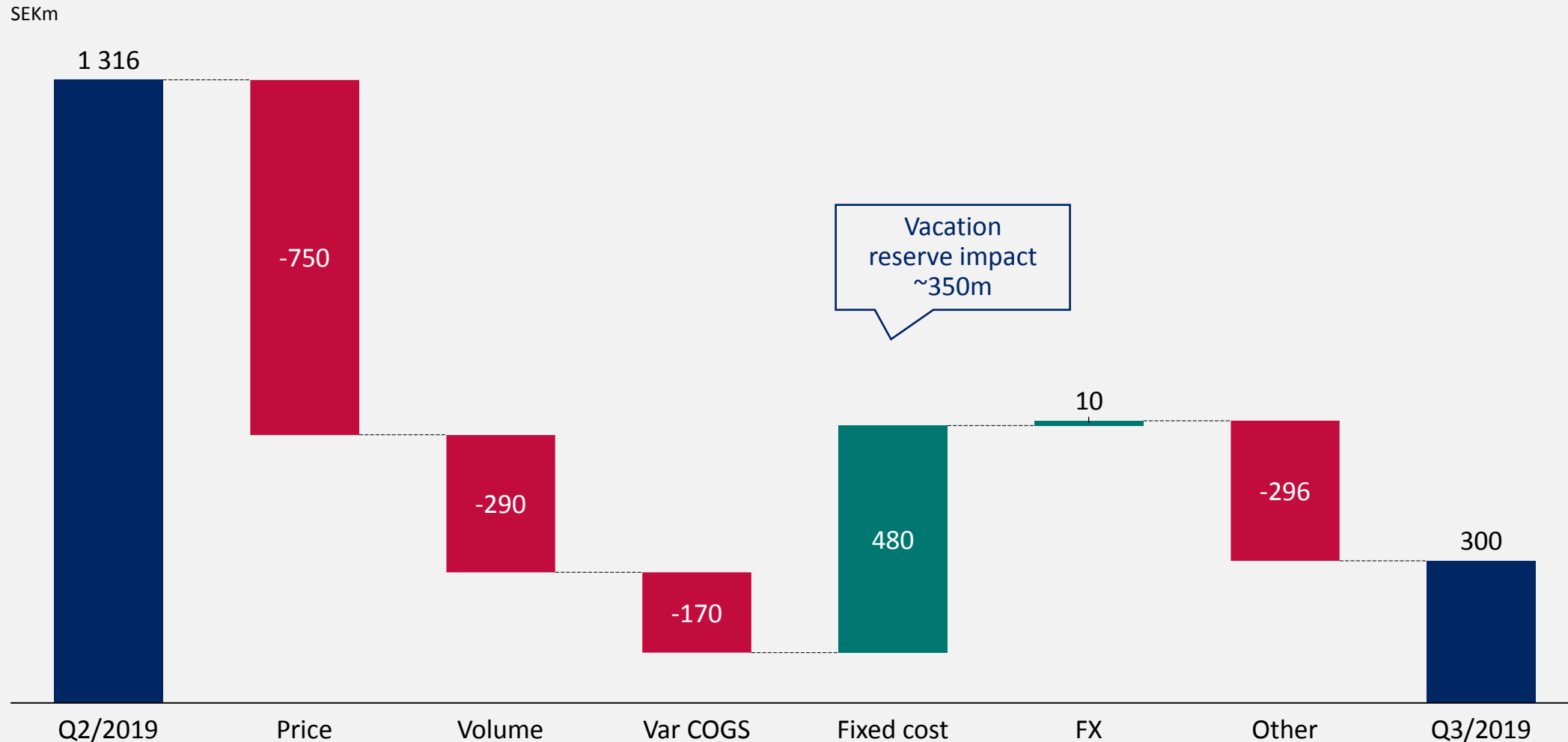


## EBITDA per tonne delivered steel<sup>2</sup>



# Change in operating profit

## Q3/2019 vs. Q2/2019



# Operating cash flow at decent level

Impacted by lower operating profit

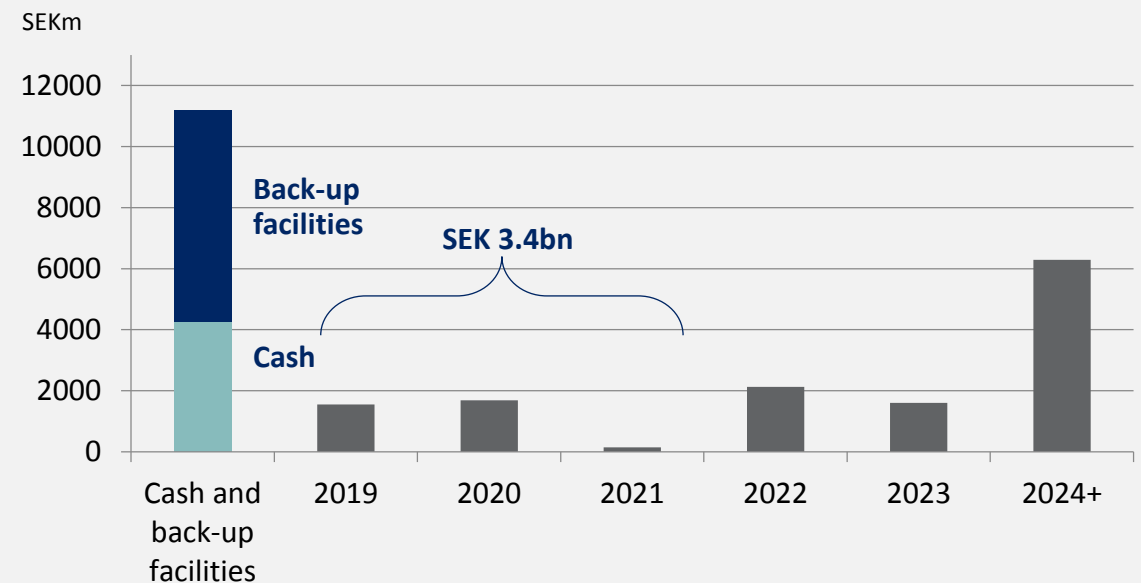
SEKm	Q3/2019	Q3/2018	Q2/2019	2018
Operating profit before depreciation/amortization	1,177	2,350	2,419	8,712
Change in working capital	205	-209	-240	-967
Maintenance expenditure	-456	-407	-401	-1,943
Other	113	189	-82	167
<b>Operating cash flow</b>	<b>1,038</b>	<b>1,922</b>	<b>1,696</b>	<b>5,969</b>
Financial items	-140	-119	-150	-541
Taxes	-262	-81	-702	-628
<b>Cash flow from current operations</b>	<b>636</b>	<b>1,722</b>	<b>845</b>	<b>4,800</b>
Strategic capital expenditure in plant and machinery	-235	-48	-231	-397
Acquisitions of shares and operations	-3	0	-595	-11
Divestments of shares and operations	-	-	-	76
<b>Cash flow before dividend</b>	<b>398</b>	<b>1,674</b>	<b>19</b>	<b>4,468</b>
Dividend paid to shareholders	-	-	-1,545	-1,030
Dividend, non-controlling interest	0	-	-6	-3
Acquisition, non-controlling interest	-	-	-45	-
<b>Net cash flow</b>	<b>398</b>	<b>1,674</b>	<b>-1,577</b>	<b>3,435</b>



# Maturity profile and net debt

- ▶ Net debt amounted to SEK 9,526m excl. IFRS 16 (9,915m in Q2/19)
  - Reported net debt amounted to SEK 11,424m
- ▶ Net gearing 15% excl. IFRS 16, a decrease of 1%-point vs. Q2/19
  - Reported net gearing 18%
- ▶ Duration of the loan portfolio was 7.1 years (6.1)

Maturity profile Q3/2019



# Purchase prices for iron ore and coking coal decreased

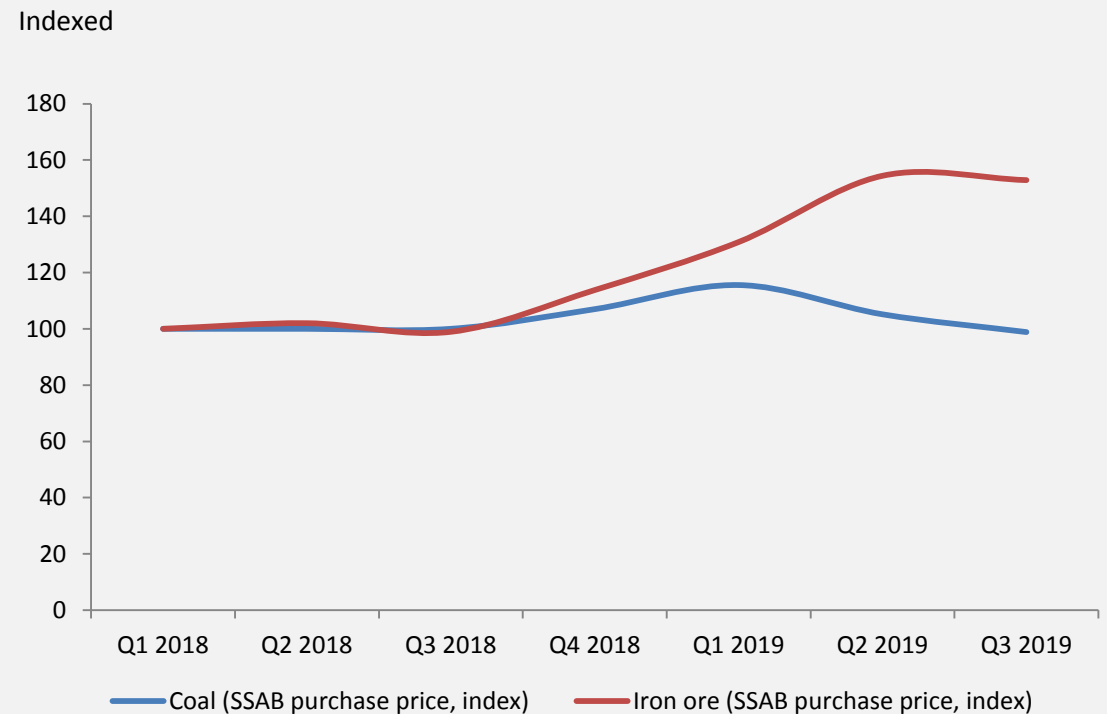
## Iron ore

- ▶ Average pellet purchase price in Q3/19 was 1% lower in terms of SEK (-2% in USD) vs. Q2/19

## Coking coal

- ▶ Average coking coal purchase price in Q3/19 was 6% lower in terms of SEK (-8% in USD) vs. Q2/19
- ▶ Lower purchase prices in Q3 will affect the result of Q4/19, mainly for SSAB Europe

## SSAB's purchase price, coking coal and iron ore

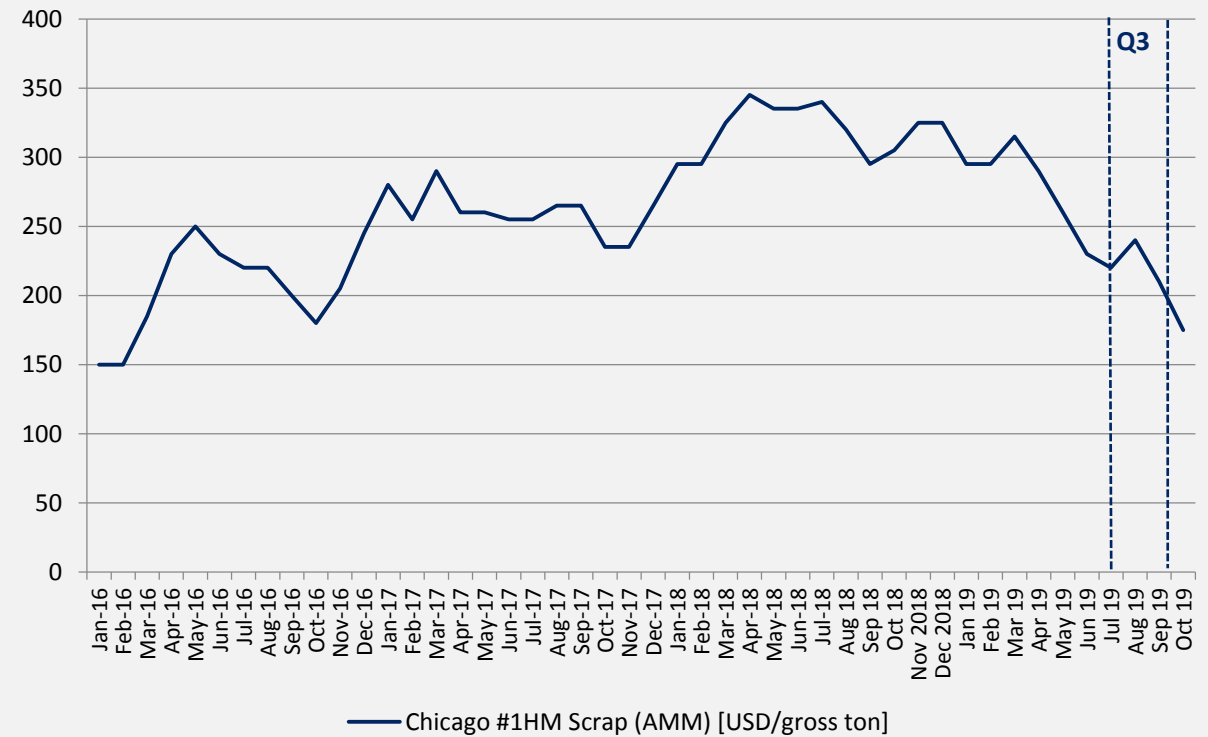


# Scrap spot prices continued to decrease in Q3

- SSAB's average purchase price for scrap in Q3/19 was 10% lower vs. Q2/19 (USD)

Scrap spot price

USD/gross ton












# Major planned maintenance outages in 2019

SEKm	Q1/19	Q2/19	Q3/19	Q4/19	2019	2018
SSAB Special Steels	-	-	-	260	260	350
SSAB Europe	-	-	285	150	435	410
SSAB Americas (Mobile)	-	-	-	425	425	285
Total	-	-	285	835	1,120	1,045

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

# Outlook and summary




# SSAB's outlook for main customer segments Q4/2019

Segment	Q4/2019	Comments	<span>● Strong</span> <span>● Healthy</span> <span>● Weak</span>
Heavy Transport		<ul style="list-style-type: none"> <li>▶ Reduction in European heavy truck production</li> <li>▶ Some signs of slowdown in the US – rail cars and barges</li> </ul>	
Automotive		<ul style="list-style-type: none"> <li>▶ Low demand in main markets</li> <li>▶ Structural growth in AHSS</li> </ul>	
Construction Machinery		<ul style="list-style-type: none"> <li>▶ Lower production levels</li> </ul>	
Material Handling		<ul style="list-style-type: none"> <li>▶ Stable activity in Mining in several regions</li> </ul>	
Energy		<ul style="list-style-type: none"> <li>▶ Solid demand in wind energy in the US</li> <li>▶ Stable activity in US oil and gas segment</li> </ul>	
Construction		<ul style="list-style-type: none"> <li>▶ Seasonally lower demand level</li> <li>▶ Some signs of slowdown in the underlying demand in the Nordic region</li> </ul>	
Service Centers		<ul style="list-style-type: none"> <li>▶ Cautious in US during end of Q3, inventories relatively low</li> <li>▶ Hesitation and destocking in Europe</li> </ul>	

# SSAB's outlook for Q4/2019

- ▶ In North America, demand for heavy plate is expected to be relatively stable
- ▶ 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, primarily related to Europe
- ▶ Prices realized during Q4/19 are expected to be:
  - Lower for SSAB Europe and SSAB Americas
  - Somewhat lower for SSAB Special Steels
- ▶ Lower iron ore costs will have a positive impact on margins during Q4/19, mainly for SSAB Europe, but also for SSAB Special Steels

## Volume outlook

Business segment	Volume trend Q4/19 vs. Q3/19	Comment
SSAB Special Steels		Somewhat weaker demand and maintenance outage
SSAB Europe		Q3 impacted by planned maintenance and seasonality
SSAB Americas		Planned maintenance outage in Mobile



# Summary of Q3/2019

- ▶ Weak market in Europe, lower earnings
- ▶ SSAB Americas held up well
- ▶ High-end products more stable
- ▶ Measures to cut costs implemented
- ▶ Decent operating cash flow and strong balance sheet



# Questions & Answers

# Appendix

# Change in operating profit

Q3/2019 vs. Q3/2018

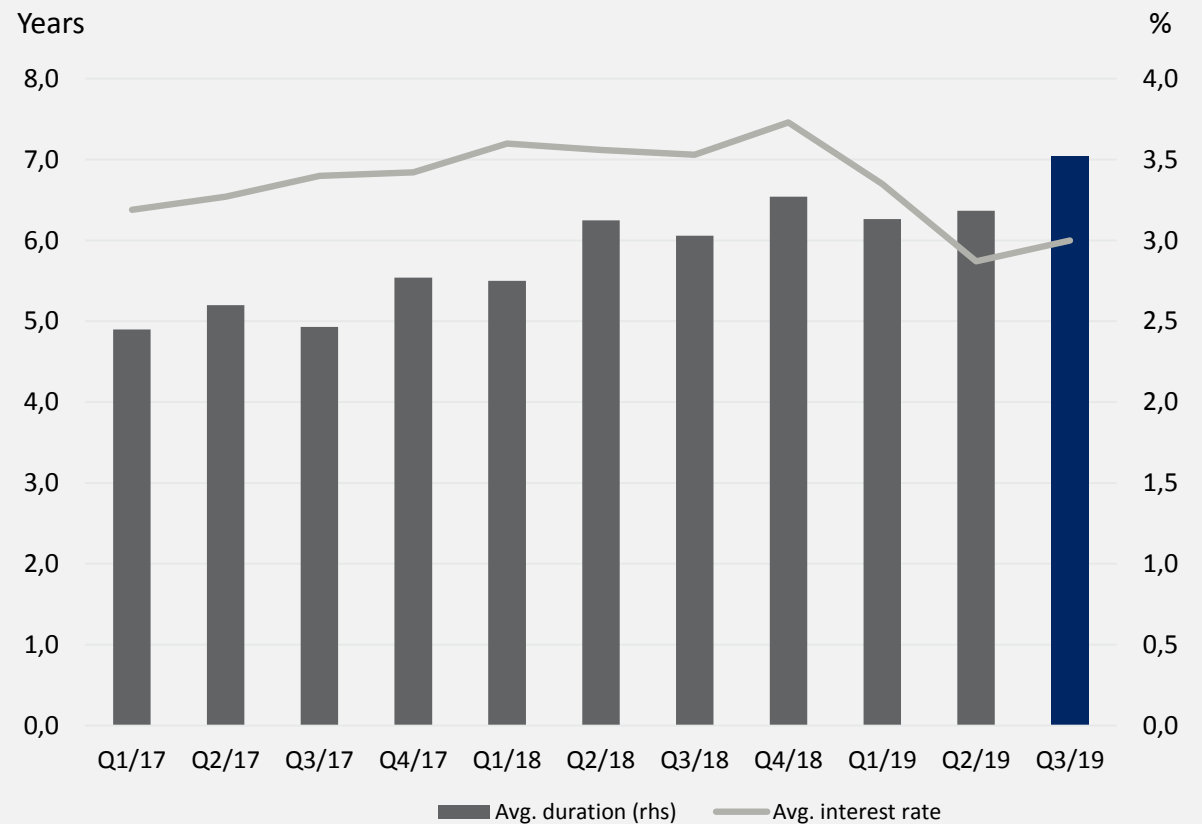
SEKm



# Debt portfolio duration and interest rate

- ▶ Duration of the loan portfolio was 7.1 years (6.4 in Q2/19)
- ▶ Averaged fixed interest term was 1.1 (1.1 in Q2/19)
- ▶ Average interest rate was 3.0% (2.9% in Q2/19)

Debt cost and duration





# SSAB



*A stronger,  
lighter and more  
sustainable world*