

Presentation of the Q3/2020 results

Martin Lindqvist, President & CEO
Håkan Folin, CFO

October 22, 2020

SSAB

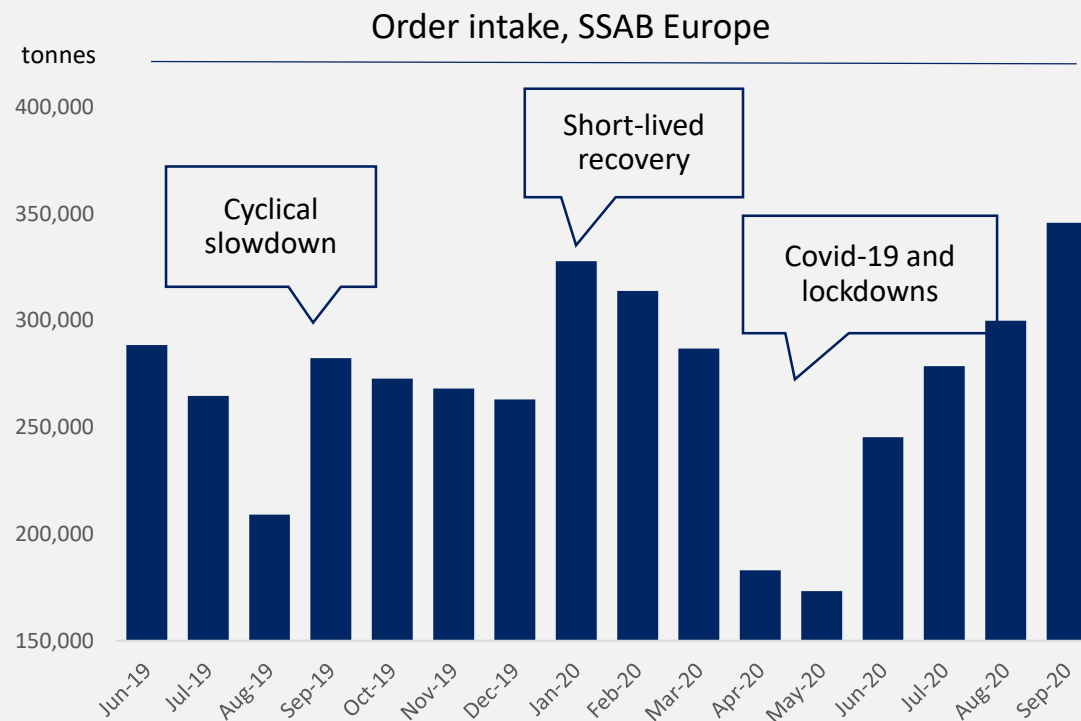
Agenda

- ▶ Q3/2020 in brief
- ▶ Financials
- ▶ Outlook and summary
- ▶ Q&A



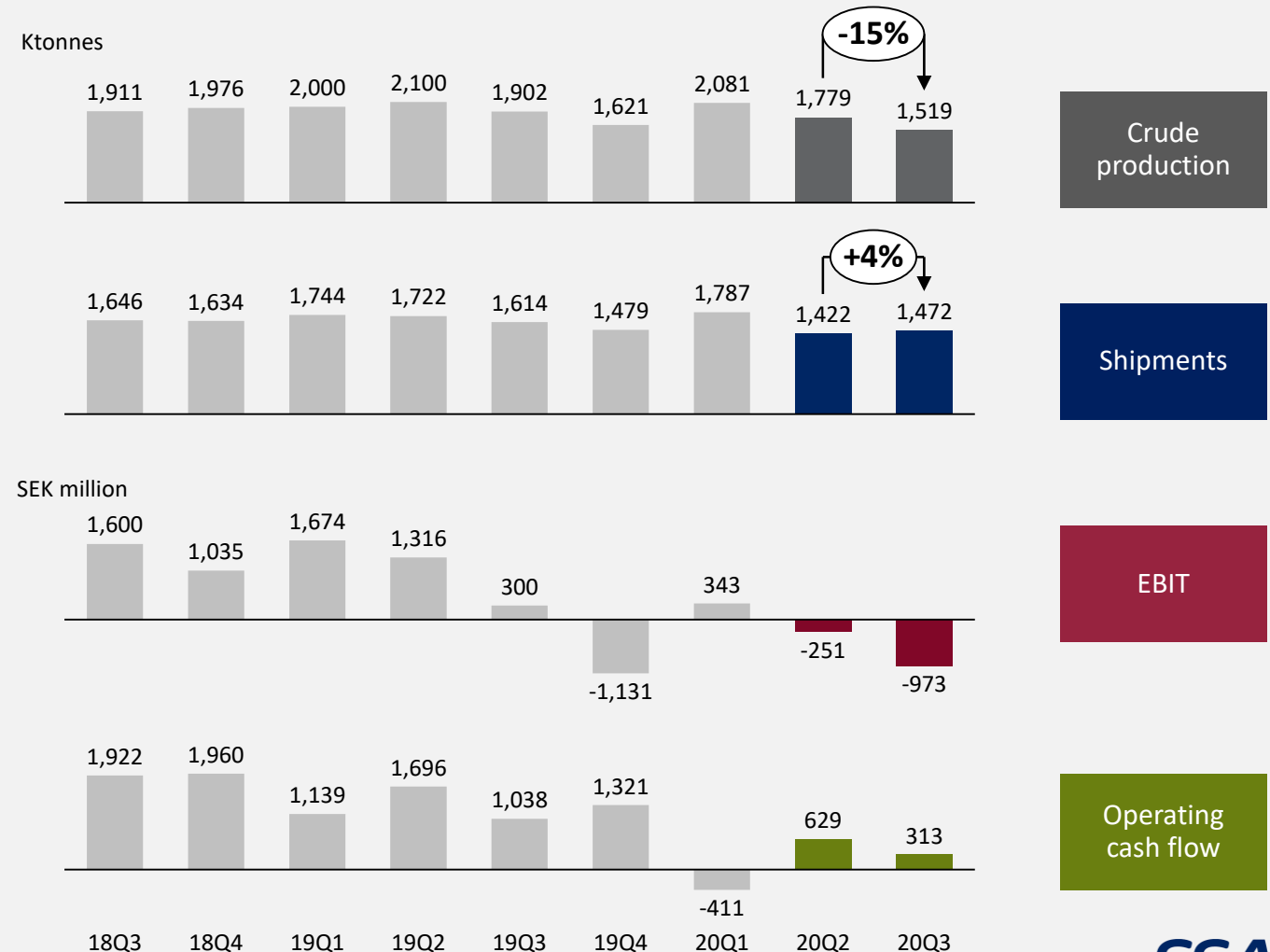
Q3/2020 in brief

Volatile market conditions since mid-19



Q3/20 – Low demand and planned maintenance

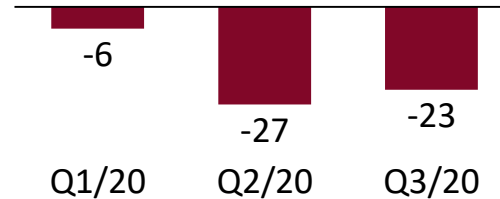
- ▶ Shipments remained at low level
- ▶ Low capacity utilization
 - One BF idled in Raahе
 - Adjustment to lower demand in SSAB Special Steels' mill in Oxelösund
- ▶ Annual planned maintenance in all three steel divisions – impact SEK -670m
- ▶ EBIT SEK -973m (300) in Q3
- ▶ Operating cash flow supported by release of working capital



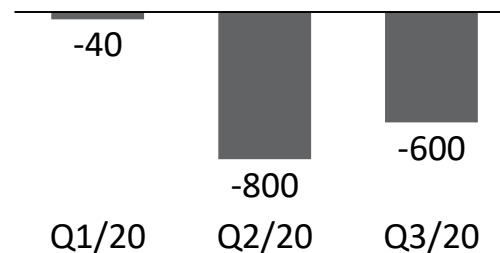
Managing the downturn

- Extensive cost savings:
 - Short-time work and time banks
 - Avoided summer seasonal workers
 - Reduction of external services
 - Maintenance conducted by own personnel
- Strategic direction intact:
 - Develop own channels – stocks, Tibnor, RC
 - Improving product mix – example CC
 - Global business in high strength steels – growth in Latin America and Asia

Revenue trend y/y (%)



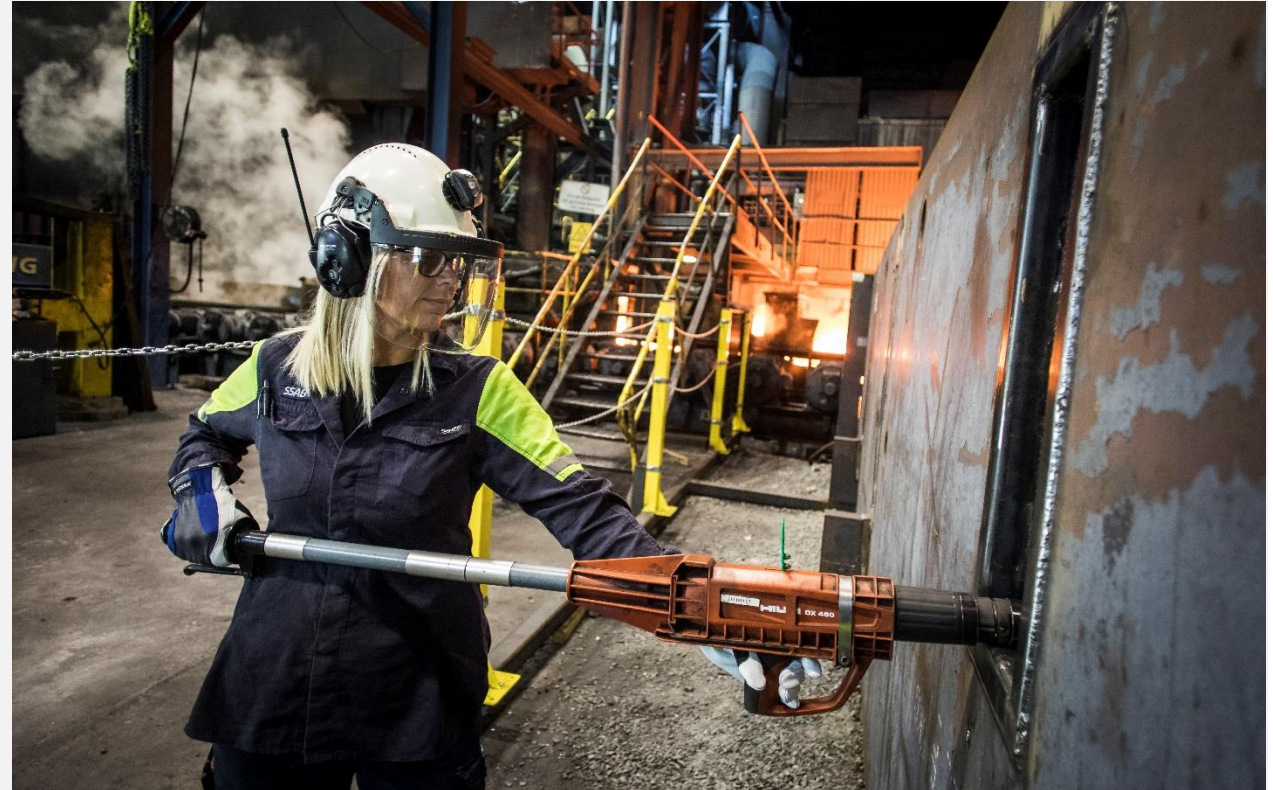
Fixed cost y/y (SEK m)



- Some of the cost savings continue into Q4
- Strong balance sheet, liquid assets and committed credit lines at comfortable level of SEK 20bn (as of Sep 30)
- Planned maintenance done in Q3 – positioned for ramp-up when demand improves

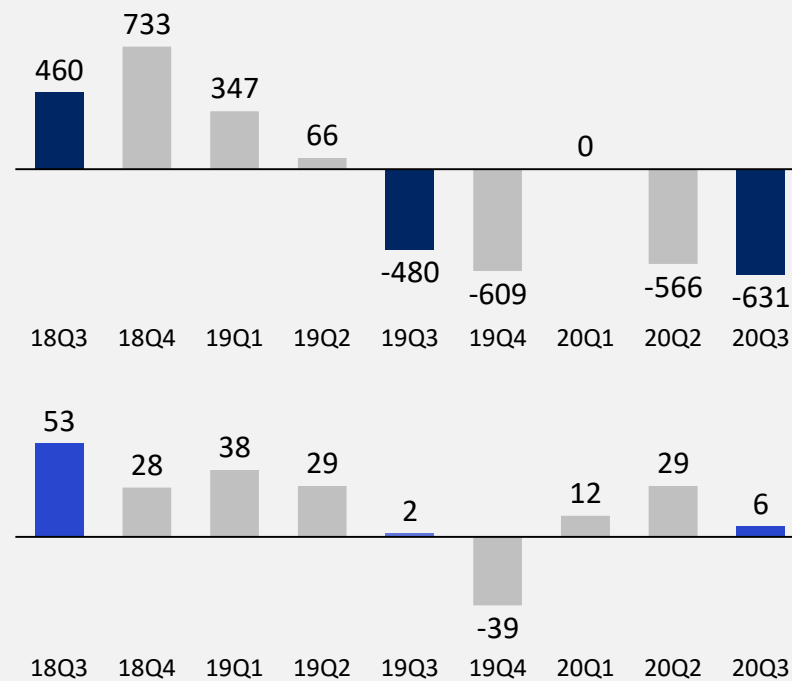
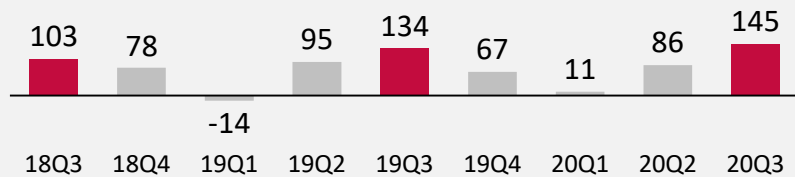
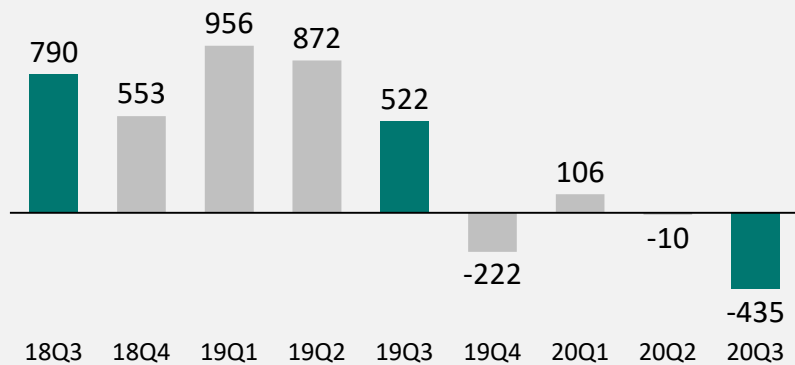
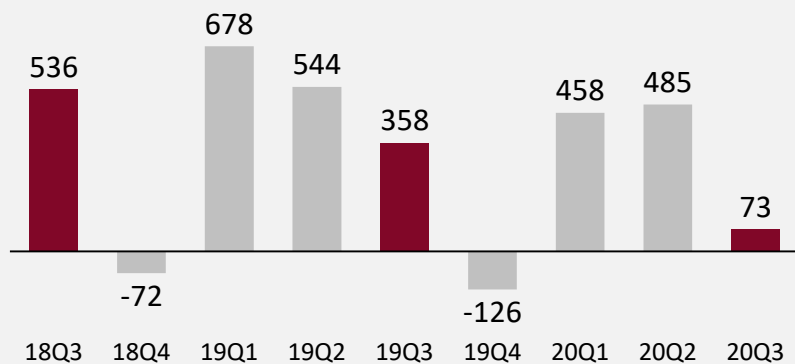
Impact of Covid-19 on SSAB's operations

- ▶ Avoided Covid-19 issues in conjunction to the extensive annual planned maintenance – good cooperation with suppliers
- ▶ Several measures taken to safeguard the health and safety of our personnel
 - Work from home
 - Travel restrictions
 - Restriction on face-to-face meetings
 - Contingency plans for critical operations
- ▶ Focus to secure supply chain, only minor disturbances during the first nine months



Operating profit by division

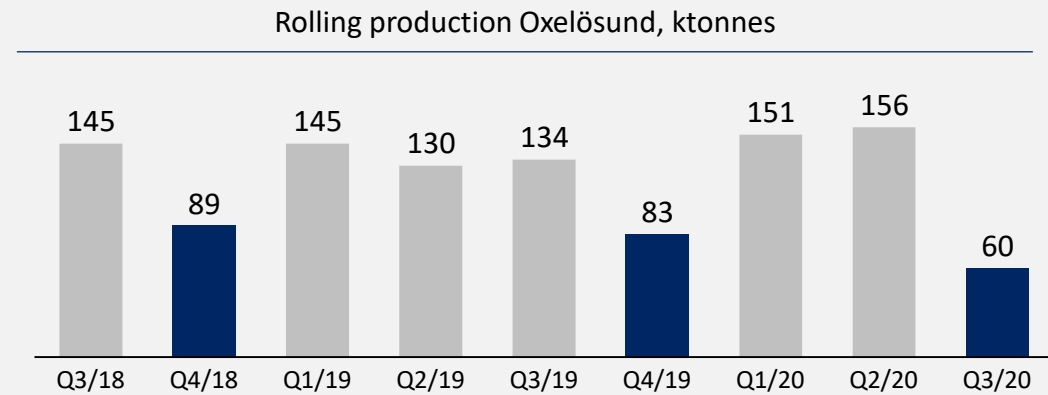
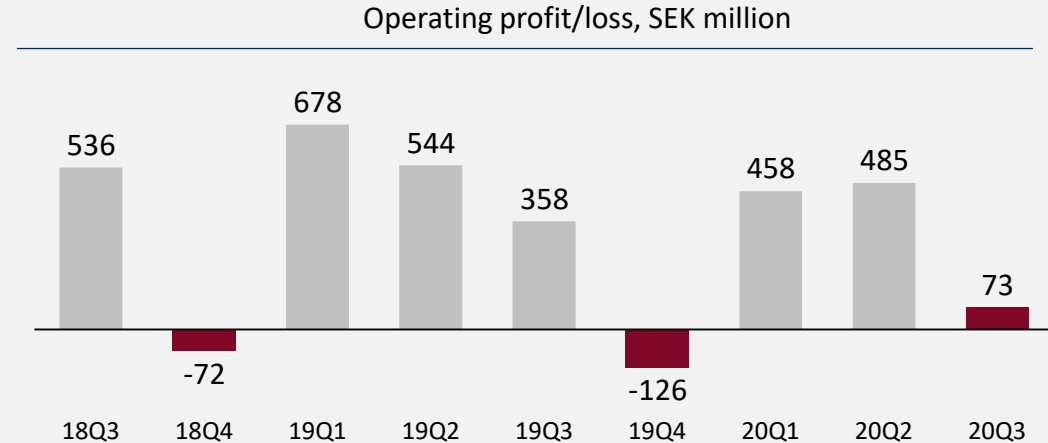
SEK million



SSAB Special Steels

Operating result held up well for a maintenance quarter

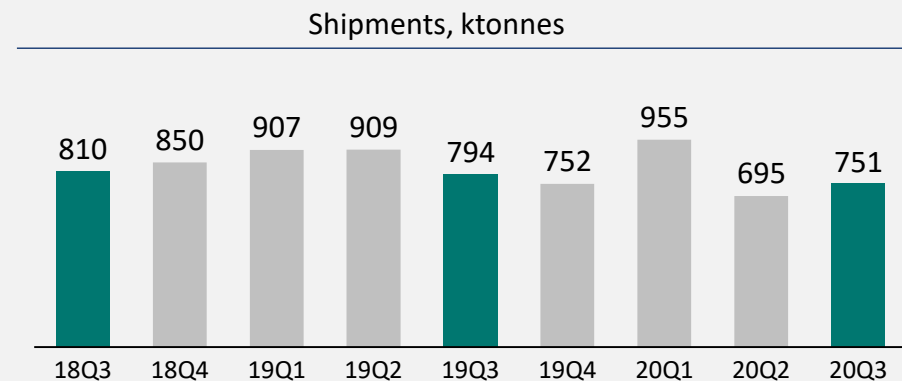
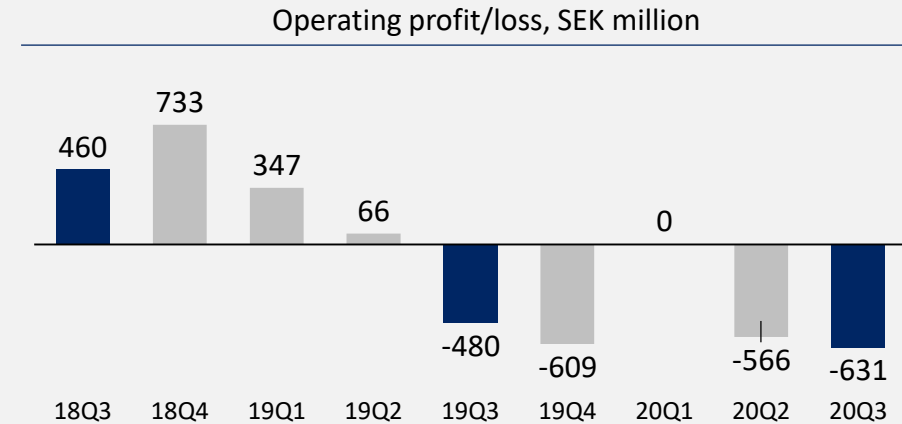
- ▶ Shipments impacted by weak market
- ▶ Planned maintenance of SEK -250m
- ▶ Better performance than previous maintenance quarters – despite lower rolling production in Oxelösund
- ▶ Positive effects from cost savings – fixed cost SEK -100m vs. Q3/19
- ▶ Market focus reduces volatility:
 - Stock sales more stable and more profitable than OEM-sales
 - Growth in markets outside of EU and the US
 - Services sales less impacted



SSAB Europe

Weak market conditions

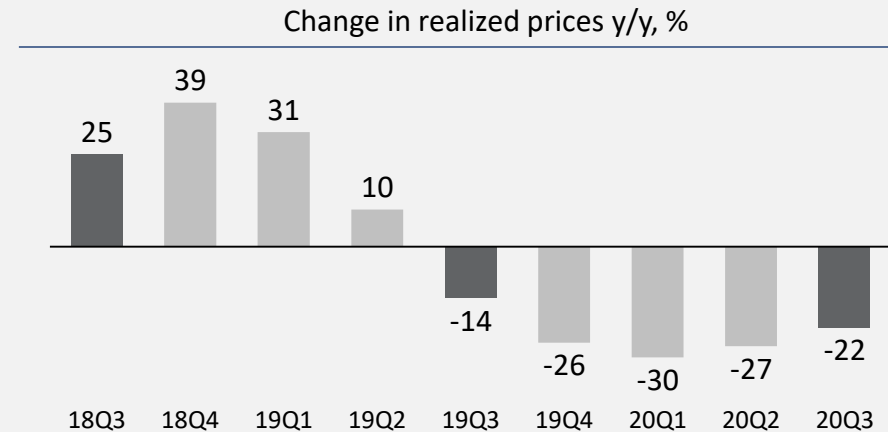
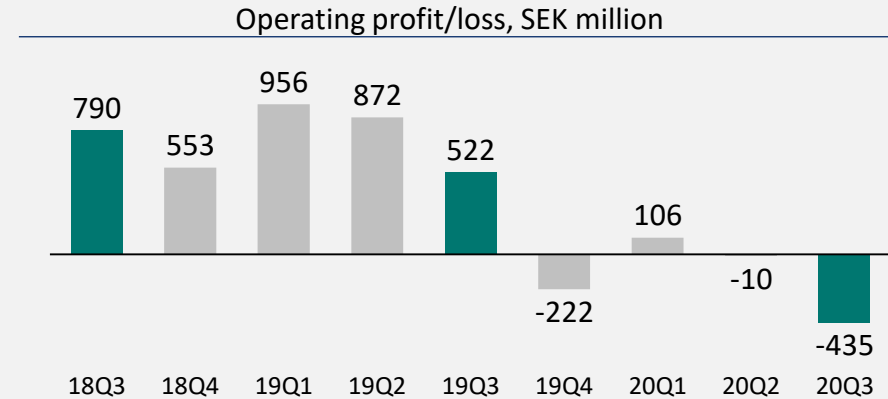
- ▶ Low shipments, recovery in September
- ▶ Planned maintenance of SEK -250m
- ▶ Positive effect from cost savings – fixed cost SEK -300m vs. Q3/19
- ▶ One of the blast furnaces in Raahе idled for most of Q3, restarted in mid-September



SSAB Americas

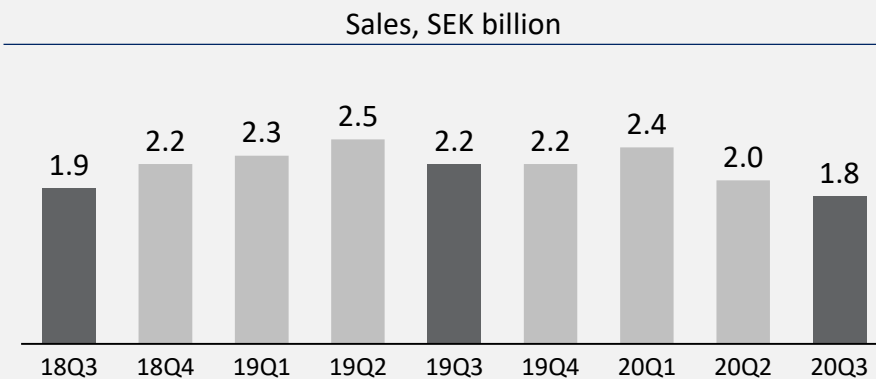
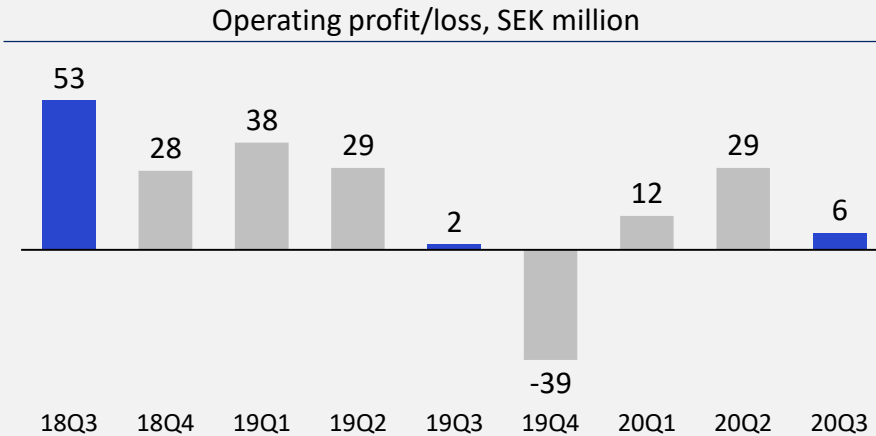
Weak market conditions

- ▶ Sales margin impacted by low demand
- ▶ Planned maintenance SEK -170m
- ▶ Positive effects from cost savings – fixed cost SEK -150m vs. Q3/19



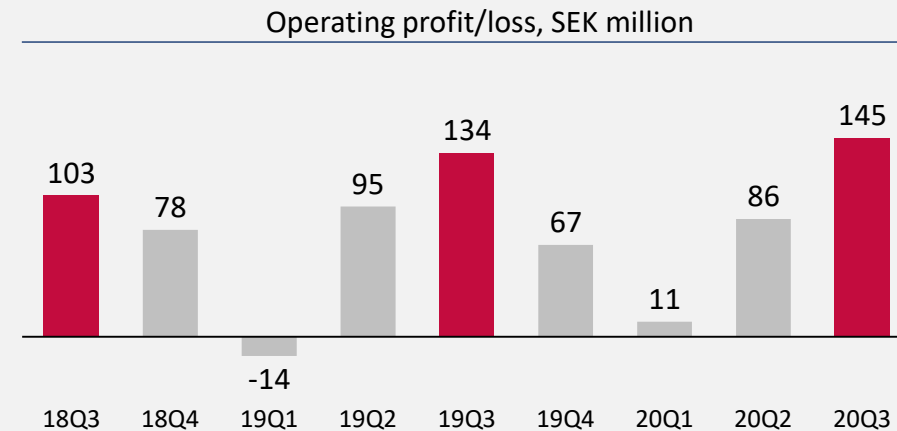
Tibnor

- ▶ Demand impacted by the lower economic activity
- ▶ Sales decreased by 20% vs. Q3/19
- ▶ The restructuring program and additional cost measures offset the weak market – earnings in line with Q3/19



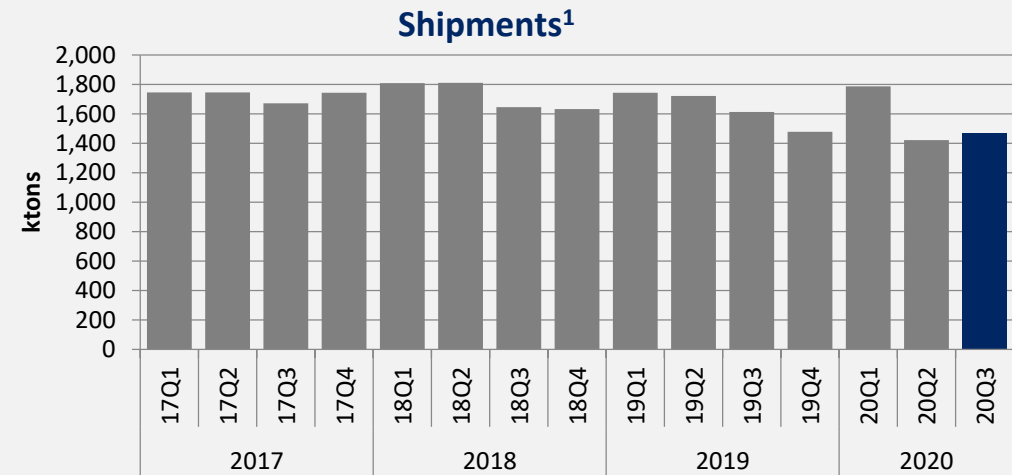
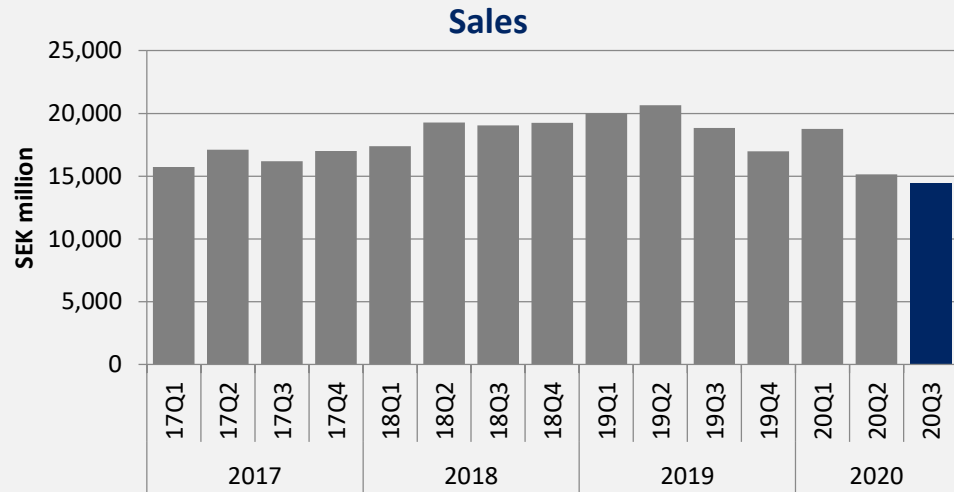
Ruukki Construction

- ▶ Focus on product business has clearly improved margins
- ▶ The project business, Building Systems, was divested in Q2
- ▶ Comparable revenue on stable level
- ▶ Good underlying demand

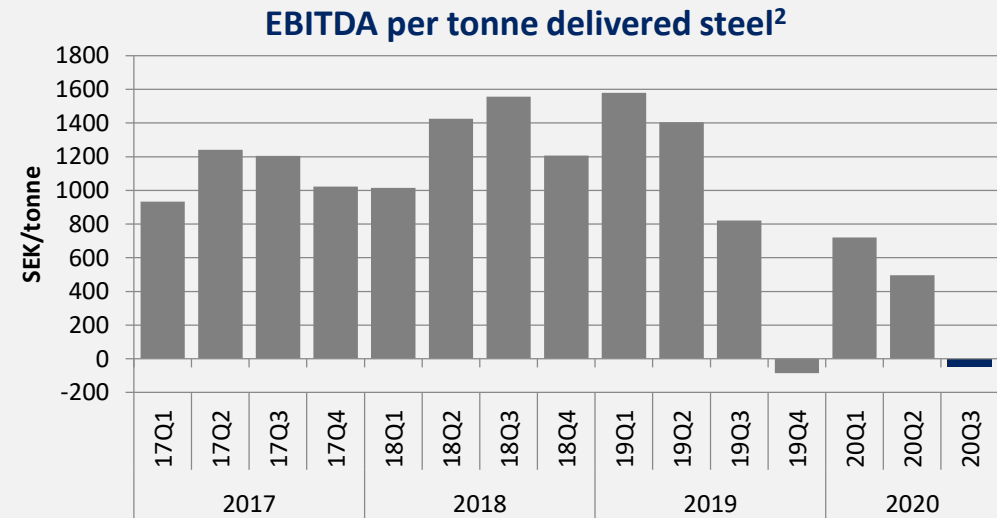
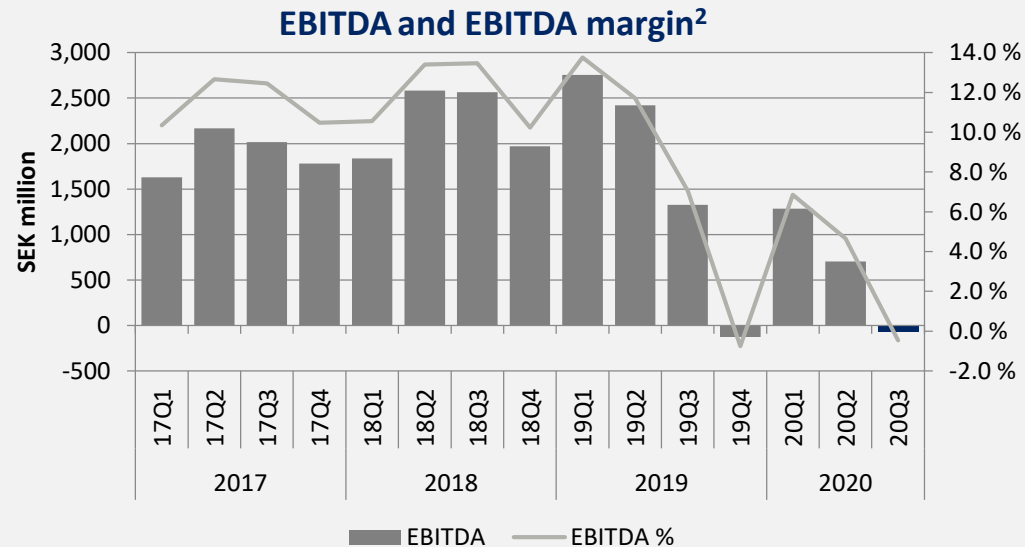


Financials

Lower shipments and production – positive effects from savings



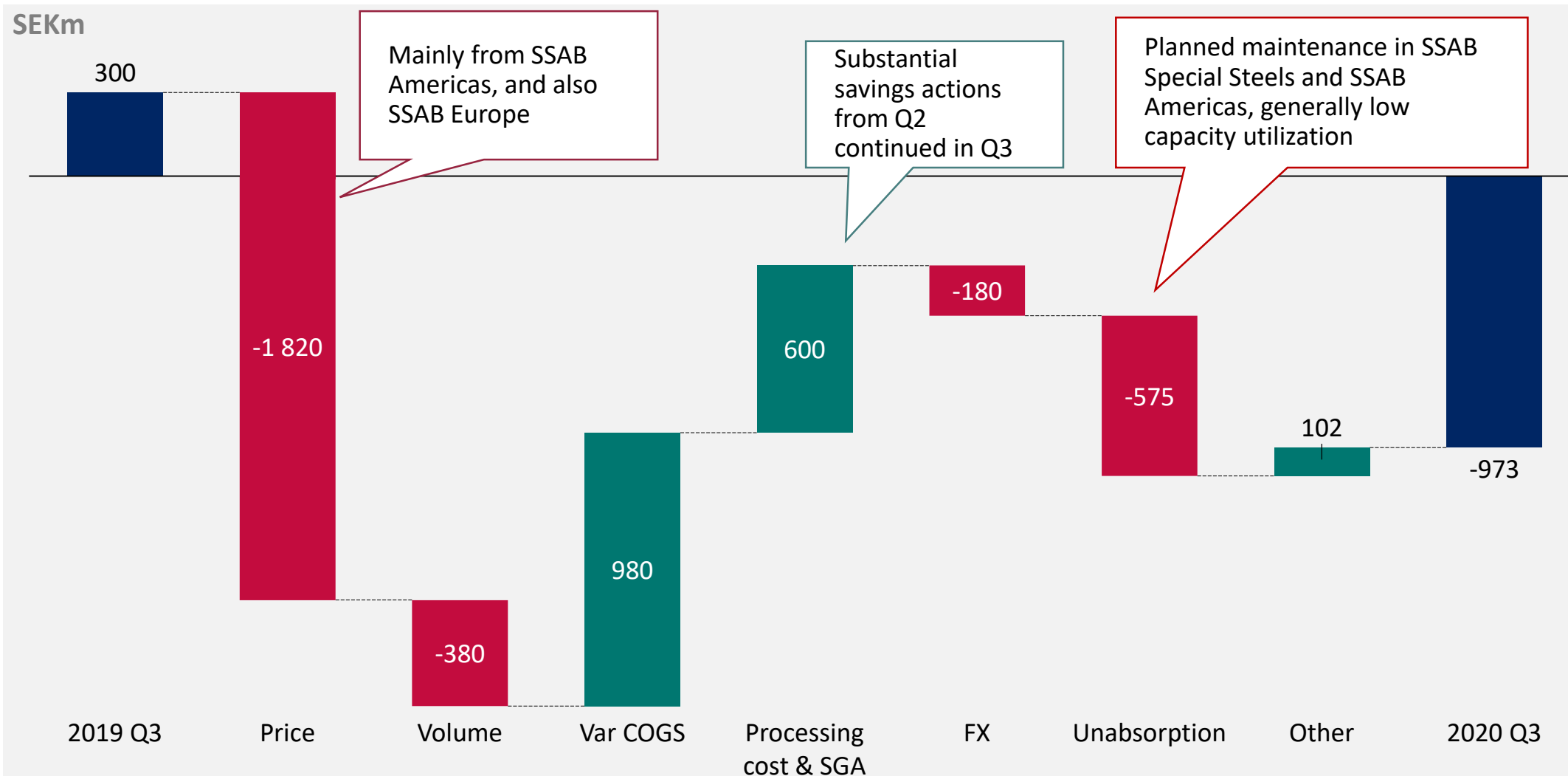
1) Including the steel operations: Special Steels, Europe and Americas



2) Excluding items affecting comparability

Change in operating profit

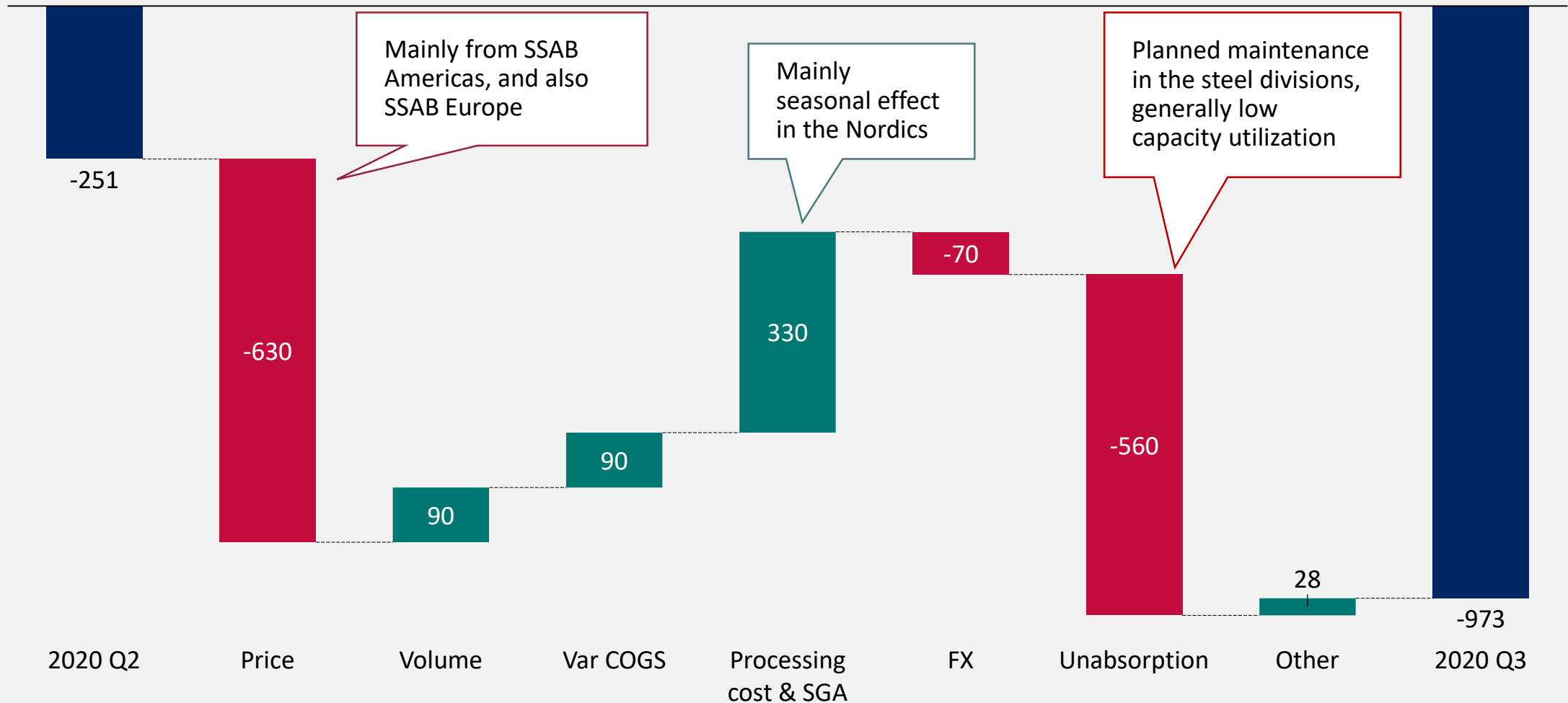
Q3/2020 vs. Q3/2019



Change in operating profit

Q3/2020 vs. Q2/2020

SEKm



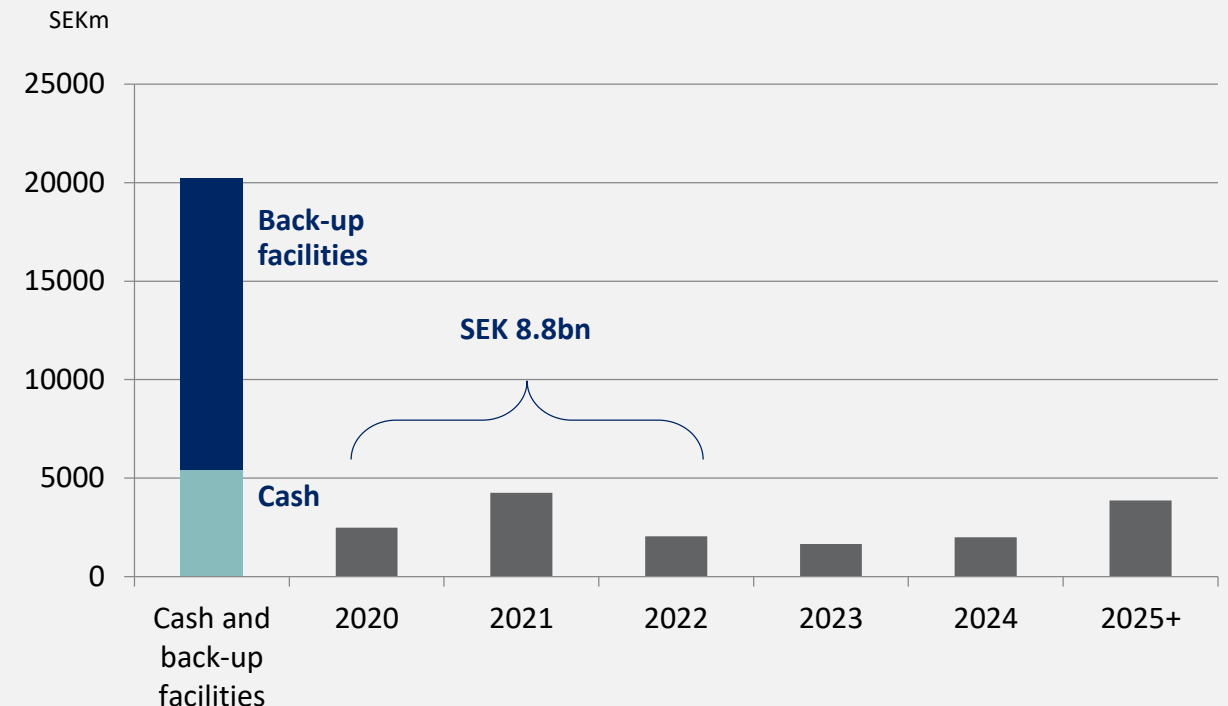
Cash flow supported by release of working capital

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
EBITDA	-66	1 177	705	6,177
Change in working capital	699	205	237	896
Maintenance expenditure	-332	-456	-381	-1,875
Other	11	113	68	-4
Operating cash flow	313	1 038	629	5,194
Financial items	-164	-140	-202	-432
Taxes	3	-262	-173	-1,315
Cash flow from current operations	151	636	254	3,447
Strategic capital expenditure	-75	-235	-230	-1,035
Acquisitions of shares and operations	-43	-3	-82	-1,221
Divestments of shares and operations	-1	-	106	118
Cash flow before dividend	32	398	48	1,309
Dividend paid to shareholders	-	-	-	-1,545
Dividend, non-controlling interest	-4	0	-	-7
Acquisition, non-controlling interest	-	-	-	-46
Net cash flow	27	398	48	-289

Maturity profile and net debt

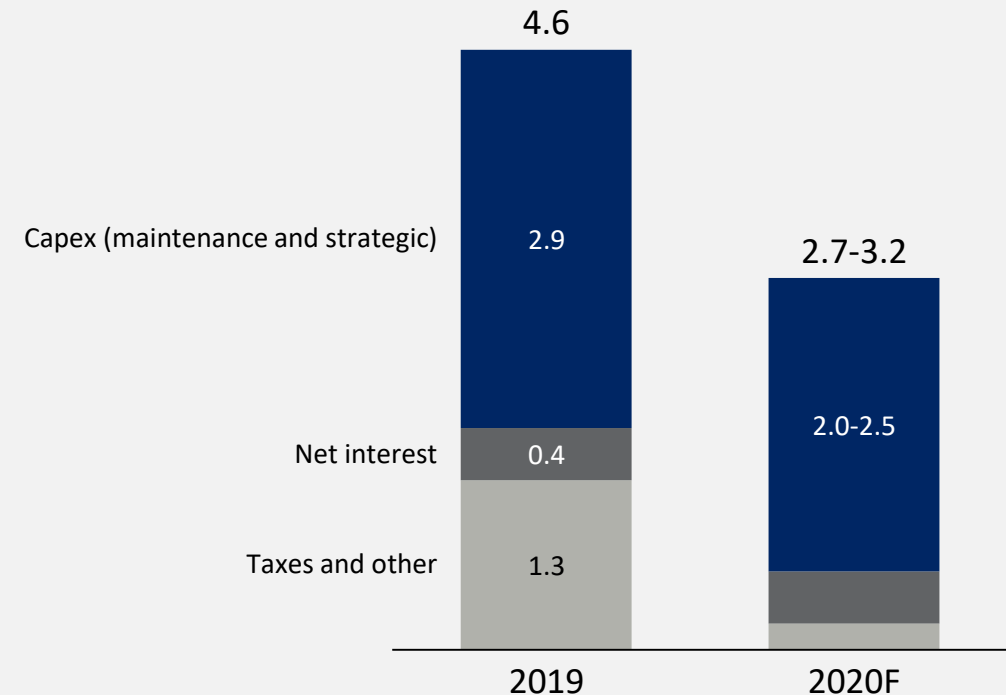
- ▶ Net debt amounted to SEK 12,926m (11,424m)
- ▶ Net gearing was 22% (18%)
- ▶ Duration of the loan portfolio was 4.9 (7.0) years
- ▶ Liquid assets and committed credit lines at comfortable level of SEK 20 billion (as of Sep 30) – corresponds to 31% of rolling 12 month revenue
- ▶ Most maturities in 2020 refers to commercial papers

Maturity profile Q3/2020



Cash needs of the business

- ▶ Total cash needs* estimated at SEK 2.7-3.2 billion in 2020, unchanged to earlier forecast
- ▶ Projects postponed:
 - Capacity expansion in Mobile
 - Start of Oxelösund conversion
- ▶ Slight increase in interest paid
- ▶ Lower taxes paid expected in 2020 (2019 unusually high due to lag in the US)



*Cash needs defined as capex, interest paid and taxes paid. Excluding working capital

Higher prices for iron ore, lower for coking coal

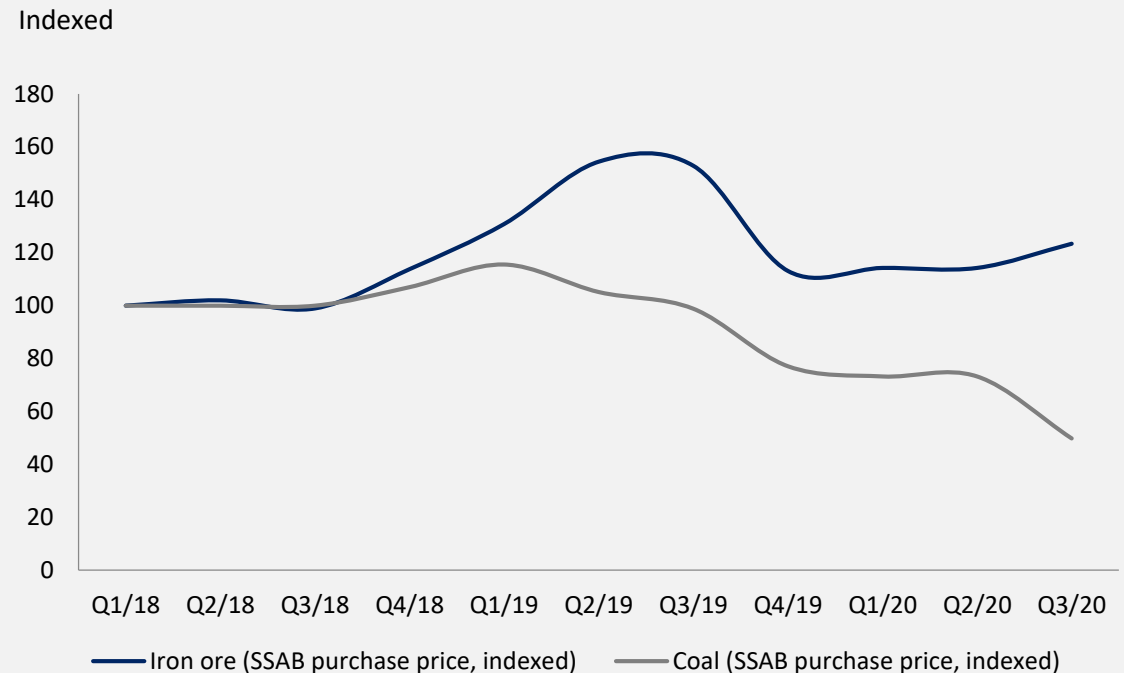
Iron ore

- ▶ Average pellet purchase price in Q3/20 was 8% higher in terms of SEK (+17% in USD) vs. Q2/20
- ▶ Iron ore spot prices started to increase in May and moved upwards during Q3

Coking coal

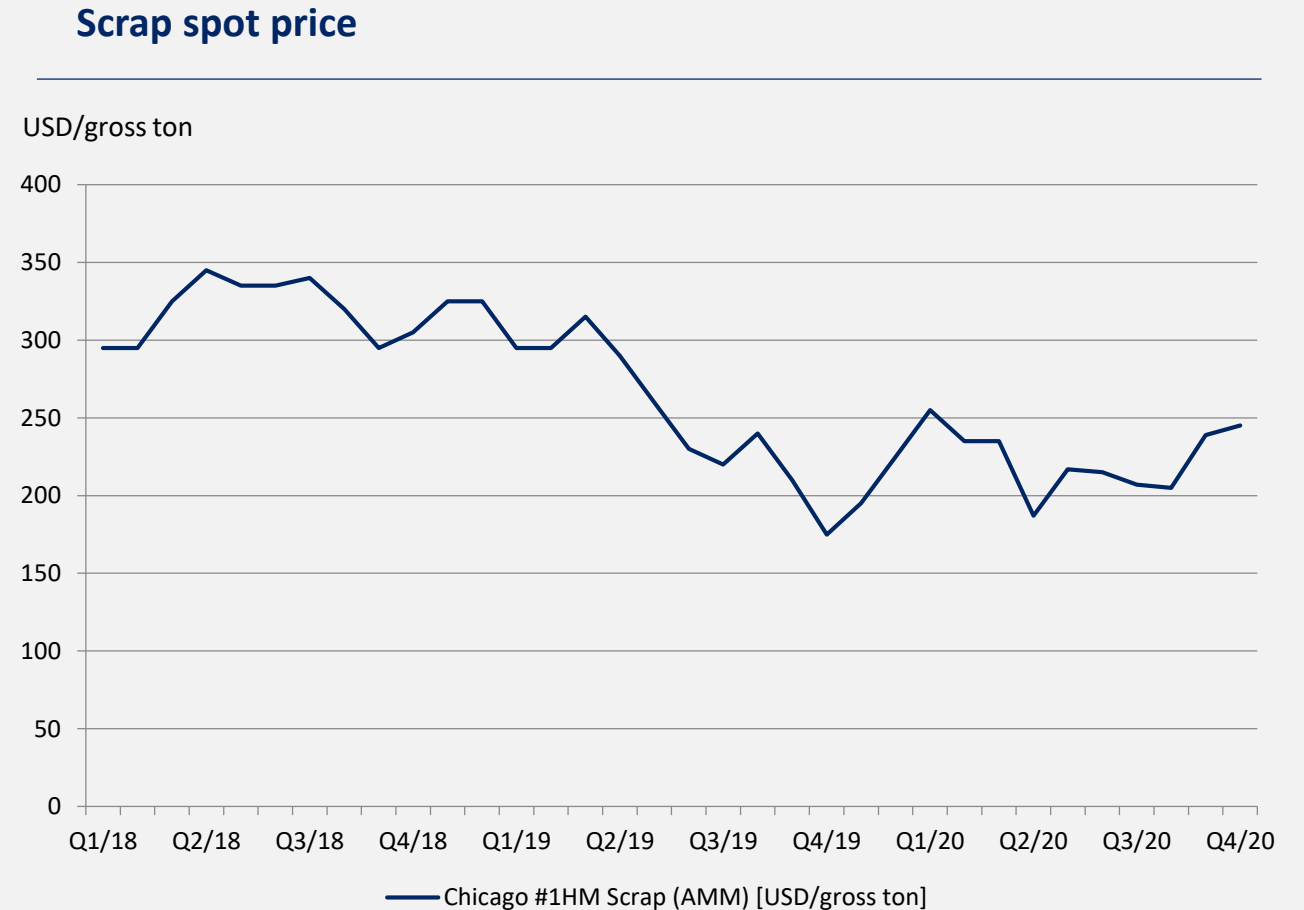
- ▶ Average coking coal purchase price in Q3/20 was 32% lower in terms of SEK (-26% in USD) vs. Q2/20
- ▶ Coal spot prices decreased during the quarter

SSAB's purchase price, coking coal and iron ore



Scrap spot prices increased in September

- ▶ SSAB's average purchase price for scrap in Q3/20 was 4% lower (in terms of USD) vs. Q2/20
- ▶ Scrap spot prices in US started to increase in September and stabilized in October



Source: AMM

Major planned maintenance outages in 2020

- ▶ The Group's total maintenance cost in 2020 forecasted at SEK 805 (previous forecast SEK 900m and in 2019 SEK 1,135m)
- ▶ Somewhat lower cost than forecasted in Q3 in all three divisions

SEKm	Q1/20	Q2/20	Q3/20	Q4/20	2020	2019
SSAB Special Steels	-	-	250	-	250	300
SSAB Europe	-	-	250	85	335	420
SSAB Americas	-	50	170	-	220	415
Total	-	50	670	85	805	1,135

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 climate goals approved by the Science Based Targets initiative

- ▶ SSAB is committed to reducing its greenhouse gas (CO₂e) emissions by 35% by 2032 (based on 2018 figures).
 - The goal applies to both direct and indirect emissions (Scope 1 and 2)
 - In line with the objective of keeping global warming well below 2°C
- ▶ Objective is scientifically based and in line with the Paris Agreement
- ▶ SSAB's aims to be the first to offer the market fossil-free steel in 2026










DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Hybrit: Start up of world unique pilot plant

- ▶ The world unique pilot plant for fossil-free steel, producing sponge iron (DRI/HBI), was started up in Luleå, Sweden
- ▶ First using natural gas and then hydrogen to be able to compare production results
- ▶ The Swedish Energy Agency granted the joint venture SEK 22m for a study to establish the prerequisites for the demonstration plant






SSAB's outlook for main customer segments Q4/2020

Segment	Q4/2020	Comments	● Strong ● Healthy ● Weak
Heavy Transport		<ul style="list-style-type: none"> ▶ Some recovery of heavy truck production ▶ Low activity in the US, e.g. rail cars 	
Automotive		<ul style="list-style-type: none"> ▶ Recovery in production ▶ Underlying structural growth in AHSS 	
Construction Machinery		<ul style="list-style-type: none"> ▶ Relatively low production levels in main markets, especially Lifting ▶ Some improvement compared to Q3 	
Material Handling		<ul style="list-style-type: none"> ▶ Mining operations continue at a fairly stable level 	
Energy		<ul style="list-style-type: none"> ▶ Low activity in oil and gas ▶ Wind power and transmission more stable 	
Construction		<ul style="list-style-type: none"> ▶ Stable underlying demand, seasonal slow down 	
Service Centers		<ul style="list-style-type: none"> ▶ Generally cautious sentiment ▶ Low inventory levels in the US 	

SSAB's outlook for Q4/2020

- ▶ In Q4 demand for steel is expected to recover somewhat following two weak quarters
 - However, the increased spread of Covid-19 in particular is creating major uncertainties
 - Normal seasonal slowdown is expected towards the end of Q4
- ▶ Shipments for all steel divisions are expected to increase somewhat vs. Q3
- ▶ Prices realized during Q4/20 (compared to Q3/20) are expected to be:
 - SSAB Europe: somewhat lower, because of a weaker product mix in Q4
 - SSAB Special Steels: relatively stable
 - SSAB Americas: relatively stable

Volume outlook

Business segment	Volume trend Q4/20 vs. Q3/20	Demand expected to recover somewhat, but seasonal slowdown at the end of Q4
SSAB Special Steels		
SSAB Europe		
SSAB Americas		

Summary

- ▶ Lower demand and planned maintenance weighed on earnings in Q3
- ▶ Fixed costs reduced by over SEK 600m vs. Q3/19 and SEK 1.5bn YTD
- ▶ Demand picked up towards the end of Q3, especially in Europe and the activity level is expected to improve slightly in Q4
- ▶ SSAB continues to focus on developing the special steels business and the transition to fossil-free steel



Questions & Answers

Appendix

Summary of Q3/2020

Earnings impacted negatively by lower demand, and planned maintenance outages

- ▶ Sales were down 23% vs. Q3/19, driven by lower prices and shipments
- ▶ EBIT of SEK -973 (300) million, down SEK 1,273m
 - Steel market continued to suffer from lower economic activity due to Covid-19
 - Planned maintenance breaks lowered the result
- ▶ Operating cash flow of SEK 313 (1,038)m, lower result
- ▶ Net debt SEK 12,926 (11,424)m
- ▶ Gearing ratio was 22% (18%)
- ▶ Earnings per share SEK -0.72 (0.03)

Key figures (SSAB Group)

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
Sales	14,481	18,840	15,155	76,485
EBITDA ¹⁾	-66	1,327	705	6,375
EBIT ¹⁾	-973	300	-251	2,159
Operating cash flow	313	1,038	629	5,194
Net debt	12,926	11,424	12,782	11,696
Net debt/equity ratio (%)	22	18	21	19
Profit after tax ¹⁾	-734	184	-280	1,279
Earnings per share, SEK	-0.72	0.03	-0.28	1.04
Shipments, ktonnes	1,472	1,614	1,422	6,560

¹⁾ Excluding items affecting comparability.

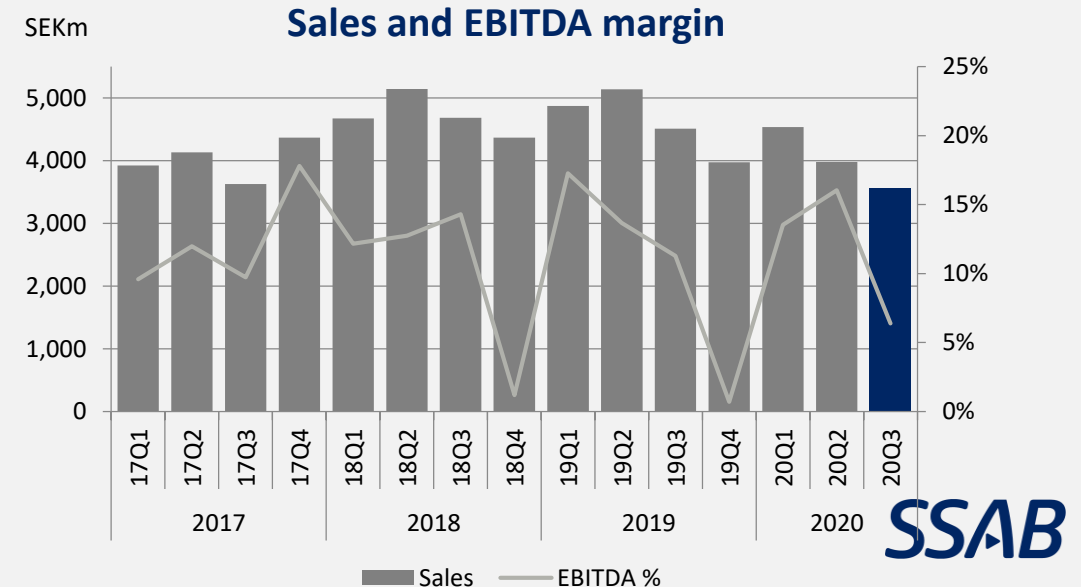
SSAB Special Steels

Demand continued weak, planned maintenance outage impacted negatively

- ▶ Demand continued to be impacted by the Covid-19
 - Also seasonally lower demand due to summer vacation period
 - Heavy Transport recovered somewhat from Q2, but Construction Machinery customer segment remained cautious
- ▶ Shipments were down 13% vs. Q3/19, and down 3% vs. Q2/20
- ▶ EBIT of SEK 73m, down SEK 285m vs. Q3/19, and SEK 412m vs. Q2/20
 - Planned maintenance outages (in 2019 in Q4), lower production
 - Lower shipments, lower prices, currency effects
 - + Lower raw material costs
- ▶ Several measures taken to reduce costs continued during Q3

Key figures

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
Sales	3,569	4,509	3,983	18,495
EBITDA	228	509	639	2,081
EBIT	73	358	485	1,454
Shipments, ktonnes	259	299	266	1,224



SSAB Europe

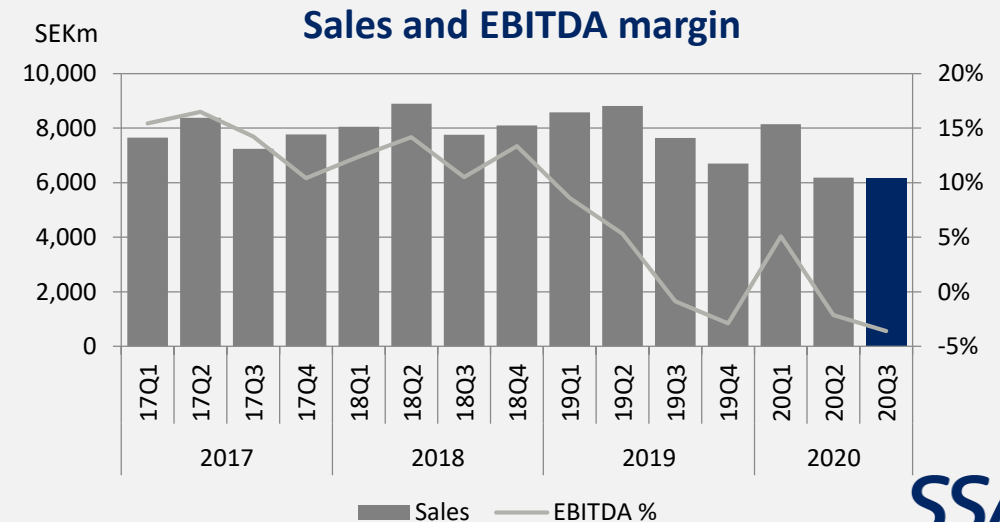
Result declined mainly due to low demand, prices and low production rate

- ▶ Demand improved from Q2 in Automotive and Heavy Transport segments, but from very low level
 - Stable development in the Construction segment in the Nordic region
 - Steel Service Centers remained cautious
- ▶ Shipments were down 5% vs. Q3/19, but increased by 8% vs. Q2/20
- ▶ EBIT was SEK -631m, down SEK 151m vs. Q3/19
 - Lower prices and volumes
 - Low production rate and capacity utilization
 - + Cost savings
- ▶ EBIT was down SEK 65m vs. Q2/20
- ▶ Several measures taken to lower costs
 - BF in Raahe idled from mid-April until mid-September
 - Short-time work allowances and temporary layoffs

Key figures

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
Sales	6,153	7,637	6,189	31,730
EBITDA	-221	-67	-133	945
EBIT 1)	-631	-480	-566	-677
Shipments, ktonnes	751	794	695	3,362

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



SSAB

SSAB Americas

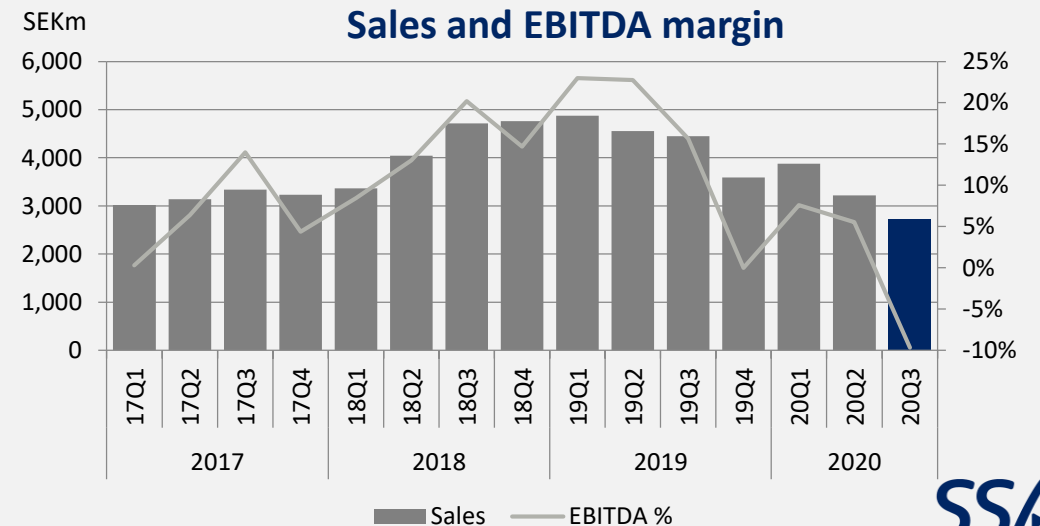
Result decreased from mainly due to lower prices and planned maintenance outage

- ▶ Demand continued to be impacted by Covid-19
- ▶ Shipments were down 11% vs. Q3/19 and remained flat vs. Q2/20
 - Shipments to Energy segment, Infrastructure and Service Centers increased
- ▶ EBIT was SEK -435m, down SEK 957m vs. Q3/19
 - Lower prices and volumes
 - Planned maintenance outage
 - + Cost savings
- ▶ EBIT was down SEK 425m vs. Q2/20

Key figures

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
Sales	2,715	4,446	3,219	17,460
EBITDA	-263	697	178	2,852
EBIT 1)	-435	522	-10	2,128
Shipments, ktonnes	462	521	460	1,974

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



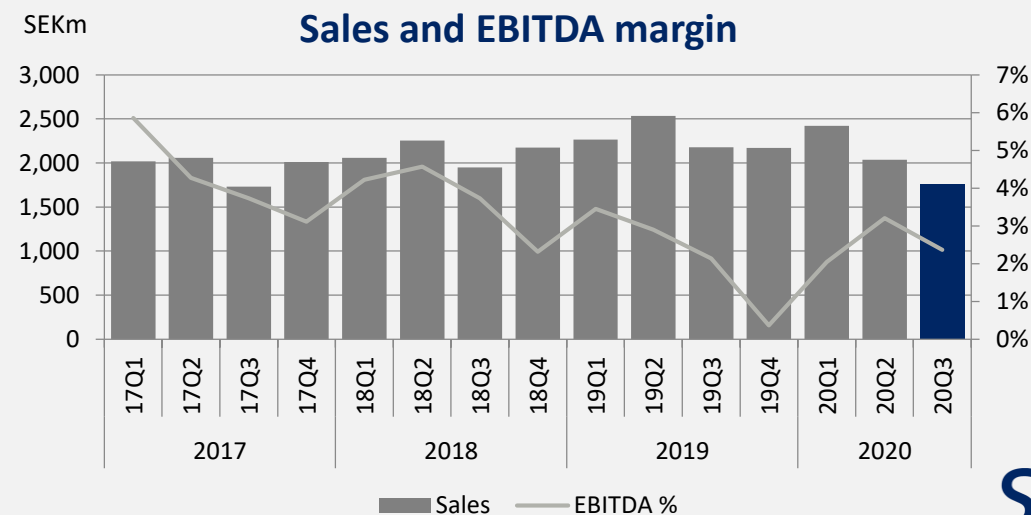
Tibnor

- ▶ Market was characterized by the slowdown, especially in OEMs and their subcontractors
 - Demand vs. Q2 was seasonally lower
- ▶ Sales were down 20% vs. Q3/19 and down 14% vs. Q2/20
- ▶ EBIT was SEK 6m, slightly up from Q3/19
 - Lower volumes and prices
 - + Cost savings from restructuring program and additional measures taken due to the market situation
- ▶ EBIT was down SEK 23m vs. Q2/20
- ▶ The implementation of the cost restructuring program is according to plan, with annual savings impact of SEK 200m
 - Full run rate from H2/20 onwards

Key figures

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
Sales	1,752	2,179	2,037	9,149
EBITDA	42	47	65	206
EBIT 1)	6	2	29	30
Shipments (ktonnes)	172	190	190	786

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



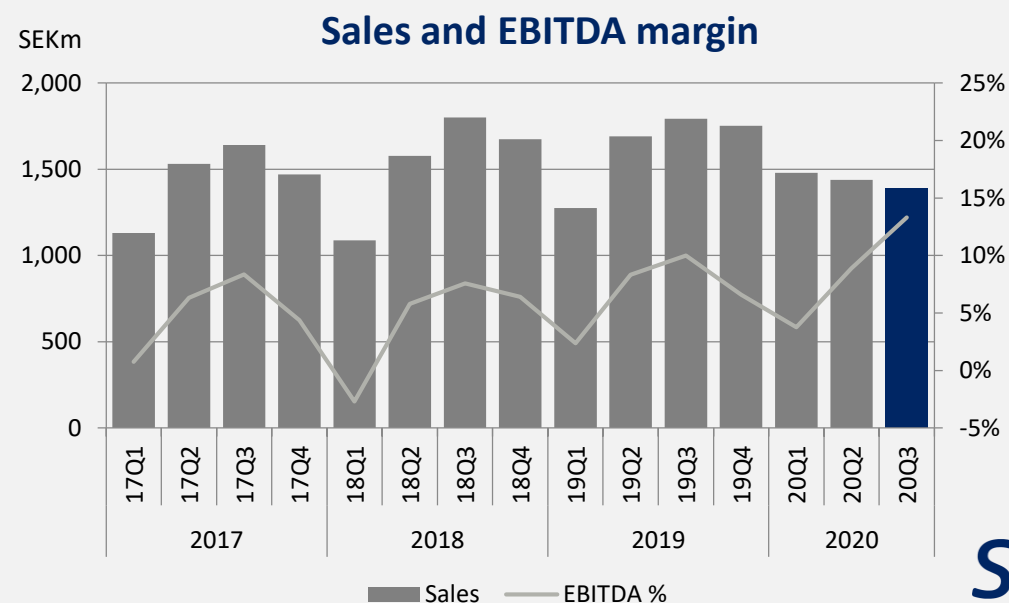
Ruukki Construction

- ▶ Demand was at good level supported by seasonality
 - But somewhat negatively impacted by Covid-19 in Central and Eastern Europe, Baltics and Norway
- ▶ Sales down by 22% vs. Q3/19 – sales stable on comparable basis
- ▶ EBIT was SEK 145m, up SEK 11m vs. Q3/19, and up SEK 59m vs. Q2/20 mainly due to seasonality
- ▶ Building Systems divested and not included in figures as of May 2020

Key figures

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
Sales	1,391	1,794	1,439	6,510
EBITDA	185	179	128	466
EBIT 1)	145	134	86	283

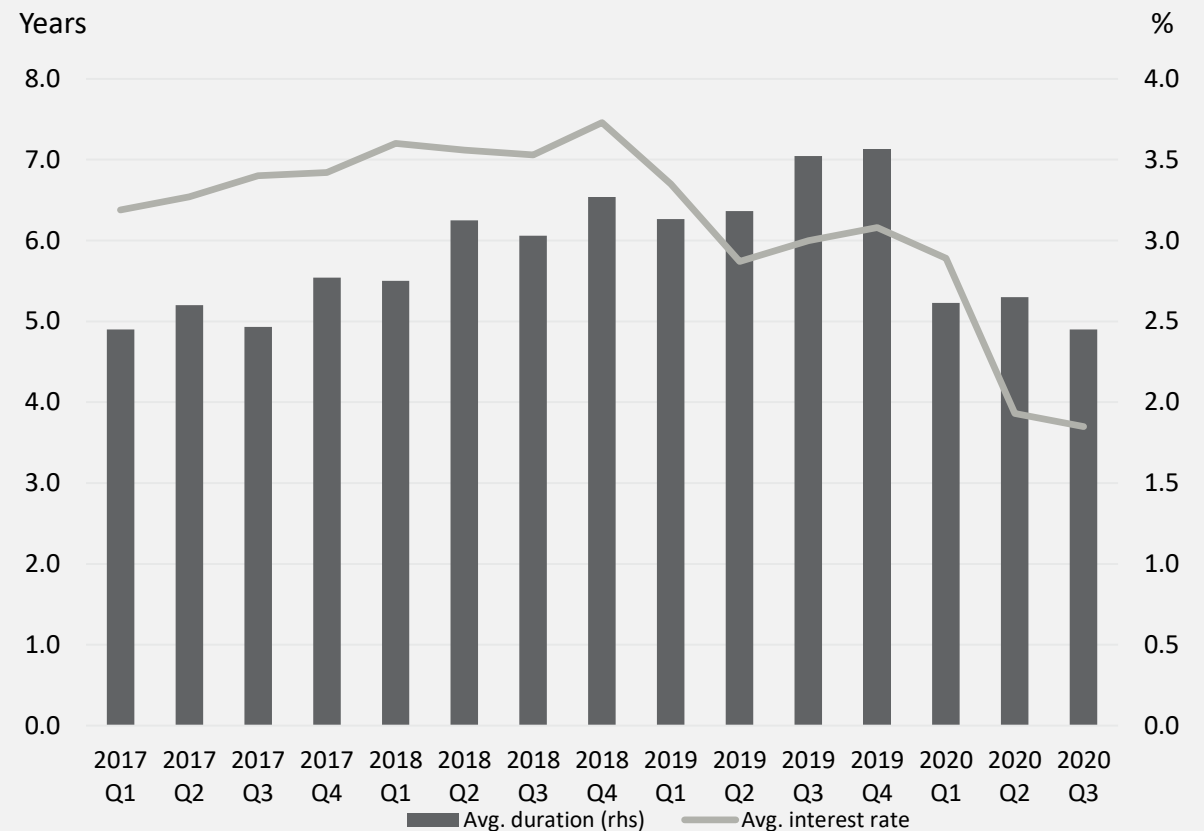
1) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki.



Debt portfolio duration and interest rate

- ▶ Duration of the loan portfolio was 4.9 (7.0) years
- ▶ Averaged fixed interest term was 0.9 (1.1) years
- ▶ Average interest rate was 1.85% (3.0%)

Debt cost and duration



SSAB



*A stronger,
lighter and more
sustainable world*