



Greater focus on efficiency

Presentation of the Q3/2015 result

Martin Lindqvist, President and CEO
Håkan Folin, CFO

October 22, 2015

Agenda

- ▶ Q3/2015 in brief
- ▶ Performance by division
- ▶ Financials
- ▶ Summary and outlook
- ▶ Swedish Steel Prize 2015
- ▶ Q&A



Q3/2015 in brief

Summary of Q3/2015

Weak result – further measures to increase efficiency

- ▶ EBIT amounted to SEK -191m (409)
- ▶ Main deviations vs. Q3/2014
 - Negative currency impact
 - Costs for blast furnace relining
 - Lower prices in North America
 - Partly compensated by lower costs
- ▶ Relining of the blast furnace completed
- ▶ Longer duration of debt portfolio and more balanced maturity profile
- ▶ Additional efficiency measures announced

Key figures, SSAB Group Q3/2015

SEKm	Q3/2015	Q3/2014 ¹
Sales	13 594	15 039
EBITDA ²	751	1 246
% of sales	5.5	8.3
EBIT ^{2,3}	-191	409
Operating cash flow	-160	77 ⁴
Shipments, ktonnes	1 544	1 632

1) Pro forma figures as if SSAB had owned Rautaruukki during the period

2) Excluding items affecting comparability

3) The pro forma figures for 2014 exclude depreciation and amortization on surplus values related to the acquisition of Rautaruukki

4) Actual

SSAB's key customer segments' development

Segment	Q3 vs Q2 development	Comments on Q3 development
Heavy Transport	➡	▶ Heavy Transport remained at a high level in Europe
Automotive	➡	▶ Continued good demand in Europe and US but slower development in China
Construction Machinery	➡	▶ Stable demand at a low level in Europe ▶ The US market did not improve and the Chinese market remained depressed
Mining	➡	▶ Continued slow demand in all regions
Energy	➡	▶ Continued good demand for wind towers in North America ▶ Pipeline activity impacted by low oil price
Construction Material	➡	▶ Seasonally higher demand but lower than previous year ▶ Good demand in Sweden and Poland. Weak demand in Finland, and very weak demand in parts of Eastern Europe and Russia
Service Centers (US)	➡	▶ Demand did not pick up in Q3 as expected ▶ Destocking continued in Q3

Development by division

SSAB Special Steels

Stable performance in slow market environment

Key figures

SEKm	Q3/2015	Q3/2014 ¹	Change
Sales	3 743	3 203	17%
EBITDA	391	72	443%
EBIT ²	251	-61	N/A
Shipments, ktonnes	216	244	-11%

- 1) Information for the reference periods (2013 and 2014) is based on pro forma figures as if SSAB had owned Rautaruukki during those periods
- 2) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki

Sales and EBITDA margin¹



- Sales increased 17% vs. Q3/2014 due to currency effects and higher slab sales internally
- External shipments were down -17% vs. Q2/2015 (mainly due to seasonality), and -11% vs. Q3/2014 (mainly due to non-branded plate in the US)
- Operating profit was up SEK 312m vs. Q3/2014 due to better capacity utilization and lower operating costs (running 2 BF's and no maintenance outage in Q3)

SSAB Europe

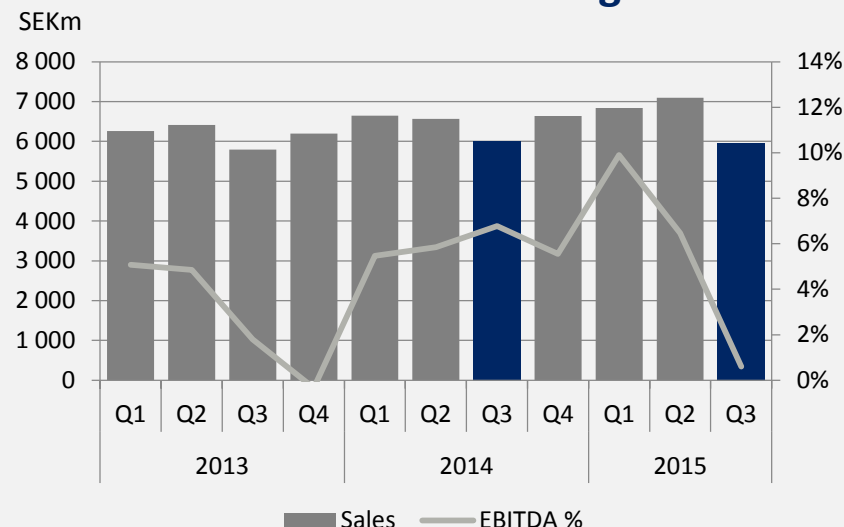
Loss due to relining & outages, lower cost base going forward

Key figures

SEKm	Q3/2015	Q3/2014 ¹	Change
Sales	5 965	6 006	-1%
EBITDA	36	408	-91%
EBIT ²	-328	61	N/A
Shipments, ktonnes	823	829	-1%

- 1) Information for the reference periods (2013 and 2014) is based on pro forma figures as if SSAB had owned Rautaruukki during those periods
- 2) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki

Sales and EBITDA margin¹



- Sales were down 1% vs. Q3/2014 due to somewhat lower volumes and weaker product mix, compared with Q2/2015 sales were down 16% due to seasonally lower volumes
- External shipments were unchanged vs. Q3 2014, but 17% lower vs. Q2/2015
- Operating profit was down SEK 389m vs. Q3/2014 due to costs of relining BF in Luleå and lower prices. Lower operating costs (inc. synergy realization) improved profitability

Improved flexibility in crude steel production with completion of blast furnace relining in Luleå

- ▶ The furnace was closed for relining from June to mid-September
- ▶ Start-up was delayed due to late supplier deliveries
- ▶ P&L impact SEK 180m in Q3
 - Total P&L impact (Q2-Q3) SEK 250m
- ▶ The CAPEX for the project is in line with budget
- ▶ SSAB has now better flexibility in crude steel production – one of the key reasons for the acquisition of Rautaruukki



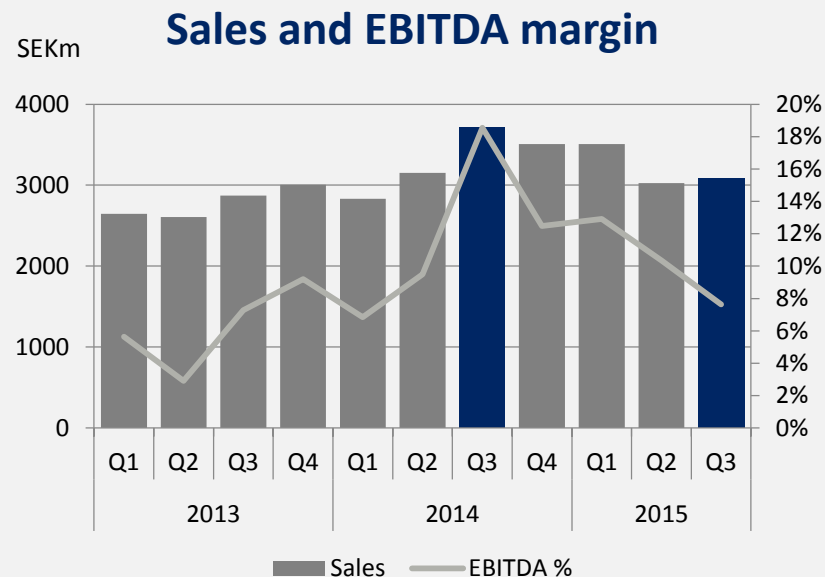
SSAB Americas

Continued destocking at Steel Service Centers and lower scrap costs

Key figures

SEKm	Q3/2015	Q3/2014	Change
Sales	3 080	3 716	-17%
EBITDA	235	689	-66%
EBIT ¹	78	558	-86%
Shipments, ktonnes	505	559	-10%

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



- ▶ Shipments were down 10% vs. Q3/2014, but increased 7% vs. Q2/2015
- ▶ Sales were down 17% vs. Q3/2014 due to lower prices and volumes, sales were 2% higher vs. Q2/2015 due to higher volumes (counteracted by lower prices)
- ▶ Operating profit was down SEK 480m vs. Q3/2014 due to lower prices, but somewhat offset by lower operating costs

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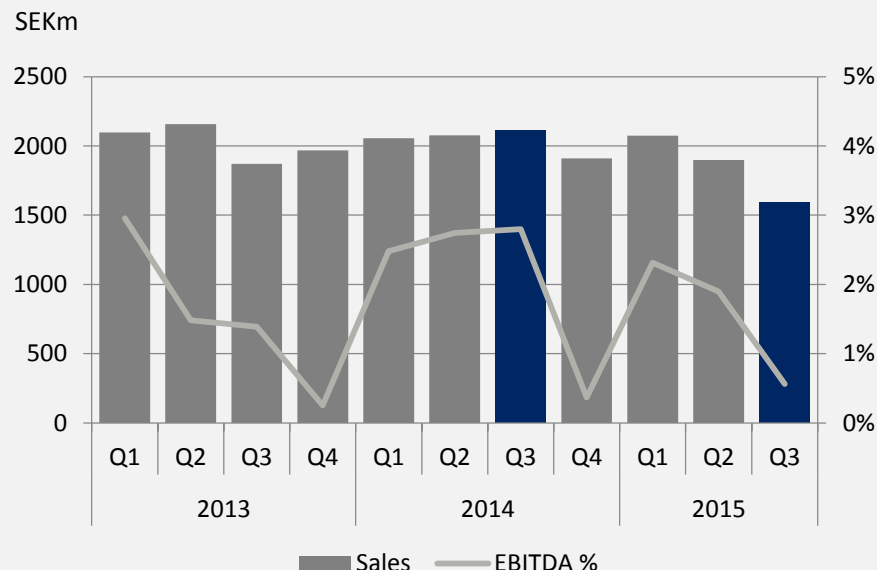
Slow market development

Key figures

SEKm	Q3/2015	Q3/2014 ¹	Change
Sales	1 593	2 109	-24%
EBITDA	9	59	-85%
EBIT ²	-8	36	-122%

- 1) Information for the reference periods (2013 and 2014) is based on pro forma figures as if SSAB had owned Rautaruukki during those periods
- 2) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki

Sales and EBITDA margin¹



- Sales declined 24% vs. Q3/2014 mainly due to divested remedy assets in 2015, sales were down 16% vs. Q2/2015 due to seasonally lower volumes
- Total shipments were down 13 % vs. Q2/2015 and unchanged vs. Q3/2014 (adjusted for divested remedy assets in 2015)
- Lower volumes and lower margins explains the lower operating profit vs. Q3/2014

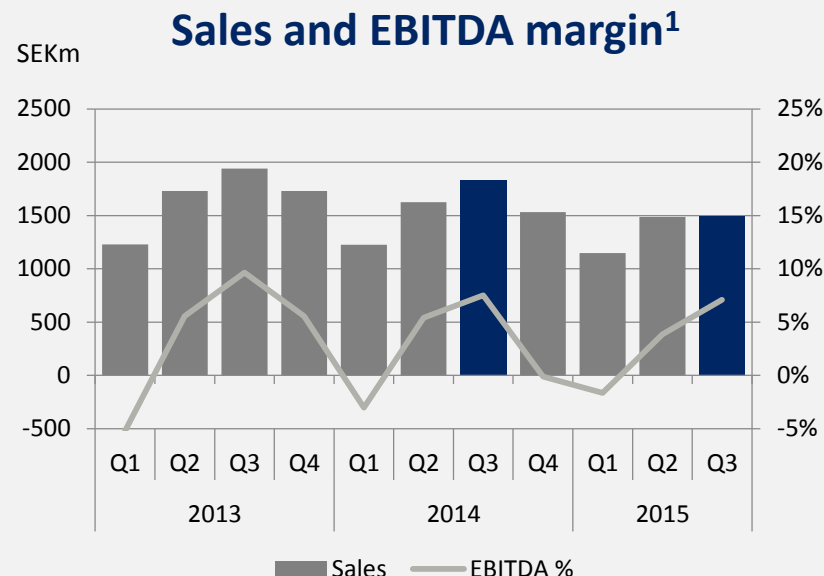
Ruukki Construction

Seasonally stronger demand – Restructuring continues and new cost savings announced

Key figures

SEKm	Q3/2015	Q3/2014 ¹	Change
Sales	1 496	1 836	-19%
EBITDA	106	138	-23%
EBIT ²	64	72	-11%

- 1) Information for the reference periods (2013 and 2014) is based on pro forma figures as if SSAB had owned Rautaruukki during those periods
- 2) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki



- ▶ Demand was seasonally higher vs. Q2/2015. Sweden and Poland markets showed good development. Russia and Ukraine markets remained weak
- ▶ Sales were down 19% vs. Q3/2014, due to lower sales in Russia and Romania, sales were up 1% vs. Q2/2015
- ▶ Slightly lower operating profit vs. Q3/2014 due to lower volumes, partly offset by lower costs

Update on synergies from Ruukki integration

SEK millions	Q1/2015	Q2/2015	Q3/2015	Q1-Q3 2015
Run rate at the end of the period	450	525	750	750
Synergies, gross	100	125	175	400
Synergies, net	85	120	175	380

Status of synergy realization

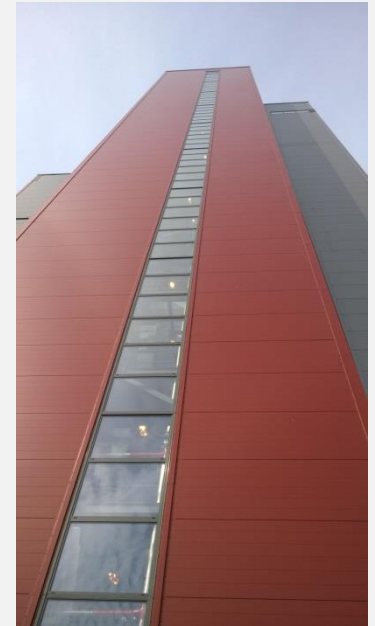
- ▶ Synergy program runs faster than initial plan
- ▶ P&L impact of synergies during Q3 approx. SEK 175m
- ▶ Run-rate SEK 750m at the end of Q3
- ▶ Lower costs to realize synergies, now estimated to be SEK 200m (earlier estimate was SEK 550m)

Recently announced or achieved activities

- ▶ The coating line in Borlänge was discontinued in Q3 (10 weeks earlier than planned)
- ▶ Negotiations of staff reduction in Virsbo and Borlänge concluded, reduction of 270 jobs
- ▶ Negotiations of workforce reductions in Raahe, Finland announced impacting around 200 jobs

Additional measures to increase efficiency

- ▶ Further cost savings in Ruukki Construction in addition to the ongoing restructuring
 - Reduced staffing in processing, administration, marketing and sales in all geographies
 - Will lower cost base by at least SEK 200m
 - Impacting around 300 positions division-wide
- ▶ Investment in coal injection in Raahe completed in Q3
 - Pulverized coal injection (PCI) replaces more expensive oil injection
 - At current oil/coal prices, saving amounts to approx. SEK 200m annually from Q1/2016
 - Coal injection is already in use in Luleå and Oxelösund



Pulverized coal injection plant in Raahe

Summary of actions to increase efficiency

Lowering cost base by approximately SEK 2bn from 2014 level.

Full impact in 2017

Actions	Target	Previous Target	Full run-rate
Synergies from Ruukki acquisition	> SEK 1.4bn	<i>SEK 1.4bn</i>	Mid-2016
Savings program in Ruukki Construction	> SEK 200m	<i>New target</i>	H2/2016
Coal injection in Raahe	~SEK 200m	-	Q1/2016
Total	~SEK 2 billion	<i>SEK 1.4bn</i>	



Financials Q3/2015

Håkan Folin, CFO

SSAB

Strong cash flow in first nine months of 2015

Key figures

SEK million (except for EPS)	Q3/2015	Q3/2014 ¹	1-3Q/2015
Sales	13 594	15 039	44 365
EBITDA ²	751	1 246	3 498
Operating profit ^{2,3}	-191	409	674
Pre-tax profit ^{2,3}	-438	261	0
Net profit ^{2,3}	-285	41	206
Earnings per share (EPS), SEK	0.52	-	0.30
Operating cash flow	-160	-	2 086

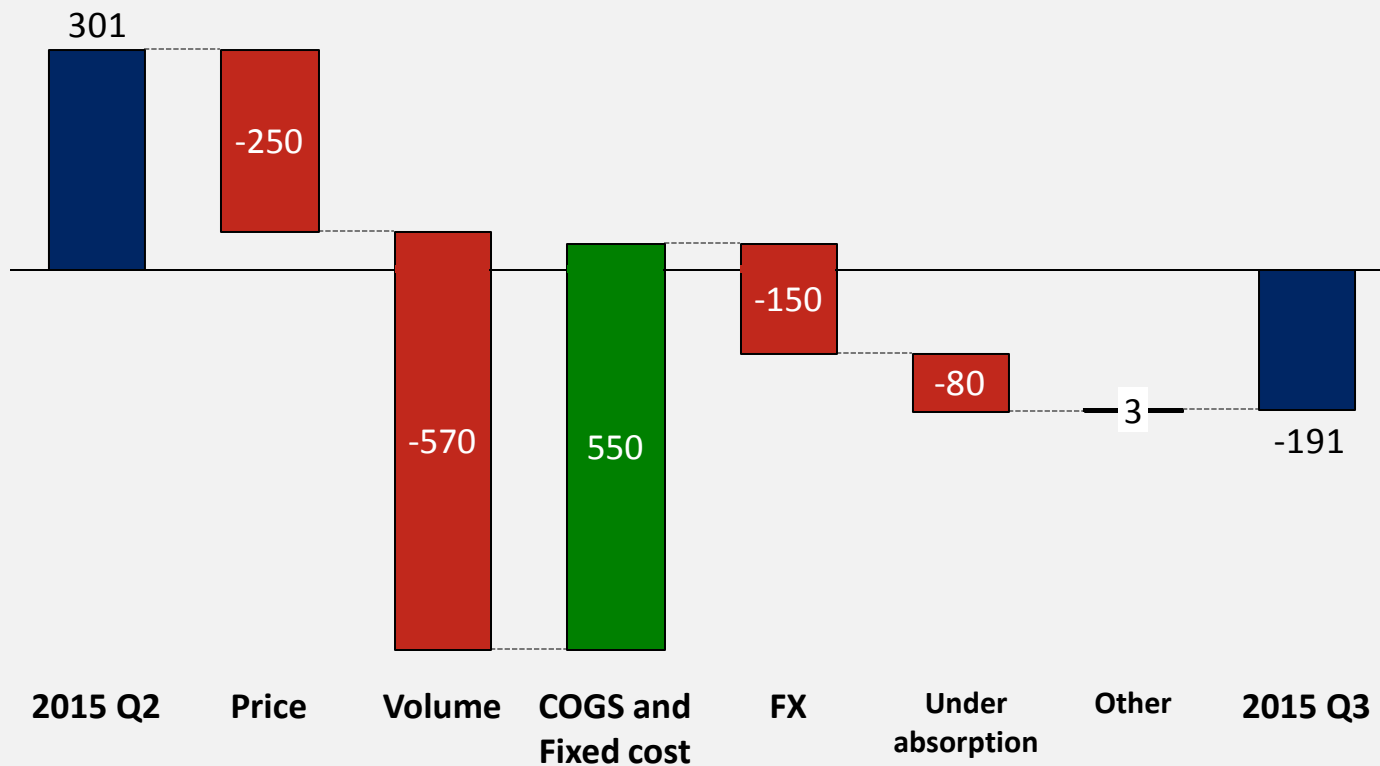
1) Pro forma figures as if SSAB had owned Rautaruukki during the whole of 2014

2) Excluding items affecting comparability

3) In the pro forma numbers for 2014, depreciation and amortization on surplus values related to the acquisition of Rautaruukki are not included

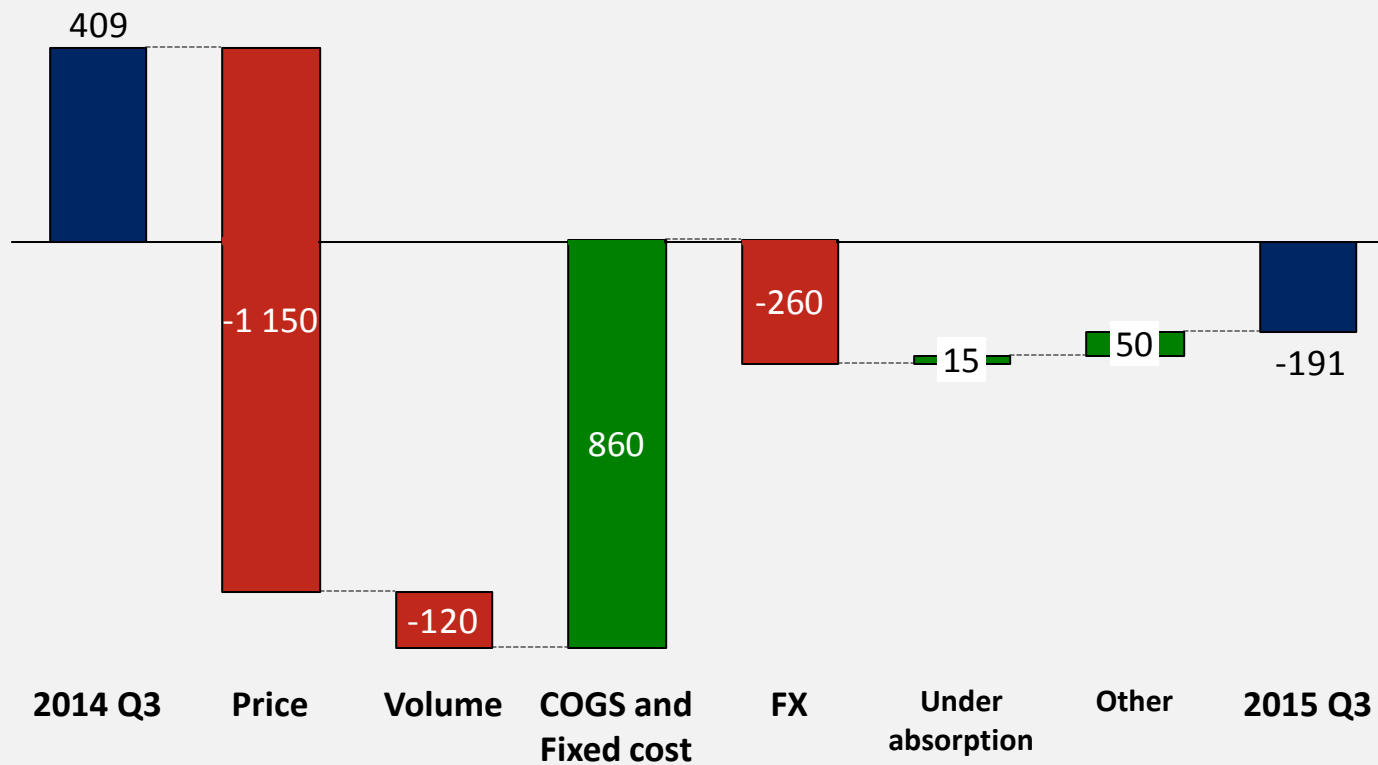
Change in operating profit

Q3/2015 vs. Q2/2015



Change in operating profit

Q3/2015 vs. Q3/2014



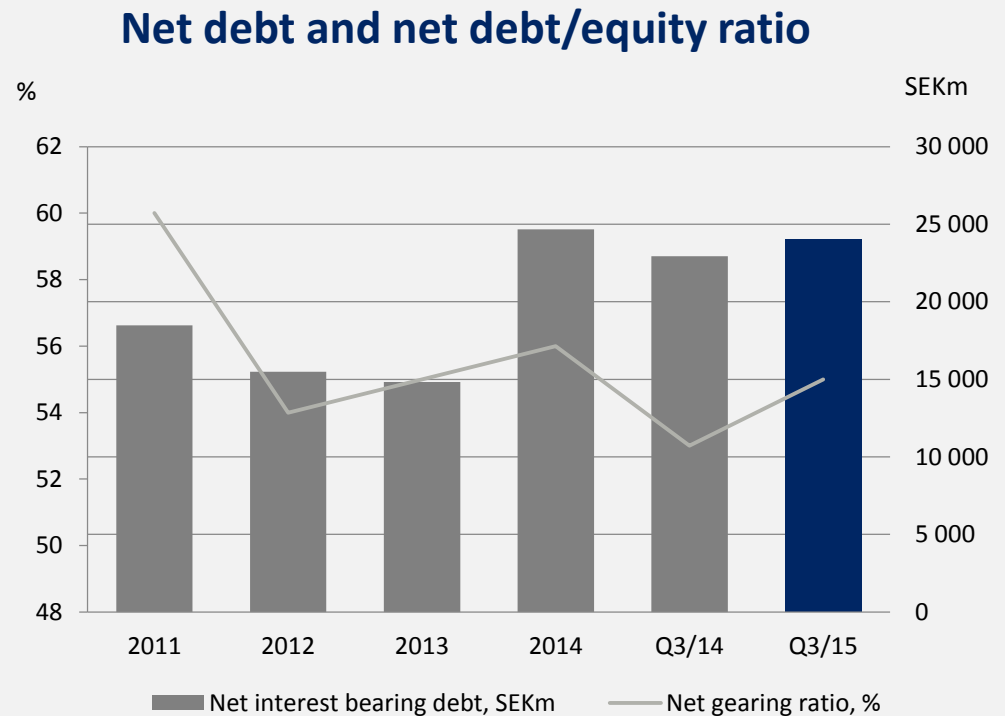
Note: Excluding items affecting comparability. Information for the reference period Q3/2014 is based on pro forma figures as if SSAB had owned Rautaruukki during the period. Q3/2014 is excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki.

Strong cash flow generation in 2015

SEKm	Q3/2015	Q3/2014	1-3Q/2015
Operating profit before depreciation/amortization	751	1 135	3 459
Change in working capital	-293	-585	-97
Maintenance expenditure	-609	-440	-1 396
Other	-9	-33	120
Operating cash flow	-160	77	2 086
Financial items	-192	-408	-593
Taxes	25	-117	-310
Cash flow from current operations	-327	-448	1 183
Strategic capital expenditure in plant and machinery	-117	-89	-507
Acquisitions of shares and operations	-	-18	-36
Divestments of shares and operations	-	-	162
Net cash flow	-444	-555	802

Stable net debt and gearing

- ▶ Net debt amounted to SEK 24,814m, in line with year-end 2014
- ▶ Net debt/equity ratio amounted to 55%, a decrease of 1 percentage point since year-end 2014

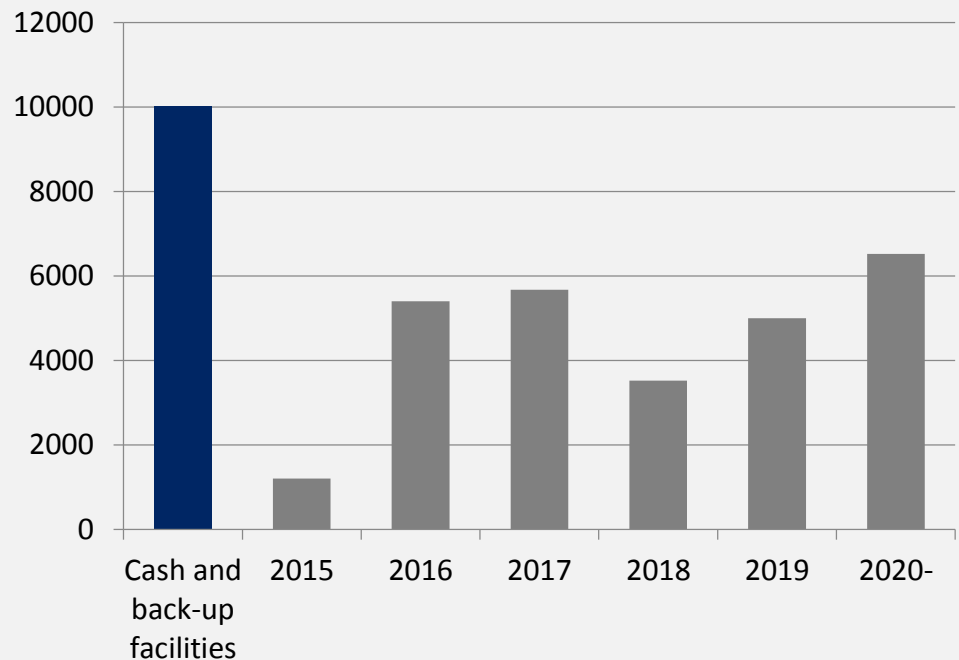


Balanced maturity profile in the years to come

- Significant cash and back-up facilities

Debt maturity at September 30, 2015

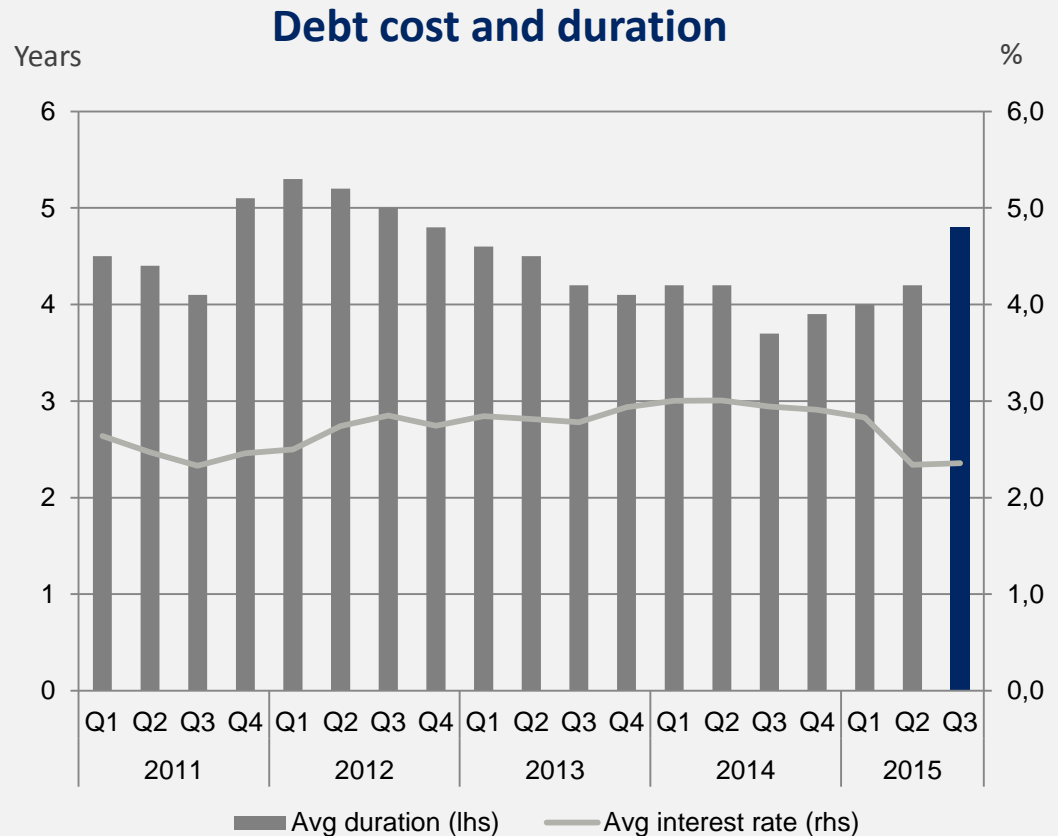
SEK million



- ▶ The average term on the loan portfolio was 4.8 (3.7) years
 - Averaged fixed interest term was 1.3 (1.4) years
- ▶ Of the total maturities in 2016, commercial paper accounts for approximately 50%
- ▶ Continued covenant free debt portfolio

Longer duration and continued low interest rate

- ▶ Duration increased to 4.8 years vs. 4.2 in Q2/2015
- ▶ Average interest rate was 2.36%
 - (2.34% in Q2/2015)



Iron ore and coking coal spot prices were quite stable during Q3 after a drop in July

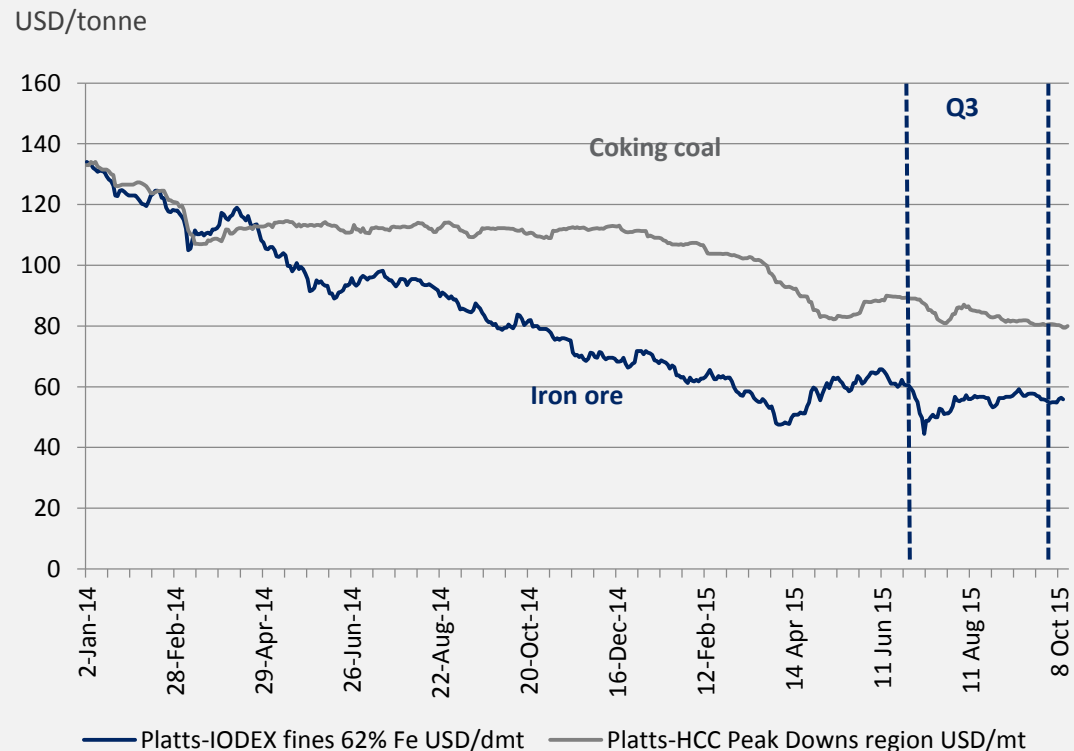
► Iron ore

- Pellet price for SSAB's shipments during Q3 was 1% lower in both USD and SEK vs. Q2/2015
- A new price agreement with Severstal was signed for supplies of iron ore

► Coking coal

- Average coking coal price for SSAB during Q3 was 8% lower in USD and 5% lower in SEK vs. Q2/2015

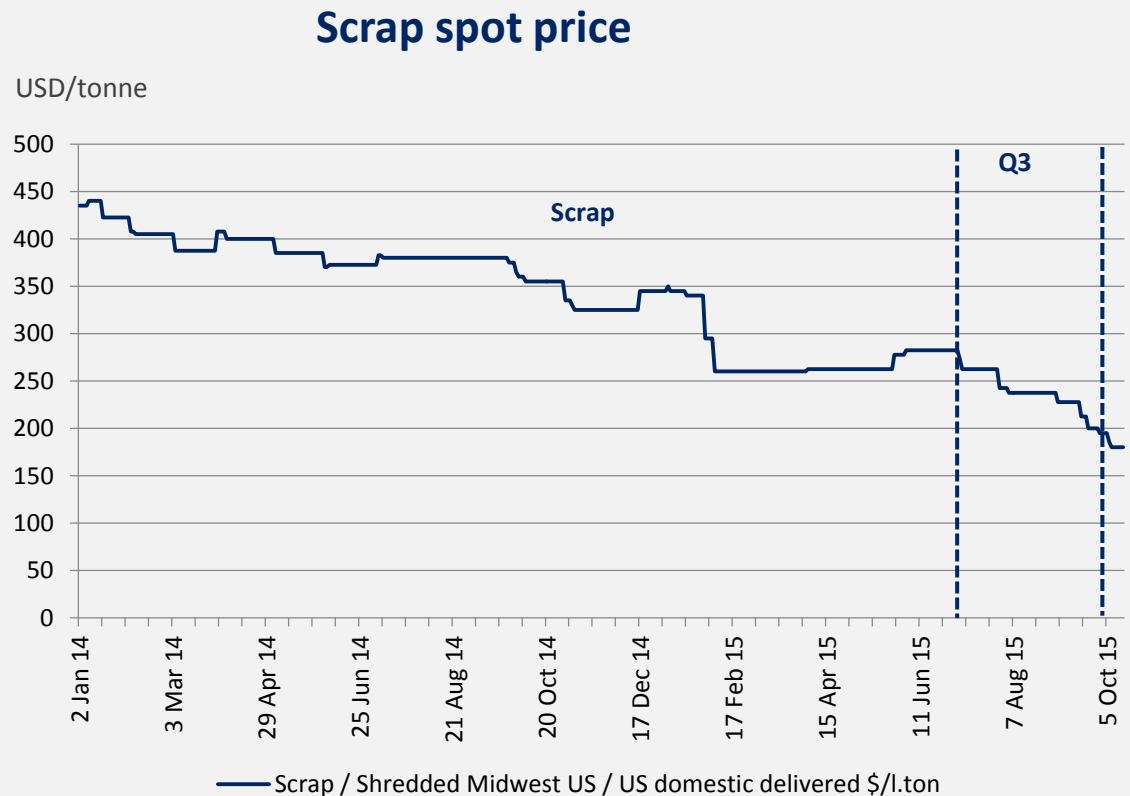
Iron ore and coking coal spot prices



Scrap prices fell sharply during Q3 and into Q4

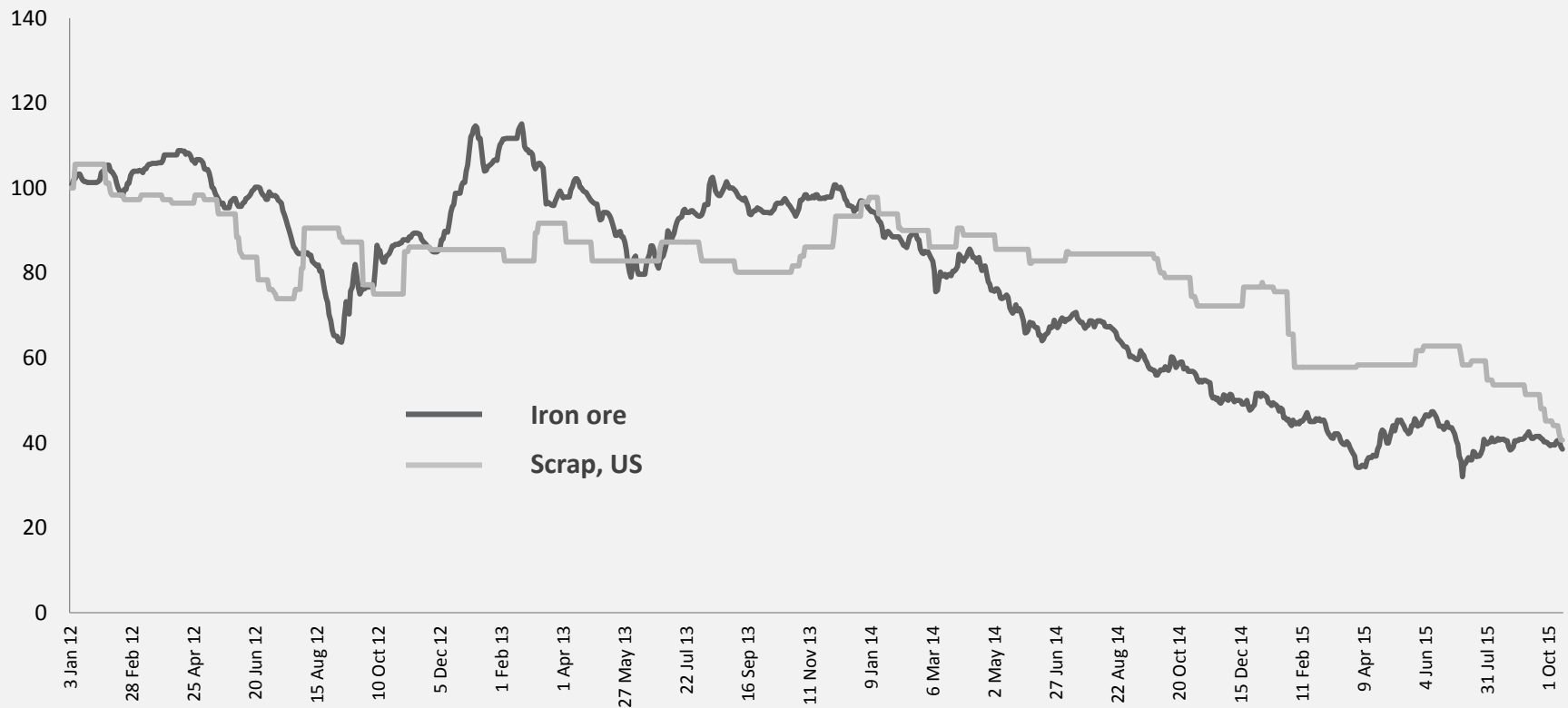
Prices now at lowest level since 2009

- ▶ Scrap spot prices in US at the end of Q3/2015 were:
 - 30% lower vs. Q2/2015
 - 46% lower vs. Q3/2014
- ▶ Market price has continued down in October



After a period of de-coupling, scrap and iron ore prices have converged

Price, indexed from 2012



Outlook

Martin Lindqvist, President and CEO

SSAB

SSAB's outlook for Q4/2015

- ▶ In North America, the wait-and-see sentiment in demand for heavy plate is expected to continue during Q4
 - Destocking at distributors is also expected to continue
 - Underlying demand at end-customers is expected to be relatively stable, but with seasonal downturn towards the end of Q4
- ▶ In Europe, demand is expected to remain stable
 - Seasonal downturn towards the end of Q4
- ▶ Demand for high-strength steels is expected to be unchanged during Q4
- ▶ SSAB's shipments during Q4 are expected to be somewhat higher than during Q3
- ▶ Maintenance outage at Oxelösund in November (negative impact of ~SEK 100m on Q4 results)

SSAB's key customer segments – outlook

Segment	Outlook for Q4 vs. Q3	Comments on outlook
Heavy Transport	➡	<ul style="list-style-type: none"> ▶ Heavy Transport expected to remain at high level in Europe ▶ US market showing slowdown in railcar segment
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"> ▶ Uncertain short term demand in main markets. Export of construction machinery from US is under pressure ▶ Chinese market remains depressed
Mining	➡	<ul style="list-style-type: none"> ▶ Continued downward adjustments of CAPEX in the mining sector ▶ Stable demand for after-market services
Energy	➡	<ul style="list-style-type: none"> ▶ Continued solid demand for wind towers expected in North America ▶ Demand for pipelines continues to be subdued
Construction Material	➡	<ul style="list-style-type: none"> ▶ Q4 is seasonally slower vs. Q3 ▶ Sweden expected to remain at good level, Finland stagnant. Good development in Central Europe, especially Poland and Czech, while Russia contracts
Service Centers (US)	➡	<ul style="list-style-type: none"> ▶ No major changes in demand expected short term. Inventories at steel service centers are normalizing, but continued destocking expected in Q4

Innovative ways of using high strengths steels

Swedish Steel Prize 2015 finalists



Facil System, sugar cane shredder knives
Brazil



TEREX Cranes, adaptable crane section,
Germany



Ponsse Plc, forest harvester,
Finland



Milotek Pty Ltd, rail transportation system,
South Africa

SSAB

Questions & Answers

SSAB



*A stronger,
lighter and more
sustainable world*