

SSAB Europe – Mix improvement driving profitability

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PUBLIC

SSAB

Agenda

- ▶ **SSAB Europe & current situation**

- ▶ Market situation and outlook

- ▶ Strategy

Market leader in Nordic region – Profitability leader in Europe

Nordic market leader

40-50%

Market share

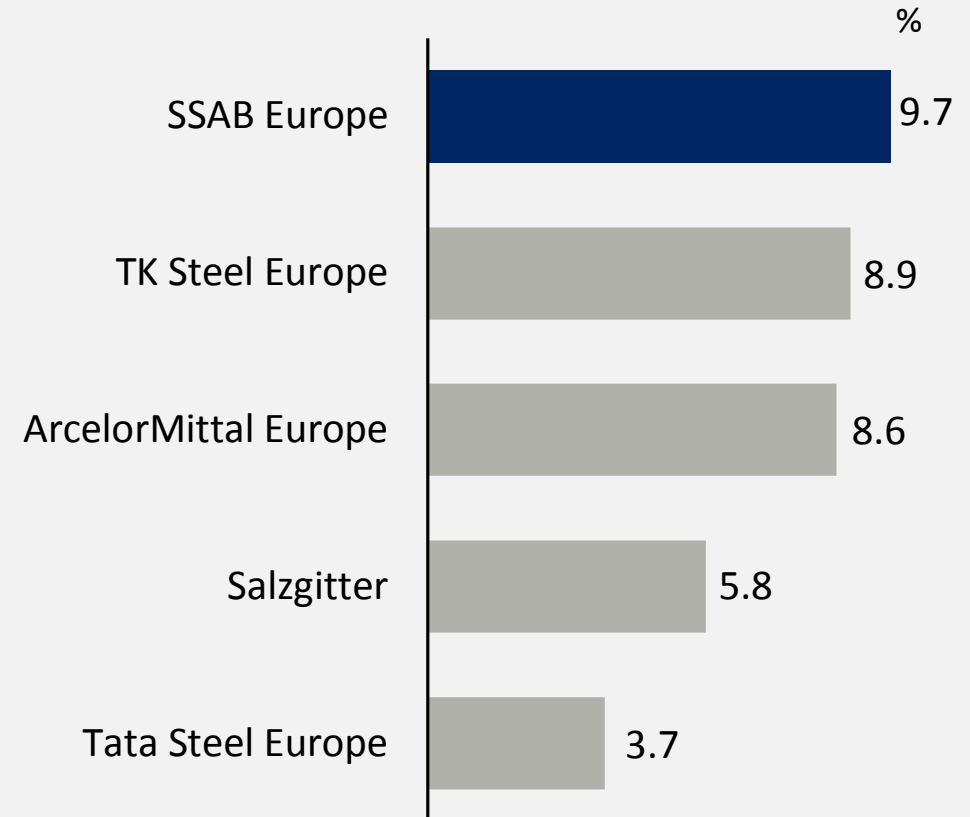
~50%

of SSAB Europe volumes

1.86 Mton

SSAB shipments 2016

EBITDA margin 2016 vs. European peers



SSAB Europe business 2016

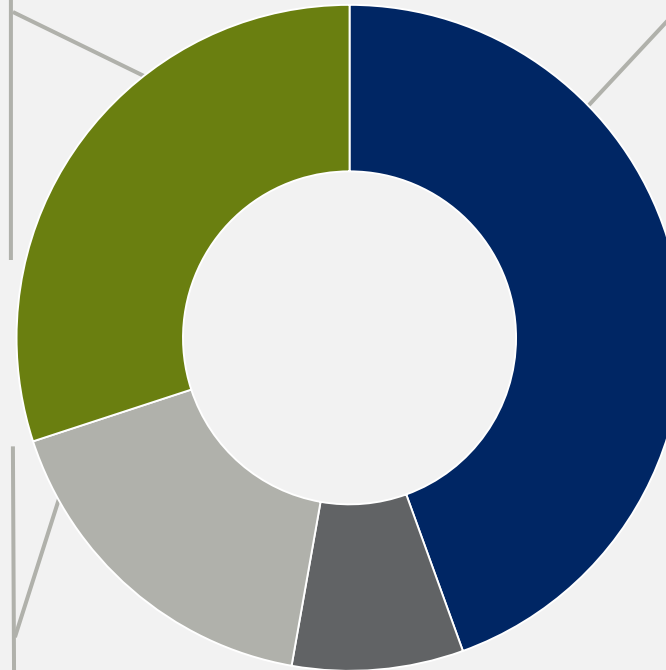
Continental Europe (flats)

- ▶ Focus on Premium products and more value added sales
- ▶ Based on strong product portfolio
- ▶ Multichannel approach

Automotive (global)

- ▶ Selective focus based on Advanced High-Strength Steel
- ▶ Focus on OEMs and Tiers
- ▶ Based on collaboration & flexibility

Share of volumes



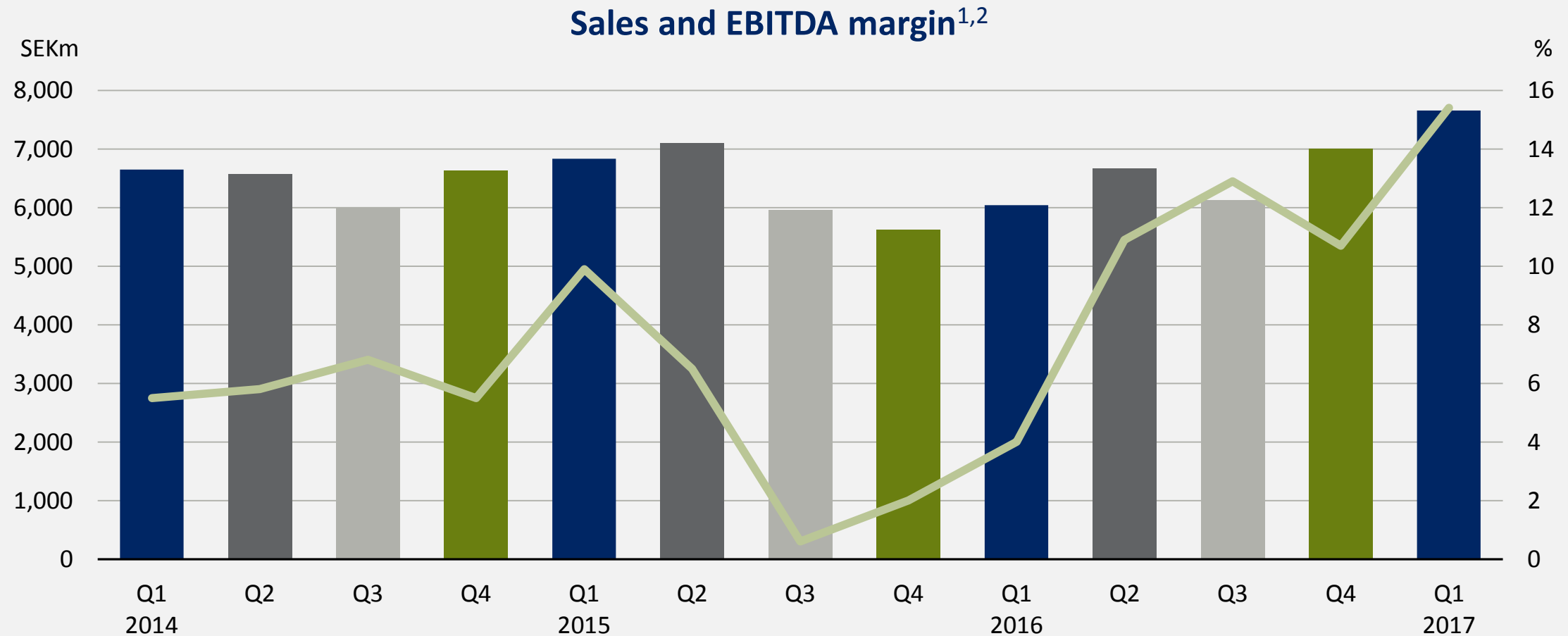
Nordic Home Market (flats)

- ▶ Clear market leader
- ▶ Superior set-up to service local market
- ▶ Active towards all segments – Multichannel

Tubular

- ▶ Strong position in the Nordics
- ▶ Premium products outside Nordics
- ▶ Based on strong product portfolio & service

Profitability clearly improving



1) Excluding items affecting comparability

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

Agenda

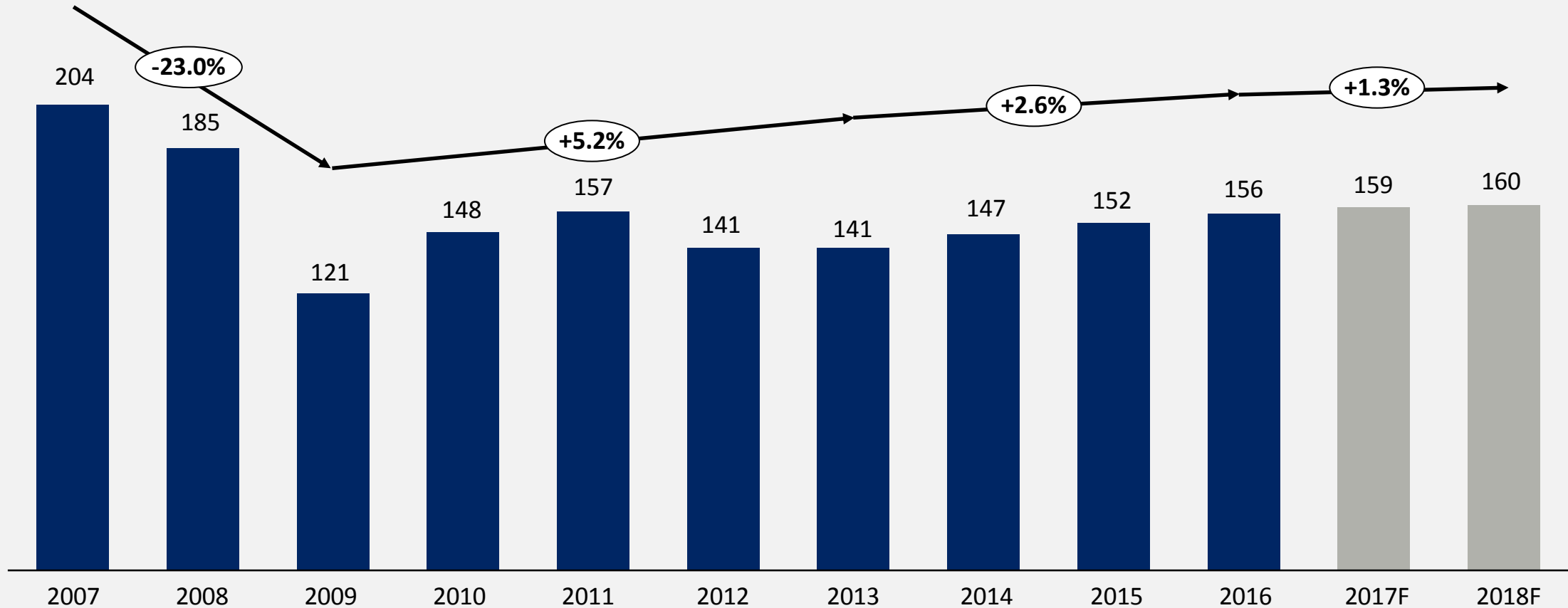
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Stable demand at relatively good levels, albeit far from 2007 peak

Apparent steel use in EU, mt finished steel

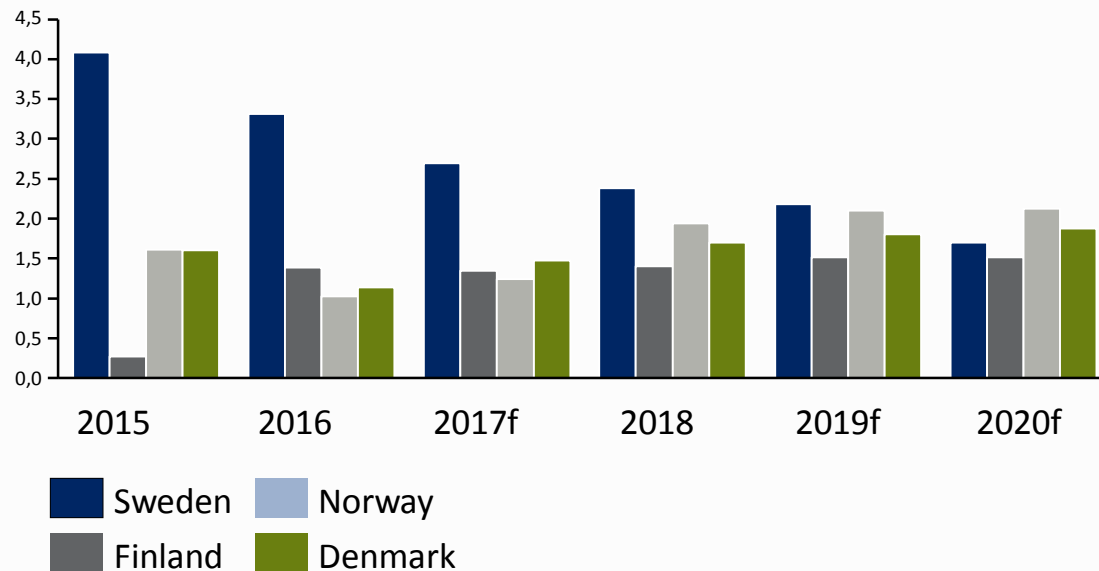


Source: Eurofer Market Outlook 4/2017 and previous versions

Positive development in Nordic market expected to continue

Overall healthy outlook, some regional differences

GDP yearly growth rate, %


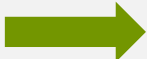






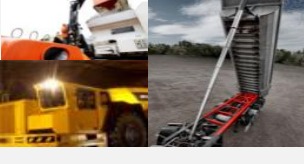



Source: IMF, April 2017

All key steel consuming segments are growing

- ▶ **Automotive** expected to continue to grow steadily the next 3-4 years
- ▶ **Heavy trucks growing**, with Scania and Volvo Trucks gaining market share
- ▶ Overall healthy outlook for **Construction**
- ▶ **Offshore** dependent on oil prices: in Norway a number of new projects starting up which might attract investments

Positive long-term demand sentiment in most customer segments

		Sentiment	Comment
Automotive			<ul style="list-style-type: none"> ▶ Automotive output is estimated to have grown ~5% in 2016 ▶ Fundamentals for the automotive market in the EU are expected to remain overall positive in 2017 and 2018, albeit at a lower pace
Construction			<ul style="list-style-type: none"> ▶ Overall healthy outlook (+2.1% in 2017 and 2.7% in 2018 - Eurofer)
Energy			<ul style="list-style-type: none"> ▶ Continued positive outlook for wind energy sector 2018-2020 ▶ Good order books and opportunities coming up ▶ Solar power projects continue to be funded
Marine & Offshore			<ul style="list-style-type: none"> ▶ Good situation in the shipbuilding sector ▶ Offshore dependent on oil prices
Others			<ul style="list-style-type: none"> ▶ Heavy transport continue strong growth ▶ Agriculture showing clear signs of improvement starting in 2018

Source: KallanishSteel, Eurofer, SSAB analysis (April 2017)

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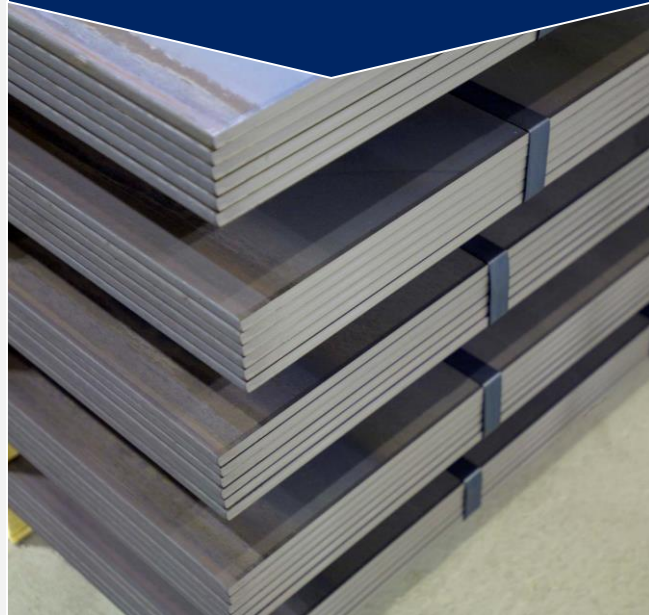
▶ Strategy

Strategic focus areas

Strengthen the Nordic
Home Market leadership



Improve the mix



Continuous improvements
to enhance cost position
and productivity



Strengthen the Nordic Home Market leadership

Continue to leverage unique market leader position

- ▶ Full product offering
- ▶ Asset closeness and flexibility
– superior services
- ▶ Best technical and development support
- ▶ Long customer relationships
- ▶ Trusted partner for the long term

Key focus ahead

- ▶ Develop relationships with top accounts
- ▶ Multichannel strategy
- ▶ Leverage own Steel Service Centers
- ▶ Leverage cooperation with Tibnor
- ▶ Grow Premium products in selective segments

Premium vs. standard

Premium product business



- ▶ Material optimized for a purpose
- ▶ Typical customer is an end-user
- ▶ Customers value total offer and are prepared to pay a premium
- ▶ Close cooperation – higher switching cost
- ▶ Less exposed to competition

Volume and price more stable

“Standard” business

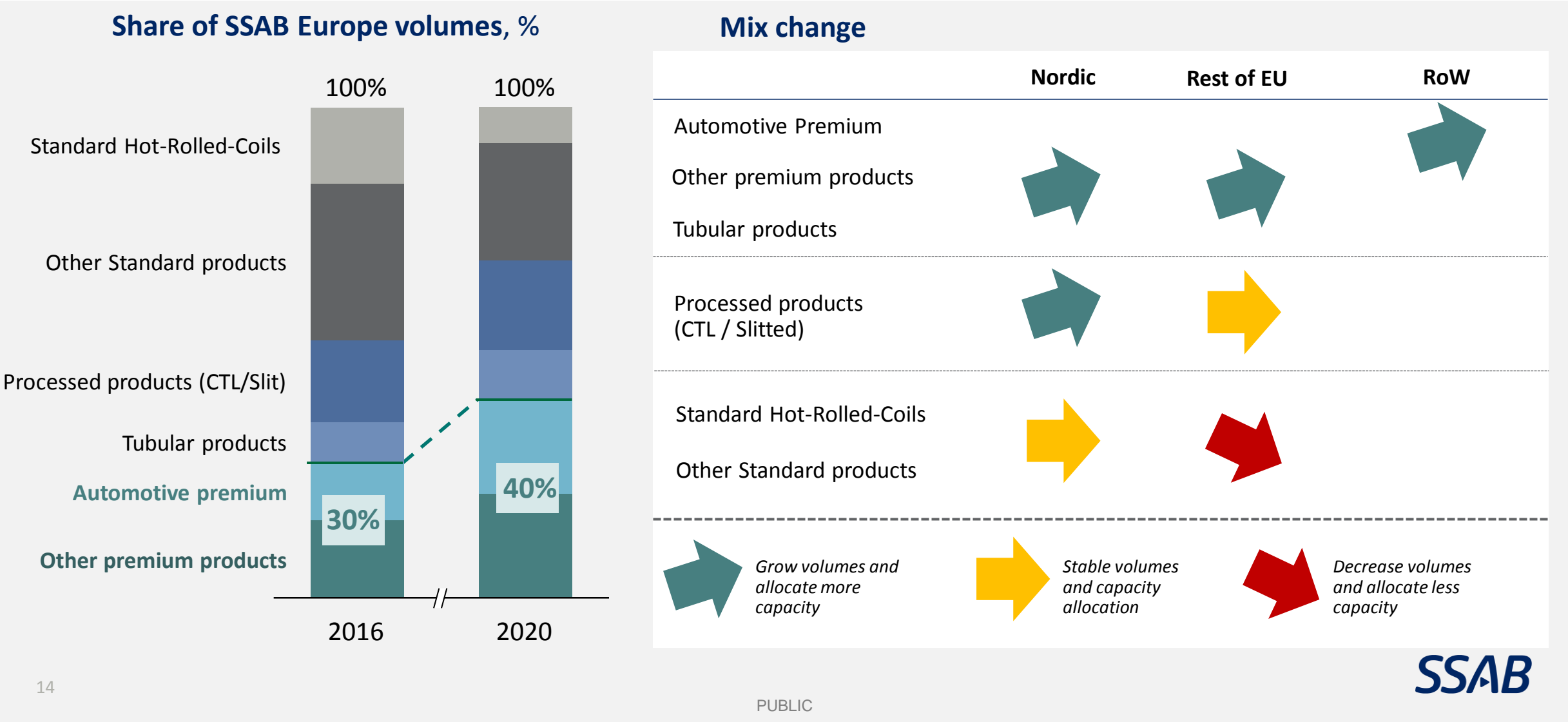


- ▶ Material serving multiple purposes
- ▶ Typical customer is a steel service center
- ▶ Customers value properties such as consistency, but are not prepared to pay a premium
- ▶ Business more transaction based
- ▶ Full competition, incl. non-EU actors

Volume and price follow market

Vs.

Increase premium product share to 40% by 2020

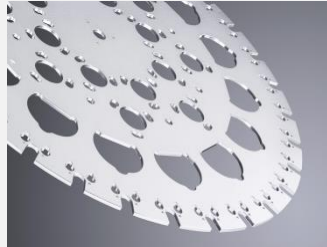


Our product offering – A complete new brand portfolio launched since merger

ALL OPTIMIZED FOR A PURPOSE



SSAB
Domex®



SSAB
Laser®



SSAB
Form



SSAB
Weathering



SSAB
Boron



DOCOL®
THE AUTOMOTIVE STEEL



GREENCOAT®
COLORFUL STEEL

Growing Premium products outside Automotive through a two-fold approach

Local pull

- ▶ Based on local needs and opportunities
- ▶ Central market development provides support

Pushing new opportunities

- ▶ Leveraging cross geography learnings
- ▶ Central Market Development identifies growth areas



SSAB

Striving towards best in basics through continuous improvements

Stability & flexibility in production

Focus on bottlenecks, improved availability and reducing complexity

Delivery accuracy

Focus on implementing new Supply Chain Management model and reduce complexity

Safety

Quality

Focus on improved proactive quality management as well as harmonized claims handling

Cost efficiency and waste reduction

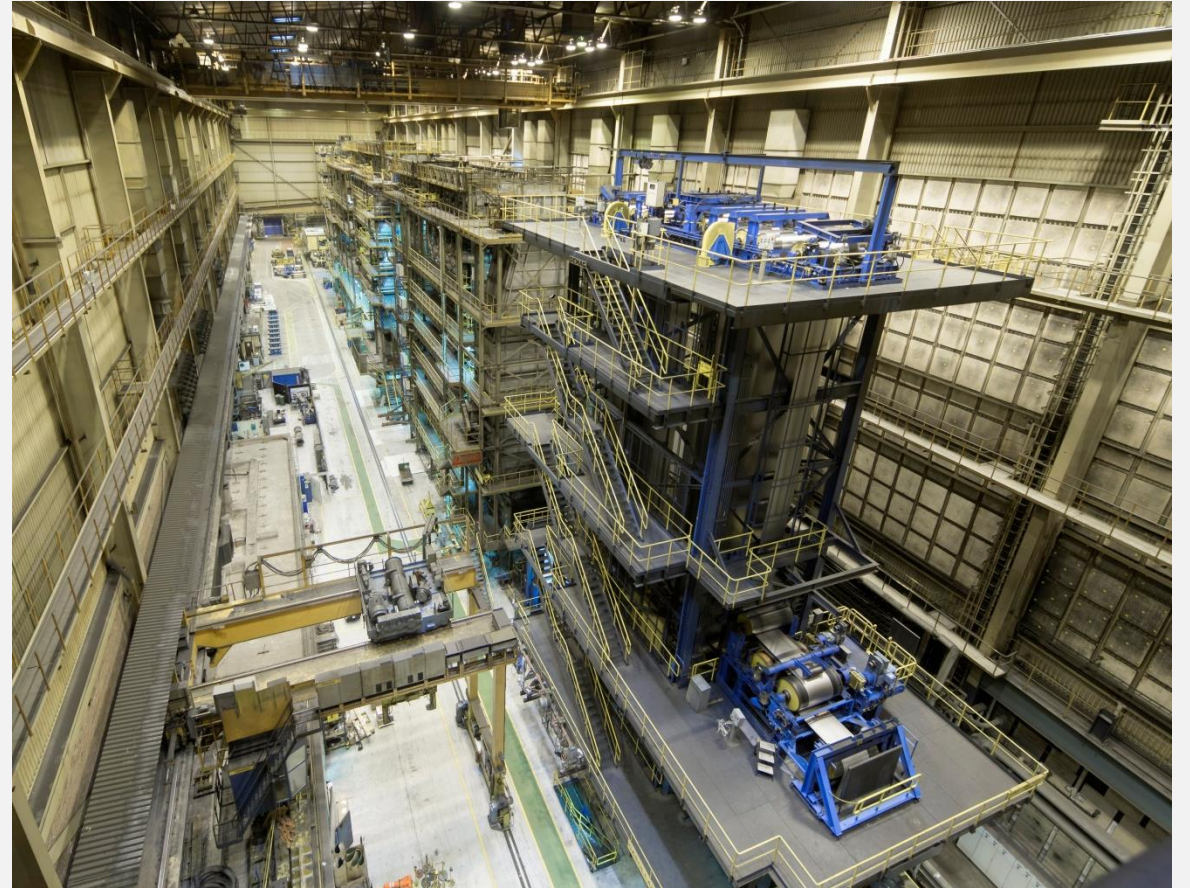
Focus on key areas like production yield and energy

Key continuous improvement projects

- ▶ Luleå slab yield
- ▶ Borlänge yield
- ▶ Borlänge continuous annealing capacity
- ▶ Energy use optimization
- ▶ Reducing rejections in Raahe hot-strip rolling
- ▶ Raahe PCI coal cost
- ▶ Hämeenlinna hot-dip galvanizing capacity

Example: Continuous annealing line in Borlänge

- ▶ Improved availability and productivity through
 - Tuning of burners and induction furnaces
 - 100% material flow
- ▶ As a result, weekly production has increased from 8.3 ktonnes in 2015 to 10.5 ktonnes (~30%) in 2017
- ▶ Supports growing sales to the automotive sector
- ▶ Further capacity improvements targeted



Summary

- ▶ Market leader in Nordic region – profitability leader in Europe
- ▶ Competitive platform in place
- ▶ Positive market outlook
- ▶ Strategic focus areas:
 - Strengthen the home market position
 - Mix improvement to 40% premium
 - Continuous improvement to improve cost position

