

YEAR-END REPORT 2019



Lower earnings for SSAB
Europe and SSAB Americas in
the quarter, good cash
conversion

January 28, 2020

SSAB

Year-end report 2019

The fourth quarter

- Sales were SEK 16,973 (19,251) million
- EBITDA, excluding items affecting comparability, was SEK -127 (1,971) million
- Operating profit/loss, excluding items affecting comparability, was SEK -1,131 (1,035) million
- Operating profit/loss, including items affecting comparability, was SEK -1,178 (1,007) million
- Earnings per share were SEK -1.21 (0.67)
- The Board proposes a dividend of SEK 1.50 (1.50) per share

Key figures

SEK millions	2019 Q4	2018 Q4	2019 Q3	2019 Full year	2018 Full year
Sales	16,973	19,251	18,840	76,485	74,941
Operating profit/loss before depreciation and amortization, EBITDA ¹⁾	-127	1,971	1,327	6,375	8,952
Operating profit/loss ¹⁾	-1,131	1,035	300	2,159	5,181
Profit/loss after financial items ¹⁾	-1,245	1,001	201	1,770	4,644
Profit/loss after tax ¹⁾	-1,204	726	184	1,279	3,805
Earnings per share (SEK)	-1.21	0.67	0.03	1.04	3.45
Operating cash flow	1,321	1,960	1,038	5,194	5,969
Net debt, including IFRS 16	11,696	10,527	11,424	11,696	10,527
Net debt, excluding IFRS 16	9,880	8,582	9,526	9,880	8,582
Net debt/equity ratio (%), including IFRS 16	19	18	18	19	18
Net debt/equity ratio (%), excluding IFRS 16	16	14	15	16	14

¹⁾ Excluding items affecting comparability. For detailed information see pages 3 and 32.

(In the report, the figures in parentheses refer to the corresponding period for the previous year.)

Comments by the CEO

SSAB's operating result for the fourth quarter of 2019 was SEK -1,131 million, down SEK 2,166 million compared with the fourth quarter of 2018. Lower earnings in the quarter were primarily attributable to SSAB Europe and SSAB Americas. Operating profit for the full year 2019 was SEK 2,159 (5,181) million, the decrease was mainly attributable to SSAB Europe.

SSAB Special Steels' shipments were at a low level during the quarter, primarily attributable to weaker business cycle and stock adjustments on the European market. Planned maintenance costs impacted the operating result, which was SEK -126 (-72) million.

SSAB Europe's shipments decreased to 752 (850) thousand tonnes, mostly driven by destocking both by end customers and distributors. The squeeze on margins continued and the costs of strike actions in Finland, around SEK 250 million, impacted fourth quarter earnings, which were SEK -609 (733) million.

The fourth quarter operating result for SSAB Americas decreased to SEK -222 (553) million largely due to lower realized prices and somewhat higher costs for planned maintenance. Demand was relatively stable, although shipments were affected by the planned maintenance outage in Mobile.

During the fourth quarter, cost savings had a positive result impact and production at our European steel mills was adjusted to lower demand, and among other things one blast furnace was idled in Raahe, Finland. This resulted in lower working capital and operating cash flow was SEK 1,321 (1,960) million for the quarter. Stock adjustments by customers on the European market are assessed to be over and our order intake improved towards the end of the quarter. This is expected to lead to increased shipments during the first quarter of 2020 and the blast furnace in Raahe has been back in operation since the start of the year.

Our strong balance sheet enabled us to complete a number of bolt-on acquisitions during the year. During the quarter, we launched new strategic targets that show our ambitions to grow in special products and to develop our own channels to market. The aim is to build an even stronger SSAB with less sensitivity to swings in the business cycle. The board proposes a dividend of SEK 1.50 per share.

Outlook

In North America, demand for heavy plate is estimated to be stable during the first quarter of 2020. In Europe, underlying demand is expected to increase from a relatively low level during the fourth quarter of 2019, when both end customers and distributors destocked. Global demand for high-strength steels is expected to increase during the first quarter, primarily related to Europe.

For SSAB Americas, shipments during the first quarter of 2020 are expected to increase compared with the fourth quarter of 2019, which was affected by the planned maintenance outage in Mobile. SSAB Europe and SSAB Special Steels are also expected to increase volumes compared with the fourth quarter of 2019.

Prices realized by SSAB Americas during the first quarter of 2020 are expected to be more or less unchanged compared to the fourth quarter of 2019. Prices realized by SSAB Europe and SSAB Special Steels are assessed to be somewhat lower during the first quarter of 2020.

Major planned maintenance outages 2020

The table below shows all major planned maintenance outages for 2020 and the costs of outages completed during 2018 and 2019. The figures include the impact of the direct maintenance cost and the cost of lower capacity utilization (underabsorption), but exclude lost margins.

SEK millions	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 Full year	2019 Full year	2018 Full year
SSAB Special Steels	-	-	-	270	270	300	350
SSAB Europe	-	-	200	145	345	420	410
SSAB Americas	-	-	-	355	355	415	285
Total	-	-	200	770	970	1,135	1,045

The market

According to the World Steel Association, global crude steel production for 2019 amounted to 1,849 (1,786) million tonnes, up 3.5% compared with 2018. Chinese steel production increased by 8% and steel production in North America by barely 1%, whereas production in the EU-28 decreased by close to 5% compared with the same period in 2018.

In North America, demand for heavy plate was generally good during the first half of the year. Demand weakened during the fall and distributors adopted a cautious sentiment in the wake of falling prices and reduced their inventories.

In Europe, demand was somewhat weaker throughout the year. During the first half of the year, it was primarily the Automotive segment that slowed down, but later demand also decreased in other segments, including Heavy Transport. During the fourth quarter, demand was marked by destocking both by end customers and distributors.

Demand for high-strength steel was good in most geographies during the year, but weakened in Europe and North America during the second half of the year.

In North America, market prices for heavy plate initially fell during the fourth quarter, but rose somewhat towards the end of the quarter. During the full year 2019, market prices fell sharply. In Europe, market prices for both strip and heavy plate fell during the year. During the fourth quarter, prices decreased during the first half of the quarter and then increased somewhat later in the quarter. In China, market prices for both strip and heavy plate increased during the quarter. For the year as a whole, prices for strip increased somewhat, whereas they were flat for heavy plate.

Items affecting comparability

During the fourth quarter of 2019, items affecting comparability in the operating loss amounted to SEK -47 (-27) million, primarily related to the ongoing restructuring program in Tibnor. During the first nine months of 2019, items affecting comparability were SEK -150 (-213) million. This was largely related to an estimated capital loss following the divestment of Ruukki Construction's project operations, Building Systems.

SSAB Group – Full-year summary

Sales and operating profit

Sales for the full year 2019 were SEK 76,485 (74,941) million, up SEK 1,544 million or 2% compared with 2018.

Operating profit, excluding items affecting comparability, for the full year was SEK 2,159 (5,181) million, down SEK 3,022 million compared with 2018. This decrease was primarily attributable to SSAB Europe.

Sales and result per business segment

SEK millions	Sales			Operating profit ¹⁾		
	2019 Full year	2018 Full year	Change	2019 Full year	2018 Full year	Change
SSAB Special Steels	18,495	18,869	-374	1,454	1,421	33
SSAB Europe	31,730	32,796	-1,065	-677	2,757	-3,434
SSAB Americas	17,460	16,878	582	2,128	1,837	291
Tibnor	9,149	8,434	715	30	230	-200
Ruukki Construction	6,510	6,140	371	283	181	101
Other	-	-	-	-233	-249	16
Depr. surplus values	-	-	-	-827	-996	169
Group adjustments	-6,859	-8,175	1,316	-	-	-
Total	76,485	74,941	1,544	2,159	5,181	-3,022

¹⁾ Excluding items affecting comparability. For amounts see page 32

Profit after tax and earnings per share

Profit after tax (attributable to shareholders in the parent company) for the full year 2019 was SEK 1,075 (3,549) million, equating to SEK 1.04 (3.45) per share. Tax was SEK -479 (-839) million, which equates to a tax rate of around 30% (19%) of profit after financial items.

Cash flow, financing and liquidity

Operating cash flow for the full year 2019 was SEK 5,194 (5,969) million. Lower operating profit was partly offset by release of working capital.

Net cash flow amounted to SEK -289 (3,435) million. Compared with the full year 2018, net cash flow was affected negatively by the acquisitions of Sanistål, Abraservice and Piristeel, as well as by a higher dividend to shareholders. Total capital expenditure, including acquisitions and divestments, was SEK 4,013 (2,275) million. Net debt at December 31, 2019 was SEK 11,696 (8,582) million. The net debt/equity ratio was 19%. Excluding IFRS 16, the net debt/equity ratio was 16% (14%).

The term to maturity of the total loan portfolio at December 31 averaged 7.1 (6.5) years, with an average fixed interest period of 1.1 (1.1) years.

Cash and cash equivalents were SEK 3,591 (2,598) million and non-utilized credit facilities were SEK 6,727 (7,250) million, which combined corresponds to 13% (15%) of full-year sales.

Major maintenance outages

During the fourth quarter of 2019, major maintenance outages were completed in all three steel divisions at a total cost of SEK 850 million. The table below shows all planned major maintenance outages completed during 2018 and 2019. The figures include the impact of the direct maintenance cost and the cost of lower capacity utilization (underabsorption), but exclude lost margins.

	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
SEK millions	Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4	Full year	Full year
SSAB Special Steels	-	-	-	-	-	-	300	350	300	350
SSAB Europe	-	-	-	40	285	240	135	130	420	410
SSAB Americas	-	-	-	-	-	-	415	285	415	285
Total	-	-	-	40	285	240	850	765	1,135	1,045

Assets with undeterminable useful life

Consolidated assets with undeterminable useful life are allocated to the Group's cash-generating units as shown in the table below:

Assets with an undeterminable useful life per cash-generating unit

	2019	2018
SEK millions	Dec. 31	Dec. 31
SSAB North America (incl. in the SSAB Americas division)	25,388	24,451
SSAB Special Steels	3,046	2,827
SSAB Europe	2,171	2,132
Tibnor	533	523
Ruukki Construction	140	60
Total goodwill	31,279	29,994
Ruukki Construction (Rautaruukki tradename)	467	458
Total assets with an undeterminable useful life ¹⁾	31,746	30,452

¹⁾The change in values compared to the previous year is mainly due to currency effects, but also due to the acquisition of Abraservices (SEK 168 million) and Piristeel (SEK 81 million).

Goodwill is tested for impairment each year towards the end of the fourth quarter. The impairment test showed no need for an impairment charge.

Return on capital employed/equity

Return on capital employed before tax and return on equity after tax for the full year 2019 was 3% and 2% respectively, whereas the figures for the full year 2018 were 7% and 6% respectively.

Equity

With earnings of SEK 1,075 million and other comprehensive income (mostly consisting of translation differences) of SEK 1,365 million, shareholders' equity in the company amounted to SEK 60,314 (59,437) million, equating to SEK 58.57 (57.71) per share.

SSAB Group – Fourth quarter of 2019

Sales and operating result

Sales for the fourth quarter of 2019 were SEK 16,973 (19,251) million, down 12% compared with the fourth quarter of 2018 and down 10% compared with the third quarter of 2019.

The operating result, excluding items affecting comparability, was SEK -1,131 (1,035) million, down SEK 2,166 million compared with the fourth quarter of 2018. This decrease was primarily related to SSAB Europe and SSAB Americas. Compared with the third quarter of 2019, the result was down SEK 1,431 million. Including items affecting comparability, primarily attributable to restructuring costs in Tibnor, the operating result was SEK -1,178 (1,007) million.

Sales and operating profit/loss by business segment

SEK millions	Sales			Operating profit/loss ¹⁾		
	2019 Q4	2018 Q4	Change	2019 Q4	2018 Q4	Change
SSAB Special Steels	3,973	4,369	-396	-126	-72	-54
SSAB Europe	6,702	8,099	-1,397	-609	733	-1,341
SSAB Americas	3,588	4,762	-1,175	-222	553	-776
Tibnor	2,172	2,173	-2	-39	28	-67
Ruukki Construction	1,752	1,674	78	67	78	-10
Other	-	-	-	-97	-24	-73
Depr. surplus values	-	-	-	-105	-260	155
Group adjustments	-1,215	-1,827	612	-	-	-
Total	16,973	19,251	-2,278	-1,131	1,035	-2,166

¹⁾ Excluding items affecting comparability. For amounts see page 32

Analysis of total change in sales and result *)

	Sales		Operating loss ¹⁾	
	Change vs Q4, 2018 %		Change vs Q4, 2018 SEK m.	
Volume	-9	Price and product mix	-1,800	
Price	-8	Volume	-510	
Product mix	0	Variable cost	-140	
Currency effects	4	Fixed cost	330	
Other sales	1	Currency effects	180	
		Capacity utilization	-520	
		Other	294	
Total	-12		-2,166	

^{*)} Estimated change, the figures in the table have been rounded.

¹⁾ Excluding items affecting comparability. For an explanation and amounts, see page 32.

Raw materials

SSAB sources iron ore from LKAB in Sweden and from Severstal in Russia and prices vary depending on the market index. SSAB sources coking coal from Australia, the USA and Canada, usually on annual supply contracts with monthly pricing. SSAB Americas regularly purchases scrap metal on the spot market as a raw material for their production. Purchase prices for iron ore fell during the end of the third quarter. This, combined with lower prices for coking coal, resulted in lower raw material costs during the fourth quarter compared with the third quarter, mainly for SSAB Europe.

Change in SSAB's average purchase prices, fourth quarter of 2019

% change	Change vs. 2018		Change vs. 2019	
	USD	Q4 SEK	USD	Q3 SEK
Iron ore	-7%	-1%	-26%	-26%
Coking coal	-26%	-22%	-22%	-22%
Scrap metal	-31%	-27%	-12%	-11%

Production and shipments

Crude steel production during the fourth quarter of 2019 was down 18% compared with the fourth quarter of 2018 and down 15% compared with the third quarter of 2019.

Rolling production during the fourth quarter of 2019 was down 15% compared with the fourth quarter of 2018 and down 13% compared with the third quarter of 2019.

SSAB's steel shipments during the fourth quarter of 2019 were 1,479 (1,634) thousand tonnes, down 9% compared with the fourth quarter of 2018 and down 8% compared with the third quarter of 2019.

Production and shipments

	2019	2018	2019	2019	2018
	Q4	Q4	Q3	Full year	Full year
Thousand tonnes					
Crude steel production	1,621	1,976	1,902	7,623	8,028
Rolling production	1,484	1,753	1,696	6,994	7,391
Steel shipments	1,479	1,634	1,614	6,560	6,899

Earnings after tax and earnings per share

Earnings after tax (attributable to shareholders in the parent company) for the fourth quarter of 2019 were SEK -1,242 (695) million, equating to SEK -1.21 (0.67) per share. Tax was SEK 51 (-274) million. Positive tax during the fourth quarter was attributable to negative earnings before tax.

Cash flow, financing and liquidity

Operating cash flow for the fourth quarter of 2019 amounted to SEK 1,321 (1,960) million. Compared with the fourth quarter of 2018, cash flow was impacted by lower operating profit, which was partly offset by the release of more working capital.

Net cash flow amounted to SEK 387 (1,585) million. Total capital expenditure, including acquisitions and divestments, was SEK 1,452 (955) million. Net debt at December 31, 2019 was SEK 11,696 (8,582) million.

Operating cash flow and net debt

SEK millions	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Operating profit/loss before depreciation/amortization	-174	1,943	6,177	8,712
Change in working capital	2,187	847	896	-967
Maintenance expenditures	-666	-833	-1,875	-1,943
Other	-25	3	-4	167
Operating cash flow	1,321	1,960	5,194	5,969
Financial items	-50	-46	-432	-541
Taxes	-97	-206	-1,315	-628
Cash flow from current operations	1,175	1,708	3,447	4,800
Strategic expenditures in plants and machinery	-456	-197	-1,035	-397
Acquisitions of shares and operations	-448	-1	-1,221	-11
Divestments of shares and operations	118	76	118	76
Cash flow before dividend	389	1,587	1,309	4,468
Dividend paid to shareholders	-	-	-1,545	-1,030
Dividend, non-controlling interest	-1	-1	-7	-3
Acquisition, non-controlling interest	-1	-	-46	-
Net cash flow	387	1,585	-289	3,435
Net debt at beginning of period	-11,424	-10,192	-8,582	-11,574
Adjustment net cash flow, IFRS 16	-	-	-1,945	-
Net cash flow	387	1,585	-289	3,435
Revaluation of liabilities against equity ¹⁾	320	-36	-287	-666
Other ²⁾	-980	61	-593	224
Net debt at the end of period	-11,696	-8,582	-11,696	-8,582

¹⁾ Revaluation of hedges of currency risks in foreign operations.

²⁾ Mainly consisting of cash flow effects on derivative instruments and revaluation of other financial instruments in foreign currency as well as acquired net debt.

Business segments – Fourth quarter of 2019

The information in the tables below excludes the depreciation/amortization on surplus values on tangible and intangible assets relating to the acquisitions of IPSCO and Rautaruukki and excludes items affecting comparability. For more information about the business segments, see page 23.

SSAB Special Steels

Fourth quarter in brief

- The European market was characterized by destocking among customers
- Shipments decreased to 249 (293) thousand tonnes
- Operating result decreased to SEK -126 (-72) million

Key figures

SEK millions	2019 Q4	2018 Q4	2019 Q3	2019 Full year	2018 Full year
Sales	3,973	4,369	4,509	18,495	18,869
Operating profit before depreciation/amortization, EBITDA	28	52	509	2,081	1,946
Operating profit/loss	-126	-72	358	1,454	1,421
Operating cash flow	-591	176	60	668	1,150
Number of employees at end of period	2,886	2,844	2,918	2,886	2,844

Sales and operating profit/loss

Sales were down 9% compared with the fourth quarter of 2018 and amounted to SEK 3,973 (4,369) million. Lower volumes had a negative impact of 15 percentage points. Currency effects had a positive impact of 4 percentage points, higher prices and a better product mix each had a positive impact of 1 percentage point. The acquisition of Abraservice was completed during the quarter and added sales of SEK 113 million.

Compared with the third quarter of 2019, sales were down 12%. Lower volumes had a negative impact of 17 percentage points and lower prices 1 percentage point. Other sales (including internal sales) had a positive impact of 5 percentage points and a better product mix had a positive impact of 1 percentage point.

The operating result for the fourth quarter of 2019 was SEK -126 (-72) million, down SEK 54 million compared with the fourth quarter of 2018. Lower volumes and higher variable costs, primarily of iron ore, had a negative impact.

Compared with the third quarter of 2019, earnings were down SEK 484 million. Weaker earnings were largely attributable to the costs of planned maintenance, lower volumes as well as lower capacity utilization to adjust production to lower demand.

Market trend

Demand weakened during the fourth quarter of 2019, especially in Europe, but also in North America. Weaker customer segments included Heavy Transport and Construction Machinery. Distributors and OEMs adjusted their stocks, which had a negative impact on shipments.

Production and shipments

Crude steel production was down 12% compared with the fourth quarter of 2018 and down 60% compared with the third quarter of 2019. The decrease compared to the previous quarter was because both blast furnaces in Oxelösund were operating until mid-September 2019 and also because of planned maintenance during the fourth quarter.

Rolling production for the fourth quarter of 2019 was down 7% compared with the same period in 2018 and down 38% compared with the third quarter of 2019. The decrease compared with the previous quarter was primarily attributable to planned maintenance but also due to adjustment to lower demand.

External shipments of steel during the fourth quarter of 2019 were down 15% compared with the same period in 2018 and down 17% compared with the third quarter of 2019.

Production and shipments

	2019 Q4	2018 Q4	2019 Q3	2019 Full year	2018 Full year
Thousand tonnes					
Crude steel production	142	162	355	1,225	918
Rolling production	83	89	134	493	493
Shipments	249	293	299	1,224	1,298

Figures for steel shipments include high-strength steel produced at SSAB Europe's and SSAB Americas' steel mills but sold by SSAB Special Steels.

Cash flow and capital expenditure

Operating cash flow during the fourth quarter was SEK -591 (176) million. More working capital was tied up and lower earnings had a negative impact on cash flow compared with the fourth quarter of 2018.

Capital expenditure during the fourth quarter was SEK 207 (269) million, of which SEK 27 (28) million were strategic investments.

SSAB Europe

Fourth quarter in brief

- Weaker demand, significant squeeze on margins and adjustment of production level
- Operating result fell to SEK -609 (733) million
- Shipments decreased to 752 (850) thousand tonnes

Key figures

	2019 Q4	2018 Q4	2019 Q3	2019 Full year	2018 Full year
SEK millions					
Sales	6,702	8,099	7,637	31,730	32,796
Operating profit/loss before depreciation/amortization, EBITDA	-194	1,082	-67	945	4,153
Operating profit/loss ¹⁾	-609	733	-480	-677	2,757
Operating cash flow	666	703	-90	182	3,039
Number of employees at end of period	6,853	6,826	6,838	6,853	6,826

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

Depreciation/amortization on surplus values was SEK 62 (58) million during the fourth quarter.

Sales and operating profit/loss

Sales were down 17% compared with the fourth quarter of 2018 and amounted to SEK 6,702 (8,099) million. Lower volumes had a negative impact of 11 percentage points and lower prices 3 percentage points. Currency effects and a better product mix each had a positive impact of 1 percentage point. Other sales (including internal sales) had a negative impact of 5 percentage points.

Compared with the third quarter of 2019, sales were down 12%. Lower volumes had a negative impact of 5 percentage points and lower prices 3 percentage points. Other sales (including internal sales) had a negative impact of 4 percentage points.

The operating result for the fourth quarter fell to SEK -609 (733) million, down SEK 1,342 million compared with the fourth quarter of 2018. Lower steel prices, higher variable costs, primarily iron ore, as well as lower capacity utilization, partly attributable to lower production rates, pulled down earnings. Lower volumes also had a negative impact.

Compared with the third quarter of 2019, earnings fell by SEK 129 million. Lower prices and lower volumes had a negative impact on earnings. The cost of strikes in Finland and lower capacity utilization also had a negative impact, whereas insurance compensation for production breakdowns that occurred earlier in 2019 had a positive impact.

Market trend

Demand was weaker during the fourth quarter of 2019, which was marked by stock adjustments by larger OEMs and distributors. The Construction segment was seasonally weaker compared with the previous quarter.

Production and shipments

Crude steel production during the fourth quarter of 2019 was down 23% compared with the fourth quarter of 2018 and marginally lower compared with the third quarter of 2019. Temporary idling of one of the blast furnaces in Raahе, Finland to adjust production to lower demand had a negative impact compared to a year earlier.

Rolling production was down 19% compared with the fourth quarter of 2018 and down 11% compared with the third quarter of 2019. This decrease was partly due to lower production rates because of declining demand and partly a result of the strikes in Finland.

External shipments of steel during the fourth quarter of 2019 were down 12% compared with the fourth quarter of 2018 and down 5% compared with the third quarter of 2019.

Production and shipments

	2019 Q4	2018 Q4	2019 Q3	2019 Full year	2018 Full year
Thousand tonnes					
Crude steel production	926	1,205	930	3,969	4,576
Rolling production	876	1,082	980	4,217	4,494
Shipments	752	850	794	3,362	3,561

Production figures include high-strength steel made for SSAB Special Steels. These volumes are not included in SSAB Europe's shipments.

Cash flow and capital expenditure

Operating cash flow during the fourth quarter was SEK 666 (703) million. Compared with the fourth quarter of 2018, cash flow was impacted negatively by lower earnings and positively by the release of more working capital.

Capital expenditure during the fourth quarter of 2019 was SEK 565 (608) million, of which SEK 204 (149) million were strategic investments.

SSAB Americas

Fourth quarter in brief

- Lower shipments because of planned maintenance
- Lower realized prices
- Operating result decreased to SEK -222 (553) million

Key figures

	2019 Q4	2018 Q4	2019 Q3	2019 Full year	2018 Full year
SEK millions					
Sales	3,588	4,762	4,446	17,460	16,878
Operating profit/loss before depreciation/amortization, EBITDA	-1	699	697	2,852	2,459
Operating profit/loss ¹⁾	-222	553	522	2,128	1,837
Operating cash flow	521	826	943	3,540	1,523
Number of employees at end of period	1,254	1,250	1,240	1,254	1,250

¹⁾ Excluding depreciation/amortization on surplus values on tangible and intangible assets related to the acquisition of IPSCO. Depreciation/amortization on surplus values was SEK 39 (203) million during the fourth quarter.

Sales and operating profit/loss

Sales were down 25% compared with the fourth quarter of 2018 and amounted to SEK 3,588 (4,762) million. Lower prices had a negative impact of 26 percentage points, lower volumes 3 percentage points and lower other sales 2 percentage points. Positive currency effects had a positive impact of 5 percentage points and a better product mix 1 percentage point.

Compared with the third quarter of 2019, sales were down 19%. Lower prices had a negative impact of 10 percentage points and lower volumes impacted 8 percentage points. A somewhat weaker product mix had an impact of 1 percentage point.

The operating result for the fourth quarter of 2019 was SEK -222 (553) million, down SEK 775 million compared with the fourth quarter of 2018. Lower earnings were mainly attributable to weaker margins and somewhat higher costs of planned maintenance.

Compared with the third quarter of 2019, operating result was down SEK 744 million. Lower earnings were due to lower prices and the costs of planned maintenance, which also impacted shipments negatively.

Market trend

For SSAB Americas, demand weakened somewhat during the fourth quarter, including demand in the Heavy Transport and Construction Machinery customer segments.

Production and shipments

Crude steel production was down 9% compared with the fourth quarter of 2018 and down 10% compared with the third quarter of 2019.

Rolling production was down 10% compared with the fourth quarter of 2018 and down 9% compared with the third quarter of 2019.

Lower production was primarily attributable to the planned maintenance outage in Mobile during the quarter, which was somewhat more extensive than the maintenance outage completed in Montpelier during the fourth quarter of 2018.

External shipments of steel were down 3% compared with the fourth quarter of 2018 and down 8% compared with the third quarter of 2019.

Production and shipments

	2019 Q4	2018 Q4	2019 Q3	2019 Full year	2018 Full year
Thousand tonnes					
Crude steel production	554	609	617	2,429	2,534
Rolling production	526	582	581	2,285	2,404
Shipments	478	491	521	1,974	2,039

Production figures include high-strength steel made for SSAB Special Steels. These volumes are not included in SSAB Americas' shipments.

Cash flow and capital expenditure

Operating cash flow during the fourth quarter of 2019 was SEK 521 (826) million. Compared with the fourth quarter of 2018, cash flow was impacted negatively by lower operating profit, whereas the release of more working capital had a positive impact.

Capital expenditure during the fourth quarter was SEK 329 (92) million, of which SEK 204 (1) million were strategic investments.

Tibnor

Fourth quarter in brief

- Weaker demand, the operating result decreased to SEK -39 (28)
- The restructuring program progresses according to plan

Key figures

	2019	2018	2019	2019	2018
SEK millions	Q4	Q4	Q3	Full year	Full year
Sales	2,172	2,173	2,179	9,149	8,434
Operating profit before depreciation/amortization, EBITDA	8	50	47	206	313
Operating profit/loss ¹⁾	-39	28	2	30	230
Operating cash flow	370	130	-111	348	205
Shipments, thousand tonnes	189	181	190	786	705
Number of employees at end of period	1,133	1,077	1,171	1,133	1,077

¹⁾ Excluding depreciation/amortization on surplus values on tangible and intangible assets related to the acquisition of Rautaruukki. Depreciation/amortization on surplus values was SEK 6 (6) million during the fourth quarter.

Sales and operating profit/loss

Sales were more or less unchanged compared with the fourth quarter of 2018 and amounted to SEK 2,172 (2,173) million. The acquisition of Sanistål's steel distribution business, completed in April 2019, contributed SEK 327 million.

Sales were marginally lower compared with the third quarter of 2019.

The operating result for the fourth quarter of 2019 was SEK -39 (28) million, down SEK 67 million compared with the fourth quarter of 2018. Lower earnings were primarily attributable to lower margins, including revaluation of inventory.

Compared with the third quarter of 2019, earnings were down SEK 41 million. Lower margins and higher fixed costs (which were seasonally lower during the third quarter) had a negative impact on earnings.

Items affecting comparability, which are not included in the earnings above, amounted to SEK -52 million. This relates to restructuring measures, which are expected to lower costs by around SEK 200 million on an annual basis, with full effect from the second half of 2020 onwards.

Market trend

Demand remained weak in many customer segments during the quarter. Customers adjusted their inventories and this further contributed to weak demand during the quarter.

Cash flow and capital expenditure

Operating cash flow during the fourth quarter was SEK 370 (130) million. Compared with the fourth quarter of 2018, more working capital was released.

Capital expenditure during the fourth quarter of 2019 was SEK 16 (23) million, of which SEK 3 (7) million were strategic investments.

Ruukki Construction

Fourth quarter in brief

- Seasonally lower demand
- Operating profit decreased to SEK 67 (78) million

Key figures

	2019	2018	2019	2019	2018
SEK millions	Q4	Q4	Q3	Full year	Full year
Sales	1,752	1,674	1,794	6,510	6,140
Operating profit before depreciation/amortization, EBITDA	116	107	179	466	305
Operating profit ¹⁾	67	78	134	283	178
Operating cash flow	192	135	201	348	303
Number of employees at end of period	1,841	1,801	1,842	1,841	1,801

¹⁾ Excluding depreciation/amortization on surplus values on tangible and intangible assets related to the acquisition of Rautaruukki.
Depreciation/amortization on surplus values was SEK -2 (-9) million during the fourth quarter.

Sales and operating profit

Sales were up 5% compared with the fourth quarter of 2018 and amounted to SEK 1,752 (1,674) million. Sales increased mainly in Residential Roofing, among other things because of the acquisition of Piristeel, which was completed during the first quarter of 2019. Sales in Building Components were somewhat weaker.

Compared with the third quarter of 2019, sales were down 2%, primarily attributable to seasonally weaker demand in Residential Roofing.

Operating profit for the fourth quarter was SEK 67 (78) million. Weaker earnings compared with the fourth quarter of 2018 were due to lower margins in Building Systems and lower volumes in Building Components.

Compared with the third quarter of 2019, earnings were down SEK 67 million, primarily due to seasonally lower sales in Residential Roofing.

During the third quarter, an agreement was signed to divest Ruukki Construction's project business, Building Systems. Divestment is subject to the approval of the relevant competition authorities and it is expected that the transaction will be completed during the first half of 2020. Building Systems had sales of around SEK 1.5 billion in 2018 and a slightly positive operating profit.

Market trend

Demand in the construction industry was seasonally weaker during the fourth quarter. The underlying demand remained at a good level in Ruukki Construction's main markets.

Cash flow and capital expenditure

Operating cash flow during the fourth quarter was SEK 192 (135) million. The improvement was primarily attributable to the release of working capital during the quarter.

Capital expenditure during the fourth quarter was SEK 24 (19) million, of which SEK 18 (12) million were strategic investments.

Sustainability

Key figures – rolling 12 months

	2019 Full year	2019 Q3	2019 Q2	2019 Q1	2018 Full year
Responsible partner					
Lost time injury frequency (LTIF) ¹⁾	4.2	4.7	5.1	6.0	6.1
Total number of injuries (LTI) ²⁾	126	140	153	180	184
Sustainable operations					
Energy consumption, GWh ³⁾	9,093	9,274	9,421	9,454	9,448
Energy intensity, kWh/tonnes crude steel	1,193	1,163	1,180	1,187	1,177
Carbon dioxide emissions (Scope 1), thousand tonnes ⁴⁾	9,433	9,878	9,890	9,806	9,833
Carbon dioxide emissions (Scope 2), thousand tonnes ⁵⁾	1,171	1,193	1,201	1,186	1,189
Intensity, tonnes of CO ₂ /tonnes crude steel ⁶⁾	1.39	1.39	1.39	1.38	1.37

¹⁾ Number of accidents resulting in an absence of more than one day per million working hours (LTIF, Lost Time Injury Frequency), including contractors

²⁾ Number of accidents resulting in an absence of more than one day (LTIs, Lost Time Injuries), including contractors

³⁾ Total energy consumption (electricity, purchased fuels and purchased heat)

⁴⁾ Direct emissions from production (Scope 1)

⁵⁾ Indirect emissions from the generation of purchased electricity, heating and steam (Scope 2)

⁶⁾ Includes Scope 1 and Scope 2

Responsible partner – Safety

SSAB's lost time injury frequency resulting in an absence of at least one day (LTIF) was 4.2 (6.1) (rolling 12 months), which meant a clear improvement. The positive trend in safety performance is a result of systematic and consistent work across the organization.

Sustainable offering

By increased use of high-strength steels, SSAB's customers will, by 2020, achieve annual CO₂ savings of 10 million tonnes during the use phase of their end products. This amount corresponds to SSAB's direct carbon dioxide emissions. The CO₂ savings will be achieved through the SSAB EcoUpgraded initiative (8.0m tonnes) and through Automotive premium products (2.0m tonnes). Customers achieved CO₂ savings of 9.9 million tonnes during 2019 – savings of 8.3 million tonnes through SSAB EcoUpgraded shipments and 1.6 million tonnes through Automotive Premium shipments.

Sustainable operations – Environment and HYBRIT

SSAB's total energy consumption related to electricity, purchased fuels and purchased heat was 9,093 (9,448) GWh during the full year 2019. SSAB's direct (Scope 1) CO₂ emissions were 9,433 (9,833) thousand tonnes and indirect (Scope 2) CO₂ emissions were 1,171 (1,189) thousand tonnes. By the end of 2019, SSAB achieved:

- 296,000 tonnes or 99% of the CO₂ emissions reduction target of 300,000 tonnes,
- 463 GWh or 116% of the purchased energy reduction target of 400 GWh and
- 51,000 tonnes or 102% of the residuals utilization target of 50,000 tonnes.

The environmental targets have been achieved a year ahead of plan and we are in the process of setting new targets beyond 2020. The base-year for the above targets was 2014.

SSAB is transforming towards a fossil-free steelmaking process through HYBRIT (Hydrogen Breakthrough Ironmaking Technology), which is a joint initiative from SSAB, LKAB, and Vattenfall. The pilot plant for fossil-free steel production will be in use from summer 2020 and already now, work is underway on exploring the possibility of scaling up production by building a demonstration plant in 2025, three years earlier than previously planned. It should then be possible to produce fossil-free steel from iron ore for commercial use already by 2026.

More information on sustainability at SSAB is available at www.ssab.com/company/sustainability.

Dividend

The Board proposes a dividend of SEK 1.50 (1.50) per share for 2019. If the Annual General Meeting approves the proposal, a total of around SEK 1.5 billion will be paid out to shareholders.

Annual general meeting

The annual general meeting will be held at Norra Latin in Stockholm on April 1, 2020 starting at 1pm. The Annual Report will be published during week 11 and will be available at the company's head office and at www.ssab.com. Notice of the annual general meeting may be given commencing February 21, 2020 up to and including 12 noon on March 26, 2020. Notice to attend may be given online via SSAB's website or by telephone at +46 8 4545 760.

Risks and uncertainty factors

For information regarding material risks and uncertainty factors, reference is made to the detailed description in the annual report for 2018. No material new or changed risks and uncertainty factors have been identified during the year.

Accounting principles

This interim report has been prepared in compliance with IAS 34.

The accounting principles are based on International Financial Reporting Standards as adopted by the EU and ensuing references to Chapter 9 of the Swedish Annual Accounts Act. The accounts of the parent company have been prepared in compliance with RFR 2 and the Swedish Annual Accounts Act.

No material changes in accounting principles have taken place since the Annual Report for 2018, other than the information below.

IFRIC 23, Uncertainty over income tax treatments

This interpretation applies from January 1, 2019. The interpretation has not had any impact on the Group's opening balances at January 1, 2019.

IFRS 16, Leases

The Group has applied IFRS 16, Leases since January 1, 2019. IFRS 16 mainly affects lessee accounting and the main impact is that all leases that were previously recognized as operating leases are recognized in a way that resembles the previous recognition of financial leases, i.e. a right-of-use asset and a lease liability are recognized. For more information, see page 25.

Review

This report has not been reviewed by the auditors.

Stockholm, January 28, 2020

Martin Lindqvist
President & CEO

Financial reports in accordance with IFRS – Group

The figures in the tables have been rounded, which might affect aggregates

Summary of consolidated income statement

SEK millions	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Sales	16,973	19,251	76,485	74,941
Cost of goods sold	-17,193	-17,026	-70,191	-65,339
Gross profit/loss	-220	2,225	6,293	9,602
Selling and administrative costs	-1,262	-1,368	-4,956	-4,691
Other operating income and expenses	318	134	560	-36
Affiliated companies, profit/loss after tax	-14	16	64	65
Operating profit/loss	-1,178	1,007	1,961	4,940
Financial income	-227	110	457	353
Financial expenses	113	-144	-846	-890
Profit/loss for the period after financial items	-1,292	973	1,572	4,403
Tax	51	-274	-479	-839
Profit/loss for the period	-1,240	699	1,093	3,564
Of which attributable to:				
- Parent Company's shareholders	-1,242	695	1,075	3,549
- Non-controlling interest	2	4	18	16

Consolidated statement of comprehensive income

SEK millions	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Profit/loss for the period after tax	-1,240	699	1,093	3,564
<i>Other comprehensive income</i>				
<u>Items that may be subsequently reclassified to the income statement</u>				
Translation differences for the period	-2,892	268	1,990	4,009
Cash flow hedges	-56	14	-239	231
Hedging of currency risks in foreign operations ¹⁾	320	-36	-287	-666
Share in other comprehensive income of affiliated companies and joint ventures	8	3	8	3
Tax attributable to items that may be subsequently reclassified to the income statement	-237	6	-68	100
Reclassification Items that will not be reclassified to the income statement	-88		-88	
Total items that may be subsequently reclassified to the income statement	-2,945	255	1,316	3,677
<u>Items that will not be reclassified to the income statement</u>				
Remeasurements of the net defined benefit liability	47	-28	-54	27
Tax attributable to items that will not be reclassified to the income statement	-8	3	12	-8
Reclassification Items that may be subsequently reclassified to the income statement	88		88	
Total items that will not be reclassified to the income statement	126	-25	46	19
Total other comprehensive income for the period, net after tax	-2,819	230	1,362	3,696
Total comprehensive income for the period	-4,059	929	2,455	7,260
Of which attributable to:				
- Parent Company's shareholders	-4,055	925	2,440	7,242
- Non-controlling interest	-2	4	15	18

1) Hedging is structured such that the net/equity ratio is unchanged in the event of changed exchange rates.

Summary consolidated statement of changes in equity

SEK millions	Equity attributable to the Parent Company's shareholders					Non-controlling interest	Total equity
	Share capital	Other contributed funds	Reserves	Retained earnings	Total equity		
Equity, December 31, 2017	9,062	23,021	2,041	19,107	53,231	63	53,294
<u>Changes Jan. 1 – Dec. 31, 2018</u>							
Adjustment opening balance - change in accounting principle, IFRS 9				-7	-7	-	-7
Adjusted equity, January 1, 2018	9,062	23,021	2,041	19,100	53,224	63	53,287
Total comprehensive income for the period			3,674	3,568	7,242	18	7,260
Dividend, Parent company shareholders				-1,030	-1,030		-1,030
Dividend, non-controlling interest						-3	-3
Equity, December 31, 2018	9,062	23,021	5,715	21,638	59,437	78	59,514
<u>Changes Jan. 1 - Dec. 31, 2019</u>							
Total comprehensive income for the period			1,318	1,122	2,440	15	2,455
Non-controlling interest through business acquisition ¹⁾						47	47
Investments, non-controlling interest			-3	-14	-17	-30	-47
Dividend, Parent company shareholders				-1,545	-1,545		-1,545
Dividend, non-controlling interest						-7	-7
Equity, December 31, 2019	9,062	23,021	7,030	21,201	60,314	103	60,417

¹⁾ Non-controlling interest from the acquisition of Piristeel Oy.

There are 1,029,835,326 shares with a quotient value of SEK 8.80.

Summary of consolidated balance sheet

SEK millions	2019 31 Dec	2019 1 Jan	2018 31 Dec
Assets			
Goodwill	31,279	29,994	29,994
Other intangible assets	1,230	1,444	1,444
Tangible fixed assets	23,987	23,469	23,953
Right of use assets	2,545	2,445	-
Participations in affiliated companies	736	697	697
Financial assets	524	608	608
Deferred tax receivables ¹⁾	254	507	507
Total fixed assets	60,554	59,163	57,202
Inventories	20,391	19,813	19,813
Accounts receivable	6,945	8,784	8,784
Current tax receivables	422	195	195
Other current receivables ²⁾	1,411	3,879	3,894
Cash and cash equivalents	3,591	2,598	2,598
Total current assets in continuing operations	32,760	35,269	35,284
Assets held for sale	664	-	-
Total current assets	33,424	35,269	35,284
Total assets	93,978	94,432	92,487
Equity and liabilities			
Equity for shareholders in the Company	60,314	59,437	59,437
Non-controlling interest	103	78	78
Total equity	60,417	59,514	59,514
Deferred tax liabilities	581	1,044	1,044
Other long-term provisions	665	605	605
Long-term non-interest bearing liabilities ²⁾	320	324	324
Long-term interest-bearing liabilities	9,853	9,235	9,693
Lease liability ³⁾	2,025	1,765	-
Total long-term liabilities	13,444	12,973	11,666
Short-term interest-bearing liabilities	2,756	3,450	3,523
Lease liability ³⁾	604	711	-
Accounts payable	12,067	13,375	13,375
Current tax liabilities	114	333	333
Other current liabilities	4,206	4,076	4,076
Total current liabilities in continuing operations	19,746	21,945	21,306
Liabilities held for sale	371	-	-
Total current liabilities	20,117	21,945	21,306
Total equity and liabilities	93,978	94,432	92,487
Pledged assets	62	2,305	2,305
Contingent liabilities	2,432	1,860	2,273

¹⁾ Of the Deferred tax receivable, SEK 118 (138) million constitutes a valuation of the future tax credits regarding investments in Alabama, USA. Since the credits cannot yet be booked as income, a corresponding liability has been booked as Long-term non-interest bearing liabilities.

²⁾ Other current receivables comprise short-term bank deposits (escrow agreement) in the amount of SEK 0 (2,244) million.

³⁾ On December 31 2018, financial lease liabilities were part of long-term interest-bearing liabilities and short term interest-bearing liabilities. The corresponding assets were included in tangible fixed assets. The change in classification is due to the implementation of IFRS 16.

Valuation of financial assets and liabilities

Financial assets and liabilities in the balance sheet are valued based on their classification at acquisition value or fair value. Both interest rate derivatives and currency derivatives are valued at fair value. In the balance sheet item "Other current receivables" derivatives are valued at a total of SEK 259 (325) million and in the balance sheet item "Other current liabilities" derivatives are valued at a total of SEK 258 (84) million. In the balance sheet item "Financial assets" derivatives are valued at a total of SEK 43 (135) million and in the balance sheet item "Long-term non-interest bearing liabilities", derivatives are included valued at a total of SEK 10 (12) million.

Other financial assets and liabilities in the balance sheet are reported at acquisition value. In the case of valuation at fair value, the loans at fixed interest reported in the balance sheet item "Long-term interest-bearing liabilities" (including short-term part) would exceed the reported amount by SEK 111 (54) million. However, since the loans will be held until maturity, this does not affect the reported value.

Assessment of the fair value of financial instruments

Classification takes place hierarchically on three different levels based on the input data used in valuing instruments. On level 1, listed prices on an active market are used, e.g. stock exchange prices. On level 2, observable market data regarding assets and liabilities other than listed prices are used, e.g. interest rates and return curves. On level 3, the fair value is determined based on a valuation technique which is based on assumptions which are not based on prices or observable data.

The fair value valuation of the financial assets in SSAB is based on data in accordance with level 2, with the exception of electricity derivatives, where the fair value is based on listed market prices, and which are therefore classified on level 1.

Summary of cash flow

	2019	2018	2019	2018
SEK millions	Q4	Q4	Full year	Full year
Operating profit/loss	-1,178	1,007	1,961	4,940
Adjustment for depreciation and impairment	1,004	936	4,216	3,771
Adjustment for other non-cash items	-14	15	37	174
Received and paid interest	-67	-46	-454	-541
Tax paid	-97	-206	-1,315	-628
Change in working capital	2,187	847	896	-967
Cash flow from operating activities	1,836	2,553	5,341	6,750
Capital expenditure payments in plants and machinery	-1,123	-1,067	-2,939	-2,451
Acquisitions, shares and operations	-390	-1	-1,140	-11
Divested shares and operations	118	76	118	76
Other investing activities	7	26	11	104
Cash flow from investing activities	-1,387	-966	-3,950	-2,282
Dividend paid to shareholders	-	0	-1,545	-1,030
Dividend, non-controlling interest	-1	-1	-7	-3
Change in loans	-1,130	-3,475	-327	-5,988
Change in financial investments	-82	-178	2,074	270
Acquisition, non-controlling interest	-1	-	-46	-
Other financing activities	152	523	-570	640
Cash flow from financing activities	-1,062	-3,132	-421	-6,111
Cash flow for the period	-614	-1,546	971	-1,644
Cash and cash equivalents at beginning of period	4,266	4,148	2,598	4,249
Exchange rate difference in cash and cash equivalents	-54	-4	28	-7
Cash and cash equivalents at end of period ¹⁾	3,597	2,598	3,597	2,598

¹⁾ Includes cash flows from assets and liabilities held for sale

Key figures

	2019	2018	2019	2018
	Q4	Q4	Full year	Full year
Operating margin (%)	-7	5	3	7
Earnings per share (SEK)	-1.21	0.67	1.04	3.45
Equity per share (SEK)	58.57	57.71	58.57	57.71
Dividend per share (SEK)	-	-	1.50	1.00
Net debt/equity ratio (%) ¹⁾	19	14	19	18
Equity ratio (%) ¹⁾	64	64	64	64
Adjusted average number of shares during the period (millions)	1,029.8	1,029.8	1,029.8	1,029.8
Number of shares at end of period (millions)	1,029.8	1,029.8	1,029.8	1,029.8
Number of employees at end of period	14,514	14,313	14,514	14,313

¹⁾ The opening balance 2019 has been adjusted for IFRS 16.

Financial reports – The Parent Company

Summary of the Parent Company's income statement

SEK millions	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Gross profit	-	-	-	-
Selling and administrative costs	-98	-69	-385	-345
Other operating income/expenses	52	33	174	178
Operating loss	-46	-37	-211	-167
Financial items	365	-19	2,958	210
Profit/loss after financial items	319	-56	2,747	43
Appropriations	218	1,738	218	1,738
Profit before tax	537	1,682	2,964	1,781
Tax	-111	-374	58	-147
Profit after tax	426	1,308	3,023	1,634

The Parent Company's statement of comprehensive income

SEK millions	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Profit after tax	426	1,308	3,023	1,634
<i>Other comprehensive income</i>				
<i>Items that may be classified to the income statement</i>				
Cash flow hedges	9	-52	1	-23
Tax attributable to other comprehensive income	-2	11	0	5
Total items that will be reclassified to the income statement	7	-40	1	-18
Other comprehensive income, net after tax	7	-40	1	-18
Total comprehensive income for the period	433	1,268	3,024	1,616

Summary of the Parent Company's balance sheet

SEK millions	2019 31 Dec	2018 31 Dec
Assets		
Fixed assets	72,146	72,325
Other current assets	10,700	10,697
Cash and cash equivalents	2,066	1,553
Total assets	84,912	84,576
Equity and liabilities		
Restricted equity	9,964	9,964
Unrestricted equity	54,467	52,988
Total equity	64,431	62,952
Long-term liabilities and provisions	7,379	6,604
Current liabilities and provisions	13,102	15,020
Total equity and liabilities	84,912	84,576

Information about business segments

SSAB has been organized into five reportable business segments with a clear profit responsibility. The business segments consist of the three steel divisions: SSAB Special Steels, SSAB Europe and SSAB Americas as well as the fully owned subsidiaries Tibnor and Ruukki Construction. Tibnor and Ruukki Construction are operated as independent subsidiaries.

SSAB Special Steels

SSAB Special Steels has global responsibility for the marketing and sales of all SSAB's quenched and tempered steels (Q&T) and hot-rolled, advanced high-strength steels (AHSS) with yield strengths of 690 MPa and above. SSAB Special Steels is responsible for steel and rolling production in Oxelösund (Sweden), and for sales of the above products produced in Mobile (USA), Raahe (Finland) and Borlänge (Sweden). When SSAB Special Steels sells steels made by another division, the revenue is reported by SSAB Special Steels and the accounts are settled between the divisions at the cost of goods sold.

SSAB Europe

SSAB Europe has responsibility for strip, plate and tubular products in Europe, and global profit responsibility for the Automotive segment (cold-rolled strip). SSAB Europe is responsible for steel and plate production in Raahe and Hämeenlinna (Finland), and in Luleå and Borlänge (Sweden).

SSAB Americas

SSAB Americas has profit responsibility for heavy plate in North America, and for steel and plate production in Montpelier and Mobile, USA.

Tibnor

Tibnor is the Group's distributor of a full range of steel and non-ferrous metals in the Nordic region and Baltics. Tibnor buys and sells materials produced both by SSAB and other suppliers.

Ruukki Construction

Ruukki Construction is responsible for the sales and production of energy-efficient building and construction solutions, with a focus on northern and eastern Europe. Ruukki Construction includes Plannja.

Specification of sales, full year

The following table describes external sales by business segments broken down by geographical areas and product areas.

External sales, Jan-Dec 2019	Business segments					
	SSAB Special Steels	SSAB Europe	SSAB Americas	Tibnor	Ruukki Construction	Total
SEK millions						
Geographical areas						
Sweden	343	5,913	-	3,722	1,540	11,517
Finland	264	4,299	-	1,567	2,164	8,294
Denmark	134	1,245	-	1,559	97	3,035
Germany	1,554	2,379	-	27	6	3,965
Other EU-28	4,747	8,583	-	538	1,984	15,851
Norway	83	583	-	1,535	508	2,709
Russia	426	338	-	-	16	780
Other Europe	674	355	-	22	145	1,196
USA	3,715	1,277	16,311	0	1	21,305
Canada	1,055	1	904	-	4	1,964
Rest of the world	4,944	843	47	30	5	5,869
Total	17,938	25,815	17,262	8,999	6,470	76,485
Product area						
Steel products	17,209	23,926	17,251	-	-	58,386
Trading operations	-	-	-	8,999	-	8,999
Ruukki Construction operations	-	-	-	-	6,470	6,470
Slabs, by-products and scrap	463	1,795	-	-	-	2,259
Other	266	94	11	-	-	371
Total	17,938	25,815	17,262	8,999	6,470	76,485

External sales, Jan-Dec 2018	Business segments					
	SSAB Special Steels	SSAB Europe	SSAB Americas	Tibnor	Ruukki Construction	Total
SEK millions						
Geographical areas						
Sweden	787	6,069	-	3,988	1,459	12,303
Finland	245	4,275	-	1,540	1,537	7,597
Denmark	183	1,602	-	615	98	2,497
Germany	1,285	2,403	-	34	4	3,726
Other EU-28	4,523	8,122	-	449	1,885	14,978
Norway	80	608	-	1,591	687	2,967
Russia	346	270	-	-	313	929
Other Europe	851	301	-	14	103	1,269
USA	3,636	1,348	15,425	1	-	20,409
Canada	1,068	10	1,160	-	-	2,238
Rest of the world	4,315	1,584	69	40	20	6,028
Total	17,318	26,590	16,655	8,272	6,105	74,941
Product area						
Steel products	16,342	24,705	16,528	-	-	57,576
Trading operations	-	-	-	8,272	-	8,272
Ruukki Construction operations	-	-	-	-	6,105	6,105
Slabs, by-products and scrap	665	1,745	93	-	-	2,503
Other	311	140	33	-	-	484
Total	17,318	26,590	16,655	8,272	6,105	74,941

Specification of sales during the fourth quarter

The following table describes external sales by business segments broken down by geographical areas and product areas.

External sales, Quarter 4, 2019	Business segments					
	SSAB Special Steels	SSAB Europe	SSAB Americas	Tibnor	Ruukki Construction	Total
SEK millions						
Geographical areas						
Sweden	91	1,201	-	818	484	2,594
Finland	59	888	-	367	515	1,829
Denmark	20	233	-	434	16	703
Germany	296	575	-	5	0	875
Other EU-28	1,045	2,024	-	122	525	3,717
Norway	10	119	-	377	145	651
Russia	121	77	-	-	7	205
Other Europe	171	56	-	11	48	286
USA	732	275	3,260	-	0	4,268
Canada	217	1	260	-	1	478
Rest of the world	1,108	244	9	4	2	1,368
Total	3,870	5,693	3,529	2,138	1,744	16,973
Product area						
Steel products	3,673	5,275	3,528	-	-	12,476
Trading operations	-	-	-	2,138	-	2,138
Ruukki Construction operations	-	-	-	-	1,744	1,744
Slabs, by-products and scrap	125	393	-	-	-	517
Other	72	25	1	-	-	98
Total	3,870	5,693	3,529	2,138	1,744	16,973

External sales, Quarter 4, 2018	Business segments					
	SSAB Special Steels	SSAB Europe	SSAB Americas	Tibnor	Ruukki Construction	Total
SEK millions						
Geographical areas						
Sweden	266	1,490	-	1,046	467	3,269
Finland	60	796	-	382	362	1,600
Denmark	43	407	-	157	21	628
Germany	221	623	-	6	0	850
Other EU-28	956	2,098	-	111	529	3,694
Norway	32	158	-	414	215	819
Russia	93	75	-	-	36	204
Other Europe	142	74	-	8	31	255
USA	960	304	4,361	-	0	5,625
Canada	247	3	245	-	-	495
Rest of the world	1,060	717	19	12	4	1,812
Total	4,082	6,744	4,625	2,136	1,664	19,251
Product area						
Steel products	3,835	6,108	4,616	-	-	14,559
Trading operations	-	-	-	2,136	-	2,136
Ruukki Construction operations	-	-	-	-	1,664	1,664
Slabs, by-products and scrap	70	599	1	-	-	669
Other	177	37	8	-	-	223
Total	4,082	6,744	4,625	2,136	1,664	19,251

Accounting principles – IFRS 16, Leases

The Group as lessee

The right-of-use asset and lease liability are recognized at the start of the lease term. The lease liability is initially recognized at the present value of future lease payments discounted at the rate implicit in the lease agreement, or where this cannot be determined, the Group's incremental borrowing rate. Subsequent measurement of the lease liability is done by increasing the value to reflect the interest rate and the decrease the value due to payments. In addition, any remeasurements of the lease liability are taken into account.

The acquisition value of the right-of-use asset consists of the initial value of the lease liability plus any advance payments and other initial direct costs. Subsequent measurement of the right-of-use asset is at acquisition value less accumulated depreciation and any accumulated impairment, and taking into account any remeasurements. Depreciation is recognized on a straight-line basis over the lease term or over the economic life of the asset if it is reasonably certain that title will transfer to the Group, for example, through exercising an option to purchase at the end of the lease term.

An exception to the new principles that the Group is applying is applicable to low value leases, where no right-of-use asset or lease liability is recognized. These will be recognized as a straight-line cost over the lease term. The Group defines low value leases as, for example, office equipment such as printers, copying machines, coffee machines and other assets having a value of less than around SEK 50 thousand in new condition.

Transition to IFRS 16

The Group has applied the simplified transition approach and has not restated any comparable figures for earlier periods. This means that the right-of-use asset has been recognized at the same amount as the lease liability plus the advance payments made immediately prior to transition. Lease liability has been calculated by applying the incremental borrowing rate on transition. The Group has elected to apply the practical expedient of not reconsidering whether or not a lease exists. The exception regarding recognition of low value leases has also been applied at transition. This is an exception which will continue to be applied after the transition.

As at December 31, 2018, the Group's non-cancellable lease commitments (undiscounted) amounted to SEK 2,964 million, of which SEK 656 million were financial leases. In addition, SEK 121 million in lease commitments is attributable to assets of low value. These are recognized as a straight-line cost over the lease term. Regarding the remaining lease commitments, rights of use amounting to SEK 1,961 million and lease liabilities of SEK 1,946 million have been recognized as at January 1, 2019. The transition has not affected shareholders' equity since under the transition approach all earlier finance leases will continue to be recognized as leases in accordance with IFRS 16.

The tables below show the impact of transition to IFRS 16.

Transition effect of IFRS 16, Leasing

SEK millions	2019 Jan 1
Total lease commitments as per December 31, 2018	2,964
Previous financial leasing agreements according to IAS 17	-656
Leasing agreements, low value	-121
Variable leasing fees (linked to index or interest)	13
Total impact undiscounted as of January 1, 2019	2,201
Discounting	-255
Impact on lease liability as of January 1, 2019	1,946
Prepayment, leasing fees	15
Impact of right of use as per January 1, 2019	1,961

The weighted average incremental borrowing rate applied to lease liabilities recognized in the balance sheet at the

date of initial application is 3.74%.

Adjusted opening balance as at January 1, 2019:

Consolidated balance sheet

SEK millions	2018 Dec 31	Adjustment IFRS 16	2019 Jan 1
Assets			
Intangible assets	31,438	-	31,438
Tangible assets	23,953	1,961	25,914
Other fixed assets	1,811	-	1,811
Total fixed assets	57,202	1,961	59,163
Other current receivables	3,894	-15	3,879
Other current assets	31,390	-	31,390
Total current assets	35,284	-15	35,269
Total assets	92,487	1,946	94,432
Equity and liabilities			
Equity for shareholders in the Company	59,437	-	59,437
Non-controlling interest	78	-	78
Total equity	59,514	-	59,514
Long-term interest-bearing liabilities	9,693	1,307	11,000
Other provisions and long-term non interest-bearing liabilities	1,973	-	1,973
Total long-term liabilities	11,666	1,307	12,973
Short-term interest-bearing liabilities	3,523	638	4,161
Other current liabilities	17,783	-	17,783
Total current liabilities	21,306	638	21,945
Total equity and liabilities	92,487	1,946	94,432

Impact on key figures

Profit/loss after tax has decreased 2019 due to the application of the new principles compared to how the profit/loss after tax would have been recognized applying the earlier IAS 17. This is due to the fact that the new standard results in a front-loaded recognition of the costs at the beginning of a contract, which is due to the recognition of the interest expenses. EBITDA increases since the costs for the operating leases were included in EBITDA when applying previous principles, but the depreciation on the right-of use asset and the interest expense on the lease liability are excluded from EBITDA. Operational cash flow increases, while the cash flow from financial activities decreases, but the total cash flow is not affected. However, working capital decreases as net debt while the net debt/equity ratio rises.

Parent company as lessee

The parent company applies the exemption rules under RFR 2 and does therefore not apply IFRS 16. The parent company continues to recognize all leasing agreements as a straight-line cost over the lease.

Acquisitions of shares and operations

SSAB has made the following acquisitions during 2019:

Acquisition of Piristeel Oy

In March 2019, Ruukki Construction acquired a 67% holding in the Finnish company, Piristeel Oy. Piristeel is Finland's leading manufacturer of roof safety products and rainwater systems. The purchase price allocation was finalized during the third quarter and there was no difference between that and the preliminary allocation. The purchase price amounted to SEK 176 million and fair value of the acquired net assets amounted to SEK 96 million. The Group's cash and cash equivalents has been affected by SEK -139 million.

Asset deal Sanistål A/S

In April 2019, Tibnor acquired the steel distribution business of Sanistål A/S, Denmark's second largest steel distributor. The steel distribution business acquired had sales of approximately SEK 1.9 billion in 2018. The purchase price allocation was finalized during the fourth quarter and is presented below.

Purchase price allocation

SEK millions	Preliminary	Final
Purchase price	518	518
Fair value for the acquired net assets	-518	-518
Total	-	-

Assets and liabilities at the time of the acquisition

SEK millions	Final fair value
Real estate	256
Other tangible fixed assets	12
Inventory	255
Short-term liabilities	-4
Total acquired net assets	518

Change in the Group's cash and cash equivalents at the time of the acquisition

SEK millions	
Purchase price paid	-518
Total	-518

Acquisition of Abraservices

As of October 31 2019, SSAB EMEA acquired all the shares in Abraservice Holding SAS. Abraservice provides wear parts and complete solutions in quenched and tempered (Q&T) steels. Abraservice had sales of around SEK 800 million in 2018. The company has been part of SSAB Group since October 31, 2019. A preliminary purchase price allocation is given below. The price purchase allocation will be finalized during the course of 2020.

Purchase price allocation

SEK millions	
Purchase price	401
Preliminary fair value for the acquired net assets	-229
Total	172

Assets and liabilities at the time of the acquisition

SEK millions	Acquired book value	Preliminary fair value
Intangible assets	-	141
Tangible fixed assets	129	129
Other fixed assets	7	7
Inventory	194	194
Other current assets	185	185
Long-term liabilities	-68	-115
Short-term liabilities	-312	-312
Total	135	229

Change in the Group's cash and cash equivalents at the time of the acquisition

SEK millions	
Purchase price paid	-401
Cash and cash equivalents in the acquired company	46
Total	-355

Assets and liabilities held for sale

During the third quarter assets and liabilities were reclassified as holding for the purposes of sale. These assets and liabilities refer to the divestment of Ruukki Construction's project business, Building Systems. The sale is subject to the approval of the relevant competition authorities and it is expected that the Ruukki Building Systems transaction will be able to be completed during the first half of 2020.

Relevant reconciliations of non-IFRS-based performance measures

SSAB has applied the guidelines issued by ESMA (European Securities and Markets Authority) on alternative performance measures (AFMs). These performance measures are not defined or specified in accordance with IFRS, but provide complementary information to investors and company management about the company's financial position and development. Besides the definitions below, definitions of the non-IFRS-based performance measures below can be found in the Annual Report.

Operating profit/loss before depreciation/amortization, EBITDA

SEK millions	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Operating profit/loss	-1,178	1,007	1,961	4,940
Depreciation and impairment	1,004	936	4,216	3,771
Operating profit/loss before depreciation/amortization, EBITDA	-174	1,943	6,177	8,712

Operating profit/loss before depreciation/amortization, EBITDA, excl. items affecting comparability

SEK millions	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Operating profit/loss before depreciation/amortization, EBITDA	-174	1,943	6,177	8,712
Items affecting comparability	47	27	197	240
Operating profit/loss before depreciation/amortization, EBITDA, excl items affecting comparability	-127	1,971	6,375	8,952

Return on capital employed before tax, rolling 12 months

SEK millions	2019 Full year	2018 Full year
Operating profit	1,961	4,940
Financial income	457	353
Total	2,418	5,293
Average capital employed	79,121	74,417
Return on capital employed before tax, %	3%	7%

Return on equity after tax, rolling 12 months

SEK millions	2019 Full year	2018 Full year
Profit for the period, after tax	1,093	3,564
Average equity	62,544	57,341
Return on equity after tax, %	2%	6%

Operating cash flow

SEK millions	2019 Q4	2018 Q4	2019 Full year	2018 Full year
Cash flow from operating activities	1,836	2,553	5,341	6,750
Reversal received and paid interests	50	46	432	541
Reversal tax paid	97	206	1,315	628
Maintenance expenditures ¹⁾	-666	-833	-1,875	-1,943
Other investing activities ²⁾	5	-12	-19	-7
Operating cash flow	1,321	1,960	5,194	5,969

¹⁾ See the definition of Maintenance capital expenditures in the Annual Report.

²⁾ Other investing activities primarily refer to cash flow from long-term receivables and investments and purchase of emission allowances.

Net debt

SEK millions	2019 31 Dec	2018 31 Dec ³⁾
Interest-bearing assets ¹⁾	4,189	5,126
Interest-bearing liabilities ²⁾	15,885	15,653
Net debt	11,696	10,527

¹⁾ Interest-bearing assets primarily refer to long-term and current interest-bearing receivables and investments, together with derivatives and cash and cash equivalents.

²⁾ Interest-bearing liabilities primarily consist of long-term and current interest-bearing debt, pension liability and derivatives.

³⁾ The closing balance at December 31 has been adjusted to take into account IFRS 16

Financial information, per quarter

The Group's result per quarter, excluding items affecting comparability

SEK millions	1/17	2/17	3/17	4/17	1/18	2/18	3/18	4/18	1/19	2/19	3/19	4/19
Sales	15,739	17,115	16,188	17,017	17,388	19,263	19,038	19,251	20,017	20,654	18,840	16,973
Operating expenses	-14,129	-14,966	-14,192	-15,250	-15,572	-16,699	-16,487	-17,295	-17,295	-18,269	-17,524	-17,086
Depreciation/ amortization	-926	-961	-927	-939	-920	-952	-961	-938	-1,081	-1,102	-1,028	-1,005
Affiliated companies	17	17	20	14	21	18	11	16	33	33	12	-14
Financial items	-253	-291	-225	-206	-147	-202	-153	-34	-91	-86	-99	-114
Result before tax	449	914	864	636	769	1,427	1,447	1,001	1,583	1,230	201	-1,245

Sales per quarter and division

SEK millions	1/17	2/17	3/17	4/17	1/18	2/18	3/18	4/18	1/19	2/19	3/19	4/19
SSAB Special Steels	3,925	4,133	3,627	4,368	4,674	5,142	4,684	4,369	4,874	5,139	4,509	3,973
SSAB Europe	7,657	8,378	7,245	7,768	8,051	8,892	7,754	8,099	8,577	8,814	7,637	6,702
SSAB Americas	3,019	3,138	3,340	3,230	3,363	4,040	4,713	4,762	4,871	4,555	4,446	3,588
Tibnor	2,019	2,057	1,733	2,012	2,058	2,253	1,949	2,173	2,264	2,534	2,179	2,172
Ruukki Construction	1,131	1,531	1,640	1,471	1,088	1,578	1,799	1,674	1,274	1,690	1,794	1,752
Other	-	1	-	-	0	0	0	0	0	0	0	0
Group adjustments	-2,012	-2,123	-1,397	-1,832	-1,846	-2,642	-1,861	-1,827	-1,843	-2,077	-1,725	-1,215
Total	15,739	17,116	16,188	17,017	17,388	19,263	19,038	19,251	20,017	20,654	18,840	16,973

Operating profit/loss before depreciation/amortization, EBITDA, per quarter and division, excluding items affecting comparability

SEK millions	1/17	2/17	3/17	4/17	1/18	2/18	3/18	4/18	1/19	2/19	3/19	4/19
SSAB Special Steels	377	495	353	777	569	656	670	52	842	703	509	28
SSAB Europe	1,182	1,381	1,031	811	998	1,259	814	1,082	738	469	-67	-194
SSAB Americas	8	201	468	141	283	526	951	699	1,119	1,037	697	-1
Tibnor	118	88	65	63	87	103	73	50	78	73	47	8
Ruukki Construction	8	97	137	65	-29	92	136	111	30	141	179	116
Other	-66	-95	-38	-75	-71	-53	-81	-24	-52	-3	-37	-83
Total	1,627	2,167	2,016	1,782	1,836	2,582	2,563	1,971	2,755	2,419	1,327	-127

Operating profit/loss per quarter and division, excluding items affecting comparability

SEK millions	1/17	2/17	3/17	4/17	1/18	2/18	3/18	4/18	1/19	2/19	3/19	4/19
SSAB Special Steels	243	362	219	641	434	522	536	-72	678	544	358	-126
SSAB Europe	826	1,022	680	460	657	907	460	733	347	66	-480	-609
SSAB Americas	-157	39	316	-15	129	365	790	553	956	872	522	-222
Tibnor	99	67	44	42	67	83	53	28	38	29	2	-39
Ruukki Construction	-29	63	105	32	-62	59	103	78	-14	95	134	67
Depreciation on surplus values, IPSCO	-157	-194	-180	-182	-179	-192	-198	-203	-201	-207	-118	-39
Depreciation on surplus values, Rautaruukki	-51	-53	-53	-54	-54	-56	-57	-57	-64	-66	-67	-67
Other	-72	-101	-42	-81	-76	-58	-86	-24	-67	-18	-52	-97
Total	702	1,205	1,090	844	916	1,630	1,600	1,035	1,674	1,316	300	-1,131

Items affecting comparability in operating profit/loss, per quarter and business segment

SEK millions	1/17	2/17	3/17	4/17	1/18	2/18	3/18	4/18	1/19	2/19	3/19	4/19 ¹⁾
SSAB Special Steels	-	-	-	-	-	-	-	-	-	-	-	-
SSAB Europe	-	-	-	-	-	-	-	-	-	-	-	-
SSAB Americas	-	-	-	-	-	-	-	-	-	-	-	-
Tibnor	-	-	-	-	-	-	-	-	-	-	-	-52
Ruukki Construction	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-213	-27	-	-	-150	5
Total	-	-	-	-	-	-	-213	-27	-	-	-150	-47

Production and shipments

Thousand tonnes	1/17	2/17	3/17	4/17	1/18	2/18	3/18	4/18	1/19	2/19	3/19	4/19
Crude steel production												
-SSAB Special Steels	265	229	180	282	234	305	217	162	385	343	355	142
- SSAB Europe	1,168	1,196	1,146	1,089	1,175	1,147	1,049	1,205	993	1,120	930	926
- SSAB Americas	569	602	634	635	652	629	645	609	621	637	617	554
- Total	2,002	2,027	1,960	2,006	2,061	2,081	1,911	1,976	2,000	2,100	1,902	1,621
Rolling production												
- SSAB Special Steels	83	147	111	155	121	138	145	89	145	130	134	83
- SSAB Europe	1,253	1,203	1,104	1,058	1,180	1,200	1,031	1,082	1,162	1,198	980	876
- SSAB Americas	545	553	603	582	607	603	612	582	581	597	581	526
- Total	1,881	1,903	1,818	1,795	1,909	1,941	1,788	1,753	1,889	1,926	1,696	1,484
Steel shipments												
- SSAB Special Steels	277	304	293	318	346	339	320	293	338	339	299	249
- SSAB Europe	982	991	871	901	939	963	810	850	907	909	794	752
- SSAB Americas	486	452	508	525	523	509	517	491	500	475	521	478
- Total	1,745	1,747	1,672	1,744	1,808	1,811	1,646	1,634	1,744	1,722	1,614	1,479

Sensitivity analysis

The approximate full-year effect on profit/loss after financial items and earnings per share of changes in significant factors is shown in the sensitivity analysis below.

	Change, %	Effect on profit/loss before tax, SEK millions	Effect on earnings per share, SEK ²⁾	Effect on equity, SEK millions ²⁾
Steel price - steel operations	+/- 10	+/- 7,770	+/- 5.93	+/- 6,107
Volume - steel operations ¹⁾	+/- 10	+/- 1,020	+/- 0.78	+/- 802
Iron ore prices	+/- 10	+/- 890	+/- 0.68	+/- 700
Coal prices	+/- 10	+/- 540	+/- 0.41	+/- 424
Scrap metal prices	+/- 10	+/- 740	+/- 0.56	+/- 582
Interest rate	+/- 1 %-point	+/- 80	+/- 0.06	+/- 63
Krona index ³⁾	+/- 5	+/- 390	+/- 0.30	+/- 307

¹⁾ Excluding the effect of lower capacity utilization (underabsorption).

²⁾ Calculated based on tax at 21.4%.

³⁾ Calculated on SSAB's exposure without currency hedging. Any weakening of the Swedish krona entails a positive effect.

Note:

This report has been published in Swedish and English. In the event of any differences between the English translation and the Swedish original, the Swedish Report shall prevail.

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Interim report for the first quarter 2020

The interim report for the first quarter of 2020 will be published on April 27, 2020



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