Toward industry-leading profitability

Citi’s Global Resources Conference, London
March 7, 2019
Agenda

- SSAB in brief and 2020 targets
- Steel divisions
- Group financials and financial targets
- HYBRIT project
SSAB in brief and 2020 targets
SSAB in brief

75 BILLION SEK
Net sales in 2018

Steel making since 1878

14,300 professionals in 50 countries

Annual steel production capacity:
8.8 MILLION TONNES

5 BUSINESS SEGMENTS:
- SSAB Special Steels,
- SSAB Europe,
- SSAB Americas,
- Tibnor,
- Ruukki Construction
SSAB in brief

► Leading in selected markets and segments:
  - Flat carbon steel in the Nordics
  - Plate in North America
  - Automotive premium (AHSS) globally
  - Special Steels (Q&T) globally

► Mix improvement and profitable growth

► Strong sustainability outlook
# 2020 strategic growth targets

<table>
<thead>
<tr>
<th></th>
<th>Grow Special Steels 1.35 MTON</th>
<th>Automotive premium 750 KTON</th>
<th>Develop SSAB Services</th>
<th>Enhance premium mix in SSE</th>
<th>Leader North American plate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MTON</td>
<td>KTON</td>
<td>Hardox Wearparts members</td>
<td>Share of Premium products</td>
<td>Market share (over time)</td>
</tr>
<tr>
<td></td>
<td>2016 1.0</td>
<td>2016 442</td>
<td>2016 265</td>
<td>2016 30%</td>
<td>28% in 2018</td>
</tr>
<tr>
<td></td>
<td>2018 1.3</td>
<td>2018 562</td>
<td>2018 483</td>
<td>2018 36%</td>
<td></td>
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<tr>
<td></td>
<td>Target 1.35</td>
<td>Target 750</td>
<td>Target &gt;500</td>
<td>Target 40%</td>
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**Notes:**
- **Hardox Wearparts members:**
  - 2016: 265 members
  - 2018: 483 members
  - Target: >500 members

- **Share of Premium products:**
  - 2016: 30%
  - 2018: 36%
  - Target: 40%

**Leader North American plate:**
- Market share (over time):
  - 2016: 30%
  - 2018: 36%
  - Target: 40%
Steel divisions
SSAB Special Steels

► # 1 in the global market - SSAB drives the market with unique products and business model
► Increasing customer need for better productivity and sustainability performance
► R&D together with leading customers
► SSAB Services to increase exposure to the aftermarket
► World leading blast furnace efficiency
  – Oxelösund to be converted to Electric Arc Furnace around 2025

SSAB is the driver of the Q&T market

SSAB Q&T shipments per year, KTON
(excludes AHSS material sold by Special Steels)
Direct and stock sales >10,000 customers globally

Sales split (2018, tonnes)

- North America: 33%
- Europe: 41%
- APAC: 11%
- TRMEA: 8%
- Latin America: 7%

Highly specialized sales force
## Strong brands and capacity to grow

<table>
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<th>Brand</th>
<th>Area of use</th>
</tr>
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<tr>
<td><strong>HARDOX®</strong></td>
<td>Undisputed <strong>market leader</strong> for hard and tough steel – uptime and payloads</td>
</tr>
<tr>
<td><strong>Raex®</strong></td>
<td>Distributor brand to increase market coverage</td>
</tr>
<tr>
<td><strong>STRENX®</strong></td>
<td>High-strength, high-performance steel – payload and workshop properties</td>
</tr>
<tr>
<td><strong>ARMOX®</strong></td>
<td>Protection steel for increased safety</td>
</tr>
<tr>
<td><strong>TOOLOX®</strong></td>
<td>The premium pre-hardened engineering and tool steel for increased productivity</td>
</tr>
</tbody>
</table>

### Flexible production model

- **9 Quenching lines (QL)**
  - Growth in high-strength steels improves the Group’s product mix

- **Oxelösund (SWE)**
  - QL 1-4

- **Mobile (US)**
  - QL 5-6

- **Borlänge (SWE)**
  - QL 7

- **Raahe (FIN)**
  - QL 8-9
SSAB EcoUpgraded – example heavy truck trailer

- 5,500 kg Hardox 450 = 7,500 kg S700MC-steel
- 1,050 kg Strenx 960 = 1,500 kg S500-steel

<table>
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<th>CO₂ savings</th>
<th>CO₂ pay-back time</th>
<th>Fuel savings</th>
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<td>176 ton/life cycle</td>
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CO₂ savings: 176 ton/life cycle
CO₂ pay-back time: 6 months
Fuel savings: 56,900 l/life cycle
SSAB Europe

- # 1 in the Nordic market for strip, plate and tube products
- Growth focus:
  - Automotive premium (AHSS) globally
  - Other premium products in Europe
- Market share in the Nordics 40-45%
- Tibnor and Ruukki Construction supports market position
- World leading blast furnace efficiency
  - Longer term target to convert to EAFs (HYBRIT)

![Improving the product mix](chart)

<table>
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<th>Year</th>
<th>Automotive premium</th>
<th>Other premium</th>
<th>Standard products</th>
</tr>
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<tr>
<td>2016</td>
<td>643</td>
<td>442</td>
<td>2,635</td>
</tr>
<tr>
<td>2017</td>
<td>674</td>
<td>537</td>
<td>2,534</td>
</tr>
<tr>
<td>2018</td>
<td>718</td>
<td>562</td>
<td>2,281</td>
</tr>
</tbody>
</table>
Best in the basics to secure home market leadership

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

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

Safety
Automotive - AHSS outperforms the overall market

Source: Ducker, Lucintel
SSAB Americas

- # 1 in the North American plate market
- Strong sustainability performance - modern mills with electric arc furnaces recycling scrap
- Market share 28% in 2018
- Flexible cost structure

**Strong recovery in 2018**

**Graph:**
- Shipments and EBITDA margin over the years 2016, 2017, and 2018
SSAB Americas’ five key strategic cornerstones

<table>
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<tr>
<th>Industry Leadership in Safety</th>
<th>The safest steelmaking operations in all of North America, striving for zero accidents</th>
</tr>
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<tr>
<td>Leading Home Market Position</td>
<td>Number one in the American plate market in terms of EBITDA margin and market share (target: 30%)</td>
</tr>
<tr>
<td>Superior Customer Experience</td>
<td>Number one in customer service against our peers based on quarterly third-party surveys</td>
</tr>
<tr>
<td>Low Cost/High Flexibility Strategy</td>
<td>The best cost position versus our peer competitors and aggressively pursue continuous improvement projects</td>
</tr>
<tr>
<td>Market Diversification</td>
<td>Increase our premium product offering and geographic footprint, both by expanding existing customers and winning new ones</td>
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Group financials
and financial targets
SSAB Group - profit improvement

- Substantial improvement since 2015
  + Better market conditions
  + Synergies from Ruukki-merger
  + Cost savings
  + Volume growth in high-strength steels (product mix)
    - Production disruptions in 2018

- Mix improvement and cost position – more stable earnings over the business cycle

- Continuous improvements (SSAB One) basis for future efficiency measures
# Financial targets

## Profitability

SSAB aims for an industry-leading profitability measured as EBITDA-margin among comparable peers*

**# 3** (in 2018)

## Capital Structure

The objective is that the net debt/equity ratio will not normally exceed 35%

**14%** (at the end of 2018)

## Dividends

Dividend target is 30-50% of profit after tax

**DPS of SEK 1.50 (2018 proposal)**

(44% of profit after tax)

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* ArcelorMittal, AK Steel, Nucor, Salzgitter, Tata Steel Europe, ThyssenKrupp, US Steel

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19
Strong cash flow trend

- Potential to further improve profitability
- Well-invested
- Reduction in working capital/sales
- Lower interest cost
- Tax rate ~20%

Operating cash flow, rolling 12 months
Significant net debt reduction

- Net gearing at 14% end of 2018
- Continued focus on reducing net debt
Investments outlook

Run-rate 2016-2018 reflects no major relinings or major capacity expansions

2019-2021 capacity expansion in Q&T in Mobile

Average CAPEX in 2008-2018 SEK 2.7bn

Note: 2008-2013 refers to combined figures for Rautaruukki and SSAB
HYBRIT
Long-term options for steel production in the Nordics

- Blast furnace route
- Relinings, coking coal batteries
- HYBRIT-route
- Joint venture with Vattenfall and LKAB
- Electric arc furnaces
HYBRIT - Initiative for fossil-free steel

- Coal is replaced by hydrogen – emits water instead of CO₂
- Construction of a pilot plant in Luleå started - expected to be completed in 2020
- The Swedish Energy Agency gives financial support of SEK 528 million for the HYBRIT pilot plant
- Expenditure for the pilot phase is expected to total SEK 1.4 billion for the joint venture
- Transition from blast furnaces expected to be completed in 2045
Summary

► Leading position in the growing market for high-strength steels
► On track towards 2020 strategic growth targets
► Potential to improve profitability
► Strong cash flow generation
► Better positioned to manage the cycle
► Strong sustainability outlook
A stronger, lighter and more sustainable world