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SSAB.ST - SSAB AB Capital Markets Day

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## CORPORATE PARTICIPANTS

**Charles W. Schmitt** *SSAB AB - Head of SSAB Americas and EVP*

**Eva Pétursson**

**Gregoire Parenty** *SSAB AB - Head of SSAB Services*

**Håkan Folin** *SSAB AB - CFO, Head of Global Business Services and EVP*

**Maria Långberg** *SSAB AB - Head of Group HR & Sustainability and EVP*

**Martin Lindqvist** *SSAB AB - CEO, President and Director*

**Olavi Huhtala** *SSAB AB - Head of SSAB Europe and EVP*

**Per Hillström** *SSAB AB - Head of IR*

**Per-Olof Stark** *SSAB AB - Head of SSAB Special Steels and EVP*

**Tony Harris**

## CONFERENCE CALL PARTICIPANTS

**Alan Spence** *Jefferies LLC, Research Division - Equity Analyst*

**Anssi Kiviniemi** *SEB, Research Division - Analyst*

**Antti Kansanen** *DNB Markets, Research Division - Analyst*

**Christian Kopfer** *Nordea Markets, Research Division - Senior Analyst of Materials*

**Ephrem Ravi** *Citigroup Inc, Research Division - MD and Analyst*

**Kevin Hellegård Nielsen** *Goldman Sachs Group Inc., Research Division - Analyst*

**Matthew Moggridge**

**Olof Grenmark**

**Oskar Lindstrom** *Danske Bank Markets Equity Research - Research Analyst*

**Robert Redin** *Carnegie Investment Bank AB, Research Division - Research Analyst*

**Simon Price**

## PRESENTATION

**Per Hillström** - *SSAB AB - Head of IR*

Ladies and gentlemen, welcome to the Capital Markets Day 2017 for SSAB. Good to see full crowd here in Stockholm. And also, welcome to the people listening on the webcast. We know we have many friends listening in via the web for today's program.

Today, we talk about the next few years for SSAB, details and targets about the strategic direction where we're heading. So we have quite a full agenda for -- but I think it will be very interesting. And my name is Per Hillstrom. I'm with the Investor Relations team of SSAB. And as you can see on the agenda, also, we tried to -- of course, there will be a lot of presentations, but we also try to invite the question here during the day, so we have a dialogue. And also at the end, we will have a longer Q&A session, so you will have a chance to discuss the content of the day.

But the first section now we have our CEO, Martin Lindqvist, we have Per with Specialties, and we have Gregoire with services.

So why don't we start right away and invite CEO Martin to take the stage. Please, Martin?



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**Martin Lindqvist** - SSAB AB - CEO, President and Director

Thank you. Good morning, and once again, a warm welcome. This day will be very much about the journey ahead of us, and you could claim that the journey started 2.5, 3 years ago when we did a merger with Ruukki and formed the new SSAB. You could also claim that the journey started actually 140 years ago when we started to produce steel up in Borlänge. Personally, my journey with SSAB started actually this very week 19 years ago. I was up in Borlänge for an interview for a new job. I was interested, but not excited. I was brought out after the interview in the production, and so they hot-stripped me. Then for me, that was like falling in love. It was a feeling telling me that this is it, here I'm going to work and that feeling is still there after 19 years.

And when I look forward and see the opportunities and possibilities that we are going to discuss during this day, I feel even more excited. And hopefully, we can share some of that excitement with you here today. And there will be plenty of rooms for discussions and questions, so let's have a good dialogue.

But to start and to set the scene a bit, I will look back the last 2.5, 3 years. And looking at the platform we have built since the merger with Ruukki, we have really created one company. We are today a different company, but we are clearly one company, even though we combined the 2 toughest and strongest competitors, not only in the Nordic region on flat carbon and tools but also globally on Q&T. We've also changed the organization. We are today much more decentralized than we were before the merger. And in SSAB, at the headquarter, we are still 35 people at the head office. We used to be 35 between -- before the merger, and we are still 35 people at the head office.

We have a much broader product and brand portfolio. We have introduced a number of new brands. You will hear me -- hear about them today -- more about that today. And the most important one maybe is Strenx, our brand for high strength structural steels. We have started to build a fairly strong service offering, and Gregoire will come back and talk about SSAB shape and Hardox Wareparts later today.

We have a different cost position. We have structurally reduced our costs with more than SEK 3 billion in 2.5 years or in 2 years. We have improved productivity. We are 15% or a bit more than 15% less people in SSAB structurally than we were before the merger. And we are well on our way to reach the target of reducing net debt with SEK 10 billion, including the rights issue for almost SEK 5 billion.

When we look at the focus areas and where we are as a company, as a starting point for this next step, we are clearly the leading supplier of flat carbon and tubes in the Nordic region. In total in Europe, we are number 7. When it comes to automotive advanced high-strength steels, we are number 5 globally. But in the top segment, the very most advanced products, the martensitic steel grades, we are clearly number 1. We were the first company introducing 700 -- 1,700 megapascal martensitic steels to the market. So there, we have a leading position.

Plate North America, we have the number 1 position quality-wise, volume-wise, efficiency-wise, and Gregoire -- Chuck will talk more about that, but we have the last 1.5 years also extended that position on the North American plate market. And then quenched and tempered globally where we have a leading position.

We have seen the last few years a strong trend in profitability improvement to a large extent, of course, due to the synergies and the cost savings, but we have also gradually changed the mix within SSAB to more advanced products. And of course, some improved market condition has helped us.

I will not talk so much about financial targets. Håkan will come back to that during his presentation. But for this year, the focus, the target is to reduce net debt with SEK 10 billion, and that is priority number 1 right now, and then we will probably come back to financial targets at a later stage.

So with that, I mean, a strong, as I see it, platform in place. And then if we take a step back and look at the industry outlook or the environment, things that we really can't influence, I mean the internal work we can influence, to a large extent ourselves, but the external world, we just need to relate it. But if we take a look on that external world before we step into the strategy, I think if anything, the industry outlook the last year has improved somewhat. I like this picture because it describes demand, capacity and trade, the 3 very important factors that influence the steel industry and SSAB.



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And if we start with demand, I think we see a recovery in for us important end-user segments. If you take mining, I've met you over the years and I've always said that mining is stable on very low levels or almost nonexistent levels. We see some positive signs now. Mining is one example.

Of course, we see declining steel demand, and especially in China, but less than one could expect 1 or 2 years ago. And we see growing emerging markets also offering opportunities.

If you look at capacity, we still have a global overcapacity, that's for sure. But it is impacting us less now in the Western world, in Europe and in U.S. for some obvious reasons. And China is actually over delivering so far on the targets of reducing capacity.

And if we look at trade, trade barriers are in place. For us, as a small, call it export-dependent steel company, we are, of course, very, very much in favor of free and fair trade. And we, together with the rest of the Western steel industry, run into problem, modern trade is only free and not fair. But right now, we have trade barriers in place, and I think that is, unfortunately, necessary to take care of the freeport in the trade imbalance.

But there is also continuous challenging -- challenges for the global trade system. So that is both positive and negative. But if we sum it up, and draw some conclusion, I would say that there is still an uncertain industry outlook, but moving in the right direction. We expect these micro-cycles with swings in apparent demand to continue, but gradually and slowly moving in the right direction.

If we look at the industry outlook, and this is, I think Citigroup's 5 years' outlook 2017 compared to 2016, that we see on the margin, it's not getting worse, quite the opposite, it's getting slightly better.

And if we look at World Steel Association's short-term outlook, and this is a comparison from April this year compared to April last year, it's also getting a bit better. And the biggest change is, of course, the demand drop or production drop in China is less than was expected a year ago.

And if we brought this into this graph and look at overcapacity in total for the steel industry, one could expect that we, at the end of this decade, would be in -- on fairly decent capacity utilization rates. And if this is true and the prognoses are right, we have seen probably the worst problems with overcapacity last year and this year. So if anything, slightly better than a year ago and on the margin moving in the right direction.

So if we then have the platform in place and an industry outlook that it's not looking as if it's going to be worse than it is today, what is SSAB going to focus on then going forward.

I start with this picture. This is our vision, a stronger, lighter and more sustainable world. I like it because I think it's a good description of SSAB. The sentence, "Together with our customers," this is what it's all about and what we will talk about today, how we work with customers, helping them to improve their business. This is what we're going to continue to do in the future. We have set some targets. We have the strategy, SSAB taking the lead strategy, where we are heading and what makes us stand out. We have a focus on leading whole market positions, flat carbon and tubes in the Nordic region, plate in North America. Globally, the ship in advanced high-strength steels, and especially Q&T and then leading value-added services.

We have set ambitious targets for 2020. Per will talk about how we will grow special steels from currently 1 million tonne to 1.35 million tonne. It is an ambitious target. Is it possible to reach? Yes, definitely. I was traveling actually together with Per-Olof couple of months ago in Europe. We were traveling around talking to customers after the breakdown in Oxelösund, and we were down meeting a big OEM somewhere in Europe. And they had invested in a fully automatized press brake line, so they had the robot, a press brake, another robot, a press brake, and a third robot and a press brake. And then at the end of that line came out boon. And the CEO was very proud of the investment. And he told -- showed me and he said, I only have 1 problem. And I said, what's that problem? I'm so dependent on properties, so we can only use Strenx 1100 because your plate -- plates, they have the same properties all over the plate. And more important, they have the same properties in plate after plate after plate. So when we try other materials, I have to fine-tune and stop the line, and we lose a lot of productivity. I didn't answer to that, but I felt very proud and happy when I heard it. And that's 1 example why I think this is possible to grow with 35% until 2020 because we have excellent products.

Automotive, strong ambitions here and there, up to 750,000 tonnes. We will talk about that later today as well.



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SSAB Services reaching 500 Hardox Wearparts 2020. We are currently at 303. So I said yesterday to Gregoire, this is not a very ambitious targets, but he said that he will at least reach it. So he will talk more about that later today. And then, of course, the mix in SSAB Europe that Ola will talk about.

And then the North American plate market leadership where we have expanded the market shares the last 1.5 year, where we have a clear target of having 30% of the market. And Chuck will talk about that a bit later today as well and how we are going to reach that target.

The lower part then, the part that we can really influence ourselves, what makes us stand out, it's about cost efficiency, flexibility, high-performing organization and superior customer experience.

The way to attack that for us is using continuous improvements. We are pretty good at running centralized, big manning reduction and cost reduction programs. This is slightly different. This is about involving the whole organization. Each and every one of us, all 16,000 employees in SSAB doing things today a little bit better than yesterday, and a little bit better next week than last week, and all the -- the sum of all these 16,000 small steps will sum up to something quite impressive. We're focused on safety, that's always priority number 1, sales efficiency, production stability, delivery accuracy and cost efficiency.

We learned a bit from those centralized projects, so we have a PMO reporting directly to Håkan, the CFO, following this up. Set a target on group level, breaking it down to divisions into breakthrough targets and incremental targets for continuous improvements, breaking it down to the sites, and all the way down to shift teams, and give the mandate and the power to the people actually doing the work coming up with the ideas and reaching the targets.

I was in Oxelösund, I think it was at the beginning of March at the quarter mill. I asked the people, it was actually a bunch of guys, I asked the guys at the pulpit if they knew the production target for 2017, and they said yes. We are going to produce 115 equivalents hour as an average this year. I said, is that good or bad? Well, it's quite good because the average last year was 105. Is it possible? Yes, it's possible. We can definitely do that.

On my way back to Stockholm, driving my car back to Stockholm, I said to myself, maybe this was staged. Maybe they took me to the quarter mill and the local management team have instructed the guys to tell me very good stories. I felt that I need to check this. So I went down 2 weeks later without any notice, met another shift team. We have 5 shift teams in the quarter mill and I asked them, do you know the production target for this year? Yes, 115 equivalents hour. Is that possible? Yes, definitely. I mean now since the breakdown, we are actually on average above 120 hours, so much better than last year. Then I felt a bit happy and I said to myself, maybe this wasn't staged. Maybe they really know the targets. A couple of weeks later, I was down with investors at the same mill, at the quarter mill in Oxelösund, then I had to ask the third shift, do you know the targets? Do you know it? And I got the same answers, but we were standing still in the quarter mill. I said, well, if production is so -- running so good, how come we are standing still? They said, well, you know Martin, to be honest, they can't keep up at the cooling bed, so we had to stop for 5 minutes to let them sort out the plates because we have been running in such a good pace. So if we can break down the targets, and if we can make all people, regardless if they work at the continuous (inaudible) line or the quarter mill aware of them and give them the mandate and the power to do the job, I think this can really work. I was in Hameenlinna. In Hameenlinna in the cold rolling mill, we roll for 2 minutes and 54 seconds. And then we have 31 seconds to change the roll -- the coil in the beginning of the cold rolling mill, 31 seconds. Every second, we can take that down on average on a year is 2,000 tonnes. I've been there and seeing the guys missing the target with 7 seconds. And I asked them, 7 seconds, what's that? Well, that's 14,000 tonnes. But I've also been there seeing them beating the target with 12 seconds, 24,000 tonnes. And they decided to put up a watch themselves at the cold rolling mill. So when we roll, at the end, it starts at minus 12 seconds, and then it counts down, and all of a sudden, 31 seconds comes up, and then they have 31 seconds to change, so they put up that themselves. They know the target, and they know the benefits of reducing 1 second, 2,000 tonnes on a yearly basis. And the cost of those 2,000 tonnes is more or less only variable cost because we have covered all the fixed costs. So I think this is a good way of doing it, and we are implementing that as we speak.

We don't only work with midterm projects. One of the most important projects we run is a long-term initiative for fossil-free steelmaking.

As many of you know, in Luleå, we are the most -- we have the most carbon dioxide-effective steel production in the world. And after quite big investments in Raahe, I would say that -- I would claim that we are on par with Luleå. And taking Oxelösund, which has a different scale into account, we are probably number 2 or something in the world. But having said that, it's still a problem. We are the biggest emitter of carbon dioxide in



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Sweden. We are the biggest emitter of carbon dioxide in Finland as well. And the only thing we know is that emitting carbon dioxide is not good for the environment. And secondly, it will become more and more costly.

So we decided to look into possibilities to attack the root cause of the problem and came up with the idea of HYBRIT. The way we produce steel today or liquid iron is using the blast furnace process, and that is in practice a 1,000 year old process. And then for 1,000 year, we have been working with process development. You take iron ore or pellets, and then you take coke or coking coal, and you get liquid iron. And as a waste product, you get carbon dioxide. The idea is to, instead of using coking coal, use hydrogen in a different process to reduce the iron, and the waste product in that process will be hydrogen and pure water.

We knew and we understood that we couldn't develop this technique ourselves, so you asked LKAB and Vattenfall to join this project. They were very interested. So now we are up and running, and we run it as a Swedish industrial project. There has been wide political support for this project, and we have also got extensive support from the Swedish Energy Agency. You could claim that it is a long-term project, and it will take quite a while before this is up and running. We are now in the pre-feasibility study. We'll start this fall to do the homework for the pilot plant, and the pilot plant will be up and running somewhere between 2018 and 2024. And then from 2025, we will be running full scale, demonstration plant to try on an industrial scale.

But putting it in perspective that we today work with a 1,000 year old technique, I think this is fairly rapid development, and so far, so good. If anything, during this pre-feasibility study, we have been -- become even more convinced that this is possible, but only in theory and in practice to do it small scale, but to do it in a large industrial cost-effective scale. So this is very important. Unfortunately, I will not be here to see it around 2025 or 2035 full scale, but I am convinced that this is the way to go and the right way for SSAB and also for the steel industry.

So summing it up, we are on a journey regardless of when it started 140 years ago, 19 years ago or 2.5 years ago. We have developed the high-strength steel market and entered the U.S. plate market as a company. We have consolidated a Nordic market, gained the synergy, the efficiency measures. We have or we are on the journey to reduce the net debt with SEK 10 billion compared to before the rights issue. And what we will focus on today is the next step, the profitable growth in selected market areas, special steels, automotive, service and aftermarket and a whole market leadership. And when I see this, the platform, the market conditions, and the ambitions and the strategy, I can't really understand why we would not reach the target of industry-leading profitability.

So with that, dear friends, I think we are open up for questions, comments and hopefully good ideas.

## QUESTIONS AND ANSWERS

**Per Hillström** - SSAB AB - Head of IR

Yes, please. We have microphones here in the room. So please raise your hand. And please also state your name and company before putting your question. So we have a question over here.

**Anssi Kiviniemi** - SEB, Research Division - Analyst

Anssi Kiviniemi from SEB. You have really ambitious targets in terms of growth in special steels, and U.S. gain in future mode of market share and also the automotive growth. And this is all should happen or this all should happen before 2020. So you have highlighted your CapEx kind of corridor going forward. Is that outlook changed? And could you elaborate a little bit on the investments you need to make to gain the stuff that you just mentioned?



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**Martin Lindqvist** - SSAB AB - CEO, President and Director

No. We have -- and Hakan will come back to that. We still have the same ambitions. So it will be around SEK 2 billion, plus minus something, but around SEK 2 billion. We have done the investments for this growth to a very large extent. And one could, of course, claim the obvious that we invested too much too early, but we don't need any major CapEx to reach these targets until 2020. So we haven't changed our view on CapEx, and Håkan will come back in with some more details later today.

**Per Hillström** - SSAB AB - Head of IR

Yes. Go ahead, please.

**Christian Kopfer** - Nordea Markets, Research Division - Senior Analyst of Materials

Okay, Christian Kopfer from Nordea. Just a follow-up on the special steel target that you have 2020, looks pretty ambitious. If I recall correctly, previously, you have said around 5% annual growth over a cycle for special steels. And if you compare it to this, it seems like 75 -- 7.5%. But if you go back a few years and if you take the starting point in 2013, it actually seems that you have lowered your ambition target. So but it is -- how should I look at that?

**Martin Lindqvist** - SSAB AB - CEO, President and Director

We haven't lowered the ambition. I mean, now we have it -- horizon of 2020 and 35% growth. And I mean, in the old SSAB, we talked about 50% being special steel and so on. It was a different definition at that time on special steel. Today, we are -- we're looking much bigger in a different product mix. So I would say that these are ambitious targets. But I said in the beginning, definitely possible to reach, and Per will come back to that. But we had a good growth last year, and we have seen a good growth this year. And if the prognosis of the market holds steady, it will not be getting worse during this period, I think ambitious and strong targets, but definitely within reach. Yes?

**Per Hillström** - SSAB AB - Head of IR

Yes, please. Go ahead.

**Simon Price**

Simon Price for Platts. There was some talk back in February of the Oxelösund facility being converted to an EAF. Is that still something that's had in mind considering the impact that the highest frac price had on the U.S. books for Q1 this year?

**Per Hillström** - SSAB AB - Head of IR

Do you mean the release about the possible EAF in Oxelösund? Or longer term?

**Simon Price**

Yes, sorry.

**Per Hillström** - SSAB AB - Head of IR

Okay.



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**Martin Lindqvist** - SSAB AB - CEO, President and Director

No, but the idea with this hybrid project is to put an EAF into Oxelösund then use this sponge iron and step away gradually from the blast furnace process, so this all hangs together with the long-term ambition of fossil-free steelmaking. So that's the ambition. But then this hybrid project needs to work. And then, of course, we could always, of course, use scrap. But the ambition is to make Oxelösund into an EAF plant, and the EAF being fueled by this sponge iron from -- in the future from the hybrids.

**Matthew Moggridge**

This is Matthew Moggridge from Steel Times International. How far down the road are you with the development of digital manufacturing?

**Martin Lindqvist** - SSAB AB - CEO, President and Director

We will come back to that later today as well. I would say that compared to a lot of other industries, not that far. But for a steel company, we work with something we call smart steel, and we will cover that later today, Eva Pétursson will cover that later today.

**Per Hillström** - SSAB AB - Head of IR

And we'll take the next question from Olof, he has been waiting.

**Olof Grenmark**

Olof Grenmark, ABG Sundal Collier. At today's conversion margin, today's prices, today's raw material costs, could you in any way indicate what these volume targets would mean in terms of profits for SSAB?

**Martin Lindqvist** - SSAB AB - CEO, President and Director

It will be profitable volumes, but it's also about the mix, and Per will come back to that because there is a difference also between volumes and volumes. It's a big -- Per will come back to that, so let's take that question after Per's presentation. I will not give you an exact answer, but I mean, in theory, when you have covered the fixed costs, so to say, then the margins are always better.

**Olof Grenmark**

Okay, fair enough. And then regarding your outlook, you're saying that it's gradually better than it was compared to one year ago. But if you were to summarize your own outlook now in June relative to after the last quarter report, is it better or worse?

**Martin Lindqvist** - SSAB AB - CEO, President and Director

We haven't changed our mind, and let's come back to that when we release the quarter report, so -- but we still have the same view.

**Per Hillström** - SSAB AB - Head of IR

Oskar, please?



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**Oskar Lindstrom** - *Danske Bank Markets Equity Research - Research Analyst*

Oskar Lindstrom from Danske Bank. The 35% volume target for special steels, does that require sort of continued market growth for certain segments? And also, which segments do you foresee these increased volumes going towards primarily?

**Martin Lindqvist** - *SSAB AB - CEO, President and Director*

Well, with respect of Per and not destroying his presentation, but let's take -- let's remember that question and take it after Per's presentation because I think we will answer some of those questions during his presentation.

**Oskar Lindstrom** - *Danske Bank Markets Equity Research - Research Analyst*

If I just may make sure then. I mean, does that target or the realization of that group target require sort of a very positive improvement in the industry outlook from this point on?

**Martin Lindqvist** - *SSAB AB - CEO, President and Director*

The industry outlook I showed is the industry outlook we have. And we are -- I mean we are looking at -- so it requires that outlook, which is the business cycle not getting worse from where we are today, yes. So a moderate growth with the expectations I showed. So it's not requiring a booming market or anything different than we see today.

**Per Hillström** - *SSAB AB - Head of IR*

Yes. Next question, please.

**Kevin Hellegård Nielsen** - *Goldman Sachs Group Inc., Research Division - Analyst*

Kevin Hellegard at Goldman Sachs. So in terms of your growth into automotive, how much of that is built under assumption of the market growing? And how much of that is on you capturing market share?

**Martin Lindqvist** - *SSAB AB - CEO, President and Director*

Well, let's leave that question for a little bit as well, because, otherwise, I will destroy not only Per's presentation, but also Tony's presentation. So let's remember that question and take it after Tony's presentation.

**Per Hillström** - *SSAB AB - Head of IR*

Okay. Did we have anything more before we start going to special steels? So might be a little bit clear then on the growth ambitions and the segments. Well, okay, we'll take one over there.

**Ephrem Ravi** - *Citigroup Inc, Research Division - MD and Analyst*

Hopefully, I'm not destroying anybody's presentation. Ephrem Ravi from Citigroup. Just on the hybrid, can you disclose your share of CapEx versus LKAB versus Vattenfall for the next 3 to 4 years?



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**Martin Lindqvist** - SSAB AB - CEO, President and Director

No, but we run this as a consortium with 1/3 each, and then we don't really know exactly how it -- what it will cost at the end. But so far, we have got financing of 50% for the pre-feasibility study, and that money is not any -- what we are putting in our own resources and so it's not huge. I mean, then when we start to build the pilot plant and then at the end the demonstration plant, it will require a lot of money. On the other hand, I mean, doing a blast furnace realigning or repairing a coke coaling battery is also fairly decent amount, so we are -- it's too early. So now we are looking into it. Is this really working? Yes, it works in theory and in laboratory. Is it possible to make it work in a full scale industrial cost-efficient production? Yes, we believe so, but there is still a lot of things to solve. How do you store hydrogen? How -- what kind of -- how do you produce it? There's a lot of things left to do. But so far, so good. We have been into this project for a bit more than a year. And if anything, it's looking slightly more positive than it looked a year ago. So let's come back to the CapEx and our part of that CapEx when we know exactly how to do this.

**Ephrem Ravi** - Citigroup Inc, Research Division - MD and Analyst

Sorry, just 1 quick follow-up. Is there any finding from the Swedish government? I assume LKAB will be given as -- being a Swedish state-owned company effectively, is Swedish funding?

**Martin Lindqvist** - SSAB AB - CEO, President and Director

No, we have got some funding from the Swedish Energy Agency to this. I think it's SEK 50 million or something.

**Per Hillström** - SSAB AB - Head of IR

Okay. So I think it's time now to invite Per here because it's a lot of interest in special steels in the coming couple of years. So please, Per-Olof, let us know now what our ambitions are and how you're going to realize this.

**Per-Olof Stark** - SSAB AB - Head of SSAB Special Steels and EVP

Thank you. Thank you very much. I shall do my best.

33 years ago, I was offered a job with SSAB. The task was to work with technical marketing, and the idea was to grow the special steels market. I was a young mechanical engineer. I thought, okay, maybe, this looks like there are some opportunities, we can probably do something out of this. So I decided to join, the decision was easy. At that time, we were selling 30,000 tonnes of special steels. Today, we are selling more than 1 million tonnes. And I can assure you, there are more -- I see more opportunities now than what I saw at that time. And that's what I'm going to talk about. How we will grow the market, and what potential we see.

Today, we are the global market leader in special steels. We had the sales last year, almost SEK 13 billion. We sold 1 million tonnes. That was up almost 9% compared to 2015. And we had an EBITDA margin of close to 12%.

We have, I would say, the most comprehensive product portfolio in the market. There is no one beating us. We have the strongest brands. Hardox is the undisputed market leader when it comes to pressure resistant steels. But also the other brands are strong or very strong in their respective segments. We have 9 quenching lines. We have 4 in Oxelösund, 2 in Mobile, 1 in Borlange, 2 in Raahe. So it gives us with good flexibility to play with the capacities, learn from each other and get good production output, also, to balance it out between the different markets depending on exchange rate, on raw material costs and things like that.

Our sales is roughly 2/3 plate, 1/3 strip. Most of our sales is related to abrasion-resistant steels where Hardox is the big brand. Looking at the segments, we have a fairly nice spread in the 7 segments that are most important to us. The nice thing and the interesting things with these segments is that demand in them are all heavily driven by some of the global trends or some very important global trends that we see today.



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Sustainability is extremely important to society. No matter if we talk about resource efficiency, energy efficiency, lower emissions, durable products recycling and so on, that is more or less all very closely linked to the special steels and what we are doing there.

Productivity is important. It's important for the owners of the machinery of the equipment. But it's also important for the OEMs producing it in the workshop and so on. And we can offer a lot with our steels there.

Infrastructure. Global urbanization is taking place. We are all aware of that. That drives investments in infrastructure, but we also know that there is a big need for reinvestments in infrastructure, not only North America but also in Europe. And that is the same thing there. That drives demand in the segments that are important to us. So that is good.

We have the setup, I would say, to meet the demand and to help support the demand. We have 10,000 customers globally. We are in very many markets. All the blue ones that you see here. We have a highly specialized sales force where we combine very focused sales people that know the products, know the segments, know the application. Combine -- they are backed up by technical specialists that are backed up by a knowledge service center at the mills. And then we have further experts if need be to help solve any problems or to help develop ideas that come up. And then we have a supply chain that is matching these and that is helping it to grow.

You see the split of our sales, roughly 1/3 is America, 23% Western Europe, and 20% in North and Eastern Europe, so there is a spread there that we are working with.

If we look at our business model, we are working in different dimensions. We are working with different brands. We are selling nonbranded Q&T. We have Raex that this -- what we call a distributor brand. And then we have Hardox that is top of the cream. We are supplying the products direct from the mill to big and medium-sized OEMs mostly. And just as a reference or to give you the number or the relationship, I mean, if we have a profit or a margin of 10 when we sell nonbranded, we have a margin of 20 when we sell Raex, and if we sell Hardox, we have a margin of 30. If we move to the right and sell from stock, we have a more stable demand, we have more stable prices, and we have better margins. And then top of the cream or if we do it really good, I mean, if we can build services into that and do that in a smart way, then we have the potential to improve profits even more, and that is what Gregoire will talk about a little bit later on.

Then talking about market environment then and the outlook. The nice thing with the special steels is that there is still so much to do.

In Europe, roughly 8% of every plate that is used is a quenched and tempered plate. We know there is potential for a lot more. There are more customers, there are more applications where the steel can be used to an advantage.

In North America, we have a penetration of 5%. And in emerging markets, it's less than 2%. And to give you an example, I mean, if we can grow the market, if we can work together with our customers in North America, if we can grow to the same penetration as we have in Europe, that is another 300,000 tonnes. If we do the job, then we will definitely grab the major share of that. And as I said, we can do more in Europe and in emerging markets, I mean, that's quite obvious what can be done. And we'll come back talking a little bit more about that.

If we look at the market, when we talk about the markets, we normally divide it. We look at the segments that are important to us, and we look at the geographies.

I would say we have a positive or stable outlook for most of the areas that we are interested in and that we are selling at. We have also made a sales assessment in the different segments in the different geographies, how strong are we, where are we and so on. And using the same split, looking at the segments, looking at the geographies, we have and are indicating where we are strong or very strong. When we say we are very strong, that means that our own sales assessment within what is the special steels market today, we have a more than 50% market share. So we have a good position here and a good market.

Our focus going forward if we -- our focus going forward will be based on sustainability and productivity. This is an example from one of our customer's customer. It's a truck owner in southern France. Our customer, we talk to them, we discuss what can be done and so on. And they eventually decided to upgrade from Hardox 450 -- or sorry, from Hardox 400 up to Hardox 450. That means that they can reduce the weight of the



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equipment of the vehicle with 1.3 tonnes. Doesn't sound very much, but that is 5%, meaning that the owner when he is driving running empty, he consumes less fuel. When he is running full, he can load 1.3 tonnes more. And of course, that has an impact on his cost and so on. 5% also means that he can -- an operator of trucks can run 19 trucks instead of 20 and do the same job.

When we are producing steel with the blast furnaces, we emit CO<sub>2</sub>, you know that. The savings by going from -- the CO<sub>2</sub> that we emit when we produce the steel for this truck will be saved in the first 1.3 years of running this truck. What it means for the environment in total is that 32 tonnes of CO<sub>2</sub> will be saved and the owner will save almost 10,000 liters of fuel. That's quite big.

And just to give you an idea what it means and how it can be worked on the market. If this is the 8-millimeter plate or the 10-millimeter plate being used today, 30 years ago, to get the same lifetime from a wear point of view out of that truck body, you would have to use a plate this thick. It's quite a difference.

And to give you an idea of the future potential, if you work with like a crusher or a fragmentary big equipment and so on, today, the state-of-the-art material for that is Hardox 600. Hardox 600 in this thickness, 4 millimeter, will do the same job as this plate did 30 years ago. And it doesn't stop here I can tell you that, so there is more to come.

To grow the market, and to try to answer the question that Martin got and that he didn't kill for me which I'm very thankful for. What we are doing -- I talked about the sales assessment that we have done in the different segments in the different geographies. What you see here, not very clear to the left, is the summary that we have made. We have looked at the different segments. We have looked at the different geographies. We have identified today's market. We have -- we know how strong we are. Then we have also identified our best idea of what is the potential market. And then we have said, okay, let's go there, let's go there, let's go there. And to go there, we have developed a concept that we call X-phase. It's basically -- I mean, we have companies in 50 countries around the world. We have people working with this every day. So if we say that, okay, let's go for -- let's look at the cement industry. Then we put the group of people together working for 6 months to learn, put together all the know-how that we have in the organization to add, if there is something that we feel that we are missing, and then we put together a package, a training program. Then we look at which markets does have the biggest potential for the cement industry to grow. We invite the sales organization, a part of the sales organization from there, take them for a 3, 4 days training, learn about the applications, about the advantages of using our steel and also give them a list of potential customers. These are the ones that you need to go, and we said these are the ones that you need to talk to, and then they have another 6 months to do that. So that is the way to kind of scan the market for where is the growth, where is the potential, what can we do and how shall we do it.

Last year, we were running in X-phase with tippers, road building, mining, agricultural, concrete, small lifting, strength sheet and cement. All in all, we were running 20 events. We have 230 people. And you can see on the dots in which markets how we were doing. And that is the way we are working, and that is the way we will continue to work, all to make the market grow and all to support the growth of the market.

When we are focusing the market, the end users are extremely important for us, all to make the market grow and all to support the growth of the market.

When we are focusing the market, the end users are extremely important for us, to have a dialogue, to have an understanding of how our products behave when they're out there in reality. So we have a setup where we have dialogue and good contact with, I would say, all of the stakeholders in the supply chain. When we talk to the OEMs, we talk about state-of-the-art material, we talk about design, we talk about production methods and so on. Where we talk to the SSAB suppliers, we talk about mainly workshop properties. What Martin just mentioned, to be able to produce plates that behave the same every time they are put in a press brake is extremely important for our customers. And that is a lot of attention in product development. We have the Hardox Wearparts networks, more than 300 companies around the world, mostly small or fairly small companies working on the local market, talking to the end users, doing maintenance and repairs and so on. We are supplying all of these, as I said, either direct from the mill or from the stocks that we have around. I will come back to the stocks, how we are doing that, later on.

So this is where we are. We are running brand programs. I mentioned the Hardox Wearparts, that is extremely important and which is, I would say, more or less a network for sharing best practices. We are running 2 ingredient branding, Hardox in My Body, My Inner Strenx; that is a sign of quality for the producers to the end users of the market. This is a good product. This works quite well. We have more than 400 when it comes to Hardox



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in My Body. We have 72 My Inner Strenx, which was launched last year. I think that's quite good. And there is a big interest in -- for companies to enter this. There are certain standards that need to be fulfilled, so not everyone is accepted to get into these as well. Like I said, the end users are important and that there is a big interest in the end-user community, I think shows that. So this year, we have more than 2 million per month views on social media related to the products, related to the brand programs. I think that's quite good for business-to-business operations. So that is where we are.

If we continue -- and we talked about strategic products. Strategic products, to us, that is products that allow our customers to make a step change in the performance of their products. To be able to develop and to introduce these, part of the base there is the steel plant in Oxelösund. The steel plant in Oxelösund is small compared to most of the major steel mills that you see around the world. But if you look at as a special steel metallurgy and compare that to most like tool steel manufacturers and so on, it's huge. And we have a cost of advantage in the production there. So we can produce very clean steel. And to produce very clean steel with a lower level of residuals, you can improve the formability, you can improve the toughness, meaning that the material can work at lower temperatures, be that minus 50 degrees C or whatever it is. But you can also get better workshop properties. I mean all the things that at the end are important for the customers. So by combining the metallurgy, the rolling, the heat treatment, we can adapt the material, the products to have exactly the kind of properties that is important for the customer.

You remember the company in France, that truck that just went from 10 to 8-millimeter. In March of this year, we launched Hardox 500 Tuf. By using 500 Tuf it's possible in a truck body to reduce the thickness from 8 to 6-millimeter. It's a 25% weight reduction, 500 to 700 kilos more of workload. Then you can say, why didn't people use this one before? And the thing is, and I'm getting maybe too technical now, but there is -- the major problem, we -- in truck, you carry different loads. And if you have something that is a bit sour, you get something called hydrogen-induced cracking. And you need a very special kind of steel to resist hydrogen-induced cracking. And that is what we have developed with the clean steel, with the rolling, with the heat treatment. So that is the base and that is how we got into this and could do -- could launch this product. So this will be a unique product on the market. It takes a while because we need to convince the OEMs that they should use it. They want to try it for a while because it's big scale when it gets going, but there is a very good potential in this product.

Another few examples of what we are doing. I mean 10,000 customers around the world, we don't believe that we can see it at the mill or in the head office and invent everything. So we have a close dialogue, we learn from our customers. And we help them to build networks so they can learn from each other.

What you see on the left-hand side there is a heel shroud. That is something that used to be cast and welded on the back end of large buckets to protect it from wearing down. One of our customers in Mexico found out that he could actually bend a Hardox 550 1.5-inch thick, 38-millimeter and do that at a cost that is way lower than buying a cast piece and also get a better service life. And I mean, just to bend such a thick plate, 550 Brinell, I can tell you 30 years ago, you couldn't bend a 6-millimeter Hardox 400 because it would crack. So there is a lot of development, a lot of things that have happened and that will happen.

The next one is Hardox 550 as well. That is a way to repair teeth also of large buckets. But instead of casting the whole piece new, you can basically cut something that fits on the tip of the teeth and then extend the lifetime and do that at costs that are way lower than what is the normal as well.

The cross-member that you see there is, I would say, a very established product on mature markets. But there are many markets where this is brand new. And I mean, if we can -- same thing, can we help share that know-how? Can we help -- I mean, sharing the know-how, not only on design, but to make it work in an emerging market we need to make sure that there are workshops that can handle the products, that have the right equipment to do the forming, to do the cutting, to do the welding, whatever we're talking about. So that is what we are doing there.

We talked about stock sales. And today, we have sales stocks in 80 countries. From those stocks, we are selling to 230 different countries.

Stock sales is a very nice business for us. It's a demand that is way more stable over time than some of the direct buying customers. It's also a business that is more -- price-wise more stable and a good profit. We have a good setup, and we are doing it quite well. This is Germany as an example. You can see the small dots there. That's where we are selling. And you can see that we have, in parts of Germany, we have good coverage. If you were able to see it even closer, you could see that where we have the stocks, we have the best sales. There are some white spots or white regions on the map as well. And we know that by working more focused, being more effective in getting the material out of the stock, reaching



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out to the smaller and the midsized customers, we will be able to grow our stock sales to -- or stock sales will be a very important part of the growth that we are planning to do. And I mean, we will do that by doing even more where we are already established, but there are other parts where we will establish ourselves as well and continue to work with that.

We talked about emerging markets and a very low penetration rate, 2% or less than that. What you see here in blue is the countries that are identified as emerging markets, I think according to OECD. The dark blue are the ones where we are established since a fairly long time and where we are working in the way that we would like to do. I mean there is always development. We will always do things better. But there is -- there are a number of markets where we do -- where we have a good chance to do a good job.

To succeed in an emerging market, there are a few things that need to be fulfilled that we have learned. We need to get someone in there that knows the products, knows our products, knows how our products behave in reality and can convince the local players on the market that this is something good, this is not too dangerous, this will work. If you run into a problem, we will help you sort it out because we have done that at other places. We need to find the workshops that are prepared to invest, maybe in a large press brake, in new cutting equipment or whatever it is to be able to handle these steels. But when we do that and when we get things right, we know we can have a very good development. What you see here is Central America, where we got the right guy in place, gave him the right support, and we are actually doubling the sales in -- by doing that.

So that is where we're coming from. A lot of things going on, a lot of things happening. And if I should try to summarize it, I mean we have the global trends, sustainability, productivity, infrastructure, all pushing in, for us, a very interesting and good direction.

We have the world-leading products, the widest product portfolio. We have the strongest brands. We have a very strong focus on producing special steels where we are doing that. We have a flexible production capacity, with 9 quenching lines all over. We are working on continuous improvements. Martin talked about the rolling mill in Oxelösund. We are running similar programs. And we see that we can increase production in the other parts of the plant as well, and that is -- it's very high on the agenda. Then to help the market grow to support that, we talk about upgrading. We use the battlefield to see where is the biggest potential, in which order shall we do the different things. We work with the (inaudible), and by doing that, we are creating the market. And we have a global coverage that is -- I don't see any of our competitors that is even close to having the same reach to the parts of the markets that are of interest to us. And all these combined makes me very convinced that we should reach the 1,350,000 tonnes in 2020.

So thank you very much.

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**Per Hillström** - SSAB AB - Head of IR

Thank you, P-O. I think we'll get on with the program here with Gregoire. And then after that, you will have the possibility to discuss with P-O and Gregoire. So please, Gregoire, take the stage here. And P-O told us there that we have a potential in the [channel] upgrade to go into -- from direct mill into services. So please tell us about the Services business.

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**Gregoire Parenty** - SSAB AB - Head of SSAB Services

Good morning to everyone. I'm going to explain to you what we are doing in SSAB Service.

In SSAB Service, we are taking care of the right part of the strategy, which is leading value-added services, but also superior customer experience. The world has dramatically changed in the steel industry since 2008. Since 2008, most customers do not wait anymore 12 weeks to get their steel. Since 2008, customer do not wish to have minimum quantities when they buy from us. Since 2008, they don't want to have any yield when they produce. And we have to adapt to that. We have been extremely strong in servicing the customer in the past, but we should do far, far better in terms of servicing them just in time with the right quantity in the form they wish.

I strongly believe that SSAB is the most suited steel mill in the world to serve them for several reasons. The first one is the combination between SSAB and Ruukki. When we merged, we found we had 26 processing centers in 16 countries. We had 450 machines, some of them absolutely



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unique. We have a machine, I will show you on a slide later on that we are the only one in the world to have, and we can process exceptional parts for the market. So the combination brought us a lot of possibilities.

The second advantage is the brand program that we have. 2 of them are particularly adapted to the service we want to give to the customer. SSAB Shape, which is servicing the customer in parts just in time, even sometime in component ready to be assembled. And the last one, the Hardox Wearparts, where I will dig into because you have heard this name a lot since the beginning, and I will give you a little bit more hint to what -- about what it is.

And finally, we have customers. We have our customer in demand of more and more advice, more and more technical support much further than the steel. Here, you see a customer that we will charge without selling any steel, any tonnes. We will charge for the first time in SSAB the engineering that we provide to him. And this opened the door to a lot of new revenue stream for us, because we did not discover, but we realize that for very advanced engineering, we could charge the customer. We have, for example, with that last [opco], a big project ongoing where they asked us about engineering before getting the steel.

Our target is rather straightforward. I mean, we have 3 targets.

The first one is really to facilitate the introduction of the premium steel of SSAB to the market. When I say premium steel, it's not only the Hardox or the advanced high-strength steel that you have heard since this morning. It's also what is called premium, which is all the kind of steel that we have within SSAB Europe or SSAB America that are steel which has a different advantage, a potential value that can differ us to the customer. And here, we believe that to introduce this kind of product into the market, it's better to be from the start with the customer launching a project.

You have to understand that when we talk about premium steel, SSAB has never robbed any market share to anyone. We have created our market each time, each time we upgrade from mild steel to high-strength steel after having developed a customer. Doing so, we don't enter a stupid price competition to install our steel, and we will continue to do so. Eva will talk to you about that, but we proceed more or less between 250 and 300 projects per year with customer, one per day.

The second target is to innovate, I mean really engage ourselves in a way to work with the customer further than just delivering a tonne of steel. Today, you will see at the end of this presentation an example where SSAB produce equipment. We have now acquired, since 2014, a company that is producing full equipment. And after having worked with some customers, we deliver the market with buckets, with tipper.

The third point is the most interesting one, I would say, is grow downstream business profitability. Of course, the 26 processing centers we have should deliver a profitability on top of the steel and on top of the processing. Yes, that's basic. But can we generate new flow of revenue from something else than the steel? Should we die in this industry only invoicing a tonne? Certainly not. And we have started to initiate some kind of a flow of profitability based on engineering, complementary product and aftermarket.

Those are the 2 brand programs that we have. And what is interesting to know is that the blue side is the CapEx in terms of purchase. That's CapEx purchaser that are acting in this area. On the red side, it's OpEx purchaser. CapEx purchaser is a kind of brutal negotiation. It's price, price, price. An Excel file, Column A is more expensive than Column B. How can we expect -- escape from that? Sorry. We escape from that by upgrading. We escape from that by sitting with the customer, proposing to him to upgrade his product, to give a better end product, to have something different. So combining premium steel, combining new ways of producing, combining engineering and combining exceptional prefabrication, then we stick out from the competition and the price is not an issue anymore. Where we act here is mainly in the segment of heavy transport, where we succeed is mainly with OEMs. I will show you also a very good example of such a kind of development.

On the other part, the Hardox Wearparts is really an end-user program. It's about reaching the end user. We are now here talking about mill managers, about people in operation that have mills, quarry, mines to run. They don't care about the price. They care about their mill running. They want to get the part just in time, tomorrow morning, because the mill is stopped. And this is where we have a lot to do, and this is where we are supported extremely well by all the Hardox Wearparts partners that we have.



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We have clear growth. I mean, Shape, we should double the Shape volumes by 2020. We will expand our industrial platform. We are investing today in Canada and in Poland in state-of-the-art machine for bending and laser cutting. I need just one signature left, but it's going well. And we are moving to team up project. I mean, a good example, I will show you 2 examples, but 1 example that is really talkative is the one we have done in India with Scania. Scania came to us 4 years ago saying we would like to enter the mining tipper market in India. Could we together develop a new product that will stick out from the competition? We've worked together. We made generation 1, 2, 3. And now we have an excellent product that Scania asked us to proceed, to produce. So we, as SSAB, are now producer of tippers -- it's not steel anymore -- to Scania in India after 4 years of work. Meaning that we are able to stick to our development and to take responsibility to join and team up with a customer to deliver what we wish on the market. I will show you after that another breakthrough example in Australia.

Hardox Wearparts, you've heard that already. We need to go beyond 500 members by 2020. We are on the right track. And I have good hopes that we will go beyond this number by 2020, especially now it's become my new target since 5 minutes ago.

We need higher volumes here also. And this is -- we achieved that by developing the centers. Being a member of the Hardox Wearparts is not a given. You have to prove your -- you need to apply to be a Hardox Wearparts, and you have a lot of tests to be approved. And then we develop with the center the business. I will show you that also.

And finally, complementary product, meaning when someone is buying a plate or a steel, he will cut it in 100% of the case. He will weld it in 100% of the case. He will overlay it in 100% of the case. And today, already, we have developed a complementary product that we propose to the customer at the same time, our steel, we can sell, for example, Duroxite, maybe some of you have heard about this new brand that we have launched, which is an overlay product. If someone wants the hardness that is beyond what we can do, then we can sell a Duroxite. We will sell teeth, grounding (inaudible) teeth. We will sell other -- a lot of other complementary products.

And finally, there is business innovation. If we are successful in the 2 first pillars we can develop new market. New market means new geography. We are today entering the Indonesian market, which is a high mining market where we were not present. It can be new process. Eva will talk to you about the double die, which is a patented way that we developed for bending steel. It can be new product. We are now selling Hardox bar, Hardox tubes that were not on the market less than 1 year ago.

Develop new business model, this is what I explained to you a bit earlier. It's about where can we generate revenue outside of the steel. And again, we believe that engineering, complementary product and aftermarket can be something.

And finally, substantial business expansion. We have acquired some company on the way since the last Capital Market Days, and we will continue to screen the market and identify if there are opportunities.

This is the growth we intend to reach in terms of Hardox Wearparts. So you can see on the right side the 500 members that we have talked about earlier, and today, we are on track. What is more interesting is the left side, which gives you the volume development of Hardox Wearparts that have been recruited over the years. So you can see, all the Hardox Wearparts that had been recruited in 2012, their volume development up to 2016. So it takes 5 years to develop the business with them. Meaning, being Hardox Wearparts is a commitment from the member to open the door to the end user, to visit together the end user, to being trained by SSAB, to have on stock Hardox, exclusively Hardox. And the payoff comes 5 years later, but there is a payoff. So we -- in fact, it's not multiplied by 2, it's multiplied by 4.

This is our ambition where we can grab additional profitability. Of course, we invoice our plates, our kits, our parts, but we can make money with a complementary product. We can develop our advice in wear services. We can be much more on site to install and repair with or without the Hardox Wearparts. And finally, we can imagine selling uptime to the customer, meaning share with him the profitability of the productivity gain that he will have. I will show you for example, P-O earlier talked to you about moving from a mild steel to a Hardox -- or a Hardox 400 to a 450. This is what we do but in a different way. We have the chance to have in Toijala in Finland one of the most exceptional lines for roll forming in Europe. Probably, there are only 2 machines like that in Europe. When you make the side of a tipper, this is the classic way. I show it this way for those -- so this is the classic way. So you take a plate and you bend it, you counter bend it and you recounter bend it, and then you get what you see here. Okay, that's one way. We have imagined for the first time to make Hardox in a roll and roll form it and just cut 2 lengths. By doing so, we divide by 7 the cost of making the product. By using 450, we light -- we give a lighter product, 29% less. We start that, and we just make a huge breakthrough



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on the market. If we are able to standardize that now, it's a product we could imagine to have in stock and just sell like that with a huge added value on the market.

This is making a lot of noise in Australia now. We have acquired in 2014 this company called G&G -- (expletive), sorry, called G&G Mining Fabrication. This is one of the leaders of the bucket, heavy mining bucket in Australia. And they made bucket for years in the standard way, so that's the bucket where you have a weight of 21 tonnes and you have to add a lot of wear package, this spot here, to get it ready. This product will be in operation 5 to 6 months and will go to refurbishment every 6 months for 5 to 7 weeks to be rebuilt. That's one way to do it. As soon as SSAB had bought this company, engineers of SSAB went there and said, maybe we could do something else. Maybe we could do a disposable bucket, a bucket far lighter, with no wear package, that we use as much as possible, and then we scrap it and then we use another one. We've made that in partnership with Rio Tinto, a big mining company that agreed to test Generation 1, Generation 2, Generation 3. And after 1 year, they realized that they can extract, on average, 360-tonne per hour more of material, which means that per year, we are talking about 3 million tonnes of iron ore extracted by this bucket more than the previous one for a value of SEK 1 billion. So now we are talking to Rio Tinto and said to them, well, maybe we will not invoice the bucket. Maybe we should share the productivity. So we are in talks with them because they are not stupid either. They understand what it is. So it's very interesting to do that because it makes the interest of being in services because it's a completely new thinking in the industry.

Last but not least is an example we've made in Russia with a customer that has been traditionally buying from the cheapest steel supplier, and finally got tired of this kind of race to the cheapest tipper, came to us and say, could you find a solution for us? And in 4 months, our teams have developed this advanced design for a tipper in Hardox 450 on the bottom and on the side. By doing so, the time to assemble this kind of tipper has been reduced by 50%. The costs have been divided by 3. And finally, the weight has been divided by 20%.

So my last slide is a picture. This is exactly what we want. You see the happy customer, the small guy shaking the hand of the SSAB salesman in front of the finished tipper. We have developed his business. We have developed his profitability while introducing into the market our steel, our design, and be ready for the next generation because I can tell you that this customer, when he will have to develop a new tipper, he will call SSAB.

Thank you.

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**Per Hillström** - SSAB AB - Head of IR

Okay. Thank you, Gregoire. We can invite P-O and Martin also here. And we have time now for some questions before we go into the break. So please, can we have the microphones? And if you have questions here for Special Steels, please, can you stand there?

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**Unidentified Analyst**

Thanks very much P-O and Gregoire for the very good presentations. I've been on a number of CMDs, and I have to say the investment case typically looks very, very good for Special Steels going forward, and this was definitely not an exception. But -- and you also have been able to grow a number of wearpart centers, members, et cetera, over the last couple of years. But still, you haven't been able to grow shipments. I mean, 2016 shipments were practically on the same level as in 2013. I understand that you have had the cycle against you. But I mean, I think you have not been very happy still with the development. And what has been the backdrop? I mean, what has failed in this?

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**Per-Olof Stark** - SSAB AB - Head of SSAB Special Steels and EVP

I think if you compare to 2013, I did show you the segments that we are selling, 7 roughly the same size. In 2013, the only segment that still had a -- hangover is not the right word, but had a good impact after 2008, that was mining. Mining was huge in 2013 -- 2012, 2013, and that has basically come down to very, very little. I mean, if I -- from the top of my head, if I recall, CAT, basically from 2012, '13, they lost 1/3 of their turnover just because of the drop in mining. Mining was good in 2013. Now it's been at that very bottom, so I would say, that would be the main reason and the main difference.



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**Unidentified Analyst**

So that is a cycle. But you haven't been -- have you been focusing on the wrong things? Or I mean, the last couple years, so it -- I mean, I guess there is always room for improvement.

**Per-Olof Stark** - SSAB AB - Head of SSAB Special Steels and EVP

There is always room for improvement, and we can always do more. I think what we have done now, we have established this way of working, very detailed analysis of the different segments, the different geographies. We set up targets. We know what we can do and we very systematically work ourselves through that. So I think we will see. I would say no matter what happens in the business cycle, but if we have a development similar to what Martin showed earlier on, then I feel very confident that we will meet the gross target that we have set now.

**Unidentified Analyst**

Okay. And then finally, for Gregoire, on -- you say that cost is not an issue for the customers. What is the biggest backdrop from what you hear from the current customers if they don't choose to go ahead with the products?

**Gregoire Parenty** - SSAB AB - Head of SSAB Services

I'm not sure I understand the question, sorry.

**Unidentified Analyst**

What is the biggest backdrop from their clients if they don't go ahead with the products?

**Gregoire Parenty** - SSAB AB - Head of SSAB Services

I mean... sometimes, some of them are afraid of being linked to a single-source supplier. In a lot of cases, I mean, we see that today, when Oxelösund has some problem to deliver, but they are stepping back. And also, they are also very cautious about the consequence on their mill by processing such a high-strength steel. Shall I break my press brake? I mean, shall I damage my press brake? Can I drill it? Those are the basic questions that they are asking. In 99% of the cases we saw that with technical support. You should know that on the 10,000 customers you have seen on average, on average, customers are -- a customer for SSAB for more than 20 years, they stay. They stay. It's very seldom that SSAB loses a customer.

**Per Hillström** - SSAB AB - Head of IR

Okay. We have further questions over there.

**Kevin Hellegård Nielsen** - Goldman Sachs Group Inc., Research Division - Analyst

Kevin Hellegard, Goldman Sachs. So first of all, this Special Steel growth, how much of this do you expect is going to come from a mining recovery? Or are you relying on a mining recovery to grow your shipments?



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**Per-Olof Stark** - SSAB AB - Head of SSAB Special Steels and EVP

We -- like I said, we are -- the growth that is in steel consumption that is forecasted by World Steel Association and so on, that is the basis for the growth targets that we have said. We are not counting on a special recovery on the mining. Our opinion is that mining has been at the very bottom. We do see a bit of improvement right now, but that's not -- I mean, we don't win or lose with that, definitely not.

**Kevin Hellegård Nielsen** - Goldman Sachs Group Inc., Research Division - Analyst

Okay. And how do you think your mix is going to change with this growth? Are you mainly growing in lower-margin products? Or do you think you can sort of maintain the same margin per tonne when you're growing your shipments?

**Per-Olof Stark** - SSAB AB - Head of SSAB Special Steels and EVP

I mean the focus is to grow -- the most important focus, that is to grow the strategic products. Part of that is Hardox, a part of that is Strenx. Then if you remember that table, I mean we will grow from commercial to Raex to Hardox. And we will grow over to the stock sales. So it's -- how shall I say, it's -- the intention is not to grow by going out there fighting price and taking market share. The intention is to grow by developing together with customers, developing the market.

**Martin Lindqvist** - SSAB AB - CEO, President and Director

And the important part is also the Service business. As Gregoire has shown, I mean, having 500 or something Hardox Wearparts and then with the scale of growing a typical Hardox Wearparts, that will also over time give more volume. And that will be, to a large extent, Hardox via the service, so on the top right corner of (inaudible) growth.

**Per Hillström** - SSAB AB - Head of IR

Okay. Do we have another -- over here, we have a question also. Please go ahead.

**Ephrem Ravi** - Citigroup Inc, Research Division - MD and Analyst

Ephrem Ravi from Citigroup. Two questions. Number one, since the acquisition of IPSCO a long time ago, are you disappointed with the rate at which the product portfolio has been upgraded to special steel? Could a lot more market share have been captured if you had been more aggressive in your sales and customer investment during the financial sector downturn? And is that one area where you are, from a geographic point of view, accelerating your investment versus an investment in Asia? I'm assuming Europe is pretty much your home market and you are hitting the ball out of the park in Europe. The second question, you used to give a proportion of your sales coming from aftermarket. Can you give us a color of what it is right now? And as a proportion of your sales, has that grown or declined over time?

**Martin Lindqvist** - SSAB AB - CEO, President and Director

We used to give a proportion of the total volumes in the old SSAB. But as I said previously, SSAB looks different today than then. And then we said 50% should be niche products I think we used at that time in a certain timeframe. Now SSAB looks completely different. Now we have targets for special steel growth instead, so we have shifted to that. So the target now is 1.35 million tonnes in 2020 in Special Steels. Then when it comes to the U.S., when we bought IPSCO there was a small quenching line, QL5, that we had invested in and taken up capacity. And then we invested in QL6, and we have gradually increased the volumes of Q&T and Mobile. And today, we are running those 2 lines at capacity, which was not the case a couple of years ago.



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**Ephrem Ravi** - Citigroup Inc, Research Division - MD and Analyst

If I can have a quick follow-up question. In terms of your definition of premium products, how has that changed versus, let's say, 10 years ago?

**Martin Lindqvist** - SSAB AB - CEO, President and Director

In the U.S., you mean?

**Ephrem Ravi** - Citigroup Inc, Research Division - MD and Analyst

Globally, the way you define your premium products. Is it profitability? Is it something that only 2 people in the world can make? How do you define it?

**Martin Lindqvist** - SSAB AB - CEO, President and Director

Well, we have -- since the last 10 years, we have grown those volumes a lot. And I think P-O's example of 30k tonne compared to 1 million tonne is one example, that was 30 years back in time, but we are gradually growing these products. And the profitability and the stability of profitability and prices in these special steel products and premium products are on a different level and with a different fluctuation compared to standard steel. So the trick is to -- and Olavi will come back to that and talk about mix change and premium products. But to get away from the most, call it, volatile market that is hot-rolled coils into other segments, other markets with more high-end products.

**Per Hillström** - SSAB AB - Head of IR

Yes, and we have another question over there.

**Robert Redin** - Carnegie Investment Bank AB, Research Division - Research Analyst

Robert Redin from Carnegie. Can I just ask on this slide on the Special Steel segment's outlook, what the timing or timeframe of that outlook is? And also, if the green dots in the market position table was 50%, but what are the green dots, the positive dots in the segment outlook?

**Per-Olof Stark** - SSAB AB - Head of SSAB Special Steels and EVP

I mean, in the segment outlook, when we say positive outlook, we talk about this year, and we talk about that we see demand increasing.

**Anssi Kiviniemi** - SEB, Research Division - Analyst

Anssi Kiviniemi From SEB. On the Service business, to put it into perspective, how large is it when you put it as a percentage of group net sales? And what is the potential? You highlight now that the engineering, aftersales and complementary products could double in 2020 basically. So what is the potential on that side?

**Gregoire Parenty** - SSAB AB - Head of SSAB Services

It's -- we prefer to stay discrete on that one because we walk a little bit under shadow, but our ambition is to reach several billion SEK of sales rather rapidly, so we are not talking about small moves.



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**Per Hillström** - SSAB AB - Head of IR

Yes, Olof, please.

**Olof Grenmark**

Olof Grenmark, ABG Sundal Collier. You mentioned your previous target, which was 50% niche products. Just to clarify, the volume targets that you provide us with today, is it an upgrade, or is it just a different way to formulate your targets?

**Martin Lindqvist** - SSAB AB - CEO, President and Director

As said, I mean, that was in the old SSAB with a different total production capacity. If you take special steel and 1.35 out of, what is it, 8.5 or something, so in that -- in absolute -- or in relative terms, it's less than 50%, yes. But it was another definition and another base. So it was the way we saw it in the old SSAB. Today, we are almost twice as big, and we focus a bit differently. So these are more high-end products than the niche products, so it's a completely different definition.

**Olof Grenmark**

So it's like comparing apples and oranges?

**Martin Lindqvist** - SSAB AB - CEO, President and Director

Something like that, yes.

**Per Hillström** - SSAB AB - Head of IR

Okay. Do we have a final -- yes, over there.

**Unidentified Analyst**

(inaudible) from Handelsbanken. Martin, you talked about the (inaudible) reduction, and you are supposed to probably reach this without -- within like 2017 probably. What will be like the focus afterwards? Will that be dividends? Or what do you like -- let's say you reach it within like the next 2 quarters, like reaching the SEK 10 billion reduction, will it then be like dividends proposed next year or...

**Martin Lindqvist** - SSAB AB - CEO, President and Director

Let's remember that question until after Håkan's presentation. So I'm a bit afraid, as you understand, to destroy people's presentation. But Håkan will cover that during the latter part of the day today.

**Per Hillström** - SSAB AB - Head of IR

Okay. It's coming near break. And P-O, you mentioned in your presentation the EcoUpgraded program. And we have outside specialists in this field, Thomas, I don't if you're in here. Yes, there he is. So please take the opportunity to discuss with Thomas the upgraded concept during the break. So I think we have the break now and see -- we will meet back here in 20 minutes. Okay. Thank you for now.

(Break)



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**Per Hillström** - SSAB AB - Head of IR

Welcome back to SSAB Capital Markets Day 2017. Now we've been hearing about services and specialties, and now it's time to turn to SSAB Europe. We'll take a deep look into our Automotive business and also SSAB Americas this next session. So please, Olavi, take the stage here and explain mix improvement here for SSAB Europe.

**Olavi Huhtala** - SSAB AB - Head of SSAB Europe and EVP

Thank you, Per. Yes, I have to check, yes, good afternoon, so it's 12:00. If I look back -- don't worry I'm not going to look back 30 years, I only look back about 2.5 years and go to 2014, end of that year, and think about and look at SSAB Europe today compared to 2014, and it's a big difference. We, who are working in the company, it's many times difficult to see the change because we do that monthly, weekly, daily all the time. But if I stand back a little bit, I look at all these things that we have been doing, so starting from the synergies, unfortunate headcount reductions, closing lines, transfer products, specializing the units, harmonizing processes, searching for best practices, et cetera, et cetera, we already changed the organization a little bit during that time. We created 2 business units inside SSAB Europe: one is Automotive, what Tony is going to present today and then we have the Tubes. So a lot of things have happened, and the good thing is that we start to see that clearly in our profitability numbers, too. And what I'm saying today is that where we are today compared to the end of 2014, it's a big difference. And of course, the starting point to start to develop the division further, make the mix improvement, do all the things that I'm going to present later on today, the starting point is way better.

What I'm going to cover quite quickly, is explain where we are today and then a little bit about markets, I'm not using too much time for that. But then, of course, the most important thing is what we are going to do in the strategy; what, when, how and why we are going to do it. Home market is the one thing that we all understand, that if you have a strong home market position, it makes things much easier when we compare that we don't have a strong home market. So that, for example, we, in SSAB Europe, have to think that Europe or the southern part of Europe is our hallmark, no? Home market is the one where we have to be strong. This is the one that is going to be the key to our success. It has been in long term that it's going to be -- in the past and it's going to be in the future. So really, we are building up SSAB Europe from the strong home market position and then, of course, adding the premium products and other things like global business automotive. As I say, it's very important that we have a strong position in our home markets.

And if I look at Nordic and SSAB Europe, our markets here, 40% to 50%, it's representing about 1/2 of our volumes. So this total volume that we have in Europe is about 3.8 million tonnes, so Nordic is going to represent about half of that. So we can really see that we have been able to create, after the merge, a strong position in our home market, which is, as I say, a key to our success.

And then on the right side of the picture, of course, I'm glad to present that picture today because it shows that compared to that peer group in Europe, we are in the right position from the profitability point of view. Of course, we all know that when you start to feel good that, okay, now we're out there then the trouble starts. Then you really have to push, you have to push harder, you have to take care of all the things to maintain that profitability. And I don't see any reason why we couldn't maintain that position against that vehicle.

When coming to this, as I said, we changed a little bit about the organization. We created 2 units, Automotive and Tubes. And we look at Nordic home markets, I'm not covering that that deep here, but I would say that we have a clear market leadership and we are active in all the products and all the segments.

If I then go to the Tubes, we are strong in Nordic. We are the only producer for tubes in Nordic countries, so it's a quite strong position. In Nordic, we have a good product portfolio, we have a wide product portfolio, we are close to the customers, so we have all the possibilities to also grow and improve our position and strengthen our position in Nordic.

I'm not going that deep into Automotive because Tony is coming after me to explain the automotive part, but really saying that, that's not the area where we are looking to hallmark. We are looking for the niche part of automotive and certain advanced high-strength steels focused on OEMs and Tier 1s.



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And then we have the Continental Europe. So you see in this business what we have, we have 2 geographical areas and there we have 2 little bit different business units. In the geographical area, Continental Europe is more or less to look at the focus on the Premium products and more of those value-adding sales. That's the key for that. We have a multichannel approach. We look at those possibilities, but we are definitely not going to grow the standard products in that area.

So these are the 4 areas that we look for: Nordic, strong position; Tubes, we have a strong position; and then Automotive, I say Tony comes later; and then the Continental Europe.

And as I said about profitability, we were there against the peer group, where we should be and I say we have to work hard so we can maintain that position. We can do it, and if you look at the first quarter result this year, it's the best in the history of new SSAB Europe. So good trend starting from 2015, and of course, that is the most important thing that we can do in SSAB Europe, maintain the good profitability.

So good base at the moment, good platform to cover. There are a few slides about the market situation. In Europe, we are waiting that it's going to be quite steady growth. We are not expecting any huge increases, and you can see the picture that we are way lower than 2007 vehicles. But at the end of the day, if this is the big turnaround that we believe, that we have a steady growth, then there are all the possibilities to do the things and grow in certain areas and maintain the good profitability.

If we then go back to our home markets. There, we see it that our position is good. All the key segments, if I start from the right side of the picture: Automotive, doing very well in Sweden; Heavy Transportation, good speed; overall Construction activity is higher and higher; and offshore is, of course, depending on Norway quite much about oil prices, but still a lot of big projects going. There has been quite a big variation in different countries. Finland has been lagging behind a couple of years. Now luckily, all the news, that we hear today from the Finnish side are more positive. Banks and all the things -- all these other institutes, they have increased the GDP forecast almost every week. Sweden has been quite high, maybe coming a little bit back. But as we see it today, it means that our home market is also going to have a quite positive development. We are not waiting for a huge increase from the Nordic area. I say we are more looking at how can we strengthen our position. But this gives quite a good platform for us both in Europe and then in Nordic that we have quite steady market growth.

If we look at the main segments and what we are delivering in Europe, Automotive looks quite good. There are some messages that in some areas the peak is -- has been there, but in some areas, like emerging markets, it's definitely going to be growth. Construction looks quite healthy this and next year. Energy, wind energy especially, is looking good. Solar power is coming more and more. We have quite a nice project for solar panel projects -- deliveries to solar panel projects. If we take marine and offshore, quite good speed, especially the Meyer Turku Shipyard, and if I look at the others like Heavy Transportation and agriculture, so looking quite good.

So thinking about these 2 things where we are today, so we have changed the platform quite a lot, we are doing a lot of things, the market looks quite okay and quite steady growth. Then comes, of course, the most important part that what -- how we're going to do that and what's the next thing that we're going to do in SSAB Europe. Three things. Of course, very strong home markets focus. We still see that there are a lot of things to do where we can strengthen our home markets and be even better than we are today. Then the mix part, which is very important, how to improve the mix. It's not only the product mix, mainly product mix, but also quite much about customer mix. Basically, we get when we improve the product mix, we then get automatically also some customer mix changes. And then last, but not definitely least is the area that we have been working hard, as I said, at the beginning, for the synergies and transforming products and working with processes, et cetera, we have to maintain that position also in the future. This is very important. This is something that we can definitely do ourselves. We can take care of that part. We really look our cost position every day. I'm coming back with one example of that, which shows how the organization has been doing a, I would say, fantastic job. So these 3 things: home markets, improve the mix and then taking care of the basic things.

What are we when we talk about home markets? Of course, we have long customer relationships. As Gregoire said, it's 20 years. I think there are customers who have been buying more than 20 years steel from us. So we are like partners, I would say. It's not just supplier and customer. And that's the way to do things together. We are localized. Of course, our assets are close. It's quick, if there's technical service needed or technical help needed, it may be a couple of hours' drive or flight to meet the customers and help. Of course, this is one thing that is definitely positive for us.



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What can we do further is, of course, there's always the possibility to improve the relationship further. And I think this is something that we have to work even harder in the future on, that how do we get ourselves even more partnerships than we have today.

Multichannel strategy, we work with people, we work with external service centers. We have to develop our own Steel Service Centers in Arendal and then, of course, working in close cooperation with Tibnor. So I would say we are close, we have a good relationship, we have to improve even further the relationships and then go more like a partnership thing. So home market looks like this.

If I then come to the Premium part of how to change the mix and then think about these 2 things, do we want to do business with the customers who are not willing to buy any -- pay anything for the value or who are easily chasing the supplier? I'm taking the example like a mobile operator that if you get an offer, which is a couple of euros lower monthly, can you switch like that? No, we don't want to do it. We want to work with the long-term, close cooperation. We want to work with the customers who are ready to pay for the value.

Less competition. If I go to the standard -- this part, sorry, standard part, competition is tougher. It's not only the EU, it's also outside the EU. Material is multiple purposes on this side. It's design and thought about the application. So this is how we see the difference. So it's also the price and profitability point of view. The other one is quite related, the price is for volume, how the market is going, and the other part is, of course, not that volatile. I'm not saying that it's not volatile, but its way less volatile than the standard business.

So it's quite obvious when you see this picture that was our aim and we don't have a growth agenda as a whole in SSAB Europe. No, that's not what we are having. We have a growth agenda when we talk about Premium products, but when we look on the left side of the picture, it shows quite well what's the aim, what we are planning to do. So increase the Premium part from 30% to 40%, but at the same time, we are not looking for overall growth. So we are looking for the mix change that we want to decrease especially the standard hot-rolled coil sales, but also other standard sales. That's something that we want to decrease and at the same time increase the premium share. And this is what I believe my sales, that this is the clever thing to do because then we are in less volatile markets and then we have a better understanding of where the products are going and then the price and profitability, of course, is way other than -- could continue with a standard product.

But then, of course, we have to talk a little bit about the geographical area. That in Nordic countries, as you see there, that we want to grow Premium, but also processing cut to length, slit it, et cetera, and then, of course, some of the standard hot-rolled coils and some other standard materials. That's to offer what we have in Nordic countries, so taking good care of that one. And then rest of Europe, we see clear growth from the Premium products, but the aim is to decrease the standard products to European markets. And then this one arrow in the rest of the world, that's representing the automotive industry where we can be global.

So this is the key to the mix change, really to decrease the standard sales, increase the Premium sales and then, of course, in Nordic countries, being all the product.

We are not starting from scratch. We have been doing this work for quite a long time. In the last couple of months or, let's say, 1 year, we have been renewing the brand portfolio that we have. So really, everything starts from the customers and how do we serve our customers better from that perspective. And that's why we have a branding, which you see on the first row, is optimized for a purpose. And those brands are representing quite well the Premium products that we have. If I take SSAB Laser and we have a Laser Plus, too, so currently the flatness is after the laser cutting. If I take about Form, it's for customers who are forming, bending, doing whatever with the steel, so that's fit to purpose for that area. What I'm trying to say here is that we don't create these things ourselves and then we go to the market and say that, here, you have the products. No, vice versa. We really have to listen to the customers carefully and have the branding to support that. And I say SSAB Weathering is really for rough conditions. You can go to the northern part of Norway by the sea, that's a rough condition, et cetera, et cetera. So this is giving us a quite good start, or let's say, continuing the journey of what we have been doing. And of course, we can say that it's a good branding, it's a good product, so the customers are probably coming to us and buying, yes, partly, but of course, we have to have a certain systematic way. This is a little bit more simple than Per was presenting about this systematic way, how to look at the segments. But I see it the other way around that, of course, we have the local pool. So we have the local demand, we have the sales forces who is meeting the customers. They are bringing up things. We have that going on. But then on the other way around, we also have to have a central push. And I take an example, so it opens a little bit of how we are working that. This is -- picture is representing one application for SSAB Boron work. When we do work, for example, in France and the local sales guys and the technical support, they are working with the customers, then we have the centralized market development, which is providing the



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support. And then they take that information and knowledge, and for example, give that further to Poland where we also make a systematic way to look for the leads, where the sales guys or salespersons can go and meet the customers. So this is the idea of how we do it, we have the local pool but then we have the centralized push, which is a systematic way to search the leads, taking the best practices from France and Poland and maybe go to the U.K., whatever. That's the idea of this market development organization that we have.

So this from the Premium, so really decreasing the standard sales, increase the Premium. We have the brands, we are well recognized, we believe that we are listening to customers carefully and we are developing the applications and products according to that and then we have a systematic way of how we meet the customer demands and how we develop the markets.

And then if I take the last one from these 3 areas, which is definitely not the least. It's a question of how do we maintain that good work that we have been doing during the merge and during the 2.5 years. And it's so easy that we start to forget the basic things or we think that they are granted, that they are there, but they are not. If I start from safety, you'll get some (inaudible) later on today, not so happy about those frequencies. For me, safety means that if that healthy frequency is going down, then we know that we have a systematic way of doing things, then I know that the housekeeping is well organized. Then I know that there are a lot of things that are going to the right direction.

If I take delivery accuracy, it's very important for our customers. We have to work with that. We have to simplify the systems to flow, whatever, that is then stable and flexible production. Stable production gives us possibilities to promise the customers better. But then, of course, when we look at the bottlenecks, we have some bottlenecks, and we have to work to get those away.

Quality, it's essential for our sales.

And then, of course, the cost efficiency and the waste reduction is really to improve the yield and energy.

On the picture on the right side, you see a couple of examples of the continuous improvement projects, what we are doing, what Martin was showing at the beginning of the SSAB One leadership plan continues improvement. They are representative -- representing projects, which are giving either -- easing the bottlenecks, saving costs and then helping, for example, energy optimization which is also for cost reduction. And then, as I said, I'm going to show the fantastic work from our employees. So I think it's nice and I'm proud to present that because I haven't done anything about that and I think it's not even our management group in SSAB Europe. So it's really, as you heard earlier, it's the mandate for the personnel to think about it, really get all the brains into use. And the beauty of this is that it is really the people in Borlänge, in this case, who have been working with this problem. So we talk about our continuous annealing line and it has been a couple of years already a bottleneck, and now especially when we start to increase the sales for Automotive, this is one of the key products for Tony to go further. It's a high-strength, cold-rolled material.

And then when you look at the numbers that the persons in Borlänge were able to tell -- a lot of small things that they did, they look at material flow, they look at maintenance breaks, they look at what we call blind coils, they look at all kind of things. And suddenly, in 2 years' time, they can increase the productivity with 30%. And if that's not impressive, then I have to calibrate impressive once more. But for me, this is impressive. 100,000 tonnes more to sell and this is one example. There are a couple of other good examples. And the more we make success with these kind of things, the more people are keen. And when Martin said that he was in Oxelösund, he could tell the same story. I was in Borlänge a couple of weeks ago and visited that line and I asked this guy how is it going and they said bad, very bad. We had to stop the line for 2 hours. And I said, okay, that's 2 hours, why is that? Because there was some error in the maintenance work last week and now we have to stop it for 2 hours. It's quite seldom that you hear somebody say that it's not going well because you have to stop the line for 2 hours. But I think this has made the difference and this, I believe -- I say that we get more people onboard. I really think about it and give the mandate, give the possibility and success makes success. So very nice example.

So to summarize. I said Nordic market leader and as I said at the beginning it's very important that we are strong in our home markets. And it's with the basics that we can start to grow our business outside the Nordic, and we have been doing that. But it's really important that we hold our position in Nordic. We are a market leader, we are #1 in profitability compared to that peer group. Let's maintain that. It's tough work, but I don't see any obstacle why it should not be possible. And then, of course, I said at the beginning, the competitive platform is in place. All these 2.5 years, we have been working hard to get the synergies, get the new setup, it's there. And the focus areas is home market, mix improvement, which, of course,



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Automotive is a big part of that, and then take care of the continuous improvement and really look at cost position, get everybody on board and make this a nice improvement project also in the future.

So that was -- okay, I must say that I'm proud, I was 1 second too late, but...

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**Per Hillström** - SSAB AB - Head of IR

Very good.

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**Olavi Huhtala** - SSAB AB - Head of SSAB Europe and EVP

Thank you.

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**Per Hillström** - SSAB AB - Head of IR

Thank you, Olavi. And now we go back a little bit to the high-strength steels and they have an increasing need of mobility here. And we have Tony Harris here to describe our strategy when it comes to advanced high-strength steel for Automotive. So please, Tony, take the stage and begin.

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**Tony Harris**

Okay. Good afternoon, everyone. Luckily, I'm not quite old enough to go back 30 years. So I, too, will just go back 2.5 years to the merger between Ruukki and SSAB. And in SSAB Europe, we have a new set of production assets. So we combined the assets for coating capability that we have in Finnish mills in Hameenlinna with the uncoated capabilities that we have for strip products in Borlänge, and that gave us a much more extensive product range with which we could supply the automotive industry. At the same time, we see the automotive industry not only growing, it's recovered really well since peak levels post -- it's recovered really well since the crisis in 2008, so it reached peak levels in the last couple of years. So we see not only the automotive industry recovering well, but we also see a huge migration, a huge appetite for a change in the products that they buy. So we see a really increased requirement for advanced high-strength steels at the expense of normal mild steels. Unfortunately, the assets that we have are very complementary to delivering those increases in advanced high-strength steels. So today I'm going to a little bit about the industry environment and then our position within that industry and then finally what we're doing and how we're deploying our strategy.

And the first point to mention is in response to the question that we had earlier, do we see global market growth? Or is it just about us taking a bigger share or advanced high-strength steel? It's a combination of all 3. So we see quite substantial market growth, and it's driven by different areas. So we'll come back to it in a minute or 2, but some markets are obviously at saturation point, and some have quite some way to go to develop as we move forward. At the same time, we see, as I said, just the advanced high-strength steel requirements in the market, they're building and building and building. And then there are some other megatrends there, so this relentless progress towards autonomous vehicles, at one point in time, we thought that this would be a negative effect for passive safety. So as you had more cars with sensors and things like that, you would need less bumpers and less crash protection. In every conversation that we've taken with everybody in the industry what they said is, legislation will come for autonomous vehicles, and it will increase the need for passive safety. So we supply a lot of products into bumpers and safety components. So it was considered to be a risk at one point in time, now we see it as an increased opportunity for us. Eva will come back and talk about sustainability a little bit later -- sorry, Maria will come back and talk about sustainability, but we talk about life cycle assessment here. Steel is 100% recyclable. So if we can build a product with which has less carbon dioxide emissions as we move forward and deliver the weight saving to deliver those carbon dioxide reductions in use, then we will have the best life-cycle argument versus alternative materials. And then we see obviously, new opportunities coming in things like electric vehicles so that we can talk about battery protection and so on.

Here to talk about the areas. Again, Americas, particularly the U.S.A., peak last year, 17.5 million vehicles. We do not see growth in the U.S. We don't see growth in the coming years in the U.S. If anything, we might see a slight contraction. There is some opportunity in other parts of the Americas, but we're talking about very limited amounts of growth in terms of passenger vehicles as we move forward over the next 5-year period. The same



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in Europe or the same in EMEA. In Western Europe, the market at saturation point. Russia, Eastern Europe, Middle East and Africa have opportunities to grow. But where we see the most dramatic development as we move forward is in the emerging Asian economies, notably India and China.

Overall, that market growth is 20% over the next 5 years, a predicted 20% increase in automotive production. And then if we couple that, a 20% growth in market size and we look at the drivers for our particular product, premium-grade, advanced high-strength steels, we see that light weighting is most efficiently -- most economically efficiently done if we use steel as the product. We have a strong underlying demand for cars. We have new opportunities through new technology. We see increased safety regulations supporting passive safety, and we see emerging economies driving the market. On the negative side, things that might slow us down, we have car sharing. Densely populated areas, particularly in the U.S., we now start to see this car sharing entering into the market. So quite a slow adoption at the moment, but we expect it to come. And in the short term, that will lead to a dip in vehicle sales. But over time, the vehicle life will be shorter, so we don't see it having a substantial effect over a period of time. We see increase in protectionism. At the moment, we have President Trump who's pursuing Section 232, which could affect our sales into the U.S. markets. And we see localization in other markets as well, particularly -- which we see in Europe, of course, as we talk about anti-dumping. Past peak in mature markets, I think that's pretty -- I think we're pretty confident that that's where we are. And we see a threat from alternative materials. So it would be stupid of us to ignore the threat from aluminium. It would be stupid of us to ignore the threat from carbon-fiber-reinforced plastic. But we strongly believe that the material of choice will be advanced high-strength steel for weight reduction. We can optimize design, we can give weight reduction through optimizing design and we can do that for free. Automotive producers, tier producers, they can do that for free. But if you want to take weight out of a component and you want to do it through material choice, advanced high-strength steel is the only sensible economic choice for mass-produced vehicles because it's between 2.5 and 5x cheaper than the alternatives in cost per kilo reduced. So if you're producing a Formula 1 car, you might want to have a body that's made out of carbon-fiber plastic. That makes absolute sense, weight is critical. If you have a luxury executive car, you might choose aluminium because that makes sense. But for mass-produced vehicles, the only sensible economic choice will be advanced high-strength steel. If we ally to that -- so we have the cost efficiency and weight reduction but then also recyclability. We have -- steel is 100% recyclable. EU legislation states that 95% of the vehicle has to be recycled. And then there's also this competence factor where OEMs and designers have worked with steel. They know it, they trust it, they rely on it, they're used to working with steel, they understand the benefits it can give. Quite complicated, but what this shows is the market size as we move forward. If can do this right. So what you see is not really a huge increase in volume for vehicles as we move forward -- volume from material in vehicles as we move forward, but an absolute sea change in the materials that are used. So by 2025, we see mild steel being a significantly smaller proportion of the vehicle weight than it is today, and advanced high-strength steels and other materials growing rapidly. And you can see on the bottom of the pie chart, the amount of kilos of material by each product group there that will be in the automotive in the future.

And so on to where we are, where we position ourselves in automotive. We serve all of the leading OEMs in Europe, in Americas, in APAC. We serve them directly or we serve them through tiers. We serve them through tier partners. We have good global spread. We are -- we're very well positioned in Europe, but we have substantial increase in volume and increase in resources in those -- in North America and into emerging markets. We focus on 5 key areas, so we focus on bumpers with martensitic steels, car seats with DP grades and LA grades, structural details, A pillars, B pillars and so on, and then side impact safety beams for crash protection. What we've done in the last year or 2 is that we've focused far more on the hot-rolled products that can be found in chassis, wheels and powertrain. So they represent a very small proportion of the products that we sell at the moment, but we have a number of development opportunities in those products as we move forward. And what's our strength? As I said before, the combination of Rautaruukki and SSAB gives us a best-in-class product -- production assets. So we're now able to meet more of the needs of our customers as we move forward. We have an industry-leading position in the development of martensitic steels. As Martin said earlier, we've commercialized and we now sell Docol 1700 M, 1,700 megapascals, high-strength steel. This offsets the benefits of aluminium in a bumper with -- at a fraction of the cost. We're sort of big enough to coat, small enough to care, but we have a strong and flexible production portfolio, and we can deliver a high level of customization. In addition, we have a knowledge service center, which is in Borlänge -- on the Borlänge site, where we work with our partners, OEMs, tiers to help to shape the material choice in the design phase. We're not reacting to changes in the market now, we're driving the changes in the market. And yesterday, this was a picture of a little girl holding a teddy bear in a car and it's been substituted for a picture of me holding an award. And it's just to show that our quality and service is recognized in the industry. This is from (inaudible) this is a platinum supplier of the year award, last year that we received, last November. We believe our quality and service is the best in the industry.

And so how do we move forward? As I've said a minute or 2 ago, we have to maximize the output with the production assets that we have. We are now able to leverage -- we're able to leverage our assets to deliver us a higher share of customers purchasing wallet. We can now sell them coated steels as well as uncoated steels. We have aligned our products to the industry standard, so we supply now to VDA norms. And what this means is



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that we can -- we have less investment in R&D and testing and approvals, and we have a quicker development speed, so we can enter into OEM discussions on products much more quickly than we could in the past. As I said before, collaboration on the design phase. We're expanding to new applications and new technologies. Good example, battery protection in electric vehicles as we move forward. And we have to work -- we have to grow in emerging markets. If all of the volume growth comes in the coming years in emerging markets, particularly in APAC, then we have to be strong in APAC. We've introduced a key account model where we supply to OEMs across the continents. And then we have to look at the logistics and downstream support and services that we have to give to those markets to make us a supplier of choice. At the moment, we have 60 long-term business development opportunities, many of which come into serial production during 2018. They're on those focused key applications that we talk about, but you can see they are all across the vehicle. Most of them are subject to NDA. We can't talk about them, but we've got projects under development, give us a great degree of certainty that we will deliver the 750,000 tonnes target that we talked about before. And this is part of the reason. We're very strong as we talked about in martensitic steels, very strong in dual phase. And these 2 products will be key products in the increased usage of advanced high-strength steels. AHSS represented -- consumption in 2015 was 9.4 million tonnes. We forecast by 2025, it will be over 20 million tonnes, a market size that doubles. And within that market size that doubles, DPN martensitic grades are going to be the predominant share of the growth. We see substantial growth between 2015, and here, we can see in 2017, by 2020 as well. So if we're talking about here a 45% growth, we're talking about delivering in excess of the market growth, but we see the market being very supportive of us delivering that growth. And this is what we've done so far. 2015 to 2017, the forecast for advanced high-strength steel growth is 23%. We delivered 27% last year. We believe that by the end of 2017, we will outperform the market by a factor of 2. We will grow between 2015 and 2017 by more -- more than 45%. We have ambitious targets as we move forward. We have targets to reach 750,000 tonnes by 2020. And thereafter, we have further internal targets that we're looking to achieve. We have a high degree of confidence that we'll be able to deliver that.

And to finish a couple of cases that we have. Firstly, Ford Focus rocker panel, they have a challenge. The first thing is that the product that they produce at the moment, which is in a hot stamp boron does not meet the requirements of the International Institute for Highway Safety for U.S. markets. It meets Euro end cap, but not the U.S. standard. So they need to find an alternative solution. And at the same time, they want to reduce the complexity in the production. So we've worked with our customer, who supplies Ford, to produce this rocker panel out of Docol 1400 martensitic-grade electrogalvanized. And what we're able to do, you can see here, is to produce this rocker panel which goes there out of the martensitic steel and to produce it as a cold-roll formed product versus a hot-stamped boron product. So boron is a very strong grade. But hot stamping requires reheating and then stamping. The outcome of this was that we were able to reduce the complexity for our customer, reduce production time, take out a reheating operation, reduce the energy consumption, and there was a total cost reduction for the customer of 40%. We see a real drive to move back towards these cold-rolled products that can shorten the production time and make the process more efficient.

Second case is something that we worked on, the design concept with Chevy Volt, and this is a battery protection. So the problem -- the challenge here is that you've got a battery in an electric vehicle that is highly combustible, needs protection from side impact, but the real challenge is that you have to provide that protection and also deliver a very low weight solution because, of course, the higher the weight, the less distance a vehicle can travel. We were able to produce this out of roll-formed martensitic Docol 1300 M, gave us an excellent shape profile, far better than we would've got with conventional mild steel, and we were able to deliver a 45% weight reduction versus a conventional mild steel. We see opportunities in many aspects of the car, and we see a customer base that is really engaged with trying to find the solutions to the challenges that they have by using our steels.

So in summary, we see a positive, long-term outlook for automotive. We believe that the high-strength steels will remain the material of choice for mass-produced vehicles. We have great products. We have great service, and we've got a clearly defined growth strategy and we're ahead of targets in terms of execution. Thank you. I've got 30 seconds left.

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**Per Hillström** - SSAB AB - Head of IR

Thank you, Tony. Please stay. We can also ask Martin -- and we have time now for some questions before we take the next presentation. So please, if we can have the microphone here. We already have a question over there. Please state your name and company also for the webcast. Thank you.

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**Antti Kansanen** - DNB Markets, Research Division - Analyst

Antti Kansanen, DNB Markets. I have a couple of questions for Tony. First of all...

**Tony Harris**

Sorry I can't see you...

**Antti Kansanen** - DNB Markets, Research Division - Analyst

Over here. So what is your exposure to the APAC markets right now to the growing Chinese and Indian markets? And who are the predominant suppliers that you will be competing against in those markets going forward?

**Tony Harris**

We have, as I said, we have a reasonably balanced sales portfolio by geography. Most of the volume that we sell is within Europe, as you would historically expect. We also have -- we also have high development speed in the U.S. We've seen that in the last 2 or 3 years. The appetite for advanced high-strength steels there has come in the last 2 or 3 years. In APAC, we're probably a little bit slower to the market. But I can tell you that the most developments in terms of volume will be -- during this year will be in APAC. And much of that is about us being able to now leverage those production assets, so there's a high demand for coated steels, the coated steels that we can supply, that we didn't sell in the past.

**Antti Kansanen** - DNB Markets, Research Division - Analyst

And the competition, who is providing the advanced steels in those markets right now?

**Tony Harris**

Well, many of the European importers are into China as well. And then obviously we know that people like Bass Steel and POSCO are very, very strong in the Asian markets. We expect the Chinese competition to be able to catch us up over a period of time, but we believe that we can stay out in front and leverage those global relationships that we have and those global approvals with key OEMs.

**Olavi Huhtala** - SSAB AB - Head of SSAB Europe and EVP

But I think maybe the right tier is that as Tony described earlier, is that it's really a niche area where we concentrate, and it is key account management systems, so it's quite many, many customers who are in the U.S., Europe and APAC. So it's not just to do business with APAC, it's to work with this OEM to get all the big Tier 1s, so this is one key how we can tackle it.

**Antti Kansanen** - DNB Markets, Research Division - Analyst

Then regarding the U.S. market, how much of the competition is U.S.-based regarding if there will be some kind of trade barriers, how much of your competitors won't face that?

**Tony Harris**

Again, I mean, clearly, U.S. suppliers are -- there are a number of U.S. suppliers into these markets. We can think of people like U.S. Steel who have the ability to produce a number of the products that we can't. But they can by no means produce all of them. We expect that we have partners



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and development partners that even if there are some trade barriers there, we will be able to continue working in those markets because the products that we sell, just simply aren't available everywhere.

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**Olof Grenmark**

Olof Grenmark, ABG Sundal Collier. You were very clear about your ambition to increase premium products up to 40% by 2020, but can you please explain to what extent you expect total volumes to grow? Or should these products just cannibalize on the simpler ones?

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**Olavi Huhtala - SSAB AB - Head of SSAB Europe and EVP**

Olof, it's exactly that. I say that the growth is not the agenda for SSAB Europe as a total. But the premium is, yes. And of course, automotive is a quite big part of that premium growth. But when we grow in premium, at the same time, we are going to reduce the standard material supply.

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**Christian Kopfer - Nordea Markets, Research Division - Senior Analyst of Materials**

Christian Kopfer from Nordea again. Firstly, for Tony. You remember the competitor -- you told a little bit about the competitive landscape in China, how is it developing in Europe?

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**Tony Harris**

Well, I think, again, it would be stupid to think that we were the only steel producer in Europe that thinks automotive is a sexy segment at the moment. So we see increased focus from many of our competitors within Europe. So we think it's going to become competitive. But once again, I come back to the point that we believe that we have products and service that is unparalleled in this marketplace.

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**Christian Kopfer - Nordea Markets, Research Division - Senior Analyst of Materials**

Thanks and secondly, for you also, Tony. You mentioned that you don't expect aluminum to be for the mass market, but if you ask the aluminum industry, they will say that it's necessary for aluminum to go to the mass market in order to reach the emission goals. So what's your response to that?

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**Tony Harris**

I think what we saw is that I think, if I remember the numbers right, we talked about other materials moving from 3.9 million tonnes in 2017 to 8.8 million tonnes by 2025. So we see -- I have to call it aluminium because I'm English, I'm sorry, but we see aluminium being a significant -- having significant growth, even more growth as a percentage than advanced high-strength steels over that timeframe. But we still say that we believe that the most sensible economic solution to the problems out there are in advanced high-strength steel. And also, we believe that we can produce steels now to such a level, we're pushing the boundaries all the time, that we can mitigate the weight benefit of aluminium as we move forward.

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**Christian Kopfer - Nordea Markets, Research Division - Senior Analyst of Materials**

Okay. And then finally for me to Olavi, do you expect to increase the premium product share to 40% from 30%, right, in 2020? What was that share if you go back 2 to 3 years, approximately?



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**Olavi Huhtala** - SSAB AB - Head of SSAB Europe and EVP

About 20%, 22% if you go a couple of years back.

**Per Hillström** - SSAB AB - Head of IR

We have another question over there.

**Kevin Hellegård Nielsen** - Goldman Sachs Group Inc., Research Division - Analyst

Kevin Hellegård, Goldman Sachs again. I'll try with my question from earlier of how much of your automotive growth is going to be on gaining market share and how much is just growth in the market you're relying on?

**Tony Harris**

Again, absolutely, I can't see you at all.

**Kevin Hellegård Nielsen** - Goldman Sachs Group Inc., Research Division - Analyst

Right. Okay.

**Tony Harris**

I think if you look back through the numbers, you can see that we're saying that we're going to -- let's say, for example, we're going to increase our share between now -- between 2015 and 2025 by around 3x, 300% growth. What we're saying is that we see a market growth of more than double, so we're expecting to outperform the market growth.

**Kevin Hellegård Nielsen** - Goldman Sachs Group Inc., Research Division - Analyst

Okay. And you said already that you have a few companies you have been developing the cars with them that go into mass production in 2018, I think. How much of your growth is already signed contracts that are going into mass production and how much more do you need to capture?

**Tony Harris**

As I said, if we go back 2015 to 2016, we delivered 23% growth -- sorry, 27% growth in that year. We have plans this year to deliver more than 20% growth again, and we're ahead of schedule. We have projects with serial production that start in the second half of this year. We have projects with serial production that start next year. At the same time, we have products that are coming to the end of their lifecycle. So we've still got some work to do, but we're confident that we'll do it.

**Per Hillström** - SSAB AB - Head of IR

Yes. We have time for another question if there is? Nothing? Okay, then we will thank these gentlemen. And yes, please, Chuck, now it's time for SSAB Americas, so please take the stage and begin.



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**Charles W. Schmitt** - SSAB AB - Head of SSAB Americas and EVP

Thank you, Per. Good afternoon, everyone. It's certainly not lost on me that my presentation and my slides stands between you and a nice lunch that's being prepared. So I assure you that I'll move quickly through a number of slides that we have prepared, and I know by now you're probably getting a bit blurry eyed as well with the PowerPoints. But I would like to maybe tell my own anecdote in terms of the history of SSAB and it reminded me with one of the questions on the IPSCO acquisition because I came on board with the IPSCO acquisition in '07.

## PRESENTATION

**Charles W. Schmitt** - SSAB AB - Head of SSAB Americas and EVP

Good afternoon, everyone. It's certainly not lost on me that my presentation and my slides stand between you and nice lunch that's being prepared. So I assure you that I'll move quickly through a number of slides that we have prepared, and I know by now you're probably getting a bit buried-eyed as well with the PowerPoints. But I would like to maybe tell my own anecdote in terms of the history of SSAB, and it reminded me with one of the questions on the IPSCO acquisition, because I came aboard with the IPSCO acquisition in '07. Martin's point on -- at that time making a small amount of Q&T with an existing quenched and tempered line in Mobile and being in Mobile it was -- I certainly understood and operators understood that we made a very good product at the time, good enough to -- obviously, to get the attention of SSAB. But I can assure you now, both with the investment in QL6 as well as QL5, the product that we make today is far superior, is nothing like what we were making back in 2005, 2006. Not only would that be the opinion of the operators who continue to make that product today, that certainly is the opinion of the customer base in going from what was a good supplier to a stand-alone leader in that market and leader in that industry, with the technology and innovation that's been invested.

And then my second example within the career so far and watching the development of the SSAB footprint is following the very good presentation by Tony in automotive and the growth in the advanced high-strength steel in the automotive sector in the Americas, with our sales team in the U.S. working shoulder to shoulder with Tony's group and pursuing upgrades and selling some of the most difficult applications with the most difficult customers in automotive in the U.S. That in itself, when you talk about the evolution and the story of SSAB and the footprint that it now has in the Americas over that short period of time, I can speak for my short time with it, is very proud and a constant advance forward in the opportunities that we have and the opportunities that we deliver on.

So let me start with our agenda for -- here we go. The agenda for the Americas right now, the market situation, I'm going to move it somewhat differently and talk about the macro and then our position currently in the North America market and then the strategic focus for the Americas going forward. And when I talk about the macro, to begin with, the impact of external forces going on today, starting on what would be the left side is you're quite familiar. The steel industry by its nature is very cyclical and even within the cycles that we face, Martin touched on a bit of a new phenomenon in the micro-cycles as well. And then you overlay that with the whole U.S. manufacturing picture and a GDP rate that has been lagging in the economy. Then you move down and see the actions taken by the government in addition to having a new government being installed in the U.S. And then those actions to revive the economy, grow manufacturing as was promised in this election cycle goes right up against or deals with the globalization factors that are also taking place. And that clash, if you will, between the globalization issues, namely the overcapacity of steel, as Martin described, and now government actions, government intervention, how you want to look at it, culminated in kind of where we are today in trade cases and further trade investigations in the 232.

And then jumping on to the right side of the picture here, you look at the manufacturing realm in steel development technology. We have third-gen steels that, as Tony touched on, and Eva will describe here in a little bit, you have 3D-printing, digitalization and so forth, all working into not only the manufacturing realm, it's also working into the -- to the steel industry, be it downstream or within production.

And then like the rest of the world in demographics and so forth that in North America, we certainly are challenged with a workforce that is relatively unacquainted recently with manufacturing and the type of training that's required. So recruitment and a new level of training and education is required in our industry.

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And so that contributes to the volatility that you see here. Obviously, there's a number of flags that can be put up on this diagram as well through this time period. I actually would go back just a little bit earlier into 2015, because in the second half of 2015 is actually where the imports, the flood of imports really began. And it was noticed as the market began to tilt in 2016. And early in 2016, just as a reminder, is where the -- or when the plate cases were filed after hot-rolled coil after the galvanized cases. And then at the end of that collapse, if you will, the first finding by commerce and then a bit of rebound, which coincided a little bit more with the return investment of oil and gas expansion in the U.S. as well as starting a bit more of a construction investment to, as we sit today here in June, awaiting the outcome of a much-anticipated trade investigation and announcement on whatever those remedies might be.

But when we look at specifically to the plate sector, you could argue one way or the other, and certainly, looking at the graph of carbon imports and alloy plate today, if the 232 is actually about plate or maybe more concerned with other products such as pipe and long products, the long list of countries that are impacted, depending on the relative degree of the tariffs and the duties that have been put in place, but you could certainly argue from the -- looking at Korea and the combined duties of up to 12%, whether it had the full -- the trade case had the full impact as what might be expected coming out of this investigation.

In the sum total, though, as a driver on the supply side, i.e., the trade cases and imports relative to the -- now the demand scenario, these are the CRU forecasts. And you can see, coming up by the apparent demand by country, looking at North America as a whole, the climb-back is to what is a -- what historically would be a 10 million-ton plate market for the U.S. In 2016, when you look at strictly domestic shipments out of U.S. plate mills, it was the lowest level of plate shipments going back to 2009. So without a doubt, there was a bit of a demand issue and a demand issue that happened to time itself with an extremely high level of imports.

But as you can see here, the projection is that we will, in fact, at least according to CRU, climb back to that typical period or a typical volume of 10 million tonnes in combination with good growth in Mexico, and likewise, in Canada. And if you look at the makeup of the plate market, the reversing plate mill as well as coil plate, somewhat in balance, historical and expected to continue so, that the SSAB Americas facility makes both of these products. We probably run, on average, between the 2 mills, roughly 80% to 85% on a reversing mill, and then the balance of that product would be in wide coil, where we have a bit less competition, and we're flexible on -- we have a great deal of flexibility on that mix as well.

The segments driving the change in the market today as opposed to what we saw in early 2016 and in 2015. The energy market, starting with wind tower, remains relatively intact, and there are tax credits that continue to support that development activity and the investment still continuing over the next couple of years. And that is a market space where SSAB Americas has been very successful when you consider the 2 largest investors or largest developers of wind tower in the U.S., General Electric as well as Vestas.

Additionally, in the energy sector, in order to deliver what's being generated by these wind farms is a great deal of transmission tower investment, and that's a high-strength steel provided by SSAB. And again, we serve as the #1 or a very high #2 supplier to all of the major fabricators of transmission towers. And then now what is evolving more with continued investment in West Texas and other parts for oil and gas returning natural gas development and the shale play is line pipe and downhole oil country tubulars. And this is a -- the market is now anticipated to improve sizably over the next couple of years.

As opposed to transportation, transportation is probably 1, if not 2, years away from really returning to a record high that we've seen over the past few years. The fleet inventory has no doubt been rebuilt or overbuilt, depending on who you believe regarding railcars, barges and shipbuilding.

Moving down into the construction segment, a fair amount of activity going back to, again, to a bit of government intervention, if not incentives, is a recently passed legislation called the FAST Track (sic) [Act] in the U.S., where Congress wanted to deliver investment money faster, getting money to the states for highway construction, airport construction and in combination with discussion taking place today, where you have an administration talking as much as \$1 trillion investment going into infrastructure in the United States. So clearly, an upward tilt for that market direction.

And then lastly, in heavy equipment, not to spend a lot of time on that, P-O covered that quite well, as it's a big factor in our special steels and the development of advanced high-strength steels, quench and tempers likewise for our Wear Services.



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And additionally, what we're seeing in the U.S. right now, along with a bit of the pricing leverage, is returning to a more historical picture of seeing plate pricing that is creating a margin well above the scrap pricing and raw materials of what was experienced in the past year.

Related to that, we've seen a very unusual reverse relationship relative to the hot-rolled coil and plate. Now some of that would be driven by the -- a very active automotive segment in hot-rolled and cold-rolled coil, compounded by a more depressed plate environment, but that inverse relationship is quite unusual simply from the standpoint of a cost, and for any steel mill, the price or the cost to produce hot-rolled coil versus hot-rolled plate.

So now moving to our position in the market. As we came out of or actually went into 2016 and for a historical reference, SSAB Americas, probably over the last 3 to 5 years, has carried market share somewhere between 22% and 25%. And as we went through 2016 with a number of challenges both from the import side as well as domestic competition and local demand, we moved into a very aggressive mode for attacking the segments that were, in fact, active, such as wind tower, transmission tower and catching up on some work we needed to do within our mills as well that I'll touch on, to broaden our product portfolio and be a bigger supplier into the energy market as well as the construction market. And so you can see the achievements from those efforts, both picking up some of the import space that was made available as well as taking a bigger share from our domestic competitors as well.

And one of the competitive advantages that we've had for some time and our ability to move into some of these spaces very quickly is when you consider the very largest consumers of plate in North America. Whether that's wind tower fabricators, shipbuilding, construction equipment, railcar builders, they all line up almost to 100%, within the -- what is referred to as the manufacturing heartland, if not the Midwest area, for construction areas. And our 2 major mills, Mobile and the Davenport, Iowa facility, are well suited to supply those, reaching into the Gulf Coast, obviously, very effectively, with shipbuilders and railcar builders, and in Iowa, in the heart of the Midwest, where you have John Deere, Caterpillar, Komatsu and other construction builders.

And then we're also supported by 3 downstream processing lines in Houston, Texas, St. Paul, Minnesota and Toronto, which extends our market capabilities with wide coil and making products, or making wide plate products that are a bit tailored in sizes, in quantities, much as P-O described, with the work that we do with stock points for quenched and tempered steels. So it -- as opposed to a number of our competitors, the location suits us quite well strategically.

And then as -- some of the things we've talked about in the recent past is small investments when we have identified areas to increase our productivity, be it the rolling mill or in the melt shop or downstream. You go back to our stated capacity as SSAB acquiring the old IPSCO, and that we were -- we built 2 steel facilities that were at 2.1 million, 2.2 million tonnes. And through some very small investments over the past few years, a lot that had to do with our scrap management, our scrap handling, how fast we could deliver scrap to the furnace, how fast we could fill a furnace, so on and so forth. And these continuous improvement projects and small investments now put us with a melt capacity of 2.7 million tonnes. And certainly, coincidentally, as we look downstream for the bigger and the higher profile investments, such as the Quench Line 6 to have that added capacity in order to fulfill some requirements in growth within our quenched and tempered steels, in addition to maintaining our market share for some of the more standard and premium products that we sell.

In addition, what we've been able to do beyond the continuous improvement areas of increasing production is securing a -- securing better maintenance practices on a daily basis, on a weekly basis and so forth that now has provided us the ability to extend major maintenance outages that literally cost tens of millions of dollars that every steel mill faces. And in our case, where we're set for what is expected to be a good run of better demand in plate, we've completed both of our outages at Mobile and Montpelier just in the last 8 months. So we're on a cycle now that we would not anticipate taking a mill offline for a major outage until late 2018 at best.

Looking at what we deliver now on the customer experience and further competitive advantages here. We also look to external surveys. Jacobson's one that some of you may have seen before. It's fairly well publicized in North America. It's been around for a number of years. It's a third-party studying -- study that -- a survey measuring a host of factors, but all summarizing to customer overall satisfaction. It includes OEM customers as well as stockholders. And in that area -- and currently, we remain #1 in overall satisfaction. We generally maintain that mantle, if you will, or a very high #2. We're especially proud of the quality area, as Martin touched on, since the inception of this survey that SSAB has maintained the #1 rank in quality of all plate mills in North America bar none.



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But maybe a little bit closer to home and somewhat as important, if not more important, that we look at is what's the real experience, what is the feedback we're getting from our biggest customers, particularly the biggest customers that serve the biggest segments that we have identified. And as you can see in these areas, whether agriculture, construction equipment with Komatsu and Caterpillar and in the transportation sector led by TrinityRail, who is the largest railcar builder in North America. In 2016, in -- expectations for '17 and going forward, we have the recognition and have a number of awards as their leading supplier for plate products in North America.

And then a final note and one of the advantages that we're looking at is how we use our sustainability message, particularly as a EAF producer and an EAF producer, who consumes a fair amount of energy from wind towers, renewable energy sources and opportunities to turn our sustainability advantage into a sustainability message for a number of our customers who can utilize this, whether these are in construction projects, energy projects and so forth, to create a sustainability opportunity for their companies as a supplier.

So our focus going forward strategically, and I won't go through all of these, as I have a short dive into several of them, but starting just a couple of comments on safety, which is our first priority as Americas and as a company. Americas has had a good track record, somewhere in the top quartile, as benchmark with other EAF mills. And as a matter of fact, in 2016, we actually had our lowest recordable rate in the history of the company. However, we did not achieve that same status in lost time injuries. So we no doubt have other opportunities to work on in the serious natures of -- serious nature of some of these injuries. And to that end, we're implementing new programs around safe start and programs that rely on improved hazard recognition and personal responsibility in decision-making when they're out there on the floor.

And then just touching on the rest of the cornerstones, leading home market position, our ambitions for really improving our profitability and leading profitability from our peers in the group in North America, the customer experience that I've just touched on and also continuing to lead the industry as the low-cost plate producer in North America.

And then lastly, I'll touch on in a minute some of the market opportunities that we continue to see and moving into new spaces with new products.

Strengthening our home market position, just to touch on, and somewhat related to what you've heard earlier, is engaging the customers on new opportunities and new products. Some of that goes hand in hand, as what P-O has described, with the quench lines down in Mobile that we're also engaged in moving as quick as we can up the chain for the Hardox products, the Strenx products at higher value and then through use of continuous improvement, continuing to look at these opportunities for more productivity or more efficiency.

On the -- one of the focus areas in bringing your attention, we also are using our cut-to-length operations downstream and bringing in products that we do not manufacture currently in North America, such as heavy plate from Europe and also some narrow strip product that we can run across our temper mills in the U.S. that really broadens and adds to our entire portfolio.

And regarding the low-cost leadership that we have today and look to maintain, a big part of that is continuous improvement and what you've heard here earlier. Some of that is day to day, the small projects and some low-hanging fruit and then identifying what are the larger barriers and some of the larger-term projects. And within that vein, some of the flexibility we continue to build in lies in our raw material strategy given the dynamics of the scrap market. In some of the other more advanced products we make, we're looking at a fair amount of experience using HBI or granulated pig iron that is coming from Oxelösund to supplement our scrap supply.

And then one of the future areas that we're looking at immediately is rolling mill productivity improvements. And one of the reasons for that is you look at the success of the last couple of years, and this one particularly in energy substitution, where we have now, through the installation of new oxyfuel burners, bringing cheaper natural gas to substitute for electricity at a -- not only a huge cost savings, but actually a much bigger increase in productivity that we hadn't anticipated. But as you can see there, savings of over \$7 million in 2016.

And now just to hit on some of the growth areas, I've touched on a few of these, particularly in the energy sector. But within the new product areas, some of these new products are coming from what we've invested in technologies, specifically smart segments in the caster area and getting a cleaner product, a better steel out of the machines and -- in order to supply some of the new API grades for both line pipe and downhole tubulars or new more advanced specifications that we now have the capability to do as opposed to a number of our competitors in the North America market.



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And we've also looked at, in 2016, reentering the bridge market as I've highlighted with the investment going on in U.S. infrastructure. Here, again, there's been a lot of advancements in the bridge steels using higher-strength material, lowering the weight for increased savings in competing against concrete. So we have a number of partners there that are listed and helping us with our ambitions.

So summarizing, going back to the macro, we certainly see the market is improving and trending in segments where we currently dominate. And we have -- we've accomplished that leading position by some success we've had in the -- with the customer experience, both in terms of service and in terms of quality. And the strategic priorities right now is maintaining that flexibility, moving in and out of markets that are either active or that present us with the best opportunities for return relative to our cost position and then optimizing our flexibility, both with coil processing lines, plate mills in U.S. and complementing some of that with European product to optimize our overall production. Thank you.

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**Per Hillström** - SSAB AB - Head of IR

Okay. Thank you, Chuck. We have a late lunch, but I think we can take a couple of minutes and invite Martin to have a short Q&A session (inaudible) we don't know if they're keen on asking something.

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## QUESTIONS AND ANSWERS

**Olof Grenmark**

Olof Grenmark, ABG Sundal Collier. Given that it's almost precisely 10 years since IPSCO was acquired into the SSAB family, maybe you could please elaborate to what extent you're actually now integrated within SSAB. I'm thinking about share of SSAB-branded steels and way of selling, et cetera.

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**Charles W. Schmitt** - SSAB AB - Head of SSAB Americas and EVP

Okay. The easy one would be in terms of the share of the products with the investment in the quench lines now. So if you look, as the combined capacity of QL5 and QL6, and Martin mentioned earlier, are both now running at full capacity. Just for the Mobile operation alone now, it is tracking towards probably 30% of our overall production now. You add to that, in terms of the impact, the technology sharing, although we have integrated operations in Europe relative to EAF, you'd be amazed at the commonality and the opportunities that we find in the rolling mill, the use, for example, of GPI out of Oxelösund taking into our furnaces that allow us to have a more refined steel. And as I said, I came out of Mobile with a lot of operators in the background and a very successful company at the time that, whether from an operators level or an engineering level now, that the culture change was really one of doing things really good to advance into more of an innovator and engineering with and looking at global solutions, would be my impression.

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**Martin Lindqvist** - SSAB AB - CEO, President and Director

On top of that, I would also say that we have a different sales model and a customer mix in the U.S. compared to 10 years ago, we were selling probably 85%, 90% via steel service centers. Today, it's less than 50%. And then it also goes the other way around. We've learned a lot in our Swedish and Finnish production system when it comes to productivity and ways of working with Six Sigma, Lean. So yes, definitely an integrated part of SSAB.

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**Olof Grenmark**

And then how has the SSAB-Rautaruukki merger changed your American operations?



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**Martin Lindqvist** - SSAB AB - CEO, President and Director

I didn't catch the beginning.

**Olof Grenmark**

How has SSAB and the Ruukki -- Rautaruukki merger changed your daily life and the IPSCO way of working, so to say?

**Charles W. Schmitt** - SSAB AB - Head of SSAB Americas and EVP

Well, probably, no doubt, a bit less impact. But the reality is that Ruukki had an exceptional reputation as well for its product in North America with a slightly different, should I say, distribution model. Olavi -- I don't want to put words in Olavi's mouth, but combining it and the reaction, the first reaction from our largest customers was that this was a merger that makes complete sense with the quality reputation coming in from Europe, combined then, again, with some of Ruukki's products in Q&T that we'll be looking to make at -- in Mobile as well. And now we have added with the automotive work that Tony is doing, we have a strong collaboration is because as you work down into those Tier 1, Tier 2 suppliers and so forth, right, that we begin to a bit cross-pollinate, and again, sharing market information, personnel development. And I think that's the bigger part.

**Per Hillström** - SSAB AB - Head of IR

Maybe one final before -- Christian, please.

**Christian Kopfer** - Nordea Markets, Research Division - Senior Analyst of Materials

Okay. It's Christian, again, from Nordea. Chuck, what is your view on the current capacity utilization on U.S. plate? And how it has developed the last few years, the capacity utilization?

**Charles W. Schmitt** - SSAB AB - Head of SSAB Americas and EVP

Capacity utilization? Well, over the past 2 years when, and it depends what utilization you're talking about, keep in mind, you've -- we've had one major plate producer go bankrupt. And so they were sidelined for several months. In this same period of the past 2, maybe 3 years, you've also had another major plate producer idle, either temporarily or permanently, its facilities. So from our utilization, 2016 was one of the tougher years we've experienced in quite some time. We've bounced around from about 70% to 80%, 85% versus what you've heard from either competitors or the domestic market of anywhere from 50% to 60% to 65%. Some of that was -- would be reflected in the share growth we were able to obtain. But when -- if you look at returning to a traditional 10 million-tonne market, at 10 million tonnes with current capacity rates in the U.S., it would be an underserved market. So we would actually require some level of imports to fill the full demand.

**Christian Kopfer** - Nordea Markets, Research Division - Senior Analyst of Materials

Right. And finally for me, you talked a little bit about oil prices. They have come down quite dramatically over the last couple of months. Is that something that keeps you awake at night? Or is it just a good sign that U.S. shale producers are taking market shares, which should be good for your volumes?

**Charles W. Schmitt** - SSAB AB - Head of SSAB Americas and EVP

Well anytime prices come down, it keeps me awake at night. We think there is just a bit of micro cycles at play right now. And probably one of the biggest, despite what would appear to be an opportunity for the domestic industry, the 232 investigation has created a lot of stress in the system, both to major end users that will now reconfigure supply chains, at least in theory, if not reality, and then stockholders who are trying to understand



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what direction pricing may take temporarily or on a permanent direction. And so I think that has created some of the pause, particularly on the stockholders, that has -- that pricing has retreated temporarily. But I think with the demand scenarios that are in front of us right now, the forecast on pipelines and construction and so forth bodes very, very well for a long-term demand scenario where pricing will be expected to be quite stable.

**Per Hillström** - SSAB AB - Head of IR

Okay. Thank you, Chuck and Martin. There will be more time at the end of the day to discuss the U.S. market also. So now it's time for lunch. We'll leave the webcast for a while now, back at 2:30. And lunch will be served here on the second floor, and there will be people directing here. So you will find it. So see you here at 2:30 then. We will continue the program. Thank you.

(Break)

## PRESENTATION

**Per Hillström** - SSAB AB - Head of IR

Welcome back to SSAB Capital Markets Day 2017. Welcome back also the web audience. And now we're going to the final section of the program, we have Research and Development, we have sustainability, and we also have last but absolutely not least our CFO Håkan, and also after that it will be time to have a discussion also with management. But we will start right away with Eva and maybe you can explain why these 2 pieces of steel are occupying the table.

**Eva Pétursson**

I wanted some company on stage. So hello everybody. I'm heading R&D and I have not worked for the company for 30 years, but I have worked for the company for 10 years. And my first 8 was working within application. I think all the previous speakers have been emphasizing the importance of being close to customers, developing their products and making them understand how to utilize our steels and also us understand how our steels should be fit into our customers' business.

So market-driven R&D, as said, all my previous colleagues have -- or speakers have actually been explaining how we do -- how we can have a market driven R&D working together with our customers. So this is an old picture and I think many of you might have seen it sometimes before. And I think we should be proud of the fact that this is an old picture. Proud of the fact that 30 years ago P-O started to work like this together with customers and then connecting that with application, research and development, product development and process development within our company. So that within our key segments, the segments that we have chosen to be the best-in-class in, we have good contact surfaces both internally and externally. And we are continuously building knowledge, not reinventing things, continuously building knowledge.

So we should be proud of the fact that this is an old picture and that actually stands out for us. We stand out in this compared to other companies. So within some areas the customers are actually -- have been and are driving our product development very strongly and that will be within lifting and Tony's segment, automotive. Very demanding customers. And also customers that really know how to benefit from high-strength steel. They also know that challenges connected to utilizing high-strength steels, and they can push the limits for us in our development.

So the lifting segment has been driving strength brand, the structural steel plates. They are the reason that we now have a world-class Strenx 1300 plate. They are the reason why we are during the fall introducing 2 best-in-class strip Strenx products. And just to emphasize how good a position we are within this industry, a couple of weeks ago one of our premium lifting customer's R&D manager called us and said we are doing some interesting developments during this fall and we want you to be part of it in the very beginning. I think that's quite strong evidence that we are doing the right things. So the other segment driving us is Tony's automotive. Again, very strong knowledge of how to utilize high-strength steel. And they have been driving the Docol brand. We have heard twice today about the 1700, that we were first in the world to introduce that to the market. And I can just confirm that that's true.



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And we are continuing to work, that is SSAB home turf, the cold-rolled automotive steels. So to sum up these 2, working together with this demanding customer means that we have steels with good characteristics that fit the key segments that we have chosen to be within.

And just, again, to emphasize how this industry is working and how demanding they are, automotive is now challenging all material distributors in doing third-generation automotive steel. It was shown down in a corner in Tony's presentation, but it's very, very present within strategic R&D. We need to figure out what the generation automotive steel is for us. And we have some really promising concepts utilizing the quenching line that we -- and the investment that we did in Borlänge and going into hot-rolled for automotive. Right, Tony?

So the Hardox customers, that's another story. The Hardox customers -- and I think we also heard that from Per today, that is where we recognized where our steels could benefit the end user and our customers. So we have been building the market by actively supporting upgrading from mild steel since 30 years. So that's a potential possibility to build market and is something that we have taken and done in a very good way. But this way of having customers business and focus, recognizing where our steel would benefit is also something that we have done with the Strenx grade steel. Strenx is used within agriculture or forestry or very much within heavy transport. We saw some pictures of that before. So building our own markets, Gregoire also mentioned that it is not taking from others but building our own market. That's a model that we have been using for a long time. And we do actually R&D projects together with customers to quite a large extent. We talked about also servicing several hundred customers with projects that will be utilizing the knowledge that we've gained in R&D projects. So how is R&D then contributing to the SSAB strategy and the unique product offering that we have?

So looking at the very generalized margin versus volume, obviously, as an R&D department, we need to work on new projects and new ideas, of course. But being the first on the market with the steel means that we also need to work a lot with addressing hindering factors for our customers to utilize these new steels for them to have products that their customers are starting to buy and appreciate. So R&D is working a lot within SSAB by removing technical obstacles. That could be working with design improvements of a structure, that was my home turf, or it could be addressing a geographical area, we could have certain environments that would be challenging for the steels. So always continuously removing technical obstacles for volume growth is a big area from R&D's perspective.

We also, of course, work with making high-volume products, add premium to high-volume products. Olavi was talking a lot about adding more premium. So that is an issue also for the R&D department. So we could add premium or we could also lose costs, of course. So I want to give you 2 examples now of where we have removed some obstacles and we see good potential in that.

P-O was already talking about the Hardox 500 Tuf. He also made a very technical description of hydrogen content in sour loading and the back being a real obstacle for us recommending this high-end steel in certain applications. So by addressing this very difficult issue, we have now come up with a steel that is much tougher as the name indicates.

Just to walk you through the -- we were talking about upgrading today, just to walk you through the logic of upgrading from mild steel and then also upgrading within the Hardox family.

On the left side, you will see a typical design of a mild-steel tipper body. It needs strengthening to the sides in order to work. Utilizing a high-strength steel Hardox, a high-strength Hardox means you can redesign. You can loosen the strengthening and you can completely have another design, hence losing a lot of weight just through that. Then also losing a lot of welding and manufacturing time, obviously. But also you will increase the life. So this is how the mild-steel tipper would look after some time.

So if you compare the mild steel in a commonware situation to a Hardox 400, you would approximately double the life utilizing a Hardox 400. Continue to upgrade this customer to 450 means that we add another 40% of life. And if we could expand the applicability of 500, we could add another 60% of life for our customers, so it's not only good for SSAB. Similar to what P-O showed you here, that has actually developed a lot, the steels, throughout the years.

The other example is a bending method and this is where I have my friends on the table. So another hindering factor for the really high-strength steel is that you have to pay what you gain in strength with formability, that's a fact. So the higher the strength of the steel, the larger the bending radius. And you can see the bending radius using a conventional method on this side of the strength 900 or on top, on the right-hand side. So this



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could be a hindering factor. If for instance, on the picture, there's a trailer chassis, we'll need -- you'll need a flat surface in order to attach things to it. It could also be a hinder in lifting booms in the lifting segment because they need flat surfaces to glide on.

So you might be tempted to force the steel into -- using a conventional method, force the steel into a tighter bending radius. You have the risk of cracking and you will not have a nice bend at all. So this is nothing that we recommend. So during some years, we've addressed this fact and we've come up with a new bending technique actually. It was patented. The patent was granted this March. And this technique is now handed over to Gregoire to leverage through SSAB services. So we can actually deliver to our customers a much more tight cross section using a high-strength steel -- still using a high-strength steel.

Digitalization. We had a question this morning about that. It's a big topic for R&D right now. It's a big topic because everyone is talking about it. There's a lot of research going on connected to digitalization. So what does the industry want to do with the fact that we will have an unlimited amount of data being stored and transferred and handled? What do we want to do with that? And the Swedish government is -- has launched a strategy to digitalize the Swedish industry.

So there's a lot of thinking around this going on, but there's no one outside of our company that can do the best things for us. So we need to relate to what digitalization can do for us. So we have a strategy resting on 3 pillars: we have the SSAB offering, SmartSteel and services, and I will come back to the thoughts around that. Customer interaction, how can we expand digital services around that area and also, obviously, our production and operations. Now we were early adapters with automatization in our industry, but now it's time to take the next steps.

When we automatized our factories that we have today, we had limitations that are now being removed. So how we can utilize that? We had -- last week actually, we started up an R&D project together with the new superheroes of the industry, which is mathematics and statistical people, looking into Big Data analytics, deep learning. And if we can connect more strongly our process controls throughout the lines with final product properties using every measurement that we are already doing and then where would we add sensors and measurements in order to leverage it even more. That's also something that we are being promised, more sensors that are cheaper.

So the SSAB SmartSteel. That's our way of thinking about the platform ecosystem or the platform business model that is being discussed within R&D right now. What would happen if all the stakeholders during the lifetime of steel, in this case, would share data? They would not only access but they would also add and use data throughout the life cycle. What would happen? What techniques do we need to make this happen? What new business models, Gregoire, could we have around this? If we could measure what is happening to our steels on the field, could we offer maintenance, for instance, predict maintenance -- predicted maintenance for our customers? But we are starting on our end -- right now we are starting on our end. So adding an ID -- we have an ID for our plates, but adding digital information to that ID for our customers to use in their digital factory. That's relating us to Angela Merkel's Industry 4.0. Martin was describing the manufacturer -- the crane manufacturer who had fully automatized lines. So what if the bending machine and the welding machine could talk to the steel?

They read the ID. They could actually -- they could immediately access the real data of the steel, the production at our customers would be very smooth. And what if our customers then add information about the bending and the welding? And what if the trailer chassis or the tipper body was equipped with sensors that also talk to this ID throughout its life? How could we learn and take the next step in being customer-driven R&D? How could we learn about how our steels are being used in the field? So we are only just scratching the surface still. We had a finished R&D project that ended last year with a pilot at a customer, a shipyard in Finland.

We realized also that we will need our customers and users and we know them. But we will also need new types of techniques in the digital world. So we will probably need new partners. Partners that we haven't been working with before. So we made an open call. Very scary from a steel R&D point of view where we like to keep things secret and we also like to know things ourselves, but we made an open call, come and co-create with us. And all the ideas and contacts that we actually got from this open call is now being further developed in 2 R&D projects newly started, one in Finland and one in Sweden.

So to sum up. We have, since long, a market-driven R&D that we should be really proud of. We are very close to our customers. They are staying with us and they are even contacting us when they are doing new developments. We have a very strong track record in being good at doing



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high-strength steels, both Hardox, Strenx and Docol. Digitalization opens substantial opportunities and we are relating to that both within business models and what we can learn from platform ecosystems and also within our production and operations.

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**Per Hillström** - SSAB AB - Head of IR

Okay, thank you, Eva. And did we have -- we have some little bit few minutes here if there's some immediate question on Eva's presentation here. Well then if not we can continue right away with sustainability. And thank you Eva and we invite Maria then to talk about sustainability for a moment.

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**Maria Långberg** - SSAB AB - Head of Group HR & Sustainability and EVP

I will take my friends. Okay. Good. Thank you. Hi, everyone. My name is Maria Långberg. I am responsible for HR and the sustainability here at SSAB. And it's a true pleasure for me to be here today and have the opportunity to talk about how we work with sustainability at SSAB.

I've been with SSAB 4 years now. So I'm a true newcomer if you're looking at my previous -- my colleagues talking here today. I have, during these 4 years, learned what a fantastic material steel is. Both, of course, from a user perspective that we've heard a lot about here, but also from a sustainability perspective. And I have to admit that before I joined SSAB, I didn't spend that much thinking around steel, but now I'm completely convinced that that's the best material in the world.

The heading on my presentation says sustainability embedded into business model and strategy. And what does that really mean then? Well, we have heard Martin talking today about our vision, a stronger, lighter and more sustainable world. Meaning that we are working together with our customers to find the optimal ways of using our steels in order to gain user -- positive user effects, of course, but also from a sustainability perspective. And the upgrading is the core of our business model. And that also has a truly positive impact on the sustainability aspects. So that's what I mean with embedded into the business model and strategy.

Let me start by describing how we actually have organized ourselves in order to work with sustainability in SSAB. We have a management team on group level consisting of key experts in all the different relevant sustainability areas. And each expert, they have their own networks out in the organization. So you can imagine it like a big spider net of people out covering the whole business, all divisions, all functions, working with the different sustainability areas.

In 2015, we did comprehensive work to identify the most material sustainability aspects for SSAB. And to do that, we interacted with our most important stakeholders like yourselves from the capital market, customers, suppliers, employees, NGOs. We did web surveys, we did interviews -- in-depth interviews. And the feedback that we got was very much aligned.

So we could quite easily identify the top 12 sustainability aspects where we have the biggest impact as a company. And around those aspects, we have built our sustainability strategy to make sure that we prioritize the most important areas. And to make it a bit easier to work with and communicate and be more transparent, we have 3 areas that we have divided that aspect into. Starting off with the sustainable offering part, which is, again, how we work with our high-strength steels together with our customers offering that external value proposition out of that.

We have the sustainable operations, which is more about our own internal efficiency and how we minimize the negative impact from our operations. And then in the responsible partner area, it's about how we contribute to the societies around us. We actually mean a lot out in the production sites, we are often the biggest employer and we often have the whole family working for SSAB. So we mean a lot there. So we have a big responsibility to manage that.

It's also about how we work with our code of conduct and business ethics, training and how we actually work with human rights. We are present in most of the countries around the world as you saw earlier. So that's a big responsibility as well. So this is how we have structured our work. We have defined -- linked to those areas, a number of targets and priorities that we want to follow and measure on a group level. Of course, we have a lot of other targets and priorities also out in the different businesses, but this is what we focus on, on a group level.



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In the offerings part, it is about driving and selling and increasing the upgrade of our high-strength steels to get more and more benefits out of the steel used in our customers' product. And I hope that you have had some time to talk to Thomas Hornfeldt out here and getting more information around the EcoUpgraded concept, which is all about that.

In the sustainable operations part, we have 3 environmental targets: one around CO2 efficiency, one around energy efficiency and one around material efficiency. Meaning that how we actually utilize the residuals coming out from the steel production, that's a lot of residuals coming out when you produce steel. And we want to utilize those in the best possible way, both by recycling back into our steel production, but also selling it as by-product externally to minimize the amount that we sell or that we actually have to put in landfill in the end.

In the responsible partner area, we have safety as a key priority. We want to be the safest steel company in the world. And you have heard more or less everyone talking about safety earlier today as well. So that's a key priority. It's about code of conduct implementation and training our business ethics and anticorruption for all employees. We have also defined a target on group level for gender diversity. Diversity is a much broader area, of course then gender diversity, and we work with that in different ways. But we have a target defined on group level for gender diversity saying that 30% females in top management positions by the end of 2019. And as you know, the steel industry is quite male-dominated. So it's quite a tough target actually.

And then, also, working with our suppliers and responsible sourcing is a critical area for us. And we have different priorities in this area. One is for all suppliers in our medium and high-risk countries to do a self-assessment. So that's one example of what we are doing in this area when it comes down to environmental and social aspects. So you might wonder now so where are we against those targets and priorities? How are we doing? Let's have a look.

In 2016 then, some feedback on where we are, starting off with safety. We had a good trend from 2013 to 2015 reducing the number of LTIs in the company. Unfortunately, it went up in 2016, but year-to-date 2017, I had to put that in also, because now we can see, again, that the trend is growing in the right direction. And now the difference between the colors here is the blue ones are including contractors. So we're following that only now. So it's both employees and contractor's accidents. It is a key priority for us. We are focusing heavily on safety in the company. In the group executive committee, we look at the safety situation in every meeting.

It's the same in divisional management team meeting, site management and so on. And we do training and awareness campaigns. And yes, a lot of things in this area. And that is -- we are convinced that we are doing the right things. It takes time to get where we want to be, but we are moving in the right direction.

When it comes to the environmental targets, we are delivering according to plan in all 3 areas. It is actually so that related to the residuals target we have overachieved that. We had 30,000 tonnes as the target for 2019. And we reached 36,000 tonnes last year. So now we are revising that target and will communicate the new one soon. Also in the area of gender diversity, we have made improvements. We moved from 23% in 2015 to 27% of the top management positions for females in 2016. So we are on the right track here. And this is on group level. And of course, we are doing a lot of other things, not only driving the top management gender diversity but on group level that's what we focus on. We believe that it's important to have role models in top management also to drive and improve the statistics and increase the number of females out in the organization.

And then last but not least here, the HYBRIT project, of course, that was launched in April 2016. A big thing for us to launch that, and now we have been working with that for a year.

One single most important material aspect that all the stakeholders raised as the single most important one are the CO2 emissions. As Martin said earlier today, we stand for 10% of the CO2 emissions in Sweden and Finland today due to the process when you have to use coal for producing steel. So I would like to dig a little bit deeper into that area and highlight a few things related to this.

It says in the heading, SSAB is a leader in addressing climate change. And that is a bit strange you might think when I just said that we stand for 10% of the CO2 emissions. It could be strange to look at it like that. But when I put it in a broader perspective, I think it goes well hand-in-hand actually.



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By using high-strength steels and the upgrading, you have heard that we can reduce the CO2 emissions during the use phase. And it is actually so that the more we upgrade, the more benefits from a CO2 perspective we actually get. And we can mitigate the emissions from the steel production by upgrading. So that's the single most important contribution that we have from our -- from a sustainability or CO2 perspective.

And then, also, looking at the CO2 emissions short term and in our blast furnaces, today we are the world leader in CO2 efficiency. It is actually so that we are 7% more efficient compared to the rest of the European producers today. 20% more effective than China and 40% more effective than India. So it's better for us to produce the steel here in Sweden than in India, for example, for the climate. But we are not pleased with that, as you have seen. We want to be the leader long-term in driving climate change. And that -- the only way to address the CO2 emissions from the steel production is really to develop a completely new technology. And that is what we are aiming for with the HYBRIT project.

And then in the U.S. as we heard Chuck talking about today also, we are 100% scrap-based today.

Right, so last but not least, I want to say a few words around agenda 2030 and the UN sustainable development goals. I think it's pretty amazing that the UN member states in September 2015 adopted the 17 development goals. 193 countries signed on to this initiative to make sure that the world stays good but becomes even better in the future.

And as you know these 17 goals, they cover more or less everything, there are -- I think there are like 160 aspects below these goals also. So that's a huge program. And right now there are activities going on in each of member states to look at how should we then implement it in each country. And part of that implementation is, of course, the companies and the business in those countries are critical.

And SSAB, we are 1 company here in Sweden and also on the global arena. And if we look at the SSAB business, I would say that we are more or less contributing to all 17 goals.

But in order for us to be a little bit more focused and concrete, we have defined 7 out of these goals where we see that we have the biggest contribution. And I have talked about most of them already. We have the gender diversity; the energy part, of course; the industry and innovation and infrastructure we heard about during the day as well; of course, climate, that is a huge one that I have talked about already. And then, we also have the peace and justice and strong institutions. And in this goal, we have the anticorruption part, which is a critical area for us to work with. So that's why we have highlighted that as well.

The one that I haven't talked so much about directly today is #17. And I would like to say a few words around that because I think that is more or less -- it's like a prerequisite for the rest of the goals to be successful. Partnerships for the goals. It's about collaboration. I view sustainability as an area where you really need to collaborate with others in order to make long term sustainable impacts.

And that goes between countries, between industries, between companies, between people, that's the whole idea of sustainability, that you drive things together with others. And I think that is core of how we work with sustainability at SSAB today.

Market-driven R&D, how we work, again, with our customers -- together with our customers to develop solutions more sustainable. How we have signed up to the Global Compact and work together with more or less 10,000 companies that have signed into this program. And HYBRIT, a huge collaboration project together with LKAB and Vattenfall and the Swedish government. That would not be possible to do by ourselves. And we have other examples here as well. Swedish Leadership for Sustainable Development, an initiative from SIDA where we, together with other large Swedish companies, have regular meetings to discuss how we can together support the sustainable development in the world.

Fossil free Sweden, I think, is really interesting also. It's the Swedish government that has initiated this initiative. And there's company signing onto this. And I'm actually part of the steering group of that initiative. And we discussed how can we best drive a fossil-free development in Sweden. So it's really interesting to take part in those discussions. So that was actually my last words, collaboration for our long-term sustainable solutions.

And by that, I'm done.



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**Per Hillström** - SSAB AB - Head of IR

Yes, thank you, Maria. Do we have any questions now on Maria's part of sustainability here? Okay. Then we move to our final presenter here. Please, Håkan. We have heard today about our growth initiatives and will they really support now our P&L going forward?

**Håkan Folin** - SSAB AB - CFO, Head of Global Business Services and EVP

I believe they will. Hello everyone, and thank you all for coming. And thank you very much for staying the whole day. I'm glad to see that the room is actually still full even at this hour. Excuse my voice. So what I will try to do, I will try to link what you've heard today from the previous speakers, how that will impact our financial performance and also how it will link to our financial targets.

We heard Martin present this slide before, showing the staircase where we are moving up towards industry-leading profitability. Where we today are still focusing on cash flow and strengthening the balance sheet but more and more moving into the profitable growth and then heading towards industry-leading profitability.

We have 3 financial targets: the first one is relating to profitability where we want to have industry-leading profitability where we measure this as EBITDA margin compared to our peer group. Number 2, capital structure. The target is that we should have a net-debt-to-equity ratio of around 30%. And the third one on the dividend side where our target is that we should distribute 50% -- around 50% of our net profit to our -- back to our shareholders.

And now I'll come back to each one of these 3 and show how we are performing and also the outlook going forward.

So starting then with profitability focus on the EBIT and the EBITDA margin. We have seen a significant improvement in earnings over the last few years. If we look at '14 and '15 here, while we were slightly negative on the EBIT side. In '16 then, we had a positive EBIT of around \$1.2 billion. And in '17 or rather Q1 rolling then we have increased, so we are now above \$2 billion in EBIT.

So where is this improvement coming from? Well, a very large portion is coming from the merger with Ruukki and the synergies that we have realized. We have also done a lot of other cost-saving actions in the Americas, as Chuck talked about, within Ruukki construction and in the other divisions as well.

We have, definitely between '15 and '16, seen a good mix improvement. You heard Tony talk about 27% growth in automotive. We had 8% growth within special steel between these years. So that's, obviously, also supporting the profitability.

And then, finally, we have seen a better market in '16 and '15 and also now beginning of '17, but I would definitely argue that a large portion of the improvement is not driven by the market but is actually coming from our own actions.

So how are we then doing compared to our peers? Well, I would say we are doing okay, but we are so far not doing good enough. Out of this peer group of 8, we were #3 in 2015. And we were also #3 in 2016. The difference between '16 -- '15 and '16 are that we are decreasing the gap between us and Nucor, who are actually the leader in both of these years.

So from 4.7% to 3.5%, but we're still #3. I am convinced, though, that with the targets that we have presented today and with the actions that we have, that in the coming years, we will definitely improve our relative position.

So what are the targets then that we have talked about if we summarize then on one page? We talked about the ambitious growth target in special steel, where we're going to grow from 1 million to 1.35 million tonnes up until 2020. So it's a 35% growth, and P-O presented how he is going to drive that growth.



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The second target then, we have the automotive premium growth up to 750k tonne from 442k. That's a growth of around 70% over these 4 years, and Tony explained how he will both take market share, but also use the underlying demand for more advanced products within the automotive industry.

The third target then, which Martin pointed out being an easy target, well, it's still a doubling of Hardox -- almost a doubling the number of Hardox Wearparts members from '16 to '20 from 265 up to 500. We are on our way there. We showed that we have already, today, we have broken the 300 bar. So we're definitely on our way, but it's still quite a big leap to do. And the most important thing is what Gregoire explained, not only to get more members into the network but also help these members to increase the volume, which we can only do by working very closely with these members.

The fourth target is the premium mix improvement within SSAB Europe, moving from around 30% in 2016 to 40% in 2020, where the automotive growth is definitely a strong contributor.

Then the fifth and the final target is for plate market in North America that we're going to -- as Chuck explained and reinforced that we are going to be the market leader on the North American plate market. And over time, we should have a market share of around 30%.

So how will this volume and growth and mix target then help our profitability? Well, they will do it in several ways, and actually, a bit different ways depending on what the targets are. If we start with special steel, well, we will get high revenue because we will sell more of these products. We will also get an operating leverage from volume. P-O showed that we have 9 quenching lines throughout the company. If we can drive growth of these products, we will also better utilize these assets. We will also, through product and channel upgrades, increase the margin per tonne -- the average margin per tonne we have both in special steels, but also on a group level.

For services, that will also add -- on top of the plate sales, it will add additional revenue and additional margin, but also very important reason why we want to grow in services is to smooth out the cyclicity of the business. We see that already today for our Hardox Wearparts members that they are less cyclical than the other parts of the business. And if we can do more things like the excavator bucket that Gregoire showed before that things that are being worn and used and where we really add knowledge and value to our customers, we can also decrease the cyclicity.

For the mix improvement, that will definitely also drive higher revenue and will also help us increase margin per tonne.

The last on this slide, but definitely not least important because this is really a cornerstone of our strategy, is that we need and should and we will going forward, be a leader within our home market. And by being close to the customer, producing, having short delivery time, good delivery position, we will be able to get high margin per tonne for these products.

I will try to illustrate this a little bit in this illustrative picture, where we have profitability index on the y-axis and then different product groups on the x-axis. If we start here on the left-hand side and with the standard hot-rolled coil and plate, well, it's lowest on the profitability index, but it's a quite wide range. That depends very much if we are selling the coil or the plate to a customer that's close to us, that's a partner customer or if we are selling it on the spot market a bit further away from the mill. But if we can utilize the 3 cut-to-length lines we have in the Americas or the service centers we have in Europe and we can actually process the product, we also get a somewhat improved margin on this product. And if we can further produce the product and trade to tubular products or sell it into the automotive segments, we can also continue to increase the margin per tonne that we get. But the real profitability improvement, that is when we can move to the most right-hand side of this slide and sell quenched and tempered material. And here, we have the best margin, and this is also a bit wider than some of the other ones because it also depends here if we are selling Raex or if it's Hardox, if we're selling it directly to the end user or if we're selling it via stock or if we are also adding some service component to it. But moving up here, the value chain will help us increase our profitability.

I mentioned operational leverage before, and I will explain a bit how that differs between divisions because it is actually quite a big difference. On this pie chart, you have a variable cost in blue and you have fixed cost in -- I guess in some type of gray. And if we start with the Americas, it's a very large portion on variable cost, and we have also done some type of shading for the fixed part because it's fixed according to SSAB definition. But in the Americas, a large portion of the fixed cost is actually only semi-fixed. So when we produce at a good rate in the Americas, we will actually



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pay more to our operators. But on the other hand, when we will go down in consumption or in production, we will pay less. So in that sense, we have a built-in mechanism in the Americas division to be able to manage the swings in a good way.

If we move to special steel on the other side of the slide, it's a bigger fixed portion. And there, what we can get operational leverage from here is to really fill up the 9 quenched and tempered lines that we have, which is part of P-O's strategy.

And then in the middle, we have SSAB Europe, where we have the largest fixed-cost proportion, and Olavi commented on that. The target for us is not to grow total volumes in SSAB Europe and get the operational leverage out of that, but the target is actually to improve the mix and also to further downstream processing. So here, we can get operational leverage from using the tubular lines, using the cut-to-length lines, slitting, et cetera. And that then, we will get the operational leverage also in SSAB Europe.

Continuous improvement, we talked a bit. Martin talked about it, and all the divisional heads talked about it. We're working with it very intensively right now. There's a large number of efficiency actions going on across the divisions. However, it's not something where we are, from headquarters, sitting, directing what it is that needs to be done. But this is really coming bottom up, and their ideas on how to improve things are definitely coming bottom up. We are following this on a monthly basis. We had a structure in place for following up the synergies. That worked fairly well. So we took the same structure, and we are now doing the follow-up for the continuous improvements work. And it varies a lot what type of different work it is. Some of it is really small improvements every day, doing things a little bit better than you did yesterday. But then we have also identified a number of larger projects, which we've heard some of them, the rolling hours in Oxelösund, the continuous annealing line in Borlänge, (inaudible), et cetera, et cetera. For these larger projects, there we translate operational KPI, so how much volume can we get out to the galvanizing lines or the continuous annealing lines, and we actually translate that into what will the dollar impact be then. And that we follow then on a monthly basis to make sure that all the effort we put into continuous improvement is also actually flushing through all the way down to the bottom line.

So that was the profitability target. The second target then in terms of capital structure is to have a net-debt-to-equity ratio of 30% or a gearing ratio, as we most of the time talked about. And I will start by saying that, today, we have a much stronger balance sheet than we had 2 years ago. You can see both in terms of absolute debt level, which is on the -- well, I guess, it's green bars here. We have decreased that quite substantially. And also, in terms of the gearing, which is the blue line here, we are now at 32%, which means we are close to the long-term target of 30%. What does that give us then? Well, it gives us lower interest cost, and it also gives us much more flexibility and possibility to invest in the future going forward when we have created this stability.

We do have, as Martin pointed out, one target remaining from the refinancing package that we announced in April a year ago, and that is, reduce our net debt by in total SEK 10 billion. We have, so far, gotten contribution from our shareholders. We have generated some cash flow ourselves. So we are at SEK 7.7 billion after the end of Q1, which means we have an additional 3 quarters to go to realize the full SEK 10 billion target, so SEK 2.3 billion in 3 quarters. And it's something we have a very strong focus on internally, and we are fully committed, and we will deliver on this target.

One way to do this is, of course, to work more efficiently with working capital. And I would say that the last 3, 3.5 years, we spent a lot of time preparing for the Ruukki merger, and then doing the Ruukki merger, getting the synergies out, making sure we maintain market shares, reducing headcount. And working capital hasn't really been on top of the agenda, but it is now. It's a key focus in all divisions, and I can assure you that Olavi, P-O and Chuck, they know very well what they need to deliver by the end of 2017 in terms of our working capital improvement. We have identified what the opportunities are, and we have a lot of actions that are being implemented right now. And what we're following is very much how efficient are we looking at working capital overseas. We have seen a slight improvement trend over the last few months. And I'm convinced that when we realize these actions that we're doing at the moment, we should see this continuous improvement for the remainder of the year as well.

And this is so important for us that we become more and more efficient with working capital. Because if P-O is going to realize his growth, a lot of that is coming from stock sales. Tony is going to realize automotive growth, a lot of that is coming from stock sales as well. And we don't want to just do that by increasing working capital and putting it on stocks. We want to do it by becoming more efficient in how we really operate with working capital.



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Then coming to investments, and I hope I will answer your question from earlier today Anssi. This is how it had looked the last 4 years in terms of investment, and I would say 2014 was a fairly normal year than we were at around SEK 2 billion. 2015 was a bit of a different year because then we had the relining in Luleå, and that is really a huge investment to do such a relining.

And then 2016, that's when we did the rights issues last year, then we were being very restrictive on capital expenditure and we were only at around SEK 1.3 billion. What we have said is that for this year and also going forward, we will be around SEK 2 billion. This year might be slightly lower because we are very focused on reaching the SEK 10 billion target. Going forward, it might vary a few hundred million up and down depending on different investments that we find attractive, but around the SEK 2 billion level is where we are planning to be.

And a few comments related to investment. For special steel and realizing the growth plan announced by P-O, we have installed capacity to do so. We will keep the investment level below depreciation. Depreciation all around SEK 2.9 billion. On top of that, we also have amortization of surplus values of around SEK 0.9 million, so in total, SEK 3.8 billion. And now we are saying, we will keep investment at around SEK 2 billion. So why can't we do that? There are 3 reasons: One is the merger, SSAB and Ruukki. Before SSAB invested something here in Sweden, Ruukki did the same in Finland. Now we will decide. Either we do it in Finland or we do it in Sweden, but we're not going to do it in both places.

Second reason is that, as Martin said before, we maybe were a bit too early and invested too much, but we did that 2010 to 2012, and spent SEK 5.3 billion in all SSAB on strategic CapEx, building, for example, Quench Line 6 that Chuck talked about before. Those investments are down and we have those in place in order to drive the special steel growth. The third reason is that we have fairly recently relined our major blast furnace Luleå 2015, row in '10 to '11 and Oxelösund, if I remember correctly, I think it was 2008. So where do we need to spend the strategic CapEx then going forward? Well, we said we're okay for special steel to a large extent, if or rather when Tony will grow automotive as he said, we will need to look into how to support that a little bit. We will also need to look into if we want to grow services what type of investments do we need to do there? Not to get the additional Hardox Wearparts member, but if we want to work more with complementary products that Gregoire explained we might need to look into investing in services as well.

Investments will naturally impact our cash flow. What you see on this chart is the cash flow trends in 2010 up until 2017 rolling 12 months after Q1. I would argue that excluding 2010, when we had part of this huge strategic investment package, we have actually been fairly decent and in some years, even okay, in generating cash flow. And we have also done that in a different market environments. In 2015, we saw before, we had a negative EBIT. We were still able to generate close to SEK 3 billion in operating cash flow. 2016 was a year with growing sales that increased working capital but also down, we're realizing operating cash flow of SEK 2.3 billion.

And when I look forward, I see that we have good potential to improve our profitability. We are well invested. We have a very strong focus on improving our working capital efficiency. Given the lower net debt and gross debt, we will have lower interest costs going forward as well. So all in all, I foresee that we should continue to be able to generate good cash flow.

So our third and final financial target, and it's relating to dividend, where we say we want to distribute over the cycle and taking into account our given situation around 50% of net profit. And I believe there was a question from this part of the room earlier today regarding how we look at the dividend going forward and I'll try to answer that on the next picture.

What you have here is how it has looked historically since 2012. You have the blue bar, which is dividend per share and you have the green ones, which is earning per share. So last time, as I said, the paid out dividend was for the result in 2012, so paid out in 2013. Since then, we've had fairly weak market conditions and we've had negative EPS '13, '14, '15 and then we have not had any dividend.

In '16, we have the positive EPS but at the same time, we did the rights issue and we now have the focus on the debt reduction. So for the result of 2016, the AGM decided, again, not to pay out any dividend. But our ambition then is with improved profitability, reduce net debt that we should be able to and have us a target to resume dividend going forward.

So trying to summarize then what the messages I have conveyed and trying to relate that to the previous speakers then, we are foreseeing a top line growth, driven by special steel. We have the home market leadership, the mix improvement and also the efficiency actions we're taking that will support group profitability going forward. We are well invested to achieve the target. There might be some areas where we want to invest



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some more but overall, we are well invested to reach the growth targets we presented here today. We are reducing our net debt according to plan. We are very committed to realizing this SEK 10 billion by the end of this year. And when I look at the platform we have created over the last few years and when I listen to divisional heads, Tony, Gregoire and the commitment they have in realizing their targets, I feel very convinced that we are on our way towards industry-leading profitability.

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**Per Hillström** - SSAB AB - Head of IR

Okay, thank you Håkan, and now we can open up for questions, and I think also we can maybe widen up in here. We have a hand -- a microphone for you also if you don't want to put on the headset there.

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## QUESTIONS AND ANSWERS

**Per Hillström** - SSAB AB - Head of IR

Yes. Welcome, Martin. So I guess there must be some remaining questions here on today's program. So please, all the presenters are available here in the room also. So please go ahead then.

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**Antti Kansanen** - DNB Markets, Research Division - Analyst

Antti Kansanen at DNB. Is there a change regarding Ruukki Construction or Tibnor regarding the -- now today percentage strategy something that takes them away from the core operations or brings them closer to?

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**Martin Lindqvist** - SSAB AB - CEO, President and Director

No. We have exactly the same view. I mean, we are a steel company. We are focused on producing or selling, distributing and producing steel products. For us, Tibnor and Ruukki Construction, they are channels to the market. We keep them a bit distant from the steel operations because we work also with our competitors on the same terms that we work on Tibnor and Ruukki Construction. So no change at all.

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**Antti Kansanen** - DNB Markets, Research Division - Analyst

What would be the effect on the European deliveries if you would decide to divest the construction business for example?

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**Martin Lindqvist** - SSAB AB - CEO, President and Director

Depends on how we would divest it, but they are taking volumes from Europe and from Hameenlinna, color-coated volumes. They are on the -- over the biggest, if not the biggest customers, but we have plenty of other customers as well taking color-coated products. So I think they take something above GBP 150,000-or-so on a yearly basis.

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**Per Hillström** - SSAB AB - Head of IR

Maybe we have another question here or, yes Olof, please?



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**Olof Grenmark**

Olof Grenmark, ABG Sundal Collier. A question pretty much on the same theme. Just to clarify it Håkan, when you say that we will deliver on this target and then you're referring to the remaining SEK 2.3 billion in net debt reduction 2017. Is that based on your profitability? Or is it also based on possible restructuring?

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**Martin Lindqvist** - SSAB AB - CEO, President and Director

It's based on free cash flow generation.

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**Olof Grenmark**

From profitability or from potential sale of business units?

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**Martin Lindqvist** - SSAB AB - CEO, President and Director

As we've said before, regardless of any changes in business, so what you're referring to, we will deliver on the target.

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**Alan Spence** - Jefferies LLC, Research Division - Equity Analyst

Alan Spence, Jefferies. Just in terms of dividend, you talked about it being a potential moving forward. Should we read into that, that it could be back on the books at the end of 2017 assuming you do it at your balance sheet deleveraging and you seem pretty confident on that?

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**Håkan Folin** - SSAB AB - CFO, Head of Global Business Services and EVP

Well, it's obviously not for me and not even for Martin to decide. It's for the Board to recommend and for them to decide. But when we realized the SEK 10 million target, I mean, we said before, we are at 32% net gearing. When we were down to SEK 10 million target, we will be below the 30% and then the AGM would have more of a, you can call it, an easier choice or more freedom to propose the dividend or the Board would have for the AGM to decide on.

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**Per Hillström** - SSAB AB - Head of IR

Do we have any further questions? Take the opportunity now. Okay. Then, I think Martin, it's time to, maybe, do a summary then of the day. If we then can have the, yes, the summary.

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**Martin Lindqvist** - SSAB AB - CEO, President and Director

We have tried to explain. I think we are on a journey. We are far from done. We have started the journey regardless if it started 2.5 years ago or 140 years ago in Borlänge. But we have set some things in order. I think we have a solid platform to work from. We have a cost position that is okay, still a lot to do and we will attack that by using continuous improvements. We still have a way to go when it comes to the balance sheet, but I feel that we are on our way to reaching that target as well, the SEK 10 billion and being below 38% net gearing. What we tried to share with you today was the ambitions within growth, within special steels, automotive, service aftermarket and how to develop the home market leadership. And I'm, together with my colleagues, convinced that we are capable of doing that. We have, I would say, fairly ambitious targets, but I'm not feeling any worries about reaching those targets. And when we reach them or even before we reach them, I can't really understand being an old CFO and controller, why we wouldn't be able to present industry-leading profitability. So with that, I hope you found the day interesting and fruitful. And we had a lot of slides and a lot of details on the slides and I guess you'll come back and ask us questions over time about how we are doing compared

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to the targets? So with that, if you don't have any further questions, I would like to thank you all for taking the time and participating in this Capital Markets Day.

**Per Hillström** - SSAB AB - Head of IR

Thank you. And then we say thank you and goodbye to the web audience. And for those of you who like to stay and perhaps have a more informal discussion with management, we will arrange some cocktail fair. So you will have additions now also to talk to them more informally after the conclusion of the official program that ends here. So thank you very much for coming. Hope you have a nice evening. Thank you.

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