



# **Strong cash flow despite somewhat lower result in Q2**

Presentation of the Q2/2015 result

Martin Lindqvist, President and CEO  
Håkan Folin, CFO

July 22, 2015

**SSAB**

# Agenda

- ▶ Q2/2015 in brief
- ▶ Performance by division
- ▶ Financials
- ▶ Summary and outlook
- ▶ Sustainability & energy
- ▶ Q&A



# Q2/2015 in brief

# Summary of Q2/2015

## Strong cash flow generation

- ▶ EBIT amounted to SEK 301m
- ▶ Result in line with Q2/2014
  - Impact of lower prices of more than SEK 1bn
  - Compensated by lower costs (incl. synergy realization) and higher volumes
- ▶ Strong cash flow due to positive result and lower inventories
- ▶ Relining of the blast furnace in Luleå started

## Key figures, SSAB Group Q2/2015

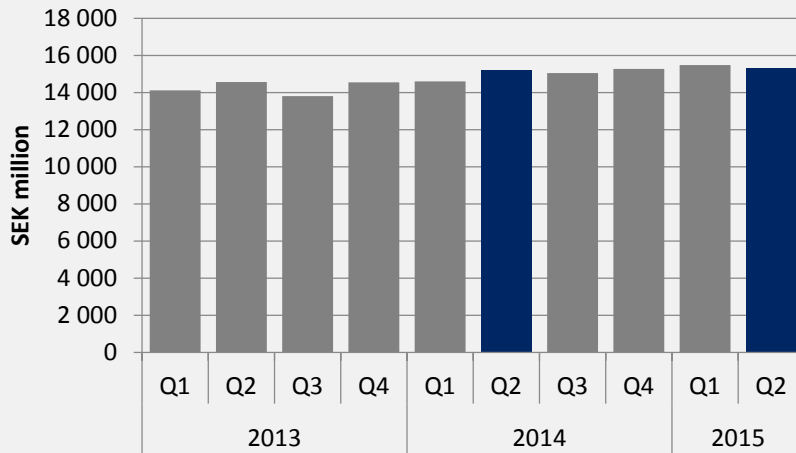
SEKm	Q2/2015	Q2/2014 <sup>1</sup>
Sales	15,303	15,208
EBITDA <sup>2</sup>	1,246	1,230
% of sales	8.1	8.1
EBIT <sup>2,3</sup>	301	389
Operating cash flow	1,462	528 <sup>4</sup>
Shipments, ktonnes	1,722	1,732

- 1) Pro forma figures as if SSAB had owned Rautaruukki during the period
- 2) Excluding items affecting comparability
- 3) In the pro forma figures for Q2/2014, depreciation/amortization on surplus values related to the acquisition of Rautaruukki is not included
- 4) Actual

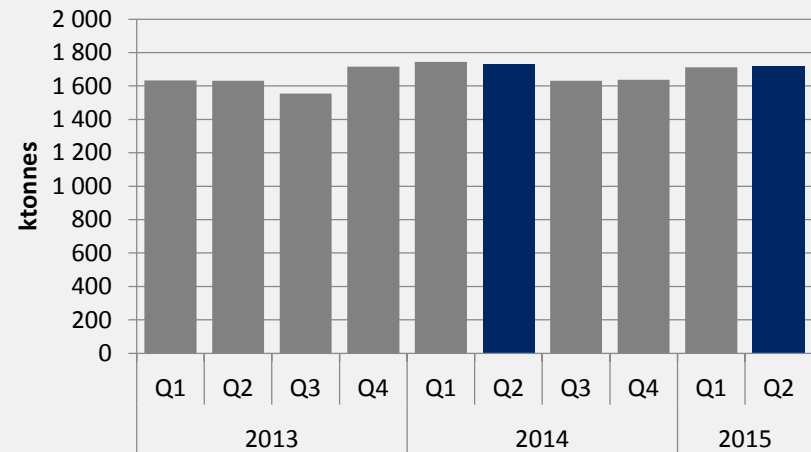
# Sales and shipments steady vs. Q1

Group figures<sup>1</sup>

Sales



Shipments<sup>3</sup>



EBITDA and EBITDA margin<sup>2</sup>



EBITDA<sup>2</sup> per tonne/delivered steel<sup>3</sup>










1) Information for the reference periods (2013 and 2014) is based on pro forma figures as if SSAB had owned Rautaruukki during those periods

2) Excluding items affecting comparability

3) Including the steel operations: Special Steels, Europe and Americas

# SSAB's key customer segments' development

Segment	Q2/15 vs Q1/15	Comments on Q2 development
Heavy Transport		▶ Heavy Transport remained at a high level in Europe and the US
Automotive		▶ Continued healthy demand globally
Construction Machinery		▶ Stable demand at a low level in Europe ▶ The US market has yet not improved, and the Chinese market remained depressed
Mining		▶ No visible improvement during Q2
Energy		▶ Continued good demand for wind towers in North America ▶ Demand for pipelines improved slightly
Construction Material		▶ Seasonally higher demand vs Q1, but lower than previous year ▶ Good demand in Sweden and Poland. Weak demand in Finland, and very weak demand in parts of Eastern Europe and Russia
Service Centers (US)		▶ Demand did not pick up in Q2 ▶ Destocking throughout Q2

# Development by division

# SSAB Special Steels

Stable performance in slow demand environment

## Key figures

SEKm	Q2/2015	Q2/2014 <sup>1</sup>	Change
Sales	4,077	3,477	17%
EBITDA	433	471	-8%
EBIT <sup>2</sup>	293	338	-13%
Shipments, ktonnes	260	295	-12%

- 1) Pro forma figures as if SSAB had owned Rautaruukki during the periods
- 2) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki

- ▶ Sales increased 17 % vs. Q2/2014 due to currency effects and higher slab sales internally
- ▶ Shipments were stable vs. Q1/2015, but decreased 12% vs. Q2/2014
- ▶ Profit decreased vs. Q2/2014 due to lower prices and lower volumes. Higher profit vs. Q1/2015 due to better capacity utilization and lower variable costs

## Sales and EBITDA margin<sup>1</sup>





# SSAB Europe

## Blast furnace relining in Luleå started in Q2

### Key figures

SEKm	Q2/2015	Q2/2014 <sup>1</sup>	Change
Sales	7,097	6,568	8%
EBITDA	459	383	20%
EBIT <sup>2</sup>	94	10	840%
Shipments, ktonnes	991	916	8%

1) Pro forma figures as if SSAB had owned Rautaruukki during those periods

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

### Sales and EBITDA margin<sup>1</sup>



- ▶ Shipments 8 % higher vs. Q2/2014 and 2% higher vs. Q1/2015
- ▶ Higher profit vs. Q2/2014. Lower costs (inc. synergy realization) and higher volumes more than compensated for lower prices
- ▶ Lower profitability vs. Q1/2015 due to the blast furnace relining in Luleå

# SSAB Americas

## Lower prices due to destocking at Steel Service Centers

### Key figures

SEKm	Q2/2015	Q2/2014 <sup>1</sup>	Change
Sales	3,027	3,152	-4%
EBITDA	313	299	5%
EBIT <sup>2</sup>	154	176	-13%
Shipments, ktonnes	471	522	-10%

1) Pro forma figures as if SSAB had owned Rautaruukki during those periods

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

### Sales and EBITDA margin<sup>1</sup>



- ▶ Shipments decreased 10% vs. Q2/2014 and 1% vs. Q1/2015
- ▶ Profit in line with Q2/2014. Significantly lower prices offset by lower costs
- ▶ Profit declined vs. Q1/2015 due to lower prices

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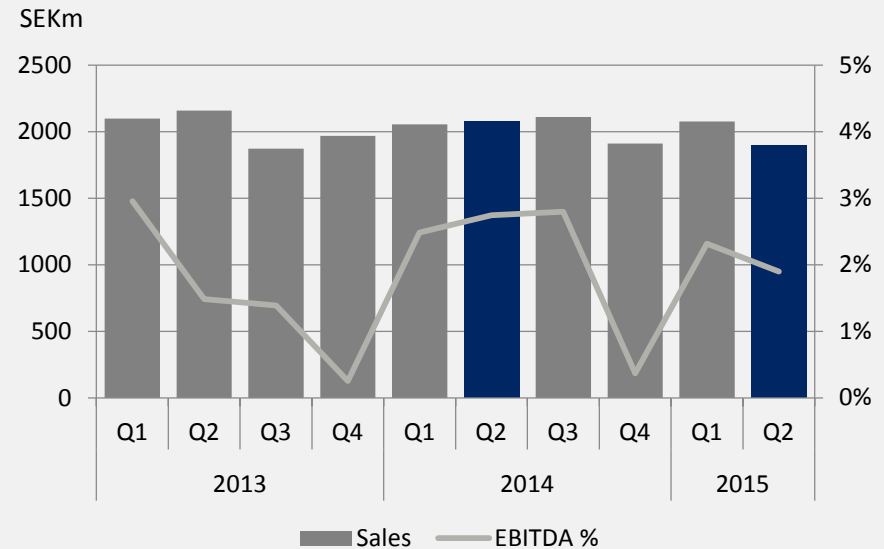
## Stable volume development

### Key figures

SEKm	Q2/2015	Q2/2014 <sup>1</sup>	Change
Sales	1,899	2,077	-9%
EBITDA	36	57	-37%
EBIT <sup>2</sup>	16	34	-53%

- 1) Pro forma figures as if SSAB had owned Rautaruukki during those periods
- 2) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki

### Sales and EBITDA margin<sup>1</sup>



- ▶ Sales declined due to divested remedy assets
- ▶ Total shipments were up 1% vs. Q1/2015 and 2% higher vs. Q2/2014 (adjusted for divestments)
- ▶ Lower price/mix explains the drop in profitability

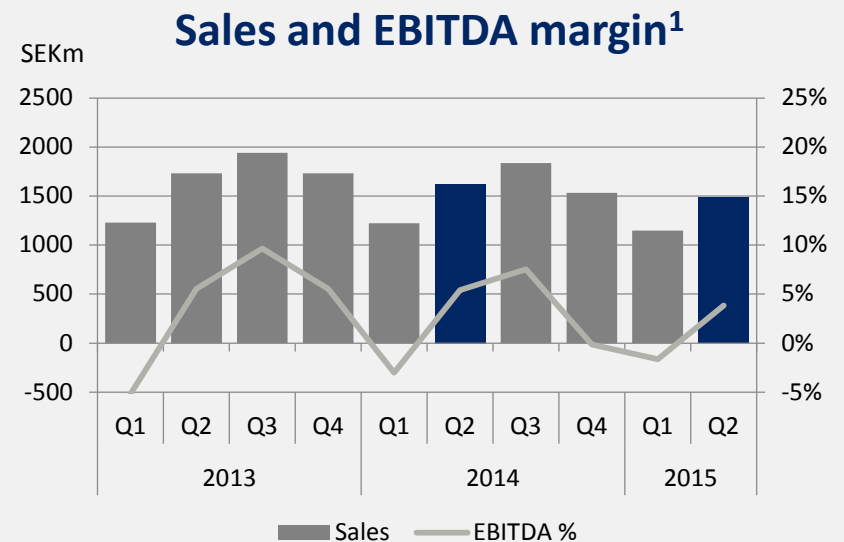
# Ruukki Construction

Seasonally higher demand, Russia and Ukraine remained weak

## Key figures

SEKm	Q2/2015	Q2/2014 <sup>1</sup>	Change
Sales	1,488	1,625	-8%
EBITDA	57	88	-35%
EBIT <sup>2</sup>	13	32	-59%

- 1) Pro forma figures as if SSAB had owned Rautaruukki during those periods
- 2) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki



- ▶ Demand was seasonally higher vs. Q1/2015. Sweden and Poland markets showed good development. Russia and Ukraine markets remained weak
- ▶ Sales were 8% lower vs. Q2 2014, due to low demand in Finland and parts of Eastern Europe
- ▶ Lower result vs. Q2/2014 due to lower volumes, partly offset by lower costs. Profit improved vs. Q1/2015 due to stronger seasonal demand
- ▶ Further actions to improve the cost structure to be implemented

# Update on synergies from Ruukki integration

## Status of synergy realization

- ▶ Synergy program well in-line with plans to reach SEK 1.4bn annually
- ▶ P&L impact of synergies during Q2 approx. SEK 125m
- ▶ Run-rate SEK 525m at the end of Q2

## Actions announced in Q2

- ▶ Closedown of tube manufacturing in Virsbo
- ▶ Headcount reduction at major production sites
- ▶ Specialization of sites resulting in higher slab yield - less complexity

## Realization of synergies

SEK millions	Q1/2015	Q2/2015	H1/2015
Run rate at the end of the period	450	525	525
Synergies, gross	100	125	225
Synergies, net	85	120	205



# Financials Q2/2015

Håkan Folin, CFO

SSAB

# Strong cash flow in Q2/2015

## Key figures

SEK million (except for EPS)	Q2/2015	Q2/2014 <sup>1</sup>	1H/2015
Sales	15,303	15,208	30,771
EBITDA <sup>2</sup>	1,246	1,230	2,747
Operating profit <sup>2,3</sup>	301	389	865
Pre-tax profit <sup>2,3</sup>	88	130	438
Net profit <sup>2,3</sup>	177	169	491
Earnings per share (EPS), SEK	0.31	0.41 <sup>4</sup>	0.82
Operating cash flow	1,462	528 <sup>4</sup>	2,246

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

2) Excluding items affecting comparability

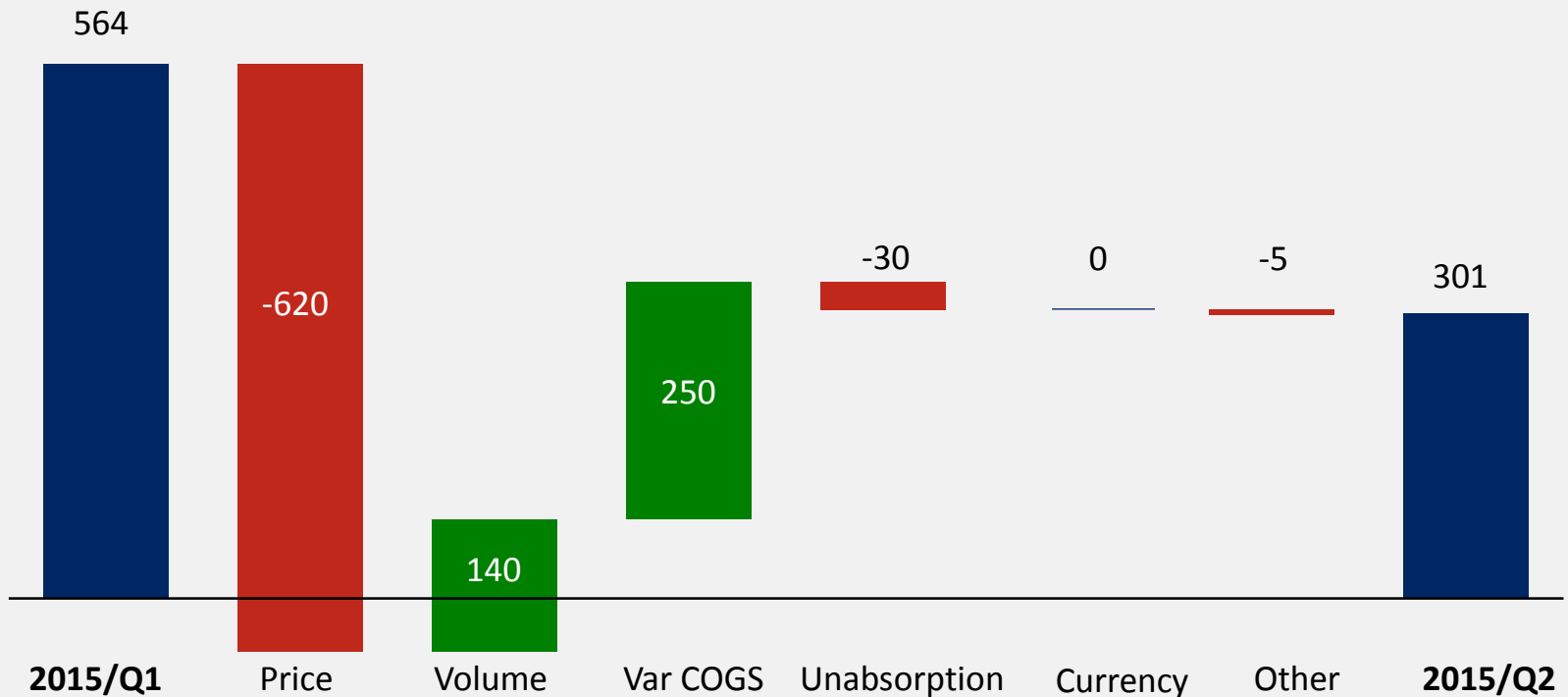
3) In the pro forma numbers for 2014, depreciation and amortization on surplus values related to the acquisition of Rautaruukki are not included

4) Actual numbers

# Change in operating profit

## Q2/2015 vs. Q1/2015

SEK million



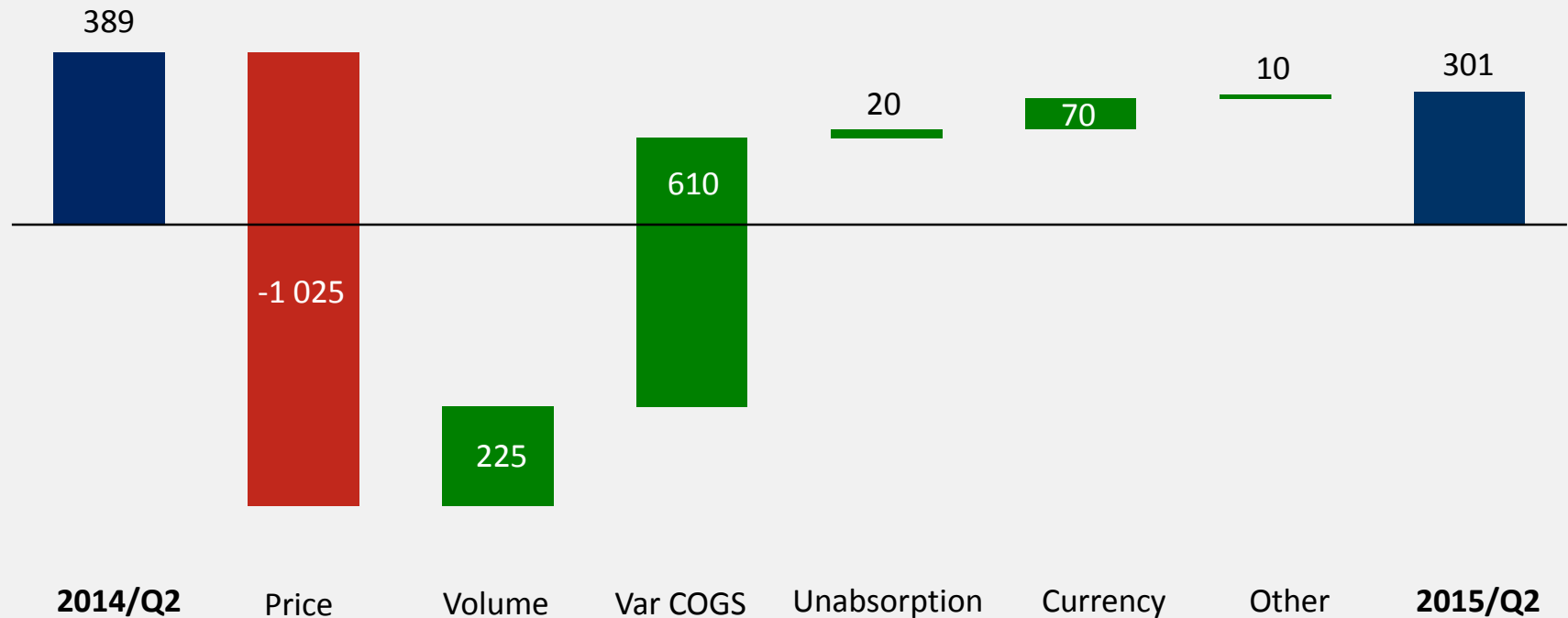
Note: Excluding items affecting comparability.



# Change in operating profit

## Q2/2015 vs. Q2/2014

SEK million



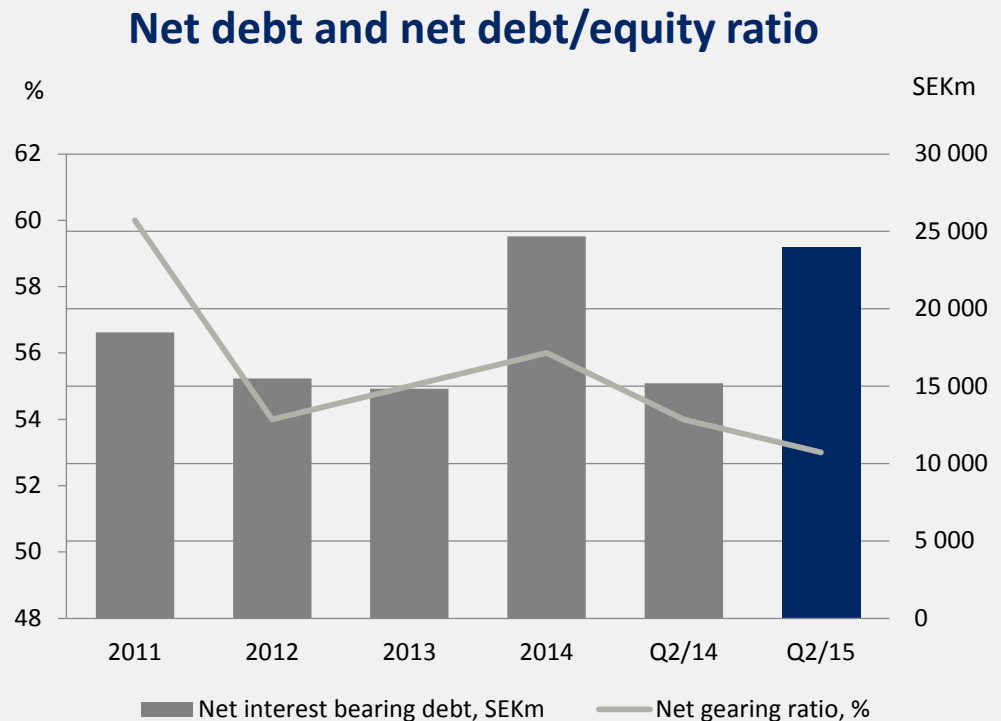
Note: Excluding items affecting comparability. Information for the reference period Q2/2014 is based on pro forma figures as if SSAB had owned Rautaruukki during the period. Q2/2014 is excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki.

# Cash flow (actual)

SEKm	Q2/2015	Q2/2014	1H/2015
Operating profit before depreciation/amortization	1,236	816	2,708
Change in working capital	632	-43	196
Maintenance expenditure	-491	-240	-787
Other	85	-5	129
<b>Operating cash flow</b>	<b>1,462</b>	<b>528</b>	<b>2,246</b>
Financial items	-292	-139	-401
Taxes	-204	-134	-335
<b>Cash flow from current operations</b>	<b>966</b>	<b>255</b>	<b>1,510</b>
Strategic capital expenditure in plant and machinery	-194	-46	-390
Acquisitions of shares and operations	-33	-	-36
Divestments of shares and operations	-4	-	162
<b>Net cash flow</b>	<b>735</b>	<b>209</b>	<b>1,246</b>

# Lower net debt and gearing

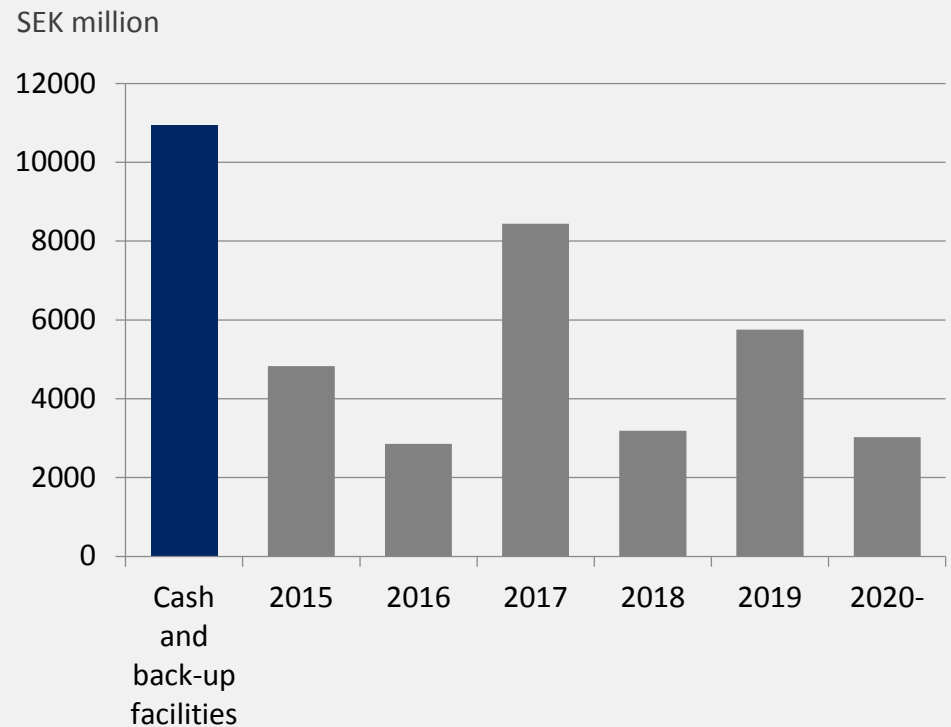
- ▶ Net debt amounted to SEK 24,018m, a decrease of SEK 656m since year-end 2014
- ▶ Net debt/equity ratio amounted to 53%, a decrease of 3 percentage points since year-end 2014



# Debt maturity profile

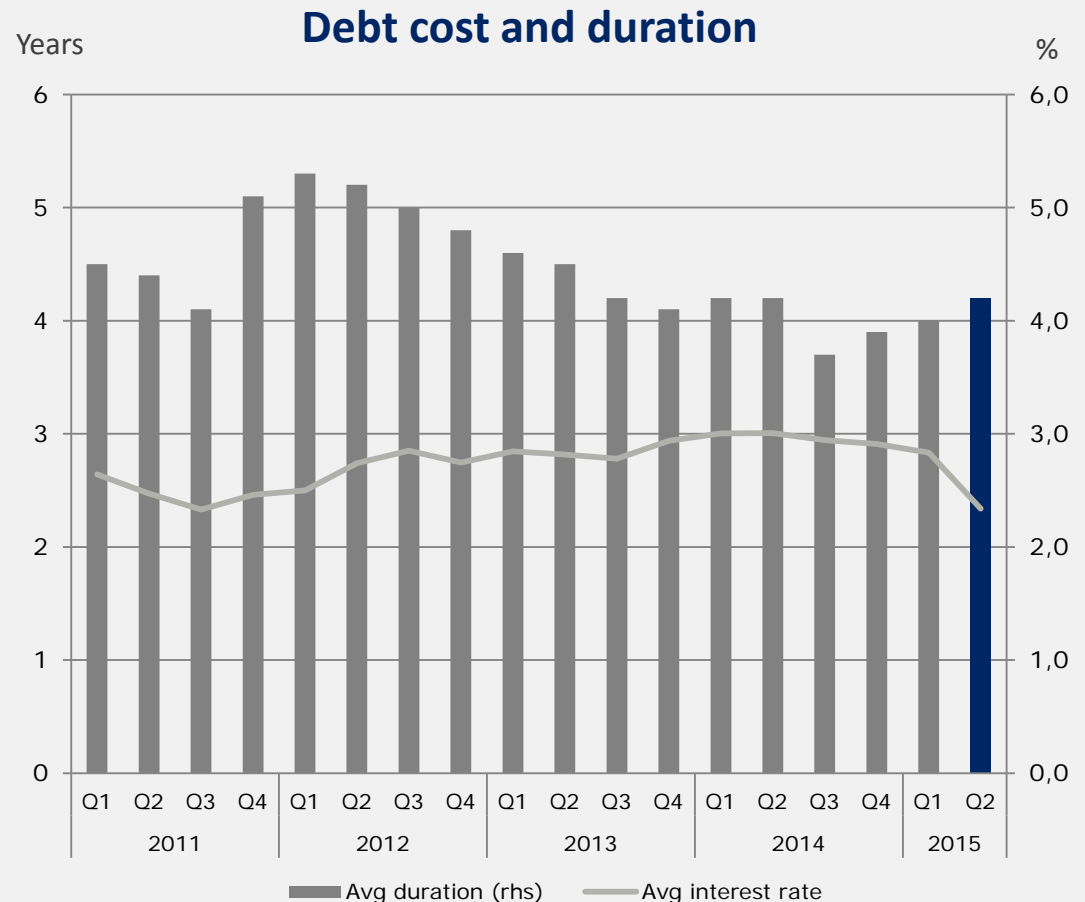
- ▶ The average term on the loan portfolio was 4.2 (4.3) years
  - Averaged fixed interest term was 1.1 (1.3) years
- ▶ Of the total maturities in 2015, commercial paper accounts for SEK 3bn

## Debt maturity at June 30, 2015



# Lower interest rate and higher duration

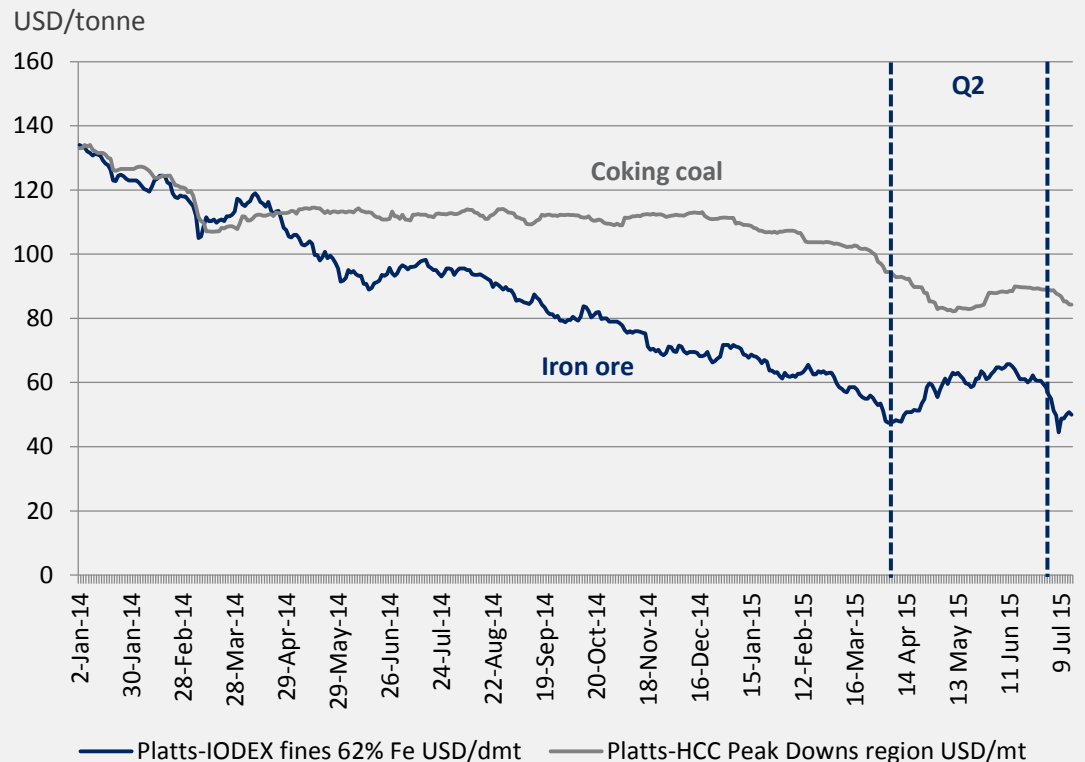
- ▶ Duration increased to 4.2 years vs. 4.0 in Q1/ 2015
- ▶ Average interest rate down to 2.3 % vs. 2.8 % in Q1/2015



# Decline in iron ore and coking coal spot prices stabilized during Q2

- ▶ Iron ore pellet price for SSAB during Q2 was:
  - 8% lower in USD and 5% lower in SEK vs. Q1/2015
  - A new price agreement was signed for deliveries of iron ore
- ▶ Average coking coal price for SSAB during Q2 was:
  - 13% lower in USD and 13% lower in SEK vs. Q1/2015

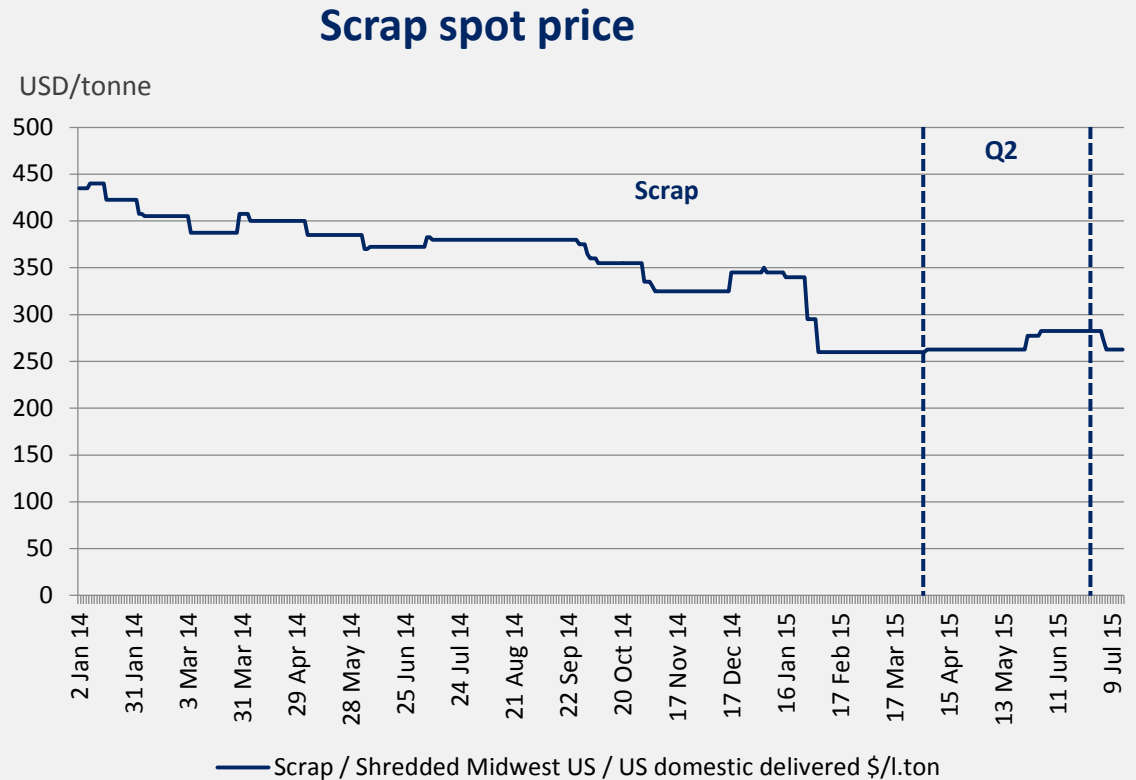
## Iron ore and coking coal spot prices



# Scrap prices at low level, but still expensive compared with iron ore

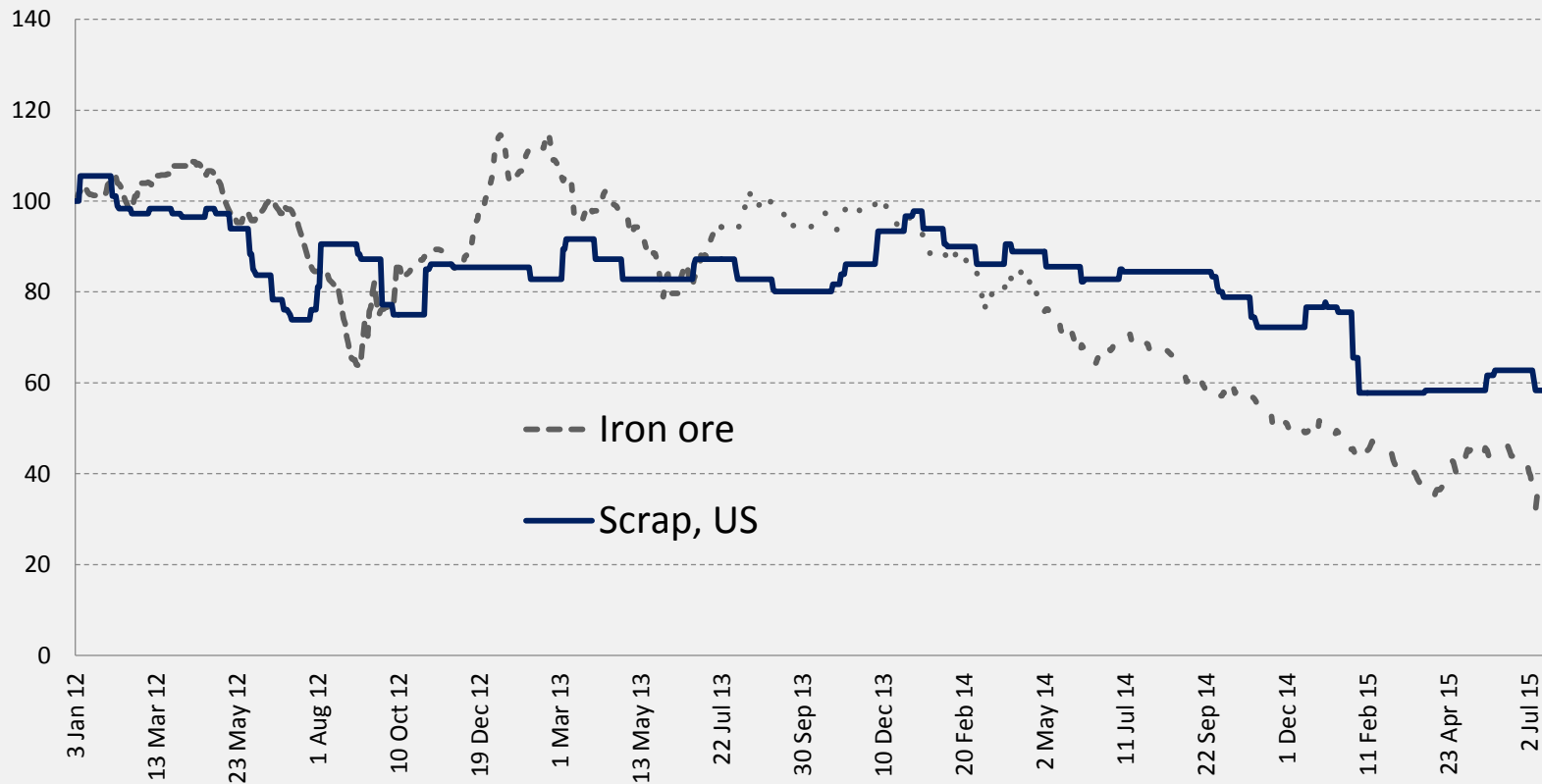
► Scrap spot prices in US rose during the quarter and at the end of Q2/2015 were:

- 8% higher vs. Q1/2015
- 24% lower vs. Q2/2014



# Over time scrap and iron ore prices have historically shown a strong correlation

Price, indexed from 2012





# Relining of the blast furnace in Luleå - update

- ▶ The furnace is closed for relining from June to August
- ▶ Total net cost for Group expected to amount to SEK 150 - 200m
  - Q2 net impact: SEK 60-80m
  - Q3 expected net impact: SEK 100-120m
- ▶ SSAB Europe impacted by:
  - Higher under-absorption (but similar positive impact for SSAB Special Steels)
  - More expensive slabs (higher costs to produce slabs in Oxelösund)





# Outlook

Martin Lindqvist, President and CEO

*SSAB*

# SSAB's outlook for Q3/2015

- ▶ In North America, the destocking in H1/2015 is expected to spill over into the third quarter
  - Underlying demand from end-customers is expected to be relatively good
- ▶ In Europe, demand is expected to remain stable
  - Seasonal slowdown in Q3
  - Maintenance outages in Q3 for SSAB Europe, cost impact approx. SEK 200m
  - Relining in Luleå is being finalized
- ▶ Demand for high-strength steels is expected to be unchanged during Q3 (no outages for SSAB Special Steel in Oxelösund)
- ▶ SSAB's shipments during Q3 are expected to be slightly lower than during Q2/2015

# SSAB's key customer segments – outlook

Segment	Outlook for Q3 vs. Q2	Comments on outlook
Heavy Transport		▶ Heavy Transport expected to remain strong. New safety requirements in the US are supporting demand for rail cars
Automotive		▶ Automotive is expected to remain strong
Construction Machinery		▶ Stable demand at low level expected for yellow goods and lifting equipment in Europe and North America ▶ Chinese market remains depressed
Mining		▶ Low prices of minerals continue to hamper demand. After-market services expected to improve over time
Energy		▶ Continued solid demand for wind towers expected in North America ▶ Uncertainty of oil-related pipeline investments
Construction Material		▶ Q3 is seasonally the strongest quarter ▶ Weak demand in Finland, parts of Eastern Europe and Russia continues to impact negatively
Service Centers (US)		▶ Demand expected to slowly recover once destocking activity is completed

# New sustainability strategy and targets

## Our sustainability approach

Sustainable  
operations



Sustainable  
offering

Responsible  
partner

## By the end of 2019, SSAB will achieve:

- ▶ A lasting reduction of 200,000 tonnes in CO2 emissions
- ▶ A lasting reduction of 300 GWh in purchased energy
- ▶ A lasting improvement in residual utilization by 30,000 tonnes

## In addition to the environmental targets, updated targets related to social responsibility

- ▶ SSAB aims to be the safest steel company in the world
- ▶ Targets related to diversity, business ethics, compliance with SSAB's Code of Conduct and social responsibility within suppliers

**SSAB**

# SSAB's products are our greatest contribution to a more sustainable world

- ▶ CO<sup>2</sup> emissions can be greatly reduced by upgrading to SSAB's high-strength steels
- ▶ For example:
  - Replacing 1m tonnes of standard steel with SSAB's high-strength steel in vehicles, could reduce CO<sup>2</sup> emissions by approx. 8.4m tonnes over the lifecycle of the vehicles\*
- ▶ SSAB's total CO<sup>2</sup> emissions are approx. 9.6 million tonnes annually



30 *\*Example where 1m tonnes of SSAB's high-strength steels are used for upgrading the existing European vehicle fleet (replacing 1.3m tonnes of standard steel). 90% of the reduced carbon dioxide emissions originates during the vehicles use phase as a result of the advantages created by upgrading to SSAB's high-strength steels.*

**SSAB**

# Questions & Answers

**SSAB**



*A stronger,  
lighter and more  
sustainable world*