

Presentation of the Q2/2021 results

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Håkan Folin, CFO

July 21, 2021

An aerial photograph of a container ship docked at a port. A large blue gantry crane is positioned over the ship's deck, which is filled with stacks of colorful shipping containers in shades of red, yellow, and blue. The ship's bow is visible at the top of the frame, and the dark blue water of the harbor is on the left. The SSAB logo is in the bottom right corner.

SSAB

Agenda

- ▶ Q2/2021
- ▶ Financials
- ▶ Outlook and summary
- ▶ Q&A

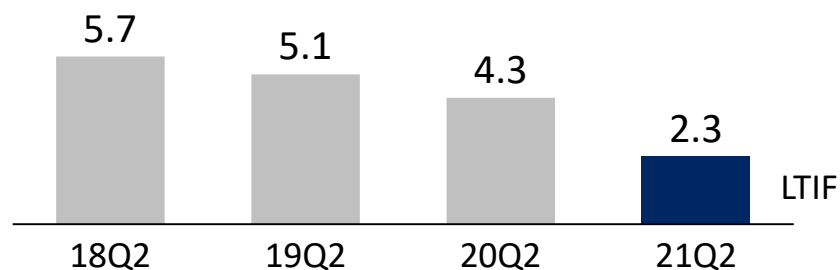


Q2/2021 in brief

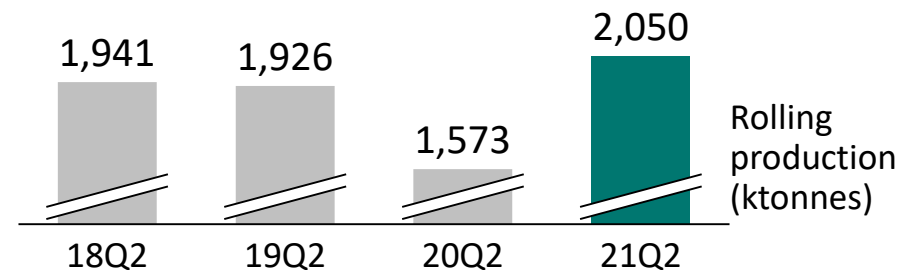
A historical quarter for SSAB

Solid internal performance in a strong market

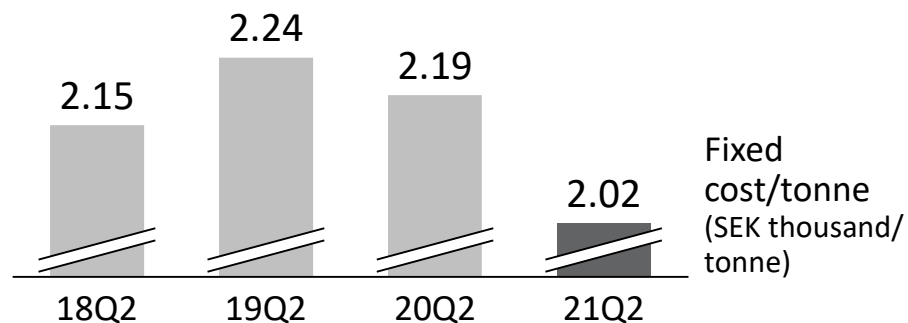
Improved safety performance



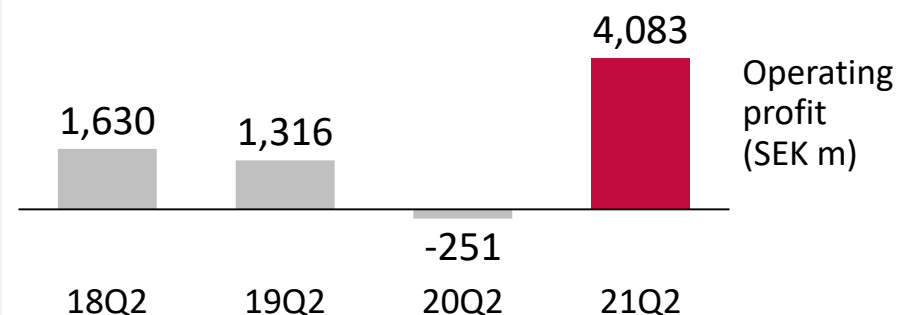
High and stable production rate in Q2



Efficiency improved over time



Record high earnings – best quarter ever



Leading force in the green transition



Strategic cooperation established with Volvo Cars and AB Volvo



Reduction of iron ore using hydrogen at a pilot scale – first time ever

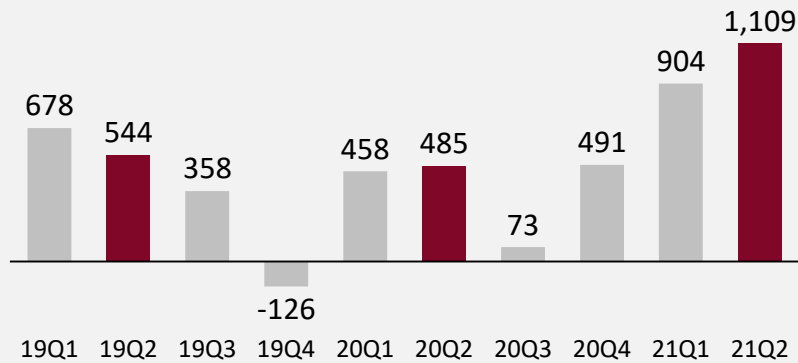


Sustainability-linked bond issued with great interest from investors

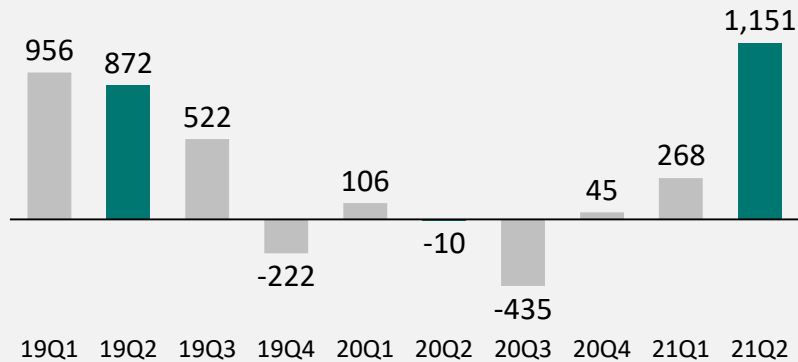
SSAB

Operating profit by division – record level of earnings

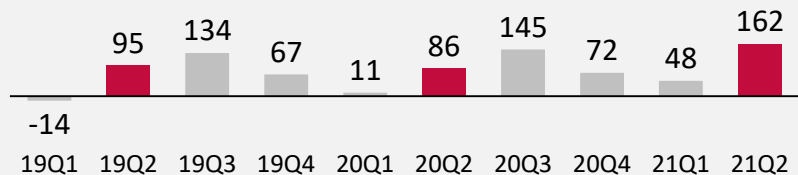
SEK million



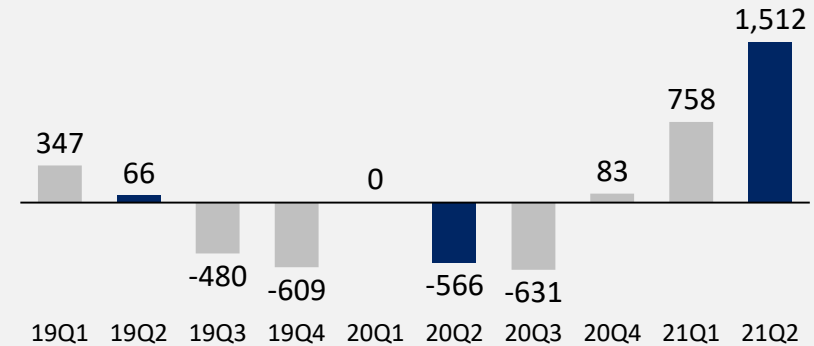
SSAB
Special
Steels



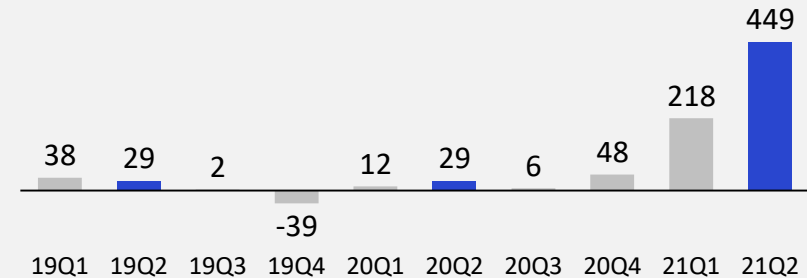
SSAB
Americas



Ruukki
Construction



SSAB
Europe

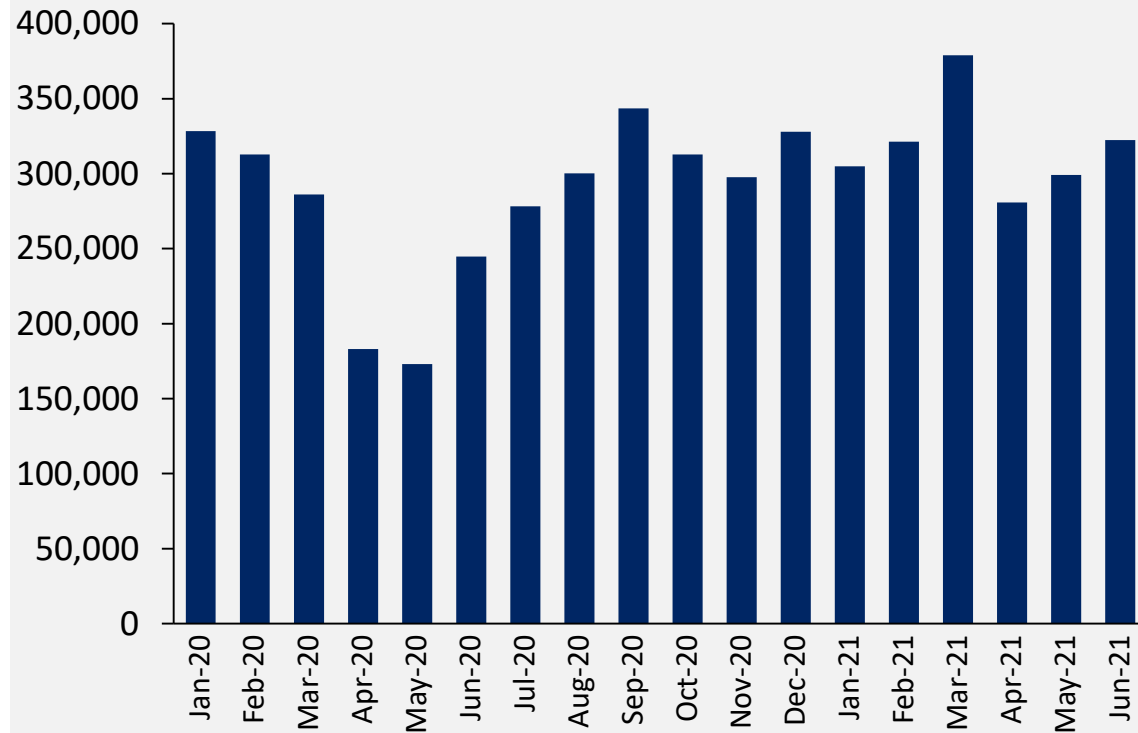


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Order intake continues at a high level

SSAB Europe example

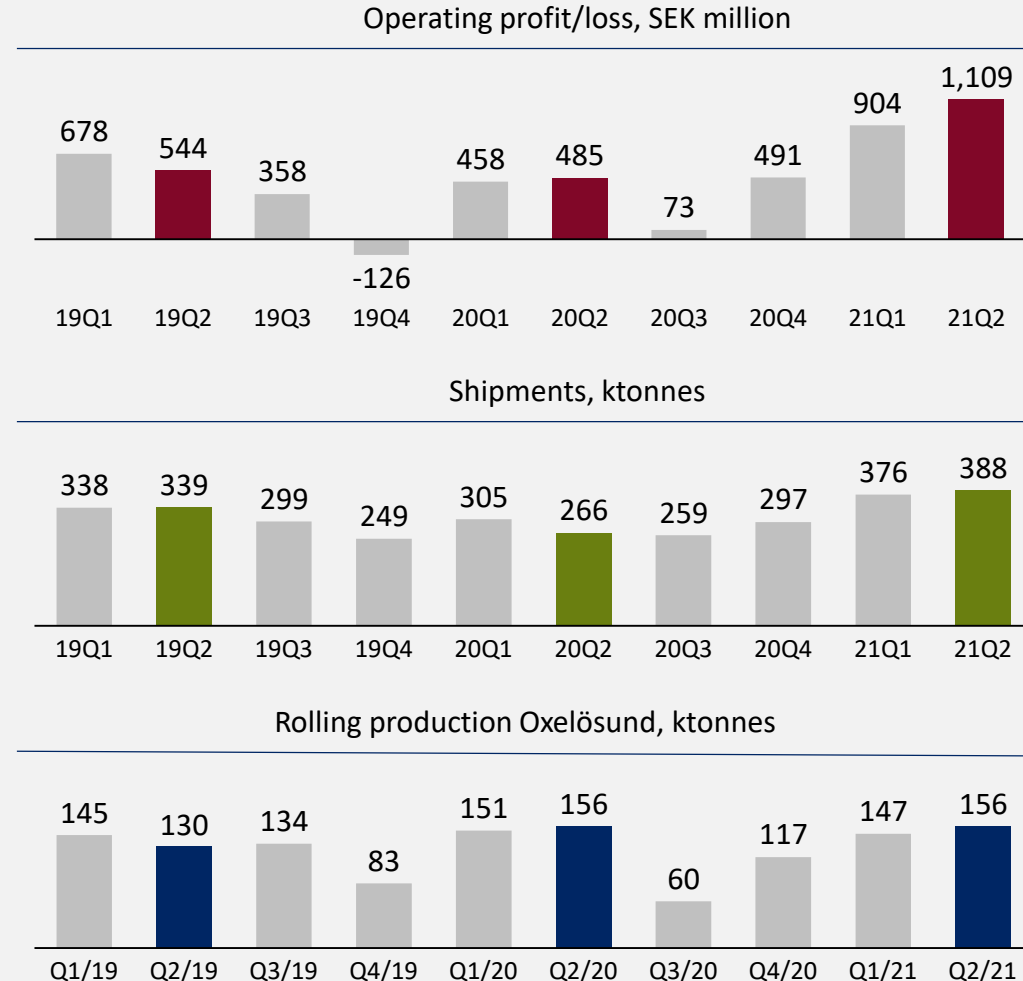
SSAB Europe, monthly order intake, tonnes



SSAB Special Steels

Record shipments and earnings

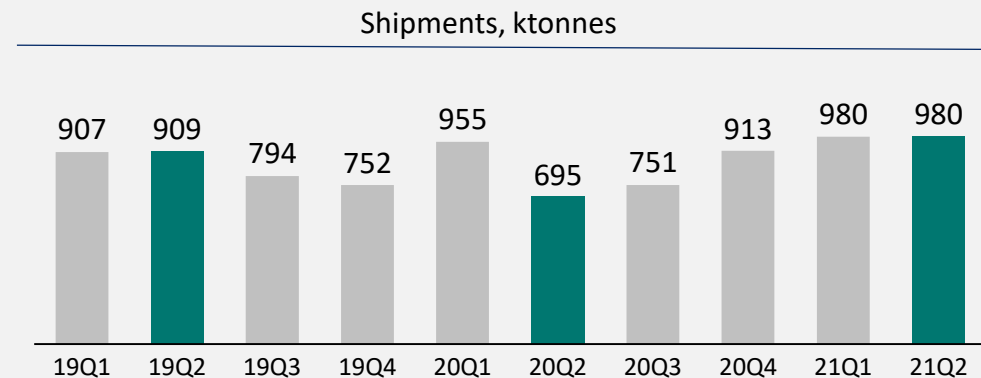
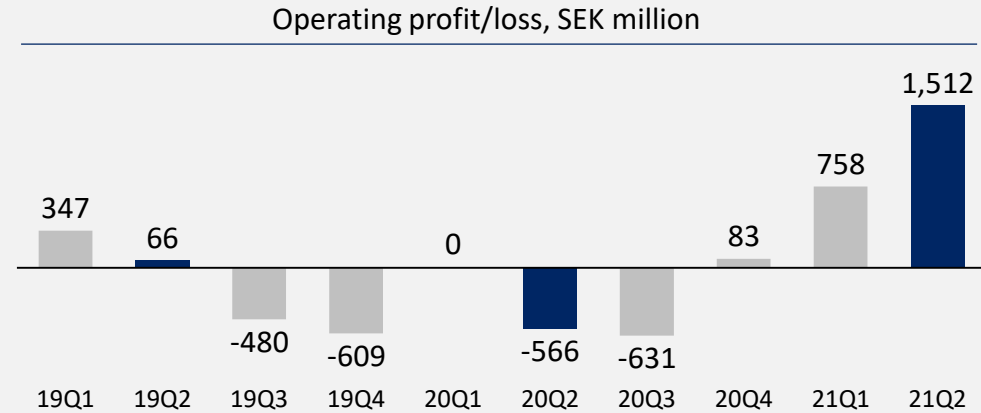
- ▶ High and stable production
- ▶ Shipments at 388 ktonnes – highest level ever
 - Up 46% vs. Q2/20 and 3% vs. Q1/21
- ▶ EBIT of 1,109m (485m) and EBIT-margin rose to 19% (12%)
 - Better prices and higher volumes
 - Stable production
- ▶ SSAB Special Steels to assume responsibility for the Mobile steel mill to increase focus on high-strength steels
 - No changes in divisional shipments and only minor adjustments in earnings for Special Steels and Americas



SSAB Europe

Strong market conditions – record level of Automotive AHSS shipments

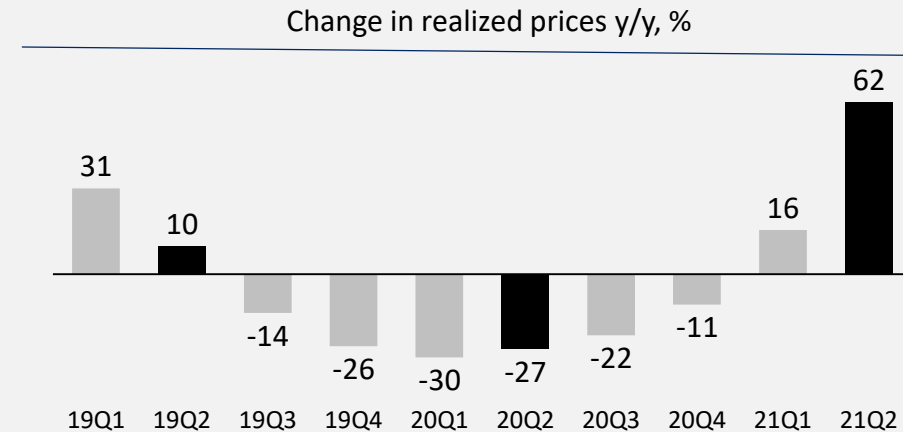
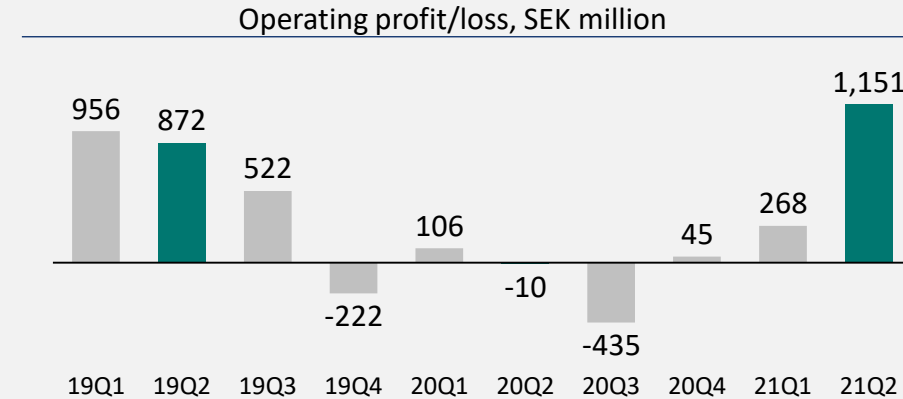
- ▶ High and stable production, fixed cost at low level
- ▶ Shipments at good level and high share of premium
 - Up 41% vs. Q2/20 and unchanged vs. Q1/21
 - Automotive AHSS at record level, shipments up 7% vs. Q1/21
- ▶ EBIT rose to SEK 1,512m (-566m)
 - Higher prices
 - Higher volume and better capacity utilization
- ▶ EBIT-margin increased to 15% (-9%)



SSAB Americas

Significantly higher prices

- ▶ High and stable production, fixed cost at low level
- ▶ Good demand, higher shipments
 - Up 7% vs. Q2/20 and up 3% vs. Q1/21
- ▶ EBIT rose to SEK 1,151m (-10m)
 - Significantly higher prices
- ▶ EBIT-margin increased to 24% (0%)

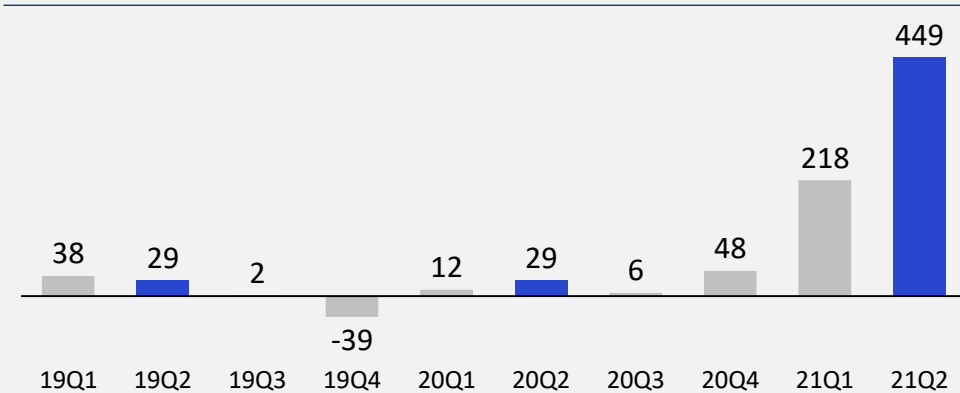


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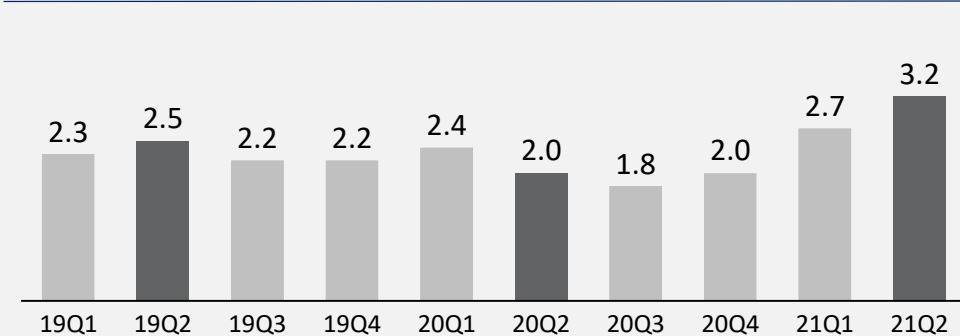
Improved margins

- ▶ Competitive position improved significantly through completed efficiency program – SEK 200 million on annual basis
- ▶ Increased market share in a strong market
- ▶ Revenue was up by 58% vs. Q2/20
- ▶ EBIT rose to SEK 449m (29m), EBIT-margin 14% (1%)
 - Higher volumes
 - Better prices
 - Inventory gains

Operating profit/loss, SEK million



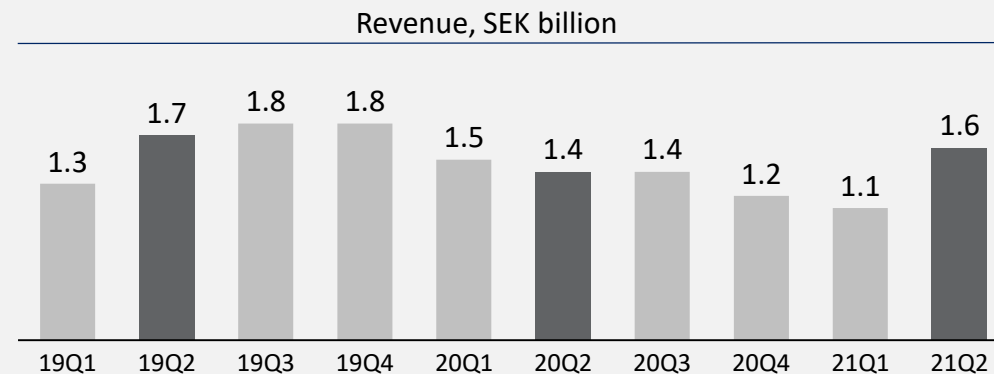
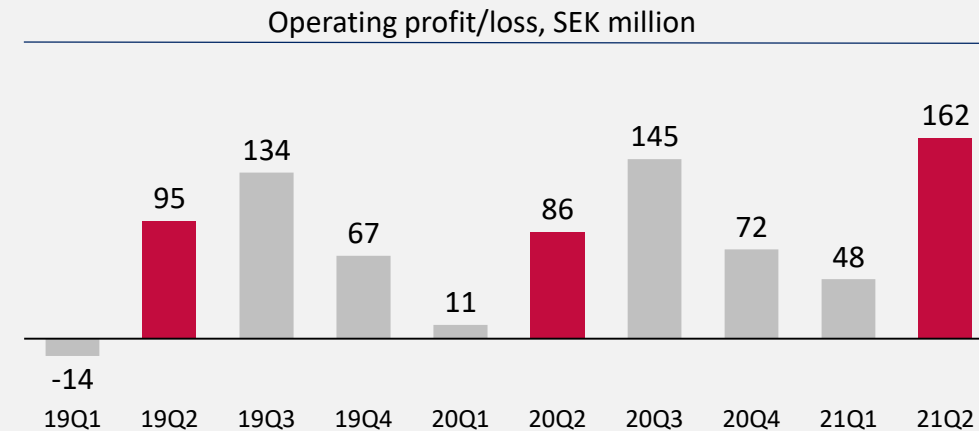
Revenue, SEK billion



Ruukki Construction

Continued improvement of operating profit

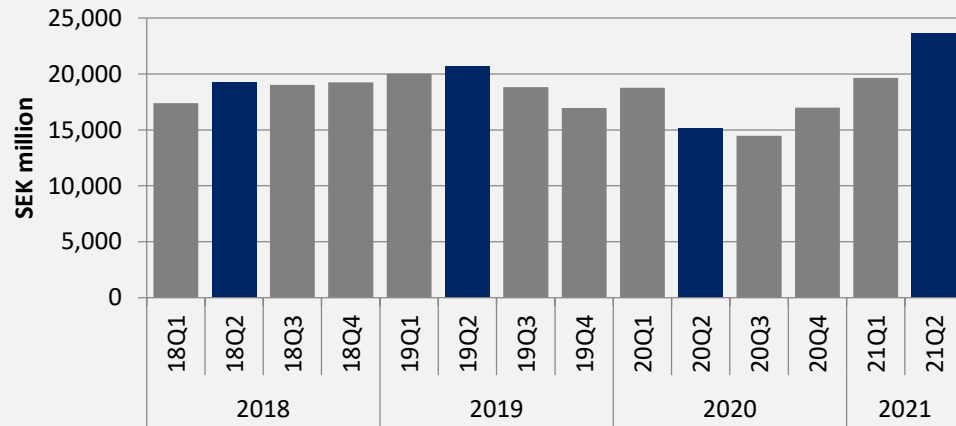
- ▶ Solid performance with full focus on product business
- ▶ Revenue increased by 11% vs. Q2/20
- ▶ EBIT improved to SEK 162m (86m), EBIT-margin 10% (6%)
 - Better volumes in both Roofing and Envelopes



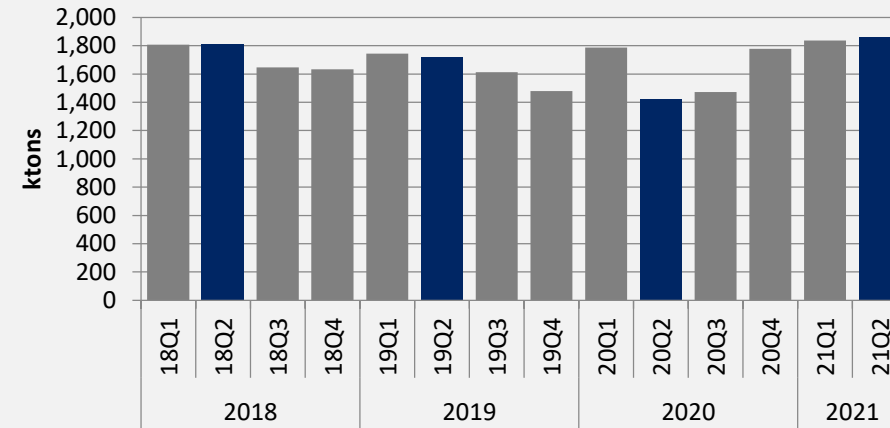
Financials

Better prices and higher shipments improved the result

Sales

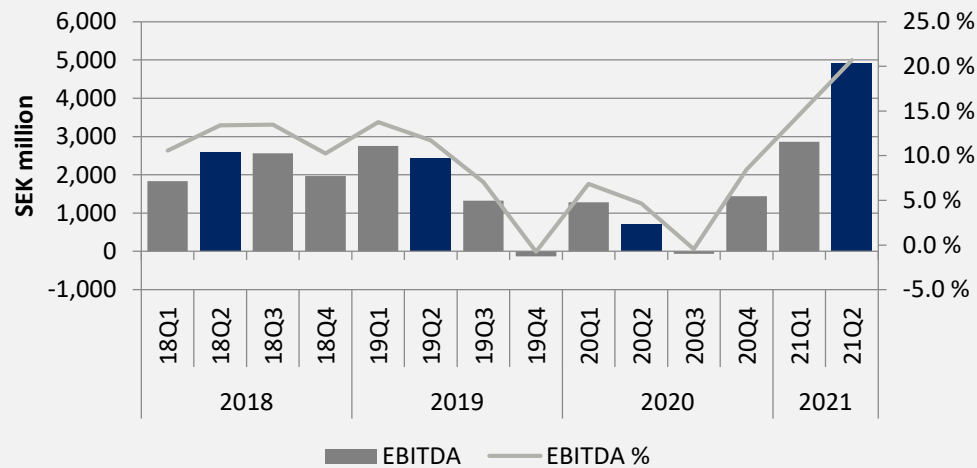


Shipments¹

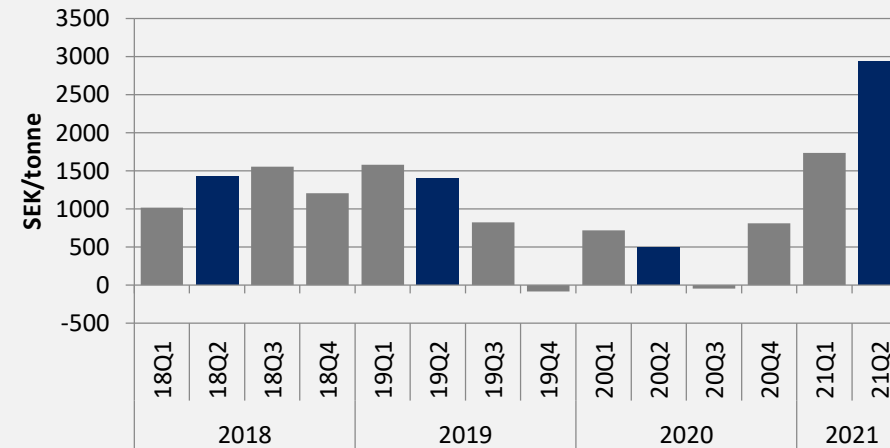


1) Including the steel operations: Special Steels, Europe and Americas

EBITDA and EBITDA margin²



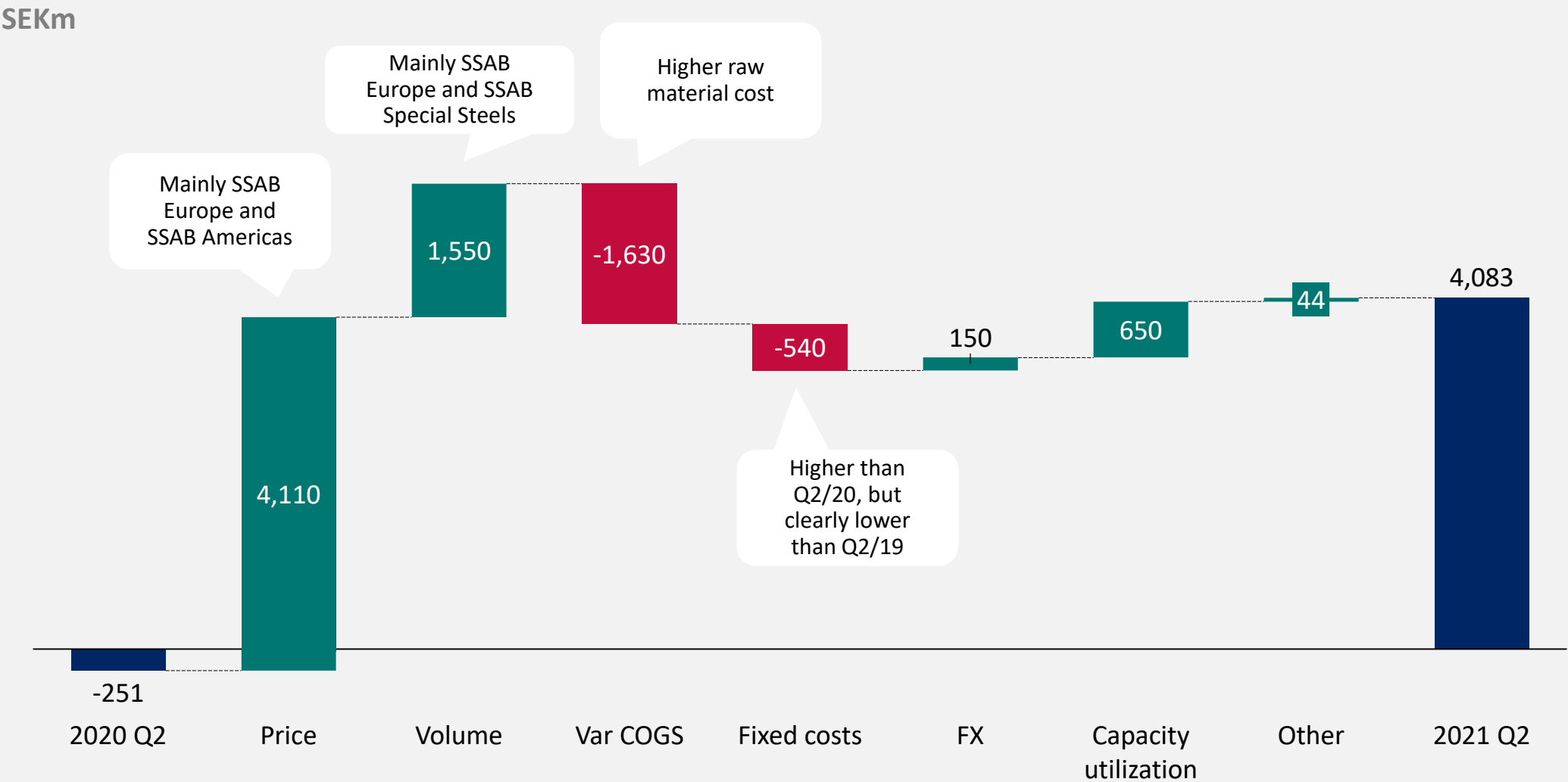
EBITDA per tonne delivered steel²



2) Excluding items affecting comparability

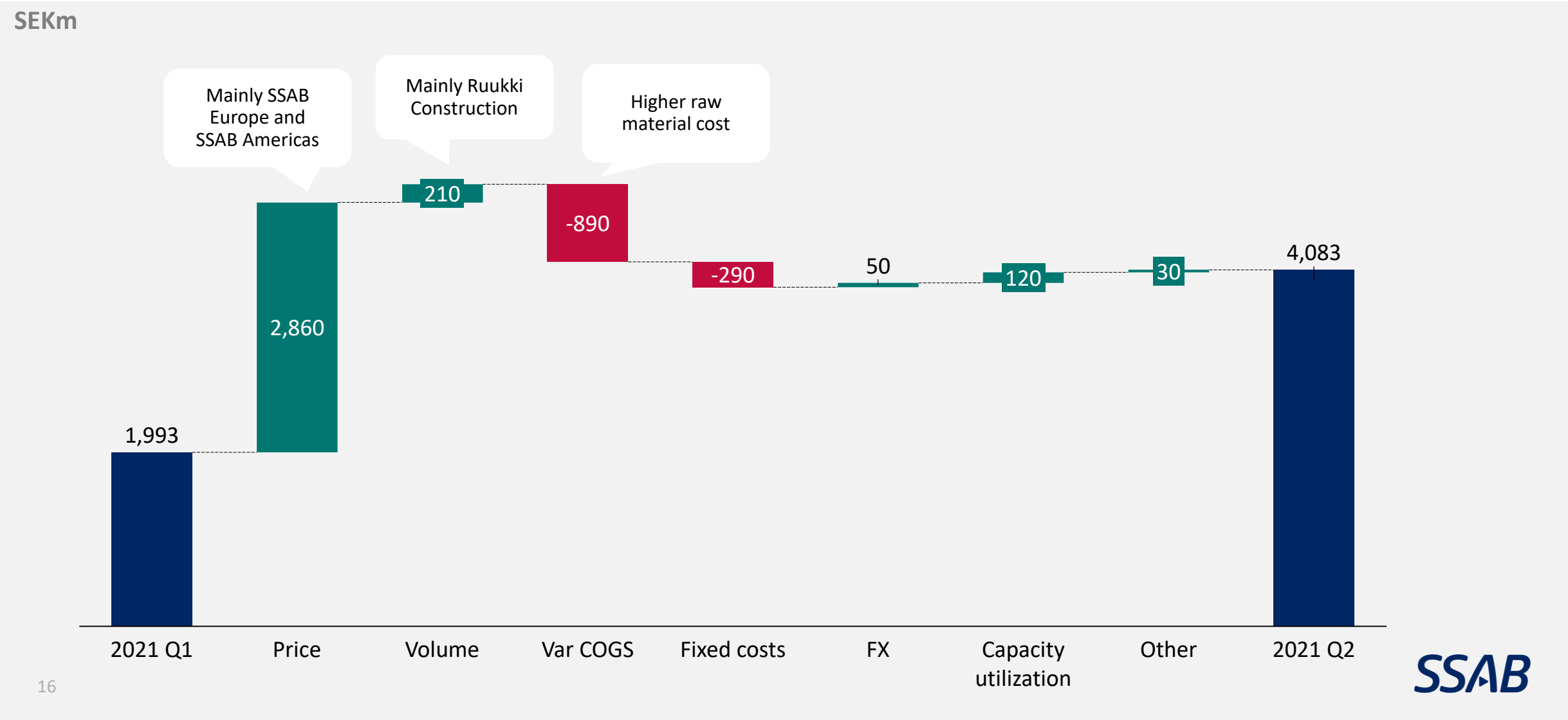
Change in operating profit

Q2/2021 vs. Q2/2020



Change in operating profit

Q2/2021 vs. Q1/2021

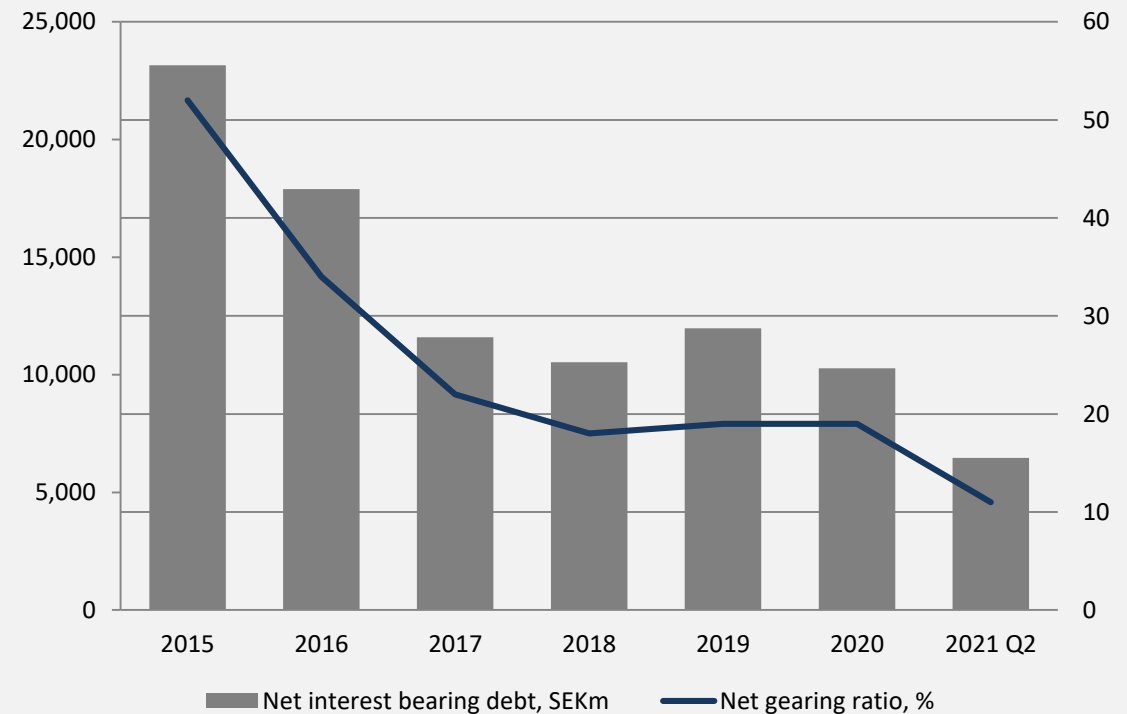


Strong net cash flow in Q2

SEK millions	2021 Q2	2020 Q2	2021 Jan-Jun	2020 Jan-Jun	2020 Full-year
Operating profit before depreciation/amortization	4,899	705	7,759	1,991	3,364
Change in working capital	-586	237	-1,766	-1,164	1,570
Maintenance expenditures	-359	-381	-569	-684	-1,622
Other	-43	68	-84	75	147
Operating cash flow	3,910	629	5,339	218	3,460
Financial items	-113	-202	-176	-296	-545
Taxes	-359	-173	-390	-181	-56
Cash flow from current operations	3,438	254	4,773	-259	2,859
Strategic expenditures in plants and machinery	-203	-230	-308	-393	-582
Acquisitions of shares and operations	-79	-82	-103	-153	-231
Divestments of shares and operations	-	106	-	106	143
Cash flow before dividend	3,157	48	4,362	-699	2,189
Dividend, non-controlling interest	-7	-	-7	-4	-9
Acquisitions of shares, non-controlling interest	-127	-	-127	-	-
Net cash flow	3,024	48	4,229	-703	2,180

Significant reduction of net debt

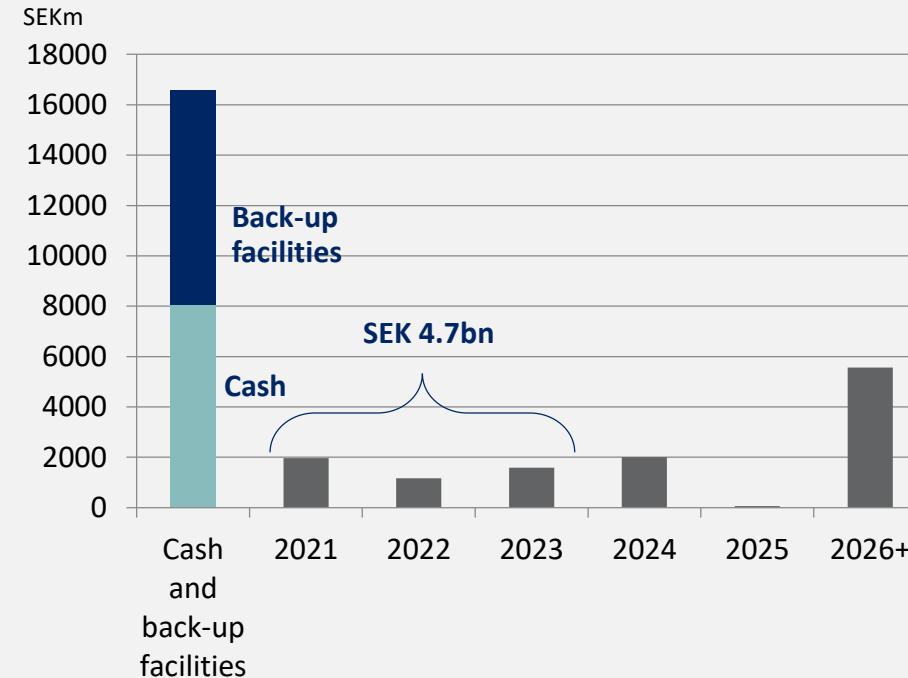
- ▶ Net debt decreased to SEK 6.5bn (12.8bn) at the end of Q2/21
- ▶ Net gearing was 11% (21%)
- ▶ 2015-2017 excluding IFRS 16 (impact of around SEK 2bn)



Well-balanced maturity profile

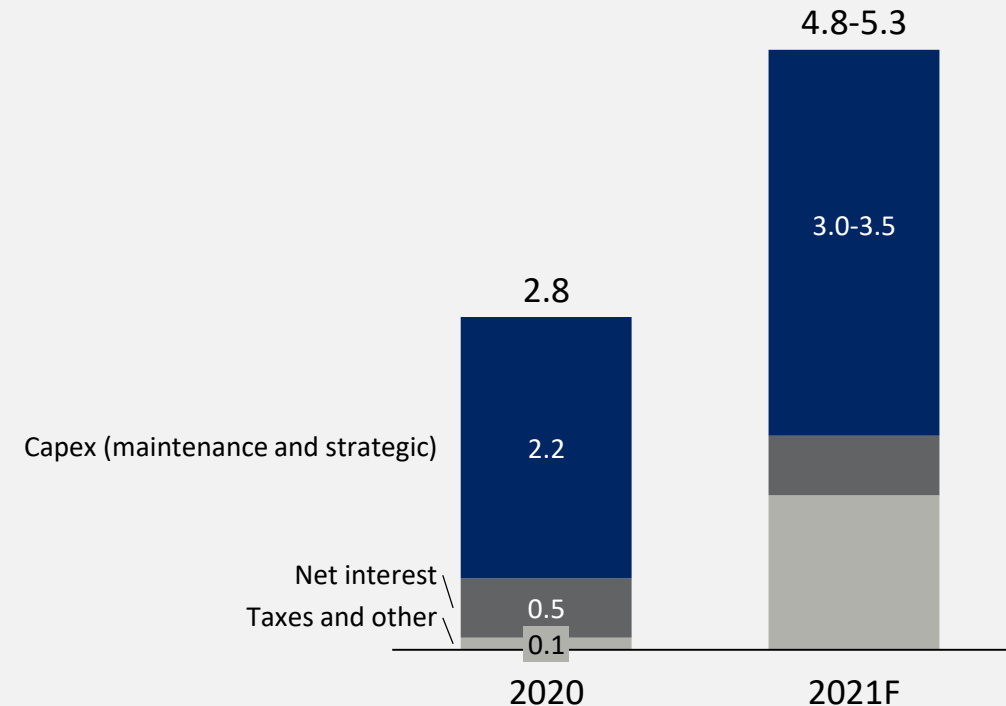
- ▶ Duration of the loan portfolio was 6.1 (5.3) years
- ▶ Liquid assets and committed credit lines at SEK 16.6bn – corresponds to 22% of rolling 12 month revenue
- ▶ Most maturities in 2021 refer to commercial papers
- ▶ Sustainability-linked bond of SEK 2bn issued in Q2

Maturity profile Q2/2021



Cash needs of the business

- ▶ Total cash needs* estimated at SEK 4.8-5.3 billion in 2021 – unchanged compared to previous forecast
- ▶ Higher strategic capex:
 - Capacity expansion of Q&T in Mobile
 - Start of Oxelösund conversion
- ▶ Interest paid expected to be relatively stable
- ▶ Taxes paid will normalize**



*Cash needs defined as capex, interest paid and taxes paid. Excluding working capital

**2019-level used as starting point, will depend on earnings in FY 2021

Higher prices for iron ore and coking coal

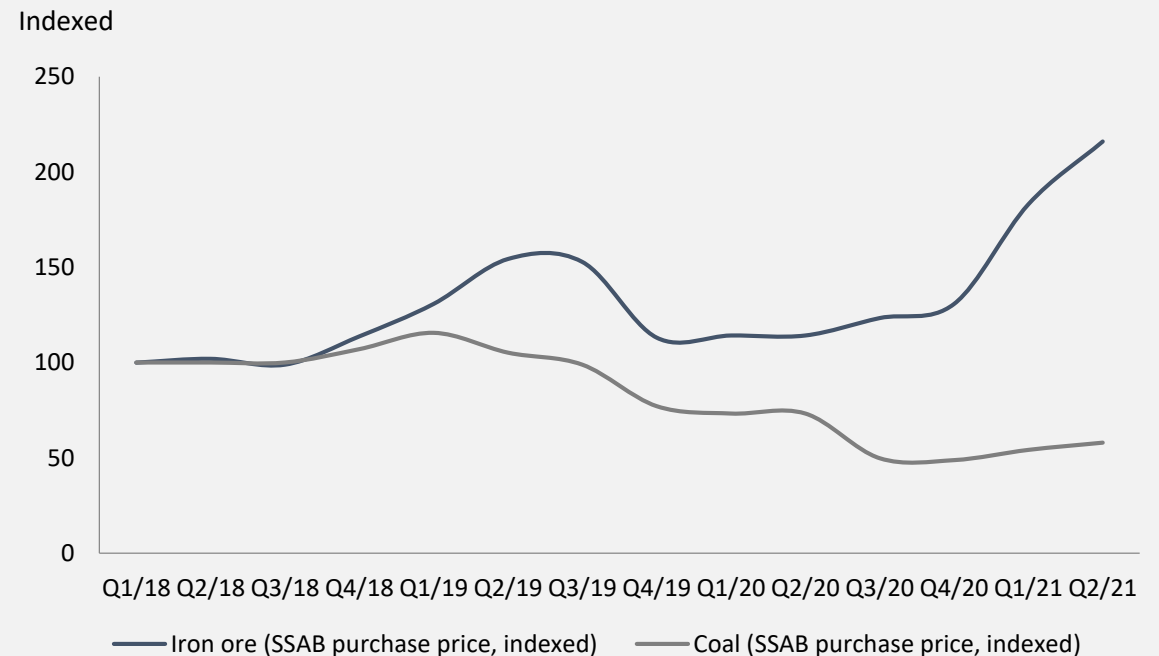
Iron ore

- ▶ Average pellet purchase price in Q2/21 was 18% higher in terms of SEK (+17% in USD) vs. Q1/21 – will impact result in Q3/21
- ▶ Iron ore spot prices have stabilized so far in July

Coking coal

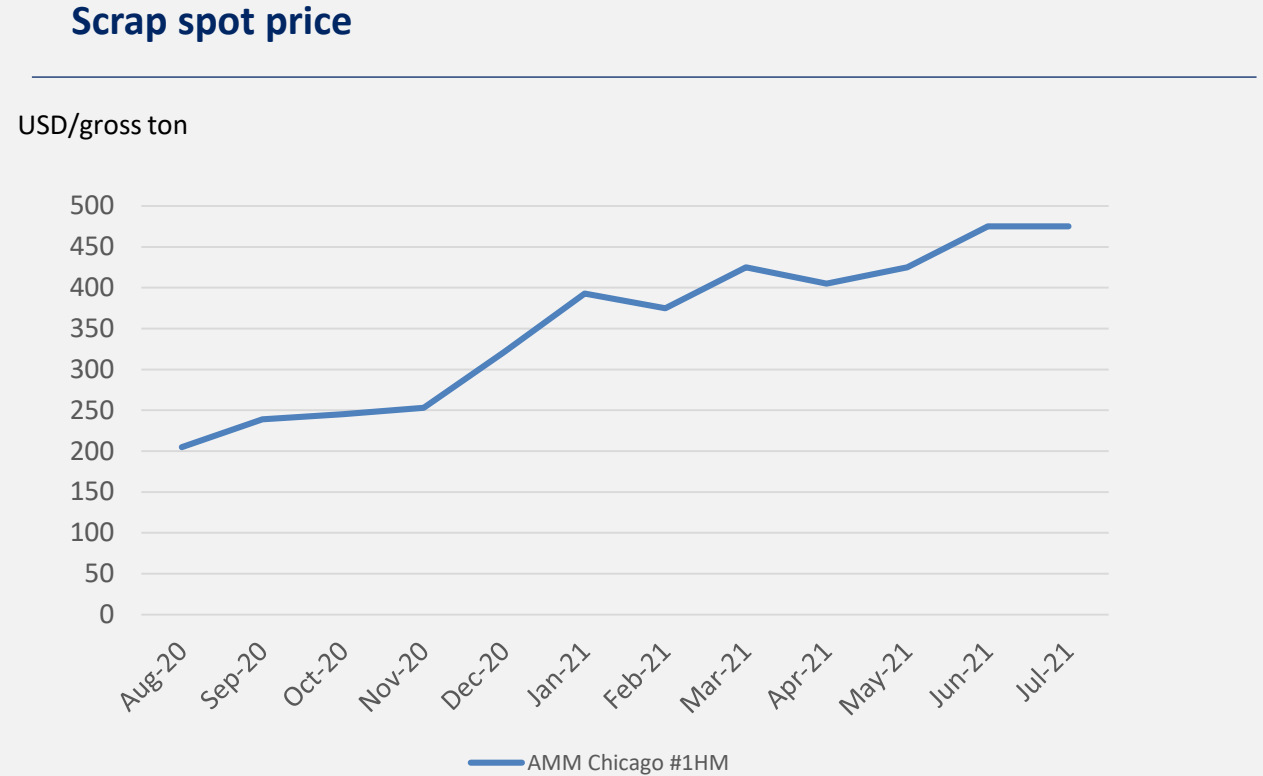
- ▶ Average coking coal purchase price in Q2/21 was 8% higher in terms of SEK (8% in USD) vs. Q1/21
- ▶ Coal spot prices (Australia) started to increase significantly in Q2

SSAB's purchase price, coking coal and iron ore



Scrap spot prices increased in Q2

- ▶ SSAB's average purchase price for scrap in Q2/21 was 7% higher (in terms of USD) vs. Q1/21
- ▶ Stable development in July



Source: AMM

Major planned maintenance outages in 2021








- ▶ Total maintenance costs for 2021 expected to be SEK 1,210m
- ▶ Costs in 2020 were lower than normal – more use of our own resources, due to a lower level of production
- ▶ SSAB Americas maintenance take place at SSAB's mill in Mobile in 2021, including Q&T lines

SEKm	Q1/21	Q2/21	Q3/21	Q4/21	2021	2020	2019
SSAB Special Steels	-	-	370	-	370	250	300
SSAB Europe	-	-	275	145	420	335	420
SSAB Americas	-	-	-	420	420	220	415
Total	-	-	645	565	1,210	805	1,135

Note: The estimates shown in table includes direct maintenance cost and cost of lower capacity utilization (under absorption), but excludes lost margins.

Outlook and summary

SSAB's outlook for main customer segments Q3/2021

Segment	Demand	Comments	● Good ● Neutral ● Weak
Heavy Transport		<ul style="list-style-type: none"> ▶ Heavy truck production at high level – shortage of semi-conductors ▶ Positive signs from rail car production in the US 	
Automotive		<ul style="list-style-type: none"> ▶ Good production levels – shortage of semi-conductors ▶ Underlying structural growth in AHSS 	
Construction Machinery		<ul style="list-style-type: none"> ▶ Good level in main markets 	
Material Handling		<ul style="list-style-type: none"> ▶ Strong demand from mining 	
Energy		<ul style="list-style-type: none"> ▶ Low activity in oil and gas ▶ Good activity within wind power and transmission 	
Construction		<ul style="list-style-type: none"> ▶ High activity 	
Service Centers		<ul style="list-style-type: none"> ▶ Low inventory levels in Europe and the US into Q3 	

SSAB's outlook for Q3/2021

- ▶ Demand for steel is estimated to be strong, driven both by underlying demand and by customer restocking
 - Global demand for high-strength steel is also estimated to be very strong
- ▶ The increase in realized prices will be partly counteracted by higher raw material cost
- ▶ Planned seasonal maintenance in Q3 will impact shipments

Volume and pricing outlook

	Q3 2021 vs. Q2 2021	
	Shipments	Realized prices
SSAB Special Steel	Significantly lower	Higher
SSAB Europe	Significantly lower	Significantly higher
SSAB Americas	Stable	Significantly higher

Definitions: Significantly lower (>10%), Lower (5-10%), Somewhat lower (0-5%), Stable (~0%), Somewhat higher (0-5%), Higher (5-10%), Significantly higher (>10%)

Summary

- ▶ Solid internal performance in a strong market
- ▶ Positive outlook
- ▶ Continued strong cash flow generation
- ▶ Significant reduction of net debt
- ▶ Leading position in fossil-free steel
 - Strategic cooperation with AB Volvo and Volvo Cars
 - Shipments of fossil-free steel for concept vehicles already this year
 - Over 100 tonnes sponge iron produced with hydrogen-reduced iron ore



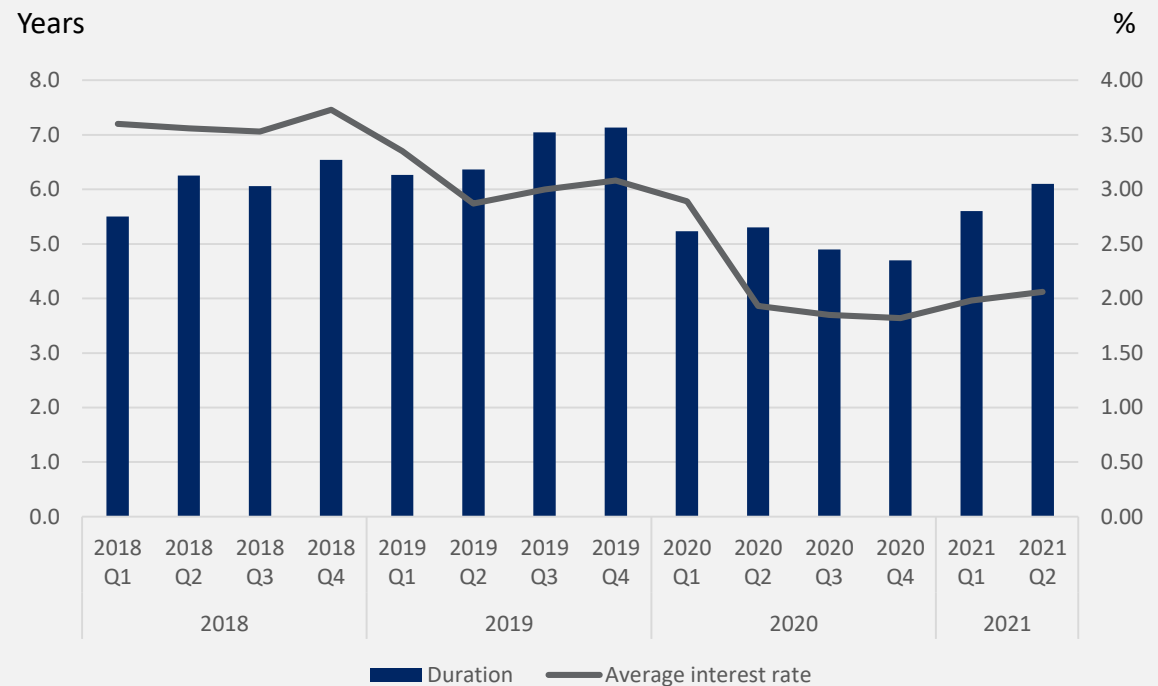
Questions & Answers

Appendix

Debt portfolio duration and interest rate

- ▶ Duration of the loan portfolio was 6.1 (5.3) years
- ▶ Averaged fixed interest term was 1.2 (0.9) years
- ▶ Average interest rate was 2.06% (1.93%)

Debt cost and duration



SSAB's climate goals approved by the Science Based Targets initiative

- ▶ SSAB is committed to reducing its greenhouse gas (CO₂e) emissions by 35% by 2032 (based on 2018 figures).
 - The goal applies to both direct and indirect emissions (Scope 1 and 2)
 - In line with the objective of keeping global warming well below 2°C
- ▶ Objective is scientifically based and in line with the Paris Agreement



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SSAB



*A stronger,
lighter and more
sustainable world*