

**SSAB**



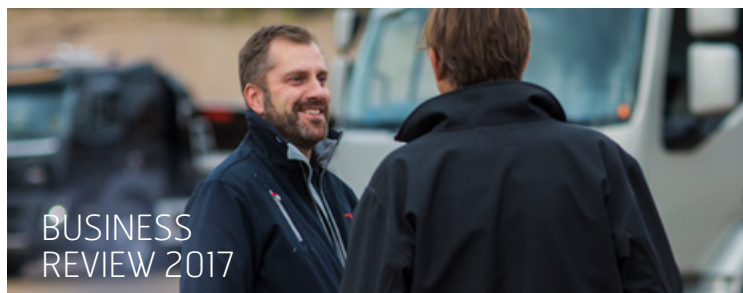
ANNUAL REPORT  

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TOWARD INDUSTRY-LEADING PROFITABILITY

**2017**

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SSAB is listed on Nasdaq Stockholm (Large cap list) and has a secondary listing on Nasdaq Helsinki.

## SSAB IN BRIEF

SSAB is a highly-specialized global steel company driven by close customer relationships. SSAB develops high-strength steels and provides services for better performance and sustainability.

The company is a leading producer on the global market for Advanced High-Strength Steels (AHSS) and Quenched & Tempered Steels (Q&T), strip, plate and tubular products, as well as construction solutions. SSAB's steels and services help to make end products lighter and increase their strength and lifespan.

### WE ARE UNIQUE

- Global leadership in value-added high-strength steels
- Most innovative services and applications
- Home-market leadership in the Nordics and US
- Long-term customer relationships
- Strong end-user focus
- Globally recognized brands

66

Net sales SEK billion

50

Employees in more than 50 countries

2.23

Earnings per share, SEK

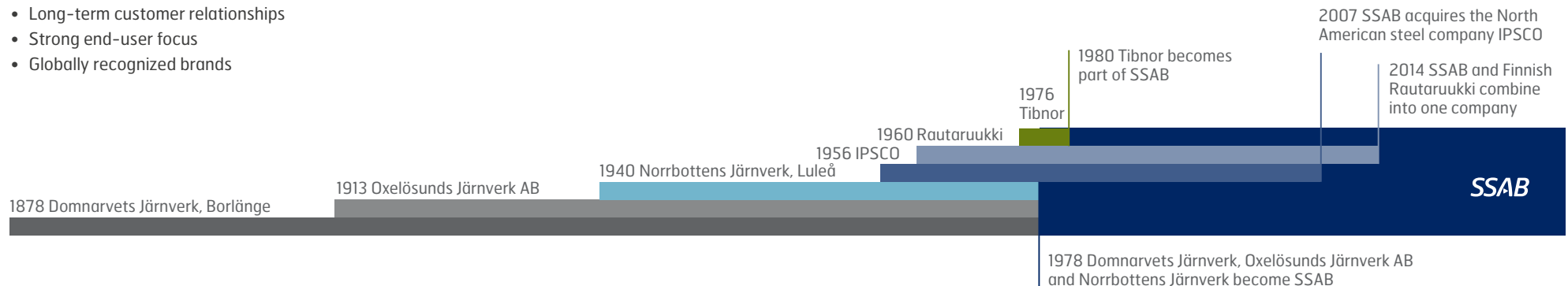
3.8

EBIT SEK billion

15,000

Approximate number of employees

President & CEO  
**Martin Lindqvist**  
Headquarters  
Stockholm, Sweden



SSAB





SSAB SPECIAL STEELS

Global steel supplier and service partner in Quenched & Tempered Steels (Q&T) and Advanced High-Strength Steels (AHSS)

Global product brands with a unique market position:



**MAIN PRODUCTION SITE:**

- Oxelösund, Sweden

22%

Share of SSAB  
Group's total sales

26%

Share of SSAB  
Group's total EBITDA



SSAB EUROPE

Leading Nordic-based steel producer of high-quality strip, plate and tube products

Focus on the home market and selected growth areas like high-strength steels for the automotive segment

**MAIN PRODUCTION SITES:**

- Borlänge, Sweden
- Hämeenlinna, Finland
- Luleå, Sweden
- Raahе, Finland

42%

Share of SSAB  
Group's total sales

56%

Share of SSAB  
Group's total EBITDA



SSAB AMERICAS

Market-leading North American producer of quality steel plate and coil

Strong production base with an industry-leading quality and cost position

Nearly 100% scrap-based production

**MAIN PRODUCTION SITES:**

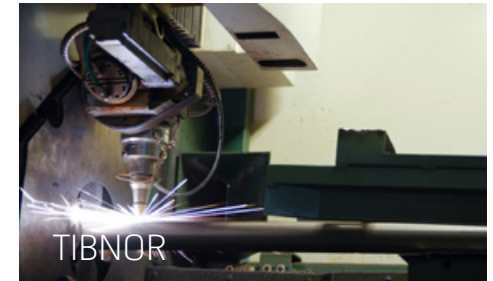
- Mobile, Alabama, USA
- Montpelier, Iowa, USA

17%

Share of SSAB  
Group's total sales

10%

Share of SSAB  
Group's total EBITDA



TIBNOR

Leading Nordic supplier of steel, other metals and processing services

11%

Share of SSAB  
Group's total sales

4%

Share of SSAB  
Group's total EBITDA



RUUKKI CONSTRUCTION

Sustainable building and construction products and services in Europe

8%

Share of SSAB  
Group's total sales

4%

Share of SSAB  
Group's total EBITDA

SSAB is structured across three steel divisions: SSAB Special Steels, SSAB Europe and SSAB Americas, and two subsidiaries: Tibnor and Ruukki Construction.

SSAB has a cost-efficient and flexible production system. SSAB's production plants in Sweden, Finland and the US have an annual steel production capacity of 8.8 million tonnes.

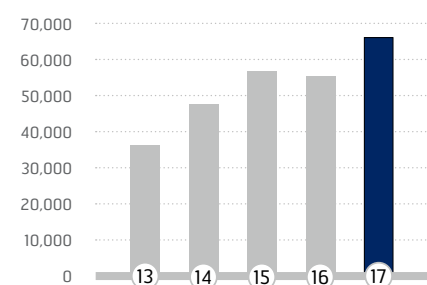
# 2017 IN BRIEF

KEY FIGURES	2017	2016
Sales, SEK million	<b>66,059</b>	55,354
Operating profit before depreciation/amortization, EBITDA, SEK million	<b>7,591</b>	4,951
Operating profit, SEK million	<b>3,838</b>	1,213
Profit after financial items, SEK million	<b>2,863</b>	324
Earnings per share, SEK	<b>2.23</b>	1.04
Operating cash flow, SEK million	<b>6,511</b>	3,207
Dividend per share, SEK – 2017 proposal	<b>1.00</b>	0.00
Energy consumption, GWh	<b>9,210</b>	8,990
Carbon dioxide emissions <sup>1)</sup> , thousand tonnes	<b>9,828</b>	9,989
Employees <sup>2)</sup>	<b>14,925</b>	14,980
Lost time incident frequency (LTIF) <sup>3)</sup>	<b>5.6</b>	6.8

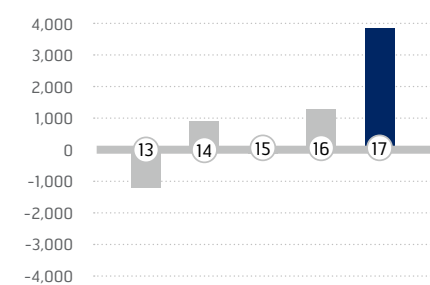
<sup>1)</sup> Direct emissions from production (Scope 1)  
<sup>2)</sup> Permanent employees at year end

<sup>3)</sup> Number of accidents resulting in an absence of more than one day per million working hours, including contractors

## Total sales



## Operating profit/loss<sup>1)</sup>



<sup>1)</sup> Excluding items affecting comparability

## Sales

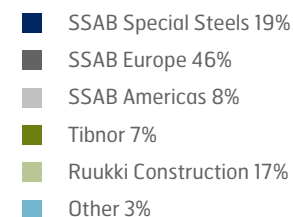


## Share of EBITDA<sup>1)</sup>



<sup>1)</sup> Operating profit/loss before depreciation/amortization (EBITDA) per business segment

## Employees<sup>1)</sup>



<sup>1)</sup> Permanent employees at year end

## VISION AND VALUES



### OUR VISION

**A stronger, lighter and more sustainable world.**

Together with our customers, we will go further than anyone else in realizing the full potential of lighter, stronger and more durable steel products.

### OUR VALUES



#### CUSTOMER'S BUSINESS IN FOCUS

- We constantly listen to and understand our customers' needs
- We aim to always take an active, long-term interest in our customers' business
- We want to earn our customers' trust
- We want to be our customers' innovation partner



#### TAKING RESPONSIBILITY

- We build strong, long-lasting relationships by being professional, cooperative and honest
- We keep our promises
- We work safely and responsibly
- We respect people and strive for diversity

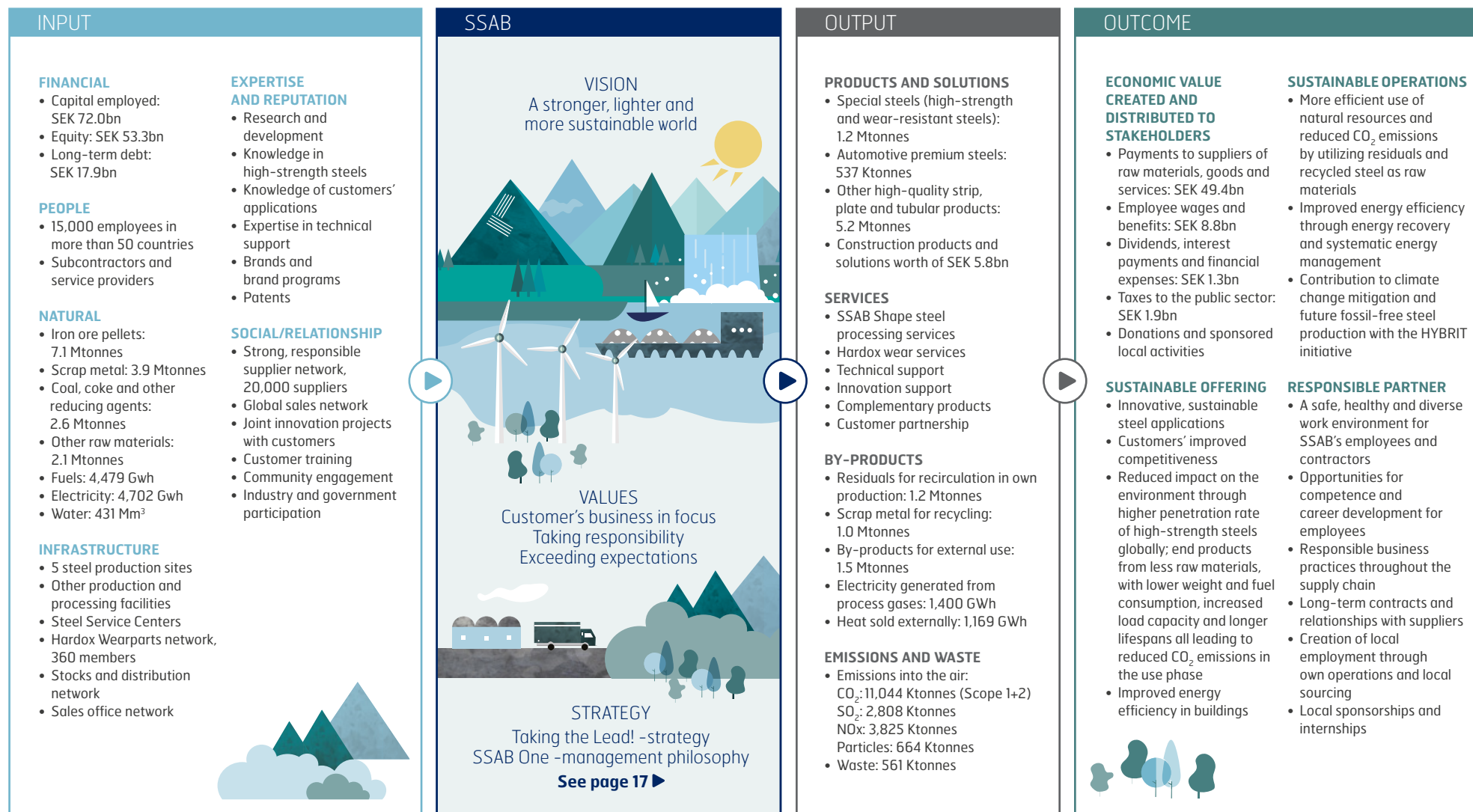


#### EXCEEDING EXPECTATIONS

- We are dedicated, ambitious and proud of what we do
- We are straightforward, results-oriented and quickly take action
- We don't do things that don't create value for our stakeholders
- To achieve top performance, we always challenge ourselves and further enhance our expertise



# SSAB'S VALUE CREATION



## CEO'S REVIEW 2017



*"We can look back on 2017 as a successful year at SSAB with a strong improvement in results. Markets and prices improved and we increased shipments within our growth areas. Strong cash flow enabled us to exceed our net debt reduction target. We are pushing ahead with a raft of projects to create a healthier, safer workplace and we have seen clear results of our efforts on this front in 2017. SSAB is well positioned and I am looking forward to this positive trend continuing also in 2018."*

### STRONG CASH FLOW AND BETTER MARKETS

Most of the Group's increased earnings are attributable to SSAB Europe. The markets improved and the division performed well. Production stability and a better product mix with the strong growth in Automotive, contributed to the improvement. SSAB Special Steels had a market tailwind, with operating profit up more than 60% despite pressure during the first half of the year as a result of the breakdown in Oxelösund. The North American heavy plate market had another year of sluggish development, but our modern steel mills are the most cost-efficient and flexible in North America, and SSAB Americas' market share rose to 28% of the American plate market. All in all, consolidated operating profit was up SEK 2.6 billion to SEK 3.8 billion. We focused heavily on capital efficiency and the measures delivered results – cash flow improved by more than SEK 3 billion and the target to reduce net debt by SEK 10 billion was exceeded by SEK 2.2 billion.

### SAFE WORKPLACE IS OUR TOP PRIORITY

A safe and healthy workplace is our top priority and our ambition is to be the world's safest steel company. Although we still have much to do, several KPIs moved in the right direction during 2017. To show the importance of always putting safety first, we aim for all employees to sign a

safety pledge. This process is already under way and has to date generated many good discussions between managers and workers about what health and safety mean for each of us in our daily work.

### GROWTH INITIATIVE 2020

Besides improvements in health and safety, our strategic growth initiatives are key to SSAB's success. We are progressing with our plan toward reaching the goals we have set ourselves for 2020. SSAB Special Steels' shipments increased by 18% to 1.2 million tonnes in 2017. Shipments of high-strength steel in the Automotive segment rose 21%, an important contributory factor why SSAB Europe's share of premium products increased to 32% (from 30% in 2016). Almost 100 new members joined the Hardox Wearparts network, which had a total of 360 (265) members at year-end 2017.

### OUR OBJECTIVE – FOSSIL-FREE STEEL PRODUCTION

SSAB is taking the lead toward a sustainable steel industry. This is why it is pleasing to note that our initiative with Vattenfall and LKAB is now progressing to the next stage and we are planning and designing a pilot plant for fossil-free steel in Luleå and Malmfälten in Sweden. The project, known as HYBRIT (Hydrogen Breakthrough Ironmaking Technology), is very



exciting and has the potential to revolutionize the steel industry. The fact that HYBRIT continues to progress according to plan is an important reason why, during 2017, we presented our long-term objective: SSAB will have fossil-free operations by 2045. Oxelösund will take the first step by replacing the existing blast furnace with an electric arc furnace. This will be in around 2025 and allow SSAB to cut its carbon dioxide emissions in Sweden by around 25%.

#### WE SUPPORT UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

SSAB has for many years been a signatory to the UN Global Compact. This clarifies our responsibility with regard to the environment, people and communities that are affected by our operations. This report is part of our communication on how our operations are aligned with Global Compact principles. We will continue to support these principles with regard to the environment, human rights, employee conditions and anti-corruption, and work to further integrate these into our operations, culture and value chain.

#### OUR PRODUCTS MAKE THE DIFFERENCE

When I meet customers and other decision-makers, I consider it important to explain how our products can improve sustainability performance throughout the value chain. Our EcoUpgraded

concept includes an educational tool that illustrates the advantages of upgrading various applications to high-strength steel. The potential is often greatest at the user end through lower operating costs and a lower carbon dioxide footprint. This means we need to work both with equipment manufacturers and their customers, such as logistics companies. Only by upgrading truck and dumper superstructures can carbon dioxide savings of between 20 and 150 tonnes be achieved during the vehicle's lifetime.

#### A PROFITABLE SSAB

One of our financial targets is to have the highest EBITDA margin among our competitors. We have improved, but we still have some way to go and it is important for all SSAB employees to take shared responsibility to drive continuous improvement through SSAB One, our management philosophy. One example of this is Borlänge, where we make high-strength steel for the automotive industry. Average production in Borlänge rose from 9,600 tonnes a week in 2016 to 10,800 tonnes in 2017, with basically the same labor force. This shows what a powerful tool we have in continuous improvement to increase production, a tool that we also need to overtake the competition.

Other financial targets, the debt reduction target and the dividend target were revised toward the end of 2017. Together with our stronger balance

sheet, we have created more room to maneuver regarding future strategic initiatives to drive profitable growth. The debt/equity ratio will not normally exceed 35% and our dividend payout will equate to 30–50% of profit after tax. The Board of Directors proposes a dividend of SEK 1.00 per share for 2017, equating to 45% of profit after tax.

#### GOOD OUTLOOK

I have a positive view of 2018. SSAB is well equipped with a clear strategic agenda and strong balance sheet. We are well placed to further enhance efficiency through continuous improvement. The production capacity in our facilities supports the growth targets we have set for 2020. We have further potential to increase capital efficiency to continue to deliver healthy cash flows. We also need to further improve our customer service, not least by delivering the right steel at the right time.

To conclude, I would like to thank our customers, especially those who were affected by the breakdown in Oxelösund, for their continued confidence in us. I would also like to thank our shareholders and last, but by no means least, all our employees. Many great efforts have contributed to our successes this past year. It's now time for us to step up the pace toward achieving industry-leading profitability.

**Martin Lindqvist**, President and CEO



## SSAB AS AN INVESTMENT

SSAB's strategy aims to secure the company's long-term development to create value for shareholders and other stakeholders. SSAB's main financial objective is to reach industry leading profitability and to generate solid cash flows, enabling further debt reduction and shareholder dividends.

### STRONG OFFERING AND LEADING MARKET POSITIONS

SSAB has four core markets:

1. Flat carbon steel and tubes in the Nordics
2. Heavy plate in North America
3. Automotive premium steel (AHSS) globally
4. Special steels (Q&T) globally

SSAB has leading positions in its Nordic and North American home markets. SSAB has an overall market share of around 45% for flat carbon steels in the Nordic region. In North America, SSAB is the largest producer of heavy plate, with more than 25% of the total market.

With its leading products, brands, knowledge and well-invested asset base, SSAB also holds the number one position in the global market for high-strength plate and strip (Q&T) and in selected Advanced High-Strength Steels (AHSS) segments. Demand for higher productivity and improved energy efficiency are important drivers

in the use of high-strength steels, which provide advantages in the form of stronger, lighter and more durable steel applications. Growth in high-strength steels, services and other premium grades will mean better returns for SSAB since profitability is relatively higher in these areas compared to more standardized products.

### STRATEGIC GROWTH TARGETS FOR 2020

- SSAB Special Steels aims to deliver 1.35 million tonnes of high-strength steels by 2020. In 2017, shipments were 1.2 million tonnes compared to 1.0 million tonnes in 2016
- SSAB Europe aims to improve the product mix to 40% of premium products by 2020. In 2017, premium products constituted 32% of the total volume compared to 30% in 2016
- As part of the mix improvement, SSAB Europe aims to deliver 750 thousand tonnes of Automotive premium products by 2020. In 2017, shipments amounted to 537 thousand tonnes compared to 442 thousand tonnes in 2016

- SSAB Americas aims for a market share of 30% over time on the North American plate market. SSAB estimates that in 2017 its market share amounted to around 28%
- For services, SSAB aims to grow the members in the Hardox Wearparts network to more than 500 by 2020. At the end of 2017, the network had 360 members compared to 265 at the end of 2016

### STRONG BALANCE SHEET

During 2016–2017, SSAB significantly strengthened its balance sheet. A combination of the rights issue and strong cash flow generation has resulted in a net debt reduction of around SEK 12.2 billion and a gearing ratio of 22% at the end of 2017. SSAB has a well-invested production system with capacity to reach the strategic growth targets for 2020. The reduction in debt will have a positive impact on interest costs and enable future strategic initiatives.

### COST EFFICIENCY

The synergies from the integration with Rautaruukki and the additional cost saving program were fully realized by the end of 2016, with an annual run rate of SEK 3.0 billion. Going forward, the efficiency efforts will be driven through continuous improvement. This includes smaller daily improvements, as well as larger projects. Several initiatives started to yield results during 2017.

### INDUSTRY-LEADING PROFITABILITY

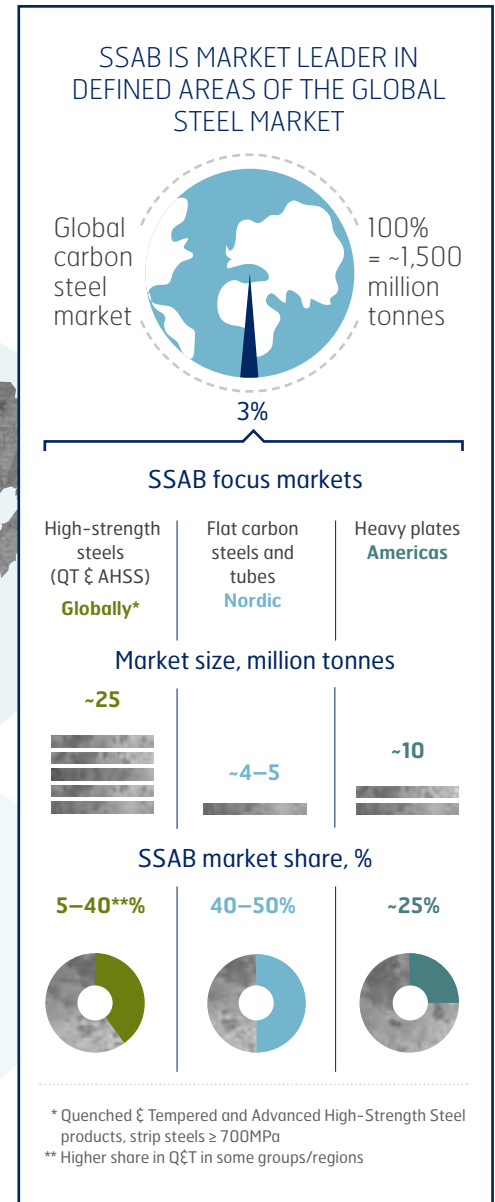
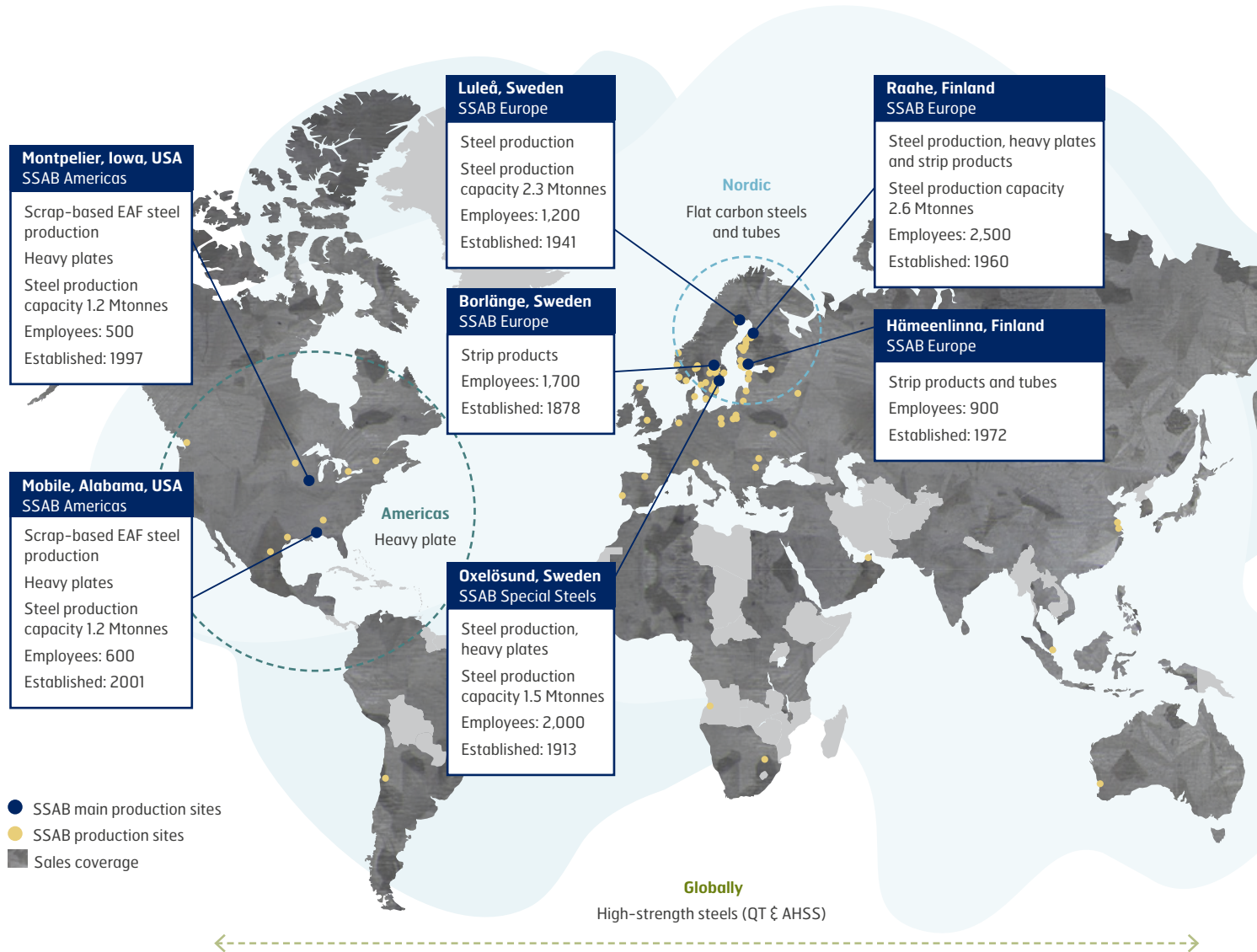
Realization of the strategic growth targets combined with the improved efficiency as a result of continuous improvement is the platform to achieve our financial target of industry-leading profitability. This is defined as the highest EBITDA margin compared to the following peers; ArcelorMittal, AK Steel, Nucor, Salzgitter, Tata Steel Europe, ThyssenKrupp and US Steel. The improvement potential in profitability, relatively low investment needs and a strong balance sheet create a solid foundation for cash flow generation during the coming years.

## OPERATING CONTEXT

Steel represents a challenging market and industry. Complex factors govern SSAB's opportunities and risks both in our home markets and further afield. The company carefully and continuously monitors global economic and social development to shape our strategic decisions.



# SSAB'S GLOBAL PRESENCE





## SSAB'S MARKETS

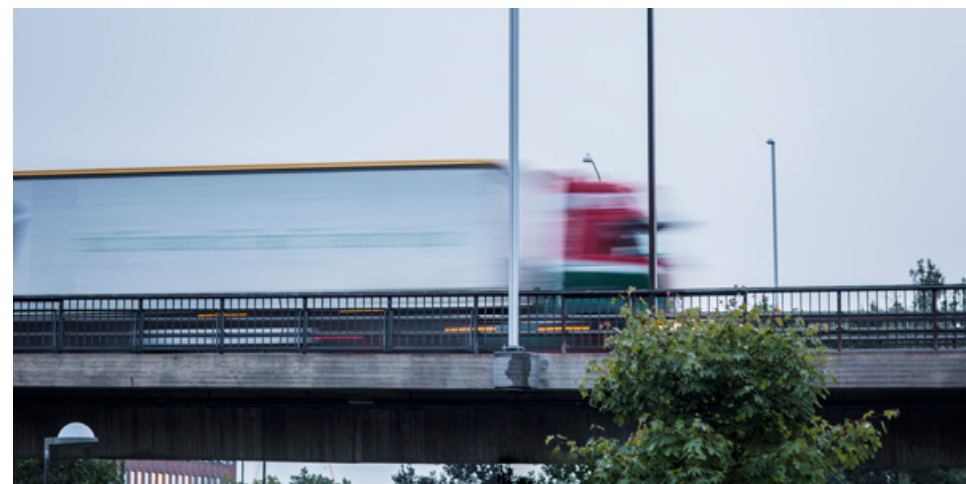
Total global steel usage in 2017 is estimated to be 1.6 billion tonnes, or around 210 kg per person. As economies develop, so does their steel usage. Industrialized, developed economies often have an annual steel consumption of more than 300 kg per person. Steel is traded globally, and the market consists of a number of user segments. This leads to many products of various uses, with different forces driving demand and large differences in price and profitability levels.

SSAB is present in the steel segment commonly referred to as flat carbon steels, i.e., steels with a particular carbon content rolled into flat sheets or plates. Carbon steels contain lower percentages of alloying materials, which influences the steels' properties. Stainless steel, on the other hand, is an example of high alloy steel containing high concentrations of chrome and nickel. SSAB manufactures only carbon steels, but relative to our industry, we have an advanced alloy mix, which along with special production processes, provides advanced properties for our steels.

The size of the global carbon steel market is approximately 1.5 billion tonnes. China is the largest regional market with a share of ~47%. Europe and NAFTA each account for ~10% of global steel demand. Global demand is growing slowly because China is entering into a new, less

steel intense phase of growth. Steel trade accounts for one third of global steel demand. China is the largest exporter and the EU is the largest importer.

The carbon steel market can be further divided into long and flat steel products with differing areas of use. Long products are used primarily within the construction industry, for example, beams, reinforcement steel and bars. Flat products are used in a wide range of industries such as automotive, domestic appliances, energy, heavy transportation and construction machinery. In mature markets such as Europe, the proportion of flat steel products is larger than long steel products because high urbanization rates have caused the construction market to reach a more mature phase. SSAB operates mainly in flat carbon products that can be further divided into plate and strip products based on end-product thickness and manufacturing method.



### SSAB'S STEEL MARKET POSITION

With annual steel production capacity of approximately 8.8 million tonnes, SSAB is a small player in the global carbon steel market. This is why SSAB specializes in and focuses on three defined segments within flat carbon steels, where we have strong market positions:

1. High-strength steels, including Quenched & Tempered (Q&T) and Advanced High-Strength Steel (AHSS) products
2. Flat carbon steel and steel tube market (in the Nordics)
3. Heavy plate market (in North America)

These market segments account for about 3% of the global market for carbon steel. In addition to being a steel producer, SSAB is also a steel and non-ferrous metal distributor via our subsidiary Tibnor and offers steel-based construction solutions through our subsidiary Ruukki Construction.

Customer segments served by SSAB include heavy transport, automotive, material handling (including mining), construction machinery (including lifting), energy, construction, as well as applications for protection steel and tool steel. In our home markets, the Nordic region and North America, standard steels are, to a large extent, sold through steel service centers and distributors.

## MARKET DEVELOPMENT IN 2017

According to the World Steel Association (WSA), global crude steel production for 2017 was 1,675 (1,587) million tonnes, up 5.5% compared with 2016.

Chinese steel production increased by 6% during 2017. However, the actual increase of steel production is estimated to be clearly below 6%, because some production has moved from illegal capacity (that has been shut down), to steel mills that are included in the official statistics. In the EU-28, production rose by slightly more than 4%, whereas production in North America was up by almost 5% during 2017.

Taking the year as a whole, demand in North America was volatile, with a strong start to the year followed by a sharp mid-year slowdown. This was followed by a period of weak demand, which subsequently improved toward the end of the year. Demand in Europe was considerably more stable throughout the year, with slight demand growth.



## GLOBAL MEGATRENDS AND SSAB'S RESPONSE

### NEW DEMANDS ON STEEL FROM END CUSTOMER SEGMENTS

#### OBSERVATIONS

- Productivity pressure across the value chain
- New energy efficiency requirements
- Digitalization impacting the business model of customer segments
- Electrification impacting the transport sector
- New safety regulations

#### IMPLICATIONS/OPPORTUNITIES

- Possibility for rapidly changing steel usage patterns – positive and negative
- New applications for steel
- Competition with other materials, e.g. aluminum

#### SSAB'S RESPONSE

- Engaging with customers to fully understand their situation
- Helping customers make use of high-strength steels to innovate their products
- Developing new products and offerings to meet challenges of the future

### NEW GLOBAL GROWTH PATTERNS AFTER CHINA STABILIZES

- Historically, steel consumption has grown in line with GDP
- Low steel intensity of GDP growth in advanced western economies
- China has been a driving force in global steel demand growth, but demand has now stagnated
- Steel demand growing in other developing economies, e.g. India, Brazil and Iran

- Slower growth in total steel demand than seen historically
- Potential rise of new competitors in developing markets
- Upgrading to premium high-strength steel products

- Securing a leadership position in home markets with cost and preferred supplier status
- Advancing SSAB's position in emerging markets for Q&T and AHSS

### CHANGING TRADE POLICIES AND REGIONALIZATION OF MARKETS

- Standard steel has historically been a regional product due to transport costs and lead times
- 20% of global steel demand is fulfilled by interregional trade flows
- Overcapacity and different regulations have put pressure on global trade flows
- Increase in trade protection measures in recent years to combat unfair trade practices
- China taking action to curb overcapacity by closing capacity and encourage consolidation

- Risk of tariffs for own exports
- Some protection toward unfair imports
- Higher importance of regional markets

- Taking an active stance for free and fair trade
- Developing the global production footprint to shift production between Europe and the US respectively



## INDUSTRY CONSOLIDATION WITH NEW ROUND OF MERGERS

### OBSERVATIONS

- Steel is a very fragmented industry – the largest company has a market share of just 6%, the top 75 companies just 67%
- Few mergers in the years following the financial crisis beginning in 2008
- New round of consolidation initiatives taking place in China, Europe and the US

### IMPLICATIONS/OPPORTUNITIES

- Rise of more potent competitors
- Improved industry structure with a number of leading actors
- Business disruption among merging parties

### SSAB'S RESPONSE

- Monitoring market developments
- Monitoring merger anti-trust processes
- Ready to engage customers who want to switch suppliers
- Pursuing own continuous improvement agenda

## SUSTAINABILITY SET TO TRANSFORM THE INDUSTRY

- Real measures are required to mitigate climate change
- New regulatory requirements are coming into force regionally and globally
- Customers need to reduce their environmental footprints
- As an energy-intensive industry, steel has a significant environmental impact
- The blast furnace process yields significant emissions

- To decrease emissions, more efficient use of material and energy resources is critical
- Risk of different regulations in different regions
- Risk that industry does not keep up with demand

- Helping customers to reduce their CO<sub>2</sub> footprint through upgrading to high-strength steels
- Aiming to be fossil free by 2045 through research of new steelmaking technologies in the HYBRIT project
- Fulfill all requirements of being a responsible partner

## OUR STRATEGY

SSAB's strategy is to strengthen our leading positions in high-strength steels globally, in our home markets, and as the top provider of value-added services.



# TAKING THE LEAD!

## SSAB continuing the strategic direction

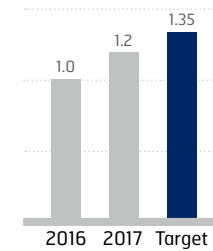


In 2017, SSAB entered a new development phase after two years of restructuring following the combination with Rautaruukki in 2014. SSAB's "Taking the Lead!" strategy, first introduced in 2012, continues to drive the strategic decisions and actions of the company.

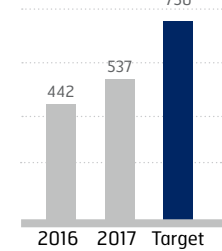
In 2017, SSAB announced new ambitious growth targets for 2020. These targets will contribute to SSAB's vision – a stronger, lighter and more sustainable world.

### SSAB'S GROWTH TARGETS BY 2020

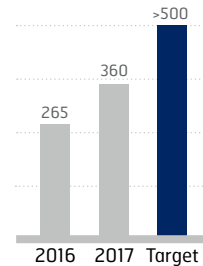
1  
GROW SPECIAL STEELS  
1.35 MILLION TONNES  
Million tonnes



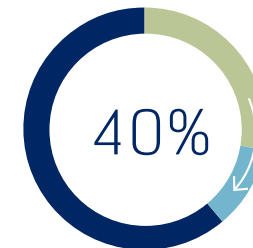
2  
AUTOMOTIVE PREMIUM PRODUCTS 750 THOUSAND TONNES  
Thousand tonnes



3  
DEVELOP SSAB SERVICES  
Hardox Wearparts members



4  
ENHANCE PREMIUM MIX IN SSAB EUROPE  
Share of premium products



5  
NORTH AMERICAN PLATE MARKET LEADER  
Market share (over time)

30%







## LEADING HOME-MARKET POSITIONS

The Nordic and North American home markets remain the foundation for SSAB to build further offerings. SSAB aims to strengthen our home market positions in the coming years.

### NORDIC REGION

#### Maintaining market leadership with an enhanced product mix

SSAB will maintain a Nordic market share of 40–50% by serving the region's leading OEMs and distributors as well as smaller customers. This will be helped by growth in SSAB's own channels, including the metal distribution company Tibnor and the steel construction company Ruukki Construction, and also in partnership with customers and external steel distributors with which the company has long-term agreements.

A new ambition for SSAB Europe is to increase the share of premium products to 40% of total shipments inside and outside the Nordics by 2020 (2017: 32%). This includes growing premium offerings like Automotive premium, GreenCoat, SSAB Laser, SSAB Boron and SSAB Form. The goal is to reduce less profitable product volumes, especially standard products outside of the Nordics.

### AMERICAS

#### Increased market share for plate in North America

The North American plate market has been turbulent in recent years with volatile demand and new trade measures being considered. As a market leader, SSAB has been able to further strengthen our market leadership against local competitors and imports.

Moving forward, SSAB aims to have a market share of around 30% in the North American plate market (2017: 28%). This target requires continued focus on cost leadership and maintaining status as a preferred supplier, as well as continued capacity expansions as the market is expected to grow in coming years. The capacity expansion consists of investments to remove bottlenecks in our production facilities.

## GLOBAL LEADERSHIP IN HIGH-STRENGTH STEELS

SSAB is well positioned to take advantage of opportunities in high-strength steels. Thanks to leading brands, a unique product offering, profound expertise and close collaboration with customers in developing new steel applications, SSAB has long been the global leader in this segment. The ever growing need for higher productivity and more sustainable solutions is the main driver for growth. SSAB's 2020 growth target for high-strength steels reflects positive segment outlook.

### SSAB SPECIAL STEELS

#### Aiming for 1.35 million tonnes by 2020

SSAB Special Steels is aiming for 1.35 million tonnes of shipments by 2020, which can be compared with 1.0 million tonnes in 2016 and 1.2 million tonnes in 2017. Most of this growth is expected to come from upgrading, i.e. creating market demand by moving customers from standard grades to high strength grades. To achieve this, SSAB will focus on product and application development, growing stock sales capabilities, expanding sales capabilities in emerging markets, as well as continued development of brand programs.

### AUTOMOTIVE PREMIUM STEELS

#### Aiming for 750 thousand tonnes by 2020

SSAB serves the world's leading automotive companies with high-strength steel applications. Lightweighting, emission standards, safety standards and electrification contribute to a positive outlook for the use of high-strength steels in the automotive segment. Together with our customers, SSAB sees the potential to continue to grow in this segment, and therefore aims for shipments of 750 thousand tonnes by 2020, compared with 537 thousand tonnes in 2017.



*“Over the years, SSAB has proven our ability to outgrow the market with our high-strength and premium steels. This is reflected in our new 2020 growth targets. Combined with our focus on continuous improvement, SSAB should be able to strengthen our industry leadership position.”*

**VIKTOR STRÖMBERG** | SSAB, HEAD OF STRATEGY AND BUSINESS DEVELOPMENT



## LEADING VALUE-ADDED SERVICES

Value-added services represent an important area for SSAB's long-term development, as many customers focus on their core activities and demand more services to complement the products. Value-added services act as additional components to the strategic ambitions outlined above, supporting and enhancing SSAB's activities in our home markets and supporting high-strength steel sales, as well as differentiate us from our competition.

### SERVICES

#### A new business arm of SSAB

The SSAB Services business unit builds the network and develops Hardox Wearparts concepts. Hardox Wearparts network is comprised of 360 member companies globally (as of the end of 2017). These centers provide replacement parts and services to end customers in mining, recycling, quarrying, cement and agriculture. SSAB aims to have more than 500 companies in the network by 2020.

SSAB Services also manages the downstream service concept of SSAB Shape, which offers steel-processing services for OEMs and their subsuppliers. SSAB will continue to grow steel processing Shape services to customers, often in emerging markets where capabilities to process high-strength steels are less developed.

### DISTRIBUTION

#### Serve small and mid-size customers with short lead times

SSAB aims to grow our distribution services business in selected markets. Unlike many of our competitors, we operate our own global stock network and can serve the end-user market with short lead times. SSAB will grow the share of stock shipments as a way of increasing the value of steel shipments to our customers.

SSAB's fully-owned leading Nordic steel distributor, Tibnor, will expand its presence in all Nordic countries, expand the multi-metal offering, and lead the way in digitalization of the business.



*"SSAB Services will develop products and services that will facilitate the use of advanced high-strength steels for the market. We will also suggest new ways for our customers to engage with us so that SSAB is well positioned to solve their specific challenges and integrate into their supply chain."*

**GREGOIRE PARENTY** | HEAD OF SSAB SERVICES





## MOST FLEXIBLE OPERATIONS

To outperform peers and achieve industry-leading profitability in the coming years, SSAB will continue to focus on efficiency, flexible operations and utilization of the global production system.

SSAB has launched a new continuous improvement program with annual target-setting powered by the SSAB One management philosophy. The program will deliver productivity gains every year by involving all employees in improvement activities. The effect will also secure SSAB with leading cost positions across our home markets.

SSAB has a flexible production setup, with the ability to produce high-strength steels at several mills. The work with continuous improvement will raise productivity and allow for growing production volume in existing facilities. This will also mean that SSAB has the potential to be more resilient in weak business cycles.



## HIGH-PERFORMING ORGANIZATION

To achieve our ambitious strategy targets, SSAB will continue developing our high-performing organization to support a decentralized operating model characterized by accountability and entrepreneurship. We have three main priorities toward achieving a high-performing organization:

- To be the safest steel company in the world. This we will achieve through an increased focus on fundamental work safety at all sites
- To leverage our management philosophy SSAB One to enhance productivity through continuous improvement and employee engagement
- To embrace diversity and continue strengthening our leadership capabilities and performance culture by cascading strategy and goal alignment to all levels



## SUPERIOR CUSTOMER EXPERIENCE

Part of SSAB's strategy is to go further than anyone else to offer customers a superior customer experience.

SSAB strives for the highest standards on "the basics" in order to maintain our position as the preferred supplier, measured through customer surveys. This includes, for instance, responsive sales processes, consistently high product quality, on time delivery reliability and information accessibility.

To remain at the forefront, SSAB will continue to invest in technical support and joint innovation initiatives to help customers to get the best out of SSAB's high-strength steels. Combined with leading brands and customer brand programs like "Hardox In My Body" and "My Inner Strenx", SSAB can further strengthen customer partnerships.



## FINANCIAL TARGETS

SSAB's strategy aims to secure the company's long-term development to create value for shareholders and other stakeholders. SSAB's main financial objective is to secure industry-leading profitability and to generate solid cash flows, enabling debt reduction and shareholder dividends.

SSAB has three financial targets within three different areas.

AREA	OBJECTIVE
Profitability	SSAB aims for an industry-leading profitability measured as EBITDA margin among comparable peers*. Based on the period of first nine months of 2017, SSAB was the 3rd best among the peer group.
Capital structure	The objective is that the net debt/equity ratio will not normally exceed 35%. At the end of 2017, SSAB had a net debt/equity ratio of 22%.
Dividends	Dividend target is 30–50% of profit after tax. The proposal from the Board for the year 2017 is SEK 1.00 per share, which equates to around 45% of profit after tax.

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



# SUSTAINABILITY STRATEGY

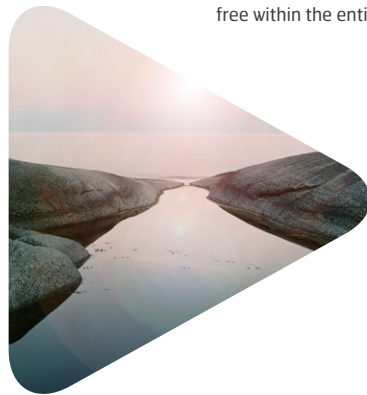
SSAB’s goal is to become one of the world’s most sustainable steel companies. In 2017, SSAB increased the company’s ambitions for sustainability and set new long-term objectives. By 2045, SSAB aims to be totally fossil-free.

## SSAB’s sustainability objectives are divided into three focus areas

### SUSTAINABLE OPERATIONS

#### FOSSIL-FREE 2045

SSAB will stepwise move toward a fossil-free steelmaking process through the HYBRIT initiative and eliminate other fossil fuel related emissions, making it possible to be fossil free within the entire operation



SSAB manages risks and takes responsibility for business ethics and responsible sourcing, and continuously strives to improve safety, diversity and employer attractiveness

### RESPONSIBLE PARTNER

### SUSTAINABLE OFFERING

#### 10 MTONNE CUSTOMER CO<sub>2</sub> SAVINGS 2025

By using SSAB’s high-strength steels, customers can achieve CO<sub>2</sub> savings during their end product’s use-phase that are as large as SSAB’s direct production emissions

Managing business in a sustainable way will increase the possibilities to deliver strong financial and operational results.

#### Sustainable operations

SSAB focuses on continuous improvement to minimize emissions and to improve productivity, as well as material and energy efficiency. SSAB is committed to environmental work to minimize any adverse environmental impacts from our operations. Long term, SSAB will work toward a fossil-free steelmaking process through the HYBRIT initiative and by eliminating other fossil related emissions, with a goal to be fossil-free throughout the entire operation by 2045.

#### Sustainable offering

SSAB’s sustainable offering is our external value proposition, what we offer our customers and other stakeholders. The core of SSAB’s

business is to develop and produce advanced high-strength steels and Q&T steels that are stronger than ordinary steels, which in turn helps our customers produce lighter and stronger products, thus reducing their environmental footprint.

By using SSAB’s high-strengths steels, customers can achieve significant CO<sub>2</sub> savings during their end products’ use-phase. SSAB has set a target that these customer CO<sub>2</sub> savings will reach 10 million tonnes annually by 2025, which equals SSAB’s direct CO<sub>2</sub> emissions.

#### Responsible partner

SSAB will adhere to the highest standards of a responsible partner by taking responsibility for business ethics and responsible sourcing, as well as continuously strive to improve safety, diversity and employer attractiveness.





## SUSTAINABILITY TARGETS

At the end of 2020, SSAB will have achieved the following environmental and energy targets\*:

### A LASTING REDUCTION OF 300,000 TONNES IN CO<sub>2</sub> EMISSIONS

- Equals 3.1% of SSAB's total CO<sub>2</sub> emissions
- The target corresponds roughly to 100,000 cars each driving 15,000 km
- Reduction efforts focused mainly on ore-based iron and steel production since this accounts for 90% of SSAB's total CO<sub>2</sub> emissions

### A LASTING REDUCTION OF 400 GWH IN PURCHASED ENERGY (ELECTRICITY AND FUELS)

- Equals approximately 4.6% of SSAB's total amount of purchased energy
- The target level corresponds roughly to the energy used by 20,000 households for electricity, hot water and heat during one year

### A LASTING IMPROVEMENT OF 50,000 TONNES IN RESIDUAL UTILIZATION

- Equals approximately 20% of the total amount of material currently sent to landfill
- The target roughly corresponds to a normal soccer field filled with 5 meters of residuals
- The target will be achieved through improved internal recirculation of materials to SSAB steel production and external sales of by-products

SSAB has the following ongoing sustainability target:

- Employee engagement that exceeds that of benchmark global industrial companies (This is measured every other year, and the most recent was in 2017)

By the end of 2019, SSAB will have achieved the following gender diversity target:

- Women holding 30% of the top management positions in the company by the end of 2019 (up from 23% in 2015)

\* The base year for monitoring the targets referred to above is 2014.



*"SSAB EcoUpgraded is about helping our customers to make lighter and more efficient products. This is the greatest contribution SSAB can make toward reducing CO<sub>2</sub> emissions in the mid-term. By 2025, we will help our customers to save 10 million tonnes of CO<sub>2</sub> emissions every year."*

**THOMAS HÖRNFELDT** | SSAB, VP SUSTAINABILITY AND PUBLIC AFFAIRS

## OUR BUSINESSES

SSAB is structured across three steel divisions: SSAB Special Steels, SSAB Europe and SSAB Americas, and two subsidiaries: Tibnor and Ruukki Construction.



# SSAB SPECIAL STEELS

**PER OLOF STARK** (1954), EVP  
HEAD OF SSAB SPECIAL STEELS

Global steel supplier and service partner in Quenched & Tempered Steels (Q&T) and Advanced High-Strength Steels (AHSS)

2,800

Employees, approximately

16,053 MILLION SEK

Sales in 2017

1.2 MILLION TONNES

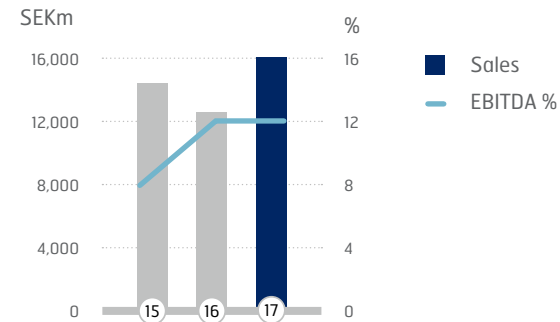
Steel shipments 2017

Close collaboration and joint projects with customers



Highly-respected product brands

SSAB Special Steels Net sales and EBITDA margin



22%

Share of SSAB Group's total sales

26%

Share of SSAB Group's total EBITDA

When SSAB Special Steels sells steel produced by another division of the company, the revenues are reported in SSAB Special Steels and settlement of account takes place between the divisions at the cost of goods sold.





SSAB Special Steels is the global market leader in high-strength steels. The division's wide product portfolio includes a number of unique steel grades. The Hardox brand has the highest awareness of all brands in the steel market. The business model allows for close collaboration with large OEMs, as well as with smaller and mid-sized customers through a global organization which includes local stocks, technical customer support, engineering and processing services. This more advanced approach helps to differentiate SSAB from most other larger steel companies.

SSAB Special Steels is responsible for production of Q&T Steels in Oxelösund (Sweden), as well as for sales of Q&T Steels and AHSS made in Mobile, Alabama (USA), Raabe (Finland) and Borlänge (Sweden). In total, there are nine SSAB production lines globally that can produce high-strength steels, which provides for flexibility and ability to grow volume.

### STRENGTHS

SSAB Special Steels is a leading developer and manufacturer of wear, structural, protection and tool steels.

- World's widest product portfolio
- Close collaboration and joint projects with customers result in more highly paced development and increased competitiveness

- Well-known and highly-respected product brands
- Long-standing customer relations
- Competitive lead times and service on a global scale
- Approximately 80 own stocks locations serving more than 130 countries
- A unique combination of expertise regarding the development of steels, design and know-how regarding applications

### STRATEGY

SSAB Special Steels aims to be the global leader in wear, structural, protection and tool steels, as well as in related value-added services.



*"X-Days is one way to increase our knowledge of customer segments and the applications of our steels. Training and knowledge sharing equip sales and technical support functions to better illustrate the economic benefits of upgrading to high-strength steels. We can reach customers and end-users more efficiently. This is our way of building the market."*

**PER ELFGREN** | SSAB SPECIAL STEELS, HEAD OF MARKET DEVELOPMENT



### Strategic priorities

- Focus on safety in all parts of the division
- Maintain position as innovation leader with unique product and service portfolio
- Expand the Hardox Wearparts network and SSAB Shape concept
- Work closely with potential and existing customers to upgrade to high-strength steels
- Accelerate growth by upgrading in new segments and new markets
- Grow the high-strength bars and tubes business

### CUSTOMERS AND END-USERS

SSAB Special Steels customers represent both the end-user and machine construction sectors in branches such as materials handling, heavy transport and all forms of lifting. A shared goal

is to make lighter, stronger and more durable products that create value through higher payloads or a longer service life and thus drive the sustainability of the products and their usage.

SSAB Special Steels has one of the widest product and service portfolios in the market, combined with deep knowledge of steel properties and performance. Close contact with end-users enables SSAB Special Steels to work together with equipment manufacturers to create added value through the development of new products.

### Examples of applications for special steels

#### HIGH-STRENGTH STRUCTURAL STEELS

- Mobile cranes (booms, chassis and support legs)
- Truck-mounted cranes

- Aerial work platforms
- Chassis for trailers and trucks
- Agricultural machinery
- Offshore (selected components such as jack-up rigs)

#### WEAR STEELS

- Dumper bodies for both off-road and on-road use
- Buckets
- Containers
- Stationary mining equipment such as crushers
- Recycling equipment
- Wear parts to several segments and applications

#### PROTECTION STEELS

- Vehicles for safe transportation of people and valuables
- Protection for buildings and counters

#### TOOL STEELS

- Molds
- Tool holders
- Axles

#### MAIN CUSTOMER SEGMENTS AND APPLICATIONS

- Heavy transport: Bodies and trailers
- Construction machinery: Dumpers, loaders and cranes
- Material handling: Crushers, buckets and conveyors
- Agricultural and forest machines: Cranes, grabs and soil cultivation equipment
- Workshops for the manufacture of spare parts

### PRODUCTS AND SERVICES

SSAB Special Steels is responsible for all SSAB's Quenched & Tempered Steels (Q&T) and hot-rolled Advanced High-Strength Steels (AHSS) with yield strengths from 690 MPa and above. This steel can be further classified into high-strength structural steels, wear-resistant steels, protection steels and tool steels.

### Brands and products

- **HARDOX** is the leading brand of wear steels. It offers a unique combination of hardness and toughness, which in turn enables lighter, more durable structures for increased payload and longer service life
- **STRENX** is SSAB's high-strength structural steel product brand. Its high strength combined with good impact toughness and forming properties enables strong, light structures for increased payload
- **RAEX** is a distributor brand for wear steel designed to meet standard demands on the market
- **TOOLOX** is a prehardened tool steel available as plate and bars, with very good machinability
- **ARMOX** and **RAMOR** are protection plate with properties designed especially for the protection of life and property



*"We have analyzed the special steels market and the upgrading potential using a 'battlefield' model. This has allowed us to identify growth opportunities that we did not previously detect. As an example, we have been able to offset the temporary decline in the Korean tipper market by developing business with some new customers in the lifting segment and we continue to grow and outperform the competition."*

**KJELL BÄCKMAN** | SSAB SPECIAL STEELS, VP, HEAD OF SALES

### SSAB Services

As a business, SSAB Services focuses on providing services to heavy transport machine builders and the after-market business. SSAB Services is reported as part of SSAB Special Steels and aims to develop the Hardox WearParts network and to facilitate the usage of high-strength steels by further promoting the SSAB Shape concept.

**HARDOX WEARPARTS** is a network of companies for the production of wear parts and just-in-time repair services to end-users. Our network is represented across more than 80 countries and consists of approximately 360 companies, 16 of which SSAB has an ownership interest in. Hardox Wearparts provide spare parts and advice to the local aftermarket in for example, the mining, quarrying, infrastructure, construction, steel, agriculture and recycling sectors.

**SSAB SHAPE** combines our premium steel products with engineering and processing services offered through SSAB's own Shape centers and an independent worldwide network of plate processing suppliers. This is how we facilitate the use of AHSS to our end-users so they are in position to take full advantage of our product performance.

### GENERAL MARKET CONDITIONS AND DEMAND

After several years of tough market conditions, the most important segments driving demand for SSAB Special Steels have gradually improved during 2017, including the construction industry, lifting and mining segments.

Customer demand for lighter and more sustainable products is driving development toward increased use of high-strength steels. SSAB steels offer the possibility to build lighter products with a longer lifecycle in a way that reduces component wear and lowers fuel consumption, increases lifting performance and enables higher payloads. Market share of high-strength steels is increasing in all markets, although the penetration rate in emerging markets is considerably lower than in mature markets. To increase the penetration rate, upgrading customers' applications to high-strength steels is facilitated by technical support functions available on all markets.

### Market areas and market share

#### SSAB SPECIAL STEELS

- Is represented in most of the global market. Market shares vary greatly depending on products and geography. The highest market share is in Q&T steels



- Has a strong market position in main customer segments such as construction machinery heavy transport and the aftermarket business
- Focuses on growing the total high-strength steel market through continuous work on upgrading
- Has about 50% of its sales in Europe and almost 20% in North America
- Considers Latin America, Africa and Asia important regions for future growth

### COMPETITORS

International steel product manufacturers such as Dillinger Hütte, NLMK Clabecq, Voestalpine, ArcelorMittal, ThyssenKrupp, Tata Steel Europe, JFE and Nucor.

### 2017 IN BRIEF

- Launch of Hardox 500 Tuf. A new tough material with high hardness for demanding applications like tipper bodies
- Growing the Hardox Wearparts network by 95 new members
- The first concrete steps have been taken to transform Oxelösund from blast furnace to EAF steel production

# SSAB EUROPE

**OLAVI HUHTALA** (1962), EVP  
HEAD OF SSAB EUROPE

Leading Nordic-based steel producer of high-quality strip, plate and tube products

6,800

Employees, approximately

31,048 MILLION SEK

Sales in 2017

3.7 MILLION TONNES

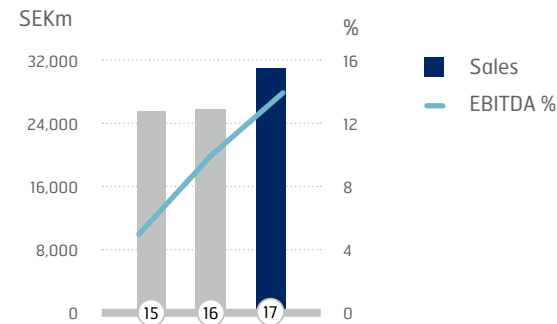
Steel shipments 2017

Growth in automotive segment and in other premium products



Market leader in the Nordic countries

SSAB Europe Net sales and EBITDA margin



42%

Share of SSAB Group's total sales

56%

Share of SSAB Group's total EBITDA



SSAB Europe is a leading producer of high-quality steel strip, plate and tube products. SSAB Europe's processing centers tailor products to customer needs. The organization's know-how of the production and uses of high-strength steels allows SSAB Europe to work closely with customers and deeply understand their needs. This, combined with the value-added services customers require, makes SSAB Europe stand out from other steelmakers.

SSAB Europe's focus is on the Nordic home market, along with selective growth areas, such as high-strength steels to the global automotive industry.

SSAB Europe's main production sites are located in Raahel and Hämeenlinna (Finland), and in Luleå and Borlänge (Sweden). Production is based on integrated blast furnace processes. SSAB Europe's steel mills have an annual production capacity of 4.9 million tonnes.

Other production sites include the color-coating lines in Finspång (Sweden) and Kankaanpää (Finland). The division also has tube production in Hämeenlinna, Lappohja, Oulainen, Pulkila and Toijala (Finland), as well as processing sites in the Netherlands, Norway, Italy, Russia, Poland, Sweden and the UK.

### STRENGTHS

- Market leader in the Nordic countries
- Close collaboration with customers to create a superior customer experience
- Broad product portfolio with unique premium steels and strong product brands
- Strong, growing customer base in Europe
- Leading technology and materials expertise
- Flexible production capacity
- Steel products tailored to customer-specific needs
- Strong partner and distribution network

### STRATEGY

The Nordic region home market is core to SSAB Europe's strategy and the goal is to continue developing this market by focusing on the division's offerings while maintaining its position as the most reliable supplier and customers' first choice.



*"Our new, stronger press hardening steel for automotive safety components, Docol PHS 2000, is one of the many tools we will use to achieve our strategic target to deliver 750 thousand tonnes of automotive premium products by 2020, compared to 442 thousand tonnes in 2016 and 537 thousand tonnes in 2017."*

**MARITA HANE** | SSAB EUROPE, BRAND MANAGER DOCOL



Other important strategic focus areas are to continue to grow the Advanced High-Strength Steel (AHSS) business for the global automotive industry, to focus on selected areas of application, and to grow the more unique steel products in a number of different segments.

SSAB Europe aims to improve the product mix to 40% of premium products by 2020, compared with 30% in 2016 and 32% in 2017. Key initiatives for non-automotive premium are to further promote end-user benefits with our premium products and to enhance collaboration with multi-channel distributors, e.g. Laser Distribution Partner network expansion.

The merger of SSAB and Rautaruukki has created a more competitive and flexible production system and better utilization of production assets as well as an optimized product portfolio. Continuous

improvement in efficiency and productivity are also an important part of SSAB Europe's strategy and are primarily being driven by continuous improvement across the organization.

Throughout Europe, the focus is on supplying products that add value for customers in all markets, pursuing a strategy of selective growth rather than commodity sales.

#### Strategic priorities

- Focus on working safely throughout the division
- Secure market leadership in the Nordic home market
- Improve the premium mix in the product portfolio, 40% by 2020
- Grow sales of advanced high-strength steel to the automotive industry

- Improve efficiency and productivity, along with quality and delivery accuracy, through continuous improvement

#### CUSTOMERS AND END-USERS

SSAB Europe's broad product portfolio allows the division to serve customers in diverse segments and in a wide range of applications.

SSAB Europe sells products both directly to end customers and to service centers and wholesalers. Some of the products for the Nordic and Baltic markets are also supplied via Tibnor.

#### SSAB Europe's main customer segments

- Construction & infrastructure
- Automotive
- Industrial applications
- Heavy transportation
- Energy
- Construction machinery
- Service centers
- Marine & offshore

SSAB Europe supplies different steel grades to major OEMs in the heavy and commercial vehicle sector. Like manufacturers of passenger vehicles, these manufacturers are seeking the benefits of lightweighting and more efficient fuel consumption. The division also sells its products

to major agricultural machinery makers. Heavy plates are used extensively in the Nordic markets and within Europe in the energy sectors, while color-coated materials are used primarily by manufacturers of steel roofing and rainwater systems, particularly in the Nordic and Eastern European markets.

#### PRODUCTS AND SERVICES

SSAB Europe has a broad product offering through internationally well-known product brands. Yield strength classes of hot-rolled products up to, but excluding, 690 MPa. (Steel grades of 690 MPa and above in hot-rolled products come under SSAB Special Steels' product offering.) Cold-rolled and galvanized products are available in tensile strengths ranging from 200 to 1,700 MPa. SSAB Europe's product offering also includes customized products for diverse uses from mild deep drawing steel to ultra-high-strength steels. In addition, SSAB Europe can provide leading color-coated products designed for specific needs based on many different coating systems and various specially-developed base steel grades.

Premium products include a range of branded products that offer enhanced value to customers through tighter tolerances, improved material properties and refined composition – such as



*"With our wide range of premium products and our ability to collaborate with customers to deliver their tailored and specific needs, we are well positioned to deliver the ambitious target of 40% premium product sales in SSAB Europe by 2020."*

**MARK JEFFREY** | SSAB EUROPE, HEAD OF SALES WESTERN EUROPE

GreenCoat products, Docol automotive steels or SSAB Laser. All of these products deliver improved performance creating a higher value in use. In addition, SSAB Europe's premium products are designed to deliver sustainable environmental benefits versus standard products in the marketplace.

#### SSAB Europe's branded products

- Docol®
- GreenCoat®
- SSAB Boron
- SSAB Domex®
- SSAB Form
- SSAB Laser®
- SSAB Weathering

The full range of products includes the following:

- Hot-rolled plate products
- Hot-rolled strip products
- Cold-rolled strip products
- Metal-coated strip products
- Color-coated strip products
- Tubes and sections
- Infrastructure products

SSAB Europe's setup enables high availability, short delivery times, advanced logistics services with high delivery accuracy and a high degree of flexibility to meet customer needs, particularly in

the Nordic region. Customers can also obtain steels in the formats that best meet their needs. SSAB Europe's service offering also includes technical advice and workshop support, training and more.

#### GENERAL MARKET CONDITIONS AND DEMAND

The European steel industry has recovered in recent years due to improved economic activity, which has meant increasing steel demand from important segments like heavy transport, construction, construction machinery and shipbuilding. Anti-dumping measures introduced by the EU to ensure fair competition have also contributed to the improvement. There remains excess capacity in Europe, but ongoing consolidation can drive down overcapacity.

The European economy is generally strong and growth in total steel demand is expected in the years to come. There are some regional differences and attractive growth potential for SSAB Europe's products and services in a number of geographical areas and segments. Development within the global automotive segment in particular, for example in China, India and Mexico, presents interesting growth potential.

#### MARKET AREAS

- In the Nordic region, SSAB Europe is a market leader with a complete portfolio of high-quality steel products
- SSAB Europe has a leading position within selected Advanced High-Strength Steel (AHSS) applications for the global automotive industry
- In color-coated products, SSAB Europe has leading products and a strong product brand – GreenCoat
- SSAB Europe has an extensive portfolio of high-quality tube products
- Nordic countries account for about 50% of sales, rest of Europe about 40% and rest of the world about 10%

#### COMPETITORS

SSAB Europe's main competitors include ArcelorMittal, Dillinger, Salzgitter, ThyssenKrupp, Tata Steel Europe, US Steel and Voestalpine.

#### 2017 IN BRIEF

Market conditions were favorable in 2017, with improving prices. SSAB Europe's operations were running at high capacity utilization and the division has been able to progress toward a more diverse product mix.

- Automotive strategy has proven to be successful and has generated premium product growth
- Our customers are increasingly end-users and the multichannel strategy has worked well
- The Nordic market share is above 40% and the tube business has shown good growth

# SSAB AMERICAS

**CHARLES SCHMITT** (1959), EVP  
HEAD OF SSAB AMERICAS

Market-leading North American producer  
of quality steel plate and coil

# 1,200

Employees, approximately

# 12,727

 MILLION SEK

Sales in 2017

# 2.0

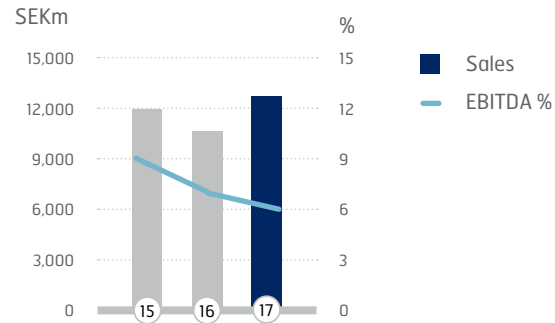
 MILLION TONNES

Steel shipments 2017



Nearly 100% scrap-based production

SSAB Americas  
Net sales and EBITDA margin



# 17%

Share of SSAB Group's total sales

# 10%

Share of SSAB Group's total EBITDA



SSAB Americas is the largest producer and supplier of steel plate in North America, strongly positioned and highly recognized in the region for cost-efficiency and quality.

SSAB Americas' modern steel mills are located in Mobile, Alabama and Montpelier, Iowa and have a combined annual production capacity of 2.4 million tonnes. Both mills utilize a scrap-based, electric arc furnace method to produce steel. The mills are strategically located to cover the industrial heartland in North America, with access to the strategic port systems, intercoastal waterways and major railways, which provide logistical advantages.

### STRENGTHS

- Strong North American production base with an industry-leading quality and cost position
- Two modern steel production facilities utilizing electric arc furnaces (EAF), which use recycled scrap metal as raw material
- Close partnership with customers to develop unique customized products and solutions
- Strongly committed to the environment as evidenced by numerous recycling projects

### STRATEGY

SSAB Americas' goal is to maintain the leading position and increase the market share to

30% over time on the heavy plate market. The capacity will be gradually expanded by removing bottlenecks in current facilities to capture market growth. Further investment decisions will be made based on the assessments of long-term supply and demand, and the ability to maintain the leading cost position.

- Safety focus throughout the division
- Industry-leading customer service levels and e-commerce options
- Low-cost leadership position, maintained through commitment to continuous improvement

### CUSTOMERS AND END-USERS

SSAB Americas manufactures a wide range of quality steel products including advanced high-strength steels that are used in various industries. SSAB Americas sells products both directly to end customers and to steel service centers.

Main customer segments:

- Energy: Gas, oil, offshore structures, transmission towers, wind turbines and petro-chemical tanks



*“As the North American plate market leader for quality, service and delivery, SSAB Americas is well positioned as the plate supplier of choice to key end-user customers, who are market leaders across their segments. We see continuing improvement in market activity across a number of key end-user segments such as wind energy, transmission towers, oil and gas, and heavy equipment, both mining and construction.”*

**JEFF MOSKALUK** | SSAB AMERICAS, SVP, CHIEF COMMERCIAL OFFICER



- Heavy transport: Railway transport, ships and offshore, agriculture, forestry and fishing
- Construction: Lifting, yellow goods and construction machinery
- Infrastructure: Water transmission, storage tanks and bridges
- Mining: Earthmoving equipment
- Service centers: Plate and coil

## PRODUCTS

- Heavy plate
  - Plate coils
  - Heat-treated plate
  - Normalized plate
- Other products
  - Hot-rolled coil
  - Cold-rolled coil
  - Metal-coated products
  - Pre-painted products

In Iowa, SSAB has a modern, world-class research and development facility adjacent to the steel mill. It contains some of the most cutting-edge testing, simulation and metallographic equipment in the world.

In Alabama, SSAB has a modern steel mill that was founded in 2001. The mill includes two quenching and tempering (Q&T) lines with a total production capacity of more than 300,000 tonnes a year. Shipments of these



products are accounted for in the SSAB Special Steels division. The newest Q&T line in Alabama is one of the world's most advanced.

In addition to the two steel mills, SSAB Americas operates three cut-to-length facilities located in Houston, Texas; St. Paul, Minnesota; and Toronto (Canada). With the flexibility to handle both SSAB's steel as well as steel from external suppliers, these locations process coils of various widths, gauges and grades to meet customer-specific requirements with an enhanced service model.

## GENERAL MARKET CONDITIONS AND DEMAND

The North American plate market saw a modest improvement during 2017, mainly driven by the energy segment. Total demand has been relatively low in 2016 and 2017, but there is potential for improvement over the coming years. There remains in North America a significant need to renovate infrastructure, meaning several end-user segments, like construction equipment and mining, are expected to improve.

## 2017 IN BRIEF

- Won 2017 Award for Steel Excellence in category of Environmental Responsibility from key industry group
- Achieved record production and shipment volumes of Q&T plate from SSAB Alabama
- Achieved supplier excellence awards from top customers including Caterpillar and John Deere

## MARKET AREAS AND MARKET SHARE

- SSAB is the largest producer and supplier of heavy plate in North America, with a market share of 28% in 2017
- SSAB maintains a strong market position in energy and heavy transport customer segments
- US accounts for about 85% of sales, Canada 10% and Latin America 5%

## COMPETITORS

SSAB Americas' primary competitors are domestic steel producers, such as Nucor and ArcelorMittal, and imported products.

# TIBNOR

MIKAEL NYQUIST (1963), PRESIDENT  
HEAD OF TIBNOR

Leading Nordic supplier of steel, other metals and processing services

1,100

Employees, approximately

7,821 MILLION SEK

Sales in 2017

11%

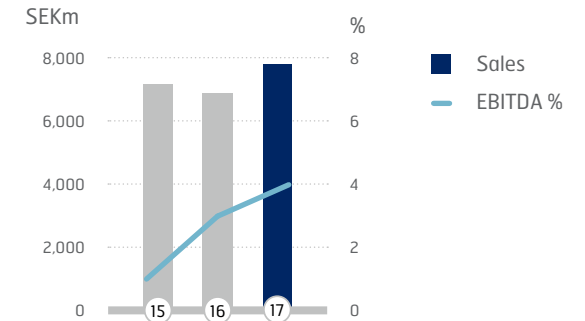
Share of SSAB Group's total sales

Logistics expertise and modern customer service solutions



Extensive product range and specialized processing services

Tibnor Net sales and EBITDA margin



Tibnor distributes steel and other metals to various industries in the Nordics and Baltics. Tibnor offers a complete range of steel, metals and related processing services in line with customer needs. Tibnor plays an important role in securing SSAB's leadership in the home market, where distribution channels constitute more than half of the Nordic steel market.

Tibnor has built a strong brand through an extensive product offering and strong focus on value-adding processing services, as well as efficient logistics and customer service solutions. Tibnor's presence and way of working in the Nordics and Baltics is unique, and allows more efficient resource balancing between units in different countries.

### STRENGTHS

- Unique footprint and presence in the Nordics
- Highly-skilled employees with a drive for solving customer needs
- Extensive product range and specialized processing services combined with logistics expertise, strong distribution network and modern customer service solutions
- High delivery accuracy and short lead-times with services that help customers to improve their flows
- Close collaboration with strategic suppliers and key customers

### STRATEGY

- Winning market shares through the broadest product offering in the Nordics
- Growing parts business volumes through a specialized network of processing units
- Continued development of value-added offering focusing on customer value
- Leveraging digitalization and automation
- Creating one Tibnor: utilizing competencies, best-practices, assets and purchasing power across the Nordics – being a strong partner to customers and suppliers

### CUSTOMERS AND END-USERS

Tibnor's customers are Nordic and Baltic industrial companies who use steel and other metals in their manufacturing processes and/or end products. Key segments are the following:

- Subcontracting
- Engineering
- Automotive, including heavy vehicles
- Construction



*“Establishing a Nordic reach in e-commerce with our Webshop and EDI solutions, launching a common ERP system, serving our customers in different digital channels (e.g., chat) and automating our internal administrative processes are all examples of how we are using digitalization to build a stronger Tibnor.”*

**MONIKA GUTÈN** | TIBNOR, VP SWEDEN & DENMARK

Tibnor has approximately 10,000 customers in the Nordics and Baltics in various industries and the customers include everything from large OEMs to small and mid-size companies.

The distribution and processing business accounts for about 85% of sales, with direct mill supplies accounting for the remaining 15%.

### PRODUCTS AND SERVICES

SSAB's product range represents approximately 45% of Tibnor's sales. Other suppliers' commercial and special steel products distributed by Tibnor include engineering steel and long products such as beams, merchant bars and hollow sections used for building purposes, as well as rebars for the construction industry. Stainless steel and non-ferrous metals, mainly aluminum and copper, account for approximately 20% of sales.

As a steel distributor, Tibnor is a logistics expert with a well-established distribution system that works with different logistics flows. Logistics solutions range from 24-hour stock deliveries to individual material flows designed to meet customer needs. For customers, this means that materials are delivered at the right time and at the right quality.

Tibnor processes all product groups supplied to the market. Tibnor's machinery and equipment

are specialized in different materials, which enables it to meet very complex customer needs. Tibnor has three processing units in Finland, five in Sweden, three in Norway, as well as units in Denmark and Lithuania.

For the customer, outsourcing non-core competencies to a professional, specialized processing partner means an ability to increase overall profitability and competitiveness. Customers save investment capital, improve production efficiency, increase flexibility, cut material wastage and can improve end-product quality.

Tibnor also offers a variety of contact points and service solutions for the customers. Customers can choose between using e-services, EDI (electronic data interchange), Webshop or personal service. This makes it easy for customers to choose materials, create offers, place orders, access documents or work with automated solutions.

### GENERAL MARKET CONDITIONS AND DEMAND

Nearly 55% of all steel delivered in the Nordic region is supplied through distributors, which represents around 4 million tonnes. Value-adding services are of increasing importance for industrial customers, who increasingly focus on their core activities. The manufacturing industry in the Nordic region is characterized by a high degree of exports,

hence the status of the global economy is an important factor for demand.

### MARKET AREAS AND MARKET SHARE

Tibnor has a strong presence in the Nordic region, with Sweden accounting for about half of the sales, followed by Finland and Norway, both at about 20%, and then Denmark and the Baltics.

Tibnor has a share of around 20% of the Nordic distribution market.

### COMPETITORS

Competitors include BE Group, Stena Stål, Norsk Stål and Kontino, as well as a number of national local companies and niche players.

## 2017 IN BRIEF

- Launched Tibnor Webshop in Norway in January
- Kiruna Wagon, Tibnor's customer, won the Swedish Steel Prize 2017 in May
- Enlarged Seinäjoki steel service center opened in June, making the Seinäjoki unit the biggest parts processing unit in the Nordics





# RUUKKI CONSTRUCTION

**SAMI ERONEN** (1971), PRESIDENT  
HEAD OF RUUKKI CONSTRUCTION

Sustainable building and construction products and services in Europe

**2,500**  
Employees, approximately

**5,773** MILLION SEK  
Sales in 2017

**8%**  
Share of SSAB Group's total sales

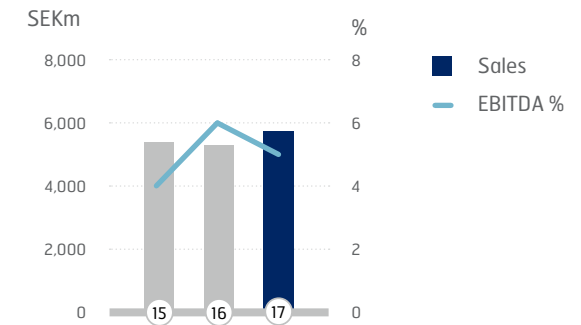
Operates both in the residential and non-residential construction segments



Recognized Ruukki brand



Ruukki Construction Net sales and EBITDA margin



Ruukki Construction offers sustainable building and construction products and services such as roofs, envelopes and frame structures. These services are available either on a product-specific basis or optimized as a package from one and the same supplier.

The product portfolio includes steel-based structures such as sandwich wall and roof panels, profiled building components such as load-bearing sheets and residential roofing products, as well as steel frames. Ruukki Construction's aim is to provide products of economically, technically and architecturally high-performance and to promote sustainability at all stages in the lifecycle of our customers' buildings.

### STRENGTHS

- Recognized brand in core customer segments
- Product and service innovations benefitting from advanced technology
- Quality, sustainable, certified products with extensive warranties
- Wide-ranging know-how covering frame and envelope structure design, consultancy, manufacturing and installation optimized from one and the same supplier
- Production capacity to meet requirements for large projects
- Strong steel construction materials know-how
- Professional optimization of structures to support lifecycle objective in customer projects
- In-depth expertise in steel structures

generates customer value especially in structurally demanding projects

### STRATEGY

#### Residential roofing products

#### **ENSURE AN EASY AND RELIABLE ROOFING EXPERIENCE FOR CUSTOMERS**

Provide a complete steel roof package for private consumers, prefabricated house factories, roof installers and tinsmiths both for the construction of new houses and the renovation of existing ones. Serve these end-customers in efficient cooperation with existing channels: dealer specialists, dealer generalists and direct sales.

- High service focus on key customers and improved availability of products
- Easy and reliable roofing experience supported by advanced/tailored services
- Scale benefits in production, raw material harmonization to improve efficiency

#### Building components

#### **FOCUS ON THE WHOLE BUILDING LIFECYCLE**

- Provide leading energy efficient and architectural envelope solutions for



*"Through its distinct product and service offering, Ruukki Construction has been able to benefit from our customers' value shift toward sustainability and energy efficiency."*

**PETTERI LAUTSO** | RUUKKI CONSTRUCTION, CUSTOMER VALUE DIRECTOR

construction companies, tinsmiths, installation companies and frame & envelope contractors

- Expand value chain towards decision makers and influencers; architects, designers and real estate investors
- Focus on value sales. Provide components such as sandwich panels and claddings also for renovating existing buildings
- Differentiate with an energy-efficient, architectural and sustainable portfolio

#### Building systems

#### **IMPROVE COST EFFICIENCY EVERY DAY WITHOUT COMPROMISING SAFETY, QUALITY AND CUSTOMER COLLABORATION**

Develop project portfolio by increasing design responsibility. Collaborate with customers already at the project development stage.

- Focus on collaboration with customers in chosen markets and prioritized segments

- Focus on cost optimization and efficiency in all project phases and functions benefiting end-customers: One project, one team
- Complete projects reliably without disrupting the customer's business in both basic and structurally demanding projects or projects that change during the construction process

### CUSTOMERS AND END-USERS

Ruukki Construction's customers operate in many activities across many countries. The most important decision-making groups are the following:

- Architects and structural designers
- Main contractors and installation companies
- Real estate owners and developers
- Residential roofing dealers and tin smiths
- House owners

Core business segments:

- Non-residential construction
- Residential construction
- Industrial and bridge construction

### PRODUCTS AND SERVICES

- Steel roofs, rainwater systems and accessories for residential construction
- Components such as sandwich panels, load-bearing sheets and façade claddings for non-residential construction
- Frame solutions used in non-residential buildings
- Delivery package optimization based on customer needs
- Design and installation services

Ruukki Construction has operations in 15 countries, with production units in Seinäjoki, Alajärvi, Vimpeli and Ylivieska (Finland); Zyrardów and Oborniki (Poland); Obninsk and Balabanova (Russia); Gargždai (Lithuania); Tunari (Romania); Anderslöv, Järforsen and Landsbro (Sweden); Pärnu (Estonia) and Kopylov (Ukraine). Ruukki Construction's major steel supplier is SSAB Europe. External steel suppliers, mainly in CEE and Russia, play a minor role. Competitiveness is secured by market-level pricing from all suppliers.

### OPERATING ENVIRONMENT AND GENERAL MARKET DRIVERS

Ruukki Construction operates both in the residential and non-residential construction segments.

#### General market drivers

- All construction segments from residential to non-residential are facing transformation due to changes in information technology, consumer behavior and new, more sustainable values. These require industry to adopt new technology in its products, such as smart buildings, and to respond faster to changing customer behavior
- Greener, smarter solutions, such as energy saving sandwich panels and facades collecting energy from solar radiation, are increasing in popularity and environmental transparency is becoming a norm

- Investment timespans are shrinking
- Demand is growing for buildings that can be modified to take into account changing needs
- Renovation construction is experiencing market growth
- Construction business is becoming more service driven

### MARKET AREAS AND MARKET SHARE

Operations in the Nordics represent approximately 60%, Baltics 10%, Central Eastern Europe 20% and Russia and CIS 10% of Ruukki Construction's sales.

### COMPETITORS

#### Building components and residential roofing

- Component suppliers such as Kingspan, Paroc, Trimo, Lindab, Weckman Steel, Metall Profil, Balex Metal and Blachy Pruszyński
- Construction business of global steel companies
- Small, local companies
- Alternative construction materials

#### Building systems

- Steel frame manufacturers
- Procurement models based on small part-projects
- Alternative construction materials



### 2017 IN BRIEF

- Growth in shipments of façade products and sandwich panels with a mineral wool core within Building Components. Innovations included Ruukki® Rain system to protect panels from moisture from manufacturing to installation
- Growth in shipments of new versions of premium class roofing products Ruukki Classic and Plannja Trend
- Shipments of steel structures for demanding, high-profile projects such as the Jännevirta bridge in Finland. Increase in shipments of steel structures to other CIS countries from Ruukki's plants in Russia



## SUSTAINABLE OFFERING

The core of SSAB's business is to develop and produce advanced high-strength steels and Q&T steels that are stronger than ordinary steels, which in turn helps our customers produce lighter and stronger products, thus reducing their environmental footprint.





## HOW WE WORK WITH CUSTOMERS

SSAB's business model is built on fostering close, long-term customer relationships. Through intense collaboration, SSAB continuously develops new products, applications, services and processes in order to enhance our market offerings.

SSAB works both directly with OEMs, subcontractors and end-users through our own sales force and via distributors, as opposed to many steel companies who sell product only via distributors. We support our customers in developing better and more competitive products, helping them to increase productivity and thereby to reduce costs during use.

To remain at the forefront in the industry, SSAB will continue to invest in research and development, technical customer support and joint innovation initiatives to get the most out of SSAB's high-strength and advanced high-strength steels, and premium steels. At the same time, the organization strives toward superior customer experience, which means the highest standards in terms of product quality, shorter lead times, delivery accuracy, digital portals and channels for smooth interaction.

### DEVELOPMENT IN COLLABORATION WITH CUSTOMERS

As early as possible in the development of a new product – be it a tipper, a chute or a crane –

SSAB's qualified applications engineers work to support the customer in developing solutions that best utilize the qualities of each steel grade. This is how SSAB enables customers to produce stronger, lighter and more durable end products.

### SSAB Shape

SSAB Shape combines premium steel products with engineering and processing services offered through our own Shape Centers and a worldwide network of processing partners.

- Customized product development and engineering
- Extensive design support and prefabrication services
- Reliable, tailor-made logistics and stock services

With an extensive network of local service centers, SSAB provides prefabrication and steel processing services so customers can focus on their core business. Our service centers can supply slit coil, cut-to-length plate and other formats according to customer specifications. This is how we help our customers to improve



*"A strong internal relationship between the Sales, Production and Supply Chain teams is as important as the relationships with our customers. Bringing the message about customers' expectations all the way through our organization is a key to success."*

**THERESE WIBERG** | SSAB SPECIAL STEELS, VP AND HEAD OF SPECIALTY PRODUCTS

their production efficiency, reduce material waste and improve end product quality.

### SSAB Tech Support

SSAB Tech Support has a high local presence worldwide and can visit customers at short notice to solve acute problems or to initiate longer-term co-development projects. SSAB Tech Support can answer general customer questions about design, welding, forming and wear, and the team works closely with SSAB's specialist groups at the Knowledge Service Center for questions requiring more specialized expertise. Tech Support is the first contact for customers looking for technical support from SSAB.

### RESEARCH AND DEVELOPMENT

SSAB's expertise in high-strength steels is based on continuous and focused research and development. SSAB conducts market-driven research and development with a focus on product development, customer applications

and process development. Relevant customer segments are identified through a structured process, where the lighter, stronger and more durable steel applications fill critical functions and add value.

SSAB's research work is governed by the mandate that SSAB's products will be the first choice for customers worldwide and will set the standard for performance in selected market segments.

### Research and development centers

- Borlänge and Oxelösund (Sweden)
- Raabe and Hämeenlinna (Finland)
- Montpelier (Iowa, USA)

Nearly a quarter of the employees at these research facilities hold doctorate degrees in technical fields from top universities. This high-end knowledge base ensures cutting-edge research in the industry. In addition to product improvements, research and



*“Our new digital services, such as the new customer portal and SmartSteel, will help to improve the efficiency of our customers’ supply chain and production. These new technologies also enable better internal efficiency and the exploration of new business concepts.”*

**NIKO KORTE** | SSAB, SENIOR MANAGER DIGITAL BUSINESS DEVELOPMENT



development teams also focus on ways to enhance production and processing.

SSAB’s research and development is focused primarily on advanced high-strength steels and

wear steels, with an emphasis on those segments where demands on the steel are particularly critical. Increased environmental awareness has also been an important driving force in development work, as evidenced by high-strength steels that

enable more energy-efficient transportation and lower CO<sub>2</sub> emissions. Lastly, knowledge about production processes, material recycling and efficient use of resources is also of great importance to SSAB’s research and development.

#### SSAB key factors for successful research and development

- Market-driven research and development
- Qualified and skilled employees
- Effective portfolio and project management
- Focus on effective problem-solving
- Work environment that encourages collaboration and innovation
- Strong external networks

#### BALANCED PROJECT PORTFOLIO

To remain a market leader in high-strength steels, SSAB must maintain a long-term perspective for research and development efforts. SSAB therefore recognizes the necessity of long-term development. Long-term projects can last as long as five to ten years.

Development projects begin with specific customer requirements, changes in the outside world, market analysis or develop around basic research on the steels’ core properties. SSAB strives for a good balance between these categories.

#### AFTERMARKET BUSINESS

The aftermarket has always been an important part of SSAB’s business. Much of SSAB’s know-how comes from experience gained in the spare parts, repair and maintenance business, where new ideas are born and many new products developed.

#### Hardox Wearparts

- An international network for customers manufacturing parts made of Hardox wear plate
- Experience and data gained from the network are being used to further develop the offerings, including developing solutions for customers’ aftermarket needs

Hardox Wearparts is a one-stop shop for wear parts – serving customers in the aftermarket, in industries like mining, quarrying, cement and recycling. To serve customers in these segments, SSAB’s wear steel portfolio has been broadened to include overlay and other complementary products. As part of the offering, we measure and identify abrasion on existing equipment, analyze utilization conditions and needs, and calculate advantages using new and improved tools such as 3D scanning or the WearCalc calculation tool.

Along with the more than 360 companies included in the Hardox Wearparts network, SSAB continues to grow and develop the business worldwide.

## ENVIRONMENTAL BENEFITS FROM SPECIAL STEELS

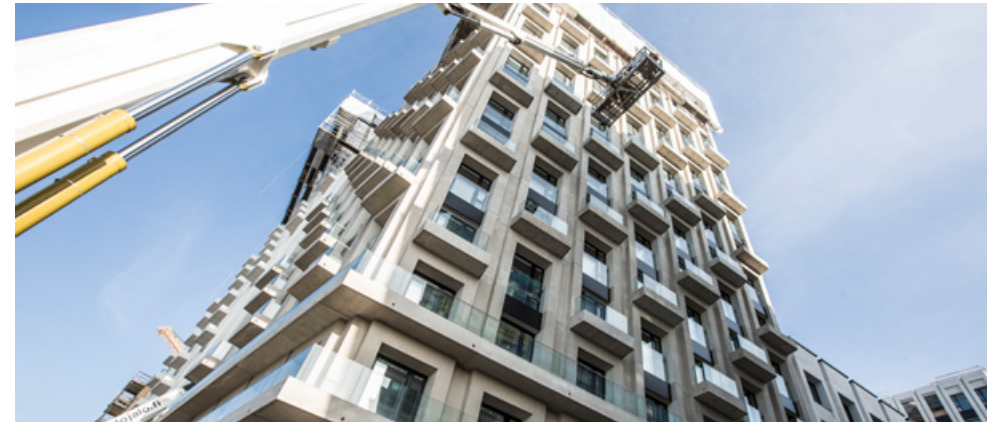
SSAB offers customers a broad range of high-strength and wear-resistant steels that enable better energy and material efficiency, as well as strength and durability for the applications in which they are used. Lighter vehicle weight also means higher payload capacity and improved fuel economy.

SSAB's EcoUpgraded concept highlights the environmental benefits of upgrading to high-strength steel, including the reduced emissions from lower weight, improved fuel economy and extended product lifetime, but also from SSAB customers using less steel, when upgrading to high-strength steels. In 2017, SSAB set an objective related to customers upgrading to high-strength steels; SSAB is aiming at 10 million tonnes in annual customer CO<sub>2</sub> savings by 2025. The savings will be reached by two initiatives: 7.8

million tonnes savings from SSAB EcoUpgraded deliveries and 2.2 million tonnes savings from Automotive Premium Upgrade deliveries.

### OPTIMIZED WEIGHT AND FUEL CONSUMPTION IN THE TRANSPORTATION SEGMENT

The environmental and financial advantages of using high-strength steels are significant in active construction applications such as trailers, trucks, materials handling and lifting equipment, and



construction machinery. Used in these applications, SSAB's high-strength steels reduce the weight of vehicle structures by enabling minimum steel thickness through new structural design.

Structural redesign can also reduce production costs, e.g., through less welding and improved usability. Lower vehicle weight leads to increased payload capacity and lower fuel consumption and emissions. For example, the weight of trailer bodies made with SSAB's high-strength steels can be reduced by up to 30% compared to using traditional steel grades.

In applications such as lifting equipment where high load-bearing capacity is required, the use of high-strength steel enables stronger designs.

At the same time, structural wall thickness is reduced, resulting in material weight savings which can lead to lower fuel consumption and reduced emissions.

Automotive manufacturers are also calling for lightweight, durable materials with beneficial environmental properties that are manufactured with resource efficiency. SSAB's cold-rolled advanced high-strength steels help to make it possible to develop safer and lighter vehicles with lower emissions.

Our advanced high-strength steels have been especially engineered for safety applications in cars with stringent requirements for reduced weight and high energy absorption.

# 10 MILLION TONNES

in annual customer CO<sub>2</sub> savings by 2025





*“SSAB Shape developed an innovative new tipper body for Scania that offers the Indian mining industry a product far surpassing the performance of current solutions. For this comprehensive product development project, we were able to deliver a tipper body that was 20% lighter than existing solutions in India and which gives approximately 1.3 tonnes in extra payload.”*

**HANS KELL** | HEAD OF SSAB SHAPE PROJECT SALES

#### PROLONGED SERVICE LIFE OF MACHINERY AND EQUIPMENT

SSAB's wear steels are Quenched and Tempered (Q&T) steels that are used in a range of machinery and equipment in mining, quarrying, recycling and road building segments. All of these applications require the hardness and toughness that are characteristic of Q&T steels.

Use of Q&T steels in buckets, crushers, blades, shredders and tippers provides greater wear resistance, which in turn improves machinery performance and extends service life.

Additionally, lighter weight machinery offers cost benefits to end-users and reduces the environmental impact over the machinery's lifecycle.

#### IMPROVED ENERGY-EFFICIENCY AND ECO-FRIENDLINESS WITH COATINGS

SSAB develops new functional surface coatings that lower energy consumption and maintenance costs, improve surface durability and extend the lifespan of buildings. There are several coatings that contribute to more environmentally friendly and sustainable construction.

Thermal coatings reflect solar radiation when used on the building's exterior and thermal radiation when used on the building's interior leading to decreased energy consumption for heating and cooling.

Some coatings are partly based on plant oil instead of traditional fossil oil – a technology that has been patented by SSAB and is unique in the market. The result is an improved coated steel product, with a prolonged service lifetime and reduced environmental footprint.





# SSAB ECOUPGRADED CONCEPT



The objective of the SSAB EcoUpgraded concept is to find applications with good potential for reducing CO<sub>2</sub> emissions during use. Looking at each specific application, SSAB can compare the potential CO<sub>2</sub> savings in its use phase to the CO<sub>2</sub> emitted during production, thereby identifying products that would benefit the most from an upgrade to high-strength steel.

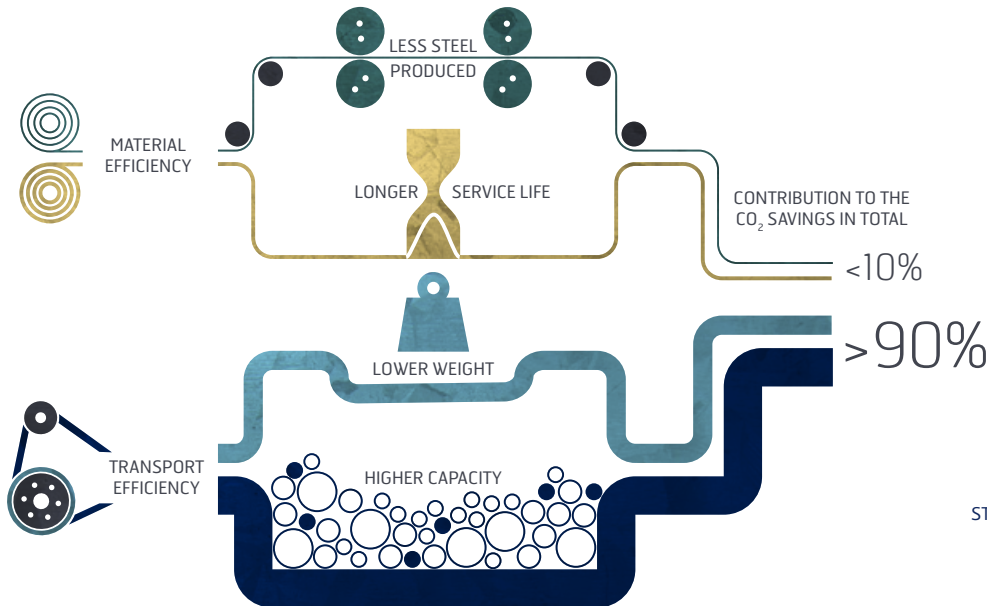
## HOW TO SAVE CARBON DIOXIDE

With high-strength steel, the end product can be designed lighter (less steel produced). With wear-resistant high-strength steel, the end product also lasts longer (longer service life). With lower weight, the end product will need less fuel for the same work (lower fuel consumption). Fewer trips for the same load is the result when the reduced own weight leads to increased payload (higher capacity).

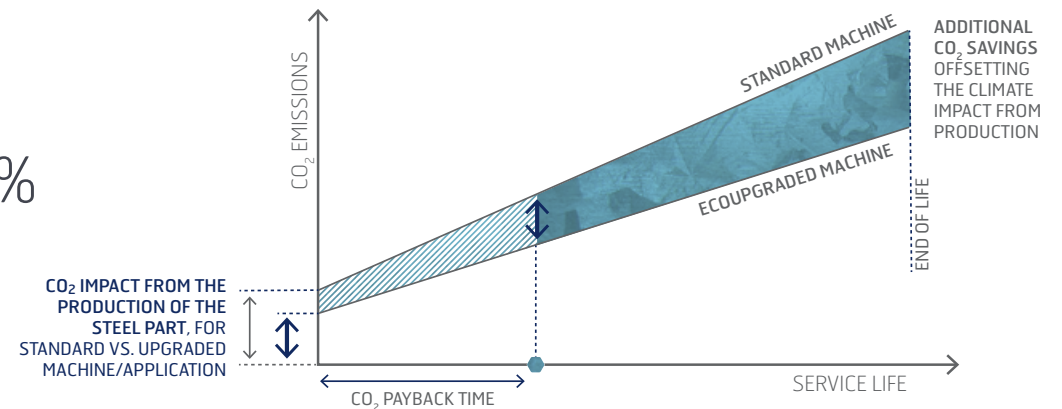
## CO<sub>2</sub> PAYBACK TIME

By upgrading with steel from SSAB, manufacturers will quickly be able to compensate for the CO<sub>2</sub> emissions from the SSAB steel production during the use of the product. And once the break-even point has been reached, the application will continue to deliver CO<sub>2</sub> savings amounting to many times the original CO<sub>2</sub> debt.

### How to save carbon dioxide



### CO<sub>2</sub> payback time



# CASE LOWER CO<sub>2</sub> EMISSIONS IN TIPPER WITH HARDOX AND STRENX



## WOOD CHIP SIDE TIPPER

In this case 5,500 kg of Hardox 450 replace 7,500 kg of S700MC steel in a side tipper. In addition 1,050 kg of Strenx 960 steel replace 1,500 kg of S500 steel in the chassis. This means a weight reduction, for the upgraded parts, of up

to 30%. In total a weight reduction of 2,450 kg, which increased the load capacity, resulting in higher fuel efficiency and transport efficiency.

## SSAB ECOUPGRADED

Together with our customers SSAB continually upgrades steel and equipment designs. SSAB EcoUpgraded saves CO<sub>2</sub> both in steel production and during the full lifetime of the machine.

From the CO<sub>2</sub> payback time and onwards, every extra hour brings additional savings.

► [www.ssab.com/ecoupgraded](http://www.ssab.com/ecoupgraded)

## SSAB ECOUPGRADED

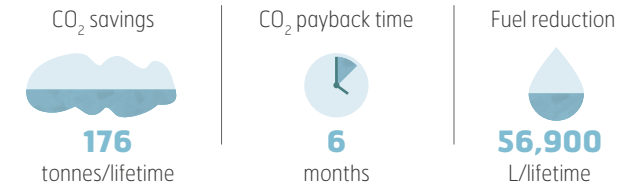
Fuel consumption, fully loaded	40 L/100km
Fuel consumption, unladen	24 L/100km
Vehicle usage per year	180,000 km/year
Weight critical transports	50%
Service lifetime	10 years
Weight reduction	2,450 kg
Total weight upgraded parts	6,550 kg
Curb weight*	20,000 kg
Total payload*	20,000 kg
Maximum weight*	40,000 kg

\* Valid for the whole tractor-trailer vehicle

## SAVINGS ON CO<sub>2</sub>



- Less steel produced
- Lower weight
- Higher capacity



## SUSTAINABLE CONSTRUCTION SOLUTIONS

Ruukki Construction offers sustainable building and construction products and services such as roofs, envelopes and frame structures. These services are available either on a product-specific basis or optimized as a package from one and the same supplier.

The product portfolio includes steel-based structures such as sandwich wall and roof panels, profiled building components such as load-bearing sheets and residential roofing products, as well as steel frames.

We aim to provide products of economically, technically and architecturally high-performance and to promote sustainability at all stages in the lifecycle of our customers' buildings. Eco-aware construction is an established practice, alongside which there is a drive to create healthy buildings and to further improve construction quality.

Use of Ruukki energy panels can reduce a building's energy consumption by 20% compared with traditional panels.

### MORE SUSTAINABLE BUILDINGS

Energy-efficient solutions, material-efficient products and active innovation are the key initiatives in Ruukki Construction's sustainability strategy.

Ruukki energy panel has been on the market for a few years and has established a sound position in Ruukki's product portfolio. Use of Ruukki energy panels, which provide good insulation and airtightness properties, can cut annual energy consumption by up to 20% compared with traditional panels or façade solutions.

Ruukki life panel utilizes recycled materials, thus reducing carbon dioxide emissions by up to 20% during the manufacturing phase. Ruukki life panels have proven to be exceptionally popular, especially in the Nordic countries. Today, a significant share of panels produced in the Nordic countries is of the life type.

Ruukki Construction's solar energy solutions for roofing and façades enable solar energy to be used for the heating of domestic hot water and living spaces, as well as for the production of electricity. The Solar product family was rolled out in 2014. Interest in these new solutions has risen slowly but steadily. To make it easy for the

consumer to purchase these systems, Solar product packages are also available.

Since a physical building always has a functional impact and helps to shape its immediate surroundings, Ruukki Construction offers our customers the best possible range of ways to promote sustainability using architectural means. Frame solutions enable the premises to be modified and efficient use of the building also long term. Ruukki Construction's façade products provide extensive opportunities to make a building fit in with its immediate surroundings. Liberta Solar, Ruukki on-wall solar and Ruukki emotion are examples of new possibilities of how the cladding of a building can be used to highlight sustainability.

### OFFERING CUSTOMER VALUE IN SUSTAINABLE CONSTRUCTION

Over the past couple of years, Ruukki Construction has developed its sustainable customer value offering to include not only products, but business concepts that make the values more accessible to end-users. Ruukki Construction was involved in a project to build a near zero-energy industry hall on the campus of HAMK University of Applied Sciences in Hämeenlinna, Finland. Construction of this near zero-energy hall was completed in 2015. The pilot business concept developed for the project

ensures profitable investments for property owners of highly energy-efficient buildings.

The building project was successful at keeping additional investments at a very low level. An analysis of the building solution shows estimated energy consumption values to be as much as 20% lower than the extremely energy-efficient solution used in the investment calculations. The next steps will be to verify the energy savings during the first year of the pilot project and to apply the business model to other customer projects.

The completed building showcases several of Ruukki Construction's innovative energy solutions: energy panels, solar energy solutions, energy piles and other modern ways of producing energy to meet the hall's energy requirements. Investors have shown wide interest in the building and the sustainability values it represents.



## CORPORATE IDENTITY AND BRANDS

SSAB counts the company's reputation and brands among our most valuable assets. All company brands share the same parent brand: SSAB.

SSAB stands for sustainability and performance. We work together with our customers to develop new and better solutions in all parts of the value chain. Our ultimate goal is to improve the sustainability and performance of our customers' products and processes.

SSAB works with multiple brands and channels with a comprehensive offering in high-strength and wear steels from high-end branded products to more commercial grades.

### PRODUCT BRANDS

SSAB has a strong end-user focus and a product brand strategy that allows customers to benefit from strong product brands.

SSAB has two power brands: Hardox and Strenx, which both have a unique global market position.

- Hardox is a global leading brand of wear steels designed for maximum payload and longer service life
- Strenx is a brand covering structural steel products designed for sustainable and lightweight solutions

### Hardox In My Body

This logo on a product verifies that it's been manufactured using Hardox wear steel and not an inferior imitation.

### My Inner Strenx

My Inner Strenx represents a quality certification for applications that use Strenx steels.

SSAB also has a wear steel brand, Raex, which is sold through distributors.

SSAB's targeted product brands include: Docol, Toolox, Armox and GreenCoat.

Additionally, five product groups have SSAB in their name:

- SSAB Domex
- SSAB Form
- SSAB Weathering
- SSAB Boron
- SSAB Laser Plus

For more information about the product brands:

► [www.ssab.com](http://www.ssab.com)





SSAB’s two subsidiaries have their own corporate brands

- Tibnor is the leading Nordic supplier of steel, other metals and processing services
- Ruukki Construction has retained the Ruukki brand and logo after the merger in 2014 between SSAB and Finnish company Rautaruukki, which used the marketing name Ruukki

BRAND MANAGEMENT STRUCTURE

ROLE OF THE BRAND	LOGOTYPE	PRIMARY TARGET GROUPS
SSAB Corporate Brand		The primary target group for SSAB consists of customers (distributors, fabricators, OEMs) and equity investors as well as current and future employees.
Power brands: Global product brands with unique market position		Customers (fabricators, OEMs), end-users
Targeted product brands		Customers (fabricators, OEMs, distributors), end-users
SSAB branded products	<p>SSAB Domex    SSAB Laser®Plus    SSAB Form    SSAB Weathering    SSAB Boron</p>	Customers (distributors, fabricators, OEMs)

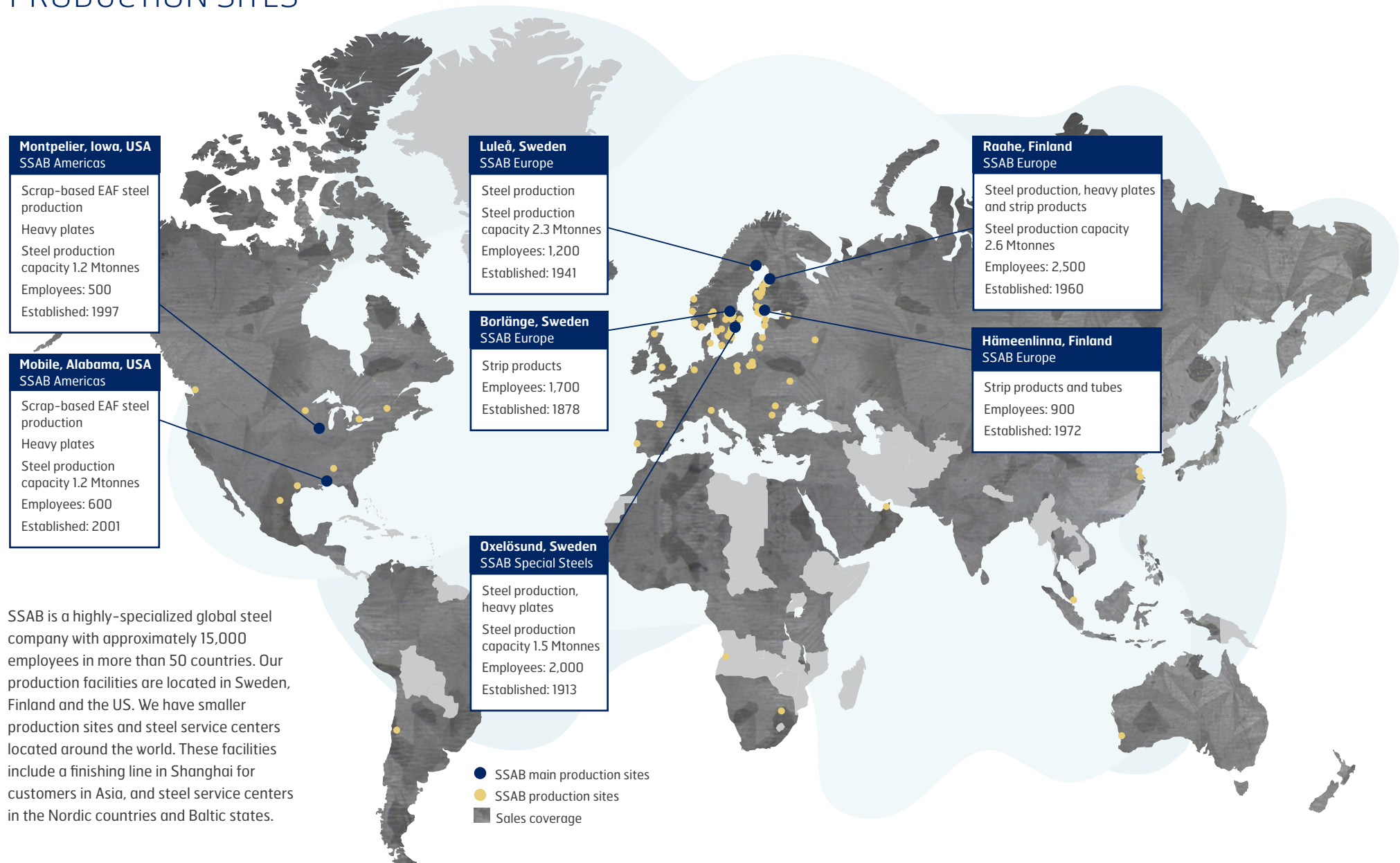
# SUSTAINABLE OPERATIONS

SSAB focuses on continuous improvement to minimize emissions and to improve productivity, material and energy efficiency. SSAB is committed to environmental work to minimize any adverse environmental impacts from our operations. Long-term, SSAB will work toward a fossil-free steelmaking process through the HYBRIT initiative and by eliminating other fossil fuel-related emissions, with a goal to be fossil-free throughout the entire operation by 2045.





# PRODUCTION SITES



SSAB is a highly-specialized global steel company with approximately 15,000 employees in more than 50 countries. Our production facilities are located in Sweden, Finland and the US. We have smaller production sites and steel service centers located around the world. These facilities include a finishing line in Shanghai for customers in Asia, and steel service centers in the Nordic countries and Baltic states.

# SUSTAINABLE AND EFFICIENT PRODUCTION

## SSAB'S GLOBAL PRODUCTION SYSTEM

SSAB maintains a cost-efficient, flexible production system. SSAB's main production facilities are located in Sweden, Finland and the United States with a combined annual steel production capacity of approximately 8.8 million tonnes. SSAB has five blast furnaces in the Nordics: one in Luleå, Sweden, two in Raahe, Finland and two in Oxelösund, Sweden for a total capacity of around 6.4 million tonnes. SSAB can operate with three, four or five blast furnaces depending on market demand at any given time.

SSAB's unique production system for high-strength and wear-resistant steel is one of the prerequisites for achieving our strategic targets for growth in special steels. SSAB has nine quenching lines, where high-strength steels are

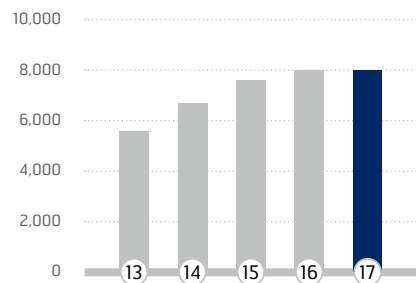
produced: four in Oxelösund, Sweden, two in Mobile, Alabama, US, one in Borlänge, Sweden and two in Raahe, Finland. With this production capacity, SSAB's product portfolio in wear and high-strength structural steels is unique in terms of quality, properties and dimensions.

SSAB runs two modern steel mills in the US with an annual production capacity of 2.4 million tonnes located in Mobile, Alabama and Montpelier, Iowa. Both mills utilize an electric arc furnace method to produce steel, with nearly 100% of the raw material used in the process being scrap metal. The mills in US are strategically located in the southern and central regions of the US, covering the industrial heartland of North America, with access to the strategic southern port system to provide a logistical advantage. SSAB Americas also has three cut-to-length (CTL) facilities in Houston, Texas; St. Paul, Minnesota; and Toronto, Canada. CTL facilities have the flexibility to process internally-produced steel as well as steel from external suppliers. Together, SSAB Americas' five facilities provide a flexible network of facilities that produces, processes and delivers steel efficiently to customers across North America, and adapts fast to market conditions.

SSAB's other larger production facilities include rolling mills in Oxelösund and Borlänge (Sweden)

## Crude steel production

Thousand tonnes



*“Continuous improvement and improvement work are important tools to achieve production stability, higher quality and to engage everyone in reaching our goals.”*

**MIA ERIKSSON** | SSAB EUROPE, BORLÄNGE, SITE MANAGER & HEAD OF PRODUCTION

and in Raahe and Hämeenlinna (Finland), color-coating lines in Finspång (Sweden) and Hämeenlinna and Kankaanpää (Finland). SSAB also has seven tube production facilities, as well as a number of processing sites in the Nordics and steel service centers located around the world.

## FOCUS ON CONTINUOUS IMPROVEMENT

In recent years, SSAB has reduced fixed costs, increased structural flexibility and also invested in our production system. SSAB is focusing on continuous improvement at all sites to achieve productivity gains and further improve efficiency. The method for working with continuous improvement is SSAB One, including Lean Six Sigma. SSAB strives to be the best in delivery performance and customer service. Furthermore, production efficiency is driven by robust harmonization and standardization of

operating procedures. In the current setup, the same steel quality can be offered by multiple production systems. This allows SSAB to switch production between our sites depending on market demand and customer location.

Processes and internal productivity are continuously developed through implementation of SSAB's management philosophy SSAB One, which is based on "lean principles." Over the past year, SSAB has focused on continuous improvement and set targets for it in all divisions, all the way down to production line level. Continuous improvement can be divided into five main categories based on what is the aim of the improvement activities:

- Improved safety
- Sales efficiency
- Production stability
- Delivery accuracy
- Cost efficiency







*“Keeping our customers’ business in focus is one of our values. One issue reflecting that is delivery accuracy and keeping our promises to customers. We have many initiatives underway to improve our performance level to ensure that customers receive their material on time and improve the efficiency in the whole supply chain.”*

**TARJA KEMPPI** | SSAB EUROPE, HEAD OF SUPPLY CHAIN MANAGEMENT AND IT

Projects both small and large have been implemented at all sites, leading to higher production capacity, lower costs and better delivery performance, such as the following:

- Improving production yield to decrease costs and increase production capacity (Luleå’s slab yield, Borlänge primary yield)

- Optimizing production capacity at Continuous Annealing Line in Borlänge. [Read more on page 61](#) ▶
- Reducing rejections in Raahe hot-strip rolling
- Increasing Hämeenlinna hot-dip galvanizing capacity

SSAB Americas currently employs more than 45 green belts and black belts (employees who have been trained in Lean Six Sigma methodology and processes). These employees lead teams that focus on projects across the organization which make processes and production more efficient as well as improve safety and/or save costs. Future projects continue to be identified in all areas, with a strong focus on improving quality and yields, reducing costs and streamlining administrative processes.

#### MINIMIZING ENVIRONMENTAL IMPACTS FROM STEEL PRODUCTION

SSAB’s most significant environmental impacts occur at our main production sites in Luleå, Borlänge, Oxelösund, Raahe, Hämeenlinna, Mobile and Montpelier.

The process of producing steel from iron ore is carbon-intensive and raw materials used in production, such as coke and coal, are the main sources of carbon dioxide (CO<sub>2</sub>) emissions. Energy usage also contributes to the generation of CO<sub>2</sub> emissions. The steelmaking process has continuously advanced and improved to become extremely efficient. As a result, SSAB’s blast furnaces are among the most efficient in the world in terms of minimizing emissions from steel production. There are several reasons

for this: the use of high-grade raw materials in the form of iron-ore pellets, high-quality coke and efficient, uninterrupted processes in which the blast furnaces operate. A large number of usable residuals, such as heating, gas, slag and dust, are recovered to minimize consumption of purchased energy and generation of waste.

Using recycled steel and scrap metal in steel production saves natural resources and increases material efficiency, which leads to lower CO<sub>2</sub> emissions. In SSAB’s scrap-based production in the US, carbon dioxide emissions are substantially lower than those generated in conjunction with iron ore-based steel production. SSAB uses approximately 20% scrap metal for steel production in the Nordics and nearly 100% in the US.

The continuous development of environmental performance is ensured by monitoring our performance against environmental targets and the environmental management system. SSAB’s environmental management is based on the Group’s Environmental Policy and the international environmental and energy management system ISO 14 001 and ISO 50 001 standards. All SSAB’s manufacturing sites have third-party certification for the ISO 14 001 standard.



*“We are at the cutting edge thanks to our ambitious sustainability strategy. Our objective to be fossil-free by 2045 strongly drives improvements in our operations and our environmental targets for 2020 are helping us to take important steps along the way.”*

**JONAS LARSSON** | SSAB, DIRECTOR OF ENVIRONMENTAL AFFAIRS

In 2016, SSAB, LKAB and Vattenfall jointly announced a long-term breakthrough project, HYBRIT (Hydrogen Breakthrough Ironmaking Technology). Together, the companies involved in the project, are working to develop a steel production process, where hydrogen gas replaces coal and coke as reducing agent and the process discharges water, rather than carbon dioxide.

[Read more on page 59 ►](#)

### MATERIAL AND ENERGY EFFICIENCY IN PRODUCTION

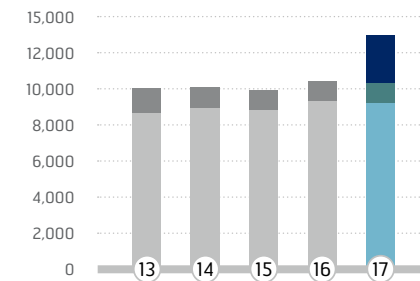
Emissions from steel production are controlled and can be further reduced by continuously improving material and energy efficiency in the processes. Material efficiency means making more out of less material, resulting in increased efficiency in the use of natural resources. The production of iron and steel gives rise to a range

of residuals. Recirculating material back into the steelmaking process reduces the need for virgin, raw materials which reduces CO<sub>2</sub> emissions and waste. Material that cannot be recirculated internally can be processed into by-products and sold externally, creating new revenue streams as well as reducing CO<sub>2</sub> emissions by substituting natural resources in other industries.

SSAB’s production processes are energy-intensive. Systematic energy efficiency management and energy recovery at all sites, as well as production of electricity from process gases at certain steel mills, ensure efficient use of energy and lower emissions. Process gases like blast furnace gas, coke oven gas and converter gas are generated in the iron- and steelmaking processes. Steam and hot water are also produced. These energy flows are recovered to generate electricity and heat, thereby saving

### Carbon dioxide emissions

Thousand tonnes



- Direct emissions from production (Scope 1)
- Indirect emissions from the generation of purchased electricity, heat and steam (Scope 2)
- Other indirect emissions (Scope 3)

additional fossil fuel resources. The energy-rich gases which cannot be used in steel production are used in local power plants to supply SSAB with approximately 51 (45)% of the electricity needs of steel production in Sweden and Finland. Heat is generated in converters, where iron is made into steel. Since the 1980s, recovered heat has been used to produce district heating in Luleå, Raabe and Oxelösund. The recovered heat meets about 90% of local district heating needs.

[Read more on page 113 ►](#)

### 2017 IN BRIEF

- Crude steel production was 7,995 (7,988) thousand tonnes
- Total energy consumption was 9,210 (8,990) GWh. The use of purchased energy was 7,810 (7,795) GWh
- 1,400 (1,195) GWh of electricity was produced from recovered energy
- Direct carbon dioxide (CO<sub>2</sub>) emissions from production (Scope 1) were 9,828 (9,989) thousand tonnes
- Indirect CO<sub>2</sub> emissions from the generation of purchased electricity, heating and steam (Scope 2 ) were 1,216 (1,166) thousand tonnes and other indirect (Scope 3) CO<sub>2</sub> emissions were 2,826 thousand tonnes
- SSAB, LKAB and Vattenfall formed a joint venture company, Hybrit Development AB, to continue to develop the HYBRIT initiative, which is working toward a fossil free, hydrogen-based steelmaking process [Read more on page 59 ►](#)
- In a new research project, the use of biocoal is being tested in blast furnace-based manufacturing of steel. This is a new method which may reduce fossil CO<sub>2</sub> emissions by up to 30% [Read more on page 62 ►](#)

# CASE HYBRIT – TOWARD FOSSIL-FREE STEEL

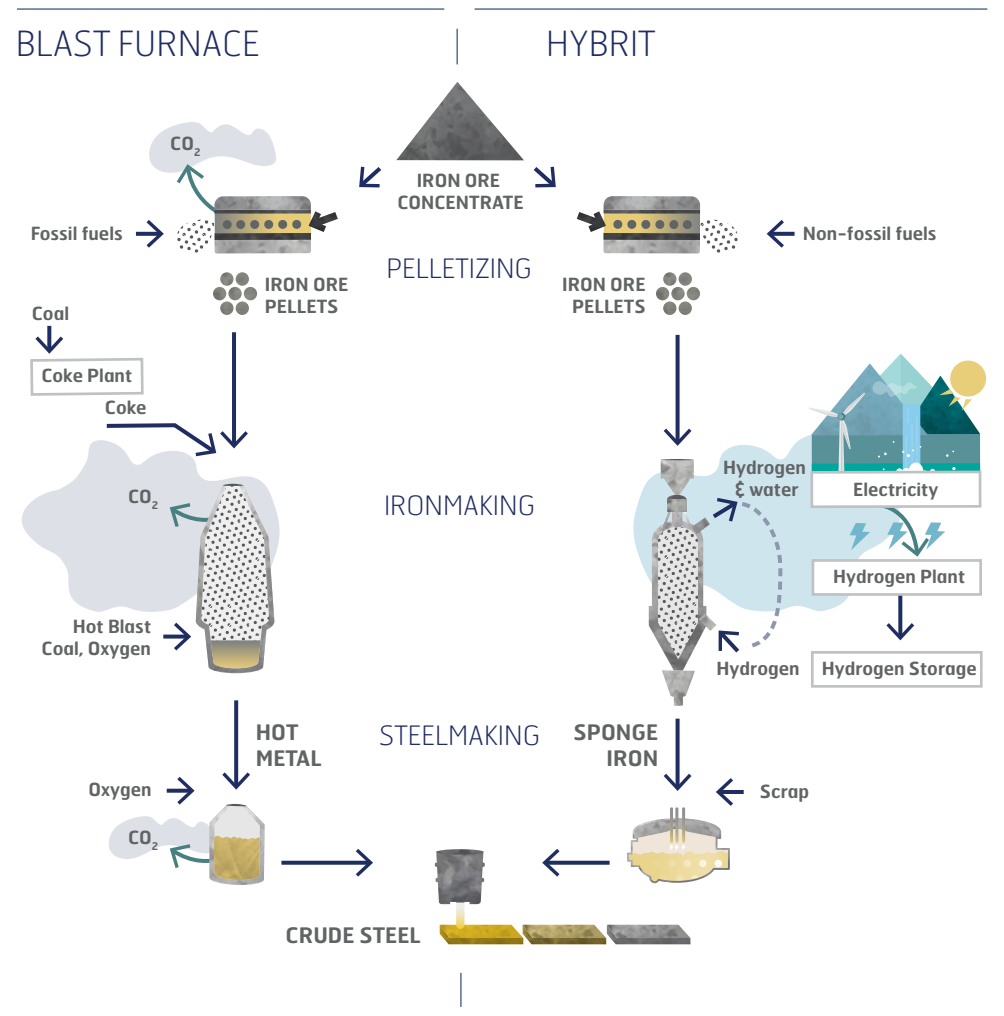
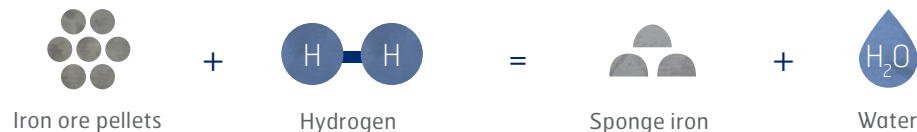
In 2016, SSAB, LKAB and Vattenfall joined forces to create HYBRIT – a joint venture project that endeavors to revolutionize steel-making. HYBRIT aims to replace coking coal, traditionally needed for ore-based steel making, with hydrogen. The result will be unique: the world’s first fossil-free steel-making technology, with virtually no carbon footprint.

In spring 2018, a pilot plant for fossil-free steel production will be planned and designed in Luleå and the Norrbotten iron ore fields, 250 km north west of Luleå. The goal is to have a solution for fossil-free steel by 2035. If successful, HYBRIT means that together we can reduce Sweden’s CO<sub>2</sub> emissions by 10% and Finland’s by 7%.

The steel industry is one of the highest CO<sub>2</sub>-emitting industries, accounting for 7% of CO<sub>2</sub> emissions globally. A growing global population and an expanding urbanization are expected to trigger a rise in global steel demand by 2050.

The carbon footprint in the steel industry is thus a challenge both for Europe and the world.

This is why, in 2016, SSAB, LKAB (Europe’s largest iron ore producer) and Vattenfall (one of Europe’s largest electricity producers) joined forces to create HYBRIT, a joint-venture project that endeavors to revolutionize steel-making. HYBRIT aims to replace coking coal, traditionally needed for ore-based steel making, with hydrogen. The result will be unique: The world’s first fossil-free steel-making technology, with virtually no carbon footprint.





*“HYBRIT, a joint venture project with LKAB and Vattenfall to create a fossil-free steelmaking process, is now taking the first steps toward pilot scale trials.”*

**EVA PETURSSON** | SSAB, HEAD OF STRATEGIC R&D

Sweden has unique conditions for this kind of project, with good access to fossil-free electricity, Europe’s highest-quality iron ore and a specialized, innovative steel industry. In spring 2018, HYBRIT will also start investigating the possibilities of broadening the project to include Finland.

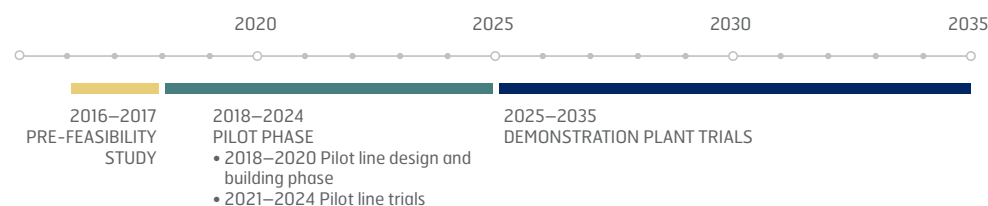
A pre-feasibility study, conducted 2016–2017, gives the green light for the next phase of HYBRIT. This means that spring 2018 will be spent planning and designing the construction of a globally-unique pilot plant for fossil-free steel production in Luleå and in the Norrbotten iron ore fields, 250 km north west of Luleå.

Planning and designing the pilot plant is estimated to cost SEK 20 million and it was

recently confirmed that the Swedish Energy Agency will finance half of this, while the other half will be covered by SSAB, LKAB and Vattenfall. The Swedish Energy Agency has earlier contributed SEK 60 million to the pre-feasibility study and a four-year-long research project.

The pilot phase is planned to last until 2024, after which it will move to the demonstration phase in 2025–2035. The conclusion is that fossil-free steel, given today’s price of electricity, coal and CO<sub>2</sub> emissions, would be 20–30% more expensive. With falling prices in electricity from fossil-free sources and increasing costs for CO<sub>2</sub> emissions through the European Union Emissions Trading System (ETS), the pre-

## Main project phases



feasibility study considers that fossil-free steel will, in future, be able to compete in the market with traditional steel.

Already before a solution for fossil-free steel making is in place, SSAB aims to cut its joint carbon dioxide emissions in Sweden by 25% by as early as 2025, through conversion of the blast furnace in Oxelösund, Sweden. Between 2030–2040, the aim is convert also the blast furnaces in Luleå, Sweden and Raahel, Finland to eliminate most of the remaining CO<sub>2</sub> emissions and to attain the target of being fossil-free by 2045.

To be able to carry out this project, however, significant national contributions are still required from the state, research institutions

and universities. There has to be good access to fossil-free electricity, improved infrastructure and rapid expansion of high voltage networks, research initiatives, faster permit processes and the government’s active support for the pilot and demonstration facilities and long term support at the EU level.



## CASE

# CONSTANT FLOW CHECKS INCREASE THE PRODUCTION RATE IN THE CONTINUOUS ANNEALING LINE AT THE BORLÄNGE MILL

Longer production runs and constant flow checks have contributed to greater availability and increased productivity in the continuous annealing line in Borlänge, Sweden.

Efforts to increase production stability in the continuous annealing line began at the start of 2016 with the aim of increasing both availability and productivity in the line to enable increased sales of annealed cold-rolled products.

By the end of 2016, results could already be seen from these improvements carried out over the year. Availability increased from 89% in 2015 to 91% in 2016 and production volume increased on average per week from 8,300 tonnes to 9,600 tonnes in 2016. In 2017, production volume increased even more. “The goal for 2017 was an average of 10,500 tonnes per week, and we achieved an averaged 10,800 tonnes per week,” said Eva Elfving, manager for annealing in the cold roll mill at Borlänge.

### LONGER PRODUCTION RUNS

There are several reasons for the increased production, one of which is the fact that longer production runs are being run in the line.

“Once we can run longer production runs and avoid clean-out processes as often, we can then achieve a more stable process, which in turn

results in more even temperatures and enables a high and constant speed through the heating area,” explained Eva Elfving.

“An important success factor is that we have greater focus on the flow through the entire old roll mill and keep checking progress on all the lines and our inventory levels. It's extremely important that we're always looking to the future,” explained Eva Elfving, and said that in 2017 the continuous annealing line had not stood still for one single second due to material shortage.

### INCREASED LINE SPEED

Another contributing factor to increased productivity in the line is the increased cooling effect in the induction furnaces. This work began during 2016 and started to yield results in 2017. “We have increased the effect in the burners and the cooling effect in the induction furnaces, and as a result have created greater heating capacity, which in turn means that we have been able to further increase speed in the line,” she explained.



Photo: Henrik Hansson

## CASE

## A NEW RESEARCH PROJECT ON THE USE OF BIOCOAL IN BLAST FURNACE IN OXELÖSUND

In a new research project the use of biocoal is being tested in blast furnace-based manufacturing of steel. This is a new method, which could reduce fossil CO<sub>2</sub> emissions by up to 30%.

The project is being executed by Swerea MEFOS, which, together with SSAB in Oxelösund, will develop methods and carry out testing on a full industrial scale. The purpose of the project is to showcase the possibilities for dealing with pre-treated biomass containing renewable energy, for example residual products, like woodchips, from forestry operations. Replacing parts of today's black coal with biocoal can lead to reduced fossil CO<sub>2</sub> emissions. There have been promising results in small blast furnaces injected with biocoal, but this has never before been tested on a full industrial scale.

In its work to reduce carbon dioxide emissions, SSAB Oxelösund works both in the short-term, as

well as the long-term. The biocoal project is an excellent initiative to further reduce emissions using today's blast furnace technology.

"If the tests are successful, some of the current coal and coke can be replaced by biocoal without any major investments, resulting in a greater degree of fossil-free manufacturing," explains Era Kapilashrami, head of metallurgy at Oxelösund.

The project was started in September 2017 and the preparation and implementation of operational testing is planned for 2018–2019. SSAB is financing the project in the amount of SEK 13 million.



Photo: Hugo Leijon



## RESPONSIBLE PARTNER

SSAB will adhere to the highest standards of a responsible partner by taking responsibility for business ethics and responsible sourcing as well as continuously strive to improve safety, diversity and employer attractiveness.



## RESPONSIBLE BUSINESS PRACTICES

### GOVERNING DOCUMENTS AND PRINCIPLES FOR SUSTAINABILITY

SSAB's values serve as a compass for our actions, choices and behaviour as SSAB's employees. SSAB's values are complemented by SSAB's governing documents.

The Code of Conduct and the governing documents at group level regarding environment and safety are our most important governing documents. SSAB also has local governing documents that complement the Code of Conduct and correspond to the challenges the company faces in different geographies. All governing documents are regularly reviewed and updated.

#### Code of Conduct

SSAB's Code of Conduct (Code) applies to everyone in the company worldwide, regardless of function, grade or standing, and is communicated to employees through e-learning. The Code is SSAB's ethical compass and outlines guidelines for SSAB's behavior with stakeholders and in the market. The Code:

- Helps us to translate values into action
- Forms the basis for our environmental and social responsibility commitments

The Code requires compliance with legislation and regulatory requirements. The provisions of the Code take precedence over all other governing documents in a division or at a subsidiary level and,

in certain cases, may be more far-reaching than national laws and regulations.

SSAB is a signatory to the UN Global Compact and supports its principles regarding human rights, labor standards, environment and anti-corruption. SSAB also supports the International Bill of Human Rights, ILO Core Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

#### Management systems and risk management

Management systems and action plans ensure SSAB systematically works on critical sustainability issues. Several different management systems and tools, both developed in-house and third-party certified, are used to effectively control operations in accordance with SSAB's Code of Conduct and the governing documents regarding environment and safety.

- Safety management systems for systematic health and safety work, according to OHSAS 18001, have been implemented at all production sites [Read more on pages 70 ► and 132 ►](#)
- Environmental and climate work takes place primarily within the scope of the ISO 14001 environmental management standard and via local energy management systems [Read more on page 114 ►](#)



*“Risk assessment will place SSAB in a better position to identify and understand the human rights issues facing the organization and how to deal with them efficiently. This is an important part of our relevant sustainability program.”*

**KRISTIN NORDSTRÖM** | SSAB, VP AND HEAD OF ETHICS AND COMPLIANCE





### GLOBAL COMPACT

SSAB is a signatory to the UN Global Compact and we continually enhance our efforts to protect and respect its 10 principles, and promote its spirit within the areas of human rights, labor standards, the environment and anti-corruption.

- Work environment-related risks and environmental risks are also covered by SSAB's internal risk controls and internal audits

Our systems ensure that targets are set, performance is measured and progress is followed up on.

**Read about risks and risk management on page 162 ►**

### BUSINESS ETHICS

Global business requires good management of business ethics. By providing a framework for business ethics and compliance, SSAB continues to focus on creating a mature organizational culture that encourages ethical conduct. This framework provides the required support and tools to meet SSAB's expectation that each and every employee acts with honesty, integrity and responsibility in

their job. The need for training in business ethics increases as our business becomes more global and complex, and as tougher legislation has been enacted in several countries in recent years.

### Ethics and Compliance function

SSAB has an Ethics and Compliance function in order to further increase our focus on business ethics. The role includes strategic responsibility for

- working with business ethics, anti-corruption and human rights and
- implementing new legislation and international guidelines in this area

Essential components of the ethics and compliance program are risk assessments and employee training to prevent and detect corruption and mitigate legal and ethical risks. The function is organized as part of the Legal function.

### Governing documents

SSAB has several documents that support the ethics and compliance program:

- Code of Conduct (updated in 2017)
- Instructions regarding anti-corruption: provide information on how SSAB defines bribery and improper benefits, and how employees are expected to act in relation to suppliers, customers and other business partners
- Instructions for review of business partners: describe the risk assessment process for reviewing business partners within risk areas for corruption
- Instructions regarding the Ethics Line: define complaint procedures and explain how a report is investigated

### Human rights

Under the UN Guiding Principles on Business and Human Rights, business enterprises should respect human rights. SSAB supports the UN Guiding Principles on Business and Human Rights and has included a commitment to the principles in the Code of Conduct. SSAB will implement processes to prevent human rights abuses and address any adverse human rights impacts which our business may cause or contribute to.

We focus on providing a safe work environment where employees are free from harassment and discrimination and we respect employees'

right to freedom of association and to bargain collectively.

**Read more about human rights on page 106 ►**

### Anti-corruption

SSAB works actively to prevent corruption in our business. SSAB's governing document for anti-corruption defines SSAB's zero tolerance approach to bribery and corruption, and sets out guidance for our daily operations. The document provides employees with information on how SSAB defines bribery and improper benefits, and how employees are expected to act in relation to our suppliers, customers and other business partners. SSAB also has an anti-corruption manual to audit fraud and corruption risks.

### Ethics Line

Everyone working at SSAB must feel a duty to react when malpractices are suspected or uncovered. SSAB has a whistleblower system in place – the Ethics Line – through which employees can raise their concerns. The Ethics Line is implemented in 14 countries. Awareness of the Ethics Line program has been promoted through employee communications and web-based training.

### Training in business ethics

All employees are expected to comply with SSAB's Code of Conduct, the governing document for anti-corruption and to have knowledge of how to report non-compliance in accordance with the Ethics Line. Shared ethical guidelines are fundamental in a global company such as SSAB. Training is organized through a global e-learning module to reach out to all employees in order to provide basic training in business ethics and implement anti-corruption efforts. Also all new employees are expected to complete the e-learning in business ethics and sign a Code of Conduct Statement within the first few weeks of employment.

In addition to e-learning, internal face-to-face training in business ethics takes place on a regular basis. This training is mainly provided to employees in management, sales and procurement, who are at risk of being exposed to corruption and bribery. Training is based on SSAB's values and governing documents. Training teaches participants what is meant by corruption and bribery, and how SSAB's ethics and compliance program is structured.

[Read more about training in business ethics on page 111 ►](#)

### Review of integrity of business partners

In some situations, SSAB reviews the integrity of our business partners more closely. SSAB has an



instruction for business ethics reviews that mainly covers agents, certain distributors and consultants who represent SSAB in dealings with any third party. In most cases, there is no need to review the integrity of a business partner more closely, but the

instruction means that SSAB may not enter into or renew agreements with business partners that are within the typical risk areas for corruption, before an initial assessment showing that such partners respect our fundamental rules of business ethics.

## 2017 IN BRIEF

- Face-to-face training in anti-corruption and business ethics was held for the sales organization. Training is based on SSAB's governing documents and values, and includes real-life examples and dilemma discussions
- 91 (90)% of employees had completed the mandatory e-learning in business ethics
- A structured onboarding program was implemented for all new hires where all new employees are expected to complete the e-learning in business ethics and sign a Code of Conduct statement within the first few weeks of employment
- Conducted an initial human rights risk assessment focusing on potential risks related to SSAB's operations in China, Poland and South Africa

# HIGH-PERFORMING ORGANIZATION

A high-performing organization is one of the key elements in SSAB’s strategy and an essential enabler for achieving the company’s ambitious strategic targets. An operating model built on decentralized responsibilities and entrepreneurship are fundamental to the success of SSAB.

There are three main priorities toward achieving a high-performing organization:

- Improve safety with the focus to be the safest steel company in the world  
[Read more on page 70 ►](#)
- Enhance productivity through continuous improvement
- Strengthen the performance culture

## ENHANCE PRODUCTIVITY BY CONTINUOUS IMPROVEMENTS

### SSAB One – our shared management philosophy

SSAB One is our common management philosophy. It encompasses SSAB’s vision, values and principles, which together give a direction and framework for the company. The word “management” does not mean the philosophy is exclusive to managers; SSAB One is relevant to each and every SSAB employee. Only when all employees understand our management philosophy can we successfully involve everyone in SSAB’s development efforts. SSAB One provides us with a common framework and language across different parts of our company.

SSAB One serves as a common denominator for our improvement structure at SSAB. We will succeed by ensuring we have an understanding of SSAB One and the company’s vision as our common purpose, living the values as standards for our convictions and behavior, and using our principles as the rationale to achieve our fundamental goals.

SSAB One has two objectives:

- Improve our workflow based on customer demand
- Involve and engage all employees in continuous improvement

Principles:

- Normal state: We can only improve if we have defined and visualized our “normal state” in terms of safety, quality and efficiency. By recognizing our normal state, we can easily recognize deviations and act upon them
- Right from me: Each of us ensures that we get things right the first time round. Errors are prevented from progressing in the production flow. We have a systematic way of dealing with deviations and errors and learning from them



- Learn and improve: Development is part of everyone’s daily work. Managers coach their teams and give all employees the opportunity to contribute with their knowledge and commitment
- Customer demand driven: We understand our customers’ needs and focus on improving all the activities that create value for customers





*“2017 was the first year we could see that our management philosophy SSAB One and continuous improvement generated results. As SSAB is still at the very beginning of this journey, the great potential in involving everyone in continuous improvement is still ahead of us.”*

**ROBERT KUSEN** | HEAD OF SSAB ONE

**STRENGTHEN THE PERFORMANCE CULTURE**

**Talent and competence sourcing**

The whole industry is challenged to attract and retain skilled employees and strong leaders. SSAB works systematically to identify and meet demand for critical competencies. The following activities are just some of the things we do to attract and retain core talent:

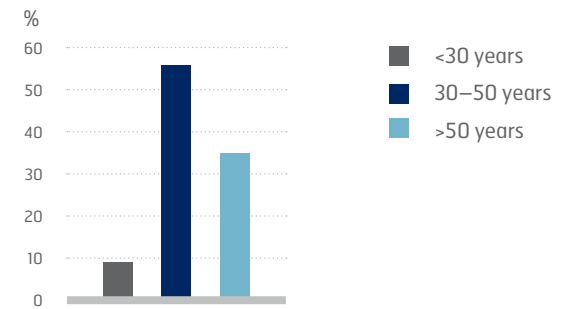
- Host individual performance dialogs with every employee, as well as annual dialogs with leaders of our businesses
- Identify critical sources of competence, such as schools and universities
- Work with other industries in areas where we have overlap in our recruitment demands
- Provide development opportunities for employees at all levels of the organization
- Conduct annual succession planning

**Engaging SSAB employees for performance toward goals**

Aligning individual performance with SSAB’s strategic direction is a central element in being a high-performing organization. Employee engagement, clearly defined objectives and performance expectations, as well as feedback, are key enablers to effectively achieve results.

SSAB strives for broad awareness of our annual business strategy from all employees. By ensuring all employees understand our strategy, we can ensure that each team and each employee is aligning their efforts toward the same unified goals. SSAB’s management philosophy, SSAB One, provides the framework for continuous improvement and performance excellence. Structured performance dialogs between employees and their manager are used to define objectives, follow up on results, provide mutual feedback, discuss the workplace safety and atmosphere, and to plan future performance and individual development.

Employees – Age distribution<sup>1)</sup>



<sup>1)</sup> Permanent employees at year end

Employees – Gender distribution<sup>1)</sup>



<sup>1)</sup> Permanent employees at year end



SSAB continuously reviews and aligns reward structures to ensure performance management processes are effectively supported. Our employee and manager criteria are important elements to exemplify good performance. Matching potential candidates with development opportunities at different levels in the organization is important for developing a high-performing organization.

### Diversity promotes performance

Our success depends heavily on the competence and engagement of our employees. SSAB operates globally, and has approximately 15,000 employees from diverse demographic backgrounds in more than 50 countries. Leveraging this diversity is a prerequisite to providing a superior customer experience. SSAB strives for an inclusive leadership and corporate culture, meaning that employees feel a sense of belonging and have equal opportunities to contribute and succeed.

The steel industry is traditionally male-dominated, and with 19% of our employees being women, SSAB is no exception. SSAB believes that improving gender balance will positively contribute to the performance and safety culture and make SSAB more responsive to customer needs. SSAB has a long-term goal of increasing the presence of female employees across the company. Women in top management positions

serve as important role models for others, which drives further development. In 2015, SSAB launched a diversity target aiming to have women in 30% of the top management positions in the company by the end of 2019.

SSAB has a number of initiatives and tools to raise awareness and further promote diversity and inclusion in the company. Here are a few examples of additional efforts to support this process:

- Developing a high-level in-house mentoring program, where SSAB's Group Executive Committee members serve as mentors for female mentees. The program was successfully initiated in 2016. The mentoring program is a mutual learning experience for both mentors and mentees, through challenging each other, exchanging experiences, broadening perspectives and building networks across the organization
- Actively promote diversity when recruiting to management and specialist positions, as well as our strategic development programs, such as Technical Development program and Business Development program
- Conduct an employee survey every second year
- Collaborate with other companies and authorities. As an example, in several locations across Sweden, SSAB partners with local municipalities to create internships for people with diverse backgrounds, including those from outside of the country. This provides



*“Working toward gender equality is crucial to attract the very best employees. Within SSAB, everyone should have equal opportunities. If we succeed in creating a culture where everyone feels included, we will become a safer, more attractive employer, and, as we know from today's research, we will see improved profitability.”*

**LINNÉA ENGSTRÖM** | SSAB, MANAGER TALENT MANAGEMENT

participants an opportunity to gain experience in the labor market in Sweden and to build on their Swedish language skills, at the same time as giving SSAB an opportunity to find new competence needed

- Participate in external strategic initiatives such as Female Leader Engineer (Sweden), Women in Tech (Finland) and Association of Women in the Metal Industries (Americas)

### Strengthen leadership capabilities and employee engagement

#### LEADERSHIP DEVELOPMENT

A strong leadership pipeline is not only a requirement for a high-performing organization, but also a strategic choice for SSAB. Leaders are instrumental in delivering results, establishing an inclusive culture and managing change. SSAB works to ensure that internal leadership talents are identified and systematically developed.

Leadership development is aligned with SSAB One, our management philosophy.

#### EMPLOYEE ENGAGEMENT

SSAB conducts employee engagement surveys to give employees an opportunity to voice their views on topics related to their workplace. The surveys help analyze the drivers of employee engagement and capture improvement opportunities which contribute to leadership, high performance and engagement. The survey results are utilized at all organizational levels, starting with the Group Executive Committee and all the way down to individual teams. Each manager is responsible for improvement planning, executing and following up with his or her team based on the results of the survey. SSAB has developed a toolbox to support managers in communicating the results and developing action plans.

## HEALTH AND SAFETY

SSAB strives to be the safest steel company in the world, with an objective to achieve zero accidents, work-related injuries or illnesses. Ensuring a safe and secure environment for our employees, contractors and visitors is our highest priority.

### SAFETY IN FOCUS

Every SSAB employee has a personal responsibility to work safely every day; it is a fundamental requirement for working at SSAB. Occupational safety is an important part of how we operate, and it is integrated into our management system.

In 2018, all SSAB employees are required to sign a safety pledge in which they commit to working safely. Signing the pledge is accompanied by discussions about what safety personally means to them and what their personal contribution is to improving safety at SSAB.

In addition to safety, SSAB focuses on preventive health and wellness to promote the overall wellbeing of employees. In order to achieve our objective of zero accidents, injuries and work-related illnesses, SSAB will do the following:

- Ensure safety is an integral part of all activities and decisions throughout the company
- Cooperate to prevent accidents and work-related illness by identifying, evaluating and removing risks

- Systematically identify and eliminate the root causes of accidents and near misses which have occurred, with the aim of preventing them from happening again
- Ensure that management and line organizations are responsible for occupational safety, assisted by occupational safety specialists. All SSAB employees are responsible for their own safety and for that of others in their working environment. Employees must interrupt and instruct colleagues and contractors when they take a risk or fail to comply with established safety rules. All work which is not performed safely must be discontinued
- Ensure that all managers lead by example. They are responsible for the work environment and must serve as good role models
- Ensure that all employees are provided with all necessary instructions, as well as the training and equipment necessary for facilitation of safe work methods
- Comply with or exceed all applicable laws, regulations and SSAB requirements



*“There was a positive trend in overall safety performance across SSAB in 2017. We are heading in the right direction, but need to pick up the pace. It is important to discuss what safety means to each of us and how we can contribute to making SSAB the safest steel company in the world. Signing the safety pledge is an excellent opportunity to do this.”*

**HARRI LEPPÄNEN** | SSAB, HEAD OF ENVIRONMENT AND SAFETY

- Establish clear objectives and carry out regular monitoring to ensure that these objectives are fulfilled

### SAFETY MANAGEMENT IN SSAB

To improve safety performance, SSAB has a company-wide group of safety experts

and a safety management team. The safety management team consists of senior management of operations from all SSAB divisions, as well as subsidiaries Tibnor, Ruukki Construction and Merox. The safety management team is the decision-making body on safety issues relevant to the company. The team is

also responsible for promoting a positive safety culture within the company. The main objective of the safety expert group is to share information on divisional safety programs, achieved results, best practices, information on serious incidents, and recommendations on preventive actions. The group also prepares company-wide safety initiatives to be decided by the safety management team. SSAB's safety management system fulfills the requirements of international standard OHSAS 18001.

SSAB's key performance indicator (KPI) for safety is lost time injury frequency (LTIF). All divisions have annual safety (LTIF) targets and report monthly on safety performance to the Group Executive Committee. SSAB also follows up on the safety performance on all sites and at our contractor sites.

### CONTRACTOR SAFETY

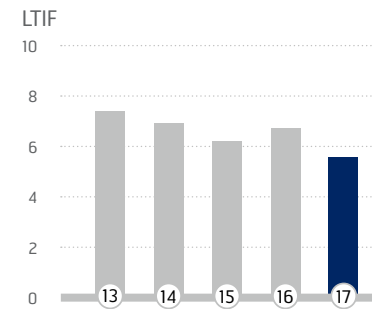
Every year, hundreds of employees from external companies work at SSAB, particularly in the areas of maintenance and repairs. Contractor companies are screened for strong safety practices, and partner companies work together with SSAB to ensure the safety of anyone working at an SSAB facility. SSAB also provides contractors with safety training sessions and discussion forums, in order to increase their safety awareness.

### HEALTH

Providing a healthy working environment is fundamental for a high performing organization. SSAB takes a holistic approach to wellbeing at work and the quality of our employees working lives as well as ensuring a safe work place. Wellbeing is a joint responsibility between the employer and the employee facilitated by SSAB's framework for healthy operations:

- Our Code of Conduct provides the framework for how we act and how we make our employees feel engaged and included
- SSAB One, our management philosophy, allows us to improve, learn and achieve results that are built on everyone's skills and contribution
- A leadership that is built upon our manager criteria where the individual is recognized and feedback is essential
- Regular employee surveys allow identification of both strengths and improvement areas and provide a solid base for planned actions of improvement
- Occupational health care services
- Monitoring sick leaves and ascertaining the reasons for them
- Supporting a healthy lifestyle (exercise and other recreational activities)

### Lost time injury frequency (LTIF)\*



\* Number of accidents resulting in an absence of more than one day per million working hours, own employees and contractors

### 2017 IN BRIEF

- SSAB's lost time injury frequency (LTIF) was 5.6 (6.8)
- A total of 167 (202) injuries occurred for SSAB's employees and contractors
- The development in safety was positive for SSAB as a whole. However, safety performance varied from one division to another. SSAB Europe, SSAB Special Steels and Tibnor improved their safety performance, while performance declined in SSAB Americas and Ruukki Construction
- In April 2017, a Ruukki Construction worker was killed in an accident, during the installation of steel beams in a ceiling structure at Norsk Hydro in Karmøy, Norway, where Ruukki Construction was working as a subcontractor. An investigation into the cause of the accident is ongoing
- The long-term work to improve safety continued with many activities. In addition to continuous safety management procedures, this work included safety campaigns, safety culture assessments and safety training
- SSAB rolled out a new safety pledge roll-out starting in Borlänge, Sweden and SSAB Americas. The safety pledge is a commitment that SSAB employees make to themselves and to their colleagues to always put safety first at SSAB. In 2018, all SSAB employees are required to sign a safety pledge in which they commit to working safely

## CASE PICKLING LINE INVESTMENT PROJECT EMPHASIZES CONTRACTOR SAFETY

SSAB is completely modernizing the entry section of the pickling line at its Hämeenlinna Works in a project that will continue through the fall of 2018. Since production on the existing pickling line runs normally during construction and equipment installation, production employees and external contractors building the new line are both working in the area at the same time. SSAB is ensuring that these external contractors are well versed on the company's safety regulations, even assigning a full-time safety coordinator to the investment project.

The project safety plan includes guidelines on how to work safely. In addition, the team conducts separate risk analyses for each work stage before it begins. Safety challenges arise because the pickling line continues to operate normally during work on construction and equipment installation.

“External contractors working in the area in different stages of the project come from a number of different countries,” says Safety Coordinator Tommi Nisula. “We arrange induction sessions and provide safety materials in both English and Finnish.”

Training for contractors occurs in three stages starting with site-specific training, which

goes through general safety matters at the Hämeenlinna site, protection equipment, moving around the site, etc. This is followed by department-specific training, which goes into detail about the particular characteristics of the work area from the safety aspect. The third stage is work-specific training.

### EMPHASIS ON INFORMATION FLOW

It's important that traffic can flow and cranes can continue to operate in the common worksite during construction. As the project progresses and several different contractors work in the area, daily meetings are held to ensure information is shared about every team's work stages. These meetings are attended by both SSAB team members as well as contractor and



Photo: Jaana Henttonen

production representatives. A memo outlining key issues and decisions from each daily huddle is circulated to everyone working in the area and to site management.

“Production employees are also notified of how the project is progressing via digital information screens in the area. Our employees know the work environment and the special requirements

it poses,” says Tommi Nisula. “If they notice unsafe working practices, they can intervene, as well as give feedback by reporting any safety observations in our automated Safety Tool or by notifying the shift foreman.”

Products made at Hämeenlinna pass through the pickling line before cold rolling and metal coating. On the pickling line, the steel strip is descaled and the iron oxide removed in a hydrochloric acid solution.



## CASE

# NEW SAFESTART INITIATIVE LAUNCHES FOR SSAB AMERICAS

In 2017, SSAB Americas kicked off a new safety training initiative called SafeStart®. The SafeStart program has been proven at work sites around the world to reduce on-the-job injuries by 30–70% in the first one to two years.

SafeStart was created by Larry Wilson, a leading expert on human error prevention, and is based on input from more than 100,000 workers. More than two million people around the world have been trained in SafeStart principles.

SafeStart was selected by SSAB Americas' senior management because the team felt it would fit the organization's culture and provide the biggest short-term and long-term gains in reducing injuries.

"It felt like the right fit for us," said Steve Hansen, VP and Chief Technical Officer, SSAB Americas. "The emphasis is on creating a safety mindset – not on catching someone doing something wrong."

SafeStart is an advanced safety awareness program that focuses on non-deliberate risk. According to Wilson, "SafeStart won't keep a person from intentionally deciding to break the speed limit, but it will help them avoid unintentionally running a stop sign. It's about help, not blame."

Instead of treating safety awareness as a vague concept, SafeStart defines exactly what a person needs to do to avoid unintentional contact with hazardous energy. "SafeStart teaches you how to avoid the mistakes and errors you never wanted to make in the first place," said Wilson.

SafeStart identifies four states (rushing, frustration, fatigue and complacency) which contribute to four critical errors (eyes not on task, mind not on task, line-of-fire and loss of balance, traction, grip) which cause more than 90% of all serious injuries in the workplace.

One of the unique aspects of SafeStart is that the program encourages employees to share the concepts with their families.

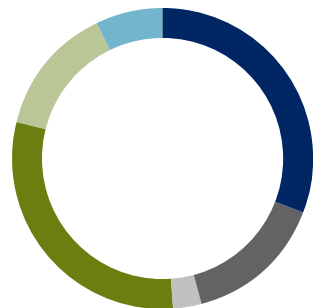
"While SSAB Americas has made great strides in safety, we will not be satisfied," said Hansen. "We believe SafeStart can help take us to another level in terms of protecting our team members from injuries."



# RESPONSIBLE SOURCING

SSAB has approximately 20,000 suppliers globally. The input materials needed to make iron and steel account for SSAB's most significant purchases. Suppliers must comply both with SSAB's own standards and with international social and environmental guidelines in order to remain qualified suppliers for SSAB.

Sourcing by country



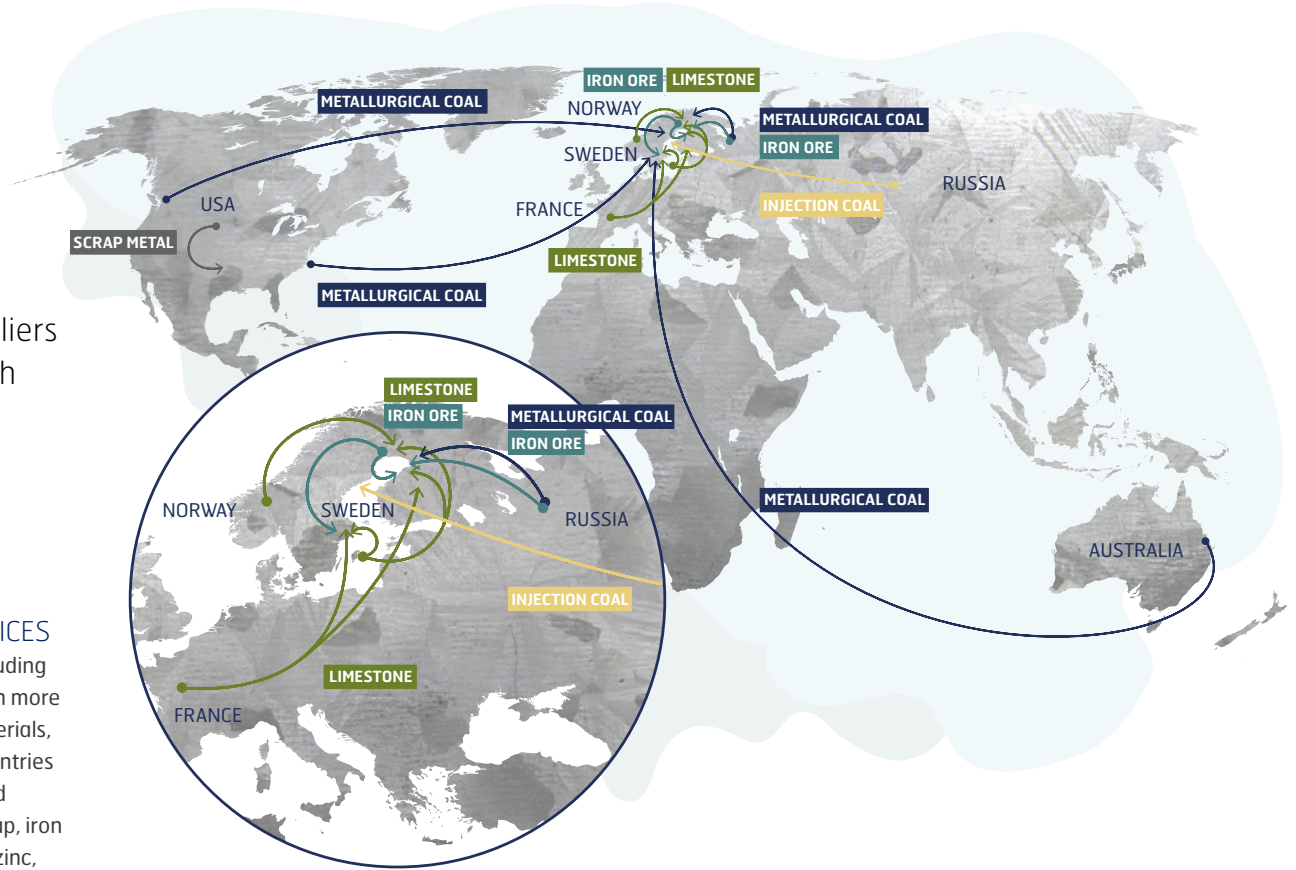
- Sweden 31%
- Finland 15%
- Russia 3%
- USA 30%
- Rest of Europe 14%
- Rest of the world 7%

## EFFICIENT AND RESPONSIBLE SOURCING OF GOODS AND SERVICES

SSAB has an extensive supply chain including approximately 20,000 active suppliers in more than 60 countries. SSAB buys input materials, products and services in most of the countries in which we operate. These materials and services range from input goods like scrap, iron ore, coal and alloys to gas, refractories, zinc, paint, maintenance services and spare parts. SSAB spends more than SEK 40 billion annually on external purchases. The majority of our purchases are from countries where we have our main production sites; 31% from Sweden, 15% from Finland and 30% from the USA.

SSAB contracts only the most competitive suppliers and the strategies for this depend on the products or services purchased. Since the supply chain is global, it is important to evaluate supplier

risks and suppliers' ability to address social and environmental issues. At SSAB, sustainability is an integrated aspect of sourcing operations and supply chain management. Stringent quality requirements and long-term business relationships provide the sourcing organization with a good insight into conditions at suppliers. We assess suppliers on the basis of quality, delivery reliability, cost and sustainability.



## WHERE SSAB SOURCES INPUT MATERIALS

Iron ore pellets	Sweden and Russia
Metallurgical coal	Australia, North America, Russia
Injection coal	Russia
Scrap	USA, Sweden, Finland
Limestone	Sweden, Norway and France
Alloys	Brazil, Russia, China, South Korea, Chile, USA

### INCORPORATING SUSTAINABILITY AND HUMAN RIGHTS CRITERIA IN SOURCING

SSAB is a signatory to the UN Global Compact initiative and the principles of the compact are applied in our work with suppliers. SSAB has a Supplier Sustainability Policy based on the UN Global Compact principles. The purpose of the policy is to ensure that SSAB collaborates with suppliers who share our sustainability values.

SSAB supports the UN Guiding Principles on Business and Human Rights and included a commitment to the principles in the Code of Conduct in 2017. The Supplier Sustainability Policy includes basic sustainability guidelines, including human rights, with which our suppliers must comply. Contracts with suppliers refer to the Supplier Sustainability Policy. SSAB also reserves the right to conduct reviews of our direct suppliers or on-site audits to ensure

compliance with the Supplier Sustainability Policy. SSAB has limited influence on Tier 2 suppliers and expects our direct suppliers to monitor Tier 2 suppliers for commitment to environmental and social responsibility. Imposing sustainability requirements on direct suppliers drives the development of stricter sustainability demands and raises awareness of sustainability issues.

Sustainability risks differ between countries. In 2018, SSAB plans to evaluate human rights risks in countries where we have identified top spend suppliers. This data will be important when selecting suppliers for the annual audit plan. Supplier selection is based on a pre-evaluation of the supplier's social and environmental risk profile taking into consideration also geographic location and product category.

### GLOBAL PROCUREMENT COUNCIL

SSAB has a Global Procurement Council headed by the Chief Procurement Officer. The Council consists of the heads of Procurement from each of SSAB's divisions, as well as from our subsidiaries Tibnor and Ruukki Construction, and other relevant stakeholders including the Head of Ethics and Compliance who supports the Council's work in terms of ethical issues. The Council's mission is to enhance the global procurement processes and projects, but also to collaborate on sustainability and continue our strong focus on responsible sourcing. The Council also measures and follows up on important sustainability targets.

How we measure progress:

1. Share of total spend sustainability assessed (classified/identified and self-assessment done)

2. Share of new suppliers sustainability assessed, including screened for social criteria
3. Number of site visits including social and environmental performance of suppliers
4. Number of third party sustainability audits

### GOVERNING DOCUMENTS

SSAB has several documents that support our responsible sourcing:

- Code of Conduct
- Supplier Sustainability Policy; based on the UN Global Compact and includes labor, human rights, health & safety, anti-corruption and environmental issues
- Instructions regarding procurement (updated during 2017), which address the governing principles for procurement, quality, delivery performance and cost, as well as the principles of the UN Global Compact and how to take them into account when evaluating suppliers

## Compliance Program

SSAB follows its suppliers' sustainability compliance through a systematic process



- Procurement Compass; a guide in the employees' everyday work to stay on track with internal instructions
- Instructions regarding anti-corruption, which provide employees with information on how SSAB defines bribery and improper benefits, and how employees are expected to act in relation to suppliers, customers and other business partners

**FOCUS ON IDENTIFICATION AND EVALUATION OF SUPPLIER RISKS**

SSAB systematically identifies the risks related to our direct suppliers. We do this by placing suppliers in various risk categories depending on the countries in which they operate. The classification is based on Maplecroft's Human Rights Risk Index and Transparency International's Corruption Perceptions Index. The classification illustrates the risks in areas such as human rights, labor conditions and corruption. Suppliers who are placed in the medium- or high-risk group are required to complete a self-assessment questionnaire containing questions about, for example, their social conditions and environmental performance. Unsatisfactory answers are investigated.

**Site visits and audits**

SSAB also conducts regular visits to major suppliers around the world, including high-

risk suppliers. Suppliers selected for site visits and third party audits are identified in the annual audit plan. Supplier selection is based on many criteria, including a pre-evaluation of the supplier's social and environmental risk profile taking into consideration also geographic location and product category. On these visits, purchasers and specialist functions visit production sites and conduct supplier inspections. SSAB has on-site protocols in place and the procurement organization has been trained to evaluate information about the supplier's social and environmental performance gathered during site visits.

**HSEQ cluster for joint evaluations of contractors**

SSAB is member of an HSEQ cluster (health, safety, environment and quality) for joint evaluations of contractors. Several of SSAB's contractors working on SSAB's sites are audited through this cluster by a third party every year.

**Sustainability impacts from mining raw materials**

SSAB purchases iron ore pellets, metallurgical coal and injection coal from different mines around the world. The nature of mining activities may have implications for sustainability and may also involve potential human rights risks. Mining requires access to land and water. Mining

**Risk based approach**

LOW RISK	<ul style="list-style-type: none"> <li>• Sustainability clause in contracts*</li> </ul>
MID LEVEL RISK	<ul style="list-style-type: none"> <li>• Sustainability clause in contracts*</li> <li>• Self-assessment questionnaire</li> </ul>
HIGH RISK	<ul style="list-style-type: none"> <li>• Sustainability clause in contracts*</li> <li>• Self-assessment questionnaire</li> <li>• Site visit and third party sustainability audits (selected in annual audit plan, risk-based approach)</li> </ul>

\* Refers to SSABs Supplier Sustainability Policy

activities may have a negative impact if not carefully managed and affect the individuals living close to the mines. Some mining activities involve hazardous chemicals, which may pose

risks to the health and safety of employees or contaminate water resources if not handled properly. SSAB will enhance our focus to better understand these potential supplier risks.







*"We are continuously developing the ways we assess our suppliers to make sure we use only suppliers that share SSAB's values. Our Supplier Sustainability Policy is a good foundation for us to clearly define what we expect from our suppliers in terms of environmental and social responsibility."*

**CAROLINA ÅKERBLOM** | PROJECT MANAGER, SOURCING DEVELOPMENT

### ACTIONS AGAINST MODERN SLAVERY

SSAB is a signatory to the UN Global Compact and supports its ten principles. Those principles are a natural part of SSAB's business and are reflected in the Code of Conduct and SSAB's Supplier Sustainability Policy. SSAB also supports the UN Guiding Principles on Business and Human Rights. SSAB is committed to maintain and improve systems and processes to avoid complicity with human rights violations related to or own operations and our supply chain. SSAB has taken a variety of actions to verify the absence of child labor, forced labor, slavery and human trafficking in our supply chain. These actions include sustainability principles for our suppliers, sustainability risk assessments, site visits and audits and training of our employees.

### NO CONFLICT MINERALS IN SSAB'S STEEL

SSAB does not use conflict minerals (including gold, tin, tungsten and tantalum) and, upon request, provides customers with certification affirming this.<sup>1)</sup>

<sup>1)</sup> "Conflict minerals" is a term used for minerals derived from areas characterized by large-scale internal strife, where the mining of minerals risks contributing to, or financing, continued conflict and violation of human rights.

### 2017 IN BRIEF

- SSAB has 20,000 active suppliers in more than 60 countries
- SSAB sourced products, materials and services worth an estimated SEK 42.6 (40.8) billion
- 80% of total spend was sustainability assessed (classified/identified in terms of sustainability risks and self-assessment done)
- 40 site visits to suppliers including social and environmental performance were conducted. A few visits revealed minor non-conformances primarily related to health and safety and working conditions
- 2 third party sustainability audits of suppliers were conducted
- 12 HSEQ evaluations of contractors were conducted in Sweden and Finland and audits revealed non-conformances primarily related to poor waste management, lack of safety indicators and no standardized system to handle risk observations

[Read more on page 137](#) ►

## SSAB IN THE COMMUNITY

In locations where SSAB operates, the company plays a significant role in the local and regional community as an employer, taxpayer, buyer of regional goods and services, and charitable benefactor. Contributing to the communities in which we operate is an integral part of the way we do business.

### ACTIVE ENGAGEMENT IN LOCAL COMMUNITIES

SSAB strives to develop and maintain good relationships with various stakeholders in our society and actively engages with the communities in which we operate. Local community engagement is defined by each site at the local level. In addition to our own employees, SSAB engages with politicians, regulators, media, the general public and people who live near our production sites.

SSAB is also an important partner for local educational institutions and research. We offer extensive opportunities for internships and thesis projects to college students.

SSAB also works with local environmental regulators on site-specific issues. In addition to ongoing collaboration with local authorities, SSAB also works together with cities and associations to monitor environmental conditions such as air quality and waterways.

Every year, SSAB hosts important visitors from the community, such as students, customers, subcontractors, government officials, inspectors and regulators.

### SUPPORTING LOCAL ACTIVITIES IN SWEDEN AND FINLAND

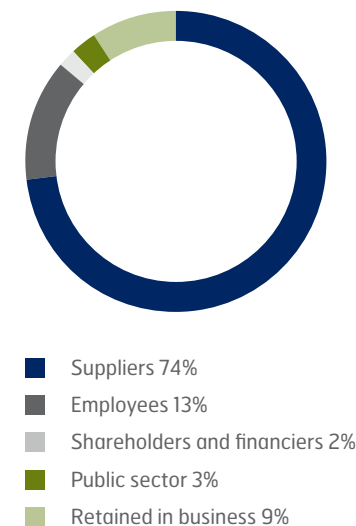
In the communities in which SSAB operates in Sweden and Finland, we contribute to creating a wide range of recreational activities in which SSAB's employees, their families and also the local community can participate. Examples include sponsorships of local sports organizations and exchange of knowledge with schools. SSAB also supports associations in which employees are involved, primarily within sports and culture.

### STRONG COMMUNITY INVOLVEMENT IN SSAB AMERICAS

SSAB Americas has a long tradition of community involvement. This takes place not only in the form of financial contributions, but also through participation in various charity initiatives and projects.

SSAB creates economic value that is distributed to various stakeholders in society, such as our shareholders, investors, suppliers, employees, the public sector (through taxes) and communities (through local community projects, sponsorships and donations). The economic value is reinvested in the company for strategic and maintenance investments, R&D and other investments to cultivate our ability to create additional value.

Distribution of economic value added to different stakeholders



One of the largest organizations supported by SSAB is United Way, a charitable organization which supports the needy through donations, education and volunteer work. Employees' contributions are matched by the company.

Another example is SSAB's Foundation for Education, a charity program through which we donate funding of at least USD 100,000 each year to local schools in Alabama, money that is raised through the recycling of scrap tires for use as a raw material in steel production in Mobile. Employees and local partners in Mobile also come together every year for the Fill the Bus program, to collect donations of school supplies for local children in need. In Montpelier, Iowa, SSAB's employees sponsor and support The Make-a-Wish Foundation, an organization which aims to realize the dreams of sick children. Support from the company in Montpelier also goes to The Community Foundation of Greater Muscatine, which supports smaller organizations and charitable projects in the region.

#### DONATIONS TO SOS CHILDREN'S VILLAGES ORGANIZATION

Since 2012, SSAB has been working with the SOS Children's Villages organization to support

different charity projects. This appreciated initiative continues and, during the year, SSAB made a donation that was also SSAB's Christmas gift to our employees in Europe. The donation supports the running of a family center in Brovary outside of Kiev, Ukraine. In the center, support is adapted to the needs of each family, and the aim is for children to grow up in a safe and loving environment.

#### SSAB DONATED EUR 25,000 TO BENEFIT CHILDREN AND YOUNG PEOPLE

SSAB celebrated the centenary of Finland's independence by donating a total of EUR 25,000 to organizations working to benefit children and young people in locations where our Finnish sites are. SSAB's employees chose the beneficiaries, which included several charity organizations from SSAB's production localities in Finland. The donations were given, among other things, to youth crisis support, to the needy families and also to support hobbies and leisure-time experiences for children and young people. SSAB employees were also encouraged to do voluntary work for the charities that received the most votes.





## SWEDISH STEEL PRIZE

The Swedish Steel Prize is an international award for companies, institutions and individuals in the steel industry. Since 1999, it has been recognizing and rewarding those that have developed a method or product that fully utilizes the potential of high-strength steel.

An independent professional jury assesses the entries by considering their applicability, profitability, environmental benefits, performance, innovation and creativity. In addition to the media exposure that comes with the nomination, the winner receives a statuette designed by Jörg Jeschke and a prize of SEK 100,000 to be donated to a charity of the winner's choice. In 2017 the winner was Kiruna Wagon with their Helix Dumper for mining.

The Swedish Steel Prize also includes an event with an awards gala packed with knowledge, inspiration, and great opportunities to meet people working with steel in a variety of fields.

### THE UNIVERSITY STEEL PRIZE

Swedish Steel Prize's more youthful version is called the University Steel Prize, a steel award that challenges engineering students around the world to come up with innovative ways to use high-strength steel. In addition to the great honor of winning and a prize of SEK 20,000, the winner is invited to the Swedish Steel Prize event to present their application on the main stage. In 2017 the winner was JU Solar Team with their solar car Solveig.







## CORPORATE GOVERNANCE REPORT

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# CORPORATE GOVERNANCE REPORT 2017

SSAB's organization is characterized by a way of working in which responsibilities and powers are largely delegated to the respective divisions. SSAB's share is listed on Nasdaq Stockholm and has a secondary listing on Nasdaq Helsinki. SSAB is governed by, among others, the Nasdaq Stockholm Rule Book for Issuers and the Swedish Corporate Governance Code (Corporate Code). This corporate governance report complies with the Swedish Annual Reports Act and the Corporate Code, and is not part of the Report of the Board of Directors.

## IMPORTANT EXTERNAL AND INTERNAL RULES AND POLICIES WHICH AFFECT CORPORATE GOVERNANCE:

### Significant internal rules and policies

- Articles of Association
- The Board's rules of procedure, incl. instructions to the CEO and instructions to Board committees
- Accounting manual (Financial Guidelines) and Finance Policy
- Code of Conduct

### Significant external rules

- Swedish Companies Act
- Swedish Accounting Act
- Swedish Annual Reports Act
- Rules of Nasdaq Stockholm and Nasdaq Helsinki, [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com)
- Swedish Corporate Governance Code, [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)

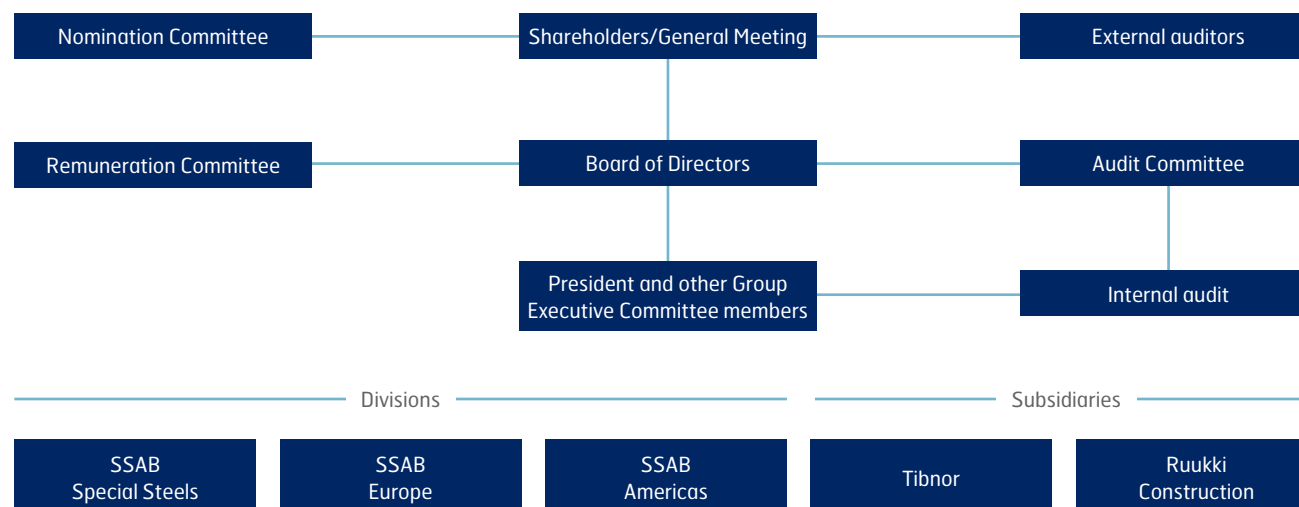
## ORGANIZATION AS AT DECEMBER 31, 2017

SSAB is structured across three divisions: SSAB Special Steels, SSAB Europe and SSAB Americas, as well as two larger wholly-owned subsidiaries: Tibnor and Ruukki Construction. The two latter are run as independent subsidiaries.

The diagram below shows SSAB's corporate governance framework as at December 31, 2017 and how the central bodies operate.

## DEROGATIONS FROM THE CORPORATE CODE

During 2017, the Remuneration Committee comprised Bengt Kjell (chairman), John Tulloch and Matti Lievonon. Under the main rule in Rule 9.2 of the Corporate Code, the members of the Remuneration Committee who are elected by the general meeting must be independent of the Company and of the Company's management. Since John Tulloch is considered to be dependent in relation to the Company, his inclusion in the Remuneration Committee constitutes a derogation from the rules of the Corporate Code. The Company has extensive international operations involving a considerable number of its employees outside Sweden, not least in North America. John Tulloch has long experience derived from



senior managerial positions in the North American steel industry. His knowledge of remuneration principles and structures in, primarily, the North American steel industry constitutes a highly valuable contribution to the Committee's general ability to address international remuneration issues in a purposeful and rational manner. The Company has therefore concluded that the benefit of John Tulloch's inclusion in the Remuneration Committee outweighs any disadvantages arising from him not being independent of the Company. For these reasons, the Company considers the derogation from Rule 9.2 of the Corporate Code to be justified.

## SHAREHOLDERS

SSAB's share capital consists of class A and class B shares, with class A shares carrying one (1) vote and class B shares one-tenth (1/10) of a vote. Both classes of shares carry the same rights to a share in the Company's assets and profits.

As at December 31, 2017, there were a total of 100,141 shareholders. Industrivärden was the largest shareholder in terms of voting rights, followed by Solidium Oy, LKAB, Handelsbanken Funds and Swedbank Robur Funds. Of the shareholders, 60.7% held 1,000 shares or fewer, whereas the ten largest shareholders owned an aggregate of around 41.7% of all the shares in issue. Owners outside Finland and Sweden held 29.2% of the voting rights and 23.0% of the share capital in the Company. See [Shares and shareholders](#) for more information about the ownership structure.

## GENERAL MEETING

The general meeting of shareholders is the Company's highest decision-making body and is where owners exercise their shareholder power. At the Annual General Meeting (ordinary general meeting), the shareholders resolve, among other things, the following:

- Adoption of the annual report and consolidated financial statements
- Allocation of the Company's profit/loss
- Discharge from liability for the Board of Directors and the CEO
- Election of the Board of Directors, its chairman and the auditors
- Method of appointment of the Nomination Committee
- Remuneration of the Board of Directors and the auditors
- Guidelines for the remuneration to the CEO and other senior executives

### 2017 Annual General Meeting

The 2017 Annual General Meeting adopted the annual report and consolidated financial statements for 2016 as presented by the Board of Directors and the CEO, decided on the allocation of the Company's profit and granted the directors and CEO discharge from liability.

### OWNERS AS OF DECEMBER 31, 2017

	% of votes	% of share capital
Industrivärden	18.2	11.4
Solidium	11.0	17.1
LKAB	3.6	2.3
Handelsbanken Funds	1.9	3.4
Swedbank Robur Funds	1.9	3.4
Nordea Investment Funds	1.8	1.2
Catella Funds	1.5	0.7
Invesco Funds	1.4	1.3
Folksam	0.8	0.8
Varma Mutual Pension Funds	0.7	0.2
Other shareholders	57.4	58.3
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>
Whereof foreign registered shareholders*	29.2	23.0

\* Includes shareholders outside Sweden and Finland, Source: Euroclear

In addition, the chairman of the Nomination Committee described the Committee's work during the year and the rationale behind the proposals presented. The general meeting decided on the remuneration to the Board and of the auditors in accordance with the Nomination Committee's proposals. It was further resolved that the Board will comprise nine directors and accordingly Petra Einarsson, Marika Fredriksson, Bengt Kjell (who was elected as chairman), Matti Lievonen, Martin Lindqvist (President and CEO), Annika Lundius, John Tulloch and Lars Westerberg were re-elected as Board members. Pasi Laine was elected as new member of the Board. The general meeting decided that the number of auditors would comprise a registered firm of accountants and, accordingly, PricewaterhouseCoopers was re-elected as auditor for a term of office up to and including the 2018 Annual General Meeting. The general meeting resolved not to pay a dividend for the financial year 2016.

A quorate Board and the principal auditor were present at the Annual General Meeting. The minutes of the Annual General Meeting may be viewed at [www.ssab.com](http://www.ssab.com).

## NOMINATION COMMITTEE

### Duties of the Nomination Committee

The duties of the Nomination Committee include proposing to the Annual General Meeting a chairman of the Board of Directors, directors, auditors, a chairman of the Annual General Meeting, Board fees and auditor fees.

### Procedure for the appointment of the Nomination Committee

The 2012 Annual General Meeting adopted a procedure regarding the appointment of the Nomination Committee. The procedure applies until amended through a resolution adopted at a future Annual General Meeting. According to the procedure, the chairman of the Board is tasked with requesting that no fewer than three and no more than five of the largest shareholders in terms of votes each appoint a member to constitute the Nomination Committee together with the chairman of the Board. There may be no more than six members in total. The chairman of the Nomination Committee is the representative of the largest shareholder. The composition of the Nomination Committee was announced on [www.ssab.com](http://www.ssab.com) on September 26, 2017.

Shareholders were able to submit proposals to the Nomination Committee by, for example, email, until December 31, 2017. The Nomination Committee's proposals will be published no later than in conjunction with the notice of the Annual General Meeting.

In connection with the issuance of the notice of the Annual General Meeting, the Nomination Committee will publish a reasoned statement regarding its proposal for a Board on [www.ssab.com](http://www.ssab.com).

### Work of the Nomination Committee ahead of the 2018 Annual General Meeting

The Nomination Committee has convened four times in 2017 since it was appointed in the fall 2017. Two more meetings are planned before the Annual General Meeting.

The chairman of the Board of Directors has described to the Nomination Committee the process applied in the Company in conjunction with the annual evaluation of the Board and of the CEO, as well as the results of the evaluation.

Further, at the meeting at which the chairman of the Board was not present, the Nomination Committee was informed of the results of the evaluation of the chairman. The annual evaluation of the Board was conducted in conjunction with a Board meeting held during the fall. Prior to the evaluation, the directors individually completed a relatively extensive questionnaire. Thereafter, the replies and

### NOMINATION COMMITTEE AHEAD OF THE 2018 ANNUAL GENERAL MEETING

Appointed by, name	Share (%) of voting capital as at December 31, 2017
AB Industrivärden, Lars Pettersson, Chairman	18.2
Solidium Oy, Annareetta Lumme-Timonen	11.0
Luossavaara-Kiirunavaara AB (LKAB), Jan Moström	3.6
Swedbank Robur Funds, Åsa Nisell	1.9
Handelsbanken Funds, Magnus Strömer	1.9
Bengt Kjell, Chairman of the Board	—

comments of the directors were compiled and formed the basis for the actual evaluation discussion. The Nomination Committee has discussed the composition of the Board and agreed on the main requirements to be imposed on the directors, including the requirement for independent directors.

In its assessment of the Board's evaluation, the Nomination Committee particularly took into account the need for Board diversity and breadth, and the requirements to strive for gender balance on the Board. The Nomination Committee engages in continuous work in identifying and evaluating potential new directors.

In submitting proposals for fees to the Board of Directors and its committees, the Nomination Committee, among other things, conducted an overview of Board fees in similar companies. The Nomination Committee was assisted by the Audit Committee in preparing its proposals regarding the election of auditors and the fees for audit work, whereby the Nomination Committee followed the Audit Committee's recommendation when presenting its proposals to the 2017 Annual General Meeting.

## BOARD OF DIRECTORS

### Responsibilities of the Board

The overall task of the Board of Directors is to manage the Company's affairs in the best interests of both the Company and its shareholders. The Board must regularly assess the Group's financial position and evaluate the operative management. The Board decides, among other things, on matters concerning the Group's strategic focus and organization, and decides on important capital expenditure (exceeding SEK 50 million).



Each year, the Board must prepare proposals for guidelines regarding the determination of salary and other remuneration to the CEO and other members of the Company's senior management for decision at the Annual General Meeting.

### Rules of procedure of the Board

Each year, the Board adopts the rules of procedure, including instructions to the CEO, which, among other things, govern the allocation of work between the Board and the CEO.

The rules of procedure further regulate the frequency of Board meetings and the allocation of work among the Board's committees. The rules of procedure state that there must be a Remuneration Committee and an Audit Committee. Ahead of each Board meeting, the directors receive a written agenda and full documentation to serve as the basis for decisions. Each Board meeting conducts a review of the current state of the business, the Group's results, financial position and prospects. Other issues addressed include competition and the market situation. The Board also regularly monitors health and safety work, including the Group's accident statistics.

### Chairman of the Board

The chairman of the Board of Directors presides over the Board's work, represents the Company on ownership issues and is responsible for the evaluation of the work of the Board. In addition, the chairman of the Board of Directors is responsible for regular contact with the CEO and for ensuring that the Board of Directors performs its duties.

### Composition of the Board

Under the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of ten members elected by the general meeting. The Board is quorate when more than one half of the total number of directors is present. Taking into consideration the Company's operations, phase of development and circumstances in general, the Board must have an appropriate composition which is characterized by diversity and breadth as regards the competence, experience and background of its members. New directors undergo an introduction course to rapidly acquire the knowledge expected in order to best promote the interests of the Company and its shareholders.

### The Board of Directors' diversity policy

SSAB works actively to further diversity within the Company. As a part of this work, the Company, through the Nomination Committee, applies rule 4.1 in the Swedish Corporate Governance Code (the Corporate Code) as its diversity policy. In accordance with rule 4.1 in the Corporate Code the Board

is to have a composition appropriate to the Company's operations, phase of development and other relevant circumstances. The Board members elected by the shareholders' meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. The Company is also to strive for gender balance on the Board.

The Nomination Committee shall consider the diversity policy when preparing its proposals for election of Board member. Also, the Board of Directors continuously discusses the question regarding diversity within the organization. The objective of the diversity policy is to cater the importance of sufficient diversity within the Board in order to encourage independent opinions and a critical approach which will contribute to an efficient Board work in the Company.

During the financial year 2017, the Board of Directors' diversity policy has mainly been implemented and applied in connection with the Nomination Committee's work ahead of the 2017 Annual General Meeting and the 2018 Annual General Meeting. This has resulted in a diversified and appropriate Board composition with Board members that possess the qualifications and experience required for SSAB's operations.

### Work of the Board in 2017

In 2017, the Board of Directors held nine meetings at which minutes were taken and at which the Board was quorate at all times. SSAB's General Counsel, who is not a director, served as secretary to the Board.

Safety work has top priority across the Group and at every meeting the Board keeps close track of lost time injury frequency and the corrective actions implemented by the Company. The year 2017 was characterized by a stabilized European demand for steel products resulting in higher volumes and increased margins. During the year, the North American steel market was impacted by certain uncertainties regarding upcoming infrastructure investments as well as additional import restrictions. The Company's improved financial position resulting from the re-financing program, which was completed during 2016, and the strong working capital during 2017 has enabled the Board to spend more focus on strategic challenges.

Moreover, the Board has continued its monitoring and assuring of the Company's cost levels and been engaged in the Company's key operating challenges such as methods and ways of working for continuous improvement in productivity to further improve the Company's growth and profitability. The Board has also addressed matters concerning the environment, sustainability, ethics, digitalization, IT security, control functions, corporate governance, etc.

## BOARD OF DIRECTORS – APPOINTED BY THE ANNUAL GENERAL MEETING



BENGT KJELL (1954)

Chairman since 2015  
MBA, Stockholm School of Economics  
Nationality: Swedish



PETRA EINARSSON (1967)

BSc (Business Administration  
and Economics)  
Nationality: Swedish



MARIKA FREDRIKSSON (1963)

MBA  
Nationality: Swedish

PASI LAINE (1963)<sup>2)</sup>

MSc (Eng.)  
Nationality: Finnish



MATTI LIEVONEN (1958)

BSc (Engineering), eMBA Honorary  
Finnish title of Vuorineuvos DSc  
(Tech.) h.c.  
Nationality: Finnish



MARTIN LINDQVIST (1962)

President and CEO  
BSc (Economics)  
Nationality: Swedish

## ELECTED TO THE BOARD

2015	2014	2016	2017	2014	2011
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SHAREHOLDING<sup>1)</sup>

100,000 B shares	10,000 B shares	-	712 A shares 4,031 B shares	4,315 A shares 25,018 B shares	11,709 A shares 21,023 B shares
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## CURRENT APPOINTMENTS

Board Chairman: Hemfosa Fastigheter AB Vice Chairman of the Board: Indutrade AB Director: AB Industrivärden, ICA Gruppen AB and Pandox AB et al.	CEO: BillerudKorsnäs AB <sup>3)</sup> Director: Swedish Association of Industrial Employers and Confederation of Swedish Enterprise Member of the Council: Swedish Steel Producers' Association	CFO & Group Executive Vice President: Vestas Wind Systems A/S (since 2013) Director: Sandvik AB	President and CEO of Valmet Oyj (since 2013)	President and CEO: Neste Corporation (since 2008) Vice Board Chairman: Fortum Abp and Nynäs AB Member of the Board: Chemical Industry Federation of Finland Member of the Advisory Board: National Emergency Supply Agency (Finland) Member of the Supervisory Board: the Finnish Fair Corporation, European Business Leaders' Convention and the Finnish Business and Policy Forum EVA	President and CEO: SSAB (employed at SSAB since 1998) Chairman: Swedish Steel Producers Association Director: Svenska Cellulosa Aktiebolaget SCA and Swedish Association of Industrial Employers
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## PREVIOUS APPOINTMENTS

Acting CEO: AB Industrivärden CEO and President: AB Handel och Industri Vice CEO: AB Industrivärden Senior partner: Navet AB Board Chairman: Kungsliden AB and Skånska Byggvaror Holding AB Director: Höganäs AB, Skanska AB and Munters AB	Financial Manager: Sandvik Materials Technology President: Sandvik Materials Technology business area, Sandvik Strip product area and Sandvik Tube product area	Director: ÅF AB CFO: Gambio AB, Autoliv Inc. (Stockholm, Sweden), Volvo Construction Equipment (Brussels, Belgium) and Volvo Construction Equipment International AB	Director: HKScan Oyj and Tamfelt Oyj Several senior positions: Metso group, including President of Pulp, Paper and Power Technology, President of Metso Automation	Chairman of the Supervisory Board: Ilmarinen Mutual Pension Insurance Company Director: Confederation of Finnish Industries, Rautaruukki Corporation, Finnish Oil and Gas Federation and EUROPIA Several senior positions: UPM-Kymmene Deputy Chairman of the Board: Confederation of European Paper Industries	Director: Indutrade AB and Confederation of Swedish Enterprise Head of business area: SSAB EMEA CFO: SSAB AB Chief controller: NCC
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<sup>1)</sup> Shareholdings include shares owned by closely-related persons.

<sup>2)</sup> Pasi Laine was elected to the Board on April 6, 2017.

<sup>3)</sup> As of January 2018

## BOARD OF DIRECTORS – APPOINTED BY THE ANNUAL GENERAL MEETING



ANNIKA LUNDIUS (1951)

LLM  
Nationality: Swedish

### ELECTED TO THE BOARD

2011

### SHAREHOLDING<sup>1)</sup>

13,125 B shares

### CURRENT APPOINTMENTS

Director: AB Industrivärden

### PREVIOUS APPOINTMENTS

Director: AMF Pension and Storebrand ASA  
Executive Vice President: Confederation of Swedish Enterprise  
Legal Director and Financial Counselor: Swedish Ministry of Finance  
CEO: Insurance Sweden and Swedish Insurance Employers' Association



JOHN TULLOCH (1947)

BA (AgrSc), MSc  
Nationality: American

2009

10,000 A shares  
5,000 B shares

Director: Russel Metals Inc.

Executive Vice President, Steel & Chief Commercial Officer: IPSCO  
Executive Vice President: SSAB and President of IPSCO Division



LARS WESTERBERG (1948)

MSc and BSc  
Nationality: Swedish

2006

20,000 B shares

Director: AB Volvo, Sandvik AB and Stena AB

Board Chairman: Husqvarna AB  
Director: Meda AB  
President and CEO: Gränges AB  
President, CEO and Chairman: Autoliv

Jonas Bergstrand, EVP, Legal & Strategy, serves as secretary to the Board of Directors.

<sup>1)</sup> Shareholdings include shares owned by closely-related persons.

## BOARD OF DIRECTORS – APPOINTED BY THE EMPLOYEES



STURE BERGVALL (1956)

Elected to the Board 2005  
Current appointment  
Electrician,  
SSAB Europe



TOMAS KARLSSON (1962)

Elected to the Board 2015  
Current appointment  
Maintenance mechanic,  
SSAB Europe



PATRICK SJÖHOLM (1965)

Elected to the Board 2011  
Current appointment  
Automation engineer,  
SSAB Special Steels

## ALTERNATES



MIKAEL HENRIKSSON (1961)

Elected to the Board 2017  
Current appointment  
Furnace operator,  
SSAB Special Steels



TOMAS JANSSON (1966)

Elected to the Board 2014  
Current appointment  
Sales Coordinator,  
SSAB Europe



TOMAS WESTMAN (1955)

Elected to the Board 2015  
Current appointment  
RM coordinator,  
SSAB Europe



## AUDITORS

Under its Articles of Association, SSAB has one or two external auditors, or one or two registered public accounting firms. The 2017 Annual General Meeting re-elected the registered accounting firm PricewaterhouseCoopers for a further year.

Authorized public accountant Magnus Svensson Henryson has been principal auditor since 2012 and also signs off on the auditors of the listed company AB Industrivärden.

The external audit of the financial statements of the parent company and those of the Group, as well as management by the Board of Directors and the CEO, is conducted in accordance with International Standards on Auditing and Generally Accepted Auditing Practices in Sweden. The Company's principal auditor attends all meetings of the Audit Committee. The auditor attends at least one Board meeting a year, goes through the audit for the year and discusses the audit with the directors without the CEO and other members of the Company's management being present. See [Note 2](#) in Financial reports for information regarding the auditor's fees.

MEMBER OF THE BOARD	Attendance statistics 2017				Independent of	
	Elected to the Board	Board meetings	Remuneration Committee	Audit Committee	The company and its management	The company's largest shareholders
<b>ELECTED BY THE AGM<sup>1)</sup></b>						
Bengt Kjell, Chairman since 2015	2015	9	4	5	Yes	No, Board member of Industrivärden
Petra Einarsson	2014	9	–	–	Yes	Yes
Marika Fredriksson	2016	8	–	5	Yes	Yes
Pasi Laine <sup>2)</sup>	2017	7	–	–	Yes	Yes
Matti Lievonen	2014	8	4	–	Yes	Yes
Martin Lindqvist, President and CEO	2011	9	–	–	No, CEO at the Company	Yes
Annika Lundius	2011	9	–	5	Yes	No, Board member of Industrivärden
John Tulloch	2009	9	4	–	No, former President of IPSCO Division	Yes
Lars Westerberg	2006	9	–	5	Yes	Yes
<b>EMPLOYEE REPRESENTATIVES</b>						
Sture Bergvall	2005	9	–	–		
Tomas Karlsson	2015	9	–	–		
Patrick Sjöholm	2011	9	–	–		
<b>ALTERNATE MEMBERS</b>						
Mikael Henriksson <sup>3)</sup>	2017	8	–	–		
Tomas Jansson	2014	9	–	–		
Tomas Westman	2015	6	–	–		

<sup>1)</sup> For information about fees, see [Note 2](#) in Financial reports.

<sup>2)</sup> Newly elected on April 6, 2017

<sup>3)</sup> Took up the position on April 6, 2017 and replaced Jimmy Gustavsson



## AUDIT COMMITTEE

### Duties

The Audit Committee elects a chairman from among its members. Members of the Audit Committee are elected from Board members who are not employees of the Company. At least one of the members must be competent in accounting or auditing matters.

The duties of the Audit Committee are stated in the Board's rules of procedure. The chairman of the Audit Committee is responsible for ensuring that the entire Board is kept regularly informed about the Committee's work and, where necessary, must submit matters to the Board for decision. The main task of the Audit Committee is to support the Board in its work to ensure the quality of financial reporting. The Audit Committee oversees the Company's internal control and risk management regarding financial reporting. The Audit Committee assists also the Company's Nomination Committee with preparing proposals for a general meeting resolution on the election of auditors. The Committee regularly meets the Company's auditors, evaluates the audit work and establishes guidelines as to which additional services the Company may source from its external auditors. Such additional services, up to a maximum of SEK 100,000 per assignment, must be approved in advance by the Company's Chief Financial Officer. Assignments exceeding SEK 100,000 must be approved in advance by the chairman of the Audit Committee. All additional services must be reported to the Audit Committee each quarter.

The Company has an established risk management process based on production processes and flows. In this process, the Audit Committee reviews and takes into account the risk areas that have been identified (both commercial risks and risks of errors in financial reporting). Based on the outcome of the internal and external risk assessment, the Committee regularly analyzes the focus and scope of the audit with the Company's external and internal auditors.

Each year, the Audit Committee adopts an internal audit plan which, among other things, is based on the risks that have arisen in the risk management process described above. The audit plan is discussed with the external auditors in order to enhance the efficiency and quality of regular audit work. The Audit Committee also analyzes and elucidates significant accounting issues affecting the Group and assists the Nomination Committee in submitting proposals as regards the auditors and their fees.

### Work in 2017

During 2017, the Audit Committee had an increased focus on IT security within the Company including identification and mitigation of risks. The Committee has also adopted an official Company tax policy which has been published on SSAB's website. Moreover, the Audit Committee, together with the external auditors, reviewed and evaluated the risk analysis and audit plan prepared by the auditors as a basis for the statutory audit.

The Audit Committee's members were Marika Fredriksson (chairman), Lars Westerberg, Bengt Kjell and Annika Lundius. In 2017, the Audit Committee held five meetings at which minutes were taken.

## REMUNERATION COMMITTEE

### Duties

In addition to the chairman of the Board of Directors, the Remuneration Committee comprises one or more directors, who must normally be independent both of the Company and of the Company's top management, elected by the general meeting. Members of the Remuneration Committee must possess the required knowledge and experience of remuneration matters relating to senior executives. The CEO attends Committee meetings to report on matters. The Remuneration Committee's duties are stated in the Board's rules of procedure. The Remuneration Committee submits proposals to the Board of Directors regarding the CEO's salary and other employment terms and conditions, sets salaries and employment terms for other members of the Group Executive Committee, and sets limits regarding the salary and employment terms and conditions for other senior executives. The Remuneration Committee's duties otherwise include preparing resolutions for adoption by the Board on issues concerning remuneration principles, preparing the Board's proposal for guidelines to determine the salary and other remuneration of the CEO and other members of the Company's senior management, as well as monitoring and evaluating the application thereof. The Remuneration Committee also monitors and evaluates programs regarding variable remuneration of the Company's senior management.

### Work in 2017

During 2017, the Remuneration Committee held four meetings at which minutes were taken. The Remuneration Committee comprised Bengt Kjell (chairman), John Tulloch and Matti Lievonen. The CEO is co-opted to the Committee but does not participate in discussions concerning his own salary and employment terms and conditions.

## GROUP EXECUTIVE COMMITTEE



MARTIN LINDQVIST (1962)

President and CEO  
Nationality: Swedish



OLAVI HUHTALA (1962)

Executive Vice President  
and Head of SSAB Europe  
Nationality: Finnish



CHARLES SCHMITT (1959)

Executive Vice President  
and Head of SSAB Americas  
Nationality: American



PER OLOF STARK (1954)

Executive Vice President  
and Head of SSAB Special Steels  
Nationality: Swedish



JONAS BERGSTRAND (1965)

Executive Vice President,  
Legal & Strategy  
Nationality: Swedish

## MEMBER OF THE GROUP EXECUTIVE COMMITTEE

2001	2014	2011	2014	2006
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SHAREHOLDING<sup>1)</sup>

11,709 A shares 21,023 B shares	17,578 A shares 72,873 B shares	3,000 B shares	2,000 A shares 1,750 B shares	19,125 B shares
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## EDUCATION

BSc (Economics), Uppsala University	BSc (Engineering)	BSc (Business Administration/ Finance). The University of Texas at Arlington, two-year steel fellowship at the American Iron and Steel Institute	MSc, KTH Royal Institute of Technology, Stockholm	LLM, Uppsala University
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## BACKGROUND

Employed at SSAB since 1998. Previously: Head of business area: SSAB EMEA, Head of business area: SSAB Strip Products, CFO: SSAB AB, CFO: SSAB Strip and Chief Controller: NCC	Employed at Rautaruukki/ SSAB since 1987. Previously: EVP: Ruukki Metals, President: Ruukki Fabrication and Marketing and Executive roles in Sales and Production: Rautaruukki Metform	Employed at IPSCO/ SSAB since 1990. Previously: Several positions: US Steel Corporation and VP of the Southern Business Unit: SSAB Americas	Employed at SSAB since 1983. Previously: Head of business unit: SSAB Wear Services. President: wholly owned subsidiary Plannja. Head of Global Marketing, Sales and Product Development: former SSAB Plate Division. Head of business area: SSAB Plate Europe and North America	Employed at SSAB since 2006 Previously: Corporate counsel: ABB, OM Gruppen and Ericsson Radio Systems
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<sup>1)</sup> Shareholdings include shares held by closely-related persons.

## GROUP EXECUTIVE COMMITTEE



HÅKAN FOLIN (1976)

Executive Vice President and CFO  
Nationality: Swedish



MARIA LÅNGBERG (1970)

Executive Vice President and  
Head of Group HR & Sustainability  
Nationality: Swedish



TAINA KYLLÖNEN (1967)

Executive Vice President and  
Head of Group Communications  
Nationality: Finnish



MARTIN PEI (1963)

Executive Vice President and CTO  
Nationality: Swedish

## MEMBER OF THE GROUP EXECUTIVE COMMITTEE

2013	2016	2014	2007
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SHAREHOLDING<sup>1)</sup>

11,000 B shares	3,826 B shares	6,188 A shares 22,098 B shares	300 A shares 700 B shares
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## EDUCATION

MSc, KTH Royal Institute of Technology, Stockholm	BSc (Business Administration), Uppsala University MBA, Stockholm School of Economics	MSc (Economics), Aalto University, Helsinki	PhD, KTH Royal Institute of Technology, Stockholm
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## BACKGROUND

Employed at SSAB since 2006. Previously: CFO: SSAB APAC CFO: Tibnor and Head of Business Development: SSAB	Employed at SSAB since 2013. Previously: President Merox and VP Group Sustainability, SSAB, EVP & Head of Group Communications, SSAB, Senior Consultant, JKL, SVP Group Communications, Gambro	Employed at Rautaruukki/SSAB since 2004. Previously: SVP, Marketing and Communications; SVP, Marketing; VP, Communications and Branding: Rautaruukki Corporation and VP, Investor Relations: Metso Corporation and Rauma Corporation	Employed at SSAB since 2001. Previously: EVP, Head of business area: SSAB APAC, EVP and CTO: SSAB, Manager R&D: SSAB Plate Division and General Manager Slab Production: SSAB Plate Division
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<sup>1)</sup> Shareholdings include shares held by closely-related persons.

## GROUP EXECUTIVE COMMITTEE

### Group Executive Committee's work and responsibilities

The Group Executive Committee is responsible for formulating and implementing the Group's overall strategies and addresses matters such as acquisitions and divestments. These matters, as well as major capital expenditures (in excess of SEK 50 million), are prepared by the Group Executive Committee for decision by the Board of Directors of the parent company.

The CEO is responsible for the day-to-day management of the Company in accordance with the Board of Directors' instructions and guidelines. As at December 31, 2017, the Group Executive Committee comprised, in addition to the CEO, the heads of SSAB Europe, SSAB Americas and SSAB Special Steels, the Chief Financial Officer, the Head of Legal and Strategy, the Head of Group Human Resources and Sustainability, the Head of Technical Development and the Head of Group Communications.

The Group Executive Committee holds monthly meetings to monitor the results and financial position of the Group and the divisions. Other matters addressed at Group Executive Committee meetings include strategy issues and follow-up on budget and forecasts.

The head of each division is responsible for the relevant income statement and balance sheet. Overall operational control of the divisions takes place through quarterly performance reviews. In most cases, the CEO of the parent company is the chairman of the Board of Directors of each of the directly-owned major subsidiaries such as Tibnor and Ruukki Construction, and these boards also include other members of the Group Executive Committee as well as employee representatives. Parallel with the quarterly performance reviews, the boards of the subsidiaries monitor the ongoing operations and adopt their respective strategies and budgets.

### REMUNERATION GUIDELINES

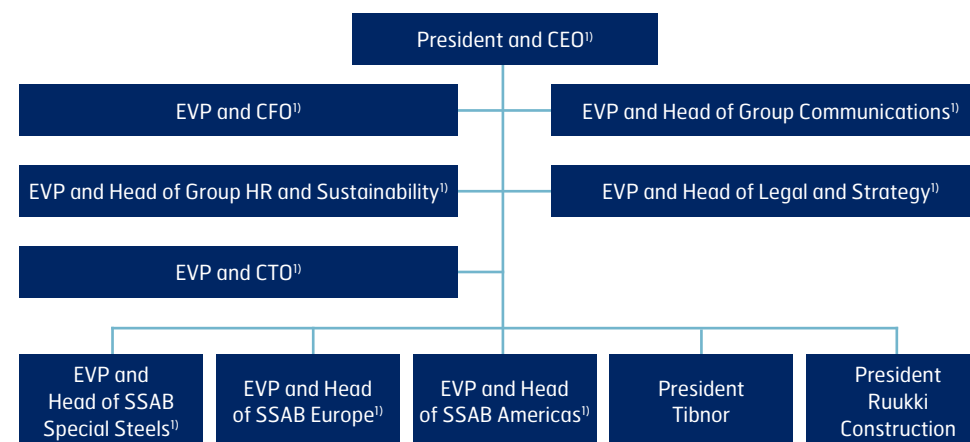
The 2017 Annual General Meeting resolved that the remuneration of the CEO and other members of the Company's senior management comprises fixed salary, variable remuneration, other benefits such as a company car and pension. The total remuneration package must be on market terms and competitive in the employment market in which the executive works. Fixed salary and variable remuneration must be commensurate with the executive's responsibilities and powers. Variable remuneration must be based on results as compared with defined and measurable targets and capped in relation to fixed salary. Variable remuneration is not included in the basis for the computation of pension, except where so provided in the rules of a general pension plan (for example, the Swedish ITP plan). As regards senior executives outside Sweden, all or parts of the variable remuneration may

be included in the basis for pension computation due to legislation or local market practice. Programs for variable remuneration should be formulated so that the Board of Directors, where exceptional circumstances prevail, limit or omit payment of variable remuneration where this is considered reasonable and consistent with the Company's responsibility to its shareholders, employees and other stakeholders. To the extent a director performs work for the Company alongside his or her Board work, a consultation fee at market rates may be paid.

The period of notice of termination of employment for senior executives in Sweden is six months in the event of termination by the executive. In the event of termination by the Company, the total of the period of notice of termination and the period during which severance compensation is payable shall not exceed 24 months. For senior executives outside Sweden, the termination period and severance compensation may vary due to legislation or practice in the local market. Pension benefits shall be contribution-based with individual retirement ages, in no case earlier than the age of 62. In the event the employment terminates prior to the retirement age, the executive shall receive a paid-up policy for earned pension.

The Board is entitled to derogate from the guidelines where there are special reasons to do so in an individual case.

### Group operational management structure



<sup>1)</sup> Member of Group Executive Committee



### Incentive program for senior executives

In 2011, a long-term incentive program was introduced for the entire Group. At the time the program covered a maximum of 100 (now 150) key employees, including the CEO and other senior executives. The program runs for rolling three-year periods, is cash based, and linked to the total return on SSAB's share compared to a benchmark group of the Company's competitors and SSAB's financial targets. The program was introduced to promote the Company's ability to recruit and retain key employees. Reference is made to Note 2 for more information about current remuneration. The Company has no share-related incentive programs.

### INTERNAL CONTROL AND RISK MANAGEMENT

The overall objective of internal control is to ensure, to a reasonable degree, that the Company's operational strategies and targets are monitored and that the owners' investments are protected. In addition, internal control ensures, with reasonable certainty, that external financial reporting is reliable and prepared in accordance with generally accepted auditing principles, and that it complies with applicable laws and regulations and the requirements imposed on listed companies.

The Group is tasked with seeking to ensure that risks do not materialize and, through various measures, with mitigating the fallout of any loss that occurs. Risk mapping of the Group's internal and external risks is carried out as an integrated part of the annual strategy process. The result of this work is reported to the Audit Committee and to the Board of Directors. The Group's Risk Management oversees and follows up both work on actively preventing the occurrence of loss at all and work on minimizing the impact of such loss should it occur. Each division and subsidiary is responsible for working proactively to prevent loss. Each division has appointed a coordinating risk manager.

### SUSTAINABILITY RISKS

SSAB is responsible for not only how it runs its own operations and the working conditions of its employees, but also for the overall social impact of its operations. This means assuming responsibility for how all the links in the Company's value chain are managed, from supplier to future use of the Company's products. It is also about companies minimizing their environmental footprint by improving the efficiency of their production processes and working practices, as well as developing products that contribute to reduced emissions and lower environmental impacts.

SSAB has a Head of Group Sustainability who, since 2016, is on the Group Executive Committee and who is tasked with coordinating and driving sustainability issues at the Group level. At the Group

level, the Head of Group Sustainability heads a Sustainability Management Team, whose members create a network of expertise within, for example, HR, the environment, health and safety and business ethics.

### INTERNAL AUDIT

SSAB's internal audit function reports directly to the Audit Committee and is functionally subordinate to the Chief Financial Officer. Internal audit activities are aimed at supporting value creation in the Group by identifying risk areas, carrying out internal audits and thereafter recommending improvements within these areas. The internal auditor participates in Audit Committee meetings.

The internal audit is organized at an overall Group level, with an audit plan drawn up for the entire Group. The Group's audit activities are planned by the head of internal audit and decided by the Audit Committee.

Most of the work is performed by means of audits in accordance with the audit plan. Other work largely consists of specific audits and the monitoring of self-assessments in the Group as regards internal control.

Audits are performed in accordance with a submitted and adopted audit process which is constantly developed in order to optimize the way of working and delivery of reports which generate added value. These reports describe observations, recommendations and improvement areas, with the aim of strengthening and enhancing efficiency in risk management and internal control. In addition, the function also performs audits on instruction from management or as required for other reasons. For a further description of internal audit work in 2017, see the next section "The Board's description of internal control and risk management regarding financial reporting".

During the year, internal audit performed a number of audits of subsidiaries according to the Company's manual to audit the risks of fraud and corruption. Whilst these audits have shown no concrete irregularities, opportunities have been identified to reduce risks from this perspective. These improvement opportunities will be solved in accordance with action plans drawn up.

To further strengthen internal control and risk management, a whistleblower function is in place to enable the reporting of serious improprieties and violations of the Group's Code of Conduct. This function is aimed, among other things, at guaranteeing safety in the workplace, upholding sound

business ethics and curbing economic irregularities within SSAB to the benefit of the Company's employees, customers, suppliers and owners.

### THE BOARD'S DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT REGARDING FINANCIAL REPORTING

Under the Swedish Companies Act and the Swedish Corporate Governance Code, SSAB's Board of Directors is responsible for internal control. This description has been prepared in accordance with the Annual Reports Act.

#### Framework for internal control as regards financial reporting

SSAB's model for internal control as regards the financial reporting is based on the internationally established framework, Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

SSAB's internal control process regarding financial reporting is based on five components: control environment, risk assessment, control activities, information and communication and monitoring. SSAB's internal control process is structured to reasonably ensure the quality and accuracy of financial reporting and to ensure that reporting is prepared in compliance with applicable laws and regulations, accounting standards as well as requirements imposed on listed companies in Sweden.

To achieve this, there must be a sound control environment, reliable risk assessments, established control activities, as well as the satisfactory functioning of information and communication and monitoring.

#### Control environment

The control environment is characterized by the organizational structure, management's way of working and values, as well as other roles and responsibilities within the organization. The Audit Committee assists the Board of Directors with important accounting matters that the Group applies and monitors internal control with respect to financial reporting. To maintain an efficient control environment and sound internal control, the Board has delegated practical responsibility to the CEO, who in turn has delegated responsibility to other members of the Group Executive Committee and to the CEOs of the subsidiaries.

The quality of financial reporting is ensured through a number of different measures and routines. Work takes place regularly on further developing manuals and policies for the entire Group. Among other things, there is a Group accounting manual (Financial Guidelines), which is regularly updated and communicated across the Group. Apart from the Financial Guidelines, the Group's most important overall control documents are the Finance Policy, Investment Policy, Information Policy, authorization rules and the Code of Conduct.

Work on communicating the Group's Code of Conduct continued during 2017 and by the turn of 2017/2018, over 90% of the employees had completed the Group's internal training module on business ethics.

#### Risk assessment

SSAB's organization is exposed to both internal and external risks. To reasonably ensure sound internal control, the risks which may affect financial reporting are identified and weighed up, and measures are taken accordingly. This constitutes an integrated part of the regular reporting to the Group Executive Committee and to the Board of Directors, and also constitutes the basis for assessing the risk of error in financial reporting. SSAB's operations are characterized by processes involving well-established routines and systems. Risk assessment therefore takes place largely within these processes. Only general risk assessments take place at the Group level. The persons responsible identify, monitor and follow up risks. This creates the conditions for well-founded, correct business decisions at all levels. Financial risks, such as currency, re-financing and counterparty, interest rate and credit risks are dealt with primarily by the parent company's treasury function in accordance with the Group's Finance Policy (see [Note 28](#) in Financial reports). For an overview of the Group's commercial risk exposure, see also the section "[Internal control and risk management](#)" above and the [Report of the Board of Directors](#).

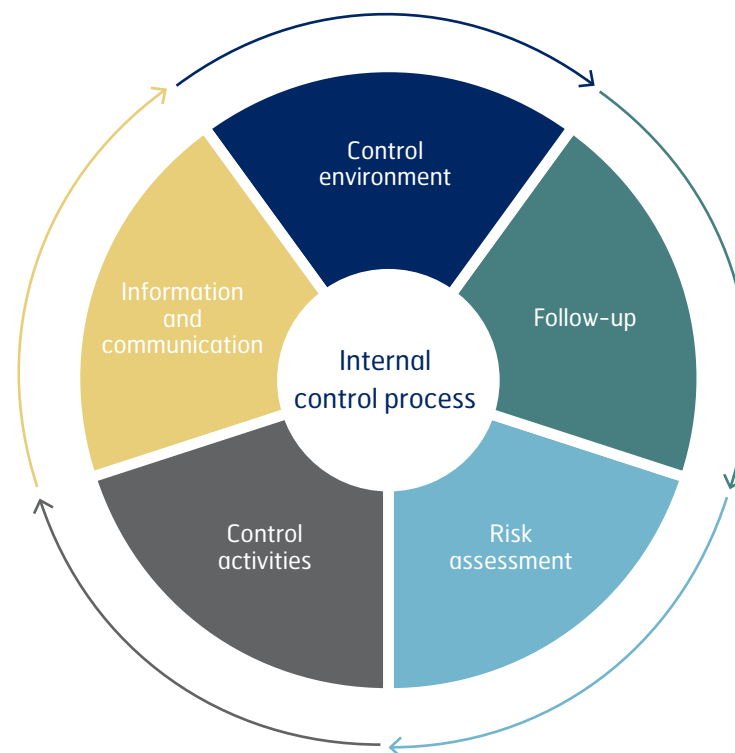
### Control activities

The primary purpose of control activities is to prevent and identify at an early stage significant financial reporting errors so that they can be addressed and rectified. Control activities, both manual and automated, take place both at general and more detailed levels within the Group. Routines and activities have been designed to manage and rectify significant risks associated with financial reporting as identified in the risk analysis. Corrective measures, implementation, documentation and quality assurance take place at a Group, subsidiary or process level, depending on the nature and affiliation of the control activity. As with other processes, the relevant head is responsible for the completeness and accuracy of control activities.

Recent years have seen an in-depth analysis carried out on the processes and control structures in Group companies. This has resulted in a more systematic approach to identifying financial risks and financial reporting risks, as well as documentation of controls as to how such risks are to be prevented and identified. The controls are adapted to each unit's work processes and systems structure, and these are evaluated through self-assessment supplemented with monitoring and review by internal audit. This way of working has been implemented in a system covering the entire Group which is used when verifying the reliability of financial reporting.

Control activities are carried out at all levels across the Group. For example, there are established Controller functions which analyze and follow up deviations and forward reports in the Company. Monitoring by the Group Executive Committee takes place, among other things, through regular meetings with heads of divisions and subsidiaries with regard to operations, their financial position and results, as well as financial and operational key performance indicators. The Board of Directors analyzes, on an ongoing basis, among other things, business reports in which the Group Executive Committee describes the most recent period and comments on the Group's financial position and results. This is how major fluctuations and deviations are followed up to minimize the risk of errors in financial reporting.

Work on closing the accounts and on the annual report involves processes in which additional risks of error in financial reporting arise. This work is less repetitive by nature and contains several elements of an assessment nature. Important control activities include ensuring the existence of a well-functioning reporting structure where the divisions report in accordance with standardized reporting templates and where important income statement and balance sheet items are specified and commented on.



## Information and communication

### EXTERNALLY

SSAB's communications must be correct, open, prompt and available simultaneously to all stakeholders. All communications must take place in compliance with the EU Market Abuse Regulation and the rules of Nasdaq Stockholm and Nasdaq Helsinki and in compliance with other applicable regulations. Financial information must provide the capital and stock markets, as well as existing and potential shareholders, with a comprehensive and clear view of the Company, its operations, strategy and financial performance.

The Board of Directors approves the Group's annual and half-yearly reports and instructs the CEO, in accordance with the Board's rules of procedure, to issue quarterly reports and year-end results. All financial reports and press releases are published on [www.ssab.com](http://www.ssab.com) simultaneously with disclosure via a news distributor and Nasdaq Stockholm and Nasdaq Helsinki, and notification to Finansinspektionen, Sweden's financial supervisory authority.

Financial information about the Group may be provided only by the Chairman of the Board, CEO, CFO, Head of Group Communications and Head of Investor Relations. The divisions may disseminate financial information about their operations only after the Group has published corresponding information.

The Company applies silent periods during which it does not communicate information about the Company's performance. Silent periods are three weeks prior to publication of the results for the year-end, half-yearly and quarterly reports.

In the event of a leakage of inside information or upon the occurrence of special events that may affect the valuation of the Company, Nasdaq Stockholm and Nasdaq Helsinki must be notified according to SSAB's internal routines, after which a press release containing corresponding information will be sent out. Informational activities are governed by the Company's disclosure directive and instruction.

### INTERNALLY

The Company's intranet, where information is constantly published, constitutes an important communication channel within the Company. Additionally, there is an internal webcast for all personnel each quarter as well as All Managers' Meetings (AMMs) for managers, hosted either by the Company's CEO or the heads of divisions. Regular joint accounting meetings are held with divisional chief financial officers. This is how the divisions are updated about the news and changes within, among other things, accounting, routines and internal control with respect to financial reporting. In addition, the parent company regularly communicates changes in joint Group accounting principles and policies, as well as other matters relevant to financial reporting.

### Monitoring

The Board of Directors' monitoring of internal control with respect to financial reporting takes place primarily through the Audit Committee by, among other things, monitoring the work of and reports issued by the internal and external auditors.

During 2017, internal audit conducted regular and independent audits of the Group's corporate governance, internal control and risk management in accordance with the adopted audit plan. The audit plan for 2017 was based on a risk analysis approved by the Group Executive Committee and subsequently adopted by the Audit Committee. The reviews were conducted in accordance with an adopted audit process and formally concluded with a report and planned follow-up. The result has been regularly submitted to divisional heads and the Audit Committee as regards observations, measures taken and implementation status.

Each year, the external auditors monitor selected parts of internal control within the scope of the statutory audit.

The external auditors report the results of their review to the Audit Committee and the Group Executive Committee. Major observations are also reported directly to the Board of Directors.





## OTHER MANDATORY DISCLOSURES PURSUANT TO CHAPTER 6, SECTION 6 OF THE ANNUAL REPORTS ACT

The following information is provided pursuant to the provisions of Chapter 6, Section 6 of the Annual Accounts Act regarding certain specific information that must be disclosed in the corporate governance report:

- Of the Company's shareholders, Industrivärden and Solidium Oy have direct or indirect shareholdings representing at least one-tenth (1/10) of the voting rights carried by all shares in the Company. As at December 31, 2017, Industrivärden's holding account for 18.2% of the total voting rights and 11.4% of the total number of shares. As at December 31, 2017, Solidium's holding accounted for 11.0% of the total voting rights and 17.1% of the total number of shares.
- There are no restrictions on the number of votes that each shareholder may cast at a general meeting.
- The Articles of Association contain no provisions regarding the removal of directors or the amendment of the Articles of Association.
- The general meeting has not granted the Board of Directors authority to decide that the Company may purchase its own shares or issue new shares.

### Further information

Further information about corporate governance at SSAB is available at [www.ssab.com](http://www.ssab.com) and includes the following information:

- Routines regarding the Annual General Meeting:
  - when and where the Annual General Meeting is to be held
  - notice of the Annual General Meeting and how to register
  - the resolutions to be proposed to the Annual General Meeting
- Information from SSAB's previous Annual General Meetings, including for instance notices, minutes, addresses by the CEO and press releases
- Articles of Association
- Corporate governance reports from previous years
- Information about the Nomination Committee

## AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in SSAB AB (publ), corporate identity number 556016-3429

### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2017, on [pages 82–97](#), and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 12 March 2018  
PricewaterhouseCoopers AB

**Magnus Svensson Henryson**  
Authorized Accountant





## GRI REPORT

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# SUSTAINABILITY APPROACH

## SUSTAINABILITY STRATEGY AND TARGETS

SSAB's goal is to become one of the world's most sustainable steel companies. SSAB's sustainability strategy supports the overall SSAB strategy (see [pages 17–25](#)). SSAB summarizes its work in sustainability into three areas: Sustainable Offering, Sustainable Operations and Responsible Partner.

In 2017, SSAB increased the company's ambitions for sustainability and set new long-term objectives. We also updated the content of our sustainability focus areas and some of the targets

of the sustainability strategy by adding targets that better reflect our strategy and our stakeholders' expectations, and by removing targets that have already been achieved or are immaterial. We also updated the mid-term environmental targets for the reduction in CO<sub>2</sub> emissions, reduction in purchased energy and improvement in the utilization of residuals set for the period 2015–2019, since these targets were met already at the end of 2017.

Area of Sustainability strategy	SUSTAINABLE OFFERING	SUSTAINABLE OPERATIONS	RESPONSIBLE PARTNER
Long-term objective	10 Mtonne annual customer CO <sub>2</sub> savings 2025	Fossil free 2045	Responsible partner
<b>Description</b>	By using SSAB's high-strengths steels, customers can achieve CO <sub>2</sub> savings during their end products' use-phase.	SSAB will stepwise move towards a fossil-free steelmaking process, through the HYBRIT initiative (read more on <a href="#">page 59</a> ), and eliminate other fossil fuel related emissions, making it possible to be fossil free within the entire operation.	SSAB will adhere to the highest standards of a responsible partner by taking responsibility for business ethics and responsible sourcing, as well as continuously strive to improve safety, diversity and employer attractiveness.
<b>Targets</b>	10 Mtonne annual customer CO <sub>2</sub> savings by 2025: <ul style="list-style-type: none"> <li>7.8 Mtonne of annual CO<sub>2</sub> savings from SSAB EcoUpgraded deliveries by 2025</li> <li>2.2 Mtonne of annual CO<sub>2</sub> savings from Automotive Premium deliveries by 2025</li> </ul>	<ul style="list-style-type: none"> <li>HYBRIT in production by 2035</li> <li>Fossil free within the entire operation by 2045</li> <li>At the end of 2020, SSAB will have achieved the following environmental and energy targets*: <ul style="list-style-type: none"> <li>Lasting reduction of 300,000 tonnes in CO<sub>2</sub> emissions</li> <li>Lasting reduction of 400 GWh in purchased energy</li> <li>Lasting improvement of 50,000 tonnes in residuals utilization</li> </ul> </li> </ul> <p>* The base year for monitoring the targets is 2014.</p>	<ul style="list-style-type: none"> <li>Safest steel company in the world with long-term goal of zero accidents</li> <li>Reaching an employee engagement score that exceeds the global average (measured every other year)</li> <li>By the end of 2019, SSAB will have achieved the following gender diversity target: <ul style="list-style-type: none"> <li>Women holding 30% of the top management positions in the company by the end of 2019</li> </ul> </li> </ul>
<b>Results in 2017</b>	In 2017, the customer end-product CO <sub>2</sub> savings in total were 8.9 million tonnes: <ul style="list-style-type: none"> <li>7.5 Mtonne from SSAB EcoUpgraded deliveries</li> <li>1.4 Mtonne from Automotive Premium deliveries</li> </ul>	<ul style="list-style-type: none"> <li>The pre-feasibility study for HYBRIT was finalized and published in February 2018. Read more on <a href="#">SSAB's website</a></li> <li>By the end of 2017, SSAB achieved: <ul style="list-style-type: none"> <li>218,000 tonnes or 73% of the CO<sub>2</sub> emissions reduction target</li> <li>304 GWh (1,094 TJ) or 76% of the purchased energy reduction target</li> <li>39,000 tonnes or 78% of the residuals utilization target</li> </ul> </li> </ul> <p>Read more on <a href="#">pages 115, 120, 125</a></p>	<ul style="list-style-type: none"> <li>SSAB's lost time injury frequency resulting in an absence of at least one day (LTIF) was 5.6 (6.8), down 18% compared to 2016. Read more on <a href="#">page 132</a></li> <li>The Employee Engagement Score (as measured by Voice, SSAB's global employee survey) was 69, slightly below the external global norm (72) and slightly below Voice results in 2015 (70)</li> <li>At the end of 2017, women held 27 (27)% of SSAB's top management positions</li> </ul>

## OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 define international sustainable development focus areas and goals to 2030. We want to do our part to promote the achievement of the goals in our operations and value chain. In line with our vision, we

are driving the change towards a stronger, lighter and more sustainable world. Even if we can be part of the work to achieve all goals in different ways, we have chosen to concentrate on 7 goals that are closely linked to our business and where we believe we can have the biggest impact.

### SUSTAINABLE DEVELOPMENT GOAL

### IN OUR OPERATIONS

### THROUGH OUR PRODUCTS



SSAB strives to have a diverse workplace with equal opportunities for all. Aim for women to hold 30% of the top management positions in the company by the end of 2019.



SSAB's production processes are energy intensive. Systematic energy efficiency management and energy recovery at all sites, as well as production of electricity from process gases at certain steel mills, ensure efficient use of energy and lower emissions.

Our steels are used in renewable energy plants like hydro, wind, solar and wave power farms, as well as in biofuel plants.



Through close customer collaboration, SSAB continuously develops new products, applications, services and processes in order to constantly enhance our sustainable offerings. We focus on R&D in environmentally solid technologies and production processes. We promote collaboration with research institutes and other industrial companies to support sustainable industrial development.

SSAB's steels are an important building block for sustainable industries and infrastructure. SSAB offers customers a broad range of high-strength and wear-resistant steels that enable better energy and material efficiency, as well as strength and durability for the applications in which they are used, thus reducing their environmental footprint.



## SUSTAINABLE DEVELOPMENT GOAL

## IN OUR OPERATIONS

## THROUGH OUR PRODUCTS



SSAB focuses on material efficiency through the use of recycled steel scrap and by-products to replace natural resources. Material that cannot be recirculated internally can be processed into by-products and sold externally, reducing CO<sub>2</sub> emissions by substituting natural resources in other industries.

Steel plays an important role in a sustainable world. It is 100% recyclable and the most recycled material in the world. Steel is an integrated part of the circular economy, which promotes zero waste, reduced use of natural resources and encourages the reuse and recycling of materials.



SSAB is committed to reducing CO<sub>2</sub> emissions from its operations. Emissions from blast furnace-based steel production can be reduced to some extent by improving material and energy efficiency in the production processes. In the long-term, SSAB will stepwise move towards a fossil-free steelmaking process through the HYBRIT initiative and eliminate other fossil fuel related emissions, making it possible to be fossil free within the entire operation by 2045.

SSAB offers customers a broad range of high-strength and wear resistant steels that enable better energy and material efficiency, as well as strength and durability for the applications in which they are used, thus reducing CO<sub>2</sub> emissions in the end-products' use-phase.

Ruukki Construction provides customers with energy-efficient building and construction solutions that enable zero energy buildings.



SSAB a signatory to the UN's Global Compact and we continually enhance our efforts to protect and respect its 10 principles and promote its spirit within the areas of human rights, labor standards, the environment and anti-corruption.



Collaboration across industries, nations and governments is a key driver for sustainable development. We aim to expand our partnerships to facilitate collaboration on technology, innovation and knowledge-sharing.

Working together with customers to improve energy efficiency and minimize raw material use is an important way for SSAB to create sustainable solutions and end-products.

## SSAB AND THE VALUE CHAIN

The illustration shows the extent of our influence on the material impacts/topics in focus along the main stages of our value chain and provides examples of how we manage these impacts and create positive outcomes and value.



### SOURCING

The raw materials used to make iron and steel account for SSAB's most significant purchases. At SSAB, sustainability is an integrated aspect of sourcing operations and supply chain management, and suppliers shall comply with SSAB's Supplier Sustainability Policy.

**DEGREE OF INFLUENCE:** MEDIUM

#### IMPACTS / TOPICS IN FOCUS

- Safety
- Labor and human rights issues at suppliers
- Environmental impacts from raw material extraction

#### VALUE CREATED/POSITIVE OUTCOMES

- Payments to suppliers and contractors on time
- Improved sustainability conditions at suppliers

#### MANAGEMENT OF IMPACTS

- Responsible sourcing practices

Read more on [pages 74–77](#) and [137](#).



### PRODUCTION/OPERATIONS

Operational efficiency, flexibility, environmentally-sound technology and a safe work environment are at the core of SSAB's production.

**DEGREE OF INFLUENCE:** HIGH

#### IMPACTS / TOPICS IN FOCUS

- Safety
- Steel production emissions and waste
- Use of raw materials and energy

#### VALUE CREATED/ POSITIVE OUTCOMES

- A safer and healthier work environment for SSAB's employees and contractors
- Employee wages and benefits
- More efficient use of natural resources and reduced CO<sub>2</sub> emissions by utilizing residuals and recycled steel as raw materials
- Improved energy efficiency through energy recovery and systematic energy management
- Contribution to climate change mitigation and future fossil-free steel production through the HYBRIT initiative
- Creation of employment and wellbeing at our production sites

#### MANAGEMENT OF IMPACTS

- Strong focus on health and safety to minimize the risks of accidents
- Promoting a high-performing organization
- Working toward having a more diverse workforce and becoming a more attractive employer
- Reducing CO<sub>2</sub> emissions by more efficient use of materials
- Improving energy efficiency through systematic energy management
- Working toward fossil-free steel production

Read more on [pages 54–62](#) and [113–136](#).



### TRANSPORTATION

SSAB's business is dependent on efficient transportation throughout all the stages of the value chain, both upstream and downstream, and even within SSAB. Transportation takes place primarily by rail and ship, but also by truck. SSAB focuses on minimizing our environmental footprint through timely transportation and environmentally friendly fuels. Whenever possible, SSAB seeks to transport by sea and rail rather than by road.

**DEGREE OF INFLUENCE:** MEDIUM

#### IMPACTS / TOPICS IN FOCUS

- CO<sub>2</sub> emissions generated during the transportation of our raw materials and products
- Other emissions to air and water
- Use of fossil fuels
- Social, labor issues, health and safety at our logistics partners

#### MANAGEMENT OF IMPACTS

- Improving transportation efficiency and fuel economy by optimizing logistics, modes of transportation, transportation routes and load carrier capacities
- Taking consideration of environmental and social criteria when selecting logistics providers
- Active dialog with appropriate authorities about transportation regulations
- Working toward our long term goal of fossil-free internal transportation by gradually renewing the vehicle fleet to electric and biofuel vehicles

#### VALUE CREATED/ POSITIVE OUTCOMES

- More accurate, cost-efficient and sustainable transportation



### SALES

SSAB has an extensive global sales network, which enables close collaboration with customers.

**DEGREE OF INFLUENCE:** HIGH

**IMPACTS / TOPICS IN FOCUS**

- Customer satisfaction
- Social issues; safety, health, competence development and diversity
- Ethical issues (anti-corruption) in customer relationships

**MANAGEMENT OF IMPACTS**

- Promoting a high-performing organization
- Fostering close collaboration with customers to increase the use of high-strength and wear-resistant steels
- Marketing our products with sustainability benefits (SSAB EcoUpgraded, EcoSmart, Ruukki Construction)
- Bringing understanding of customer needs to the R&D process and continuously developing new products and applications to enhance our sustainable offerings
- Offering customers technical support and after-market services

**VALUE CREATED/ POSITIVE OUTCOMES**

- Long-term customer relationships
- Satisfied, more competitive customers
- Reduced environmental impact through higher penetration rate of high-strength steels globally

Read more on [pages 44–53](#).



### USE

Use of SSAB’s high-strength steels enables customers to manufacture products which use less material, are stronger, lighter and more durable, and reduce costs, thus making customers and their products more sustainable and competitive.

**DEGREE OF INFLUENCE:** MEDIUM

**IMPACTS**

- Energy consumption and CO<sub>2</sub> emissions during the use phase of moving equipment such as trailers, trucks, materials handling and lifting equipment
- Energy consumption of buildings

**MANAGEMENT OF IMPACTS**

- Fostering close collaboration with customers to increase the use of high-strength and wear resistant steels
- Marketing our products with sustainability benefits (SSAB EcoUpgraded, EcoSmart, Ruukki Construction)
- Bringing understanding of customer needs to the R&D process and continuously developing new products, applications to enhance our sustainable offerings
- Providing wear parts and steel for wear parts to prolong the life of machinery and equipment

**VALUE CREATED/ POSITIVE OUTCOMES**

- Reduced environmental impact through higher penetration rate of high-strength steels globally; end products made from less raw materials, with lower weight and fuel consumption, increased load capacity and longer lifespans all leading to reduced CO<sub>2</sub> emissions in the use phase
- Improved energy efficiency in buildings

Read more on [pages 44–53](#).



### END-OF-LIFE

Steel is a unique material that retains its properties no matter how many times it’s recycled. Using recycled steel in steel production increases material efficiency and reduces CO<sub>2</sub> emissions.

**DEGREE OF INFLUENCE:** MEDIUM

**IMPACTS / TOPICS IN FOCUS**

- Recyclability of steel
- Waste from steel products at the end of life

**VALUE CREATED/ POSITIVE OUTCOMES**

- The use of steel scrap reduces the use of virgin raw materials and CO<sub>2</sub> emissions in the steel life cycle
- Minimized waste from steel products at the end of life

**MANAGEMENT OF IMPACTS**

- Improving material efficiency through the use of recycled steel scrap to replace natural resources in steel production
- Communicating and marketing steel as a recyclable, sustainable material choice
- Promoting the recycling of steel products

Read more on [pages 115–116](#).

## SUSTAINABILITY MANAGEMENT

Sustainability management at SSAB is based on the company's vision, values and Code of Conduct complemented by our governing documents. Sustainability is an integral part of SSAB's strategy and the highest decision-making authority in these issues is the Board of Directors, which has joint responsibility in matters related to sustainability.

### GOVERNING DOCUMENTS AND PRINCIPLES FOR SUSTAINABILITY

SSAB's values serve as a compass for our actions, choices and behaviour as SSAB's employees. SSAB's values are complemented by SSAB's governing documents.

The Code of Conduct and the governing documents at Group-level regarding environment and safety are our most important governing documents. SSAB also has local governing documents that complement the Code of Conduct and correspond to the challenges the company faces in different geographies. All governing documents are regularly reviewed and updated.

#### Code of Conduct

SSAB's Code of Conduct (Code) applies to everyone in the company worldwide, regardless of function, grade or standing, and is communicated to employees through e-learning. The Code is SSAB's ethical compass and outlines guidelines for SSAB's behavior with stakeholders and in the market. The Code helps us to translate values into action and forms the basis for our environmental and social responsibility commitments. The Code requires compliance with legislation and regulatory requirements. The provisions of the Code take precedence over all other governing documents in a division or at a subsidiary level and, in certain cases, may be more far-reaching than national laws and regulations.

SSAB is a signatory to the UN Global Compact and supports its principles regarding human rights, labor standards, environment and anti-corruption. SSAB also supports the International Bill of Human Rights, ILO Core Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

### SAFETY MANAGEMENT

SSAB is committed to creating value for our stakeholders and to building relationships based upon respect, responsibility and excellence with our employees, customers, shareholders and other business partners – and to doing so in a socially and environmentally responsible manner.

SSAB is determined to be the safest steel company in the world, with the objective of achieving zero accidents, work-related injuries and illnesses. The provision of a safe and secure work environment for our employees, contractors and visitors who spend time at our sites is the highest priority. Every employee who works for SSAB is personally responsible for working in a safe manner every day. Working safely is a fundamental condition of employment at SSAB. Occupational safety is part of the integrated management system. Read more on [pages 132–134](#).

### ENVIRONMENTAL MANAGEMENT

Our Group governing documents regarding environment establishes the most important ambitions for SSAB's environmental work and covers those environmental aspects which play a key role in the sustainable development of SSAB's business. The governing documents regarding environment support the day-to-day work across the organization and entails the following:

- SSAB will continue to develop products and services in collaboration with customers, so as to actively contribute to environmentally sound and profitable business
- SSAB believes in the efficient use of raw materials and energy, while minimizing waste

Read more on [pages 113–114](#).

### MANAGEMENT SYSTEMS AND RISK MANAGEMENT

Management systems and action plans ensure SSAB systematically works on critical sustainability issues. Several different management systems and tools, both developed in-house and third-party certified, are used to effectively control operations in accordance with SSAB's Code of Conduct and the governing documents regarding environment and safety.



Safety management systems for systematic health and safety work, according to OHSAS 18001, have been implemented at all production sites. Environmental and climate work takes place primarily within the scope of the ISO 14001 environmental management standard and via local energy management systems. Work environment-related risks and environmental risks are also covered by SSAB's internal risk controls and internal audits. Our systems ensure that targets are set, performance is measured and progress is followed up on.

Read more about risks and risk management on [page 162](#).

## GLOBAL COMPACT

SSAB is a signatory to the UN's Global Compact and we continually enhance our efforts to protect and respect its 10 principles, and promote its spirit within the areas of human rights, labor standards, the environment and anti-corruption. This report also constitutes Communication on Progress (CoP) reporting to UN's Global Compact.

## ORGANIZATION OF SUSTAINABILITY WORK

SSAB's Board of Directors approves policies covering sustainability and monitors SSAB's sustainability performance. SSAB's Group Executive Committee is responsible for outlining the company's strategic approach to sustainability and monitoring how sustainability is implemented in the divisions, subsidiaries and support functions. Sustainability issues are frequently on SSAB's Group Executive Committee's agenda to ensure the close involvement of top management in important sustainability issues.

SSAB's Executive Vice President and Head of HR and Sustainability is responsible for coordinating and driving sustainability work at the Group level. She is a member of the Group Executive Committee and reports directly to SSAB's President & CEO. SSAB's Sustainability Management Team consists of a network of people with expertise in critical sustainability areas, with the responsibility to coordinate

and drive SSAB's sustainability initiatives. In practice, sustainability is integrated into the day-to-day work at production sites, global divisions and support functions. Each member of the Sustainability Management Team works closely with relevant people across the organization to ensure the involvement of key experts and divisional representation in our sustainability work.

To support work related to environmental issues, SSAB has an Environmental Council, which includes representatives from each division and the main production sites, as well as from SSAB's subsidiaries, Ruukki Construction, Tibnor and Merox. The Council is chaired by SSAB's Head of Environmental Affairs, who is also a member of the Sustainability Management Team. In issues related to responsible sourcing, the Vice President and Head of Ethics and Compliance works together with the procurement department.

SSAB links sustainability issues, such as safety KPIs, to remuneration. For example, internal safety targets are part of bonus plans for selected employee groups and top management. Individual performance targets might also include targets for emissions reductions or other sustainability related topics for selected employee groups.

## SUSTAINABILITY MANAGEMENT BY TOPIC

Sustainability management (GRI's Management Approach) by material topic in the areas of economic, environmental and social impacts is described in more detail by topic either in this GRI report or in the Business Review section. The list of SSAB's material topics and information about materiality analysis can be found on [pages 139–141](#).

The management approach to each topic is assessed as part of SSAB's sustainability management process. Governing documents, guidelines and processes are improved accordingly to ensure achievement of the set targets and continuous improvement in SSAB's sustainability performance.

## BUSINESS ETHICS

Global business requires good management of business ethics. By providing a framework for business ethics and compliance, SSAB continues to focus on creating a mature organizational culture that encourages ethical conduct. This framework provides the required support and tools to meet SSAB's expectation that each and every employee acts with honesty, integrity and responsibility in their job. The need for training in business ethics increases as our business becomes more global and complex, and as tougher legislation has been enacted in several countries in recent years.

### ETHICS AND COMPLIANCE FUNCTION

SSAB has an Ethics and Compliance function in order to further increase our focus on business ethics. The role includes strategic responsibility for work with business ethics, anti-corruption and human rights, and for implementing new legislation and international guidelines in this area. Essential components of the ethics and compliance program are risk assessments and employee training to prevent and detect corruption and mitigate legal and ethical risks. The function is organized as part of the Legal function.

How we measure progress:

- Share of employees who have access to the Ethics Line as a resource
- Share of new employees covered by the onboarding process; including signing the Code of Conduct statement and e-learning in business ethics
- Share of employees who have completed global e-learning in business ethics

### GOVERNING DOCUMENTS

SSAB has several documents that support the ethics and compliance program:

- Code of Conduct (updated in 2017)
- Instructions regarding anti-corruption: provide information on how SSAB defines bribery and improper benefits, and how employees are expected to act in relation to suppliers, customers and other business partners

- Instructions for review of business partners: describe the risk assessment process for reviewing business partners within risk areas for corruption
- Instructions regarding the Ethics Line: define complaint procedures and explain how a report is investigated

### HUMAN RIGHTS

Under the UN Guiding Principles on Business and Human Rights, business enterprises should respect human rights. SSAB supports the UN Guiding Principles on Business and Human Rights and has included a commitment to the principles in the Code of Conduct. SSAB will implement processes to prevent human rights abuses and address any adverse human rights impacts which our business may cause or contribute to.

We focus on providing a safe work environment where employees are free from harassment and discrimination and we respect employees' right to freedom of association and to bargain collectively.

At the end of 2017, SSAB conducted a human rights risk assessment on parts of our own operations in Poland, China and South Africa. The assessment focused on risks related to workplace discrimination, child labor, forced or compulsory labor, trafficking, freedom of association and collective bargaining, working conditions and security issues. SSAB will go through the report and analyze which areas can be improved. The risk assessment will place SSAB in a better position to be able to identify and understand the human rights issues facing the organization, and ultimately to deal with them in an effective and constructive way.

Human rights are one important aspect when evaluating suppliers.

Read more on [pages 74–77](#) and [137](#).

## STAKEHOLDER ENGAGEMENT (102-40, 42, 43, 44)

### STAKEHOLDER GROUPS AND IDENTIFYING AND SELECTING STAKEHOLDERS(102-40, 42)

SSAB has many different stakeholders, who are important in the work to define sustainability priorities. Key stakeholders are those who are impacted by SSAB's operations and activities, and who similarly impact SSAB.

The following groups are considered as being the most important stakeholder groups:

- Existing and potential customers
- Existing and potential employees
- Shareholders, investors and financiers
- Suppliers
- Local communities near SSAB's production sites
- Public agencies and organizations

Other stakeholders SSAB interacts actively with include the media, analysts, regulators, various research bodies and partner organizations, research institutes, universities and vocational schools.

### APPROACH TO STAKEHOLDER ENGAGEMENT (102-43)

SSAB aims for regular, honest and transparent interaction with its stakeholders. SSAB actively maintains and develops its stakeholder relations and draws on information obtained from stakeholders when developing its operations, products and services. Transparent and continuous dialog increases the trust in SSAB's ability to manage risks and utilize opportunities, which at the same time enhances the development of the company. Another aim of this dialog is to communicate the actions and measures taken within sustainability. At the same time, good communication is equally important from a stakeholder perspective so that SSAB can contribute to sustainability-related assessments conducted by suppliers and customers, investors and sustainability rating agencies.

SSAB has close collaboration with its customers on application development and technical support. SSAB actively participates in trade fairs, seminars and invites customers to site visits and to the annual Swedish Steel Prize, a competition established by SSAB in 1999 to inspire and disseminate knowledge about high-strength steel and how it can be used to develop stronger, lighter and more sustainable products.

It is important for SSAB to have engaged, competent and motivated employees to create a high-performing organization. Annual performance dialogs between employees and managers are a key element in following up results, providing mutual feedback and setting targets for performance and individual development. SSAB also conducts regularly personnel surveys to measure the satisfaction and engagement of employees. The survey gives everyone the opportunity to be part of the discussion and give feedback.

SSAB engages its investors and analysts in dialog to ensure that the financial markets have correct and sufficient information to determine the value of the SSAB share. Dialog includes annual general meetings, financial reports, result conferences and webcasts, information on the company's website, press releases, investor and analyst meetings, seminars and site visits. In meetings with investors and analysts also sustainability related issues are discussed, such as SSAB's sustainability strategy and management, safety, climate change and energy.

SSAB's work in sustainability extends to the whole value chain. Through regular meetings with suppliers and contractors, and via supplier audits, SSAB maintains a dialog with important suppliers on issues related to, among other things, contracts, social and environmental responsibility, quality and delivery accuracy.

SSAB actively engages with the local communities in which it operates and is often the largest employer and a significant regional force. The way SSAB partners with local communities has been defined at site level. Locally, in addition to the company's own employees, SSAB engages with politicians, regulators, the media and the general public, people living close to the production sites. SSAB aims to promote sustainable development of the local communities, participates in local initiatives, and sponsors selected local activities. In many places, SSAB works closely and organizes events with local universities and schools to engage potential future employees.

SSAB is involved in many research projects to drive technological developments and collaborates with industry associations on many topics, such as emissions trading rights, as well as deals with negotiations on permit matters related to environmental reporting.

SSAB is part of the Swedish Leadership for Sustainable Development (SLSD) network, which is a network of around 20 leading Swedish companies and NGOs with Swedish ties. The network was initiated in 2013 and is coordinated by the Swedish aid agency Sida. The UN's SDGs form the basis of the network's activities. In conjunction with the adoption of the SDGs, the network members agreed on a shared commitment to contribute to the achievement of these goals by reducing their environmental impact and by using resources more efficiently, creating jobs with decent conditions and combatting corruption and unethical conduct. The network's CEOs meet once a year to evaluate the work conducted during the year and to set frameworks and guidelines for the following fiscal year.

#### STAKEHOLDER ENGAGEMENT AS PART OF MATERIALITY ANALYSIS OF SUSTAINABILITY TOPICS

SSAB has conducted a materiality analysis to define its most relevant and material sustainability topics to define its sustainability strategy and targets, as well as the content of SSAB's GRI reporting.

The materiality analysis, which was last updated in late 2014, defined 12 topics that form the base for SSAB's sustainability strategy and work.

Read more about materiality analysis on [page 139](#).

#### KEY TOPICS AND CONCERNS RAISED (102-44)

Stakeholder group	Key concerns, expectations	SSAB's response/actions
<b>Existing and potential customers</b>	<ul style="list-style-type: none"> <li>• High quality, sustainable products</li> <li>• Reliability</li> <li>• Services</li> <li>• R&amp;D cooperation and support</li> </ul>	<ul style="list-style-type: none"> <li>• We offer our customers a broad range of high-strength and wear-resistant steels that enable improved efficiency and sustainability benefits in the applications they are used</li> <li>• We have developed the SSAB EcoUpgraded concept, which highlights the environmental benefits of upgrading to high-strength steel</li> <li>• Through close customer collaboration, we continuously develop new products, services and applications</li> <li>• Good delivery performance is our high priority</li> </ul>
<b>Existing and potential employees</b>	<ul style="list-style-type: none"> <li>• Healthy and safe work place</li> <li>• Equal treatment and open communication</li> <li>• Job security and incentivizing compensation</li> <li>• Opportunities for professional development</li> <li>• Responsible and sustainable operations</li> </ul>	<ul style="list-style-type: none"> <li>• We operate in line with our vision, values and Code of Conduct</li> <li>• We promote a high-performing organization</li> <li>• Our long-term safety goal is zero accidents and we are committed to striving for this through our safety work</li> <li>• Our employee compensation is based on standardized principles</li> <li>• We work toward having a more diverse workforce and becoming a more attractive employer</li> </ul>
<b>Shareholders, investors and financiers</b>	<ul style="list-style-type: none"> <li>• Long-term value creation</li> <li>• Responsible governance</li> <li>• Sustainable operations (CO<sub>2</sub> emissions, resource efficiency)</li> <li>• Safety</li> <li>• Transparency and reliable reporting</li> </ul>	<ul style="list-style-type: none"> <li>• We updated our strategic growth targets in 2017 and their realization is ongoing</li> <li>• We are committed to achieving our financial targets</li> <li>• We take economic, social and environmental responsibility into consideration in our business</li> <li>• We are committed to reducing CO<sub>2</sub> emissions both short and long-term</li> <li>• Our long-term safety goal is zero accidents and we are committed to striving for this through our safety work</li> </ul>



## KEY TOPICS AND CONCERNS RAISED (102-44)

**Suppliers and contractors**

- Good financial position
- Fair and equal treatment of suppliers
- Long-term business relations
- Responsible operations
- We are committed to achieving our financial targets
- We operate in line with our vision, values and Code of Conduct
- We implement responsible sourcing practices
- We manage supplier relationships in a systematic manner
- We train contractors in work safety

**Local communities near SSAB's production sites**

- Creating well-being locally through employment, local purchasing and taxes
- Operational safety
- Reducing emissions, noise and other inconveniences close to production sites
- Open communication and interaction
- We have a significant role in the local and regional community as an employer, tax payer, buyer of regional goods and services
- We focus in operational safety
- We aim to reduce emissions and local environmental impacts
- We actively engage with the communities in which we operate and support local activities

**Public agencies and organizations**

- Climate change, reducing CO<sub>2</sub> emissions and other environmental impacts
- Responsible and sustainable operations
- We communicate openly and we actively engage in a dialog with different organizations about key issues

## 102-13 MEMBERSHIPS OF ASSOCIATIONS AND NATIONAL OR INTERNATIONAL ADVOCACY ORGANIZATIONS

The following table lists SSAB's key memberships by country or area.

AREA OR COUNTRY	ORGANIZATIONS
<b>Globally</b>	World Steel Association
<b>Europe</b>	Eurofer, Euroslag, European Coil Coating Association ECCA, Eurometal, European Convention for Constructional Steelwork (ECCS)
<b>North America</b>	American Iron and Steel institute (AISI), National Association of Manufacturers (NAM)
<b>Sweden</b>	Jernkontoret, Svenskt Näringsliv (Confederation of Swedish Enterprise), SKGS (Skogen, Kemin, Gruvorna och Stålet), Steel and Metal Wholesalers Association, the Swedish Institute of Steel Construction, Swedish Mineral Processing Research Association, Swedish Cement and Concrete Research Institute
<b>Finland</b>	Finnish Metal Producers, Confederation of Finnish Industries EK, Suomen EIFi (Finnish Large Electricity Consumers), Finnish Constructional Steelwork Association, Confederations of Finnish Construction Industries, the Federation of Finnish Technology Industries, Finnish Coal Info

## Main concerns and topics discussed with stakeholders in 2017

- CO<sub>2</sub> emissions and how SSAB is working to reduce its carbon footprint
- HYBRIT (Hydrogen Breakthrough Iron Making Technology) initiative
- Safety in SSAB's operations
- Responsible and sustainable supply chain

## DISCLOSURES

### ECONOMIC IMPACTS

SSAB is aiming for industry-leading profitability. Achieving this depends on the company's ability to satisfy the needs of its customers better than its competitors, but also on fulfilling the expectations of other stakeholders. These include building long-term partnerships with suppliers, offering employees a safe workplace, competitive remuneration and good opportunities for personal development, as well as contributing to the well-being of the local communities in which the company operates. Long-term growth, financial stability and profitability are a foundation on which to develop and successfully deliver in the other aspects of sustainability – social and environmental responsibility. Read more in Financial Reports 2017 on [page 148](#).

#### GRI 201: ECONOMIC PERFORMANCE

##### 201-1 Direct economic value generated and distributed

The economic added value SSAB creates is distributed to various stakeholders in society such as shareholders, financiers, suppliers, employees the public sector (through taxes) and communities through local community projects, sponsorship and donations. The economic value retained is reinvested in the company in strategic and maintenance investments, R&D and other investments to develop the company's ability to create value. The adjacent table illustrates how the direct economic added value created by SSAB was distributed to various stakeholders.

201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED						
SEKm	Stakeholder group	2017	2016	2015	2014	Description
<b>DIRECT ECONOMIC VALUE GENERATED</b>						
Revenues	Customers	67,419	55,935	57,608	48,701	Net sales, other operating income, financial income, share of results in associated companies
<b>ECONOMIC VALUE DISTRIBUTED</b>						
Payments to suppliers of raw materials, goods and services	Suppliers	49,671	41,423	44,292	37,857	Payments to suppliers of raw materials, goods and services
Employee wages and benefits	Employees	8,597	8,239	8,404	6,266	Employee Wages and Benefits (excl. employee social security taxes)
Payments to providers of capital	Shareholders and financiers	1,296	969	978	1,684	Dividends, interest payments and financial expenses
Payments to government	Public sector/ Society	1,808	1,032	1,396	1,467	Corporate income taxes/ gross taxes (incl. employee social security taxes)
<b>ECONOMIC VALUE RETAINED</b>		6,047	4,272	2,538	1,427	Calculated as 'Direct economic value generated' less 'Economic value distributed'

SSAB is currently unable to report on community investments (donations) at a Group level.

## GRI 205: ANTI-CORRUPTION

SSAB works actively to prevent corruption in our business. SSAB's governing document for anti-corruption defines SSAB's zero tolerance approach to bribery and corruption, and sets out guidance for our daily operations. The document provides employees with information on how SSAB defines bribery and improper benefits, and how employees are expected to act in relation to our suppliers, customers and other business partners.

### 205-2 Communication and training about anti-corruption policies and procedures

#### ETHICS LINE

Everyone working at SSAB must feel a duty to react when malpractices are suspected or uncovered. SSAB has a whistleblower system in place – the Ethics Line – through which employees can raise their concerns. Employees are encouraged to raise their concerns to their manager or HR representative. However, if it's more comfortable for them, employees can report their concerns anonymously through our Ethics Line, where suspected violations of the Code of Conduct and company standards can be reported in several languages. Employees can file a report online or via phone by calling a call center. The Ethics Line has been implemented in 14 countries. Awareness of the Ethics Line program has been promoted through employee communications and web-based training.

By the end of 2017, 95% of our employees had access to the Ethics Line. During 2017, 11 (4) incidents were reported through the Ethics Line. The reports related to, inter alia, corruption, discrimination, harassment and inappropriate behavior in the workplace. Following investigation, 8 of these reports were substantiated and disciplinary actions were taken in 5 cases, including employee dismissals.

#### E-LEARNING IN BUSINESS ETHICS

All employees are expected to comply with SSAB's Code of Conduct, the governing document for anti-corruption, and to have knowledge of how to report non-compliance in accordance with the Ethics Line. Shared ethical guidelines are fundamental in a global company such as SSAB. Training is organized through a global e-learning module to reach out to all employees in order to provide basic training in business ethics and implement anti-corruption efforts. The training is available in six languages. By the end of 2017, 91 (90)% of the employees had completed the training module. The objective is for all employees to complete business ethics training.

#### ONBOARDING PROCESS

Employee engagement starts on day one for every SSAB employee. SSAB implemented a structured onboarding program for all new hires in 2017. This process ensures new hires receive a consistent message at all locations. All new employees are expected to complete the e-learning in business ethics and sign a Code of Conduct statement within the first few weeks of employment. These activities provide new employees with an understanding of our governing documents and expectations of all employees. By the end of the year, 61% of 2017 new hires had started the process to sign the Code of Conduct statement and to take the e-learning in business ethics.

#### FACE-TO-FACE TRAINING IN BUSINESS ETHICS

Internal training in business ethics is ongoing. This training is mainly provided to employees in management, sales and procurement, those who are most at risk of being exposed to corruption and bribery. Training is based on SSAB's values and governing documents. Training teaches participants what is meant by corruption and bribery, and how SSAB's ethics and compliance program is structured.

This is followed by a discussion focused on practical, real-life examples and dilemma discussions. Training requirements are continuously monitored and evaluated based on business needs and the legal and ethical risk context. In 2017, training was mainly provided to employees and managers in sales covering Africa, Middle East and Eastern Europe, and to Ruukki Construction's management team.

#### TRAINING IN SSAB AMERICAS

As a supplement to the company's global compliance training, within SSAB Americas, employees receive compliance training in the form of webinars, web-based courses, in-person seminars, lunch events, "toolbox talks," intranet publications, email advisories and desktop manuals on a variety of topics including business ethics, the US Foreign Corrupt Practices Act and related anti-corruption laws, anti-trust rules, conflict minerals and harassment prevention training.

#### REVIEW OF INTEGRITY OF BUSINESS PARTNERS

In some situations, SSAB reviews the integrity of our business partners more closely. SSAB has instruction for business ethics reviews that mainly cover agents, certain distributors and consultants who represent SSAB in dealings with any third party. In most cases, there is no need to review the integrity of a business partner more closely, but the instruction means that SSAB may not enter into or renew agreements with business partners that are within the typical risk areas for corruption, before an initial assessment showing that such partners respect our fundamental rules of business ethics. There should be a written agreement between SSAB and the business partner specifying the duties to be performed, adequate and reasonable compensation and the business partner must be competent and qualified to perform the work for which they are being hired.

#### ANTI-CORRUPTION MANUAL

SSAB has an anti-corruption manual to address how to properly audit fraud and corruption risks. Audit procedures according to this manual are included in applicable audit programs. Audits executed in 2017 have not revealed any specific irregularities, but have identified potential to further reduce risks from this perspective. Defined risk mitigation measures are implemented according to agreed action plans.



## ENVIRONMENTAL IMPACTS

Steel production is resource intensive and generates carbon dioxide (CO<sub>2</sub>) emissions. The most significant environmental impacts arise at SSAB's production sites in Luleå, Borlänge and Oxelösund, Sweden; Raahе and Hämeenlinna, Finland; and Mobile, Alabama and Montpelier, Iowa in the US. However, the impact on the local environment in the vicinity of SSAB's production facilities has decreased significantly over time. SSAB is committed to continuous improvement aimed at minimizing any environmental impacts from the company's operations.

### ENVIRONMENTAL TARGETS

SSAB's sustainability strategy includes measurable environmental targets related to CO<sub>2</sub> emissions, energy and waste reduction. The targets have been updated with increased levels and a new target year of 2020 (previously 2019); all previous targets were achieved faster than anticipated from the time they were first set in 2015.

TARGET BY THE END OF 2020	RESULTS IN 2017
A lasting reduction of 300,000 tonnes in CO <sub>2</sub> emissions	By the end of 2017, SSAB achieved 218,000 tonnes or 73% of this target. Read more on <a href="#">page 125</a> .
A lasting reduction of 400 GWh in purchased energy (electricity and fuels)	By the end of 2017, SSAB achieved 304 GWh (1,094 TJ) or 76% of this target. Read more on <a href="#">page 120</a> .
A lasting improvement of 50,000 tonnes in residual utilization	By the end of 2017, SSAB achieved 39,000 tonnes or 78% of this target. Read more on <a href="#">page 115</a> .

The base year for monitoring the targets referred to above is 2014.



## ENVIRONMENTAL MANAGEMENT

SSAB ensures continuous development by monitoring environmental performance against environmental targets and the environmental management system. SSAB's environmental management is based on the international environmental and energy management system standards, ISO 14001, and for some units, ISO 50001.

SSAB's governing documents regarding environment include the following items to meet the ISO 14001 Environmental Policy requirements:

- SSAB promotes sustainability and is committed to continuous improvement
- SSAB strives to integrate sustainability into its operations including the evaluation of environmental risks
- SSAB's high-strength steels and products come with added value, which contributes to environmentally responsible and sustainable materials for customers' products and solutions. By using high-strength steels, SSAB customers can reduce their steel consumption, and with stronger, lighter and more sustainable products, further reduce energy consumption and environmental footprints throughout their lifecycle
- SSAB employees work in a systematic, goal-oriented and proactive manner to reduce environmental impacts including pollution prevention and waste minimization
- SSAB is committed to interacting with stakeholders and evaluating stakeholder concerns, both internally and externally
- SSAB operations are subject to ongoing environmental audits. The company regularly establishes and reviews environmental objectives and targets. Environmental reports are provided routinely to the senior management team
- SSAB has implemented and maintains environmental management systems covering policies, practices and procedures at each operating location, is committed to meeting or exceeding its compliance obligations, and is certified to the ISO 14001 standard, where applicable

In 2017, all of SSAB's manufacturing sites had third party certification for the ISO 14001 standard. Divisions, subsidiaries and sites are responsible for putting environmental protection into practice. Each production site has an environmental team or manager responsible for monitoring compliance with legislation and handling permit matters. Each SSAB employee is responsible for complying with the SSAB group governing documents and for integrating environmental aspects into their everyday work.

Energy efficiency management is systematically promoted at production sites, either as part of an ISO 14001 system or through a certified ISO 50001 energy management system. Internal and external audits at sites ensure that everyday practices comply with set targets. Regular management reviews also drive the environmental work.

### Management of environmental risks

Environmental risks are included in the corporate risk management process. Risk management supports the company's strategy and ensures business continuity. Emissions from normal operating conditions are controlled and subject to environmental permit limits. Regular risk analyses cover possible emissions in the event of disruption or accident. The results of this analysis serve as the basis for preventive measures and corrective actions at various levels, both in corporate governance and ways of working locally on site.

### Environmental permits

SSAB's operations are subject to environmental permits containing numerous environmental conditions governing various parameters regarding production levels, air emissions, discharge water effluent, and waste management. SSAB records all environmental damage and other environmental non-compliances and reports them to the appropriate authorities.



## MATERIALS

### 301-1 Materials used by weight

Steel production requires large amounts of raw materials. The key raw materials needed in steelmaking include iron ore, coal, limestone, alloys and scrap steel. Iron ore and coal are the main raw materials required for SSAB's steel production operations in Sweden and Finland. Scrap metal is the most important raw material for SSAB's steel production operations in the US. In 2017, SSAB used a total of 15.7 (15.5) million tonnes of raw materials.

301-1: MATERIALS USED BY WEIGHT					
Thousand tonnes	2017	2016	2015	2014	2013
Iron ore pellets	7,128	7,325	7,016	6,991	6,717
Reducing agents <sup>1)</sup>	2,582	2,562	2,435	2,413	2,313
Scrap (external + internal)	3,852	3,644	3,434	4,016	3,800
Recycled materials	1,231	1,005	842	922	879
Slag formers <sup>2)</sup>	728	765	637	671	595
Alloys	117	116	103	108	100
Metal and organic coatings	56	58	49	47	56
Non-renewable materials, total	15,695	15,476	14,516	15,167	14,459

<sup>1)</sup> Coke, coal and other reducing agents, such as oil

<sup>2)</sup> Limestone, burnt lime, dolomite, carbide, etc.

### 301-2 Recycled input materials used

SSAB promotes the use of materials originating from its production in its own processes.

The production of iron and steel gives rise to a range of residuals. Recirculating material back into the steelmaking process reduces the need for virgin raw materials. This in turn, reduces CO<sub>2</sub> emissions and waste. Material that cannot be recirculated internally can be processed into by-products and sold externally, reducing CO<sub>2</sub> emissions by substituting natural resources in other industries.

In 2017, 3.8 (3.6) million tonnes of residuals from the iron ore-based steel production were utilized, internally or externally. This is about 95 (90)% of all residuals produced in the iron ore-based production. In 2017, 1.5 (1.3) million tonnes of by-products were sold externally.

This is how the residuals are utilized:

- Iron containing residuals are returned to the blast furnace or the steelworks to substitute iron ore
- Steel slag is utilized in the blast furnace to substitute lime
- Blast furnace slag is utilized in the cement industry to substitute lime
- Slags are sold for road construction to reduce the use of natural aggregates
- Certain slags are utilized as a soil conditioner in agriculture
- Benzene, sulfur and coal tar are utilized in the chemical industry as raw materials

### ACTIONS TAKEN IN 2017 TO INCREASE THE UTILIZATION OF RESIDUALS

SSAB has set a target to increase the utilization of residuals by improving the internal recirculation of material and external sales of by-products. The target is to achieve a lasting improvement in residual utilization by 50,000 tonnes, reducing the amount of material being sent to landfill by the end of 2020, compared to the 2014 baseline. By the end of 2017, SSAB achieved 39,000 tonnes or 78% of this target. The most important measures to increase the utilization of residuals were the following:

- Basic oxygen steelmaking sludge turned into briquettes for use as a raw material instead of being landfilled in Luleå. Developed a new method for drying the sludge in 2014. This method involves taking the sludge from landfill and spreading it onto a large field to dry in the sun. Trials to produce briquettes from the dried material proved very successful in 2014–2015 and in 2016 the utilization of sludge has increased even further

- Utilization of ladle slag in the blast furnaces has been initiated in all steel works in the Nordics in 2015–2017
- Utilization of BOF dust through briquetting in Luleå in 2017

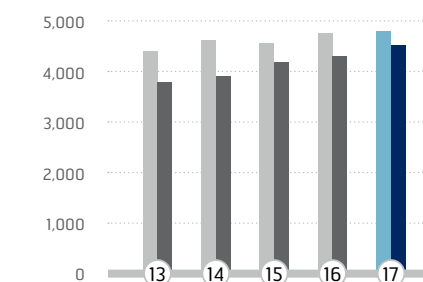
#### SCRAP USED IN STEEL PRODUCTION

Recycled steel has a big impact on reducing the environmental footprint of the product's lifecycle. It replaces the iron ore as input material in iron and steel-making. In 2017, SSAB used 2.8 (2.6) million tonnes of external scrap and 1.0 (1.0) million tonnes of internal recycled scrap, which equates to an average of 44% of recycled steel used in all of SSAB's steel production. SSAB uses approximately 20% of scrap metal in conjunction with steel production in the Nordics, and nearly 100% in the US.

RESIDUALS FROM STEEL PRODUCTION, WASTE INCLUDED					
Thousand tonnes	2017	2016	2015	2014	2013
Residuals from ore-based steel production					
Residuals, total	4,054	4,045	3,875	3,913	3,726
Utilized internally or externally	3,836	3,648	3,568	3,277	3,158
Residuals from scrap-based steel production					
Residuals, total	756	718	676	721	685
Utilized internally or externally	689	659	617	632	628

#### Residuals from steel production and the amount utilized<sup>1)</sup>

Thousand tonnes



- Residuals in total
- Residuals utilized internally or externally

<sup>1)</sup> Landfill disposal and changes in stock account for the difference between the total amount of residuals and the amount utilized internally and externally.



## WASTE

SSAB is continuously focusing on reducing the amount of material being sent to landfills. The key to waste reduction is to refine residuals from steelmaking processes into raw materials that can be reused as well as developing new by-products that can be sold outside of SSAB. There are waste products from the production processes for which there is currently no environmentally or economically justifiable application and which need to be removed from the processing cycle on environmental grounds. At SSAB, this type of waste is e.g. flue gas sludge that cannot be utilized due to its physical and chemical characteristics.

The management and monitoring of the company's landfill sites are strictly regulated by laws and governmental authorities. Deposited waste must be handled in such a way that these resources might again be utilized in the future.

SSAB Americas does not own or operate waste transportation equipment or landfills and deals only with government-approved landfills. Materials are tested and classified as waste before being sent to a landfill. Testing is conducted by a specialized third party contractor.

### 306-2 Total weight of waste by type

Waste that originates from SSAB's operations and requires either being sent to landfill or to external recipients is processed in compliance with valid regulations. The recipients employed have been approved and have the necessary permits. SSAB's major production sites collaborate with partners who guide the choice of recipient to ensure maximum efficiency, both from the environmental and financial perspective, in removal. This means recipients may vary from time to time. The greatest focus is on hazardous waste, such as oily waste, including used oil, grease, sludge and emulsions, which are often disposed of through combustion and where energy recovery is sought.

306-2: TOTAL WEIGHT OF WASTE BY TYPE					
Thousand tonnes	2017	2016	2015	2014	2013
Industrial waste to landfill	441	399	306	392	410
Hazardous waste	50	48	46	50	48
Non-hazardous waste	70	54	58	59	63

## ENERGY

SSAB's production processes are energy intensive. Systematic energy efficiency management and energy recovery at all sites, as well as production of electricity from process gases at steel mills, ensure efficient use of energy and lower emissions. SSAB has signed up for different official energy savings programs.

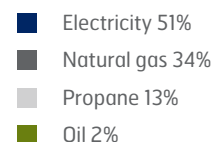
### Energy sources used by SSAB

The main fuels used at SSAB's production sites are process gases, natural gas, propane and, for the time being, also heavy fuel oil. Process gases from SSAB's coke oven plants and blast furnaces are used primarily to replace external fuels in ovens and secondarily to produce electricity in power plants. Natural gas, propane and oil are used to heat up furnaces.

SSAB aims for a significant share of the electricity it buys from external supplies to come from renewable energy sources. Consequently, SSAB has purchased "guarantees of origin" (GoO) regarding renewable electricity for the share of electricity it buys externally in the Nordic countries and of which a minimum of 30% is from hydropower and a minimum of 20% is wind power.

SSAB is dependent on a steady supply of electricity at competitive prices throughout the year. It is in this context that SSAB holds a 3% share in the Finnish Fennovoima project, which plans to build a nuclear power plant in northern Finland.

### Energy sources



### Energy recovery at steel mills

Process gases like blast furnace gas, coke oven gas and converter gas are generated in the iron- and steelmaking processes. Steam and hot water are also produced. These energy flows can be fully recovered to generate electricity and heat, thereby saving fuel resources. Also, the heat of flue gases is recovered and used to produce steam and heat. Recovered heat has been used to produce district heating in Luleå, Raahé and Oxelösund since the 1980s. This meets about 90% of local district heating needs.

The energy-rich gases which cannot be used in the steel production are used in local power plants, among other things, to supply SSAB with approximately 51 (45)% of the electricity needs of steel production in Sweden and Finland.



### 302-1 Energy consumption within the organization

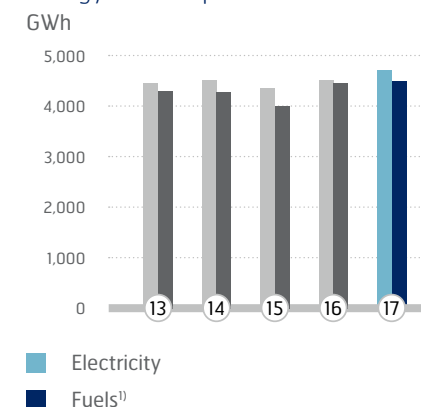
In 2017, SSAB's total energy consumption related to electricity, purchased fuels and purchased heat was 9,210 (8,990) GWh. Electricity accounts for 4,702 (4,514) GWh and fuels for 4,479 (4,451) GWh. During 2017, some 1,400 (1,195) GWh of electricity was produced from recovered energy. In 2017, SSAB delivered 1,169 (1,101) GWh of district heating.

302-1: ENERGY CONSUMPTION WITHIN THE ORGANIZATION					
GWh/TJ	2017	2016	2015	2014	2013
<b>Fuels</b>					
Natural gas	3,099/11,157	3,073/11,063	2,754/9,914	2,596/9,345	2,574/9,266
Propane	1,172/4,220	1,099/3,956	1,043/3,756	1,034/3,722	934/3,361
Fuel oil	207/746	279/1,003	204/733	635/2,288	785/2,824
<b>Total non-renewable fuels</b>	<b>4,479/16,123</b>	<b>4,451/16,023</b>	<b>4,001/14,404</b>	<b>4,265/15,355</b>	<b>4,292/15,451</b>
<b>Electricity, heat and steam</b>					
Electricity, purchased <sup>1)</sup>	3,302/11,887	3,319/11,948	3,243/11,677	3,469/12,490	3,475/12,510
Heat, purchased	30/108	26/93	23/83	24/87	27/98
Electricity generated from process gases	1,400/5,040	1,195/4,302	1,114/4,010	1,033/3,720	974/3,506
<b>Gross energy consumption</b>	<b>9,210/33,158</b>	<b>8,990/32,366</b>	<b>8,381/30,172</b>	<b>8,792/31,652</b>	<b>8,768/31,565</b>
<b>Electricity and heat sold</b>					
Heat, sold	1,169/4,207	1,101/3,965	1,006/3,620	1,081/3,893	1,086/3,910
<b>Net total energy consumption<sup>2)</sup></b>	<b>8,042/28,950</b>	<b>7,889/28,400</b>	<b>7,376/26,552</b>	<b>7,711/27,759</b>	<b>7,682/27,655</b>

<sup>1)</sup> Including external companies within the industrial area

<sup>2)</sup> The figure excludes the fuels used in transportation and vehicles, nor does it include employee travel and transportation.

### Energy consumption



<sup>1)</sup> Includes natural gas (NG), liquefied petroleum gas (LPG), oil and biogas. Coal and coke excluded

**302-3 Energy intensity**

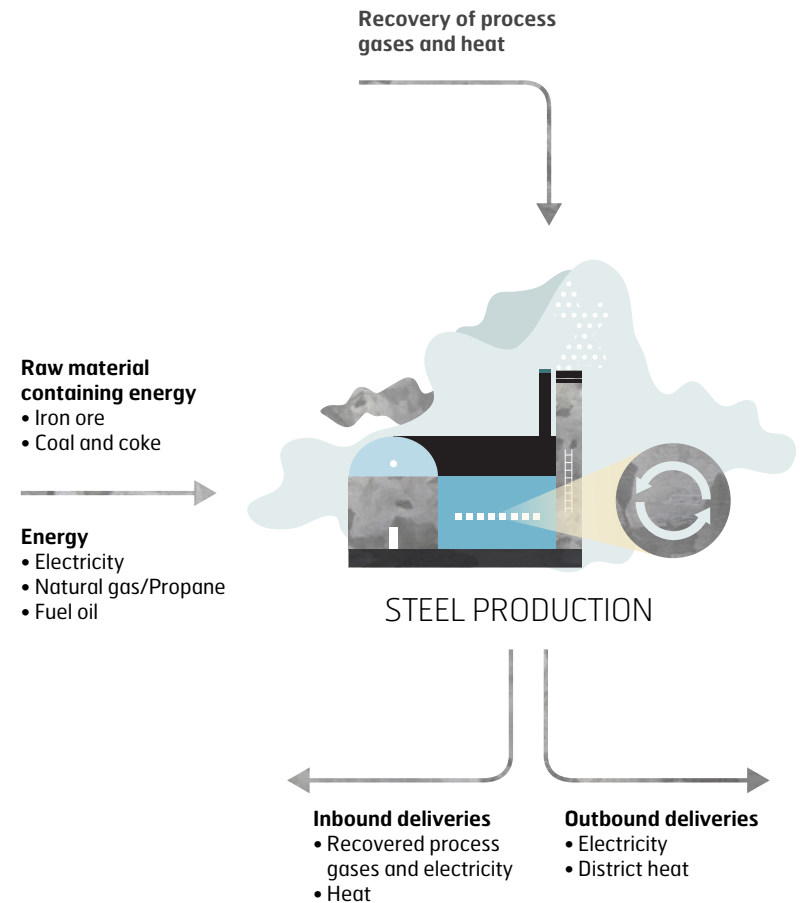
SSAB's energy intensity in 2017 was 1,148 (1,122) kWh/tonne crude steel when including the total energy consumption (electricity and purchased fuels) from the iron and steel production sites and rolling mills.

**302-4 Reduction of energy consumption**

SSAB has set an energy savings target to reduce the use of purchased energy by 400 GWh by the end of 2020. This energy savings is equal to approximately 3.5% of SSAB's total amount of purchased energy in 2014. By the end of 2017, SSAB achieved approximately 304 GWh (1,094 TJ) or 76% of this target.

The most important energy-saving measures were the following:

- Applied principle of continuous improvement in developing energy efficiency at production sites
- Optimized media systems for compressed air and hydraulics, as well as furnace control systems at several SSAB sites
- Natural gas, supplied as LNG, replaced oil in Borlänge to fuel one of the reheating furnaces in the hot strip mill. The switch from oil to natural gas was completed in December 2014 and the main savings occurred in 2015
- Consolidated color-coated product production from four lines to three in 2015, increasing the energy efficiency of the Nordic production system as a whole
- Transferred metal-coated product production from Borlänge to Hämeenlinna in 2016, increasing the energy efficiency of the Nordic production system
- Expanded implementation of oxygen lancing in a reheating furnace in Borlänge in 2016
- Upgraded the system of optimizing, heating and processing steel slabs in Iowa, US. Improvements were initiated in 2016 and further energy saving potential will be investigated
- A new power plant with higher efficiency in Raabe in 2017. The increased efficiency of the power plant is achieved by increased technical efficiency, lower flaring of process gases and the change of steam turbine blower machine



## WATER

Plentiful access to water is crucial for steel production, particularly in quenching, where water is used for the direct cooling of hot-rolled steel. Most of the water used in SSAB's production processes is recirculated in cooling systems. Steel production or upgrading sites are not situated in groundwater areas. SSAB's operations are located in areas where there is currently no scarcity of water, and no water sources that are significantly affected by water withdrawal by SSAB's operations. All operations are subject to environmental permits and guidelines regarding discharged water.

### 303-1 Total water withdrawal

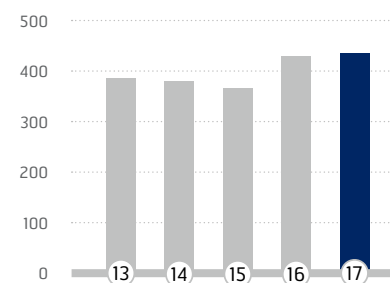
SSAB uses surface water at all of its production sites, including both sea water and fresh water. Water is used mostly in processing, cooling and in scrubbing flue gases at the steel works and rolling mills. Water is also needed for electricity production and in slag granulation.

In 2017, SSAB consumed 431 (429) million cubic meters of water. Out of all of the water used during the year, approximately 99% was used for cooling purposes. A large share of the water used in production passes water treatment to be re-used and millions of cubic meters of water used in the steel production process are recycled annually.

303-1: WATER WITHDRAWAL BY SOURCE					
Million m <sup>3</sup>	2017	2016	2015	2014	2013
Surface water (inlands)	203	203	160	179	180
Surface water (sea)	226	225	204	199	205
Municipal water	2	1	1	1	1
<b>Total water withdrawal</b>	<b>431</b>	<b>429</b>	<b>365</b>	<b>379</b>	<b>386</b>

## Water consumption

Million m<sup>3</sup>



### Effluent discharge into waterways

All of SSAB's sites take actions to prevent the risk of contaminating local water resources and to reduce the effluent discharge into the waterways. Discharges of effluent into the waterways consist of suspended solids, which contain calcium, magnesium and silicon compounds, and originate from the steel plants and blast furnaces. Oily emissions originate from the rolling processes. There are also some discharges of nitrogen and iron into the waterways. The following table shows suspended solids and oil discharge into the waterways.

EFFLUENT DISCHARGE INTO WATERWAYS,					
Tonnes	2017	2016	2015	2014	2013
Suspended solids	322	286	228	616	423
Mineral oil	6	6	9	12	18



## EMISSIONS

The process of producing steel from iron ore is carbon-intensive and the raw materials used in production are the main source of carbon dioxide (CO<sub>2</sub>) emissions, along with CO<sub>2</sub> emissions generated from energy usage. In addition to CO<sub>2</sub>, there are also other emissions into the air being formed during the steel making process and in other processing operations (rolling, coating, etc.).

As a result of the continuous development of processes, SSAB's blast furnaces in Sweden and Finland are among the most efficient in the world in terms of minimizing CO<sub>2</sub> emissions from steel production. SSAB's use of coke and coal as reducing agents is close to the theoretical minimum for a blast furnace. There is no technology available today that can replace coal as raw material for blast furnace steel production, which means technology breakthroughs would be needed in order to achieve significant emission reductions. Therefore, in 2016, SSAB, LKAB and Vattenfall jointly announced a long-term breakthrough emissions reduction project, HYBRIT (Hydrogen Breakthrough Ironmaking Technology). Together, the companies involved in the project, have initiated work to develop a steel production process that emits water instead of carbon dioxide. Read more on [page 59](#).

CO<sub>2</sub> emissions from blast furnace-based steel production can be controlled and reduced to some extent by improving efficiency in the production processes. The production of iron and steel gives rise to a range of residuals and recirculating material back into the steelmaking process, as well as maximizing the use of recycled scrap as raw material, reduces CO<sub>2</sub> emissions and waste. Material that cannot be recirculated internally can be processed into by-products and sold externally, which also reduces CO<sub>2</sub> emissions by substituting natural resources in other industries.

Emissions related to energy consumption in production can be reduced by improving energy efficiency and increasing the use of renewable energy sources. Systematic energy efficiency management and energy recovery, as well as production of electricity from process gases at steel mills, improves energy efficiency and decreases emissions. However, as CO<sub>2</sub> emissions from energy usage are only a small share of SSAB's total CO<sub>2</sub> emissions, the total effect of energy efficiency improvements has a relatively small impact on SSAB's total CO<sub>2</sub> emissions.

SSAB Americas' production sites make steel using two electric arc furnaces. CO<sub>2</sub> emissions are substantially lower than the emissions generated in conjunction with iron ore-based steel production since less coal is used in the production process. Additionally, much of the coal used in production is derived from recycled coal residual. In scrap-based production, improving energy and material efficiency is the key to reducing emissions.

Industry-wide cooperation is important to identify new technical solutions that can further decrease the impacts of steelmaking processes. In the Nordics, SSAB is collaborating with KTH Royal Institute of Technology in Stockholm, Luleå University of Technology, Dalarna University, Swerea, Oulu University, Aalto University, Åbo Akademi University and VTT Technical Research Centre of Finland. In SSAB Americas, the American Iron and Steel Institute and the Association for Iron and Steel Technology are important partners.

### 305-1 Direct greenhouse gas (GHG) emissions (Scope 1)

In 2017, SSAB's direct carbon dioxide (CO<sub>2</sub>) emissions were 9,828 (9,989) thousand tonnes.



Around 90% of SSAB's total CO<sub>2</sub> emissions are generated in iron ore-based steel production at the company's sites in Luleå, Oxelösund and Raabe, and 98% of these CO<sub>2</sub> emissions are related to metallurgical processes, i.e. to the use of coke and coal as reducing agents. In 2017, direct emissions from Nordic steel production were 9,117 (9,323) thousand tonnes, which was 2.2% less than in 2016. Crude steel production was down 1.8% compared to 2016. The greenhouse gases produced in Nordic steel production are within the scope of the European Emissions Trading System.

In 2017, direct CO<sub>2</sub> emissions from the scrap-based steel production in the US were 690 (644) thousand tonnes, which was 7.1% more than in 2016. During the same time, crude steel production was up 4.7%. The direct CO<sub>2</sub> emissions are calculated in accordance with the procedures in the WBCSD GHG Protocol, together with additional guidelines from the EU and/or national authorities.

### 305-2 Energy indirect greenhouse gas emissions (Scope 2)

Indirect GHG emissions occur from the generation of purchased electricity, heating and steam. For electricity, indirect CO<sub>2</sub> emissions are calculated using grid average emission factors. Specific emission factors are used for the generation of the purchased heat and steam. Due to the guarantees of origin for renewable energy sources related to SSAB's electricity consumption, SSAB's actual Scope 2 emissions factor is lower than the grid average factor used in the Nordics. However, the guarantees of origin have not been taken into account and the reported emissions are based on the grid average factor without any further reductions.

305-1, 305-2: GREENHOUSE GAS EMISSIONS <sup>1)</sup>					
Thousand tonnes	2017	2016	2015	2014	2013
<b>305-1: Direct greenhouse gas (GHG) emissions (Scope 1)<sup>2)</sup></b>					
Iron ore-based steel production in Nordics	9,117	9,323	8,850	8,910	8,643
Scrap-based steel production in US	690	644	581	651	651
Other reported sites	21	22	18	17	17
<b>Total</b>	<b>9,828</b>	<b>9,989</b>	<b>9,448</b>	<b>9,578</b>	<b>9,311</b>
<b>305-2: Indirect emissions from the generation of purchased electricity, heating and steam (Scope 2)</b>					
Iron ore-based steel production in Nordics	167	185	182	193	194
Scrap-based steel production in US	1,032	964	934	1,009	1,234
Other reported sites	17	17	17	18	18
<b>Total</b>	<b>1,216</b>	<b>1,166</b>	<b>1,133</b>	<b>1,220</b>	<b>1,447</b>

<sup>1)</sup> Only CO<sub>2</sub> is included in the calculation.

<sup>2)</sup> Generation of electricity from process gases is included in the direct emissions (Scope 1).

### 305-3: Other indirect (Scope 3) GHG

SSAB's Scope 3 greenhouse gas emissions in 2017 were an estimated 2.8 million tonnes. The majority of Scope 3 emissions are generated in the production of purchased raw materials and services, which account for 62% of the total Scope 3 emissions. 17% of Scope 3 emissions are upstream emissions of purchased fuels and electricity (not included in scope 1 and 2 emissions) and 16% are generated in the downstream transportation and distribution. Other activities (e.g. employee commuting, business travel and waste generated in operations) account for 5% of the total Scope 3 emissions. The share of Scope 3 emissions of SSAB's total greenhouse gas emissions was 20% in 2017.

305-3: OTHER INDIRECT (SCOPE 3) GHG EMISSIONS		
Thousand tonnes CO <sub>2</sub> e	2017	% OF SCOPE 3
Purchased goods and services	1,827	65%
Fuel and energy related activities	395	14%
Downstream transportation and distribution	512	18%
Waste generated in operations	51	2%
Business travel	7	0%
Employee commuting	36	1%
<b>Total Scope 3 emissions</b>	<b>2,826</b>	<b>100%</b>

### REPORTING OF SCOPE 3 EMISSIONS

In 2017, SSAB started estimating its indirect Scope 3 emissions. Scope 3 CO<sub>2</sub> emissions are calculated in accordance with the procedures in the WBCSD GHG Protocol. Gaia Consulting was used as a consulting partner to calculate the emissions. The Scope 3 calculation principles can be found in the Scope 3 report on [SSAB's website](#).

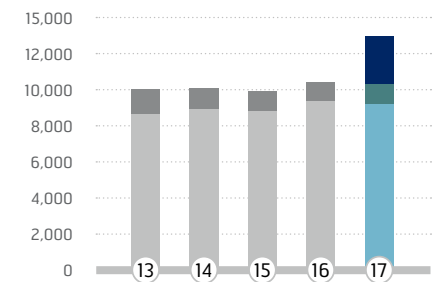
### 305-4 Greenhouse gas emission intensity

SSAB's greenhouse gas (GHG) emission intensity in 2017 was 1.4 (1.4) tonnes of CO<sub>2</sub> emissions/tonne crude steel. The GHG intensity is reported as product emission intensity (metric tonnes of CO<sub>2</sub> emissions per tonne of crude steel produced). It is calculated as the sum of Scope 1 and Scope 2 emissions for all SSAB iron and steel production sites and rolling mills, divided by the total crude steel production in tonnes.

305-4: GREENHOUSE GAS EMISSIONS INTENSITY					
Tonnes of CO <sub>2</sub> emissions/ tonne crude steel	2017	2016	2015	2014	2013
Iron ore-based steel production in Nordics	1.7	1.7	1.7	1.6	1.7
Scrap-based steel production in US	0.7	0.7	0.7	0.7	0.8
<b>Average</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>1.4</b>

## Carbon dioxide emissions

Thousand tonnes



- Direct emissions from production (Scope 1)
- Indirect emissions from the generation of purchased electricity, heat and steam (Scope 2)
- Other indirect emissions (Scope 3)

### 305-5 Reduction of greenhouse gas emissions

SSAB has set a target to reduce direct CO<sub>2</sub> emissions from its operations. The target is to achieve a lasting reduction of 300,000 tonnes in CO<sub>2</sub> emissions by the end of 2020, compared to the 2014 baseline. This CO<sub>2</sub> emissions reduction is equal to approximately 3.1% of SSAB's total CO<sub>2</sub> emissions in 2014.

CO<sub>2</sub> emissions can be reduced by recirculating scrap and residuals back into the steelmaking process, optimizing the use of reducing agents (coke and coal) in iron production and by improving the energy efficiency of fuels. By the end of 2017, SSAB achieved 218,000 tonnes or 73% of this target. The most important CO<sub>2</sub> saving measures were the following:

- Switched from heavy fuel oil to LNG in Borlänge, reaching full CO<sub>2</sub> reduction potential in 2015
- Started a new hot stove in Oxelösund in 2015, which increased blast temperature and led to reduced CO<sub>2</sub> emissions due to lower consumption of coke
- Decreased blast furnace fuel rate and CO<sub>2</sub> emissions through reduced moisture content of pellets in Raabe in 2016
- Increased yield within the production of prime slabs in Luleå in 2016. The improvement is based on overall better yield improvement of prime slab production, improved raw material utilization for prime productions
- New vessels in Raabe in 2017 with increased volume increasing the yield thanks to less splashing
- All energy savings resulting from reduced fuel consumption also reduce the CO<sub>2</sub> emissions

### 305-7 Nitrogen oxides (NO<sub>x</sub>), sulfur oxides (SO<sub>x</sub>), and other significant air emissions

In addition to CO<sub>2</sub> emissions, there are also other emissions into the air being formed during the steelmaking process. Other significant air emissions deriving from SSAB's operations are particulate matter (PM), sulfur oxides (SO<sub>x</sub>) and nitrogen oxides (NO<sub>x</sub>). SSAB monitors the emissions arising from its operations both at production sites and in their vicinity to ensure compliance with emissions limits and to improve local air quality.

The combustion processes and the fine material used in iron and steel production give rise to particulate emissions into the air. In 2017, particulate emissions, excluding fugitive particulate emissions, totaled 664 (711) tonnes. Particulate emissions contain metals, which originate mainly from the iron ore pellets, coking coal and from residuals and processing the steel products. SSAB is continuously working to reduce the particulate emissions.

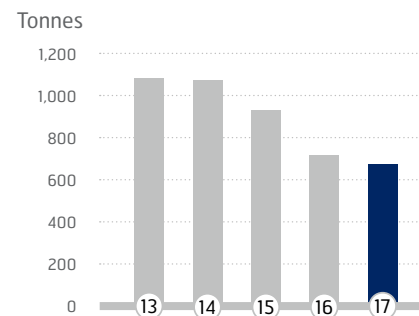
In 2017, around 2,808 (2,347) tonnes of sulfur dioxide emissions originated from the sulfur containing raw materials and fuels.

Nitrogen oxides emissions are mainly formed in the combustion processes in the coke plants and rolling mills. In 2017, nitrogen oxides emissions amounted to 3,825 (3,672) tonnes.

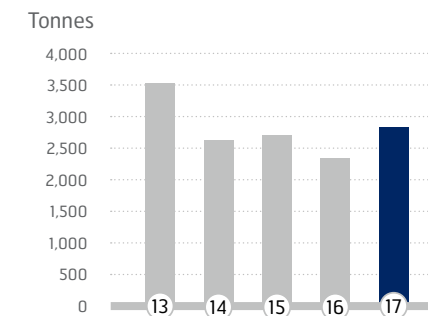
Emissions of volatile organic compounds (VOC) mainly occur on the coating lines when using solvents in the paints. In 2017, these emissions totaled 251 (222) tonnes.

305-7: NITROGEN OXIDES (NO <sub>x</sub> ), SULFUR OXIDES (SO <sub>x</sub> ), AND OTHER SIGNIFICANT AIR EMISSIONS					
Tonnes	2017	2016	2015	2014	2013
Particulate matter (PM)	664	711	931	1,072	1,082
Sulfur dioxide emissions (SO <sub>x</sub> )	2,808	2,347	2,699	2,632	3,531
Nitrogen oxides emissions (NO <sub>x</sub> )	3,825	3,672	3,763	4,388	4,331
Emissions of volatile organic compounds (VOC)	251	222	257	296	315

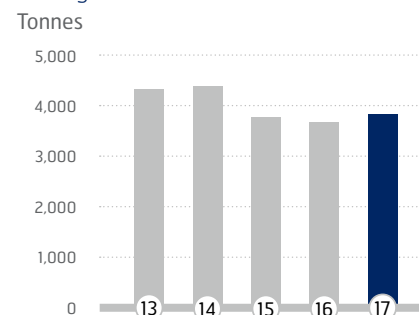
### Particulate emissions



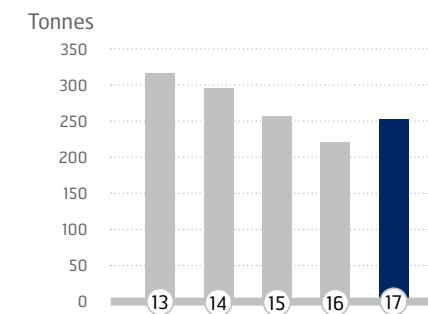
### Sulfur dioxide emissions



### Nitrogen oxides emissions



### Volatile organic compounds (VOC) emissions





## SOCIAL IMPACTS

One of the key elements of SSAB's strategy is a high-performing organization, which is an essential enabler for SSAB to achieve its ambitious strategic targets. SSAB strives to be the safest steel company in the world, with an objective to achieve zero accidents, work-related injuries or illnesses. At SSAB, social responsibility not only applies to HR practices related to employees, it also incorporates engagement with people in neighboring communities and social responsibility in the supply chain. SSAB is a signatory to the UN's Global Compact initiative and its principles are also applied when working with suppliers and subcontractors.

## SOCIAL RESPONSIBILITY TARGETS

SSAB's sustainability strategy includes the following social responsibility targets:

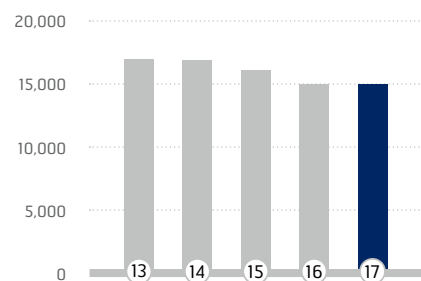
SOCIAL RESPONSIBILITY TARGETS	RESULTS IN 2017
<p>Employee engagement that exceeds that of benchmark global industrial companies (This is measured every other year, and most recently in 2017)</p>	<ul style="list-style-type: none"> <li>• Overall, the Employee Engagement Index (as measured by Voice, SSAB's global employee survey) was below the external global norm and slightly below Voice 2015</li> <li>• SSAB: 69 (70 in 2015)</li> <li>• External norm: 72</li> </ul>
<p><b>By the end of 2019, SSAB will have achieved the following gender diversity target:</b> Women holding 30% of the top management positions in the company by the end of 2019</p>	<p>At the end of 2017, women held 27 (27)% of SSAB's top management positions</p>



### 102-8 Information on employees and other workers

At the end of 2017, SSAB had a total of 14,925 (14,980) permanent employees. Temporary personnel accounted for about 5.0 (2.4)% of all employees. Full-time employees accounted for 97.6 (97.7)% and part-time employees for 2.4 (2.3)% of all permanent employees. SSAB has employees in more than 50 countries, with 73 (73)% of employees located in Sweden and Finland, and 8 (8)% in the US.

Employees<sup>1)</sup>



<sup>1)</sup> Permanent employees at year end

NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT AND GENDER						
	2017		2016		2015	
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
<b>Women</b>	2,769	194	2,775	90	3,004	128
<b>Men</b>	12,156	588	12,205	275	13,041	415
<b>Total</b>	<b>14,925</b>	<b>782</b>	<b>14,980</b>	<b>365</b>	<b>16,045</b>	<b>543</b>

PERMANENT EMPLOYEES BY EMPLOYMENT CONTRACT TYPE AND GENDER						
	2017		2016		2015	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
<b>Women</b>	2,678	91	2,689	86	2,906	98
<b>Men</b>	11,883	273	11,949	256	12,697	344
<b>Total</b>	<b>14,561</b>	<b>364</b>	<b>14,638</b>	<b>342</b>	<b>15,603</b>	<b>442</b>

NUMBER OF EMPLOYEES AND MANAGERS BY GENDER <sup>1)</sup>						
	2017		2016		2015	
	Employees	Managers	Employees	Managers	Employees	Managers
<b>Women</b>	2,963	255	2,865	247	3,132	302
<b>Men</b>	12,744	1,210	12,480	1,214	13,456	1,381
<b>Total</b>	<b>15,707</b>	<b>1,465</b>	<b>15,345</b>	<b>1,461</b>	<b>16,588</b>	<b>1,683</b>

<sup>1)</sup> Permanent and temporary

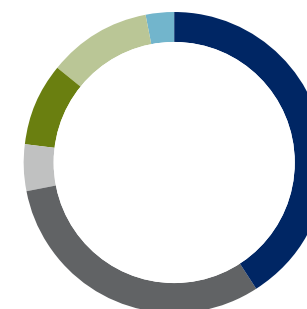
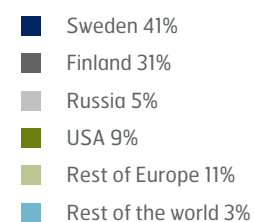
NUMBER OF EMPLOYEES BY REGION AND GENDER <sup>1)</sup>		2017	2016	2015
<b>Sweden</b>	Women	1,307	1,250	1,368
	Men	5,068	4,980	5,433
	Total	6,375	6,230	6,801
	% of total workforce	41%	41%	41%
<b>Finland</b>	Women	740	708	764
	Men	4,323	4,134	4,335
	Total	5,063	4,842	5,099
	% of total workforce	32%	32%	31%
<b>USA</b>	Women	162	158	157
	Men	1,150	1,143	1,153
	Total	1,312	1,301	1,310
	% of total workforce	8%	8%	8%
<b>Other Europe</b>	Women	649	653	745
	Men	1,894	1,919	2,218
	Total	2,543	2,572	2,963
	% of total workforce	16%	17%	18%
<b>Rest of the world</b>	Women	105	96	98
	Men	309	304	317
	Total	414	400	415
	% of total workforce	3%	3%	3%

<sup>1)</sup> Permanent and temporary

### 102-41 Collective bargaining agreements

The majority of SSAB's employees in Sweden and Finland are represented by labor unions (approximately 84% of the total number of employees). Other countries have different arrangements according to country-specific practices, traditions and labor legislation. SSAB respects its employees' right to organize in accordance with the legislation and provisions in each country in which it operates. SSAB provides channels for employees to engage in the company's activities and express their opinions. Local management in each country is responsible for creating opportunities for employee engagement. The company also encourages direct interaction between supervisors and their teams.

### Employees by region<sup>1)</sup>



<sup>1)</sup> Permanent employees at year end

## GRI 401: EMPLOYMENT

SSAB's ability to continue to maintain and grow its business as well as provide high-quality products to customers depends, to a large extent, on the contributions of its management and key personnel. SSAB's success also depends on its ability to attract, retain and motivate qualified employees throughout the organization.

## 401-1 New employee hires and employee turnover

In 2017, 1,011 (572) new employees joined SSAB and 1,050 (1,556) employees left the company for different reasons. Employee turnover in 2017 was 7.0 (10.1)%.

NEW EMPLOYEE HIRES	2017		2016		2015	
	Number of employees	% of total workforce	Number of employees	% of total workforce	Number of employees	% of total workforce
Total	1,011	6.7%	572	3.7%	695	4.2%
<30 years	430	2.9%	249	1.6%	346	2.1%
30–50 years	522	3.5%	269	1.7%	57	0.3%
>50 years	59	0.4%	54	0.3%	292	1.8%
Women	206	1.4%	107	0.7%	147	0.9%
Men	805	5.4%	465	3.0%	548	3.3%
Sweden	357	2.4%	155	1.0%	300	1.8%
Finland	291	1.9%	189	1.2%	147	0.9%
Russia	66	0.4%	30	0.2%	66	0.4%
USA	76	0.5%	58	0.4%	39	0.2%
Other Europe	182	1.2%	92	0.6%	113	0.7%
Rest of the world	39	0.3%	48	0.3%	30	0.2%

EMPLOYEE TURNOVER	2017		2016		2015	
	Number of employees who have left the company	% of total workforce <sup>1)</sup>	Number of employees who have left the company	% of total workforce <sup>1)</sup>	Number of employees who have left the company	% of total workforce <sup>1)</sup>
Total	1,050	7.0%	1,556	10.1%	1,537	9.4%
<30 years	97	0.6%	147	1.0%	206	1.3%
30–50 years	447	3.0%	663	4.3%	589	3.6%
>50 years	506	3.4%	746	4.8%	743	4.5%
Women	207	1.4%	323	2.1%	324	2.0%
Men	843	5.6%	1,233	8.0%	1,213	7.4%
Sweden	362	2.4%	620	4.0%	425	2.6%
Finland	286	1.9%	330	2.1%	489	3.0%
Russia	179	1.2%	337	2.2%	257	1.6%
USA	76	0.5%	53	0.3%	231	1.4%
Other Europe	108	0.7%	170	1.1%	50	0.3%
Rest of the world	39	0.3%	46	0.3%	85	0.5%

<sup>1)</sup> Permanent employees who have left the company/average number of permanent employees during the period



## GRI 403: OCCUPATIONAL HEALTH AND SAFETY

SSAB strives to be the safest steel company in the world, with an objective to achieve zero accidents, work-related injuries and illnesses. Ensuring a safe and healthy environment for SSAB's employees, contractors and visitors is the company's highest priority. The management approach of occupational health and safety is described in the Business Review on [pages 70–71](#).

### 403-1 Workers representation in formal joint management-worker health and safety committees

SSAB applies occupational health and safety programs as required by local legislation in each of the countries where it operates. Safety programs are normally developed by occupational health and safety committees consisting of representatives of the local management and employees. In Sweden and Finland, SSAB has health and safety committees at all workplaces where more than 50 employees are working on a regular basis. In the US, SSAB has a variety of safety committees, which provide employees an opportunity to participate in worker health and safety issues.

### 403-2 Types of injury and rates of injury, absenteeism, and number of work-related fatalities

SSAB's lost time injury frequency resulting in an absence of more than one day (LTIF) in 2017 was 5.6 (6.8). A total of 167 (202) injuries occurred for SSAB's employees and contractors.

SSAB's own employees' LTIF was 5.6 (6.6) and for contractors it was 6.4. In 2017, a total of 143 (172) injuries (LTIs) occurred for SSAB's employees and 24 (30) for contractors. The development in safety was positive for SSAB as a whole. However, safety performance varied from one division to another. SSAB Europe, SSAB Special Steels and Tibnor improved their safety performance, while performance declined in SSAB Americas and Ruukki Construction.

In April 2017, a Ruukki Construction worker was killed in an accident during the installation of steel beams in a ceiling structure at Norsk Hydro in Karmøy, Norway, where Ruukki Construction was working as a subcontractor. An investigation into the cause of the accident is ongoing.

TOTAL NUMBER OF INJURIES, LOST TIME INJURY FREQUENCY AND FATALITIES					
	2017			2016	2015
	Total	Men	Women		
<b>Total Lost Time Injury Frequency (LTIF)<sup>1)</sup></b>	5.6			6.7	6.3
Employees	5.6	6.3	2.4	6.7	6.2
Sweden	5.7	5.9	5	7.8	7.6
Finland	7.4	8.6	0	8.6	8.8
Russia	0.8	1.0	0	0.6	0.5
USA	2.5	2.9	0	2.2	2.6
Other Europe	5.2	6.2	1.7	4.7	2.3
Rest of the world	4.8	6.3	0	8.5	3.5
Contractors <sup>2) 3)</sup>	6.4				
Sweden	4.7				
Finland	12.2				
Russia	5.0				
USA	2.6				
Other Europe	0				
Rest of the world	0				
<b>Total number of injuries (LTIs)</b>	167			202	197
Employees	143	132	11	172	166
Contractors <sup>2)</sup>	24			30	31
<b>Total number of fatalities</b>	1	1	0	1	1
Employees	1	1	0	1	0
Contractors	0	0	0	0	1

<sup>1)</sup> Number of injuries resulting in an absence of more than one day per million working hours. Lost time injury (LTI) is any work-related injury, resulting in the employee not being able to return to work for the next calendar day.

<sup>2)</sup> The data broken down by gender is not available.

<sup>3)</sup> The breakdown of LTIF by region is available for contractors only for 2017.

### Causes of safety incidents

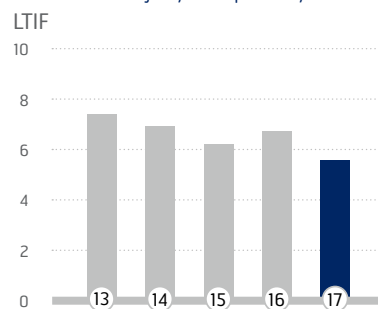
The following are the most common causes of safety incidents at SSAB and their respective preventative measures, in line with wordsteel's definitions:

- Moving machinery – Isolate, lock or pin all energy sources before any machinery is accessed.
- Falling from height – Provide regular training, appropriate harnessing equipment and ensure checks are in place when working at height.
- Falling objects – Ensure regular checks are in place to remove or secure objects in risk areas.
- Asphyxiation or gassing – Install sensors to test atmospheric conditions and provide training on evacuation plans in order to reduce risks of dangerous gases.
- Cranes – Perform daily checks before a crane is used to ensure safe and reliable operation.

### Safety observations

SSAB employees recorded numerous proactive safety observations, which help the company to reduce and eliminate risks in the work environment. In 2017, the safety observation frequency was 1,231 (1,073) per million working hours. A total of 31,646 (27,830) such observations were reported. The reporting and fast implementation of corrective actions is the most important tool toward SSAB's goal of becoming an accident-free working environment.

### Lost time injury frequency (LTIF)\*



\* Number of accidents resulting in an absence of more than one day per million working hours, own employees and contractors

TYPES OF INJURY: NUMBER OF INJURIES BY INJURY CATEGORY AND BY GENDER	2017	
	Employees	
	Men	Women
Lost time injury	132	11
Medical treatment case	178	18
First aid case / minor injury	524	140

TYPES OF INJURY: NUMBER OF INJURIES BY INJURY CATEGORY AND REGION	2017		
	Injury category		
	Lost time injury	Medical treatment case	First aid case / minor injury
Sweden	57	85	475
Finland	60	96	167
Russia	1	0	0
USA	7	5	29
Other Europe	14	8	20
Rest of the world	4	1	0

**Lost time injury (LTI):** Any work-related injury, resulting in the employee not being able to return to work for the next calendar day

**Medical treatment case:** Any work-related injury other than a fatality, a lost time injury, or a restricted work case, which is treated by a paramedic or a physician without loss of work time other than time of the shift on which it occurred, and the injured person continues with his normal scheduled work

**First aid case / minor injury:** Any injury that does not require any treatment beyond first aid. No restrictions or lost time. The treatment is not required by a professional licensed healthcare provider.

### Focus areas and main actions in safety management work during 2017 and in the coming years

The long-term work to improve safety continued throughout 2017 with many activities. In addition to continuous safety management procedures, the work included safety campaigns, safety culture assessments, feedback sessions and safety training. Special emphasis was given to safety management and leadership.

SSAB rolled out a new safety pledge starting in Borlänge, Sweden and SSAB Americas. The safety pledge is a commitment that SSAB employees make to themselves and to their colleagues to always put safety first at SSAB. In 2018, all SSAB employees are required to sign a safety pledge in which they commit to working safely. New hires who join SSAB in the future will also be asked to sign the safety pledge.

Normal safety audits and hazard assessments have continued to mitigate the risks of the main causes of serious incidents in the steel industry: cranes, working at heights, moving machinery, asphyxia, falling objects and lock out/tag out procedures. Risks also will be reduced by further improving information sharing about serious incidents within the company.

All divisions of SSAB run safety development programs. These programs focus on leadership, training and the involvement of all employees in observing risks and executing corrective and preventive actions. Safety work is also being enhanced by aiming to improve incident data collection and tracking, as well as by utilizing a more systematic approach to analyzing the root causes of incidents. Safety campaigns focusing on a particular risk area have been organized at different sites.

### Absentee rate

The absentee rate at SSAB in Sweden was for men 2.2% and for women 1.7%. In Finland the corresponding figures were 3.8% and 1.6%. Absentee rate information is only available for employees in Sweden and Finland.

ABSENTEE RATE, PERMANENT EMPLOYEES, %	2017	
	Men	Women
Sweden	2.2%	1.7%
Finland	3.8%	1.6%

**Absentee rate:** Measure of actual absentee days lost, expressed as a percentage of total days scheduled to be worked by workers for the same period  
Absentee rate is only available for Sweden and Finland.  
Absentee rate is not available for contractors.



## GRI 404: TRAINING AND EDUCATION

### 404-2 Programs for upgrading employee skills and transition assistance programs

SSAB's success largely depends on the dedication and skills of its employees, both as individuals and as part of a global team. To ensure both individual and company success, SSAB is committed to the constant development of its workforce.

New employees learn and advance through on-the-job training, mentoring, engaging in challenging work tasks and projects together with diverse teams, gaining experience and expanding their knowledge. All employees participate annually in performance dialogs with their managers to ensure continuous development and communication. These ongoing discussions provide a forum for mutual feedback, workload prioritization, greater understanding of strategic objectives and improved performance and engagement.

In addition, SSAB continually looks for opportunities to develop the skills and experience of talented employees. Managerial candidates are offered development opportunities through on-the-job learning such as challenging projects and tasks and meetings with senior management. SSAB also runs an internal mentoring program and participates in consortium programs with other global companies to develop strategic skills of talented managers. Other group-wide initiatives include the business ethics e-learning program, the business development program to expand participants' business skills and networks within the company, and a technical development trainee program which aims to help employees quickly learn technical knowledge about the business. For senior specialists, there is a Technical Specialist program to identify specialists within the company with key core competencies.

Regarding continuous learning and improvement, SSAB has training sessions to familiarize all employees with the SSAB One management philosophy and encourage them to apply company values and continuous improvement principles in their daily work. It is implemented through a train-the-

trainer concept: SSAB's managers involve their teams to SSAB One learning modules, each of which consists of a workshop, on-the-job learning and evaluation of progress. The aim is to continuously improve the work flow based on customer needs, and it involves all employees to participate in the improvement efforts. Over the coming years, SSAB's ambition is to successfully introduce all eight modules across all work teams within the organization.

As described above, SSAB invests in a few strategic development initiatives. However, much of the responsibility for training and education is at the divisional and local level, as each business unit has the best knowledge of their specific needs and circumstances. An example of a divisional program is a new managers' training, and local examples include introductory and orientation training for new employees, including topics such as health and safety, use of information technology, company policies and practices.

### 404-3 Percentage of employees receiving regular performance and career development reviews

Aligning individual performance with SSAB's strategic direction is a central element in being a high-performing organization. SSAB continuously reviews and aligns reward structures to ensure performance management processes are effectively supported. Clarity concerning objectives and performance expectations, as well as regular feedback, are key elements and enablers to effectively implement the business strategy and achieve results. Annual performance dialogs between employees and managers are a key element in following up on results, providing mutual feedback, discussing workplace culture and planning future performance and individual development. SSAB's target is for annual performance dialogs between managers and employees to occur with all employees with the recommendation of an additional mid-term review as well. According to our bi-annual global employee survey, Voice, the annual rate of performance dialogs conducted for all employees is 80%. For office workers, the annual rate of performance dialogs conducted in 2017 was 90 (91)%.



## GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

The management approach of diversity and equal opportunity is described in the Business Review on [pages 68–69](#).

## 405-1 Diversity of governance bodies and employees

PERCENTAGE OF INDIVIDUALS WITHIN THE ORGANIZATION'S GOVERNANCE BODIES IN THE DIVERSITY CATEGORIES GENDER AND AGE GROUP						
	2017		2016		2015	
	Board of Directors <sup>1)</sup>	Group Executive Committee	Board of Directors <sup>1)</sup>	Group Executive Committee	Board of Directors <sup>1)</sup>	Group Executive Committee
Total number	9	9	8	9	11	10
Women	33.3%	22.2%	37.5%	22%	18%	20%
Men	66.7%	77.8%	62.5%	78%	82%	80%
<30 years	0%	0%	0%	0%	0%	0%
30–50 years	11.1%	33.3%	12.5%	33%	18%	60%
>50 years	88.9%	66.7%	87.5%	67%	82%	40%

<sup>1)</sup> Alternate members (6) not included

PERCENTAGE OF TOTAL NUMBER OF EMPLOYEES PER EMPLOYEE CATEGORY AND DIVERSITY CATEGORIES GENDER AND AGE									
	2017			2016			2015		
	Front-line workers	Office employees	Total	Front-line workers	Office employees	Total	Front-line workers	Office employees	Total
Women	10%	33%	19%	10%	33%	19%	9%	33%	19%
Men	90%	67%	81%	90%	67%	81%	91%	67%	81%
<30 years	12%	5%	9%	12%	6%	10%	12%	6%	10%
30–50 years	52%	61%	56%	52%	61%	56%	53%	62%	56%
>50 years	36%	34%	35%	35%	33%	35%	35%	32%	34%



## GRI 414 - SUPPLIER SOCIAL ASSESSMENT

The management approach to this topic is reported in the Business Review section of this report. See [pages 74–77](#).

### 414-1 New suppliers that were screened using social criteria

SSAB systematically identifies the risks relating to our direct suppliers. SSAB does this by placing suppliers in various risk categories depending on the countries in which they operate. Classification is based on Maplecroft's Human Rights Risk Index and Transparency International's Corruption Perceptions Index. Classification in this way illustrates the risks relating to, for example, human rights, labor conditions and corruption. Suppliers who are placed in the medium- or high-risk group are required to complete a self-assessment questionnaire containing questions about their social conditions and environmental performance. Unsatisfactory answers are investigated.

During 2017, 80% of SSAB's total spend was sustainability assessed (classified/identified in terms of sustainability risks and self-assessment done). SSAB will also start to report on how many new suppliers were screened using social criteria. The Global Procurement Council will drive this project and collect the data necessary for SSAB to be able to fully report on this indicator by year-end 2018.

Sustainability risks differ from one country to another. During 2018, SSAB plans to evaluate human rights risks in countries where we have identified top spend suppliers. This data will be important when selecting suppliers for the annual audit plan. Supplier selection is based on a pre-evaluation of the supplier's social and environmental risk profile taking into consideration also geographic location and product category.

### Site visits and audits

SSAB conducts regular visits to major suppliers of input materials around the world, including high-risk suppliers. Suppliers selected for site visits and third party audits are identified in the annual audit plan. Supplier selection is based on many criteria, including a pre-evaluation of the supplier's social and environmental risk profile taking into consideration also geographic location and product category. On these visits, purchasers and specialist functions visit production sites and conduct supplier inspections. SSAB has on-site protocols in place and the procurement organization has been trained to evaluate information about the supplier's social and environmental performance gathered during site visits.

During 2017, SSAB conducted 40 site visits and audits to suppliers covering business strategy, quality issues and social and environmental performance. These suppliers provide SSAB with coal and coke, alloys, chemicals, production equipment and refractory materials. The suppliers are located in China, the USA, Germany, Czech Republic, Italy, the Netherlands, Sweden and Finland. One visit resulted in a supplier being rejected due to poor management of hazardous waste. A few visits revealed minor non-conformances primarily related to health and safety and working conditions. These observations will be followed up during future visits.

SSAB also conducted two third party sustainability audits in China during 2017. SSAB cooperates with a leading audit company that heads the audits accompanied by SSAB staff. The suppliers selected for audit have production located in high-risk countries in terms of human rights risk, labor rights and environmental impact. The audits revealed non-conformances primarily related to working hours and fire protection issues. These observations will be followed up with the suppliers concerned.



# GRI REPORT PROFILE

## REPORTING PRACTICE

SSAB's GRI Report 2017 is prepared in accordance with the GRI Standards: Core option. All of the sustainability disclosure requirements in the Swedish Annual Accounts Act are covered by the GRI Disclosures. The GRI index (on [page 142](#)) specifies where the disclosures are found in the Annual Report. SSAB's 2017 Annual Report consists of the Business review, Financial reports, GRI report and Corporate governance report. The GRI report is intended to be read together with the other sections of SSAB's 2017 Annual Report, which contain more information about SSAB's business, strategy, financial performance and corporate governance. The other sections include some of the GRI Disclosures.

The GRI report defines the scope and principles of SSAB's sustainability reporting, describes the selected material topics, topic boundaries and indicators. It includes the management approach of the selected material topics and information on the GRI Disclosures which are not reported elsewhere in the SSAB's 2017 Annual Report. The GRI content index at the end of this report specifies where the information for each topic and indicator can be found and explains any omissions to the reported data. The 2017 Annual Report also contains Communication on Progress (CoP) reporting to UN's Global Compact, where activities and results related to Global Compact's principles are reported.

The information disclosed in this report focuses on material information and data, whereas more comprehensive information about sustainability is available on SSAB's sustainability website. SSAB's 2017 Annual Report is published in English and Swedish in pdf format and is available on [SSAB's website](#).

## ASSURANCE OF REPORTING

This GRI Report has not been verified by an external party. PWC has checked that the disclosures required by the Swedish Annual Accounts Act on the disclosure of sustainability information are included in the Annual Report 2017. See [page 146](#) for the report from the auditor.

The data have been checked internally by comparing them with the data for previous years at both the site and corporate level. Any divergences have been analyzed.

## SCOPE OF DATA

The financial information describing economic responsibility in this report is based on SSAB's consolidated financial statements and is subject to audit. Unless otherwise stated, the financial data referred to in this report covers the whole SSAB Group.

Information about personnel (HR data) has been collected from the company's corporate-wide personnel information systems. Unless otherwise stated, the HR data referred to in this report covers the whole SSAB Group.

Reporting does not cover associated companies and joint ventures or subcontractors and suppliers of goods and services, unless otherwise stated.

Regarding environmental data, the following production sites are included in the environmental reporting scope in 2017, which form the material scope for reporting:

- SSAB Special Steels:
  - Oxelösund in Sweden
- SSAB Europe:
  - Luleå, Borlänge, Finspång and Virsbo in Sweden
  - Raabe, Hämeenlinna, Kankaanpää, Lappohja, Oulainen, Pulkkila, Toijala in Finland
- SSAB Americas:
  - Mobile in Alabama and Montpelier in Iowa, USA
- Ruukki Construction:
  - Peräseinäjoki and Ylivieska in Finland
  - Järnforsen in Sweden
  - Gargzdai in Lithuania and Oborniki in Poland
  - Obninsk and Balabanovo in Russia
- Tibnor:
  - Köping in Sweden

These sites cover the following operations: all steel mills, all rolling mills, all coating lines and all tube mills. Also cut-to-length (CTL) lines are included, if they are located at the sites mentioned on the list above.

## MATERIALITY ASSESSMENT

SSAB has conducted a materiality analysis to define its most relevant and material sustainability topics to define its sustainability strategy and targets, as well as the content of SSAB's GRI reporting.

The materiality analysis, which was last updated at the end of 2014, defined 12 topics that form the base for SSAB's sustainability strategy and work. These topics were divided into three sustainability focus areas: Sustainable offering, Sustainable operations and Responsible partner.

In 2017, SSAB updated the structure of sustainability focus areas and the objectives of the sustainability strategy adding objectives that better reflect our strategy and our stakeholders' expectations, and removed objectives that have already been achieved or are immaterial.

In 2017, the material topics for reporting were defined in compliance with the requirements of the new GRI Standards. The identified topics were included in SSAB's current materiality assessment, and no need was seen to update the materiality matrix.

### 102-46 Defining report content and topic Boundaries

Material topics were identified and prioritized in a process that involved external and internal stakeholders. The process is described briefly below.

#### INVENTORY AND MAPPING OF RELEVANT SUSTAINABILITY TOPICS AND IMPACTS

As a first step, SSAB conducted a background analysis to identify trends and global drivers. This analysis, combined with internal workshops, served to identify all relevant topics throughout SSAB's value chain, both upstream and downstream. Against the background of the value chain, relevant sub-activities and related sustainability impacts from an environmental, economic and social perspective were identified.

#### STAKEHOLDER DIALOG AND PRIORITIZATION OF MATERIAL TOPICS

As a second step, the topics identified in the background analysis were evaluated and ranked according to importance from the perspectives of both SSAB and external stakeholders. This was done through interviews with external stakeholders (customers, suppliers, investors, NGOs and industry associations) and an online survey with key external and internal stakeholders to further prioritize

the topics. The results of the dialog with internal and external stakeholders were then evaluated in workshops with internal experts, and confirmed by SSAB's Group Executive Committee.

As a result of the materiality assessment, SSAB identified the following topics as being material. Topics are structured in line with the 2017 changes to the sustainability focus areas.

#### SUSTAINABLE OFFERING

##### Potential of SSAB's products and solutions, including high-strength steels

There are significant environmental benefits to be gained when upgrading to high-strength steels. Since high-strength steels are stronger than ordinary steels, less steel is needed to produce a specific steel application. This reduces the CO<sub>2</sub> emissions from steel production. "Moving applications," such as vehicles, excavators and cranes made of high-strength steels, have less weight, which in turn cuts fuel consumption or increases their payload. Stronger steel also means extended product lifetime, thereby also reducing CO<sub>2</sub> emissions.

#### Customer satisfaction

Customer satisfaction is a measure of how products and services supplied by a company meet or exceed customer expectations. In a competitive marketplace, customer satisfaction is a key differentiator and key element of business strategy. Today, various aspects of sustainability – product lifecycle approach, material- and energy-efficient processes, and a responsible value chain – are increasingly important parameters impacting overall customer satisfaction.

#### SUSTAINABLE OPERATIONS

##### Emissions from steel production

Coke and coal are used in blast furnaces to reduce iron ore in the production of crude iron/hot metal. Today, with the current technology, it is impossible to produce steel without generating CO<sub>2</sub> emissions. The process, which has been used for centuries, has been continually developed and improved to become highly efficient, and the residual energy is recovered in the form of district heating and electricity production. Scrap-based steel production emits significantly less CO<sub>2</sub>. Since there is not enough scrap available for recycling to meet the demand for new steel, ore-based steel production using blast furnaces is still needed. Today, the scrap-based steel production meets 30% of the global demand for new steel.

### Energy efficiency

Energy efficiency is aimed at reducing the amount of energy required to produce products and provide services. Steel companies can reduce costs by finding alternative energy sources that create less emissions, by using less purchased energy and by feeding surplus energy into the grid. From a lifecycle perspective, this also creates positive effects and saves natural resources, thereby reducing CO<sub>2</sub> emissions.

### Material efficiency

Material efficiency means making more out of less material, resulting in increased efficiency in the use of natural resources. The production of iron and steel creates a range of residuals. Recirculating ferrous material back into the steelmaking process reduces the need for virgin raw materials. This, in turn, reduces CO<sub>2</sub> emissions and saves costs. Material that cannot be recirculated internally can be processed and sold externally to create new revenue streams while reducing CO<sub>2</sub> emissions by substituting natural resources in other industries. For example, blast furnace slag enables the cement industry to significantly reduce their CO<sub>2</sub> emissions. Increasing internal recirculation of residuals and external sales of by-products will lead to reduced waste and less material will be sent to landfill.

### Recycling

A critical element in reducing carbon emissions originating in the steel lifecycle is to optimize steel recycling. Steel is almost unique in its capacity to be infinitely recycled without loss of properties or performance. Steel is today the most recycled material in the world.

## RESPONSIBLE PARTNER

### Anti-corruption/Business ethics

In today's globalized world, anti-corruption and business ethics have become increasingly important for companies. Failure to address corruption, bribery and other issues related to business ethics will have negative impacts on the company's reputation and brand. Anti-corruption and business ethics at SSAB are governed by SSAB's Code of Conduct and the SSAB's governing document for anti-corruption.

### Health and safety

Steel production includes exposed and dangerous environments. This is why it is extremely important to have a strong focus on health and safety to minimize the risks of accidents. This responsibility encompasses company employees and contractors, as well as visitors to SSAB sites.

### Competence and leadership development

It is critical for a company to attract, develop and retain people with the right competencies and mindset. To do this, it is important to work actively with performance dialogs between managers and employees, management reviews and succession planning, leadership training programs, employee development programs, and diversity training and inclusion.

### Diversity

One of the most important challenges today is to engage, retain and attract employees with the right skill sets. The creation of a more diverse workforce with different competencies, experiences and backgrounds, and a workplace where everyone has equal opportunities, will lead to a stronger company culture and help to achieve better results.

### Labor/human rights in the supply chain

Today, companies are increasingly expected to take responsibility, not only for labor and human rights in their own operations, but also within their supply chain. This includes evaluating supplier risks and suppliers' ability to address labor and human rights, including no use of child or forced labor, a healthy and safe work environment, etc. Conducting risk assessments and supply chain monitoring through self-assessment questionnaires, audits and other follow-up systems are important tools, in addition to the SSAB Supplier Sustainability Policy.

## FINANCIAL AND OPERATIONAL PERFORMANCE

SSAB believes that managing its business in a sustainable way will increase SSAB's possibilities to deliver strong long-term financial and operational results. That is why financial and operational performance is not included in one of the three focus areas, but rather should be seen as the outcome of performing well in all three areas.

### 102-47 List of material topics

The material topics included in SSAB's 2017 reporting are based on the process described earlier and are in line with the three sustainability focus areas and the topics under each area. The GRI principles – stakeholder inclusiveness, sustainability context, materiality and completeness – were taken into consideration throughout the process. The topics related to each focus area are presented in the ascending table, which also defines the topic boundaries.

For reported indicators see GRI index on [the next page](#).

MATERIAL SUSTAINABILITY TOPIC DEFINED IN THE MATERIALITY ANALYSIS	MATERIAL TOPICS IN GRI STANDARDS	TOPIC BOUNDARIES
<b>Sustainable offering</b>		
Potential of SSAB's products and solutions, incl. high-strength steels	No relevant topic in GRI, reported in Business Review	SSAB Group, SSAB's customers
Customer satisfaction	No relevant topic in GRI, reported in Business Review	SSAB's customers
<b>Sustainable operations</b>		
Emissions from steel production	Emissions	SSAB's production sites
Energy efficiency	Energy	SSAB's production sites
Material efficiency	Materials, Effluents and waste	SSAB's production sites
Recycling	Materials, Effluents and waste	SSAB's production sites
<b>Responsible partner</b>		
Health & Safety	Occupational health and safety	SSAB Group, SSAB's contractors
Competence and leadership development	Employment Training and education	SSAB Group
Diversity	Diversity and equal opportunity	SSAB Group
Anti-corruption/Business ethics	Anti-corruption	SSAB Group, SSAB's suppliers and partners
Labor/human rights in the supply chain	Supplier social assessment	SSAB's suppliers



## GRI CONTENT INDEX

This report has been prepared in accordance with the GRI Standards: Core option. Topic-specific Standards are reported with respect to the material topics for SSAB. This table specifies where you will find more information on the GRI disclosures. All of the sustainability disclosure requirements in the Swedish Annual Accounts Act are covered by the GRI Disclosures and the table specifies where they are found in the Annual Report. The report also constitutes Communication on Progress (CoP) reporting to UN's Global Compact.

BR = Business review 2017

GRI = GRI report 2017

CGR = Corporate governance report 2017

FR = Financial reports 2017

Code	Description	Location in the report	Comments and omissions	Swedish Annual Accounts Act
<b>GRI 102: General standard disclosures</b>				
<b>Organizational profile</b>				
Disclosure 102-1	Name of the organization	See comments	SSAB AB	
Disclosure 102-2	Activities, brands, products, and services	<a href="#">BR 3–7, 26–53</a>		ÅRL 6:12 p.1 Business model
Disclosure 102-3	Location of headquarters	See comments	Stockholm	
Disclosure 102-4	Location of operations	<a href="#">BR 12</a>		
Disclosure 102-5	Ownership and legal form	See comments	SSAB AB is a public company. SSAB is listed on the Nasdaq Stockholm and Nasdaq Helsinki exchanges.	
Disclosure 102-6	Markets served	<a href="#">BR 12–13, 29–30, 33–34, 36–37, 39–40, 43</a>		
Disclosure 102-7	Scale of the organization	<a href="#">BR 3–5, 7, 12; FR 150</a>		
Disclosure 102-8	Information on employees and other workers	<a href="#">GRI 128–129</a>	SSAB does not hold information about external staff/contractors in its global reporting system.	ÅRL 6:12 Social matters including personnel
Disclosure 102-9	Supply chain	<a href="#">BR 7, 74–77; GRI 102–103</a>		
Disclosure 102-10	Significant changes to the organization and its supply chain	See comments	No significant changes during the reporting period.	
Disclosure 102-11	Precautionary Principle or approach	<a href="#">FR 162–169</a>		ÅRL 6:12 p.4 main risks p.5 risk mitigation
Disclosure 102-12	External initiatives	<a href="#">GRI 104</a>		
Disclosure 102-13	Membership of associations	<a href="#">GRI 109</a>		
<b>Strategy</b>				
Disclosure 102-14	Statement from senior decision-maker	<a href="#">BR 8–9</a>		
<b>Ethics and integrity</b>				
Disclosure 102-16	Values, principles, standards, and norms of behavior	<a href="#">BR 6, 64–65, GRI 104–106</a>		ÅRL 6:12, p.2 policy, Protection of human rights

Code	Description	Location in the report	Comments and omissions	Swedish Annual Accounts Act
<b>Governance structure</b>				
Disclosure 102-18	Governance structure	<a href="#">CGR</a>		
<b>Stakeholder engagement</b>				
Disclosure 102-40	List of stakeholder groups	<a href="#">GRI 107</a>		
Disclosure 102-41	Collective bargaining agreements	<a href="#">GRI 129</a>		
Disclosure 102-42	Identifying and selecting stakeholders	<a href="#">GRI 107</a>		
Disclosure 102-43	Approach to stakeholder engagement	<a href="#">GRI 107</a>		
Disclosure 102-44	Key topics and concerns raised	<a href="#">GRI 108–109</a>		
<b>Reporting practice</b>				
Disclosure 102-45	Entities included in the consolidated financial statements	<a href="#">FR 204–207</a>	The entities included in SSAB's Consolidated Financial Statements are listed in Note 8 to the Consolidated Financial Statements.	
Disclosure 102-46	Defining report content and topic boundaries	<a href="#">GRI 139–141</a>		
Disclosure 102-47	List of material topics	<a href="#">GRI 140–141</a>		
Disclosure 102-48	Restatements of information	See comments	No restatements	
Disclosure 102-49	Changes in reporting	See comments	No significant changes during the reporting period.	
Disclosure 102-50	Reporting period	See comments	January 1, 2017 – December 31, 2017	
Disclosure 102-51	Date of most recent report	See comments	March 13, 2017	
Disclosure 102-52	Reporting cycle	See comments	Annual	
Disclosure 102-53	Contact point for questions regarding the report	See comments	Liisa-Maija Seppänen, Investor Relations Manager: liisa-maija.seppanen@ssab.com	
Disclosure 102-54	Claims of reporting in accordance with the GRI Standards	<a href="#">GRI 138</a>		
Disclosure 102-55	GRI content index	<a href="#">GRI 142</a>		
Disclosure 102-56	External assurance	<a href="#">GRI 138, 146</a>		
<b>GRI 103: Management approach</b>				ÅRL 6:12
Disclosure 103-1	Explanation of the material topic and its boundary	<a href="#">GRI 139–141</a>		
Disclosure 103-2	The management approach and its components	<a href="#">BR 24–25, 64–66, 67–69, 70–71, 74–77, GRI 99–106, 114, 135</a>		
Disclosure 103-3	Evaluation of the management approach	<a href="#">GRI 105</a>		

Code	Description	Location in the report	Comments and omissions	Swedish Annual Accounts Act
<b>Topic specific content</b>				
Topic specific content is reported regarding topics identified as material.				
<b>ECONOMIC STANDARDS</b>				
<b>GRI 201: Economic performance</b>				
Disclosure 201-1	Direct economic value generated and distributed	<a href="#">GRI 110</a>	SSAB is currently unable to report on community investments (donations) at a Group level. The aim is to add this information to the reporting in the coming years.	
<b>GRI 205: Anti-corruption</b>				
Disclosure 205-2	Communication and training about anti-corruption policies and procedures	<a href="#">BR 65–66, GRI 111–112</a>		ÅRL 6:12 Anti-corruption
<b>ENVIRONMENTAL STANDARDS</b>				
<b>GRI 301: Materials</b>				
Disclosure 301-1	Materials used by weight or volume	<a href="#">GRI 115</a>		
Disclosure 301-2	Recycled input materials used	<a href="#">GRI 115–116</a>		ÅRL6:12 Environmental issues
<b>GRI 302: Energy</b>				
Disclosure 302-1	Energy consumption within the organization	<a href="#">GRI 119</a>		
Disclosure 302-3	Energy intensity	<a href="#">GRI 120</a>		
Disclosure 302-4	Reduction of energy consumption	<a href="#">GRI 120</a>		
<b>GRI 303: Water</b>				
Disclosure 303-1	Water withdrawal by source	<a href="#">GRI 121</a>		
<b>GRI 305: Emissions</b>				
Disclosure 305-1	Direct (Scope 1) GHG emissions	<a href="#">GRI 123</a>		
Disclosure 305-2	Energy indirect (Scope 2) GHG emissions	<a href="#">GRI 123</a>		
Disclosure 305-3	Other indirect (Scope 3) GHG emissions	<a href="#">GRI 124</a>		
Disclosure 305-4	GHG emissions intensity	<a href="#">GRI 124</a>		
Disclosure 305-5	Reduction of GHG emissions	<a href="#">GRI 125</a>		
Disclosure 305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	<a href="#">GRI 125–126</a>		

Code	Description	Location in the report	Comments and omissions	Swedish Annual Accounts Act
<b>GRI 306: Effluents and waste</b>				
Disclosure 306-2	Waste by type and disposal method	<a href="#">GRI 117</a>	At Group level information on disposal methods is not available.	
<b>SOCIAL STANDARDS</b>				
<b>GRI 401: Employment</b>				
Disclosure 401-1	New employee hires and employee turnover	<a href="#">GRI 130–131</a>		
<b>GRI 403: Occupational health and safety</b>				
Disclosure 403-1	Workers representation in formal joint management–worker health and safety committees	<a href="#">GRI 132</a>		
Disclosure 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<a href="#">GRI 133–134</a>	Partly reported. Data on occupational diseases, lost days and absence rate is not available for the whole group at the moment. The aim is to add this information to the reporting in the coming years.	
<b>GRI 404: Training and education</b>				
Disclosure 404-2	Programs for upgrading employee skills and transition assistance programs	<a href="#">GRI 135</a>		
Disclosure 404-3	Percentage of employees receiving regular performance and career development reviews	<a href="#">GRI 135</a>		
<b>GRI 405: Diversity and equal opportunity</b>				
Disclosure 405-1	Diversity of governance bodies and employees	<a href="#">GRI 136, CGR 85</a>		
<b>GRI 414: Supplier social assessment</b>				
Disclosure 414-1	New suppliers that were screened using social criteria	<a href="#">GRI 137</a>	SSAB is currently unable to report about this indicator according to GRI guidelines. The aim is to report this indicator in 2018. However, SSAB reports about the policies applied in the work with suppliers as well as the processes in place to identify and evaluate risks related to suppliers and their responsibility performance.	ÅRL 6:12, p.2 policy, Protection of human rights

Swedish Annual Accounts Act

ÅRL 6:12  
Social matters including  
personnelÅRL 6:12, p.2 policy,  
Protection of human rights

## AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in SSAB AB (publ) AB,  
corporate identity number 556016-3429

### ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 and that it has been prepared in accordance with the Annual Accounts Act.

### THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

### OPINION

A statutory sustainability report has been prepared.

Stockholm 12 March 2018

**Magnus Svensson Henryson**

Authorized Public Accountant





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The Financial Reports 2017 is published in Swedish and English. In the event of any differences between the English translation and the Swedish original, the Swedish Financial Reports 2017 shall prevail.

## BOARD OF DIRECTORS' REPORT

SSAB AB (publ) Registration number 556016-3429

- Sales were SEK 66,059 (55,354) million
- Operating profit before depreciation/amortization was SEK 7,591 (4,951) million
- Operating profit was SEK 3,838 (1,213) million
- The result after financial items was SEK 2,863 (324) million
- Earnings per share were SEK 2.23 (1.04)
- Operating cash flow was SEK 6,511 (3,207) million
- Net debt/equity ratio was 22 (34)%
- The Board proposes a dividend of SEK 1.00 per share

### Key figures

SEK millions	2017	2016
	Full year	Full year
Sales	66,059	55,354
Operating profit before depreciation/amortization, EBITDA	7,591	4,951
Operating profit	3,838	1,213
Profit after financial items	2,863	324
Profit after tax	2,311	943
Earnings per share (SEK) <sup>1)</sup>	2.23	1.04
Operating cash flow	6,511	3,207
Net debt/equity ratio (%)	22	34

<sup>1)</sup> Earnings per share for the full year 2016 have been adjusted to reflect the bonus element in the rights issue completed during the second quarter of 2016.

### THE MARKET

According to the World Steel Association (WSA), global crude steel production for 2017 was 1,675 (1,587) million tonnes, up 5.5% compared with 2016. Chinese steel production increased by 6% during 2017. However, the actual increase of steel production is estimated to be clearly below 6%, because some production has moved from illegal capacity (that has been shut down), to steel mills that are included in the official statistics. In the EU-28, production rose by slightly more than 4%, whereas production in North America was up by almost 5% during 2017.

In North America, demand was weak early on in the fourth quarter, but improved as the quarter progressed.

Demand increased especially from distributors, whose stock levels were low during the quarter. No decision has yet been taken regarding the Section 232 steel investigation (which could result in further import duties on the grounds of USA security) and there is continued prevailing uncertainty as to if and when further duties or quotas on imported steel could be introduced. In Europe, demand during the fourth quarter continued to be good, however with a certain usual seasonal slowdown towards the end of the quarter. Stock levels at distributors in Europe are considered to be in balance.

Taking the year as a whole, demand in North America was volatile, with a strong start to the year followed by a sharp mid-year slowdown. This was followed by a period of weak demand, which subsequently improved towards the end of the year. Demand in Europe was considerably more stable throughout the year, with slight demand growth.

In North America, market prices for heavy plate decreased somewhat early on in the fourth quarter, but rose sharply during the second half of the quarter. In Europe, market prices for strip were stable during the fourth quarter, but decreased for heavy plate. In China, market prices for both strip and heavy plate rose during the quarter.

### RAW MATERIALS

SSAB sources its iron ore from LKAB in Sweden and from Severstal in Russia. The agreement with LKAB runs from April 1, 2017 until March 31, 2018 and prices are fixed monthly. The agreement with Severstal runs from October 1, 2015 until September 30, 2018 and prices are fixed monthly. Purchase prices for the full year 2017 were 29% higher in terms of USD and 30% higher in SEK compared with the full year 2016.

SSAB sources coking coal from Australia, the USA, Canada and Russia. The average coal price for the full year 2017 was 54% higher in terms of USD and 52% higher in SEK compared with the full year 2016.

The US operations regularly purchase scrap metal as a raw material for their production. Spot prices were 8% higher in terms of USD at the end of the fourth quarter of 2017 compared with the end of the fourth quarter of 2016.

The graphite electrode market was turbulent during the second half of 2017 and prices rose sharply. This mostly impacts electric arc furnace steel production. Similarly, very strong upward price trend seen in the market for refractory material (magnesite) during 2017 impacted on the costs of steelmaking irrespective of the method used. SSAB has secured access to graphite electrodes and refractory material until the end of 2018 through agreements with several suppliers.

## ITEMS AFFECTING COMPARABILITY INCLUDED IN THE RESULT

In 2017, no items affecting comparability were included in earnings, while for 2016 they amounted to SEK -62 million. Specification of items affecting comparability is shown in the table below.

## Specification of items affecting comparability

SEK millions	2017	2016
	Full year	Full year
<b>Operating expenses</b>		
Costs related to Ruukki Construction savings program	-	-79
<b>Effect on operating profit</b>	-	<b>-79</b>
<b>Taxes</b>		
Tax effects	-	17
<b>Effect on profit after tax</b>	-	<b>-62</b>

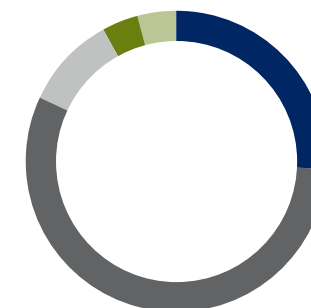
## Share of external sales 2017

- SSAB Special Steels 22%
- SSAB Europe 42%
- SSAB Americas 17%
- Tibnor 11%
- Ruukki Construction 8%



## Share of EBITDA 2017

- SSAB Special Steels 26%
- SSAB Europe 56%
- SSAB Americas 10%
- Tibnor 4%
- Ruukki Construction 4%



### SHIPMENTS AND PRODUCTION

SSAB's steel shipments during the full year 2017 were 6,908 (6,652) thousand tonnes, up 4% compared with the full year 2016.

Crude steel production for the full year 2017 was at the same level as for the full year 2016, whereas rolling production was up 3% compared with the full year 2016.

### SALES

Sales for the full year 2017 amounted to SEK 66,059 (55,354) million, up 19% compared with the full year 2016. Higher prices had a positive impact of 14 percentage points, higher volumes of 4 percentage points, a better product mix of 1 percentage point and other sales of 1 percentage point, whereas currency effects had a negative impact of 1 percentage point.

#### Net sales per market

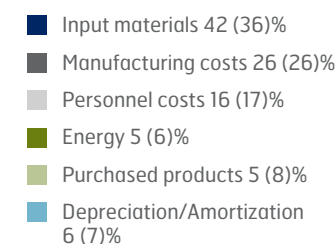
SEK millions	2017	Share, %	2016	Share, %
USA	15,229	23	13,071	24
Sweden	11,323	17	9,461	17
Finland	6,864	10	6,258	11
Germany	3,439	5	3,229	6
Norway	2,793	4	2,727	5
Other	26,411	41	20,608	37
<b>Total</b>	<b>66,059</b>	<b>100</b>	<b>55,354</b>	<b>100</b>

### EARNINGS

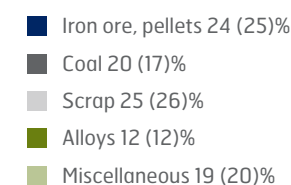
Operating profit for the full year 2017 amounted to SEK 3,838 (1,213) million, up SEK 2,625 million compared with the full year 2016. Improved earnings were primarily due to higher prices (SEK 6,300m) and higher volumes (SEK 800m), whereas higher variable costs (SEK 4,500m), primarily from raw materials, had a negative impact on earnings.

Financial items for the full year 2017 amounted to SEK -976 (-889) million and the result after financial items amounted to SEK 2,863 (324) million.

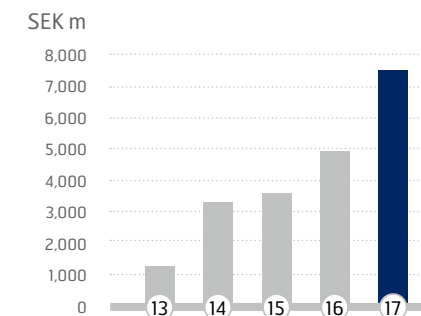
### The Group's cost structure, SEK 63.3 (54.6) bn



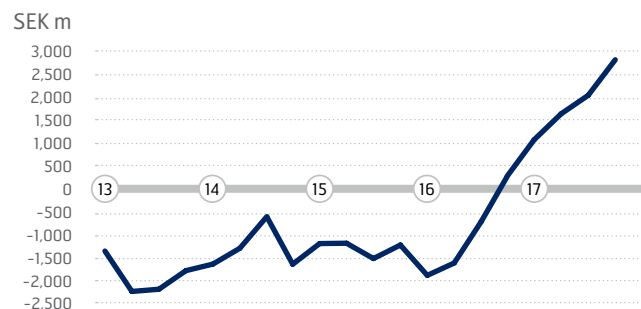
### Input materials, SEK 26.8 (19.7) bn



### EBITDA



## Profit/loss after financial items



— Rolling four quarters (including items affecting comparability)

## PROFIT AFTER TAX AND EARNINGS PER SHARE

Profit after tax (attributable to shareholders) for the full year 2017 amounted to SEK 2,295 (937) million, equating to SEK 2.23 (1.04) per share. Tax for the full year 2017 was SEK -552 (619) million.

## CASH FLOW, FINANCING AND LIQUIDITY

Operating cash flow for the full year 2017 amounted to SEK 6,511 (3,207) million. Cash flow was positively impacted primarily by operating profit and by somewhat lower working capital.

Net cash flow amounted to SEK 5,068 (6,875) million. Net cash flow was affected, among other things, by payments for strategic expenditures, including acquisitions of operations and businesses of SEK 248 (319) million. Total capital expenditure was SEK 1,614 (1,372) million. During 2016, cash flow was impacted by proceeds of SEK 4,907 million from the rights issue. Net debt decreased by SEK 6,313 million during the full year 2017 and at December 31 amounted to SEK 11,574 million. The net debt/equity ratio was slightly below 22 (34)%.

The term to maturity of the total loan portfolio at December 31 averaged 5.5 (5.1) years, with an average fixed interest period of 1.1 (0.8) years.

Cash and cash equivalents were SEK 4,249 (3,879) million and non-utilized credit facilities were SEK 8,263 (7,096) million, which combined corresponds to 19 (20)% of rolling 12 months' sales.

## Operational cash flow and net debt

	2017	2016
SEK millions	Full year	Full year
Operating profit before depreciation/amortization	7,591	4,951
Change in working capital	303	-661
Maintenance expenditures	-1,366	-1,053
Other	-17	-30
<b>Operating cash flow</b>	<b>6,511</b>	<b>3,207</b>
Financial items	-943	-994
Taxes	-249	80
<b>Cash flow from current operations</b>	<b>5,319</b>	<b>2,293</b>
Strategic capital expenditures in plants and machinery	-237	-273
Acquisitions of shares and operations	-11	-46
Divestments of shares and operations	1	-
<b>Cash flow before dividend</b>	<b>5,072</b>	<b>1,974</b>
Dividend to the Parent Company's shareholders	-	-
Rights issue	-	4,907
Dividend to non-controlling interest	-4	-6
<b>Net cash flow</b>	<b>5,068</b>	<b>6,875</b>
<b>Net debt at beginning of period</b>	<b>-17,887</b>	<b>-23,156</b>
Net cash flow	5,068	6,875
Revaluation of liabilities against equity <sup>1)</sup>	1,286	-1,342
Other <sup>2)</sup>	-41	-264
<b>Net debt at end of period</b>	<b>-11,574</b>	<b>-17,887</b>

<sup>1)</sup> Revaluation of hedging of currency risks in foreign operations

<sup>2)</sup> Mainly consisting of cash flow effects on derivative instruments and revaluation of other financial instruments in foreign currency



## RETURN ON CAPITAL EMPLOYED/EQUITY

Return on capital employed before tax and return on equity after tax for the whole year were 6% and 4% respectively, whereas figures for the full year 2016 were both 2%.

## EQUITY

With earnings of SEK 2,295 million and other comprehensive income (mostly consisting of translation differences) of SEK -1,955 million, shareholders' equity in the company amounted to SEK 53,231 (52,891) million, equating to SEK 51.69 (51.36) per share.

## MAINTENANCE OUTAGES IN 2017

The table below shows the impact on earnings of all major planned maintenance outages during 2017. The impact on earnings comprises the direct maintenance cost and the cost of lower capacity utilization (underabsorption), but excludes lost margins.

## Major maintenance outages in 2017

SEK millions	2017 Q 1	2017 Q 2	2017 Q 3	2017 Q 4	2017 Full year	2016 Full year
SSAB Special Steels	-	-	230	-	230	250
SSAB Europe	20	50	125	195	390	300
SSAB Americas	160	230	-	-	390	290
<b>Total</b>	<b>180</b>	<b>280</b>	<b>355</b>	<b>195</b>	<b>1,010</b>	840

## ASSETS WITH UNDETERMINABLE USEFUL LIFE

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

SEK millions	2017 Dec. 31	2016 Dec. 31
<b>Goodwill</b>		
SSAB North America (incl. in the SSAB Americas division)	22,408	24,741
SSAB Special Steels	2,714	2,636
SSAB Europe	2,046	1,985
Tibnor	502	487
Ruukki Construction	60	60
<b>Total goodwill</b>	<b>27,730</b>	<b>29,909</b>
Ruukki Construction (tradenam Rautaruukki)	440	427
<b>Total assets with undeterminable useful life<sup>1)</sup></b>	<b>28,170</b>	<b>30,336</b>

<sup>1)</sup> All changes in value compared with the previous year are due to currency effects.

Goodwill is tested for impairment each year towards the end of the fourth quarter. The impairment test showed no need for an impairment charge. For additional information, see [Note 6](#).

## DIVIDEND AND ALLOCATION OF PROFIT

A dividend is proposed of SEK 1.00 (0.00) per share. Consideration relating to proposed allocation of profit in [Note 31](#) and Proposed allocation of profit on [page 233](#) is part of the Board of Director's Report.

## BUSINESS SEGMENTS

The Group is organized into five business segments, with a clear profit responsibility. The business segments consist of the three steel divisions; SSAB Special Steels, SSAB Europe and SSAB Americas as well as the fully owned subsidiaries; Tibnor and Ruukki Construction. Tibnor and Ruukki Construction are operated as independent subsidiaries by their respective Boards and act at arm's length in relation to SSAB.

### SSAB Special Steels

SSAB Special Steels has global responsibility for the marketing and sales of all SSAB's quenched and tempered steels (Q&T) and hot-rolled, advanced high-strength steels with yield strengths of 700 MPa and above. SSAB Special Steels is responsible for steel and rolling production in Oxelösund (Sweden), and for sales of the above products produced in Mobile (USA), Raahe (Finland) and Borlänge (Sweden). When SSAB Special Steels sells steels made by another division, the revenue is reported by SSAB Special Steels and the accounts are settled between the divisions at the cost of goods sold.

### SSAB Europe

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

### SSAB Americas

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

### Tibnor

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

### Ruukki Construction

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

## Net sales per business segment

	2017	2016
SEK millions	Full year	Full year
SSAB Special Steels	16,053	12,582
SSAB Europe	31,048	25,831
SSAB Americas	12,727	10,639
Tibnor	7,821	6,879
Ruukki Construction	5,773	5,304
Other, incl. Group adjustments	-7,363	-5,881
<b>Total</b>	<b>66,059</b>	<b>55,354</b>

## Operating profit before depreciation/amortization (EBITDA) per division

	2017	2016
SEK millions	Full year	Full year
SSAB Special Steels	2,002	1,453
SSAB Europe	4,405	2,458
SSAB Americas	818	737
Tibnor	334	191
Ruukki Construction	307	322
Other, incl. Group adjustments	-275	-210
<b>Total</b>	<b>7,591</b>	<b>4,951</b>

## Operating profit before depreciation/amortization (EBITDA)

	2017	2016
SEK millions	Full year	Full year
Operating profit/loss	3,838	1,213
Depreciation & impairment	3,753	3,738
<b>Operating profit before depreciation/amortization (EBITDA)</b>	<b>7,591</b>	<b>4,951</b>

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

SEK millions	1/15	2/15	3/15	4/15	1/16	2/16	3/16	4/16	1/17	2/17	3/17	4/17
SSAB Special Steels	-	-	-	-	-	-27	-	-	-	-	-	-
SSAB Europe	-2	-2	-	-95	-	-49	-	-	-	-	-	-
SSAB Americas	-	-	-	-	-	-	-	-	-	-	-	-
Tibnor	-20	-4	-	112	-3	-	-	-	-	-	-	-
Ruukki Construction	-2	-4	-	-93	-	-	-	-	-	-	-	-
Other	-6	1	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-30</b>	<b>-9</b>	<b>-</b>	<b>-76</b>	<b>-3</b>	<b>-76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Items affecting comparability relate mainly to restructuring costs related to synergies in the acquisition of Rautaruukki, amounting SEK 79 million for 2016 and SEK 135 million for 2015. In 2015 there was also a capital gain on real estate sale amounting to SEK 122 million.

The information about the business segments below excludes depreciation/amortization on surplus values on tangible and intangible assets relating to the acquisitions of IPSCO and Rautaruukki. For information about the IFRS figures (including depreciation/amortization on surplus values), see [Note 27](#).

### SSAB SPECIAL STEELS

#### Key numbers

	2017	2016
SEK millions	Full year	Full year
Sales	16,053	12,582
Operating profit before depreciation/amortization, EBITDA	2,002	1,453
Operating profit	1,465	902
Operating cash flow	909	437
Number of employees at end of period	2,834	2,772

Demand during the full year 2017 increased compared with the full year 2016, primarily from the Mining, Heavy Transport and Construction Machinery segments.

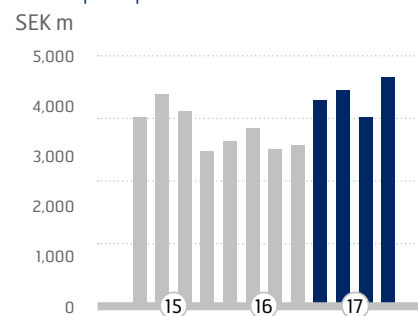
External shipments for the full year 2017 were 1,192 (1,008) thousand tonnes, up 18%.

Crude steel production during the full year 2017 was 956 (975) thousand tonnes, down 2% compared with the full year 2016.

Rolling production for the full year 2017 was at the same level as for the full year 2016.

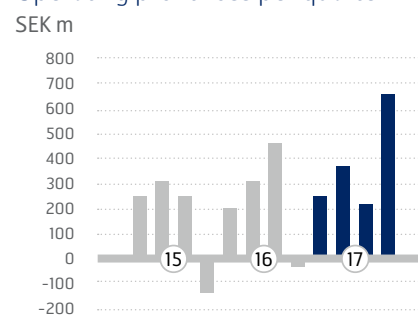
Sales for the full year 2017 were SEK 16,053 (12,582) million, up 28% compared with the full year 2016. Higher volumes had a positive impact of 18 percentage points, higher other sales had a positive impact of 7 percentage points and higher prices of 5 percentage points, whereas a weaker product mix and currency effects each had a negative impact of 1 percentage point.

### Sales per quarter



Operating profit for the full year 2017 was SEK 1,465 (902) million, up SEK 563 million compared with the full year 2016. Improved earnings were primarily due to higher volumes and prices, the impact of which was counteracted by higher variable costs.

### Operating profit/loss per quarter



Excluding items affecting comparability

Operating cash flow for the full year 2017 was SEK 909 (437) million. Cash flow was positively impacted primarily by operating profit for the full year 2017. However, this positive impact was counteracted by higher working capital, primarily as a result of higher stocks and higher accounts receivable due to higher sales.

Capital expenditure payments during the full year 2017 were SEK 374 (275) million, of which SEK 23 (25) million were strategic investments.

## SSAB EUROPE

## Key numbers

SEK millions	2017	2016
	Full year	Full year
Sales	31,048	25,831
Operating profit before depreciation/amortization, EBITDA	4,405	2,458
Operating profit <sup>1)</sup>	2,988	1,000
Operating cash flow	3,782	2,113
Number of employees at end of period	6,798	6,851

<sup>1)</sup> Excluding depreciation/amortization on surplus values on tangible and intangible asset related to the acquisition of Rautaruuki. Depreciation/amortization on surplus values was SEK 214 (211) million during 2017.

Demand for the full year 2017 was good, with demand growth primarily in the Automotive segment, which was an important contributory factor why the share of premium products increased to 32 (30)% of sales.

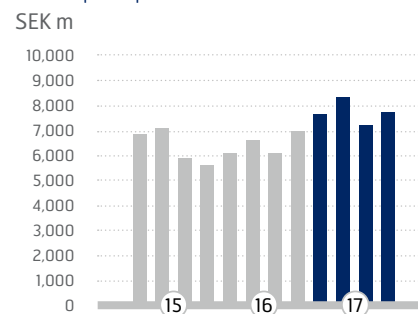
External shipments for the full year 2017 were 3,745 (3,720) thousand tonnes, up 1%.

Crude steel production for the full year 2017 was 4,599 (4,681) thousand tonnes, down 2% compared with the full year 2016.

Rolling production for the full year 2017 was up 4% compared with the full year 2016.

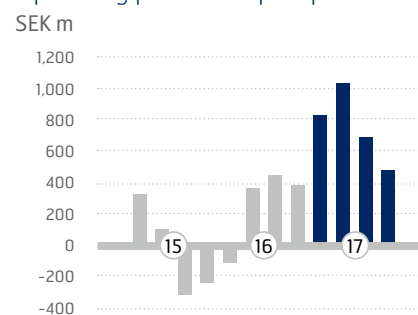
Sales for the full year 2017 were SEK 31,048 (25,831) million, up 20% compared with the full year 2016. Higher prices had a positive impact of 20 percentage points, higher volumes and a better product mix each had a positive impact of 1 percentage point, whereas currency effects and other sales each had a negative impact of 1 percentage point.

## Sales per quarter



Operating profit for the full year 2017 was SEK 2,988 (1,000) million, up SEK 1,988 million compared with the full year 2016. Improved earnings were primarily due to higher prices, including a better product mix, the impact of which was counteracted by higher variable and fixed costs.

## Operating profit/loss per quarter



Excluding items affecting comparability

Operating cash flow for the full year 2017 was SEK 3,782 (2,113) million. Cash flow was impacted positively by operating profit and lower working capital.

Capital expenditure payments during the full year 2017 were SEK 859 (687) million, of which SEK 137 (127) million were strategic investments.



## SSAB AMERICAS

## Key numbers

	2017	2016
SEK millions	Full year	Full year
Sales	12,727	10,639
Operating profit before depreciation/amortization, EBITDA	818	737
Operating profit <sup>1)</sup>	183	110
Operating cash flow	1,166	426
Number of employees at end of period	1,228	1,222

<sup>1)</sup> Excluding the depreciation/amortization on surplus values on tangible and intangible assets related to the acquisition of IPSCO. Depreciation/amortization on surplus values was SEK 713 (636) million during 2017.

Compared with the full year 2016, demand increased during 2017 in the Energy and Construction Machinery segments.

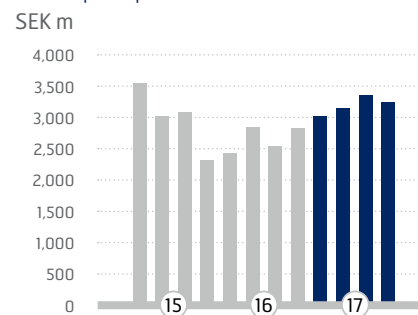
External shipments of steel for the full year 2017 were up 2% at 1,971 (1,924) thousand tonnes.

Crude steel production for the full year 2017 was up 5% at 2,440 (2,331) thousand tonnes compared with the full year 2016.

Rolling production for the full year 2017 was up 4% compared with the full year 2016.

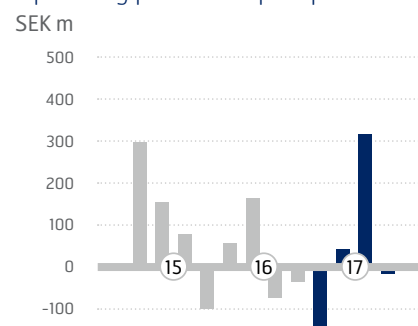
Sales for the full year 2017 were SEK 12,727 (10,639) million, up 20% compared with the full year 2016. Higher prices had a positive impact of 16 percentage points, other sales and higher volumes each had a positive impact of 2 percentage points.

## Sales per quarter



Operating profit for the full year 2017 was SEK 183 (110) million, up SEK 73 million compared to the full year 2016. Improved earnings were primarily due to higher prices, the impact of which was counteracted by higher variable costs.

## Operating profit/loss per quarter



Operating cash flow for the full year 2017 was SEK 1,166 (426) million. Cash flow was impacted positively by operating profit and by lower working capital.

Capital expenditure payments during the full year 2017 were SEK 212 (218) million, of which SEK 8 (55) million were strategic investments.

## TIBNOR

## Key numbers

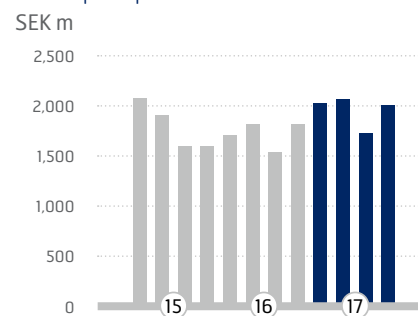
	2017	2016
SEK millions	Full year	Full year
Sales	7,821	6,879
Operating profit before depreciation/amortization, EBITDA	334	191
Operating profit <sup>1)</sup>	252	106
Operating cash flow	472	191
Number of employees at end of period	1,091	1,137

<sup>1)</sup> Excluding depreciation/amortization on surplus values on tangible and intangible assets related to the acquisition of Rautaruukki. Depreciation/amortization on surplus values was SEK 23 (23) million during 2017.

Total shipments for the full year 2017 were up 1% compared with the full year 2016. The Rebar Products and Tubes segments grew during the year, but the impact of this was counteracted by lower shipments in the other segments.

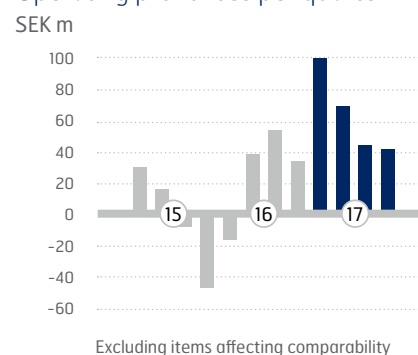
Sales for the full year 2017 were SEK 7,821 (6,879) million, up 14% compared with the full year 2016. This was primarily due to higher prices and somewhat higher volumes.

## Sales per quarter



Operating profit for the full year 2017 was SEK 252 (106) million, up SEK 146 million compared with the full year 2016. Improved earnings were primarily due to better margins.

## Operating profit/loss per quarter



Operating cash flow for the full year 2017 was SEK 472 (191) million. Cash flow was impacted positively by operating profit and by lower working capital.

Capital expenditure payments during the full year 2017 were SEK 63 (51) million, of which SEK 31 (26) million were strategic investments.

## RUUKKI CONSTRUCTION

## Key numbers

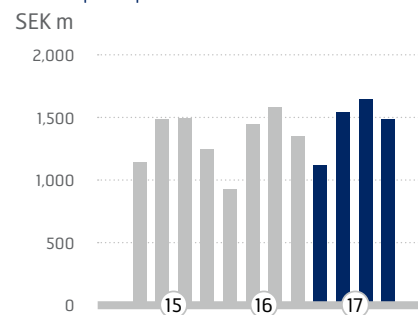
	2017	2016
SEK millions	Full year	Full year
Sales	5,773	5,304
Operating profit before depreciation/amortization, EBITDA	307	322
Operating profit <sup>1)</sup>	171	171
Operating cash flow	340	243
Number of employees at end of period	2,502	2,543

<sup>1)</sup> Excluding depreciation/amortization on surplus values on tangible and intangible assets related to the acquisition of Rautaruukki. Depreciation/amortization on surplus values was SEK -29 (-29) million during 2017.

Except for Russia and Ukraine, demand increased in all markets in the full year 2017 compared with the full year 2016.

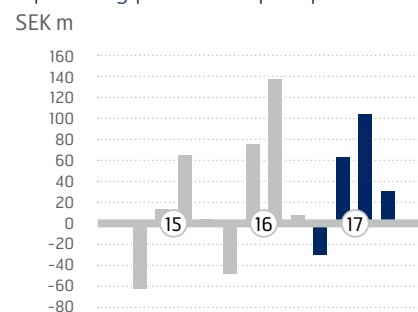
Sales for the full year 2017 were SEK 5,773 (5,304) million, up 9% compared with the full year 2016. This was primarily due to higher sales in the Building Components segment.

## Sales per quarter



Operating profit for the full year 2017 was SEK 171 (171) million, unchanged compared with the full year 2016. Higher prices and volumes had a positive impact on earnings, but the impact of this was counteracted by higher variable and fixed costs.

## Operating profit/loss per quarter



Excluding items affecting comparability

Operating cash flow for the full year 2017 was SEK 340 (243) million. Cash flow was impacted positively by operating profit and by lower working capital due to lower stocks and accounts receivable.

Capital expenditure payments during the full year 2017 were SEK 65 (114) million, of which SEK 39 (87) million were strategic investments.

## CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT

## Capital expenditures

Capital expenditure payments during the full year were SEK 1,614 (1,372) million, of which SEK 248 (319) million were strategic investments, including acquisitions of businesses and operations.

## Research and development

Research and development activities are focusing on areas that aim at increasing the profitability of SSAB. Close collaboration with strategic customers and customer segments providing conditions for a market-driven product development that creates increased value also for the end-customers. This is particularly evident for SSAB's high-strength steels, where also technical customer support is an important part of research and development. Continuous work is also carried out with the development of the processes for increased cost efficiency, sustainable processes and energy conservation.

During 2017, SSAB has updated the definition of Research and Development and thus which internal resources actually work with research and development within the Group. This should not be interpreted as an actual cost base, but a more fair view.

During the year, research and development investments amounted to SEK 343 (280) million.

## ENVIRONMENT

Steel production is energy intensive and generates carbon dioxide emissions. In Sweden and Finland, SSAB's blast furnaces are among the largest sources of carbon dioxide emissions in each country. At the same time, SSAB's blast furnaces are among the most efficient in the world in terms of minimizing emissions from steel production. The impact on the local environment in the vicinity of SSAB's plants has decreased significantly in recent decades. Technical development and increasingly stringent external demands dictate constant improvements in the operations.

The most important environmental aspects for SSAB are:

- Air emissions reductions of carbon dioxide, nitrogen oxides, sulfur oxides and particulate matter
- Water effluent reductions of nitrogen and suspended substances
- Efficient use of raw materials and energy
- Landfill waste minimization

Permitted production at the Swedish plants<sup>1)</sup>

Thousand tonnes	Locality	Permitted production	Production 2017	Production 2016
Coke	Luleå	800	709	681
	Oxelösund	530	369	414
Hot metal	Luleå	- <sup>2)</sup>	2,196	2 186
	Oxelösund	2,000	915	905
Steel slabs	Luleå	2,500	2,069	2 063
	Oxelösund	1,900	888	910
Hot-rolled steel	Borlänge	3,200	2,246	2 139
	Oxelösund <sup>3)</sup>	1,000	517	535
Pickled steel	Borlänge	2,500	1,293	1 332
Cold-rolled steel	Borlänge	1,400	652	683
Annealed steel	Borlänge	900	607	586
Metal-coated steel	Borlänge	400	-	38
Organic-coated products	Köping	30	17	15
	Finspång <sup>4)</sup>	40	31	33
Tubes	Virso	125	11	13

<sup>1)</sup> In North Americas, the permitted production levels are determined through maximum permitted hourly production volumes and for Finnish sites there are no limits on production.

<sup>2)</sup> Not regulated

<sup>3)</sup> Delivery of plate

<sup>4)</sup> Unit million m<sup>2</sup>

SSAB's operations are subject to environmental permits with hundreds of environmental conditions governing among other production levels, emissions into the air and water, noise levels, and rules regarding landfill sites.

## PERSONNEL

At year-end 2017, the number of employees (excluding temporary employees) amounted to 14,925 (14,980). The total compensation to employees including social security expenses and pension cost, amounted to SEK 9,836 (9,481) million. Additional information about compensation to employees, see [Note 2](#).

## Number of employees at year-end

	2017	2016
SSAB Special Steels	2,834	2,772
SSAB Europe	6,798	6,851
SSAB Americas	1,228	1,222
Tibnor	1,091	1,137
Ruukki Construction	2,502	2,543
Other	472	455
<b>Total</b>	<b>14,925</b>	<b>14,980</b>

## COMPENSATION TO SENIOR EXECUTIVES

## The Board's proposal for guidelines for 2018

For 2018, the Board proposes that compensation to the President and other members in the Company's senior management shall comprise of:

- fixed salary;
- variable compensation;
- other benefits, such as company car, and
- pension.

"Other members of the Company's senior management" mean members of the Group Executive Committee. The total compensation package shall be at market terms and conditions and competitive in the employment market in which the executive works. Fixed salary and variable compensation shall be related to the executive's responsibilities and authority. The variable compensations shall be based on results as compared with defined and measurable targets and shall be subject to a ceiling in relation to the fixed salary. The variable compensations shall not be included in the basis for computation of pension, except in those cases where so provided in the rules of a general pension plan, e.g. the Swedish ITP plan. For senior executives outside Sweden, all or parts of the variable compensation may be included in the basis for pension computation due to legislation or competitive practice in the local market.

The variable compensation programs shall be structured such that the Board of Directors has the possibility, should exceptional circumstances prevail, to restrict the payment of variable compensations, or to decline to make such payment, where such a measure is deemed reasonable and compatible with the Company's responsibilities to its shareholders, employees and other stakeholders.

Consultant fees in line with prevailing market conditions may be payable insofar as any director performs work on behalf of the Company, in addition to the Board work.

The period of notice of termination of employment for senior executives in Sweden shall be six months in the event of termination by the executive. In the event of termination by the Company, the total of the period of notice of termination and the period during which severance compensation is payable shall not exceed 24 months. For senior executives outside Sweden, the termination period and severance compensation may deviate from the above stated due to legislation or practice on the local market.



Pension benefits shall be contribution-based with individual retirement ages, in no case earlier than the age of 62. In the event the employment terminates prior to the retirement age, the executive shall receive a paid-up policy for earned pension.

The Board of Directors shall be entitled to deviate from the guidelines where special reasons exist in an individual case.

#### Short-term variable salary components in 2017 (including senior executives)

For the Group Executive Committee, the short-term variable salary component for 2017 is linked to:

- the Group's EBITDA margin relative to a number of comparable steel companies;
- net cash flow
- an injury frequency target established by the Board, and
- one or more individual targets.

#### Long-term variable salary components in 2017 (including senior executives)

In 2011, a long-term incentive program was introduced covering then a maximum of 100 (now 150) key employees throughout the Group, including the President and other senior executives. The purpose of the program is to promote the Company's ability to recruit and retain key employees.

The program applies for rolling three-year periods, is cash-based and linked to the total return on the SSAB share compared with a comparison group comprising the Company's competitors and return on capital employed. For participants in the program outside North America, the result is capped at between 18 and 30% of fixed salary. The outcome for participants in North America is capped at between 32 and 144%, which is in line with the local market. For these participants, the program is also linked to SSAB Americas' results and return on capital employed. The total annual cost for the program is SEK 36 million in the event of target realization, and SEK 72 million in the event of maximum realization, of which approximately 60% constitutes the cost for participants in North America.

For more detailed information regarding applicable compensation and benefits, see [Note 2](#).

## RISK AND SENSITIVITY ANALYSIS

### Risks and opportunities

SSAB's earnings and financial position are affected by many factors, several of which are beyond the company's control. These include general political and economic conditions affecting the steel markets. Many of these factors can impact SSAB positively or negatively. Positive development or proper management of, a risk can lead to opportunities and value creation.

### Overall risk management

SSAB has prioritized identifying and analyzing risks, as well as deciding how they are to be addressed. Responsibility for the long-term, overall management of strategic risks is dictated by the company's delegation policy, namely from the Board to the CEO and from the CEO to the leaders of each division and subsidiary. Consequently, most of the Group's operational risks are managed by each respective division, but coordinated across divisions when necessary. The leaders of each division and subsidiary perform a yearly review of risks in connection with the strategy process. The findings are presented and discussed at a SSAB Board meeting. The Group Legal function is responsible for global risk management, assessing insurable risks. The Group risk manager is functionally responsible for the Group's risk management work and works with each divisional risk manager to optimize the work from a group-wide perspective. The Group's treasury function is responsible for managing financial risks. For several years, SSAB has an internal control function that supports operations in identifying risk areas and, based on a risk analysis; establish control processes to mitigate identified risk areas.

For many years, SSAB has had an internal audit unit which, among other tasks, identifies risk areas and, based on a risk analysis, conducts internal controls followed by recommendations for improvements within these areas. The internal audit unit reports directly to the Audit Committee. For full information about the Group's internal audit function, see the [Corporate governance report](#).

## Operational risks

Risk factor	Risk description	Response and initiatives
<b>BUSINESS CYCLE</b>	The steel industry is strongly affected by fluctuations in the business cycle, such as in products and raw materials. The sensitivity to business cycle fluctuations is also influenced by the high percentage of fixed costs due to the large capital expenditures that characterize the steel industry.	<p>SSAB focuses on high-strength steels as one way to minimize the cyclical nature of its earning capacity. A continuous focus on developing niche products will enable SSAB to maintain and strengthen its position in relation to its competitors.</p> <p>Another way SSAB reduces sensitivity to the business cycle is by focusing on the company's home markets, namely North America and the Nordic region. In these markets, SSAB strives to be the customers' supplier of choice by offering short delivery times, superior quality and close, long-term relationships.</p> <p>SSAB also offers value-added services based on its industry-leading know-how in the field of high-strength steels, offering customers the ability to create innovative solutions. SSAB works closely with customers or at one of its many research facilities to develop these innovative solutions.</p> <p>SSAB also works to cut costs and increase flexibility in its operations in order to lessen the effects of downturns in the business cycle. Through the acquisition of Rautaruukki, the flexibility of production (i.e. the ability to handle production outages as well as rising and decreasing demand) has increased.</p>
<b>POLITICAL DECISIONS</b>	SSAB operates in many countries and is therefore affected by both country-specific and international regulations related to general tax and financial reporting rules, as well as more specific rules concerning trade barriers, the environment and energy policy.	<p>SSAB participates in national and international industry organizations in which the monitoring of relevant events plays an important role. In the US, the Group has a separate function for this purpose, based in Washington, DC.</p> <p>One focus area for SSAB is environmental and energy legislation, with the EU's emissions trading system being of critical importance for SSAB's operations. In this area, SSAB acts via industry organizations and directly in explaining the importance of emissions allowances regulations and their impact on SSAB.</p> <p>Since steel production takes place in both Europe and the US, exposure to various trade barriers has been reduced.</p>

## Operational risks, cont.

Risk factor	Risk description	Response and initiatives
<b>CUSTOMERS AND SUPPLIERS</b>	Dependence on individual major customers and/or suppliers may entail major inherent risks; with significant consequences were deliveries to or from such customers or suppliers to cease.	<p>SSAB has a diversified customer base and thus has little dependence on individual customers. Credit risks are managed by each division and subsidiary, based on the Group's credit policy.</p> <p>There is also great diversity in the company's suppliers. However, this is not the case with SSAB's most important raw materials, namely coal and iron ore, where the number of potential suppliers is limited. Coking coal is purchased from a number of major suppliers around the world, such as Australia, USA, Canada and Russia. Iron ore is currently purchased from LKAB in Sweden and from Severstal in Russia. However, since the price of iron ore is set on the world market, it is in principle the same regardless of supplier. SSAB has signed long-term supply agreements with both LKAB and Severstal in order to ensure physical supplies, while proximity to iron ore reduces the risk of long-term delivery problems.</p>
<b>ENVIRONMENT</b>	Steel production is energy and resource intensive and has a significant impact on the environment. In both Sweden and Finland, SSAB's blast furnaces are among the largest sources of carbon dioxide emissions.	<p>In pace with technical developments and more stringent environmental requirements, SSAB is continuously striving to minimize its environmental impact. SSAB's steel mills are among the most efficient in the world in terms of carbon dioxide emissions and in terms of reductions in emissions. SSAB is participating in a number of research projects aimed at minimizing carbon dioxide emissions. During 2016, SSAB initiated a project that evaluates the possibilities for a long-term transition to hydrogen-based ironmaking and an almost carbon-free steel industry. In 2017, the joint venture company Hybrit Development AB was formed together with Vattenfall and LKAB. Hybrit Development AB will work to find a production process for steel that does not release carbon dioxide.</p> <p>More information about SSAB's environmental issues is provided in the GRI report on <a href="http://www.ssab.com">www.ssab.com</a>.</p>

## Operational risks, cont.

Risk factor	Risk description	Response and initiatives
<b>PRODUCTION</b>	<p>Steel production takes place in a chain of different processes, in which disruptions in one part of the chain can rapidly have serious consequences on other parts. Operational disruptions, such as those due to transportation problems and damage caused by fire, explosions and other types of accidents, may be costly.</p>	<p>Each division and subsidiary is responsible for pro-active work to prevent loss. Risks relating to personal injury and damage to property and the environment (insurable risks), work on preventing injury and damage from occurring at all, and work on minimizing the effects of injury or damage if it nevertheless occurs are managed within the Group's Risk Management organization. SSAB's Group Risk Manager is functionally responsible for this work on risks on a group-wide perspective and works with the Risk Manager in each division. All Risk Managers are participating in the Company's quarterly Risk Forum, led by the Group Risk Manager. The Risk Forum is established within SSAB, with the aim of striving for continuous improvements and unity, as well as developing Risk Management using "best practice" and good examples.</p> <p>SSAB Risk Management has developed a guide, Guidelines for Pollution Work, which is a support in the daily ongoing risk management work in the business. The Group Risk Manager report to the Group Chief Legal Counsel.</p> <p>Risk management work is conducted in accordance with a risk management policy which emphasizes the following:</p> <ul style="list-style-type: none"> <li>• proactive work to prevent injury and damage (initiate, coordinate and manage)</li> <li>• risk and cost optimization (insurance management).</li> </ul> <p>In order to minimize costs, if this kind of risk still occurs, there are both continuity plans as well as property damage insurance and business disruption insurance in place. The risk of disruptions in one part of the process having an impact on other parts of the process is minimized by maintaining stocks of crucial raw materials, products in progress and finished products as well as analyzing our vendors and incoming flows and look at alternative process flows.</p> <p>Within Risk Management, ongoing risk analyzes are carried out together with our production managers and risk surveys of our facilities and processes together with risk engineers from our insurance brokers and risk engineers from insurance companies. This is done in order to identify and manage the emerging risks and to serve as a basis for our insurers. The results of the surveys and risk analyzes are presented continuously for the production managers and measures to improve processes and our protection are monitored carefully.</p> <p>SSAB also subscribes to other group-wide insurance programs such as, for example, liability insurance and transport insurance and the Risk Management function also works to prevent damage in these areas, which is also a prerequisite for signing insurance.</p>

## Operational risks, cont.

Risk factor	Risk description	Response and initiatives
<b>EMPLOYEE-RELATED ISSUES</b>	SSAB needs to attract and retain skilled, motivated employees in order to be able to conduct operations with good profitability for the long term. SSAB's niche strategy requires continuous development of strong processes and products, making skills development in these areas particularly important. The company's reputation can be rapidly eroded if safety, responsibility for the environment, and ethics are called into question.	Issues related to safety, environmental responsibility and ethics are prioritized in day-to-day work, as well as in the long term through training and by influencing attitudes. Stringent safety rules are in place in each division, and must be complied with by SSAB's employees and hired personnel, as well as by external contractors. Skills development, especially management training, is a high priority. Frequency of accidents and related measures are monitored continuously by the Group Executive Management Group and the Board. SSAB also conducts a regular engagement for all employees in the entire company. The survey is an important tool for managers at all levels to develop as leaders and improve work on their teams. Salaries are competitive to employees' respective markets.



## Financial risks

International operations such as those at SSAB involve a number of financial risks in the form of financing, liquidity, interest rate, currency and credit risks. The management of these risks is governed by the Group's Finance Policy, which has been adopted by the Board of Directors.

Most financial transactions take place through the parent company's treasury function in Stockholm and through SSAB Finance in Ireland. For further information about the Group's financial risk management, see [Note 28](#).

Risk factor	Risk description	Response and initiatives
<b>REFINANCING RISK/ LIQUIDITY RISK</b>	'Refinancing risk/liquidity risk' means the risk of SSAB being unable to pay its obligations due to insufficient liquidity or difficulties in raising new loans.	The borrowing strategy is focused on securing the Group's needs for loan financing with regard to long-term loans and SSAB's day-to-day payment obligations to its lenders and suppliers. Borrowing takes place primarily through the parent company, taking into consideration the Group's financial targets. In order to minimize the refinancing risk, the objective is that long-term loans will have an even maturity and an average term to maturity in excess of three years. The liquidity buffer, i.e. non-utilized, binding credit facilities, as well as cash and cash equivalents, should exceed 10 percent of the Group's sales.

Financial risks, cont.

Risk factor	Risk description	Response and initiatives
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**MARKET RISK**

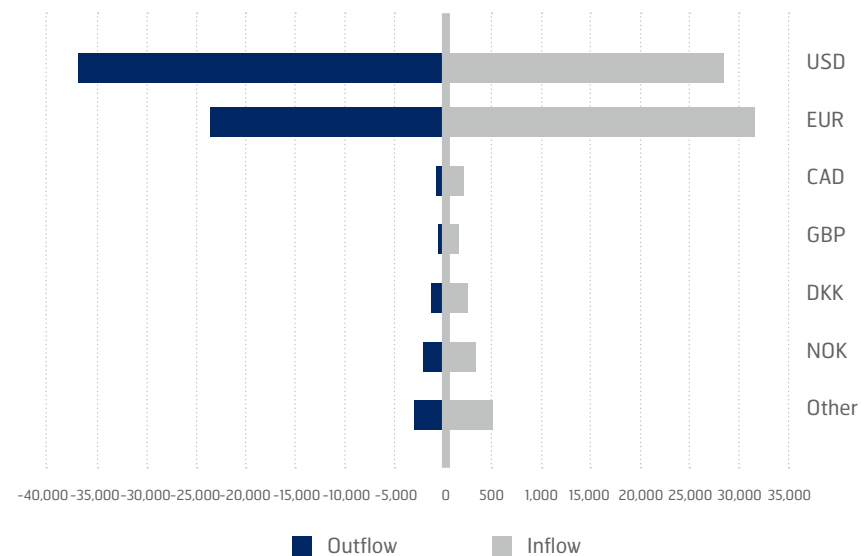
Market risks comprise the risk of the Group's earnings or financial position being affected by movements in market prices, such as interest rates and exchange rates.

**Interest rate risks:** The Group's interest rate risks relate to movements in market interest rates and their impact on the debt portfolio. The average fixed-rate term in the total debt portfolio should be approximately 1 year, but is permitted to vary between 0.5 and 2.5 years. The fixed-rate term on borrowing may be adjusted through the use of interest rate swaps.

**Currency risks:** SSAB's currency exposure related to translation exposure, largely relates to the translation risk regarding net assets of foreign subsidiaries. This exposure is partly hedged through borrowing in foreign currency, so-called equity hedge. Exceptions are made in the case of small amounts, e.g. for equity in foreign sales companies. The objective with the equity hedge is to minimize the translation impact on the net debt/equity ratio. The Swedish krona (SEK) is the base currency. In order to handle the transaction risk, part of the commercial currency flows qualifying for hedge accounting (currently purchases of coal and ore in USD) is hedged. Major investments decided upon in foreign currency are hedged in their entirety. Other commercial currency flows that arise in connection with purchases and sales in foreign currency are short term in nature and thus no hedging takes place; instead, they are exchanged on the spot market. The net currency inflow in 2017 was SEK 6.8 (5.1) billion. The Group's most important currency flows are shown in the adjacent diagram.

Currency flow 2017

SEK m



## Financial risks, cont.

Risk factor	Risk description	Response and initiatives
<b>CREDIT RISK</b>	'Credit risk' means the risk of losses due to the Group's customers or counterparties in financial contracts being unable to perform their payment obligations.	Financial counterparties are selected based on Standard & Poor's and Moody's current ratings for long-term borrowing and taking into account the Group's reciprocal commercial relations with the relevant counterparty. The minimum acceptable ratings are A- from Standard & Poor's or A3 from Moody's. Credit risks associated with accounts receivable and other claims are managed in each division and subsidiary, taking into account the Group's credit policy.

## SENSITIVITY ANALYSIS

The calculated full-year effect in 2017 on profit after financial items and earnings per share of changes in significant factors is shown in the sensitivity analysis below.

	Change, %	Effect on earnings, SEK millions	Effect on earnings per share, SEK <sup>2)</sup>
Steel price – steel operations	10	5,171	3.92
Volume – steel operations <sup>1)</sup>	10	1,111	0.84
Iron ore prices	10	644	0.49
Coal prices	10	433	0.33
Scrap metal prices	10	676	0.51
Interest rate	1% point	33	0.03
Krona index <sup>3)</sup>	5	788	0.60

<sup>1)</sup> Excluding the effect of lower capacity utilization (under absorption)

<sup>2)</sup> Calculated based on a 22% tax rate

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

## THE SHARE

SSAB's shares are listed on the Nasdaq OMX Stockholm's Large Cap List in Sweden. In conjunction with SSAB's completion of the merger with Rautaruukki, SSAB applied for a secondary listing on Nasdaq OMX Helsinki, Finland, where SSAB's shares have been listed since August 1, 2014.

### Share capital

As of December 31, 2017, there are in total 1,029,835,326 shares in SSAB, of which 304,183,270 class A shares, corresponding to 304,183,270 votes, and 725,652,056 class B shares, corresponding to 72,565,205.6 votes, 376,748,475.6 votes in total. Each class A share carries one vote and each class B share carries one-tenth of one vote. SSAB's share capital is SEK 9,062 million. The quotient value per share is SEK 8.80.

### Ownership structure

At the end of 2017, SSAB had 100,141 shareholders.

SSAB's three largest owners in terms of voting rights at year-end 2017 were:

- Industrivärden 18.2%
- Solidium 11.0%
- LKAB 3.6%

At the end of December 2017, the ten largest identified owners, owned in total approximately 42.7% of the votes and 41.7% of the share capital. Owners outside of Sweden and Finland controlled 29.2% of the votes and 23.0% of the share capital.

### Corporate Governance Report

The Corporate Governance Report is not part of the Board of Director's Report. The Corporate Governance Report and the related auditor's report are available on the Group's website at [www.ssab.com](http://www.ssab.com).

## OUTLOOK

In North America, demand for heavy plate is expected to be good during the first quarter of 2018. Similarly in Europe, demand for strip and heavy plate is expected to remain good. It is anticipated that the underlying demand for high-strength steel will continue to show positive development. Shipments by SSAB Europe and SSAB Americas during the first quarter of 2018 are expected to be somewhat higher than during the fourth quarter of 2017, whereas shipments by SSAB Special Steels are expected to be stable. It is anticipated that overall the prices realized during the first quarter by SSAB's three steel divisions will be somewhat higher compared with the fourth quarter of 2017, although this impact will to a certain extent be counteracted by higher raw material costs.

There are no major planned maintenance outages during the first quarter of 2018. The table below shows all major planned maintenance outages during 2018, the impact of the estimated direct maintenance cost and the cost of lower capacity utilization (underabsorption), but excluding lost margins.

### Major maintenance outages for 2018

SEK millions	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018 Full Year	2017 Full Year
SSAB Special Steels	-	-	-	230	230	230
SSAB Europe	-	40	200	125	365	390
SSAB Americas	-	-	-	280	280	390
<b>Total</b>	<b>-</b>	<b>40</b>	<b>200</b>	<b>635</b>	<b>875</b>	<b>1,010</b>

Consolidated income statement

SEK millions	Note	2017	2016
Sales	1	66,059	55,354
Cost of goods sold	2	-58,592	-50,240
<b>Gross profit</b>		<b>7,467</b>	<b>5,114</b>
Selling expenses	2	-2,081	-2,090
Administrative expenses	2	-2,129	-2,079
Other operating income	1	972	445
Other operating expenses	2	-458	-233
Shares in earnings of affiliated companies and joint ventures after tax	3	68	56
<b>Operating profit</b>		<b>3,838</b>	<b>1,213</b>
Financial income	4	321	80
Financial expenses	4	-1,297	-969
<b>Profit after financial items</b>		<b>2,863</b>	<b>324</b>
Taxes	5	-552	619
<b>Profit for the year</b>		<b>2,311</b>	<b>943</b>
<b>Of which attributable to:</b>			
• Parent Company's shareholders		2,295	937
• Non-controlling interests		16	6
<b>Earnings per share<sup>1,2)</sup></b>	12	<b>2.23</b>	<b>1.04</b>
<b>Dividend per share, 2017 – proposal</b>	31	<b>1.00</b>	<b>0.00</b>

<sup>1)</sup> Earnings per share have been adjusted based on the bonus issue element in the rights issue in 2016.

<sup>2)</sup> There are no outstanding share instruments and thus no dilution is relevant.

<sup>3)</sup> Hedging is structured such that the net debt/equity ratio is unchanged in the event of changed exchange rates.

Consolidated statement of comprehensive income

SEK millions	Note	2017	2016
<b>Profit for the year</b>		<b>2,311</b>	<b>943</b>
<b>Other comprehensive income</b>			
<b>Items that may be subsequently reclassified to the income statement:</b>			
Translation differences for the years		-2,984	3,462
Cash flow hedges		26	291
Hedging of currency risks in foreign operations <sup>3)</sup>		1,286	-1,342
Tax attributable to items that may be subsequently reclassified to the income statement	5	-289	237
<b>Total items that may be subsequently reclassified to the income statement</b>		<b>-1,961</b>	<b>2,648</b>
<b>Items that will not be reclassified to the income statement:</b>			
Remeasurements of the net defined benefit liability		-2	12
Tax attributable to items that will not be reclassified to the income statement	5	10	-5
<b>Total items that will not be reclassified to the income statement</b>		<b>8</b>	<b>7</b>
<b>Total other comprehensive income for the year, net after tax</b>		<b>-1,953</b>	<b>2,655</b>
<b>Total comprehensive income for the year</b>		<b>358</b>	<b>3,598</b>
<b>Of which attributable to:</b>			
• Parent Company's shareholders		340	3,591
• Non-controlling interest		18	7



## Consolidated balance sheet

SEK millions	Note	2017 Dec. 31	2016 Dec. 31
<b>ASSETS</b>			
<b>Fixed assets</b>			
Goodwill	6	27,730	29,909
Other intangible assets	6	1,918	2,704
Tangible fixed assets	7	23,931	25,866
Participations in affiliated companies and joint ventures	3, 8	651	628
Financial assets	8, 13	433	308
Deferred tax receivables	14	291	1,054
<b>Total fixed assets</b>		<b>54,954</b>	<b>60,469</b>
<b>Current assets</b>			
Inventories	9	16,035	15,001
Accounts receivable	28	7,822	7,118
Prepaid expenses and accrued income	10	807	1,115
Current tax receivables		302	474
Other current interest-bearing receivables	11	2,565	2,145
Recognized but not invoiced sale		66	48
Other current receivables	28	676	664
Cash and cash equivalents	11	4,249	3,879
<b>Total current assets</b>		<b>32,522</b>	<b>30,444</b>
<b>TOTAL ASSETS</b>		<b>87,476</b>	<b>90,913</b>

SEK millions	Note	2017 Dec. 31	2016 Dec. 31
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	9,062	9,062
Other contributed funds		23,021	23,021
Reserves	12	2,041	4,004
Retained earnings		19,107	16,804
<b>Total equity for the shareholders in the Company</b>		<b>53,231</b>	<b>52,891</b>
<b>Non-controlling interests</b>		<b>63</b>	<b>49</b>
<b>TOTAL EQUITY</b>		<b>53,294</b>	<b>52,940</b>
<b>Long-term liabilities</b>			
Pension provisions	13	453	397
Deferred tax liabilities	14	874	1,321
Other long-term provisions	15	138	132
Long-term interest-bearing liabilities	16	16,053	18,751
Other long-term non-interest-bearing liabilities	17	346	448
<b>Total long-term liabilities</b>		<b>17,864</b>	<b>21,049</b>
<b>Current liabilities</b>			
Short-term provisions	15	76	75
Short-term interest-bearing liabilities	16	2,011	4,497
Accounts payable	28	10,215	8,224
Current tax liabilities		215	41
Other current liabilities	28	1,258	970
Invoiced but not accrued sale		246	250
Accrued expenses and deferred income	18, 28	2,297	2,867
<b>Total current liabilities</b>		<b>16,318</b>	<b>16,924</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>87,476</b>	<b>90,913</b>

## Consolidated statement of changes in equity

SEK millions		2017						2016							
		Equity attributable to the Parent Company's shareholders					Non-controlling interest	Total equity	Equity attributable to the Parent Company's shareholders					Non-controlling interest	Total equity
SEK millions	Note	Share capital	Other contributed funds	Reserves	Retained earnings	Total			Share capital	Other contributed funds	Reserves	Retained earnings	Total		
<b>Equity, January 1</b>		<b>9,062</b>	<b>23,021</b>	<b>4,004</b>	<b>16,804</b>	<b>52,891</b>	<b>49</b>	<b>52,940</b>	<b>4,833</b>	<b>22,343</b>	<b>1,357</b>	<b>15,860</b>	<b>44,393</b>	<b>48</b>	<b>44,441</b>
Translation differences				2,986		-2,986	2	-2,984			3,461		3,461	1	3,462
Cash flow hedges				26		26		26			291		291		291
Tax attributable to cash flow hedges	5			-6		-6		-6			-58		-58		-58
Hedging of currency risks in foreign operations				1,286		1,286		1,286			-1,342		-1,342		-1,342
Tax on hedging of currency risks in foreign operations	5			-283		-283		-283			295		295		295
Remeasurements of the net defined benefit liability	13				-2	-2		-2			0	12	12		12
Tax on remeasurements of the net defined benefit liability	5				10	10		10			-5		-5		-5
Profit for the year					2,295	2,295	16	2,311				937	937	6	943
<b>Total comprehensive income</b>				<b>-1,963</b>	<b>2,303</b>	<b>340</b>	<b>18</b>	<b>358</b>			<b>2,647</b>	<b>944</b>	<b>3,591</b>	<b>7</b>	<b>3,598</b>
New issue									4,229	678			4,907		4,907
Dividend, non-controlling interest							-4	-4					-	-6	-6
<b>Equity, December 31</b>		<b>9,062</b>	<b>23,021</b>	<b>2,041</b>	<b>19,107</b>	<b>53,231</b>	<b>63</b>	<b>53,294</b>	<b>9,062</b>	<b>23,021</b>	<b>4,004</b>	<b>16,804</b>	<b>52,891</b>	<b>49</b>	<b>52,940</b>

## Consolidated cash flow statement

SEK millions	Note	2017	2016	SEK millions	Note	2017	2016
<b>BUSINESS OPERATIONS</b>				<b>INVESTING ACTIVITIES</b>			
<b>Profit from operating activities</b>				Investments in plants and machinery			
Operating profit		3,838	1,213		6.7	-1,603	-1,326
Reversal of non-cash items:				Sale of plants and machinery		51	45
• Non distributed shares in affiliated companies' earnings		-62	-27	Acquisition of shares and operations	25	-11	-46
• Depreciation, amortization and write-down of fixed assets	6.7	3,753	3,738	Divested shares and operations		1	-
• Profit/loss upon sale of fixed assets		-9	5	Other investing activities (+ decrease)		-16	4
• Profit/loss upon sale of shares and operations		3	6	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-1,578</b>	<b>-1,323</b>
• Change in provisions		15	-64	<b>FINANCING ACTIVITIES</b>			
• Other reversals		1	1	New issue		-	4,907
Interest received		311	28	Dividend, non-controlling interest		-4	-6
Interest paid		-1,254	-1,022	New loans	26	5,246	3,497
Tax paid		-249	80	Repayment/amortization of loans	26	-9,254	-8,767
		<b>6,347</b>	<b>3,958</b>	Financial investments		-437	-141
Working capital				Other financing (+ increase)		-434	-422
Inventories (+ decrease)		-1,208	-1,869	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-4,683</b>	<b>-932</b>
Accounts receivable (+ decrease)		-862	-846	<b>CASH AND CASH EQUIVALENTS</b>			
Accounts payable (+ increase)		2,080	1,661	Balance, January 1		3,879	2,711
Other current receivables (+ decrease)		43	-158	Cash flow from operating activities		6,650	3,297
Other current liabilities (+ increase)		250	551	Cash flow from investing activities		-1,578	-1,323
		<b>303</b>	<b>-661</b>	Cash flow from financing activities		-4,683	-932
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>6,650</b>	<b>3,297</b>	Translation differences, cash and cash equivalents		-19	126
				<b>CASH AND CASH EQUIVALENTS, December 31</b>	11	<b>4,249</b>	<b>3,879</b>
				Contracted, non-utilized overdraft facilities		8,263	7,096
				<b>DISPOSABLE CASH AND CASH EQUIVALENTS</b>			
				<b>(incl. non-utilized overdraft facilities)</b>		<b>12,512</b>	<b>10,975</b>

## Parent Company's income statement

SEK millions	Note	2017	2016
<b>Gross profit</b>		<b>0</b>	<b>0</b>
Administrative expenses	2	-343	-261
Other operating income	1	119	105
Other operating expenses	2	-1	-2
<b>Operating loss</b>		<b>-225</b>	<b>-158</b>
Result from shares in subsidiaries and affiliated companies	4	737	10,450
Other interest expenses and similar items	4	427	-2,040
<b>Loss after financial items</b>		<b>939</b>	<b>8,252</b>
Appropriations	24	1,423	1,100
<b>Profit before tax</b>		<b>2,362</b>	<b>9,352</b>
Tax	5	-406	211
<b>Profit for the year</b>		<b>1,956</b>	<b>9,563</b>

## Parent Company's other comprehensive income

SEK millions	Note	2017	2016
<b>Profit for the year</b>		<b>1,956</b>	<b>9,563</b>
<b>Other comprehensive income</b>			
<b>Items that may be subsequently reclassified to the income statement:</b>			
Cash flow hedges		21	3
Tax attributable to other comprehensive income	5	-5	-1
<b>Total items that may be subsequently reclassified to the income statement</b>		<b>16</b>	<b>2</b>
<b>Total other comprehensive income for the year, net after tax</b>		<b>16</b>	<b>2</b>
<b>Total comprehensive income for the year</b>		<b>1,972</b>	<b>9,565</b>

## Parent Company's balance sheet

SEK millions	Note	2017 Dec. 31	2016 Dec. 31
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	6	3	-
Tangible fixed assets	7	1	1
Financial assets	8	65,243	33,107
Long-term receivables from subsidiaries		6,005	819
Deferred tax receivables	14	174	585
<b>Total fixed assets</b>		<b>71,426</b>	<b>34,512</b>
<b>Current assets</b>			
Accounts receivable	28	0	0
Current receivables from subsidiaries		8,537	47,586
Current tax receivables		0	1
Other current interest-bearing receivables	11	2,453	1,853
Other current receivables	28	8	4
Prepaid expenses and accrued income	10	142	366
Cash and cash equivalents	11	3,187	2,238
<b>Total current assets</b>		<b>14,327</b>	<b>52,048</b>
<b>TOTAL ASSETS</b>		<b>85,753</b>	<b>86,560</b>

SEK millions	Note	2017 Dec. 31	2016 Dec. 31
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity			
• Share capital		9,062	9,062
• Statutory reserve		902	902
Unrestricted equity			
• Retained earnings		50,451	40,873
• Profit for the year		1,956	9,563
<b>TOTAL EQUITY</b>		<b>62,371</b>	<b>60,400</b>
<b>Untaxed reserves</b>	24	-	-
<b>Provisions</b>			
Pension provisions	13	3	3
Other long-term provisions	15	40	18
<b>Total provisions</b>		<b>43</b>	<b>21</b>
<b>Long-term liabilities</b>			
Liabilities to subsidiaries		0	346
Other long-term interest-bearing liabilities	16	12,870	14,652
<b>Total long-term liabilities</b>		<b>12,870</b>	<b>14,998</b>
<b>Current liabilities</b>			
Short-term interest-bearing liabilities	16	1,279	3,838
Accounts payable	28	20	2
Liabilities to subsidiaries		8,802	6,613
Other current liabilities	28	110	7
Accrued expenses and deferred income	18, 28	243	678
Short-term provisions	15	15	3
<b>Total current liabilities</b>		<b>10,469</b>	<b>11,141</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>85,753</b>	<b>86,560</b>

## Parent Company's statement of changes in equity

SEK millions		2017							2016						
		Restricted equity		Unrestricted equity			Total	Restricted equity		Unrestricted equity			Total		
SEK millions	Note	Share capital	Statutory reserve	Share premium	Reserve for fair value	Retained earnings		Profit for the year	Share capital	Statutory reserve	Share premium	Reserve for fair value		Retained earnings	Profit for the year
<b>Equity, January 1</b>	<a href="#">12</a>	<b>9,062</b>	<b>902</b>	<b>22,469</b>	<b>-2</b>	<b>18,406</b>	<b>9,563</b>	<b>60,400</b>	<b>4,833</b>	<b>902</b>	<b>21,791</b>	<b>-5</b>	<b>16,762</b>	<b>1,644</b>	<b>45,927</b>
Cash flow hedges					21			21				3			3
Tax on cash flow hedges					-5			-5				0			0
Profit for the year							1,956	1,956						9,563	9,563
<b>Total comprehensive income</b>					<b>16</b>		<b>1,956</b>	<b>1,972</b>				<b>3</b>		<b>9,563</b>	<b>9,566</b>
Retained earnings from previous year						9,563	-9,563	-				1,644	-1,644		-
New issue								-	4,229		678				4,907
<b>Equity, December 31</b>		<b>9,062</b>	<b>902</b>	<b>22,469</b>	<b>14</b>	<b>27,969</b>	<b>1,956</b>	<b>62,371</b>	<b>9,062</b>	<b>902</b>	<b>22,469</b>	<b>-2</b>	<b>18,406</b>	<b>9,563</b>	<b>60,400</b>



## Parent Company's cash flow statement

SEK millions	Note	2017	2016
<b>BUSINESS OPERATIONS</b>			
<b>Profit from operating activities</b>			
Operating loss		-225	-158
Reversal of non-cash items:			
• Depreciation of tangible fixed assets	7	1	0
• Change in provisions		33	-23
• Other reversals		0	168
Interest received		458	185
Interest paid		-1,042	-776
Tax paid		1	1
		<b>-774</b>	<b>-603</b>
<b>Working capital</b>			
Accounts receivable (+ decrease)		0	0
Accounts payable (+ increase)		18	-12
Other current receivables (+ decrease)		137	-70
Other current liabilities (+ increase)		120	-19
Commercial intra-group transactions		-141	66
		<b>134</b>	<b>-35</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>-640</b>	<b>-638</b>

SEK millions	Note	2017	2016
<b>INVESTING ACTIVITIES</b>			
Investments in fixed assets	6	-3	-
Dividends from subsidiaries		39,523	1,315
Received/paid group contributions		1,101	1,111
Paid shareholder contributions		-37,417	-1,438
Acquisition/divestiture of shares and operations	25	-11	1
Other investing activities (+ decrease)		-	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>3,193</b>	<b>989</b>
<b>FINANCING ACTIVITIES</b>			
New issue		-	4,907
New loans	26	5,020	2,882
Repayments/amortization of loans	26	-8,534	-6,581
Financial investments		-601	-150
Financial intra-group transactions		2,468	1,910
Other financing (+ increase)		43	-1,672
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-1,604</b>	<b>1,296</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Balance, January 1		2,238	591
Cash flow from operating activities		-640	-638
Cash flow from investing activities		3,193	989
Cash flow from financing activities		-1,604	1,296
<b>CASH AND CASH EQUIVALENTS, December 31</b>		<b>3,187</b>	<b>2,238</b>
Contracted, non-utilized overdraft facilities		8,263	7,096
<b>DISPOSABLE CASH AND CASH EQUIVALENTS (incl. non-utilized overdraft facilities)</b>		<b>11,450</b>	<b>9,334</b>

## 5-year summary, Group

	2017	2016	2015	2014 <sup>1)</sup>	2013 <sup>2)</sup>
Sales, SEK millions	66,059	55,354	56,864	47,752	36,455
Operating profit/loss, SEK millions	3,838	1,213	-243	-107	-1,131
Profit /loss after financial items, SEK millions	2,863	324	-1,171	-1,589	-1,728
Profit/loss after tax for the Parent Company's shareholders, SEK millions	2,295	937	-508	-1,399	-1,066
Investments in plant and operations, SEK millions	1,614	1,372	2,582	1,720	828
Cash flow from current operations, SEK millions	5,319	2,293	2,802	473	1,103
Net debt, SEK millions	11,574	17,887	23,156	24,674	14,833
Average capital employed, SEK millions	74,947	74,564	75,346	62,476	45,983
Total assets, SEK millions	87,476	90,913	85,158	89,727	55,936
Return on capital employed before tax (%)	6	2	0	0	-2
Return on equity after tax (%)	4	2	-1	-4	-4
Equity ratio (%)	61	58	52	49	48
Net debt/equity ratio (%)	22	34	52	56	55
Dividend per share (SEK), 2017 – proposal <sup>3)</sup>	1.00	0.00	0.00	0.00	0.00
Earnings per share (SEK) <sup>3)</sup>	2.23	1.04	-0.66	-2.39	-2.36
Average number of employees, incl. temporary employees	16,158	16,381	17,515	13,639	8,194
Sales per average employee, SEK millions	4.1	3.4	3.2	3.5	4.3
Production of crude steel, thousand tonnes	7,995	7,988	7,593	6,682	5,567

<sup>1)</sup> Rautarukki was acquired on July 29, 2014 and the above figures include Rautarukki's figures from that date onwards.

<sup>2)</sup> Sales and Sales per average employee for 2013 have been restated due to change in method 2014 concerning the inclusion of freight income in Sales.

<sup>3)</sup> Earnings per share and dividend per share has been adjusted based on the bonus issue element in the rights issue 2016.

## ACCOUNTING AND VALUATION PRINCIPLES

The most important accounting principles applied in the preparation of these consolidated financial statements are set forth below. Unless otherwise stated, these principles have been applied consistently with respect to all presented years.

### GENERAL INFORMATION

SSAB AB is a limited liability company with its registered office in Stockholm, Sweden. The parent company is listed on Nasdaq OMX Stockholm with a secondary listing on Nasdaq OMX Helsinki.

### PRINCIPLES FOR PREPARATION OF THE REPORT

The consolidated financial statements have been prepared in accordance with the Swedish Annual Reports Act as well as International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) with interpretation statements issued by the International Financial Reporting Interpretations Committee (IFRIC), as such have been adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1. Supplementary Accounting Rules for the Group, has been applied.

Accounting standards and applications introduced during the year have had no material impact on the Group's earnings and financial position.

The consolidated financial statements have been prepared in accordance with the acquisition value method, other than with respect to certain financial assets and liabilities (including derivative instruments) which have been valued at fair value via the income statement.

The preparation of reports in accordance with IFRS requires the use of a number of important estimations for accounting purposes. In addition, management must make certain assessments in conjunction with the application of the Group's accounting principles. Those areas that include a high degree of assessment, which are complex, or in which assumptions and estimations are of material significance for the consolidated financial statements are stated in [Note 29](#).

The parent company applies the same accounting principles as the Group, except where stated below in a particular section. The differences that exist between the principles applied by the parent company and the Group are due to limitations on the possibilities to apply IFRS to the parent company as a consequence of the provisions of the Swedish Annual Reports Act and the Swedish Pension Obligations (Security) Act and also, in certain cases, for tax reasons. In addition, the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities, has been applied.

### STANDARDS, CHANGES AND INTERPRETATIONS THAT ENTERED INTO FORCE IN 2017 AND ARE RELEVANT TO THE GROUP

#### Annual improvements to IFRS standards, disclosure initiative

- IAS 7 (AMENDMENT), STATEMENT OF CASH FLOWS. This amendment applies commencing from January 1, 2017. The Group has applied this from January 1, 2017. The amendment requires that an entity should provide information that allows users of the financial statements to evaluate how debt related to financing activities has changed over the year. This applies to changes due to cash flows as well as changes arising from other reasons. This amendment has affected the financial statements for 2017 by providing disclosures in [Note 26](#), where the changes in liabilities related to financing activities is divided into changes arising from cash flows, changes related to divestment/acquisition of subsidiaries, currency effects, effects on revaluation to fair value and other changes. The amendment is applied prospectively, so no disclosures have been presented for the comparison year, 2016.

### STANDARDS, CHANGES AND INTERPRETATIONS RELEVANT TO THE GROUP THAT HAVE BEEN ADOPTED BY THE EU BUT HAVE NOT YET ENTERED INTO FORCE AND HAVE NOT BEEN APPLIED BY THE GROUP PREMATURELY

#### Estimated effect of the transition to IFRS 9 and IFRS 15

The Group will apply IFRS 9 Financial Instruments and IFRS 15 Revenue from agreements with customers as of January 1, 2018. The Group has assessed the estimated impact of the transition to IFRS 9 and IFRS 15 on the Group's financial statements. Total estimated impact on the opening balance as of January 1, 2018 on the equity of the Group amounts to SEK -7 million, due to impairment losses on financial assets. For details regarding the new standards and effects of the transition, see below.

- IFRS 9, "FINANCIAL INSTRUMENTS". This standard applies commencing from January 1, 2018. The Group will apply this Standard from January 1, 2018. IFRS 9 shall be applied retroactively with certain practical exceptions as set forth in the Standard. The Group will not restate previous periods. IFRS 9 replaces IAS 39, Financial Instruments; Classification and measurement. IFRS 9 addresses the classification, measurement and de-recognition of financial assets, a new impairment model for financial assets and introduces new rules for hedge accounting.

#### Classification of financial assets

According to IFRS 9, there will be three measurement categories for financial assets; amortized cost, fair value over other comprehensive income and fair value over the income statement. The Group's assessment is that the new measurement categories will not have a material impact on the accounting of financial assets in the financial statements of 2018.

#### Impairment loss model for impairment provision

IFRS 9 introduce a new impairment model for impairment provision, based on expected future credit losses. SSAB is affected by the new impairment loss model regarding the calculation of the bad debt provision for accounts receivables. It result in an estimated loss for all accounts receivables, including those that have not yet expired. SSAB will apply the simplified approach, i.e. the provision will correspond to the expected loss over the entire lifetime of the accounts receivable. At the date of the transition, the provision will increase by SEK 7 million, which will be reported in retained earnings as of January 1, 2018.

#### Hedge accounting

At the transition to IFRS 9, the Group may choose to continue to apply the hedge accounting rules in accordance with IAS 39 or to apply hedging rules in accordance with IFRS 9. The Group will apply the new rules in IFRS 9. IFRS 9 requires the Group to ensure that the hedging relationship is in line with the Group's risk management and strategy objectives and apply a more qualitative and forward-looking approach to assessing the effectiveness of hedging.

The types of hedging relationships that the Group identifies currently meets the requirements of IFRS 9 and complies with the company's risk management strategy and objectives. The Group uses currency derivatives in terms of futures and swaps to hedge the purchase price of coal, iron ore and zinc, to hedge the exchange rate of significant foreign currency sales, major investments in fixed assets in foreign currency, hedging of net investments in foreign subsidiaries and to secure the payment flow in foreign loans to the Swedish krona.

Application of IFRS 9 implies easing of the effectiveness assessment, as the Group will only assess future efficiency and the effectiveness will be assessed on a qualitative basis to a greater extent.

For purposes of IFRS 9, the Group may begin to apply the new principles for cost of hedging, which means that changes in forward rates are reported in other comprehensive income instead of directly in the income statement. Application of this will be decided on a transactional basis. Any application of the cost of hedging will be made prospectively, which will not affect the Group's current hedge accounting.

- IFRS 15, "REVENUE FROM CONTRACTS WITH CUSTOMERS". This standard applies commencing from January 1, 2018. The Group will apply this from January 1, 2018. IFRS 15 is the new revenue recognition standard and will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts, including all interpretations (IFRIC and SIC). During the year, the Group has mapped and evaluated the Group's sales contract and the conclusion is that the revenue recognition will not be significantly affected by

a transition to IFRS 15. IFRS 15 may have an impact on the Group's future revenue recognition if changes occur in the Group's sales processes and contracts.

- IFRS 16, LEASES. This standard applies commencing from January 1, 2019. The Group will apply this from January 1, 2019. IFRS 16 will replace current IFRS standards related to accounting of lease agreements, such as IAS 17, Leases as well as IFRIC 4, Determining Whether an Arrangement Contains a Lease.

IFRS 16 primarily affects lessees and the central effect is that almost all lease agreements that are currently reported as operational leases are reported in a manner similar to the current accounting of financial leases. Exceptions from the new rules on recognizing an asset and liability is applicable for lease agreement with low value and contracts with maturity terms of maximum 12 months. As of December 31, 2017, the Group has started the collection of information, but no quantification has been made. For information about the operational lease of the Group as of December 31, 2017, see [Note 21](#).

#### CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements cover SSAB AB (publ) and the companies in which the Group has existing rights that give it the current ability to direct the activities and is exposed, or has rights, to variable returns from its involvement with the investee.

#### Subsidiaries

The Group's annual accounts are prepared in accordance with the acquisition method, entailing that the equity of subsidiaries at the time of acquisition defined as the difference between the fair value of identifiable assets, liabilities and potential obligations – is eliminated in its entirety against the acquisition price. Those surpluses that comprise the difference between the acquisition value and the fair value of the Group's share of identifiable acquired assets, liabilities and potential obligations are reported as goodwill. If the acquisition price is below the fair value of the net assets of the acquired subsidiary, the difference is reported directly in the income statement. With respect to each acquisition, the Group determines whether all non-controlling interests in the acquired company shall be reported at fair value or at the proportion of the net assets of the acquired company represented by the holding.

- Goodwill is initially valued as the amount by which the total purchase price and fair value of non-controlling interests exceeds the fair value of identifiable acquired assets and assumed liabilities. Acquired companies are included in the consolidated financial statements commencing the date on which a controlling influence is obtained, while divested companies are reported up to the date on which the controlling influence ceases.
- Intra-group transactions, dealings and unrealized profits are eliminated in the consolidated financial

statements. Unrealized losses are also eliminated unless the transaction constitutes evidence of impairment of the transferred asset. Where appropriate, the accounting principles for subsidiaries have been changed in order to ensure a consistent application of the Group's principles.

- In the consolidated cash flow statement, the purchase price with respect to acquired or divested operations is reported under the headings "Acquisition of shares and operations" and "Divested shares and operations". Thus, the assets and liabilities of the acquired/divested companies at the time of the acquisition/sale are not included in the cash flow statement.

#### Joint operations and affiliated companies

Companies in which the Group, together with one or more co-owners, is bound by a cooperation agreement which provides that the co-owners shall jointly exercise a controlling influence are reported as joint operations. SSAB's joint operations are classified as joint ventures, which mean that SSAB and the other party has joint control and have rights to the net assets.

Affiliated companies and joint operations ventures in the form of joint ventures are reported in accordance with the equity method and valued initially at acquisition value. The equity method entails that the Group's book value of the shares in affiliated companies and joint ventures corresponds to the Group's share in the equity of the affiliated companies and joint ventures and, where appropriate, the residual value of surplus values or under-values from a Group perspective, including goodwill. The Group's share in the earnings of affiliated companies and joint ventures which arises after the acquisition is reported in the income statement. In the consolidated income statement, "Shares in earnings of affiliated companies and joint ventures after tax" comprise the Group's share in the post-tax earnings of the affiliated company or joint venture. Shares in the earnings of affiliated companies and joint ventures are reported in the operating profit when operations in affiliated companies and joint ventures are related to SSAB's operations and considered to be of a business nature. Any intra-group profits are eliminated in relation to the share of equity held.

In the parent company, affiliated companies and joint ventures are reported in accordance with the acquisition value method.

#### TRANSACTIONS IN FOREIGN CURRENCIES

Items included in the financial statements for the various units in the Group are valued in the currency used in the economic environment in which the company in question primarily operates (functional currency). Swedish kronor are used in the consolidated financial statements; this is the functional currency and reporting currency of the parent company.

Transactions in foreign currency are reported at the exchange rate prevailing on the transaction date. In certain cases, the actual rate is approximated to the average rate during a month. At the end of the month, receivables and liabilities in foreign currency are translated in accordance with the closing day rate at that time. Exchange rate differences relating to the business are reported in the operating profit, while differences attributable to financial assets and liabilities are reported as a net sum among financial items.

The income statements of foreign subsidiaries are translated into Swedish kronor at the average exchange rates for the year, while their balance sheets are translated into Swedish kronor at the closing day rates. Any translation differences that arise are transferred directly to the consolidated statement of comprehensive income and reported in the item "Translation reserve".

Loans or other financial instruments taken up in order to hedge net assets in foreign subsidiaries are reported in the consolidated financial statements at the closing day rate. Any exchange rate differences less deferred taxes are transferred directly to other comprehensive income and thereby set off against the translation differences which arise in conjunction with the translation of these subsidiaries' balance sheets into Swedish kronor.

Upon sales of foreign subsidiaries, the total translation differences that relate to the foreign subsidiary are reported as a part of capital gains/ losses in the consolidated income statement.

Goodwill and adjustments of assets and liabilities to fair value in connection with the acquisition of foreign subsidiaries are treated as assets and liabilities in the foreign operations and thus translated in accordance with the same principles as the foreign subsidiaries.

#### REVENUE RECOGNITION

Revenues are reported at the fair value of what has been or will be received and correspond to amounts received for sold goods less value added tax, discounts and returns, including exchange rate differences from forward contracts which are entered into in order to hedge sales in foreign currency. For information regarding hedge accounting, see [Note 28](#).

The Group reports revenue when the amount can be measured in a reliable manner, it is likely that future economic benefits will inure to the Company, and specific criteria have been fulfilled in respect of each of the Group's operations as described below.

### Sales of steel

Revenues from sales of steel are reported after the crucial risks and benefits associated with title are transferred to the buyer and no right of disposition or possibility of actual control over the goods remains. In most cases, this means that sales are reported upon delivery of the goods to the customer in accordance with agreed delivery terms and conditions.

### Revenue recognition of projects within Ruukki Construction

The Group applies gradual income recognition when reporting fixed price agreements for projects which extend over more than one year. When the result of the project can be calculated in a reliable manner and it is likely that the project will be profitable, revenues are reported over the term of the agreement based on the degree of completion. At the end of the period, project expenditures are reported based on the degree of completion in respect of the activities included in the work. When it is likely that the total expenditures on the project will exceed the total revenues, the anticipated loss is reported immediately as an expense. When the result of the project work cannot be calculated in a reliable manner, revenues are reported only in an amount corresponding to the accrued project expenditures which are likely to be compensated.

### Sales of services

Revenues from sales of services are reported in the period in which the services are performed. All intra-group sales are eliminated in the consolidated financial statements.

### Interest income and dividends

Interest income is reported in accordance with the effective rate method. Dividends are reported when the right to receive the dividend has been established.

Regarding dividends from subsidiaries see the section entitled [Dividends, the parent company](#).

### PRICING BETWEEN GROUP COMPANIES

Arm's length pricing is applied to deliveries of goods and services between companies in the Group.

### GOVERNMENT ASSISTANCE

Government assistance and grants are reported at fair value when there is reasonable certainty that the grant will be received and that the Group will fulfill the conditions attached to the grant. Government assistance and grants are allocated over the same period as the expenses which the grants are intended to reimburse. Grants provided as compensation for expenses are recognized in the income statement as an expense reduction. Grants related to assets are recognized in the balance sheet through a reduction in the reported value of the assets.

### RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are booked as they are incurred. Development expenses may be capitalized under certain strict conditions. However, this requires, among other things, that future economic benefits can be demonstrated at the time the expenses are incurred. The projects that take place are short-term in nature and do not involve significant amounts, and thus development expenditures are also booked as costs.

### TANGIBLE FIXED ASSETS

Tangible fixed assets are reported at acquisition value less deduction for accumulated depreciation and any accumulated impairment. Depreciation is based on the acquisition value of the assets and estimated useful life. If major investments include components, an assessment must always be made as to whether the useful life of the component differs from that of the entire facility. The acquisition value includes expenditures directly attributable to the acquisition of the asset. Any borrowing costs in conjunction with the construction and design of fixed assets, a significant portion of which is required for completion for use or sale, are added as a part of the acquisition cost of the asset. Restoration expenses in connection with disposals of fixed assets are included in the acquisition value only where the criteria for making a provision for such restoration expenses may be deemed fulfilled. Additional expenditures for acquiring replacement components are added to the reported value of the fixed asset or recognized as a separate asset only where it is likely that the Group will enjoy the future economic benefits associated with the asset and the acquisition value of the asset can be measured in a reliable manner. The reported value for the replaced part is removed from the balance sheet. All other forms of repairs and maintenance are recognized as expenses in the income statement during the period in which they occur.



Land is assumed to have a perpetual period of use and thus is not depreciated. Other tangible fixed assets are classified into groups for calculation of depreciation based on their estimated useful life, in accordance with the following table.

Examples of items	Estimated use, years
Vehicles, office equipment and computers	3–5
Light machinery	5–12
Heavy machinery:	
• Relining of blast furnaces	12–15
• Steel furnaces, rolling mills and cranes	15–20
• Blast furnaces and coke ovens	15–20
Land improvement	20
Buildings	25–50

The useful life of the assets is reviewed annually and adjusted where required. The assets are normally depreciated to zero without any remaining residual value. The straight line depreciation method is used for all types of tangible non-current assets with a limited useful life. Where the book value of an asset exceeds the expected recovery value, the asset is written down to such value.

Capital gains and capital losses upon the sale of tangible non-current assets are determined by comparing the revenue from the sale with the reported value; this is reported in the income statement as “Other operating revenues” or “Other operating expenses”.

#### INTANGIBLE ASSETS

Similarly, intangible assets are classified in two groups, with assets with a determinable useful life being amortized over a determined useful life, while assets with an undeterminable useful life are not amortized at all.

#### Goodwill

The compensation transferred in conjunction with a business acquisition is valued at fair value. Goodwill comprises the amount by which the acquisition value (the compensation) exceeds the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the time of the acquisition. Goodwill upon the acquisition of a subsidiary is reported as an intangible asset. Goodwill is tested annually to identify any impairment and reported at acquisition value less accumulated impairment. Testing for impairment is also

carried out in those cases where there are indications that the asset may have diminished in value. Impairment of goodwill is reported as an expense and not reversed. Profits or losses upon the sale of a unit include the remaining reported value of the goodwill which relates to the sold unit. When testing for any impairment, goodwill is allocated over cash-generating units. The allocation is made on the cash-generating units or groups of cash-generating units which are expected to benefit from the business acquisition which gave rise to the goodwill item. Goodwill is monitored on a divisional level.

#### Customer relations

Acquired customer relations are reported at acquisition value. Customer relations have a determinable useful life and are reported at acquisition value less accumulated amortization. Straight line amortization is applied to allocate the costs for customer relations over their assessed useful life (six to twelve years).

#### Trademarks and licenses

Acquired trademarks and licenses are reported at acquisition value. Trademarks and licenses that have a determinable useful life are reported at acquisition value less accumulated amortization. Straight line amortization is applied to allocate the costs for trademarks over their assessed useful life and licenses are amortized over the term of the agreement (five to ten years). Trademarks and licenses that don't have a determinable useful life are tested annually to identify any impairment and are reported at acquisition value less accumulated impairment. Testing for impairment is also carried out in those cases where there are indications that the assets may have diminished in value. Impairment of trademark and licenses is reported as an expense and not reversed.

#### Software

Acquired software licenses are capitalized on the basis of the costs incurred upon acquisition and placement into operation of the relevant software. These capitalized costs are amortized on a straight-line basis over the assessed useful life (three to five years).

Expenses for development and acquisition of new software are capitalized and reported as an intangible asset provided they have a significant value for the Company in the future and they can be deemed to have a useful life in excess of three years. These capitalized expenses are depreciated on a straight-line basis over the assessed useful life (three to five years). Expenses for training and software maintenance are, however, booked directly as costs.

#### Other intangible assets

Other intangible assets are reported at acquisition value less accumulated amortization. Straight line amortization is applied to allocate the costs over their assessed useful life (five to fifteen years).

#### IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets with an undeterminable useful life (including goodwill) are not amortized but, rather, tested annually for any impairment or otherwise where signs indicate a decline in value. Other non-financial assets with an undeterminable useful life are tested when signs indicate a decline in value. Amortized assets are tested for impairment when signs indicate a decline in value. Where the estimated recovery value is less than the reported value, the asset is written down to the recovery value. Testing of the value of an asset with an undeterminable useful life may also result in the asset being reclassified as an asset with a determinable useful life. The asset's period of use is then calculated and amortization commences. The recovery value is the asset's fair value reduced by selling expenses, or its useful value, whichever is higher. When testing for impairment, assets are grouped on the lowest levels for which there are separately identifiable cash flows (cash-generating units). With respect to assets other than financial assets and goodwill which have previously been impaired, an annual test is conducted as to whether a reversal should be made.

#### LEASED ASSETS

Expenses for fixed assets that are leased instead of owned are reported primarily as lease expenses on a straight line basis over the leasing period (operational leasing). Where leasing agreements contain terms and conditions pursuant to which the Group enjoys the economic advantages and incurs the economic risks that are associated with ownership of the property (financial leasing), they are reported in the consolidated balance sheet under 'Fixed Assets' and depreciated over the useful life (the economic life or the outstanding leasing period, whichever is the shorter). At the beginning of the leasing period, financial leasing is reported in the balance sheet at the leased object's fair value or the present value of the minimum leasing charges, whichever is lower. Each lease payment is divided into interest payment and repayment of the debt; interest is allocated over the leasing period. Corresponding payment obligations, less deductions for financial expenses, are included in the balance sheet items, "Short-term interest-bearing liabilities" and "Long-term interest-bearing liabilities".

In the parent company, all leasing agreements are reported as operational.

#### FINANCIAL ASSETS

Financial assets include cash and cash equivalents, accounts receivable, shares and participations, loan claims and derivative instruments. They are reported initially at an acquisition value corresponding to the fair value of the asset plus a supplement for transaction costs, with the exception of assets that are valued at fair value. Reporting thereafter takes place depending on the classification of the asset. Financial assets are removed from the balance sheet when the debt/instrument is finally paid or ceases to apply or is transferred through all risks and benefits being assigned to an external party.

Spot purchases and sales of financial assets are reported on the Settlement day, i.e. the day on which the asset is delivered. Accounts receivable are reported in the balance sheet when an invoice has been issued. The fair value of listed financial assets corresponds to the asset's listed transaction price on the balance sheet date. The fair value of unlisted financial assets is determined through use of valuation techniques, for example, recently conducted transactions, prices of similar instruments and discounted cash flows.

Financial assets are classified in four valuation categories: "Financial assets at fair value through profit and loss", "held to maturity investments", "loans and receivables" and "available for sale financial assets".

- **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS:** Assets that are acquired primarily in order to enjoy profits upon short-term price fluctuations, holdings for trading, are classified as "Financial assets at fair value through profit and loss" and reported as short-term investments if their term to maturity on the acquisition date is less than three months and as "Other interest-bearing current receivables" if the term to maturity is between three and twelve months. Derivative instruments are classified as holdings for trading except where used for hedge accounting. Assets in this category are valued regularly at fair value and changes in value are reported in the income statement. Derivative instruments taken up in respect of business-related items are reported in the operating profit, while derivative instruments of a financial nature are reported in financial items. Assets in this category are included in current assets, with the exception of items with maturity dates more than twelve months after the balance sheet date, which are classified as non-current assets.
- **HELD TO MATURITY INVESTMENTS:** Assets with a fixed maturity date and which are intended to be held until maturity are classified as "held to maturity investments" and reported as financial non-current assets, except those parts that mature within twelve months; these are reported as "Other interest-bearing current receivables". Assets in this category are valued at amortized cost. The amortized cost is determined based on the effective interest rate, which is calculated on the acquisition date.
- **LOANS AND RECEIVABLES:** Loans and receivables are financial assets that are not derivative instruments, which have fixed or determinable payments and which are not listed on an active market. The claims arise when cash, goods or services are provided directly to the debtor without an intention of trading in the receivables. Just as with the preceding category, assets in this category are valued at the amortized cost. They are included in current assets, with the exception of items with maturity dates more than twelve months after the balance sheet date, which are classified as non-current assets.

The Group has sold part of the accounts receivables, "factoring" and received liquid funds. These receivables are included in a pre-determined, defined customer group. The accounts receivables remain

in the consolidated accounts with the remaining credit risk that is not transferred to the factoring company. When the accounts receivable is fully paid and no credit risk remains, the balance is derecognized the consolidated accounts.

- **FINANCIAL ASSETS AVAILABLE FOR SALE:** Financial assets without a fixed term to maturity but which can be sold should liquidity needs arise or upon changes in interest rates are classified as "available for sale". Assets in this category are valued regularly at fair value with changes in value in other comprehensive income. Upon removal of the investments from the balance sheet, any accumulated profit or loss previously reported in comprehensive income is reversed to the income statement. They are included in current assets, with the exception of items with maturity dates more than twelve months after the balance sheet date, which are classified as non-current assets. The Group held no instruments in this category during 2017 and 2016.

#### Other shares and participations

Consist primarily of investments in equity instruments which do not have a listed market price and the fair value of which cannot be calculated in a reliable manner. They are valued at acquisition value.

#### Non-current receivables

Non-current receivables are receivables held without any intention of Trading in the claim. Parts where the outstanding holding period is less than one year are reported among "Other current interest-bearing receivables". The receivables are classified in the category, "Loan claims and accounts receivable".

#### Accounts receivable

Accounts receivable are classified in the category, "Loan claims and accounts receivable". Accounts receivable are reported initially at fair value and accounts receivable in excess of twelve months are reported at the accrued acquisition value applying the effective interest rate method, less any provisions for reduction in value. The Company has had no accounts receivable with a due date in excess of twelve months. Any impairment of accounts receivable takes place in selling expenses in the income statement.

#### Cash and cash equivalents

'Cash and cash equivalents' include cash, immediately accessible bank balances as well as other short-term deposits with an original term to maturity of less than three months (short-term investments). Investments with an original term to maturity of between three and twelve months are reported under "Other current interest-bearing receivables" and classified as assets valued at the fair value via the income statement. Overdraft facilities are reported in the balance sheet as borrowing among "Current interest-bearing liabilities".

#### Impairment of financial assets

The Group regularly assesses whether there is any objective evidence for impairment of a financial asset or a group of financial assets. With respect to investments in equity instruments which are valued at acquisition value, a significant or prolonged decline in the fair value of a share to a level below its acquisition value is considered to be evidence of impairment. If such evidence exists, the difference between the reported value and the current fair value is reported in the income statement. Impairment of equity instruments is not reversed. Tests for impairment of accounts receivable are based on an individual assessment of bad debts. The size of the provision comprises the difference between the reported value of the asset and the present value of estimated future cash flows, discounted applying an effective interest rate. The remaining amount is reported in the income statement.

#### INVENTORIES

Inventories are valued at the lower of acquisition cost and net realizable value, with the acquisition value being calculated in accordance with the FIFO method (first in, first out). When calculating the acquisition value, a weighted average value is normally used to approximate FIFO.

The net realizable value is normally calculated as the sales price less Production and selling expenses. With respect to products in the trading operations, the replacement cost with an added estimated gross margin is used as the best gauge of the net realizable value. In respect of raw materials, the replacement cost is used as the best gauge of the net realizable value. However, raw materials are not written down below the acquisition value where the end product in which they are included is expected to be sold at a price which exceeds the manufacturing cost.

Work in progress and finished inventories are valued at the manufacturing cost or the net realizable value, whichever is lower. Necessary provision is made for obsolescence.

The acquisition value of inventories includes all costs for purchasing, Production and other expenses incurred in bringing the goods to their current location and condition.

#### EMPLOYEE BENEFITS

##### Pensions

Within the Group there are both contribution-based and benefit-based Pension plans. Generally, the plans are financed through payments to insurance companies or manager-administered funds.

In the contribution-based plans, fixed fees are paid to a separate legal entity and there is no obligation, legal or informal, to pay any additional fees. In the contribution-based plans, payments are recognized as an

expense during the period when the employees have performed the services to which the fees relate. Blue collar employees in Sweden are covered by such a contribution-based plan.

In the benefit-based plans, compensation is payable to employees and former employees based on salary at the time of retirement and number of years in service. The Group bears the risk that the costs for the promised payments will be higher than estimated.

In the consolidated balance sheet, the net of the estimated present value of the obligations and fair value of the managed assets is reported either as a long-term provision or as a long-term financial claim. In those cases where a surplus in a plan cannot be utilized in full, only that part of the surplus which can be recovered through reduced future fees or refunds is reported. Set-off of a surplus in one plan against a deficit in another plan takes place only where a right of set-off exists.

Pension expenses and pension obligations for benefit-based plans are calculated in accordance with the Projected Unit Credit Method. The method allocates pension expenses as the employees perform the services that increase their entitlement to future compensation. The obligation is calculated by independent actuaries and constitutes the present value of the anticipated future disbursements. The discount rate that is applied corresponds to the rate of interest on high-quality corporate bonds with a term to maturity which corresponds to the average term for the obligations. The most important actuarial assumptions are stated in [Note 13](#).

Actuarial profits or losses may arise upon determination of the present value of the obligations and the fair value of the managed assets. These arise either as a consequence of the actual result differing from previously-made assumptions, or due to changes in the assumptions. Such actuarial profits and losses are recognized in their entirety in the Group's results when they arise.

White collar personnel in Sweden are covered by a collective benefit-based plan, the ITP (supplementary pensions for salaried employees) plan. The ITP plan has been financed through the purchase of pension insurance with the mutual insurance company, Alecta. However, at present no information is available which makes it possible to report this plan as a benefit-based plan. Accordingly, the plan is reported as a contributions based plan, and thus premiums paid to Alecta during the year are reported as pension expenses.

The parent company and other legal entities within the Group report benefit-based pension plans in accordance with the local rules in each country.

#### Profit shares and variable salary

SSAB employees are covered by a profit sharing system which entitles them to a share in the profit above a minimum level. The Group Executive Committee and a number of other senior executives have instead salaries which contain a variable element related to the profit level and individually set targets. The costs for these systems are booked as accrued expenses regularly during the year as soon as it is likely that the targets will be met. In 2011, a long-term incentive program was introduced for the Company's senior executives, including the President, which is capped at 25% of fixed salary. The program runs for rolling three-year periods, is cash-based, and is linked to the total return on the SSAB share relative to a comparison group comprised of the Company's competitors. A percentage of the costs for the program are booked each year, based on a continuous assessment of the outcome for the three-year period.

#### Compensation upon termination of employment

Compensation upon termination of employment is paid when employment is terminated prior to the normal retirement age or where an employee accepts voluntary retirement in exchange for such compensation. The Group reports severance compensation when the Group is demonstrably obliged either to terminate an employee in accordance with a detailed formal plan without the possibility of recall, or to provide compensation upon termination as a result of an offer made in order to encourage voluntary retirement. Benefits which fall due more than twelve months from the balance sheet date are discounted to present value.

#### PROVISIONS

Provisions are reported when the Group has an obligation as a result of an event that has occurred and it is likely that payments will be demanded for fulfillment of the obligation. A further requirement is that it is possible to make a reliable estimation of the amount to be paid out. Provisions for restructuring measures are made when a detailed, formal plan for the measures is in place and well-founded expectations have been created among the parties that will be affected by the measure, and this takes place prior to the balance sheet date.

#### EMISSION RIGHTS

SSAB participates in the EU's emission rights trading system. Provision is made if a shortfall in emission rights is identified between owned rights and those rights which will have to be delivered due to emissions having taken place. The value of any surplus emission rights is reported only when it is realized as an external sale. Emission rights are reported as intangible assets and are booked at acquisition value.

### ENVIRONMENTAL RESTORATION EXPENSES

Expenses for environmental measures associated with previous operations and which do not contribute to current or future revenue are booked as a cost when incurred. The environmental undertaking is calculated based on interpretations of applicable environmental legislation and regulations and reported when it is likely that payment liability will be incurred and a reasonable estimation can be made of such amount. Provisions have not been made for land clean-up to prepare the industrial areas for other use in the future, since it is not possible to make a reasonable estimation of when such cleanup will take place.

### FINANCIAL LIABILITIES

Financial liabilities include loan debts, accounts payable and derivative instruments. Reporting thereafter takes place depending on how the liabilities are classified. Financial liabilities are removed from the balance sheet when the debt/instrument is paid in full or ceases to apply or is transferred through all risks and benefits being assigned to an external party.

#### Accounts payable

Accounts payable are valued initially at fair value and thereafter at accrued acquisition value.

#### Loan debts

Loan debts are valued initially at net fair value after transaction costs, and thereafter at accrued acquisition value. The accrued acquisition value is determined based on the effective interest rate which was calculated when the loan was taken up. Accordingly, surplus values and under-values as well as direct issuance costs are allocated over the loan period. Loans which constitute the hedged object in fair value hedging are valued and booked at fair value. Non-current loan debts have an anticipated term to maturity in excess of one year, while current loan debts have a term to maturity of less than one year.

### DERIVATIVE INSTRUMENTS AND HEDGING

Currency derivatives in the form of forward contracts and swaps are used to hedge exchange rates on purchase orders for coal, iron ore, zinc and heavy fuel oil, to hedge the exchange rate in conjunction with major sales in foreign currency, in conjunction with major investments in non-current assets made in foreign currency, to hedge net investments in foreign subsidiaries, and to hedge Swedish kronor payment flows on foreign loans. Derivative instruments in the form of interest swaps are used to hedge exposure to interest rate risks.

- All derivative instruments are reported in the balance sheet at fair value. The method for reporting accrued profit/loss differs, however, depending on the purpose of the derivative instrument. When a derivative contract is entered into, it is characterized as hedging of the fair value of a reported asset/ liability or of a signed delivery order (“fair

value hedging”), hedging of a planned transaction (“cash flow hedging”), hedging of a net investment in a foreign company, or as a derivative instrument which does not meet the requirements for hedging transactions.

- When the transaction is entered into, the Group documents the relationship between the hedge instrument and the hedged item, as well as the Group’s risk management objectives and risk management strategy as regards the hedging. The Group also documents its assessment, both when hedging is entered into and on a regular basis, of whether the derivative instruments used in hedge transactions are effective in counteracting changes in fair value or cash flows that relate to the hedged items.
- Information regarding fair value of various derivative instruments used for hedging purposes is set forth in [Note 28](#). Changes in the hedging reserve in equity are set forth in [Note 12](#). The entire fair value of a derivative instrument which constitutes a hedge instrument is classified as a non-current asset or noncurrent liability when the outstanding term of the hedged item exceeds twelve months and as a current asset or current liability when the outstanding term of the hedged item is less than twelve months.
- Fair value hedging: Changes in the fair value of derivative instruments which are categorized as, and meet the requirements for, “fair value hedging” are reported in the income statement together with changes in the fair value of the asset/liability or the delivery order to which the hedging relates. Transaction costs related to “fair value hedging” are recognized immediately in the income statement.
- Cash flow hedging: The effective part of changes in fair value of derivative instruments which are identified as, and meet the requirements for, cash flow hedging, is reported in other comprehensive income. The profit or loss attributable to the ineffective part is reported immediately in financial items in the income statement. However, the ineffective part of the profit or loss relating to cash flow hedging of sales in foreign currency is reported among other operating expenses or revenue. Accumulated amounts in equity are reversed to the income statement in those periods in which the hedged item affects earnings (e.g. when the forecast sale which is hedged takes place). The profit or loss attributable to the effective part of a forward contract which hedges sales in foreign currency is reported in the income statement item, Sales. When a hedge instrument lapses or is sold, or when the hedging no longer fulfills the criteria for hedge accounting and there are accumulated profits or losses in equity regarding the hedging, such profits or losses remain in equity and are reported as income at the same time as the forecast transaction is finally reported in the income statement. When a forecast transaction is no longer expected to occur, the accumulated profit or loss which is reported in equity is transferred immediately to the income statement. Where the transfer relates to cash flow hedging of sales in foreign currency, it is reported among other operating expenses or revenue. Where the transfer relates to cash flow hedging of financial items, it is reported in the income statement among financial items.
- Net investment hedging: Hedging of net investments in foreign companies is reported in the same manner as cash flow hedging. The effective part of changes in value of derivative instruments and liabilities, which are used as hedge instruments, is reported in other comprehensive income. The ineffective part of changes in

value is reported immediately in financial items in the income statement. Accumulated profits and losses in equity are reported in the income statement when the foreign operations are divested, in whole or in part.

- Certain derivative transactions do not meet the formal criteria for hedge accounting; they are reported in the income statement among financial revenues and expenses.

Derivative instruments which are reported in hedge accounting and executed in respect of business-related items are reported in operating profit, while derivative instruments of a financial nature are reported in financial items. The fair value of currency forward contracts and currency swaps is calculated based on forward contract prices on the balance sheet date, while interest rate swaps are valued calculated on the basis of future discounted cash flows.

## TAXES

The Group's reported tax expenses consist of tax on the taxable earnings of Group companies for the period as well as any adjustments with respect to tax for previous periods and changes in deferred tax.

### Deferred tax

Deferred tax is calculated in order to correspond to the tax effect which arises when final tax is triggered. It corresponds to the net effect of tax on all differences between the tax value of assets and liabilities and their value for accounting purposes (temporary differences), applying the future tax rates already decided upon or announced which will apply when the tax is expected to be realized.

- Temporary differences arise primarily through accelerated depreciation of non-current assets, profits from intra-group inventory transactions, untaxed reserves in the form of tax allocation reserves, non-utilized losses carried forward, as well as fair value adjustments in conjunction with business combinations. A deferred tax receivable due to losses carried forward is, however, recognized as an asset only to the extent that it is likely that the deduction can be set off against future surpluses.
- In the parent company's balance sheet, the accumulated values of Accelerated depreciation and other untaxed reserves are reported in the item "Untaxed reserves" without deduction of the deferred tax. In the parent company's income statement, changes in the untaxed reserves are reported on a separate line.

## DIVIDENDS

Dividends proposed by the Board of Directors do not reduce equity until the annual general meeting has adopted a resolution regarding payment of the dividend.

### Dividends, the parent company

An anticipated dividend is reported in those cases where the parent company is exclusively entitled to decide on the amount of the dividend and the parent company, prior to the date on which its financial statements are published, has decided on the amount of the dividend and ascertained that the dividend will not exceed the dividend capacity of the subsidiary.

### GROUP CONTRIBUTIONS IN THE PARENT COMPANY

Group contributions received and provided, and the tax consequences thereof, are reported as a transfer to untaxed reserves, and the tax effect as a tax expense /income in the income statement.

## CASH FLOW STATEMENT

The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalents in the cash flow statement consist of cash and bank balances as well as short-term investments with a term to maturity of less than three months from the acquisition date, which are exposed to only an insignificant risk of change in value.

## SEGMENT REPORTING

### Operating segments

The Group is organized in five reportable operating segments with clear profit responsibility. The operating segments are the three steel divisions; SSAB Special Steels, SSAB Europe, SSAB Americas and the subsidiaries Tibnor and Ruukki Construction. Tibnor and Ruukki Construction are operated as independent subsidiaries by their respective Boards. In addition, there are other operating segments which are not reportable since they do not reach the threshold values in IFRS 8 and they are not monitored separately by the Group Executive Committee. The segment reporting takes place in such a manner that it corresponds to the internal reporting which is submitted to the Group Executive Committee. The Group Executive Committee is the highest Executive decision-making body which is responsible for the allocation of resources and assessment of the results of operating segments, and takes strategic decisions. A more detailed description of the reportable segments and their operations is provided on [page 153](#) and in [Note 27](#).

### NON-CURRENT ASSETS HELD FOR SALE

Significant non-current assets (or divestments groups) are classified as Non-current assets held for sale when their reported value will primarily be recovered through a sales transaction and a sale is deemed to be very likely. They are reported at reported value or fair value less selling expenses, whichever is lower, if their book value is primarily recovered through a sales transaction and not through permanent use.



## 1 Sales and other operating income

Sales per product area	Group	
	2017	2016
<b>SEK millions</b>		
Steel products	48,436	41,760
Trading operations	8,944	6,579
Ruukki Construction operations	5,729	5,262
Slabs	84	86
By-products/scrap	2,518	1,436
Other	348	231
<b>Total sales</b>	<b>66,059</b>	<b>55,354</b>

Sales broken down by divisions and geographic area is shown in [Note 27](#).

Other operating income	Group		Parent company	
	2017	2016	2017	2016
<b>SEK millions</b>				
Sales of purchased energy and media	208	188	-	-
Sales of services	30	24	-	-
Net exchange rate differences	216	113	1	1
Profit upon sale of company or business	10	-	-	-
Profit upon sale of fixed assets	36	13	-	-
Investment grant	25	0	-	-
Insurance reimbursement	315	-	-	-
Other	132	107	118	104
<b>Total other operating income</b>	<b>972</b>	<b>445</b>	<b>119</b>	<b>105</b>

## 2 Operating expenses

Type of cost	Group		Parent company	
	2017	2016	2017	2016
<b>SEK millions</b>				
Raw materials in the steel operations, including change in raw material inventory	24,752	18,113	-	-
Supplies and inputs	2,009	1,545	-	-
Purchased products in the trading operations	1,699	2,388	-	-
Purchased products in the steel operations	1,700	2,095	-	-
Energy	3,349	3,029	-	-
Change in inventory, work in progress and finished products	146	1,135	-	-
Compensation to employees	9,836	9,481	196	112
Material, services and maintenance	8,175	8,152	95	147
Depreciation/amortization	3,753	3,738	1	1
Other	7,841	4,966	52	3
<b>Total operating expenses</b>	<b>63,260</b>	<b>54,642</b>	<b>344</b>	<b>263</b>

Audit fees and related services	Group		Parent company	
	2017	2016	2017	2016
<b>SEK millions</b>				
<b>PricewaterhouseCoopers</b>				
Audit fees	19	17	2	2
Audit related services	1	3	1	1
Tax consulting	5	6	0	0
Other services	0	0	0	0
<b>Total audit fees and related services to PricewaterhouseCoopers<sup>1)</sup></b>	<b>25</b>	<b>26</b>	<b>3</b>	<b>3</b>
<b>Other audit firms</b>				
Audits and related services	7	3	-	-
Other services	18	17	7	1
<b>Total audit fees and services to audit firms</b>	<b>50</b>	<b>46</b>	<b>10</b>	<b>4</b>

<sup>1)</sup> During the year PwC Sweden have invoiced SEK 6 million for audit services. PwC Sweden's fees for other services than audit amounts to 27% compared to PwC Sweden's fees for audit. The PwC network's fees for other services than audit amounts to 27% compared to the network's invoiced fees for audit services.

Operating expenses have been reduced by the following government and other grants:

SEK millions	Group		Parent company	
	2017	2016	2017	2016
Investment grant	9	18	-	-
Other	16	20	-	-
<b>Total grants</b>	<b>25</b>	<b>38</b>	<b>-</b>	<b>-</b>

Compensation to employees	Board, President and Executive Vice President		Other employees	
	2017	2016	2017	2016
<b>SEK millions</b>				
Parent Company <sup>2)</sup>	26	18	74	48
Subsidiaries in Sweden	6	6	2,803	2,832
Subsidiaries outside Sweden	34	24	4,315	4,051
<b>Total wages and salaries<sup>3)</sup></b>	<b>66</b>	<b>48</b>	<b>7,192</b>	<b>6,931</b>
Social security expenses	24	19	2,146	2,163
(of which pension expenses)	(13)	(11)	(901)	(929)
Other expenses for employee benefits	4	4	404	316
<b>Total compensation to employees</b>	<b>94</b>	<b>71</b>	<b>9,742</b>	<b>9,410</b>

<sup>2)</sup> Relates only to personnel employed and working within the parent company. Personnel in some of the larger subsidiaries are formally employed by the parent company but are reported in terms of number and expense in the relevant subsidiary. In the parent company expenses for the president of SSAB EMEA AB are also reported.

<sup>3)</sup> Total wages and salaries include variable salary components to Presidents in the amount of SEK 16 (3) million, of which SEK 7 (1) million in the parent company.

## 2 Operating expenses cont.

### BOARD FEES

#### Board of Directors

At the annual general meeting (AGM) in April 2017, Bengt Kjell was re-elected as Chairman of the Board. Pasi Laine was elected as new director. At the AGM, it was decided that the Chairman's fee should amount to SEK 1,650,000 and directors' fees (excluding the President) to SEK 550,000 each.

Members of the Audit Committee should receive a fee of SEK 125,000 and members of the Remuneration Committee should receive a fee of SEK 100,000. The Chairman of the Audit Committee should receive SEK 200,000 and the Chairman of the Remuneration Committee should receive SEK 150,000. Thus, in total SEK 6,425 (5,675) thousand was paid in fees to the Board of Directors.

#### Board members

Elected by general meeting	Elected	Position	Fee 2017, SEK <sup>1)</sup>		Fee 2016, SEK <sup>1)</sup>	
			Board fee	Committee fee	Board fee	Committee fee
Bengt Kjell	2015	Chairman	1,650,000	275,000	1,650,000	200,000
Petra Einarsson	2014	Member	550,000	-	550,000	-
Matti Lievonen	2014	Member	550,000	100,000	550,000	100,000
Martin Lindqvist	2011	Member, President	-	-	-	-
Annika Lundius	2011	Member	550,000	125,000	550,000	100,000
John Tulloch	2009	Member	550,000	100,000	550,000	100,000
Lars Westerberg	2006	Member	550,000	125,000	550,000	125,000
Marika Fredriksson	2016	Member	550,000	200,000	550,000	100,000
Pasi Laine	2017	Member	550,000	-	-	-

<sup>1)</sup> The fee relates to the full term.

### SALARIES AND COMPENSATION FOR THE PRESIDENT AND OTHER SENIOR EXECUTIVES

#### Resolution of the annual general meeting

According to a resolution adopted by the AGM in April 2017, the President and other persons in the Company's senior management shall receive compensation comprising fixed salary, possible variable compensation, other benefits such as company car, and pension. "Other members of the Company's senior management" mean members of the Group Executive Committee other than the President. The total compensation package shall be at market terms and conditions and competitive in the employment market in which the executive works. Fixed salary and variable compensations shall be related to the executive's responsibilities and authority. The variable compensations shall be based on results as compared with defined and measurable targets and shall be subject to a ceiling in relation to the fixed salary. The variable compensations shall not be included in the basis

for computation of pension, except in those cases where so provided in the rules of a general pension plan, e.g. the Swedish ITP plan. For senior executives outside Sweden, all or parts of the variable compensations may be included in the basis for pension computation due to legislation or competitive practice in the local market.

The variable compensation programs should be structured such that the Board of Directors has the possibility, should exceptional circumstances prevail, to restrict the payment of variable compensation, or to decline to make such payment, where such a measure is deemed reasonable and compatible with the Company's responsibilities to its shareholders, employees and other stakeholders.

## 2 Operating expenses cont.

Consultant fees in line with prevailing market conditions may be payable insofar as any director performs work on behalf of the Company, in addition to the Board work.

The period of notice of termination of employment for senior executives in Sweden shall be six months in the event of termination by the executive. In the event of termination by the Company, the total of the period of notice of termination and the period during which severance compensation is payable shall not exceed 24 months. Pension benefits shall be contribution-based with individual retirement ages; however in no case earlier than the age of 62. In the event the employment terminates prior to the retirement age, the executive shall receive a paid-up policy for earned pension. For senior executives outside Sweden, the termination period, retirement age and severance compensation may vary due to legislation or practice on the local market.

The Board of Directors shall be entitled to deviate from the guidelines where special reasons exist in an individual case.

### Remuneration committee

Within the Board of Directors there is a Remuneration Committee, which issues proposals to the Board regarding the President's salary and other employment terms and conditions, and determines the salary and other employment terms and conditions for the Group Executive Committee in accordance with guidelines decided upon by the AGM. The Committee consists of Bengt Kjell (Chairman), Matti Lievonen and John Tulloch. The President is a co-opted member of the Committee but does not participate in discussions concerning his own salary and employment terms and conditions.

### Compensation in 2017

Compensation to the President and other members of the Group Executive Committee consisted of a fixed salary component, a short-term variable salary component, and a long-term variable salary component. There is no share-related compensation.

The short-term variable salary component which is related to the Group's EBITDA margin relative to other comparable steel companies, a net cash flow objective and to an objective related to injury frequency established by the Board, combined with one or more individual objectives. This variable salary component is capped at 75% of fixed salary for the President and 50% for others. The divisional head of SSAB Americas receives variable compensation which is considered to be competitive in the local market. The target result is 60% of fixed salary but may amount to a maximum of 180% in the event of extremely high performance. As a supplement, for year 2017, the maximum level was raised from 180% to 240%.

In 2011, a long-term incentive program was introduced covering then a maximum of 100 (now 150) key persons throughout the Group, including the Company's President and other senior executives. The purpose of the program is to promote the Company's ability to recruit and retain key contributors.

The program applies for rolling three-year periods, is cash-based and linked to the total return on the SSAB share compared with a comparison group comprising the Company's competitors and return on capital employed. For participants in the program outside North America, the result is capped at between 18% and 30% of fixed salary. The outcome for participants in North America is capped at between 32% and 144%, for these participants, the program is also linked to SSAB Americas' results and return on capital employed. The total annual cost for the program is SEK 36 million in the event of target realization, and SEK 72 million in the event of maximum realization, of which approximately 60% constitutes the cost for participants in North America.

Payments under the long-term incentive program take place in cash and on condition that the employment remains.

### President and Chief Executive Officer

The total paid compensation package, excluding pension, amounted to SEK 12.8 (15.2) million. The retirement age is 62. The pension is based on contributions and is covered by insurance. The cost amounted to 43 (43)% of fixed salary. Earned pension is inviolable but premium payments cease upon termination of employment.

There is a 12-month notice period in the event of dismissal by the Company. In addition, in such situation, severance compensation is payable equal to 12 months' salary. In the event of the President's resignation, the termination period is 6 months and, in such a situation, there is no entitlement to severance compensation. Variable salary components are earned during the termination period only on condition that the President remains in active service.

### Other Group Executive Committee members

Apart from the President, the Group Executive Committee comprised 8 (8) persons. The Group Executive Committee is presented in the [Corporate Governance Report](#).

The minimum retirement age for members of the Group Executive Committee stationed outside the USA is 62. Pensions are based on contributions, exceptions from this are Olavi Huhtala; he continues to be covered by the benefit-based pension scheme with a retirement age of 60 via Ruukki A-Pension Foundation, of which he has long been covered through his employment at Rautaruukki, as well as Charles Schmitt, whose pension scheme is in accordance with US legislation and practice. The other members of the Group Executive Committee are

entitled to 12 months' notice in the event of dismissal by the Company. In addition, in such a situation, severance compensation is payable equivalent to 6 months' salary. Members of the Group Executive committee must give 6 months' notice of resignation, whereupon there is no entitlement to severance compensation.

Total compensation and benefits are shown in the adjacent table:

Compensation and benefits for the President and other members of the Group Executive Committee	President		Other Group Executive Committee	
	2017	2016	2017	2016
<b>SEK millions</b>				
Fixed salary <sup>1)</sup>	10.3	9.3	25.2	23.2
Other benefits <sup>2)</sup>	0.3	0.3	0.7	0.6
Short-term variable salary <sup>3)</sup>	2.2	5.6	6.1	15.6
Long-term variable salary <sup>3)</sup>	-	-	0.6	0.7
<b>Total compensation</b>	<b>12.8</b>	<b>15.2</b>	<b>32.6</b>	<b>40.1</b>
Pension expenses	4.4	4.0	9.6	9.3
<b>Total</b>	<b>17.2</b>	<b>19.2</b>	<b>42.2</b>	<b>49.4</b>

<sup>1)</sup> For 2017, includes payment of SEK 0.2 (0.2) million to the President in respect of vacation compensation, as well as cost compensation in respect of company residence in the amount of SEK 0.2 (0.2) million.

<sup>2)</sup> Relates primarily to car and gasoline benefits as well as housing benefits

<sup>3)</sup> The amounts relate to payments made in the relevant financial year, which were earned in previous years. Since the compensation is not known at the end of the accounting year due to the fact that comparisons are made with competitors who have not yet reported their figures, and also the fact that the Board can decide to reduce the compensation if special reasons exist, compensation in this table is reported only in the year in which payment has taken place. Booked variable salary components for the entire Group Executive Committee amounted to SEK 22.0 (2.8) million.

### 3 Affiliated companies, joint ventures and related party transactions

Share of earnings and sales SEK millions	Share of earnings after tax		Share of sales	
	2017	2016	2017	2016
Lulekraft AB	-1	2	168	142
Oxelösunds Hamn AB	11	12	150	146
Blastech Mobile LLC (joint venture)	36	24	129	95
Bet-Ker Oy	8	10	46	45
Helens Rör AB	19	9	431	370
Manga LNG Oy	0	-1	2	0
Raahen Voima Oy	-	0	205	163
Hybrit Development AB (joint venture)	0	-	0	-
Stoxy Solutions AB (joint venture)	-5	-	-	-
<b>Total</b>	<b>68</b>	<b>56</b>	<b>1,131</b>	<b>961</b>

Share of assets and liabilities SEK millions	Share of assets		Share of liabilities	
	2017	2016	2017	2016
Lulekraft AB	126	122	112	107
Oxelösunds Hamn AB	150	165	10	36
Blastech Mobile LLC (joint venture)	70	80	12	1
Bet-Ker Oy	43	42	8	9
Helens Rör AB	190	147	106	82
Manga LNG Oy	224	181	157	115
Raahen Voima Oy	609	606	361	366
Hybrit Development AB (joint venture)	1	-	1	-
Stoxy Solutions AB	6	-	1	-
<b>Total</b>	<b>1,419</b>	<b>1,343</b>	<b>768</b>	<b>716</b>

Receivables from affiliated companies and joint venture SEK millions	Group		Parent Company	
	2017	2016	2017	2016
Included in balance sheet items:				
Accounts receivable	64	34	-	-
Prepaid expenses and accrued revenue	4	74	-	-
<b>Total</b>	<b>68</b>	<b>108</b>	<b>-</b>	<b>-</b>

Liabilities to affiliated companies and joint venture SEK millions	Group		Parent Company	
	2017	2016	2017	2016
Included in balance sheet items:				
Accounts payable	81	41	-	-
<b>Total</b>	<b>81</b>	<b>41</b>	<b>-</b>	<b>-</b>

Share of owning and equity share can be found in [Note 8](#).

#### RELATED PARTY TRANSACTIONS

The following transactions with affiliated companies and joint venture occurred during the year:

SSAB Americas purchased plate shot blasting and painting services from Blastech Mobile for SEK 172 (150) million. Lulekraft purchased gas from SSAB Europe for SEK 267 (212) million and resold electricity for SEK 175 (117) million. Raahen Voima purchased gas and fuel from SSAB Europe for SEK 131 (119) million and sold back energy for SEK 152 (118) million.

Oxelösunds Hamn sold port services to SSAB Europe for SEK 173 (153) million and purchased other services for SEK 46 (51) million. Helens Rör bought steel from the steel operations for SEK 199 (173) million and the steel operations bought steel from Helens Rör for SEK 2 (3) million. SSAB Europe purchased refractory materials from Bet-Ker for SEK 70 (75) million. The Board Member John Tulloch has a consultancy agreement with one of the US subsidiaries of SSAB from which he received SEK 0.6 (0.6) million in fees. The transactions took place at arm's length prices.



## 4 Financial items

Group		
SEK millions	2017	2016
<b>Financial income</b>		
Interest income	256	38
Net exchange rate differences	63	35
Dividends	3	2
Other	-1	5
<b>Total financial income</b>	<b>321</b>	<b>80</b>
<b>Financial expenses</b>		
Interest expenses	-1,031	-740
Net exchange rate differences	-38	-
Other	-228	-229
<b>Total financial expenses</b>	<b>-1,297</b>	<b>-969</b>
<b>Net financial income and expenses</b>	<b>-976</b>	<b>-889</b>

Parent Company		
SEK millions	2017	2016
Dividends from subsidiaries <sup>1)</sup>	5,792	35,046
Dividends from affiliated companies	1	1
Write-down of subsidiary shares <sup>1)</sup>	-5,292	-24,957
Capital gain of subsidiary shares	-	168
Interest income from subsidiaries	303	231
Interest expenses to subsidiaries	-67	-39
<b>Total result from subsidiaries and affiliated companies</b>	<b>737</b>	<b>10,450</b>
Other interest income	173	8
Other interest expenses	-832	-582
Net exchange rate differences	1,269	-1,317
Other	-183	-149
<b>Total other financial items</b>	<b>427</b>	<b>-2,040</b>
<b>Total financial net</b>	<b>1,164</b>	<b>8,410</b>

<sup>1)</sup> During 2017, the parent company made a write-down of SEK 145 (24,707) million in its subsidiary SSAB Finance UK's shares, a write-down of SEK 5,121 (0) million in SSAB Finance Brussels shares and a write-down of SEK 26 (55) million in SSAB APAC Holding's shares. During 2017 SSAB Finance UK distributed SEK 144 (35,022) million, after which the shares in SSAB Finance UK was written down to SEK 0. SSAB Finance Brussels distributed SEK 5,647 (0) million after which the shares in SSAB Finance Brussels was written down to SEK 0.

## 5 Taxes

Taxes	Group		Parent Company	
	2017	2016	2017	2016
<b>SEK millions</b>				
Swedish corporate income tax	-8	5	0	0
Foreign corporate income tax	-561	197	0	1
<b>Total current tax expenses</b>	<b>-569</b>	<b>202</b>	<b>0</b>	<b>1</b>
Deferred taxes	17	417	-406	210
<b>Total tax in the income statement</b>	<b>-552</b>	<b>619</b>	<b>-406</b>	<b>211</b>
<b>Total tax in other comprehensive income<sup>1)</sup></b>	<b>-279</b>	<b>232</b>	<b>-5</b>	<b>-1</b>

Reconciliation of tax rates	Group		Parent Company	
	2017	2016	2017	2016
<b>%</b>				
Applicable tax rate in Sweden	22	22	22	22
Tax effect of:				
• non-deductible expenses	0	2	49	59
• non-taxable divestments	-	-	-	-
• non-taxable revenue <sup>2)</sup>	-5	-12	-57	-83
• changes in tax rates <sup>3)</sup>	1	0	-	-
• other tax rates in foreign subsidiaries	-8	-213	-	-
• taxes relating to earlier periods	0	-3	-	0
• unbooked deficit credit	0	11	-	0
• other	9	2	-	-
<b>Effective tax rate</b>	<b>19</b>	<b>-191</b>	<b>14</b>	<b>-2</b>

The tax for the year amounted to SEK -552 (619) million and the effective tax rate was 19 (-191) percent. The tax rate was negatively affected by unbooked deficit credits by +9 percentage points and positively affected by lower tax rates on positive results and higher tax rates on negative results in foreign subsidiaries by -8 percentage points.

<sup>1)</sup> For details see Consolidated statement of changes in equity on [page 173](#) and on [page 177](#) for the parent company.

<sup>2)</sup> The parent company's non-deductible expenses are for the most part related to write-down of shares whereas non-taxable revenue consists primarily of dividends from subsidiaries.

<sup>3)</sup> The US tax reform was signed into law in December 2017 and had a negative impact on the Group effective tax rate due to the revaluation of deferred taxes. The impact was however limited and amounted to +1 percentage points as shown in the table above.

## 6 Intangible assets

### Group

SEK millions	2017							2016						
	Customer relations	Trademarks	Emission rights <sup>1)</sup>	Other intangible assets	Trademarks with undeterminable useful life	Goodwill	Total intangible assets	Customer relations	Trademarks	Emission rights <sup>1)</sup>	Other intangible assets	Trademarks with undeterminable useful life	Goodwill	Total intangible assets
Acquisition value, January 1	8,939	6	1,066	1,431	427	30,221	42,090	8,280	6	1,023	1,280	410	28,172	39,171
Acquisitions	-	-	-	78	-	-	78	-	-	-	66	-	-	66
Sales and disposals	-	-	-	-30	-	-	-30	-	-	-	-2	-	-	-2
Reclassifications	-	-	-	4	-	-	4	-	-	-	-	-	-	-
Translation differences	-819	0	33	-51	13	-2,169	-2,993	659	0	43	87	17	2,049	2,855
<b>Acquisition value, December 31</b>	<b>8,120</b>	<b>6</b>	<b>1,099</b>	<b>1,432</b>	<b>440</b>	<b>28,052</b>	<b>39,149</b>	<b>8,939</b>	<b>6</b>	<b>1,066</b>	<b>1,431</b>	<b>427</b>	<b>30,221</b>	<b>42,090</b>
Accumulated amortization, January 1	7,521	5	516	1,115	-	-	9,157	6,475	5	291	930	-	-	7,701
Sales and disposals	-	-	-	-6	-	-	-6	-	-	-	0	-	-	0
Amortization for the year	488	0	215	72	-	-	775	498	0	212	110	-	-	820
Reclassifications	-	-	-	-1	-	-	-1	-	-	-	-	-	-	-
Translation differences	-718	0	21	-56	-	-	-753	548	0	13	75	-	-	636
<b>Accumulated amortization, December 31</b>	<b>7,291</b>	<b>5</b>	<b>752</b>	<b>1,124</b>	<b>-</b>	<b>-</b>	<b>9,172</b>	<b>7,521</b>	<b>5</b>	<b>516</b>	<b>1,115</b>	<b>-</b>	<b>-</b>	<b>9,157</b>
Accumulated write-down, January 1	6	-	-	2	-	312	320	6	-	-	2	-	301	309
Write-down for the year	-	-	-	0	-	-	0	-	-	-	0	-	-	0
Reclassifications	-	-	-	-1	-	-	-1	-	-	-	-	-	-	-
Translation differences	0	-	-	0	-	10	10	-	-	-	0	-	11	11
<b>Accumulated write-down, December 31</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>322</b>	<b>329</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>312</b>	<b>320</b>
<b>Residual value, December 31</b>	<b>823</b>	<b>1</b>	<b>347</b>	<b>307</b>	<b>440</b>	<b>27,730</b>	<b>29,648</b>	<b>1,412</b>	<b>1</b>	<b>550</b>	<b>314</b>	<b>427</b>	<b>29,909</b>	<b>32,613</b>

<sup>1)</sup> Surplus values from the acquisition of Rautaruukki relating to future allocation of emission rights

Amortization for the year is included in the income statement in the amount of SEK 735 (776) million in cost of goods sold; SEK 8 (6) million in selling expenses and SEK 32 (38) million in other administrative expenses.

## 6 Intangible assets cont.

### TEST OF IMPAIRMENT OF GOODWILL AND OTHER ASSETS WITH AN UNDETERMINABLE USEFUL LIFE

Test of impairment of goodwill and other assets with an undeterminable useful life takes place annually towards the end of the fourth quarter. The Group's most significant assets with an undeterminable useful life is allocated to the Group's cash-generating units below:

SEK millions	2017	2016
<b>Goodwill</b>		
SSAB North America (in Division SSAB Americas)	22,408	24,741
SSAB Special Steels	2,714	2,636
SSAB Europe	2,046	1,985
Tibnor	502	487
Ruukki Construction	60	60
<b>Total goodwill</b>	<b>27,730</b>	<b>29,909</b>
Ruukki Construction (Trademark Rautaruukki)	440	427
<b>Total assets with an undeterminable useful life<sup>1)</sup></b>	<b>28,170</b>	<b>30,336</b>

<sup>1)</sup> All value changes from previous year are due to exchange rate differences.

SSAB North Americas is included in the SSAB Americas division. For more information about SSAB Americas and the other divisions, see [Note 27](#). Recoverable amounts for cash-generating units are based on value in use calculations. The calculations are based on the company's budget and forecasts regularly produced by the management team. Cash flow beyond a five-year period have been extrapolated applying an assessed rate of growth in accordance with the information below. The rate growth does not exceed the long-term rate of growth for the market in which these cash-generating units operate.

Significant assumptions used in calculations of use value are shown in the table below:

2017	SSAB North America	SSAB Special Steels	SSAB Europe	Tibnor	Ruukki Construction
Assessed long-term rate of growth, %	2	2	2	2	2
Weighted average discount rate, before tax, %	9.7	6.7	6.6	6.6	6.6

2016	SSAB North America	SSAB Special Steels	SSAB Europe	Tibnor	Ruukki Construction
Assessed long-term rate of growth, %	2	2	2	2	2
Weighted average discount rate, before tax, %	10.3	7.2	7.2	7.2	7.1

The assumptions above have been used to analyze the cash-generating unit.

The management has established the budgeted and forecast gross margin based on historical results and expectations regarding market trends and each specific cash-generating unit. The rate of growth used for the gross margin corresponds to the forecasts available in industry and analyst reports. The discount rate used is stated before tax and reflects specific risks applicable locally for each specific cash-generating

Calculations conducted using the above assumptions have demonstrated that no impairment of goodwill exists at December 31. For a sensitivity analysis, see [Note 29](#).

### EMISSION RIGHTS

The estimated consumption of emission rights in 2017 was 9.14 (10.0) million tons. No emission rights were sold in 2017 or 2016. The allocated rights were sufficient for consumption in 2017. The emission rights are reported as an intangible asset, with granted emission rights being booked at an acquisition value of SEK 0. SSAB is participating in various programs whereby it is possible to purchase emission rights and, through such programs, at year-end SSAB owned emission rights valued at SEK 5 (24) million, which are reported as an intangible asset.

## 6 Intangible assets cont.

### Parent company

	2017		2016	
	Other intangible assets	Total intangible fixed assets	Other intangible assets	Total intangible fixed assets
<b>SEK millions</b>				
Acquisition value, January 1	-	-	-	-
Acquisitions	3	3	-	-
<b>Acquisition value, December 31</b>	<b>3</b>	<b>3</b>	-	-
Accumulated depreciation, January 1	-	-	-	-
Depreciation for the year	0	0	-	-
<b>Accumulated depreciation, December 31</b>	<b>0</b>	<b>0</b>	-	-
<b>Residual value, December 31</b>	<b>3</b>	<b>3</b>	-	-

## 7 Tangible fixed assets

## Group

SEK millions	2017							2016					
	Land and land improvements	Buildings	Machinery	Equipment, tools, fixtures and fittings	Leased assets	Construction in progress and advances to suppliers	Total tangible fixed assets	Land and land improvements	Buildings	Machinery	Equipment, tools, fixtures and fittings	Construction in progress and advances to suppliers	Total tangible fixed assets
Acquisition value, January 1	1,053	8,149	43,970	661	-	1,358	55,191	1,034	7,359	41,615	629	1,518	52,155
Acquisitions	2	90	144	93	-	1,196	1,525	0	300	367	25	882	1,574
Sales and disposals	-11	-34	-88	-34	-	0	-167	-11	-34	-234	-32	-35	-346
Reclassifications	-5	-281	-1,310	1,931	609	-904	40	8	210	982	25	-1,055	170
Translation difference	-20	-76	-912	32	14	-26	-988	22	314	1,240	14	48	1,638
<b>Acquisition value, December 31</b>	<b>1,019</b>	<b>7,848</b>	<b>41,804</b>	<b>2,683</b>	<b>623</b>	<b>1,624</b>	<b>55,601</b>	<b>1,053</b>	<b>8,149</b>	<b>43,970</b>	<b>661</b>	<b>1,358</b>	<b>55,191</b>
Accumulated depreciation, January 1	245	2,952	25,561	386	-	-	29,144	211	2,379	22,684	347	-	25,621
Sales and disposals	-9	-18	-50	-42	-	-	-119	0	-7	-211	-30	-	-248
Depreciation for the year	31	347	2,356	179	61	-	2,974	33	388	2,390	76	-	2,887
Reclassifications	-10	-40	-1,200	1,186	119	-	55	0	119	174	-5	-	288
Translation difference	-5	-30	-536	31	4	-	-536	1	73	524	-2	-	596
<b>Accumulated depreciation, December 31</b>	<b>252</b>	<b>3,211</b>	<b>26,131</b>	<b>1,740</b>	<b>184</b>	<b>-</b>	<b>31,518</b>	<b>245</b>	<b>2,952</b>	<b>25,561</b>	<b>386</b>	<b>-</b>	<b>29,144</b>
Accumulated write-down, January 1	14	87	80	0	-	-	181	12	119	127	0	-	258
Sales and disposals	-	-1	-4	-1	-	-	-6	-	-	-1	-	-	-1
Write-down for the year	-	0	4	1	-	-	5	-	1	4	-	-	5
Reclassifications	-	-6	-21	-	-	-	-27	1	-47	-81	-	-	-127
Translation difference	-1	-1	1	0	-	-	-1	1	14	31	0	-	46
<b>Accumulated write-down, December 31</b>	<b>13</b>	<b>79</b>	<b>60</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>152</b>	<b>14</b>	<b>87</b>	<b>80</b>	<b>0</b>	<b>-</b>	<b>181</b>
<b>Residual value, December 31</b>	<b>754</b>	<b>4,558</b>	<b>15,613</b>	<b>943</b>	<b>439</b>	<b>1,624</b>	<b>23,931</b>	<b>794</b>	<b>5,110</b>	<b>18,329</b>	<b>275</b>	<b>1,358</b>	<b>25,866</b>



## 7 Tangible fixed assets cont.

Depreciation for the year is included in the income statement in the amount of SEK 2,905 (2,820) million in costs of goods sold, SEK 26 (39) million in selling expenses, SEK 43 (47) million in administrative expenses, and SEK 0 (6) million in other expenses.

As per the balance sheet date, there were contracted investments in fixed assets valued at SEK 248 (112) million which were not reported in the financial statements.

### Parent company

SEK millions	2017		2016	
	Equipment, tools, fixtures and fittings	Total tangible fixed assets	Equipment, tools, fixtures and fittings	Total tangible fixed assets
Acquisition value, January 1	13	13	13	13
Acquisitions	-	-	-	-
<b>Acquisition value, December 31</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>
Accumulated depreciation, January 1	12	12	11	11
Depreciation for the year	0	0	1	1
<b>Accumulated depreciation, December 31</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>Residual value, December 31</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

## 8 Financial assets, shares and participations in affiliated companies and joint venture

Group	2017				2016			
	Other shares and participations	Other long-term receivables	Total financial assets	Participations in affiliated companies and JV	Other shares and participations	Other long-term receivables	Total financial assets	Participations in affiliated companies and JV
<b>SEK millions</b>								
Book value at January 1	212	95	308	628	169	337	506	546
Investments	34	116	150	11	32	16	48	46
Sales and amortization	-19	-14	-33	-	-	-256	-256	-
Impairments	-	-	-	-	-	-1	-1	-
Shares in profit after tax	-	-	-	68	-	-	-	55
Reclassification	-	2	2	-	4	-2	3	-
Dividend	-	-	-	-61	-	-	-	-40
Translation differences	6	-	6	5	7	1	8	21
<b>Book value at December 31</b>	<b>233</b>	<b>199</b>	<b>433</b>	<b>651</b>	<b>212</b>	<b>95</b>	<b>308</b>	<b>628</b>

Other shares and participations consist primarily of unlisted holdings in equity instruments which do not have a listed market price and the fair value of which cannot be calculated in a reliable manner. They are valued at acquisition value. Other long-term receivables are receivables that are classified in the category "Loans and receivables". They are valued at amortized cost.

## Parent company

Parent company	2017					2016				
	Shares in subsidiaries	Shares in affiliated companies	Other shares and participations	Other long-term receivables	Total financial assets	Shares in subsidiaries	Shares in affiliated companies	Other shares and participations	Other long-term receivables	Total financial assets
<b>SEK millions</b>										
Book value, January 1	33,088	11	8	0	33,107	56,608	11	8	240	56,867
Investments	37,417	11	-	-	37,428	3,885	-	-	-	3,885
Impairments	-26	-	-	-	-26	-24,957	-	-	-	-24,957
Reductions and amortization	-5,266	-	-	-	-5,266	-2,448	-	-	-240	-2,688
<b>Book value, December 31</b>	<b>65,213</b>	<b>22</b>	<b>8</b>	<b>0</b>	<b>65,243</b>	<b>33,088</b>	<b>11</b>	<b>8</b>	<b>-</b>	<b>33,107</b>

## 8 Financial assets, shares and participations in affiliated companies and joint venture cont.

### Parent Company's shares and participations in subsidiaries

	Reg. no	Office	Number	% <sup>1)</sup>	Book value, SEK millions
<b>Swedish operating subsidiaries:</b>					
Plannja AB	556121-1417	Luleå	80,000	100	16
SSAB EMEA AB	556313-7933	Oxelösund	1,000	100	3,961
Tibnor AB	556004-4447	Stockholm	1,000,000	100	425
SSAB Technology AB	556207-4905	Stockholm	1,000	100	0
SSAB Americas Holding AB	556858-6654	Stockholm	50,000	100	9
SSAB APAC Holding AB	556858-6647	Stockholm	50,000	100	50
<b>Foreign operating subsidiaries:</b>					
SSAB Central Inc.		Canada	1,000	100	361
SSAB US Holding Inc.		USA	100	100	6,802
Rautaruukki Oyj		Finland	138,929,363	100	14,967
SSAB Finance Ireland		Ireland	130,000,000	100	38,620
Other <sup>2)</sup>					2
<b>Dormant companies</b>					<b>0</b>
<b>Total</b>					<b>65,213</b>
<b>Other shares and participations</b>					
Tenant-owner rights					8
<b>Total, Parent Company's other shares and participations</b>					<b>8</b>
<b>Subsidiaries' other shares and participations<sup>2)</sup></b>					
					225
<b>Total, Group's other shares and participations</b>					<b>233</b>

### Parent Company's shares in affiliated companies and joint venture

	Reg. no	Office	Number	% <sup>1)</sup>	Book value, SEK millions
Hybrit Development AB	559121-9760	Stockholm	500,000	33	1
Industrikraft i Sverige AB	556761-5371	Stockholm	20,000	20	1
Lulekraft AB	556195-0576	Luleå	100,000	50	10
Stoxy Solutions AB	559099-3910	Stockholm	500	50	10
<b>Total, Parent Company's shares in affiliated companies</b>					<b>22</b>

### Subsidiaries' shares and participations in affiliated companies and joint venture

	Reg. no	Office	Number	% <sup>1)</sup>	SEK millions
Oxelösunds Hamn AB	556207-4913	Oxelösund	50,000	50	129
Blastech Mobile LLC		USA		50	80
Bet-Ker Oy	1003246-0	Finland	120	44	34
Manga LNG Oy	2592122-8	Finland	3,151,042	25	64
Raahen Voima Oy	2604933-9	Finland	1,875	75	240
Helens Rör AB	556086-9785	Halmstad	4,500	25	64
					611
<b>Equity shares in affiliated companies and joint venture's equity in excess of the book value in the Parent Company</b>					<b>18</b>
<b>Total, Group participations in affiliated companies and joint venture</b>					<b>651</b>

<sup>1)</sup> The percentages indicate the equity share which, in all cases, also corresponds to the share of the voting capital. However, the voting share in Raahen Voima is, through a shareholder agreement, limited to 50%.

<sup>2)</sup> A complete specification of other shares and participations is available from SSAB's Group headquarters in Stockholm.

## 8 Financial assets, shares and participations in affiliated companies and joint venture cont.

### Indirectly owned subsidiaries (not directly owned by SSAB AB)

Name	Office	Ownership %	Name	Office	Ownership %
Alamentti Oy	Finland	100	Ruukki Australia Pty Ltd	Australia	100
BevakningsAB Företagsskydd	Sweden	100	Ruukki Building Components AS	Norway	100
Blupoint Pty Ltd	Australia	100	Ruukki Bulgaria EOOD	Bulgaria	100
EO Stål AB	Sweden	100	Ruukki Canada Inc	Canada	100
Förvaltnings AB Tegelhögen	Sweden	100	Ruukki Chile SpA	Chile	100
G & G Mining Fabrication	Australia	100	Ruukki Construction Norge AS	Norway	100
Geha Beheer BV	The Netherlands	51	Ruukki Construction Oy	Finland	100
Hardox Wearparts Center Gauteng	South Africa	80	Ruukki CZ s.r.o.	Czech Republic	100
JL Steel Services Ltd	Great Britain	100	Ruukki d.o.o.	Slovenia	100
Linköpings Stål AB	Sweden	100	Ruukki DOO Belgrade	Serbia	100
LLC Ruukki Investment Ukraine	Ukraine	100	Ruukki Engineering Oy	Finland	100
LLC Ruukki Ukraine	Ukraine	99,9	Ruukki Express AB	Sweden	100
Metform Oy	Finland	100	Ruukki Finance B.V.	The Netherlands	100
Nordic Steel AB	Sweden	100	Ruukki Holding AB	Sweden	100
OOO Metalplast Russia	Russia	100	Ruukki Holding B.V.	The Netherlands	100
OOO Ruukki Express	Russia	100	Ruukki Hungary Kft	Hungary	100
OOO Ruukki Rus	Russia	100	Ruukki Metal (Shanghai) Co Ltd	China	100
Plannja Siba AB	Sweden	100	Ruukki Metals Trading & Marketing India Private Limited	India	99
Plannja A/S	Norway	100	Ruukki Polska Sp.zo.o.	Poland	100
Plannja A/S	Denmark	100	Ruukki Products AS	Estonia	100
Plannja Förvaltnings AB	Sweden	100	Ruukki Romania S.R.L.	Romania	100
Plannja Ltd	Great Britain	100	Ruukki Slovakia s.r.o.	Slovakia	100
Plannja SP z.o.o	Poland	100	Ruukki Sverige AB	Sweden	100
Plannja Steinwalls AB	Sweden	100	Ruukki Trading (Shanghai) Co., Ltd	China	100
Plåtdepån i Borlänge AB	Sweden	100	Ruukki UK Ltd	Great Britain	100
Presteel Oy	Finland	80,1	Ruukki USA Inc.	USA	100
Rannila Uü	Estonia	100	SC Plannja SRL, Romania	Romania	100
Rautaruukki Uü	Estonia	100	SIA Ruukki Latvija	Latvia	100

## 8 Financial assets, shares and participations in affiliated companies and joint venture cont.

### Indirectly owned subsidiaries (not directly owned by SSAB AB)

Name	Office	Ownership %	Name	Office	Ownership %
SSAB Adriatic d.o.o.	Croatia	100	SSAB Swedish Steel	Hong Kong	100
SSAB Alabama Inc.	USA	100	SSAB Swedish Steel	Japan	100
SSAB Argentina SRL	Argentina	100	SSAB Swedish Steel (China) Co.,Ltd	China	100
SSAB Bulgaria Ltd	Bulgaria	100	SSAB Swedish Steel (Thailand) Co., LTD	Thailand	49
SSAB Columbia S.A.S.	Colombia	100	SSAB Swedish Steel Aceros de Chile Limitada	Chile	100
SSAB Construction Inc.	USA	100	SSAB Swedish Steel BV	The Netherlands	100
SSAB Danmark A/S	Denmark	100	SSAB Swedish Steel CIS	Russia	100
SSAB Egypt LLC	Egypt	100	SSAB Swedish Steel Comércio de Aço Ltda.	Brazil	100
SSAB Enterprises LLC	USA	100	SSAB Swedish Steel Eesti OU	Estonia	100
SSAB Europe Oy	Finland	100	SSAB Swedish Steel FZE	United Arab Emirates	100
SSAB Hardox	China	100	SSAB Swedish Steel India PVT Ltd	India	100
SSAB Hardox Stahl GmbH	Austria	100	SSAB Swedish Steel International Trade (Kunshan)Co	China	100
SSAB Holding Danmark A/S	Denmark	100	SSAB Swedish Steel Lda	Angola	100
SSAB Inc	USA	100	SSAB Swedish Steel Lda	Portugal	100
SSAB Iowa Inc.	USA	100	SSAB Swedish Steel LLC,	Ukraine	100
SSAB Israel Ltd	Israel	100	SSAB Swedish Steel LLP	Kazakhstan	100
SSAB Saudi Factory LLC	Kingdom of Saudi Arabia	100	SSAB Swedish Steel Ltd	Canada	100
SSAB Merox AB	Sweden	100	SSAB Swedish Steel Ltd	Great Britain	100
SSAB Minnesota Inc.	USA	100	SSAB Swedish Steel Ltd, Shanghai	China	100
SSAB Oxelösund , Taiwan	Taiwan	100	SSAB Swedish Steel Ltd.	Korea	100
SSAB Oxelösund AB Sucursal Del	Peru	100	SSAB Swedish Steel Mepe	Greece	100
SSAB Poland Sp.z.o.o, Poland	Poland	100	SSAB Swedish Steel Pte Ltd	Singapore	100
SSAB South Africa Pty Ltd	South Africa	100	SSAB Swedish Steel S.L.	Spain	100
SSAB Sales Inc. (US)	USA	100	SSAB Swedish Steel SARL	Morocco	100
SSAB SSC AB	Sweden	100	SSAB Swedish Steel s.r.o.	Czech Republic	100
SSAB Svenskt Stål A/S	Norway	100	SSAB Swedish Steel Sdn Bhd	Malaysia	100
SSAB Swedish Steel (China) Co., Ltd.	China	100	SSAB Swedish Steel SpA	Italy	100
SSAB Swedish Steel	Indonesia	100	SSAB Swedish Steel SRL	Romania	100
SSAB Swedish Steel	Australia	100	SSAB Swedish Steel Trading Ltd	Turkey	100

## 8 Financial assets, shares and participations in affiliated companies and joint venture cont.

### Indirectly owned subsidiaries (not directly owned by SSAB AB)

Name	Office	Ownership %
SSAB Swedish Steel Trading Ltd, Ungern	Hungary	100
SSAB Swedish Steel, Serbia	Serbia	100
SSAB Texas Inc.	USA	100
SSAB Wear Solutions LLC	USA	100
Swedish Steel AB Mexico Sa De CV	Mexiko	100
Tappers Stål & Metall AB	Sweden	100
Tibnor AS	Norway	100
Tibnor AS	Denmark	100
Tibnor Estonia AS	Estonia	100
Tibnor Lanna AB	Sweden	100
Tibnor Oy	Finland	100
Tibnor SIA Latvia	Latvia	100
UAB Ruukki Lietuva	Lithuania	100



## 9 Inventories

SEK millions	Group		Parent Company	
	2017	2016	2017	2016
Raw materials, consumables and semi-finished goods	8,120	4,983	-	-
Slabs	1,412	1,558	-	-
Work in progress	564	913	-	-
Stocks of finished goods	5,939	7,547	-	-
<b>Total inventories</b>	<b>16,035</b>	<b>15,001</b>	-	-

SEK 234 (190) million of the inventory value is valued at net realizable value. The share of inventories which is booked as an expense amounts to SEK 58,592 (50,240) million during the period, where of SEK 497 (66) million was reported as an expense relating to impairment of inventories.

## 10 Prepaid expenses and accrued income

SEK millions	Group		Parent Company	
	2017	2016	2017	2016
Delivered, non-invoiced goods and services	53	28	-	-
Bonuses, discounts, licenses and similar	48	44	-	-
Prepaid rents	27	26	3	3
Prepaid insurance premiums	141	162	2	-
Advances raw material	-	47	-	-
Accrued interest income	0	4	0	4
Derivatives reported in hedge accounting	137	372	81	255
Derivatives not reported in hedge accounting	38	51	27	46
Energy taxes	67	48	-	-
Prepaid bank fees	22	46	22	46
Other prepaid expenses	274	287	7	12
<b>Total prepaid expenses and accrued income</b>	<b>807</b>	<b>1,115</b>	<b>142</b>	<b>366</b>

## 11 Other current interest-bearing receivables/Cash and cash equivalents

SEK millions	Group		Parent Company	
	2017	2016	2017	2016
<b>Other current interest-bearing receivables</b>				
Restricted funds	2,453	1,812	2,453	1,540
Other current interest-bearing receivables	112	333	-	313
<b>Total current interest-bearing receivables</b>	<b>2,565</b>	<b>2,145</b>	<b>2,453</b>	<b>1,853</b>
<b>Cash and cash equivalents</b>				
Cash and bank balances	4,245	3,876	3,187	2,238
Short-term investments (term to maturity of less than three months)	4	3	-	-
<b>Total cash and cash equivalents</b>	<b>4,249</b>	<b>3,879</b>	<b>3,187</b>	<b>2,238</b>

All short-term investments and current interest-bearing receivables are valued at amortized costs. Short-term investments with terms to maturity of less than three months consist of overnight deposits at banks.

## 12 Equity

The share capital amounts to SEK 9,062 (9,062) million, divided into 1,029.8 (1,029.8) million shares with a par value of SEK 8.80 (8.80) per share. 304.2 (304.2) million of the shares are Class A shares and 725.7 (725.7) million shares are Class B shares. Each Class A share entitles one vote, while each Class B share entitles the holder to one tenth of a vote. No shares are held in treasury by the Company or its subsidiaries. The average number of shares was 1,029.8 (900.3) million (average number of shares have been adjusted based on the bonus issue element in the rights issue). Other contributed funds amounting to SEK 23,021 (23,021) million and consists of funds paid in by the shareholders in connection with new issues, in excess of the par value of the shares.

Exchange rate differences which arise upon the translation into Swedish kronor of the net investment in foreign subsidiaries are transferred to the translation reserve. The accumulated translation differences amounted to SEK 5,593 (8,579) million. The exchange rate differences in conjunction with the translation of loans or other financial instruments taken up in order to hedge the exchange rate of net assets in foreign subsidiaries are transferred to the reserve for hedge of foreign operations. The accumulated translation differences amounted to SEK -3,686 (-4,689) million.

Exchange rate differences in conjunction with cash flow hedge of significant sales in foreign currency as well as hedge of interest rates from variable to fixed rate are transferred to the reserve for cash flow hedge. The accumulated translation differences amounted to SEK 134 (114) million.

The proposed dividend for 2017 amounts to SEK 1029.8 (0) million which constitutes SEK 1.00 (0.00) per share.

Numbers of shares/share capital	Group	
	2017	2016
Numbers of shares in million	1,029.8	1,029.8
Share capital in SEK million	9,062	9,062

Group					
SEK millions	Reserve for hedge of foreign operations	Reserve for cashflow hedges	Translation reserve	Total reserves	
Reserves, January 1, 2016	-3,642	-119	5,118	1,357	
Translation differences during the period	-	-	3,461	3,461	
Fair value changes during the period	-1,342	298	-	-1,044	
Tax related to fair value changes during the period	295	-61	-	234	
Transferred to the income statement	-	-7	-	-7	
Tax related to transferred to the income statement	-	3	-	3	
<b>Reserves, December 31, 2016</b>	<b>-4,689</b>	<b>114</b>	<b>8,579</b>	<b>4,004</b>	
Reserves, January 1, 2017	-4,689	114	8,579	4,004	
Translation differences during the period	-	-	-2,986	-2,986	
Fair value changes during the period	1,286	318	-	1,604	
Tax related to fair value changes during the period	-283	-65	-	-348	
Transferred to the income statement	-	-291	-	-291	
Tax related to transferred to the income statement	-	58	-	58	
<b>Reserves, December 31, 2017</b>	<b>-3,686</b>	<b>134</b>	<b>5,593</b>	<b>2,041</b>	

## 13 Pensions

Within the Group there are both contribution-based and benefit-based pensions. In respect of contribution-based pensions and the pension plan for white collar staff in Sweden which is taken out with Alecta, the premiums relating to the period that has elapsed are reported as expenses for the year.

The most significant defined benefit plans in the Group are the Finnish pension fund (A-säätiö), the Finnish Pension promise plan and the Norwegian pension fund (CCB Pensionskasse).

Actuarial gains/losses are disclosed in the Other comprehensive income. The actuarial gains on the net pension obligations were primarily due to a high return on managed assets partly offset by an increase in discount rates.

The total pension expenses are broken down as follows:	Group		Parent Company	
SEK millions	2017	2016	2017	2016
Fees for contribution-based plans	709	715	21	14
Fees for pension insurance policies with Alecta <sup>1)</sup>	96	101	6	4
Pension expenses, benefit-based plans	24	25	0	0
Special employer's contributions	79	80	8	5
Other	6	8	0	0
<b>Total pension expenses</b>	<b>914</b>	<b>929</b>	<b>35</b>	<b>23</b>

<sup>1)</sup> Alecta's surplus can be allocated to the policyholders and/or the insurers. At the end of December 2017, Alecta's preliminary surplus in the form of the collective funding level amounted to 154% compared with 149% as per the end of 2016. The collective funding level consist of the market value of Alecta's assets as a percentage of insurance commitments calculated in accordance with Alecta's actuarial calculation assumptions, which do not concur with IAS 19.

Following provisions for pension obligations have been made in the balance sheet:

	Group		Parent Company	
SEK millions	2017	2016	2017	2016
Funded pension obligations	1,350	1,363	-	-
Fair value of managed assets	-1,328	-1,314	-	-
<b>Pension obligations less managed assets</b>	<b>22</b>	<b>49</b>	<b>-</b>	<b>-</b>
Unfunded pension obligations	352	315	3	3
<b>Pension obligations, net</b>	<b>374</b>	<b>364</b>	<b>3</b>	<b>3</b>

Changes in benefit-based obligations during the year:	Group		Parent Company	
SEK millions	2017	2016	2017	2016
Pension obligations, January 1	1,679	1,647	3	3
Increase through acquisition of shares/operations	0	0	-	-
Benefits earned during the year	47	43	1	1
Actuarial gains/losses	66	5	-	-
Interest expenses	30	34	0	0
Paid benefits	-119	-131	-1	-1
Curtailments and settlements	-14	-7	-	-
Translation differences	13	88	-	-
<b>Pension obligations, December 31</b>	<b>1,702</b>	<b>1,679</b>	<b>3</b>	<b>3</b>

Changes in the value of the managed assets during the year:	Group		Parent Company	
SEK millions	2017	2016	2017	2016
Managed assets, January 1	1,315	1,271	-	-
Increase through acquisition of shares/operations	0	0	-	-
Actuarial gains/losses	64	17	-	-
Return during the year	10	21	-	-
Fees from employer	23	40	-	-
Paid benefits	-91	-107	-	-
Curtailments and settlements	-4	3	-	-
Translation differences	11	70	-	-
<b>Managed assets, December 31</b>	<b>1,328</b>	<b>1,315</b>	<b>-</b>	<b>-</b>
<b>Pension obligations, net</b>	<b>374</b>	<b>364</b>	<b>3</b>	<b>3</b>

## 13 Pensions cont.

Net pension provisions in balance sheet	Group		Parent Company	
	2017	2016	2017	2016
<b>SEK millions</b>				
Pensions provisions	453	397	3	3
Long-term receivables	79	33	-	-
<b>Pension obligations, net</b>	<b>374</b>	<b>364</b>	<b>3</b>	<b>3</b>

## Pensions provisions by country, December 31, 2017

SEK millions	Finland	Norway	USA	Sweden	Other	Total
Funded pension obligations	1,033	248	67	2	0	1,350
Fair value of managed assets	954	323	50	1	0	1,328
<b>Pension obligations less managed assets</b>	<b>79</b>	<b>-75</b>	<b>17</b>	<b>1</b>	<b>0</b>	<b>22</b>
Unfunded pension obligations	138	14	117	44	39	352
<b>Pension obligations, net</b>	<b>217</b>	<b>-61</b>	<b>134</b>	<b>45</b>	<b>39</b>	<b>374</b>

## Pensions provisions by country, December 31, 2016

SEK millions	Finland	Norway	USA	Sweden	Other	Total
Funded pension obligations	1,010	291	60	3	0	1,364
Fair value of managed assets	947	321	45	2	0	1,315
<b>Pension obligations less managed assets</b>	<b>63</b>	<b>-30</b>	<b>15</b>	<b>1</b>	<b>0</b>	<b>49</b>
Unfunded pension obligations	140	16	80	42	37	315
<b>Pension obligations, net</b>	<b>203</b>	<b>-14</b>	<b>95</b>	<b>43</b>	<b>37</b>	<b>364</b>

## Specification of plan assets

Distribution, %	2017	2016
Equity instruments	9.1	8.2
Bonds	47.1	47.4
Real estate	8.7	8.1
Cash	6.3	5.5
Investments funds	27.5	27.5
Other	1.3	3.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Exposure to the most significant risks in the benefit plans:

## ASSET VOLATILITY

The plan holds a significant part of its assets as bonds which over time should provide a lower volatility and carry less risk than equity instruments.

## DISCOUNT RATE

The plan obligations are calculated using a discount rate set with a reference to corporate bond yields. A decrease in bond yields increases plan obligations even though this will be partially offset by increase in plan assets.

## INFLATION RISK

The plans' benefit obligations are linked to inflation and increase in inflation increases liabilities.

## Actuarial assumptions used

2017	Finland	Norway	USA	Sweden
Discount rate, %	1.4	2.7	3.6	0.5
Future salary growth, %	1.6	3.0	3.3	3.0
Pension increase rate, %	1.9	0.5	2.8	0.5
<b>2016</b>				
Discount rate, %	1.6	2.5	4.0	0.5
Future salary growth, %	1.0	3.0	3.3	3.0
Pension increase rate, %	1.7	2.0	2.8	0.5

A 0.5% decrease of discount rate would increase pension obligation by SEK 70 (69) million while an increase of 0.5% would decrease it with SEK 63 (62) million.

A 0.5% increase in Pension increase growth would increase pension obligation by SEK 42 (42) million while a 0.5% decrease would decrease it by SEK 40 (40) million.

## 14 Deferred tax liabilities and tax receivables

Deferred tax on retained earnings in subsidiaries and affiliated companies is not taken into consideration. To the extent profits are transferred to the parent company, such a transfer is normally exempt from taxation. To the extent such a transfer is not exempt from taxation, the parent company determines the date of such transfer and such transfer will not take place within the foreseeable future.

### Changes in deferred tax (receivables +/liabilities -)

Group

SEK millions	2017							2016						
	Accelerated depreciation of fixed assets	Unused tax losses	Pension provisions	Long-term deferred income	Deferred tax on surplus values	Other	Total	Accelerated depreciation of fixed assets	Unused tax losses	Pension provisions	Long-term deferred income	Deferred tax on surplus values	Other	Total
Opening balance, January 1	-2,024	844	128	182	-1,207	1,810	-267	-2,051	762	125	267	-1,382	1,437	-842
Changes against earnings	312	-500	-27	4	552	-324	17	128	43	5	-34	264	11	417
Changes against other comprehensive income			9			-288	-279	3		-7			237	233
Changes against investment grant				-49			-49				-67			-67
Increase due to acquisition of shares/operations							-						1	1
Decrease due to disposal of shares/operations							-							0
Translation difference	86	-19	1	-1	68	-140	-5	-104	39	5	16	-89	124	-9
<b>Closing balance, December 31</b>	<b>-1,626</b>	<b>325</b>	<b>111</b>	<b>136</b>	<b>-587</b>	<b>1,058</b>	<b>-583</b>	<b>-2,024</b>	<b>844</b>	<b>128</b>	<b>182</b>	<b>-1,207</b>	<b>1,810</b>	<b>-267</b>

## 14 Deferred tax liabilities and tax receivables cont.

Deferred tax receivables and liabilities are distributed as follows:

Deferred taxes SEK millions	Group	
	2017	2016
<b>Deferred tax liabilities</b>		
• due within 12 months	112	160
• due after more than 12 months	179	894
	<b>291</b>	<b>1,054</b>
<b>Deferred tax liabilities</b>		
• due within 12 months	0	0
• due after more than 12 months	-874	-1,321
<b>Total</b>	<b>-874</b>	<b>-1,321</b>
<b>Deferred tax, net</b>	<b>-583</b>	<b>-267</b>

### Changes in deferred tax (receivables +/liabilities -)

SEK millions	Parent Company			
	Unused tax losses	Pension provisions	Other	Total
Opening balance, January 1, 2016	291	20	65	376
Changes against earnings	190	1	18	209
Changes against other comprehensive income	-	-	0	0
<b>Closing balance, December 31, 2016</b>	<b>481</b>	<b>21</b>	<b>83</b>	<b>585</b>
Opening balance, January 1, 2017	481	21	83	585
Changes against earnings	-328	4	-82	-406
Changes against other comprehensive income	-	-	-5	-5
<b>Closing balance, December 31, 2017</b>	<b>153</b>	<b>25</b>	<b>-4</b>	<b>174</b>

A deferred tax receivable due to losses carried forward is recognized as an asset only to the extent that it is likely that the deduction can be set off against future surpluses. The Group did not recognize deferred tax receivables on losses carried forward in the amount of SEK 1,029 (1,432) million. SEK 57 (31) million of these will expire within 12 months.



## 15 Other provisions

## Group

SEK millions	Restructuring provision	Warranties provision	Environmental provision	Other provisions <sup>1)</sup>	Total
Opening balance, January 1, 2016	23	40	62	124	249
Additional provisions	39	11	5	53	108
Utilized during the year	-33	-3	-2	-115	-153
Reclassification	-	-1	-	-3	-4
Translation difference	1	1	2	3	7
<b>Closing balance, December 31, 2016</b>	<b>30</b>	<b>48</b>	<b>67</b>	<b>62</b>	<b>207</b>
Opening balance, January 1, 2017	30	48	67	62	207
Additional provisions	2	6	5	58	71
Utilized during the year	-17	-6	-17	-26	-66
Reclassification	-	-	-	-	0
Translation difference	0	1	2	-1	2
<b>Closing balance, December 31, 2017</b>	<b>15</b>	<b>49</b>	<b>57</b>	<b>93</b>	<b>214</b>

## of which reported as:

	2017	2016
• Other long-term provisions	138	132
• Short-term provisions	76	75

## Parent Company

SEK millions	Other provisions <sup>1)</sup>	Total
Opening balance, January 1, 2016	44	44
Additional provisions	1	1
Utilized during the year	-24	-24
Reclassification	-	-
<b>Closing balance, December 31, 2016</b>	<b>21</b>	<b>21</b>
Opening balance, January 1, 2017	21	21
Additional provisions	44	44
Utilized during the year	-10	-10
Reclassification	-	-
<b>Closing balance, December 31, 2017</b>	<b>55</b>	<b>55</b>

## of which reported as:

	2017	2016
• Other long-term provisions	40	18
• Short-term provisions	15	3

<sup>1)</sup> "Other provisions" consists primarily of personnel-related provisions.

## 16 Interest-bearing liabilities

Long-term interest-bearing liabilities SEK millions	Group		Parent Company	
	2017	2016	2017	2016
Capital market debt <sup>1)</sup>	8,858	12,396	7,854	11,184
Financial leasing agreements	487	536	-	-
Bank loans <sup>2)</sup>	6,551	6,499	6,087	6,384
Alabama tax revenue bond <sup>3)</sup>	1,784	1,969	-	-
Other	163	903	-	-13
<b>Total</b>	<b>17,843</b>	<b>22,303</b>	<b>13,941</b>	<b>17,555</b>
Less amortization, financial leasing agreements	-63	-	-	-
Less amortization 2018 and 2017	-1,727	-3,552	-1,072	-2,903
<b>Total</b>	<b>16,053</b>	<b>18,751</b>	<b>12,870</b>	<b>14,652</b>

<sup>1)</sup> For description, see Specification of capital market debt in the adjacent table.

<sup>2)</sup> For description, see Specification of bank loans in the adjacent table.

<sup>3)</sup> For description, see Specification of Alabama tax revenue bond in the adjacent table.

Issued/matures	Interest rate (nominal), %	Group		Parent Company	
		Outstanding, SEK millions			
SEK millions		2017	2016	2017	2016
<b>Specification of capital market debt</b>					
<b>Fixed interest</b>					
2009–2023	2.903–5.35	832	1,164	-	176
2014–2019	3.875–4.625	2,588	2,833	2,588	2,833
2007–2019	3.875–5.875	-	2,428	-	2,428
<b>Total capital market debt (fixed interest)</b>		<b>3,420</b>	<b>6,425</b>	<b>2,588</b>	<b>5,437</b>
<b>Variable interest</b>					
2012–2022	Stibor + 2.50 – 3.40	1,803	1,775	1,803	1,775
2010–2034	Libor + 1.20 – 3.30	2,873	3,398	2,873	3,398
2013–2020	Euribor + 1.40 – 2.60	763	796	591	573
<b>Total capital market debt (variable interest)</b>		<b>5,438</b>	<b>5,969</b>	<b>5,266</b>	<b>5,746</b>
<b>Specification of bank loans</b>					
<b>Variable interest</b>					
2013–2019	Euribor + 1.10 – 2.12	1,626	1,070	1,162	955
2008–2022	Libor + 1.80 – 2.00	4,925	5,429	4,925	5,429
<b>Total bank loans</b>		<b>6,551</b>	<b>6,499</b>	<b>6,087</b>	<b>6,384</b>
<b>Specification of Alabama tax revenue bond</b>					
<b>Variable interest</b>					
2011–2031	Libor + 1.20%	474	523	-	-
2011–2040	Libor + 1.25%	1,310	1,446	-	-
<b>Total Alabama tax revenue bond</b>		<b>1,784</b>	<b>1,969</b>	<b>-</b>	<b>-</b>

## 16 Interest-bearing liabilities cont.

## Repayment of long-term interest-bearing liabilities

SEK millions	2018	2019	2020	2021	2022	Later
As per December 31, 2017						
<b>Group</b>	<b>1,791</b>	<b>5,610</b>	<b>1,476</b>	<b>189</b>	<b>4,876</b>	<b>3,901</b>
<b>Parent Company</b>	<b>1,072</b>	<b>5,312</b>	<b>1,231</b>	<b>0</b>	<b>4,689</b>	<b>1,637</b>

## Repayment of long-term interest-bearing liabilities

SEK millions	2017	2018	2019	2020	2021	Later
As per December 31, 2016						
<b>Group</b>	<b>3,552</b>	<b>3,891</b>	<b>5,061</b>	<b>5,137</b>	<b>182</b>	<b>4,480</b>
<b>Parent Company</b>	<b>2,903</b>	<b>3,176</b>	<b>4,777</b>	<b>4,892</b>	<b>-</b>	<b>1,807</b>

## Short-term interest-bearing liabilities

SEK millions	Group		Parent Company	
	2017	2016	2017	2016
Current part of long-term liabilities	1,727	3,552	1,072	2,903
Commercial paper	207	935	207	935
Current part of financial leasing agreements	63	-	-	-
Overdraft facilities	13	6	-	-
Other short-term interest-bearing liabilities	1	4	-	-
<b>Total short-term interest-bearing liabilities</b>	<b>2,011</b>	<b>4,497</b>	<b>1,279</b>	<b>3,838</b>

Loan debts are valued at the amortized cost. Most of the loans in foreign currency is used as hedging for the net investment in SSAB Americas and Rautaruukki and thus has not been hedged.

On the balance sheet date, the Group's exposure on the long-term interest-bearing liabilities to changes in interest rates and the contractually agreed dates for interest renegotiation with respect to borrowing was as follows:

## Amount falling due for interest rate renegotiation

SEK millions	2018	2019	2020	2021	2022	Later
As per December 31, 2017						
<b>Group</b>	<b>10,524</b>	<b>4,096</b>	<b>151</b>	<b>148</b>	<b>2,425</b>	<b>498</b>
<b>Parent Company</b>	<b>7,885</b>	<b>3,829</b>	<b>-</b>	<b>-</b>	<b>2,227</b>	<b>-</b>

## Amount falling due for interest rate renegotiation

SEK millions	2017	2018	2019	2020	2021	Later
As per December 31, 2016						
<b>Group</b>	<b>15,406</b>	<b>2,367</b>	<b>2,978</b>	<b>16</b>	<b>14</b>	<b>1,522</b>
<b>Parent Company</b>	<b>12,620</b>	<b>2,106</b>	<b>2,829</b>	<b>-</b>	<b>-</b>	<b>-</b>

Reported amounts, per currency, for the Group's borrowing are set forth in [Note 28](#).

## 17 Other long-term non-interest-bearing liabilities

Other long-term non-interest-bearing liabilities SEK millions	Group		Parent Company	
	2017	2016	2017	2016
Investment grant (Alabama tax credit)	151	219	-	-
Other long-term employee benefits	175	160	-	-
Long-term hedge accounted derivatives	19	62	-	-
Other items	1	7	-	-
<b>Total other long-term non-interest-bearing liabilities</b>	<b>346</b>	<b>448</b>	<b>-</b>	<b>-</b>

## 18 Accrued expenses and deferred income

Accrued expenses and deferred income SEK millions	Group		Parent Company	
	2017	2016	2017	2016
Accrued personnel expenses	1,136	1,138	0	25
Non-invoiced goods and services received	570	801	-	-
Accrued interest expenses	159	157	142	144
Accrued discounts, bonuses and complaints	66	67	-	-
Derivatives reported in hedge accounting	93	431	61	401
Derivatives not reported in hedge accounting	92	141	35	105
Revaluation, hedged orders	0	0	-	-
Energy taxes	76	51	-	-
Other items	105	81	5	3
<b>Total accrued expenses and deferred income</b>	<b>2,297</b>	<b>2,867</b>	<b>243</b>	<b>678</b>

## 19 Net debt

SEK millions	Group		Parent Company	
	2017	2016	2017	2016
Cash and cash equivalents	4,245	3,876	3,187	2,238
Short-term investments	4	3	-	-
Receivables from subsidiaries	-	-	12,976	13,463
Other receivables	2,788	2,434	2,510	1,962
<b>Interest-bearing assets</b>	<b>7,037</b>	<b>6,313</b>	<b>18,673</b>	<b>17,663</b>
Short-term interest-bearing liabilities	2,011	4,497	1,279	3,838
Long-term interest-bearing liabilities	16,052	18,751	12,870	14,652
Pension provisions	453	397	3	3
Liabilities to subsidiaries	-	-	8,746	6,766
Other liabilities	94	555	37	488
<b>Interest-bearing liabilities</b>	<b>18,611</b>	<b>24,200</b>	<b>22,935</b>	<b>25,747</b>
<b>Net debt</b>	<b>11,574</b>	<b>17,887</b>	<b>4,262</b>	<b>8,084</b>

For definitions of Net debt, see [Note 30](#).

## 20 Average number of employees and gender breakdown

	Number of employees		Women, %	
	2017	2016	2017	2016
<b>Parent Company</b>				
Sweden	61	56	50	51
<b>Total, Parent Company</b>	<b>61</b>	<b>56</b>	<b>50</b>	<b>51</b>
<b>Subsidiaries</b>				
Sweden	6,519	6,676	20	20
Finland	5,260	5,199	14	14
USA	1,306	1,304	12	12
Russia	793	1,095	27	28
Poland	716	669	24	25
Norway	196	207	20	19
Estonia	146	130	23	24
Lithuania	135	121	11	12
Canada	97	96	16	16
China	93	92	29	29
Ukraine	78	88	21	19
South Africa	70	79	17	17
Czechia	64	60	38	30
Italy	49	45	29	36
Germany	47	46	36	30
Great Britain	45	43	26	26
Denmark	44	43	36	37
Netherlands	39	37	21	27
Romania	33	48	36	34
Brazil	31	29	38	34
Latvia	30	29	17	21
France	28	26	37	35
Spain	25	23	16	17
Other < 20 employees	253	140	25	25
<b>Total, subsidiaries</b>	<b>16,097</b>	<b>16,325</b>	<b>19</b>	<b>18</b>
<b>Total, Group</b>	<b>16,158</b>	<b>16,381</b>	<b>18</b>	<b>19</b>

Average number of employees is calculated as an average of the total number of employees at the end of each quarter during the year. The percentage of women relates to the numbers employed on December 31. Women accounted for 34 (29) percent of the members of all boards of directors in the Group, while the figure for the Board of Directors of the parent company was 25 (27) percent. The percentage of women in the management groups (including Presidents) in the Group was 26 (24) percent. The Group Executive Committee comprises seven men and two women.

## 21 Leasing

Operational leasing	Group		Parent Company	
	2017	2016	2017	2016
<b>SEK millions</b>				
<b>Leasing charges during the year</b>	<b>321</b>	<b>285</b>	<b>12</b>	<b>11</b>

The agreed minimum leasing charges relating to operational leasing agreements that cannot be terminated amount to SEK 195 million for 2018, a total of SEK 386 million for 2019–2022, and to SEK 149 million for the years after 2022. Operational leasing includes an oxygen plant unit and a deep-water harbour, office equipment, leases for property, premises and railway wagons for transportation in the steel operations.

Financial leasing	Group		Parent Company	
	2017	2016	2017	2016
<b>SEK millions</b>				
<b>Leasing charges during the year</b>	<b>83</b>	<b>86</b>	<b>-</b>	<b>-</b>

Agreed minimum leasing charges for 2018 amount to SEK 64 million and to a total of SEK 187 million for 2019–2022. The present value of financial leasing liabilities is SEK 487 (536) million. Financial leasing includes three oxygen plant units and a lime burning kiln, other production- and office facilities, a switchgear, rolling stock for transportation in the steel operations, as well as a number of fork lift trucks.

## 22 Pledged assets

SEK millions	Group		Parent Company	
	2017	2016	2017	2016
Real property mortgages	60	59	-	-
Restricted funds	2,453	1,812	2,453	1,540
<b>Total pledged assets</b>	<b>2,513</b>	<b>1,871</b>	<b>2,453</b>	<b>1,540</b>

Restricted funds are mostly collateral for extended credit terms relating to purchases of raw materials.

## 23 Contingent liabilities

SEK millions	Group		Parent Company	
	2017	2016	2017	2016
Contingent liabilities regarding subsidiaries' obligations <sup>1)</sup>	1,091	1,140	2,890	2,980
Other contingent liabilities <sup>2)</sup>	1,583	1,565	106	100
<b>Total contingent liabilities</b>	<b>2,674</b>	<b>2,705</b>	<b>2,996</b>	<b>3,080</b>

<sup>1)</sup> The Group's contingent liabilities for subsidiaries' obligations related primarily to bank guarantees and performance guarantees. Of the parent company, SEK 1,851 (2,044) million relates to guarantees for subsidiaries' loan.

<sup>2)</sup> The Group's Other contingent liabilities consist mainly of guarantees on liabilities of associated companies for which the Group has individual responsibility, as well as lease obligations and unrecognized pension obligations. Other contingent liabilities for the parent company consist primarily of unrecognized pension obligations, as well as lease obligations and unrecognized pension obligations. Other contingent liabilities for the parent company consist primarily of unrecognized pension obligations.

### CONDITIONS NOT REPORTED AS CONTINGENT LIABILITY

The Group is involved in a very limited number of legal disputes concerning insurance and warranty matters, as well as complaints. The anticipated outcome of these cases has been taken into consideration in the accounting.

## 24 Untaxed reserves and appropriations

SEK millions	Parent Company	
	2017	2016
Untaxed reserves		
Tax allocation reserve	-	-
<b>Total untaxed reserves in the balance sheet</b>	<b>-</b>	<b>-</b>

SEK millions	Parent Company	
	2017	2016
Appropriations		
Group contribution, received	1,423	1,100
Group contribution, given	-	-
Change in tax allocation reserve	-	-
<b>Total appropriations in the income statement</b>	<b>1,423</b>	<b>1,100</b>

## 25 Acquisition shares and operations

In 2017, the Group has invested in 50% of the shares in Stoxy Solutions AB at the amount of SEK 10 million and also one third of the shares in Hybrit Development at the amount of SEK 1 million. The Group's liquid funds was negatively affected by SEK 11 million. During 2016, the Group invested additional SEK 46 million in Raahen Voima Oy, Finland. The ownership was unchanged at 75%. In total, the Group's cash and cash equivalents was negatively impacted by SEK 46 million. For more information, see [Note 3](#).

Expenses associated with acquisitions have been reported as costs.

### PARENT COMPANY

In 2017, SSAB AB invested in 50% of the shares in Stoxy Solutions AB at the amount of SEK 10 million and also one third of the shares in Hybrit Development AB at the amount of SEK 1 million. The Parent Company's liquid funds was negatively affected by SEK 11 million. During 2016, no acquisitions were made.



## 26 Cash flow

Below a reconciliation of liabilities reported financing activities in the cash flow statement.

## The Group

SEK millions	Opening balance January 1, 2017	Cash flows	Non-cash flow items		Closing balance December 31, 2017
			Exchange differences	Reclassifications	
Capital market debts	12,396	-3,100	-262	-176	8,858
Financial leaseing agreements	536	-66	17	-	487
Bank loans	6,499	-3	-516	571	6,551
Alabama tax revenue bond	1,969	-11	-174	-	1,784
Commercial paper	935	-729	1	-	207
Other	913	-99	-243	-395	176
<b>Total</b>	<b>23,248</b>	<b>-4,008</b>	<b>-1,177</b>	<b>-</b>	<b>18,063</b>

## The Parent Company

SEK millions	Opening balance January 1, 2017	Cash flows	Non-cash flow items		Closing balance December 31, 2017
			Exchange differences	Reclassifications	
Capital market debts	11,184	-2,795	-359	-176	7,854
Bank loans	6,384	-3	-470	176	6,087
Commercial papers	935	-729	1	-	207
Other	-13	13	-	-	-
<b>Total</b>	<b>18,490</b>	<b>-3,514</b>	<b>-828</b>	<b>-</b>	<b>14,148</b>

## 27 Business segments

The Group Executive Committee has established the business segments based on the information used for making strategic decisions. SSAB's overriding strategy is that SSAB will be a global leader within high-strength steels, the leading supplier on its domestic markets, and the leader within added value services. The key features of SSAB's strategic plan of action are based on creating a flexible business, a superior customer experience, and a high-performing organization. Since September 1, 2014, the Group is organized into five reportable business segments designated as divisions, with a clear profit responsibility. The business segments consist of the three steel divisions; SSAB Special Steels, SSAB Europe and SSAB Americas as well as the fully owned subsidiaries; Tibnor and Ruukki Construction. Tibnor and Ruukki Construction are operated as independent subsidiaries by their respective Boards and act at arm's length in relation to SSAB.

Segment information provided is as follows:

Sales and results per business segment	Total sales		of which internal sales		Operating profit/loss	
	2017	2016	2017	2016	2017	2016
<b>SEK millions</b>						
<b>Business segments:</b>						
SSAB Special Steels	16,053	12,582	1,832	1,148	1,465	929
SSAB Europe	31,048	25,831	5,144	4,460	2,988	1,050
SSAB Americas	12,727	10,639	176	82	183	110
Tibnor	7,821	6,879	169	149	252	108
Ruukki Construction	5,773	5,304	43	43	171	171
Other	1	14	0	13	-297	-232
Depreciation/amortization on surplus values <sup>1)</sup>	-	-	-	-	-924	-844
Items affecting comparability <sup>2)</sup>	-	-	-	-	-	-79
Group adjustments	-7,364	-5,895	-7,364	-5,895	-	0
<b>Total</b>	<b>66,059</b>	<b>55,354</b>	<b>-</b>	<b>-</b>	<b>3,838</b>	<b>1,213</b>

<sup>1)</sup> Depreciation and amortization on surplus values for 2017 is related to SSAB Special Steels with SEK 0 (0) million, in SSAB Europe with SEK -241 (-211) million, in SSAB Americas with SEK -713 (-636) million, in Tibnor with SEK -23 (-23) million, in Ruukki Construction with SEK 29 (29) million and in Other with SEK -3 (-3) million.

<sup>2)</sup> No items affecting comparability during 2017. Items affecting comparability for 2016 is related to Special Steels with SEK -27, SSAB Europe with SEK -50 million, Tibnor with SEK -2 million, Ruukki Construction with SEK 0 million and Other with SEK 0 million.

For more information about each business segment, see [page 153](#). In addition, there are other business segments that are not reportable since they do not reach the threshold values set forth in IFRS 8 and they are not monitored separately by the Group Executive Committee; they are included in "Other".

Segment reporting takes place in a manner which corresponds to the internal reporting provided to the Group Executive Committee. The Group Executive Committee is the highest executive decision-maker responsible for the allocation of resources, assessment of the business segments' results, and making strategic decisions.

Balance and cash flow information per business segment	Depreciation and amortization		Maintenance expenditures		Strategic expenditures	
	2017	2016	2017	2016	2017	2016
<b>SEK millions</b>						
<b>Business segments:</b>						
SSAB Special Steels	537	551	351	250	23	25
SSAB Europe	1,416	1,458	722	560	137	80
SSAB Americas	635	627	204	163	8	55
Tibnor	82	85	32	25	31	26
Ruukki Construction	136	152	26	27	39	87
Other	23	21	31	28	-	-
Depreciation/amortization on surplus values <sup>1)</sup>	924	844	-	-	-	-
<b>Total</b>	<b>3,753</b>	<b>3,738</b>	<b>1,366</b>	<b>1,053</b>	<b>237</b>	<b>273</b>

## 27 Business segments cont.

### GEOGRAPHICAL AREAS

The Group's export sales from Sweden and Finland are focused primarily on Europe. However, as a consequence of growth in the Group's niche products, sales in more distant markets are increasing. The manufacture of the Group's steel products take place almost exclusively in Sweden, Finland and the United States.

#### Sales per geographical area

SEK millions	2017	%	2016	%
Sweden	11,323	17	9,461	17
Finland	6,864	10	6,258	11
Germany	3,439	5	3,229	6
Poland	2,697	4	2,131	4
Denmark	2,409	4	1,776	3
Italy	1,983	3	1,559	3
Great Britain	1,713	3	1,512	3
Rest of EU-28	8,203	12	6,012	11
Norway	2,793	4	2,727	5
Russia	1,036	2	908	2
Rest of Europe	1,419	2	1,335	2
USA	15,229	23	13,071	24
Canada	2,027	3	1,621	3
Rest of the world	4,924	8	3,754	6
<b>Total</b>	<b>66,059</b>	<b>100</b>	<b>55,354</b>	<b>100</b>

The table below shows the reported value of tangible and intangible fixed assets and capital expenditures broken down by geographic areas according to the location of the assets.

Fixed assets and capital expenditures per country/region	Intangible/tangible fixed assets				Capital expenditures in plants and machinery			
	SEK millions	2017	%	2016	%	2017	%	2016
Sweden	7,817	15	8,266	14	638	40	470	36
Finland	14,521	27	15,020	25	642	40	560	42
Rest of EU-28	671	1	578	1	60	4	52	4
Russia	449	1	216	1	8	0	2	0
Rest of Europe	60	0	29	0	6	0	8	1
USA	29,588	55	33,867	58	211	13	216	16
Canada	112	0	123	0	8	1	1	0
Rest of the world	361	1	380	1	30	2	17	1
<b>Total</b>	<b>53,579</b>	<b>100</b>	<b>58,479</b>	<b>100</b>	<b>1,603</b>	<b>100</b>	<b>1,326</b>	<b>100</b>

## 28 Financial risk management

Financial risk management is governed by the Group's finance policy. Most financial transactions take place through the parent company's finance function in Stockholm and through SSAB Finance Ireland in Ireland. For a detailed description of the Group's financial risks, see [page 167](#).

### REFINANCING RISKS (LIQUIDITY RISKS)

At year-end, long-term borrowing amounted to SEK 16,053 (18,751) million. Borrowing takes place primarily through the bank market and through existing note programs. For long term borrowing up to ten years, a European Medium Term Note program (EMTN) or a Swedish (MTN) program is used, while Swedish and Finnish commercial paper programs are used for borrowing for short terms (< 1 year). The program limit of the EMTN program is EUR 2,000 million; the MTN program has a limit of SEK 7,000 million, while the Swedish commercial paper program has a limit of SEK 5,000 million and the Finnish commercial paper program has a limit of EUR 500 million. The EMTN and MTN programs are rated by Standard & Poor's at BB-.

At year-end, long-term borrowing within the EMTN program amounted to SEK 2,405 (4,236) million, borrowing within the MTN program amounted to SEK 1,998 (2,800) million, borrowing within the Swedish commercial paper program amounted to SEK 100 (259) million and borrowing within the Finnish commercial paper program amounted to SEK 108 (676) million.

At year-end, the Group's liquidity buffer, consisting of cash and cash equivalents, short-term investments and non-utilized binding credit facilities, amounted to SEK 12,508 (10,971) million, equal to 19 (20) percent of sales.

To the extent surplus liquidity arises, the first priority is to repay loans. If that is not possible, the funds are invested in government securities or deposited with approved banks.

The total loan portfolio at year-end was SEK 18,063 (23,244) million, with an average term to maturity of 5.5 (5.1) years.

The maturity structure during the coming years is presented in [Note 16](#).

The contractual payments on the outstanding loan debt, including interest payments and derivative instruments, are shown in the following table:

December 31, 2017

SEK millions	Book value	Contractual cash flow	2018	2019	2020	2021	2022	Later
Capital market loans	8,858	9,691	1,344	3,496	1,485	183	1,168	2,015
Bank loans	6,551	7,184	778	2,366	139	138	3,762	-
Alabama tax revenue bond	1,784	2,355	28	28	28	28	28	2,214
Commercial papers	207	208	208	-	-	-	-	-
Other loans	663	663	15	98	67	65	61	357
<b>Total loans</b>	<b>18,063</b>	<b>20,100</b>	<b>2,374</b>	<b>5,988</b>	<b>1,719</b>	<b>414</b>	<b>5,020</b>	<b>4,585</b>
Derivatives, outflow	221	221	155	38	3	8	16	-
Derivatives, inflow	-205	-205	-183	-14	-5	-	-2	-
<b>Total including derivatives</b>	<b>18,080</b>	<b>20,117</b>	<b>2,346</b>	<b>6,012</b>	<b>1,717</b>	<b>422</b>	<b>5,035</b>	<b>4,585</b>

In addition to the above loan debts and derivative instruments, there are accounts payable and other current liabilities which are due and payable within one year. Interest flows are calculated based on interest rates and exchange rates at year-end.

## 28 Financial risk management cont.

### MARKET RISKS

Market risks are the risk of changes in market prices, such as interest rates and exchange rates, which can affect the Group's earnings or financial position.

#### Interest rate risks

At year-end, the total interest bearing loan amounted to SEK 18,063 (23,244) million, of which SEK 8,230 (8,358) million carry or is swapped to fixed interest. Including the interest rate swaps, the average fixed interest term was 1.1 (0.8) years. Given the same loan portfolio, short-term investments, cash and cash equivalents, and the same fixed term rates as at the end of the year, including interest hedging, a change in market interest rates of 100 basis points (1 percentage point), would change earnings after tax by approximately SEK 26 (74) million. Loans which are subject to rate negotiation in the coming years are shown in [Note 16](#).

At year-end, the value of interest rate swaps converting floating to fixed interest (entered into to secure cash flow in conjunction with interest payments) was SEK 18 (-3) million, which is reported in 'Other comprehensive income'. No inefficiency was identified during the year.

The Group's interest-bearing assets amounted to SEK 7,037 (6,312) million and consisted almost exclusively of cash and cash equivalents at variable interest rates.

#### Currency risks

Most of the commercial currency flows which qualify for hedge accounting (at present, purchases in USD of iron ore, coal and zinc) are hedged. In the course of 2017, net hedges of sales in EUR has been done, but nothing outstanding at the end of the year.

Major currency flows relating to Ruukki Construction project business are hedged. Major investments decided upon in foreign currency are hedged in their entirety. Other commercial currency flows that arise in connection with purchases and sales in foreign currency are short term in nature and thus no hedging takes place; instead, they are exchanged on the spot market.

The Group had a total net inflow of foreign currency. The net foreign currency inflow in 2017 was SEK 6.8 (5.1) billion. The Group's most important currency flows are shown in the diagram on [page 168](#).

Based on revenues and expenses in foreign currency in 2017, a five percentage point devaluation of the Swedish krona against all currencies, including FX hedging, would have an annual positive effect on earnings after tax of

SEK 830 (490) million. In addition to this equity would be positively affected by the translation effect of foreign subsidiaries, net of equity hedges, with about SEK 2,000 (2,000) million.

A five percentage point devaluation of the Swedish krona against the Group's two most important currencies, USD and EUR, would have a negative impact on earnings after tax of approximately SEK -510 (390) million with respect to USD and a positive impact of just over SEK 520 (370) million with respect to EUR. The negative effect vis-à-vis USD is due to an increased cost for the Group's purchases of raw materials (coal, iron ore and scrap metal) in the amount of approximately SEK 1,370 (520) million, a positive effect on the business' net flows of USD in other respects of approximately SEK 870 (145) million, and a negative impact as regards increased interest payments of approximately SEK 10 (15) million. The positive impact with respect to EUR consists of a positive effect on the business' net flows. The negative impact as regards to increased interest payments in EUR is approximately SEK 7 (7) million.

In 2017, net exchange rate differences were reported in the amount of SEK -1 (113) million in operating profit and SEK 26 (35) million in financial items.

As per December 31, the breakdown per currency of account receivables, other current receivables and derivative instruments was as follows:

Breakdown per currency	Group		Parent Company	
	2017	2016	2017	2016
<b>SEK millions</b>				
SEK	1,663	1,539	7	5
USD	1,941	1,801	90	214
EUR	3,042	3,046	18	88
Other currencies	2,025	1,818	-	-
<b>Total</b>	<b>8,672</b>	<b>8,204</b>	<b>115</b>	<b>307</b>
Of which:				
Accounts receivable	7,822	7,118	-	-
Other current receivables	675	663	8	5
Derivative instruments <sup>1)</sup>	175	423	107	302
<b>Total</b>	<b>8,672</b>	<b>8,204</b>	<b>115</b>	<b>307</b>

<sup>1)</sup> Derivative instruments are included in the balance sheet item 'Prepaid expenses and accrued income' in the amount of SEK 175 (423) million and, for the parent company, SEK 107 (302) million.

## 28 Financial risk management cont.

As per December 31, the breakdown per currency of accounts payable, other current liabilities and derivative instruments was as follows:

Breakdown per currency SEK millions	Group		Parent Company	
	2017	2016	2017	2016
SEK	1,641	1,421	50	8
USD	5,528	4,005	77	451
EUR	3,089	3,113	96	54
Other currencies	1,400	1,227	4	1
<b>Total</b>	<b>11,658</b>	<b>9,766</b>	<b>227</b>	<b>514</b>
Of which:				
Accounts payable	10,215	8,224	20	2
Other current liabilities	1,258	970	110	6
Derivative instruments <sup>1)</sup>	185	572	96	506
<b>Total</b>	<b>11,658</b>	<b>9,766</b>	<b>227</b>	<b>514</b>

<sup>1)</sup> Derivative instruments are included in the balance sheet item 'Accrued expenses and deferred income' in the amount of SEK 185 (572) million and, for the parent company, SEK 96 (506) million.

Borrowing broken down per currency SEK millions	Group		Parent Company	
	2017	2016	2017	2016
SEK	2,109	3,105	2,092	10,989
USD	9,684	13,103	7,792	2,797
EUR	6,203	6,936	4,264	4,704
Other currencies	67	100	-	-
<b>Total</b>	<b>18,063</b>	<b>23,244</b>	<b>14,148</b>	<b>18,490</b>

Borrowing in EUR and USD has not been hedged separately since the borrowing in itself is a hedge of the net investment in Rautaruukki and SSAB Americas.

The objective is to obtain an even balance in which the currency effect on the net investment in Rautaruukki and SSAB Americas has as little impact as possible on the Group's net debt/equity ratio.

At year-end, this net investment amounted to EUR 1,056 (1,620) million and USD 4,231 (4,314) million. In total, loans and currency derivatives subject to hedge accounting amounted to EUR 387 (761) million and USD 1,115 (1,579) million. At year-end, the accumulated fair value change in the hedge reserve on the loans and derivative instruments identified as hedge instruments amounted to SEK -4,911 (-6,197) million. No inefficiency has been identified during 2017 or 2016.

### Credit risk

The limits for individual counterparties are evaluated continuously and, during the year, were capped at SEK 2,000 (2,000) million. At year-end, the total counterparty risk was SEK 5,596 (3,339) million, of which derivative instruments accounted for SEK 112 (156) million and investments in cash and cash equivalents amounted to SEK 5,484 (3,184) million.

In addition to the above, there are credit risks associated with accounts receivable and other receivables, which are managed in each subsidiary. Prior to write down in respect of bad debts, these receivables had a gross value of SEK 8,750 (8,089) million. The risk is allocated over a large number of customers. In addition, individual credit rating tests are conducted and limits imposed for each customer.



## 28 Financial risk management cont.

## Age analysis regarding Accounts Receivable and Other receivables

SEK millions	Group		Parent Company	
	2017	2016	2017	2016
Not due	6,849	6,359	-	5
1–30 days	1,251	1,084	-	-
31–120 days	405	313	-	-
121–365 days	96	145	-	-
> 365 days	149	188	-	-
<b>Total</b>	<b>8,750</b>	<b>8,089</b>	<b>-</b>	<b>5</b>

## Bad debts, change

SEK millions	Group		Parent Company	
	2017	2016	2017	2016
Opening balance	-307	-286	-	-
Increase through acquisition of business	-	-	-	-
Anticipated bad debt losses	37	-99	-	-
Realized bad debt losses	-	89	-	-
Reversed non-utilized amount	-	3	-	-
Translation differences	17	-14	-	-
<b>Closing balance</b>	<b>-253</b>	<b>-307</b>	<b>-</b>	<b>-</b>

No other financial assets have been written down.

## VALUATION OF FINANCIAL INSTRUMENTS

## Currency and commodity derivatives and interest rate swaps

According to the finance policy, currency hedging takes place mainly to minimize the translation risk associated with the impact of changes in exchange rates on the net debt/equity ratio. The translation exposure is hedged primarily through loans in the same currency, in the absence of which currency derivatives may be used instead. At year-end, the net investment in SSAB Americas was hedged with loans amounting to USD 950 (1,185) million and derivative instruments amounting to USD 165 (394) million. Net investment in Rautaruukki at year end was hedged with loans amounting to EUR 459 (459) million and derivative instruments amounting to EUR -72 (302) million.

Currency hedging takes place also with respect to purchases of iron ore, coal and zinc, as well as in relation to major investments in foreign currency. Currency derivatives are valued at fair value in the balance sheet. As

regards the currency hedging which meets the requirements for hedge accounting pursuant to IAS 39 and comprises fair value hedging, changes in value of the currency derivatives do not impact on earnings. They are set off in the income statement against corresponding changes in the value of the hedged order. In connection with the delivery of such purchases, the hedged part of the acquired asset is reported at the hedged rate. At year-end, purchase orders for which currency forwards had been contracted had a total value of SEK 2.3 (1.5) billion. At year-end, derivative instruments for 'fair value hedging' had a reported net fair value of SEK 4 (74) million, while purchase orders subject to hedge accounting and accounts payables related to hedged purchase orders were reported at SEK -4 (-74) million. There was no inefficiency at the end of the accounting year.

Part of the currency hedges relating to USD denominated raw material purchases meet the requirements of cash flow hedge accounting pursuant to IAS 39. The effective part of movements in the fair value of the derivatives that are designated as and qualify for cash flow hedging is recognized in Other comprehensive income. The result of USD-denominated derivatives is transferred from the reserve for cash flow hedges in equity to adjust the cost of goods sold in the period when the hedged item affects the result. The ineffective part of movements in the fair value of the derivatives is booked directly to other operating expenses. There were no ineffective hedges and no ineffectiveness during the year or at the end of the year. At year-end, the total value of forecast purchases in respect of which currency forwards had been contracted was SEK 1.6 (1.8) billion. At year end, derivatives for 'cash flow hedging' had reported net fair value of SEK -29 (96) million of which SEK -9 (22) million was reported in Other comprehensive income.

Currency hedging policy allows for hedging forecasted sales in EUR. At year-end, there is no EUR hedges outstanding. For currency hedging which meets the requirements for hedge accounting, changes in value of a currency derivative do not impact on earnings. They are reported in 'Other comprehensive income'. In connection with sales, accumulated amounts are reversed from the hedge reserve in equity to the income statement in the periods in which the hedged item affects earnings. At year-end, the total value of forecasted sales in respect of which currency forwards had been contracted was SEK 0 (1.6) billion. At year-end, derivative instruments which relate to forecast sales and which meet the requirements for hedge accounting amounted to net SEK 0 (-9) million, of which SEK 0 (-9) million was reported in 'Other comprehensive income'. There was no inefficiency at the end of the accounting year.

Cash flow hedging is applied when hedging price risk in zinc and electricity. The zinc and electricity derivatives employed by the group have been defined as cash flow hedges. The relationship between the hedging instrument and the hedged item is documented when the hedging contract is made. Hedge effectiveness is measured both at the start of the hedging relationship and quarterly throughout the duration of the relationship. The effective

## 28 Financial risk management cont.

part of movements in the fair value of the derivatives that are designated as and qualify for cash flow hedging is recognized in 'Other comprehensive income'. The ineffective part of movements in the fair value of the derivatives is booked directly to 'Other operating expenses'. The realized income of the effective part of hedges is recognized as an adjustment to the cost of sales in the period during which the hedged items affects the result.

Zinc is used for producing galvanized steel products. At year-end, the amount of forecast purchases in respect of which zinc derivatives had been contracted was 4,800 (15,300) tonnes. At year-end, derivative instruments which relate to forecast zinc purchases and which meet the requirements for hedge accounting amounted to net SEK 25 (70) million, of which SEK 19 (51) million was reported in 'Other comprehensive income'. There was no inefficiency at the end of the accounting year.

Electricity price risk relating to forecasted electricity consumption at the mills in Raabe and Hämeelinna in Finland is partly hedged through standard derivative products listed on the market, partly by physical delivery contracts. At year-end, the amount of forecast purchases in respect of which electricity derivatives had been contracted was 2,594 (2,499) GWh. At year-end, derivative instruments which relate to forecasted electricity purchases and which meet the requirements for hedge accounting amounted to net SEK 25 (-45) million, of which SEK 25 (-45) million was reported in 'Other comprehensive income'. There was no inefficiency at the end of the accounting year.

Cash flow hedging also takes place in respect of certain loans carrying floating interest rates where a variable to fixed interest rate swap is used. For interest-rate derivatives which meet the requirements for hedge accounting pursuant to IAS 39, changes in the value of the interest rate derivative do not impact on earnings. They are reported in 'Other comprehensive income'. At year-end, such interest-rate derivatives had a booked fair value of SEK 18 (-3) million, of which SEK 18 (-3) million was reported in 'Other comprehensive income'. There was no inefficiency at the end of the accounting year.

Derivative instruments which are not reported in hedge accounting are valued at fair value in the income statement. At year-end, these non-realized derivative instruments amounted to net SEK -54 (-90) million, of which SEK 17 (13) million was reported in 'Other operating income' and SEK -71 (-103) million was reported in 'Financial items'.

The Group's total outstanding FX derivatives had an average maturity of 2 (2) months, commodity derivatives 21 (19) months and interest rate derivatives 46 (24) months at year-end.

### VALUATION OF FINANCIAL ASSETS AND LIABILITIES

The table below shows the reported value compared with the assessed fair value per type of financial asset and liability:

Group	Reported value		Fair value	
	2017	2016	2017	2016
<b>SEK millions</b>				
<b>Financial assets</b>				
2. Financial fixed assets	303	274	303	274
1. Currency derivatives not subject to hedge accounting <sup>1)</sup>	38	51	38	51
4. Currency derivatives for 'fair value hedging' of flows <sup>1)</sup>	31	75	31	75
4. Currency derivatives for hedging of sales <sup>1)</sup>	0	4	0	4
4. Currency derivatives for hedging of purchases <sup>1)</sup>	0	99	0	99
4. Derivatives for hedging of commodities <sup>1)</sup>	57	117	57	117
4. Currency derivatives for hedging of net investments <sup>1)</sup>	29	74	29	74
4. Interest rate derivatives for hedging of interest flows <sup>1)</sup>	21	2	21	2
2. Accounts receivable	7,822	7,118	7,821	7,118
2. Other current interest-bearing receivables	675	663	673	663
2. Cash and cash equivalents	4,249	3,879	4,249	3,879
<b>Financial liabilities</b>				
3. Long-term interest-bearing liabilities	16,053	18,751	16,195	18,753
3. Current interest-bearing liabilities	2,011	4,493	2,034	4,606
1. Currency derivatives not subject to hedge accounting <sup>1)</sup>	92	141	92	141
4. Currency derivatives for 'fair value hedging' of flows <sup>1)</sup>	26	1	26	1
4. Currency derivatives for hedging of sales <sup>1)</sup>	0	13	0	13
4. Currency derivatives for hedging of purchases <sup>1)</sup>	29	-	29	-
4. Derivatives for hedging of commodities <sup>1)</sup>	32	30	32	30
4. Currency derivatives for hedging of commodities (long term) <sup>2)</sup>	19	62	45	62
4. Currency derivatives for hedging of net investments <sup>1)</sup>	2	381	2	381
4. Interest rate derivatives for hedging of interest flows <sup>1)</sup>	3	5	3	5
3. Accounts payable	10,215	8,224	10,214	8,224

Balance sheet item classification: 1. Holdings valued at fair value in the income statement; 2. Loan receivables and accounts receivable valued at acquisition value; 3. Financial liabilities valued at amortized cost; 4. Derivatives for hedging valued at fair value.

<sup>1)</sup> Derivative instruments are included in the balance sheet items 'Accrued income and prepaid expenses' or 'Accrued expenses and deferred income'.

<sup>2)</sup> Derivative instruments are included in the balance sheet item 'Other long-term non-interest bearing liabilities'.

## 28 Financial risk management cont.

### ASSESSMENT OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The classification takes place hierarchically on three levels based on the input data used in valuing instruments. On level 1, listed prices on an active market are used, e.g. stock exchange prices. On level 2, observable market data regarding assets and liabilities, other than listed prices, is used, e.g. interest rates and return curves. On level 3, the fair value is determined based on an assessment technique which is based on assumptions that are not based on prices or data that are directly observable. The fair value assessment of the financial instruments in SSAB is based on data in accordance with level 2 except electricity derivatives, which fair values are based on listed market values and thus classified on level 1.

Financial assets consist largely of other non-current receivables and are valued at the amount which is expected to be received following an assessment of bad debts.

Derivative instruments are valued at fair value, calculated with established valuation models based on observable market data. At year-end, the derivatives were valued at SEK 221 (423) million as financial assets and SEK -205 (-634) million as financial liabilities. If full netting had been applied the derivatives had been booked at SEK 113 (156) million as financial assets and SEK -96 (-528) million as financial liabilities.

Accounts receivable are reported in the amount which is expected to be received following an individual assessment of bad debts. There is no concentration of credit risks since the Group has a large number of customers spread throughout the world.

Other current interest-bearing receivables consist of restricted cash with a term to maturity of less than 12 months. Fair value is estimated at the acquisition value.

Cash and cash equivalents consist of bank balances and bank deposits with short terms to maturity, and the fair value is estimated at acquisition value.

Non-current interest-bearing liabilities consist primarily of loans that are not subject to hedge accounting and are valued at amortized cost. Loans subject to hedge accounting are valued and reported at fair value. Fair value has been calculated based on the interest rate for outstanding terms to maturity as applicable at the end of the year.

Current interest-bearing liabilities are valued at amortized cost. Fair value has been calculated based on the rate of interest for outstanding terms to maturity as applicable at the end of the year.

Accounts payable are reported in the amount which is expected to be paid and are valued at acquisition value.

### MANAGEMENT OF CAPITAL

The Company's capital management is aimed at ensuring that the operations can continue to be conducted and generate good return for the shareholders. Since the Group's operations are dependent on the business cycle, the target is that the net debt/equity ratio will not normally exceed 35%.

In order to maintain or adapt the capital structure, dividends may be adjusted, share buybacks or redemption may take place, or new issues or divestments of assets may take place in order to reduce liabilities. The dividend target has been revised to 30–50% of profit after tax (earlier 50% over a business cycle taking into consideration the net debt/equity ratio).

The net debt/equity ratio decreased during the year. At year-end, the net debt/equity ratio was 22 (34) percent.

## 29 Critical estimations and assessments

### IMPORTANT ASSESSMENTS UPON APPLICATION OF THE ACCOUNTING PRINCIPLES

In the steel operations' industrial areas, there is a need for future land cleanup. In accordance with applicable rules, such cleanup will become relevant only when SSAB ceases to conduct operations in the area. At present, it is not possible to assess if and when operations will cease and, accordingly, no provision has been made for such land cleanup.

### IMPORTANT SOURCES OF UNCERTAINTY IN ESTIMATIONS

#### Test of impairment of goodwill and other intangible assets with indefinite useful lives

At the end of the year, the annual impairment test was carried out of the goodwill and other intangible assets with indefinite useful lives. The test showed no impairment. The valuation was carried out at a time when the global economy remains characterized by uncertainty. Under these circumstances, it is of course extraordinarily difficult to make an assessment as regards future earning capacity and thereby an assessment of the fair value of assets with indefinite useful lives. The North American operations showed a slight improvement in earnings during the year, by the end of 2016 duties on import of steel products were introduced, which did not give effect in 2017. However, an increased optimism regarding the North American steel business climate could be seen. The calculation of the discount rate is built on the average long-term interest rates during the two-months period November–December. In total, this meant that the room for deterioration in the estimates concerning the cash-generating unit declined compared somewhat and amounted to SEK 1.7 (2.3) billion. For other cash-generating units, it is estimated that there is an adequate room for deterioration in the estimates without this leading to any impairment. For further information on the impairment test, see [Note 6](#).

SSAB North America: A need to start writing down goodwill should arise if the estimated discount rate before tax, which was applied to the discounted cash flows, was more than 0.5 (0.5) percentage points higher than the assessment made in the calculation or if the long-term forecasted gross margins were to be 0.8 (1.0) percentage points lower than the assessment made in the forecast. The impairment test was conducted based on the average risk-free long-term rate in the USA for the period of November to December. At year-end the interest rate was almost 0.2 percentage points higher than the used average rate. Otherwise, the cash-flow valuation was based on the assumption of a return to a more normal market for heavy plate in the USA where, among other things, the relationship between steel prices and scrap prices would stabilize at a level where it has been over a longer period of time and import volumes would decline from their current historically high levels.

SSAB Special Steels: A need to start writing down goodwill should arise only if the estimated discount rate before tax, which was applied to the discounted cash flows, was more than 9.2 (7.0) percentage points higher than the

assessment made in the calculation or if the long-term forecasted gross margins were to be 6.4 (5.2) percentage points lower than the assessment made in the forecast.

SSAB Europe: A need to start writing down goodwill should arise only if the estimated discount rate before tax, which was applied to the discounted cash flows, was more than 15.0 (4.3) percentage points higher than the assessment made in the calculation or if the long-term forecasted gross margins were to be 8.6 (3.2) percentage points lower than the assessment made in the forecast.

Tibnor: A need to start writing down goodwill should arise only if the estimated discount rate before tax, which was applied to the discounted cash flows, was more than 10.6 (3.1) percentage points higher than the assessment made in the calculation or if the long-term forecasted gross margins were to be 2.8 (1.0) percentage points lower than the assessment made in the forecast.

Ruukki Construction: A need to start writing down goodwill or other assets with indefinite useful lives should arise only if the estimated discount rate before tax, which was applied to the discounted cash flows, was more than 13.8 (21.3) percentage points higher than the assessment made in the calculation or if the long-term forecasted gross margins were to be 5.3 (7.0) percentage points lower than the assessment made in the forecast.

#### Alabama tax credit

SSAB's subsidiary in Alabama, USA has carried out a number of investments which are covered by an investment grant program. The program provides an entitlement to tax deductions on the calculated state tax for each year in respect of the profit which can be allocated to each specific investment. The program extends over 20 years and, in order to obtain the grant in any specific year, state tax must be payable and certain criteria must be fulfilled as regards number of employees and paid minimum wages. A calculation of the future state tax has been made based on results in previous years budget and assumptions regarding future profitability. The assessment led to a recording of a deferred tax asset of SEK 151 (219) million.

The received grant will increase or decrease if the taxable result in Alabama is higher or lower than estimated. In the event the company fails to satisfy the criteria as regards workforce size and minimum wages, no grant will be received at all.

## 29 Critical estimations and assessments cont.

### Pension benefits

A large part of the Group's pension obligations with respect to white collar staff are benefit-based and insured on a collective basis with Alecta. Since it is not possible at present to obtain information from Alecta regarding the Group's share of the obligations and managed assets, the pension plan taken out with Alecta is reported as a contribution-based plan. The funding level reported by Alecta at the end of the year does not indicate the existence of a deficit; however, it is not possible to obtain any detailed information from Alecta regarding the amount of the pension liabilities.

The Group's benefit-based plans at the end of the year amounted to SEK 1,702 (1,679) million. The obligation is sensitive to, among other things, interest rate changes and pension increase growth assumptions. Sensitivity in the most critical parameters is described in [Note 13](#).

### Inventory

Inventories are affected by assumptions and estimates regarding product costing, application of the Lower of Cost or Market method and estimates of obsolescence. SSAB's inventories at year end amounted to SEK 16,035 (15,001) million, where of SEK 234 (190) million were valued at net realizable value.

### Accounts receivable

Provision for bad debts is based on assessments of the customers' payment ability and, by their nature, are difficult to estimate. The item has been the subject of special assessment and, compared with the preceding year, the provision for bad debts was decreased by SEK 55 million to SEK 253 (308) million, thereby representing 3.1 (4.1) % of outstanding accounts receivable.

## 30 Definitions

### CAPITAL EMPLOYED

Total assets less non-interest-bearing current and long-term liabilities.

### CASH AND CASH EQUIVALENTS

Cash and bank balances, as well as short-term investments with a term to maturity of less than three months on the date of acquisition.

### CASH FLOW FROM CURRENT OPERATIONS

Operational cash flow less financial items and paid tax.

### EARNINGS PER SHARE

Profit for the year attributable to the parent company's shareholders divided by the average number of shares.

### EBITDA

Operating profit before depreciation and amortization .

### EBITDA MARGIN

Operating profit before depreciation and amortization as a percentage of total sales.

### EQUITY

Total equity according to the consolidated balance sheet.

### EQUITY PER SHARE

Equity, excluding minority interests, divided by number of shares at year-end.

### EQUITY RATIO

Equity as a percentage of total assets.

### ITEMS AFFECTING COMPARABILITY

Items in the income statement where the result of transactions of a non-recurring nature in the company's operations makes comparison difficult with the result of other periods are treated as items affecting comparability.

### MAINTENANCE CAPITAL EXPENDITURES

Investments involving maintenance, rationalization, replacements or which relate to the environment and are made in order to maintain competitiveness.

### NET DEBT

Interest-bearing liabilities less interest-bearing assets.

### NET DEBT/EQUITY RATIO

Net debt as a percentage of equity.

### OPERATING CASH FLOW

Funds generated from operations including change in working capital as well as cash flow for regular maintenance investments, but before financial items and paid tax.

### OPERATING MARGIN

Operating profit/loss as a percentage of total sales.

### P/E RATIO

Share price at year-end divided by earnings per share.

### RETURN ON EQUITY AFTER TAX

Profit for the year after tax as a percentage of average equity per month during the year.

### RETURN ON CAPITAL EMPLOYED BEFORE TAX

Operating profit increased by financial revenue as a percentage of average capital employed per month during the year.

### SALES

Sales less deduction for value added tax, discounts and returns.

### STRATEGIC CAPITAL EXPENDITURES

Investments that increase the cash flow through acquisitions of shares and operations, investments in plant expansion or new competitiveness-enhancing technology.

### YIELD

Dividend as a percentage of the share price at year-end.



## 31 Considerations relating to proposed allocation of profit

At the 2018 Annual General Meeting, the shareholders will, among other things, vote on the dividend proposed by the Board of Directors.

At the end of the year, the retained earnings of the Group were SEK 19,107 (16,804) million and the parent company's unrestricted equity was SEK 52,407 (50,436) million. The equity included unrealized profits resulting from financial instruments being reported at market value in the amount of SEK 0 (0) million.

The net debt was SEK 11,574 (17,887) million, resulting the net debt/equity ratio decreasing with 12 percentage points, from 34 to 22 percent. Since the Group's operations are dependent on the business cycle, the target is that the net debt/equity ratio will not normally exceed 35%. The Group had a positive result after tax of SEK 2,311 million.

SSAB's goal to reduce the net debt by SEK 10 billion between the beginning of the first quarter of 2016 and the end of 2017 was exceeded by SEK 2.2 billion. From the end of the first quarter 2016, the net debt decreased by SEK 12.2 billion.

Considering this background, the Board proposes to the Annual General Meeting dividend to be paid by SEK 1.00 per share, corresponding to SEK 1,030 million.

## PROPOSED ALLOCATION OF PROFIT

The amount at the disposal of the Annual General Meeting of SSAB AB (publ), reg. no. 556016-3429 is as follows:

Retained earnings	50,451
Profit for the year	1,956
<b>SEK millions</b>	<b>52,407</b>

Of this, a share premium reserve comprises SEK 22,469 million and a fair value reserve comprises SEK 14 million.

The Board of Directors and the President recommend that the profit be allocated as follows:

Dividend to the shareholders SEK 1.00 per share	1,030
Carried forward to next year	51,377
<b>SEK millions</b>	<b>52,407</b>

According to the consolidated balance sheet, the Group's retained earnings amounted to SEK 19,107 (16,804) million.

The Board of Directors and the President hereby affirm that the consolidated financial statements have been prepared in accordance with international accounting standards, IFRS, as adopted by the EU and provide a true and fair view of the Group's financial position and earnings. The Annual Report has been prepared in accordance with generally accepted accounting principles and provides a fair and true view of the parent company's financial position and earnings. The report of the directors for the Group and the parent company provides a true and fair overview of the development of the operations, financial position and earnings of the Group and parent company and describes material risks and uncertainty factors facing the parent company and the companies included in the Group.

Stockholm, March 6, 2018

**Bengt Kjell**  
Chairman

**Sture Bergvall**  
Director

**Petra Einarsson**  
Director

**Marika Fredriksson**  
Director

**Tomas Karlsson**  
Director

**Pasi Laine**  
Director

**Matti Lievonen**  
Director

**Annika Lundius**  
Director

**Patrik Sjöholm**  
Director

**John Tulloch**  
Director

**Lars Westerberg**  
Director

**Martin Lindqvist**  
President and CEO

Our auditor's report was submitted on March 12, 2018  
PricewaterhouseCoopers AB

**Magnus Svensson Henryson**  
Authorized public accountant

# AUDITOR'S REPORT

*To the general meeting of the shareholders of SSAB AB (publ), corporate identity number 556016-3429*

## Report on the annual accounts and consolidated accounts

### OPINIONS

We have audited the annual accounts and consolidated accounts of SSAB AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on [pages 148–233](#) in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of my (our) knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### OUR AUDIT APPROACH

#### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The scope of our group audit included the parent company, the treasury activities conducted in both the parent company and its subsidiaries, all production entities of the steel divisions located in Sweden, Finland and the U.S. and ten of the larger entities for steel distribution globally. In addition, all major entities within Ruukki Construction and Tibnor were in scope for the group audit. Other entities were audited to the extent required under local legislation.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

## KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><b>VALUATION OF GOODWILL RELATED TO SSAB AMERICAS</b> Information on goodwill is disclosed in <a href="#">note 6</a>, <a href="#">note 29</a> and in the <a href="#">accounting principles</a> in the annual report.</p>	<p>We have verified that the forecasted cash flows included in the impairment test for the next year are based on the recurring budgets and forecasts prepared by management. We have reconciled that the assumptions used for the first years of the forecast are consistent with management's strategic plans and intentions. And we have evaluated the long term margin and growth rate that the company use to forecast cash flows beyond the first five year period. Our evaluation included a comparison of the assumptions used to historical performance of the company and to forecasts from external sources.</p> <p>Our tests of the discount rate used for calculation purposes, included and assessment of whether the discount rate reflects the specific and general risks related to the cash generating unit. We have been able to reconcile the data in the calculation to independent external sources and validated that the composition of the discount rate is consistent with established theory and working practices.</p> <p>We have also evaluated the company's sensitivity analysis of the valuation to changes in significant parameters that could lead to impairment.</p>

## Key audit matter

## How our audit addressed the Key audit matter

**EXISTENCE AND VALUATION OF INVENTORY IN THE STEEL BUSINESS**

Information on inventory is disclosed in [note 9](#), [note 29](#) and in the [accounting principles](#) in the annual report.

The production units of the steel business have stocks of raw material, work in progress and finished goods. For the purpose of offering short and precise deliveries and to offer customised solutions, there are market stocks of finished goods at around a hundred locations globally.

It is demanding to correctly measure cost when procurement-, production- and logistical processes are complex. Product costing requires a number of decisions by management that have an effect on the recorded values. Important areas include; choice of method for

applying the principle of FIFO, establishing a normal production level and allocation of direct and indirect costs. The measurement of value also includes other areas of subjectivity, such as assessment of volume of iron ore and coal in piles kept outdoors, estimates of net realizable value when applying the principle of the lower of cost and market value and assessment of obsolescence.

Processes for the production of steel is the core of the business with established operational and monitoring controls. In many cases, it is the operational controls that are the basis for controls over financial reporting. We have tested the design and operating effectiveness of a sample of controls in the inventory process including controls for establishing product costing of work in progress and finished goods, transfers between locations, for deliveries in and deliveries out, and for monitoring that stock-takes are executed at all locations on a recurring basis and that any differences observed were investigated.

We have performed tests over the prices of raw materials, verified items in the product costing of work in progress and finished goods and tested the cut off of deliveries in and out of inventory.

We have informed ourselves of the monitoring controls over slow-moving stock and the assessments made concerning obsolescence.

We have participated in or performed our own control stock-takes at around thirty locations during the year, including production units and market stocks for the purposes of obtaining comfort over both volume and to test obsolescence.

## Key audit matter

## How our audit addressed the Key audit matter

**VALUATION OF ACCOUNTS RECEIVABLE**

Information on accounts receivable is disclosed in [note 28](#), [note 29](#) and in the [accounting principles](#) in the annual report.

SSAB sells steel to a large number of customers globally and accounts receivable is a significant item on the balance sheet. Payment terms are dependent on local practices.

The value of the outstanding accounts receivable is dependent on the extent customers will pay for the goods they have purchased. Information on individual customers' ability to pay is limited and that gives rise to a degree of uncertainty that requires management judgement. SSAB assesses its accounts receivable individually. Based on available information, SSAB records a provision for risks in the stock of accounts receivable.

We have evaluated the design and operating effectiveness of some selected controls in the sales processes that give rise to accounts receivable and payments. Moreover, we have evaluated the design and operating effectiveness of certain internal controls for the valuation of accounts receivables, including reconciliation and assessment of credit risk in overdue but not paid accounts receivable. To a lesser degree, we have comfort from work performed in prior years. In such cases, we have obtained confirmation from the company that the process is unchanged and that the controls have been performed consistently. We have read management's analysis of the development of average days of credit and risks in the stock of accounts receivable. Our conclusion from our testing of controls is that we have obtained the amount of comfort as we looked for when planning the audit.

In addition to the test of controls, we have contacted a sample of SSAB's customers to obtain independent confirmation of the existence of outstanding accounts receivables. In the cases where we did not receive any responses, we have performed tests to confirm that invoices have been paid after the balance sheet date, or tested the delivery of products against documentation. We have made our own assessment of credit risk parallel to the company's valuation regarding the small number of cases where agreements have been made that alter original terms of payment.

Overall, the credit quality of SSAB's accounts receivable has been stable and the amount of credit losses have been low for several years.



#### OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found in the sections Business Review, Corporate Governance Report and GRI report. The sustainability report is part of this other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

#### AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

#### Report on other legal and regulatory requirements

##### OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of SSAB AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

##### BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of SSAB AB (publ) by the general meeting of the shareholders on the 31 March 2017 and has been the company's auditor since before 1994. The EU regulation (537/2014) prevents PricewaterhouseCoopers AB from being reelected as auditor after 17 June 2020.

Stockholm March 12, 2018  
PricewaterhouseCoopers AB

**Magnus Svensson Henryson**  
Authorized Public Accountant

## SHARES AND SHAREHOLDERS

SSAB is listed on the Nasdaq Stockholm and Nasdaq Helsinki exchange.

### SHARE PERFORMANCE AND TRADING

The 2017 closing prices on the Nasdaq Stockholm Exchange were:

SSAB class A share: SEK 44.90

SSAB class B share: SEK 36.61

Total year-end market capitalization: SEK 40.2 billion

Share performance during 2017:

SSAB class A share: +29.8 %

SSAB class B share: + 27.2%

OMX Stockholm 30 index: +3.9%

The highest price was:

SSAB class A share: SEK 45.21, on December 28

SSAB class B share: SEK 36.77, on December 28

The lowest price was:

SSAB class A share: SEK 33.32, on January 17

SSAB class B share: SEK 27.09, on January 19

During the year, SSAB's shares were traded on the Nasdaq Stockholm Exchange for a total of SEK 85.9 billion. Shares were traded on all exchange days and averaged approximately SEK 342.34 million per day. The volume of A shares traded during the year corresponded to 436% of the average number of outstanding shares. The volume of B shares traded corresponded to 153% of the average number of outstanding shares. Trading in the share in Helsinki (A and B share) averaged 0.77 million shares per day during 2017.

The SSAB-share is also traded on multilateral trading facilities (MTF), on market places such as Chi-X and BATS. Of the total volume of traded shares, 81% of the class A shares and 90% of the class B shares were traded on Nasdaq Nordic (Stockholm and Helsinki).

### SHARE CAPITAL

On December 31, 2017, there were in total 1,029,835,326 shares in SSAB, of which 304,183,270 class A shares, corresponding to 304,183,270 votes, and 725,652,056 class B shares, corresponding to 72,565,205.6 votes, 376,748,475.6 votes in total. Each class A share carries one vote and each class B share carries one-tenth of one vote. SSAB's share capital is SEK 9,062 million. The quotient value per share is SEK 8.80.

### OWNERSHIP STRUCTURE

At year-end 2017, SSAB had 100,141 shareholders.

SSAB's three largest owners in terms of voting rights at year-end 2017 were:

- Industrivärden 18.2%
- Solidium 11.0 %
- LKAB 3.6 %

The ten largest identified owners together owned approximately 42.7% of the voting capital and 41.7% of the share capital at the end of December 2017. Owners outside Sweden and Finland accounted for 29.2% of voting rights and 23.0% of the total number of shares.

### DIVIDEND POLICY AND DIVIDENDS

Dividend target is 30–50% of profit after tax.

The Board of Directors has resolved to propose to the Annual General Meeting to be held on April 10, 2018 that a dividend of SEK 1.00 per share will be paid.

### INVESTOR RELATIONS

During 2017, a large number of meetings were held with owners, investors and analysts, both in Sweden and outside, mostly in Europe and the United States. Presentations and investor meetings are regularly held in connection with the publication of interim reports and annual results.

### TICKER CODES

Nasdaq Stockholm: SSABA and SSABB

Nasdaq Helsinki: SSABAH and SSABBH (class A and class B shares respectively)

## Share breakdown

Shareholding	Number of shareholders	% of all shareholders
1-500	43,705	43.6
501-1,000	17,087	17.1
1,001-5,000	30,259	30.2
5,001-10,000	4,931	4.9
10,001-15,000	1,417	1.4
15,001-20,000	800	0.8
20,001-	1,942	1.9
<b>Total</b>	<b>100,141</b>	<b>100</b>

Source: Euroclear

## The number of shares and the share capital have changed since 1989 as follows:

Year		Change in number of shares	Number of shares	Change in share capital, SEK millions	Share capital, SEK millions
1989	Conversion	15,000,000	26,500,000	150	2,650
1994	Conversion	5,500,000	32,000,000	550	3,200
1995	Split 4:1	96,000,000	128,000,000	0	3,200
1998	Redemption	-15,891,199	112,108,801	-397	2,803
2001	Reduction	-11,210,880	100,897,921	-281	2,522
2005	Redemption	-9,968,861	90,929,060	-249	2,273
2006	Redemption	-4,546,453	86,382,607	-114	2,159
2006	Bonus issue	0	86,382,607	121	2,280
2006	Split 3:1	172,765,214	259,147,821	0	2,280
2007	New issue 1:4	64,786,954	323,934,775	571	2,851
2014	New issue	225,310,735	549,245,510	1,982	4,833
2016	Rights issue 8:7	480,589,816	1,029,835,326	4,229	9,062

## Owners as of December 31, 2017

	% of votes	% of share capital
Industrivärden	18.2%	11.4%
Solidium	11.0%	17.1%
LKAB	3.6%	2.3%
Handelsbanken Funds	1.9%	3.4%
Swedbank Robur Funds	1.9%	3.4%
Nordea Investment Funds	1.8%	1.2%
Catella Funds	1.5%	0.7%
Invesco Funds	1.4%	1.3%
Folksam	0.8%	0.8%
Varma Mutual Pension Funds	0.7%	0.2%
Other shareholders	57.4%	58.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
Whereof foreign-registered shareholders*	29.2%	23.0%

\* Includes shareholders outside Sweden and Finland

Source: Euroclear

## Share-related key figures

		2017	2016	2015	2014	2013
Share price, at year end, class A share <sup>3)</sup>	SEK	44.90	34.58	17.06	34.42	37.19
Earnings per share (EPS) <sup>3)</sup>	SEK	2.23	1.04	-0.66	-2.39	-2.36
Cash flow before dividend and financing per share <sup>3)</sup>	SEK	4.93	2.19	2.99	0.16	2.26
Equity per share <sup>3)</sup>	SEK	51.69	51.36	80.82	79.78	83.74
Dividend per share <sup>3)</sup>	SEK	1.00 <sup>1)</sup>	0.00	0.00	0.00	0.00
Average number of shares	million	1,029.8	794.8	549.2	419.6	323.9
Number of shares at year-end	million	1,029.8	1,029.8	549.2	549.2	323.9
Market capitalization at year-end	SEK million	40,224	31,410	11,534	23,731	15,321
<b>Valuation</b>						
Direct yield, % <sup>2)</sup>		2.23 <sup>1)</sup>	0.00	0.00	0.00	0.00
P/E ratio <sup>2)</sup>		20.13	33.25	neg.	neg.	neg.
Price/equity, % <sup>2)</sup>		87	67	21	43	44

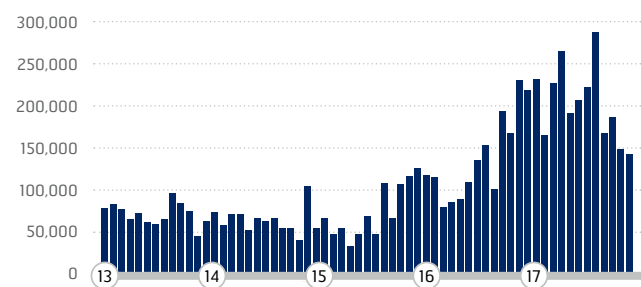
<sup>1)</sup> In accordance with the Board's proposal

<sup>2)</sup> Based on closing price for the class A share

<sup>3)</sup> Adjusted based on the bonus issue element in the rights issue in 2016

## Number of traded shares

Thousands

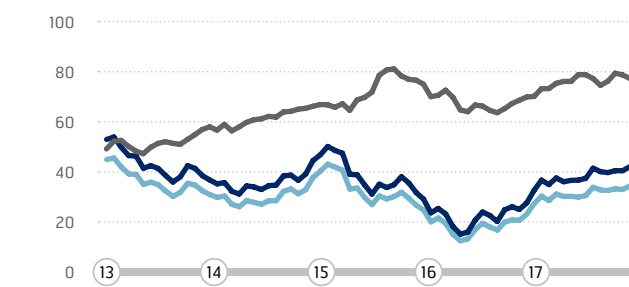


Source: Nasdaq

■ Number of traded shares  
(Nasdaq Stockholm and Helsinki)

## Share performance

SEK



Source: Nasdaq

■ SSAB A ■ SSAB B ■ OMX Stockholm 30 Index

SSAB's shares have been listed in Nasdaq Helsinki since August 1, 2014

# ANNUAL GENERAL MEETING, NOMINATION COMMITTEE, CALENDAR

## ANNUAL GENERAL MEETING

SSAB's Annual General Meeting will be held in Stockholm on Tuesday April 10, 2018, starting at 1 pm. To be eligible to attend the Annual General Meeting, shareholders must be included in the printout of the share register made by Euroclear Sweden AB on Wednesday, April 4, 2018 and must give notice of their intention to attend the meeting by no later than Wednesday, April 4, 2018, preferably before 12 noon.

### Notice

Notice to attend the Annual General Meeting may be given via the Company's website at [www.ssab.com](http://www.ssab.com), or by telephone at +46 8 45 45 760. Notice must include the shareholder's name, personal identification number (or company registration number), address and telephone number.

### Nominee-registered shares

Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own names to be entitled to attend at the Annual General Meeting. Temporary re-registration (voting registration) should be effected in due time before Wednesday, April 4, 2018.

### Proxies

Original powers of attorney and, with respect to a legal entity, certificates of registration, must be submitted in due time before the Annual General Meeting to: SSAB AB, Årsstämman, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden.

## DIVIDENDS

The Board of Directors and the President & CEO propose that the Annual General Meeting resolve that a dividend of SEK 1.00 per share will be paid for 2017.

## NOMINATION COMMITTEE

- AB Industrivärden, Lars Pettersson, Chairman
- Solidium Oy, Annareetta Lumme-Timonen
- Luossavaara-Kiirunavaara AB (LKAB), Jan Moström
- Swedbank Robur Funds, Åsa Nisell
- Handelsbanken Funds, Magnus Strömer
- Bengt Kjell, Chairman of the Board

The Nomination Committee presents, among other things, proposals to the Annual General Meeting concerning the election of the Board of Directors, fees for the Board of Directors, and the election of auditors.

## CALENDAR FOR FINANCIAL INFORMATION

SSAB will provide the following information with respect to the 2018 financial year:

- Report for the first quarter, April 20, 2018
- Half-year report, July 20, 2018
- Report for the third quarter, October 26, 2018



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