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Squeezed margins result in lower profit

SSAB today presented its accounts for the first quarter. Weaker margins in the steel operations resulted in a decline in profit after financial items to SEK 182 (465) million.

- We still do not see any general increase in steel consumption in Europe, says CEO Anders Ullberg in a comment on today's quarterly report and the situation in the steel market in general. The assessments we have made recently indicate that we will reach the bottom of the current business cycle only at the end of the current year.

- We were forced to accept price reduction for most sheet products prior to the first quarter, while prices for both quenched steels and ordinary plate were largely unchanged. Together with an increase in raw materials costs, this resulted in a weakening of margins by not less than SEK 330 million compared with last year. This is the main reason for the lower profit, states Anders Ullberg.

- A positive factor is that we have again been able to increase prices prior to the second quarter in the agreements we have re-negotiated, which correspond to approx. 50% of delivery volumes.

- Since the end of 2001, we have focused on three areas in order to counteract the weak year for steel that we foresaw then and still see ahead of us, emphasises Anders Ullberg. We are increasing the pressure in order to increase delivery volumes of our niche products, quenched steels and extra and ultra high-strength sheet. We are continuing to implement the cost-cutting projects in order to keep processing costs at an unchanged level in absolute terms compared with last year, despite an increase in production volumes and wage increases of just over 3%. In addition, through a reduction in tied up working capital and by implementing only vital capital expenditures, we will ensure a positive cash flow, concludes Anders Ullberg.