

Report for the First Three Quarters of 2003

- Sales during the first three quarters increased by 3% and amounted to SEK 14,788 (14,404) million. Higher prices accounted for 5%, while lower volumes of in particular steel slabs resulted in a reduction of 2%.
- Profit after financial items for the first three quarters amounted to SEK 101 (79) million. Profit for the first three quarters thereby increased by SEK 325 million and amounted to SEK 881 (556) million.
- Profit after tax for the first three quarters amounted to SEK 593 (382) million, equal to earnings per share of SEK 5.90 (3.80).
- Deliveries of extra and ultra high-strength sheet and quenched steels during the third quarter increased by 9% over last year and, thus far this year, have increased by 15%.
- Cash flow for the third quarter improved and amounted to SEK 189 (-31) million.

Consolidated Profit and Loss Account

SEK millions	2002 Q 3	2003 Q 3	2002 Qs 1-3	2003 Qs 1-3	2002 Full Year	2002 Oct. 02- Sept. 03
Sales	4,331	4,410	14,404	14,788	19,271	19,655
Cost of goods sold	<u>-3,865</u>	<u>-3,927</u>	<u>-12,609</u>	<u>-12,654</u>	<u>-16,720</u>	<u>-16,765</u>
Gross profit	466	483	1,795	2,134	2,551	2,890
Selling and administrative expenses	-330	-337	-1,100	-1,105	-1,505	-1,510
Other operating revenues and expenses	5	8	8	-12	2	-18
Affiliated companies	<u>-23</u>	<u>-14</u>	<u>-16</u>	<u>-16</u>	<u>-48</u>	<u>-48</u>
Operating profit	118	140	687	1,001	1,000	1,314
Financial items	<u>-39</u>	<u>-39</u>	<u>-131</u>	<u>-120</u>	<u>-184</u>	<u>-173</u>
Profit after financial items	79	101	556	881	816	1,141
Tax	-21	-49	-164	-279	-231	-346
Minority shares	<u>-3</u>	<u>-2</u>	<u>-10</u>	<u>-9</u>	<u>-8</u>	<u>-7</u>
Profit after tax	55	50	382	593	577	788
Return on capital employed before tax (%)	-	-	-	-	8	10
Return on equity after tax (%)	-	-	-	-	6	8
Earnings per share (SEK)*)	0.55	0.50	3.80	5.90	5.70	7.80
Equity per share (SEK)*)	95.20	96.30	95.20	96.30	97.10	96.30
Equity ratio (%)	53	53	53	53	53	53
Net debt/equity ratio (%)	35	37	35	37	32	37

*) The number of shares on average and at the end of the period amounted to 100.90 million.

The Market

Steel consumption in Western Europe has been relatively unchanged since the autumn of 2002 and, as yet, no clear signs of an increase in demand are visible. Demand in the United States has also been relatively stable.

China continues to demonstrate a very strong increase in steel consumption which, this year, is expected to amount to almost 260 million tonnes, compared with steel demand in the EU of approx. 140 million tonnes and, in the United States, of approx. 100 million tonnes. Accordingly, global steel consumption should reach a new record this year of approx. 880 (830) million tonnes.

During the third quarter, the Group's sheet prices in local currencies were largely unchanged notwithstanding certain pressure on prices, primarily in Southern Europe. Prices for both quenched steels and ordinary plate remained stable. In all, this had the effect that – due to a seasonally improved product mix - prices in Swedish currency in the steel operations were 3% higher than during the second quarter. Thus far this year, prices have been 8% higher than last year. For the Group as a whole, prices were 5% higher than last year.

Production and Deliveries

Crude steel production during the third quarter amounted to 830 (840) thousand tonnes and, in total for the first three quarters, to 2,874 (2,836) thousand tonnes. Deliveries of steel slabs to other steel companies amounted to 58 (185) thousand tonnes.

Sheet and plate production during the third quarter amounted to 755 (675) thousand tonnes. The increase was due to the fact that the hot rolling strip mill in Borlänge stopped production for summer maintenance in June this year, while last year the stop took place in July. The volumes were, however, somewhat lower than planned due to some disruptions in connection with the start-up of the hot rolling strip mill. In total, sheet and plate production for the first three quarters increased by 2% over last year and amounted to 2,429 (2,377) thousand tonnes.

Deliveries from the steel operations were 3% higher than during the third quarter of last year and amounted to 660 (643) thousand tonnes. In total, deliveries from the steel operations during the first three quarters were thus similar to last year and amounted to 2,327 (2,329) thousand tonnes.

Deliveries of extra and ultra high-strength sheet as well as quenched steels increased during the quarter by 2% and 17% respectively compared with last year. So far this year, they have increased by 14% and 17% respectively. In total, deliveries of the niche products, high-strength sheet and quenched steels, account for 43 (40) % of total delivery volumes.

During the first three quarters, the steel operations' deliveries to the Swedish market were 5% higher than last year. However, demand remained weak for building-related products in the steel operations, as well as in Tibnor and Plannja. Deliveries in Tibnor and Plannja were thus 4% and 8% lower respectively than last year.

Due to lower demand in the United States, SSAB HardTech's deliveries thus far this year have been 2% lower than last year.

Sales and Profit

Sales increased by 3% to SEK 14,788 (14,404) million. Higher prices accounted for 5 percentage points, while lower volumes of in particular steel slabs resulted in a reduction of 2 percentage points.

The coal and iron ore agreements for the year entailed price increases in dollar terms of 3% and 11% respectively. Purchases were hedged in the spring and, thanks to the weaker dollar, the agreements resulted in cost decreases in Swedish kronor of 5% and 7% respectively compared with last year. The iron ore agreement entered into force at the beginning of the year and thus the full impact of the agreement on costs has largely been felt. On the other hand, the coal agreements entered into force on 1 April and, due to existing stocks, the full impact of the agreements was not felt until the third quarter.

Thus far this year, coal and iron ore costs per tonne have been 9% and 7% lower respectively than last year, while energy costs (electricity, oil, and LPG) have been 18% higher.

Processing costs increased by 6% compared with the first three quarters of last year. The costs have been affected by measures to enhance certainty of delivery and improve yield as well as by a shorter summer stop in the steel operations than last year.

Operating profit during the third quarter was SEK 22 million higher than last year and amounted to SEK 140 (118) million. Higher processing costs and weaker margins in the trading and processing operations weakened profit for the quarter by SEK 100 million, while higher volumes and an improved product mix in the steel operations resulted in an increase of SEK 150 million.

Operating profit for the first three quarters thus increased by SEK 314 million to SEK 1,001 (687) million. Higher processing costs weakened profit by SEK 270 million, while stronger margins and an improved product mix in the steel operations increased profit by SEK 570 million. The profit analysis is set forth in the table below.

Change in operating profit between the first three quarters of 2003 and 2002 (SEK millions)	
Steel operations	
- Stronger gross margins	+420
- Improved product mix	+150
- Higher processing costs	-230
Trading and processing operations	
- Weaker margins	-30
- Higher processing costs	-40
Lower depreciation	+25
Other	+19
Change in operating profit	+314

Currency changes compared with last year have affected gross margins in the steel operations and thereby contributed to profit in the amount of approx. SEK 225 million, primarily due to the fact that raw materials costs are largely dollar-based.

Financial items amounted to SEK -120 (-131) million and profit after financial items increased to SEK 881 (556) million. After tax and minority shares, profit for the first three quarters amounted to SEK 593 (382) million. Earnings per share increased to SEK 5.90 (3.80).

Capital Expenditures

During the first three quarters, decisions were taken regarding new investments totalling SEK 605 (734) million. Of these, SEK 120 million relate to investments in a third and final stage in the renovation of the coking plant in Luleå. The renovation is ongoing and is expected to be completed during the year. An additional approx. SEK 40 million relates to investments in a punching line at SSAB HardTech's plant in the United States. The punching line is expected to be brought into operation in the summer of 2004.

Ongoing major investments include, among other things, the fourth press-hardening line at SSAB HardTech's plant in the United States, as well as additional capacity for the cutting to size of high-strength sheet in Borlänge. The press-hardening line is expected to be brought into operation in the spring of 2004, while the cutting lines are being test driven.

Capital expenditures increased to SEK 705 (569) million.

Financing and Liquidity

Inventories in the steel operations at the end of the quarter were almost SEK 300 million higher than last year. Increased working capital combined with higher capital expenditures than last year resulted in a decrease in cash flow to SEK 226 (915) million. Thus, following the dividend of SEK 605 million, net debt increased to SEK 3,600 (3,332) million, corresponding to a net debt/equity ratio of 37 (35)%. Liquid assets amounted to SEK 240 (252) million, of which SEK 121 (113) million were in the parent company.

There is a Medium-Term Note programme for long-term borrowing, while short-term borrowing takes place primarily within a Swedish commercial paper programme. Borrowing possibilities amount to SEK 2,000 million within each of these programmes. At the end of September, borrowing within the programmes amounted to SEK 2,887 (2,636) million. In addition, there is also a Euro Commercial Paper programme of USD 100 million, which, however, has not been utilised. Total borrowing, including other loans, amounted to SEK 4,015 (3,893) million.

Prospects for the Remainder of the Year

As yet, no increase in steel consumption in Western Europe has been noted and, accordingly, it is believed that steel consumption during the final quarter of the year will be at approximately the same level as during the first three quarters. However, the rate of delivery in the steel operations is expected to increase somewhat due to continued growth for the niche products, high-strength sheet and quenched steels.

Prices in local currencies for both sheet and plate are expected to remain unchanged during the fourth quarter.

The approximate effect on profit after financial items, and on earnings per share, of changes in significant factors is shown in the sensitivity analysis below.

Sensitivity Analysis

	Change during the remainder of the year, %	Effect on profit, SEK millions	Effect on earnings per share, SEK
Sheet prices – steel operations	5	160	1.15
Volume – steel operations	5	60	0.45
Volume – trading operations	5	10	0.10
Margin – trading operations	2%-points	25	0.20

The sensitivity analysis describes the manner in which changes in the stated factors during the remainder of the year, compared with the first three quarters of the year, will affect profit for the year before tax, and earnings per share.

Nomination Committee

In accordance with a resolution adopted at SSAB's annual general meeting on 24 April 2003, the Chairman of the Board of Directors has established a nomination committee, the task of which is to produce a proposal regarding members of the Board of Directors, etc. to be presented to the annual general meeting in 2004.

In addition to Sverker Martin-Löf (Chairman), the nomination committee consists of Carl-Olof By (Industrivärden), Tor Marthin (AMF Pension), and Björn Lind (SEB Fonder).

Stockholm, 23 October 2003

Anders Ullberg

Review report

We have subjected this interim report to a general review in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants.

A general review is significantly more limited than an audit.

Nothing has arisen to indicate that the interim report fails to fulfil the requirements set forth in the Swedish Securities Exchange and Clearing Operations Act and the Swedish Annual Reports Act.

Stockholm, 23 October 2003

PricewaterhouseCoopers AB

Göran Tidström
Authorised Public Accountant

The results for 2003 will be published on 11 February 2004.

Cash Flow

SEK millions	2002 Q 3	2003 Q 3	2002 Qs 1-3	2003 Qs 1-3	2002 Full Year	Oct. 02- Sept. 03
Cash flow from operations	347	354	1,261	1,468	1,832	2,039
Change in working capital	-166	30	137	-640	73	-704
Investing activities	<u>-254</u>	<u>-209</u>	<u>-569</u>	<u>-705</u>	<u>-840</u>	<u>-976</u>
Cash flow excluding SPP funds	-73	175	829	123	1,065	359
Net effect of surplus funds from SPP*)	<u>42</u>	<u>14</u>	<u>86</u>	<u>103</u>	<u>143</u>	<u>160</u>
Cash flow	-31	189	915	226	1,208	519
Financing activities	<u>-66</u>	<u>-179</u>	<u>-1,123</u>	<u>-391</u>	<u>-1,252</u>	<u>-520</u>
Change in liquid assets	-97	10	-208	-165	-44	-1

*) Net effect of surplus funds from SPP relates only to the effect on cash flow. The effect on profits was included in the results for 2000.

Consolidated Balance Sheet

SEK millions	30 Sept. 2002	31 Dec. 2002	30 Sept. 2003
Assets			
Intangible fixed assets	47	42	33
Tangible fixed assets	8,716	8,808	8,670
Financial fixed assets	909	818	682
Inventories	4,156	4,585	4,497
Accounts receivable	3,354	3,082	3,558
Other receivables	703	725	780
Liquid assets	<u>252</u>	<u>416</u>	<u>251</u>
Total assets	18,137	18,476	18,471
Equity and Liabilities			
Equity	9,607	9,796	9,718
Minority shares	160	162	151
Deferred taxes and other provisions	1,881	1,978	2,022
Long-term liabilities	2,498	2,101	2,183
Current liabilities	<u>3,991</u>	<u>4,439</u>	<u>4,397</u>
Total equity and liabilities	18,137	18,476	18,471

Consolidated Equity

SEK millions	30 Sept. 2002	31 Dec. 2002	30 Sept. 2003
Equity, opening balance	9,753	9,753	9,796
Revaluation reserve	-	24	-1
Translation difference	-24	-54	-65
Dividend	-504	-504	-605
Profit for the period	<u>382</u>	<u>577</u>	<u>593</u>
Equity, closing balance	9,607	9,796	9,718

Subsidiaries' Sales, Profit/Loss and Return on Capital Employed

SEK millions	Sales		Operating profit		Profit after financial items		Return on capital employed (%)	
	2002 Qs 1-3	2003 Qs 1-3	2002 Q 1-3	2003 Qs 1-3	2002 Qs 1-3	2003 Qs 1-3	2002 Full Year	Oct.02- Sept. 03
<i>Subsidiaries:</i>								
SSAB Tunnpålt 1)	7,517	7,890	216	526	119	432	6	11
SSAB Oxelösund	3,834	4,066	201	228	112	164	7	8
Plannja	936	863	89	52	80	45	26	15
SSAB HardTech	618	591	132	100	112	87	21	19
Tibnor	4,060	4,010	99	86	88	82	7	6
Other subsidiaries	421	438	8	14	40	14	-	-
<i>Parent company units:</i>								
Parent company 2)	0	0	-42	-47	49	27	-	-
Affiliated companies	-	-	8	1	8	1	-	-
Group adjustments	<u>-2,982</u>	<u>-3,070</u>	<u>-24</u>	<u>41</u>	<u>-52</u>	<u>29</u>	<u>-</u>	<u>-</u>
Total	14,404	14,788	687	1,001	556	881	8	10

1) Commencing 1 January 2003, Dickson is a subsidiary of SSAB Tunnpålt. The figures for 2002 have been adjusted in order to achieve comparability.

2) Excl. dividends from subsidiaries and affiliated companies and, for 2003, also excluding capital gains from the internal sale of Dickson. Profits in parent company consist primarily of administration costs and a positive figure for financial items.

Profit per Quarter

SEK millions	1/01	2/01	3/01	4/01	1/02	2/02	3/02	4/02	1/03	2/03	3/03
Sales	5,281	5,295	4,535	4,571	4,934	5,139	4,331	4,867	5,206	5,172	4,410
Operating expenses	-4,513	-4,646	-4,114	-4,203	-4,430	-4,533	-3,915	-4,234	-4,473	-4,511	-3,989
Depreciation	-287	-289	-287	-278	-274	-274	-275	-288	-266	-265	-267
Affiliated companies	10	4	-5	-6	0	7	-23	-32	-8	6	-14
Financial items	<u>-26</u>	<u>-43</u>	<u>-47</u>	<u>-39</u>	<u>-48</u>	<u>-44</u>	<u>-39</u>	<u>-53</u>	<u>-45</u>	<u>-36</u>	<u>-39</u>
Profit after financial items	465	321	82	45	182	295	79	260	414	366	101

Accounting principles

This interim report has been prepared in accordance with RR20, Interim Reports.

Seven new recommendations from the Swedish Financial Accounting Standards Council have been applied from the beginning of the year. The new recommendations are RR2:02 Inventories, RR22 Presentation of Financial Statements, RR24 Investment Property, RR25 Segment Reporting, RR26 Events after the Balance Sheet Date, RR27 Financial Instruments, and RR28 Government Grants. The implementation of these recommendations has not, however, affected any of the information

reported for earlier periods. Otherwise, the interim report has been prepared in accordance with the same principles as the most recent annual report.

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