Results for 1999

- **Profit after financial items declined by SEK 957 million to SEK 467 (1,424) million. However, the fourth quarter was the best of the year and just over SEK 100 million higher than the preceding year.**
- **Deliveries of the niche products of high strength sheet and quenched steels increased substantially.**
- **Cash flow improved by just over SEK 1,000 million to SEK 436 (-604) million.**
- **The proposed dividend is unchanged at SEK 4.50 per share.**

Consolidated Profit and Loss Account

SEK millions	1998	**1999**
Sales	17835	**16,807**
Cost of goods sold	-14798	**-14,493**
Gross profit	3037	**2,314**
Selling and administrative expenses	-1727	**-1,738**
Other operating revenues and expenses	-3	**-59**
Affiliated companies	48	**25**
Operating profit	1355	**542**
Financial items	69	**-75**
Profit after financial items	1424	**467**
Tax	-427	**-177**
Minority shares	-15	**-9**
Profit after tax	982	**281**
Return on capital employed before tax (%)	11	**5**
Return on equity after tax (%)	8	**3**
Earnings per share (SEK)	8.20	**2.50**
Equity per share (SEK)	88.70	**86.50**
Equity ratio (%)	58	**56**
Number of shares at end of period (millions)	112.11	**112.11**

The Market

Demand for steel in Western Europe peaked in the middle of 1998 and thereafter began to decline. This trend continued during 1999 but demand began to increase again in the final quarter. The period of decline was thus relatively brief and, in terms of volume, was less than previous slowdowns in the economy during the 1990s.

During the second half of 1998, prices came under significant pressure. This was primarily a result of the financial crisis in Asia which resulted in a significant change in the global flow of trade in steel. In response to this situation, European steel producers reduced their production at the end of 1998 and beginning of 1999. The reduced supply of steel and reduced imports into Europe gradually improved the balance on the market. The gradually increased demand made it thus possible to begin to raise prices again during the second half of the year.

During the fourth quarter, the Group's steel prices were 6% lower than during the third quarter. The lower prices were due to a seasonally changed product mix. During the fourth quarter, minor price increases were carried out for most sheet products. These price increases, however, had only a marginal impact during the quarter. As a result of the fall in prices towards the end of 1998 and beginning of 1999, steel prices in Swedish kronor for the entire year were, on average, 14% lower than in 1998.

Steel consumption in Sweden is estimated to have declined by 4%. However, demand for sheet was approx. the same as in 1998 – approx. 1,900,000 tonnes – while consumption of plate declined by just over 15% to approx. 180,000 tonnes. The Group's market shares for sheet and plate products were unchanged at just over 40%.

Deliveries by Tibnor gradually improved during the year and during the fourth quarter were at the same level as in the autumn of 1998. The weak start to the year resulted, however, in deliveries being 3% lower than during 1998.

Order books in the steel operations improved significantly during the second half of the year and amounted at year-end to 380,000 tonnes, corresponding to 6 weeks' production.

Production and Deliveries

Crude steel production continued to be stable during the fourth quarter and amounted to 982,000 tonnes. The rate of production was thus 9% higher than during the first half of the year and just under 20% higher than during the fourth quarter of 1998. Towards the end of 1998 and the beginning of 1999, however, production was curbed in order to reduce inventories of slabs. Crude steel production for the entire year amounted to 3,398,000 tonnes, which was unchanged compared with 1998.

Sheet production also continued to be stable during the fourth quarter and amounted to an all time high quarterly production of 801,000 tonnes. The rate of production was 7% higher than during the first half of the year and just over 20% higher than during the fourth quarter of 1998. In total, sheet production thus increased during the year by 11% to 2,819,000 tonnes.

Growth within high strength sheet was strong and deliveries increased by 16%. In total, deliveries of the steel operations' niche products increased by 12%. Sales of niche products thus amounted to approx. SEK 4,100 million.

Total deliveries from steel operations increased by 13% and amounted to 2,681,000 (2,381,000) tonnes.

Sales and Profit

Sales during the year declined by 6% to SEK 16,807 (17,835) million. Higher volumes contributed 4 percentage points while lower prices resulted in a decline of 10 percentage points.

Costs for coal and iron ore fell by 7% and for alloys by 15%. Measures taken in order to reduce processing costs resulted in these costs being unchanged compared with 1998, notwithstanding increased volumes in the steel operations.

Operating profit fell by SEK 813 million to SEK 542 (1,355) million. Weakened margins in the steel operations and increased depreciation affected profit by approx. SEK 1,100 million, while increased volumes in the steel operations and higher margins in the trading and processing operations improved profit by SEK 335 million, as set forth in the table below.

The operating profit includes non-recurring items amounting to SEK 45 (20) million.

Change in Operating Profit (SEK millions)	
Steel operations	
- Weakened margins	-900
- Increased volumes	+250
Trading and processing operations	
- Improved margins	+85
Increased depreciation	-197
Non-recurring items	+25
Other	-76
Change in operating profit	-813

An appreciably lower investment volume as a consequence of the redemption of shares for just over SEK 3,300 million which was carried out in 1998 resulted in a decrease in financial items to SEK -75 (69) million. Profit after financial items thus declined by SEK 957 million to SEK 467 (1,424) million.

Operating profit for the fourth quarter improved to SEK 343 (230) million. Increased volumes in the steel operations contributed by approx. SEK 350 million, while weakened margins in the steel operations and increased depreciation affected profit by approx. SEK 275 million.

Capital Expenditures

During the year, decisions were taken to carry out new investments totalling SEK 1,092 (1,636) million.

Within the steel operations, the two major projects, Development Plan Domex 2000 in the sheet operations and General Plan OX 2000 in the plate operations, which together involve investments of almost SEK 3 billion, are largely completed. Through these projects, the conditions have been created for continued expansion within the niche products of high strength sheet and quenched steel.

At SSAB HardTech's new plant in the US, production has been under way since the end of last year in both production lines.

During 1998, a decision was taken to invest SEK 850 million in the modernisation and expansion of the large blast furnace in Luleå so that, following the conversion, it will be possible to carry out hot metal production in only one furnace. The furnace is being constructed on the foundations of the largest of two existing furnaces. In this manner, large parts of the existing infrastructure can be utilised. The smaller blast furnace in Luleå will subsequently be shut down, which will enable a significant increase in efficiency. The furnace itself will be constructed during the summer holidays in 2000, after which production will commence in the autumn. The project also includes a new raw material handling facility for just over SEK 200 million. This was brought into operation as planned after the summer of 1999.

During the year, a decision was taken to invest in a second quenching line in Oxelösund. The quenching line will provide the possibility for an expansion of the product range within quenched steel and will increase quenching capacity by 50%. The investment amounts to SEK 550 million and the line is expected to be brought into operation in the autumn of 2001.

Net capital expenditures amounted to SEK 1,210 (2,020) million, of which the above-mentioned five strategic projects accounted for SEK 488 (1,109) million. Within these projects, remaining investments amount to approx. SEK 1,100 million, of which just under SEK 1,000 million relate to the blast furnace and quenching line projects.

Financing and Liquidity

Receivables increased as a consequence of higher sales at the end of the year and amounted to 16 (14)% of sales. The value of inventories declined, primarily as a consequence of lower prices, by just under SEK 300 million. In relation to sales, however, the value of inventories was unchanged at 22%.

Reduced working capital and lower capital expenditures resulted in a positive cash flow and, despite the decline in profit, cash flow increased by just over SEK 1,000 million to SEK 436 (-604) million.

Interest-bearing liabilities at year-end exceeded interest-bearing assets by SEK 1,728 (1,644) million.

For financing, a Swedish MTN (Medium Term Note) programme and a Swedish commercial paper programme, each totalling SEK 1,500 million, are primarily used. At year-end, borrowing within these programmes amounted to SEK 2,000 (1,830) million.

Taxes

Tax costs for the year amounted to SEK 177 (427). The effective tax rate for the Group was 37.9 (30.0)%. The tax costs for the year include SEK 17 million attributable to previous financial years, which was imposed following a Group tax audit.

In addition, the recoverable income taxes, which arose as a result of tax deductible losses in a foreign subsidiary, have not been reported at any value in the accounts. Had the recoverable tax been reported at its full value, the tax cost for the year would have been reduced by SEK 21 million.

Y2K

In order to guarantee functioning after the end of 1999, extensive work was invested in identifying and executing necessary changes in the Group's administrative information systems and production control systems. No disruptions occurred at the New Year.

Total costs for necessary program changes amounted to just under SEK 35 million, of which SEK 25 million affected the result for the year.

SPP's Surplus Funds

According to a notice from the pension insurance company SPP, the portion of SPP's surplus funds inuring to Group companies amounts to SEK 724 million. Following a negative decision by the Swedish Competition Authority in December 1999, an extraordinary board meeting of SPP adopted, at the beginning of 2000, a new resolution as to the manner in which surplus funds should be disbursed.

The Swedish Competition Authority will probably announce its decision with respect to SPP's new proposal for disbursement of surplus funds in March 2000. Only thereafter will it be entirely clear when and how funds will be paid out.

As a result of this uncertainty, surplus funds have not been reported in the 1999 accounts. Based on the Group's premium volume and the new proposal from SPP, it is estimated that the surplus funds will be paid out during a period of 6-7 years.

Prospects for 2000

Steel consumption in Western Europe began to increase towards the end of 1999 and is expected to continue to increase during 2000. Delivery times have increased, primarily for sheet products. The increased demand has made it possible during the first quarter to increase prices for all sheet products by an average of just over 5%. Additional price increases are planned for the second quarter.

With respect to ordinary plate, prices were approx. unchanged during the past few quarters. However, here too it is expected that it will be possible to effect price increases commencing during the second quarter of 2000.

The improved steel market is expected to result in increased volumes both in the steel operations and trading operations, but also to result in increased costs for the steel operations' raw materials. The possible increase in volume in steel operations is limited, however, by access to slabs which will be somewhat lower than normal as a result of the major conversion in the summer of one of the blast furnaces in Luleå.

In total, however, it is estimated that margins in the steel operations will improve. In combination with higher volumes, it is thus expected that profit will be significantly higher than during 1999.

Sensitivity Analysis

The Groups' profit is strongly affected by price and volume trends within the steel operations, volumes and margins within processing and trading operations, and cost trends for salaries and raw materials, as well as currency rate changes.

Changes in these quantities are often very large. During 1999, for example, steel prices fell by almost 15%, while they increased by 10% in 1998. The approximate effect of changes in the aforementioned factors on profit after financial items and earnings per share in 2000 is set forth in the table below.

	Change %	Effect on Profit SEK million	Effect on earnings per share, SEK
Prices - steel operations	10	1,000	6.40
Volume - steel operations	5	200	1.30
Volume - trading operations	10	120	0.75
Margin - trading operations	2%-pts	120	0.75
Wage and salary costs	2	75	0.50
Prices – raw materials	10	450	2.90
SEK index	10	400	2.55

Dividend

The Board of Directors proposes to the general meeting of the shareholders that an unchanged dividend of SEK 4.50 (4.50) per share be paid, corresponding to SEK 504 million.

Stockholm, 10 February 2000

Torsten Sandin

The general meeting of the shareholders will be held on 27 April in Oxelösund. In conjunction therewith, the Report for the first quarter of 2000 will be published.

Cash Flow

SEK millions	1998	**1999**
Cash flow from operations	+2,030	**+1,433**
Change in working capital	-614	**+213**
Investing activities	-2,020	**-1,210**
Cash flow	-604	**436**
Financing activities	-2,223	**-562**
Change in liquid assets	-2,827	**-126**

Consolidated Balance Sheet

SEK millions	1998	**1999**
Assets		
Fixed assets	9,018	**9,161**
Inventories	3,905	**3,628**
Accounts receivable	2,531	**2,676**
Other assets	607	**851**
Liquid assets	1,065	**939**
Total assets	17,126	**17,255**
Equity and liability		
Equity	9,941	**9,699**
Minority shares	159	**151**
Deferred tax and other provisions	1,851	**1,916**
Long-term liabilities	1,289	**1,306**
Current liabilities	3,886	**4,183**
Total equity and liabilities	17,126	**17,255**

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

	Sales		Operating profit/loss		Profit/loss after financial items		Return on capital employed %	
SEK millions	1998	**1999**	1998	**1999**	1998	**1999**	1998	**1999**
Subsidiaries:								
SSAB Tunnplåt	8,754	**8,190**	776	**85**	722	**18**	15	**2**
SSAB Oxelösund	4,057	**4,019**	272	**213**	178	**124**	8	**5**
Plannja	1,038	**1,014**	61	**82**	55	**76**	19	**26**
SSAB HardTech	364	**448**	87	**85**	71	**61**	17	**13**
Dickson PSC	117	**111**	20	**16**	20	**16**	21	**17**
Tibnor	6,545	**6,033**	166	**115**	152	**98**	12	**8**
Other subsidiaries	515	**470**	1	**-2**	66	**57**	-	**-**
Parent company units:								
SSAB Finance	-	**-**	-10	**-13**	74	**11**	-	**-**
Other parent company units*	-	**-**	-74	**-36**	30	**8**	-	**-**
Affiliated companies	-	**-**	29	**14**	29	**14**	-	**-**
Group adjustment	-3,555	**-3,478**	27	**-17**	27	**-16**	-	**-**
Total	17,835	**16,807**	1,355	**542**	1,424	**467**	11	**5**

* Excluding dividends from subsidiaries and affiliated companies. The profit from other parent company units consists primarily of administrative costs and a positive figure for financial items.

Profit per Quarter

SEK millions	1/97	2/97	3/97	4/97	1/98	2/98	3/98	4/98	1/99	2/99	3/99	4/99
Sales	4,325	4,640	3,788	4,721	4,929	4,814	3,785	4,307	4,256	4,440	3,598	4,513
Operating expenses	-3,710	-3,892	-3,464	-3,940	-4,114	-4,070	-3,630	-3,834	-3,876	-3,923	-3,514	-3,900
Depreciation	-194	-194	-203	-198	-208	-214	-216	-242	-260	-262	-264	-291
Affiliated companies	16	28	19	21	18	22	9	-1	-1	4	1	21
Financial items	33	26	34	50	52	37	-15	-5	-11	-20	-22	-22
Profit after financial items	470	608	174	654	677	589	-67	225	108	239	-201	321