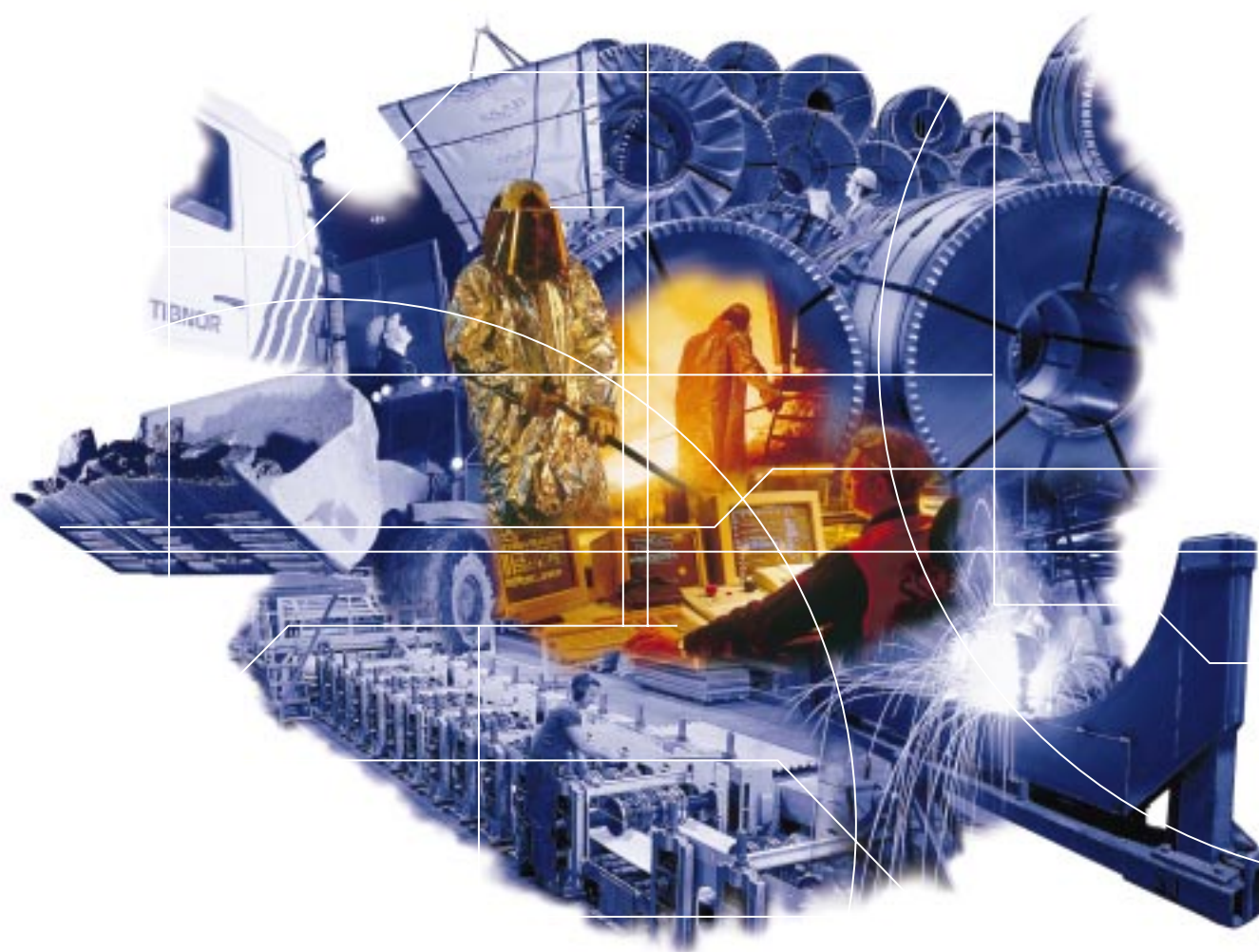




Results for 1997



Steel is by far the most utilised construction material in the world. Its position is only threatened by still better steels. SSAB is consolidating its position in the commercial steel sector as a manufacturer of special steel giving customers added value through its strength, formability or abrasion-resistance.

Results for 1997

- **Operating profit improved somewhat over 1996, however a lower return on liquid assets resulted in a decrease in profit after net financial items by SEK 185 million to SEK 1,906 (2,091) million.**
- **It is proposed that the dividend be increased to SEK 4.50 (4.00) per share.**
- **The largest blast furnace in Luleå is being upgraded at a cost of SEK 850 million.**

The Market

World steel consumption increased in 1997 by 5% to just under 700 million tonnes. This is the highest level of steel consumption ever – almost 5% higher than during the previous peak year of 1989.

Demand for steel within the European Union, which began to increase during the second quarter, has remained strong during the second half of the year and is estimated by the International Iron and Steel Institute to have increased by 8% during the year. This means that the downturn in the economy which started in the middle of 1995 was relatively brief. Trends in demand were similar on most western European markets, with the exception of Great Britain where steel consumption has been relatively stable during the past three years.

The production of steel by the western European steel producers also increased. Raw steel production was 8% higher than in 1996 and utilisation of capacity by the western European steel industry was high during the second half of the year.

Improved demand created the conditions for gradual price in-

Consolidated Profit and Loss Account

SEK millions	1996	1997
Operating revenues	17,162	17,474
Costs of goods sold	- 13,925	- 14,264
Gross profit	3,237	3,210
Selling and administrative expenses	- 1,561	- 1,663
Other net operating revenues and expenses	- 18	132
Affiliated companies	81	84
Operating profit	1,739	1,763
Net financial items	352	143
Profit after financial items	2,091	1,906
Tax	- 576	- 536
Minority shares	- 34	- 34
Profit after tax	1,481	1,336
Return on capital employed before tax (%)	16	14
Return on equity after tax (%)	13	11
Earnings per share (SEK)	11,60	10.40
Equity per share (SEK)	93,50	100.00
Equity ratio (%)	68	70

The accounts are adjusted to the new Annual Reports Act, as a result of which changes have been made in the comparable figures for the preceding years.

creases on most markets in western Europe commencing with the second quarter of the year. It was possible to increase the prices in local currencies by approximately 1% during the fourth quarter. However, the group's steel prices, in Swedish kronor, were 3% lower than during the third quarter as a consequence of a weaker mix and a stronger Swedish krona, each of which affected the price negatively by 2%. Price trends during the year resulted in prices, on an average, being 2.5% higher than during 1996.

Orders received by the steel operations from Swedish customers gradually improved during the year and, during the fourth quarter, were 20% higher than during the preceding year. In total, deliveries to Swedish customers during the year were 10% higher than during 1996.

The volumes in the Sweden-based trading operations have gradually improved after a weak start to the year. In total, the volumes for steel and metals were approximately 5% higher than during 1996. However,

as a result of lower prices, revenues decreased by 3%.

Production and Deliveries

Crude steel production during the fourth quarter amounted to approximately 1,000,000 tonnes and plate production to 740,000 tonnes, which was 10% higher and 2% lower, respectively, than during the preceding year. The capacity within plate production has been limited as a consequence of the start-up of the new four-high rolling mill.

Plate deliveries during the quarter from the steel operations were at a level equal to the preceding year and were, for the year as a whole, thus 2% higher than during 1996.

Revenues and Profit

Revenues during the year increased by 2% to SEK 17,474 (17,162) million. Higher volumes have contributed by 3 percentage points, while lower prices have resulted in a decrease of 1 percentage point.

Costs for iron ore and coal increased by slightly more than 3%

Subsidiaries' Operating Revenues, Profit/Loss and Return on Capital Employed

SEK millions	Operating revenues		Operating profit/loss		Profit/loss after financial items		Return on capital employed %	
	1996	1997	1996	1997	1996	1997	1996	1997
<i>Subsidiaries:</i>								
SSAB Tunnpåt	8,146	8,559	988	876	945	832	23	20
SSAB Oxelösund	3,664	4,172	265	364	202	292	11	12
Plannja	940	1,010	44	71	30	66	15	25
SSAB HardTech	338	343	102	107	94	99	42	36
Dickson PSC	97	106	18	24	20	25	20	25
Tibnor	6,623	6,328	309	332	295	316	22	23
Other subsidiaries	509	554	- 2	10	59	69	-	-
<i>Parent Company:</i>								
SSAB Finance	-	-	- 5	- 11	166	84	-	-
Other parent company units*	-	-	- 33	- 47	226	87	-	-
Affiliated companies	-	-	29	43	29	43	-	-
Group adjustments	- 3,156	- 3,598	24	- 6	25	- 7	-	-
Total	17,161	17,474	1,739	1,763	2,091	1,906	16	14

*Excluding dividends from subsidiaries and affiliated companies. The profit in other parent company units is primarily comprised of a positive figure for net financial items.

during the year. Processing costs were 4% higher than during 1996.

Profit during the fourth quarter improved to SEK 654 (488) million and were thus the best quarterly profit reported during 1997.

Operating profit during the year improved somewhat to SEK 1,763 (1,739) million. This profit includes non-recurring items – capital gains and costs arising from a major blast furnace breakdown amounting to SEK 68 (-7) million net. As set forth in the table below, improved margins and volumes contributed by

SEK 340 million, while increased processing costs and depreciation lowered profit by approximately SEK 260 million.

Significantly lower interest rates resulted in a lower return on the group's liquid assets to 4.5 (9.3) %. The lower return resulted in a decline of net financial items by SEK 209 million to SEK 143 (352) million.

In total, this resulted in a decrease in profit after financial income and expenses by SEK 185 million to SEK 1,906 (2,091) million.

Investments

During the year, decisions were taken to carry out new investments totalling SEK 848 (2,860) million.

Two large projects are underway in the steel operations – Development Plan Domex 2000 and General Plan OX 2000 – which together comprise investments of approximately SEK 3 billion. Through these two projects, the conditions are being created for continued expansion in the areas of high-strength hot-rolled sheet and quenched steel

within the plate operations. Both projects are proceeding as planned. In the new four-high rolling mill in Oxelösund, test rolling is being carried out. The new rougher in Borlänge will be placed into operation during the autumn of 1998.

Within SSAB HardTech, the construction of a production facility in North America is underway with operation start scheduled for after the summer of 1998. In total, this project involves investments of SEK 500 million.

Capital expenditures during the year increased to SEK 2,021 (1,274) million, of which SEK 1,381 (486) million relates to the above-stated three projects. In total, remaining expenditures on these projects amount to just over SEK 1.4 billion.

The Board of Directors resolved today to modernise and expand the large blast furnace in Luleå in order to allow for an increased hot metal production to be run in a single blast furnace following the upgrade. The smaller blast furnace in Luleå can

Changes in operating profit between 1997 and 1996 (SEK millions)	
Steel operations	
- Improved margins	+ 150
- Increased volumes	+ 100
Trading and processing operations	
- Improved margins	+ 75
- Increased volumes	+ 15
Increased processing costs	- 225
Increased depreciation	- 38
Non-recurring items	+ 75
Miscellaneous	- 128
Improved operating profit	+ 24

thereafter be taken out of service which will make possible significant improvements in efficiency. Including the new facilities for the handling of raw materials, the investment is estimated to amount to SEK 850 million and to be completed in conjunction with an extended holiday break in the summer of 2000.

Consolidated Funds Statement

SEK millions	1996	1997
Cash flow from operations	+2,340	+2,204
Change in working capital	+302	-437
Investing activities	-1,274	-2,021
Cash flow	+1,368	-254
Financing activities	+100	-359
Change in liquid assets	+1,468	-613

Financing and Liquidity

Accounts receivable increased as a consequence of increased revenues at the end of the year and, in relation to revenues, amounted to 15 (13) %. Inventory volumes were largely unchanged while higher prices resulted in an increase in inventory value. In proportion to revenues, inventories were 19 (18) %. Higher working capital in combination with major capital expenditures resulted in a negative cash flow which amounted to SEK -254 (1,368) million. Interest-bearing assets at year-end were SEK 2,929 (3,687) million greater than interest-bearing liabilities.

Redemption of shares

In the autumn of 1997, the Board of Directors resolved to propose to the Annual General Meeting of the Shareholders in April 1998 that the company carry out a redemption of

its shares in an amount equal to approximately SEK 3,000 million. Information regarding the structure of the redemption program will be provided in conjunction with the notice to the shareholders' meeting in the beginning of April. The full text of the Board of Directors' proposal for the resolution will be made available in the middle of April.

Consolidated Balance Sheet

SEK millions	1996	1997
Assets		
Fixed assets	7,130	7,858
Inventories	3,114	3,260
Accounts receivable	2,264	2,580
Other assets	574	621
Liquid assets	4,505	3,892
Total assets	17,587	18,211
Equity and liabilities		
Equity	11,963	12,821
Minority shares	175	175
Deferred tax and other provisions	1,537	1,699
Long-term liabilities	814	511
Current liabilities	3,098	3,005
Total equity and liabilities	17,587	18,211

Prospects for 1998

Demand for steel in western Europe continues to be strong and it is estimated that steel production will increase somewhat during 1998. In Sweden, demand for steel is believed to remain at the level established during the spring of 1997 which should lead to somewhat higher volumes in processing and trading operations. The production capacity in the steel operations will, during the first half of the year, be limited as a consequence of the start-up of the new four-high rolling mill.

The financial crisis in southeast Asia will probably affect world

trade in steel. Therefore, exports by western European steel mills to Asia are expected to decrease during the year.

It was possible to increase steel prices on most western European markets prior to the first quarter of 1998 by 3–4% in local currencies. The continued price trend is the factor which, above all others, will determine the group's profit during 1998.

Sensitivity Analysis

	Change %	Profit impact SEK millions
Price – steel business	10	1,000
Volume – steel business	5	200
Volume – trading	10	125
Margin – trading	2%-pts	125
Payroll costs	2	70
Price – raw materials	10	450
Swedish krona index	10	350

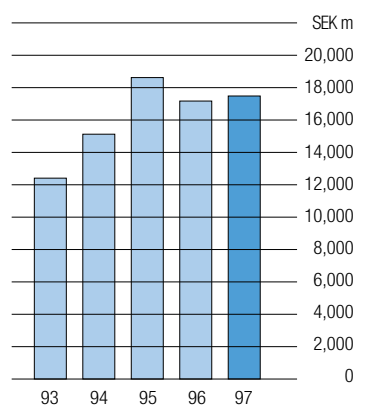
Dividend

The Board of Directors proposes that the shareholders' meeting increase the dividend to SEK 4.50 (4.00) per share corresponding to SEK 576 million.

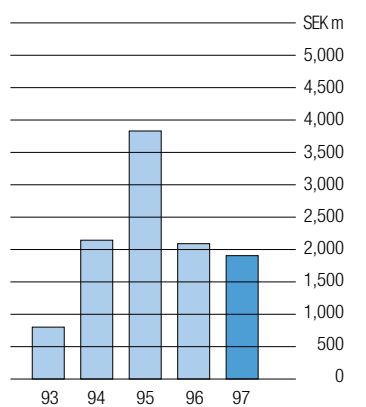
Stockholm, 13 February 1998


Leif Gustafsson

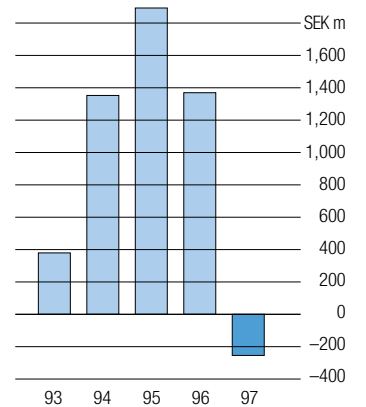
Operating revenues



Profit/Loss after financial net

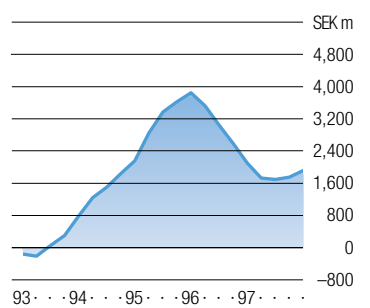


Cash flow



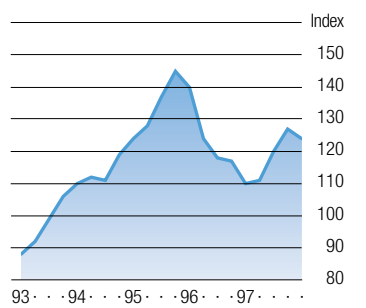
Profit/Loss after financial net

Moving 12 months



Price trend

Index 100 = 1988 quarter 1



Profit per quarter

SEK millions	1/95	2/95	3/95	4/95	1/96	2/96	3/96	4/96	1/97	2/97	3/97	4/97
Operating revenues	4,707	5,039	3,991	4,874	4,701	4,580	3,573	4,309	4,325	4,640	3,788	4,721
Operating expenses	-3,442	-3,819	-3,355	-3,824	-3,786	-3,856	-3,374	-3,739	-3,710	-3,892	-3,464	-3,940
Depreciation	-166	-169	-168	-187	-180	-182	-186	-202	-194	-194	-203	-198
Affiliated companies	23	27	23	24	16	18	20	27	16	28	19	21
Net financial items	45	43	80	86	93	82	84	93	33	26	34	50
Profit after financial items	1,167	1,121	571	973	844	642	117	488	470	608	174	654

The Annual General Meeting of the Shareholders will be held on 23 April in Borlänge. An interim report for the first quarter of 1998 will be published in conjunction with the shareholders' meeting.

B

Porto betalt
Port payé



Box 26208, SE-100 40 Stockholm, Sweden. Telephone int. +46 8 45 45 700. Telefax int. +46 8 45 45 725

Visiting address: Birger Jarlsgatan 58, Stockholm

www.ssab.se