

Report for the First Three Quarters of 2004

- Sales during the first three quarters increased by 21% and amounted to SEK 17,906 (14,788) million. Higher prices accounted for 11 and higher volumes for 10 percentage points.
- Profit for the quarter after financial items amounted to SEK 961 (101) million. Profit for the first three quarters thus increased by SEK 1,765 million to SEK 2,646 (881) million. Profit after tax increased to SEK 1,845 (593) million, equal to earnings per share of SEK 18.30 (5.90).
- Cash flow for the first three quarters, before dividend, amounted to SEK 1,594 (226) million.
- Deliveries of extra and ultra high-strength sheet and quenched steels increased during the third quarter by 28% compared with last year and, thus far this year, have increased by 31%.

Consolidated Profit and Loss Account

SEK millions	2003 Q 3	2004 Q 3	2003 Q 1-3	2004 Q 1-3	2003 Full Year	Oct 03- Sep 04
Sales	4,410	5,853	14,788	17,906	19,806	22,924
Cost of goods sold	-3,927	-4,533	-12,654	-14,125	-16,723	-18,194
Gross profit	483	1,320	2,134	3,781	3,083	4,730
Selling and administrative expenses	-337	-356	-1,105	-1,138	-1,530	-1,563
Other operating revenues and expenses	8	8	-12	52	25	89
Affiliated companies	-14	13	-16	37	-81	-28
Operating profit	140	985	1,001	2,732	1,497	3,228
Financial items	-39	-24	-120	-86	-154	-120
Profit after financial items	101	961	881	2,646	1,343	3,108
Tax	-49	-271	-279	-762	-436	-919
Minority shares	-2	-15	-9	-39	-8	-38
Profit after tax	50	675	593	1,845	899	2,151
Return on capital employed before tax (%)	-	-	-	-	12	24
Return on equity after tax (%)	-	-	-	-	9	21
Earnings per share (SEK) *)	0.50	6.70	5.90	18.30	8.90	21.30
Equity per share (SEK) *)	96.30	111.95	96.30	111.95	99.40	111.95
Equity ratio (%)	53	58	53	58	54	58
Net debt/equity ratio (%)	37	18	37	18	30	18
Average number of employees	-	-	-	-	9,570	9,410

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

The Market

The market situation has not changed appreciably since the previous report. According to the latest forecast from the International Iron and Steel Institute, global steel consumption is expected to increase by approx. 7.5% to a new record level of approx. 950 million tonnes.

The rate of growth has thereby increased compared with the past three years, when it was at a 6% level, and is now also more evenly distributed.

The strong growth in China has tapered off and steel consumption is expected to increase by just over 10% this year, compared with approx. 20% during the past three years. Growth on other major markets is expected to increase – in the United States to 9%, in Japan to 4% and in Western Europe to 3%.

As planned, it was possible to carry out price increases for the Group's steel products pending the third quarter. Prices in local currencies were 12% higher than during the second quarter. Including the effect of the seasonally improved product mix, prices in Swedish kronor for the Group's sheet and plate products were 15% higher than during the second quarter.

Thus far this year, steel prices in Swedish kronor have been 11% higher than last year.

Production and Deliveries

Sheet and plate production during the third quarter amounted to 678 (755) thousand tonnes. The reduction is primarily due to the fact that, last year, the summer break at the hot rolling strip mill in Borlänge began as early as the end of June, while this year it took place entirely in July. In total, sheet and plate production during the first three quarters was essentially unchanged and amounted to 2,405 (2,429) thousand tonnes.

Crude steel production during the third quarter increased by 12% and amounted to 932 (830) thousand tonnes. Crude steel production for the first three quarters thus amounted to 3,051 (2,874) thousand tonnes.

Deliveries from the steel operations were somewhat lower than during the third quarter of last year and amounted to 645 (660) thousand tonnes. In total, however, deliveries from the steel operations during the first three quarters were 3% higher than last year and reached 2,392 (2,327) thousand tonnes.

Demand for the Group's niche products has remained strong on all markets. Deliveries of extra and ultra high-strength sheet increased during the quarter by 41% compared with last year. Thus far this year there has been an 38% increase, attributable primarily to the truck and car segments. The corresponding increases for quenched steels were 17% for the quarter and 24% for the first three quarters. The higher rate of increase for quenched steels at the beginning of the year was rendered possible through a decrease in stocks. The increased volumes of quenched steels have primarily been sold to existing customers within all segments and on all markets.

In total, deliveries of the niche products, high-strength sheet and quenched steels, during the first three quarters amounted to 1,200 (999) thousand tonnes and accounted for 50 (43)% of total delivery volumes.

The steel operations' deliveries to the Swedish market so far this year have been stable and at the same level as last year. Increased volumes of extra and ultra high-strength sheet have partially replaced ordinary sheet. As a result of increased demand from, primarily, the automotive industry and export-related engineering industry, Tibnor's deliveries during the first three quarters rose by 8%.

Due to increased demand in Poland and on the Swedish and Finnish plate works markets, Plannja's deliveries during the first three quarters increased by 9% over last year.

Thanks to deliveries to a number of new car models, SSAB HardTech's volumes increased by 15% over last year.

Sales and Profit

Sales increased by 21% to SEK 17,906 (14,788) million. Higher prices accounted for 11 percentage points and increased volumes for 10 percentage points.

The year's coal and iron ore agreements entailed price increases in dollar terms ex-works of just over 50% for coal and just over 25% for iron ore. The prices have been hedged and, thanks to a weaker dollar compared with last year, the price increases in Swedish kronor were limited to 30% and 14% respectively. The iron ore agreement entered into force at the beginning of the year and thus the full impact on costs has been largely felt. The coal agreements, on the other hand, entered into force on 1 April and, due to the fact that stocks have been consumed, the full impact was not felt until the third quarter.

Accordingly, thus far this year, coal and iron ore costs have been 4% and 12% higher respectively than last year.

As a result of the cost-cutting measures that were started after the summer of last year, processing costs during the first three quarters were 3% lower than last year.

Operating profit for the third quarter increased by SEK 845 million to 985 (140) million. The improvement is primarily due to stronger margins in the steel operations, increased sales of core niche products and steel slabs, as well as higher volumes in the trading and processing operations.

In total, operating profit for the first three quarters increased by SEK 1,731 million to SEK 2,732 (1,001) million. The profit analysis is set forth in the table below.

Change in operating profit between the first three quarters of 2004 and 2003 (SEK millions)	
Steel operations	
- Stronger gross margins	+365
- Increased volumes of core niche products	+360
- Lower energy costs	+60
- Improved yield	+110
- Increased sales of steel slabs and by-products	+320
Trading and processing operations	
- Stronger gross margins	+70
- Increased volumes	+245
Lower processing costs	+135
Other	+66
Change in operating profit	+1,731

Changes in exchange rates between the first three quarters of last year and this year have had a net positive effect on profit in the amount of approx. SEK 300 million, primarily with respect to raw materials costs.

As a consequence of a lower net debt, financial items improved to SEK -86 (-120) million. Profit after financial items thus amounted to SEK 2,646 (881) million. Earnings per share increased to SEK 18.30 (5.90).

Capital Expenditures

During the first three quarters, decisions were taken regarding new investments totalling SEK 494 (605) million. Of this amount, SEK 145 million relates to investments in increased quenched steel production capacity. The measures were partly carried out during the summer break and will be completed during the summer break of 2005.

Of the major products decided upon previously, modernisation of the tandem mill in Borlänge is implemented during the summer breaks of 2004-2006, while the fourth press-hardening line at SSAB HardTech's plant in the United States was brought into operation during the second quarter.

Capital expenditure payments declined to SEK 505 (705) million.

Financing and Liquidity

As a consequence of a substantially improved profit together with lower capital expenditures, cash flow for the first three quarters of the year improved by SEK 1,368 million to SEK 1,594 (226) million.

As a result of the positive cash flow, net debt at the end of the quarter amounted to SEK 2,074 (3,600) million and the net debt/equity ratio declined to 18 (37)%. Liquid assets amounted to SEK 565 (251) million, of which SEK 447 (121) million were in the parent company. Total borrowing amounted to SEK 2,324 (4,015) million.

Prospects for the Remainder of the Year

Growth within the steel operations will continue with respect to the core niche products, extra and ultra high-strength sheet as well as quenched steels. Based on the agreements that have been reached, prices in the steel operations in local currencies during the fourth quarter are expected to be on average approx. 5% higher than during the third quarter.

Sensitivity Analysis

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.

	Change during the remainder of the year, %	Effect on profit, SEK millions	Effect on earnings per share, SEK
Sheet prices – steel operations	5	150	1.05
Volumes – steel operations	5	70	0.50
Volumes – trading operations	5	10	0.05
Margins – trading operations	2%-pts	30	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 21 April 2004, the Chairman of the Board of Directors has requested that the largest shareholders appoint four members who, together with the Chairman of the Board, will constitute a nomination committee the task of which is to produce a proposal for membership of the Board of Directors, etc., which will be submitted for a decision to the 2005 Annual General Meeting.

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

Accounting Principles

This report has been prepared in accordance with RR20, Interim Reports, and otherwise in accordance with the same principles as the most recent annual report; however, the Swedish Financial Accounting Standards Council's recommendation RR29, Employee Remuneration, has been applied commencing from the beginning of the year. The implementation of this recommendation has resulted in an increase in opening equity of SEK 24 million. The application of the new recommendation has not had any material effect on pension costs for the first three quarters.

Stockholm, 26 October 2004

Anders Ullberg

Review Report

We have reviewed this interim report in accordance with the recommendation issued by FAR (the Swedish Institute of Authorised Public Accountants).

A 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 Securities Exchange and Clearing Operations Act and the Annual Reports Act.

Stockholm, 26 October 2004

PricewaterhouseCoopers AB

Göran Tidström
Authorised Public Accountant

The results for 2004 will be published on 14 February 2005.
--

Cash Flow

SEK millions	2003 Q 3	2004 Q 3	2003 Q 1-3	2004 Q 1-3	2003 Full Year	Oct 03- Sep 04
Cash flow from operations	354	989	1,468	2,736	2,143	3,411
Change in working capital	30	-114	-640	-682	-518	-560
Investing activities	<u>-209</u>	<u>-192</u>	<u>-705</u>	<u>-505</u>	<u>-992</u>	<u>-792</u>
Cash flow excluding SPP funds	175	683	123	1,549	633	2,059
Net effect of surplus funds from SPP	<u>14</u>	<u>11</u>	<u>103</u>	<u>45</u>	<u>132</u>	<u>74</u>
Cash flow	189	694	226	1,594	765	2,133
Dividend	-605	-605	-605	-605	-605	-605
Other financing activities	<u>426</u>	<u>152</u>	<u>214</u>	<u>-957</u>	<u>-43</u>	<u>-1,214</u>
Change in liquid funds	10	241	-165	32	117	314

Consolidated Balance Sheet

SEK millions	30 Sep 2003	31 Dec 2003	30 Sep 2004
Assets			
Intangible fixed assets	33	32	15
Tangible fixed assets	8,670	8,670	8,406
Financial fixed assets	682	575	566
Inventories	4,497	4,829	5,132
Accounts receivable	3,558	3,275	4,260
Other receivables	780	697	680
Liquid assets	<u>251</u>	<u>533</u>	<u>565</u>
Total assets	18,471	18,611	19,624
Equity and Liabilities			
Equity	9,718	10,031	11,296
Minority shares	151	151	171
Deferred taxes and other provisions	2,022	2,048	2,160
Long-term interest-bearing liabilities	2,183	2,180	2,065
Current interest-bearing liabilities	1,848	1,390	259
Other current liabilities	<u>2,549</u>	<u>2,811</u>	<u>3,673</u>
Total equity and liabilities	18,471	18,611	19,624

Consolidated Equity

SEK millions	30 Sep 2003	31 Dec 2003	30 Sep 2004
Equity, opening balance	9,796	9,796	10,031
Effect of change in accounting principles	<u>-</u>	<u>-</u>	<u>24</u>
Adjusted opening balance, equity	9,796	9,796	10,055
Revaluation reserve	-1	-1	0
Translation difference	-65	-58	1
Dividend	-605	-605	-605
Profit for the period	<u>593</u>	<u>899</u>	<u>1,845</u>
Equity, closing balance	9,718	10,031	11,296

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

SEK millions	Sales		Operating Profit		Profit after financial itmes		Return on capital employed (%)		Cash Flow	
	2003 Q 1-3	2004 Q 1-3	2003 Q 1-3	2004 Q 1-3	2003 Q 1-3	2004 Q 1-3	2003 Full Year	Oct 03- Sep 04	2003 Q 1-3	2004 Q 1-3
<i>Subsidiaries:</i>										
SSAB Tunnpå	7,890	9,226	526	1,719	432	1,662	13	30	-102	1,255
SSAB Oxelösund	4,066	4,957	228	500	164	458	9	15	102	203
Plannja	863	925	52	66	45	62	17	22	-22	-19
SSAB HardTech	591	679	100	136	87	124	18	23	38	59
Tibnor	4,010	4,785	86	353	82	354	8	28	-6	42
Other subsidiaries	438	536	14	19	14	20	-	-	16	18
<i>Parent company:</i>										
Parent company*)	0	0	-47	-50	27	-23	-	-	200	36
Affiliated companies	-	-	1	68	1	68	-	-	-	-
Group adjustments	<u>-3,070</u>	<u>-3,202</u>	<u>41</u>	<u>-79</u>	<u>29</u>	<u>-79</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	14,788	17,906	1,001	2,732	881	2,646	12	24	226	1,594

*) Excl. dividends from subsidiaries and affiliated companies. Profit in the parent company consist primarily of administrative expenses and a positive figure for financial items.

Profit per Quarter

SEK millions	1/02	2/02	3/02	4/02	1/03	2/03	3/03	4/03	1/04	2/04	3/04
Sales	4,934	5,139	4,331	4,867	5,206	5,172	4,410	5,018	5,671	6,382	5,853
Operating expenses	-	-	-	-	-	-	-	-	-	-	-4,606
	4,430	4,533	3,915	4,234	4,473	4,511	3,989	4,184	4,654	5,149	
Depreciation	-274	-274	-275	-288	-266	-265	-267	-273	-263	-264	-275
Affiliated companies	0	7	-23	-32	-8	6	-14	-65	-2	26	13
Financial items	<u>-48</u>	<u>-44</u>	<u>-39</u>	<u>-53</u>	<u>-45</u>	<u>-36</u>	<u>-39</u>	<u>-34</u>	<u>-29</u>	<u>-33</u>	<u>-24</u>
Profit after financial items	182	295	79	260	414	366	101	462	723	962	961

