

## Half Year Report 2001

- **Profit after financial items fell by SEK 122 million to SEK 786 (908) million. The comparison does not include the effect of SPP's surplus funds which were included in last year's result. Earnings per share excluding the SPP effect amounted to 5.40 (5.70) SEK.**
- **An agreement has been reached with Ahlsell regarding the purchase of Tibnor's industrial supplies group. The transaction is conditional on approval by the Swedish Competition Authority and will probably be completed during the third quarter.**
- **Production in the new quenching line in Oxelösund will commence as planned after the summer and enables a continued expansion of production of quenched steel.**

### Consolidated profit and loss account (unaudited)

SEK millions	2000 Quarter 2	2001 Quarter 2	2000 Half year	2001 Half year	2000 Full year	2001 July 00- June 01
Sales	5,075	<b>5,295</b>	9,849	<b>10,576</b>	19,271	<b>19,998</b>
Cost of goods sold	<u>-4,168</u>	<u><b>-4,451</b></u>	<u>-7,991</u>	<u><b>-8,792</b></u>	<u>-16,100</u>	<u><b>-16,901</b></u>
Gross profit	907	<b>844</b>	1,858	<b>1,784</b>	3,171	<b>3,097</b>
Selling and administrative expenses	-455	<b>-492</b>	-901	<b>-963</b>	-1,830	<b>-1,892</b>
Other operating revenues and expenses *)	622	<b>8</b>	603	<b>20</b>	601	<b>18</b>
Affiliated companies	<u>-1</u>	<u><b>4</b></u>	<u>9</u>	<u><b>14</b></u>	<u>20</u>	<u><b>25</b></u>
Operating profit	1,073	<b>364</b>	1,569	<b>855</b>	1,962	<b>1,248</b>
Financial items	<u>-18</u>	<u><b>-43</b></u>	<u>-36</u>	<u><b>-69</b></u>	<u>-92</u>	<u><b>-125</b></u>
Profit after financial items	1,055	<b>321</b>	1,533	<b>786</b>	1,870	<b>1,123</b>
Tax	-299	<b>-97</b>	-435	<b>-236</b>	-517	<b>-318</b>
Minority shares	<u>-26</u>	<u><b>-2</b></u>	<u>-34</u>	<u><b>-8</b></u>	<u>-42</u>	<u><b>-16</b></u>
Profit after tax	730	<b>222</b>	1,064	<b>542</b>	1,311	<b>789</b>
Return on capital employed before tax (%)	-	-	-	-	15	<b>10</b>
Return on equity after tax (%)	-	-	-	-	14	<b>8</b>
Earnings per share (SEK)	6.50	<b>2.20</b>	9.50	<b>5.40</b>	12.00	<b>7.60</b>
Equity per share (SEK)	91.60	<b>95.70</b>	91.60	<b>95.70</b>	94.80	<b>95.70</b>
Equity ratio (%)	54	<b>50</b>	54	<b>50</b>	50	<b>50</b>
Number of shares at end of the period (million)	109.32	<b>100.90</b>	109.32	<b>100.90</b>	102.54	<b>100.90</b>
Average number of shares (million)	111.29	<b>100.90</b>	111.70	<b>101.23</b>	108.84	<b>103.62</b>

\*) The effect on results of surplus funds from SPP was included as 'other operating revenues' in last year's results in the amount of SEK 625 million for the second quarter and the half year, and SEK 636 million for the full year.

### The Market

Steel consumption in Western Europe peaked at the end of last year and prices for sheet subsequently came under pressure. As a consequence of customers' expectations of lower prices, orders for sheet decreased significantly towards the end of last year but have since recovered.

Consumption by Swedish customers within, primarily, the telecommunications and vehicle sectors declined during the first half of the year. Deliveries from the steel operations to the Swedish market were thus 10% lower than during the first half of last year.

Prices for sheet in local currencies declined on average by 4% in respect of the contracts

renegotiated during the second quarter. However, it was possible to continue to carry out small price increases with regard to quenched steels.

In total, the Group's steel prices in local currencies were 3% lower than during the first quarter. However, as a consequence of a weaker Swedish krona, prices in Swedish krona were unchanged.

As a consequence of the gradual price increases last year, prices in Swedish krona thus far this year are still 6% higher than during the first half of last year.

### **Production and Deliveries**

Crude steel production amounted to just over 1,000 thousand tonnes during the second quarter, which was 10% higher than last year. However, last year production in one of the blast furnaces in Luleå was suspended at the beginning of June due to an extensive conversion. Production during the first half year as a whole was 7% higher than last year.

Production in the four-high rolling mill in Oxelösund continued to be stable, while production in the hot rolling strip mill in Borlänge was lower than planned as a consequence of a number of minor disruptions. Sheet production during the second quarter amounted in total to 772 thousand tonnes, which was the same level as last year. Production during the first half of the year was thus approximately unchanged compared with last year.

The rate of deliveries from the steel operations remained at approximately the same level as during the first quarter. In total, deliveries from the steel operations for the first half of the year amounted to 1,468 thousand tonnes, which was 5% lower than last year.

Demand for high-strength sheet from, primarily, the vehicle industry, has declined. In part, this has been compensated by orders from new customers. Compared with the first half of last year, however, deliveries of high-strength sheet were 4% lower and deliveries of extra and ultra high-strength sheet were 2% lower.

Deliveries of quenched steels continue to be limited by access to quenching capacity and thus were 5% lower than during the first half of last year when a higher rate of delivery could be maintained by reducing existing inventories.

The rate of deliveries from the trading operations which are dependent on the Swedish market were somewhat lower than at the end of last year. Deliveries during the first half of the year were, however, approximately unchanged compared with last year.

### **Sales and Profit**

Sales increased by 7% to SEK 10,576 (9,849) million. Of the increase, 6 percentage points are due to higher prices and 1 percentage point is due to higher volumes.

Iron ore and coal are purchased through annual agreements and prices are quoted in dollars. The year's iron ore and coal agreements resulted in price increases in dollars of 2% and 13% respectively. The agreements for last year were hedged at a dollar level of 8.70. The strengthening in the dollar which subsequently has taken place has thus resulted in an additional significant increase in costs. The agreements for the year have not yet been hedged.

The iron ore agreement had a gradual impact on costs during the first quarter, while the coal agreements which entered into force on 1 April had an impact on costs only towards the end of the second quarter. Thus far this year, costs for iron ore were 19% higher than last year, while costs for coal were 8% higher. In total, raw materials costs during the first half of the year were 12% higher than last year.

Processing costs increased by 5% compared with the first half of last year. Of the increase, 1 percentage point is attributable to acquired operations in Tibnor and expanded operations in SSAB HardTech, and an additional 1 percentage point is attributable to the additional staffing of the new quenching line in Oxelösund and the year-round operation of the blast furnace in Luleå.

Operating profit amounted to SEK 855 (1,569) million. However, the operating profit for last year included SEK 625 million with respect to SPP surplus funds. Excluding this non-recurring item, operating profit declined by SEK 89 million to SEK 855 (944) million, as set forth in the table below. Changes in exchange rates between the first half of last year and this year have had a positive effect on profits of approx. SEK 200 million.

Change in operating profit between the first half of 2001 and the first half of 2000 (SEK millions)	
Steel operations	
- Improved margins	+30
- Increased volumes	+40
Trading and processing operations	
- Weaker margins	-60
- Increased volumes	+90
Increased processing costs	-160
Increased depreciation	-23
Other	<u>-6</u>
Change in operating profit	-89

Financial items amounted to SEK -69 (-36) million. Profit after financial items excluding last year's SPP funds thus declined to SEK 786 (908) million. Earnings per share excluding SPP funds amounted to 5.40 (5.70) SEK.

### Capital Expenditures

During the first half of the year, decisions were taken regarding new capital expenditures totalling SEK 458 (366) million. Of this amount, SEK 175 million relates to a decision to invest in additional capacity for the formatting of high-strength sheet. Production in the new cutter lines will commence at the middle of next year.

In 1999, a decision was taken to invest in a second quenching line in Oxelösund. The quenching line will provide the possibility to expand the product range within quenched steels and will increase quenching capacity by approximately 50%. The investment amounts to SEK 550 million. The quenching line started test production in May and will be brought into ordinary production at the beginning of August.

Last year, a decision was taken regarding a significant environmental investment at the coking plant in Luleå, at which a cover will be installed in order to collect particulates from the coking process. In addition, a decision was taken regarding a fifth press-hardening line at SSAB HardTech's plant in Luleå and a third press-hardening line at the plant in the United States. It is estimated that these three major investments, totalling SEK 250 million, will be brought into operation at the beginning of 2002.

Capital expenditures fell to SEK 416 (801) million.

### **Financing and Liquidity**

Working capital increased during the first half of the year by just over SEK 700 million, primarily due to a seasonal increase in receivables. However, lower capital expenditures meant that cash flow in the business operations improved to SEK -7 (-51) million. However, as a consequence of tax payments on the SPP funds received during last year, the total cash flow was SEK -112 million.

The negative cash flow, the repurchase of shares at the beginning of the year for SEK 150 million, and the payment of dividends of SEK 504 million resulted in an increase in net debts by SEK 743 million to SEK 3,828 million. Liquid assets at the end of the half year amounted to SEK 261 (890) million, of which SEK 94 (203) million were in the parent company.

There is a Medium Term Note programme for long-term borrowing, while short-term borrowing primarily takes place within a commercial paper programme. Borrowing possibilities within each of these programmes amount to SEK 2,000 million. At the end of the half year, borrowing within these programmes amounted to SEK 3,757 million.

### **Repurchase of Own Shares, Reduction in Share Capital**

During the first quarter, 1.6 million shares (0.8 million class A shares and 0.8 million class B shares) were repurchased for SEK 150 million. Thus, a total of 11.2 million shares, equivalent to 10% of the total number of outstanding shares, have been purchased for SEK 974 million since the repurchase programme began last year. The Annual General Meeting of the Shareholders resolved in April that the share capital be reduced by SEK 280 million through the cancellation of the repurchased shares without repayment. The formal procedure for reducing the share capital has commenced and is expected to be concluded during the autumn.

### **Sale of Tibnor's Industrial Supplies Group**

An agreement has been reached pursuant to which Tibnor will sell its industrial supplies group to Ahlsell. The takeover is conditional on approval by the Swedish Competition Authority and it is estimated that completion will be possible during the third quarter. Accordingly, the effects of the sale have not been included in the Half Year Report.

Sales by the industrial supplies group last year amounted to just over SEK 1,300 million, with a profit after financial items of SEK 36 million. It is estimated that the transaction will result in pre-tax capital gains of just over SEK 100 million. In addition, net debts will be reduced by approximately SEK 400 million.

### **Prospects for the Remainder of the Year**

Prices for, primarily, cold-rolled and metal-coated sheet continue to be under pressure and it has been necessary to accept additional price reductions in the agreements renegotiated for the third quarter. However, demand continues to be strong for quenched steels.

The new coal agreements will result in significant increases in costs during the second half of the year. Accordingly, in combination with price trends, it is estimated that gross profit margins in the steel operations during the second half of the year will be lower than during the first half of the year.

Volumes in the sheet operations are expected to increase somewhat after the summer holidays and increased quenched steel volumes will be rendered possible with the start of the new quenching line. However, it is estimated that volumes in the trading operations dependent on the Swedish market will decline somewhat during the next quarters.

### Sensitivity Analysis

	Change during the second half of the year, %	Effect on profit, SEK million	Effect on earnings per share, SEK *)
Prices - steel operations	5	250	1.80
Volumes - steel operations	5	100	0.70
Volumes - trading operations	5	30	0.20
Margin - trading operations	2%-pts	60	0.45
SEK index	5	90	0.65

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

\*) The effect has been calculated based on the number of outstanding shares as per 30 June 2001.

Stockholm, 23 July 2001

Anders Ullberg

The report for the first three quarters will be published on 25 October.
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SSAB Svenskt Stål AB (publ)  
Company no. 556016-3429

**Cash flow (unaudited)**

SEK millions	2000 Quarter 2	2001 Quarter 2	2000 Half year	2001 Half year	2000 Full year	July 00- June 01
Cash flow from operations	596	524	1,210	1,141	2,033	1,964
Net effect of SPP surplus funds*)	-	21	-	-105	155	50
Change in working capital	-41	-422	-460	-732	-754	-1,026
Investing activities	-484	-199	-801	-416	-1,840	-1,455
Cash flow	71	-76	-51	-112	-406	-467
Financing activities	-3	-221	2	-393	233	-162
Change in liquid assets	68	-297	-49	-505	-173	-629

\*) During the first quarter of 2001, tax in the amount of SEK 142 million was paid on surplus funds.

**Consolidated Balance Sheet (unaudited)**

SEK millions	30 June 2000	31 Dec. 2000	30 June 2001
<b>Assets</b>			
Fixed assets	9,876	10,405	10,320
Inventories	3,678	4,292	4,468
Accounts receivable	3,296	3,136	3,611
Other assets	759	752	731
Liquid assets	890	766	261
Total assets	18,499	19,351	19,391
<b>Equity and liabilities</b>			
Equity	10,013	9,726	9,656
Minority shares	176	185	164
Deferred tax and other provisions	2,110	1,946	1,972
Long-term liabilities	1,257	1,892	2,275
Current liabilities	4,943	5,602	5,324
Total equity and liabilities	18,499	19,351	19,391

**Consolidated Equity (unaudited)**

SEK millions	2000 Half year	2000 Full year	2001 Half year
Equity, opening balance	9,699	9,699	9,726
Effect of change in accounting principles	35	35	0
Adjusted opening balance	9,734	9,734	9,726
Revaluation reserve	0	-1	0
Translation difference	-20	10	42
Repurchase of own shares	-261	-824	-150
Dividend	-504	-504	-504
Profit for the period	1,064	1,311	542
Equity, closing balance	10,013	9,726	9,656

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

SEK millions	Sales		Operating profit		Profit/loss after financial items		Return on capital employed (%)	
	2000 Half year	2001 Half year	2000 Half year	2001 Half year	2000 Half year	2001 Half year	2000 Full year	July 00- June 01
<i>Subsidiaries:</i>								
SSAB Tunnplåt	5,030	<b>5,099</b>	451	<b>324</b>	410	<b>264</b>	12	<b>8</b>
SSAB Oxelösund	2,518	<b>2,652</b>	283	<b>321</b>	232	<b>268</b>	6	<b>7</b>
Plannja	519	<b>622</b>	39	<b>24</b>	35	<b>20</b>	26	<b>18</b>
SSAB HardTech	279	<b>366</b>	71	<b>86</b>	58	<b>72</b>	19	<b>19</b>
Dickson PSC	64	<b>63</b>	12	<b>13</b>	12	<b>13</b>	19	<b>20</b>
Tibnor	3,464	<b>3,694</b>	140	<b>80</b>	131	<b>74</b>	15	<b>11</b>
Other subsidiaries	303	<b>248</b>	4	<b>1</b>	36	<b>29</b>	-	-
<i>Parent company units:</i>								
SSAB Finance	0	<b>0</b>	-6	<b>-7</b>	17	<b>6</b>	-	-
Other parent company units 1)	0	<b>0</b>	-27	<b>-19</b>	0	<b>-4</b>	-	-
Affiliated companies	-	-	5	<b>5</b>	5	<b>5</b>	-	-
Group adjustments 2)	<u>-2,328</u>	<u><b>-2,168</b></u>	<u>597</u>	<u><b>27</b></u>	<u>597</u>	<u><b>39</b></u>	<u>-</u>	<u>-</u>
Total	9,849	<b>10,576</b>	1,569	<b>855</b>	1,533	<b>786</b>	15	<b>10</b>

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

2) The effect on profit of surplus funds from SPP of SEK 625 million is included in the group adjustments for last year.

### Profit per Quarter

SEK million	1/99	2/99	3/99	4/99	1/00	2/00	3/00	4/00	1/01	2/01
Sales	4,256	4,440	3,598	4,513	4,774	5,075	4,161	5,261	5,281	5,295
SPP surplus funds						625	-	11	-	-
Operating expenses	-3,876	-3,923	-3,514	-3,900	-4,015	-4,346	-3,993	-4,480	-4,513	-4,646
Depreciation	-260	-262	-264	-291	-273	-280	-274	-304	-287	-289
Affiliated companies	-1	4	1	21	10	-1	3	8	10	4
Financial items	<u>-11</u>	<u>-20</u>	<u>-22</u>	<u>-22</u>	<u>-18</u>	<u>-18</u>	<u>-39</u>	<u>-17</u>	<u>-26</u>	<u>-43</u>
Profit after financial items	108	239	-201	321	478	1,055	-142	479	465	321

### Accounting Principles

This half year report has been prepared in accordance with the same principles as the most recent annual report, however eight new recommendations from the Swedish Financial Accounting Standards Council have been applied commencing from the beginning of the year. One of these recommendations, no. 9 concerning Income Taxes, has resulted in a change in accounting principles. As a consequence of this change, equity has increased by SEK 35 million.

