

## Results for 2000

- Profit after financial items, excluding non-recurring items, increased by SEK 861 million to SEK 1,283 (422) million. Including non-recurring items of SEK 587 (45) million, profit amounted to SEK 1,870 (467) million.
- Deliveries of the steel operations' niche products increased by 12% and amounted to 42 (40)% of the steel operations' total deliveries.
- The Board proposes an increased dividend to SEK 5.00 (4.50) per share.
- The Board proposes a reduction of share capital through the cancellation of repurchased shares.

### Consolidated Profit and Loss Account

SEK millions	1999 Q 4	2000 Q 4	1999 Full year	2000 Full year
Sales	4,513	<b>5,261</b>	16,807	<b>19,271</b>
Cost of goods sold	<u>-3,710</u>	<u>-4,280</u>	<u>-14,530</u>	<u>-16,100</u>
Gross profit	803	<b>981</b>	2,277	<b>3,171</b>
Selling and administrative expenses	-462	<b>-505</b>	-1,701	<b>-1,830</b>
Other operating revenues and expenses *)	-19	<b>12</b>	-59	<b>601</b>
Affiliated companies	<u>21</u>	<u>8</u>	<u>25</u>	<u>20</u>
Operating profit	343	<b>496</b>	542	<b>1,962</b>
Financial items	<u>-22</u>	<u>-17</u>	<u>-75</u>	<u>-92</u>
Profit after financial items	321	<b>479</b>	467	<b>1,870</b>
Tax	-131	<b>-121</b>	-177	<b>-517</b>
Minority shares	<u>-1</u>	<u>-3</u>	<u>-9</u>	<u>-42</u>
Profit after tax	189	<b>355</b>	281	<b>1,311</b>
Return on capital employed before tax (%)	-	-	5	<b>15</b>
Return on equity after tax (%)	-	-	3	<b>14</b>
Earnings per share (SEK)	1.70	<b>3.40</b>	2.50	<b>12.00</b>
Equity per share (SEK)	86.50	<b>94.50</b>	86.50	<b>94.50</b>
Equity ratio (%)	56	<b>50</b>	56	<b>50</b>
Number of shares at end of period (millions)	112.11	<b>102.54</b>	112.11	<b>102.54</b>

\*) The effect on profits of surplus funds from SPP amounts to SEK 636 million and is included as other operating revenue.

### Market

According to the International Iron and Steel Institute's autumn assessment, global steel consumption increased by 6% to a new record level of 752 million tonnes.

Generally there has been a high level of utilisation of capacity within the steel industry and global steel production is estimated to have increased by 7%. However, during the autumn, capacity utilisation in the US steel industry declined in pace with a weakened demand for steel.

Demand for steel in Europe began to increase during the autumn of 1999 after a relatively brief downturn. The upturn commenced from a higher level than previously but was weaker

than in previous upturns during the last decade. Towards the end of the year, however, demand began to level out but at a higher level than previously reached.

Steel consumption in Sweden is estimated to have increased by approx. 5%. Demand for sheet increased and amounted to just over 1,900,000 tonnes and consumption of plate increased to approx. 200,000 tonnes. The Group's Swedish market shares for sheet and plate were just under 50%.

During the first half of the year, delivery times on the sheet market increased significantly, a fact which enabled gradual price increases to be carried out. However, after the summer delivery times returned to normal and prices stabilised. Plate was affected at a later stage in the upturn in the business cycle and it was possible to begin to increase prices for ordinary plate towards the end of the first half of the year.

Pressure on prices for sheet developed during the fourth quarter in pace with decreased delivery times. Therefore, towards the end of the year, a number of sheet customers held back orders, a fact which resulted in a significant reduction in the order book. However, towards the end of December the flow of orders recovered and has been at a normal level in January.

During the fourth quarter, the Group's average sheet prices were 2% lower than during the third quarter. The lower prices were primarily due to a seasonal change in product mix. Prices for plate were approximately unchanged in local currency. Steel prices in Swedish currency for the year as a whole were 13% higher than during 1999.

### **Production and Deliveries**

Crude steel production in Luleå was stable during the fourth quarter, whilst a minor stoppage in one of the blast furnaces in Oxelösund restricted production there. In total, crude steel production for the fourth quarter amounted to 1,013,000 tonnes, an increase of 3% compared with the final quarter of 1999. For the year as a whole, crude steel production amounted to 3,411,000 tonnes, which was largely unchanged compared with 1999.

In order to compensate for the decrease in crude steel production during the conversion of the large blast furnace in Luleå during the summer, just over 120,000 tonnes of steel slabs were purchased from other steelworks during the year.

Production in the hot rolling strip mill continued to be stable during the final quarter of the year, but was curtailed towards the end of the year as a consequence of the weak inflow of orders. Stability in the four-high rolling mill improved gradually. Total sheet production during the quarter amounted to 772,000 tonnes, which was 4% lower than for the preceding year. In total, sheet production for the year amounted to 2,896,000 tonnes, 5% higher than in 1999.

Total deliveries from the steel operations during the fourth quarter increased by 3% compared with 1999 and amounted to 687,000 tonnes. During the year as a whole, deliveries were thus 5% higher than last year and amounted to 2,811,000 tonnes.

Deliveries of the steel operations' niche products, high-strength sheet and quenched steels, reached the highest level ever during the quarter and amounted to 245,000 tonnes. Deliveries of extra and ultra high-strength sheet during the year were just over 30% higher than during

the preceding year and amounted to almost 250,000 tonnes. In total, deliveries of the steel operations' niche products amounted to 1,183,000 tonnes, which was 12% higher than last year and accounted for 42 (40)% of the steel operations' total deliveries.

Despite a somewhat weak end to the year, deliveries from the steel operations to the Swedish market during the fourth quarter were 2% higher than last year. In total, deliveries during the year increased by 14%. Deliveries in the trading operations dependent on the Swedish market increased by 7% compared with last year.

### **Non-Recurring Items**

The Group's share of SPP's surplus funds amounted to SEK 734 million. Based on SPP's rules, it is estimated that disbursements of these funds will take place over a period of just over 6 years. The net present value of the disbursements is SEK 636 million, which is reported as other operating revenue.

Following a tax audit, the tax authority determined that an energy tax shall be imposed in respect of certain by-products (energy-rich gases) generated in the metallurgy process. Largely, the entire effect of this decision will affect metallurgy in Oxelösund where the energy tax will increase by slightly more than SEK 10 million per year. The operating profits for the year also includes energy taxes for the years 1995 through 1999 in the amount of SEK 49 million. The tax decision has been appealed.

In total, non-recurring items thus amount to SEK 587 (45) million.

### **Sales and Profit**

Sales during the final quarter increased by 17% compared with 1999. In total, sales for the year thus increased by 15% to SEK 19,271 (16,807) million. Higher prices contributed 9 percentage points while increased volumes accounted for 6 percentage points of the increase.

Costs for iron ore and alloys increased by 15% for the year as a whole. In Swedish kronor, the price increase in the coal agreements was just under 9%. However, since the coal agreements entered into force on 1 April, the full impact of the price changes was felt only during the second half of the year. Thus costs for coal as a whole were unchanged compared with 1999.

Operating profit for the fourth quarter increased by SEK 153 million compared with the preceding year to SEK 496 (343) million. Improved margins in the steel operations and a higher pace of delivery in all operations had a positive effect on the results, while increased processing costs and depreciation had a negative effect.

The operating profit for the year as a whole was SEK 1,420 million higher than last year and amounted to SEK 1,962 (542) million. The operating profit includes non-recurring items totalling SEK 587 (45) million. As is evident from the table below, improved margins within the steel operations and increased volumes within both the steel operations and trading and processing operations contributed SEK 1,325 million, while increased processing costs and depreciation reduced the operating profit by SEK 390 million.

The processing costs include costs of SEK 94 (5) million for the Group profit-sharing scheme.

Change in operating profit (SEK millions)	
Steel operations	
- Improved margins	+850
- Increased volumes	+185
Trading and processing operations	
- Increased volumes	+290
Increased processing costs	-335
Increased depreciation	-54
Non-recurring items	+542
Other	-58
Improvement in operating profit	+1,420

An increase in net debt resulted in a deterioration in financial items to SEK -92 (-75) million. Profit after financial items improved by SEK 1,403 million to SEK 1,870 (467) million.

### Capital Expenditures

During the year, decisions were taken to carry out new capital expenditures totalling SEK 675 (1,092) million. The decisions involved a significant environmental investment in the coking plant in Luleå, in 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 USA. It is estimated that these three major investments, amounting to just under SEK 250 million, will be brought into operation around the end of 2001.

The new blast furnace in Luleå was brought into production on 25 August. The furnace has been constructed on the foundations of the larger of the two existing furnaces. In this manner, it has been possible to utilise large parts of the existing infrastructure. It was possible to subsequently shut down the smaller furnace in Luleå, thereby enabling a significant increase in efficiency. The conversion cost was approx. SEK 950 million.

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 approx. 50%. The capital expenditure amounts to SEK 550 million and the line will be brought into production after the summer of 2001.

Net capital expenditures amounted to SEK 1,840 (1,210) million. Of this amount, SEK 175 million consisted of share capital and loans to the affiliated company, European Electrical Steels, to finance the acquisition of Kienle & Spiess, Europe's largest company in the area of stamping of electrical steels.

Of the remaining capital expenditures in the amount of SEK 1,665 million, the two major investment projects, the blast furnace and quenching line, accounted for just over SEK 890 million. Remaining capital expenditures in the quenching line amount to just over SEK 150 million.

### Financing and Liquidity

Receivables increased as a consequence of higher sales but were, in relation to sales,

unchanged at 16%.

Inventory volumes also increased as a consequence of increased operating volumes. Combined with increased prices, this meant that the value of inventories was 18% higher than in 1999. However, in relation to sales the value of inventories was unchanged at 22%.

Despite a positive cash flow from the operations and a positive cash effect of the surplus funds from SPP of SEK 155 million, the increase in operating capital together with increased capital expenditures resulted in a negative cash flow of SEK -406 (+436) million.

Interest-bearing liabilities at year-end exceeded interest-bearing assets by SEK 3,085 (1,728) million.

A Medium-Term Note programme is used for long-term borrowing and a Swedish commercial paper programme for short-term borrowing. During the year, these two programmes were each expanded to SEK 2,000 million. At year-end, borrowing within these programmes totalled SEK 3,370 million.

### **Taxes**

Tax costs for the year amounted to SEK 517 (177) million. The tax cost for the year was reduced through an accumulated tax claim, which had arisen as a result of losses carried forward from operations in the US, being taken up at full value now that operations are believed to be profitable. This decreased deferred taxes by SEK 36 million. The effective tax rate for the Group was 28 (38)%.

### **Repurchase of Own Shares**

Until the end of the year, 9.6 million shares (6.6 million class A shares and 3.0 million class B shares), equal to 8.5% of the total outstanding shares, were acquired for SEK 824 million. Thus, at the end of the year, there were 102.5 million shares, not including the acquired shares. On average, there were 104.3 million shares during the fourth quarter and 108.8 million for the year as a whole.

The repurchase has continued during the beginning of 2001 and, thus far, a total of 10.2 million shares have been repurchased for SEK 877 million, equal to 9.1% of the total outstanding shares.

Prior to the General Meeting of the Shareholders in April 2001, it is estimated that the Board of Directors will have utilised its entire mandate (10%) for the repurchase of shares.

### **Prospects for 2001**

Sheet prices came under pressure towards the end of 2000 and it has been necessary to accept certain price reductions during the first quarter. However, it was possible to carry out price increases with respect to both ordinary plate and quenched steels.

Most of the steel operations' raw materials are purchased in USD. It is believed that the higher dollar rate will result in significantly higher costs in Swedish kronor for both iron ore and coal. Gross profit margins in the steel operations will thus decline during 2001.

However, it is believed that volumes in the steel operations will increase as a result of a continued strong growth, primarily for high-strength sheet. However, increased volumes for quenched steels will only be possible when the new quenching line commences operations after the summer of 2001.

Volumes in the trading and processing operations depend on the continued development of the business cycle in Sweden but it will probably be difficult to maintain the high volumes achieved during 2000.

The Group's 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. The approximate effect in 2001 of changes in the aforementioned factors, on profit after financial items and earnings per share, is set forth in the table below.

	Change, %	Effect on profit, SEK millions	Effect on earnings per share, SEK
Prices - steel operations	10	1,100	7.85
Volume - steel operations	5	200	1.45
Volume - trading operations	10	125	0.90
Margin - trading operations	2%-pts	140	1.00
Wage and salary costs	2	75	0.55
Prices - raw materials	10	450	3.20
SEK index	10	475	3.40

\*) The effect is calculated on the basis of the number of outstanding shares following the completion of the repurchase programme, i.e. 100.9 million shares.

## Dividend

The Board of Directors proposes to the General Meeting of Shareholders that a dividend be paid of SEK 5.00 (4.50) per share, corresponding to SEK 504 (504) million.

## Cancellation of Repurchased Shares

The Board of Directors proposes to the General Meeting of Shareholders that the share capital be reduced through cancellation of the repurchased shares.

Stockholm, 13 February 2001

Anders Ullberg

<p>The General Meeting of the Shareholders will be held on 24 April in Borlänge. In conjunction therewith, the report of the first quarter of 2001 will be published.</p>
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SSAB Svenskt Stål AB (publ)  
Registration No. 556016-3429

## Cash flow

SEK millions	1999 Q 4	2000 Q 4	1999 Full year	2000 Full year
Cash flow from operations	+540	+657	+1,433	+2,033
Net effect of SPP surplus funds	-	+8	-	+155
Change in working capital	-242	-365	+213	-754
Investing activities	-394	-339	-1,210	-1,840
Cash flow	-96	-39	+436	-406
Financing activities	+168	-20	-562	+233
Change in liquid assets	+72	-59	-126	-173

## Consolidated Balance Sheet

SEK millions	31 Dec. 1999	31 Dec. 2000
<b>Assets</b>		
Fixed assets	9,161	10,370
Inventories	3,628	4,292
Accounts receivable	2,676	3,136
Other assets	851	752
Liquid assets	939	766
Total assets	17,255	19,316
<b>Equity and liabilities</b>		
Equity	9,699	9,691
Minority shares	151	185
Deferred taxes and other provisions	1,916	1,946
Long-term liabilities	1,306	1,892
Current liabilities	4,183	5,602
Total equity and liabilities	17,255	19,316



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

SEK millions	Sales		Operating profit/loss		Profit/loss after financial items		Return on capital employed, %	
	1999	2000	1999	2000	1999	2000	1999	2000
<i>Subsidiaries:</i>								
SSAB Tunnpå	8,190	<b>9,531</b>	85	<b>705</b>	18	<b>613</b>	2	<b>12</b>
SSAB Oxelösund	4,019	<b>4,732</b>	213	<b>254</b>	124	<b>140</b>	5	<b>6</b>
Plannja	1,014	<b>1,220</b>	82	<b>88</b>	76	<b>83</b>	26	<b>26</b>
SSAB HardTech	448	<b>580</b>	85	<b>138</b>	61	<b>108</b>	13	<b>19</b>
Dickson PSC	111	<b>120</b>	16	<b>17</b>	16	<b>17</b>	17	<b>19</b>
Tibnor	6,033	<b>6,918</b>	115	<b>224</b>	98	<b>213</b>	8	<b>15</b>
Other subsidiaries	470	<b>532</b>	-2	<b>4</b>	57	<b>71</b>	-	-
<i>Parent company units:</i>								
SSAB Finance	0	<b>0</b>	-13	<b>-11</b>	11	<b>29</b>	-	-
Other parent company units 1)	0	<b>0</b>	-36	<b>-56</b>	8	<b>3</b>	-	-
Affiliated companies	-	-	14	<b>0</b>	14	<b>0</b>	-	-
Group adjustment 2)	<u>-3,478</u>	<u><b>-4,362</b></u>	<u>-17</u>	<u><b>599</b></u>	<u>-16</u>	<u><b>593</b></u>	<u>-</u>	<u>-</u>
Total	16,807	<b>19,271</b>	542	<b>1,962</b>	467	<b>1,870</b>	5	<b>15</b>

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

2) The effect on profit of SEK 636 million in surplus funds from SPP is included for comparability in the Group adjustment. SEK 186 million of this amount is officially reported in the partly-owned Tibnor Group and the remaining SEK 450 million is reported in the parent company.

## Profit per Quarter

SEK millions	1/98	2/98	3/98	4/98	1/99	2/99	3/99	4/99	1/00	2/00	3/00	4/00
Sales	4,929	4,814	3,785	4,307	4,256	4,440	3,598	4,513	4,774	5,075	4,161	5,261
SPP surplus funds										625	-	11
Operating expenses	-4,114	-4,070	-3,630	-3,834	-3,876	-3,923	-3,514	-3,900	-4,015	-4,346	-3,993	-4,480
Depreciation	-208	-214	-216	-242	-260	-262	-264	-291	-273	-280	-274	-304
Affiliated companies	18	22	9	-1	-1	4	1	21	10	-1	3	8
Financial items	<u>52</u>	<u>37</u>	<u>-15</u>	<u>-5</u>	<u>-11</u>	<u>-20</u>	<u>-22</u>	<u>-22</u>	<u>-18</u>	<u>-18</u>	<u>-39</u>	<u>-17</u>
Profit after financial items	677	589	-67	225	108	239	-201	321	478	1,055	-142	479

