

Report for the first quarter of 2001

- Profit after financial items was largely unchanged and amounted to SEK 465 (478) million
- Processing costs fell compared with the preceding quarter but costs for iron ore and coal are increasing significantly
- Cash flow in the business operations improved by just over SEK 200 million to approximately SEK 100 million

Consolidated profit and loss account (unaudited)

SEK millions	2000 Quarter 1	2001 Quarter 1	2000 Full year	2001 April '00- March '01
Sales	4,774	5,281	19,271	19,778
Cost of goods sold	<u>-3,823</u>	<u>-4,341</u>	<u>-16,100</u>	<u>-16,618</u>
Gross profit	951	940	3,171	3,160
Selling and administrative expenses	-446	-471	-1,830	-1,855
Other operating revenues and expenses	-19	12	601	632
Affiliated companies	<u>10</u>	<u>10</u>	<u>20</u>	<u>20</u>
Operating profit	496	491	1,962	1,957
Financial items	<u>-18</u>	<u>-26</u>	<u>-92</u>	<u>-100</u>
Profit after financial items	478	465	1,870	1,857
Tax	-136	-139	-517	-520
Minority shares	<u>-8</u>	<u>-6</u>	<u>-42</u>	<u>-40</u>
Profit after tax	334	320	1,311	1,297
Return on capital employed before tax (%)	-	-	15	15
Return on equity after tax (%)	-	-	14	14
Earnings per share (SEK)	3.00	3.20	12.00	12.10
Equity per share (SEK)	89.70	98.40	94.80	98.40
Equity ratio (%)	58	52	50	52
Number of shares at end of the period (millions)	112.11	100.90	102.54	100.90
Average number of shares (millions)	112.11	101.57	108.84	107.38

The Market

Steel consumption in Western Europe peaked at the end of last year and prices for sheet came under pressure at this time. Orders for sheet also declined significantly towards the end of the preceding year but have recovered during the first quarter. However, they were still somewhat lower than during the first quarter of last year.

Prices for sheet in local currencies declined on average by 5% during the first quarter compared with the preceding quarter. However, as a result of a weaker Swedish krona, the effect in Swedish krona was limited to 3%. However, it was possible to continue to carry out price increases for both ordinary plate and quenched steels.

In total, the Group's steel prices in Swedish krona were 1% lower than during the fourth quarter of last year. However, as a consequence of the price increases of last year, prices in Swedish krona were still 10% higher than during the first quarter of last year.

Production and deliveries

Production in the hot rolling strip mill in Borlänge has been curtailed at times for market reasons but otherwise has been stable, as is the case with production in the four-high rolling mill in Oxelösund. During the quarter, sheet production amounted to 823 thousand tonnes, which was 1% higher than during the first quarter of last year and almost 7% higher than during the preceding quarter.

Crude steel production amounted to 989 thousand tonnes, which was 5% higher than during the corresponding quarter of last year but 2% lower than during the final quarter of last year.

As a consequence of a weaker order book, especially towards the end of last year sheet volumes were 6% lower than during the first quarter of last year, while plate volumes were 2% higher. In total, deliveries from the steel operations amounted to 747 thousand tonnes, which was 4% less than during the corresponding quarter of last year.

Orders for high-strength sheet were also somewhat weaker, among other things from the automotive and telecommunications industries, which meant that deliveries were 5% lower than during the first quarter of last year. Deliveries of extra and ultra high-strength sheet were, however, at the same level as during the corresponding period of last year.

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

Deliveries in the trading operations dependent on the Swedish market fell somewhat compared with the autumn of last year but were nevertheless 3% higher than during the first quarter of last year.

Sales and profit

Sales increased by 11% to SEK 5,281 (4,774) million. The increase was due to higher prices. Sales were largely unchanged compared with the final quarter of last year.

Prices for iron ore and coal are quoted in US dollars. Agreements for coal have been concluded and resulted in price increases in dollars of 13%. The agreements enter into effect on 1 April but, due to existing inventories, the full impact on profit will not be felt before the end of the second quarter. Iron ore agreements have not yet been concluded, but price trends on the world market indicate a price increase in dollars of approximately 3%. The ore agreements will be executed with effect commencing 1 January, and consequently they will have an immediate impact on profits. With the current dollar rate, this should result in cost increases in the Agreements for coal and ore of approximately 30% and 18% respectively.

Processing costs fell by 7% compared with the preceding quarter but were 3% higher than during the first quarter of last year.

Operating profit was largely unchanged compared with the preceding quarter and also the first quarter of last year. Compared with the first quarter of last year, improved margins in the steel operations and higher volumes in the trading and processing operations improved operating profit, while lower volumes in the steel operations and weaker margins in the trading and processing operations together with increased processing costs and depreciation had a negative effect on profit.

Change in operating profit between the first quarter of 2001 and the first quarter of 2000 (SEK millions)	
Steel operations	
- Improved margins	+140
- Lower volumes	-25
Trading and processing operations	
- Weaker margins	-55
- Increased volumes	+55
Increased processing costs	-45
Increased depreciation	-14
Other	<u>-61</u>
Change in operating profit	-5

Financial items amounted to SEK -26 (-18) million. Profit after financial items thus amounted to SEK 465 (478) million. Earnings per share increased to 3.20 (3.00) SEK.

Capital expenditures

During the first quarter, decisions were taken regarding new capital expenditures totalling SEK 312 (261) million. Of this amount, SEK 175 million relates to a decision to invest in new capacity for the formatting of high-strength sheet in Borlänge. The new cutting lines will be brought into operation during the summer 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 approx. 50%. The investment amounts to SEK 550 million and the quenching line will be brought into operation after the summer break this year.

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 around the end of the current year.

Capital expenditures fell to SEK 217 (317) million.

Financing and liquidity

Since the beginning of the year, accounts receivable have increased seasonally while the value of inventories was largely unchanged. Cash flow from business operations amounted to nearly SEK 100 million. A lower seasonal increase in operating capital and reduced capital expenditures resulted

in the cash flow in the business operations improving by SEK 200 million compared with last year. However, as a consequence of the payment of tax on the SPP funds received last year, in total cash flow was negative at SEK -36 million.

The negative cash flow and continued repurchase of shares resulted in an increase of SEK 185 million in net debts to SEK 3,270 million. Liquid assets at the end of the quarter amounted to SEK 558 (822) million, of which SEK 140 (127) 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 amounts to SEK 2,000 million. At the end of March, borrowing within the programmes amounted to SEK 3,555 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 purchased for SEK 150 million. Thus, since May 2000 a total of 11.2 million shares, equivalent to 10% of the total number of outstanding shares, have been purchased for SEK 974 million. The Board has thereby exercised its entire mandate to repurchase shares and currently proposes to the Annual General Meeting that the share capital be reduced by SEK 280 million through the cancellation of the repurchased shares without repayment.

Prospects for the remainder of the year

Steel consumption in Western Europe is expected to decline from the top level reached last year. Prices for sheet continue to be under pressure and it has been necessary to accept certain additional price reductions in the agreements that have been renegotiated pending the second quarter. However, it has been possible to carry out certain price increases with respect to both ordinary plate and quenched steels.

The new coal agreements will result in a significant increase in costs commencing at the end of the second quarter. In combination with price trends, it is thus estimated that gross profit margins in the steel operations during the remainder of the year will be lower than during the first quarter.

It is estimated that it will be possible to achieve some increase in volumes in the sheet operations during the remainder of the year and, with the start-up of the new quenching line after the holidays, it will be possible to increase quenched steel volumes. However, it is believed that volumes in the trading operations dependent on the Swedish market will decline somewhat during the next quarter.

	Change during the rest of the year, %	Effect on profit, SEK millions	Effect on earnings per share, SEK*
Prices - steel operations	10	800	5.70
Volumes - steel operations	5	150	1.05
Volumes - trading operations	10	90	0.65
Margin - trading operations	2%-pts	100	0.70
SEK index	5	145	1.05

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

*) The effect has been calculated on the basis of the number of outstanding shares as per 31 March 2001.

Stockholm, 24 April 2001

Anders Ullberg

The Half-Year Report will be published on 23 July

Cash flow (unaudited)

SEK millions	2000 Quarter 1	2001 Quarter 1	2000 Full year	2001 April '00 - March '01
Cash flow from operations	614	617	2,033	2,036
Net effect of SPP surplus funds *)	-	-126	155	29
Change in working capital	-419	-310	-754	-645
Investing activities	<u>-317</u>	<u>-217</u>	<u>-1,840</u>	<u>-1,740</u>
Cash flow	-122	-36	-406	-320
Financing activities	<u>5</u>	<u>-172</u>	<u>233</u>	<u>56</u>
Change in liquid assets	-117	-208	-173	-264

*) During the 1st quarter of 2001, tax was paid on surplus funds in the amount of SEK 142 million.

Consolidated balance sheet (unaudited)

SEK millions	31 March 2000	31 Dec. 2000	31 March 2001
Assets			
Fixed assets	9,252	10,405	10,398
Inventories	3,641	4,292	4,201
Accounts receivable	3,084	3,136	3,474
Other assets	565	752	659
Liquid assets	<u>822</u>	<u>766</u>	<u>558</u>
Total assets	17,364	19,351	19,290
Equity and liabilities			
Equity	10,052	9,726	9,928
Minority shares	150	185	161
Deferred tax and other provisions	1,924	1,946	1,959
Long-term liabilities	1,308	1,892	2,099
Current liabilities	<u>3,930</u>	<u>5,602</u>	<u>5,143</u>
Total equity and liabilities	17,364	19,351	19,290

Consolidated equity (unaudited)

SEK millions	2000 Quarter 1	2000 Full year	2001 Quarter 1
Equity, opening balance	9,699	9,699	9,726
Effect of change in accounting principles	<u>35</u>	<u>35</u>	<u>0</u>
Adjusted opening balance	9,734	9,734	9,726
Revaluation reserve	0	-1	0
Translation difference	-16	10	32
Repurchase of own shares	-	-824	-150
Dividend	-	-504	-
Profit for the period	<u>334</u>	<u>1,311</u>	<u>320</u>
Equity, closing balance	10,052	9,726	9,928

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

SEK millions	Sales		Operating profit		Profit/loss after financial items		Return on capital employed (%)	
	2000 Q 1	2001 Q 1	2000 Q 1	2001 Q 1	2000 Q 1	2001 Q 1	2000 Full year	April 00 - March 01
<i>Subsidiaries:</i>								
SSAB Tunnpå	2,475	2,574	229	225	209	196	12	10
SSAB Oxelösund	1,234	1,352	161	173	134	146	6	6
Plannja	214	245	10	-3	9	-5	26	21
SSAB HardTech	136	171	33	34	27	27	19	18
Dickson PSC	32	33	6	8	6	8	19	21
Tibnor	1,683	1,880	76	52	71	53	15	13
Other subsidiaries	150	136	2	1	19	17	-	-
<i>Parent company units:</i>								
SSAB Finance	0	0	-3	-3	7	8	-	-
Other parent company units *	0	0	-15	-12	-1	-1	-	-
Affiliated companies	-	-	8	2	8	2	-	-
Group adjustment	<u>-1,150</u>	<u>-1,110</u>	<u>-11</u>	<u>14</u>	<u>-11</u>	<u>14</u>	<u>-</u>	<u>-</u>
Total	4,774	5,281	496	491	478	465	15	15

* 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.

Profit per quarter

SEK millions	1/99	2/99	3/99	4/99	1/00	2/00	3/00	4/00	1/01
Sales	4,256	4,440	3,598	4,513	4,774	5,075	4,161	5,261	5,281
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
Depreciation	-260	-262	-264	-291	-273	-280	-274	-304	-287
Affiliated companies	-1	4	1	21	10	-1	3	8	10
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>
Profit after financial items	108	239	-201	321	478	1,055	-142	479	465

Accounting principles

This quarterly 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 the 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.

