

## Half Year Report 2003

- Profit after financial items for the second quarter increased by SEK 71 million compared with last year and amounted to SEK 366 (295) million. Profit for the first half of the year thus amounted to SEK 780 (477) million, corresponding to earnings per share of SEK 5.40 (3.20).
- Deliveries of the Group's niche products, extra and ultra high-strength sheet and quenched steels, were 18% higher during the first half of the year than last year.
- Cash flow for the first half of the year amounted to SEK 37 (946) million.

### Consolidated profit and loss account

SEK millions	2002 Q 2	2003 Q 2	2002 Half Year	2003 Half Year	2002 Full Year	2003 July 02- June 03
Sales	5,139	<b>5,172</b>	10,073	<b>10,378</b>	19,271	<b>19,576</b>
Cost of goods sold	<u>-4,422</u>	<u><b>-4,379</b></u>	<u>-8,744</u>	<u><b>-8,727</b></u>	<u>-16,720</u>	<u><b>-16,703</b></u>
Gross profit	717	<b>793</b>	1,329	<b>1,651</b>	2,551	<b>2,873</b>
Selling and administrative expenses	-400	<b>-397</b>	-770	<b>-768</b>	-1,505	<b>-1,503</b>
Other operating revenues and expenses	15	<b>0</b>	3	<b>-20</b>	2	<b>-21</b>
Affiliated companies	<u>7</u>	<u><b>6</b></u>	<u>7</u>	<u><b>-2</b></u>	<u>-48</u>	<u><b>-57</b></u>
Operating profit	339	<b>402</b>	569	<b>861</b>	1,000	<b>1,292</b>
Financial items	<u>-44</u>	<u><b>-36</b></u>	<u>-92</u>	<u><b>-81</b></u>	<u>-184</u>	<u><b>-173</b></u>
Profit after financial items	295	<b>366</b>	477	<b>780</b>	816	<b>1,119</b>
Tax	-88	<b>-108</b>	-143	<b>-230</b>	-231	<b>-318</b>
Minority shares	<u>-3</u>	<u><b>-2</b></u>	<u>-7</u>	<u><b>-7</b></u>	<u>-8</u>	<u><b>-8</b></u>
Profit after tax	204	<b>256</b>	327	<b>543</b>	577	<b>793</b>
Return on capital employed before tax (%)	-	-	-	-	8	<b>10</b>
Return on equity after tax (%)	-	-	-	-	6	<b>8</b>
Earnings per share (SEK)	2.00	<b>2.55</b>	3.20	<b>5.40</b>	5.70	<b>7.85</b>
Equity per share (SEK)	94.60	<b>96.05</b>	94.60	<b>96.05</b>	97.10	<b>96.05</b>
Equity ratio (%)	51	<b>52</b>	51	<b>52</b>	53	<b>52</b>
Net debt/equity ratio (%)	34	<b>39</b>	34	<b>39</b>	32	<b>39</b>

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

### The Market

Steel consumption in Western Europe has been relatively unchanged since the autumn of 2002 and no signs of an increase in demand have yet been discerned. During the quarter, the large Western European producers continued to accord priority to price over volume.

Demand has also been relatively stable in the United States, while steel consumption in China continues to increase strongly.

With respect to the Group's sheet products, it was possible to increase prices in local currencies pending the second quarter by 2% for the just over 50% of the volumes that were re-negotiated,

while prices for plate products were largely unchanged. In total, prices for sheet and plate products were 1% higher in Swedish kronor than during the first quarter and, thus far this year, have been 10% higher than last year.

Demand for the Group's niche products, quenched steels and high-strength sheet, has continued to be strong during the quarter.

### **Production and deliveries**

Production has been stable. The hot rolling strip mill in Borlänge stopped for summer maintenance already at the end of June, while the corresponding stop last year took place in July. This resulted in a fall in production compared with last year of almost 90 thousand tonnes. Sheet and plate production during the quarter was thus lower than last year and amounted to 798 (850) thousand tonnes. In total, production for the first half of the year amounted to 1,674 (1,702) thousand tonnes.

Crude steel production during the second quarter amounted to 1,036 (996) thousand tonnes and, in total for the first half of the year, to 2,044 (1,996) thousand tonnes.

Deliveries from the steel operations were 2% lower than during the second quarter of last year and amounted to 824 (842) thousand tonnes. In total, deliveries from the steel operations during the first half of the year were thus 1% lower than last year and amounted to 1,668 (1,686) thousand tonnes.

Deliveries of extra and ultra high-strength sheet and of quenched steels increased during the quarter by 10% and 13% respectively compared with the preceding year. Thus far this year, they have increased by 20% and 17% respectively over last year. In total, increased deliveries of the niche products, high-strength sheet and quenched steels, increased during the first half of the year by 11% compared with last year and amounted to 708 (638) thousand tonnes. The niche products thereby accounted for 42 (38)% of the total delivery volumes.

The steel operations' deliveries to the Swedish market were 6% higher than during the weak first half of last year. However, both the steel operations and Tibnor and Plannja experienced a weak trend with respect to building-related products.

As a consequence of sales for additional car models, SSAB HardTech's deliveries of bumper beams increased, while a weaker new car market resulted in somewhat lower deliveries of side impact beams.

### **Sales and profits**

Sales increased by 3% to SEK 10,378 (10,073) million. Higher prices accounted for 5 percentage points, while lower volumes led to a fall of 2 percentage points.

Annual coal and iron ore agreements entailed price increases in dollar terms of 3% and 11% respectively. Deliveries have been hedged and, thanks to the weaker dollar compared with last year, the agreements resulted in cost decreases in Swedish kronor of 5% and 7% respectively. The iron ore agreement entered into force at the beginning of the year and thus the full impact of the agreement on costs was largely felt during the first half of the year. On the other hand, the coal

agreements entered into force on 1 April and did not affect the results until the end of the second quarter.

The iron ore agreement was reached exceptionally late, not until the middle of June. As a consequence of the significant price increase, profit for the second quarter was affected by a retroactive cost increase with respect to iron ore consumption during the first quarter of approx. SEK 25 million.

Thus far during the year, costs for coal and iron ore have been 12% and 7% lower than last year, while energy costs (electricity, oil, and LPG) were 19% higher.

Processing costs increased by 7% compared with the first half of last year. The costs have been affected by measures to enhance certainty of delivery and improve yield within the steel operations and by a shorter and earlier summer stop in the steel operations.

Operating profit during the second quarter was SEK 63 million higher than last year and amounted to SEK 402 (339) million. Stronger gross margins in the steel operations contributed positively to profit by SEK 140 million, while higher processing costs negatively affected profit by SEK 85 million.

Operating profit during the first half of the year thereby increased by SEK 292 million to SEK 861 (569) million. Stronger gross margins in the steel operations contributed positively to profit by SEK 480 million, while higher processing costs negatively affected profit by SEK 200 million. The profit analysis is set forth in the table below.

Change in operating profit between the first half of 2003 and first half of 2002 (SEK millions)	
Steel operations	
- Stronger gross margins	+480
Higher processing costs	-200
Lower depreciation	+17
Other	<u>-5</u>
Change in operating profit	+292

Currency changes compared with the first half of last year have affected the steel operations' gross margins and thereby positively affected profit by SEK 150 million, primarily due to the fact that raw materials costs are largely dollar-based.

Financial items during the first half of the year amounted to SEK -81 (-92) million and profit after financial items improved to SEK 780 (477) million. Earnings per share increased to SEK 5.40 (3.20).

### Capital Expenditures

During the first half of the year, decisions were taken regarding new investments totalling SEK 486 (505) million. Of these, SEK 120 million relate to investments in a third and final stage in the renovation of the coking plant in Luleå. The renovation is ongoing and is expected to be completed at the end of the year. An additional approx. SEK 40 million relate to investments in a punching line

at SSAB HardTech's plant in the United States. The punching line is expected to be brought into operation by the summer of 2004.

Ongoing major investments include, among other things, the fourth press-hardening line at SSAB HardTech's plant in the United States and investments in additional capacity for the cutting to size of high-strength sheet in Borlänge. The press-hardening line is expected to be brought into operation in the spring of 2004, and the cutting lines after the summer this year.

Capital expenditures during the first half of the year increased to SEK 496 (315) million.

### **Financing and liquidity**

Working capital during the first half of the year increased by SEK 670 million, primarily due to a seasonal increase in accounts receivable. Increased working capital in combination with higher capital expenditures resulted in a decrease in cash flow to SEK 37 (946) million. Following a dividend of SEK 605 million, net debt thus increased to SEK 3,775 (3,246) million, corresponding to a net debt/equity ratio of 39 (34)%. Liquid assets at the end of the half year amounted to SEK 241 (349) million, of which SEK 108 (246) million were in the parent company.

There is a Medium-Term Note programme for long-term borrowing, while short-term borrowing takes place primarily within a Swedish commercial paper programme. Borrowing possibilities amount to SEK 2,000 million within each of these programmes. At the end of the half year, borrowing within the programmes amounted to SEK 2,984 (3,094) million. In addition, there is also a Euro Commercial Paper programme of USD 100 million, which, however, has not been utilised so far during the year. Including other loans the total borrowing amounted to SEK 4,171 (3,908) million.

### **Prospects for the remainder of the year**

No general increase in demand for steel in Western Europe had yet been noted and, accordingly, it is believed that steel consumption during the second half of the year will remain at approximately the same level as during the first half of the year. The rate of delivery in the steel operations is, however, expected to increase somewhat compared with the first half of the year as a consequence of continued growth for the niche products, high-strength sheet and quenched steels.

Prices in local currencies for both sheet and plate are expected to be largely unchanged during the third quarter.

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.

## Sensitivity analysis

	Change during the remainder of the year, %	Effect on profit, SEK millions	Effect on earning per share, SEK
Prices – steel operations	5	280	2.00
Volume – steel operations	5	125	0.90
Volume – trading operations	5	20	0.15
Margin – trading operations	2%-pts	50	0.35
SEK Index	5	180	1.30

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.

Stockholm, 21 July 2003

Anders Ullberg

The Report for the first three quarters will be published on 23 October.
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### Cash flow

SEK millions	2002 Q 2	2003 Q 2	2002 Half Year	2003 Half Year	2002 Full Year	July 02- June 03
Cash flow from operations	493	<b>528</b>	914	<b>1,114</b>	1,832	<b>2,032</b>
Change in working capital	425	<b>5</b>	303	<b>-670</b>	73	<b>-900</b>
Investing activities	<u>-187</u>	<u>-205</u>	<u>-315</u>	<u>-496</u>	<u>-840</u>	<u>-1,021</u>
Cash flow excluding SPP funds	731	<b>328</b>	902	<b>-52</b>	1,065	<b>111</b>
Net effect of surplus funds from SPP*)	<u>33</u>	<u>45</u>	<u>44</u>	<u>89</u>	<u>143</u>	<u>188</u>
Cash flow	764	<b>373</b>	946	<b>37</b>	1,208	<b>299</b>
Financing activities	<u>-597</u>	<u>-371</u>	<u>-1,057</u>	<u>-212</u>	<u>-1,252</u>	<u>-407</u>
Change in liquid assets	167	<b>2</b>	-111	<b>-175</b>	-44	<b>-108</b>

\*) Net effect of surplus funds from SPP relates only to the effect on cash flow. The effect on profits was included in the results for 2000.

### Consolidated balance sheet

SEK millions	30 June 2002	31 Dec. 2002	30 June 2003
<b>Assets</b>			
Intangible fixed assets	50	42	<b>35</b>
Tangible fixed assets	8,732	8,808	<b>8,746</b>
Financial fixed assets	930	818	<b>750</b>
Inventories	3,992	4,585	<b>4,414</b>
Accounts receivable	3,584	3,082	<b>3,781</b>
Other receivables	1,011	725	<b>706</b>
Liquid assets	<u>349</u>	<u>416</u>	<u>241</u>
Total assets	18,648	18,476	<b>18,673</b>
<b>Equity and Liabilities</b>			
Equity	9,543	9,796	<b>9,693</b>
Minority shares	157	162	<b>150</b>
Deferred taxes and other provisions	1,893	1,978	<b>2,014</b>
Long-term liabilities	2,490	2,101	<b>2,278</b>
Current liabilities	<u>4,565</u>	<u>4,439</u>	<u>4,538</u>
Total equity and liabilities	18,648	18,476	<b>18,673</b>

### Consolidated Equity

SEK millions	30 June 2002	31 Dec. 2002	30 June 2003
Equity, opening balance	9,753	9,753	<b>9,796</b>
Revaluation reserve	-	24	<b>0</b>
Translation difference	-33	-54	<b>-41</b>
Dividend	-504	-504	<b>-605</b>
Profit for the period	<u>327</u>	<u>577</u>	<u>543</u>
Equity, closing balance	9,543	9,796	<b>9,693</b>



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

SEK millions	Sales		Operating profit		Profit after financial items		Return on capital employed (%)	
	2002	2003	2002	2003	2002	2003	2002	July 02-
	Half Year	Half Year	Half Year	Half Year	Half Year	Half Year	Full Year	June 03
<i>Subsidiaries:</i>								
SSAB Tunnpå 1)	5,288	<b>5,613</b>	114	<b>384</b>	47	<b>316</b>	6	<b>10</b>
SSAB Oxelösund	2,854	<b>2,862</b>	287	<b>308</b>	226	<b>262</b>	7	<b>8</b>
Plannja	556	<b>514</b>	36	<b>19</b>	31	<b>15</b>	26	<b>22</b>
SSAB HardTech	427	<b>420</b>	95	<b>78</b>	80	<b>69</b>	21	<b>20</b>
Tibnor	2,865	<b>2,829</b>	73	<b>70</b>	64	<b>67</b>	7	<b>7</b>
Other subsidiaries	286	<b>292</b>	4	<b>8</b>	26	<b>8</b>	-	-
<i>Parent company units:</i>								
Parent company 2)	0	<b>0</b>	-31	<b>-35</b>	12	<b>25</b>	-	-
Affiliated companies	-	-	11	<b>2</b>	11	<b>2</b>	-	-
Group adjustments	<u>-2,203</u>	<u><b>-2,152</b></u>	<u>-20</u>	<u><b>27</b></u>	<u>-20</u>	<u><b>16</b></u>	<u>-</u>	<u>-</u>
Total	10,073	<b>10,378</b>	569	<b>861</b>	477	<b>780</b>	8	<b>10</b>

1) Commencing 1 January 2003, Dickson is a subsidiary of SSAB Tunnpå. The figures for 2002 have been adjusted in order to achieve comparability.

2) Excl. dividends from subsidiaries and affiliated companies and, for 2003, also excluding capital gains from the internal sale of Dickson. Profits in parent company units consist primarily of administration costs and a positive figure for financial items.

### Profit per Quarter

SEK millions	1/01	2/01	3/01	4/01	1/02	2/02	3/02	4/02	1/03	2/03
Sales	5,281	5,295	4,535	4,571	4,934	5,139	4,331	4,867	5,206	5,172
Operating expenses	-4,513	-4,646	-4,114	-4,203	-4,430	-4,533	-3,915	-4,234	-4,473	-4,511
Depreciation	-287	-289	-287	-278	-274	-274	-275	-288	-266	-265
Affiliated companies	10	4	-5	-6	0	7	-23	-32	-8	6
Financial items	<u>-26</u>	<u>-43</u>	<u>-47</u>	<u>-39</u>	<u>-48</u>	<u>-44</u>	<u>-39</u>	<u>-53</u>	<u>-45</u>	<u>-36</u>
Profit after financial items	465	321	82	45	182	295	79	260	414	366

### Review

Each year, the auditors review the report for the first three quarters. Accordingly, this Half Year Report has not been the subject of review by the auditors.

### Accounting principles

Seven new recommendations from the Swedish Financial Accounting Standards Council have been applied from the beginning of the year. The new recommendations are RR2:02 Inventories, RR22 Presentation of Financial Statements, RR24 Investment Property, RR25 Segment Reporting, RR26 Events after the Balance Sheet Date, RR27 Financial Instruments, and RR28 Government Grants. The implementation of these recommendations has not, however, affected any of the reported information. Otherwise, the Half Year Report has been prepared in accordance with the same principles as the most recent annual report.



Company number 556016-3429

