

Report for the First Three Quarters of 2002

- **Profit after financial items for the seasonally weak third quarter, excluding non-recurring items, increased by SEK 75 million to SEK 79 (4) million. Profit for the first three quarters thus amounted to SEK 556 (868) million.**
- **Deliveries of the niche products of high strength sheet and quenched steel increased during the third quarter by 12% compared with last year and, so far this year, have increased by 7%.**
- **Cash flow during the first three quarters improved by almost SEK 800 million to SEK 915 (143) million.**

Consolidated Profit and Loss Account

SEK millions	2001 Q3	2002 Q3	2001 Q1-3	2002 Q1-3	2001 Full Year	Oct. 01- Sept. 02
Sales	4,535	4,331	15,111	14,404	19,682	18,975
Cost of goods sold	<u>-4,142</u>	<u>-3,865</u>	<u>-12,934</u>	<u>-12,609</u>	<u>-16,984</u>	<u>-16,659</u>
Gross profit	393	466	2,177	1,795	2,698	2,316
Selling and administrative expenses	-394	-330	-1,357	-1,100	-1,786	-1,529
Other operating revenues and expenses*)	135	5	155	8	153	6
Affiliated companies	<u>-5</u>	<u>-23</u>	<u>9</u>	<u>-16</u>	<u>3</u>	<u>-22</u>
Operating profit	129	118	984	687	1,068	771
Financial items	<u>-47</u>	<u>-39</u>	<u>-116</u>	<u>-131</u>	<u>-155</u>	<u>-170</u>
Profit after financial items	82	79	868	556	913	601
Tax	-30	-21	-266	-164	-277	-175
Minority shares	<u>-12</u>	<u>-3</u>	<u>-20</u>	<u>-10</u>	<u>-17</u>	<u>-7</u>
Profit after tax	40	55	582	382	619	419
Return on capital employed before tax (%)	-	-	-	-	8	6
Return on equity after tax (%)	-	-	-	-	6	4
Earnings per share (SEK)	0.40	0.50	5.80	3.80	6.10	4.20
Equity per share (SEK)	96.40	95.20	96.40	95.20	96.70	95.20
Equity ratio (%)	51	53	51	53	51	53
Net debt/equity ratio (%)	37	35	37	35	38	35
Number of shares at end of the period (million)	100.90	100.9	100.90	100.90	100.90	100.90
		0				
Average number of shares (million)	100.90	100.9	101.12	100.90	101.06	100.90
		0				

*) In Q3 of 2001, the SEK 135 million profit from the sale of Tibnor's industrial supplies group was included as "Other operating revenue".

The Market

Steel consumption in Western Europe peaked in the middle of 2000 and has gradually declined since then. However, the bottom of the steel cycle now appears to have been reached and, in its autumn

forecast, the International Iron and Steel Institute (IISI) anticipates that steel consumption within the EU will increase next year by approx. 3%.

In the US, steel consumption also peaked in the middle of 2000. After a rapid and severe fall, steel consumption subsequently stabilised at a level which was approx. 15% off the peak. In the United States too, the IISI foresees a moderate increase in steel consumption next year.

China continues to demonstrate a very strong increase in steel consumption and demand for steel this year is expected to amount to approx. 200 million tonnes. This can be compared with steel consumption of approx. 140 million tonnes in the EU and approx. 100 million tonnes in the United States. Thus, global steel consumption this year will reach a new record level of just over 800 (770) million tonnes.

During the third quarter, it was possible to increase the Group's sheet prices in local currencies by 8% with respect to renegotiated agreements that account for almost 70% of delivery volumes. Furthermore, a seasonally improved product mix affected prices positively by 4%. Taken together, these facts have resulted in sheet prices which, in Swedish krona, were 9% higher than during the preceding quarter. Prices for both quenched steels and ordinary plate were largely unchanged. For the steel operations, this meant that during the quarter prices in Swedish krona increased by 7%. However, thus far this year prices have been 5% lower than last year.

Continued price increases have been carried out with respect to sheet pending the fourth quarter. In the agreements that have been signed thus far, the price increases amount to approx. 4%. The price increases will affect the agreements (just over 50% of delivery volumes) that are renegotiated for the quarter.

Production and Deliveries

Production of both sheet and crude steel continued to be stable. Sheet production during the quarter increased by 15% compared with last year to 675 (587) thousand tonnes. Accordingly, sheet production so far this year has been 9% higher than last year and amounted to 2,377 (2,182) thousand tonnes. The increase is primarily due to the fact that the hot rolling strip mill was operated during the long weekends in the spring and the summer break was also reduced by a week.

Crude steel production during the quarter amounted to 841 thousand tonnes, which was 8% higher than last year. Thus, during the first three quarters production increased to 2,836 (2,771) thousand tonnes. Last year, 158 thousand tonnes of crude steel were delivered to Inexa Profil; this year, those volumes have been used in the sheet operations instead.

Deliveries in the steel operations amounted to 643 (588) thousand tonnes, an increase of 9% compared with the third quarter of last year. Accordingly, deliveries so far this year have increased by 13% to 2,329 (2,056) thousand tonnes.

Deliveries of the niche products of high strength sheet and quenched steel amounted to 284 (254) thousand tonnes, an increase of 12% compared with the third quarter of last year. Deliveries of extra and ultra high strength sheet increased by 24%, primarily due to continued growth in, among other countries, Germany and China. Demand for quenched steels declined primarily in Germany and the

United States. However, increased sales in, for example, Southern Europe and Asia have meant that deliveries of quenched steels so far this year have been 6% higher than last year.

In total, during the first three quarters deliveries of high strength sheet and quenched steels increased by 7% compared with last year.

Deliveries to the Swedish market from both the steel operations and trading operations during the third quarter were at the same level as last year.

Sales and Profit

Excluding the industrial supplies group that was sold last year, sales during the third quarter were unchanged compared with last year. In total, sales for the first three quarters of the year increased by 1% and amounted to SEK 14,404 (14,224, excluding the industrial supplies group) million. Lower prices resulted in a decrease in sales of 3 percentage points, while higher volumes yielded an increase of 4 percentage points.

The coal and iron ore agreements for the year entailed price reductions in dollar terms of 3% and 8% respectively. Purchases were hedged in the middle of July. Consequently, during the second half of the year the agreements result in price decreases in krona terms of approx. 12% for coal and approx. 9% for iron ore compared with the first half of the year.

The coal agreements entered into force on 1 April. Due to existing stocks, the full impact of the new agreements was only felt commencing from the third quarter. Costs for coal so far this year have thus been 20% higher than last year. The iron ore agreement applies from the beginning of the year but, due to a high average dollar rate during the first half of the year, the reduction in costs for iron ore thus far this year, compared with last year, has not exceeded approx. 7%. In total, costs for raw materials during the first three quarters were 3% higher than last year.

Notwithstanding increased volumes in the steel operations and in SSAB HardTech, processing costs during the third quarter were 2% lower than last year in absolute terms. In total, for the first three quarters they were 1% lower than last year.

Operating profit for the third quarter increased by SEK 67 million to SEK 118 (51) million, excluding non-recurring items of SEK 0 (78) million. The increase in profit was primarily due to increased volumes in the steel operations.

In total, operating profit for the first three quarters (excluding non-recurring items), declined to SEK 687 (906) million. Weaker margins in the steel operations negatively affected profit by SEK 475 million, while increased volumes in the steel operations and lower processing costs and depreciation contributed to an improvement in profit by approx. SEK 280 million. The profit analysis is set forth in the table below.

Change in operating profit between the first three quarters of 2002 and 2001 (SEK millions)	
Steel operations	
- Weakened margins	-475
- Increased volumes	+200
Trading and processing operations	
- Improved margins	+30
- Lower volumes	-15
Lower processing costs	+40
Lower depreciation	+40
Other	-39
Change in operating profit	-219

Changes in exchange rates compared with last year have had a positive effect on margins in the steel operations, and thereby profit, of just over SEK 50 million.

Financial items amounted to SEK -131 (-116) million and profit after financial items thus amounted to SEK 556 (868) million. Earnings per share for the first three quarters fell to SEK 3.80 (5.80).

Repayment of SPP Pension Premiums

At the beginning of October, Alecta announced that it had temporarily frozen the repayments of previously paid-in SPP premiums (so called client-company funds). However, no information was provided as to the duration of this temporary freeze.

At the end of September, the Group's balance sheet included a claim of SEK 375 million with respect to future repayment of these funds, of which SEK 275 million was affected by the freeze.

In the absence of additional information, no revaluation of the claim has been made in the quarterly results. A new valuation will be made as soon as additional information is available. A postponement in the repayment would entail a write-down of the claim by almost SEK 15 million per year of delay.

Non-recurring items

Non-recurring items last year consisted of a capital gain of SEK 135 million from the sale of the industrial supplies group and a write down of the claim against Inexa Profil amounting to SEK 57 million.

In total, non-recurring items affected profit for the third quarter by SEK 0 (78) million and profit for the year thus far by SEK 0 (78) million.

Capital Expenditures

Thus far during the year, decisions have been taken regarding new capital expenditures totalling SEK 734 (530) million. Of this amount, almost SEK 210 million relate to decisions to invest in a first and second stage of a renovation of the coking plant in Luleå. An additional almost SEK 100 million relate to the investment in a fourth press-hardening line at SSAB HardTech's plant in the USA. It is estimated that the new line will be brought into production at the beginning of 2004.

Capital expenditures fell to SEK 569 (686) million. The major projects currently underway are an investment in increased cutting capacity for high-strength sheet (approx. SEK 200 million) and a renovation of the coking plant in Luleå. A fifth press-hardening line at SSAB HardTech's plant in Luleå was brought into operation after the summer. The investment amounted to approx. SEK 60 million.

Financing and Liquidity

Cash flow for the third quarter amounted to SEK -31 (255) million. Cash flow includes the effect of disbursement of funds from Alecta amounting to SEK 42 (11) million. Cash flow for the preceding year also included SEK 381 million from the sale of the industrial supplies group. As a consequence, cash flow from actual operations during the quarter improved by slightly over SEK 60 million compared with last year. Thus far this year, cash flow has improved by SEK 772 million to SEK 915 (143) million.

As a consequence of the positive cash flow, net debt following the distribution of dividends for the year of SEK 504 million declined by SEK 327 million to SEK 3,332 million. Liquid assets at the end of September amounted to SEK 252 (221) million, of which SEK 113 (96) million were in the parent company.

Prospects for the Remainder of the Year

It is believed that the rate of deliveries in the steel operations will be approximately unchanged compared with the situation at the end of the third quarter. However, pending the fourth quarter it has been possible to increase prices of sheet in the Western Europe, which will positively affect margins in the steel operations during the last quarter. Generally speaking, no increase in steel consumption in Europe is anticipated until next year.

As a consequence of the cost cutting measures that have been taken in the Group, it is believed that processing costs in absolute terms will not increase compared with last year.

Sensitivity Analysis

	Change during the fourth quarter, %	Effect on profit, SEK millions	Effect on earnings per share, SEK
Prices – steel operations	5	150	1.10
Volumes – steel operations	5	60	0.45
Volumes – trading operations	5	10	0.10
Margin – trading operations	2%-pts	25	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.

Stockholm, 23 October 2002

Anders Ullberg

Review Report

We have subjected this interim report to a general review in accordance with the recommendations issued by FAR (the institute for the accounting profession in Sweden).

A general 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 Swedish Securities Exchange and Clearing Operations Act and the Swedish Annual Accounts Act.

Stockholm, 23 October 2002

Göran Tidström
Authorised public accountant

Åke Danielsson
Authorised public accountant

The results for 2002 will be published on 12 February 2003.

Cash Flow

SEK millions	2001 Q3	2002 Q3	2001 Q1-3	2002 Q1-3	2001 Full Year	Oct. 01- Sept. 02
Cash flow from operations	206	347	1,347	1,261	1,591	1,505
Change in working capital	-73	-166	-805	137	-855	87
Investing activities*)	111	-254	-305	-569	-506	-770
Cash flow excluding SPP funds	244	-73	237	829	230	822
Net effect of surplus funds from SPP	11	42	-94	86	-79	101
Cash flow	255	-31	143	915	151	923
Financing activities	-295	-66	-688	-1,123	-457	-892
Change in liquid funds	-40	-97	-545	-208	-306	31

*) Investment operations during Q3 of 2001 included a positive effect on cash flow of SEK 381 million from the sale of the industrial supplies group.

Consolidated Balance Sheet

SEK millions	30 Sept. 2001	31 Dec. 2001	30 Sept. 2002
Assets			
Fixed assets	10,254	10,187	9,672
Inventories	4,533	4,795	4,156
Account receivables	3,343	2,871	3,354
Other receivables	716	815	703
Liquid assets	221	460	252
Total assets	19,067	19,128	18,137
Equity and Liabilities			
Equity	9,727	9,753	9,607
Minority shares	177	173	160
Deferred taxes and other provisions	1,970	1,873	1,881
Long-term liabilities	2,427	2,380	2,498
Current liabilities	4,766	4,949	3,991
Total equity and liabilities	19,067	19,128	18,137

Consolidated Equity

SEK millions	2001 Q1-3	2001 Full Year	2002 Q1-3
Equity, opening balance	9,726	9,726	9,753
Translation difference	73	62	-24
Repurchase of own shares	-150	-150	-
Dividend	-504	-504	-504
Profit for the period	582	619	382
Equity, closing balance	9,727	9,753	9,607

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

SEK millions	Sales		Operating profit		Profit after financial items		Return on capital employed (%)	
	2001 Q1-3	2002 Q1-3	2001 Q1-3	2002 Q1-3	2001 Q1-3	2002 Q1-3	2001 Full Year	Oct. 01- Sept. 02
<i>Subsidiaries:</i>								
SSAB Tunnpå	7,287	7,433	296	203	202	105	4	3
SSAB Oxelösund	3,623	3,834	244	201	162	112	8	7
Plannja	1,027	936	68	89	59	80	20	27
SSAB HardTech	540	618	124	132	102	112	19	20
Dickson PSC	87	84	16	13	16	14	24	21
Tibnor 1)	5,107	4,060	220	99	203	88	13	7
Other subsidiaries	374	421	4	8	42	40	-	-
<i>Parent Company Units:</i>								
SSAB Finance	0	0	-10	-11	14	3	-	-
Other parent company units 2)	0	0	-25	-31	-13	46	-	-
Affiliated companies	-	-	6	8	6	8	-	-
Group adjustments	<u>-2,934</u>	<u>-2,982</u>	<u>41</u>	<u>-24</u>	<u>75</u>	<u>-52</u>	<u>-</u>	<u>-</u>
Total	15,111	14,40	984	687	868	556	8	6
		4						

1) Profit for the preceding year included a capital gain of SEK 135 million from the sale of the industrial supplies group.

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

Profit per Quarter

SEK millions	1/00	2/00	3/00	4/00	1/01	2/01	3/01	4/01	1/02	2/02	3/02
Sales	4,774	5,075	4,161	5,261	5,281	5,295	4,535	4,571	4,934	5,139	4,331
SPP surplus funds	-	625	-	11	-	-	-	-	-	-	-
Operating expenses	-4,015	-4,346	-3,993	-4,480	-4,513	-4,646	-4,114	-4,203	-4,430	-4,533	-3,915
Depreciation	-273	-280	-274	-304	-287	-289	-287	-278	-274	-274	-275
Affiliated companies	10	-1	3	8	10	4	-5	-6	0	7	-23
Financial items	<u>-18</u>	<u>-18</u>	<u>-39</u>	<u>-17</u>	<u>-26</u>	<u>-43</u>	<u>-47</u>	<u>-39</u>	<u>-48</u>	<u>-44</u>	<u>-39</u>
Profit after financial items	478	1 055	-142	479	465	321	82	45	182	295	79

Accounting principles

Seven new recommendations from the Swedish Financial Accounting Standards Council have been applied commencing from the beginning of the year. The implementation of these recommendations has not, however, resulted in any change in the information reported. This interim report has otherwise been prepared in accordance with the same principles as the most recent annual report.

Org nr 556016-3429

