

Half Year Report 2002

- Profit after financial items for the second quarter was largely at last year's level, amounting to SEK 295 (321) million. Profit for the first half of the year amounted to SEK 477 (786) million.
- Deliveries of niche products increased during the second quarter by just over 15% compared with last year.
- Following a strong cash flow during the second quarter, cash flow for the first half of the year amounted to SEK 946 (-112) million.

Consolidated profit and loss account

SEK millions	2001 Q 1	2002 Q 2	2001 Half year	2002 Half year	2001 Full year	July 01- June 02
Sales	5,295	5,139	10,576	10,073	19,682	19,179
Cost of goods sold	<u>-4,451</u>	<u>-4,422</u>	<u>-8,792</u>	<u>-8,744</u>	<u>-16,984</u>	<u>-16,936</u>
Gross profit	844	717	1,784	1,329	2,698	2,243
Selling and administrative expenses	-492	-400	-963	-770	-1,786	-1,593
Other operating revenues and expenses	8	15	20	3	153	136
Affiliated companies	<u>4</u>	<u>7</u>	<u>14</u>	<u>7</u>	<u>3</u>	<u>-4</u>
Operating profit	364	339	855	569	1,068	782
Financial items	<u>-43</u>	<u>-44</u>	<u>-69</u>	<u>-92</u>	<u>-155</u>	<u>-178</u>
Profit after financial items	321	295	786	477	913	604
Tax	-97	-88	-236	-143	-277	-184
Minority shares	<u>-2</u>	<u>-3</u>	<u>-8</u>	<u>-7</u>	<u>-17</u>	<u>-16</u>
Profit after tax	222	204	542	327	619	404
Return on capital employed before tax (%)	-	-	-	-	8	6
Return on equity after tax (%)	-	-	-	-	6	4
Earnings per share (SEK)	2.20	2.00	5.40	3.20	6.10	4.00
Equity per share (SEK)	95.70	94.60	95.70	94.60	96.70	94.60
Equity ratio (%)	50	51	50	51	51	51
Net debt/equity ratio (%)	40	34	40	34	38	34
Number of shares at end of the period (millions)	100.90	100.9	100.90	100.90	100.90	100.90
		0				
Average number of shares (millions)	100.90	100.9	101.23	100.90	101.06	100.90
		0				

The Market

Steel consumption in Western Europe and the United States remained relatively unchanged during the second quarter. The downturn in the economy in Western Europe that began in the autumn of 2000 appears to have now levelled out and it is anticipated that steel consumption will once again increase towards the end of this year.

Through the major European steel producers having prioritised price over volume, it was possible to increase sheet prices in Western Europe during the quarter. On the other hand, plate prices have

been largely unchanged.

In the United States, steel prices increased rapidly following the introduction of steel tariffs and are currently at a significantly higher level than in Europe. Penal tariffs of 30% have been imposed on the Group's steel products since the tariffs were introduced on 20 March. Exemptions from the tariffs have been sought for the niche products of quenched steels as well as extra and ultra high-strength sheet. Thus far, exemptions have been granted for extra and ultra high-strength sheet equivalent to approx. 25% of the niche product volumes for the U.S. market.

During the second quarter, it was possible to increase the Group's sheet prices in local currencies by almost 5% in the agreements that have been renegotiated (accounting for almost 50% of delivery volumes), while prices for both quenched steels and ordinary plate were largely unchanged. In Swedish kronor, however, prices declined by 1% as a consequence of the stronger Swedish krona. A seasonally improved product mix resulted, though, in prices in Swedish kronor increasing in total by 2% compared with the preceding quarter.

Prices during the second quarter were thus 5% lower than last year and, so far this year, have been 6% lower than last year.

Continued price increases have been carried out for sheet pending the third quarter. In the agreements entered into thus far, the price increases amount to approx. 30 euro/tonne. The price increases will affect approx. 70% of the sheet volumes during the second half of the year.

Production and deliveries

Production remained stable during the second quarter. Sheet production amounted to 850 thousand tonnes, which was 10% higher than last year and largely the same as during the preceding quarter. Thus, production during the first half of the year has been 7% higher than last year. Crude steel production amounted to 996 thousand tonnes, which was at the same level as last year and as during the preceding quarter. Thus, crude steel production during the first half of the year has remained unchanged compared with last year.

Deliveries in the steel operations were largely unchanged compared with the preceding quarter and amounted to 842 thousand tonnes. Thus far this year, deliveries from the steel operations have increased by 15% compared with last year.

Deliveries of the Group's niche products, high-strength sheet and quenched steels, increased significantly during the second quarter. Deliveries of extra and ultra high-strength sheet increased by 24%, primarily due to deliveries to new customers, while deliveries of quenched steels increased by 12%. In total, deliveries of high-strength sheet and quenched steels during the first half of the year thus increased by 5% compared with last year and accounted for 38% of total delivery volumes.

During the first half of the year, the steel operations' deliveries to the Swedish market were 3% lower than last year, but were at the same level as during the autumn of 2001. Volumes in the trading operations dependant on the Swedish market were largely unchanged.

Sales and profit

Excluding the industrial supply group that was sold last year, sales were 2% higher than during the first half of last year. Lower prices resulted in a decrease in sales of 4 percentage points, while higher volumes yielded in an increase of 6 percentage points. In total, sales amounted to SEK 10,073 (10,576, of which the industrial supply group 697) million.

Negotiations regarding coal and iron ore agreements have now been completed and entail price reductions in dollar terms of 3% and almost 8% respectively. The iron ore agreement applies from the beginning of the year and thus has already affected costs during the first half of the year. On the other hand, the coal agreements apply commencing 1 April and, due to existing stocks, will not have an impact on costs until the third quarter.

Purchases of iron ore and coal, which are carried out in dollars, were hedged in the middle of July. Thus, for the second half of the year, the agreements will result in cost reductions in Swedish kronor of 12% for coal and 9% for iron ore compared with the first half of the year.

In total, costs for raw materials during the first half of the year were 11% higher than last year as a consequence of the major price increases in last year's coal agreements.

Notwithstanding increased volumes, processing costs during the second quarter were somewhat lower than last year. In total, processing costs during the first half of the year were 1% lower than last year.

Operating profit during the second quarter was slightly weaker than last year and amounted to SEK 339 (364) million. Weaker margins in the steel operations negatively affected profit for the quarter by SEK 120 million, while higher volumes contributed to profit by SEK 100 million.

Operating profit for the first half of the year thus declined to SEK 569 (855) million. Weaker margins in the steel operations negatively affected profit by SEK 450 million, while increased volumes contributed SEK 140 million to profit. The profit analysis is set forth in the table below.

Change in operating profit between the first half of 2002 and the first half of 2001 (SEK millions)	
Steel operations	
- Weakened margins	-450
- Increased volumes	+140
Trading and processing operations	
- Improved margins	+5
- Increased volumes	+5
Lower processing costs	+16
Lower depreciation	+28
Other	-30
Change in operating profit	-286

Changes in exchange rates compared with the first half of last year have had a positive affect on the steel operations' margins, and thereby profit, of almost SEK 100 million.

Financial items during the first half of the year amounted to SEK -92 (-69) million, and profit after financial items thus amounted to SEK 477 (786) million. Earnings per share fell to SEK 3.20 (5.40).

Capital expenditures

During the first half of the year, decisions were taken regarding new capital expenditures totalling SEK 505 (458) million. Of this amount, almost SEK 140 million relate to a decision to invest in a first stage of a renovation of the coking plant in Luleå. This stage will be completed at the end of 2002. In addition, almost SEK 100 million relate to a decision to invest in a fourth press-hardening line at SSAB HardTech's plant in the United States. It is estimated that the new line will be brought into production at the beginning of 2004.

Capital investment expenditures declined during the first half of the year to SEK 315 (416) million. The major projects currently underway are the investment in increased cutting capacity within SSAB Tunnpå (approx. SEK 200 million), and the investment in a fifth press-hardening line at SSAB HardTech's plant in Luleå, (approx. SEK 60 million).

Financing and liquidity

Cash flow during the first half of the year amounted to SEK 946 (-112) million. Cash flow includes the effect of disbursement of funds from Alecta amounting to SEK 44 (-105) million. Underlying the strong cash flow is a reduction in inventories of just over SEK 800 million since the beginning of the year.

As a consequence of the positive cash flow, net debt following the distribution of dividends for the year of SEK 504 million declined to SEK 3,246 million. Liquid assets at the end of the quarter amounted to SEK 349 (261) million, of which SEK 246 (94) 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 June, borrowing within these programmes amounted to SEK 3,094 (3,757) million.

Prospects for the remainder of the year

Generally speaking, no increase in steel consumption in Europe is anticipated before the end of the year. However, it has been possible to increase sheet prices in Western Europe. In combination with reduced raw materials costs during the second half of the year, this means that margins in the steel operation are expected to improve. However, it is believed that the rate of deliveries in both the steel operations and the trading and processing operations will be largely unchanged compared with the first half of the 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 remainder of the year, %	Effect on profit, SEK million	Effect on earnings per share, SEK
Prices – steel operations	5	270	1.95
Volume – steel operations	5	125	0.90
Volume – trading operations	5	20	0.15
Margin – trading operations	2%-pt	50	0.35
SEK Index	5	175	1.25

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, 22 July 2002

Anders Ullberg

The report for the first three quarters will be published on 23 October.
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SSAB Svenskt Stål AB (publ)
Company no. 556016-3429

Cash Flow

SEK millions	2001 Q 1	2002 Q 2	2001 Half year	2002 Half year	2001 Full year	July 01- June 02
Cash flow from operations	524	493	1,141	914	1,591	1,364
Change in working capital	-422	425	-732	303	-855	180
Investing activities	-199	-187	-416	-315	-506	-405
Cash flow excluding SPP funds	-97	731	-7	902	230	1,139
Net effect of surplus funds from SPP	21	33	-105	44	-79	-35
Cash flow	-76	764	-112	946	151	1,104
Financing activities	-221	-597	-393	-1,057	-457	-1,121
Change in liquid assets	-297	167	-505	-111	-306	-17

Consolidated Balance Sheet

SEK millions	30 June 2001	31 Dec 2001	30 June 2002
Assets			
Fixed assets	10,320	10,187	9,712
Inventories	4,468	4,795	3,992
Account receivables	3,611	2,871	3,584
Other receivables	731	815	1,011
Liquid assets	261	460	349
Total assets	19,391	19,128	18,648
Equity and Liabilities			
Equity	9,656	9,753	9,543
Minority shares	164	173	157
Deferred taxes and other provisions	1,972	1,873	1,893
Long-term liabilities	2,275	2,380	2,490
Current liabilities	5,324	4,949	4,565
Total equity and liabilities	19,391	19,128	18,648

Consolidated Equity

SEK millions	2001 Half year	2001 Full year	2002 Half year
Equity, opening balance	9,726	9,726	9,753
Translation difference	42	62	-33
Repurchase of own shares	-150	-150	-
Dividend	-504	-504	-504
Profit for the period	542	619	327
Equity, closing balance	9,656	9,753	9,543

Subsidiaries' sales, profit/loss and return on capital employed

SEK millions	Sales		Operating profit		Profit after financial items		Return on capital employed (%)	
	2001 Half year	2002 Half year	2001 Half year	2002 Half year	2001 Half year	2002 Half year	2001 Full year	July 01- June 02
<i>Subsidiaries:</i>								
SSAB Tunnpå	5,099	5,228	324	104	264	37	4	1
SSAB Oxelösund	2,652	2,854	321	287	268	226	8	7
Plannja	622	556	24	36	20	31	20	23
SSAB HardTech	366	427	86	95	72	80	19	19
Dickson PSC	63	60	13	10	13	10	24	22
Tibnor	3,694	2,865	80	73	74	64	13	11
Other subsidiaries	248	286	1	4	29	26	-	-
<i>Parent Company Units:</i>								
SSAB Finance	0	0	-7	-8	6	1	-	-
Other parent company units *	0	0	-19	-23	-4	11	-	-
Affiliated companies	-	-	5	11	5	11	-	-
Group adjustments	<u>-2,168</u>	<u>-2,203</u>	<u>27</u>	<u>-20</u>	<u>39</u>	<u>-20</u>	<u>-</u>	<u>-</u>
Total	10,576	10,073	855	569	786	477	8	6

* Excluding dividends from subsidiaries and affiliated companies. Profit in other parent company units consist 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
Sales	4,774	5,075	4,161	5,261	5,281	5,295	4,535	4,571	4,934	5,139
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
Depreciation	-273	-280	-274	-304	-287	-289	-287	-278	-274	-274
Affiliated companies	10	-1	3	8	10	4	-5	-6	0	7
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>
Profit after financial items	478	1,055	-142	479	465	321	82	45	182	295

Auditors' Review

Each year, the auditors review the report for the first three quarters. Accordingly, this half year report has not been reviewed by the auditors.

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 half year report has otherwise been prepared in accordance with the same principles as the most recent annual report.

