

Report for the first three quarters of 2000

- Profit after financial items, excluding non-recurring items, improved by SEK 670 million to SEK 816 (146) million as a result of increased volumes and improved margins in the steel operations. In addition, SEK 575 million was included in the profit as a net effect of disbursements of surplus funds from SPP and additional energy taxes for the years 1995-1999. Profit after financial items thus amounted to SEK 1,391 (146) million.
- Deliveries of the steel operations' niche products increased during the year by 13%, and constituted just over 40% of the total deliveries.
- For reason of health the President and CEO Torsten Sandin today expressed his wish of promptly leaving his office. Until further notice, the Executive Vice President Anders Ullberg will hold the office.

Consolidated Profit and Loss Account

SEK millions	1999 Q 3	2000 Q 3	1999 Q 1-3	2000 Q 1-3	1999 Full Year	Oct 99- Sep 00
Sales	3,598	4,161	12,294	14,010	16,807	18,523
Costs of goods sold	<u>-3,352</u>	<u>-3,843</u>	<u>-10,792</u>	<u>-11,823</u>	<u>-14,493</u>	<u>-15,524</u>
Gross profit	246	318	1,502	2,187	2,314	2,999
Selling and administrative expenses	-411	-421	-1,267	-1,322	-1,738	-1,793
Other operating revenues and expenses *)	-15	-3	-40	589	-59	570
Affiliated companies	<u>1</u>	<u>3</u>	<u>4</u>	<u>12</u>	<u>25</u>	<u>33</u>
Operating profit	-179	-103	199	1,466	542	1,809
Financial items	<u>-22</u>	<u>-39</u>	<u>-53</u>	<u>-75</u>	<u>-75</u>	<u>-97</u>
Profit after financial items	-201	-142	146	1,391	467	1,712
Tax	60	39	-46	-396	-177	-527
Minority shares	<u>-2</u>	<u>-5</u>	<u>-8</u>	<u>-39</u>	<u>-9</u>	<u>-40</u>
Profit after tax	-143	-108	92	956	281	1,145
Return on capital employed before tax (%)	-	-	-	-	5	15
Return on equity after tax (%)	-	-	-	-	3	12
Earnings per share (SEK)	-1.30	-1.00	0.80	8.70	2.50	10.30
Equity per share (SEK)	84.80	90.80	84.80	90.80	86.50	90.80
Equity ratio (%)	57	51	57	51	56	51
Number of shares at end of the period (million)	112.11	105.03	112.11	105.03	112.11	105.03

*) The net present value of disbursements of surplus funds from SPP amounts to SEK 625 million and is included as other operating revenues during the second quarter of 2000.

Market

The International Iron and Steel Institute (IISI) anticipates that world steel consumption will increase this year by 6% to slightly more than 750 million tonnes. Trends in Western Europe are the same, and it is anticipated that consumption will increase to the highest level to date - 5% higher than last year. IISI also anticipates an increase next year, while at a slower pace.

Demand has continued to be good for all products. Delivery times on the market, which were generally long in the beginning of the year, have gradually decreased, however, and have now reached more normal levels.

Deliveries by the steel operations to the Swedish market have continued at a high level and, during the first three quarters of the year, were 20% higher than last year.

During the quarter, it was possible to carry out price increases in local currencies with respect to sheet and plate products which were renegotiated. In total, prices for the steel operations increased by slightly more than 6% in Swedish kronor as compared with the preceding quarter. Of the increase, just over 4 percentage points were due to higher prices in local currencies, 1 percentage point was related to an improved product mix, and just under 1 percent was a consequence of a weaker Swedish krona. To date this year, prices in the steel operations have thus been 11% higher than last year.

Production and Deliveries

The conversion of the large blast furnace in Luleå resulted in a significant limitation on crude steel production in Luleå commencing in the beginning of June until the end of August. Compared with a year with a normal summer closure of the blast furnaces, this resulted in a reduction of production of approx. 150 thousand tonnes. Thus, crude steel production during the quarter was 11% lower than last year, and amounted to 547 thousand tonnes. Total crude steel production for the first three quarters thus amounted to 2,398 thousand tonnes, a decrease of just under 1% compared with last year.

In order to compensate for the decrease in crude steel production during the conversion of the blast furnace, agreements for the purchase of steel slabs from other steel works were executed during the first half of the year.

Nonetheless, occasional shortages of steel slabs resulted in somewhat slower production in the hot rolling strip mill during the quarter. However, total sheet production amounted to 537 thousand tonnes, which was 3% higher than during the corresponding quarter last year. Total sheet production for the first three quarters was 5% higher than in 1999.

Deliveries of the steel operations' niche products, high strength sheet and quenched steels, amounted to 225 thousand tonnes during the quarter. Consequently, total deliveries of these products during the first three quarters were 13% higher than last year, and amounted to 866 thousand tonnes.

Total deliveries from the steel operations increased during the third quarter by 5% compared with the corresponding quarter in 1999, and amounted to 545 thousand tonnes. To date during the year, deliveries have thus been 7% higher than last year.

Volumes in the trading operations which are dependent on the Swedish market continued to be high during the quarter and have thus far increased by 10% compared with the preceding year.

Non-Recurring Items

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 50 million. The tax decision will be appealed.

The group's share of SPP's surplus funds amounts to SEK 734 million. Based on SPP's rules, it is estimated that the payments to group companies will take place during a period of just over 6 years. The current value of the disbursements amounts to SEK 625 million and was reported during the second quarter as other operating revenue.

Thus, total non-recurring items in the results for the first three quarters amount to SEK 575 (0) million, of which SEK -50 (0) relate to the third quarter.

Sales and Profit

Sales during the third quarter increased by 16% compared with the corresponding quarter last year. In total, this means that sales for the first three quarters increased by 14% to SEK 14,010 (12,294) million. Higher prices accounted for 8 percentage points, and higher volumes contributed 6 percentage points to the increase.

Costs for iron ore during the first three quarters were 14% higher than during the corresponding period last year. Coal agreements, which apply for a period of one year commencing 1 April, entailed a price increase in Swedish kronor of 9%. However, since the full impact of the price increase was not felt until the third quarter, total costs for coal during the first three quarters were approximately the same as last year.

As a result of measures taken to, among other things, reduce purchases of external services, processing costs in absolute figures during the quarter could be maintained at unchanged levels compared with last year. However, as a consequence of the higher operating volumes among other reasons, total processing costs for the first three quarters increased by 5% compared with last year.

Compared with the preceding year, the operating profit for the seasonally weak third quarter, excluding non-recurring costs in the amount of SEK 50 (0) million, improved by SEK 126 million to SEK -53 (-179) million. Improved margins in the steel operations and higher rates of delivery in all operations have had a positive effect on the profit, while the conversion of the blast furnace negatively affected profit by approx. SEK 90 million.

In total for the first three quarters, improved margins and volumes in the steel operations, together with higher volumes in the trading and processing operations resulted in an improvement in operating profits in the business of SEK 692 million to SEK 891 (199) million, despite increased processing costs and depreciation. Together with non-recurring items, this means that operating profit amounted to SEK 1,466 (199) million. The analysis of profits is set forth in the table on next page.

Change in operating profit between the first three quarters of 2000 and 1999 (SEK millions)	
Steel operations	
- Improved margins	+550
- Increased volumes	+160
Trading and processing operations	
- Increased volumes	+210
Increased processing costs	-200
Increased depreciation	-41
Non-recurring items	+575
Other	+13
Improvement in operating profit	+1,267

Financial items amounted to SEK -75 (-53) million. Profit after financial items thus improved to SEK 1,391 (146) million.

Capital Expenditures

During the first three quarters, decisions were taken regarding new capital expenditures totalling SEK 620 (895) million. The decisions regarding new capital expenditures included, among other things, a significant environmental investment for the coking plant in Luleå, at which a cover will be installed to collect particulates from the coking process, and a decision regarding a third press-hardening line in SSAB HardTech's facility in Mason, USA. Both of these investments are expected to be placed into operation around the end of 2001, and amount to just under SEK 200 million of the total capital expenditures decided upon.

Operation in the new blast furnace in Luleå commenced on 25 August. The blast furnace was built on the foundation of the larger of the two existing blast furnaces. In this manner, a large part of the existing infrastructure could be utilised. Thereafter, the smaller blast furnace in Luleå could be closed according to plan, making possible significant efficiency gains. The cost of the conversion is calculated to amount to just over SEK 900 million.

In 1999, a decision was taken to invest in a second quenching line in Oxelösund. The quenching line will provide the possibility for expansion of the product range within quenched steels and will increase quenching capacity by 50%. The investment amounts to SEK 550 million and the line is expected to be brought into operation around mid-year next year.

Capital expenditures during the first three quarters amounted to SEK 1,501 (816) million. Of these expenditures, just over SEK 170 million was comprised of share capital and loans to the affiliated company, European Electrical Steels (EES) 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 1,330 million, the two major investment projects, the blast furnace and quenching line, accounted for just over SEK 700 million. Capital expenditures of slightly less than SEK 350 million remain for both of these projects.

Financing and Liquidity

In spite of a positive cash flow from the operations and a first cash payment of SEK 147 million of the surplus funds from SPP, a high level of capital expenditures meant that the cash flow for the quarter amounted to SEK -316 (+78) million.

The cash flow for the first three quarters thus amounted to SEK -367 (+532) million.

As a consequence of the negative cash flow, together with dividends paid and repurchases of shares, the net debt, including the receivables from SPP, increased since the beginning of the year by the amount of SEK 951 million to SEK 2,679 million.

A Medium Term Note programme is used for long-term borrowing, while a Swedish commercial paper programme is used for short-term borrowing. During the year, these programmes were each expanded to SEK 2,000 million. At the end of September, borrowing within these programmes totalled SEK 2,944 million.

Repurchase of Own Shares

Since the middle of May when the repurchase programme commenced, 7.1 million shares (4.7 million class A shares and 2.4 million class B shares), constituting 6.3% of the total outstanding shares, were acquired for SEK 623 million. Accordingly, at the end of September, the number of shares (less repurchased shares) amounted to 105.0 million. The average number of shares during the quarter was 107.7 million, while the average for the first three quarters was 110.4 million.

Prospects for the Rest of the Year

During the fourth quarter, it is anticipated that the prices in the steel operations in local currency will, to a large degree, remain unchanged and it will be possible to maintain the high rate of delivery enjoyed to date. However, costs for, among other things, oil and liquefied petroleum gas are increasing significantly as a consequence of which margins in the steel operations are expected to be somewhat lower than during the third quarter.

With the exception of the seasonal downswing in Plannja, it is expected that the trading and processing operations will continue to have a high rate of delivery.

It is therefore estimated that the total profit, excluding the effect of non-recurring items, will be significantly better than last year.

Sensitivity Analysis

	Change during the fourth quarter, %	Effects on profit, SEK million	Effects on earnings per share, SEK*)
Prices - steel operations	5	160	1.10
Volume - steel operations	5	60	0.40
Volume - trading operations	5	15	0.10
Margin - trading operations	2% pts	30	0.20

The sensitivity analysis describes how profit before tax and earnings per share will be affected by changes in the stated factors during the fourth quarter.

*) The effect has been calculated on the basis of the number of outstanding shares as per 30 September 2000.

SSAB's President and CEO resigns

For reason of health Torsten Sandin today expressed his wish of promptly leaving his office as President and CEO, an office he has held since April 1998. Until further notice, Anders Ullberg, Executive Vice President and CFO will hold the office as President and CEO.

Stockholm, 26 October 2000

Torsten Sandin

Review Report

We have conducted a review of this interim report in accordance with the recommendations issued by the Swedish Institute of Authorised Public Accountants, FAR.

A review is significantly limited compared to an audit.

Nothing has arisen to indicate that the interim report does not comply with the requirements of the Securities Exchange and Clearing Operations Act and the Annual Reports Act.

Stockholm, 26 October 2000

Göran Tidström
Authorised public accountant

Åke Danielsson
Authorised public accountant

A year-end Report for 2000 will be published on 13 February 2001.

SSAB Swedish Steel AB (publ)
Registration No. 556016-3429

Cash Flow

SEK millions	1999 Q 3	2000 Q 3	1999 Q 1-3	2000 Q 1-3	1999 Full Year	Oct 99- Sep 00
Cash flow from operations	109	166	893	1,376	1,433	1,916
Net effect of SPP surplus funds	-	147	-	147	-	147
Change in working capital	279	71	455	-389	213	-631
Investing activities	-310	-700	-816	-1,501	-1,210	-1,895
Cash flow	78	-316	532	-367	436	-463
Financing activities	-135	251	-730	253	-562	421
Change in liquid assets	-57	-65	-198	-114	-126	-42

Consolidated Balance Sheet

SEK millions	30 Sep 1999	31 Dec. 1999	30 Sep 2000
Assets			
Fixed assets	9,042	9,161	10,307
Inventories	3,438	3,628	3,727
Accounts receivable	2,706	2,676	3,259
Other assets	500	851	664
Liquid assets	867	939	825
Total assets	16,553	17,255	18,782
Equity and liabilities			
Equity	9,510	9,699	9,537
Minority shares	151	151	181
Deferred tax and other provisions	1,846	1,916	1,925
Long-term liabilities	1,464	1,306	1,534
Current liabilities	3,582	4,183	5,605
Total equity and liabilities	16,553	17,255	18,782

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

SEK millions	Sales		Operating profit/loss 3)		Profit/loss after financial items 3)		Return on capital employed (%)	
	1999 Q 1-3	2000 Q 1-3	1999 Q 1-3	2000 Q 1-3	1999 Q 1-3	2000 Q 1-3	1999 Full year	Oct 99- Sep 00
<i>Subsidiaries:</i>								
SSAB Tunnpålt	5,934	6,913	-122	367	-169	299	2	10
SSAB Oxelösund 1)	2,926	3,468	120	163	55	78	5	6
Plannja	754	891	71	80	67	75	26	28
SSAB HardTech	338	422	59	101	41	80	13	18
Dickson PSC	81	89	9	13	9	13	17	22
Tibnor	4,380	4,983	91	184	77	171	8	14
Other subsidiaries	355	420	-3	5	40	54	-	-
<i>Parent company units:</i>								
SSAB Finance	0	0	-10	-8	11	24	-	-
Other parent company units 2)	0	0	-28	-35	3	0	-	-
Affiliated companies	-	-	8	5	8	5	-	-
Group adjustments	<u>-2,474</u>	<u>-3,176</u>	<u>4</u>	<u>591</u>	<u>4</u>	<u>592</u>	<u>-</u>	<u>-</u>
Total	12,294	14,010	199	1,466	146	1,391	5	15

1) Profits for the first three quarters of 2000 include non-recurring costs in the amount of SEK 50 million for energy taxes for the years 1995-99.

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

3) The effect on results of disbursements of surplus funds from SPP in the amount of SEK 625 million is included in Group adjustments. Of these SEK 183 million will be reported in the partly-owned (85%) Tibnor Group.

Profit by 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
Sales	4,929	4,814	3,785	4,307	4,256	4,440	3,598	4,513	4,774	5,075	4,161
SPP surplus funds										625	
Operating expenses	-4,114	-4,070	-3,630	-3,834	-3,876	-3,923	-3,514	-3,900	-4,015	-4,346	-3,993
Depreciation	-208	-214	-216	-242	-260	-262	-264	-291	-273	-280	-274
Affiliated companies	18	22	9	-1	-1	4	1	21	10	-1	3
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>
Profit after financial items	677	589	-67	225	108	239	-201	321	478	1,055	-142

