

Report for the First Quarter of 2006

- Sales increased by 8% to SEK 7,622 (7,060) million. Profit after tax amounted to SEK 1,113 (1,285) million, entailing essentially unchanged earnings per share of SEK 12.07 (12.55).
- Profit after financial items amounted to SEK 1,558 (1,792) million. Return on capital employed during the most recent twelve-month period was 33% and return on equity was 28%.
- Deliveries of the core niche products, extra and ultra high-strength sheet and quenched steels, increased by 18% compared with last year.
- Cash flow excluding sold operations improved to SEK 955 (562) million.
- Capital expenditures of SEK 770 million decided for continued expansion within quenched steels.

Consolidated profit and loss account

SEK millions	2005 Q 1	2006 Q 1	2005 Full year	Apr 05- Mar 06
Sales	7,060	7,622	27,804	28,366
Cost of goods sold	-4,916	-5,677	-20,642	-21,403
Gross profit	2,144	1,945	7,162	6,963
Selling and administrative expenses	-381	-431	-1,688	-1,738
Other operating revenues and expenses	13	-19	166	134
Affiliated companies, profit before tax	<u>28</u>	<u>62</u>	<u>95</u>	<u>129</u>
Operating profit	1,804	1,557	5,735	5,488
Financial income	25	29	77	81
Financial expenses	-37	-28	-141	-132
Profit after financial items	1,792	1,558	5,671	5,437
Tax	-507	-445	-1,603	-1,541
Profit after tax	1,285	1,113	4,068	3,896
Of which attributable to:				
- the parent company's shareholders	1,267	1,097	4,021	3,851
- minority interests	18	16	47	45
Key ratios				
Return on capital employed before tax (%)			34	33
Return on equity after tax (%)			30	28
Earnings per share (SEK)	12.55	12.07	42.21	41.51
Equity per share (SEK)	141.10	168.02	155.99	168.02
Equity ratio incl. minority (%)	65	69	66	69
Net debt/equity ratio (%)	-2	-3	3	-3
Average no. of shares during the period (mil.)	100.9	90.9	95.2	92.8
Number of shares at end of period (mil.) 1)	100.9	90.9	90.9	90.9
Average number of employees			8,832	8,796

1) Redemption of every tenth share in June 2005 resulted in a decrease of almost 10 million in the number of shares.

The Market

According to the most recent forecast issued by the International Iron and Steel Institute, global steel consumption in 2006 is expected to increase by just over 6%.

Demand has remained strong for the Group's core niche products. Deliveries of extra and ultra high-strength sheet during the quarter increased by 25% compared with last year. The increase is largely attributable to the heavy transport sector in the United States, containers in Asia and light vehicles in Europe. Deliveries of quenched steels remain restricted by available production capacity but, thanks to gradual measures to eliminate bottlenecks in the production flow, it was possible to increase deliveries by 10% compared with last year.

Deliveries of the Group's niche products, high-strength sheet and quenched steels within the plate area, accounted for 57 (52)% of the sheet and plate deliveries from the steel operations. Of these, the core niche products, extra and ultra high-strength sheet and quenched steels, accounted for 37 (32) percentage points.

As regards the ordinary product range, the inflow of orders in the sheet operations strengthened significantly at the end of last year and has remained strong during the quarter.

Pending the first quarter, it was necessary to accept price reductions for sheet averaging 3% in local currencies. On the other hand, it was possible to increase prices for quenched steels, while prices for ordinary plate remained essentially unchanged. In addition, prices were positively affected by a stronger product mix (just over 2%) and by a weaker krona (1%).

In total, prices in Swedish kronor were thus 2% higher than during the fourth quarter and 5% higher than during the first quarter of last year.

Production and Deliveries

Sheet and plate production amounted to 866 (874) thousand tonnes, an increase of 14% over the final quarter of last year when production was occasionally curtailed in response to a weaker inflow of orders. At 1,024 (1,058) thousand tonnes, crude steel production was 8% higher than in the fourth quarter but 3% lower than in the first quarter of last year.

Deliveries of sheet and plate from the steel operations amounted to 815 (806) thousand tonnes, which was 10% higher than during the fourth quarter of last year.

The steel operations' deliveries to the Swedish market during the first quarter were 5% higher than last year. Tibnor's deliveries increased by 9% compared with the first quarter of last year, while Plannja's deliveries increased by 2%.

Sales and Profit

Sales increased by 8% to SEK 7,622 (7,060) million. Higher prices accounted for 5 percentage points and higher volumes for 3 percentage points.

No iron ore agreements have yet been entered into for 2006. However, the result includes an assessment of the outcome of current negotiations.

Coal agreements have, however, been signed during the quarter. These agreements enter into force on 1 April, but will not impact on results until the beginning of the third quarter. The agreements entail a price reduction in dollar terms of just over 10% compared with the

agreements that were signed in 2005 and a price increase of approx. 20% compared with the two-year agreements that were signed in 2004. In Swedish kronor, this in total entails a price increase of 15%.

Coal costs during the first quarter are based on the 2005 agreements and were approx. 30% higher than during the first quarter of last year.

Processing costs for the quarter were 5% lower than during the fourth quarter but 3% higher than during the first quarter of last year.

Operating profit for the first quarter fell by SEK 247 million to SEK 1,557 (1,804) million. The profit analysis is set forth in the table below.

Change in operating profit between the first quarter of 2006 and the first quarter of 2005 (SEK millions)	
Steel operations	
- Weaker gross margins	-280
- Increased share of core niche products	+115
Trading and processing operations	
- Weaker gross margins	-45
- Higher volumes/improved mix	+30
Higher processing costs	-36
Other	<u>-31</u>
Change in operating profit	-247

Changes in exchange rates compared with last year contributed to profit in the amount of almost SEK 100 million.

As a result of lower net debt, financial items improved to SEK +1 (-12) million. Profit after financial items thus amounted to SEK 1,558 (1,792) million. Earnings per share were SEK 12.07 (12.55).

Return on Capital and Equity

Return on capital employed before tax amounted to 33% for the most recent twelve-month period, while return on equity after tax amounted to 28%.

Capital Expenditures

During the first quarter, decisions were taken regarding new capital expenditures totalling SEK 558 (260) million. Of these, SEK 225 million relate to investments in increased capacity for after-treatment of crude steel in Oxelösund. The plant is expected to be brought into operation in the autumn of 2007.

Of ongoing major projects, approx. SEK 500 million relates to investments in increased quenched steel production capacity. The project will continue until the summer of 2007 and allows for a gradual increase in quenched steel capacity of just over 20% compared with at present.

Another major ongoing project is the modernisation of the tandem mill in Borlänge at a total cost of SEK 180 million, which will be completed during the summer break in 2006.

Capital expenditure payments amounted to SEK 275 (166) million.

At today's Board meeting, capital expenditures of SEK 770 million were approved for continued expansion within quenched steels. The projects include a new line for quenching and annealing of thick heavy plate, to be built in Oxelösund, as well as a distribution centre with formatting capacity in China. Implementation will take place gradually during 2007-2009 and will increase quenched steel production capacity by a further approx. 20%.

Financing and Liquidity

Cash flow for the quarter, excluding sold operations, amounted to SEK 955 (562) million.

Cash flow SEK millions	2005 Q 1	2006 Q 1	2005 Full year	Apr 05 - Mar 06
Cash flow from operations	1,502	1,310	4,864	4,672
Change in working capital	-774	-80	-1,281	-587
Investing activities	<u>-166</u>	<u>-275</u>	<u>-778</u>	<u>-887</u>
Cash flow excluding sold operations	+562	+955	+2,805	+3,198
Sold operations	<u>+1,425</u>	<u>-</u>	<u>+1,425</u>	<u>-</u>
Cash flow	+1,987	+955	+4,230	+3,198

Cash flow from operations differs from a presentation in accordance with IFRS insofar as cash flow is affected by current tax costs, i.e. the tax which is to be paid. The difference between this tax and the tax which has actually been paid is thereby regarded as a financial debt/claim. In a presentation in accordance with IFRS, on the other hand, the cash flow from the operations is affected by the tax actually paid during the year.

Thanks to the positive cash flow, net debt since the beginning of the year has been converted into a net surplus of SEK 521 (255) million. The net debt/equity ratio was thus negative and amounted to -3 (-2)%. Liquid assets amounted to SEK 2,193 (1,750) million, of which SEK 1,965 (1,598) million were in the parent company. In addition, at the end of the quarter there were short-term investments of SEK 0 (1,093) million. Total borrowing amounted to SEK 1,532 (2,049) million.

The Board of Directors' proposals regarding the dividend and redemption of shares will result in a transfer to the shareholders of SEK 818 million (SEK 9/share) at the beginning of May and an additional SEK 2,205 million (SEK 24/share) in the middle of June.

Prospects for the Remainder of the Year

Demand for both sheet and plate is generally expected to increase in 2006. Growth in extra and ultra high-strength sheet is expected to remain strong during the year, while growth in quenched steels – where increased capacity is being brought into use – is expected to accelerate compared with 2005.

Based on the agreements reached, the steel operations' prices in local currencies during the second quarter will be approx. 3% higher than in the first quarter.

Processing costs are expected to remain largely unchanged compared with 2005.

Sensitivity Analysis

The approximate effect on profit after financial items and earnings per share of changes in significant factors is shown in the sensitivity analysis below.

	Change, %	Effect on profit, SEK millions	Effect on earnings per share, SEK *)
Sheet prices – steel operations	10	1,400	11.65
Volumes- steel operations	5	325	2.70
Volumes – trading operations	10	80	0.70
Margins – trading operations	2% points	115	0.95
Wage costs	2	60	0.50
Krona index	5	285	2.35

*) After the proposed redemption in 2006. The number of shares is estimated at 86.4 million. 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 profit for the year before tax and earnings per share.

Accounting Principles

The accounting principles are unchanged compared with the accounts for 2005. This interim report has been prepared in accordance with IAS 34.

Stockholm, 21 April 2006

Anders Ullberg

Review

Each year, the auditors review the report for the first three quarters. Accordingly, this interim report has not been subject to review by the auditors.

The Half-Year Report for 2006 will be published on 18 July 2006.

Consolidated Balance Sheet

SEK millions	31 Mar. 2005	31 Dec. 2005	31 Mar. 2006
Assets			
Intangible fixed assets	13	12	12
Tangible fixed assets	7,689	7,651	7,693
Participations in affiliated companies	376	381	427
Financial fixed assets	102	41	41
Deferred tax claims	<u>71</u>	<u>83</u>	<u>84</u>
Total fixed assets	8,251	8,168	8,257
Inventories	5,790	6,788	6,459
Accounts receivable	4,700	4,327	4,976
Current tax claims	13	24	57
Other current interest-bearing receivables	1,161	946	40
Other current receivables	472	683	492
Liquid assets	<u>1,750</u>	<u>884</u>	<u>2,193</u>
Total current assets	<u>13,886</u>	<u>13,652</u>	<u>14,217</u>
Total assets	22,137	21,820	22,474
Equity and liabilities			
Equity for shareholders in the company	14,234	14,184	15,278
Minority shares	<u>204</u>	<u>180</u>	<u>196</u>
Total equity	14,438	14,364	15,474
Deferred tax liabilities	1,459	1,361	1,365
Other long-term provisions	233	207	204
Long-term interest-bearing liabilities	<u>1,432</u>	<u>1,139</u>	<u>1,138</u>
Total long-term liabilities	3,124	2,707	2,707
Current interest-bearing liabilities	618	616	394
Current tax liabilities	538	403	131
Other current liabilities	<u>3,419</u>	<u>3,730</u>	<u>3,768</u>
Total current liabilities	<u>4,575</u>	<u>4,749</u>	<u>4,293</u>
Total equity and liabilities	22,137	21,820	22,474

Cash Flow Statement

SEK millions	2005 Q 1	2006 Q 1	2005 Full year	Apr 05- Mar 06
Cash flow from ongoing operations	892	1,006	4,106	4,220
Change in working capital	<u>-774</u>	<u>-80</u>	<u>-1,281</u>	<u>-587</u>
Cash flow from operating activities	118	926	2,825	3,633
Investing activities	-166	-275	-778	-887
Sold operations	<u>1,425</u>	<u>-</u>	<u>1,425</u>	<u>-</u>
Cash flow from investing activities	1,259	-275	647	-887
Dividend/redemption to shareholders	-	-	-2,850	-2,850
Other financing activities	<u>-1,203</u>	<u>658</u>	<u>-1,314</u>	<u>547</u>
Cash flow from financing activities	-1,203	658	-4,164	-2,303
Change in liquid assets	174	1,309	-692	443

Consolidated Changes in Equity

SEK millions	Share capital	Contributed funds	Transl. reserve	Retained earnings	Total	Minority interest	Total equity
Equity, 31 December 2004	2,522	560	-27	9,950	13,005	186	13,191
Equity adjusted to IFRS 1)	—	—	—	-49	-49	—	-49
Adjusted balance, 1 January 2005	2,522	560	-27	9,901	12,956	186	13,142
Changes 1 Jan. – 31 Mar. 2005							
Translation difference			11		11	0	11
Changes in affiliated companies' equity			0		0		0
Profit for the period	—	—	—	1,267	1,267	18	1,285
Equity, 31 March 2005	2,522	560	-16	11,168	14,234	204	14,438
Changes 1 Apr. – 31 Dec. 2005							
Translation difference			40		40	1	41
Change in affiliated companies' equity			6		6		6
Profit for the period				2,754	2,754	29	2,783
Redemption of shares 2)	-249	-	-	-1,844	-2,093	-	-2,093
Dividends	—	—	—	-757	-757	-54	-811
Equity, 31 December 2005	2,273	560	30	11,321	14,184	180	14,364
Changes 1 Jan. – 31 Mar. 2006							
Translation differences			-3		-3	0	-3
Change in affiliated companies' equity			0		0		0
Profit for the period	—	—	—	1,097	1,097	16	1,113
Equity, 31 March 2006	2,273	560	27	12,418	15,278	196	15,474

1) For 2005, the adjustment of SEK -49 million relates to adjustments in accordance with IAS 39.

2) Redemption in 2005 of 10.0 million shares reduced share capital by SEK 249 million to SEK 2,273 (2,522) million.

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

SEK millions	Sales		Operating profit		Profit after financial items		Return on capital employed (%)		Cash flow	
	2005 Q 1	2006 Q 1	2005 Q 1	2006 Q 1	2005 Q 1	2006 Q 1	2005 Full year	Apr 05- Mar 06	2005 Q 1	2006 Q 1
<i>Subsidiaries:</i>										
SSAB Tunnpått	3,900	3,735	1,196	662	1,189	650	40	32	642	584
SSAB Oxelösund	2,347	2,792	478	752	466	747	39	43	28	392
Plannja	219	226	-5	-14	-5	-15	20	18	-27	0
Tibnor	1,901	2,109	165	141	166	145	27	26	-92	37
Other subsidiaries	210	248	11	11	12	11			19	5
<i>Parent company units:</i>										
Parent company 1)	-	-	-18	-20	-15	-5			-8	-63
Affiliated companies	-	-	20	22	20	22			-	-
Group adjustments	<u>-1,517</u>	<u>-1,488</u>	<u>-43</u>	<u>3</u>	<u>-41</u>	<u>3</u>			<u>-</u>	<u>-</u>
Total, remaining operations	7,060	7,622	1,804	1,557	1,792	1,558			562	955
Sold operations 2)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			<u>1,425</u>	<u>-</u>
Total, including sold operations	7,060	7,622	1,804	1,557	1,792	1,558	34	33	1,987	955

1) Excluding dividends from subsidiaries and affiliated companies and excluding capital gains on sales of subsidiaries. The profit in the parent company units consists primarily of administrative costs and a positive figure for financial items.

2) Cash flow 2005 consists entirely of the received purchase price for SSAB HardTech.

Profit per Quarter for Remaining Operations

SEK millions	1/04	2/04	3/04	4/04	1/05	2/05	3/05	4/05	1/06
Sales	5,451	6,151	5,625	6,485	7,060	7,444	6,294	7,006	7,622
Operating expenses	-4,493	-4,981	-4,439	-4,961	-5,047	-5,505	-5,131	-5,530	-5,895
Depreciation	-248	-248	-258	-253	-237	-236	-239	-239	-232
Affiliated companies	-1	28	14	16	28	62	24	-19	62
Financial items	<u>-27</u>	<u>-29</u>	<u>-19</u>	<u>-7</u>	<u>-12</u>	<u>-17</u>	<u>-15</u>	<u>-20</u>	<u>1</u>
Profit after financial items	682	921	923	1,280	1,792	1,748	933	1,198	1,558

Profit per Quarter and per Subsidiary

SEK millions	1/04	2/04	3/04	4/04	1/05	2/05	3/05	4/05	1/06
SSAB Tunnpått	368	583	715	836	1,189	989	474	476	650
SSAB Oxelösund	251	186	21	244	466	568	286	637	747
Plannja	-12	33	41	6	-5	33	40	8	-15
Tibnor	78	136	140	130	166	139	68	55	145
Other incl. parent company	<u>-3</u>	<u>-17</u>	<u>6</u>	<u>64</u>	<u>-24</u>	<u>19</u>	<u>65</u>	<u>22</u>	<u>31</u>
Profit after financial items	682	921	923	1,280	1,792	1,748	933	1,198	1,558

