



Public Affairs
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PRESS RELEASE
7 FEBRUARY 2007

SSAB 2010 - A strategy programme for higher growth and profitability

SSAB's Board of Directors has adopted a three-year plan of action the aim of which is to increase the Group's profitability and growth. The plan comprises three main areas: to accelerate growth in current niches, to increase profitability at current plants, and to strengthen and enhance the efficiency of the Group's organisation. The plan of action also constitutes a basis for the Board's decision to increase the profitability target for the Group: the return on capital employed over a business cycle is to exceed 15%. The new profitability target entails an increase of some 3% points compared with the previous target.

- SSAB is today one of the most profitable steel companies in the world. In order to ensure that this position is maintained in the future we are implementing an ambitious strategic plan of action. We shall become even more efficient and better at exploiting the market potential in those niches in which we operate. Simply put: our target is to become the most efficient and profitable company in the industry, says Olof Faxander, President and CEO.

Today, SSAB is financially stronger than ever, thanks in large part to the boom in the steel industry but also due to a successful focus on niche products, viz. extra and ultra high-strength sheet and quenched steel. This provides room for manoeuvre for further strengthening the position for the future.

The five main trends within the steel industry that have formed the basis for the structure of the plan of action are: a strong growth in demand in our niches, a shift in demand growth to developing countries, an anticipated risk of future over-capacity with pressure on margins as a consequence, global consolidation, and an upgrading of the product portfolios of leading steel companies. In order to meet these trends, SSAB's plan of action comprises measures that are market-strategic, operational as well as organisational in nature.

Accelerated growth in current niches

The market-strategic measures are aimed at accelerating growth within our niches. This includes continued development of a distinctive range of products and services in niches in which SSAB is able to retain and strengthen its leading position. All in all, the aim is to double the volume of niche products within five years.

Within quenched steels, the aim is to strengthen further SSAB's global niche leadership. Sales in excess of 1 million tonnes are considered to be reasonable over a five-year horizon, i.e. a doubling of the present level. This growth is expected to take place primarily in Asia, and also in North America. Both organic and acquisition-based growth will be considered.

Within the sheet area, the current focus on extra and ultra high-strength sheet will continue. In order for the niche strategy to be successful in the long term, continued ambitious development is required towards a stronger product and service range as well as a leading market and cost position in the niche.

Increased profitability at current plants

The operational measures include a review and implementation of overall group programmes for systematic productivity work. The aim is to increase productivity by approximately 5 per cent annually. In addition, efforts will be made to reduce fixed costs, increase efficiency in the use of working capital and in purchasing, and to strengthen customer service, technical support and application development services.

Strengthened organisation

The organisational measures are aimed at better utilising the benefits from co-ordination that exist between different units in the Group. For example, large parts of the administrative support functions — finance and accounting, purchasing, logistics, personnel and market administration — will be co-ordinated. At the same time, forceful measures will be carried out in order to strengthen the organisation within several key areas. The replacement of one generation of employees by another and the replacement of skills will also continue. The expected effect of this is that just over 400 people will leave SSAB during 2007. These measures, which will primarily be carried out on a voluntary basis, will generate an annual cost saving of just over SEK 200 million commencing 2008. In addition, the Group's management and control model has been changed in order further to strengthen the results-based culture and the strategic dialogue within the Group.