

THE ÅKERS GROUP ANNUAL REPORT **2008**



ÅKERS
— SINCE 1580 —



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The clear objective is to develop Åkers from a leading roll manufacturer into a world class company.

Bengt Nilsson
President & CEO

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PRESIDENT'S COMMENTS

A record year in spite of a turbulent market



Bengt Nilsson
President & CEO

2008 was a very turbulent year for the global roll industry. The overheated market situation in 2007 was normalized during the first half of the year, to be followed by a dramatic decline of the market in the last quarter.

This dramatic slowdown was caused by the rapid decline of global steel demand. In turn, this decline in demand led to significant output decreases by the steel producers of the world, in order to meet the actual demand.

If the development of global roll demand in recent years has been without historical parallels, this is also true for the speed and the size of the slowdown. The leading roll makers experienced low order intake in Q4 and were also faced with demands to postpone shipments, from a few months to up to over a year, as well as of cancellations.

In the first half of 2008, both raw material and energy prices increased rapidly with scrap prices reaching record levels during springtime. In the summer months prices started to fall as rapidly. The impact of volatile raw material prices has, to a large extent, been dealt with through variable surcharges. These surcharges, since their intro-

duction a few years ago, have become industry standard in many markets such as Europe and North America for example. Nonetheless, it is likely that this volatility has created an insecurity that has contributed to the weaker order intake in the final months of the year.

New ownership structure

For Åkers, a large part of the year was dominated by the process in which the private equity firm Altor acquired 85 percent of the Group from STC Interfinans. Formal closing of the transaction was completed on July 23. The fact that STC Interfinans remains as a significant minority shareholder is a sign of their continued belief in the Group and should also ensure continuity in the development of Åkers.

Following intense conceptual work within the executive management team during the second quarter, the company launched an improvement program called Åkers 25. This program aims far beyond the Business Plan that was approved in October 2007.

During the startup of Åkers 25, the company found itself in the rapidly falling market. In response, the focus in the final weeks of the year was changed towards short term activities in order to deal with the new market reality.

As a result of the capacity adjustments decided upon during Q4 the

workforce will be decreased by around 15 percent and that activity in many plants will be dramatically reduced during the first half of 2009.

A new product division organization was introduced in January 2008. During the year the new structure has been consolidated and a number of key recruitments were made. New corporate functions such as Global Production Support and Corporate Development were established.

Facilitate dramatic improvements

I am convinced that Åkers now has an organizational structure that will facilitate the dramatic improvements that we intend to achieve. Following the new divisional structure, a decision was taken to establish two subsidiaries of Åkers France S.A., one for each of the plants in Sedan and Fraisses. From an operational standpoint, these plants are now part of the Divisions Cast Rolls Europe and Specialty Rolls. The remaining activities within Åkers France S.A. are part of Division Forged Rolls.

A new product development model, SPIDER, has been introduced during the year. There are currently a number of highly promising new products in the pipeline with significant commercial potential.



Best year in history

Sales 2008 amounted to 3.592 MSEK, which is 12.4 percent above the 2007 level (3.195 MSEK). The operating profit, EBIT, was 378 MSEK (304 MSEK). As a result 2008, in spite of the very weak last quarter, was the best year in the history of Åkers in absolute figures.

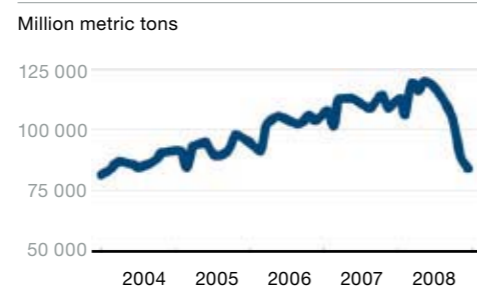
Operating cash flow amounted to 393 MSEK (94 MSEK).

The total investments 2008 were 283 MSEK (200 MSEK). One of the largest projects was the new vertical spin casting machine in the Chinese plant.

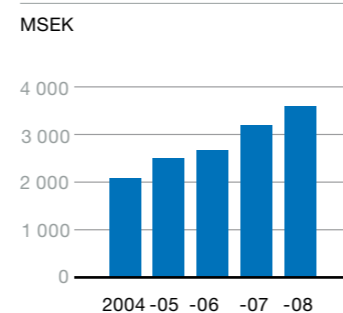
The improvement program Åkers 25 will run during a number of years and will have effects in all areas of the Group. The program contains short term cost saving and cash generating actions as well as more structural improvements. During the life of the program a separate program office will secure that all activities are followed and controlled. The clear objective is to develop Åkers from a leading roll manufacturer to a world class company. ●

Bengt Nilsson
President & CEO

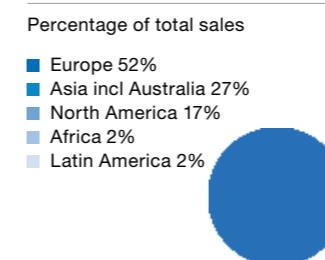
GLOBAL CRUDE STEEL PRODUCTION PER MONTH



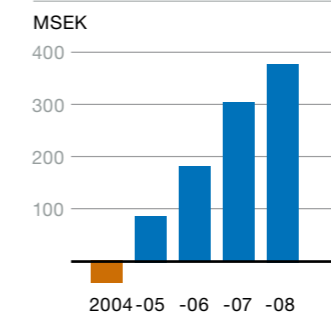
TOTAL SALES 2004 – 2008



SALES PER REGION



EBIT 2004 – 2008



KEY FIGURES

| MSEK | 2004 | 2005 | 2006 | 2007 | 2008 |
|-----------------------------|--------|--------|--------|--------|--------|
| Sales | 2.081 | 2.501 | 2.671 | 3.195 | 3.592 |
| Operating expenses | -2.026 | -2.322 | -2.392 | -3.007 | -3.378 |
| Depreciation | -98 | -91 | -97 | -109 | -120 |
| EBIT | -42 | 88 | 182 | 304 | 378 |
| EBIT Margin | neg | 4% | 7% | 10% | 11% |
| Investments in fixed assets | 176 | 156 | 61 | 199 | 283 |
| Return on capital employed | neg | 6% | 14% | 18% | 17% |



“

My colleagues are definitely the most important thing for me, and in the foundry at Åkers we have a really good team and great team spirit. The fact that Åkers also offers an exciting job, working with molten iron – that's extremely rewarding to me.

Therese Andersson
Foundry worker
Åkers Styckebruk, Sweden



“

I really value my job and the way I am developing at Åkers. I have not only been able to become an expert in my profession, but I have also experienced other areas such as coatings and heat treatments. This means that my job isn't a routine. I hope I can carry on in this way for further development in the future.

Franck Violette
Foundry worker
Sedan, France



Closer to customers



Ulf Gyllenholm

Senior Vice President
Marketing & Sales

Despite the rapid downturn in the world economy, 2008 was the best year in Åkers' history. The company strengthened its position as a global market leader offering quality rolls for the global steel and aluminum industries.

Compared to 2007, sales in China increased by more than 50 percent and by an even greater percentage in India. The increase in volumes sold was achieved without comprising profitability levels.

By far the most important product area for Åkers has been, and continues to be, rolls for flat products within the spheres of carbon steel, stainless steel and aluminium. Within these areas, which comprise the vast majority of Group activities, Åkers has a very strong market position. For long products, Åkers has taken more of a "niche approach" with excellent capabilities to produce larger sized section mill rolls, both cast and forged, at our sites in Sweden and France.

Increasing our global sales and service presence

As every rolling mill is unique, working closely with our customers to constantly improve our understanding of how we can meet their needs is something we continually strive to do. This has been one important contributing factor to the success we have enjoyed in our traditional markets of Europe and North America.

With Åkers' long and rich history of manufacturing in Western Europe and North America, our salesforce also

has its roots primarily in these markets. Today our sales offices in these markets are complemented by sales offices in China and Brazil. Through this network, Åkers today sells to customers in over 50 countries.

Our traditional markets have been, and will continue to be, important markets for Åkers, but with the rapid growth of the steel production in many emerging markets, the importance of the markets outside the traditional regions has increased greatly for Åkers in recent years.

New sales and service offices

Consequently, we have decided to build up a number of new sales and service offices in selected markets in the coming years.

Working from a number of similar hubs, Åkers will have an even more commanding presence on the global market. The company is currently considering a number of possible locations for its own sales offices.

By leveraging our existing sales and service capability and complementing it with more local market presence, we believe that we can work even closer with our customers, to deliver superior products and services. In this challenging market environment, we believe that this proactive approach is key to securing Åkers' continued development, positioning Åkers to benefit from the changing global steel landscape.

Win-win relationship with our customers

An arrangement with ever-advancing levels of technical expertise and more proactive advisory services, delivered in the mill, for customers is our objective. This enables Åkers to help the cus-

tomers to always choose the correct roll for any particular application. An approach incorporating "total cost of ownership" is being increasingly implemented by Åkers' customers. In practice, this means that a switch to a high tech roll solution may yield significantly better operating and overall financial results for the customer.

With the purpose of further strengthening the customer perception of Åkers as an important supplier in China, Åkers held a very successful customer seminar in China in March 2008. More than one hundred customers attended the seminar. Åkers' technology and know-how, as well as customer case studies were presented.

Focus on change

Within our marketing and sales activities, one objective is to rapidly adapt to prevailing market conditions. Perhaps even more important, the work and efforts to improve and change, will also prepare the business for the upturn when it eventually arises, ensuring that Åkers comes out on top.

Our overall objectives are to be faster, more reliable and efficient as well as more customer-focused, achieving more profitability and thus develop from being the leading global

roll manufacturer into becoming a world-class company.

Terms and conditions

One very important objective for Åkers, and the entire roll industry is to establish more developed commercial relations between roll makers and their customers.

Roll manufacturing includes long throughput times with high exposure to fluctuating raw material prices and varying exchange rates.

In the last quarter of 2008, when the market situation was dramatically worsened, it also became obvious that clearer commercial rules have to be established in this particular market. Postponements and cancellations must be handled in accordance with agreements between the parties.

Strengthening the organization

Efforts in this regard are not limited to improving Åkers' global sales presence. Key recruitments have also been made during 2008 and will continue also in 2009 as a number of the experts in the organization are approaching retirement. Åkers' objective is to have an excellent commercial team regardless of where the customers are located or what products they are using. ☉

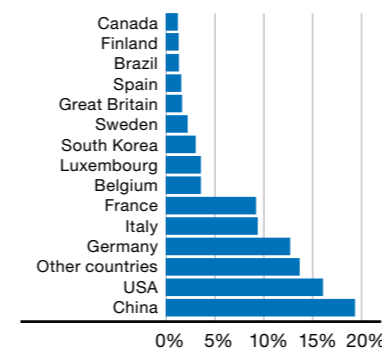


I really enjoy the everyday contacts with customers and co-workers within Åkers. We are a very good team, supporting each other towards our goals. This highly motivated team work can only lead to success. For me personally, I get a lot of new experiences in the field of marketing and sales, which I find both most interesting and developing.

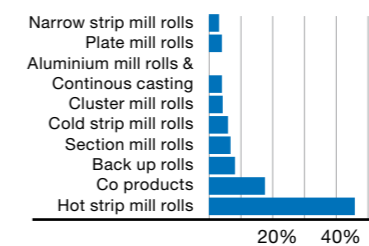
Barbara Kure
Sales Coordinator
Ravne, Slovenia



SALES DISTRIBUTION PER COUNTRY



SALES DISTRIBUTION PER ROLL MILL APPLICATION



The competitive position is strong



Tom Adams

**Division Manager
Cast Rolls America**

SHORT FACTS 2008

Employees: 330 F.T.E.
Products: Hot strip mill rolls, Cold strip mill rolls
Vertical Seal: Bearings, bushings, sleeves and chocks
Locations: Avonmore, Hyde Park and Pleasantville, PA, USA
Produced volume: 22.000 t

2008 was a strong year for Division Cast Rolls America. Product reliability and mill operating knowledge is the foundation on which excellent service to customers is built.

Division Cast Rolls America is a strong supplier of Hot strip mill rolls in the North American market. In the last year the division has focused on increasing export sales. During 2008, 26 percent of the roll production was exported. The majority of exported rolls are shipped to Asia, primarily to China. Last year, technical sales visits were made to many interesting markets. Exchanging knowledge and experiences of rolling mill practices related to technology rolls, supports the development of sales in new markets.

Equipment and research investments

In 2008, two major capital expenditure projects were initiated and will be completed in 2009. The first is the construction of a magnesium wire treatment station used to produce nodular iron for the roll core. This process will improve the environment for the workforce. The second project is the installation of a rebuilt CNC lathe.

During the year, research efforts introduced new roll grades offering improved surface quality for roughing stand applications. Performance trials conducted at several customer faci-

ties are showing improved performance and surface retention.

Moving forward in 2008

Division Cast Rolls America exceeded its objectives through the first three quarters of 2008, but economic conditions in the fourth quarter adversely affected year-end results. Unfortunately, the unexpected economic downturn came very quickly and full recovery is yet unclear.

An important achievement in 2008 was the fact that the safety record improved significantly. The number of Lost Time Accidents was reduced by 25 percent and resulted in a decreased number of work days lost.

The Vertical Seal facility manufactures bearing components for roll-

ing mills which are assembled onto roll necks. The potential for growth in this market is excellent.

During the year, Vertical Seal developed a successful business repairing steel mill backup and work roll chocks.

Market leadership

The Division Cast Rolls America sales department has many years of operational, technical and product development experience in working closely with the rolling mills and maintaining strong customer relationships. The company uses the product and rolling mill operating knowledge to provide excellent service, to improve rolling practices and to solve problems for the customers. These value-added services, along with the supply of reliable product qual-

ity and performance, will be important in 2009.

Broad spectrum of cast rolls

The rolls manufactured from the Division can be grouped into two categories: standard and technology. Standard rolls are grades that most roll manufacturers produce. Requiring advanced manufacturing techniques, technology rolls are highly refined grades made from high-speed steel. In North America; Division Cast Rolls America is the leading manufacturer of technology rolls. ●

"The highly respected Åkers brand represents product quality, reliability and outstanding service. In a global economy, this strong brand recognition greatly strengthens our competitive position."



For me, Åkers has shown that with hard work and commitment many opportunities are presented. Having been given the opportunity to communicate with customers on a daily basis has shown me a new perspective of what their concerns and needs are. The opportunity to learn and grow, with help from knowledgeable and experienced people at Åkers, has made the transition very rewarding.

Robert E. Klingensmith
 Technical Sales Engineer
 Avonmore, PA, USA



F.T.E.= Full time equivalence

SALES
 20% of the Group



SALES PER REGION
 ■ Asia 26%
 ■ North America 74%



NUMBER OF EMPLOYEES
 330 people (21% of the Group) Year average F.T.E.



INVESTMENTS
 13% of the Group



Well equipped to face the future



Kerstin Konradsson

**Division Manager
Cast Rolls Europe**

SHORT FACTS 2008

Employees: 510 F.T.E.
Products: Hot strip mill rolls, Plate mill rolls, Section mill rolls
Locations: Åkers Styckebruk, Sweden; Sedan, France
Produced volume: 31.000 t

Increased production capacity ensured that Division Cast Rolls Europe was more able to cope with the strong level of demand, primarily within plate mill rolls.

As a result of changes and improvements during the year, Division Cast Rolls Europe is well equipped to face the future. At the same time, the market for hot mill rolls at the end of the year was markedly affected by the changes in the economic situation.

The Division has two production facilities, one in Åkers Styckebruk, Sweden, and one in Sedan, France. The number of employees at the Swedish facility is 310, while 200 people are employed at the French site.

The biggest manufacturing activity in terms of volume within Division Cast Rolls Europe is still hot strip mill rolls for roughing mill works and finishing mill works. Manufacturing of plate mill rolls and hot strip mill rolls takes place at both production units. Large section mill rolls are manufactured at the production unit in Åkers Styckebruk, Sweden.

Increase in production capacity

During 2008, two brand new heat-treatment installations were planned for the Swedish facility. This will contribute substantially to increasing production capacity and ensuring faster deliveries.

The Division had almost full order books right through to the fall of 2008,

at which point the situation altered somewhat in certain segments due to the rapidly faltering global economy. Section mill rolls and plate mill rolls are still experiencing a good level of demand and the Division's units are adjusting production capacity to satisfy workload demands. The situation is different for hot mill rolls, and adjustments have been made to match customers' reduced requirements for new rolls.

At the end of 2008, the number of temporary staff in the Division was reduced, owing to the impact of changed production capacity resulting from current market conditions. Over the year, the organization has also been strength-

ened by several important key recruitments at both the Division and site level.

Constant improvements

The focus in the Åkers Group is on getting closer to its customers. Division Cast Rolls Europe is working along these lines and is well aware of the challenges it faces. Increased focus on customers' requirements, involving, among other things, investment in increased technical support and service on site for customers, is obvious. Working to ensure constant improvement has yielded results and the Division has increased production and improved the quality of its products. Reliability of

delivery from the Division's units has been improved, and the ambitious group-wide targets for improved reliability have been attained almost one hundred percent. Safer working environments and higher attendance among employees are positive results from the year's other initiatives. Achieving these objectives requires constant development of both employees and production facilities, something that never stops.

Customers throughout the world

The Division has customers throughout the world. Our general approach, regardless of where in the world the customer is located, is to endeavor to promote customer confidence and to ensure that our product functions optimally after delivery. By reviewing the technical requirements in advance together with the customer, Division Cast Rolls Europe can ensure that the correct product with the correct specifications is ordered and delivered every time.

Constantly improving and developing both products and quality level is the driving force for Division Cast Rolls Europe. Our products are well established and have a world-class reputation within the industry – and this position must be maintained. ●



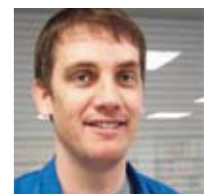
"The desire and ability to change and adapt is present within the Division. We have made great progress in terms of quality, reliability of delivery, safety and working environment."



I have a background in mechanical engineering and am now responsible for process engineering and machines used in the manufacture of rolls. I have had the opportunity to pursue my chosen career. My job tasks are extremely varied, and I am constantly mastering new skills and gaining experience. Åkers offers a very interesting work environment, which provides me with a solid basis for my future development.

Frédéric Husson

Preparation department for numerical control Sedan, France



SALES

29% of the Group



SALES PER REGION

- Africa 4%
- Americas 7%
- Asia 40%
- Europe 49%



NUMBER OF EMPLOYEES

510 people (32% of the Group) Year average F.T.E.



INVESTMENTS

30% of the Group

