Interim Report for the Second Quarter 2014

July 28, 2014

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Brief overview second quarter 2014 1(2)

1. The positive earnings trend continued during the second quarter

- Earnings mainly strengthened by an improved product mix and higher production volumes, but were also supported by better currency situation and lower energy prices.
- EBITDA improved to 28 (19) MEUR, and thereby increased the margin from 8 percent to 12 percent.
- The efficiency programme for 2014 is on track, and productivity has increased significantly in the first half.
- An enhanced purchasing organisation and better coordination within the group have also contributed to the earnings improvement.
- Work on the new continuous casting in Smedjebacken will take place during the summer, which will provide a greater range of dimensions, better quality and a slightly improved cost position.

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2. Sales and order bookings in line with the second quarter last year.

- Market growth in the second quarter was somewhat weaker than expected, with a stable start and a somewhat weaker finish ahead of the summer.
- Weak demand in the heavy vehicle and mining sectors was offset by increased sales in other areas.
- The order book remains slightly higher than the same period last year.

3. Investments in product management and R&D starting to pay off

- A number of new deals have been signed during the quarter, particularly in the energy sector and transmissions.
- IQ-Steel® continues to strengthen its position in applications where components are under high load, and where weight reduction is essential.
- There was a re-launch of M-Steel® last year, and new product launches will follow in the autumn.

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Short term outlook

Delivery volumes for the third quarter are expected to remain at the same level as in the third quarter of 2013.

- Economic conditions in Europe and demand for engineering steel are expected to remain stable for the rest of the year.
- Earnings will be affected by the seasonal maintenance shutdown during July, with an extended shutdown at the steel mill in Smedjebacken.

Summary of first half year 2014

January – June 2014

- Sales volumes increased by 9 percent compared with the same period last year, and revenue by 4 percent. The lower growth in revenue relative to volume is primarily due to reduced scrap and alloy surcharges
- Operating profit before depreciation and amortisation (EBITDA) amounted to EUR 58 (33) million. Higher volumes and a better product mix are the main reasons for the improvement in earnings
- Production volume increased by 21 percent compared to the same period last year
- Operating profit (EBIT) amounted to EUR 34 (10) million
- Cash flow from operating activities amounted to EUR 6 (-6) million.

Amounts in brackets in this report refer to the corresponding period in the previous year.

Summary of key figures

Group key figures

		2014 Q2	2013 Q2	2014 Q1-2	2013 Q1-2	2013 Full year
Sales volumes	kton	189	191	393	361	675
Revenue	EURm	233	240	479	460	850
Operating profit before depreciation (EBITDA)	EURm	28	19	58	33	47
EBITDA margin	%	12.0 %	7.8 %	12.1 %	7.3 %	5.5 %
Operating profit (EBIT)	EURm	16	6	34	10	-1
EBIT margin	%	6.7 %	2.6 %	7.0 %	2.2 %	0.0 %
Net profit/loss	EURm	0	2	9	-2	-21
Earnings per share	EUR	8	38	170	-36	-412
Cash flow from operating activities	EURm	1	8	6	-6	20
Net debt/equity ratio	%	149 %	146 %	149 %	146 %	160 %
Return on capital employed (ROCE)	%	5 %	-2 %	5 %	-2 %	0 %
Number of employees at end of period (FTE)	No.	2 956	3 004	2 956	3 004	2 995