

Interim Report for the Third Quarter 2014

November 5, 2014

OVAKO

Brief overview third quarter 2014 1(2)

- 1. We had a stable third quarter with earnings, sales volumes, order intake and order book in line with the same period last year.**
 - Operating profit before depreciation and amortisation (EBITDA) improved by EUR 2 million to EUR 7 (5) million.
 - Sales volumes and revenues were in line with last year.
 - Order intake was 3 percent weaker than in the same period last year. However, the order book was slightly larger than at the end of the third quarter 2013

Brief overview third quarter 2014 2(2)

2. An increased uncertainty in the European market has prompted an increased focus on expenses, and we will adjust our inventory and production rate for the rest of the year.

- The implementation of the efficiency programme that was announced for 2014 of EUR 17 million, is proceeding according to plan.

3. Ovako continues to strengthen its customer offering and competitiveness in our chosen areas.

- Our efforts to enhance the customer offering will result in three new launches during the autumn to address demand for lightweight and durable products that can withstand high loads.
- During the quarter a decision was taken to begin a multi-year process to develop the Hofors steel and rolling mill. The first steps will be taken in the next year, with an investment to increase the productivity of the rolling mill. Work is also taking place to produce larger ingots of 6-8 tonnes, and through forging supply our large ring mill.

Short term outlook

We expect sales volumes in the fourth quarter to be in line with or slightly lower than in the same quarter last year.

- The weakening recovery in Europe negatively impacted third-quarter order intake.
- Likely inventory reductions by our customers towards the end of the year contributes to a cautious volume forecast.

Summary of third quarter 2014

Third quarter 2014

- Sales volumes and revenues were in line with last year. Revenue amounted to EUR 184 (185) million, and was positively influenced by an improved product mix, countered by somewhat lower scrap and alloy surcharges
- Operating profit before depreciation and amortisation (EBITDA) improved by EUR 2 million to EUR 7 (5) million. An improved product mix and the weakening of the Swedish krona contributed positively to the result
- Order intake was 3 percent weaker than in the same period last year. However, the order book was slightly larger than at the end of the third quarter 2013
- Operating profit (EBIT) amounted to EUR -5 (-6) million
- Cash flow from operating activities amounted to EUR 18 (22) million

Summary of first nine month 2014

January – September 2014

- Sales volumes increased by 7 percent compared to the same period last year, and revenue by 3 percent. The lower growth in revenues relative to volume is primarily due to lower scrap and alloy surcharges
- Operating profit before depreciation and amortisation (EBITDA) amounted to EUR 65 (39) million. Higher volumes and a better product mix, coupled with the weakening of the Swedish krona, are the main reasons for the improvement in the result
- Steel production volume increased by 6 percent compared to the same period last year
- Operating profit (EBIT) amounted to EUR 29 (4) million
- Cash flow from operating activities amounted to EUR 24 (16) million

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

Summary of key figures

Group key figures

		2014 Q3	2013 Q3	2014 Q1-3	2013 Q1-3	2013 Full year
Sales volumes	kton	145	144	538	505	675
Revenue	EURm	184	185	664	645	850
Operating profit before depreciation (EBITDA)	EURm	7	5	65	39	47
EBITDA margin	%	3.7 %	2.9 %	9.7 %	6.0 %	5.5 %
Operating profit (EBIT)	EURm	-5	-6	29	4	-1
EBIT margin	%	-2.4 %	-3.4 %	4.4 %	0.6 %	0.0 %
Net profit/loss	EURm	-8	-12	0	-14	-21
Earnings per share	EUR	-166	-248	5	-284	-412
Cash flow from operating activities	EURm	18	22	24	16	20
Net debt/equity ratio	%	154 %	155 %	154 %	155 %	160 %
Return on capital employed (ROCE)	%	5 %	-2 %	5 %	-2 %	0 %
Number of employees at end of period (FTE)	No.	2 939	2 988	2 939	2 988	2 995