

# Report for Fourth Quarter 2015

February 15, 2016



# Brief overview Report for Fourth Quarter 1(4)

## Continued challenging business climate

- 2015 was a challenging year, and the weak demand that marked the year continued into the fourth quarter. However, in the fourth quarter, order intake increased by 3 percent compared to the previous year.
- Most segments had a weak development except for Automotive and transportation where our clean steel applications for powertrain and IQ steel for diesel injection showed some strength.
- Ovako's sales volume was, as expected, somewhat weaker than in the same quarter of the previous year and decreased by 2 percent. Deliveries for the full year amounted to just over 680 thousand metric tons.

# Brief overview Report for Fourth Quarter 2(4)

## Internal and external impact on the results

- EBITDA before restructuring expenses amounted to EUR -5 million.
- Results were negatively impacted by a weaker sales mix, lower production volume and continuing fall in scrap and alloy prices.
- Further reduction of inventory levels led to underabsorption of fixed costs which had a negative effect of 3 mEUR in the quarter compared to Q4 previous year.
- Cost saving activities have reduced fixed cost by EUR 4 million in the quarter.

# Brief overview Report for Fourth Quarter 3(4)

## Ovako's restructuring program is developing ahead of plan

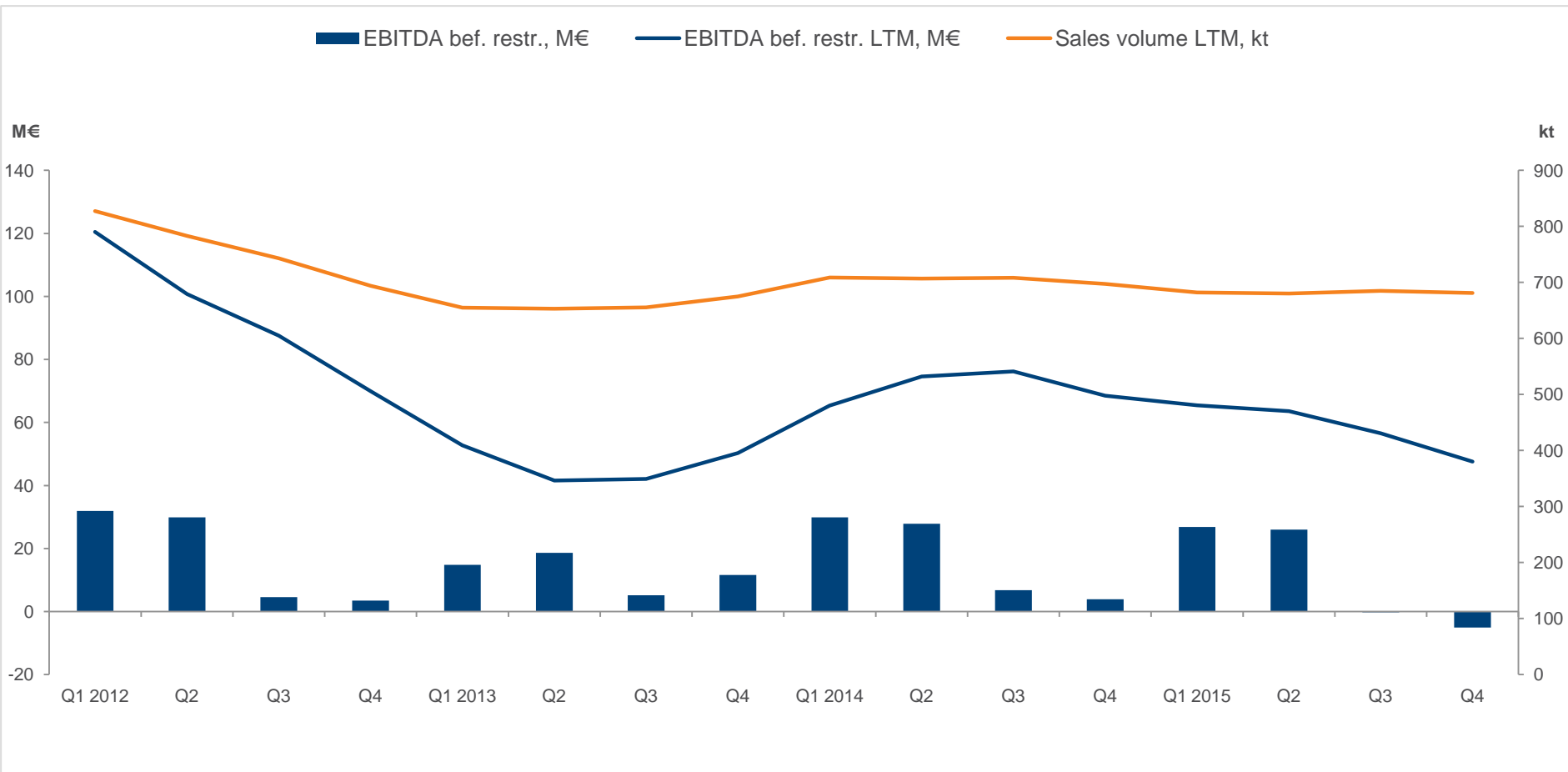
- Annual cost savings for the entire program is expected to be EUR 45 million with full effect from 2018.
- Number of full time employees will be reduced by approximately 250 whereof 93 has left already by January 1, 2016.
- Some initiatives, such as the shift reduction in Hofors, have been implemented ahead of plan.
- Savings are expected to reach EUR 18 million in 2016.
- Investments required by the program is expected to fall within the normal investment framework of EUR 30 – 35 million annually
- Consolidation of Ovako's distribution in Finland started according to plan in January 2016 and non-core aluminum business was divested in February.

# Brief overview Report for Fourth Quarter 4(4)

## Ovako cash flow affected by lower result

- Cash flow from operating activities amounted to EUR 11 million (42).
- Further reduction of working capital contributed with EUR 25 million (49)
- Cash flow for the period amounted to EUR 3 million (31)
- Less reduction of working capital and weaker result explains reduced cash flow compared to Q4 last year

# Sales volume and EBITDA before restructuring expenses 2012-2015



# Summary of key figures

## Group key figures

		2015 Q4	2014 Q4	2015 Full year	2014 Full year
Sales volumes	kton	156	160	681	697
Net revenue	EURm	183	199	834	862
EBITDA before restructuring cost	EURm	-5	4	48	69
<i>Adjusted EBITDA margin</i>	%	-2.7 %	2.0 %	5.7 %	7.9 %
EBITDA	EURm	-7	4	44	69
<i>EBITDA margin</i>	%	-4.0 %	2.0 %	5.2 %	7.9 %
EBIT before restructuring cost	EURm	-15	-14	7	15
<i>Adjusted EBIT margin</i>	%	-7.9 %	-7.0 %	0.9 %	1.8 %
Operating profit (EBIT)	EURm	-20	-15	1	15
<i>EBIT margin</i>	%	-10.6 %	-7.3 %	0.1 %	1.7 %
Net profit/loss	EURm	-23	-15	-23	-15
Earnings per share	EUR	-468	-306	-458	-302
Cash flow from operating activities	EURm	11	42	25	66
Net debt/equity ratio	%	-181 %	152 %	181 %	152 %
Return on capital employed (ROCE)	%	0 %	3 %	0 %	3 %
Full time employees at end of period (FTE)	No.	2,905	2,925	2,905	2,925

# Short-term outlook

- We expect the market for engineering steel in Europe to be characterized by continued uncertainty during the first quarter of 2016.
- Deliveries during the first quarter are expected to be in line with deliveries in the same quarter last year.



# New organization as from March 1st, 2016

- In order to strengthen the commercial focus, simplify the organization and to assure quality and pace in implementation of the restructuring program we are introducing a new organization. Five Business Units will become four and a new Group Sales Unit will be formed.
- Group Executive Management will from that date consist of:
  - Marcus Hedblom, CEO
  - Ola Salmén, acting CFO, EVP Group Finance, IT & Purchasing
  - Carl-Michael Raihle, President BU Hofors
  - Mathias Tillman, President BU Hällefors and EVP Group Sales
  - Janne Pirttijoki, President BU Bar Imatra
  - Rickard Qvarfort, President BU Bar SmeBox
  - Göran Nyström, EVP Group Marketing & Technology
  - Karin Lagerstedt Woolford, EVP Group HR, Communication & SHE