

# Report for

# Second Quarter 2016

July 15, 2016

**OVAKO**

# Brief overview Report for Second Quarter 1(3)

- Order intake 12% higher than second quarter last year.
- Deliveries 8% higher than second quarter last year.
  - Sales growth is being generated in the standard segment for bearings and in forging applications to the automotive industry.
  - The challenges consist mainly of weak development in bearings for industrial applications and of the oil and gas market in general
  - Geographically, growth was good in Europe, except for in Scandinavia where growth was unchanged. North America showed a negative trend compared to the previous year, mainly driven by the oil and gas market
- EBITDA before restructuring expenses amounted to EUR 28 million
- The positive sales development and completion of activities within the restructuring program contributed to improved profit in the quarter, despite a weaker sales mix.
- Scrap price timing effects contributed EUR 4 million positively whereas underabsorption in inventory had a negative impact of EUR 3 million in the quarter.
- Cost saving activities have reduced cost by EUR 6 million in the quarter.

# Brief overview Report for Second Quarter 2(3)

- Ovako's restructuring program is proceeding according to plan and has contributed EUR 6 million in the form of lower costs during the quarter. 175 people have left the group since the start of the program.
- For the first half of the year, the restructuring program has contributed EUR 10 million in the form of lower costs
- Ovako's restructuring program was strengthened during the quarter. Savings for the program increased from EUR 45 million to EUR 50 million, with full effect from 2018. The planned reduction in the number of employees was increased from 250 to 300.

# Brief overview Report for Second Quarter 3(3)

- Cash flow from operations amounted to EUR 19 million (15)
- Cash flow for the period amounted to EUR 1 million (1)

# Summary of key figures

## Group key figures

		2016 Q2	2015 Q2	2016 Q1-2	2015 Q1-2	2015 Full year
Sales volumes 1)	kton	201	187	386	375	681
Net revenue 2)	EURm	219	233	420	462	834
EBITDA before restructuring cost 3)	EURm	28	26	46	53	48
<i>Adjusted EBITDA margin 3)</i>	%	13.0 %	11.2 %	11.0%	11.4 %	5.7 %
EBITDA 3)	EURm	28	26	44	53	44
<i>EBITDA margin 3)</i>	%	12.6 %	11.2 %	10.6 %	11.4 %	5.2 %
EBIT before restructuring cost 3)	EURm	18	16	26	32	7
<i>Adjusted EBIT margin 3)</i>	%	8.4 %	6.8 %	6.1%	7.0 %	0.9 %
Operating profit (EBIT) 2)	EURm	17	16	24	32	1
<i>EBIT margin 3)</i>	%	8.0 %	6.8 %	5.7 %	7.0 %	0.1 %
Net profit/loss 2)	EURm	10	7	10	15	-23
Cash flow from operating activities 2)	EURm	8	4	11	-1	25
Net debt (excl pension liabilities)/equity ratio 3)	%	180 %	144 %	180 %	144 %	181 %
Return on capital employed (ROCE) 3)	%	-1 %	3 %	-1 %	3 %	0 %
Full time employees at end of period (FTE) 1)	No.	2,809	2,993	2,809	2,993	2,905

# Short-term outlook

- We expect the market for engineering steel in Europe to be characterized by continued uncertainty during the coming quarters.
- In view of the strong order intake during the second quarter, we believe that Ovako's deliveries in the third quarter will be slightly better than in the previous year.