

PRESS RELEASE
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Interim Report for 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

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.

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



Comments from the CEO

"Following a strong first half, Ovako's development continued to be stable during the third quarter. Results were strengthened and revenue was largely unchanged compared to the same quarter last year. The size of the order book was slightly higher than in the same period last year. The implementation of the efficiency programme that was announced for 2014 of EUR 17 million, is proceeding according to plan. In addition, an increased uncertainty in the European market has prompted an increased focus on costs and adjustments of inventory levels, with effect from September onwards. The production rate was reduced in the third quarter and will be held at a lower level until the end of the year.

Installation of the new continuous casting machine in Smedjebacken went according to plan during an eight-week shutdown. Inventory build-up ahead of the summer, coupled with supplementary production from other parts of the group, meant that delivery service from Smedjebacken has remained at a high level. The project is expected to be fully completed by year-end. Overall, Ovako's profit in the third quarter was negatively impacted by EUR 3 million as a result of the installation of the new continuous casting machine.

Work to enhance Ovako's customer offering has been ongoing for several years, resulting in three major launches for the autumn. These products are based on the concepts for improved wear resistance and ultra clean steels with excellent fatigue properties. They are well positioned to meet the demand for lightweight and durable products that can withstand high loads. The group's customer offering is now very competitive in our selected areas.

A decision was taken during the quarter 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

The weakening recovery in Europe negatively impacted third-quarter order intake. We expect sales volumes in the fourth quarter to be in line with or slightly lower than in the same quarter last year. Likely inventory reductions by our customers towards the end of the year contributes to a cautious volume forecast."

Tom Erixon
President and CEO
Stockholm, November 5, 2014

You will find the Interim report for the third quarter on the website:
<http://www.ovako.com/Financial-information/>

Further information can be obtained from:

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Ovako is a leading European producer of engineering steel for customers in the bearing, transportation and manufacturing industries. Our production is based on recycled steel and includes steel in the form of bars, tubes, rings and pre-components. Ovako is represented in more than 30 countries and has sales offices in Europe, North America and Asia. Sales in 2013 amounted to EUR 850 million and the company had 2,995 employees. For further information please visit us at www.ovako.com