Interim Report for Third Quarter 2015

Third quarter 2015

- Sales volume increased by 3 percent and revenues by 2 percent compared to last year
- Order intake was at the same level as in the corresponding period last year
- EBITDA before restructuring expenses amounted to EUR 0 (7) million. The result was negatively impacted by the effects of falling scrap prices by EUR 5 million and by a weaker sales mix
- Operating profit (EBIT) amounted to EUR -12 (-5) including restructuring costs
- Cash flow from operating activities amounted to EUR 15 (18) million
- The group has decided to implement a restructuring program over the next two years in order to adapt the production structure and cost base to demand. The program will affect approximately 250 employees and is planned to provide annual savings of EUR 45 million with full effect from 2018. Restructuring costs of EUR 2 (0) million have been recognized during the period and mainly relate to the activities in the program which commenced in the third quarter

January – September 2015

- Sales volume and revenue were 2 percent lower compared to the same period last year. The decrease is mainly attributable to the first quarter
- EBITDA before restructuring expenses amounted to EUR 53 (65) million
- Operating profit (EBIT) amounted to EUR 20 (29) million including restructuring expenses
- Cash flow from operating activities amounted to EUR 14 (24) million
- Restructuring costs of EUR 2 (0) million were recognized during the period, see above
- On March 31, steel and metals distributor Ovako Metals Oy Ab (formerly Tibnor Oy) in Finland was acquired, which positively affected operating profit with a non-recurring effect of EUR 3 million

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

Group key figures

		2015 Q3	2014 Q3	**2015 Q1-3**	2014 Q1-3	2014 Full year
Sales volumes	kton	**150**	145	**525**	538	697
Net revenue	EURm	**188**	184	**651**	664	862
EBITDA before restructuring cost	EURm	**0**	7	**53**	65	69
Adjusted EBITDA margin	*%*	***-0.2 %***	*3.7 %*	***8.1 %***	*9.7 %*	*7.9 %*
EBITDA	EURm	**-2**	7	**51**	65	69
EBITDA margin	*%*	***-1.1 %***	*3.7 %*	***7.8 %***	*9.7 %*	*7.9 %*
EBIT before restructuring cost	EURm	**-11**	-5	**22**	29	15
Adjusted EBIT margin	*%*	***-5.6 %***	*-2.4 %*	***3.4 %***	*4.4 %*	*1.8 %*
Operating profit (EBIT)	EURm	**-12**	-5	**20**	29	15
EBIT margin	*%*	***-6.5 %***	*2.4 %*	***3.1 %***	*4.4 %*	*1.7 %*
Net profit/loss	EURm	**-14**	-8	**0**	0	-15
Earnings per share	EUR	**-281**	-166	**9**	5	-302
Cash flow from operating activities	EURm	**15**	18	**14**	24	66
Net debt/equity ratio	%	**164 %**	154 %	**164 %**	154 %	152 %
Return on capital employed (ROCE)	%	**1 %**	5 %	**1 %**	5 %	3 %
Full time employees at end of period (FTE)	No.	**2,985**	2,939	**2,985**	2,939	2,925

Comments from the CEO

"The third quarter was challenging for Ovako, with a significantly worse business climate than in the first half. Despite this, the sales volume was slightly better than in the same quarter last year. Sales and order intake were adversely affected by the downturn in the oil and gas segment, a weak market for construction equipment and a generally weak market for bearings. Growth in diesel injection and trucks, along with multiple new business, has balanced the volume during the quarter.

Results were impacted by normal maintenance shutdowns during the summer, as well as by very rapidly decreasing scrap and alloy prices. Normally, Ovako's results are not significantly affected by variations in input materials, but negative effects arise when prices fall very rapidly, which hampered the quarter's profits by EUR 5 million. The current level of profits is not satisfactory.

The underlying growth within the European engineering industry is expected to remain low in the coming years. This, together with significant excess capacity in Ovako's steel segment, led to the announcement of restructuring within the group, which is expected to last for two years. The program will involve the reduction of approximately 250 employees in the group as three units are closed. Negotiations with union representatives have begun. The goal is to reduce costs by EUR 45 million by 2018. All customers and lines of business are expected to be handled within the framework of the new structure.

Already approved investments in marketing and technology are being implemented according to plan, including the new metallurgical platform in Hofors. Future capital expenditure levels are expected to remain at EUR 30-35 million in the coming years, including EUR 10 million over two years to manage the structural changes. The capacity of the group after the change is expected to be 800-850 thousand metric tons, depending on the mix. Deliveries in 2015 are expected to amount to approximately 700 thousand metric tons.

Short-term outlook

The market is expected to remain weak during the fourth quarter, with seasonal inventory reductions among our customers towards the end of the year. Deliveries during the fourth quarter are expected to be slightly weaker than in the same quarter last year."

Tom Erixon
President and CEO

Ovako restructuring program 2015 - 2017

On October 27 Ovako announced a restructuring program to adapt its production structure and cost base to current and expected future steel market demand. The program targets savings of EUR 45 million annually, with a net reduction of approximately 250 employees. The program will be implemented over two years with full financial effect from the first quarter 2018. It will contribute positively to the result also in 2016 and 2017, as actions are being implemented.

The total cost for the program is estimated to approximately EUR 10 million during 2015-2017, relating to personnel redundancies and other costs, e.g. moving of equipment. The redundancies will occur mainly in Sweden and Finland, with Ovako having 95 percent of its personnel in these countries. The program will also require capital expenditure of EUR 10 million during 2016-2017. This additional capital expenditure is expected to fit within the normal level of EUR 30-35 million per year, partly financed through avoided investments in sites and facilities that will be closed.

The restructuring program includes changes across the group in order to reduce costs and increase efficiency. The main structural initiatives are:

- Closure of the rolling mill in Hällefors, with production volumes moved to other Ovako units. The closure is planned to be finalized by summer 2017.
- Closure of the Forsbacka production and distribution unit, with volumes moved to other Ovako units. The closure is planned to be finalized during 2016.
- Closure of the distribution center in Turenki and consolidation of Ovako’s distribution in Finland to the newly acquired facilities in Tampere. The closure is planned to be finalized during 2016.
- Reduction of shifts from four to three for the steel mill, heavy rolling mill and tube mill in Hofors. The move to three shifts starts during the fourth quarter of 2015.

The program will also include a maintained focus on continuous improvements in production, administration and purchasing across the group. This restructuring program replaces other existing cost reduction programs. During and after the transition, Ovako will continue to offer all of its current product lines to its customers.

Market development

The EU industrial production index showed growth of 1.9 percent in the second quarter of 2015, compared to the same quarter in 2014. For the latest three reported months (May-July), the market increased by 2.0 percent compared to the same period in 2014. The growth rate in Germany was subdued, and remains below the EU average for the latest three reported months (1.1 percent). The industrial production trend in Sweden has improved during the second quarter of 2015 (3.0 percent), compared to last year, mainly driven by the automotive industry. For May-July 2015, growth in Sweden was 1.9 percent compared to the same period last year. The growth rate in Finland remained negative during the second quarter of 2015 (-3.1 percent), compared to 2014. For May-July 2015, growth in Finland was -2.1 percent, compared to the same period last year.

The European market for merchant bar (which includes engineering steel) remains at a low level. According to the European Steel Association, Eurofer, growth in the European market for merchant bar was -0.2 percent in the second quarter of 2015, compared to the same quarter in 2014. EU deliveries of merchant bar decreased in the latest three reported months (May-July) 2015, by 3.6 percent compared to the same period in 2014.

Revenue and profit for the third quarter 2015

Sales volumes and revenues for the third quarter have increased by 3 percent and 2 percent, respectively, compared to the corresponding period last year. Consolidated revenues amounted to EUR 188 (184) million. Revenues have increased by 8 percent in the quarter due to the acquisition of Ovako Metals Oy Ab, but have at the same time decreased due lower scrap and alloy surcharges.

Sales volume amounted to 150 (145) thousand metric tons. Reported sales volumes relate to Ovako's own production, and have thus not been affected by the acquisition of Ovako Metals Oy Ab.

Ovako's crude steel production amounted to 167 (134) thousand metric tons. The higher production rate is explained mainly by the installation of a new continuous casting machine in Smedjebacken last year, which led to a longer summer shutdown than normal.

EBITDA before restructuring costs amounted to EUR 0 (7) million. The result was negatively affected by sharply falling scrap and alloy surcharges during the third quarter, with a total effect of EUR 5 million. The rapid decline in market prices for scrap and alloys have had a negative impact on profits since the principles of scrap and alloy surcharges on invoicing do not account for the entire period between the date of purchase of scrap and selling the finished product. In addition, this time is longer than normal over the summer because of production maintenance shutdowns. A weaker sales mix, partially linked to the extended production shutdown in Smedjebacken last year, also had a negative impact on results of EUR 5 million. Foreign exchange effects positively impacted profits by EUR 1 million, compared to last year.

The number of full time employees has increased by 47 upon the acquisition of Ovako Metals Oy Ab.

Total depreciation and amortization during the period amounted to EUR 10 (11) million, and operating profit (EBIT) for the quarter was EUR -12 (-5) million including restructuring costs of EUR 2 (0) million.

Net financial income for the period amounted to EUR -4 (-6) million and includes positive foreign exchange effects of EUR 2 (0) million.

Profit before tax for the period amounted to EUR -16 (-11) million and net profit was EUR -14 (-8) million. Return on capital employed (ROCE) was 1 (5) percent.

Revenue and profit for the period January – September 2015

Sales volumes and revenues for the period have decreased by 2 percent compared to the corresponding period last year. Consolidated revenues amounted to EUR 651 (664) million. The revenues have increased by 4 percent due to the acquisition of Ovako Metals Oy Ab, but simultaneously decreased due to lower scrap and alloy surcharges.

Ovako's sales volumes amounted to 525 (538) thousand metric tons. Reported sales volumes relate to Ovako's own production, and have thus not been affected by the acquisition of Ovako Metals Oy Ab.

Ovako's crude steel production amounted to 675 (676) thousand metric tons.

EBITDA before restructuring costs amounted to EUR 53 (65) million. The result includes a positive effect of EUR 3 million from the acquisition of Ovako Metals Oy Ab, which occurred at a price below the market value of the acquired net assets. The result was negatively affected by lower sales volumes, a weaker sales mix, under-absorption due to decreasing inventory and by falling scrap prices. Foreign exchange effects have positively impacted profits by EUR 4 million compared to last year.

Total depreciation and amortization during the period amounted to EUR 31 (35) million, and operating profit (EBIT) was EUR 20 (29) million, including restructuring costs of EUR 2 (0) million.

Net financial income for the period amounted to EUR -18 (-28) million and was impacted by foreign exchange effects of EUR 1 (2) million. Last year's net financial income was charged with non-recurring effects of EUR 9 million in connection with the group's refinancing in May 2014.

Profit before tax for the period amounted to EUR 2 (2) million and net profit was EUR 1 (0) million. Return on capital employed (ROCE) was 1 (5) percent

Cash flow

Cash flow from operating activities, including interest paid, for the third quarter amounted to EUR 15 (18) million, and cash flow before financing activities amounted to EUR 2 (7) million. Cash flow from operating activities, including interest paid, for the period January to September amounted to EUR 14 (24) million, and before financing activities to EUR -19 (-5) million. The restructuring program has not yet had any significant impact on cash flow. The negative effect on cash flow of lower operating profit before depreciation and amortization has been partially offset by lower capital tied up.

Financial position

The group's loans amounted to EUR 300 (December 2014: 300) million. Interest-bearing debt after deduction of financing costs recognized as a deduction from the liability on the balance sheet amounted to EUR 293 (December 2014: 291) million. Net debt amounted to EUR 247 (December 2014: 226) million.

The discount rate used in valuing pension liabilities remains that the same level as at the start of the quarter, but a change in the assumption for the discount rate, from 2.5 percent at the start of the year to 2.9 percent at the reporting date, has meant that the liability has fallen by EUR 5 million during the year and equity has increased by EUR 4 million (after taking into account deferred tax). No changes in assumptions were made during the third quarter.

Equity amounted to EUR 150 (December 2014: 149) million and the net debt/equity ratio was 164 (December 2014: 152) percent.

The acquisition of Ovako Metals Oy Ab has meant that the inventory on the reporting date increased by EUR 10 million, accounts receivable by EUR 9 million and trade payables by EUR 8 million, compared to the start of the year and with the corresponding date last year.

The group’s liquidity buffer of EUR 85 (December 2014: 104) million comprises cash and cash equivalents of EUR 45 (December 2014: 65) million and unutilized contracted loan commitments of EUR 39 (December 2014: 39) million.

Investments

Investments in intangible assets and property, plant and equipment for the third quarter amounted to EUR 13 (10) million, and for the interim period to EUR 27 (24) million. Disclosures regarding the acquisition of Ovako Metals Oy Ab are provided on page 11.

Parent company

The consolidated figures in the report are presented at the consolidated level of Ovako Group AB. The parent company, Ovako Group AB (corporate registration number 556813-5361), directly and indirectly holds 100 percent of the shares in all subsidiaries of the group. Net profit in Ovako Group AB for the period amounted to EUR 0.3 (0.3) million.

Most significant risks and uncertainty factors

For information regarding the most significant risks and uncertainty factors, please refer to the description in the annual report for 2014. The company does not consider that there have been any material changes during the reporting period in the risks and factors of uncertainty presented in the annual report.

The current macroeconomic uncertainty may influence the development of the business.

Related-party transactions

The group is under the controlling influence of Triako Holdco AB, the parent company of Ovako Group AB. Triako Holdco AB is under the controlling influence of Triton Fund III and Triton F&F Fund, which, directly and indirectly, together control 83.27% of the shares in the Ovako group. There are no material transactions with companies in which Triton Fund III and Triton F&F Fund have significant or controlling influence.

Accounting policies

The interim report for the group has been prepared in accordance with IAS 34 Interim Reporting. The interim report for the parent has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities.

The group applies the International Financial Reporting Standards (IFRS) adopted by the EU and the Swedish Annual Accounts Act. Segment information is presented based on the company management's perspective, and operating segments are identified based on the internal reporting to Ovako's chief operating decision maker. Ovako has identified the CEO as its chief operating decision maker, and the internal reporting used by this person to review operations and make decisions about resource allocation is the basis for segmentation. Ovako has combined its segments (business units) into one reportable operating segment in accordance with the rules for aggregation.

The accounting policies applied in this interim report are the same as those applied in the consolidated annual accounts for 2014. No new or revised IFRSs entering into force during 2015 have had any material effect on the group.

The term "IFRS" in this document includes the application of IAS and IFRS, as well as the interpretations of these standards as published by IASB's Standards Interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

This report has been reviewed by the company's independent auditors

Stockholm 3 November 2015

Tom Erixon
President and CEO

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR million	2015 Q3	2014 Q3	2015 Q1-3	2014 Q1-3	2014 Full year
REVENUE	**188.4**	184.3	**650.7**	663.5	862.1
Cost of goods sold	**-187.6**	-179.4	**-591.2**	-596.0	-795.7
GROSS PROFIT	**0.8**	4.9	**59.5**	67.5	66.4
Selling expenses	**-7.7**	-5.7	**-22.1**	-18.5	-25.6
Administrative expenses	**-5.7**	-5.9	**-22.1**	-23.2	-30.1
Other operating income	**0.4**	2.2	**4.8**	3.4	4.0
OPERATING PROFIT/LOSS	**-12.2**	-4.5	**20.1**	29.2	14.7
Financial income and expenses, net	**-4.0**	-6.0	**-17.8**	-27.6	-32.7
PROFIT/LOSS BEFORE TAX	**-16.2**	-10.5	**2.3**	1.6	-18.0
Taxes	**2.2**	2.2	**-1.8**	-1.4	2.9
NET PROFIT/LOSS FOR THE PERIOD	**-14.0**	-8.3	**0.5**	0.2	-15.1
Of which attributable to					
Owners of the parent	**-14.0**	-8.3	**0.5**	0.2	-15.1
Non-controlling interests	**-**	-	**-**	-	-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	2015 Q3	2014 Q3	2015 Q1-3	2014 Q1-3	2014 Full year
Net profit/loss for the period	**-14.0**	-8.3	**0.5**	0.2	-15.1
Items that will be reclassified to profit or loss					
Translation differences	**-0.8**	1.4	**1.0**	0.6	-0.9
Cash flow hedges	**-9.3**	2.9	**-4.1**	4.6	-0.9
Tax attributable to cash flow hedges	**2.1**	-0.6	**0.9**	-1.0	0.2
	-8.0	3.7	**-2.2**	4.2	-1.6
Items that will not be reclassified to profit or loss					
Revaluation of pension obligations	**-**	-5.4	**4.5**	-5.4	-7.5
Tax attributable to revaluation of pension obligations	**-**	-1.2	**-1.0**	1.2	1.5
	-	-4.2	**3.5**	-4.2	-6.0
Other comprehensive income, net of tax	**-8.0**	-0.5	**1.3**	0.0	-7.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-22.0**	-8.8	**1.8**	0.2	-22.7

KEY FIGURES

EUR million	2015 Q3	2014 Q3	2015 Q1-3	2014 Q1-3	2014 Full year
Restructuring cost	**-1.7**	0.0	**-1.7**	0.0	0.0
Impairments related to restructuring	**0.0**	0.0	**0.0**	0.0	-0.6
Depreciation	**-7.6**	-7.4	**-23.2**	-21.8	-29.8
Amortization of surplus values	**-2.6**	-3.9	**-7.6**	-13.6	-23.4
Operating profit before restructuring cost and depreciation (adjusted EBITDA)	**-0.3**	6.8	**52.6**	64.6	68.5
Operating profit before depreciation (EBITDA)	**-2.0**	6.8	**50.9**	64.6	68.5
Operating profit before amortization of surplus values and impairments (EBITA)	**-9.6**	-0.6	**27.7**	42.8	38.7
Operating profit before restructuring cost (adjusted EBIT)	**-10,5**	-4,5	**21,8**	29,2	15,3
Operating profit (EBIT)	**-12.2**	-4.5	**20.1**	29.2	14.7
Number of shares	**50,000**	50,000	**50,000**	50,000	50,000
Earnings per share (EUR)	**-281**	-166	**9**	5	-302

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	**2015** **30 Sep**	2014 30 Sep	2014 31 Dec
Property, plant and equipment	**323.6**	335.9	327.0
Intangible assets	**9.0**	8.0	8.4
Other financial assets	**7.0**	7.0	6.9
Derivative assets	**0.3**	0.5	0.0
Deferred tax assets	**13.0**	11.8	13.4
Non-current assets	**352.9**	363.2	355.7
Inventories	**202.3**	207.7	200.9
Trade receivables	**111.2**	118.5	86.2
Other current receivables	**15.1**	15.1	22.6
Current tax assets	**1.0**	1.2	0.8
Derivative assets	**0.8**	1.5	1.2
Cash and cash equivalents	**45.4**	34.9	65.0
Current assets	**375.8**	378.9	376.7
ASSETS	**728.7**	742.1	732.4
Equity	**150.5**	166.6	148.7
Non-current interest-bearing liabilities	**292.5**	290.9	291.0
Derivative liabilities	**7.2**	0.9	1.7
Deferred tax liabilities	**38.8**	47.3	38.0
Other provisions	**79.4**	84.0	84.0
Other liabilities	**0.3**	0.3	0.3
Non-current liabilities	**418.2**	423.4	415.0
Current interest-bearing liabilities	**0.1**	0.1	0.1
Derivative liabilities	**6.5**	4.0	8.0
Trade payables	**97.7**	88.7	108.0
Current tax liabilities	**0.3**	0.4	0.1
Other current liabilities	**55.4**	58.9	52.5
Current liabilities	**160.0**	152.1	168.7
EQUITY AND LIABILITIES	**728.7**	742.1	732.4

KEY FIGURES

EUR million	**2015** **Q3**	2014 Q3	2014 Full year
Equity	**150.5**	166.6	148.7
Net debt	**247.3**	256.1	226.2
Net debt/equity ratio (%)	**164 %**	154 %	152 %
Return on Capital Employed (%)	**1 %**	5 %	3 %

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	**2015 Q3**	2014 Q3	**2015 Q1-3**	2014 Q1-3	2014 Full year
Operating profit	**-12.2**	-4.5	**20.1**	29.2	14.7
Adjustment for depreciation and amortization	**10.2**	11.3	**30.8**	35.4	53.8
Adjustment for other non-cash items	**1.4**	-0.5	**-1.4**	-0.6	0.0
Change in working capital	**16.2**	12.0	**-23.9**	-29.8	19.3
Cash flow from operations	**15.6**	18.3	**25.6**	34.2	87.8
Interest received and paid	**-0.7**	-0.4	**-10.4**	-9.2	-20.4
Income tax paid	**-0.1**	-0.4	**-1.0**	-1.5	-1.6
Cash flow from operating activities	**14.8**	17.5	**14.2**	23.5	65.8
Acquisition of businesses	**-**	-	**-5.9**	-	-
Investments in non-current assets	**-12.8**	-9.7	**-27.2**	-23.8	-34.1
Acquisition of shares	**-**	-0.5	**-**	-5.0	-5.0
Cash flow from investing activities	**-12.8**	-10.2	**-33.1**	-28.8	-39.1
Cash flow before financing activities	**2.0**	7.3	**-18.9**	-5.3	26.7
Repayment of loans	**-**	-	**-**	-282.0	-282.0
New loans	**-**	-	**-**	310.0	310.0
Other	**-**	-1.2	**-0.9**	-8.1	-9.4
Cash flow from financing activities	**-**	-1.2	**-0.9**	19.9	18.6
Cash flow for the period	**2.0**	6.1	**-19.8**	14.6	45.3
Cash and cash equivalents at the beginning of period	**43.9**	28.6	**65.0**	20.6	20.6
Translation differences on cash and cash equivalents	**-0.5**	0.2	**0.2**	-0.3	-0.9
Cash and cash equivalents at the end of period	**45.4**	34.9	**45.4**	34.9	65.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the parent				
2015	Share	Translation	Cash flow	Retained	**Total**
EUR million	capital	reserve	hedge reserves	earnings	**equity**
Opening balance at 1 Jan	**0.0**	**-0.2**	**-6.6**	**155.5**	**148.7**
Comprehensive income					
Profit for the period	-	-	-	0.5	**0.5**
Other comprehensive income	-	1.0	-3.2	3.5	**1.3**
Comprehensive income	**-**	**1.0**	**-3.2**	**4.0**	**1.8**
Closing balance at 30 Sep	**0.0**	**0.8**	**-9.8**	**159.5**	**150.5**

	Equity attributable to owners of the parent				
2014	Share	Translation	Cash flow	Retained	**Total**
EUR million	capital	reserve	hedge reserves	Earnings	**Equity**
Opening balance at 1 Jan	**0.0**	**0.7**	**-5.9**	**155.9**	**150.7**
Comprehensive income					
Profit for the period	-	-	-	0.2	**0.2**
Other comprehensive income	-	0.6	3.6	-4.2	**0.0**
Comprehensive income	**-**	**0.6**	**3.6**	**-4.0**	**0.2**
Shareholders' contribution	**-**	**-**	**-**	**15.7**	**15.7**
Closing balance at 30 Sep	**0.0**	**1.3**	**-2.3**	**167.6**	**166.6**

PARENT COMPANY CONDENSED INCOME STATEMENT

EUR million	**2015 Q3**	2014 Q3	**2015 Q1-3**	2014 Q1-3	2014 Full year
REVENUE	**-**	-	**-**	-	-
Administrative expenses	**0.0**	0.0	**-0.1**	-0.1	-0.2
OPERATING PROFIT/LOSS	**0.0**	0.0	**-0.1**	-0.1	-0.2
Interest income from group companies	**0.1**	0.1	**0.4**	0.4	0.5
PROFIT BEFORE TAX	**0.1**	0.1	**0.3**	0.3	0.3
Group contribution	**-**	-	**-**	-	-1.6
Taxes	**0.0**	0.0	**0.0**	0.0	0.3
NET PROFIT/LOSS FOR THE PERIOD	**0.1**	0.1	**0.3**	0.3	-1.0

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

EUR million	**2015 Q3**	2014 Q3	**2015 Q1-3**	2014 Q1-3	2014 Full year
Net profit/loss for the period	**0.1**	0.1	**0.3**	0.3	-1.0
Other comprehensive income	**-**	-	**-**	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**0.1**	0.1	**0.3**	0.3	-1.0

PARENT COMPANY CONDENSED BALANCE SHEET

EUR million	**2015 30 Sep**	2014 30 Sep	2014 31 Dec
Shares in subsidiaries	**139.8**	139.8	139.8
Receivables from subsidiaries	**24.2**	23.4	23.4
Deferred tax asset	**0.3**	-	0.3
Non-current assets	**164.3**	163.2	163.5
Receivables from subsidiaries	**36.9**	15.9	37.3
Current assets	**36.9**	15.9	37.3
ASSETS	**201.2**	179.1	200.8
Equity	**200.5**	178.6	200.2
Other current liabilities	**0.7**	0.5	0.6
Current liabilities	**0.7**	0.5	0.6
EQUITY AND LIABILITIES	**201.2**	179.1	200.8
Pledged collateral	**179.3**	None	179.3
Contingent liabilities	**None**	None	None

ACQUISITION OF OVAKO METALS OY AB

On 31 March 2015, 100% of steel and metals distributor Tibnor Oy in Finland was acquired. The business, formerly a part of the SSAB group, is now operating under the name Ovako Metals Oy Ab. Ovako Metals Oy Ab purchases, warehouses, processes and distributes steel and other metals for the engineering, process and construction industries. At the time of acquisition, the company had 48 employees (calculated as full-time equivalents). The acquisition has positively affected operating profit, with a non-recurring effect of EUR 3 million in the form of negative goodwill, which was recognized as other operating income. Through the acquisition, the group's revenue in 2015 has increased by EUR 28 million. If the acquisition had instead occurred on January 1, revenues would have increased by EUR 44 million. Excluding the non-recurring effect, the acquisition has had a negligible impact on profits.

Acquisition analysis:

Purchase price	**EURm**
Purchase price paid in cash	6.3
Fair value for acquired assets	9.6
Negative goodwill	**-3.3**

Effect on the Group's cash and cash equivalents	**EURm**
Purchase price paid	-6.3
Acquired cash and cash equivalents	0.4
Effect on the Group's cash and cash equivalents	**-5.9**

Assets and liabilities acquired *)	**EURm**
Fixed assets	1.0
Current assets	21.3
Cash and cash equivalents	0.4
Current liabilities	-13.1
Acquired net assets	**9.6**

*) Carrying values correspond to fair values

FINANCIAL INSTRUMENTS DISCLOSURE - GROUP

Fair value of financial instruments:

Ovako's financial instruments include derivatives, unlisted equities, loan receivables, accounts receivable and cash and cash equivalents, interest-bearing liabilities, trade payables and other liabilities. Derivatives are measured at fair value in Level 2 as defined by IFRS 13 i.e. fair value determined using valuation techniques with observable market data, either directly (such as prices) or indirectly (derived from prices). Other financial instruments are measured at amortised cost. The fair value of the bond loan is determined based on the list price on the closing date. In the comparative numbers, interest-bearing liabilities relating to the former loan are recognised net of prepaid financing fees. The table below shows the carrying amounts and fair values of financial instruments.

	30 Sep 2015		30 Sep 2014		31 Dec 2014	
EUR million	**Carrying value**	**Fair value**	Carrying Value	Fair value	Carrying value	Fair value
Derivatives	**1.2**	**1.2**	2.0	2.0	1.2	1.2
Financial non-current assets	**6.9**	**6.9**	6.9	6.9	6.8	6.8
Accounts receivable	**111.7**	**111.7**	119.0	119.0	86.7	86.7
Cash and cash equivalents	**45.4**	**45.4**	34.9	34.9	65.0	65.0
Total assets	**165.2**	**165.2**	162.8	162.8	159.7	159.7
Derivatives	**13.7**	**13.7**	4.9	4.9	9.7	9.7
Interest-bearing liabilities	**292.6**	**263.5**	290.9	294.3	291.1	283.6
Trade and other payables	**98.0**	**98.0**	89.0	89.0	108.3	108.3
Total liabilities	**404.3**	**375.2**	384.8	388.2	409.1	401.6

Financial assets and liabilities that are offset or subject to a legally enforceable framework agreement for netting or similar agreement:

Financial assets and liabilities subject to offset consist of electricity derivatives, interest derivatives and currency derivatives covered by legally binding master netting agreements.

	30 Sep 2015		30 Sep 2014		31 Dec 2014	
EUR million	**Financial assets**	**Financial Liabilities**	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Gross amount,derivatives	**1.2**	**13.7**	2.0	4.9	1.2	9.7
Amount offset	**-**	**-**	-	-	-	-
Disclosed in balance sheet	**1.2**	**13.7**	2.0	4.9	1.2	9.7
Amounts included in an offset agreement	**-1.1**	**-1.1**	-1.3	-1.3	-1.1	-1.1
Net after amounts included in an offset agreement	**0.1**	**12.6**	0.7	3.6	0.1	8.6

DEFINITIONS OF KEY FINANCIAL FIGURES

Sales volume	Includes only products manufactured by Ovako
Revenue	Sales less deduction for value added tax, discounts and returns
Gross profit	Revenue minus cost of goods sold
EBITDA	Earnings before financial income and expenses, taxes, depreciation, amortisation and impairments
Adjusted EBITDA	EBITDA excluding restructuring costs
EBITA	Earnings before financial income and expenses, taxes, amortisation of surplus values from acquisitions and impairments
Operating profit (EBIT)	Profit before financial income and expenses and taxes
Adjusted EBIT	EBIT excluding restructuring costs and impairment in connection with restructuring
Operating margin	Operating profit as a percentage of revenue
Net debt	Interest-bearing liabilities (excluding pension liabilities) minus cash and cash equivalents
Net debt/equity ratio, percent	(Net debt/equity) x 100
Earnings per share before and after dilution	Net profit for the period/weighted average number of shares during the period
Return on capital employed (ROCE)	EBIT rolling 12 months/equity plus financial liabilities (average of opening and closing balances for the period).

For more information, please contact:
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Ovako develops high-tech steel solutions for, and in cooperation with, its customers in the bearing, transport and manufacturing industries. Our steel makes our customers' end products more resilient and extends their useful life, ultimately resulting in smarter, more energy-efficient and more environmentally-friendly products.

Our production is based on recycled scrap and includes steel in the form of bar, tube, ring and pre-components. Ovako is represented in more than 30 countries, and has sales offices in Europe, North America and Asia. Ovako's sales in 2014 amounted to EUR 862 million, and the company had 2,925 employees at year-end. For more information, please visit us at www.ovako.com

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THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Review report

Ovako Group AB, org. nr 556813-5361

The Board of Directors

Introduction

We have reviewed the condensed interim report for Ovako Group AB as at September 30, 2015 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Reports Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, November 3, 2015

Ernst & Young AB

Heléne Siberg Wendin
Authorized Public Accountant