PRESS RELEASE
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# Interim Report for Second Quarter 2015

## Second quarter 2015

- Order intake was 3 percent lower than the corresponding quarter in 2014, but strengthened gradually during the period
- Sales volumes and revenue were in line with last year
- Operating profit before depreciation and amortisation (EBITDA) amounted to EUR 26 (28) million and operating profit (EBIT) amounted to EUR 16 (16) million. A lower production level than last year explains the decrease in EBITDA
- Cash flow from operating activities amounted to EUR 4 (1) million

## January – June 2015

- Sales volumes decreased by 5 percent compared with the same period last year, and revenue by 4 percent. The decrease is mainly attributable to the first quarter
- Operating profit before depreciation and amortisation (EBITDA) amounted to EUR 53 (58) million and operating profit (EBIT) amounted to EUR 32 (34) million
- Cash flow from operating activities amounted to EUR -1 (6) million
- Steel and metals distributor Ovako Metals Oy Ab (formerly Tibnor Oy) in Finland was acquired on March 31 which lead to a 3 MEUR positive one-off effect on operating profit

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

## Group key figures

| | | 2015 Q2 | 2014 Q2 | 2015 Q1-2 | 2014 Q1-2 | 2014 Full year |
|---|---|---|---|---|---|---|
| Sales volumes | kton | 187 | 189 | 375 | 393 | 697 |
| Net revenue | EURm | 233 | 233 | 462 | 479 | 862 |
| Operating profit before depreciation (EBITDA) | EURm | 26 | 28 | 53 | 58 | 69 |
| EBITDA margin | % | 11.2 % | 12.0 % | 11.4 % | 12.1 % | 7.9 % |
| Operating profit (EBIT) | EURm | 16 | 16 | 32 | 34 | 15 |
| EBIT margin | % | 6.8 % | 6.7 % | 7.0 % | 7.0 % | 1.7 % |
| Net profit/loss | EURm | 7 | 0 | 15 | 9 | -15 |
| Earnings per share | EUR | 141 | 8 | 291 | 170 | -302 |
| Cash flow from operating activities | EURm | 4 | 1 | -1 | 6 | 66 |
| Net debt/equity ratio | % | 144 % | 149 % | 144 % | 149 % | 152 % |
| Return on capital employed (ROCE) | % | 3 % | 5 % | 3 % | 5 % | 3 % |
| Full time employees at end of period (FTE) | No. | 2,993 | 2,956 | 2,993 | 2,956 | 2,925 |

**Comments from the CEO**

"The market was stable during the second quarter and remained at the level of the same period last year. Ovako experienced a positive development in important customer applications such as renewable energy and fuel injection applications. Inventory build-up in key customer segments is estimated to be slightly lower compared to last year.

The investment programme in Hofors, announced last quarter, is proceeding according to plan. The market has positively received the new offering of rings based on large ingots, and the first customer contract was signed during the quarter. A number of sample orders were also delivered in the quarter. Once the upgrade of the forging plant is completed next year, production of rings based on large ingots is expected to be approved by key customers.

The cost position has improved during the year, as a result of both the cost reduction programme and lower prices for energy and raw materials. EBITDA of EUR 53 million for the first half is slightly lower than last year, but is satisfactory given the lower sales volume and significantly less inventory build-up prior to the summer shutdown. The net profit is significantly improved compared to last year when it was affected by the cost of refinancing the group.

The integration of Ovako Metals Oy Ab (formerly Tibnor Oy) in Finland has proceeded according to plan, with stable sales. During the quarter, it was announced that Heikki Nyholm, currently president of business area Bar Imatra, will become the new managing director of Ovako Metals Oy Ab from September 1. The president of business area Bar Imatra will be Janne Pirttijoki, who joins Ovako from SSAB.

The summer maintenance shutdown will involve several important investments, including major improvements to the rolling mill in Hofors. Compared to last year, when a very extensive installation of a new casting machine in Smedjebacken was made, the maintenance shutdown is more normal and limited to 3-4 weeks in important facilities.

## Short-term outlook

2014 was characterised by high demand in the first half and a weak market after the summer. This year is expected to be more balanced between the first and second half. Demand in the third quarter is thus expected to be slightly higher than in the same quarter last year. The third quarter is seasonally weaker than other quarters due to maintenance shutdowns and lower production rates for many customers."

Tom Erixon
*President and CEO*
Stockholm, July 16, 2015

You will find the Report for Second Quarter 2015 on the website:
http://www.ovako.com/Financial-information/

**Further information can be obtained from:**
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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](http://www.ovako.com)*