

Year-End Report 2011

Fourth quarter 2011

- Net sales amounted to EUR 266 (250) million, an increase of 6.4 percent compared to the fourth quarter of 2010, despite 3 percent lower volume.
- Operating profit (EBIT) was EUR 9 (31) million, corresponding to 3.3 (12.4) percent of net sales.
- Net loss for the quarter was EUR -2 million.
- Cash flow from operations was EUR 24 million.

Full year 2011

- Net sales amounted to EUR 1,121 (861) million, an increase of 30.2 percent compared to full year 2010, of which volume growth accounted for 18.3 percentage points and revenue per tonne 10 percentage points.
- Operating profit (EBIT) was EUR 90 (67) million, corresponding to 8.0 (7.8) percent of net sales.
- Net profit for the period was EUR 38 million.
- Cash flow from operations was EUR 56 million.
- The net debt/equity ratio was 137 percent, compared to 149 percent at December 31, 2010.
- Return on capital employed (ROCE) at December 31, 2011 was 17 percent.

(In the report, amounts in brackets refer to the corresponding period of last year. For pro forma reporting 2010, see also page 6.)

Group key figures

		pro-forma		pro-forma	
		2011	2010	2011	2010
		Q4	Q4	Full year	Full year
Net sales	EUR million	266	250	1 121	861
Operating profit before depreciation ("EBITDA")	EUR million	20	43	134	114
as % of Net Sales	%	7,6%	17,1%	12,0%	13,2%
Operating profit ("EBIT")	EUR million	9	31	90	67
Operating margin (% of Net sales)	%	3,3%	12,4%	8,0%	7,8%
Net profit/loss for the period	EUR million	-2	n/a	38	n/a
Earnings per share	EUR	-42	n/a	755	n/a
Cash flow from operations	EUR million	24	n/a	56	n/a
Net debt/equity ratio	%	137%	n/a	137%	149%
Return on Capital Employed ("ROCE")	%	n/a	n/a	17%	n/a
Full-time employees at end of period (FTE's)	no	3 239	3 141	3 239	3 141

Comments from the President & CEO

Demand for low-alloy special steels was highly volatile in 2011. For Ovako, the first half of the year began with very strong order intake and a significant increase in sales and improvement in operating profit and operating margin compared to the same period last year. In the second half, order intake fell and steel production was reduced from the second-quarter level of 317 thousand tonnes to 247 thousand tonnes in the fourth quarter, a decrease of 22 percent. Sales improved compared to fourth quarter last year and ended at EUR 266 million, primarily as a result of increased revenue per tonne sold. Profits was negatively impacted by the lower production rate, and amounted to EUR 9 million in the fourth quarter compared with 31 million last year. For the full year, the billion threshold was exceeded, with net sales of EUR 1,121 million, an increase of 30 percent with an improved operating profit of EUR 90 million compared to EUR 67 million in 2010.

Despite a weak performance in the second half, however, some customer segments went against the flow. For example, in the mining sector order intake was strong throughout the year, and demand for large rings

for wind power improved tangibly towards the end of the year. In view of an overall uncertain market situation, Ovako has taken a number of measures to reduce its cost level, and in the fourth quarter it was decided to cut production capacity by about 15 percent in the first quarter 2012, representing a reduction in personnel of approximately 200.

New strategy and new financial targets

In autumn 2011 a new strategy was adopted for Ovako, including new financial targets. The financial objectives are summarised under the heading "20-10-5". This means that Ovako should achieve a return on capital employed of 20 percent (outcome 17 percent for 2011). The target for the operating margin is 10 percent (outcome 8 percent for 2011). The target for annual sales growth is 5 per cent per annum (outcome 30 percent for 2011). All targets are defined as an average over a business cycle.

Several investment decisions were taken in accordance with Ovako's strategic focus on future growth segments. A new ring mill in Hofors will in particular support developments in offshore wind power. The ongoing upgrade of peeling and cutting lines in Hällefors will support the growth of advanced applications for diesel engines. A decision has also been taken to strengthen both the application development and sales organisation in Europe.

Short-term outlook

Although the economic situation, particularly in Europe, remains uncertain, order inflow stabilised towards the end of the year. The inventory adjustments that took place with many customers were expected to be completed in December. However, a weak order intake during the fourth quarter 2011 will affect the first quarter of this year negatively, so deliveries are expected to be lower than in the same period last year.

Tom Erixon
President & CEO Ovako Group

Market development

Global production of crude steel for full year 2011 amounted to 1,527 million tonnes, which was 6.8 percent more than during the same period in 2010, according to the World Steel Association. All major steel-producing regions showed increased production. The EU produced in the same period 177 million tonnes of crude steel, an increase of 2.8 percent over the same period in 2010. During the fourth quarter of 2011, there was a slowdown, and the EU's production volume amounted to 582 thousand tonnes, which was a decrease of -1.4 percent compared to fourth quarter of 2010. Production of crude steel in Finland and Sweden decreased during the fourth quarter of 2011 by -8.6 percent compared to the fourth quarter of 2010, according to World Steel Association statistics.

The market is in standby mode, waiting to see how the crisis in several euro countries will develop and what impact this will have on the economy and demand for steel in 2012. The trend for heavy and medium-duty trucks in Europe was positive in 2011, and sales increased according to Esmerk Oasis by 29 percent, but with a slowdown towards the end of the year. Manufacturers have announced that they will adhere to the production cuts that were announced during the fourth quarter, but with preparedness for adjustments if conditions change.

Ovako's fourth quarter was negatively impacted by the uncertainty in the market in addition to the normal seasonal slowdown in demand at the end of the year. With its niche production of high quality steel, Ovako is in a good position to increase its market share, especially in Europe. This will be achieved through continued focus on productivity and delivery performance, a strong marketing organisation and by targeted investment in production equipment that improves quality and provides new market opportunities.

Net sales and result for the fourth quarter 2011

Net sales and results for the fourth quarter were negatively affected by uncertainty in the market and a generally low level of demand at the end of the quarter.

Consolidated net sales amounted to EUR 266 (250) million, a 6.4 percent increase compared to the fourth quarter of 2010. The external sales volume for the quarter declined slightly to 199 (204) thousand tonnes, a decrease of 3 percent.

Average revenue per tonne was 9.3 percent higher than during the same quarter of 2010, partly because the price for ferrous scrap increased by 11 percent and thus scrap and alloy surcharges increased. Steel production was 247 thousand tonnes, which is -10 percent lower than last year, resulting in lower inventories.

Earnings before interest, taxes, depreciation of tangible assets, amortisation of surplus values and impairments ("EBITDA") decreased to EUR 20 (43) million, equivalent to an EBITDA margin of 7.6 (17.1) percent. The decrease in earnings compared to the fourth quarter of 2010 is primarily due to lower volume, EUR -6 million, revaluation of inventory and under-absorption of fixed costs due to lower scrap prices and declining inventory, EUR -12 million. The currency effect for the fourth quarter was insignificant compared to the same period last year.

Depreciation and amortisation during the period was EUR 12 million. The consolidated operating profit (EBIT) for the fourth quarter was 9 (31) million, equivalent to an operating margin of 3.3 (12.4) percent.

Net financial items for the quarter amounted to EUR -12 million, which includes unrealised losses on financial assets and liabilities of EUR -3 million.

The period's result before tax was EUR -3 million. Tax for the period was EUR 1 million and the net profit/loss for the quarter was EUR -2 million.

Net sales and result for full year 2011

Three phases have influenced the development of full year 2011; a first half that was positive and during which 82 percent of operating profit for the period was created, a third quarter with higher than normal level of maintenance and during which a decline in demand was noted and a fourth quarter that resulted in a noticeable slowdown in demand, with negative trends for margins and earnings.

Consolidated net sales amounted to EUR 1,121 (861) million, a 30 percent increase compared to the same period last year. The external sales volume for the period was 851 (719) thousand tonnes, an increase of 18 percent. The group's average sales revenue per tonne increased by 10 percent, driven by base price increases, increased value added and higher scrap and alloy surcharges. Exchange rates had a positive effect on net sales of EUR 5 million compared to 2010.

Reported EBITDA increased to EUR 134 (114) million, corresponding to an EBITDA margin of 12.0 (13.2) percent. The improved earnings were the result of higher volumes and higher revenue per tonne sold.

The average purchase price of ferrous scrap, the most important raw material, increased by 21 percent compared to full year 2010. The surcharge mechanism ensures that changes in underlying raw material prices are passed on to customers.

The cost of maintenance and repairs increased by 49 percent over the previous year, this was a result of a huge activity level concerning replacements and new investments. Products in inventory decreased by EUR 27 million compared to full year 2010, which when compared to 2010 represents an under-absorption of fixed costs of EUR -7 million. The group's costs are largely in Swedish kronor, which resulted in negative currency effects which affected the costs by EUR -13 million compared to 2010.

Depreciation and amortisation during the period was EUR 44 million. The consolidated operating profit (EBIT) was EUR 90 (67) million, corresponding to an operating margin of 8.0 (7.8) percent. The profit was negatively affected by exchange rate differences of EUR -8 million.

Net financial items for full year 2011 amounted to EUR -33 million, which includes unrealised losses on financial assets and liabilities of EUR -2 million.

The profit before tax for the period totalled EUR 57 million. Tax for the period was EUR -19 million and the net profit for the period was EUR 38 million. The tax expenses for the period have been affected by EUR -3 million attributed to previous years.

Cash flow and financing

Cash flow from operations for the full year 2011 was EUR 56 million and cash flow before financing activities was EUR 22 million.

Working capital increased by EUR 35 million during full year 2011. Working capital increased by EUR 46 million during the first quarter as a result of higher sales and deferred social expenses and payroll tax of approximately EUR 9 million from 2009, paid in January 2011. During the second quarter the working capital increased EUR 11 million, as the operations stabilised at a higher capacity utilisation level. Working capital improved during the third quarter by EUR 4 million and in the fourth quarter by EUR 18 million. Inventory value at December 31, 2011 was EUR -16 million lower compared to the closing balance in the third quarter of 2011.

Utilisation of loans under senior credit facilities at December 31, 2011 was EUR 296 (310) million, while EUR 14 million was repaid during the fourth quarter. The total interest-bearing net debt amounted to EUR 247 (264) million. Shareholders' equity at the end of the fourth quarter amounted to EUR 180 (178) million. The net debt/equity ratio therefore amounted to 137 percent, compared with 149 per cent at December 31, 2010. Shareholders' equity during the year was negatively impacted by EUR -31 million from items reported in other comprehensive income, such as cash flow hedges of electricity and interest costs, and actuarial losses on restatement of pension liabilities, the latter primarily due to changes in mortality assumptions for the Swedish pension plan and a lower discount rate.

As of December 31, 2011, the group's liquidity buffer was EUR 108 (99) million, consisting of cash and cash equivalents of EUR 33 (24) million and unutilised credit facilities of EUR 75 (75) million.

Capital expenditure

Capital expenditure for the full year 2011 amounted to EUR 34 million and consisted to large extent of reinvestments. The largest individual investments were a new gearbox at the rolling mill at Hofors and a new tundish at the Imatra steel mill which will provide opportunities to further expand in the area of high quality special steel.

During the first half year 2011 Ovako has decided to invest in a new ring mill to meet the increased demand for bearing steel used in large wind turbines. The new mill will be built in connection with the group's existing ring mills at Hofors in Sweden and the value of the investment is close to EUR 8 million. Construction of the mill will take place during the second half of 2012.

During third quarter, Ovako decided to invest in a new peeling line at Hällefors in order to enable continued growth in the promising diesel injection segment. The EUR 7.5 million investments will be made during 2012. Start of production is expected to take place during the first half of 2013.

Parent company

The consolidated figures in the interim report are presented at the consolidated level of Triako Midco AB (business ID 556813-5361). The parent company, Triako Midco AB, directly and indirectly holds 100 percent of the shares in all of the operational subsidiaries in the group, including the subsidiary Ovako AB.

Net profit for the parent company Triako Midco AB during full year 2011 was EUR 0.9 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 2010. The company does not consider there have been any material changes during the report period in the risks and factors of uncertainty presented in the annual report.

The current macroeconomic uncertainty may, however, come to influence the development of the business.

Triako Midco AB's board of directors and the Ovako group's President & CEO declare that the interim report gives a fair view of the parent company's and group's operations, balance sheet and earnings, and describes the principal risks and uncertainty factors facing the company and the group.

Stockholm, February 15, 2012

Tom Erixon
President & CEO Ovako Group

Accounting policies

This interim report has been prepared in accordance with IAS 34 and is in conformity with the accounting policies applied in the 2010 financial statements, described in the notes to the consolidated financial statements on page 10 of the 2010 annual report.

The consolidated accounts for the interim report have been compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act. The parent company's accounts have been compiled in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 (Accounting for Legal Entities). 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 International Financial Reporting Interpretations Committee (IFRIC).

In the condensed cash flow statement, received and paid interest is classified under cash flow from operating activities, whereas in the 2010 financial statements this item was classified as cash flow from financing activities.

Certain prior-period amounts may have been reclassified to conform to current period presentation.

Segment reporting in accordance with IAS 34 is not disclosed as this is not mandatory for companies whose equity securities are not publicly traded.

All of the group's holding companies and major Swedish subsidiaries changed their functional currency to the euro as of January 1, 2011. At the same time, the euro was introduced as the reporting currency for the consolidated financial statements in the group.

This report has not been audited by the company's auditors.

Related party transactions

The group is under the controlling influence of Triako Holdco AB, the parent company of Triako Midco AB. Triako Holdco AB is owned by private equity firm Triton. Group contributions have been provided to the parent company Triako Holdco AB. To the extent that transactions occur with the companies over which Triton has a significant or controlling interest, these are conducted at market terms.

Consolidated pro forma accounting

On September 29, 2010, after receiving approval from EU competition authorities, the private equity investor Triton completed its acquisition of the majority of Ovako's business activities by acquisition of all shares in the Ovako companies belonging to the divisions Bar, Bright Bar and Tube and Ring.

A pro forma income statement has been prepared for 2010 to illustrate what Ovako would have looked like had the group been formed as of January 1, 2010. The pro forma reporting is intended to represent a hypothetical situation and has been prepared for illustrative and informative purposes only. It does not aim to present the financial position or earnings that the business actually would have achieved if the acquisition had been completed as of the beginning of 2010.

Due to refinancing of debts in September last year, which impacted the capital structure and total net debt of the group, the pro-forma income statement has been prepared down to earnings level operating profit only. For the same reason no pro forma accounting has been prepared for other statements, such as balance sheet and cash flow.

The 2010 pro forma reporting has not been audited by the company's auditors.

Triako Midco group's full-year results 2010

The officially published 2010 year-end report for the Triako Midco group presents the operations of subsidiaries for the period September 29 –December 31, 2010. This has been marked with * where relevant.

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR million	pro forma		pro forma		*2010 Full year
	2011 Q4	2010 Q4	2011 Full year	2010 Full year	
NET SALES	266,3	250,0	1 120,6	860,6	252,8
Cost of goods sold	-242,7	-219,1	-977,4	-747,5	-247,6
GROSS PROFIT	23,6	30,9	143,2	113,1	5,2
Selling and administrative expenses	-15,8	n/a	-56,7	-50,3	n/a
Other operating income and expenses	0,9	n/a	3,3	4,5	1,1
OPERATING PROFIT	8,7	30,9	89,8	67,3	6,3
Financial income	-	n/a	0,6	n/a	3,0
Financial expenses	-11,6	n/a	-33,4	n/a	-8,3
PROFIT/LOSS BEFORE TAX	-2,9	n/a	57,0	n/a	1,0
Income taxes	0,8	n/a	-19,2	n/a	-4,9
NET PROFIT/LOSS FOR THE PERIOD	-2,1	n/a	37,7	n/a	-3,9

Of which attributable to

Parent company's shareholders	-2.1	37.7
Non-controlling interests	-	-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	2011 Q4	2011 Full year	*2010 Full year
Net profit for the period	-2,1	37,7	-3,9
Other comprehensive income:			
Exchange differences on translating foreign operations	0,9	0,3	1,0
Cash flow hedges	-8,6	-31,7	23,6
Income tax relating to cash flow hedges	2,2	8,3	-6,1
Cash flow hedges (net of tax)	-6,3	-23,5	17,4
Actuarial gains and losses	-3,6	-11,0	4,4
Income tax relating to actuarial gains and losses	0,9	2,9	-1,1
Actuarial gains and losses (net of tax)	-2,7	-8,1	3,2
Other comprehensive income for the period, net of tax	-8,1	-31,3	21,6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-10,2	6,5	17,7

KEY FIGURES

EUR million	pro forma		pro forma	
	2011 Q4	2010 Q4	2011 Full year	2010 Full year
Sales volume - kton	199	204	851	719
Net sales per ton - €/ton	1338	1224	1316	1196
Operating profit before depreciation ("EBITDA")	20,3	42,8	134,2	113,8
as % of Net Sales	7,6%	17,1%	12,0%	13,2%
Depreciation	-6,6	-6,8	-25,4	-25,9
Operating profit before amortization of surplus values ("EBITA")	13,8	36,0	108,8	87,9
as % of Net Sales	5,2%	14,4%	9,7%	10,2%
Amortization surplus values	-5,1	-5,1	-19,0	-20,6
Operating profit ("EBIT")	8,7	30,9	89,8	67,3
Operating margin (% of Net Sales)	3,3%	12,4%	8,0%	7,8%
Number of shares	50 000	50 000	50 000	50 000
Earnings per share (EUR)	-42	n/a	755	n/a

CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	2011	2010	EQUITY AND LIABILITIES	2011	2010
EUR million	31 Dec	31 Dec	EUR million	31 Dec	31 Dec
Tangible assets	351,4	361,9	Total equity	179,5	177,7
Intangible assets	3,1	3,4	Deferred tax liabilities	73,3	74,1
Other financial assets	1,3	1,0	Other provisions	84,0	75,9
Deferred tax assets	16,8	16,2	Non-current interest-bearing liabilities	279,1	288,6
Total non-current assets	372,6	382,5	Other liabilities	0,3	0,3
			Total non-current liabilities	436,7	438,9
Inventories	220,8	204,5	Current financial liabilities	0,1	0,2
Trade and other receivables	130,1	128,8	Current liabilities to parent	6,4	0,0
Current tax receivables	1,6	0,4	Trade and other payables	112,4	127,2
Derivative financial instruments	1,7	28,8	Current tax liabilities	12,0	20,6
Other current receivables	0,0	0,0	Derivative financial instruments	12,3	4,6
Cash and cash equivalents	32,7	24,2	Total current liabilities	143,2	152,5
Total current assets	386,9	386,6			
			Total liabilities	580,0	591,4
TOTAL ASSETS	759,5	769,2	TOTAL EQUITY AND LIABILITIES	759,5	769,2

KEY FIGURES

EUR million	2011	2010	2011	2010
	Q4	Q4	Full year	Full year
Equity	179,5	177,7	179,5	177,7
Net debt	246,5	264,6	246,5	264,6
Net debt/equity ratio (%)	137%	149%	137%	149%
Return on capital employed ("ROCE")	n/a	n/a	17%	n/a

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	2011	2011	*2010
	Q4	Full year	Full year
Operating profit	8,7	89,8	6,3
Adjustment for depreciation and amortization	11,6	44,4	11,2
Adjustment for other non-cash items	2,0	-0,2	-
Interest paid	-6,0	-25,8	-23,7
Tax paid	-9,8	-16,7	0,6
Changes in working capital	17,8	-35,4	-7,1
Cash flow from operations	24,3	56,1	-12,7
Investments in subsidiaries	-	-	-116,3
Investments in fixed assets	-11,5	-33,8	-3,3
Cash flow from investing activities	-11,5	-33,8	-119,6
Cash flow before financing activities	12,8	22,3	-132,3
Shareholder contribution	-	-	160,0
Borrowings	-	-	310,0
Amortization	-14,0	-14,0	-313,2
Change in financial receivables	0,1	0,1	-0,2
Cash flow from financing activities	-13,9	-13,9	156,6
Cash flow for the period	-1,1	8,4	24,3
Cash and cash equivalents at the beginning of period	33,7	24,2	0,0
Translation differences on cash	0,1	0,1	-0,1
Cash and cash equivalents end of period	32,7	32,7	24,2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2011 EUR million	Equity attributable to the parent company's shareholders				Total equity
	Share capital	Translation reserve	Cash flow hedge reserves	Retained earnings	
Equity at January 1, 2011	0,0	1,0	17,4	159,3	177,7
Group Contribution	-	-	-	-4,7	-4,7
Other changes in equity					
Profit for the year	-	-	-	37,7	37,7
Other comprehensive income	0,0	0,3	-23,5	-8,1	-31,3
Total comprehensive income for the year	0,0	0,3	-23,5	29,6	6,5
Equity at December 31, 2011	0,0	1,3	-6,0	184,2	179,5

2010 EUR million	Equity attributable to the parent company's shareholders				Total equity
	Share capital	Translation reserve	Cash flow hedge reserves	Retained earnings	
Equity at July 1, 2010	-	-	-	-	-
Changes in equity for 2010					
Issue of share capital	0,0	-	-	-	0,0
Shareholders contribution	-	-	-	160,0	160,0
Other changes in equity					
Profit for the year	-	-	-	-3,9	-3,9
Other comprehensive income	-	1,0	17,4	3,2	21,6
Total comprehensive income for the year	0,0	1,0	17,4	-0,7	17,7
Equity at December 31, 2010	0,0	1,0	17,4	159,3	177,7

THE PARENT COMPANY CONDENSED INCOME STATEMENT

EUR million	2011 Q4	2011 Full year	2010 Full year
GROSS PROFIT	-	-	-
Selling and administrative expenses	0,0	0,0	-
Other operating income and expenses	0,0	0,0	-
OPERATING PROFIT	0,0	0,0	
Financial income	7,2	7,6	-1,6
Financial expenses	-6,4	-6,4	-
PROFIT BEFORE TAX	0,8	1,2	-1,6
Income taxes	-0,2	-0,3	0,4
NET PROFIT FOR THE PERIOD	0,6	0,9	-1,2

THE PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

EUR million	2011 Q4	2011 Full year	2010 Full year
Net profit for the period	0,6	0,9	-1,2
Other comprehensive income:	-	-	-
Other comprehensive income for the period, net of tax	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	0,6	0,9	-1,2

THE PARENT COMPANY CONDENSED BALANCE SHEET

EUR million	2011 31 Dec	2010 31 Dec
Investments in subsidiaries	139,8	139,8
Receivables from subsidiaries	21,6	21,6
Deferred tax assets	0,1	0,4
Total non-current assets	161,6	161,9
Receivables from subsidiaries	7,1	-
Accrued interest revenue group companies	0,5	-
Total current assets	7,6	-
TOTAL ASSETS	169,2	161,9
Total equity	162,8	161,9
Liabilities to parent	6,4	-
Liabilities to other group companies	0,0	0,0
Total current liabilities	6,4	0,0
TOTAL EQUITY AND LIABILITIES	169,2	161,9

DEFINITIONS OF KEY FINANCIAL FIGURES

Net sales	Sales less deduction for value added tax, discounts and returns
Gross profit	Net sales minus cost of goods sold
EBITDA	Earnings before interest, taxes, depreciation of tangible fixed assets, amortisation of surplus values from acquisitions and impairments
EBITA	Earnings before interest, taxes, amortisation of surplus values from acquisitions and impairments
Operating profit (EBIT)	Earnings before interest and taxes
Operating margin	Operating profit as a percentage of net sales
Net debt	Interest-bearing liabilities minus cash and cash equivalents
Net debt/equity ratio	$(\text{Net debt}/\text{total equity}) \times 100$
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/equity plus financial liabilities (average of opening and closing balance for the period)