Report for
Third Quarter 2015

November 3, 2015

Brief overview Report for Third Quarter 1(4)

1. Sales volumes slightly better despite a challenging business climate

- Sales and order intake 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.

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2. Internal and external impact on the results

- EBITDA before restructuring expenses amounted to EUR 0 (7) million.
- Results were negatively impacted by normal maintenance shutdowns during the summer.
- Results were also impacted by very rapidly decreasing scrap and alloys 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.

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3. Ovako restructuring program launched

- 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.
- The program is expected to last for two years and will involve the reduction of approximately 250 employees in the group as three units are closed.
- The goal is to reduce costs by EUR 45 million with full year affect from 2018.
- All customers and lines of business are expected to be handled within the framework of the new structure.

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4. Ovako continues investments according to plan

- 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.

Summary of 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.

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

Summary of January - September 2015

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.

Summary of key figures

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