

A close-up photograph of a circular cross-section of a steel coil. The surface of the steel is textured and has a faint, embossed recycling symbol in the center. The background is blurred, showing more of the industrial setting.

INNOVATIVE STEEL FOR A BETTER ENGINEERED FUTURE

Interim report Q1 2018

Interim period in brief

First quarter 2018

- The quarter was characterized by continued strong demand from our customers. Order intake was 10 percent higher than our sales volume and the order stock consequently continued to grow. Order intake during the quarter was higher than in the past three quarters, which reflects the persistently strong market. Compared to the exceptionally strong first quarter of 2017, when customers began placing orders for later delivery dates, order intake decreased by 11 percent
- Sales volume rose by 6 percent to 216 (204) thousand metric tons. Growth was considerably stronger for products with a high degree of further processing
- Revenue rose by 16 percent to EUR 271 (233) million
- EBITDA (before restructuring costs of EUR 0 (-1) million) increased to EUR 41 million from EUR 32 million in the previous year, driven by healthy growth and continued favorable development of the product mix and sales prices. The EBITDA margin rose to 15.3 (13.7) percent
- EBITA amounted to EUR 34 (24) million before restructuring costs of EUR 0 (-1) million
- EBIT (including amortization of surplus values) was EUR 32 (21) million
- Cash flow from operating activities amounted to EUR -4 (-3) million, including paid restructuring costs of EUR 0 (-1) million
- In March, it was announced that Nippon Steel & Sumitomo Metal Corporation (NSSMC), one of the largest steel producers in the world, will be acquiring Ovako. Through the acquisition, Ovako will become part of NSSMC, which is a strong industrial owner and a clear technology leader in the global steel industry. The acquisition is subject to approval by competition authorities
- In March Ovako announced new financial targets to be achieved by 2020; sales volume above 850 thousand metric tons per year, EBITDA margin above 13 percent and a net debt (excluding pension liabilities) to equity ratio below 40 percent

Group KPIs

The table of key performance indicators (KPIs) contains data taken directly from the financial statements and information that can be derived from these, as well as statistical information. A reconciliation between financial KPIs and the financial statements, including those KPIs that are not defined under IFRS, is presented on page 11, and definitions of all KPIs can be found on page 14. KPIs are presented as a supplement to the financial statements to facilitate the understanding of performance and financial position over time. Ovako uses EBITA as a performance

measure to show the underlying profitability of operations before interest and tax, because amortizations of surplus values in real estate that are charged against EBIT do not correspond to new investments. These amortizations will decline successively after 2020 and will end in 2024. Ovako uses EBITDA to provide a picture of the capacity of the business to generate earnings and cash flow, over time, before investing and financing activities.

| KPI | | | 2018 Q1 | 2017 Q1 | 2017 Full year |
|--|------|--|------------|---------------------|-------------------|
| Sales volumes ¹⁾ | kton | | 216 | 204 | 783 |
| Revenue ²⁾ | EURm | | 271 | 233 | 921 |
| EBITDA before restructuring cost ³⁾ | EURm | | 41 | 32 | 100 |
| EBITDA ³⁾ | EURm | | 41 | 31 | 96 |
| Adjusted EBITDA margin ³⁾ | | | 15.3 % | 13.7 % | 10.8 % |
| EBITDA margin ³⁾ | | | 15.3 % | 13.3 % | 10.5 % |
| Operating profit (EBITA) before restructuring cost ³⁾ | EURm | | 34 | 24 | 69 |
| Operating profit (EBITA) ³⁾ | EURm | | 34 | 23 | 65 |
| Adjusted operating margin (EBITA) ³⁾ | | | 12.6 % | 10.3 % | 7.4 % |
| Operating margin (EBITA) ³⁾ | | | 12.6 % | 9.9 % | 7.1 % |
| EBIT ²⁾ | EURm | | 32 | 21 | 56 |
| Net profit/loss ²⁾ | EURm | | 18 | 11 ⁴⁾ | 15 |
| Cash flow from operating activities ²⁾ | EURm | | -4 | -3 | 39 |
| Net debt (excl pension liabilities)/equity ratio ³⁾ | | | 218 % | 210 % ⁴⁾ | 219 % |
| Return on capital employed (ROCE) ³⁾ | | | 13 % | 5 % ⁴⁾ | 11 % |
| Full time employees at end of period (FTE) ¹⁾ | No | | 3,130 | 2,839 | 3,040 |

1) Statistical KPIs, defined on page 14

2) KPIs taken directly from the financial statements

3) KPIs calculated using the financial statements, see calculations on page 11

4) Comparatives have been changed due to restatement of previously reported deferred tax, refer to page 6

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



Comments from the CEO

The year was off to a strong start with substantially higher revenue and earnings compared to last year. Revenue increased in the first quarter of 2018 by 16 percent to EUR 271 (233) million and sales volume rose by 6 percent to 216 (204) thousand metric tons. There was strong improvement in EBITDA to EUR 41 (32) million and the EBITDA margin rose to 15.3 (13.7) percent, driven by continued commercial momentum, a higher share of further processed products and favorable development of the restructuring program.

The quarter was characterized by continued strong demand from our customers. Order intake was 10 percent higher than our sales volume and the order stock consequently continued to grow. Order intake during the quarter was higher than in the past three quarters, which reflects the persistently strong market. In order to ensure shorter lead-times for our customers, we are now making additional efforts to increase capacity in our production facilities by improving productivity and making selective investments in our further processing units.

The United States decided during the quarter to implement tariffs on steel and aluminum. The EU countries and an additional six countries have been granted an exemption until 1 May, while negotiations are ongoing. With our highly specialized products, our assessment is that Ovako is well-prepared for various outcomes, although we are naturally in favor of free trade between the European Union and the United States.

Our safety program continues to deliver results and the number of accidents leading to lost time injuries declined further during the quarter. We are continuing the safety program with full energy as we pursue our long-term objective of zero accidents.

We received the positive news during the quarter that Nippon Steel & Sumitomo Metal Corporation (NSSMC) has signed an agreement to acquire Ovako. We will be owned by a global market leader in steel production with world-leading technology and production capacity. Backed by a strong industrial owner with the intent to expand in engineering steel, Ovako could not be in a better position. This is going to benefit both our customers and our employees. The acquisition is subject to the approval of the competition authorities.

Short-term outlook

In light of continued high industrial activity among our customers and a strong order stock, we expect sales volume in the second quarter 2018 to be higher than in the corresponding period last year.

Marcus Hedblom,
President and CEO

First quarter of 2018

Market development

The EU industrial production index showed growth of 5.1 percent in the fourth quarter of 2017, compared to the same quarter in 2016. Sweden demonstrated higher growth than the EU as a whole during the fourth quarter, driven mainly by the strong car and truck market. Also Germany showed slightly higher growth than the EU during the fourth quarter.

According to the European Steel Association, Eurofer, the European market for merchant bar (which includes engineering steel) increased by 13.1 percent in the fourth quarter of 2017, compared to the same quarter in 2016. Growth for full-year 2017 was 7.4 percent, compared to 2016. Ovako grew by 11 percent in 2017.

Revenue and profit for the first quarter of 2018

The quarter was characterized by continued strong demand from our customers. Order intake was 10 percent higher than our sales volume and the order stock consequently continued to grow. Order intake during the quarter was higher than in the past three quarters, which reflects the persistently strong market. Compared to the exceptionally strong first quarter of 2017, when customers began placing orders for later delivery dates, order intake decreased by 11 percent.

Revenue increased by 16 percent, driven by higher volumes, higher raw materials prices, which are passed on through the scrap and alloys surcharge, and a better product mix and base prices. Sales volume amounted to 216 (204) thousand metric tons and revenue to EUR 271 (233) million.

Ovako's crude steel production volume (i.e. production in the steel mills but prior to further processing) was 6 percent higher than in the previous year and amounted to 283 (266) thousand metric tons.

EBITDA improved to EUR 41 million from EUR 32 million in the preceding year (before restructuring costs of EUR 1 million in 2017). Earnings were strengthened by higher volumes, a better product mix, higher prices, currency effects and savings achieved through the restructuring program. Timing effects of scrap and alloy prices had negative impact. The EBITDA margin rose to 15.3 (13.7) percent.

Sales volume, price and mix effects had a positive impact on earnings of EUR 8 million compared to the previous year, after adjustment for the costs of capacity increases. The restructuring program contributed EUR 2 million in reduced fixed and variable costs, after cost inflation. Timing effects in scrap and alloy prices affected earnings for the quarter by EUR -2 million year-on-year. Exchange rate fluctuations made a positive contribution of EUR 2 million compared to the previous year.

EBITA amounted to EUR 34 (23) million, including depreciation and amortization of EUR 7 (8) million and restructuring costs of EUR 1 million in the previous year.

EBIT amounted to EUR 32 (21) million, after amortization of surplus values by EUR 2 (2) million.

Net financial expenses for the quarter amounted to EUR -9 (-7) million. Although interest expenses were EUR 1 million lower than in the previous year, there was negative impact from currency effects of EUR -2 million and of non-recurring costs of EUR -1 million compared to the previous year.

Earnings before tax amounted to EUR 23 (14) million, and net profit was EUR 18 (11) million.

Cash flow

Cash flow from operating activities for the period amounted to EUR -4 (-3) million. The cash flow includes paid restructuring costs of EUR 0 (-1) million. Average operating working capital (inventories, trade receivables and trade payables) in relation to revenue was unchanged since year-end 2017 at 23.6 percent, and has been reduced from 24.7 percent compared to the same period last year. Higher revenue at the end of the first quarter compared to the fourth quarter of 2017 is the main reason for the increase in trade receivables.

Financial position

Group borrowing consists of long-term senior secured notes of EUR 310 (31 December 2017: 310) million. Early redemption of the notes is expected when the acquisition of Ovako by Nippon Steel & Sumitomo Metal Corporation (NSSMC) is finalized (see below).

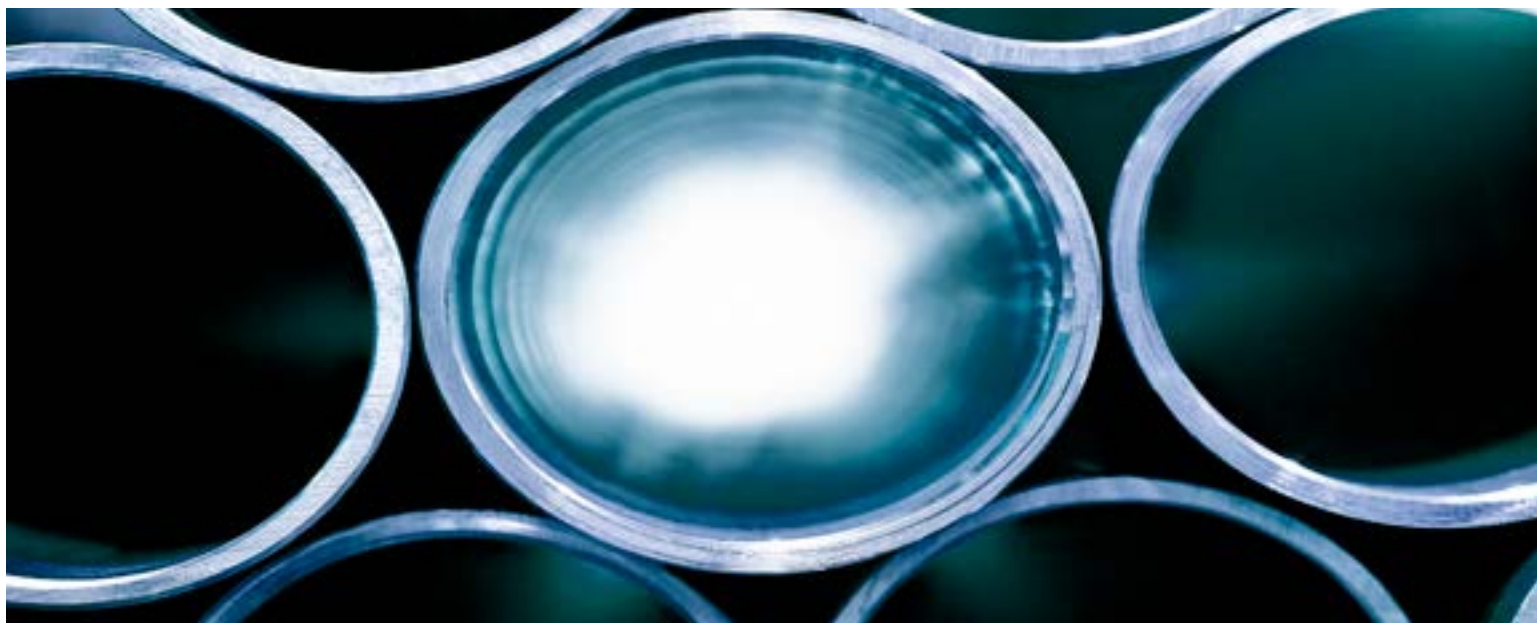
Interest-bearing liabilities after deduction of financing costs, allocated across the term of the notes and recognized as a deduction from the liability on the balance sheet, amounted to EUR 303 (31 December 2017: 303) million. Net debt (excluding pension liabilities) amounted to EUR 264 (31 December 2017: 251) million.

Equity amounted to EUR 121 (31 December 2017: 114) million, and the net debt/equity ratio (excluding pension liabilities) was 218 (31 December 2017: 219) percent. Equity was reduced by EUR -10 million arising from translation differences and by EUR -1 million arising from changes in the assumptions used upon remeasurement of pension liabilities.

The Group's liquidity buffer of EUR 77 (31 December 2017: 90) million comprises cash and cash equivalents of EUR 39 (31 December 2017: 52) million and unutilized contracted loan commitments of EUR 38 (31 December 2017: 38) million.

Investments

Net investments in property, plant and equipment and intangible assets amounted to EUR 8 (5) million.



Ovako's Heat Treatment Guide is the first digital tool on the market to enable customers to calculate the mechanical properties of a selected steel after heat treatment. This will save the customer time and money by offering a digital alternative to physical testing.

Changes in ownership

It was announced on 15 March 2018 that Nippon Steel & Sumitomo Metal Corporation (NSSMC), one of the largest steel producers in the world, had entered into a share purchase agreement with funds advised by Triton to acquire 100 percent of Ovako. The acquisition is subject to examination and approval by competition authorities. Upon closing of the transaction, it is Ovako's intention to redeem the Ovako AB (publ) EUR 310 million 5.00 percent senior secured notes, due 2022.

Parent company

The parent company of the group, 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 amounted to EUR -0.2 (0.1) million.

Most significant risks and uncertainty factors

For information regarding the most significant risks and uncertainty factors, please read the description in the annual report for 2017. The company does not consider that there have been any material changes during the reporting period in the risks and uncertainty factors 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 Fund III F&F LP, which, directly and indirectly, together control 84.44 percent of the shares in the Ovako group.

There has been no material transactions with companies in which Triton Fund III and Triton Fund III F&F LP have significant or controlling influence.

Financial targets

In March Ovako announced new financial targets to be achieved by 2020; sales volume above 850 thousand metric tons per year, EBITDA margin above 13 percent and a net debt (excluding pension liabilities) to equity ratio below 40 percent.

Accounting policies

The interim report for the group has been prepared in accordance with IAS 34 Interim Reporting. The interim report for the parent company was 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) as 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 2017, with application of the following two new standards as of 1 January 2018. Ovako has not applied these standards retroactively. The application of new standards has had no material effect on Ovako's financial statements and opening balances have not been restated.

IFRS 9 Financial Instruments entails changes to how financial assets are recognized and measured, introduces a new principle for accounting for expected credit losses, and affects hedge accounting. IFRS 9 has no material effect on the financial performance and financial position of the Ovako group. Because Ovako uses credit insurance for trade accounts receivable and has historically had low credit losses, the new standard has limited impact. The provision for credit losses established in the opening balance for 2018 is the same as the provision in the balance sheet as of 31 December 2017. No other provisions for expected credit losses have been found necessary.

IFRS 15 Revenue from Contracts with Customers has superseded all current standards for revenue recognition. Ovako's analysis of operations based on identification of contracts with customers, performance obligations and their fulfillment, transaction prices and their allocation has shown that the new standard has no effect on recognition of revenue and financial results.

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

The company has corrected the carrying amounts recognized in previous reports for deferred tax attributable to receivables denominated in EUR in Swedish group companies whose presentation currency is EUR. These corrections are described in Note 31 of the company's annual report for 2017. As a result, the comparative numbers for deferred tax liability as of 31 March 2017 was increased by EUR 6.6 million and equity was reduced by the same amount. In addition, tax expense for the first quarter of 2017 was reduced by EUR 0.2 million.

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

Stockholm, 25 April 2018

Marcus Hedblom
President and CEO

CONDENSED CONSOLIDATED INCOME STATEMENT

| EUR million | 2018 Q1 | 2017 Q1 | 2017 Full year |
|---|-------------|---------------------------|-------------------|
| REVENUE | 270.8 | 233.2 | 921.3 |
| Cost of goods sold | -222.4 | -196.7 | -807.5 |
| GROSS PROFIT | 48.4 | 36.5 | 113.8 |
| Selling expenses | -7.9 | -8.2 | -30.9 |
| Administrative expenses | -9.4 | -8.3 | -32.1 |
| Other operating income | 0.9 | 1.0 | 4.9 |
| OPERATING PROFIT/LOSS | 32.0 | 21.0 | 55.7 |
| Financial income and expenses, net | -8.6 | -6.8 | -39.7 |
| PROFIT/LOSS BEFORE TAX | 23.4 | 14.2 | 16.0 |
| Taxes | -5.0 | -3.1 ¹⁾ | -0.8 |
| PROFIT/LOSS FOR THE PERIOD | 18.4 | 11.1 ¹⁾ | 15.2 |
| Profit/loss for the period attributable to owners of the parent | 18.4 | 11.1 ¹⁾ | 15.2 |
| TOTAL | 18.4 | 11.1 ¹⁾ | 15.2 |
| Earnings per share before and after dilution, EUR | 368 | 223 ¹⁾ | 304 |

1) Comparatives have been changed due to restatement of previously reported deferred tax, refer to page 6

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR million | 2018 Q1 | 2017 Q1 | 2017 Full year |
|--|--------------|---------------------------|-------------------|
| Profit/loss for the period | 18.4 | 11.1 ¹⁾ | 15.2 |
| Items that will be reclassified as profit or loss | | | |
| Exchange differences | -9.5 | 0.8 | -8.1 |
| Cash flow hedges | -1.3 | -3.3 | -2.6 |
| Tax attributable to cash flow hedges | 0.3 | 0.7 | 0.6 |
| | -10.5 | -1.8 | -10.1 |
| Items that will not be reclassified as profit or loss | | | |
| Revaluation of pension obligations, net | -1.4 | -1.8 | -7.6 |
| Tax attributable to revaluation of pension obligations | 0.3 | 0.4 | 1.1 |
| | -1.1 | -1.4 | -6.5 |
| Other comprehensive income, net of tax | -11.6 | -3.2 | -16.6 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 6.8 | 7.9 ¹⁾ | -1.4 |
| Comprehensive income for the period attributable to owners of the parent | 6.8 | 7.9 ¹⁾ | -1.4 |
| TOTAL | 6.8 | 7.9 ¹⁾ | -1.4 |

1) Comparatives have been changed due to restatement of previously reported deferred tax, refer to page 6

CONDENSED CONSOLIDATED BALANCE SHEET

| EUR million | 2018 31 Mar | 2017 31 Mar | 2017 31 Dec |
|--|----------------|----------------------------|----------------|
| Property, plant and equipment | 285.3 | 307.1 | 297.5 |
| Intangible assets | 8.8 | 9.5 | 8.9 |
| Other financial assets | 2.0 | 7.0 | 1.9 |
| Derivative assets | 0.5 | 0.0 | 0.4 |
| Deferred tax assets | 10.9 | 13.9 | 14.1 |
| Non-current assets | 307.5 | 337.5 | 322.8 |
| Inventories | 247.9 | 213.4 | 233.3 |
| Trade receivables | 135.9 | 114.6 | 113.0 |
| Other current receivables | 24.1 | 15.9 | 20.5 |
| Current tax assets | 0.3 | 1.5 | 0.3 |
| Derivative assets | 1.8 | 0.5 | 0.5 |
| Cash and cash equivalents | 39.0 | 41.4 | 52.4 |
| Current assets | 449.0 | 387.3 | 420.0 |
| TOTAL ASSETS | 756.5 | 724.8 | 742.8 |
| Equity | 121.1 | 120.9 ¹⁾ | 114.3 |
| Non-current interest-bearing liabilities | 303.4 | 295.5 | 303.0 |
| Derivative liabilities | 1.8 | 5.3 | 2.5 |
| Deferred tax liabilities | 32.2 | 41.4 ¹⁾ | 33.4 |
| Provisions for pensions | 78.6 | 76.7 | 80.3 |
| Other provisions | 1.3 | 2.5 | 1.6 |
| Other liabilities | 0.4 | 0.4 | 0.4 |
| Non-current liabilities | 417.7 | 421.8 ¹⁾ | 421.2 |
| Derivative liabilities | 8.5 | 2.7 | 5.2 |
| Trade payables | 136.4 | 107.6 | 133.5 |
| Current tax liabilities | 0.8 | 0.4 | 0.7 |
| Provisions | 1.4 | 2.4 | 1.6 |
| Other current liabilities | 70.6 | 69.0 | 66.3 |
| Current liabilities | 217.7 | 182.1 | 207.3 |
| TOTAL EQUITY AND LIABILITIES | 756.5 | 724.8 | 742.8 |

1) Comparatives have been changed due to restatement of previously reported deferred tax, refer to page 6

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| EUR million | 2018 Q1 | 2017 Q1 | 2017 Full year |
|---|--------------|-------------|-------------------|
| Operating profit/loss | 32.0 | 21.0 | 55.7 |
| Adjustment for depreciation and amortization | 9.4 | 10.2 | 40.6 |
| Adjustment for other non-cash items | 0.3 | 0.7 | 2.1 |
| Change in working capital | -43.7 | -34.3 | -38.2 |
| Cash flow from operations | -2.0 | -2.4 | 60.2 |
| Interest received and paid | -2.1 | -0.3 | -21.6 |
| Income tax paid | -0.3 | -0.3 | -0.1 |
| Cash flow from operating activities | -4.4 | -3.0 | 38.5 |
| Acquisition of property, plant and equipment | -8.0 | -5.0 | -34.3 |
| Sale of property, plant and equipment | 0.2 | 0.2 | 2.3 |
| Cash flow from investing activities | -7.8 | -4.8 | -32.0 |
| Cash flow before financing activities | -12.2 | -7.8 | 6.5 |
| Repayment of borrowings | – | – | -300.0 |
| New borrowings | – | – | 310.0 |
| Other financing activities | -0.1 | – | -12.1 |
| Cash flow from financing activities | -0.1 | – | -2.1 |
| Cash flow for the period | -12.3 | -7.8 | 4.4 |
| Cash and cash equivalents at the beginning of period | 52.4 | 49.2 | 49.2 |
| Translation differences in cash and cash equivalents | -1.1 | 0.0 | -1.2 |
| Cash and cash equivalents at the end of period | 39.0 | 41.4 | 52.4 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| 2018 EUR million | Equity attributable to owners of the parent | | | |
|----------------------------|---|----------|-------------------|--------------|
| | Share capital | Reserves | Retained earnings | Total equity |
| Opening balance 1 Jan | 0.0 | -12.5 | 126.8 | 114.3 |
| Comprehensive income | | | | |
| Profit/loss for the period | – | – | 18.4 | 18.4 |
| Other comprehensive income | – | -10.5 | -1.1 | -11.6 |
| Comprehensive income | – | -10.5 | 17.3 | 6.8 |
| Closing balance at 31 Mar | 0.0 | -23.0 | 144.1 | 121.1 |

| 2017 EUR million | Equity attributable to owners of the parent | | | |
|--|---|----------|-------------------|--------------|
| | Share capital | Reserves | Retained earnings | Total equity |
| Opening balance at 1 Jan ¹⁾ | 0.0 | -2.4 | 115.4 | 113.0 |
| Comprehensive income | | | | |
| Profit/loss for the period ¹⁾ | – | – | 11.1 | 11.1 |
| Other comprehensive income | – | -1.8 | -1.4 | -3.2 |
| Comprehensive income ¹⁾ | – | -1.8 | 9.7 | 7.9 |
| Closing balance at 31 Mar ¹⁾ | 0.0 | -4.2 | 125.1 | 120.9 |

1) Comparatives have been changed due to restatement of previously reported deferred tax, refer to page 6

KPIs - CALCULATIONS AND RECONCILIATION TO FINANCIAL STATEMENTS

| From Income Statement | | 2018 | 2017 | 2017 |
|---------------------------------------|----------|--------|----------------------|-----------|
| EUR million (if not otherwise stated) | | Q1 | Q1 | Full year |
| Revenue | A | 270.8 | 233.2 | 921.3 |
| Net result | | 18.4 | 11.1 ¹⁾ | 15.2 |
| + Taxes | | 5.0 | 3.1 ¹⁾ | 0.8 |
| + Financial income and expenses, net | | 8.6 | 6.8 | 39.7 |
| EBIT | B | 32.0 | 21.0 | 55.7 |
| + Amortization of surplus values | | 2.1 | 2.2 | 9.5 |
| EBITA | C | 34.1 | 23.2 | 65.2 |
| + Depreciation | | 7.3 | 7.9 | 31.1 |
| EBITDA | D | 41.4 | 31.1 | 96.3 |
| EBIT margin % | B/A*100 | 11.8 | 9.0 | 6.0 |
| EBITA margin % | C/A*100 | 12.6 | 9.9 | 7.1 |
| EBITDA margin % | D/A*100 | 15.3 | 13.3 | 10.5 |
| Net result (EUR thousand) | E | 18,392 | 11,154 ¹⁾ | 15,214 |
| Number of shares | F | 50,000 | 50,000 | 50,000 |
| Earnings per share | E/F*1000 | 368 | 223 ¹⁾ | 304 |

| Adjusted for restructuring | | 2018 | 2017 | 2017 |
|---------------------------------------|-----------------|------|------|-----------|
| EUR million (if not otherwise stated) | | Q1 | Q1 | Full year |
| Impairments related to restructuring | G ²⁾ | – | – | 0.7 |
| Restructuring cost | H ²⁾ | 0.0 | 0.9 | 3.3 |
| EBIT before restructuring | I=B+G+H | 32.0 | 21.9 | 59.7 |
| EBITA before restructuring | J=C+H | 34.1 | 24.1 | 68.5 |
| EBITDA before restructuring | K=D+H | 41.4 | 32.0 | 99.6 |
| Adjusted EBIT margin % | I/A*100 | 11.8 | 9.4 | 6.5 |
| Adjusted EBITA margin % | J/A*100 | 12.6 | 10.3 | 7.4 |
| Adjusted EBITDA margin % | K/A*100 | 15.3 | 13.7 | 10.8 |

| From Balance Sheet | | 2018 | 2017 | 2017 |
|---|-----------------|--------|---------------------|--------|
| EUR million (if not otherwise stated) | | 31 Mar | 31 Mar | 31 Dec |
| Equity | L | 121.1 | 120.9 ¹⁾ | 114.3 |
| + Non-current interest-bearing liabilities | | 303.4 | 295.5 | 303.0 |
| + Current interest-bearing liabilities | | – | – | – |
| ./. Cash and cash equivalents | | 39.0 | 41.4 | 52.4 |
| Net debt, excl provisions for pension | M | 264.4 | 254.1 | 250.6 |
| + Provision for pension | | 78.6 | 76.7 | 80.3 |
| Net debt | N | 343.0 | 330.8 | 330.9 |
| Net debt/equity ratio, excl provision for pension % | M/L*100 | 218 | 210 ¹⁾ | 219 |
| Net debt/equity ratio % | N/L*100 | 283 | 274 ¹⁾ | 290 |
| Equity | | 121.1 | 120.9 ¹⁾ | 114.3 |
| + Non-current interest-bearing liabilities | | 303.4 | 295.5 | 303.0 |
| + Current interest-bearing liabilities | | – | – | – |
| + Provision for pension | | 78.6 | 76.7 | 80.3 |
| Capital Employed | | 503.1 | 493.1 ¹⁾ | 497.6 |
| Average Capital Employed | O ³⁾ | 498.1 | 492.9 ¹⁾ | 490.2 |
| EBIT LTM | P ⁴⁾ | 66.7 | 23.4 | 55.7 |
| Return on Capital Employed % | P/O*100 | 13 | 5 ¹⁾ | 11 |

1) Comparatives have been changed due to restatement of previously reported deferred tax, refer to page 6

2, 3, 4) Definitions on page 14

PARENT COMPANY CONDENSED INCOME STATEMENT

| EUR million | 2018 Q1 | 2017 Q1 | 2017 Full year |
|-------------------------------------|-------------|------------|-------------------|
| REVENUE | – | – | – |
| Administrative expenses | -0.2 | 0.0 | -0.3 |
| OPERATING PROFIT/LOSS | -0.2 | 0.0 | -0.3 |
| Financial income and expenses, net | 0.0 | 0.1 | 0.6 |
| PROFIT AFTER FINANCIAL ITEMS | -0.2 | 0.1 | 0.3 |
| Group contribution | – | – | 11.8 |
| PROFIT BEFORE TAX | -0.2 | 0.1 | 12.1 |
| Taxes | 0.0 | 0.0 | -2.7 |
| PROFIT/LOSS FOR THE PERIOD | -0.2 | 0.1 | 9.4 |

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

| EUR million | 2018 Q1 | 2017 Q1 | 2017 Full year |
|--|-------------|------------|-------------------|
| Profit/loss for the period | -0.2 | 0.1 | 9.4 |
| Other comprehensive income | – | – | – |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | -0.2 | 0.1 | 9.4 |

PARENT COMPANY CONDENSED BALANCE SHEET

| EUR million | 2018 31 Mar | 2017 31 Mar | 2017 31 Dec |
|--|----------------|----------------|----------------|
| Investments in subsidiaries | 163.8 | 139.8 | 139.8 |
| Receivables from group companies | 25.6 | 24.9 | 25.5 |
| Deferred tax asset | 0.0 | 2.7 | – |
| Non-current assets | 189.4 | 167.4 | 165.3 |
| Receivables from group companies | 37.8 | 37.9 | 61.8 |
| Other current receivables | 0.1 | – | 0.1 |
| Cash and cash equivalents | 0.4 | – | 0.0 |
| Current assets | 38.3 | 37.9 | 61.9 |
| ASSETS | 227.7 | 205.3 | 227.2 |
| Equity | 213.2 | 191.9 | 213.4 |
| Current liabilities to group companies | 14.1 | 13.4 | 13.7 |
| Other current liabilities | 0.4 | – | 0.1 |
| Current liabilities | 14.5 | 13.4 | 13.8 |
| EQUITY AND LIABILITIES | 227.7 | 205.3 | 227.2 |

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 was determined based on the price on the list price on the closing date. Depending on market conditions, the company may from time to time buy back its own bonds in the market. The table below shows the carrying amounts and fair values of financial instruments.

| EUR million | 31 Mar 2018 | | 31 Mar 2017 | | 31 Dec 2017 | |
|------------------------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| Derivatives | 2.3 | 2.3 | 0.5 | 0.5 | 0.9 | 0.9 |
| Financial non-current assets | 1.9 | 1.9 | 6.9 | 6.9 | 1.8 | 1.8 |
| Trade and other receivables | 136.8 | 136.8 | 115.6 | 115.6 | 114.0 | 114.0 |
| Cash and cash equivalents | 40.0 | 40.0 | 41.4 | 41.4 | 52.4 | 52.4 |
| Total assets | 181.0 | 181.0 | 164.4 | 164.4 | 169.1 | 169.1 |
| Derivatives | 10.3 | 10.3 | 8.1 | 8.1 | 7.7 | 7.7 |
| Interest-bearing liabilities | 303.2 | 307.8 | 295.5 | 305.5 | 303.0 | 316.2 |
| Trade and other payables | 129.3 | 129.3 | 107.9 | 107.9 | 133.9 | 133.9 |
| Total liabilities | 442.8 | 447.4 | 411.5 | 421.5 | 444.6 | 457.8 |

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 and currency derivatives covered by legally binding master netting agreements.

| EUR million | 31 Mar 2018 | | 31 Mar 2017 | | 31 Dec 2017 | |
|--|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|
| | Financial assets | Financial liabilities | Financial assets | Financial liabilities | Financial assets | Financial liabilities |
| Gross amount, derivatives | 2.3 | 10.3 | 0.5 | 8.1 | 0.9 | 7.7 |
| Amount offset | – | – | – | – | – | – |
| Disclosed in balance sheet | 2.3 | 10.3 | 0.5 | 8.1 | 0.9 | 7.7 |
| Amounts included in an offset agreement | -0.4 | -0.4 | -0.5 | -0.5 | -0.9 | -0.9 |
| Net after amounts included in an offset agreement | 1.9 | 9.9 | 0.0 | 7.6 | 0.0 | 6.8 |

DEFINITIONS OF KPIs

Statistical KPIs

| | |
|--|--|
| Sales volume | Sold volume for products manufactured by Ovako, not including third-party products |
| Production volume | Produced volume expressed as the number of metric tons used as input materials |
| Full-time employees at end of period (FTE) | Number of employees at end of period, calculated as full-time equivalents |

Financial KPIs derived from the financial statements

| | |
|--|---|
| EBIT | Profit before financial income and expenses and taxes |
| EBITA | Profit before financial income and expenses, taxes, amortization of surplus values from acquisitions and impairments. Shows the underlying operating profit development of the business |
| EBITDA | Profit before financial income and expenses, taxes, depreciation, amortization and impairments. EBITDA is a measure of the underlying cash-generating capacity of the business. |
| Restructuring costs | Costs for implementing Ovako's restructuring program, which consist mainly of costs for laying off personnel, termination of contracts, costs associated with moving plant and equipment, and impairment of assets. Restructuring costs are excluded when calculating adjusted measurements below. Adjusted measurements are used to give a better understanding of the business development. |
| Adjusted EBIT | EBIT excluding restructuring costs and impairments associated with restructuring |
| Adjusted EBITA | EBITA excluding restructuring costs |
| Adjusted EBITDA | EBITDA excluding restructuring costs |
| EBIT margin | Profit as above, expressed as a percentage of revenue |
| EBITA margin | Profit as above, expressed as a percentage of revenue |
| EBITDA margin | Profit as above, expressed as a percentage of revenue |
| Adjusted EBIT margin | Profit as above, expressed as a percentage of revenue |
| Adjusted EBITA margin | Profit as above, expressed as a percentage of revenue |
| Adjusted EBITDA margin | Profit as above, expressed as a percentage of revenue |
| Net debt | Interest-bearing liabilities including pension liabilities minus cash and cash equivalents |
| Net debt excluding pension liabilities | Interest-bearing liabilities excluding pension liabilities minus cash and cash equivalents. Ovako's pension liabilities consist mainly of liabilities financed via the Swedish PRI system, measured in accordance with IFRS. The company has chosen to present net debt excluding pension liabilities since these are provisions that will not be refinanced in the same way as borrowings |
| Net debt/equity ratio, percent | (Net debt (including or excluding pension liabilities)/equity) x 100 |
| Return on capital employed (ROCE) | EBIT rolling 12 months/equity plus financial liabilities (average of opening and closing balances for the period). |
| Earnings per share, before and after dilution | Net profit for the period/weighted average number of shares during the period |
| Calculations are presented in the table on Page 11 | |

For more information, please contact: ir@ovako.com

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 2017 amounted to EUR 921 million, and the company had 3,040 employees at year-end. For more information, please visit us at www.ovako.com



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