




OVAKO

Ovako Group AB

ANNUAL REPORT 2012

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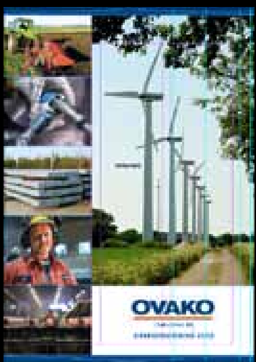


This is Ovako's Annual Report for the financial year 2012. The information provided on pages 23-56 constitutes the formal annual report for Ovako Group AB and has been audited by the company's independent auditor.

This annual report has been translated from Swedish. In the event of any discrepancies, the Swedish original will supersede the English translation.

This is Ovako

Ovako is a leading European producer of engineering steel for customers in the bearing, transport and manufacturing industries. The company's long experience of working closely with some of the most demanding steel segments has conferred it with unique expertise and competitive advantage in selling engineering steel with advanced characteristics. Production comprises primarily bars, tubes, rings and pre-components in low-alloy steels that are often used for demanding applications such as in bearings, powertrains, hydraulic cylinders and rock drills. Ovako has eleven production sites and several sales units in Europe, North America and Asia. Sales in 2012 amounted to EUR 937 million and the company had approximately 3,000 employees. Ovako has a total production capacity of 1.3 million tonnes of crude steel per year.

Ovako's offering

Steel is a key component in many products worldwide. Ovako's offering is based on meeting this need and providing customers with high quality steel. The focus of product development is to constantly improve steel quality and provide lighter and more eco-efficient solutions.

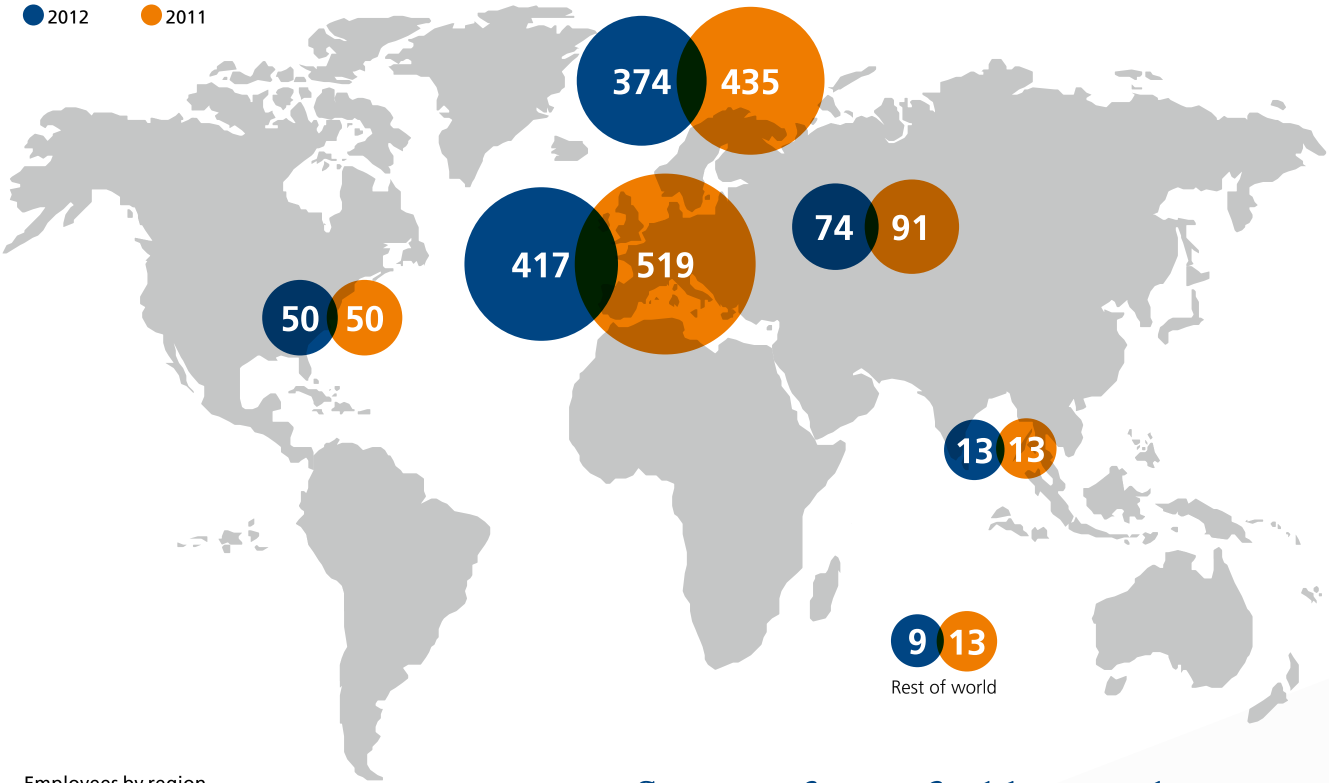
Read more on pages 15–17

Engineering steel is an advanced low-alloy steel used in industrial applications.

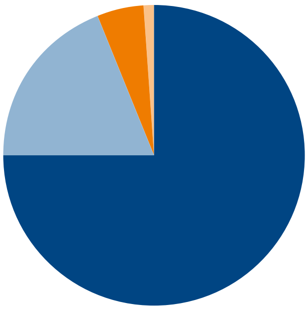
Global customer presence

Sales by region, EURm

2012 2011



Employees by region

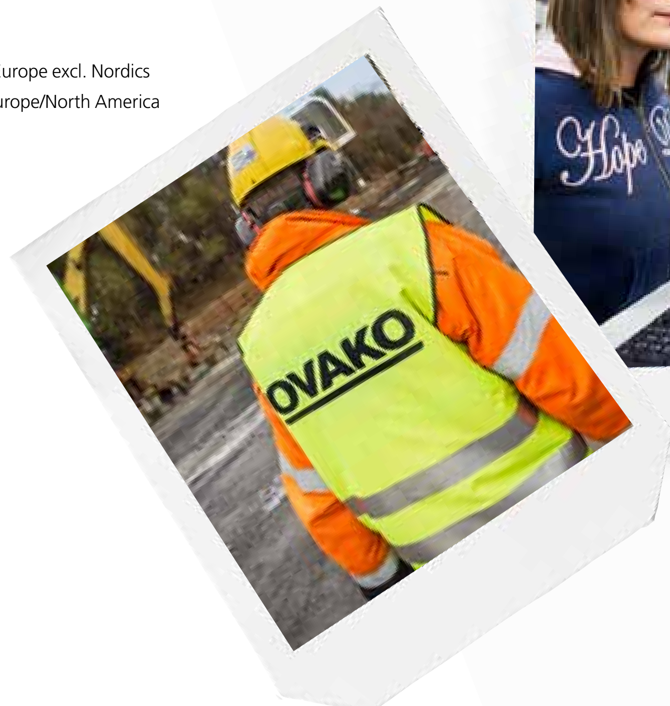


- **75%** Sweden
- **19%** Finland
- **5%** Western Europe excl. Nordics
- **1%** Eastern Europe/North America

Strategy for profitable growth

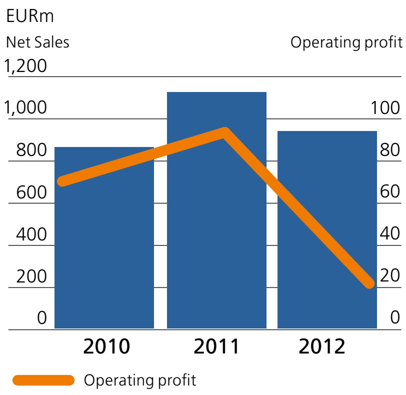
To create an attractive long-term position in the steel market Ovako will become a European leader in engineering steel, continuously develop the product offer and strengthen customer relationships.

Read more about Strategy and Objectives on pages 8–10

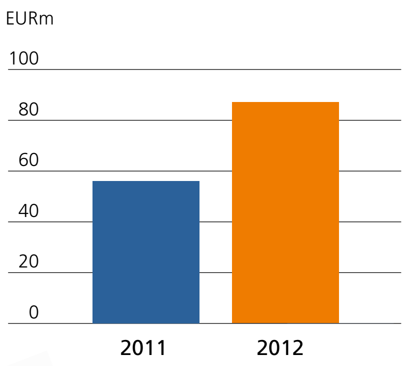


Performance in 2012

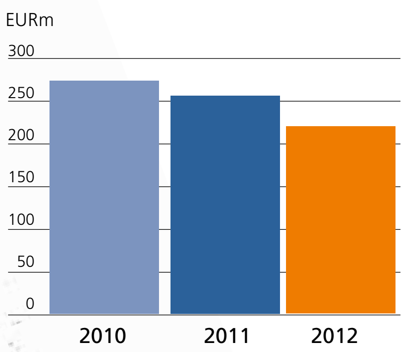
Net sales and operating profit



Cash flow from operations



Net debt



- Net sales amounted to EUR 937 (1,121) million, a decrease of 16 percent compared to 2011. Adjusted for the production stoppage at the Imatra steel mill, the decrease was 15 percent.
- Operating profit amounted to EUR 20 (90) million, corresponding to 2.1 (8.0) percent of sales. The operating profit includes restructuring costs of EUR 4 (0) million. Compared to the previous year, the profit was charged with a total of EUR 17 million in negative foreign exchange effects and items of a non-recurring nature related to restructuring costs and costs for previously entered hedging contracts on electricity.
- Cash flows from operations amounted to EUR 87 (56) million, an improvement of 55 percent compared to the previous year, due to reduced inventory and other improvements in working capital.
- Net debt was reduced by EUR 34 million during the year and contributed to an improvement in the net debt/equity ratio to 130 percent, compared with 137 percent at the end of the previous year.

Group key figures	2012	2011	Pro forma 2010
Net sales, EURm	937	1,121	861
Operating profit before depreciation (EBITDA), EURm	66	134	114
EBITDA margin	7.0%	12.0%	13.2%
Operating profit (EBIT), EURm	20	90	67
EBIT margin	2.1%	8.0%	7.8%
Net profit, EURm	-4	38	n/a
Earnings per share, EUR	-74	755	n/a
Cash flow from operating activities, EURm	87	56	n/a
Net debt/equity ratio	130%	137%	149%
Return on capital employed (ROCE)	4%	17%	n/a
Number of employees at 31 December (FTE)	3,040	3,239	3,141

As the group in its present structure was formed 29 September 2010, the comparison figures for 2010 are pro forma.

Key events during the year

INVESTMENT IN NEW TUBE TECHNOLOGY

In the spring of 2012, Ovako began an extensive modernisation of the tube mill in Hofors. The new technology being implemented is partially developed locally by Ovako and will improve quality, productivity and capital efficiency. The investment is expected to amount to EUR 12 million over three years and will create new market opportunities for Ovako in Europe.

NEW RING MILL FOR LARGER DIMENSIONS

During the year Ovako has invested in a new ring mill to address the growing demand for larger dimension bearing steel for large generators. The new plant is being built adjacent to the group's previous ring mills in Hofors and will be inaugurated in March 2013. The new ring mill will be Ovako's fifth production line for the manufacture of rings for the bearing industry. The investment is expected to amount to approximately EUR 8 million.

STEEL FOR INNOVATIVE ARCH BRIDGE

In September, Ovako won a contract from Macalloy, a world-leading manufacturer of cable systems, to supply steel for the Troja Bridge in Prague. With a span of approximately 200 metres, this bridge is the first in the world to be built using a new innovative method based on advanced steel. Bars from Smedjebacken of 2-12 metres will be used in the construction of both steel arches and steel cables. The bridge is expected to be completed in autumn 2013.

STRONGER PRESENCE IN EASTERN EUROPE AND ASIA

In line with Ovako's strategy, work has intensified through several initiatives to strengthen our presence in new markets. During the first quarter of 2012, Ovako decided to expand the sales organisation in Eastern Europe, Russia and Italy. A decision to set up a service centre in China was taken in the second quarter.

PHASE TWO OF DE-DUSTING SYSTEM IN SMEDJEBACKEN

Ovako took a decision during the third quarter regarding phase two of the de-dusting system in Smedjebacken. The system is expected to be operational in autumn 2013. The system meets future environmental standards and is one of many measures to ensure a good working environment and minimise Ovako's environmental impact. The investment amounts to approximately EUR 13 million over three years.

FOCUS ON FLAT SPRING STEEL

Ovako made several important initiatives in flat spring steel in the third quarter to increase capacity and assure growth. During the first half of 2013, Smedjebacken-Boxholm is expected to expand its shipments by approximately 15,000 tonnes of flat spring steel annually. Through this initiative Ovako strengthens its position as a supplier to the heavy automotive industry in Europe.

Continued strategic investments

2012 was an eventful year for Ovako. Our operations were a success. We achieved our objectives of improved delivery reliability and customer satisfaction. And with an early adaptation of capacity and other costs to a lower level of activity, we also achieved our targets of reduced inventory and increased capital efficiency. Quarter by quarter, we have been able to strengthen our cash flow significantly. From this perspective it was a very good year. In terms of earnings, the picture was not as positive. The second half of the year in particular was characterised by lower sales volumes and thus consequently a weaker operating profit. The business environment has been turbulent and difficult to interpret, with a continuing financial crisis and cyclical weakness in Europe.

Despite the challenging times, Ovako continues to build an even stronger customer- and sales-oriented engineering steel company. We have successfully implemented structural improvements and extensive future-oriented investments. The outcome will give Ovako enhanced competitiveness and new market opportunities for engineering steel in Europe and globally.

Challenging environment

The macroeconomic turmoil continued to gradually impair the business environment during 2012 and the decrease in orders that began in late 2011 continued throughout the year. Unlike the dramatic crisis triggered by the collapse of Lehman in 2008, the past year was more like a traditional recession. For Ovako it was primarily the weakening of European automotive and machine manufacturing that had a major direct impact on sales and orders. Net sales for the full year amounted to EUR 937 million, and operating profit was EUR 20 million.

Extensive strategic investments

In the spring of 2012, Ovako began an extensive modernisation of the tube mill in Hofors. The new technology being implemented will increase productivity, reduce working capital and strengthen the product portfolio.

Among other things, we will create a better platform for growth in the oil and gas segment, which we consider to be strategically important in the long run as it creates new market opportunities for Ovako.

"We have strengthened our competitive position in the market for engineering steel through continued customer focus, increased market presence and extensive strategic investments."

To address the increasing demand for larger dimension bearing steel for large generators, Ovako has also invested in a new ring mill. The new plant is being built adjacent to the group's previous ring mills in Hofors and will be inaugurated in March 2013. The new ring mill will be Ovako's fifth production line for the manufacture of rings for the bearing industry.

Ovako took a decision during the third quarter regarding phase two of the de-dusting system in Smedjebacken. The system is expected to be operational in autumn 2013. The system meets future environmental standards and is one of many measures to ensure a good working environment and minimise Ovako's environmental impact.

Successful research

Research and development are strategically important areas at Ovako. Development takes place in close cooperation between Ovako's research department and our key customers. The results have a clear impact on improved competitiveness. Ovako's IQ-Steel is an example of the outcome of one such collaboration. IQ-Steel is a unique steel used in applications that contribute to reduced environmental impact and lower CO2 emissions, which has received particular attention. In January this year, Patrik Ölund, Ovako's head of research and development was awarded the prestigious Kami Prize for his contribution to the development of this steel.

Customer-oriented marketing organisation and new markets

In 2012, we focused on strengthening Ovako's sales and marketing organisation, and this work continues. Ovako is addressing new customers and new markets in several areas where we have identified a need for high quality engineering steel. We must continue to broaden ourselves to ensure long-term growth and fend off economic fluctuations. Ovako's efforts to strengthen its presence in new markets have been intensified through several initiatives. In early 2012, Ovako decided to expand the sales organisation in Eastern Europe, Russia and Italy. A decision to set up a service centre in China was taken in the second quarter.

Workplace safety

A very important priority at Ovako is that we work safely and provide a safe working environment. Efforts to improve safety in the workplace will continue. Much has been achieved in 2012, and in recent quarters the number of accidents in the group has declined. Meanwhile, there are still too many incidents and this must be addressed, particularly with preventive measures. With the help of training, new initiatives in production and an increased focus on safety, we will improve in 2013. Training and awareness improvement remain a priority. To reach the objective of eventually having zero accidents, all employees must contribute.

Fast-moving Ovako will grow and become even more competitive

Despite a year with a challenging business environment, we have improved our competitiveness in the engineering steel market through continued customer focus, increased market presence and extensive strategic investments. Flexibility is and will remain increasingly important for Ovako in an environment characterised by rapid changes in the economy. In addition to cost-cutting programmes and related staff reductions, agreements were signed during the year on reduced working hours and salaries for 1,800 employees. The agreements mean that the group maintains the flexibility to quickly address improved demand when the economy picks up.

The past year made great demands on all employees at Ovako to adjust. All the measures we have taken are necessary. They mean that we will together build a stronger Ovako that is well equipped for the future. I would like to take this opportunity to thank everyone at Ovako for your excellent contributions that will allow us to continue to develop Ovako together.

Tom Erixon
President and CEO

Strategy for profitable growth

At the end of 2011 Ovako decided on a new overall strategy. This strategy is intended to generate a long-term attractive position in the steel market by making Ovako a European leader in engineering steel, continuously developing the product offer and strengthening customer relationships.

Business concept

Ovako works closely with its customers in the bearing, transport and manufacturing industries and selectively enters into strong partnerships with major customers on a global basis. A value proposition based on delivery performance, advanced application development and industry-leading quality make Ovako the foremost supplier of engineering steel in Europe. Ovako's approach is decentralised and flexible, and decision paths are short to meet customer needs. Broad understanding of our customers' businesses is thus a prerequisite for a successful career within the Ovako group.

Strategic objectives

Market

Ovako will establish itself as the premier manufacturer and supplier of engineering steel in Europe, with a broader international position in selected niche areas. This will be achieved by the company growing organically in existing and new geographic markets, as well as through acquisitions and mergers.

Products

Ovako will, under a highly reputable brand, supply world-class products based on leading application development, metallurgical expertise and production technology. This will be achieved through long-term investments in production equipment, personnel and research and development.

Customers

Ovako will develop existing strengths with the objective of becoming the most customer-oriented supplier of engineering steel. This will be achieved by continuing to adapt to our customers' value chains and offering a high-quality service concept and reliable delivery.

Financial targets

To achieve these strategic objectives Ovako will implement long-term investments in the market, products and customers. Ovako is working long-term towards three financial targets. Achieving these targets will create the economic conditions for achieving the strategic objectives.

Return on capital employed

Steel production is a capital intensive industry and profitability in relation to capital is a key parameter. Ovako's target is to achieve an annual return on capital employed of 20 percent over a business cycle. Improved capacity utilisation and improved working capital are essential conditions for attaining this target.

Operating margin

Ovako delivers good earnings performance relative to the sector. The target is to maintain an average operating margin of 10 percent over a business cycle. Profitability will be supported by ongoing efforts to achieve a more flexible cost structure and a beneficial price level. Improved capacity utilisation is an essential condition for attaining this target.

Organic growth

With a clear and focused growth strategy, and with an organisation permeated by a high degree of sales focus and understanding of customer needs, Ovako will achieve average organic growth of 5 percent per year. Organic growth may be complemented with add-on acquisitions.

20%

return on capital employed (ROCE)

10%

operating margin (EBIT)

5%

organic growth

Financial targets and outcome	Target*	2012	2011	2010 Pro forma
Return on capital employed (ROCE), %	20	4	17	n/a
Operating margin (EBIT), %	10	2	8	8
Organic net sales growth, %	5	-16	30	n/a

*Calculated over a business cycle and assuming stable scrap prices.

Priorities

Ovako is prioritising three areas in order to achieve the financial targets and strategic objectives.

Growth

Growth has been an area of focus for Ovako since the end of 2011, regardless of the economy. To ensure long-term growth and competitiveness, a number of development opportunities in new product and customer segments have been identified, based on both new markets and new applications.

In the Nordics Ovako continues to develop its high-quality supply service with good pricing and close customer cooperation. By focusing on these long-term competitive advantages the position in the Nordics will be maintained and, where possible, enhanced.

In other major markets such as Germany and the United States, Ovako is setting its priority on broadening its offering. This is taking place through greater focus on certain sub-segments of the market, such as heat treated and high-clean steel products. Simultaneously, the position as a supplier of spring steel for trucks in Europe is being advanced. An important component is also to invest in future technologies and eco-efficient solutions with growth potential.

Ovako will also increase its presence in new geographic areas. This means markets where Ovako currently has low presence and where the opportunities for growth are considered to be good, such as in Southern and Eastern Europe, Russia and China/Asia. Important initiatives to expand Ovako's sales organisation have been given high priority, including in Eastern Europe and Russia. During the year, a decision was also taken to open a service centre in China.

Efficient processes

Proximity to customers will be improved through a decentralised and flexible approach that reduces lead times and increases reliability of supply. In the shorter term, cost saving initiatives have high priority. Extensive efforts to develop into a customer-oriented supplier with high productivity and availability are also being implemented.

The process of change has continued during the year in the major facilities in terms of work practices, efficiency and upgraded equipment. Improvements to process streams are ongoing to increase the degree of refinement in production.

An extensive investment programme will be a continued focus in coming years. Utilising the investments in increased capacity at the steel mills will be critical in achieving long-term profitability. This also strengthens the offering. By investing in innovative solutions and new technology, Ovako also secures a better and safer working environment.

One Ovako

Ovako has a long tradition of conducting metallurgical development in close cooperation with its customers, whereby steel with specific properties is developed to fit customer applications. Research and development take place continuously. A more effective innovation structure will contribute to the strategic objective of offering world-class products with advanced characteristics.

Ovako has in the past two years strengthened its central organisation to enhance coordination and benefit from economies of scale. Given that the company operates in a cyclical market, measures are being implemented to achieve a more flexible cost structure and thereby better ability to fend off future ups and downs in volume.

Ovako has continued to prioritise efforts to streamline and develop shared capacity in areas such as sales, finance and IT. Group functions are being specialised and a best-practice culture is being introduced, aimed at continual development and improvement.

To ensure a high level of sales focus and understanding of customer requirements throughout the organisation, Ovako is coordinating its sales function at group level. Experts are being developed to ensure a strong interaction with decision makers at customers. Among other initiatives, key account managers have been introduced for the globally largest customers.

Uncertain world

The steel market during 2012 was influenced by economic turbulence. Our assessment is that there is underlying long-term demand for advanced steel products. Ovako has a strong position in the Nordics and in specific product segments in Europe and worldwide. By having taken early action, the company is equipped to withstand cyclical challenges and capitalise on the opportunities offered by the development of the market in the long term.

Ovako is active in the market for long low-alloy steel products and engineering steel. These are steel products with specific requirements for strength, hardness, fatigue strength, toughness, wear resistance and heat treatment.

The market in 2012

Market conditions were challenging throughout 2012 due to the great uncertainty over developments in Europe and globally. The softening of demand from customers that began in late 2011 has persisted throughout 2012. European industrial output slowed during the first half of the year. German industry continued to grow through the second quarter, driven by the export-oriented automotive and machine manufacturing industries, but this could not fully offset the negative trends in most other markets and industries. This trend endured during the third quarter, and the market weakened further. Also German automotive production started to soften during the third quarter and contributed to weaker sales of engineering steel in Europe.

The production rate in European industry remained low, and fell by approximately 3 percent compared to the previous year. Orders were weak as a result of lower production rates combined with inventory drawdowns. New orders have declined since October 2011 for industrial goods in the three largest European economies and in several steel-consuming industries.

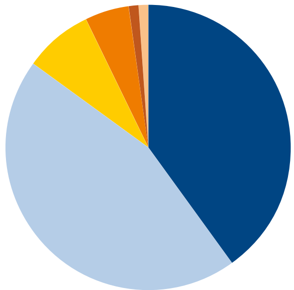
Meanwhile, the decline in demand appears to be slowing, and expectations for the future are becoming more neutral. IFO, the German purchasing managers' index, has been reporting rising expectations since the end of the third quarter of 2012. This trend also persisted in the fourth quarter.

The market for engineering steel

The European market for engineering steel is estimated at approximately 8-10 million tonnes. The market is cyclical and generally follows the global economy. But Ovako is believed to be somewhat early in the cycle. Underlying volume growth has historically been about 2 percent per year. Growth has mainly been driven by gradually increasing European consumption and exports of European manufactured vehicles, machinery and other equipment to emerging countries. Some niche segments have grown faster than the overall market. This is because ever more advanced steel is needed for the products of end customers to meet ever-increasing performance requirements.

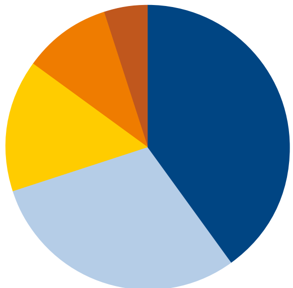
Ovako's products are used essentially by the European engineering industry and its sub-suppliers, often in demanding applications such as bearings, powertrains, hydraulic cylinders and rock drills. Customers are usually leading premium manufacturers in their segments, with stringent requirements for steel properties. The majority of Ovako's customers are located in Europe, and they together account for the largest share of the company's sales. There is also high demand for Ovako's steel for the most demanding applications from customers in North America and Asia. The five largest customers account for approximately 30 percent of net sales.

Sales by market, %



- **Nordics** 40%
- **Western Europe excl. Nordics** 45%
- **Eastern Europe** 8%
- **North America** 5%
- **Asia** 1%
- **Rest of world** 1%

Sales by end-customer segment, %



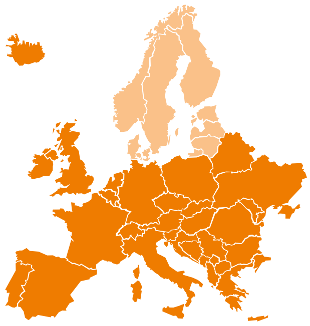
- **Automotive and transportation** 40%
- **Other engineering** 30%
- **Distributors** 15%
- **Mining** 10%
- **Wind power** 5%

5-10%

of Europe's need for engineering steel is imported every year and about the same amount is exported. The imported steel is generally of more standardised grades, while the steel exported to other countries is mainly steel for use in demanding applications, that can be supplied only by a few European, American and Japanese manufacturers.

Nordic market leader

Selected segments for Europe



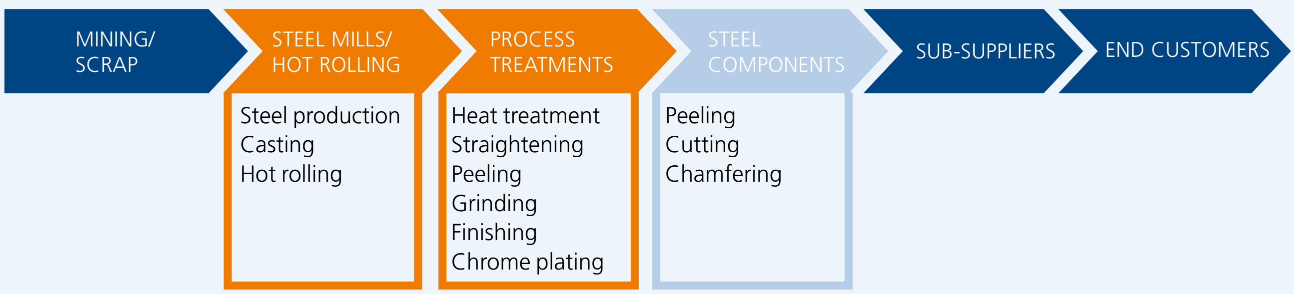
Global niches

Market position and competition

Ovako is the only Nordic company in its product segment and holds a leading position in the European engineering steel market and in a number of global niches. Areas where Ovako is strongest globally include bearings and components with similar quality requirements for fatigue strength.

- **In the Nordics,** Ovako has a large market share. The market has consolidated to a greater extent than elsewhere in Europe. Competition from other European suppliers has increased in the Nordics as a result of the challenging economic situation, especially in Southern Europe. Ovako's close customer relationships and high level of service contribute to a competitive offering and provide a significant competitive advantage over competitors from other European countries.
- **In the European market,** which is relatively fragmented, there are principally about ten suppliers from Germany, France and Italy in addition to Ovako. Competition from non-European suppliers is limited. In Europe, Ovako has a leading position in a number of segments, such as in bearings. Ovako is the European steel producer with the highest proportion of bearing steel in its production volume. This specialisation provides significant competitive advantages in the form of higher quality and lower costs. Germany, France and the UK are the main markets for Ovako today. Several other European countries, including countries in Eastern Europe, offer significant growth opportunities going forward.
- **In the rest of the world,** Ovako supplies steel within a number of global niches where only Ovako and a small number of other manufacturers are able to satisfy the advanced customer requirements.

Ovako's position in the value chain



Ovako's steel mills refine steel scrap into advanced low-alloy steel products, engineering steel. Steel production is based on scrap.

Improvements to Ovako's process flows take place on an ongoing basis to increase the degree of refinement in production.

Ovako works closely with some of the most demanding steel segments. The product portfolio and delivery concept are adapted to customer requirements for on-demand, reliable and cost-effective steel supply.

Trends

Changes in the world economy have strong impact on Ovako's business. Operations are affected mainly by the following trends.

Industrialisation in Asia is the main driver of growth in the global market. Rising consumption in Asia is driving demand for machinery and equipment in which engineering steel is a component. This means that Ovako has recorded higher demand from European companies with strong market positions in Asia, and that manufacturing is increasingly moving to Asia. Ovako has therefore developed logistics solutions and local application development to ensure a presence where advanced engineering steel is increasingly required.

Restriction of carbon emissions to mitigate global warming is imposing greater demands for increased production of renewable energy and cleaner burning of fossil fuels. Even China is greatly affected by this. Wind power is being expanded and requirements for internal combustion engines are being tightened. This leads to demand for steel with excellent fatigue characteristics. Ovako collaborates with the world's leading bearing and diesel engine manufacturers to develop and supply steel to match their needs.

Materials customised for specific applications are winning ground in pace with the increasing performance demands and advances in metallurgical processes. Advanced engineering steel is often assessed to be the most financially advantageous way to reach the next level of product performance, such as for lower fuel consumption, longer useful life and higher safety standards. With leading expertise in engineering steel, good flexibility and application expertise, Ovako offers major benefits.

Efficiency and automation of production solutions continue to develop at a rapid pace, and the technology required is becoming increasingly available and cost-effective. This means that the economics of production are controlled to a lesser extent by pure labour costs. Furthermore, improved performance in processing technology means that customers are increasingly choosing a pre-hardened engineering steel. Ovako has historically worked in several ways to deliver value-added steel products that match well with a cost-effective and capital-effective solution for customers.

Well-functioning collaboration is why we have worked with Ovako for over 20 years.

Göran Johansson,
Purchasing Projects, VBG Group

About VBG GROUP
VBG GROUP is an engineering group with wholly-owned companies in Europe, the USA, India and China. The Group's operations are divided into three divisions - VBG Truck Equipment, EDSCHA Trailer Systems and Ringfeder Power Transmission - with products that are marketed under strong, well-known brands.

"We are involved in the introduction of new products"

VBG Group has been a customer of Ovako for over 20 years. Close cooperation and secure delivery are the main reasons that VBG Group continues to be a customer of Ovako, according to Göran Johansson, Purchasing Projects at VBG Group.

Why did you choose Ovako as your supplier?
– The starting point of our cooperation was Ovako's M-Steel, because we believe it has better machinability than other products we've tested in the past. We use M-Steel in our manufacturing of coupling bolts.

How is your ongoing collaboration with Ovako?
– We have always had good cooperation. We find in particular that Ovako is good at giving us quick answers and it's good that we get to be involved in their efforts to develop new products. That was partly how M-Steel was developed. This collaboration means that Ovako can customise products to what we want, which is a big advantage for us.

Are you confident in Ovako as a supplier?
– We have great confidence in Ovako. Even if the market varies sometimes, Ovako has always provided very secure delivery, which has been an important element of our long cooperation.

Is there anything Ovako could do better to strengthen the relationship?
– We're happy as it is for the time being, but developments move forward and we want to continue to be involved in Ovako's development of new products in order to adapt them to our business.

Competitive offering in high-quality engineering steel

Ovako's long experience of working closely with some of the most demanding steel segments has created unique expertise and a competitive advantage. This helps Ovako to create value for its customers.

Ovako offers a diversified product portfolio to customers in a variety of industries worldwide. The products meet stringent requirements for the properties of the steel when used in demanding applications.

In striving to be the most customer-oriented company in its sector, Ovako works in the long term to develop customer relationships based on close collaboration. Through solid market insight and ongoing dialogue with various stakeholders, Ovako maintains good understanding of customers' current and future needs. This applies to both products and processes for demanding applications and to assuring the capacity for on-demand, reliable and cost-effective steel supply.

Ovako's manufacturing is based on three production flows: Hofors-Hällefors in Sweden, Imatra in Finland and Smedjebacken-Boxholm in Sweden. Operations and production at these steel mills differ somewhat with regard to products and customers. Together they create a valuable and competitive offering. Operations are described based on these three production flows.

HOFORS-HÄLLEFORS

Main products

- Round bar 11-230 mm
- Hot-rolled ring 150-4,000 mm
- Tube 25-245 mm
- IQ-Steel

Applications

- Roller bearings
- Powertrains
- Special products

Customers

- Automotive
- Energy generation
- Mining
- Other engineering

IMATRA

Main products

- Round bar 25-200 mm
- Square bar 30-150 mm
- M-steel

Applications

- Machining
- Forging
- Powertrains

Customers

- Automotive
- Forging industries
- Mining
- Other engineering

SMEDJEBACKEN-BOXHOLM

Main products

- Flat bar 15-250 mm
- Round bar 13-100 mm
- Special profiles
- Special properties (SP) bar

Applications

- Agricultural machinery
- Wear-resistant steel
- Leaf springs

Customers

- Automotive
- Agricultural and forest machinery
- Railways
- Other engineering

Hofors-Hällefors

Hofors-Hällefors produces premium quality long steel products for customers with very high standards for cleanliness and fatigue strength. Most of the customers are in bearing and automotive industries, the energy sector and other manufacturing industries. Among other applications, the steel is used for input components in bearings, diesel engines and other special products.

An example of a steel product in the premium segment is Ovako IQ-Steel, known for being one of the world's cleanest steels. With isotropic characteristics, IQ-Steel is equally strong in all directions. Its cleanliness gives it great strength, as demanded by manufacturing industries such as the automotive industry. IQ-Steel is used, for example, in diesel injection systems, but the steel is versatile and Ovako is developing other applications together with customers.

Hofors-Hällefors offers the opportunity for a high degree of refinement, giving customers products that can be directly used in their production processes without additional treatment.

The continuous process of research and development during the year has been conducted to further develop the properties of the steel based on customer needs. The long-term focus of Hofors-Hällefors is to continue to improve the quality, strength and wear-resistance of the steel.

Ovako decided in 2011 to make several investments in Hofors-Hällefors to increase capacity and upgrade equipment. The investments are mainly aimed at future technology with growth potential that could benefit customers.

During the year, installation began of the fifth ring mill in Hofors. The aim is to meet increased demand for bearing rings in larger sizes for applications such as generators. In Hofors, an extensive modernisation of the tube works to support new business opportunities in Europe in sectors like automotive, oil and gas, engineering and bearings was also started.

Investment is being made in Hällefors in a new automated peeling line that is expected to come into service in 2013. The purpose of the new peeling line is to continue to grow in the attractive diesel injection product segment and to enhance the level of processing in production.

Hofors-Hällefors will maintain focus on meeting higher demand for high-quality steel. Increased volumes are expected from areas such as niche markets in the mining and bearing industries, new emerging markets such as Eastern Europe and segments with a focus on eco-efficient solutions.

Imatra

With a strong European position in engineering steel, Imatra produces long steel products in bar form, mainly for machining and forging. Over a very long time, Imatra has built up a production process that makes it possible to supply steel of consistently high quality. Delivery is flexible and adapted to the requested quantities and lead times. The steel is heat-treated and quality tested based on customer needs.

Imatra's business is based on close and long-term partnerships with customers. Customisation, extensive technical support and superior service assure high customer loyalty.

Customers consist mainly of Nordic automotive, forging and engineering industries, but the rest of Europe and Russia are important growth regions.

Imatra has specialised in steel with enhanced cutting characteristics, called M-Steel. M-Steel causes less wear to the cutting tools and can therefore be processed at higher cutting speeds, more efficiently and at lower cost. Since cutting is often a major cost item, Imatra's M-Steel can reduce customer costs by up to 30 percent.

A large part of Imatra's production is oriented towards customers who make forged high-precision parts for applications in customer segments such as mining, offshore and the heavy automotive industry. In these segments, Imatra develops engineering steel adapted to particularly demanding forging applications with the high standards for steel properties that customers require.

30% of the customer's costs can be reduced by using Imatra's M-Steel, since cutting is often a major cost item.

Smedjebacken-Boxholm

Smedjebacken-Boxholm excels at cost-efficient production of special steels, with a focus on boron-alloyed steels and micro-alloyed steels that together account for approximately two-thirds of the volume. Boron steel is used in applications where wear resistance is very important, such as for snowploughs, cutting steel, fork-lifts and agricultural machinery.

The business unit is highly diversified and has a number of customer segments, including cars, trucks, construction machinery, railways, agriculture and the metals industry. Product development is continuing in the automotive, agricultural machinery and railway segments, and new applications are being developed. Similarly, Eastern Europe and Russia have been identified as key growth markets.

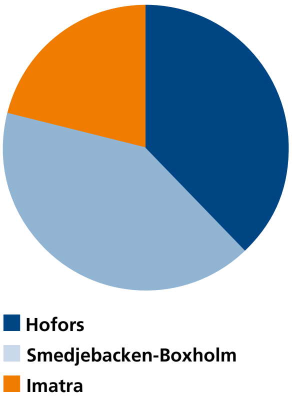
Ovako's special properties bar (SP-Bar) is manufactured in Smedjebacken-Boxholm. This is a result of Ovako's constant product development. SP-Bar is a hot-rolled bar that is not restricted to any specific type of steel. Optimising the properties of the material in SP-Bar allows customers to benefit from added value and significant cost savings in production.

During the year, there have been several important initiatives in flat spring steel in order to secure a greater market share. This is expected to provide approximately 15,000 tonnes of additional sales on an annual basis, beginning in 2013.

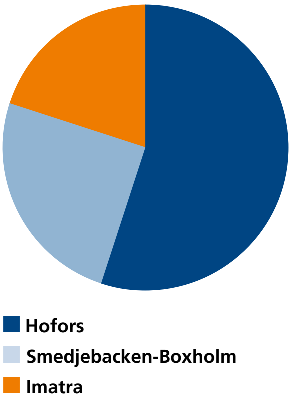
In Smedjebacken, Ovako decided during the year to invest in a new de-dusting system. The system is expected to be operational in autumn 2013 and complies with future environmental standards. This is one of many steps to ensure a good working environment for Ovako employees and to minimise the company's environmental impact.

In addition to a continued focus on the development of steel quality and characteristics, the business will work strategically moving forward on further improving reliability of delivery. Ovako's close customer relationships are based on the highest possible reliability of delivery and service. Aside from the product itself, these are important aspects of the quality of Ovako's offering.

Production (tonnes) by production flow



Employees by production flow



Ovako is the perfect company for exploiting new ideas

Patrik Ölund, head of research and development at Ovako

"Close customer collaboration provides better understanding of future challenges"

Ovako has a large number of customers with one thing in common: they want something extraordinary when it comes to the properties of their steel, product performance, service and/or technical support. Ovako constantly strives to meet these requirements and wishes, says Patrik Ölund, who is head of research and development at Ovako.

What does Ovako do to meet these requirements?
– The development of SP-Bar, M-Steel and IQ-Steel are some examples of significant development work for our customers. This type of product development is continuous. In 2012, for example, variants of IQ-Steel have been customised to meet new specific customer needs.

How important is it to work together with the customer in product development?
– Close collaboration with key customers on product development and innovation is critical to our competitiveness. Conducting this type of project together with our customers is very important because it allows us to identify future market needs and use this to develop products to match.

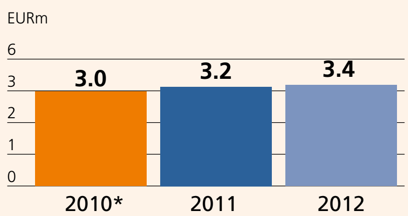
How does Ovako work with the environment and environmental technology in materials development?
– Environmental issues and energy conservation are very important, and will remain important. This is why we place an emphasis on the development of steel that contributes to lower use of resources. Through better control of our own processes, we can reduce the consumption of both energy and raw materials. Efforts to develop stronger and cleaner materials result in less energy-demanding products, which ultimately has a positive environmental effect.

How does Ovako work with innovation?
– Ovako is the perfect company for exploiting new ideas. It is large enough to have the resources to investigate and exploit ideas. At the same time we all know each other, which means that ideas do not fall between two stools, or get stuck in bureaucratic processes. Centrally we work with three research and development networks, where ideas are selected and translated into projects. All information is shared between the networks to effectively disseminate ideas across all units within Ovako.

You were recently awarded the Kami Prize. What was it awarded for?
– I received an award for my contribution to the development of Ovako IQ-Steel. IQ-Steel is a unique steel that can withstand high loading in all directions, leading to reduced environmental impact and reduced CO_2 emissions. I am of course very pleased to have been awarded the Kami Prize, but also for the attention now being received by IQ-Steel and its positive qualities. Without Ovako's climate of innovation I would probably not have won this award.

R&D at Ovako
Ovako works extensively with development and innovation. The central R&D unit is responsible for driving advanced research and development of entirely new products and for making the results of this available within the company.

R&D costs



*Pro forma for the full year 2010

Shared vision of responsibility

Ovako takes responsibility for all aspects of the operations. This includes quality, customer relationships, employees, safety, the environment and acting responsibly in the communities where the company operates. This responsibility is set out by Ovako's board of directors and senior management in its long-term strategy, its environmental policy, its health and industrial safety and in the company's code of conduct.

A safe working environment

Extensive work is underway to improve safety within the group, and the accident rate decreased in 2012 by 18 percent compared with 2011. A major focus in 2013 will be to ensure that the next steps are taken with regard to safety.

The larger Swedish units use a common divergence system to improve the working environment. The system is called Mia, and is provided by AFA Insurance for the steel and metals industry. The process uses the following steps: registration – inquiry – action – follow-up – additional follow-up. It is not just about the occurrence of occupational injuries, but as much about incidents and observations of risk. The Finnish units report in a similar way using the Tava system.

Activities regarding behavioural based safety (BBS) are ongoing at Ovako's larger units. The work focuses on raising awareness of established and unintentional risky behaviour, reducing this behaviour and working more safely with new procedures. No one should take unnecessary risks and thus take unsafe action. This requires cooperation and support from the entire organisation.

With a focus on the employee

Ovako should be characterised by a culture that lays the ground for good performance. Ovako has responsibility for ensuring that more than 3,000 employees in over ten countries develop and have a good understanding of customer and market needs. Ensuring that the employees have the right knowledge is essential for business development in both the short and long term.

Professional development

Maintaining Ovako's competitiveness requires continual professional development. Ovako therefore works continuously with employee training. This is achieved through training and learning in the day-to-day work. Ovako has mandatory courses in areas such as environment and safety. Some of the units also hold annual themed training, and Ovako has individual development programmes for certain roles.

Leadership is a priority for Ovako. Managers play an important role in creating commitment and understanding of Ovako's continued development among employees. Since 2011 the company has held an annual theme day for managers in order to provide all managers with continuous and consistent leadership development. The theme for 2012 was HR Performance Management.

Ovako works in the long term to promote diversity to raise the profile of gender equality issues within the group, for both existing employees and when recruiting. Women currently make up approximately 20 percent of Ovako's workforce.

Initiatives for new employees

An efficient recruitment procedure and induction for new employees is central to ensuring a good supply of skills and regeneration. In 2011 Ovako introduced a programme for newly hired graduates, GRO - Graduates in Ovako. The programme aims to attract talented graduates and enable them to quickly develop within the company, thereby enhancing Ovako's competitiveness.

Working with wellness

Working with wellness is a priority for Ovako. Several of the larger units train their employees in issues related to shift work. The training is called the "shift worker's driving licence" and deals with issues such as sleep, diet, exercise and alcohol.

All staff at the major units have undergone training on noise-related issues. Workplace measurements have been conducted and noise surveys have been carried out for all production facilities. Hearing checks are carried out regularly, and regular health checks are also offered.

A key part of the community

With its roots in the Swedish and Finnish mill towns, Ovako has a long tradition of working in and engaging with the communities where the company has production facilities. In many production locations Ovako is a dominant employer, and works closely with the local community and engages in activities to promote local growth.

In order to secure the industry's future skills needs, Ovako work with Teknikcollege in Hällefors, Smedjebacken and Hofors. Teknikcollege provides quality assurance for training, and municipalities, providers of education and businesses work together to enhance the attractiveness and quality of technology-oriented courses. Ovako participates in the development of training programmes and offers student internships. Teknikcollege-certified training includes both secondary and university levels.

Ovako is also involved in local business organisations that work to promote local entrepreneurship and growth.

The best things about my job are my colleagues, the variety of the work, the relaxed atmosphere and a good career.

Linn Rubensson, operator at Smedjebacken.

"Good colleagues and variety at work"

Working at Ovako means good colleagues, varied work, good opportunities to have an influence and development of skills. This is according to Linn Rubensson, an operator at Smedjebacken since May 2011.

How is to be a young employee at Ovako?
– I'm very happy at Ovako. Although most of what we do is physically tough, there are always tools to use. My workmates are also very helpful.

What does an ordinary day look like?
– My colleagues and I work around four stations that we call the Stool, the Stockpile, the Receiver and the Strapper. The work is to inspect and bundle materials, and each station plays an important role. For example, in the Stool we deal with the length and quantity settings according to customer requirements.

What is the best thing about working at Ovako?
– The best things about my job are my colleagues, the variety of the work, the relaxed atmosphere and a good career. I've been on two internal courses, an overhead crane course and the hot work course. The aim of these courses is for us to develop, work safely and understand our customers better.

Do you find you are able to influence your work?
– Yes, I think so. For example, by sending in suggestions for improvements in the day-to-day work and how we create a safer workplace.

Ovako's Swedish units were awarded the Green Cargo Climate Certificate in 2012.

Steel is a key component in the development of our society, and Ovako's engineering steel is in demand from customers in industries such as bearings, transport and manufacturing. Ovako works constantly to develop the quality of the steel, thereby providing lighter and more environmentally friendly solutions to the company's customers. Ovako's IQ-Steel is a unique steel that can withstand high loading in all directions, leading to reduced environmental impact and lower CO2 emissions. Using IQ-Steel for diesel injection in cars, trucks and ships has made it possible to reduce fuel consumption by approximately 1 litre/100 km. In terms of only the cars where Ovako's IQ-Steel is used, it is possible to calculate that CO2 emissions have been reduced by 80 million tonnes in total over the last 10 years (the whole of Sweden emits approximately 50 million tonnes/year).

Ovako collaborates on environmental issues
Ovako supports the World Steel Association's policy on sustainable development and is also affiliated with the European Steel Association (EUROFER) and the Swedish Steel Producers' Association (Jernkontoret). Through these collaborations Ovako participates in work to promote environmental issues.

For a resource-efficient business

Ovako conducts environmental activities with a focus on continually improving steel quality and providing more environmentally friendly solutions. Reducing greenhouse gas emissions and energy consumption are a priority since these represent the most significant environmental aspects of Ovako's business.

Much of the environmental work is decentralised and conducted locally. Using control schedules for emissions to air and water, and for noise, each unit works actively and independently to ensure a healthy environment. Ovako conducts licensed activities, which means that aspects such as production levels, the amount of emissions to air and water, noise levels, and the management of landfills are regulated by the licences and their environmental conditions. All major production sites are certified and operate in accordance with ISO 14001.

Scrap-based steel production
Steel is a material that can be reused any number of times without deterioration in its properties. Ovako's steel production is based on scrap, which means that no new iron ore needs to be mined for Ovako's steel production. This makes Ovako the Nordic region's largest recycler of steel scrap. Scrap-based manufacturing generates less carbon dioxide emissions than iron-ore based manufacturing. Utilising the alloying elements in the scrap also reduces the proportion of other alloying elements that need to be added, which is both an economic and an environmental advantage.

Ovako's three smelters all use steel scrap as their raw material. In total the steel mills received approximately one million tonnes of steel scrap from the external market in 2012. In order to optimise resource utilisation in respect of alloying elements, the scrap is divided into different classes. The scrap is then refined into high-quality steel products.

The market for residual products
In addition to the main steel product, Ovako produces a variety of waste products. These residual products are primarily managed by use and recycling. Even the scrap produced as residue of the manufacturing process is reused.

Ovako is participating in several research projects to increase and enhance the use of residuals. One outcome of this has resulted in the control of residual product characteristics having been improved through changes in the production process.

One such example is the electric arc furnace slag, which is used as construction material for roads and as aggregate for asphalt. Slag asphalt has excellent resistance and stability, which gives roads a longer life. Slag asphalt also has good wear characteristics, noise-reducing properties and provides better friction, which contributes to better road grip. In general, asphalt made from slag also reduces noise levels by 1 dB compared with conventional asphalt.

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Board of Directors' report

The Board of Directors and CEO of Ovako Group AB hereby submit their annual report for the operations of both the company and the group during 2012.

Operations

Ovako is a leading European producer of engineering steel used in the bearing, transport and manufacturing industries. The company's long experience of working closely with some of the most demanding steel segments has conferred it with unique expertise and competitive advantage in selling engineering steel with advanced characteristics. Production comprises primarily bar, tube, rings and pre-components in low-alloy steels that are often used for demanding applications such as in ball bearings, powertrains, hydraulic cylinders and rock drills. Ovako has eleven production plants and several sales units in Europe, North America and Asia. Ovako has a total production capacity of 1.3 million tonnes of crude steel per year. The largest production flows are Hofors-Hällefors, Imatra in Finland and Smedjebacken-Boxholm.

Hofors-Hällefors produces premium quality long steel products for customers with very high standards for cleanliness and fatigue strength. Most of the customers are in the ball-bearing and automotive industries, the energy sector and other manufacturing industries. Among other applications, steel produced at the mill is used for input components in bearings, diesel engines and other special products.

Imatra produces long steel products for machining and forging. With a strong European position in engineering steel, and over a very long time, it has built up a production process that makes it possible to supply steel of consistently high quality designed especially for high-productivity cutting processes. Several of Imatra's customers manufacture forged parts, for which Ovako supplies steel bar of various types.

Smedjebacken-Boxholm excels at cost-efficient production of special steels, with a focus on boron-alloyed steels and micro-alloyed steels that together account for approximately two-thirds of the volume. Boron steel is used in applications where wear resistance is very important, such as for snowploughs, cutting steel, fork-lifts and agricultural machinery. The business unit is highly diversified and has a number of customer segments, including cars, trucks, construction machinery, railways, agriculture and the metals industry.

Ownership structure

The group in its present configuration was formed on 29 September 2010 through acquisition of all shares in the Ovako companies within the divisions Bar, Bright Bar and Tube and Ring. The group's Swedish parent company is Triako Holdco AB, which is 100% owned by Oven Luxco Sarl. The group is controlled directly and indirectly by Triton Fund III, which owns 83.34% of the equity in the Ovako group. Triako Holdco AB owns 100 % of equity in Ovako Group AB (company registration no. 556813-5361), which in turn owns 100% of equity in Ovako AB (company registration no. 556813-5338). Ovako AB owns, directly and indirectly, 100% of equity in the group's subsidiaries.

Key data

	2012	2011	2010
Net sales, EURm	937.1	1,120.6	252.8
Operating profit before depreciation and amortisation (EBITDA), EURm	66.0	134.2	17.5
EBITDA margin, %	7.0	12.0	6.9
Operating profit (EBIT), EURm	19.9	89.8	6.3
EBIT margin, %	2.1	8.0	2.5
Profit/(loss) for the year, EURm	-3.7	37.7	-3.9
Cash flow from operations, EURm	86.9	56.1	-12.8
Net debt/equity ratio, %	130	137	149
Return on capital employed (ROCE), %	4	17	1
Employees at the end of the period, FTE	3,040	3,239	3,134

Comparisons with 2010

The comparative figures in the table for 2010 reflect operations in the group after the acquisition, beginning 29 September and ending 31 December 2010.

2012 in summary

Business conditions deteriorated progressively throughout 2012 as a consequence of the macroeconomic turbulence. The order intake and invoicing levels were significantly lower in the second half of the year than in the first. The slowdown was particularly clear in December. In early 2012 an adjustment of capacity and other costs to a lower level was initiated, and during the year staff has been reduced by 200 full-time employees. Inventory levels and other working capital elements have been adjusted during the year, which has strengthened cash flow significantly, while operating profit was lower than in the previous year. Cash flows from operations for the full year improved by 55 percent to EUR 87 million.

Investments for 2012 were completed according to plan, and amounted to EUR 49 million. Several new investments and process improvements will be brought into service during 2013. The expansion of the sales and marketing organisation continues, and included establishments in several Eastern European markets. Despite low capacity utilisation, productivity at all three steel mills improved during the year. Delivery accuracy improved to over 90 percent and the quality effort has also yielded positive results during the year.

In light of a weak and uncertain market during the autumn, a new cost-reduction programme was initiated. The programme will bring savings of EUR 25 million compared to 2012 and will be fully implemented during 2013. The cost-reduction programme, which has been previously announced, includes staff reductions of 150 full-time employees, of which approximately 50 have already left the company during the fourth quarter. The others are expected to leave during 2013. In addition, approximately 1,800 employees at the operations in Hofors and Imatra are included in agreements for reduced working hours and salary during the first half of 2013. The agreements secure the group's flexibility to meet growing demand once the economy improves. The fourth quarter of 2012 was charged with EUR 4 million in restructuring costs related to the cost-reduction programme. In total, the year's profit compared to the previous year was charged with EUR 17 million in foreign exchange effects and items of a non-recurring nature related to restructuring costs and costs for previously entered hedging contracts on electricity.

Other significant events during 2012

Following endorsement by the Annual General Meeting in May 2012 the name of the company was changed to Ovako Group AB (previously Triako Midco AB). The current Board of Directors, which previously sat in subsidiary Ovako AB, was elected at the same meeting.

In August there was a fire at Ovako's facility in Imatra, Finland, which led to a five-week production stoppage at the steel mill. No one was injured and the majority of the damage and loss of revenue is covered by insurance.

Market development

Market conditions were challenging throughout 2012 due to the great uncertainty over developments in Europe and globally. The softening of demand from customers that began in late 2011 has persisted throughout 2012. European industrial output slowed during the first half of the year. German industry continued to grow through the second quarter, driven by the export-oriented automotive and machine manufacturing industries, but this could not fully offset the negative trends in most other markets and industries. This trend endured during the third quarter, and the market weakened further. Even German automotive production started to soften during the third quarter and contributed to weaker sales of engineering steel in Europe.

The production rate in European industry remained low, and fell by approximately 3 percent compared to the previous year. Orders were weak as a result of lower production rates combined with inventory drawdowns. New orders have declined since October 2011 for industrial goods in the three largest European economies and in several steel-consuming industries.

Meanwhile, the decline in demand appears to be slowing, and expectations for the future are becoming more neutral. IFO, the German purchasing managers' index, has been reporting rising expectations since the end of the third quarter of 2012. This trend also persisted in the fourth quarter.

During 2012, Ovako has adjusted production levels and capacity in line with the weaker market trend. Steel production for the full year amounted to 857 thousand tonnes, a decrease of 21 percent compared to 2011. Adjusted for the stoppage in Imatra steel mill, the decrease compared to the previous year was 19 percent.

Sales and profit

Consolidated sales were EUR 937 (1 121) million, a decrease of 16 percent compared to the previous year. The external sales volume during the year declined to 694 (851) thousand tonnes, a reduction of 18 percent.

Adjusted for restructuring costs of EUR 4 (0) million, operating profit before depreciation and amortisation (EBITDA) decreased to EUR 70 (134) million, corresponding to an EBITDA margin of 7.5 (12.0) percent. The lower profit is explained primarily by lower sales volume of EUR -53 million. The effort to reduce inventories led to a decrease in production which resulted in the under-absorption of fixed costs of EUR -9 million. In addition, the operating profit was charged with foreign exchange effects of EUR -6 million and the cost for previously entered hedging contracts on electricity of EUR -7 million. Cost savings led to a reduction in fixed expenses of EUR 15 million.

Total depreciation and amortisation during the period amounted to EUR 46 (44) million. Operating profit (EBIT) was EUR 20 (90) million, corresponding to an operating margin of 2.1 (8.0) percent.

Net financial income amounted to EUR -33 (-33) million. Impairment of financial receivables and foreign exchange losses were recognised in the profit for the year at EUR 4 (2) million.

The profit before tax for the period amounted to EUR -13 (57) million and net profit was EUR -4 (38) million. Tax for the year was positively affected by EUR 7 million due to a recalculation of deferred tax for Swedish operations as the tax rate is reduced to 22.0 percent in 2013, from 26.3 percent previously.

Cash flows and financing

Cash flows from operating activities for the full year 2012 were EUR 87 (56) million and cash flows before financing activities were EUR 38 (22) million. Despite a significantly lower operating profit, cash flows from operating activities were considerably better than in 2011. This is explained primarily by a favourable development of working capital.

Utilisation of loans under senior facilities limits was EUR 267 (296) million at 31 December 2012. Total interest-bearing net debt amounted to EUR 212 (247) million. Equity amounted to EUR 164 (180) million. The net debt/equity ratio therefore amounted to 130 percent, compared to 137 percent at 31 December 2011. Equity during the year was adversely affected by EUR 8 (31) million by items recognised in other comprehensive income.

The group's liquidity buffer at 31 December 2012 was EUR 114 (108) million, composed of cash and cash equivalents of EUR 43 (33) million and unutilised contracted loan facilities of EUR 71 (75) million.

Capital expenditures

Capital expenditure amounted to EUR 49 (34) million and was composed principally of ongoing expenditure on investments in progress, including the new ring mill and refurbishment of the tube mill in Hofors, as well as ongoing maintenance investment.

A decision was taken during the year regarding phase two of the de-dusting system in Smedjebacken. The total investment amounts to approximately EUR 13 million over three years, and is expected to be operational in autumn 2013. The system meets future environmental standards and is one of many measures to ensure a good working environment for our employees and to minimise our environmental impact.

Employees

Ovako had 3,040 (3,239) full-time equivalent employees at year-end. The workforce percentages in Sweden and Finland, where most of the group's production facilities are located, were 76 (76) % and 19 (19) %. The workforce percentage in other countries was 5 (5)%.

Extensive work is underway to improve safety within the group, and the accident rate decreased by 18 percent compared to 2011. A major focus in 2013 will be to ensure that the next steps are taken with regard to safety.

Disclosures regarding payments to senior executives can be found in Note 28.

Research and development

The group's total costs for research and development were EUR 3.4 (3.2) million. These are recognised in profit or loss. This includes work related to dedicated product and materials development and not the process development carried out within each unit.

The central R&D unit is tasked with pursuing advanced research and development and making the results and applications available within Ovako. The work involves a wide network within the group as well as partnerships with selected external research units and key customers. The unit's chief strength is its expansive knowledge of the entire process chain from scrap to alloys and treatment of raw materials to the finished product at the customer.

Risks and risk management

Risk management at Ovako aims to minimise operational risks while equipping the company to take optimal advantage of business opportunities.

Market-related risks

Ovako's results and financial development are affected by a large number of factors, several of which are beyond the company's control.

Volatility in global financial markets in recent years has made apparent several of the risks and uncertainty factors that surround operations. These risks are mainly related to the macroeconomic effects on demand, market prices and financing.

Ovako's underlying market is cyclical and the consequence of weak demand may include lower sales volumes and/or falling market prices. The process of identifying and assessing risks and taking decisions as to how and to what extent risks should be addressed is a priority within the group. In the last year, Ovako has for example taken action to improve flexibility in operational costs and enhance capacity to withstand weak market trends. Focus has been on ensuring a more flexible cost structure while maintaining the capacity and workforce that will be required in a future expansive phase.

Raw materials price risks

Surcharges are applied to iron scrap and alloys, the group's main raw materials, which is an established method of adjusting steel prices in response to national and international variations in costs for scrap and alloy elements. The surcharges are generally based on published prices for the respective raw materials. Scrap and alloy surcharges are applied so that longer-term price agreements can be negotiated, which benefits both customers and suppliers. Depending on the underlying price structure in price agreements, scrap and alloy surcharges vary among different suppliers and countries.

Ovako's larger production units, which include electric arc furnaces (EAFs) in the steel production process, require substantial quantities of energy. The units in the group that consume the most electricity are located in Finland and Sweden. In a normal year, the group uses approximately 1 TWh of electricity in these two countries.

To mitigate electricity price volatility that causes fluctuations in cash flow and earnings, Ovako uses hedging measures by which portions of the variable price of electricity are transferred to a fixed price. Management is responsible for managing electricity price risks in accordance with the finance policy and the guidelines adopted by the Board of Directors. At year-end 2012, anticipated future electricity consumption was hedged as follows: 62 percent for 2013, 44 percent for 2014 and 23 percent for 2015.

The group uses hedge accounting for electricity derivatives designated as cash flow hedges. Find more details on electricity price risks in Note 23 Financial risks.

Emissions credits

Management is responsible for managing any emissions credits deficits or surpluses by means of external trading with approved counterparties.

In the free allotment for the second period of 2008-2012 in the EU emissions trading scheme, the group's production units were allotted sufficient emissions credits for the production.

Operational risks

There are several processes involved in steel production, and disruptions in one process may have serious effects in other process streams. There is risk that operational downtime caused by factors such as transport problems or process disruptions will become very costly. These risks are mitigated by optimising raw materials inventories, work in progress and finished goods inventories. Ovako also carries insurance to minimise costs in the event of damage and disruption.

Financial risks

The group is exposed to various types of financial risks including market risks, liquidity and refinancing risks and credit and counterparty risks.

The group's finance policy, adopted by the Board of Directors, provides guidance on managing these financial risks. The purpose of the policy is to establish general financial targets, allocation of responsibilities and threshold limits in respect of financial risks, and to describe actions that can be taken to mitigate these financial risks within the framework of strategic and operational financial risk management of the group and its business units.

The main objective of group financial risk management is to mitigate the adverse impacts of financial risks on consolidated earnings, cash flows and equity and to assure adequate liquidity. Financial risks and financial risk management are described in greater detail in Note 23.

Environmental impact

All operations at Ovako hold licences for their activities in accordance with the legislation of each respective country. In Sweden, it is the Land and Environment Court that establishes operating permissions and environmental conditions for the larger units. For the smaller units, it is the environmental assessment delegation of each county administrative board that scrutinises environmental activities. In Finland it is the Regional State Administrative Agency that determines conditions for Ovako Imatra.

The licences regulate, among other things, production levels, emissions to air and water, noise, handling of intermediate storage and landfill. All units within the group conduct their operations in accordance with their licence to operate. All units have statutory environmental insurance.

Ovako Bar in Smedjebacken has started the process to apply for a new licence to operate under the Environmental Code. The application forms have been submitted in 2012 and a new permit is expected to be completed during 2013 - 2014. Ovako Imatra will seek a new licence to operate during 2013 and the Ovako units in Hofors plan to submit an application for a new licence in 2014.

Events after the reporting date

Nothing to report.

Short-term outlook

Demand during the first quarter 2013 is expected to remain at approximately the same level as in the second half of 2012, and thus be lower than in the first quarter of the previous year.

Parent company

The object of the parent company's business is to own and manage shares in other companies that develop, manufacture and sell steel products and to engage in related business. The company has no employees. There were no capital expenditures in 2012. Revenues consist of interest on receivables from subsidiaries and group contributions. Profit before appropriations and tax amounted to EUR 0.4 (0.5) million and net profit was EUR -0.1 (0.9) million. The parent company has assets of EUR 175 (169) million and equity of EUR 163 (163) million.

Proposed disposition of profit

The following funds in Ovako Group AB (company registration no. 556813-5361) are at the disposition of the annual general meeting:

Retained earnings, EUR	162,784,902
Profit for the year, EUR	-130,310
Total	**162,654,592**

The Board of Directors proposes transfer of profits to retained earnings.

Consolidated income statement

EURm	Note	2012	2011
Net sales	2,7	937.1	1,120.6
Cost of goods sold	3,4,7	-869.7	-977.4
Gross profit		**67.4**	**143.2**
Selling expenses	3,4	-22.4	-21.8
Administrative expenses	3,4	-35.4	-34.9
Other operating income	5	10.3	3.3
Operating profit		**19.9**	**89.8**
Financial income	6	0.5	0.6
Financial costs	7	-33.2	-33.4
Share of profit of associates	11	0.0	0.0
Profit before tax		**-12.8**	**57.0**
Taxes	8	9.1	-19.3
Profit/(loss) for the year		**-3.7**	**37.7**
Profit/(loss) for the year attributable to:			
Owners of the parent		-3.7	37.7
Non-controlling interests		-	-
Total		**-3.7**	**37.7**
Earnings per share, EUR		-74	755

Consolidated statement of comprehensive income

EURm	Note	2012	2011
Profit/(loss) for the year		**-3.7**	**37.7**
Other comprehensive income			
Exchange differences on translations of foreign operations	18	1.3	0.3
Cash flow hedges		-2.0	-31.7
Tax attributable to cash flow hedges	18	0.1	8.3
Cash flow hedges, net of tax		-1.9	-23.4
Actuarial gains and losses on pension plans	19	-9.5	-11.0
Tax attributable to actuarial gains and losses on pension plans		2.4	2.9
Actuarial gains and losses on pension plans, net of tax		-7.1	-8.1
Other comprehensive income for the year, net of tax		**-7.7**	**-31.2**
Total comprehensive income for the year		**-11.4**	**6.5**
Comprehensive income for the year attributable to:			
Owners of the parent		-11.4	6.5
Non-controlling interests		-	-
Total		**-11.4**	**6.5**

Consolidated balance sheet

EURm	Note	2012-12-31	2011-12-31
ASSETS			
Non-current assets			
Property, plant and equipment	9	353.9	351.4
Intangible assets	10	3.1	3.1
Investments in associates	11	0.1	0.1
Other non-current financial assets	12,13	1.6	1.0
Other non-current receivables	13	0.1	0.1
Deferred tax assets	14	15.1	16.8
Total non-current assets		**373.9**	**372.5**
Current assets			
Inventories	15	202.4	220.8
Trade and other receivables	13,16	110.2	130.1
Current tax assets		2.8	1.6
Derivative assets	13,16	0.9	1.7
Cash and cash equivalents	13,17	42.6	32.7
Total current assets		**358.9**	**386.9**
TOTAL ASSETS		**732.8**	**759.4**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	18	0.0	0.0
Reserves	18	-5.3	-4.7
Retained earnings		168.9	184.2
Equity attributable to owners of the parent		**163.6**	**179.5**
Non-current liabilities			
Interest-bearing loans and borrowings	13,21	240.0	279.1
Deferred tax liabilities	14	55.8	73.3
Pensions and other post-employment benefits	19	82.1	76.3
Other provisions	20	8.5	7.7
Other non-current liabilities	13	0.3	0.3
Total non-current liabilities		**386.7**	**436.7**
Current liabilities			
Interest-bearing loans and borrowings	13,21	14.9	0.1
Derivative liabilities	13,22	12.5	12.3
Trade and other payables	13,22	142.2	112.4
Current tax liabilities		0.4	12.0
Other current liabilities	13,22	12.5	6.4
Total current liabilities		**182.5**	**143.2**
TOTAL EQUITY AND LIABILITIES		**732.8**	**759.4**

Disclosure of pledged collateral, contingent liabilities and rental agreement commitments can be found in Note 25 and Note 29.

Consolidated cash flow statement

EURm	Note	2012	2011
OPERATING ACTIVITIES			
Operating profit		19.9	89.8
Non-cash adjustments:			
Depreciation and amortisation		46.1	44.4
Other adjustments	24	3.3	-0.2
Cash flow from operating activities before working capital changes		**69.3**	**134.0**
Working capital changes			
Changes in trade and other receivables		18.3	-1.2
Changes in inventories		18.1	-16.3
Changes in trade and other payables		24.2	-14.5
Changes in provisions		-6.8	-3.4
Cash flows from operating activities		**123.1**	**98.6**
Interest received		0.5	0.2
Interest paid		-21.5	-26.0
Income tax paid		-15.2	-16.7
Net cash flows from operating activities		**86.9**	**56.1**
INVESTING ACTIVITIES			
Purchase of intangible assets	10	-0.5	0.0
Purchase of property, plant and equipment	9	-47.7	-33.6
Proceeds from sale of property, plant and equipment		0.0	0.2
Other investing activities		-0.5	-0.4
Net cash flows from investing activities		**-48.7**	**-33.8**
Cash flows before financing activities		**38.2**	**22.3**
FINANCING ACTIVITIES			
Repayment of borrowings		-28.9	-14.0
Repayment of loan receivables		0.0	0.1
Net cash flows from financing activities		**-28.9**	**-13.9**
Net increase in cash and cash equivalents		**9.3**	**8.4**
Cash and cash equivalents at 1 January		32.7	24.2
Exchange differences in cash and cash equivalents		0.6	0.1
Cash and cash equivalents at 31 December		**42.6**	**32.7**
Liquidity buffer including non-utilised credits		**113.7**	**107.7**

Consolidated statement of changes in equity

2012		Attributable to owners of the parent				
EURm	Note	Share capital	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
Balance at 1 January 2012		**0.0**	**1.3**	**-6.0**	**184.2**	**179.5**
Comprehensive income						
Profit for the year		-	-	-	-3.7	-3.7
Exchange differences	18	-	1.3	-	-	1.3
Cash flow hedges, net of tax	18	-	-	-1.9	-	-1.9
Actuarial gains and losses on pension liability, net of tax	19	-	-	-	-7.1	-7.1
Total other comprehensive income		-	1.3	-1.9	-7.1	-7.7
Total comprehensive income		**-**	**1.3**	**-1.9**	**-10.8**	**-11.4**
Transactions with shareholders						
Group contribution, net of tax		-	-	-	-4.5	-4.5
Balance at 31 December 2012		**0.0**	**2.6**	**-7.9**	**168.9**	**163.6**

2011		Attributable to owners of the parent				
EURm	Note	Share capital	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
Balance at 1 January 2011		**0.0**	**1.0**	**17.4**	**159.3**	**177.7**
Comprehensive income						
Profit/(loss) for the year		-	-	-	37.7	37.7
Exchange differences	18	-	0.3	-	-	0.3
Cash flow hedges, net of tax	18	-	-	-23.4	-	-23.4
Actuarial gains and losses on pension liability, net of tax	19	-	-	-	-8.1	-8.1
Total other comprehensive income		-	0.3	-23.4	-8.1	-31.2
Total comprehensive income		**-**	**0.3**	**-23.4**	**29.6**	**6.5**
Transactions with shareholders						
Group contribution, net of tax		-	-	-	-4.7	-4.7
Balance at 31 December 2011		**0.0**	**1.3**	**-6.0**	**184.2**	**179.5**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

Ovako Group AB (company registration number 556813-5361) and domiciled in Stockholm is owned by Triako Holdco AB (company registration number 556813-5379), which is the Swedish parent of the group. Triako Holdco AB is 100 % owned by Oven Luxco Sarl in Luxembourg. Triton Fund III controls, directly and indirectly, 83.34% of equity in the Ovako group.

The registered address of both Ovako Group AB and Triako Holdco AB is Box 5013, 194 61 Upplands Väsby. Consolidated financial statements have also been prepared for Triako Holdco AB.

The object of the company's business is to own and manage shares in other companies that develop, manufacture and sell steel products, and to engage in related business.

The annual report and consolidated financial statements for the financial year ending 31 December 2012 were authorised by the Board of Directors for publication on 1 March 2013. The consolidated and parent company financial statements will be presented to the annual general meeting for adoption on 23 April 2013.

Consolidated financial statements

Basis of preparation

The consolidated financial statements for the 2012 financial year have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) for the financial year beginning 1 January 2012. Recommendation RFR 1 Supplementary Accounting Rules for Groups issued by the Swedish Financial Reporting Board has also been applied.

The financial statements are presented in euro (EUR) rounded to the nearest million. All individual figures (including subtotals and totals) are rounded to the nearest million. From the presentation perspective, individual figures may not therefore precisely reflect their sum totals.

The financial statements have been prepared on a historical cost basis unless otherwise explained in the accounting policies.

The accounting policies below have, unless stated otherwise, been applied consistently to all periods presented in the consolidated financial statements.

Uncertainty related to judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as other disclosures.

Estimates and related assumptions are based on historical experience and other factors believed to represent the best available parameters for measuring assets and liabilities. Actual outcomes may differ from the estimates. The estimates and judgements discussed in this section are those judged most important to understanding the group's financial statements.

Impairment testing

The carrying amounts of the group's non-current assets are tested to determine whether there is any indication of impairment loss when events or changes in circumstance indicate that the carrying amount will not be recovered. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Value in use is measured as the discounted present value of future cash flows expected to arise from the asset or the cash generating unit to which the asset belongs. No indications of impairment in the group's non-current assets were found during the financial year. There is no goodwill recognised in the consolidated balance sheet.

Pension benefit assumptions

Pension benefit obligations are based on actuarial valuations. A discount rate is used to measure the present value of the defined benefit obligation. These assumptions are assessed at least once a year for all plans in each country. Other assumptions, which may relate to demographic factors such as age of retirement, mortality rates and employee turnover, are reviewed less frequently and usually based on public statistics in each country.

Valuation of inventories

Valuations of inventories contain estimates of net realisable value and assumptions pertaining to cost distribution and normal capacity, which may affect the carrying amount.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The cost is calculated as the sum of the consideration transferred measured at acquisition-date fair value and the value of any non-controlling influence in the acquiree, either at fair value or proportionate share of identifiable net assets in the acquiree. Acquisition and transaction costs are recognised as they arise as either an operating expense or a finance expense, depending on the nature of the expense.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company Ovako Group AB and all companies in which the parent directly or indirectly holds more than 50% of voting rights or, on another basis, directly or indirectly exerts controlling influence.

Equity holdings in subsidiaries have been eliminated using the acquisition method. The financial statements of group companies are incorporated in the consolidated financial statements as of the date the group obtains control over the acquiree until such control ceases. Intra-group transactions, receivables, liabilities, unrealised gains and intra-group dividends are eliminated in full. Unrealised losses are eliminated only to the extent there is no evidence of impairment loss.

Associates are companies in which the Ovako group holds more than 20% of voting rights or over which the group otherwise has significant but not controlling influence. At the end of the year, Ovako had one associate in which the equity interest exceeded 20%. Investments in associates are accounted for using the equity method. The share of the profits or losses of associates is recognised in profit and loss and the share of total equity constitutes the value of the investment in the balance sheet.

Foreign currency translation

Transactions are recorded in the functional currency of the respective unit. The functional currency is the currency of the primary economic environment (determined e.g. through the prices of its goods and services) in which group companies operate.

Transactions in foreign currencies (other than the functional currency) are translated at the exchange rate in effect at the transaction date. Monetary assets and liabilities recorded in foreign currencies are translated at the closing rate. Exchange gains and losses arising upon translation are recognised in profit and loss. Exchange gains and losses related to trade receivables or trade payables are treated as adjustments to the respective item and included in operating profit and loss. Exchange differences related to financing are included in finance income and expense. Non-monetary items are translated at the rate in effect at the transaction date.

In the consolidated financial statements, the income statements of foreign subsidiaries with a functional currency other than the group's presentation currency have been translated to EUR at the average rate for the reporting period. The balance sheets of subsidiaries have been translated to EUR at the closing rate. Foreign currency translation differences arising from translations of income statements and balance sheets are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, which is a separate component of equity. Foreign currency translation differences arising from the translation of net investments in foreign subsidiaries are also transferred to the translation reserve via other comprehensive income.

The exchange rates used in the consolidated financial statements for translations of the balance sheets and income statements of subsidiaries are:

	Closing rate		Average rate	
	2012	**2011**	**2012**	**2011**
SEK	8.5615	8.9120	8.7045	9.0300
GBP	0.8170	0.8353	0.8109	0.8679
USD	1.3183	1.2939	1.2847	1.3918
PLN	4.0809	4.4580	4.1852	4.1213
RUB	40.2300	41.7650	39.9246	40.8882

Property, plant and equipment

Items of property, plant and equipment are recorded at cost adjusted for cumulative depreciation and impairment, if any. Borrowing costs directly attributable to the asset are capitalised as a component of cost if the time required to bring the asset to working condition for its intended use or sale is material. In accordance with Ovako's definitions, borrowing costs are capitalised for capital expenditures amounting to at least EUR 20 million and which are expected to take at least 12 months to complete. There were no capital expenditures in 2012 (2011: None) for which borrowing costs were capitalised. The cost of self-constructed assets includes expenditures for materials, direct payroll costs and a reasonable share of production-related overheads. To the extent assets consist of components with material differences in useful lives, they are depreciated separately using 'component depreciation'. Expenditures for major repairs and maintenance are included in the carrying amount of the asset and depreciated over the remaining useful life to the extent they increase the economic benefit derived from the asset. Customary expenditures for repairs and maintenance are recognised as an expense as incurred. Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset to an estimated residual value. Estimated useful lives are:

Buildings	10-40 years
Process machinery and equipment	15-20 years
Computers	3-5 years
Other machinery and equipment	3-10 years

Residual values and estimated useful lives of items of property, plant and equipment are reviewed at each reporting date. If they differ materially from earlier estimates, they are adjusted to the new estimate. Capital gains or losses arising from the disposal of items of property, plant and equipment are recognised in other operating income or expense.

Government grants and comparable assistance

Government grants and comparable assistance are recognised in profit and loss in the period in which the underlying expenses are incurred. The group received no significant government grants during the reporting period. Group companies that are parties to the EU emission trading scheme have been allotted emissions credits with no performance requirements attached.

Intangible assets

Ovako's intangible assets comprise mainly software, licences, trademarks and comparable rights. These intangible assets are recognised in the balance sheet at cost less cumulative amortisation and impairment losses. Intangible assets are amortised on a straight-line basis over the estimated useful life of the asset to an estimated residual value. The estimated useful life of intangible assets is normally between 5 and 10 years. Residual values and estimated useful lives of items of intangible assets are reviewed at each reporting date. If they differ materially from earlier estimates, they are adjusted to the new estimate.

Research and development costs

Research costs are recognised in profit and loss as incurred. The group has no development costs that meet the criteria for capitalisation under IAS 38 Intangible Assets.

Impairment of assets

Annually on the reporting date, the carrying amount of consolidated goodwill, if any, is assessed and an impairment loss recognised if the recoverable amount is lower than the carrying amount. At 31 December 2012 no consolidated goodwill (2011: None) had been recognised in the balance sheet. The group's other non-current assets are assessed annually to determine whether there any indications of impairment. If such indications are found, the recoverable amount of the asset is estimated. The recovery value is the higher of net realisable value and value in use. Value in use is the present value of future cash flows expected to arise for an asset or cash generating unit containing goodwill. An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the recoverable amount. Within the Ovako group, the recoverable amount is based on value in use and calculated at the cash generating unit level or the individual asset level when it is possible to identify separate cash flows for the asset.

Leases

Determination of whether an agreement is, or contains, a lease depends upon the substance of the agreement when it is made; whether performance of the contract depends on the use of a specific asset or assets or if the agreement conveys a right to control the asset, even if the right is not explicitly laid out in the agreement. A lease is classified as a finance lease if it transfers to the lessee substantially all risks and rewards incident to ownership of the leased property. Finance leases are initially recognised in the balance sheet at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Assets held under finance leases are depreciated over the shorter of the lease term or the life of the asset. Leases in which the lessor substantially retains all risks and rewards incident to ownership are classified as operating leases. Lease payments for operating leases are recognised as an expense in profit and loss over the lease term on a straight-line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value, where cost is determined on a first-in, first-out basis. The weighted average cost method is used when it provides a more reliable picture of certain types of inventory items. The cost of finished goods and work in progress includes the cost of materials, direct labour, other direct costs and an allocation of allocatable indirect costs based on normal capacity. The net realisable value is the estimated selling price less estimated costs for completion and costs to sell.

Short-term employee benefits

Short-term employee benefits are calculated without discounting and are recognised as a cost when the related services are rendered. A provision is reported for the expected cost of bonus payments when the group has a present legal or constructive obligation to make such payments due to services being rendered by employees and the commitment can be reliably calculated.

Post-employment benefits

Ovako has both defined contribution and defined benefit pension plans. Plans are classified as defined contribution pension plans when the group's obligations are limited to the amount that the company has agreed to pay. Pension expenses for the defined contribution plans are recognised in profit and loss as the employees perform their services. Obligations are calculated without discounting as payments for all these plans are due within 12 months.

The Projected Unit Credit Method is applied to calculate allocations to defined benefit plans, which in summary means that each period of service gives rise to a component that contributes to the final total obligation and that each such component is measured independently to build up the amount of the obligation at the end of the reporting period. The obligation is discounted to a present value at the end of the reporting period, from which the fair value of any plan assets is deducted.

In addition, the calculations are affected by actuarial assumptions, such as mortality rates, employee turnover rates and estimated salary trends. Actuarial gains and losses arise when an assumption changes or when actual outcome deviates from the assumption. Actuarial gains and losses are recognised in comprehensive income for the year.

The discount rate used to calculate the present value of defined benefit obligations outside Sweden is the yield on high-quality corporate bonds or government bonds with a similar maturity as the obligation. Pension liabilities in Sweden account for approximately 89 percent of the group's pension benefits obligations, and secured housing bonds are used to establish the discounting rate for this liability.

When there is a difference between how pension expenses are determined in a legal entity and in the group, a provision or receivable is recognised for special employer's contribution based on this difference. No present value is calculated for the provision or receivable.

Share-based payments

The group currently has no share-based incentive programmes.

Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be estimated reliably. The expected future cash flow is discounted to calculate provisions when the time value of money is material. A provision for restructuring will be recognised only if the group has adopted a detailed formal plan and the restructuring has either commenced or been publicly announced.

Income taxes

The group's recognised tax expense comprises tax on the taxable income of group companies for the period and adjustments, if any, for taxes for previous periods and changes in deferred tax. Current income taxes are calculated based on the tax rates and tax rules in effect in each country. Deferred tax assets and tax liabilities are calculated using the balance sheet method based on temporary differences between the carrying amounts and fiscal amounts of assets and liabilities. The most significant temporary differences arise from non-current assets, unutilised loss carry-forwards, unrealised intra-group gains and provisions. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and tax liabilities are determined at the rates in effect for the period when the asset is realised or the liability paid based on tax rates (and legislation) enacted or announced at the reporting date. The effects of deferred tax assets and tax liabilities recognised in other comprehensive income are recognised according to the same principles. Income tax is recognised in profit and loss for the year, except when the underlying transaction is recognised in other comprehensive income or equity, in which case the tax effect is recognised in other comprehensive income or equity.

Revenue recognition

Revenue from goods sold is recognised when the seller has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue is measured at the fair value of consideration that has been or will be received, less VAT, discounts and returns. Interest, dividends and royalties are recognised when it is probable that the economic benefits of the transaction will flow to the enterprise and the amount of revenue can be measured reliably.

Financial assets and liabilities

A financial asset or financial liability is recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument. A receivable is recognised when the company has performed a service/supplied a product and the counterparty is contractually obliged to pay, even if an invoice has not yet been sent. Accounts receivable are entered on the balance sheet when an invoice is sent. A liability is entered when the counterparty has rendered a service or supplied a product and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recognised when an invoice is received. A financial asset is removed from the balance sheet when the rights in the agreement are realised, expire, or the company loses control of them. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise expires. The same applies to part of a financial liability. Purchases and sales of derivatives are recognised on the trade date.

Financial instruments are initially recognised at acquisition cost corresponding to the fair value of the instrument, plus transaction costs, except for derivatives, for which transaction costs are immediately expensed. A financial instrument is classified on initial recognition based on, among other things, the purpose for which it was acquired. All financial assets and liabilities are classified into the following categories:

- Financial assets and liabilities measured at fair value through profit and loss: Ovako has no financial instruments classified in this category. The sub-category of financial instruments held for trading includes derivatives not used for hedge accounting. Ovako currently has no financial instruments classified in this category.
- Held to maturity investments: Ovako has no financial instruments classified in this category.
- Loan receivables and trade receivables: Ovako's trade receivables, other receivables, and cash and cash equivalents are included in this category.
- Available-for-sale financial assets: This category comprises financial assets that are not classified in any other category, such as equities and investments in both listed and non-listed companies. This category includes Ovako's shares in unlisted companies.

Loans and receivables

Loans and receivables include assets arising on transfer of cash, goods or services to a debtor. They are included as current or non-current depending on the maturity date. Loans issued by the group are recognised at amortised cost. An impairment of a loan or receivable is recognised when there is objective evidence of impairment. Such indications may be absent or delayed payments, significant financial difficulties of the debtor, or that it is probable that the debtor will enter bankruptcy or other financial reorganisation. Trade receivables are recognised at the original amount billed less any impairment losses. The valuation of impaired loans is based on the estimated credit risk of each item on the reporting date.

Cash and bank balances

Cash and bank balances include liquid bank balances and cash in hand as well as short-term bank deposits with a remaining maturity from acquisition date of three months or less.

Available-for-sale financial assets

Ovako's financial assets available for sale include unlisted equities, for which fair value cannot be determined reliably. These are valued at cost less any impairment losses.

Financial liabilities at amortised cost

Accounts payable and loans payable are classified as other financial liabilities. Accounts payable are short-term and are measured without discounting at nominal value. Loans payable are classified as other financial liabilities, which means they are recognised at amortised cost using the effective interest method.

Borrowing costs, etc.

Loan arrangement costs are capitalised over the term of the loan and recognised as prepayments that reduce interest-bearing-liabilities. Charges paid for loan commitments are reported as transaction costs for borrowing to the extent it is probable that all or part of the credit limit will be utilised. In such cases, the charge is reported when the credit limit is utilised. When there is no evidence that it is probable that all or part of the credit limit will be utilised, the charge is reported as a prepayment for financial services and allocated over the maturity of the relevant loan commitment.

Derivatives and hedge accounting

Financial derivatives are classified either as hedging instruments or instruments measured at fair value through profit and loss. Derivatives are initially measured at cost and subsequent to initial recognition are measured at fair value at each reporting date. The fair value of electricity forwards and interest rate swaps is based on observable market data at the reporting date. Ovako had no currency forwards in the balance sheet at the end of the year. The group applies hedge accounting for forward contracts related to electricity prices and interest rate swaps that meet the hedging criteria defined in IAS 39. Changes in the value of hedging instruments that are part of an effective cash flow hedge are recognised in other comprehensive income and shown in the hedge reserve in equity, while hedge ineffectiveness is recognised immediately in profit and loss. The cumulative change in value of such derivatives is transferred to net profit or loss in the same period as the hedged item affects profit and loss.

Future accounting policies

The following describes the new IFRSs that will have, or are expected to have, an impact on the consolidated financial statements. The new IFRSs published by the IASB on 31 December 2012 and that are not described below are not expected to have any effect on the consolidated financial statements. Ovako does not intend to apply the new IFRSs early.

IFRS 7 Financial Instruments: Disclosures - Amendments

Amendments to IFRS 7 introduce new disclosure requirements for offsetting financial assets and financial liabilities. The new disclosure requirements mean that disclosure must be provided for financial assets and financial liabilities have been offset in the balance sheet. Disclosure should also be provided for financial assets and financial liabilities subject to various types of framework agreement or similar agreements allowing setoff, whether they are offset or not. The amendments enter into force on 1 January 2013 and will also apply to interim reports during the first year. The amendments have been approved by the EU. The group has identified the financial instruments affected by these new disclosure requirements. The amendments have no substantive impact on amounts in the financial statements.

IFRS 9 Financial Instruments

IFRS 9 is a new standard that is being developed to replace IAS 39 Financial Instruments: Classification and measurement. The first part of the revision of the standard has been published and relates to the recognition and measurement of financial assets and financial liabilities. IFRS 9 contains two primary measurement categories for financial assets: fair value or amortised cost. Classification is determined at initial recognition based on the group's business model and the contractual cash flows characteristics. For financial liabilities there are no major changes compared to IAS 39. The biggest change relates to liabilities that are designated at fair value. In these cases, the portion of the fair value change that is attributable to its own credit risk is recognised in other comprehensive income rather than profit and loss, unless this causes inconsistencies in the statements. The standard is currently expected to take effect not earlier than 1 January 2015. The EU has not yet approved the standard. Until all parts of the standard are complete the group has chosen not to evaluate the impact of the new standard.

IFRS 10 Consolidated financial statements

IFRS 10 replaces the section of IAS 27 relating to presentation of consolidated accounts. The treatment of subsidiaries, joint ventures and associates in separate financial statements will remain in IAS 27. IFRS 10 builds on existing principles as it identifies control as the determining factor for assessing whether a company should be included in the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is effective from 1 January 2013, but the EU has decided to postpone the first application to 1 January 2014. The introduction of IFRS 10 is not expected to affect which companies the group currently consolidates, but may affect the assessment of which companies will be consolidated in the future.

IFRS 12 Disclosure of interests in other entities

IFRS 12 includes disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective from 1 January 2013, but the EU has decided to postpone the first application to 1 January 2014. The introduction of IFRS 12 is expected to affect the disclosures currently provided for subsidiaries. However, the group has not yet assessed the way in which disclosures may be affected.

IFRS 13 Fair value measurement

IFRS 13 contains uniform rules for measuring fair value where other standards permit or require reporting or disclosure of fair values. The standard is designed to ensure that fair value measurement will be more consistent and less complex in that the standard provides a precise definition and a common framework of IFRS fair value measurement and associated disclosures. The standard is effective from 1 January 2013 and the EU has approved the standard. The group considers that the introduction of IFRS 13 will not affect the measurement at fair value, i.e. how the value is calculated, but the introduction of IFRS 13 will require additional disclosures about fair value in both interim reports and the annual report.

IAS 1 Presentation of financial statements – Amendments

Amendments to IAS 1 introduce new presentation requirements for other comprehensive income. Other comprehensive income is changed so that items to be reclassified as profit and loss must be reported separately from items that will never be reclassified. The amendments enter into force for the financial year beginning 1 July 2012 or later and have been approved by the EU. Based on the changes in value recognised in other comprehensive income, the group will be affected in that there will be both items reclassified to profit and loss (cash flow hedging) and items not reclassified to profit and loss (revaluation of pensions, see below).

IAS 19 Employee benefits – Amendments

Amendments to IAS 19 provide, among other things, new accounting principles for defined benefit pension plans. The corridor approach and the ability to immediately recognise actuarial gains and losses disappear. In addition, the interest rate for calculating pension liabilities must also be used for estimated returns on pension assets. Furthermore, revaluations are recognised in other comprehensive income, i.e. actuarial gains and losses and the difference between actual and expected returns on pension assets must be recognised in other comprehensive income. The amendments enter into force for financial years commencing 1 January 2013 or later and have been approved by the EU. Within the group there are defined benefit pension plans and the group has already chosen to recognise actuarial gains and losses directly in other comprehensive income. However, the amendments introduced in IAS 19 with regard to the calculation of pensions will mean some changes, and the revaluation that will in future be recognised in other comprehensive income will not have exactly the same composition as previously recognised.

NOTE 2. NET SALES BY GEOGRAPHICAL TERRITORY

The group is geographically divided into six sales territories as shown on the following table.

Segment reporting in accordance with IFRS 8 is not provided because this is not mandatory for entities whose shares are not publicly traded. The presentation below was therefore prepared as required under the Swedish Annual Accounts Act.

Net sales (external revenues) based on geographic location of customers

2012	Nordics	Western Europe excl. Nordics	Eastern Europe	North America	Asia	Rest of the world	**Group**
Sale of goods							
EURm	374.2	417.0	74.1	49.7	13.2	8.9	**937.1**
%	39.9	44.5	7.9	5.3	1.4	1.0	**100.0**

2011	Nordics	Western Europe excl. Nordics	Eastern Europe	North America	Asia	Rest of the world	**Group**
Sale of goods							
EURm	434.9	518.7	91.3	50.1	12.9	12.7	**1,120.6**
%	38.8	46.3	8.1	4.5	1.1	1.1	**100.0**

NOTE 3. EXPENSES BY NATURE

EURm	Not	**2012**	**2011**
Change in inventories and work in progress		*-15.9*	*16.8*
Raw materials and supplies		-401.2	-514.0
Foreign exchange differences on purchased goods		-0.2	-3.1
Energy		-100.6	-117.2
Freight and other distribution costs		-49.6	-57.8
Repairs and maintenance		-48.0	-54.3
External services in production		-36.8	-31.1
Raw materials, services and supplies		*-636.4*	*-777.5*
Employee benefits expense		-139.4	-135.2
Pension benefits		-8.7	-11.7
Social insurance fees		-44.4	-42.1
Employee benefits expense	4	*-192.5*	*-189.0*
Buildings		-10.9	-10.8
Machinery and equipment		-34.7	-33.2
Other intangible assets		-0.5	-0.4
Depreciation, amortisation and impairments		*-46.1*	*-44.4*
Rents		-11.8	-13.3
Bad debt losses		0.0	-0.1
Administration and other expenses	26	-24.8	-26.6
Other external expenses		*-36.6*	*-40.0*
Total cost of goods sold and selling and administrative expenses		**-927.5**	**-1,034.1**
Depreciation and amortisation expenses are included in the following line items in profit and loss			
Cost of goods sold		-46.1	-44.4
Selling expenses		0.0	0.0
Administrative expenses		0.0	0.0
Total		**-46.1**	**-44.4**
Research and development costs		**-3.4**	**-3.2**

The group has no development costs capitalised in the balance sheet.

NOTE 4. AVERAGE NUMBER OF EMPLOYEES

Average number of employees by country	**2012**	**2011**
Sweden	2,356	2,452
Finland	590	612
Italy	41	41
France	33	34
Germany	34	31
Netherlands	27	28
United Kingdom	13	14
United States	9	9
Russia	5	4
Poland	3	4
Total	**3,111**	**3,229**
Of whom:		
Women	637	619
Men	2,474	2,610
Number of employees at year-end	3,040	3,239

See Note 28 for disclosures concerning management compensation.

NOTE 5. OTHER OPERATING INCOME

EURm	**2012**	**2011**
Income from sale of property, plant and equipment	0.0	0.2
Insurance compensation	7.3	-
Rents and other income items	3.0	3.1
Total	**10.3**	**3.3**

NOTE 6. FINANCIAL INCOME

EURm	2012	2011
Interest income arising from loans and receivables	0.5	0.6
Total interest income	**0.5**	**0.6**
Dividend income arising from available-for-sale assets	0.0	0.0
Total other finance income	**0.0**	**0.0**
Total	**0.5**	**0.6**

NOTE 7. FINANCIAL COSTS

EURm	2012	2011
Interest expenses for financial liabilities at amortised cost	-15.3	-19.5
Prepaid finance charges	-4.7	-4.6
Interest expense, pension liability	-2.4	-2.3
Fixed income derivatives, realised	-2.5	-1.5
Total interest expenses	**-24.9**	**-27.9**
Costs for loan commitments and guarantees	-3.3	-3.5
Other finance costs	-0.9	-0.3
Unrealised exchange losses	-4.1	-1.7
Total other finance costs	**-8.3**	**-5.5**
Total	**-33.2**	**-33.4**
Currency losses (-)/currency gains recognised in operating profit, EURm	0.7	-0.1

NOTE 8. TAXES

EURm	2012	2011
Current tax	-2.3	-8.3
Current tax on group contributions recognised directly in equity	-1.6	-1.7
Deferred tax on temporary differences	13.0	-9.3
Total	**9.1**	**-19.3**

Reconciliation of tax expense for the period recognised in profit and loss and estimated tax based on the Swedish corporate tax rate of 26.3%.

Profit before tax	-12.8	57.0
Income tax calculated on the Swedish corporate tax rate of 26.3%	3.4	-15.0
Effects of different tax rates in foreign jurisdictions[1)]	-0.2	-0.5
Changes in deferred tax due to reductions of local corporate tax rates[2)]	7.1	0.3
Other non-deductible expenses	-0.9	-0.7
Adjustments relating to previous years, current tax	0.2	0.0
Adjustments relating to previous years, deferred tax	-0.5	-3.4
Income taxes recognised in profit and loss	**9.1**	**-19.3**

1) The group has foreign subsidiaries in Finland, Germany, Italy, France, the Netherlands, the United Kingdom, the United States, Poland and Russia. Corporate tax rates in these countries differ from the Swedish rate.

2) The corporate tax rate in Sweden has been changed from 26.3 to 22.0 percent effective 1 January 2013, and in Finland from 26 to 24.5 percent effective 1 January 2012.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

2012	Buildings and land	Machinery and equipment	Construction in progress	Total
EURm				
Cost				
Balance at 1 January 2012	144.1	230.1	24.4	398.6
Additions	0.7	8.3	38.7	47.7
Disposals	-0.3	-13.1	-	-13.4
Reclassification	1.6	20.3	-21.9	0.0
Effect of foreign currency exchange differences for the year	0.4	2.2	0.0	2.6
Balance at 31 December 2012	**146.5**	**247.8**	**41.2**	**435.5**
Cumulative depreciation				
Balance at 1 January 2012	-13.2	-34.0	-	-47.2
Depreciation for the year	-10.8	-33.7	-	-44.5
Write-downs for the year	-0.1	-1.0	-	-1.1
Disposals	0.2	11.8	-	12.0
Effect of foreign currency exchange differences for the year	-0.1	-0.7	-	-0.8
Balance at 31 December 2012	**-24.0**	**-57.6**	**-**	**-81.6**
Carrying amount at 1 January 2012	**130.9**	**196.1**	**24.4**	**351.4**
Carrying amount at 31 December 2012	**122.5**	**190.2**	**41.2**	**353.9**

2011	Buildings and land	Machinery and equipment	Construction in progress	Total
EURm				
Cost				
Balance at 1 January 2011	143.3	211.1	12.2	366.6
Additions	0.8	2.3	30.5	33.6
Disposals	-	-2.4	-	-2.4
Reclassification	-	18.3	-18.3	0.0
Effect of foreign currency exchange differences for the year	0.0	0.8	-	0.8
Balance at 31 December 2011	**144.1**	**230.1**	**24.4**	**398.6**
Cumulative depreciation				
Balance at 1 January 2011	-2.4	-2.3	-	-4.7
Depreciation for the year	-10.8	-33.2	-	-44.0
Disposals	-	1.7	-	1.7
Effect of foreign currency exchange differences for the year	0.0	-0.2	-	-0.2
Balance at 31 December 2011	**-13.2**	**-34.0**	**-**	**-47.2**
Carrying amount at 1 January 2011	**140.9**	**208.8**	**12.2**	**361.9**
Carrying amount at 31 December 2011	**130.9**	**196.1**	**24.4**	**351.4**

One group company has leased machinery under finance lease arrangements. The value of the asset is EUR 0.3 million. Amortisation of the debt amounts to EUR 0.1 million. The term of the lease is 84 months beginning in March 2009.

See Note 25 for disclosures concerning operating leases.

The terms of the loan stipulate restrictions applicable to leased machinery and equipment, which are further described in Note 21. The value of such leased assets is limited to EUR 5 million.

NOTE 10. INTANGIBLE ASSETS

EURm	31 Dec 2012	31 Dec 2011
Cost		
Balance at 1 January	4.0	3.9
Additions	0.5	0.0
Effect of foreign currency exchange differences for the year	-	0.1
Balance at 31 December	**4.5**	**4.0**
Cumulative amortisation		
Balance at 1 January	-0.9	-0.5
Amortisation for the year	-0.5	-0.4
Balance at 31 December	**-1.4**	**-0.9**
Carrying amount at 1 January	3.1	3.4
Carrying amount at 31 December	**3.1**	**3.1**

Intangible assets comprise mainly software, licences, trademarks and comparable rights.

NOTE 11. INVESTMENTS IN ASSOCIATES

The Ovako group holds shares in AB Järnbruksförnödenheter in which the group's equity interest exceeds 20 percent. This is a joint venture for purchasing of raw materials (mainly scrap) for the steel industry in Sweden.

		31 Dec 2012	**31 Dec 2011**
Name of associate	Group interest (%)	Carrying amount, EURm	Carrying amount, EURm
Owned by Ovako Bar AB:			
AB Järnbruksförnödenheter	25	0.0	0.0
Owned by Ovako Hofors AB:			
AB Järnbruksförnödenheter	20	0.0	0.0
	45	0.0	0.0
Share of profits of associates		0.1	0.1
Investments in associates		**0.1**	**0.1**
Share of profits of associates for the year		0.0	0.0
Tax on profits of associates		0.0	0.0
Total share of profits of associates		**0.0**	**0.0**

Assets in AB Järnbruksförnödenheter (company registration no. 556014-7083) at 31 December 2012 amounted to EUR 0.8 (0.9) million, net sales were EUR 0.9 (0.8) million and profit was EUR 0.0 (0.0) million. The company had no contingent liabilities at 31 December 2012 or 2011.

NOTE 12. OTHER NON-CURRENT FINANCIAL ASSETS

Unlisted equities and investments in the Ovako group, available-for-sale

Name of company	Group interest (%)	**31 Dec 2012** Carrying amount, EURm	**31 Dec 2011** Carrying amount, EURm
Owned by Ovako Bar Oy Ab:			
Golfimatra Oy	1.0	0.0	0.0
Imatran Seudun Kehitysyhtiö Oy	2.5	0.0	0.0
Imatran Seudun Sähkö Oy	0.4	0.0	0.0
Oy Nordgolf Ab	0.4	0.0	0.0
Osuuskunta Teollisuuden Romu	-	-	0.0
Suomen ELFI Oy	2.5	0.0	0.0
Voimayhtiö SF Oy	2.0	1.4	0.9
		1.5	1.0
Owned by Ovako Hellefors AB:			
Tågåkeriet i Bergslagen AB		0.0	0.0
Owned by Ovako Hofors AB:			
Jernkontoret		0.0	0.0
Industriellt Utv.Centrum i Sandviken AB		0.0	0.0
Bas-El		0.0	0.0
		0.1	**0.1**
Total unlisted equities and investments in the Ovako group, available-for-sale		1.6	1.0
Total non-current financial assets		**1.6**	**1.0**

EURm	**31 Dec 2012**	**31 Dec 2011**
Balance at 1 January	1.0	0.6
Investments	0.6	0.4
Balance at 31 December	**1.6**	**1.0**

NOTE 13. FINANCIAL ASSETS AND LIABILITIES

31 Dec 2012	Derivative hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying amount	Fair value
EURm					
Non-current financial assets					
Other financial assets	-	-	1.6	1.6	1.6
Other non-current receivables	-	0.1	-	0.1	0.1
Total	**-**	**0.1**	**1.6**	**1.7**	**1.7**
Current financial assets					
Trade and other receivables	-	84.6	-	84.6	84.6
Derivative assets	0.9	-	-	0.9	0.9
Cash and cash equivalents	-	42.6	-	42.6	42.6
Total	**0.9**	**127.2**	**-**	**128.1**	**128.1**
Total financial assets	**0.9**	**127.3**	**1.6**	**129.8**	**129.8**

31 Dec 2011	Derivative hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying amount	Fair value
EURm					
Non-current financial assets					
Other financial assets	-	-	1.0	1.0	1.0
Other non-current receivables	-	0.1	-	0.1	0.1
Total	**-**	**0.1**	**1.0**	**1.1**	**1.1**
Current financial assets					
Trade and other receivables	-	110.6	-	110.6	110.6
Derivative assets	1.7	-	-	1.7	1.7
Cash and cash equivalents	-	32.7	-	32.7	32.7
Total	**1.7**	**143.3**	**-**	**145.0**	**145.0**
Total financial assets	**1.7**	**143.4**	**1.0**	**146.1**	**146.1**

NOTE 13. FINANCIAL ASSETS AND LIABILITIES CONT.

31 Dec 2012	Derivative hedge accounting	Other financial liabilities	Carrying amount	Fair value
EURm				
Non-current financial liabilities				
Non-current interest-bearing liabilities	-	240.0	240.0	252.7
Other non-current liabilities	-	0.3	0.3	0.3
Total	**-**	**240.3**	**240.3**	**253.0**
Current financial liabilities				
Current interest-bearing liabilities	-	14.9	14.9	14.9
Derivative liabilities	12.5	-	12.5	12.5
Trade and other payables	-	84.8	84.8	84.8
Other current liabilities	-	12.5	12.5	12.5
Total	**12.5**	**112.2**	**124.7**	**124.7**
Total financial liabilities	**12.5**	**352.5**	**365.0**	**377.7**

31 Dec 2011	Derivative hedge accounting	Other financial liabilities	Carrying amount	Fair value
EURm				
Non-current financial liabilities				
Non-current interest-bearing liabilities	-	279.1	279.1	296.4
Other non-current liabilities	-	0.3	0.3	0.3
Total	**-**	**279.4**	**279.4**	**296.7**
Current financial liabilities				
Current interest-bearing liabilities	-	0.1	0.1	0.1
Derivative liabilities	12.3	-	12.3	12.3
Trade and other payables	-	60.5	60.5	60.5
Other current liabilities	-	6.4	6.4	6.4
Total	**12.3**	**67.0**	**79.3**	**79.3**
Total financial liabilities	**12.3**	**346.4**	**358.7**	**376.0**

Information on measurement methods etc:

Derivatives are measured at fair value. Loans and receivables and other financial liabilities are measured at amortised cost. Interest-bearing liabilities are recognised net of deferred financing costs, i.e. at amortised cost, see also Note 21. Available for sale financial assets include unlisted equities which are measured at cost. For further information on interest-bearing liabilities, see Note 21. Further specification of derivatives can be found in Notes 16 and 22.

Information on the fair value of financial assets and liabilities:

Fair value of loans and receivables and other financial liabilities:

For cash and cash equivalents, and for current receivables and liabilities, the fair value is considered to be equal to the carrying amount. The fair value of interest-bearing liabilities has been calculated based on the discounted value of future payments, including interest and amortisation. In the calculation, management has found no reason to presume changes have occurred in the interest margin that existed when the loans were raised. The difference between the carrying amount and fair value of non-current interest-bearing debt is primarily due to the deferred financing costs which reduced the carrying amount.

Fair values of available for sale financial assets:

Available for sale financial assets include unlisted equities which are measured at cost and for which information on fair value cannot be reliably estimated.

Fair value of derivatives for hedge accounting:

The fair value of derivatives is estimated with reference to quoted market prices. When such parameters are unavailable, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the derivative and alternative pricing models for comparable derivatives. Foreign currency hedges are estimated using the quoted exchange rate and the yield curve from a quoted interest rate that matches the contract maturity date. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on a suitable yield curve from a listed stock exchange.

Measurements of assets and liabilities are classified in a fair value hierarchy as follows:

Level 1: Fair value is determined based on quoted prices in active markets for identical assets or liabilities; Level 2: Fair value is determined based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices); and Level 3: Fair value is determined based on inputs for the asset or liability that are not based on observable market data. Ovako's derivatives are Level 2.

NOTE 13. FINANCIAL ASSETS AND LIABILITIES CONT.

Information on nominal values and maturities of derivatives (cash flow hedges)

31 Dec 2012

EURm

Remaining maturity	**< 1 year**	**1-3 years**	**Total**
Derivative instruments designated as cash flow hedges			
Interest rate swaps	120.0	150.0	270.0
Total	**120.0**	**150.0**	**270.0**

Volume MWh

Remaining maturity	**< 1 year**	**1-3 years**	**Total**
Electricity derivatives designated as cash flow hedges			
Purchase contracts	498.4	493.2	991.6
Total	**498.4**	**493.2**	**991.6**

31 Dec 2011

EURm

Remaining maturity	**< 1 year**	**1-3 years**	**Total**
Derivative instruments designated as cash flow hedges			
Interest rate swaps	0.0	270.0	270.0
Total	**0.0**	**270.0**	**270.0**

Volume MWh

Remaining maturity	**< 1 year**	**1-3 years**	**Total**
Electricity derivatives designated as cash flow hedges			
Purchase contracts	770.7	1 182.1	1 952.7
Total	**770.7**	**1 182.1**	**1 952.7**

The hedging policy in respect of financial risks and risks related to electricity prices is explained in Note 24, Financial risk management. The effect of the hedge ineffectiveness on profit and loss for the year was EUR 0.9 (-1.8) million.

NOTE 14. DEFERRED TAX ASSETS AND TAX LIABILITIES

EURm	Balance at 1 January 2012	Recognised in profit and loss	Recognised in other comprehensive income	Foreign exchange differences and reclassifications	Balance at 31 December 2012
Deferred tax assets					
Inventories	2.6	-0.3	-	-	2.3
Provisions	0.2	1.0	-	-	1.2
Pension obligations and other employee benefits	7.3	-1.5	2.4	0.3	8.5
Fair value adjustments to plant, property and equipment at acquisition	5.1	-	-	-5.1	0.0
Property, plant and equipment	0.5	-0.3	-	-	0.2
Derivative assets	1.0	-0.3	0.1	1.8	2.6
Other items	0.1	0.2	-	-	0.3
Total	**16.8**	**-1.2**	**2.5**	**-3.0**	**15.1**
Deferred tax liabilities					
Fair value adjustments to plant, property and equipment at acquisition	26.8	-4.7	-	-5.1	17.0
Property, plant and equipment	45.5	-9.4	-	-	36.1
Inventories	2.8	-0.1	-	-	2.7
Derivative liabilities	-1.8	-	-	1.8	0.0
Total	**73.3**	**-14.2**	**-**	**-3.3**	**55.8**
Net deferred tax liability	**-56.5**	**13.0**	**2.5**	**0.3**	**-40.7**

At 31 December 2012, the group had loss carryforwards of EUR 1.2 (1.3) million, whereof the total amount in Sweden. The use of loss carryforwards is unlimited in Sweden, but the loss carryforwards are blocked until 2013 owing to change of ownership.

NOTE 15. INVENTORIES

EURm	31 Dec 2012	31 Dec 2011
Raw materials and supplies	37.9	38.3
Parts	2.5	2.5
Work in progress	120.8	126.4
Finished goods	38.9	48.7
Goods in transit	2.3	4.9
Prepayments	0.0	0.0
Total	**202.4**	**220.8**
Cost of impairments to inventories	-0.8	2.1

NOTE 16. CURRENT RECEIVABLES

Trade and other current receivables

EURm	31 Dec 2012	31 Dec 2011
Trade receivables	84.4	110.6
VAT receivable	10.6	13.9
Interest-bearing receivables	0.2	0.0
Accrued income and prepaid expenses	15.0	5.6
Total	110.2	130.1
Bad debt reserve	0.2	0.3

Derivative assets

EURm	31 Dec 2012	31 Dec 2011
Fair value of electricity derivatives	0.9	1.7
Total	**0.9**	**1.7**

The carrying amounts of current receivables are reasonable estimates of their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of trade and other receivables. There were no significant impairment losses on trade receivables during the year.

NOTE 17. CASH AND CASH EQUIVALENTS

EURm	31 Dec 2012	31 Dec 2011
Cash and bank	42.6	7.6
Interest-bearing financial securities maturing within three months	-	25.1
Total	**42.6**	**32.7**

NOTE 18. EQUITY

There are 50,000 (2011: 50,000) shares outstanding in Ovako Group AB.

Share capital amounts to EUR 5,547. The quotient value per share is EUR 0.11 (0.11). All shares are fully paid.

The following reserves are recognised in equity:

Foreign currency translation reserve	31 Dec 2012	31-dec-11
Balance at 1 January	1.3	1.0
Foreign currency translation reserve for the year	1.3	0.3
Balance at 31 December	**2.6**	**1.3**

The foreign currency translation reserve comprises the exchange rate differences arising from translations of the financial statements of subsidiaries.

Cash flow hedge reserve	31 Dec 2012	31 Dec 2011
Balance at 1 January	-6.0	17.4
Realised and reallocated to profit and loss	5.8	-11.8
Tax on amount reallocated to profit and loss	-1.5	3.1
Change in fair value	-7.8	-19.9
Tax on change in fair value	1.6	5.2
Balance at 31 December	**-7.9**	**-6.0**

The cash flow hedge reserve includes the effective portion of the total net change in fair value of cash flow hedge instruments against changes in electicity prices and fair value changes in interest rate swaps.

NOTE 19. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The group has entered into a number of pension plans in accordance with local regulations and agreements

In Sweden, which accounts for 90 (89) % of the group's pension liabilities, there are both defined contribution plans, for which pension payments are managed by insurance companies, and defined benefit plans, for which the group's pension obligations are secured in the Swedish PRI/FPG system. Certain group companies have specific pension plans for management personnel.

The plans of foreign subsidiaries are structured in accordance with local rules and customary practice.

Pension benefits in Finnish companies are secured by local insurance companies and a voluntary pension agreement covered by supplemental insurance. Pensions in Finland are mainly covered by the statutory TyEL pension system. Some individual agreements may cover early retirement or disability. There are other long-term service benefits in some instances, such as compensation for long service.

The current pension system in the Netherlands is implemented within the Bedrijfstakpensioenfonds (industrial sector pension fund) 'Stichting Pensioenfonds Metaal en Techniek' (Pension Fund for the Engineering, Mechanical and Electric Contracting Sector). These are defined benefit plans but are treated as defined contribution plans in the annual accounts because sufficient parameters are unavailable to perform defined benefit plan calculations under IAS 19.

Ovako has a pension and life assurance plan for its employees in the UK. The plan was created as a defined benefit plan, which had a deficit at 31 December. The plan was closed to new subscribers as of 31 December 2009.

Ovako North America Inc offers defined contribution plans open to all employees who have worked for the company for at least six months. The company also has a post-employment medical insurance plan for certain employees and former employees.

Employees in Germany are covered by public pension schemes. The president and two other key management personnel also have a supplemental, defined benefit plan. The majority of the defined benefit pension plan refers to supplemental insurance for former executives. The pension liability is insured.

Employees in Italy are covered by national pension schemes and the TRF severance pay system with no additional pension plans. The TRF liability is recognised as a defined benefit pension plan.

The French pension liability is covered by pensions under French law and collective agreements (AARCO/AGIRC). Accordingly, the company does not have its own pension plan. Ovako Redon SAS has a defined benefit pension liability created for the IFC components of the mandatory pension (a retirement indemnity plan).

Pensions in Poland and Russia are covered by government pension schemes.

The group's cost for defined contribution plans amounted to EUR 7.6 (8.4) million. Cash flows associated with defined benefit plans are expected to amount to approximately EUR 3.4 million in 2013.

Pensions and other post-employment benefit obligations

EURm	31 Dec 2012	31 Dec 2011
Pension provisions	7.0	7.0
Pension benefits, FPG/PRI system	73.4	65.6
Other post-employment benefits	1.7	3.7
Total	**82.1**	**76.3**
The defined benefit obligation in the balance sheet comprises the following items:		
Present value of unfunded obligations	79.5	70.5
Present value of funded obligations	7.8	10.5
Fair value of plan assets	-5.2	-4.7
Net liability	**82.1**	**76.3**
Current service costs, unfunded	1.1	0.9
Interest on obligation, funded	0.4	0.4
Interest on obligation, unfunded	2.6	2.3
Return on plan assets, funded	-0.3	-0.3
Foreign exchange differences	2.7	0.0
Amount recognised in profit and loss	**6.5**	**3.3**

Current service costs are recognised as a pension benefits expense. Interest, returns and foreign exchange translation difference (mainly attributable to translation of the Swedish pension liability in Swedish subsidiaries that use EUR as their functional currency) are recognised as financial items.

Recognised in the balance sheet		
Balance at 1 January 2012 (1 January 2011)	76.3	67.6
Cost recognised in the income statement	6.5	3.3
Employer contributions	-0.1	-0.5
Paid benefits, funded	-0.2	-
Paid benefits, unfunded	-3.6	-5.4
Actuarial gains and losses recognised in other comprehensive income	4.9	11.0
Foreign exchange differences	0.1	0.3
Reclassified	-1.8	-
Balance at 31 December 2012 (31 December 2011)	**82.1**	**76.3**

Plan assets		
Balance at 31 December 2012 (31 December 2011)	-4.7	-4.6
Return on assets	-0.3	-0.3
Employer contributions	-0.1	-0.2
Paid benefits	-	0.1
Actuarial gains and losses recognised in other comprehensive income	-0.1	0.2
Foreign exchange differences	0.0	0.0
Balance at 31 December 2012 (31 December 2011)	**-5.2**	**-4.7**

Material assumptions that form the basis of the actuarial calculations are shown in the table on the next page. A change in the discount rate of 0.5% in calculating the present value of benefits according to the Swedish pension plan increased the pension liability by slightly more than EUR 5 million in 2012.

NOTE 19. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS CONT.

EURm	2012	2011	Net liability EURm 2012	Net liability EURm 2011
Sweden			**73.8**	67.8
Discount rate	3.00%	3.50%		
Future salary increases	3.00%	3.00%		
Germany			**3.2**	2.8
Discount rate	3.50%	5.00%		
Future salary increases	2.50%	2.50%		
USA			**1.1**	1.1
Discount rate	4.50%	5.50%		
Finland			**0.5**	0.8
Discount rate	4.50%	4.50%		
Italy			**0.7**	0.7
Discount rate	4.00%	4.90%		
Future salary increases	3.50%	3.50%		
United Kingdom			**2.6**	3.0
Discount rate	4.10%	4.70%		
Anticipated return on assets under management	5.00%	5.40%		
Future salary increases	2.60%	4.50%		
France			**0.2**	0.1
			82.1	**76.3**

NOTE 20. OTHER PROVISIONS

EURm	Restructuring provisions	Environmental provisions	Other provisions	Total
Balance at 1 January 2012	0.2	6.0	1.5	7.7
Provisions during the year	4.0	0.5	-	4.5
Provisions used during the year	-0.9	-0.6	-1.4	-2.9
Provisions reversed during the year	-	-0.8	-	-0.8
Effect of movements in foreign exchange	0.0	0.0	0.0	0.0
Balance at 31 December 2012	**3.3**	**5.1**	**0.1**	**8.5**

EURm	Restructuring provisions	Environmental provisions	Other provisions	Total
Balance at 1 January 2011	1.3	6.1	0.9	8.3
Provisions during the year	-	0.0	1.1	1.1
Provisions used during the year	-1.1	-0.1	-0.2	-1.4
Provisions reversed during the year	-	-	-0.1	-0.1
Reclassifications between items	-	-	-0.2	-0.2
Effect of movements in foreign exchange	0.0	0.0	0.0	0.0
Balance at 31 December 2011	0.2	6.0	1.5	7.7

Environmental provisions

Environmental provisions are intended to cover costs related to landfill deposits and waste from Ovako's steel mills in Sweden. Estimated costs are based on the best available parameters at the reporting date. The majority of the provision is expected to be used within 2-10 years.

Restructuring provisions

A provision for restructuring will be recognised only if the group has adopted a detailed formal plan and the restructuring has either commenced or been publicly announced. The majority of the provision is expected to be used within 1-2 years.

Emissions provision

There was no need during the year to make a provision for emissions-related costs after consideration of the company's actual emissions and emissions credits.

NOTE 21. INTEREST-BEARING LIABILITIES

EURm	31 Dec 2012	31 Dec 2011
Interest-bearing liabilities		
Term Loan	267.1	296.0
- Maturing next year	-14.8	-
Finance lease liabilities	0.4	0.5
- Maturing next year	-0.1	-0.1
Other non-current interest-bearing loans	0.1	0.1
Prepaid finance charges	-12.7	-17.3
Total non-current interest-bearing liabilities	**240.0**	**279.1**
Current interest-bearing liabilities		
Term Loan	14.8	-
Current portion of finance lease liabilities	0.1	0.1
Total current interest-bearing liabilities	**14.9**	**0.1**
Total interest-bearing liabilities	**254.9**	**279.2**

Maturity information for interest-bearing liabilities:

EURm	2013	2014	2015	2016	2017-	Total
Nominal amounts:						
Term Loan	14.8	20.6	21.7	210.0	-	267.1
Finance lease liabilities	0.1	0.1	0.1	0.1	-	0.4
Other non-current interest-bearing loans	0.0	0.0	0.0	0.0	0.1	0.1
Total	**14.9**	**20.7**	**21.8**	**210.1**	**0.1**	**267.6**
Prepaid finance charges	-4.4	-4.4	-3.9	-	-	-12.7
Total borrowings in the balance sheet	**10.5**	**16.3**	**17.9**	**210.1**	**0.1**	**254.9**

At the reporting date, the currency split of consolidated non-current interest-bearing liabilities was as follows:

EURm	31 Dec 2012	31 Dec 2011
EUR	239.7	278.8
SEK	0.3	0.4
	240.0	**279.1**

Weighted average effective interest rate for non-current loans at the reporting date:

%		
Loans	4.84	5.87
Lease liabilities	3.22	3.22

At the reporting date, the currency split of consolidated current interest-bearing liabilities was as follows:

EURm		
EUR	14.8	-
SEK	0.1	0.1
	14.9	0.1

Weighted average effective interest rate for current loans at the reporting date:

%		
Loans	4.10	-
Lease liabilities	3.22	3.22

Financing agreement

In conjunction with the change of ownership in 2010, Ovako Group AB and subsidiaries entered into a new financing agreement totalling EUR 385 million. The agreement includes two loans, originally of EUR 100 million (Facility A, which matures in September 2015) and of EUR 210 million (Facility B, which matures in September 2016), plus a revolving credit facility of EUR 75 million. EUR 5 million of the revolving credit has been set aside for bank guarantees. Facility A is amortised over the term of the loan, both through voluntary repayments and in accordance with the terms of the loan, while Facility B matures in full in September 2016.

At year-end the liability for Facility A amounted to EUR 57.1 (86.0) million, and the liability for Facility B amounted to EUR 210.0 (210.0) million. Total unutilised credit at 31 December therefore amounted to EUR 267.1 (296.0) million. EUR 3.8 million of the revolving credit was utilised in the form of issued bank guarantees, which means the unutilised facility amounts to EUR 71.2 (75.0) million.

The interest rate for the loans is the average annual IBOR plus lending margin. Under the terms of the loan, the company must ensure compliance with financial covenants based on cash flow, interest coverage ratio, leverage in relation to EBITDA and capital expenditures. The company was in compliance with all covenants at the reporting date. All shares in large group subsidiaries have been pledged as collateral for the loans. In addition, the subsidiaries have issued property mortgages and floating charges. See also Note 29. Arrangement fees were paid in conjunction with the drawdown. Arrangement costs are amortised over the term of the loan and recognised as a reduction of interest-bearing-liabilities.

NOTE 22. CURRENT LIABILITIES

EURm	31 Dec 2012	31 Dec 2011
Trade and other payables		
Trade payables	84.8	60.5
Accrued employee benefits expense, social insurance fees and pension benefits expenses	42.1	37.9
VAT liability	2.9	1.4
Accrued costs, claims	0.4	1.1
Other liabilities and accrued expenses and prepaid income	12.0	11.5
Total	**142.2**	**112.4**
Financial instruments		
Electricity derivatives	7.3	8.6
Interest rate swaps	5.2	3.7
Total	**12.5**	**12.3**
Other current liabilities		
Liability to parent company arising from group contribution	12.5	6.3
Interest liability	-	0.1
Total	**12.5**	**6.4**

NOTE 23. FINANCIAL RISK MANAGEMENT

The group is exposed to various types of financial risks including market risks, liquidity and refinancing risks and credit and counterparty risks.

The group's finance policy, adopted by the Board of Directors, provides guidance on managing these financial risks. The purpose of the policy is to establish general financial targets, allocation of responsibilities and threshold limits in respect of financial risks, and to describe actions that can be taken to mitigate these financial risks within the framework of strategic and operational financial risk management of the group and its business units.

The main objective of group financial risk management is to mitigate the adverse impacts of financial risks on consolidated earnings, cash flows and equity and to assure adequate liquidity.

The group shall not engage in hedging transactions or financial transactions that are unrelated to operating activities or may otherwise be regarded as inappropriate management of the group's financial exposure. Purely speculative financial transactions are not permitted.

The majority of the group's financial transactions and financial risk management are managed centrally through group treasury.

Market risk

Market risk is the risk of market changes in interest rates and exchange rates or other prices that affect the group's revenues and/or financial position.

Foreign currency risk

Foreign currency risk is the risk of changes in exchange rates that adversely affect the company's earnings, equity and competitiveness. Currency risk is treated as translation exposure or transaction exposure.

Translation exposure arises from translation of currencies in subsidiaries' financial statements to the group's presentation currency. Translations that cause fluctuations in consolidated equity comprise investments in subsidiaries whose functional currency is not the euro (EUR). Since all major subsidiaries, including those in Sweden, use the euro as their base currency translation exposure is very limited.

Transaction exposure arises from exchange rate changes in net cash flow from business transactions in currencies other than the base currency. These changes affect profit and loss and the balance sheet continually throughout the year. The group's borrowings are denominated in EUR and are intended to act as hedges against anticipated operating inflows in euro. Other currency flows that arise in connection with purchases and sales are short-term in nature and normally not hedged. Management may decide from time to time to hedge contracted exposure from sales and purchases in currencies other than the base or trading currency to secure margins, but no currency hedges existed during the year.

Ovako is exposed to currency risk because the group's base currency is the EUR, while a portion of revenues and a large share of expenses are denominated in other currencies. The greatest currency risk is linked to the Swedish krona (SEK) primarily because a large part of Ovako's production costs are in SEK. Appreciation of the Swedish krona by 1% in relation to the euro would have an estimated annualised negative impact on consolidated operating profit of EUR 1.9 million based on sales and purchase volumes for 2012.

Most of Ovako group's sales are in euro. The currency split for sales in 2012 was approximately as follows: 62 % EUR, 28 % SEK and 10 % other currencies (mainly GBP and USD). The underlying purchase prices of key raw materials, such as iron scrap and alloys, are set in global or European markets and the functional purchasing currency is thus USD or EUR, even if the actual purchase price may be billed in local currency. Accordingly, these purchases function as de facto hedges of inflows in EUR and USD.

The group's currency risk is managed by group treasury, which is responsible for monitoring and managing total currency risk for the group.

Interest rate risk

Interest rate risk refers to the risk that changes in market rates will have adverse impact on consolidated earnings. The group's finance policy is to hedge at least two-thirds of the fixed rate term on the total debt portfolio over a three-year period. At 31 December 2012, the group had two interest rate swaps with a total value of EUR 270 million at fixed rates, which will mature in 2013 (EUR 120m) and 2014 (EUR 150m). Assuming the loan debt is unchanged at the end of the year, a change in market interest rates of 100 basis points (1 percentage point) would impact pre-tax earnings by EUR 0.0 million.

Electricity price risk

Electricity price risk refers to the risk that changes in market prices for electricity will have an adverse impact on consolidated earnings.

The group's normal annual consumption of electricity is approximately 1 TWh. To mitigate price volatility that causes fluctuations in cash flow and earnings, hedging measures are used by which portions of the variable price of electricity are transferred to a fixed price. At year-end 2012, anticipated future electricity consumption was hedged according to the following contracts: 62 % for 2013, 44 % for 2014 and 23 % for 2015. A rise of 10 % in the price of electricity compared to the spot price at 31 December 2012 would have a positive impact on Ovako's comprehensive income, before tax, of approximately EUR 0.3 million, taking into account the hedging contracts that exist and with the same annual consumption as in 2012.

The group uses hedge accounting for electricity derivatives since these have been designated as cash flow hedges. Find more details on these derivatives in Note 13.

NOTE 23. FINANCIAL RISK MANAGEMENT CONT.

Liquidity and refinancing risk

Liquidity and refinancing risk is the risk of the group having insufficient access to the funds necessary to meet its obligations.

The group's financing is achieved through the financing agreement signed in 2010, as further described in Note 21. As described in Note 21, there are loan covenants, which may pose a risk to the company's access to capital. Total credit utilised at 31 December amounted to EUR 267.1 (296.0) million. Of the revolving credit facility totalling EUR 75.0 million, EUR 3.8 million was utilised in the form of issued bank guarantees, which means the unutilised facility amounts to EUR 71.2 (75.0) million.

Surplus liquidity is used primarily to repay debt. If this is impossible, the surplus funds are invested within internally defined limits with banks that are counterparties to the group's credit agreements.

The maturity structure of debt over future years is presented in Note 21. The table below shows contractual undiscounted payments including amortisation, interest and interest-rate derivatives linked to the financing agreement.

The calculation assumes that the IBOR interest rate is unchanged from the rate at 31 December 2012. Cash flows for derivatives are stated net.

EURm	Nominal amount	Cash flows, contractual	2013	2014	2015	2016
Term Loan	-267.1	**-310.6**	-27.7	-32.8	-32.9	-217.2
Derivates		**-5.2**	-3.0	-2.2	-	-
Total		**-315.8**	-30.7	-35.0	-32.9	-217.2

Credit and counterparty risk

Credit risk is defined as the risk that a counterparty will default on its payment obligations. The group is exposed to credit and counterparty risk against financial counterparties when funds are deposited, when positive cash balances are maintained with banks and when financial derivatives are acquired. These risks are minimised by contracting only with financially stable banks or other counterparties.

Beyond the foregoing, credit risks are associated with trade receivables. Exposure to credit risk in trade receivables is managed according to the principles set out in the Credit Management Rules and Guidelines established by group management. These rules require, among else, that 99% of annual sales must be covered by credit insurance. A credit limit is established for each customer, which is set by the company's insurance company or internal credit control. Credit risk in trade receivables is managed primarily through credit risk insurance. Credit risk is also reduced through bank guarantees, advance and cash payment requirements and letters of credit. At year-end, approximately 95% of Ovako's outstanding trade receivables were covered by credit insurance. The five largest customers (groups including subsidiaries) account for approximately 30% of consolidated sales and trade receivables.

At 31 December, trade receivable ageing

EURm	2012	2011
Ageing structure of trade receivables		
Trade receivables not due	73.8	91.0
Trade receivables 1-30 days overdue	10.1	18.2
Trade receivables 31-60 days overdue	0.4	0.8
Trade receivables more than 60 days overdue	0.1	0.6
Total	**84.4**	**110.6**

There were no material credit losses or provisions for anticipated credit losses in 2011. Other receivables, including VAT receivables, accruals and deferred expenses were not overdue at 31 December 2012 and there was no indication of impairment loss.

NOTE 24. ADJUSTMENTS TO CASH FLOWS FROM OPERATING ACTIVITIES

EURm	31 Dec 2012	31 Dec 2011
Non-cash transactions:		
Gain/loss from sale of non-current assets	0.1	0.0
Restructuring costs not settled	3.0	-
Effects of movements in foreign exchange etc	0.2	-0.2
Total	**3.3**	**-0.2**

NOTE 25. OPERATING LEASES

The group mainly leases factory equipment (forklift trucks, cranes, cars, etc). The average lease term is 5-10 years, often with an option to renew.

The group also has rental agreements for office space in Germany and the UK.

Minimum lease payments for non-cancellable operating leases in which the group is the lessee are shown in the following table.

EURm	31 Dec 2012	31 Dec 2011
Due within 1 year	2.5	2.2
Due within 2 to 5 years	2.6	2.6
Due later than 5 years	0.4	0.5
Total	**5.5**	**5.3**
Lease expense for the period	2.5	2.1
Other rental agreements		
Non-cash transactions:		
Due within 1 year	0.1	0.1
Due within 2 to 5 years	0.3	0.4
Total	**0.4**	**0.5**

NOTE 26. AUDIT FEES

EURm	2012	2011
Ernst & Young:		
Audit assignments	-0.5	-0.5
Other auditing	-0.2	-0.4
Tax advice	-0.1	-0.1
Other services	0.0	-0.1
Total	**-0.8**	**-1.1**

The 'audit assignment' is the statutory audit of the annual accounts and accounting records and the management of the company by the Board of Directors and the Chief Executive Officer. other tasks incumbent upon the independent auditors and advice or other assistance arising from observations during the audit or the performance of such other tasks. 'Other auditing' refers to reviews of management or financial information as required by law. the Articles of Association. bye-laws or contracts. which must result in a report. certification or other document also intended for use by parties other than the client. and which are not included in the audit assignment. 'Tax advice' refers to consultation on matters of tax law. 'Other services' are advisory services unrelated to any of the aforementioned categories.

NOTE 27. SUBSIDIARIES AND RELATED PARTY TRANSACTIONS

27.1 Related party transactions

The group is under the control of Triako Holdco AB, the parent company of Ovako Group AB. Triako Holdco AB is under the control of Triton Fund III, which directly and indirectly controls 83.34% of the equity in the Ovako group. There were no significant transactions with companies over which Triton Fund III has significant or controlling influence. Reimbursement for services and expenditures totalling EUR 995 (1,196) thousand has been paid to Westpark Management Services Ltd. A group contribution of EUR 6,114 (6,392) thousand has been provided to the parent company, Triako Holdco AB.

NOTE 27. SUBSIDIARIES AND RELATED PARTY TRANSACTIONS CONT.

27.2 Group structure:

Company name	Company reg no.	Domicile	Group interest, %	Group voting rights,%
Shares and investments in subsidiaries owned by Ovako Group AB:				
Ovako AB	556813-5338	Sweden	100	100
owned by Ovako AB:				
Ovako Bar AB	556690-6102	Sweden	100	100
Ovako Bright Bar AB	556690-6094	Sweden	100	100
Ovako Hofors AB	556692-1317	Sweden	100	100
Ovako Tube & Ring AB	556331-0167	Sweden	100	100
Triako Finco AB	556816-0526	Sweden	100	100
Ovako Steel Marketing AB 1)	556341-4522	Sweden	100	100
Shares and investments in subsidiaries owned by Triako Finco AB:				
Ovako Finland Oy	2347199-9	Finland	100	100
Shares and investments in subsidiaries owned by Ovako Finland Oy Ab:				
Ovako Imatra Oy Ab	2067276-0	Finland	100	100
Shares and investments in subsidiaries owned by Ovako Bar AB:				
Ovako Polska Sp.zo.o (1%, 99% is owned by Ovako Hofors AB)	0000267420	Poland	100	100
OOO Ovako	1077746317780	Russia	100	100
Shares and investments in subsidiaries owned by Ovako Imatra (Bar) Oy Ab:				
Ovako France SAS	RCS Dijon B392564019	France	100	100
Shares and investments in subsidiaries owned by Ovako Bright Bar AB:				
Ovako Cromax AB	556055-1847	Sweden	100	100
Ovako Forsbacka AB	556057-2082	Sweden	100	100
Ovako Hellefors AB	556210-0163	Sweden	100	100
Shares and investments in subsidiaries owned by Ovako Hellefors AB:				
Hillboms Byggnads-och transportfirma	556118-5454	Sweden	100	100
Shares and investments in subsidiaries owned by Ovako Cromax AB:				
Ovako Hallstahammar AB	556209-6858	Sweden	100	100
Ovako Molinella S.p.A.	01128230370	Italy	100	100
Ovako Mora AB	556174-7857	Sweden	100	100
Ovako Redon S.A.	316 055 094 RCS RENNES	France	100	100
Ovako Twente B.V.	6 062 776	Netherlands	100	100
Shares and investments in subsidiaries owned by Ovako Hofors AB:				
Fastighets AB Synaren	556057-7081	Sweden	100	100
Ovako GmbH	HRB12679	Germany	100	100
Ovako Ltd	03879876	United Kingdom	100	100
Ovako North America Inc	22-1474037	United States	100	100
Ovako Polska Sp.zo.o (99%, 1% is owned by Ovako Bar AB)	0000267420	Poland	100	100

1) The subsidiary was transferred from Ovako Hofors AB to Ovako AB during 2012

27.3 Key management personnel compensation.

See Note 28.

NOTE 28. MANAGEMENT COMPENSATION

Directors' fees

Directors' fees are resolved by the annual general meeting and are shown in the table below. The fees are resolved in SEK and are the same for 2012 as for 2011. Variations in exchange rates mean that the expense presented in EUR has increased between the years. Board members are shown on Page 57.

Board members	Position	Committee	Fee 2012 (EURk)	Fee 2011 (EURk)
Finn Johnsson	Chairman	Remuneration Committee Chairman	62	60
Nizar Ghoussaini	Director	Audit Committee	32	31
Martin Ivert	Director	Remuneration Committee	30	29
Jyrki Lee Korhonen	Director	Audit Committee Chairman	37	36
Magnus Lindquist	Director	Remuneration Committee	30	29
Jorma Eloranta	Director		29	9
Simon Andberg	Alternate Director	Audit Committee	3	3
Tord Göransson	Director (Employee Representative)		-	-
Robert Nilsson	Director (Employee Representative)		-	-
Total			223	198

Remuneration policy

According to the remuneration policy adopted by the Board of Directors in November 2011, remuneration to the CEO and other key management personnel shall comprise base salary, any variable pay components and other benefits such as car and pension benefits. Key management personnel are members of group management in addition to the CEO.

Total remuneration must be market-based and competitive in the labour market relevant to the executive and related to the executive's responsibility and authority.

Variable pay components are limited to 75% of base salary and must be based on outcomes in relation to quantifiable, predefined objectives that support long-term growth in value. Variable pay components will not be treated as pensionable income, other than as required by the rules of a general pension plan (such as the Swedish ITP plan). In respect of key management personnel outside Sweden, all or part of the variable component may be treated as pensionable income according to law or local market practices.

Key management personnel are required to give six months' notice of resignation. Upon termination of employment by the company, the sum total of the period of notice and the period during which severance pay is distributed is limited to 24 months. Any remuneration from future employers will be deducted from severance pay. The age of retirement is 65. Pension benefits will be contribution based and the expense limited to 35% of base salary.

Equity or share-based incentive programmes shall be subject to adoption by the Board of Directors or, where applicable, the annual general meeting. Departures from the remuneration policy are subject to Board approval.

Salary and other employee benefits, CEO and other key management personnel

2012 kEUR	CEO	Group management (excluding CEO)	Total
Base salary	540	2,040	2,580
Variable pay	-	-	-
Other benefits	85	91	176
Total remuneration	**625**	**2,131**	**2,756**
Pension benefits	186	543	729
Total including pension benefits	**811**	**2,674**	**3,485**

2011 EURk	CEO1)	Group management (excluding CEO2))	Summa
Base salary	374	2,661	3,034
Variable pay	-	-	-
Other benefits	64	60	124
Total remuneration	**438**	**2,721**	**3,158**
Pension benefits	131	636	767
Total including pension benefits	**568**	**3,357**	**3,925**

1) Refers to Tom Erixon, CEO effective 1 April 2011. Remuneration of EUR 219 thousand was also paid during the period until 31 March 2011 to the former CEO.

2) Refers to remuneration paid to individuals who were part of group management during the year for applicable periods.

Remuneration to the CEO

Tom Erixon was paid salary and other employee benefits by the company totalling EUR 625 (438) thousand.

Compensation is resolved and paid in SEK. Variable pay may amount to a maximum of 75% of base salary.

Upon termination of employment by the company, remuneration will be paid for a maximum of 20 months. The age of retirement for the CEO is 65. Pension benefits are a defined contribution plan and equal 35% of base salary. The pension benefits expense amounted to EUR 186 (131) thousand.

Remuneration to group management (excluding the CEO)

Group management is composed of 8 (8) individuals in addition to the CEO and is shown on Page 58. Members of group management excluding the CEO were paid salary and other employee benefits by the company totalling EUR 2,131 (2,721) thousand during the year. The annual cost for the previous year included provisions of EUR 791 thousand for severance pay to individuals who left group management during 2011.

Variable pay is limited to 75% of base salary. Upon termination of employment by the company, remuneration will be paid for a maximum of 24 months. The age of retirement is 62-65. Pension benefits are paid in accordance with the ITP plan or are defined contribution plans at 25-35% of base salary.

The pension benefits expense was EUR 543 (636) thousand. The expense for the previous year included a provision of EUR 188 thousand for severance pay.

NOTE 29. PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

EURm	31 Dec 2012	31 Dec 2011
Pledged collateral		
Pledged assets	917.1	887.7

As explained in Note 21 , all shares in major group subsidiaries are pledged as collateral for loans from financial institutions. In addition, the subsidiaries have issued property mortgages and floating charges for the same credit facility. The amounts stated under 'Pledged collateral' thus correspond to total assets in the pledged subsidiaries.

Contingent liabilities		
Guarantees	2.3	1.9
Pension liabilities	0.9	1.0

NOTE 30. LEGAL DISPUTES

The group is not involved in any significant legal disputes.

Parent company income statement

EURk	Note	2012	2011
Income		-	-
Administrative expenses		-134	-1
OPERATING PROFIT		-134	-1
Interest	3	517	503
Profi before appropriations and tax		**383**	**502**
Group contribution	3	-382	686
Tax	4	-131	-312
Profit for the year		**-130**	**876**

Parent company statement of comprehensive income

EURk	Note	2012	2011
Profit/(loss) for the year		**-130**	**876**
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		**-130**	**876**

Parent company balance sheet

EURk	Note	31 Dec 2012	31 Dec 2011
ASSETS			
Non-current assets			
Total financial assets			
Investments in subsidiaries	1	139,823	139,823
Receivables from group companies	3	22,668	22,152
Deferred tax assets	4	-	131
Total		162,491	162,106
Total non-current assets		**162,491**	**162,106**
Current assets			
Receivables from group companies	3	12,810	7,078
Total current assets		**12,810**	**7,078**
TOTAL ASSETS		**175,301**	**169,184**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	18 (*)		
Restricted equity (capital stock)		6	6
Non-restricted equity		162,655	162,785
Total equity attributable to owners of the parent		**162,661**	**162,791**
Current liabilities			
Liabilities to parent	3	12,506	6,392
Liabilities to group companies	3	60	1
Other current liabilities		74	-
Total current liabilities		**12,640**	**6,393**
TOTAL EQUITY AND LIABILITIES		**175,301**	**169,184**
PLEDGED COLLATERAL		None	None
CONTINGENT LIABILITIES		None	None

(*) Consolidated financial statements

Parent company statement of cash flows

EURk	Not	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		-134	-1
Change in current receivables		-	1
Change in current liabilities		134	-
Cash flows from operating activities		0	0
Cash flows from investing activities		-	-
Cash flows from financing activities		**0**	**0**
Change in cash and cash equivalents		**0**	**0**
Cash and cash equivalents at 1 January		0	0
Change for the year		0	0
Cash and cash equivalents at 31 December		**0**	**0**

Parent company statement of changes in equity

2012	Restricted equity:	Non-restricted equity:	
EURk	Share capital	Retained earnings	Total equity
Balance at 1 January 2012	**6**	**162,785**	**162,791**
Total comprehensive income	-	-130	-130
Equity at 31 December 2012	**6**	**162,655**	**162,661**

2011	Restricted equity:	Non-restricted equity:	
EURk	Share capital	Retained earnings	Total equity
Balance at 1 January 2011	6	161,909	161,915
Total comprehensive income	-	876	876
Equity at 31 December 2011	**6**	**162,785**	**162,791**

SIGNIFICANT ACCOUNTING POLICIES

The differences between accounting policies applied to the parent company and the group are attributable to limitations on the application of IFRSs for the parent company under the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and, to a certain extent, for tax reasons. The parent company applies the Swedish Financial Accounting Board's recommendation RFR 2 Accounting for Legal Entities. The differences in accounting policies between the parent and the group have not had any impact on the financial statements per 31 December 2012.

Amounts for the parent company are shown in thousands of euro.

NOTE 1. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries refer to 100% of shares in Ovako AB. Refer to Note 27 for further disclosures. There were no changes during 2012.

Name of company	Interest and voting rights %	Number of shares	**31 Dec 2012** Carrying amount	**31 Dec 2011** Carrying amount
Ovako AB	100	50,000	139,823	139,823

Name of company	Company reg no.	Domicile
Ovako AB	556813-5338	Stockholm

NOTE 2. AUDIT FEES

The parent has no audit expenses, as such expenses were paid by Ovako AB.

NOTE 3. RELATED PARTY TRANSACTIONS

Refer also to Note 27 to the consolidated financial statements for disclosures concerning ownership structure, etc.

A group contribution of EUR 5,732 (7,078) thousand was received from the subsidiary Ovako AB and a group contribution of EUR 6,114 (6,392) thousand was provided to the parent, Triako Holdco AB.

Non-current receivables due from group companies consist of claims on subsidiaries for finance costs paid on the subsidiaries' behalf. Interest is added to the claim each year.

Current receivables and liabilities from group companies refer to group contributions and liabilities on group accounts and cash pool deficits.

NOTE 4. TAXES

Tax expense and deferred tax assets arise from loss carryforwards.

Signatures of the Board of Directors and CEO

The Board of Directors hereby certify that the annual report and consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and generally accepted accounting standards and provide a fair presentation of the group and parent company's financial position and earnings, and that the Board of Directors' report provides a fair presentation of the group's and parent company's operations, financial position and earnings and describes significant risks and uncertainties facing the companies included in the group.

Stockholm, 1 March 2013

Finn Johnsson
Board Chairman

Tom Erixon
President and CEO

Jorma Eloranta

Nizar Ghoussaini

Martin Ivert

Jyrki Lee Korhonen

Magnus Lindquist

Tord Göransson
Employee Representative

Robert Nilsson
Employee Representative

Our audit report was submitted on 4 March 2013
Ernst & Young AB

Heléne Siberg Wendin
Authorised Public Accountant

Independent auditor's report

To the annual general meeting of shareholders in Ovako Group AB, org. nr 556813-5361

Report on the annual accounts and consolidated financialstatements

We have audited the accompanying annual accounts and consolidated financial statements of Ovako Group AB for the financial year ending 31 December 2012. The formal annual accounts and consolidated financial statements are included on pages 23-55 of the printed version of this document.

The responsibility of the Board of Directors and the CEO for the annual accounts and consolidated financial statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the annual accounts in accordance with International Financial Reporting Standards as adopted by the EU and the Swedish Annual Accounts Act, and for such internal control as the Board of Directors and the CEO determine are necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The auditor's responsibility

Our responsibility is to express an opinion on the annual accounts and consolidated financial statements based on our audit. We have conducted the audit in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden. These standards require us to comply with standards of professional ethic and that we plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated financial statements are free from material misstatement.

An audit involves obtaining audit evidence by means of various procedures about the amounts and other disclosures in the annual accounts and the consolidated financial statements. The auditor selects which procedures to perform, in part based on assessment of the risk of material misstatement in the annual accounts and consolidated financial statements, whether caused by fraud or error. In the course of this risk assessment, the auditor considers the components of internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies applied and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our audit opinion.

Opinion

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide a fair presentation, in all material respects, of the financial position of the parent company at 31 December 2012 and of its financial results and cash flows for the year ended on that date, in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and provide a fair presentation, in all material respects, of the financial position of the group at 31 December 2012 and of its financial results and cash flows, in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act. The statutory Board of Directors' Report is consistent with the other parts of the annual accounts and the consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statements and balance sheets for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated financial statements, we have also examined the proposed disposition of the company's profit or loss and the administration of the Board of Directors and the CEO of Ovako Group AB for the financial year ending 31 December 2012.

Responsibility of the Board of Directors and the CEO

The Board of Directors is responsible for preparing the proposed disposition of the company's profit or loss, and it is the Board of Directors and the CEO that are responsible for management of the company under the Swedish Companies Act.

The auditor's responsibility

Our responsibility is to an express an opinion with reasonable assurance on the proposed disposition of the company's profit or loss and the management of the company, based on our audit. We have conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed disposition of the company's profit or loss, we have examined whether the proposal is in conformity with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, we have examined significant decisions, actions taken and circumstances of the company in order to be able to determine whether any director or the CEO are liable to the company. We have also examined whether any director or the CEO have, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our audit opinion.

Opinion

We recommend that the annual meeting of shareholders resolve to allocate profit as proposed in the Board of Directors' report and discharge the directors and the CEO from liability for the financial year.

Stockholm, 4 March 2013
Ernst & Young AB

Heléne Siberg Wendin
Authorised Public Accountant

Board of directors

Finn Johnsson, Chairman

Birth year: 1946 **Elected to the board:** 2010
Education: Bachelor of Business Administration
Other board assignments: Chairman of Geveko AB, Luvata Ltf, European Furniture Group AB, Thomas Concrete Group AB, Gransäter & Partners, Poseidon, Handelskammaren i Västra Götaland, Byggdelsbolaget i Kungshamn, DVSM Group. Director of Norske Skog.

Martin Ivert, Director

Birth year: 1948 **Elected to the board:** 2010
Education: M.Sc. (Metallurgy)
Other board assignments: Chairman of Swerea (Swedish Research). Director of FLSmidth & Co. A/S, Åkers Group.

Nizar Ghoussaini, Director

Birth year: 1950 **Elected to the board:** 2010
Education: M.Sc. (Chemical Engineering)
Operational position: Senior Industry Expert, West Park Management Services
Other board assignments: Chairman of Dematic, Stabilus.

Jorma Eloranta, Director

Birth year: 1951 **Elected to the board:** 2011
Education: M.Sc (Tech)
Other board assignments: Chairman of Neste Oil, Suominen Corporation, ZenRobotics Oy. Deputy chairman of Uponor Corporation and chairman of the supervisory board of Gasum Oy.

Magnus Lindquist, Director

Birth year: 1963 **Elected to the board:** 2010
Education: Finance administration
Operational position: Investment Advisory Professional at Triton Advisers (Sweden) AB
Other board assignments: Director of Ambea AB, Polygon AB and Micronic Mydata AB.

Jyrki Lee Korhonen, Director

Birth year: 1972 **Elected to the board:** 2010
Education: M.Sc. (Econ.)
Operational position: Investment Advisory Professional at Triton Advisers (Sweden) AB
Other board assignments: Chairman of Puukeskus Oy. Director of Papyrus, European Directories.

Simon Andberg, Deputy Member of the Board

Birth year: 1979 **Elected to the board:** 2010
Education: Ph.D (Econ.) and Master of Law
Operational position: Investment Advisory Professional at Triton Advisers (Sweden) AB
Other board assignments: Director of DVSM Group.

Tord Göransson, Employee representative

Birth year: 1950 **Elected to the board:** 2010
Employed in Ovako: 1970

Robert Nilsson, Employee representative

Birth year: 1981 **Elected to the board:** 2011
Employed in Ovako: 2007

Deputy employee representatives:

Anders Nilsson

Birth year: 1959 **Elected to the board:** 2010
Employed in Ovako: 1975

Patrik Undvall

Birth year: 1968 **Elected to the board:** 2010
Employed in Ovako: 1998

The board of directors of Ovako Group AB previously sat on the board of Ovako AB, but were moved to the parent company Ovako Group AB in conjunction with the annual general meeting of 15 May 2012. The years indicated for election to the board relate to the year each director was elected to the board of Ovako AB.

Management

Tom Erixon,
President and CEO

Birth year: 1960
Education: Master of Law and Master of Business Administration
Previous positions: CEO Sandvik Coromant, senior positions at Sandvik, Partner and Consultant Boston Consulting Group.

Marcus Hedblom,
CFO

Birth year: 1970
Education: M. Sc. (Industrial Engineering and Management)
Previous positions: Deputy CFO, SAS Group, CEO Spanair, CFO SAS Sverige, Management Consultant McKinsey & Co, Production Engineer Scania.

Sven Bäckström,
Head of Human Resources and Administration

Birth year: 1962
Education: Bachelor of Business Administration
Previous positions: Head of Administration Ovako, CFO SKF Steel Division/Ovako Steel, various positions SKF.

Göran Nyström
Head of Marketing and Technology

Birth year: 1962
Education: M. Sc. (Engineering Physics)
Previous positions: SVP Supply Sandvik Tooling, SVP Supply Sandvik Mining and Construction, VP Sales and Marketing Sandvik Materials Technology.

Sten Lyckström
President of Business Area Bar Hofors-Hällefors

Birth year: 1950
Education: M.Sc. (Metallurgy)
Previous positions: Senior positions Ovako and SKF Steel.

Heikki Nyholm
President of Business Area Bar Imatra

Birth year: 1956
Education: Master of Business Administration and M. Sc. (Eng.)
Previous positions: Senior positions Ovako and Imatra Steel.

Anders Henström
President of Business Area Bright Bar

Birth year: 1958
Education: M.Sc. (Metallurgy)
Previous positions: Senior positions Ovako and SKF Steel.

Carl-Michael Raihle
President of Business Area Tube and Ring

Birth year: 1963
Education: PhD., M.Sc. (Metallurgy)
Previous positions: Head of Business Area Luvata Rolled Products division, Technical Director Luvata, Senior positions Outokompu.

Rickard Qvarfort
President of Business Area Bar SmeBox

Birth year: 1967
Education: M.Sc. (Metallurgy)
Previous positions: President of Business Area Tube and Ring, Senior positions Ovako and SKF Steel.

Definitions

Sales Sales excluding VAT, discounts and returns

Gross profit Sales less cost of goods sold

EBITDA Earnings before interest, tax, depreciation on property, plant and equipment and amortisation of acquisition surpluses and impairment losses.

EBITA Earnings before interest, tax, and amortisation of acquisition surpluses and impairment losses.

EBIT Earnings before interest and tax

Operating margin Operating profit as a percentage of sales

Net debt Interest-bearing liabilities less cash and cash equivalents

Net debt/equity ratio Net debt divided by equity and multiplied by 100

Earnings per share, before and after dilution Net profit/(loss) for the period divided by weighted average shares outstanding during the period

Return on capital employed (ROCE) EBIT divided by equity plus finance liabilities (the average of the opening and closing balances for the period)

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