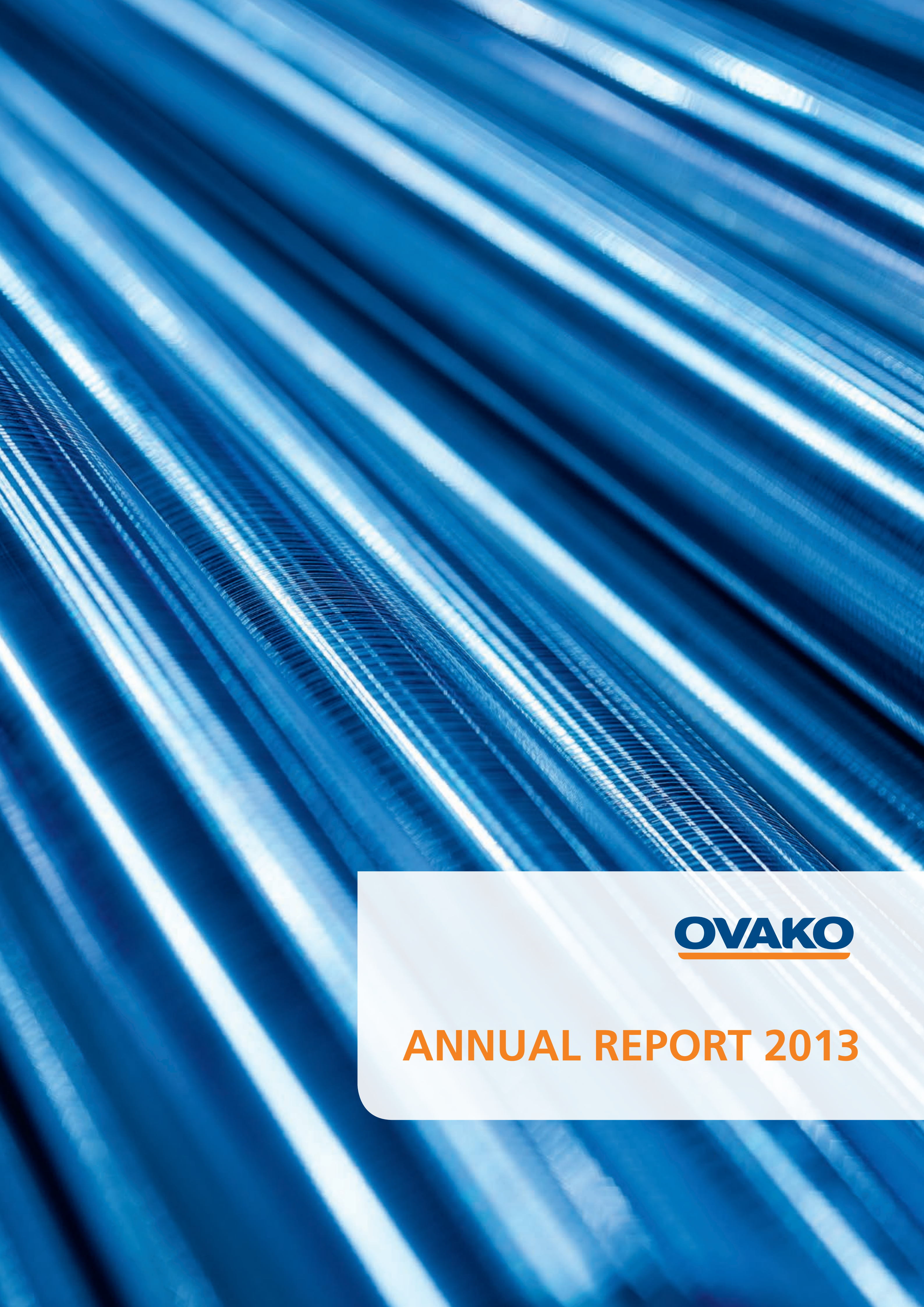


OVAKO

ANNUAL REPORT 2013

CONTENTS

This is Ovako's Annual Report for the financial year 2013. The information provided on pages 25-60 constitutes the formal annual report for Ovako Group AB and has been audited by the company's independent auditor.

Financial information

Ovako's website, www.ovako.com, provides the latest information about Ovako and its performance in Swedish, English and Finnish. The website provides annual reports and interim reports to download.

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 strong expertise and competitive advantage. Production comprises primarily bar, tube, 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 is represented in more than 30 countries and has sales offices in Europe, North America and Asia. The steel production is based on scrap, making Ovako one of the Nordic region's largest consumers of recycled scrap. The company's units are certified according to the international standard for environmental management, ISO 14001. The operations are also quality assured in compliance with ISO 9001 and some units are also certified in accordance with ISO/TS 16949 for the automotive industry and OHSAS 18001 Occupational Health and Safety Management.

Sales in 2013 amounted to EUR 850 million and the company had 2,995 employees. Ovako has a total production capacity of approximately 1 million tonnes of finished steel products per year.

Ovako's offering

Steel is a key component in many industrial products worldwide. Through a solid understanding of the market and ongoing dialogue, Ovako has a good grasp of customer needs, both now and in the future. Ovako's offering is based on meeting these needs and providing customers with high-quality steel. The focus is to constantly improve steel quality and to provide lighter and more eco-efficient applications and solutions.

Read more about Operations on pages 15-18.

Strategy for profitable growth

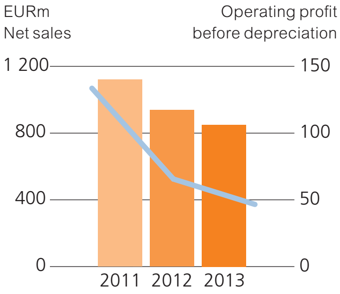
Ovako's strategy is intended to create an attractive long-term position in the steel market by becoming the European leader in engineering steel, continuously developing the product offering and strengthening customer relationships. To achieve its strategic objectives and its financial targets, Ovako prioritises on three areas:

- Growth
- Efficient processes
- One Ovako

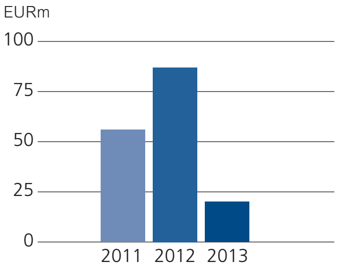
Read more about Strategy and Objectives on pages 8-10.

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

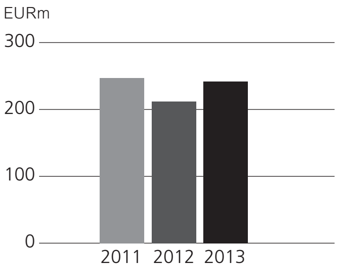
Net sales and operating profit before depreciation



Cash flows from operations



Net debt



Performance in 2013

- Ovako's order intake increased by 10 percent compared to the previous year
- The external sales volume amounted to 675 (694) thousand tonnes, a decrease of 3 percent compared to the previous year
- Net sales amounted to EUR 850 (937) million, a decrease of 9 percent compared to 2012. The decrease is explained partly by the lower volume during the first half of the year and also by lower scrap and alloy surcharges as a consequence of lower raw materials prices
- EBITDA before restructuring costs amounted to EUR 50 (70) million, and after restructuring costs EUR 47 (66) million
- The EBITDA margin before restructuring costs, 5.9 (7.5) percent, decreased due to unfavourable price and mix changes
- Cash flows from operations amounted to EUR 20 (87) million
- Return on capital employed (ROCE) amounted to 0 (4) percent

Group key figures	2013	2012	2011
Sales volume, thousand tonnes	675	694	851
Net sales, EURm	850	937	1,121
Operating profit before depreciation (EBITDA), EURm	47	66	134
EBITDA margin	5.5%	7.0%	12.0%
Operating profit (EBIT), EURm	-1	20	90
EBIT margin	0.0%	2.1%	8.0%
Net profit, EURm	-21	-4	38
Earnings per share, EUR	-412	-74	755
Cash flow from operating activities, EURm	20	87	56
Net debt/equity ratio	160%	130%	137%
Return on capital employed (ROCE)	0%	4%	17%
Number of employees at 31 December (FTE)	2,995	3,040	3,239

Key events during the year

OVAKO EMPLOYEE REWARDED FOR RESEARCH

In January 2013, Ovako's head of research and development, Patrik Ölund, was awarded the Kami Prize. He received the award for his contributions to the development of Ovako's IQ-Steel®, a unique steel that can withstand high loads in all directions, helping to reduce environmental impact and CO_2 emissions.

INAUGURATION OF A NEW RING MILL

In March, Ovako inaugurated a new ring mill that produces steel rings with a diameter of up to four meters. The facility is the only of its kind in Sweden, and Ovako is making the investment to address the increased demand for larger-dimension bearing steel destined for applications such as offshore wind power.

ACQUISITION IN CHINA

In May, Ovako announced the acquisition of BE Group's operations in China. The unit supports Ovako's customers in Asia with specific niche products and is in line with the company's strategy to establish Ovako as a premium supplier of engineering steel and to broaden its international position in selected niche areas. The unit is included in the financial statements from the third quarter of 2013.

INAUGURATION OF NEW PEELING LINE

In May, Ovako inaugurated a complete new line for peeling and finishing bar products as a part of a programme to expand dimension ranges in Hällefors. The new peeling line assures Ovako's continued growth in value-added products, primarily in the diesel injection segment.

CONTINUED INVESTMENT IN SMEDJEBACKEN'S METALLURGY

In June, Ovako decided to invest in a new continuous casting machine at the steel mill in Smedjebacken. The existing continuous casting facility will be replaced. This investment provides an opportunity to continue to develop product quality and the range of dimensions, and is an important step in the development of the group's customer offering and the strategic focus on growth, particularly in Europe. The investment is expected to amount to approximately EUR 15 million. In September, Ovako also did the final installation of the new de-dusting filter in Smedjebacken. The filter meets future environmental requirements and is one of many steps towards ensuring a good working environment and minimising Ovako's environmental footprint.

SALES OFFICE IN ITALY

During the third quarter, Ovako opened a sales office in Italy as part of its efforts to enhance its presence in selected markets. Furthermore, existing sales units were also coordinated and strengthened during the year. With these key marketing initiatives, Ovako has laid the foundation for stable growth in the coming years.

LAUNCH OF NEXT-GENERATION M-STEEL®

In November, Ovako launched the next generation of M-Steel, which has been developed with a focus on improving customer productivity and profitability. The optimisation of M-Steel and its applications is a component in Ovako's commitment to customer-oriented cooperation and development. M-Steel is also the first of several new brand launches that Ovako has planned for 2014.

CHANGES IN OVAKO'S GROUP MANAGEMENT

In November, Ovako announced the appointment of Mathias Tillman as the new President of Business Area Ovako Bright Bar in Hällefors and as a member of the group management. Anders Henström, formerly President of Business Area Bright Bar, is the new President of Business Area Ovako Bar Hofors-Hällefors. These changes apply from 1 January 2014. In addition, Ovako announced in January 2014 that Karin Lagerstedt Woolford had been appointed as the new Director of Human Resources for the Ovako group, and she joined the group management from 1 February 2014.

"We have started 2014 with a stronger order book, a better cost structure and a better customer service than we had at the beginning of 2013."

Long-term improvement efforts are paying off in a challenging market

2013 was a good year in terms of building Ovako´s position as a technology leader in European engineering steel. We ended the year stronger than we started on almost all dimensions. On the other hand, it was a challenging year operationally, with a 4% decline in the European market and intense price competition. Let me start with the operational matters.

A sharp decline in European industrial production towards the end of 2012 set the stage for the steel industry in 2013. As most steel companies, Ovako entered 2013 with a weak order book and macroeconomic uncertainty. However, we were well prepared for a tough year. Having our operational improvement program 25/50, we will cut costs by 25 MEUR and gain 50,000 tonnes in volume of new business. The cost savings target of 25 MEUR was achieved based on process improvements, effects from earlier investments, personnel and working time reductions, and improved sourcing. The majority of these savings are also important for our longer term competitiveness. We were pleased to see big improvements in delivery service, and the further reduction in customer claims goes hand-in-hand with our work on cost efficiency. With these improvements, along with significant productivity improvements in the steel mills, 2013 was successful in operational terms despite the weakening market.

New customers and contracts

The sales growth program was well anchored with new sales companies established in Italy, Eastern Europe, and China. Positive effects from the new sales teams were visible already in 2013, with a good growth potential for many years to come. The work on several new applications and the stronger position in the bearing steel market also contributed to new customers and contracts. We did not reach the full target of invoicing 50,000 tonnes of new business in 2013, but we estimate the running rate in the fourth quarter to be on that level. The momentum will carry into 2014.

We have started 2014 with a stronger order book, a better cost structure and a better customer service compared to the beginning of 2013. After a weak start of the year, every month since August last year has been stronger year-on-year in terms of order intake, invoicing, and profitability.

Significant investments for long-term growth

Our long term strategic plan is to build Ovako´s position as the European leader in advanced engineering steel applications. Our strategic objective is supported by improved process capabilities in the mills, strengthened technical

”During 2014, we will see a number of important product launches, focusing on solving our end customers' wear, toughness and fatigue challenges.”

sales force in key markets, and improved application and product management. The investment program over the last three years has averaged 40 MEUR per year. Approximately half of our capital expenditure is used to modernise and improve existing processes. The remaining investments go into building new capacity and supporting business opportunities.

In 2013 we completed the new fully automated peeling line in Hällefors. It supports our further growth in the diesel injection system and some bearing applications. The new Ring Mill 11 was inaugurated in March, giving our ring business the capability to roll rings with a diameter of up to four meters. Ring Mill 11 supports the growth in the bearing business for large wind mills, and also improves our technical capabilities for advanced profiling of large rings. Ovako´s single biggest environmental project was completed in September when the new de-dust filter system was ready in Smedjebacken. It was a 14 MEUR investment and the emission levels from the plant is now far below the legal limits. In Imatra the rebuilding of the casting platform after the accident in June was a priority action. A very dedicated team managed the project on time during six weeks, and Imatra is back in stable operations since late August.

Several product launches in 2014

For Ovako 2014 will be another year of development and change. During the summer Smedjebacken will install a new casting machine providing a broader dimensional program and improved surface quality. Ovako´s growth in heat treated material will continue and we are expanding both the quench and temper capacity in Sweden and the annealing capacity in Imatra during the year. At our tube mill in Hofors the three year investment program is coming to an end with better efficiency, less inventory, and longer tube sizes as key benefits.

Finally, 2014 will be a big year on products for Ovako. We launched a new generation of M-Steel already in 2013, which significantly improves our customers' manufacturing processes and tool life. This year we will see a number of important launches, focusing on solving our end customers´ wear, toughness and fatigue challenges. Being the first link in the integrated value chain of the European engineering industries, Ovako takes its responsibility in providing material solutions in demanding applications very seriously. Advanced engineering steel is critical for the engineering industry in Europe, and Ovako is well placed to be the partner of choice.

Tom Erixon
President and CEO


STRATEGIC OBJECTIVES
FINANCIAL TARGETS
PRIORITIES

Strategy for long-term growth

Ovako's overall strategy is intended to generate a long-term attractive position in the steel market by making Ovako a European leader in engineering steel, by continuously developing the product offering and by strengthening customer relationships. In 2013, Ovako has continued to work towards achieving an attractive position in the market.

STRATEGIC OBJECTIVES

Market

Ovako shall be the premier manufacturer and supplier of engineering steel in Europe, with a broader international position in selected niche areas. This is achieved by organic growth in existing and new geographical markets, as well as through acquisitions and mergers.

Products

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

Customers

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

FINANCIAL TARGETS

Ovako is working towards three long-term financial targets:

- Achieve an annual return on capital employed of 20 percent over a business cycle.
- Maintain an average operating margin of 10 percent over a business cycle.
- Achieve average organic growth of 5 percent per year.

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 makes 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.

PRIORITIES

Ovako is prioritising three areas in order to achieve its financial targets and strategic objectives. These priorities mean that the company is well equipped to handle the challenges, and to draw benefit from the opportunities, that are brought about by the structural changes in the steel market.

Growth

Growth and expansion have been a priority for Ovako since the end of 2011. The emphasis is on organic growth.

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. Understanding how customers use Ovako's products is critical, which means that the development of new applications has been a particularly high priority in all markets during 2013. Development work is often carried out together with customers and partners. An important component is to invest in future technologies and eco-efficient solutions with growth potential.

Ovako will continue to develop its high-quality supply service with good pricing and close cooperation with its customers. Organic growth is being achieved primarily through the development of new steel materials for customers.

Ovako will also increase its presence in new geographical areas. This means markets where the opportunities for growth are considered to be good, such as in Southern and Eastern Europe and China/Asia. Establishments in Eastern Europe during previous years were this year followed up with the acquisition of BE Group's operations in China. With a presence in China, Ovako is better able to support its customers in Asia, while its international position is broadened in specific niche products. During the year, Ovako established a new structure for its sales units to improve work efficiency and consistency in different markets.

Efficient processes

Proximity to customers will be improved through a decentralised and flexible approach that reduces lead times, increases reliability of supply and reduces costs.

Ovako has for a long time worked with change management, and this was formalised during the year in a groupwide programme called Operational Excellence. The overall aim is to continuously improve all processes within the group, from production to administration. The goal is to increase internal efficiency and reliability of delivery, to improve lead times and inventory levels, and to reduce the number of customer complaints and accidents. Work has started with two pilot projects, at Bright Bar in Hällefors and at Tube and Ring in Hofors, and will be implemented throughout the group.

Ovako is also making extensive efforts to become an even more customer-oriented supplier, with a high level of productivity and availability. The comprehensive investment programme that was initiated in 2011 has continued in 2013. The capacity-enhancing investment that the company is making in its steel mills is crucial to achieving long-term profitability. In Smedjebacken, for example, Ovako has decided to invest in a new continuous casting machine. This investment enables continued development of product quality and a broadened product offering to create new market opportunities. It is also an important step in the development and strengthening of the group's customer offering.

One Ovako

Ovako has for a number of years focused on increasing coordination and economies of scale within the group. In recent years, the company has both created a more efficient operations and developed shared capacity in areas such as sales, finance and IT. In addition, group functions have been specialised, a common brand platform has been launched and a best-practice culture has been introduced, aimed at continuous development and improvement.

Given that the company operates in a cyclical market, further measures will be aimed at achieving a more flexible cost structure and thus being better equipped to fend off future ups and downs in demand. Ovako will be constantly driven towards optimum functionality in all areas of its business, from purchasing to application development.

A more stable world

After a weak first half of 2013, the uncertainties surrounding the steel market in 2012 have been replaced by a gradual improvement in demand. However, market growth remains at a low level in a longer perspective. Ovako's strategy from late 2011 gives priority to investments in a continued strong position in the Nordic region and growth in specific application and product segments in Europe and worldwide.

Development of the steel market

Like many other industries, the European steel market was hit hard by the economic crisis, and noted a clear shift in demand during and after the crisis year of 2009. In one single year, 2009, more than half of the market disappeared. Before that the underlying volume growth had long been 2-3 percent per year.

Since 2009, the market has been characterised by a slow and volatile recovery. Particularly challenging was the development in 2012, when demand fell by more than 20 percent. The steel market has stabilised in 2013, but it is clear that demand has not reached the levels that were prevalent in the market before 2009.

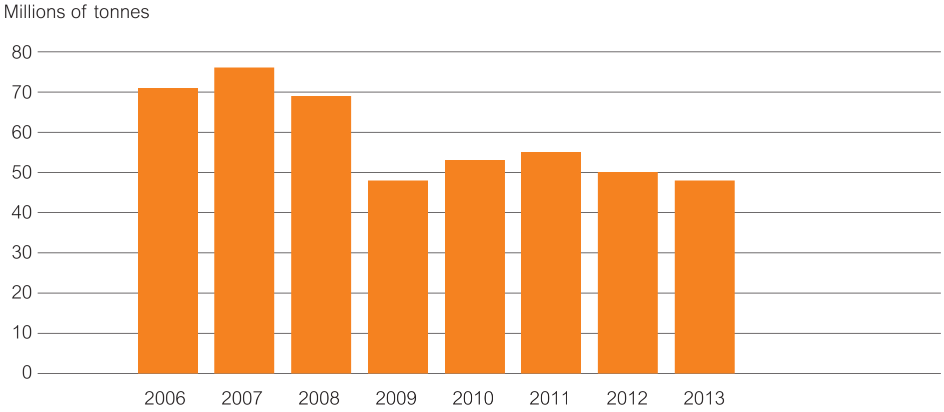
The reason for this is not only the weak economic activity, but also a structural change in the steel market compared to before 2009, when insufficient capacity for machinery and equipment in Asia fuelled European demand for engineering steel. The European market is currently experiencing a structural overcapacity, which has resulted in lower profitability for the steel market in its entirety. There is a high probability that the current situation will lead to increased consolidation. Capacity and demand is expected to achieve equilibrium at a level that is economically sustainable.

The improved market situation in 2013 is primarily due to an underlying demand for high-end steel products. The Nordic market slightly underperformed the rest of Europe since Germany, in particular, showed good progress. During the second quarter of 2013, the European automotive and manufacturing industries reported a positive year-on-year trend for the first time since 2011. This positive trend continued into the remainder of the year.

The production rate for the European engineering industry had a slightly positive trend, based on stabilised demand, and reflected the production rate in industry as a whole. As a result of these higher production rates, Ovako's order inflow strengthened and even shipment volumes had a positive trend during the year.

Market trend

Supply of long products*



* Supply (incl. imports) in EU of bar, wire, beam and rebar

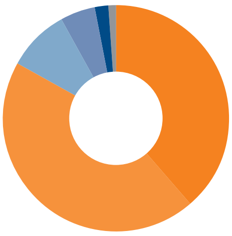
Source: Eurofer Market Supply Summary December 2013

About the steel market

The European market for engineering steel is estimated at approximately 8-10 million tonnes. The market is cyclical and generally follows the global economy. Growth is being driven mainly by gradually increasing European consumption and exports of European-manufactured vehicles, machinery and other equipment to emerging countries. Some niche segments have grown more rapidly, as ever-more advanced steel is needed for the products of end customers in order to meet ever-increasing performance requirements.

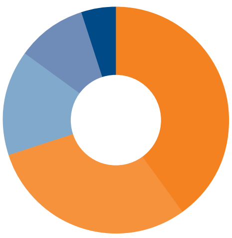
5-10% of Europe's need for engineering steel is imported every year and about the same amount is exported. The imported steel is generally of more standardised grades, while the steel exported to other countries is mainly for use in demanding applications, that can be supplied only by a few European, American and Japanese manufacturers.

Sales by market, %



- Nordics 39%
- Western Europe excl. Nordics 44%
- Eastern Europe 9%
- North America 5%
- Asia 2%
- Other markets 1%

Sales by end-customer segment, %



- Automotive and transportation 40%
- Other engineering 30%
- Distributors 15%
- Mining, oil and gas 10%
- Energy production 5%

Market position and competition

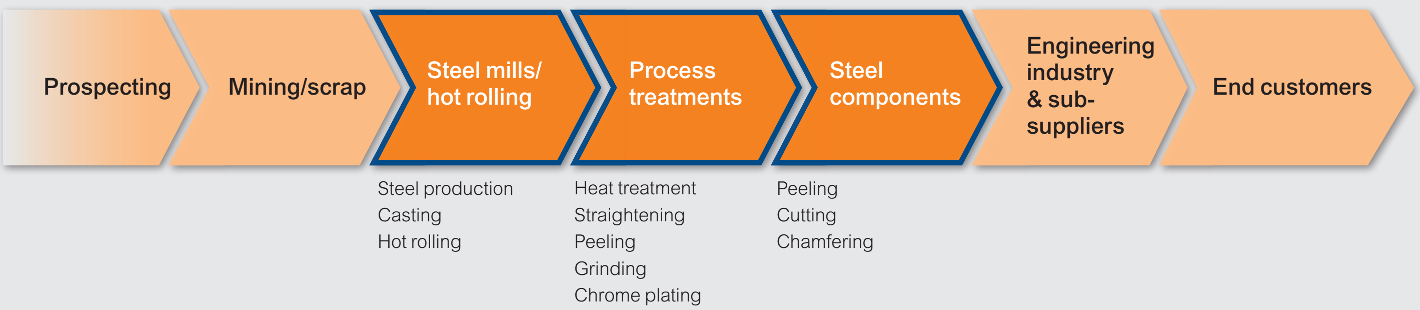
Ovako operates in the market for long, low-alloy steel products, called engineering steel. Ovako is the only Nordic company in its product segment and holds a strong position in the European engineering steel market and in a number of global niches. It is essentially the European engineering industry and its subcontractors that make use of Ovako's products, often in demanding applications such as for ball bearings, powertrains, hydraulic cylinders and rock drills. Customers are generally leading premium manufacturers in their segments that place intense demands on the properties of the steel. The requirement for Ovako's steel in the most demanding applications is also high from customers in North America and Asia. Ovako's presence in Eastern Europe, Italy, and China has continued to strengthen.

- **In the Nordics,** Ovako has a large market share. Competition from other European suppliers has increased in the Nordic countries as a result of the strong Swedish krona. Ovako's close customer relationships and high level of service contribute to a competitive offering. Ovako also has a competitive cost position in the Nordic market.

- **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. Ovako has a leading position in a number of segments, such as in bearings, and 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 still the main markets for Ovako, but a number of countries in Eastern Europe offer significant growth opportunities.

- **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 specialised products make North America and Asia increasingly important markets for continued expansion.

Ovako's position in the steel value chain



Ovako's steel mills refine steel scrap into advanced, low-alloy steel products, called engineering steel. Ovako is continuously improving its process flows in order to increase the degree of added-value in production. Product portfolio and delivery concept are tailored to customer requirements for on-demand, reliable and cost-effective steel supply. Ovako's products are sold primarily to the engineering industry and its sub-suppliers in Europe.

Trends

Changes in the world economy have a strong impact on Ovako's business, and present both challenges and opportunities. Operations are affected by a number of long-term drivers and trends, and the most important of these are presented below.

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, leading to demand for steel with excellent fatigue characteristics. A new standard for truck emissions, Euro VI, is being gradually phased in during 2013 and 2014, and this also affects the development of steel, including Ovako's IQ-Steel®, a world-leading steel for diesel injection systems.

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 is a strong industrial partner that can help its customers to become more efficient.

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.

The increasing degree of consolidation in the steel industry stems from the long-term weakening market and the structural shift in demand following the financial crisis, which affects the entire industry. An increasing number of market players in both China and Europe are expected to review the opportunities to participate in consolidation in order to ensure long-term profitability.

> *”We have created a clearer offe-ring to our customers through the establishment of shared corporate brands.”*
>
> Rumen Karamihalev, Sales Manager Central and Eastern Europe

“We believe strongly in Central and Eastern Europe”

Rumen Karamihalev is Ovako’s Sales Manager in Central and Eastern Europe. Rumen has worked in the steel industry for more than 20 years and joined Ovako about two years ago.

Why has Ovako chosen to establish a sales unit in Central and Eastern Europe?
The steel market in Europe is facing tough competition. The establishment in Eastern Europe is part of Ovako’s strategy to find new markets for our products, thus ensuring our long-term development. We believe that Eastern Europe will demonstrate a high growth rate in the future and we want to be a part of that.

What are the biggest challenges and opportunities?
The countries of Eastern Europe are very different despite their geographical proximity. The strategies therefore differ somewhat with regard to how we should establish ourselves in each individual market. The main challenges are lower prices, an uncertain economic and political climate, and also that Ovako is still a relatively unknown brand. We see a particular opportunity in that many Western European competitors have not yet established themselves in these markets and that demand for high-quality and niche products is increasing. This is the segment where Ovako leads the field.

How should Ovako tackle the competition in this market?
We have created a clearer offering to our customers through the establishment of shared corporate brands. We also have a history of being reliable both in terms of delivery and in terms of sustaining a high-quality product. In addition, we maintain close contact with our customers and work with them to develop solutions and products tailored to their businesses.

How do Ovako’s customers in Central and Eastern Europe differ from customers in other markets?
Currently the difference is not that great since most of Ovako’s customers in Central and Eastern Europe are customers from other European markets that have moved their production. We hope to attract new customers through the establishment of the new sales office.

Common to all of our markets is the large demand for high-quality steel that can also be tailored to the unique needs of each customer – Ovako can offer both.

Dedicated customer offering

Ovako's longstanding experience of working closely with some of the most demanding steel segments has conferred it with unique expertise and a competitive advantage. This helps Ovako to create value for its customers. Ovako will ensure long-term growth through continuous development of new product and customer segments.

Ovako offers a diversified product portfolio to customers in a variety of industries worldwide. The company is uniquely positioned to be able to share knowledge and experience across different industry segments. This makes Ovako active in the development of more efficient use of modern steel.

As evidence of this, Ovako's customer offering and its benefits are being presented in a new way, which customers will notice from several aspects. First up in this venture is M-Steel®, which has been well known in the market for many years, but which was re-launched in autumn 2013 with improved properties, new technical data and customer references. M stands for Machinability. In this steel, controlled slag inclusions are formed so that cutting speeds can be increased and cutting tools are not worn as much, with no adverse effects on the other properties of the steel.

Another important aspect is forming close cooperation with our customers, focusing on their gains and productivity. This approach systematically gathers together experience with key industry partners, and the offering is clearly packaged.

In 2014, Ovako will move forward with several similar initiatives, and will launch more product brands. This means that Ovako will address its customers with a shared profile, irrespective of where in Ovako the product has been manufactured, supplemented with an offering of more value-added products such as Cromax®, SP-Bar, Q&T, Special Profiles and Customised Products.

Research and development are critical

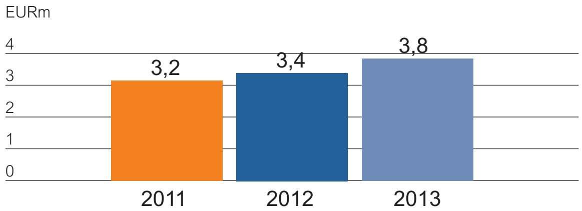
Over the past two years, Ovako has made significant investments in research and development, and in production and marketing, with the goal of becoming Europe's most customer-oriented engineering steel company.

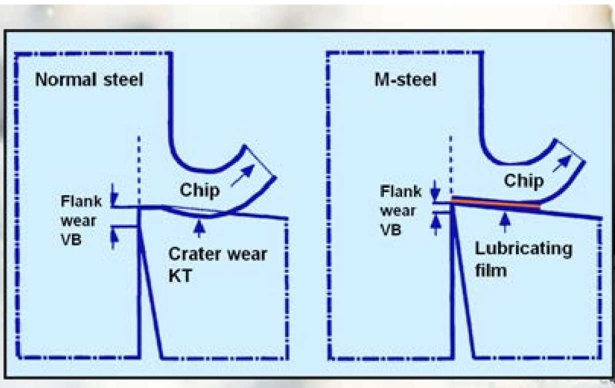
Since 2012, Ovako's research and development has been conducted within networks of dedicated clusters as a further step in the customer offering and establishment in new markets. These clusters are specialised in steel manufacturing, metalworking and product features, cutting through Ovako's geographical and functional units. These also overlap each other in order to increase the exchange of knowledge within Ovako and to create the best possible benefit to the customer.

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 work available within the company.

Investment in R&D





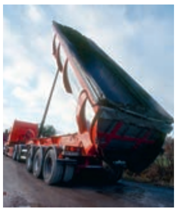
M stands for Machinability. You can even hear the difference between the machining of M-Steel® and ordinary steel. The secret behind M-Steel is the formation of controlled slag inclusions so that cutting speeds can be increased and cutting tools are not worn as much, while the other properties of the steel are not adversely affected.

Operations

Ovako's manufacturing is traditionally based on three production flows: Hofors-Hällefors, Imatra in Finland and Smedjebacken-Boxholm. Together these create a valuable and competitive offering. Operations are described based on these three production flows.

Ovako's production flows

	Hofors-Hällefors	Imatra	Smedjebacken-Boxholm
Main products	Round bar	Round bar	Flat bar
	Hot-rolled ring	Square bar	Round bar
	Tube	M-Steel®	Special profiles
	Pre-components		Special properties (SP) bar
	IQ-Steel®		Hard chrome-plated bar and tube
Main applications	Ball bearings	Ball bearings	Wear parts
	Powertrains/diesel injection	Machining	Spring steel
	Mining products	Forging	Tow bars/attachments
	Hydraulics	Transmission	Rail clamps
		Attachments	Stabilisers and racks
		Mining products	Hydraulics











Hofors-Hällefors

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

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

During the year, Ovako's IQ-Steel® has consolidated its position as one of the world's cleanest steels. This purity gives it the great strength required by many industries. IQ-Steel was originally developed for fuel injection in diesel engines, which requires a high level of resistance to pressure and a high degree of strength in all directions. Ovako continues to work with its customers to develop additional applications for IQ-Steel.

Ovako has implemented a number of important investments and initiatives during the period 2011-2013. This year we inaugurated a new automated peeling line in Hällefors with the aim of maintaining long-term growth in the attractive product segment for diesel injection, and to increase the degree of added-value in production. In March, Ring Mill 11 was inaugurated in Hofors. This is Ovako's fifth production line for manufacturing hot-rolled ring. The ring mill is able to produce ring with diameters of up to four meters, and the investment means that Ovako can address the increased demand for bearing steel for very large ball bearings, which, among other things, are used in offshore wind generators.

The completion of the new tube concept in Hofors during 2014/2015 is one of several important steps in the upgrade of the company's production. Future investments will also continue to concentrate on meeting the increased demand for high-quality steel. Increased volumes are expected from areas such as niche markets in the mining and bearing industries, new emerging markets and segments with a focus on eco-efficient solutions.

Imatra

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

The business is based on close and long-term partnerships with customers. Customisation, extensive technical support and superior service assure a high degree of customer loyalty. Customers consist mainly of Nordic automotive, forging and engineering industries, but the rest of Europe, Asia, North America and Russia are important growth regions.

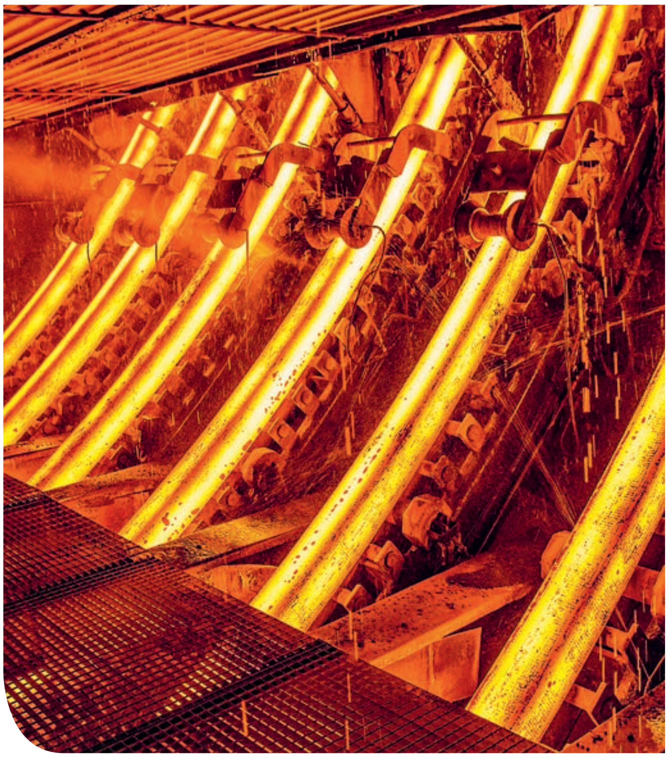
Imatra specialises in M-Steel, a steel with enhanced cutting characteristics. M-Steel causes less wear to the cutting tools and can therefore be processed at higher cutting speeds, more efficiently and at lower cost. During the year, the next generation of M-Steel was launched, with a focus on further improving our customers' productivity and profitability. The optimisation of M-Steel and its use is a part of Ovako's commitment to close customer cooperation and development. Ovako's customers can increase their steel machining rates by up to 30 percent by using next-generation M-Steel, thus significantly cutting production costs.

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

Smedjebacken-Boxholm

Through Smedjebacken-Boxholm, Ovako offers cost-efficient production of engineering steel with a focus on boron-alloyed steels and micro-alloyed steels. This steel is used in applications where wear resistance is very important, such as for snowploughs, cutting steel, fork-lifts and agricultural machinery.

The business is diversified and has a number of customer segments, including cars, trucks, construction machinery, railways, agriculture and the metals industry. Product development focuses on the automotive, agricultural machinery and railway segments, and new applications are being developed.



Significant investment decisions 2011-2013

- New ring mill in Hofors in order to meet increasing demand for bearing steel
- New automated peeling line at the rolling mill in Hällefors in order to meet the long-term growing demand for high-performance diesel engines
- Comprehensive modernisation of the tube mill in Hofors, intended to create new market opportunities in fields such as oil and gas
- Phase two of the de-dusting filter in Smedjebacken, with the new filter meeting future environmental requirements
- New continuous casting machine at the steel mill in Smedjebacken, intended to create new market opportunities, mainly in Europe

Ovako rolls most of its spring steel in Smedjebacken, while the plant in Boxholm focuses on specialty products. Both rolling mills in Boxholm produce flat and round bar and, in particular, special profiles and SP-Bar. In the production of SP-Bar, Ovako develops its collaboration with its customers, particularly through dialogue around custom properties. Customers are able to benefit from added value and significant cost savings in production by optimising the properties of the material in SP-Bar.

As part of its strategic focus on growth, Ovako has decided to invest in a new continuous casting machine in Smedjebacken. This investment will mean an increased focus on quality and a broader product offering to create new market opportunities, particularly in Europe. The existing continuous casting facilities will be replaced over the next two years, and the first phase of the project is scheduled for commissioning in August 2014.

In Smedjebacken, the final installation of the new de-dusting filter has been completed. The flow capacity of the new de-dusting plant will be approximately 40 percent higher than it was previously. In addition, energy consumption is expected to decline by approximately 4,500 MWh per year, mainly thanks to energy-efficient design and choice of components. This corresponds to a reduction in carbon dioxide emissions of 2,400 tonnes per year from power generation based on fossil fuels. The filter meets future environmental standards and is one of many steps towards ensuring a good working environment for Ovako's employees and minimising the company's environmental footprint.

"All our research and development should ultimately benefit our customers."

Mersedeh Ghadamgahi, an engineer at Ovako's R&D department in Hofors and a PhD student at KTH Royal Institute of Technology

"At Ovako we can test the solutions of the future"

Mersedeh Ghadamgahi combines her work as an engineer at Ovako's research and development department in Hofors with postgraduate studies at KTH Royal Institute of Technology.

How did you come into contact with Ovako?
It was my supervisor at KTH who suggested I should contact Ovako when I did my master's thesis in 2011. Patrik Ölund, Head of Research and Development at Ovako, then encouraged me to continue my education as a graduate student in parallel with working here.

Why did you want to start working at Ovako?
Ovako offers opportunities that few other companies I came in contact with could offer. In particular, there is an open-minded atmosphere in the research and development department and I immediately got on with Patrik Ölund. It was also important that Ovako is a company with both local and international challenges.

How are your doctoral studies related to your work as an engineer at Ovako?
I'm a PhD student in energy technology and I focus on finding solutions to improve the efficiency of the furnaces used by Ovako and other steel companies, which will lead to both environmental and economic benefits. I have access to a lab with pilot furnaces at KTH, but more often I work in Hofors with real furnaces to test new ideas.

All our research and development should ultimately benefit our customers. Producing premium-quality steel using less power and with improvied efficiency means better outcomes for Ovako, Ovako's customers and the environment.

What's the best thing about working in research and development at Ovako?
The best thing about Ovako is the openness. Everyone's ideas are welcome and I'm allowed to try new things. It's both encouraging and inspiring, and I feel that I am contributing to the benefit of the company.

Ovako's responsibility

Steel is a key component in our society and can be found almost everywhere. Ovako takes responsibility as a leading steel manufacturer for conducting its business in a sustainable manner from all aspects. This includes quality, customer relations, employees, safety, the environment and acting responsibly in the communities in which the company operates. This responsibility is set out in Ovako's long-term strategy, in its policy for environment, health and industrial safety, and in the company's code of conduct.

Ovako has been working with sustainability for many years. A number of initiatives have been undertaken in addition to compliance with existing legislation covering the environment and working conditions, particularly in the research and development that Ovako conducts to develop steel that provides environmental benefits from the customer's lifecycle perspective.

Ovako set up a working group in 2013 that has produced guidelines for the group's sustainability efforts. The areas that will come into focus are the environment, people and society.

Ovako's units are already certified in accordance with the international standard for environmental management, ISO 14001. The operations are also quality assured in compliance with ISO 9001 and some units are certified in accordance with ISO/TS 16949 for the automotive industry and OHSAS 18001, occupational health and safety management.

Ovako's sustainability work

Environment	People	Society
• Scrap-based production • Increasing the utilisation of residual products • Reducing energy consumption • Minimising emissions to air and water	• Safety • Professional development • Health	• Key employer • Cooperation with local communities and businesses • Local sponsorship

Focused environmental work

Ovako's environmental efforts are largely focused on environmental efficiency of production. Steel production is a process that requires resources and energy. The most significant environmental aspects of Ovako's operations are greenhouse gas emissions and energy consumption, which the group is actively working to reduce. At the same time, continuous effort is being made to improve the quality of the steel, which in turn contributes to sustainable solutions in wider society.

Steel lifecycle at Ovako

Steel is an important construction material and is found almost everywhere in society. As a material, it can be recycled indefinitely without any loss of properties. All of Ovako's steel mills are wholly based on scrap, and no new iron ore is needed for the steel production. This makes Ovako the Nordic region's biggest consumer of steel scrap.

Internal scrap from production is re-used in the production process, including the alloying elements of the scrap. The internal scrap is sorted in different classes of quality for optimal re-use of alloys, thereby reducing the portion of new alloys needed. This means economic and environmental advantages in the steel making.

Also a large portion of the residual products from the steel production are put to use. One example of this is the slag from electric arc furnaces, which, among other things, is used as ballast for asphalt. This kind of asphalt has very good resistance and stability which gives the roads a longer life, better traction and lower noise level by 1 dB compared to conventional asphalt.

Local environmental work with a shared goal

Ovako's environmental work is conducted locally at each operating location. Each unit works actively with self-control measures to ensure a healthy environment, for example with testing and monitoring of emissions to air and water, and of noise levels. Ovako conducts licensed activities. Required measurements and monitoring activities are outlined in control programmes and the results are reported to, for example, relevant supervisory authorities.

Reduced energy consumption

All operating locations are continuously working on improving energy efficiency. Imatra, Smedjebacken and Boxholm are all involved in various energy efficiency programmes. Another example of Ovako's work on energy efficiency is the installation of timed burners in the rolling mill furnaces in Boxholm, which means that the temperature can be lowered and raised as needed, thus reducing oil consumption. At Hofors, conventional air burners have been replaced with oxyfuel burners in the rolling mill annealing furnaces. The energy-saving measures implemented in recent years have helped to reduce Ovako's overall energy consumption.

Strategic environmental investment

In 2013, the steel mill in Smedjebacken installed a new de-dusting filter with 50 percent greater capacity than the previous filter. This investment is Ovako's single largest environmental initiative, and is expected to generate at least a 40 percent reduction in particulate emissions. Emission levels are expected to be far below the levels required by law. Other positive effects are the reduction of total energy consumption and an improvement in the indoor environment at the steel mill.

In 2013, the steel mill in Smedjebacken installed a new de-dusting filter with 50 percent greater capacity than the previous filter.

Safety and professional development in focus

Ovako is responsible for making sure that approximately 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. It is therefore important to develop both expertise and leadership skills.

Ovako should be characterised by a culture that lays the ground for good performance. As a responsible employer, Ovako focuses on three areas: safety, professional development and wellness.

Safety is a top priority

Safety is the highest priority for Ovako in its ongoing improvement. Accident rates have dropped by 30 percent since 2011. The goal is to reduce the number of accidents that result in sick leave by at least 50 percent by 2015, from reference year 2012. At least one-third of this should be achieved each year. Ovako did not quite reach its milestone for 2013, but is well on the way towards the goal 2015 thanks to a focused effort, with increased commitment from both managers and employees. The long-term goal is for zero accidents.

Ovako has for many years worked with safety issues. During the year, a group-wide case management system was introduced to achieve a better working environment. The purpose of the system, which was developed by AFA for the steel and metals industry, is to create a systematic method for employees to take proactive and preventative measures on safety issues.

Activities around behaviour-based safety, BBS, continued during the year. The focus is to raise awareness of established and unintentional risky behaviour, reducing this behaviour and working more safely with new procedures.

Ovako always conducts audits in connection with investments and large projects. Legislation, regulations and requirements are reviewed, as well as the internal rules that need to be considered for purchasing, installation and use. Ovako has also for many years conducted risk analysis for several production processes. If equipment or utilisation do not meet safety standards, action plans are drawn up to reach a safe work environment.

Professional development

Maintaining Ovako's competitiveness requires continuous professional development, which is achieved through training and learning in the day-to-day work.

During the year, Ovako made one of its largest ever investments in skills development. Large parts of the sales organisation were given further training to provide them with even better tools and a common platform around the sales process. Several training programmes were also conducted within the framework of Ovako's improvement and operational excellence programmes. All employees at Bright Bar in Hällefors, and at Tube and Ring in Hofors, were in 2013 trained in the so-called 5S method. The goal is to increase efficiency and safety, and to reduce the number of stoppages and accidents.

Managers at Ovako play a central role in creating engagement and understanding of the company's ongoing development. Interaction is an important catchword in efforts to become "One Ovako". Ovako has therefore in 2013 continued to work with increased focus on HR Performance Management.

Health and wellness

Health and wellness is one of three focus areas for Ovako as a responsible employer. Proactive efforts are important, and several training programmes have been conducted in this area. Several of the larger units train their employees in issues related to shift work. This programme 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 also undergone training on noise-related issues. Workplace measurements have been conducted, and noise surveys have been carried out for all production facilities.

Ovako's goal is for all employees to be healthy when they retire. This requires sensitivity to how employees perceive their own working situation and requires workplaces to be designed in a way that is tailored to individual needs. This is achieved through systematic reviews of all new investments and planned rebuildings.

Expanded focus on students

During the year, Ovako developed a student programme in Sweden that caters to both masters and undergraduate engineers with one year of studies remaining.

The programme is divided into three parts: introduction, internship and thesis. The programme begins in the summer of 2014, and is part of attracting new talent to Ovako, thus ensuring a good supply of skills and regrowth in the company.

A key part of the local 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 of these 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 works with a number of colleges and universities in both Sweden and Finland. Engineering students are offered the opportunity of graduate work and traineeships in both countries. Ovako collaborates with Teknikcollege in Hällefors, Smedjebacken and Hofors. Municipalities, providers of education and businesses all work together to enhance the attractiveness and quality of technology-oriented courses at both secondary and post-secondary levels. Ovako participates in the development of training programmes and offers student internships. In Finland, Ovako takes part in student fairs and organises regular company visits to Imatra for university students.

Ovako is also involved with local business organisations that work to promote local entrepreneurship and growth. Examples of this kind of collaboration are Entré Hofors and Triple Steelix, which are regional development initiatives between industry, local authorities and universities to strengthen the steel and engineering industries in Bergslagen. In Finland, for example, Ovako is a member of Finncham, the Chamber of Commerce of South Karelia, which aims to promote the competitiveness of local businesses. In addition, Ovako sponsors primarily local sporting activities.

Industry initiatives for the future of steel

During the year, Ovako participated in the Swedish Steel Producers' Association's work to develop a shared vision for the steel industry. The steel industry now intends to become an even more active participant in the ongoing shift to a sustainable society, with a greater responsibility for people and the environment. In March 2013, the steel industry in Sweden therefore decided to adopt an industry-wide vision leading up to 2050. With this vision come three commitments that all steel companies should strive to achieve: we lead technical development; we nurture creative individuals; we create environmental benefits.

Ovako supports the World Steel Association's policy on sustainable development and is affiliated with the Swedish and Finnish trade associations and the European Steel Association (EUROFER). Through these collaborations Ovako participates in work to promote environmental issues and other sustainability issues.

CONTENTS

BOARD OF DIRECTORS' REPORT

The Board of Directors and CEO of Ovako Group AB (corporate registration no. 556813-5361) hereby submit their annual report for the operations of both the company and the group during 2013.

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. Production comprises primarily bar, tube, 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 is represented in more than 30 countries and has sales units in Europe, North America and Asia. Steel production is based on scrap, making Ovako one of the Nordic region's largest consumers of recycled scrap. The company's units are certified according to the international standard for environmental management, ISO 14001. The operations are also quality assured in compliance with ISO 9001 and some units are also certified in accordance with ISO/TS 16949 for the automotive industry.

Ovako's total production capacity is 1 million tonnes of finished steel products per year. The largest manufacturing 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 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.

Imatra produces long-steel products in the form of bars for machining and forging. Over a long time, Imatra has built up a production process that makes it possible to supply steel of consistently high quality. The customers are mainly in the Nordic automotive, forging and engineering industries, but the rest of Europe, Asia, North America and Russia are important growing markets. One specialisation for Imatra is M-Steel®, a steel that offers improved machinability.

Smedjebacken-Boxholm offers a cost-efficient production of special steels, with a focus on boron-alloyed steels and micro-alloyed steels. This steel is used in applications where wear resistance is very important, such as for snowploughs, cutting steel, fork-lifts and agricultural machinery. The business is 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, which in turn owns 100% of equity in Ovako AB (corporate registration no. 556813-5338). Ovako AB owns, directly and indirectly, 100% of equity in the group's subsidiaries.

Key data	**2013**	**2012**	**2011**
Sales Volumes, thousand tonnes	675	694	851
Net sales, EURm	849.9	937.1	1,120.6
Operating profit before depreciation and amortisation (EBITDA), EURm	46.5	66.0	134.2
EBITDA margin, %	5.5	7.0	12.0
Operating profit (EBIT), EURm	-0.6	19.9	89.8
EBIT margin, %	0.0	2.1	8.0
Profit/loss for the year, EURm	-20.6	-3.7	37.7
Cash flow from operations, EURm	19.8	86.9	56.1
Net debt/equity ratio, %	160	130	137
Return on capital employed (ROCE), %	0	4	17
Employees at the end of the period, FTE	2,995	3,040	3,239

Performance in 2013

Profit and sales that was weak first half of the year has steadily improved during the autumn compared to 2012, but still remain at an unsatisfactorily low level.

New deals have been concluded in several application areas and geographical markets, corresponding to a volume of 25,000 tonnes during the year. This has partly compensated for a European steel market that decreased by 4 percent in 2013. The order backlog at the end of the year was stronger than in 2012 and the European price trend in long special steel has turned slightly positive. Ovako's marketing organisation has further strengthened during the year through the acquisition of BE Group's operations in China, with four employees, and the establishment of a new sales unit in Italy.

The savings targets totalling EUR 25 million have been achieved, with few exceptions, during 2013. A continued efficiency programme to achieve savings of EUR 17 million during 2014 has been initiated and caused restructuring costs of EUR 3.7 million at the end of 2013. As part of this programme negotiations have started to close Ovako's chrome-plated bar unit in Mora during 2014. The volumes can be absorbed by other units within the group. Other parts of the programme in sourcing, process improvement and personnel reductions are also proceeding according to plan.

The operational improvement work has been successful in several areas. The improvements are supported by Ovako's Operational Excellence programme, based on lean principles. The programme started in a pilot two years ago, and is now being introduced in approximately half of our operations. The program will cover all operations by 2015, and will continue for many years. Delivery precision is firmly on target at 90 percent, and in some areas is significantly higher. The number of customer claims decreased at a good pace for the third consecutive year, which is a good measure of the quality of our processes. The number of accidents also continued to decrease for the third consecutive year, but a statistical improvement for the year waned in importance when a tragic death occurred in Smedjebacken in December. This was a stark reminder of how important it is to continue our efforts on safety in the workplace. The process of improving safety is our top priority.

Market development

After a weak first half of 2013, the uncertainties surrounding the steel market in 2012 have been replaced by a gradual improvement in demand. However, market growth remains at a low level in a longer perspective. The steel market has stabilised in 2013 but it is clear that demand has not reached the levels that characterised the market before 2009.

The improved market situation in 2013 is primarily due to an underlying demand for high-end steel products. The Nordic market slightly underperformed the rest of Europe since Germany, in particular, showed good progress. During the second quarter of 2013, the European automotive and machinery manufacturing industries reported a positive year-on-year trend for the first time since 2011. This positive trend continued into the remainder of the year. The production rate for the European engineering industry had a slightly positive trend, based on stabilised demand, and reflected the production rate in industry as a whole. As a result of these higher production rates, Ovako's order inflow strengthened and also shipment volumes had a positive trend during the year.

For the full year 2013, order intake was 10 percent higher than in 2012. Steel production amounted to 862 thousand tonnes, which was in line with the previous year.

Sales and profit

The external sales volume during 2013 amounted to 675 (694) thousand tonnes, a decrease of 3 percent compared to the previous year. The decrease in volume is attributable to the first half of 2013 compared with the same period in 2012. The majority of the decrease is attributable to Imatra, mostly related to production disruption during the spring.

Consolidated sales amounted to EUR 850 (937) million, a decrease of 9 percent compared to 2012. The decrease in sales is explained partly by the lower volumes in the first half, and in addition by reduced scrap and alloy surcharges as a result of lower raw material prices. A change in product and customer mixes and a slightly negative price trend affected sales negatively.

Operating profit before depreciation, amortisation and restructuring costs (EBITDA) amounted to EUR 50 (70) million. The EBITDA margin before restructuring costs of EUR 3.7 (3.9) million was 5.9 (7.5) percent. The decrease in profit compared to 2012 is primarily the result of lower sales volumes, EUR 17 million, a deteriorating mix and a slightly negative price trend, EUR 21 million. This was partly offset by reduced fixed costs, EUR 9 million, and the impact of stable production and inventory trends compared to the previous year, EUR 10 million.

Total depreciation and amortisation during the period amounted to EUR 47 (46) million. Operating profit (EBIT) was EUR -1 (20) million. Net financial income for the period amounted to EUR -26 (-33) million. Net financial income for the year includes positive currency effects of EUR 3 million, while net financial income for the previous year was affected by impairment of financial receivables and negative foreign exchange effects of EUR 4 million. The profit before tax amounted to EUR -27 (-13) million and net loss was EUR -21 (-4) million. Return on capital employed (ROCE) decreased to 0 (4) percent.

Cash flows and financing

Cash flows from operating activities for the full year were EUR 20 (87) million and cash flows before financing activities were EUR -26 (38). Working capital tied up at the end of 2013 was in line with the previous year, while cash flow for 2012 was positively impacted by a significant reduction in working capital between 2011 and 2012.

Utilisation of loans under senior facilities agreement amounted to EUR 272 (267) million including utilisation of EUR 20 (0) million of a revolving credit that is included in the financing agreement. Total interest-bearing net debt amounted to EUR 242 (212) million. Equity amounted to EUR 151 (164) million. The net debt/equity ratio therefore amounted to 160 percent, compared to 130 percent in the previous year. Equity during the year was affected by EUR 10 (-8) million from items recognised in other comprehensive income, primarily actuarial gains (losses) on recalculation of pension commitments.

The group's liquidity buffer amounted to EUR 71 (114) million, comprising cash and cash equivalents of EUR 21 (43) million and unutilised contracted loan commitments of EUR 50 (71) million.

Capital expenditures

Capital expenditure amounted to EUR 45 (49) million and was composed principally of ongoing expenditure on investments in progress, such as completion of the new ring mill in Hofors, the new peeling line in Hällefors and phase two of the de-dusting filter in Smedjebacken.

A decision was taken during the year to invest in a new continuous casting machine at the steel mill in Smedjebacken. The investment is expected to amount to approximately EUR 15 million, and will provide an opportunity to continue to develop product quality and the range of dimensions.

Employees

Ovako had a total of 2,995 (3,040) 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 75 (76) % and 19 (19) %. The workforce percentage in other countries was 6 (5)%.

Safety is a high-priority area in which Ovako continuously conducts improvement. The long-term goal is to achieve zero accidents. By the end of 2015, the number of accidents resulting in sick leave is targeted to decrease by 50% compared to 2012.

In November Ovako published the appointment of Mathias Tillman as new President of Business Area Ovako Bright Bar in Hällefors and member of the group management. Anders Henström, former President of Business Area Bright Bar, was appointed as new President of Business Area Ovako Bar Hofors-Hällefors. These changes are valid from 1 January 2014. In January the appointment of Karin Lagerstedt-Woolford to take up the position as new Head of Human Resources and member of the group management from 1 February 2014 was published.

Information on the remuneration of senior executives is shown in Note 28.

Research and development

The group's costs for research and development were EUR 3.8 (3.4) million. These are recognised in the income statement. This includes only 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 past year, Ovako has for example continued to take action to improve flexibility in operational costs to better 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 upturning 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 the 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 2013, anticipated future electricity consumption was hedged as follows: 57 percent for 2014 and 38 percent for 2015. The group uses hedge accounting since electricity derivatives are 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. No trade of emission credits has occured during 2013.

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. The purpose is also 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 examines 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 2015. Ovako Imatra has applied for 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

Ovako's order intake and invoicing have steadily improved year-on-year since August 2013. European price trends in special steel have turned slightly positive in the contracts signed for 2014. The positive trends are expected to continue in the first quarter, with increased invoicing compared to the same quarter in 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 conduct related business. The company has no employees. There were no capital expenditures in 2013. Revenues consist of interest on receivables from subsidiaries and group contributions. Operating profit amounted to EUR -0.3 (-0.1) million and net profit was EUR 0.0 (-0.1) million. The parent company has assets of EUR 179 (175) 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	162,654,592
Loss for the year, EUR	-691
Total	**162,653,901**

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

Consolidated income statement

EURm	Note	2013	2012
Net sales	2	849.9	937.1
Cost of goods sold	3,4,7	-806.6	-869.7
GROSS PROFIT		**43.3**	**67.4**
Selling expenses	3,4	-22.0	-22.4
Administrative expenses	3,4	-32.0	-35.4
Other operating income	5	10.1	10.3
OPERATING PROFIT/LOSS		**-0.6**	**19.9**
Financial income	6	0.6	0.5
Financial costs	7	-26.8	-33.2
Share of profit from associates	11	0.0	0.0
PROFIT BEFORE TAX		**-26.8**	**-12.8**
Taxes	8	6.2	9.1
NET PROFIT/LOSS FOR THE YEAR		**-20.6**	**-3.7**
Net profit/loss for the year attributable to:			
Owners of the parent		-20.6	-3.7
Non-controlling interests		-	-
Total		**-20.6**	**-3.7**
Earnings per share, EUR		-412	-74

Consolidated statement of comprehensive income

EURm	Note	2013	2012
Profit/loss for the year		**-20.6**	**-3.7**
Items that will be reclassified to profit or loss			
Exchange differences	18	-1.9	1.3
Cash flow hedges	18	2.6	-2.0
Tax attributable to cash flow hedges		-0.6	0.1
		0.1	-0.6
Items that will not be reclassified to profit or loss			
Revaluation of pension obligations, net	19	13.0	-9.5
Tax attributable to revaluation of pension obligations		-2.9	2.4
		10.1	-7.1
Other comprehensive income for the year, net of tax		**10.2**	**-7.7**
Total comprehensive income for the year		**-10.4**	**-11.4**
Comprehensive income for the year attributable to:			
Owners of the parent		-10.4	-11.4
Non-controlling interests		-	-
Total		**-10.4**	**-11.4**

Consolidated balance sheet

EURm	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Property, plant and equipment	9	347.4	353.9
Intangible assets	10	7.4	3.1
Investments in associates	11	0.1	0.1
Other non-current financial assets	12,13	1.8	1.6
Other non-current receivables	13	0.0	0.1
Derivative assets	13	1.0	0.6
Deferred tax assets	14	11.7	15.1
Total non-current assets		**369.4**	**374.5**
Current assets			
Inventories	15	198.7	202.4
Trade and other receivables	13,16	108.7	110.2
Current tax assets		1.4	2.8
Derivative assets	13	2.1	0.3
Cash and cash equivalents	13,17	20.6	42.6
Total current assets		**331.5**	**358.3**
TOTAL ASSETS		**700.9**	**732.8**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	18	0.0	0.0
Reserves	18	-5.2	-5.3
Retained earnings		155.9	168.9
Total equity attributable to owners of the parent		**150.7**	**163.6**
Non-current liabilities			
Non-current interest-bearing liabilities	13,21	221.5	240.0
Derivative liabilities	13	3.0	8.9
Deferred tax liabilities	14	47.7	55.8
Provisions for pensions and similar obligations	19	72.5	88.3
Other provisions	20	9.6	8.5
Other non-current liabilities	13	0.3	0.3
Total non-current liabilities		**354.6**	**401.8**
Current liabilities			
Current interest-bearing liabilities	13,21	40.7	14.9
Derivative liabilities	13	7.7	3.6
Trade and other payables	13,22	131.3	136.0
Current tax liabilities		0.3	0.4
Other current liabilities	13,22	15.6	12.5
Total current liabilities		**195.6**	**167.4**
TOTAL EQUITY AND LIABILITIES		**700.9**	**732.8**

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

Consolidated cash flow statement

EURm	Note	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/loss		-0.6	19.9
Adjustments for non-cash items:			
Depreciation and amortisation		47.1	46.1
Other non-cash items	24	2.4	3.3
Cash flow from operating activities before changes in working capital		**48.9**	**69.3**
Changes in working capital			
Changes in trade and other receivables		2.0	18.3
Changes in inventories		5.5	18.1
Changes in trade and other payables		-5.3	24.2
Changes in provisions		-6.4	-6.8
Cash flow from operating activities		**44.7**	**123.1**
Interest received		0.5	0.5
Interest paid		-25.5	-21.5
Income tax paid		0.1	-15.2
Net cash flow from operating activities		**19.8**	**86.9**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of businesses		-0.7	-
Purchase of intangible assets	10	-1.1	-0.5
Purchase of property, plant and equipment	9	-43.8	-47.7
Other investing activities		-0.2	-0.5
Cash flow from investing activities		**-45.8**	**-48.7**
Cash flow before financing activities		**-26.0**	**38.2**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of loans		-15.1	-28.9
Use of credit		20.0	-
Repayment of loan receivables		-	0.0
Cash flow from financing activities		**4.9**	**-28.9**
Increase/decrease in cash and cash equivalents		**-21.1**	**9.3**
Cash and cash equivalents at 1 January		42.6	32.7
Translation differences on cash and cash equivalents		-0.9	0.6
Cash and cash equivalents at 31 December		**20.6**	**42.6**
Liquidity buffer including non-utilised credits		**71.3**	**113.7**

Consolidated statement of changes in equity

2013

		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 2013		**0.0**	**2.6**	**-7.9**	**168.9**	**163.6**
Comprehensive income						
Profit/loss for the year		-	-	-	-20.6	-20.6
Exchange differences	18	-	-1.9	-	-	-1.9
Cash flow hedges, net of tax	18	-	-	2.0	-	2.0
Actuarial gains and losses on pension obligations, net of tax	19	-	-	-	10.1	10.1
Total other comprehensive income		0.0	-1.9	2.0	10.1	10.2
Total comprehensive income		**0.0**	**-1.9**	**2.0**	**-10.5**	**-10.4**
Transactions with shareholders						
Group contribution, net of tax*)		-	-	-	-2.5	-2.5
Balance at 31 December 2013		**0.0**	**0.7**	**-5.9**	**155.9**	**150.7**

*) Tax on group contribution recognised in the income statement amounted to EUR 0.7 million.

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/loss 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 obligations, net of tax	19	-	-	-	-7.1	-7.1
Total other comprehensive income		0.0	1.3	-1.9	-7.1	-7.7
Total comprehensive income		**0.0**	**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**

*) Tax on group contribution recognised in the income statement amounted to EUR 1.6 million.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information
Ovako Group AB (corporate 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 1721, 111 87 Stockholm, Sweden. 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 2013 were authorised by the Board of Directors for publication on 25 March 2014. The consolidated and parent company financial statements will be presented to the annual general meeting for adoption on 10 April 2014.

Changes to accounting policies 2013
The accounting policies applied are the same as those applied in the consolidated annual accounts for 2012 with the exception of the following new and amended standards and interpretations applicable from 1 January 2013:

IAS 19 Employee benefits – Amendments
Since Ovako has already recognised actuarial gains and losses in other comprehensive income, the amendments to IAS 19 do not affect Ovako's reporting of defined benefit pensions to any significant degree. One impact the amendments have had on Ovako is that taxes accruing on pension benefits should be included in the pension liability. The group has already previously taken account of the special payroll tax on pension costs in accounting for pension costs and pension liabilities, but the provision has not been recognised as part of the pension liability. The amendment therefore means that EUR 6.2 million at 31 December 2012 has been reclassified from accrued costs to provisions in the balance sheet for pensions and other post-employment benefits. In connection with this, presentation of the group's cost of special payroll tax has been reviewed. From 2013 this is recognised as a component of the pension costs instead of social insurance fees. Another effect is that the interest rate for calculating pension liabilities should also be used for estimated return on plan assets. This has not had any material impact on the financial statements since the plan assets are small.

IFRS 13 Fair value measurement
This standard has been introduced to establish uniform definitions and methodologies for measuring fair value, but has not resulted in any change in the valuation of the group's financial assets and liabilities. The new standard also introduces new disclosures of fair value, as detailed in Note 13.

IFRS 7 Financial Instruments: Disclosures: – Amendments
The amendment relates to new disclosure requirements for offsetting financial assets and liabilities. These are presented in Note 13. In conjunction with this, presentation of derivative assets and liabilities has been reviewed, which means that the values of derivatives that mature later than 12 months from the reporting date have been reclassified to assets and liabilities respectively.

IAS 1 Presentation of financial statements – Amendments
Amendments to IAS 1 introduce new presentation requirements for other comprehensive income. Items to be reclassified as profit and loss (cash flow hedges in the case of the Ovako group) must be reported separately from items that will never be reclassified (revaluation of pensions in the case of the Ovako group). This has affected presentation the consolidated statement of comprehensive income, and headings and sub-totals have been introduced to distinguish between these two categories of entry.

There are no comments on other changes to IFRS since these have had no significant impact on the consolidated financial statements.

Basis of preparation
The consolidated financial statements for the 2013 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 2013. 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. Financial assets and liabilities are recognised at amortised cost, except for certain financial assets and liabilities measured at fair value. Financial assets and liabilities measured at fair value consist entirely of derivatives.

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

Uncertainty related to judgements in the statements
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 many 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 future cash flows expected to arise from the asset or the cash generating unit to which the asset belongs. No indications of significant 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 obligations. 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.

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.

Subsidiaries are accounted for using the acquisition method. The consideration for the acquisition of a subsidiary is the sum of the fair value of transferred assets, liabilities that the group incurred to former owners of the acquiree and the equity interests issued by the group. The consideration also includes the fair value of any asset or liability that is a result of an agreement on contingent consideration. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each acquisition – i.e. case-by-case – the group determines whether a non-controlling interest in the acquiree is reported at fair value or at the holding's proportional share of the carrying amount of the acquiree's identifiable net assets. Acquisition and transaction costs are expensed as incurred and are reported either as operating expenses or financial expenses, depending on the nature of the cost.

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 from associates is recognised in profit and loss and Ovako's share in the equity of the associate 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. 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:	
	2013	**2012**	**2013**	**2012**
SEK	8.9283	8.5615	8.6507	8.7045
GBP	0.8364	0.8170	0.8493	0.8109
USD	1.3783	1.3183	1.3279	1.2847
PLN	4.1487	4.0809	4.1977	4.1852
CNY	8.3555	-	8.1639	-
RUB	45.1700	40.2300	42.3252	39.9246

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 2013 (2012: 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 IT-software, including capitalised development expenditure, 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 capitalised costs for the development of software 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 2013 no consolidated goodwill (2012: None) had been recognised in the balance sheet. The group's other non-current assets are also assessed annually to determine whether there any indications of impairment. If such indications are found, the recoverable amount of the asset is estimated. The recoverable amount 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. Revaluations of pensions, which comprise actuarial gains and losses and the difference between actual and projected yields on plan assets, 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 88 percent of the group's pension benefits obligations, and secured housing bonds are used to establish the discounting rate for this liability.

Special payroll tax is included in pension expenses in profit and loss. 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 payroll tax based on this difference as part of the provision for pensions.

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

Revenues comprise the sale of goods within the normal operating activities. Revenue is recognised when the seller has transferred to the buyer the risks and rewards of ownership of the goods. Revenue is measured at the fair value of the consideration that has been or will be received, less VAT, discounts and returns. Other revenues in the operations that are not derived from normal business activities, such as rent, insurance payments and gains on the sale of fixed assets are recognised as other operating income. Other operating income is 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 in 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. Trade receivables 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. Trade payables 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 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.
- Other financial liabilities: This category includes Ovako's trade payables and borrowings.

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 cash equivalents
Cash and cash equivalents 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
Trade payables and loans payable are classified as other financial liabilities. Trade payables 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 fees are capitalised and amortised over the term of the loan and recognised as prepaid expenses 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 facility 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, which is the same as fair value at the time of acquisition, and are then revalued at fair value at each subsequent reporting date. The fair value of electricity forwards, interest rate swaps and currency forwards is based on observable market data at the reporting date. The group applies hedge accounting for forward contracts related to electricity prices, exchange rates 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 2013 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 9 Financial Instruments
During the year, IASB decided to postpone until further notice the setting of a date for initial application until all sub-projects are completed. This standard is part of a complete revision of the current IAS 39. The standard involves, inter alia, a reduction in the number of measurement categories for financial assets and that the main categories of accounting for financial assets and liabilities are at cost (amortised cost) or at fair value through profit and loss. Furthermore, new rules have been introduced for how changes in own credit spreads should be presented when liabilities are recognised at fair value. In November 2013, IASB also published the final principles for hedge accounting. 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.

NOTE 2. NET SALES BY GEOGRAPHICAL TERRITORY

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

2013	Nordics	Western Europe excl. Nordics	Eastern Europe	North America	Asia	Rest of the world	Group
Sale of goods							
EURm	333.7	378.4	78.7	39.9	15.3	3.9	**849.9**
%	39.3	44.5	9.2	4.7	1.8	0.5	**100.0**

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**

NOTE 3. EXPENSES BY NATURE

EURm	Note	2013	2012
Change in inventories and work in progress		*-2.7*	*-15.9*
Raw materials and supplies		-364.7	-401.2
Exchange differences on purchased goods		1.4	-0.2
Energy		-93.3	-100.6
Freight and other distribution costs		-47.7	-49.6
Repairs and maintenance		-41.6	-48.0
External services in production		-35.8	-36.8
Raw materials, services and supplies		*-581.7*	*-636.4*
Salaries and benefits		-139.3	-139.4
Pension expenses[1)]		-11.6	-11.8
Social insurance fees[1)]		-42.3	-41.3
Employee benefits expense	4	*-193.2*	*-192.5*
Buildings[2)]		-11.0	-10.9
Machinery and equipment[3)]		-35.5	-34.7
Other intangible assets		-0.6	-0.5
Depreciation, amortisation and impairments		*-47.1*	*-46.1*
Rents		-12.9	-11.8
Bad debt losses		-0.1	0.0
Administration and other expenses	26	-22.9	-24.8
Other external expenses		*-35.9*	*-36.6*
Total cost of goods sold and selling and administrative expenses		**-860.6**	**-927.5**
Depreciation and amortisation expenses are included in the following line items in the income statement			
Cost of goods sold		-47.1	-46.1
Selling expenses		0.0	0.0
Administrative expenses		0.0	0.0
Total		**-47.1**	**-46.1**

Research and development costs

Research and development costs amount to EUR -3.8 (-3.4) million. The group has no development costs capitalised in the balance sheet except for the development of software.

1) The change to IAS 19 means that from 2013 the group reports special payroll tax as a component of pension expenses instead of social insurance fees.
2) whereof EUR - 8.9 (-9.0) million refer to depreciation of surplus values related to acquisitions.
3) whereof EUR - 10.5 (-11.7) million refer to depreciation of surplus values related to acquisitions.

NOTE 4. AVERAGE NUMBER OF EMPLOYEES

Average number of employees by country 31 Dec 2013	Men	Women	Total
Sweden	1,708	549	2,257
Finland	490	79	569
Italy	38	7	45
France	24	9	33
Germany	26	9	35
Netherlands	25	3	28
United Kingdom	8	5	13
United States	7	2	9
Russia	3	1	4
Poland	2	1	3
China	4	1	5
Total	**2,335**	**666**	**3,001**
Number of employees at year-end 31 Dec 2013			2,995

Average number of employees by country 31 Dec 2012	Men	Women	Total
Sweden	1,838	527	2,356
Finland	492	89	590
Italy	33	5	41
France	25	8	33
Germany	27	10	34
Netherlands	22	4	27
United Kingdom	9	5	13
United States	7	2	9
Russia	4	1	5
Poland	2	1	3
Total	**2,459**	**652**	**3,111**
Number of employees at year-end 31 Dec 2012			3,040

For information regarding remuneration to senior management, please see Note 28.

NOTE 5. OTHER OPERATING INCOME

EURm	2013	2012
Income from sale of property, plant and equipment	0.0	0.0
Insurance compensation	8.0	7.3
Rents and other income items	2.1	3.0
Total	**10.1**	**10.3**

NOTE 6. FINANCIAL INCOME

EURm	2013	2012
Interest income arising from loans and receivables	0.6	0.5
Total interest income	**0.6**	**0.5**
Dividend income arising from available-for-sale assets	0.0	0.0
Total other finance income	**0.0**	**0.0**
Total	**0.6**	**0.5**

NOTE 7. FINANCIAL COSTS

EURm	2013	2012
Interest expenses for financial liabilities at amortised cost	-15.9	-15.3
Prepaid finance charges	-5.1	-4.7
Interest expense, pension liability	-2.4	-2.4
Interest rate derivatives, realised	-3.1	-2.6
Total interest expenses	**-26.5**	**-24.9**
Costs for loan commitments and guarantees	-3.1	-3.3
Other finance costs	-1.0	-0.8
Unrealised exchange losses related to financial liabilities measured at amortised cost	3.8	-4.1
Total other finance costs	**-0.3**	**-8.3**
Total	**-26.8**	**-33.2**
Currency losses (-)/currency gains recognised in operating profit, EURm	0.6	0.7

NOTE 8. TAXES

EURm	2013	2012
Current tax	-1.8	-3.9
Deferred tax on temporary differences	8.0	13.0
Total	**6.2**	**9.1**

Reconciliation of tax expense for the period recognised in profit and loss and estimated tax based on the Swedish corporate tax rate of 22% (26.3%):

Profit before tax	-26.8	-12.8
Income tax calculated on the Swedish corporate tax rate of 22% (26.3%)	5.9	3.4
Effects of different tax rates in foreign jurisdictions[1)]	-0.3	-0.2
Changes in deferred tax due to reductions of local corporate tax rates[2)]	0.8	7.1
Other non-deductible expenses	-0.7	-0.9
Use of loss carry-forwards earlier not valued	0.4	-
Adjustments relating to previous years, current tax	0.1	0.2
Adjustments relating to previous years, deferred tax	0.0	-0.5
Income taxes recognised in the income statement	**6.2**	**9.1**

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

2) Change in the corporate tax rate in Finland from 24.5 to 20.0 percent 1 January 2014. and change in the corporate tax rate in Sweden from 26.3 to 22.0 percent 1 January 2013

NOTE 9. PROPERTY. PLANT AND EQUIPMENT

2013	Buildings and land	Machinery and equipment	Construction in progress	Total
EURm				
Acquisition value				
Balance at 1 January 2013	146.5	247.8	41.2	435.5
Additions	0.1	6.0	37.7	43.8
Disposals	-0.2	-5.7	-	-5.9
Reclassification	4.5	41.3	-45.6	0.2
Reclassification to intangible assets	-	-	-3.8	-3.8
Translation differences for the year	-0.1	-1.0	-	-1.1
Balance at 31 December 2013	**150.8**	**288.4**	**29.5**	**468.7**
Accumulated depreciation				
Balance at 1 January 2013	-24.0	-57.6	-	-81.6
Depreciation for the year	-11.0	-34.7	-	-45.7
Write-downs for the year		-0.8	-	-0.8
Disposals	0.2	5.7	-	5.9
Translation differences for the year	0.1	0.8	-	0.9
Balance at 31 December 2013	**-34.7**	**-86.6**	**-**	**-121.3**
Carrying amount at 1 January 2013	**122.5**	**190.2**	**41.2**	**353.9**
Carrying amount at 31 December 2013	**116.1**	**201.8**	**29.5**	**347.4**

2012	Buildings and land	Machinery and equipment	Construction in progress	Total
EURm				
Acquisition value				
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	-
Translation 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**
Accumulated 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
Translation 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**

One group company has leased machinery under finance lease arrangements. The value of the asset is EUR 0.2 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 2013	31 Dec 2012
Acquisition value		
Balance at 1 January	4.5	4.0
Additions	1.1	0.5
Reclassification from property, plant and equipment	3.8	-
Balance at 31 December	**9.4**	**4.5**
Accumulated amortisation		
Balance at 1 January	-1.4	-0.9
Amortisation for the year	-0.6	-0.5
Balance at 31 December	**-2.0**	**-1.4**
Carrying amount at 1 January	3.1	3.1
Carrying amount at 31 December	**7.4**	**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 2013	**31 Dec 2012**
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 2013 amounted to EUR 0.8 (0.8) million, net sales were EUR 0.8 (0.9) million and profit was EUR 0.0 (0.0) million. The company had no contingent liabilities at 31 December 2013 or 2012.

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 2013 Carrying amount, EURm	31 Dec 2012 Carrying amount, EURm
Owned by Ovako Imatra 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	1.6	1.4
		1.7	1.5
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		1.8	1.6
Total non-current financial assets		**1.8**	**1.6**

EURm	31 Dec 2013	31 Dec 2012
Balance at 1 January	1.6	1.0
Investments	0.2	0.6
Balance at 31 December	**1.8**	**1.6**

NOTE 13. FINANCIAL ASSETS AND LIABILITIES

31 Dec 2013	Derivatives for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying amount	Fair value
EURm					
Non-current financial assets					
Other financial assets	-	-	1.8	1.8	1.8
Other non-current receivables	-	0.0	-	0.0	0.0
Derivative assets	1.0	-	-	1.0	1.0
Total	**1.0**	**0.0**	**1.8**	**2.8**	**2.8**
Current financial assets					
Trade and other receivables	-	87.4	-	87.4	87.4
Derivative assets	2.1	-	-	2.1	2.1
Cash and cash equivalents	-	20.6	-	20.6	20.6
Total	**2.1**	**108.0**	**-**	**110.1**	**110.1**
Total financial assets	**3.1**	**108.0**	**1.8**	**112.9**	**112.9**

31 Dec 2012	Derivatives for 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
Derivative assets	0.6	-	-	0.6	0.6
Total	**0.6**	**0.1**	**1.6**	**2.3**	**2.3**
Current financial assets					
Trade and other receivables	-	84.6	-	84.6	84.6
Derivative assets	0.3	-	-	0.3	0.3
Cash and cash equivalents	-	42.6	-	42.6	42.6
Total	**0.3**	**127.2**	**-**	**127.5**	**127.5**
Total financial assets	**0.9**	**127.3**	**1.6**	**129.8**	**129.8**

NOTE 13. FINANCIAL ASSETS AND LIABILITIESR, cont.

31 Dec 2013	Derivatives for hedge accounting	Other financial liabilities	Carrying amount	Fair value
EURm				
Non-current financial liabilities				
Non-current interest-bearing liabilities	-	221.5	221.5	231.6
Derivative liabilities	3.0	-	3.0	3.0
Other non-current liabilities	-	0.3	0.3	0.3
Total	**3.0**	**221.8**	**224.8**	**234.9**
Current financial liabilities				
Current interest-bearing liabilities	-	40.7	40.7	40.7
Derivative liabilities	7.7	-	7.7	7.7
Trade and other payables	-	83.6	83.6	83.6
Other current liabilities	-	15.6	15.6	15.6
Total	**7.7**	**139.9**	**147.6**	**147.6**
Total financial liabilities	**10.7**	**361.7**	**372.4**	**382.5**

31 Dec 2012	Derivatives for 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
Derivative liabilities	8.9	-	8.9	8.9
Other non-current liabilities	-	0.3	0.3	0.3
Total	**8.9**	**240.3**	**249.2**	**261.9**
Current financial liabilities				
Current interest-bearing liabilities	-	14.9	14.9	14.9
Derivative liabilities	3.6	-	3.6	3.6
Trade and other payables	-	84.8	84.8	84.8
Other current liabilities	-	12.5	12.5	12.5
Total	**3.6**	**112.2**	**115.8**	**115.8**
Total financial liabilities	**12.5**	**352.5**	**365.0**	**377.7**

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 acquisition value.

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 acquisition value 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 derivatives 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 instruments; 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. Interest-bearing liabilities are Level 3.

NOTE 13. FINANCIAL ASSETS AND LIABILITIES, cont.

Information on derivative assets and liabilities

EURm	31 Dec 2013	31 Dec 2012
Non-current derivative assets		
Fair value of electricity derivatives	1.0	0.6
Total	**1.0**	**0.6**
Current derivative assets		
Fair value of currency derivatives	0.5	-
Fair value of electricity derivatives	1.6	0.3
Total	**2.1**	**0.3**
Total derivative assets	**3.1**	**0.9**

EURm	31 Dec 2013	31 Dec 2012
Non-current derivative liabilities		
Fair value of interest rate swaps	-	4.4
Fair value of electricity derivatives	3.0	4.5
Total	**3.0**	**8.9**
Current derivative liabilities		
Fair value of interest rate swaps	2.1	0.8
Fair value of electricity derivatives	5.6	2.8
Total	**7.7**	**3.6**
Total derivative liabilities	**10.7**	**12.5**

Disclosure of nominal values and maturities of derivatives (cash flow hedges)

31 Dec 2013

EURm

Remaining maturity	< 1 year	1-3 years	Total
Derivative instruments designated as cash flow hedges			
Foreign exchange forwards	75	-	75
Interest rate swaps	150	-	150
Total	**225**	**-**	**225**

Volume MWh

Remaining maturity	< 1 year	1-3 years	Total
Electricity derivatives designated as cash flow hedges			
Purchase contracts	384.9	260.1	645.0
Total	**384.9**	**260.1**	**645.0**

31 Dec 2012

EURm

Remaining maturity	< 1 year	1-3 years	Total
Derivatives designated as cash flow hedges			
Interest rate swaps	120	150	270.0
Total	**120**	**150**	**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	991.5
Total	**498.4**	**493.2**	**991.5**

The hedging policy in respect of financial risks and risks related to electricity prices is explained in Note 23. Financial risk management. The effect of the hedge ineffectiveness on profit/loss for the year was EUR 1.4 (0.9) million.

Disclosure of financial assets and liabilities that are offset or subject to a legally enforceable master netting arrangement or similar agreement:
Financial assets and liabilities that may be offset consist of electricity derivatives. interest rate derivatives and currency derivatives that are covered by legally enforceable master netting agreements. The carrying amounts of these assets and liabilities amount to EUR 3.1 (0.9) million. and EUR -10.7 (-12.5) million. respectively. No set-off has occurred in the balance sheet. The amount that could be offset is EUR 2.3 (0.9) million. which means that net exposure on the asset side amounts to EUR 0.8 (0.0) million and on the liability side EUR -8.4 (-11.6) million.

NOTE 14. DEFERRED TAX ASSETS AND TAX LIABILITIES

EURm	Balance at 1 January 2013	Recognised in profit and loss	Recognised in other comprehensive income	Acquisitions	Exchange differences and reclassifications	Balance at 31 December 2013
Deferred tax assets						
Inventories	2.3	-0.5	-	-	0.0	1.8
Provisions	1.2	0.0	-	-	0.0	1.2
Pension obligations and other employee benefits	8.5	0.4	-2.9	-	-	6.0
Derivative assets	2.6	-0.3	-0.5	-	-	1.8
Other items	0.5	0.3	-	0.1	0.0	0.9
Total	**15.1**	**-0.1**	**-3.4**	**0.1**	**0.0**	**11.7**
Deferred tax liabilities						
Fair value adjustments to property, plant and equipment at acquisition	17.0	-1.3	-	-	-	15.7
Property, plant and equipment	36.1	-6.6	-	-	0.0	29.5
Inventories	2.7	-0.2	-	-	-0.1	2.4
Derivative liabilities	0.0	0.0	0.1	-	-	0.1
Total	**55.8**	**-8.1**	**0.1**	**-**	**-0.1**	**47.7**
Net deferred tax liability	**-40.7**	**8.0**	**-3.5**	**0.1**	**0.1**	**-36.0**

At 31 December 2013, the group had loss carry-forwards of EUR 0.0 (1.2) million, whereof the total amount in Sweden.

NOTE 15. INVENTORIES

EURm	31 Dec 2013	31 Dec 2012
Raw materials and supplies	40.7	37.9
Parts	2.5	2.5
Work in progress	106.5	120.8
Finished goods	45.2	38.9
Goods in transit	3.7	2.3
Prepayments	0.1	0.0
Total	**198.7**	**202.4**
Cost of write-downs to inventories	-1.3	-0.8

NOTE 16. CURRENT RECEIVABLES

Trade and other current receivables

EURm	31 Dec 2013	31 Dec 2012
Trade receivables	87.4	84.4
VAT receivable	7.3	10.6
Interest-bearing receivables	0.4	0.2
Accrued income and prepaid expenses	13.6	15.0
Total	108.7	110.2
Bad debt reserve	0.2	0.2

The carrying amounts of current receivables are 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 2013	31 Dec 2012
Cash and bank	20.6	42.6
Total	**20.6**	**42.6**

NOTE 18. EQUITY

There are 50,000 (2012: 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 (EURm).

Foreign currency translation reserve	31 Dec 2013	31 Dec 2012
Balance at 1 January	2.6	1.3
Changes for the year	-1.9	1.3
Balance at 31 December	**0.7**	**2.6**

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 2013	31 Dec 2012
Balance at 1 January	-7.9	-6.0
Realised and reallocated to income statement	5.1	5.8
Tax on amount reallocated to income statement	-1.1	-1.5
Change in fair value	-2.5	-7.8
Tax on change in fair value	0.5	1.6
Balance at 31 December	**-5.9**	**-7.9**

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 electricity 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. These include both defined benefit and defined contribution plans. Certain group companies have specific pension plans for management personnel.

In Sweden, 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.

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

The group's cost for defined contribution plans, excluding special payroll tax, amounted to EUR 6.7 (7.6) million. Cash flows associated with defined benefit plans are expected to amount to EUR 3.5 million in 2014.

Defined benefit plans:
The largest plan, which accounts for approximately 90% of the group's pension liabilities in the balance sheet, is the Swedish plan secured in the Swedish PRI/FPG system. The average maturity of this liability is approximately 15 years. In addition, the UK subsidiary has a funded defined benefit pension and life assurance plan that was closed to new subscribers as of 31 December 2009. This plan continues to have a deficit and payments are being made to the fund as planned. Other smaller plans include a plan for senior executives (current and former) in Germany, which is also closed to new subscriptions, and a plan for medical and drug costs for certain employees and former employees in the USA.

Data in the tables below showing the comparison year have been updated to take account of the provision for special payroll tax being included as part of the pension liability under the amended IAS 19. This provision has previously been recorded under accrued expenses in the balance sheet and as social insurance fees in income statement.

Pensions and other post-employment benefit obligations

EURm	31 Dec 2013	31 Dec 2012
Pension benefits, FPG/PRI system	60.7	73.4
Special payroll tax, FPG/PRI system	3.7	6.2
Other pension provisions	6.6	7.0
Other post-employment benefits	1.5	1.7
Total	**72.5**	**88.3**
The defined benefit obligations in the balance sheet comprise the following items:		
Present value of unfunded obligations, excl. special payroll tax	66.5	79.5
Special payroll tax, FPG/PRI system	3.7	6.2
Present value of funded obligations	7.8	7.8
Fair value of plan assets	-5.5	-5.2
Net liability	**72.5**	**88.3**
Amount recognised in income statement		
Cost of service in current period	1.5	1.1
Special payroll tax, FPG/PRI system	0.2	0.1
Interest on obligation, funded	0.3	0.4
Interest on obligation, unfunded	2.2	2.6
Estimated return on plan assets	-0.2	-0.3
Exchange differences	-3.0	2.7
Amount recognised in income statement	**1.0**	**6.6**

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

NOTE 19. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS, cont.

Recognised in the balance sheet, EURm

31 Dec 2013	PRI/FPG system	PRI/FPG system, special payroll tax	Other	Total
Pension obligation at 1 January	73.4	6.2	13.9	93.5
Cost of service in current period	1.2	0.2	0.3	1.7
Interest expense	2.1	0.0	0.4	2.5
Pensions paid	-3.0	-	-1.0	-4.0
Revaluation of pension obligation	-10.3	-2.5	0.0	-12.8
Translation differences	-2.7	-0.2	-0.2	-3.1
Reclassification	-	-	0.1	0.1
Pension obligation at 31 December	**60.7**	**3.7**	**13.5**	**77.9**
Fair value of plan assets at 1 January	-	-	5.2	5.2
Imputed interest on plan assets	-	-	0.2	0.2
Contributions from the employer	-	-	0.2	0.2
Pensions paid	-	-	-0.3	-0.3
Valuation gains on plan assets	-	-	0.2	0.2
Translation differences	-	-	-0.1	-0.1
Fair value of plan assets at 31 December	**-**	**-**	**5.4**	**5.4**
Changes in net debt in the balance sheet				
Net pension obligation at 1 January	73.4	6.2	8.7	88.3
Cost of service in current period	1.2	0.2	0.3	1.7
Interest expense	2.1	0.0	0.2	2.3
Pensions paid	-3.0	-	-1.0	-4.0
Contributions from the employer. net after deductions	-	-	0.1	0.1
Revaluation gains/losses	-10.3	-2.5	-0.2	-13.0
Translation differences	-2.7	-0.2	-0.1	-3.0
Reclassification	-	-	0.1	0.1
Net pension obligation at 31 December	**60.7**	**3.7**	**8.1**	**72.5**

31 Dec 2012	PRI/FPG system	PRI/FPG system, special payroll tax	Other	Total
Pension obligation at 1 January	65.6	-	15.5	81.1
Cost of service in current period	0.9	-	0.2	1.1
Interest expense	2.4	-	0.5	2.9
Pensions paid	-2.9	-	-0.9	-3.8
Revaluation of pension obligation	4.8	-	0.2	5.0
Translation differences	2.6	-	0.2	2.8
Reclassification	-	6.2	-1.8	4.4
Pension obligation at 31 December	**73.4**	**6.2**	**13.9**	**93.5**
Fair value of plan assets at 1 January	-	-	4.7	4.7
Imputed interest on plan assets	-	-	0.3	0.3
Contributions from the employer	-	-	0.0	0.0
Pensions paid	-	-	0.0	0.0
Valuation gains on plan assets	-	-	0.1	0.1
Translation differences	-	-	0.1	0.1
Fair value of plan assets at 31 December	**-**	**-**	**5.2**	**5.2**
Changes in net debt in the balance sheet				
Net pension obligation at 1 January	65.6	-	10.8	76.4
Cost of service in current period	0.9	-	0.2	1.1
Interest expense	2.4	-	0.2	2.6
Pensions paid	-2.9	-	-0.9	-3.8
Contributions from the employer. net after deductions	-	-	0.0	0.0
Revaluation gains/losses	4.8	-	0.1	4.9
Translation differences	2.6	-	0.1	2.7
Reclassification	-	6.2	-1.8	4.4
Net pension obligation at 31 December	**73.4**	**6.2**	**8.7**	**88.3**

Material assumptions that form the basis of the actuarial calculations of large plans are shown in the table below.

NOTE 19. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS, cont.

EURm	2013	2012	Net liability 2013	Net liability 2012
Sweden			**60,7**	73,8
Discount rate	4.00%	3.00%		
Future salary increase	3.00%	3.00%		
Increase in income base amount	3.00%	3.00%		
Inflation	2.00%	2.00%		
Germany			**3.2**	3.2
Discount rate	3.50%	3.50%		
Future salary increase	2.50%	2.50%		
Inflation	1.75%	1.75%		
UK			**2.2**	2.6
Discount rate	4.40%	4.10%		
Future salary increase	3.30%	2.60%		
Inflation	2.40%	1.85%		
USA			**1.0**	1.1
Discount rate	4.75%	4.50%		
Future cost increase	7.40%	7.80%		
Other countries			**1.7**	1.4
Special payroll tax liability			**3.7**	6.2
Net liability in balance sheet			**72.5**	**88.3**

Sensitivity analysis

The table below shows the effect on the Swedish PRI/FPG liability of a change in material assumptions underlying the calculation. A minus sign means that the liability decreases.

EURm	2013
Discount rate + 0.5%	-4.0
Discount rate - 0.5%	4.5
Future salary increases + 0.5%	2.7
Future salary increases - 0.5%	-1.7
Inflation + 0.5%	4.4
Inflation - 0.5%	-4.0
Longevity + 1 year	2.0
Longevity - 1 year	-2.0

NOTE 20. OTHER PROVISIONS

EURm	Restructuring provisions	Environmental provisions	Other provisions	Total
Balance at 1 January 2013	3.3	5.1	0.1	8.5
Provisions during the year	3.7	0.1	-	3.8
Provisions used during the year	-2.2	-0.4	-0.1	-2.7
Effect of movements in foreign exchange	-	0.0	-	0.0
Balance at 31 December 2013	**4.8**	**4.8**	**0.0**	**9.6**

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

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 provisions

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 2013	31 Dec 2012
Interest-bearing liabilities		
Term loans	252.0	267.1
– Maturing next year	-20.6	-14.8
Finance lease liabilities	0.3	0.4
– Maturing next year	-0.1	-0.1
Other non-current interest-bearing borrowings	0.0	0.1
Prepaid finance charges	-10.1	-12.7
Total non-current interest-bearing liabilities	**221.5**	**240.0**
Current interest-bearing liabilities		
Term loans	20.6	14.8
Utilised credit	20.0	-
Current portion of finance lease liabilities	0.1	0.1
Total current interest-bearing liabilities	**40.7**	**14.9**
Total interest-bearing liabilities	**262.2**	**254.9**

Maturity information for interest-bearing liabilities:

EURm	2014	2015	2016	2017	Total
Nominal amounts:					
Term loans	20.6	21.4	210.0	-	252.0
Utilised credit	20.0	-	-	-	20.0
Finance lease liabilities	0.1	0.1	0.1	-	0.3
Other non-current interest-bearing borrowings	0.0	0.0	0.0	0.0	0.0
Total	**40.7**	**21.5**	**210.1**	**0.0**	**272.3**
Prepaid finance charges	-5.1	-4.6	-0.4	-	-10.1
Total borrowings in the balance sheet	**35.6**	**16.9**	**209.7**	**0.0**	**262.2**

The currency distribution of the group's non-current interest-bearing liabilities at the reporting date was as follows:

EURm	31 Dec 2013	31 Dec 2012
EUR	231.4	252.3
SEK	0.2	0.3
	231.6	**252.6**

Weighted average effective interest rate on non-current borrowings at the reporting date:

%		
Loans	6.23	4.84
Lease liabilities	3.22	3.22

The currency distribution of the group's current interest-bearing liabilities at the reporting date was as follows:

EURm		
EUR	40.6	14.8
SEK	0.1	0.1
	40.7	14.9

Weighted average effective interest rate on current borrowings at the reporting date::

%		
Loans	5.73	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 42.0 (57.1) million, and the liability for Facility B amounted to EUR 210.0 (210.0) million. In addition, EUR 20 (0) million of the revolving credit has been utilised, which means that total utilised credit at 31 December therefore amounted to EUR 272.0 (267.1) million. EUR 4.3 (3.8) of the revolving credit facility was set aside in the form of issued bank guarantees, which means the unutilised facility amounts to EUR 50.7 (71.2) million.

The interest rate for the loans is EURIBOR 1 month plus lending margin. The terms of the group's financing agreement have been renegotiated during the year, resulting in an annual increase of financing costs slightly above EUR 3 million.

Under the terms of the loan, the company must ensure compliance with covenants based on cash flow, interest coverage ratio, leverage, capital expenditures and EBITDA. 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 fees are amortised over the term of the loan and recognised as a prepaid expense that reduces interest-bearing-liabilities. Rearrangement fees paid in connection with the renegotiation in 2013 are also amortised over the average remaining term of the loan.

NOTE 22. CURRENT LIABILITIES

EURm	31 Dec 2013	31 Dec 2012
Trade and other payables		
Trade payables	83.6	84.8
Accrued employee benefits expense, social insurance fees and pension costs	33.5	35.9
VAT liability	1.7	2.9
Accrued costs, claims	0.3	0.4
Other liabilities, accrued expenses and prepaid income	12.2	12.0
Total	**131.3**	**136.0**
Other current liabilities		
Liability to parent company	15.6	12.5
Total	**15.6**	**12.5**

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 functional 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 functional 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.

Ovako is exposed to currency risk because the group's functional 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 10% in relation to the euro would have an estimated annualised negative impact on consolidated operating profit of approximately EUR 19 (19) million based on 2013 (2012) sales and not taking into account foreign exchange hedges.

Most of Ovako group's sales are in euro. The currency split for sales in 2013 was approximately as follows: 61 (62) % EUR, 28 (28) % SEK and 11 (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 may be invoiced in SEK.

Management may from time to time decide to hedge contractual net exposures from sales and purchases in currencies other than the functional currency to hedge margins. No currency derivatives have existed for most of 2013 (or in 2012), but in November 2013 the group signed a foreign exchange forward contract that hedges approximately 37% of the estimated net outflow in SEK during 2014, with a total value of approximately EUR 75 million. Hedge accounting is applied and the currency derivatives are designated as hedging instruments in cash flow hedges, where the initial gross flows in SEK amounting to a certain amount are hedged each month. Further information is provided in Note 13.

Interest rate risk

Interest rate risk refers to the risk that changes in market rates will have an adverse impact on consolidated earnings. At 31 December 2013, the group had one interest rate swap with a value of EUR 150 million at fixed rates, which will mature in 2014. In the previous year the group also had an additional interest rate swap of EUR 120 million that matured in 2013. An increase in market interest rates of 100 basis points (1 percentage) would impact total comprehensive income for the year before tax by EUR 1.4 (3.8) million as a result of revaluation of the interest rate swap. Hedge accounting is applied since interest rate derivatives are designated as cash flow hedges. Further information is provided in Note 13.

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 flows and earnings, the group uses hedging measures by which portions of the variable price of electricity are transferred to a fixed price, as well as purchase contracts with a fixed price. At year-end 2013, anticipated future electricity consumption was hedged as follows: 57 % for 2014 and 38 % for 2015. Of these hedging measures, electricity derivates account for 42 and 28 percent respectively, whereas fixed price contracts account for 15 and 10 percent respectively. The cash flow from the electricity derivatives amounts to EUR 16.2 million and EUR 10.6 million, respectively, during 2014 and 2015. A rise of 10% in the price of electricity compared to the price at 31 December 2013 would have an impact on Ovako's comprehensive income, before tax, of approximately EUR 2.1 (3.6) million due to revaluation of the derivatives.

The group uses hedge accounting for electricity derivatives since these have been designated as cash flow hedges. Further information is provided 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 272.0 (267.1) million including utilisation of revolving credit of EUR 20 (0) million. Of the revolving credit facility totalling EUR 75.0 million, EUR 4.3 (3.8) has been set aside in the form of issued bank guarantees, which means the unutilised facility amounts to EUR 50.7 (71.2) million.

Surplus liquidity is used primarily to repay debt. When this is not possible, 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.

		Contractual cash flows 2013			
EURm	Nominal value of loans	Total	2014	2015	2016
Term loans	-252.0	**-288.8**	-35.3	-34.9	-218.6
Derivatives		**-2.0**	-2.0	-	-
Utilised credit	-20.0	**-20.6**	-20.6	-	-
Total, including derivatives	**-272.0**	**-311.4**	**-57.9**	**-34.9**	**-218.6**

			Contractual cash flows 2012			
EURm	Nominal value of loans	Total	2013	2014	2015	2016
Term loans	-267.1	**-310.6**	-27.7	-32.8	-32.9	-217.2
Derivatives		**-5.2**	-3.0	-2.2	-	-
Total. including derivatives	**-267.1**	**-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. According to these principles credit risk in trade receivables is managed primarily through credit risk insurance, but also bank guarantees, advance and cash payment requirements and letter of credit to reduce the credit risk. A credit limit is established for each customer by Ovakos' insurance company or Ovakos' internal credit control. The non-covered part of the trade receivables should not exceed 2% of estimated yearly invoicing. At year-end, over 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 was as follows

EURm	2013	2012
Ageing structure of trade receivables		
Trade receivables not due	72.9	73.8
Trade receivables 1-30 days overdue	13.6	10.1
Trade receivables 31-60 days overdue	0.8	0.4
Trade receivables more than 60 days overdue	0.1	0.1
Total	**87.4**	**84.4**

There were no material credit losses or provisions for anticipated credit losses in 2013. Other receivables, including VAT receivables, accruals and prepaid expenses were not overdue at 31 December 2013 and there was no indication of impairment loss.

NOTE 24. ADJUSTMENTS TO CASH FLOWS FROM OPERATING ACTIVITIES

EURm	31 Dec 2013	31 Dec 2012
Non-cash transactions:		
Gain/loss from sale of non-current assets	0.0	0.1
Restructuring costs not settled	3.8	3.0
Effects of movements in foreign exchange etc	-1.4	0.2
Total	**2.4**	**3.3**

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

EURm	31 Dec 2013	31 Dec 2012
Due within 1 year	2.7	2.5
Due within 2 to 5 years	2.9	2.6
Due later than 5 years	0.1	0.4
Total	**5.7**	**5.5**
Lease expenses for the period	2.8	2.5
Other rental agreements		
Non-cash transactions:		
Due within 1 year	0.1	0.1
Due within 2 to 5 years	0.2	0.3
Total	**0.3**	**0.4**

NOTE 26. AUDIT FEES

EURm	2013	2012
Ernst & Young:		
Audit assignments	-0.5	-0.5
Other auditing	0.0	-0.2
Tax advice	0.0	-0.1
Other services	0.0	0.0
Total	**-0.6**	**-0.8**

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 controlling influence of Triako Holdco AB, which through its subsidiary Ovako Group AB controls 100% of the equity in Ovako AB. Triako Holdco AB is under the controlling influence 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 217 (995) thousand has been paid to West Park Managent Services. A group contribution of EUR 3,182 (6,114) thousand has been provided to 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
Shares and investments in subsidiaries 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
Triako Finco AB	556816-0526	Sweden	100	100
Ovako Steel Marketing AB	556341-4522	Sweden	100	100
Shares and investments in subsidiaries owned by Ovako Steel Marketing AB:				
OVAKO(Shanghai) Special Steel Trading Co., Ltd.	31000040064028	China	100	100
Shares and investments in subsidiaries owned by Triako Finco AB:				
Ovako Finland Oy	2347199-9	Finland	100	100

NOTE 27. SUBSIDIARIES AND RELATED-PARTY TRANSACTIONS, cont.

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% owned by Ovako Hofors AB)	0000267420	Poland	100	100
OOO Ovako	1077746317780	Russia	100	100
Shares and investments in subsidiaries owned by Ovako Imatra Oy Ab:				
Ovako France SAS	392564019 RCS DIJON	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
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:				
Ovako Hellefors AB 1)	556210-0163	Sweden	100	100
Ovako Tube & Ring AB 1)	556331-0167	Sweden	100	100
Fastighets AB Synaren	556057-7081	Sweden	100	100
Ovako GmbH	HRB12679	Germany	100	100
Ovako Ltd	03879876	UK	100	100
Ovako North America Inc	22-1474037	USA	100	100
Ovako Polska Sp.zo.o (99%, 1% owned by Ovako Bar AB)	0000267420	Poland	100	100

1) The subsidiaries were transferred internally within the group to Ovako Hofors AB during 2013

27.3 Key management personnel renumeration

See Note 28.

NOTE 28. BOARD AND KEY MANAGEMENT RENUMERATION

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 2013 as for 2012. Variations in exchange rates between the years influence the expense presented in EUR. Board members are shown on Page 61.

Board members	Position	Committee	Fee 2013 (EURk)	Fee 2012 (EURk)
Finn Johnsson 1)	Chairman	Remuneration Committee Chairman	62	62
Simon Andberg 2)	Director	Audit Committee Chairman	27	3
Jorma Eloranta 2)	Director	Audit Committee	31	29
Nizar Ghoussaini	Director	Audit Committee	32	32
Martin Ivert	Director	Remuneration Committee	31	30
Jyrki Lee Korhonen 2)	Director		12	37
Magnus Lindquist	Director	Remuneration Committee	31	30
Robert Nilsson	Director (Employee Representative)		-	-
Per Pettersson 3)	Director (Employee Representative)		-	-
Total			226	223

1) In addition to the fee, the chairman has received compensation for office and secretarial costs totalling EUR 11 (6) thousand.
2) At the Annual General Meeting held on 23 April 2013, Jyrki Lee Korhonen was replaced by Simon Andberg, who was formerly a deputy. Simon Andberg also took over the position as the Audit Committee Chairman from Jyrki Lee Korhonen
3) Per Pettersson replaced Tord Göransson in autumn 2013

Remuneration policy

According to the remuneration policy adopted by the Board of Directors in November 2011, remuneration to the CEO and other management personnel shall comprise base salary, any variable pay components and other benefits such as car and pension benefits. Other 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 management personnel outside Sweden, all or part of the variable component may be treated as pensionable income according to law or local market practices.

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 to CEO and other key management personnel

Variations in exchange rates between years may affect the expense presented in EUR. The amounts presented below represent the benefits paid during the period.

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

2013 EURk	CEO	Group management (excluding CEO)	Total
Base salary	541	2,255	2,796
Variable pay	94	377	471
Other benefits	51	91	143
Total remuneration	**687**	**2,723**	**3,410**
Pension benefits	186	644	830
Total including pension benefits	**873**	**3,367**	**4,240**

2012 EURk	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**

Remuneration to the CEO

Tom Erixon was paid salary and other employee benefits by the company totalling EUR 687 (625) thousand during the year.

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 (186) 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 62. Members of group management excluding the CEO were paid salary and other employee benefits by the company totalling EUR 2,723 (2,131) thousand during the year. 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 644 (543) thousand. The expense for 2013 included a provision for severance pay (incl. pension benefits expense) for management personnel who have left the group management in early 2014. New members of group management who took office in 2014 have terms in accordance with the company's remuneration policy.

	2013		2012	
Management gender distribution at 31 December	**Female**	**Male**	**Female**	**Male**
Board and CEO	–	9	–	9
Other senior executives	–	8	–	8

NOTE 29. PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

EURm	31 Dec 2013	31 Dec 2012
Pledged collateral		
Pledged assets	1,040.2	917.1

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	3.2	2.3
Pension liabilities	0.9	0.9

NOTE 30. LEGAL DISPUTES

The group is not involved in any significant legal disputes.

Parent company income statement

EURk	Note	2013	2012
Income		-	-
Administrative expenses		-262	-134
OPERATING PROFIT/LOSS		-262	-134
Interest income from group companies	3	527	517
Profit/loss before allocations and tax		**265**	**383**
Group contribution	3	-266	-382
Taxes	4	0	-131
Net profit/loss for the year		**-1**	**-130**

Parent company statement of comprehensive income

EURk	Note	2013	2012
Net profit/loss for the year		**-1**	**-130**
Other comprehensive income		-	-
Total comprehensive income/loss for the year		**-1**	**-130**

Parent company balance sheet

EURk	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Non-current financial assets			
Investments in subsidiaries	1	139,823	139,823
Receivables from group companies	3	22,668	22,668
Total		162,491	162,491
Total non-current assets		**162,491**	**162,491**
Current assets			
Receivables from group companies	3	16,256	12,810
Total current assets		**16,256**	**12,810**
TOTAL ASSETS		**178,747**	**175,301**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	18(*)		
Restricted equity (share capital)		6	6
Non-restricted equity		162,654	162,655
Total equity attributable to owners of the parent		**162,660**	**162,661**
Current liabilities			
Liabilities to parent	3	15,691	12,506
Liabilities to group companies	3	396	134
Total current liabilities		**16,087**	**12,640**
TOTAL EQUITY AND LIABILITIES		**178,747**	**175,301**
Pledged collateral		None	None
Contingent liabilities		None	None

(*) Consolidated financial statements

Parent company cash flow statement

EURk	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		-262	-134
Change in current receivables		-	-
Change in current liabilities		262	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
Exchange differences in cash and cash equivalents		0	0
Cash and cash equivalents at 31 December		**0**	**0**

Parent company statement of changes in equity

2013	Restricted equity:	Non-restricted equity:	
EURk	Share capital	Retained earnings	Total equity
Equity at 1 January 2013	**6**	**162,655**	**162,661**
Profit/Loss for the year	-	-1	-1
Equity at 31 December 2013	6	162,654	162,660

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

Share capital comprises 50,000 A-shares with a quotient value of EUR 0.11.

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 that affect the financial statements at 31 December 2013 are for the capitalisation of transaction costs in 2010 related to the acquisition of shares in September 2010 (EUR -12 million).

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

NOTE 1. INVESTMENTS IN SUBSIDIARIES

Name of company	Interest and voting rights, %	Number of shares	31 Dec 2013 Carrying amount	31 Dec 2012 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 company has no audit expenses as such expenses were paid by Ovako AB.

NOTE 3. RELATED-PARTY TRANSACTIONS

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

A group contribution of EUR 2,919 (5,732) thousand was received from the subsidiary Ovako AB and a group contribution of EUR 3,185 (6,114) 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 deferred taxes related to loss carry-forwards.

Signatures of the Board of Directors and CEO

The Board of Directors and the CEO hereby certify that the annual accounts were prepared in accordance with generally accepted accounting standards in Sweden, and that the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as defined in regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and provide a fair presentation of the group and parent company's financial position and earnings, and that the statutory administration 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 parent company and the companies included in the group.

Stockholm, 25 March 2014

Finn Johnsson
Board Chairman

Tom Erixon
President and CEO

Simon Andberg

Jorma Eloranta

Nizar Ghoussaini

Martin Ivert

Magnus Lindquist

Robert Nilsson
Employee Representative

Per Pettersson
Employee Representative

Our audit report was submitted on 25 March 2014
Ernst & Young AB

Heléne Siberg Wendin
Authorised Public Accountant

Independent auditor's report

To the annual meeting of the shareholders of Ovako Group AB, corporate identity number 556813-5361

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Ovako Group AB for the year 1 January 2013 – 31 December 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 25-59.

Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated accounts

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

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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 accounting policies used 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 consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet 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 accounts, we have also audited the proposed appropriations 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 1 January 2013 – 31 December 2013.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Companies Act.

Auditor's responsibility

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

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance 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 accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, 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 to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Stockholm, 25 March 2014
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.

Simon Andberg, Director

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, Deputy Director of Papyrus.

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 Vorporation and Chairman of the Supervisory Board of Gasum Oy.

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.

Martin Ivert, Director

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

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.

Robert Nilsson, Employee Representative

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

Per Pettersson, Employee Representative

Birth year: 1951 Elected to the board: 2013
Employed at Ovako: 1995

Arbetstagarrepresentant suppleanter:

Anders Nilsson

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

Patrik Undvall

Birth year: 1968 Elected to the board: 2010
Employed at 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 of Sandvik Coromant, senior positions at Sandvik, Partner and Consultant at Boston Consulting Group.

Marcus Hedblom,
CFO

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

Karin Lagerstedt Woolford
Director of Human Resources

Birth year: 1969
Education: Bachelor of Business Administration
Previous positions: Senior Vice President of HR at Green Cargo, Deputy HR Director at SEB AB, Head of HR Division Retail SEB and Management Consultant at Ernst & Young and Capgemini

Göran Nyström
Head of Marketing and Technology

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

Anders Henström
President of Business Area Bar HoforsHälleforsfors

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

Mathias Tillman
President of Business Area Bright Bar

Birth year: 1976
Education: M.Sc. (Metallurgy) and MBA
Previous positions: Global Business Unit Manager at Sandvik Hard Materials, Head of Research and Development at Sandvik Hard Materials.

Carl-Michael Raihle
President of Business Area Tube and Ring

Birth year: 1963
Education: Ph.D., M.Sc. (Metallurgy)
Previous positions: Head of Business Area at Luvata Rolled Products Division, Technical Director Luvata, senior positions at 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 at Ovako and SKF Steel.

Sven Bäckström, Head of Human Resources and Administration, until 1 February 2014
Sten Lyckström, President of Business Area Bar HoforsHällefors, until 1 January 2014

Definitions

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

EBIT Earnings before interest and tax

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

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

Gross profit Sales less cost of goods sold.

Net debt Interest-bearing liabilities less cash and cash equivalents.

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

Operating margin Operating profit as a percentage of sales.

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

Sales Sales excluding VAT, discounts and returns.

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