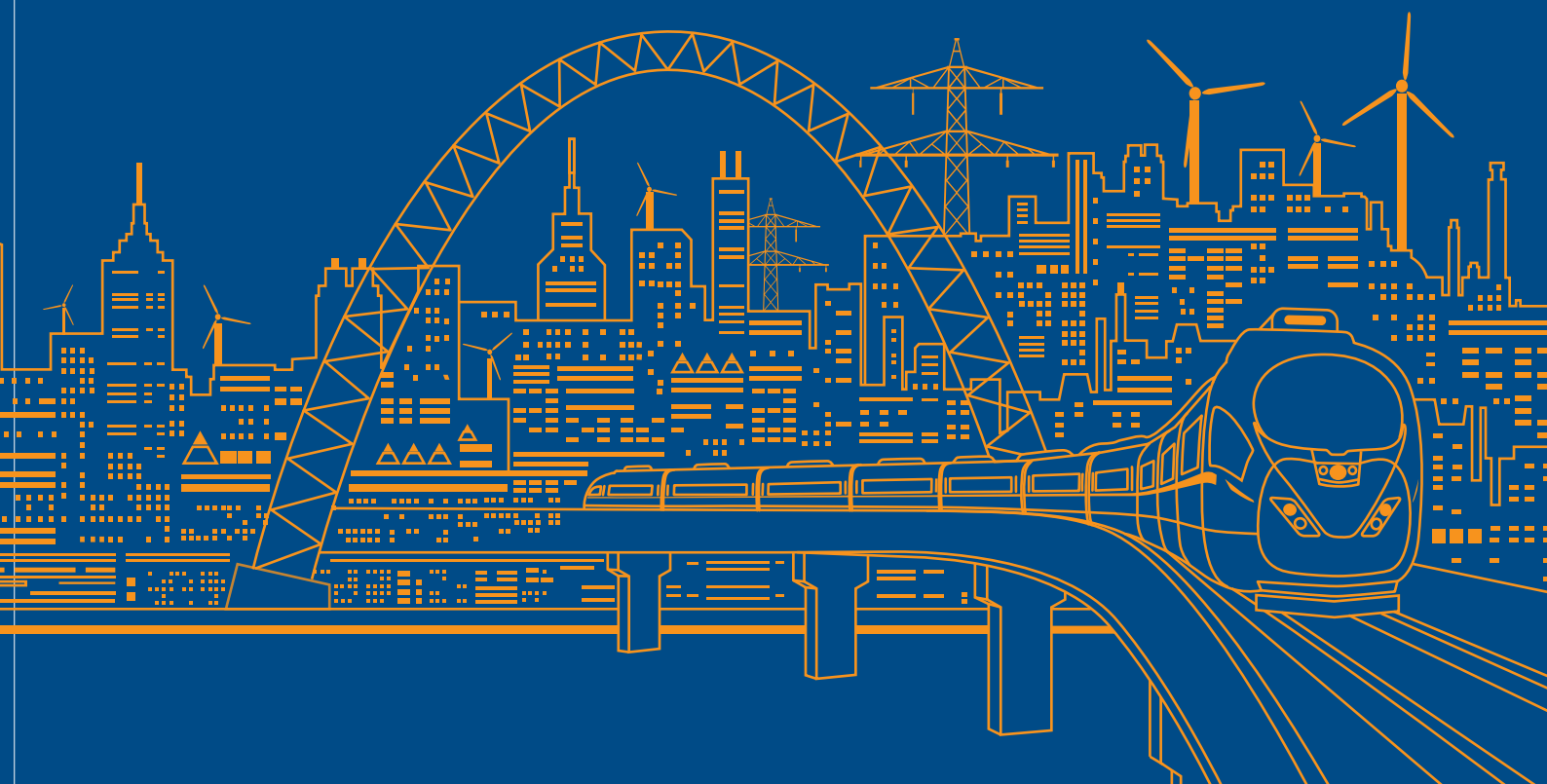




INNOVATIVE STEEL

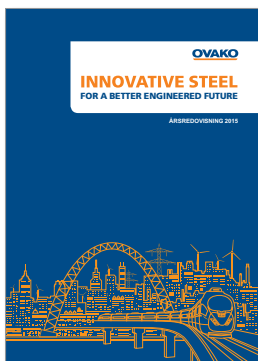
FOR A BETTER ENGINEERED FUTURE

ANNUAL REPORT 2015



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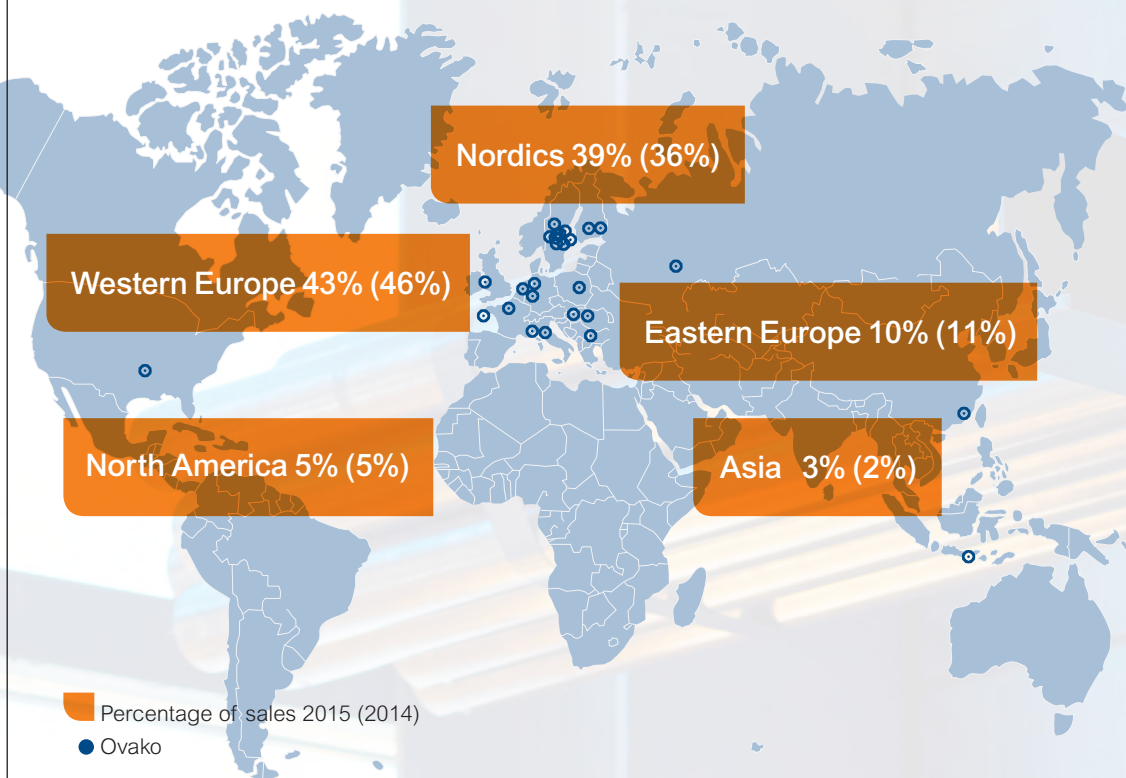
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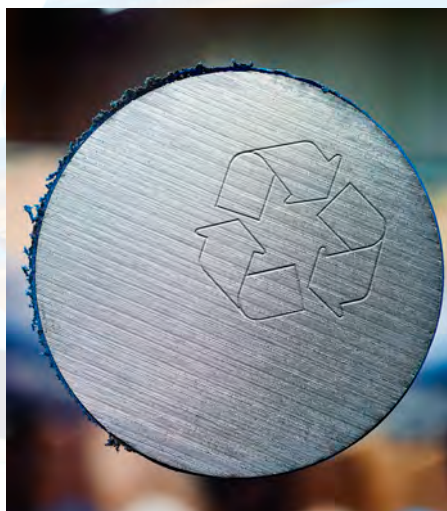
This is Ovako's Annual Report for the financial year 2015. The information provided on pages 24–60 constitutes the formal annual report for Ovako Group AB and has been audited by the company's independent auditor.

Financial information

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



Engineering steel is a group of advanced low-alloy steels used in industrial applications.



681,000
tons in sales volume

100%
scrap-based production

This is Ovako

Ovako develops high-tech steel solutions for, and in cooperation with, its customers in the transport and manufacturing industries. Ovako's steel makes our customers' end products more resilient and extends their useful life, ultimately resulting in smarter, more energy-efficient and more environmentally-friendly products.

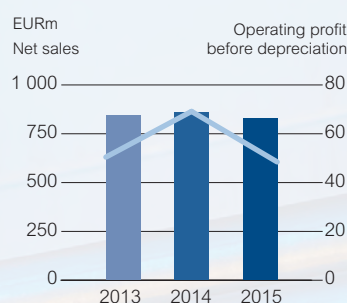
Ovako's customers are found mainly among the European engineering industries and their suppliers. Customers are generally leading premium manufacturers in their segments that place intense demands on the properties of the steel. Production comprises primarily bar, tube, ring and pre-components in low-alloy steels that are often used for demanding applications such as in bearings, powertrains, hydraulic cylinders and rock drills.

Ovako 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 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 certified in accordance with ISO/TS 16949 for the automotive industry and the OHSAS 18001 management systems for occupational health and safety.

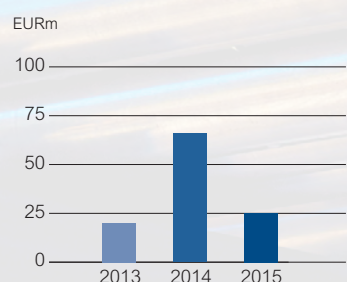
Sales in 2015 amounted to EUR 834 million, and the company had 2,905 employees.

Performance in 2015

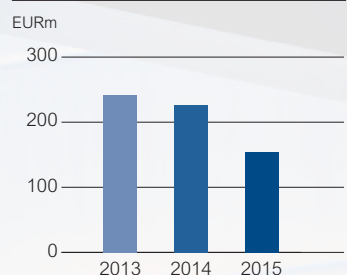
Net sales and operating profit



Cash flows from operations after interest paid



Net debt



- Sales volume and revenue were 2 percent and 3 percent, respectively, lower than in the previous year
- EBITDA before restructuring costs amounted to EUR 48 (69) million, including negative effects from falling scrap and alloy prices of 9 MEUR compared to last year
- Operating profit (EBIT) amounted to EUR 1 (15) million, including restructuring costs and impairment
- Cash flow from operating activities amounted to EUR 25 (66) million. Cash flow improved by EUR 19 million in 2014 through release from working capital, whereas in 2015, working capital has been maintained at the same level
- Earnings were charged with EUR 4 (0) million, attributable to restructuring costs, and EUR 3 (1) million for impairment in connection with restructuring
- On March 31, steel and metals distributor Ovako Metals Oy Ab (formerly Tibnor Oy) in Finland was acquired, which positively affected operating profit with a non-recurring effect of EUR 3 million

Group key figures

	2015	2014	2013
Sales volumes, kton	681	697	675
Net revenue, EURm	834	862	850
EBITDA before restructuring cost, EURm	48	69	50
Adjusted EBITDA margin, %	5,7 %	7,9 %	5,9 %
EBITDA, EURm	44	69	47
EBITDA margin, %	5,2 %	7,9 %	5,5 %
EBIT before restructuring cost, EURm	7	15	3
Adjusted EBIT margin, %	0,9 %	1,8 %	0,4 %
Operating profit (EBIT), EURm	1	15	-1
EBIT margin, %	0,1 %	1,7 %	-0,1 %
Net profit/loss, EURm	-23	-15	-21
Earnings per share, EUR	-458	-302	-412
Cash flow from operating activities, EURm	25	66	20
Net debt/equity ratio, %	181 %	152 %	160 %
Return on capital employed (ROCE), %	0 %	3 %	0 %
Full time employees at end of period (FTE)	2 905	2 925	2 995

Q1

New Managing Director of Cromax AB

Erik Bohman, formerly Head of Business Development for Ovako Group, was appointed in January as the new Managing Director of Ovako's subsidiary Cromax AB. The company manufactures and distributes mainly chrome-plated bar for hydraulic cylinders used in mining, construction, transport and agricultural applications. Cromax has production in Hallstahammar (Sweden), Twente (Netherlands), Redon (France) and Molinella (Italy), and collaborates with other parts of Ovako's sales organization with regard to sales to markets including China and the United States.



Steel and metals distribution business in Finland

Ovako acquired ferrous and non-ferrous metals distributor Tibnor Oy in Finland from SSAB. The acquisition is a component of Ovako's efforts to enhance its presence and collaboration with customers in new and existing markets. The operations focus on the buying, warehousing, processing and distribution of steel and other metals for the engineering, processing and construction industries. The company changed its name in conjunction with the acquisition to Ovako Metals Oy Ab.

Launch of SZ-Steel®

During the first quarter, Ovako complemented its offering with the launch of SZ-Steel®, a product family used for steel with high strength, even at very low temperatures. SZ-Steel meets stringent customer requirements for performance in sub-arctic environments as well as demand for resilient, safe and proven materials.

Q2

Investment to meet increased demand from the energy sector

As part of the investment program in Hofors, Ovako decided to invest an additional EUR 7.5 million in the business to address demand in the energy sector. Successful tests have been conducted, and during the third quarter of 2016 Ovako will have the capabilities to produce ingots up to 20 metric tons. The purpose of the investment is to develop the operations in Hofors in advanced applications for clean steel.

New head of Bar Imatra and Ovako Metals

Janne Pirttijoki was recruited in June to the role of President of Ovako Bar Imatra. Janne has extensive experience in the steel industry, including as Head of Product Group, Tubes and Sections at SSAB, and from senior positions at Ruukki. Heikki Nyholm, the former President of Bar Imatra, was appointed as the new President of Ovako Metals Oy Ab, and responsible for Ovako's sales and distribution operations in Finland.

Safety at Work

Ovako's Safety at Work program was launched internally in June. The program sets the framework and priorities for corporate safety efforts. During the year, several initiatives have been implemented, such as an annual safety conference and safety day. Focus has also been placed on updating all safety instructions. Safety at Work is being implemented throughout the Group in 2015–2017.



Q3

Efforts for sustainable roads

In September, Ovako in Smedjebacken signed a 10-year contract with NCC Roads to supply steel slag. This residual product will be used as aggregate in asphalt production, and will contribute to increased resource management in quarries, reduced mining and crushing of new aggregate, reduced emissions and the need for less re-laying.

The use of steel slag aggregate in asphalt doubles the service life of road surfaces.



New Head of Safety, Health and Environment

Christian Hörnkvist was recruited as Head of Safety, Health and Environment for the Group. Christian comes from a similar role at Sandvik Materials Technology. Ovako therefore strengthens its focus on safety and extends collaboration throughout the organization.



Joakim Olsson new board member

Joakim Olsson was elected to Ovako's board of directors. Joakim is a Senior Industry Expert at Triton Partners, and has extensive experience in developing and managing large international organizations in industry, energy and automation. Joakim has previously served as President and CEO of SAG Group GmbH and Haldex AB. He will replace Finn Johansson as Chairman of the Board in February 2016.

Q4

Marcus Hedblom new CEO

In November, the board of Ovako appointed Marcus Hedblom as the new President and CEO for Ovako Group. Marcus succeeds Tom Erixon, who will instead take up a similar role at Alfa Laval. Marcus has been EVP and CFO at Ovako since 2011.



Ovako's restructuring program 2015–2017

In October, Ovako announced a restructuring program to adapt its operations to current and expected demand. The program is being implemented over the next two years. The annual cost savings are estimated at EUR 45 million, with full effect from 2018. The main structural initiatives relate to the closure of operations in Hällefors, Forsbacka and Turenki, which will all be relocated to other Ovako units. The existing product range to customers is not affected, and will be retained both during and after the transition. The restructuring program also includes further focus on continuous improvements in production, administration and purchasing, across the group. Read more on page 11.

The world will always need steel

When new sustainable communities are built, when people move to the cities, when trade grows across borders, when the need for transport increases, and when our industry develops, steel is an important component.

High-quality steel is a crucial component in the development and modernization of society. And so it will remain in the future. Steel is part of the solution to some of the major challenges facing the world. Stronger and lighter designs mean improved safety, longer-lasting products, reduced energy consumption and therefore lower emissions.

2015 was a challenging year, marked by weak global demand. Concerns about developments in China, low oil prices, and destocking by many customers contributed to a contraction of the European market for merchant bar, which includes engineering steel. Industrial output in markets relevant to Ovako showed a mixed trend. Sweden and the EU area as a whole showed growth, while Finland and Germany lost ground.

Ovako's sales volume and revenues were slightly weaker than in the previous year, as a result of the slack demand. Net profit was also impacted by a weaker sales mix and falling scrap prices. In the final quarter of 2015 Ovako's order intake developed positively compared with the same quarter in 2014.

Multiple initiatives to boost competitiveness

In October 2015, Ovako announced a wide-ranging restructuring program to improve our cost structure and strengthen our commercial capabilities. Being competitive in this market requires us to adapt the group's production structure and costs.

In Finland and Germany, two of our key commercial markets, we must also find a more effective way to sell our products. In Germany, the largest European market for our products, we will further reinforce our sales focus to utilize the entire breadth of our product portfolio. In the Finnish market we initiated a con-

solidation of our two sales units in early 2016, following earlier acquisitions.

The restructuring program continues on schedule. Certain initiatives have taken place at a more rapid pace than planned, such as a shift reduction in Hofors, which was fully implemented by January 1, 2016. The annual cost savings from the program are expected to be EUR 45 million, with full effect in 2018.

The savings are expected to be approximately EUR 18 million during 2016. One part of the program is intended to reduce our workforce, something that has unfortunately proven inevitable. By the beginning of 2016 approximately 100 co-workers had left the company, of the total planned reduction of 250 under the program. This has been achieved mainly through voluntary solutions and a reduction of temporary workers.

In parallel with this, our determined efforts in marketing and technology have proceeded in order to develop Ovako's position in the market segments where we are a world leader. The investment in the metallurgical platform in Hofors is being implemented according to plan, and will enhance our offering in advanced applications for clean steel.

Ovako's organization was revised from March 1, 2016 to further strengthen our commercial capabilities, to be closer to our customers, and to be more agile. Five business units became four, while a new unit, Group Sales, was established.

Safety – our top priority

We further intensified our safety efforts in 2015 by implementing a safety program with a common framework and priorities. Several initiatives aimed at both managers and co-workers were conducted, such as safety days and a safety conference.

Continued strong commitment from managers and co-workers, and integrating safety awareness into our day-to-day work, will be critical to the success of our quest for safer workplaces and fewer accidents. The safety efforts of recent years have paid off, and we are seeing an improved accident rate, but we are far from satisfied. Safety will remain a priority for Ovako.

»Ovako offers clean steel, and we are a world leader in a number of areas. With the measures taken in recent years, we are also making ourselves well placed to become more effective and to improve proximity to our customers, and therefore to achieve long-term profitability.«



Our continuing journey

We have plenty to be proud of. We offer clean steel, and we are a world leader in a number of areas. With the measures taken in recent years, we are also making ourselves well placed to become more effective and to improve proximity to our customers, and therefore to achieve long-term profitability. In other words, a good starting point for the journey we face.

We currently have an excellent approach with our strategic priorities – Profitable Growth, Great Processes and One Group. Success will require us to work systematically in safety and with our leading-edge products. We need to improve the effectiveness of sales efforts and find new ways to benefit from having the world's best steel and a number of world-leading products. The restructuring program is also an important part of this.

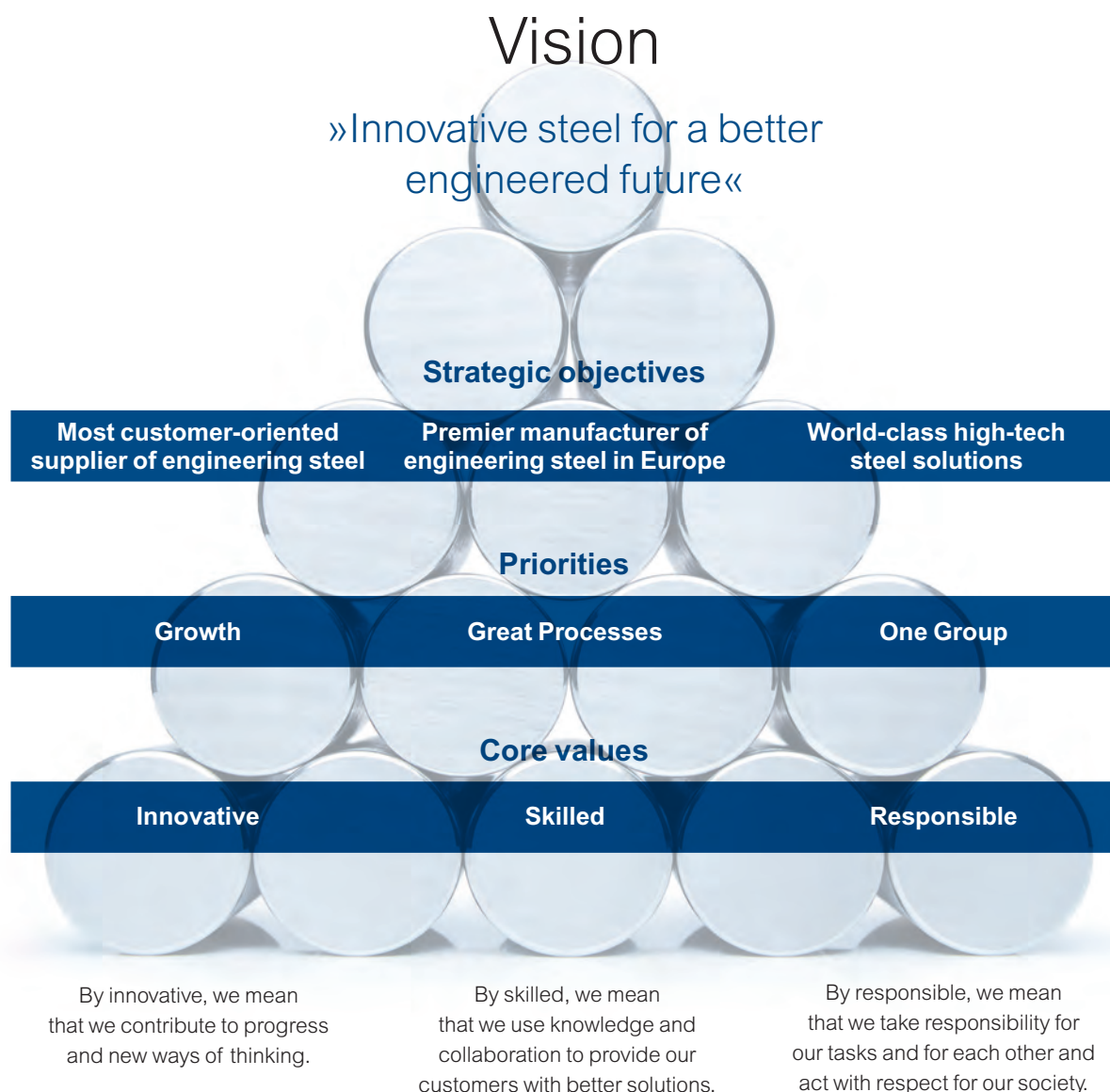
One clear trend that benefits us is the demand for more fuel-efficient vehicles. Using higher quality steel maintains identical functionality at lower weight. We regularly meet with our customers to identify better solutions through the use of higher quality and cleaner steels. This is where Ovako can contribute. The knowledge of steel properties places us in a good position

to deliver this type of steel. Our contribution to a sustainable society and a cleaner world is by developing steel that enables higher power density, which ultimately leads to more fuel efficient vehicles.

Ovako's leadership team has now begun work to solidify our future journey. We will remain responsive to the views of both customers and co-workers on how we can continue to develop and be part of the solution to our customers' problems and challenges. I am convinced that the restructuring program will make us more disciplined, and allow us to find ways to become a more agile organization.

In many respects, Ovako has a good position from which to pursue a successful long-term business. Building on our strengths and on the steps in our development now being taken, I look forward to leading Ovako and to creating value for our customers, co-workers and shareholders.

Marcus Hedblom
President and CEO



Business concept

Ovako works closely with its customers in the transport and manufacturing industries, and selectively enters into strong partnerships with 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. To best meet customer needs, Ovako's approach is decentralized and flexible, and decision paths are short.

Strategy based on long-term demand

Ovako's overall strategy is intended to create an attractive position for the long-term in the European steel market, by continuously developing the product offering and strengthening customer relationships, and by being a leader in engineering steel. All work at Ovako should be founded on the company's vision, core values and strategic objectives.

Strategic objectives

Ovako has three strategic objectives: to develop existing strengths with the objective of becoming the most customer-oriented supplier of engineering steel; to be the premier manufacturer and supplier of engineering steel in Europe; and to supply world-class high-tech steel solutions.

Most customer-oriented supplier of engineering steel

Through long-term relationships Ovako will become a supplier throughout the lifecycles of its customers' products. This position will be achieved by continuing to adapt to our customers' value chains, through increased integration with our customers' product development, and by offering a high-quality service concept and reliable delivery.

Premier manufacturer of engineering steel in Europe

Ovako will achieve a strong position in the European engineer-

ing steel market by growing organically in existing and new geographical markets, as well as through acquisitions and mergers. Ovako will also continuously establish a broader international position within selected niche areas.

World-class high-tech steel solutions

Ovako's world-class products are based on leading application development, metallurgical expertise and production technology. Long-term investments in safe production equipment, personnel, and research and development, together with a highly reputable brand and associated attribute brands, have laid the foundation for the company's strong offering.

Priorities

Ovako has a strategy to become a leading European manufacturer of engineering steel. Ovako is prioritizing three areas over the long term in order to achieve its financial targets and strategic objectives: Growth, Great Processes and One Group. Each area has a number of sub-targets. Working with these priorities means that in the long term Ovako will be equipped to handle the challenges, and to draw benefit from the opportunities, that are brought about by the ongoing structural changes in the steel market.

Growth

Ovako has in recent years implemented a number of measures in order to ensure long-term growth and competitiveness. This includes the development of new and more efficient sales processes with a focus on the customer, and the development of new applications for creating growth in niche segments.

Over the past two years, Ovako has emphasized its offering by gathering its families of steel grades into five attribute brands. Understanding where our customers use our products is crucial, and the development of new applications has therefore been given special priority. Development work is often conducted in close collaboration with customers and partners. An important component is to invest in future technologies and eco-efficient solutions and to produce more effective products without higher

costs for customers.

One important component of Ovako's growth strategy is increased presence in new and existing markets. This means mainly markets where the opportunities for growth are considered to be good, such as in Southern and Eastern Europe, and in Asia. Through its presence in more markets, Ovako is better able to support its customers, while its international position is broadened in specific niche products.

Great Processes

A comprehensive effort to streamline Ovako's processes has been ongoing for a number of years. The goal is for Ovako to strengthen our proximity to customers with a decentralized and flexible approach, reducing lead times, increasing security of supply and reducing costs.

In autumn 2015, Ovako announced a restructuring program to adapt the operations to the current and expected demand. The program, which replaces the previous cost-reduction program, includes annual savings of EUR 45 million, with full effect from 2018. Read more on page 11.

Continuing to invest in the steel mills is critical to increase efficiency and achieve long-term profitability. During the year, Ovako's focus on the metallurgical platform in Hofors was also

expanded. Following successful testing with a larger ingot size, a decision was taken to invest in activities for advanced applications for clean steel. During 2016, production and shipment will begin of larger ingots from Hofors in order to meet increased demand from the energy sector. This is one of several important steps that also develop and strengthen Ovako's customer offering.

One Group

Ovako is focusing on enhancing internal coordination in order to benefit from economies of scale within the group, and on acting as one company. In line with this, there is one common brand platform, with a strong corporate brand, and specific attribute brands with distinct application areas for customers. See page 15. In order to achieve optimum functionality in all areas of its business, Ovako is placing a focus on research and development throughout the production chain, and on sharing of best practice internally.

The dedicated work of recent years has today made Ovako a more efficient company, with group-wide capabilities and common policies in areas such as safety, health and environment.

Safety has remained a priority issue throughout the year. The corporate Safety at Work program was implemented to improve health and safety, and training and safety days have been completed for employees at all levels of the operations. Ovako's continuous improvement in safety will continue during the coming years. Read more about Ovako's safety efforts on page 21.

One critical factor for the development of the company is skilled employees with a good understanding of customer needs. Leadership plays an important role in all employees' skills development, and a platform for leadership development was therefore produced during the year. The model for performance and development dialogues was further developed, and the aim is that all employees will be included in 2016.

Implementation continued during the year of Ovako's corporate vision and core values. The core values, which describe the company's culture, will help steer the organization by supporting its strategy and long-term objectives.

Strategic priorities 2011 – 2015

	Growth	Great Processes	One Group
2011	Increased levels of product specialization. Several investment decisions made in accordance with the strategic direction of future growth segments. Decision to strengthen the sales organization in Europe.	Production processes optimized for the manufacturing of clean steel for bearings. Decision to invest in a new peeling line in Hällefors and a new ring mill in Hofors. Decentralized and flexible working approach introduced.	Tom Erixon takes over as CEO and new group management formed. Coordination of the sales function. Measures implemented to achieve a more flexible cost structure.
2012	Focus on identifying development potential for new product and customer segments. Broadened offering in Germany and the US. Investment in future technologies, including new tube technology to address demand for bearing steel in larger dimensions. Expansion of sales organization in Eastern Europe and Russia.	Cost saving initiatives and actions to achieve a more flexible cost structure. Strategic initiatives implemented to become a more customer-oriented supplier. Extensive investment in, among other things, new a new de-dusting filter in Smedjebacken.	Establishment of more effective innovation structure. Central organization strengthened for increased coordination. Streamlining and development of joint capabilities in sales, finance and IT. Key account managers introduced for largest global customers.
2013	Launch of improved version of M-Steel®. Focus on organic growth through development of new steel materials based on clear customer needs. Increased focus on Southern and Eastern Europe and China/Asia through acquisitions and establishment of new sales offices. Establishment of new structure for sales units. Establishment of service center in China.	Operational Excellence implemented in selected parts of the organization. Continued implementation of the investment program.	Joint capacity developed in sales, finance and IT. Development of joint brand platforms. Establishment of best practice culture throughout the group.
2014	Launch of three new attribute brands IQ-Steel®, BQ-Steel®, WR-Steel®. Continued focus on meeting customer needs through development of new applications and presence in more markets.	Operational Excellence implemented across the entire group. Installation of new continuous casting machine in Smedjebacken. Investment in a new heat-treatment furnace in Imatra.	New vision and new core values developed and implemented. Ambitions and objectives developed for several areas of Ovako's sustainability initiatives. Consolidation of Ovako's product management and development organization continues.
2015	Launch of new attribute brand SZ-Steel®. Decision to invest in production of larger ingot sizes in Hofors. Acquisition of Tibnor Oy in Finland.	Restructuring program for 2015–2017 announced to improve efficiency. Three shifts introduced at steel, heavy rolling and tube mills in Hofors. Further focus on continuous improvement in production, administration and purchasing.	Marcus Hedblom takes over as CEO. Implementation of the corporate Safety at Work program. Model developed for performance and development dialogues.

Ovako's restructuring program 2015–2017

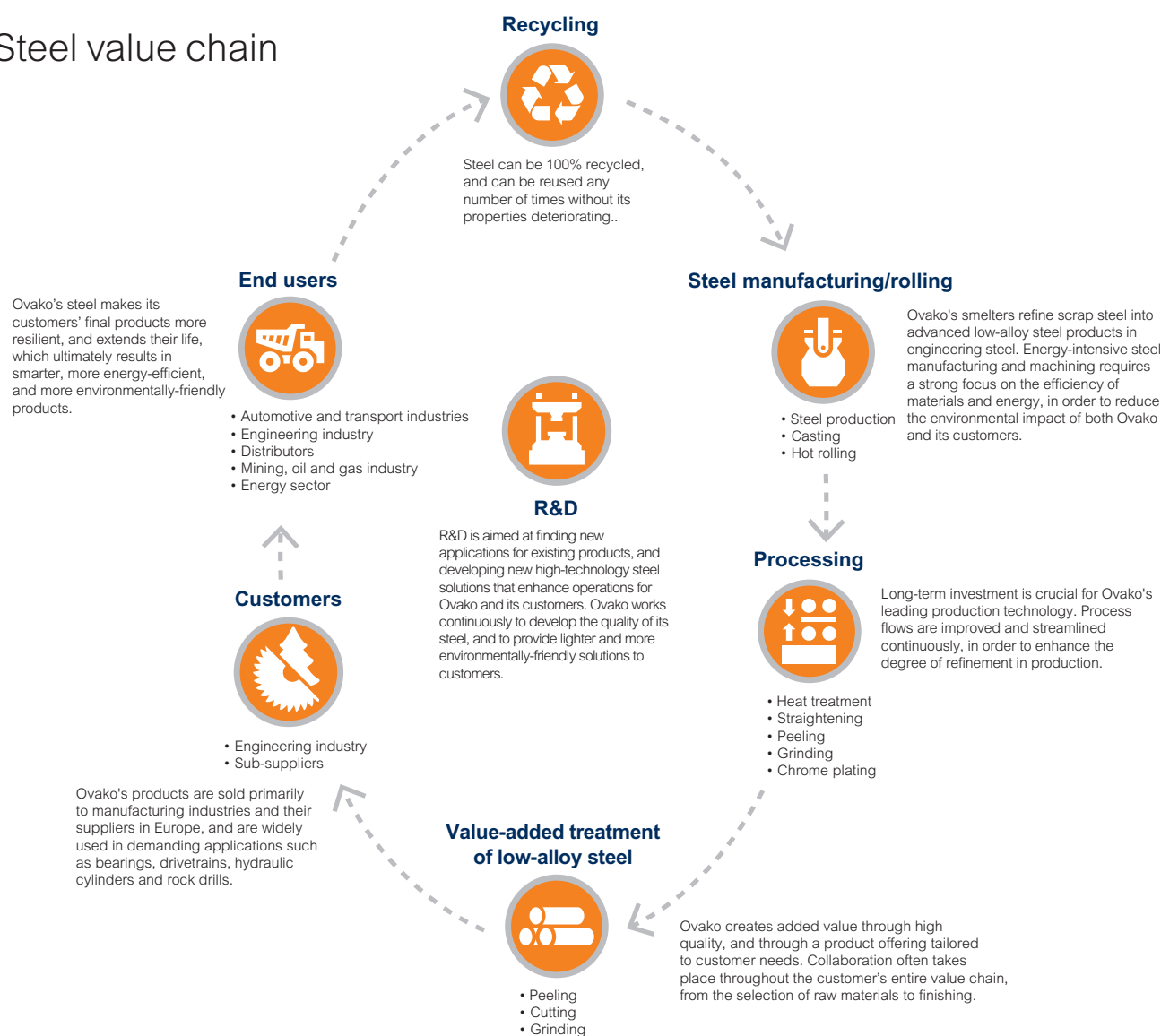
In autumn 2015, Ovako announced a restructuring program to adapt the production structure and cost base to current and expected demand. The program is being implemented over two years, with full effect from 2018, and will positively contribute to profits from 2016 and 2017, as the measures are implemented. Along with the development of detailed plans for the significant transitions that will take place, the total expenditure related to the program will be estimated with better accuracy. The financial effects are initially estimated to be:

- Cost savings of EUR 45 million annually, with a reduction of approximately 250 full-time employees, mainly in Sweden and Finland
- Total cost of approximately EUR 10 million during 2015 – 2017, attributable to personnel reductions and other costs
- Investment requirement of EUR 10 million during 2016 – 2017, within the scope of normal investment capacity of approximately EUR 30 – 35 million annually

In order to reduce costs and improve efficiency, the entire Group is encompassed within the changes. Ovako's customers will not be affected since the existing product range will be retained, both during and after the transition. The program also includes a maintained focus on continuous improvement in production, administration and purchasing, but the main structural initiatives are:

- Closure of the rolling mill in Hällefors, with relocation of production volumes to other Ovako units
- Closure of the production and distribution unit in Forsbacka, in order to relocate manufacturing volumes to other Ovako units
- Closure of the distribution center in Turenki, and consolidation of distribution in Finland to the newly acquired facility in Tampere
- Transition from four to three shifts in the steel mill, heavy rolling mill and tube mill in Hofors

Steel value chain



Continued slow recovery

The environment in which Ovako conducts business is being changed by developments in the steel market, and by global macroeconomic trends. Through extensive knowledge of the industry, and by considering long-term trends, Ovako is able to benefit from the drivers that enable long-term value creation.

Long-term trends

The world is developing at a rapid pace, and the steel industry is greatly influenced by changes in the global economy. Since the financial crisis, the global steel market has been characterized by overcapacity. In order to maintain its position in the market, Ovako continuously analyses current market trends and their impact on operations.

Ongoing urbanization means there is a long-term underlying need for steel in our societies. In the shorter term, however, the steel industry is being influenced to a large extent by economic fluctuations. Europe is experiencing a cautious recovery, especially in consumer-related markets.¹ European steel companies are also benefiting from a weak euro and a stable export industry.

China's economic development has weakened in the past year, which means the country is no longer shouldering the role of global growth engine. Chinese steel demand is expected to decline, while its production volume is leading to considerable overcapacity, which has consequences for the global steel market.

Due to current developments, the steel market is characterized by both overcapacity and consolidation. For Ovako and other companies, this means a more competitive environment and the need to adapt operations to the relatively slow transition and the high cost pressure. The weakened market situ-

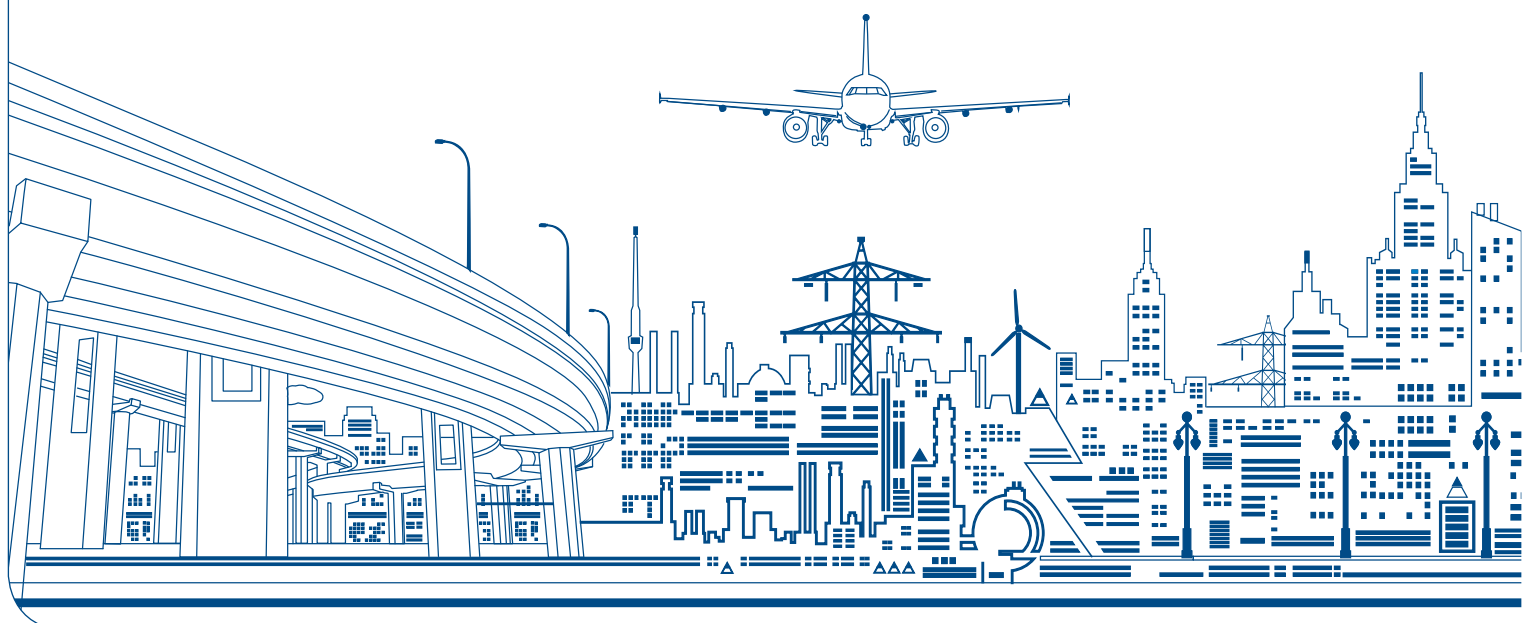
ation and the structural shift in demand also require greater efficiency.

In line with the move towards a more sustainable society, everyone needs to take broad responsibility. Ovako conducts its operations responsibly throughout the entire supply chain, and in close cooperation with customers, to ensure sustainable and high-quality steel solutions for the long term. Customers also require that steel solutions are tailored to their unique needs and specific purposes, such as advanced engineering steel.

World economic development is also strongly affected by digitization and its potential. Digital integration of the business is also an opportunity for steel companies. At Ovako, we use a sales support system called OvaTrack. This allows customers to download new product information and place new orders, and OvaTrack is now being used by customers in 35 countries. A large proportion of sales are currently transactional, but Ovako is working continuously to increase the proportion of consultative selling. The use of OvaTrack releases time from transactional sales that can instead be dedicated to working proactively with customers. Ultimately, this will lead to improved efficiency and increased automation. Developing solutions that are less costly and less capital intensive for our customers is an opportunity for Ovako.

Global trends affecting the steel market

- Macroeconomic development and urbanization.
- Economic fluctuations.
- Overcapacity and consolidation.
- Customized sustainable solutions.



1.5 billion tons

The global steel demand in 2015 according to the World Steel Association

Our customers and their customers

Ovako produces high-quality engineering steel with high strength and wear resistance. Ovako is the only Nordic producer in this product segment, and holds a leading position in the European engineering steel market and in a number of global niches. Ovako's competitiveness lies mainly in its ability to offer customers added value through superior steel quality, customized products, and one of Europe's broadest product portfolios.

The automotive and transportation industry is Ovako's single largest end-user segment. The passenger car industry has accounted for strong performance in 2015, and the increasing demand from this industry has been a major driving force for the whole steel sector.¹ Ovako's share in this market segment is relatively small, but growing. The products meet rigorous customer demand for high purity, strength and good wear resistance. Ovako offers standard steel and ultra-high clean steel, enabling smaller and lighter components for both light and heavy vehicles, which results in higher power transmission and greater fuel efficiency.

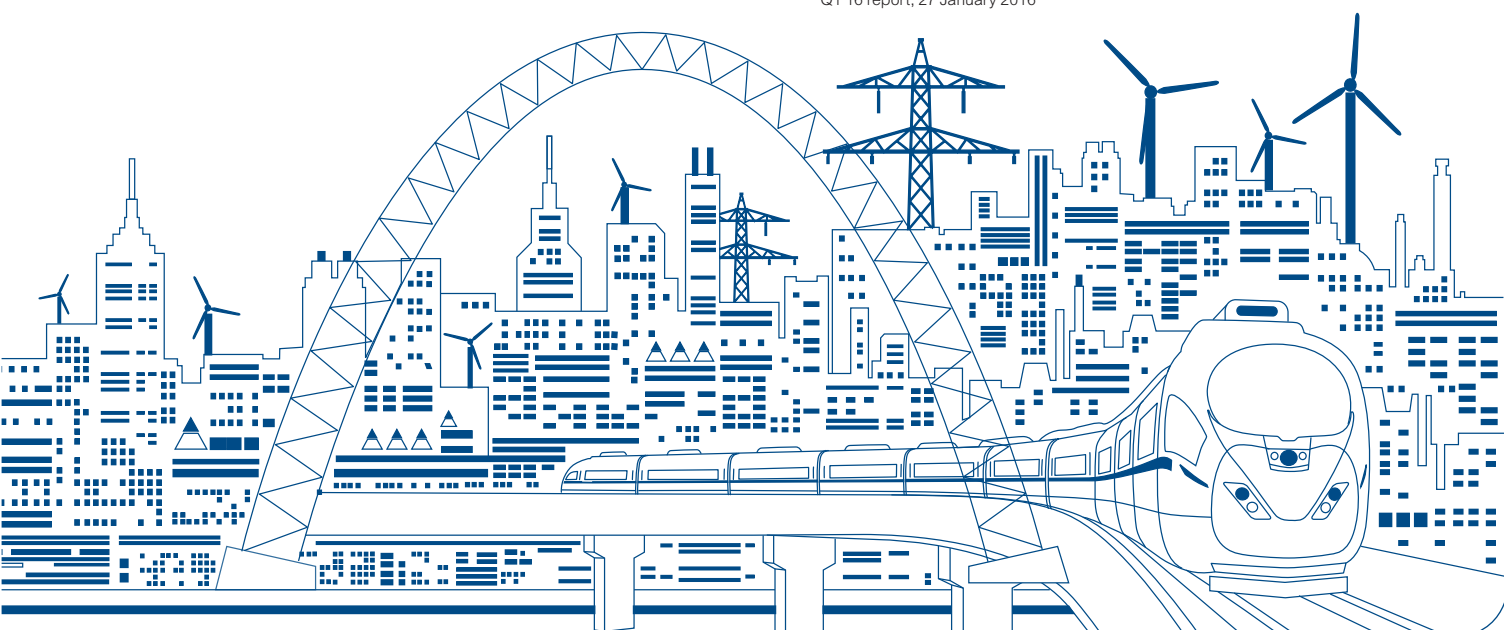
The engineering industry is Ovako's second-largest end-user segment. Ovako's products are used mainly by European companies and their suppliers, in demanding applications such as bearings, drivetrains, hydraulic cylinders and rock drills. As leading premium manufacturers, these customers have high demands on the properties of the steel.

Distributors are an important channel in several areas, for example in the Nordic market, although Ovako's sales are made mainly directly to suppliers and end customers. A particularly important product family in distributor channels is Ovako's products made from M-Steel®, with enhanced machining characteristics.

The mining, oil and gas industry is the segment most affected by falling oil prices and volatile commodity prices. Investment in the oil sector has declined in many countries, but this negative trend is expected to slow slightly next year.¹ The end-user segment makes up only a small proportion of Ovako's sales. These customers require steel for harsh environments, often with particularly intense requirements in terms of impact resistance and wear resistance.

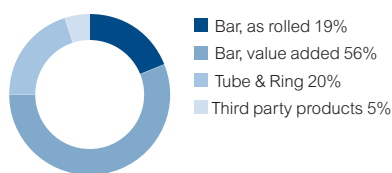
The energy sector developed favorably during the year, and Ovako benefited from increased demand. The transition to a more climate-neutral system is a key driver of demand. The end-customer segment is relatively small for Ovako, but the positive developments are driving the market for advanced applications using clean steel. During the year, Ovako decided to invest in order to address the growing demand, particularly from wind power, and to be able to ensure greater quality and service life.

¹) Source: Eurofer, Economic and Steel Market Outlook 2015-2016, Q1'16 report, 27 January 2016

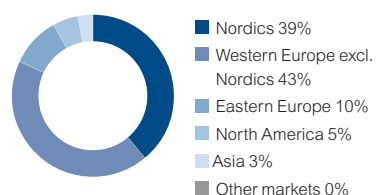


Steel market development in 2015

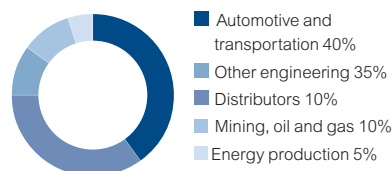
Sales by product %



Sales by market %



Sales by end-customer segment¹ %



1) The data presented is rounded to the nearest 5% interval. For sales of ball bearing products, the end user segment is evaluated based on our customers' operations.

Global demand for steel has decreased in 2015, and weak growth is expected in 2016, according to the World Steel Association¹. EU steel consumption grew by 1.1 % in 2015, and expectations for 2016 are around 1.4 %, according to the European trade organization Eurofer².

The European market for merchant bar, which includes the engineering steel produced by Ovako, remains at a low level. According to Eurofer, growth in the European market for merchant bar was -1.3 % in 2015, compared with 2014. EU deliveries of merchant bar decreased in 2015 by 1.2 %, compared with 2014.

In 2015, production of alloyed crude steel³ in Sweden decreased by approximately 2 %. It is still clear that the production rate has not recovered since the financial crisis of 2008–2009. Production increased slightly after the base year 2009, but has since declined on an annual basis, with the exception of 2011 and 2014.⁴

Competitive situation

While the industry as a whole is characterized by consolidation and capacity reduction measures, suppliers that offer their customers added value, value-added products and advanced technical applications have a favorable position. With a high level of metallurgical expertise, and leading application development and production technology, Ovako is benefitting from higher demand for specialized products.

In addition to Ovako, the European market consists of around ten companies from Germany, France and Italy. The presence of companies from beyond Europe is limited. By providing high quality and a product offering tailored to customer requirements, Ovako has positioned itself as an attractive partner.

Only a few companies other than Ovako can today address the demand for advanced steel solutions from a number of global niches, such as bearing steel, and steel for mining tools and diesel injection. These niches are an increasingly important market for Ovako.

1) Source: World Steel Association, Short Range Outlook, Table by Region 2015-2016, 12 October 2015

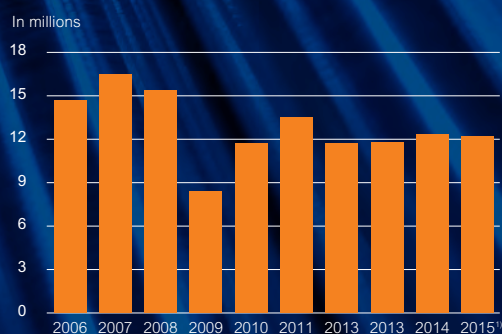
2) Source: Eurofer, Economic and Steel Market Outlook 2016-2017, Q1'16 report, 27 January 2016

3) Alloyed crude steel includes both stainless steel and other alloy steel, known as special steel

4) Source: Swedish Steel Producers' Association (Jernkontoret), January 2016

Market development

Supply of long products in Europe



1) December 2014 - November 2015

Source: Eurofer Market Supply Summary



Competitive offering in collaboration with customers

Ovako's longstanding experience in producing steel solutions tailored to customer needs means that the company has created unique expertise and a competitive advantage. Ovako creates value by working closely with its customers, and by continuously adapting and developing its offering. During the year, Ovako's offering was supplemented through the launch of the SZ-Steel® attribute brand.

Ovako adds value

Ovako's value creation takes place primarily in close collaboration with its customers. Finding new areas of application for existing products, or developing new high-tech steel solutions tailored to customer needs, is a shared ambition.

In order to further develop the range and reach out to new and more markets, Ovako's research and development work is conducted within networks of dedicated clusters, specialized in steel manufacturing, metalworking and product characteristics. These clusters cut through Ovako's geographical and functional units, while overlapping each other in order to increase the exchange of knowledge within Ovako, and to create the best possible benefit to the customer.

Collaboration throughout the customer's value chain

Since the operations are highly adapted to customers' production processes and final product applications, Ovako often collaborates with its customers throughout their value chain; from the selection of raw materials to finishing. The customer often has an idea, and increasingly requests collaboration during the development process rather than with the finished product. These processes enhance Ovako's understanding of customer needs, and ultimately help to develop even more customized solutions. At the same time, the customer benefits from improved awareness of the applications for Ovako's product categories.

The principal categories are many types of bar, tube, ring, grinding balls and hard-chrome products. Ovako also offers more added-value products like SP-Bar, Q&T, Special Profiles and Customized Products.

Optimized production flows within the Group have enabled a broader offering of engineering steel. This also improves Ovako's position when initiating cooperation with new customers in new markets, where similar products are not available. Through different flows, Ovako offers various additional services such as heat treatment, warehousing and freight.

Ovako's attribute brands

Efforts to enhance the customer offering are an ongoing and continual process. Ovako has chosen to bundle parts of its customer offering under different attribute brands, with each attribute brand containing a number of products. The fifth attribute brand, SZ-Steel®, was launched during the year as a complement to the existing M-Steel®, BQ-Steel®, IQ-Steel® and WR-Steel® brands. These attribute brands are used to group Ovako's products into different areas of application, such as good impact strength at low temperatures (SZ-Steel), improved wear characteristics (WR-Steel) and excellent fatigue properties (BQ-Steel and IQ-Steel). The attribute brands have created a clear and highly competitive customer offering within the selected areas.

Ovako's attribute brands



IQ-Steel®

IQ stands for Isotropic Quality. IQ-Steel is an attribute brand used for steel with excellent multi-axial mechanical properties, both along and across the rolling direction. IQ-Steel has in recent years consolidated its position as one of the world's cleanest steels. The fatigue strength of hard steel is governed to a large degree by slag inclusions in the steel and, particularly, by their size, chemical composition and shape. The explanation behind IQ-Steel's fatigue properties is that the inclusions have been optimized and their size reduced.

A good example where the unique characteristics of IQ-Steel are beneficial is in modern diesel injection systems. Ovako has long supplied steel for diesel injection systems in cars, trucks and ships. Tough demands for fuel consumption have resulted in increasing pressure in diesel systems, which in turn imposes more demands on the steel. Calculations have shown that CO₂ emissions for cars with diesel injection that uses IQ-Steel have been reduced by a total of 80 million tons over the past 10 years. The properties of this steel are being sought by increasingly many industries, and Ovako works continuously together with its customers to develop additional applications for IQ-Steel.

BQ-Steel®

BQ-Steel, in which BQ stands for Bearing Quality, is an attribute brand used for high-clean steel, with a cleanliness normally required for use in bearings. The cleanliness of Ovako's BQ-Steel has been a crucial factor in today's bearings having an almost unlimited life. BQ-Steel is available in a wide range of grades, as everything from carburizing steel, quenched and tempered steel, nitride steel and bearing steel. There are today examples of BQ-Steel use in many of the products from the world's leading truck manufacturers. One of the major challenges ahead is to work with customers to identify more application areas for BQ-Steel.



M-Steel®

The M in M-Steel stands for Machinability. M-Steel is an attribute brand used for steel with improved machinability, which means that the steel can increase productivity and improve tool life. This characteristic has been giving Ovako's customers a competitive edge for over 30 years. More than 400 companies worldwide, including in the automotive and engineering industries, use M-Steel in the manufacturing of their products. During this time, Ovako's research and development department has accumulated experience and has used this to continuously improve the material properties and machinability.

Thanks to M-Steel, the service life of cutting tools can be extended many times. Moreover, the speed of machining can be increased by 30 percent.

Tests also show that the steel can reduce machining costs by 30–40 percent. The explanation behind M-Steel is its chemical composition, and the shape and grain size of slag inclusions in the steel.



WR-Steel®

WR-Steel, in which WR stands for Wear Resistance, is an attribute brand used for steel with good abrasion resistance. As the name suggests, these steels are used primarily for their high wear resistance, which is needed in demanding applications. Examples of applications for WR-Steel are parts exposed to wear and tear, such as in machinery for agriculture and forestry, all-terrain vehicles, and various products in the mining industry. One example of Ovako's WR-Steel is our boron steel, which is used for wear parts.



SZ-Steel®

The SZ in SZ-Steel stands for Sub-Zero, and SZ-Steel is an attribute brand used for steel with high strength, even at very low temperatures.

SZ-Steel is used for many types of products in areas such as the oil and gas industry. One example is for bolts used at very low temperatures, where the steel needs to be extremely tough to ensure both performance and safety. High-strength steel is needed in many applications, and unfortunately steel normally shows increasingly brittle behavior at lower temperatures. Ovako's SZ-Steel has been specifically developed to be sufficiently tough at low temperatures.

Better customer outcomes through collaboration and knowledge

Close customer collaboration is Ovako's key to success. Understanding current and future customer demands means it is important to maintain a dialogue that also involves the end users. These are normally our customers' customers.



»Through cooperation along the value chain, we achieve a better understanding of the challenges faced by our customers, in order to better recognize what they are asking for.«

Senior R&D Engineer Joakim Fagerlund (right) focuses on helping customers to understand their future material needs.

How are customer demands changing?

It is becoming increasingly critical for us to have a better understanding of the challenges faced by our customers, in order to better recognize what they are really asking for. Cooperation along the value chain, and looking beyond the first step, allows us to support product development at an early stage.

One of the key drivers in the automotive industry is emissions legislation, with CO₂ reduction as one of the main targets. Emissions thresholds are continuously being cut globally, with the EU being the first region to require 95g CO₂/km by 2021. This is a huge challenge for most OEMs in the automotive industry. Increasing the degree of electrification and hybridization of the powertrain will be part of the solution to meet this regulation, so helping to make room for these competing systems in a restricted space requires the ability to manufacture smaller components and systems that can withstand the same loads. By using clean steel from Ovako, the power density can often be increased.

The main driver for trucks is handling higher torque in current or future generations of transmissions alongside emissions legislation, and a move to cleaner steel will often permit an increase in torque or power density, perhaps without having to make major changes in the design. Higher power density and lower weight mean better loading capacity.

Ultimately, it comes down to steel cleanliness, which hasn't really been a parameter in steel purchasing until now, but is becoming more and more important as demands intensify.

What does customer collaboration encompass?

All partnerships are unique, but we do generally see that our involvement with end users at an early stage results in better solutions than if we are brought in at a later stage. Most companies also have many different functions that need to be involved, so we tend to talk to everyone from purchasing to research and development in order to come up with the best suggestions to support the customer product. Other stakeholders and external partners along the value chain are often brought in as well, to ensure that we help the customer achieve their goals.

What is the main benefit for Ovako?

First and foremost that we can deliver better material solutions to our customers. If our customers are satisfied, it is more likely we will be able to have a long-term partnership. A mutual understanding of how we work, along with strong relationships, is good for all parties involved. Quite often we also help support our customers in understanding what material solution or product they really need, which is normally greatly appreciated.



As a Senior Specialist, Lily Kamjou focuses on the future challenges in the Powertrain area.

Ovako's responsibility

Ovako takes responsibility for conducting its business in a sustainable manner from all aspects. This includes quality, customer relations, employees, safety, and the environment.

Ovako's responsibility is embodied in a group policy for industrial safety, health and environment, and in the company's code of conduct and core values. Sustainability work is based on applicable legislation in areas such as the environment and occupational health and safety, and is complemented with the company's own long-term initiatives to ensure social, ethical and environmental responsibility.

During the year, our sustainability work has been structured further. Ambitions and objectives in several areas, such as occupational health and safety, have been drawn up in order to

ensure the entire business works in the same direction.

Ovako is certified under the ISO 14001 international standard for environmental management systems. Operations are quality certified according to ISO 9001, and some units have also been certified under ISO/TS 16949 for the automotive industry, and OHSAS 18001 for occupational health and safety management systems. During the year, both Hofors and Hällefors were certified under ISO 50001 for energy management systems, a certification already held by Boxholm and Smedjebacken.

Ovako's sustainability targets

Field	Ambition/target
Employees and working environment <ul style="list-style-type: none">• Safety• Performance management• Succession planning• Leadership• Health	<ul style="list-style-type: none">• Reduce the accident rate.• Implementation of Ovako's Safety at Work program throughout the group.• Strong leadership that enables growth, retaining at least 95% of employees under the age of 35.• 50% of external recruitment to white-collar positions should be female, with a higher proportion of women in production.• Maintaining health during the entire period of employment.
Society	<ul style="list-style-type: none">• Be an attractive employer.• Continued support for partnerships with local communities and businesses.• Invest in selected local sponsorship.
Environment	<ul style="list-style-type: none">• Use scrap-based production.• Increase utilization of residual products.• Reduce energy consumption.• Minimize emissions to air, land and water.

Roles in society

Ovako has a long tradition of working in, and engaging with, the communities where the company has production facilities. In many of these locations, in both Sweden and Finland, Ovako is a dominant employer, and works closely with the local community by engaging in activities to promote local growth. Ovako is proud of its local presence, and remains responsible in its local communities.

In order to secure its own operations and the industry's future skills needs, Ovako has collaborated with colleges and universities in both Sweden and Finland for a number of years. Engineering students are offered the opportunity of graduate work and traineeships in both countries. In Hällefors, Smedjebacken and Hofors, for example, there is an ongoing collaboration with

Teknikcollege, which provides high-quality technical training in close cooperation with several Swedish technology and industrial companies. Ovako's competitiveness depends on engineers, as well as on electricians and mechanics. Teknikcollege aims to promote interest in technology and technology-related courses, which is why it is an important partner for the company.

Ovako has for some years been involved with selected local business organizations that work to promote local entrepreneurship and growth. Some examples of this collaboration are Entré Hofors, Samarkand2015, and Triple Steelix, which are regional developmental initiatives between industry, local authorities and universities to strengthen the steel and engineering industries in Bergslagen. In Finland, Ovako is a member of Finncham, the

Chamber of Commerce of South Karelia, which aims to promote the competitiveness of local business. In addition, Ovako sponsors local sporting activities.

In 2014, Ovako began collaboration with "Äntligen Jobb", a project run by the Swedish Public Employment Service. The aim is to secure the long-term supply of skills and to facilitate the integration of new arrivals into Swedish society by offering internships and then possibly employment. In addition to Ovako, Volvo, ABB, Sandvik, SSAB and E.On are participating in the project, which is also taking place in collaboration with Teknikföretagen and the Swedish Association of Graduate Engineers.

Ovako participates in the Metallic Materials strategic innovation program. This program brings together Sweden's metal industries: steel, aluminum, cast steel, cast iron and

cast non-ferrous metals, and is an initiative run by VINNOVA in collaboration with the Swedish Innovation Agency, the Swedish Energy Agency and the Swedish Research Council Formas. The idea behind the initiative is to increase innovation in industries that are important for Sweden, and that have the potential to become even more important, by encouraging collaboration between industry, government and academia.

Ovako has signed the World Steel Association's Sustainable Development Charter, which means that the company complies with the policy on sustainable development established by the World Steel Association in 2012. Ovako is a member of the Swedish and Finnish industry bodies and their European equivalent, Eurofer. Through these collaborations, Ovako participates in work to promote environmental issues and other sustainability issues.

Stakeholder dialogue

Ovako maintains ongoing dialogue with relevant stakeholder groups that influence, or are influenced by, Ovako's business. This dialogue is an important part of Ovako's continued development, as it helps to expand the knowledge of how stakeholders view the business, offering and sustainability efforts.

Being attentive and listening to stakeholders is particularly important during times of change, and, both in advance of and during the restructuring program announced in October 2015, Ovako has held discussions with a number of stakeholder groups that are considered particularly relevant in this context, such as to address particular needs or to initiate enhanced collaboration.

Ovako's most important stakeholders are customers, co-workers, suppliers, partners, wider society and professional organizations. The table below presents the most significant issues that have arisen in dialogue with each stakeholder group in recent years.



Stakeholder group	Dialogue	Monitoring	Key issues
Customers	Provision of products and services.	Customer satisfaction surveys, customer visits, ongoing dialogue.	Product benefits, quality and reliability.
Co-workers	Safety, the performance of the company, the industry and the co-workers, and technological development.	Employee surveys, workplace meetings, individual reviews, performance and development dialogues and training.	Safety, continuous improvement, efficiency improvement program and skills development.
Suppliers/Partners	Development and improvement of supply chain, working climate and conditions for well-functioning collaboration.	Ongoing dialogue in daily operations and agreements.	Quality, innovation, sustainability, common offering.
Society	Ovako's role and responsibility in society.	Ongoing dialogue and evaluation of projects and initiatives.	Role as employer, restructuring program, energy and social issues, promoting rural livelihoods and innovation.
Professional organizations	Best possible conditions for the steel industry.	Ongoing dialogue, joint evaluation of initiatives, cooperation within the framework of Swedish Steel Producers' Association.	Development of common standards, working conditions and promoting development of steel manufacturing.



Employees and working environment

Ovako has 2,905 people working in over ten countries. Its co-workers are a crucial factor in Ovako's performance in both the long term and the short term. The focus is to ensure that each employee possess the right skills and have a good understanding of customer and market needs. The overall objective is to ensure future growth.

Systematic safety efforts

Continuous improvement efforts in the day-to-day operations are the single most important measure to build a safer workplace and reduce safety-related injury. Behavior-based safety has been strengthened in order that all employees are made aware of how their own actions affect operational safety.

Ovako's Safety at Work corporate safety program, which was implemented during the year, sets the framework for the group's safety efforts, and clarifies what should be prioritized and how the work will be undertaken to achieve the set goals. A number of initiatives have been implemented within the framework of Safety at Work. For example, Ovako has reviewed the company's cranes and safety instructions, which was a comprehensive effort that will continue in 2016.

The overall goal is to have zero accidents occur-

Focus for Ovako's safety initiatives

- Zero accidents in the workplace.
- No one should be exposed to risks while working at Ovako.
- No psychological distress in the workplace.
- Ovako employees should be healthy throughout their working life and when they leave the company – both mentally and physically.

ring in the workplace. The accident rate has fallen by over 48 percent since 2011. There has been a substantial improvement, but Ovako continues to work intensely within Safety at Work to achieve its safety objectives. This requires the continued strong commitment of managers and employees, and further integration of safety issues into the day-to-day work.

Safety efforts are based on clear structures and working methods. Ovako always performs safety audits for investments and large projects. Legislation, regulations and requirements are reviewed, as well as internal rules that must be considered for purchasing, installation and use. Risk analysis of production processes has been a natural part of the business for a number of years. Ovako today sets tougher requirements for old plant, which means that safety is continuously improved.

Focus on professional development

Maintaining Ovako's competitiveness requires that its employees have the right skills. Continuous professional development is achieved through both training and learning during day-to-day work. The training platform is continuously reviewed and updated to ensure that Ovako employees assimilate knowledge in the best possible way. An important element in systematizing this work is the continuous review of existing training initiatives. By identifying the different types of expertise at the different sites, this knowledge can then be shared to other parts of the business.

The implementation of integrated learning was initiated during the year. Within this framework, a leadership development program has been drawn up. Ovako's leaders play a vital role in efforts with continuous learning. The program consists of e-courses, course literature, lectures, training sessions and discussion groups.

Ovako has continued to train employees on safety issues using similar methods. During the year, there was a follow-up internal safety conference with top company executives and a large number of team managers. The goal of this initiative is that managers should improve and broaden their knowledge of responsibility for safety efforts and how important their role is in driving this work forward. Various safety initiatives within the business will be prioritized in 2016.

The model for performance and development dialogues was further refined during the year, and now includes all white-collar


employees as well as parts of production. The aim in 2016 is for all employees to be included.

Health and wellness

Ovako's ambition is for all employees to be healthy, both during their working years and when they retire. This requires Ovako as an employer to be sensitive to how employees perceive their work situation. Ovako must also ensure that the workplace is matched to the individual's requirements in order for them to be able to perform in line with expectations.

Supporting health and wellness is proactively important. Ovako aims to deal with signs of poor health at an early stage by observing individuals and managing the warning signs. Health initiatives largely take place at a local level and include a focus on leadership, health promoters, fitness subsidies, exercise opportunities and financial support for leisure clubs. During the year there has been a review of providers of occupational health services, intended to harmonize the provision across sites. Ovako has begun a review of its rehabilitation procedures in parts of the organization. The goal is to make the process more effective by adapting it to the needs of the employee and business.

In connection with the restructuring program and the work of dealing with redundancies, there is a focus on helping employees to find new jobs, either within or outside the group.



»Safety is a priority issue, and Ovako conducts continuous improvement«



Environment

Ovako is working hard to reduce the environmental impact of both its own operations and its customers' operations. Within Ovako's own business, this is achieved partly through more efficient use of raw materials and energy, and by constantly trying to minimize emissions to air and water. Manufacturing and processing steel requires a lot of energy, and work is actively ongoing to make energy use more efficient.

While manufacturing steel has an environmental impact, Ovako's steel is used in products that help to reduce environmental impact at the end-user level. Learn more about Ovako's offering on page 15.

All of Ovako's activities have the necessary environmental permits for their operations that comply with each country's environmental legislation. During the year, Hofors and Smedjebacken renewed their environmental permits.

Ovako's operations in Hofors and Hällefors implemented the ISO 50001 energy management system during the year. As part of this work, all employees have undergone training in energy efficiency. This training has focused on a systematic approach to energy issues, and covered examples of measures to reduce energy consumption. The training has also played an important role in increasing engagement on energy issues locally.

Steel lifecycle

Steel is an important construction material, and is found everywhere in society. As a material, it can be recycled indefinitely without any loss of properties. Ovako's steel manufacturing

is completely scrap-based, making Ovako one of the Nordic region's biggest consumers of steel scrap. Scrap use means no new iron ore is mined for steel production, leading to reduced resource consumption and reduced emissions of carbon dioxide.

The scrap used in the operations is sorted and handled into different grades, depending on content, size and shape. The purpose of this is to optimally use the alloying elements contained in the scrap and thus reduce the proportion of new alloying elements that would otherwise have to be added. Actively working to optimize scrap sorting based on alloy content brings both economic and environmental benefits.

Local environmental work

Ovako's environmental work is conducted locally since the environmental impact of operations is primarily local. Each unit works with self-monitoring of its environmental impact. This is achieved through sampling and monitoring of emissions to air and water. In Hofors, for example, the filter connected to the extractor on the arc furnace was rebuilt in summer 2015. The new

filter has better features that reduce dust emissions from operations. Ultimately, this will lead to reduced dispersion of metals in the surrounding area, therefore also reducing the environmental impact of operations.

All operating sites work continuously on improving energy efficiency. This year, another heat-treatment furnace in Hofors was converted from LPG to electric, which reduces overall energy consumption and means that direct emissions of carbon dioxide and nitrogen oxides are eliminated. Safety is also considerably improved since LPG is no longer handled at the furnace. The completed conversions have exceeded expectations, and Ovako is therefore planning to conduct similar furnace conversions at more sites.

Smedjebacken switched from mains water to lake water for use in descaling. This has resulted in a saving of approximately 50,000 cubic meters of drinking water per year, and an annual cost saving of approximately SEK 600,000.

During the year, Smedjebacken signed a 10-year contract with NCC Roads to supply steel slag. Steel slag is a residual product in Ovako's manufacturing, used as aggregate in asphalt to provide more stable and quieter roads. The use of steel slag contributes to increased resource management in quarries, reduced mining and crushing of new aggregate, reduced emissions, and the need for less frequent re-laying. This also means less disruption to traffic and lower costs.

»Ovako's environmental work is conducted locally since the environmental impact of operations is primarily local.«



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Statutory administration report

The Board of Directors and CEO of Ovako Group AB (company registration no. 556813-5361) hereby submit their annual report for the operations of both the company and the group during 2015.

Operations

Ovako develops high-tech steel solutions for, and in cooperation with, its customers in the transport and manufacturing industries. Ovako's steel makes our customers' end products more resilient and extends their useful life, ultimately resulting in smarter, more energy-efficient and more environmentally-friendly products.

Ovako's customers are found mainly among the European engineering industries and their suppliers. Customers are generally leading premium manufacturers in their segments that place intense demands on the properties of the steel. Production comprises primarily bar, tube, ring 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 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 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 certified in accordance with ISO/TS 16949 for the automotive industry and the OHSAS 18001 management systems for occupational health and safety.

Ovako's overall strategy is intended to create a desirable long-term position in the European steel market by being the leader in engineering steel, continuously developing the product offering and strengthening customer relationships. All work at Ovako should be founded on the company's vision, core values and strategic objectives. In 2015, Ovako has continued to work to achieve a desirable position in the market.

Business concept: Ovako works closely with its customers in the transport and manufacturing industries, and selectively enters into strong partnerships with major customers on a global basis. A value proposition based on delivery performance, advanced application development and industry-leading quality make Ovako the foremost supplier of engineering steel in Europe. Ovako's approach is decentralised and flexible, and decision paths are short to best meet customer needs.

Vision: "Innovative steel for a better engineered future"

Ovako's new vision sets out the direction for the ongoing work of the organisation, and means that Ovako, together with its customers, will develop high-quality and innovative steel that shapes a better future.

Core values: The overall objective of Ovako's core values is that they should reflect the company's soul and culture. The core values describe what Ovako stands for, both now and in the future. Integrating the core values in our day-to-day activities is an important step in being able to fulfil the vision.

Innovative – We contribute to progress and new ways of thinking.

Skilled – We use knowledge and collaboration to provide our customers with better solutions.

Responsible – We take responsibility for our tasks and for each other and act with respect for our society.

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 parent company Ovako Group AB is 100% owned by Triako Holdco AB, which in turn is 100% owned by Oven Luxco Sarl. The group is controlled directly and indirectly by Triton Fond III and Triton Fund F&F, which together controls 83.27% of the equity in the Ovako group. Ovako Group AB owns 100% of equity in Ovako AB (publ) which, directly and indirectly, owns 100% of equity in the group's subsidiaries.

Ovako restructuring program 2015 - 2017

During the fall, Ovako announced a restructuring program to adapt its production structure and cost base to current and expected future steel market demand. The program will be implemented over two years and encompasses cost savings of EUR 45 million annually, expected to reach full effect from 2018. The program also means that the number of full-time employees in the group will decrease by approximately 250. The program also includes further focus on continuous improvements in production, administration and purchasing, across the group, and has replaced all other cost reduction programs. Ovako's existing product range to customers is not affected and will be retained both during and after the transition.

Work on the restructuring program is going according to plan. Cost reductions and downsizing of the number of employees have taken place earlier than planned. The measures implemented to date are expected to lead to annual savings of EUR 13 million. Together with the impact of the additional activities planned, the group's costs are expected to decrease by EUR 18

Key data	2015	2014	2013	2012	2011
Sales volume, thousand tons	681	697	675	694	851
Net sales, EURm	834.1	862.1	849.9	937.1	1,120.6
EBITDA before restructuring costs, EURm	47.5	68.5	50.2	69.9	134.2
Adjusted EBITDA margin, %	5.7	7.9	5.9	7.5	12.0
EBITDA, EURm	43.5	68.5	46.5	66.0	134.2
EBITDA margin, %	5.2	7.9	5.5	7.0	12.0
EBIT before restructuring costs, EURm	7.3	15.3	3.1	23.8	89.8
Adjusted EBIT margin, %	0.9	1.8	0.4	2.5	8.0
Operating profit (EBIT), EURm	0.6	14.7	-0.6	19.9	89.8
EBIT margin, %	0.1	1.7	-0.1	2.1	8.0
Profit/loss for the year, EURm	-22.9	-15.1	-20.6	-3.7	37.7
Cash flow from operating activities, EURm	25.2	65.8	19.8	86.9	56.1
Net debt/equity ratio, %	181	152	160	130	137
Return on capital employed (ROCE), %	0	3	0	4	17
Employees at the end of the period, FTE	2,905	2,925	2,995	3,040	3,239

million during 2016. The remaining savings in the program are expected to be realized in 2017 and 2018, as the activities are implemented.

Along with the development of detailed plans for the significant transitions that will take place, the total expenditure related to the program will be estimated with better accuracy. Expenses relating to personnel reductions and other costs, such as the moving of equipment, are estimated to approximately EUR 10 million during 2015–2017. The program also brings an investment requirement of EUR 10 million during 2016–2017, which is expected to fit within the normal investment level of approximately EUR 30–35 million annually. These amounts do not include write-downs of fixed assets that have no impact on cash, but were charged to earnings for the year in 2015, at close to EUR 3 million. The transition from four to three shifts in Hofors has been implemented ahead of the original schedule, which has led to a cost that is slightly higher than originally planned, but also that corresponding savings are realized earlier.

The status of the key program initiatives is summarized below:

- The transition to three shifts at the steel mill, heavy rolling mill and tube mill in Hofors was implemented during the fourth quarter and completed by January 1, 2016. In connection with this, 83 employees left the group (including 27 who left on January 1, 2016). The annual savings from this element of the program are estimated at almost EUR 5 million, impacting earnings in 2016.
- Work to prepare for the closure of the rolling mill in Hällefors has been ongoing during the fourth quarter and continues according to plan. The moving of volumes to other rolling mills in the group is expected to start during 2016 and to be fully completed in the second half of 2017.
- Planning for the transfer of production volumes from Ovako's unit in Forsbacka is proceeding according to plan. The closure in Forsbacka is expected to be carried out during 2016.
- In January 2016, the consolidation began of Ovako's distribution in Finland to the newly acquired facility in Tampere. Operations in Turenki have been taken over by Ovako Metals Oy Ab, meaning that the closure of Ovako's operations in Turenki can be initiated. In connection with this an agreement has also been reached with Alumeco in Finland to transfer part of the trading activity within Ovako Metals Oy Ab, since this is not part of Ovako's core business.
- Savings through purchasing and production efficiencies are taking place according to plan, and are expected to have an effect of EUR 8 million in 2016.

The group's ongoing development efforts within marketing and technology continue. The investments in the metallurgical platform in Hofors are carried out according to plan and will strengthen our offering in advanced applications for clean steel. Meanwhile, the safety efforts intensified during the year and the implementation of the safety program continued during the quarter.

Together with the technology investments, the restructuring program will result in improved efficiency and competitiveness, while laying the foundation for long-term profitability, for the benefit of our customers, employees and owners.

Changes in management and board

In November, the board of Ovako appointed Marcus Hedblom as the new President and CEO for Ovako Group. Marcus succeeded Tom Erixon, who left the group in order to take up a similar role at Alfa Laval. The process of recruiting a permanent CFO has begun. Since January 2016, the group has an interim CFO in Ola Salmén, who has extensive experience, including as Executive Vice President and CFO at Sandvik and as CFO at V&S Vin & Sprit AB.

In June, Janne Pirttijoki was recruited to the role of President of Ovako Bar Imatra and member of Group Management. Heikki Nyholm then transferred to a new role as President of Ovako Metals Oy Ab (which was acquired in 2015, see below), and with responsibility for Ovako's sales and distribution operations in Finland.

During 2015, Björn Nilsson and Joakim Olsson, both from Triton, have been elected to the board, while Magnus Lindquist, also from Triton has left the board.

In February 2016, Joakim Olsson was elected new chairman of Ovako board. Joakim Olsson, Senior Industry Expert at Triton Partners with extensive experience of leading and developing major international organizations in industry, energy and automation, replaced Finn Johnsson. At the same time, Johan Pernvi, investment advisory professional from Triton, was elected board member. Johan Pernvi has replaced Björn Nilsson.

Market development

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 leading position in the European engineering steel market and in a number of global niches. Ovako's competitiveness is based on Ovako's ability to manufacture specialised products that generally create more benefit for customers without increasing their costs.

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.

Industrial production in the markets relevant to Ovako demonstrated a mixed performance during the year. Sweden is showing growth, as is the EU as a whole, while Finland and Germany are losing some ground. The market for European merchant bar (which includes engineering steel) remains at a low level according to the European Steel Association, Eurofer. Concerns about the Chinese economy, low oil prices and, also, inventory reductions by many companies have contributed to the weak trend.

Sales and profit

2015 was a challenging year, and the weak demand that marked the year continued into the end of the year. However, in the fourth quarter, order intake increased by 3 percent compared to the previous year. Ovako's sales volume, 681 thousand metric tons, was somewhat weaker than in the previous year and decreased by 2 percent. Reported sales volumes relate to Ovako's own production, and have thus not been affected by the acquisition of Ovako Metals Oy Ab (refer to section on investments and acquisitions).

Revenues were 3 percent lower than the previous year and amounted to EUR 834 (862) million. Revenues have increased by 5 percent due to the acquisition of Ovako Metals Oy Ab, but simultaneously decreased due to lower scrap and alloy surcharges.

Ovako's crude steel production amounted to 867 (887) thousand metric tons, a decrease that is mainly due to declining demand as well as lower inventory volumes.

EBITDA before restructuring costs amounted to EUR 48 (69) million. Earnings were negatively impacted by lower volumes, a weaker sales mix, and falling scrap prices. The declining market prices for scrap and alloys had a negative impact on earnings compared to the previous year of EUR 9 million, mainly in the third quarter but also in the fourth. The reason is that the principles of scrap and alloy surcharges on invoicing do not account for the entire period between the date of purchase of scrap and selling the finished product. Large and rapid decline in scrap and alloy prices, as in 2015, will by this have a negative effect on earnings and increases will consequently have a positive effect. Stable prices, which has been more common historically, will have no effect on earnings and margin. The effect on the year's earnings was EUR -8 million, while the corresponding effect in 2014 was EUR 1 million. The negative effects were partially offset by lower costs in relation to the volume produced for electricity and other direct production costs. Foreign exchange effects also made a

positive contribution, of EUR 3 million compared to the previous year. Earnings also include a positive effect of EUR 3 million from the acquisition of Ovako Metals Oy Ab, which occurred at a price below the market value of net assets acquired.

Total depreciation and amortization amounted to EUR 43 (54) million. Impairment of EUR 3 (1) million related to restructuring was charged to earnings. Earnings in the previous year were charged with accelerated amortization of surplus values of aged assets of EUR 6 million.

Restructuring costs of EUR 4 million, mainly attributable to the transition from four to three shifts in Hofors, but also to rationalization in administration and additional clean-up costs in Mora (EUR 1 million), have been charged against earnings.

Operating profit (EBIT) was EUR 1 (15) million, including restructuring costs.

Net financial income for the period amounted to EUR -27 (-33) million and was impacted by foreign exchange effects of EUR 0 (5) million. The previous year's net financial income was charged with non-recurring effects of EUR 9 million in connection with the group's refinancing in May 2014.

Profit before tax for the period amounted to EUR -26 (-18) million and net profit was EUR -23 (-15) million. The low effective tax rate is due to parts of the group's tax losses not being reported on the balance sheet as deferred tax assets. The tax agency in Finland has sought to limit the deductibility of interest expense for the years 2010–2013. In light of the hitherto existing practices for interest deduction in Finland during this period, and after consulting with external tax lawyers, the company has rejected the tax agency's claim. The company has therefore concluded that a provision for this is not necessary.

Return on capital employed (ROCE) was 0 (3) percent.

Cash flow

Cash flow from operating activities, including interest paid, amounted to EUR 25 (66) million, and before financing activities to EUR -16 (27) million. Expenses related to the restructuring program have impacted cash flow by EUR -1 million. The development compared with the previous year is partly explained by lower operating profit before depreciation and amortization, and partly by a larger reduction in working capital in 2014 than in 2015. In 2014, cash flow improved by EUR 19 million through release from working capital, but in 2015 working capital has been maintained at the same level.

Financial position

The group's loans amounted to EUR 300 (300) million and consist of listed senior secured notes due in 2019. Interest-bearing liabilities after deduction of financing costs recognized as a deduction from the liability on the balance sheet amounted to EUR 293 (291) million. Net debt amounted to EUR 244 (226) million.

Changes in the assumptions used for the valuation of pension liabilities mean that equity increased by EUR 9 million during the year (after taking into account deferred tax). It is mainly the assumption of the discount rate on the Swedish liability that has been adjusted, from 2.5 percent at the start of the year to 3.2 percent at the end of the year, but changes in assumptions related to pension liabilities in the UK have also made a positive contribution.

Equity amounted to EUR 135 (149) million and the net debt/equity ratio was 181 (152) percent.

The acquisition of Ovako Metals Oy Ab has meant that the inventory on the reporting date increased by EUR 9 million, accounts receivable by EUR 5 million and trade payables by EUR 7 million compared to the previous year.

The group's liquidity buffer of EUR 88 (104) million comprises cash and cash equivalents of EUR 49 (65) million and unutilized contracted loan commitments of EUR 39 (39) million.

Investments

Investments in intangible assets and property, plant and equipment amounted to EUR 35 (34) million for the full-year.

On 31 March 2015, the steel and metals distributor Tibnor Oy in Finland was acquired. The business, formerly a part of the SSAB group, is now operating under the name Ovako Metals Oy Ab. Ovako Metals Oy Ab purchases, warehouses, processes and distributes steel and other metals for the engineering, process and construction industries. At the time of acquisition, the company had 48 employees (calculated as full-time equivalents). The acquisition has positively affected operating profit, with a non-recurring effect of EUR 3 million in the form of negative goodwill, which was recognized as other operating income. Through the acquisition, the group's revenue in 2015 has increased by EUR 40 million. If the acquisition had instead occurred on January 1, revenues would have increased by EUR 56 million. Excluding the non-recurring effect, the acquisition has had a negligible impact on profits.

Employees

Ovako had a total of 2,905 (2,925) full-time equivalent employees at year-end. Compared to last year, the number of employees has decreased by 67 adjusted for the increased in employees through the acquisition of Ovako Metals Oy Ab. The workforce percentages in Sweden and Finland, where most of the group's production facilities are located, were 74 (75) % and 20 (19) %. The workforce percentage in other countries was 6 (6)%. Information on the remuneration of senior executives is shown in Note 28.

Research and development

Costs for research and development were EUR 4.2 (4.0) million. These are recognised in profit and loss. This includes only work related to dedicated product and materials development and not the process development carried out within each unit.

The central research and development 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 key 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 and to enhance capacity to withstand weak market trends. Focus has been on ensuring a more flexible cost structure while maintaining the capacity and workforce that will be required in a future expansive phase.

Raw materials price risks

Surcharges are applied to iron scrap and alloys, the group's main raw materials, which is an established method of adjusting steel prices in response to national and international variations in costs for scrap and alloy elements. The surcharges are generally based on published prices for the respective raw materials. Scrap and alloy surcharges are applied so that longer-term price agreements can be negotiated, which benefits both customers and suppliers. Depending on the underlying price structure in price agreements, scrap and alloy surcharges vary among different suppliers and countries. In a normal year, there are limited positive and negative effects on earnings due to that the price to the customer does not completely mirror the price of the material, since the time between purchase and sale may vary, for example depending on the type of product. In 2015, the trend with large and rapid decline in the prices for raw materials, especially during the second half, has however affected earnings negatively by 8 MEUR.

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

To mitigate electricity price volatility that causes fluctuations in cash flow and earnings, Ovako uses hedging measures by which portions of the variable price of electricity are transferred to a fixed price. Management is responsible for managing electricity price risks in accordance with the finance policy and the guidelines adopted by the Board of Directors. 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. There has not been any emissions trading during the year.

Operational risks

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

Financial risks

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

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

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. Financial risks and financial risk management are described in greater detail in Note 23.

Environmental impact

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

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

During the year, the environmental licenses in Smedjebacken and Hofors have been renewed. The license for the operations in Imatra, Finland, was renewed in 2014.

Events after the reporting date

In order to strengthen the commercial focus, simplify the organization and to assure quality and pace in implementation of the restructuring program a new organization has been introduced on March 1. As from March 1, five business units became four and a new Group Sales Unit was formed. Thereafter, the Group Executive Management team consist of
Marcus Hedblom, President & CEO
Carl-Michael Raihle, President BU Hofors
Mathias Tillman, President BU Hällefors and EVP Group Sales
Janne Pirttijoki, President BU Bar Imatra
Rickard Qvarfort, President BU Bar SmeBox
Göran Nyström, EVP Group Marketing & Technology
Karin Lagerstedt Woolford, EVP Group HR, Communication & SHE
Ola Salmén, Interim CFO, EVP Group Finance, IT & Purchasing

Short-term outlook

We expect the market for engineering steel in Europe to be characterized by continued uncertainty during the first quarter of 2016. Ovako's deliveries in the first quarter are expected to be in line with the deliveries in corresponding quarter of the previous year.

Parent company

The object of the parent company's business is to own and manage shares in other companies that develop, manufacture and sell steel products, and to engage in related business. The company has no employees. There were no capital expenditures in 2015 (2014). Revenues consist of interest on receivables from subsidiaries. Operating expenses consist primarily of directors' fees. Operating profit amounted to EUR -0.2 (-0.2) million and net profit was EUR -9.4 (-1.0) million. The parent company has assets of EUR 204 (201) million and equity of EUR 191 (200) 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	200,169,715
Profit/loss for the year, EUR	-9,378,267
Total	190,791,448

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

Consolidated income statement

EURm	Note	2015	2014
Revenue	2,3	834.1	862.1
Cost of goods sold	3,4	-778.8	-795.7
GROSS PROFIT		55.3	66.4
Selling expenses	3,4	-30.2	-25.6
Administrative expenses	3,4	-30.1	-30.1
Other operating income	5	5.6	4.0
OPERATING PROFIT		0.6	14.7
Financial income	6	0.6	5.7
Financial costs	7	-27.2	-38.4
Share in profit of associates	11	0.0	0.0
PROFIT/LOSS BEFORE TAX		-26.0	-18.0
Taxes	8	3.1	2.9
PROFIT/LOSS FOR THE YEAR		-22.9	-15.1
Profit/loss for the year attributable to:			
Owners of the parent		-22.9	-15.1
Non-controlling interests		-	-
Total		-22.9	-15.1
Earnings per share, EUR	18	-458	-302

Consolidated statement of comprehensive income

EURm	Note	2015	2014
Profit/loss for the year		-22.9	-15.1
Items that will be reclassified as profit or loss			
Exchange differences	18	1.7	-0.9
Cash flow hedges	18	-1.6	-0.9
Tax attributable to cash flow hedges	14	0.3	0.2
		0.4	-1.6
Items that will not be reclassified as profit or loss			
Revaluation of pension obligations, net	19	11.1	-7.5
Tax attributable to revaluation of pension obligations	14	-2.4	1.5
		8.7	-6.0
Other comprehensive income for the year, net of tax		9.1	-7.6
Total comprehensive income for the year		-13.8	-22.7
Comprehensive income for the year attributable to:			
Owners of the parent		-13.8	-22.7
Non-controlling interests		-	-
Total		-13.8	-22.7

Consolidated balance sheet

EURm	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Property, plant and equipment	9	318.8	327.0
Intangible assets	10	9.5	8.4
Investments in associates	11	0.1	0.1
Other non-current financial assets	12,13	6.8	6.8
Other non-current receivables	13	0.0	0.0
Derivative assets	13	1.7	0.0
Deferred tax assets	14	14.1	13.4
Total non-current assets		351.0	355.7
Current assets			
Inventories	15	189.6	200.9
Trade receivables	13,23	78.2	86.2
Other current receivables	13,16	18.7	22.6
Current tax assets		0.8	0.8
Derivative assets	13	2.7	1.2
Cash and cash equivalents	13,17	49.1	65.0
Total current assets		339.1	376.7
TOTAL ASSETS		690.1	732.4
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	18	0.0	0.0
Reserves	18	-6.4	-6.8
Retained earnings		141.3	155.5
Total equity attributable to owners of the parent		134.9	148.7
Non-current liabilities			
Non-current interest-bearing liabilities	13,21	293.0	291.0
Derivative liabilities	13	8.4	1.7
Deferred tax liabilities	14	36.5	38.0
Provisions for pensions and similar obligations	19	68.0	76.7
Other provisions	20	8.5	7.3
Other non-current liabilities	13	0.3	0.3
Total non-current liabilities		414.7	415.0
Current liabilities			
Current interest-bearing liabilities	13,21	-	0.1
Derivative liabilities	13	6.5	8.0
Trade payables	13	81.5	108.0
Current tax liabilities		0.5	0.1
Other current liabilities	13,22	52.0	52.5
Total current liabilities		140.5	168.7
TOTAL EQUITY AND LIABILITIES		690.1	732.4

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	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		0.6	14.7
Non-cash adjustments:			
Depreciation, amortisation and impairment		42.9	53.8
Other adjustments	24	2.6	0.0
Cash flows from operations before changes in working capital		46.1	68.5
Changes in working capital			
Changes in trade and other current receivables		24.5	0.7
Changes in inventories		23.9	-1.2
Changes in trade and other current payables		-40.5	26.2
Changes in provisions		-7.1	-6.4
Cash flows from operations before interest and tax		47.0	87.8
Interest received		0.6	0.7
Interest paid		-21.3	-21.1
Income tax paid		-1.1	-1.6
Cash flows from operating activities		25.2	65.8
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of businesses	31	-5.9	-
Acquisition of intangible assets	10	-2.3	-1.9
Acquisition of property, plant and equipment	9	-32.7	-32.2
Other investing activities	12	-	-5.0
Cash flows from investing activities		-40.9	-39.1
Cash flows before financing activities		-15.7	26.7
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	21	-	-282.0
New borrowings		-	310.0
Other		-0.9	-9.4
Cash flows from financing activities		-0.9	18.6
Increase/decrease in cash and cash equivalents		-16.6	45.3
Cash and cash equivalents at 1 January		65.0	20.6
Exchange differences in cash and cash equivalents		0.7	-0.9
Cash and cash equivalents at 31 December		49.1	65.0
Liquidity buffer including non-utilised credits	21	87.9	103.8

Consolidated statement of changes in equity

2015		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 2015		0.0	-0.2	-6.6	155.5	148.7
Comprehensive income						
Profit/loss for the year		-	-	-	-22.9	-22.9
Translation differences	18	-	1.7	-	-	1.7
Cash flow hedges, net of tax	18	-	-	-1.3	-	-1.3
Actuarial gains and losses on pension obligations, net of tax	19	-	-	-	8.7	8.7
Total other comprehensive income		-	1.7	-1.3	8.7	9.1
Total comprehensive income		-	1.7	-1.3	-14.2	-13.8
Transactions with shareholders						
Balance at 31 December 2015		0.0	1.5	-7.9	141.3	134.9

2014		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 2014		0.0	0.7	-5.9	155.9	150.7
Comprehensive income						
Profit/loss for the year		-	-	-	-15.1	-15.1
Translation differences	18	-	-0.9	-	-	-0.9
Cash flow hedges, net of tax	18	-	-	-0.7	-	-0.7
Actuarial gains and losses on pension obligations, net of tax	19	-	-	-	-6.0	-6.0
Total other comprehensive income		-	-0.9	-0.7	-6.0	-7.6
Total comprehensive income		-	-0.9	-0.7	-21.1	-22.7
Transactions with shareholders						
Group contribution, net of tax ¹⁾		-	-	-	-17.8	-17.8
Shareholder contribution received		-	-	-	38.5	38.5
Balance at 31 December 2014		0.0	-0.2	-6.6	155.5	148.7

¹⁾ Tax on group contribution recognised in profit and loss amounts to EUR 5.0 million

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**General information**

Ovako Group AB (company registration number 556813-5361) and domiciled in Stockholm is owned by Triako Holdco AB (company registration number 556813-5379), which is the Swedish parent of the group. The registered address of both Ovako Group AB and Triako Holdco AB is Box 1721, 111 87 Stockholm, Sweden. Consolidated financial statements are also been prepared for Triako Holdco AB.

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

The annual report and consolidated financial statements for the financial year ending 31 December 2015 were authorised by the Board of Directors for publication on 16 March 2016. The consolidated and parent company financial statements will be presented to the annual general meeting for adoption on 30 March 2016.

Changes to accounting policies 2015

The accounting policies applied are the same as those applied in the consolidated annual accounts for 2014. No new or revised IFRSs entering into force during 2015 have had any material effect on the group.

Basis of preparation

The consolidated financial statements for the 2015 financial year have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) for financial years beginning 1 January 2015. 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. Management has not identified any critical accounting judgments in applying the accounting policies.

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 material impairment in the group's non-current assets were found during the financial period. 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 costs are expensed as incurred and are reported as operating expenses.

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.

Associates

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. Investments in associates are accounted for using the equity method. The share of the profits or losses of associates is recognised in profit and loss and the group's share of total equity constitutes the value of the investment in the balance sheet.

Foreign currency translation

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

Transactions in foreign currencies (other than the functional currency) are translated at the exchange rate in effect at the transaction date. Monetary assets and liabilities recorded in foreign currencies are translated at the closing rate. Exchange gains and losses arising upon translation are recognised in profit and loss. Exchange gains and losses related to trade receivables or trade payables are treated as adjustments to the respective item and included in operating profit. Exchange differences related to financing are included net in finance income and expense. Exchange differences arising on translation of provisions for pensions in the Swedish subsidiaries that have EUR as their functional currency but that finance a portion of their pension commitments in SEK through the PRI system are also treated as financial income or

expense. Non-monetary items are translated at the rate in effect at the transaction date.

In the consolidated financial statements, the income statements of 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:	
	2015	2014	2015	2014
SEK	9.1878	9.4746	9.3541	9.0985
GBP	0.7380	0.7823	0.7258	0.8064
USD	1.0926	1.2160	1.1096	1.3271
PLN	4.2400	4.3103	4.1838	4.1873
CNY	7.0910	7.5442	6.9730	8.1711
RUB	79.7540	69.1315	68.0226	51.1178

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 2015 (2014: 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 sale or discard 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 if the conditions are met. 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. These are not reported since the allocated credits cover the company's requirements.

Intangible assets

Ovako's intangible assets comprise mainly acquired IT software, including adaptation costs, licences, trademarks, and other comparable rights. 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 expensed as incurred. Development costs may under certain strict conditions be capitalised, but this requires among other things, that future economic benefits can be demonstrated when the cost is incurred. Ovako currently has no development projects capitalised in the balance sheet.

Impairment of property, plant and equipment and intangible 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 2015 no goodwill (2014: None) had been recognised in the balance sheet. The group's other non-current assets are also assessed annually to determine whether there exist 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. Lease payments are recognised as interest and repayment of debt. 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 allocable 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 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 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, provisions including pension obligations, inventories and unrealised intra-group gains. 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, which is to say at the time of delivery in accordance with the agreed terms of supply. 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 company 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 rendered a service or 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:* The sub-category of financial instruments held for trading includes derivatives not used for hedge accounting. Ovako's hedging activities include currency options. For hedge accounting their value is divided into intrinsic value and time value components in accordance with IAS 39. The time value is not included in hedge accounting and is therefore classified as held for trading.
- *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, including information 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 receivables is based on the estimated credit risk of each item on the reporting date. Cash and cash equivalents include liquid bank balances and cash in hand as well as current holdings 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 are capitalised over the term of the loan and recognised as a reduction in 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

The group uses hedges to mitigate risks related to the volatility of future cash flows. Hedge accounting is applied to present the outcome of these hedges in the financial statements. Financial derivatives are classified either as hedging instruments or instruments measured at fair value through profit and loss. The latter category is used for derivatives that are effective economic hedges, but that either do not qualify for hedge accounting in accordance with IAS 39, or for which the group chooses not to apply hedge accounting. In Ovako's case, this refers to the time value component of currency options, where Ovako in accordance with IAS 39 has divided the market value into intrinsic value and time value, with only the intrinsic value used for hedge accounting.

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, currency forwards, currency options and interest rate swaps is based on observable market data at the reporting date. The group applies hedge accounting for forward contracts related to electricity prices, exchange rates, the intrinsic value of currency options 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 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 2015 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

This standard, which enters into force on 1 January 2018, replaces IAS 39 Financial Instruments: Recognition and Measurement, and deals with the classification and measurement of financial instruments. It will probably affect Ovako's recognition of financial assets and financial liabilities, primarily in respect of efficiency testing for derivatives, but Ovako has not yet taken a complete position on how the financial reporting will be affected.

IFRS 15 Revenue Recognition:

This standard will replace all existing standards for revenue recognition and enters into force on 1 January 2018. No significant impact of this new standard on the consolidated earnings and financial position is expected.

IFRS 16 Leasing

The impact of this new standard, which enters into force on 1 January 2019, has not yet been evaluated but Ovako expects that the results and financial position will be impacted by this standard.

NOTE 2. SEGMENT INFORMATION

Segment information is presented based on the company management's perspective, and operating segments are identified based on the internal reporting to Ovako's chief operating decision maker. Ovako has identified the CEO as its chief operating decision maker, and the internal reporting used by this person to review operations and make decisions about resource allocation is the basis for segmentation. In the internal reporting, results are evaluated by business unit at the level of earnings before depreciation and amortisation, together with certain key ratios regarding working capital and investments. Ovako has combined its segments (business units) into one reportable operating segment in accordance with the rules for aggregation.

The following tables provide information on sales by country, sales by product and the value of property, plant and equipment per country in accordance with the requirements of IFRS 8 Operating Segments. The reporting of sales per country is based on the customer's geographical location. One customer accounts for 14 (16)% of group sales.

EURm	2015	2014
Sale of goods		
Sweden	216.1	234.0
Nordics excl. Sweden	108.2	73.8
Western Europe excl. Nordics	358.5	394.8
Eastern Europe	86.2	92.6
North America	41.9	45.3
Asia	21.7	19.8
Rest of the world	1.5	1.8
Total	834.1	862.1

EURm	2015	2014
Sales by product		
Bar, as rolled	162.2	180.6
Bar, value added ¹⁾	465.7	493.9
Tube & Ring	165.9	187.6
Third Party products	40.3	0.0
Total	834.1	862.1

EURm	2015	2014
Non-current assets by country		
Sweden	267.0	272.2
Finland	53.5	57.1
Other countries	7.8	6.1
Total	328.3	335.4

1) Value added treatment of bars mean, for example, peeling, grinding, cutting, chrome plating, heat treatment or the manufacture of pre-components.

NOTE 3. EXPENSES BY NATURE

EURm	Note	2015	2014
<i>Change in inventories and work in progress</i>		-19.5	-1.2
Raw materials and supplies		-343.5	-357.9
Exchange differences on purchased goods		-1.8	2.4
Energy		-74.3	-88.9
Freight and other distribution costs		-48.5	-49.1
Repairs and maintenance		-40.8	-42.9
External services in production		-36.1	-34.9
<i>Raw materials, services and supplies</i>		-545.0	-571.3
Salaries and benefits		-138.6	-139.1
Pension expense		-13.3	-11.2
Social insurance fees		-40.9	-39.6
<i>Employee benefits expense</i>	4	-192.8	-189.9
Buildings ¹⁾		-11.4	-11.3
Machinery and equipment ²⁾		-30.3	-41.6
Other intangible assets		-1.2	-0.9
<i>Depreciation, amortisation and impairments</i>		-42.9	-53.8
Rents		-13.7	-12.8
Bad debt losses		-0.1	0.0
Administration and other expenses	26	-25.1	-22.4
<i>Other external expenses</i>		-38.9	-35.2
Total cost of goods sold and selling and administrative expenses		-839.1	-851.4
Depreciation and amortisation expenses are included in the following line items in profit and loss			
Cost of goods sold		-48.6	-53.5
Selling expenses		-0.5	-0.2
Administrative expenses		-0.1	-0.1
Total		-49.2	-53.8

Research and development costs

Research and development costs amount to EUR -4.2 (-4.0) million and are mainly reported as cost of goods sold. The group has no development costs capitalised in the balance sheet.

Exchange gains and losses

Realised and unrealised exchange gains and losses attributable to revenue and operating expenses are included in operating profit and amount to EUR 0.0 (3.7) million.

Long-term contracts for the provision of supplies

To provide production with supplies such as electricity and oxygen, the company has long-term partnerships with suppliers whose infrastructure is used to provide these products in a safe manner. Linked with this, there are agreements that contain purchase obligations, with the longest contract expiring 13 years after the closing date.

1) Of which EUR -8.9 (-8.9) million for amortisation of surplus values allocated in conjunction with acquisitions.

2) Of which EUR 0.0 (-14.5) million for amortisation of surplus values allocated in conjunction with acquisitions. The high in amortisation expense in 2014 is attributable to accelerated depreciation of surplus value of aged assets.

NOTE 4. AVERAGE NUMBER OF EMPLOYEES

Average number of employees by country 2015	Men	Women	Total
Sweden	1,774	414	2,188
Finland	513	84	597
Italy	38	8	46
France	24	9	33
Germany	23	9	32
Netherlands	26	4	30
United Kingdom	8	5	13
United States	8	4	12
Russia	3	2	5
Poland	2	1	3
China	5	2	7
Total	2,424	542	2,966
Number of employees at year-end			2,905

Average number of employees by country 2014	Men	Women	Total
Sweden	1,793	429	2,222
Finland	487	71	558
Italy	37	8	45
France	23	10	33
Germany	25	10	35
Netherlands	25	4	29
United Kingdom	8	5	13
United States	7	3	10
Russia	3	2	5
Poland	2	1	3
China	4	2	6
Total	2,414	545	2,959
Number of employees at year-end			2,925

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

NOTE 5. OTHER OPERATING INCOME

EURm	2015	2014
Income from sale of property, plant and equipment	0.3	0.2
Insurance compensation	-	1.8
Rents and other income items	2.0	2.0
Acquisition below market value	3.3	-
Total	5.6	4.0

NOTE 6. FINANCIAL INCOME

EURm	2015	2014
Interest income arising from loans and receivables	0.6	0.7
Total interest income	0.6	0.7
Dividend income arising from available-for-sale assets	-	0.0
Exchange rate gains, net	-	5.0
Total other finance income	-	5.0
Total	0.6	5.7

NOTE 7. FINANCIAL COSTS

EURm	2015	2014
Interest expenses for financial liabilities at amortised cost ¹⁾	-21.5	-30.8
Interest expense, pension liability	-1.8	-2.5
Fixed income derivatives, realised	-	-2.1
Total interest expenses	-23.3	-35.4
Costs for loan commitments and guarantees	-2.0	-2.0
Other financial costs	-1.5	-1.0
Exchange rate loss, net	-0.4	-
Total other financial costs	-3.9	-3.0
Total	-27.2	-38.4

1) This item includes the cost of financing amortised over the term of the loan. In connection with the refinancing in 2014 financing costs of EUR 8.2 million attributable to the group's previous loan were expensed.

NOTE 8. TAXES

EURm	2015	2014
Current tax	-1.3	-7.0
Deferred tax	4.4	9.9
Total	3.1	2.9

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

Profit/loss before tax	-26.0	-18.0
Income tax calculated on the Swedish corporate tax rate of 22%	5.7	3.9
Effects of different tax rates in foreign jurisdictions ¹⁾	-0.5	-0.3
Other non-deductible expenses and non-taxable income	0.4	-0.1
Use of loss carry-forwards previously not valued	0.0	0.0
Loss carry-forwards not valued	-2.7	-0.3
Adjustments relating to previous years, current tax	-0.1	-0.4
Adjustments relating to previous years, deferred tax	0.3	0.1
Income taxes recognised in profit and loss	3.1	2.9

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.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

2015	Buildings and land	Machinery and equipment	Construction in progress	Total
EURm				
Cost				
Balance at 1 January 2015	153.7	309.1	16.8	479.6
Additions during the year	0.1	1.9	30.7	32.7
Additions by acquisition during the year	0.1	0.9	-	1.0
Disposals and sales	-0.2	-4.8	-2.0	-7.0
Reclassification	1.2	25.3	-26.5	0.0
Translation differences for the year	0.1	0.7	0.1	0.9
Balance at 31 December 2015	155.0	333.1	19.1	507.2
Cumulative depreciation				
Balance at 1 January 2015	-45.2	-107.4	-	-152.6
Depreciation and impairments for the year	-11.4	-28.3	-2.0	-41.7
Disposals and sales	0.1	4.6	2.0	6.7
Translation differences for the year	-0.4	-0.4	-	-0.8
Balance at 31 December 2015	-56.9	-131.5	-	-188.4
Carrying amount at 1 January 2015	108.5	201.7	16.8	327.0
Carrying amount at 31 December 2015	98.1	201.6	19.1	318.8

2014	Buildings and land	Machinery and equipment	Construction in progress	Total
EURm				
Cost				
Balance at 1 January 2014	150.8	288.4	29.5	468.7
Additions during the year	0.4	4.3	27.5	32.2
Disposals and sales	-0.8	-19.8	-	-20.6
Reclassification	3.5	36.6	-40.1	0.0
Translation differences for the year	-0.2	-0.4	-0.1	-0.7
Balance at 31 December 2014	153.7	309.1	16.8	479.6
Cumulative depreciation				
Balance at 1 January 2014	-34.7	-86.6	-	-121.3
Depreciation and impairments for the year	-11.3	-41.6	-	-52.9
Disposals and sales	0.6	19.7	-	20.3
Translation differences for the year	0.2	1.1	-	1.3
Balance at 31 December 2014	-45.2	-107.4	-	-152.6
Carrying amount at 1 January 2014	116.1	201.8	29.5	347.4
Carrying amount at 31 December 2014	108.5	201.7	16.8	327.0

One group company has leased machinery under finance lease arrangements. The value of the assets is EUR 0.0 (0.1) million.

Amortization of the debt amounts to EUR 0.1 (0.1) million. The debt is fully amortized at the end of the year.

See Note 25 for disclosures concerning operating leases.

NOTE 10. INTANGIBLE ASSETS

EURm	31 Dec 2015	31 Dec 2014
Cost		
Balance at 1 January	11.3	9.4
Additions during the year	2.3	1.9
Balance at 31 December	13.6	11.3
Cumulative amortisation		
Balance at 1 January	-2.9	-2.0
Amortisation for the year	-1.2	-0.9
Balance at 31 December	-4.1	-2.9
Carrying amount at 1 January	8.4	7.4
Carrying amount at 31 December	9.5	8.4

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

NOTE 11. INVESTMENTS IN ASSOCIATES

The group holds shares in AB Järnbruksförnödenheter in which the group's equity interest exceeds 20 percent. AB Järnbruksförnödenheter is a purchasing agent for iron and steel scrap for the steel industry in Sweden.

Name of associate	Group interest (%)	31 Dec 2015	31 Dec 2014
		Carrying amount, EURm	Carrying amount, EURm
Owned by Ovako Bar AB:			
AB Järnbruksförnödenheter	25	0.0	0.0
Owned by Ovako Sweden 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 2015 amounted to EUR 0.7 (0.7) million, net sales were EUR 0.8 (0.9) million and profit was EUR 0.0 (0.1) million. The company had no contingent liabilities at 31 December 2015 or 2014.

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 2015	31 Dec 2014
		Carrying amount, EURm	Carrying amount, EURm
Jernkontoret	12.0	0.0	0.0
Tågakeriet i Bergslagen AB	10.0	0.0	0.0
Ascometal SAS	8.5	5.0	5.0
Suomen ELFI Oy	3.7	0.0	0.0
Imatran Seudun Kehitysyhtiö Oy	2.5	0.0	0.0
Voimayhtiö SF Oy	1.6	1.7	1.7
Golfimatra Oy	1.0	0.0	0.0
Oy Nordgolf Ab	0.4	0.0	0.0
Imatran Seudun Sähkö Oy	0.2	0.0	0.0
Metallurgiska Forskningsbolaget i Luleå AB	0.1	0.0	0.0
Bas-El		0.0	0.0
Total other non-current financial assets		6.8	6.8

EURm	31 Dec 2015	31 Dec 2014
Balance at 1 January	6.8	1.8
Investments	-	5.0
Balance at 31 December	6.8	6.8

NOTE 13. FINANCIAL ASSETS AND LIABILITIES

31 Dec 2015	Held for trading	Derivatives for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying amount	Fair value
EURm						
Non-current financial assets						
Other financial assets	-	-	-	6.8	6.8	6.8
Other non-current receivables	-	-	0.0	-	0.0	0.0
Derivative assets	-	1.7	-	-	1.7	1.7
Total	-	1.7	0.0	6.8	8.5	8.5
Current financial assets						
Trade receivables	-	-	78.2	-	78.2	78.2
Other current receivables	-	-	0.5	-	0.5	0.5
Derivative assets	0.1	2.6	-	-	2.7	2.7
Cash and cash equivalents	-	-	49.1	-	49.1	49.1
Total	0.1	2.6	127.8	-	130.5	130.5
Total financial assets	0.1	4.3	127.8	6.8	139.0	139.0

31 Dec 2014	Held for trading	Derivatives for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying amount	Fair value
EURm						
Non-current financial assets						
Other financial assets	-	-	-	6.8	6.8	6.8
Other non-current receivables	-	-	0.0	-	0.0	0.0
Derivative assets	-	0.0	-	-	0.0	0.0
Total	-	0.0	0.0	6.8	6.8	6.8
Current financial assets						
Trade receivables	-	-	86.2	-	86.2	86.2
Other current receivables	-	-	0.5	-	0.5	0.5
Derivative assets	-	1.2	-	-	1.2	1.2
Cash and cash equivalents	-	-	65.0	-	65.0	65.0
Total	-	1.2	151.7	-	152.9	152.9
Total financial assets	-	1.2	151.7	6.8	159.7	159.7

31 Dec 2015	Held for trading	Derivatives for hedge accounting	Other financial liabilities	Carrying amount	Fair value
EURm					
Non-current financial liabilities					
Non-current interest-bearing liabilities	-	-	293.0	293.0	212.1
Derivative liabilities	-	8.4	-	8.4	8.4
Other non-current liabilities	-	-	0.3	0.3	0.3
Total	-	8.4	293.3	301.7	220.8
Current financial liabilities					
Current interest-bearing liabilities	-	-	-	-	-
Derivative liabilities	-	6.5	-	6.5	6.5
Trade payables	-	-	81.5	81.5	81.5
Total	-	6.5	81.5	88.0	88.0
Total financial liabilities	-	14.9	374.8	389.7	308.8

31 Dec 2014	Held for trading	Derivatives for hedge accounting	Other financial liabilities	Carrying amount	Fair value
EURm					
Non-current financial liabilities					
Non-current interest-bearing liabilities	-	-	291.0	291.0	283.5
Derivative liabilities	0.1	1.6	-	1.7	1.7
Other non-current liabilities	-	-	0.3	0.3	0.3
Total	0.1	1.6	291.3	293.0	285.5
Current financial liabilities					
Current interest-bearing liabilities	-	-	0.1	0.1	0.1
Derivative liabilities	0.2	7.8	-	8.0	8.0
Trade payables	-	-	108.0	108.0	108.0
Total	0.2	7.8	108.1	116.1	116.1
Total financial liabilities	0.3	9.4	399.4	409.1	401.6

NOTE 13. FINANCIAL ASSETS AND LIABILITIES cont.

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 borrowing costs, which are amortised over the term of the loan, i.e. at amortised cost, see also Note 21. Available-for-sale financial assets include unlisted equities which are measured at cost.

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 the senior secured notes has been calculated based on the quoted value on the closing date.

Fair values of available-for-sale financial assets:

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

Fair value of derivatives:

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. The fair value of forward foreign exchange contracts is calculated by discounting the difference between the contracted forward rate and the rate that can be subscribed on the closing date for the remaining contract period. The fair value of foreign exchange option contracts are estimated using a valuation method based on observable values. The time value is recognised separately from the intrinsic value as only the intrinsic value is used for hedge accounting. The fair value of interest rate swaps is determined using discounted cash flow.

Fair value hierarchy:

Financial assets and financial liabilities are classified in a hierarchy with three different levels based on the data used to determine their fair value. 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 the only financial assets and liabilities that are measured at market value in the balance sheet. These belong to level 2. Ovako's senior secured notes, for which the fair value is provided for information only, belong to Level 1.

Information on derivative assets and liabilities

EURm	31 Dec 2015	31 Dec 2014
Non-current derivative assets		
Fair value of foreign exchange derivatives	1.7	-
Fair value of electricity derivatives	-	0.0
Total	1.7	0.0
Current derivative assets		
Fair value of foreign exchange derivatives	2.7	-
Fair value of electricity derivatives	-	1.2
Total	2.7	1.2
Total derivative assets		1.2
EURm	31 Dec 2015	31 Dec 2014
Non-current derivative liabilities		
Fair value of foreign exchange derivatives	-	0.9
Fair value of electricity derivatives	8.4	0.8
Total	8.4	1.7
Current derivative liabilities		
Fair value of foreign exchange derivatives	-	3.6
Fair value of electricity derivatives	6.5	4.4
Total	6.5	8.0
Total derivative liabilities	14.9	9.7

NOTE 13. FINANCIAL ASSETS AND LIABILITIES cont.**Disclosure of nominal values and maturities of derivatives (cash flow hedges)****31 Dec 2015**

EURm

Remaining maturity	2016	2017	2018–2020	Total
Derivatives designated as cash flow hedges				
Foreign exchange forwards	90.0	30.0	-	120.0
Foreign exchange options	30.0	34.0	-	64.0
Total	120.0	64.0	-	184.0

Volume GWh

Remaining maturity				
Cash flow hedges				
Electricity derivatives	614.3	393.3	854.7	1,862.3
Total	614.3	393.3	854.7	1,862.3

31 Dec 2014

EURm

Remaining maturity	2015	2016	2017–2019	Total
Derivatives designated as cash flow hedges				
Foreign exchange forwards	90.0	34.0	-	124.0
Foreign exchange options	48.0	20.0	-	68.0
Total	138.0	54.0	-	192.0

Volume GWh

Remaining maturity				
Cash flow hedges				
Electricity derivatives	421.8	362.0	438.0	1,221.8
Total	421.8	362.0	438.0	1,221.8

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 and loss for the year was EUR -0.8 (0.3) 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 foreign exchange derivatives that are covered by legally enforceable master netting agreements.

	31 Dec 2015		31 Dec 2014	
EURm	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Gross amount, derivatives	4.4	14.9	1.2	9.7
Amount offset	-	-	-	-
Recognised on balance sheet	4.4	14.9	1.2	9.7
Amount covered by netting agreements	0.0	0.0	-1.1	-1.1
Net amount after netting agreements	4.4	14.9	0.1	8.6

NOTE 14. DEFERRED TAX ASSETS AND TAX LIABILITIES

EURm	Balance at 1 January 2015	Recognised in profit and loss	Recognised in other compre- hensive income	Acquisitions	Exchange differences and reclassifications	Balance at 31 December 2015
Deferred tax assets						
Inventories	1.6	-0.6	-	-	0.1	1.1
Provisions	0.8	-0.1	-	-	0.0	0.7
Pension obligations and other employee benefits	7.8	0.3	-2.3	-	0.1	5.9
Derivative assets	1.9	0.1	0.3	-	-	2.3
Losses	0.7	3.1	-	-	0.0	3.8
Other items	0.6	-0.3	-	-	0.0	0.3
Total	13.4	2.5	-2.0	-	0.2	14.1
Deferred tax liabilities						
Property, plant and equipment	35.4	-1.1	-	0.0	0.0	34.3
Inventories	2.6	-0.8	-	-	0.3	2.1
Pension obligations	0.0	0.0	0.1	-	0.0	0.1
Total	38.0	-1.9	0.1	0.0	0.3	36.5
Net deferred tax liability	-24.6	4.4	-2.1	0.0	-0.1	-22.4

At 31 December 2015, the group had loss carry-forwards of EUR 30.1 million, of which EUR 17.7 million relating to Sweden. Of the loss carryforwards, EUR 17.1 million are included in the base for deferred tax assets. The use of loss carry-forwards in Sweden is currently unlimited in time.

EURm	Balance at 1 January 2014	Recognised in profit and loss	Recognised in other compre- hensive income	Acquisitions	Exchange differences and reclassifications	Balance at 31 December 2014
Deferred tax assets						
Inventories	1.8	-0.2	-	-	0.0	1.6
Provisions	1.2	-0.4	-	-	0.0	0.8
Pension obligations and other employee benefits	6.0	0.3	1.4	-	0.1	7.8
Derivative assets	1.8		0.1	-	-	1.9
Losses	-	0.6	-	-	0.1	0.7
Other items	0.9	-0.2	-	-	-0.1	0.6
Total	11.7	0.1	1.5	-	0.1	13.4
Deferred tax liabilities						
Property, plant and equipment	45.2	-9.7	-	-	-0.1	35.4
Inventories	2.4	-0.1	-	-	0.3	2.6
Derivative liabilities	0.1	-	-0.1	-	-	0.0
Pension obligations	0.0	0.0	-0.1	-	0.1	0.0
Total	47.7	-9.8	-0.2	-	0.3	38.0
Net deferred tax liability	-36.0	9.9	1.7	-	-0.2	-24.6

At 31 December 2014, the group had loss carry-forwards of EUR 3.7 million, of which EUR 3.1 million relating to Sweden.

NOTE 15. INVENTORIES

EURm	31 Dec 2015	31 Dec 2014
Raw materials and supplies	33.5	40.3
Parts	4.0	2.5
Work in process	98.1	113.5
Finished goods	54.1	44.6
Total	189.7	200.9
Cost of impairments to inventories	0.0	-0.6

NOTE 16. OTHER CURRENT RECEIVABLES

EURm	31 Dec 2015	31 Dec 2014
VAT receivable	6.8	5.4
Interest-bearing receivables	0.6	0.5
Accrued income and prepaid expenses	11.3	16.7
Total	18.7	22.6

NOTE 17. CASH AND CASH EQUIVALENTS

EURm	31 Dec 2015	31 Dec 2014
Cash and bank	49.1	65.0
Total	49.1	65.0

NOTE 18. EQUITY

There are 50,000 (2014: 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 exchange translation reserve	31 Dec 2015	31 Dec 2014
Balance at 1 January	-0.2	0.7
Changes for the year	1.7	-0.9
Balance at 31 December	1.5	-0.2

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

Cash flow hedge reserve	31 Dec 2015	31 Dec 2014
Balance at 1 January	-6.6	-5.9
Realised and reallocated to profit and loss	-7.2	-1.5
Tax on amount realised and reallocated to profit and loss	1.6	0.4
Change in fair value	5.5	0.6
Tax on change in fair value	-1.2	-0.2
Balance at 31 December	7.9	-6.6

The cash flow hedge reserve includes the effective portion of the total net change in fair value of cash flow hedge instruments. See Note 23 for a description of hedging activities.

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 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 benefits, 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 8.6 (6.9) million. Cash flows associated with defined benefit plans are expected to amount to EUR 3.5 million in 2016.

Defined benefit plans:

The largest plan, which accounts for 88 (87)% of the 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.

Pensions and other post-employment benefit obligations

EURm	31 Dec 2015	31 Dec 2014
Pension benefits, FPG/PRI system	56.4	61.9
Special payroll tax, FPG/PRI system	3.2	4.7
Other pension provisions	6.6	8.3
Other post-employment benefits	1.8	1.8
Total	68.0	76.7

The defined benefit obligations in the balance sheet comprise the following items:

Present value of unfunded obligations, excl. special payroll tax	63.0	68.5
Special payroll tax, FPG/PRI system	3.2	4.7
Present value of funded obligations	8.6	9.8
Fair value of plan assets	-6.8	-6.3
Net liability	68.0	76.7

Amount recognised in profit and loss (+ = income)

Cost of service in current period	-1.6	-0.9
Special payroll tax, FPG/PRI system	-0.2	-0.2
Interest on obligation, funded	-0.4	-0.3
Interest on obligation, unfunded	-1.7	-2.5
Estimated return on plan assets	0.3	0.3
Exchange differences	1.8	4.0
Amount recognised in profit and loss	-1.8	0.4

Current and previous-period service costs and payroll tax are recognised as a pension benefits expense. Interest and foreign exchange translation differences, attributable to translation of the pension liability in Swedish subsidiaries that use EUR as their functional currency, are recognised as financial items. Other foreign exchange differences in the tables refer to translation differences included in the translation reserve in equity.

NOTE 19. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS cont.
Recognised in the balance sheet

31 Dec 2015	PRI/FPG system	PRI/FPG system, special payroll tax	Other	Total
Pension obligation at 1 January	61.9	4.7	16.4	83.0
Cost of service in current period	1.4	0.2	0.2	1.8
Interest expense	1.5	0.0	0.6	2.1
Pensions paid	-2.8	-	-0.6	-3.4
Revaluation of pension obligation – other	-7.3	-1.8	-2.1	-11.2
Exchange differences	1.7	0.1	0.7	2.5
Pension obligation at 31 December	56.4	3.2	15.2	74.8
Fair value of plan assets at 1 January	-	-	6.3	6.3
Imputed interest on plan assets	-	-	0.3	0.3
Contributions from the employer	-	-	0.2	0.2
Pensions paid	-	-	-0.2	-0.2
Valuation gains on plan assets	-	-	-0.1	-0.1
Exchange differences	-	-	0.3	0.3
Fair value of plan assets at 31 December	-	-	6.8	6.8
Changes in net debt in the balance sheet				
Net pension obligation at 1 January	61.9	4.7	10.1	76.7
Cost of service in current period	1.4	0.2	0.2	1.8
Interest expense	1.5	0.0	0.3	1.8
Pensions paid	-2.8	-	-0.6	-3.4
Contributions from the employer, net after deductions	-	-	0.0	0.0
Revaluation gains/losses	-7.3	-1.8	-2.0	-11.1
Exchange differences	1.7	0.1	0.4	2.2
Net pension obligation at 31 December	56.4	3.2	8.4	68.0
31 Dec 2014	PRI/FPG system	PRI/FPG system, special payroll tax	Other	Total
Pension obligation at 1 January	60.7	3.7	13.5	77.9
Cost of service in current period	0.9	0.2	0.0	1.1
Interest expense	2.3	0.0	0.5	2.8
Pensions paid	-2.8	-	-0.4	-3.2
Revaluation of pension obligation – demographic assumptions	-3.5	-0.9	-	-4.4
Revaluation of pension obligation – other	8.0	2.0	2.1	12.1
Exchange differences	-3.7	-0.3	0.7	-3.3
Pension obligation at 31 December	61.9	4.7	16.4	83.0
Fair value of plan assets at 1 January	-	-	5.4	5.4
Imputed interest on plan assets	-	-	0.3	0.3
Contributions from the employer	-	-	0.2	0.2
Pensions paid	-	-	-0.2	-0.2
Valuation gains on plan assets	-	-	0.2	0.2
Exchange differences	-	-	0.4	0.4
Fair value of plan assets at 31 December	-	-	6.3	6.3
Changes in net debt in the balance sheet				
Net pension obligation at 1 January	60.7	3.7	8.1	72.5
Cost of service in current period	0.9	0.2	0.0	1.1
Interest expense	2.3	0.0	0.2	2.5
Pensions paid	-2.8	-	-0.4	-3.2
Contributions from the employer, net after deductions	-	-	0.0	0.0
Revaluation gains/losses	4.5	1.1	1.9	7.5
Exchange differences	-3.7	-0.3	0.3	-3.7
Net pension obligation at 31 December	61.9	4.7	10.1	76.7

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	2015	2014	Net liability EURm 2015	Net liability EURm 2014
Sweden			56.4	61.9
Discount rate	3.20%	2.50%		
Future salary increases	2.50%	2.50%		
Increase in income base amount	2.50%	2.50%		
Inflation	1.50%	1.50%		
Germany			3.6	3.6
Discount rate	2.25%	2.25%		
Future salary increases	2.50%	2.50%		
Inflation	1.75%	1.75%		
UK			1.8	3.5
Discount rate	3.80%	3.50%		
Future salary increases	1.70%	3.00%		
Inflation	1.70%	2.10%		
USA			1.3	1.3
Discount rate	4.27%	3.83%		
Future cost increases	6.60%	7.00%		
Other countries			1.7	1.7
Special payroll tax liability			3.2	4.7
Net liability in balance sheet			68.0	76.7

Sensitivity analysis

The table shows the effect on the Swedish PRI/FPG liability of a change in material assumptions underlying the calculation. The analysis is based on a change in one assumption while all other assumptions remain constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity, the same method as in the calculation of the pension liability has been used. A minus sign means that the liability decreases.

EURm	2015	2014
Discount rate +0.5%	-4.8	-5.5
Discount rate -0.5%	5.0	6.2
Salary increases +0.5%	3.2	3.0
Salary increases -0.5%	-2.0	-2.8
Inflation +0.5%	4.8	5.6
Inflation -0.5%	-4.7	-5.0
Longevity +1 year	2.7	3.4
Longevity -1 year	-3.1	-3.4

NOTE 20. OTHER PROVISIONS

EURm	Restructuring provisions	Environmental provisions	Other provisions	Total
Balance at 1 January 2015	1.8	5.5	0.0	7.3
Provisions during the year	4.0	0.7	0.2	4.9
Provisions used during the year	-2.4	-1.3	0.0	-3.7
Effect of movements in foreign exchange	0.0	-	0.0	0.0
Balance at 31 December 2015	3.4	4.9	0.2	8.5

EURm	Restructuring provisions	Environmental provisions	Other provisions	Total
Balance at 1 January 2014	4.8	4.8	0.0	9.6
Provisions during the year	-	0.7	-	0.7
Provisions used during the year	-3.0	0.0	0.0	-3.0
Effect of movements in foreign exchange	0.0	-	-	0.0
Balance at 31 December 2014	1.8	5.5	0.0	7.3

NOTE 20. OTHER PROVISIONS cont.

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 2015	31 Dec 2014
Interest-bearing liabilities		
Senior secured notes	300.0	300.0
Other non-current interest-bearing borrowings	0.0	0.0
Borrowing costs	-7.0	-9.0
Total non-current interest-bearing liabilities	293.0	291.0
Current interest-bearing liabilities		
Current portion of finance lease liabilities	-	0.1
Total current interest-bearing liabilities	-	0.1
Total interest-bearing liabilities	293.0	291.1

Maturity information for interest-bearing liabilities per 31 Dec 2015:

EURm	2016	2017–2018	2019	Total
Nominal amounts:				
Senior secured notes	-	-	300.0	300.0
Borrowing costs	-2.0	-4.1	-0.9	-7.0
Other	0.0	0.0	0.0	0.0
Total	-2.0	-4.1	299.1	293.0

Maturity information for interest-bearing liabilities per 31 Dec 2014:

EURm	2015	2016–2018	2019	Total
Nominal amounts:				
Senior secured notes	-	-	300.0	300.0
Finance lease liabilities	0.1	-	-	0.1
Borrowing costs	-2.0	-6.1	-0.9	-9.0
Other	0.0	0.0	0.0	0.0
Total	-1.9	-6.1	299.1	291.1

NOTE 21. INTEREST-BEARING LIABILITIES cont.

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

EURm	31 Dec 2015	31 Dec 2014
EUR	300.0	300.0
	300.0	300.0

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

%		
Loans	6.50	6.50

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

EURm		
SEK	-	0.1
	-	0.1

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

%		
Lease liabilities	-	3.22

Financing agreements

Since May 2014, Ovako's financing arrangements consists of senior secured notes of EUR 300 million and a revolving credit facility of EUR 40 million. Of the revolving credit facility, EUR 2.5 million has been earmarked for bank guarantees. There are no amortisation requirements during the loan term. Of the revolving

facility, EUR 1.2 (1.2) million was utilised in the form of issued bank guarantees, which means that the unutilised credit facility amounts to EUR 38.8 (38.8) million.

The notes were issued on the Luxembourg Stock Exchange (Euro MTF) by the subsidiary Ovako AB (publ) and carries a fixed interest rate of 6.5 percent. If the revolving facility is utilised, the interest rate is based on EURIBOR, STIBOR or LIBOR, depending on the currency, plus a margin. A commitment fee is paid for the unused portion of the revolving facility.

There are no financial covenants on the notes. Under the terms of the revolving facility, the company must ensure that covenants based on EBITDA are met, but only if the revolving facility is utilised by at least EUR 15 million in bank guarantees or revolving credit. This EBITDA requirement was met at the reporting date, but this was not necessary since the revolving facility was only utilised for bank guarantees in the amount of EUR 1.2 million.

Borrowing costs for the notes and the revolving facility amount to EUR 10.3 million, of which EUR 9.4 million was paid in 2014 and EUR 0.9 million in 2015. The borrowing costs are amortised over the term of the loan and are recognised as a reduction of interest-bearing liabilities in the balance sheet.

All shares in the group's major subsidiaries are pledged as collateral for the loans. In addition, the subsidiaries have issued property mortgages and floating charges, see Note 29.

Depending on market conditions, the company may from time to time buy its own bonds in the market.

NOTE 22. OTHER CURRENT LIABILITIES

EURm	31 Dec 2015	31 Dec 2014
Accrued employee benefits expense, social insurance fees and pension costs	36.7	36.0
VAT liabilities	4.1	1.3
Accrued costs, claims	0.6	0.6
Other liabilities and accrued expenses and prepaid income	10.5	14.6
Total	51.9	52.5

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 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 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 exchange rates and interest rates or other prices that affect the group's revenues and/or financial position.

Foreign exchange risk

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

One type of translation exposure arises from translation of subsidiaries' financial statements to the group's presentation currency. Translations that cause fluctuations in consolidated equity comprise net investments in subsidiaries whose functional currency is not the euro (EUR). Since all major subsidiaries, including those in Sweden, use EUR as their functional currency, translation exposure is very limited. Appreciation or depreciation of the Swedish krona or USD against the euro by 10% would result in an increase or decrease

NOTE 23. FINANCIAL RISK MANAGEMENT cont.

in the value of net assets in subsidiaries that have SEK or USD as their functional currency by EUR 1,9 (3.3) and 0,9 (0.9) million, respectively. Another type of translation exposure arises when the assets and liabilities of each legal entity differ from the legal entity's functional currency. Since the group's borrowings are denominated in EUR, this type of translation exposure is limited to current operating receivables and liabilities primarily in Swedish kronor (SEK) and pension provisions where the liability in SEK amounted to approximately EUR 59.6 (66.6) million at year end.

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. Ovako is exposed to foreign exchange 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 foreign exchange risk is linked to the 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 EUR 18 (18) million based on 2015 (2014) sales and not taking into account foreign exchange hedges.

The underlying purchase prices for significant raw materials, such as iron scrap and alloys, are determined in accordance with global or European markets and the functional purchasing currency is therefore USD or EUR, although the billing of the actual purchase can be made in SEK.

Most of the Ovako group's sales are in EUR, and sales in 2015 (2014) were divided by currency approximately as follows: 63 (63)% EUR; 26 (26)% SEK; and other currencies 11 (11)% (mainly GBP and USD).

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. The group finance policy provides guidelines for how much should or may be hedged and the length of the hedge horizon. The maximum applicable hedge horizon is currently 24 months.

Of the expected net exposure in SEK for 2016 (2015), approximately 61 (72)% is hedged for foreign exchange at an average rate of approximately 9.40 (9.22) to a total nominal value of EUR 120 (138) million. Of the expected net exposure in SEK for 2017 (2016), approximately 32 (28)% is hedged for foreign exchange at an average rate of approximately 9.42 (9.35), to a total nominal value of EUR 64 (54) million. The hedges consist of foreign exchange forward contracts and foreign exchange options in the form of zero cost collars. The hedges are defined as cash flow hedges and hedge accounting is applied, except for the time value component for the market value of foreign exchange options. Value changes in the time value are recognised in the income statement. Further information about derivatives is provided in Note 13.

Interest rate risk

Ovako's financing was rearranged in May 2014, at which time Ovako issued senior secured notes of EUR 300 million at a fixed interest rate as its primary source of financing. As indicated in Note 21, there are no other significant outstanding loans. This means that consolidated earnings or equity are not exposed to any material fluctuations due to changes in market interest rates on financial liabilities.

Electricity price risk

The group's electricity consumption in a normal year is approximately 1 TWh. The cost of electricity was EUR 40.1 (45.3) million, which mainly consists of the variable price of electricity, network charges, taxes and fees. To mitigate electricity price volatility that causes fluctuations in cash flows and earnings, hedging measures are used by which portions of the variable price of electricity are transferred to a fixed price (electricity derivatives). Fixed-price purchase contracts have also been used, to a limited extent, in the past. At year-end 2015 (2014), anticipated future electricity consumption¹⁾ was hedged as outlined in the table below:

Hedging of future electricity consumption¹⁾ through electricity derivatives as of 31 Dec 2015

Year	Hedged volume GWh	Percentage of consumption	Average price EUR	Nominal value of derivative, net EURm	Hedged purchasing value EURm
2016	614.3	66.4	29.99	-6.5	18.4
2017	393.3	42.7	29.18	-2.9	11.5
2018	319.7	34.7	29.81	-2.4	9.2
2019	315.4	34.2	28.69	-2.2	9.0
2020	219.6	23.8	26.76	-0.9	5.9
Total				-14.9	

Hedging of future electricity consumption¹⁾ through electricity derivatives as of 31 Dec 2014

Year	Hedged volume GWh	Percentage of consumption	Average price EUR	Nominal value of derivative, net EURm	Hedged purchasing value EURm
2015	421.8	46 (55) ²⁾	37.36	-3.2	15.8
2016	362.0	39	31.15	-0.5	11.3
2017	175.2	19	29.99	-0.2	5.3
2018	175.2	19	29.78	-0.2	5.2
2019	87.6	10	29.35	0.0	2.6
Total				-4.1	

1) Expected future consumption does not reflect, for example, future growth, adjustment of production capacity or potential for future energy savings.

2) In addition, there were fixed-price purchase contracts of 87.6 GWh for 2015. The percentage hedged for 2015 was thus 55%.

NOTE 23. FINANCIAL RISK MANAGEMENT cont.

Hedge accounting is applied and electricity derivatives have been defined as cash flow hedges. There is only insignificant ineffectiveness in these hedges, which means that the nominal value of the electricity derivatives in the table above reflects when the income statement will be affected by these. Further information is provided in Note 13 and in the table of contractual cash flows below.

Sensitivity analysis for the portfolio of electricity derivatives: A rise of 10% in the price of electricity compared to the price at 31 December 2015 (2014) would have an impact on Ovako's comprehensive income, before tax, of EUR 3.9 (3.6) million due to revaluation of the portfolio of electricity derivatives.

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 2014, 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. However, the present financing

agreement has considerably fewer covenants than the earlier financing. There is neither any amortisation requirements on the debt prior to expiry in 2019.

In addition to the issued notes of EUR 300 million, Ovako has a committed revolving credit facility of EUR 40 million, which was unused at December 31, apart from EUR 1.2 million which is utilised in the form of issued bank guarantees. The group's available liquidity amounted to EUR 87.9 (103.8) million, consisting of EUR 38.8 (38.8) million in unused revolving facility and cash in hand of EUR 49.1 (65.0) million. The group's financial policy requires liquidity to be at least EUR 15 million.

Surplus liquidity is used primarily to repay debt. If this is impossible, the surplus funds are invested within internally defined limits with banks that are counterparties to the group's credit agreements. The maturity structure of debt over future years is presented in Note 21. The table below shows contractual undiscounted interest payments and repayments of financial liabilities.

Contractual cash flows as of 31 Dec 2015

EURm	Nominal value	Total	2016	2017–2018	2019	2020
Senior secured notes	-300.0	-366.6	-19.5	-39.0	-308.1	-
Trade payables	-81.5	-81.5	-81.5	-	-	-
Foreign exchange derivatives						
– Outflow	-184.0	-184.0	-120.0	-64.0	-	-
– Inflow	184.0	188.4	122.7	65.7	-	-
Electricity derivatives	-14.9	-14.9	-6.5	-5.3	-2.2	-0.9
Total		-458.6	-104.8	-42.6	-310.3	-0.9

Contractual cash flows as of 31 Dec 2014

EURm	Nominal value	Total	2015	2016–2018	2019
Senior secured notes	-300.0	-386.1	-19.5	-58.5	-308.1
Lease liabilities	-0.1	-0.1	-0.1	-	-
Trade payables	-108.0	-108.0	-108.0	-	-
Foreign exchange derivatives					
– Outflow	-192.0	-192.0	-138.0	-54.0	-
– Inflow	192.0	187.5	134.3	53.2	-
Electricity derivatives	-4.1	-4.1	-3.2	-0.9	0.0
Total		-502.8	-134.5	-60.2	-308.1

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. Credit risk in trade receivables is managed primarily through credit risk insurance. Credit risk is also reduced through bank guarantees, advance and cash payment requirements and letters of credit. A credit limit is established for each customer, which is set by the company's insurance company or internal credit control. The uninsured portion of outstanding receivables should not exceed 2% of the estimated annual sales and, at year-end, this portion amounted to 0.5 (0.4)%. At year-end, 95 (95)% of Ovako's outstanding trade receivables were covered by credit insurance.

The five largest customers (groups including subsidiaries) account for 28 (30)% of consolidated sales and trade receivables.

At 31 December, trade receivable ageing was as follows

EURm	31 Dec 2015	31 Dec 2014
Ageing structure of trade receivables		
Trade receivables not due	63.6	68.7
Trade receivables 1–30 days overdue	10.7	16.5
Trade receivables 31–60 days overdue	2.2	0.7
Trade receivables more than 60 days overdue	1.7	0.3
Total	78.2	86.2

Provisions for anticipated bad debt losses amount to EUR 0.2 (0.2) million. There were no significant credit losses or provisions for anticipated credit losses during 2015 (2014). The group's maximum credit risk consists of trade receivables, cash and cash equivalents, derivative assets and other non-current and current receivables as per Note 13. Aside from that stated in the ageing distribution above, these receivables were not overdue for payment at the reporting date, and there was no indication of impairment loss.

NOTE 24. ADJUSTMENTS TO CASH FLOWS FROM OPERATING ACTIVITIES

EURm	31 Dec 2015	31 Dec 2014
Non-cash transactions:		
Gain/loss from sale of non-current assets	0.3	0.0
Acquisition below market value	-3.3	-
Restructuring costs not settled	4.8	-
Effects of movements in foreign exchange etc	0.8	0.0
Total	2.6	0.0

NOTE 25. OPERATING LEASES

The group mainly leases heavy vehicles such as forklifts, cranes, trucks, 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-cancelable operating leases in which the group is the lessee are shown in the following table.

EURm	31 Dec 2015	31 Dec 2014
Due within 1 year	7.6	8.5
Due within 2 to 5 years	9.3	9.6
Due later than 5 years	1.2	1.1
Total	18.1	19.2
Lease expense for the period	8.1	9.1

NOTE 26. AUDIT FEES

EURm	2015	2014
Ernst & Young:		
Audit assignments	-0.4	-0.5
Other auditing	0.0	-0.3
Tax advice	-0.1	0.0
Other services	0.0	-0.1
Total	-0.5	-0.9

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

The group is 100% owned by Triako Holdco AB, which is 100% owned by Oven Luxco Sarl in Luxembourg. Oven Luxco Sarl is under the controlling influence of Triton Fund III and Triton Fund F&F, which directly and indirectly controls 83.27% of the equity in the Ovako group. There were no significant transactions with companies over which Triton Fund III or Triton F&F Fund has significant or controlling influence. Reimbursement for services and expenditures totalling EUR 346 (220) thousand has been paid to West Park Management Services.

No group contribution has been provided to Triako Holdco AB in 2015. In the previous year, a group contribution of EUR 22,821 thousand was provided. At the same time, Triako Holdco AB waived the claim on Ovako Group AB, which arose when the group contribution was provided, together with receivables relating to group contributions from earlier periods, resulting in the receipt of a shareholder contribution of EUR 38,512 in 2014.

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 (publ)	556813-5338	Sweden	100	100
Shares and investments in subsidiaries owned by Ovako AB (publ):				
Ovako Bar AB	556690-6102	Sweden	100	100
Ovako Bright Bar AB	556690-6094	Sweden	100	100
Ovako Sweden AB ¹⁾	556692-1317	Sweden	100	100
Triako Finco AB	556816-0526	Sweden	100	100
Ovako Steel Marketing AB	556341-4522	Sweden	100	100
Ovako Metals Oy Ab	0351634-4	Finland	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.

Company name	Company reg no.	Domicile	Group interest, %	Group voting rights, %
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 Sweden 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 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	France	100	100
	RCS RENNES			
Ovako Twente B.V.	6 062 776	Netherlands	100	100
Shares and investments in subsidiaries owned by Ovako Sweden AB¹⁾:				
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	US	100	100
Hillboms Byggnads-och transportfirma	556118-5454	Sweden	100	100
Ovako Polska Sp.zo.o (99%, 1% owned by Ovako Bar AB)	0000267420	Poland	100	100

NOTE 28. BOARD AND KEY MANAGEMENT REMUNERATION**Directors' fees**

Directors' fees are resolved by the annual general meeting and are shown in the table below. The annual fees are resolved in SEK and are the same for 2015 as for 2014. Variations in the composition of the board and in exchange rates between the years may affect the expense presented in EUR. Directors who invoice the

company for the remuneration are allowed to add to the fee an amount representing the social charges. The social charges thus included are not higher than those charges that otherwise had been payable by the company. The fee including social charges are included in the table, in such cases. Board members are shown on Page 61.

Board members	Position	Committee (31 Dec 2015)	Fee 2015 (EURk)	Fee 2014 (EURk)
Finn Johnsson ¹⁾	Chairman	Remuneration Committee Chairman	58	60
Simon Andberg ²⁾	Director		-	25
Jorma Eloranta ²⁾	Director		-	8
Oskari Eskola ³⁾	Director		27	8
Nizar Ghoussaini	Director	Audit Committee	30	31
Martin Ivert	Director	Remuneration Committee	28	29
Magnus Lindquist ⁴⁾	Director		4	32
Björn Nilsson ⁴⁾	Director		26	-
Joakim Olsson ⁵⁾	Director	Audit Committee, Remuneration Committee	13	-
Sakari Tamminen ³⁾	Director	Audit Committee Chairman	34	9
Robert Nilsson	Director (Employee Representative)		-	-
Per Pettersson	Director (Employee Representative)		-	-
Total			220	202

1) In addition to the fee, the chairman has received compensation for office and secretarial costs totalling EUR 17 (15) thousand.

2) Simon Andberg resigned on 9 September 2014 and Jorma Eloranta resigned on 10 April 2014.

3) Oskari Eskola and Sakari Tamminen joined the board 9 September 2014.

4) Magnus Lindquist resigned and Björn Nilsson joined the board 10 February 2015.

5) Joakim Olsson joined the board on 15 September 2015.

Remuneration policy

According to the remuneration policy, 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, CEO and other key management personnel

Variations in exchange rates between years may affect the expense presented in EUR. Amounts presented in the table relate to remuneration paid during the year.

2015 EURk	CEO	Group management (excluding CEO)	Total
Base salary	570	2,044	2,614
Variable pay	109	432	541
Other benefits	17	76	93
Total remuneration	696	2,552	3,248
Pension benefits	195	513	708
Total incl. pension benefits	891	3,065	3,957

2015 EURk	CEO	Group management (excluding CEO)	Total
Base salary	532	1,964	2,496
Variable pay	53	268	321
Other benefits	16	75	91
Total remuneration	601	2,307	2,908
Pension benefits	182	501	683
Total incl. pension benefits	783	2,808	3,591

Remuneration to the CEO

Marcus Hedblom was appointed CEO on 24 November, Tom Erixon's employment ended on 31 December 2015. The information regarding remuneration to the CEO refers to the remuneration to Tom Erixon until the end of employment on 31 December and for Marcus Hedblom. Marcus Hedblom received a salary and other employee benefits totalling EUR 433 thousand during the year, of which EUR 45 thousand as CEO. Tom Erixon received a salary and other employee benefits totalling EUR 651 (601) 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 18 months. The age of retirement for the CEO is 65. Pension benefits are a defined contribution plan and equal 30% of base salary. The pension benefits expense for Marcus Hedblom amounted to EUR 87 thousand of which EUR 14 thousand as CEO.

Remuneration to group management (excluding the CEO)

Group management was composed of 8 (8) individuals in addition to the CEO and is presented on Page 62. Members of group management excluding the CEO were paid salary and other employee benefits by the company totalling EUR 2,552 (2,307) 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 513 (501) thousand.

	2015		2014	
Management gender distribution at 31 December	Female	Male	Female	Male
Board and CEO	-	10	-	9
Other senior executives	1	7	1	7

NOTE 29. PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

EURm	31 Dec 2015	31 Dec 2014
Pledged collateral		
Pledged assets	1,869.2	1,773.1

As explained in Note 21, all shares in major group subsidiaries are pledged as collateral for loans. 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 the sum of total assets in the pledged subsidiaries but with no elimination of intercompany items.

Contingent liabilities		
Guarantees	1.2	2.8
Pension liabilities	0.9	0.9

NOTE 30. LEGAL DISPUTES

The group is not involved in any significant legal disputes.

NOTE 31. ACQUISITIONS

On 31 March 2015, 100% of steel and metals distributor Tibnor Oy in Finland was acquired. The business, formerly a part of the SSAB group, is now operating under the name Ovako Metals Oy Ab. The acquisition analysis is presented below, for further information see administration report.

Purchase price	MEUR
Purchase price paid in cash	6.3
Fair value for acquired assets	9.6
Negative goodwill	-3.3

Assets and liabilities acquired¹	
Fixed assets	1.0
Current assets	21.3
Cash and cash equivalents	0.4
Current liabilities	-13.1
Acquired net assets	9.6

Effect on the Group's cash and cash equivalents	
Purchase price paid	-6.3
Acquired cash and cash equivalents	0.4
Effect on the Group's cash and cash equivalents	-5.9

1) Carrying values correspond to fair values.

Parent company income statement

EURk	Note	2015	2014
Revenue		-	-
Administrative expenses	3	-242	-230
OPERATING PROFIT		-242	-230
Interest income from group companies	4	554	542
Interest expense from group companies	4	-13	-12
Other		-22	26
Profit after financial items		277	326
Group contribution	4	-12,300	-1,603
Taxes	5	2,645	0
Profit/loss for the year		-9,378	-997

Parent company statement of comprehensive income

EURk	Note	2015	2014
Profit/loss for the year		-9,378	-997
Other comprehensive income		-	-
Total comprehensive income for the year		-9,378	-997

Parent company balance sheet

EURk	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Non-current financial assets			
Investments in subsidiaries	2	139,823	139,823
Receivables from group companies	4	24,291	23,738
Deferred tax assets	5	2,925	280
Total		167,039	163,841
Total non-current assets		167,039	163,841
Current assets			
Receivables from group companies	4	36,947	36,947
Total current assets		36,947	36,947
TOTAL ASSETS		203,986	200,788
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
18(*)			
Share capital		6	6
Retained earnings		200,169	201,166
Profit/loss for the year		-9,378	-997
Total equity attributable to owners of the parent		190,797	200,175
Current liabilities			
Liabilities to parent	4	-	-
Liabilities to group companies	4	13,189	613
Total current liabilities		13,189	613
TOTAL EQUITY AND LIABILITIES		203,986	200,788
Pledged collateral			
29(*)			
Investments in subsidiaries		139,823	139,823
Receivables from group companies		39,467	39,467
Total pledged collateral		179,290	179,290
Contingent liabilities		None	None

(*) Consolidated financial statements

Parent company statement of cash flows

EURk	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		-242	-230
Change in working capital		242	230
Cash flows from operating activities		0	0
Cash flows from investing activities		-	-
Cash flows from financing activities		-	-
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

2015	Restricted equity:	Non-restricted equity:	
EURk	Share capital	Retained earnings	Total equity
Equity at 1 January 2015	6	200,169	200,175
Comprehensive income for the year	-	-9,378	-9,378
Equity at 31 December 2015	6	190,791	190,791

2014	Restricted equity:	Non-restricted equity:	
EURk	Share capital	Retained earnings	Total equity
Equity at 1 January 2014	6	162,654	162,660
Comprehensive income for the year	-	-997	-997
Shareholder contribution received	-	38,512	38,512
Equity at 31 December 2014	6	200,169	200,175

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

NOTE 1. 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 2015 are for the capitalisation of transaction costs in 2010 related to the acquisition of shares in September 2010 (EUR 12 million).

Investments in subsidiaries

Shares and participations in subsidiaries are recognised using the cost method.

Group contributions

The parent company reports group contributions received and paid as appropriations in the income statement in accordance with RFR 2.

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

NOTE 2. INVESTMENTS IN SUBSIDIARIES

Name of company	Interest and voting rights, %	Number of shares	31 Dec 2015 Carrying amount	31 Dec 2014 Carrying amount
Ovako AB (publ)	100	50,000	139,823	139,823
Name of company	Company reg no.	Domicile		
Ovako AB (publ)	556813-5338	Stockholm		

NOTE 3. AUDIT FEES

The parent company has no audit expenses as such expenses were paid by Ovako AB (publ).

NOTE 5. TAXES

Tax income and deferred tax assets arise from deferred tax attributable to loss carry-forwards.

NOTE 4. RELATED-PARTY TRANSACTIONS

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

A group contribution of EUR 12,300 thousand was provided to the subsidiary Ovako AB (publ). Last year a group contribution of EUR 21,218 thousand was received from the subsidiary Ovako AB (publ) and a group contribution of EUR 22,821 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 subsidiaries and stem from group contributions and balances on group accounts and cash pools. Last year a shareholder contribution of EUR 38,512 thousands was received from Triako Holdco AB.

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, 16 March 2016

Joakim Olsson
Board Chairman

Marcus Hedblom
President and CEO

Oskari Eskola

Nizar Ghossaini

Martin Ivert

Johan Pernvi

Sakari Tamminen

Robert Nilsson
Employee Representative

Timo Viiperi
Employee Representative

Our audit report was submitted on 17 March 2016
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 2015 – 31 December 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 24–59.

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 2015 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 2015 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 2015 – 31 December 2015.

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, 17 March 2016
Ernst & Young AB

Heléne Siberg Wendin
Authorised Public Accountant

Board of directors



Joakim Olsson, Chairman

Birth year: 1965

Elected to board: 2015

Education: Master of Business Administration and M.Sc. in Mechanical Engineering

Operational position: Senior Industry Expert at Triton Partners

Other board assignments: Chairman Seves Group SARL, Director at DencoHappel GmbH and VCST Holdco SA.



Oskari Eskola, Director

Birth year: 1985

Elected to board: 2014

Education: M.Sc. Industrial Engineering and Management

Operational position: Investment Advisory Professional at Triton Advisers (Sweden) AB

Other board assignments: Deputy Director Papyrus



Nizar Ghoussaini, Director

Birth year: 1950

Elected to 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 board: 2010

Education: M.Sc. (Metallurgy)

Other board assignments: Director FLSmidth & Co. A/S.



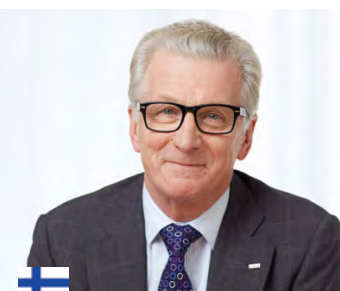
Johan Pernvi, Director

Birth year: 1978

Elected to board: 2016

Education: Master of Business Administration

Operational position: Investment Advisory Professional at Triton Advisers (Sweden) AB.



Sakari Tamminen, Director

Birth year: 1953

Elected to board: 2014

Education: M.Sc. (Econ)

Other board assignments: Chairman Versowood and M.J. Paasikivi Oy, Director Danske Bank Finland Plc and Severstal Group.



Robert Nilsson, Employee Representative

Birth year: 1981

Elected to board: 2011

Employed at Ovako: 2007



Timo Viiperi, Employee Representative

Birth year: 1960

Elected to board: 2016

Employed at Ovako: 1976

Deputy Employee Representatives:



Jan Helgesson

Birth year: 1958

Elected to board: 2015

Employed at Ovako: 1979



Patrik Undvall

Birth year: 1968

Elected to board: 2010

Employed at Ovako: 1998

Finn Johnsson and Björn Nilsson left the board on 12 February 2016. Per Pettersson left the board on 1 January 2016.

Management



Marcus Hedblom
President and CEO

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.



Ola Salmén
EVP and Interim Chief Financial Officer

Birth year: 1954

Education: Master of Business Administration
Previous positions: Senior executive positions including Executive Vice President and CFO at Sandvik and CFO at V&S Vin & Sprit AB.



Karin Lagerstedt Woolford
EVP Group Human Resources, Safety, Health and Environment

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
EVP 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 Ovako Bar Hofors-Hällefors

Birth year: 1958

Education: M.Sc. (Metallurgy)

Previous positions: Senior positions at Ovako and SKF Steel.



Janne Pirttijoki
President of Ovako Bar Imatra

Birth year: 1970

Education: Master of Science (Eng.)

Previous positions: Senior positions at SSAB and Ruukki.



Rickard Qvarfort
President of Ovako 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.



Carl-Michael Raihle
President of Ovako 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 Outokumpu.



Mathias Tillman
President of Ovako Bright Bar

Birth year: 1976

Education: M.Sc. (Metallurgy) and MBA

Previous positions: Unit Manager at Sandvik Hard Materials, Head of Research and Development at Sandvik Hard Materials.

From 1 March 2016, operations are conducted within four business units instead of five. The Bar Hofors-Hällefors, Tube & Ring, and Bright Bar business units have been merged into two units: Hofors under the leadership of Carl-Michael Raihle; and Hällefors under the leadership of Mathias Tillman. See also the statutory administration report on page 28.

Definitions

Sales Volume Includes only products manufactured by Ovako

EBITDA Earnings before financial income and expenses, taxes, depreciation, amortisation and impairments

Adjusted EBITDA EBITDA excluding restructuring costs

EBITA Earnings before financial income and expenses, taxes, amortisation of surplus values from acquisitions and impairments

Operating profit (EBIT) Profit before financial income and expenses and taxes

EBIT margin Operating profit (EBIT) as a percentage of revenue

Adjusted EBIT EBIT excluding restructuring costs and impairment in connection with restructuring

Net debt Interest-bearing liabilities (excluding pension liabilities) less cash and cash equivalents

Net debt/equity ratio (percent) (Net debt/equity) x 100

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

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

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