Interim Report for Third Quarter 2016

Third quarter 2016

- Order intake increased by 2 percent compared to the previous year and continued to strengthen the order book during the quarter
- Sales volume was 3 percent lower than in the previous year, while revenue decreased by 12 percent. Revenue development was influenced by lower scrap and alloy surcharges and a weaker sales mix
- EBITDA before restructuring costs improved to EUR 5 (0) million
- Operating profit (EBIT) amounted to EUR -8 (-12) million after restructuring costs of EUR 3 (2) million
- Cash flow from operating activities amounted to EUR 3 (15) million, including payment of restructuring costs of EUR 2 million
- Ovako's restructuring program is proceeding according to plan and has contributed EUR 7 million in the form of lower costs during the quarter. The group now has 174 fewer employees compared to a year ago

January – September 2016

- Order intake increased by 6 percent compared to the previous year
- Sales volume increased by 1 percent compared to the previous year, while revenue was 10 percent lower than in the previous year
- EBITDA before restructuring costs amounted to EUR 51 (53) million
- Operating profit (EBIT) amounted to EUR 16 (20) million after restructuring costs of EUR 5 (2) million
- Cash flow from operating activities amounted to EUR 14 (14) million, including payment of restructuring costs of EUR 6 million
- Ovako's restructuring program has contributed EUR 17 million in the form of lower costs during the year

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

Group KPIs

The table of key performance indicators (KPIs) contains data taken directly from the financial statements and information that can be derived from these, as well as statistical information. A reconciliation between financial KPIs and the financial statements, including those KPIs that are not defined under IFRS, is presented on Page 10, and definitions of all KPIs can be found on Page 13. KPIs are presented as a supplement to the financial statements to facilitate the understanding of performance and financial position over time.

		2016 Q3	2015 Q3	**2016 Q1-3**	2015 Q1-3	2015 Full year
Sales volumes 1)	Kton	**146**	150	**532**	525	681
Net revenue 2)	EURm	**165**	188	**585**	651	834
EBITDA before restructuring cost 3)	EURm	**5**	0	**51**	53	48
Adjusted EBITDA margin 3)		***3.2 %***	*-0.2 %*	***8.8 %***	*8.1 %*	*5.7 %*
EBITDA 3)	EURm	**2**	-2	**47**	51	44
EBITDA margin 3)		***1.4 %***	*-1.1 %*	***8.0 %***	*7.8 %*	*5.2 %*
EBIT before restructuring cost 3)	EURm	**-5**	-11	**21**	22	7
Adjusted EBIT margin 3)		***-2.9 %***	*-5.6 %*	***3.6 %***	*3.4 %*	*0.9 %*
Operating profit (EBIT) 2)	EURm	**-8**	-12	**16**	20	1
EBIT margin 3)		***-4.7 %***	*-6.5 %*	***2.8 %***	*3.1 %*	*0.1 %*
Net profit/loss 2)	EURm	**-11**	-14	**-1**	0	-23
Cash flow from operating activities 2)	EURm	**3**	15	**14**	14	25
Net debt (excl pension liabilities)/equity ratio 3)		**209 %**	164 %	**209 %**	164 %	181 %
Return on capital employed (ROCE) 3)		**-1 %**	1 %	**-1 %**	1 %	0 %
Full time employees at end of period (FTE) 1)	No.	**2,811**	2,985	**2,811**	2,985	2,905

1) Statistical KPIs, defined on Page 13
2) KPIs taken directly from the financial statements
3) KPIs calculated using the financial statements, see calculations on Page 10

Comments from the CEO

“The third quarter of 2016 continued as the previous one for Ovako, with good order intake, growth in several customer segments, and improved profits. This was despite the fact that deliveries to customers fell slightly compared to the previous year.

Order intake was 2 percent higher during the period compared to previous year, a more moderate growth than in the very strong second quarter. The order book going into the fourth quarter is 14 percent better than in the previous year, mainly due to strong demand for products from the steel mills in Imatra and Smedjebacken. This is expected to positively impact sales volumes in the fourth quarter.

Deliveries to customers during the quarter were slightly lower than in the previous year, at 146 thousand metric tons compared to 150 thousand metric tons in the third quarter of 2015, a decrease of just under 3 percent. Production in recent months has been affected by bottlenecks, mainly in some of the further processing operations after the rolling mills. Most of these have now been resolved.

With regard to our markets, heavy trucks continued to develop well, and also the car market - which is still relatively small for Ovako - has seen good development. Growth has been created through new business in the standard bearings segment and through new forging applications for the automotive industry. However, the market for advanced steel for industrial bearings and the oil and gas market remain weak. Also the important Scandinavian and Finnish home market have seen a negative development. Overall this means negative price and mix changes in the portfolio compared to the previous year.

Despite this, profit strengthened significantly during the quarter compared to the previous year. The operating margin before restructuring costs reached 4 percent for the first nine months of the year. We can conclude that the restructuring program made a significant contribution to the profit. Thanks to hard work throughout the company EUR 17 million of the planned savings of EUR 22 million for 2016 have been realized already. The group now has 174 fewer employees compared to a year ago and most of the initiatives in the restructuring program are on or ahead of schedule.

Safety is a top priority at Ovako. The trend is in the right direction and the number of accidents leading to sick leave continues to decrease compared to the previous year. At the same time there is still much to be done, and a series of different company-wide and local initiatives are currently ongoing to further increase the tempo of our safety efforts.

Short-term outlook

We expect the market for engineering steel in Europe to be characterized by continued uncertainty in the next quarter. In view of the current strong order book, we believe that Ovako’s deliveries in the fourth quarter will be slightly higher than in the corresponding period of the previous year.”

Marcus Hedblom
President and CEO

Market development

The EU industrial production index showed growth of 1.6 percent in the second quarter of 2016 (latest available data), compared to the same quarter in 2015. Sweden, which has shown some growth in recent quarters, is now showing zero growth, while Germany has stabilized at a high level, driven mainly by the strong car market. There was strong growth in Finland in the second quarter, but from a low level.

The market for European merchant bar (which includes engineering steel) remains at a historically low level. According to the European Steel Association, Eurofer, the European market for merchant bar increased by 2.3 percent in the second quarter of 2016, compared to the same quarter in 2015.

Revenue and profit for the third quarter 2016

Sales volume amounted to 146 (150) thousand metric tons and revenue to EUR 165 (188) million. Sales volume was 3 percent lower than in the corresponding period of the previous year, while revenue decreased by 12 percent.

The lower revenue is partly due to lower sales volumes but also lower purchasing prices for raw materials, which influence revenues that therefore contain lower scrap and alloy surcharges. The sales mix has also had a negative influence on revenue since volume growth took place in segments such as standard bearings and forging applications, while development has been weak in industrial bearings, and in oil and gas.

Ovako's production volume (expressed as crude steel production, i.e. production in the steel mills but prior to further processing) was 5 percent higher than in the previous year and amounted to 176 (167) thousand metric tons.

EBITDA before restructuring costs amounted to EUR 5 (0) million. Profit was positively affected by lower fixed and variable costs and higher production volumes, but negatively affected by somewhat lower sales volumes and a weaker mix. Compared to the third quarter of the previous year, profit improved by EUR 1 million due to scrap and alloy timing effects.

Restructuring costs of EUR 3 (2) million were charged against profit. Total depreciation and amortization amounted to EUR 10 (10) million, and operating profit (EBIT) was EUR -8 (-12) million including restructuring costs.

Net financial income for the period amounted to EUR -5 (-4) million, and was influenced by currency effects of EUR 1 (2) million.

Profit before tax for the period amounted to EUR -13 (-16) million, and net profit was EUR -11 (-14) million.

Revenue and profit for January - September 2016

Sales volume amounted to 532 (525) thousand metric tons and revenue to EUR 585 (651) million. Sales volume was 1 percent higher than in the corresponding period of the previous year, while revenue decreased by 10 percent. Reported sales volumes relate to Ovako’s own production, and have thus not been affected by third-party products sold mainly through Ovako Metals Oy Ab, which is included in the income statement from April 1, 2015. The acquisition has contributed to an increase in revenue of 2 percent, due to the fact that revenue from Ovako Metals Oy Ab is included for 9 months in the current year, instead of for 6 months in the comparison year.

Ovako's production volume was slightly higher than in the previous year, and expressed in terms of crude steel production (i.e. production in the steel mills but prior to further processing) amounted to 695 (675) thousand metric tons.

EBITDA before restructuring costs amounted to EUR 51 (53) million. Profit was positively affected by lower fixed and variable costs, but negatively affected by somewhat lower sales volumes and a weaker mix. Profit for the previous year included a positive effect of EUR 3 million from the acquisition of Ovako Metals Oy Ab, which took place at a price below the market value of acquired net assets.

Restructuring costs of EUR 5 (2) million were charged against profit. Total depreciation and amortization amounted to EUR 31 (31) million, and operating profit (EBIT) was EUR 16 (20) million including restructuring costs.

Net financial income for the period amounted to EUR -16 (-18) million, and was influenced by currency effects of EUR 3 (1) million.

Profit before tax for the period amounted to EUR 0 (2) million, and net profit was EUR -1 (1) million. Return on capital employed (ROCE) was -1 (1) percent.

Cash flow

Cash flow from operating activities, including interest paid, for the third quarter amounted to EUR 3 (15) million, including expenses related to the restructuring program of EUR 2 million. In the previous year, cash flow strengthened considerably due to changes in working capital, while the corresponding improvement has not taken place in the current year. Cash flow before financing activities amounted to EUR -10 (2) million.

Cash flow from operating activities, including interest paid, for the period January – September amounted to EUR 14 (14) million, including payment of restructuring costs of EUR 6 million. Cash flow before financing activities amounted to EUR -10 (-19) million. The previous year's cash flow contained significantly higher investments, including the acquisition of Ovako Metals Oy Ab.

Financial position

The group's loans amounted to EUR 300 (31 December 2015: 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 295 (31 December 2015: 293) million. Net debt (excluding pension liabilities) amounted to EUR 256 (31 December 2015: 244) million.

Equity amounted to EUR 123 (31 December 2015: 135) million, and the net debt/equity ratio (excluding pension liabilities) was 209 (31 December 2015: 181) percent.

A change in the assumption for the discount rate used in measuring pension liabilities, from 3.2 percent at the start of the year to 1.9 percent at the reporting date, has meant that the liability has increased by EUR 12 million and equity has decreased by EUR 10 million (after taking into account deferred tax) since the start of the year. At the beginning of the quarter a discount rate of 2.3 percent was used.

The group’s liquidity buffer of EUR 78 (31 December 2015: 88) million comprises cash and cash equivalents of EUR 39 (31 December 2015: 49) million and unutilized contracted loan commitments of EUR 39 (31 December 2015: 39) million.

Investments

Investments in intangible assets and property, plant and equipment during the period amounted to EUR 24 (27) million, and investments in operations amounted to EUR 0 (6) million.

Parent company

The parent company of the group, Ovako Group AB (corporate registration number 556813-5361), directly and indirectly holds 100 percent of the shares in all subsidiaries of the group. Net profit in Ovako Group AB for the period January – September amounted to EUR 0.2 (0.3) million.

Most significant risks and uncertainty factors

For information regarding the most significant risks and uncertainty factors, refer to the description in the annual report for 2015. The company does not consider that there have been any material changes during the reporting period in the risks and factors of uncertainty presented in the annual report.

The current macroeconomic uncertainty may influence the development of the business.

Related-party transactions

The group is under the controlling influence of Triako Holdco AB, the parent company of Ovako Group AB. Triako Holdco AB is under the controlling influence of Triton Fund III and Triton F&F Fund, which, directly and indirectly, together control 83.27% of the shares in the Ovako group. There are no material transactions with companies in which Triton Fund III and Triton F&F Fund have significant or controlling influence.

Accounting policies

The interim report for the group has been prepared in accordance with IAS 34 Interim Reporting. The interim report for the parent has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities.

The group applies the International Financial Reporting Standards (IFRS) adopted by the EU and the Swedish Annual Accounts Act. Segment information is presented based on the company management's perspective, and operating segments are identified based on the internal reporting to Ovako's chief operating decision maker. Ovako has identified the CEO as its chief operating decision maker, and the internal reporting used by this person to review operations and make decisions about resource allocation is the basis for segmentation. Ovako has combined its segments (business units) into one reportable operating segment in accordance with the rules for aggregation.

The accounting policies applied in this interim report are the same as those applied in the consolidated annual accounts for 2015. No new or revised IFRSs entering into force during 2016 have had any material effect on the group.

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

This report has been reviewed by the company's independent auditors.

Stockholm, October 28, 2016

Marcus Hedblom
President and CEO

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR million	**2016 Q3**	2015 Q3	**2016 Q1-3**	2015 Q1-3	2015 Full year
REVENUE	**165.0**	188.4	**585.0**	650.7	834.1
Cost of goods sold	**-161.0**	-187.6	**-528.0**	-591.2	-778.8
GROSS PROFIT	**4.0**	0.8	**57.0**	59.5	55.3
Selling expenses	**-6.2**	-7.7	**-21.7**	-22.1	-30.2
Administrative expenses	**-6.0**	-5.7	**-21.3**	-22.1	-30.1
Other operating income	**0.4**	0.4	**2.3**	4.8	5.6
OPERATING PROFIT/LOSS	**-7.8**	-12.2	**16.3**	20.1	0.6
Financial income and expenses, net	**-5.0**	-4.0	**-16.0**	-17.8	-26.6
PROFIT/LOSS BEFORE TAX	**-12.8**	-16.2	**0.3**	2.3	-26.0
Taxes	**1.7**	2.2	**-1.3**	-1.8	3.1
NET PROFIT/LOSS FOR THE PERIOD	**-11.1**	-14.0	**-1.0**	0.5	-22.9
Of which attributable to					
Owners of the parent	**-11.1**	-14.0	**-1.0**	0.5	-22.9
Non-controlling interests	**-**	-	**-**	-	-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	**2016 Q3**	2015 Q3	**2016 Q1-3**	2015 Q1-3	2015 Full year
Net profit/loss for the period	**-11.1**	-14.0	**-1.0**	0.5	-22.9
Items that will be reclassified to profit or loss					
Translation differences	**-0.4**	-0.8	**-1.2**	1.0	1.7
Cash flow hedges	**1.3**	-9.3	**0.0**	-4.1	-1.6
Tax attributable to cash flow hedges	**-0.3**	2.1	**0.0**	0.9	0.3
	0.6	-8.0	**-1.2**	-2.2	0.4
Items that will not be reclassified to profit or loss					
Revaluation of pension obligations	**-4.3**	-	**-13.0**	4.5	11.1
Tax attributable to revaluation of pension obligations	**1.0**	-	**2.9**	-1.0	-2.4
	-3.3	-	**-10.1**	3.5	8.7
Other comprehensive income, net of tax	**-2.7**	-8.0	**-11.3**	1.3	9.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-13.8**	-22.0	**-12.3**	1.8	-13.8

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	**2016 30 Sep**	2015 30 Sep	2015 31 Dec
Property, plant and equipment	**311.7**	323.6	318.8
Intangible assets	**9.9**	9.0	9.5
Other financial assets	**7.0**	7.0	6.9
Derivative assets	**0.1**	0.3	1.7
Deferred tax assets	**16.6**	13.0	14.1
Non-current assets	**345.3**	352.9	351.0
Inventories	**201.9**	202.3	189.6
Trade receivables	**92.8**	111.2	78.2
Other current receivables	**16.2**	15.1	18.7
Current tax assets	**2.2**	1.0	0.8
Derivative assets	**0.2**	0.8	2.7
Cash and cash equivalents	**38.7**	45.4	49.1
Current assets	**352.0**	375.8	339.1
ASSETS	**697.3**	728.7	690.1
Equity	**122.6**	150.5	134.9
Non-current interest-bearing liabilities	**294.5**	292.5	293.0
Derivative liabilities	**7.1**	7.2	8.4
Deferred tax liabilities	**37.1**	38.8	36.5
Other provisions	**82.5**	79.4	76.5
Other liabilities	**0.3**	0.3	0.3
Non-current liabilities	**421.5**	418.2	414.7
Current interest-bearing liabilities	**-**	0.1	-
Derivative liabilities	**3.3**	6.5	6.5
Trade payables	**98.2**	97.7	81.5
Current tax liabilities	**0.3**	0.3	0.5
Other current liabilities	**51.4**	55.4	52.0
Current liabilities	**153.2**	160.0	140.5
EQUITY AND LIABILITIES	**697.3**	728.7	690.1

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	**2016 Q3**	2015 Q3	**2016 Q1-3**	2015 Q1-3	2015 Full year
Operating profit	**-7.8**	-12.2	**16.3**	20.1	0.6
Adjustment for depreciation and amortization	**10.1**	10.2	**30.5**	30.8	42.9
Adjustment for other non-cash items	**1.8**	1.4	**1.5**	-1.4	2.6
Change in working capital	**1.5**	16.2	**-20.7**	-23.9	0.9
Cash flow from operations	**5.6**	15.6	**27.6**	25.6	47.0
Interest received and paid	**-1.8**	-0.7	**-11.5**	-10.4	-20.7
Income tax paid	**-0.4**	-0.1	**-2.0**	-1.0	-1.1
Cash flow from operating activities	**3.4**	14.8	**14.1**	14.2	25.2
Acquisition of businesses	**-**	-	**-**	-5.9	-5.9
Investments in non-current assets	**-13.0**	-12,8	**-24.1**	-27.2	-35.0
Cash flow from investing activities	**-13.0**	-12.8	**-24.1**	-33.1	-40.9
Cash flow before financing activities	**-9.6**	2.0	**-10.0**	-18.9	-15.7
Other	**-**	-	**-**	-0.9	-0.9
Cash flow from financing activities	**-**	-	**-**	-0.9	-0.9
Cash flow for the period	**-9.6**	2.0	**-10.0**	-19.8	-16.6
Cash and cash equivalents at the beginning of period	**48.5**	43.9	**49.1**	65.0	65.0
Translation differences on cash and cash equivalents	**-0.2**	-0.5	**-0.4**	0.2	0.7
Cash and cash equivalents at the end of period	**38.7**	45.4	**38.7**	45.4	49.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the parent				
2016	Share	Translation	Cash flow	Retained	**Total**
EUR million	capital	reserve	hedge reserves	earnings	**equity**
Opening balance at 1 Jan	**0.0**	**1.5**	**-7.9**	**141.3**	**134.9**
Comprehensive income					
Profit/loss for the period	-	-	-	-1.0	**-1.0**
Other comprehensive income	-	-1.2	0.0	-10.1	**-11.3**
Comprehensive income	**-**	**-1.2**	**0.0**	**-11.1**	**-12.3**
Closing balance at 30 Sep	**0.0**	**0.3**	**-7.9**	**130.2**	**122.6**

	Equity attributable to owners of the parent				
2015	Share	Translation	Cash flow	Retained	**Total**
EUR million	capital	reserve	hedge reserves	Earnings	**Equity**
Opening balance at 1 Jan	**0.0**	**-0.2**	**-6.6**	**155.5**	**148.7**
Comprehensive income					
Profit/loss for the period	-	-	-	0.5	**0.5**
Other comprehensive income	-	1.0	-3.2	3.5	**1.3**
Comprehensive income	**-**	**1.0**	**-3.2**	**4.0**	**1.8**
Closing balance at 30 Sep	**0.0**	**0.8**	**-9.8**	**159.5**	**150.5**

KPIs - CALCULATIONS AND RECONCILIATION TO FINANCIAL STATEMENTS

From Income Statement **EUR million** (if not otherwise stated)			**2016 Q3**	2015 Q3	**2016 Q1-3**	2015 Q1-3	2015 Full year
Revenue	A		165.0	188.4	585.0	650.7	834.1
Net result			-11.1	-14.0	-1.0	0.5	-22.9
+ Taxes			-1.7	-2.2	1.3	1.8	-3.1
+ Financial income and expenses, net			5.0	4.0	16.0	17.8	26.6
EBIT	B		**-7.8**	-12.2	**16.3**	20.1	0.6
+ Amortization of surplus values			2.2	2.6	6.7	7.6	11.6
EBITA	C		**-5.6**	-9.6	**23.0**	27.7	12.2
+ Depreciation			7.9	7.6	23.8	23.2	31.3
EBITDA	D		**2.3**	-2.0	**46.8**	50.9	43.5
EBIT margin %	*B/A*100*		***-4.7***	*-6.5*	***2.8***	*3.1*	*0.1*
EBITA margin %	*C/A*100*		***-3.4***	*-5.1*	***3.9***	*4.3*	*1.5*
EBITDA margin %	*D/A*100*		***1.4***	*-1.1*	***8.0***	*7.8*	*5.2*
Net result (EUR thousand)	E				-1,013	457	-22,900
Number of shares	F				50,000	50,000	50,000
Earnings per share	E/F*1000				**-20**	9	-458

Adjusted for restructuring **EUR million** (if not otherwise stated)			**2016 Q3**	2015 Q3	**2016 Q1-3**	2015 Q1-3	2015 Full year
Impairments related to restructuring	G	1)	-	-	-	-	2.7
Restructuring cost	H	1)	3.0	1.7	4.6	1.7	4.0
EBIT before restructuring	I=B+G+H		**-4.8**	-10.5	**20.9**	21.8	7.3
EBITA before restructuring	J=C+H		**-2.6**	-7.9	**27.6**	29.4	16.2
EBITDA before restructuring	K=D+H		**5.3**	-0.3	**51.4**	52.6	47.5
Adjusted EBIT margin %	*I/A*100*		***-2.9***	*-5.6*	***3.6***	*3.4*	*0.9*
Adjusted EBITA margin %	*J/A*100*		***-1.6***	*-4.2*	***4.7***	*4.5*	*1.9*
Adjusted EBITDA margin %	*K/A*100*		***3.2***	*-0.2*	***8.8***	*8.1*	*5.7*

From Balance Sheet **EUR million** (if not otherwise stated)			**2016 30 Sep**	2015 30 Sep	2015 31 Dec
Equity	L		**122.6**	150.5	134.9
+ Non-current interest-bearing liabilities			294.5	292.5	293.0
+ Current interest-bearing liabilities			-	0.1	-
./. Cash and cash equivalents			38.7	45.4	49.1
Net debt, excl provisions for pension	M		**255.8**	247.2	243.9
+ Provision for pension			77.6	73.2	68.0
Net debt	N		**333.4**	320.4	311.9
Net debt/equity ratio, excl provision for pension %	*M/L*100*		***209***	*164*	*181*
Net debt/equity ratio %	*N/L*100*		***272***	*213*	*231*
Equity			122.6	150.5	134.9
+ Non-current interest-bearing liabilities			294.5	292.5	293.0
+ Current interest-bearing liabilities			-	0.1	-
+ Provision for pension			77.6	73.2	68.0
Capital Employed			**494.7**	516.3	495.9
Average Capital Employed	O	2)	505.5	525.4	506.3
EBIT LTM	P	3)	-3.2	5.6	0.6
Return on Capital Employed %	*P/O*100*		**-1**	1	0

1, 2, 3) Definitions on page 13

PARENT COMPANY CONDENSED INCOME STATEMENT

EUR million	**2016 Q3**	2015 Q3	**2016 Q1-3**	2015 Q1-3	2015 Full year
REVENUE	**-**	-	**-**	-	-
Administrative expenses	**0.0**	0.0	**-0.1**	-0.1	-0.2
OPERATING PROFIT/LOSS	**0.0**	0.0	**-0.1**	-0.1	-0.2
Interest income from group companies	**0.1**	0.1	**0.4**	0.4	0.5
PROFIT BEFORE TAX	**0.1**	0.1	**0.3**	0.3	0.3
Group contribution	**-**	-	**-**	-	-12.3
Taxes	**0.0**	0.0	**-0.1**	0.0	2.6
NET PROFIT/LOSS FOR THE PERIOD	**0.1**	0.1	**0.2**	0.3	-9.4

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

EUR million	**2016 Q3**	2015 Q3	**2016 Q1-3**	2015 Q1-3	2015 Full year
Net profit/loss for the period	**0.1**	0.1	**0.2**	0.3	-9.4
Other comprehensive income	**-**	-	**-**	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**0.1**	0.1	**0.2**	0.3	-9.4

PARENT COMPANY CONDENSED BALANCE SHEET

EUR million	**2016 30 Sep**	2015 30 Sep	2015 31 Dec
Shares in subsidiaries	**139.8**	139.8	139.8
Receivables from subsidiaries	**24.7**	24.2	24.3
Deferred tax asset	**2.8**	0.3	2.9
Non-current assets	**167.3**	164.3	167.0
Receivables from subsidiaries	**37.0**	36.9	37.0
Current assets	**37.0**	36.9	37.0
ASSETS	**204.3**	201.2	204.0
Equity	**191.0**	200.5	190.8
Current liabilities to subsidiaries	**13.3**	0.7	13.2
Current liabilities	**13.3**	0.7	13.2
EQUITY AND LIABILITIES	**204.3**	201.2	204.0
Pledged collateral	**179.3**	179.3	179.3
Contingent liabilities	**None**	None	None

FINANCIAL INSTRUMENTS DISCLOSURE - GROUP

Fair value of financial instruments:

Ovako's financial instruments include derivatives, unlisted equities, loan receivables, accounts receivable and cash and cash equivalents, interest-bearing liabilities, trade payables and other liabilities. Derivatives are measured at fair value in Level 2 as defined by IFRS 13 i.e. fair value determined using valuation techniques with observable market data, either directly (such as prices) or indirectly (derived from prices). Other financial instruments are measured at amortised cost. The fair value of the bond loan is determined based on the list price on the closing date. Depending on market conditions, the company may from time to time buy back its own bonds in the market. The table below shows the carrying amounts and fair values of financial instruments.

	30 Sep 2016		30 Sep 2015		31 Dec 2015	
EUR million	**Carrying value**	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Derivatives	**0.3**	**0.3**	1.2	1.2	4.4	4.4
Financial non-current assets	**6.9**	**6.9**	6.9	6.9	6.8	6.8
Trade and other receivables	**93.4**	**93.4**	111.7	111.7	78.7	78.7
Cash and cash equivalents	**38.7**	**38.7**	45.4	45.4	49.1	49.1
Total assets	**139.3**	**139.3**	165.2	165.2	139.0	139.0
Derivatives	**10.4**	**10.4**	13.7	13.7	14.9	14.9
Interest-bearing liabilities	**294.5**	**259.1**	292.6	263.5	293.0	212.1
Trade and other payables	**98.6**	**98.6**	98.0	98.0	81.8	81.8
Total liabilities	**403.5**	**368.1**	404.3	375.2	389.7	308.8

Financial assets and liabilities that are offset or subject to a legally enforceable framework agreement for netting or similar agreement:

Financial assets and liabilities subject to offset consist of electricity derivatives and currency derivatives covered by legally binding master netting agreements.

	30 Sep 2016		30 Sep 2015		31 Dec 2015	
EUR million	**Financial assets**	**Financial Liabilities**	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Gross amount,derivatives	**0.3**	**10.4**	1.2	13.7	**4.4**	**14.9**
Amount offset	**-**	**-**	-	-	**-**	**-**
Disclosed in balance sheet	**0.3**	**10.4**	1.2	13.7	**4.4**	**14.9**
Amounts included in an offset agreement	**-0.3**	**-0.3**	-1.1	-1.1	**0.0**	**0.0**
Net after amounts included in an offset agreement	**0.0**	**10.1**	0.1	12.6	**4.4**	**14.9**

DEFINITIONS OF KPIs

Statistical KPIs

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

Financial KPIs derived from the financial statements

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

Calculations are presented in the table on Page 10

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

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

Our production is based on recycled scrap and includes steel in the form of bar, tube, ring and pre-components. Ovako is represented in more than 30 countries, and has sales offices in Europe, North America and Asia. Ovako's sales in 2015 amounted to EUR 834 million, and the company had 2,905 employees at year-end. For more information, please visit us at www.ovako.com

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THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Review report

Ovako Group AB, org. nr 556813-5361

The Board of Directors

Introduction

We have reviewed the condensed interim report for Ovako Group AB as at September 30, 2016 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Reports Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, October 28, 2016

Ernst & Young AB

Heléne Siberg Wendin
Authorized Public Accountant