Interim Report for Second Quarter 2014

Second quarter 2014

- Sales volumes were on the same level as in the previous year. Revenue decreased by 3 percent to EUR 233 (240) million, primarily as a result of reduced scrap and alloy surcharges
- Operating profit before depreciation and amortisation (EBITDA) improved by 47 percent to EUR 28 (19) million, mainly thanks to an improved product mix and high production rate
- Order intake was unchanged compared with the corresponding period last year
- Operating profit (EBIT) amounted to EUR 16 (6) million
- Cash flow from operating activities amounted to EUR 1 (8) million.
- Refinancing was conducted in May. EUR 300 million in senior secured notes with a fixed interest of 6.50 percent until 2019 were issued

January – June 2014

- Sales volumes increased by 9 percent compared with the same period last year, and revenue by 4 percent. The lower growth in revenue relative to volume is primarily due to reduced scrap and alloy surcharges
- Operating profit before depreciation and amortisation (EBITDA) amounted to EUR 58 (33) million. Higher volumes and a better product mix are the main reasons for the improvement in earnings
- Production volume increased by 21 percent compared to the same period last year
- Operating profit (EBIT) amounted to EUR 34 (10) million
- Cash flow from operating activities amounted to EUR 6 (-6) million.

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

Group key figures

		2014 Q2	2013 Q2	**2014 Q1-2**	2013 Q1-2	2013 Full year
Sales volumes	kton	**189**	191	**393**	361	675
Revenue	EURm	**233**	240	**479**	460	850
Operating profit before depreciation (EBITDA)	EURm	**28**	19	**58**	33	47
EBITDA margin	%	**12.0 %**	7.8 %	**12.1 %**	7.3 %	5.5 %
Operating profit (EBIT)	EURm	**16**	6	**34**	10	-1
EBIT margin	%	**6.7 %**	2.6 %	**7.0 %**	2.2 %	0.0 %
Net profit/loss	EURm	**0**	2	**9**	-2	-21
Earnings per share	EUR	**8**	38	**170**	-36	-412
Cash flow from operating activities	EURm	**1**	8	**6**	-6	20
Net debt/equity ratio	%	**149 %**	146 %	**149 %**	146 %	160 %
Return on capital employed (ROCE)	%	**5 %**	-2 %	**5 %**	-2 %	0 %
Number of employees at end of period (FTE)	No.	**2 956**	3 004	**2 956**	3 004	2 995

Comments from the CEO

"The positive earnings trend that began in the autumn of 2013 continued during the second quarter. The efficiency programme for 2014 is on track, and productivity has increased significantly in the first half. The phasing out of production in the chrome-plated steel unit in Mora has begun and is expected to be completed by the end of the year. An enhanced purchasing organisation and better coordination within the group have also contributed to the earnings improvement, mainly in direct materials and logistics. A better currency situation and lower energy prices are also making a positive contribution to earnings.

Capacity utilisation in the steel mills has been high during the quarter. At the same time, delivery precision was negatively affected by capacity constraints in post-treatment, and is now just below the group's target of

90 percent. The installation of a new heat treatment furnace in Imatra during autumn will improve the situation. We have planned inventory accumulation in Smedjebacken to prepare for this summer's major rebuild of the continuous caster. Customer service is expected to be unaffected by the extended summer shutdown at the steel mill.

Market development during the quarter was mixed, with a stable start and a somewhat weaker finish ahead of the summer. Both revenue and order intake were in line with the second quarter of 2013. Weak demand in the heavy vehicle and mining sectors was offset by increased revenue in other areas. The order book remains slightly higher than the same period last year.

The building of Ovako's product management and development organisation is now beginning to yield results. After the re-launch of M-Steel® last year, a number of customer trials have confirmed significant cost savings in machining. In the cured state the material properties are even more unique, opening up new opportunities for M-Steel. A number of new deals have been signed during the quarter, particularly in the energy sector. IQ-Steel® continues to strengthen its position in applications where components are under high load, and where weight reduction is essential. IQ-Steel's unique properties have led to new business in this type of application, such as for transmissions. New product launches will follow in the autumn.

Refinancing of the group was conducted during the quarter. The previous bank financing was replaced with a European bond of EUR 300 million. The bond was well received by the market and has a duration of five years at a fixed interest of 6.50 percent.

Short-term outlook

Economic conditions in Europe and demand for engineering steel are expected to remain stable for the rest of the year. Ovako's delivery volumes for the third quarter are expected to remain at approximately the same level as in the third quarter of 2013. Earnings will be affected by the seasonal maintenance shutdown during July, with an extended shutdown at the steel mill in Smedjebacken."

Market development

End-user demand growth has slowed down somewhat during the first half of the year. Eurostat EU industrial production index improved by 1.5 percent in the first quarter of 2014 relative to the same quarter 2013. This is lower than the 1.8 percent growth recorded for the last quarter 2013 compared to Q4 2012. The last reported three months (March – May) showed an improvement of 1.3 percent compared to same period twelve months earlier. One driver of the development has been Motor vehicles with a decline in growth of 2 percentage points (from 10 to 8 percent) over the last reported three months, according to the same index and compared to the same period twelve months earlier.

For European merchant bar (of which engineering steel bar is a sub component) the conditions seem stable but growth is trending down due to lower end-user demand growth. According to The European Steel Association Eurofer, the first quarter this year showed an increase in EU merchant bar supply of 14 percent compared to the same quarter 2013. The last reported three months (February – April) showed an improvement of 9 percent compared to same period twelve months earlier.

Revenue and profit for the second quarter 2014

Ovako's sales volume in the second quarter amounted to 189 (191) thousand tonnes, affected by Easter in the second quarter of 2014, with fewer working days as a result. Ovako's crude steel production for the same period amounted to 275 (229) thousand tonnes, an increase of 20 percent from the same quarter last year. The increase in output is explained partly by inventory accumulation prior to installation of the new continuous casting machine in Smedjebacken during the summer, and partly by a low rate of production in 2013 due to production disruptions in Imatra in the second quarter of 2013.

The group's revenue amounted to EUR 233 (240) million, a decrease of 3 percent compared to the same quarter last year. The decrease is largely explained by reduced scrap and alloy surcharges as a result of lower raw material prices.

Operating profit before depreciation and amortisation (EBITDA) amounted to EUR 28 (19) million. The margin increased from 8 percent to 12 percent. Compared with the previous year, earnings were mainly strengthened by an improved product mix and higher production volumes, but also by the weakening of the Swedish krona and lower energy prices. The increased production volume in Smedjebacken ahead of the extended maintenance shutdown positively impacted earnings in the second quarter. Some negative effects are expected to arise during the third quarter due to lower production volumes.

Total depreciation and amortisation during the period amounted to EUR 12 (12) million, and operating profit (EBIT) for the quarter was EUR 16 (6) million.

Net financial income for the period amounted to EUR -15 (-4) million. As a result of the refinancing, financing costs that were amortised over the duration of the previous loan have been expensed, and charged against financial income at EUR 8 million. Net financial income for the period has also been negatively affected by EUR 1 million due to the change in market value of an interest rate swap that hedged the interest on the previous loan being recognised in profit and loss. Currency effects positively affected net financial income by EUR 2 (4) million.

Profit before tax for the period amounted to EUR 1 (3) million and net profit was EUR 0 (2) million. Return on capital employed (ROCE) increased to 5 (-2) percent.

Revenue and profit for the first half of 2014

Ovako's sales volumes during the first half of the year amounted to 393 (361) thousand tonnes, an increase of 9 percent. Ovako's production of crude steel during the same period increased to 542 (448) thousand tonnes, up 21 percent compared to last year.

The group’s revenue amounted to EUR 479 (460) million, an increase of 4 percent compared to the corresponding period last year. The relatively low increase in revenue is largely explained by reduced scrap and alloy surcharges as a result of lower raw material prices.

Operating profit before depreciation and amortisation (EBITDA) amounted to EUR 58 (33) million. The margin increased from 7 percent to 12 percent. Compared with the previous year, earnings were positively affected mainly by higher sales and production volumes, by a better product mix, and by a weaker Swedish krona and lower energy prices.

Total depreciation and amortisation during the period amounted to EUR 24 (24) million, and operating profit (EBIT) was EUR 34 (10) million.

Net financial income for the first half-year amounted to EUR -22 (-12) million. As stated above, the refinancing resulted in a non-recurring effect of EUR - 9 million including a revaluation of derivatives through profit and loss of EUR -1 million. Foreign exchange effects positively influenced net financial income by EUR 2 (2) million.

The profit before tax for the period amounted to EUR 12 (-2) million and net profit was EUR 9 (-2) million. Return on capital employed (ROCE) increased to 5 (-2) percent.

Cash flow from operating activities

Cash flow from operating activities during the second quarter of 2014 amounted to EUR 1 (8) million, and cash flow before financing activities amounted to EUR -10 (0). Cash flow from operating activities during the first half of 2014 amounted to EUR 6 (-6) million, and cash flow before financing activities amounted to EUR -13 (-22). The improvement compared to last year is mainly attributable to stronger operating results, but also to lower interest expenses. The interest on the senior secured notes is payable semi-annually in arrears. Last year's cash flow was impacted by the effects of the renegotiation of the previous loan agreement. Working capital is slightly higher than normal at this time of the year, mainly due to the planned inventory accumulation prior to the installation of the new continuous caster in Smedjebacken during the summer.

Financing

In May, Ovako conducted a refinancing by raising EUR 300 million in senior secured notes, due for payment in 2019 at fixed interest of 6.50 percent. The bonds were issued by Ovako AB (publ) and are guaranteed at senior level by Ovako Group AB and by selected subsidiaries. The bonds are listed on the Luxembourg Stock Exchange.

In connection with the issue an agreement was also signed regarding a credit facility of EUR 40 million for an overdraft facility, guarantees and short-term credit facilities.

The entire outstanding loan amount (EUR 273 million) from the previous loan agreement has been repaid. The refinancing expenses are estimated to amount to approximately EUR 10 million, of which EUR 7 million were paid during the quarter. These expenses are recognised as a deduction from the liability on the balance sheet and the cost is amortised over the duration of the loan.

The group's loans amounted to EUR 300 (December 2013: 272) million. The total interest-bearing net debt after deducting refinancing expenses amounted to EUR 262 (December 2013: 242) million. Equity amounted to EUR 175 (December 2013: 151) million. The net debt/equity ratio therefore amounted to 149 (December 2013: 160) percent.

The group's liquidity buffer amounted to EUR 67 (December 2013: 71) million, consisting of cash and cash equivalents of EUR 29 (December 2013: 21) million and unutilised contractually agreed credit facilities of EUR38 (December 2013: 50) million.

Capital expenditure

Capital expenditure during the first quarter of 2014 amounted to EUR 7 (8) million, and EUR 14 (16) million for the half-year. Of the year’s capital expenditure, EUR 8 million relates to process and capacity improvements, such as the continuous casting machine in Smedjebacken and a new heat treatment furnace in Imatra, and EUR 6 million to regular maintenance investments. The new continuous caster in Smedjebacken will provide a greater range of dimensions, better quality and a slightly improved cost position. The new heat treatment furnace in Imatra will improve capacity in post-treatment.

In May, Ovako acquired the French steel company Ascometal together with a group of French industrialists and investors. Ovako's investment of EUR 5 million relates to a small minority stake.

Parent company

The consolidated figures in the report are presented at the consolidated level of Ovako Group AB. The parent company, Ovako Group AB (corporate registration number 556813-5361), directly and indirectly holds 100 percent of the shares in all subsidiaries in the group. Net profit in Ovako Group AB for the quarter amounted to EUR 0.1 (0.2) million.

Most significant risks and uncertainty factors

For information regarding the most significant risks and uncertainty factors, please refer to the description in the annual report for 2013. 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. There are no material transactions with companies in which Triton Fund III has 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 2013 with the exception of the following new and amended standards and interpretations applicable from 1 January 2014:

Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities: This standard clarifies existing application issues relating to the requirements for offsetting financial assets and financial liabilities. The amendments enter into force on 1 January 2014 and have not had any material impact on the submitted report for Ovako.

IFRS 10 Consolidated Financial Statements; IFRS 11 Joint Arrangements; IFRS 12 Disclosures of Involvement with Other Entities; IAS 27 Separate Financial Statements (amended 2011); and IAS 28 Investments in Associates and Joint Ventures (amended 2011): These standards start to apply within the EU to financial years beginning on 1 January 2014 or later. They have not had any material impact on the consolidated financial statements for Ovako.

IFRS 9 Financial Instruments: This standard is intended to replace 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. The date of entry into force is not yet decided, but will not be earlier than 1 January 2017. A complete position on how Ovako's accounting will be affected will be taken once all aspects of the project are published in the final version. The EU has indefinitely postponed approval of the standard.

IFRS 15 Revenue Recognition: This standard will replace all existing standards for revenue recognition. The standard enters into force on 1 January 2017. The impact of this new standard on the consolidated earnings and financial position has not yet been investigated.

A number of standards, amendments to standards, and interpretations other than those noted above enter into force for reporting periods beginning after 1 January 2014. The group does not plan early adoption of these standards and they are not expected to have any material impact on the group's earnings and position.

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 not been reviewed by the company's independent auditor.

Stockholm, July 28, 2014

Tom Erixon
President and CEO

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR million	2014 Q2	2013 Q2	2014 Q1-2	2013 Q1-2	2013 Full year
REVENUE	**233.3**	239.7	**479.2**	459.9	849.9
Cost of goods sold	**-202.3**	-222.2	**-416.6**	-425.4	-806.6
GROSS PROFIT	**31.0**	17.5	**62.6**	34.5	43.3
Selling expenses	**-7.2**	-5.9	**-12.8**	-11.3	-22.0
Administrative expenses	**-8.3**	-7.9	**-17.3**	-16.6	-32.0
Other operating income	**0.2**	2.5	**1.2**	3.3	10.1
OPERATING PROFIT/LOSS	**15.7**	6.2	**33.7**	9.9	-0.6
Financial income	**0.2**	0.2	**0.4**	0.3	0.6
Financial costs	**-14.9**	-3.8	**-22.0**	-12.4	-26.8
PROFIT/LOSS BEFORE TAX	**1.0**	2.6	**12.1**	-2.2	-26.8
Taxes	**-0.6**	-0.7	**-3.6**	0.4	6.2
NET PROFIT/LOSS FOR THE PERIOD	**0.4**	1.9	**8.5**	-1.8	-20.6
Of which attributable to					
Owners of the parent	**0.4**	1.9	**8.5**	-1.8	-20.6
Non-controlling interests	**-**	-	**-**	-	-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	2014 Q2	2013 Q2	2014 Q1-2	2013 Q1-2	2013 Full Year
Net profit/loss for the period	**0.4**	1.9	**8.5**	-1.8	-20.6
Items that will be reclassified to profit or loss					
Exchange differences	**-0.8**	-2.1	**-0.8**	-0.9	-1.9
Cash flow hedges	**2.5**	-1.9	**1.7**	0.1	2.6
Tax attributable to cash flow hedges	**-0.6**	0.4	**-0.4**	0.0	-0.6
	1.1	-3.6	**0.5**	-0.8	0.1
Items that will not be reclassified to profit or loss					
Revaluation of pension obligations, net	**-**	-	**-**	-	13.0
Tax attributable to revaluation of pension obligations	**-**	-	**-**	-	-2.9
	-	-	**-**	-	10.1
Other comprehensive income, net of tax	**1.1**	-3.6	**0.5**	-0.8	10.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1.5**	-1.7	**9.0**	-2.6	-10.4

KEY FIGURES

EUR million	2014 Q2	2013 Q2	2014 Q1-2	2013 Q1-2	2013 Full Year
Operating profit before depreciation (EBITDA)	**27.9**	18.6	**57.8**	33.4	46.5
Depreciation	**-7.3**	-7.3	**-14.4**	-13.8	-27.7
Operating profit before amortization of surplus values (EBITA)	**20.6**	11.3	**43.4**	19.6	18.8
Amortization of surplus values	**-4.9**	-5.1	**-9.7**	-9.7	-19.4
Operating profit (EBIT)	**15.7**	6.2	**33.7**	9.9	-0.6
Number of shares	**50 000**	50 000	**50 000**	50 000	50 000
Earnings per share (EUR)	**8**	38	**170**	-36	-412

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	**2014 30 Jun**	2013 30 Jun	2013 31 Dec
Property, plant and equipment	**336.6**	347.7	347.4
Intangible assets	**8.2**	2.8	7.4
Other financial assets	**6.5**	2.0	1.9
Derivative assets	**0.6**	1.1	1.0
Deferred tax assets	**11.4**	14.7	11.7
Non-current assets	**363.3**	368.3	369.4
Inventories	**224.6**	192.1	198.7
Trade and other receivables	**155.1**	148.4	108.7
Current tax assets	**0.9**	4.0	1.4
Derivative assets	**1.4**	0.5	2.1
Cash and cash equivalents	**28.6**	34.5	20.6
Current assets	**410.6**	379.5	331.5
ASSETS	**773.9**	747.8	700.9
Equity	**175.4**	161.0	150.7
Non-current interest-bearing liabilities	**290.3**	240.0	221.5
Derivative liabilities	**1.9**	7.7	3.0
Deferred tax liabilities	**49.5**	54.0	47.7
Other provisions	**78.8**	93.7	82.1
Other non-current liabilities	**0.3**	0.3	0.3
Non-current liabilities	**420.8**	395.7	354.6
Current interest-bearing liabilities	**0.1**	29.5	40.7
Derivative liabilities	**6.9**	4.9	7.7
Trade and other payables	**170.3**	143.7	131.3
Current tax liabilities	**0.4**	0.5	0.3
Other current liabilities	**0.0**	12.5	15.6
Current liabilities	**177.7**	191.1	195.6
EQUITY AND LIABILITIES	**773.9**	747.8	700.9

KEY FIGURES

EUR million	**2014 Q2**	2013 Q2	2013 Full year
Equity	**175.4**	161.0	150.7
Net debt	**261.8**	235.0	241.6
Net debt/equity ratio (%)	**149 %**	146 %	160 %
Return on Capital Employed (%)	**5 %**	-2 %	0 %

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	**2014 Q2**	2013 Q2	**2014 Q1-2**	2013 Q1-2	2013 Full Year
Operating profit	**15.7**	6.2	**33.7**	9.9	-0.6
Adjustment for depreciation and amortization	**12.2**	12.4	**24.1**	23.5	47.1
Adjustment for other non-cash items	**0.0**	0.7	**-0.1**	-0.5	2.4
Interest paid	**-2.8**	-7.9	**-8.8**	-13.3	-25.0
Income tax paid	**-0.3**	-0.8	**-1.1**	-2.2	0.1
Change in working capital	**-23.8**	-2.2	**-41.8**	-23.8	-4.2
Cash flow from operating activities	**1.0**	8.4	**6.0**	-6.4	19.8
Acquisition of businesses	**-**	-	**-**	-	-0.7
Investments in non-current assets	**-6.6**	-8.4	**-14.1**	-15.8	-45.1
Acquisition of shares	**-4.5**	-	**-4.5**	-	-
Cash flow from investing activities	**-11.1**	-8.4	**-18.6**	-15.8	-45.8
Cash flow before financing activities	**-10.1**	0.0	**-12.6**	-22.2	-26.0
Repayment of loans	**-273.0**	-	**-282.0**	-5.4	-15.1
New loans	**300.0**	20.0	**310.0**	20.0	20.0
Other	**-6.9**	0.0	**-6.9**	0.0	0.0
Cash flow from financing activities	**20.1**	20.0	**21.1**	14.6	4.9
Cash flow for the period	**10.0**	20.0	**8.5**	-7.6	-21.1
Cash and cash equivalents at the beginning of period	**19.0**	15.4	**20.6**	42.6	42.6
Translation differences on cash and cash equivalents	**-0.4**	-0.9	**-0.5**	-0.5	-0.9
Cash and cash equivalents at the end of period	**28.6**	34.5	**28.6**	34.5	20.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2014 EUR million	Share capital	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
	Equity attributable to owners of the parent				
Balance at 1 Jan	**0.0**	**0.7**	**-5.9**	**155.9**	**150.7**
Comprehensive income					
Profit for the period	-	-	-	8.5	**8.5**
Other comprehensive income	-	-0.8	1.3	-	**0.5**
Total comprehensive income	**-**	**-0.8**	**1.3**	**8.5**	**159.7**
Shareholders' contribution	**-**	**-**	**-**	**15.7**	**15.7**
Balance at 30 Jun	**0.0**	**-0.1**	**-4.6**	**180.1**	**175.4**

2013 EUR million	Share capital	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
	Equity attributable to owners of the parent				
Balance at 1 Jan	0.0	2.6	-7.9	168.9	163.6
Comprehensive income					
Profit for the period	-	-	-	-1.8	-1.8
Other comprehensive income	-	-0.9	0.1	-	-0.8
Total comprehensive income	-	-0.9	0.1	-1.8	-2.6
Balance at 30 Jun	0.0	1.7	-7.8	167.1	161.0

PARENT COMPANY INCOME STATEMENT

EUR million	2014 Q2	2013 Q2	2014 Q1-2	2013 Q1-2	2013 Full year
REVENUE	**-**	-	**-**	-	-
Administrative expenses	**-0.1**	0.0	**-0.1**	0.0	-0.2
OPERATING PROFIT/LOSS	**-0.1**	0.0	**-0.1**	0.0	-0.2
Interest income from group companies	**0.2**	0.2	**0.3**	0.3	0.5
PROFIT BEFORE ALLOCATIONS AND TAX	**0.1**	0.2	**0.2**	0.3	0.3
Group contribution	**-**	-	**-**	-	-0.3
Taxes	**0.0**	0.0	**0.0**	0.0	0.0
NET PROFIT/LOSS FOR THE PERIOD	**0.1**	0.2	**0.2**	0.3	0.0

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

EUR million	2014 Q2	2013 Q2	2014 Q1-2	2013 Q1-2	2013 Full Year
Net profit/loss for the period	**0.1**	0.2	**0.2**	0.3	0.0
Other comprehensive income	**-**	-	**-**	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**0.1**	0.2	**0.2**	0.3	0.0

PARENT COMPANY CONDENSED BALANCE SHEET

EUR million	2014 30 Jun	2013 30 Jun	2013 31 Dec
Investments in subsidiaries	**139.8**	139.8	139.8
Receivables from group companies	**23.4**	23.0	22.6
Non-current assets	**163.2**	162.8	162.4
Receivables from group companies	**15.8**	12.8	16.3
Current assets	**15.8**	12.8	16.3
ASSETS	**179.0**	175.6	178.7
Equity	**178.5**	163.0	162.7
Other current liabilities	**0.5**	12.6	16.0
Current liabilities	**0.5**	12.6	16.0
EQUITY AND LIABILITIES	**179.0**	175.6	178.7
Pledged collateral	**None**	None	None
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. Interest-bearing liabilities are recognised net of prepaid financing fees. The table below shows the carrying amounts and fair values of financial instruments.

	30 Jun 2014		30 Jun 2013		31 Dec 2013	
EUR million	**Carrying value**	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Derivatives	**2.0**	**2.0**	1.6	1.6	3.1	3.1
Financial non-current assets	**6.3**	**6.3**	1.9	1.9	1.8	1.8
Accounts receivable	**136.4**	**136.4**	126.5	126.5	87.8	87.8
Cash and cash equivalents	**28.6**	**28.6**	34.5	34.5	20.6	20.6
Total assets	**173.3**	**173.3**	164.5	164.5	113.3	113.3
Derivatives	**8.8**	**8.8**	12.6	12.6	10.7	10.7
Interest-bearing liabilities	**290.3**	**300.2**	269.5	282.2	262.2	272.3
Trade and other payables	**103.3**	**103.3**	93.5	93.5	99.5	99.5
Total liabilities	**402.4**	**412.3**	375.6	388.3	372.4	382.5

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, interest derivatives and currency derivatives covered by legally binding master netting agreements.

	30 Jun 2014		30 Jun 2013		31 Dec 2013	
EUR million	**Financial assets**	**Financial liabilities**	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Gross amount,derivatives	**2.0**	**8.8**	1.6	12.6	3.1	10.7
Amount offset	**-**	**-**	-	-	-	-
Disclosed in balance sheet	**2.0**	**8.8**	1.6	12.6	3.1	10.7
Amounts included in an offset agreement	**-1.8**	**-1.8**	-1.5	-1.5	-2.3	-2.3
Net after amounts included in an offset agreement	**0.2**	**7.0**	0.1	11.1	0.8	8.4

DEFINITIONS OF KEY FINANCIAL FIGURES

Revenue	Sales less deduction for value added tax, discounts and returns
Gross profit	Revenue minus cost of goods sold
EBITDA	Earnings before interest, Taxes, Depreciation, amortisation and impairments
EBITA	Earnings before interest, Taxes, amortisation of surplus values from acquisitions and impairments
Operating profit (EBIT)	Profit before interest and taxes
Operating margin	Operating profit as a percentage of revenue
Net debt	Interest-bearing liabilities (excluding pension liabilities) minus cash and cash equivalents
Net debt/equity ratio	(Net debt/equity) x 100
Earnings per share before and after dilution	Net profit for the period/weighted average number of shares during the period
Return on capital employed (ROCE)	EBIT rolling 12 months/equity plus financial liabilities (average of opening and closing balances for the period).

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Ovako is a leading European producer of engineering steel for customers in the bearing, transportation and manufacturing industries. Our production is based on recycled steel and includes steel in the form of bars, tubes and pre-components. Ovako is represented in more than 30 countries and has sales offices in Europe, North America and Asia. Revenue in 2013 amounted to EUR 850 million and the company had 2,995 employees. For further information please visit us at www.ovako.com

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