

Year-End Report 2015

Fourth quarter 2015

- Sales volume was 2 percent lower and revenue 8 percent lower than in the previous year. The relatively larger decrease in revenue is primarily explained by lower scrap and alloy surcharges
- Order intake increased by 3 percent compared to the corresponding period in the previous year
- EBITDA before restructuring costs amounted to EUR -5 (4) million, impacted primarily by weaker sales, falling scrap and alloy prices and lower production volume compared to the previous year
- Operating profit (EBIT) amounted to EUR -20 (-15) million including restructuring costs and impairment
- Cash flow from operating activities amounted to EUR 11 (42) million
- Ovako's restructuring program is proceeding according to plan, with some initiatives ahead of plan. 93 individuals have left the group as part of the program, including 27 who left on January 1, 2016
- On November 24, Marcus Hedblom took over as President and CEO

Full-year 2015

- 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

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

Group key figures

		2015 Q4	2014 Q4	2015 Full year	2014 Full year
Sales volumes	kton	156	160	681	697
Net revenue	EURm	183	199	834	862
EBITDA before restructuring cost	EURm	-5	4	48	69
<i>Adjusted EBITDA margin</i>	%	-2.7 %	2.0 %	5.7 %	7.9 %
EBITDA	EURm	-7	4	44	69
<i>EBITDA margin</i>	%	-4.0 %	2.0 %	5.2 %	7.9 %
EBIT before restructuring cost	EURm	-15	-14	7	15
<i>Adjusted EBIT margin</i>	%	-7.9 %	-7.0 %	0.9 %	1.8 %
Operating profit (EBIT)	EURm	-20	-15	1	15
<i>EBIT margin</i>	%	-10.6 %	-7.3 %	0.1 %	1.7 %
Net profit/loss	EURm	-23	-15	-23	-15
Earnings per share	EUR	-468	-306	-458	-302
Cash flow from operating activities	EURm	11	42	25	66
Net debt/equity ratio	%	181 %	152 %	181 %	152 %
Return on capital employed (ROCE)	%	0 %	3 %	0 %	3 %
Full time employees at end of period (FTE)	No.	2,905	2,925	2,905	2,925

Comments from the CEO

"2015 was a challenging year, and the weak demand that marked the year continued into the fourth quarter. However, in the fourth quarter, order intake increased by 3 percent compared to the previous year. Ovako's sales volume was somewhat weaker than in the same quarter of the previous year, as expected, and decreased by 2 percent. Deliveries for the full year amounted to just over 680 thousand metric tons.

Earnings in the fourth quarter were negatively impacted by the weak demand, as well as by falling scrap prices and lower utilization of production capacity. At the same time we have reduced our fixed costs by EUR 4 million compared to the same quarter in the previous year.

Work on the restructuring program, announced in October, is going according to plan. Some initiatives are ahead of plan, such as the shift reduction in Hofors, which was fully implemented by January 1, 2016. We are also preparing to move customers and production volumes from Forsbacka to other units. 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.

The annual cost savings for the entire program are expected to amount to EUR 45 million, with full effect in 2018. The savings are expected to be approximately EUR 18 million already in 2016. During the fourth quarter 2015, the number of employees decreased by 80, and an additional nearly 30 individuals have left in early 2016.

Our 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, our safety efforts intensified during the year and the implementation of our safety program continued during the quarter.

In order to strengthen the commercial focus, simplify the organization and to assure quality and pace in implementation of the restructuring program we are introducing a new organization. Five business units will become four and a new Group Sales Unit will be formed.

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

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."

Marcus Hedblom
President and CEO

Ovako restructuring program 2015 - 2017

Ovako's restructuring program 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.

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 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 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.

Market development

Industrial production in the markets relevant to Ovako demonstrated a mixed performance during the fall. 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, the European market for merchant bar contracted by 5.3 percent in the third quarter of 2015, compared to the same quarter in 2014.

Concerns about the Chinese economy, low oil prices and, also, inventory reductions by many companies have contributed to the weak trend.

Revenue and profit for the fourth quarter 2015

Sales volume was 2 percent lower and revenues 8 percent lower than in the previous year. Consolidated revenues amounted to EUR 183 (199) million. Revenues increased by 7 percent in the quarter due to the acquisition of Ovako Metals Oy Ab, but simultaneously decreased due to lower scrap and alloy surcharges.

Sales volume amounted to 156 (160) thousand metric tons. Reported sales volumes relate to Ovako's own production, and have thus not been affected by the acquisition of Ovako Metals Oy Ab.

Ovako's crude steel production amounted to 192 (226) thousand metric tons. The lower production rate reflects weak demand, but also that inventory levels were reduced somewhat during the fourth quarter. This can be compared with a slight increase in inventory volumes in the corresponding period in the previous year.

EBITDA before restructuring costs amounted to EUR -5 (4) million. The result was negatively affected by a weaker sales mix and lower production volume, as well as continuing falls in scrap and alloy prices. Lower fixed costs and lower direct production costs (in relation to the volume produced) contributed positively during the quarter by EUR 4 million and EUR 1 million, respectively, compared to the previous year.

Restructuring costs of EUR 2 million, mainly attributable to the transition from four to three shifts in Hofors, but also to rationalization in administration and additional decontamination costs in Mora, have been charged against earnings.

The number of full-time employees decreased during the quarter by 80. In a comparison with the previous year, the number has decreased by 67, adjusted for the acquisition of Ovako Metals Oy Ab.

Total depreciation, amortization and impairment during the period amounted to EUR 12 (18) million, of which EUR 3 (1) million was attributable to restructuring. Earnings in the previous year were charged with accelerated amortization of residual values of aged assets of EUR 6 million.

Operating profit (EBIT) for the quarter was EUR -20 (-15) million including restructuring costs.

Net financial income for the period amounted to EUR -9 (-5) million. The main difference comprises foreign exchange effects, which had a negative effect of EUR 1 million and a positive effect of EUR 2 million, respectively.

Profit before tax for the period amounted to EUR -28 (-20) million and net profit was EUR -23 (-15) million.

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.

Revenue and profit for full-year 2015

Sales volume and revenues were 2 percent and 3 percent, respectively, lower than in the previous year. Consolidated revenues 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 sales volume amounted to 681 (697) thousand metric tons. Reported sales volumes relate to Ovako's own production, and have thus not been affected by the acquisition of Ovako Metals Oy Ab.

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. As mentioned in previous reports, the 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. Return on capital employed (ROCE) was 0 (3) percent.

Cash flow

Cash flow from operating activities, including interest paid, for the fourth quarter amounted to EUR 11 (42) million, and cash flow before financing activities amounted to EUR 3 (32) million. Cash flow from operating activities, including interest paid, for the full year 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 in the fourth quarter increased by EUR 5 million, and during the year by EUR 9 million (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 for the fourth quarter amounted to EUR 8 (10) million, and for the full-year to EUR 35 (34) million. Disclosures regarding the acquisition of Ovako Metals Oy Ab are provided on page 13.

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 year amounted to EUR -9.4 (1.0) million.

Events after the reporting date

In January, Ola Salmén took over as interim CFO. Ola has extensive experience, including as Executive Vice President and CFO at Sandvik and as CFO at V&S Vin & Sprit AB. The process of recruiting a permanent CFO has begun.

Joakim Olsson has been elected new chairman of Ovako board, where he has been a member since 2015. Joakim Olsson replaces Finn Johnsson. Joakim Olsson is Senior Industry Expert at Triton Partners and has extensive experience of leading and developing major international organizations in industry, energy and automation. Furthermore, Johan Pernvi has been elected board member and will replace Björn Nilsson from Triton. Johan Pernvi is an investment advisory professional from Triton.

As from March 1st, a new organization will be implemented. Group Executive Management will from that date 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, acting CFO, EVP Group Finance, IT & Purchasing

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 2014. 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 2014. No new or revised IFRSs entering into force during 2015 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 not been reviewed by the company's independent auditors.

Stockholm, February 15, 2016

Marcus Hedblom
President and CEO

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR million	2015 Q4	2014 Q4	2015 Full year	2014 Full year
REVENUE	183.4	198.6	834.1	862.1
Cost of goods sold	-187.6	-199.7	-778.8	-795.7
GROSS PROFIT	-4.2	-1.1	55.3	66.4
Selling expenses	-8.1	-7.1	-30.2	-25.6
Administrative expenses	-8.0	-6.9	-30.1	-30.1
Other operating income	0.8	0.6	5.6	4.0
OPERATING PROFIT/LOSS	-19.5	-14.5	0.6	14.7
Financial income and expenses, net	-8.8	-5.1	-26.6	-32.7
PROFIT/LOSS BEFORE TAX	-28.3	-19.6	-26.0	-18.0
Taxes	4.9	4.3	3.1	2.9
NET PROFIT/LOSS FOR THE PERIOD	-23.4	-15.3	-22.9	-15.1
Of which attributable to				
Owners of the parent	-23.4	-15.3	-22.9	-15.1
Non-controlling interests	-	-	-	-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	2015 Q4	2014 Q4	2015 Full year	2014 Full year
Net profit/loss for the period	-23.4	-15.3	-22.9	-15.1
Items that will be reclassified to profit or loss				
Translation differences	0.7	-1.5	1.7	-0.9
Cash flow hedges	2.5	-5.5	-1.6	-0.9
Tax attributable to cash flow hedges	-0.6	1.2	0.3	0.2
	2.6	-5.8	0.4	-1.6
Items that will not be reclassified to profit or loss				
Revaluation of pension obligations	6.6	-2.1	11.1	-7.5
Tax attributable to revaluation of pension obligations	-1.4	0.3	-2.4	1.5
	5.2	-1.8	8.7	-6.0
Other comprehensive income, net of tax	7.8	-7.6	9.1	-7.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-15.6	-22.9	-13.8	-22.7

KEY FIGURES

EUR million	2015 Q4	2014 Q4	2015 Full year	2014 Full year
Restructuring cost	-2.3	0.0	-4.0	0.0
Impairments related to restructuring	-2.7	-0.6	-2.7	-0.6
Depreciation	-8.1	-8.0	-31.3	-29.8
Amortization of surplus values	-1.3	-9.8	-8.9	-23.4
Operating profit before restructuring cost and depreciation (adjusted EBITDA)	-5.1	3.9	47.5	68.5
Operating profit before depreciation (EBITDA)	-7.4	3.9	43.5	68.5
Operating profit before amortization of surplus values and impairments (EBITA)	-15.5	-4.1	12.2	38.7
Operating profit before restructuring cost (adjusted EBIT)	-14.5	-13.9	7.3	15.3
Operating profit (EBIT)	-19.5	-14.5	0.6	14.7
Number of shares	50,000	50,000	50,000	50,000
Earnings per share (EUR)	-468	-306	-458	-302

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	2015 31 Dec	2014 31 Dec
Property, plant and equipment	318.8	327.0
Intangible assets	9.5	8.4
Other financial assets	6.9	6.9
Derivative assets	1.7	0.0
Deferred tax assets	14.1	13.4
Non-current assets	351.0	355.7
Inventories	189.6	200.9
Trade receivables	78.2	86.2
Other current receivables	18.7	22.6
Current tax assets	0.8	0.8
Derivative assets	2.7	1.2
Cash and cash equivalents	49.1	65.0
Current assets	339.1	376.7
ASSETS	690.1	732.4
Equity	134.9	148.7
Non-current interest-bearing liabilities	293.0	291.0
Derivative liabilities	8.4	1.7
Deferred tax liabilities	36.5	38.0
Other provisions	76.5	84.0
Other liabilities	0.3	0.3
Non-current liabilities	414.7	415.0
Current interest-bearing liabilities	-	0.1
Derivative liabilities	6.5	8.0
Trade payables	81.5	108.0
Current tax liabilities	0.5	0.1
Other current liabilities	52.0	52.5
Current liabilities	140.5	168.7
EQUITY AND LIABILITIES	690.1	732.4

KEY FIGURES

EUR million	2015 Full year	2014 Full year
Equity	134.9	148.7
Net debt	243.9	226.2
Net debt/equity ratio (%)	181 %	152 %
Return on Capital Employed (%)	0 %	3 %

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	2015 Q4	2014 Q4	2015 Full year	2014 Full year
Operating profit	-19.5	-14.5	0.6	14.7
Adjustment for depreciation and amortization	12.1	18.4	42.9	53.8
Adjustment for other non-cash items	4.0	0.6	2.6	0.0
Change in working capital	24.8	49.1	0.9	19.3
Cash flow from operations	21.4	53.6	47.0	87.8
Interest received and paid	-10.3	-11.2	-20.7	-20.4
Income tax paid	-0.1	-0.1	-1.1	-1.6
Cash flow from operating activities	11.0	42.3	25.2	65.8
Acquisition of businesses	-	-	-5.9	-
Investments in non-current assets	-7.8	-10.3	-35.0	-34.1
Acquisition of shares	-	0.0	-	-5.0
Cash flow from investing activities	-7.8	-10.3	-40.9	-39.1
Cash flow before financing activities	3.2	32.0	-15.7	26.7
Repayment of loans	-	-	-	-282.0
New loans	-	-	-	310.0
Other	-	-1.3	-0.9	-9.4
Cash flow from financing activities	-	-1.3	-0.9	18.6
Cash flow for the period	3.2	30.7	-16.6	45.3
Cash and cash equivalents at the beginning of period	45.4	34.9	65.0	20.6
Translation differences on cash and cash equivalents	0.5	-0.6	0.7	-0.9
Cash and cash equivalents at the end of period	49.1	65.0	49.1	65.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2015 EUR million	Equity attributable to owners of the parent				Total equity
	Share capital	Translation reserve	Cash flow hedge reserves	Retained earnings	
Opening balance at 1 Jan	0.0	-0.2	-6.6	155.5	148.7
Comprehensive income					
Profit for the period	-	-	-	-22.9	-22.9
Other comprehensive income	-	1.7	-1.3	8.7	9.1
Comprehensive income	-	1.7	-1.3	-14.2	-13.8
Closing balance at 31 Dec	0.0	1.5	-7.9	141.3	134.9

2014 EUR million	Equity attributable to owners of the parent				Total Equity
	Share capital	Translation reserve	Cash flow hedge reserves	Retained Earnings	
Opening balance at 1 Jan	0.0	0.7	-5.9	155.9	150.7
Comprehensive income					
Profit for the period	-	-	-	-15.1	-15.1
Other comprehensive income	-	-0.9	-0.7	-6.0	-7.6
Comprehensive income	-	-0.9	-0.7	-21.1	-22.7
Group contribution, net of tax				-17.8	-17.8
Shareholders' contribution	-	-	-	38.5	38.5
Closing balance at 31 Dec	0.0	-0.2	-6.6	155.5	148.7



PARENT COMPANY CONDENSED INCOME STATEMENT

EUR million	2015 Q4	2014 Q4	2015 Full year	2014 Full year
REVENUE	-	-	-	-
Administrative expenses	-0.1	-0.1	-0.2	-0.2
OPERATING PROFIT/LOSS	-0.1	-0.1	-0.2	-0.2
Interest income from group companies	0.1	0.1	0.5	0.5
PROFIT BEFORE TAX	0.0	0.0	0.3	0.3
Group contribution	-12.3	-1.6	-12.3	-1.6
Taxes	2.6	0.3	2.6	0.3
NET PROFIT/LOSS FOR THE PERIOD	-9.7	-1.3	-9.4	-1.0

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

EUR million	2015 Q4	2014 Q4	2015 Full year	2014 Full year
Net profit/loss for the period	-9.7	-1.3	-9.4	-1.0
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-9.7	-1.3	-9.4	-1.0

PARENT COMPANY CONDENSED BALANCE SHEET

EUR million	2015 31 Dec	2014 31 Dec
Shares in subsidiaries	139.8	139.8
Receivables from subsidiaries	24.3	23.4
Deferred tax asset	2.9	0.3
Non-current assets	167.0	163.5
Receivables from subsidiaries	37.0	37.3
Current assets	37.0	37.3
ASSETS	204.0	200.8
Equity	190.8	200.2
Current liabilities to subsidiaries	13.1	0.6
Other current liabilities	0.1	0.0
Current liabilities	13.2	0.6
EQUITY AND LIABILITIES	204.0	200.8
Pledged collateral	179.3	179.3
Contingent liabilities	None	None

ACQUISITION OF OVAKO METALS OY AB

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. 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.

Acquisition analysis:

Purchase price	EURm	Assets and liabilities acquired *)	EURm
Purchase price paid in cash	6.3	Fixed assets	1.0
Fair value for acquired assets	9.6	Current assets	21.3
Negative goodwill	-3.3	Cash and cash equivalents	0.4
		Current liabilities	-13.1
		Acquired net assets	9.6
Effect on the Group's cash and cash equivalents	EURm		
Purchase price paid	-6.3	*) Carrying values correspond to fair values	
Acquired cash and cash equivalents	0.4		
Effect on the Group's cash and cash equivalents	-5.9		

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 its own bonds in the market. The table below shows the carrying amounts and fair values of financial instruments.

EUR million	31 Dec 2015		31 Dec 2014	
	Carrying value	Fair value	Carrying value	Fair value
Derivatives	4.4	4.4	1.2	1.2
Financial non-current assets	6.9	6.9	6.8	6.8
Accounts receivable	78.7	78.7	86.7	86.7
Cash and cash equivalents	49.1	49.1	65.0	65.0
Total assets	139.1	139.1	159.7	159.7
Derivatives	14.9	14.9	9.7	9.7
Interest-bearing liabilities	293.0	212.1	291.1	283.6
Trade and other payables	81.8	81.8	108.3	108.3
Total liabilities	389.7	308.8	409.1	401.6

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.

EUR million	31 Dec 2015		31 Dec 2014	
	Financial assets	Financial Liabilities	Financial assets	Financial liabilities
Gross amount, derivatives	4.4	14.9	1.2	9.7
Amount offset	-	-	-	-
Disclosed in balance sheet	4.4	14.9	1.2	9.7
Amounts included in an offset agreement	0.0	0.0	-1.1	-1.1
Net after amounts included in an offset agreement	4.4	14.9	0.1	8.6



DEFINITIONS OF KEY FINANCIAL FIGURES

Sales volume	Includes only products manufactured by Ovako
Revenue	Sales less deduction for value added tax, discounts and returns
Gross profit	Revenue minus cost of goods sold
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
Adjusted EBIT	EBIT excluding restructuring costs and impairment in connection with restructuring
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, percent	$(\text{Net debt/equity}) \times 100$
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).

For more information, please contact:

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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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