

## Year-End Report 2016

### Fourth quarter 2016

- Order intake increased by 7 percent compared to the previous year
- Sales volume was 13 percent higher than in the previous year, and revenue rose by 7 percent
- EBITDA before restructuring costs improved considerably to EUR 5 (-5) million, mainly due to higher volumes and cost reductions from the restructuring program
- Operating profit (EBIT) amounted to EUR -5 (-15) million before restructuring costs of EUR 2 (5) million
- Cash flow from operating activities strengthened to EUR 21 (11) million, including payment of restructuring costs of EUR 2 (1) million
- Ovako's restructuring program is proceeding ahead of plan and contributed EUR 6 million in the form of lower costs during the quarter. The group now has 212 fewer employees than when the program started

### Full-year 2016

- Order intake increased by 6 percent compared to the previous year
- Sales volume increased by 4 percent compared to the previous year, while revenue was 6 percent lower than in the previous year
- EBITDA before restructuring costs improved to EUR 57 (48) million
- Operating profit (EBIT) amounted to EUR 16 (7) million before restructuring costs of EUR 7 (7) million
- Cash flow from operating activities strengthened to EUR 35 (25) million, including payment of restructuring costs of EUR 8 (1) million
- Ovako's restructuring program contributed EUR 23 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 11, and definitions of all KPIs can be found on Page 14. KPIs are presented as a supplement to the financial statements to facilitate the understanding of performance and financial position over time.

		2016 Q4	2015 Q4	2016 Full year	2015 Full year
Sales volumes 1)	Kton	177	156	708	681
Net revenue 2)	EURm	196	183	781	834
EBITDA before restructuring cost 3)	EURm	5	-5	57	48
Adjusted EBITDA margin 3)		2.8 %	-2.7 %	7.3 %	5.7 %
EBITDA 3)	EURm	3	-7	50	44
EBITDA margin 3)		1.6 %	-4.0 %	6.4 %	5.2 %
EBIT before restructuring cost 3)	EURm	-5	-15	16	7
Adjusted EBIT margin 3)		-2.6 %	-7.9 %	2.0 %	0.9 %
Operating profit (EBIT) 2)	EURm	-7	-20	9	1
EBIT margin 3)		-3.7 %	-10.6 %	1.2 %	0.1 %
Net profit/loss 2)	EURm	-11	-23	-12	-23
Cash flow from operating activities 2)	EURm	21	11	35	25
Net debt (excl pension liabilities)/equity ratio 3)		205 %	181 %	205 %	181 %
Return on capital employed (ROCE) 3)		2 %	0 %	2 %	0 %
Full time employees at end of period (FTE) 1)	No.	2,773	2,905	2,773	2,905

1) Statistical KPIs, defined on Page 14

2) KPIs taken directly from the financial statements

3) KPIs calculated using the financial statements, see calculations on Page 11

## Comments from the CEO

"Ovako demonstrated clear operational and financial improvements in 2016. We made great progress in the restructuring program that began just over a year ago, and we delivered increased sales volumes and operating results that were considerably better than in the previous year. We also saw clear results of our group-wide safety efforts. At the same time 2016 was a turbulent year, full of challenges.

The year started with a tough first quarter, in which we introduced a new organization with four business units instead of five. This was to create both a more effective organization and more efficient operation of our facilities. At the same time, we launched a joint sales organization to intensify our focus on sales and growth.

The market improved slightly in the second quarter, and we captured new volumes. We expanded our cost savings program from EUR 45 million to EUR 50 million, while we withdrew the complex decision to close the rolling mill in Hällefors. Instead, introducing faster, simpler and greater savings in other areas became a success factor for the full year.

The third quarter showed continued good order intake, but our production was affected by bottlenecks, including in some of the processing steps following the rolling mills. Most of these could be addressed and in the fourth quarter we showed both higher order intake and higher sales volumes than in the previous year.

Overall, this gave results in most areas for the full-year that were much better than in the previous year. Order intake for the full-year increased by 6 percent, and sales volume was 4 percent higher than in the previous year. EBITDA before restructuring costs improved to EUR 57 (48) million, and cash flow from operating activities improved to EUR 35 (25) million.

Revenue, however, decreased by 6 percent compared to the previous year. This was mainly due to lower base prices and because volume growth during the year came mainly from segments such as standard bearings and components for the automotive industry, while the market for high-end steel for industrial bearings and the oil and gas market remained weak. Lower scrap and alloy prices also affected revenue.

Geographically, the important Scandinavian and Finnish markets had a weak development during the year. This was offset by strong growth in Eastern Europe and Asia. Toward the end of the year, we saw a positive sentiment in the market in most of our segments, such as trucks, mining and general engineering, and an increase in demand and higher pricing as a result.

Although the year ended on a positive note, our financial results are still not satisfactory. Our ambition is to continue to grow broadly in the markets where we operate, both geographically and within our segments, by continuing to deliver special products with specific properties to our customers. To achieve our goals, continuous improvement will continue to be critical to our long-term ability to profitably compete in new and existing markets. The implementation of our restructuring program is ahead of schedule, and in 2016 we achieved savings of EUR 23 million, compared to the originally announced EUR 18 million. For 2017, we plan to implement further savings of EUR 18 million.

On the safety side, we saw clear improvements during the year and managed to reduce the number of accidents by 20 percent compared to the previous year. This is the result of many different initiatives and actions, as well as a major commitment to safety efforts at Ovako. The goal is to create a completely accident-free Ovako, and these efforts continue with undiminished strength.

Although much work remains for us on the road to becoming one of the world's most successful steel companies, we are proud of everything we have achieved so far. I want to thank our employees for their great work in 2016.

### **Short-term outlook**

With an extensive restructuring program under implementation, and with contractual base price rises in place, we look forward with confidence to 2017. That said, in order to achieve a really strong full-year 2017 we will also need the support of a stable industrial market in the Nordic countries and the rest of Europe.

The assessment for the first quarter of 2017 is that sales volumes will be slightly higher than for the corresponding period of the previous year. Increases in base prices will have a positive impact on profits from the second quarter, linked to the timing of reviews for most annual contracts."

Marcus Hedblom  
*President and CEO*

### **Market development**

The EU industrial production index showed growth of 1.3 percent in the third quarter of 2016 (latest available data), compared to the same quarter in 2015. Sweden demonstrated lower growth than the EU as a whole during the third quarter, and Germany has stabilized at a high level, driven mainly by the strong car market. Demand in Finland was strong during the third quarter.

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 increased by 1.3 percent in the third quarter of 2016, compared to the same quarter in 2015.

### **Revenue and profit for the fourth quarter 2016**

Sales volume amounted to 177 (156) thousand metric tons and revenue to EUR 196 (183) million. Sales volume was 13 percent higher than in the previous year, and revenue rose by 7 percent. Revenue has not increased at the same pace as volumes since volume growth took place mainly in segments such as standard bearings and forging applications, while development has remained 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 14 percent higher than in the previous year and amounted to 219 (192) thousand metric tons.

EBITDA before restructuring costs amounted to EUR 5 (-5) million. Profit was positively affected by higher production and sales volumes, but was negatively affected by a weaker mix. Scrap and alloy timing effects in the quarter have impacted results by EUR 0 (-3) million. Savings from the restructuring program contributed EUR 6 million in lower fixed and variable costs.

Restructuring costs of EUR 2 (5) million were charged against profit, including impairment of EUR 0 (3) million. Total depreciation and amortization, including this impairment, amounted to EUR 10 (12) million. Operating profit (EBIT) was EUR -7 (-20) million including restructuring costs.

Net financial income for the period amounted to EUR -7 (-9) million, and was influenced by currency effects of EUR 0 (-1) million.

Profit before tax for the period amounted to EUR -14 (-28) million, and net profit was EUR -11 (-23) million.

### **Revenue and profit for full-year 2016**

Sales volume amounted to 708 (681) thousand metric tons and revenue to EUR 781 (834) million. Sales volume increased by 4 percent compared to the previous year, while revenue decreased by 6 percent. The trend in revenue does not follow the sales volume due to lower prices (including lower scrap and alloy surcharges) and because volume growth took place mainly in segments such as standard bearings and forging applications, while development has remained weak in industrial bearings, and in oil and gas.

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 12 months in the current year, instead of for 9 months in the comparison year.

Ovako's production volume was 6 percent higher than in the previous year and amounted to 915 (867) thousand metric tons, expressed in terms of crude steel production (i.e. production in the steel mills but prior to further processing).

EBITDA before restructuring costs amounted to EUR 57 (48) million. Profit was positively affected by savings from the restructuring program of EUR 23 million in lower fixed and variable costs, but negatively affected by 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. Scrap and alloy timing effects have impacted results by EUR 0 (-8) million.

Restructuring costs of EUR 7 (7) million were charged against profit, including impairment of EUR 0 (3) million. Total depreciation and amortization, including this impairment, amounted to EUR 41 (43) million, and operating profit (EBIT) was EUR 9 (1) million including restructuring costs.

Net financial income amounted to EUR -23 (-27) million, and was influenced by currency effects of EUR 3 (0) million.

Profit before tax amounted to EUR -14 (-26) million, and net profit was EUR -12 (-23) million. Return on capital employed (ROCE) was 2 (0) percent.

### **Cash flow**

Cash flow from operating activities (including interest paid) for the fourth quarter amounted to EUR 21 (11) million. This includes payment of restructuring costs of EUR -2 (-1) million. The improvement is due mainly to the strengthened operating profit. Cash flow before financing activities amounted to EUR 10 (3) million.

Cash flow from operating activities (including interest paid) for the full-year amounted to EUR 35 (25) million. This includes payment of restructuring costs of EUR -8 (-1) million. Cash flow before financing activities amounted to EUR 0 (-16) million. The stronger cash flow is explained mainly by the improvement in profit and lower investment.

### **Financial position**

The group's loans amounted to EUR 300 (300) million and consist of listed senior secured notes due in June 2019. Interest-bearing liabilities after deduction of financing costs recognized as a deduction from the liability on the balance sheet amounted to EUR 295 (293) million. Net debt (excluding pension liabilities) amounted to EUR 246 (244) million.

In January 2017, Ovako has extended its Pension Insurance Line of SEK 440 million (equivalent of EUR 46 million) and Revolving Credit Facility of Euro 40 million until end of February 2019 (both were previously set to mature in November 2018). The other conditions for both agreements remain the same.

Equity amounted to EUR 120 (135) million, and the net debt/equity ratio (excluding pension liabilities) was 205 (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 2.5 percent at the reporting date, has meant that the liability has increased by EUR 9 million and equity has decreased by EUR 7 million (after taking into account deferred tax) since the start of the previous year. At the beginning of the fourth quarter a discount rate of 1.9 percent was used.

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

## **Investments**

Investments in intangible assets and property, plant and equipment during the year amounted to EUR 34 (35) million, and investments in operations amounted to EUR 0 (6) million.

## **Disputes**

As described in Ovako's annual report for 2015, the tax authority in Finland has sought to limit the deductibility of interest expense for the years 2010-2013. Ovako Finland Oy Ab has now received notice of changed taxation from the Finnish tax authority that relates to interest expense on loans from Ovako Finland Oy Ab's Swedish parent company, Ovako AB (publ), which the authority regards as non-deductible. The demand amounts to EUR 9.5 million (including interest and penalties). After consulting with external tax lawyers, Ovako disagrees with the ruling from the Finnish tax authority and has appealed. Ovako will not be required to meet the demand for payment until after a final ruling on the appeal. Ovako has not concluded that it is necessary to make any provision for this potential cost.

## **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 amounted to EUR 1.1 (-9.4) million after group contributions of EUR 0.9 (-12.3) 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 Fund III F&F LP, which, directly and indirectly, together control 84.26% of the shares in the Ovako group. There are no material transactions with companies in which Triton Fund III and Triton Fund III F&F LP have significant or controlling influence.

## Accounting policies

The year-end report for the group has been prepared in accordance with IAS 34 Interim Reporting. The year-end 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 not been reviewed by the company's independent auditors.

Stockholm, February 13, 2017

Marcus Hedblom  
*President and CEO*

## CONDENSED CONSOLIDATED INCOME STATEMENT

EUR million	2016 Q4	2015 Q4	2016 Full year	2015 Full year
<b>REVENUE</b>	<b>195.8</b>	183.4	<b>780.8</b>	834.1
Cost of goods sold	-188.1	-187.6	-716.1	-778.8
<b>GROSS PROFIT</b>	<b>7.7</b>	-4.2	<b>64.7</b>	55.3
Selling expenses	-8.4	-8.1	-30.1	-30.2
Administrative expenses	-7.3	-8.0	-28.6	-30.1
Other operating income	0.7	0.8	3.0	5.6
<b>OPERATING PROFIT/LOSS</b>	<b>-7.3</b>	-19.5	<b>9.0</b>	0.6
Financial income and expenses, net	-7.1	-8.8	-23.1	-26.6
<b>PROFIT/LOSS BEFORE TAX</b>	<b>-14.4</b>	-28.3	<b>-14.1</b>	-26.0
Taxes	3.6	4.9	2.3	3.1
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>-10.8</b>	-23.4	<b>-11.8</b>	-22.9
<u>Of which attributable to</u>				
Owners of the parent	-10.8	-23.4	-11.8	-22.9
Non-controlling interests	-	-	-	-

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	2016 Q4	2015 Q4	2016 Full year	2015 Full year
<b>Net profit/loss for the period</b>	<b>-10.8</b>	-23.4	<b>-11.8</b>	-22.9
<b>Items that will be reclassified to profit or loss</b>				
Translation differences	0.6	0.7	-0.6	1.7
Cash flow hedges	5.9	2.5	5.9	-1.6
Tax attributable to cash flow hedges	-1.3	-0.6	-1.3	0.3
	<b>5.2</b>	2.6	<b>4.0</b>	0.4
<b>Items that will not be reclassified to profit or loss</b>				
Revaluation of pension obligations	3.7	6.6	-9.3	11.1
Tax attributable to revaluation of pension obligations	-0.9	-1.4	2.0	-2.4
	<b>2.8</b>	5.2	<b>-7.3</b>	8.7
<b>Other comprehensive income, net of tax</b>	<b>8.0</b>	7.8	<b>-3.3</b>	9.1
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-2.8</b>	-15.6	<b>-15.1</b>	-13.8

## CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	2016 31 Dec	2015 31 Dec
Property, plant and equipment	311.5	318.8
Intangible assets	9.8	9.5
Other financial assets	7.0	6.9
Derivative assets	0.2	1.7
Deferred tax assets	15.7	14.1
<b>Non-current assets</b>	<b>344.2</b>	<b>351.0</b>
Inventories	201.2	189.6
Trade receivables	85.7	78.2
Other current receivables	20.0	18.7
Current tax assets	1.2	0.8
Derivative assets	1.5	2.7
Cash and cash equivalents	49.2	49.1
<b>Current assets</b>	<b>358.8</b>	<b>339.1</b>
<b>ASSETS</b>	<b>703.0</b>	<b>690.1</b>
<b>Equity</b>	<b>119.8</b>	<b>134.9</b>
Non-current interest-bearing liabilities	295.0	293.0
Derivative liabilities	4.3	8.4
Deferred tax liabilities	34.8	36.5
Provisions for pensions	74.8	68.0
Other provisions	2.9	6.0
Other liabilities	0.3	0.3
<b>Non-current liabilities</b>	<b>412.1</b>	<b>412.2</b>
Derivative liabilities	1.7	6.5
Trade payables	109.4	81.5
Current tax liabilities	0.0	0.5
Provisions	2.6	2.5
Other current liabilities	57.4	52.0
<b>Current liabilities</b>	<b>171.1</b>	<b>143.0</b>
<b>EQUITY AND LIABILITIES</b>	<b>703.0</b>	<b>690.1</b>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	2016 Q4	2015 Q4	2016 Full year	2015 Full year
Operating profit	-7.3	-19.5	9.0	0.6
Adjustment for depreciation and amortization	10.4	12.1	40.9	42.9
Adjustment for other non-cash items	2.6	4.0	4.1	2.6
Change in working capital	23.9	24.8	3.2	0.9
<b>Cash flow from operations</b>	<b>29.6</b>	<b>21.4</b>	<b>57.2</b>	<b>47.0</b>
Interest received and paid	-9.7	-10.3	-21.2	-20.7
Income tax paid	0.7	-0.1	-1.3	-1.1
<b>Cash flow from operating activities</b>	<b>20.6</b>	<b>11.0</b>	<b>34.7</b>	<b>25.2</b>
Acquisition of businesses	-	-	-	-5.9
Investments in non-current assets	-10.2	-7.8	-34.3	-35.0
<b>Cash flow from investing activities</b>	<b>-10.2</b>	<b>-7.8</b>	<b>-34.3</b>	<b>-40.9</b>
<b>Cash flow before financing activities</b>	<b>10.4</b>	<b>3.2</b>	<b>0.4</b>	<b>-15.7</b>
Other	-	-	-	-0.9
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-0.9</b>
<b>Cash flow for the period</b>	<b>10.4</b>	<b>3.2</b>	<b>0.4</b>	<b>-16.6</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>38.7</b>	<b>45.4</b>	<b>49.1</b>	<b>65.0</b>
Translation differences on cash and cash equivalents	0.1	0.5	-0.3	0.7
<b>Cash and cash equivalents at the end of period</b>	<b>49.2</b>	<b>49.1</b>	<b>49.2</b>	<b>49.1</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2016 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	1.5	-7.9	141.3	134.9
<b>Comprehensive income</b>					
Profit/loss for the period	-	-	-	-11.8	-11.8
Other comprehensive income	-	-0.6	4.6	-7.3	-3.3
<b>Comprehensive income</b>	-	-0.6	4.6	-19.1	-15.1
<b>Closing balance at 31 Dec</b>	<b>0.0</b>	<b>0.9</b>	<b>-3.3</b>	<b>122.2</b>	<b>119.8</b>

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
<b>Comprehensive income</b>					
Profit/loss for the period	-	-	-	-22.9	-22.9
Other comprehensive income	-	1.7	-1.3	8.7	9.1
<b>Comprehensive income</b>	-	1.7	-1.3	-14.2	-13.8
<b>Closing balance at 31 Dec</b>	<b>0.0</b>	<b>1.5</b>	<b>-7.9</b>	<b>141.3</b>	<b>134.9</b>

## KPIs - CALCULATIONS AND RECONCILIATION TO FINANCIAL STATEMENTS

From Income Statement		2016	2015	2016	2015
EUR million (if not otherwise stated)		Q4	Q4	Full year	Full year
Revenue	A	195.8	183.4	780.8	834.1
Net result		-10.8	-23.4	-11.8	-22.9
+ Taxes		-3.6	-4.9	-2.3	-3.1
+ Financial income and expenses, net		7.1	8.8	23.1	26.6
<b>EBIT</b>	B	<b>-7.3</b>	<b>-19.5</b>	<b>9.0</b>	<b>0.6</b>
+ Amortization of surplus values		2.3	4.0	9.0	11.6
<b>EBITA</b>	C	<b>-5.0</b>	<b>-15.5</b>	<b>18.0</b>	<b>12.2</b>
+ Depreciation		8.1	8.1	31.9	31.3
<b>EBITDA</b>	D	<b>3.1</b>	<b>-7.4</b>	<b>49.9</b>	<b>43.5</b>
<b>EBIT margin %</b>	<i>B/A*100</i>	<b>-3.7</b>	<b>-10.6</b>	<b>1.2</b>	<b>0.1</b>
<b>EBITA margin %</b>	<i>C/A*100</i>	<b>-2.6</b>	<b>-8.5</b>	<b>2.3</b>	<b>1.5</b>
<b>EBITDA margin %</b>	<i>D/A*100</i>	<b>1.6</b>	<b>-4.0</b>	<b>6.4</b>	<b>5.2</b>
Net result (EUR thousand)	E	<b>-10,741</b>	-23,370	-11,754	-22,900
Number of shares	F	<b>50,000</b>	50,000	50,000	50,000
<b>Earnings per share</b>	<i>E/F*1000</i>	<b>-215</b>	-468	<b>-235</b>	-458
Adjusted for restructuring		2016	2015	2016	2015
EUR million (if not otherwise stated)		Q4	Q4	Full year	Full year
Impairments related to restructuring	G 1)	-	2.7	-	2.7
Restructuring cost	H 1)	2.3	2.3	6.9	4.0
<b>EBIT before restructuring</b>	<i>I=B+G+H</i>	<b>-5.0</b>	<b>-14.5</b>	<b>15.9</b>	<b>7.3</b>
<b>EBITA before restructuring</b>	<i>J=C+H</i>	<b>-2.7</b>	<b>-13.2</b>	<b>24.9</b>	<b>16.2</b>
<b>EBITDA before restructuring</b>	<i>K=D+H</i>	<b>5.4</b>	<b>-5.1</b>	<b>56.8</b>	<b>47.5</b>
<b>Adjusted EBIT margin %</b>	<i>I/A*100</i>	<b>-2.6</b>	<b>-7.9</b>	<b>2.0</b>	<b>0.9</b>
<b>Adjusted EBITA margin %</b>	<i>J/A*100</i>	<b>-1.4</b>	<b>-7.2</b>	<b>3.2</b>	<b>1.9</b>
<b>Adjusted EBITDA margin %</b>	<i>K/A*100</i>	<b>2.8</b>	<b>-2.7</b>	<b>7.3</b>	<b>5.7</b>
From Balance Sheet		2016		2015	
EUR million (if not otherwise stated)		31 Dec		31 Dec	
<b>Equity</b>	L	<b>119.8</b>		134.9	
+ Non-current interest-bearing liabilities		295.0		293.0	
+ Current interest-bearing liabilities		-		-	
./. Cash and cash equivalents		49.2		49.1	
<b>Net debt, excl provisions for pension</b>	M	<b>245.8</b>		243.9	
+ Provision for pension		74.8		68.0	
<b>Net debt</b>	N	<b>320.6</b>		311.9	
<b>Net debt/equity ratio, excl provision for pension %</b>	<i>M/L*100</i>	<b>205</b>		181	
<b>Net debt/equity ratio %</b>	<i>N/L*100</i>	<b>268</b>		231	
Equity		119.8		134.9	
+ Non-current interest-bearing liabilities		295.0		293.0	
+ Current interest-bearing liabilities		-		-	
+ Provision for pension		74.8		68.0	
<b>Capital Employed</b>		<b>489.6</b>		495.9	
Average Capital Employed	O 2)	492.8		506.3	
EBIT LTM	P 3)	9.0		0.6	
<b>Return on Capital Employed %</b>	<i>P/O*100</i>	<b>2</b>		0	

1, 2, 3) Definitions on page 14

## PARENT COMPANY CONDENSED INCOME STATEMENT

EUR million	2016 Q4	2015 Q4	2016 Full year	2015 Full year
<b>REVENUE</b>	-	-	-	-
Administrative expenses	-0.1	-0.1	-0.2	-0.2
<b>OPERATING PROFIT/LOSS</b>	-0.1	-0.1	-0.2	-0.2
Interest income from group companies	0.2	0.1	0.6	0.5
<b>PROFIT BEFORE TAX</b>	0.1	0.0	0.4	0.3
Group contribution	0.9	-12.3	0.9	-12.3
Taxes	-0.2	2.6	-0.2	2.6
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	0.8	-9.7	1.1	-9.4

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

EUR million	2016 Q4	2015 Q4	2016 Full year	2015 Full year
<b>Net profit/loss for the period</b>	0.8	-9.7	1.1	-9.4
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	0.8	-9.7	1.1	-9.4

## PARENT COMPANY CONDENSED BALANCE SHEET

EUR million	2016 31 Dec	2015 31 Dec
Shares in subsidiaries	139.8	139.8
Receivables from subsidiaries	24.9	24.3
Deferred tax asset	2.7	2.9
<b>Non-current assets</b>	167.4	167.0
Receivables from subsidiaries	37.8	37.0
<b>Current assets</b>	37.8	37.0
<b>ASSETS</b>	205.2	204.0
<b>Equity</b>	191.8	190.8
Current liabilities to subsidiaries	13.4	13.2
<b>Current liabilities</b>	13.4	13.2
<b>EQUITY AND LIABILITIES</b>	205.2	204.0
<b>Pledged collateral</b>	179.3	179.3
<b>Contingent liabilities</b>	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.

EUR million	31 Dec 2016		31 Dec 2015	
	Carrying value	Fair value	Carrying value	Fair value
Derivatives	1.7	1.7	4.4	4.4
Financial non-current assets	6.9	6.9	6.8	6.8
Trade and other receivables	86.5	86.5	78.7	78.7
Cash and cash equivalents	49.2	49.2	49.1	49.1
<b>Total assets</b>	<b>144.3</b>	<b>144.3</b>	<b>139.0</b>	<b>139.0</b>
Derivatives	6.0	6.0	14.9	14.9
Interest-bearing liabilities	295.0	275.5	293.0	212.1
Trade and other payables	109.7	109.7	81.8	81.8
<b>Total liabilities</b>	<b>410.7</b>	<b>391.2</b>	<b>389.7</b>	<b>308.8</b>

### 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 2016		31 Dec 2015	
	Financial assets	Financial Liabilities	Financial assets	Financial liabilities
Gross amount, derivatives	1.7	6.0	4.4	14.9
Amount offset	-	-	-	-
<b>Disclosed in balance sheet</b>	<b>1.7</b>	<b>6.0</b>	<b>4.4</b>	<b>14.9</b>
Amounts included in an offset agreement	-1.7	-1.7	0.0	0.0
<b>Net after amounts included in an offset agreement</b>	<b>0.0</b>	<b>4.3</b>	<b>4.4</b>	<b>14.9</b>

## 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	$(\text{Net debt (including or excluding pension liabilities)} / \text{equity}) \times 100$
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 11

**For more information, please contact:** [ir@ovako.com](mailto: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 2016 amounted to EUR 781 million, and the company had 2,773 employees at year-end. For more information, please visit us at [www.ovako.com](http://www.ovako.com)

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**Ovako AB (publ)**, Box 1721, SE-111 87 Stockholm, Sweden  
 Visiting address: Kungsträdgårdsgatan 10, Stockholm  
 Tel: +46 (0)8 622 13 00