

INNOVATIVE STEEL FOR A BETTER ENGINEERED FUTURE

Interim report for the Second Quarter 2017

The first half in brief

Second quarter 2017

- Order intake increased by 15 percent compared to the previous year
- Sales volume was 5 percent higher year-on-year and revenue rose by 11 percent
- EBITDA before restructuring costs improved to EUR 30 (28) million due to higher volumes and reduced costs, but was affected by EUR -7 million compared to last year by timing effects in scrap and alloy prices and currency effects
- Operating profit (EBITA) amounted to EUR 22 (21) million before restructuring costs of EUR 2 (1) million
- Cash flow from operating activities amounted to EUR 9 (8) million, including payment of restructuring costs of EUR 2 (2) million
- Ovako's restructuring program contributed EUR 5 million through reduction of costs.

January - June 2017

- Order intake increased by 25 percent compared to the previous year
- Sales volume was 8 percent higher year-on-year, and revenue rose by 14 percent
- EBITDA before restructuring costs improved considerably to EUR 62 (46) million, mainly due to higher volumes and reduced costs from the restructuring program. Timing effects in scrap and alloy prices affected profit by EUR -2 million compared to the previous year
- Operating profit (EBITA) amounted to EUR 46 (30) million before restructuring costs of EUR 3 (2) million
- Cash flow from operating activities amounted to EUR 6 (11) million, including payment of restructuring costs of EUR 3 (4) million
- Ovako's restructuring program is proceeding ahead of plan and contributed EUR 11 million through reduction of costs.

Group KPIs

The table of key performance indicators (KPIs) contains data taken directly from the financial statements and information that can be derived from these, as well as statistical information. A reconciliation between financial KPIs and the financial statements, including those KPIs that are not defined under IFRS, is

presented on Page 10, and definitions of all KPIs can be found on Page 13. KPIs are presented as a supplement to the financial statements to facilitate the understanding of performance and financial position over time.

KPI		2017 Q2	2016 Q2	2017 Q1–2	2016 Q1–2	2016 Full Year
Sales volumes ¹⁾	kton	212	201	416	386	708
Net revenue ²⁾	EURm	244	219	478	420	781
EBITDA before restructuring cost ³⁾	EURm	30	28	62	46	57
EBITDA ³⁾	EURm	28	28	59	44	50
Adjusted EBITDA margin ³⁾		12.1 %	13.0 %	12.9 %	11.0 %	7.3 %
EBITDA margin ³⁾		11.4 %	12.6 %	12.4 %	10.6 %	6.4 %
Operating profit (EBITA) before restructuring cost ³⁾	EURm	22	21	46	30	25
Operating profit (EBITA) ³⁾	EURm	20	20	43	29	18
Adjusted operating margin (EBITA) ³⁾		8.9 %	9.4 %	9.6 %	7.2 %	3.2 %
Operating margin (EBITA) ³⁾		8.2 %	9.0 %	9.1 %	6.8 %	2.3 %
EBIT ²⁾	EURm	18	17	39	24	9
Net profit/loss ²⁾	EURm	9	10	20	10	-12
Cash flow from operating activities ²⁾	EURm	9	8	6	11	35
Net debt (excl pension liabilities)/equity ratio ³⁾		186 %	180 %	186 %	180 %	205 %
Return on capital employed (ROCE) ³⁾		5 %	-1 %	5 %	-1 %	2 %
Full time employees at end of period (FTE) ¹⁾	No	2,889	2,809	2,889	2,809	2,773

1) Statistical KPIs, defined on Page 13

2) KPIs taken directly from the financial statements

3) KPIs calculated using the financial statements, see calculations on Page 10

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



Comments from the CEO

Ovako's result strengthened in the second quarter, driven primarily by an improved cost structure and new business. Market demand continued to increase, which also contributed to the positive development. Overall, the first half of 2017 was significantly better than the same period last year and we are confident as we move into the coming quarters.

Order intake during the second quarter was 15 percent higher than the same period last year. The order stock continued to strengthen and was by the end of the second quarter 56 percent higher than at the same time last year, and 11 percent higher than at the end of the first quarter.

Deliveries during the seasonally strong second quarter were 5 percent higher year-on-year, in spite of a negative calendar effect of the Easter holidays in April. In order to meet higher customer demand, we worked intensively during the quarter to increase capacity utilization in both steel production and further processing. This was accomplished primarily by increasing the number of shifts at our facilities, but also via minor investments in some further processing steps.

We saw strong growth in most of our regions during the first half, particularly in North America and Asia. Central and Eastern Europe also demonstrated good development. Most of our customer segments developed positively, with particularly strong growth in the markets for construction equipment, mining and bearings.

EBITDA increased from EUR 28 million to EUR 30 million for the quarter. Underlying results are continuing to improve year-on-year, mainly due to rising sales volumes and reduced structural costs. However, profit in the second quarter was affected by EUR -7 million due to timing effects in scrap and alloy prices, as well as currency effects, compared to the previous year.

Our safety work is continuing to make good progress and the number of accidents resulting in lost time is now at the lowest level in the company's history. Ongoing safety efforts remain a high priority as we work towards our long-term objective: an accident-free Ovako.

Short-term outlook

In the light of currently high activity among our customers and a larger order stock that also extends further ahead in time, we expect the sales volume in the third quarter to be higher than for the same period last year, but seasonally lower than in the second quarter this year.

Marcus Hedblom
President and CEO

First half of 2017

Market development

According to the most recent available data from the European Steel Association, Eurofer, the European market for merchant bar (which includes engineering steel) increased by 4.4 percent in the first quarter of 2017, compared to the same quarter in 2016. Comparable figures for Ovako were an 11 percent increase in sales volume.

The EU industrial production index showed growth of 2.1 percent in the first quarter of 2017, compared to the same quarter in 2016. Sweden is demonstrating higher growth than the EU as a whole during the first quarter, driven mainly by the strong car and truck market. Germany has stabilized at a high level and the car and truck market is demonstrating continued strength. Demand in Finland was robust during the first quarter.

Revenue and profit for the second quarter of 2017

Order intake rose by 15 percent during the second quarter. Sales volume amounted to 212 (201) thousand metric tons and revenue to EUR 244 (219) million. Sales volume was 5 percent higher year-on-year, and revenue rose by 11 percent. The greater increase in revenue relative to sales volume is explained mainly by higher raw materials prices, which are passed on in the scrap and alloy surcharges.

Ovako's crude steel production volume (i.e. production in the steel mills but prior to further processing) was 2 percent higher than in the previous year and amounted to 273 (268) thousand metric tons. Crude steel production in the second quarter last year was seasonally relatively high and benefited from the Easter holidays falling in the first quarter of 2016.

Activities started during the first quarter, to meet growing demand by selectively increasing the number of shifts at the company's steel and rolling mills, have continued. The number of employees is therefore 116 higher than at the beginning of the year including seasonal variations and reductions carried out under the restructuring program. Ovako will continue to adjust staffing based on market demand. Efforts to lower the company's structural costs are ongoing in parallel and Ovako expects to realize savings of EUR 18 million during 2017.

EBITDA before restructuring costs amounted to EUR 30 (28) million. Underlying results improved considerably compared to 2016, driven by higher sales volumes and savings in the restructuring program. This was held back by negative timing effects in scrap and alloy prices, exchange rate fluctuations and absorption effects in inventory.

Volume, price and mix effects had a positive impact on profit of EUR 5 million compared to the previous year, after costs for selective capacity increases. This includes absorption effect linked to changes in inventory of EUR 0 (2) million. The restructuring program contributed EUR 5 million in reduced fixed and variable costs, before cost inflation of EUR 2 million. However,

timing effects in scrap and alloy prices have affected profit for the quarter by EUR -2 (4) million, while the negative impact of exchange rate fluctuations was EUR -2 million compared to last year.

Operating profit (EBITA) before restructuring costs amounted to EUR 22 (21) million, including depreciations according to plan of EUR 8 (8) million.

Restructuring costs of EUR 2 (1) million and amortization of surplus values of EUR 2 (2) were charged against earnings.

Net financial expenses for the period amounted to EUR -6 (-5) million, and were influenced by currency effects of EUR 0 (1) million. Profit before tax for the period amounted to EUR 12 (12) million, and net profit was EUR 9 (10) million.

Revenue and profit for January - June 2017

Order intake rose by 25 percent during the first half of the year. Sales volume amounted to 416 (386) thousand metric tons and revenue to EUR 478 (420) million. Sales volume was 8 percent higher than in the previous year, and revenue rose by 14 percent. The greater increase in revenue relative to sales volume is explained mainly by higher raw materials prices.

Ovako's crude steel production volume (i.e. production in the steel mills but prior to further processing) was 4 percent higher than last year and amounted to 538 (519) thousand metric tons.

During the first half, the transfer of operations in Forsbacka to other production units has been completed. In total, 32 full-time employees left the company within the restructuring program.

EBITDA before restructuring costs amounted to EUR 62 (46) million. Volume, price and mix effects had a positive impact on profit of EUR 12 million compared to the previous year, after costs for selective capacity increases. This includes absorption effect linked to changes in inventory of EUR 1 (4) million. The restructuring program contributed EUR 11 million in reduced fixed and variable costs, before cost inflation of EUR 3 million. Timing effects of scrap and alloy prices affected profit during the quarter by EUR 1 (3) million. Currency effects had no material effect on profit compared to the previous year.

Operating profit (EBITA) before restructuring costs amounted to EUR 46 (30) million, including depreciation according to plan of EUR 16 (16) million.

Restructuring costs of EUR 3 (2) million, and amortization of surplus values of EUR 5 (5) were charged against earnings.

Net financial expenses for the period amounted to EUR -13 (-11) million, and were influenced by currency effects of EUR 0 (2) million. Profit before tax for the period amounted to EUR 26 (13) million, and net profit was EUR 20 (10) million.



The IQ in IQ-Steel® stands for Isotropic Quality. IQ-Steel is a smart, clean steel solution suitable for reliable components that can withstand high and complex loads. The steel possesses unique multi-axial mechanical properties, in the rolling direction. The secret behind the steel's fatigue strength is that all of its inclusions are small and uniformly shaped, in the rolling directions. This has given IQ-Steel nearly twice the fatigue strength in the transverse direction as conventional steel.

Cash flow

Cash flow from operating activities amounted to EUR 9 (8) million for the second quarter and EUR 6 (11) million for the first half. This includes payment of restructuring costs of EUR 2 (2) million and EUR 3 (4) million, respectively. The underlying seasonal build-up of working capital during the first half was strengthened by rising sales volumes and higher scrap and alloy prices, which had a negative effect on cash flow. The inventory volume at the end of the quarter was lower compared to the previous year.

Financial position

The group's loans amounted to EUR 300 (31 December 2016: 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 296 (31 December 2016: 295) million. Net debt (excluding pension liabilities) amounted to EUR 251 (31 December 2016: 246) million.

Equity amounted to EUR 135 (31 December 2016: 120) million, and the net debt/equity ratio (excluding pension liabilities) was 186 (31 December 2016: 205) percent.

The group's liquidity buffer of EUR 84 (31 December 2016: 88) million comprises cash and cash equivalents of EUR 45 (31 December 2016: 49) million and unutilized contracted loan commitments of EUR 39 (31 December 2016: 39) million.

Investments

Net investments in intangible assets and property, plant and equipment amounted to EUR 5 (7) million during the quarter and to EUR 10 (11) million during the first half of the year. A property in Turenki, Finland, was divested during the quarter, following the move of operations to our distribution center in Tampere, Finland, in 2016.

Changes in the Board of Directors

Ingalill Östman has joined Ovako's Board of Directors. Ingalill Östman has long industry experience – she was a member SKF's Group Management for seven years and has held leading positions within ABB. Today, Ingalill Östman works as Director Corporate Communications at Castellum AB and is a member of the Board of Länsförsäkringar in Gothenburg and Bohuslän, and Allgon AB.

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 0.2 (0.1) 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 2016. 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 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 2016. No new or revised IFRSs entering into force during 2017 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, July 14, 2017

Marcus Hedblom
President and CEO

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR million	2017 Q2	2016 Q2	2017 Q1-2	2016 Q1-2	2016 Full year
REVENUE	244.4	219.1	477.7	420.0	780.8
Cost of goods sold	-211.4	-186.8	-408.1	-367.0	-716.1
GROSS PROFIT	33.0	32.3	69.6	53.0	64.7
Selling expenses	-7.9	-7.7	-16.1	-15.5	-30.1
Administrative expenses	-8.2	-7.7	-16.5	-15.3	-28.6
Other operating income	1.0	0.6	1.9	1.9	3.0
OPERATING PROFIT/LOSS	17.9	17.5	38.9	24.1	9.0
Financial income and expenses, net	-6.0	-5.3	-12.8	-11.0	-23.1
PROFIT/LOSS BEFORE TAX	11.9	12.2	26.1	13.1	-14.1
Taxes	-2.9	-2.7	-6.2	-3.0	2.3
NET PROFIT/LOSS FOR THE PERIOD	9.0	9.5	19.9	10.1	-11.8
Of which attributable to					
Owners of the parent	9.0	9.5	19.9	10.1	-11.8
Non-controlling interests	–	–	–	–	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	2017 Q2	2016 Q2	2017 Q1-2	2016 Q1-2	2016 Full year
Net profit/loss for the period	9.0	9.5	19.9	10.1	-11.8
Items that will be reclassified to profit or loss					
Translation differences	-2.8	-0.2	-2.0	-0.8	-0.6
Cash flow hedges	0.4	1.1	-2.9	-1.3	5.9
Tax attributable to cash flow hedges	-0.1	-0.2	0.6	0.3	-1.3
	-2.5	0.7	-4.3	-1.8	4.0
Items that will not be reclassified to profit or loss					
Revaluation of pension obligations	0.8	-4.7	-1.0	-8.7	-9.3
Tax attributable to revaluation of pension obligations	-0.1	1.0	0.3	1.9	2.0
	0.7	-3.7	-0.7	-6.8	-7.3
Other comprehensive income, net of tax	-1.8	-3.0	-5.0	-8.6	-3.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7.2	6.5	14.9	1.5	-15.1

CONDENSED CONSOLIDATED BALANCE SHEET

	2017	2016	2016
EUR million	30 Jun	30 Jun	31 Dec
Property, plant and equipment	300.8	309.2	311.5
Intangible assets	9.2	9.7	9.8
Other financial assets	7.0	7.0	7.0
Derivative assets	0.1	0.1	0.2
Deferred tax assets	11.1	14.1	15.7
Non-current assets	328.2	340.1	344.2
Inventories	214.5	210.1	201.2
Trade receivables	125.3	109.5	85.7
Other current receivables	22.5	20.7	20.0
Current tax assets	0.7	1.6	1.2
Derivative assets	0.5	0.3	1.5
Cash and cash equivalents	44.8	48.5	49.2
Current assets	408.3	390.7	358.8
TOTAL ASSETS	736.5	730.8	703.0
Equity	134.7	136.4	119.8
Non-current interest-bearing liabilities	296.0	294.0	295.0
Derivative liabilities	4.5	8.4	4.3
Deferred tax liabilities	34.7	36.9	34.8
Provisions for pensions	75.3	75.0	74.8
Other provisions	2.1	3.0	2.9
Other liabilities	0.4	0.3	0.3
Non-current liabilities	413.0	417.6	412.1
Derivative liabilities	3.3	3.6	1.7
Trade payables	116.6	109.8	109.4
Current tax liabilities	0.6	0.2	0.0
Provisions	2.1	2.5	2.6
Other current liabilities	66.2	60.7	57.4
Current liabilities	188.8	176.8	171.1
TOTAL EQUITY AND LIABILITIES	736.5	730.8	703.0

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	2017 Q2	2016 Q2	2017 Q1-2	2016 Q1-2	2016 Full year
Operating profit/loss	17.9	17.5	38.9	24.1	9.0
Adjustment for depreciation and amortization	10.0	10.2	20.2	20.4	40.9
Adjustment for other non-cash items	0.1	0.2	0.8	-0.3	4.1
Change in working capital	-9.8	-8.8	-44.1	-22.2	3.2
Cash flow from operations	18.2	19.1	15.8	22.0	57.2
Interest received and paid	-9.7	-9.8	-10.0	-9.7	-21.2
Income tax paid	0.7	-1.0	0.4	-1.6	-1.3
Cash flow from operating activities	9.2	8.3	6.2	10.7	34.7
Acquisition of property, plant and equipment	-6.7	-7.1	-11.7	-11.1	-34.3
Sale of property, plant and equipment	1.1	–	1.3	–	–
Cash flow from investing activities	-5.6	-7.1	-10.4	-11.1	-34.3
Cash flow before financing activities	3.6	1.2	-4.2	-0.4	0.4
Cash flow from financing activities	–	–	–	–	–
Cash flow for the period	3.6	1.2	-4.2	-0.4	0.4
Cash and cash equivalents at the beginning of period	41.4	47.4	49.2	49.1	49.1
Translation differences in cash and cash equivalents	-0.2	-0.1	-0.2	-0.2	-0.3
Cash and cash equivalents at the end of period	44.8	48.5	44.8	48.5	49.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2017

Equity attributable to owners of the parent

EUR million	Share capital	Translation reserve	Cash flow hedge reserves	Retained earnings	Total equity
Opening balance at 1 Jan	0.0	0.9	-3.3	122.2	119.8
Comprehensive income					
Profit/loss for the period	–	–	–	19.9	19.9
Other comprehensive income	–	-2.0	-2.3	-0.7	-5.0
Comprehensive income	–	-2.0	-2.3	19.2	14.9
Closing balance at 30 Jun	0.0	-1.1	-5.6	141.4	134.7

2016

Equity attributable to owners of the parent

MEUR	Share capital	Translation reserve	Cash flow hedge reserves	Retained earnings	Total equity
Opening balance at 1 Jan	0.0	1.5	-7.9	141.3	134.9
Comprehensive income					
Profit/loss for the period	–	–	–	10.1	10.1
Other comprehensive income	–	-0.8	-1.0	-6.8	-8.6
Comprehensive income	–	-0.8	-1.0	3.3	1.5
Closing balance at 30 Jun	0.0	0.7	-8.9	144.6	136.4

KPIs - CALCULATIONS AND RECONCILIATION TO FINANCIAL STATEMENTS

From Income Statement		2017	2016	2017	2016	2016
EUR million (if not otherwise stated)		Q2	Q2	Q1-2	Q1-2	Full year
Revenue	A	244.4	219.1	477.7	420.0	780.8
Net result		9.0	9.5	19.9	10.1	-11.8
+ Taxes		2.9	2.7	6.2	3.0	-2.3
+ Financial income and expenses, net		6.0	5.3	12.8	11.0	23.1
EBIT	B	17.9	17.5	38.9	24.1	9.0
+ Amortization of surplus values		2.2	2.3	4.5	4.5	9.0
EBITA	C	20.1	19.8	43.4	28.6	18.0
+ Depreciation		7.8	7.9	15.7	15.9	31.9
EBITDA	D	27.9	27.7	59.1	44.5	49.9
EBIT margin %	B/A*100	7.3	8.0	8.1	5.7	1.2
EBITA margin %	C/A*100	8.2	9.0	9.1	6.8	2.3
EBITDA margin %	D/A*100	11.4	12.6	12.4	10.6	6.4
Net result (EUR thousand)	E	8,998	9,519	19,922	10,073	-11,754
Number of shares	F	50,000	50,000	50,000	50,000	50,000
Earnings per share	E/F*1000	180	190	398	201	-235

Adjusted for restructuring		2017	2016	2017	2016	2016
EUR million (if not otherwise stated)		Q2	Q2	Q1-2	Q1-2	Full year
Impairments related to restructuring	G ¹⁾	–	–	–	–	–
Restructuring cost	H ¹⁾	1.7	0.8	2.6	1.6	6.9
EBIT before restructuring	I=B+G+H	19.6	18.3	41.5	25.7	15.9
EBITA before restructuring	J=C+H	21.8	20.6	46.0	30.2	24.9
EBITDA before restructuring	K=D+H	29.6	28.5	61.7	46.1	56.8
Adjusted EBIT margin %	I/A*100	8.0	8.4	8.7	6.1	2.0
Adjusted EBITA margin %	J/A*100	8.9	9.4	9.6	7.2	3.2
Adjusted EBITDA margin %	K/A*100	12.1	13.0	12.9	11.0	7.3

From Balance Sheet		2017	2016	2016
EUR million (if not otherwise stated)		30 Jun	30 Jun	31 Dec
Equity	L	134.7	136.4	119.8
+ Non-current interest-bearing liabilities		296.0	294.0	295.0
+ Current interest-bearing liabilities		–	–	–
./. Cash and cash equivalents		44.8	48.5	49.2
Net debt, excl provisions for pension	M	251.2	245.5	245.8
+ Provision for pension		75.3	75.0	74.8
Net debt	N	326.5	320.5	320.6
Net debt/equity ratio, excl provision for pension %	M/L*100	186	180	205
Net debt/equity ratio %	N/L*100	242	235	268
Equity		134.7	136.4	119.8
+ Non-current interest-bearing liabilities		296.0	294.0	295.0
+ Current interest-bearing liabilities		–	–	–
+ Provision for pension		75.3	75.0	74.8
Capital Employed		506.0	505.4	489.6
Average Capital Employed	O ²⁾	505.7	522.4	492.8
EBIT LTM	P ³⁾	23.8	-7.6	9.0
Return on Capital Employed %	P/O*100	5	-1	2

1, 2, 3) Definitions on page 13

PARENT COMPANY CONDENSED INCOME STATEMENT

EUR million	2017 Q2	2016 Q2	2017 Q1-2	2016 Q1-2	2016 Full year
REVENUE	–	–	–	–	–
Administrative expenses	0.0	0.0	0.0	0.0	-0.2
OPERATING PROFIT/LOSS	0.0	0.0	0.0	0.0	-0.2
Interest income from group companies	0.2	0.2	0.3	0.3	0.6
PROFIT BEFORE TAX	0.2	0.2	0.3	0.3	0.4
Group contribution	–	–	–	–	0.9
Taxes	0.0	-0.1	0.0	-0.1	-0.2
NET PROFIT/LOSS FOR THE PERIOD	0.2	0.1	0.3	0.2	1.1

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

EUR million	2017 Q2	2016 Q2	2017 Q1-2	2016 Q1-2	2016 Full year
Net profit/loss for the period	0.2	0.1	0.3	0.2	1.1
Other comprehensive income	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	0.2	0.1	0.3	0.2	1.1

PARENT COMPANY CONDENSED BALANCE SHEET

EUR million	2017 30 Jun	2016 30 Jun	2016 31 Dec
Shares in subsidiaries	139.8	139.8	139.8
Receivables from subsidiaries	24.9	24.6	24.9
Deferred tax asset	2.7	2.8	2.7
Non-current assets	167.4	167.2	167.4
Receivables from subsidiaries	38.1	37.0	37.8
Current assets	38.1	37.0	37.8
ASSETS	205.5	204.2	205.2
Equity	192.1	191.0	191.8
Current liabilities to subsidiaries	13.4	13.2	13.4
Current liabilities	13.4	13.2	13.4
EQUITY AND LIABILITIES	205.5	204.2	205.2
Pledged collateral	179.3	179.3	179.3
Contingent liabilities	None	None	None

FINANCIAL INSTRUMENTS DISCLOSURE – GROUP

Fair value of financial instruments:

Ovako's financial instruments include derivatives, unlisted equities, loan receivables, accounts receivable and cash and cash equivalents, interest-bearing liabilities, trade payables and other liabilities. Derivatives are measured at fair value in Level 2 as defined by IFRS 13 i.e. fair value determined using valuation techniques with observable market data, either directly (such as prices) or indirectly (derived from prices). Other financial

instruments are measured at amortised cost. The fair value of the bond loan is determined based on the list price on the closing date. Depending on market conditions, the company may from time to time buy back its own bonds in the market. The table below shows the carrying amounts and fair values of financial instruments.

EUR million	30 Jun 2017		30 Jun 2016		31 Dec 2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Derivatives	0.6	0.6	0.4	0.4	1.7	1.7
Financial non-current assets	6.9	6.9	6.9	6.9	6.9	6.9
Trade and other receivables	126.2	126.2	110.1	110.1	86.5	86.5
Cash and cash equivalents	44.8	44.8	48.5	48.5	49.2	49.2
Total assets	178.5	178.5	165.9	165.9	144.3	144.3
Derivatives	7.8	7.8	12.0	12.0	6.0	6.0
Interest-bearing liabilities	296.0	302.3	294.0	211.4	295.0	275.5
Trade and other payables	117.0	117.0	110.2	110.2	109.7	109.7
Total liabilities	420.8	427.1	416.2	333.6	410.7	391.2

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.

MEUR	30 Jun 2017		30 Jun 2016		31 Dec 2016	
	Financial assets	Financial Liabilities	Financial assets	Financial Liabilities	Financial assets	Financial Liabilities
Gross amount, derivatives	0.6	7.8	0.4	12.0	1.7	6.0
Amount offset	–	–	–	–	–	–
Disclosed in balance sheet	0.6	7.8	0.4	12.0	1.7	6.0
Amounts included in an offset agreement	-0.6	-0.6	-0.2	-0.2	-1.7	-1.7
Net after amounts included in an offset agreement	0.0	7.2	0.2	11.8	0.0	4.3

Other disclosures

Management is on an ongoing basis evaluating options for optimizing the company's capital structure (including refinancing of all or part of the group's indebtedness) and the owner is on an ongoing basis evaluating strategic alternatives for its ownership, in each case in the context of market conditions and company performance.

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

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. Shows the underlying operating profit development of the business
EBITDA	Profit before financial income and expenses, taxes, depreciation, amortization and impairments. EBITDA is a measure of the underlying cash-generating capacity of the business.
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. Restructuring costs are excluded when calculating adjusted measurements below. Adjusted measurements are used to give a better understanding of the business development.
Adjusted EBIT	EBIT excluding restructuring costs and impairments associated with restructuring
Adjusted EBITA	EBITA excluding restructuring costs
Adjusted EBITDA	EBITDA excluding restructuring costs
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 EBIT margin	Profit as above, expressed as a percentage of revenue
Adjusted EBITA margin	Profit as above, expressed as a percentage of revenue
Adjusted EBITDA margin	Profit as above, expressed as a percentage of revenue
Net debt	Interest-bearing liabilities including pension liabilities minus cash and cash equivalents
Net debt excluding pension liabilities	Interest-bearing liabilities excluding pension liabilities minus cash and cash equivalents. Ovako's pension liabilities consist mainly of liabilities financed via the Swedish PRI system, measured in accordance with IFRS. The company has chosen to present net debt excluding pension liabilities since these are provisions that will not be refinanced in the same way as borrowings
Net debt/equity ratio, percent	(Net debt (including or excluding pension liabilities)/equity) x 100
Return on capital employed (ROCE)	EBIT rolling 12 months/equity plus financial liabilities (average of opening and closing balances for the period).
Earnings per share, before and after dilution	Net profit for the period/weighted average number of shares during the period
Calculations are presented in the table on Page 10	

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

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

Our production is based on recycled scrap and includes steel in the form of bar, tube, ring and pre-components. Ovako is represented in more than 30 countries, and has sales offices in Europe, North America and Asia. Ovako's sales in 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



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