Interim report

Q2 2013

Outokumpu supplies 12,250 tonnes of duplex for five chemical tankers

Outokumpu will supply 12,250 tonnes of duplex 2205® stainless steel for five chemical tankers ordered by Stolt Tankers that operates one of the world's largest and most sophisticated fleet of chemicals tankers. The contract also includes an option for additional three vessels. Outokumpu will supply large-sized plates in tailor-made dimensions as well as added value services such as edge preparation, forming and welding. "Together with Outokumpu's technical support and training program for the customer, this contract forms a unique scope of supply within the stainless steel industry," says Leif Rosén, SVP, Special Plate.

outokumpu
stainless steel & high performance alloys

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Photo courtesy of Stolt Tankers

Good progress on synergies, cost saving and ferrochrome offset by weak market and disappointing progress in Americas

Developments in the second quarter 2013

In line with guidance, the second quarter 2013 showed flat underlying EBIT losses versus the first quarter 2013 in a challenging environment with a continuously falling nickel price leading to lower deliveries and lower margins.

- During the second quarter of 2013, global demand was up by 3.8%, but the stainless steel demand in the important EMEA region declined by 1.9% compared to Q1 2013. European stainless steel base prices decreased by 4% and the average nickel price declined by 14%. The first half of 2013 showed a year-on-year flat stainless steel demand in EMEA region of 3,645 tonnes (H1 2012: 3,663 tonnes).
- During the second quarter of 2013, Outokumpu's stainless steel external deliveries declined by 7% compared to Q1 2013 and reached 656,000 tonnes (Q1 2013: 703,000 tonnes). In the first half of 2013 the group achieved deliveries of 1,359,000 tonnes, down by 8% compared to the first half 2012 (H1 2012: 1,478,000 tonnes).
- The underlying EBIT for the second quarter 2013 was EUR -80 million (Q1 2013: EUR -77 million). Losses were mainly driven by overall lower deliveries, the continued decline of the nickel price and the weak performance of the Americas operations. As a result of the continued weakness, the first half of 2013 underlying EBIT was EUR -157 million compared to the first half of 2012 with EUR -93 million.
- Including non-recurring items of EUR -46 million (Q1 2013: EUR -2 million) and raw material-related inventory effects of EUR -38 million (Q1 2013: EUR -3 million), the EBIT was EUR -164 million for the second quarter 2013 (Q1 2013: EUR -82 million). For the first half 2013 non-recurring items were EUR -47 million (H1 2012: EUR -150 million) and raw material-related inventory effects were EUR -41 million (H1 2012: EUR -5 million) with an overall EBIT of EUR -246 million (H1 2012: EUR -248 million). The non-recurring items in H1 2013 mainly related to ongoing restructuring activities and headcount reductions as well as the settlement paid for the Carrier legal case.
- Operating cash flow was negative at EUR -160 million (Q1 2013: EUR -46 million) mainly driven by the negative EBITDA and increase in working capital. For the first half of 2013 cash flow was EUR -206 million compared to EUR 139 million in the first half of 2012.
- Net interest-bearing debt increased to EUR 3,041 million (March 31, 2013: EUR 2,891 million), leading to a gearing of 120.6% (March 31, 2013: 103.3%).

Update on Terni

The Terni divestiture continues with an extended time frame that the European Commission has granted. Discussions continue with a number of interested parties. In addition, Terni has instigated both cost saving and working capital management programs, each in the range of EUR 70 million, to improve Terni's financial standing. Outokumpu is bound by a number of commercial obligations regarding the remedy assets during the divestment period, including continued sourcing of stainless steel from Terni by Outokumpu's BA Americas. Outokumpu is working intensively to complete the divestment and targets to sign a transaction during the second half of the year.

Business outlook for the third quarter of 2013

Outokumpu lowers its expectation of improvements in underlying EBIT during the second half of 2013. This is due to the continued deterioration of the nickel price, the weak market demand, especially in Europe, in a seasonally sluggish quarter and weaker performance of the Americas business.

For the third quarter, company expects the EBIT to be on approximately the same level as in the second quarter. This includes, at current metal prices, further raw material related timing losses and further non-recurring items associated with Group's ongoing restructuring programs. The underlying EBIT is expected to be worse than in the second quarter.

Note: This report contains comparisons to both Outokumpu stand alone as well as comparable figures for the combined entity based on management estimates. Tables that are marked as 'comparable' show the combined entity comparisons. In the text itself only comparable numbers are stated and analyzed. Terni is reported as a discontinued operation.

Group key figures, comparable

		II/13	I/13	II/12	2012
Sales	EUR million	**2,064**	2,221	2,551	9,458
EBITDA	EUR million	**-72**	12	-91	-176
Adjustments to EBITDA [1]	EUR million	**84**	5	108	203
Underlying EBITDA	EUR million	**12**	17	17	27
EBIT	EUR million	**-164**	-82	-190	-692
Adjustments to EBIT [2]	EUR million	**84**	5	118	344
Underlying EBIT	EUR million	**-80**	-77	-72	-348
Result before taxes	EUR million	**-228**	-140	n/a	n/a
Net result for the period from continuing operations	EUR million	**-225**	-139	n/a	n/a
excluding non-recurring items	EUR million	**-179**	-137	n/a	n/a
Net result for the period	EUR million	**-250**	-152	n/a	n/a
Earnings per share	EUR	**-0.12**	-0.07	n/a	n/a
excluding non-recurring items	EUR	**-0.10**	-0.07	n/a	n/a
Return on capital employed	%	**-11.7**	-5.8	n/a	n/a
excluding non-recurring items	%	**-8.4**	-5.7	n/a	n/a
Net cash generated from operating activities, continuing oper.	EUR million	**-160**	-46	n/a	n/a
Net interest-bearing debt at the end of period	EUR million	**3,041**	2,891	n/a	n/a
Debt-to-equity ratio at the end of period	%	**120.6**	103.3	n/a	n/a
Capital expenditure, continuing operations [3]	EUR million	**42**	82	168	821
Stainless steel external deliveries, continuing oper. [4]	1,000 tonnes	**656**	703	720	2,786
Stainless steel base price [5]	EUR/tonne	**1,137**	1,177	1,182	1,172
Personnel at the end of period, continuing operations, excl. summer trainees [6]		**15,540**	15,705	17,068	16,649

1) Non-recurring items, other than impairments; and inventory gains/losses, unaudited.

2) Non-recurring items and inventory gains/losses, unaudited.

3) Jan 1–Dec 31, 2012 includes acquisition-related finance leases and asset purchases of EUR 79 million, but excludes Inoxum acquisition of EUR 2,720 million.

4) Excludes ferrochrome deliveries, includes high performance alloy deliveries.

5) Stainless steel: CRU - German base price (2 mm cold rolled 304 sheet).

6) On June 30, 2013 Group employed in addition some 700 summer trainees (June 30, 2012: some 800).

Raw material-related inventory gains or losses

The realized timing gain or loss per tonne of stainless steel is estimated based on the difference between the purchase price and invoice price of each metal in EUR per tonne times the average metal content in stainless steel. The unrealized timing impact consists of the change in net realizable value — NRV during each quarter. If there is a significant negative change in metal prices during the quarter, inventories are written down to NRV at the end of the period to reflect lower expected transaction prices for stainless steel in the future. As this timing impact is expected to be realized in the cash flow of Outokumpu only after the raw material has been sold, it is referred to as being unrealized at the time of the booking.

CEO Mika Seitovirta:

“Outokumpu’s underlying result in the second quarter was in line with expectations but continued on a disappointing course. Our sales and profitability were negatively affected by the 20% decline in nickel price since beginning of the year, poor economic environment and challenges in our Americas operations. On the positive side, our ferrochrome operations and synergy cost savings efforts continued to progress ahead of plans. Our first half Ferrochrome production reached 209,000 tonnes boosting our confidence in reaching our full year production target of 400,000 tonnes. Inoxum acquisition-related synergy savings reached EUR 39 million during the first half, indicating that we will exceed our original target of EUR 50 million savings in 2013.

During the second half, we will continue to focus on achieving additional savings across all of our operations to mitigate the weak stainless steel market outlook. Our ongoing savings programs and synergies are expected to result in annual savings of approximately EUR 300 million by end of next year. We also have a clear action plan in place to improve our performance in our Americas operations. In terms of cash flow we continue to have strong focus on working capital management and minimization of capital investments in order to manage our balance sheet. The newly announced EUR 900 million revolving credit facility provides us with good flexibility in liquidity management.

I expect the second half of 2013 to continue to be challenging for Outokumpu given the weak economic outlook. We are only six months into operations of new Outokumpu and the headwinds of the market are not making it easier to execute the transformation of the company. However, we have seen the positive results of the restructuring we started in the old Outokumpu context two years ago and now we will do the same transformation for the new Outokumpu. I am confident that our ongoing strategic restructuring and growth initiatives will bear fruit in the coming 18 months.”

Update on strategic initiatives

Inoxum integration under way – synergy savings well on track

The ongoing integration work is proceeding well. Synergy savings reached EUR 39 million for the first half of 2013 (Q1 2013: EUR 16 million) providing a high degree of confidence to exceed the original target of EUR 50 million for 2013. The majority of the synergy savings came from procurement. Additionally, the ramp-down of the Krefeld melt shop and further progress in cross-selling and optimization of the combined sales network in Europe have contributed to this achievement. The target of EUR 200 million of synergy savings over a four-year period remains unchanged. Equally, the related estimated cash cost of around EUR 160 million during 2013-2016 remains unchanged.

Achieved synergy savings versus targets

EUR million	Q1 2013	Q2 2013	H1 2013	Target 2013	Target 2017
Total Synergies	16	23	39	50	200
Production optimization	13%	31%	24%	~35%	
Procurement	84%	59%	69%	~45%	
Sales & Admin	3%	10%	7%	~20%	

To achieve further cost savings Outokumpu is conducting a strategic review of its cold rolling and precision strip operations in Nyby and Kloster, Sweden and in Dahlerbrück, Germany with the aim of reducing production capacity and achieving further cost savings through increased efficiencies. Decisions based on the strategic review are expected to be made by the end of 2013.

The Terni divestiture continues with an extended time frame that the European Commission has granted. Discussions continue with a number of interested parties. In addition, Terni has instigated both cost saving and working capital management programs, each in the range of EUR 70 million, to improve Terni's financial standing. Outokumpu is bound by a number of commercial obligations regarding the remedy assets during the divestment period, including continued sourcing of stainless steel from Terni by Outokumpu's Business Area (BA) Americas. Outokumpu is working intensively to complete the divestment and targets to sign a transaction during the second half of the year.

Ongoing value-enhancing and cost-saving projects

Ferrochrome production ramp-up

The ramp-up of new capacity has progressed as planned during the first six months of 2013, with expected ferrochrome production of at least 400,000 tonnes[1] for 2013 (2012: 230,000 tonnes) and full technical production capacity of 530,000 tonnes in 2015. During the second quarter 2013 ferrochrome production of 112,000 tonnes was reached. The inauguration of the new smelter, the world's largest of its kind, was held on June 5, 2013.

1) = metric ton = 1,000 kg

Calvert integrated mill ramp-up progressing: delivery reliability and quality critical for success

The overall ramp-up of the Calvert integrated mill did not reach its targets during the second quarter of 2013. The ramp-up of the cold rolling mill is proceeding, but production reliability issues are having a negative impact on the financial performance. The focus going forward will remain on delivery reliability and quality. The melt shop ramp-up continues to proceed ahead of plans as the production has expanded to cover both standard austenitic and ferritic grades as well as widths ranging from 36 to 72 inches wide. In addition, the melt shop is underway producing non-standard grades, which is showing good results. The produced slabs and black hot band will be used in the Calvert mill and black hot band will also be delivered to the Outokumpu mill in Mexico, thereby continuing to reduce the imports from Europe to North America and improving the ability to deliver to the customers with shorter delivery times.

P150 is progressing well

Outokumpu continues its strict focus on cost management with the P150 cost reduction program introduced earlier this year. The aim of this program is to reduce Outokumpu's annual costs by EUR 150 million by the end of 2014 on top of the synergy measures. In the first half of 2013 EUR 35 million of cost savings have been reached already, providing high confidence to exceed the original target of EUR 50 million for 2013. The main drivers of the program are savings in IT and in procurement and further reductions in headcount and general and administration costs.

P300 program shows first positive effects

In February 2013 Outokumpu announced a working capital reduction program, P300. Finalization of this program is expected by the end of 2014. The program target is a net working capital reduction of EUR 300 million (approx. EUR 150 million during 2013) to be achieved through inventory reduction, accounts receivable, and accounts payable management. After a significant increase in inventory levels related to the ramp-up of the integrated mill in Calvert until April 2013, inventory levels reduced in May–June through strong efforts and work continues to push them further down to targeted levels.

Strategic review of VDM, the high performance alloys business of Outokumpu

The strategic review of VDM operations continues as planned. As part of this review process the company is assessing divestment options, and thereby engaged in discussions with several potential buyer candidates. However, the strategic review is still ongoing and thus all options are open. No decisions have yet been made.

Market development

Continued growth in global demand for stainless steel in APAC, flat demand in Europe and Americas

Global real demand for stainless steel products totaled 8.3 million tonnes in the second quarter of 2013, up by 4.9% compared to the second quarter of 2012. In EMEA and Americas regions consumption levels increased by 1.6% respectively year-on-year, while consumption in APAC increased by 6.5%. Compared to the first quarter 2013, global demand for total stainless steel increased by 3.8% mainly driven by increased consumption in APAC.

Market development for real demand total stainless steel products in Q2 2013

Million tonnes	2012	Q2 2012	Q1 2013	Q2 2013	Δ y-o-y	Δ q-o-q
EMEA	6.9	1.8	1.8	1.8	1.6%	-1.9%
Americas	3.3	0.9	0.9	0.9	1.6%	0.1%
APAC	21.2	5.3	5.3	5.7	6.5%	6.4%
Total	31.4	8.0	8.0	8.3	4.9%	3.8%

Source: SMR July 2013

In the Consumer Goods & Medical, Automotive and Metal Processing segments demand increased in the second quarter by 4.1%, 1.6% and 5.9%, respectively, compared to the first quarter of 2013. Additionally growth was seen in the segments Chemical/Petrochemical & Energy and Architecture/Building & Construction with quarter-on-quarter growth rates of 2.3% and 4.1%, respectively.

The imports into the EU reached 23% of the total consumption in the second quarter of 2013 which is above the import rate of 22% in the first quarter of 2013 and above the average level of 18% in 2012. The largest countries in terms of imports to the EU included China, South Korea, India, South Africa, Taiwan, and the USA. Average imports into the NAFTA region in the second quarter of 2013 are estimated to remain at the first quarter's level of approximately 14% of total demand in the NAFTA region, which is below the average level of 19% in 2012. (Source: Eurofer June 2013).

Stainless steel transaction prices

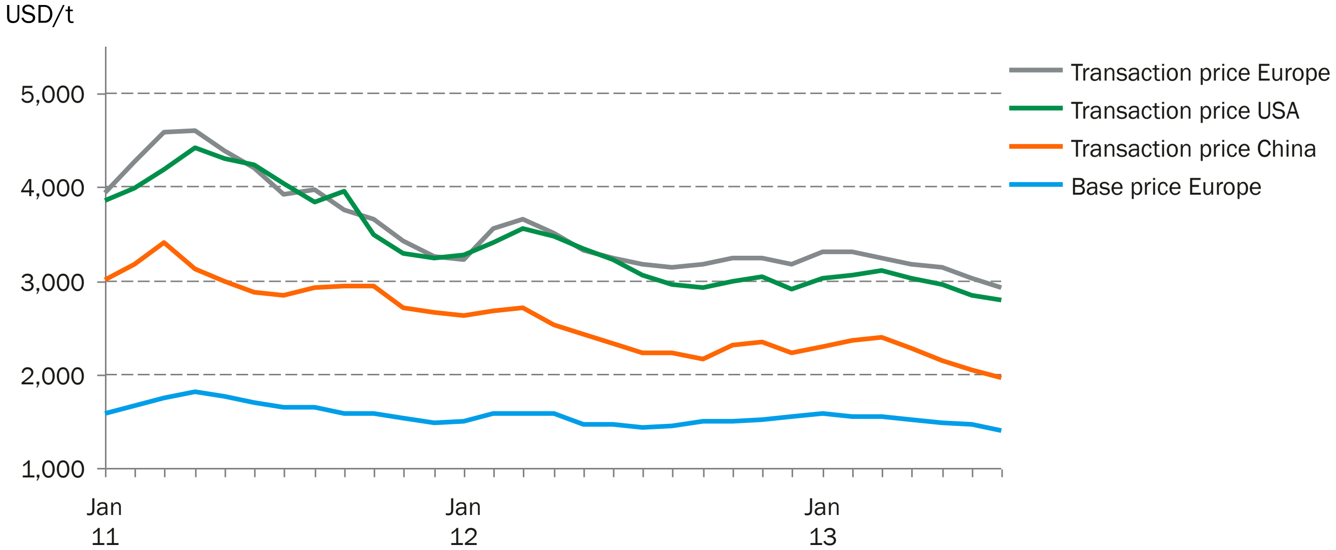
Average transaction prices for 2mm cold-rolled 304 stainless steel sheet in Europe, the USA, and China decreased in the second quarter of 2013 compared to the first quarter of 2013. In Europe, the base price decreased by 4%, and the alloy surcharge decreased by 5%. In the USA the decrease in the alloy surcharge by 7% was the main price driver quarter-on-quarter. Average transaction price levels remain significantly below last year's second quarter levels with a decline of 12% and 11% in the USA and in China respectively and a drop of 7% in Europe.

Average transaction prices for 2mm cold rolled 304 stainless steel sheet

USD/t		2012	Q2 2012	Q1 2013	Q2 2013	Δ y-o-y	Δ q-o-q
Europe	Base	1,510	1,503	1,556	1,493	-0.7%	-4.0%
	Alloy	1,799	1,825	1,733	1,642	-10.0%	-5.3%
	Transaction price	3,304	3,359	3,283	3,119	-7.1%	-5.0%
USA	Base	1,340	1,393	1,323	1,323	-5.0%	0.0%
	Alloy	1,841	1,956	1,742	1,613	-17.5%	-7.4%
	Transaction price	3,182	3,349	3,064	2,936	-12.3%	-4.2%
China	Transaction price	2,401	2,426	2,351	2,159	-11.0%	-8.2%

Source: CRU July 2013

Regional developments in the transaction price for stainless steel flat cold-rolled 304 2mm sheet



Source: CRU July 2013

Price development of alloying metals

The nickel price[1] declined during the second quarter due to weak stainless steel demand outside China and modest economic outlook, and hit the lowest level at 13,560 USD/tonne at the end of the quarter. The average nickel price in the second quarter was 14,963 USD/tonne, 14% lower than 17,314 USD/tonne in the first quarter of 2013.

The European benchmark price[2] for ferrochrome rose to 1.27 USD/lb in the second quarter, up from 1.125 USD/lb in the first quarter of 2013, driven by expectations of improved demand for stainless steel and the reduced South African ferrochrome supply due to power availability constraints of the national electricity supplier. For the third quarter of 2013 the quarterly benchmark price for ferrochrome settled at 1.125 USD/lb.

The ferromolybdenum price[3] hit its highest level for the second quarter at 28.3 USD/kg in late April, after which it declined to its lowest level for the quarter at 25.9 USD/kg at the end of June. The average price for the quarter was 27.2 USD/kg, down by 3% from 28.2 USD/kg in the first quarter of 2013.

1) Nickel Cash LME Daily Official USD per tonne
2) Ferro-chrome Lumpy CR charge basis 52% Cr quarterly major European destinations USD per lb Cr
3) Metal Bulletin - Ferro-molybdenum basis 65-70% Mo major European destinations USD per kg Mo

Business areas

Stainless Coil EMEA

The key focus of EMEA in 2013 is to maintain and expand Outokumpu's strong European stainless coil position through customer, product, and operational leadership, to increase capacity utilization through closure of the Krefeld melt shop, and to drive cost efficiency by leveraging the company's own chrome mine and ferrochrome production.

During the second quarter of 2013, ramp-down of the Krefeld melt shop progressed well and the transfer of production volumes to Tornio and Bochum proceeded according to plan. Stainless steel deliveries reached 411,000 tonnes, a decline of 8% compared to first quarter of 2013 due to the weak market and a decrease in Outokumpu's market share. Ferrochrome production reached 112,000 tonnes, up from 97,000 tonnes in the first quarter of 2013.

Stainless Coil EMEA key figures, comparable

		I/12	II/12	I-II/12	III/12	IV/12	2012	I/13	**II/13**	**I-II/13**
Stainless steel deliveries	1,000 tonnes	474	461	935	409	408	1,752	447	**411**	**858**
Ferrochrome deliveries (Group external)	1,000 tonnes	19	21	40	14	14	68	18	**57**	**75**
Sales	EUR million	1,630	1,642	3,272	1,379	1,331	5,982	1,397	**1,176**	**2,573**
EBITDA	EUR million	55	-58	-2	-14	-19	-35	20	**-6**	**14**
Non-recurring items in EBITDA	EUR million	-	-62	-62	-3	-7	-71	-	**-32**	**-32**
EBIT	EUR million	-35	-114	-149	-63	-65	-276	-28	**-52**	**-80**
Non-recurring items in EBIT	EUR million	-42	-71	-113	-6	-7	-126	-	**-32**	**-32**

The second quarter EBIT declined to EUR -52 million, compared to EUR -28 million in the first quarter of 2013. This was due to lower stainless steel deliveries and lower prices. The performance and profitability of the ferrochrome operations continued on a strong level. BA EMEA closed the first half of 2013 with an EBIT of EUR -80 million compared to EUR -149 million in the first half of 2012.

Stainless Coil Americas

Americas' key focus for 2013 is to build up a strong position in the Americas market by focusing on superior product quality, technical service, and delivery reliability. Ramp-up of the Calvert integrated mill has a central role among the 2013 priorities. In addition, Americas will focus on continuing the strong performance of the Mexican operations.

Stainless Coil Americas key figures, comparable

		I/12	II/12	I-II/12	III/12	IV/12	2012	I/13	**II/13**	**I-II/13**
Deliveries	1,000 tonnes	102	90	193	102	105	400	102	**116**	**218**
Sales	EUR million	253	246	499	217	207	923	202	**231**	**433**
EBITDA	EUR million	-19	-39	-58	-31	-44	-134	-38	**-70**	**-107**
Non-recurring items in EBITDA	EUR million	-1	-	-1	-	-	-1	-	**-**	**-**
EBIT	EUR million	-29	-51	-80	-44	-59	-182	-55	**-87**	**-142**
Non-recurring items in EBIT	EUR million	-1	-	-1	-	-	-1	-	**-**	**-**

During the second quarter of 2013, stainless steel deliveries reached 116,000 tonnes, a growth of 14% compared to the first quarter of 2013. This was driven by continued ramp-up of the Calvert cold rolling mill and increased deliveries of white hot band from Calvert.

The second quarter EBIT deteriorated to EUR -87 million (Q1 2013: EUR -55 million) due to several negative factors, including an inventory write-down due to the significant weakening of nickel during the quarter. The EBIT in the first half of 2013 deteriorated to EUR -142 million (H1 2012: EUR -80 million).

During the quarter, the melting production at Calvert was purposely kept lower than planned due to the efforts to decrease inventories of imported semi-finished products from Europe. This had a triple effect: (i) loss of margins from own melted material, (ii) losses due to re-valuation of inventories due to lower metal prices to the tune of EUR 22 million, as well as a (iii) positive effect on cash flow due to the inventory reduction.

The high inventories were to a large degree caused by the continuous deliveries of stainless steel from Terni. Due to restrictions of the remedy process, Outokumpu has not been able to adjust the imports from Terni to BA Americas according to the weaker market environment. In addition, the low nickel price, production issues and lower prices contributed to the weak results.

Stainless APAC

APAC’s key focus for 2013 is to contribute to the growth of Outokumpu by establishing a profitable foothold in APAC and by focusing on selected customer and product segments in which the Outokumpu offering is differentiated compared to its competitors.

The second quarter of 2013 market environment was marked by continued volume growth in APAC coupled with strong price pressure and declining nickel price. Outokumpu’s performance was affected by decreased deliveries and a weaker product mix.

Stainless APAC key figures, comparable

		I/12	II/12	I-II/12	III/12	IV/12	2012	I/13	**II/13**	**I-II/13**
Deliveries	1,000 tonnes	23	26	49	25	30	104	36	**29**	**66**
Sales	EUR million	74	75	148	67	79	294	85	**74**	**159**
EBITDA	EUR million	4	3	6	-1	-2	4	4	**3**	**7**
Non-recurring items in EBITDA	EUR million	-	-	-	-	-6	-6	-	**-**	**-**
EBIT	EUR million	0	-2	-1	-7	-6	-14	0	**-0**	**-0**
Non-recurring items in EBIT	EUR million	-	-	-	-	-6	-6	-	**-**	**-**

For the second quarter and the first half of 2013, EBIT remained at around zero, unchanged compared to the first quarter of 2013 and first half of 2012 respectively.

High Performance Stainless and Alloys (HPSA)

The key focus of High Performance Stainless and Alloys in 2013 is to identify new customers and sales opportunities to drive profitability higher, and to identify opportunities for synergy benefits in the high-performance stainless and alloys businesses.

During the second quarter of 2013, the specialty stainless steel performance continued to be affected by the weak market demand especially in terms of industrial projects as well as intense price pressure. VDM business performed in line with expectations despite the weak economic environment.

High Performance Stainless and Alloys key figures, comparable *)

		I/12	II/12	I-II/12	III/12	IV/12	2012	I/13	**II/13**	**I-II/13**
Deliveries	1,000 tonnes	176	157	333	130	134	597	159	**131**	**290**
Sales	EUR million	915	852	1,767	771	690	3,228	798	**693**	**1,491**
EBITDA	EUR million	61	38	98	25	-9	115	36	**17**	**52**
Non-recurring items in EBITDA	EUR million	-	-0	-0	-1	-7	-8	-	**-**	**-**
EBIT	EUR million	37	15	52	-1	-120	-70	14	**-5**	**9**
Non-recurring items in EBIT	EUR million	-	-0	-0	-1	-93	-94	-	**-**	**-**

*) R&D operations in Avesta, Sweden reallocated from Other operations to High Performance Stainless and Alloys, comparable figures adjusted accordingly.

The second quarter of 2013 deliveries reached 131,000 tonnes, a decline of 18% compared to first quarter of 2013. EBIT declined to EUR -5 million (Q1 2013: EUR 14 million). This was mainly driven by weaker demand, declining nickel price and low activity related to industrial investments and projects. For the first half of 2013 the EBIT declined to EUR 9 million (H1 2012: EUR 52 million).

Financial performance

Outokumpu's results in the second quarter were unsatisfactory in a challenging market environment. Stainless steel deliveries were down by 9% versus the second quarter of 2012 and this, combined with lower prices, led to an underlying EBITDA of EUR 12 million (Q1 2013: EUR 17 million). Underlying EBIT was at EUR -80 million (Q1 2013: EUR -77 million).

Good progress in integration synergies, cost savings initiatives and ferrochrome ramp-up were offset by the weak market, declining nickel price and weak performance in Americas. The weak second quarter contributed to an unsatisfactory overall first half year 2013 with stainless steel deliveries of 1,359,000 tonnes (H1 2012: 1,478,000 tonnes), underlying EBITDA of EUR 29 million (H1 2012: EUR 85 million) and underlying EBIT of EUR -157 million (H1 2012: EUR -93 million).

Note: This report contains comparisons to both Outokumpu stand alone as well as comparable figures for the combined entity based on management estimates. Tables that are marked with 'comparable' show the combined entity comparisons. In the text itself only comparable numbers will be stated and analyzed. Terni is reported as discontinued operation.

Decrease in stainless steel deliveries in the second quarter and the first half of 2013

External deliveries of stainless steel in the second quarter of 2013 were down by 47,000 tonnes or 7% and totaled 656,000 tonnes (Q1 2013: 703,000 tonnes). Demand in Europe was negatively affected by the overall sluggish market and declining nickel prices.

Capacity utilization of Group operations in the second quarter 2013 dropped back to 70–75% after a seasonal increase in Q1 to75–80%.

Group external deliveries, comparable

1,000 tonnes	I/12	II/12	I-II/12	III/12	IV/12	2012	I/13	**II/13**	**I-II/13**
Cold rolled	525	465	990	466	458	1,914	483	**462**	**945**
White hot strip	126	109	235	97	96	428	101	**92**	**193**
Quarto plate	26	23	49	21	19	88	23	**19**	**42**
Long products	16	16	32	14	13	59	14	**17**	**32**
Semi-finished products	70	116	186	70	64	320	93	**119**	**213**
Stainless steel [1)]	51	95	146	56	50	252	75	**63**	**138**
Ferrochrome	19	21	40	14	14	68	18	**57**	**75**
Tubular products	14	12	25	9	9	44	6	**3**	**8**
Total external deliveries	777	741	1,518	677	658	2,853	721	**713**	**1,433**
Stainless steel external deliveries	758	720	1,478	663	644	2,786	703	**656**	**1,359**

[1)] Black hot band, slabs, billets and other stainless steel and high performance alloy products

Sales and earnings declined in a challenging environment

Group sales in the second quarter of 2013 reached EUR 2,064 million, a decline of 7% compared to the first quarter 2013. Lower sales were driven by declining deliveries for stainless as well as lower prices for stainless.

Group key figures, comparable

EUR million	I/12	II/12	I-II/12	III/12	IV/12	2012	I/13	**II/13**	**I-II/13**
Sales									
Stainless Coil EMEA	1,630	1,642	3,272	1,379	1,331	5,982	1,397	**1,176**	**2,573**
Stainless Coil Americas	253	246	499	217	207	923	202	**231**	**433**
Stainless APAC	74	75	148	67	79	294	85	**74**	**159**
High Performance Stainless and Alloys *)	915	852	1,767	771	690	3,228	798	**693**	**1,491**
Other operations *)	157	165	322	107	137	565	100	**114**	**214**
Intra-group sales *)	-381	-429	-811	-349	-376	-1,535	-361	**-223**	**-584**
Sales	2,648	2,551	5,199	2,192	2,067	9,458	2,221	**2,064**	**4,286**
Underlying EBITDA [1]	68	17	85	0	-58	27	17	**12**	**29**
Non-recurring items in EBITDA	-13	-85	-98	-15	-56	-170	-2	**-46**	**-47**
Raw material-related inventory gains/losses, unaudited	18	-23	-5	-25	-3	-33	-3	**-38**	**-41**
EBITDA	73	-91	-18	-40	-117	-176	12	**-72**	**-60**
Underlying EBIT [2]	-21	-72	-93	-93	-162	-348	-77	**-80**	**-157**
Non-recurring items in EBIT	-55	-95	-150	-18	-142	-310	-2	**-46**	**-47**
Raw material-related inventory gains/losses, unaudited	18	-23	-5	-25	-3	-33	-3	**-38**	**-41**
EBIT	-58	-190	-248	-137	-307	-692	-82	**-164**	**-246**

[1] EBITDA excluding raw material-related inventory gains/losses and non-recurring items, unaudited.

[2] EBIT excluding raw material-related inventory gains/losses and non-recurring items, unaudited.

*) R&D operations in Avesta, Sweden reallocated from Other operations to High Performance Stainless and Alloys, comparable figures adjusted accordingly.

During the quarter, the weak market demand led to declining prices. The average base price by CRU for Q2 2013 was 1,137 EUR/tonne compared to 1,177 EUR/tonne in Q1 2013.

Lower volumes and prices had a negative impact on EBITDA, which declined to EUR -72 million during the second quarter of 2013 (Q1 2013: EUR 12 million, Q2 2012: EUR -91 million). Adjusted for non-recurring items and raw material-related inventory gains/losses underlying EBITDA was EUR 12 million (Q1 2013: EUR 17 million, Q2 2012: EUR 17 million).

The second quarter underlying EBIT was EUR -80 million (Q1 2013: EUR -77 million, Q2 2012: EUR -72 million). The decrease was mainly due to the weak market demand, declining nickel price and lower base prices.

Non-recurring items in EBIT, comparable

EUR million	Jan 1–June 30, 2013	Jan 1–June 30, 2012	Jan 1–Dec 31, 2012
Redundancy provisions	**-33**	-	-3
Carrier settlement	**-11**	-	-
Costs related to Inoxum transaction	**-3**	-17	-64
Nyby and Kloster impairments	-	-	-86
Aged inventory write-downs	-	-	-19
Losses from divestment of the Group's Brass operations	-	-18	-18
Impairment of stock locations divestment	-	-10	-10
Non-recurring items in Inoxum [1)]	-	-104	-111
	-47	-150	-310

[1)] Non-recurring items in Inoxum mainly consist of provisions and impairment relating to the closure of the Krefeld melt shop.

In line with expectations, non-recurring items of EUR -47 million for the first half year 2013 were related to redundancy provisions in connection with the P150 program, the Carrier case settlement and the Inoxum transaction. Including raw material-related inventory effects of EUR -38 million for the second quarter 2013 and EUR -3 million for the first quarter 2013, total adjustments to EBIT amounted to EUR -89 million in the first half of 2013.

In the first half of 2013 sales reached EUR 4,286 million, down by 18% compared to the first half of 2012. Underlying EBIT was EUR -157 million (H1 2012: EUR -93 million).

Financial expenses higher due to increased debt

Net financial income and expenses in the second quarter totaled EUR -60 million (Q1 2013: EUR -59 million), which includes market price gains and losses of EUR -9 million in Q2 2013 (Q1 2013: EUR -14 million). The financial expenses for Q2 2013 included interest expense of EUR 52 million (Q1 2013: EUR 45 million), which increased due to the higher debt level.

Financial expenses in the second quarter include a negative fair valuation change of EUR 14 million (Q1 2013: EUR -17 million) for the remaining 16% stake in Talvivaara Sotkamo Ltd due to the decline in the share price of Talvivaara Mining Company plc during the quarter. For the first half 2013 the Talvivaara fair valuation effect adds up to EUR -31 million, with a remaining fair value of EUR 22 million at the end of the period.

Negative net result for the period

The net result for the second quarter of 2013 was EUR -250 million (Q1 2013: EUR -152 million) of which EUR -225 million was related to the continuing operations and EUR -25 million to the discontinued operations. The results for the discontinued operations show the results of Terni. Earnings per share based on continuing operations was EUR -0.11 (Q1 2013: EUR -0.07).

Negative operating cash flow driven by Calvert ramp-up

Operating cash flow in the second quarter was EUR -160 million (Q1 2013: EUR -46 million) mainly due to net working capital increase at Calvert and BA EMEA.

Summary of cash flows

EUR million	April–June 2013	Jan–March 2013	April–June 2012	Jan–June 2013	Jan–June 2012	Jan–Dec 2012
Net result for the period [1)]	**-250**	-152	-122	**-402**	-110	-536
Non-cash adjustments [1)]	**224**	145	97	**369**	128	478
Change in working capital	**-91**	-22	74	**-113**	162	394
Dividends received	**0**	-	0	**0**	0	0
Interests received	**0**	0	1	**0**	1	3
Interests paid	**-42**	-16	-25	**-58**	-40	-72
Income taxes paid	**-1**	-1	-2	**-1**	-2	-1
Net cash from operating activities	**-160**	-46	23	**-206**	139	266
Subsidiaries acquired, net of cash	**-**	-	-	**-**	-	-915
Purchases of assets	**-55**	-178	-88	**-233**	-153	-302
Proceeds from the sale of assets	**0**	-1	5	**-0**	6	20
Other investing cash flow	**1**	-7	0	**-6**	0	0
Net cash from investing activities	**-54**	-186	-82	**-240**	-146	-1,196
Cash flow before financing activities	**-214**	-232	-59	**-446**	-8	-929
Net cash from financing activities	**256**	295	72	**551**	37	994
Net change in cash and cash equivalents	**42**	63	13	**106**	29	65

[1)] Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.

Cash flows of 2013 are presented for continuing operations.

The reduced cash flow was driven by the negative operating result and increased net working capital of EUR 91 million. The working capital increase was caused by EMEA and the ramp-up in the US. Group current trade accounts payable went down by 15%, inventories down by 9% and current trade accounts receivable down by 8%. The net cash from investing activities was EUR -54 million (Q1 2013: EUR -186 million).

For the first half of 2013 net cash from operating activities was EUR -206 million, mainly driven by the operating losses and the increase in working capital of EUR -113 million.

Net interest-bearing debt at the end of June 2013 totaled EUR 3,041 million, an increase of EUR 150 million compared to the end of the first quarter (March 31, 2013: EUR 2,891 million). The increase was driven by the losses of the second quarter as well as the negative cash flow due to working capital changes. Outokumpu's gearing was 120.6% on June 30, 2013 (March 31, 2013: 103.3%), above the Group's target maximum of 75%.

Capital expenditure driven by VDM and ferrochrome

Capital expenditure totaled EUR 42 million in the second quarter of 2013 (Q1 2013: EUR 82 million). This was mainly spent on maintenance-related investments, VDM, the ferrochrome ramp-up, and the quarto plate project in Degerfors. In the first half 2013 the total amount of capital expenditure was EUR 124 million, due to Calvert, ferrochrome and VDM.

Balance sheet shows higher gearing

Summary of statement of financial position

EUR million	30 June 2013	31 March 2013	30 June 2012	31 Dec 2012
			Restated 1)	
ASSETS				
Non-current assets	4,599	4,689	2,942	4,658
Current assets	3,702	3,985	3,251	3,687
Assets held for sale	1,335	1,334	18	1,326
TOTAL ASSETS	9,636	10,008	6,211	9,671
EQUITY AND LIABILITIES				
Equity	2,522	2,799	2,896	2,952
Non-current liabilities	3,389	3,643	1,723	3,611
Current liabilities	2,961	2,773	1,591	2,321
Liabilities directly attributable to assets held for sale	764	793	1	786
TOTAL EQUITY AND LIABILITIES	9,636	10,008	6,211	9,671

1) Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.

Total assets of EUR 9,636 million (March 31, 2013: EUR 10,008 million), out of which EUR 3,702 million (Q1 2013: 3,985 million) were current assets, consisting to a large degree of inventories with EUR 2,162 million (Q1 2013: EUR 2,368 million). The reduction in current assets is mainly due to lower account receivables and lower inventories. Cash is up from EUR 290 million per end of Q1 2013 to EUR 327 million at end of Q2 2013.

Assets held for sale and liabilities related to these assets, including the remedy assets and related liabilities, are EUR 1,335 million (March 31, 2013: EUR 1,334 million) and EUR 764 million (March 31, 2013: EUR 793 million), respectively. These figures combine to a net value of EUR 571 million (March 31, 2013: EUR 542 million) for Terni and Willich on the balance sheet.

Goodwill is unchanged at EUR 479 million (including the Inoxum transaction goodwill of EUR 7 million).

Equity decreased by 10% to EUR 2,522 million (March 31, 2013: EUR 2,799 million) after adjustment for net losses for the period. Long term debt decreased due to debt tenor shortening and falling into the current debt portion. Also, new short term debt was taken on increasing the current liabilities further.

Outokumpu has 12 months from the closing of the Inoxum transaction for further Purchase Price Allocation adjustments to the opening balance sheet.

Financing

Cash and liquidity reserves

Cash increased from EUR 290 million at the end of Q1 2013 to EUR 327 million at the end of Q2 2013, while the overall liquidity reserves are in excess of EUR 800 million taking into account the successful refinancing of the revolving credit facilities (March 31, 2013: approx. EUR 1 billion). This decrease was driven by the maturity structure of the facilities and the negative cash flow before financing in the first quarter.

Refinancing project

Outokumpu continued its negotiations to refinance the EUR 250 million revolving credit facility maturing in June 2013 and the EUR 750 million revolving credit facility (maturing in May 2014) during the second quarter. The negotiations were successfully finalized in July 2013, see section events after the end of the reporting period.

People

At the end of the second quarter 2013, Outokumpu's headcount for continuing operations totaled 15,540 (March 31, 2013: 15,705) and averaged 15,978 during the first half of the year. The decrease in the number of employees compared to the first quarter of 2013 was mainly related to the ongoing integration and cost reduction programs. The lost-time injury rate (lost-time accidents per million working hours) in Q2 for own personnel was 3.4 (Q1 2013: 5.0), and better than the Group's target of less than 4.5. Common safety reporting for Outokumpu Employees and Contractors has been implemented through the new company.

In response to the challenging market situation, Outokumpu initiated further actions to reduce costs and enable the Group to achieve sustainable profitability. In connection with the P150 cost savings program, further headcount reduction measures as announced in April 2013 are currently being implemented. All in all, Outokumpu expects to reduce up to 2,500 jobs between 2013 and 2017, out of which 770 in 2013. The planned reductions are related to the capacity reductions in Europe, particularly the closure of Krefeld melt shop by the end of 2013, as well as streamlining all overlapping activities in sales, production, supply chain and support functions.

Personnel at the end of reporting period, comparable

	30 June 2013	31 March 2013	30 June 2012	31 Dec 2012
Stainless Coil EMEA	8,217	7,795	8,899	7,977
Stainless Coil Americas	2,055	2,020	1,887	1,974
Stainless APAC	654	654	656	662
High Performance Stainless and Alloys *)	4,934	4,828	5,138	4,816
Other operations *)	404	408	1,285	1,220
Summer trainees	-724	-	-797	-
Continuing operations	15,540	15,705	17,068	16,649

*) R&D operations in Avesta, Sweden reallocated from Other operations to High Performance Stainless and Alloys, comparable figures adjusted accordingly.

Market and business outlook

Market outlook

Global real demand for total stainless steel products totaled 8.3 million tonnes in the second quarter of 2013. For the third quarter of 2013, real demand is expected to decline compared to the second quarter due to normal seasonality and continued economic weakness.

The long-term outlook for stainless steel demand remains positive. Key global megatrends such as increased focus on sustainability, urbanization, population growth, and increased mobility combined with growing global demand for energy, food, and water are expected to support the future growth of stainless steel demand.

Business outlook for the third quarter of 2013

Outokumpu lowers its expectation of improvements in underlying EBIT during the second half of 2013. This is due to the continued deterioration of the nickel price, the weak market demand, especially in Europe, in a seasonally sluggish quarter and weaker performance of the Americas business.

For the third quarter, company expects the EBIT to be on approximately the same level as in the second quarter. This includes, at current metal prices, further raw material related timing losses and further non-recurring items associated with Group's ongoing restructuring programs. The underlying EBIT is expected to be worse than in the second quarter.

Key targets and outlook:

- Capital expenditure expected to decline to approximately EUR 350 million in 2013 (FY 2012: EUR 821[1] million).
- Savings from the P100 program to reach EUR 100 million in 2013 (out of which approximately EUR 40 million reflected in 2012 financials).
- Ferrochrome production targeted to grow to approximately 400,000 tonnes in 2013 (FY 2012: 230,000 tonnes).

The following previously stated targets for 2013 have been updated:

- Continued weak performance expected during the second half of 2013, driven by weak markets, low nickel price as well as continued ramp-up at Calvert. The positive effect of the ferrochrome ramp-up will mitigate this to some effect but not to the extent to offset the negative factors mentioned above.
- Synergy savings connected with the Inoxum integration expected to exceed EUR 50 million during 2013.
- Savings from the P150 program expected to exceed EUR 50 million in 2013; and to reach the full targeted EUR 150 million for full year 2015.
- We expect continued progress in the Calvert operational ramp-up in H2, but estimate no clear improvement in the Calvert profitability in 2013 mainly due to the high inventories leading to significant inventory related losses at current metal prices.

[1] Includes EUR 79 million asset purchase and finance lease done in 2012 by former Inoxum entities, excludes Inoxum acquisition of EUR 2,720 million.

Risks and uncertainties

Outokumpu operates in accordance with the risk management policy approved by the Board of Directors. This policy defines the objectives, approaches and areas of responsibility in risk management activities. As well as supporting Outokumpu's strategy, risk management aims to identify, evaluate, and mitigate risks from the perspective of shareholders, customers, suppliers, personnel, creditors, and other stakeholders. Risks can be either external or internal and they are divided into three main categories: strategic and business risks, operational risks, and financial risks. Key risks are assessed and updated on a regular basis.

Strategic risks are related to the business portfolio, strategic decisions, and investment processes. Business risks are defined as risks for an entity's business landscape, such as changes in business environment, customer and competitor behavior, economic outlook, and regulatory risks. The key strategic and business risks currently include: the Group's ability to achieve the anticipated synergy savings from the acquisition of Inoxum, uncertainties in executing the remedy commitments required by European Commission, and optimization of production capacity after the divestments; risks related to the ramp-up of projects in Calvert, USA, and Tornio, Finland, and uncertainties related to the subsequent, profitable market entries for stainless steel and ferrochrome volumes generated from both of the projects; risks related to Outokumpu's ability to implement its strategy and business plan as an integrated company; Outokumpu's ability to expand the Group's business in growth markets; structural overcapacity and continued weak markets for stainless steel; the risk of litigation or adverse political actions affecting trade or changes that have an impact on environmental legislation.

Operational risks include inadequate or failed internal processes, employee actions, systems, or events such as natural catastrophes and misconduct or crime. Key operational risks for Outokumpu are: a major fire or accident, IT-dependence risk and a lack of harmonized IT architecture, and personnel-related risks. No significant operational risks were realized during the second quarter.

Key financial risks for Outokumpu include changes in the price of nickel, molybdenum, electricity, and fuels; currency risks associated with the euro, the Swedish krona, and the US dollar; interest rate risks connected with the euro, US dollar, and Swedish krona; risks related to Talvivaara and certain other share prices; risks associated with a loan receivable from Luvata; other credit risks; limitations on financial flexibility and the risk of financial distress.

Short term risks and uncertainties

During the second quarter in 2013 Outokumpu has continued to face challenges in trying to achieve sustainable profitability, as the new Outokumpu started its operations after the completion of the Inoxum transaction, which was completed year-end 2012. Outokumpu is exposed to the following risks and uncertainties in the short term: uncertainties in executing the remedy commitments required by the European Commission during 2013 (e.g. the anticipated ways of completion, the terms and the price of the remedy deal); major failures or delays in achieving the anticipated synergy benefits or in cost and working capital reduction programs currently being implemented; the risks and uncertainties related to the possible outcome of the strategic review of the VDM business; the risks related to stainless steel market developments and competitor actions; Outokumpu's ability to maintain adequate liquidity; failures, delays or inadequate profitability in ramping-up the projects in Calvert, USA, and Tornio, Finland; the risk of increase in metals and other raw material prices, which may tie excessive amounts of cash to working capital and reduce cash flow; and the risk of continued low stainless steel prices, which would further weaken cash flow and the profitability of Outokumpu Group during 2013.

The nickel price decreased substantially during the reporting period, which led to metal related losses in Q2 2013. The continuing reduction in the value of the Group's stake in Talvivaara Sotkamo Ltd had a negative impact on earnings and on the balance sheet. The possible worsening of the European debt crisis is still a clear risk, with potential negative impacts on both European markets for stainless steel and the overall business environment in Europe, including loan and debt capital markets. These adverse developments may also begin to have an impact on Outokumpu's customers' payment behavior and default rates.

Significant legal proceedings

Outokumpu published its annual report 2012 on February 25, 2013, in which it gives detailed information on pending legal proceedings. Below are additions and changes to the descriptions in the annual report.

Legal dispute over invention rights

On January 24, 2013, Outokumpu and Outotec entered into a legal dispute over invention rights related to a ferrochrome production method. Outokumpu came up with the invention and has filed the patent applications related to this invention regarding the production of ferrochrome nickel. Outotec claims it has rights to the invention and has submitted an application for summons at the District Court of Helsinki. Outokumpu finds these allegations to be completely without merit.

Lawsuits regarding a fire in ThyssenKrupp Acciai Speciali Terni S.p.A's (AST) Turin production facility

In December 2007, a fire on line 5 at AST's production facility in Turin, Italy, caused the death of seven AST employees. In May 2008, the public prosecutor of Turin brought charges against AST and six of its employees. In April 2011 the court announced its verdict under which all of the individual defendants were found guilty and given prison sentences ranging from 10 years and 10 months to 16 years and 6 months. The proceedings in the appellate court commenced in November 2012, and in February 2013 the court issued the operative part of its judgment in which the sentences of the individuals were lowered to a range from 7 years to 10 years. The judgment is not final as the defendants still have a right to appeal.

Civil actions regarding the divested fabricated copper products business

In connection with the industrial copper tubes EU-cartel investigation, completed in May 2009, Outokumpu has since 2004, been in the process of addressing civil actions related to the cartel investigations raised by Carrier Corporation ("Carrier") in the United States and in the UK against Outokumpu and its former fabricated copper products business in the United States and Europe (see annual report 2012 for further details of the case). In April 2013 Outokumpu and Carrier have signed a settlement agreement that covers all damage suits against Outokumpu by Carrier in the US and UK. The total settlement amount, including cost reimbursement, is EUR 11 million. The settlement covers also all former Outokumpu subsidiaries included in the claims. According to the settlement agreement, all damage suits by Carrier against Outokumpu are now released. The settlement amount has been booked as a non-recurring item in the second quarter 2013 EBIT.

Environment

Outokumpu published its sustainability report together with its annual report 2012; both are available in electronic format.

Emissions to air and discharges to water remained within permitted limits, and the breaches that occurred were temporary, were identified and had only a minimal impact on the environment. Outokumpu is not a party in any significant juridical or administrative proceeding concerning environmental issues, nor is it aware of any realized environmental risks that could have a material adverse effect on the corporation's financial position.

Despite of start of the new EU CO_2 Emission Trading period 2013–2020, authorities have not yet allocated the final amounts of CO_2 emission allowances for Outokumpu European production units. However, our operations under the EU Emission Trading Scheme (ETS) will continue to receive free emissions allocations according to efficiency-based benchmarks and historical activity. The coming allocation is foreseen to be sufficient for our operations during 2013. No external trading of emission allowances (EUA's) was carried out during Q2.

Share development and shareholders

The following table sets out the largest shareholders as per June 30, 2013 and June 30, 2012.

Shareholders

%	June 30 2013	June 30 2012
Foreign investors	40.2	16.6
Finnish corporations	25.7	35.6
Finnish private households	18.0	18.7
Finnish public sector institutions	10.0	19.6
Finnish financial and insurance institutions	5.0	7.7
Finnish non-profit organizations	1.1	1.8
Shareholders with over 5% of shares and voting rights		
ThyssenKrupp AG	29.90	-
Solidium Oy (owned by the Finnish State)	21.84	31.15
Ilmarinen Mutual Pension Insurance Company	2.63	6.19

Information regarding shares and shareholders is updated daily on Outokumpu's website at http://www.outokumpu.com/en/investors/share-info/Pages/default.aspx.

Share information

		Jan–June 2013	Jan–June 2012
Fully paid share capital at the end of the period	EUR million	311.1	311.1
Number of shares at the end of the period		2,078,081,348	1,457,038,776
Average number of shares outstanding [1]		2,077,065,460	707,003,009
Average number of shares outstanding, rights-issue-adjusted [1]		2,077,065,460	842,453,304
Number of shares outstanding at the end of the period [1]		2,077,065,460	1,456,022,888
Number of treasury shares held at the end of the period		1,015,888	1,015,888
Share price at the end of the period [2]	EUR	0.50	0.77
Average share price [2]	EUR	0.64	1.19
Highest price during the period [2]	EUR	0.85	2.10
Lowest price during the period [2]	EUR	0.45	0.72
Market capitalization at the end of period	EUR million	1,039	1,122
Share turnover [3]	million shares	734.3	655.5
Value of shares traded [3]	EUR million	468.9	1,282.6

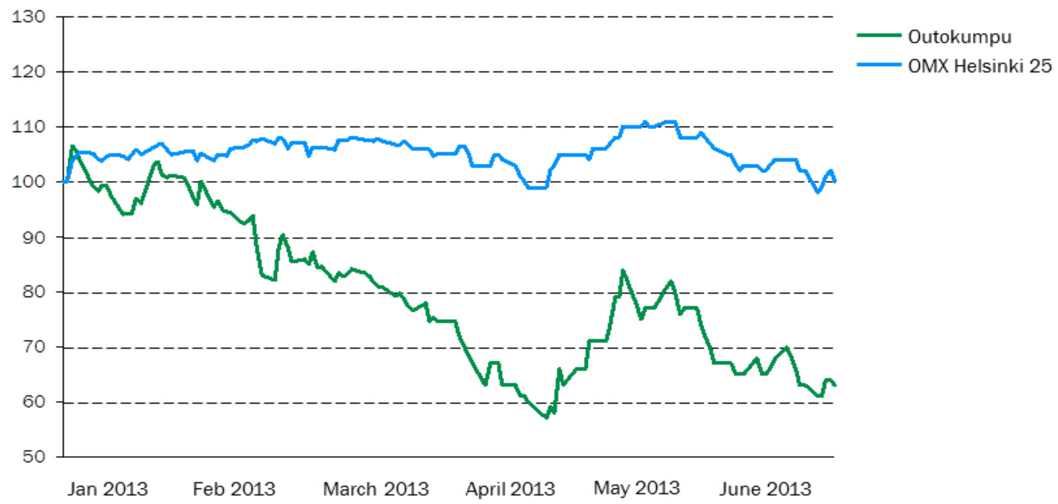
Source of share information: NASDAQ OMX Helsinki (only includes OMX Helsinki trading)

[1] The number of own shares repurchased is excluded. There are currently no programs with diluting effect in place.

[2] Comparative share prices adjusted regarding the effect of the rights issue.

[3] Jan–June 2012 figures include the effect of share subsciption rights traded during March 15–28, 2012.

The following graph sets out the indexed daily closing price of the Outokumpu share in the first half 2013.



Changes to the leadership team

Outokumpu announced on June 14, 2013 changes to its leadership team. The head of Business Area Stainless Coil EMEA, Ulrich Albrecht-Früh, left the company. Jarmo Tonteri, the head of Business Area High Performance Stainless and Alloys will also head the Business Area Stainless Coil EMEA.

Annual General Meeting

The Annual General Meeting (AGM) was held on March 18, 2013, in Helsinki. In accordance with a proposal by the Board of Directors, the AGM decided that no dividend shall be paid for the financial year 2012. The AGM authorized the Board of Directors to decide to repurchase the Group's own shares. The maximum number of shares to be repurchased is 200,000,000. Based on earlier authorizations Outokumpu currently holds 1,015,888 of its own shares.

The AGM also authorized the Board of Directors to decide on the issuance of shares as well as other special rights entitling it to shares. The AGM authorized the Board of Directors to resolve to issue a maximum of 400,000,000 shares through one or several share issues and/or by the granting special rights entitling to shares, excluding option rights granted to the company's management and personnel under incentive plans. Pursuant to this authorization, the maximum number of new shares to be issued through any share issue and/or by granting special rights entitling to shares is 200,000,000, and, in addition, the maximum number of treasury shares to be transferred is 200,000,000.

These authorizations are valid until the end of the next AGM, but no longer than May 31, 2014. To date the authorizations have not been used.

The AGM decided to increase the number of Board members, including the Chairman and Vice Chairman, to eight. The Annual General Meeting decided to re-elect Olli Vaartimo, Harri Kerminen, Guido Kerkhoff, Heikki Malinen, Elisabeth Nilsson and Siv Schalin of the current members and elect Markus Akermann and Jorma Ollila as new members, for the following term. The Annual General Meeting elected Jorma Ollila as the Chairman and Olli Vaartimo as the Vice Chairman of the Board of Directors.

The Annual General Meeting decided that the annual remuneration of the Board of Directors is increased and is as follows:

EUR	Annual remuneration	Meeting fee
Chairman	140,000	600
Vice Chairman	80,000	600
Other Board members	60,000	600/1,200[1)]

1) The meeting fee for the Board members residing outside Finland is EUR 1,200 per meeting.

40% of the annual remuneration will be paid in the form of shares in the company, and the remainder in money. The shares were purchased two weeks after the release of the company's interim report January 1 - March 31, 2013. The shares have been acquired directly on behalf of the members of the Board of Directors, i.e. without the company first becoming the owner of the shares.

The AGM also resolved to amend the Articles of Association by removing a sentence from the first clause in Section 5 of the Articles of Association of the company according to which "A person who has reached the age of 68 years cannot be elected as a member of the Board of Directors."

In addition, the Annual General Meeting decided to amend the second clause in Section 8 of the Articles of Association so that the Board may authorize two persons to represent the company jointly instead severally, which is the current formulation, to read as follows: "The Board of Directors may also authorize other persons to represent the Company each severally or two jointly."

The Annual General Meeting also decided to amend Section 11 of the Articles of Association so that it also allows the notice to attend the general meeting be made through the company's website instead of one or more newspapers of the company's choice with wide circulation, to read as follows: "11 § INVITATION TO GENERAL MEETING The Board of Directors publishes an invitation to a General Meeting of shareholders in one or more newspapers of its choice with a wide circulation or on the company's website at the earliest three months and at the latest 21 days before the General Meeting, however, never later than 9 days before the record date of the General Meeting."

At its first meeting, the Outokumpu Board of Directors appointed two permanent committees consisting of Board members. Olli Vaartimo (Chairman), Markus Akermann, Heikki Malinen, and Siv Schalin were elected as members of the Board Audit Committee. Jorma Ollila (Chairman), Guido Kerkhoff, Elisabeth Nilsson, and Harri Kerminen were elected as members of the Board Remuneration Committee.

KPMG Oy Ab, Authorized Public Accountants, was re-elected as the company's auditor for the period ending at the close of the next AGM.

Events after the end of the reporting period

Outokumpu signs EUR 900 million revolving credit facility

On July 12, 2013, Outokumpu Oyj signed a EUR 900 million committed revolving credit facility having its maturity in June 2015, with an option to extend the facility by one year, subject to an approval by the banks. The new facility will be used for general corporate purposes and it replaces the EUR 750 million facility signed in June 2011 and the EUR 250 million facility that became effective in December 2012. The new facility agreement includes two financial covenants, one based on gearing and the other on liquidity.

The previously arranged forward start facility of EUR 250 million will become effective with an amount of EUR 100 million to cover the shortfall between the expiring EUR 1 billion facilities and the new facility of EUR 900 million. The forward start facility will expire in January 2014.

Espoo, July 23, 2013

Board of Directors

Condensed consolidated financial statements

Condensed income statement

EUR million	April–June 2013	Jan–March 2013	April–June 2012 Restated [1]	Jan–June 2013	Jan–June 2012 Restated [1]	Jan–Dec 2012 Restated [1]
Continuing operations:						
Sales	2,064	2,221	1,254	4,286	2,559	4,538
Cost of sales	-2,075	-2,184	-1,235	-4,259	-2,465	-4,503
Gross margin	-11	37	20	26	94	35
Other operating income	0	21	3	16	8	23
Costs and expenses	-137	-127	-74	-264	-150	-315
Other operating expenses	-17	-12	-28	-25	-28	-128
EBIT	-164	-82	-79	-246	-76	-385
Share of results in associated companies	-3	1	-0	-3	-0	-0
Financial income and expenses						
Interest income	5	6	4	11	7	13
Interest expenses	-52	-45	-18	-97	-38	-80
Market price gains and losses	-9	-14	-33	-23	-12	-64
Other financial income	1	0	0	1	0	2
Other financial expenses	-6	-6	-3	-12	-5	-10
Result before taxes	-228	-140	-130	-368	-123	-524
Income taxes	3	1	8	4	13	-12
Net result for the period from continuing operations	-225	-139	-122	-364	-110	-536
Net result for the period from discontinued operation	-25	-13	-	-38	-	-
Net result for the period	-250	-152	-122	-402	-110	-536
Attributable to:						
Equity holders of the Company	-249	-151	-122	-400	-111	-534
Non-controlling interests	-2	-1	0	-3	0	-2
Earnings per share for result attributable to the equity holders of the Company, EUR [2] :						
Earnings per share, continuing operations (basic and diluted)	-0.11	-0.07	-0.09	-0.17	-0.13	-0.46
Earnings per share, discontinued operation (basic and diluted)	-0.01	-0.01	-	-0.02	-	-
Earnings per share (basic and diluted)	-0.12	-0.07	-0.09	-0.19	-0.13	-0.46

[1] Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.
[2] Calculated based on the rights-issue-adjusted weighted average number of shares. Comparative figures adjusted accordingly.

Statement of comprehensive income

EUR million	April–June 2013	Jan–March 2013	April–June 2012 Restated [1]	Jan–June 2013	Jan–June 2012 Restated [1]	Jan–Dec 2012 Restated [1]
Net result for the period	-250	-152	-122	-402	-110	-536
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	-27	8	18	-19	13	-6
Available-for-sale financial assets						
Fair value changes during the period	-3	1	-2	-3	-4	-5
Reclassification adjustments from other comprehensive income to profit or loss	-	-0	-	-0	-	-1
Income tax relating to available-for-sale financial assets	1	-0	1	0	1	1
Cash flow hedges						
Fair value changes during the period	-21	6	3	-15	6	14
Reclassification adjustments from other comprehensive income to profit or loss	-1	-1	-1	-2	-1	-3
Income tax relating to cash flow hedges	3	-1	1	2	5	-3
Items that will not be reclassified to profit or loss:						
Remeasurements on defined benefit obligation plans						
Changes during the accounting period	29	2	-47	31	-54	-44
Income tax relating to remeasurements	-8	-0	13	-8	15	11
Other comprehensive income for the period, net of tax	-27	12	-13	-14	-19	-36
Total comprehensive income for the period	-277	-140	-135	-416	-129	-571
Attributable to:						
Equity holders of the Company	-275	-140	-135	-414	-130	-569
Non-controlling interests	-2	0	-0	-2	0	-2

[1] Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.

Condensed statement of financial position

EUR million	June 30 2013	March 31 2013	June 30 2012 Restated [1]	Dec 31 2012 Restated [1]
ASSETS				
Non-current assets				
Intangible assets	**623**	630	537	629
Property, plant and equipment	**3,605**	3,694	2,073	3,697
Loan receivables and other interest-bearing assets	**257**	268	229	234
Other receivables	**23**	6	6	8
Deferred tax assets	**90**	91	97	89
Total non-current assets	**4,599**	4,689	2,942	4,658
Current assets				
Inventories	**2,162**	2,368	1,164	2,308
Loan receivables and other interest-bearing assets	**91**	102	1,095	121
Trade and other receivables	**1,122**	1,224	797	1,037
Cash and cash equivalents	**327**	290	195	222
Total current assets	**3,702**	3,985	3,251	3,687
Assets held for sale	**1,335**	1,334	18	1,326
TOTAL ASSETS	**9,636**	10,008	6,211	9,671
EQUITY AND LIABILITIES				
Equity				
Equity attributable to the equity holders of the Company	**2,513**	2,788	2,878	2,926
Non-controlling interests	**10**	12	18	26
Total equity	**2,522**	2,799	2,896	2,952
Non-current liabilities				
Interest-bearing liabilities	**2,786**	3,019	1,523	2,974
Deferred tax liabilities	**85**	89	17	90
Defined benefit and other long-term employee benefit obligations	**407**	424	109	434
Provisions	**104**	102	18	109
Trade and other payables	**7**	8	57	5
Total non-current liabilities	**3,389**	3,643	1,723	3,611
Current liabilities				
Interest-bearing liabilities	**1,501**	1,073	730	763
Provisions	**51**	34	20	36
Trade and other payables	**1,409**	1,665	841	1,522
Total current liabilities	**2,961**	2,773	1,591	2,321
Liabilities directly attributable to assets held for sale	**764**	793	1	786
TOTAL EQUITY AND LIABILITIES	**9,636**	10,008	6,211	9,671

[1] Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.

Statement of changes in equity

EUR million	Share capital	Share premium fund	Invested unrestricted equity reserve	Other reserves	Fair value reserves	Cumulative translation differences	Remeasurements of defined benefit plans	Treasury shares	Retained earnings	Non-controlling interests	Total equity
	Attributable to the owners of the parent										
Restated equity on Jan 1, 2012 1)	311	714	-	7	19	-76	-42	-25	1,127	14	2,050
Result for the period	-	-	-	-	-	-	-	-	-111	0	-110
Other comprehensive income	-	-	-	-	7	13	-39	-	-	-0	-19
Total comprehensive income for the period	-	-	-	-	7	13	-39	-	-111	0	-129
Share issues 2)	-	-	975	-	-	-	-	-	-	-	975
Share-based payments	-	-	-	-	-	-	-	-0	1	-	-0
OSTP reorganization	-	-	-	-	-	-	-	-	-4	4	-
Equity on June 30, 2012 1)	311	714	975	7	26	-63	-80	-25	1,013	18	2,896
Restated equity on Jan 1, 2013 1)	311	714	1,462	7	22	-81	-75	-25	591	26	2,952
Result for the period	-	-	-	-	-	-	-	-	-400	-3	-402
Other comprehensive income	-	-	-	-	-18	-21	24	-	-	1	-14
Total comprehensive income for the period	-	-	-	-	-18	-21	24	-	-400	2	-416
Share-based payments	-	-	-	-	-	-	-	-	0	-	0
Disposal of subsidiary	-	-	-	-	-	-	3	-	-3	-15	-15
Equity on June 30, 2013	311	714	1,462	7	5	-103	-48	-25	189	10	2,522

1) Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard. Restatement of equity Jan 1, 2013 due to adoption of revised IAS 19 standard was immaterial.
2) Shares issued in the Outokumpu rights issue in March–April 2012 in connection with the Inoxum acquisition.

Condensed statement of cash flows

EUR million	April–June 2013	Jan–March 2013	April–June 2012	Jan–June 2013	Jan–June 2012	Jan–Dec 2012
Net result for the period [1]	-250	-152	-122	-402	-110	-536
Adjustments						
Depreciation, amortization and impairments	92	94	67	186	125	336
Other non-cash adjustments [1]	132	51	29	183	3	142
Change in working capital	-91	-22	74	-113	162	394
Dividends received	0	-	0	0	0	0
Interests received	0	0	1	0	1	3
Interests paid	-42	-16	-25	-58	-40	-72
Income taxes paid	-1	-1	-2	-1	-2	-1
Net cash from operating activities	-160	-46	23	-206	139	266
Subsidiaries acquired, net of cash	-	-	-	-	-	-915
Purchases of assets	-55	-178	-88	-233	-153	-302
Proceeds from the sale of assets	0	-1	5	-0	6	20
Other investing cash flow	1	-7	0	-6	0	0
Net cash from investing activities	-54	-186	-82	-240	-146	-1,196
Cash flow before financing activities	-214	-232	-59	-446	-8	-929
Rights issue	-	-	827	-	975	972
Borrowings of long-term debt	155	300	324	455	420	611
Repayment of long-term debt	-55	-26	-233	-81	-284	-396
Change in current debt	157	19	-31	176	-112	-188
Other financing cash flow	-0	2	-814	2	-961	-3
Net cash from financing activities	256	295	72	551	37	994
Net change in cash and cash equivalents	42	63	13	106	29	65
Cash and cash equivalents at the beginning of the period	290	222	181	222	168	168
Foreign exchange rate effect	-3	-1	1	-4	-2	-11
Discontinued operations net change in cash effect	-2	5	-	3	-	-
Net change in cash and cash equivalents	42	63	13	106	29	65
Cash and cash equivalents at the end of the period	327	290	195	327	195	222

[1] Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.

Cash flows of 2013 are presented for continuing operations.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

This interim report is unaudited and it is prepared in accordance with IAS 34 (Interim Financial Reporting). The same accounting policies and methods of computation have been followed in this interim report as in the financial statements for 2012 except for those new and revised IFRS standards adopted from January 1, 2013.

All presented figures in this interim report have been rounded and consequently, the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

The net sales, profits and working capital of Outokumpu are subject to seasonal fluctuations as a result of industry demand, the number of working days, weather conditions and vacation periods. For example, production and shipment volumes with respect to stainless steel products are generally higher in the spring and fall seasons and generally lower in the winter and summer seasons. These seasonal fluctuations have a direct impact on the use of working capital and, therefore, also on net financial debt and cash flows of Outokumpu.

The following amendments to IFRS standards and interpretations were adopted from January 1, 2013 but had no material impact on the Group consolidated financial statements:

- Amendment to IAS 1 Presentation of Financial Statements: The key change is the requirement to group items of other comprehensive income by whether they will subsequently be reclassified through profit or loss if certain conditions are met. Outokumpu has presented the items of other comprehensive income accordingly in these interim financial statements.
- Amendment to IAS 19 Employee Benefits: According to the revised standard, all actuarial gains and losses are immediately recognized in other comprehensive income and the so-called corridor approach has been eliminated. In addition, finance costs are calculated on a net funding basis. Outokumpu already eliminated the corridor approach in 2012. Therefore, the impact of the new standard is limited to the restatement of the expected return on assets assumption. Also, all past service costs are recognized immediately and are no longer amortized.
- IFRS 13 Fair Value Measurement: IFRS 13 establishes a single source of all fair value measurements and disclosure requirements for use across IFRSs without extending the use of fair value accounting.
- Annual Improvements: Minor improvements that affected total of five standards.
- Amendment to IFRS 7 Financial Instruments: Disclosures: The amendment requires the presentation of information that will allow evaluation of the effects of netting arrangements on the entity's financial position.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine: The interpretation provides guidance to the accounting treatment of stripping costs in the production phase of a surface mine, when benefit from the stripping activity is realized either in the form of mineral ores to the production of inventory or in the form of improved access to further quantities of material that will be mined in future periods.

Use of estimates

The preparation of the financial statements in accordance with IFRSs requires management to make judgments and make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and contingent liabilities at the reporting date, as well as the reported amounts of income and expenses during the reporting period. Accounting estimates are employed in the financial statements to determine reported amounts, including the realizability of certain assets, the useful lives of tangible and intangible assets, income taxes, inventories, provisions, pension obligations, share-based payments, impairments and derivative instruments. These are those financial statement items that are mostly affected by management judgments made. The management estimates and judgments are continuously monitored and they are based on prior experience and other factors, such as future expectations assumed to be reasonable considering the circumstances. Although these estimates are based on management's best knowledge of the circumstances at the end of the reporting period, actual results may differ from the estimates and assumptions.

Share based payment and stock option programs

The Board has approved the commencement of the second plan of Performance Share Plan 2012, plan 2013–2015 and its participants. Performance Share Plan 2012 is part of the remuneration and commitment program for the key management of Outokumpu Group and it consists of annually commencing individual Plans. Plan 2013–2015 commences at the beginning of 2013 and the share rewards possibly to be delivered based on Plan 2013–2015 will be delivered in the spring 2016. The earning criteria applied in Plan 2013–2015 are EBITDA, Outokumpu share-price adjusted with dividends and achievement of Inoxum transaction related synergies. The Board has approved 164 managers and key employees to participate in Plan 2013–2015. The Restricted Share Pool is a part of the remuneration and commitment program for selected key resources of Outokumpu Group. It consists of annually commencing individual Plans, each with a three-year vesting period after which the allocated share rewards will be delivered to the participants provided that their employment with Outokumpu continues uninterrupted throughout the duration of the

Plan, until the shares are delivered. The first Plan 2012–2014 of the Restricted Share Pool program commenced at the beginning of 2012 and the share rewards to be delivered based on this first Plan will be delivered in the spring 2015.

The targets set for the earnings period 2010–2012 under the current share-based incentive scheme 2009–2013 were not met. Therefore, no reward was paid to participants for this earnings period. The EBIT criterion previously applied in the on-going earning period 2011–2013 of the share-based incentive scheme 2009–2013 and in the on-going first Plan 2012–2014 of Performance Share Plan 2012 is for the year 2013 replaced with the EBITDA criterion to be in line with the above earning criteria applied in the second Plan 2013–2015 of Performance Share Plan 2012.

Detailed information of the share-based incentive programs can be found in Outokumpu's home page www.outokumpu.com.

Discontinued operations and divestment assets

Following the European Commission's demand for an industrial remedy related to the Inoxum transaction, Outokumpu committed to the divestiture of the Inoxum stainless steel mill in Terni, Italy, and selected European service centers (divestment assets).

In 2013, Terni is reported as discontinued operation and therefore, its result is separately presented in the consolidated statement of income as one line item. In the statement of financial position, Terni's assets and related liabilities are presented on lines "Assets held for sale" and "Liabilities directly attributable to assets held for sale", respectively.

Additionally, the assets held for sale and liabilities directly attributable to assets held for sale include property, plant & equipment of EUR 28 million, other non-current assets of EUR 7 million, inventories of EUR 24 million, current receivables of EUR 16 million, non-current liabilities of EUR 23 million and current liabilities of EUR 5million related to Outokumpu's stainless steel service center in Willich, Germany (Divestment assets).

In 2013, there are EUR -6 million cumulative net income and expenses related to discontinued operations and divestment assets included in other comprehensive income. They are mainly due to remeasurements of defined benefit pension plans and fair value changes of hedging instruments.

The recognition of depreciation is discontinued regarding all property, plant and equipment classified as assets held for sale.

Outokumpu's ownership in OSTP decreased to 49%

On January 18, 2013 Outokumpu's partner in the OSTP tubular joint venture, Tubinoxia S.r.l. exercised its call option and acquired additional 15% of the joint venture's shares from Outokumpu. Outokumpu therefore lost the control over OSTP and OSTP is thus consolidated as an associated company in these interim financial statements.

Outokumpu reached a settlement with Carrier regarding civil proceedings pursuant to EU industrial tube cartel decision

May 2, 2013, Outokumpu Oyj and Carrier Corporation signed a settlement agreement that covers all damage suits against Outokumpu by Carrier in the US and UK pursuant to the European Commission's industrial tubes cartel decision of 2003. The total settlement amount was EUR 11 million. The settlement covered also all former Outokumpu subsidiaries included in the claims

Events after the end of the reporting period

Outokumpu signed on July 12, 2013 a EUR 900 million committed revolving credit facility having its maturity in June 2015, with an option to extend the facility by one year, subject to an approval by the banks. The new facility will be used for general corporate purposes and it replaces the EUR 750 million facility signed in June 2011 and the EUR 250 million facility that became effective in December 2012. The new facility agreement includes two financial covenants, one based on gearing and the other on liquidity.

The previously arranged forward start facility of EUR 250 million will become effective with an amount of EUR 100 million to cover the shortfall between the expiring EUR 1 billion facilities and the new facility of EUR 900 million. The forward start facility will expire in January 2014.

Non-recurring items in EBIT

EUR million	Jan 1–June 30, 2013	Jan 1–June 30, 2012	Jan 1–Dec 31, 2012
Redundancy provisions	-33	-	-3
Carrier settlement	-11	-	-
Costs related to Inoxum transaction	-3	-17	-64
Nyby and Kloster impairments	-	-	-86
Aged inventory write-downs	-	-	-19
Losses from divestment of the Group's Brass operations	-	-18	-18
Impairment of stock locations divestment	-	-10	-10
	-47	-46	-200

Property, plant and equipment

EUR million	Jan 1–June 30, 2013	Jan 1–June 30, 2012	Jan 1–Dec 31, 2012
Carrying value at the beginning of the period	3,697	2,005	2,005
Translation differences	-1	12	17
Acquired subsidiaries	-	-	1,654
Additions	113	169	354
Disposals	-0	-5	-0
Reclassifications	-0	-0	-30
Depreciation and impairments	-173	-107	-297
Disposed subsidiaries	-30	-	-5
Carrying value at the end of the period	3,605	2,073	3,697

Provisions

On December 31, 2012 Outokumpu reported restructuring provisions totaling EUR 91 million. Of these provisions, EUR 6 million was reversed as unused during January–June 2013.

Commitments

EUR million	June 30, 2013	June 30, 2012	Dec 31, 2012
Mortgages and pledges			
Mortgages on land	301	277	320
Other pledges	9	8	9
Guarantees			
On behalf of subsidiaries for commercial commitments	31	35	27
On behalf of associated companies for financing	7	0	0
Other commitments	30	35	32
Minimum future lease payments on operating leases	98	73	103

Group's off-balance sheet investment commitments totaled EUR 113 million on June 30, 2013 (June 30, 2012: EUR 132 million, December 31, 2012: EUR 163 million).

Certain guarantees issued by ThyssenKrupp on behalf of Inoxum companies have not yet been transferred to Outokumpu Oyj as of June 30, 2013. However, Outokumpu Oyj has given ThyssenKrupp a counter-guarantee for these commitments. The outstanding amount of guarantees to be transferred totals EUR 157 million as of June 30, 2013, including guarantees for commercial and financing. Part of the above mentioned guarantees has already been replaced by Outokumpu Oyj and Outokumpu aims to replace the remaining guarantees in near future.

Related party transactions

EUR million	Jan 1–June 30, 2013	Jan 1–June 30, 2012	Jan 1–Dec 31, 2012
Transactions and balances with ThyssenKrupp AG			
Sales	290	-	-
Purchases	-127	-	-
Interest expense	44	-	-1
Trade and other receivables	79	-	31
Interest-bearing assets	4	-	9
Trade and other payables	21	-	41
Loan note to ThyssenKrupp	1,256	-	1,230
Other interest-bearing liabilities	219	-	62
Transactions and balances with associated companies and joint ventures			
Sales	86	0	0
Purchases	-4	-2	-3
Trade and other receivables	57	-	8
Interest-bearing assets	7	-	-
Trade and other payables	2	-	0
Interest-bearing liabilities	0	-	-

On December 31, 2012 and June 30, 2012 the material related party transactions also included a purchase price receivable of EUR 2 million. The receivable related to the sale of 36% of the Outokumpu Stainless Tubular Products (OSTP) business to Tubinoxia, a company controlled by the managing director of OSTP. The receivable was paid in January 2013.

Segment information

EUR million	Jan 1–June 30, 2013	Jan 1–June 30, 2012	Jan 1–Dec 31, 2012
Sales by segment			
Stainless Coil EMEA			
External sales	2,198	1,316	2,341
Internal sales	375	158	307
Stainless Coil Americas			
External sales	419	-	-
Internal sales	13	1	2
Stainless APAC			
External sales	156	61	119
Internal sales	4	5	9
High Performance Stainless and Alloys *)			
External sales	1,438	982	1,764
Internal sales	53	115	173
Other operations *)			
External sales	74	200	314
Internal sales	140	120	250
Eliminations *)	-584	-399	-742
Group sales	4,286	2,559	4,538
EBIT			
Stainless Coil EMEA	-80	-32	-112
Stainless Coil Americas	-142	0	0
Stainless APAC	-0	-1	-8
High Performance Stainless and Alloys *)	9	17	-134
Reportable segments total *)	-213	-15	-254
Other operations *)	-35	-63	-130
Eliminations	1	0	-1
Group EBIT	-246	-76	-385
Operating capital at the end of the period			
Stainless Coil EMEA	2,543	2,290	2,510
Stainless Coil Americas	1,281	0	1,183
Stainless APAC	213	59	207
High Performance Stainless and Alloys	1,397	1,159	1,423

*) R&D operations in Avesta, Sweden reallocated from Other operations to High Performance Stainless and Alloys, comparable figures adjusted accordingly.

Fair values and nominal amounts of derivative instruments

EUR million	June 30, 2013 Net fair value	Dec 31, 2012 Net fair value	June 30, 2013 Nominal amounts	Dec 31, 2012 Nominal amounts
Currency and interest rate derivatives				
Currency forwards including embedded derivatives	3	15	2,792	3,111
Currency options, bought	0	-	3	-
Currency options, sold	-0	-	4	-
Interest rate swaps	-8	-16	727	543
Cross-currency swaps	-17	-19	68	69
Interest rate options, bought	0	0	191	193
Interest rate options, sold	-2	-4	91	93
			Tonnes	Tonnes
Metal derivatives				
Forward and futures nickel contracts	4	17	18,593	21,432
Forward and futures molybdenum contracts	-0	-0	18	12
Forward and futures copper contracts	-0	0	275	600
Forward and futures cobolt contracts	0	-0	19	16
Forward and futures aluminium contracts	-0	0	50	50
Emission allowance derivatives	-2	-1	250,000	250,000
Propane derivatives	1	1	29,000	20,000
			MMBtu	MMBtu
Natural gas derivatives	-1	-1	1,348,337	2,164,493
	-21	-8		

Hierarchy of financial assets and liabilities measured at fair value on June 30, 2013

EUR million	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	1	-	3	4
Investment at fair value through profit or losss	5	-	24	28
Derivatives	-	52	-	52
	6	52	27	84
Liabilities				
Derivatives	-	73	-	73

Reconciliation of changes on level 3

EUR million	Available-for sale financial assets	Investment at fair value through profit or loss
Carrying value on Jan 1	4	55
Fair value changes	-1	-31
Disposals	-0	-
Carrying balance on June 30	3	24

The fair value of the level three relates mostly to investments in Talvivaara Sotkamo Ltd. and ownerships in energy producing companies. Valuation of the investment to Talvivaara Sotkamo Ltd. is based on the share value of Talvivaara Mining Company Plc. Change of +/- 10% in the share price of Talvivaara Mining Company Ltd. leads to an increase of EUR 2 million or decrease of EUR 2 million in the value. The valuation model of energy producing companies is based on discounted cash flow model, which takes into account the future prices of electricity, discount rate and inflation rate, the estimated amount of electricity to be received, and estimated production costs. The valuation model is very sensitive to electricity price; +/- 10% change in electricity price leads to an increase of EUR 3 million or decrease of EUR 1 million in valuation.

The fair value of the non-current interest-bearing trade and other receivables is EUR 168 million (carrying amount EUR 168 million) and the fair value of long-term debt is EUR 2,720 million (carrying amount EUR 2,770 million). For other financial instruments the carrying amount is a reasonable approximation of fair value.

Key figures by quarters

EUR million	I/12	II/12	I–II/12	III/12	IV/12	2012	I/13	II/13	I–II/13
	Restated [1]								
EBITDA	61	-12	49	-32	-67	-50	12	**-72**	**-60**
EBIT margin, %	0.3	-6.3	-3.0	-9.1	-21.9	-8.5	-3.7	**-7.9**	**-5.7**
Return on capital employed, %	0.4	-8.7	-4.1	-10.0	-19.4	-8.2	-5.8	**-11.7**	**-8.8**
Return on equity, %	2.2	-19.1	-8.8	-16.4	-43.2	-21.4	-21.1	**-37.6**	**-29.4**
Return on equity, continuing operations, %	2.2	-19.1	-8.8	-16.4	-43.2	-21.4	-19.3	**-33.9**	**-26.6**
Long-term debt	1,242	1,492	1,492	1,573	2,935	2,935	2,982	**2,770**	**2,770**
Current debt	881	701	701	649	718	718	979	**1,415**	**1,415**
Other interest-bearing payables	17	9	9	10	21	21	34	**29**	**29**
Derivative financial instruments	34	16	16	14	8	8	43	**21**	**21**
Investments in associated companies	-39	-39	-39	-40	-51	-51	-70	**-66**	**-66**
Available-for-sale financial assets	-22	-21	-21	-26	-21	-21	-22	**-21**	**-21**
Investments at fair value through profit or loss	-274	-1,047	-1,047	-89	-61	-61	-43	**-28**	**-28**
Other interest-bearing receivables	-162	-182	-182	-172	-166	-166	-180	**-182**	**-182**
Net assets classified as held for sale	-	-17	-17	-	-539	-539	-542	**-571**	**-571**
Cash and cash equivalents	-181	-195	-195	-1,178	-222	-222	-290	**-327**	**-327**
Net interest-bearing debt at the end of period	1,495	716	716	742	2,620	2,620	2,891	**3,041**	**3,041**
Capital employed at the end of period	3,700	3,612	3,612	3,514	5,573	5,573	5,690	**5,563**	**5,563**
Equity-to-assets ratio at the end of period, %	40.0	46.7	46.7	45.8	30.6	30.6	28.0	**26.2**	**26.2**
Debt-to-equity ratio at the end of period, %	67.8	24.7	24.7	26.8	88.8	88.8	103.3	**120.6**	**120.6**
Earnings per share, EUR [2]	0.04	-0.09	-0.13	-0.08	-0.21	-0.46	-0.07	**-0.12**	**-0.19**
Earnings per share from continuing operations, EUR [2]	0.04	-0.09	-0.13	-0.08	-0.21	-0.46	-0.07	**-0.11**	**-0.17**
Earnings per share from discontinued operation, EUR [2]	-	-	-	-	-	-	-0.01	**-0.01**	**-0.02**
Equity per share at the end of period, EUR [3]	11.22	1.98	1.98	1.89	1.41	1.41	1.34	**1.21**	**1.21**
Capital expenditure, continuing operations [4]	79	93	172	98	2,885	3,155	82	**42**	**124**
Depreciation and amortization, continuing operations	58	57	115	57	57	230	89	**91**	**181**
Average personnel for the period, continuing operations [5]	8,026	8,217	8,121	7,876	7,294	7,853	15,966	**15,990**	**15,978**

[1] Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.
[2] 2012 figures calculated based on the rights-issue-adjusted weighted average number of shares.
[3] March 31, 2012 adjusted to exclude the effect of the Outokumpu rights issue. June 30, 2012 and Sept 30, 2012 includes the shares offered and net proceeds raised in the rights issue. Dec 31, 2012 includes in addition the shares offered to ThyssenKrupp AG in the directed share issue in connection with the Inoxum acquisition.
[4] Oct 1–Dec 31, 2012 and Jan 1–Dec 31, 2012 include Inoxum acquisition of EUR 2,720 million and acquisition-related finance leases and asset purchases of EUR 79 million.
[5] Oct 1–Dec 31, 2012 and Jan 1–Dec 31, 2012 do not include the personnel of the acquired Inoxum companies.

Market prices and exchange rates

		I/12	II/12	III/12	IV/12	2012	I/13	**II/13**
Market prices [1]								
Stainless steel								
Base price	EUR/t	1,185	1,182	1,155	1,167	1,172	1,177	**1,137**
Alloy surcharge	EUR/t	1,466	1,434	1,370	1,316	1,397	1,310	**1,251**
Transaction price	EUR/t	2,651	2,616	2,525	2,483	2,569	2,487	**2,388**
Nickel	USD/t	19,651	17,146	16,319	16,967	17,526	17,310	**14,963**
	EUR/t	14,991	13,385	12,741	13,206	13,641	13,107	**11,457**
Ferrochrome (Cr-content)	USD/lb	1.15	1.35	1.25	1.10	1.21	1.12	**1.27**
	EUR/kg	1.93	2.32	2.20	1.87	2.08	1.87	**2.14**
Molybdenum	USD/lb	14.26	13.80	11.87	11.17	12.78	11.39	**10.92**
	EUR/kg	23.97	23.72	20.93	18.97	21.93	19.01	**18.45**
Recycled steel	USD/t	414	394	362	362	381	375	**342**
	EUR/t	316	308	283	282	297	284	**262**
Exchange rates								
EUR/USD		1.311	1.281	1.250	1.297	1.285	1.321	**1.306**
EUR/SEK		8.853	8.913	8.435	8.623	8.704	8.497	**8.565**
EUR/GBP		0.835	0.810	0.792	0.807	0.811	0.851	**0.851**

[1] Sources of market prices:

Stainless steel: CRU - German base price, alloy surcharge and transaction price (2 mm cold rolled 304 sheet), estimates for deliveries during the period;

Nickel: London Metal Exchange (LME) settlement quotation;

Ferrochrome: Metal Bulletin - Quarterly contract price, Ferrochrome lumpy chrome charge, basis 52% chrome;

Molybdenum: Metal Bulletin - Molybdenum oxide - Europe;

Recycled steel: Metal Bulletin - Ferrous Scrap Index HMS 1&2 (80:20 mix) fob Rotterdam

Definitions of key financial figures

EBITDA = Operating result before depreciation, amortization and impairments

Capital employed = Total equity + net interest-bearing debt

Operating capital = Capital employed + net tax liability

Return on equity = $\frac{\text{Net result for the financial period}}{\text{Total equity (average for the period)}} \times 100$

Return on capital employed (ROCE) = $\frac{\text{EBIT}}{\text{Capital employed (average for the period)}} \times 100$

Net interest-bearing debt = Total interest-bearing debt – total interest-bearing assets

Equity-to-assets ratio = $\frac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$

Debt-to-equity ratio = $\frac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$

Earnings per share = $\frac{\text{Net result for the financial period attributable to the owners of the parent}}{\text{Adjusted average number of shares during the period}}$

Equity per share = $\frac{\text{Equity attributable to the owners of the parent}}{\text{Adjusted number of shares at the end of the period}}$