Annual Accounts Bulletin 2014

Applications for forever and beyond

In 2014 Outokumpu turned towards the right direction. On the second year since the merger, tangible results of our strategy started to show: profitability was clearly improved, and the strengthened customer focus was reflected in improved delivery performance and a number of new customer projects.

In Oman, Outokumpu won its largest duplex delivery ever of 22,000 tonnes to a natural gas project.

In China, a deal was signed for 800 tonnes of stainless steel that will create the façade of Baosteel's new head offices.

Valmet chose Outokumpu's superduplex for flue-gas cleaning equipment in cargo ships, where sulphur, seawater and heat put together require highly corrosion resistant materials.

Outokumpu's new high-chromium ferritic grade was used to make lifesaving rescue chambers for mines and underground sites, with extreme durability and long life cycle, and the world's first-ever maintenance-free boat was manufactured of Outokumpu's stainless steel.

outokumpu
high performance stainless steel

CONTENTS

Strong operating cash flow and underlying EBIT of EUR -9 million in Q4. Clear improvement in financial performance and debt reduction in 2014, turnaround to profitability continues

Highlights in the fourth quarter 2014

Outokumpu delivered underlying EBIT of EUR -9 million compared to EUR -28 million in the third quarter. Financial performance was negatively impacted by low delivery volumes in a subdued market, while base prices were stable and progress in the company's savings programs continued to be good. Strong focus on net working capital management resulted in EUR 122 million operating cash flow.

- Stainless steel deliveries decreased by 10% to 568,000 tonnes[1)] (III 2014: 634,000 tonnes).
- Underlying EBITDA[2)] was EUR 72 million (III 2014: EUR 48 million). The negative impact of lower deliveries was more than offset by stable prices and good progress in savings programs. EBIT was EUR -36 million (III 2014: EUR -9 million). EBIT includes non-recurring items of EUR -27 million related to net costs of the technical issues in Calvert (-21) and restructuring provisions (-6). Net effect of timing and raw material related inventory and hedging gains/losses was EUR 0 million (III 2014: NRI of EUR -12 million and net timing of EUR 31 million). Thus, underlying EBIT was EUR -9 million (III 2014: EUR -28 million).
- Operating cash flow was EUR 122 million (III 2014: EUR 23 million) due to a successful reduction in working capital, particularly towards the year-end.
- Net interest-bearing debt was reduced to EUR 1,974 million and gearing was 92.6% (Sept 30, 2014: EUR 2,068 million and 96.4%).

Highlights of 2014

- Global stainless steel real demand in 2014 grew by 5.5% compared to 2013. In the Americas, consumption was up by 4.7% and also in Europe consumption grew by 3.8%. In APAC, growth was 6.1%. Stainless steel base prices (according to CRU) were up by 3.6% in the US and down by 1.9% in Europe, while transaction prices were up in all key regions driven by a rise in alloy surcharge. Imports into the EU reached 30.6% and in the NAFTA region 18.9% of total consumption in 2014.
- Outokumpu's stainless steel deliveries for the full year were stable at 2,554,000 tonnes (2013: 2,585,000 tonnes). Deliveries in the Coil Americas grew in line with progress of the Calvert ramp-up and in Coil EMEA the change in mix towards higher margin products resulted in lower overall volumes.
- Sales were EUR 6,844 million (2013: EUR 6,745 million). Underlying EBITDA improved significantly to EUR 232 million (2013: EUR -32 million) and underlying EBIT to EUR -88 million (2013: EUR -377 million).
- Including non-recurring items of EUR -186 million (2013: EUR -78 million) and raw material-related inventory effects of EUR -31 million, the EBIT was EUR -243 million (2013: EUR -510 million).
- Operating cash flow was negative at EUR -126 million (2013: EUR 34 million).
- Balance sheet was strengthened significantly through refinancing and rights issue: net debt was reduced from EUR 3,556 million to EUR 1,974 million and gearing from 188.0% to 92.6%.

1) metric ton = 1,000 kg
2) Due to the revised metal hedging policy from the beginning of 2014 Outokumpu has adjusted the definition for underlying EBIT and underlying EBITDA: In addition to non-recurring items and raw material-related inventory gains/losses, Outokumpu now also excludes metal derivative gains/losses.

Group key figures

		IV/14	III/14	IV/13	2014	2013
Sales	EUR million	1,674	1,799	1,531	6,844	6,745
EBITDA	EUR million	45	67	-29	104	-165
EBITDA excl. non-recurring items	EUR million	73	79	0	263	-87
Underlying EBITDA [1)]	EUR million	72	48	-1	232	-32
EBIT	EUR million	-36	-9	-118	-243	-510
EBIT excl. non-recurring items	EUR million	-9	3	-89	-57	-432
Underlying EBIT [2)]	EUR million	-9	-28	-90	-88	-377
Result before taxes	EUR million	-75	-73	-232	-459	-822
Net result for the period from continuing operations	EUR million	-57	-77	-260	-450	-832
excluding non-recurring items	EUR million	-29	-65	-181	-264	-706
Net result for the period	EUR million	-56	-77	-364	-439	-1,003
Earnings per share [3)]	EUR	-0.13	-0.18	-2.72	-1.24	-7.52
excluding non-recurring items [3)]	EUR	-0.07	-0.15	-2.13	-0.71	-6.56
Return on capital employed	%	-3.5	-0.8	-9.9	-5.8	-10.3
excluding non-recurring items	%	-0.9	0.3	-7.4	-1.4	-8.7
Net cash generated from operating activities, continuing oper.	EUR million	122	23	223	-126	34
Net interest-bearing debt at the end of period	EUR million	1,974	2,068	3,556	1,974	3,556
Debt-to-equity ratio at the end of period	%	92.6	96.4	188.0	92.6	188.0
Capital expenditure, continuing operations	EUR million	54	25	45	127	183
Stainless steel deliveries, continuing operations [4) 5)]	1,000 tonnes	568	634	620	2,554	2,585
Stainless steel base price [6)]	EUR/tonne	1,053	1,110	1,057	1,082	1,103
Personnel at the end of period, continuing operations		12,125	12,385	12,561	12,125	12,561

[1)] EBITDA excluding non-recurring items, other than impairments; raw material-related inventory gains/losses and as of I/14 metal derivative gains/losses, unaudited.

[2)] EBIT excluding non-recurring items, raw material-related inventory gains/losses and as of I/14 metal derivative gains/losses, unaudited.

[3)] Calculated based on the rights-issue-adjusted weighted average number of shares, comparative figures adjusted accordingly. Comparative figures adjusted to reflect the reverse split on June 20, 2014.

[4)] Excludes ferrochrome deliveries.

[5)] Deliveries for III/14 have been corrected.

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

Business and financial outlook for the first quarter of 2015

Stainless steel demand has improved from the year-end 2014 lows but outlook for the first quarter varies by region. In EMEA, order intake is improving and underlying demand remains relatively healthy, while Asia remains soft in the beginning of the year. In Americas, the pace for placing new orders is somewhat subdued with the uncertainty over the nickel price, but overall market conditions remain promising. In both key regions, distributors are still digesting high stocks partly due to recent high third-country import ratios.

Outokumpu estimates higher delivery volumes quarter-on-quarter and base prices to be slightly down. Continued improvement in profitability is expected, resulting in slightly positive underlying EBIT for the first quarter. With current prices, the net impact of raw material-related inventory and metal hedging gains/losses on profitability is expected to be EUR 5–10 million negative.

Outokumpu's operating result may be impacted by non-recurring items associated with the ongoing restructuring programs. This outlook reflects the current scope of operations.

CEO Mika Seitovirta:

"In year 2014 Outokumpu turned towards the right direction. The second year since the merger, we started to see tangible results of our strategy. Profitability was clearly improved, and the strengthened customer focus was reflected in improved delivery performance, which was a key theme for us in 2014. This year we continue the work to improve delivery accuracy and customer service, both essential to strengthen our market position despite competitive market.

The stainless steel market had two very different phases in 2014. The beginning of the year was upbeat, with a clear pick-up in demand compared to 2013, and a sharp increase in nickel price. Especially in Americas, both demand and pricing for stainless steel were robust, and even in Europe there was a 3.8% growth in consumption compared to the negative number a year before. However, as new uncertainties emerged to shadow the European economy, Asian imports reached new heights, and the nickel price started to descend, the environment turned much more difficult in the latter part of the year.

In Europe, we made progress on the restructuring and cost savings, and with a full year EBIT (excl. NRIs) of EUR 78 million compared to EUR -111 million a year ago, our Coil EMEA business area is on the road to recovery. In Americas, we completed the technical ramp-up of the Calvert mill. However, due to the technical issues and delivery performance challenges in the second half of the year we cannot be entirely satisfied with the speed of our progress. Coil Americas did improve its EBIT (excl. NRI) by EUR 180 million in 2014, but missed its target for a break-even EBITDA. Since the beginning of January all cold rolling lines have been back in operation, and we expect Coil Americas to step up its performance this year. Through the seamless cooperation between Calvert and the cold rolling mill in Mexico, we strengthened our presence in this important market: our US market share increased from 15% to 18% and in the entire NAFTA market from 20% to 22%.

Across the company we continued the efforts to improve our cost competitiveness and working capital management. The savings of EUR 186 million during 2014 brought the total cumulated savings to EUR 385 million compared to 2012. This year we expect to make further steps towards the overall target of EUR 550 million by the end of 2017. In the past two years, we have released EUR 351 million from the net working capital achieving our target in the P300 program, and see further potential in this front.

During the last quarter of 2014, Outokumpu posted underlying EBIT of EUR -9 million compared to EUR -28 million in the third quarter mostly due to the progress in the savings programs and stable base prices. However, the subdued market was reflected in lower delivery volumes. We ended the year with strong cash flow of EUR 122 million as a result of decisive net working capital management actions. In the first quarter we aim to further improve profitability but the cash flow is estimated to be negative reflecting higher volumes and showing also outflow related to earlier restructuring provisions.

Our 2014 net loss shows how much we still have work ahead of us. Thus, our goal remains firmly on improving our profitability and reducing our debt. In 2014, we took steps towards the right direction: we halved our net losses compared to 2013, and reduced our net debt from EUR 3.6 billion to below EUR 2 billion. This progress has given us confidence to continue the execution of our strategy, constantly raising the bar to return Outokumpu back to sustainable profitability."

Strategic initiatives in 2014

Divestment of Terni and VDM finalized and balance sheet strengthened

At the beginning of the year, Outokumpu completed significant measures to strengthen the company's financial position through the divestment of the Terni remedy assets and the VDM business in exchange of the EUR 1.3 billion loan note to ThyssenKrupp. At the same time, extensive debt financing agreements were finalized and shortly thereafter a rights issue was implemented to strengthen the balance sheet further. These measures enabled Outokumpu to continue executing the company turnaround to profitability.

On February 28, 2014, Outokumpu completed the divestment of the Terni remedy assets, certain service centers and the VDM business to ThyssenKrupp. In the transaction, the stainless steel mill in Terni, Italy and all related legal entities, the service centers in Germany (Willich), Spain (Barcelona), Turkey (Gebze) and France (Tours) as well as the entire VDM business were divested in exchange for Outokumpu's approximately EUR 1.3 billion loan note to ThyssenKrupp. In conjunction with the completion of the transaction, Outokumpu settled the outstanding amount of EUR 160 million under the credit facility granted by ThyssenKrupp. Furthermore, as ThyssenKrupp had sold all of its Outokumpu shares, representing a 29.9% stake in Outokumpu, the two companies have cut their financial and ownership ties, thereby fulfilling the requirements set by the European Commission.

Extensive debt financing arrangements to amend maturities into 2017 included: a new EUR 900 million revolving credit facility, a new EUR 500 million liquidity facility, and extensions or amendments to a EUR 600 million bilateral loan portfolio. Please see "Financing" for more detailed information.

The rights issue that Outokumpu carried out immediately after the closing of the sale of Terni and VDM was oversubscribed by 23% and resulted in net proceeds of EUR 640 million. Please see "Shares and shareholders" for more detailed information.

As a result of the Terni and VDM divestment and the rights issue, Outokumpu's net interest-bearing debt decreased significantly from EUR 3,556 million at the end of 2013 to EUR 1,974 million by the end of 2014 leading to an improvement in gearing from 188.0% to 92.6% during this period showing significant improvement over 2013.

Restructurings in Europe

On March 30, 2014, Outokumpu successfully concluded negotiations with the employee representatives and unions in Germany regarding the new industrial plan in Europe. The industrial plan was originally announced in October 2013, and it targets EUR 100 million in annual savings by 2017. Key elements of the plan are the closure of the Bochum melt shop in 2015, two years ahead of the original plan, and the investment of EUR 108 million to the Krefeld cold rolling center in Germany in 2014-2016 (NIFO project). Furthermore, the Benrath cold rolling mill will be closed in 2016 after the production transfer to Krefeld has been completed. The industrial plan results in a reduction of about 1,000 jobs. By the end of 2014, EUR 143 million of non-recurring costs were recorded for the Coil EMEA restructuring program.

As a result of the strategic review of its thin and precision strip operations in Europe, Outokumpu decided to discontinue its operations in Kloster, Sweden. The operations in Nyby, Sweden and in Dahlerbrück, Germany continue as before. The Kloster site was closed in December 2014 as planned and this is estimated to yield in annual savings of approximately EUR 15 million from 2015 onwards.

Update on profitability improvement programs

Efficiency programs expanded in September

Following the good progress made, Outokumpu expects to achieve the EUR 200 million in synergy savings from the Inoxum transaction already in 2015, two years ahead of the original schedule. Furthermore, the P150 program that originally targeted EUR 150 million in savings by the end of 2014 was expanded, aiming at EUR 250 million by the end of 2015. With the Coil EMEA restructuring plan, an additional EUR 100 million savings is being aimed for. All in all, Outokumpu's total savings are now expected to reach EUR 550 million by the end of 2017, out of which EUR 385 million has been realized by the end of 2014.

One-time initial cash costs (excluding capex and impairments) for all three programs are estimated at EUR 220 million between 2013 and 2017. By the end of 2014, EUR 191 million of provisions related to these programs had been recorded (Sept 30, 2014: EUR 186 million). The cash effect of these is estimated to impact mostly years 2015 and 2016.

Outokumpu will also continue focusing its efforts in improving its cash flow. The target of reducing net working capital by EUR 300 million over a two year period 2013–2014 was reached with the net working capital reduction of EUR 351 million compared to 2012. The program has been extended for 2015 (P400 program) aiming at a total reduction in net working capital of EUR 400 million compared to 2012 level.

Synergy savings

Progress in synergy savings continued in 2014 with an additional EUR 90 million leading to total cumulative synergy savings of EUR 185 million since the beginning of 2013. The fourth-quarter synergy savings amounted to EUR 25 million. Approximately 55% of the total savings have come from raw material and general procurement. The Krefeld melt shop closure at the end of 2013 and the headcount reductions have also contributed to the overall achievement. Outokumpu expects cumulative synergy savings to reach the target of EUR 200 million in 2015, with the majority of the total savings coming from production optimization.

P250 savings

Savings under the P250 program in 2014 amounted EUR 200 million, which is somewhat higher than anticipated. In the fourth quarter, savings were EUR 20 million. Especially Coil EMEA, Coil Americas and Long Products contributed to this, as well as very good results in raw material and general procurement. The main drivers of the program are savings in procurement, IT, operational costs as well as in general and administration costs, including headcount reductions. Outokumpu targets cumulative savings to reach EUR 250 million in 2015.

EMEA restructuring savings

Savings from the EMEA restructuring will start to have an impact in 2015 with roughly EUR 20 million. An additional EUR 60 million is expected for 2016 with the full cumulative savings of EUR 100 million by the end of 2017.

Cumulative savings from corporate programs

EUR million	2013	2014	2015f	2016f	Target 2017
Total cumulative savings	199	385	470	530	550
of which: Synergies	95	185	200	200	200
of which: P250	104	200	250	250	250
of which: EMEA restructuring	-	-	20	80	100

Net working capital reduction

Outokumpu exceeded the target of reducing net working capital by EUR 300 million over a two year period 2013–2014 with the net working capital reduction of EUR 351 million compared to 2012.

As a result of strong efforts in all business areas, the P300 program delivered a EUR 133 million reduction mainly supported by a decrease in inventory tonnes and in accounts receivable in the fourth quarter of 2014. Inventory days, Outokumpu's key metric for inventory efficiency, increased from 105 days in the third quarter to an average of 107 days in the fourth quarter.

Outokumpu will continue its tight control over net working capital and inventories in line with the anticipated market demand to reach the overall target of a EUR 400 million cash release from the net working capital reduction by the end of 2015 versus the 2012 level. The main drivers will continue to be active inventory, accounts receivable and accounts payable management.

Ongoing ramp-ups

Calvert ramp-up

The ramp-up of Outokumpu's integrated stainless steel mill in Calvert, US progressed in 2014 with increasing volumes, improving production stability and an expanded product portfolio. The technical ramp-up was completed as planned by the end of 2014 with all the production steps tested and capabilities proven for both austenitic and ferritic grades as well as widths ranging from 36 to 72 inches. Since the end of March 2014, the Coil Americas business has been entirely self-sufficient with its hot band feed as shipping feedstock from Europe ended resulting in higher capacity utilization and better cost absorption. The Calvert mill will be ramped up into full commercial capability over the coming 2 years and for the growing delivery volumes overall process stability, delivery reliability as well as improving product quality is essential.

The Calvert mill experienced technical issues in all of its three cold rolling lines during the second half of 2014 reducing customer deliveries by about 40,000 tonnes and had a negative impact of EUR 34 million on profitability. The two of the cold rolling lines have been back in operations after repair work performed in the summer, and the 54 inch cold rolling line came back into operation in the beginning of 2015. Production during the first weeks of this year has been running according to plan, which supports the volume outlook of about 620,000 tonnes for total Coil Americas deliveries in 2015.

Towards the end of 2014, the melt shop was running again at 60,000 tonnes per month production levels. Together with optimized raw material mix and scrap ratios, this is a good starting point for the year.

Ferrochrome production ramp-up

The ramp-up of new capacity at the integrated ferrochrome operations in Finland progressed in 2014 with full technical capacity of 530,000 tonnes per annum available as of 2015 and thus making Outokumpu fully self-sufficient with its ferrochrome needs globally. Ferrochrome production amounted to 441,000 tonnes in 2014, and was negatively affected by production disturbances during the second half of the year (2013: 434,000 tonnes). During the fourth quarter, production amounted to 116,000 tonnes (III 2014: 106,000 tonnes). As the ferrochrome ramp-up is now successfully completed, the annual production will range between 500,000-530,000 tonnes depending on the annual maintenance breaks. For 2015, production is targeted at around 500,000 tonnes.

Degerfors ramp-up

The EUR 100 million investment to enhance Outokumpu's offering in both tailored and standard quarto plate was completed in Degerfors, Sweden in 2014. The volumes from Degerfors are increasing and cost reduction and efficiency improvement remain a focus to deliver a step change in profitability. In 2015, volumes in Degerfors are estimated to grow to about 95,000 tonnes. The ramp up towards full design capacity of 150,000 tonnes will take place in the coming two years.

Market development

Continued growth in global demand for stainless steel in 2014, especially in the first half of the year

Global real demand for stainless steel products increased by 5.5% from 34.9 million tonnes in 2013 to 36.9 million tonnes in 2014. In the Americas and APAC regions, consumption rose by 4.7% and 6.1%, respectively year-on-year. Consumption in EMEA grew at a rate of 3.8%.

During the fourth quarter of 2014, market demand growth was unsatisfying in the EMEA and APAC regions compared to the third quarter of 2014. Consumption in the Americas increased by 2.4% during the fourth quarter, whereas the EMEA and APAC markets declined with rates of -7.5% and -2.0%, respectively.

Market development of total stainless steel real demand in 2014

Million tonnes	2012	2013	I/14	II/14	III/14	IV/14e	2014e
EMEA	6.9	7.0	1.9	1.9	1.8	1.6	7.2
Americas	3.3	3.4	0.9	0.9	0.9	0.9	3.6
APAC	22.5	24.5	6.5	6.6	6.5	6.4	26.0
Total	32.7	34.9	9.3	9.4	9.2	9.0	36.9

Source: SMR January 2015
e = estimate

Global consumption for stainless steel products in 2014 was split among the segments: Consumer Goods & Medical (46.9%), Chemical/Petrochemical & Energy (16.7%), Automotive & Heavy Transport (10.6%), Architecture/Building/Construction & Infrastructure (14.8%), Industrial & Heavy Industry (8.2%) and Others (2.9%). The main drivers for the demand increase in 2014 were the Chemical/Petrochemical & Energy (+6.2%), Consumer Goods & Medical (+5.8%) and Automotive & Heavy Transport (+5.6%) segments. In the Architecture/Building/Construction & Infrastructure, Industrial & Heavy Industries and Others segments, demand increased in 2014 by 4.6%, 4.1% and 7.1%, respectively.

Imports into the EU are expected to reach 30.6% of total consumption in 2014, which is higher than the average level of 23.8% in 2013. This mainly reflects a further increase in Asian imports during 2014. The largest countries in terms of imports to the EU included China, Taiwan, South Korea, the US, South Africa, India and Japan. In the fourth quarter of 2014, imports into the EU are expected to reach a level of 33.4%, which is equal to the third quarter level. (Source: Eurofer January 2015)

Average imports into the NAFTA region are expected to reach 18.9% of the total consumption in 2014, above the average level of 13.4% in 2013. Import levels have been strongly increasing during 2014, mainly due to higher domestic prices, long mill lead times and a strong dollar. In the fourth quarter of 2014, imports are expected to reach a level of 25.0%, compared to 20.4% in the third quarter. (Source: Foreign Trade Statistics December 2014)

Stainless steel transaction prices

According to CRU, average transaction prices in 2014 for 2mm cold rolled 304 stainless steel sheet in Europe, the US and China were above the previous year's levels. In Europe, the total increase of 2.2% in the transaction price was the result of a drop in the base price by 1.9% and an increase in the alloy surcharge by 6.3%. In the US, the rise in the alloy surcharge by 11.8% was the main price driver year-on-year for the 8.0% increase in the transaction price. The Chinese transaction price gained 2.3% in 2014 compared to 2013.

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

Regional prices			2012	2013	I/14	II/14	III/14	IV/14	2014
Europe	Base	EUR/t	1,172	1,103	1,070	1,093	1,110	1,053	1,082
	Alloy	EUR/t	1,397	1,168	1,026	1,206	1,395	1,335	1,241
	Transaction price	EUR/t	2,569	2,272	2,096	2,299	2,505	2,389	2,322
USA	Base	USD/t	1,340	1,348	1,367	1,396	1,411	1,411	1,396
	Alloy	USD/t	1,841	1,554	1,468	1,765	1,966	1,755	1,738
	Transaction price	USD/t	3,182	2,902	2,835	3,161	3,377	3,166	3,135
China	Transaction price	USD/t	2,641	2,370	2,283	2,492	2,563	2,364	2,425

Source: CRU January 2015

Price development of alloying metals in 2014

The nickel price[1] rallied during the first half of the year, driven by the concern regarding the future availability of laterite nickel ore as a result of Indonesian ore export ban, and secondly by the strong demand from western stainless steel mills. The price hit the highest level of the year of 21,200 USD/tonne in mid-May. From June until early September, the price traded in the range of 18,000-20,000 USD/tonne, after which it retreated for the rest of the year due to slowing demand, rising LME stocks and abundant supply. The average price of the year of 16,864 USD/tonne, was 12.3% higher than 15,012 USD/tonne in 2013.

The European benchmark price[2] for ferrochrome rose from 1.13 USD/lb in the fourth quarter of 2013, to 1.18 USD/lb in the first quarter, and further up to 1.22 USD/lb in the second quarter of the year on strong demand from the stainless steel mills. In the second half of the year, the price followed the weakening trend of prices in China and decreased to the level of 1.19 USD/lb in the third quarter and further down to the level of 1.15 USD/lb in the fourth quarter of the year. Prices are currently at 1.08 USD/lb.

The average price of molybdenum[3] in 2014 was 11.45 USD/lb, up 11.2% from 10.35 USD/lb in 2013. The price surged rapidly during the first half of the year and hit the highest level of the year of 15.13 USD/lb in early June. In the second half of the year, the price more than reversed all the gains from the first half and hit the lowest level of the year of 8.80 USD/lb in mid-December.

1) Nickel Cash LME Daily Official Settlement USD per tonne
2) Ferro-chrome Contract: Ferro-chrome Lumpy CR charge basis 52% Cr quarterly major European destinations USD per lb Cr
3) Metal Bulletin - Molybdenum Drummed molybdic oxide Free market $ per lb Mo in warehouse

Business areas

Since September 1, 2014, Outokumpu consists of five business areas with sales, production, and profit responsibility:

- Coil EMEA
- Coil Americas
- APAC
- Quarto Plate
- Long Products

Coil EMEA*

The key focus of Coil EMEA is to maintain and expand Outokumpu's strong European stainless coil position through customer and product leadership. A clear target is to improve financial performance and to drive cost efficiency by increasing capacity utilization levels and leveraging the company's own chrome mine and expanded ferrochrome production. The successful implementation of the industrial plan to restructure the company's European operations will be essential in returning the company to profitability.

Coil EMEA key figures

		I/13	II/13	III/13	IV/13	2013	I/14	II/14	III/14	IV/14	2014
Stainless steel deliveries [1)]	1,000 tonnes	539	470	423	423	1,854	464	438	395	369	1,666
Ferrochrome deliveries, continuing oper. [1)]	1,000 tonnes	28	65	57	62	212	25	25	33	49	133
Sales	EUR million	1,591	1,325	1,104	1,047	5,067	1,169	1,161	1,134	1,055	4,520
EBITDA	EUR million	32	0	2	21	55	-54	58	74	63	142
EBITDA excl. non-recurring items	EUR million	32	32	3	43	110	59	66	85	68	278
Underlying EBITDA	EUR million	na	na	na	na	na	63	67	62	71	263
EBIT	EUR million	-24	-55	-51	-36	-166	-134	7	27	13	-86
EBIT excl. non-recurring items	EUR million	-24	-23	-51	-14	-111	6	14	38	19	78
Underlying EBIT	EUR million	na	na	na	na	na	10	15	15	21	62
Depreciation and amortization	EUR million	-53	-54	-53	-53	-212	-53	-51	-47	-49	-200
Capital expenditure	EUR million	27	17	17	19	81	9	19	18	22	67
Operating capital	EUR million	2,805	2,844	2,802	2,609	2,609	2,492	2,575	2,535	2,405	2,405

[1)] Stainless steel deliveries for I-III/14 and ferrochrome deliveries for III/14 have been corrected.

In the fourth quarter, Coil EMEA's stainless steel deliveries declined to 369,000 tonnes (III 2014: 395,000 tonnes) mainly due to slow market and weak demand among the distributor sector. Sales were down by 7.0% to EUR 1,055 million (III 2014: EUR 1,134 million) reflecting the declined delivery volumes and lower transaction prices.

Deliveries for the full year 2014 declined to 1,666 tonnes from 1,854 tonnes in 2013. The focus on higher margin deliveries (e.g. less semi-finished) is impacting overall delivery numbers slightly negatively. Lower deliveries impacted the sales of Coil EMEA that were EUR 4,520 million in 2014 compared to EUR 5,067 million in 2013. For the full year, Coil EMEA average base price increase for standard austenitic grades was about EUR 30/tonne.

The ferrochrome investment ramp-up in Finland was completed by the year-end: production for the fourth quarter was 116,000 tonnes (III 2014: 106,000 tonnes). For the full year 2014, ferrochrome production amounted to 441,000 tonnes (2013: 434,000 tonnes) impacted by production disturbances during the second half of the year.

* From July 2014 onwards, the operations in Avesta and Nyby, as well as Kloster (closed in December 2014) in Sweden, have been part of the Coil EMEA business area. Figures have been restated to this effect.

EBITDA excluding non-recurring items declined quarter-on-quarter from EUR 85 million to EUR 68 million due to a softer market. The underlying EBITDA was EUR 71 million. Non-recurring redundancy provisions of EUR 6 million were booked in the fourth quarter (III 2014: EUR 11 million) related mostly to the restructuring of operations in Germany. EBIT excluding non-recurring items was EUR 19 million (III 2014: EUR 38 million).

Coil EMEA's restructuring continued successfully in 2014. For the full year, Coil EMEA's EBITDA excluding non-recurring items more than doubled to EUR 278 million compared to EUR 110 million in the previous year despite lower delivery volumes. Coil EMEA also achieved a clearly positive EBIT excluding non-recurring items of EUR 78 million compared to EUR -111 million in 2013. The improved performance was mainly a result of positive impact from the savings programs, variable cost reduction, better pricing and product mix.

Coil Americas

Coil Americas' key target is to build up a strong position in the Americas market by focusing on superior product quality, technical service and delivery reliability. Improvement in Coil Americas' financial performance is a priority and driven by the ramp-up of the Calvert facility. The technical ramp-up at Calvert was finalized in 2014 and the implementation of the full commercial ramp-up continues over the coming two years. In addition, Coil Americas focuses on ensuring continued growth and strong performance of the Mexican operations.

Coil Americas key figures

		I/13	II/13	III/13	IV/13	2013	I/14	II/14	III/14	**IV/14**	**2014**
Deliveries [1)]	1,000 tonnes	102	116	129	119	465	135	143	137	**126**	**541**
Sales	EUR million	202	231	251	223	906	254	291	316	**297**	**1,158**
EBITDA	EUR million	-38	-70	-50	-43	-201	-19	1	-12	**-2**	**-33**
EBITDA excl. non-recurring items	EUR million	-38	-70	-50	-35	-193	-19	1	-12	**19**	**-11**
Underlying EBITDA	EUR million	na	na	na	na	na	-23	-7	-16	**25**	**-22**
EBIT	EUR million	-54	-87	-68	-60	-270	-36	-17	-29	**-22**	**-104**
EBIT excl. non-recurring items	EUR million	-54	-87	-68	-53	-262	-36	-17	-29	**-0**	**-82**
Underlying EBIT	EUR million	na	na	na	na	na	-40	-25	-33	**6**	**-93**
Depreciation and amortization	EUR million	-17	-18	-18	-17	-69	-17	-17	-17	**-19**	**-71**
Capital expenditure	EUR million	23	3	2	16	44	2	2	3	**8**	**15**
Operating capital	EUR million	1,290	1,271	1,157	1,040	1,040	993	1,111	1,170	**1,195**	**1,195**

[1)] Deliveries for III/14 have been corrected.

Coil Americas' deliveries in the fourth quarter amounted to 126,000 tonnes and were negatively affected by the limited cold rolled production in Calvert (III 2014: 137,000 tonnes). Lower deliveries reflected in sales of EUR 297 million as pricing remained flat compared to the third quarter (III 2014: EUR 316 million).

For the full year 2014, deliveries grew 16% in line with the Calvert mill ramp up and amounted to 541,000 tonnes (2013: 465,000 tonnes). The unforeseen technical issues in cold rolling lines in Calvert during the second half of the year decreased deliveries by about 40,000 tonnes. The stainless steel market in the NAFTA region remained robust throughout the year and Outokumpu achieved several price increases, amounting to USD 120/tonne in total. Sales in 2014 grew 27.9% to EUR 1,158 million (2013: EUR 906 million).

The fourth-quarter financial performance was negatively affected by low deliveries and increased costs in Calvert. Costs related to cold rolling line technical issues during the second half of 2014 amounted to EUR 34 million in 2014 out of which an insurance compensation of EUR 13 million was recognized in the fourth quarter. Discussions with the insurer continue. Coil Americas recorded non-recurring costs of EUR 21 million in the fourth quarter. This amount consists of costs not covered by the insurance, as well as costs for which the insurance coverage cannot be recognized in 2014. Compensation for part of these costs is expected to be received in 2015. The fourth quarter EBITDA excluding non-recurring items was EUR 19 million (III 2014: EUR -12 million).

Financial performance of Coil Americas improved along with the progress of the Calvert ramp up and higher volumes, as well as favorable market environment during 2014. EBIT for 2014 was EUR -104 million (2013: EUR -270 million). Since the end of March, the Coil Americas business has been entirely self-sufficient with its hot band feed as shipping feedstock from Europe ended resulting in higher capacity utilization and better cost absorption. However, the unforeseen technical issues in the cold rolling lines in Calvert had a negative impact on delivery volumes, as well as additional costs from maintenance and repair work. Subsequently, EBITDA excluding non-recurring items amounted to EUR -11 million and the breakeven target for the full year was slightly missed.

APAC

APAC business area's key focus is to contribute to the growth of Outokumpu by establishing a profitable foothold in the APAC region and to focus on selected customer and product segments in which the Outokumpu offering is differentiated from its competitors. The APAC business area operates SKS cold rolling mill in Shanghai, China and two service centers in China and Australia, as well as warehouses and sales offices in various Asian countries.

APAC key figures

		I/13	II/13	III/13	IV/13	2013	I/14	II/14	III/14	IV/14	2014
Deliveries	1,000 tonnes	36	29	56	62	184	48	58	60	54	220
Sales	EUR million	85	74	111	117	388	88	118	124	114	444
EBITDA	EUR million	4	3	4	-3	9	-2	4	2	4	8
EBITDA excl. non-recurring items	EUR million	4	3	4	-3	9	-2	4	2	4	8
Underlying EBITDA	EUR million	na	na	na	na	na	-2	4	2	4	7
EBIT	EUR million	0	-1	0	-7	-7	-5	1	-2	1	-6
EBIT excl. non-recurring items	EUR million	0	-1	0	-6	-7	-5	1	-2	1	-6
Underlying EBIT	EUR million	na	na	na	na	na	-5	1	-2	0	-6
Depreciation and amortization	EUR million	-4	-4	-4	-4	-16	-3	-3	-3	-4	-14
Capital expenditure	EUR million	1	1	1	1	3	0	0	0	1	2
Operating capital	EUR million	229	222	210	189	189	177	183	200	184	184

The stainless steel market in the APAC region was very turbulent during 2014, with uncertain market sentiment as a result of the volatile nickel price and eroding demand. Market prices for commodity grades were on a downward trend since May, mainly due to weakening demand in China and strong pressure from regional overcapacity.

Deliveries in the fourth quarter decreased to 54,000 tonnes (III 2014: 60,000 tonnes). Sales were down to EUR 114 million for the quarter (III 2014: EUR 124 million). However, for the full year 2014, deliveries grew to 220,000 tonnes from 184,000 tonnes in 2013. Deliveries were up compared to the previous year as a result of increased business with distributors and improved local raw material sourcing to the SKS mill in Shanghai.

APAC's fourth-quarter EBITDA excluding non-recurring items was EUR 4 million compared to EUR 2 million in the third quarter. For the full year 2014, EBITDA excluding non-recurring items was EUR 8 million, stable against EUR 9 million in 2013. The profitability was impacted by a volatile market and high hot band raw material costs during the first half of the year impacting earnings negatively.

Quarto Plate

Quarto Plate is a new Outokumpu business area since September 2014 and it is a global leader in tailored quarto plate material, with key operations in Degerfors in Sweden and in New Castle in the US. Both of the mills produce quarto plate in standard and special stainless steel grades for use in projects and by the process industry. Outokumpu also operates a European plate service center network that provides further services such as cutting to customer requirements. Quarto plate is used in heavy industry and construction, and its consumption is therefore related to the global investment cycle.

A clear priority for the Quarto Plate business area is to ramp up its recent investment in Degerfors, Sweden, and to leverage its position in both tailored and standard plate. Post-investment, cost reduction and efficiency improvement initiatives remain a focus to deliver a step change improvement in profitability.

Quarto Plate key figures

		I/13	II/13	III/13	IV/13	2013	I/14	II/14	III/14	IV/14	2014
Deliveries	1,000 tonnes	25	20	18	20	83	24	25	24	24	98
Sales	EUR million	127	105	82	93	406	102	114	113	120	450
EBITDA	EUR million	9	-3	-2	-2	1	2	-5	-1	-4	-7
EBITDA excl. non-recurring items	EUR million	9	-3	-2	-2	1	2	-5	-1	-4	-7
Underlying EBITDA	EUR million	na	na	na	na	na	0	-4	-6	-1	-11
EBIT	EUR million	4	-7	-7	-7	-17	-2	-9	-5	-9	-26
EBIT excl. non-recurring items	EUR million	4	-7	-7	-7	-17	-2	-9	-5	-9	-26
Underlying EBIT	EUR million	na	na	na	na	na	-4	-8	-11	-6	-30
Depreciation and amortization	EUR million	-5	-4	-5	-5	-18	-5	-5	-5	-5	-19
Capital expenditure	EUR million	7	5	16	6	33	2	5	2	7	16
Operating capital	EUR million	273	247	252	247	247	245	253	251	218	218

The operating environment for quarto plate businesses remained weak in the fourth quarter. Declining raw material prices, particularly nickel, have made customers hesitant to place new orders and prices for quarto plate products were under pressure in both Europe and the US.

Fourth-quarter deliveries were flat at 24,000 tonnes with sales of EUR 120 million (III 2014: 24,000 tonnes and EUR 113 million). For the full year 2014, deliveries grew 18.0% reflecting progress in the Degerfors investment ramp-up, which was technically completed by the end of the year.

EBITDA excluding non-recurring items for the fourth quarter was EUR -4 million (III 2014: EUR -1 million), mainly due to higher costs due to rework. Despite higher volumes at Degerfors, the Quarto Plate business area remained at a loss for the full year 2014 with EBIT of EUR -26 million. This was mainly driven by high raw material and ramp-up costs in Degerfors.

Long Products

Long Products is a new business area since September 2014 and it focuses on specialty stainless long products, with production operations in Sheffield in the UK and Degerfors in Sweden, as well as Richburg and Wildwood in the US. Long Products produces wire rod, rod coil, bar, rebar, billet and other long products that are used in a wide range of industries, such as transportation, consumer durables, metal processing, chemical, energy, and construction.

Long Products' melt shop in Sheffield has an important strategic role in Outokumpu's production platform as it is one of the suppliers of feedstock to Outokumpu's Quarto Plate business, in addition to supplying to the long products downstream units and external customers.

Key priorities for the Long Products business area are to continuously optimize its cost efficiency and to ensure continued good returns on capital employed through its light and efficient production set up. Growth opportunities are being pursued with an enhanced specialty focus.

Long Products key figures

		I/13	II/13	III/13	IV/13	2013	I/14	II/14	III/14	IV/14	2014
Deliveries	1,000 tonnes	63	52	49	50	214	65	80	60	43	248
Sales	EUR million	171	144	120	121	556	149	203	171	129	651
EBITDA	EUR million	2	0	-3	-3	-3	2	16	10	12	40
EBITDA excl. non-recurring items	EUR million	2	0	-3	-3	-3	2	16	10	12	40
Underlying EBITDA	EUR million	na	na	na	na	na	4	13	8	14	38
EBIT	EUR million	0	-2	-5	-4	-10	0	14	8	11	33
EBIT excl. non-recurring items	EUR million	0	-2	-5	-4	-10	0	14	8	11	33
Underlying EBIT	EUR million	na	na	na	na	na	2	11	6	12	32
Depreciation and amortization	EUR million	-2	-2	-2	-1	-7	-2	-2	-1	-2	-6
Capital expenditure	EUR million	2	2	1	3	9	1	2	2	2	6
Operating capital	EUR million	164	144	136	117	117	126	153	151	167	167

Despite the overall softening demand for stainless steel products towards the end of the year, demand and prices for long products continued to be relatively healthy in the US during the fourth quarter. The operating environment in Europe has been much more subdued since the summer and demand is weak because of low nickel price and customer destocking. Price pressure continues in both Europe and Asia.

Long Products' total deliveries of 43,000 tonnes in the fourth quarter (III 2014: 60,000) reflect stable external deliveries while internal slab deliveries were down by about 13,000 tonnes. Sales in 2014 amounted to EUR 651 million (2013: EUR 556 million) driven by 15.9% higher deliveries which were mostly internal.

The fourth-quarter financial performance continued on a healthy level, however, this was partially positively impacted by a reversal of EUR 6 million accrual in the US pipe business.

There was a clear improvement in Long Products' profitability in 2014 with EBIT of EUR 33 million compared to EUR -10 million a year ago. This was driven by higher deliveries, better capacity utilization in the Sheffield melt shop in the UK, as well as strong performance in the US bar business.

Financial performance

Outokumpu delivered underlying EBIT of EUR -9 million in the fourth quarter compared to EUR -28 million in the third quarter. Financial performance was negatively impacted by low delivery volumes in a subdued market, while base prices were stable and progress in the company's savings programs continued to be good. Strong focus on net working capital management resulted in EUR 122 million operating cash flow.

Outokumpu improved its financial performance significantly in 2014. Stainless steel deliveries were stable at 2,554,000 tonnes (2013: 2,585,000). Underlying EBITDA improved by more than EUR 260 million to EUR 232 million (2013: EUR -32 million) and underlying EBIT to EUR -88 million (2013: EUR -377 million). The main drivers for reduced losses were the improved performance in Coil Americas and Coil EMEA, as well as decreased overall cost levels thanks to ongoing cost-take-out initiatives. In addition, Outokumpu was successful in pricing which supported improvement in the average contribution margin per tonne. Balance sheet was strengthened significantly: net debt was reduced from EUR 3,556 million to EUR 1,974 million and gearing from 188.0% to 92.6%.

While Outokumpu more than halved its losses at the net income level from EUR -1,003 million to EUR -439 million in 2014, the turnaround into sustainable profitability continues.

Deliveries down in the fourth quarter and flat for year-on-year

Outokumpu's external stainless steel deliveries in the fourth quarter of 2014 were down by 10% at 568,000 tonnes, compared to 634,000 tonnes in the third quarter. Decline was driven by sluggish markets in Europe with distributors hesitant to place new orders due to volatility in nickel price and the continued pressure of third-country imports.

For the full year 2014, deliveries were stable at 2,554,000 tonnes (2013: 2,585,000 tonnes). Deliveries in the Coil Americas grew in line with progress in the Calvert ramp-up, while change in product mix towards higher margin products impacted volumes in Coil EMEA. This shows in lower deliveries for semi-finished products such as black hot band, slabs and billets. Following the progress in the Ferrochrome investment ramp-up, more ferrochrome is used internally and reflected in 133,000 tonnes of external deliveries versus 212,000 tonnes a year ago.

Overall, the capacity utilization rates of Outokumpu production facilities have improved after the closure of the Krefeld melt shop and the progress in the Calvert ramp-up: in 2013–2014 melting utilization has increased from 65% to 80% and cold rolling from 70% to about 75%. In the fourth quarter, Outokumpu's average utilization rate was 65% in melting and 70% cold rolling (III 2014: 70% and 70%) reflecting softer market and inventory management focus towards year-end.

Continuing operations' deliveries

1,000 tonnes	I/13	II/13	III/13	IV/13	2013	I/14	II/14	III/14	**IV/14**	**2014**
Cold rolled	480	456	483	460	1,879	487	489	479	**425**	**1,880**
White hot strip	103	94	81	92	370	103	107	85	**78**	**373**
Quarto plate	23	19	16	18	77	22	23	22	**22**	**89**
Long products	15	17	16	15	62	16	18	15	**14**	**64**
Semi-finished products	92	116	94	96	398	71	62	62	**75**	**271**
Stainless steel [1) 2)]	64	51	38	33	186	46	37	29	**27**	**138**
Ferrochrome [2)]	28	65	57	62	212	25	25	33	**49**	**133**
Tubular products	6	3	2	2	12	2	2	3	**2**	**9**
Total deliveries	719	705	692	682	2,797	701	701	667	**617**	**2,686**
Stainless steel deliveries [2)]	691	640	635	620	2,585	676	675	634	**568**	**2,554**

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

[2)] Deliveries for III/14 have been corrected.

Sales up on higher prices

Sales

EUR million	I/13	II/13	III/13	IV/13	2013	I/14	II/14	III/14	IV/14	2014
Coil EMEA	1,591	1,325	1,104	1,047	5,067	1,169	1,161	1,134	1,055	4,520
Coil Americas	202	231	251	223	906	254	291	316	297	1,158
APAC	85	74	111	117	388	88	118	124	114	444
Quarto Plate	127	105	82	93	406	102	114	113	120	450
Long Products	171	144	120	121	556	149	203	171	129	651
Other operations	100	114	166	158	538	135	178	193	184	689
Intra-group sales	-410	-254	-224	-228	-1,116	-280	-311	-253	-224	-1,068
	1,867	1,738	1,609	1,531	6,745	1,617	1,753	1,799	1,674	6,844

Outokumpu sales in the fourth quarter 2014 decreased by 7.0% to EUR 1,674 million compared to EUR 1,799 million in the third quarter. The decline in sales was driven by lower deliveries in all business areas except in Quarto Plate.

For Outokumpu, the base price in deliveries increased by about EUR 10/tonne in the fourth quarter. According to CRU, the average base price[1] for the fourth quarter 2014 was 1,053 EUR/tonne, down by close to EUR 60/tonne since the third quarter.

In 2014, Outokumpu sales remained stable at EUR 6,844 million (2013: EUR 6,745 million). Overall demand for stainless steel grew by 5.5% with a stronger demand environment in the first half of the year. Demand grew strongest in the Americas with 4.7% and Europe showing growth of 3.8%. Stainless steel benchmark base prices were up by 3.6% in the US and down by 1.9% in Europe while transaction prices were up in all key regions driven by a rise in alloy surcharge.

1) Global average base price for 2 mm cold rolled 304 stainless steel sheet

Profitability

EUR million	I/13	II/13	III/13	IV/13	2013	I/14	II/14	III/14	IV/14	2014
Underlying EBITDA 1)	5	-2	-34	-1	-32	37	75	48	72	232
Adjustments to EBITDA										
Non-recurring items in EBITDA	-2	-46	-1	-29	-78	-113	-7	-12	-27	-159
Net of raw material-related inventory and metal derivative gains/losses, unaudited 2)	-3	-38	-15	1	-56	-3	3	31	0	31
EBITDA	0	-86	-50	-29	-165	-78	70	67	45	104
Underlying EBIT 3)	-82	-87	-118	-90	-377	-45	-6	-28	-9	-88
Adjustments to EBIT										
Non-recurring items in EBIT	-2	-46	-1	-29	-78	-140	-7	-12	-27	-186
Net of raw material-related inventory and metal derivative gains/losses, unaudited 2)	-3	-38	-15	1	-56	-3	3	31	0	31
EBIT	-87	-171	-134	-118	-510	-188	-10	-9	-36	-243

1) EBITDA excluding non-recurring items, raw material-related inventory gains/losses and as of I/14 metal derivative gains/losses, unaudited.

2) I–IV/13 and 2013 exclude metal derivative gains/losses.

3) EBIT excluding non-recurring items, raw material-related inventory gains/losses and as of I/14 metal derivative gains/losses, unaudited.

EBITDA for the fourth quarter of 2014 amounted to EUR 45 million (III 2014: EUR 67 million), including non-recurring items of EUR -27 million (III 2014: EUR -12 million). Non-recurring items were due to net costs related to technical issues in Calvert, as well as redundancy provisions in Coil EMEA. The net effect of raw material-related inventory and hedging gains/losses in the fourth quarter of 2014 was EUR 0 million (III 2014: EUR 31 million). Adjusted for non-recurring items and net of raw material-related inventory and metal derivative gains/losses, underlying EBITDA was EUR 72 million (III 2014: EUR 48 million). The fourth-quarter underlying EBIT was EUR -9 million (III 2014: EUR -28 million).

The improvement in underlying profitability versus the third quarter despite lower deliveries was mostly due to stable base prices and good progress in the savings programs. Some one-off items also affected profitability. There was negative impact from propane hedges of about EUR -17 million with corresponding positive impact expected in the coming quarters. On the positive side, there was EUR 6 million reversal of an accrual in Long Products.

For the full year 2014, the underlying EBITDA improved strongly to EUR 232 million (2013: EUR -32 million), and the underlying EBIT to EUR -88 million (2013: EUR -377 million). Non-recurring items amounted to EUR -186 million and net effect of timing and raw material related inventory and hedging gains/losses was EUR -31 million adding up to total adjustments to EBIT of EUR -217 million during 2014.

Non-recurring items in EBITDA and EBIT

EUR million	I/13	II/13	III/13	IV/13	2013	I/14	II/14	III/14	IV/14	2014
EBITDA										
Redundancy costs	-	-33	-0	-20	-54	-88	-7	-12	-6	-113
Environmental provisions related to site closures	-	-	-	-	-	-25	-	-	-	-25
Net costs related to technical issues in Calvert	-	-	-	-	-	-	-	-	-21	-21
Inventory write-downs related to efficiency programs	-	-	-	-12	-12	-	-	-	-	-
Carrier settlement	-	-11	-	-	-11	-	-	-	-	-
Costs related to Inoxum transaction	-2	-1	-0	2	-1	-	-	-	-	-
Non-recurring items in EBITDA	-2	-46	-1	-29	-78	-113	-7	-12	-27	-159
of which in gross margin	-	-24	-0	-29	-53	-113	-7	-9	-39	-167
Additionally in EBIT										
Impairments related to EMEA restructuring	-	-	-	-	-	-27	-	-	-	-27
Non-recurring items in EBIT	-2	-46	-1	-29	-78	-140	-7	-12	-27	-186

Financial expenses

Net financial income and expenses in the fourth quarter deceased to EUR -40 million (III 2014: EUR -64 million). The change is mostly explained by the valuation of Outokumpu's remaining 16% stake in Talvivaara Sotkamo Ltd. at zero during the third quarter. Interest expenses for the fourth quarter remained unchanged versus the third quarter. Market price gains amounted to EUR 1 million, compared to market price losses of EUR 13 million in the third quarter.

The financial income and expense for the full year 2014 amounted EUR -223 million, significantly down from EUR -310 million a year earlier. This was mostly due to the reduction of interest expenses from EUR 210 million to EUR 141 million driven by the overall reduction of debt and cancellation of the EUR 1.3 billion loan note to ThyssenKrupp in February. Market price losses decreased from EUR -37 million to EUR -15 million in 2014.

Net result for the period

The net result for the fourth quarter of 2014 was EUR -56 million (III 2014: EUR -77 million), which was fully attributable to continuing operations. Earnings per share of the continuing operations were EUR -0.13 (III 2014: EUR -0.18).

For the full year, the net result was EUR -439 million (2013: EUR -1,003 million) and earnings per share of continuing operations was EUR -1.27 (2013: EUR -6.23, adjusted for the rights issue and the reverse split).

Positive operating cash flow due to strong focus on working capital management

Outokumpu continued the measures to improve working capital efficiency during the fourth quarter and achieved an operating cash flow of EUR 122 million (III 2014: EUR 23 million).

The increase in nickel price and typical seasonal build-up of inventories had an anticipated adverse effect on cash flow in the second quarter 2014. Although the cash flow development was positive during the second half of the year as a result of the successful net working capital management as well as overall lower purchasing volumes, the operating cash flow in January–December, 2014 ended up negative at EUR -126 million (2013: EUR 34 million). Outokumpu will continue its tight control over the net working capital and inventories in line with the anticipated market demand.

Summary of cash flows

EUR million	Oct–Dec 2014	July–Sept 2014	Oct–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
Net result for the period	-56	-77	-364	-439	-1,003
Non-cash adjustments	71	67	354	471	844
Change in working capital	126	54	254	-50	297
Dividends received	-	-	-	3	2
Interests received	0	1	2	2	3
Interests paid	-19	-22	-20	-111	-106
Income taxes paid	-0	-0	-2	-2	-3
Net cash from operating activities	122	23	223	-126	34
Purchases of assets	-54	-20	-43	-144	-287
Proceeds from the disposal of subsidiaries, net of cash	-	-	-	-50	-1
Proceeds from the sale of assets	14	7	187	30	187
Other investing cash flow	1	-	0	1	-7
Net cash from investing activities	-39	-13	143	-162	-108
Cash flow before financing activities	83	10	367	-289	-74
Net cash from financing activities	-286	225	-199	-116	459
Net change in cash and cash equivalents	-203	235	168	-404	385

Cash flows are presented for continuing operations.

Net cash from financing activities was EUR -286 million (III 2014: EUR 225 million) in the fourth quarter. For full year 2014, net cash from financing activities amounted to EUR -116 million compared to EUR 459 million in 2013, reflecting the decrease in net interest-bearing debt.

Capital expenditure

Capital expenditure (accounting capex) during the fourth quarter was at EUR 54 million (III 2014: EUR 25 million). For full year 2014, capital expenditure came in at EUR 127 million compared to EUR 183 million in 2013. The decline is a result of completed investment programs which impacted the figures still in 2013. Capital expenditure in 2014 was mainly related to maintenance and smaller projects in Coil EMEA. Capital expenditure is expected to be below EUR 160 million in 2015.

Balance sheet

Summary of statement of financial position

EUR million	Dec 31 2014	Sept 30 2014	Dec 31 2013
ASSETS			
Non-current assets	3,904	3,879	3,944
Current assets	2,507	2,907	2,679
Assets held for sale	-	-	2,200
TOTAL ASSETS	6,411	6,785	8,823
EQUITY AND LIABILITIES			
Equity	2,132	2,144	1,891
Non-current liabilities	2,262	2,543	3,791
Current liabilities	2,016	2,098	2,093
Liabilities directly attributable to assets held for sale	-	-	1,048
TOTAL EQUITY AND LIABILITIES	6,411	6,785	8,823

Total assets at the end of December 2014 decreased by EUR 375 million to EUR 6,411 million (Sept 30, 2014: EUR 6,785 million). Cash and cash equivalents decreased by EUR 209 million to EUR 191 million (Sept 30, 2014: EUR 400 million), mainly due to funds raised by the bond issue in September being used to repay non-current debt. Current trade and other receivables were reduced further by EUR 102 million, from EUR 851 million to EUR 749 million. Inventories decreased from EUR 1,621 million to EUR 1,527 million during the fourth quarter.

Non-current debt decreased by EUR 255 million to EUR 1,597 million compared to the end of September 2014 mainly reflecting repayments of debt.

Net interest-bearing debt at the end of December decreased to EUR 1,974 million compared to EUR 2,068 million at the end of September 2014 also impacting gearing which decreased to 92.6% (Sept 30, 2014: 96.4%).

Financing

Cash and liquidity reserves

Cash decreased from EUR 400 million at the end of the third quarter to EUR 191 million at the end of the year. The exceptionally high cash position at the end of the third quarter reflected the bond issue in September. The overall liquidity reserves of Outokumpu remained unchanged quarter-on-quarter at around EUR 1.4 billion.

Refinancing

On February 28, 2014, Outokumpu completed the extensive debt financing arrangements to strengthen its financial position. These included a new EUR 900 million revolving credit facility, a new EUR 500 million liquidity facility, both maturing in 2017, and amendment of the bilateral loan portfolio of about EUR 600 million. Both the EUR 900 million and EUR 500 million facilities include financial covenants on gearing and liquidity.

Outokumpu has granted a security package for its debt and bond financing. As security, Outokumpu pledged the shares of some of its subsidiary companies, for example in Finland, Sweden and the US, as well as other particular fixed assets. In addition, certain subsidiary companies have provided guarantees as security. The security package ensured financing at competitive prices and its benefits clearly surpassed its costs.

Since the granting of the security package required the consent of the holders of the Outokumpu's notes maturing in 2015 and 2016, Outokumpu implemented a consent solicitation process for the notes. The noteholders' meetings held on February 7, 2014 approved the amendment of the terms and conditions of the notes due in 2015 and 2016. Following the completion of the refinancing measures the amendments to the terms and conditions of the notes are effective as of February 28, 2014.

In September 2014, Outokumpu issued a EUR 250 million senior secured bond mainly to institutional investors. The bond matures on September 30, 2019 and it carries a fixed coupon interest rate of 6.625% per annum, payable semi-annually.

The proceeds from the issuance of the bond were used to refinance the existing indebtedness, including a partial redemption of the bond maturing in June, 2015. Following the issuance of the new bond, Outokumpu canceled its EUR 500 million liquidity facility by EUR 250 million on September 30, 2014.

People

Outokumpu's headcount decreased during the fourth quarter and totaled 12,125 at the end of 2014 compared to 12,385 on September 30, 2014 and 12,561 at the end of 2013. Continued headcount reduction in Coil EMEA and other operations was offset by an increase in Coil Americas and Quarto Plate due to the ongoing ramp-ups.

Overall, Outokumpu plans to reduce up to 3,500 jobs globally in 2013–2017, in connection with the P250 cost savings program, the synergy savings and the EMEA industrial plan. The planned reductions are related to capacity reductions in Europe as well as streamlining all overlapping activities in sales, production, supply chain and support functions.

Personnel at the end of reporting period

	Dec 31 2014	Sept 30 2014	Dec 31 2013
Coil EMEA	7,582	7,831	8,120
Coil Americas	2,128	2,141	2,006
APAC	602	617	630
Quarto Plate	838	781	746
Long Products	651	653	674
Other operations	324	362	385
Continuing operations	12,125	12,385	12,561

Safety

The lost-time injury frequency (lost-time accidents per million working hours) during 2014 was 2.7, below the target of less than 4.0. Outokumpu sites continue to work on contractor management and contractor behaviors; especially after a fatal accident occurred in early June, which involved a contractor in Outokumpu's US operations in Calvert. This incident has been investigated and a number of actions have been taken. This was the first fatal injury at Outokumpu for nearly nine years, during which time the focus on safety has continued to develop significantly, with many proactive safety activities taking place every day.

Market and business outlook

Market outlook

Global real demand for total stainless steel products is estimated to total 36.9 million tonnes in 2014 and forecasted to reach 38.5 million tonnes and 40.6 million tonnes in 2015 and 2016, respectively. Between 2014 and 2016, global consumption is expected to increase at an annual growth rate of 5.0%, while growth is forecasted to be mainly driven by increased consumption in APAC (+5.8%) and in the Americas (+3.6%). In EMEA, total stainless steel demand is estimated to increase by 2.4% from 2014 to 2016.

Market development for real demand total stainless steel products between 2012 and 2016

Million tonnes	2012	2013	2014e	2015f	2016f
EMEA	6.9	7.0	7.2	7.4	7.6
Americas	3.3	3.4	3.6	3.7	3.9
APAC	22.5	24.5	26.0	27.4	29.1
Total	32.7	34.9	36.9	38.5	40.6

Source: SMR January 2015
e = estimate, f = forecast

The long-term outlook for stainless steel demand remains positive. Key global megatrends such as urbanization, modernization, and increased mobility combined with growing global demand for energy, food, and water are expected to support the future growth of stainless steel demand. According to research institute SMR, growth in stainless steel consumption between 2014 and 2016 will mainly be attributable to increased demand from the Architecture/Building/Construction & Infrastructure (+5.6%), Industrial & Heavy Industries (+5.3%) and Consumer Goods & Medical (+5.2%) segments. The Automotive & Heavy Transport and Chemical/Petrochemical & Energy segments are expected to grow at average annual growth rates of 5.0% and 3.3%, respectively.

Business and financial outlook for the first quarter of 2015

Stainless steel demand has improved from the year-end 2014 lows but outlook for the first quarter varies by region. In EMEA, order intake is improving and underlying demand remains relatively healthy, while Asia remains soft in the beginning of the year. In Americas, the pace for placing new orders is somewhat subdued with the uncertainty over the nickel price, but market conditions remain promising. In both key regions, distributors are still digesting high stocks partly due to recent high third-country import ratios.

Outokumpu estimates higher delivery volumes quarter-on-quarter and base prices to be slightly down. Continued improvement in profitability is expected resulting in positive underlying EBIT for the first quarter. With current price, the net impact of raw material-related inventory and metal hedging gains/losses on profitability is expected to be negative EUR 5–10 million.

Outokumpu’s operating result may be impacted by non-recurring items associated with the ongoing restructuring programs. This outlook reflects the current scope of operations.

Key targets updated

- For continued improvement in the Coil Americas' profitability, the successful ramp-up of the Calvert mill into full commercial capability over the coming 2 years is essential. Coil Americas delivery volumes are expected to reach about 620,000 tonnes in 2015 (2014: 541,000) and profitability is expected to improve further.
- For Coil EMEA, a key milestone in restructuring of the European production footprint will be the closure of the Bochum melt shop mid-2015, the closure of the Benrath site in 2016, and the completion of the ferritics investment in Krefeld. All this will enable clear product and customer roles for each mill and enable capacity utilization rates of above 90% in melting and above 85% in cold rolling.
- Quarto Plate business area targets step change in profitability over the coming two years driven by the progress in the Degerfors investment ramp-up and streamlining of the cost structure. In 2015, volumes in Degerfors are estimated to grow to about 95,000 tonnes.
- Total targeted savings from Outokumpu's ongoing savings programs are EUR 470 million in 2015, EUR 530 million in 2016 and EUR 550 million in 2017 (all compared to 2012).
- Outokumpu targets additional release of cash from net working capital in 2015 with the P400 program (i.e. EUR 400 million cash release vs. 2012).
- Capital expenditure[1)] is expected to be below EUR 160 million in 2015 (2014: EUR 127 million). Outokumpu's well-invested asset base allows moderate capex levels in the coming years.
- Outokumpu targets to further reduce debt levels with the ambition of net interest-bearing debt below EUR 1.5 billion by the end of 2017.
- Financing cost for 2015 is estimated at EUR 160 million, out of which interest cost EUR 120 million.

[1)] Accounting capex

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. In addition to supporting Outokumpu's strategy, the aim of risk management is identifying, evaluating and mitigating risks from the perspective of shareholders, customers, suppliers, personnel, creditors and other stakeholders.

Outokumpu has defined risk as anything that could have an adverse impact on achieving the Group's objectives. Risks can therefore be threats, uncertainties or lost opportunities for the company's current or future operations. The risk management process is an integral part of overall management processes and it is divided into four stages: risk identification, risk evaluation, risk prioritization and risk mitigation.

In 2014 one of the main focus areas was to monitor and strengthen Outokumpu's financial position. In order to increase risk tolerance, Outokumpu completed significant financing measures in connection with the sale of the Terni and VDM operations. All these measures de-risked Outokumpu significantly by improving liquidity, strengthening balance sheet, extending debt maturities, reducing fluctuation of free cash flow and decreasing exposure to operational risks.

In June 2014 Outokumpu suffered contractor's fatal accident in Calvert, US. In addition, serious machinery breakdown incidents took place at ferrochrome production unit in Tornio and at cold rolling mills in Calvert. These losses are expected to be covered partially by insurance. Outokumpu will focus on preventive maintenance and machinery breakdown loss prevention in 2015 e.g. in connection with its insurance related auditing programs.

Strategic and business risks

Outokumpu's key strategic and business risks include: risks and uncertainties in implementing the industrial plan, including: major failures or delays in achieving the anticipated synergy benefits, reduction of costs and the release of cash from working capital and implementation of the EMEA restructuring actions; risks related to possible failures or delays in or inadequate profitability of ramping up the Calvert mill; risks related to market development in stainless steel and ferrochrome and competitor actions including risk related to imports from Asia; risk of changes in metal prices impacting amounts of cash tied in working capital; the risk of litigation or adverse political action affecting business or changes in environmental legislation.

Operational risks

Operational risks include inadequate or failed internal processes, employee actions, systems, or events such as accidents, natural catastrophes and misconduct or crime. These risks are often connected with production operations, logistics, financial processes, major investment projects, other projects or information technology and, if materialized they can lead to personal injury, liability, loss of property, interrupted operations or environmental impacts. Outokumpu's operational risks are partly covered by insurance. Key operational risks for Outokumpu are: a major fire or machinery breakdown and consequent business interruptions, environmental accidents; IT dependency and security risks; project implementation risks; risks related to compliance, crime and reputational harm; and personnel related risks. To minimize damage to property and business interruptions from a fire at some of its major production sites, Outokumpu has systematic fire and security audit programs in place.

Financial risks

Key financial risks for Outokumpu include: changes in the prices of nickel, molybdenum, electrical power, and fuels; currency developments affecting euro, US dollar, Swedish krona and British Pound; interest rate changes connected with US dollar, euro and Swedish krona; changes in levels of credit margins; counterparty risk related to customers and other business partners, including financial institutions; risks related to refinancing and liquidity; risk of breaching financial covenants or other loan conditions leading to event of default; and risk related to prices of equity and fixed income securities invested under defined benefit pension plans.

Outokumpu evaluates both liquidity and refinancing risks in connection with its capital management actions as well as major investment decisions. Refinancing measures in February 2014 and the rights issue in April 2014 helped to increase liquidity and to reduce the refinancing risk in 2014-2016. Outokumpu has a clear plan to address refinancing of 2017 debt maturity peak. The nickel price fluctuated significantly during 2014 affecting Outokumpu's profitability. Nickel price was highest at 21,200 USD/tonne in mid-May with average price of the year at 16,864 USD/tonne. Part of the negative impact was mitigated by metal hedging activities. The US dollar strengthened almost 11% against the euro in 2014, which had a mainly positive impact on Outokumpu's profitability. The decline in fuel prices led to a negative result for Outokumpu's propane hedges.

Short-term risks and uncertainties

Outokumpu is exposed to the following risks and uncertainties in the short-term: risks and uncertainties in implementing the industrial plan, including: major failures or delays in achieving the anticipated synergy benefits, reduction of costs and the release of cash from working capital and implementation of the Coil EMEA restructuring actions; risks related to possible failures or delays in or inadequate profitability of ramping up the Calvert mill; risks related to market development in stainless steel and ferrochrome as well as competitor actions; risk of changes in metal prices impacting amounts of cash tied in working capital; changes in the prices of electrical power, fuels, nickel and molybdenum; currency developments affecting the euro, US dollar, Swedish krona and British Pound; counterparty risk related to customers and other business partners, including financial institutions; risks related to refinancing and liquidity; risk of breaching financial covenants or other loan conditions leading to default; and risk related to prices of equity and fixed income securities invested under defined benefit pension plans. Possible adverse changes in the global political and economic environment, which can impact the stainless steel industry, may have significant adverse impacts on Outokumpu's business as well.

Significant legal proceedings

The following is an update on pending legal proceedings. All legal disputes and litigation related to the Terni remedy assets, the VDM business and certain service centers, including the legal proceedings reported under the heading "Lawsuits regarding a fire in AST's Turin facility" in the 2013 annual report have moved over to ThyssenKrupp upon the completion of the divestment to ThyssenKrupp in February, 2014. Due to the contractual agreements between ThyssenKrupp and Outokumpu, there will be no further liability risk for Outokumpu resulting from these legal disputes.

European Commission cartel investigation in the sanitary copper tube sector

In July 2014 Outokumpu, together with a number of other companies, reached a full and final settlement agreement on sanitary copper tube cartel claims. Outokumpu considered the claim for damages to lack merit, but decided to contribute to the settlement in order to bring this matter to an end. The settlement amount was not significant and it has been recorded in the third quarter 2014 results.

All charges dropped in customs investigation of exports to Russia by Tornio Works

In March 2007, Finnish Customs authorities initiated a criminal investigation into Outokumpu's Tornio Works' export practices to Russia. In March 2011, charges were filed against Outokumpu and five of its employees for alleged money laundering in connection with the Russian export practices carried out by Tornio Works between 2004 and 2006. In June 2011, all claims were dismissed by Kouvola District Court. In August 2011, the Finnish State prosecutor appealed the District Court judgment with respect to Outokumpu and three of the charged employees and the order to compensate Outokumpu for its legal costs. The Kouvola Court of Appeal dismissed all charges brought by the prosecutor on April 19, 2012. The state prosecutor filed a petition for leave to appeal to the Finnish Supreme Court in June 2012, which was rejected by the Finnish Supreme Court on March 28, 2014. Accordingly, the judgment by the Kouvola Court of Appeal is final and Outokumpu and its employees have been cleared of all charges.

U.S. antidumping order on stainless steel strip and sheet from Mexico, Germany and Italy

On July 27, 1999, the U.S. Department of Commerce issued anti-dumping duty orders on imports of stainless steel strip and sheet from Mexico, Germany and Italy among other countries. The anti-dumping duty orders on stainless steel strip and sheet from Mexico, Germany and Italy were revoked on July 25, 2011 due to a negative determination by the United States International Trade Commission (USITC). The U.S. petitioners in the anti-dumping case appealed the USITC's determination to the U.S. Court of International Trade in New York with regard to the revocation of the anti-dumping duty order on imports from Mexico. On November 15, 2012, the court dismissed the appeal by the plaintiffs. A complaint by the plaintiffs against said court order was rejected by the U.S. Court of Appeals on January 9, 2014. The revocation of the duty orders on stainless steel imports have therefore become legally binding as the plaintiffs have no further means of challenging the decision by the USITC.

State Aid Proceedings against Germany in connection with Exemptions from Renewable Energy Charges for German Outokumpu Plants

On August 1, 2014 a new German Renewable Energy Act came into force which confirmed the exceptions for energy-intensive companies. In accordance with this Act, Outokumpu will also in the future benefit from the reduced renewable energy charges. Further, on November 23, 2014 the German government and the European Commission reached an agreement by which the state aid case was settled. As a consequence of this settlement, several companies were asked for repayments of benefits received under the old EEG in 2012 and 2013. Outokumpu received a request to repay EUR 76.000. Further, Outokumpu received the exemption orders for 2015 on January 5, 2015 so that the case is now closed.

Claim in Spain related to the divested copper companies

Outokumpu divested all of its copper business in 2003–2008. One of the divested companies domiciled in Spain later faced bankruptcy. The administrator of the bankruptcy has filed a claim against Outokumpu Oyj and two other non-Outokumpu companies, for recovery of payments made by the bankrupt Spanish company in connection with the divestment. The Bilbao court of first instance in Spain has accepted the claim of EUR 20 million brought against Outokumpu and the two other companies. Outokumpu and the two other companies have appealed the court's decision.

Environment

In 2014 emissions into the air and discharges to water remained within permitted limits. Minor breaches that occurred were temporary and identified as having 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 materially adverse effect on the corporation's financial position. A total of 21 minor environmental incidents occurred in 2014 (2013: 20). There were no significant incidents.

The EU Emissions Trading Scheme (ETS) is continuing by the third trading period 2013–2020. Outokumpu's operations under the EU 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 Outokumpu's operations during the 2015. In the fourth quarter of 2014, Outokumpu sold 1.2 million emission allowances (EUA´s).

Outokumpu was recognized as a leader for the depth and quality of its climate change data disclosed to investors and the global marketplace by CDP in 2014. Outokumpu has been awarded for the fifth consecutive year with a position on the Nordic Climate Disclosure Leadership Index (CDLI).

Research and development

Outokumpu aims to maintain and further strengthen its position as the leading innovator in stainless steel. Outokumpu's R&D operations are concentrated in three research centers located at Avesta in Sweden, at Krefeld and Benrath in Germany and at Tornio in Finland. Each research center has certain focus areas of activity and they employed a total of 240 people. In addition to the research centers, R&D activities also take place at the production sites.

In 2014, Outokumpu's R&D expenditure totaled EUR 23 million, 0.3% of sales (2013: EUR 26 million and 0.4%).

During 2014, the main R&D initiatives supported EMEA restructuring and the ramp-up of Calvert operations. Commercialization of several new steel grades continued. The new steel grades, including ferritic 21% Cr stainless steel 4622, austenitic 4420 and formable duplex stainless steels FDX 25™ and FDX 27™, provide life cycle efficient alternative for conventional nickel-containing austenitic steel grades. Furthermore, extensive market and application development continued with our customers in various industries.

Shares and shareholders

Outokumpu's share capital was unchanged at EUR 311 million at the end of 2014. The total number of Outokumpu shares was 416,374,448, and Outokumpu held 947,724 of its own shares.

In March, 2014, Outokumpu carried out a rights issue which resulted in net proceeds of approximately EUR 640 million. A total of 10,258,172,806 shares were subscribed for in Outokumpu's rights offering during the subscription period from March 10 to March 26, 2014, representing 123.5% of the 8,308,534,476 shares offered (the "offer shares"). A total of 8,276,217,384 shares were subscribed for pursuant to subscription rights, representing 99.6% of all offer shares, and a total of 1,981,955,422 shares were subscribed for without subscription rights in the secondary subscription, representing 23.9% of all offer shares. Of the offer shares subscribed for without subscription rights, 32,317,092 offer shares have been allocated to subscribers in proportion to the number of subscription rights exercised for subscription of the offer shares by them. The subscription price was EUR 0.08 per offer share. As a result of the rights offering, the total number of shares in Outokumpu increased to 10,386,615,824. The new shares were registered with the Finnish Trade Register on April 7, 2014 and they carry similar shareholder rights as all other shares in the company.

In June, Outokumpu conducted a reverse share split in order to rationalize the number of outstanding shares, to increase the value of an individual share and therefore to enhance trading conditions and improve price formation on the stock market. The number of shares in the company was reduced from 10,386,615,824 to 416,374,448 by merging each 25 shares into 1 share. The new number of shares was registered with the Trade Register on June 20, 2014. Public trading with the newly merged shares commenced on June 23, 2014.

The following table sets out the largest shareholders as per December 31, 2014 and December 31, 2013.

Shareholders

%	Dec 31 2014	Dec 31 2013
Finnish corporations	33.9	26.1
Foreign investors	30.3	41.7
Finnish private households	18.3	22.1
Finnish public sector institutions	11.3	6.6
Finnish financial and insurance institutions	5.4	2.5
Finnish non-profit organizations	0.8	1.0
Shareholders with over 5% of shares and voting rights		
Solidium Oy (owned by the Finnish State)	29.9	21.8
ThyssenKrupp AG	-	29.9

Information regarding shares and shareholders is updated daily on Outokumpu's website.

ThyssenKrupp divested its 29.9% shareholding in Outokumpu to comply with the buyer suitability requirements of the European Commission. In connection with the divestment by ThyssenKrupp, Solidium acquired a part of the shares resulting in an increase of its ownership in Outokumpu from 21.8% to 29.9%.

Management shareholdings and share based incentive programs

As of December 31, 2014, the members of the Board of Directors and the members of the Outokumpu Leadership Team (OLT) held altogether 169,899 shares or 0.04% of the total shares outstanding.

Outokumpu has established share-based incentive programs for the OLT members and for selected managers and key employees. In the expired Share Based Incentive program 2009–2013, the targets set for the earnings period 2011–2013 were not met and therefore no reward was paid to the participants in 2014. Regarding the Performance Share Plan 2012, a total of 2,419 shares (number adjusted with the rights issue and reverse split) and cash of EUR 50,000 were given based on achieved savings targets in 2013 to the persons that left the plan during 2014.

Due to the payment of the reward shares under the incentive programs, the number of treasury shares held by Outokumpu decreased to 947,724 at the end of 2014 (Dec 31, 2013: 975,888).

More details on the share-based incentive programs can be found on the Outokumpu website.

Share information

		Jan–Dec 2014	Jan–Dec 2013
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 [1) 2)]		416,374,448	84,060,106
Average number of shares outstanding [1) 3)]		338,032,061	83,083,201
Average number of shares outstanding, rights-issue-adjusted [1) 3)]		349,558,854	132,579,577
Number of shares outstanding at the end of the period [1) 2) 3)]		415,426,724	83,084,218
Number of treasury shares held at the end of the period		947,724	975,888
Share price at the end of the period [4)]	EUR	4.77	3.55
Average share price [4)]	EUR	5.16	4.64
Highest price during the period [4)]	EUR	7.50	7.39
Lowest price during the period [4)]	EUR	3.37	3.03
Market capitalization at the end of period	EUR million	1,987	845
Share turnover [1) 5)]	million shares	695.2	178.9
Value of shares traded [5)]	EUR million	3,609.1	835.1

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

[1)] Comparative figures adjusted to reflect the reverse split in June 2014.

[2)] December 31, 2014 includes 332,341,379 new shares that were registered on April 7, 2014. The rights-issue- and reverse split adjusted number of shares on December 31, 2013 is 133,557,088 shares of which 132,581,200 shares are outstanding.

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

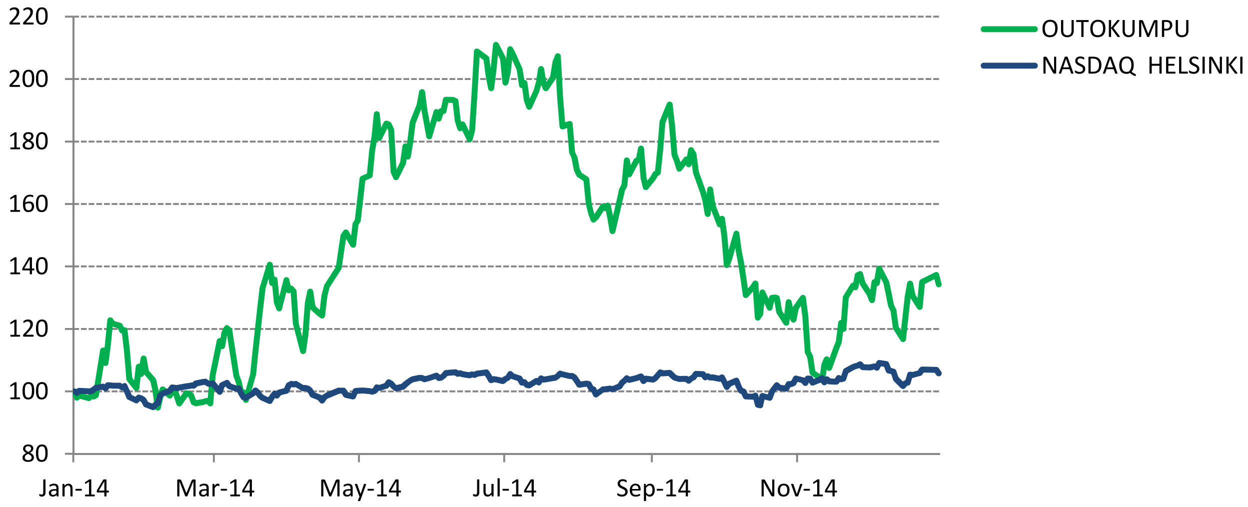
[4)] Comparative figures adjusted regarding the effect of the rights issue and the reverse split.

[5)] Jan–Dec 2014 figures include the effect of share subsciption rights traded during March 10–19, 2014.

Outokumpu’s market capitalization was EUR 1,987 million at the end of December 2014 compared to EUR 845 million at the end of 2013. The share turnover in 2014 was 695.2 million shares. Significant strengthening of Outokumpu’s financial position in early 2014 had a positive impact on both share price and trading volumes. In addition, after ThyssenKrupp had divested the Outokumpu ownership in February 2014, the liquidity of the share increased. The Outokumpu share price closed at end of the year at EUR 4.77, 34.2% above the closing price of 2013. The share price averaged at EUR 5.16 in 2014. At its highest, the price stood at EUR 7.50 while at its lowest, the share price was EUR 3.37.

Compared to the third quarter of 2014, Outokumpu’s market capitalization decreased in line with the decrease in the share price of around 14% since the end of September 2014.

The following graph sets out the indexed daily closing price of the Outokumpu share in 2014.



Corporate governance

Changes in Outokumpu Leadership Team

Since September 1, 2014, the Outokumpu Leadership Team consists of the following members:

- Mika Seitovirta, CEO
- Reinhard Florey, CFO
- Olli-Matti Saksi, Coil EMEA (as of July 1)
- Michael Wallis, Coil Americas
- Austin Lu, APAC
- Kari Tuutti, Long Products
- Kari Parvento, Quarto Plate
- Pekka Erkkilä, CTO
- Johann Steiner, Human Resources, IT, Health and Safety
- Saara Tahvanainen, Communications & Marketing

Annual General Meeting

The Annual General Meeting (AGM) was held on April 14, 2014, in Espoo, Finland, and decided that no dividend be paid for 2013.

The AGM decided that the number of the members of Board of Directors is eight. Jorma Ollila, Olli Vaartimo, Markus Akermann, Heikki Malinen, Elisabeth Nilsson and Siv Schalin were re-elected, and Roberto Gualdoni and Stig Gustavson were elected as new members for the term of office ending at the end of the next AGM. Jorma Ollila was elected as the Chairman and Olli Vaartimo as the Vice Chairman of the Board of Directors.

The AGM decided to maintain the earlier confirmed level of the annual remuneration of the Board of Directors: EUR 140,000 for the Chairman, EUR 80,000 for the Vice Chairman and EUR 60,000 for the other members. The meeting fee was decided to be EUR 600 per meeting for each member of the Board of Directors residing in Finland and EUR 1,200 per meeting for members residing outside Finland. Some 40% of the remuneration is paid in the form of shares in the company and the remainder in cash.

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), Roberto Gualdoni, Stig Gustavson and Elisabeth Nilsson 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 following term.

Extraordinary General Meetings in 2014

The Extraordinary General Meeting held on February 14, 2014 in Espoo, Finland, authorized the Board of Directors to undertake a share issue for consideration in which shareholders had the right to subscribe for new shares in proportion to their existing holdings of the shares of the company. Based on this authorization, the Board of Directors resolved on February 28, 2014, on a rights offering of EUR 665 million to raise net proceeds of approximately EUR 640 million.

The Extraordinary General Meeting held on June 16, 2014 in Espoo, Finland decided that the number of shares in Outokumpu be reduced without reducing the share capital by merging each twenty five shares to one share (25:1) by means of a reverse share split as provided in Chapter 15, Section 9 of the Limited Liability Companies Act and following the procedure provided therein. The reverse split of shares was executed on June 19, 2014.

The EGM authorized the Board of Directors to decide to repurchase a maximum of 40,000,000 of the company's own shares. The company currently holds 947,724 treasury shares. The EGM authorized the Board of Directors to decide to issue a maximum of 80,000,000 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. On the basis of the authorization, a maximum of 40,000,000 new shares may be issued, and additionally a maximum of 40,000,000 treasury shares may be transferred. These authorizations are valid until the end of the next AGM, but no later than May 31, 2015. To date, the authorizations have not been used.

Nomination Board

Outokumpu's Annual General Meeting has established a Nomination Board to annually prepare proposals on the composition of the Board of Directors and director remuneration for the Annual General Meeting. Nomination Board consists of the representatives of the four largest shareholders registered in the shareholders' register of the company on October 1 and the Chairman of the Board of Directors as an expert member.

On October 1, 2014 the four largest shareholders of Outokumpu were Solidium Oy, Varma Mutual Pension Insurance Company, AC Invest Four B.V. and The Social Insurance Institution of Finland. They have appointed the following representatives to the Nomination Board:

- Kari Järvinen, Managing Director at Solidium Oy
- Pekka Pajamo, CFO at Varma Mutual Pension Insurance Company
- Panu Routila, CEO at Ahlström Capital Oy
- Tuula Korhonen, Investment Director at The Social Insurance Institution of Finland

The Nomination Board elected from among its members Kari Järvinen as Chairman. According to the proposal by the Nomination Board for the AGM on March 26, 2015 the remuneration of the Board will remain unchanged, the number of Board members remains eight and Saila Miettinen-Lähde will be proposed as a new member to the Board.

Board of Directors' proposal for profit distribution

In accordance with the Board of Directors' established dividend policy, the pay-out ratio over a business cycle should be at least one third of the Group's profit for the period, with the aim of having stable annual payments to shareholders. In its annual dividend proposal, the Board of Directors will, in addition to financial results, take into consideration the Group's investment and development needs.

According to the parent company's financial statements on December 31, 2014 distributable funds totaled EUR 1,994 million, of which accumulated losses were EUR 130 million.

The Board of Directors is proposing to the Annual General Meeting scheduled for March 26, 2015 that no dividend be paid from the parent company's distributable funds and that net result for the financial year 2014 be allocated to accumulated losses.

Espoo, February 11, 2015

Board of Directors

Condensed consolidated financial statements

Condensed income statement

EUR million	Oct–Dec 2014	July–Sept 2014	Oct–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
Continuing operations:					
Sales	1,674	1,799	1,531	6,844	6,745
Cost of sales	-1,625	-1,747	-1,564	-6,714	-6,847
Gross margin	49	53	-33	130	-102
Other operating income	25	26	13	47	24
Costs and expenses	-93	-85	-86	-354	-400
Other operating expenses	-17	-3	-13	-65	-31
EBIT	-36	-9	-118	-243	-510
Share of results in associated companies	0	-1	2	7	-2
Financial income and expenses					
Interest income	1	1	4	3	13
Interest expenses	-32	-31	-58	-141	-210
Market price gains and losses	1	-13	-3	-15	-37
Other financial income	1	0	0	2	0
Other financial expenses	-10	-20	-58	-70	-76
Result before taxes	-75	-73	-232	-459	-822
Income taxes	19	-4	-27	8	-11
Net result for the period from continuing operations	-57	-77	-260	-450	-832
Net result for the period from discontinued operation	0	0	-103	11	-170
Net result for the period	-56	-77	-364	-439	-1,003
Attributable to:					
Equity holders of the Company	-55	-75	-361	-434	-997
Non-controlling interests	-0	-2	-3	-5	-6
Earnings per share for result attributable to the equity holders of the Company (basic and diluted), EUR [1] :					
Earnings per share, continuing operations	-0.13	-0.18	-1.94	-1.27	-6.23
Earnings per share, discontinued operation	0.00	0.00	-0.78	0.03	-1.29
Earnings per share	-0.13	-0.18	-2.72	-1.24	-7.52

[1] Calculated based on the rights-issue-adjusted weighted average number of shares, comparative figures adjusted accordingly. Comparative figures adjusted to reflect the reverse split on June 20, 2014.

Statement of comprehensive income

EUR million	Oct–Dec 2014	July–Sept 2014	Oct–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
Net result for the period	-56	-77	-364	-439	-1,003
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	14	30	-5	71	-40
Available-for-sale financial assets					
Fair value changes during the period	1	2	-2	3	-2
Reclassification adjustments from other comprehensive income to profit or loss	0	0	-	3	-0
Income tax relating to available-for-sale financial assets	0	-0	0	-1	0
Cash flow hedges					
Fair value changes during the period	-7	-4	-4	-11	-11
Reclassification adjustments from other comprehensive income to profit or loss	0	-0	-1	-2	-4
Income tax relating to cash flow hedges	0	-0	2	3	4
Net investment hedges					
Income tax relating to net investment hedges	-	-	1	-	1
Share of other comprehensive income in associated companies and joint ventures	-	-	-	-0	-
Items that will not be reclassified to profit or loss:					
Remeasurements on defined benefit obligation plans					
Changes during the accounting period	51	-44	4	-14	15
Income tax relating to remeasurements	-13	1	-4	-12	-8
Share of other comprehensive income in associated companies and joint ventures	-	-	-	1	-
Other comprehensive income for the period, net of tax	46	-16	-8	41	-44
Total comprehensive income for the period	-10	-93	-371	-398	-1,047
Attributable to:					
Equity holders of the Company	-10	-91	-368	-394	-1,040
Non-controlling interests	0	-1	-4	-4	-7

Condensed statement of financial position

EUR million	Dec 31 2014	Sept 30 2014	Dec 31 2013
ASSETS			
Non-current assets			
Intangible assets	567	569	570
Property, plant and equipment	3,138	3,142	3,254
Investments in associated companies and joint ventures	78	71	66
Other financial assets	29	26	20
Deferred tax assets	44	52	24
Defined benefit plan assets	36	0	0
Trade and other receivables	12	19	11
Total non-current assets	3,904	3,879	3,944
Current assets			
Inventories	1,527	1,621	1,216
Other financial assets	40	34	42
Trade and other receivables	749	851	813
Cash and cash equivalents	191	400	607
Total current assets	2,507	2,907	2,679
Assets held for sale	-	-	2,200
TOTAL ASSETS	6,411	6,785	8,823
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	2,132	2,143	1,887
Non-controlling interests	0	0	4
Total equity	2,132	2,144	1,891
Non-current liabilities			
Non-current debt	1,597	1,852	3,270
Other financial liabilities	18	13	15
Deferred tax liabilities	31	44	26
Defined benefit and other long-term employee benefit obligations	372	379	317
Provisions	198	206	115
Trade and other payables	47	48	48
Total non-current liabilities	2,262	2,543	3,791
Current liabilities			
Current debt	569	616	893
Other financial liabilities	87	61	35
Provisions	26	35	25
Trade and other payables	1,335	1,386	1,140
Total current liabilities	2,016	2,098	2,093
Liabilities directly attributable to assets held for sale	-	-	1,048
TOTAL EQUITY AND LIABILITIES	6,411	6,785	8,823

Condensed statement of cash flows

EUR million	Oct–Dec 2014	Jul–Sept 2014	Oct–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
Net result for the period	-56	-77	-364	-439	-1,003
Adjustments					
Depreciation, amortization and impairments	81	76	91	351	346
Other non-cash adjustments	-11	-8	263	120	498
Change in working capital	126	54	254	-50	297
Dividends received	-	-	-	3	2
Interests received	0	1	2	2	3
Interests paid	-19	-22	-20	-111	-106
Income taxes paid	-0	-0	-2	-2	-3
Net cash from operating activities	122	23	223	-126	34
Purchases of assets	-54	-20	-43	-144	-287
Proceeds from the disposal of subsidiaries, net of cash	-	-	-	-50	-1
Proceeds from the sale of assets	14	7	187	30	187
Other investing cash flow	1	-	0	1	-7
Net cash from investing activities	-39	-13	143	-162	-108
Cash flow before financing activities	83	10	367	-289	-74
Rights issue	-	-	-	640	-
Borrowings of non-current debt	3	266	98	1,022	1,114
Repayment of non-current debt	-273	-111	-39	-1,505	-708
Change in current debt	-20	69	-256	-277	52
Other financing cash flow	4	1	-2	3	1
Net cash from financing activities	-286	225	-199	-116	459
Net change in cash and cash equivalents	-203	235	168	-404	385
Cash and cash equivalents at the beginning of the period	400	161	439	607	222
Foreign exchange rate effect	-6	4	-3	0	-11
Discontinued operations net change in cash effect	-	-	4	-12	12
Net change in cash and cash equivalents	-203	235	168	-404	385
Cash and cash equivalents at the end of the period	191	400	607	191	607

Cash flows are presented for continuing operations.

Statement of changes in equity

EUR million	Share capital	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										
Equity on Jan 1, 2013	311	714	1,462	7	22	-81	-75	-25	591	26	2,952
Net result for the period	-	-	-	-	-	-	-	-	-997	-6	-1,003
Other comprehensive income	-	-	-	-	-13	-38	8	-	-	-1	-44
Total comprehensive income for the period	-	-	-	-	-13	-38	8	-	-997	-7	-1,047
Transactions with owners of the Company											
Contributions and distributions											
Share-based payments	-	-	-	-	-	-	-	1	-1	-	1
Changes in ownership interests											
Disposal of subsidiary	-	-	-	-	-	-	3	-	-3	-15	-15
Equity on Dec 31, 2013	311	714	1,462	7	9	-119	-65	-24	-410	4	1,891
Equity on Jan 1, 2014	311	714	1,462	7	9	-119	-65	-24	-410	4	1,891
Net result for the period	-	-	-	-	-	-	-	-	-434	-5	-439
Other comprehensive income	-	-	-	-	-5	70	-27	-	1	1	41
Total comprehensive income for the period	-	-	-	-	-5	70	-27	-	-433	-4	-398
Transactions with owners of the Company											
Contributions and distributions											
Rights issue	-	-	640	-	-	-	-	-	-	-	640
Share-based payments	-	-	-	-	-	-	-	1	1	-	2
Changes in ownership interests											
Acquisition of a non-controlling interest	-	-	-	-	-	-	-	-	-3	-0	-3
Disposal of subsidiary	-	-	-	-1	-	-	4	-	-3	-0	-0
Other	-	-	-	-2	-	-	-	-	2	-	-
Equity on Dec 31, 2014	311	714	2,103	5	5	-49	-89	-23	-846	0	2,132

NOTES TO THE FINANCIAL STATEMENTS

Basis of preparation

This annual accounts bulletin is prepared in accordance with IAS 34 (Interim Financial Reporting). The same accounting policies and methods of computation have been followed in this annual accounts bulletin as in the financial statements for 2013 except for those new and revised IFRS standards adopted from January 1, 2014.

Annual figures on this annual accounting bulletin are audited. All presented figures in this annual accounts bulletin 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 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, 2014:

- IFRS 10 Consolidated Financial Statements and related amendments: the standard builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard did not affect the consolidated financial statements.

- IFRS 11 Joint Arrangements and related amendments: In the accounting of joint arrangements the new standard focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Jointly controlled entities are to be accounted for using the equity method, and the other alternative, proportional consolidation is no longer allowed. In connection with the new IFRS 11 standard, IAS 28 was revised and includes the requirements for joint ventures, as well as associates, to be equity accounted. The new and revised standards did not have an impact on the consolidated financial statements.

- IFRS 12 Disclosures of Interests in Other Entities and related amendments: the standard includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard had an impact on the disclosures of the consolidated financial statements.

Additionally, there were some amendments to the existing standards clarifying the accounting practices and an IFRIC interpretation with the effective date of January 1, 2014. They had no impact on the consolidated financial statements.

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, defined benefit and other long-term employee benefit obligations, 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.

Changes in segment information

As announced in June 2014, Outokumpu has changed its operational model and from September 1, 2014 Outokumpu consists of five business areas: Coil EMEA, Coil Americas, APAC, Quarto Plate and Long Products.

Quarto Plate and Long Products have formerly been business lines within the Specialty Stainless business area. Quarto Plate is a global leader in tailored quarto plate material with key operations in Sweden and in the US. Long Products is focused on specialty stainless long products and has production operations in the UK, Sweden and the US. Special Coil operations in Avesta and Nyby that were also a part of the Specialty Stainless business area became part of Coil EMEA business area. Consequently, Specialty Stainless ceased to exist as a business area.

The business areas are responsible for sales, profitability and production. They are located in different geographical areas, managed separately and are reported separately in internal management reporting to Outokumpu's CEO. They comprise thus Outokumpu's reportable segments under IFRS. All comparative segment figures have been restated in this annual accounts bulletin.

Share based payment plans

During the year 2014 Outokumpu's share based payment programs included Performance Share Plan 2012 (Plans 2012–2014, 2013–2015 and 2014–2016) and Restricted Share Pool Program (Plans 2012–2014, 2013–2015 and 2014–2016). Share-based programs are part of the Group's incentive and commitment-building system for key employees. The objective of the programs is to retain, motivate and reward selected employees for good performance which supports Outokumpu's strategy.

Regarding the expired Share based incentive program 2009–2013, the targets set for the earnings period 2011–2013 were not met and therefore no reward was paid to the participants in 2014. Regarding the Performance Share Plan 2012, total of 2,419 shares (number adjusted with rights issue and reverse split) and cash of EUR 50 thousand were given based on achieved savings targets in 2013 to the persons that left the plan during the year 2014.

In April 2014, the Board of Directors approved the commencement of the third plan of Performance Share Plan 2012, plan 2014–2016. The plan commenced at the beginning of 2014 and the earnings criteria applied for the year 2014 were EBIT improvement and business cash flow. The maximum number of gross shares (taxes included) that can be allocated from the plan is 2,240,000. In total 135 persons participate in the plan.

The Board of Directors also approved the commencement of the third plan of the Restricted Share Pool Program, plan 2014–2016 in April. The plan 2014–2016 commenced at the beginning of 2014. Restricted share grants are approved annually by the CEO on the basis of the authorization granted by the Board of Directors, with the exception of possible allocations to the Leadership Team members, which will be approved by the Board of Directors. The maximum number of gross shares (taxes included) that can be allocated from the plan is 320,000. In total 6 persons participate in the plan.

In December 2014, the Board of Directors approved the commencement of the fourth plans (plan 2015–2017) regarding both Performance Share Plan 2012 and Restricted Share Pool Program 2012. They commence at the beginning of 2015.

Due to the rights issue in 2014 the number of gross shares allocated from the plans that started in 2012 and 2013 was technically adjusted in line with their terms and conditions. Following the reverse split of shares in June 2014, the corresponding changes were made in all ongoing plans. Additionally, the EBIT criterion previously applied to the plans 2012–2014 and 2013–2015 of the Performance Share Plan was for the year 2014 replaced with the same EBIT improvement criterion as applied to the new plan 2014–2016.

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

Refinancing measures

The new credit revolving facility of EUR 900 million became effective as of February 28, 2014. The facility has its maturity in February 2017 and replaced the previous EUR 900 million revolving credit facility that would have matured in June 2015. Also, a new EUR 500 million liquidity facility was signed that was effective as of February 28, 2014 and matures in February 2017. EUR 250 million of this facility was cancelled following Outokumpu's bond issue in September 2014 (for more information on the bond issues, please see below). The purpose of this new facility is to further strengthen Outokumpu's liquidity. Both the EUR 900 million and EUR 500 million facilities include financial covenants on gearing and liquidity. Furthermore, Outokumpu extended and amended or refinanced its bilateral loan portfolio of approximately EUR 600 million to mature in February 2017.

Additionally, Outokumpu granted a security package for its debt and bond financing. As security, Outokumpu has pledged the shares of certain of its subsidiary companies for example in Finland, Sweden and the United States as well as certain other fixed assets. In addition, certain subsidiary companies have provided guarantees as security. The security package covers most of Outokumpu's debt financing, including the new EUR 500 million liquidity facility, the EUR 900 million revolving credit facility, bilateral bank loans as well as the two outstanding notes.

The granting of the proposed security package required the consent of the holders of the Outokumpu's notes maturing in 2015 and 2016 as well as certain related amendments to the terms and conditions of such notes. The holders of both notes resolved to approve the related proposals and the amendments entered into force as of February 28, 2014 following the completion of the refinancing measures.

Rights issue and the reverse split of shares

Based on the authorization granted by the Extraordinary General meeting of shareholders, the Board of Directors of Outokumpu Oyj resolved on February 28, 2014 on the rights offering for a total of 8,308,534,476 new shares to raise net proceeds of approximately EUR 640 million. The proceeds from the rights offering were for strengthening Outokumpu's financial position to complete its turnaround plan aimed at returning to sustainable profitability. One subscription right entitled the holder to subscribe for four offer shares at a subscription price of EUR 0.08.

Subscription period began on March 10 and ended on March 26, 2014. As a result of the rights offering, the total number of shares in Outokumpu increased to 10,386,615,824. New shares were registered on April 7, 2014. The net proceeds have been recognized in the invested unrestricted equity reserve in the consolidated statement of financial position.

In June 2014, the Extraordinary General meeting decided that the number of shares in Outokumpu be reduced without reducing the share capital by merging each 25 shares to 1 share by means of a reverse share split. The new number of shares in Outokumpu Oyj is 416,374,448 and it was registered on June 20, 2014. The procedure didn't reduce the number of company's treasury shares.

Restructuring of production in Germany and Sweden

At the end of March, Outokumpu announced that the negotiations regarding the industrial plan were completed with the employee representatives and unions in Germany. The industrial plan for Business Area EMEA Stainless was originally announced in October 2013. Key elements of the agreement were the closure of Bochum meltshop in 2015, investments of EUR 108 million to the Krefeld cold rolling center between 2014 and 2016 through ferritic production optimization (NIFO project) and closure of Benrath cold rolling mill in 2016.

In June 2013, Outokumpu announced a strategic review of its thin and precision strip operations in Kloster and Nyby, Sweden and in Dahlerbrück, Germany with the aim of reducing capacities and achieving cost savings through increased efficiencies. Following the review, Outokumpu announced in February 2014 the discontinuation of its operations in Kloster, Sweden.

Tax audit

Tax audit in Outokumpu Oyj was concluded in November 2014 and it did not result in proposed changes to the company's taxation. The Tax Recipients' Legal Service Unit has appealed against the outcome of the audit.

Issuance of a EUR 250 million bond and a voluntary tender offer

In September 2014, Outokumpu announced a voluntary tender offer for its EUR 250 million 5.125% notes issued in June 24, 2010 (the “2015 Notes”) and maturing on June 24, 2015. The maximum amount of notes tendered under the tender offer was EUR 100 million and the tender offer was subject to the successful completion of the issuance of a new EUR 250 million bond. The issue of the new EUR 250 million bond was announced in September 2014 and it carries a fixed coupon interest rate of 6.625% per annum, payable semi-annually. The bond is callable before its final maturity. The issue of the new EUR 250 million notes was successfully subscribed for and Outokumpu considered the new financing condition under the tender offer as being satisfied. Outokumpu therefore accepted to buy an aggregate principal amount of EUR 100 million of the 2015 Notes offered by the noteholders for purchase. The scaling factor applied in the acceptance was approximately 57.5% for accepted tender offers in excess of EUR 50,000 in aggregate principal amount for each noteholder. The purchase price payable by Outokumpu to the relevant noteholders was EUR 1,033 per EUR 1,000 nominal amount of the 2015 Notes plus accrued interest of EUR 13.76 per such 2015 Note to be purchased. The settlement occurred on September 30, 2014.

Disposal of businesses

On February 28, 2014 Outokumpu divested the VDM business and the remedy assets, which included Terni and certain service centers, to ThyssenKrupp. VDM and Terni remedy assets and related liabilities were classified as held for sale in the consolidated financial statements at December 31, 2013. The results of the divested operations have been reported as discontinued operation in the consolidated statement of income in 2014 and 2013.

Outokumpu's loan note to ThyssenKrupp was used as a consideration for the transaction and thus derecognized. The sale also included customary terms and conditions regarding the businesses' level of working capital and net debt. Intra-group trade and other receivables and trade and other payables between Outokumpu and divested entities remained in force at the date of divestment and became Outokumpu's external receivables and payables.

The loss on the sale, net of transaction costs, amounted to EUR 5 million, out of which a gain of EUR 22 million was included in the net result from discontinued operations in 2014. Transaction costs of EUR 27 million were already recognized in the 2013 net result from discontinued operations. The loss also includes transaction costs of EUR 7 million in 2014 and foreign exchange losses of EUR 4 million reclassified into loss on disposal.

Result from discontinued operations

EUR million	Jan–Dec 2014	Jan–Dec 2013
Sales and other operating income	594	3,302
Expenses	-579	-3,392
Net financial expenses	-4	-22
Result before tax	11	-112
Income tax	1	-58
Net result for the period from discontinued operations	11	-170

Effect of disposal on the financial position of the Group

EUR million	2014
Assets held for sale	2,268
Cash and cash equivalents	10
Net of current receivables and payables	17
Liabilties attributable to assets held for sale	-1,074
	1,220
Cash and cash equivalents of the companies disposed of	-10
Compensation related to working capital and net debt	-41
Net cash outflow	-50
Loan note used as consideration	1,292
Total consideration	1,242

The cash flows of companies disposed of during January 1–February, 28, 2014 amounted to as follows: net cash from operating activities EUR 5 million and net cash from investing activities EUR -17 million. Net cash outflow from the sale is presented in cash flows from continuing operations: The cash and cash equivalents of the companies disposed of EUR 10 million and the ompensation related to working capital and net debt of EUR 41 million are presented in the condensed statement of cash flows on line proceeds from the disposal of subsidiaries, net of cash.

In connection with the disposal, Outokumpu settled the outstanding amount of EUR 160 million under the credit facility granted by ThyssenKrupp. Furthermore, ThyssenKrupp sold all of its Outokumpu shares, representing a 29.9% stake in Outokumpu prior to the transaction. As a result the companies are no longer each other's related parties.

Non-recurring items in EBIT and financial income and expenses

EUR million	Jan–Dec 2014	Jan–Dec 2013
Redundancy costs	-113	-54
Impairments related to EMEA restructuring	-27	-
Environmental provisions related to site closures	-25	-
Net costs related to technical issues in Calvert	-21	-
Inventory write-downs related to efficiency programs	-	-12
Carrier settlement	-	-11
Costs related to Inoxum transaction	-	-1
Total non-recurring items in EBIT	-186	-78

Jan–Dec 2014 does not include any non-recurring items in financial income and expenses (Jan–Dec 2013: loss of EUR 49 million on the sale of Luvata loan receivable).

Property, plant and equipment

EUR million	Jan–Dec 2014	Jan–Dec 2013
Carrying value at the beginning of the period	3,254	3,716
Translation differences	115	-57
Additions	117	231
Disposals	-9	-4
Reclassifications	-4	47
Depreciation and impairments	-333	-355
Disposed subsidiaries	-	-28
Reclassification to assets held for sale	-	-296
Carrying value at the end of the period	3,138	3,254

Commitments

EUR million	Dec 31 2014	Dec 31 2013
Mortgages and pledges		
Mortgages	3,593	284
Other pledges	-	8
Guarantees		
On behalf of subsidiaries for commercial commitments	27	34
On behalf of associated companies for financing	6	7
On behalf of other parties for financing	1	-
On behalf of other parties for commercial and other commitments	1	-
Other commitments	19	28
Minimum future lease payments on operating leases	63	82

The increase in mortgages and pledges relates to the refinancing measures which became effective on February 28, 2014. A major part of Outokumpu's borrowings are secured partly by security to the real property of the Group's main production plants and partly by share pledges over the shares in selected Group companies.

Certain guarantees issued by Outokumpu on behalf of the companies sold to ThyssenKrupp on February 28, 2014 have not yet been transferred to ThyssenKrupp as of December 31, 2014. These guarantees are presented as financing guarantees and commercial commitments on behalf of other parties.

Related to the Inoxum acquisition, one remaining guarantee issued by ThyssenKrupp on behalf of Inoxum companies has not yet been transferred to Outokumpu Oyj as of December 31, 2014. However, Outokumpu Oyj has given ThyssenKrupp a counter-guarantee for this commitment amounting to EUR 4 million.

Group's off-balance sheet investment commitments totaled EUR 66 million on December 31, 2014 (December 31, 2013: EUR 47 million).

Related party transactions

EUR million	Jan–Dec 2014	Jan–Dec 2013
Transactions and balances with associated companies and joint ventures		
Sales	162	161
Purchases	-8	-6
Trade and other receivables and interest-bearing assets	41	44
Trade and other payables	1	1
Transactions and balances with ThyssenKrupp AG		
Sales	56	376
Purchases	-20	-175
Interest expenses	-10	-62
Trade and other receivables	-	23
Other financial assets	-	1
Trade and other payables	-	22
Loan note to ThyssenKrupp	-	1,283
Other interest-bearing debt	-	214
Other financial liabilities	-	3

On February 28, 2014, Outokumpu completed the divestment of the VDM business, Terni remedy assets including Terni and certain service centers to ThyssenKrupp in exchange for Outokumpu's loan note to ThyssenKrupp. ThyssenKrupp sold all of its Outokumpu shares, representing a 29.9% stake in Outokumpu prior to the transaction. As a result the companies are no longer each other's related parties. In 2014, the transactions with ThyssenKrupp are reported for the period of January 1–February 28.

Segment information

EUR million	Jan–Dec 2014	Jan–Dec 2013
Sales by segment		
Coil EMEA		
External sales	4,032	4,423
Internal sales	488	644
Coil Americas		
External sales	1,131	884
Internal sales	27	23
APAC		
External sales	434	377
Internal sales	10	11
Quarto Plate		
External sales	387	355
Internal sales	63	51
Long Products		
External sales	463	451
Internal sales	188	105
Other operations		
External sales	397	256
Internal sales	292	283
Eliminations	-1,068	-1,116
Group sales	6,844	6,745
EBIT		
Coil EMEA	-86	-166
Coil Americas	-104	-270
APAC	-6	-7
Quarto Plate	-26	-17
Long Products	33	-10
Reportable segments total	-188	-470
Other operations	-49	-37
Eliminations	-5	-2
Group EBIT	-243	-510
Operating capital at the end of the period		
Coil EMEA	2,405	2,609
Coil Americas	1,195	1,040
APAC	184	189
Quarto Plate	218	247
Long Products	167	117

Fair values and nominal amounts of derivative instruments

EUR million	Dec 31 2014 Net fair value	Dec 31 2013 Net fair value	Dec 31 2014 Nominal amounts	Dec 31 2013 Nominal amounts
Currency and interest rate derivatives				
Currency forwards including embedded derivatives	-34	-1	1,778	2,518
Currency options, bought	0	0	16	3
Currency options, sold	-	-0	-	3
Interest rate swaps	-11	-9	606	714
Cross-currency swaps	-	-15	-	67
Interest rate options, bought	0	1	143	290
Interest rate options, sold	-1	-3	43	290
			Tonnes	Tonnes
Metal derivatives				
Forward and futures nickel contracts	4	-2	51,094	21,865
Forward and futures molybdenum contracts	-3	-	654	-
Emission allowance derivatives	1	-1	1,900,000	725,000
Propane derivatives	-22	2	89,000	25,000
			MMBtu	MMBtu
Natural gas derivatives	-2	0	2,025,000	1,372,182
	-68	-27		

Hierarchy of financial assets and liabilities measured at fair value on December 31, 2014

EUR million	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	0	2	3	6
Investment at fair value through profit or loss	4	-	2	6
Derivatives	-	36	-	36
	5	39	4	48
Liabilities				
Derivatives	-	105	-	105

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, 2014	0	15
Fair value changes	3	-13
Carrying balance on December 31, 2014	3	2

The change in investments at fair value through profit or loss at hierarchy level 3 relates mostly to investment in Talvivaara Sotkamo Ltd. The valuation has originally been based on the share value of Talvivaara Mining Company Plc. Due to the reorganization proceedings and consequent bankruptcy of Talvivaara Sotkamo Ltd the value of Outokumpu's 16 % holding was written down to zero in 2014. Available for sale financial assets at hierarchy level 3 relates to investments in energy producing companies. Valuation model of energy producing companies is based on discounted cash flow (model), which takes into account the future prices of electricity, discount rate, inflation rate, the estimated amount of electricity to be received and estimated production costs. The valuation is mainly driven by electricity price. +/- 10% change in electricity price leads to an increase of EUR 1 million or decrease of EUR 1 million in valuation.

The fair value of the non-current loan receivables is EUR 10 million (carrying amount EUR 10 million) and the fair value of long-term debt is EUR 1,581 million (carrying amount EUR 1,597 million). For other financial instruments the carrying amount is a reasonable approximation of fair value.

Key figures by quarters

EUR million	I/13	II/13	III/13	IV/13	2013	I/14	II/14	III/14	IV/14	2014
EBITDA	0	-86	-50	-29	-165	-78	70	67	45	104
EBIT margin, %	-4.6	-9.8	-8.3	-7.7	-7.6	-11.6	-0.6	-0.5	-2.2	-3.6
Return on capital employed, %	-6.1	-12.0	-9.8	-9.9	-10.3	-18.3	-1.0	-0.8	-3.5	-5.8
Return on equity, %	-21.1	-37.6	-39.8	-70.0	-41.4	-47.5	-10.3	-14.0	-10.4	-21.8
Return on equity, continuing operations, %	-20.1	-34.7	-32.9	-50.0	-34.4	-51.2	-8.6	-14.1	-10.6	-22.4
Non-current debt	2,982	2,770	3,289	3,270	3,270	2,210	1,627	1,852	1,597	1,597
Current debt	979	1,415	1,011	893	893	404	602	616	569	569
Cash and cash equivalents	-290	-327	-439	-607	-607	-880	-161	-400	-191	-191
Net interest-bearing debt at the end of period	3,671	3,859	3,861	3,556	3,556	1,733	2,068	2,068	1,974	1,974
Capital employed at the end of period	5,740	5,614	5,293	4,265	4,265	3,958	4,208	4,149	4,072	4,072
Equity-to-assets ratio at the end of period, %	28.0	26.2	25.0	21.5	21.5	32.8	33.7	31.6	33.3	33.3
Debt-to-equity ratio at the end of period, %	131.1	152.9	170.7	188.0	188.0	75.9	92.5	96.4	92.6	92.6
Earnings per share, EUR [1) 3)]	-1.14	-1.87	-1.79	-2.72	-7.52	-1.66	-0.14	-0.18	-0.13	-1.27
Earnings per share from continuing operations, EUR [1) 3)]	-1.09	-1.73	-1.48	-1.94	-6.23	-1.79	-0.12	-0.18	-0.13	-1.24
Earnings per share from discontinued operation, EUR [1) 3)]	-0.05	-0.14	-0.31	-0.78	-1.29	0.13	-0.02	0.00	0.00	0.03
Equity per share at the end of period, EUR [2) 3)]	21.03	18.96	17.00	14.23	14.23	5.49	5.38	5.16	5.13	5.13
Capital expenditure, continuing operations	68	30	40	45	183	15	33	25	54	127
Depreciation and amortization, continuing operations	83	84	83	82	332	82	80	76	81	320
Average personnel for the period, continuing operations	13,379	13,467	13,129	12,625	13,150	12,443	12,833	12,700	12,184	12,540

[1)] Calculated based on the rights-issue-adjusted weighted average number of shares, comparative figures adjusted accordingly.

[2)] 2013 calculated based on the rights-issue-adjusted number of shares. I/2014 includes the effect of the Outokumpu rights issue.

[3)] Comparative figures adjusted to reflect the reverse split on June 20, 2014.

Market prices and exchange rates

		I/13	II/13	III/13	IV/13	2013	I/14	II/14	III/14	**IV/14**	**2014**
Market prices [1)]											
Stainless steel											
Base price	EUR/t	1,177	1,137	1,043	1,057	1,103	1,070	1,093	1,110	**1,053**	**1,082**
Alloy surcharge	EUR/t	1,310	1,251	1,086	1,026	1,168	1,026	1,206	1,395	**1,335**	**1,241**
Transaction price	EUR/t	2,487	2,388	2,130	2,083	2,272	2,083	2,299	2,505	**2,389**	**2,319**
Nickel	USD/t	17,298	14,983	13,922	13,914	15,012	14,632	18,464	18,576	**15,783**	**16,864**
	EUR/t	13,107	11,457	10,510	10,223	11,303	10,683	13,467	14,013	**12,629**	**12,694**
Ferrochrome (Cr-content)	USD/lb	1.13	1.27	1.13	1.13	1.16	1.18	1.22	1.19	**1.15**	**1.19**
	EUR/kg	1.87	2.14	1.87	1.83	1.93	1.90	1.96	1.98	**2.03**	**1.97**
Molybdenum	USD/lb	11.39	10.92	9.47	9.66	10.35	9.98	13.70	12.80	**9.33**	**11.45**
	EUR/kg	19.01	18.45	15.75	15.65	17.18	16.06	22.03	21.29	**16.46**	**19.00**
Recycled steel	USD/t	375	342	344	358	354	343	346	349	**293**	**333**
	EUR/t	284	262	260	263	267	250	252	263	**234**	**251**
Exchange rates											
EUR/USD		1.321	1.306	1.324	1.361	1.328	1.370	1.371	1.326	**1.250**	**1.329**
EUR/SEK		8.497	8.565	8.680	8.858	8.834	8.857	9.052	9.205	**9.272**	**9.099**
EUR/GBP		0.851	0.851	0.855	0.841	0.827	0.828	0.815	0.794	**0.789**	**0.806**

[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 = EBIT before depreciation, amortization and impairments

Capital employed = Total equity + net interest-bearing debt + net derivative liabilities + net accrued interest expenses – net assets held for sale – loans receivable – available for sale financial assets – investments at fair value through profit or loss – investments in associated companies and joint ventures

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 = Non-current debt + current debt – cash and cash equivalents

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