# Interim report

Q3 2014

## Outokumpu's duplex reaches new heights in wind power towers

Finnish hollow stainless steel section manufacturer Stalatube has selected Outokumpu's duplex stainless steel as one of the main construction material for its new StalaWind wind power towers. Duplex stainless steel is a strong and durable material, which provides very good features in this demanding application.

"The turbine manufacturers demand taller towers, because at heights of more than 100 meters, the energy output of the towers increases by an average of one percent every additional meter. As a solution, Stalatube has designed steel hybrid towers, made of stainless steel tubes that can take turbines up to heights of 140 to 160 meters or more," says Markku Koponen, Director of Stalatube's Energy Sector.

outokumpu
high performance stainless steel

# CONTENTS

# Positive EBIT excluding non-recurring items and operating cash flow in seasonally slow market

## Highlights in the third quarter 2014

For the first time since the merger with Inoxum, Outokumpu posted positive EBIT excluding non-recurring items of EUR 3 million. Continued cost savings and higher prices contributed positively, while at the same time performance was negatively impacted by lower deliveries in a seasonally slow market. Strong focus on net working capital resulted in better than estimated operating cash flow, which was positive EUR 23 million for the quarter.

- Stainless steel deliveries decreased by 4.6% to 644,000 tonnes[1)] (II 2014: 675,000 tonnes).
- Underlying EBITDA[2)] was EUR 48 million (II 2014: EUR 75 million). The decline in profits was driven by lower deliveries, while at the same time an average base price increase of 10–20 EUR/tonne was achieved.
- EBIT was EUR -9 million (II 2014: EUR -10 million). EBIT includes non-recurring items of EUR -12 million related to restructuring programs, as well as a higher than expected positive net effect of raw material-related inventory and hedging gains/losses of EUR 31 million (II 2014: EUR -7 million and EUR 3 million). Therefore underlying EBIT was EUR -28 million (II 2014: EUR -6 million).
- Operating cash flow was EUR 23 million (II 2014: EUR -257 million) due to a successful reduction in working capital.
- Net interest-bearing debt remained unchanged at EUR 2,068 million and gearing was slightly up to 96.4% (June 30, 2014: 92.5%).
- In September, following good progress in its efficiency programs, Outokumpu announced further savings and efficiency potential and raised its ambition level in targeted total savings by the end of 2017 to EUR 550 million and cash release in net working capital to EUR 400 million by the end of 2015 compared to 2012.

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**

| | | III/14 | II/14 | III/13 | 2013 |
|---|---|---|---|---|---|
| Sales | EUR million | **1,799** | 1,753 | 1,609 | 6,745 |
| EBITDA | EUR million | **67** | 70 | -50 | -165 |
| EBITDA excl. non-recurring items | EUR million | **79** | 78 | -50 | -87 |
| Underlying EBITDA [1] | EUR million | **48** | 75 | -34 | -32 |
| EBIT | EUR million | **-9** | -10 | -134 | -510 |
| EBIT excl. non-recurring items | EUR million | **3** | -3 | -133 | -432 |
| Underlying EBIT [2] | EUR million | **-28** | -6 | -118 | -377 |
| Result before taxes | EUR million | **-73** | -48 | -207 | -822 |
| Net result for the period from continuing operations | EUR million | **-77** | -49 | -197 | -832 |
| excluding non-recurring items | EUR million | **-65** | -42 | -196 | -706 |
| Net result for the period | EUR million | **-77** | -58 | -238 | -1,003 |
| Earnings per share [3] | EUR | **-0.18** | -0,14 | -1.79 | -7.52 |
| excluding non-recurring items [3] | EUR | **-0.15** | -0.12 | -1.78 | -6.56 |
| Return on capital employed | % | **-0.8** | -1.0 | -9.8 | -10.3 |
| excluding non-recurring items | % | **0.3** | -0.3 | -9.8 | -8.7 |
| Net cash generated from operating activities, continuing oper. | EUR million | **23** | -257 | 43 | 34 |
| Net interest-bearing debt at the end of period | EUR million | **2,068** | 2,068 | 3,861 | 3,556 |
| Debt-to-equity ratio at the end of period | % | **96.4** | 92.5 | 170.7 | 188.0 |
| Capital expenditure, continuing operations | EUR million | **25** | 33 | 40 | 183 |
| Stainless steel deliveries, continuing operations [4] | 1,000 tonnes | **644** | 675 | 635 | 2,585 |
| Stainless steel base price [5] | EUR/tonne | **1,110** | 1,093 | 1,043 | 1,103 |
| Personnel at the end of period, continuing oper., excl. summer trainees [6] | | **12,385** | 12,365 | 12,798 | 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] Stainless steel: CRU - German base price (2 mm cold rolled 304 sheet).

[6] On June 30, 2014 Group employed in addition some 800 summer trainees.

## Business and financial outlook for the fourth quarter of 2014

Outokumpu estimates that the overall stainless steel operating environment will be lackluster in the fourth quarter. This is driven by the recent decline in the nickel price, which is negatively impacting demand in the distributor sector as well as the general economic slowdown especially in Europe and China.

The company estimates lower delivery volumes and relatively stable stainless steel base prices in the fourth quarter. The fourth-quarter underlying EBIT is expected to be on a similar level as in the third quarter. Despite weaker market conditions and lower deliveries, Outokumpu's financial performance is supported by continued progress in the company's turnaround including the cost efficiency initiatives and synergies. With current price, the net impact of raw material-related inventory and metal hedging gains/losses on profitability is expected to be marginally negative, if any.

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:**

“As a result of relentless execution of our strategy for the first time since the merger with Inoxum Outokumpu delivered a positive EBIT excluding non-recurring items. This is a great milestone, especially when taking into account that during the third quarter the market dynamics in stainless steel shifted and the relatively healthy operating environment we saw in the first half of the year deteriorated. Imports into Europe averaged 33% in the third quarter, and even in the US imports exceeded 20%. Combined with the seasonally slow holiday period in Europe and maintenance breaks at our mills, our delivery volumes came down from the second quarter, as expected.

Despite the lower volumes and market developments, our EBIT excluding non-recurring items was EUR 3 million positive. The underlying EBIT, taking into account net hedging and timing impacts, came down from EUR -6 million to EUR -28 million in line with our expectations. With focused net working capital management efforts we turned the operating cash flow back to a positive track.

During the first nine months of 2014 we have improved our underlying EBIT by EUR 209 million compared to the same period one year ago. This is the result of our determined execution of our strategy: the restructuring in Europe, the progress in our ramp-ups particularly in the Calvert mill and the traction from our savings programs are all making a concrete, positive difference. The progress has given us confidence to further accelerate our turnaround and set the bar higher. Thus, as announced in connection with our Capital Markets Day in September, we aim to complete the synergy savings already in 2015, raise the total cost savings target and expand our net working capital efficiency program.

Given the current cautiousness and volatility in the market, the rest of the year in stainless steel is looking weaker than could have been anticipated at the start of 2014. We will continue to deliver against our plans during the rest of the year, and even with the lower volume outlook we estimate a similar level of underlying EBIT as in the third quarter. As we are actively selling for first-quarter deliveries we see positive signals for the start of 2015. Together with continued progress of our turnaround, we are looking optimistically towards next year.”

# Update on profitability improvement programs

## Efficiency programs expanded

Outokumpu has expanded its efficiency programs in September. Following good progress, Outokumpu expects to achieve the EUR 200 million in synergy savings of 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 has been expanded, aiming at EUR 250 million by the end of 2015. The EMEA restructuring plan remains intact. All in all, Outokumpu's total savings are now expected to reach EUR 550 million by the end of 2017 out of which EUR 340 million has been realized by the end of September.

One-time initial cash costs (excluding capex and impairments) for all three programs have been increased by EUR 20 million to EUR 220 million between 2013 and 2017, in line with the expansion of the cost savings programs. By the end of September, EUR 186 million of provisions related to these programs had been recorded (June 30, 2014: EUR 174 million). The cash effect of these is estimated to impact mostly years 2015 and 2016.

Outokumpu will also continue focused efforts to improve its cash flow. The target of reducing net working capital by EUR 300 million by the end of 2014 compared to 2012 remains. To raise the ambition level Outokumpu is targeting a further release of EUR 100 million in net working capital by the end of 2015.

## Synergy savings

In the third quarter of 2014, additional synergy savings of EUR 13 million were achieved, leading to total cumulative synergy savings of EUR 160 million since the beginning of 2013. Almost 60% of total savings came from raw material and general procurement. The Krefeld melt shop closure at the end of 2013 and the headcount reductions also contributed to the overall achievement. Coil EMEA's share in overall synergy savings added up to 72% by the end of the third quarter, followed by Coil Americas with 7%. Outokumpu expects cumulative synergy savings to reach EUR 170 million in 2014, with the majority coming from production optimization.

## P250 savings

During the third quarter of 2014, EUR 11 million of cost savings were reached, leading to cumulative realized savings of EUR 180 million. Especially EMEA, Americas and Long Products contributed to this, as well as very good results in raw material 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 expects cumulative savings to reach EUR 190 million in 2014. Additional measures, mainly in production and general procurement, are currently defined for 2015.

## EMEA restructuring savings

Outokumpu reached an agreement with the German labor unions regarding the EMEA restructuring plan in March 2014. The plan is expected to deliver the original targeted annual savings of EUR 100 million by the end of 2017 and implementation is progressing as planned. The closure of the melt shop in Bochum will take place in 2015 following a production transfer process to other sites. Between 2014 and 2016, EUR 108 million will be invested in the Krefeld cold rolling center in Germany to optimize ferritic stainless steel production. The Benrath cold rolling mill is expected to be closed in 2016 after the production transfer to Krefeld has been completed. 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 2017.

**Cumulative savings from corporate programs**

| EUR million | 2013 | III/2014 | 2014f | 2015f | 2016f | Target 2017 |
|---|---|---|---|---|---|---|
| Total cumulative savings | 199 | 340 | 360 | 470 | 530 | 550 |
| of which: Synergies | 95 | 160 | 170 | 200 | 200 | 200 |
| of which: P250 | 104 | 180 | 190 | 250 | 250 | 250 |
| of which: EMEA restructuring | - | - | - | 20 | 80 | 100 |

### P300 becomes P400 net working capital program

As announced in September 2014, Outokumpu is targeting a further release of EUR 100 million in net working capital by the end of 2015, on top of the net working capital reduction of EUR 300 million by the end of 2014. The main drivers will continue to be active inventory, accounts receivable and accounts payable management. Since the beginning of 2013, EUR 219 million of net working capital has been released, mainly through reduction of inventories.

In the third quarter of 2014, the P300 program delivered good results mainly supported by a decrease in accounts receivable and in inventory tonnes especially towards the end of the quarter. However, inventory days, Outokumpu's key metric for inventory efficiency, increased from 96 days in the second quarter to an average of 105 days in the third quarter due to the seasonally lower deliveries during the summer months. 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 300 million cash release from the net working capital reduction by the end of 2014 versus the 2012 level.

## Ongoing ramp-ups

### Calvert ramp-up

The ramp-up of Outokumpu's integrated stainless steel mill in Calvert, USA continues to develop positively overall, with increasing volumes, improving production stability and an expanded product portfolio. The production covers both standard austenitic and ferritic grades as well as widths ranging from 36 to 72 inches. Product quality is improving as the ramp-up progresses, and delivery reliability and the first time right rate remain key. Outokumpu targets to complete the technical ramp up by the end of 2014 as planned.

The melt shop ramp-up continues with operations aligned with the higher production levels. Good progress has been made in the third quarter to further optimize and stabilize the raw material mix and scrap ratios.

The repair work in the 54 inch cold rolling mill that was taken down for technical reasons in June is still ongoing and the line is expected to be back in operation in December. In August following the breakdown of the 54 inch cold rolling mill, Outokumpu took maintenance and repair measures in the two other cold rolling lines. The maintenance work was successfully concluded during the third quarter and both lines are back in operation. Outokumpu estimates the outages to have about 35,000 tonnes negative impact on deliveries during the second half of 2014, and the financial impact to be partly covered by insurance. While the lower volumes and production efficiency are additional challenges, Outokumpu confirms the Coil Americas' EBITDA break-even target for the full year 2014. The delivery target of 530,000 tonnes for 2014 remains intact.

## Ferrochrome production ramp-up

The ramp-up of new capacity at the integrated ferrochrome operations in Finland continued according to plans. Quarterly ferrochrome production was 106,000 tonnes (II 2014: 98,000 tonnes), slightly up following the recovery from the earlier transformer breakdowns. Ferrochrome production was, however, impacted by some additional production disturbances which resulted in about 15,000 tonnes of lost production. The latest estimate for 2014 production is therefore 450,000 tonnes. The full technical production capacity of 530,000 tonnes will be available in 2015.

# Market development

## Seasonally weaker stainless steel demand during the third quarter

Global demand for stainless steel products totaled 9.2 million tonnes in the third quarter of 2014, down by 1.4% compared to the second quarter of 2014. Markets in EMEA and Americas in particular declined, mainly due to seasonality, by 11.6% and 6.8%, respectively. Demand in APAC increased by 2.5%. Compared to the third quarter of 2013, global stainless steel demand was 6.2% higher, supported by all regions.

**Market development of total stainless steel real demand in Q3 2014**

| Million tonnes | 2013 | III/13 | II/14 | III/14 | Δ y-o-y | Δ q-o-q |
|---|---|---|---|---|---|---|
| EMEA | 7.0 | 1.6 | 1.9 | 1.7 | 6.7% | -11.6% |
| Americas | 3.4 | 0.8 | 0.9 | 0.9 | 3.3% | -6.8% |
| APAC | 24.5 | 6.2 | 6.4 | 6.6 | 6.4% | 2.5% |
| **Total** | **34.9** | **8.6** | **9.3** | **9.2** | **6.2%** | **-1.4%** |

Source: SMR September 2014
e = estimate

The main drivers for weaker demand during the third quarter of 2014 were the Automotive & Heavy Transport and Chemical/Petrochemical & Energy segments, which decreased by 11.3% and 7.5%, respectively, compared to the second quarter of 2014. Additionally, decline was seen in the segments Industrial & Heavy Industries and Architecture/Building & Construction with by 6.1% and 2.3%, respectively. In the Consumer Goods & Medical segments, demand increased by 6.2% in the third quarter of 2014.

Imports into the EU reached 32.9% of total consumption in the third quarter of 2014 compared to an average level of 30.7% in the second quarter of 2014, and compared to an average level of 23.8% for the full year of 2013. The largest countries in terms of imports to the EU included China, Taiwan, South Korea, the USA, South Africa, India and Japan. (Source: Eurofer September 2014)

Average imports into the NAFTA region are expected to reach 20.0% of the total consumption in the third quarter of 2014, up from 17.6% in the previous quarter. The average import level in 2013 was 13.4%. (Source: Foreign Trade Statistics September 2014)

## Stainless steel transaction prices

According to CRU, European transaction prices in the third quarter of 2014 for 2mm cold rolled 304 stainless steel increased by 9.0% compared to the previous quarter. Main reason was an increase in the alloy surcharge, reflecting higher raw material prices, but also base prices showed a slight improvement. A similar picture was seen in the USA, where transaction prices increased by 6.8%. In China, average transaction prices increased by only 2.8%, quarter-on-quarter. Compared to last year's third quarter levels, average transaction price levels in the EU, USA and China increased by 17.6%, 20.6% and 15.7%, respectively.

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

| USD/t | | | 2013 | III/13 | II/14 | III/14 | Δ y-o-y | Δ q-o-q |
|---|---|---|---|---|---|---|---|---|
| Europe | Base | EUR/t | 1,103 | 1,043 | 1,093 | 1,110 | 6.4% | 1.5% |
| | Alloy | EUR/t | 1,168 | 1,086 | 1,206 | 1,395 | 28.4% | 15.7% |
| | Transaction price | EUR/t | 2,272 | 2,130 | 2,299 | 2,505 | 17.6% | 9.0% |
| USA | Base | USD/t | 1,348 | 1,367 | 1,396 | 1,411 | 3.2% | 1.1% |
| | Alloy | USD/t | 1,554 | 1,434 | 1,765 | 1,966 | 37.1% | 11.4% |
| | Transaction price | USD/t | 2,902 | 2,801 | 3,161 | 3,377 | 20.6% | 6.8% |
| China | Transaction price | USD/t | 2,370 | 2,232 | 2,492 | 2,562 | 14.8% | 2.8% |

Source: CRU October 2014

## Price development of alloying metals

The nickel price[1)] was trading sideways on slow demand until early September, when it rapidly rallied to the highest level of the quarter at 19,740 USD/tonne on the news that the Philippines is considering a ban on nickel ore exports. However, during the rest of the quarter, the price plummeted on lower economic growth in China and a stronger US dollar together with rising LME stocks and a surge in ore exports from the Philippines to China. The LME nickel cash quotation closed the quarter at 16,505 USD/tonne. The average price in the quarter was 18,576 USD/tonne, 0.6% higher than the 18,464 USD/tonne in the second quarter of 2014.

The European benchmark price[2)] for ferrochrome followed the weakening trend of prices in China and decreased to a level of 1.19 USD/lb. in the third quarter of the year, down from 1.22 USD/lb. in the second quarter of 2014. For the fourth quarter of 2014, the benchmark price has settled down to 1.15 USD/lb., following the Chinese prices.

The average molybdenum price[3)] for the third quarter was 12.8 USD/lb., down by 6.4% from 13.7 USD/lb. in the second quarter.

1) Nickel cash LME daily official settlement USD per tonne
2) Ferrochrome contract: Ferrochrome 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

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

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 key in returning the company to profitability.

**Coil EMEA key figures**

| | | I/13 | II/13 | III/13 | I-III/13 | IV/13 | 2013 | I/14 | II/14 | **III/14** | **I–III/14** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Stainless steel deliveries | 1,000 tonnes | 539 | 470 | 423 | 1,431 | 423 | 1,854 | 469 | 443 | **413** | **1,325** |
| Ferrochrome deliveries, continuing oper. | 1,000 tonnes | 28 | 65 | 57 | 150 | 62 | 212 | 25 | 25 | **23** | **74** |
| Sales | EUR million | 1,591 | 1,325 | 1,104 | 4,020 | 1,047 | 5,067 | 1,169 | 1,161 | **1,134** | **3,465** |
| EBITDA | EUR million | 32 | 0 | 2 | 34 | 21 | 55 | -54 | 58 | **74** | **79** |
| EBITDA excl. non-recurring items | EUR million | 32 | 32 | 3 | 66 | 43 | 110 | 59 | 66 | **85** | **210** |
| Underlying EBITDA | EUR million | na | na | na | na | na | na | 63 | 67 | **62** | **192** |
| EBIT | EUR million | -24 | -55 | -51 | -130 | -36 | -166 | -134 | 7 | **27** | **-99** |
| EBIT excl. non-recurring items | EUR million | -24 | -23 | -51 | -97 | -14 | -111 | 6 | 14 | **38** | **59** |
| Underlying EBIT | EUR million | na | na | na | na | na | na | 10 | 15 | **15** | **41** |
| Depreciation and amortization | EUR million | -53 | -54 | -53 | -159 | -53 | -212 | -53 | -51 | **-47** | **-151** |
| Capital expenditure | EUR million | 27 | 17 | 17 | 61 | 19 | 81 | 9 | 19 | **18** | **45** |
| Operating capital | EUR million | 2,805 | 2,844 | 2,802 | 2,802 | 2,609 | 2,609 | 2,492 | 2,575 | **2,535** | **2,535** |

In the third quarter, Coil EMEA's stainless steel deliveries declined to 413,000 tonnes (II 2014: 443,000 tonnes) mainly due to seasonality. Sales were down by 2.3% to EUR 1,134 million (II 2014: EUR 1,161 million). Outokumpu achieved around a EUR 20/tonne price increase in Europe for standard austenitic grade deliveries during the quarter.

The ferrochrome investment ramp-up continued in Finland: production for the quarter was 106,000 tonnes (II 2014: 98,000 tonnes), negatively impacted by 15,000 tonnes due to production disturbances.

EBITDA excluding non-recurring items improved quarter-on-quarter from EUR 66 million to EUR 85 million driven by the positive EUR 23 million net impact of hedging. The underlying EBITDA was slightly down on the back of lower deliveries. Non-recurring redundancy provisions of EUR 11 million were booked in the third quarter (II 2014: EUR 7 million), related mostly to restructuring of operations in Germany. Underlying EBIT was EUR 15 million, unchanged with the previous quarter despite lower deliveries.

## Coil Americas

Coil Americas' key focus 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 aim is to finalize the Calvert technical ramp-up during 2014 and implement the full commercial ramp-up by 2016. In addition, Coil Americas focuses on ensuring performance of the Mexican operations.

**Coil Americas key figures**

| | | I/13 | II/13 | III/13 | I-III/13 | IV/13 | 2013 | I/14 | II/14 | **III/14** | **I–III/14** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Deliveries | 1,000 tonnes | 102 | 116 | 129 | 346 | 119 | 465 | 135 | 143 | **147** | **425** |
| Sales | EUR million | 202 | 231 | 251 | 683 | 223 | 906 | 254 | 291 | **316** | **861** |
| EBITDA | EUR million | -38 | -70 | -50 | -158 | -43 | -201 | -19 | 1 | **-12** | **-30** |
| EBITDA excl. non-recurring items | EUR million | -38 | -70 | -50 | -158 | -35 | -193 | -19 | 1 | **-12** | **-30** |
| Underlying EBITDA | EUR million | na | na | na | na | na | na | -23 | -7 | **-16** | **-46** |
| EBIT | EUR million | -54 | -87 | -68 | -210 | -60 | -270 | -36 | -17 | **-29** | **-82** |
| EBIT excl. non-recurring items | EUR million | -54 | -87 | -68 | -210 | -53 | -262 | -36 | -17 | **-29** | **-82** |
| Underlying EBIT | EUR million | na | na | na | na | na | na | -40 | -25 | **-33** | **-98** |
| Depreciation and amortization | EUR million | -17 | -18 | -18 | -52 | -17 | -69 | -17 | -17 | **-17** | **-52** |
| Capital expenditure | EUR million | 23 | 3 | 2 | 28 | 16 | 44 | 2 | 2 | **3** | **7** |
| Operating capital | EUR million | 1,290 | 1,271 | 1,157 | 1,157 | 1,040 | 1,040 | 993 | 1,111 | **1,170** | **1,170** |

Coil Americas' deliveries in the third quarter amounted to 147,000 tonnes (II 2014: 143,000 tonnes). Maintenance and repair work done at Calvert cold rolling lines had an adverse impact on deliveries of about 20,000 tonnes in the third quarter. Sales grew by 8.6% to EUR 316 million (II 2014: EUR 291 million) primarily due to higher transaction prices. Coil Americas has achieved several increases during the year, the effective base price increase in the third quarter deliveries being about 80 USD/tonne.

The third-quarter financial performance was negatively affected by the maintenance and repair work and resulting higher costs in Calvert. The negative impact is expected to be partly relieved in the fourth quarter by an insurance payment. EBITDA excluding non-recurring items was EUR -12 million compared to EUR 1 million in the second quarter.

While the lower volumes and production efficiency are additional challenges, Outokumpu confirms the Coil Americas' EBITDA break-even target for the full year 2014. The delivery target of 530,000 tonnes for 2014 remains intact.

## 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.

**APAC key figures**

| | | I/13 | II/13 | III/13 | I-III/13 | IV/13 | 2013 | I/14 | II/14 | III/14 | I–III/14 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Deliveries | 1,000 tonnes | 36 | 29 | 56 | 122 | 62 | 184 | 48 | 58 | 60 | 166 |
| Sales | EUR million | 85 | 74 | 111 | 270 | 117 | 388 | 88 | 118 | 124 | 330 |
| EBITDA | EUR million | 4 | 3 | 4 | 12 | -3 | 9 | -2 | 4 | 2 | 4 |
| EBITDA excl. non-recurring items | EUR million | 4 | 3 | 4 | 12 | -3 | 9 | -2 | 4 | 2 | 4 |
| Underlying EBITDA | EUR million | na | na | na | na | na | na | -2 | 4 | 2 | 4 |
| EBIT | EUR million | 0 | -1 | 0 | -0 | -7 | -7 | -5 | 1 | -2 | -6 |
| EBIT excl. non-recurring items | EUR million | 0 | -1 | 0 | -0 | -6 | -7 | -5 | 1 | -2 | -6 |
| Underlying EBIT | EUR million | na | na | na | na | na | na | -5 | 1 | -2 | -6 |
| Depreciation and amortization | EUR million | -4 | -4 | -4 | -12 | -4 | -16 | -3 | -3 | -3 | -10 |
| Capital expenditure | EUR million | 1 | 1 | 1 | 2 | 1 | 3 | 0 | 0 | 0 | 1 |
| Operating capital | EUR million | 229 | 222 | 210 | 210 | 189 | 189 | 177 | 183 | 200 | 200 |

The stainless steel market in the APAC region continued to be very turbulent in the third quarter, with uncertain market sentiment as a result of the declining nickel price and softening demand. Market prices for commodity grades have been on a downward trend since May, mainly due to weak demand in China and strong pressure from regional overcapacity. The order intake for Outokumpu's European import business into the APAC region continued to be sluggish and is affected by long lead times from the European mills. The order intake at the SKS cold rolling mill in China improved compared to the second quarter.

Deliveries in the third quarter were slightly up to 60,000 tonnes, reflecting continued relatively good volumes at the SKS cold rolling mill. Sales continued to trend positively, amounting to EUR 124 million for the quarter.

However, APAC's third-quarter EBITDA excluding non-recurring items declined to EUR 2 million, compared to EUR 4 million in the second quarter, despite higher deliveries. This was mainly due to high hot band raw material costs earlier in the year and the declining market price affecting third-quarter results.

## 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 in profitability.

**Quarto Plate key figures**

| | | I/13 | II/13 | III/13 | I-III/13 | IV/13 | 2013 | I/14 | II/14 | III/14 | I–III/14 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Deliveries | 1,000 tonnes | 25 | 20 | 18 | 63 | 20 | 83 | 24 | 25 | 24 | 73 |
| Sales | EUR million | 127 | 105 | 82 | 313 | 93 | 406 | 102 | 114 | 113 | 330 |
| EBITDA | EUR million | 9 | -3 | -2 | 4 | -2 | 1 | 2 | -5 | -1 | -3 |
| EBITDA excl. non-recurring items | EUR million | 9 | -3 | -2 | 4 | -2 | 1 | 2 | -5 | -1 | -3 |
| Underlying EBITDA | EUR million | na | na | na | na | na | na | 0 | -4 | -6 | -10 |
| EBIT | EUR million | 4 | -7 | -7 | -10 | -7 | -17 | -2 | -9 | -5 | -17 |
| EBIT excl. non-recurring items | EUR million | 4 | -7 | -7 | -10 | -7 | -17 | -2 | -9 | -5 | -17 |
| Underlying EBIT | EUR million | na | na | na | na | na | na | -4 | -8 | -11 | -24 |
| Depreciation and amortization | EUR million | -5 | -4 | -5 | -14 | -5 | -18 | -5 | -5 | -5 | -14 |
| Capital expenditure | EUR million | 7 | 5 | 16 | 27 | 6 | 33 | 2 | 5 | 2 | 9 |
| Operating capital | EUR million | 273 | 247 | 252 | 252 | 247 | 247 | 245 | 253 | 251 | 251 |

The operating environment for quarto plate businesses was challenging overall in the third quarter of 2014, and there has not been real take-off in project activity after the holiday period in Europe. Declining raw material prices, especially nickel, have made customers hesitant to place new orders and prices for quarto plate products were under pressure in both Europe and the US. Out of the customer segments chemical tankers, pulp and paper as well as energy are holding up strongest.

Despite the slower than expected recovery of project activity, the seasonally low third quarter saw deliveries on par with the second quarter. Delivery volumes were supported by the shortened annual maintenance break in Degerfors. The majority of the business area deliveries derive from the Degerfors mill where the ramp-up of recently expanded production capacity is expected to be technically completed by the end of 2014. The commercial ramp-up towards 150,000 tonnes will continue in the coming two years with volumes depending on market conditions and product mix.

EBITDA excluding non-recurring items for the third quarter improved to EUR -1 million (II 2014: EUR -5 million), mainly due to positive net hedging impacts.

## 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 USA. 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 | I-III/13 | IV/13 | 2013 | I/14 | II/14 | **III/14** | **I–III/14** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Deliveries | 1,000 tonnes | 63 | 52 | 49 | 164 | 50 | 214 | 65 | 80 | **60** | **205** |
| Sales | EUR million | 171 | 144 | 120 | 435 | 121 | 556 | 149 | 203 | **171** | **523** |
| EBITDA | EUR million | 2 | 0 | -3 | -1 | -3 | -3 | 2 | 16 | **10** | **27** |
| EBITDA excl. non-recurring items | EUR million | 2 | 0 | -3 | -1 | -3 | -3 | 2 | 16 | **10** | **27** |
| Underlying EBITDA | EUR million | na | na | na | na | na | na | 4 | 13 | **8** | **24** |
| EBIT | EUR million | 0 | -2 | -5 | -6 | -4 | -10 | 0 | 14 | **8** | **23** |
| EBIT excl. non-recurring items | EUR million | 0 | -2 | -5 | -6 | -4 | -10 | 0 | 14 | **8** | **23** |
| Underlying EBIT | EUR million | na | na | na | na | na | na | 2 | 11 | **6** | **19** |
| Depreciation and amortization | EUR million | -2 | -2 | -2 | -5 | -1 | -7 | -2 | -2 | **-1** | **-5** |
| Capital expenditure | EUR million | 2 | 2 | 1 | 6 | 3 | 9 | 1 | 2 | **2** | **5** |
| Operating capital | EUR million | 164 | 144 | 136 | 136 | 117 | 117 | 126 | 153 | **151** | **151** |

During the third quarter, demand for long products continued to be healthy in the US with stable prices. In Europe, the rebound after the summer period has been more subdued than normal and affected by the declining nickel price and customer destocking. Price pressure in both Europe and Asia remains.

Long Products' total deliveries of 60,000 tonnes in the third quarter showed healthy growth over the same period a year ago, but were down from the exceptionally strong second quarter, which included significant internal slab deliveries.

Profitability of Long Products continued on a healthy level, but was negatively affected by seasonally lower delivery volumes in Europe and low capacity utilization in the Sheffield melt shop and the Degerfors unit. As a result, EBITDA excluding non-recurring items in the third quarter amounted to EUR 10 million, compared to EUR 16 million in the second quarter.

# Financial performance

## Deliveries down on seasonality

Outokumpu's external stainless steel deliveries in the third quarter of 2014 were down by 4.6% at 644,000 tonnes, compared to 675,000 tonnes in the second quarter. The lower deliveries mainly resulted from seasonality and a high share of third-country imports into the European market.

Overall, the capacity utilization rates of Outokumpu production facilities have improved after the closure of the Krefeld melt shop in December 2013 and the progress in the Calvert ramp-up (2013 average: melting 65% and cold rolling 70%). In the third quarter, Outokumpu's average utilization rate was around 70% in both melting and cold rolling and therefore lower than in the second quarter, reflecting maintenance breaks and seasonally slower markets (II 2014: 85% and 75%).

**Continuing operations' deliveries**

| 1,000 tonnes | I/13 | II/13 | III/13 | I-III/13 | IV/13 | 2013 | I/14 | II/14 | **III/14** | **I–III/14** |
|---|---|---|---|---|---|---|---|---|---|---|
| Cold rolled | 480 | 456 | 483 | 1419 | 460 | 1,879 | 487 | 489 | **479** | **1,455** |
| White hot strip | 103 | 94 | 81 | 278 | 92 | 370 | 103 | 107 | **85** | **295** |
| Quarto plate | 23 | 19 | 16 | 58 | 18 | 77 | 22 | 23 | **22** | **67** |
| Long products | 15 | 17 | 16 | 48 | 15 | 62 | 16 | 18 | **15** | **49** |
| Semi-finished products | 92 | 116 | 94 | 302 | 96 | 398 | 71 | 62 | **62** | **195** |
| Stainless steel [1)] | 64 | 51 | 38 | 152 | 33 | 186 | 46 | 37 | **39** | **121** |
| Ferrochrome | 28 | 65 | 57 | 150 | 62 | 212 | 25 | 25 | **23** | **74** |
| Tubular products | 6 | 3 | 2 | 10 | 2 | 12 | 2 | 2 | **3** | **7** |
| Total deliveries | 719 | 705 | 692 | 2,115 | 682 | 2,797 | 701 | 701 | **667** | **2,069** |
| Stainless steel deliveries | 691 | 640 | 635 | 1,965 | 620 | 2,585 | 676 | 675 | **644** | **1,995** |

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

## Sales up on higher prices

**Sales**

| EUR million | I/13 | II/13 | III/13 | I-III/13 | IV/13 | 2013 | I/14 | II/14 | **III/14** | **I–III/14** |
|---|---|---|---|---|---|---|---|---|---|---|
| Coil EMEA | 1,591 | 1,325 | 1,104 | 4,020 | 1,047 | 5,067 | 1,169 | 1,161 | **1,134** | **3,465** |
| Coil Americas | 202 | 231 | 251 | 683 | 223 | 906 | 254 | 291 | **316** | **861** |
| APAC | 85 | 74 | 111 | 270 | 117 | 388 | 88 | 118 | **124** | **330** |
| Quarto Plate | 127 | 105 | 82 | 313 | 93 | 406 | 102 | 114 | **113** | **330** |
| Long Products | 171 | 144 | 120 | 435 | 121 | 556 | 149 | 203 | **171** | **523** |
| Other operations | 100 | 114 | 166 | 380 | 158 | 538 | 135 | 178 | **193** | **506** |
| Intra-group sales | -410 | -254 | -224 | -888 | -228 | -1,116 | -280 | -311 | **-253** | **-844** |
| | 1,867 | 1,738 | 1,609 | 5,214 | 1,531 | 6,745 | 1,617 | 1,753 | **1,799** | **5,170** |

Outokumpu sales in the third quarter of 2014 grew by 2.6% to EUR 1,799 million (II 2014: EUR 1,753 million) mainly driven by higher stainless steel transaction prices.

For Outokumpu, base prices increased by 10–20 EUR/tonne during the third quarter. According to CRU, the average base price[1)] for the third quarter 2014 was 1,110 EUR/tonne (II 2014: 1,093 EUR/tonne).

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

**Profitability**

| EUR million | I/13 | II/13 | III/13 | I-III/13 | IV/13 | 2013 | I/14 | II/14 | III/14 | I–III/14 |
|---|---|---|---|---|---|---|---|---|---|---|
| Underlying EBITDA [1] | 5 | -2 | -34 | -31 | -1 | -32 | 37 | 75 | **48** | **160** |
| Adjustments to EBITDA | | | | | | | | | | |
| Non-recurring items in EBITDA | -2 | -46 | -1 | -48 | -29 | -78 | -113 | -7 | **-12** | **-132** |
| Net of raw material-related inventory and metal derivative gains/losses, unaudited [2] | -3 | -38 | -15 | -57 | 1 | -56 | -3 | 3 | **31** | **31** |
| EBITDA | 0 | -86 | -50 | -136 | -29 | -165 | -78 | 70 | **67** | **59** |
| | | | | | | | | | | |
| Underlying EBIT [3] | -82 | -87 | -118 | -287 | -90 | -377 | -45 | -6 | **-28** | **-78** |
| Adjustments to EBIT | | | | | | | | | | |
| Non-recurring items in EBIT | -2 | -46 | -1 | -48 | -29 | -78 | -140 | -7 | **-12** | **-159** |
| Net of raw material-related inventory and metal derivative gains/losses, unaudited [2] | -3 | -38 | -15 | -57 | 1 | -56 | -3 | 3 | **31** | **31** |
| EBIT | -87 | -171 | -134 | -392 | -118 | -510 | -188 | -10 | **-9** | **-207** |

[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.

In line with lower delivery volumes, third-quarter EBITDA was about 4.3% lower compared to the second quarter at EUR 67 million (II 2014: EUR 70 million). Non-recurring items of EUR -12 million were booked related to redundancy provisions in Outokumpu's European operations (II 2014: EUR -7 million).

The net effect of raw material-related inventory and hedging gains/losses in the third quarter of 2014 was EUR 31 million (II 2014: EUR 3 million). The positive impact was higher than originally estimated due to the declining nickel price towards the end of the quarter.

Adjusted for non-recurring items and net of raw material-related inventory and metal derivative gains/losses, underlying EBITDA was EUR 48 million (II 2014: EUR 75 million).

Underlying EBIT was EUR -28 million, compared to EUR -6 million in the second quarter of 2014 and EUR -118 million in the third quarter of 2013. The improvement in underlying profitability year-on-year shows traction from restructuring and saving programs, a better product mix and higher base prices.

**Non-recurring items in EBITDA and EBIT**

| EUR million | I/13 | II/13 | III/13 | I-III/13 | IV/13 | 2013 | I/14 | II/14 | III/14 | I–III/14 |
|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA | | | | | | | | | | |
| Redundancy provisions | - | -33 | -0 | -34 | -20 | -54 | -88 | -7 | **-12** | **-107** |
| Environmental provisions related to site closures | - | - | - | - | - | - | -25 | - | **-** | **-25** |
| Inventory write-downs related to efficiency programs | - | - | - | - | -12 | -12 | - | - | **-** | **-** |
| Carrier settlement | - | -11 | - | -11 | - | -11 | - | - | **-** | **-** |
| Costs related to Inoxum transaction | -2 | -1 | -0 | -3 | 2 | -1 | - | - | **-** | **-** |
| Non-recurring items in EBITDA | -2 | -46 | -1 | -48 | -29 | -78 | -113 | -7 | **-12** | **-132** |
| of which in gross margin | - | -24 | -0 | -24 | -29 | -53 | -113 | -7 | **-9** | **-128** |
| | | | | | | | | | | |
| Additionally in EBIT | | | | | | | | | | |
| Impairments related to EMEA restructuring | - | - | - | - | - | - | -27 | - | **-** | **-27** |
| Non-recurring items in EBIT | -2 | -46 | -1 | -48 | -29 | -78 | -140 | -7 | **-12** | **-159** |

## Financial expenses

Net financial income and expenses amounted to EUR -64 million (II 2014: EUR -42 million). Interest expenses for the third quarter were EUR 31 million (II 2014: EUR 29 million). Market price losses amounted to EUR 13 million, compared to market price gains of EUR 5 million in the second quarter.

Financial income and expenses in the third quarter included a fair value change of EUR -11 million (II 2014: EUR 5 million) for the 16% stake in Talvivaara Sotkamo Ltd. Due to the restructuring program of Talvivaara Sotkamo Ltd., announced on September 30, 2014, Outokumpu concluded that the 16% holding in Talvivaara Sotkamo Ltd with a high likelihood has no value and has therefore valued the remaining holding at zero.

## Net result for the period

The net result for the third quarter of 2014 was EUR -77 million (II 2014: EUR -58 million) which was fully attributable to continuing operations.

Earnings per share of continuing operations were EUR -0.18 (II 2014: EUR -0.12, adjusted for the rights issue and the reverse split).

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

Following significant cash outflow in the second quarter, Outokumpu managed to reverse the trend and delivered a EUR 23 million positive cash flow in the third quarter. This was driven by a successful increase in trade financing as well as overall lower purchasing volumes. Especially towards the end of the quarter, inventory tonnes were reduced significantly, indicating the positive working capital trend is continuing. Outokumpu's current trade accounts payable went down by 8%, the value of inventories down by 2%, and current trade accounts receivable down by 10%.

**Summary of cash flows**

| EUR million | **July–Sept 2014** | April–June 2014 | July–Sept 2013 | **Jan–Sept 2014** | Jan–Sept 2013 | Jan–Dec 2013 |
|---|---|---|---|---|---|---|
| Net result for the period | **-77** | -58 | -238 | **-383** | -640 | -1,003 |
| Non-cash adjustments | **67** | 106 | 154 | **400** | 490 | 844 |
| Change in working capital | **54** | -263 | 152 | **-176** | 43 | 297 |
| Dividends received | **-** | 0 | 2 | **3** | 2 | 2 |
| Interests received | **1** | 1 | 1 | **2** | 1 | 3 |
| Interests paid | **-22** | -42 | -27 | **-92** | -85 | -106 |
| Income taxes paid | **-0** | -0 | 0 | **-2** | -0 | -3 |
| **Net cash from operating activities** | **23** | -257 | 43 | **-248** | -190 | 34 |
| Purchases of assets | **-20** | -37 | -39 | **-90** | -244 | -287 |
| Proceeds from the sale of subsidiaries, net of cash | **-** | -41 | - | **-50** | -1 | -1 |
| Proceeds from the sale of assets | **7** | 8 | 0 | **16** | 0 | 187 |
| Other investing cash flow | **-** | 1 | 0 | **0** | -6 | -7 |
| **Net cash from investing activities** | **-13** | -69 | -39 | **-124** | -251 | -108 |
| **Cash flow before financing activities** | **10** | -327 | 4 | **-372** | -441 | -74 |
| Net cash from financing activities | **225** | -396 | 113 | **171** | 658 | 459 |
| Net change in cash and cash equivalents | **235** | -722 | 118 | **-201** | 217 | 385 |

Cash flows are presented for continuing operations.

Net cash from financing activities of EUR 225 million (II 2014: EUR -396 million) mainly reflects the bond refinancing in September 2014.

Outokumpu will continue its tight control over net working capital and inventories in line with the anticipated market demand. Thus, cash flow from operating activities is expected to improve further in the fourth quarter.

## Capital expenditure

Capital expenditure was kept at a low level during the quarter and was at EUR 25 million (II 2014: EUR 33 million). Capital expenditure related mainly to maintenance and smaller projects in Coil EMEA.

## Balance sheet

**Summary of statement of financial position**

| EUR million | **Sept 30 2014** | June 30 2014 | Sept 30 2013 | Dec 31 2013 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Non-current assets | **3,879** | 3,821 | 4,520 | 3,944 |
| Current assets | **2,907** | 2,821 | 3,371 | 2,679 |
| Assets held for sale | **-** | - | 1,162 | 2,200 |
| **TOTAL ASSETS** | **6,785** | 6,642 | 9,053 | 8,823 |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| Equity | **2,144** | 2,236 | 2,262 | 1,891 |
| Non-current liabilities | **2,543** | 2,275 | 3,930 | 3,791 |
| Current liabilities | **2,098** | 2,131 | 2,283 | 2,093 |
| Liabilities directly attributable to assets held for sale | **-** | - | 578 | 1,048 |
| **TOTAL EQUITY AND LIABILITIES** | **6,785** | 6,642 | 9,053 | 8,823 |

Total assets at the end of September 2014 increased by EUR 143 million to EUR 6,785 million (June 30, 2014: EUR 6,642 million). Cash and cash equivalents increased by EUR 239 million to EUR 400 million (June 30, 2014: EUR 161 million), mainly due to the bond refinancing in September 2014. Current trade and other receivables were reduced by EUR 109 million, from EUR 960 million to EUR 851 million. Inventories decreased slightly from EUR 1,662 million to EUR 1,621 million during the third quarter.

Long-term debt increased by EUR 225 million to EUR 1,852 million compared to the end of June 2014, which mainly reflects the bond issue in September 2014.

Net interest-bearing debt at the end of September remained unchanged at EUR 2,068 million compared to the end of June 2014, but gearing increased to 96.4% (June 30, 2014: 92.5%), reflecting a decrease in equity.

## Financing

### Bond refinancing

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. See notes for details.

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.

### Cash and liquidity reserves

Cash increased during the third quarter from EUR 161 million to EUR 400 million. The main driver for the increase was the bond issue in September. The overall liquidity reserves of Outokumpu remained unchanged quarter-on-quarter at around EUR 1.4 billion.

## People

Outokumpu's headcount increased slightly during the third quarter of 2014 and totaled 12,385 at the end of September 2014 (June 30, 2014: 12,365). 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**

| | **Sept 30 2014** | June 30 2014 | Sept 30 2013 | Dec 31 2013 |
|---|---|---|---|---|
| Coil EMEA | **7,831** | 8,515 | 8,329 | 8,120 |
| Coil Americas | **2,141** | 2,142 | 1,998 | 2,006 |
| APAC | **617** | 612 | 643 | 630 |
| Quarto Plate | **781** | 857 | 756 | 746 |
| Long Products | **653** | 654 | 678 | 674 |
| Other operations | **362** | 379 | 394 | 385 |
| Summer trainees | **-** | -794 | - | - |
| Continuing operations | **12,385** | 12,365 | 12,798 | 12,561 |

### Safety

The lost-time injury frequency (lost-time accidents per million working hours) during the first nine months of 2014 was 2.7, below the target of less than 4.0 this year. Outokumpu sites continue to work especially on contractor management and contractor behaviors 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.

### Changes in Outokumpu Leadership Team

Since September 1, 2014, the Outokumpu Leadership Team consists of 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

# Market and business outlook

## Market outlook

For the fourth quarter of 2014, global demand for stainless steel is expected to increase by 2.5% quarter-on-quarter supported by growth in all regions. For 2014 as a whole, global demand is estimated at 37.0 million tonnes, up by 5.9% compared to 2013. Further growth of around 5% is currently also expected for 2015.

**Market development for real demand of total stainless steel products between 2013 and 2015**

| Million tonnes | 2013 | I/14 | II/14 | III/14 | IV/14 | 2014f | 2015f |
|---|---|---|---|---|---|---|---|
| EMEA | 7.0 | 1.9 | 1.9 | 1.7 | 1.7 | 7.3 | 7.5 |
| Americas | 3.4 | 0.9 | 0.9 | 0.9 | 0.9 | 3.6 | 3.7 |
| APAC | 24.5 | 6.4 | 6.4 | 6.6 | 6.7 | 26.1 | 27.7 |
| Total | 34.9 | 9.2 | 9.3 | 9.2 | 9.4 | 37.0 | 38.9 |

Source: SMR September 2014
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 SMR, growth in stainless steel consumption between 2013 and 2015 will mainly be attributable to increased demand from the Automotive & Heavy Transport (+7.1%), Architecture/Building/Construction & Infrastructure (+5.8%) and Consumer Goods & Medical (+5.5%) segments. The Industrial & Heavy Industries and Chemical/Petrochemical & Energy segments are expected to grow at average annual growth rates of 5.0% and 4.9%, respectively.

## Business and financial outlook for the fourth quarter of 2014

Outokumpu estimates that the overall stainless steel operating environment will be lackluster in the fourth quarter. This is driven by the recent decline in the nickel price, which is negatively impacting demand in the distributor sector as well as the general economic slowdown especially in Europe and China.

The company estimates lower delivery volumes and relatively stable stainless steel base prices in the fourth quarter. The fourth-quarter underlying EBIT is expected to be on a similar level as in the third quarter. Despite weaker market conditions and lower deliveries, Outokumpu's financial performance is supported by continued progress in the company's turnaround including the cost efficiency initiatives and synergies. With current price, the net impact of raw material-related inventory and metal hedging gains/losses on profitability is expected to be marginally negative, if any.

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

- Progress in the Calvert operational ramp-up is expected to continue. While the lower volumes and production efficiency are additional challenges, Outokumpu confirms the Coil Americas' EBITDA break-even target for the full year 2014. The delivery target of 530,000 tonnes for 2014 remains intact.
- Ferrochrome production is estimated at around 450,000 tonnes in 2014 (2013: 434,000 tonnes). Once fully ramped-up in 2015 (technical capacity of 530,000 tonnes), annual ferrochrome deliveries will range between 500,000 and 530,000 tonnes depending on maintenance activities.
- Outokumpu's savings programs have been expanded. The synergies program is to be closed two years ahead of schedule: EUR 200 million to be reached already by the end of 2015. P150 is extended to P250, and EMEA restructuring remains intact, at EUR 100 million. Total targeted savings are up by EUR 80 million to EUR 550 million in 2017.
- The net working capital management program (P300) expanded with additional EUR 100 million by the end of 2015. The total targeted release of EUR 400 million brings Outokumpu closer to its best industry peers.
- Capital expenditure[1)] is expected to be below EUR 160 million in 2014 (2013: EUR 183 million). Outokumpu's well-invested asset base allows moderate capex levels in the coming years.

[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. Key risks are assessed and updated on a regular basis. A detailed description of Outokumpu's risk management and risk profile can be found in the Annual Report for 2013, which is available at www.outokumpu.com.

During the third quarter there was a realized operational risk: Outokumpu's Calvert mill had a machinery breakdown incident in the cold rolling operations in June 2014 and corrective measures were started. Outokumpu expects the consecutive business interruption losses to be partially covered by insurance and the cold rolling mill to be fully operational in early 2015.

The nickel price decreased during the third quarter of 2014, down to USD 16,500/ton by the end of September.  Metal hedging activities helped to mitigate part of the financial impacts of the nickel price decline. Also the price of molybdenum declined significantly in September. The USD kept strengthening against EUR and SEK during the reporting period, having a positive impact on Group's profitability. As part of the Group's external debt is effectively in USD, this stronger dollar lead to some increase in the debt amount reported in euros.

## 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 in Europe; the risks related to possible failures or delays in or inadequate profitability of ramping up the stainless steel mill in Calvert, USA; risks related to stainless steel market developments and competitor actions; especially imports to Europe; major failures or delays in achieving the anticipated synergy benefits, reduction of costs and the release of cash from working capital; risk of changes in metals and other raw material prices impacting amounts of cash tied to working capital. Possible adverse changes in the global political and economic environment, such as the recent crisis situation in Ukraine and related trade sanctions on Russia, which can impact the stainless steel industry as well, are risks for Outokumpu and also may have other adverse impacts on Outokumpu's business.

## Significant legal proceedings

Outokumpu's 2013 annual report includes more detailed information on pending legal proceedings. Below are additions and changes to the descriptions in the annual report.

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 annual report have moved over to ThyssenKrupp upon the completion of the divestment to ThyssenKrupp on February 28, 2014. Due to the contractual agreements between ThyssenKrupp and Outokumpu, there will be no further liability risk for Outokumpu resulting from these legal disputes.

### 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.

### 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 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 20 million euros brought against Outokumpu and the two other companies. Outokumpu has appealed the court's decision.

### Settlement reached in damages contribution claims pursuant to EU sanitary copper tube cartel decision

On July 14, 2014 Outokumpu, together with a number of other companies, reached a full and final settlement agreement on sanitary copper tube cartel claims. In 2012, Outokumpu was served with a damages contribution claim in the English court by IMI (IMI Plc and IMI Kynoch Ltd) and Boliden AB after Boliden AB and IMI were served claims for financial loss by members of the Travis Perkins Group. These claims related to a 2004 ruling by the European Commission which concluded that a number of companies were involved in price fixing and market sharing in the sanitary copper tube sector in Europe between June 1988 and March 2001. Outokumpu considered the claim for damages in the English court proceedings 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.

## Environment

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

The EU Emissions Trading Scheme (EU ETS) is continuing with its third trading period in 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 2014. During the third quarter, Outokumpu did not trade any emission allowances (EUA's).

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

CDP rates climate change information submitted by the companies against a specific scoring methodology. This year, Outokumpu's score rose to 95 out of 100 and the Group was among the top 10% of organizations. High scores indicate the provision of robust climate data upon which decisions that will catalyze progress towards low-carbon economies can be made. The index highlights companies providing a high level of transparency in their disclosure of climate-related information.

## Share development and shareholders

Following the successful rights issue in March-April 2014, 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 twenty five (25) shares into one (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 September 30, 2014 and September 30, 2013.

**Shareholders**

| % | Sept 30 2014 | Sept 30 2013 |
|---|---|---|
| Finnish corporations | 34.0 | 25.6 |
| Foreign investors | 31.7 | 41.3 |
| Finnish private households | 17.9 | 19.1 |
| Finnish public sector institutions | 10.2 | 8.9 |
| Finnish financial and insurance institutions | 5.6 | 4.0 |
| Finnish non-profit organizations | 0.7 | 1.1 |
| | | |
| 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.

**Share information**

| | | Jan–Sept 2014 | Jan–Sept 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)] | | 311,950,342 | 83,082,859 |
| Average number of shares outstanding, rights-issue-adjusted [1) 3)] | | 327,361,623 | 132,579,030 |
| Number of shares outstanding at the end of the period [1) 2) 3)] | | 415,426,724 | 132,581,200 |
| 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 | 5.52 | 4.35 |
| Average share price [4)] | EUR | 6.96 | 5.23 |
| Highest price during the period [4)] | EUR | 7.50 | 7.39 |
| Lowest price during the period [4)] | EUR | 3.37 | 3.78 |
| | | | |
| Market capitalization at the end of period | EUR million | 2,298 | 1,039 |
| Share turnover [1) 5)] | million shares | 410.8 | 40.2 |
| Value of shares traded [5)] | EUR million | 2,337.6 | 602.6 |

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

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

[2)] September 30, 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 September 30, 2013 is 133,557,088 shares of which 132,581,200 shares are outstanding.

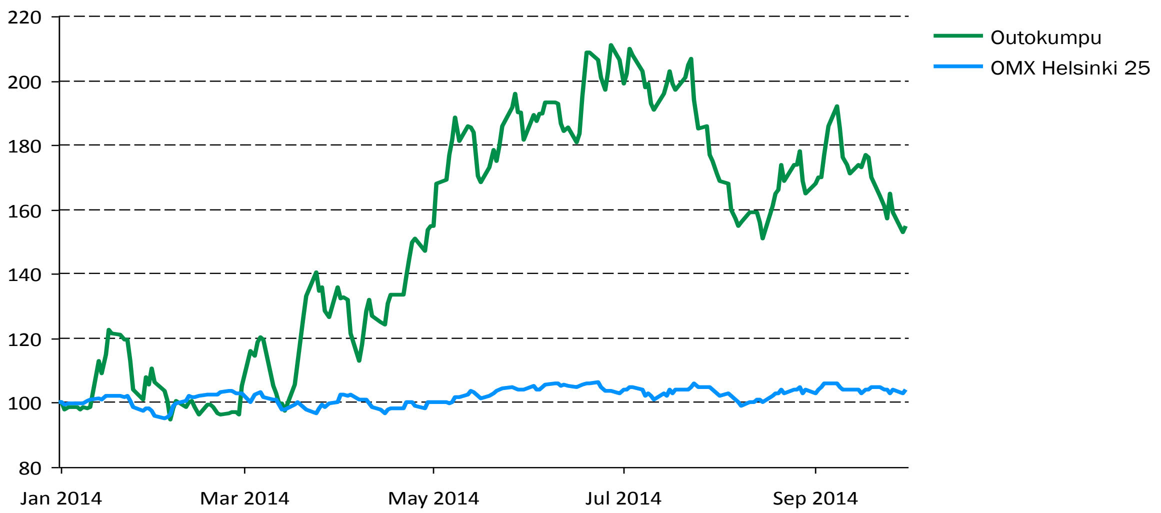
[3)] The number of own shares repurchased is excluded. There are currently no programs with diluting effect in place.

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

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

Outokumpu's market capitalization was EUR 2,298 million at the end of September 2014, compared to EUR 1,039 million one year ago. However, compared to the second quarter of 2014, Outokumpu's market capitalization decreased in line with the decline in the share price of around 25% since the end of June 2014.

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



## Annual General Meeting

The Annual General Meeting (AGM) was held on April 14, 2014, in Espoo, Finland. In accordance with a proposal by the Board of Directors, the AGM decided that no dividend shall be paid for the financial year 2013.

The AGM decided that the number of the members of Board of Directors is eight. The meeting decided to re-elect Jorma Ollila, Olli Vaartimo, Markus Akermann, Heikki Malinen, Elisabeth Nilsson and Siv Schalin of the current members, and to elect Roberto Gualdoni and Stig Gustavson as new members for the term of office ending at the end of the next Annual General Meeting. The Annual General Meeting elected Jorma Ollila 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, which will also be paid for Board Committee meetings, will be EUR 600 per meeting for each member of the Board of Directors residing in Finland and EUR 1,200 per meeting for the Board members residing outside Finland. Some 40% of the annual remuneration will be paid in the form of shares in the company, and the remainder in cash. The shares were purchased two weeks after the release of the company's interim report for January 1 - March 31, 2014.

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 (25) shares to one (1) share 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 in the book-entry system after the close of trading 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.

Espoo, November 4, 2014

Board of Directors

# Condensed consolidated financial statements

## Condensed income statement

| EUR million | July–Sept 2014 | April–June 2014 | July–Sept 2013 | Jan–Sept 2014 | Jan–Sept 2013 | Jan–Dec 2013 |
|---|---|---|---|---|---|---|
| **Continuing operations:** | | | | | | |
| **Sales** | 1,799 | 1,753 | 1,609 | 5,170 | 5,214 | 6,745 |
| Cost of sales | -1,747 | -1,665 | -1,663 | -5,089 | -5,283 | -6,847 |
| **Gross margin** | 53 | 88 | -54 | 81 | -70 | -102 |
| Other operating income | 26 | 9 | 2 | 21 | 10 | 24 |
| Costs and expenses | -85 | -83 | -89 | -261 | -314 | -400 |
| Other operating expenses | -3 | -24 | 6 | -48 | -18 | -31 |
| **EBIT** | -9 | -10 | -134 | -207 | -392 | -510 |
| Share of results in associated companies | -1 | 4 | -1 | 7 | -3 | -2 |
| Financial income and expenses | | | | | | |
| Interest income | 1 | 1 | 3 | 2 | 9 | 13 |
| Interest expenses | -31 | -29 | -56 | -109 | -151 | -210 |
| Market price gains and losses | -13 | 5 | -12 | -17 | -34 | -37 |
| Other financial income | 0 | 1 | 0 | 1 | 0 | 0 |
| Other financial expenses | -20 | -19 | -7 | -60 | -18 | -76 |
| **Result before taxes** | -73 | -48 | -207 | -383 | -589 | -822 |
| Income taxes | -4 | -1 | 10 | -10 | 17 | -11 |
| **Net result for the period from continuing operations** | -77 | -49 | -197 | -393 | -573 | -832 |
| **Net result for the period from discontinued operation** | 0 | -9 | -41 | 11 | -67 | -170 |
| **Net result for the period** | -77 | -58 | -238 | -383 | -640 | -1,003 |
| **Attributable to:** | | | | | | |
| Equity holders of the Company | -75 | -58 | -237 | -378 | -636 | -997 |
| Non-controlling interests | -2 | -0 | -1 | -5 | -3 | -6 |
| Earnings per share for result attributable to the equity holders of the Company (basic and diluted), EUR [1] : | | | | | | |
| Earnings per share, continuing operations | -0.18 | -0.12 | -1.48 | -1.19 | -4.29 | -6.23 |
| Earnings per share, discontinued operation | 0.00 | -0.02 | -0.31 | 0.03 | -0.51 | -1.29 |
| Earnings per share | -0.18 | -0.14 | -1.79 | -1.16 | -4.80 | -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 | **July–Sept 2014** | April–June 2014 | July–Sept 2013 | **Jan–Sept 2014** | Jan–Sept 2013 | Jan–Dec 2013 |
|---|---|---|---|---|---|---|
| **Net result for the period** | -77 | -58 | -238 | -383 | -640 | -1,003 |
| **Other comprehensive income** | | | | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | | | | |
| Exchange differences on translating foreign operations | 30 | 18 | -16 | 57 | -35 | -40 |
| Available-for-sale financial assets | | | | | | |
| Fair value changes during the period | 2 | -0 | 2 | 2 | -1 | -2 |
| Reclassification adjustments from other comprehensive income to profit or loss | 0 | 3 | - | 3 | -0 | -0 |
| Income tax relating to available-for-sale financial assets | -0 | -1 | -0 | -1 | 0 | 0 |
| Cash flow hedges | | | | | | |
| Fair value changes during the period | -4 | -1 | 8 | -4 | -7 | -11 |
| Reclassification adjustments from other comprehensive income to profit or loss | -0 | -2 | -1 | -2 | -3 | -4 |
| Income tax relating to cash flow hedges | -0 | 1 | -0 | 2 | 2 | 4 |
| Net investment hedges | | | | | | |
| Income tax relating to net investment hedges | - | - | - | - | - | 1 |
| Share of other comprehensive income in associated companies | 0 | 0 | - | 1 | - | - |
| **Items that will not be reclassified to profit or loss:** | | | | | | |
| Remeasurements on defined benefit obligation plans | | | | | | |
| Changes during the accounting period | -44 | -9 | -19 | -65 | 12 | 15 |
| Income tax relating to remeasurements | 1 | 0 | 5 | 1 | -4 | -8 |
| **Other comprehensive income for the period, net of tax** | -16 | 10 | -22 | -5 | -36 | -44 |
| **Total comprehensive income for the period** | -93 | -48 | -260 | -388 | -676 | -1,047 |
| **Attributable to:** | | | | | | |
| Equity holders of the Company | -91 | -48 | -258 | -384 | -672 | -1,040 |
| Non-controlling interests | -1 | -0 | -2 | -4 | -4 | -7 |

**Condensed statement of financial position**

| EUR million | **Sept 30 2014** | June 30 2014 | Sept 30 2013 | Dec 31 2013 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | **569** | 565 | 597 | 570 |
| Property, plant and equipment | **3,142** | 3,105 | 3,570 | 3,254 |
| Investments in associated companies and joint ventures | **71** | 71 | 65 | 66 |
| Other financial assets | **26** | 25 | 21 | 20 |
| Deferred tax assets | **52** | 36 | 99 | 24 |
| Trade and other receivables | **19** | 18 | 169 | 11 |
| **Total non-current assets** | **3,879** | 3,821 | 4,520 | 3,944 |
| **Current assets** | | | | |
| Inventories | **1,621** | 1,662 | 1,833 | 1,216 |
| Other financial assets | **34** | 38 | 71 | 42 |
| Trade and other receivables | **851** | 960 | 1,027 | 813 |
| Cash and cash equivalents | **400** | 161 | 439 | 607 |
| **Total current assets** | **2,907** | 2,821 | 3,371 | 2,679 |
| Assets held for sale | **-** | - | 1,162 | 2,200 |
| **TOTAL ASSETS** | **6,785** | 6,642 | 9,053 | 8,823 |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Equity attributable to the equity holders of the Company | **2,143** | 2,234 | 2,254 | 1,887 |
| Non-controlling interests | **0** | 2 | 8 | 4 |
| **Total equity** | **2,144** | 2,236 | 2,262 | 1,891 |
| **Non-current liabilities** | | | | |
| Long-term debt | **1,852** | 1,627 | 3,289 | 3,270 |
| Other financial liabilities | **13** | 16 | 12 | 15 |
| Deferred tax liabilities | **44** | 38 | 86 | 26 |
| Defined benefit and other long-term employee benefit obligations | **379** | 338 | 407 | 317 |
| Provisions | **206** | 208 | 128 | 115 |
| Trade and other payables | **48** | 48 | 7 | 48 |
| **Total non-current liabilities** | **2,543** | 2,275 | 3,930 | 3,791 |
| **Current liabilities** | | | | |
| Current debt | **616** | 602 | 1,011 | 893 |
| Other financial liabilities | **61** | 29 | 32 | 35 |
| Provisions | **35** | 35 | 25 | 25 |
| Trade and other payables | **1,386** | 1,464 | 1,214 | 1,140 |
| **Total current liabilities** | **2,098** | 2,131 | 2,283 | 2,093 |
| Liabilities directly attributable to assets held for sale | **-** | - | 578 | 1,048 |
| **TOTAL EQUITY AND LIABILITIES** | **6,785** | 6,642 | 9,053 | 8,823 |

**Condensed statement of cash flows**

| EUR million | **Jul–Sept 2014** | April–June 2014 | Jul–Sept 2013 | **Jan–Sept 2014** | Jan–Sept 2013 | Jan–Dec 2013 |
|---|---|---|---|---|---|---|
| Net result for the period | **-77** | -58 | -238 | **-383** | -640 | -1,003 |
| Adjustments | | | | | | |
| Depreciation, amortization and impairments | **76** | 84 | 84 | **270** | 256 | 346 |
| Other non-cash adjustments | **-8** | 22 | 70 | **130** | 234 | 498 |
| Change in working capital | **54** | -263 | 152 | **-176** | 43 | 297 |
| Dividends received | **-** | 0 | 2 | **3** | 2 | 2 |
| Interests received | **1** | 1 | 1 | **2** | 1 | 3 |
| Interests paid | **-22** | -42 | -27 | **-92** | -85 | -106 |
| Income taxes paid | **-0** | -0 | 0 | **-2** | -0 | -3 |
| **Net cash from operating activities** | **23** | -257 | 43 | **-248** | -190 | 34 |
| Purchases of assets | **-20** | -37 | -39 | **-90** | -244 | -287 |
| Proceeds from the sale of subsidiaries, net of cash | **-** | -41 | - | **-50** | -1 | -1 |
| Proceeds from the sale of assets | **7** | 8 | 0 | **16** | 0 | 187 |
| Other investing cash flow | **-** | 1 | 0 | **0** | -6 | -7 |
| **Net cash from investing activities** | **-13** | -69 | -39 | **-124** | -251 | -108 |
| **Cash flow before financing activities** | **10** | -327 | 4 | **-372** | -441 | -74 |
| Rights issue | **-** | - | - | **640** | - | - |
| Borrowings of long-term debt | **266** | 3 | 561 | **1,019** | 1,016 | 1,114 |
| Repayment of long-term debt | **-111** | -402 | -588 | **-1,232** | -669 | -708 |
| Change in current debt | **69** | 1 | 139 | **-257** | 308 | 52 |
| Other financing cash flow | **1** | 2 | 1 | **-0** | 3 | 1 |
| **Net cash from financing activities** | **225** | -396 | 113 | **171** | 658 | 459 |
| **Net change in cash and cash equivalents** | **235** | -722 | 118 | **-201** | 217 | 385 |
| | | | | | | |
| **Cash and cash equivalents at the beginning of the period** | **161** | 880 | 327 | **607** | 222 | 222 |
| Foreign exchange rate effect | **4** | 3 | -4 | **6** | -8 | -11 |
| Discontinued operations net change in cash effect | **-** | - | -1 | **-12** | 8 | 12 |
| Net change in cash and cash equivalents | **235** | -722 | 118 | **-201** | 217 | 385 |
| **Cash and cash equivalents at the end of the period** | **400** | 161 | 439 | **400** | 439 | 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** |
| Result for the period | - | - | - | - | - | - | - | - | -636 | -3 | -640 |
| Other comprehensive income | - | - | - | - | -9 | -36 | 9 | - | - | -0 | -36 |
| Total comprehensive income for the period | - | - | - | - | -9 | -36 | 9 | - | -636 | -4 | -676 |
| Transactions with owners of the Company | | | | | | | | | | | |
| Contributions and distributions | | | | | | | | | | | |
| Share-based payments | - | - | - | - | - | - | - | 1 | -1 | - | 0 |
| Changes in ownership interests | | | | | | | | | | | |
| Disposal of subsidiary | - | - | - | - | - | - | 3 | - | -3 | -15 | -15 |
| **Equity on Sept 30, 2013** | **311** | **714** | **1,462** | **7** | **14** | **-117** | **-63** | **-24** | **-49** | **8** | **2,262** |
| | | | | | | | | | | | |
| **Equity on Jan 1, 2014** | **311** | **714** | **1,462** | **7** | **9** | **-119** | **-65** | **-24** | **-410** | **4** | **1,891** |
| Result for the period | - | - | - | - | - | - | - | - | -378 | -5 | -383 |
| Other comprehensive income | - | - | - | - | 1 | 53 | -61 | - | 1 | 1 | -5 |
| Total comprehensive income for the period | - | - | - | - | 1 | 53 | -61 | - | -378 | -4 | -388 |
| Transactions with owners of the Company | | | | | | | | | | | |
| Contributions and distributions | | | | | | | | | | | |
| Rights issue | - | - | 640 | - | - | - | - | - | - | - | 640 |
| Share-based payments | - | - | - | - | - | - | - | 1 | 0 | - | 1 |
| Changes in ownership interests | | | | | | | | | | | |
| Acquisition of a non-controlling interest | - | - | - | - | - | - | - | - | -0 | -0 | -1 |
| Disposal of subsidiary | - | - | - | -1 | - | - | 4 | - | -3 | -0 | -0 |
| Other | - | - | - | -2 | - | - | - | - | 2 | - | -0 |
| **Equity on Sept 30, 2014** | **311** | **714** | **2,103** | **5** | **11** | **-66** | **-122** | **-23** | **-789** | **0** | **2,144** |

## NOTES TO THE FINANCIAL STATEMENTS

### Basis of preparation

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

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

The 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 will have 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 interim report.

**Share based payment plans**

Outokumpu's share based payment programs include 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).

Regarding the terminated 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. Regarding the Performance Share Plan 2012, total of 20,159 pre reverse split shares and cash of EUR 50 thousand were given based on the achieved savings targets in 2013 to the persons that left the plan during the period.

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 are 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. During the second quarter 140 persons were invited to participate in the plan.

The Board of Directors also approved the commencement of the third plan of the Restricted Share Pool, plan 2014–2016. 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. During the second quarter 5 persons were invited to participate in the plan.

Due to the rights issue in 2014 the number of gross shares allocated from the plans which 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. The numbers of shares regarding the commenced plans presented above represent the adjusted numbers. Additionally, the EBITDA 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 twenty five (25) shares to one (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**

Outokumpu Oyj is currently subject to a tax audit in Finland. No exact information exists on 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 per cent 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 percent 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 per cent 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 November 30, 2013 Outokumpu announced its plans to divest the VDM business and the remedy assets, which include Terni and certain service centers, to ThyssenKrupp. The transaction was closed on February 28, 2014.

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.

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 2013 and 2014.

The estimated loss on the sale, net of transaction costs, amounts to EUR 5 million, out of which a gain of EUR 22 million is included in the net result from discontinued operations in January–September, 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 profit or loss on disposal.

**Result from discontinued operations**

| EUR million | **Jan–Sept 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 compensation 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 sale 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–Sept 2014** | Jan–Sept 2013 | Jan–Dec 2013 |
|---|---|---|---|
| Redundancy provisions | **-107** | -34 | -54 |
| Impairments related to EMEA restructuring | **-27** | - | - |
| Environmental provisions related to site closures | **-25** | - | - |
| Inventory write-downs related to efficiency programs | - | - | -12 |
| Carrier settlement | - | -11 | -11 |
| Costs related to Inoxum transaction | - | -3 | -1 |
| Total non-recurring items in EBIT | **-159** | -48 | -78 |

Jan–Sept 2014 does not include any non-recurring items in financial income and expenses (Jan–Sept 2013: none, Jan–Dec 2013: loss of EUR 49 million on the sale of Luvata loan receivable).

**Property, plant and equipment**

| EUR million | **Jan–Sept 2014** | Jan–Sept 2013 | Jan–Dec 2013 |
|---|---|---|---|
| Carrying value at the beginning of the period | **3,254** | 3,716 | 3,716 |
| Translation differences | **86** | -28 | -57 |
| Additions | **69** | 168 | 231 |
| Disposals | **-9** | -1 | -4 |
| Reclassifications | **-3** | 4 | 47 |
| Depreciation and impairments | **-255** | -260 | -355 |
| Disposed subsidiaries | - | -30 | -28 |
| Reclassification to assets held for sale | - | - | -296 |
| Carrying value at the end of the period | **3,142** | 3,570 | 3,254 |

**Provisions**

On December 31, 2013, Outokumpu reported restructuring provisions totalling EUR 72 million. Of these provisions, EUR 2 million was reversed as unused during January–September 2014.

**Commitments**

| EUR million | **Sept 30 2014** | Sept 30 2013 | Dec 31 2013 |
|---|---|---|---|
| **Mortgages and pledges** | | | |
| Mortgages | **3,634** | 300 | 284 |
| Other pledges | **-** | 9 | 8 |
| | | | |
| **Guarantees** | | | |
| On behalf of subsidiaries for commercial commitments | **27** | 33 | 34 |
| On behalf of associated companies for financing | **7** | 7 | 7 |
| On behalf of other parties for commercial commitments | **1** | - | - |
| | | | |
| **Other commitments** | **20** | 27 | 28 |
| | | | |
| **Minimum future lease payments on operating leases** | **65** | 97 | 82 |

The increase in mortgages and pledges relates to the refinancing measures becoming 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 September 30, 2014. These guarantees are presented as commercial commitments on behalf of other parties.

Related to the Inoxum acquisition, certain guarantees issued by ThyssenKrupp on behalf of Inoxum companies have not yet been transferred to Outokumpu Oyj as of September 30, 2014. However, Outokumpu Oyj has given ThyssenKrupp a counter-guarantee for these commitments. The outstanding amount of guarantees to be transferred totals EUR 4 million as of September 30, 2014, including guarantees for commercial and financing.

Group's off-balance sheet investment commitments totaled EUR 81 million on September 30, 2014 (Sept 30, 2013: EUR 78 million, December 31, 2013: EUR 47 million).

**Related party transactions**

| EUR million | **Jan–Sept 2014** | Jan–Sept 2013 | Jan–Dec 2013 |
|---|---|---|---|
| **Transactions and balances with ThyssenKrupp AG** | | | |
| Sales | **33** | 278 | 376 |
| Purchases | **-20** | -140 | -175 |
| Interest expenses | **-10** | -69 | -62 |
| | | | |
| Trade and other receivables | **-** | 26 | 23 |
| Other financial assets | **-** | 2 | 1 |
| Trade and other payables | **-** | 18 | 22 |
| Loan note to ThyssenKrupp | **-** | 1,269 | 1,283 |
| Other interest-bearing debt | **-** | 250 | 214 |
| Other financial liabilities | **-** | 80 | 3 |
| | | | |
| **Transactions and balances with associated companies and joint ventures** | | | |
| Sales | **127** | 122 | 161 |
| Purchases | **-6** | -5 | -6 |
| | | | |
| Trade and other receivables and interest-bearing assets | **52** | 48 | 44 |
| Trade and other payables | **2** | 1 | 1 |

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–Sept 2014 | Jan–Sept 2013 | Jan–Dec 2013 |
|---|---|---|---|
| **Sales by segment** | | | |
| Coil EMEA | | | |
| External sales | 3,082 | 3,486 | 4,423 |
| Internal sales | 383 | 534 | 644 |
| Coil Americas | | | |
| External sales | 839 | 666 | 884 |
| Internal sales | 22 | 18 | 23 |
| APAC | | | |
| External sales | 323 | 265 | 377 |
| Internal sales | 7 | 6 | 11 |
| Quarto Plate | | | |
| External sales | 285 | 275 | 355 |
| Internal sales | 44 | 38 | 51 |
| Long Products | | | |
| External sales | 354 | 351 | 451 |
| Internal sales | 169 | 84 | 105 |
| Other operations | | | |
| External sales | 287 | 171 | 256 |
| Internal sales | 218 | 209 | 283 |
| Eliminations | -844 | -888 | -1,116 |
| **Group sales** | 5,170 | 5,214 | 6,745 |
| | | | |
| **EBIT** | | | |
| Coil EMEA | -99 | -130 | -166 |
| Coil Americas | -82 | -210 | -270 |
| APAC | -6 | -0 | -7 |
| Quarto Plate | -17 | -10 | -17 |
| Long Products | 23 | -6 | -10 |
| Reportable segments total | -182 | -356 | -470 |
| Other operations | -21 | -39 | -37 |
| Eliminations | -4 | 3 | -3 |
| **Group EBIT** | -207 | -392 | -510 |
| | | | |
| **Operating capital at the end of the period** | | | |
| Coil EMEA | 2,535 | 2,802 | 2,609 |
| Coil Americas | 1,170 | 1,157 | 1,040 |
| APAC | 200 | 210 | 189 |
| Quarto Plate | 251 | 252 | 247 |
| Long Products | 151 | 136 | 117 |

**Fair values and nominal amounts of derivative instruments**

| EUR million | Sept 30 2014 Net fair value | Dec 31 2013 Net fair value | Sept 30 2014 Nominal amounts | Dec 31 2013 Nominal amounts |
|---|---|---|---|---|
| **Currency and interest rate derivatives** | | | | |
| Currency forwards including embedded derivatives | -50 | -1 | 1,984 | 2,518 |
| Currency options, bought | 0 | 0 | 20 | 3 |
| Currency options, sold | - | -0 | - | 3 |
| Interest rate swaps | -11 | -9 | 557 | 714 |
| Cross-currency swaps | - | -15 | - | 67 |
| Interest rate options, bought | 0 | 1 | 244 | 290 |
| Interest rate options, sold | -1 | -3 | 244 | 290 |
| | | | Tonnes | Tonnes |
| **Metal derivatives** | | | | |
| Forward and futures nickel contracts | 24 | -2 | 20,748 | 21,865 |
| Forward and futures molybdenum contracts | -2 | - | 830 | - |
| **Emission allowance derivatives** | -0 | -1 | 725,000 | 725,000 |
| **Propane derivatives** | -3 | 2 | 89,000 | 25,000 |
| | | | MMBtu | MMBtu |
| **Natural gas derivatives** | -0 | 0 | 2,280,000 | 1,372,182 |
| | -43 | -27 | | |

**Hierarchy of financial assets and liabilities measured at fair value on September 30, 2014**

| EUR million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Available-for-sale financial assets | 0 | 2 | 2 | 5 |
| Investment at fair value through profit or loss | 5 | - | 2 | 6 |
| Derivatives | - | 32 | - | 32 |
| | 5 | 34 | 4 | 42 |
| **Liabilities** | | | | |
| Derivatives | - | 74 | - | 74 |

**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 | 2 | -13 |
| Carrying balance on September 30, 2014 | 2 | 2 |

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 restructuring program as announced in September 2014 of Talvivaara Sotkamo Ltd., it is concluded that the 16% holding in Talvivaara Sotkamo Ltd with a high likelihood has no value. Outokumpu has therefore valued the remaining holding to zero in the third quarter interim financial statements. The ownership in energy producing companies is valued at fair value. 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 11 million (carrying amount EUR 11 million) and the fair value of long-term debt is EUR 1,828 million (carrying amount EUR 1,852 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 | I–III/13 | IV/13 | 2013 | I/14 | II/14 | **III/14** | **I–III/14** |
|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA | 0 | -86 | -50 | -136 | -29 | -165 | -78 | 70 | **67** | **59** |
| EBIT margin, % | -4.6 | -9.8 | -8.3 | -7.5 | -7.7 | -7.6 | -11.6 | -0.6 | **-0.5** | **-4.0** |
| Return on capital employed, % | -6.1 | -12.0 | -9.8 | -9.6 | -9.9 | -10.3 | -18.3 | -1.0 | **-0.8** | **-6.6** |
| Return on equity, % | -21.1 | -37.6 | -39.8 | -32.7 | -70.0 | -41.4 | -47.5 | -10.3 | **-14.0** | **-25.3** |
| Return on equity, continuing operations, % | -20.1 | -34.7 | -32.9 | -29.3 | -50.0 | -34.4 | -51.2 | -8.6 | **-14.1** | **-26.0** |
| | | | | | | | | | | |
| Long-term debt | 2,982 | 2,770 | 3,289 | 3,289 | 3,270 | 3,270 | 2,210 | 1,627 | **1,852** | **1,852** |
| Current debt | 979 | 1,415 | 1,011 | 1,011 | 893 | 893 | 404 | 602 | **616** | **616** |
| Cash and cash equivalents | -290 | -327 | -439 | -439 | -607 | -607 | -880 | -161 | **-400** | **-400** |
| Net interest-bearing debt at the end of period | 3,671 | 3,859 | 3,861 | 3,861 | 3,556 | 3,556 | 1,733 | 2,068 | **2,068** | **2,068** |
| | | | | | | | | | | |
| Capital employed at the end of period | 5,740 | 5,614 | 5,293 | 5,293 | 4,265 | 4,265 | 3,958 | 4,208 | **4,149** | **4,149** |
| Equity-to-assets ratio at the end of period, % | 28.0 | 26.2 | 25.0 | 25.0 | 21.5 | 21.5 | 32.8 | 33.7 | **31.6** | **31.6** |
| Debt-to-equity ratio at the end of period, % | 131.1 | 152.9 | 170.7 | 170.7 | 188.0 | 188.0 | 75.9 | 92.5 | **96.4** | **96.4** |
| | | | | | | | | | | |
| Earnings per share, EUR [1) 3)] | -1.14 | -1.87 | -1.79 | -4.80 | -2.72 | -7.52 | -1.66 | -0.14 | **-0.18** | **-1.16** |
| Earnings per share from continuing operations, EUR [1) 3)] | -1.09 | -1.73 | -1.48 | -4.29 | -1.94 | -6.23 | -1.79 | -0.12 | **-0.18** | **-1.19** |
| Earnings per share from discontinued operation, EUR [1) 3)] | -0.05 | -0.14 | -0.31 | -0.51 | -0.78 | -1.29 | 0.13 | -0.02 | **0.00** | **0.03** |
| Equity per share at the end of period, EUR [2) 3)] | 21.03 | 18.96 | 17.00 | 17.00 | 14.23 | 14.23 | 5.49 | 5.38 | **5.16** | **5.16** |
| | | | | | | | | | | |
| Capital expenditure, continuing operations | 68 | 30 | 40 | 138 | 45 | 183 | 15 | 33 | **25** | **73** |
| Depreciation and amortization, continuing operations | 83 | 84 | 83 | 250 | 82 | 332 | 82 | 80 | **76** | **238** |
| Average personnel for the period, continuing operations | 13,379 | 13,467 | 13,129 | 13,325 | 12,625 | 13,150 | 12,443 | 12,833 | **12,700** | **12,659** |

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

2) 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 |
|---|---|---|---|---|---|---|---|---|---|
| **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 |
| Alloy surcharge | EUR/t | 1,310 | 1,251 | 1,086 | 1,026 | 1,168 | 1,026 | 1,206 | 1,395 |
| Transaction price | EUR/t | 2,487 | 2,388 | 2,130 | 2,083 | 2,272 | 2,083 | 2,299 | 2,505 |
| | | | | | | | | | |
| Nickel | USD/t | 17,298 | 14,983 | 13,922 | 13,914 | 15,012 | 14,632 | 18,464 | 18,576 |
| | EUR/t | 13,107 | 11,457 | 10,510 | 10,223 | 11,303 | 10,683 | 13,467 | 14,013 |
| Ferrochrome (Cr-content) | USD/lb | 1.13 | 1.27 | 1.13 | 1.13 | 1.16 | 1.18 | 1.22 | 1.19 |
| | EUR/kg | 1.87 | 2.14 | 1.87 | 1.83 | 1.93 | 1.90 | 1.96 | 1.98 |
| Molybdenum | USD/lb | 11.39 | 10.92 | 9.47 | 9.66 | 10.35 | 9.98 | 13.70 | 12.80 |
| | EUR/kg | 19.01 | 18.45 | 15.75 | 15.65 | 17.18 | 16.06 | 22.03 | 21.29 |
| Recycled steel | USD/t | 375 | 342 | 344 | 358 | 354 | 343 | 346 | 349 |
| | EUR/t | 284 | 262 | 260 | 263 | 267 | 250 | 252 | 263 |
| | | | | | | | | | |
| **Exchange rates** | | | | | | | | | |
| EUR/USD | | 1.321 | 1.306 | 1.324 | 1.361 | 1.328 | 1.370 | 1.371 | 1.326 |
| EUR/SEK | | 8.497 | 8.565 | 8.680 | 8.858 | 8.834 | 8.857 | 9.052 | 9.205 |
| EUR/GBP | | 0.851 | 0.851 | 0.855 | 0.841 | 0.827 | 0.828 | 0.815 | 0.794 |

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

Nickel: London Metal Exchange (LME) settlement quotation;

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

Molybdenum: Metal Bulletin - Molybdenum oxide - Europe;

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

## Definitions of key financial figures

EBITDA = Operating result before depreciation, amortization and impairments

Capital employed = Total equity + net interest-bearing debt + 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 = Long-term 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 = $$\frac{\text{Net result for the financial period attributable to the owners of the parer}}{\text{Adjusted average number of shares during the period}}$$

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