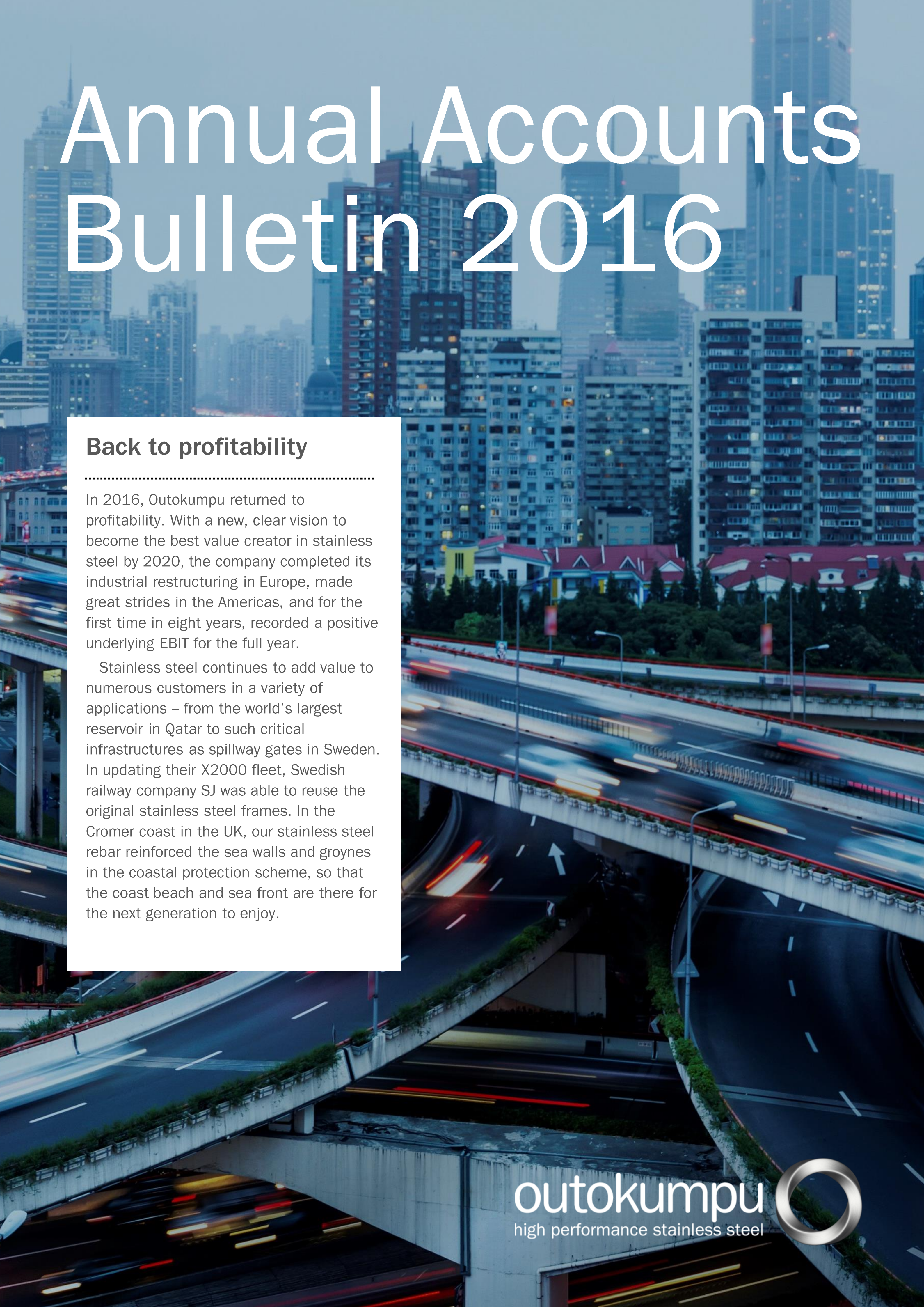


Annual Accounts Bulletin 2016

Back to profitability

In 2016, Outokumpu returned to profitability. With a new, clear vision to become the best value creator in stainless steel by 2020, the company completed its industrial restructuring in Europe, made great strides in the Americas, and for the first time in eight years, recorded a positive underlying EBIT for the full year.

Stainless steel continues to add value to numerous customers in a variety of applications – from the world's largest reservoir in Qatar to such critical infrastructures as spillway gates in Sweden. In updating their X2000 fleet, Swedish railway company SJ was able to reuse the original stainless steel frames. In the Cromer coast in the UK, our stainless steel rebar reinforced the sea walls and groynes in the coastal protection scheme, so that the coast beach and sea front are there for the next generation to enjoy.

outokumpu
high performance stainless steel

Contents

Outokumpu returned to profitability in 2016: full-year underlying EBIT at EUR 45 million

Highlights of the fourth quarter 2016

Outokumpu's underlying EBIT was EUR 38 million compared to EUR 32 million in the third quarter. Business area Europe delivered a strong quarter driven by higher base prices and continued cost reductions. The Americas' performance was negatively impacted by seasonality and a cost of EUR 9 million related to supplier invoicing correction.

- Stainless steel deliveries were 596,000 tonnes[1] (608,000 tonnes)[2].
- Underlying EBITDA[3] was EUR 98 million (EUR 110 million).
- Underlying EBIT[4] was EUR 38 million (EUR 32 million). Underlying EBIT includes net adjustments of EUR 30 million in the fourth quarter (EUR 8 million), including the net effect of raw material-related inventory and metal derivative gains/losses of EUR -0 million (EUR 6 million).
- EBIT was EUR 69 million (EUR 40 million).
- Operating cash flow was EUR 199 million (EUR 61 million).
- Net debt decreased to EUR 1,242 million (EUR 1,396 million).
- Gearing was 51.4 % (65.3%).
- Return on capital employed (ROCE) was 2.6% (9.3%).

Highlights of 2016

Outokumpu's profitability for the full year 2016 improved significantly with positive underlying EBIT of EUR 45 million compared to EUR -101 million in 2015. This was driven by significant reduction in costs, as well as higher delivery volumes particularly in the Americas. The recognition of deferred tax income of EUR 189 million related to losses from prior years turned the full-year net result EUR 144 million positive.

- Stainless steel deliveries were 2,444,000 tonnes (2,381,000 tonnes).
- Underlying EBITDA was EUR 298 million (EUR 196 million).
- Underlying EBIT was EUR 45 million (EUR -101 million)[5].
- EBIT was EUR 103 million (EUR 228 million)[5].
- Net result was EUR 144 million (EUR 86 million).
- Operating cash flow was EUR 389 million (EUR -34 million).
- The Board of Directors is proposing a dividend of EUR 0.10 per share for 2016

[1] Metric ton = 1,000 kg
[2] Figures in parentheses refer to the previous quarter for quarterly figures and previous year for full-year figures, unless otherwise stated.
[3] EBITDA excluding items classified as adjustments. Adjustments are material income and expense items such as restructuring costs, impairments, and gains or losses on sale of assets or businesses, as well as raw material related inventory gains/losses and metal derivative gains/losses.
[4] EBIT excluding items classified as adjustments.
[5] The comparability between the periods is impacted by the change in estimated useful lives of property, plant and equipment in the fourth quarter of 2015.

Group key figures

		IV/16	III/16	IV/15	2016	2015
Sales	EUR million	**1,506**	1,419	1,435	**5,690**	6,384
EBITDA	EUR million	**128**	119	408	**355**	531
Adjusted EBITDA [1)]	EUR million	**98**	116	21	**309**	165
Underlying EBITDA [2)]	EUR million	**98**	110	50	**298**	196
EBIT	EUR million	**69**	40	341	**103**	228
Adjusted EBIT [3)]	EUR million	**38**	38	-40	**57**	-132
Underlying EBIT [4)]	EUR million	**38**	32	-11	**45**	-101
Result before taxes	EUR million	**43**	13	352	**-13**	127
Net result for the period	EUR million	**192**	13	308	**144**	86
Earnings per share	EUR	**0.46**	0.03	0.74	**0.35**	0.23
Return on capital employed	%	**2.6**	9.3	5.3	**2.6**	5.3
Net cash generated from operating activities	EUR million	**199**	61	2	**389**	-34
Net debt at the end of period	EUR million	**1,242**	1,396	1,610	**1,242**	1,610
Debt-to-equity ratio at the end of period	%	**51.4**	65.3	69.1	**51.4**	69.1
Capital expenditure	EUR million	**61**	43	65	**164**	154
Stainless steel deliveries [5)]	1,000 tonnes	**596**	608	574	**2,444**	2,381
Personnel at the end of period		**10,600**	10,785	11,002	**10,600**	11,002

[1)] Adjusted EBITDA = EBITDA – Items classified as adjustments. Net of raw material-related inventory and metal derivative gains/losses **not** classified as an adjustment.

[2)] Underlying EBITDA = EBITDA – Items classified as adjustments. Net of raw material-related inventory and metal derivative gains/losses classified as an adjustment.

[3)] Adjusted EBIT = EBIT – Items classified as adjustments. Net of raw material-related inventory and metal derivative gains/losses **not** classified as an adjustment.

[4)] Underlying EBIT = EBIT – Items classified as adjustments. Net of raw material-related inventory and metal derivative gains/losses classified as an adjustment.

[5)] Excludes ferrochrome deliveries.

Business and financial outlook for the first quarter of 2017

In line with typical seasonality, the stainless steel market is expected to be strong in the first quarter with healthy underlying demand in both Europe and the US. Consequently, the first-quarter delivery volumes are expected to be higher in Europe, and significantly higher in the Americas compared to the fourth quarter of 2016. Furthermore, the cost saving initiatives are expected to continue according to plans and contribute positively in the first quarter. In addition, the higher ferrochrome contract price will have a significant positive impact on business area Europe's profitability.

Therefore, Outokumpu's adjusted EBITDA is expected to be over EUR 250 million in the first quarter of 2017.

Given the achievements with debt reduction, Outokumpu updates its 2017 net debt target and expects the net debt to be below EUR 1.1 billion at the end of 2017.

CEO Roeland Baan:

"The positive momentum and progress of 2016 culminated in a solid fourth quarter underlying EBIT of EUR 38 million and strong operating cash flow of EUR 199 million. For the full year, we recorded an underlying EBIT of 45 million – our first positive one in eight years.

Europe continued its strong performance. Despite flat delivery volumes, it grew its underlying EBIT to 74 million from the third-quarter EUR 45 million. For the full year, Europe delivered an underlying EBIT profit of EUR 191 million, compared to EUR 85 million in 2015.

As expected, deliveries in the Americas declined in the fourth quarter due to typical seasonality. However, the full year delivery volume growth from 533,000 to 690,000 tonnes is a testimony to the determination and hard work of the Americas team. While we still record a loss for the full year, the 25 percent reduction in variable costs per tonne and EUR 72 million improvement in financial performance show that the Americas is solidly on track to profitability.

Our relentless focus on working capital and net debt reduction also paid off. We overachieved our target of EUR 200 million net working capital reduction by releasing EUR 307 million in 2016. Our gearing dropped from 65.3 percent to 51.4 percent. We finished the year with a net debt of EUR 1,242 million. Encouraged by the progress, we have updated our target, and aiming for a net debt of below EUR 1.1 billion by the end of the year.

We have now turned the company back to profitability but we are still far from our target of EUR 500 million EBIT in 2020. However, the progress we made in 2016 puts us firmly on the right trajectory to fulfil our vision to become the best value creator in stainless steel by 2020 through customer orientation and efficiency.

The turnaround secured in 2016, combined with the progress made in debt reduction and the positive outlook that starts the year 2017, presents the right time to start paying dividends."

Outokumpu strategy

In April 2016, Outokumpu announced its new vision and measures to drive competitiveness and further improve the financial performance of the company. The vision has been defined as: to be the best value creator in stainless steel by 2020 through customer orientation and efficiency. Simultaneously, Outokumpu outlined its long-term financial targets connected to this vision.

Outokumpu will focus on the following six areas to reach its vision:

1. Safety: a standardized and disciplined approach to safety that correlates with improved quality and operational efficiency, leading to a top decile position in the industry.
2. High performing organization: a lean, simple and flat organization that takes its lead from market trends and requirements, and drives a high level of individual accountability that is enforced through vigorous performance management.
3. Word-class supply chain: the role of the supply chain function elevated to drive optimal matching of market demand and manufacturing capabilities, managing manufacturing programming and planning as well as the required resources and logistics. This will allow our production units to focus on achieving a benchmark level in cost efficiency.
4. Manufacturing excellence: implementing a standardized operating model to ensure continuous productivity gains in all the mills across the company, leading to industry benchmark competitiveness.
5. Commercial excellence: Clear segment-driven commercial strategy to drive margin growth. Profitability driven product strategy to match market demand and optimal mix.
6. Americas: the single biggest profitability improvement lever for Outokumpu, with significant improvement potential in both cost and market position.

Long-term financial targets

In alignment with the vision, Outokumpu's long-term financial targets reflect the progress of the strategic initiatives and the development in profitability and further deleveraging:

- EBIT of EUR 500 million
- ROCE of 12%
- Gearing of <35%

These group-level targets are expected to be reached by the end of 2020 at the latest. While the global demand for stainless steel continues to grow, Outokumpu takes a conservative approach to market growth and metal price assumptions, and expects the targeted profitability improvement to come primarily through efficiency and cost improvements in the current scope of business, supported by further strengthening of Outokumpu's cost competitiveness and market position particularly in the Americas.

Short-term actions

To achieve an immediate step change in profitability, Outokumpu has set a series of short term initiatives.

- New organizational set-up: a simplified organization with three business areas, less management layers and a lighter cost structure. The new organization was implemented in June and the related personnel reductions have developed according to plans.
- A reduction of EUR 100 million in sales, general and administrative costs (SG&A) by the end of 2017 against the baseline of EUR 400 million at the end of 2015. A reduction of EUR 69 million was achieved by the end of 2016.
- A cash release of at least EUR 200 million from net working capital by the end of 2016, particularly through the reduction of inventories. The target was exceeded with a net working capital reduction of EUR 307 million at the end of the year.

Strengthening of the balance sheet remains top priority at Outokumpu. Outokumpu's stated target has been to reduce net debt to EUR 1.2 billion by the end of 2017. However, with the progress in 2016 exceeding the expectations, the company updates its target to reduce net debt to below EUR 1.1 billion by the end of 2017.

Market development

Stainless steel demand

Global apparent stainless steel consumption[6] increased by 6.1% in 2016 compared to the previous year. APAC contributed with a growth of 7.2% followed by growth of 4.4% in EMEA and 1.2% in the Americas. In the fourth quarter, global apparent consumption increased by 0.7% compared to the third quarter, driven by growth of 2.5% in EMEA and 0.7% in APAC. In the Americas, apparent consumption decreased by 3.2%.

Global real demand for stainless steel products reached 38.5 million tonnes in 2016, an increase of 2.9% from 37.4 million tonnes in 2015. Overall demand growth recovered from a very low level in 2015 but still stood behind the average annual demand growth of about 8% in 2011–2014. Acceleration of the growth was most pronounced in the APAC region at 4.1%, driven by China returning to robust growth as a result of solid infrastructure and property sectors. Meanwhile, demand in EMEA grew by 1.4%, but decreased in the Americas by 3.2% in 2016.

During the fourth quarter, global real demand grew by 0.6% from the weak third quarter and reached 9.6 million tonnes. The EMEA and APAC regions were showing growth of 2.0% and 0.7%, respectively, whereas demand in the Americas region shrank by 3.3% compared to the third quarter.

Market development of total stainless steel real demand

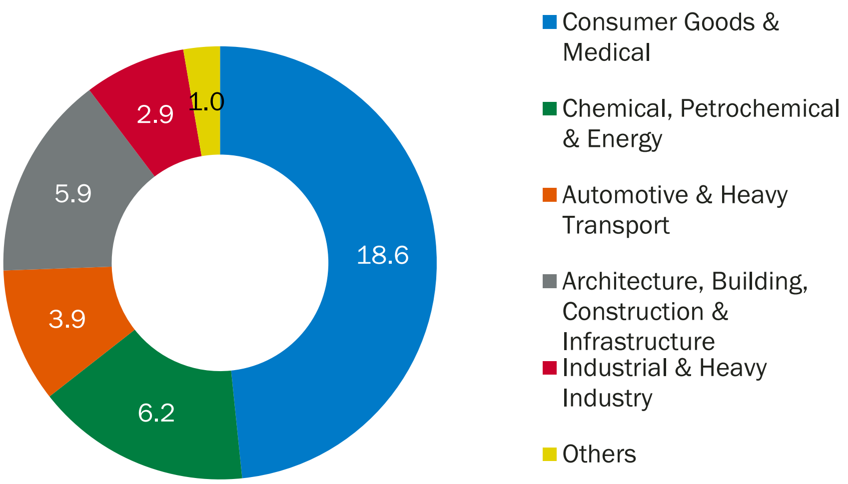
Million tonnes	IV/16	III/16	IV/15	2016	2015	2016 vs. 2015	IV vs. III
EMEA	1.8	1.8	1.8	7.4	7.3	1.4 %	2.0 %
Americas	0.8	0.9	0.9	3.4	3.5	-3.2 %	-3.3 %
APAC	7.0	6.9	6.7	27.6	26.6	4.1 %	0.7 %
Total	9.6	9.5	9.4	38.5	37.4	2.9 %	0.6 %

Source: SMR January 2017

ABC & Infrastructure and Consumer Goods & Medical outperformed other end-use segments in 2016, with real demand growing by 4.6% and 4.3%, respectively, compared to 2015. The Industrial & Heavy Industries segment was the weakest performer with demand declining by 3.8%. Real demand in Chemical, Petrochemical & Energy and Automotive & Heavy Transport segments grew at 2.0% and 1.2%, respectively.

[6] Apparent consumption = real demand + stock change

Stainless steel demand by customer segment in 2016, million tonnes



Source: SMR January 2017

EU cold rolled imports from third countries are expected to have reached a level of 23.9% of the total consumption in 2016, down from the average level of 24.6% in 2015. While imports from Taiwan and South Korea increased, imports from other main exporting countries, namely China, India and the US, decreased in 2016. In the fourth quarter, EU imports are expected to have reached a level of 25.6%, up from the level of 24.8% in the third quarter. (Source: EUROFER January 2017)

Average cold rolled imports into the US are expected to have reached a level of 23.3% of the total consumption in 2016, lower than the average of 26.6% in 2015. Chinese imports decreased significantly, while imports from almost all other main exporting countries increased compared to 2015. Average cold rolled imports into the US reached 25.5% of the total consumption in October-November 2016, up from 22.9% in the third quarter. (Source: Foreign Trade Statistics January 2017)

Price development of alloying metals

The year started with nickel prices on a weak note that slumped to a 13-year low below USD 8,000/tonne in early February as a result of increasing fears over global economy and subdued demand amid oversupplied markets. However, prices continued to rise throughout the year due to improving sentiment, concerns over possible disruption to nickel ore supplies from the Philippines, as well as the strong stainless steel production in China. Prices hit the highest level of the year of USD 11,735/tonne in early November, before retreating to USD 10,000/tonne levels at the end of the year. The average price of the year of USD 9,600/tonne was 18.7% lower than the average of USD 11,808/tonne in 2015.

The European benchmark price for ferrochrome fell from USD 1.04/lb in the fourth quarter of 2015 to USD 0.92/lb in the first quarter of 2016 and further down to USD 0.82/lb in the second quarter, as a result of deflated production costs and soft demand. Subsequently, prices recovered to USD 0.98/lb in the third quarter and to USD 1.10/lb in the fourth quarter amid tightening markets. This was a result of slowdown in South African ferrochrome and chrome ore supply, as well as strong demand in China. The average ferrochrome price was USD 0.96/lb in 2016, 10.6% below the 2015 average of USD 1.07/lb. For the first quarter of 2017, the benchmark price followed higher prices in China and soared further to USD 1.65/lb.

Market prices

			IV/16	III/16	IV/15	2016	2015	2016 vs. 2015	IV vs. III
Stainless steel									
Europe	Base price	EUR/t	1,090	1,060	1,057	1,063	1,056	0.6 %	2.8 %
	Alloy surcharge	EUR/t	1,108	1,002	996	966	1,191	-18.9 %	10.6 %
	Transaction price	EUR/t	2,198	2,062	2,053	2,028	2,247	-9.7 %	6.6 %
USA	Base price	USD/t	1,323	1,323	1,257	1,286	1,349	-4.6 %	0.0 %
	Alloy surcharge	USD/t	960	874	903	831	1,227	-32.3 %	9.8 %
	Transaction price	USD/t	2,283	2,197	2,160	2,117	2,576	-17.8 %	3.9 %
China	Transaction price	USD/t	1,900	1,675	1,632	1,684	1,929	-12.7 %	13.4 %
Nickel		USD/t	10,858	10,258	9,412	9,600	11,808	-18.7 %	5.8 %
Ferrochrome (Cr-content)		USD/lb	1.10	0.98	1.04	0.96	1.07	-10.6 %	12.2 %
Molybdenum		USD/lb	6.67	7.06	4.84	6.52	6.67	-2.2 %	-5.5 %
Recycled steel		USD/t	234	203	169	216	221	-2.1 %	15.2 %

Sources:
Stainless steel: CRU January 2017, 2mm cold rolled 304 stainless steel sheet
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

Business areas

Europe

Europe key figures

		IV/16	III/16	IV/15	2016	2015
Stainless steel deliveries	1,000 tonnes	**395**	396	381	**1,625**	1,578
Sales	EUR million	**1,033**	946	995	**3,924**	4,316
Underlying EBIT	EUR million	**74**	45	33	**191**	85
Adjustments						
Redundancy costs	EUR million	**3**	4	-23	**-22**	-25
Restructuring provisions, other than redundancy	EUR million	**-**	-	-	**-8**	-
Impairments related to EMEA restructuring	EUR million	**-**	-	-6	**-**	-6
Changes to the UK pension scheme	EUR million	**4**	-	-	**4**	-
Net of raw material-related inventory and metal derivative gains/losses, unaudited	EUR million	**-6**	-1	-4	**-1**	31
EBIT	EUR million	**76**	48	0	**164**	84
Operating capital	EUR million	**2,408**	2,453	2,680	**2,408**	2,680

The European stainless steel market continued robust in the fourth quarter. The end customer demand was healthy while distributor buying behavior was impacted by typical year-end slowdown. The European distributor stainless steel inventory levels decreased towards the end of the year and remained below long-term averages. Overall import volumes to Europe increased to 25.6% but imports from China remained at low levels. The CRU reported European average base price for the fourth quarter of 2016 increased by EUR 30/tonne to EUR 1,090/tonne (EUR 1,060/tonne).

For the full year 2016, the CRU reported average market base price was relatively flat at EUR 1,063/tonne compared to EUR 1,056/tonne in 2015. The prices were under pressure during the first half of the year as the distributor demand was negatively impacted by low nickel prices. However, healthy end customer demand and higher nickel prices during the second half of the year resulted in an uptick in pricing.

Business area Europe's fourth-quarter stainless steel deliveries were relatively flat at 395,000 tonnes compared to 396,000 tonnes in the third quarter. Sales increased to EUR 1,033 million (EUR 946 million) driven mainly by higher base and metal prices. The average base price in business area Europe's coil product deliveries increased by EUR 40/tonne compared to the third quarter. Ferrochrome operations in the fourth quarter were impacted by technical issues in the beginning of the quarter and the ferrochrome deliveries were lower than in the third quarter. However, the ferrochrome production amounted to 109,000 tonnes, compared to 93,000 tonnes in the third quarter which was impacted by maintenance.

Europe's full-year 2016 stainless steel deliveries increased by 3.0% to 1,625,000 tonnes compared to 1,578,000 tonnes in 2015. However, sales decreased to EUR 3,924 million (EUR 4,316 million) due to lower base and metal prices. The average base price in business area Europe's coil product deliveries decreased by EUR 30/tonne compared to the previous year. The full-year ferrochrome production amounted to 469,000 tonnes (457,000 tonnes).

Europe's fourth-quarter underlying EBIT increased to EUR 74 million (EUR 45 million) driven by higher base prices and improved product mix. Furthermore, the EMEA restructuring program continued to yield strong results. Adjustments in the fourth quarter included EUR 3 million reversal of redundancy costs, gain from the changes to the UK pension scheme of EUR 4 million, and the net effect of raw material-related inventory and metal derivative gains/losses of EUR -6 million.

Europe’s full-year underlying EBIT increased to EUR 191 million compared to EUR 85 million in 2015 driven by higher volumes and significantly decreased costs. The business area achieved its targets with its EMEA restructuring program and successfully decreased its SG&A costs. Furthermore, the variable costs per tonne were also clearly reduced. These more than offset lower base prices. Adjustments in 2016 amounted to EUR -27 million, mainly related to redundancy costs.

Americas

Americas key figures

		IV/16	III/16	IV/15	**2016**	2015
Deliveries	1,000 tonnes	**167**	185	144	**690**	533
Sales	EUR million	**342**	372	292	**1,325**	1,214
Underlying EBIT	EUR million	**-18**	-7	-41	**-91**	-163
Adjustments						
Net insurance compensation and costs related to technical issues in Calvert	EUR million	**-**	-	2	**24**	-17
Redundancy costs	EUR million	**-**	-0	-	**-3**	-
Net of raw material-related inventory and metal derivative gains/losses, unaudited	EUR million	**5**	5	-14	**10**	-37
EBIT	EUR million	**-13**	-2	-54	**-60**	-216
Operating capital	EUR million	**1,127**	1,175	1,279	**1,127**	1,279

The fourth-quarter stainless steel market in the Americas was impacted by seasonal softness with distributor demand weakening at the end of the year. The seasonally slow year-end resulted in flat base prices during the fourth quarter with the CRU reported market base price remaining at USD 1,323/tonne (USD 1,323/tonne). Distributor inventories in the US increased and were slightly above the long-term average at the end of the year. While import volumes increased during the fourth quarter, overall, Chinese imports remained at low levels as a result of preliminary antidumping duties.

The full-year 2016 stainless steel market was volatile in the US. The year started with low base prices and high imports from China. In February, Outokumpu joined other US stainless steel producers and filed antidumping and countervailing duty petitions against Chinese importers. In September, the US Commerce Department set preliminary antidumping duties against imports from China. These measures resulted in significantly reduced import volumes from China particularly during the second half of the year, which, together with healthy underlying stainless steel demand, resulted in increased base prices towards the end of the year. However, the CRU reported average market base price for the full year 2016 was clearly lower on average at USD 1,286/tonne compared to USD 1,349/tonne in 2015.

Due to seasonally slower stainless steel markets, business area Americas’ fourth-quarter stainless steel deliveries decreased by 9.7% to 167,000 tonnes (185,000 tonnes). The average base price in the business area Americas’ coil product deliveries decreased by USD 20/tonne during the fourth quarter. Subsequently, sales decreased to EUR 342 million (EUR 372 million).

Business area Americas’ full-year stainless steel deliveries went up by 29.5% to 690,000 tonnes compared to 533,000 tonnes in 2015 due to strong commercial development. The average base price in the business area Americas’ coil product deliveries decreased by USD 10/tonne in 2016 compared to the previous year. Sales increased to EUR 1,325 million (EUR 1,214 million).

The Americas’ fourth-quarter underlying EBIT amounted to EUR -18 million (EUR -7 million). The underlying EBIT includes a cost of EUR 9 million related to supplier invoicing correction. The fourth-quarter profitability was negatively impacted by lower deliveries and decreased base prices, largely offset by a reduction in variable costs per tonne and SG&A costs. Adjustments in the fourth quarter included the net effect of raw material-related inventory and metal derivative gains/losses of EUR 5 million.

The business area’s full-year 2016 underlying EBIT amounted to EUR -91 million (EUR -163 million). The improved financial performance was primarily a result of significantly higher deliveries and 25% reduction in variable costs per tonne. The positive impacts were partly offset by lower base prices. Adjustments in 2016 amounted to EUR 31 million.

Long Products

Long Products key figures

		IV/16	III/16	IV/15	**2016**	2015
Deliveries	1,000 tonnes	**65**	59	42	**245**	213
Sales	EUR million	**134**	119	100	**487**	551
Underlying EBIT	EUR million	**0**	-1	-3	**-7**	7
Adjustments						
Changes to the UK pension scheme	EUR million	**21**	-	-	**21**	-
Redundancy costs	EUR million	**-0**	-	-	**-2**	-
Net of raw material-related inventory and metal derivative gains/losses, unaudited	EUR million	**1**	1	-4	**-1**	-5
EBIT	EUR million	**21**	-0	-8	**11**	2
Operating capital	EUR million	**139**	139	151	**139**	151

The long products market was showing slight improvement in the fourth quarter. Market demand strengthened in all regions and order intake grew by 10.2% during the quarter. Growth was strongest in Europe, followed by APAC and North America.

However, the full-year 2016 long products market was challenging. Prices were under pressure as import volumes remained at high levels in both Europe and the US. Furthermore, the Oil&Gas related investment activities remained subdued throughout the year.

Long Products’ deliveries increased to 65,000 tonnes in the fourth quarter compared to 59,000 tonnes in the third quarter. The business area achieved a breakeven underlying EBIT compared to underlying EBIT of EUR -1 million during the previous quarter. The profitability was positively impacted by higher deliveries and lower variable costs, largely offset by lower prices. Adjustments in the fourth quarter included mainly gain from the changes to the UK pension scheme of EUR 21 million and the net effect of raw material-related inventory and metal derivative gains/losses of EUR 1 million.

Full-year deliveries increased to 245,000 tonnes (213,000 tonnes) driven by higher customer deliveries and increased internal slab deliveries. Despite higher deliveries, Long Products’ full-year 2016 underlying EBIT deteriorated to EUR -7 million (EUR 7 million). The weakening performance was a result of lower long product prices, partly offset by cost reductions. The second-quarter derivative losses of approximately EUR 5 million impacted the business area’s profitability but were offset by improved cost competitiveness as a result of weaker GBP during the second half of the year. Adjustments in 2016 amounted to EUR 18 million.

Financial performance

Deliveries

Deliveries

1,000 tonnes	**IV/16**	III/16	IV/15	**2016**	2015
Cold rolled	**415**	441	426	**1,731**	1,767
White hot strip	**104**	105	85	**425**	346
Quarto plate	**27**	21	24	**100**	102
Long products	**15**	15	13	**65**	63
Semi-finished products	**64**	54	77	**247**	222
Stainless steel [1)]	**34**	26	23	**121**	95
Ferrochrome	**30**	29	54	**126**	128
Tubular products	**0**	0	2	**1**	9
Total deliveries	**626**	637	627	**2,570**	2,509
Stainless steel deliveries	**596**	608	574	**2,444**	2,381

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

Outokumpu’s fourth-quarter stainless steel deliveries decreased by 2.0% to 596,000 tonnes (608,000 tonnes). The decline was driven by seasonally lower deliveries in the Americas. Europe’s deliveries were relatively flat while Long Product’s deliveries increased.

For the full year 2016, stainless steel deliveries increased to 2,444,000 tonnes compared to 2,381,000 tonnes in 2015. The increase was mainly driven by significantly higher deliveries in the Americas. Deliveries in 2016 were higher also in Europe and Long Products compared to the previous year.

Sales and profitability

Outokumpu’s sales in the fourth quarter of 2016 increased by 6.0% to EUR 1,506 million (EUR 1,419 million), driven mainly by higher prices in Europe and higher deliveries in Long Products, partly offset by lower deliveries in the Americas. The average base price change in deliveries was positive for Outokumpu in the fourth quarter: base prices for coil products increased in Europe but decreased in the US.

Sales amounted to EUR 5,690 million in 2016, 11.0% lower than EUR 6,384 million in 2015. The decrease was a result of lower base prices in both Europe and the US, partly offset by higher deliveries.

Outokumpu’s fourth-quarter underlying EBIT was EUR 38 million, compared to EUR 32 million in the third quarter, driven by improvement in cost efficiency in all business areas. Furthermore, the base prices increased in Europe, while the US prices were negatively impacted by seasonality. Underlying EBIT from other operations was EUR -18 million (EUR -6 million), impacted by EUR -7 million booking related to short-term and long-term incentive programs.

Outokumpu’s profitability for the full year 2016 improved significantly with positive underlying EBIT of EUR 45 million compared to EUR -101 million in 2015. This was driven by significant reduction in costs, as well as higher delivery volumes particularly in the Americas.

Profitability

EUR million	**IV/16**	III/16	IV/15	**2016**	2015
Underlying EBIT	**38**	32	-11	**45**	-101
Adjustments					
Redundancy costs	**3**	2	-23	**-30**	-25
Gain on the SKS divestment	**2**	-	409	**28**	409
Changes to the UK pension scheme	**26**	-	-	**26**	-
Net insurance compensation and costs related to technical issues in Calvert	**-**	-	2	**24**	-17
Restructuring provisions, other than redundancy	**-**	-	-	**-8**	-
Gain on the Guangzhou divestment	**-**	-	-	**6**	-
Impairments related to EMEA restructuring [1]	**-**	-	-6	**-**	-6
Net of raw material-related inventory and metal derivative gains/losses, unaudited	**-0**	6	-29	**11**	-31
EBIT	**69**	40	341	**103**	228

[1] Not an EBITDA adjustment.

Adjustments to the fourth-quarter EBIT included a gain from the changes to the UK pension scheme of EUR 26 million, reversal of redundancy costs of EUR 3 million, and correction on the SKS divestment gain of EUR 2 million. The net effect of raw material-related inventory and metal derivative gains/losses in the fourth quarter was EUR -0 million (EUR 6 million). Adjustments to the full-year underlying EBIT amounted to EUR 58 million.

Income taxes for 2016 include deferred tax income of EUR 189 million related to previously unrecognized deferred tax assets from losses in Finland and Sweden in prior years. Impacted by the tax income, the net result for the fourth quarter of 2016 was EUR 192 million (EUR 13 million) and earnings per share was EUR 0.46 (EUR 0.03). The net result for 2016 was EUR 144 million compared to EUR 86 million in 2015. Earnings per share was EUR 0.35 in 2016 (EUR 0.23).

Additionally, Outokumpu has unutilized tax loss carry forwards of EUR 2,546 million, mainly in Germany and the US. Those can be recognized as deferred tax income when the company starts generating sufficient taxable income in these countries.

Cash flow

Summary of cash flows

EUR million	**Oct–Dec 2016**	July–Sept 2016	Oct–Dec 2015	**Jan–Dec 2016**	Jan–Dec 2015
Net cash from operating activities	**199**	61	2	**389**	-34
Net cash from investing activities	**-67**	26	319	**-81**	239
Cash flow before financing activities	**133**	87	321	**308**	205
Net cash from financing activities	**-144**	-29	-361	**-291**	-213
Net change in cash and cash equivalents	**-11**	58	-40	**17**	-8

Outokumpu's operating cash flow was EUR 199 million in the fourth quarter (EUR 61 million). The change in working capital for the quarter was EUR 158 million (EUR 32 million). The net working capital release during the full year of 2016 amounted to EUR 307 million.

Financial position

Cash and cash equivalents were at EUR 204 million at the end of the fourth quarter (Sept 30, 2016: EUR 213 million and Dec 31, 2015: EUR 186 million), and the overall liquidity reserves were approximately EUR 1.0 billion (Sept 30, 2016: EUR 0.9 billion and Dec 31, 2015: EUR 1.1 billion). In addition, EUR 145 million of the revolving credit facility maturing in February 2017 was available, but as it is classified as short-term, it was not included in the reported liquidity. The overall liquidity reserves increased during the fourth quarter due to the reduction in working capital, the improvement in profitability and the increased use of commercial paper.

Debt information

EUR million	**Dec 31 2016**	Sept 30 2016	Dec 31 2015
Bonds	**496**	496	398
Convertible bonds	**219**	217	210
Long-term loans from financial institutions	**84**	300	466
Pension loans	**165**	165	174
Finance lease liabilities	**155**	188	208
Short-term loans from financial institutions	**5**	23	0
Commercial paper	**321**	220	339
	1,445	1,610	1,796

Net debt at the end of December totaled EUR 1,242 million compared to EUR 1,396 million at the end of September and EUR 1,610 million at the end of 2015. Gearing decreased to 51.4%, compared to 65.3% at the end of September and 69.1% at the end of 2015, driven by lower net debt and increase in equity which was impacted by the deferred tax income.

Net financial expenses and interest expenses in the fourth quarter remained flat compared to the third quarter at EUR 29 million and EUR 27 million, respectively. For the full year 2016, net financial expenses added up to EUR 121 million compared to EUR 149 million in 2015. Interest expenses decreased from EUR 130 million to EUR 105 million year-on-year as a result of the debt reduction.

Outokumpu is rated by Moody's Investors Service. In March, 2016, Moody's assigned Outokumpu an issuer corporate family rating of B3 and a B3-PD probability default rating. In addition, Moody's has assigned a B2 rating to the EUR 250 million senior secured bond due in 2019 and a B2 rating to the EUR 250 million senior secured bond due in 2021. The outlook on the ratings is positive.

Capital expenditure

Capital expenditure was EUR 61 million in the fourth quarter, compared to EUR 43 million in the third quarter. The increase was partly driven by maintenance work in Tornio. For the full-year 2016, capital expenditure was EUR 164 million, slightly higher than EUR 154 million in 2015.

Safety, people and environment

Safety

Outokumpu's safety focus continues to develop positively. From the beginning of 2016, the company follows total recordable incident frequency (TRIFR) as its main indicator for safety performance. TRIFR includes fatal accidents, lost time incidents, restrictive work incidents, and medically treated incidents. The TRIFR was 7.4 in the fourth quarter and 8.7 for the full year against the target of less than 12.0. In total, there were four serious incidents during 2016. All of these accidents were thoroughly investigated and corrective actions were defined.

People

Personnel at the end of the reporting period

	Dec 31 2016	Sept 30 2016	Dec 31 2015
Europe	**7,428**	7,646	7,778
Americas	**2,219**	2,209	2,265
Long Products	**628**	640	658
Other operations	**325**	290	301
	10,600	10,785	11,002

Outokumpu's headcount decreased by 185 during the fourth quarter and totaled 10,600 at the end of December 2016 (Sept 30, 2016: 10,785; Dec 31, 2015: 11,022) driven by the continued restructuring and efficiency measures. Overall, the number of employees decreased by 402 during 2016 with the majority of the headcount reduction realized in the European operations.

In April, Outokumpu announced efficiency measures that are expected to lead to the reduction of up to 600 jobs globally. In the second quarter, Outokumpu carried out related consultations with employee representatives in Finland and in Sweden, resulting in a reduction of approximately 180 jobs in these countries, and a further 150 jobs globally. In addition, Outokumpu concluded the negotiations in Germany in the third quarter resulting in a reduction of approximately 180 jobs. Approximately 90 jobs remain and are expected to be reduced over the coming quarters. Redundancy costs of EUR 30 million have been booked related to efficiency measures and job reductions. All in all, Outokumpu plans to reduce its personnel to a level of 9,300 in the coming years.

Total wages and salaries amounted to EUR 562 million in 2016 (2015: EUR 585 million). Indirect employee benefit expenses totaled EUR 151 million in 2016 (2015: EUR 177 million). The reduction in indirect employee benefit expenses primarily resulted from the changes to Outokumpu's defined benefit pension scheme in the UK in October. The scheme was closed to future pension accruals and changes were made to the terms of retirement, which resulted in a EUR 26 million gain in 2016.

Environment

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

The EU Emissions Trading Scheme (ETS) is continuing with the third trading period 2013–2020. Outokumpu's operations under the EU ETS will continue to receive free emissions allocations according to efficiency-based benchmarks and historical activity. The total allocation will be sufficient for the Group's operations during 2017.

Shares and shareholders

During 2016, the price of the Outokumpu share peaked at EUR 8.51 and was EUR 2.08 at its lowest. The share price averaged EUR 4.51 during 2016. The Outokumpu share price closed at end of the year at EUR 8.51, marking an increase of 211% from the closing price of 2015. At the end of 2016, the company's market capitalization was EUR 3,541 million, compared to EUR 1,138 million at the previous year's end. In total, 956 million Outokumpu shares were traded on the Nasdaq Helsinki during 2016, representing a value of EUR 4,302 million.

Outokumpu's share capital was unchanged at EUR 311 million at the end of 2016. The total number of Outokumpu shares was 416,374,448 and the average number of shares outstanding in 2016 was 414,411,287.

Between May 17, 2016 and May 26, 2016, Outokumpu repurchased 2,000,000 its own shares through public trading at Nasdaq Helsinki intending to use them for the reward under the share-based payment plans. As of December 31, 2016, Outokumpu held 2,513,848 of its own shares, i.e. treasury shares.

Management shareholdings and share based incentive programs

As of December 31, 2016, the members of the Board of Directors and the members of the Outokumpu Leadership Team (OLT) held altogether 1,565,025 shares, or 0.4% of the total shares outstanding.

Outokumpu has established share-based incentive programs for the OLT members and for selected managers and key employees. Outokumpu's share based payment programs include Performance Share Plan 2012, Restricted Share Pool and Matching Share Plans for the CEO and other key employees.

According to the Matching Share Plan, the CEO is entitled to receive in total 1,157,156 gross shares including taxes on the condition that he personally invested EUR 1 million into Outokumpu shares by February 20, 2016. The matching shares will be delivered in four equal instalments at the end of 2016, 2017, 2018 and 2019, respectively. The 2016 tranche of 185,077 shares has been delivered. The CEO is required to keep at least all the shares he acquires and the first vesting portion, i.e. 25% of the net amount of the received matching shares throughout his service with Outokumpu.

Besides the CEO, 32 other key employees are taking part in the Matching Share Plan, according to which the participants have invested 30–120% of their annual gross base salary into Outokumpu shares by December 31, 2016. Outokumpu will match each share acquired by the employee with two gross shares from which applicable taxes will be deducted and the remaining net number of shares will be delivered in four equal instalments at the end of 2017, 2018, 2019 and 2020, respectively. In order to receive the matching shares, the participants are required to keep all the shares they acquire until the vesting of the each matching share tranche.

More details on the share-based incentive programs can be found on the Notes to the condensed financial statements.

Research and development

Outokumpu's research & development (R&D) involves process, product, application and technical market development. R&D works closely together with the customers to align the company's activities with their current and future needs. Outokumpu's R&D operations are concentrated in three research centers, located at Avesta in Sweden, at Krefeld in Germany and at Tornio in Finland. Each R&D center has its role and focus areas, which were further sharpened in 2016. R&D teams work closely together with our sales and operations. In addition to the R&D centers, R&D activities also take place at the production sites.

In 2016, Outokumpu's R&D expenditure totaled EUR 20 million, 0.4% of sales (2015: EUR 23 million and 0.4%).

During 2016, process development teams continued to focus on transferring technological knowledge between R&D and production units. A job rotation program and networking of technical experts was continued. Process development activities further delivered on the overall goal to ensure cost and environmental efficiency of Outokumpu's production processes and high product quality. Product development activities focused on commercialization of several recently launched steel grades, involving, for instance, application development together with customers and standardization activities. Within the technical market development activities, several successful cases have been accomplished in close cooperation between Outokumpu sales team and the customers.

Risks and uncertainties

Outokumpu operates in accordance with the risk management policy approved by the Board of Directors which 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 to identify, evaluate and mitigate risks from the perspective of shareholders, customers, suppliers, personnel, creditors and other stakeholders.

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

The focus in risk management during 2016 was to secure business plan e.g. by securing liquidity, reducing costs and improving the efficiency and controls of Outokumpu's operations by establishing global business services centers. Outokumpu continued its systematic fire safety and loss prevention audit programs, which also focused on machinery breakdown loss prevention during the last year.

There were no realized material risks in 2016. In the first quarter of 2016, Outokumpu completed negotiations with its insurance companies regarding the settlement of the machinery breakdown and business interruption incident at its Calvert mill in the US in June, 2014. The issue of the new bond maturing in 2021 together with the maturity extension of Finnish pension loans during the second quarter, as well as strong cash flow clearly improved liquidity and helped to reduce the refinancing risk particularly for 2017.

Strategic and business risks

Outokumpu's key strategic and business risks currently include: risks and uncertainties in implementing the announced vision, including measures to drive competitiveness and further improve the financial performance; risks and uncertainties related to developments in the stainless steel and ferrochrome market and competitor actions; the risk of changes in raw material and metal prices impacting Outokumpu's profitability and amounts of cash tied up in working capital; fluctuations of exchange rates affecting global competitive environment in stainless; and the risk of litigation or adverse political action affecting trade or changes that have an impact on environmental legislation.

Operational risks

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

Financial risks

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

Short-term risks and uncertainties

Outokumpu is exposed to the following risks and uncertainties in the short-term: risks and uncertainties in implementing the announced vision, including measures to drive competitiveness and further improve the financial performance; risks and uncertainties related to market development in stainless steel and ferrochrome as well as competitor actions; risk of changes in metal prices impacting amounts of cash tied up in working capital; risks and uncertainties in implementing the new organizational structure, and the loss of key personnel; changes in the prices of electrical power, fuels, nickel and molybdenum; currency developments affecting the euro, US dollar, Swedish krona and British pound; counterparty risk related to customers and other business partners, including financial institutions. Possible adverse changes in the global political and economic environment, may have a significant adverse impact on Outokumpu's overall business and access to financial markets.

Significant legal proceedings

Dispute over invention rights, Outotec vs. Outokumpu

Outokumpu and Outotec have since 2013 had a dispute relating to innovations on ferroalloy technology. On January 9, 2017, the companies reached an agreement whereby both parties withdrew their claims. Outotec was granted an exclusive right to sell and license the relevant innovations and technology against an agreed license fee payable to Outokumpu. Outokumpu retains the right to use the innovations in its own business.

Cartel fine imposed by the European Commission

In March 2011, the European Court of Justice upheld a EUR 3.2 million cartel fine imposed on ThyssenKrupp Stainless AG, a legal predecessor of Outokumpu Nirosta GmbH (“Nirosta”), in a decision of the European Commission from December 2006 (the “2006 Decision”). The 2006 Decision is based on a 1998 European Commission finding (the “1998 Finding”) that between 1993 and 1998, certain stainless steel producers, including Inoxum and certain of its legal predecessors, had violated Article 65 (1) of the European Coal and Steel Community Treaty by participating in a price-fixing arrangement with other stainless steel producers. The alleged price-fixing arrangement consisted of modifying and applying in a concerted fashion the reference values used to calculate the alloy surcharge to the base price of stainless steel. The 1998 Finding was appealed and subsequently annulled on procedural grounds with respect to Nirosta’s liability for one of its legal predecessors. Subsequent to this annulment, the European Commission opened new proceedings, which resulted in the 2006 Decision. Nirosta’s appeals of the 2006 Decision were unsuccessful. In April 2011, Nirosta filed a complaint (Verfassungsbeschwerde) with the German Constitutional Court (Bundesverfassungsgericht) requesting that the Court declare the 2006 Decision incompatible with certain fundamental rights under the German Constitution (Grundgesetz). The German Constitutional Court decided on July 19, 2016 not to accept the complaint. Outokumpu has decided not to pursue the matter further.

Claim in Spain related to the divested copper companies

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

Claim in Italy related to former tax consolidation group

In December 2015, Outokumpu Holding Italia and Acciai Speciali Terni (AST) entered into a dispute relating to the tax consolidation of the former ThyssenKrupp Tax Group in Italy. AST claims payment of approximately EUR 23 million resulting from the former tax consolidation of the Italian tax group managed by ThyssenKrupp. Outokumpu Holding Italia is the former ThyssenKrupp holding company and was transferred to Inoxum as part of the carve-out in 2011. The EUR 23 million claim resulted from former tax instalments paid by ThyssenKrupp Italia in 2006 which have not been properly settled towards AST in the following years. The matter is currently pending in court.

Antitrust investigation in Germany

On September 22, 2016, Outokumpu's subsidiary in Germany (Outokumpu Nirosta GmbH) received a letter from the German Federal Cartel Office stating that the company has been included in an ongoing investigation of possible infringements of antitrust laws in the past. Following an internal investigation, Outokumpu's view is that the official investigation on it is without merit.

Corporate governance

Outokumpu Leadership Team

The new organizational set-up connected to Outokumpu's vision and strategy came into force on June 1, 2016, and as of that date the Outokumpu Leadership Team comprises the following persons:

- Roeland Baan, President and CEO & head of business area Europe
- Christoph de la Camp, CFO (as of July 1, 2016)
- Michael S. Williams, head of business area Americas
- Kari Tuutti, head of business area Long Products
- Olli-Matti Saksi, head of Sales Europe
- Liam Bates, head of Supply Chain Europe
- Maciej Gwozdz, head of Operations Europe (as of October 1, 2016)
- Pekka Erkkilä, Chief Technology Officer
- Jan Hofmann, Business Transformation & IT
- Johann Steiner, Human Resources & Organizational Development
- Saara Tahvanainen, Communications & Investor Relations

Annual General Meeting

Outokumpu held its Annual General Meeting on April 6, 2016. The Meeting approved the financial statements and discharged the management of the company from liability for the financial year 2015. It was also decided that no dividend be paid for 2015. The Meeting approved the proposals regarding the authorization to the Board of Directors to repurchase the company's own shares and to decide on the issuance of shares as well as special rights entitling to shares. The Meeting also approved the proposals of the Nomination Board regarding the members of the Board of Directors and their remuneration.

The Annual General Meeting decided that the number of the members of Board of Directors is nine. The Annual General Meeting decided to re-elect Markus Akermann, Roberto Gualdoni, Stig Gustavson, Heikki Malinen, Saila Miettinen-Lähde, Elisabeth Nilsson, Jorma Ollila and Olli Vaartimo of the current members and to elect Kati ter Horst as a new member for the term of office ending at the end of the next Annual General Meeting. The Annual General Meeting re-elected Jorma Ollila as the Chairman and Olli Vaartimo as the Vice Chairman of the Board of Directors.

Nomination Board

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

On October 1, 2016, the four largest shareholders of Outokumpu were Solidium Oy, Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company and The Social Insurance Institution of Finland. They have appointed the following representatives to the Nomination Board:

- Kari Järvinen, Managing Director at Solidium Oy
- Pekka Pajamo, CFO at Varma Mutual Pension Insurance Company
- Timo Ritakallio, President and CEO at Ilmarinen Mutual Pension Insurance Company
- Tuula Korhonen, Investment Director at The Social Insurance Institution of Finland

The Nomination Board proposes for the 2017 Annual General Meeting that the Board of Directors would consist of eight members and Markus Akermann, Roberto Gualdoni, Kati ter Horst, Heikki Malinen, Saila Miettinen-Lähde, Jorma Ollila and Olli Vaartimo would be re-elected, and Eeva Sipilä would be elected as new member for the term of office ending at the end of the next Annual General Meeting. Jorma Ollila would be re-elected as the Chairman and Olli Vaartimo as the Vice Chairman of the Board of Directors.

Market and business outlook

Market outlook

In the first quarter of 2017, global real demand for stainless steel is expected to increase by 3.5% to 9.9 million tonnes from the fourth quarter of 2016. Growth is estimated to be most pronounced in the EMEA region at 5.2% quarter-on-quarter, whereas the Americas and the APAC regions are expected to grow by 4.2% and 2.9%, respectively. Total global demand for 2017 is forecast at 40.1 million tonnes, an increase of 4.2% compared to 2016. Growth is expected to be strongest in the APAC region with 4.9%, whereas the Americas and the EMEA regions are expected to grow by 2.4% and 2.3%, respectively.

Market development for real demand total stainless steel products between 2015 and 2020

Million tonnes	2015	2016f	2017f	2018f	2019f	2020f
EMEA	7.3	7.4	7.6	7.7	7.9	8.1
Americas	3.5	3.4	3.5	3.6	3.7	3.8
APAC	26.6	27.6	29.0	30.4	31.8	33.2
Total	37.4	38.5	40.1	41.8	43.5	45.2

Source: SMR January 2017
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. Growth in stainless steel consumption between 2017 and 2020 is expected to be relatively well-balanced between the end-use segments. SMR forecast growth rates of 5.3% in Architecture/Building/ Construction & Infrastructure, 5.1% in Automotive & Heavy Transport, 4.7% in Consumer Goods & Medical, 1.9% in Chemical/Petrochemical & Energy and 0.4% in Industrial & Heavy Industries segments.

Business and financial outlook for the first quarter of 2017

In line with typical seasonality, the stainless steel market is expected to be strong in the first quarter with healthy underlying demand in both Europe and the US. Consequently, the first-quarter delivery volumes are expected to be higher in Europe, and significantly higher in the Americas compared to the fourth quarter of 2016. Furthermore, the cost saving initiatives are expected to continue according to plans and contribute positively in the first quarter. In addition, the higher ferrochrome contract price will have a significant positive impact on business area Europe’s profitability.

Therefore, Outokumpu’s adjusted EBITDA is expected to be over EUR 250 million in the first quarter of 2017.

Given the achievements with debt reduction, Outokumpu updates its 2017 net debt target and expects the net debt to be below EUR 1.1 billion at the end of 2017.

Board of Directors’ proposal for profit distribution

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

According to the parent company’s financial statements on December 31, 2016 distributable funds totalled EUR 2,247 million, of which retained earnings were EUR 123 million.

The Board of Directors is proposing to the Annual General Meeting to be held on March 21, 2017 that a dividend of EUR 0.10 per share is paid for 2016 and the remaining distributable funds are allocated to retained earnings.

Events after the reporting period

Divestment of quarto plate mill in the US

On January 25, 2017, Outokumpu announced the divestment of its quarto plate mill in New Castle, Indiana, US to D’Orazio Capital Partners, a US-based private equity company and to the mill’s current management. The cash consideration of the transaction is expected to be approximately EUR 28 million, depending on the amount of the net working capital at the closing. The transaction reduces Outokumpu’s net debt with the approximately same amount. Outokumpu does not consider the financial impact of the transaction to be material, and reports the transaction as an adjustment in the first-quarter 2017 results. In 2016 financial statements, the New Castle mill is presented as assets held for sale.

Change in reporting practices

On January 26, 2017, Outokumpu announced that it is changing its financial reporting practices as of the first quarter 2017 interim report onwards. Going forward, Outokumpu will consider EBITDA as its main performance indicator. Furthermore, Outokumpu replaces underlying figures with adjusted figures.

Helsinki, February 2, 2017

Board of Directors

Condensed consolidated financial statements

Condensed income statement

EUR million	**Oct–Dec 2016**	July–Sept 2016	Oct–Dec 2015	**Jan–Dec 2016**	Jan–Dec 2015
Sales	**1,506**	1,419	1,435	**5,690**	6,384
Cost of sales	**-1,400**	-1,301	-1,438	**-5,298**	-6,273
Gross margin	**106**	117	-3	**392**	111
Other operating income	**27**	4	427	**88**	472
Sales, general and administrative costs [1]	**-60**	-56	-74	**-331**	-342
Other operating expenses	**-4**	-26	-9	**-46**	-13
EBIT	**69**	40	341	**103**	228
Share of results in associated companies and joint ventures	**3**	2	47	**5**	49
Financial income and expenses					
Interest expenses	**-27**	-27	-34	**-105**	-130
Net other financial expenses	**-2**	-3	-2	**-15**	-20
Result before taxes	**43**	13	352	**-13**	127
Income taxes	**149**	0	-44	**156**	-41
Net result for the period	**192**	13	308	**144**	86
Attributable to:					
Equity holders of the Company	**192**	13	309	**144**	96
Non-controlling interests	**-**	-	-1	**-**	-9
Earnings per share for result attributable to the equity holders of the Company (basic and diluted), EUR	**0.46**	0.03	0.74	**0.35**	0.23

[1] The EUR 400 million baseline for the EUR 100 million reduction target in sales, general and administrative costs includes EUR 58 million of costs that were reported as cost of sales in 2015. The corresponding costs for 2016 have been reported as sales, general and administrative costs.

Statement of comprehensive income

EUR million	**Oct–Dec 2016**	July–Sept 2016	Oct–Dec 2015	**Jan–Dec 2016**	Jan–Dec 2015
Net result for the period	**192**	13	308	**144**	86
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations					
Change in exchange differences	**31**	-5	20	**-3**	75
Reclassification adjustments from other comprehensive income to profit or loss	**-**	-	-17	**-2**	-17
Available-for-sale financial assets	**2**	-3	0	**-0**	-1
Cash flow hedges	**1**	-2	3	**-4**	2
Items that will not be reclassified to profit or loss:					
Remeasurements on defined benefit obligation plans					
Changes during the accounting period	**31**	-14	-31	**-63**	3
Income tax relating to remeasurements	**20**	0	-7	**20**	-7
Share of other comprehensive income in associated companies and joint ventures	**0**	0	0	**0**	-1
Other comprehensive income for the period, net of tax	**85**	-24	-32	**-53**	56
Total comprehensive income for the period	**276**	-11	276	**91**	142
Attributable to:					
Equity holders of the Company	**276**	-11	277	**91**	150
Non-controlling interests	**-**	-	-1	**-**	-8

Condensed statement of financial position

EUR million	**Dec 31 2016**	Sept 30 2016	Dec 31 2015
ASSETS			
Non-current assets			
Intangible assets	**504**	494	498
Property, plant and equipment	**2,874**	2,890	3,005
Investments in associated companies and joint ventures	**67**	64	63
Other financial assets	**54**	48	41
Deferred tax assets	**204**	25	16
Defined benefit plan assets	**45**	20	35
Trade and other receivables	**2**	6	40
Total non-current assets	**3,750**	3,546	3,698
Current assets			
Inventories	**1,232**	1,180	1,251
Other financial assets	**50**	37	53
Trade and other receivables	**687**	686	686
Cash and cash equivalents	**204**	213	186
Total current assets	**2,173**	2,116	2,177
Assets held for sale	**67**	-	-
TOTAL ASSETS	**5,990**	5,662	5,874
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company	**2,416**	2,137	2,329
Non-current liabilities			
Non-current debt	**987**	1,109	1,249
Other financial liabilities	**4**	4	9
Deferred tax liabilities	**22**	9	16
Defined benefit and other long-term employee benefit obligations	**356**	424	369
Provisions	**118**	126	113
Trade and other payables	**37**	37	48
Total non-current liabilities	**1,525**	1,709	1,805
Current liabilities			
Current debt	**458**	500	547
Other financial liabilities	**63**	32	50
Provisions	**15**	23	23
Trade and other payables	**1,471**	1,261	1,121
Total current liabilities	**2,007**	1,816	1,741
Liabilities directly attributable to assets held for sale	**43**	-	-
TOTAL EQUITY AND LIABILITIES	**5,990**	5,662	5,874

Condensed statement of cash flows

EUR million	**Oct–Dec 2016**	July–Sept 2016	Oct–Dec 2015	**Jan–Dec 2016**	Jan–Dec 2015
Net result for the period	**192**	13	308	**144**	86
Adjustments					
Depreciation, amortization and impairments	**60**	79	68	**252**	304
Other non-cash adjustments	**-166**	-21	-409	**-118**	-401
Change in working capital	**158**	32	69	**307**	223
Provisions, and defined benefit and other long-term employee benefit obligations paid	**-22**	-17	-13	**-94**	-130
Dividends and interests received	**0**	0	2	**1**	4
Interests paid	**-21**	-23	-20	**-94**	-111
Income taxes paid	**-1**	-2	-4	**-9**	-11
Net cash from operating activities	**199**	61	2	**389**	-34
Acquisition of businesses, net of cash	**-10**	1	-	**-9**	-
Purchases of assets	**-56**	-26	-48	**-156**	-151
Proceeds from the disposal of subsidiaries, net of cash and tax	**-**	49	375	**72**	375
Proceeds from the sale of assets	**0**	1	3	**8**	23
Other investing cash flow	**0**	0	-11	**4**	-8
Net cash from investing activities	**-67**	26	319	**-81**	239
Cash flow before financing activities	**133**	87	321	**308**	205
Capital contribution by the non-controlling interest holder	**-**	-	-	**-**	41
Treasury share purchase	**-**	-	-	**-7**	-
Borrowings of non-current debt	**2**	-	1	**369**	316
Repayment of non-current debt	**-233**	-26	-259	**-685**	-648
Change in current debt	**85**	-8	-102	**-13**	78
Other financing cash flow	**2**	5	-1	**45**	0
Net cash from financing activities	**-144**	-29	-361	**-291**	-213
Net change in cash and cash equivalents	**-11**	58	-40	**17**	-8
Cash and cash equivalents at the beginning of the period	**213**	156	225	**186**	191
Foreign exchange rate effect	**2**	0	1	**1**	2
Net change in cash and cash equivalents	**-11**	58	-40	**17**	-8
Cash and cash equivalents at the end of the period	**204**	213	186	**204**	186

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 equity holders of the parent										
Equity on Jan 1, 2015	**311**	**714**	**2,103**	**5**	**5**	**-49**	**-89**	**-23**	**-846**	**0**	**2,132**
Net result for the period	-	-	-	-	-	-	-	-	96	-9	86
Other comprehensive income	-	-	-	-	1	57	-4	-	-1	1	56
Total comprehensive income for the period	-	-	-	-	1	57	-4	-	95	-8	142
Transactions with equity holders of the Company											
Contributions and distributions											
Convertible bond	-	-	-	-	-	-	-	-	45	-	45
Capital contribution by the non-controlling interest holder [1]	-	-	-	-	-	-	-	-	-	41	41
Share-based payments	-	-	-	-	-	-	-	2	-0	-	1
Changes in ownership interests											
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	-	-32	-32
Equity on Dec 31, 2015	**311**	**714**	**2,103**	**5**	**6**	**8**	**-92**	**-21**	**-704**	**-**	**2,329**
Equity on Jan 1, 2016	**311**	**714**	**2,103**	**5**	**6**	**8**	**-92**	**-21**	**-704**	**-**	**2,329**
Net result for the period	-	-	-	-	-	-	-	-	144	-	144
Other comprehensive income	-	-	-	-	-4	-5	-43	-	0	-	-53
Total comprehensive income for the period	-	-	-	-	-4	-5	-43	-	144	-	91
Transactions with equity holders of the Company											
Contributions and distributions											
Share-based payments	-	-	-	-	-	-	-	9	-7	-	3
Treasury share purchase	-	-	-	-	-	-	-	-7	-	-	-7
Other	-	-	-	-2	-	-	-	-	2	-	-
Equity on Dec 30, 2016	**311**	**714**	**2,103**	**2**	**1**	**3**	**-135**	**-19**	**-564**	**-**	**2,416**

[1] Capital contribution by the non-controlling interest holder relates to full payment of the previously unpaid portion of share capital in SKS.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Basis of preparation

This annual accounts bulletin is prepared in accordance with IAS 34 Interim Financial Reporting. Annual figures in this annual accounts bulletin are audited. The same accounting policies and methods of computation have been followed when preparing the financial statements for 2016 as in the financial statements for 2015, except for the new and revised IFRS standards adopted from January 1, 2016. The following amended IFRS standards adopted from January 1, 2016 have impacted the disclosure of information in this annual accounts bulletin:

- Annual Improvements to IFRSs (2012–2014 Cycle): Amendment to IAS 34 Interim financial reporting. Disclosures can be provided elsewhere in the interim report with a reference from the interim financial statements to the location of the information.

- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative. The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements, clarifying for example the application of the materiality concept.

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

The sales, earnings and working capital of Outokumpu are subject to seasonal variations as a result of for example industry demand, the number of working days and vacation periods.

Managements' judgment and the 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. 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.

Reportable segments

As of the first quarter of 2016 Outokumpu launched new segment reporting structure based on three business areas: Europe, Americas and Long Products. Europe and Americas cover Outokumpu's entire flat products offering in these two markets, including all coil and plate business. The sales network in APAC is reported as part of Europe. Long Products cover all long product business. Business areas are Outokumpu's reportable segments under IFRS. Other operations cover activities outside the reportable segments as well as industrial holdings and expenses not allocated to the business areas.

Share-based payments

Outokumpu's share based payment programs include Performance Share Plan 2012 (Plans 2014–2016, 2015–2017 and 2016–2018), Restricted Share Pool (Plans 2014–2016, 2015–2017 and 2016–2018) and Matching Share Plans for the CEO and other key management.

The Performance Share Plan 2013–2015 ended and based on the achievement of the targets the participants received 65.1% of the maximum number of shares of the plan as reward. After deductions for applicable taxes, altogether 178,789 shares were delivered to 84 persons. Regarding the Restricted Share Pool Program, plan 2013–2015, after deductions for applicable taxes in total 7,426 shares were delivered to two participants based on the conditions of the plan. Outokumpu used its treasury shares for the reward payments.

In December 2015, the Board of Directors approved the commencement of the new plan (plan 2016–2018) of the Performance Share Plan 2012 as of the beginning of 2016. The maximum number of gross shares (taxes included) that could be allocated from the plan is 2,651,650. At the end of the reporting period 120 persons participated in the plan. The plan's earnings criteria for the year 2016 were Outokumpu's profitability and the efficiency with which its capital is employed compared to a peer group as well as Outokumpu's gearing 2018.

In December 2015, the Board also approved the commencement of the new plan (plan 2016–2018) of Restricted Share Pool Program 2012 as of the beginning of 2016. 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 any allocations to Leadership Team members, which will be approved by the Board of Directors. The maximum number of gross shares (taxes included) that could be allocated from the plan is 330,000. At the end of the reporting period 19 persons participated in the plan.

In December 2015, the Board of Directors approved the commencement of Matching Share Plan for the CEO at the beginning of 2016, according to which the CEO was entitled to receive in total 1,157,156 gross shares including taxes on the condition that he personally invested EUR 1 million into Outokumpu shares by February 20, 2016. The matching shares will be delivered in four equal instalments at the end of 2016, 2017, 2018 and 2019, respectively. The CEO is required to keep at least all the shares he acquired and the first vesting portion, i.e. 25% of the net amount of the received matching shares throughout his service with Outokumpu. In December 2016, the Board of Directors approved the delivery of the first reward share tranche to the CEO from the Matching share Plan. After deduction for applicable taxes, the net number of shares delivered to the CEO was 185,077.

In April 2016, the Board of Directors approved the commencement of Matching Share Plan for management for the years 2016–2020. According to the plan, the participants invested 30–120% of their annual gross base salary into Outokumpu shares by December 31, 2016. Outokumpu will match each share acquired by the participant with two gross shares from which applicable taxes will be deducted and the remaining net number of shares will be delivered in four equal instalments at the end of 2017, 2018, 2019 and 2020, respectively. In order to receive the matching shares, the participants are required to keep all the shares they acquire until the vesting of the each matching share tranche. The maximum number of gross matching shares is 2,184,702 including taxes. At the end of the reporting period 32 persons participated in the plan.

In May 2016, Outokumpu repurchased own shares for approximately EUR 7 million intending to use them for the reward under the share-based payment plans.

In December 2016, the Board of Directors approved the commencement of plan 2017–2019 of the Performance Share Plan 2012 and the Restricted Share Pool 2012 as of the beginning of 2017.

Acquisitions, divestments and assets classified as held for sale

In February 2016, Outokumpu announced the divestment of its remaining 5% share in its Chinese subsidiary Shanghai Krupp Stainless which was recognized in the 2015 consolidated financial statements. In May Outokumpu agreed on the final terms and conditions of the transaction. The final transaction price for Outokumpu's 5% share rose to EUR 92 million, taking into account all adjustments. As a result, Outokumpu recognized additional gain of EUR 24 million net of taxes on the transaction into its results. In total, Outokumpu has recognized a gain of EUR 412 million net of taxes for the sale of its entire 60% share in SKS.

In April 2016, Outokumpu divested its subsidiary Outokumpu Stainless International (Guangzhou) Ltd., a service center in China. The gain on the transaction was EUR 6 million. The effect of the divestment on the Group's financial position was immaterial.

In September 2016, Outokumpu acquired Hernandez Edelstahl GmbH, a stainless steel distributor in Germany, to further optimize the Group's customer service in Europe. Prior to the acquisition, Outokumpu held 33.3% of the company's shares and it was accounted for as an associated company in the Group's consolidated financial statements. Asset acquired and liabilities assumed in the acquisition included non-current assets of EUR 15 million, current assets of EUR 21 million and current liabilities of EUR 45 million. The net amount of consideration and cash and cash equivalents acquired was EUR 9 million. The goodwill of EUR 19 million arising from the acquisition was immediately impaired. The impact of the goodwill impairment loss and other acquisition related expenditure on the Group's profit and loss was offset by the reversal of EUR 22 million of Outokumpu's credit loss allowances for Hernandez at the time of the acquisition.

In 2016, Outokumpu committed to selling the subsidiary Outokumpu Stainless Plate, LLC within the Americas segment. Accordingly, the subsidiary is presented as a disposal group held for sale in Outokumpu's 2016 consolidated financial statements. The main items presented under assets held for sale comprised PPE of EUR 35 million, inventories of EUR 14 million and deferred tax assets of EUR 8 million. The main item presented under liabilities associated with assets held for sale comprise defined benefit obligation of EUR 38 million. The divestment of the subsidiary took place in January 2017.

Restructuring

In April 2016, Outokumpu announced new efficiency measures to improve the financial performance of the company. See information in section Safety, people and environment in this annual accounts bulletin.

Closure of UK Pension Scheme

See information in section Safety, people and environment in this annual accounts bulletin.

Issue of bond and Outokumpu’s credit rating

See information in section Financial performance in this annual accounts bulletin.

Events after the reporting period

See information in section Events after the reporting period in this annual accounts bulletin.

Property, plant and equipment

EUR million	**Jan–Dec 2016**	Jan–Dec 2015
Carrying value at the beginning of the period	**3,005**	3,138
Translation differences	**8**	132
Additions	**151**	129
Acquired subsidiaries	**3**	-
Disposals	**-29**	-13
Disposed subsidiaries	**-2**	-86
Reclassifications	**-1**	-2
Depreciation and impairments	**-225**	-293
Reclassification to asset held for sale	**-35**	-
Carrying value at the end of the period	**2,874**	3,005

Commitments

EUR million	**Dec 31 2016**	Dec 31 2015
Mortgages	**3,447**	3,559
Other pledges	**13**	30
Guarantees		
On behalf of subsidiaries for commercial and other commitments	**27**	30
On behalf of associated companies for financing	**-**	7
On behalf of other parties for financing	**-**	1
On behalf of other parties for commercial and other commitments	**2**	2
Other commitments	**16**	11
Minimum future lease payments on operating leases	**87**	72

Mortgages relate mainly to securing Group's financing. A major part of Outokumpu's borrowings are secured partly by mortgage over the real property of the Group's main production plants and partly by share pledges over the shares in selected Group companies.

Outokumpu has provided a security, including a pledge of shares of a subsidiary, related to AvestaPolarit pension scheme.

Other pledges reported in 2016 include Outokumpu's shares in Manga LNG Oy to secure certain liabilities of Manga LNG Oy. Outokumpu's total liability at the end of 2016 amounts to EUR 22 million, which is presented under pledges and other commitments. Other commitments include also Outokumpu's liabilities for the net debt in Rapid Power Oy and Tornion Voima Oy.

One remaining guarantee issued by ThyssenKrupp on behalf of Inoxum companies has not yet been transferred to Outokumpu Oyj as of December 31, 2016. However, Outokumpu Oyj has given ThyssenKrupp a counter-guarantee for this commitment amounting to EUR 4 million.

Outokumpu’s share of the Fennovoima investment is about EUR 250 million of which EUR 48 million has been paid by the end of the reporting period. Annual capital expenditure related to the project is expected to be around EUR 10–20 million in the coming years, and approximately half of the investment is expected to be paid only at the end of the construction phase in 2022–2023.

Group's other off-balance sheet investment commitments totaled EUR 19 million on December 31, 2016 (Dec 31, 2015: EUR 60 million).

Related party transactions

EUR million	Jan–Dec 2016	Jan–Dec 2015
Transactions and balances related companies		
Sales	**142**	137
Purchases	**-6**	-6
Trade and other receivables	**29**	64
Trade and other payables	**1**	1

EUR 12 million of receivables from associated companies were impaired during 2016 in addition to EUR 10 million that were impaired on December 31, 2015. The total impairment was reversed in September 2016. Property, plant and equipment with sales price of EUR 8 million was sold to an associated company in 2015.

Fair values and nominal amounts of derivative instruments

EUR million	Dec 31 2016 Net fair value	Dec 31 2015 Net fair value	Dec 31 2016 Nominal amounts	Dec 31 2015 Nominal amounts
Currency and interest rate derivatives				
Currency forwards	**-25**	5	**2,647**	2,284
Interest rate swaps	**-5**	-7	**777**	578
			Tonnes	Tonnes
Metal derivatives				
Forward and futures nickel contracts	**-2**	-4	**27,233**	32,623
Forward and futures molybdenum contracts	**-**	-3	**-**	212
Metal options, sold	**-1**	-	**1,800**	-
Emission allowance derivatives	**-**	-0	**-**	2,400,000
Propane derivatives	**-**	-12	**-**	61,500
			MMBtu	MMBtu
Natural gas derivatives	**-**	-1	**-**	705,000
	-33	-22		

Key figures by quarters

EUR million	I/15	II/15	III/15	IV/15	2015	I/16	II/16	III/16	**IV/16**	**2016**
Adjustments										
Redundancy costs	-	-	-2	-23	-25	-	-35	2	**3**	**-30**
Gain on the SKS divestment	-	-	-	409	409	-	26	-	**2**	**28**
Changes to the UK pension scheme	-	-	-	-	-	-	-	-	**26**	**26**
Net insurance compensation and costs related to technical issues in Calvert	-19	-	-	2	-17	25	-1	-	**-**	**24**
Restructuring provisions, other than redundancy	-	-	-	-	-	-8	-	-	**-**	**-8**
Gain on the Guangzhou divestment	-	-	-	-	-	-	6	-	**-**	**6**
Net of raw material-related inventory and metal derivative gains/losses, unaudited	7	-1	-8	-29	-31	-9	15	6	**-0**	**11**
Adjustments to EBITDA	-12	-1	-10	359	336	8	11	8	**30**	**58**
Additionally to EBIT										
Impairments related to EMEA restructuring	-	-	-	-6	-6	-	-	-	**-**	**-**
Adjustments to EBIT	-12	-1	-10	352	330	8	11	8	**30**	**58**
EBIT margin, %	-0.6	-1.5	-5.2	23.8	3.6	-0.9	0.4	2.8	**4.6**	**1.8**
Return on capital employed, %	-1.5	-1.8	-3.4	5.3	5.3	5.3	6.2	9.3	**2.6**	**2.6**
Return on equity, %	-10.7	-11.0	-12.9	3.9	3.9	4.1	6.0	11.9	**6.4**	**6.4**
Non-current debt	1,732	1,576	1,494	1,249	1,249	870	1,162	1,109	**987**	**987**
Current debt	600	747	743	547	547	848	478	500	**458**	**458**
Cash and cash equivalents	-298	-207	-225	-186	-186	-166	-156	-213	**-204**	**-204**
Net debt at the end of period	2,034	2,116	2,012	1,610	1,610	1,551	1,485	1,396	**1,242**	**1,242**
Capital employed at the end of period	4,503	4,479	4,271	4,133	4,133	3,973	3,905	3,815	**3,816**	**3,816**
Equity-to-assets ratio at the end of period, %	32.3	33.5	33.6	39.6	39.6	39.2	37.9	37.7	**40.4**	**40.4**
Debt-to-equity ratio at the end of period, %	91.5	96.4	96.5	69.1	69.1	69.6	69.1	65.3	**51.4**	**51.4**
Net debt to underlying EBITDA	7.5	8.3	9.2	8.2	8.2	9.9	9.8	5.6	**4.2**	**4.2**
Earnings per share, EUR	-0.10	-0.14	-0.27	0.74	0.23	-0.10	-0.05	0.03	**0.46**	**0.35**
Equity per share at the end of period, EUR	5.35	5.29	4.93	5.60	5.60	5.36	5.19	5.17	**5.84**	**5.84**
Deliveries, 1,000 tonnes										
Cold rolled	458	449	433	426	1,767	440	435	441	**415**	**1,731**
White hot strip	93	88	79	85	346	103	113	105	**104**	**425**
Quarto plate	24	31	23	24	102	28	25	21	**27**	**100**
Long products	16	16	18	13	63	15	19	15	**15**	**65**
Semi-finished products	49	52	44	77	222	57	72	54	**64**	**247**
Stainless steel [1)]	27	29	16	23	95	24	37	26	**34**	**121**
Ferrochrome	22	23	29	54	128	33	34	29	**30**	**126**
Tubular products	2	3	2	2	9	0	0	0	**0**	**1**
Total deliveries	642	640	599	627	2,509	643	664	637	**626**	**2,570**
Stainless steel deliveries	620	616	570	574	2,381	610	629	608	**596**	**2,444**
Average personnel for the period	11,927	12,172	11,879	11,353	11,833	10,955	11,142	11,167	**10,699**	**10,977**

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

Business Area key figures by quarters

Stainless steel deliveries 1,000 tonnes	I/15	II/15	III/15	IV/15	2015	I/16	II/16	III/16	**IV/16**	**2016**
Europe total	410	413	375	381	1,578	421	413	396	**395**	**1,625**
of which intra-group	5	7	4	6	23	5	4	5	**3**	**16**
Americas total	133	117	139	144	533	161	177	185	**167**	**690**
of which intra-group	0	0	12	1	14	0	0	3	**0**	**3**
Long Products total	52	62	58	42	213	50	70	59	**65**	**245**
of which intra-group	16	22	30	12	80	18	26	25	**28**	**97**
Other operations total	48	56	45	27	176	-	-	-	**-**	**-**
of which intra-group	-	2	1	1	3	-	-	-	**-**	**-**
Group total deliveries	620	616	570	574	2,381	610	629	608	**596**	**2,444**

Sales EUR million	I/15	II/15	III/15	IV/15	2015	I/16	II/16	III/16	**IV/16**	**2016**
Europe total	1,163	1,140	1,019	995	4,316	987	958	946	**1,033**	**3,924**
of which intra-group	36	40	49	40	165	35	36	43	**36**	**149**
Americas total	337	284	301	292	1,214	301	311	372	**342**	**1,325**
of which intra-group	7	5	21	4	37	4	5	10	**2**	**21**
Long Products total	149	159	142	100	551	100	133	119	**134**	**487**
of which intra-group	36	46	56	23	162	27	38	40	**48**	**153**
Other operations total	274	273	231	201	979	135	132	160	**145**	**571**
of which intra-group	75	71	79	86	311	71	75	85	**62**	**294**
Group total sales	1,768	1,694	1,487	1,435	6,384	1,386	1,379	1,419	**1,506**	**5,690**

EBIT EUR million	I/15	II/15	III/15	IV/15	2015	I/16	II/16	III/16	**IV/16**	**2016**
Europe	46	57	-19	0	84	32	7	48	**76**	**164**
Americas	-48	-65	-49	-54	-216	-26	-19	-2	**-13**	**-60**
Long Products	4	5	1	-8	2	-6	-4	-0	**21**	**11**
Other operations and intra-group items	-12	-23	-9	403	359	-12	22	-6	**-15**	**-12**
Group total EBIT	-10	-26	-77	341	228	-12	6	40	**69**	**103**

Adjusted EBIT EUR million	I/15	II/15	III/15	IV/15	2015	I/16	II/16	III/16	**IV/16**	**2016**
Europe	46	57	-17	29	115	40	36	44	**69**	**190**
Americas	-29	-65	-49	-56	-200	-50	-16	-1	**-13**	**-81**
Long Products	3	5	1	-8	2	-6	-3	-0	**1**	**-8**
Other operations and intra-group items	-12	-23	-9	-6	-49	-12	-8	-5	**-18**	**-44**
Group total adjusted EBIT	8	-26	-74	-40	-132	-29	9	38	**38**	**57**

Underlying EBIT EUR million	I/15	II/15	III/15	IV/15	2015	I/16	II/16	III/16	**IV/16**	**2016**
Europe	27	41	-15	33	85	42	29	45	**74**	**191**
Americas	-28	-50	-44	-41	-163	-43	-24	-7	**-18**	**-91**
Long Products	3	4	3	-3	7	-4	-2	-1	**0**	**-7**
Other operations and intra-group items	0	-20	-11	1	-30	-15	-8	-6	**-18**	**-48**
Group total underlying EBIT	2	-25	-67	-11	-101	-20	-5	32	**38**	**45**

Adjustment between underlying EBIT and EBIT EUR million	I/15	II/15	III/15	IV/15	2015	I/16	II/16	III/16	**IV/16**	**2016**
Europe	20	16	-4	-33	-1	-9	-22	3	**2**	**-27**
Americas	-21	-15	-5	-12	-54	17	4	5	**5**	**31**
Long Products	1	1	-3	-4	-5	-3	-1	1	**21**	**18**
Other operations and intra-group items	-12	-3	2	402	389	3	30	-1	**3**	**35**
Group total adjustments to EBIT	-12	-1	-10	352	330	8	11	8	**30**	**58**

Other operations' figures for 2015 include the divested SKS operations.

EBITDA

EUR million	I/15	II/15	III/15	IV/15	2015	I/16	II/16	III/16	**IV/16**	**2016**
Europe	98	108	32	47	286	74	47	111	**118**	**349**
Americas	-26	-43	-27	-40	-136	-12	-6	12	**1**	**-6**
Long Products	5	8	3	-6	10	-4	-2	2	**23**	**18**
Other operations and intra-group items	-12	-18	-5	407	372	-11	23	-5	**-13**	**-6**
Group total EBITDA	65	55	3	408	531	46	62	119	**128**	**355**

Adjusted EBITDA

EUR million	I/15	II/15	III/15	IV/15	2015	I/16	II/16	III/16	**IV/16**	**2016**
Europe	98	108	35	71	311	81	76	107	**110**	**374**
Americas	-7	-43	-27	-42	-120	-37	-3	12	**1**	**-27**
Long Products	5	8	3	-6	10	-4	-1	2	**2**	**-1**
Other operations and intra-group items	-12	-18	-4	-2	-36	-11	-6	-4	**-15**	**-37**
Group total adjusted EBITDA	83	55	6	21	165	29	66	116	**98**	**309**

Underlying EBITDA

EUR million	I/15	II/15	III/15	IV/15	2015	I/16	II/16	III/16	**IV/16**	**2016**
Europe	78	92	36	74	280	83	69	108	**116**	**375**
Americas	-5	-27	-22	-28	-83	-29	-11	6	**-4**	**-37**
Long Products	5	7	5	-1	15	-2	-1	1	**2**	**0**
Other operations and intra-group items	-1	-15	-6	5	-17	-14	-7	-5	**-16**	**-41**
Group total underlying EBITDA	77	57	13	50	196	38	51	110	**98**	**298**

Depreciation and amortization

EUR million	I/15	II/15	III/15	IV/15	2015	I/16	II/16	III/16	**IV/16**	**2016**
Europe	-51	-51	-51	-41	-196	-41	-40	-40	**-38**	**-158**
Americas	-22	-22	-22	-14	-80	-13	-13	-13	**-14**	**-54**
Long Products	-2	-2	-2	-2	-8	-2	-2	-2	**-2**	**-7**
Other operations	-5	-5	-4	-4	-18	-1	-1	-1	**-3**	**-7**
Group total depreciation and amortizatior	-80	-81	-80	-61	-302	-58	-56	-56	**-56**	**-226**

Capital expenditure

EUR million	I/15	II/15	III/15	IV/15	2015	I/16	II/16	III/16	**IV/16**	**2016**
Europe	20	16	19	41	96	25	23	28	**25**	**101**
Americas	1	4	2	12	19	0	2	5	**10**	**17**
Long Products	1	0	1	5	7	0	1	2	**5**	**8**
Other operations	4	14	6	7	32	6	2	8	**20**	**37**
Group total capital expenditure	26	35	29	65	154	32	28	43	**61**	**164**

Operating capital

EUR million	I/15	II/15	III/15	IV/15	2015	I/16	II/16	III/16	**IV/16**	**2016**
Europe	2,894	2,894	2,800	2,680	2,680	2,628	2,536	2,453	**2,408**	**2,408**
Americas	1,405	1,346	1,249	1,279	1,279	1,211	1,178	1,175	**1,127**	**1,127**
Long Products	176	167	166	151	151	136	132	139	**139**	**139**
Other operations and intra-group items	12	48	34	22	22	-8	47	32	**-40**	**-40**
Group total operating capital	4,486	4,455	4,248	4,133	4,133	3,967	3,893	3,799	**3,635**	**3,635**

Other operations' figures for 2015 include the divested SKS operations.

Definitions of financial key figures

Underlying EBIT = EBIT excluding items classified as adjustments

Adjusted EBIT = EBIT excluding items classified as adjustments, net of raw material-related inventory and metal derivative gains/losses not classified as an adjustment.

EBITDA = EBIT before depreciation, amortization and impairments

Capital employed = Total equity + net debt + net defined benefit and other long-term employee benefit obligations + net interest rate 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 deferred tax liability

Return on equity (ROE) =

$$\frac{\text{Net result for the financial period (4-quarter rolling)}}{\text{Total equity (4-quarter rolling average)}} \times 100$$

Return on capital employed (ROCE =

$$\frac{\text{EBIT (4-quarter rolling)}}{\text{Capital employed (4-quarter rolling average)}} \times 100$$

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

Equity-to-assets ratio =

$$\frac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$$

Debt-to-equity ratio =

$$\frac{\text{Net debt}}{\text{Total equity}} \times 100$$

Net debt to underlying EBITDA =

$$\frac{\text{Net debt}}{\text{Underlying EBITDA (4-quarter rolling)}}$$

Earnings per share =

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

Equity per share =

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