Interim report

Q2 2017

The innovative skyscraper

Outokumpu provided 1,000 metric tonnes of Supra 316/4404 stainless steel with Deco Linen finish for China Resources Group headquarters in Shenzen Bay, China. The 71-story skyscraper will reach 392.5 meters once completed in 2018.

The innovative building has 56 columns made of stainless steel that support its glass façade, creating an iconic form without the need for internal columns to break up open floor plans.

Stainless steel is the optimal material for façade applications as it has a long lifecycle and is easy to clean and maintain. Furthermore, its corrosion resisting capabilities make it the ideal choice for seaside locations.

outokumpu
high performance stainless steel

Contents

Solid profitability despite ferrochrome production challenges, Group adjusted EBITDA at EUR 199 million

Highlights in the second quarter of 2017

Outokumpu's second-quarter adjusted EBITDA amounted to EUR 199 million, compared to EUR 66 million in the second quarter of 2016. The financial performance was positively impacted by robust market environment with significantly higher ferrochrome prices and by higher base prices in both Europe and the Americas. Furthermore, Outokumpu's efficiency improvement measures continued to yield solid results. The performance was negatively impacted by low ferrochrome production. Adjusted EBITDA includes raw material-related inventory and metal derivative net losses of EUR 9 million (gains of EUR 15 million)[1].

- Stainless steel deliveries were 625,000 tonnes (629,000 tonnes).
- Adjusted EBITDA[2] was EUR 199 million (EUR 66 million).
- EBITDA was EUR 209 million (EUR 62 million).
- Adjusted EBIT[3] was EUR 145 million (EUR 9 million).
- EBIT was EUR 154 million (EUR 6 million).
- Operating cash flow was EUR 150 million (EUR 54 million).
- Net debt decreased to EUR 1,239 million (March 31, 2017: EUR 1,376 million).
- Gearing was 48.4% (March 31, 2017: 55.0%).
- Return on capital employed (ROCE) was 13.2% (6.2%).

Highlights during the first six months of 2017

- Stainless steel deliveries were 1,264,000 tonnes (1,240,000 tonnes).
- Adjusted EBITDA was EUR 493 million (EUR 95 million).
- EBITDA was EUR 518 million (EUR 108 million).
- Adjusted EBIT was EUR 382 million (EUR -19 million).
- EBIT was EUR 407 million (EUR -6 million).
- Operating cash flow was EUR 97 million (EUR 129 million).

[1] Figures in parentheses refer to the corresponding period for 2016, unless otherwise stated.
[2] EBITDA excluding items classified as adjustments. Adjustments are material income and expense items such as restructuring costs, and gains or losses on sale of assets or businesses.
[3] EBIT excluding items classified as adjustments.

Group key figures

		II/17	II/16	I/17	**I–II/17**	I–II/16	2016
Sales	EUR million	**1,659**	1,379	1,757	**3,416**	2,765	5,690
EBITDA	EUR million	**209**	62	309	**518**	108	355
Adjusted EBITDA [1]	EUR million	**199**	66	294	**493**	95	309
EBIT	EUR million	**154**	6	252	**407**	-6	103
Adjusted EBIT [2]	EUR million	**145**	9	238	**382**	-19	57
Result before taxes	EUR million	**127**	-22	224	**351**	-68	-13
Net result for the period	EUR million	**109**	-20	182	**291**	-61	144
Earnings per share	EUR	**0.26**	-0.05	0.44	**0.71**	-0.15	0.35
Diluted earnings per share	EUR	**0.25**	-0.05	0.42	**0.67**	-0.15	0.35
Return on capital employed	%	**13.2**	6.2	9.4	**13.2**	6.2	2.6
Net cash generated from operating activities	EUR million	**150**	54	-53	**97**	129	389
Net debt at the end of period	EUR million	**1,239**	1,485	1,376	**1,239**	1,485	1,242
Debt-to-equity ratio at the end of period	%	**48.4**	69.1	55.0	**48.4**	69.1	51.4
Capital expenditure	EUR million	**31**	28	19	**50**	60	164
Stainless steel deliveries [3]	1,000 tonnes	**625**	629	639	**1,264**	1,240	2,444
Personnel at the end of period [4]		**10,254**	10,645	10,420	**10,254**	10,645	10,600

[1] Adjusted EBITDA = EBITDA – Items classified as adjustments.

[2] Adjusted EBIT = EBIT – Items classified as adjustments.

[3] Excludes ferrochrome deliveries.

[4] On June 30, 2017 Group employed in addition some 750 summer trainees (June 30, 2016: some 800).

Business and financial outlook for the third quarter of 2017

Underlying stainless steel demand is expected to remain healthy in both Europe and the US. In the third quarter, typical seasonal slowdown is forecasted to have a negative impact on apparent stainless steel consumption. Consequently, Outokumpu expects business area Europe's and Long Products' stainless steel deliveries to decrease in the third quarter, whereas in the Americas, deliveries are expected to remain relatively flat compared to the second quarter. There is market pressure towards decreasing base prices in both Europe and the US.

The lower ferrochrome contract price and low delivery volumes are expected to have a significant negative impact on third-quarter earnings. The maintenance of the damaged ferrochrome furnace has been completed and the furnace is currently being ramped up. The furnace is expected to return to normal operations during the third quarter.

As alloy surcharges have decreased faster than raw material input costs, raw material-related inventory and metal derivative losses are expected to have a sizeable negative impact on Outokumpu's earnings in the third quarter.

The seasonally slower market, decreased ferrochrome prices and low ferrochrome delivery volumes, and raw material-related inventory and metal derivative losses are expected to lead to significantly lower third-quarter adjusted EBITDA compared to the previous quarter (EUR 199 million).

CEO Roeland Baan:

“During the past 18 months, we have made a marked step change in our business through developing our commercial and operational excellence, improving efficiency and driving our cost-base down. Reflecting on 2017 to date, the financial result of almost EUR 500 million of adjusted EBITDA for the first half of the year demonstrates the significant improvements we have achieved.

Having said that, we still have a lot of unlocked potential in our operations to be captured, and the whole organization is geared towards harvesting the full benefits through rigorous deployment of Outokumpu’s must-win battles. I am extremely proud of the enthusiasm, dedication and commitment that I see in all our sites globally, and can confirm that we are well on our way to fulfill our 2020 vision and financial targets.

Out of our six must-win battles, safety is a top priority in our everyday work. While our safety performance has improved, the tragic accident that led to the loss of life in Degerfors, Sweden in May, shows that we need to step up our safety behavior even further. Until we have reached our safety targets, we cannot be satisfied with the company’s overall performance either.

Turning focus to the second quarter, our financial performance was strong. Earnings increased significantly in all business areas compared to the same quarter in 2016. Although the results were supported by higher ferrochrome and stainless steel pricing, I am particularly pleased about the continuing improvements in our base operations. In the second quarter, we continued to exceed the targets we have set ourselves on productivity gains and efficiency. Commercially, we maintained delivery volumes and increased base prices in a period where distributors started to destock in expectation of lower transaction prices.

At the same time, it is obvious that our results could have been even better. Continuing problems with one of our ferrochrome furnaces have negatively affected our results. Lower raw material prices also added to downward pressure. Still, business area Europe’s adjusted EBITDA increased by more than 130% year-on-year amounting to EUR 178 million. Both the Americas and Long Products yielded solid adjusted EBITDAs of EUR 27 million and EUR 7 million respectively, in stark contrast to last year’s comparative quarterly losses.

Reducing net debt continues to be one of our main priorities. Second-quarter cash flow amounted to EUR 150 million, and as a result, our net debt decreased to EUR 1,239 million. We are confident that we can achieve our net debt target of less than EUR 1.1 billion by the end of 2017.

The third-quarter will obviously be affected by the typical seasonality, decreased ferrochrome prices and lost ferrochrome production volumes due to the maintenance stop in July. In addition, the steep drop in raw material prices will lead to lower margins as expensive raw materials will work their way through the system. On the fundamentals, however, we maintain our positive view on the stainless market and expect the underlying stainless steel demand to remain healthy both in Europe and the US.”

Market development

Stainless steel demand

Global apparent stainless steel consumption[4] increased by 1.9% in the second quarter compared to the same period last year. EMEA contributed with a growth of 3.8% followed by growth of 3.5% in the Americas and 1.2% in APAC. Global real demand for stainless steel products increased by 2.5% year-on-year, driven by growth of 4.4% in the Americas, 2.7% in EMEA and 2.2% in APAC.

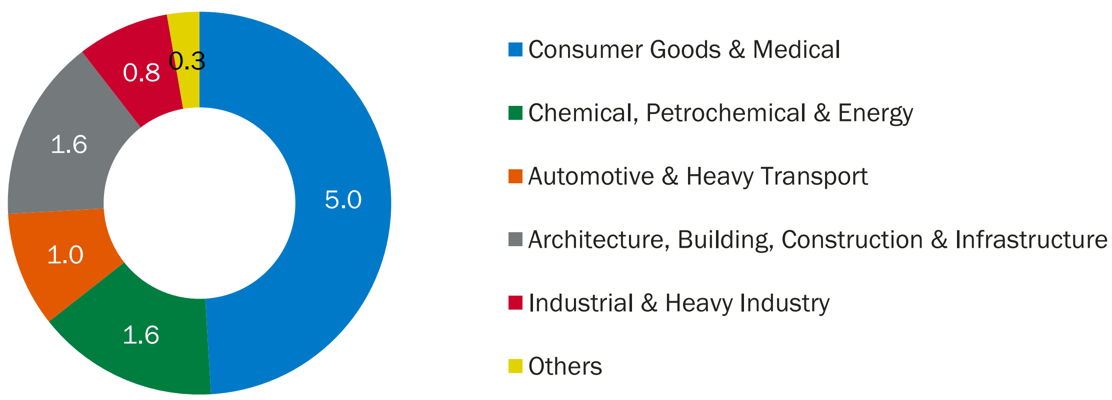
Demand increase was most prominent in ABC & Infrastructure, Industrial & Heavy Industries and Chemical, Petrochemical & Energy segments with growth of 3.2%, 3.1% and 2.9% year-on-year, respectively. Meanwhile, demand increased by 2.5% at Consumer Goods & Medical and by 0.2% in the Automotive & Heavy Transport segments.

Market development of total stainless steel real demand

Million tonnes	II/17	II/16	I/17	2016	y-o-y	q-o-q
EMEA	2.0	1.9	2.0	7.5	2.7 %	-1.1 %
Americas	0.9	0.8	0.9	3.4	4.4 %	-2.2 %
APAC	7.4	7.3	7.4	28.0	2.2 %	0.6 %
Total	10.3	10.0	10.3	38.9	2.5 %	0.0 %

Source: SMR July 2017
e = estimate

Stainless steel demand by customer segment in the second quarter 2017, million tonnes
(Total: 10.3 million tonnes)



Source: SMR July 2017

EU cold-rolled imports from third countries are expected to have reached a level of 27.1% of total consumption in April-May of 2017, up from the average of 21.3% in the same period last year. Average cold rolled imports into the US reached 22.7% of the total consumption in April-May compared to 22.5% in the same period last year. (Source: Eurofer and Foreign Trade Statistics, July 2017)

[4] Apparent consumption = real demand + stock change

Price development of alloying metals

The nickel price declined from USD 10,000/tonne levels at the beginning of the quarter to the low of the quarter of USD 8,715/tonne in early June. The decline was predominantly driven by expectations of increased ore availability from both Indonesia and the Philippines, as well as weak demand from the Chinese stainless steel sector. Prices recovered to USD 9,300/tonne levels towards the end of the quarter as a result of improving stainless steel markets in China. The average nickel price for the quarter amounted to USD 9,240/tonne, 4.7% higher than the USD 8,826/tonne in the second quarter of 2016.

The European benchmark price for ferrochrome decreased from USD 1.65/lb in the first quarter of 2017 to USD 1.54/lb in the second quarter of 2017, driven by lower demand from the Chinese stainless steel sector and improved availability of chrome ore in China. For the third quarter of 2017, a benchmark price of USD 1.10/lb, was announced.

Market prices

			II/17	II/16	I/17	2016	y-o-y	q-o-q
Stainless steel								
Europe	Base price	EUR/t	1,137	1,050	1,123	1,063	8.3 %	1.2 %
	Alloy surcharge	EUR/t	1,349	879	1,393	966	53.5 %	-3.1 %
	Transaction price	EUR/t	2,486	1,929	2,516	2,028	28.9 %	-1.2 %
USA	Base price	USD/t	1,374	1,271	1,367	1,286	8.1 %	0.5 %
	Alloy surcharge	USD/t	1,257	765	1,335	831	64.2 %	-5.9 %
	Transaction price	USD/t	2,631	2,037	2,702	2,117	29.2 %	-2.6 %
China	Transaction price	USD/t	1,726	1,635	2,027	1,684	5.6 %	-14.8 %
Nickel		USD/t	9,240	8,826	10,273	9,600	4.7 %	-10.1 %
Ferrochrome (Cr-content)		USD/lb	1.54	0.82	1.65	0.96	87.8 %	-6.7 %
Molybdenum		USD/lb	8.11	6.99	7.80	6.52	16.1 %	4.0 %
Recycled steel		USD/t	249	254	253	216	-1.7 %	-1.4 %

Sources:
Stainless steel: CRU July 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

Market outlook

In the third quarter of 2017, global real demand is expected to decrease by 2.2% compared to the second quarter, driven by decreases of 6.1% in EMEA and 1.6% in APAC. Real demand in the Americas is expected to increase by 1.6%. Compared to last year's third quarter, demand is expected to grow by 5.1%, as a result of growth of 5.9% in APAC, 3.3% in EMEA and 3.2% in Americas. Total global demand for 2017 is estimated to grow by 4.5% compared to 2016.

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

Million tonnes	2015	2016f	2017f	2018f	2019f	2020f
EMEA	7.3	7.5	7.7	7.8	8.0	8.2
Americas	3.5	3.4	3.6	3.7	3.8	3.9
APAC	26.6	28.0	29.5	30.6	31.8	33.2
Total	37.4	38.9	40.7	42.0	43.6	45.3

Source: SMR July 2017
f = forecast

Business areas

Europe

Europe key figures

		II/17	II/16	I/17	**I–II/17**	I–II/16	2016
Stainless steel deliveries	1,000 tonnes	**398**	413	415	**813**	834	1,625
Sales	EUR million	**1,147**	958	1,225	**2,372**	1,946	3,927
Adjusted EBITDA	EUR million	**178**	76	257	**435**	158	374
Adjustments							
Redundancy costs	EUR million	**-**	-29	-	**-**	-29	-22
Restructuring provisions, other than redundancy	EUR million	**-**	-	-	**-**	-8	-8
Changes to the UK pension scheme	EUR million	**-**	-	-	**-**	-	4
EBITDA	EUR million	**178**	47	257	**435**	120	348
Operating capital	EUR million	**2,548**	2,545	2,546	**2,548**	2,545	2,419

Certain activities were transferred from Other operations to Europe in 2017. Comparable figures for 2016 are presented accordingly.

Underlying stainless steel demand in Europe remained strong in all end customer segments in the second quarter. Distributor demand slowed down towards the end of the quarter due to declining raw material prices, which led to increased pressure on base prices. However, the CRU reported European average base price for the second quarter increased from the first quarter to EUR 1,137/tonne (I/17: EUR 1,123/tonne), and was EUR 87/tonne higher than EUR 1,050/tonne in the second quarter of 2016. Distributor inventories were still above long-term averages at the end of the quarter. The share of import volumes in the European market increased in the second quarter compared to the first quarter of 2017 and were clearly higher than in the second quarter of 2016. Imports from China remained low.

According to Eurofer, total European stainless steel mill shipments decreased by approximately 8% during the second quarter compared to same period last year. Outokumpu's business area Europe's stainless steel deliveries decreased by 3.6% to 398,000 tonnes (413,000 tonnes) in the second quarter. The average base price in business area Europe's coil product deliveries was EUR 120/tonne higher compared to the second quarter of 2016.

Ferrochrome operations were positively impacted by a significantly higher ferrochrome contract price of USD 1.54/lb compared to USD 0.82/lb in the second quarter of 2016. Low ferrochrome production of 86,000 tonnes (135,000 tonnes) had a negative impact on earnings. The decline in production volumes was the result of previously announced technical issues in one of the ferrochrome furnaces, leading to lower utilization rate of the affected furnace. The maintenance of the furnace was postponed to the third quarter. Ferrochrome deliveries were negatively impacted by delayed shipments as some customers postponed their purchases to the third quarter after the announcement of the lower third-quarter ferrochrome contract price.

Business area Europe's sales increased to EUR 1,147 million (EUR 958 million) due to higher prices. The second-quarter adjusted EBITDA increased to EUR 178 million (EUR 76 million) as a result of higher base prices and improved product mix, as well as significantly higher ferrochrome prices. Furthermore, a reduction in variable costs per tonne and SG&A costs had a positive impact on the second-quarter earnings. Raw material-related inventories and metal derivatives had a negative net impact on the result.

Americas

Americas key figures

		II/17	II/16	I/17	**I–II/17**	I–II/16	2016
Deliveries	1,000 tonnes	**186**	177	182	**369**	338	690
Sales	EUR million	**409**	311	416	**825**	612	1,325
Adjusted EBITDA	EUR million	**27**	-3	29	**56**	-40	-27
Adjustments							
Net insurance compensation and costs related to technical issues in Calvert	EUR million	**-**	-1	-	**-**	24	24
Redundancy costs	EUR million	**-**	-2	-	**-**	-2	-3
EBITDA	EUR million	**27**	-6	29	**56**	-18	-6
Operating capital	EUR million	**1,139**	1,178	1,245	**1,139**	1,178	1,127

American stainless steel demand was robust in the second quarter. Distributor demand was negatively impacted by declining raw material prices. Destocking resulted in a decrease in distributor inventories to below long-term average levels. Base prices were stable in the US market compared to the first quarter with the CRU reported market base price amounting to USD 1,374/tonne. Compared to the second quarter of 2016, the CRU reported market base price was USD 103/tonne higher (USD 1,271/tonne).

Business area Americas' second-quarter stainless steel deliveries were at 186,000 tonnes (177,000 tonnes). The average base price in the business area's coil product deliveries was USD 105/tonne higher compared to the second quarter of 2016. Sales increased to EUR 409 million (EUR 311 million) due to higher deliveries and higher prices.

Business area Americas' second-quarter adjusted EBITDA amounted to EUR 27 million, clearly higher than EUR -3 million in the second quarter of 2016. The improved earnings were a result of higher deliveries and prices, reduction in variable costs per tonne and SG&A costs, as well as an improved product mix. The result also includes release of accruals of EUR 6 million.

Long Products

Long Products key figures

		II/17	II/16	I/17	**I–II/17**	I–II/16	2016
Deliveries	1,000 tonnes	**68**	70	75	**143**	120	245
Sales	EUR million	**160**	133	173	**333**	233	487
Adjusted EBITDA	EUR million	**7**	-1	9	**16**	-5	-1
Adjustments							
Changes to the UK pension scheme	EUR million	**-**	-	-	**-**	-	21
Redundancy costs	EUR million	**-**	-1	-	**-**	-1	-2
EBITDA	EUR million	**7**	-2	9	**16**	-6	18
Operating capital	EUR million	**167**	132	165	**167**	132	139

Underlying long products demand remained solid in the second quarter. However, declining raw material prices towards the end of the quarter resulted in a decline in distributor demand particularly in Europe. Long products base prices remained stable in both Europe and the US and were higher than in the second quarter of 2016.

Business area Long Products' stainless steel deliveries decreased slightly to 68,000 tonnes (70,000 tonnes) due to lower internal slab deliveries to business area Europe. Despite lower deliveries, Long Products' adjusted EBITDA increased to EUR 7 million (EUR -1 million) as a result of higher base prices and improved cost competitiveness. Profitability in the reference period was negatively impacted by GBP derivative losses of approximately EUR 5 million. Raw material-related inventories and metal derivatives had a positive net impact on the result.

Financial performance

Deliveries

Deliveries

1,000 tonnes	**II/17**	II/16	I/17	**I–II/17**	I–II/16	2016
Cold rolled	**427**	435	445	**872**	875	1,731
White hot strip	**112**	113	112	**224**	216	425
Quarto plate	**19**	25	22	**41**	52	100
Long products	**19**	19	18	**37**	35	65
Semi-finished products	**71**	72	84	**155**	129	247
Stainless steel [1)]	**47**	37	42	**89**	61	121
Ferrochrome	**24**	34	42	**66**	67	126
Tubular products	**0**	0	0	**1**	1	1
Total deliveries	**649**	664	681	**1,329**	1,307	2,570
Stainless steel deliveries	**625**	629	639	**1,264**	1,240	2,444

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

Outokumpu's second-quarter stainless steel deliveries remained relatively flat at 625,000 tonnes (629,000 tonnes). Deliveries decreased in business area Europe and Long Products, and increased in business area Americas.

Sales and profitability

Outokumpu's sales in the second quarter increased by 20.3% to EUR 1,659 million (EUR 1,379 million) as a result of higher prices.

Profitability

EUR million	**II/17**	II/16	I/17	**I–II/17**	I–II/16	2016
Adjusted EBITDA	**199**	66	294	**493**	95	309
Adjustments						
Gain on the quarto plate mill divestment	**-**	-	15	**15**	-	-
Gain on the sale of land in Sheffield	**9**	-	-	**9**	-	-
Redundancy costs	**-**	-35	-	**-**	-35	-30
Gain on the SKS divestment	**-**	26	-	**-**	26	28
Changes to the UK pension scheme	**-**	-	-	**-**	-	26
Net insurance compensation and costs related to technical issues in Calvert	**-**	-1	-	**-**	24	24
Restructuring provisions, other than redundancy	**-**	-	-	**-**	-8	-8
Gain on the Guangzhou divestment	**-**	6	-	**-**	6	6
EBITDA	**209**	62	309	**518**	108	355

As of the beginning of 2017, raw material-related inventory and metal derivative gains/losses are no longer classified as an adjustment. Comparable figures for 2016 are presented accordingly.

Outokumpu's second-quarter adjusted EBITDA amounted to EUR 199 million, compared to EUR 66 million in the second quarter of 2016. The financial performance was positively impacted by robust market environment with significantly higher ferrochrome prices and by higher base prices in both Europe and the Americas. Furthermore, Outokumpu's efficiency improvement measures continued to yield solid results with a productivity improvement of 4.5% compared to last year. The second-quarter positive performance was negatively impacted by low ferrochrome production. Adjusted EBITDA includes raw material-related inventory and metal derivative net losses of EUR 9 million (gains of EUR 15 million). Other operations' adjusted EBITDA decreased to EUR -12 million (EUR -6 million), primarily due to an increase in net losses from derivatives. Adjusted EBITDA excludes a gain of EUR 9 million on the sale of land in Sheffield, UK (net adjustments of EUR -3 million).

The net result for the second quarter of 2017 was EUR 109 million (EUR -20 million) and earnings per share was EUR 0.26 (EUR -0.05).

Cash flow

Summary of cash flows

EUR million	**April–June 2017**	April–June 2016	Jan–March 2017	**Jan–June 2017**	Jan–June 2016	Jan–Dec 2016
Net cash from operating activities	**150**	54	-53	**97**	129	389
Net cash from investing activities	**-9**	-22	21	**12**	-40	-81
Cash flow before financing activities	**141**	32	-32	**109**	89	308
Net cash from financing activities	**69**	-42	-91	**-22**	-118	-291
Net change in cash and cash equivalents	**210**	-10	-123	**87**	-30	17

Outokumpu's operating cash flow amounted to EUR 150 million in the second quarter (EUR 54 million), negatively impacted by a change in working capital of EUR -29 million (EUR 18 million). Inventories decreased to EUR 1,282 million (March 31, 2017: EUR 1,335 million), primarily as a result of reduction in inventory tonnes. Trade and other receivables decreased by EUR 85 million to EUR 839 million (March 31, 2017: EUR 924 million). Trade and other payables decreased to EUR 1,376 million (March 31, 2017: EUR 1,502 million) due to lower raw material prices and lower purchasing volumes of raw materials to reduce inventory levels.

Financial position

Cash and cash equivalents were at EUR 289 million at the end of the second quarter of 2017 (March 31, 2017: EUR 81 million) and the overall liquidity reserves were over EUR 1.0 billion (March 31, 2017: EUR 0.8 billion). The overall liquidity reserves increased mainly due to good profitability and the increased use of commercial papers.

Debt information

EUR million	**June 30 2017**	June 30 2016	March 31 2017	Dec 31 2016
Bonds	**472**	496	496	496
Convertible bonds	**224**	215	222	219
Long-term loans from financial institutions	**68**	323	79	84
Pension loans	**151**	165	141	165
Finance lease liabilities	**147**	194	150	155
Short-term loans from financial institutions	**22**	29	23	5
Commercial paper	**444**	220	346	321
	1,528	1,641	1,457	1,445

Net debt decreased to EUR 1,239 million compared to EUR 1,376 million at the end of the first quarter. Gearing decreased to 48.4% (March 31, 2017: 55.0%).

In May 2017, Outokumpu announced the voluntary redemption of EUR 25 million related to its outstanding EUR 250 million senior secured notes due 2021. Ten percent of the outstanding nominal amount of each note was redeemed by Outokumpu on the redemption date of June 16, 2017, in accordance with the terms and conditions of the notes.

Net financial expenses were EUR 31 million in the second quarter (EUR 28 million). Interest expenses were at EUR 24 million (EUR 25 million).

Outokumpu is rated by Moody's Investors Service. In May 2017, Moody's upgraded Outokumpu's issuer corporate family rating to B2 from the previous rating of B3 and probability default rating to B2-PD from the previous B3-PD. Moody's also upgraded the ratings for Outokumpu's senior secured notes, due 2019 and 2021, to B1 from the previous rating of B2. The outlook on the ratings is positive.

Capital expenditure

Capital expenditure was EUR 31 million in the second quarter, somewhat higher than EUR 28 million in the second quarter of 2016.

Safety and people

Safety

The total recordable injury frequency rate (TRIFR) was 4.6 for the first half of 2017 against the target of less than 8.0 for 2017. During the second quarter, a fatal accident occurred in Degerfors, Sweden, when a third-party truck driver was struck by a fork lift truck during vehicle loading activities. Full measures were taken to thoroughly investigate this incident and comprehensive improvements have been implemented.

Outokumpu has continued its safety strategy including ongoing work on its standardized systems and practices as well as introducing the behavioral “SafeStart” program across its sites.

People

Personnel at the end of the reporting period

	June 30 2017	June 30 2016	March 31 2017	Dec 31 2016
Europe	**7,190**	7,602	7,374	7,464
Americas	**2,112**	2,170	2,106	2,219
Long Products	**672**	634	645	628
Other operations	**280**	239	295	289
	10,254	10,645	10,420	10,600

Certain activities were transferred from Other operations to Europe in 2017. Comparable figures for 2016 are presented accordingly.

On June 30, 2017 Group employed in addition some 750 summer trainees (June 30, 2016: some 800).

Outokumpu’s headcount decreased by 391 compared to the second quarter of 2016 and totaled 10,254 at the end of June 2017 (10,645). The decrease was driven primarily by continued restructuring and efficiency measures. All in all, Outokumpu plans to reduce its personnel to a level of 9,300 in the coming years.

Shares and shareholders

On June 30, 2017, Outokumpu’s share capital was EUR 311 million, and the total number of shares was 416,374,448. At the end of the second quarter, Outokumpu held 4,209,530 treasury shares. The average number of shares outstanding was 412,164,918 for the second quarter of 2017.

Outokumpu’s market capitalization was EUR 2,910 million at the end of June (EUR 1,564 million). The share price averaged EUR 7.63 in the second quarter and closed the quarter at EUR 6.99. At its highest, the share price closed at EUR 9.80, while the lowest price was EUR 6.61. The share turnover increased to 303.1 million shares compared to 246.3 million shares in the second quarter of 2016.

Risks and uncertainties

The main realized risks in the second quarter were the fatal accident to a contractor at Degerfors, Sweden in May and risks related to problems in ferrochrome production.

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 in ferrochrome as well as competitor actions; vulnerability to business interruptions due to high capacity utilization and increased price levels; risk of material changes in metal prices impacting cash flow and availability of financing; 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 changes in the global political and economic environment, including trade and fiscal policies could have an adverse impact on Outokumpu's overall business and access to financial markets.

Corporate governance

Board of Directors

Saila Miettinen-Lähde resigned Outokumpu's Board of Directors as of June 9, 2017. The Board of Directors continues to operate with seven members until the next Annual General Meeting.

Events after the reporting period

On July 13, 2017, Outokumpu announced that it lowers its second quarter earnings outlook. The company expected its second-quarter adjusted EBITDA to be approximately EUR 200 million. Earlier Outokumpu expected its second-quarter adjusted EBITDA to be somewhat lower than in the first quarter of 2017.

Helsinki, July 25, 2017

Board of Directors

Condensed financial statements

Condensed income statement

EUR million	April–June 2017	April–June 2016	Jan–June 2017	Jan–June 2016	Jan–Dec 2016
Sales	**1,659**	1,379	**3,416**	2,765	5,690
Cost of sales	**-1,432**	-1,287	**-2,867**	-2,596	-5,298
Gross margin	**226**	92	**549**	169	392
Other operating income	**19**	36	**38**	62	88
Sales, general and administrative costs	**-84**	-112	**-171**	-215	-331
Other operating expenses	**-7**	-10	**-9**	-22	-46
EBIT	**154**	6	**407**	-6	103
Share of results in associated companies and joint ventures	**4**	1	**7**	-0	5
Financial income and expenses					
Interest expenses	**-24**	-25	**-47**	-52	-105
Net other financial expenses	**-8**	-3	**-16**	-11	-15
Result before taxes	**127**	-22	**351**	-68	-13
Income taxes	**-19**	1	**-60**	7	156
Net result for the period	**109**	-20	**291**	-61	144
Earnings per share for result attributable to the equity holders of the Company					
Earnings per share, EUR	**0.26**	-0.05	**0.71**	-0.15	0.35
Diluted earnings per share, EUR	**0.25**	-0.05	**0.67**	-0.15	0.35

Statement of comprehensive income

EUR million	April–June 2017	April–June 2016	Jan–June 2017	Jan–June 2016	Jan–Dec 2016
Net result for the period	**109**	-20	**291**	-61	144
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations					
Change in exchange differences	**-45**	2	**-52**	-28	-3
Reclassification adjustments from other comprehensive income to profit or loss	**-**	-2	**-7**	-2	-2
Available-for-sale financial assets	**-0**	0	**-2**	0	-0
Cash flow hedges	**-1**	-3	**-1**	-3	-4
Items that will not be reclassified to profit or loss:					
Remeasurements on defined benefit obligation plans					
Changes during the accounting period	**-6**	-52	**-25**	-80	-63
Income tax relating to remeasurements	**0**	0	**0**	0	20
Share of other comprehensive income in associated companies and joint ventures	**0**	0	**-1**	0	0
Other comprehensive income for the period, net of tax	**-52**	-54	**-88**	-114	-53
Total comprehensive income for the period	**56**	-74	**203**	-175	91

Net result for the period and total comprehensive income for the period are fully attributable to the equity holders of the company.

Condensed statement of financial position

EUR million	**June 30 2017**	June 30 2016	Dec 31 2016
ASSETS			
Non-current assets			
Intangible assets	**489**	495	504
Property, plant and equipment	**2,730**	2,911	2,874
Investments in associated companies and joint ventures	**73**	62	67
Other financial assets	**56**	46	54
Deferred tax assets	**159**	21	204
Defined benefit plan assets	**14**	23	45
Trade and other receivables	**2**	6	2
Total non-current assets	**3,523**	3,565	3,750
Current assets			
Inventories	**1,282**	1,153	1,232
Other financial assets	**73**	27	50
Trade and other receivables	**839**	773	687
Cash and cash equivalents	**289**	156	204
Total current assets	**2,483**	2,109	2,173
Assets held for sale	**-**	-	67
TOTAL ASSETS	**6,006**	5,674	5,990
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company	**2,561**	2,148	2,416
Non-current liabilities			
Non-current debt	**996**	1,162	987
Other financial liabilities	**4**	7	4
Deferred tax liabilities	**22**	9	22
Defined benefit and other long-term employee benefit obligations	**344**	413	356
Provisions	**101**	114	118
Trade and other payables	**35**	47	37
Total non-current liabilities	**1,502**	1,752	1,525
Current liabilities			
Current debt	**532**	478	458
Other financial liabilities	**22**	47	63
Provisions	**12**	34	15
Trade and other payables	**1,376**	1,215	1,471
Total current liabilities	**1,942**	1,774	2,007
Liabilities directly attributable to assets held for sale	**-**	-	43
TOTAL EQUITY AND LIABILITIES	**6,006**	5,674	5,990

Condensed statement of cash flows

EUR million	**April–June 2017**	April–June 2016	**Jan–June 2017**	Jan–June 2016	Jan–Dec 2016
Net result for the period	**109**	-20	**291**	-61	144
Adjustments					
Depreciation, amortization and impairments	**54**	56	**111**	114	252
Other non-cash adjustments	**45**	36	**75**	68	-118
Change in working capital	**-29**	18	**-310**	117	307
Provisions, and defined benefit and other long-term employee benefit obligations paid	**-11**	-14	**-30**	-54	-94
Dividends and interests received	**2**	0	**3**	1	1
Interests paid	**-18**	-22	**-39**	-50	-94
Income taxes paid	**-1**	-1	**-4**	-6	-9
Net cash from operating activities	**150**	54	**97**	129	389
Acquisition of businesses, net of cash	**-**	-	**-**	-	-9
Purchases of assets	**-30**	-34	**-75**	-74	-156
Proceeds from the disposal of subsidiaries, net of cash and tax	**2**	7	**64**	24	72
Proceeds from the sale of assets	**23**	1	**23**	7	8
Other investing cash flow	**-4**	3	**0**	3	4
Net cash from investing activities	**-9**	-22	**12**	-40	-81
Cash flow before financing activities	**141**	32	**109**	89	308
Dividends paid	**-**	-	**-41**	-	-
Treasury share purchase	**-**	-7	**-20**	-7	-7
Borrowings of non-current debt	**20**	333	**70**	366	369
Repayment of non-current debt	**-49**	-409	**-134**	-426	-685
Change in current debt	**97**	2	**141**	-91	-13
Other financing cash flow	**0**	38	**-38**	39	45
Net cash from financing activities	**69**	-42	**-22**	-118	-291
Net change in cash and cash equivalents	**210**	-10	**87**	-30	17
Cash and cash equivalents at the beginning of the period	**81**	166	**204**	186	186
Foreign exchange rate effect	**-2**	-0	**-1**	-1	1
Net change in cash and cash equivalents	**210**	-10	**87**	-30	17
Cash and cash equivalents at the end of the period	**289**	156	**289**	156	204

Statement of changes in equity

	Attributable to the equity holders of the parent									
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	Total equity
Equity on Jan 1, 2016	**311**	**714**	**2,103**	**5**	**6**	**8**	**-92**	**-21**	**-704**	**2,329**
Net result for the period	-	-	-	-	-	-	-	-	-61	-61
Other comprehensive income	-	-	-	-	-3	-31	-80	-	0	-114
Total comprehensive income for the period	-	-	-	-	-3	-31	-80	-	-61	-175
Transactions with equity holders of the Company										
Contributions and distributions										
Share-based payments	-	-	-	-	-	-	-	5	-4	0
Treasury share purchase	-	-	-	-	-	-	-	-7	-	-7
Other	-	-	-	-0	-	-	-	-	0	-
Equity on June 30, 2016	**311**	**714**	**2,103**	**4**	**3**	**-23**	**-172**	**-23**	**-769**	**2,148**
Equity on Jan 1, 2017	**311**	**714**	**2,103**	**2**	**1**	**3**	**-135**	**-19**	**-564**	**2,416**
Net result for the period	-	-	-	-	-	-	-	-	291	291
Other comprehensive income	-	-	-	-	-3	-60	-25	-	-1	-88
Total comprehensive income for the period	-	-	-	-	-3	-60	-25	-	290	203
Transactions with equity holders of the Company										
Contributions and distributions										
Dividends paid	-	-	-	-	-	-	-	-	-41	-41
Share-based payments	-	-	-	-	-	-	-	7	-4	4
Treasury share purchase	-	-	-	-	-	-	-	-20	-	-20
Changes in ownership interests										
Quarto plate mill divestment	-	-	-	-	-	3	6	-	-8	-
Other	-	-	-	2	-	-	-	-	-2	-
Equity on June 30, 2017	**311**	**714**	**2,103**	**5**	**-2**	**-55**	**-154**	**-31**	**-330**	**2,561**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Basis of preparation

This interim report is unaudited and it is prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods of computation have been followed when preparing the interim financial information as in the financial statements for 2016. The amended IFRS standards adopted from January 1, 2017 did not have an impact on the condensed consolidated financial statements.

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.

Management 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.

Adoption of IFRS 15 Revenue from Contracts with Customers

Outokumpu plans to adopt IFRS 15 as of January 1, 2018, using the retrospective approach. Outokumpu has assessed its current accounting policies and will further analyze certain delivery term related details around allocation of transaction price and timing of revenue recognition. Outokumpu expects that the adoption will have no material impact on the quantitative information or on the presentation in the consolidated financial statements.

Share-based payments

Outokumpu’s share based payment programs include Performance Share Plan 2012 (Plans 2015–2017, 2016–2018 and 2017–2019), Restricted Share Pool (Plans 2015–2017, 2016–2018 and 2017–2019) and Matching Share Plans for the CEO and other key management.

The Performance Share Plan 2014–2016 ended and based on the achievement of the targets the participants received 293,761 shares after deductions for applicable taxes. Regarding the Restricted Share Pool Program, plan 2014–2016, after deductions for applicable taxes in total 10,557 shares were delivered to the participants based on the conditions of the plan. Outokumpu used its treasury shares for the reward payments. In addition, Outokumpu will deliver 35,099 shares according to the Matching Share Plan for the key management in August 2017.

In December 2016, the Board of Directors approved the commencement of the new plan (plan 2017–2019) of the Performance Share Plan 2012 as of the beginning of 2017. The maximum number of gross shares (taxes included) that could be allocated from the plan is 2,900,000 and at the end of the reporting period 141 key employees participated in the plan. The plan's earnings criteria measure Outokumpu's profitability and the efficiency with which its capital is employed compared to a peer group.

In December 2016, the Board also approved the commencement of the new plan (plan 2017–2019) of Restricted Share Pool Program 2012 as of the beginning of 2017. Restricted share grants are approved annually by the CEO based on the authorization granted by the Board of Directors, except 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 150,000 and at the end of the reporting period 56 key employees participated in the plan.

In February 2017, Outokumpu repurchased own shares for EUR 20 million intending to use them for the reward under the share-based payment plans.

Divestments

In January 2017, Outokumpu divested its quarto plate mill Outokumpu Stainless Plate, LLC within the Americas segment. In consolidated financial statements for 2016 the subsidiary was presented as a disposal group held for sale. The consideration of the transaction was EUR 27 million and the gain was EUR 15 million, of which EUR 7 million were cumulative translation differences reclassified to profit or loss.

Voluntary partial redemption of Outokumpu's EUR 250 million senior secured notes due 2021

See information in section Financial performance in this interim report.

Property, plant and equipment

EUR million	**Jan–June 2017**	Jan–June 2016	Jan–Dec 2016
Carrying value at the beginning of the period	**2,874**	3,005	3,005
Translation differences	**-80**	-35	8
Additions	**45**	56	151
Acquired subsidiaries	**-**	-	3
Disposals	**-3**	-1	-29
Disposed subsidiaries	**-0**	-2	-2
Reclassifications	**0**	-2	-1
Depreciation and impairments	**-108**	-110	-225
Reclassification to asset held for sale	**-**	-	-35
Carrying value at the end of the period	**2,730**	2,911	2,874

Commitments

EUR million	**June 30 2017**	June 30 2016	Dec 31 2016
Mortgages	**3,400**	3,456	3,447
Other pledges	**13**	13	13
Guarantees			
On behalf of subsidiaries for commercial and other commitments	**27**	25	27
On behalf of other parties for financing	**-**	1	-
On behalf of other parties for commercial and other commitments	**-**	3	2
Other commitments	**19**	9	16
Minimum future lease payments on operating leases	**85**	70	87

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 include Outokumpu's shares in Manga LNG Oy to secure certain liabilities of Manga LNG Oy. Outokumpu's total liability on June 30, 2017 amounted to EUR 29 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 June 30, 2017. 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 53 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 39 million on June 30, 2017 (June 30, 2016: EUR 38 million, Dec 31, 2016: EUR 19 million).

Related party transactions

EUR million	**Jan–June 2017**	Jan–June 2016	Jan–Dec 2016
Transactions and balances related companies			
Sales	**59**	82	142
Purchases	**-3**	-3	-6
Trade and other receivables	**32**	43	29
Trade and other payables	**1**	1	1

Fair values and nominal amounts of derivative instruments

EUR million	**June 30 2017 Net fair value**	Dec 31 2016 Net fair value	**June 30 2017 Nominal amounts**	Dec 31 2016 Nominal amounts
Currency and interest rate derivatives				
Currency forwards	**32**	-25	**2,379**	2,647
Interest rate swaps	**-4**	-5	**400**	777
			Tonnes	Tonnes
Metal derivatives				
Forward and futures nickel contracts	**2**	-2	**47,211**	27,233
Metal options, sold	**-**	-1	**-**	1,800
Metal options, bought	**0**	-	**1,000**	-
Emission allowance derivatives	**0**	-	**2,400,000**	-
	30	-33		

Hierarchy of financial assets and liabilities measured at fair value on June 30, 2017

EUR million	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	0	-	1	1
Investment at fair value through profit or loss	17	-	1	17
Derivatives	-	56	-	56
	17	56	2	75
Liabilities				
Derivatives	-	26	-	26

The fair value of long-term debt is EUR 1,104 million (carrying amount EUR 996 million). The fair value of the convertible bonds includes the value of the conversion rights. For other financial instruments the carrying amount is a reasonable approximation of fair value.

Key figures by quarters

EUR million	I/16	II/16	I–II/16	III/16	IV/16	2016	I/17	**II/17**	**I–II/17**
Adjustments									
Gain on the quarto plate mill divestment	-	-	-	-	-	-	15	**-**	**15**
Gain on the sale of land in Sheffield	-	-	-	-	-	-	-	**9**	**9**
Redundancy costs	-	-35	-35	2	3	-30	-	**-**	**-**
Gain on the SKS divestment	-	26	26	-	2	28	-	**-**	**-**
Changes to the UK pension scheme	-	-	-	-	26	26	-	**-**	**-**
Net insurance compensation and costs related to technical issues in Calvert	25	-1	24	-	-	24	-	**-**	**-**
Restructuring provisions, other than redundancy	-8	-	-8	-	-	-8	-	**-**	**-**
Gain on the Guangzhou divestment	-	6	6	-	-	6	-	**-**	**-**
Adjustments to EBITDA and EBIT	17	-3	13	2	31	47	15	**9**	**24**
EBIT margin, %	-0.9	0.4	-0.2	2.8	4.6	1.8	14.4	**9.3**	**11.9**
Return on capital employed, %	5.3	6.2	6.2	9.3	2.6	2.6	9.4	**13.2**	**13.2**
Return on equity, %	4.1	6.0	6.0	11.9	6.4	6.4	16.0	**21.1**	**21.1**
Non-current debt	870	1,162	1,162	1,109	987	987	1,010	**996**	**996**
Current debt	848	478	478	500	458	458	447	**532**	**532**
Cash and cash equivalents	-166	-156	-156	-213	-204	-204	-81	**-289**	**-289**
Net debt at the end of period	1,551	1,485	1,485	1,396	1,242	1,242	1,376	**1,239**	**1,239**
Capital employed at the end of period	3,973	3,905	3,905	3,815	3,816	3,816	4,075	**3,991**	**3,991**
Equity-to-assets ratio at the end of period, %	39.2	37.9	37.9	37.7	40.4	40.4	41.6	**42.7**	**42.7**
Debt-to-equity ratio at the end of period, %	69.6	69.1	69.1	65.3	51.4	51.4	55.0	**48.4**	**48.4**
Net debt to adjusted EBITDA	14.0	12.3	12.3	6.0	4.0	4.0	2.4	**1.8**	**1.8**
Earnings per share, EUR	-0.10	-0.05	-0.15	0.03	0.46	0.35	0.44	**0.26**	**0.71**
Diluted earnings per share, EUR	-0.10	-0.05	-0.15	0.03	0.46	0.35	0.42	**0.25**	**0.67**
Equity per share at the end of period, EUR	5.36	5.19	5.19	5.17	5.84	5.84	6.07	**6.21**	**6.21**
Deliveries, 1,000 tonnes									
Cold rolled	440	435	875	441	415	1,731	445	**427**	**872**
White hot strip	103	113	216	105	104	425	112	**112**	**224**
Quarto plate	28	25	52	21	27	100	22	**19**	**41**
Long products	15	19	35	15	15	65	18	**19**	**37**
Semi-finished products	57	72	129	54	64	247	84	**71**	**155**
Stainless steel [1)]	24	37	61	26	34	121	42	**47**	**89**
Ferrochrome	33	34	67	29	30	126	42	**24**	**66**
Tubular products	0	0	1	0	0	1	0	**0**	**1**
Total deliveries	643	664	1,307	637	626	2,570	681	**649**	**1,329**
Stainless steel deliveries	610	629	1,240	608	596	2,444	639	**625**	**1,264**
Average personnel for the period	10,955	11,142	11,067	11,167	10,699	10,977	10,507	**10,620**	**10,584**

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

Business Area key figures by quarters

Stainless steel deliveries 1,000 tonnes	I/16	II/16	I–II/16	III/16	IV/16	2016	I/17	**II/17**	**I–II/17**
Europe total	421	413	834	396	395	1,625	415	**398**	**813**
of which intra-group	5	4	9	5	3	16	3	**5**	**8**
Americas total	161	177	338	185	167	690	182	**186**	**369**
of which intra-group	0	0	0	3	0	3	0	**0**	**0**
Long Products total	50	70	120	59	65	245	75	**68**	**143**
of which intra-group	18	26	43	25	28	97	30	**22**	**52**
Group total deliveries	610	629	1,240	608	596	2,444	639	**625**	**1,264**

Sales EUR million	I/16	II/16	I–II/16	III/16	IV/16	2016	I/17	**II/17**	**I–II/17**
Europe total	988	958	1,946	946	1,034	3,927	1,225	**1,147**	**2,372**
of which intra-group	35	36	72	43	36	151	61	**62**	**123**
Americas total	301	311	612	372	342	1,325	416	**409**	**825**
of which intra-group	4	5	9	10	2	21	9	**10**	**19**
Long Products total	100	133	233	119	134	487	173	**160**	**333**
of which intra-group	27	38	65	40	48	153	56	**43**	**99**
Other operations total	134	131	264	159	144	567	141	**121**	**262**
of which intra-group	70	74	145	84	61	289	72	**64**	**135**
Group total sales	1,386	1,379	2,765	1,419	1,506	5,690	1,757	**1,659**	**3,416**

EBITDA EUR million	I/16	II/16	I–II/16	III/16	IV/16	2016	I/17	**II/17**	**I–II/17**
Europe	74	47	120	111	117	348	257	**178**	**435**
Americas	-12	-6	-18	12	1	-6	29	**27**	**56**
Long Products	-4	-2	-6	2	23	18	9	**7**	**16**
Other operations and intra-group items	-11	24	13	-5	-12	-5	14	**-3**	**11**
Group total EBITDA	46	62	108	119	128	355	309	**209**	**518**

Adjusted EBITDA EUR million	I/16	II/16	I–II/16	III/16	IV/16	2016	I/17	**II/17**	**I–II/17**
Europe	82	76	158	107	110	374	257	**178**	**435**
Americas	-37	-3	-40	12	1	-27	29	**27**	**56**
Long Products	-4	-1	-5	2	2	-1	9	**7**	**16**
Other operations and intra-group items	-11	-6	-18	-4	-15	-37	-1	**-12**	**-13**
Group total adjusted EBITDA	29	66	95	116	98	309	294	**199**	**493**

Adjustment to EBITDA and EBIT EUR million	I/16	II/16	I–II/16	III/16	IV/16	2016	I/17	**II/17**	**I–II/17**
Europe	-8	-29	-37	4	7	-26	-	**-**	**-**
Americas	25	-3	21	-0	-	21	-	**-**	**-**
Long Products	-	-1	-1	-	20	19	-	**-**	**-**
Other operations and intra-group items	-	30	30	-1	3	32	15	**9**	**24**
Group total adjustments	17	-3	13	2	31	47	15	**9**	**24**

Certain activities were transferred from Other operations to Europe in 2017. Comparable figures for 2016 are presented accordingly.

EBIT

EUR million	I/16	II/16	I–II/16	III/16	IV/16	2016	I/17	**II/17**	**I–II/17**
Europe	33	7	40	48	76	164	218	**140**	**358**
Americas	-26	-19	-45	-2	-13	-60	15	**14**	**29**
Long Products	-6	-4	-10	-0	21	11	7	**5**	**12**
Other operations and intra-group items	-13	22	10	-6	-15	-12	13	**-4**	**8**
Group total EBIT	-12	6	-6	40	69	103	252	**154**	**407**

Adjusted EBIT

EUR million	I/16	II/16	I–II/16	III/16	IV/16	2016	I/17	**II/17**	**I–II/17**
Europe	40	36	77	44	68	190	218	**140**	**358**
Americas	-50	-16	-67	-1	-13	-81	15	**14**	**29**
Long Products	-6	-3	-9	-0	1	-8	7	**5**	**12**
Other operations and intra-group items	-13	-8	-21	-5	-18	-44	-2	**-14**	**-16**
Group total adjusted EBIT	-29	9	-19	38	38	57	238	**145**	**382**

Depreciation and amortization

EUR million	I/16	II/16	I–II/16	III/16	IV/16	2016	I/17	**II/17**	**I–II/17**
Europe	-41	-40	-81	-40	-38	-158	-38	**-38**	**-76**
Americas	-13	-13	-27	-13	-14	-54	-13	**-13**	**-27**
Long Products	-2	-2	-4	-2	-2	-7	-2	**-2**	**-4**
Other operations	-1	-1	-3	-1	-3	-7	-2	**-2**	**-3**
Group total depreciation and amortization	-58	-56	-114	-56	-56	-226	-55	**-54**	**-110**

Capital expenditure

EUR million	I/16	II/16	I–II/16	III/16	IV/16	2016	I/17	**II/17**	**I–II/17**
Europe	25	23	48	28	25	101	10	**12**	**23**
Americas	0	2	2	5	10	17	1	**6**	**7**
Long Products	0	1	1	2	5	8	3	**1**	**4**
Other operations	6	2	9	8	20	37	5	**11**	**16**
Group total capital expenditure	32	28	60	43	61	164	19	**31**	**50**

Operating capital

EUR million	I/16	II/16	I–II/16	III/16	IV/16	2016	I/17	**II/17**	**I–II/17**
Europe	2,636	2,545	2,545	2,463	2,419	2,419	2,546	**2,548**	**2,548**
Americas	1,211	1,178	1,178	1,175	1,127	1,127	1,245	**1,139**	**1,139**
Long Products	136	132	132	139	139	139	165	**167**	**167**
Other operations and intra-group items	-16	39	39	22	-51	-51	-21	**0**	**0**
Group total operating capital	3,967	3,893	3,893	3,799	3,635	3,635	3,934	**3,854**	**3,854**

Certain activities w ere transferred from Other operations to Europe in 2017. Comparable figures for 2016 are presented accordingly.

Definitions of financial key figures

EBITDA	=	EBIT before depreciation, amortization and impairments	
Adjusted EBITDA/EBIT	=	EBITDA/EBIT – items classified as adjustments	
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 asset	
Return on equity (ROE)	=	$\frac{\text{Net result for the financial period (4-quarter rolling)}}{\text{Total equity (4-quarter rolling average)}}$	× 100
Return on capital employed (ROCE)	=	$\frac{\text{EBIT (4-quarter rolling)}}{\text{Capital employed (4-quarter rolling average)}}$	× 100
Net debt	=	Non-current debt + current debt – cash and cash equivalents	
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets – advances received}}$	× 100
Debt-to-equity ratio	=	$\frac{\text{Net debt}}{\text{Total equity}}$	× 100
Net debt to adjusted EBITDA	=	$\frac{\text{Net debt}}{\text{Adjusted EBITDA (4-quarter rolling)}}$	
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	=	$\frac{\text{Equity attributable to the owners of the parent}}{\text{Adjusted number of shares at the end of the period}}$	