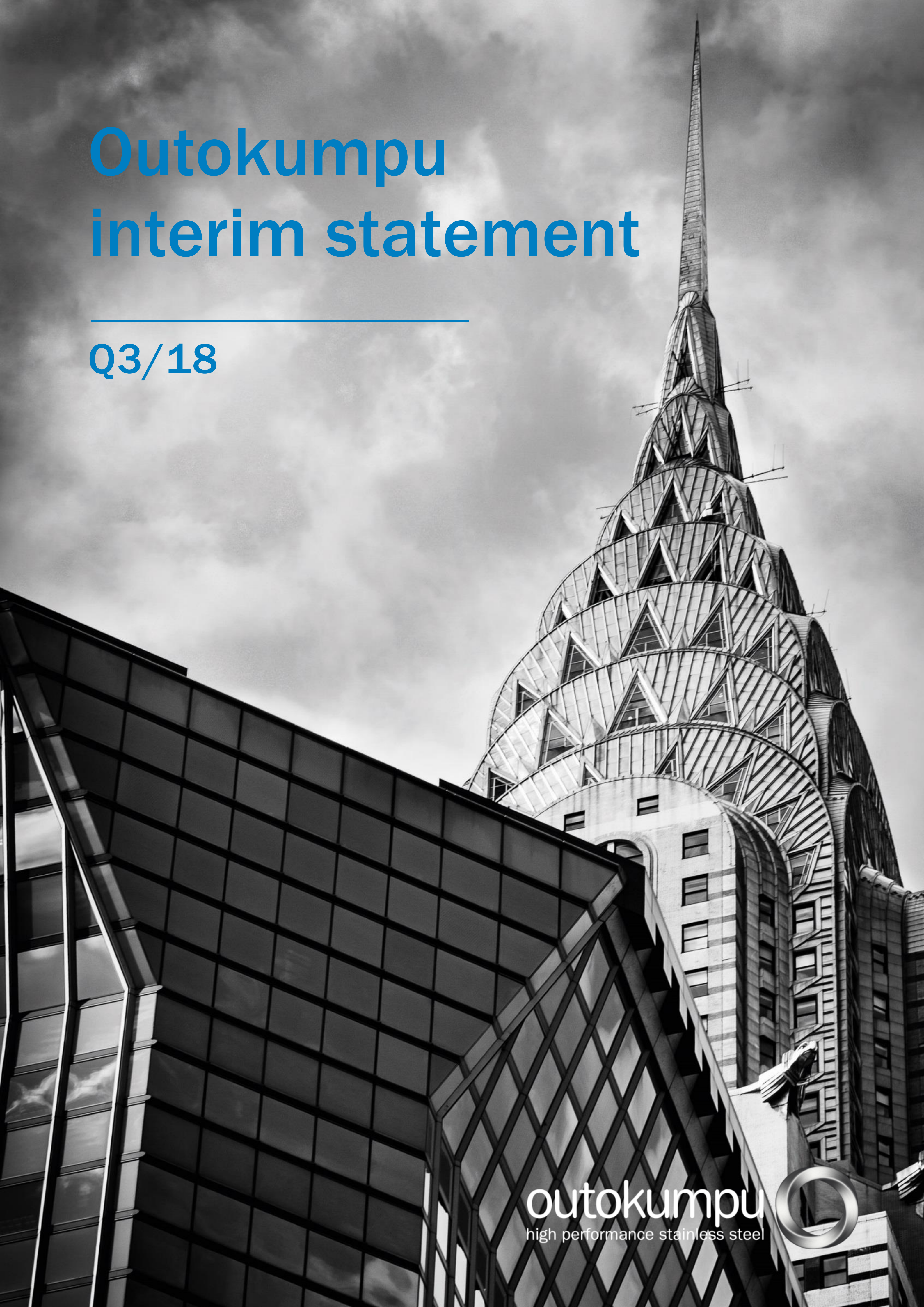
# Outokumpu interim statement

## Q3/18



## Contents

# Outokumpu third quarter interim statement

## Solid performance despite continued market uncertainties. Group adjusted EBITDA at EUR 128 million.

### Highlights in the third quarter of 2018

- Stainless steel deliveries were 582,000 tonnes (623,000 tonnes)[1].
- Adjusted EBITDA was EUR 128 million (EUR 56 million).
- EBITDA was EUR 128 million (EUR 62 million).
- Operating cash flow was EUR 61 million (EUR 126 million).
- Net debt decreased to EUR 1,205 million (June 30, 2018: EUR 1,211 million).
- Gearing was 44.5% (June 30, 2018: 45.1%).
- Return on capital employed (ROCE) was 6.9% (June 30, 2018: 5.5%).

### Highlights in the first nine months of 2018

- Stainless steel deliveries were 1,894,000 tonnes (1,887,000 tonnes).
- Adjusted EBITDA was EUR 397 million (EUR 549 million).
- EBITDA was EUR 404 million (EUR 580 million).
- Operating cash flow was EUR 171 million (EUR 223 million).
- Net result was EUR 103 million (EUR 264 million).

| Group key figures | | III/18 | III/17 restated | II/18 | I–III/18 | I–III/17 restated | 2017 restated |
|---|---|---|---|---|---|---|---|
| Sales | EUR million | **1,733** | 1,480 | 1,883 | **5,286** | 4,892 | 6,356 |
| EBITDA | EUR million | **128** | 62 | 136 | **404** | 580 | 663 |
| Adjusted EBITDA 1) | EUR million | **128** | 56 | 136 | **397** | 549 | 631 |
| EBIT | EUR million | **65** | 9 | 86 | **241** | 415 | 445 |
| Adjusted EBIT 1) | EUR million | **75** | 2 | 86 | **244** | 384 | 414 |
| Result before taxes | EUR million | **36** | -24 | 49 | **155** | 327 | 327 |
| Net result for the period | EUR million | **29** | -27 | 25 | **103** | 264 | 392 |
| Earnings per share | EUR | **0.07** | -0.07 | 0.06 | **0.25** | 0.64 | 0.95 |
| Diluted earnings per share | EUR | **0.07** | -0.07 | 0.06 | **0.25** | 0.62 | 0.90 |
| Return on capital employed | % | **6.9** | 12.4 | 5.5 | **6.9** | 12.4 | 11.3 |
| Net cash generated from operating activities | EUR million | **61** | 126 | 71 | **171** | 223 | 328 |
| Net debt at the end of period | EUR million | **1,205** | 1,130 | 1,211 | **1,205** | 1,130 | 1,091 |
| Debt-to-equity ratio at the end of period | % | **44.5** | 44.4 | 45.1 | **44.5** | 44.4 | 40.1 |
| Capital expenditure | EUR million | **56** | 40 | 63 | **156** | 90 | 174 |
| Stainless steel deliveries | 1,000 tonnes | **582** | 623 | 668 | **1,894** | 1,887 | 2,448 |
| Personnel at the end of period 2) | | **10,459** | 10,276 | 10,419 | **10,459** | 10,276 | 10,141 |

Outokumpu has adopted IFRS 15 – Revenue from Contracts with Customers retrospectively. Comparable financial figures for 2017 have been restated accordingly.

Further information on changes to Outokumpu's accounting principles and restatement impacts can be found in the Financial Information section of this report.

1) Adjusted EBITDA or EBIT = EBITDA or EBIT – Items classified as adjustments.

2) On June 30, 2018, the Group employed, in addition, some 690 summer trainees.

[1] Figures in parentheses refer to the corresponding period for 2017, unless otherwise stated.

## President & CEO Roeland Baan

"During the third quarter, we were able to strengthen our market leadership position in a tough environment. Our financial performance was solid with adjusted EBITDA amounting to EUR 128 million. Despite the US steel tariffs, high stainless steel imports and record low prices, business area Europe maintained healthy profitability driven by richer product mix. Business area Long Products continued strong performance fueled by focused efficiency and productivity measures. In the Americas, base price increases have materialized as expected, but the higher input and freight costs as well as heavy distributor destocking burdened the business area's profitability.

The overall uncertainty on the stainless steel markets is expected to continue. The EU's provisional safeguard measures are forecast to become permanent within a few months, but their real impact in balancing the import situation in the European steel markets is expected to start materializing only during next year.

Thanks to our strong focus on customers, improved reliability and efficiency, our financial performance continues to be on the right trajectory to reach our long-term financial targets. Putting aside the current market uncertainties, the long-term growth prospects for stainless steel are sound, and as the market leader, we are well positioned to capture our fair share of this growth.

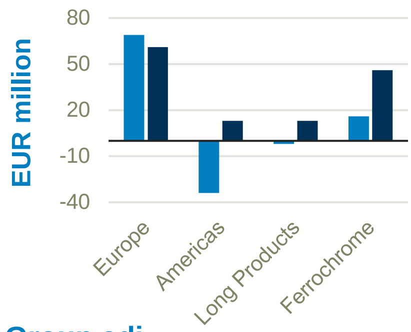
## Outlook for Q4/2018

Fourth quarter is expected to follow typical pattern with seasonal market slowdown and annual maintenance work in business area Europe. Stainless steel deliveries in business area Europe are expected to remain at the third-quarter level whereas in the Americas, deliveries are expected to decline.

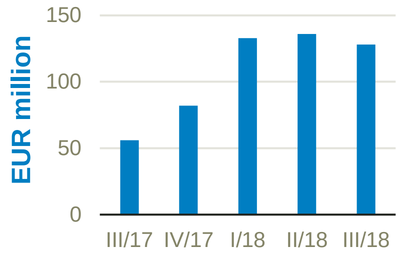
The ferrochrome contract price declined by USD 0.14/lb., which will have a negative impact on business area Ferrochrome's result. For the stainless operations, raw material-related inventory and metal derivative losses are expected to be substantial.

Outokumpu expects its fourth-quarter adjusted EBITDA to be at a similar level to the fourth quarter of 2017 (Q4/17: EUR 82 million).

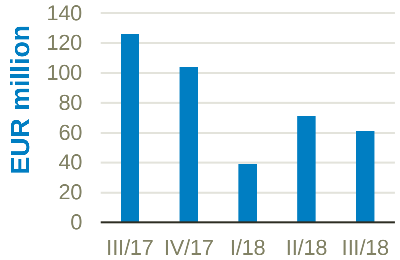
**Adj. EBITDA per business area**



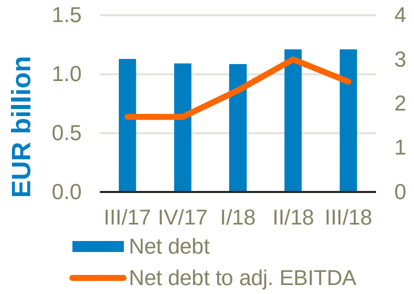

**Group adj. EBITDA**




**Operating cash flow**




**Net debt and net debt to adj. EBITDA**




# Results

## Q3/2018 compared to Q3/2017

Outokumpu's sales increased to EUR 1,733 million (EUR 1,480 million). The third-quarter adjusted EBITDA of EUR 128 million was significantly higher than EUR 56 million in the third quarter of 2017. Raw material-related inventory and metal derivative gains were EUR 3 million compared to losses of EUR 41 million in the third quarter of 2017. Earnings were supported further by improved Ferrochrome and Long Products performance. Improved product mix in Europe and better cost efficiency in all business areas increased profitability, whereas lower European base prices, higher input costs and increased truck freight cost in the Americas had a negative impact on the result. Other operations and intra-group items' adjusted EBITDA declined to EUR -4 million (EUR 7 million).

## Q3/2018 compared to Q2/2018

Outokumpu's sales decreased to EUR 1,733 million compared to EUR 1,883 million in the second quarter of 2018. Adjusted EBITDA declined to EUR 128 million compared to EUR 136 million in the second quarter of 2018, impacted by 13% lower deliveries and significantly lower base prices in Europe. In addition, costs related to graphite electrodes and other inputs, as well as truck freight costs in the Americas increased. These negative impacts were largely offset by richer product mix in Europe, higher base prices in the Americas, efficiency gains in all business areas, as well as improved Ferrochrome result. Raw material-related inventory and metal derivative gains were EUR 3 million (Q2/18: EUR 1 million).

## Q1-Q3/2018 compared to Q1-Q3/2017

During the first nine months of 2018, Outokumpu's sales increased to EUR 5,286 million (Q1-Q3/17: EUR 4,892 million). Adjusted EBITDA declined to EUR 397 million (Q1-Q3/17: EUR 549 million), driven largely by a weaker market. European base prices during the first nine months of 2018 were 14% lower compared to the same period last year, and the ferrochrome price fell by USD 0.10/lb. In addition, costs related to graphite electrodes and other inputs, as well as truck freight costs in the Americas have increased significantly. These substantial market headwinds have been partly offset by improved cost efficiency and reliability of the mills, and higher base prices in the Americas. Raw material-related inventory and metal derivative losses were EUR 1 million (Q1-Q3/17: losses of EUR 16 million). During the first nine months of 2018, EBIT was EUR 241 million (Q1-Q3/17: EUR 415 million) and net result amounted to EUR 103 million (Q1-Q3/17: EUR 264 million).

# Financial position and cash flow

Operating cash flow amounted to EUR 61 million in the third quarter (EUR 126 million). The increase in working capital was EUR 47 million, compared to a decrease of EUR 81 million in the third quarter of 2017. Inventories increased to EUR 1,603 million (EUR 1,289 million) mainly due to lower-than-expected deliveries in the Americas.

Capital expenditure increased to EUR 56 million in the third quarter (EUR 40 million) primarily as a result of ongoing investments in the Kemi mine and the digital transformation project Chorus, including the ERP renewal.

Outokumpu adjusted the scope of the Chorus project by excluding one of the initially planned solutions. This resulted in a delay of the planned implementation and an impairment of EUR 10 million in the third quarter.

Net debt decreased to EUR 1,205 million (June 30, 2018: EUR 1,211 million). Gearing decreased to 44.5% (June 30, 2018: 45.1%).

Net financial expenses were EUR 31 million in the third quarter (EUR 32 million). Interest expenses amounted to EUR 17 million (EUR 23 million). Cash and cash equivalents were at EUR 182 million at the end of September (June 30, 2018: EUR 124 million) and the overall liquidity reserves were above EUR 0.8 billion (June 30, 2018: EUR 0.8 billion).

# Market development

According to SMR's latest estimates, global apparent stainless steel consumption increased by 3.6% in the third quarter compared to the same period last year. Americas contributed with a growth of 4.1%, while both EMEA and APAC recorded a growth of 3.6%. Global real demand for stainless steel products increased by 3.2% to 10.9 million tonnes (10.6 million tonnes).

The real demand growth year-on-year was strongest in the Industrial & Heavy Industries end-user segment at 7.4%, followed by ABC & Infrastructure and Chemical, Petrochemical & Energy at 4.5% and 4.0%, respectively. Meanwhile, Consumer Goods & Medical and Automotive & Heavy Transport achieved growth of 2.1% and 1.9%, respectively.

In the fourth quarter of 2018, global real demand is expected to increase by 3.3% compared to the third quarter, driven by increases of 6.2% in EMEA while the Americas and APAC are expected to increase by 3.1% and 2.6%, respectively. Compared to last year's fourth quarter, demand is expected to grow by 5.0% with growth of 7.0% in EMEA, 6.5% in the Americas and 4.3% in APAC. Total global demand for 2018 is estimated to grow by 5.4% compared to 2017.

# Business area Europe

| Europe key figures | | III/18 | III/17 restated | II/18 | I–III/18 | I–III/17 restated | 2017 restated |
|---|---|---|---|---|---|---|---|
| Stainless steel deliveries | 1,000 tonnes | **369** | 397 | 425 | **1,206** | 1,210 | 1,582 |
| Sales | EUR million | **1,034** | 983 | 1,174 | **3,296** | 3,182 | 4,156 |
| Adjusted EBITDA | EUR million | **60** | 69 | 73 | **216** | 367 | 404 |
| Adjustments | | | | | | | |
| Gain on the sale of PPE and release of environmental provisions in Sweden | EUR million | **-** | - | - | **8** | - | - |
| EBITDA | EUR million | **60** | 69 | 73 | **223** | 367 | 404 |
| Operating capital | EUR million | **1,917** | 1,927 | 1,877 | **1,917** | 1,927 | 1,848 |

Ferrochrome has been reported separately as of Jan 1, 2018. Comparable figures are presented accordingly.

Comparable financial figures restated due to IFRS 15 adoption.

## Results

### Q3/2018 compared to Q3/2017

Sales increased to EUR 1,034 million (EUR 983 million).
Q3 adjusted EBITDA declined to EUR 60 million (EUR 69 million).

- Realized base prices declined significantly due to increased import pressure.
- Deliveries decreased by 7%.
- Graphite electrode and other input costs were approx. EUR 22 million higher.
- The negative impacts were partly offset by improved product and raw material mix.
- Raw material-related inventory and metal derivative losses were EUR 1 million compared to losses of EUR 23 million in Q3/17.

### Q3/2018 compared to Q2/2018

Q3 adjusted EBITDA declined to EUR 60 million compared to EUR 73 million in Q2/18.

- Deliveries decreased by 13% impacted by typical seasonal slowdown.
- Realized base prices declined significantly due to high import pressure.
- Graphite electrode and other input costs were approx. EUR 2 million higher.
- Raw material-related inventory and metal derivative losses were EUR 1 million compared to losses of EUR 9 million in Q2/18.
- The negative impacts were partly offset by improved product mix, efficiency gains and lower SG&A costs.

## Market

- Real demand grew by 2.6% compared to Q3/17.
- EU cold rolled imports from the third countries are expected to have reached a level of 31% in Q3/18, up from 29% in Q3/17. (Source: EUROFER, October 2018).
- Distributor inventories were slightly above the long-term average level.
- The CRU reported average EU base price for Q3/18 decreased by EUR 308/tonne compared to Q3/17 and amounted to EUR 799/tonne. Compared to Q2/18, the average base price declined by EUR 185/tonne

# Business area Americas

| Americas key figures | | III/18 | III/17 restated | II/18 | I–III/18 | I–III/17 restated | 2017 restated |
|---|---|---|---|---|---|---|---|
| Stainless steel deliveries | 1,000 tonnes | **190** | 203 | 210 | **614** | 571 | 742 |
| Sales | EUR million | **468** | 376 | 483 | **1,364** | 1,201 | 1,546 |
| Adjusted EBITDA | EUR million | **13** | -34 | 10 | **17** | 22 | 21 |
| EBITDA | EUR million | **13** | -34 | 10 | **17** | 22 | 21 |
| Operating capital | EUR million | **1,102** | 1,049 | 1,151 | **1,102** | 1,049 | 1,072 |

Comparable financial figures restated due to IFRS 15 adoption.

## Results

### Q3/2018 compared to Q3/2017

Sales increased to EUR 468 million (EUR 376 million).
Q3 adjusted EBITDA increased to EUR 13 million (EUR -34 million).

- Raw material-related inventory and metal derivative gains were EUR 10 million compared to losses of EUR 16 million in Q3/17.
- Realized base prices increased.
- Input and freight costs were approx. EUR 12 million higher.
- Deliveries decreased by 6%.

### Q3/2018 compared to Q2/2018

Q3 adjusted EBITDA increased to EUR 13 million compared to EUR 10 million in Q2/18.

- Realized base prices increased.
- Deliveries decreased by 10% due to increased distributor destocking towards the end of the quarter.
- Input and freight costs were approx. EUR 7 million higher.
- Improved product mix and efficiency gains had a positive impact.

## Market

- Real demand grew by 3.4% compared to Q3/17.
- Cold-rolled imports into the US decreased to approx. 18% compared to 25% in Q3/17 in response to steel tariffs (Source: American Iron & Steel Institute, Aug. 2018).
- Distributor inventories were at a long-term average level.
- The CRU reported average US base price for Q3/18 was USD 118/tonne higher compared to Q3/17 and amounted to USD 1,499/tonne. The average base price increased by USD 29/tonne from Q2/18.

# Business area Long Products

| Long Products key figures | | III/18 | III/17 restated | II/18 | I–III/18 | I–III/17 restated | 2017 restated |
|---|---|---|---|---|---|---|---|
| Stainless steel deliveries | 1,000 tonnes | **68** | 51 | 77 | **221** | 194 | 264 |
| Sales | EUR million | **194** | 109 | 196 | **555** | 442 | 591 |
| Adjusted EBITDA | EUR million | **13** | -2 | 9 | **25** | 13 | 16 |
| EBITDA | EUR million | **13** | -2 | 9 | **25** | 13 | 16 |
| Operating capital | EUR million | **168** | 152 | 152 | **168** | 152 | 113 |

Fagersta Stainless included in stainless steel deliveries, sales, adjusted EBITDA, and EBITDA as of July 1, 2018, and in operating capital as of June 30, 2018.

Comparable financial figures restated due to IFRS 15 adoption.

## Results

### Q3/2018 compared to Q3/2017

Sales increased to EUR 194 million (EUR 109 million).

Q3 adjusted EBITDA increased to EUR 13 million (EUR -2 million).

- Realized base prices increased.
- Deliveries increased by 33%.
- Graphite electrode and other input costs were approx. EUR 5 million higher.
- Raw material-related inventory and metal derivative gains were EUR 1 million compared to losses of EUR 2 million in Q3/17.
- Adjusted EBITDA includes a gain of EUR 4 million resulting from a change in terms of Outokumpu's defined benefit medical plan in the US.

### Q3/2018 compared to Q2/2018

Q3 adjusted EBITDA increased to EUR 13 million compared to EUR 9 million in Q2/18.

- Deliveries decreased by 12% due to normal seasonality.
- Realized base prices increased slightly.
- Raw material-related inventory and metal derivative gains were EUR 1 million compared to losses of EUR 1 million in Q2/18.
- Graphite electrode and other input costs increased.

## Market

- Healthy underlying long products demand continued in the third quarter both in Europe and in the US but started to soften towards the end of the quarter.
- Base prices increased supported by the strong demand and long lead times.

# Business area Ferrochrome

| Ferrochrome key figures | | III/18 | III/17 restated | II/18 | I–III/18 | I–III/17 restated | 2017 restated |
|---|---|---|---|---|---|---|---|
| Ferrochrome production | 1,000 tonnes | **127** | 104 | 110 | **361** | 294 | 415 |
| Sales | EUR million | **137** | 110 | 131 | **399** | 458 | 610 |
| Adjusted EBITDA | EUR million | **46** | 16 | 39 | **127** | 161 | 217 |
| EBITDA | EUR million | **46** | 16 | 39 | **127** | 161 | 217 |
| Operating capital | EUR million | **652** | 627 | 649 | **652** | 627 | 648 |

Comparable financial figures restated due to IFRS 15 adoption.

## Results

### Q3/2018 compared to Q3/2017

Sales increased to EUR 137 million (EUR 110 million).
Q3 adjusted EBITDA increased to EUR 46 million (EUR 16 million).

- Ferrochrome contract price was USD 0.28/lb. higher compared to Q3/17.
- Ferrochrome production and deliveries were clearly higher as the reference period was impacted by maintenance work.
- Positive impacts were partly offset by higher coke costs.

### Q3/2018 compared to Q2/2018

Q3 adjusted EBITDA increased to EUR 46 million compared to EUR 39 million in Q2/18.

- Ferrochrome production and deliveries increased as the reference period was impacted by a planned maintenance shutdown of a ferrochrome furnace.
- Ferrochrome contract price declined by USD 0.04/lb.
- Profitability was negatively impacted by higher electricity prices.
- The reference period includes costs related to the maintenance shutdown.

## Market

- The European benchmark price for ferrochrome followed the Chinese spot prices to USD 1.38/lb. in Q3, down from USD 1.42/lb. in Q2/18.
- For Q4, the ferrochrome price decreased to USD 1.24/lb. as a result of softening stainless steel demand in China.

# Safety and people

The total recordable injury frequency rate (TRIFR) was 4.7 for the first nine months of 2018 (Q1-Q3/17: 4.8) against the target of less than 4.0 for 2018. Outokumpu has continued its safety strategy including ongoing work standardizing its systems and practices.

Outokumpu's headcount increased by 183 compared to the third quarter of 2017 and totaled 10,459 at the end of September 2018 (10,276). The increase was driven by the acquisition of Fagersta Stainless in Sweden.

# Shares

On September 30, 2018, Outokumpu's share capital was EUR 311 million, and the total number of shares was 416,374,448. At the end of the third quarter, Outokumpu held 6,276,864 treasury shares. The average number of shares outstanding was 410,097,584 for the third quarter.

# Risks and uncertainties

In the third quarter, uncertainties in the stainless steel markets continued due to the US steel import tariffs. Base prices declined significantly in Europe whereas in the US, base prices continued to increase. The European Commission initiated temporary safeguard measures in July to restore the balance in the European market. The capacity shortage and higher costs of US truck freight services continued to have negative impact in the US.

During the third quarter, Outokumpu decided to adjust the scope of its digital transformation project Chorus and postpone the implementation. This will result in additional costs and a delay in the expected benefits of the project. The scope change resulted in an impairment of EUR 10 million in the third quarter.

Volatility of metal prices and foreign exchange rates has continued. Lower metal prices are expected to decrease net working capital but have negative impact on profitability, while stronger US dollar is expected to impact results positively.

## 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 implement new IT systems and processes, improve operational reliability, drive competitiveness and further improve financial performance; risks and uncertainties related to market development in stainless steel, ferrochrome and competitor actions; business interruption risks related to high utilization rates of some key machinery and equipment; availability and price of certain critical supplies; dependencies on certain critical suppliers; the risk of changes in metal prices impacting cash tied up in working capital; changes in the prices of electrical power, fuels, ferrochrome, nickel, iron and molybdenum; currency developments affecting the euro, the US dollar, the Swedish krona, and the British pound; fair value of shareholdings; project implementation risks; IT dependency and cyber security risks; risks due to fragmented system environment; counterparty risks related to customers and other business partners, including suppliers and financial institutions. Possible adverse changes in the global political and economic environment, including unfavorable "no-deal or hard Brexit", may have an adverse impact on Outokumpu's overall business and access to financial markets.

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Helsinki, October 26, 2018

Outokumpu
Board of Directors

# Financial information

| Condensed income statement (EUR million) | July–Sept 2018 | July–Sept 2017 restated | Jan–Sept 2018 | Jan–Sept 2017 restated | Jan–Dec 2017 restated |
|---|---|---|---|---|---|
| **Sales** | **1,733** | 1,480 | **5,286** | 4,892 | 6,356 |
| Cost of sales | **-1,622** | -1,406 | **-4,864** | -4,274 | -5,627 |
| **Gross margin** | **111** | 73 | **422** | 618 | 729 |
| Other operating income | **30** | 11 | **40** | 53 | 58 |
| Sales, general and administrative costs | **-61** | -69 | **-204** | -240 | -307 |
| Other operating expenses | **-15** | -6 | **-16** | -16 | -35 |
| **EBIT** | **65** | 9 | **241** | 415 | 445 |
| Share of results in associated companies and joint ventures | **1** | -1 | **2** | 6 | 9 |
| Interest expenses | **-17** | -23 | **-53** | -70 | -92 |
| Net other financial expenses | **-14** | -9 | **-35** | -25 | -34 |
| **Total financial income and expenses** | **-31** | -32 | **-88** | -95 | -127 |
| **Result before taxes** | **36** | -24 | **155** | 327 | 327 |
| Income taxes | **-7** | -3 | **-52** | -63 | 65 |
| **Net result for the period** | **29** | -27 | **103** | 264 | 392 |
| Earnings per share for result attributable to the equity holders of the Company | | | | | |
| Earnings per share, EUR | **0.07** | -0.07 | **0.25** | 0.64 | 0.95 |
| Diluted earnings per share, EUR | **0.07** | -0.07 | **0.25** | 0.62 | 0.90 |

| Statement of comprehensive income (EUR million) | July–Sept 2018 | July–Sept 2017 restated | Jan–Sept 2018 | Jan–Sept 2017 restated | Jan–Dec 2017 restated |
|---|---|---|---|---|---|
| **Net result for the period** | **29** | -27 | **103** | 264 | 392 |
| **Other comprehensive income** | | | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | | | |
| Exchange differences on translating foreign operations | | | | | |
| Change in exchange differences | **7** | -19 | **16** | -72 | -83 |
| Reclassification adjustments from other comprehensive income to profit or loss | **-** | 4 | **-** | -3 | -3 |
| Available-for-sale financial assets | **-** | 1 | **-** | -2 | 0 |
| Cash flow hedges | **2** | 0 | **-1** | -0 | -1 |
| **Items that will not be reclassified to profit or loss:** | | | | | |
| Remeasurements on defined benefit obligation plans | | | | | |
| Changes during the accounting period | **-12** | 21 | **-12** | -4 | 18 |
| Income tax relating to remeasurements | **-3** | 0 | **-3** | 0 | 37 |
| Financial assets at fair value through other comprehensive income | **1** | - | **2** | - | - |
| Share of other comprehensive income in associated companies and joint ventures | **0** | 0 | **-0** | -1 | -1 |
| **Other comprehensive income for the period, net of tax** | **-4** | 7 | **3** | -81 | -32 |
| **Total comprehensive income for the period** | **24** | -19 | **106** | 183 | 359 |

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) | Sept 30 2018 | Sept 30 2017 restated | Dec 31 2017 restated |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | **582** | 489 | 535 |
| Property, plant and equipment | **2,616** | 2,675 | 2,633 |
| Investments in associated companies and joint ventures | **52** | 72 | 73 |
| Other financial assets | **78** | 62 | 69 |
| Deferred tax assets | **240** | 146 | 295 |
| Defined benefit plan assets | **61** | 37 | 70 |
| Trade and other receivables | **2** | 2 | 1 |
| **Total non-current assets** | **3,631** | 3,483 | 3,675 |
| **Current assets** | | | |
| Inventories | **1,603** | 1,289 | 1,380 |
| Other financial assets | **39** | 63 | 60 |
| Trade and other receivables | **803** | 820 | 660 |
| Cash and cash equivalents | **182** | 294 | 112 |
| **Total current assets** | **2,627** | 2,467 | 2,212 |
| **TOTAL ASSETS** | **6,258** | 5,950 | 5,887 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to the equity holders of the Company** | **2,710** | 2,543 | 2,721 |
| **Non-current liabilities** | | | |
| Non-current debt | **733** | 919 | 698 |
| Other financial liabilities | **1** | 3 | 3 |
| Deferred tax liabilities | **11** | 21 | 10 |
| Defined benefit and other long-term employee benefit obligations | **320** | 326 | 337 |
| Provisions | **73** | 67 | 79 |
| Trade and other payables | **36** | 39 | 34 |
| **Total non-current liabilities** | **1,173** | 1,375 | 1,160 |
| **Current liabilities** | | | |
| Current debt | **654** | 505 | 505 |
| Other financial liabilities | **47** | 33 | 37 |
| Provisions | **14** | 36 | 14 |
| Trade and other payables | **1,661** | 1,457 | 1,449 |
| **Total current liabilities** | **2,375** | 2,032 | 2,005 |
| **TOTAL EQUITY AND LIABILITIES** | **6,258** | 5,950 | 5,887 |

| Condensed statement of cash flows (EUR million) | July–Sept 2018 | July–Sept 2017 | Jan–Sept 2018 | Jan–Sept 2017 | Jan–Dec 2017 |
|---|---|---|---|---|---|
| Net result for the period [1)] | **29** | -27 | **103** | 264 | 392 |
| Adjustments | | | | | |
| Depreciation, amortization and impairments | **63** | 55 | **163** | 166 | 219 |
| Other non-cash adjustments [1)] | **35** | 47 | **112** | 122 | 41 |
| Change in working capital | **-47** | 81 | **-127** | -229 | -180 |
| Provisions, and defined benefit and other long-term employee benefit obligations paid | **-6** | -16 | **-40** | -45 | -60 |
| Dividends and interests received | **0** | 0 | **2** | 3 | 3 |
| Interests paid | **-11** | -11 | **-39** | -50 | -78 |
| Income taxes paid | **-0** | -3 | **-3** | -7 | -8 |
| **Net cash from operating activities** | **61** | 126 | **171** | 223 | 328 |
| | | | | | |
| Acquired businesses, net of cash | **-** | - | **-10** | - | - |
| Purchases of assets | **-60** | -41 | **-159** | -116 | -186 |
| Proceeds from the disposal of subsidiaries, net of cash and tax | **-** | 26 | **-** | 90 | 90 |
| Proceeds from the sale of assets | **8** | 2 | **15** | 25 | 33 |
| **Net cash from investing activities** | **-52** | -13 | **-154** | -1 | -63 |
| | | | | | |
| **Cash flow before financing activities** | **9** | 113 | **18** | 223 | 264 |
| | | | | | |
| Dividends paid | **-** | - | **-103** | -41 | -41 |
| Treasury share purchase | **-** | - | **-17** | -20 | -20 |
| Borrowings of non-current debt | **-** | - | **249** | 70 | 190 |
| Repayment of non-current debt | **-10** | -108 | **-217** | -242 | -607 |
| Change in current debt | **59** | 0 | **139** | 141 | 162 |
| Other financing cash flow | **-0** | 1 | **4** | -37 | -37 |
| **Net cash from financing activities** | **49** | -107 | **53** | -129 | -353 |
| | | | | | |
| **Net change in cash and cash equivalents** | **58** | 6 | **71** | 94 | -89 |
| | | | | | |
| **Cash and cash equivalents at the beginning of the period** | **124** | 289 | **112** | 204 | 204 |
| Net change in cash and cash equivalents | **58** | 6 | **71** | 94 | -89 |
| Foreign exchange rate effect | **-0** | -1 | **-1** | -3 | -3 |
| **Cash and cash equivalents at the end of the period** | **182** | 295 | **182** | 295 | 112 |

[1)] Comparable financial figures restated due to IFRS 15 adoption.

| Statement of changes in equity (EUR million) | Attributable to the equity holders of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Premium fund | Invested unrestricted equity reserve | Other reserves | Fair value reserves | Cumulative translation differences | Remeasurements of defined benefit plans | Treasury shares | Other retained earnings | Total equity |
| **Equity on Dec 31, 2016** | **311** | **714** | **2,103** | **2** | **1** | **3** | **-135** | **-19** | **-564** | **2,416** |
| IFRS 15 restatement | - | - | - | - | - | - | - | - | -0 | -0 |
| **Equity on Jan 1, 2017** | **311** | **714** | **2,103** | **2** | **1** | **3** | **-135** | **-19** | **-564** | **2,416** |
| | | | | | | | | | | |
| Net result for the period | - | - | - | - | - | - | - | - | 264 | 264 |
| Other comprehensive income | - | - | - | - | -2 | -74 | -4 | - | -1 | -81 |
| Total comprehensive income for the period | - | - | - | - | -2 | -74 | -4 | - | 263 | 183 |
| | | | | | | | | | | |
| Transactions with equity holders of the Company | | | | | | | | | | |
| Contributions and distributions | | | | | | | | | | |
| Dividend distribution | - | - | - | - | - | - | - | - | -41 | -41 |
| Share-based payments | - | - | - | - | - | - | - | 7 | -2 | 5 |
| Treasury share purchase | - | - | - | - | - | - | - | -20 | - | -20 |
| Changes in ownership interests | | | | | | | | | | |
| Quarto plate mill divestment | - | - | - | - | - | 3 | 8 | - | -11 | - |
| Other | - | - | - | 1 | - | - | - | - | -1 | - |
| | | | | | | | | | | |
| **Equity on Sept 30, 2017** | **311** | **714** | **2,103** | **3** | **-1** | **-69** | **-131** | **-31** | **-356** | **2,543** |
| | | | | | | | | | | |
| **Equity on Dec 31, 2017** | **311** | **714** | **2,103** | **3** | **0** | **-81** | **-72** | **-26** | **-232** | **2,721** |
| IFRS 2 restatement | - | - | - | - | - | - | - | - | 7 | 7 |
| IFRS 9 restatement | - | - | - | - | - | - | - | - | -1 | -1 |
| **Equity on Jan 1, 2018** | **311** | **714** | **2,103** | **3** | **0** | **-81** | **-72** | **-26** | **-225** | **2,728** |
| | | | | | | | | | | |
| Net result for the period | - | - | - | - | - | - | - | - | 103 | 103 |
| Other comprehensive income | - | - | - | - | 1 | 16 | -15 | - | -0 | 3 |
| Total comprehensive income for the period | - | - | - | - | 1 | 16 | -15 | - | 103 | 106 |
| | | | | | | | | | | |
| Transactions with equity holders of the Company | | | | | | | | | | |
| Contributions and distributions | | | | | | | | | | |
| Dividend distribution | - | - | - | - | - | - | - | - | -103 | -103 |
| Share-based payments | - | - | - | - | - | - | - | 1 | -5 | -3 |
| Treasury share purchase | - | - | - | - | - | - | - | -17 | - | -17 |
| | | | | | | | | | | |
| **Equity on Sept 30, 2018** | **311** | **714** | **2,103** | **3** | **2** | **-64** | **-86** | **-41** | **-231** | **2,710** |

| Adjustments to EBITDA and EBIT (EUR million) | III/18 | III/17 | I–III/18 | I–III/17 | 2017 |
|---|---|---|---|---|---|
| Gain on the sale of PPE and release of environmental provisions in Sweden | **-** | - | **8** | - | - |
| Gain on the quarto plate mill divestment | **-** | - | **-** | 15 | 15 |
| Gain on the sale of land in Sheffield | **-** | - | **-** | 9 | 9 |
| Gain on the pipe plant divestment | **-** | 7 | **-** | 7 | 7 |
| Adjustments to EBITDA | **-** | 7 | **8** | 31 | 31 |
| Impairment related to Group's digital transformation project | **-10** | - | **-10** | - | - |
| Adjustments to EBIT | **-10** | 7 | **-3** | 31 | 31 |

| Group key figures | | III/18 | III/17 restated | I–III/18 | I–III/17 restated | 2017 restated |
|---|---|---|---|---|---|---|
| **Scope of activity** | | | | | | |
| Capital employed at the end of period | EUR million | **4,037** | 3,830 | **4,037** | 3,830 | 3,929 |
| Capital expenditure | EUR million | **56** | 40 | **156** | 90 | 174 |
| Depreciation and amortization | EUR million | **-51** | -54 | **-151** | -164 | -216 |
| Impairments | EUR million | **-11** | -1 | **-11** | -2 | -2 |
| Personnel at the end of period | | **10,459** | 10,276 | **10,459** | 10,276 | 10,141 |
| - average for the period | | **10,872** | 10,652 | **10,471** | 10,569 | 10,485 |
| **Profitability** | | | | | | |
| Adjusted EBITDA | EUR million | **128** | 56 | **397** | 549 | 631 |
| Adjustments to EBITDA | EUR million | **-** | 7 | **8** | 31 | 31 |
| EBITDA | EUR million | **128** | 62 | **404** | 580 | 663 |
| Earnings per share | EUR | **0.07** | -0.07 | **0.25** | 0.64 | 0.95 |
| Diluted earnings per share | EUR | **0.07** | -0.07 | **0.25** | 0.62 | 0.90 |
| Adjusted average number of shares [1)] | 1,000 shares | **410,098** | 412,176 | **411,390** | 412,400 | 412,363 |
| Return on equity | % | **8.7** | 18.7 | **8.7** | 18.7 | 15.4 |
| Return on capital employed | % | **6.9** | 12.4 | **6.9** | 12.4 | 11.3 |
| **Financing and financial position** | | | | | | |
| Non-current debt | EUR million | **733** | 919 | **733** | 919 | 698 |
| Current debt | EUR million | **654** | 505 | **654** | 505 | 505 |
| Cash and cash equivalents | EUR million | **-182** | -294 | **-182** | -294 | -112 |
| Net debt at the end of period | EUR million | **1,205** | 1,130 | **1,205** | 1,130 | 1,091 |
| Net debt to Adjusted EBITDA | | **2.5** | 1.7 | **2.5** | 1.7 | 1.7 |
| Equity-to-assets ratio at the end of period | % | **43.4** | 42.8 | **43.4** | 42.8 | 46.3 |
| Debt-to-equity ratio at the end of period | % | **44.5** | 44.4 | **44.5** | 44.4 | 40.1 |
| Equity per share at the end of period [1)] | EUR | **6.61** | 6.17 | **6.61** | 6.17 | 6.59 |

[1)] Excluding treasury shares.

| Sales by segment (EUR million) | III/18 | III/17 restated | I–III/18 | I–III/17 restated | 2017 restated |
|---|---|---|---|---|---|
| Europe total | **1,034** | 983 | **3,296** | 3,182 | 4,156 |
| of which intra-group | **25** | 24 | **79** | 64 | 81 |
| Americas total | **468** | 376 | **1,364** | 1,201 | 1,546 |
| of which intra-group | **15** | 4 | **43** | 23 | 33 |
| Long Products total | **194** | 109 | **555** | 442 | 591 |
| of which intra-group | **56** | 32 | **179** | 131 | 186 |
| Ferrochrome total | **137** | 110 | **399** | 458 | 610 |
| of which intra-group | **90** | 95 | **278** | 354 | 483 |
| Other operations total | **156** | 124 | **452** | 383 | 503 |
| of which intra-group | **71** | 68 | **203** | 202 | 266 |
| Group total sales | **1,733** | 1,480 | **5,286** | 4,892 | 6,356 |

| Adjusted EBITDA by segment (EUR million) | III/18 | III/17 restated | I–III/18 | I–III/17 restated | 2017 restated |
|---|---|---|---|---|---|
| Europe | **60** | 69 | **216** | 367 | 404 |
| Americas | **13** | -34 | **17** | 22 | 21 |
| Long Products | **13** | -2 | **25** | 13 | 16 |
| Ferrochrome | **46** | 16 | **127** | 161 | 217 |
| Other operations and intra-group items | **-4** | 7 | **11** | -13 | -27 |
| Group total adjusted EBITDA | **128** | 56 | **397** | 549 | 631 |

| Adjustments to EBITDA and EBIT by segment (EUR million) | III/18 | III/17 | I–III/18 | I–III/17 | 2017 |
|---|---|---|---|---|---|
| Europe | **-** | - | **8** | - | - |
| Americas | **-** | - | **-** | - | - |
| Long Products | **-** | - | **-** | - | - |
| Ferrochrome | **-** | - | **-** | - | - |
| Other operations | **-** | 7 | **-** | 31 | 31 |
| Group total adjustments in EBITDA | **-** | 7 | **8** | 31 | 31 |
| Other operations | **-10** | - | **-10** | - | - |
| Group total adjustments in EBIT | **-10** | 7 | **-3** | 31 | 31 |

| EBITDA by segment (EUR million) | III/18 | III/17 restated | I–III/18 | I–III/17 restated | 2017 restated |
|---|---|---|---|---|---|
| Europe | **60** | 69 | **223** | 367 | 404 |
| Americas | **13** | -34 | **17** | 22 | 21 |
| Long Products | **13** | -2 | **25** | 13 | 16 |
| Ferrochrome | **46** | 16 | **127** | 161 | 217 |
| Other operations and intra-group items | **-4** | 14 | **11** | 18 | 5 |
| Group total EBITDA | **128** | 62 | **404** | 580 | 663 |

| Adjusted EBIT by segment (EUR million) | III/18 | III/17 restated | I–III/18 | I–III/17 restated | 2017 restated |
|---|---|---|---|---|---|
| Europe | **33** | 38 | **134** | 274 | 281 |
| Americas | **0** | -47 | **-20** | -18 | -31 |
| Long Products | **11** | -4 | **21** | 8 | 10 |
| Ferrochrome | **38** | 9 | **104** | 138 | 187 |
| Other operations and intra-group items | **-7** | 6 | **5** | -18 | -33 |
| Group total adjusted EBIT | **75** | 2 | **244** | 384 | 414 |

| EBIT by segment (EUR million) | III/18 | III/17 restated | I–III/18 | I–III/17 restated | 2017 restated |
|---|---|---|---|---|---|
| Europe | **33** | 38 | **142** | 274 | 281 |
| Americas | **0** | -47 | **-20** | -18 | -31 |
| Long Products | **11** | -4 | **21** | 8 | 10 |
| Ferrochrome | **38** | 9 | **104** | 138 | 187 |
| Other operations and intra-group items | **-17** | 12 | **-5** | 13 | -2 |
| Group total EBIT | **65** | 9 | **241** | 415 | 445 |

| Depreciation and amortization by segment (EUR million) | III/18 | III/17 | I–III/18 | I–III/17 | 2017 |
|---|---|---|---|---|---|
| Europe | **-27** | -31 | **-82** | -93 | -123 |
| Americas | **-13** | -13 | **-38** | -39 | -52 |
| Long Products | **-2** | -2 | **-5** | -5 | -7 |
| Ferrochrome | **-7** | -7 | **-22** | -21 | -29 |
| Other operations | **-3** | -2 | **-6** | -5 | -6 |
| Group total depreciation and amortization | **-51** | -54 | **-151** | -164 | -216 |

| Capital expenditure by segment (EUR million) | III/18 | III/17 | I–III/18 | I–III/17 | 2017 |
|---|---|---|---|---|---|
| Europe | **17** | 15 | **37** | 30 | 70 |
| Americas | **4** | 4 | **9** | 11 | 18 |
| Long Products | **3** | 2 | **24** | 7 | 8 |
| Ferrochrome | **16** | 8 | **48** | 16 | 34 |
| Other operations | **16** | 11 | **37** | 27 | 44 |
| Group total capital expenditure | **56** | 40 | **156** | 90 | 174 |

| Operating capital by segment (EUR million) | III/18 | III/17 restated | I–III/18 | I–III/17 restated | 2017 restated |
|---|---|---|---|---|---|
| Europe | **1,917** | 1,927 | **1,917** | 1,927 | 1,848 |
| Americas | **1,102** | 1,049 | **1,102** | 1,049 | 1,072 |
| Long Products | **168** | 152 | **168** | 152 | 113 |
| Ferrochrome | **652** | 627 | **652** | 627 | 648 |
| Other operations and intra-group items | **-31** | -49 | **-31** | -49 | -36 |
| Group total operating capital | **3,808** | 3,705 | **3,808** | 3,705 | 3,645 |

| Personnel at the end of period by segment | III/18 | III/17 | I–III/18 | I–III/17 | 2017 |
|---|---|---|---|---|---|
| Europe | **6,852** | 6,847 | **6,852** | 6,847 | 6,748 |
| Americas | **1,998** | 2,126 | **1,998** | 2,126 | 2,094 |
| Long Products | **860** | 583 | **860** | 583 | 584 |
| Ferrochrome | **440** | 432 | **440** | 432 | 437 |
| Other operations | **309** | 288 | **309** | 288 | 278 |
| Group total personnel at the end of period | **10,459** | 10,276 | **10,459** | 10,276 | 10,141 |

## Definitions of financial key figures

| | | |
|---|---|---|
| EBITDA | = | EBIT before depreciation, amortization and impairments |
| Adjustments to EBITDA or EBIT | = | Material income and expense items which affect the comparability between periods because of their unusual nature, size or incidence resulting for example from group-wide restructuring programs or disposals of assets or businesses. |
| Adjusted EBITDA or EBIT | = | EBITDA or 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 – financial assets at fair value through other comprehensive income – financial assets at fair value through profit or loss – investments in associated companies and joint ventures |
| Operating capital | = | Capital employed – net deferred tax asset |
| Return on capital employed (ROCE) | = | $\frac{\text{EBIT (4-quarter rolling)}}{\text{Capital employed (4-quarter rolling average)}} \times 100$ |
| Return on equity (ROE) | = | $\frac{\text{Net result for the financial period (4-quarter rolling)}}{\text{Total equity (4-quarter rolling average)}} \times 100$ |
| 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 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 | = | $\frac{\text{Equity attributable to the owners of the parent}}{\text{Adjusted number of shares at the end of the period}}$ |

## Adoption of new and amended IFRS standards

### IFRS 15 – Revenue from Contracts with Customers

Outokumpu has adopted IFRS 15 retrospectively. The adoption had only minor impacts on Outokumpu's revenue recognition and the presentation of revenue in Outokumpu's consolidated financial statements.

Outokumpu generates revenue mainly from sales of stainless steel and ferrochrome. Outokumpu ships these goods to customers under a variety of Incoterms, and considers the transfers of physical possession and risks and rewards related to the ownership of the goods accordingly. Consequently, the performance obligations related to sales of stainless steel and ferrochrome are satisfied at a point of time, and the IFRS 15 adoption did not lead to changes in revenue recognition practices in this area.

With customer deliveries following the "C" Incoterms, whereby the control of the goods transfers to the customer before the delivery, Outokumpu remains responsible for organizing the transportation of the goods to the customer. In these cases, the transportation service is a separate performance obligation, which is satisfied over time of the transportation. Before the IFRS 15 adoption, the revenues were fully allocated to the goods sold and recognized at a point of time. The impact of the accounting principle change is only minor as the revenue and the related freight cost are recognized at the same time. Additionally, the transaction price allocated to the transportation service and the movement in the obligation to provide the transportation service from one period to another are not material. Outokumpu has concluded that it acts as a principal with regards to the transportation service performance obligation. In some cases, Outokumpu had earlier recognized the freights recharged from its customers as a credit to freight cost instead of sales. This accounting principle has been changed, the impact not being material.

Stainless steel and ferrochrome sales prices are fixed before delivery, and volume discounts estimated and accrued in the revenue recognition are the only variable component in pricing. The earlier volume discount accrual practices were in line with the IFRS 15 guidelines.

In transitioning to IFRS 15, Outokumpu has restated its Jan 1, 2017 consolidated statement of financial position with the following impacts: contract liability of EUR 1 million related to the unperformed transportation service, impacting line trade and other payables; and accrued receivable related to purchased transportation of EUR 1 million impacting line trade and other receivables. The net impact of these items (net of tax) is recognized in retained earnings. The movement in the restated items impacted the following lines in the consolidated income statement of 2017: sales (impact of EUR 0 million), cost of sales (impact of EUR -0 million), and income taxes (impact of EUR 0 million). The reclassification of recharged freights from cost of sales to sales amounted to EUR 1 million in 2017.

In connection to the IFRS 15 adoption, Outokumpu reviewed the presentation of its revenue items in general, and concluded that certain items not related to Outokumpu's operations as a stainless steel and ferrochrome producer should be presented in other operating income rather than in sales. Consequently, items such as rental income are presented as other operating income going forward. The 2017 comparable figures are presented accordingly with a EUR -8 million impact on sales and EUR 8 million impact on other operating income.

### IFRS 9 – Financial Instruments

### Classification of financial assets:

| | Classification under IFRS 9 |
|---|---|
| Trade and other receivables | Amortized cost |
| Investments in equity | Fair value through OCI /<br>Fair value through profit or loss |
| Derivatives held for trading | Fair value through profit or loss |
| Hedge accounted derivatives | Fair value through OCI |
| Cash and cash equivalents | Amortized cost |

Financial assets that were categorized as available for sale under IAS 39, have been classified as financial assets measured at fair value through other comprehensive income in the initial application of IFRS 9 on Jan 1, 2018. In this measurement category, the fair value changes are recognized in the fair value reserve

outokumpu
high performance stainless steel

within equity. Gains or losses on disposal of these assets are not reclassified from equity to profit or loss. The financial assets in the category comprise mainly the Group's holdings in energy companies, including Voimaosakeyhtiö SF. According to IAS 39, Outokumpu valued this holding at cost as fair valuation had not been reliable due to the early stage of the Fennovoima project. Outokumpu will assess the fair value measurement reliability topics alongside the progress of the Fennovoima project. Depending on the assumptions used, current management estimates result in a wide range for fair value, which can differ from the current fair value estimate based on cost.

Outokumpu applies a simplified approach to analyze and recognize expected credit losses on trade receivables. The calculation model is based on overdue statistics and counterparty specific credit ratings linked with loss probabilities by rating. The new expected credit loss model resulted in an increase of allowance for impairment of trade receivables of EUR 1 million. This impact (net of tax) has been recognized as a decrease of retained earnings on Jan 1, 2018. Comparable information for 2017 is not restated.

Regarding hedge accounting, the changes did not have a material impact on the Group's current hedge accounting program. However, Outokumpu will analyze the opportunities for a wider application of hedge accounting in the future.

## Amendments to IFRS 2 Share-based Payments – Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 accomplish, among other things, clarification of the classification of share-based payments settled net of tax withholdings. According to the amendment, Outokumpu's share-based payment plans are fully accounted as equity-settled, and consequently, the expense recognized over the vesting period is fully based on the grant date fair value. Earlier the plans have been divided into equity-settled and cash-settled portions.

In transition on Jan 1, 2018, the accrued liabilities for the cash-settled portion amounting to EUR 10 million on Dec 31, 2017 and the related deferred tax assets amounting to EUR 3 million have been recognized in retained earnings. Comparable figures for 2017 have not been restated.

## Adoption of IFRS 16 Leases

IFRS 16 Leases, becoming effective for financial years beginning on or after January 1, 2019, replaces the current IAS 17 standard and related interpretations. IFRS 16 requires the lessees to recognize nearly all lease agreements as right-of-use assets and lease liabilities in the statement of financial position. The accounting model is similar as the current finance lease accounting according to IAS 17. The exceptions relate to short-term contracts with a lease term of 12 months or less and to low value items.

The transition will increase Outokumpu's non-current assets and non-current and current debt, affecting the accounting for the Group's leases that have currently been classified as operating leases. Additionally, Outokumpu has identified some service contracts related to logistics that include lease elements. The transition to IFRS 16 will improve adjusted EBITDA which is Outokumpu's main performance measure.