Interim report

Q3 2013

Outokumpu stainless steel for the highest skyscraper in China

Outokumpu provides stainless steel for the façade on Ping An Finance Center in Shenzhen, China. The skyscraper's façade will be the largest stainless steel façade in the world. "In our substantive research on the bidders, Outokumpu stood out with its rich global experience and highly efficient and customized products," said the spokesperson of Ping An Finance Center. "The performance of the material is one of the best. The timely technical support and tailored advice will greatly help us along the construction process as well," commented architectural firm Kohn Pedersen Fox. The building is expected to be finished in April 2016, with a height of 660 meters, and it is set to be the highest skyscraper in China and the second highest in the world.

outokumpu
stainless steel & high performance alloys

CONTENTS

Photo courtesy of Ping An

Financial results still unsatisfactory – but positive operating cash flow of EUR 124 million

Developments in the third quarter 2013

In line with management expectations, Outokumpu posted higher underlying EBIT losses of EUR -126 million versus EUR -80 million in the second quarter 2013. On a positive note, operating cash flow was positive at EUR 124 million driven by working capital release. Good progress in synergies, cost saving programs and the ongoing ramp-ups of the Ferrochrome and Calvert operations were more than offset by weak market and declining prices.

- During the third quarter of 2013, global stainless steel demand decreased by 6.2% versus the second quarter. While all the markets were down, EMEA was the hardest hit with a decline of 19.1%. European stainless steel base price was down by 6.8% and average nickel price by 7.1%. During the first nine months stainless steel demand in the EMEA region declined to 5.2 million tonnes (I-III 2012: 5.3 million tonnes).
- During the third quarter of 2013, Outokumpu's stainless steel external deliveries declined by 1.4% and were 647,000 tonnes (II 2013: 656,000 tonnes). In the first nine months of 2013, the Group had stainless steel deliveries of 2,006,000 tonnes, down by 6.3% compared to same period a year earlier (I-III 2012: 2,141,000 tonnes).
- The underlying EBITDA for the third quarter was EUR -35 million compared to EUR 12 million in the second quarter and the underlying EBIT was EUR -126 million (II 2013: EUR -80 million). Higher losses were mainly driven by lower base prices and negative mix impact from the fact that the relative share of APAC and Americas in the deliveries increased at the expense of higher margin business of EMEA and HPSA.
- Including non-recurring items of EUR -1 million (II 2013: EUR -46 million) and raw material-related inventory effects of EUR -15 million (II 2013: EUR -38 million), the EBIT was EUR -142 million for the third quarter 2013 (II 2013: EUR -164 million). For the first nine months of 2013, non-recurring items were EUR -49 million (I-III 2012: EUR -168 million) and raw material-related inventory effects were EUR -57 million (I-III 2012: EUR -30 million) with an overall EBIT of EUR -388 million (I-III 2012: EUR -385 million).
- Operating cash flow was positive at EUR 124 million (II 2013: EUR -160 million) mainly driven by working capital release. For the first nine months of 2013, operating cash flow was EUR -81 million and underlying EBITDA EUR -6 million.
- Net interest-bearing debt decreased to EUR 2,981 million (June 30, 2013: EUR 3,041 million), and gearing was 131.8% (June 30, 2013: 120.6%).

Update on Terni

The Terni divestiture continues with an extended time frame that the European Commission granted earlier in the year. Discussions continue with a number of interested parties. Simultaneously with the Terni sale process, Outokumpu has held discussions with the European Commission about the remedy package but this has not resulted in any change to the overall situation with the Terni divestiture. Outokumpu is working intensively to complete the divestment and targets to sign a transaction during the remainder of the year.

Update on strategic review of VDM, the high performance alloys business of Outokumpu

The strategic review of VDM operations continues as planned and is progressing well. As part of this review process Outokumpu is assessing divestment options, and thereby engaged in discussions with several potential buyer candidates. Outokumpu expects to finalize the strategic review by the end of the year.

Business and financial outlook for the fourth quarter of 2013

Outokumpu expects no major improvement in the market demand for the rest of the year and overall visibility continues to be weak. The company estimates sequentially lower delivery volumes, some improvement in base prices, and similar product mix as in the third quarter. The progress in the cost efficiency initiatives, synergies, and cash release programs is expected to be steady.

For the fourth quarter financial performance, Outokumpu estimates the underlying EBIT to be on approximately the same level or slightly worse than in the third quarter. At current metal prices, marginal raw material-related timing losses, if any, are expected. Outokumpu's operating result in the fourth quarter could be impacted by non-recurring items associated with the Group's ongoing restructuring programs.

Note: This report contains comparisons to both Outokumpu stand alone as well as comparable figures for the combined entity based on management estimates. Tables that are marked as 'comparable' show the combined entity comparisons. In the text itself only comparable numbers are stated and analyzed. Terni is reported as a discontinued operation.

Group key figures, comparable

		III/13	II/13	III/12	2012
Sales	EUR million	**1,923**	2,064	2,192	9,458
EBITDA	EUR million	**-52**	-72	-40	-176
Adjustments to EBITDA [1]	EUR million	**17**	84	41	203
Underlying EBITDA	EUR million	**-35**	12	0	27
EBIT	EUR million	**-142**	-164	-137	-692
Adjustments to EBIT [2]	EUR million	**17**	84	44	344
Underlying EBIT	EUR million	**-126**	-80	-93	-348
Result before taxes	EUR million	**-214**	-228	n/a	n/a
Net result for the period from continuing operations	EUR million	**-203**	-225	n/a	n/a
excluding non-recurring items	EUR million	**-202**	-179	n/a	n/a
Net result for the period	EUR million	**-239**	-250	n/a	n/a
Earnings per share	EUR	**-0.11**	-0.12	n/a	n/a
excluding non-recurring items	EUR	**-0.11**	-0.10	n/a	n/a
Return on capital employed	%	**-10.5**	-11.7	n/a	n/a
excluding non-recurring items	%	**-10.5**	-8.4	n/a	n/a
Net cash generated from operating activities, continuing oper.	EUR million	**124**	-160	n/a	n/a
Net interest-bearing debt at the end of period	EUR million	**2,981**	3,041	n/a	n/a
Debt-to-equity ratio at the end of period	%	**131.8**	120.6	n/a	n/a
Capital expenditure, continuing operations [3]	EUR million	**62**	42	217	821
Stainless steel external deliveries, continuing oper. [4]	1,000 tonnes	**647**	656	663	2,786
Stainless steel base price [5]	EUR/tonne	**1,043**	1,137	1,155	1,172
Personnel at the end of period, continuing operations, excl. summer trainees [6]		**15,321**	15,540	16,808	16,649

[1] Non-recurring items, other than impairments; and inventory gains/losses, unaudited.

[2] Non-recurring items and inventory gains/losses, unaudited.

[3] Jan 1–Dec 31, 2012 includes acquisition-related finance leases and asset purchases of EUR 79 million, but excludes Inoxum acquisition of EUR 2,720 million.

[4] Excludes ferrochrome deliveries, includes high performance alloy deliveries.

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

[6] On June 30, 2013 Group employed in addition some 700 summer trainees.

Raw material-related inventory gains or losses: The realized timing gain or loss per tonne of stainless steel is estimated based on the difference between the purchase price and invoice price of each metal in EUR per tonne times the average metal content in stainless steel. The unrealized timing impact consists of the change in net realizable value — NRV during each quarter. If there is a significant negative change in metal prices during the quarter, inventories are written down to NRV at the end of the period to reflect lower expected transaction prices for stainless steel in the future. As this timing impact is expected to be realized in the cash flow of Outokumpu only after the raw material has been sold, it is referred to as being unrealized at the time of the booking.

CEO Mika Seitovirta:

“The stainless steel market continued to be weak during the third quarter. Global demand for stainless steel declined and the market in Europe was particularly depressed, driven both by continued economic weakness and the slow summer season. Our financial results remained unsatisfactory but were in line with our expectations. A clear positive was that our operating cash flow was positive at EUR 124 million driven by our systematic efforts to release working capital throughout the company.

We continued to deliver post-merger synergies and other savings ahead of plans to support our financial performance. On the operational side, the ramp-up of our ferrochrome operations in Finland is progressing well and it continues to play a key role in our competitiveness going forward. The investment in Calvert is also gradually coming on stream and will strengthen our position in the important US market. In Asia we are leveraging our local presence, and in the quarter this was evidenced by improved order intake and higher delivery volumes.

We at Outokumpu are committed to turn the company back to sustainable profitability and to strengthen our financial position. Since we do not expect any material improvement on the demand side and the global overcapacity in stainless steel persists it is essential that we continue to focus on our customers while at the same time implementing the ongoing cost savings and working capital efficiency programs. On top of that we are accelerating our restructuring actions in Europe with our new industrial plan. Our current restructuring plans are necessary to return Outokumpu to profitability and will result in total cost savings of EUR 380 million in 2015. The negotiations on the sale of the Terni remedy assets are ongoing with several parties and we plan to sign an agreement by end of the year. We are also finalizing the strategic review of VDM. In addition, we have multiple actions ongoing to strengthen our balance sheet.”

Update on strategic initiatives

Inoxum integration under way – synergy savings exceeded target for 2013

The ongoing integration work and the related synergies are proceeding successfully. Synergy savings reached EUR 69 million in the first nine months of 2013 (H1 2013: EUR 39 million) and already exceeded the original target of EUR 50 million for 2013. For the full year 2013, Outokumpu expects the synergy savings to exceed EUR 75 million. The majority of the synergy savings have been achieved in procurement. Additionally, the ramp-down of the Krefeld melt shop and further group-wide headcount reductions have contributed to this achievement.

Achieved synergy savings versus target

EUR million	I/13	II/13	III/13	I-III/13	Forecast 2013	Target 2017
Total Synergies	16	23	30	69	>75	200
of which: Production optimization	13%	31%	26%	25%		
of which: Procurement	84%	59%	64%	67%		
of which: Sales & Admin	3%	10%	10%	8%		

To achieve further cost savings Outokumpu is conducting a strategic review of its cold rolling and precision strip operations in Nyby and Kloster, Sweden and in Dahlerbrück, Germany with the aim of reducing production capacity and achieving further cost savings through increased efficiencies. Decisions based on the strategic review are expected to be made by the end of 2013. See section “Events after the end of the reporting period” for information on Outokumpu’s new EMEA industrial plan that includes further cost saving potential.

Ongoing value-enhancing and cost-saving projects

Ferrochrome production ramp-up

The ramp-up of new capacity has progressed as planned during the first nine months of 2013, with expected ferrochrome production of at least 400,000 tonnes[1] for 2013 (2012: 230,000 tonnes) and full technical production capacity of 530,000 tonnes in 2015. During the third quarter 2013 ferrochrome production of 106,000 tonnes was reached, which was at about the same level as in the second quarter.

Calvert integrated mill ramp-up progressing: delivery reliability and quality in focus

The overall ramp-up of the Calvert integrated mill returned to improving positive trend after disappointing second quarter, but continues to be behind the original targets. The ramp-up of the cold rolling mill is proceeding, with a broader product portfolio and the quality of the standard grades gradually improving. The focus remains on delivery reliability and quality. The melt shop ramp-up is progressing and a new production record was reached in September. The production covers both standard austenitic and ferritic grades as well as widths ranging from 36 to 72 inches wide. In addition to supplying steel for the Calvert cold rolling mill the melt shop has been focused on increasing shipments to Outokumpu mill in Mexico to fully replace the shipments from Europe by the first quarter next year. This enables Outokumpu’s Mexican operations to reduce logistics costs and to have shorter delivery times for customer.

1) = metric ton = 1,000 kg

P150 beats its target for 2013

Outokumpu continues its strict focus on cost management with the P150 cost reduction program introduced earlier this year. The aim of this program is to reduce Outokumpu's annual costs by EUR 150 million by the end of 2014 on top of the synergy measures. In the first nine months of 2013, EUR 66 million of cost savings have been reached, exceeding the original target of EUR 50 million for 2013. For the full year 2013, P150 savings are expected to exceed EUR 75 million. The main drivers of the program are savings in procurement, IT, operational costs as well as in general and administration costs, including headcount reductions.

P300 program shows first positive effects

In February 2013 Outokumpu announced a working capital reduction program, P300. Finalization of this program is expected by the end of 2014. The program target is a net working capital reduction of EUR 300 million (approx. EUR 150 million during 2013) to be achieved through inventory reduction, accounts receivable, and accounts payable management. During the third quarter 2013, very good progress was made. Through strong efforts all Business Areas have reduced their physical inventory levels significantly compared to the second quarter as well as compared to the beginning of the year.

Market development

Stainless steel demand down in all markets, most notably in Europe

Global real demand for stainless steel products totaled 7.8 million tonnes in the third quarter of 2013, up by 2.2% compared to the third quarter of 2012. In the Americas region and APAC, consumption levels increased by 4.5% and 4.3%, respectively year-on-year, while consumption in EMEA decreased by 6.0%. Compared to the second quarter 2013, global demand for total stainless steel decreased by 6.2% mainly driven by decreased consumption in EMEA.

Market development for real demand total stainless steel products in Q3 2013

Million tonnes	2012	III/12	II/13	III/13	Δ q-o-q	Δ y-o-y
EMEA	7.0	1.6	1.9	1.5	-19.1%	-6.0%
Americas	3.3	0.8	0.9	0.8	-6.2%	4.5%
APAC	21.2	5.3	5.6	5.5	-1.9%	4.3%
Total	31.4	7.7	8.4	7.8	-6.2%	2.2%

Source: SMR October 2013

In the Consumer Goods & Medical, Automotive and Metal Processing segments demand decreased in the third quarter by 7.0%, 13.4% and 5.3%, respectively, compared to the second quarter of 2013. Additionally, the decline was seen in Chemical/Petrochemical & Energy and Architecture/Building & Construction with quarter-on-quarter decline rates of 7.6% and 1.5%, respectively.

Imports into the EU are expected to reach 23.0% of the total consumption in the third quarter of 2013 which is slightly below the import rate of 23.8% in the second quarter of 2013 and above the average level of 18.6% in 2012. The largest countries in terms of imports to the EU included China, South Korea, India, South Africa, Taiwan and the USA. Average imports into the NAFTA region in the third quarter of 2013 are estimated to remain at the first and second quarter's level of approximately 14.3% of total demand in the NAFTA region, which is below the average level of 18.6% in 2012. (Source: Eurofer October 2013)

Stainless steel transaction prices

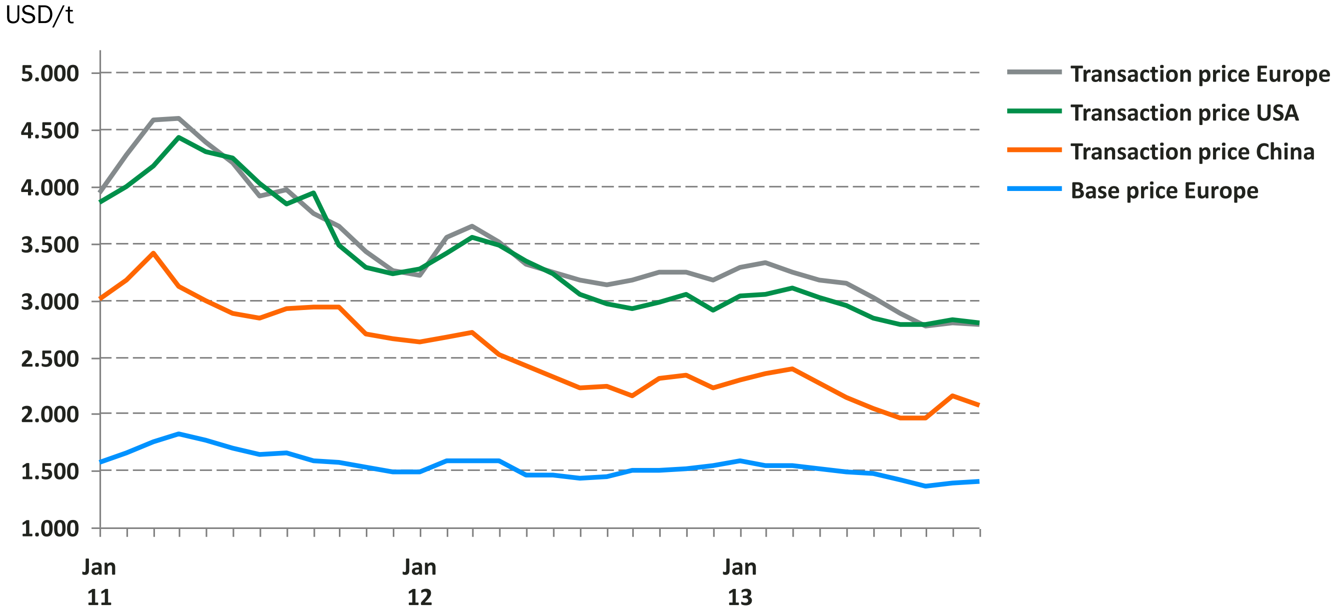
Average transaction prices for 2 mm cold-rolled 304 stainless steel sheet in Europe, the USA, and China decreased in the third quarter of 2013 compared to the second quarter of 2013. In Europe, the base price decreased by 6.8%, and the alloy surcharge decreased by 11.8%. In the USA the decrease in the alloy surcharge by 11.1% was the main price driver quarter-on-quarter. Average transaction price levels remain significantly below last year's third quarter levels with a decline of 16.0% in the USA, China and Europe.

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

USD/t		2012	III/12	II/13	III/13	Δ q-o-q	Δ y-o-y
Europe	Base	1,510	1,460	1,493	1,391	-6.8%	-4.7%
	Alloy	1,799	1,731	1,642	1,449	-11.8%	-16.3%
	Transaction price	3,304	3,359	3,119	2,819	-9.6%	-16.1%
USA	Base	1,340	1,301	1,323	1,367	3.3%	5.1%
	Alloy	1,841	1,682	1,613	1,434	-11.1%	-14.7%
	Transaction price	3,182	3,349	2,936	2,801	-4.6%	-16.4%
China	Transaction price	2,401	2,426	2,158	2,029	-6.0%	-16.4%

Source: CRU October 2013

Regional developments in the transaction price for stainless steel flat cold-rolled 304 2mm sheet



Source: CRU October 2013

Price development of alloying metals

The nickel price[1] was surging at the beginning of the quarter on the weaker US dollar and improving macroeconomic data and hit the highest level for the quarter at 14,775 USD/tonne in mid-August but came down to a lower level for the rest of the period. The average nickel price in the quarter was 13,922 USD/tonne, 7.1% lower than 14,983 USD/tonne in the second quarter of 2013.

The European benchmark price[2] for ferrochrome was 1.13 USD/lb in the third quarter, driven down from 1.27 USD/lb in the second quarter of 2013 by increased ferrochrome supply from South Africa and weak stainless steel demand. For the fourth quarter of 2013, the quarterly benchmark price was rolled-over at 1.13 USD/lb from the third quarter.

The ferromolybdenum price[3] hit its highest level for the third quarter at 25.9 USD/kg in early July, after which it declined to its lowest level for the quarter at 22.8 USD/kg at the end of September. The average price for the quarter was 23.8 USD/kg, down by 12.5% from 27.2 USD/kg in the second quarter of 2013.

1) Nickel Cash LME Daily Settlement USD per tonne
2) Ferro-chrome Contract: Ferro-chrome Lumpy CR charge basis 52% Cr quarterly major European destinations USD per lb Cr
3) Metal Bulletin - Ferro-molybdenum basis 65-70% Mo major European destinations USD per kg Mo

Business areas

Stainless Coil EMEA

The key focus of EMEA in 2013 is to maintain and expand Outokumpu's strong European stainless coil position through customer and product leadership, to improve financial performance for example, through closure of the Krefeld melt shop and to drive cost efficiency by leveraging the company's own chrome mine and expanded ferrochrome production. Outokumpu's industrial plan targeting to restructure the company's operations in Europe, introduced in October, will be key in returning the company to profitability. Please see "Events after the end of the reporting period" for more information.

During the third quarter of 2013, ramp-down of the Krefeld melt shop progressed and the transfer of production volumes to Tornio and Bochum proceeded according to plan. In September, there were production disturbances at the Tornio hot rolling mill and therefore some volumes are being rerouted to Avesta, Sweden and Bochum in Germany. Stainless steel deliveries totaled 380,000 tonnes, a decrease of 7.7% compared to the second quarter of 2013 due to the continued weak market and seasonality. Ferrochrome ramp-up continued in line with the plans: in the third quarter production was 106,000 tonnes, compared to 112,000 tonnes in the second quarter.

Stainless Coil EMEA key figures, comparable

		I/12	II/12	III/12	I-III/12	IV/12	2012	I/13	II/13	**III/13**	**I-III/13**
Stainless steel deliveries	1,000 tonnes	474	461	409	1,344	408	1,752	447	411	**380**	**1,238**
Ferrochrome deliveries (Group external)	1,000 tonnes	19	21	14	54	14	68	18	57	**57**	**131**
Sales	EUR million	1,630	1,642	1,379	4,651	1,331	5,982	1,397	1,176	**998**	**3,571**
EBITDA	EUR million	55	-58	-14	-17	-19	-35	20	-6	**5**	**20**
Non-recurring items in EBITDA	EUR million	-	-62	-3	-65	-7	-71	-	-32	**-1**	**-33**
EBIT	EUR million	-35	-114	-63	-212	-65	-276	-28	-52	**-40**	**-120**
Non-recurring items in EBIT	EUR million	-42	-71	-6	-119	-7	-126	-	-32	**-1**	**-33**

The third quarter EBIT improved from EUR -52 million quarter on quarter to EUR -40 million. Improvement was mainly driven by lower non-recurring items in the third quarter. EBIT excluding non-recurring items amounted to EUR -39 million (II 2013: EUR -20 million). The decline in underlying profitability was mainly driven by seasonally low volumes and lower base prices. During the quarter Outokumpu implemented some price increases effective from October onwards. A somewhat better mix and margin, good cost control, as well as continued strong profitability contribution of the Ferrochrome business could not outweigh the impact of a still depressed market situation.

For the first nine months of 2013 Stainless Coil EMEA's EBIT was EUR -120 million compared to EUR -212 million in the same period a year earlier. Non-recurring items accumulated to EUR -33 million (I-III 2012: EUR -119 million).

Stainless Coil Americas

Americas' key focus for 2013 is to build up a strong position in the Americas market by focusing on superior product quality, technical service, and delivery reliability. Ramp-up of the Calvert integrated mill has a central role among the 2013 priorities. In addition, Americas will focus on ensuring performance of the Mexican operations.

Stainless Coil Americas key figures, comparable

		I/12	II/12	III/12	I-III/12	IV/12	2012	I/13	II/13	III/13	I-III/13
Deliveries	1,000 tonnes	102	90	102	295	105	400	102	116	**129**	**346**
Sales	EUR million	253	246	217	716	207	923	202	231	**251**	**683**
EBITDA	EUR million	-19	-39	-31	-89	-44	-134	-38	-70	**-50**	**-158**
Non-recurring items in EBITDA	EUR million	-1	-	-	-1	-	-1	-	-	**-**	**-**
EBIT	EUR million	-29	-51	-44	-123	-59	-182	-55	-87	**-68**	**-210**
Non-recurring items in EBIT	EUR million	-1	-	-	-1	-	-1	-	-	**-**	**-**

During the third quarter of 2013, stainless steel deliveries reached 129,000 tonnes, up 11.1% compared to the second quarter. This was driven by continued ramp-up of the Calvert facility. Outokumpu's base price levels in the US stayed flat compared to the second quarter, and there is an expectation of some increases for the rest of the year.

The third quarter EBIT improved to EUR -68 million (II 2013: EUR -87 million) mainly due to reversal of the inventory write-downs done in the second quarter. The EBIT for the first nine months of 2013 was EUR -210 million (I-III 2012: EUR -123 million). The main drivers for losses continue to be the low nickel price, production issues and high production unit costs due to low utilization rates during the Calvert ramp-up.

Inventory levels have come down significantly since the second quarter. In the third quarter, the Calvert mill kept its melting production purposefully low and used, for the most part, semi-finished stainless steel materials delivered from Terni, Italy. This had a negative impact on the performance of the Calvert mill. Outokumpu is bound by the restrictions of the EU remedy process, and, with the current plan, Terni materials will continue to be shipped to Stainless Coil Americas until the first quarter of 2014.

Stainless APAC

APAC's key focus for 2013 is to contribute to the growth of Outokumpu by establishing a profitable foothold in APAC and by focusing on selected customer and product segments in which the Outokumpu offering is differentiated from its competitors.

During the third quarter of 2013, the APAC market and investment activity picked up slightly, especially in Australia where political uncertainties after the parliamentary elections have been dissolved. Outokumpu's order intake and deliveries improved during the third quarter following several project wins and an increase in Shanghai Krupp Stainless (SKS) volumes.

Stainless APAC key figures, comparable

		I/12	II/12	III/12	I-III/12	IV/12	2012	I/13	II/13	III/13	I-III/13
Deliveries	1,000 tonnes	23	26	25	74	30	104	36	29	**56**	**122**
Sales	EUR million	74	75	67	216	79	294	85	74	**111**	**270**
EBITDA	EUR million	4	3	-1	5	-2	4	4	3	**4**	**12**
Non-recurring items in EBITDA	EUR million	-	-	-	-	-6	-6	-	-	**-**	**-**
EBIT	EUR million	0	-2	-7	-8	-6	-14	0	-0	**0**	**0**
Non-recurring items in EBIT	EUR million	-	-	-	-	-6	-6	-	-	**-**	**-**

Deliveries increased to 56,000 tonnes in the third quarter, clearly up from 29,000 tonnes in the second quarter. As the increase was mainly attributed to lower margin products sold by SKS, this did not contribute significantly to the profitability of Stainless APAC.

For the third quarter and the first nine months of 2013, EBIT remained at around zero, thus showing a flat development quarter on quarter and a slight improvement compared to the first nine months of 2012.

High Performance Stainless and Alloys (HPSA)

The key focus of High Performance Stainless and Alloys in 2013 is to identify new customers and sales opportunities to drive profitability. In addition, HPSA is finalizing its ongoing investments for example, in Degerfors, Sweden, and continuing several cost reduction and efficiency improvement initiatives.

During the third quarter of 2013, the HPSA performance continued to be affected by the weak market demand, especially in terms of industrial projects as well as intense price pressure.

High Performance Stainless and Alloys key figures, comparable *)

		I/12	II/12	III/12	I-III/12	IV/12	2012	I/13	II/13	**III/13**	**I-III/13**
Deliveries	1,000 tonnes	176	157	130	463	134	597	159	131	**121**	**411**
Sales	EUR million	915	852	771	2,538	690	3,228	798	693	**601**	**2,092**
EBITDA	EUR million	61	38	25	123	-9	115	36	17	**-10**	**42**
Non-recurring items in EBITDA	EUR million	-	-0	-1	-1	-7	-8	-	-	**-0**	**-0**
EBIT	EUR million	37	15	-1	50	-120	-70	14	-5	**-31**	**-22**
Non-recurring items in EBIT	EUR million	-	-0	-1	-1	-93	-94	-	-	**-0**	**-0**

*) R&D operations in Avesta, Sweden reallocated from Other operations to High Performance Stainless and Alloys, comparable figures adjusted accordingly.

The deliveries of the third quarter of 2013 were 7.1% lower at 121,000 tonnes compared to the second quarter of 2013 due to the weaker business climate as well as annual maintenance breaks. EBIT declined to EUR -31 million (II 2013: EUR -5 million). This was mainly driven by weaker demand, low investment activity for industrial investments and projects and a declining nickel price, which also had a negative impact on VDM profitability.

For the first nine months of 2013 EBIT decreased to EUR -22 million (I-III 2012: EUR 50 million).

Financial performance

In line with management expectations, Outokumpu continued to be loss-making and financial results were unsatisfactory in extended economic weakness and typical seasonality for the industry. Total external deliveries were on par with the second quarter and underlying EBITDA was EUR -35 million (II 2013: EUR 12 million). Underlying EBIT amounted to EUR -126 million (II 2013: EUR -80 million). Negative financial performance versus the second quarter was mostly due to lower base prices and negative mix impact from the fact that the relative share of APAC and Americas in the deliveries increased at the expense of higher margin business of EMEA and HPSA. On a positive note, operating cash flow was positive at EUR 124 million (II 2013: -160 million).

During the first nine months of 2013, Outokumpu's financial performance has been unsatisfactory with stainless steel deliveries of 2,006,000 tonnes (I-III 2012: 2,141,000 tonnes), underlying EBITDA of EUR -6 million (I-III 2012: EUR 85 million), and underlying EBIT of EUR -283 million (I-III 2012: EUR -187 million).

In early October, Outokumpu announced plans for further structural changes in its European operations aimed at improving its financial performance and efficiency, and ultimately returning the company to profitability. Please see "Events after the end of the reporting period" for more information. At the same time, Outokumpu is focusing on strengthening its balance sheet and financial standing.

Note: This report contains comparisons to both Outokumpu stand alone as well as comparable figures for the combined entity based on management estimates. Tables that are marked with 'comparable' show the combined entity comparisons. In the text itself only comparable numbers will be stated and analyzed. Terni is reported as discontinued operation.

Decrease in stainless steel deliveries in the third quarter and the first nine months of 2013

External deliveries of stainless steel in the third quarter of 2013 were down by 9,000 tonnes or 1.4% and totaled 647,000 tonnes (II 2013: 656,000 tonnes). Demand in Europe was negatively affected by the overall sluggish market and continued low nickel prices, whereas in the US deliveries from the Calvert mill were on the rise.

Capacity utilization of Group operations in the third quarter 2013 was 65–70%, coming further down from 70–75% in the second quarter and 75–80% in the first.

Group external deliveries, comparable

1,000 tonnes	I/12	II/12	III/12	I-III/12	IV/12	2012	I/13	II/13	**III/13**	**I-III/13**
Cold rolled	525	465	466	1,456	458	1,914	483	462	**486**	**1,431**
White hot strip	126	109	97	332	96	428	101	92	**82**	**275**
Quarto plate	26	23	21	69	19	88	23	19	**16**	**58**
Long products	16	16	14	46	13	59	15	17	**16**	**48**
Semi-finished products	70	116	70	256	63	320	93	119	**103**	**315**
Stainless steel [1)]	51	95	56	202	50	252	75	63	**46**	**184**
Ferrochrome	19	21	14	54	14	68	18	57	**57**	**131**
Tubular products	14	12	9	35	9	44	6	3	**2**	**10**
Total external deliveries	777	741	677	2,195	658	2,853	721	713	**704**	**2,137**
Stainless steel external deliveries	758	720	663	2,141	644	2,786	703	656	**647**	**2,006**

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

Sales and earnings declined in sluggish markets

Outokumpu sales in the third quarter of 2013 were EUR 1,923 million, down 6.8% compared to the second quarter 2013. The decline in sales was driven by lower deliveries and prices for stainless steel.

Group key figures, comparable

EUR million	I/12	II/12	III/12	I-III/12	IV/12	2012	I/13	II/13	III/13	I-III/13
Sales										
Stainless Coil EMEA	1,630	1,642	1,379	4,651	1,331	5,982	1,397	1,176	**998**	**3,571**
Stainless Coil Americas	253	246	217	716	207	923	202	231	**251**	**683**
Stainless APAC	74	75	67	216	79	294	85	74	**111**	**270**
High Performance Stainless and Alloys *)	915	852	771	2,538	690	3,228	798	693	**601**	**2,092**
Other operations *)	157	165	107	428	137	565	100	114	**166**	**380**
Intra-group sales *)	-381	-429	-349	-1,160	-376	-1,535	-361	-223	**-204**	**-789**
Sales	2,648	2,551	2,192	7,390	2,067	9,458	2,221	2,064	**1,923**	**6,209**
Underlying EBITDA 1)	68	17	0	85	-58	27	17	12	**-35**	**-6**
Non-recurring items in EBITDA	-13	-85	-15	-113	-56	-170	-2	-46	**-1**	**-49**
Raw material-related inventory gains/losses, unaudited	18	-23	-25	-30	-3	-33	-3	-38	**-15**	**-57**
EBITDA	73	-91	-40	-58	-117	-176	12	-72	**-52**	**-112**
Underlying EBIT 2)	-21	-72	-93	-187	-162	-348	-77	-80	**-126**	**-283**
Non-recurring items in EBIT	-55	-95	-18	-168	-142	-310	-2	-46	**-1**	**-49**
Raw material-related inventory gains/losses, unaudited	18	-23	-25	-30	-3	-33	-3	-38	**-15**	**-57**
EBIT	-58	-190	-137	-385	-307	-692	-82	-164	**-142**	**-388**

1) EBITDA excluding raw material-related inventory gains/losses and non-recurring items, unaudited.

2) EBIT excluding raw material-related inventory gains/losses and non-recurring items, unaudited.

*) R&D operations in Avesta, Sweden reallocated from Other operations to High Performance Stainless and Alloys, comparable figures adjusted accordingly.

During the quarter, the continued weak market demand led to further declining prices. The average base price[1] by CRU for the third quarter 2013 was 1,043 EUR/tonne compared to 1,137 EUR/tonne in the second quarter 2013.

EBITDA improved to EUR -52 million in the third quarter (II 2013: EUR -72 million). Adjusted for non-recurring items and raw material-related inventory gains/losses underlying EBITDA was EUR -35 million (II 2013: EUR 12 million, III 2012: EUR 0 million). Both non-recurring items and raw material-related inventory losses were significantly smaller than in the second quarter. Decline in underlying EBITDA was mainly driven by seasonality and low base prices as well as the negative mix effect from the higher share of lower margin deliveries.

The third quarter underlying EBIT was EUR -126 million (II 2013: EUR -80 million, III 2012: EUR -93 million).

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

Non-recurring items in EBIT, comparable

EUR million	**Jan 1–Sept 30, 2013**	Jan 1–Sept 30, 2012	Jan 1–Dec 31, 2012
Redundancy provisions	**-34**	-3	-3
Carrier settlement	**-11**	-	-
Costs related to Inoxum transaction	**-3**	-29	-64
Nyby and Kloster impairments	-	-	-86
Aged inventory write-downs	-	-	-19
Losses from divestment of the Group's Brass operations	-	-18	-18
Impairment of stock locations divestment	-	-10	-10
Non-recurring items in Inoxum [1)]	-	-108	-111
	-49	-168	-310

[1)] Non-recurring items in Inoxum mainly consist of provisions and impairment relating to the closure of the Krefeld melt shop.

Non-recurring items totaled EUR -49 million for the first nine months of 2013, and were related to redundancy provisions in connection with the P150 program, the Carrier case settlement, and the Inoxum transaction. Non-recurring items for the third quarter were only EUR -1 million compared to EUR -46 million in the second quarter. Including raw material-related inventory effects of EUR -15 million for the third quarter 2013, EUR -38 million for the second and EUR -3 million for the first quarter, total adjustments to EBIT amounted to EUR -105 million in the first nine months of 2013.

For the first nine months, sales were down by 16.0% and amounted to EUR 6,209 million (I-III 2012: EUR 7,390 million). Underlying EBIT was EUR -283 million (I-III 2012: EUR -187 million).

Higher financial expenses

Net financial income and expenses in the third quarter totaled EUR -71 million (II 2013: EUR -60 million), which includes market price gains and losses of EUR -12 million (II 2013: EUR -9 million). Interest expense for the quarter increased to EUR 57 million (II 2013: EUR 52 million), due to EUR 550 million utilization of the new revolving credit facility of EUR 900 million which carries higher interest and thus leads to higher average interest accrued on the net debt.

Financial expenses in the third quarter include a fair value change of EUR -6 million (II 2013: EUR -14 million) for the remaining 16% stake in Talvivaara Sotkamo Ltd due to the decline in the share price of Talvivaara Mining Company plc during the quarter. For the first nine months 2013 the Talvivaara fair valuation effect adds up to EUR -37 million, with a remaining fair value of EUR 16 million at the end of the period.

Negative net result for the period

The net result for the third quarter of 2013 was EUR -239 million (II 2013: EUR -250 million) of which EUR -203 million was related to the continuing operations and EUR -36 million to the discontinued operations, showing the results of Terni. Earnings per share of the continuing operations were EUR -0.10 (II 2013: EUR -0.11).

Positive operating cash flow driven by decrease in working capital

Operating cash flow development was clearly positive in the quarter. After negative operating cash flow of in the second quarter, the third quarter saw a bounce back into positive territory and operating cash flow was EUR 124 million (II 2013: EUR -160 million).

Summary of cash flows

EUR million	**July–Sept 2013**	April–June 2013	July–Sept 2012	**Jan–Sept 2013**	Jan–Sept 2012	Jan–Dec 2012
Net result for the period [1)]	**-239**	-250	-116	**-641**	-226	-536
Non-cash adjustments [1)]	**165**	224	62	**534**	191	478
Change in working capital	**223**	-91	156	**109**	318	394
Dividends received	**2**	0	-	**2**	0	0
Interests received	**1**	0	1	**1**	2	3
Interests paid	**-27**	-42	-19	**-85**	-60	-72
Income taxes paid	**-0**	-1	-0	**-2**	-3	-1
Net cash from operating activities	**124**	-160	83	**-81**	222	266
Subsidiaries acquired, net of cash	**-**	-	-	**-**	-	-915
Purchases of assets	**-51**	-55	-80	**-284**	-232	-302
Proceeds from the sale of assets	**0**	0	14	**-0**	20	20
Other investing cash flow	**0**	1	0	**-6**	0	1
Net cash from investing activities	**-51**	-54	-65	**-291**	-212	-1,196
Cash flow before financing activities	**73**	-214	18	**-372**	10	-929
Net cash from financing activities	**46**	256	969	**598**	1,006	994
Net change in cash and cash equivalents	**119**	42	987	**225**	1,016	65

[1)] Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.

Cash flows of 2013 are presented for continuing operations.

The positive cash flow development was driven by a EUR 223 million release of working capital with a strong contribution from all Business Areas. Outokumpu's current trade accounts payable went down by 18.1%, inventories down by 16.1% and current trade accounts receivable down by 14.3%. The net cash from investing activities was EUR -51 million (II 2013: EUR -54 million).

For the first nine months 2013 net cash from operating activities was EUR -81 million, mainly driven by the higher operating losses and offset partly by the release of working capital of EUR 109 million since the beginning of the year. (I-III 2012: net cash from operating activities of EUR 222 million and release of working capital EUR 318 million).

Net interest-bearing debt at the end of September 2013 totaled EUR 2,981 million, down by EUR 60 million since end-of June (June 30, 2013: EUR 3,041 million). The decrease was mostly due to positive cash driven by working capital release. Outokumpu's gearing was 131.8% at the end of September (June 30, 2013: 120.6%).

Capital expenditure

Capital expenditure amounted to EUR 62 million in the third quarter of 2013 (II 2013: EUR 42 million). This was mainly spent on maintenance-related investments, VDM and quarto plate project in Degerfors, Sweden. In the first nine months of 2013, the total amount of capital expenditure was EUR 195 million, mainly due to Calvert, ferrochrome and VDM.

Balance sheet shows higher gearing

Summary of statement of financial position

EUR million	30 Sept 2013	30 June 2013	30 Sept 2012 Restated 1)	31 Dec 2012
ASSETS				
Non-current assets	**4,523**	4,599	3,014	4,658
Current assets	**3,306**	3,702	3,051	3,687
Assets held for sale	**1,212**	1,335	-	1,326
TOTAL ASSETS	**9,041**	9,636	6,065	9,671
EQUITY AND LIABILITIES				
Equity	**2,261**	2,522	2,773	2,952
Non-current liabilities	**3,919**	3,389	1,769	3,611
Current liabilities	**2,283**	2,961	1,524	2,321
Liabilities directly attributable to assets held for sale	**578**	764	-	786
TOTAL EQUITY AND LIABILITIES	**9,041**	9,636	6,065	9,671

1) Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.

At the end of September, total assets stood at EUR 9,041 million (June 30, 2013: EUR 9,636 million), out of which EUR 3,306 million (June 30, 2013: 3,702 million) were current assets, consisting to a large degree of inventories with EUR 1,813 million (June 30, 2013: EUR 2,162 million). As a result of focused inventory management initiatives, inventories continued to come down by another EUR 349 million in the third quarter. Cash and cash equivalents increased to EUR 439 million at the end September 2013 (June 30, 2013: EUR 327 million).

Assets held for sale and liabilities related to these assets, consisting of the remedy assets and related liabilities, were EUR 1,212 million (June 30, 2013: EUR 1,335 million) and EUR 578 million (June 30, 2013: EUR 764 million), respectively. These figures combine to a net value of EUR 634 million (June 30, 2013: EUR 571 million) for Terni and Willich on the balance sheet.

Goodwill is unchanged at EUR 480 million (including the Inoxum transaction goodwill of EUR 7 million).

Equity decreased by 10% to EUR 2,261 million (June 30, 2013: EUR 2,522 million) after adjustment for net losses for the period. Long term debt increased as in July Outokumpu signed a new committed revolving credit facility of EUR 900 million with maturity in 2015, thus increasing debt tenor.

Outokumpu has 12 months from the closing of the Inoxum transaction for further Purchase Price Allocation adjustments to the opening balance sheet. Outokumpu is planning to use this option and to announce adjustments and restatements to the opening balance sheet in due course.

Financing

Cash and liquidity reserves

Cash increased from EUR 327 million at the end of the second quarter 2013 to EUR 439 million at the end of the third quarter 2013, while the overall liquidity reserves are in excess of EUR 900 million (June 30, 2013: approx. EUR 800 million). The increase was driven by the positive free cash flow during the third quarter.

Outokumpu signed EUR 900 million revolving credit facility

In July Outokumpu Oyj signed a EUR 900 million committed revolving credit facility with its maturity in June 2015, with an option to extend the facility by one year, subject to an approval by the banks. The new facility will be used for general corporate purposes and it replaced the EUR 750 million facility signed in June 2011 and the EUR 250 million facility that became effective in December 2012. At the end of September, the EUR 900 million revolving facility had been utilized by EUR 550 million. The previously arranged forward start facility of EUR 250 million became effective with an amount of EUR 100 million to cover the shortfall between the expiring EUR 1 billion facilities and the new facility of EUR 900 million. The forward start facility will expire in January 2014.

People

At the end of the third quarter 2013, Outokumpu's headcount for continuing operations totaled 15,321 (June 30, 2013: 15,540) and averaged 15,868 during the first nine months of the year. The decrease in the number of employees was mainly related to the ongoing integration and cost reduction programs. The lost-time injury rate (lost-time accidents per million working hours) in the third quarter for own personnel and contractors was 3.9 (II 2013: 3.6), and better than the Group's target of less than 4.5. This performance indicator has been extended to include contractors reporting in all plants as per the Outokumpu standard. There were three serious accidents which have been investigated and improvements actions have been taken. The development of proactive safety actions across Outokumpu continues and the overall safety performance for the year to date is in line with targets.

In response to the difficult market situation, Outokumpu initiated further actions to reduce costs and enable the Group to achieve sustainable profitability. In connection with the P150 cost savings program, headcount reduction measures as announced in April 2013 are currently being implemented. Additional reduction of up-to 1,000 jobs is expected in Europe by the planned structural changes as per the new EMEA industrial plan, bringing the total planned global reduction to 3,500 jobs. The planned reductions are related to capacity reductions in Europe as well as streamlining all overlapping activities in sales, production, supply chain and support functions.

Personnel at the end of reporting period, comparable

	30 Sept 2013	30 June 2013	30 Sept 2012	31 Dec 2012
Stainless Coil EMEA	7,523	8,217	8,174	7,977
Stainless Coil Americas	1,998	2,055	1,946	1,974
Stainless APAC	643	654	658	662
High Performance Stainless and Alloys *)	4,763	4,934	4,815	4,816
Other operations *)	394	404	1,215	1,220
Summer trainees	-	-724	-	-
Continuing operations	15,321	15,540	16,808	16,649

*) R&D operations in Avesta, Sweden reallocated from Other operations to High Performance Stainless and Alloys, comparable figures adjusted accordingly.

Market and business outlook

Market outlook

Global real demand for total stainless steel products totaled 7.8 million tonnes in the third quarter of 2013. For the fourth quarter of 2013, the expected real demand level is 8.2 million tonnes. Total global real demand for 2013 is estimated at 32.4 million tonnes, up by 3.2% compared to 2012. Growth in 2013 is forecasted to be mainly driven by increased consumption in APAC (4.3% compared to 2012) and in Americas (5.1% compared to 2012). In EMEA, total stainless steel demand is estimated to decline slightly (-1.0% compared to 2012).

Market development for real demand total stainless steel products in 2013

Million tonnes	2012	I/13	II/13	III/13 [1)]	IV/13 [1)]	2013 [1)]	2014 [1)]
EMEA	7.0	1.8	1.9	1.5	1.7	6.9	7.1
Americas	3.3	0.9	0.9	0.8	0.8	3.4	3.5
APAC	21.2	5.3	5.6	5.5	5.7	22.1	23.3
Sum	31.4	8.0	8.4	7.8	8.2	32.4	33.9

Source: SMR October 2013
[1)] Forecast

The long-term outlook for stainless steel demand remains positive. Key global megatrends such as urbanization, modernization, and increased mobility combined with growing global demand for energy, food, and water are expected to support the future growth of stainless steel demand. SMR forecasts an average annual growth rate of 5.3% for global stainless steel consumption between 2013 and 2015, with growth mainly attributable to increased demand from the Chemical/Petrochemical & Energy (6.0%), Heavy Industries (6.3%), Metal Processing (6.0%), and Architecture/Building & Construction (6.3%) segments. Between 2013 and 2015, the Automotive and Consumer Goods & Medical segments are expected to grow at average annual growth rates of 5.5% and 4.3%, respectively.

Sources: SMR October 2013

Business and financial outlook for the fourth quarter of 2013

Outokumpu expects no major improvement in the market demand for the rest of the year and overall visibility continues weak. The company estimates sequentially lower delivery volumes, some improvement in base prices and similar product mix as in the third quarter. The progress in the cost efficiency initiatives, synergies and cash release programs is expected to be steady.

For the fourth quarter financial performance, Outokumpu estimates the underlying EBIT to be on approximately the same level or slightly worse than in the third quarter. At current metal prices, marginal raw material related timing losses, if any, are expected. Outokumpu's operating result in the fourth quarter could be impacted by non-recurring items associated with the Group's ongoing restructuring programs.

Key targets updated

- Capital expenditure expected to decline to approximately EUR 300 million in 2013 (FY 2012: EUR 821[1] million). Management target is to push capital expenditure down further in 2014 towards EUR 250 million.
- Synergy savings connected with the Inoxum integration expected to be at least EUR 75 million during 2013. Previous target was EUR 50 million.
- Savings from the P150 program expected to exceed EUR 75 million in 2013; and to reach the full targeted EUR 150 million for full year 2015.
- The European industrial plan expected to result in additional savings of more than EUR 100 million in 2017.
- Everything combined Outokumpu's overall savings programs are expected to result in annual savings of EUR 150 million in 2013, EUR 300 million in 2014, EUR 380 million in 2015, EUR 440 million in 2016 and EUR 450 million in 2017.
- Ferrochrome production targeted to be at least 400,000 tonnes in 2013 (FY 2012: 230,000 tonnes).
- Continued progress in the Calvert operational ramp-up expected in the coming months. Due to the issues with high inventory levels this year and ramp-up challenges the target for Stainless Coil Americas is to gradually improve profitability in 2014.

Risks and uncertainties

Outokumpu operates in accordance with the risk management policy approved by the Board of Directors. This policy defines the objectives, approaches and areas of responsibility in risk management activities. As well as supporting Outokumpu's strategy, risk management aims to identify, evaluate, and mitigate risks from the perspective of shareholders, customers, suppliers, personnel, creditors, and other stakeholders. Risks can be either external or internal and they are divided into three main categories: strategic and business risks, operational risks, and financial risks. Key risks are assessed and updated on a regular basis.

Strategic risks are related to Outokumpu's business portfolio, strategic decisions, and investment processes. Business risks are defined as risks for an entity's business landscape, such as changes in business environment, customer and competitor behavior, economic outlook, and regulatory risks.

The key strategic and business risks currently include in particular: risks related to Outokumpu's ability to achieve the anticipated synergy savings from the acquisition of Inoxum, uncertainties in respect of the timing and outcome of executing the remedy commitments required by the European Commission and optimization of production capacity following the remedy divestments; risks related to the ramp-up of production in Calvert, USA, and uncertainties related to the subsequent, profitable market entry for stainless steel volumes generated from the project; risks related to Outokumpu's ability to implement its strategy and business plan as an integrated company; risks related to Outokumpu's ability to expand the Group's business in growth markets; risks related to structural overcapacity and continued weak markets for stainless steel; the risk of litigation or adverse political actions affecting trade or changes that have an impact on environmental legislation.

[1] Includes EUR 79 million asset purchase and finance lease done in 2012 by former Inoxum entities, excludes Inoxum acquisition of EUR 2,720 million.

Operational risks include inadequate or failed internal processes, employee actions, systems, or events such as natural catastrophes and misconduct or crime. Key operational risks for Outokumpu include: a major fire or accident, IT-dependence risk and a lack of harmonized IT architecture, and personnel-related risks.

During the third quarter there was one major realized operational risk, a machinery breakdown loss in Tornio's hot rolling mill, which also has significant business interruption impacts. Outokumpu was able to re-arrange production flows rapidly in order to mitigate the losses to a large extent. The remaining losses are expected to be covered partly by insurance policies.

Key financial risks for Outokumpu include changes in the price of nickel, molybdenum, electricity, and fuels; currency risks associated with the euro, the Swedish krona, and the US dollar; interest rate risks connected with the euro, US dollar, and Swedish krona; risks related to the Talvivaara share price; risks associated with a loan receivable from Luvata; other credit risks (e.g. credit risk related to account receivables); limitations on financial flexibility and the risk of financial distress.

Short-term risks and uncertainties

Outokumpu continued to face challenges in achieving sustainable profitability during the third quarter. Outokumpu is exposed to the following risks and uncertainties in the short term: major failures or delays in achieving the anticipated synergy benefits, reduction of cost and release of cash from working capital; the risks and uncertainties (e.g. related to employee actions) in implementing the announced new industrial plan in Europe; the risks and uncertainties related to the outcome of the strategic review of the VDM business; the risks related to stainless steel market developments and competitor actions; the risks related to Outokumpu's ability to maintain adequate liquidity and capital structure; the risk related to possible failures or delays in or inadequate profitability of ramping-up the project in Calvert, USA; the risk of increase in metals and other raw material prices, which may tie excessive amounts of cash to working capital and reduce cash flow; and the risk of continued low stainless steel prices, which would further weaken cash flow and the profitability of Outokumpu during 2013-2014.

The European Commission merger approval for the Inoxum transaction was conditional upon complying with the remedy commitment to divest Acciai Speciali Terni (AST) and certain service centers in Europe. The outcome of a remedy divestment in this type of forced sale situation is inherently uncertain and Outokumpu may not be able to reach the desired price or other terms for the assets to be divested.

Outokumpu's financing agreements include certain financial covenants, including one based on gearing and another based on liquidity. Taking into consideration the challenging operating environment and Outokumpu's ongoing restructuring programs, Outokumpu is monitoring closely its compliance with these covenants. Outokumpu's ability to comply with the financial covenants will depend, among other things, on Outokumpu's financial performance, the outcome and timing of the Terni remedy process and the VDM strategic review as well as other management actions to improve the company's financial condition.

The nickel price remained quite stable during the third quarter: however, the price decline earlier in the year continued to have a negative impact on Outokumpu's profitability. Continuing reduction in the value of the Group's stake in Talvivaara Sotkamo Ltd had a negative impact on earnings and on the balance sheet. Further reduction in the nickel and other alloying metals prices presents a risk for Outokumpu, for example by causing inventory related losses and other adverse business impacts. Possible adverse changes in global economic environment, which would impact the stainless steel industry, are risks for Outokumpu. These kinds of adverse developments may weaken the Group's financial position further and also have an impact on Outokumpu's customers' payment behavior and increase default rates.

Significant legal proceedings

Outokumpu's annual report 2012 includes detailed information on pending legal proceedings. Below are additions and changes to the descriptions in the annual report.

Legal dispute over invention rights

On January 24, 2013, Outokumpu and Outotec entered into a legal dispute over invention rights related to a ferrochrome production method. Outokumpu came up with the invention and has filed the patent applications related to this invention regarding the production of ferrochrome nickel. Outotec claims it has rights to the invention and has submitted two separate applications for summons at the District Court of Helsinki regarding different patents relating to the invention. Outokumpu finds these allegations to be completely without merit.

Lawsuits regarding a fire in ThyssenKrupp Acciai Speciali Terni S.p.A's (AST) Turin production facility

In December 2007, a fire on line 5 at AST's production facility in Turin, Italy, caused the death of seven AST employees. In May 2008, the public prosecutor of Turin brought charges against AST and six of its employees. In April 2011 the court announced its verdict under which all of the individual defendants were found guilty and given prison sentences ranging from 10 years and 10 months to 16 years and 6 months. The proceedings in the appellate court commenced in November 2012, and in February 2013 the court issued the operative part of its judgment in which the sentences of the individuals were lowered to a range from 7 years to 10 years. The judgment is not final as the defendants still have a right to appeal.

Civil actions regarding the divested fabricated copper products business

In connection with the industrial copper tubes EU-cartel investigation, completed in May 2009, Outokumpu has since 2004, been in the process of addressing civil actions related to the cartel investigations raised by Carrier Corporation ("Carrier") in the United States and in the UK against Outokumpu and its former fabricated copper products business in the United States and Europe (see annual report 2012 for further details of the case). In April 2013 Outokumpu and Carrier have signed a settlement agreement that covers all damage suits against Outokumpu by Carrier in the US and UK. The total settlement amount, including cost reimbursement, is EUR 11 million. The settlement covers also all former Outokumpu subsidiaries included in the claims. According to the settlement agreement, all damage suits by Carrier against Outokumpu are now released. The settlement amount has been booked as a non-recurring item in the second quarter 2013 EBIT.

Environment

Outokumpu published its sustainability report together with its annual report 2012; both are available in electronic format at www.outokumpu.com.

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

Despite of start of the new EU CO_2 Emission Trading period 2013-2020 authorities have not yet allocated the final amounts of CO_2 emission allowances for Outokumpu European production units. However, our operations under the EU Emission Trading Scheme (ETS) will continue to receive free emissions allocations according to efficiency-based benchmarks and historical activity. The coming allocation is foreseen to be sufficient for our operations in 2013. No external trading of emission allowances (EUA's) was carried out during the third quarter 2013.

Outokumpu maintained its membership in the DJSI World index, for the seventh consecutive year. In the 2013 review Outokumpu was included among the three best steel companies worldwide. Outokumpu's overall score improved and the company was particularly recognized for its environmental work and received the highest scores in the industry in the climate strategy and water related risk categories. Positive feedback was also received in the social dimension, where Outokumpu obtained the highest scores in the human capital development.

Outokumpu's leadership in combating climate change was also recognized by the CDP (previously Carbon Disclosure Project) that scores companies on both climate performance and disclosure. In 2013, Outokumpu was included in the Climate Disclosure Leadership Index (CDLI) for the fourth consecutive year, and for the first time achieved a position in the Climate Performance Leadership Index (CPLI). While 26 companies were included in the leadership index, only five companies were among the performance leaders, Outokumpu being the only materials sector company.

Share development and shareholders

The following table sets out the largest shareholders as per September 30, 2013 and September 30, 2012.

Shareholders

%	Sept 30 2013	Sept 30 2012
Foreign investors	41.3	17.2
Finnish corporations	25.6	35.8
Finnish private households	19.1	19.6
Finnish public sector institutions	8.9	17.8
Finnish financial and insurance institutions	4.0	7.7
Finnish non-profit organizations	1.1	1.9
Shareholders with over 5% of shares and voting rights		
ThyssenKrupp AG	29.90	-
Solidium Oy (owned by the Finnish State)	21.84	31.15
Ilmarinen Mutual Pension Insurance Company	less than 5%	6.19

Information regarding shares and shareholders is updated daily on Outokumpu's website at http://www.outokumpu.com/en/investors/share-info/Pages/default.aspx.

Share information

		Jan–Sept 2013	Jan–Sept 2012
Fully paid share capital at the end of the period	EUR million	311.1	311.1
Number of shares at the end of the period		2,078,081,348	1,457,038,776
Average number of shares outstanding [1)]		2,077,071,467	1,014,295,233
Average number of shares outstanding, rights-issue-adjusted [1)]		2,077,071,467	1,048,469,369
Number of shares outstanding at the end of the period [1)]		2,077,105,460	1,456,022,888
Number of treasury shares held at the end of the period		975,888	1,015,888
Share price at the end of the period [2)]	EUR	0.50	0.83
Average share price [2)]	EUR	0.60	1.06
Highest price during the period [2)]	EUR	0.85	2.10
Lowest price during the period [2)]	EUR	0.43	0.64
Market capitalization at the end of period	EUR million	1,039	1,209
Share turnover [3)]	million shares	1,004.5	961.0
Value of shares traded [3)]	EUR million	602.6	1,527.0

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

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

[2)] Comparative share prices adjusted regarding the effect of the rights issue.

[3)] Jan–Sept 2012 figures include the effect of share subsciption rights traded during March 15–28, 2012.

The following graph sets out the indexed daily closing price of the Outokumpu share in the first nine months of 2013.

Changes to the leadership team

As announced on July 24, 2013, Outokumpu appointed Reinhard Florey as Executive Vice President and Chief Financial Officer as of November 1, 2013. He will report to CEO Mika Seitovirta and continue to be a member of the Outokumpu Leadership Team. Reinhard Florey takes on the role from Esa Lager, whose intention to leave the position by the end of 2013 was announced on February 14, 2013.

Pekka Erkkilä was appointed Chief Technology Officer and a member of the Outokumpu Leadership Team as of September 1, 2013. Pekka Erkkilä has over 30 years of experience in stainless steel and mining industries and was employed by Outokumpu during 1983-2010. He is responsible for Outokumpu's global production, technology and R&D strategy as well as capital investments optimization.

Annual General Meeting

The Annual General Meeting (AGM) was held on March 18, 2013, in Helsinki. In accordance with a proposal by the Board of Directors, the AGM decided that no dividend shall be paid for the financial year 2012. The AGM authorized the Board of Directors to decide to repurchase the Group's own shares. The maximum number of shares to be repurchased is 200,000,000. Based on earlier authorizations Outokumpu currently holds 975,888 of its own shares.

The AGM also authorized the Board of Directors to decide on the issuance of shares as well as other special rights entitling it to shares. The AGM authorized the Board of Directors to resolve to issue a maximum of 400,000,000 shares through one or several share issues and/or by the granting special rights entitling to shares, excluding option rights granted to the company's management and personnel under incentive plans. Pursuant to this authorization, the maximum number of new shares to be issued through any share issue and/or by granting special rights entitling to shares is 200,000,000, and, in addition, the maximum number of treasury shares to be transferred is 200,000,000.

These authorizations are valid until the end of the next AGM, but no longer than May 31, 2014. To date the authorizations have not been used.

The AGM decided to increase the number of Board members, including the Chairman and Vice Chairman, to eight. The Annual General Meeting decided to re-elect Olli Vaartimo, Harri Kerminen, Guido Kerkhoff, Heikki Malinen, Elisabeth Nilsson and Siv Schalin of the current members and elect Markus Akermann and Jorma Ollila as new members, for the following term. The Annual General Meeting elected Jorma Ollila as the Chairman and Olli Vaartimo as the Vice Chairman of the Board of Directors.

The Annual General Meeting decided that the annual remuneration of the Board of Directors is increased and is as follows:

EUR	Annual remuneration	Meeting fee
Chairman	140,000	600
Vice Chairman	80,000	600
Other Board members	60,000	600/1,200[1)]

1) The meeting fee for the Board members residing outside Finland is EUR 1,200 per meeting.

40% of the annual remuneration will be paid in the form of shares in the company, and the remainder in money. The shares were purchased two weeks after the release of the company's interim report January 1-March 31, 2013. The shares have been acquired directly on behalf of the members of the Board of Directors, i.e. without the company first becoming the owner of the shares.

The AGM also resolved to amend the Articles of Association by removing a sentence from the first clause in Section 5 of the Articles of Association of the company according to which "A person who has reached the age of 68 years cannot be elected as a member of the Board of Directors."

In addition, the Annual General Meeting decided to amend the second clause in Section 8 of the Articles of Association so that the Board may authorize two persons to represent the company jointly instead severally, which is the current formulation, to read as follows: "The Board of Directors may also authorize other persons to represent the Company each severally or two jointly."

The Annual General Meeting also decided to amend Section 11 of the Articles of Association so that it also allows the notice to attend the general meeting be made through the company's website instead of one or more newspapers of the company's choice with wide circulation, to read as follows: "11 § INVITATION TO GENERAL MEETING The Board of Directors publishes an invitation to a General Meeting of shareholders in one or more newspapers of its choice with a wide circulation or on the company's website at the earliest three months and at the latest 21 days before the General Meeting, however, never later than 9 days before the record date of the General Meeting."

At its first meeting, the Outokumpu Board of Directors appointed two permanent committees consisting of Board members. Olli Vaartimo (Chairman), Markus Akermann, Heikki Malinen, and Siv Schalin were elected as members of the Board Audit Committee. Jorma Ollila (Chairman), Guido Kerkhoff, Elisabeth Nilsson, and Harri Kerminen were elected as members of the Board Remuneration Committee.

KPMG Oy Ab, Authorized Public Accountants, was re-elected as the company's auditor for the period ending at the close of the next AGM.

Events after the end of the reporting period

New industrial plan in Europe

On October 1, 2013, Outokumpu announced plans for further structural changes in its European operations aimed at improving its financial performance and efficiency, and ultimately returning the company to profitability. Specifically, the planned changes include:

- Acceleration of the Bochum melt shop closure in Germany to achieve more efficient production structure and higher capacity utilization rates.
- Reduction of annealing and pickling capacity by 200,000 tonnes in Finland and cold rolling capacity by 300,000–350,000 tonnes in Germany to increase capacity utilization and lower costs.
- Optimization of the company's service center network by closing service centers in Barcelona, Spain and in Langenhagen, Germany.
- Further cost savings through leaner overheads and organization at all sites, functions and activities across European operations.

The planned structural changes are expected to result in up-to 1,000 additional job reductions in Europe, bringing the total planned global reduction to 3,500 jobs. The industrial plan is expected to result in additional savings of more than EUR 100 million and the overall savings programs are expected to result in annual savings of EUR 300 million in 2014 and EUR 450 million in 2017.

Espoo, November 1, 2013

Board of Directors

Condensed consolidated financial statements

Condensed income statement

EUR million	July–Sept 2013	April–June 2013	July–Sept 2012 Restated [1]	Jan–Sept 2013	Jan–Sept 2012 Restated [1]	Jan–Dec 2012 Restated [1]
Continuing operations:						
Sales	1,923	2,064	974	6,209	3,533	4,538
Cost of sales	-1,974	-2,075	-1,008	-6,233	-3,473	-4,503
Gross margin	-51	-11	-33	-24	60	35
Other operating income	6	0	13	23	21	23
Costs and expenses	-104	-137	-67	-367	-217	-315
Other operating expenses	6	-17	-2	-19	-30	-128
EBIT	-142	-164	-89	-388	-165	-385
Share of results in associated companies	-1	-3	-0	-3	-0	-0
Financial income and expenses						
Interest income	6	5	3	17	10	13
Interest expenses	-57	-52	-21	-154	-59	-80
Market price gains and losses	-12	-9	-23	-34	-35	-64
Other financial income	0	1	0	1	1	2
Other financial expenses	-8	-6	-2	-20	-7	-10
Result before taxes	-214	-228	-132	-582	-255	-524
Income taxes	11	3	16	15	29	-12
Net result for the period from continuing operations	-203	-225	-116	-567	-226	-536
Net result for the period from discontinued operation	-36	-25	-	-74	-	-
Net result for the period	-239	-250	-116	-641	-226	-536
Attributable to:						
Equity holders of the Company	-238	-249	-115	-637	-226	-534
Non-controlling interests	-1	-2	-1	-3	-0	-2
Earnings per share for result attributable to the equity holders of the Company, EUR [2] :						
Earnings per share, continuing operations (basic and diluted)	-0.10	-0.11	-0.08	-0.27	-0.22	-0.46
Earnings per share, discontinued operation (basic and diluted)	-0.02	-0.01	-	-0.04	-	-
Earnings per share (basic and diluted)	-0.11	-0.12	-0.08	-0.31	-0.22	-0.46

[1] Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.

[2] Calculated based on the rights-issue-adjusted weighted average number of shares. Comparative figures adjusted accordingly.

Statement of comprehensive income

EUR million	July–Sept 2013	April–June 2013	July–Sept 2012 Restated [1]	Jan–Sept 2013	Jan–Sept 2012 Restated [1]	Jan–Dec 2012 Restated [1]
Net result for the period	-239	-250	-116	-641	-226	-536
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	-16	-27	-8	-35	4	-6
Available-for-sale financial assets						
Fair value changes during the period	2	-3	3	-1	-2	-5
Reclassification adjustments from other comprehensive income to profit or loss	-	-	0	-0	0	-1
Income tax relating to available-for-sale financial assets	-0	1	-1	0	1	1
Cash flow hedges						
Fair value changes during the period	8	-21	13	-7	19	14
Reclassification adjustments from other comprehensive income to profit or loss	-1	-1	-1	-3	-2	-3
Income tax relating to cash flow hedges	-0	3	3	2	9	-3
Items that will not be reclassified to profit or loss:						
Remeasurements on defined benefit obligation plans						
Changes during the accounting period	-19	29	-20	12	-74	-44
Income tax relating to remeasurements	5	-8	6	-4	21	11
Other comprehensive income for the period, net of tax	-22	-27	-5	-36	-24	-36
Total comprehensive income for the period	-260	-277	-121	-677	-250	-571
Attributable to:						
Equity holders of the Company	-259	-275	-120	-673	-250	-569
Non-controlling interests	-2	-2	-1	-4	-1	-2

[1] Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.

Condensed statement of financial position

EUR million	Sept 30 2013	June 30 2013	Sept 30 2012	Dec 31 2012
			Restated [1]	
ASSETS				
Non-current assets				
Intangible assets	**618**	623	531	629
Property, plant and equipment	**3,551**	3,605	2,135	3,697
Loan receivables and other interest-bearing assets	**250**	257	230	234
Other receivables	**5**	23	6	8
Deferred tax assets	**99**	90	111	89
Total non-current assets	**4,523**	4,599	3,014	4,658
Current assets				
Inventories	**1,813**	2,162	1,103	2,308
Loan receivables and other interest-bearing assets	**87**	91	134	121
Trade and other receivables	**967**	1,122	636	1,037
Cash and cash equivalents	**439**	327	1,178	222
Total current assets	**3,306**	3,702	3,051	3,687
Assets held for sale	**1,212**	1,335	-	1,326
TOTAL ASSETS	**9,041**	9,636	6,065	9,671
EQUITY AND LIABILITIES				
Equity				
Equity attributable to the equity holders of the Company	**2,253**	2,513	2,756	2,926
Non-controlling interests	**8**	10	17	26
Total equity	**2,261**	2,522	2,773	2,952
Non-current liabilities				
Interest-bearing liabilities	**3,301**	2,786	1,612	2,974
Deferred tax liabilities	**86**	85	6	90
Defined benefit and other long-term employee benefit obligations	**407**	407	127	434
Provisions	**118**	104	18	109
Trade and other payables	**7**	7	6	5
Total non-current liabilities	**3,919**	3,389	1,769	3,611
Current liabilities				
Interest-bearing liabilities	**1,089**	1,501	672	763
Provisions	**25**	51	16	36
Trade and other payables	**1,169**	1,409	836	1,522
Total current liabilities	**2,283**	2,961	1,524	2,321
Liabilities directly attributable to assets held for sale	**578**	764	-	786
TOTAL EQUITY AND LIABILITIES	**9,041**	9,636	6,065	9,671

[1] Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.

Statement of changes in equity

EUR million	Share capital	Share premium fund	Invested unrestricted equity reserve	Other reserves	Fair value reserves	Cumulative translation differences	Remeasurements of defined benefit plans	Treasury shares	Retained earnings	Non-controlling interests	Total equity
	Attributable to the owners of the parent										
Restated equity on Jan 1, 2012 1)	**311**	**714**	**-**	**7**	**19**	**-76**	**-42**	**-25**	**1,127**	**14**	**2,050**
Result for the period	-	-	-	-	-	-	-	-	-226	-0	-226
Other comprehensive income	-	-	-	-	24	5	-53	-	-	-0	-24
Total comprehensive income for the period	-	-	-	-	24	5	-53	-	-226	-1	-250
Share issues 2)	-	-	973	-	-	-	-	-	-	-	973
Share-based payments	-	-	-	-	-	-	-	0	1	-	1
OSTP reorganization	-	-	-	-	-	-	-	-	-4	4	-
Equity on Sept 30, 2012 1)	**311**	**714**	**973**	**7**	**43**	**-71**	**-94**	**-25**	**898**	**17**	**2,773**
Restated equity on Jan 1, 2013 1)	**311**	**714**	**1,462**	**7**	**22**	**-81**	**-75**	**-25**	**591**	**26**	**2,952**
Result for the period	-	-	-	-	-	-	-	-	-637	-3	-641
Other comprehensive income	-	-	-	-	-9	-36	9	-	-	-0	-36
Total comprehensive income for the period	-	-	-	-	-9	-36	9	-	-637	-4	-677
Share-based payments	-	-	-	-	-	-	-	1	-1	-	0
Disposal of subsidiary	-	-	-	-	-	-	3	-	-3	-15	-15
Equity on Sept 30, 2013	**311**	**714**	**1,462**	**7**	**14**	**-117**	**-63**	**-24**	**-50**	**8**	**2,261**

1) Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard. Restatement of equity Jan 1, 2013 due to adoption of revised IAS 19 standard was immaterial.

2) Shares issued in the Outokumpu rights issue in March–April 2012 in connection with the Inoxum acquisition.

Condensed statement of cash flows

EUR million	July–Sept 2013	April–June 2013	July–Sept 2012	Jan–Sept 2013	Jan–Sept 2012	Jan–Dec 2012
Net result for the period [1)]	-239	-250	-116	-641	-226	-536
Adjustments						
Depreciation, amortization and impairments	91	92	57	277	182	336
Other non-cash adjustments [1)]	74	132	5	257	8	142
Change in working capital	223	-91	156	109	318	394
Dividends received	2	0	-	2	0	0
Interests received	1	0	1	1	2	3
Interests paid	-27	-42	-19	-85	-60	-72
Income taxes paid	-0	-1	-0	-2	-3	-1
Net cash from operating activities	124	-160	83	-81	222	266
Subsidiaries acquired, net of cash	-	-	-	-	-	-915
Purchases of assets	-51	-55	-80	-284	-232	-302
Proceeds from the sale of assets	0	0	14	-0	20	20
Other investing cash flow	0	1	0	-6	0	1
Net cash from investing activities	-51	-54	-65	-291	-212	-1,196
Cash flow before financing activities	73	-214	18	-372	10	-929
Rights issue	-	-	-3	-	973	972
Borrowings of long-term debt	561	155	96	1,016	516	611
Repayment of long-term debt	-588	-55	-58	-669	-342	-396
Change in current debt	72	157	-23	248	-135	-188
Other financing cash flow	1	-0	956	3	-5	-3
Net cash from financing activities	46	256	969	598	1,006	994
Net change in cash and cash equivalents	119	42	987	225	1,016	65
Cash and cash equivalents at the beginning of the period	327	290	195	222	168	168
Foreign exchange rate effect	-4	-3	-5	-8	-7	-11
Discontinued operations net change in cash effect	-3	-2	-	0	-	-
Net change in cash and cash equivalents	119	42	987	225	1,016	65
Cash and cash equivalents at the end of the period	439	327	1,178	439	1,178	222

[1)] Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.

Cash flows of 2013 are presented for continuing operations.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

This interim report is unaudited and it is prepared in accordance with IAS 34 (Interim Financial Reporting). The same accounting policies and methods of computation have been followed in this interim report as in the financial statements for 2012 except for those new and revised IFRS standards adopted from January 1, 2013.

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

The net sales, profits and working capital of Outokumpu are subject to seasonal fluctuations as a result of industry demand, the number of working days, weather conditions and vacation periods. For example, production and shipment volumes with respect to stainless steel products are generally higher in the spring and fall seasons and generally lower in the winter and summer seasons. These seasonal fluctuations have a direct impact on the use of working capital and, therefore, also on net financial debt and cash flows of Outokumpu.

The following amendments to IFRS standards and interpretations were adopted from January 1, 2013 but had no material impact on the Group consolidated financial statements:

- Amendment to IAS 1 Presentation of Financial Statements: The key change is the requirement to group items of other comprehensive income by whether they will subsequently be reclassified through profit or loss if certain conditions are met. Outokumpu has presented the items of other comprehensive income accordingly in these interim financial statements.
- Amendment to IAS 19 Employee Benefits: According to the revised standard, all actuarial gains and losses are immediately recognized in other comprehensive income and the so-called corridor approach has been eliminated. In addition, finance costs are calculated on a net funding basis. Outokumpu already eliminated the corridor approach in 2012. Therefore, the impact of the new standard is limited to the restatement of the expected return on assets assumption. Also, all past service costs are recognized immediately and are no longer amortized.
- IFRS 13 Fair Value Measurement: IFRS 13 establishes a single source of all fair value measurements and disclosure requirements for use across IFRSs without extending the use of fair value accounting.
- Amendment to IFRS 7 Financial Instruments: Disclosures: The amendment requires the presentation of information that will allow evaluation of the effects of netting arrangements on the entity's financial position.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine: The interpretation provides guidance to the accounting treatment of stripping costs in the production phase of a surface mine, when benefit from the stripping activity is realized either in the form of mineral ores to the production of inventory or in the form of improved access to further quantities of material that will be mined in future periods.
- Annual Improvements: Minor improvements that affected total of five standards.

Use of estimates

The preparation of the financial statements in accordance with IFRSs requires management to make judgments and make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and contingent liabilities at the reporting date, as well as the reported amounts of income and expenses during the reporting period. Accounting estimates are employed in the financial statements to determine reported amounts, including the realizability of certain assets, the useful lives of tangible and intangible assets, income taxes, inventories, provisions, pension obligations, share-based payments, impairments and derivative instruments. These are those financial statement items that are mostly affected by management judgments made. The management estimates and judgments are continuously monitored and they are based on prior experience and other factors, such as future expectations assumed to be reasonable considering the circumstances. Although these estimates are based on management's best knowledge of the circumstances at the end of the reporting period, actual results may differ from the estimates and assumptions.

Share based payment plans

Outokumpu's share based payment programs include Share-based incentive program 2009–2013; Performance Share Plan 2012 (Plans 2012–2014 and 2013–2015); Restricted Share Program 2010–2013; and Restricted Share Pool Program (Plans 2012–2014 and 2013–2015).

Regarding the Share based incentive program, the targets set for the earnings period 2010–2012 were not met and therefore no reward was paid to the participants in 2013. The EBIT criterion previously applied in the on-going earnings period 2011-2013 of the Share-based incentive program and in the on-going Plan 2012–2014 of the Performance Share Plan was for the year 2013 replaced with the EBITDA criterion.

In 2013, the Board approved the commencement of the Plan 2013-2015 of the Performance Share Plan and its participants, 164 Outokumpu Group managers and key employees. The earning criteria applied in the plan are EBITDA, Outokumpu share-price adjusted with dividends and the achievement of Inoxum transaction related synergies. The share rewards possibly to be delivered based on the plan will be delivered in the spring 2016.

Under the Restricted Share Program 2010-2013 Outokumpu granted restricted shares to retain, reward and motivate selected key employees. The maximum number of shares could not exceed 66 000 shares. In line with the terms and conditions of the program, in total 40 000 shares were delivered to the program participants by the end of September 2013. In addition, the participants received cash equaling the taxes and social security charges imposed on the share award. Detailed information of the share-based incentive programs can be found in Outokumpu's home page www.outokumpu.com.

Discontinued operations and divestment assets
Following the European Commission's demand for an industrial remedy related to the Inoxum transaction, Outokumpu committed to the divestiture of the Inoxum stainless steel mill in Terni, Italy, and selected European service centers (divestment assets).

In 2013, Terni is reported as discontinued operation and therefore, its result is separately presented in the consolidated statement of income as one line item. In the statement of financial position, Terni's assets and related liabilities are presented on lines "Assets held for sale" and "Liabilities directly attributable to assets held for sale", respectively.

Additionally, the assets held for sale and liabilities directly attributable to assets held for sale include property, plant & equipment of EUR 23 million, other non-current assets of EUR 6 million, inventories of EUR 20 million, current receivables of EUR 10 million, non-current liabilities of EUR 20 million and current liabilities of EUR 5 million related to Outokumpu's stainless steel service center in Willich, Germany (divestment assets).

In 2013, there are EUR 5 million cumulative net income and expenses related to discontinued operations and divestment assets included in other comprehensive income. They are mainly due to remeasurements of defined benefit pension plans and fair value changes of hedging instruments.

The recognition of depreciation is discontinued regarding all property, plant and equipment classified as assets held for sale.

Outokumpu's ownership in OSTP decreased to 49%
On January 18, 2013 Outokumpu's partner in the OSTP tubular joint venture, Tubinoxia S.r.l. exercised its call option and acquired additional 15% of the joint venture's shares from Outokumpu. Outokumpu therefore lost the control over OSTP and OSTP is thus consolidated as an associated company in these interim financial statements.

Outokumpu reached a settlement with Carrier regarding civil proceedings pursuant to EU industrial tube cartel decision
On May 2, 2013 Outokumpu Oyj and Carrier Corporation signed a settlement agreement that covers all damage suits against Outokumpu by Carrier in the US and UK pursuant to the European Commission's industrial tubes cartel decision of 2003. The total settlement amount was EUR 11 million. The settlement covered also all former Outokumpu subsidiaries included in the claims.

New credit facility agreement
Outokumpu signed on July 12, 2013 a EUR 900 million committed revolving credit facility having its maturity in June 2015, with an option to extend the facility by one year, subject to an approval by the banks. The new facility is used for general corporate purposes and it replaces the EUR 750 million facility signed in June 2011 and the EUR 250 million facility that became effective in December 2012. The new facility agreement includes two financial covenants, one based on gearing and the other on liquidity.

Events after the end of the reporting period
On October 1, 2013, Outokumpu announced plans for further structural changes in its European operations aimed at improving its financial performance and efficiency, and ultimately returning the company to profitability. Specifically, the planned changes include:

- Acceleration of the Bochum melt shop closure in Germany to achieve more efficient production structure and higher capacity utilization rates.
- Reduction of annealing and pickling capacity by 200,000 tonnes in Finland and cold rolling capacity by 300,000–350,000 tonnes in Germany to increase capacity utilization and lower costs.
- Optimization of the company's service center network by closing service centers in Barcelona, Spain and in Langenhagen, Germany.
- Further cost savings through leaner overheads and organization at all sites, functions and activities across European operations.

The planned structural changes are expected to result in up-to 1,000 additional job reductions in Europe, bringing the total planned global reduction to 3,500 jobs. The industrial plan is expected to result in additional savings of more than EUR 100 million and the overall savings programs are expected to result in annual savings of EUR 300 million in 2014 and EUR 450 million in 2017.

Non-recurring items in EBIT

EUR million	Jan 1–Sept 30, 2013	Jan 1–Sept 30, 2012	Jan 1–Dec 31, 2012
Redundancy provisions	-34	-3	-3
Carrier settlement	-11	-	-
Costs related to Inoxum transaction	-3	-29	-64
Nyby and Kloster impairments	-	-	-86
Aged inventory write-downs	-	-	-19
Losses from divestment of the Group's Brass operations	-	-18	-18
Impairment of stock locations divestment	-	-10	-10
	-49	-60	-200

Property, plant and equipment

EUR million	Jan 1–Sept 30, 2013	Jan 1–Sept 30, 2012	Jan 1–Dec 31, 2012
Carrying value at the beginning of the period	3,697	2,005	2,005
Translation differences	-28	28	17
Acquired subsidiaries	-	-	1,654
Additions	168	266	354
Disposals	-1	-0	-0
Reclassifications	4	-1	-30
Depreciation and impairments	-260	-158	-297
Disposed subsidiaries	-30	-5	-5
Carrying value at the end of the period	3,551	2,135	3,697

Provisions

On December 31, 2012 Outokumpu reported restructuring provisions totaling EUR 91 million. Of these provisions, EUR 6 million was reversed as unused during January–September 2013.

Commitments

EUR million	Sept 30, 2013	Sept 30, 2012	Dec 31, 2012
Mortgages and pledges			
Mortgages on land	300	277	320
Other pledges	9	8	9
Guarantees			
On behalf of subsidiaries for commercial commitments	33	35	27
On behalf of associated companies for financing	7	1	0
Other commitments	27	33	32
Minimum future lease payments on operating leases	97	69	103

Group's off-balance sheet investment commitments totaled EUR 78 million on September 30, 2013 (September 30, 2012: EUR 90 million, December 31, 2012: EUR 163 million).

Certain guarantees issued by ThyssenKrupp on behalf of Inoxum companies have not yet been transferred to Outokumpu Oyj as of September 30, 2013. However, Outokumpu Oyj has given ThyssenKrupp a counter-guarantee for these commitments. The outstanding amount of guarantees to be transferred totals EUR 86 million as of September 30, 2013, including guarantees for commercial and financing. Part of the above mentioned guarantees has already been replaced by Outokumpu Oyj and Outokumpu aims to replace the remaining guarantees in near future.

Related party transactions

EUR million	Jan 1–Sept 30, 2013	Jan 1–Sept 30, 2012	Jan 1–Dec 31, 2012
Transactions and balances with ThyssenKrupp AG			
Sales	278	-	-
Purchases	-140	-	-
Interest expense	-69	-	-1
Trade and other receivables	26	-	31
Interest-bearing assets	2	-	9
Trade and other payables	18	-	41
Loan note to ThyssenKrupp	1,269	-	1,230
Other interest-bearing liabilities	330	-	62
Transactions and balances with associated companies and joint ventures			
Sales	122	0	0
Purchases	-5	-2	-3
Trade and other receivables	41	-	8
Interest-bearing assets	7	-	-
Trade and other payables	1	-	0
Interest-bearing liabilities	0	-	-

On December 31, 2012 and September 30, 2012 the material related party transactions also included a purchase price receivable of EUR 2 million. The receivable related to the sale of 36% of the Outokumpu Stainless Tubular Products (OSTP) business to Tubinoxia, a company controlled by the managing director of OSTP. The receivable was paid in January 2013.

Segment information

EUR million	Jan 1–Sept 30, 2013	Jan 1–Sept 30, 2012	Jan 1–Dec 31, 2012
Sales by segment			
Stainless Coil EMEA			
External sales	3,093	1,825	2,341
Internal sales	478	233	307
Stainless Coil Americas			
External sales	664	-	-
Internal sales	19	1	2
Stainless APAC			
External sales	265	89	119
Internal sales	6	7	9
High Performance Stainless and Alloys *)			
External sales	2,017	1,369	1,764
Internal sales	75	146	173
Other operations *)			
External sales	170	250	314
Internal sales	210	178	250
Eliminations *)	-789	-565	-742
Group sales	6,209	3,533	4,538
EBIT			
Stainless Coil EMEA	-120	-72	-112
Stainless Coil Americas	-210	0	0
Stainless APAC	0	-3	-8
High Performance Stainless and Alloys *)	-22	-10	-134
Reportable segments total *)	-352	-85	-254
Other operations *)	-39	-83	-130
Eliminations	2	3	-1
Group EBIT	-388	-165	-385
Operating capital at the end of the period			
Stainless Coil EMEA	2,512	2,247	2,510
Stainless Coil Americas	1,167	0	1,183
Stainless APAC	202	51	207
High Performance Stainless and Alloys *)	1,325	1,077	1,425

*) R&D operations in Avesta, Sweden reallocated from Other operations to High Performance Stainless and Alloys, comparable figures adjusted accordingly.

Fair values and nominal amounts of derivative instruments

EUR million	**Sept 30, 2013 Net fair value**	Dec 31, 2012 Net fair value	**Sept 30, 2013 Nominal amounts**	Dec 31, 2012 Nominal amounts
Currency and interest rate derivatives				
Currency forwards including embedded derivatives	**30**	15	**2,534**	3,111
Currency options, bought	**0**	-	**3**	-
Currency options, sold	**-0**	-	**3**	-
Interest rate swaps	**-8**	-16	**725**	543
Cross-currency swaps	**-18**	-19	**68**	69
Interest rate options, bought	**0**	0	**192**	193
Interest rate options, sold	**-2**	-4	**92**	93
			Tonnes	Tonnes
Metal derivatives				
Forward and futures nickel contracts	**3**	17	**20,832**	21,432
Forward and futures molybdenum contracts	**-0**	-0	**18**	12
Forward and futures copper contracts	**0**	0	**200**	600
Forward and futures cobolt contracts	**0**	-0	**24**	16
Forward and futures aluminium contracts	**0**	0	**100**	50
Emission allowance derivatives	**-1**	-1	**250,000**	250,000
Propane derivatives	**0**	1	**22,000**	20,000
			MMBtu	MMBtu
Natural gas derivatives	**-1**	-1	**1,780,260**	2,164,493
	4	-8		

Hierarchy of financial assets and liabilities measured at fair value on September 30, 2013

EUR million	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	1	-	4	6
Investment at fair value through profit or losss	5	-	18	22
Derivatives	-	48	-	48
	5	48	22	75
Liabilities				
Derivatives	-	44	-	44

Reconciliation of changes on level 3

EUR million	Available-for sale financial assets	Investment at fair value through profit or loss
Carrying value on Jan 1	4	55
Fair value changes	1	-37
Disposals	-	-
Carrying balance on September 30	4	18

The fair value of the level three relates mostly to investments in Talvivaara Sotkamo Ltd. and ownerships in energy producing companies. Valuation of the investment to Talvivaara Sotkamo Ltd. is based on the share value of Talvivaara Mining Company Plc. Change of +/- 10% in the share price of Talvivaara Mining Company Ltd. leads to an increase of EUR 2 million or decrease of EUR 2 million in the value. The valuation model of energy producing companies is based on discounted cash flow model, which takes into account the future prices of electricity, discount rate and inflation rate, the estimated amount of electricity to be received, and estimated production costs. The valuation model is very sensitive to electricity price; +/- 10% change in electricity price leads to an increase of EUR 3 million or decrease of EUR 3 million in valuation.

The fair value of the non-current interest-bearing trade and other receivables is EUR 163 million (carrying amount EUR 163 million) and the fair value of long-term debt is EUR 3,054 million (carrying amount EUR 3,289 million). For other financial instruments the carrying amount is a reasonable approximation of fair value.

Key figures by quarters

EUR million	I/12	II/12	III/12	I-III/12	IV/12	2012	I/13	II/13	III/13	I–III/13
	Restated 1)									
EBITDA	61	-12	-32	17	-67	-50	12	-72	**-52**	**-112**
EBIT margin, %	0.3	-6.3	-9.1	-4.7	-21.9	-8.5	-3.7	-7.9	**-7.4**	**-6.3**
Return on capital employed, %	0.4	-8.7	-10.0	-6.0	-19.4	-8.2	-5.8	-11.7	**-10.5**	**-9.6**
Return on equity, %	2.2	-19.1	-16.4	-12.5	-43.2	-21.4	-21.1	-37.6	**-39.9**	**-32.8**
Return on equity, continuing operations, %	2.2	-19.1	-16.4	-12.5	-43.2	-21.4	-19.3	-33.9	**-33.9**	**-29.0**
Long-term debt	1,242	1,492	1,573	1,573	2,935	2,935	2,982	2,770	**3,289**	**3,289**
Current debt	881	701	649	649	718	718	979	1,415	**1,011**	**1,011**
Other interest-bearing payables	17	9	10	10	21	21	34	29	**46**	**46**
Derivative financial instruments	34	16	14	14	8	8	43	21	**-4**	**-4**
Investments in associated companies	-39	-39	-40	-40	-51	-51	-70	-66	**-65**	**-65**
Available-for-sale financial assets	-22	-21	-26	-26	-21	-21	-22	-21	**-22**	**-22**
Investments at fair value through profit or loss	-274	-1,047	-89	-89	-61	-61	-43	-28	**-22**	**-22**
Other interest-bearing receivables	-162	-182	-172	-172	-166	-166	-180	-182	**-179**	**-179**
Net assets classified as held for sale	-	-17	-	-	-539	-539	-542	-571	**-633**	**-633**
Cash and cash equivalents	-181	-195	-1,178	-1,178	-222	-222	-290	-327	**-439**	**-439**
Net interest-bearing debt at the end of period	1,495	716	742	742	2,620	2,620	2,891	3,041	**2,981**	**2,981**
Capital employed at the end of period	3,700	3,612	3,514	3,514	5,573	5,573	5,690	5,563	**5,242**	**5,242**
Equity-to-assets ratio at the end of period, %	40.0	46.7	45.8	45.8	30.6	30.6	28.0	26.2	**25.0**	**25.0**
Debt-to-equity ratio at the end of period, %	67.8	24.7	26.8	26.8	88.8	88.8	103.3	120.6	**131.8**	**131.8**
Earnings per share, EUR 2)	0.04	-0.09	-0.08	-0.22	-0.21	-0.46	-0.07	-0.12	**-0.11**	**-0.31**
Earnings per share from continuing operations, EUR 2)	0.04	-0.09	-0.08	-0.22	-0.21	-0.46	-0.07	-0.11	**-0.10**	**-0.27**
Earnings per share from discontinued operation, EUR 2)	-	-	-	-	-	-	-0.01	-0.01	**-0.02**	**-0.04**
Equity per share at the end of period, EUR 3)	11.22	1.98	1.89	1.89	1.41	1.41	1.34	1.21	**1.08**	**1.08**
Capital expenditure, continuing operations 4)	79	93	98	270	2,885	3,155	82	42	**62**	**186**
Depreciation and amortization, continuing operations	58	57	57	172	57	230	89	91	**90**	**271**
Average personnel for the period, continuing operations 5)	8,026	8,217	7,876	8,039	7,294	7,853	15,966	15,990	**15,649**	**15,868**

1) Figures for 2012 have been restated due to change in accounting principle of defined benefit plans and other long-term employee benefits and adoption of revised IAS 19 standard.

2) 2012 figures calculated based on the rights-issue-adjusted weighted average number of shares.

3) March 31, 2012 adjusted to exclude the effect of the Outokumpu rights issue. June 30, 2012 and Sept 30, 2012 includes the shares offered and net proceeds raised in the rights issue. Dec 31, 2012 includes in addition the shares offered to ThyssenKrupp AG in the directed share issue in connection with the Inoxum acquisition.

4) Oct 1–Dec 31, 2012 and Jan 1–Dec 31, 2012 include Inoxum acquisition of EUR 2,720 million and acquisition-related finance leases and asset purchases of EUR 79 million.

5) Oct 1–Dec 31, 2012 and Jan 1–Dec 31, 2012 do not include the personnel of the acquired Inoxum companies.

Market prices and exchange rates

		I/12	II/12	III/12	IV/12	2012	I/13	II/13	**III/13**
Market prices [1]									
Stainless steel									
Base price	EUR/t	1,185	1,182	1,155	1,167	1,172	1,177	1,137	**1,043**
Alloy surcharge	EUR/t	1,466	1,434	1,370	1,316	1,397	1,310	1,251	**1,086**
Transaction price	EUR/t	2,651	2,616	2,525	2,483	2,569	2,487	2,388	**2,130**
Nickel	USD/t	19,651	17,146	16,319	16,967	17,526	17,310	14,963	**13,916**
	EUR/t	14,991	13,385	12,741	13,206	13,641	13,107	11,457	**10,510**
Ferrochrome (Cr-content)	USD/lb	1.15	1.35	1.25	1.10	1.21	1.13	1.27	**1.13**
	EUR/kg	1.93	2.32	2.20	1.87	2.08	1.87	2.14	**1.87**
Molybdenum	USD/lb	14.26	13.80	11.87	11.17	12.78	11.39	10.92	**9.47**
	EUR/kg	23.97	23.72	20.93	18.97	21.93	19.01	18.45	**15.75**
Recycled steel	USD/t	414	394	362	362	381	375	342	**344**
	EUR/t	316	308	283	282	297	284	262	**260**
Exchange rates									
EUR/USD		1.311	1.281	1.250	1.297	1.285	1.321	1.306	**1.324**
EUR/SEK		8.853	8.913	8.435	8.623	8.704	8.497	8.565	**8.680**
EUR/GBP		0.835	0.810	0.792	0.807	0.811	0.851	0.851	**0.855**

[1] Sources of market prices:

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

Nickel: London Metal Exchange (LME) settlement quotation;

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

Molybdenum: Metal Bulletin - Molybdenum oxide - Europe;

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

Definitions of key financial figures

EBITDA = Operating result before depreciation, amortization and impairments

Capital employed = Total equity + net interest-bearing debt

Operating capital = Capital employed + net tax liability

Return on equity = $\dfrac{\text{Net result for the financial period}}{\text{Total equity (average for the period)}} \times 100$

Return on capital employed (ROCE) = $\dfrac{\text{EBIT}}{\text{Capital employed (average for the period)}} \times 100$

Net interest-bearing debt = Total interest-bearing debt – total interest-bearing assets

Equity-to-assets ratio = $\dfrac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$

Debt-to-equity ratio = $\dfrac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$

Earnings per share = $\dfrac{\text{Net result for the financial period attributable to the owners of the parent}}{\text{Adjusted average number of shares during the period}}$

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