Interim statement

Q1 2016

Stainless steel solutions for potable water

Outokumpu provides 350 tonnes of smooth round stainless steel dowel bar for the Mega Reservoir project in Qatar.

The objective of the project is to provide seven days' potable water storage. The new mega reservoirs will include five primary reservoir and pumping station packages with a capacity of 100 million gallons each, making them the largest reinforced concrete reservoirs in the world.

Outokumpu stainless steel dowel bars are used in expansion joints for the movement of lateral loads and manage stress within the joint.

Mr. Waseem Ameen, Director at Big Blue comments: "We have got good technical and commercial support from Outokumpu. Our customer appreciates the fact that we work together as a team and solve problems and provide value engineering."

outokumpu
high performance stainless steel

Contents

Underlying EBIT of EUR -20 million, operating cash flow EUR 74 million, net debt down to EUR 1,551 million

Highlights in the first quarter 2016

Outokumpu's underlying EBIT was EUR -20 million, compared to EUR -11 million in the fourth quarter of 2015. Delivery volumes grew in both Europe and the Americas, but this positive development was offset by continued downward pressure on prices and an increase in scrap costs, as well as write-downs of a trade receivable in Europe and aged inventories in the Americas.

- Stainless steel deliveries were 610,000 tonnes[1] (574,000 tonnes)[2].
- Underlying EBITDA[3] was EUR 38 million (EUR 50 million).
- Underlying EBIT[4] was EUR -20 million (EUR -11 million). Underlying EBIT includes net adjustments of EUR 8 million in the first quarter (EUR 352 million), including the net effect of raw material-related inventory and metal derivative gains/losses of EUR -9 million (EUR -29 million).
- EBIT was EUR -12 million (EUR 341 million).
- Operating cash flow was EUR 74 million (EUR 2 million).
- Net debt decreased to EUR 1,551 million (EUR 1,610 million).
- Gearing was 69.6% (69.1%).
- Return on capital employed (ROCE) was 5.3% (5.3%).

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[1] Metric ton = 1,000 kg
[2] Figures in parentheses refer to the previous quarter, unless otherwise stated.
[3] EBITDA excluding items classified as adjustments. Adjustments are material income and expense items such as restructuring costs, impairments, and gains or losses on sale of assets or businesses, as well as raw material related inventory gains/losses and metal derivative gains/losses.
[4] EBIT excluding items classified as adjustments.

Outokumpu publishes an interim statement regarding its first and third quarter earnings. Interim statement has not been prepared in full accordance with the IAS 34 (interim financial reporting) however, it provides information on the quarterly development in all material aspects, including financial and business analysis. The second quarter and full year reports continue to follow IAS 34.

This interim statement reflects the new organizational structure with three business areas: Europe, the Americas and Long Products. Europe and the Americas cover Outokumpu's entire flat products offering in these two markets, including all coil and plate business. The earlier European Quarto Plate operations and sales network in APAC are reported as part of Europe and the US Quarto Plate business under the Americas. The reporting of Long Products remains unchanged.

Figures in parentheses refer to the previous quarter, unless otherwise stated.

Group key figures

		I/16	IV/15	I/15	2015
Sales	EUR million	**1,386**	1,435	1,768	6,384
EBITDA	EUR million	**46**	408	65	531
Underlying EBITDA [1)]	EUR million	**38**	50	77	196
EBIT	EUR million	**-12**	341	-10	228
Underlying EBIT [2)]	EUR million	**-20**	-11	2	-101
Result before taxes	EUR million	**-47**	352	-46	127
Net result for the period	EUR million	**-41**	308	-45	86
Earnings per share	EUR	**-0.10**	0.74	-0.10	0.23
Return on capital employed	%	**5.3**	5.3	-1.5	5.3
Net cash generated from operating activities	EUR million	**74**	2	-62	-34
Net debt at the end of period	EUR million	**1,551**	1,610	2,034	1,610
Debt-to-equity ratio at the end of period	%	**69.6**	69.1	91.5	69.1
Capital expenditure	EUR million	**32**	65	26	154
Stainless steel deliveries [3)]	1,000 tonnes	**610**	574	620	2,381
Personnel at the end of period		**10,920**	11,002	11,824	11,002

[1)] EBITDA excluding items classified as adjustments, unaudited.

[2)] EBIT excluding items classified as adjustments, unaudited.

[3)] Excludes ferrochrome deliveries.

Business and financial outlook for the second quarter of 2016

Outokumpu expects that the stainless steel market conditions will continue to be challenging in the second quarter amid global economic uncertainties and subdued raw material prices. In Europe, the underlying demand in key sectors outside of Oil & Gas is expected to continue healthy but stock levels among distributors are still above historical averages. Market dynamics in Americas are showing some improvement: stock levels among distributors have come down, price increases have been announced and Chinese imports are being addressed with antidumping investigation.

Market uncertainties warrant prudence in the outlook statement for the second quarter. While steady progress in stainless business is expected, results will be burdened by weaker performance of the ferrochrome business driven by low ferrochrome price and USD/EUR exchange rate. Outokumpu expects its delivery volumes to be sequentially flat and the underlying EBIT to remain at a similar level as in the first quarter. With current prices, the net impact of raw material-related inventory and metal derivative gains/losses on profitability is expected to be marginal, if any.

Outokumpu is finalizing plans for the announced EUR 100 million reduction in its SG&A costs and estimates to book approximately EUR 40 million of redundancy provisions in the second quarter, out of which approximately EUR 5 million is expected to be cash effective during the quarter.

This outlook reflects the current scope of operations.

CEO Roeland Baan:

“Outokumpu’s first-quarter performance was largely in line with our expectations. In the challenging market environment, we made further progress in our operational performance especially in Europe. However, our financial results were impacted by the actions we took to prudently manage our business, including a write-down of a large customer receivable in Europe and aged inventories in Calvert. Together, these had a negative impact of EUR 15 million, contributing to the underlying EBIT of EUR -20 million.

In the business area Europe, sequentially higher deliveries led to a stronger underlying EBIT despite price pressures. In the Americas, we continued to grow the delivery volumes as planned. However, the business area remained heavily at loss, because despite the all-time high quarterly deliveries and the cost takeout measures, low prices continued to offset the positives.

Our strong efforts on ensuring financial stability resulted in positive cash flow and further reduction of net debt to below EUR 1.6 billion and gearing remained stable at 69.6%. The recently announced short-term efficiency measures coupled with the profitability improvement initiatives and net working capital efficiency actions will be the main levers to deliver further net debt reduction toward our goal of EUR 1.2 billion by the end of 2017.

The start of this year and the continued market uncertainties clearly show that additional measures are urgently needed to change Outokumpu’s cost and competitive position. While we expect steady progress in stainless business in the second quarter, our results will be burdened by weaker performance of the ferrochrome business driven by low ferrochrome price and US dollar. With sequentially flat delivery volumes, we expect the underlying EBIT to remain at a similar level as in the first quarter.”

Outokumpu strategy

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

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

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

Work has started in all areas, and benefits are expected to start materializing from the beginning. However, reaching the full potential and run rate impact will take some years triggering the need for a set of immediate measures to deliver a step change in our cost and competitive position.

Short-term actions

- New organizational set-up: a simplified organization with three business areas, less management layers and a lighter cost structure.
- A reduction of EUR 100 million in sales, general and administrative costs (SG&A) by the end of 2017 against the baseline of EUR 400 million at the end of 2015.
- A cash release of at least EUR 200 million from net working capital by the end of 2016, particularly through the reduction of inventory carry.

Outokumpu considers gearing (debt-to-equity ratio) to be a relevant key indicator for the health of a company in the cyclical stainless steel sector. Outokumpu is targeting to reduce its net debt to EUR 1.2 billion by the end of 2017, driven mainly by the expected improvement in operational performance as well as a significant uplift in net working capital efficiency.

Long-term financial targets

In connection with the new vision, Outokumpu has defined long-term financial targets to reflect the progress of our strategic initiatives and the development in profitability and further deleveraging:

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

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

Market development

Stainless steel demand

Apparent consumption[5] of stainless steel products grew globally by 2.3% in the first quarter compared to the fourth quarter of 2015 supported by stabilizing nickel prices and more normalized distributor stock levels in the US. Growth was fastest in the Americas with 4.8% whereas growth was 2.6% in APAC and 0.2% in EMEA. Global real demand declined by 0.4% sequentially in the first quarter. Demand in the Americas grew by 1.0% while in EMEA, demand stayed flat.

Market development of total stainless steel real demand

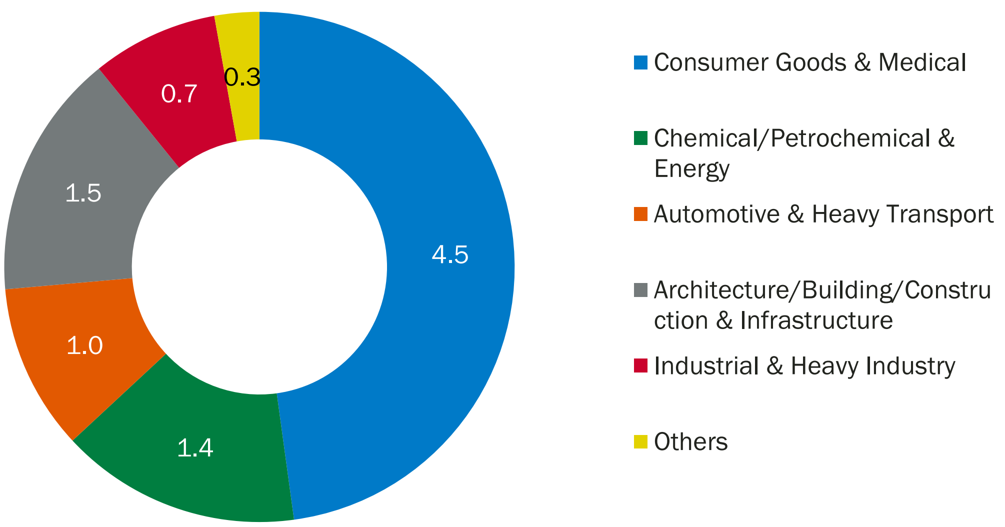
Million tonnes	I/16	IV/15	I/15	2015	y-o-y	q-o-q
EMEA	1.8	1.8	1.7	7.2	3.7 %	0.1 %
Americas	0.9	0.9	1.0	3.6	-8.1 %	1.0 %
APAC	6.7	6.7	6.6	26.8	1.2 %	-0.7 %
Total	9.4	9.4	9.3	37.6	0.7 %	-0.4 %

Source: SMR April 2016

e = estimate

Real demand grew for Automotive & Heavy Transport and Consumer Goods & medical segments at 1.5% and 0.5% respectively, compared to the fourth quarter of 2015. Meanwhile, demand decreased by 4.0% in Chemical, Petrochemical & Energy, 2.5% in Industrial & Heavy Industries and 1.4% in ABC & Infrastructure segments.

Stainless steel demand by customer segments in the first quarter 2016, million tonnes



Source: SMR April 2016

[5] Apparent consumption = real demand + stock change

EU cold rolled imports from third countries are expected to have come down to 24.4% of total consumption in the first quarter of 2016, compared to average of 25.1% in the fourth quarter of 2015 and 24.6% in 2015. (Source: Eurofer and Foreign Trade Statistics March 2016). Average imports into the NAFTA region came down to 20.7% of the total consumption in January-February 2016, versus 21.1% in the fourth quarter of 2015 and 23.7% for the full-year 2015.

Price development of alloying metals

The nickel[6] price slumped to a 13-year low of below USD 8,000/tonne in early February on the back of increasing fears over the global economy and subdued demand. In early March, prices recovered to around USD 9,400/tonne on improved commodity sentiment, but subsequently ended the quarter 4.4% lower versus the beginning of the year at USD 8,280/tonne. The average price for the quarter was USD 8,504/tonne, 9.6% lower than USD 9,412/tonne in the fourth quarter of 2015.

The European benchmark price for ferrochrome[7] fell to USD 0.92/lb in the first quarter mainly as a result of soft demand. For the second quarter, the price decreased further to USD 0.82/lb.

Market prices

			I/16	IV/15	I/15	2015	y-o-y	q-o-q
Stainless steel								
Europe	Base price	EUR/t	1,050	1,057	1,050	1,056	0.0 %	-0.6 %
	Alloy surcharge	EUR/t	875	996	1,314	1,191	-33.4 %	-12.1 %
	Transaction price	EUR/t	1,925	2,053	2,364	2,247	-18.6 %	-6.2 %
USA	Base price	USD/t	1,227	1,257	1,411	1,349	-13.0 %	-2.3 %
	Alloy surcharge	USD/t	725	903	1,555	1,227	-53.4 %	-19.7 %
	Transaction price	USD/t	1,952	2,160	2,966	2,576	-34.2 %	-9.6 %
China	Transaction price	USD/t	1,524	1,632	2,229	1,929	-31.6 %	-6.6 %
Nickel		USD/t	8,504	9,412	14,348	11,808	-40.7 %	-9.6 %
Ferrochrome		USD/lb	0.92	1.04	1.08	1.07	-14.8 %	-11.5 %
Molybdenum		USD/lb	5.32	4.84	8.50	6.67	-37.4 %	9.9 %
Recycled steel		USD/t	177	169	254	221	-30.4 %	4.5 %

Sources:

Stainless steel: CRU April 2016, 2mm cold rolled 304 stainless steel sheet

Nickel: London Metal Exchange (LME) settlement quotation

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

Molybdenum: Metal Bulletin - Molybdenum oxide - Europe

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

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[6] Nickel Cash LME Daily Official Settlement USD per tonne

[7] Ferro-chrome contract: Ferro-chrome Lumpy CR charge basis 52% Cr quarterly major European destinations USD per lb Cr

Business areas

Europe

Europe key figures

		I/16	IV/15	I/15	2015
Stainless steel deliveries	1,000 tonnes	**421**	381	410	1,578
Sales	EUR million	**987**	995	1,163	4,316
Underlying EBIT	EUR million	**42**	33	27	85
Adjustments					
Restructuring provisions, other than redundancy	EUR million	**-8**	-	-	-
Redundancy provisions	EUR million	-	-23	-	-25
Impairments related to EMEA restructuring	EUR million	-	-6	-	-6
Net of raw material-related inventory and metal derivative gains/losses, unaudited	EUR million	**-2**	-4	20	31
EBIT	EUR million	**32**	0	46	84
Operating capital	EUR million	**2,628**	2,680	2,894	2,680

The start of the year in the European coil products market has been slower than in the same period in both 2014 and 2015. While the low nickel price is keeping demand among distributors subdued and destocking has continued, end-customer demand has been stable. In the first quarter, import penetration into Europe was stable compared to the average in 2015, and Chinese and Taiwanese imports reined in as a result of the antidumping duties in place. Against this backdrop, there was no positive momentum for base prices which remained under pressure. Similarly, the operating environment for plate products continued subdued with prices under pressure.

Business area Europe grew its stainless steel deliveries by 10.5% to 421,000 tonnes, reflecting mostly seasonal pick-up. The average base price in Outokumpu's coil product deliveries decreased by about EUR 50/tonne in the first quarter (decrease of EUR 15/tonne). Ferrochrome production in the first quarter ran largely according to plan and amounted to 132,000 tonnes (126,000 tonnes) but the profitability was negatively affected by a decline in ferrochrome price. Business area Europe's sales amounted to EUR 987 million (EUR 995 million), down mainly as a result of lower transaction prices.

Europe's first-quarter underlying EBIT improved to EUR 42 million (EUR 33 million). Stronger performance was mainly a result of higher deliveries and lower costs, partly offset by lower base prices. The EMEA restructuring program recorded savings of EUR 15 million in the first quarter bringing the total savings to EUR 35 million since the beginning of the program. Following a risk assessment, Outokumpu wrote down EUR 12 million of receivables from one of its European distributor customers in the first quarter. Adjustments in the first quarter included EUR -8 million restructuring provision related to earlier site closures and the net effect of raw material-related inventory and metal derivative gains/losses of EUR -2 million.

Americas

Americas key figures

		I/16	IV/15	I/15	2015
Deliveries	1,000 tonnes	**161**	144	133	533
Sales	EUR million	**301**	292	337	1,214
Underlying EBIT	EUR million	**-43**	-41	-28	-163
Adjustments					
Net insurance compensation and costs related to technical issues in Calvert	EUR million	**25**	2	-19	-17
Net of raw material-related inventory and metal derivative gains/losses, unaudited	EUR million	**-8**	-14	-2	-37
EBIT	EUR million	**-26**	-54	-48	-216
Operating capital	EUR million	**1,211**	1,279	1,405	1,279

The market dynamics in the Americas showed some improvement in the first quarter and apparent consumption is estimated to have grown by 4.8% compared to the fourth quarter. Underlying demand in most of the key customer industries, such as Automotive & Heavy Transport and Consumer Goods & Medical segments, was stable and distributor stocks continued to decrease. In February, Outokumpu together with other US stainless steel producers filed antidumping and countervailing duty petitions against Chinese importers. These measures are expected to result in reduced import volumes from China going forward and to form a basis for a more level playing field in the US. During the first quarter, Outokumpu announced two price increases and furthermore, an additional USD 80/tonne increase was announced from May onwards.

Business area Americas' first-quarter stainless steel deliveries increased by 11.8% to 161,000 tonnes (144,000 tonnes), which is an all-time quarterly record and driven by the progress in the Calvert commercial ramp-up. Average base price in coil products in deliveries was stable against the weak fourth-quarter level (decrease of USD 50/tonne in the fourth quarter). Sales amounted to EUR 301 million (EUR 292 million), mostly driven by higher deliveries, while transaction prices decreased further as a result of lower alloy surcharge.

Despite continued growth in delivery volumes, the Americas still made a heavy loss: first-quarter underlying EBIT was EUR -43 million (EUR -41 million). The benefits from higher volumes and better utilization as well as implemented cost improvements were offset by low prices as the announced price increases are estimated to have a gradual positive impact from only April onwards. In addition, Outokumpu wrote down some of the aged inventories at Calvert, which had a negative impact of EUR 3 million. Final insurance compensation related to the earlier technical issues of EUR 25 million was booked to the first quarter results and reported as an adjustment. The net effect of raw material-related inventory and metal derivative gains/losses was EUR -8 million (EUR -14 million).

Long Products

Long Products key figures

		I/16	IV/15	I/15	2015
Deliveries	1,000 tonnes	**50**	42	52	213
Sales	EUR million	**100**	100	149	551
Underlying EBIT	EUR million	**-4**	-3	3	7
Adjustments					
Net of raw material-related inventory and metal derivative gains/losses, unaudited	EUR million	**-3**	-4	1	-5
EBIT	EUR million	**-6**	-8	4	2
Operating capital	EUR million	**136**	151	176	151

Despite a gradual pick up in order intake, particularly in the US, the operating environment remained overall weak for long products in the first quarter. Low nickel prices and subdued Oil & Gas -related project activity together with import pressure and tight competition continued to keep prices for long products under pressure in both Europe and the US.

Long Products' first-quarter deliveries were 50,000 tonnes (42,000 tonnes). The increase was mostly due to higher internal stainless steel slab deliveries to other units within Outokumpu. Despite higher deliveries, Long Products' underlying EBIT amounted to EUR -4 million (EUR -3 million) as a result of low prices and a weak product mix. The net effect of raw material-related inventory and metal derivative gains/losses was EUR -3 million (EUR -4 million).

Financial performance

Deliveries

Deliveries

1,000 tonnes	I/16	IV/15	I/15	2015
Cold rolled	**440**	426	458	1,767
White hot strip	**103**	85	93	346
Quarto plate	**28**	24	24	102
Long products	**15**	13	16	63
Semi-finished products	**57**	77	49	222
Stainless steel [1)]	**24**	23	27	95
Ferrochrome	**33**	54	22	128
Tubular products	**0**	2	2	9
Total deliveries	**643**	627	642	2,509
Stainless steel deliveries	**610**	574	620	2,381

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

Outokumpu's stainless steel deliveries grew by 6.2% to 610,000 tonnes (574,000 tonnes). The fourth-quarter deliveries include deliveries of the divested SKS and adjusting for that, delivery growth would have been 11.5%. Cold rolled and white hot strip deliveries increased in both Europe and the Americas.

Outokumpu's average utilization rate in melting was 90% and in cold rolling 75% in the first quarter (80% and 75%).

Sales and profitability

Outokumpu's sales in the first quarter of 2016 declined by 3.4% to EUR 1,386 million (EUR 1,435 million). While deliveries had a positive impact on sales, there was a negative impact from the divestment of SKS as well as lower alloy surcharges in both Europe and the Americas.

The first-quarter average base price change in deliveries was slightly negative for Outokumpu. Base prices decreased in Europe and in the US, base prices remained relatively flat. According to CRU, the European average base price for the first quarter 2016 decreased to EUR 1,050/tonne (EUR 1,057/tonne). In the Americas, the respective CRU market base price came down by USD 30/tonne to USD 1,227/tonne (USD 1,257/tonne).

Outokumpu's first-quarter underlying EBIT was EUR -20 million compared to EUR -11 million in the fourth quarter of 2015. While both the Americas' and Long Products' profitably declined slightly, Europe's underlying EBIT improved. Group's underlying EBIT includes a write-down of a customer receivable in Europe and aged inventories in Calvert. Together, these had a negative impact of EUR 15 million. Other operations had an underlying EBIT of EUR -15 million, which is a more normalized level compared to the underlying EBIT of EUR 1 million in the fourth quarter of 2015.

Profitability

EUR million	I/16	IV/15	I/15	2015
Underlying EBIT	**-20**	-11	2	-101
Adjustments				
Net insurance compensation and costs related to technical issues in Calvert	**25**	2	-19	-17
Restructuring provisions, other than redundancy	**-8**	-	-	-
Gain on the SKS divestment	-	409	-	409
Redundancy provisions	-	-23	-	-25
Impairments related to EMEA restructuring [1)]	-	-6	-	-6
Net of raw material-related inventory and metal derivative gains/losses, unaudited	**-9**	-29	7	-31
EBIT	**-12**	341	-10	228

[1)] Not an EBITDA adjustment.

Adjustments to EBIT include the final insurance compensation of EUR 25 million in the Americas in the first quarter. Furthermore, EUR -8 million was adjusted in Europe related to provisions on earlier site closures. The net effect of raw material-related inventory and metal derivative gains/losses in the first quarter was EUR -9 million (EUR -29 million).

The net result for the first quarter of 2016 was EUR -41 million (EUR 308 million) and earnings per share was EUR -0.10 (EUR 0.74). The comparison period included significant gains on divestments.

Cash flow

Summary of cash flows

EUR million	Jan–March 2016	Oct–Dec 2015	Jan–March 2015	Jan–Dec 2015
Net cash from operating activities	**74**	2	-62	-34
Net cash from investing activities	**-17**	319	-31	239
Cash flow before financing activities	**57**	321	-93	205
Net cash from financing activities	**-76**	-361	198	-213
Net change in cash and cash equivalents	**-19**	-40	105	-8

Outokumpu's operating cash flow was EUR 74 million in the first quarter (EUR 2 million). The change in working capital for the quarter was EUR 58 million (EUR 56 million), of which EUR -40 million was related to provisions and pension obligations (EUR -13 million). The first-quarter net cash from investing activities was EUR -17 million.

Financial position

Cash and cash equivalents were at EUR 166 million at the end of the first quarter (EUR 186 million), and the overall liquidity reserves were approximately EUR 0.9 billion (approximately EUR 1.1 billion). In addition, EUR 132 million of the revolving credit facility maturing in February 2017 is available but as it was classified as short-term, it was not included in the reported liquidity. Utilization of the Finnish commercial paper program decreased during the first quarter.

Debt information

EUR million	**March 31 2016**	March 31 2015	Dec 31 2015
Bonds	**398**	547	398
Convertible bonds	**212**	204	210
Long-term loans from financial institutions	**493**	769	466
Pension loans	**165**	206	174
Finance lease liabilities	**202**	240	208
Short-term loans from financial institutions	**-**	95	0
Commercial paper	**246**	271	339
	1,717	2,332	1,796

Net debt at the end of March totaled EUR 1,551 million (EUR 1,610 million). Gearing remained stable at 69.6% compared to 69.1% on December 31, 2015 as the decrease in net debt was offset by decline in equity.

Total assets at the end of March 2016 decreased to EUR 5,684 million (EUR 5,874 million). Non-current debt decreased to EUR 870 million compared to EUR 1,249 at the end of 2015, whereas current debt increased to EUR 848 million (EUR 547 million). Provisions were EUR 127 million (EUR 136 million), consisting mostly of restructuring provisions related to site closures and environmental provisions. No provisions were made for the new SG&A streamlining measures in the first quarter.

Net financial expenses were EUR 34 million in the first quarter (EUR 36 million). Interest expenses decreased to EUR 26 million (EUR 34 million).

Since flexible access to global credit markets is important for Outokumpu, the company obtained a credit rating from Moody's in March. Moody's assigned Outokumpu a first time issuer corporate family rating of B3 and B3-PD probability default rating. In addition, Moody's assigned a B2 rating to the EUR 250 million senior secured notes due 2019. The outlook on the ratings is positive.

Capital expenditure

Capital expenditure amounted to EUR 32 million (EUR 65 million) and was mainly related to maintenance and Krefeld ferritics optimization investment.

Safety, people and environment

Safety

Outokumpu applies a standardized and disciplined approach to safety that correlates with improved quality and operational efficiency. As of the beginning of 2016, the company follows total recordable incident frequency (TRIFR) as its main indicator for safety performance. TRIFR includes fatal accidents, lost time incidents, restrictive work incidents and medically treated incidents. In the first quarter, the TRIFR was 11.0 against the target of 12.0 for 2016 and long-term target of 5.0. There was one serious trapping incident in the first quarter in Benrath, Germany.

People

Personnel at the end of the reporting period

	March 31 2016	March 31 2015	Dec 31 2015
Europe	**7,709**	8,119	7,778
Americas	**2,263**	2,260	2,265
Long Products	**656**	659	658
Other operations	**292**	786	301
	10,920	11,824	11,002

Other operations' March 2015 figure includes the divested SKS operations.

Outokumpu's headcount decreased by 82 during the first quarter and totaled 10,920 at the end of March 2016 (11,002).

As a result of Outokumpu's new efficiency measures introduced at the beginning of April, the company has commenced consultations with employee representatives in full accordance with local legislation and practices regarding the planned changes that are expected to lead to a reduction of up to 600 jobs. All in all, Outokumpu plans to reduce personnel to a level of 9,300 in the coming years.

Environment

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

The EU Emissions Trading Scheme (ETS) is continuing by the third trading period 2013–2020. Outokumpu's operations under the EU ETS will continue to receive free emissions allocations according to efficiency-based benchmarks and historical activity. The total allocation will be sufficient for the Group's operations during 2016. Calvert and Mexinox mills completed projects to certify their environment management systems. Now all Outokumpu production units are ISO 14001 certified.

Shares and shareholders

On March 31, 2016, Outokumpu's share capital was EUR 311 million and the total number of shares was 416,374,448. At the end of the first quarter, Outokumpu held 709,805 own shares and after the reporting period on April 8, the amount of treasury shares was 698,925 following the delivery of shares related to incentive programs in March and in April.

Outokumpu's market capitalization was EUR 1,427 million at the end of March (EUR 1,138 million). The share price averaged EUR 2.87 in the first quarter, closed the quarter at EUR 3.43, and was up by 20.6% compared to the end of 2015. At its highest, the share price closed at EUR 3.84, while at its lowest, the price was EUR 2.08. The share turnover was 283.3 million shares compared to 327.3 million shares in the fourth quarter of 2015.

Risks and uncertainties

The main realized risks during the first quarter were the further declining ferrochrome contract price and a significant write-down of trade receivable in the business area Europe. The sharp decline in the price of emission allowances led to some unrealized losses on emission allowance derivatives in the first quarter.

Short-term risks and uncertainties

Outokumpu is exposed to the following risks and uncertainties in the short-term: risks and uncertainties in implementing the new strategic plan, including: major failures or delays in achieving the anticipated cost reductions, release of cash from working capital, the implementation of a new organizational structure and the loss of key personnel; risks related to failures, delays in and inadequate profitability of ramping up the Calvert mill; risks related to market development in stainless steel and ferrochrome as well as competitor actions; risk of changes in metal prices impacting amounts of cash tied up in working capital; changes in the prices of electrical power, fuels, nickel and molybdenum; currency developments affecting the euro, US dollar, Swedish krona and British pound; counterparty risk related to customers and other business partners, including financial institutions; risks related to refinancing and liquidity and a risk of breaching financial covenants or other relevant terms and conditions under any finance agreement, leading to an event of default. Possible adverse changes in the global political and economic environment (including the risk of the UK leaving EU) may have significant adverse impact on Outokumpu's overall business and access to financial markets.

Corporate governance

On March 30, 2016, Outokumpu announced the appointment of Christoph de la Camp as Chief Financial Officer as of July 1, 2016 taking on the role from Reinhard Florey.

Market and business outlook

Market outlook

In the second quarter of 2016, global real demand is expected to grow by 1.6% compared to the first quarter of 2016. The increase is driven by growth of 1.7% in EMEA and 2.1% in APAC, while the Americas is expected to shrink by 1.6%. Total global demand for 2016 is estimated to grow by 1.3% compared to 2015.

Market development for real demand total stainless steel products between 2014 and 2019

Million tonnes	2014	2015	2016f	2017f	2018f	2019f
EMEA	7.2	7.2	7.1	7.2	7.4	7.5
Americas	3.7	3.6	3.6	3.6	3.7	3.8
APAC	26.3	26.8	27.5	28.4	29.6	30.8
Total	37.1	37.6	38.1	39.2	40.7	42.1

Source: SMR April 2016

f = forecast

The long-term outlook for stainless steel demand remains positive. Key global megatrends such as urbanization, modernization, and increased mobility combined with growing global demand for energy, food, and water are expected to support the future growth of stainless steel demand. According to SMR, growth in stainless steel consumption between 2015 and 2017 will mainly be attributable to increased demand from the Architecture/Building/Construction & Infrastructure (+4.3%), Consumer Goods & Medical (+3.5%) and Automotive & Heavy Transport (+2.7%) segments.

Business and financial outlook for the second quarter of 2016

Outokumpu expects that the stainless steel market conditions will continue to be challenging in the second quarter amid global economic uncertainties and subdued raw material prices. In Europe, the underlying demand in key sectors outside of Oil & Gas is expected to continue healthy but stock levels among distributors are still above historical averages. Market dynamics in Americas are showing some improvement: stock levels among distributors have come down, price increases have been announced and Chinese imports are being addressed with antidumping investigation.

Market uncertainties warrant prudence in the outlook statement for the second quarter. While steady progress in stainless business is expected, results will be burdened by weaker performance of the ferrochrome business driven by low ferrochrome price and USD/EUR exchange rate. Outokumpu expects its delivery volumes to be sequentially flat and the underlying EBIT to remain at a similar level as in the first quarter. With current prices, the net impact of raw material-related inventory and metal derivative gains/losses on profitability is expected to be marginal, if any.

Outokumpu is finalizing plans for the announced EUR 100 million reduction in its SG&A costs and estimates to book approximately EUR 40 million of redundancy provisions in the second quarter, out of which approximately EUR 5 million is expected to be cash effective during the quarter.

This outlook reflects the current scope of operations.

Events after the reporting period

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

Espoo, April 27, 2016

Board of Directors

Financial information

Condensed income statement

EUR million	Jan–March 2016	Oct–Dec 2015	Jan–March 2015	Jan–Dec 2015
Sales	**1,386**	1,435	1,768	6,384
Cost of sales	**-1,309**	-1,438	-1,724	-6,273
Gross margin	**76**	-3	44	111
Other operating income	**26**	427	27	472
Sales, general and administrative costs [1)]	**-104**	-74	-81	-342
Other operating expenses	**-11**	-9	-0	-13
EBIT	**-12**	341	-10	228
Share of results in associated companies and joint ventures	**-1**	47	2	49
Financial income and expenses				
Interest expenses	**-26**	-34	-32	-130
Net other financial expenses	**-8**	-2	-6	-20
Result before taxes	**-47**	352	-46	127
Income taxes	**6**	-44	2	-41
Net result for the period	**-41**	308	-45	86
Attributable to:				
Equity holders of the Company	**-41**	309	-43	96
Non-controlling interests	**-**	-1	-2	-9
Earnings per share for result attributable to the equity holders of the Company (basic and diluted), EUR	**-0.10**	0.74	-0.10	0.23

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

Statement of comprehensive income

EUR million	Jan–March 2016	Oct–Dec 2015	Jan–March 2015	Jan–Dec 2015
Net result for the period	**-41**	308	-45	86
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations				
Change in exchange differences	**-30**	20	110	75
Reclassification adjustments from other comprehensive income to profit or loss	**-**	-17	-	-17
Available-for-sale financial assets	**-0**	-0	-0	-1
Cash flow hedges	**-1**	3	1	2
Items that will not be reclassified to profit or loss:				
Remeasurements on defined benefit obligation plans				
Changes during the accounting period	**-29**	-31	-18	3
Income tax relating to remeasurements	**0**	-7	-1	-7
Share of other comprehensive income in associated companies and joint ventures	**0**	0	-1	-1
Other comprehensive income for the period, net of tax	**-59**	-32	90	56
Total comprehensive income for the period	**-101**	276	46	142
Attributable to:				
Equity holders of the Company	**-101**	277	48	150
Non-controlling interests	**-**	-1	-2	-8

Condensed statement of financial position

EUR million	March 31 2016	March 31 2015	Dec 31 2015
ASSETS			
Non-current assets			
Intangible assets	496	576	498
Property, plant and equipment	2,924	3,237	3,005
Investments in associated companies and joint ventures	62	79	63
Other financial assets	45	28	41
Deferred tax assets	22	53	16
Defined benefit plan assets	47	39	35
Trade and other receivables	36	15	40
Total non-current assets	3,632	4,026	3,698
Current assets			
Inventories	1,147	1,628	1,251
Other financial assets	45	84	53
Trade and other receivables	694	853	686
Cash and cash equivalents	166	298	186
Total current assets	2,052	2,863	2,177
TOTAL ASSETS	5,684	6,889	5,874
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	2,229	2,225	2,329
Non-controlling interests	-	-2	-
Total equity	2,229	2,223	2,329
Non-current liabilities			
Non-current debt	870	1,732	1,249
Other financial liabilities	9	16	9
Deferred tax liabilities	16	36	16
Defined benefit and other long-term employee benefit obligations	388	392	369
Provisions	111	140	113
Trade and other payables	48	47	48
Total non-current liabilities	1,442	2,364	1,805
Current liabilities			
Current debt	848	600	547
Other financial liabilities	38	117	50
Provisions	17	26	23
Trade and other payables	1,111	1,559	1,121
Total current liabilities	2,014	2,303	1,741
TOTAL EQUITY AND LIABILITIES	5,684	6,889	5,874

Condensed statement of cash flows

EUR million	Jan–March 2016	Oct–Dec 2015	Jan–March 2015	Jan–Dec 2015
Net result for the period	**-41**	308	-45	86
Adjustments				
Depreciation, amortization and impairments	**58**	68	75	304
Other non-cash adjustments	**32**	-409	-79	-401
Change in working capital	**58**	56	14	94
Dividends and interests received	**1**	2	0	4
Interests paid	**-28**	-20	-27	-111
Income taxes paid	**-5**	-4	-1	-11
Net cash from operating activities	**74**	2	-62	-34
Purchases of assets	**-40**	-48	-32	-151
Proceeds from the disposal of subsidiaries, net of cash and tax	**17**	375	-	375
Proceeds from the sale of assets	**6**	3	1	23
Other investing cash flow	**-**	-11	0	-8
Net cash from investing activities	**-17**	319	-31	239
Cash flow before financing activities	**57**	321	-93	205
Capital contribution by the non-controlling interest holder	**-**	-	-	41
Borrowings of non-current debt	**33**	1	309	316
Repayment of non-current debt	**-17**	-259	-150	-648
Change in current debt	**-93**	-102	38	78
Other financing cash flow	**0**	-1	0	0
Net cash from financing activities	**-76**	-361	198	-213
Net change in cash and cash equivalents	**-19**	-40	105	-8
Cash and cash equivalents at the beginning of the period	**186**	225	191	191
Foreign exchange rate effect	**-1**	1	2	2
Net change in cash and cash equivalents	**-19**	-40	105	-8
Cash and cash equivalents at the end of the period	**166**	186	298	186

Statement of changes in equity

	Attributable to the equity holders of the parent										
EUR million	Share capital	Premium fund	Invested unrestricted equity reserve	Other reserves	Fair value reserves	Cumulative translation differences	Remeasurements of defined benefit plans	Treasury shares	Retained earnings	Non-controlling interests	Total equity
Equity on Jan 1, 2015	**311**	**714**	**2,103**	**5**	**5**	**-49**	**-89**	**-23**	**-846**	**0**	**2,132**
Net result for the period	-	-	-	-	-	-	-	-	-43	-2	-45
Other comprehensive income	-	-	-	-	1	113	-22	-	-1	-0	90
Total comprehensive income for the period	-	-	-	-	1	113	-22	-	-44	-2	46
Transactions with equity holders of the Company											
Contributions and distributions											
Convertible bond	-	-	-	-	-	-	-	-	45	-	45
Share-based payments	-	-	-	-	-	-	-	2	-1	-	0
Equity on March 31, 2015	**311**	**714**	**2,103**	**5**	**5**	**65**	**-111**	**-22**	**-846**	**-2**	**2,223**
Equity on Jan 1, 2016	**311**	**714**	**2,103**	**5**	**6**	**8**	**-92**	**-21**	**-704**	**-**	**2,329**
Net result for the period	-	-	-	-	-	-	-	-	-41	-	-41
Other comprehensive income	-	-	-	-	-1	-30	-29	-	0	-	-59
Total comprehensive income for the period	-	-	-	-	-1	-30	-29	-	-41	-	-101
Transactions with equity holders of the Company											
Contributions and distributions											
Share-based payments	-	-	-	-	-	-	-	4	-4	-	0
Other	-	-	-	-0	-	-	-	-	0	-	-
Equity on March 31, 2016	**311**	**714**	**2,103**	**4**	**5**	**-23**	**-120**	**-17**	**-749**	**-**	**2,229**

Key figures by quarters

EUR million	I/15	II/15	III/15	IV/15	2015	I/16
Adjustments						
Net insurance compensation and costs related to technical issues in Calvert	-19	-	-	2	-17	25
Restructuring provisions, other than redundancy	-	-	-	-	-	-8
Gain on the SKS divestment	-	-	-	409	409	-
Redundancy costs	-	-	-2	-23	-25	-
Net of raw material-related inventory and metal derivative gains/losses, unaudited	7	-1	-8	-29	-31	-9
Adjustments to EBITDA	-12	-1	-10	359	336	8
of which in gross margin	-8	-1	-10	-51	-70	-9
Additionally to EBIT						
Impairments related to EMEA restructuring	-	-	-	-6	-6	-
Adjustments to EBIT	-12	-1	-10	352	330	8
EBIT margin, %	-0.6	-1.5	-5.2	23.8	3.6	-0.9
Return on capital employed, %	-1.5	-1.8	-3.4	5.3	5.3	5.3
Return on equity, %	-10.7	-11.0	-12.9	3.9	3.9	4.1
Non-current debt	1,732	1,576	1,494	1,249	1,249	870
Current debt	600	747	743	547	547	848
Cash and cash equivalents	-298	-207	-225	-186	-186	-166
Net debt at the end of period	2,034	2,116	2,012	1,610	1,610	1,551
Capital employed at the end of period	4,503	4,479	4,271	4,133	4,133	3,973
Equity-to-assets ratio at the end of period, %	32.3	33.5	33.6	39.6	39.6	39.2
Debt-to-equity ratio at the end of period, %	91.5	96.4	96.5	69.1	69.1	69.6
Net debt to underlying EBITDA	7.5	8.3	9.2	8.2	8.2	9.9
Earnings per share, EUR	-0.10	-0.14	-0.27	0.74	0.23	-0.10
Equity per share at the end of period, EUR	5.35	5.29	4.93	5.60	5.60	5.36
Deliveries, 1,000 tonnes						
Cold rolled	458	449	433	426	1,767	440
White hot strip	93	88	79	85	346	103
Quarto plate	24	31	23	24	102	28
Long products	16	16	18	13	63	15
Semi-finished products	49	52	44	77	222	57
Stainless steel [1)]	27	29	16	23	95	24
Ferrochrome	22	23	29	54	128	33
Tubular products	2	3	2	2	9	0
Total deliveries	642	640	599	627	2,509	643
Stainless steel deliveries	620	616	570	574	2,381	610
Average personnel for the period	11,927	12,172	11,879	11,353	11,833	10,955

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

Business Area key figures by quarters

Stainless steel deliveries

1,000 tonnes	I/15	II/15	III/15	IV/15	2015	I/16
Europe total	410	413	375	381	1,578	**421**
of which intra-group	5	7	4	6	23	**5**
Americas total	133	117	139	144	533	**161**
of which intra-group	-	-	12	1	14	**0**
Long Products total	52	62	58	42	213	**50**
of which intra-group	16	22	30	12	80	**18**
Other operations total	48	56	45	27	176	**-**
of which intra-group	-	2	1	1	3	**-**
Group total deliveries	620	616	570	574	2,381	**610**

Sales

EUR million	I/15	II/15	III/15	IV/15	2015	I/16
Europe total	1,163	1,140	1,019	995	4,316	**987**
of which intra-group	36	40	49	40	165	**35**
Americas total	337	284	301	292	1,214	**301**
of which intra-group	7	5	21	4	37	**4**
Long Products total	149	159	142	100	551	**100**
of which intra-group	36	46	56	23	162	**27**
Other operations total	274	273	231	201	979	**135**
of which intra-group	75	71	79	86	311	**71**
Group total sales	1,768	1,694	1,487	1,435	6,384	**1,386**

EBIT

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

Underlying EBIT

EUR million	I/15	II/15	III/15	IV/15	2015	I/16
Europe	27	41	-15	33	85	**42**
Americas	-28	-50	-44	-41	-163	**-43**
Long Products	3	4	3	-3	7	**-4**
Other operations and intra-group items	0	-20	-11	1	-30	**-15**
Group total underlying EBIT	2	-25	-67	-11	-101	**-20**

Adjustments to EBIT

EUR million	I/15	II/15	III/15	IV/15	2015	I/16
Europe	20	16	-4	-33	-1	**-9**
Americas	-21	-15	-5	-12	-54	**17**
Long Products	1	1	-3	-4	-5	**-3**
Other operations and intra-group items	-12	-3	2	402	389	**3**
Group total adjustments to EBIT	-12	-1	-10	352	330	**8**

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

EBITDA

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

Underlying EBITDA

EUR million	I/15	II/15	III/15	IV/15	2015	I/16
Europe	78	92	36	74	280	**83**
Americas	-5	-27	-22	-28	-83	**-29**
Long Products	5	7	5	-1	15	**-2**
Other operations and intra-group items	-1	-15	-6	5	-17	**-14**
Group total underlying EBITDA	77	57	13	50	196	**38**

Depreciation and amortization

EUR million	I/15	II/15	III/15	IV/15	2015	I/16
Europe	-51	-51	-51	-41	-196	**-41**
Americas	-22	-22	-22	-14	-80	**-13**
Long Products	-2	-2	-2	-2	-8	**-2**
Other operations	-5	-5	-4	-4	-18	**-1**
Group total depreciation and amortization	-80	-81	-80	-61	-302	**-58**

Capital expenditure

EUR million	I/15	II/15	III/15	IV/15	2015	I/16
Europe	20	16	19	41	96	**25**
Americas	1	4	2	12	19	**0**
Long Products	1	0	1	5	7	**0**
Other operations	4	14	6	7	32	**6**
Group total capital expenditure	26	35	29	65	154	**32**

Operating capital

EUR million	I/15	II/15	III/15	IV/15	2015	I/16
Europe	2,894	2,894	2,800	2,680	2,680	**2,628**
Americas	1,405	1,346	1,249	1,279	1,279	**1,211**
Long Products	176	167	166	151	151	**136**
Other operations and intra-group items	12	48	34	22	22	**-8**
Group total operating capital	4,486	4,455	4,248	4,133	4,133	**3,967**

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

Definitions of financial key figures

Underlying EBIT	=	EBIT excluding items classified as adjustments
EBITDA	=	EBIT before depreciation, amortization and impairments
Capital employed	=	Total equity + net debt + net defined benefit and other long-term employee benefit obligations + net interest rate derivative liabilities + net accrued interest expenses – net assets held for sale – loans receivable – available-for-sale financial assets – investments at fair value through profit or loss – investments in associated companies and joint ventures
Operating capital	=	Capital employed + net deferred tax liability
Return on equity (ROE)	=	$\frac{\text{Net result for the financial period (4-quarter rolling)}}{\text{Total equity (4-quarter rolling average)}} \times 100$
Return on capital employed (ROCE)	=	$\frac{\text{EBIT (4-quarter rolling)}}{\text{Capital employed (4-quarter rolling average)}} \times 100$
Net debt	=	Non-current debt + current debt – cash and cash equivalents
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$
Debt-to-equity ratio	=	$\frac{\text{Net debt}}{\text{Total equity}} \times 100$
Net debt to underlying EBITDA	=	$\frac{\text{Net debt}}{\text{Underlying EBITDA (4-quarter rolling)}}$
Earnings per share	=	$\frac{\text{Net result for the financial period attributable to the owners of the parent}}{\text{Adjusted average number of shares during the period}}$
Equity per share	=	$\frac{\text{Equity attributable to the owners of the parent}}{\text{Adjusted number of shares at the end of the period}}$