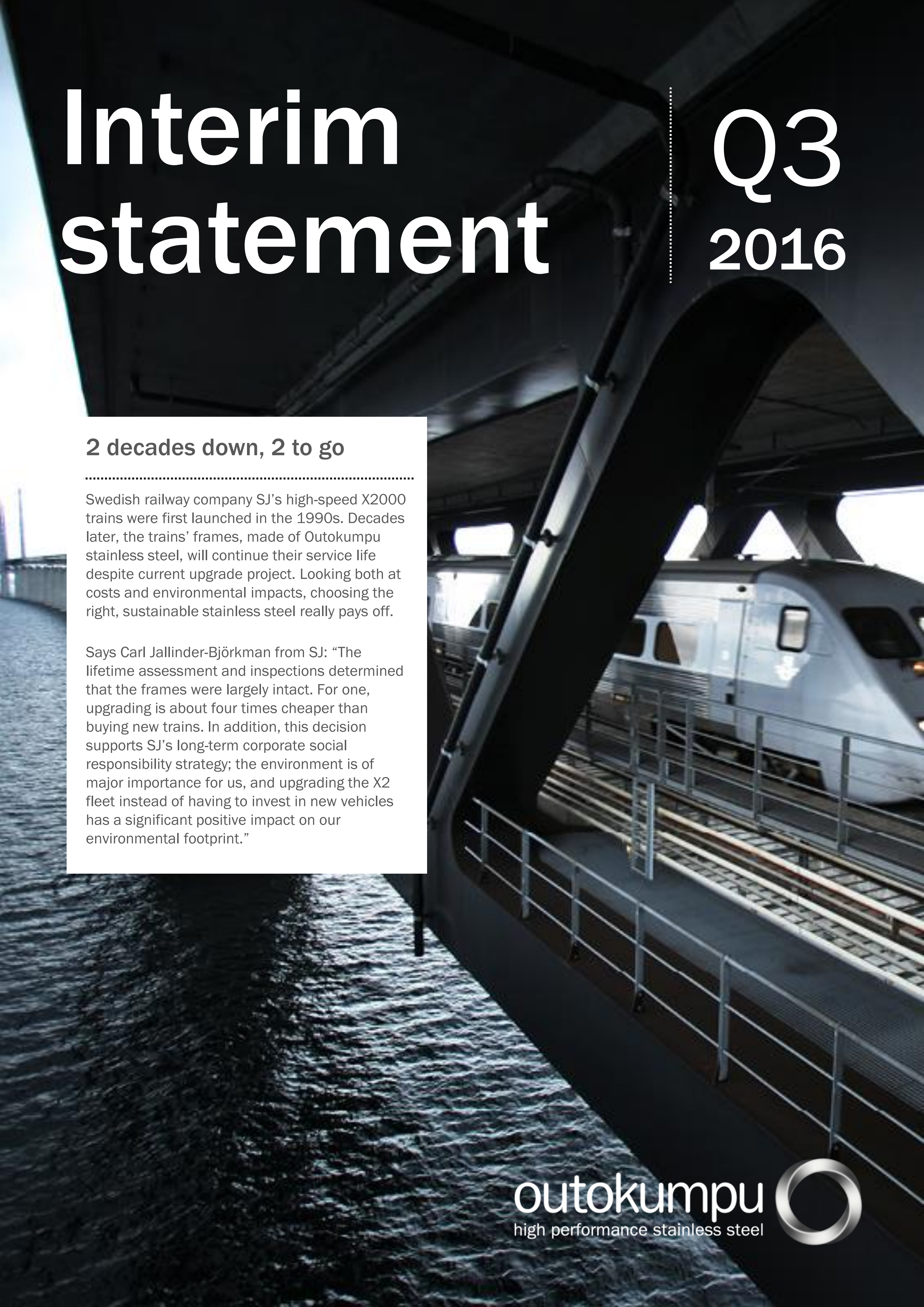
# Interim statement

# Q3 2016



## 2 decades down, 2 to go

Swedish railway company SJ's high-speed X2000 trains were first launched in the 1990s. Decades later, the trains' frames, made of Outokumpu stainless steel, will continue their service life despite current upgrade project. Looking both at costs and environmental impacts, choosing the right, sustainable stainless steel really pays off.

Says Carl Jallinder-Björkman from SJ: "The lifetime assessment and inspections determined that the frames were largely intact. For one, upgrading is about four times cheaper than buying new trains. In addition, this decision supports SJ's long-term corporate social responsibility strategy; the environment is of major importance for us, and upgrading the X2 fleet instead of having to invest in new vehicles has a significant positive impact on our environmental footprint."

outokumpu
high performance stainless steel

# Contents



Cover photo courtesy of SJ.

# Solid progress continued, Group underlying EBIT clearly positive at EUR 32 million

## Highlights in the third quarter 2016

Outokumpu's underlying EBIT was EUR 32 million, compared to EUR -5 million in the second quarter. The improved earnings were mainly the result of continued progress in the Americas and improved market sentiment in Europe.

- Stainless steel deliveries were 608,000 tonnes[1] (629,000 tonnes)[2].
- Underlying EBITDA[3] was EUR 110 million (EUR 51 million).
- Underlying EBIT[4] was EUR 32 million (EUR -5 million). Underlying EBIT includes net adjustments of EUR 8 million in the third quarter (EUR 11 million), including the net effect of raw material-related inventory and metal derivative gains/losses of EUR 6 million (EUR 15 million).
- EBIT was EUR 40 million (EUR 6 million).
- Operating cash flow was EUR 61 million (EUR 54 million).
- Net debt decreased to EUR 1,396 million (EUR 1,485 million).
- Gearing was 65.3% (69.1%).
- Return on capital employed (ROCE) was 9.3% (6.2%).

## Highlights during the first nine months of 2016

- Stainless steel deliveries were 1,848,000 tonnes (I-III/15: 1,807,000 tonnes).
- Underlying EBITDA was EUR 200 million (I-III/15: EUR 146 million).
- Underlying EBIT was EUR 7 million (I-III/15: EUR -90 million)[5].
- EBIT was EUR 34 million (I-III/15: EUR -113 million)[5].
- Operating cash flow was EUR 190 million (I-III/15: EUR -36 million).

[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.
[5] The comparability between the periods is impacted by the change in estimated useful lives of property, plant and equipment in the fourth quarter of 2015.

## Group key figures

| | | III/16 | II/16 | III/15 | I-III/16 | I-III/15 | 2015 |
|---|---|---|---|---|---|---|---|
| Sales | EUR million | **1,419** | 1,379 | 1,487 | **4,183** | 4,949 | 6,384 |
| EBITDA | EUR million | **119** | 62 | 3 | **227** | 123 | 531 |
| Underlying EBITDA [1)] | EUR million | **110** | 51 | 13 | **200** | 146 | 196 |
| EBIT | EUR million | **40** | 6 | -77 | **34** | -113 | 228 |
| Underlying EBIT [2)] | EUR million | **32** | -5 | -67 | **7** | -90 | -101 |
| Result before taxes | EUR million | **13** | -22 | -113 | **-56** | -224 | 127 |
| Net result for the period | EUR million | **13** | -20 | -115 | **-48** | -222 | 86 |
| Earnings per share | EUR | **0.03** | -0.05 | -0.27 | **-0.12** | -0.51 | 0.23 |
| Return on capital employed | % | **9.3** | 6.2 | -3.4 | **9.3** | -3.4 | 5.3 |
| Net cash generated from operating activities | EUR million | **61** | 54 | 67 | **190** | -36 | -34 |
| Net debt at the end of period | EUR million | **1,396** | 1,485 | 2,012 | **1,396** | 2,012 | 1,610 |
| Debt-to-equity ratio at the end of period | % | **65.3** | 69.1 | 96.5 | **65.3** | 96.5 | 69.1 |
| Capital expenditure | EUR million | **43** | 28 | 29 | **103** | 89 | 154 |
| Stainless steel deliveries [3)] | 1,000 tonnes | **608** | 629 | 570 | **1,848** | 1,807 | 2,381 |
| Personnel at the end of period [4)] | | **10,785** | 10,645 | 11,560 | **10,785** | 11,560 | 11,002 |

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

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

[3)] Excludes ferrochrome deliveries.

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

## Business and financial outlook for the fourth quarter of 2016

Underlying stainless steel demand is expected to remain healthy in both Europe and the US in the fourth quarter. However, a typical softening of distributor demand is expected towards the end of the year, particularly in the US, due to the holiday season.

With the seasonal slowdown in the US, fourth-quarter stainless steel deliveries of business area Americas are expected to be significantly lower compared to the third quarter. In Europe, stainless steel deliveries are expected to remain flat.

In the ferrochrome business, October production was negatively impacted by technical issues during the post-maintenance ramp-up. The facilities are now back to normal operation but ferrochrome deliveries in the fourth quarter are expected to be at a lower level than in the third quarter, offset by higher ferrochrome prices. Consequently, the profitability contribution of the ferrochrome operations is expected to remain sequentially flat quarter-on-quarter.

Outokumpu expects the base price improvements to have a slight positive impact on fourth-quarter profitability. However, with the delay in ferrochrome production ramp-up, lower deliveries in the Americas, and annual maintenance work at the Tornio mill in Europe, Outokumpu expects its fourth-quarter underlying EBIT to remain at a similar level to the third quarter. Consequently, underlying EBIT for the full year 2016 is expected to be clearly positive.

Outokumpu has closed its defined benefit pension scheme in the UK to future pension accruals and has made changes to the terms of retirement. As a result, Outokumpu anticipates a reduction in its net pension obligations, and expects to recognize gain of approximately EUR 25 million in its fourth quarter results. This income will be adjusted from underlying EBIT.

## CEO Roeland Baan:

"We continued significant progress in the third quarter, reaching a clearly positive underlying EBIT. The Americas broke yet another record in deliveries and continued to improve its financial performance, reducing its losses to seven million euros. Europe continued its steady progress, and recorded its strongest third quarter ever.

The changes we have made across our company are yielding results. In the Americas, we continued to make great progress. With our improved efficiency and delivery reliability, we have been able to capitalize on the robust demand and positive price development.

In Europe, we mitigated the typical third quarter dip by changing our maintenance patterns. By phasing the maintenance in our Nordic plants between the third and fourth quarters, we were able to significantly improve our profitability during the traditionally weaker third quarter and align Tornio maintenance with the typical market slowdown towards the end of the year.

We continued to make good progress on our debt reduction. A net working capital release of EUR 149 million from the beginning of the year keeps us in line with the target of EUR 200 million release by the end of the year. The improved profitability coupled with the progress in net working capital brought our net debt down to below EUR 1.4 billion.

During the first nine months, we achieved an underlying EBIT of EUR 7 million. The solid performance will continue in the fourth quarter. Despite the seasonal slowdown towards year-end and the temporary setback in our ferrochrome production, we are looking at another quarter of positive underlying EBIT. Thus, for the full year 2016, we are expecting a clearly positive underlying EBIT, which moves us firmly towards our target of EUR 500 million underlying EBIT by 2020."

# 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 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 the product portfolio, assets and operations to maximize the profitability of the business and minimize complexity.

### 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 the strategic initiatives and the development in profitability and further deleveraging:

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

These group-level targets are expected to be reached by the end of 2020 at the latest. While the global demand for stainless steel continues to grow, Outokumpu takes a conservative approach 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

Impacted by typical seasonality, especially in Europe, apparent consumption[6] of stainless steel products decreased by 2.7% globally in the third quarter compared to the second quarter. The lower apparent consumption was driven by the declines of 2.7% in EMEA, 2.8% in APAC and 1.9% in Americas. Global real demand declined by 3.8% compared to the second quarter, driven by decreases of 6.3% in EMEA and 3.2% in both Americas and APAC. However, compared to third quarter of 2015, real demand increased by 0.7%.

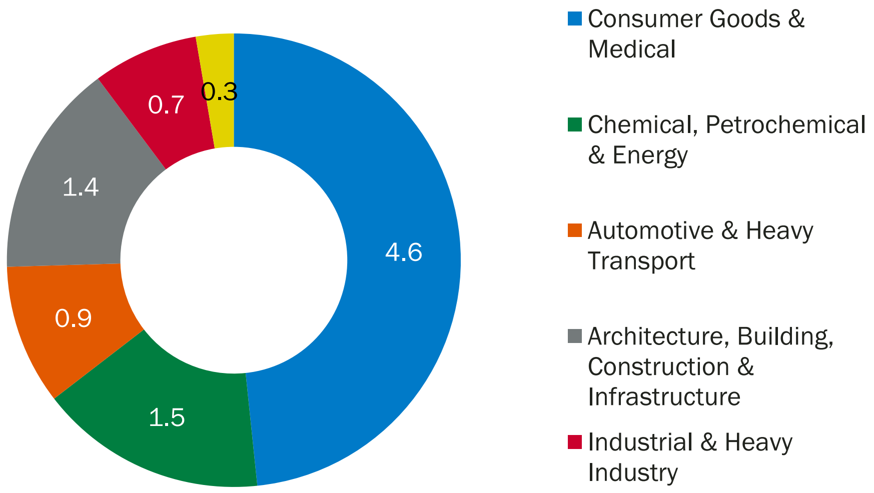
**Market development of total stainless steel real demand**

| Million tonnes | III/16 | II/16 | III/15 | 2015 | y-o-y | q-o-q |
|---|---|---|---|---|---|---|
| EMEA | 1.8 | 1.9 | 1.8 | 7.3 | -2.4 % | -6.3 % |
| Americas | 0.8 | 0.9 | 0.9 | 3.5 | -3.9 % | -3.2 % |
| APAC | 6.8 | 7.1 | 6.7 | 26.6 | 2.1 % | -3.2 % |
| Total | 9.5 | 9.8 | 9.4 | 37.4 | 0.7 % | -3.8 % |

Source: SMR October 2016

Real demand in the third quarter decreased in all end-use segments in the range of approximately 3-4% compared to the second quarter. Compared to the third quarter of 2015, real demand grew in Automotive & Heavy Transport by 5.9%, in Chemical, Petrochemical & Energy by 4.4% and in ABC & Infrastructure by 3.0%. Meanwhile, real demand in Industrial & Heavy Industries and Consumer Goods & Medical shrank by 4.2% and 1.1%, respectively.

**Stainless steel demand by customer segment in the third quarter 2016, million tonnes**




Source: SMR October 2016

[6] Apparent consumption = real demand + stock change

EU cold-rolled imports from third countries reached a level of 24.2% of total consumption in the third quarter, up from the average of 21.0% in the second quarter. Average cold rolled imports into the US reached 23.2% of the total consumption in July-August, up from 22.8% in the second quarter. (Source: Eurofer and Foreign Trade Statistics, October 2016)

## Price development of alloying metals

The nickel[7] price rallied at the beginning of the third quarter due to concerns over possible disruption to nickel ore supplies from the Philippines, as well as the strong stainless steel production in China. The highest level of USD 10,795/tonne was reached in early August. Subsequently, prices retreated slightly and were trading on the both sides of the USD 10,000/tonne level, before rising again and closing the quarter at USD 10,460/tonne as concerns over the Philippines supply resurfaced. The average price of the quarter amounted to USD 10,258/tonne, 16.2% higher than the USD 8,826/tonne in the second quarter.

The European benchmark price for ferrochrome[8] increased from USD 0.82/lb in the second quarter to USD 0.98/lb in the third quarter as a result of a slowdown in South African production and higher prices in China. For the fourth quarter of 2016, the price increased further to USD 1.10/lb, driven by tightening markets and higher production costs.

### Market prices

| | | | III/16 | II/16 | III/15 | y-o-y | q-o-q |
|---|---|---|---|---|---|---|---|
| Stainless steel | | | | | | | |
| Europe | Base price | EUR/t | 1,060 | 1,050 | 1,060 | 0.0 % | 1.0 % |
| | Alloy surcharge | EUR/t | 1,002 | 879 | 1,162 | -13.8 % | 14.0 % |
| | Transaction price | EUR/t | 2,062 | 1,929 | 2,222 | -7.2 % | 6.9 % |
| USA | Base price | USD/t | 1,323 | 1,271 | 1,330 | -0.6 % | 4.0 % |
| | Alloy surcharge | USD/t | 874 | 765 | 1,149 | -23.9 % | 14.2 % |
| | Transaction price | USD/t | 2,197 | 2,037 | 2,479 | -11.4 % | 7.9 % |
| China | Transaction price | USD/t | 1,675 | 1,635 | 1,822 | -8.1 % | 2.4 % |
| Nickel | | USD/t | 10,258 | 8,826 | 10,552 | -2.8 % | 16.2 % |
| Ferrochrome (Cr-content) | | USD/lb | 0.98 | 0.82 | 1.08 | -9.3 % | 19.5 % |
| Molybdenum | | USD/lb | 7.06 | 6.99 | 5.83 | 21.0 % | 1.0 % |
| Recycled steel | | USD/t | 203 | 254 | 208 | -2.4 % | -19.9 % |

Sources:

Stainless steel: CRU October 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

[7] Nickel Cash LME Daily Official Settlement USD per tonne
[8] Ferrochrome contract: Ferrochrome Lumpy CR charge basis 52% Cr quarterly major European destinations USD per lb Cr

# Business areas

## Europe

### Europe key figures

| | | III/16 | II/16 | III/15 | I-III/16 | I-III/15 | 2015 |
|---|---|---|---|---|---|---|---|
| Stainless steel deliveries | 1,000 tonnes | **396** | 413 | 375 | **1,230** | 1,197 | 1,578 |
| Sales | EUR million | **946** | 958 | 1,019 | **2,891** | 3,321 | 4,316 |
| Underlying EBIT | EUR million | **45** | 29 | -15 | **116** | 52 | 85 |
| Adjustments | | | | | | | |
| Redundancy costs | EUR million | **4** | -29 | -2 | **-25** | -2 | -25 |
| Restructuring provisions, other than redundancy | EUR million | **-** | - | - | **-8** | - | - |
| Impairments related to EMEA restructuring | EUR million | **-** | - | - | **-** | - | -6 |
| Net of raw material-related inventory and metal derivative gains/losses, unaudited | EUR million | **-1** | 7 | -1 | **5** | 35 | 31 |
| EBIT | EUR million | **48** | 7 | -19 | **88** | 84 | 84 |
| Operating capital | EUR million | **2,453** | 2,536 | 2,800 | **2,453** | 2,800 | 2,680 |

The European coil products market was impacted by seasonality in the third quarter, with apparent consumption decreasing by 2.7%. Import volumes to Europe increased particularly from South Korea, while imports from China remained at low levels. Inventories in Europe declined slightly, thus keeping the inventory levels below long-term averages. The operating environment for plate products continued to be subdued as the general investment climate in project business continued to be characterized by uncertainty.

The overall demand outlook remains healthy in Europe. The CRU reported European average base price for the third quarter of 2016 increased by EUR 10/tonne to EUR 1,060/tonne (EUR 1,050/tonne).

Business area Europe's stainless steel deliveries decreased by 4.1% to 396,000 tonnes (413,000 tonnes) driven by seasonally slower demand, and sales amounted to EUR 946 million (EUR 958 million). The average base price in business area Europe's coil product deliveries increased by EUR 20/tonne compared to the second quarter. Ferrochrome operations in the third quarter were impacted by major maintenance work resulting in lower ferrochrome production of 93,000 tonnes (135,000 tonnes).

Despite the maintenance work in ferrochrome operations and lower stainless steel deliveries, Europe's third-quarter underlying EBIT increased to EUR 45 million (EUR 29 million) mainly due to the higher ferrochrome prices, increased base prices and further improvement in cost efficiency. Adjustments in the third quarter included a EUR 4 million reversal of redundancy provisions booked earlier, and the net effect of raw material-related inventory and metal derivative gains/losses of EUR -1 million.

In September, Outokumpu acquired Hernandez Edelstahl GmbH, a stainless steel distributor in Germany, to further optimize Outokumpu's customer service in Europe. Prior to the acquisition, Outokumpu held 33.3% of the company's shares. The overall financial impact of the acquisition was not significant. In connection with the acquisition, Outokumpu reversed its credit loss allowances for Hernandez with a EUR 22 million positive impact on the third-quarter underlying EBITDA. Related to the acquisition, Outokumpu also recognized asset impairments of EUR 21 million including an impairment of the goodwill from the acquisition. Thus, the third-quarter underlying EBIT was not materially impacted by the transaction.

## Americas

**Americas key figures**

| | | III/16 | II/16 | III/15 | I-III/16 | I-III/15 | 2015 |
|---|---|---|---|---|---|---|---|
| Deliveries | 1,000 tonnes | **185** | 177 | 139 | **523** | 389 | 533 |
| Sales | EUR million | **372** | 311 | 301 | **984** | 922 | 1,214 |
| Underlying EBIT | EUR million | **-7** | -24 | -44 | **-73** | -121 | -163 |
| Adjustments | | | | | | | |
| Net insurance compensation and costs related to technical issues in Calvert | EUR million | **-** | -1 | - | **24** | -19 | -17 |
| Redundancy costs | EUR million | **-0** | -2 | - | **-3** | - | - |
| Net of raw material-related inventory and metal derivative gains/losses, unaudited | EUR million | **5** | 8 | -5 | **5** | -23 | -37 |
| EBIT | EUR million | **-2** | -19 | -49 | **-47** | -163 | -216 |
| Operating capital | EUR million | **1,175** | 1,178 | 1,249 | **1,175** | 1,249 | 1,279 |

The positive momentum in the American stainless steel market continued in the third quarter. The antidumping investigation continued to curb import volumes from China. In September, the US Commerce Department set preliminary antidumping duties against Chinese imports, which is expected to keep Chinese imports at low level. Inventories in the US remained stable, slightly below long-term average levels.

The base prices continued to trend upwards during the third quarter. The CRU reported market base price increased by USD 52/tonne to USD 1,323/tonne (USD 1,271/tonne) in the US as announced price increases worked their way into realized sales.

Business area Americas' third-quarter stainless steel deliveries were up by 4.5% at 185,000 tonnes (177,000 tonnes). The average base price in the business area Americas' coil product deliveries increased by USD 80/tonne during the third quarter. Sales increased to EUR 372 million (EUR 311 million), driven by higher deliveries and higher prices.

The Americas' third-quarter underlying EBIT improved to EUR -7 million (EUR -24 million). In addition to higher deliveries and increased base prices, the business area successfully continued actions to improve efficiency at the Calvert facility. Adjustments in the third quarter included mainly the net effect of raw material-related inventory and metal derivative gains/losses of EUR 5 million.

## Long Products

**Long Products key figures**

| | | III/16 | II/16 | III/15 | I-III/16 | I-III/15 | 2015 |
|---|---|---|---|---|---|---|---|
| Deliveries | 1,000 tonnes | **59** | 70 | 58 | **179** | 172 | 213 |
| Sales | EUR million | **119** | 133 | 142 | **352** | 451 | 551 |
| Underlying EBIT | EUR million | **-1** | -2 | 3 | **-7** | 10 | 7 |
| Adjustments | | | | | | | |
| Redundancy costs | EUR million | **-** | -1 | - | **-1** | - | - |
| Net of raw material-related inventory and metal derivative gains/losses, unaudited | EUR million | **1** | -0 | -3 | **-2** | -1 | -5 |
| EBIT | EUR million | **-0** | -4 | 1 | **-10** | 9 | 2 |
| Operating capital | EUR million | **139** | 132 | 166 | **139** | 166 | 151 |

Overall markets for long products remained relatively stable in the third quarter. However, typical seasonality had an impact on demand, and investment activities remained at low levels. Long products base prices remained flat in both Europe and the US.

Long Products’ deliveries decreased to 59,000 tonnes (70,000 tonnes). The decline was driven by seasonally lower external customer deliveries. Long Products’ underlying EBIT amounted to EUR -1 million (EUR -2 million). The positive impact of the weaker British pound exchange rate was largely offset by lower external delivery volumes and a weaker product mix compared to the second quarter. Adjustments in the third quarter included the net effect of raw material-related inventory and metal derivative gains/losses of EUR 1 million.

# Financial performance

## Deliveries

**Deliveries**

| 1,000 tonnes | III/16 | II/16 | III/15 | I-III/16 | I-III/15 | 2015 |
|---|---|---|---|---|---|---|
| Cold rolled | 441 | 435 | 433 | 1,316 | 1,340 | 1,767 |
| White hot strip | 105 | 113 | 79 | 321 | 260 | 346 |
| Quarto plate | 21 | 25 | 23 | 73 | 78 | 102 |
| Long products | 15 | 19 | 18 | 50 | 50 | 63 |
| Semi-finished products | 54 | 72 | 44 | 183 | 146 | 222 |
| Stainless steel [1] | 26 | 37 | 16 | 87 | 71 | 95 |
| Ferrochrome | 29 | 34 | 29 | 96 | 74 | 128 |
| Tubular products | 0 | 0 | 2 | 1 | 7 | 9 |
| Total deliveries | 637 | 664 | 599 | 1,944 | 1,881 | 2,509 |
| Stainless steel deliveries | 608 | 629 | 570 | 1,848 | 1,807 | 2,381 |

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

Outokumpu's stainless steel deliveries decreased by 3.3% to 608,000 tonnes (629,000 tonnes). The decline was driven by seasonally lower deliveries in Europe and Long products, whereas deliveries in the Americas increased.

## Sales and profitability

Outokumpu's sales in the third quarter of 2016 increased by 2.9% to EUR 1,419 million (EUR 1,379 million), driven mainly by higher deliveries and prices in Americas, partly offset by lower deliveries in Europe and Long Products. The average base price change in deliveries was positive for Outokumpu in the third quarter: base prices for coil products increased in both Europe and the US.

Outokumpu's third-quarter underlying EBIT was EUR 32 million, compared to EUR -5 million in the second quarter, driven mainly by higher deliveries and increased base prices in the Americas, as well as higher ferrochrome prices, increased base prices and improvement in cost efficiency in Europe. Long Products' underlying EBIT improved to EUR -1 million (EUR -2 million), and other operations' underlying EBIT was EUR -6 million (EUR -8 million).

**Profitability**

| EUR million | III/16 | II/16 | III/15 | I-III/16 | I-III/15 | 2015 |
|---|---|---|---|---|---|---|
| Underlying EBIT | **32** | -5 | -67 | **7** | -90 | -101 |
| Adjustments | | | | | | |
| Redundancy costs | **2** | -35 | -2 | **-32** | -2 | -25 |
| Gain on the SKS divestment | **-** | 26 | - | **26** | - | 409 |
| Net insurance compensation and costs related to technical issues in Calvert | **-** | -1 | - | **24** | -19 | -17 |
| Restructuring provisions, other than redundancy | **-** | - | - | **-8** | - | - |
| Gain on the Guangzhou divestment | **-** | 6 | - | **6** | - | - |
| Impairments related to EMEA restructuring [1] | **-** | - | - | **-** | - | -6 |
| Net of raw material-related inventory and metal derivative gains/losses, unaudited | **6** | 15 | -8 | **11** | -2 | -31 |
| EBIT | **40** | 6 | -77 | **34** | -113 | 228 |

[1] Not an EBITDA adjustment.

Adjustments to EBIT included a reversal of redundancy provisions of EUR 2 million. The net effect of raw material-related inventory and metal derivative gains/losses in the third quarter was EUR 6 million (EUR 15 million).

The net result for the third quarter of 2016 was EUR 13 million (EUR -20 million) and earnings per share was EUR 0.03 (EUR -0.05).

## Cash flow

**Summary of cash flows**

| EUR million | July–Sept 2016 | April–June 2016 | July–Sept 2015 | Jan–Sept 2016 | Jan–Sept 2015 | Jan–Dec 2015 |
|---|---|---|---|---|---|---|
| Net cash from operating activities | **61** | 54 | 67 | **190** | -36 | -34 |
| Net cash from investing activities | **26** | -22 | -15 | **-14** | -80 | 239 |
| Cash flow before financing activities | **87** | 32 | 52 | **176** | -116 | 205 |
| Net cash from financing activities | **-29** | -42 | -31 | **-148** | 149 | -213 |
| Net change in cash and cash equivalents | **58** | -10 | 21 | **28** | 33 | -8 |

Outokumpu's operating cash flow was EUR 61 million in the third quarter (EUR 54 million). The change in working capital for the quarter was EUR 15 million (EUR 4 million), of which EUR -17 million was related to provisions and pension obligations (EUR -14 million). The net working capital release during the first nine months of 2016, excluding provisions and pension obligations, amounted to EUR 149 million. The third-quarter net cash from investing activities was EUR 26 million (EUR -22 million), positively impacted by EUR 49 million proceeds from the SKS divestment.

## Financial position

Cash and cash equivalents were at EUR 213 million at the end of the third quarter (EUR 156 million), and the overall liquidity reserves were approximately EUR 0.9 billion (EUR 0.8 billion). In addition, EUR 127 million of the revolving credit facility maturing in February 2017 was available, but as it is classified as short-term, it was not included in the reported liquidity. The overall liquidity reserves increased, mainly due to the improvement in profitability and disposal proceeds.

### Debt information

| EUR million | **Sept 30 2016** | June 30 2016 | Sept 30 2015 | Dec 31 2015 |
|---|---|---|---|---|
| Bonds | **496** | 496 | 397 | 398 |
| Convertible bonds | **217** | 215 | 208 | 210 |
| Long-term loans from financial institutions | **300** | 323 | 709 | 466 |
| Pension loans | **165** | 165 | 195 | 174 |
| Finance lease liabilities | **188** | 194 | 216 | 208 |
| Short-term loans from financial institutions | **23** | 29 | 91 | 0 |
| Commercial paper | **220** | 220 | 419 | 339 |
| | **1,610** | 1,641 | 2,237 | 1,796 |

Net debt at the end of September totaled EUR 1,396 million (EUR 1,485 million). Gearing decreased to 65.3%, compared to 69.1% at the end of June.

Net financial expenses were EUR 29 million in the third quarter (EUR 28 million). Interest expenses increased slightly to EUR 27 million (EUR 25 million).

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

## Capital expenditure

Capital expenditure was EUR 43 million in the third quarter, compared to EUR 28 million in the second quarter. The increase reflected mainly seasonal maintenance work in Europe.

# Safety, people and environment

## Safety

The Outokumpu safety focus continues to develop positively. From the beginning of 2016, the company follows total recordable incident frequency (TRIFR) as its main indicator for safety performance. TRIFR includes fatal accidents, lost time incidents, restrictive work incidents, and medically treated incidents. In the third quarter, the TRIFR was 10.2 (11.3) against the target of 12.0 for 2016. There were two serious incidents during the third quarter: a fall from a height at the ferrochrome plant in Tornio, and a trapping accident in Avesta. Both of these accidents were investigated thoroughly and corrective actions were defined.

## People

**Personnel at the end of the reporting period**

| | **Sept 30 2016** | June 30 2016 | Sept 30 2015 | Dec 31 2015 |
|---|---|---|---|---|
| Europe | **7,646** | 7,561 | 7,874 | 7,778 |
| Americas | **2,209** | 2,170 | 2,261 | 2,265 |
| Long Products | **640** | 634 | 660 | 658 |
| Other operations | **290** | 280 | 765 | 301 |
| | **10,785** | 10,645 | 11,560 | 11,002 |

Other operations' September 30, 2015 figure includes the divested SKS operations.

On June 30, 2016 Group employed in addition some 800 summer trainees.

Outokumpu's headcount increased by 140 during the third quarter and totaled 10,785 at the end of September 2016 (10,645). The increase was mainly the result of the acquisition of Hernandez Edelstahl GmbH, which increased the number of personnel in Europe by approximately 100 people.

In April, Outokumpu announced efficiency measures that are expected to lead to the reduction of up to 600 jobs globally. In the second quarter, Outokumpu carried out related consultations with employee representatives in Finland and in Sweden, resulting in a reduction of approximately 180 jobs in these countries, and a further 150 jobs globally. In addition, Outokumpu concluded the negotiations in Germany in the third quarter resulting in a reduction of approximately 180 jobs. The remaining approximately 90 jobs are expected to be reduced over the coming quarters. Redundancy costs of EUR 35 million have been booked related to efficiency measures and job reductions. All in all, Outokumpu plans to reduce its personnel to a level of 9,300 in the coming years.

## Environment

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

The EU Emissions Trading Scheme (ETS) is continuing with the third trading period 2013–2020. Outokumpu's operations under the EU ETS will continue to receive free emissions allocations according to efficiency-based benchmarks and historical activity. The total allocation will be sufficient for the Group's operations during 2016.

# Shares and shareholders

On September 30, 2016, Outokumpu's share capital was EUR 311 million, and the total number of shares was 416,374,448. At the end of the third quarter, Outokumpu held 2,698,925 of its own shares. The average number of shares outstanding was 414,657,656 for the first nine months of 2016.

Outokumpu's market capitalization was EUR 2,577 million at the end of September (EUR 1,564 million). The share price averaged EUR 4.55 in the third quarter, closed the quarter at EUR 6.12, and was up by 62.8% compared to the end of the second quarter. At its highest, the share price closed at EUR 6.12, while at its lowest, the price was EUR 3.90. The share turnover was 220.7 million shares, compared to 246.3 million shares in the second quarter.

# Risks and uncertainties

The realized risks during the third quarter were mainly related to depreciation of the British pound. The continued decline of both the British pound and Swedish krona caused negative translation differences for the Group's equity. On the other hand, weaker local currencies have improved the cost bases of Group's British and Swedish operations. The decline in euro and pound interest rates has led to a negative impact on equity due to re-measurement of defined benefit pension obligations.

On September 22, 2016, Outokumpu's subsidiary in Germany (Outokumpu Nirosta GmbH) received a letter from the German Federal Cartel Office stating that the company has been included in an ongoing investigation of possible infringements of antitrust laws in the past. Outokumpu is committed to full compliance in all its operations, including applicable antitrust laws. Outokumpu Nirosta GmbH has promptly initiated an internal inquiry about the allegations. The company will respond to the investigation by the Federal Cartel Office in accordance with its findings.

## 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 market development in stainless steel and ferrochrome, as well as competitors' actions; the 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 risks 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 uncertainties caused by the Brexit referendum, may have a significant adverse impact on Outokumpu's overall business and access to financial markets.

# Corporate governance

### Outokumpu Leadership Team

In July, Outokumpu announced that Maciej Gwozdz was appointed as Head of Operations Europe and member of the Outokumpu Leadership Team. He joined Outokumpu from ZF Group/TRW, one of the largest automotive suppliers worldwide.

# Market and business outlook

### Market outlook

In the fourth quarter of 2016, global real demand is expected to increase by 1.0% compared to the third quarter, on increases of 1.2% in EMEA, 3.3% in Americas and 0.7% in APAC. Total global demand for 2016 is estimated to grow by 2.1% 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 | 7.3 | 7.3 | 7.4 | 7.5 | 7.5 | 7.6 |
| Americas | 3.7 | 3.5 | 3.5 | 3.5 | 3.6 | 3.7 |
| APAC | 26.2 | 26.6 | 27.3 | 28.3 | 29.4 | 30.6 |
| Total | 37.1 | 37.4 | 38.2 | 39.3 | 40.6 | 41.9 |

Source: SMR October 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 in 2016 and 2017 will mainly be attributable to increased demand from the Architecture/Building/Construction & Infrastructure (+3.5%), Consumer Goods & Medical (+3.2%) and Chemical, Petrochemical & Energy (+2.6%) segments.

## Business and financial outlook for the fourth quarter of 2016

Underlying stainless steel demand is expected to remain healthy in both Europe and the US in the fourth quarter. However, a typical softening of distributor demand is expected towards the end of the year, particularly in the US, due to the holiday season.

With the seasonal slowdown in the US, fourth-quarter stainless steel deliveries of business area Americas are expected to be significantly lower compared to the third quarter. In Europe, stainless steel deliveries are expected to remain flat.

In the ferrochrome business, October production was negatively impacted by technical issues during the post-maintenance ramp-up. The facilities are now back to normal operation but ferrochrome deliveries in the fourth quarter are expected to be at a lower level than in the third quarter, offset by higher ferrochrome prices. Consequently, the profitability contribution of the ferrochrome operations is expected to remain sequentially flat quarter-on-quarter.

Outokumpu expects the base price improvements to have a slight positive impact on fourth-quarter profitability. However, with the delay in ferrochrome production ramp-up, lower deliveries in the Americas, and annual maintenance work at the Tornio mill in Europe, Outokumpu expects its fourth-quarter underlying EBIT to remain at a similar level to the third quarter. Consequently, underlying EBIT for the full year 2016 is expected to be clearly positive.

Outokumpu has closed its defined benefit pension scheme in the UK to future pension accruals and has made changes to the terms of retirement. As a result, Outokumpu anticipates a reduction in its net pension obligations, and expects to recognize gain of approximately EUR 25 million in its fourth quarter results. This income will be adjusted from underlying EBIT.

Helsinki, November 3, 2016

Board of Directors

# Financial information

## Condensed income statement

| EUR million | July–Sept 2016 | April–June 2016 | July–Sept 2015 | Jan–Sept 2016 | Jan–Sept 2015 | Jan–Dec 2015 |
|---|---|---|---|---|---|---|
| **Sales** | 1,419 | 1,379 | 1,487 | 4,183 | 4,949 | 6,384 |
| Cost of sales | -1,301 | -1,287 | -1,476 | -3,897 | -4,835 | -6,273 |
| **Gross margin** | 117 | 92 | 11 | 286 | 114 | 111 |
| Other operating income | 4 | 36 | 13 | 66 | 45 | 472 |
| Sales, general and administrative costs [1)] | -56 | -112 | -95 | -271 | -268 | -342 |
| Other operating expenses | -26 | -10 | -6 | -47 | -4 | -13 |
| **EBIT** | 40 | 6 | -77 | 34 | -113 | 228 |
| Share of results in associated companies and joint ventures | 2 | 1 | -1 | 2 | 2 | 49 |
| Financial income and expenses | | | | | | |
| Interest expenses | -27 | -25 | -31 | -78 | -96 | -130 |
| Net other financial expenses | -3 | -3 | -4 | -13 | -17 | -20 |
| **Result before taxes** | 13 | -22 | -113 | -56 | -224 | 127 |
| Income taxes | 0 | 1 | -2 | 8 | 3 | -41 |
| **Net result for the period** | 13 | -20 | -115 | -48 | -222 | 86 |
| **Attributable to:** | | | | | | |
| Equity holders of the Company | 13 | -20 | -111 | -48 | -214 | 96 |
| Non-controlling interests | - | - | -4 | - | -8 | -9 |
| Earnings per share for result attributable to the equity holders of the Company (basic and diluted), EUR | 0.03 | -0.05 | -0.27 | -0.12 | -0.51 | 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 | July–Sept 2016 | April–June 2016 | July–Sept 2015 | Jan–Sept 2016 | Jan–Sept 2015 | Jan–Dec 2015 |
|---|---|---|---|---|---|---|
| **Net result for the period** | 13 | -20 | -115 | -48 | -222 | 86 |
| **Other comprehensive income** | | | | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | | | | |
| Exchange differences on translating foreign operations | | | | | | |
| Change in exchange differences | -5 | 2 | -27 | -34 | 55 | 75 |
| Reclassification adjustments from other comprehensive income to profit or loss | - | -2 | - | -2 | - | -17 |
| Available-for-sale financial assets | -3 | 0 | -1 | -2 | -1 | -1 |
| Cash flow hedges | -2 | -3 | -3 | -5 | -1 | 2 |
| **Items that will not be reclassified to profit or loss:** | | | | | | |
| Remeasurements on defined benefit obligation plans | | | | | | |
| Changes during the accounting period | -14 | -52 | -5 | -95 | 35 | 3 |
| Income tax relating to remeasurements | 0 | 0 | 0 | 0 | 0 | -7 |
| Share of other comprehensive income in associated companies and joint ventures | 0 | 0 | 0 | 0 | -1 | -1 |
| **Other comprehensive income for the period, net of tax** | -24 | -54 | -35 | -138 | 88 | 56 |
| **Total comprehensive income for the period** | -11 | -74 | -150 | -186 | -134 | 142 |
| **Attributable to:** | | | | | | |
| Equity holders of the Company | -11 | -74 | -146 | -186 | -127 | 150 |
| Non-controlling interests | - | - | -4 | - | -7 | -8 |

## Condensed statement of financial position

| EUR million | Sept 30 2016 | June 30 2016 | Sept 30 2015 | Dec 31 2015 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 494 | 495 | 567 | 498 |
| Property, plant and equipment | 2,890 | 2,911 | 3,061 | 3,005 |
| Investments in associated companies and joint ventures | 64 | 62 | 82 | 63 |
| Other financial assets | 48 | 46 | 38 | 41 |
| Deferred tax assets | 25 | 21 | 61 | 16 |
| Defined benefit plan assets | 20 | 23 | 38 | 35 |
| Trade and other receivables | 6 | 6 | 17 | 40 |
| **Total non-current assets** | 3,546 | 3,565 | 3,864 | 3,698 |
| **Current assets** | | | | |
| Inventories | 1,180 | 1,153 | 1,413 | 1,251 |
| Other financial assets | 37 | 27 | 32 | 53 |
| Trade and other receivables | 686 | 773 | 676 | 686 |
| Cash and cash equivalents | 213 | 156 | 225 | 186 |
| **Total current assets** | 2,116 | 2,109 | 2,346 | 2,177 |
| **TOTAL ASSETS** | 5,662 | 5,674 | 6,210 | 5,874 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Equity attributable to the equity holders of the Company | 2,137 | 2,148 | 2,051 | 2,329 |
| Non-controlling interests | - | - | 33 | - |
| **Total equity** | 2,137 | 2,148 | 2,085 | 2,329 |
| **Non-current liabilities** | | | | |
| Non-current debt | 1,109 | 1,162 | 1,494 | 1,249 |
| Other financial liabilities | 4 | 7 | 11 | 9 |
| Deferred tax liabilities | 9 | 9 | 38 | 16 |
| Defined benefit and other long-term employee benefit obligations | 424 | 413 | 335 | 369 |
| Provisions | 126 | 114 | 110 | 113 |
| Trade and other payables | 37 | 47 | 48 | 48 |
| **Total non-current liabilities** | 1,709 | 1,752 | 2,035 | 1,805 |
| **Current liabilities** | | | | |
| Current debt | 500 | 478 | 743 | 547 |
| Other financial liabilities | 32 | 47 | 51 | 50 |
| Provisions | 23 | 34 | 26 | 23 |
| Trade and other payables | 1,261 | 1,215 | 1,270 | 1,121 |
| **Total current liabilities** | 1,816 | 1,774 | 2,090 | 1,741 |
| **TOTAL EQUITY AND LIABILITIES** | 5,662 | 5,674 | 6,210 | 5,874 |

### Condensed statement of cash flows

| EUR million | July–Sept 2016 | April–June 2016 | July–Sept 2015 | Jan–Sept 2016 | Jan–Sept 2015 | Jan–Dec 2015 |
|---|---|---|---|---|---|---|
| Net result for the period | 13 | -20 | -115 | -48 | -222 | 86 |
| Adjustments | | | | | | |
| Depreciation, amortization and impairments | 79 | 56 | 80 | 193 | 236 | 304 |
| Other non-cash adjustments | -21 | 36 | 48 | 47 | 8 | -401 |
| Change in working capital | 15 | 4 | 91 | 77 | 38 | 94 |
| Dividends and interests received | 0 | 0 | 1 | 1 | 2 | 4 |
| Interests paid | -23 | -22 | -31 | -73 | -91 | -111 |
| Income taxes paid | -2 | -1 | -6 | -8 | -7 | -11 |
| **Net cash from operating activities** | 61 | 54 | 67 | 190 | -36 | -34 |
| | | | | | | |
| Purchases of assets | -26 | -34 | -35 | -100 | -102 | -151 |
| Proceeds from the disposal of subsidiaries, net of cash and tax | 49 | 7 | - | 72 | - | 375 |
| Proceeds from the sale of assets | 1 | 1 | 20 | 8 | 20 | 23 |
| Other investing cash flow | 2 | 3 | 0 | 5 | 2 | -8 |
| **Net cash from investing activities** | 26 | -22 | -15 | -14 | -80 | 239 |
| | | | | | | |
| **Cash flow before financing activities** | 87 | 32 | 52 | 176 | -116 | 205 |
| | | | | | | |
| Capital contribution by the non-controlling interest holder | - | - | 41 | - | 41 | 41 |
| Treasury share repurchase | - | -7 | - | -7 | - | - |
| Borrowings of non-current debt | - | 333 | 0 | 366 | 316 | 316 |
| Repayment of non-current debt | -26 | -409 | -81 | -452 | -389 | -648 |
| Change in current debt | -8 | 2 | 8 | -99 | 180 | 78 |
| Other financing cash flow | 5 | 38 | 1 | 43 | 1 | 0 |
| **Net cash from financing activities** | -29 | -42 | -31 | -148 | 149 | -213 |
| **Net change in cash and cash equivalents** | 58 | -10 | 21 | 28 | 33 | -8 |
| | | | | | | |
| **Cash and cash equivalents at the beginning of the period** | 156 | 166 | 207 | 186 | 191 | 191 |
| Foreign exchange rate effect | 0 | -0 | -3 | -1 | 1 | 2 |
| Net change in cash and cash equivalents | 58 | -10 | 21 | 28 | 33 | -8 |
| **Cash and cash equivalents at the end of the period** | 213 | 156 | 225 | 213 | 225 | 186 |

**Statement of changes in equity**

| EUR million | Share capital | Premium fund | Invested unrestricted equity reserve | Other reserves | Fair value reserves | Cumulative translation differences | Remeasurements of defined benefit plans | Treasury shares | Retained earnings | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to the equity holders of the parent | | | | | | | | | | |
| **Equity on Jan 1, 2015** | 311 | 714 | 2,103 | 5 | 5 | -49 | -89 | -23 | -846 | 0 | 2,132 |
| Net result for the period | - | - | - | - | - | - | - | - | -214 | -8 | -222 |
| Other comprehensive income | - | - | - | - | -2 | 54 | 35 | - | -1 | 1 | 88 |
| Total comprehensive income for the period | - | - | - | - | -2 | 54 | 35 | - | -214 | -7 | -134 |
| Transactions with equity holders of the Company | | | | | | | | | | | |
| Contributions and distributions | | | | | | | | | | | |
| Convertible bond | - | - | - | - | - | - | - | - | 45 | - | 45 |
| Capital contribution by the non-controlling interest holder [1)] | - | - | - | - | - | - | - | - | - | 41 | 41 |
| Share-based payments | - | - | - | - | - | - | - | 2 | -0 | - | 1 |
| **Equity on Sept 30, 2015** | 311 | 714 | 2,103 | 5 | 3 | 6 | -54 | -21 | -1,013 | 33 | 2,085 |
| | | | | | | | | | | | |
| **Equity on Jan 1, 2016** | 311 | 714 | 2,103 | 5 | 6 | 8 | -92 | -21 | -704 | - | 2,329 |
| Net result for the period | - | - | - | - | - | - | - | - | -48 | - | -48 |
| Other comprehensive income | - | - | - | - | -7 | -36 | -95 | - | 0 | - | -138 |
| Total comprehensive income for the period | - | - | - | - | -7 | -36 | -95 | - | -48 | - | -186 |
| Transactions with equity holders of the Company | | | | | | | | | | | |
| Contributions and distributions | | | | | | | | | | | |
| Share-based payments | - | - | - | - | - | - | - | 5 | -3 | - | 1 |
| Treasury share repurchase | - | - | - | - | - | - | - | -7 | - | - | -7 |
| Other | - | - | - | -2 | - | - | - | - | 2 | - | - |
| **Equity on Sept 30, 2016** | 311 | 714 | 2,103 | 2 | -1 | -28 | -186 | -23 | -754 | - | 2,137 |

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

**Key figures by quarters**

| EUR million | I/15 | II/15 | III/15 | I-III/15 | IV/15 | 2015 | I/16 | II/16 | III/16 | I–III/16 |
|---|---|---|---|---|---|---|---|---|---|---|
| Adjustments | | | | | | | | | | |
| Redundancy costs | - | - | -2 | -2 | -23 | -25 | - | -35 | 2 | -32 |
| Gain on the SKS divestment | - | - | - | - | 409 | 409 | - | 26 | - | 26 |
| Net insurance compensation and costs related to technical issues in Calvert | -19 | - | - | -19 | 2 | -17 | 25 | -1 | - | 24 |
| Restructuring provisions, other than redundancy | - | - | - | - | - | - | -8 | - | - | -8 |
| Gain on the Guangzhou divestment | - | - | - | - | - | - | - | 6 | - | 6 |
| Net of raw material-related inventory and | | | | - | | | | | | |
| metal derivative gains/losses, unaudited | 7 | -1 | -8 | -2 | -29 | -31 | -9 | 15 | 6 | 11 |
| Adjustments to EBITDA | -12 | -1 | -10 | -23 | 359 | 336 | 8 | 11 | 8 | 27 |
| | | | | | | | | | | |
| Additionally to EBIT | | | | | | | | | | |
| Impairments related to EMEA restructuring | - | - | - | - | -6 | -6 | - | - | - | - |
| Adjustments to EBIT | -12 | -1 | -10 | -23 | 352 | 330 | 8 | 11 | 8 | 27 |
| | | | | | | | | | | |
| EBIT margin, % | -0.6 | -1.5 | -5.2 | -2.3 | 23.8 | 3.6 | -0.9 | 0.4 | 2.8 | 0.8 |
| Return on capital employed, % | -1.5 | -1.8 | -3.4 | -3.4 | 5.3 | 5.3 | 5.3 | 6.2 | 9.3 | 9.3 |
| Return on equity, % | -10.7 | -11.0 | -12.9 | -12.9 | 3.9 | 3.9 | 4.1 | 6.0 | 11.9 | 11.9 |
| | | | | | | | | | | |
| Non-current debt | 1,732 | 1,576 | 1,494 | 1,494 | 1,249 | 1,249 | 870 | 1,162 | 1,109 | 1,109 |
| Current debt | 600 | 747 | 743 | 743 | 547 | 547 | 848 | 478 | 500 | 500 |
| Cash and cash equivalents | -298 | -207 | -225 | -225 | -186 | -186 | -166 | -156 | -213 | -213 |
| Net debt at the end of period | 2,034 | 2,116 | 2,012 | 2,012 | 1,610 | 1,610 | 1,551 | 1,485 | 1,396 | 1,396 |
| | | | | | | | | | | |
| Capital employed at the end of period | 4,503 | 4,479 | 4,271 | 4,271 | 4,133 | 4,133 | 3,973 | 3,905 | 3,815 | 3,815 |
| Equity-to-assets ratio at the end of period, % | 32.3 | 33.5 | 33.6 | 33.6 | 39.6 | 39.6 | 39.2 | 37.9 | 37.7 | 37.7 |
| Debt-to-equity ratio at the end of period, % | 91.5 | 96.4 | 96.5 | 96.5 | 69.1 | 69.1 | 69.6 | 69.1 | 65.3 | 65.3 |
| Net debt to underlying EBITDA | 7.5 | 8.3 | 9.2 | 9.2 | 8.2 | 8.2 | 9.9 | 9.8 | 5.5 | 5.5 |
| | | | | | | | | | | |
| Earnings per share, EUR | -0.10 | -0.14 | -0.27 | -0.51 | 0.74 | 0.23 | -0.10 | -0.05 | 0.03 | -0.12 |
| Equity per share at the end of period, EUR | 5.35 | 5.29 | 4.93 | 4.93 | 5.60 | 5.60 | 5.36 | 5.19 | 5.17 | 5.17 |
| | | | | | | | | | | |
| Deliveries, 1,000 tonnes | | | | | | | | | | |
| Cold rolled | 458 | 449 | 433 | 1,340 | 426 | 1,767 | 440 | 435 | 441 | 1,316 |
| White hot strip | 93 | 88 | 79 | 260 | 85 | 346 | 103 | 113 | 105 | 321 |
| Quarto plate | 24 | 31 | 23 | 78 | 24 | 102 | 28 | 25 | 21 | 73 |
| Long products | 16 | 16 | 18 | 50 | 13 | 63 | 15 | 19 | 15 | 50 |
| Semi-finished products | 49 | 52 | 44 | 146 | 77 | 222 | 57 | 72 | 54 | 183 |
| Stainless steel [1)] | 27 | 29 | 16 | 71 | 23 | 95 | 24 | 37 | 26 | 87 |
| Ferrochrome | 22 | 23 | 29 | 74 | 54 | 128 | 33 | 34 | 29 | 96 |
| Tubular products | 2 | 3 | 2 | 7 | 2 | 9 | 0 | 0 | 0 | 1 |
| Total deliveries | 642 | 640 | 599 | 1,881 | 627 | 2,509 | 643 | 664 | 637 | 1,944 |
| Stainless steel deliveries | 620 | 616 | 570 | 1,807 | 574 | 2,381 | 610 | 629 | 608 | 1,848 |
| | | | | | | | | | | |
| Average personnel for the period | 11,927 | 12,172 | 11,879 | 11,993 | 11,353 | 11,833 | 10,955 | 11,142 | 11,167 | 11,069 |

[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 | I–III/15 | IV/15 | 2015 | I/16 | II/16 | **III/16** | **I–III/16** |
|---|---|---|---|---|---|---|---|---|---|---|
| Europe total | 410 | 413 | 375 | 1,197 | 381 | 1,578 | 421 | 413 | **396** | **1,230** |
| of which intra-group | 5 | 7 | 4 | 16 | 6 | 23 | 5 | 4 | **5** | **13** |
| Americas total | 133 | 117 | 139 | 389 | 144 | 533 | 161 | 177 | **185** | **523** |
| of which intra-group | 0 | 0 | 12 | 13 | 1 | 14 | 0 | 0 | **3** | **3** |
| Long Products total | 52 | 62 | 58 | 172 | 42 | 213 | 50 | 70 | **59** | **179** |
| of which intra-group | 16 | 22 | 30 | 68 | 12 | 80 | 18 | 26 | **25** | **68** |
| Other operations total | 48 | 56 | 45 | 149 | 27 | 176 | - | - | **-** | **-** |
| of which intra-group | - | 2 | 1 | 3 | 1 | 3 | - | - | **-** | **-** |
| Group total deliveries | 620 | 616 | 570 | 1,807 | 574 | 2,381 | 610 | 629 | **608** | **1,848** |

Sales

| EUR million | I/15 | II/15 | III/15 | I–III/15 | IV/15 | 2015 | I/16 | II/16 | **III/16** | **I–III/16** |
|---|---|---|---|---|---|---|---|---|---|---|
| Europe total | 1,163 | 1,140 | 1,019 | 3,321 | 995 | 4,316 | 987 | 958 | **946** | **2,891** |
| of which intra-group | 36 | 40 | 49 | 125 | 40 | 165 | 35 | 36 | **43** | **114** |
| Americas total | 337 | 284 | 301 | 922 | 292 | 1,214 | 301 | 311 | **372** | **984** |
| of which intra-group | 7 | 5 | 21 | 34 | 4 | 37 | 4 | 5 | **10** | **20** |
| Long Products total | 149 | 159 | 142 | 451 | 100 | 551 | 100 | 133 | **119** | **352** |
| of which intra-group | 36 | 46 | 56 | 139 | 23 | 162 | 27 | 38 | **40** | **105** |
| Other operations total | 274 | 273 | 231 | 778 | 201 | 979 | 135 | 132 | **160** | **426** |
| of which intra-group | 75 | 71 | 79 | 225 | 86 | 311 | 71 | 75 | **85** | **232** |
| Group total sales | 1,768 | 1,694 | 1,487 | 4,949 | 1,435 | 6,384 | 1,386 | 1,379 | **1,419** | **4,183** |

EBIT

| EUR million | I/15 | II/15 | III/15 | I–III/15 | IV/15 | 2015 | I/16 | II/16 | **III/16** | **I–III/16** |
|---|---|---|---|---|---|---|---|---|---|---|
| Europe | 46 | 57 | -19 | 84 | 0 | 84 | 32 | 7 | **48** | **88** |
| Americas | -48 | -65 | -49 | -163 | -54 | -216 | -26 | -19 | **-2** | **-47** |
| Long Products | 4 | 5 | 1 | 9 | -8 | 2 | -6 | -4 | **0** | **-10** |
| Other operations and intra-group items | -12 | -23 | -9 | -44 | 403 | 359 | -12 | 22 | **-6** | **3** |
| Group total EBIT | -10 | -26 | -77 | -113 | 341 | 228 | -12 | 6 | **40** | **34** |

Underlying EBIT

| EUR million | I/15 | II/15 | III/15 | I–III/15 | IV/15 | 2015 | I/16 | II/16 | **III/16** | **I–III/16** |
|---|---|---|---|---|---|---|---|---|---|---|
| Europe | 27 | 41 | -15 | 52 | 33 | 85 | 42 | 29 | **45** | **116** |
| Americas | -28 | -50 | -44 | -121 | -41 | -163 | -43 | -24 | **-7** | **-73** |
| Long Products | 3 | 4 | 3 | 10 | -3 | 7 | -4 | -2 | **-1** | **-7** |
| Other operations and intra-group items | 0 | -20 | -11 | -31 | 1 | -30 | -15 | -8 | **-6** | **-29** |
| Group total underlying EBIT | 2 | -25 | -67 | -90 | -11 | -101 | -20 | -5 | **32** | **7** |

Adjustments to EBIT

| EUR million | I/15 | II/15 | III/15 | I–III/15 | IV/15 | 2015 | I/16 | II/16 | **III/16** | **I–III/16** |
|---|---|---|---|---|---|---|---|---|---|---|
| Europe | 20 | 16 | -4 | 32 | -33 | -1 | -9 | -22 | **3** | **-28** |
| Americas | -21 | -15 | -5 | -41 | -12 | -54 | 17 | 4 | **5** | **27** |
| Long Products | 1 | 1 | -3 | -1 | -4 | -5 | -3 | -1 | **1** | **-3** |
| Other operations and intra-group items | -12 | -3 | 2 | -13 | 402 | 389 | 3 | 30 | **-1** | **32** |
| Group total adjustments to EBIT | -12 | -1 | -10 | -23 | 352 | 330 | 8 | 11 | **8** | **27** |

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

EBITDA

| EUR million | I/15 | II/15 | III/15 | I–III/15 | IV/15 | 2015 | I/16 | II/16 | **III/16** | **I–III/16** |
|---|---|---|---|---|---|---|---|---|---|---|
| Europe | 98 | 108 | 32 | 238 | 47 | 286 | 74 | 47 | **111** | **231** |
| Americas | -26 | -43 | -27 | -96 | -40 | -136 | -12 | -6 | **12** | **-7** |
| Long Products | 5 | 8 | 3 | 16 | -6 | 10 | -4 | -2 | **2** | **-5** |
| Other operations and intra-group items | -12 | -18 | -5 | -35 | 407 | 372 | -11 | 23 | **-5** | **7** |
| Group total EBITDA | 65 | 55 | 3 | 123 | 408 | 531 | 46 | 62 | **119** | **227** |

Underlying EBITDA

| EUR million | I/15 | II/15 | III/15 | I–III/15 | IV/15 | 2015 | I/16 | II/16 | **III/16** | **I–III/16** |
|---|---|---|---|---|---|---|---|---|---|---|
| Europe | 78 | 92 | 36 | 206 | 74 | 280 | 83 | 69 | **108** | **259** |
| Americas | -5 | -27 | -22 | -55 | -28 | -83 | -29 | -11 | **6** | **-33** |
| Long Products | 5 | 7 | 5 | 17 | -1 | 15 | -2 | -1 | **1** | **-2** |
| Other operations and intra-group items | -1 | -15 | -6 | -22 | 5 | -17 | -14 | -7 | **-5** | **-25** |
| Group total underlying EBITDA | 77 | 57 | 13 | 146 | 50 | 196 | 38 | 51 | **110** | **200** |

Depreciation and amortization

| EUR million | I/15 | II/15 | III/15 | I–III/15 | IV/15 | 2015 | I/16 | II/16 | **III/16** | **I–III/16** |
|---|---|---|---|---|---|---|---|---|---|---|
| Europe | -51 | -51 | -51 | -154 | -41 | -196 | -41 | -40 | **-40** | **-120** |
| Americas | -22 | -22 | -22 | -67 | -14 | -80 | -13 | -13 | **-13** | **-40** |
| Long Products | -2 | -2 | -2 | -6 | -2 | -8 | -2 | -2 | **-2** | **-5** |
| Other operations | -5 | -5 | -4 | -14 | -4 | -18 | -1 | -1 | **-1** | **-4** |
| Group total depreciation and amortization | -80 | -81 | -80 | -241 | -61 | -302 | -58 | -56 | **-56** | **-170** |

Capital expenditure

| EUR million | I/15 | II/15 | III/15 | I–III/15 | IV/15 | 2015 | I/16 | II/16 | **III/16** | **I–III/16** |
|---|---|---|---|---|---|---|---|---|---|---|
| Europe | 20 | 16 | 19 | 55 | 41 | 96 | 25 | 23 | **28** | **76** |
| Americas | 1 | 4 | 2 | 7 | 12 | 19 | 0 | 2 | **5** | **7** |
| Long Products | 1 | 0 | 1 | 2 | 5 | 7 | 0 | 1 | **2** | **3** |
| Other operations | 4 | 14 | 6 | 25 | 7 | 32 | 6 | 2 | **8** | **17** |
| Group total capital expenditure | 26 | 35 | 29 | 89 | 65 | 154 | 32 | 28 | **43** | **103** |

Operating capital

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

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) | = | Net result for the financial period (4-quarter rolling) / Total equity (4-quarter rolling average) | × 100 |
| Return on capital employed (ROCE) | = | EBIT (4-quarter rolling) / Capital employed (4-quarter rolling average) | × 100 |
| Net debt | = | Non-current debt + current debt – cash and cash equivalents | |
| Equity-to-assets ratio | = | Total equity / Total assets – advances received | × 100 |
| Debt-to-equity ratio | = | Net debt / Total equity | × 100 |
| Net debt to underlying EBITDA | = | Net debt / Underlying EBITDA (4-quarter rolling) | |
| Earnings per share | = | Net result for the financial period attributable to the owners of the parent / Adjusted average number of shares during the period | |
| Equity per share | = | Equity attributable to the owners of the parent / Adjusted number of shares at the end of the period | |