Annual Report 2013

outokumpu

working towards a world that lasts forever

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"We are making fundamental changes to reshape our future to ensure we can seize the opportunities that the stainless steel industry holds."

Mika Seitovirta, CEO

This **Annual Report** includes Financial Statements and Corporate Governance Statement. For our environmental and social reporting, please check our **Sustainability Report 2013**.

CEO foreword

Year 2013 marked a new beginning for Outokumpu as a global leader in stainless steel. Through the acquisition of Inoxum we gained a truly global reach with a more diverse and balanced customer base and the broadest range of products in the industry. Our presence grew especially in Germany, the largest stainless steel market in Europe, where we now hold a 50% market share and world-class cold-rolling centers that serve the most demanding and attractive end-customer segments. We continue to invest in this important market, while at the same time ensuring we cut excess capacity to increase efficiency and reduce our cost levels. Furthermore, we got a strong foothold in Americas with a new stainless steel mill in United States and a cold-rolling center in Mexico, and a 20% market share in the growing NAFTA market.

Throughout our first year we shared news about how our products and expertise are used all over the world in a variety of applications from small Mexican coins to large chemical tankers, to thermal power plants in India, to the tallest skyscraper in China.

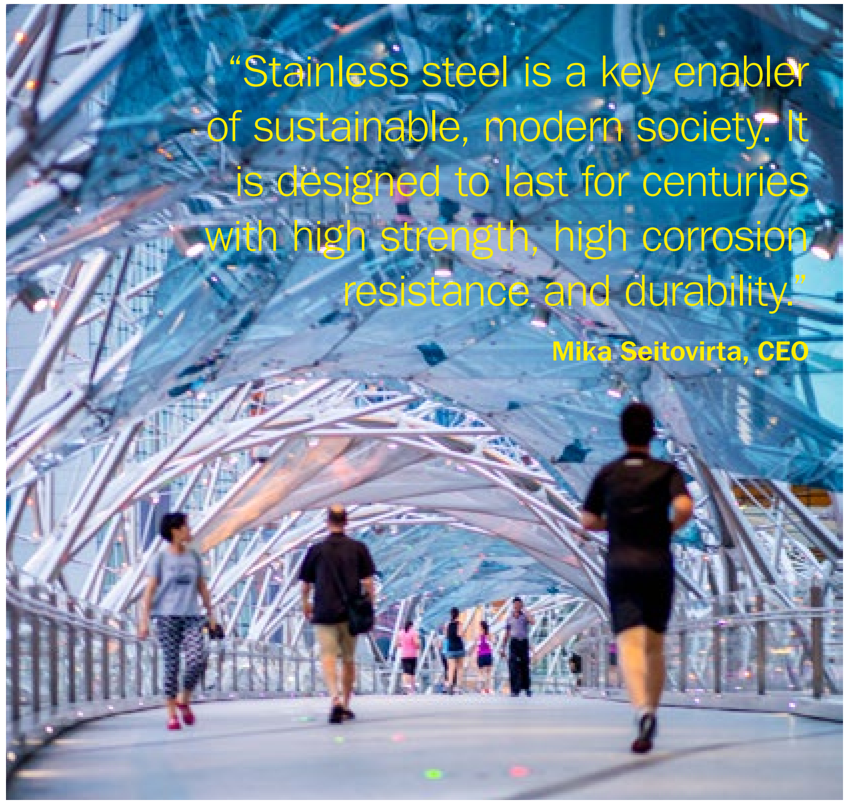
However, our journey started in strong headwinds. The demand for stainless steel remained even weaker than expected, particularly in Europe. Nickel price declined 18% from beginning of 2013 till year end, which negatively affected our financial performance as it contributed to the market sentiment and caused inventory losses. Furthermore, we were burdened by the remedy requirement of the European Commission that dictated the divestiture of the stainless steel operations in Terni, Italy and additional European service centers. The Terni remedy requirement did not only tie our time and resources, but also significantly hampered the ramp-up of the Calvert stainless steel mill in Alabama, USA as we were forced us to continue the deliveries from Terni to our mills in United States and Mexico that could have already been supplied by Calvert melt shop alone.

Despite these obstacles we made significant progress in many areas. The synergy savings that were at the core of the Inoxum acquisition started to materialize immediately from the first quarter of 2013, and exceeded the full year 2013 targets already during the third quarter. As planned, the synergy savings accumulated mainly through the streamlining of operations in all areas and increased purchasing power in raw material and general procurement.

To accelerate efficiencies and cost savings we launched a new P150 program with the target to reduce our costs by 150 million euros annually. A new P300 program was initiated to reduce our working capital by 300 million euros by end of 2014. All in all, the synergy and cost savings reached 199 million euros in 2013, giving us further confidence in the targeted annual cost savings of 450 million euro that we expect to reach in 2017. The P300 program exceeded its targets already in 2013, and all in all we achieved a working capital reduction of 351 million euros through active inventory management and other measures.

While we executed our strategy decisively, the weak market with sluggish demand and low prices and the challenges with the Calvert ramp-up our results offset the good progress: for the full year 2013 we reported an underlying operating result of -377 million euros.

We are in the middle of a large transformation. In the weak market we have had to carry it out at the expense of our balance sheet. Thus, we made focused efforts to address this: in November 2013 we announced comprehensive measures that included the divestment of Terni and VDM businesses to ThyssenKrupp, new financing arrangement with longer maturities and debt reduction as well as the rights issue of approximately 665 million euro. These measures significantly strengthen Outokumpu's financial position and balance sheet so that we can continue the decisive implementation of our strategy to turn the company to sustainable profitability.



In 2013 our environmental leadership was once again recognized by several rankings and ratings. For example, Outokumpu was included in the Dow Jones Sustainability Index for the seventh consecutive year. We further improved our scores, and were ranked as the best stainless steel company and one of the top three in the steel sector globally.

Stainless steel itself is a key enabler of sustainable, modern society. It is designed to last for centuries with high strength, high corrosion resistance and durability. And when a product comes to the end of its long life, 100% of the stainless steel can be used to make new stainless steel.

Because of these qualities that perfectly meet the needs of societies and business around the world, stainless steel has limitless opportunities as an advance material that can build a world that lasts forever. And so, even in the current global economy, the global demand stainless steel is growing: Steel & Metals Market Research (SMR), an independent market research company forecasts continued 5% growth in the stainless steel demand in 2014–2015.

We are making fundamental changes to reshape our future to ensure we can seize the opportunities that the stainless steel industry holds. We have a clear strategy that we are executing decisively to restructure our operations to ensure competitive cost level and leverage the investments we have made in our ferrochrome operations and the Calvert mill in the United States. In fact, we expect our Americas business area to reach break-even EBITDA already for the full year 2014.

I am confident that we have all the elements in place to make a turnaround. I believe the synergy benefits, strong position in all the key markets and unparalleled expertise that builds on a legacy of 100 years in stainless steel lay a solid foundation for Outokumpu to once again become a company that creates true shareholder value.

Mika Seitovirta
CEO

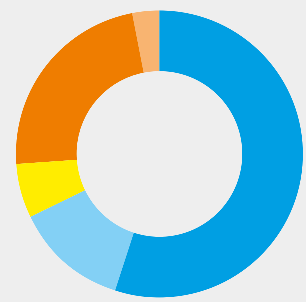
Key figures

Group key figures, comparable

	2013	2012
Sales (€ million)	**6 745**	7 961
EBITDA (€ million)	**-165**	-267
Underlying EBITDA (€ million)	**-32**	-66
EBIT (€ million)	**-510**	-754
Underlying EBIT (€ million)	**-377**	-412
Net result (€ million)	**-1 003**	n/a
Net cash generated from operating activities (€ million)	**34**	n/a
Capital expenditure (€ million)	**183**	763
Stainless steel deliveries (1 000 tonnes)	**2 585**	2 723
Personnel at the end of the period	**12 561**	14 073

Please note that these figures have been restated to only include continuing operations. All comparable figures from 2012 are presented as if the Outokumpu would have completed the Inoxum transaction at the beginning of 2012 and are unaudited management estimates.

Sales, 6 745 € million

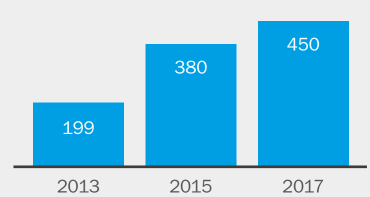


Capital structure

	2013	2012
Long-term debt (€ million)	**3 270**	2 935
Current debt (€ million)	**893**	718
Cash and cash equivalents (€ million)	**-607**	-222
Net interest-bearing debt at the end of the year (€ million)	**3 556**	3 431
Debt-to-equity ratio at the end of the year (%)	**188.0**	116.2

The figures for 2012 have been restated after Outokumpu adopted a new definition of net interest-bearing debt and gearing in January 2014.

Combined savings, € million*



* 2015 and 2017 include savings from planned efficiency measures in the new industrial plan for Europe.

Sales

6 745

€ million

Highlights

Outokumpu's year 2013 was characterized by the integration between Outokumpu and Inoxum, the related industrial restructuring and heavy cost saving measures, the ferrochrome expansion and the ramp-up of the Calvert stainless steel mill. Good progress was made in these areas despite strong headwinds. However, in a weak market the results remained unsatisfactory.

The year 2013 marked the first year for Outokumpu as the new global leader following the acquisition of Inoxum, which was a perfect fit for Outokumpu: Outokumpu's presence grew, especially in the Americas and Asia, the product portfolio was complemented by, for example, ferritic grades and Outokumpu's customer base expanded from industrial segments to cover consumer goods and appliances. What is more, it created annual synergy saving potential of 200 million euro that is expected to materialize in full by the end of 2017. In short, the acquisition hit all of Outokumpu's strategic objectives with a single stroke.

For the new Outokumpu, the strategy is twofold: restructure the company to achieve synergy and cost savings, and leverage the investments in Ferrochrome and Calvert to create profitable growth. The clear objective is to reach sustainable profitability. Thus, for 2013 the priorities were clear: customers, synergy savings, the Calvert ramp-up, cash flow and strengthening the company's balance sheet.

Start of the new company

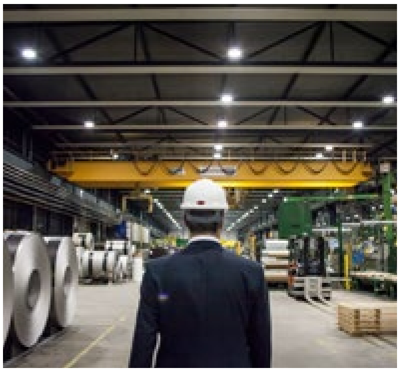
In January, the new Outokumpu started operations, and the integration of two stainless steel giants began. In the stainless steel business, thousands of employees, several plants in China, Germany, Mexico and USA, new customers in consumer goods segments and countless grades and surface finishes joined the company.

JANUARY

FEBRUARY

Long service life in extreme temperatures

Outokumpu supplied stainless steel for Vantrunk for cable ladders and cable trays to support cable in the massive Gorgon liquefied natural gas project in Australia, the largest construction project ever undertaken in Australia. The chosen material ensures a 20-year service life in a temperature range from -50 to +450 degrees Celsius. "We have developed a strong and reliable supply chain. Outokumpu plays a key role in helping us to deliver our customer promise," commented Vantrunk.



Strong efforts to cut costs and inventory levels

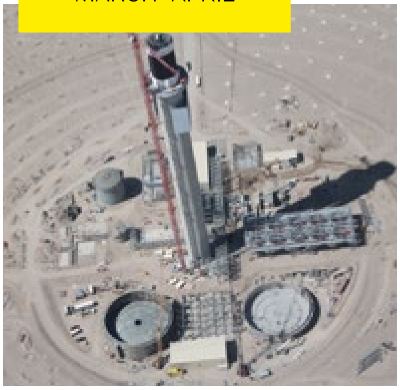
Both companies had been heavily loss-making for years. In April, the company started new projects to reduce working capital by 300 million euros by the end of 2014 and to cut costs by 150 million euros. The results were excellent: P150 beat its targets, reaping savings of 104 million euros already in 2013, with the rest materializing in 2014, and P300 dropped inventory days to 88, reaching its targets for year-end.

Outokumpu launched new stainless steel grades, surface finishes, vision, mission and brand at Outokumpu Experience.

Experience Outokumpu

A global event, Outokumpu Experience brought together more than 700 professionals, investors and analysts of stainless steel under one roof in London, UK. Outokumpu launched at the event its new vision – a world that lasts forever, new formable duplex grades FDX 25™ and FDX 27™ that conquer the one weakness in duplex grades, their formability, and new surface finishes, 2R², Gritline and Laser. Later in the year, Outokumpu also launched new high-chromium austenitic and ferritic grades.

MARCH–APRIL



Pioneering solar plant in Nevada

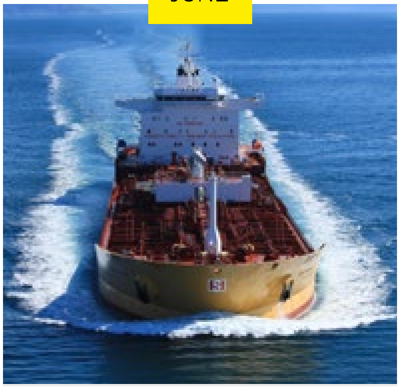
Outokumpu won another contract for the pioneering Crescent Dunes solar plant project in Tonopah, Nevada, USA and now supplies lean duplex on top of the quarto plate deliveries announced earlier. Duplex is used in the zenithal anchor bolts or mounting bolts of the solar panels, which allow the panels to turn in two planes and thus to follow the sun and capture its energy more efficiently. "Technical explanations and credibility of the technician contact at Outokumpu convinced us," said Cobra Thermosolar Plants.

MAY

Lighter tanks, less maintenance

Outokumpu's stainless steel helps Japrotek, a Finnish company that produces pressure vessels and large tanks, to construct lighter storage tanks and to decrease maintenance costs taking into account the total cost of investment throughout the product's life cycle. "The main reasons for switching to stainless steel were the longer life-cycle time and lower maintenance costs as well as the good properties of LDX 2101® that make it ideal for big tanks," commented Japrotek.

JUNE

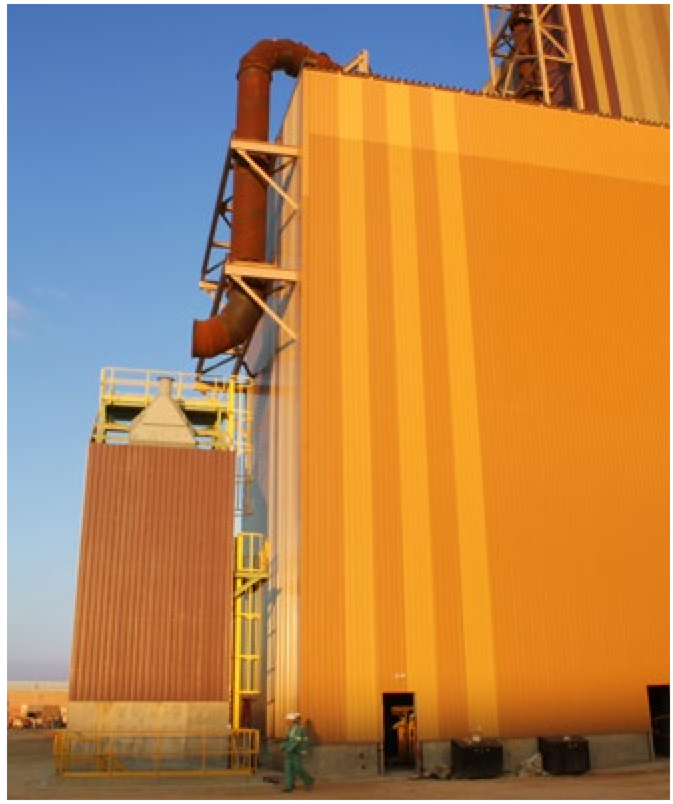


12 250 tonnes, five chemical tankers

Outokumpu won a contract to supply 12 250 tonnes of tailor-made stainless steel for the construction of five chemical tankers in a Chinese shipyard, ordered by Stolt Tankers. The use of duplex grade enables reduced weight, high strength and excellent corrosion resistance. The contract formed a unique scope of supply within the stainless steel industry, including duplex 2205® grade in tailor-made dimensions as well as services such as welding and forming.

Ferrochrome ramps up

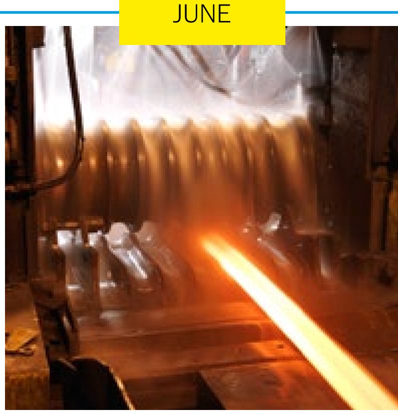
The ramp-up of the ferrochrome expansion was a clear success and proceeded as expected. Outokumpu inaugurated the new ferrochrome smelter in Tornio, Finland in June. At year-end, production reached 434 000 tonnes as targeted.



Calvert progressing

In Alabama, the Calvert ramp-up progressed throughout the year and despite difficulties related to the remedy obligations with Terni delivering materials to Calvert that impacted the second-quarter results. The mill improved its performance steadily, reaching the targets set by year-end.

JUNE



Strategic partnership in China

Outokumpu signed a one-year strategic partnership agreement with Sinopec, China's largest energy and chemical company, on material development and deliveries of stainless steel. Outokumpu supplies rolled billets of duplex stainless steel for seamless pipe for the oil refinery and liquefied natural gas plants. "Outokumpu, as the biggest stainless steel supplier in the world, demonstrated their leadership through technical capabilities and good local customer service," commented Sinopec.

JULY

Coins with exceptional surface quality

Outokumpu's stainless steel is used in Mexico for the production of coins by Casa de Moneda de Mexico (the Mexican Mint) for the Latin American marketplace. Outokumpu is a regular supplier to Casa de Moneda for its Mexican currency and now supports Casa de Moneda's export business for stainless steel coin blanks. The application required exceptional surface quality, and mastery of such applications awarded Outokumpu even this contract. "As we continue to expand our business, we rely on the technical expertise, quality and expansive portfolio that Outokumpu offers," commented Casa de Moneda.

AUGUST

China's highest skyscraper

Outokumpu is providing stainless steel for Ping An Finance Center in Shenzhen, China. The façade will be the largest stainless steel façade in the world, as the center is set to become the highest skyscraper in China and the second highest in the world, with a height of 660 meters. The architectural firm Kohn Pedersen Fox said: "The performance of the material is one of the best. The timely technical support and tailored advice will greatly help us along the construction process as well."

New industrial plan for Europe

In October, Outokumpu announced a new industrial plan for its European operations. The plan included cuts in cold rolling capacity in Finland and Germany and accelerating the closure of the Bochum melt shop in Germany. With these measures, Outokumpu can accelerate cost savings and increase capacity utilization rates.

Divesting Terni

The European Commission approved the Inoxum transaction on the condition that Outokumpu divests its stainless steel mill in Terni, Italy and some of its service centers. The forced sale situation combined with the difficult market environment prolonged the divestment process, as Outokumpu fought to ensure a satisfactory outcome. In November, Outokumpu announced that it will sell Terni and the related businesses back to ThyssenKrupp. Furthermore, Outokumpu announced the divestment of the VDM business to ThyssenKrupp. The value of these divestments was the cancellation of the loan note from ThyssenKrupp to Outokumpu at its full value. The deal addressed the remedy issue and significantly improved Outokumpu's financial position.

Closing Krefeld melt shop

After close to 100 years of operations, the Krefeld melt shop was closed on December 6, 2013. The ramp-down and closure was done as professionally as all operations in the melt shop throughout its history, a true testimony to the skills and competence of the Krefeld team. Good solutions were found for each employee of the melt shop: half of them returned to ThyssenKrupp, as agreed in the acquisition, some 100 found new positions within Outokumpu and some retired.

SEPTEMBER–OCTOBER

4565 helps to remove SO_2 emissions

Outokumpu's austenitic 4565 stainless steel grade and quarto plates were used in a power plant built by Babcock Noell in Saxony, Germany. Outokumpu advised Babcock Noell on the material selection, and the customer chose high-alloyed austenitic grade 4565 that withstands all the elements in the severe environment of the wet-scrubbing system to remove the sulfur dioxide emissions of the power plant. "The property profile of Outokumpu 4565 enables us to offer competitive and efficient solutions to our client," commented Babcock Noell.

NOVEMBER

New start for New Street station

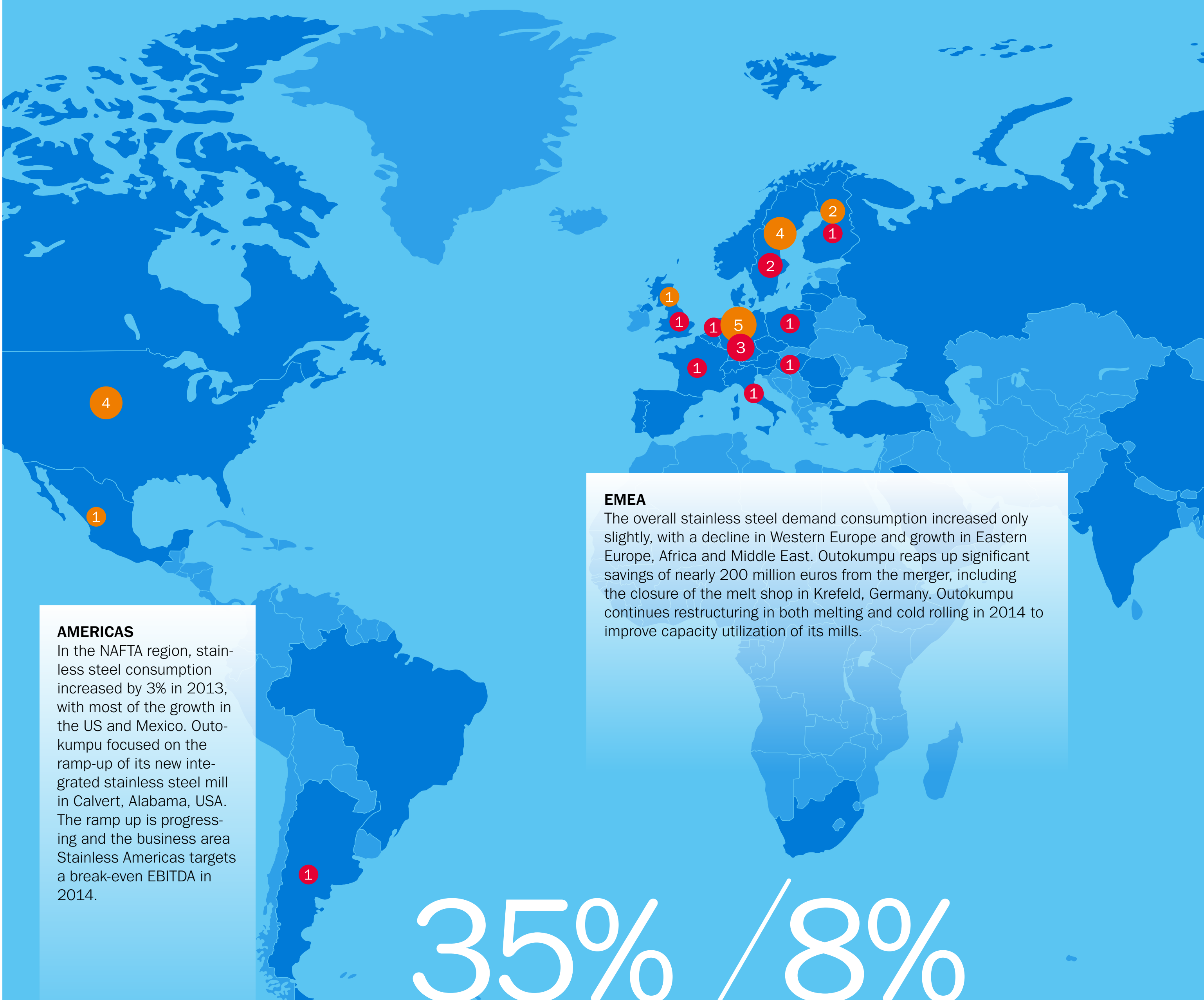
Outokumpu's stainless steel became part of the project to transform Birmingham New Street station in Birmingham, UK. More than 8 000 brightly polished, laser-cut panels of stainless steel will cover the façade of station, which is one of the busiest stations in the UK. Martifer, who managed the steelwork project, said: "Outokumpu is technically and in Martifer's opinion the leading expert in stainless steel solutions."

DECEMBER

Largest delivery of heat resistant 253 MA® in India

Outokumpu's high-performance proprietary austenitic grade 253 MA® is used by Thermax in the construction of thermal power plants in India. This extremely heat-resistant grade withstands high temperatures, and in the part of the boiler where the grade is used temperatures can rise above 850 degrees Celsius. "We have a long-standing relationship with Outokumpu and we trust their technical capabilities and reliable customer service," commented Thermax.

Market environment



AMERICAS
In the NAFTA region, stainless steel consumption increased by 3% in 2013, with most of the growth in the US and Mexico. Outokumpu focused on the ramp-up of its new integrated stainless steel mill in Calvert, Alabama, USA. The ramp up is progressing and the business area Stainless Americas targets a break-even EBITDA in 2014.

EMEA
The overall stainless steel demand consumption increased only slightly, with a decline in Western Europe and growth in Eastern Europe, Africa and Middle East. Outokumpu reaps up significant savings of nearly 200 million euros from the merger, including the closure of the melt shop in Krefeld, Germany. Outokumpu continues restructuring in both melting and cold rolling in 2014 to improve capacity utilization of its mills.

35% share of stainless steel deliveries in Europe / **8%** share globally

> "Economic and population growth, increasing mobility, urbanization and modernization are driving the future demand of stainless steel".

APAC
In the Asia and Pacific, stainless steel consumption continued to grow rapidly, especially in China, India, Japan and South Korea. Through the Inoxum transaction, Outokumpu increased its presence in Asia with a cold rolling mill in Shanghai, China that adds to the service centers in China and Australia. In the APAC region, Outokumpu focuses on special grades and won significant deals in 2013, including deliveries to Sinopec and Ping An Finance Center in China.

Production locations
Service center locations

① Number of locations

Our market position

In 2013, total global steel production was 1.6 billion tonnes, of which approximately 92% was carbon steel and approximately 2.4% was stainless steel. Stainless steel is a versatile and widely used material that plays a key role in many important areas, including urbanization, transportation and the production and consumption of food, water and other beverages as well as energy. Stainless steel's attractive properties, which include corrosion resistance, high strength-to-weight ratio, heat tolerance, aesthetic qualities and the ability to be recycled, have contributed to the increased use of stainless steel in new and existing applications. As a result, stainless steel consumption has been growing more rapidly than that of any other metal in recent decades.

Source: World Steel Association, SMR February 2014

Outokumpu is one of the world's leading stainless steel producers and is widely recognized for its product quality, excellence in both standard and special grades, such as duplex stainless steel grades, and as a global leader in research, development and technical support. Outokumpu operates around the world. Its main production facilities are located in Finland, Germany, Sweden, the UK, the US, Mexico and China. The Group's site in Tornio, Finland is one of the world's most cost-effective and highly-integrated single-site stainless steel production facilities which focuses on high-volume standard grades of stainless steel. The Group's production sites in Germany focus on more customized deliveries of ferritic and austenitic grades, including bright annealed surfaces, and the production sites in Sweden focus on special grades. The Group is ramping up a new and fully integrated production site in Calvert, Alabama, USA, which will complement the product portfolio of the Mexican plant and supply it with feedstock material.

The global stainless steel slab production capacity in 2013 totaled approximately 43.9 million tonnes. The largest producers based on this measure are Tisco, Outokumpu, Posco, Baosteel, Yusco, Acerinox, and Aperam. Global stainless steel production was 30.4 million tonnes in 2013, an increase of 7% compared to 2012. In Europe, stainless steel production was 5.5 million tonnes in 2013, a decrease of 4% compared to 2012; Europe has not yet recovered from the impact of the financial crisis and is far away from returning to the 2006 level of 7.3 million tonnes. In China, stainless steel production has increased significantly during the past ten years, from 1.2 million tonnes in 2003 to 15.9 million tonnes in 2013. Outokumpu had an approximately 35% share of stainless steel deliveries in Europe and an approximately 8% share globally in 2013.

Source: Eurofer and SMR February 2014

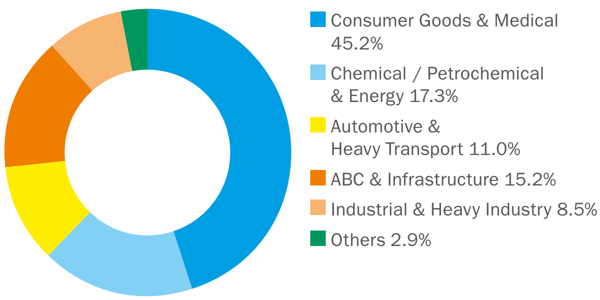
Major stainless steel producers

Estimated slab melting capacity

million tonnes	**2013**	2015
Tisco	**4.2**	4.2
Outokumpu	**3.7**	2.8*
Posco	**3.7**	3.9
Baosteel	**3.5**	4.5
Yusco	**3.0**	2.8
Acerinox	**2.7**	2.9
Aperam	**1.9**	1.9

Source: SMR, excluding Terni operations of Outokumpu.
* Closure of Krefeld melt shop (-0.6 million tonnes); assuming closure of Bochum meltshop subject to union negotiation (-0.8 million tonnes); assuming ramp-up of Calvert melt shop (+0.6 million tonnes)

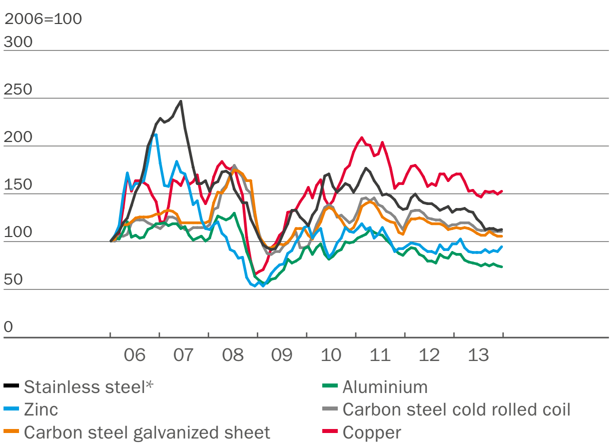
End-uses of stainless steel



Source: SMR, stainless steel finished products*, February 2014.

*Rolled and forged products excl. 13Cr tubes.

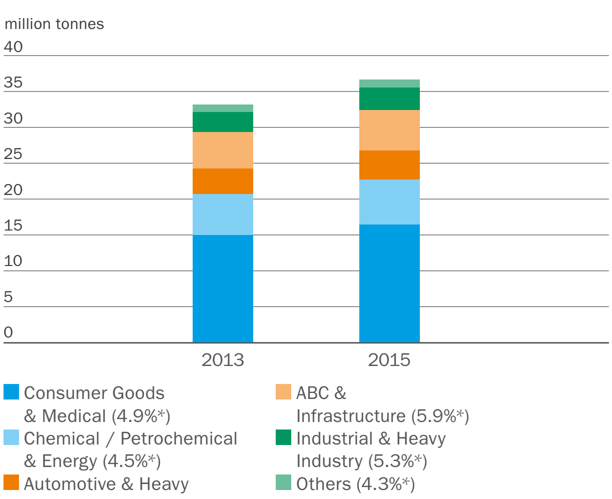
Market price comparison with competing materials



Source: CRU, LME and Metal Bulletin. Including December 2013.

* Stainless steel prices are for grade 1.4301.

World stainless steel end-use demand outlook



Source: SMR, stainless steel finished products**, February 2014.

* CAGR 2013–2015.

**Rolled and forged products excl. 13Cr tubes.

Market review

Global consumption of stainless steel products increased by 6%, from 31.2 million tonnes in 2012 to 32.9 million tonnes in 2013. Global consumption levels were negatively influenced by the continuing decline in the nickel price, increasing concerns over the outcome of the euro crisis and the reduced growth perspectives of the Chinese economy. Growth dynamics differed significantly from region to region. Some global markets have also sensed growth opportunities in 2013, especially from the Consumer Goods & Medical and ABC & Infrastructure industries.

In EMEA, stainless steel consumption only slightly increased, by 0.7% to 6.8 million tonnes in 2013. The main driver was the drop in consumption levels in major Western European consuming countries such as Italy, Germany, France and Spain. In Europe, consumption totaled 5.5 million tonnes in 2013, a decrease of 2% compared to 2012, and remained far below the 2008 level of 5.9 million tonnes. Other regions in EMEA performed substantially better than Western Europe (Eastern Europe +2%, Middle East +10% and CIS +8% compared to 2012). The reduced European demand in 2013 was attributable to lower demand in all end-use segments.

In the Americas, stainless steel consumption increased to 3.4 million tonnes in 2013, with mainly the NAFTA region experiencing growth (+3% to 2.8 million tonnes). After a comparatively weak start in 2013, dynamics in the US market have significantly accelerated from the second quarter of 2013 on. The US growth was topped by a strong Mexican market. South America was dominated by the robust Brazilian market, while other markets such as Argentina, Colombia and Chile were even or declining. In NAFTA, growth in 2013 was mainly attributable to increased demand from the Automotive & Heavy Transport, ABC & Infrastructure and Consumer Goods & Medical segments.

In APAC, stainless steel consumption has grown rapidly in recent years (22.7 million tonnes in 2013), which has been the main factor supporting global growth. China's share of APAC demand reached 62% in 2013 (+10% to 14.1 million tonnes in 2013 compared to 2012), followed by India with a share of 12% (+7% to 2.8 million tonnes), Japan with a share of 9% (+6% to 1.9 million tonnes) and South Korea with a share of 8% (+6% to 1.7 million tonnes). Growth in the consumption of the Consumer Goods & Medical, ABC & Infrastructure and Industrial & Heavy Industry segments mainly contributed to increased consumption in China.

Source: SMR February 2014

Average transaction prices in 2013 for 2 mm cold rolled 304 stainless steel sheet in the three regions; Europe, the USA and China remained significantly below previous year's levels. While in the first quarter of 2013 price levels in all three regions increased quarter-on-quarter, the transaction prices dropped sharply in the second and third quarter. In the fourth quarter of 2013, small base price increases have been acknowledged in Europe as well as in the USA. Asian price advantages remained present in 2013 and kept up the attractiveness of imported material in the European market. The price advantages result from high investments of Asian mills in new state-of-the-art facilities with high production capacities, economies of scale and partially significant cost advantages, for example from using alternative raw materials such as nickel pig iron. Outokumpu intends to improve its competitiveness and attractiveness against imported material coming from Asia by optimizing its production network, further developing its raw material strategy, delivering faster, more reliably, more flexibly and introducing a new daily alloy surcharge pricing system.

Source: CRU February 2014

Outlook

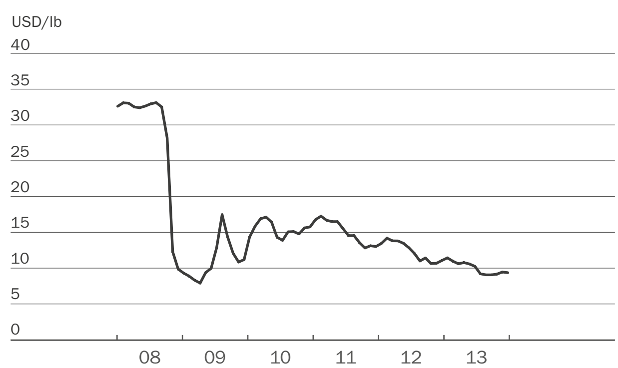
The long-term prospects for stainless steel consumption remain robust. Key global megatrends in urbanization, modernization and increased mobility, combined with growing global demand for energy, food and water, will ensure the continuing growth of stainless steel consumption in the future. SMR estimates that global stainless steel demand will reach 34.6 million tonnes and 36.4 million tonnes in 2014 and 2015, respectively. Between 2013 and 2015, global consumption is expected to increase at an annual growth rate of 5% CAGR, while growth is estimated to be mainly driven by increased consumption in APAC (+6% CAGR). In EMEA and Americas, total stainless steel demand is estimated to increase by 4% and 4% CAGR, respectively, from 2013 to 2015. Growth will be mainly supported from increased demand in the Automotive & Heavy Transport (+6%) and the ABC & Infrastructure (+6%) segments. Between 2013 and 2015, the Consumer Goods & Medical and the Chemical/Petrochemical & Energy segments are expected to grow at average annual growth rates of 5%, respectively.

Source: SMR February 2014

Nickel price

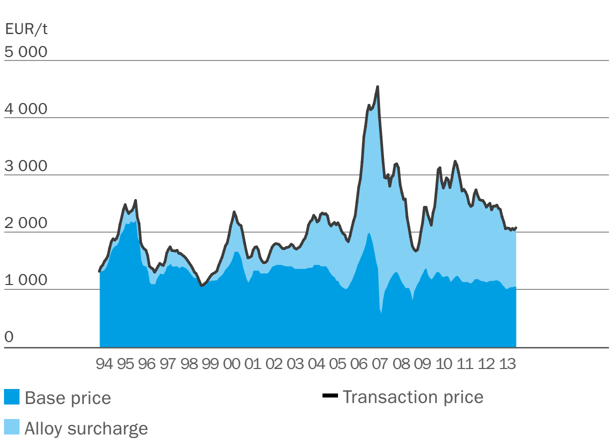
Source: LME settlement, monthly average prices, including December 2013.

Molybdenum price



Source: Metal Bulletin – Molybdenum Drummed molybdic oxide. Free market $ per lb Mo in warehouse.

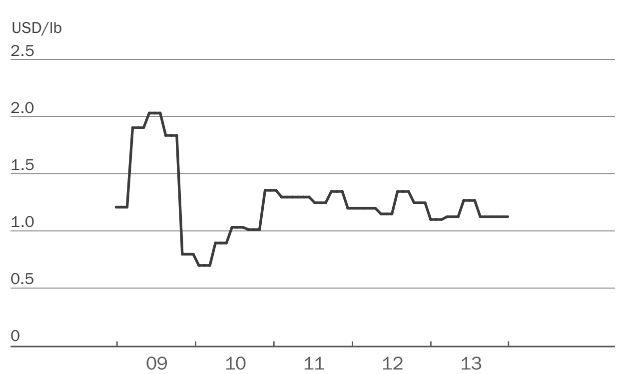
German stainless steel price*



Source: CRU. Including February 2014.

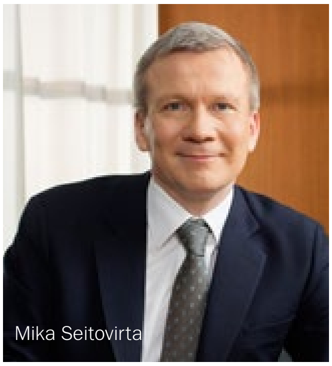
* Stainless steel price for cold rolled 304 2mm sheet.

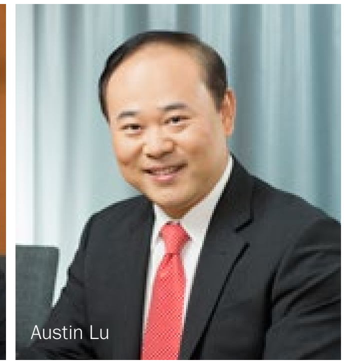
Ferrochrome price



Source: Quarterly contract prices agreed between South African ferrochrome producers and European buyers, including Q4/2013.

Leadership Team on Dec 31, 2013





Mika Seitovirta

b. 1962, Finnish citizen
M.Sc. (Econ.)
CEO 2011–
Chairman of the Leadership Team 2011–
Responsibility: Group management, strategy and business excellence, legal and internal audit.
Employed by the Outokumpu Group since 2011

Work experience
President and CEO: Glaston Corporation (formerly Kyro Corporation) 2007–2009
Managing Director: Hartwall Oy 2003–2006
Managing Director: Volvo Auto 1998–2003
Finance Director, Deputy to Sales Company President: Volvo Deutschland 1994–1998
Several positions at Volvo Auto 1986–1994
Business Development Manager at Aro Yhtymä 1989–1990

Positions of trust
Deputy Chairman of the Board of Directors: Shanghai Krupp Stainless Co. Ltd. 2013–
Board member: Federation of Finnish Technology Industries 2013–
Board member: East Office of Finnish Industries 2013–
Board member: World Steel Association 2013–
Board member: International Stainless Steel Forum 2011–
Board member: Association of Finnish Steel and Metal Producers 2011–
Member of the Supervisory Board: Varma Mutual Pension Insurance Company 2011–
Board member: Are 2009–2011
Senior Advisor, Advisory Group: Ratos 2008–2011
Board member: Aro-Yhtymä 2006–2011
Board member: Handelsbanken Finland 2004–2011

Reinhard Florey

b. 1965, Austrian citizen
M. Sc. (Eng.), M.A.
CFO 2013–
Member of the Leadership team 2012–
Responsibility: Finance and control, treasury and risk management, taxation, integration and M&A, corporate affairs and compliance, and investor relations.
Employed by the Outokumpu Group since 2012

Work experience
Executive Vice President – Integration and Strategy: Outokumpu Oyj 2012–2013
CFO: Inoxum GmbH 2011–2012
Member of Executive Board: ThyssenKrupp Steel Americas, LLC 2010–2011
CFO – Steel Americas business area: ThyssenKrupp AG 2009–2011
SVP – Corporate Center Mergers and Acquisitions: ThyssenKrupp AG 2005–2009
SVP – Corporate Development/M&A: ThyssenKrupp Steel AG 2002–2005
Various positions at McKinsey & Company 1995–2002

Positions of trust
Member of the Board of Directors: Shanghai Krupp Stainless Co. Ltd. 2011–
Executive Member of the Board: Acciai Speciali Terni S.p.A. 2011–2014

Pekka Erkkilä

b. 1958, Finnish citizen
M.Sc. (Eng.)
Executive Vice President, Chief Technology Officer 2013–
Member of the Leadership Team 2013–
Responsibility: Global production and technology strategy, capital investment optimization, R&D, raw material and general procurement and energy.
Employed by the Outokumpu Group since 2013 (and in 1983–2000 and 2004–2010)

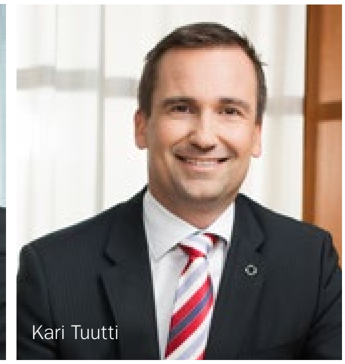
Work experience
President, Ferrous Solutions business area: Outotec Oyj 2010–2013
Executive Vice President, General Stainless and Production Operations: Outokumpu Oyj 2004–2010
Executive Vice President, later President: AvestaPolarit Oyj 2001–2004
President: Outokumpu Chrome Oy 1996–2000
Various management positions: Outokumpu Tornio Works 1983–1995

Positions of trust
Chairman of the Board: Manga LNG Oy 2013–
Board member: University of Oulu 2009–
Board member: Grängesberg Iron AB 2009–

Austin Lu

b. 1971, Chinese citizen (People's Republic)
MBA, B.Sc. (Econ.)
President – Stainless APAC 2012–
Member of the Leadership team 2012–
Responsibility: Stainless APAC business area.
Employed by the Outokumpu Group since 2012

Work experience
Senior Vice President – APAC Focus Area: Outokumpu Oyj 2012
Vice President, Regional General Manager, China: General Electric 2009–2011
Business Leader, Life Science Ingredient: Lonza Group 2008–2009
Marketing Director: General Electric Plastics, China 2005–2008
Various positions in General Electric Plastics in China 1996–2005
Various positions in China MinMetals Co. 1993–1996



Kari Parvento

b. 1957, Finnish citizen
M.Sc. (Eng.)
President – Stainless Americas 2012–
Member of the Leadership Team 2010–
Responsibility: Stainless Americas business area.
Employed by the Outokumpu Group since 2010

Work experience
Executive Vice President – Ferrochrome, Group R&D and Environment and Quality: Outokumpu 2012
Executive Vice President – Group Sales and Marketing: Outokumpu Oyj 2010–2011
President, Underground Mining: Sandvik Group 2009–2010
President, Underground Hard Rock Mining: Sandvik Group 2007–2009
Managing Director, Sandvik Mining and Construction Oy ("SMC Oy") : Sandvik Group 2007–2010
Managing Director, SMC Australia and Sandvik Materials Handling Pty Ltd. Australia: Sandvik Group 2005–2007
Business Development Manager, Sandvik Tamrock Finland: Sandvik Group 2004–2005
Managing Director: Kuusakoski Sverige AB 2003–2004 and Country Manager, Scandinavia: Kuusakoski Group 2000–2004 as well as the Managing Director of Kuusakoski AB between 2000 and 2003

Positions of trust
Chairman of the Board: SMC Austria GmbH 2009–2010
Board member: SMC Corporation Finland 2007–2010

Johann Steiner

b. 1966, German citizen
M.Sc. (Econ.)
Executive Vice President - Human Resources, Health, Safety and IT 2013–
Member of the Leadership team 2013–
Responsibility: Human resources, health and safety and IT.
Employed by the Outokumpu Group since 2013

Work experience
Executive Vice President - Human Resources and Health, Safety and Sustainability 2013
Group HR Director: SAG Group GmbH 2012
Operating Partner: Humatica AG 2010–2012
Group HR Director: Clariant International AG 2002–2008
VP Executive Policies: EADS (former DaimlerChrysler Aerospace AG) 1999–2002
Senior Consultant: Towers Perrin 1993–1998

Jarmo Tonteri

b. 1952, Finnish citizen
M.Sc. (Econ.), M.Sc. (Tech.)
President – Stainless EMEA 2013–
President – Specialty Stainless 2012–
Member of the Leadership Team 2011–
Responsibility: Stainless EMEA and Specialty Stainless business areas.
Employed by the Outokumpu Group since 2011

Work experience
Executive Vice President – Specialty Stainless: Outokumpu Oyj 2011–2012
Managing Director: Ovako Group 2005–2011
Managing Director and member of Rautaruukki management Board: Fundia (Rautaruukki Group) 2000–2005
Managing Director: Gasell (Rautaruukki Group) 1992–2000
Managing Director: Lokomo Steel (Repola Group) 1990–1992
Director of the metallurgical division: Kuusakoski 1985–1990
Sales engineer on metallurgical process technology: Outokumpu Oy 1978–1985

Positions of trust
Board member: Dannemora Mineral AB 2012–2013
Board member: FN Steel Group 2010–2014

Kari Tuutti

b. 1970, Finnish citizen
M.Sc. (Econ.)
Executive Vice President – Marketing, Communications and Sustainability. 2013–
Member of the Leadership team 2012–
Responsibility: Marketing, communications and sustainability.
Employed by the Outokumpu Group since 2011

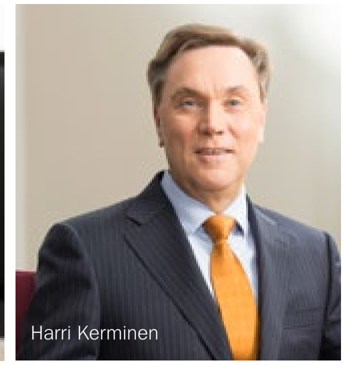
Work experience
Executive Vice President – Marketing, Communications and IR: Outokumpu Oyj 2012–2013
Senior Vice President – Marketing, Communications and IR: Outokumpu Oyj 2011–2012
Director, Marketing Creation: Nokia Oyj 2009–2011
Vice President, Communications: Nokia Oyj 2008
Director, Communications, Multimedia Business Group: Nokia Oyj 2002–2007
Senior Manager, Investor Relations: Nokia Oyj 1999–2002
Manager, Treasury: Nokia Oyj 1995–1999
Analyst, Treasury: Merita Bank 1994–1995

Board of Directors on Dec 31, 2013


Jorma Ollila


Olli Vaartimo


Markus Akermann


Harri Kerminen

Jorma Ollila

Chairman of the Board of Directors
b. 1950, Finnish citizen
M.Sc. (Pol.) (University of Helsinki 1976)
M.Sc. (Econ.) (London School of Economics 1978)
M.Sc. (Eng.) (Helsinki University of Technology 1981)
Outokumpu Board member 2013–
Chairman of the Board 2013–
Chairman of the Remuneration Committee
Chairman of the Board Finance Working Group

Work experience
Chairman of the Board: Nokia Corporation 2006–2012
Chairman and Chief Executive Officer: Nokia Corporation 1999–2006
President and Chief Executive Officer: Nokia Corporation 1992–1999
President: Nokia Mobile Phones 1990–1992
Senior Vice President, Finance: Nokia 1986–1989
Various managerial positions within corporate banking: Citibank 1978–1985

Positions of trust
Chairman of the Board: Royal Dutch Shell Plc, 2006–
Vice Chairman of the Board: Otava Books and Magazines Group 1996–
Board member: Tetra Laval Group 2013–
Board member: University of Helsinki 2009–
Chairman of the Boards of Directors and the Supervisory Boards: The Research Institute of the Finnish Economy ETLA and Finnish Business and Policy Forum EVA 2005–

Independent of the company and its significant shareholders.

Olli Vaartimo

Vice Chairman of the Board of Directors
b. 1950, Finnish citizen
M.Sc. (Econ.)
Outokumpu Board member 2010–
Vice Chairman of the Board 2011–
Chairman of the Audit Committee
Member of the Board Finance Working Group

Work experience
CFO: Metso Oyj 2003–2011
Executive Vice President, Deputy to the President and CEO: Metso Oyj 2003–2010
Member of the Executive Team 1999–2011 and Vice Chairman of the Executive Team 2004–2010: Metso Oyj
President and CEO (acting): Metso Oyj 2003–2004
President and CEO: Metso Minerals Oy 1999–2003
President and CEO: Nordberg Group, Rauma Oyj 1993–1999
Executive Vice President: Rauma Oyj 1991–1998

Positions of trust
Chairman of the Board: Valmet Automotive Oy 2003–
Board member: Northland Resources SA 2013–
Board member: Kuusakoski Oy 2008–
Board member: Kuusakoski Group Oy 2008–
Board member: Alteams Oy 2008–

Independent of the company and its significant shareholders.

Markus Akermann

b. 1947, Swiss citizen
M.Econ. (University of St.Gallen, Switzerland)
Outokumpu Board member 2013–
Member of the Audit Committee
Member of the Board Finance Working Group

Work experience
Chairman of the Board: Holcim Group Support Ltd 2002-2012
Member of the Board: Holcim Ltd 2002–2013
Chief Executive Officer: Holcim Group 2002–2012
Member of the Group Executive Committee with responsibility for Latin America, international trading activities and Corporate Human Resources and Training: Holcim Group 1993–2001
Member of the Board and Managing Director: Holcim Apasco SA de CV, Mexico 1993–2012
Area Manager Central America, Andean Countries and international trading activities: Holcim Group 1986–1993

Positions of trust
Member of the Board: Votorantim Cimentos S.A. 2013–
Member of the Board: ACC Mumbai, India 2005–2012
Member of the Board: Ambuja Cements Ltd Mumbai, India 2006–2012
Member of the Executive Board: World Business Council for Sustainable Development (WBCSD) 2008–2011

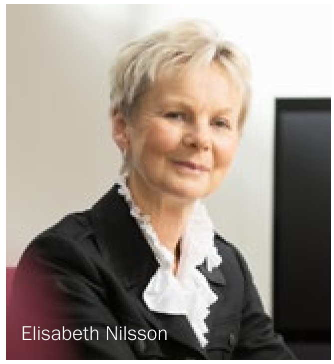
Independent of the company and its significant shareholders.

Harri Kerminen

b. 1951, Finnish citizen
M.Sc. (Eng.), MBA
Outokumpu Board member 2012–
Member of the Remuneration Committee

Work experience
President and CEO: Kemira Oyj, 2008–2012
President of the Kemira Pulp & Paper business area: Kemira Oyj 2006–2007
President of the Kemira Specialty business area: Kemira Oyj 2000–2006
Managing Director: Kemira Pigments Oy 2002–2003
Vice President, Human Resources: Kemira Chemicals Oy 1996–2000
Manager of Oulu plant: Kemira Oyj 1994–1996
Production Manager: Kemira Kemi AB 1990
Project Manager: Kemira Oy/Kemira Oyj, plant construction projects in Finland, Sweden, Belgium and the US 1989–1994

Positions of trust
Chairman of the Board: HST Partners Oy: 2012-
Chairman of the Board: MetGen Oy 2012–
Chairman of the Board: Finpro ry 2011–
Chairman of the Board: Finnish Industry Investment 2012
Chairman of the Board: Chemical Industry Federation of Finland 2011–2012
Vice Chairman of the Board: Finnair Oyj 2012-
Vice Chairman of the Board: Chemical Industry Federation of Finland 2009–2011
Board member: Tikkurila Oyj 2012–
Board member: Achemos Grupe 2012–
Board member: Normet Oy 2012–
Board member: Finnair Oyj 2011–2012



Board member: Confederation of Finnish Industries and Employers TT-Foundation 2011–2013
Board member: Confederation of Finnish Industries EK 2011–2012
Board member: Formia Emissions Control 2012
Board member: CEFIC 2008–2012
Board member: Finpro ry 2010–2011

Independent of the company and its significant shareholders.

Heikki Malinen

b. 1962, Finnish citizen
M.Sc. (Econ.), MBA (Harvard)
Outokumpu Board member 2012–
Member of the Audit Committee

Work experience
President and CEO: Itella Corporation 2012–
President and CEO: Pöyry PLC 2008–2012
Executive Vice President, Strategy, member of the UPM Executive Team: UPM-Kymmene Corporation, Helsinki, Finland 2006–2008
President: UPM North America, Chicago, USA 2004–2005
President of Sales: UPM North America, Chicago, USA 2002–2003
Managing Partner: Jaakko Pöyry Consulting, New York, USA 2000–2001
Engagement Manager: McKinsey & Co, Atlanta, USA 1997–1999
Director, Business Development UPM Paper Divisions, Helsinki, Finland 1994–1996

Positions of trust
Chairman: American Chamber of Commerce (AmCham Finland) 2009–
Board member: Service Sector Employers PALTA 2013–
Board member: East Office of Finnish Industries 2012–
Board member: Federation of Finnish Technology Industries 2011–2012
Board member: Botnia Oy 2006–2008
Supervisory Board member: Ilmarinen Mutual Pension Insurance Company 2013

Independent of the company and its significant shareholders.

Elisabeth Nilsson

b. 1953, Swedish citizen
M.Sc. (Tech.)
Outokumpu Board member 2011–
Member of the Remuneration Committee

Work experience
Governor: Östergötlands län 2010–
President: Jernkontoret (Swedish Steel Producers' Association) 2005–2010
General Manager, Metallurgy Division: SSAB Oxelösund 2003–2005
Managing Director: SSAB Merox 2001–2003
Manager, Department for Environment, Health and Safety: SSAB 1996–2001
Manager, Continuous Casting Department: SSAB Oxelösund 1991–1996

Positions of trust
Chairman of the Board: Göta Kanalbolaget 2011–
Chairman of the Board: Risbergska donationsfonden 2010–
Chairman of the Board: Tåkernfonden 2010–
Chairman of the Board: Övralidsstiftelsen 2010–
Chairman: Foundation Mefos 2005–2010
Chairman: Svenska Bergsmannaföreningen 2007–2009
Member: Royal Swedish Academy of Engineering Science IVA 2007–
Board member: Northland Resources SA 2013–
Board member: Sveaskog AB 2010–2012
Board member: 4:e AP-fonden 2010–2011
Board member: Swerea AB 2008–2011
Board member: Euromaint AB 2004–2007
Board member: Swedish Maritime Administration 1996–2006

Independent of the company and its significant shareholders.

Siv Schalin

b. 1962, Finnish citizen
M.Sc. (Econ.), MBA
Outokumpu Board member 2011–
Member of the Audit Committee

Work experience
President: Docrates Oy 2012–
President and General Manager, Patient Care Solutions: GE Healthcare Finland Oy 2008–2012
Vice President, Service: GE Healthcare EMEA 2005–2008
General Manager: GE Healthcare Sweden 2004–2005
Director, Critical Care: Instrumentarium Oyj 2003–2004
Area Manager, Nordic Countries: Instrumentarium Oyj 2002
Vice President, Components Division: Össur hf. 2000–2001
President: Össur USA Inc. 1997–2000

Positions of trust
Board member: Association of Private Health Care Providers in Finland 2013–
Supervisory Board member, Arcada University of Applied Sciences 2009–
Chairman, Managing Director and member of the Board of several GE Healthcare group companies 2008–2012
Vice Chairman: FIHTA (Finnish Healthcare Technology Association) 2008–2012

Independent of the company and its significant shareholders.

Review by the Board of Directors 2013

Outokumpu's year 2013 was characterized by the integration between Outokumpu and Inoxum, the related industrial restructuring and heavy cost saving measures, the ferrochrome expansion in Finland and the ramp-up of the Calvert stainless steel mill in USA. Good progress was made in these areas despite strong headwinds. However, financial results remained unsatisfactory and were at heavy loss.

Update on strategic initiatives

Divestment of Terni and VDM to ThyssenKrupp and comprehensive measures to strengthen balance sheet

On November 30, 2013, Outokumpu announced plans to deleverage and strengthen its balance sheet, and to divest Terni and VDM. Outokumpu has signed a binding agreement with ThyssenKrupp whereby Outokumpu will sell the Terni remedy assets, the VDM business and certain service centers to ThyssenKrupp. Outokumpu's loan note to ThyssenKrupp will be used as a consideration for the transaction (the loan note value was EUR 1.283 million on December 31, 2013 and EUR 1.229 million on December 31, 2012). The transaction is subject to approval by the European Commission as well as other relevant regulatory approvals. The transaction will also constitute final settlement of all remedy-related obligations between Outokumpu and ThyssenKrupp.

Financial package and rights issue

As a result of the transaction to sell Terni and VDM, Outokumpu's net debt is expected to decrease by approximately EUR 1.3 billion and gearing to decrease by approximately 68 percentage points (Dec 31, 2013: gearing of 188.0%). Balance sheet and liquidity will be further strengthened by a planned rights issue, new liquidity facility of EUR 500 million and extensions of existing loans and credit facilities. Please see "Events after the end of the reporting period" for more information.

An Extraordinary General Meeting will be held on February 14, 2014 to decide on the proposed authorization to the Board of Directors to undertake the share issue. The rights issue is planned to be carried out immediately after the closing of the sale of Terni and VDM to ThyssenKrupp, which is expected to take place during the first quarter of 2014.

In relation to the planned approximately EUR 650 million rights issue, Outokumpu has received irrevocable commitments to subscribe for their respective allocation of the rights issue from shareholders representing 52.8% of all its shares, with the remaining 47.2% of the rights issue being underwritten by Outokumpu's core banks, subject to customary terms and conditions.

Outokumpu management is confident that the conditions for the closing of the transaction will be met and closing will take place during the first quarter of 2014.

New industrial plan in Europe

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

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

The planned structural changes are expected to result in up-to 1 000 additional job reductions in Europe, bringing the total planned global reduction up-to 3 500 jobs compared to 2012. The industrial plan is expected to result in additional savings of more than EUR 100 million and the overall savings programs are expected to result in annual savings of EUR 380 million in 2015 and EUR 450 million in 2017, compared to the 2012 level.

Outokumpu and the respective unions in Germany have continued discussions regarding the new industrial plan in Europe, including the planned acceleration of the Bochum melt shop closure. Outokumpu expects to find a solution with the unions that will enable the implementation of the new industrial concept.

Synergy savings clearly exceeded target for 2013

The ongoing integration work and the related synergies are proceeding successfully. The year 2013 ended with savings of EUR 95 million and therefore clearly exceeded the forecast of EUR 75 million for 2013. The main reason was good performance in raw material procurement savings, especially stainless scrap. The Krefeld melt shop ramp-down and the headcount reductions contributed as well to the overall achievement. Outokumpu expects cumulative synergy savings in 2014 of more than EUR 170 million, with a larger relative share coming from production optimization. The target of EUR 200 million of synergy savings by the end of 2017 remains unchanged.

Krefeld melt shop ramp-down completed

According to the agreed timeline, the Krefeld melt shop in Germany has been ramped-down completely; the last day of operations was December 6, 2013. The closure was announced in January 2012 in connection with the Outokumpu and Inoxum merger as part of the original synergy saving plan and leads to a cut in Outokumpu's melt capacity by 600 000 tonnes. From 2014 onwards, this will contribute

EUR 50 million annually of savings to the overall planned efficiency measures. In 2013, cost savings related to the Krefeld melt shop closure amounted to EUR 15 million.

Ongoing value-enhancing and cost-saving projects

Ferrochrome production ramp-up

The ramp-up of new capacity at the Ferrochrome operations in Finland has progressed as planned in 2013, with ferrochrome production of 434 000 tonnes (2012: 230 000 tonnes). The full technical production capacity of 530 000 tonnes is expected to be reached in 2015.

Calvert ramp-up

The integrated stainless steel mill in Calvert, USA, continues to trend positively with improvements over the third quarter, although overall the ramp-up is running behind original targets. The ramp-up of the cold rolling mill is proceeding with an expanded product portfolio to match customer needs. The production covers both standard austenitic and ferritic grades as well as widths ranging from 36 to 72 inches wide. Product quality is improving as the ramp up progresses, and delivery reliability remains a key. Additionally, the melt shop ramp-up continues with a record melt achieved in October, 2013. Melt shop operations are aligned with the higher production levels of 2014. The Calvert melt shop supplies steel to both the Calvert cold rolling mill and Outokumpu's cold rolling mill in San Luis Potosi, Mexico (Mexinox). Previously, Mexinox received the majority of its hot rolled coil from Europe. With the increase in Calvert's supply to Mexinox, fourth quarter shipments from Europe have decreased significantly and are expected to end within the first quarter of 2014, recognizing Outokumpu's "melted in America" advantage.

P150 beats its target for 2013

Outokumpu introduced its P150 cost reduction program in the beginning of 2013. The aim of this program is to reduce Outokumpu's annual costs by EUR 150 million by the end of 2014 on top of the synergy measures. The main drivers of the program are savings in procurement, IT, operational costs as well as in general and administration costs, including headcount reductions. During 2013, EUR 104 million of cost savings were reached, exceeding the latest expectation of more than EUR 75 million. The fourth quarter contributed EUR 38 million. The main reasons were good performance in raw material procurement savings, especially stainless scrap, as well as savings on operational costs, for example by improved metal recovery and optimized material usage. The original target of EUR 150 million of savings by the end of 2014 remains unchanged. However, Outokumpu is working on identifying and implementing further cost saving potential.

P300 exceeds 2013 expectations

In February 2013, Outokumpu announced a two-year working capital reduction program, P300. The program target is a net working capital reduction of EUR 300 million to be achieved through active inventory, accounts receivable and accounts payable management. After a difficult second quarter due to the ramp-up of Calvert which led to an increase in working capital, good progress has been made in all business areas.

The total reduction of net working capital during 2013 was EUR 351 million or 27%. The main driver has been the reduction of inventories leading to a significant improvement in all key metrics, such as in inventory tonnes, days and value.

In 2014, Outokumpu will continue to tightly manage net working capital and inventories in line with the anticipated market demand. The target for working capital efficiency measured in inventory days for the continuing operations is 91 (2013: actual 88). Special focus will be on accounts receivable and accounts payable.

Divestment of non-core assets

Luvata loan receivable

As part of the measures to strengthen its financial position and liquidity, Outokumpu continued to divest its non-core assets during 2013. In December, Outokumpu sold its loan receivable from Luvata Fabrication Ltd for a cash consideration of USD 157 million to Proventus Capital Management AB. The loan receivable related to the divestiture of fabricated copper products business to Nordic Capital in 2005, in which the long-term subordinated vendor note of some USD 123 million was part of the overall consideration. The divestment had a direct cash flow effect of EUR 114 million and Outokumpu booked EUR 49 million as a non-recurring financial expense in the fourth quarter.

Electricity distribution network at Tornio

In December, Outokumpu sold the electricity distribution network at the Tornio site in Finland to InfraVia European Fund II. With the transaction, five Outokumpu employees transferred to a new industrial electricity distribution company established by InfraVia II that will continue to operate the network at the Tornio site. The cash consideration of the transaction was EUR 63 million. In the financial reporting the transaction is recognized as a sale and leaseback resulting in a finance lease.

Market development

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

Global real demand for stainless steel products increased by 5.6% from 31.2 million tonnes in 2012 to 32.9 million tonnes in 2013. In the Americas and APAC regions, consumption rose by 4.0% and 7.9%, respectively year-on-year. Consumption in EMEA remained weak during 2013, with a decrease of 0.7%.

Global demand for stainless steel products in 2013 was split among the segments: Consumer Goods & Medical (45.2%), Chemical/ Petrochemical & Energy (17.3%), Automotive & Heavy Transport (11.0%), Architecture/Building/Construction & Infrastructure (15.2%), Industrial & Heavy Industry (8.5%) and Others (2.9%). The main drivers for the demand increase in 2013 were the Consumer Goods & Medical (+7.7%), Architecture/Building/Construction & Infrastructure (+6.3%) and Industrial & Heavy Industries (+4.3%). In the Chemical/ Petrochemical & Energy, Automotive & Heavy Transport and Others segments demand increased in 2013 by 2.9%, 1.9% and 5.2%, respectively.

Imports into the EU are expected to reach 23.6% of total consumption in 2013, which is higher than the average level of 18.6% in 2012. This mainly reflects a further increase in Asian imports during 2013. The largest countries in terms of imports to the EU included China, Taiwan, South Korea, the USA, South Africa, India and Japan.

Average imports into the NAFTA region reached 13.4% of the total consumption in 2013, below the average level of 18.6% in 2012. Import levels have been constantly declining since the fourth quarter of 2012, mainly due to anti-dumping cases against other countries and the ramp-up of Outokumpu's integrated stainless steel mill in Calvert.

Stainless steel transaction prices

According to CRU, average transaction prices in 2013 for 2mm cold rolled 304 stainless steel sheet in Europe, the USA and China remained significantly below the previous year's levels. In Europe, the total decline of 8.8% in the transaction price was the result of a drop in the base price by 2.8% and a decrease in the alloy surcharge by 13.7%. In the US, the fall in the alloy surcharge by 15.6% was the main price driver year-on-year for the 8.8% decline in the transaction price. The Chinese transaction price dropped by 10.3% in 2013 compared to 2012.

Price development of alloying metals

The average nickel price[1] came down strongly in 2013, by 14.3%, and was 15 012 USD/tonne (2012: 17 511 USD/tonne). The London Metal Exchange (LME) cash price for nickel declined by 18.2% since the beginning of the year. A growing surplus on the markets put pressure on prices, especially during the first half of the year. The price hit the year low of 13 160 USD/tonne in early July. Some signs of improvement were seen in December due to improved demand from the stainless steel industry and an anticipated Indonesian nickel ore export ban. Since the beginning of 2014 nickel price has been in the region of 13 365–14 645 USD/tonne.

The European average benchmark price[2] for ferrochrome in 2013 was 1.16 USD/lb., down 3.8% from 1.21 USD/lb. in 2012. The price rose in the first half of the year, driven by expectations of improved demand for stainless steel and reduced South African ferrochrome supply due to a power buy-back program from the national electricity supplier. For the second half of the year, the price decreased due to increased ferrochrome supply from South Africa and weak stainless steel demand, to a level of 1.125 USD/lb. for both the third and fourth quarters. For the first quarter of 2014, the benchmark price rose to a level of 1.18 USD/lb.

The molybdenum average price[3] in 2013 was 10.35 USD/lb., down 19.0% from 12.78 USD/lb. in 2012. The price declined during the first half of the year and was mainly stagnant during the second half.

[1] Nickel Cash LME Daily Official Settlement, USD per tonne
[2] Ferro-chrome Contract: Ferro-chrome Lumpy CR charge basis 52% Cr quarterly major European destinations USD per lb. Cr
[3] MetalBulletin – Molybdenum Drummed molybdic oxide Free market USD per lb. Mo in warehouse

Business areas

Following the planned divestment of the Terni remedy assets, VDM business and certain service centers to ThyssenKrupp, Outokumpu has changed the names of its business areas to be:

- Stainless EMEA
- Stainless Americas
- Stainless APAC
- Specialty Stainless

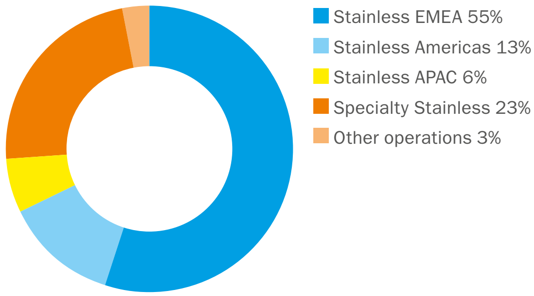
Note: This report contains comparisons to both Outokumpu stand alone as well as comparable figures for the combined entity based on management estimates for 2012. Tables that are marked with 'comparable' show the combined entity comparisons for 2012. In the text itself, only comparable numbers will be stated and analyzed. No verbal analysis is done based on the official financial statements 2012 since it presents Outokumpu stand alone and such analysis would not be meaningful.

Market development of total stainless steel real demand in 2013

Million tonnes	2013e	2012	2011
EMEA	6.8	6.9	6.8
Americas	3.4	3.3	3.1
APAC	22.7	21.0	20.0
Total	32.9	31.2	29.9

Source: SMR February 2014
e = estimate

Sales, 6 745 € million



Terni remedy assets, the VDM business and certain service centers are reported as discontinued operations. Quarterly 2013 profit and loss figures including related key figures have been restated for this reason. All comparable 2012 figures as well as restated quarterly 2013 figures are unaudited. For the full year 2013, deliveries decreased by 138,000 or 5.1% tonnes to 2,585,000 tonnes (2012: 2,723,000 tonnes).

Stainless EMEA

The key focus of Stainless EMEA is to maintain and expand Outokumpu's strong European stainless coil position through customer and product leadership, to improve financial performance and to drive cost efficiency by leveraging the company's own chrome mine and expanded ferrochrome production. The successful implementation of Outokumpu's industrial plan targeting to restructure the company's operations in Europe, introduced in October 2013, will be key in returning the company to profitability.

Stainless EMEA's deliveries for the full year 2013 declined by 8.7% year-on-year, due to the continued weak market. In addition, some volumes continued to be rerouted to Avesta in Sweden and Bochum in Germany towards the end of the year due to the production disturbances at the Tornio hot rolling mill in September. Ferrochrome ramp-up continued in line with the plans and production was 434 000 tonnes in 2013 (2012: 230 000 tonnes). The Krefeld melt shop was closed as planned in December 2013.

For the full year 2013, Stainless EMEA's EBIT was EUR -158 million, compared to EUR -281 million in the previous year. Non-recurring items accumulated to EUR -55 million (2012: EUR -125 million) and related primarily to headcount reductions announced in spring 2013. The reduction in operational losses was mainly driven by savings related to the closure of the Krefeld melt shop and headcount reductions, savings from the P150 program, as well as the focus on high-quality products with better margins. This partly compensated for the lower deliveries.

Stainless Americas

Stainless Americas' key focus is to build up a strong position in the Americas market by focusing on superior product quality, technical service, and delivery reliability. Improvement in Stainless Americas' financial performance is a priority and this is driven by the ramp-up of the Calvert facility. The aim is to finalize the Calvert technical ramp-up during 2014 and implement the full commercial ramp-up into 2016. In addition, Stainless Americas focuses on ensuring performance of the Mexican operations.

Deliveries for 2013 increased by 16.3% totaled 465 000 tonnes, compared to 400 000 tonnes in 2012, mainly driven by the ramp up of the Calvert mill.

The EBIT for 2013 was EUR -270 million (2012: EUR -182 million). The main drivers for the unsatisfactory performance during the year were the inventory-related losses in connection with falling nickel prices during the first half, production issues and high production unit costs due to low utilization rates during the Calvert ramp-up.

The high inventory levels at the beginning of the year were to a large degree caused by the continued deliveries of stainless steel from Terni. The shipments of the material from Europe to Stainless Americas will end in the first quarter of 2014 and this is estimated to have a positive impact on financial performance. Inventory levels were brought down during the second half of 2013 and are now well aligned with the anticipated delivery volumes of about 530 000 tonnes for 2014.

Stainless APAC

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

In 2013, deliveries increased from 104 000 tonnes to 184 000 tonnes, mainly driven by SKS business. Some recovery in the project business was seen towards the end of the year.

For the full year 2013, the EBIT was EUR -7 million compared to EUR -14 million in 2012.

Specialty Stainless

Following the planned divestment of the VDM business to ThyssenKrupp, Outokumpu presents VDM as discontinued operations and has restated its financial figures. The following table and commentary reflect the key business area figures without the VDM business.

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

In 2013, deliveries in Specialty Stainless declined by 9.1% to 490 000 tonnes, compared to 539 000 tonnes in the previous year.

The EBIT loss for the full year 2013 decreased to EUR 33 million, compared to a loss of EUR 133 million in 2012. EBIT in 2012 included non-recurring items of EUR -93 million. Excluding non-recurring items, EBIT improved year-on-year from EUR -40 million to EUR -33 million in 2013. Despite the lower deliveries, profitability improved thanks to a better mix as well as a streamlined cost base.

Financial performance

Outokumpu's financial performance for 2013 as a whole was unsatisfactory although losses were reduced. Stainless steel deliveries were down by 5.1% to 2 585 000 tonnes (2012: 2 723 000 tonnes), underlying EBITDA was EUR -32 million (2012: EUR -66 million), and underlying EBIT was EUR -377 million (2012: EUR -412 million). The main drivers for reduced losses were the improved performance of the Ferrochrome business as well as decreased overall cost levels thanks to ongoing cost takeout initiatives. On the other hand, the significantly lower deliveries and lower base prices had a major negative impact on performance.

Lower deliveries in 2013

For the full year 2013, deliveries decreased by 138 000 or 5.1% tonnes to 2 585 000 tonnes (2012: 2,723,000 tonnes).

Average capacity utilization of the Outokumpu facilities declined during the year: starting at 75–80% in the first quarter, 70–75% in the second quarter and reaching a low level at 65–70% for the second half of the year.

Deliveries, continuing operations

1 000 tonnes	2013	2012 Comparable	2012	2011
Cold rolled	**1 879**	1 890	728	740
White hot strip	**370**	436	315	309
Quarto plate	**77**	88	88	106
Long products	**62**	59	59	60
Semi-finished products	**399**	274	261	187
Stainless steel [1]	**186**	206	193	129
Ferrochrome	**212**	68	68	58
Tubular products	**12**	44	44	48
Total deliveries	**2 797**	2 791	1 495	1 449
Stainless steel deliveries	**2 585**	2 723	1 428	1 391

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

Sales and earnings declined in sluggish markets

In 2013, Outokumpu sales decreased by 15.3% to EUR 6 745 million due to low overall demand for stainless steel and Outokumpu products, lower base prices and a 14.3% decline in average nickel price.

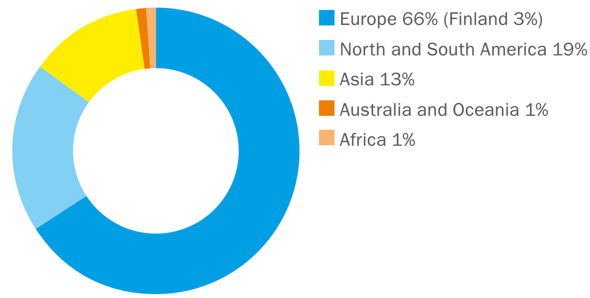
Sales

€ million	2013	2012 Comparable	2012 Restated [1]	2011
Stainless EMEA	**4 267**	5 738	2 648	3 042
Stainless Americas	**906**	923	2	1
Stainless APAC	**388**	294	128	137
Specialty Stainless	**1 619**	1 921	1 937	2 304
Other operations	**538**	565	564	702
Intra-group sales	**-974**	-1 480	-742	-1 178
The Group	**6 745**	7 961	4 538	5 009

[1] Adjusted due to reallocation of R&D operations in Avesta, Sweden from Other operations to Specialty Stainless.

In 2013, the underlying EBITDA improved from EUR -66 million to EUR -32 million, and the underlying EBIT from EUR -412 million to EUR -377 million. For the full year the non-recurring items amounted to EUR -78 million and raw material-related inventory effect of EUR -56 million adding up to total adjustments to EBIT of EUR -133 million during 2013. Reported EBIT in 2013 was EUR -510 million (2012: EUR -754 million).

Sales by market area



The main drivers for the reduced losses were the improved performance of the Ferrochrome business as well as decreased overall cost levels thanks to ongoing cost takeout initiatives. On the other hand, the significantly lower deliveries and lower base prices had a major negative impact on performance.

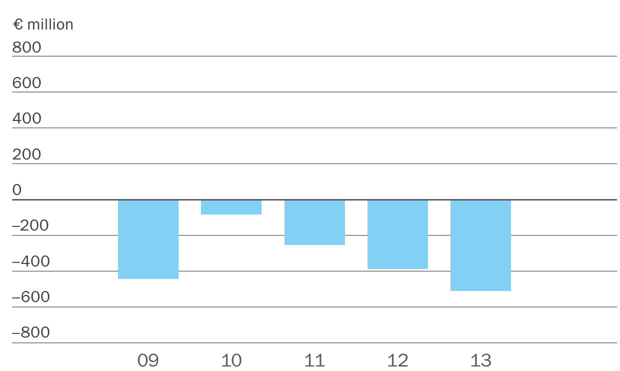
Higher financial expenses

The financial income and expense for the full year 2013 amounted to EUR -310 million, and of that interest expenses amounted to EUR 210 million. Market price losses decreased from EUR -64 million in 2012 to EUR -37 million in 2013. Financial expenses in the fourth quarter include a fair value change of EUR -41 million for the remaining 16% stake in Talvivaara Sotkamo Ltd due to the decline in the share price of Talvivaara Mining Company Plc during the year with a remaining fair value of EUR 13 million at the end of the year.

Negative net result for the period

For the full year, the net result was EUR -1,003 million (2012 Outokumpu stand alone: EUR -536 million) and earnings per share of continuing operations was EUR -0.40 (2012 Outokumpu stand alone: EUR -0.46).

Operating result

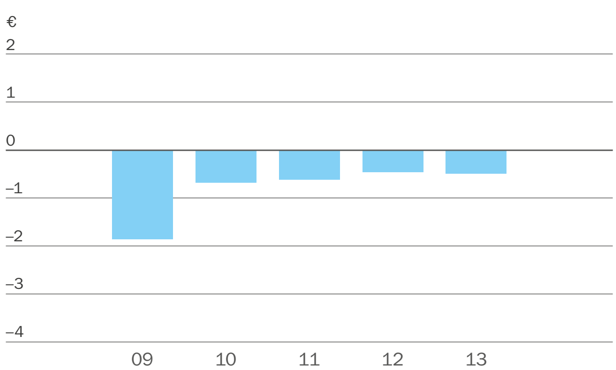


Year 2012 restated due to adoption of revised IAS 19 standard.

Profitability

€ million	2013	2012 Comparable	2012	2011
EBIT				
Stainless EMEA	**-158**	-281	-113	-84
Stainless Americas	**-270**	-182	0	0
Stainless APAC	**-7**	-14	-8	-3
Specialty Stainless	**-33**	-133	-133	-106
Other operations	**-39**	-148	-130	-72
Intra-group items	**-3**	5	-1	14
	-510	-754	-385	-251
Share of results in associated companies and joint ventures	**-2**	-	0	-5
Financial income and expenses	**-310**	-	-138	11
Result before taxes	**-822**	-	-524	-244
Income taxes	**-11**	-	-12	65
Net result for the financial year from continuing operations	**-832**	-	-	-
Net result for the financial year from discontinued operations	**-170**	-	-	-
Net result for the financial year	**-1 003**	-	-536	-180
Operating profit margin, %	**-7.6**	-9.5	-8.5	-5.0
Return on capital employed, %	**-10.3**	-	-8.2	-6.3
Earnings per share	**-0.48**	-	-0.46	-0.62
Earnings per share, continuing operations, EUR	**-0.40**	-	-	-
Net cash generated from operating activities	**34**	-	266	338

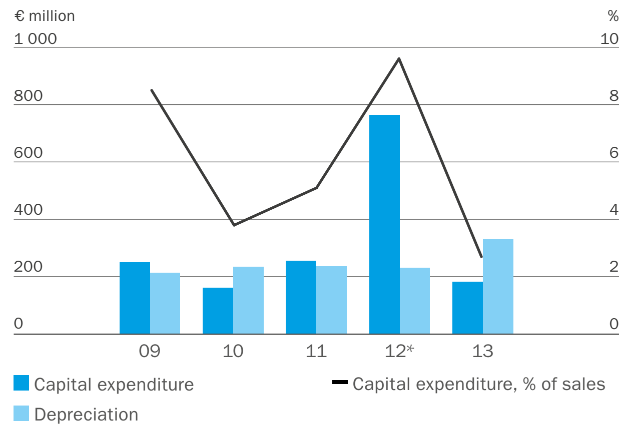
Earnings per share



Positive operating cash flow driven by decrease in working capital

For the full year 2013, net cash from operating activities was positive as well at EUR 34 million, mainly driven by the release of working capital of EUR 297 million since the beginning of the year.

Capital expenditure and depreciation



* Year 2012 continuing operations, comparable figures.

Capital expenditure

Capital expenditure for continuing operations declined significantly during 2013 and amounted to EUR 183 million (2012: EUR 763 million). This was mainly spent on the new production facility in Calvert, USA, the doubling of the ferrochrome production in Tornio, Finland, the quarto plate project in Degerfors, Sweden as well as to maintenance-related investments.

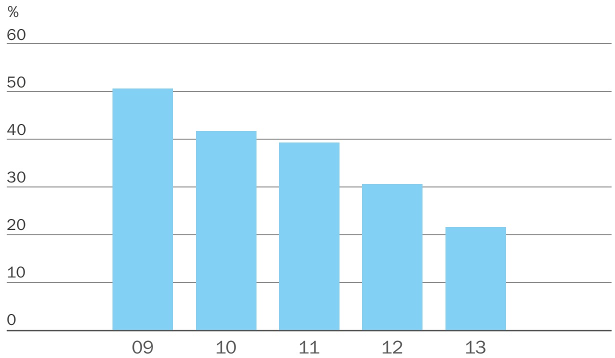
Capital expenditure, continuing operations

€ million	2013	2012	2011
Stainless EMEA	**69**	357	181
Stainless Americas	**44**	-	-
Stainless APAC	**3**	0	1
Specialty Stainless	**54**	65	60
Other operations	**14**	2 733	13
The Group	**183**	3 155	255
The Group, comparable	**183**	763	-
Depreciation and amortization	**332**	230	235

Balance sheet shows higher gearing

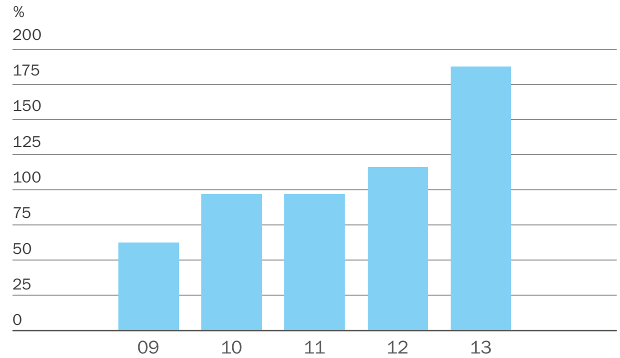
On November 30, 2013, Outokumpu announced the divestment of Terni remedy assets, the VDM business and certain service centers to ThyssenKrupp. Outokumpu presents the businesses to be divested as discontinued operations separately from the continuing operations 2013 result. In the statement of financial position, the additional reclassifications to assets held for sale are shown in the December 31, 2013 figures. In comparison periods, only original Terni remedy assets are classified to assets held for sale, and the additional reclassifications are included in the figures on each line. The ThyssenKrupp loan note which will be used as a consideration for the divestment is presented in long-term debt and will be derecognized at closing of the divestment in the first quarter of 2014.

Equity-to-assets ratio



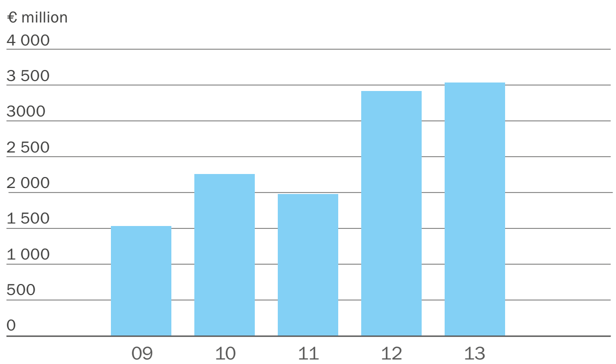
Year 2012 restated due to adoption of revised IAS 19 standard and completing the Inoxum acquisition accounting.

Debt-to-equity ratio



Years 2009–2012 have been restated due to Outokumpu's change in net interest-bearing debt definition.

Net interest-bearing debt



Years 2009–2012 have been restated due to Outokumpu's change in net interest-bearing debt definition.

Outokumpu has finalized the accounting related to the Inoxum transaction of 2012 based on the final valuation of the identifiable asset and liabilities. The completion of the accounting did not materially change the provisional valuation and did not have a material impact on the 2013 income statement or financial position.

During 2013, total assets decreased by EUR 865 million to EUR 8 823 million (Dec 31, 2012: EUR 9 688 million), to a large degree driven by a reduction in current assets by EUR 1 078 million to EUR 2 679 million (Dec 31, 2012: EUR 3 757 million). The main reason for this decline was focused and successful inventory management throughout the company: Inventories came down by EUR 1 112 million to EUR 1 216 million, (Dec 31, 2012: EUR 2 328 million). Approximately half of the inventory reduction was attributable to continuing operations and the other half reflects the reclassification of assets to assets held for sale and also the actual inventory decrease in those units.

Cash and cash equivalents increased by EUR 385 million to EUR 607 million at the end of 2013 (Dec 31, 2012: EUR 222 million) and it was mostly related to the continuing operations.

Total non-current assets decreased by EUR 711 million from EUR 4 655 million to EUR 3 944 million during 2013. The largest changes were recognized in property, plant and equipment, which decreased by EUR 462 milion to EUR 3 254 million (Dec 31, 2012: EUR 3 716 million). Approximately EUR 200 million of the reduction in property, plant and equipment was attributable to continuing operations reflecting mainly capital expenditure, depreciation and smaller disposals. The rest reflects the reclassification of assets to assets held for sale, but also the actual decrease in property, plant and equipment in those units.

The change in non-current trade and other receivables of EUR 161 million was primarily related to the sale of the Luvata receivable.

The goodwill was EUR 465 million at the end of 2013 (Dec 31, 2012: EUR 477 million).

Assets held for sale increased by EUR 924 million to EUR 2 200 million, mostly due to the reclassification of VDM and certain service centers, compared to EUR 1 276 million at the end of 2012, when only the Terni remedy assets were included. Liabilities directly attributable to these assets increased by EUR 262 million to EUR 1 048 million (Dec 31, 2012: EUR 786 million). These figures combine to a net value of EUR 1 152 million for the assets held for sale on the balance sheet.

Equity decreased by EUR 1 039 million, mainly reflecting the net loss of EUR 1 003 million of Outokumpu Group in 2013.

Non-current liabilities increased by EUR 169 million mainly driven by higher long-term debt of EUR 3 270 million, compared to EUR 2 935 million at the end of the previous' year. The increase in long-term debt was mostly driven by continuing operations and related to the committed revolving credit facility of EUR 900 million signed in July. Long-term debt also includes the total amount of the ThyssenKrupp loan note of EUR 1 283 million (Dec 31, 2012: EUR 1 229 million).

Current liabilities went down by EUR 234 million to EUR 2 093 million (Dec 31, 2012: EUR 2 327 million), primarily because of the decline in trade and other payables by EUR 407 million to EUR 1 136 million (Dec 31, 2012: EUR 1 543 million). Continuing operations contributed some EUR 170 million to this decline and discontinued operations the rest, reflecting the reclassification of liabilities to liabilities directly attributable to assets held for sale as well as the actual decrease of trade and other payables in those units.

Net interest-bearing debt at the end of December 2013 totaled EUR 3 556 million, up by EUR 125 million compared to the end of 2012 (Dec 31, 2012: 3 431 million). During the last quarter of the year, net debt declined by EUR 305 million, mostly due to positive cash flow driven by working capital release during the fourth quarter. Gearing at the end of December 2013 was 188.0%, compared to 116.2% at the end of December 2012. The planned divestiture of the Terni and VDM businesses to ThyssenKrupp in exchange for the EUR 1.3 billion loan note is expected to be reduce gearing by 68 percentage points compared to the end of 2013.

Key financial indicators on financial position

€ million	2013	2012 Restated [1)]	2012
Net interest-bearing debt			
Long-term debt	**3 270**	2 935	1 161
Current debt	**893**	718	998
Cash and cash equivalents	**-607**	-222	-168
Net interest-bearing debt	**3 556**	3 431	1 991
Shareholders' equity	**1 891**	2 952	2 050
Return on equity, %	**-41.4**	-21.4	-8.2
Debt-to-equity ratio, %	**188.0**	116.2	97.1
Equity-to-assets ratio, %	**21.5**	30.5	39.3
Net interest expenses	**197**	66	65

[1)] Figures for 2012 have been restated as a result of adoption of the revised *IAS 19 Employee Benefits* standard.

Financing

Cash and liquidity reserves

At the end of 2013, cash was EUR 607, while the overall liquidity reserves are in excess of EUR 1 000 million.

Refinancing

During the year Outokumpu took decisive steps to refinance its loan portfolio. In July, Outokumpu Oyj signed a EUR 900 million committed revolving credit facility with a maturity in June 2015. The facility replaced the EUR 750 million facility that had been put to place in June 2011 and the EUR 250 million facility that became effective in December 2012. At the end of 2013, EUR 590 million of the EUR 900 million revolving credit facility had been drawn. The EUR 900 million revolving credit facility includes two financial covenants, one based on gearing and the other on liquidity. There have been no breaches of financial covenants in 2013.

At the end of November, Outokumpu announced comprehensive plans to strengthen the company’s balance sheet, including renewal and maturity extension of the loan portfolio, new liquidity facility and a planned rights issue of approximately EUR 650 million. See “Events after the end of the reporting period” for more information.

People

Outokumpu’s headcount for continuing operations decreased by 1 512 and totaled 12 561 at year end (2012: 14 073). The average number of employees was 13 150 during the year. The decrease in the number of employees was mainly related to the sale of the majority in OSTP tubular joint venture in January 2013 as well as to the ongoing integration and cost reduction programs. The lost-time injury rate (lost-time accidents per million working hours) for the full year 2013 was 4.5 and in line with the Outokumpu target. This rate represents an all-time low level of lost time injuries. There was one serious accident, which was investigated and follow-up actions implemented. Outokumpu’s overall target for safety for 2014 will be 4.0 lost-time accidents for million hours worked.

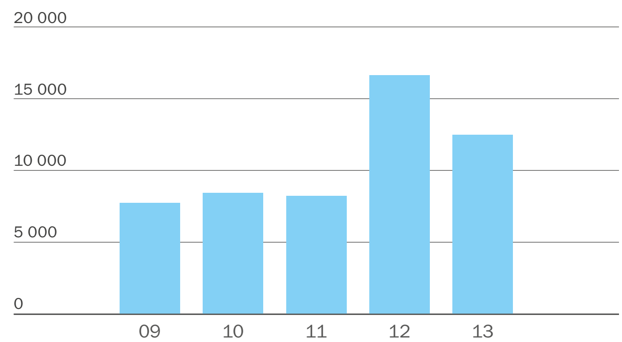
In response to the difficult market situation, Outokumpu initiated actions to reduce costs and enable the Group to achieve sustainable profitability. In connection with the P150 cost savings program, headcount reduction measures as announced in April 2013 are currently being implemented. Additional reduction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

Total wages and salaries in 2013 amounted to EUR 583 million (2012: EUR 340 million and 2011 EUR 379 million). Indirect employee costs totaled EUR 222 million (2012: EUR 133 million and 2011 EUR 150 million).

Personnel, continuing operations

Dec 31	2013	2012 Comparable	2012	2011
Stainless EMEA	**6 890**	7 476	7 977	3 582
Stainless Americas	**2 006**	1 974	1 974	5
Stainless APAC	**630**	662	662	121
Specialty Stainless	**2 650**	2 741	4 764	3 063
Other operations	**385**	1 220	1 272	1 482
The Group	**12 561**	14 073	16 649	8 253

Personnel on December 31, 2013



Year 2009 reported as full-time equivalent.
Year 2013 reported for continuing operations.

Environment

Emissions into the air and discharges into water remained within permitted limits at the Outokumpu sites and the breaches that occurred were temporary, were identified and had only a minimal impact on the environment. Outokumpu is not a party in any significant juridical or administrative proceeding concerning environmental issues, nor is it aware of any realized environmental risks that could have a material adverse effect on Outokumpu’s financial position. This conclusion was made also in internal environmental audits which were performed at each production site during 2013.

Despite the start of the new EU CO_2 Emission Trading period 2013–2020, the authorities have not yet allocated the final amounts of CO_2 emissions allowances for all Outokumpu European production units. However, our operations under the EU Emissions Trading Scheme (ETS) will continue to receive free emissions allocations according to efficiency-based benchmarks and historical activity. The coming allocation is foreseen to be sufficient for the operations this year. During 2013, Outokumpu sold in total 600 000 emissions allowances (EUA’s) to external markets.

Due to the increased electricity price caused by EU ETS, the UK government is paying national compensation to electricity-intensive industry. Outokumpu’s SMACC melt shop in Sheffield, UK will get a compensation of about EUR 1 million annually.

In 2013, Outokumpu maintained its membership in the DJSI World Index for the seventh consecutive year and it was also recognized by CDP (also known as the Carbon Disclosure Project).

Outokumpu's sustainability report will be published together with the 2013 annual report in March 2014.

Research and development

Research and development work at Outokumpu aims to ensure the company's future competitiveness, profitability and growth. R&D work is focused on technical market and application development, product development and process development. Outokumpu has three research centers, located in Avesta, Sweden, in Krefeld and Benrath, Germany and in Tornio, Finland, and R&D work is also carried out at Outokumpu production sites globally. The research centers employed total of around 230 people. In 2013, Outokumpu's R&D expenditure for continuing operations totaled EUR 26 million which is 0.4% of the operating costs (2012: EUR 19 million and 0.4%, 2011: EUR 21 million and 0.4%).

The highlights of Outokumpu's new product launches in 2013 include new formable duplex steels FDX 25™ and FDX 27™, the high-strength, corrosion-resistant austenitic grade Outokumpu 4420, the high-chromium ferritic grade Outokumpu 4622, and EDX 2304™, an enhanced duplex grade 2304 developed for offshore industry. Other examples of new product innovations include the GritLine surface finish and austenitic grades H500, H800 and H1000 for lightweight applications.

Risks and uncertainties

Outokumpu operates in accordance with the risk management policy approved by the Board of Directors. This policy defines the objectives, approaches and areas of responsibility in risk management activities. In addition to supporting Outokumpu's strategy, the aim of risk management is identifying, evaluating and mitigating risks from the perspective of shareholders, customers, suppliers, personnel, creditors and other stakeholders.

Outokumpu has defined "risk" as anything that could have an adverse impact on achieving the Group's objectives. Risks can therefore be threats, uncertainties or lost opportunities for the company's current or future operations. The risk management process is an integral part of overall management processes and is divided into four stages: risk identification, risk evaluation, risk prioritization and risk mitigation.

One of the main focus areas during 2013 was to monitor and strengthen Outokumpu's financial position, as low profitability and a stretched balance sheet led to increased risk of financial distress for Outokumpu. Financing measures initiated during the fourth quarter will help to reduce refinancing risk, strengthen liquidity and improve significantly Outokumpu's financial position. There was one major realized operational risk: a machinery breakdown loss at the Tornio hot rolling mill, which also had significant business interruption impacts. Outokumpu was able to mitigate the losses to a large extent.

Strategic and business risks

The key strategic and business risks currently include: risks related to Outokumpu's ability to achieve the anticipated synergy savings from the acquisition of Inoxum, reduction of cost and release of cash from working capital; risks related to the ramp-up of production in Calvert, USA, and uncertainties related to the subsequent, profitable market entry for stainless steel volumes generated from the project; risks and uncertainties in implementing the announced new industrial plan in Europe; risks related to Outokumpu's ability to expand the Group's business in growth markets; risks related to structural overcapacity and continued weak markets for stainless steel; risks related to stainless steel market developments and competitor actions, including the possible impact of Nickel Pig Iron (NPI) technology on the competitive situation; the risk of litigation or adverse political action affecting trade or changes that have an impact on environmental legislation, and risks and uncertainties related to the Fennovoima project.

Operational risks

Operational risks include inadequate or failed internal processes, employee actions, systems, or events such as natural catastrophes and misconduct or crime. Risks of these types are often connected with production operations, logistics, financial processes, major investment projects, other projects or information technology and, should they materialize, can lead to personal injury, liability, loss of property, interrupted operations or environmental impacts. Outokumpu's operational risks are partly covered by insurance. Key operational risks for Outokumpu are: a major fire or accident; IT dependency; project implementation risks and personnel related risks. To minimize possible damage to property and business interruptions which could result from a fire occurring at some of its major production sites, Outokumpu has systematic fire and security audit programs in place.

Financial risks

Key financial risks for Outokumpu include: changes in the price of nickel, molybdenum, electricity and fuels; currency risks associated with the euro, the US dollar and the Swedish krona; interest rate risks connected with the euro, the US dollar and Swedish krona; risks related to Talvivaara's share price; risks and uncertainties related to taxation; risks and uncertainties related to the announced divestment of Terni remedy assets and VDM to ThyssenKrupp in exchange for the ThyssenKrupp loan note; risks and uncertainties related to the implementation of financing measures; Outokumpu's ability to maintain adequate liquidity and capital structure; increases in the prices of metals and other raw material, which may tie excessive amounts of cash to working capital and reduce cash flow; and continued low stainless steel prices, which would further weaken cash flow and the profitability of Outokumpu.

Outokumpu evaluates both liquidity and refinancing risks related to its capital management as well as major investment decisions. The nickel price remained quite stable during the second half of the year; however, the price decline earlier in the year continued to have a negative impact on Outokumpu's profitability. Outokumpu changed its nickel hedging policy in 2013 to cover a higher ratio of hedging of inventory-related exposures. In addition, the amount of debt and the margins increased by the end of the year. Continuing reductions in the value of the Group's stake in Talvivaara Sotkamo Ltd had a negative impact on earnings and on the balance sheet.

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 industrial plan in Europe, the risk related to possible failures or delays in or inadequate profitability of ramping up the stainless steel mill in Calvert, USA; risks related to stainless steel market developments and competitor actions; risks and uncertainties, related to the announced divestment of Terni remedy assets and VDM to ThyssenKrupp in exchange for the ThyssenKrupp loan note; risks and uncertainties related to the implementation of financing measures; risks related to Outokumpu's ability to maintain adequate liquidity and capital structure; major failures or delays in achieving the anticipated synergy benefits, reduction of cost and release of cash from working capital; risks and uncertainties related to the Fennovoima project; the risk of increases in metals and other raw material prices, which may tie excessive amounts of cash to working capital and reduce cash flow; and the risk of continued low stainless steel prices, which would further weaken cash flow and the profitability of Outokumpu in the short term. A further reduction in the nickel and other alloying metals prices presents a risk for Outokumpu, for example by causing inventory-related losses and other adverse business impacts. Possible adverse changes in the global economic environment, which would impact the stainless steel industry, are risks for Outokumpu. These kinds of adverse developments may weaken the Group's financial position further and also have an impact on Outokumpu's customers' payment behavior and increase default rates.

In order to increase its risk tolerance, Outokumpu has initiated significant financing measures including for example a new liquidity facility of EUR 500 million, maturity extensions of a debt portfolio of about EUR 1.5 billion and a planned rights issue of approximately EUR 650 million in connection with the announced sale of the Terni and VDM operations. All these measures will significantly de-risk Outokumpu in 2014 by improving liquidity, strengthening the balance sheet, reducing variations in free cash flow and decreasing exposure to operational risks.

Closing the sale of the Terni and VDM assets as well as the completion of the financing measures will significantly reduce Outokumpu's financial and operational risks. This is expected to return risk tolerance to acceptable level and enable the execution of Outokumpu's restructuring measures back to sustainable profitability.

Significant legal proceedings

The following is an update on pending legal proceedings. All legal disputes and litigations related to the Terni remedy assets, the VDM business and certain service centers will move over to ThyssenKrupp once the asset sale transaction with ThyssenKrupp is completed. Due to the contractual agreements between ThyssenKrupp and Outokumpu, there will be no further liability risk for Outokumpu resulting from these legal disputes.

European Commission cartel investigation in the industrial copper tube sector

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

Dispute over invention rights

In January 2013, Outokumpu and Outotec entered into a legal dispute over invention rights. In August 2013, Outotec submitted another application for summons at the District Court of Helsinki regarding another patent relating to the invention. The ferrochrome-nickel production method is developed by Outokumpu and it has filed the patent applications related to this invention. Outotec claims it has rights to the inventions. Outokumpu finds these allegations to be completely without merit.

Lawsuits regarding a fire in AST's Turin facility

In December 2007, a fire on line 5 at AST's production facility in Turin, Italy, caused the death of seven AST employees. In May 2008, the public prosecutor of Turin brought charges against AST and six of its employees. In April 2011, the court announced its verdict, under which all of the individual defendants were found guilty and given prison sentences ranging from ten years and ten months to 16 years and six months. Proceedings in the appellate court commenced in November 2012, and in February 2013 the court issued the operative part of its judgment, in which the sentences of the individuals were reduced to a range from seven years to ten years. All defendants and AST have filed an appeal to the Corte di Cassazione in Rome. The first hearings are expected to take place in April 2014.

Rejection of exemption from renewable energy charges for German plants

On July 8, 2013, Nirosta and VDM received rejections from the competent authority Bundesamt für Wirtschaft und Ausfuhrkontrolle ("BAFA") with respect to their applications for an exemption from the German Renewable Energy Charge. Nirosta and VDM both filed complaints against the decision of BAFA. Since then, Nirosta and VDM have been able to reach an agreement with BAFA by which the exemption for 2013 was still granted. The renewable energy charge reduction resulted in a EUR 25 million refund on energy costs for the entities in Germany for 2013 (EUR 20 million related to continuing operations). The complaint has therefore become redundant. On December 18, 2013, the EU Commission initiated a state aid procedure against Germany in connection with the Renewable Energy Charge system and the exemptions for energy-intensive industries. While Nirosta and Outokumpu will still receive such benefits in 2014, it cannot be excluded that such benefits are endangered by that state aid procedure for 2015.

U.S. antidumping order on stainless steel strip and sheet from Mexico, Germany and Italy

On July 27, 1999, the U.S. Department of Commerce (the "USDOC") issued antidumping duty orders on imports of stainless steel strip and sheet from Mexico, Germany and Italy, among other countries. The antidumping duty orders on stainless steel strip and sheet from Mexico, Germany and Italy were revoked effective July 25, 2011 due to a negative determination by the United States International Trade Commission (USITC). The U.S. petitioners in the antidumping case appealed the USITC's determination to the U.S. Court of International Trade in New York with regard to the revocation of the antidumping duty order on imports from Mexico. On November 15, 2012, the court dismissed the appeal by the plaintiffs. A complaint by the plaintiffs against that court order was rejected by the U.S. Court of Appeals on January 9, 2014. The revocation of the duty orders on stainless steel imports have therefore become legally binding as the plaintiffs have no further means of challenging the decision by the USITC.

Share development and shareholders

Outokumpu's share capital did not change during 2013 and was EUR 311 million at the end of the year. As of December 31, 2013, the total number of Outokumpu shares was 2 078 081 348, and Outokumpu held 975 888 of its own shares. According to its Articles of Association, Outokumpu has only one single class of shares, and all shares have equal voting power at General Meetings of shareholders.

The following table sets out the largest shareholders as per December 31, 2013 and December 31, 2012.

Shareholders

%	Dec 31 2013	Dec 31 2012
Foreign investors	41.7	43.2
Finnish corporations	26.1	25.2
Finnish private households	22.1	14.4
Finnish public sector institutions	6.6	11.3
Finnish financial and insurance institutions	2.5	4.7
Finnish non-profit organizations	1.0	1.2
Shareholders with over 5% of shares and voting rights		
ThyssenKrupp AG	29.9	29.9
Solidium Oy (owned by the Finnish State)	21.8	21.8

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

In connection with the agreed sale of the Terni remedy assets, the VDM business and certain service centers to ThyssenKrupp, ThyssenKrupp has entered into an agreement to divest its 29.9% shareholding in Outokumpu to a group of institutional investors, to comply with the buyer suitability requirements of the European competition rules. In connection with the divestment by ThyssenKrupp, Solidium has agreed to acquire a part of the shares resulting in an increase of its ownership in Outokumpu from its current level of 21.8% to 29.9%. Similarly, Ahlström Capital has agreed to acquire shares representing 5.0% of all shares in Outokumpu.

Management shareholdings and share-based incentive programs

As of December 31, 2013, the members of the Board of Directors and the members of the Outokumpu Leadership Team (OLT) held altogether 943 452 shares or 0.05% of the total shares outstanding.

Outokumpu has established share-based incentive programs for the OLT members and for selected managers and key employees. In 2013, 40 000 reward shares have been paid out based on the restricted shares program 2010 in relation to the end of the retention period. The reward shares were paid with treasury shares in the company's possession. Due to the payment of the reward shares, the number of treasury shares held by Outokumpu decreased to 975 888 at the end of 2013 (Dec 31, 2012: 1 015 888).

For the earning period 2010–2012, no shares have been paid out because the targets set for this period have not been met.

More details on the share-based incentive programs can be found on the Outokumpu web page.

The continued losses of Outokumpu in 2013, the weak stainless steel market development as well as uncertainty related to the divestment of the Terni remedy assets were reflected in Outokumpu share price. The Outokumpu share price declined by 48% and was EUR 0.41 on the last trading day of 2013 (EUR 0.79 on December 28, 2012). During 2013, the price of the Outokumpu share peaked at EUR 0.85 and was EUR 0.35 at its lowest (2012 high/low: EUR 2.10/EUR 0.64). At the end of 2013, the company's market capitalization was EUR 845 million, compared to EUR 1 650 million at the previous year's end.

For details on relate party transactions, please see note 31. Related party transactions.

Share information

		Jan–Dec 2013	Jan–Dec 2012
Fully paid share capital at the end of the period	€ million	311.1	311.1
Number of shares at the end of the period		2 078 081 348	2 078 081 348
Average number of shares outstanding 1)		2 077 080 035	1 130 421 112
Average number of shares outstanding, rights-issue-adjusted 1)		2 077 080 035	1 156 005 029
Number of shares outstanding at the end of the period 1)		2 077 105 460	2 077 065 460
Number of treasury shares held at the end of the period		975 888	1 015 888
Share price at the end of the period 2)	€	0.41	0.79
Average share price 2)	€	0.53	0.97
Highest price during the period 2)	€	0.85	2.10
Lowest price during the period 2)	€	0.35	0.64
Market capitalization at the end of period	€ million	845	1 650
Share turnover 3)	million shares	1 564.5	1 297.7
Value of shares traded 3)	€ million	835.1	1 773.9

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

1) The number of own shares repurchased is excluded. There are currently no programs with diluting effect in place.
2) Comparative share prices adjusted regarding the effect of the rights issue.
3) Jan–Dec 2012 figures include the effect of share subsciption rights traded during March 15–28, 2012.

Changes to the leadership team

As announced on July 24, 2013, Outokumpu appointed Reinhard Florey as Executive Vice President and Chief Financial Officer as of November 1, 2013. Reinhard Florey took on the role from Esa Lager, whose intention to leave the position by the end of 2013 was announced on February 14, 2013.

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

Annual General Meeting

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

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

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

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

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

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

Nomination Board

Outokumpu's Annual General Meeting has established a Nomination Board to annually prepare proposals on the composition of the Board of Directors and director remuneration for the Annual General Meeting.

According to the Charter of the Nomination Board, the Nomination Board consists of the representatives of Outokumpu's four largest shareholders, registered in the Finnish book-entry system on October 1, who accept the assignment.

On October 1, 2013 the four largest shareholders of Outokumpu were ThyssenKrupp AG, Solidium Oy, The Social Insurance Institute of Finland and Varma Mutual Pension Insurance Company. They have appointed the following people as their representatives on the Nomination Board:

- Guido Kerkhoff, CFO at ThyssenKrupp AG and also member of the Outokumpu Board of Directors,
- Kari Järvinen, Managing Director at Solidium Oy,
- Tuula Korhonen, Investment Director at The Social Insurance Institute of Finland and
- Pekka Pajamo, CFO at Varma Mutual Pension Insurance Company.

The Nomination Board elected from among its members Kari Järvinen as Chairman. In addition, the Chairman of the Outokumpu Board of Directors Jorma Ollila serves as an expert member in the Nomination Board. Nomination Board has held its first meeting on October 16, 2013.

Changes to the Board of Directors and the Nomination Board

Guido Kerkhoff, CFO of ThyssenKrupp, stepped down from the Outokumpu Board of Directors as of November 30, 2013 and from the Nomination Board as of December 2, 2013. This decision was made in connection with the planned transaction to sell the Terni remedy assets and the VDM business to ThyssenKrupp. To comply with the buyer suitability requirements of the European competition rules, ThyssenKrupp has entered into an agreement to divest its 29.9% shareholding in Outokumpu to a group of institutional investors.

Market and business outlook

Market outlook

Global real demand for total stainless steel products is estimated to total 32.9 million tonnes in 2013 and forecasted to reach 34.6 million tonnes and 36.4 million tonnes in 2014 and 2015, respectively. Between 2013 and 2015, global consumption is expected to increase at an annual growth rate of 5.1%, while growth is forecasted to be mainly driven by increased consumption in APAC (+5.7%) and in the Americas (+3.8%). In EMEA, total stainless steel demand is estimated to increase by 3.8% from 2013 to 2015.

For the first quarter of 2014, the latest forecasts provided by Steel & Metals Market Research (SMR) see some improvement in the European market to the level of 1.8 million tonnes compared to the very low level of 1.6 million tonnes in the fourth quarter of 2013. Demand in APAC is estimated to remain flat at the level of 5.8 million tonnes and the Americas market is expected to grow from 0.8 million tonnes to 0.9 million tonnes during the first quarter of 2014.

Market development for total stainless steel real demand between 2010 and 2015

Million tonnes	2010	2011	2012	2013e	2014f	2015f
EMEA	6.4	6.8	6.9	6.8	7.1	7.3
Americas	2.5	3.1	3.3	3.4	3.5	3.7
APAC	18.5	20.0	21.0	22.7	24.0	25.3
Sum	27.3	29.9	31.2	32.9	34.6	36.4

Source: SMR February 2014
e = estimate, 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 2013 and 2015 will mainly be attributable to increased demand from the Automotive & Heavy Transport (+6.0%), Architecture/Building/Construction & Infrastructure (+5.9%) and Industrial & Heavy Industries (+5.3%) segments. The Consumer Goods & Medical and Chemical/Petrochemical & Energy segments are expected to grow at average annual growth rates of 4.9% and 4.5%, respectively.

Sources: SMR February 2014

Business and financial outlook for the first quarter of 2014

Outokumpu expects modest improvement in the underlying market demand for the first quarter. The company estimates sequentially higher delivery volumes and some improvement in base prices. The progress in the cost efficiency initiatives and synergies is estimated to be steady.

For the first quarter of 2014, Outokumpu estimates that the underlying EBIT will be better than in the fourth quarter, but still a loss. Operating cash flow is expected to be negative during the first quarter of 2014, driven by an increase in inventories related to anticipated higher deliveries. At current metal prices, marginal raw material-related timing gains are expected, if any. Outokumpu's operating result in the first quarter of 2014 could be impacted by non-recurring items associated with the Group's ongoing restructuring programs.

This outlook reflects the current scope of continuing operations of Outokumpu.

Key targets updated

- Capital expenditure to be below EUR 200 million in 2014 (2013: EUR 183 million).
- Net working capital management remains high on the agenda. The original target of EUR 300 million reduction in net working capital is expected to be exceeded by the end of 2014. The target for working capital efficiency measured in inventory days for the continuing operations is 91.
- Cumulative synergy savings connected with the Inoxum integration expected to reach EUR 170 million during 2014 (2013: EUR 95 million).
- The P150 program is expected to reach cumulative savings of EUR 150 million in 2014 as originally planned (2013: EUR 104 million).
- The European industrial plan expected to result in additional savings of more than EUR 100 million in 2017.
- Everything combined Outokumpu's overall savings programs are expected to result in annual savings of approximately EUR 320 million in 2014, EUR 380 million in 2015, EUR 440 million in 2016 and EUR 450 million in 2017.
- Ferrochrome production is targeted to be approximately 490 000 tonnes in 2014 (2013: 434 000 tonnes). Once fully ramped up in 2015 (technical capacity of 530 000 tonnes), annual ferrochrome deliveries will range between 500 000 and 530 000 tonnes depending on maintenance activities.
- Continued progress in the Calvert operational ramp-up is expected in the coming months. We estimate EBITDA in Stainless Americas to break-even for the full year 2014 and delivery volumes of about 530 000 tonnes.

Board of Directors' proposal for profit distribution

In accordance with the Board of Directors' established dividend policy, the pay-out ratio over a business cycle should be at least one third of the Group's profit for the period, with the aim of having stable annual payments to shareholders. In its annual dividend proposal, the Board of Directors will, in addition to financial results, take into consideration the Group's investment and development needs.

According to the Group's financial statements on December 31, 2013 distributable funds of the parent company totaled EUR 1 504 million, of which retained earnings EUR 46 million.

The Board of Directors is proposing to the Annual General Meeting scheduled for April 14, 2014 that no dividend be paid from the parent company's distributable funds and that net result for the financial year 2013 be allocated to retained earnings.

Events after the end of the reporting period

EU Commission approves the Terni and VDM transaction

On February 12, the European Commission approved the sale of the Terni, VDM business and certain service centers to ThyssenKrupp. Most of the other regulatory approvals have also been obtained.

Update on financing plan

On January 27, 2014 Outokumpu told that it is proceeding with the comprehensive measures to strengthen the company's balance sheet as announced on November 30, 2013. The company has received commitments to, and signed a mandate letter for, a new EUR 900 million revolving credit facility maturing in February 2017. This facility will replace the facility for the same amount signed on July 12, 2013 and maturing in June 2015. Outokumpu has also made progress in extending and amending its bilateral loan portfolio of about EUR 600 million. Outokumpu has obtained the required consent from most lenders to extend the loan maturities until February 2017, and expects to complete this process in February 2014. Outokumpu and ThyssenKrupp have also agreed to amend and extend the outstanding credit facility in the amount of EUR 250 million granted by ThyssenKrupp. This facility will be settled at the closing of the sale of the Terni and VDM units to ThyssenKrupp to end all financing agreements between the two companies.

Outokumpu has also decided to grant a security package to secure its debt financing. As security, Outokumpu plans to pledge certain of its subsidiary shares for example in Finland, Sweden and the USA as well as certain other assets. The security package ensures financing on competitive prices and its benefits clearly surpass its costs, which are only marginal.

Since the granting of the proposed security package required the consent of the holders of the Outokumpu's notes maturing in 2015 and 2016 Outokumpu launched a consent solicitation process for the notes. In the noteholders' meetings held on February 7, 2014 in Helsinki the holders of the 2015 and 2016 notes resolved to approve the proposals relating to the granting of security and certain amendments of the terms and conditions of the respective notes and to certain authorization and waivers related to the subordination deed. Accordingly and except for certain limited circumstances, the consents and waivers became effective immediately after being sanctioned and the amendments to terms and conditions of the both notes will enter into force upon the completion of certain refinancing measures.

EGM called for February 14, 2014

On January 23, 2013 Outokumpu convened an Extraordinary General Meeting for February 14, 2014 in Espoo, Finland The Board of Directors proposed that the Extraordinary General Meeting authorizes the Board of Directors to undertake a share issue for consideration in which shareholders have the right to subscribe for new shares in proportion to their existing holdings of the shares of the company. The Board of Directors has the right to decide upon the offering to parties determined by the Board of Directors of any shares that may remain unsubscribed for pursuant to the shareholders' pre-emptive subscription right. The authorization is for a maximum of 65 billion new shares. The Board of Directors is authorized to determine the other terms and conditions of the share issue.

Strategic review of operations in Nyby, Kloster and Dahlerbrück concluded

In June 2013, Outokumpu announced a strategic review of its thin and precision strip operations in Kloster and Nyby, Sweden and in Dahlerbrück, Germany with the aim of reducing capacities and achieving cost savings through increased efficiencies. As a result of the review, the company plans to discontinue its operations in Kloster, Sweden. Outokumpu will continue the operations in Nyby, Sweden and in Dahlerbrück, Germany as before.

Proved ore reserves of the Kemi mine significantly larger after new drillings

As announced in January 2014, Outokumpu has updated its estimates on the proved ore reserves and mineral resources of the Kemi mine in Finland. The proved ore reserves have significantly increased compared to earlier estimates, and are now altogether 50.1 million tonnes instead of the earlier estimated some 33 million tonnes.

In Espoo, February 12, 2014

Board of Directors

Jorma Ollila	Heikki Malinen
Olli Vaartimo	Elisabeth Nilsson
Markus Akermann	Siv M. Schalin
Harri Kerminen	

OUTOKUMPU OYJ

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's report

To the Annual General Meeting of Outokumpu Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Outokumpu Oyj for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Espoo, February 13, 2014

KPMG Oy Ab

Virpi Halonen
Authorized Public Accountant

Consolidated financial statements, IFRS

Consolidated statement of income

€ million	Note	2013	2012 Restated [1]
Continuing operations			
Sales	3	**6 745**	4 538
Cost of sales		**-6 847**	-4 503
Gross margin		**-102**	35
Other operating income	6	**24**	23
Selling and marketing expenses		**-144**	-115
Administrative expenses		**-230**	-181
Research and development expenses		**-26**	-19
Other operating expenses	6	**-31**	-128
Operating result		**-510**	-385
Share of results in associated companies and joint ventures	13	**-2**	-0
Financial income and expenses	8		
Interest income		**13**	13
Interest expenses		**-210**	-80
Market price gains and losses		**-37**	-64
Other financial income		**0**	2
Other financial expenses		**-76**	-10
Total financial income and expenses		**-310**	-138
Result before taxes		**-822**	-524
Income taxes	9	**-11**	-12
Net result for the financial year from continuing operations		**-832**	-536
Net result for the financial year from discontinued operations	5	**-170**	-
Net result for the financial year		**-1 003**	-536
Attributable to			
Equity holders of the Company		**-997**	-534
Non-controlling interests		**-6**	-2
Earnings per share for result attributable to the equity holders of the Company (basic and diluted), € [2]	10		
Earnings per share, continuing operations		**-0.40**	-0.46
Earnings per share, discontinued operations		**-0.08**	-
Earnings per share		**-0.48**	-0.46

[1] Figures for 2012 have been restated due to adoption of revised *IAS 19 Employee Benefits* standard. Restatement had an effect on the following notes: 7. Employee benefit expenses, 8. Financial income and expenses, 9. Income taxes, 10. Earnings per share, and 25. Employee benefit obligations.
[2] Figures for 2012 calculated based on the rights-issue-adjusted weighted average number of shares.

Consolidated statement of comprehensive income

€ million	Note	2013	2012 Restated [1)]
Net result for the financial year		**-1 003**	-536
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**-40**	-6
Available-for-sale financial assets	16		
Fair value changes during the financial year		**-2**	-5
Reclassification adjustments from other comprehensive income to profit or loss		**-0**	-1
Income tax relating to available-for-sale financial assets	9	**0**	1
Cash flow hedges	20		
Fair value changes during the financial year		**-11**	14
Reclassification adjustments from other comprehensive income to profit or loss		**-4**	**-3**
Income tax relating to cash flow hedges	9	**4**	-3
Net investment hedges			
Income tax relating to net investment hedges	9	**1**	-
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	25		
Changes during the financial year		15	-44
Income tax relating to remeasurements	9	-8	11
Other comprehensive income for the financial year, net of tax		**-44**	**-36**
Total comprehensive income for the financial year		**-1 047**	**-571**
Attributable to			
Equity holders of the Company		-1 040	-569
Non-controlling interests		-7	-2

1) Figures for 2012 have been restated due to adoption of revised *IAS 19 Employee Benefits* standard. Restatement had an effect on the following notes: 7. Employee benefit expenses, 8. Financial income and expenses, 9. Income taxes, 10. Earnings per share, and 25. Employee benefit obligations.

Consolidated statement of financial position

€ million	Note	2013	2012 Restated [1) 2)]
ASSETS			
Non-current assets			
Intangible assets	11	**570**	607
Property, plant and equipment	12	**3 254**	3 716
Investments in associated companies and joint ventures	13	**66**	51
Available-for-sale financial assets	16	**15**	16
Investments at fair value through profit or loss	17	**2**	2
Derivative financial instruments	20	**2**	2
Deferred tax assets	9	**24**	89
Trade and other receivables	22	**11**	172
		3 944	4 655
Current assets			
Inventories	21	**1 216**	2 328
Available-for-sale financial assets	16	**4**	5
Investments at fair value through profit or loss	17	**17**	59
Derivative financial instruments	20	**21**	54
Trade and other receivables	22	**813**	1 089
Cash and cash equivalents	23	**607**	222
		2 679	3 757
Assets held for sale	5	**2 200**	1 276
TOTAL ASSETS		**8 823**	9 688

1) Figures for 2012 have been restated due to completing the Inoxum acquisition accounting (see Note 4. Acquisitions and disposals).
2) Figures for 2012 have been restated due to adoption of revised *IAS 19 Employee Benefits* standard. Restatement had an effect on the following notes: 7. Employee benefit expenses, 8. Financial income and expenses, 9. Income taxes, 10. Earnings per share, and 25. Employee benefit obligations.

€ million	Note	2013	2012 Restated [1) 2)]
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital		**311**	311
Premium fund		**714**	714
Invested unrestricted equity reserve		**1 462**	1 462
Other reserves		**17**	30
Retained earnings		**-617**	410
		1 887	2 926
Non-controlling interests		**4**	26
Total equity	24	**1 891**	2 952
Non-current liabilities			
Long-term debt [3)]	27	**3 270**	2 935
Derivative financial instruments	20	**15**	39
Deferred tax liabilities	9	**26**	92
Defined benefit and other long-term employee benefit obligations	25	**317**	434
Provisions	26	**115**	119
Trade and other payables	28	**48**	5
		3 791	3 622
Current liabilities			
Current debt	27	**893**	718
Derivative financial instruments	20	**35**	24
Provisions	26	**25**	37
Current tax liabilities	9	**4**	4
Trade and other payables	28	**1 136**	1 543
		2 093	2 327
Liabilities directly attributable to assets held for sale	5	**1 048**	786
TOTAL EQUITY AND LIABILITIES		**8 823**	9 688

[1)] Figures for 2012 have been restated due to completing the Inoxum acquisition accounting (see Note 4. Acquisitions and disposals).
[2)] Figures for 2012 have been restated due to adoption of revised *IAS 19 Employee Benefits* standard. Restatement had an effect on the following notes: 7. Employee benefit expenses, 8. Financial income and expenses, 9. Income taxes, 10. Earnings per share, and 25. Employee benefit obligations.
[3)] Includes Outokumpu's loan note to ThyssenKrupp.

Consolidated statement of cash flows

€ million	Note	2013	2012
Cash flow from operating activities			
Net result for the financial year [1)]		**-1 003**	-536
Adjustments for			
Taxes	9	**11**	12
Depreciation and amortization	11, 12	**332**	230
Impairments	11, 12	**14**	106
Share of results in associated companies and joint ventures	13	**2**	0
Gain/loss on sale of intangible and tangible assets	6	**-5**	-1
Gain/loss on sale of financial assets	8	**50**	-1
Gain/loss on divestments	4	**-4**	19
Interest income	8	**-13**	-12
Dividend income	8	**-1**	-0
Interest expense	8	**210**	67
Exchange rate differences	8	**31**	65
Other non-cash adjustments [1)]		**218**	-7
		844	478
Change in working capital			
Change in trade and other receivables		**43**	683
Change in inventories		**480**	277
Change in trade and other payables		**-172**	-535
Change in provisions		**-55**	-31
		297	394
Dividends received		**2**	0
Interest received		**3**	3
Interest paid		**-106**	-72
Income taxes paid		**-3**	-1
Net cash from operating activities		**34**	266

€ million	Note	2013	2012
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash	4	**-**	-915
Purchases of available-for-sale financial assets	16	**-2**	-5
Purchases of property, plant and equipment	12	**-281**	-295
Purchases of intangible assets	11	**-4**	-2
Disposal of businesses, net of cash	4	**-1**	19
Proceeds from sale of property, plant and equipment	12	**70**	1
Proceeds from sale of intangible assets	11	**3**	0
Proceeds from sale of loan receivable		**114**	-
Change in other long-term receivables		**-7**	1
Net cash from investing activities		**-108**	-1 196
Cash flow before financing activities		**-74**	-929
Cash flow from financing activities			
Rights issue	24	**-**	972
Borrowings of long-term debt		**1 114**	611
Repayments of long-term debt		**-696**	-384
Change in current debt		**52**	-188
Repayments of finance lease liabilities		**-12**	-12
Other financing cash flow		**1**	-3
Net cash from financing activities		**459**	994
Net change in cash and cash equivalents		**385**	65
Cash and cash equivalents at the beginning of the financial year		**222**	168
Foreign exchange rate effect on cash and cash equivalents		**-11**	-11
Discontinued operations net change in cash effect		**12**	-
Net change in cash and cash equivalents		**385**	65
Cash and cash equivalents at the end of the financial year	23	**607**	222

[1)] Figures for 2012 have been restated due to adoption of revised *IAS 19 Employee Benefits* standard.
Cash flows are presented for continuing operations.

Consolidated statement of changes in equity

€ million	Attributable to the equity holders of the Company										
	Share capital	Premium fund	Invested unrestricted equity reserve	Other reserves	Fair value reserves	Cumulative translation differences	Remeasurements of defined benefit plans	Treasury shares	Other retained earnings	Non-controlling interests	Total equity
Equity on Jan 1, 2012 [1]	**311**	**714**	**-**	**7**	**19**	**-76**	**-42**	**-25**	**1 127**	**14**	**2 050**
Result for the period	-	-	-	-	-	-	-	-	-534	-2	-536
Other comprehensive income	-	-	-	-	3	-5	-34	-	-	0	-36
Total comprehensive income for the financial year	-	-	-	-	3	-5	-34	-	-534	-2	-571
Transactions with owners of the Company											
Contributions and distributions											
Share issues [2]	-	-	1 462	-	-	-	-	-	-	-	1 462
Share-based payments	-	-	-	-	-	-	-	0	1	-	1
Changes in ownership interests											
OSTP reorganization	-	-	-	-	-	-	-	-	-4	4	-
Non-controlling interest in Inoxum	-	-	-	-	-	-	-	-	-	11	11
Equity on Dec 31, 2012 [1]	**311**	**714**	**1 462**	**7**	**22**	**-81**	**-75**	**-25**	**591**	**26**	**2 952**
Result for the period	-	-	-	-	-	-	-	-	-997	-6	-1 003
Other comprehensive income	-	-	-	-	-13	-38	8	-	-	-1	-44
Total comprehensive income for the financial year	-	-	-	-	-13	-38	8	-	-997	-7	-1 047
Transactions with owners of the Company											
Contributions and distributions											
Share-based payments	-	-	-	-	-	-	-	1	-1	-	1
Changes in ownership interests											
Disposal of subsidiary	-	-	-	-	-	-	3	-	-3	-15	-15
Equity on Dec 31, 2013	**311**	**714**	**1 462**	**7**	**9**	**-119**	**-65**	**-24**	**-410**	**4**	**1 891**

[1] Figures for 2012 have been restated due to adoption of revised *IAS 19 Employee Benefits* standard. Restatement of equity Jan 1, 2012 was immaterial.
[2] Shares issued in the Outokumpu rights issue in March–April 2012 and in the directed share issue to ThyssenKrupp AG in connection with the Inoxum acquisition in December 2012.

Notes to the consolidated financial statements

1. Corporate information

Outokumpu Oyj is a Finnish public limited liability company organized under the laws of Finland and domiciled in Espoo, Finland. The parent company, Outokumpu Oyj, has been listed on the NASDAQ OMX Helsinki since 1988. A copy of the consolidated financial statements is available at the Group's website www.outokumpu.com, from Outokumpu Oyj/Corporate Communications, P.O. Box 140, 02201 Espoo, Finland or via e-mail at corporate.comms@outokumpu.com.

Outokumpu is the global leader in stainless steel. We create advanced materials that are efficient, long lasting and recyclable – helping to build a world that lasts forever. Stainless steel is an ideal material to create lasting solutions in demanding applications from cutlery to bridges, energy to medical equipment. Stainless steel is 100% recyclable, corrosion-resistant, maintenance-free, durable and hygienic. Outokumpu employs more than 12 000 professionals in more than 40 countries.

In its meeting on February 12, 2014 the Board of Directors of Outokumpu Oyj approved the publishing of these consolidated financial statements. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to make a decision to amend the financial statements.

2. Accounting principles for the consolidated financial statements

Basis of preparation

The consolidated financial statements of Outokumpu have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The consolidated financial statements have been prepared in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on December 31, 2013. The consolidated financial statements also comply with the regulations of Finnish accounting and company legislation complementing the IFRSs.

The consolidated financial statements are presented in millions of euros and have been prepared under the historical cost convention, unless otherwise stated in the accounting principles. All figures presented have been rounded, and consequently the sum of individual figures may deviate from the presented aggregate figure. Key figures have been calculated using exact figures.

The consolidated financial statements of Outokumpu for 2013 have been prepared on a going concern basis.

Outokumpu has suffered from low profitability resulting to a stretched financial position. As a consequence, Outokumpu has taken industrial restructuring and efficiency measures to improve profitability. Also, Outokumpu has taken measures to strengthen its financial position, which include the divestment of the Terni remedy assets, the VDM business and certain service centers to ThyssenKrupp, the planned rights issue of EUR 650 million, a new liquidity facility of EUR 500 million and extensions of existing loans and credit facilities.

Outokumpu has signed a binding agreement with ThyssenKrupp to sell the Terni remedy assets, the VDM business and certain service centers to ThyssenKrupp. Outokumpu's loan note to ThyssenKrupp will be used as a consideration for the transaction, which will result to a strengthening of Outokumpu's financial position. The rights issue (subject to approval by Extraordinary General Meeting on February 14, 2014), the new liquidity facility of EUR 500 million and extensions of existing loans and credit facilities are all subject to the divestment. Outokumpu management is confident that the conditions for the closing of the transaction will be met and closing will take place during the first quarter 2014.

Strengthening of financial position will further enhance the execution of Outokumpu's strategy that decisively aims at sustainable profitability through industrial restructuring and efficiency measures. Outokumpu management is confident that the measures described above will mitigate the risks related to company's liquidity and capital structure.

As from January 1, 2013 Outokumpu has applied the following new and amended standards and interpretations. The adoption of amended or new standards did not have a material impact on the consolidated financial statements for 2013.

- **Amendment to IAS 1 Presentation of Financial Statements:** The main change resulting from the amendment is the requirement to group items of other comprehensive income by whether they will subsequently be reclassified through profit or loss if certain conditions are met. Outokumpu has modified the presentation of other comprehensive income accordingly in the consolidated financial statements.

- **Amendment to *IAS 19 Employee Benefits:*** Remeasurements of the net defined benefit liability, including all actuarial gains and losses, are immediately recognized in other comprehensive income, thus eliminating the so-called corridor approach. Finance costs are calculated on a net funding basis. In addition, all past service costs are immediately recognized in profit or loss. Outokumpu waived the corridor approach already in the 2012 consolidated financial statements. Therefore the impact regarding the defined benefit pension plans is limited to the restatement of the expected return on assets assumption and recognition of the previously unrecognized past service cost. The amendment also resulted in additional disclosures.
- **IFRS 13 Fair Value Measurement:** IFRS 13 establishes a single source of all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. The new standard resulted in additional disclosures.
- **Amendments to IFRS 7 Financial Instruments:** Disclosures: The amended standard requires the presentation of information that will allow evaluation of the effects of netting arrangements on the entity's financial position. The amendment resulted in additional disclosures.
- **Annual Improvements to IFRSs 2009-2011 (May 2012):** Through the Annual Improvements process, minor and non-urgent amendments are grouped together and carried out once a year. The improvements affected a total of five standards. Their impact has not been significant.

Other new or amended standards and interpretations had no impact on Outokumpu's consolidated financial statements.

Restatements of financial statements

In 2013, Outokumpu adopted amended *IAS 19 Employee Benefits* standard. As Outokumpu had already adopted the amended standard requirement regarding waiving of the so-called corridor method in 2012, changes on Outokumpu's accounting policies were limited to the following: to immediately recognizing all past service costs, and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The resulting restatement had a minor impact on employee benefit expenses, interest income and interest expenses, and defined benefit and other long-term employee benefit obligations in the consolidated financial statements for 2012.

Outokumpu has finalized the accounting related to the Inoxum transaction in 2012 based on the final valuation of the identifiable asset and liabilities. Outokumpu had 12 months from the closing of the transaction to retrospectively adjust the provisional amounts that were presented in detail in the note 4 of Outokumpu's financial statements 2012. Final identifiable assets acquired and liabilities assumed, as well as goodwill arising from the acquisition are presented in the note 4 for these financial statements.

Adoption of new and amended IFRS standards and interpretations

Outokumpu has not yet applied the following new and amended standards and interpretations already issued. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year (* = not yet endorsed by the European Union as at December 31, 2013).

- **IFRS 10 Consolidated Financial Statements and related amendments (effective in the EU for financial years beginning on or after January 1, 2014):** IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. Based on Outokumpu's evaluation, the new standard does not affect significantly Outokumpu's future financial statements.
- **IFRS 11 Joint Arrangements and related amendments (effective in the EU for annual periods beginning on or after January 1, 2014):** In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. Based on Outokumpu's evaluation, the new standard does not have a material impact on Outokumpu's future financial statements.
- **IFRS 12 Disclosures of Interests in Other Entities and related amendments (effective in the EU for financial years beginning on or after January 1, 2014):** IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard will have an impact on the disclosures of Outokumpu's future financial statements.
- **IAS 28 (revised 2011) Investments in Associates and Joint Ventures (effective in the EU for financial years beginning on or after January 1, 2014):** Following the issue of IFRS 11, the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard is not expected to have a significant impact on Outokumpu's future financial statements.
- **Amendments to IAS 32 Financial Instruments: Presentation (effective for annual periods beginning on or after January 1, 2014):** The amendments provide clarifications on the application of requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amended standard is to be applied retrospectively. The amendments are not expected to have a significant impact on Outokumpu's future financial statements.
- **Amendments to IAS 36 Impairment of Assets (effective for financial years beginning on or after January 1, 2014):** The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. The amended standard is not assessed to have a significant impact on Outokumpu's consolidated financial statements.

- **Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for financial years beginning on or after January 1, 2014):** The amendments made to IAS 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The amendments are not assessed to have an impact on Outokumpu's consolidated financial statements.
- **IFRIC 21 Levies* (effective for financial years beginning on or after January1, 2014):** The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation is not assessed to have a significant impact on Group's consolidated financial statements.
- **Amendments to *IAS 19 Employee Benefits* – Defined Benefit Plans:** Employee Contributions* (effective for financial years beginning on or after July 1, 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments are not assessed to have an impact on Outokumpu's consolidated financial statements.
- **Annual Improvements to IFRSs (2011–2013 cycle* and 2011–2012 cycle*, December 2013) (effective for financial years beginning on or after July 1, 2014):** The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011–2013 cycle) and seven (2010–2012 cycle) standards. Their impacts vary standard by standard but are not significant.
- **IFRS 9 Financial Instruments* and subsequent amendments (scheduling postponed):** IFRS 9 is the first step of the IASB's three-phase project to replace the current IAS 39 Financial Instruments: Recognition and Measurement. The amendments resulting from the first phase address the classification, measurement and recognition of financial assets and financial liabilities. Different ways of measurement for financial assets have been retained, but simplified. Based on measurement, financial assets are classified into two main groups: financial assets at amortized cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. For financial liabilities, the standard retains most of the IAS 39 requirements. IFRS 9 is estimated to have a significant impact on the Group's accounting for financial instruments.

Other new or amended standards and interpretations are not expected to have an impact on Outokumpu's consolidated financial statements when adopted.

Management judgements and use of estimates

The preparation of the financial statements in accordance with IFRSs requires management to make judgements and make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and contingent liabilities at the reporting date, as well as the reported amounts of income and expenses during the reporting period. The management estimates and judgements are continuously monitored and they are based on prior experience and other factors, such as future expectations assumed to be reasonable considering the circumstances. Although these estimates are based on management's best knowledge of the circumstances at the end of the reporting period, actual results may differ from the estimates and assumptions. Management believes that the following accounting principles represent those matters requiring the exercise of judgement where a different opinion could result in significant changes to reported results.

Business combinations

In significant business combinations, the Group has used external advisor to assist in evaluating the fair values of assets acquired and liabilities assumed. The procedures included for example analysis of market conditions, market data covering e.g. economic and regulatory trends; analysis and inspection of acquired companies and their operating and financial projections; and development of discounted cash flow models and discount rates used in the models. Regarding analysis of property, plant and equipment, the scope included a study of the major assets at various facilities and research in the marketplace in order to identify replacement costs, useful lives and other pertinent information used in the valuation process.

Management believes that the estimates and assumptions used are reasonable for determining fair values, although different estimates and assumptions could significantly affect the amounts reported in Note 4. Acquisitions and disposals.

Classification of assets and liabilities as held for sale

Outokumpu announced on November 30, 2013 the disposal of the Terni, certain service centers and the VDM business. Considering circumstances and information available, management has concluded the sale highly probable and presents the related assets and liabilities classified as held for sale in the consolidated financial statements. No impairment loss has been recognized on these assets or liabilities as management expects that their fair value less costs to sell does not materially differ from their carrying amounts.

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The most important commodity price risk for Outokumpu is caused by fluctuation in nickel and other alloy prices. The majority of stainless steel sales contracts include an alloy surcharge clause, with the aim of reducing the risk arising from the time difference between raw material purchase and product delivery. However, the risk is significant because the delivery cycle in production is longer than the alloy surcharge mechanism provides for. Thus, only the price for the products to be sold in near future is known. That is why a significant part of the future price for each product to be sold is estimated according to management's best knowledge in NRV calculations. Due to fluctuations in nickel and other alloy prices, the realized prices can deviate significantly from what has been used in NRV calculations on the closing date.

Property, plant and equipment and intangible assets and impairments

Management estimates relate to carrying amounts and useful lives of assets as well as other underlying assumptions. Different assumptions and assigned lives could have a significant impact on the reported amounts. Management estimates in relation to goodwill relate to the estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. The future projections of cash flows include, among other estimates, projections of future prices and delivery volumes, production costs and maintenance capital expenditures.

Carrying amounts of assets are regularly reviewed to determine whether there is any evidence of impairment as described in these accounting principles. Preparation of the estimated future cash flows and discount rates for the impairment testing requires management to make assumptions relating to future expectations (e.g. future product pricing, production levels, production costs, market supply and demand, projected maintenance capital expenditure and weighted average cost of capital). A pre-tax discount rate used for the net present value calculation of projected cash flows reflects the weighted average cost of capital. The key assumptions used in the impairment testing, including sensitivity analysis, are explained further in Note 11. Intangible assets and Note 12. Property, plant and equipment.

Income taxes

Group operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within the countries. Significant judgments are necessary in determining the worldwide income tax liabilities of the Group. Although management believes they have made reasonable estimates about the resolution of tax uncertainties, the final outcome of these uncertainties could have an effect on the income tax liabilities and deferred tax liabilities in the period.

At the end of reporting period, the Group assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires judgment with respect to, among other things, benefits that could be realized from future taxable income, available tax strategies, as well as other positive and negative factors. The recorded amount of deferred tax assets could be reduced if estimates of taxable income and benefits from available tax strategies are lowered, or if current tax regulations are enacted that impose restrictions on the Group’s ability to utilize future tax benefits.

Fair values of derivatives and other financial instruments

The fair value of financial instruments which cannot be determined based on quoted market prices and rates are based on different valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Factors regarding valuation techniques and their assumptions could affect the reported fair values.

The Group has used discounted cash flow analysis for various derivative contracts and in case of options Black-Scholes-Merton model has been applied.

Employee benefits

The present value of pension obligations is subject to actuarial assumptions which actuaries use in calculating these obligations. Actuarial assumptions include, among others, discount rate, the annual rate of increase in future compensation levels and inflation rate. The assumptions used are presented in Note 25. Employee benefit obligations.

Provisions

The most significant provisions in the statement of financial position relate to restructuring programs and primarily include termination benefits to employees. The applied judgment mainly relates to the estimated amounts of termination benefits.

The Group has also made provisions for known environmental liabilities based on management’s best estimate of the remediation costs. The precise amount and timing of these costs could differ significantly from the estimate.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the parent company Outokumpu Oyj and all those subsidiaries where over 50% of the subsidiary’s voting rights are controlled directly or indirectly by the parent company, or the parent company is otherwise in control of the company at the end of the reporting period. Control is the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities. The existence of potential control is also taken into account if the instruments entitling to potential voting rights are currently exercisable. Acquired subsidiaries are consolidated from the date that control was obtained by the Group, and disposed subsidiaries until control ceases.

Acquired or established subsidiaries are accounted for by using the acquisition method. The consideration transferred and the identifiable assets acquired and liabilities assumed in the acquired company are measured at fair value at the acquisition date. The consideration transferred includes any assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Any contingent consideration related to the business combination is measured at fair value at the acquisition date and it is classified as either liability or equity. Contingent consideration classified as liability is remeasured at its fair value at the end of each reporting period and the subsequent changes to fair value are recognized in profit or loss. Contingent consideration classified as equity is not subsequently remeasured. The consideration transferred does not include any transactions accounted for separately from the acquisition. All acquisition-related costs, with the exception of costs to issue debt or equity securities, are recognized as expenses in the periods in which costs are incurred and services rendered.

Goodwill arising on an acquisition is recognized as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests or previously held equity interests in the acquiree, over the Group's share of the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. Non-controlling interest in the acquiree is measured acquisition-by-acquisition either at fair value or at value, which equals to the proportional share of the non-controlling interest in the identifiable net assets acquired. Changes in the parent company's ownership interest in a subsidiary are accounted for as equity transactions if the parent company retains control of the subsidiary.

To those business combinations, which have taken place before January 1, 2010 accounting principles effective at that time have been applied.

All intra-group transactions, receivables, liabilities and unrealized margins, as well as distribution of profits within the Group, are eliminated in the preparation of consolidated financial statements. The result for the period and items recognized in other comprehensive income are allocated to the equity holders of the company and non-controlling interests and presented in the statement of income and statement of other comprehensive income. Non-controlling interests are presented separately from the equity allocated to the equity holders of the company. Comprehensive income is allocated to the equity holders of the company and to non-controlling interests even in situations where the allocation would result in the non-controlling interests' share being negative, unless non-controlling interests have an exemption not to meet obligations which exceed non-controlling interests' investment in the company.

Associated companies and joint ventures

Companies, where Outokumpu generally holds voting rights of 20–50% and in which Outokumpu otherwise has significant influence, but not control, over the financial and operating policies, are included in the consolidated financial statements as associated companies. Associated companies are consolidated by using the equity method from the date that significant influence was obtained until it ceases.

The Group's share of the associated company's result for the period is separately disclosed below the operating result in the consolidated statement of income. Outokumpu's share of changes recognized in the associated company's other comprehensive income is recognized in the Group's other comprehensive income. When Outokumpu's share of the associated company's losses exceeds the carrying amount of the investment, the investment is recognized at zero value in the statement of financial position and recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of the associated company. The interest in an associated company comprises the carrying amount of the investment under the equity method together with any long-term interest that, in substance, forms a part of the net investment in the associated company.

Joint ventures in which Outokumpu has contractually based joint control with a third party are also accounted for by using the equity method described above.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) and assets and liabilities related to discontinued operations are classified as held for sale if their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Classification as held for sale requires that the following criteria are met; the sale is highly probable, the asset (or disposal group) is available for immediate sale in its present condition subject to usual and customary terms, the management is committed to the sale and the sale is expected to be completed within one year from the date of classification.

Prior to classification as held for sale, the assets or assets and liabilities related to a disposal group in question are measured according to the respective IFRS standards. From the date of classification, non-current assets (or a disposal group) held for sale are measured at the lower of the carrying amount and the fair value less costs to sell, and the recognition of depreciation and amortization is discontinued.

Assets included in disposal groups but not in the scope of the measurement requirements of IFRS 5, as well as liabilities, are measured according to the related IFRS standards also after the date of classification.

Discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Result from discontinued operations is shown separately in the consolidated statement of income and the comparative figures are restated accordingly. Assets held for sale, disposal groups and liabilities included in disposal groups are presented in the statement of financial position separately from other items. The comparatives for statement of financial position items are not restated.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, and for which discrete financial information is available. Outokumpu has four reportable operating segments which represent the strategic business areas of the Group. The business areas are located in different geographical areas, they are managed separately and they are separately reported in the internal management reporting to CEO who is Outokumpu's chief operating decision maker. Outokumpu's segment information is based on the internal management reporting which is prepared according to IFRS accounting principles.

Outokumpu's reportable operating segments are: Stainless EMEA, Stainless Americas, Stainless APAC and Specialty Stainless. Pricing of intersegment transactions is based on arm's length prices. Operating result of the operating segments is reported to the CEO regularly in order for him to review their performance and make decisions about resources to be allocated to the segments. Operating result is defined correspondingly in management reporting as in these accounting principles.

Other operations mainly consist of such business development and Corporate Management expenses that are not allocated to the businesses.

Foreign currency transactions

Transactions of each subsidiary included in the consolidated financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that subsidiary (“the functional currency”). The consolidated financial statements are presented in euros which is the functional and presentation currency of the parent company. Group companies’ foreign currency transactions are translated into local functional currencies using the exchange rates prevailing at the dates of the transactions. Receivables and liabilities in foreign currencies are translated into functional currencies at the exchange rates prevailing at the end of the reporting period. Foreign exchange differences arising from interest-bearing assets and liabilities and related derivatives are recognized in finance income and expenses in the statement of income. Foreign exchange differences arising in respect of other financial instruments are included in operating result under sales, purchases or other operating income and expenses. The effective portion of exchange differences arisen from instruments designated as hedges of the net investments in foreign operations is recognized in other comprehensive income.

For those subsidiaries whose functional and presentation currency is not the euro, the income and expenses for the statements of income and comprehensive income, and the items for statement of cash flows, are translated into euro using the average exchange rates of the reporting period. The assets and liabilities for the statement of financial position are translated using the exchange rates prevailing at the reporting date. The translation differences arising from the use of different exchange rates explained above are recognized in Group’s other comprehensive income. Any goodwill arising on the acquisition of foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of those foreign operations are treated as assets and liabilities of those foreign operations. They are translated into euro using the exchange rates prevailing at the reporting date. When a foreign operation is sold, or is otherwise partially or completely disposed of, the translation differences accumulated in equity are reclassified in profit or loss as part of the gain or loss on the sale.

Revenue recognition

Revenue from the sale of goods is recognized after the significant risks and rewards of ownership have been transferred to the buyer, and the Group retains neither a continuing managerial involvement to the degree usually associated with ownership, nor effective control of those goods. Usually this means that revenue is recognized upon delivery of goods to customers in accordance with agreed terms of delivery.

Outokumpu ships stainless steel products to customers under a variety of delivery terms. The used terms are based on Incoterms 2013 collection of delivery terms, published and defined by the International Chamber of Commerce Terms of Trade.

The most common delivery terms used by Outokumpu are “C” terms, whereby the Group arranges and pays for the carriage and certain other costs. The Group ceases to be responsible for the goods and revenue is recognized once the goods have been handed over to the carrier to be delivered to the agreed destination.

Less frequently used are “D” terms, under which the Group is obliged to deliver the goods to the buyer at the agreed destination, in which case revenue is recognized when the goods are delivered to the buyer. Also “F” terms are less frequently used, under which the buyer arranges and pays for the carriage, and revenue is recognized when the goods are handed over to the carrier contracted by the buyer.

Income taxes

Current and deferred income taxes are determined in accordance with IAS 12 Income taxes on entity level to the extent an entity is subject to income taxation. The Group’s income tax in the statement of income includes current income taxes of the Group companies based on taxable profit for the period, together with tax adjustments for previous periods and the change in deferred income taxes. In several countries (France, Germany, the UK, Italy, the Netherlands, Sweden and the USA) Outokumpu companies are included in income tax consolidation groups / group taxation systems. The share of results in associated companies is reported in the statement of income based on the net result and thus including the income tax effect.

Deferred income taxes are stated using the balance sheet liability method to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis at the reporting date, as well as for unused tax losses or credits carry forward. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available, against which deductible temporary differences can be utilized. A valuation allowance is recognized against a deferred tax asset if the realization of the related tax benefit is not probable. The ability to recognize deferred tax assets is reviewed at the end of each reporting period. Deferred tax liabilities are usually recognized in the statement of financial position in full except to the extent that the deferred taxes arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred taxes are calculated at the enacted or substantially enacted tax rates that are expected to apply when the asset or the liability is settled. Generally, deferred tax is charged or credited to the statement of income, except if the taxes are related to items of other comprehensive income or to transactions or other events recognized directly in equity, in which case the related income taxes are also recognized either in other comprehensive income or directly in equity, respectively.

Research and development costs

Research costs are expensed in the reporting period in which they are incurred. Development costs are capitalized when it is probable that the development project will generate future economic benefits for the Group, and certain criteria related to commercial and technological feasibility are met. These projects relate to the development of new or substantially improved products or production processes. Capitalized development costs mainly comprise materials and supplies and direct labour costs as well as related overhead costs. Development costs recognized as expenses are not subsequently capitalized.

Subsequent to initial recognition, capitalized development costs are measured at cost less accumulated amortization and impairment losses. Capitalized development costs are amortized on a straight-line basis over their estimated useful lives which is generally five years. Recognition of amortization is commenced as the asset is ready for use. The accounting treatment of the government grants received for research and development activities is described below under Government grants.

Goodwill and other intangible assets

Goodwill arising on a business combination is recognized at the acquisition date at an amount representing the excess of the consideration transferred in an acquisition over the fair value of the identifiable assets acquired, liabilities assumed and any non-controlling interest and any previously held equity interests in the acquiree, if any. Goodwill is not amortized, but tested for impairment. In respect of associated companies, goodwill is included in the carrying amount of the investment. Goodwill is measured at cost less accumulated impairment losses.

Intangible assets other than goodwill include land-use rights, customer relationships, capitalized development costs, patents, licenses and software. An intangible asset is recognized only if it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. All other expenditure is expensed as incurred. Intangible assets are recognized initially at cost. After initial recognition, assets are measured at cost less amortizations and accumulated impairment losses if the intangible asset has a finite useful life. Cost comprises the purchase price and all costs directly attributable to bringing the asset ready for its intended use. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Intangible assets are amortized on a straight-line basis over their expected useful lives. Assets tied to a certain fixed period are amortized over the contract term. Amortization periods used for intangible assets are the following:

Customer relationships	up to 5 years
Software	up to 10 years
Capitalized development costs	up to 10 years
Intangible rights	up to 20 years

Recognition of amortization is discontinued when the intangible asset is classified as held for sale. The estimated useful lives and residual values are reviewed at least at the end of each financial year. If they differ substantially from previous estimates, the useful lives are adjusted accordingly.

Gains and losses on disposal of intangible assets are included in other operating income and expenses.

Emission allowances

Emission allowances are intangible assets measured at cost. Allowances received free of charge are recognized at nominal value, i.e. at zero carrying amount. A provision to cover the obligation to return emission allowances is recognized at fair value at the end of the reporting period provided that the emission allowances received free of charge will not cover the actual emissions. The purchased emission allowance quotas recognized in intangible rights are derecognized as they have been offset against the obligation or, when the emission allowances are sold. The obligation to deliver allowances equal to emissions is recognized under other operating expenses. Gains from the sale of excess allowances are recognized as other operating income in the statement of income.

Property, plant and equipment

Property, plant and equipment acquired by the Group companies are measured at cost. The cost includes all expenditure directly attributable to the acquisition of the asset. Government grants received are deducted from the cost. Property, plant and equipment acquired in business combinations are measured at fair value at the acquisition date. Borrowing costs (mainly interest costs) directly attributable to the acquisition or construction of a qualifying asset are capitalized in the statement of financial position as part of the carrying amount of the asset. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognized as expenses in the period in which they are incurred. Property, plant and equipment are carried in the statement of financial position at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. Depreciation is based on the following estimated useful lives:

Buildings	25–40 years
Heavy machinery	15–20 years
Light machinery and equipment	3–15 years

Land is not depreciated as the useful life of land is assumed to be indefinite. Mine properties are depreciated using the units-of-production method based on the depletion of ore reserves over their estimated useful lives. Recognition of depreciation on an item of property, plant and equipment is discontinued when the item is classified as held for sale. Expected useful lives and residual values are reviewed at least at the end of each financial year and, if they differ significantly from previous estimates, the useful lives are revised accordingly.

Ordinary repairs and maintenance costs are expensed during the reporting period in which they are incurred. The cost of major renovations is included in the asset's carrying amount when it is probable that the Group will derive future economic benefits in excess of the originally assessed standard of performance of the existing asset and the cost can be reliably measured. Costs arising on such major renovations are accounted for as capital expenditure and depreciated on a straight-line basis over their estimated useful lives.

Gains and losses on sale and disposals of property, plant and equipment are determined by the difference between the received net proceeds and the carrying amount of the asset. Gains and losses on sale and disposals are presented in other operating income or expenses, thus included in operating result.

Government grants

Government or other grants are recognized as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate. Investment grants related to acquisitions of property, plant and equipment and intangible assets are deducted from the cost of the asset in question in the statement of financial position and recognized as income on a systematic basis over the useful life of the asset in the form of reduced depreciation expense.

Impairment of property, plant and equipment and intangible assets

Carrying amounts of non-current assets are regularly reviewed to determine whether there is any evidence of impairment. If any such evidence of impairment emerges, the asset's recoverable amount is estimated. Goodwill is tested at least annually, irrespective of whether there is any evidence of impairment.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. For goodwill testing purposes the recoverable amount is based on value in use which is determined by reference to discounted future net cash flows expected to be generated by the asset. In Outokumpu, goodwill is tested on operating segment level. The discount rate used is a pre-tax rate that reflects the current market view on the time value of money and the asset-specific risks. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognized immediately in profit or loss. The estimated useful life of the asset that is subject to depreciation or amortization is also reassessed when an impairment loss is recognized.

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted carrying amount is higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill are not reversed.

Leases

Group as a lessee

Lease agreements of property plant and equipment, in which the Group has substantially all the rewards and risks of ownership, are classified as finance leases. An asset acquired through finance lease is recognized as property, plant and equipment in the statement of financial position, within a group determined by the asset's characteristics, at the commencement of the lease term at the lower of fair value and the present value of minimum lease payments.

Respective lease liabilities less finance charges are included in other interest-bearing financial liabilities. Each lease payment is allocated between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the useful life of the asset and the lease term. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the sold asset's carrying amount will not be immediately recognized but deferred and amortized over the lease term.

At inception of significant other arrangements, the Group determines whether these arrangements are, or contain a lease component. At inception of an arrangement that contains a lease the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements. Lease accounting principles are applied to lease payments.

Leases of assets where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Payments made under operating lease contracts are expensed on a straight-line basis over the lease terms.

Group as a lessor

Leases of property, plant and equipment where the Group has substantially transferred all the rewards and risks of ownership to the lessee are classified as finance leases. Assets leased out through such contracts are recognized as interest-bearing receivables and measured at the lower of the fair value of the leased asset and the present value of minimum lease payments. Interest income from finance lease is recognized in the statement of income so as to achieve a constant periodic rate of return on the net investment in the finance lease.

Rental income received from property, plant and equipment leased out by the Group under operating leases is recognized on a straight-line basis over the lease term.

Financial instruments

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Outokumpu did not hold financial instruments classified as held-to-maturity investments in the current or previous reporting period. Classification is made upon initial recognition based on the purpose of use of the financial asset.

If an item is not measured at fair value through profit or loss, significant transaction costs are included in the initial carrying amount of the financial asset. Financial assets are derecognized when the Group loses the rights to receive the contractual cash flows on the financial asset or it transfers substantially all the risks and rewards of ownership outside the Group.

At the end of the reporting period, the Group estimates whether there is objective evidence on impairment of items other than financial assets measured at fair value through profit or loss. A financial asset is assumed to be impaired if there is objective evidence on impairment and the effect on the estimated future cash flows generated by the financial assets can be reliably measured. Objective evidence on impairment may be e.g. a significant deterioration in the counterparty's results, a contract breach by the debtor and, in case of equity instruments (available-for-sale financial assets), a significant or long-term decrease in the value of an instrument below its carrying amount. In such situations, the fair value development of equity instruments is reviewed for the past three quarters of the reporting period. The Group has determined percentual limits for the review, the breach of which will result in the recognition of an impairment loss. An impairment loss is recognized immediately in profit or loss.

Financial assets at fair value through profit or loss

The category of financial assets at fair value through profit or loss includes derivatives, to which hedge accounting is not applied, as well as other financial items at fair value through profit or loss held for trading purposes. A financial asset is classified in this category if it has been acquired with the main purpose of selling the asset within a short period of time.

These financial assets are recognized at the trade date at fair value and subsequently remeasured at fair value at the end of each reporting period. The fair value measurement is based on quoted rates and market prices as well as on appropriate valuation methodologies and models. Realized and unrealized gains and losses arising from changes in fair values are recognized in profit or loss in the reporting period in which they are incurred.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables arise when the Group gives out a loan or delivers goods or services directly to a debtor.

Loans and receivables are recognized at the settlement date and measured initially at fair value. After initial recognition, loans and receivables are measured at amortized cost by using the effective interest rate method.

Outokumpu uses factoring for working capital management. Sold trade receivables have been derecognized when the related risks and rewards of ownership have been transferred in material respect.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any other category of financial assets. The purchases and sales of these items are recognized at the trade date. Available-for-sale financial assets are included in non-current assets, unless the Group has the intention to dispose of the investment within 12 months from the reporting date.

This category includes share investments, both in listed and unlisted companies. Investments in shares are measured at fair value, or if fair value cannot be reliably measured, at cost less any impairment losses. The fair value measurement is based on quoted rates and market prices at the end of the reporting period, as well as on appropriate valuation techniques, such as recent transaction prices and cash flow discounting. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates made by Outokumpu. Fair value changes of share instruments measured at fair value are recognized in other comprehensive income and presented in equity within fair value reserve, net of tax, until the shares in question are disposed of or impaired, in which case, the accumulated changes in fair value are transferred from equity to be recognized in profit or loss as reclassification adjustments.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other highly liquid investments with original maturities of three months or less. These are readily convertible to a known amount of cash and the risk of changes in value is low. Bank overdrafts are included in current liabilities in the statement of financial position.

Financial liabilities

The Group's financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities (financial liabilities recognized at amortized cost). A financial liability (or part of the liability) is not derecognized until the liability has ceased to exist, that is, when the obligation identified in a contract has been fulfilled or cancelled or is no longer effective.

Financial liabilities at fair value through profit or loss

In Outokumpu Group, the category of financial liabilities at fair value through profit or loss includes derivatives that do not meet the criteria of hedge accounting. Realized and unrealized gains and losses arising from changes in fair value of derivatives are recognized in profit or loss in the reporting period in which they are incurred.

Other financial liabilities

Financial liabilities recognized at amortized cost include the loans of the Group, finance lease liabilities and trade and other payables. Loans and trade and other payables are recognized at the settlement date and measured initially at fair value. After initial recognition they are carried at amortized cost using the effective interest rate method. Significant transaction costs are included in the original carrying amount.

Significant costs related to revolving credit facilities are amortized over the expected loan term.

Derivative instruments and hedge accounting

Derivatives

All the Group's derivatives, including embedded derivatives, are initially recognized at fair value on the trade date, on which the Group becomes a contractual counterparty, and are subsequently measured at fair value. Gains and losses arising on fair value measurement are accounted for depending on the purpose of use of the derivative contract. The gains and losses arising from fair value changes of derivative contracts, to which hedge accounting is applied and which are effective hedging instruments, are presented congruent with the hedged item. Changes in fair value of derivative contracts not qualifying for hedge accounting are recognized in operating result in other operating income and expenses. If a derivative is designated for financing activities, the gain or loss effects arising from the instrument are recognized within financial income and financial expenses.

The fair value measurement of derivatives is based on quoted market prices and rates as well as on discounted cash flows at the end of the reporting period. The fair value of currency, interest rate and metal options is determined by utilising commonly applied option valuation models, such as Black-Scholes-Merton model. Fair values of certain derivatives are based on valuations of external counterparties.

Hedge accounting

Hedge accounting refers to the method of accounting, which aims to assign one or several hedging instruments so that their fair value or cost flows offset completely or partly the changes in fair value or cash flows of the hedged item. Outokumpu applies hedge accounting to certain foreign exchange and commodity derivatives. Derivatives, to which hedge accounting is not applied, have been acquired to reduce the profit or loss and/or cash flow effects of operations or financing activities.

In the beginning of each hedging arrangement, the Group documents the relationship between the hedging instrument and the hedged item, as well as the objectives of risk management and strategy of the hedging arrangement. Hedging instruments are subject to prospective and retrospective effectiveness testing. Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument. The hedging relationship is considered to be highly effective if the changes in fair values or cash flows of the hedging instrument offset the cash flow changes of the hedged item by 80–125%. Hedge accounting is discontinued when the requirements of hedge accounting are no longer met.

Cash flow hedges

In cash flow hedging, the Group is hedging against changes in cash flows, which result from the realization of a risk associated with a recognized asset or liability or a highly probable forecast transaction. Fair value changes of derivatives designated to hedge forecast cash flows are recognized in other comprehensive income and presented within the fair value reserve in equity to the extent that the hedge is effective. Such fair value changes accumulated in equity are reclassified in profit or loss in the period in which the hedged cash flows affect profit or loss. The fair value changes related to the ineffective portion of the hedging instrument are recognized immediately in profit or loss.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Net investment hedges

The equities of the subsidiaries located outside the euro area are hedged against changes in exchange rates with the aim to reduce the effects of changes in exchange rates on the Group's equity. Fair value changes of qualifying financial instruments, which are designated as hedges for translation risk related to net investments in foreign operations, are recognized in other comprehensive income to the extent that the hedge is effective. The ineffective portion of the fair value changes of the hedging instrument is immediately recognized in financial income and financial expenses. When a foreign operation is sold or otherwise disposed of, partly or in full, the fair value changes accumulated in equity are transferred to profit or loss as part of the gain or loss on disposal.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value hierarchy is based on the source of inputs used in determining fair values. In level one, fair values are based on public quotations for identical instruments. In level two, fair values are based on market rates and prices, discounted future cash flows and, in respect of options, on valuation models. For assets and liabilities in level three, there is no reliable market source available and thus fair value measurement cannot be based on observable market data. Therefore, the measurement methods are chosen so that the information available for the measurement and the characteristics of the measured objects can be adequately taken into account.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of raw material is determined by the weighted average method. The cost of self-produced finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production and procurement overheads, but excludes borrowing costs. Cost of purchased products includes all purchasing costs including direct transportation, handling and other costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Spare parts are carried as inventory and their cost is recognized in profit or loss as consumed. Major spare parts are recognized in property, plant and equipment when they are expected to be used over more than one financial year.

Treasury shares

When the parent company or its subsidiaries purchase the company's own shares, the consideration paid, including any attributable transaction costs, net of taxes, is deducted from the parent company's equity as treasury shares until the shares are cancelled. When such shares are subsequently sold or reissued, any consideration received is recognized directly in equity.

Provisions and contingent liabilities

A provision is recognized when Outokumpu has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group's provisions mainly relate to restructuring plans, onerous contracts, environmental liabilities, litigation and tax risks. The amount recognized as a provision corresponds to the management's best estimate of the costs required to fulfil an existing obligation at the end of the reporting period. If part of the obligation may potentially be compensated by a third party, the compensation is recognized as a separate asset when it is virtually certain that the compensation will be received. Non-current provisions are discounted to net present value at the end of the reporting period using risk-free discount rates.

The cost of an item of property, plant and equipment also comprises the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located at the end of the useful life of the item on a present value basis. Such a liability may exist for decommissioning a plant, rehabilitating environmental damage, landscaping or removing equipment. A provision presenting the asset retirement obligation is recognized in the same amount at the same date. Adjustments to the provision due to subsequent changes in the estimated timing or amount of the outflow of resources, or in the change in the discount rate are deducted from or added to the cost of the corresponding asset in a symmetrical manner. The costs will be depreciated over the asset's remaining useful life.

Environmental provisions are based on the interpretation of the effective environmental laws and regulations related to the Group at the end of the reporting period. Such environmental expenditure, that arises from restoring the conditions caused by prior operations are recognized as expenses in the period in which they are incurred. A restructuring provision is recognized when a detailed restructuring plan has been prepared and its implementation has been started or the main parts of the plan have been communicated to those, who are impacted by the plan. Restructuring provision mainly comprise employee termination benefits.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the control of the entity. Such present obligation that probably does not require settlement of a payment obligation and the amount of which cannot be reliably measured is also considered to be a contingent liability. Contingent liabilities are disclosed in the notes to the financial statements.

Employee benefits

Post-employment and other long-term employee benefits

Group companies in different countries have various post-employment benefit plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans.

The fixed contributions to defined contribution plans are recognized as expenses in the period to which they relate. The Group has no legal or constructive obligation to pay further contributions if the receiving party is not able to pay the benefits in question. All such arrangements that do not meet these requirements are defined benefit plans.

Defined benefit plans are funded with payments to the pension insurance companies. The present value of the defined benefit obligations is determined separately for each plan by using the projected unit credit method. The plan assets are measured at fair value at the end of the reporting period. The fair value of the plan assets at the end of the reporting period is deducted from the defined benefit liability recognized at present value in the statement of financial position. Current service costs, past service costs and gains or losses on non-routine settlements are recognized in functional costs above operating result. Net interest expense or income is recognized in financial items under interest expense or interest income. All remeasurements of the net defined benefit liability (asset) are recognized directly in other comprehensive income.

For other long-term employee benefits, all service costs and remeasurements are recognized immediately in the statement of income. Interest expenses are recognized in financial items under interest expenses.

Share-based payment transactions

The share-based incentive programs are accounted for partly as equity-settled and partly as cash-settled. The equity-settled and cash-settled parts both include market and non-market based vesting conditions. The fair values of programs over vesting periods are determined at the grant date and the portion paid in cash is re-measured based on market conditions at the end of each reporting period. Market prices and applicable statistical models are used in determining the fair values. The impact of non-market based vesting conditions is assessed at the end of each reporting period. The programs include maximum limits for the pay-outs and the limits have been taken into account in the fair value measurement of the benefits.

Operating result

In Outokumpu Group, operating result is the net sum which is formed by adding other operating income to sales and then deducting the cost of purchase adjusted by change in the inventory and the cost of manufacture for own use, the cost of employee benefits, depreciation, amortization, any impairments, and other operating expenses. All other items of the statement of income are presented below the operating result. Exchange gains and losses and fair value changes of derivatives are included in operating result, if they arise from business-related items. Otherwise they are recognized in financial items.

Non-recurring items

Non-recurring items are defined as items which are unusual because of their nature, size or incidence. Only material events are classified as non-recurring.

Dividends

The dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the Annual General Meeting of Shareholders.

Earnings per share

Basic earnings per share is calculated by dividing the net result attributable to the equity holders of the company by the weighted average number of shares in issue during the period, excluding shares purchased by Outokumpu and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding with the assumption that convertible instruments are converted and options exercised. The Group did not have such instruments at the end of the financial year.

3. Segment information

Outokumpu's business is divided into four business areas which are Stainless EMEA, Stainless Americas, Stainless APAC and Specialty Stainless. In addition to the business area structure, Group Functions cover the CFO's office, HR and Health, Safety and Sustainability, Marketing, Communications and IR as well as Strategy, Integration Procurement, IT and Legal.

Business areas have responsibility for sales, profitability, production and supply chain management and they are Outokumpu's reportable segments under IFRS. The performance of the segments is reviewed based on segment's operating result which is defined in the accounting principles for the consolidated financial statements. The review is done regularly by the CEO based on internal management reporting which is based on IFRS.

Outokumpu is the leader in the advanced materials with the strongest technical expertise and widest range of products across all our customer segments. Our offering covers stainless steel and wide range of high performance stainless steel special grades. Below is the description of the activities of the four reportable segments:

Stainless EMEA consists of stainless operations as well as ferrochrome production in Europe. The high-volume and tailored standard stainless steel grades are primarily used for example in architecture, building and construction, transportation, catering, appliances, chemical, petrochemical and energy sectors, as well as other process industries. The business area has production facilities in Finland and Germany as well as a finishing plant in the Netherlands.

Stainless Americas produce standard austenitic and ferritic grades as well as tailored products. Its largest customer segments are automotive and transport, consumer appliances, oil and gas, chemical and petrochemical industries, food and beverage processing as well as building and construction industry. The business area has production units in the US and Mexico as well as a service center in Argentina.

Stainless APAC includes cold rolling facility and coil and plate service center in China as well as a coil service center in Australia. The production concentrates mainly on high quality stainless steel flat products for the consumer and automotive industries in China. The service center in China specializes in selling, processing and distributing high quality stainless steel products, including high performance stainless.

Specialty Stainless consists of four business lines which are Special Coil, Special Plate, Long Products and Thin Strip. The Special Coil and Thin Strip business lines offer wide range of high performance stainless steel special grades and products in a variety of dimensions, with manufacturing operations centered in Sweden. Special Plate is comprised of the quarto plate production facilities in Sweden and in the US. These units produce individually rolled thick and wide plates in standard and special stainless steel grades. Long products are used in a wide range of applications such as springs, wires, surgical equipment, automotive parts and construction. The manufacturing is concentrated in the integrated sites in the UK, Sweden and the US.

Other operations consist of activities outside the four reportable segments described above as well as industrial holdings. Such business development and Corporate Management expenses that are not allocated to the business areas are also reported under Other operations. Sales of Other operations consist of electricity, nickel warrants, internal commissions and services.

Outokumpu does not have individual significant customers as defined in IFRS 8.

Operating segments

2013 € million	Stainless EMEA	Stainless Americas	Stainless APAC	Specialty Stainless	Reconciliation Reportable segments total	Other operations	Eliminations	Group
External sales	3 700	884	377	1 528	6 489	256	-	6 745
Inter-segment sales	567	23	11	90	691	283	-974	-
Sales	4 267	906	388	1 619	7 180	538	-974	6 745
Operating result	-158	-270	-7	-33	-468	-39	-3	-510
Share of results in associated companies and joint ventures	-	-	-	-	-	-	-	-2
Financial income	-	-	-	-	-	-	-	13
Financial expenses	-	-	-	-	-	-	-	-323
Result before taxes	-	-	-	-	-	-	-	-822
Income taxes	-	-	-	-	-	-	-	-11
Net result for the financial year from continuing operations	-	-	-	-	-	-	-	-832
Net result for the financial year from discontinued operations	-	-	-	-	-	-	-	-170
Net result for the financial year	-	-	-	-	-	-	-	-1 003
Non-recurring items								
Redundancy provisions	-51	-	-	-0	-51	-3	-	-54
Inventory write-down related to efficiency programs	-4	-8	-0	-	-12	-	-	-12
Carrier settlement	-	-	-	-	-	-11	-	-11
Costs related to Inoxum transaction	-	-	-	-	-	-1	-	-1
Depreciation	-178	-68	-13	-56	-314	-1	-	-316
Amortization	-2	-1	-2	-1	-7	-9	-	-16
Assets in operating capital	3 459	1 221	251	1 062	5 993	321	-465	5 849
Investments in associated companies and joint ventures	-	-	-	-	-	-	-	66
Other financial assets	-	-	-	-	-	-	-	683
Deferred tax assets	-	-	-	-	-	-	-	24
Assets held for sale	-	-	-	-	-	-	-	2 200
Total assets	-	-	-	-	-	-	-	8 823
Liabilities in operating capital	1 241	180	63	320	1 804	239	-460	1 583
Other financial liabilities	-	-	-	-	-	-	-	4 275
Deferred tax liabilities	-	-	-	-	-	-	-	26
Liabilities directly attributable to assets held for sale	-	-	-	-	-	-	-	1 048
Total liabilities	-	-	-	-	-	-	-	6 932
Operating capital	2 218	1 040	189	743	4 189	82	-5	4 266
Net deferred tax asset	-	-	-	-	-	-	-	-1
Capital employed	-	-	-	-	-	-	-	4 265

2012 € million	Stainless EMEA [1]	Stainless Americas [1]	Stainless APAC [1]	Specialty Stainless [2]	Reportable segments total [1] [2]	Reconciliation Other operations [2]	Eliminations	Group [2]
External sales	2 341	-	119	1 764	4 223	314	-	4 538
Inter-segment sales	307	2	9	173	491	250	-742	-
Sales	2 648	2	128	1 937	4 715	564	-742	4 538
Operating result	-112	0	-8	-134	-254	-130	-1	-385
Share of results in associated companies and joint ventures	-	-	-	-	-	-	-	-0
Financial income	-	-	-	-	-	-	-	16
Financial expenses	-	-	-	-	-	-	-	-154
Result before taxes	-	-	-	-	-	-	-	-524
Income taxes	-	-	-	-	-	-	-	-12
Net result for the financial year	-	-	-	-	-	-	-	-536
Non-recurring items								
Redundancy provisions	-3	-	-	-	-3	-	-	-3
Inventory write-down related to efficiency programs	-4	-	-6	-7	-17	-2	-	-19
Costs related to Inoxum acquisition	-	-	-	-	-	-64	-	-64
Kloster and Nyby impairments	-	-	-	-86	-86	-	-	-86
Losses from divestment of the Group's Brass operations	-	-	-	-	-	-18	-	-18
Impairment of stock locations divestment	-10	-	-	-	-10	-	-	-10
Depreciation	-128	-0	-1	-67	-197	-4	-	-201
Amortization	-10	-	-0	-7	-17	-12	-	-29
Assets in operating capital [4]	3 830	1 483	283	1 215	6 812	297	637	7 746
Investments in associated companies and joint ventures	-	-	-	-	-	-	-	51
Other financial assets	-	-	-	-	-	-	-	526
Deferred tax assets	-	-	-	-	-	-	-	89
Assets held for sale	-	-	-	-	-	-	-	1 276
Total assets	-	-	-	-	-	-	-	9 688
Liabilities in operating capital [4]	1 443	311	67	361	2 182	154	-216	2 120
Other financial liabilities	-	-	-	-	-	-	-	3 737
Deferred tax liabilities	-	-	-	-	-	-	-	92
Liabilities directly attributable to assets held for sale	-	-	-	-	-	-	-	786
Total liabilities	-	-	-	-	-	-	-	6 735
Operating capital	2 387	1 172	216	854	4 629	144	853	5 626
Net deferred tax liability	-	-	-	-	-	-	-	-3
Capital employed	-	-	-	-	-	-	-	5 623

[1] Figures related to statement of financial position restated due to completing the Inoxum acquisition accounting.
[2] Adjusted due to reallocation of R&D operations in Avesta, Sweden from Other operations to Specialty Stainless.
[3] Restated due to adoption of revised *IAS 19 Employee Benefits* standard.
[4] 2012 figures for EMEA Stainless and Specialty Stainless exclude companies classified to assets held for sale in Nov 30, 2013, which are presented in Other operations column.

Geographical information

€ million	Finland	Germany	Sweden	The UK	Other Europel	North America	Asia and Australia	Other countries	Inter-area	Group
2013										
Sales by destination	207	1 597	207	470	1 981	1 292	948	42	-	6 745
Sales by origin	2 620	2 088	1 130	557	554	1 147	390	60	-1 802	6 745
Non-current assets	1 791	358	368	68	137	925	173	3	-	3 824
2012										
Sales by destination	197	741	196	300	1 926	466	629	83	-	4 538
Sales by origin	2 666	294	1 445	697	684	359	142	25	-1 775	4 538
Non-current assets	1 853	620	378	81	171	1 003	214	4	-	4 323

Sales by destination is presented for external sales.
Sales and non-current assets are presented by the locations of the Group companies.
Non-current assets exclude financial instruments, deferred tax assets and defined benefit plan assets.
Non-current assets for 2012 are restated due to completion of Inoxum acquistion accounting.

4. Acquisitions and disposals

Inoxum acquisition

On January 31, 2012, Outokumpu entered into a business combination agreement with ThyssenKrupp AG for the purchase of the entire share capital of both Inoxum GmbH and ThyssenKrupp Nirosta GmbH (“Inoxum”), the parent companies of the Group comprising the stainless steel business of ThyssenKrupp. The acquired companies have sites in Germany, Italy, the US, Mexico and China. The ownership and control transferred to Outokumpu on December 28, 2012, which was the date of acquisition.

The combination of Outokumpu and Inoxum created a new global leader in stainless steel with a complementary and innovative product offering across key customer segments. The transaction creates significant cost synergy benefits that neither company could have realized on its own. The transaction enables a strategic optimization of production capacities, production locations and supply routes. Outokumpu and Inoxum are complementary in terms of product offering. This, coupled with its extensive network of local service centers, enables the combined entity to supply a broad product offering with shorter delivery times and customized solutions for its customers globally. In addition, it provides a diversification across different grades reducing volatility from any temporary shifts in demand between grades. Following completion of the transaction, Outokumpu also has a global and well-balanced customer base, covering key end-user segments.

Following the European Commission’s demand for an industrial remedy related to the Inoxum transaction, Outokumpu committed to the divestiture of the Inoxum’s stainless steel mill in Terni, Italy, and selected European service centers (remedy assets) which are classified as held for sale in the consolidated financial statements. See note 5 Assets held for sale and discontinued operations for additional information.

The initial accounting for Inoxum acquisition was provisional on December 31, 2012 due to the size and complexity of the transaction and the acquisition date being close to the preparation of Outokumpu consolidated financial statements. Therefore, the amounts recognized for identifiable assets acquired and liabilities assumed, goodwill and items of consideration were determined only provisionally. Based on the information obtained during the measurement period about facts and circumstances that existed as of the acquisition date, Outokumpu has retrospectively adjusted the provisional amounts on December 28, 2012 as presented in the tables below.

Identifiable assets acquired and liabilities assumed

€ million	Final	Reported as provisional
Intangible assets	**86**	108
Property, plant and equipment	**2 185**	2 166
Deferred tax assets	**160**	160
Inventories	**1 801**	1 781
Trade receivables	**549**	549
Other assets	**190**	190
Cash and cash equivalents	**84**	84
	5 055	5 038
Interest-bearing liabilities	**250**	250
Defined benefit and other long-term employee benefit obligations	**376**	376
Deferred tax liabilities	**89**	87
Trade and other liabilities	**1 612**	1 601
	2 327	2 314

Identifiable assets acquired and liabilities assumed include the Terni remedy assets acquired as part of the Inoxum transaction on December 28, 2012.

Consideration and goodwill arising on acquisition

€ million	Final	Reported as provisional
Cash	**1 000**	1 000
Shares to ThyssenKrupp	**491**	491
Loan note to ThyssenKrupp	**1 229**	1 229
Total consideration transferred	**2 720**	2 720
Non-controlling interests, based on their proportionate interest in the recognized amounts of assets and liabilities of Inoxum	**11**	11
Fair value of identifiable net assets acquired	**2 728**	2 724
Goodwill arising on acquisition	**4**	7

The fair value of the 621 042 573 Outokumpu Oyj shares transferred to the seller (EUR 491 million) was determined based on the share price of EUR 0.79 at the date of acquisition.

The principal amount of the loan note was the amount by which the balance of ThyssenKrupp's receivables against Inoxum and Inoxum's receivables against ThyssenKrupp exceeded the EUR 1 billion cash consideration at the acquisition date. The EUR 1 229 million represented loan note's estimated fair value at the date of acquisition.

Final goodwill of EUR 4 million was considered mainly attributable to assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes.

Net cash outflow on acquisition

€ million	2012
Consideration paid in cash	1 000
Cash and cash equivalent balances acquired	-84
Net cash outflow on acquisition	915

Had Inoxum been consolidated in Outokumpu Group from January 1, 2012, management estimates that the consolidated statement of income for 2012 would have shown net sales of approximately EUR 9 400 million and net loss of approximately EUR 900 million.

Disposals

Year 2013

On January 18, 2013 Outokumpu's partner in the OSTP business, Tubinoxia S.r.l. exercised its call option and acquired additional 15% of the company's shares from Outokumpu. Consequently, Outokumpu lost the control over OSTP, and OSTP is consolidated as an associated company in the Group's financial statements. OSTP provides stainless steel process tubes and pipes and fittings. OSTP employed approximately 770 people in Sweden, Finland, Saudi Arabia, Estonia and Canada.

Effect of disposal on the financial position of the Group

€ million	2013
Non-current assets	30
Current assets	79
Non-current liabilities	-26
Current liabilities	-56
Net assets	27
Disposal-related gain	4
Disposal of non-controlling interest	-15
Recognition of remaining interest in associate at fair value	-17
Consideration received, satisfied in cash	2
Cash and cash equivalents disposed of	-2
Net cash outflow	-1

Year 2012

Brass

In June, Outokumpu sold its brass-rod plant in Drünen in the Netherlands, the last of the Group's brass operations. Resulting from this transaction, a loss of EUR 18 million was booked into other operating expenses.

Amari

In September, Outokumpu completed a transaction to divest part of the Group's stock operations in Europe to Amari, a privately owned group of companies focusing on multi-metal distribution. With the transaction, 10 of the Group's stock operations in nine countries were transferred to Amari, thereby halving the number of the Group's own stock locations. Furthermore, approximately 100 Outokumpu employees transferred to Amari. In connection to the transaction, Outokumpu booked a non-recurring impairment of EUR 10 million into other operating expenses.

Effect of disposal on the financial position of the Group

€ million	2012
Non-current assets	23
Current assets	49
Non-current liabilities	-3
Current liabilities	-19
Net assets	49
Disposal-related losses and impairments	-28
Consideration received, satisfied in cash	21
Cash and cash equivalents disposed of	-2
Net cash inflow	19

5. Assets held for sale and discontinued operations

On November 30, 2013 Outokumpu announced its plans to divest the VDM business and the remedy assets which include Terni and certain service centers to ThyssenKrupp. The sale of VDM is the result of strategic review conducted of the business during 2013, and the divestment of Terni and certain European service centers aims to address the remedy requirements of the European Commission related to the Inoxum acquisition in 2012. Outokumpu's loan note to ThyssenKrupp will be used as a consideration for the transaction. The sale framework agreement also includes customary terms and conditions regarding the businesses' level of working capital and net debt.

VDM develops high performance alloys for the use in extreme conditions, for example in high and low temperatures, high in the atmosphere and deep underground. Following the announcement, VDM assets and related liabilities were classified as held for sale on November 30, 2013 and reported as a discontinued operation. VDM assets classified as held for sale and related liabilities are measured at carrying values.

Terni is an integrated stainless steel production facility in Italy. Terni entities were classified as held for sale at the closing of Inoxum transaction in December 2012 together with a service center in Germany, which was included in remedy assets at that time. Following the announcement in November 2013 additional remedy assets to be divested, i.e. Tubificio di Terni and service centers in France, Spain and Turkey were also classified as held for sale. Remedy assets classified as held for sale and related liabilities are measured at carrying values. Remedy entities' results are reported under discontinued operations in the 2013 statement of income.

Result from discontinued operations

€ million	2013
Sales and other operating income	**3 302**
Expenses	**-3 392**
Net financial expenses	**-22**
Result before tax	**-112**
Income tax	**-58**
Net result from discontinued operations	**-170**

EUR 1 090 million of the sales and other operating income and EUR 1 072 million of the expenses are attributable to VDM. EUR 2 212 million of the sales and other operating income and EUR 2 293 million of the expenses are attributable to Terni remedy assets. In addition, the expenses include transaction costs relating to the sale of Terni and VDM of EUR 27 million.

Assets held for sale and liabilities directly attributable to assets held for sale

€ million	2013
Intangible assets and property, plant and equipment	**885**
Other assets	**147**
Inventories	**844**
Trade and other receivables	**325**
	2 200
Interest-bearing debt	**15**
Defined benefit and other long-term employee benefit obligations	**129**
Other liabilities	**112**
Trade and other payables	**792**
	1 048

EUR 829 million of the total assets and EUR 323 million of the total liabilities are attributable to VDM. EUR 1 371 million of the total assets and EUR 725 million of the total liabilities are attributable to Terni remedy assets.

Cash flows

€ million	2013
Operating cash flow	**115**
Investing cash flow	**-77**
Financing cash flow	**-26**
	12

In 2013, there are EUR -9 million (2012: EUR -4 million) cumulative net income and expenses related to discontinued operations included in other comprehensive income. They are mainly due to exchange differences on translating foreign operations, remeasurements of defined benefit pension plans and fair value changes of hedging instruments.

6. Income and expenses

Depreciation and amortization by function

€ million	2013	2012
Cost of sales	**-315**	-212
Selling and marketing expenses	**-2**	-10
Administrative expenses	**-14**	-7
Research and development expenses	**-1**	-1
	-332	-230

Other operating income

€ million	2013	2012
Exchange gains and losses from foreign exchange derivatives	**4**	20
Market price gains and losses from commodity derivatives	**1**	-4
Market price gains and losses from derivative financial instruments	**5**	17
Gains on sale of other intangible and tangible assets	**7**	1
Other income items	**12**	5
	24	23

In 2013, the market price gains and losses from derivative financial instruments included a gain of EUR 4 million (2012: a gain of EUR 6 million) from ineffective portion of cash flow hedges.

Other operating expenses

€ million	2013	2012
Carrier settlement	**-11**	-
Impairments	**-13**	-105
Losses on sale of intangible and tangible assets	**-2**	-0
Losses from divestment of the Group's Brass operations	**-**	-18
Other expense items	**-6**	-5
	-31	-128

Non-recurring items in operating result

€ million	2013	2012
Redundancy provisions	**-54**	-3
Inventory write-downs related to efficiency programs	**-12**	-19
Carrier settlement	**-11**	-
Costs related to Inoxum acquisition	**-1**	-64
Nyby and Kloster impairments	**-**	-86
Losses from divestment of the Group's Brass operations	**-**	-18
Impairment of stock locations divestment	**-**	-10
	-78	-200

In April 2013, as part of its intention to significantly reduce operating expenses and return to profitability, Outokumpu announced plans that result in job reductions. The reductions relate to capacity reductions, particularly to the previously announced closure of Krefeld meltshop in Germany, as well as streamlining overlapping activities in sales, production, supply chain and support functions. As a result, a non-recurring redundancy cost of EUR 54 million was recognized in 2013.

Inventories were written down in 2013 and 2012 in connection with Outokumpu's efficiency programs. The write-downs amounted to non-recurring costs of EUR 12 million in 2013 (2012: EUR 19 million).

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

In 2013, Outokumpu booked EUR 1 million of non-recurring costs related to Inoxum acquisition in addition to costs of EUR 64 million in 2012. Out of the costs in 2012, EUR 12 million was related to real estate transfer taxes in Germany.

In 2012 an impairment loss of EUR 70 million related to Nyby and EUR 16 million related to Kloster was recognized as a result of impairment tests on assets of Nyby and Kloster business lines.

In 2012, Outokumpu sold the remaining units of its Brass operations. The losses booked from divestment were approximately EUR 18 million. In 2012, Outokumpu also divested part of its European stock operations to Amari. Related to the transaction, impairment of EUR 10 million was booked.

P100 program-related cost savings resulted to non-recurring redundancy provisions of EUR 3 million in 2012.

Auditor fees – KPMG

€ million	2013	2012
Audit	**-2.7**	-1.9
Audit related services	**-0.1**	-0.3
Tax advisory	**-0.2**	-0.1
Other services	**-0.7**	-3.4
	-3.7	-5.7

7. Employee benefit expenses

€ million	2013	2012
Wages and salaries	**-583**	-340
Termination benefits	**-45**	-10
Social security costs	**-94**	-53
Post-employment and other long-term employee benefits		
Defined benefit plans [1]	**-11**	-5
Defined contribution plans	**-49**	-54
Other long-term employee benefits	**-10**	-1
Expenses from share-based payments	**-1**	-0
Other personnel expenses	**-12**	-10
	-805	-473

[1] Defined benefit plans in 2012 have been restated as a result of adoption of the revised *IAS 19 Employee Benefits* standard.

Profit-sharing bonuses based on the Finnish Personnel Funds Act were not recognized in 2013 nor 2012.

8. Financial income and expenses

€ million	2013	2012
Dividend income on available-for-sale financial assets	**0**	0
Interest income		
Loans and receivables	**11**	11
Bank accounts and deposits	**1**	1
Interest income on defined benefit plan assets [1]	**0**	1
Gains on the sale of investments at fair value through profit or loss	**-**	0
Gains on the sale of available-for-sale financial assets	**0**	1
Other financial income	**0**	0
Total financial income	**13**	16
Interest expenses		
Debt at amortized cost	**-181**	-66
Finance lease arrangements	**-7**	-5
Derivatives	**-12**	-6
Interest expense on defined benefit obligations and other long-term employee benefits [1]	**-10**	-4
Capitalized interests	**2**	8
Impairment of financial assets	**-2**	-0
Loss from the sale of financial assets	**-50**	-
Fees related to committed credit facilities	**-17**	-11
Other financial expense items	**-10**	-7
Total financial expenses	**-286**	-90
Exchange gains and losses		
Derivatives	**49**	-24
Cash, loans and receivables	**-57**	14
Other market price gains and losses		
Derivatives	**12**	-3
Subsequent fair valuation of Talvivaara Sotkamo Ltd	**-41**	-52
Other	**-0**	-0
Total market price gains and losses	**-37**	-64
	-310	-138

[1] Figures for 2012 have been restated as a result of adoption of the revised *IAS 19 Employee Benefits* standard.

Exchange gains and losses in the consolidated statement of income

€ million	2013	2012
In sales	**-7**	-9
In purchases [2]	**18**	7
In other income and expenses [2]	**4**	19
In financial income and expenses [2]	**-8**	-10
	7	7

[2] Includes exchange gains and losses on elimination of intra-group transactions.

Exchange gains and losses include EUR 56 million net exchange gain on derivative financial instruments (2012: EUR 0 million net exchange loss) of which EUR 4 million gain on derivatives has been recognized in other operating income, EUR 4 million gain as adjustment to purchases and EUR 49 million gain in financial items.

Non-recurring items in financial income and expenses

In 2013, a non-recurring loss of EUR 49 million on the sale of Luvata loan receivable is included in the financial expenses as loss from sale of financial assets. In 2012, there were no non-recurring items in financial income and expenses.

9. Income taxes

Income taxes in the consolidated statement of income

€ million	2013	2012
Current taxes	**-4**	-4
Deferred taxes	**-7**	-8
	-11	-12

The applicable Finnish corporate tax rate for the financial year 2013 is 24.5% (2012: 24.5%). In December 2013 a reduction of the Finnish corporate tax rate was enacted for tax years beginning from January 1, 2014 onwards. Therefore, on December 31, 2013, deferred taxes of the Finnish companies are calculated with the reduced tax rate of 20% (2012: 24.5%). The applicable tax rates for companies outside Finland range from 0.0% to 42.7% (2012: 0.0% to 42.7%). In financial year 2013, changes in tax rates resulted in a deferred tax income of EUR 4 million (2012: EUR 1 million deferred tax expense).

Aggregate deferred taxes recognized in equity through other comprehensive income

€ million	2013	2012
Cash flow hedging	**-3**	-7
Available-for-sale financial assets	**0**	0
Net investment hedging	**-4**	-5
Remeasurements of the net defined benefit liability	**19**	27
	13	15

As of December 31, 2013 tax loss carry forwards amount to EUR 2 322 million (2012: EUR 1 794 million), in particular EUR 684 million (2012: EUR 538 million) in Finland, EUR 402 million (2012: EUR 430 million) in Sweden, EUR 621 million (2012: EUR 306 million) in the USA and EUR 158 million (2012: EUR 161 million) in the People's Republic of China. Deferred tax assets are recognized only to the extent that the realization of such tax benefits is probable. In determining the related valuation allowance, all positive and negative factors, including prospective results, are taken into consideration in estimating whether sufficient taxable income will be generated to realize deferred tax assets. These estimates can change depending on the future course of events. As of December 31, 2013 tax loss carry forwards of the Outokumpu Group for which no deferred tax asset is recognized amount to EUR 1 822 million (2012: EUR 1 639 million). According to tax legislations as of December 31, 2013 an amount of EUR 235 million (2012: EUR 515 million) of these tax loss carry forwards will expire within the next five years if not utilized. No deferred tax liabilities were recorded on undistributed profits on foreign subsidiaries, as such profits are not to be distributed in the foreseeable future.

Deferred income taxes in the statement of financial position

€ million	2013	2012
Deferred tax assets	**24**	89
Deferred tax liabilities [1)]	**-26**	-92
Net deferred tax asset	**-1**	-3

[1)] Figures for 2012 have been restated due to completing the Inoxum acquisition accounting.

Significant components of the deferred tax assets and liabilities are as follows:

	2013			2012		
€ million	Deferred tax asset	Deferred tax liabilities	Net	Deferred tax asset	Deferred tax liabilities [1)]	Net
Intangible assets	12	-9	3	13	-6	7
Property, plant and equipment	118	-190	-72	26	-229	-203
Other financial assets	0	0	0	0	-2	-2
Inventories	20	-11	9	28	-61	-33
Derivative financial assets	8	-12	-4	9	-24	-15
Trade and other receivables	3	-15	-12	9	-3	6
Long-term and current debt	69	-0	69	40	-0	40
Defined benefit and other long-term employee benefit obligations	56	-12	44	74	-14	60
Provisions	24	-6	18	15	-5	10
Derivative financial liabilities	13	-1	13	6	0	6
Trade and other payables	40	-15	25	15	-7	8
Tax loss carry forwards	629	-	629	540	0	540
	993	-270	723	774	-351	424
Valuation allowance	-724	-	-724	-427	-	-427
Offset	-245	245	-	-258	258	0
	24	**-26**	**-1**	89	-92	-3

1) Figures for 2012 have been restated due to completing the Inoxum acquisition accounting.

Deferred taxes have been reported as a net balance of those group companies that file a consolidated tax return, or that may otherwise be consolidated for current tax purposes.

Movement in deferred tax assets and liabilities during the financial year

€ million	Net deferred taxes Jan 1, 2013	Translation differences	Recognized in profit or loss	Recognized in other comprehensive income	Companies sold	Reclassification to assets and liabilities held for sale	Net deferred taxes Dec 31, 2013
Intangible assets	7	-0	-7	-	-	3	3
Property, plant and equipment	-203	-2	112	-	0	21	-72
Other financial assets	-2	0	2	0	-	-	0
Inventories	-33	-0	10	-	0	32	9
Derivative financial assets	-15	-	0	5	-	6	-4
Trade and other receivables	6	-0	-16	-	-	-1	-12
Long-term and current debt	40	-0	30	-	-	-1	69
Defined benefit and other long-term employee benefit obligations	60	-1	3	-8	-1	-10	44
Provisions	10	-	9	-	-	-1	18
Derivative financial liabilities	6	-	9	-	-	-2	13
Trade and other payables	8	-1	17	-	-1	1	25
Tax losses carried forward	540	-16	130	-	-21	-3	629
	424	-19	296	-2	-22	45	**723**
Valuation allowance	-427	18	-337	-	22	1	-724
	-3	-1	-41	-2	0	46	**-1**

€ million	Net deferred taxes Jan 1, 2012	Translation differences	Recognized in profit or loss	Recognized in other comprehensive income	Companies acquired [1]	Companies sold	Net deferred taxes Dec 31, 2012
Intangible assets	-5	-	2	-	10	-	7
Property, plant and equipment	-102	-	-20	-	-82	-	-203
Other financial assets	-1	-	-2	1	-	-	-2
Inventories	-10	-	8	-	-30	-1	-33
Derivative financial assets	1	-	-4	-1	-11	-	-15
Trade and other receivables	-15	-	22	-	-1	-	6
Long-term and current debt	7	-	32	-	1	-	40
Defined benefit and other long-term employee benefit obligations	26	-	-15	10	39	-	60
Provisions	11	-	-8	-	7	-	10
Derivative financial liabilities	0	-	1	-	5	-	6
Trade and other payables	1	-	4	-	4	-1	8
Tax losses carried forward	234	-	117	-	189	-	540
	147	-	137	10	132	-2	424
Valuation allowance	-108	-	-144	-	-175	-	-427
	39	-	-7	10	-43	-2	-3

[1] Figures for 2012 have been restated due to completing the Inoxum acquisition accounting.

In 2013, the income tax expense of EUR 11 million presented in the consolidated statement of income is EUR 222 million higher than the expected income tax benefit of EUR 201 million, which would result if the Finnish corporate tax rate of 24.5% were applied to the Group's result before taxes. In 2012, the reported income tax expense of EUR 12 million is EUR 140 million higher than the expected income tax benefit of EUR 128 million calculated with the Finnish corporate tax rate of 24.5%. The following table reconciles the expected income tax benefit to the income tax expense presented in the consolidated statement of income:

€ million	**2013**	2012
Hypothetical income taxes at Finnish tax rate on consolidated result before tax	**201**	128
Difference between Finnish and foreign tax rates	**58**	2
Tax effect of non-deductible expenses and tax exempt income	**-75**	-6
Tax effect of losses for which no deferred tax asset is recognized	**-204**	-109
Changes in the carrying amounts of deferred tax assets from prior years	**0**	-30
Taxes for prior years	**25**	1
Impact of the changes in the tax rates on deferred tax balances [2]	**4**	-1
Effects of consolidation and eliminations	**0**	6
Other items	**-20**	-2
Income taxes in the consolidated statement of income	**-11**	-12

[2] In 2013, the majority of the impact of the changes in the tax rates was attributable to the enacted decrease in the Finnish and UK tax rates, in Finland from 24.5% to 20.0% on January 1, 2014 and in the UK from 24.0% to 23.0% on April 1, 2013, from 23.0 to 21.0% on April 1, 2014 and from 21.0% to 20.0% on April 1, 2015. In 2012, the majority of the impact of the changes in the tax rates was attributable to the enacted decrease in the Swedish and UK tax rates, in Sweden from 26.3% to 22.0% on January 1, 2013 and in the UK from 25.0% to 24.0% on April 1, 2013.

Outokumpu Oyj is currently subject to a tax audit in Finland. Currently no information exists on the outcome of the audit. Preliminary tax audit report is expected to be issued in February–March 2014.

10. Earnings per share

	2013	2012
Result attributable to the equity holders of the Company, € million [1]	**-997**	-534
Result from continuing operations attributable to the equity holders of the Company, € million	**-826**	-
Result from discontinued operations attributable to the equity holders of the Company, € million	**-170**	-
Weighted average number of shares, in thousands	**2 077 080**	1 156 005
Diluted average number of shares, in thousands	**2 077 080**	1 156 005
Earnings per share for result attributable to the equity holders of the Company, €		
Earnings per share [1]	**-0.48**	-0.46
Earnings per share, continuing operations	**-0.40**	-0.46
Earnings per share, discontinued operations	**-0.08**	-

[1] Defined benefit plans in 2012 have been restated as a result of adoption of the revised *IAS 19 Employee Benefits* standard.

Outokumpu did not have any diluting effect share options in 2013 nor 2012.

11. Intangible assets

€ million	Customer relationships	Other intangible assets [1]	Goodwill	Total
Historical cost on Jan 1, 2013 [2]	49	319	494	861
Translation differences	-0	-4	-0	-4
Additions	-	6	-	6
Disposals	-	-3	-	-3
Disposed subsidiaries	-2	-7	-10	-18
Reclassifications [3]	-	0	-0	-0
Reclassifications to assets held for sale	-	-13	-12	-25
Historical cost on Dec 31, 2013	**47**	**298**	**472**	**817**
Accumulated amortization and impairment on Jan 1, 2013	-48	-189	-17	-254
Translation differences	0	2	-	2
Disposals	-	1	-	1
Disposed subsidiaries	1	7	10	18
Amortization	-0	-18	-	-18
Reclassifications	-	1	-	1
Reclassifications to assets held for sale	-	1	-	1
Accumulated amortization and impairment on Dec 31, 2013	**-47**	**-193**	**-7**	**-247**
Carrying value on Dec 31, 2013	**-**	**105**	**465**	**570**
Carrying value on Jan 1, 2013 [2]	0	130	477	607
Historical cost on Jan 1, 2012	49	231	490	769
Translation differences	-0	2	0	3
Additions	-	1	-	1
Acquired subsidiaries [2]	-	85	4	89
Disposals	-	-1	-0	-1
Disposed subsidiaries	-	-0	-	-0
Reclassifications [3]	-	1	-	1
Reclassifications to assets held for sale	-	-0	-	-0
Historical cost on Dec 31, 2012 [2]	**49**	**319**	**494**	**861**
Accumulated amortization and impairment on Jan 1, 2012	-40	-163	-12	-215
Translation differences	0	-2	-	-2
Disposals	-	0	0	1
Disposed subsidiaries	-	0	-	0
Amortization	-8	-21	-	-29
Impairments	-	-3	-6	-9
Reclassifications [3]	-	-0	-	-0
Reclassifications to assets held for sale	-	0	-	0
Accumulated amortization and impairment on Dec 31, 2012	**-48**	**-189**	**-17**	**-254**
Carrying value on Dec 31, 2012 [2]	0	130	477	607
Carrying value on Jan 1, 2012	9	67	478	554

[1] Other intangible assets include capitalized land-use rights, development costs, patents, licenses and software.
[2] Restated due to completing the Inoxum acquisition accounting (see Note 4. Acquisitions and disposals).
[3] Construction work in progress related to intangible assets is presented in the corresponding item of PPE. When the asset is taken into use, it is reclassified to the appropriate asset account.

Intangible assets mainly comprise acquired assets.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing as follows:

€ million	2013	2012
Stainless EMEA	**408**	416
Specialty Stainless [1)]	**56**	60
	465	477

[1)] 2012 restated due to completing the Inoxum acquisition accounting (see Note 4. Acquisitions and disposals).

During the year 2013, impairment testing of goodwill was carried out on a quarterly basis.

The recoverable amounts of Stainless EMEA and Specialty Stainless are based on value-in-use calculations which are estimated using discounted cash flow projections. Key assumptions used in the value-in-use calculations are discount rate, terminal value growth rate, average global growth in end-use consumption of stainless steel and base price development. The values assigned to the key assumptions are based on the strategic plans approved by the management for 2014 after which cash flows are projected for a period of 11 years, including terminal value based on conservative assumptions. The longer period is justified due to the integration of Inoxum and related synergies. Shorter period would not give fair view of the business and forecasts.

Discount rate is the weighted average pre-tax cost of capital (WACC), as defined for Outokumpu. The components of WACC are risk-free yield rate, Outokumpu credit margin, market risk premium, equity beta and industry capital structure. The pre-tax WACC used for EMEA is 10.9% and Specialty Stainless 11.0% (2012: 11.4% and 11.5% respectively).

In the terminal value, growth rate assumption of 0.5% (2012: 0.5%) is used which management believes to be prudent based on current economic circumstances, although historical growth rates and forecasts of independent market analysts indicate higher long-term growth rates.

Assumed average global growth in end-use consumption of stainless steel of 3.5% (2014–2023) follows independent analysts' view on long-term market development.

Base price forecast is based on conservative assumptions, which are in line with expectations of general inflation.

In addition, committed investments and expected synergies have been included in the cash flow projections.

The estimated recoverable amount of Stainless EMEA exceeds its carrying amount by approximately EUR 1,228 million. Increase of 4 percentage point in after-tax WACC would cause the carrying amount to exceed the recoverable amount. Also, 16% decrease in annual delivery volumes or 7% decrease in base prices would cause the carrying amount to exceed the recoverable amount. Terminal growth rate of 0% would not lead to impairment.

The estimated recoverable amount of Specialty Stainless exceeds its carrying amount by approximately EUR 711 million. Increase of 4 percentage point in after-tax WACC would cause the carrying amount to exceed the recoverable amount. Also, 7% decrease in annual delivery volumes or 4% decrease in base prices would cause the carrying amount to exceed the recoverable amount. Terminal growth rate of 0% would not lead to impairment.

As a result of the performed impairment test to Group's cash-generating units, no impairment losses were recognized in 2013. In 2012, EUR 5 million goodwill related to Outokumpu Tubular business' (OSTP) was impaired in the statement of income in connection with the business' asset valuation. OSTP was divested in 2013.

Emission allowances

Following the Inoxum transaction, Outokumpu had 7 active sites (excluding VDM and Remedy assets) operating under EU's Emissions Trading Scheme (ETS) in 2013. These include the production plants in Tornio, Finland; Avesta, Degerfors and Nyby in Sweden; Sheffield in the UK; as well as Krefeld and Bochum in Germany.

Outokumpu has not yet received all the emission allowances for 2013 by the end of the reporting period (2012: 1.3 million tonnes excluding former Inoxum sites) as the allocation is pending for the authorities' final decision. The pre-verified carbon dioxide emissions under ETS were approximately 1 030 000 tonnes in 2013 (2012: 759 000 tonnes excluding former Inoxum sites). Outokumpu sold 0.6 million tonnes of emission allowances in 2013 (2012: no emission allowances sold).

For the trading period 2013–2020, all relevant Outokumpu sites have applied free emission allowances. Preliminary allocation for years 2013 and 2014 is estimated to be some 1 million tonnes annually in total. Considering the Group's operations and the Group's emission allowance surplus position, the amount of allowances is foreseen to be sufficient for compliance. Position is frequently monitored and optimized according to the definitions set in corporate risk policies.

See Note 19. Financial risk management, capital management and insurances for information on the management of the emission allowance price risk.

12. Property, plant and equipment

€ million	Land	Mine properties	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction work in progress [1]	Total
Historical cost on Jan 1, 2013 [2]	173	46	1 307	4 808	142	295	6 772
Translation differences	-2	-	-14	-79	-1	-7	-101
Additions	1	-	33	189	0	7	231
Disposals	-	-	-6	-35	0	-0	-41
Disposed subsidiaries	-1	-	-29	-120	-2	-1	-152
Reclassifications	2	0	23	66	-8	-102	-19
Reclassifications to assets held for sale	-28	-	-55	-230	-	-9	-323
Historical cost on Dec 31, 2013	**146**	**46**	**1 260**	**4 600**	**132**	**184**	**6 368**
Accumulated depreciation and impairment on Jan 1, 2013	-6	-7	-507	-2 429	-63	-45	-3 056
Translation differences	0	-	5	37	0	1	44
Disposals	-	-	3	33	-0	-	36
Disposed subsidiaries	0	-	23	100	2	0	124
Reclassifications	-	-	0	65	0	1	66
Depreciation	-0	-2	-47	-291	-5	-	-346
Impairments	-3	-	0	0	-0	-7	-9
Reclassifications to assets held for sale	-	-	3	23	-	0	26
Accumulated depreciation and impairment on Dec 31, 2013	**-9**	**-9**	**-520**	**-2 462**	**-66**	**-49**	**-3 115**
Carrying value on Dec 31, 2013	**137**	**37**	**740**	**2 139**	**66**	**134**	**3 254**
Carrying value on Jan 1, 2013 [2]	167	40	800	2 380	79	250	3 716
Historical cost on Jan 1, 2012	49	36	965	3 336	121	274	4 782
Translation differences	1	-	6	43	1	3	53
Additions	0	2	78	188	10	76	354
Acquired subsidiaries [2]	133	-	241	1 157	8	133	1 673
Disposals	-0	-	-9	-23	-0	-0	-33
Disposed subsidiaries	-4	-	-1	-13	-1	-1	-19
Reclassifications	1	8	48	141	3	-190	11
Reclassifications to assets held for sale	-6	-	-21	-22	-	-	-49
Historical cost on Dec 31, 2012 [2]	173	46	1 307	4 808	142	295	6 772
Accumulated depreciation and impairment on Jan 1, 2012	-7	-6	-462	-2 206	-55	-41	-2 777
Translation differences	-0	-	-4	-31	-0	-1	-36
Disposals	0	-	9	23	0	0	32
Disposed subsidiaries	2	-	1	11	0	-	14
Reclassifications	0	-	-6	-6	-	0	-12
Depreciation	-	-1	-33	-162	-5	-	-201
Impairments	-1	-	-20	-69	-3	-2	-96
Reclassifications to assets held for sale	-	-	9	11	-	-	20
Accumulated depreciation and impairment on Dec 31, 2012	-6	-7	-507	-2 429	-63	-45	-3 056
Carrying value on Dec 31, 2012 [2]	167	40	800	2 380	79	250	3 716
Carrying value on Jan 1, 2012	42	30	503	1 130	66	233	2 005

[1] Advances paid and construction work in progress includes also intangible assets. When the asset is ready to be taken into use, it is reclassified to appropriate asset account either in property, plant and equipment or in intangible assets.
[2] Restated due to completing the Inoxum acquisition accounting (see Note 4. Acquisitions and disposals).

Borrowing costs amounting to EUR 2 million were capitalized on investment projects during the financial year (2012: EUR 8 million). Total interest capitalized on December 31, 2013 was EUR 38 million (Dec 31, 2012: EUR 41 million). Outokumpu determines separate capitalization rates for each quarter. The average rate used during 2013 was 4.3%.

Impairments

As a result of the impairment test performed to Group's cash-generating units, no impairment losses were recognized in 2013. However, immaterial impairment losses related to single assets and totaling EUR 9 million were recognized in various Group companies.

In 2012, impairment test was carried out to the assets of Nyby and Kloster leading to the recognition of an impairment loss of EUR 70 million related to Nyby and EUR 16 million related to Kloster, mainly allocated to machinery and equipment. Additionally, an impairment of EUR 10 million was recognized related to the divested stock locations. The impairment mainly related to buildings and machinery and equipment.

Assets leased by finance lease agreements

€ million	Land	Buildings	Machinery and equipment	Total
Historical cost	29	37	270	335
Accumulated depreciation	-0	-5	-70	-75
Carrying value on Dec 31, 2013	**28**	**32**	**200**	**260**
Historical cost	27	34	212	272
Accumulated depreciation	-	-4	-57	-61
Carrying value on Dec 31, 2012	27	30	155	211

13. Investments in associated companies and joint ventures

€ million	2013	2012
Investments in associated companies and joint ventures at cost		
Historical cost on Jan 1	**30**	23
Translation differences	**-0**	0
Investments in associated companies and joint ventures in acquired subsidiaries [1]	**-**	6
Reclassification from investments in subsidiaries [2]	**11**	-
Investments in associated companies and joint ventures	**6**	-
Impairments	**-3**	-
Reclassification to assets held for sale	**-0**	-
Disposals [3]	**-0**	-
Historical cost on Dec 31	**43**	30
Equity adjustment to investments in associated companies and joint ventures on Jan 1	**21**	16
Translation differences	**-1**	1
Dividends received	**-2**	-
Share of results in associated companies and joint ventures	**-2**	0
Recognition of remaining interest in associate at fair value [2]	**6**	-
Equity adjustments to investments in associated companies and joint ventures in acquired subsidiaries [1]	**-**	5
Reclassification to assets held for sale	**-0**	-
Disposals [3]	**0**	-
Equity adjustment on Dec 31	**23**	21
Carrying value of investments in associated companies and joint ventures on Dec 31	**66**	51

[1] As part of Inoxum transaction in 2012 Outokumpu acquired Fischer Mexicana S.A. de C.V. in Mexico (50% ownership), MOL Katalysatortechnik GmbH in Germany (20.46% ownership) and Evidal Schmöle Verwaltungsgesellschaft GmbH (50% ownership).
[2] Subsidiary OSTP Holding Oy became an associate as a result of Outokumpu's loss in control in January 2013.
[3] KDAB i Västerås AB was liquidated in April, 2013.

Associated companies and joint ventures

	Domicile	Ownership, %
OSTP Holding Oy	Finland	49
Fagersta Stainless AB	Sweden	50
Fischer Mexicana S.A. de C.V.	Mexico	50
Rapid Power Oy	Finland	33
Ilserv S.r.l. [1]	Italy	35
Euroacciai S.r.l. Sarezzo (BS) [1]	Italy	30
Terni Frantumati S.p.A. [1]	Italy	21
MOL Katalysatortechnik GmbH [1]	Germany	20

[1] Classified to assets held for sale.

Information on associated companies and joint ventures

€ million	Domicile	Assets	Liabilities	Sales	Profit	Ownership, %
2013						
OSTP Holding Oy	Finland	117	73	198	-3	49
Fagersta Stainless AB	Sweden	69	40	137	-7	50
Fischer Mexicana S.A. de C.V. [1]	Mexico	36	9	52	8	50
Rapid Power Oy	Finland	129	76	43	0	33
2012						
Fagersta Stainless AB	Sweden	64	28	157	-0	50
Fischer Mexicana S.A. de C.V. [2]	Mexico	31	8	66	9	50
Rapid Power Oy	Finland	153	100	47	0	33

[1] Figures are based on the information on September 30, 2013.
[2] Company was acquired as part of the Inoxum transaction on December 28, 2012. The profit was not consolidated to the statement of income in 2012.

14. Carrying values and fair values of financial assets and liabilities by measurement category

		Measured at					
2013 € million	Category in accordance with IAS 39	Amortized cost	Cost	Fair value recognized in other comprehensive income	Fair value recognized through profit or loss	Carrying amount on Dec 31, 2013	Fair value on Dec 31, 2013
Non-current financial assets							
Available-for-sale financial assets	a)	-	13	2	-	15	15
Investments at fair value through profit or loss	c)	-	-	-	2	2	2
Trade and other receivables	b)	11	-	-	-	11	11
Hedge accounted derivatives	e)	-	-	0	-	0	0
Derivatives held for trading	d)	-	-	-	2	2	2
Current financial assets							
Available-for-sale financial assets	a)	-	3	0	-	4	4
Investments at fair value through profit or loss	c)	-	-	-	17	17	17
Trade and other receivables	b)	754	-	-	-	754	754
Cash and cash equivalents	b), c)	607	-	-	-	607	607
Hedge accounted derivatives	e)	-	-	1	-	1	1
Derivatives held for trading	d)	-	-	-	19	19	19
		1 372	17	4	41	1 433	1 433
Non-current financial liabilities							
Long-term debt	f)	3 270	-	-	-	3 270	3 189
Hedge accounted derivatives	e)	-	-	4	-	4	4
Derivatives held for trading	d)	-	-	-	11	11	11
Current financial liabilities							
Current debt	f)	893	-	-	-	893	893
Trade and other payables	f)	997	-	-	-	997	997
Hedge accounted derivatives	e)	-	-	3	-	3	3
Derivatives held for trading	d)	-	-	-	31	31	31
		5 160	-	7	42	5 210	5 129

Categories in accordance with IAS 39:
a) Available-for-sale financial assets
b) Loans and receivables
c) Financial assets at fair value through profit or loss
d) Derivatives held for trading
e) Hedge accounted derivatives
f) Other financial liabilities

2012 € million	Category in accordance with IAS 39	Measured at Amortized cost	Cost	Fair value recognized in other comprehensive income	Fair value recognized through profit or loss	Carrying amount on Dec 31, 2012	Fair value on Dec 31, 2012
Non-current financial assets							
Available-for-sale financial assets	a)	-	11	5	-	16	16
Investments at fair value through profit or loss	c)	-	-	-	2	2	2
Trade and other receivables	b)	172	-	-	-	172	174
Hedge accounted derivatives	e)	-	-	2	-	2	2
Derivatives held for trading	d)	-	-	-	0	0	0
Current financial assets							
Available-for-sale financial assets	a)	-	3	2	-	5	5
Investments at fair value through profit or loss	c)	-	-	-	59	59	59
Trade and other receivables	b)	1 033	-	-	-	1 033	1 033
Cash and cash equivalents	b), c)	222	-	-	-	222	222
Hedge accounted derivatives	e)	-	-	16	-	16	16
Derivatives held for trading	d)	-	-	-	37	37	37
		1 428	14	25	98	1 566	1 568
Non-current financial liabilities							
Long-term debt	f)	2 935	-	-	-	2 935	2 883
Hedge accounted derivatives	e)	-	-	0	-	0	0
Derivatives held for trading	d)	-	-	-	39	39	39
Current financial liabilities							
Current debt	f)	718	-	-	-	718	718
Trade and other payables	f)	1 374	-	-	-	1 374	1 374
Hedge accounted derivatives	e)	-	-	3	-	3	3
Derivatives held for trading	d)	-	-	-	22	22	22
		5 027	-	3	61	5 094	5 042

Categories in accordance with IAS 39:
a) Available-for-sale financial assets
b) Loans and receivables
c) Financial assets at fair value through profit or loss
d) Derivatives held for trading
e) Hedge accounted derivatives
f) Other financial liabilities

15. Fair value hierarchy of financial assets and liabilities

2013 € million	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Available-for-sale financial assets	2	1	2	0	2
Investments at fair value through profit or loss	19	4	-	15	19
Hedge accounted derivatives	1	-	1	-	1
Derivatives held for trading	22	-	22	-	22
	45	5	25	15	45
Financial assets not measured at fair value					
Non-current trade and other receivables	11	-	11	-	11
Financial liabilities measured at fair value					
Hedge accounted derivatives	7	-	7	-	7
Derivatives held for trading	42	-	42	-	42
	50	-	50	-	50
Financial liabilities not measured at fair value					
Long-term debt	3 270	386	2 803	-	3 189

The fair value of long-term debt is determinated by using discounted cash flow method and taking into consideration the market credit spread applied for Outokumpu. The fair value of long-term non-current trade and other receivable is determinated by discounted cash flow method and taken into account credit risk of the counterparty. The carrying amounts of current financial assets and current financial liabilities not measured at fair value are reasonable estimation of their fair value.

2012 € million	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Available-for-sale financial assets	7	3	-	4	7
Investments at fair value through profit or loss	61	6	-	55	61
Hedge accounted derivatives	19	-	19	-	19
Derivatives held for trading	37	-	37	-	37
	124	9	56	59	124
Financial assets not measured at fair value					
Non-current trade and other receivables	172	-	14	160	172
Financial liabilities measured at fair value					
Hedge accounted derivatives	3	-	3	-	3
Derivatives held for trading	60	-	60	-	60
	60	-	63	-	63
Financial liabilities not measured at fair value					
Long-term debt	2 935	385	2 498	-	2 883

Reconciliation of changes on level 3

2013

€ million	Available-for-sale financial assets	Investment at fair value through profit or loss
Carrying value on Jan 1	4	55
Fair value changes	-2	-41
Transfer to level 2	-2	-
Disposals	-0	-
Carrying balance on Dec 31	**0**	**15**

Accounting principles contain information on how fair values are defined on different levels in the fair value hierarchy. There were no transfers between level 1 and 2 during the year.

The fair value of the level three relates mostly investments in Talvivaara Sotkamo Ltd. Valuation of the investment to Talvivaara Sotkamo Ltd is based on the share value of Talvivaara Mining Company Plc. Change of +/- 10% in the share price of Talvivaara Mining Company Ltd leads to an increase of EUR 1 million or decrease of EUR 1 million in the value. The ownerships in energy producing companies are valued at fair value. Valuation model of energy producing companies is based on discounted cash flow model, which takes into account the future prices of electricity, discount rate and inflation rate, the estimated amount of electricity to be received and estimated production costs. The valuation model is very sensitive to electricity price, +/- 10% change in electricity price leads to an increase of EUR 1 million or decrease of EUR 0 million in valuation.

16. Available-for-sale financial assets

€ million	2013	2012
Carrying value on Jan 1	**21**	23
Translation differences	**0**	0
Additions	**2**	4
Available-for-sale assets from acquired subsidiaries	**-**	0
Fair value changes	**-3**	-4
Disposals	**-0**	-0
Impairments	**-2**	-
Gains and losses from disposals reclassified to profit or loss	**0**	-1
Carrying value on Dec 31	**19**	21
Non-current listed equity securities	**0**	1
Non-current unlisted equity securities	**15**	15
Current available-for-sale financial assets	**4**	5
	19	21
Listed equity securities, at fair value	**1**	3
Unlisted equity securities and other investments, at fair value	**2**	4
Unlisted equity securities and other investments, at cost	**17**	14
	19	21

Fair value reserve in equity

€ million	2013	2012
Fair value	**19**	21
Cost	**20**	20
Fair value reserve before tax	**-1**	1
Deferred tax liability	**0**	0
Fair value reserve	**-1**	1

Unlisted equity securities and other investments at cost consist of EUR 12 million holdings in Voimaosakeyhtiö SF providing ownership to Fennovoima Oy. As the Fennovoima project is in early stage, the fair value cannot be reliably measured. Unlisted equity securities at fair value consist of holdings in energy producing companies and other investments not listed in any stock exchange. The valuation method of these investments is described in Note 15. Fair value hierarchy of financial assets and liabilities.

17. Investments at fair value through profit or loss

€ million	2013	2012
Carrying value on Jan 1	**61**	106
Translation differences	**-0**	0
Additions	**0**	1
Subsequent fair value changes of Talvivaara Sotkamo Ltd	**-41**	-52
Other movement	**-2**	6
Carrying value on Dec 31	**19**	61

Subsequent valuation of the 16% ownership in Talvivaara Sotkamo Ltd reflects the changes in the share price of Talvivaara Mining Company Plc, which on December 31, 2013 was EUR 0.08 per share.

In December 2013, the district court of Espoo took the decision to commence the corporate reorganization process in respect of Talvivaara Sotkamo Ltd. The corporate reorganization process of Talvivaara Mining Company Plc commenced in November 2013. Reports on the financial status of both companies are to be compiled by March 28, 2014, and proposals for the respective reorganization programs by May 28, 2014.

18. Share-based payment plans

During 2013 Outokumpu's share based programs included Share-based Incentive Program 2009–2013 (plan 2011–2013); Performance Share Plan 2012 (plans 2012–2014 and 2013–2015); Resticted Share Program 2010–2013; and Restricted Share Pool Program (plans 2012–2014 and 2013–2015). Share-based programs are part of the Group's incentive and commitment-building system for key employees. The objective of the programs is to retain, motivate and reward selected employees for good performance which supports Outokumpu's strategy.

Regarding the Share-based Incentive program, the targets set for the earnings period 2010–2012 were not met and therefore no reward was paid to the participants in 2013.

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

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

Under the Restricted Share Program 2010–2013 Outokumpu granted restricted shares to retain, reward and motivate selected key employees. In line with the terms and conditions of the program, in total 48 000 shares were delivered to the program participants during fall 2013. In addition, the participants received cash equaling the taxes and social security charges imposed on the share award. No more shares will be granted based on this program.

The Board of Directors will decide on the start of a new plan for the Performance Share Plan 2012 and the Restricted Share Pool program during April 2014.

The total estimated fair value of share-based incentive programs and restricted share plans is EUR 3 million on December 31, 2013. This value is recognized as an expense in the statement of income during the vesting periods.

Detailed information of the share-based incentive programs can be found in Outokumpu's home page www.outokumpu.com.

Share-based payments included in employee benefit expenses

€ million	**2013**	2012
Equity-settled share-based payment transactions	**-1**	-1
Cash-settled share-based payment transactions	**-0**	0
	-1	-0
Total carrying amount of liabilities for cash-settled arrangements on Dec 31	**0**	0

Share-based incentive programs

The general terms and conditions of the share-based incentive programs

	Share-based Incentive Program for 2009–2013	Performance Share Plan 2012	
	Vesting period 2011–2013	Vesting period 2012–2014	Vesting period 2013–2015
Grant date	Jan 31, 2011	March 31, 2012	March 31, 2013
Vesting period	Jan 1, 2011–Dec 31, 2013	Jan 1, 2012–Dec 31, 2014	Jan 1, 2013–Dec 31, 2015
Vesting conditions			
Market	Total shareholder return (TSR) ranking among peers.	Total shareholder return (TSR) ranking among peers.	Outokumpu share-price adjusted with dividends.
Non-market	Outokumpu Group earnings per share (EPS) for the year 2011, EBIT for the year 2012 and EBITDA for the year 2013.	EBIT for the year 2012 and EBITDA for the year 2013.	Annual EBITDA for the year 2013 and achievement of Inoxum transaction related synergies.
Other relevant conditions	A salary-based limit for the maximum benefits.	A salary-based limit for the maximum benefits.	A salary-based limit for the maximum benefits.
Exercised	In shares and cash.	In shares.	In shares.

The fair value of share-based incentive programs are determined using statistical modeling.

Number of shares to be distributed within share-based incentive programs

Number of shares [1]	**2013**	2012
On Jan 1	**7 014 659**	4 140 600
Shares granted to the programs	**13 550 500**	4 650 523
Shares rewarded to the participants [2]	**-48 000**	-
Shares cancelled	**-2 404 230**	-1 776 464
On Dec 31	**18 112 929**	7 014 659

[1] Figures restated according to Share issue exercised in March–April 2012.
[2] 8 000 shares of the 48 000 shares rewarded to the participants in 2013 had not been delivered to the participants as of December 31, 2013.

The figures include Share-based Incentive Program 2009–2013, Performance Share Plan 2012 and restricted share plans.

Share values used in valuations

	Share-based Incentive Program for 2009–2013	Performance Share Plan 2012	
	Vesting period 2011–2013	Vesting period 2012–2014	Vesting period 2013–2015
Incentive share fair value at the grant date, €	3.56	1.57	0.59
Share price at the end of the reporting period, €	0.41	0.41	0.41

19. Financial risk management, capital management and insurances

The objectives of financial risk management are to reduce the impact of price fluctuations and other factors of uncertainty in financial markets on earnings, cash flows and capital structure, as well as to ensure sufficient liquidity. The objective of capital management is to secure the ability to continue as a going concern and to optimize the cost of capital in order to enhance value to shareholders. The main objectives of insurance management are to provide protection against catastrophe risks and to reduce earnings variation caused by hazards.

The Board has approved the risk management policy, which defines responsibilities, risk management process and other main principles of risk management. The Board oversees risk management on a regular basis and the Chief Financial Officer is responsible for implementation and development of financial risk management. In 2013, the Group's Financial Risk Policy was reviewed and changes to it were approved by the Chief Executive Officer. Main changes to the policy were related to metal risk management.

Financial risks consist of market, country, credit, liquidity and refinancing risks. Subsidiary companies hedge their currency risk against Treasury and Risk Management function, which does most of the Group's derivative contracts with banks and other financial institutions. The function is also responsible for managing liquidity and refinancing risk as well as interest rate, fuel and emission allowance price risk. Credit risk management is partly centralized and Treasury and Risk Management function monitors the risk. Energy function is responsible for managing electricity price risk and Raw Material Procurement function is responsible for managing Group's metal price risk. In addition, metal hedging activities have been carried out by Outokumpu Nirosta, Outokumpu VDM and Acciai Speciali Terni.

Treasury and Risk Management function sources a substantial part of the Group's insurances. The most important insurance lines are property damage and business interruption, liability, marine cargo and credit. The Group's captive insurance company Visenta Försäkrings AB retains a selected part of risk.

Exposure to financial risk is identified as part of the Group's risk management process. This approach aims to secure, that any emerging risk is identified early and each significant risk is described, quantified, managed and communicated properly. In risk quantification, both likelihood of an adverse event and the impact on that event are assessed. For market risk, the adverse scenario is based on a predefined price change in a risk factor, e.g. in exchange rate or metal price. Furthermore, the impact analysis is based on measured underlying exposure, e.g. the amount of forecasted currency cash flow or the amount of net debt by currency. The likelihood of the adverse scenario is based on the market volatility of the underlying risk factor. Eventually, the impacts of key risks are quantified in terms of changes in net earnings, cash flows and gearing.

Market risk

Market risk is caused by changes in foreign exchange and interest rates, as well as commodity, energy and security prices. These price changes may have a significant impact on Group's earnings, cash flows and capital structure.

Outokumpu uses derivative contracts to mitigate the above-mentioned impacts of market price changes. Hedge accounting is applied to committed currency denominated electricity purchases (EUR/SEK spot rate risk), and to limited extend sales of stainless steel products and purchases of raw materials (nickel price). The derivatives, for which hedge accounting is not applied, have been entered into for the purpose of reducing impacts of market price changes on earnings and/or cash flows related to business or financing activities. The use of non-hedge-accounted derivatives may cause timing differences between derivative gains/losses and the earnings impact of the underlying exposure.

Stainless steel business is highly cyclical, which in many cases result in significant changes in the underlying exposures to different market risk factors. Consequently applying hedging policies in a consistent way may, from time to time, lead to rather big changes in the amounts of outstanding and reported derivate contracts. Nominal amounts and fair values of derivatives are presented in Note 20. Fair values and nominal amounts of derivative instruments. Sensitivity of financial instruments to market prices is described in the following table.

Sensitivity of financial instruments to market risks

	2013		2012	
€ million	In profit or loss	Other comprehensive income	In profit or loss	Other comprehensive income
+/-10% change in EUR/USD exchange rate	-2/+2	-	+9/-11	+0/-0
+/-10% change in EUR/SEK exchange rate	-4/+5	-20/+24	-6/+8	-22/+27
+/-10% change in USD nickel price	-7/+7	+3/-3	-1/+1	+4/-4
+/-10% change in electricity price	-	+1/0	-	+4/-2
+/-10% change in share prices	+1/-1	+0/-0	+4/-4	+1/-1
+/-1% parallel shift in interest rates	-23/+23	-	-19/+19	-

This sensitivity analyses applies to financial instruments only. Other assets, liabilities and off-balance sheet items such as sales and purchase orders, are not in the scope of these analyses. The calculations are net of tax. During the year the volatility for nickel has been in the range 15–25%. With +/-20% change in USD nickel price, the effect in profit or loss is about EUR-14/+14 million for nickel derivatives.

Foreign exchange rate risk

A major part of the Group's sales is in euros and US dollars. A significant part of expenses arise in euros, US dollars, Swedish kronas, Mexican pesos, Chinese yuans and British pounds. In Europe, Outokumpu's products are priced mainly in euros and therefore costs in Swedish krona and British pounds give rise to a significant foreign exchange risk impacting profitability and cash flows. Following the ramp-up of ferrochrome production, the US dollar price risk relating to forecasted cash flows has increased and is significant.

Outokumpu hedges most of its fair value risk, e.g. risks related to currency denominated accounts receivables, accounts payables, interest-bearing debt, cash and loan receivables. Cash flow risk related to firm commitments is hedged to a large extent, whereas forecasted and probable cash flows can be hedged selectively and with separate decisions only. The Group's fair value currency position is presented on a more detailed level in the table below.

Foreign exchange positions of EUR-based companies

	2013				2012			
€ million	SEK	USD	GBP	Other	SEK	USD	GBP	Other
Trade receivables and payables	8	-49	13	18	6	-258	14	32
Loans and bank accounts [1]	303	1 157	-87	-108	456	976	-38	-96
Derivatives [2]	-43	-1 082	51	100	-141	-852	-20	60
Net position	**268**	**25**	**-23**	**10**	321	-134	-44	-4

Foreign exchange positions of SEK-based companies

	2013				2012			
€ million	SEK	USD	GBP	Other	SEK	USD	GBP	Other
Trade receivables and payables	53	12	-4	5	49	7	-4	12
Loans and bank accounts [1]	13	8	0	1	-15	21	1	2
Derivatives [2]	-119	-21	-3	-11	-127	-37	1	-21
Net position	**-53**	**-2**	**-6**	**-4**	-93	-9	-3	-7

[1] Includes cash, interest-bearing debt and receivables.
[2] Includes derivatives to hedge committed cash flows.

Outokumpu has income translation risk in US dollars and based on the policy this risk is not hedged. The Group has significant currency denominated net investment positions in US dollars, Swedish kronas, British pounds, Chinese yuans and Australian dollars. At the end of the year there were no hedges related to net investment exposure. The effective portion of gains (EUR 15 million, net of tax) on earlier financial year net investment hedges is recognized in other comprehensive income. Currency denominated debt at subsidiary companies and changes in currency prices have an impact on Group's capital structure. This exposure is also monitored centrally.

Interest rate risk

The Group's interest rate risk is monitored as cash flow risk i.e. impact of interest rate changes on net interest expenses, and fair value risk i.e. impact of interest rate changes on fair value of monetary assets and liabilities. In order to manage the balance between risk and cost in an optimal way, a significant part of loans has short-term interest rate as a reference rate. This approach typically helps to reduce average interest rate of debt while it may also provide some mitigation against a risk of adverse changes in business environment, which tends to result to decrease in short-term interest rates.

Cash flow risk related to financial instruments is reduced with interest rate swaps, where Outokumpu pays fixed rate and receives variable rate. In 2013, Outokumpu entered into five fixed rate payer swaps totaling USD 250 million and a EUR 100 million swaption transactions in order to increase the duration of debt.

Euro, US dollar, Swedish krona and Chinese yuan have substantial contribution to the overall interest rate risk. Approximately 84% of the Group's interest-bearing liabilities have an interest period of less than one year and the average interest rate of long-term interest bearing debt on December 31, 2013 was 4.3% (Dec 31, 2012: 4.2%). Interest rate position is presented on a more detailed level in the table below. In addition to exposures related to market level of interest rates, Outokumpu is exposed to market level of credit margins. The volatility of credit margins has been high and combined with the increase in debt this risk is significant. The anticipated financing measures are expected to lead to more stable credit margins.

Currency distribution and re-pricing of outstanding net debt

€ million	Dec 31, 2013				
Currency	Net debt [1]	Derivatives [2]	Average rate, %	Duration, year	Rate sensitivity [3]
EUR	3 244	-1 403	4.6	0.9	12.5
SEK	441	305	3.9	0.7	5.1
USD	-183	1 241	0.5	0.4	6.4
Others	39	-129	13.5	0.2	-0.8
	3 540	**15**			**23.2**

€ million	Dec 31, 2012				
Currency	Net debt [1]	Derivatives [2]	Average rate, %	Duration, year	Rate sensitivity [3]
EUR	2 804	-1 361	4.4	1.1	7.2
SEK	515	510	3.5	1.1	4.6
USD	-135	968	6.2	0.1	7.0
Others	80	-94	9.8	0.0	-0.2
	3 264	22			18.6

[1] Includes cash and cash equivalents, interest-bearing debt and receivables.
[2] Net derivative liabilities include nominal value of interest rate and cross currency swaps, interest rate options and currency forwards earmarked to the interest-bearing net debt. Currency forwards are not included in average rate calculation.
[3] The effect of one percentage point increase in interest rates to financial expenses over the following year.

Commodity and energy price risk

Outokumpu uses a substantial amount of raw materials and energy for which prices are determined in regulated markets, such as London Metal Exchange and NASDAQ OMX Commodities Europe. Timing differences between raw material purchase and pricing of products; changes in inventory levels and values; the capability to pass on changes in raw material and energy prices to end-product prices; and the impact on gross profit caused by the level of alloy metal prices and the extent of purchase discounts (e.g. related to stainless steel scrap purchases) all affect risks and hedging activities.

Nickel price is the most important commodity price risk for Outokumpu. A majority of stainless steel sales contracts include an alloy surcharge clause, with the aim of reducing the risk arising from the time difference between raw material purchase and product delivery. In 2013 Outokumpu introduced the daily alloy surcharge pricing model, which aims to reduce Outokumpu's metal price risk while helping customers to manage their risk. Outokumpu's exposure to nickel price is caused by price fixed purchase orders, nickel-containing material in inventories, price fixed sales orders and forecasted but not yet ordered deliveries for the upcoming few weeks. Following the review of hedging policy this long position in nickel has been reduced with derivatives so that only some part of inventories has been left unhedged. Risk related to purchase discounts and the level of nickel price is not hedged.

Nickel derivatives and LME warehouse warrants have been used to manage impacts of price changes on earnings. Metal prices have a major impact on the Group's working capital and thus cash flow from operations. This risk has not been hedged with derivatives, however strict working capital management helps to reduce the cash flow risk. Outokumpu has managed molybdenum risk with similar type of principles, which have been applied in managing nickel price risk. The financial market for molybdenum is far less liquid compared with nickel, which in many cases has led to decision not to use derivatives in managing this particular risk. The underlying exposure to changes in metal prices varies a lot due to the cyclical nature of stainless steel business.

Outokumpu's main sites in Europe are participating in the EU Emissions Trading Scheme (ETS). Realized and forecasted carbon dioxide emissions and granted emission allowances are monitored centrally. Emission allowance price risk is managed with the aim of securing the cost of compliance for the current trading period and reducing the cost of compliance e.g. by swapping EUAs to Kyoto credits within the limits set in ETS.

The Group has energy intensive production processes using electricity, propane, natural gas and other fuels. The Group hedges both propane and natural gas price risk by locking future purchase prices with derivative contracts. Electricity used by the Nordic production sites is purchased and managed centrally while at other sites electricity is purchased locally. Electricity price risk is reduced with fixed price supply contracts and ownerships in energy producing companies. Electricity consumption of the Group's Nordic production sites was 3.3 TWh (2012: 2.8 TWh).

Security price risk

Outokumpu has investments in equity securities and loan receivables. On December 31, 2013 the biggest investments were in Talvivaara Sotkamo Ltd, Voimaosakeyhtiö SF and OSTP Holding Oy. The captive insurance company Visenta Försäkrings AB has investments in highly rated and liquid fixed income securities, such as bonds issued by governments.

Country and credit risk

All external sales must be covered by approved credit limits or secured payment terms. Most of the outstanding trade receivables have been secured by credit insurances, which typically cover some 90% of an insured amount. Part of the credit risk related to trade receivables is managed with bank guarantees, letters of credit and advance payments.

On December 31, 2013 the maximum exposure to credit risk of trade receivables was EUR 564 million (2012: EUR 853 million). Large part of trade receivables is covered by insurance or by secured payment terms, however there are also unsecured trade receivables based on separate decisions. For part of accounts receivable Outokumpu uses factoring, which transfers substantial part of all risks and rewards to the buyer of the receivables. The Group's trade receivables are generated by a large number of customers. However, there have been a few significant customer credit risk concentrations during the year 2013 and at the end of the year. Age analysis of accounts receivables is in Note 22. Trade and other receivables.

Treasury and Risk Management function monitors credit risk related to receivables from financial institutions. Outokumpu seeks to reduce these risks by limiting the counterparties to banks and other financial institutions with good credit standing. For the derivative transactions, Outokumpu prefers to have ISDA framework agreements in place. Investments related to liquidity management are made in short-term deposits and liquid financial instruments with low credit risk.

Liquidity and refinancing risk

Outokumpu raises most of its interest-bearing debt centrally. The Group seeks to reduce liquidity and refinancing risk by having sufficient amount of cash and credit lines available and by having balanced maturity profile of debt. Efficient cash and liquidity management is also reducing liquidity risk. Finance plans are prepared and reviewed quarterly with a particular focus on the Group's forecasted cash flows, projected funding requirements and planned funding transactions during the forecast period. The amount and adequacy of liquidity reserves, the amounts of scheduled annual repayments of long-term debt as well as forecasted gearing levels are key targets and outcomes of the planning. Low profitability combined with high gearing required significant financing measures to be initiated during the last quarter of 2013. These measures aim to reduce refinancing risk in 2014–2016 and to increase liquidity.

In July 2013, Outokumpu Oyj signed a EUR 900 million revolving credit facility maturing in June 2015. Also a bilateral facility of EUR 100 million maturing in January 2014 became available. In October 2013, Outokumpu Oyj agreed a EUR 50 million pension loan and amended maturity date of a certain bilateral loan to January 2014. In November 2013, Outokumpu signed a sale and lease back transaction related to a sale of local electricity grid at Tornio site. This transaction is reported as a financial lease liability of EUR 63 million. In December 2013, Outokumpu Oyj signed an amendment to the backup facility with ThyssenKrupp, shifting the maturity to January 2014. The EUR 900 million facility includes two financial covenants, one based on gearing and the other on liquidity. Same financial covenants are included in to certain other loans and facilities. There have been no breaches of financial covenants in 2013.

At the end of November Outokumpu announced comprehensive plans to strengthen the Group's balance sheet. The financing measures initiated include refinancing of the EUR 900 million revolving facility, extending maturities of bilateral loans amounting some EUR 600 million and agreeing a new EUR 500 million liquidity facility. The above mentioned financing measures are subject to successful closing of Terni and VDM transaction. The extended maturities are planned for February 2017, which is expected to have significant reduction in refinancing risk during 2014–16. In connection with financing measures Outokumpu Oyj is planning to grant security to the 2015 and 2016 bonds as well as to majority of its bank loans. The security is expected to include pledges on subsidiary shares and certain real estates as well as guarantees granted by several subsidiary companies. In addition, the upcoming fully committed and underwritten rights issue of EUR 650 million will have a positive impact on both capital structure and liquidity. The right issue is subject to EGM approval and successful closing Terni and VDM transaction.

The main funding programs and credit facilities are: a Finnish Commercial Paper Program totaling EUR 800 million, a committed revolving credit facility of EUR 900 million, a committed revolving backup facility of EUR 160 million granted by ThyssenKrupp Nederland Holding B.V., two committed revolving credit facilities of EUR 100 million each, a committed revolving credit facility of EUR 46 million and two committed revolving credit facilities totaling SEK 2 933 million. As at December 31, 2013 Outokumpu had a total amount of some EUR 1.6 billion committed credit facilities. Of these committed credit facilities some EUR 310 million were unutilized in the end of 2013. More information on liquidity and refinancing is presented in the following table.

Contractual cash flows

2013 € million	Balance Dec 31	2014	2015	2016	2017	2018	2019–
Bonds	399	-	250	150	-	-	-
Loans from financial institutions	1 645	493	786	80	204	34	48
Pension loans	223	31	35	37	33	29	59
Finance lease liabilities	266	22	31	11	89	5	108
Loans from related party	1 443	160	-	204	204	204	672
Commercial papers	187	187	-	-	-	-	-
Trade payables	815	815	-	-	-	-	-
Other liabilities	1	1	0	-	-	-	-
Interest payments and facility charges	62	109	85	78	50	45	359
Interest rate derivatives	26	22	5	1	-	-	-
Other derivatives	2	1	2	0	-	-	-
		1 841	**1 194**	**560**	**580**	**318**	**1 247**

On December 31, 2013, the Group had cash and cash equivalent marketable securities amounting to EUR 607 million and committed and available credit facilities, available and undrawn TyEL pension loans in Finland, and other agreed and undrawn loans totaling EUR 399 million. The future interest cash flows include interest payments of ThyssenKrupp loan note some EUR 210 million, which can be deferred. The loan note is planned to be used as a consideration for the planned transaction during the first quarter of 2014. However, at year end the loan note was classified as long term debt and cash flows reported according to remaining contractual maturity.

2012 € million	Balance Dec 31	2013	2014	2015	2016	2017	2018–
Bonds	399	-	-	250	150	-	-
Loans from financial institutions	1 286	362	366	200	75	209	75
Pension loans	210	37	31	35	30	26	51
Finance lease liabilities	218	14	21	30	10	88	55
Loans from related party	1 230	-	-	-	204	204	822
Commercial papers	301	301	-	-	-	-	-
Trade payables	1 210	1 210	-	-	-	-	-
Other liabilities	10	4	0	5	-	-	-
Interest payments and facility charges	21	77	59	62	68	40	421
Interest rate derivatives	39	10	25	4	2	1	-
Other derivatives	-32	-31	-2	-2	0	-	-
		1 983	500	584	540	568	1 423

On December 31, 2012, the Group had cash and cash equivalent marketable securities amounting to EUR 222 million and committed and available credit facilities, available and undrawn TyEL pension loans in Finland, and other agreed and undrawn loans totaling EUR 1 254 million. The future interest cash flows include interest payments of ThyssenKrupp loan note some EUR 260 million, which can be deferred.

Capital management

The objective of the capital management is to secure the ability to continue as a going concern and to optimize the cost of capital in order to enhance value to shareholders. As part of this objective, the Group seeks to maintain access to loan and capital markets at all times despite the cyclical nature of the stainless steel industry. The Board of Directors reviews the capital structure of the Group on a regular basis.

Capital structure and debt capacity are taken into account when deciding on new investments. Practical tools to manage capital include dividend policy, share buybacks and share issues. Debt capital is managed considering the requirement to secure liquidity and the capability to refinance maturing debt. Revolving facilities as well as some other loans include two financial covenants, which relate to gearing and liquidity.

The ThyssenKrupp loan note of EUR 1.28 billion is subordinated to defined priority debt, which as at December 31, 2013 included e.g. bank loans, bonds, pension loans, financial leases and commercial paper of Outokumpu Oyj.

The Group's internal capital structure is reviewed on a regular basis with an aim to optimize it e.g. by applying internal dividends and equity adjustments. Net investment and debt in foreign entities is monitored and Outokumpu has capability to hedge this translation risk.

Outokumpu's captive insurance company, Visenta Försäkrings AB, has to comply with capital adequacy requirements set by authority. During the reporting period Visenta has been well capitalized to meet externally imposed requirements.

The management monitors Group's capital structure on the basis of gearing ratio, which is calculated as net debt divided by total equity. Net debt is calculated as total current and long-term debt less cash and cash equivalents.

The Group's financial target is to maintain the gearing ratio below 75%. Financial objectives include also a return on capital employed of over 13% and always the best among peers. Weighted average cost of capital (WACC) is defined and applied to monitor efficiency of capital use and to provide market driven guidance for managing capital structure, making capital allocation decisions and assessing actions on working capital management.

On December 31, 2013, net interest-bearing debt was EUR 3 556 million (2012: EUR 3 431 million), total equity EUR 1 891 million (2012: EUR 2 953 million) and gearing 188.0% (2012: 116.2%). The increase in gearing during 2013 resulted primarily from negative net earnings. The upcoming fully committed and underwritten rights issue of EUR 650 million will have a positive impact on both capital structure and liquidity. The right issue is subject to EGM approval and successful closing Terni and VDM transaction.

Insurances

The Group's business is capital intensive and key production processes are rather tightly integrated and have interdependencies. Property damage and business interruption is the most important insurance line and substantial part of the insurance premiums relate to these types of risks. Business operations, sales to auto industries in particular, may cause significant liability risk. Outokumpu aims to partly mitigate liability risk by having reasonable insurances in place. Other significant insurance lines include marine cargo and credit.

Visenta Försäkrings AB can act as direct insurer and as reinsurer. The captive insurance company is registered in Sweden and it has assets worth some EUR 21 million. Visenta underwrites e.g. property and business interruption insurance policies.

20. Fair values and nominal amounts of derivative instruments

€ million	2013 Positive fair value	2013 Negative fair value	2013 Net fair value	2012 Net fair value	2013 Nominal amounts	2012 Nominal amounts
Currency and interest rate derivatives						
Currency forwards incl. embedded derivatives	**16**	**17**	**-1**	15	**2 518**	3 099
Interest rate swaps	**1**	**9**	**-9**	-16	**714**	543
Cross-currency swaps	**0**	**15**	**-15**	-19	**67**	69
Currency options, bought	**0**	**-**	**0**	-	**3**	-
Currency options, sold	**-**	**0**	**-0**	-	**3**	-
Interest options, bought	**1**	**-**	**1**	0	**290**	193
Interest options, sold	**-**	**3**	**-3**	-4	**290**	93
					Tonnes	Tonnes
Metal derivatives						
Forward and futures nickel contracts	**3**	**4**	**-2**	17	**21 865**	21 432
Forward and futures molybdenum contracts	**-**	**-**	**-**	-0	**-**	12
Forward and futures copper contracts	**-**	**-**	**-**	0	**-**	600
Forward and futures cobalt contracts	**-**	**-**	**-**	-0	**-**	16
Forward and futures aluminum contracts	**-**	**-**	**-**	0	**-**	50
Emission allowance derivatives	**0**	**1**	**-1**	-1	**725 000**	250 000
Propane derivatives	**2**	**0**	**2**	1	**25 000**	20 000
					MMBtu	MMBtu
Natural gas derivatives	**0**	**0**	**0**	-1	**1 372 182**	2 164 493
Total derivatives	**23**	**50**	**-27**	-8		
Less long-term derivatives						
Currency forwards	**0**	**4**	**-4**	1		
Interest rate swaps	**1**	**9**	**-8**	-16		
Cross currency swaps	**-**	**-**	**-**	-19		
Interest options, bought	**1**	**-**	**1**	0		
Interest options, sold	**-**	**2**	**-2**	-2		
Forward and futures nickel contracts	**0**	**0**	**-0**	0		
Emission allowance derivatives	**-**	**-**	**-**	-0		
Natural gas derivatives	**-**	**-**	**-**	-0		
Short-term derivatives	**21**	**35**	**-14**	30		

Fair values are estimated based on market rates and prices on reporting date, discounted future cash flows and, in respect of options, on evaluation models.

Hedge accounted cash flow hedges

Outokumpu has hedged currency spot price risk related to SEK denominated long-term electricity supply agreement for the Finnish production sites. The currency derivatives, which hedge the currency risk, mature in other periods (years 2014–2015) than the underlying cash flows of electricity purchases. The derivatives will be prolonged later to mature at the same period as the underlying cash flows. The effective portion of hedges is recognized in other comprehensive income net of tax and will be reclassified to profit and loss as adjustment to purchases at the same period as the underlying hedged cash flows affect income. During 2013, effective portion of EUR 4 million gain was recognized in profit or loss as adjustment to purchases (2012: gain of EUR 3 million). The ineffective portion of the hedges, gain of EUR 4 million, (2012: gain of EUR 6 million) is recognized in other operating income and expenses.

	2013			2012		
	Nominal amount, SEK million	Fair value of outstanding cash flow hedges, € million	Other comprehensive income, € million	Nominal amount, SEK million	Fair value of outstanding cash flow hedges, € million	Other comprehensive income, € million
Maturity < 1 year	**390**	**1**	**2**	390	2	3
Maturity 1–5 years	**1 562**	**-4**	**8**	1 562	8	11
Maturity 5–10 years	**390**	**-1**	**2**	781	5	7
	2 343	**-4**	**12**	2 733	15	21

Outokumpu has also some minor cash flow hedges mainly used to hedge future cash flows against commodity price risks arising from fixed price sales. Cash flows from future transactions are currently hedged for a maximum of 36 months. At the end of the reporting period, the fair value of these hedging instruments was EUR 2 million negative. Ineffective portion of these hedges gain EUR 0 million is recognized in other operating income and expenses.

Master netting agreements and similar agreements

Outokumpu enters into derivative transactions with most counterparties under ISDA agreements. In general the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single amount is payable in settlement of all transactions. ISDA agreements do not meet the criteria for offsetting in the statement of financial position. The right to offset is enforceable only on the occurrence future credit events. The following table sets out the carrying amounts of recognized financial instruments that are subject to the agreements described above.

€ million	**2013**	2012 [1]
Derivative assets		
Gross amounts of recognized financial assets in the statements of financial position	**23**	30
Related financial instruments that are not offset	**19**	24
	5	6
Derivative liabilities		
Gross amounts of recognized financial liabilities in the statements of financial position	**50**	57
Related financial instruments that are not offset	**19**	24
	31	33

[1] 2012 figures exclude VDM, which is included in the derivative assets and liabilities in the consolidated statement of financial position.

21. Inventories

€ million	2013	2012 [1)]
Raw materials and consumables	**314**	581
Work in progress	**508**	962
Finished goods and merchandise	**423**	789
Net realizable value reserve	**-29**	-10
Advance payments	**1**	6
	1 216	2 328

[1)] Restated due to completing the Inoxum acquisition accounting (see Note 4. Acquisitions and disposals).

The most important commodity price risk for Outokumpu is caused by fluctuation in nickel and other alloy prices. Majority of stainless steel sales contracts include an alloy surcharge clause, with the aim of reducing the risk arising from the time difference between raw material purchase and product delivery. However, the risk is remarkable, because the delivery cycle in production is longer than the alloy surcharge mechanism expects. Thus, only the price for the products to be sold in near future is known. That is why a significant part of the future prices for the products to be sold is estimated according to management's best knowledge in net realizable value (NRV) calculations. Due to fluctuation in nickel and other alloy prices, the realized prices can deviate significantly from what has been used in NRV calculations on the closing date.

22. Trade and other receivables

€ million	2013	2012
Non-current		
Loans receivable	**6**	164
Other receivables	**5**	8
	11	172
Current		
Trade receivables	**564**	853
VAT receivable	**58**	62
Income tax receivable	**18**	17
Loans receivable	**9**	2
Prepaid insurance expenses	**5**	10
Other accruals	**38**	29
Other receivables [1)]	**122**	117
	813	1 089
Allowance for impairment of trade receivables		
Allowance on Jan 1	**25**	10
Acquired subsidiaries	**-**	12
Additions	**3**	6
Disposed subsidiaries	**-0**	-2
Deductions	**-4**	-1
Recovery of doubtful receivables	**-2**	-0
Reclassification to assets held for sale	**-4**	-0
Allowance on Dec 31	**19**	25
Age analysis of trade receivables		
Neither impaired, nor past due	**481**	721
Past due 1–30 days	**67**	94
Past due 31–60 days	**6**	16
More than 60 days	**10**	22
	564	853

[1)] 2012 Restated due to completing the Inoxum acquisition accounting.

The maximum exposure to credit risk at the reporting date is the carrying amount of the loan and trade receivables. Most of the outstanding trade receivables have been secured by credit insurance policies, which typically covers some 90% of an insured credit loss. Credit risks related to trade receivables are presented in more detail in Note 19. Financial risk management, capital management and insurances.

As at December 31, 2013 Outokumpu has derecognized sales receivables totaling EUR 197 million (2012: EUR 242 million), which represents fair value of the assets. Net proceeds received totaled EUR 182 million (2012: EUR 225 million). Underlying assets have maturity less than one year. The maximum amount of loss related to derecognized assets are estimated to be EUR 5 million (2012: EUR 8 million). This estimation is based on insurance policies and contractual arrangements of factoring companies and Outokumpu. The analysis does not include impact of any operational risk related to Outokumpu's contractual responsibilities.

23. Cash and cash equivalents

€ million	**2013**	2012
Cash at bank and in hand	**592**	215
Short term bank deposits	**16**	7
	607	222
Bank overdrafts [1]	**-0**	-0
	607	222

[1] Presented in current debt in the statement of financial position.

Fair value of cash and cash equivalents does not significantly differ from the carrying value. The average effective interest rate of cash and cash equivalents at the end of 2013 was 0.4% (Dec 31, 2012: 0.7%).

24. Equity

Share capital, premium fund and invested unrestricted equity reserve

€ million	Number of shares, 1 000	Share capital	Premium fund	Invested unrestricted equity reserve	Total
On Jan 1, 2012	181 978	311	714	-	1 025
Shares subscribed with CEO's share incentive plan [1]	25	-	-	-	-
Rights issue in March–April 2012	1 274 020	-	-	972	972
Directed share issue to ThyssenKrupp AG	621 043	-	-	491	491
On Dec 31, 2012	2 077 065	311	714	1 462	2 487
Shares subscribed with Restricted share program [1]	40	-	-	-	-
On Dec 31, 2013	**2 077 105**	**311**	**714**	**1 462**	**2 487**
Treasury shares [1, 2]	976				
Total number of shares on Dec 31, 2013	**2 078 081**				

[1] Shares granted from treasury shares without effect to share capital.
[2] The company has not acquired treasury shares in 2012 nor in 2013.

According to the Articles of Association, the Outokumpu share does not have nominal value.

Premium fund includes proceeds from share subscription and other contribution based on the old Finnish Limited Liability Companies Act for the part the contributions exceed the account equivalent value allocated to share capital.

Invested unrestricted equity reserve includes net proceeds from the rights issue in 2012 and directed share issue to ThyssenKrupp AG in 2012.

Fair value reserves

Fair value reserves include movements in the fair values of available-for-sale financial assets and derivative instruments used for cash flow hedging. The figures are presented net of tax.

€ million	2013	2012
Available-for-sale financial assets reserve	**-1**	1
Hedge reserves	**11**	21
	9	22

Other reserves

Reserve fund includes amounts transferred from the distributable equity under the Articles of Association or by a decision of the General Meeting of Shareholders. Other reserves include other items based on the local regulations of the Group companies.

€ million	2013	2012
Reserve fund	**4**	5
Other reserves	**3**	3
	7	7

Retained earnings

Retained earnings include remeasurements of defined benefit plans, treasury shares, cumulative translation differences and other retained earnings.

Distributable funds

On December 31, 2013 the distributable funds of the parent company totaled EUR 1 504 million of which retained earnings totaled EUR 46 million.

25. Employee benefit obligations

Outokumpu has established several defined benefit and defined contribution plans in various countries. The most significant defined benefit plans are in Germany and in the UK.

Germany

In Germany Outokumpu has several defined benefit plans, of which major plans include a management plan, open pension plans for normal staff, and other pension promises, which are nearly all closed for new entrants. Basis to all pension promises in Germany are bargaining agreements and/or individual contracts (management promises). Management plan and other pension promises are based on annuity payments, whereas plans for normal employees are based on one lump sum payment after retirement.

In addition, all the promises are embedded in Germany in the BetrAVG law. The law contains rules for vested rights, pension protection scheme and regulations for the pension adjustments. In Germany no funding requirements exist, thus the plans are materially all unfunded.

The UK

The UK scheme provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement (or leaving if earlier) and their length of service. Since April 1, 2003 the UK scheme has been closed to new entrants, but is still open to future accrual for members still employed by the company at that date.

The scheme is registered under UK legislation and is contracted out of the State Second Pension. The scheme is subject to the scheme funding requirements outlined in UK legislation.

The scheme was established from October 1, 2001 under trust and is governed under the scheme's current Trust Deed and Rules dated April 5, 2006. The trustees are responsible for the operation and governance of the scheme, including making decisions regarding the scheme's funding and investment strategy. By law, one third of the trustees must be member nominated. In 2013 there were four employer nominated and four member nominated trustees.

Risks associated with defined benefit plans

Through its defined benefit pension plans, Outokumpu is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: The level of equity returns is a key factor in the overall investment return. If a plan holds significant proportion of equities, which are expected to outperform corporate bonds in the long-term, it might face higher volatility and risk in the short-term. The investment portfolio might also be subject to a range of other risks typical of the assets held, in particular credit risk on bonds and exposure to the property market.

Change in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings (if any). In a situation where the return on plan assets is lower than the corporate bond yields, a plan may face a shortfall which might lead to increased contributions.

Inflation risk: Inflation rate is linked to both future pension and salary increase, and higher inflation will lead to higher liabilities.

Longevity: The majority of Outokumpu's defined benefit obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Funding

Funding requirements are generally based on pension fund's actuarial measurement framework set out in the funding policies.

In the UK, a preliminary funding evaluation was made during November 2013. The valuation revealed a deficit of EUR 30 million. The valuation is finalized during Q1 2014 and based on the results Outokumpu will negotiate of the recovery plan to eliminate the possible shortfall.

Defined benefit obligations

Outokumpu adopted the revised IAS 19 standard in 2013. As the so-called corridor method had already been waived in 2012, the effect of the adoption of the revised standard was limited to the recognition of previously unrecognized past service costs, aligning discount rate and expected return on plan assets, and presentation of net interest expense. Comparative figures for 2012 have been restated accordingly.

Defined benefit cost recognized in the consolidated statements of income and comprehensive income

€ million	2013	2012
In operating result	**-11**	-5
In financial income and expenses	**-10**	-2
Defined benefit cost recognized in the consolidated statement of income	**-21**	-7
In other comprehensive income	**15**	-44
Total defined benefit cost recognized	**-6**	-51

Amounts recognized in the consolidated statement of financial position

€ million	2013	2012
Present value of funded defined benefit obligations	**420**	424
Present value of unfunded defined benefit obligations	**265**	354
Fair value of plan assets	**-411**	-406
Net defined benefit liability	**275**	372
Defined benefit liability	**275**	372
Other long-term employee benefit liabilities	**42**	61
Defined benefit assets	**0**	-
Net liability	**317**	434

Movement in net defined benefit liability

	2013			2012		
€ million	Present value of obligation	Fair value of plan assets	Net defined benefit liability	Present value of obligation	Fair value of plan assets	Net defined benefit liability
Jan 1	777	-406	372	427	-379	48
Current service cost	14	-	14	5	-	5
Interest expense/(income)	28	-16	12	20	-19	1
Remeasurements arising from						
Return on plan assets	-	-6	-6	-	-9	-9
Demographic assumptions	-0	-	-0	1	-	1
Financial assumptions	-6	-	-6	49	-	49
Experience adjustment	-2	-	-2	4	-	4
Exchange differences	-10	8	-2	6	-7	-1
Employer contributions	-	-18	-18	-	-8	-8
Contributions by plan participants	1	-1	-	1	-1	-
Benefits paid	-27	27	-	-19	19	-
Acquired subsidiaries	-	-	-	308	-3	305
Disposed subsidiaries	-8	-	-8	-	-	-
Reclassification to assets and liabilities held for sale	-81	0	-81	-22	-	-22
Other change	-0	0	-0	-1	1	-0
Dec 31	**685**	**-411**	**275**	777	-406	372

The present value of obligations and the fair value of plan assets comprise mainly of German and UK plans. The present value of obligation for German plans on December 31, 2013 was EUR 230 million (2012: EUR 308 million). For the UK, the present value of obligation was EUR 364 million (2012: EUR 359 million), and the fair value of plan assets was EUR 361 million (2012: EUR 355 million) on December 31, 2013.

The expected contributions to be paid to the defined benefit plans in 2014 are EUR 15 million.

Allocation of plan assets

€ million	2013	2012
Equity instruments	**101**	119
Debt instruments	**256**	229
Real estate	**10**	12
Investment funds	**3**	3
Other assets	**38**	40
	408	402

Allocation of plan assets covers 99% of total defined benefit plan assets. The plan assets are mainly invested in quoted instruments. Debt instruments include mostly government and corporate bonds (investment grade).

Asset-liability matching strategies

The majority of defined benefit assets are in the UK. The UK scheme's benchmark asset allocation is 35%/65% return-seeking/liability matching. This strategy reflects the scheme's liability profile and the trustees' and company's attitude to risk. The trustee monitors the investment objectives and asset allocation policy on a regular basis.

Significant actuarial assumptions

		Germany	The UK	Other countries
Discount rate, %	**2013**	**3.50**	**4.50**	**4.34**
	2012	3.40	4.25	3.74
Future salary increase, %	**2013**	**-**	**4.75**	**2.68**
	2012	-	4.15	2.76
Inflation rate, %	**2013**	**-**	**3.50**	**-**
	2012	-	2.90	-
Future benefit increase, %	**2013**	**1.52**	**3.20**	**-**
	2012	1.22	2.80	-
Medical cost trend rate, %	**2013**	**-**	**-**	**6.80–7.10**
	2012	-	-	6.50
Life expectancy	**2013**	**Modified from RT 2005 G**	**105 % SAPS All Pensioner Amounts tables**	**Standard mortality tables**
	2012	Modified from RT 2005 G	105 % SAPS All Pensioner Amounts tables	Standard mortality tables

The significant actuarial assumptions are presented separately for the significant countries, and for other countries a weighted average of the assumptions is presented.

The weighted average duration of the overall defined benefit obligation is 17.6 years. In Germany and in the UK the weighted average durations are 13.5 and 21.6 years, respectively.

Sensitivity analysis of significant actuarial assumptions

Reasonably possible changes at the reporting date to one of the weighted principal assumptions, while holding all other assumptions constant, would have affected the defined benefit obligation as shown below:

Germany

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 6%	Increase by 7%
Future benefit increase	0.5%	Increase by 4%	Decrease by 4%
Life expectancy	1 year	Increase by 2%	

The UK

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 10%	Increase by 11%
Inflation rate	0.5%	Increase by 7%	Decrease by 7%
Future benefit increase	0.5%	Increase by 3%	Decrease by 4%
Future salary increase	0.5%	Increase by 1%	Decrease by 1%
Life expectancy	1 year	Increase by 3%	

Other countries

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 6%	Increase by 6%
Medical cost trend rate	0.5%	Increase by 6%	Decrease by 5%
Future salary increase	0.5%	Increase by 1%	Decrease by 1%
Life expectancy	1 year	Increase by 3%	

Other long-term employee benefits

Other long-term employee benefits mainly relate to long-service remunerations and early retirement provisions in Germany as well as long-service remunerations in Finland. In Germany, the employees are entitled to receive a one-time indemnity every ten years after 25 years of service. Under the early retirement agreements, employees work additional time prior to retirement, which is subsequently paid for in instalments after retirement. In Finland, the employees are entitled to receive a one time indemnity every five years after 20 years of service.

The other long-term employee benefit liabilities recognized in the consolidated statement of financial position on December 31, 2013 were EUR 42 million (2012: EUR 61 million).

Multi-employer defined benefit plans

ITP pension plans operated by Alecta in Sweden and plans operated by Stichting Bedrijfspensioenfonds voor de metaalindustrie in the Netherlands are multi-employer defined benefit pension plans. However, it has not been possible to get sufficient information for the calculation of obligations and assets by employer from the plan operators, and therefore these plans have been accounted for as defined contribution plans in the consolidated financial statements.

The expected contributions to the ITP pension plans in Sweden are EUR 3 million in 2014. The contributions to the ITP pension plans vary depending on e.g. unemployment rates and demographics. The average cost for 2014 is determined as 11.78% of total salary in total for white collar employees in all companies in Sweden.

26. Provisions

€ million	Restructuring provisions	Environmental provisions	Other provisions	Total
Provisions on Jan 1, 2013 [1)]	91	49	17	156
Translation differences	-0	-0	-0	-1
Increases in provisions	49	6	6	61
Utilized during the financial year	-53	-1	-4	-58
Unused amounts reversed	-6	-0	-1	-7
Reclassification to held-for-sale	-7	-1	-2	-10
Disposed subsidiaries	-2	-	0	-2
Provisions on Dec 31, 2013	**72**	**53**	**16**	**141**

€ million	**2013**	2012
Non-current provisions	**115**	119
Current provisions [1)]	**25**	37
	141	156

[1)] Restated due to completing the Inoxum acquisition accounting (see Note 4. Acquisitions and disposals).

Restructuring provisions

As part of its intention to significantly reduce operating expenses and return the company to profitability, Outokumpu announced plans to result in job reductions in April 2013. The reductions relate to capacity reductions particularly to the previously announced closure of Krefeld melt shop in Germany, as well as streamlining overlapping activities in sales, production, supply chain and support functions. As a result, addition of EUR 49 million to restructuring provisions were recognized in 2013. In addition, the restructuring provisions include provisions recognized in previous years for reductions related to relocation of Düsseldorf-Benrath production facility. The restructuring provisions are expected to be paid between the years 2014–2021.

Environmental provisions

Majority of the environmental provisions are for closing costs of production facilities and landfill areas, removal of problem waste and landscaping in facilities in Finland, in the UK, in the US and in Germany. Most of the EUR 6 million increase in 2013 relate to expected increase in costs provided for landfill areas and cleaning measures.

The outflow of economic benefits related to environmental provisions is expected to take place mainly over a period of more than 10 years. Due to the nature of these provisions, there are uncertainties regarding both the amount and the timing of the outflow of economic benefits.

Other provisions

Other provisions comprise mainly provisions for claims and are mainly current nature.

Provisions are based on management's best estimates at the end of the reporting period.

27. Interest-bearing debt

€ million	2013	2012
Non-current		
Bonds	**399**	399
Loans from financial institutions	**1 152**	924
Pension loans	**192**	173
Finance lease liabilities	**244**	204
Loans from related parties	**1 283**	1 230
Other long-term liabilities	**0**	6
	3 270	2 935
Current		
Loans from financial institutions	**493**	362
Pension loans	**31**	37
Finance lease liabilities	**22**	14
Commercial paper	**187**	301
Loans from related parties	**160**	-
Other current liabilities	**1**	4
	893	718

Part of the term loans and credit facilities include financial covenants, which are described in Note 19. Financial risk management, capital management and insurances.

Bonds

€ million	Interest rate, %	Notional amount	2013	2012
2010 fixed rate bond maturing 2015	5.125	250	**250**	250
2012 fixed rate bond maturing 2016	5.875	150	**150**	150
			400	400

Finance lease liabilities

Minimum lease payments

€ million	2013	2012
Not later than 1 year	**36**	20
Between 1 and 5 years	**187**	67
Later than 5 years	**313**	315
Future finance charges	**-271**	-185
Present value of minimum lease payments	**266**	218

Present value of minimum lease payments

€ million	2013	2012
Not later than 1 year	**21**	14
Between 1 and 5 years	**136**	46
Later than 5 years	**108**	158
Present value of minimum lease payments	**266**	218

Finance lease liabilities include lease payments on a building, which has been subleased with a finance lease agreement. Finance lease receivable relating to this agreement is EUR 6 million (2012: EUR 6 million).

28. Trade and other payables

€ million	2013	2012
Non-current		
Accruals	**48**	5
Current		
Trade payables [1]	**815**	1 214
Accrued employee-related expenses	**98**	111
Accrued interest expenses	**62**	21
VAT payable	**47**	24
Advances received	**7**	18
Withholding tax and social security liabilities	**9**	11
Other accruals	**41**	58
Other payables	**57**	85
	1 136	1 543

[1] Figure for 2012 Restated due to completing the Inoxum acquisition accounting (see Note 4. Acquisitions and disposals).

29. Commitments and contingent liabilities

€ million	**2013**	2012
Mortgages and pledges on Dec 31		
Mortgages on real estate	284	320
Other pledges	8	9
Guarantees on Dec 31		
On behalf of subsidiaries		
For commercial and other guarantees	34	27
On behalf of associated companies		
For financing	7	0
Other commitments	28	32

The Group has pledged real estate mortgages created in the Tornio production plant for a value of EUR 250 million as security for its pension loans and other commitments.

Outokumpu Oyj is, in relation to its shareholding in Kymppivoima Tuotanto Oy and Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Rapid Power Oy. The net debt of Rapid Power Oy at the end of 2013 amounted to approximately EUR 65 million (2012: EUR 75 million), out of which Outokumpu is liable for one third. Outokumpu Oyj is, in relation to its shareholding in Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. The net debt of Tornion Voima Oy at the end of 2013 amounted to approximately EUR 34 million (2012: EUR 36 million), out of which Outokumpu is liable for under one fifth. These liabilities are reported under other commitments above.

Certain guarantees issued by ThyssenKrupp on behalf of Inoxum companies have not yet been transferred to Outokumpu Oyj as of December 31, 2013. However, Outokumpu Oyj has given ThyssenKrupp a counter-guarantee for these commitments. The outstanding amount of guarantees to be transferred totals EUR 72 million as of December 31, 2013, including guarantees for commercial and financing. Part of the above mentioned guarantees has already been replaced by Outokumpu Oyj and Outokumpu aims to replace the remaining guarantees in the near future.

Present value of minimum lease payments on operating leases

€ million	**2013**	2012
Not later than 1 year	**10**	18
Between 1 and 5 years	**32**	38
Later than 5 years	**40**	47
	82	103

Operating leases include lease agreements on Group companies' premises.

Group's off-balance sheet investment commitments totaled EUR 47 million on December 31, 2013 (Dec 31, 2012: EUR 163 million).

Outokumpu has through Voimaosakeyhtiö SF approximately 15 % ownership in nuclear power company Fennovoima Oy. Outokumpu is liable for Fennovoima's operating costs in proportion to its share of ownership.

30. Disputes and litigations

Civil Actions Regarding Outokumpu's Divested Fabricated Copper Products Business

European Commission cartel investigation in the sanitary copper tube sector

In September 2004, the European Commission imposed a fine on Outokumpu in relation to cartel investigations in the sanitary copper tube sector. The European Commission concluded that a number of companies, including Boliden AB ("Boliden"), IMI Plc, IMI Kynoch Ltd (together with IMI Plc, "IMI"), KME Group, Wieland Werke, Outokumpu and Outokumpu Copper Products (now Luvata), were involved in price fixing and market sharing in the sanitary copper tube sector in Europe between June 1988 and March 2001.

In October 2012, a damages contribution claim was brought in the courts of England and Wales against Outokumpu by Boliden and IMI after Boliden and IMI were served claims on financial loss related to the European Commission's 2004 conclusion regarding price fixing and market sharing in the sanitary copper tube sector in Europe by the members of Travis Perkins PLC. Outokumpu believes that the claim is without merit and plans to defend itself in any related proceedings. No provisions have been booked in connection with these claims.

European Commission cartel investigation in the industrial copper tube sector

In connection with the industrial copper tubes EU-cartel investigation, completed in May 2009, Outokumpu has since 2006, been in the process of addressing following civil complaints related to the cartel investigations raised in the United States against Outokumpu and its former fabricated copper products business in the United States.

A civil complaint in the United States, which was filed by Carrier Corporation ("Carrier") in 2006 against Outokumpu Oyj and Outokumpu Copper Franklin, Inc. in the United States District Court for the Western District of Tennessee, alleged that Outokumpu Oyj and Outokumpu Copper Franklin, Inc. participated in a global price fixing and market allocation cartel with respect to copper tubing for air conditioning and heat exchangers and related applications (ACR Tube) between at least 1989 and 2001. The complaint sought an undisclosed amount of damages. In July 2007, Carrier's complaint was dismissed. Carrier subsequently filed an appeal and, in March 2012, the United States Court of Appeals for the Sixth Circuit reversed the decision dismissing the complaint and remanded the case to the United States District Court for the Western District of Tennessee for further proceedings. In 2010, a civil action was brought in the courts of England and Wales against Outokumpu (and two other defendant groups) by the same claimant group as that brought the actions in the United States. The claimants alleged that they suffered losses across Europe because of the cartel and are seeking damages from the three main defendant groups, either jointly or jointly and severally. In April 2013, Outokumpu and Carrier signed a settlement agreement that covers all damage suits against Outokumpu by Carrier in the US and UK. The total settlement amount, including cost reimbursement, was EUR 11 million. The settlement covers also all former Outokumpu subsidiaries included in the claims. According to the settlement agreement, all damage suits by Carrier against Outokumpu are now released. The settlement amount has been booked as a non-recurring item in the second quarter 2013 EBIT.

Customs Investigation of Exports to Russia by Tornio Works

In March 2007, Finnish Customs authorities initiated a criminal investigation into Outokumpu's Tornio Works' export practices to Russia. It was suspected that a forwarding agency based in Southeastern Finland had prepared defective and/or forged invoices regarding the export of stainless steel to Russia. The preliminary investigation focused on possible complicity by Outokumpu's Tornio Works in the preparation of defective and/or forged invoices by the forwarding agent. In June 2009, the Finnish Customs completed its preliminary investigation and forwarded the matter to the prosecution authorities for consideration of possible charges. In November 2010, the public prosecutor concluded that the Finnish Customs authorities' suspicions regarding possible accounting offences and forgery were groundless. Despite the public prosecutor's conclusion, in March 2011, charges were filed against Outokumpu and five of its employees for alleged money laundering in connection with the Russian export practices by Tornio Works between 2004 and 2006. On behalf of the Finnish State, the prosecutor also presented a claim for forfeiture of the funds subject to money laundering. In June 2011, all claims were dismissed and the Finnish State was ordered to pay Outokumpu EUR 1.2 million in compensation for legal costs. In August 2011, the Finnish State prosecutor appealed the District Court judgment with respect to Outokumpu and three of the charged employees and the order to compensate Outokumpu for its legal costs. The appeal proceedings commenced in the Kouvola Court of Appeal in February 2012 and in April 2012, the Court issued a verdict dismissing all charges brought by the prosecutor. In June 2012, Finland's state prosecutor filed a petition for leave to appeal to the Finnish Supreme Court.

Dispute over invention rights, Outotec vs. Outokumpu

In January 2013, Outokumpu and Outotec entered into a legal dispute over invention rights related to a ferrochrome production method. In August 2013 Outotec submitted another application for summons at the District Court of Helsinki regarding another patent relating to the invention. The production method is developed by Outokumpu and it has filed the patent applications related to this invention. Outotec claims it has rights to the inventions. Outokumpu finds these allegations to be completely without merit.

Lawsuits Regarding a Fire in AST's Turin Production Facility

In December 2007, a fire in line 5 at AST's production facility in Turin, Italy caused the death of seven AST employees. In May 2008, the public prosecutor of Turin brought charges against AST and six of its employees (three officers and three senior employees). AST was charged with negligent manslaughter and negligent causation of personal injury caused by the violation of workplace safety regulations. AST's CEO was charged with willful manslaughter, willful arson and malicious removal or omission of safety measures at the workplace. The remaining five AST employees were charged with negligent manslaughter, negligent arson and malicious removal or omission of safety measures at the workplace. Oral hearings took place between January 2009 and April 2011, when the court announced its verdict. All of the individual defendants were found guilty and given prison sentences ranging from 10 years and 10 months to 16 years and 6 months. The court also sentenced AST to a EUR 1 million fine; seizure of EUR 0.8 million worth of AST property (the amount of the investment in the Turin production facility that allegedly would have been necessary to prevent the fire); exclusion from public benefits, financings, subsidies and aids for six months; a ban on advertising its products or services for six months; and publication of the verdict in several nationwide newspapers and the Terni city hall. In addition, the defendants were found jointly and severally liable in criminal proceedings for compensation payments amounting to approximately EUR 5.8 million to 52 plaintiffs (namely, several institutions, former employees of the Turin production facility and relatives of the victims of the fire). The court ordered that line 5, which was seized as evidence immediately after the fire, remain seized until the verdict becomes final. All defendants and AST filed an appeal against that judgment. In February 2013 the Turin Court of Assizes amended the first degree judgment by reducing the criminal sentences for all defendants to a range between 7 and 10 years of imprisonment. Further, the Court of Assizes released Line 5. The court submitted its written reasoning in May 2013. All defendants and AST have filed an appeal to the Corte di Cassazione in Rome. First hearings are expected to take place in April 2014.

With regard to civil claims, AST has entered into a settlement agreement with 50 of the 52 plaintiffs who were awarded compensation by the court in the criminal proceedings (the "Criminal Settlement Agreement"). Under the terms of the Criminal Settlement Agreement, the 50 plaintiffs waived any and all claims in connection with the incident and agreed not to pursue any further claims during the appeal. Pursuant to the Criminal Settlement Agreement, AST paid the 50 plaintiffs a settlement amount of EUR 7.4 million (including interests and legal expenses) in January 2012. Also in January 2012, Inoxum paid the remaining two plaintiffs their portion of the court-ordered settlement, which amounted to EUR 0.2 million. In 2008, prior to the commencement of the court proceedings, Inoxum reached a settlement agreement with the families of the deceased employees (the "Pre-trial Settlement Agreement"). Pursuant to the Pre-trial Settlement Agreement, Inoxum paid approximately EUR 13 million (including fees) to the families of the deceased employees. The settlement, which was paid in 2008, was fully covered by insurance and it is expected that insurance will also cover the settlements paid in January 2012. In the course of 2012 and 2013 several former employees are relatives of employees of the Turin production facility filed separate civil claims for reimbursement of damages totaling to approximately EUR 5–10 million plus revaluation, interests and expenses. All of these proceedings are on-going.

Cartel Fine Imposed by the European Commission

In March 2011, the European Court of Justice upheld a EUR 3.2 million cartel fine imposed on ThyssenKrupp Stainless AG, a legal predecessor of Nirosta, in a decision of the European Commission from December 2006 (the "2006 Decision"). The 2006 Decision is based on a 1998 European Commission finding (the "1998 Finding") that between 1993 and 1998, certain stainless steel producers, including Inoxum and certain of its legal predecessors, had violated Article 65(1) of the European Coal and Steel Community Treaty by participating in a price-fixing arrangement with other stainless steel producers.

The alleged price-fixing arrangement consisted of modifying and applying in a concerted fashion the reference values used to calculate the alloy surcharge to the base price of stainless steel. The 1998 Finding was appealed and subsequently annulled on procedural grounds with respect to Inoxum's liability for one of its legal predecessors. Subsequent to this annulment, the European Commission opened new proceedings, which resulted in the 2006 Decision. Inoxum's appeals of the 2006 Decision were unsuccessful. In April 2011, Inoxum filed a complaint (Verfassungsbeschwerde) with the German Constitutional Court (Bundesverfassungsgericht) requesting that the Court declare the 2006 Decision incompatible with certain fundamental rights under the German Constitution (Grundgesetz). As at the end of the reporting period, the German Constitutional Court has not decided whether it will to accept the constitutional complaint. With accrued interest, Inoxum would be liable to pay over EUR 4.9 million if its action with the German Constitutional Court is unsuccessful and the fine imposed by the 2006 Decision is enforced.

Lawsuit Claiming Injuries from Exposure to Asbestos

VDM is one of many defendants in a lawsuit filed in the courts of the State of New York, United States, in which the plaintiff claims injuries from exposure to aerospace asbestos-containing products allegedly made from VDM steel, to which the plaintiff has allegedly been exposed beginning at age 14 while performing brake repair work on autos, while in the Navy working around boilers, during the 1960s and 1970s performing other work including working with "pennies" used as shock absorber with pile-driver hammers. The plaintiff claims the pennies contained asbestos and that, while there is no claim that the pile-driver hammers contained asbestos, some of the pile-driver hammers were manufactured by "Krupp." The plaintiff did not allege that VDM made the pennies. ThyssenKrupp USA has already been dismissed from the case. VDM is working to get the claims against it dismissed as it is believed that the action is without merit.

U.S. Antidumping Order on Stainless Steel Strip and Sheet from Mexico, Germany and Italy

In July 1999, the U.S. Department of Commerce (the "USDOC") issued antidumping duty orders on imports of stainless steel strip and sheet from Mexico, Germany and Italy, among other countries. U.S. antidumping and countervailing duty laws permit an imposition of special additional duties on imports that are determined to be sold at less than fair value or to be subsidized by foreign government actions. Mexinox USA, AST and Nirosta have been Inoxum's importers of record for stainless steel strip and sheet imported into the United States since the antidumping duty order was issued. Therefore, Mexinox USA, AST and Nirosta were responsible for making cash deposits of estimated antidumping duties and would be liable for finally assessed antidumping duties. The USDOC assesses duties at annual reviews covering twelve-month periods. Mexinox USA has been finally assessed approximately USD 27 million in duties during the first five periods and will be automatically assessed amounts for two other periods. Mexinox USA has potential antidumping duty liability of approximately USD 36 million for the remaining five periods. The Government of Mexico brought actions before the World Trade Organization ("WTO") Dispute Settlement Body with regard to these determinations. Mexico received a favorable decision and compliance proceedings are ongoing; however, WTO disputes normally are prospective in nature and do not result in refunds of finally-assessed duties. The antidumping duty orders on stainless steel strip and sheet from Mexico, Germany and Italy were revoked effective July 2011 due to a negative determination by the USITC. Accordingly, any antidumping deposits made on entries after this date should be refunded with interest and no further antidumping duties should be assessed on imports of stainless steel strip and sheet from Mexico, Germany and Italy after that date, subject to the appeal proceedings regarding imports from Mexico discussed below. The U.S. petitioners in the antidumping case appealed the USITC's determination to the U.S. Court of International Trade in New York with regard to the revocation of the antidumping duty order on imports from Mexico. In November 2012, the court dismissed the appeal by the plaintiffs. A complaint by the plaintiffs against that court order was rejected by the U.S. Court of Appeals in January, 2014. The revocation of the duty orders on stainless steel imports have therefore become legally binding as the plaintiffs have no further means of challenging the decision by the USITC.

Rejection of Exemption from Renewable Energy Charges for German Outokumpu Plants

In July 2013 Nirosta and VDM received rejections from the competent authority Bundesamt für Wirtschaft und Ausfuhrkontrolle ("BAFA") with respect to their applications for an exemption from the German Renewable Energy Charge. Under German law, there is a surcharge which is added to the general electricity price for every consumer of electric energy and which is used to subsidize renewable energy producers. That surcharge has been increasing in the last years and has reached an all-time high of 5.277 cent/KWh in 2013. However, the German Renewable Energy Act foresees that certain energy-intensive companies may apply for a reduction of that surcharge to 0.05 cent/KWh. Nirosta as well as VDM have benefited from that exemption in the last years.

In 2013 the competent authority challenged the applications of Nirosta and VDM for legal reasons. In the past years Nirosta and VDM have both applied an exemption for certain aggregates in order to meet the requirements set forth by the Renewable Energy Act. This act stipulates that electricity intensive companies in the producing sector can benefit from the exemption if their electricity consumption is higher than at least 1 gigawatts and the ratio of electricity costs to gross value added exceeds at least 14%. The act also foresees that this application can also be undertaken by so-called independent economic units (selbstständiger Unternehmensteil) in case the whole legal entity does not fulfil the requirements mentioned above. Therefore Nirosta applied that exemption for its melt shops in Krefeld and Bochum and VDM applied for its units in Werdohl and Unna. As said above, in the past year the competent authority always recognized the melt shops in Krefeld and Unna as well as VDM's operations in Werdohl and Unna as independent economic units. This year the competent authority denied that acknowledgement as independent economic units – inter alia – with the argument that these units do not have external turnovers and/or all relevant functions (e.g. sales, purchasing) that are needed to be fully independent and can therefore not be treated as real independent economic units.

The economic risks for Nirosta for 2013 have been approximately EUR 20 million and for VDM approximately EUR 5–6 million. Nirosta and VDM both filed complaints against the decision of the BAFA. After that, Nirosta and VDM have been able to reach an agreement with BAFA by which the exemption for 2013 was still granted. The complaint has therefore been become redundant.

In December 2013 the EU Commission initiated a state-aid procedure against Germany in connection with the Renewable Energy Charge system and the exemptions for energy intensive industries. While Nirosta and OTK will still receive such benefits in 2014, it cannot be excluded that such benefits are endangered by that state aid procedure for 2015. Certain legal disputes and litigations related to the Terni remedy assets, certain service centers as well as the VDM business will move over to ThyssenKrupp once the asset sale transaction with ThyssenKrupp is completed.

31. Related party transactions

Outokumpu's related party includes key management of the company, ThyssenKrupp AG, and associated companies and joint ventures. The transactions with related parties are presented in the tables below. Key management includes Leadership Team members and members of the Board of Directors. The principal associated companies and joint ventures are listed in Note 13. Investments in associated companies and joint ventures. Subsidiaries are presented in Note 32. Subsidiaries on December 31, 2013.

Outokumpu is an associated company to ThyssenKrupp AG and Solidium Oy. ThyssenKrupp's ownership in Outokumpu was 29.9% and Solidium's 21.8% on December 31, 2013.

Transactions and balances with ThyssenKrupp AG

€ million	**2013**	2012
Sales	**376**	-
Purchases	**-175**	-
Interest expenses	**-62**	-1
Trade and other receivables	**23**	31
Other financial assets	**1**	9
Trade and other payables	**22**	41
Loan note to ThyssenKrupp	**1 283**	1 230
Other interest-bearing debt	**214**	54
Other financial liabilities	**3**	8

Certain guarantees issued by ThyssenKrupp on behalf of Inoxum companies have not yet been transferred to Outokumpu Oyj as of December 31, 2013. However, Outokumpu Oyj has given ThyssenKrupp a counter-guarantee for these commitments. The outstanding amount of guarantees to be transferred totals EUR 72 million as of December 31, 2013, including guarantees for commercial and financing. Part of the above mentioned guarantees has already been replaced by Outokumpu Oyj and Outokumpu aims to replace the remaining guarantees in near future.

On November 30, 2013 Outokumpu announced to have signed a binding agreement with ThyssenKrupp to sell the Terni remedy assets, the VDM business and certain service centers to ThyssenKrupp. Outokumpu's loan note to ThyssenKrupp will be used as a consideration for the transaction (Dec 31, 2013: loan note was EUR 1,283 million). The transaction is subject to approval by the European Commission as well as other relevant regulatory approvals. The transaction will also constitute final settlement of all remedy related obligations between Outokumpu and ThyssenKrupp. Closing of the transaction is expected for the first quarter 2014.

Transactions and balances with associated companies and joint ventures

€ million	**2013**	2012
Sales	**161**	0
Purchases	**-6**	-3
Interest income	**0**	-
Trade and other receivables	**44**	8
Trade and other payables	**1**	0

Other related party items

On December 31, 2012 the related party transactions included also a purchase price receivable of EUR 2 million. The receivable relates to the sale of 36% of the Outokumpu Stainless Tubular Products (OSTP) business on September 30, 2011 to Tubinoxia, a company controlled by the managing director of OSTP. The receivable was paid in January 2013.

Employee benefits for key management

€ thousand	2013	2012
Short-term employee benefits	**4 469**	2 706
Termination benefits	**1 860**	-
Post-employment benefits [1]	**654**	434
Share-based payments	**190**	129
	7 172	3 269

[1] Includes only supplementary pensions.

Employee benefits for CEO and Deputy CEO

€ thousand	Salaries and other short-term benefits	Bonuses	Post-employment benefits	Share-based payments	Total
2013					
CEO	755	123	338	57	1 273
Deputy to the CEO [2]	640	74	192	18	924
2012 [3]					
CEO [4]	754	90	251	129	1 224
Deputy to the CEO	300	71	188	-	559

[2] Reinhard Florey as of November 1, 2013; Esa Lager until October 31, 2013
[3] Post-employment benefits have been added to the information reported on 2012 financial statements.
[4] 2012 salaries and other short-term benefits include the compensation of EUR 142 thousand for taxes and social security contributions related to the Inoxum transaction incentive scheme.

Outokumpu CEO's retirement age is 63 and the targeted pension is 60% of the annual salary at the age of 63. The cost for the CEO's post-employment benefits include both the statutory pension expenses based on the Finnish Employees Pensions Act and the expenses for a defined contribution pension plan arranged by Outokumpu. The current deputy to the CEO resides in Germany and is entitled to the pension benefits in accordance with the German Essener Verband.

Employee benefits for Board of Directors

€ thousand	2013	2012
Chairman Jorma Ollila, as of March 18, 2013	**151**	-
Chairman Ole Johansson, until March 18, 2013	**4**	93
Vice Chairman Olli Vaartimo	**94**	59
Member Markus Akermann, as of March 18, 2013	**79**	-
Member Harri Kerminen, as of March 14, 2012	**73**	44
Member Heikki Malinen, as of March 14, 2012	**73**	45
Member Elisabeth Nilsson	**84**	58
Member Siv Schalin	**73**	49
Member Guido Kerkhoff, December 29, 2012–November 30, 2013	**74**	-
Member Iman Hill, until March 18, 2013	**6**	49
Member Evert Henkes, until March 14, 2012	**-**	8
Member Anna Nilsson-Ehle, until March 14, 2012	**-**	10
Member Jussi Pesonen, until March 14, 2012	**-**	4
	711	418

There were no outstanding loans receivable from key management on December 31, 2013 (Dec 31, 2012: EUR - million). More information on key management's employee benefits can be found on the page Remuneration.

32. Subsidiaries on December 31, 2013

		Country	Group holding, %
Stainless EMEA			
Outokumpu A/S		Denmark	100
Outokumpu Benelux B.V.		The Netherlands	100
Outokumpu B.V.		The Netherlands	100
Outokumpu Chrome Oy		Finland	100
Outokumpu Distribution Hungary Kft.	2)	Hungary	100
Outokumpu Distribution Benelux B.V.	2)	The Netherlands	100
Outokumpu Distribution France S.A.S.	2)	France	100
Outokumpu Distribution International GmbH	2)	Germany	100
Outokumpu Distribution Polska Sp. z o.o.	2)	Poland	100
Outokumpu Distribution UK Ltd.	2)	The UK	100
Outokumpu EMEA GmbH	2)	Germany	100
Outokumpu EMEA Oy	*) 2)	Finland	100
Outokumpu Tornio Infrastructure Oy	1)	Finland	100
Outokumpu Istanbul Dis Ticaret Limited Sirketi	*)	Turkey	100
Outokumpu Kft.		Hungary	100
Outokumpu, Lda.	*)	Portugal	100
Outokumpu Nirosta Precision GmbH	2)	Germany	100
Outokumpu N.V.		Belgium	100
Outokumpu PSC Finland Oy	2)	Finland	100
Outokumpu Rossija Oy	*)	Finland	100
Outokumpu S.A.		Spain	100
Outokumpu Shipping Oy		Finland	100
Outokumpu Sp. z o.o.		Poland	100
Outokumpu S.r.l.		Romania	100
Outokumpu s.r.o.		Czech Republic	100
Outokumpu Stainless B.V.		The Netherlands	100
Outokumpu Stainless Holding GmbH		Germany	100
Outokumpu Stainless Oy		Finland	100
Sogepar Ireland Limited		Ireland	100
Sogepar UK Limited		The UK	100
Stainless Americas			
Mexinox USA Inc.		The US	100
Outokumpu Brasil Comercio de Metais Ltda.		Brazil	100
Outokumpu Fortinox S.A.	2)	Argentina	80
Outokumpu Mexinox Distribution S.A. de C.V.	2)	Mexico	100
Outokumpu Mexinox S.A. de C.V.	2)	Mexico	100
Outokumpu Participations Mexico S.A. de C.V.	2)	Mexico	100
Outokumpu Stainless USA, LLC	2)	The US	100
ThyssenKrupp Mexinox CreateIT, S.A. de C.V.		Mexico	100

			Country	Group holding, %
Stainless APAC				
Outokumpu Asia Pacific Ltd			China	100
Outokumpu India Private Limited			India	100
Outokumpu K.K.			Japan	100
Outokumpu Management (Shanghai) Co., Ltd.	*)	1)	China	100
Outokumpu Pty Ltd			Australia	100
Outokumpu (S.E.A.) Pte. Ltd.			Singapore	100
Outokumpu Stainless (GZ) Trading Co. Ltd.	2)		China	100
Outokumpu Stainless International (Guangzhou) Ltd.	2)		China	100
Outokumpu Stainless Steel (China) Co. Ltd.			China	100
Outokumpu Stainless Trading (Shanghai) Co Ltd			China	100
Shanghai Krupp Stainless Co., Ltd.			China	60
Specialty Stainless				
Avesta Klippcenter AB			Sweden	100
Outokumpu AS			Norway	100
Outokumpu Ges.m.b.H			Austria	100
Outokumpu Industriunderhåll AB			Sweden	51
Outokumpu Middle East FZCO			UAE	100
Outokumpu Nordic AB			Sweden	100
Outokumpu Prefab AB			Sweden	100
Outokumpu Press Plate AB			Sweden	100
Outokumpu PSC Benelux B.V.			The Netherlands	100
Outokumpu PSC Germany GmbH			Germany	100
Outokumpu (Pty) Ltd			South Africa	100
Outokumpu S.p.A.			Italy	100
Outokumpu Stainless AB			Sweden	100
Outokumpu Stainless Bar, Inc.			The US	100
Outokumpu Stainless Coil, Inc.			The US	100
Outokumpu Stainless Ltd			The UK	100
Outokumpu Stainless Pipe, Inc.			The US	100
Outokumpu Stainless Plate, Inc.			The US	100
Polarit Welding, Inc.			The US	100
ZAO Outokumpu			Russia	100

		Country	Group holding, %
Other operations			
2843617 Canada Inc.		Canada	100
AvestaPolarit Pension Trustees Ltd		The UK	100
Granefors Bruk AB	*)	Sweden	100
Orijärvi Oy	*)	Finland	100
Outokumpu Americas, Inc.	2)	The US	100
Outokumpu Copper Fabrication AB	*)	Sweden	100
Outokumpu Holding Germany GmbH	*) 1), 2)	Germany	100
Outokumpu Holding Italia S.p.A.	2)	Italy	100
Outokumpu Holding Nederland B.V.	2)	The Netherlands	100
Outokumpu Holding UK Limited		The UK	100
Outokumpu Metals Off-Take Oy	*)	Finland	100
Outokumpu Mines Inc.	*)	Canada	100
Outokumpu Mining Australia Pty. Ltd.		Australia	100
Outokumpu Mining Oy		Finland	100
Outokumpu Nirosta GmbH	2)	Germany	100
Outokumpu Stainless Holdings Ltd		The UK	100
Outokumpu Treasury Belgium N.V./SA	*)	Belgium	100
Outokumpu Zinc B.V.	*)	The Netherlands	100
Viscaria AB	*)	Sweden	100
Visent Invest AB		Sweden	100
Visenta Försäkrings AB		Sweden	100
Discontinued operations			
Acciai Speciali Terni S.p.A.	2)	Italy	100
Aspasiel S.r.l.		Italy	100
Outokumpu Celik Servis Merkezi A.S.	2)	Turkey	100
Outokumpu Distribution Iberica, S.A.	2)	Spain	100
Outokumpu Gebouwen B.V.		The Netherlands	100
Outokumpu GmbH		Germany	100
Outokumpu S.A.S.		France	100
Outokumpu VDM Australia Pty. Ltd.	2)	Australia	100
Outokumpu VDM Austria GmbH	2)	Austria	100
Outokumpu VDM Benelux B.V.	2)	The Netherlands	100
Outokumpu VDM Canada Ltd.	2)	Canada	100
Outokumpu VDM de Mexico S.A. de C.V.	2)	Mexico	100
Outokumpu VDM France S.A.S.	2)	France	100
Outokumpu VDM GmbH	2)	Germany	100
Outokumpu VDM (Guangzhou) Trading Co. Ltd.	2)	China	100
Outokumpu VDM High Performance Metals Trading Co. Ltd.	2)	China	100
Outokumpu VDM Italia S.r.l.	2)	Italy	100
Outokumpu VDM Japan K.K.	2)	Japan	100
Outokumpu VDM Korea Co. Ltd.	2)	South Korea	100
Outokumpu VDM Schweiz AG	2)	Switzerland	100
Outokumpu VDM UK Limited	2)	The UK	100
Outokumpu VDM USA, Inc.	2)	The US	100
Società delle Fucine S.r.l.		Italy	100
Terninox S.p.A.		Italy	100
Tubificio di Terni S.p.A.		Italy	97
Foreign branches			
Outokumpu Asia Pacific Ltd., branch office in Republic of Korea			
Outokumpu Asia Pacific Ltd., agencies in China and Taiwan			
Outokumpu (S.E.A.) Pte. Ltd., agency in Thailand			

This list does not include all dormant companies or all holding companies.

The Group holding corresponds to the Group's share of voting rights.

[1] Established company
[2] Name changed
*) Shares and stock held by the parent company

33. Events after the end of the reporting period

EU Commission approves the Terni and VDM transaction

On February 12, the European Commission approved the sale of the Terni, VDM business and certain service centers to ThyssenKrupp. Most of the other regulatory approvals have also been obtained.

Update on financing plan

On January 27, 2014 Outokumpu told that it is proceeding with the comprehensive measures to strengthen the company's balance sheet as announced on November 30, 2013. The company has received commitments to, and signed a mandate letter for, a new EUR 900 million revolving credit facility maturing in February 2017. This facility will replace the facility for the same amount signed on July 12, 2013 and maturing in June 2015. Outokumpu has also made progress in extending and amending its bilateral loan portfolio of about EUR 600 million. Outokumpu has obtained the required consent from most lenders to extend the loan maturities until February 2017, and expects to complete this process in February 2014. Outokumpu and ThyssenKrupp have also agreed to amend and extend the outstanding credit facility in the amount of EUR 250 million granted by ThyssenKrupp. This facility will be settled at the closing of the sale of the Terni and VDM units to ThyssenKrupp to end all financing agreements between the two companies.

Outokumpu has also decided to grant a security package to secure its debt financing. As security, Outokumpu plans to pledge certain of its subsidiary shares for example in Finland, Sweden and the USA as well as certain other assets. The security package ensures financing on competitive prices and its benefits clearly surpass its costs, which are only marginal.

Since the granting of the proposed security package required the consent of the holders of the Outokumpu's notes maturing in 2015 and 2016 Outokumpu launched a consent solicitation process for the notes. In the noteholders' meetings held on February 7, 2014 in Helsinki the holders of the 2015 and 2016 notes resolved to approve the proposals relating to the granting of security and certain amendments of the terms and conditions of the respective notes and to certain authorization and waivers related to the subordination deed. Accordingly and except for certain limited circumstances, the consents and waivers became effective immediately after being sanctioned and the amendments to terms and conditions of the both notes will enter into force upon the completion of certain refinancing measures.

EGM called for February 14, 2014

On January 23, 2013 Outokumpu convened an Extraordinary General Meeting for February 14, 2014 in Espoo, Finland The Board of Directors proposed that the Extraordinary General Meeting authorizes the Board of Directors to undertake a share issue for consideration in which shareholders have the right to subscribe for new shares in proportion to their existing holdings of the shares of the company. The Board of Directors has the right to decide upon the offering to parties determined by the Board of Directors of any shares that may remain unsubscribed for pursuant to the shareholders' pre-emptive subscription right. The authorization is for a maximum of 65 billion new shares. The Board of Directors is authorized to determine the other terms and conditions of the share issue.

Strategic review of operations in Nyby, Kloster and Dahlerbrück concluded

In June 2013, Outokumpu announced a strategic review of its thin and precision strip operations in Kloster and Nyby, Sweden and in Dahlerbrück, Germany with the aim of reducing capacities and achieving cost savings through increased efficiencies. As a result of the review, the company plans to discontinue its operations in Kloster, Sweden. Outokumpu will continue the operations in Nyby, Sweden and in Dahlerbrück, Germany as before.

Proved ore reserves of the Kemi mine significantly larger after new drillings

As announced in January 2014, Outokumpu has updated its estimates on the proved ore reserves and mineral resources of the Kemi mine in Finland. The proved ore reserves have significantly increased compared to earlier estimates, and are now altogether 50.1 million tonnes instead of the earlier estimated some 33 million tonnes.

Key financial figures of the Group

		2013	2012 [1), 2)]	2011	2010	2009
Scope of activity						
Sales	€ million	**6 745**	4 538	5 009	4 229	2 641
- change in sales	%	**48.6**	-9.4	18.4	60.1	-52.3
- exports from and sales outside Finland, of total sales	%	**96.9**	95.7	95.7	94.3	94.6
Capital employed on Dec 31	€ million	**4 265**	5 623	3 770	4 176	3 642
Operating capital on Dec 31	€ million	**4 266**	5 626	3 730	4 222	3 701
Capital expenditure, continuing operations	€ million	**183**	3 155	255	161	248
- in relation to sales	%	**2.7**	69.5	5.1	3.8	9.4
Depreciation and amortization	€ million	**332**	230	235	235	214
Impairments	€ million	**13**	105	106	20	15
Research and development costs	€ million	**26**	19	21	22	19
- in relation to sales	%	**0.4**	0.4	0.4	0.5	0.7
Personnel on 31 Dec [3)]		**12 561**	16 649	8 253	8 431	7 754
- average for the year [4)]		**13 150**	7 853	8 651	8 475	8 091
Profitability						
Operating result	€ million	**-510**	-385	-251	-83	-441
- in relation to sales	%	**-7.6**	-8.5	-5.0	-2.0	-16.7
EBITDA	€ million	**-165**	-50	89	172	-212
Share of results of associated companies and joint ventures	€ million	**-2**	-0	-5	-10	-13
Result before taxes	€ million	**-822**	-524	-244	-143	-479
- in relation to sales	%	**-12.2**	-11.5	-4.9	-3.4	-18.1
Net result for the financial year	€ million	**-1 003**	-536	-180	-124	-336
- in relation to sales	%	**-14.9**	-11.8	-3.6	-2.9	-12.7
Return on equity	%	**-41.4**	-21.4	-8.2	-5.2	-12.8
Return on capital employed	%	**-10.3**	-8.2	-6.3	-2.1	-11.7
Return on operating capital	%	**-10.3**	-8.2	-6.3	-2.1	-11.4

Financing and financial position

		2013	2012 1), 2)	2011	2010	2009
Liabilities	€ million	**5 884**	5 949	3 177	3 271	2 400
Net interest-bearing debt 5)	€ million	**3 556**	3 431	1 991	2 269	1 538
- in relation to sales 5)	%	**52.7**	75.6	39.7	53.6	58.2
Net financial expenses	€ million	**310**	138	-11	50	25
- in relation to sales	%	**4.6**	3.1	-0.2	1.2	0.9
Net interest expenses	€ million	**197**	66	65	38	22
- in relation to sales	%	**2.9**	1.5	1.3	0.9	0.8
Interest cover		**-3.2**	-6.9	-2.8	-2.8	-21.2
Share capital	€ million	**311**	311	311	311	309
Other equity	€ million	**1 580**	2 641	1 739	2 026	2 144
Equity-to-assets ratio	%	**21.5**	30.5	39.3	41.7	50.6
Debt-to-equity ratio 5)	%	**188.0**	116.2	97.1	97.0	62.7
Net cash generated from operating activities 6)	€ million	**34**	266	338	-497	201
Dividends	€ million	**-** 7)	-	-	45	64

1) Figures for 2012 have been restated due to completing the Inoxum acquisition accounting.
2) Figures for 2012 have been restated due to adoption of revised *IAS 19 Employee Benefits* standard. Years 2011–2009 have not been restated accordingly.
3) Personnel reported as headcount. Year 2009 reported as full-time equivalent. Year 2013 reported for continuing operations.
4) Year 2012 average personnel does not include Inoxum personnel as it was on December 31, 2012. Year 2013 reported for continuing operations.
5) Definition for net interest-bearing debt has been changed. Years 2012–2009 have been adjusted accordingly.
6) Cash flow for 2013 presented for continuing operations.
7) The Board of Directors' proposal to the Annual General Meeting.

Share-related key figures

		2013	2012	2011	2010	2009
Earnings per share [1), 2)]	€	**-0.48**	-0.46	-0.62	-0.68	-1.86
Earnings per share, continuing operations	€	**-0.40**	-	-	-	-
Cash flow per share [1)]	€	**0.02**	0.23	1.20	-2.74	1.11
Equity per share [2), 3)]	€	**0.91**	1.41	11.19	12.84	13.54
Dividend per share	€	**-** [4)]	-	-	0.25	0.35
Dividend payout ratio	%	**neg.**	neg.	neg.	neg.	neg.
Dividend yield	%	**0.0**	0.0	0.0	1.8	2.6
Price/earnings ratio		**neg.**	neg.	neg.	neg.	neg.
Development of share price [5)]						
Average trading price	€	**0.53**	0.97	2.25	13.84	11.49
Lowest trading price	€	**0.35**	0.64	1.21	12.03	7.72
Highest trading price	€	**0.85**	2.10	3.78	17.88	15.67
Trading price at the end of the period	€	**0.41**	0.79	1.33	13.88	13.26
Change during the period [6)]	%	**-48.8**	-40.3	-63.4	4.7	60.1
Change in the OMXH index during the period	%	**26.5**	8.3	-30.1	18.7	19.5
Market capitalization at the end of the period	€ million	**845**	1 650	930	2 540	2 413
Development in trading volume						
Trading volume [7)]	1 000 shares	**1 564 532**	1 297 738	337 942	331 397	355 102
In relation to weighted average number of shares [1)]	%	**75.3**	112.5	120.5	182.3	196.4
Adjusted average number of shares [8), 9)]		**2 077 080 035**	1 156 005 029	280 526 501	181 751 107	180 825 569
Number of shares at the end of the period [8), 10)]		**2 078 081 348**	2 077 065 460	181 977 861	181 937 361	180 969 654

1) 2012 and 2011 calculated based on the rights-issue-adjusted weighted average number of shares. 2010–2009 have not been restated.
2) Figures for 2012 have been restated due to adoption of revised *IAS 19 Employee Benefits* standard. Years 2011–2009 have not been restated accordingly.
3) 2012 includes shares and equity effect of the March–April, 2012 rights issue and the directed share issue to ThyssenKrupp AG in connection with the Inoxum acquisition in December.
4) The Board of Directors' proposal to the Annual General Meeting.
5) 2011 share prices adjusted according to the effect of the rights issue. 2010–2009 have not been adjusted.
6) 2011 calculated based on the unadjusted comparable share prices. 2012 calculated based on the adjusted comparable share prices.
7) Includes only NASDAQ OMX Helsinki trading.
8) Excluding treasury shares.
9) 2011 presented as rights-issue-adjusted weighted average. The actual number of shares was 181 970 316. 2010–2009 have not been adjusted.
10) Rights-issue-adjusted number of shares at the end of the period for 2011 is 280 538 133 and 2010 is 280 475 698. Figure for 2009 are not available.

Definitions of key financial figures

Capital employed	=	Total equity + net interest-bearing debt + net 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
Research and development costs	=	Research and development expenses in the income statement (including expenses covered by grants received)
Underlying operational result	=	Operating result excluding raw material-related inventory gains/losses and non-recurring items
EBITDA	=	Operating result before depreciation, amortization and impairments
Return on equity	=	$\frac{\text{Net result for the financial year}}{\text{Total equity (average for the period)}} \times 100$
Return on capital employed (ROCE)	=	$\frac{\text{Operating result}}{\text{Capital employed (average for the period)}} \times 100$
Return on operating capital (ROOC)	=	$\frac{\text{Operating result}}{\text{Operating capital (average for the period)}} \times 100$
Net interest-bearing debt	=	Long-term debt + current debt – cash and cash equivalents
Interest cover	=	$\frac{\text{Result before taxes + net interest expenses}}{\text{Net interest expenses}}$
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$
Debt-to-equity ratio	=	$\frac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$
Earnings per share	=	$\frac{\text{Net result for the financial year attributable to the equity holders}}{\text{Adjusted average number of shares during the period}}$
Cash flow per share	=	$\frac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$
Equity per share	=	$\frac{\text{Equity attributable to the equity holders}}{\text{Adjusted number of shares at the end of the period}}$
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Adjusted number of shares at the end of the period}}$
Dividend payout ratio	=	$\frac{\text{Dividend for the financial year}}{\text{Net result for the financial year attributable to the equity holders}} \times 100$
Dividend yield	=	$\frac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}} \times 100$
Price/earnings ratio (P/E)	=	Adjusted trading price at the end of the period Earnings per share
Average trading price	=	EUR amount traded during the period Adjusted number of shares traded during the period
Market capitalization at end of the period	=	Number of shares at the end of the period × Trading price at the end of the period
Trading volume	=	Number of shares traded during the period, and in relation to the weighted average number of shares during the period

Parent company financial statements, FAS

Income statement of the parent company

€ million	2013	2012
Sales	**460**	300
Cost of sales	**-423**	-230
Gross margin	**38**	69
Other operating income	**-3**	12
Selling and marketing expenses	**-36**	-45
Administrative expenses	**-101**	-75
Research and development expenses	**-0**	-4
Other operating expenses	**-343**	-39
Operating result	**-446**	-83
Financial income and expenses	**-108**	-61
Result before extraordinary items	**-554**	-144
Result before appropriations and taxes	**-554**	-144
Appropriations		
Change in depreciation difference	**-0**	-0
Income taxes	**-0**	-0
Result for the financial year	**-554**	-144

The parent company's financial statements have been prepared in accordance with Finnish accounting standards (FAS).
The parent company's complete financial statements (available only in Finnish) can be read on the company's internet pages www.outokumpu.com.

Balance sheet of the parent company

€ million	**2013**	2012
ASSETS		
Non-current assets		
Intangible assets	**26**	33
Property, plant and equipment	**14**	15
Financial assets		
Shares in Group companies	**2 724**	2 973
Loan receivables from Group companies	**1 419**	888
Shares in associated companies	**18**	18
Other shares and holdings	**19**	19
Other financial assets	**8**	159
	4 189	4 057
Total non-current assets	**4 228**	4 105
Current assets		
Current receivables		
Interest-bearing	**2 602**	2 852
Non interest-bearing	**144**	127
	2 746	2 979
Cash and cash equivalents	**473**	81
Total current assets	**3 219**	3 060
TOTAL ASSETS	**7 447**	7 165

€ million	2013	2012
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**311**	311
Premium fund	**720**	720
Invested unrestricted equity reserve	**1 459**	1 459
Retained earnings	**600**	744
Result for the financial year	**-554**	-144
	2 536	3 090
Untaxed reserves		
Accumulated depreciation difference	**1**	1
Liabilities		
Non-current liabilities		
Interest-bearing	**2 979**	2 678
Non interest-bearing	**-**	-
	2 979	2 678
Current liabilities		
Interest-bearing	**1 576**	1 266
Non interest-bearing	**355**	130
	1 932	1 396
Total liabilities	**4 910**	4 074
TOTAL EQUITY AND LIABILITIES	**7 447**	7 165

Cash flow statement of the parent company

€ million	2013	2012
Cash flow from operating activities		
Result for the financial year	**-554**	-144
Adjustments for		
Taxes	**0**	0
Depreciation and amortization	**9**	12
Impairments	**333**	59
Gain/loss on sale of intangible assets, property, plant and equipment	**0**	0
Interest income	**-130**	-60
Dividend income	**-13**	-11
Interest expense	**185**	73
Change in provisions	**0**	4
Losses from disposal of financial assets	**49**	-
Exchange gains and losses	**-7**	-12
Rights issue expenses	**2**	35
Other adjustments	**0**	-0
	429	102
Change in working capital		
Change in trade and other receivables	**77**	28
Change in trade and other payables	**69**	14
	145	43
Dividends received	**13**	11
Interest received	**91**	37
Interest paid	**-91**	-70
Income taxes paid	**-0**	-0
	14	-23
Net cash from operating activities	**34**	-22
Cash flow from investing activities		
Acquisition of subsidiaries and other shares and holdings [1)]	**-2**	-53
Purchases of property, plant and equipment	**-0**	-1
Purchases of intangible assets	**-5**	-5
Proceeds from disposal of subsidiaries and other disposals	**-**	212
Capital recovery from subsidiaries	**0**	-
Proceeds from disposal of other shares and holdings	**0**	2
Proceeds from sale of property, plant and equipment	**3**	-
Proceeds from sale of intangible assets	**-**	3
Change in other long-term receivables	**-442**	-170
Net cash from investing activities	**-446**	-12
Cash flow before financing activities	**-412**	-34
Cash flow from financing activities		
Rights issue	**-**	1 006
Rights issue expenses	**-2**	-35
Borrowings of long-term debt	**1 107**	611
Repayments of long-term debt	**-716**	-378
Change in current debt	**164**	-145
Cash flow from group contributions	**-**	30
Other financing cash flow	**251**	-1 029
Net cash from financing activities	**804**	60
Net change in cash and cash equivalents	**392**	26
Net change in cash and cash equivalents in the balance sheet	**392**	26

[1)] Cash flow from investing activities includes the cash flow related to the acquisition of Inoxum subsidiary shares.

Statement of changes in equity of the parent company

€ million	Share capital	Premium fund	Invested unrestricted equity reserve	Retained earnings	Total equity
Equity on Jan 1, 2012	**311**	**720**	**-**	**744**	**1 775**
Result for the financial year [1]	-	-	-	-144	-144
Rights issues [2]	-	-	1 459	-	1 459
Equity on Dec 31, 2012	**311**	**720**	**1 459**	**600**	**3 090**
Result for the financial year	-	-	-	-554	-554
Equity on Dec 31, 2013	**311**	**720**	**1 459**	**46**	**2 536**

Distributable funds on Dec 31

€ million	**2013**	2012
Retained earnings [1]	**600**	744
Result for the financial year	**-554**	-144
Invested unrestricted equity reserve	**1 459**	1 459
Distributable funds on Dec 31	**1 504**	2 059

[1] Including amendment, amount of -3.5 EUR million, to the accounting principles related to the Employee Benefits.
[2] Shares issued in the Outokumpu rights issue in March–April 2012 and in the directed share issue to ThyssenKrupp AG in connection with the Inoxum acquisition.

Commitments and contingent liabilities at the parent company

€ million	**2013**	2012
Mortgages and pledges on Dec 31		
Mortgages on real estate	**-**	-
Other pledges	**-**	-
Guarantees on Dec 31		
On behalf of subsidiaries		
For financing	**525**	264
For commercial and other guarantees	**35**	26
On behalf of associated companies		
For financing	**7**	-
Other commitments	**28**	32

Outokumpu Oyj is, in relation to its shareholding in Kymppivoima Tuotanto Oy and Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Rapid Power Oy. The net debt of Rapid Power Oy at the end of 2013 amounted to approximately EUR 65 million (2012: EUR 75 million), out of which Outokumpu is liable for one third. Outokumpu Oyj is, in relation to its shareholding in Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. The net debt of Tornion Voima Oy at the end of 2013 amounted to approximately EUR 34 million (2012: EUR 36 million), out of which Outokumpu is liable for under one fifth. These liabilities are reported under other commitments above.

Certain guarantees issued by ThyssenKrupp on behalf of Inoxum companies have not yet been transferred to Outokumpu Oyj as of December 31, 2013. However, Outokumpu Oyj has given ThyssenKrupp a counter-guarantee for these commitments. The outstanding amount of guarantees to be transferred totals EUR 72 million as of December 31, 2013, including guarantees for commercial and financing. Part of the above mentioned guarantees has already been replaced by Outokumpu Oyj and Outokumpu aims to replace the remaining guarantees in the near future.

Outokumpu Oyj will guarantee between February 2014–January 2017 certain subsidiaries' ability to satisfy their financial liabilities when due.

Corporate Governance in 2013

Regulatory framework

Outokumpu Oyj, the Group's parent company, is a public limited liability company incorporated and domiciled in Finland. In its corporate governance and management, Outokumpu Oyj complies with Finnish legislation, the company's Articles of Association and the Corporate Governance Policy resolved and approved by the company's Board of Directors.

Outokumpu Oyj follows the Finnish Corporate Governance Code (available at http://cgfinland.fi/en/), effective as of October 1, 2010 issued by the Securities Market Association and adopted by the NASDAQ OMX Helsinki stock exchange. Outokumpu Oyj complies with all regulations and recommendations issued by NASDAQ OMX Helsinki.

Tasks and responsibilities of governing bodies

The governing bodies of the parent company Outokumpu Oyj, i.e. the General Meeting of Shareholders, the Board of Directors and the President and Chief Executive Officer (CEO), have the ultimate responsibility for Group management and Group operations. The Outokumpu Leadership Team reports to the CEO and is responsible for the efficient management of the Group's operations.

Outokumpu's primary corporate governance information source is the Group's corporate governance website at www.outokumpu.com/en/investors/Governance/. Please visit the website for the latest Corporate Governance Statement and the latest corporate governance information.

Outokumpu's organizational structure

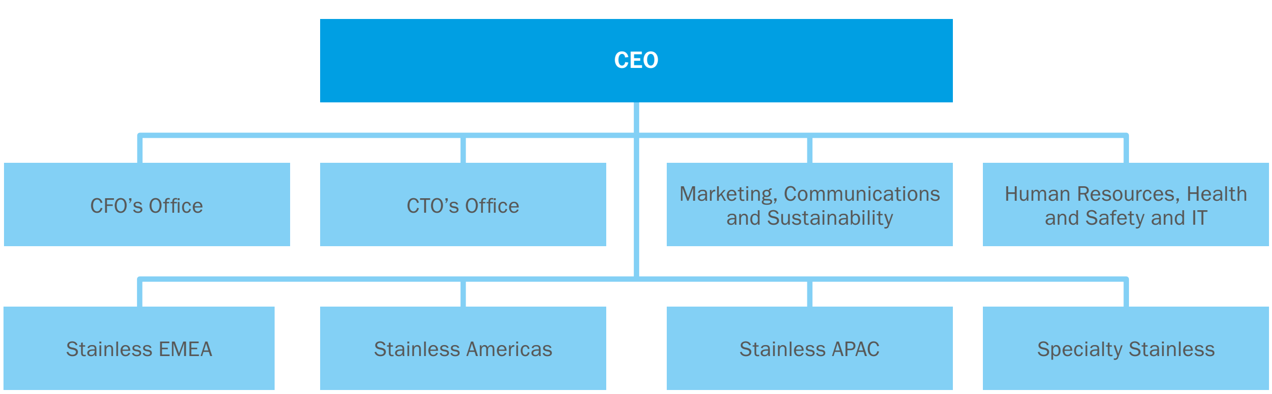
In 2013, the Outokumpu organization consisted of four business areas. Business area names were changed in February 2014 and are Stainless EMEA, Stainless Americas, Stainless APAC and Specialty Stainless. All business areas are supported by Group-level functions and with each business area fully accountable for sales, profit, production and supply chain management.

General Meeting of Shareholders

The General Meeting of Shareholders usually convenes once a year. Under the Finnish Companies Act, certain important decisions such as the approval of financial statements, decisions on dividends and increases or reductions in share capital, amendments to the Articles of Association, and election of the Board of Directors and auditors fall within the exclusive domain of the General Meeting of Shareholders.

The Board of Directors convenes a General Meeting of Shareholders. The Board of Directors can decide to convene a General Meeting on its own initiative, but is obliged to convene a General Meeting if the auditor or shareholders holding at least 10% of Outokumpu's shares so request. In addition, each shareholder has the right to bring before a General Meeting any matter that falls within the domain of the General Meeting, provided that a written request to do so has been received by the Board of Directors early enough to allow the matter to be placed on the agenda included in the notice announcing the General Meeting. According to its Articles of Association, Outokumpu has only one single class of shares and all shares have equal voting rights at General Meetings.

Organization



Organization as of November 2013. Business area names were changed in February 2014.

Board of Directors

The general objective of the Board of Directors is to direct Outokumpu's business in a manner that secures a significant and sustained increase in the value of the company for its shareholders.

Board members offer their expertise and experience for the benefit of the company. The tasks and responsibilities of the company's Board of Directors are determined on the basis of the Finnish Companies Act as well as other applicable legislation. The Board of Directors has general authority to decide and act in all matters not reserved for other corporate governance bodies by law or under the provisions of the company's Articles of Association. The general task of the Board of Directors is to organize the company's management and operations. In all situations, the Board of Directors must act in accordance with the company's best interests.

The Board of Directors has established rules of procedure which define its tasks and operating principles. The main duties of the Board of Directors are as follows:

With respect to directing the company's business and strategies:
- To decide on Outokumpu's basic strategy and monitor its implementation.
- To decide on annual limits for the Group's capital expenditure, monitor related implementation, review quarterly plans and decide on changes.
- To decide on major and strategically important investments.
- To decide on major and strategically important business acquisitions and divestments.
- To decide on any significant financing arrangements.
- To decide on any other commitments by any Group companies that are out of the ordinary in terms of either their value or nature, taking into account the size, structure and field of the Group's operations.

With respect to organizing the company's management and operations:
- To nominate and dismiss the CEO and his deputy, and to decide on their terms of service, including incentive schemes, on the basis of a proposal made by the Board's Remuneration Committee.
- To nominate and dismiss members of the Outokumpu Leadership Team, to define their areas of responsibility, and to decide on their terms of service, including incentive schemes, on the basis of a proposal made by the Board's Remuneration Committee.
- To monitor the adequacy and allocation of the Group's top management resources.
- To decide on any significant changes to the Group's business organization.
- To define the Group's ethical values and working methods.
- To ensure that policies outlining the principles of corporate governance are in place.
- To ensure that policies outlining the principles behind managing the company's insider issues are being observed.
- To ensure that the company has guidelines for any other matters which the Board deems necessary and which fall within the scope of the Board's duties and authority.

With respect to the preparation of matters to be resolved by General Meetings of Shareholders:
- To establish a dividend policy and issue a proposal on dividend distribution.
- To make other proposals to General Meetings of Shareholders.

With respect to financial control and risk management:
- To discuss and approve interim reports and annual accounts.
- To monitor significant risks related to the Group's operations and the management of such risks.
- To ensure that adequate procedures concerning risk management are in place.

The Board of Directors also assesses its own activities on a regular basis.

The Board of Directors shall have a quorum when more than half of its members are present. A decision by the Board of Directors shall be the opinion supported by more than half of the members present at a meeting. In the event of a tie, the Chairman shall have the casting vote.

The Annual General Meeting elects the Chairman, the Vice Chairman and the other members of the Board of Directors for a term expiring at the close of the following Annual General Meeting. The entire Board of Directors is therefore elected at each Annual General Meeting. A Board member may be removed from office at any time by a resolution passed by a General Meeting of Shareholders. Proposals to the Annual General Meeting concerning the election of Board members which have been made known to the Board of Directors prior to the Annual General Meeting will be made public if such a proposal is supported by shareholders holding a minimum of 10% of all the company's shares and voting rights and the person being proposed has consented to such nomination.

Under the company's Articles of Association, the Board shall have a minimum of five and a maximum of twelve members. A Board consisting of eight members was elected at the 2013 Annual General Meeting. Following the transaction between Outokumpu and ThyssenKrupp AG announced on November 30, 2013, Mr. Kerkhoff tendered his resignation from the Board of Directors, effective immediately. The Board of Directors meets at least five times each year. In 2013, the Board of Directors met 15 times and the average attendance rate was 93%.

See the Members of the Board of Directors on p. 14.

Shares and options of the members of the Board of Directors on December 31, 2013

Member	Shares
Jorma Ollila	96 969
Olli Vaartimo	92 167
Markus Akermann	41 558
Harri Kerminen	54 999
Heikki Malinen	54 999
Siv Schalin	65 239
Elisabeth Nilsson	65 239
	471 170

Board committees

The Board of Directors has set up two permanent committees consisting of Board members and has confirmed rules of procedure for these committees. Both committees report to the Board of Directors.

The Audit Committee comprises four Board members. The task of the Audit Committee is to deal with matters relating to financial statements, auditing work, internal controls, the scope of internal and external audits, fees paid to auditors, the Group's tax position, the Group's financial policies and other procedures for managing Group risks. In addition, the Audit Committee prepares a recommendation for the Annual General Meeting concerning the election of an external auditor and auditing fees. The Audit Committee met seven times during 2013 and the average attendance rate was 100%.

The Remuneration Committee comprises the Chairman of the Board and three other Board members. Following the resignation of Guido Kerkhoff from the Board of Directors, the Remuneration Committee comprises the Chairman of the Board and two other Board members. The task of the Remuneration Committee is to prepare proposals for the Board of Directors concerning the appointment of the company's top management and principles relating to the compensation they receive. The Board of Directors has authorized the Remuneration Committee to determine the terms of service and benefits enjoyed by the Outokumpu Leadership Team members other than the company's CEO. The Remuneration Committee met six times during 2013 and the average attendance rate was 91%.

To handle specific tasks, the Board of Directors can also set up temporary working groups consisting of Board members. These working groups report to the Board of Directors. A temporary working group, the Board Finance Working Group, was set up during 2013 and the working group comprises the Chairman and Vice Chairman of the Board and one other Board member. The main task of the working group is to oversee and review in greater detail the status of and activities relating to company's strategic roadmap, capital structure, balance sheet, major transactions, major corporate finance activities and other matters having strategic significance for the company. The Board Finance Working Group met four times during 2013 and the average attendance rate was 100%.

Nomination Board

Outokumpu's Annual General Meeting has established a Nomination Board to annually prepare proposals on the composition of the Board of Directors along with director remuneration for the Annual General Meeting.

The Outokumpu 2013 Annual General Meeting decided that, according to the Charter of the Nomination Board, the Nomination Board consists of the representatives of Outokumpu's four largest shareholders, registered in the Finnish book-entry securities system on October 1, who accept the assignment and that the Chairman of the Board should act as an expert member of the Nomination Board.

Outokumpu's largest shareholders were determined on the basis of shareholdings registered in the Finnish book-entry system. Holdings of shareholders who have an obligation under the Finnish Securities Markets Act to disclose changes in shareholdings (the flagging obligation) are divided into several funds or registers and will be summed when calculating the related share of voting rights, provided that a written request to this effect was presented by the shareholder or shareholders concerned to the Board of Directors of the Company no later than September 30, 2013. Should a shareholder not wish to use the nomination right, the right to nominate is transferred to the next largest shareholder who would otherwise not have a right to nominate.

Shareholder representatives on the Nomination Board in 2013 were: ThyssenKrupp AG, Solidium Oy, the Social Insurance Institution of Finland and Varma Mutual Pension Insurance Company. These shareholders chose the following individuals as their representatives on the Nomination Board: Guido Kerkhoff, CFO of ThyssenKrupp AG and also a member of the Outokumpu Board of Directors; Kari Järvinen, Managing Director of Solidium Oy; Tuula Korhonen, Investment Director of the Finnish Social Insurance Institution and Pekka Pajamo, CFO of Varma Mutual Pension Insurance Company. Kari Järvinen was elected as Chairman of the Nomination Board and Jorma Ollila, Chairman of the Outokumpu Board of Directors, served as an expert member. Following the transaction between Outokumpu and ThyssenKrupp AG, announced on November 30, 2013, Mr. Kerkhoff tendered his resignation from the Nomination Board on December 2. The Nomination Board has submitted its proposals regarding Board composition and director remuneration to Outokumpu's Board of Directors, and the Board has incorporated these proposals into the notice announcing the Outokumpu 2014 Annual General Meeting of Shareholders.

CEO and deputy to the CEO

The Chief Executive Officer (CEO) is responsible for the company's operational management, in which the objective is to secure significant and sustainable growth in the value of the company for its shareholders.

The CEO prepares matters on which decisions are to be made by the Board of Directors, develops the Group's operations in line with the targets agreed with the Board of Directors, and ensures the proper implementation of Board decisions. The CEO is also responsible for ensuring that existing legislation and applicable regulations are observed throughout the Group.

The CEO chairs the meetings of the Outokumpu Leadership Team. The deputy to the CEO is responsible for attending to the CEO's duties in the event that the CEO is prevented from doing so. Since 2011, the Group's Chief Financial Officer has acted as deputy to the CEO.

Leadership Team

The task of the Outokumpu Leadership Team is the overall management of Outokumpu's business. Members of the team have extensive authority in their individual areas of responsibility and their duty is to develop the Group's operations in line with the targets set by the Board of Directors and the CEO.

At the end of 2013, the members of the Outokumpu Leadership Team held the following positions: President and Chief Executive Officer, Executive Vice President – Chief Financial Officer, President – Stainless EMEA, President – Stainless APAC, President – Stainless Americas, President – Specialty Stainless, Executive Vice President – Marketing, Communications and Sustainability, Executive Vice President – Chief Technology Officer and Executive Vice President – Human Resources, Health, Safety & IT. The Leadership Team typically meets at least once a month.

See the members of the Leadership Team on p. 12.

Shares and options of the Leadership Team members on December 31, 2013

		Share-based incentive programmes			Restricted Share Pool
Member	Shares	2011–2013	2012–2014	2013–2015	2012–2014
Mika Seitovirta	200 000	96 000	544 000	1 063 500	-
Austin Lu	-	-	65 200*	324 000*	-
Jarmo Tonteri	144 282	-	-	-	-
Reinhard Florey	-	-	-	324 000	117 284
Kari Tuutti	20 000	-	65 200	324 000	-
Kari Parvento	8 000	36 000	170 000	324 000	-
Johann Steiner	-	-	-	324 000	-
Pekka Erkkilä	100 000	-	-	270 000	-
Total	472 282				
Board and Leadership Team	943 452				

* Due to local legislation, the possible LTI reward will be paid in cash instead of shares.

Group management

Outokumpu's corporate management consists of the Chief Executive Officer (CEO), members of the Outokumpu Leadership Team, and managers and experts who assist the CEO and members of the Leadership Team.

The task of corporate management is to manage the Group as a whole. Duties include the coordination and execution of strategy and corporate planning, integration, financial control, tax, internal audit, human resources, environment, energy, health and safety, IT, marketing, communications and corporate responsibility, R&D, legal affairs, corporate affairs and compliance and IPR, investor relations as well as treasury and risk management. Certain support functions have also been centralized at Group level. The Outokumpu Group is managed in accordance with the organization of its business, in which the Group's legal company structure also provides the legal framework for Outokumpu's operations. Clear financial and operational targets have been established for all the Group's operational businesses.

In 2013, Outokumpu's organization was based on four Business Areas with sales, profit, production and supply chain management responsibility, with the focus being on improving the ability to respond rapidly to customer needs, while Group-level functions with global processes ensure efficiency.

The Business Areas were renamed in February 2014 and are:

- Stainless EMEA
- Stainless Americas
- Stainless APAC
- Specialty Stainless

As well as being responsible for their own sales, the Business Areas are responsible for profit and operating cash flow and are supported by Group-level functions in key areas such as financial control, taxation, human resources, environment, energy, health and safety, IT, marketing and communications, corporate responsibility, R&D, legal affairs, compliance and IPR, as well as treasury and risk management. The Business Areas are geared to achieve the Group's business and synergy targets while maintaining the focus on responding to customer needs.

The Outokumpu Business Areas report directly to individual Leadership Team members.

Remuneration

As confirmed by the 2013 Outokumpu Annual General Meeting, annual remuneration for members of Outokumpu's Board of Directors are as follows: Chairman EUR 140 000, Vice Chairman EUR 80 000 and other members EUR 60 000, with 40% of this paid as Outokumpu shares purchased from the market and 60% paid in cash.

The annual fee is paid once a year and members of the Board are not entitled to any other share-based rewards. In addition to their annual remuneration, all members of the Board of Directors are paid a meeting fee of EUR 600 (EUR 1 200 for members of the Board of Directors residing outside Finland). The meeting fee is also payable for attending meetings of Board committees.

The service contract of Outokumpu's CEO is valid until further notice and may be terminated by Outokumpu with 12 months' notice or by the CEO with six months' notice. Upon termination by Outokumpu or a material change in ownership of Outokumpu, the CEO will receive additional compensation equivalent to his basic salary in the preceding 12 months plus the monetary value of his employee benefits at the moment of termination, provided that his employment is not terminated due to neglect caused by him. For the other members of the Leadership Team, who are employed in Finland, the notice period is six months for both parties, in addition to which there will be additional compensation equivalent to their basic salary in the preceding 12 months plus the monetary value of their employee benefits at the moment of termination, provided that their employment is terminated for another reason than one caused by the employee. The termination benefits of the Leadership Team members employed outside of Finland vary in line with the local market practices.

In the 2013 financial year, the performance-based incentive payable to the Group CEO and members of the Leadership Team in addition to their base salary and employee benefits was based on an EBITDA target (earnings before interest, taxes, depreciation and amortization) and operational targets with emphasis on cash flow, working capital and delivery of synergies. The maximum incentive payment was 50% of the annual base salary for the CEO and the other members of the Leadership Team. The total amount of short-term and long-term incentives must not exceed 200% of an individual's annual salary. Should this limit have been exceeded, the share-based reward would have been reduced accordingly.

No separate remuneration is paid to the Group CEO or members of the Leadership Team for membership of this committee or the Group's other internal governing bodies.

The retirement age for the members of the Leadership Team is 63 years and they participate in the local retirement programs applicable to employees in the country where their employing company is located. The members residing in Finland participate in the Finnish TyEL pension system, in addition to which they are entitled to a defined contribution pension plan. The targeted pension is 60% of the annual salary at the age of 63 and the maximum premium is 25% of an individual's annual earnings. The member of the Leadership Team who is employed in Sweden belongs to Swedish ITP pension plan and the member who resides in Germany is entitled to pension benefits in accordance with the Essener Verband. One member of the Leadership Team resides in China and is covered by the state pension plan in China, in addition to which cash compensation is paid for a supplementary pension plan. In line with Outokumpu's policy, the CEO's retirement age is 63 and the targeted pension is 60% of the annual salary at the age of 63.

Fees, salaries and employee benefits paid

2013 €	Salaries and fees with employee benefits	Performance/ project-related bonuses	Annual remuneration [3]	Options	Total
Board of Directors					
Chairman of the Board, Johansson [1]	3 600	-	-	-	3 600
Chairman of the Board, Ollila	10 800	-	140 000	-	150 800
Vice Chairman of the Board, Vaartimo	14 400	-	80 000	-	94 400
Board member, Akermann	19 200	-	60 000	-	79 200
Board member, Nilsson	24 000	-	60 000	-	84 000
Board member, Schalin	12 600	-	60 000	-	72 600
Board member, Kerminen	12 600	-	60 000	-	72 600
Board member, Malinen	13 200	-	60 000	-	73 200
Board member, Kerkhoff [1]	14 400	-	60 000	-	74 400
Board member, Hill [1]	6 000	-	-	-	6 000
CEO, Seitovirta	755 040	157 500	-	-	912 540
Deputy to the CEO [2]	449 445	77 175	-	-	526 620
Other Leadership Team Members [4]	2 664 604	353 274	-	-	3 017 878

[1] Johansson and Hill January 1–March 18, 2013, Kerkhoff January 1–November 30, 2013.
[2] Lager January 1–October 31, 2013 and Florey November 1–December 31, 2013.
[3] Annual remuneration: 40% is paid as Outokumpu shares purchased from the market and 60% paid in cash.
[4] Including Kotilainen January 1–February 28, 2013 and Albrecht-Früh January 1–June 13, 2013.

2012 €	Salaries and fees with employee benefits	Performance/ project-related bonuses	Annual remuneration [3]	Options	Total
Board of Directors					
Chairman of the Board, Johansson	12 600	-	80 000	-	92 600
Vice Chairman of the Board, Vaartimo	13 800	-	45 500	-	59 300
Board member, Henkes [1]	8 400	-	-	-	8 400
Board member, Nilsson	21 600	-	36 000	-	57 600
Board member, Nilsson-Ehle [1]	9 600	-	-	-	9 600
Board member, Pesonen [1]	3 600	-	-	-	3 600
Board member, Schalin	12 600	-	36 000	-	48 600
Board member, Hill	13 200	-	36 000	-	49 200
Board member, Kerminen	7 800	-	36 000	-	43 800
Board member, Malinen	9 000	-	36 000	-	45 000
CEO, Seitovirta	882 692 [2]	90 000	-	-	972 692
Deputy CEO, Lager	300 341	70 636	-	-	370 977
Other Group Executive Committee Members [4]	1 390 112	194 314	-	-	1 584 426

[1] March 1–March 31, 2012.
[2] This figure includes the compensation of 271 223 euros for the value of the shares of the Inoxum transaction scheme at the time of the delivery and taxes and social security contributions related to that.
[3] Annual remuneration: 40% is paid as Outokumpu shares purchased from the market and 60% paid in cash.
[4] Including Hautala January 1–December 28, 2012 and Albrecht-Früh, Florey, Lu and Tuutti December 29–December 31, 2012.

Outokumpu did not provide any guarantees or other similar commitments on behalf of members of its Board of Directors in 2013. No members of the Board of Directors or the Leadership Team or closely-related persons or institutions have any significant business relationships with the Group.

Insider management

Outokumpu's insider rules are based on and comply with the Guidelines for Insiders issued by the NASDAQ OMX Helsinki stock exchange. Permanent insiders with a duty to declare consist of members of the company's Board of Directors, the Auditor in Charge, the CEO, and other members of the Outokumpu Leadership Team.

Outokumpu maintains a public register of permanent insiders who have the duty to declare. Employees of the Group who receive inside information on a regular basis as a result of their position or the duties they perform are registered in a non-public register of permanent company-specific insiders. Permanent insiders must not purchase or sell securities issued by the company in the 14 days prior to the publication of interim reports or the company's annual accounts (the so-called "closed window").

Separate, non-public, project-specific insider registers are maintained for insider projects. Persons defined as project-specific insiders are those who, in the course of their duties in connection with a project, receive information concerning the Group which, if or when realized, is likely to have a significant effect on the value of the company's publicly-traded securities.

Outokumpu's Head of Corporate Affairs and Compliance is responsible for the coordination and supervision of insider issues.

See the year-end 2013 shareholding of the Board of Directors on p. 113 and Leadership Team on p. 115.

Up-to-date information on holdings by Outokumpu's permanent insiders who have a duty to declare is available on Outokumpu's website.

Financial reporting

According to the Finnish Limited Liability Companies Act and the Finnish Code of Corporate Governance, the Board of Directors is responsible for a company's internal controls. The purpose of this section is to provide shareholders and other parties with a description of how internal control and risk management of financial reporting is organized in Outokumpu.

As a listed company, the Group has to comply with a variety of regulations. To ensure that all the stated requirements are met, Outokumpu has introduced principles for financial reporting and internal control and distributed these throughout the company's organization.

Control environment

The foundation for Outokumpu's control environment is the business culture established within the Group and its associated methods of operation. The basis for the company's compliance and control routines is provided by Group policies and principles which define the way in which Outokumpu's organization operates. These policies and principles are, for example, the Group's Corporate Responsibility Policy and Ethical Principles. The Outokumpu Code of Conduct describes the Group's basic values and offers standardized, practical guidelines for managers and employees to follow. Outokumpu's compliance program targets at globally mitigating legal risks for the Group as well as for each individual employee and specifically to prevent any infringements of regulations on antitrust, corruption and export controls by a set of preventive and supervisory measures. The Outokumpu performance management process is a key management activity and an important factor in enabling an efficient control environment. In all sections of the Group's operations, planning activities and the setting of both operational and financial targets are executed in accordance with Outokumpu's overall business targets. Management follow-up of related achievements is carried out through monthly management reporting routines and in performance review meetings.

Outokumpu operates in accordance with the risk management policy approved by the Group's Board of Directors. This policy defines the objectives of risk management activities, the approaches to be taken and areas of responsibility. As well as supporting the Outokumpu strategy, risk management activities help in defining a balanced risk profile from the perspective of shareholders and other stakeholders such as customers, suppliers, personnel and lenders. More information on risk management within Outokumpu can be found in the Risk management section on p. 120.

Outokumpu's control process for financial reporting is based on Group policies, principles and instructions relating to financial reporting, as well as on the responsibility and authorization structure within the Group. Policies relating to financial reporting are usually owned and approved by the CEO, the CFO or the Corporate Controller. Financial reporting in Outokumpu is carried out in a harmonized way using a common chart of accounts.

Financial reporting is prepared in accordance with International Financial Reporting Standards (IFRS). The Outokumpu Accounting Principles (OAP) are Outokumpu's application guidance as regards IFRS. The aim of the OAP and other financial reporting instructions is to ensure that uniform financial processes and reporting practices are used throughout the Group. Financial statements by the parent company and stand-alone Finnish subsidiaries are prepared in accordance with generally accepted accounting principles in Finland, while foreign subsidiaries follow local accounting principles. Outokumpu also complies with regulations regarding financial reporting published by the Financial Supervisory Authority (FIN-FSA) and NASDAQ OMX Helsinki.

The Outokumpu Controller's Manual contains financial reporting policies and instructions. Policies and instructions for financial reporting are reviewed on a regular basis and revised when necessary. During the 2013 financial year, instructions relating to defined benefit pension plans, termination benefits, provisions and accounting of certain by-products in the manufacturing process were specified and updated.

Some changes were also due to amendments in applicable IFRS standards, mainly relating to employee benefits. In 2014, Outokumpu will continue to follow changes in IFRS standards closely. No major impact on the financial reporting due to the implementation of new standards is expected in 2014.

Risk identification and assessment

Risk management processes connected with the Group's financial reporting are coordinated by Outokumpu's Treasury and Risk Management function. Related risks are classified as operational risks and can arise as a consequence of inadequate or failed internal processes, employee actions, systems or other events such as misconduct or crime. The aim of the Outokumpu risk management process is to identify, evaluate, control and mitigate such risks. Major risks are reported to and evaluated by the Audit Committee on a regular basis. Outokumpu's risk management process includes arranging workshops on the identification of key risks, including operational risks, for Business Areas and other Group functions. Deliverables include risk maps and risk identification plans.

Internal audit

Outokumpu's Internal Audit function has an independent role and a twofold objective: to provide assurance and to offer consulting services which add value and improve the organization's operations. Internal Audit's most important task is assisting the Audit Committee and the Leadership Team in fulfilling their control functions. To do this, Internal Audit identifies and monitors significant operational risks within the Group, ascertains the adequacy and effective operation of internal controls and provides the Audit Committee and the Leadership Team with a direct source of correct and reliable information. Other tasks carried out by Internal Audit include monitoring the Group's principles, controls and policies and follow-up of the audit conclusions by the company's external auditors.

The internal auditor reports to the Audit Committee and administratively to the CEO.

Control activities

In addition to the Board of Directors and Audit Committee, operational management teams in Outokumpu are responsible for ensuring that internal controls relating to financial reporting are in place at all Outokumpu units. The aim of control activities is to discover, prevent and correct potential errors and deviations in financial reporting. Control activities also aim to ensure that authorization structures are designed and implemented in a way that conflicting divisions of work do not exist (i.e. one person performing an activity and also being responsible for controlling that activity). Control activities consist of different kind of measures and include reviews of financial reports by Group management and in Business Area management teams, the reconciliation of accounts, analyses of the logic behind reported figures, forecasts compared to actual reported figures and analyses of the Group's financial reporting processes, among others. A key component is the monitoring of monthly performance against financial and operational targets. These control activities take place at different levels of the organization. The most important accounting items in Outokumpu are the valuation and reporting of inventories and other items of working capital. Also, in difficult market situations, asset impairment calculations and related sensitivity analyses are increasingly important. These items are carefully monitored and controlled both within Business Areas and at Group level. Impairment calculations were prepared on a quarterly basis during 2013.

Integration of the acquired Inoxum companies into Outokumpu's accounting and reporting processes was ongoing in 2013 and is still continuing in 2014. This includes further specification of accounting and reporting roles and responsibilities, and implementation of harmonized ways of working and reporting timetables within the Group. In relation to the Inoxum transaction, the measurement of acquired assets and liabilities at fair value was prepared in 2013. In accordance with the commitments given to the European Commission in the context of the merger with Inoxum to divest the AST (Acciai Speciali Terni) stainless steel operations in Terni, Italy and certain European service centers and other remedy assets, Outokumpu has held the remedy assets separate and ring-fenced from the operations of the Group. In 2014, special attention will also be paid to ensuring smooth outsourcing of certain European Group companies' accounting and reporting procedures to the new external service provider.

Information technology and solutions play an important role in guaranteeing that the Group's internal controls have a solid foundation. A new consolidation system project has been started to ensure timely and uniform financial and management reporting from the Group entities and an effective closing process within the whole Group. The system will be implemented in 2014.

Information and communication

Group-wide policies and principles are available to all Outokumpu employees. Instructions relating to financial reporting are communicated to all the parties involved. The main communication channels employed are Outokumpu's intranet and other easily-accessible databases. Face-to-face controller meetings are also organized. Senior Controller meetings are organized on a quarterly basis or more frequently when this is considered necessary to share information and discuss issues of topical interest to the Group.

Outokumpu has established different networks and communities in which financial reporting and internal control issues and related instructions are discussed and reviewed. These networks usually consist of personnel from the Business Areas and Group functions. The aim of these networks, communities and common instructions is to ensure that unified financial processes and reporting practices are used throughout the Group. The networks and communities play an important role in establishing the effectiveness of internal controls relating to financial reporting and in developing Outokumpu policies, instructions and processes.

Follow-up

Both management in all Outokumpu companies and personnel in accounting and controlling functions are responsible for the follow-up and monitoring of internal controls connected with financial reporting. The Internal Audit and Risk Management functions also engage in follow-up and control activities. The findings of the follow-up procedures are reported to the Audit Committee and the Outokumpu Leadership Team on a regular basis.

Auditors

Under its Articles of Association, the company shall have a minimum of one and a maximum of two auditors who are qualified auditors or firms of independent public accountants authorized by the Central Chamber of Commerce of Finland.

The Annual General Meeting elects the auditors to a term of office ending at the close of the next Annual General Meeting. Proposals to the Annual General Meeting on the election of auditors which have been made known to the Board of Directors prior to the Annual General Meeting will be made public if the proposal is made by the Board Audit Committee or if it is supported by shareholders holding a minimum of 10% of all the company's shares and voting rights and the person or company proposed has consented to such nomination. The company's auditors submit the statutory auditor's report to the company's shareholders in connection with the company's financial statements. The auditors also report their findings to the Board Audit Committee on a regular basis and at least once a year to the full Board of Directors. The parent company, Outokumpu Oyj, is audited by KPMG Oy Ab, and the responsible auditor is Virpi Halonen, Authorized Public Accountant. KPMG Oy Ab is also responsible for overseeing and coordinating the auditing of all Group companies.

Both Outokumpu and KPMG Oy Ab emphasize the requirement that an auditor be independent of the company being audited. In its global independence policy, KPMG has stated its commitment to observing and complying with the Code of Ethics of the International Federation of Accountants (IFAC).

Outokumpu's Board Audit Committee continuously monitors non-audit services purchased by the Group from KPMG Oy Ab at a global level. In 2013, auditors were paid fees totaling EUR 3.7 million, of which non-auditing services accounted for EUR 1.0 million.

Risk management

Outokumpu operates in accordance with the risk management policy approved by the company's Board of Directors. This defines the objectives, approaches and areas of responsibility in the Group's risk management activities. As well as supporting Outokumpu's strategy, the aim of risk management is identifying, evaluating and mitigating risks from the perspective of shareholders, customers, suppliers, personnel, creditors and other stakeholders.

Risk management organization

The Outokumpu Board of Directors carries ultimate responsibility for risk management within the Group. Outokumpu's CEO and members of the Leadership Team are responsible for defining and implementing risk management procedures, and for ensuring that risks are both properly addressed and taken into account in strategic and business planning. Business Areas and Group functions are responsible for managing risks connected with their own operations. Auditors and Internal Audit monitor risk management processes, and the Leadership Team, the Board's Audit Committee and the Board of Directors review both key risks and actions taken to manage these risks on a regular basis. The Treasury and Risk Management function supports implementation of Outokumpu's risk management policy, facilitates and coordinates risk management, and prepares quarterly risk reports for management, the Board's Audit Committee and the auditors.

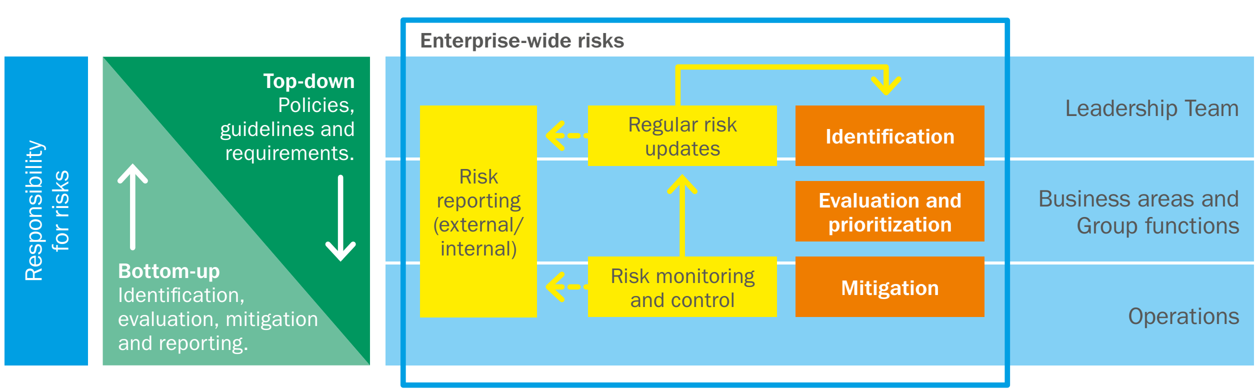
Risk management process

Outokumpu has defined risk as anything that could have an adverse impact on achieving the Group's objectives. Risks can therefore be threats, uncertainties or lost opportunities connected with current or future operations. Outokumpu's appetite for risk and risk tolerance are defined in relation to Group earnings, cash flows and capital structure. The risk management process is an integral part of the overall management processes and it is divided into four stages: risk identification, risk evaluation, risk prioritization and risk mitigation. Within Outokumpu, the risk management process is monitored and controlled at different organizational levels in a systematic manner. Regular risk updates are performed to make sure that the process is operating in an uninterrupted manner. The monitoring and analysis of results and risk updates also ensure that accurate information is provided both internally – to Business Area management teams and members of the Leadership Team – and externally to parties such as shareholders and other stakeholders.

Focus areas 2013

The reporting year 2013 was highlighted by the integration work for risk management as well, as the completion of the Inoxum transaction took place on December 28, 2012. During the year risk management policy was updated and risk management processes were aligned for the combined Outokumpu. The integrated process includes

Risk management process in Outokumpu



stronger focus on operational risks with SAP based risk management software, being applied as a group-wide reporting tool for consistent identification and reporting of operational risks. Additionally, the Group's key risks were updated during 2013 as well.

In 2013, Outokumpu continued its systematic fire safety and loss prevention audit programs. Some 30 fire safety and loss prevention audits were carried out in 2013 using the Group's own resources and expertise in co-operation with external advisors.

One of the main focus areas was to monitor and strengthen Outokumpu's financial position, as low profitability and stretched balance sheet led to increased risk of financial distress for Outokumpu during 2013. In order to increase its tolerance of risk, Outokumpu decided to initiate significant financing measures in connection with the planned sale of the Terni and VDM operations. All these measures will significantly derisk Outokumpu by improving liquidity, strengthening the balance sheet, reducing variation of free cash flow and decreasing exposure to operational risks.

Strategic and business risks

Outokumpu's turnaround plan

On November 30, 2013, Outokumpu announced plans to deleverage and strengthen its balance sheet, and to divest Terni and VDM. Outokumpu has signed a binding agreement with ThyssenKrupp whereby Outokumpu will sell the Terni remedy assets, the VDM business and certain service centers to ThyssenKrupp. The future development of Outokumpu will depend on the successful implementation of Outokumpu's turnaround plan and its ability to achieve the targeted financial objectives. Outokumpu's ability to meet its goals is subject to several risks and uncertainties, many of which are beyond Outokumpu's control, including, Outokumpu's ability to: increase production and sales in the Americas upon ramp-up of production at the Calvert integrated production facility; implement the new industrial restructuring plan for its operations in Europe; achieve the anticipated synergy benefits, reduction of cost and release of cash from working capital; improve overall profitability and enhance operational efficiencies; and achieve growth outside Europe, in particular in Asia and the Americas as well as in other growth markets.

Some of Outokumpu's credit facilities and other loans include financial covenants based on gearing and liquidity levels. If Outokumpu is not able to comply with the financial covenants included in its credit facilities and other loans, this could have a material adverse effect on its financial condition. A significant portion of Outokumpu's financing will mature in 2017 and there can be no certainty that additional financing will be available to Outokumpu at a commercially reasonable cost, or at all.

Outokumpu believes that ongoing and planned re-structuring actions, including the new industrial plan in the EMEA region, the ramp-up of the Calvert mill in the USA and the ongoing cost saving programs will help to continue to make significant progress in all key areas to return Outokumpu to sustainable profitability and maintain its position in global stainless steel markets.

Stainless steel industry and markets

In recent years, stainless steel production capacity in Asia, particularly in China, has increased significantly and Asia has transitioned from being a net importer of European stainless steel to being a significant exporter of stainless steel to Europe. Rapid growth in Chinese stainless steel production capacity combined with low growth in European stainless consumption and decreasing exports from Europe to formerly undersupplied Asian markets has exacerbated overcapacity in Europe and limited growth opportunities for European stainless steel producers. This kind of overcapacity can distort the structure of the stainless steel market especially in Europe, impact Outokumpu's profitability and could also limit Outokumpu's future growth.

The stainless steel market is cyclical and demand for stainless steel products is affected by global, regional and national economic conditions, levels of industrial investment activity and levels of industrial production. The demand for stainless steel in 2013 continued to be influenced by the prevailing economic conditions. Growth dynamics of the stainless steel industry differed significantly from region to region. While demand decreased slightly during 2013 in Europe, there was some growth in the demand rates in the Americas and APAC regions. Outokumpu faces significant exposure to the economic conditions, levels of industrial investment activity and levels of industrial production in particular in Europe.

Stainless steel prices are volatile, reflecting the cyclical nature of the global stainless steel market. Low stainless steel prices have an adverse effect on stainless steel producers due to lower revenues and margins as well as potential inventory write-downs. Asian price advantages resulted in Asian materials being imported into the European market. The price advantages result from high investments of Asian mills in new, state-of-the-art facilities with high production capacities, economies of scale and partially significant cost advantages, for example, from using alternative raw materials, such as nickel pig iron. Due to fluctuations in stainless steel prices, the expected selling price of stainless steel may at times deviate significantly from the book value of material in inventory, which could result in inventory write-downs and thus have an adverse effect on Outokumpu's profitability.

However, Outokumpu has clear operational priorities for the future which include implementation of the savings programs, finalization of the Calvert ramp-up, actions related to the new industrial plan in Europe and improvement in customer satisfaction through enhanced delivery reliability, enabling Outokumpu to achieve sustainable profitability.

Ferrochrome business risks

Since global demand for stainless steel is forecasted to increase in the long term, Outokumpu expects that global demand for ferrochrome, a key ingredient in stainless steel production, will increase correspondingly. Outokumpu produces ferrochrome at its Tornio ferrochrome production facility using chromite extracted from its Kemi chrome mine, aiming to maintain both a high utilization rate at its ferrochrome production facility and the Group's competitive position in the ferrochrome market by consuming a significant amount of ferrochrome internally and also by selling certain volumes on the global market. However, in global terms, ferrochrome markets continue to be in a situation of oversupply and as new production capacity is coming on stream in Asia, the risk of a decline in the ferrochrome price exists. There is also the risk that costs associated with Outokumpu's ferrochrome production will be raised by increases in the costs of electrical power and metallurgical coke, changes in the exchange rate of the US dollar and increased costs related to tightening environmental legislation in Europe. The investment program to double the annual ferrochrome production capacity and the increase of production capacity of the Kemi chromite mine was finalized in Q4 2012 and is scheduled to be ramped up to full production capacity in 2015.

Raw materials

Stainless steel and ferrochrome production requires consumption of substantial amounts of certain raw materials (primarily nickel, recycled stainless steel, ferrochrome, chromite, molybdenum, recycled carbon steel and titanium) and supplies. Most of these raw materials and supplies are subject to significant price volatility due to fluctuating customer demand, speculation and scarcity, which may, from time to time, be compounded by decreases in extraction and production due to natural disasters, political or financial instability or unrest.

Outokumpu is exposed to price volatility of raw materials and supplies, which it purchases primarily under short- or long-term contracts, but also on the spot market. Increases in the prices of certain raw materials, such as nickel, ferrochrome, molybdenum and iron, are generally passed on to customers through alloy surcharges. Outokumpu has historically hedged a part of its exposure to changing nickel prices and, on a case-by-case basis, molybdenum prices.

Although the alloy surcharge is intended to allow stainless steel producers to pass on the costs of raw materials to customers, it does not eliminate Outokumpu's exposure to raw materials price volatility. Therefore, Outokumpu may not be able to pass on all of its raw materials costs to customers, which can have negative impacts on Outokumpu's profitability.

As of January 1, 2014, Outokumpu has applied a daily alloy surcharge instead of the previous monthly model for certain customers in Europe. In this model, Outokumpu communicates the alloy surcharges on a daily basis for its customers on its website. Customers can decide whether to fix the alloy surcharge on the order date or on any other date between the order and mid-week prior to the delivery week. Outokumpu believes that the daily alloy surcharge system decreases volatility in raw material prices because Outokumpu can reflect changes in raw material prices faster in its products and makes hedging of raw materials positions easier.

Legal risks

Outokumpu and its subsidiaries are subject to several litigation cases. For a company such as Outokumpu, there is a general risk, which mainly relates to Outokumpu being litigated against by business partners and/or in connection with its business activities in the future. For the specific risks relating to existing litigations, please see Note 32 to the financial statements, "Disputes and litigations"

Outokumpu's products are used in a wide range of applications. For instance, certain of Outokumpu's products are used in safety-critical applications, such as pipes used in the oil, gas, chemical and petrochemical industries. In addition, certain of Outokumpu's stainless steel products are used in the automotive industry, where key customers require extensive third-party certifications regarding the products purchased. Therefore, Outokumpu is exposed to product liability claims arising eg. from automotive industry customers. Such claims may result in severe damages and have impacts on Outokumpu's profitability.

Outokumpu may be exposed to unfair trade and pricing practices by competitors and other protectionist measures in any of the markets in which it operates. In addition, several countries grant substantial subsidies to companies active in their respective local stainless steel industries. The pricing advantage enjoyed by these producers on their subsidized products may impair or eliminate Outokumpu's ability to compete with such producers. This and other practices may have a material adverse effect on Outokumpu's profitability to the extent heavily subsidized stainless steel products are exported into Outokumpu's key markets, the EU and the United States. In addition, Outokumpu has significant exposure to the effects of trade actions and barriers due to the global nature of its operations. Such trade actions and barriers could limit Outokumpu's further growth and access to stainless steel markets.

Outokumpu manages and mitigates its legal risks by running internal governance and compliance programs and policies. The instructions these programs and policies provide, should be followed even if they extend beyond local minimum legal requirements. Outokumpu has incorporated compliance rules into the Code of Conduct used by all its businesses, and has also made it clear that all personnel whose activities violate existing policy or rules, or risk breaching competition legislation and regulations in other ways, will be subject to disciplinary measures.

Environmental (business) risks

Outokumpu faces environmental risks related to its business operations. The main environmental for Outokumpu are business risks related to emission trading scheme and new environmental and consumer protection demands.

The European Union's Emission Trading Scheme (ETS) forms a business risk for the Group, indirectly in electricity prices and directly from the buying of emission allowances. Outokumpu has however secured part of its future electricity supply – and the associated prices – through long-term contracts. Additionally, the Group is participating in nuclear power projects.

Outokumpu operates its business in accordance with prevailing laws and regulations, including environmental, chemical and product safety legislation. EU regulatory activity in this area has developed rapidly, and new consumer safety, environment and ecology-related initiatives, directives and other regulations have been generated by the European Commission at a high rate in recent years. Radical changes in this kind of legislation could have long-term impacts on Outokumpu's operations. The Group attempts to mitigate risks of this type through the systematic identification and management of environmental, chemical and product safety risks, through emissions trading, by launching environmental initiatives and by maintaining a proactive dialogue with both stakeholders and parties involved in the framing of environmental legislation.

Operational risks

Major disasters and business interruptions

Outokumpu's production processes are dependent on the continuous operation of critical production equipment, including furnaces, continuous casters, rolling mills and electrical equipment (e.g. electric motors and transformers), and production downtime may occur as a result of unexpected mechanical failures or other events. Operations may also be disrupted for a variety of other reasons including fire, explosion, flooding, the release of substances harmful to the environment or health, strikes, transportation disruptions or acts of God. Furthermore, accidents may lead to production downtimes that affect specific items of machinery or production plants, or possibly result in plant closures, including closure for the duration of any ongoing investigation. This type of disruptions may cause significant business interruptions and impact negatively on Outokumpu's profitability.

Primarily because of the high temperatures required for production, fire is a significant risk for Outokumpu. Most of the Group's production facilities are located in extensive industrial zones. A fire in any industrial zone could lead to major damage to property and interruptions in production. Extreme weather conditions and natural disasters may also affect Outokumpu's operations, especially as a result of physical risks such as damage to property or the loss of production through flooding, hurricane or drought. Outokumpu monitors such risks by continuously evaluating its production facilities and production processes from a risk management perspective and also by arranging regular fire-safety audits. Insurances cover a large proportion of the associated risks.

Environmental accidents

The main environmental accident risks at production sites are related to use of acids, production of hazardous waste, landfill activities, long-term contamination of soil or groundwater or long-term effects of hazardous pollutants. The Group also has environmental liabilities and risks at old mines and old sites. Outokumpu has certified environmental management systems in place at several production sites to manage the environmental accident risks in a systematic way. Maintaining such management systems also includes external environmental audits. In addition, Outokumpu also started internal environmental auditing program during 2013 to monitor and to ensure local legal compliance and the level of environmental risk management.

Project risks

Currently, Outokumpu has an approximately 15 percent indirect ownership interest in Fennovoima Oy ("Fennovoima"), which was granted a decision-in-principle by the Government of Finland to build a new nuclear power plant in Finland. In 2013, Fennovoima selected Rosatom Overseas CJSC as a power plant supplier. According to the plans, infrastructure work at the site will begin in 2015 and is expected to last approximately two to three years. The construction of the plant would begin after the infrastructure work and the power plant would start commercial operations in 2024. The project involves a number of potential risks for Outokumpu, including delays, cancellation, non-completion (for external or internal reasons), technical risks (including tightening nuclear safety regulations in the future), budget overruns (including non-competitive cost of power or increased cost of production), financing risks (including cost and availability of financing) and political risks (including public acceptance risks). Fennovoima's articles of association provide that all of its shareholders are responsible for financing the project in proportion to their ownership during the construction period. When operational, shareholders will be able to procure electricity at cost against payment of their pro rata share of operating expenses of the power plant (the so-called "Mankala" principle). Accordingly, there can be no assurance that one or more of the project risks will not occur or that Outokumpu's share of financing the project will not increase as a result of any future defaults by other shareholders in Fennovoima.

IT dependency and security risks

Outokumpu has a number of information technology (IT) applications and different software programs in use at several locations. The primary risk associated with these IT systems is the potential loss of availability in global or critical applications. Outokumpu's most critical application or system is SAP, which covers, among others, part of Outokumpu's sales and purchase processes. The loss of SAP or other critical applications or hardware could have a significant negative impact on Outokumpu's business. Problems with IT systems could also result in leakages of sensitive information, the theft of intellectual property and production systems being unavailable, all of which could have a similar impact if realized. Furthermore, the integration of IT systems after the Inoxum transaction may be time consuming and costly and there can be no assurance that the integration process will proceed as currently expected. System integration might also result in the loss of critical data or malfunctions in processing data. IT security threats have increased significantly during the past years and Outokumpu is becoming a more interesting target due to its position in stainless market. Cyber-attacks use weaknesses in computers and computer networks to target not only IT systems or company information, but also value chains and physical infrastructure such as automation systems in factories. Outokumpu is taking all necessary steps to ensure that the IT systems and solutions used by the Group are reliable, and is also instituting secure information management at all company locations to avoid data loss or situations in which mission-critical information becomes unavailable. Additionally, Outokumpu aims to improve its cyber readiness in the near future in order to prevent possible cyber attacks.

Personnel

Outokumpu's ability to continue and grow its business as well as provide high-quality products depends, to a large extent, on the contributions made by its leadership team and key personnel. The loss of key individuals or other employees who have specific knowledge of, or relationships with, trade customers in markets in which Outokumpu operates could have significant impacts on Outokumpu's business. If Outokumpu is unable to attract, retain and motivate qualified employees at all levels, it could have a material adverse effect on Outokumpu's business, financial condition and results of operations. There can be no assurance that Outokumpu will be able to retain such senior managers and key employees and successfully manage them, which could disrupt Outokumpu's business and have a material adverse effect on its business, financial condition and results of operations. Outokumpu has deployed HR processes to attract and retain senior managers for key positions in the Group. Succession planning for group key positions is also undertaken as part of the talent review process to mitigate the loss of senior managers. Outokumpu's People Strategy also highlights the need to proactively develop the Group's resource and competence base and leadership capabilities to meet the rapidly-changing requirements of our business and the environment in which we operate.

Compliance, crime and reputational harm

Outokumpu operates globally and its activities span multiple jurisdictions and complex regulatory frameworks at a time of increased enforcement activity and enforcement initiatives globally in areas such as competition law and anti-corruption. Outokumpu's governance and compliance processes may not prevent breaches of law or governance standards. Outokumpu also faces the risk of fraud by its employees, losses of critical research and development data, misconduct as well as violations at its joint ventures and other companies in which it has an interest, particularly if it only has a minority stake and does not control accounting or other rules and protocols for the conduct of business. Outokumpu's failure to comply with applicable laws and other standards could subject it to fines, loss of operating licenses and reputational harm. Effective internal controls are necessary for Outokumpu to provide reliable financial reports and effectively prevent and detect fraud. If Outokumpu cannot provide reliable financial reports or prevent fraud, this could have a material adverse effect on its financial results. Additionally, at the operational level, individual employees may not comply with Outokumpu's policies and guidelines and as a result may cause Outokumpu to incur compliance costs and cause reputational damage. Inadequate internal controls could also cause investors and other third parties to lose confidence in Outokumpu's reported financial information, which could have a material adverse effect on Outokumpu's business, financial condition and results of operations.

Financial risks

Key current financial risks for Outokumpu are:

- Changes in the prices of electrical power, fuels, nickel and molybdenum
- Currency developments affecting the euro, the Swedish krona and the US dollar
- Interest rate changes connected with, the US dollar, the euro and the Swedish krona
- Developments in the Talvivaara share price
- Other credit-related uncertainties
- Risks related to refinancing and liquidity
- Risks and uncertainties related to the implementation of the announced financing measures.

Both the financial risks listed above and related processes for risk management within Outokumpu are described in additional detail in Note 19 to the Group's consolidated financial statements.

Internal audit

Outokumpu's Internal Audit as independent, objective assurance, control and consulting function within the Group supports the organization in achievement of its objectives through systematic, disciplined approach to evaluate and improve the effectiveness and efficiency of governance processes, the internal control system and the risk management system.

With commitment to integrity and accountability, Internal Audit provides value to governing bodies and senior management as an objective source of independent advice. Internal Audit performs its function on behalf of and directly reporting to the Audit Committee and to the Leadership Team, but is functionally assigned to the CEO. The annual operational audit plan is approved by the Audit Committee.

In 2013 Internal Audit performed six extended operational audits and ten condensed audits. Two regular audits (IT & AAF) were assigned to external service providers. The results of all performed audits including their risk appraisals have been reported in writing. In view of the Outokumpu Code of Conduct and the Corporate Responsibility Policy, no major risks have been identified.

The confidential whistleblowing hotline ("Helpline") available on the company intranet and on the Internet is set up to anonymously inform Internal Audit about any activities or observations which may have caused or could result in risk exposure or damage for the Group. Investigation of one communicated case in 2013 resulted in no evidence of potential misconduct. Same results came out from three further investigations based on allegations brought forward through other channels. No incidents have been observed in view of discrimination or human rights violation.

Shares and shareholders

Shares and share capital

Outokumpu's shares are listed on the NASDAQ OMX Large Cap list of the Helsinki Stock Exchange under the trading code OUT1V and are incorporated into the Finnish book-entry securities system. The total share capital has not changed during 2013 and was EUR 311 million at the end of the year. The total number of Outokumpu shares was 2 078 081 348, and Outokumpu held 975 888 of its own shares.

All Outokumpu's shares carry equal voting and dividend rights. The follwing tables and graphs illustrate Outokumpu's shareholder structure at the end of 2013. Up-to-date information is available at www.outokumpu.com/en/investors/share-info/shareholders.

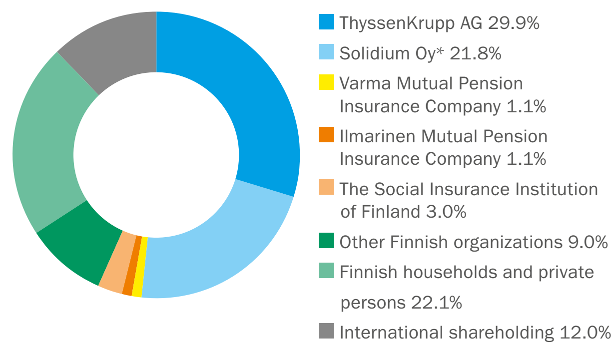
Outokumpu in the capital markets

Outokumpu's regular and active dialogue with global investors and analysts continued in 2013. The completion of the Inoxum transaction at the end of 2012, the disposal process of the Terni remedy asset as well as the new Outokumpu strategic roadmap met high interest from the capital markets. Towards the end of the year, an important topic was the comprehensive plan to strengthen the company's capital structure, including the divestiture of the Terni remedy assets and the VDM business to ThyssenKrupp, as well as a financial plan to renew the company's debt portfolio and the planned rights issue.

In addition to the Annual General Meeting held in Helsinki in March 2013, Outokumpu hosted quarterly results webcasts for analysts, investors and media representatives. Outokumpu management attended several industry seminars and road shows to meet with investors. A total of 11 roadshows in Europe and in the US were arranged during the year. Cities visited by roadshows included New York, Boston, Frankfurt, Geneva, Helsinki, London, Paris, Oslo and Stockholm. Outokumpu also met investors at five industry seminars in Chicago, Copenhagen, Helsinki, and London. In addition, Outokumpu hosted a Capital Markets Day in London in May 2013 with 68 investors and analysts attending.

In addition Outokumpu organized three site visits for analysts and institutional investors in 2013, two to the chrome mine in Kemi and the stainless steel plant in Tornio, Finland and one to our new stainless steel plant in Calvert, USA. In total, more than 200 one-on-one meetings, conference calls and video conferences with investors were held during the year.

Shareholders by group on December 31, 2013



* Solidium Oy is wholly-owned by The Finnish State.

Shareholders by group on December 31, 2013

Shareholders by group	Shares	%
Foreign investors	627 206 596	30.18
The public sector and public organizations	591 299 827	28.45
Households/private persons	460 100 803	22.14
Nominee accounts held by custodian banks	240 395 074	11.57
Private corporations	86 716 798	4.17
Financial and insurance institutions	51 771 942	2.49
Non-profit organizations	20 590 308	0.99
Total	**2 078 081 348**	**100.00**

Share price development and market capitalization

The continued losses of Outokumpu in 2013, the weak stainless steel market development as well as the uncertainty related to the divestment of the Terni remedy assets were reflected in Outokumpu's share price. The Outokumpu share price declined by 48% and reached EUR 0.41 at the last trading day of 2013 (EUR 0.79 on December 28, 2012). During 2013, the price of the Outokumpu share peaked at EUR 0.85 and was EUR 0.35 at its lowest (2012 high/low: EUR 2.10/ EUR 0.64). At the end of 2013, the company's market capitalization was EUR 845 million, compared to EUR 1 650 million at the previous year's end.

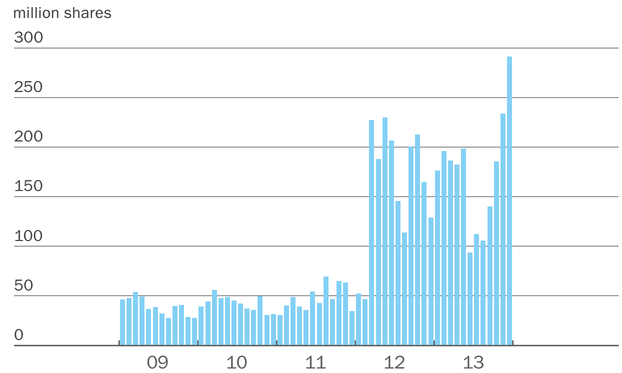
In 2013, the average daily turnover in Outokumpu shares on the NASDAQ OMX Helsinki exchange was 6.0 million shares. This does not include the extraordinary peak in trading volume of 77.3 million shares on December 2, 2013 following the announcement of Outokumpu's plan to sell the Terni remedy assets as well as the VDM business to ThyssenKrupp and to further deleverage and strengthen its balance sheet with a comprehensive financial package.

In total, 1 564.5 million Outokumpu shares were traded on the NASDAQ OMX Helsinki Stock Exchange during 2013, representing a value of EUR 835 million (2012: 1 129.7 million shares which corresponded EUR 1 773.9 million).

In addition to the NASDAQ OMX Helsinki Stock Exchange, Outokumpu's share is traded also on various alternative trading platforms. The volume of Outokumpu's shares traded on the NASDAQ OMX Helsinki Stock Exchange represented 74% of the total volume of Outokumpu's shares traded in 2013 (source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com).

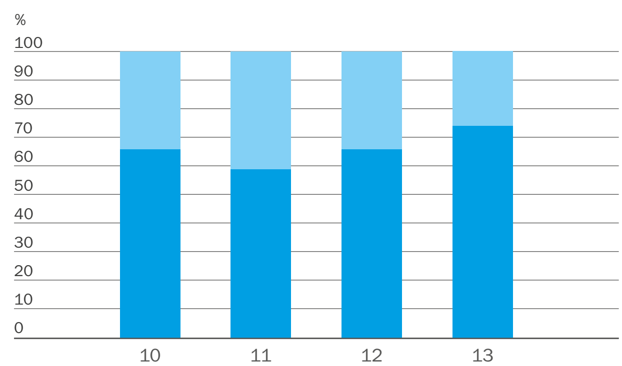
More information about shares at
www.outokumpu.com/en/Investors/Share-info

Monthly trading volume



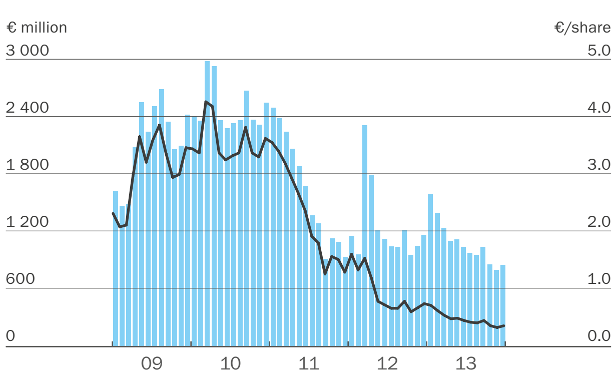
Source: Fidessa. Including all trading venues. Note that during 2012, Outokumpu increased its number of shares twice as results of a rights offering and a directed share issue.

Trading venue development 2010–2013



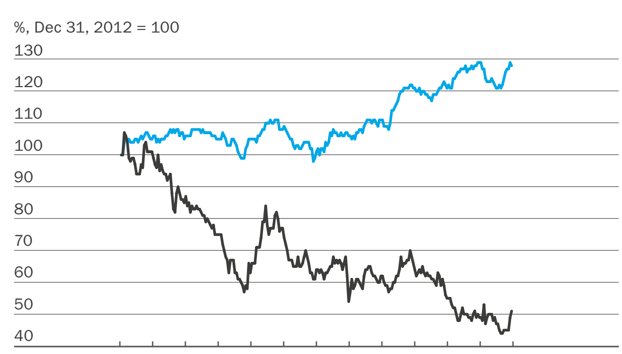
NASDAQ OMX Helsinki
Others, including MTFs, OTC and Dark pool trading.
Source: Fidessa.

Market capitalization and share price development



Month-end market capitalization
Share price
Source: NASDAQ OMX Helsinki.

Outokumpu share price development in 2013



Outokumpu
NASDAQ OMX

Share-based incentive programs

Outokumpu's Board of Directors has confirmed that share-based incentive programs are part of the incentive and commitment scheme for the company's key personnel.

The objectives are to reward key personnel for good performance and thereby support Outokumpu's strategy, and to direct management attention towards increasing Outokumpu's profitability and shareholder value. The programs offer the possibility of receiving Outokumpu shares as an incentive, provided that the targets set by the Board for each earnings period are achieved.

Share-based incentive programs

Earnings period	The number of people in scope on Dec 31, 2013
2011–2013	95
2012–2014	87
2013–2015	154

Performance criteria and pay-out history of share-based incentive programs

Share-based incentive program 2009–2013

In February 2009, the Board of Directors confirmed a five-year share-based incentive program comprising three earnings periods, each lasting three calendar years and commencing at the beginning of 2009, 2010 and 2011. The earning criteria for the program were based on the development of total shareholder return (TSR) and earnings per share (EPS) until 2011, earnings before interest and taxes (EBIT) for the year 2012, and earnings before interest, taxes, depreciation and amortization (EBITDA) for the year 2013. The Board of Directors has confirmed that the targets set for the earnings periods 2009–2011, 2010–2012 and 2011–2013 were not met, therefore, no reward was paid to participants in the program.

Performance Share Plan 2012

The Board of Directors of Outokumpu approved on January 31, 2012, the establishment of a share-based incentive plan, Performance Share Plan 2012, which is part of the remuneration and commitment program for the key management of Outokumpu Group. The plan offers a possibility to receive Outokumpu shares as a long-term incentive reward if the targets set by the Board of Directors for each earnings period are achieved. Performance Share Plan consists of annually commencing performance share plans. Each plan contains a three-year earnings period, after which any share rewards earned will be delivered to the participants.

Plan for 2012–2014

The first plan commenced at the beginning of 2012 and any share rewards to be delivered based on it will be delivered in spring 2015. The earnings criteria applied in the 2012–2014 plan are: EBIT for the year 2012, EBITDA for the year 2013 and EBIT improvement for the year 2014, and relative total shareholder return (TSR) over the three-year earnings period.

The Board of Directors approved 98 people to fall within the scope of the program for the 2012–2014 plan. On December 31, 2013, a total of 95 people remained as participants in the plan. If the performance targets set by the Board of Directors for the plan are attained in full, the maximum number of shares to be delivered to the remaining participants will be no more than 3 784 600 gross shares, from which applicable taxes will be deducted and the remaining net value will be delivered to the participants as Outokumpu shares.

Plan for 2013–2015

The second plan commenced at the beginning of 2013 and any share rewards to be delivered based on the second plan will be delivered in spring 2016. The earnings criteria applied in the plan 2013–2015 are: EBITDA for the year 2013, EBIT improvement for the year 2014, the Outokumpu share price adjusted by dividends at the end of the three-year period, and the achievement of annual Inoxum transaction-related synergies.

On February 13, 2013 the Board of Directors approved 164 people to fall within the scope of the program for the 2013–2015 plan. At the end of the year, 154 people remained as participants in the plan. If the maximum level of performance set by the Board of Directors for the 2013–2015 plan is attained, the maximum number of shares to be delivered to the remaining participants is no more than 12 837 750 gross shares, from which applicable taxes will be deducted and the remaining net value will be delivered to the participants as Outokumpu shares.

Restricted Share Pool

The Board of Directors of Outokumpu approved on January 31, 2012, the establishment of a Restricted Share Pool program, which enables long-term rewards for selected individual employees of Outokumpu Group.

The Restricted Share Pool is a part of the remuneration and commitment program for selected key resources of Outokumpu Group. It consists of annually commencing plans with a three-year vesting period, after which the allocated share rewards will be delivered to the participants provided that their employment with Outokumpu continues uninterrupted throughout the duration of the plan and until the shares are delivered. Restricted share grants are approved annually by the CEO on the basis of the authorization granted by the Board of Directors, with the exception of any allocations to Leadership Team members, which will be approved by the Board of Directors.

The first plan commenced at the beginning of 2012 and the share rewards to be delivered based on the plan will be delivered in spring 2015. In line with the authorization relating to the first plan within the Restricted Share Pool, the maximum number of shares that could be allocated within the first plan was 800 000 gross shares. In 2012, four people were invited to participate in the 2012–2014 plan and they were granted in total 322 123 gross shares, from which applicable taxes will be deducted, and the remaining net value will be delivered to the participants in Outokumpu shares.

The second plan of the Program commenced at the beginning of 2013 and any share rewards will be delivered in spring 2016. The maximum number of shares that could be allocated within the second 2013–2015 plan was 2 000 000 gross shares. In 2013, three people were invited to participate in the 2013–2015 plan and they were granted in total 122 500 gross shares, from which applicable taxes will be deducted and the remaining net-value will be delivered to the participants in Outokumpu shares.

Other terms

The aggregate reward of an individual participant under the above programs, together with other short-term and long-term incentives of the participant, may not exceed 200% of the participant's annual base salary.

No new shares will be issued in connection with the above share-based incentive programs and therefore the programs have no diluting effect.

According to the share ownership plan of the Outokumpu Group, the members of the Leadership Team are obliged to own Outokumpu shares received under incentive programs to the value of their annual gross base salary. Fifty percent of the net shares received from the Performance Share Plan and Restricted Share Pool programs described above must be used to fulfill the above ownership requirement.

Inoxum transaction-related incentive scheme

In 2012, the Board of Directors of Outokumpu approved a retention plan for the members of the Leadership Team to ensure that Outokumpu has key employees in place for the successful implementation of the Inoxum Transaction and the integration of Inoxum into Outokumpu's existing stainless steel business.

For the CEO, the plan is a share-based scheme pursuant to which 25 000 reward shares were granted to the CEO in February 2012. Outokumpu has paid the taxes and any social security contributions related to the reward shares.

The reward shares may not be transferred or disposed of in any other manner until March 31, 2015. In addition, the CEO would forfeit the reward shares if his service contract were terminated or notice of the termination of his service contract were given before March 31, 2015. Furthermore, the reward shares are subject to a claw-back provision until March 31, 2015. The reward shares are subject to Outokumpu's share ownership guidelines applicable to its executive management. Outokumpu's limitations on variable pay were applied in connection with the delivery of the reward shares.

For the other members of the Leadership Team, the retention plan was a cash-based plan according to which they were entitled to receive a cash reward of two months' gross base salary on December 31, 2012 and March 31, 2013 if the criteria for payment were met. In line with the plan, the second cash reward was paid on March 31, 2013 to the Leadership Team members who were part of the Leadership Team in 2012.

Management shareholding

On December 31, 2013, members of the Outokumpu Board of Directors and the Leadership Team held a total of 943 452 Outokumpu shares, corresponding to 0.05% of the company's shares and voting rights. If the members of the Leadership Team were to receive the maximum number of shares for the 2012–2014 and 2013–2015 periods of the performance share and restricted share plans (a total of 3 915 184 shares) their shareholding obtained via the programs would amount to 0.19% of the company's shares and voting rights.

Details of Outokumpu's management shareholdings can be found in the section "Board of Directors and Leadership Team".

Principal shareholders on December 31, 2013

	Shares	%
ThyssenKrupp AG	621 042 572	29.89
Solidium Oy	453 802 237	21.84
The Social Insurance Institution of Finland	62 493 263	3.01
Varma Mutual Pension Insurance Company	23 690 337	1.14
Ilmarinen Mutual Pension Insurance Company	23 153 368	1.11
State Pension Fund	11 000 000	0.53
Mutual Insurance Company Pension Fennia	9 599 537	0.46
Taaleritehdas Arvomarkka Osake Fund	8 500 000	0.41
Nordea Fennia Fund	8 000 000	0.38
Kaleva Mutual Insurance Company	7 000 000	0.34
Nordea Pro Suomi Fund	4 925 000	0.24
Ili 122-8016778	4 600 000	0.22
Nordea Life Assurance Finland Ltd.	4 027 000	0.19
Eestilä Matti Juha	3 000 000	0.14
	1 244 833 314	**59.9**
Nominee accounts held by custodian banks	240 395 074	11.57
Treasury Shares	975 888	0.05
Other shareholders	591 877 072	28.53
Total	**2 078 081 348**	**100.00**

Distribution of shareholders on December 31, 2013

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital	Average shareholding
1–100	3 289	5.02	199 899	0.01	61
101–1 000	18 028	27.53	10 398 330	0.50	577
1 001–10 000	33 823	51.64	133 942 920	6.45	3 960
10 001–100 000	9 694	14.80	261 136 106	12.57	26 938
100 001–1 000 000	614	0.94	140 443 113	6.76	228 735
1 000 001–10 000 000	39	0.06	96 384 129	4.64	2 471 388
10 000 001–100 000 000	4	0.01	120 336 968	5.79	30 084 242
100 000 001–	2	0.00	1 074 844 809	51.72	537 422 404
Shares in nominee accounts held by custodian banks	-	-	240 395 074	11.57	-
Shares not transferred to book-entry securities system total			762		
	65 493	**100.00**	**2 078 081 348**	**100.00**	

Information for investors

Annual General Meeting 2014

Outokumpu Oyj's Annual General Meeting 2014 will be held on Monday, April 14, 2014 at 2.00 pm EET at the Dipoli Congress Center. The address is Otakaari 24, Espoo, Finland. To attend the Annual General Meeting, shareholders must be registered on April 2, 2014 in the company's shreholders' register held by Euroclear Finland Ltd.

A holder of nominee-registered shares has the right to participate in the Annual General Meeting by virtue of such shares, based on which he/she on April 2, 2014 would be entitled to be registered in the shareholders' register of the company held by Euroclear Finland Ltd. The right to participate in the Annual General Meeting requires, in addition, that the shareholder on the basis of such shares has been registered into the temporary shareholders' register held by Euroclear Finland Ltd. at the latest by April 9, 2014 by 10.00 am EET. The account management organization of the custodian bank has to register a holder of nominee-registered shares, who wants to participate in the Annual General Meeting, into the temporary shareholders' register of the company at the latest by the time stated above.

Shareholders who wish to attend the Annual General Meetings must notify Outokumpu no later than April 9, 2014 by 10.00 am EET. Notifications can be made at www.outokumpu.com/en/investors/General-meetings/, by e-mail to the address agm.outokumpu@innovatics.fi, by telefax: +358 (0)9 421 2428, by telephone: +358 (0)9 421 2474 or +358 (0)9 421 3808 (Mon to Fri, from 12.00 noon to 4.00 pm EET), registration by phone starts on Friday, March 14, 2014 or by regular mail to:

Outokumpu Oyj
Share Register
P.O. Box 140
FI-02201 Espoo, Finland.

Shareholders may attend and vote at the AGM in person or by proxy. In accordance with Finnish practice, Outokumpu does not send proxy forms to its shareholders. Shareholders wishing to vote by proxy should therefore submit their own proxy forms to Outokumpu's Share Register during the registration period.

The complete notice to the AGM and additional information concerning the AGM is available on the Outokumpu website on the Annual General Meeting webpage.

Payment of dividend

Outokumpu's Board of Directors proposes that no dividend be paid for the 2013 financial year.

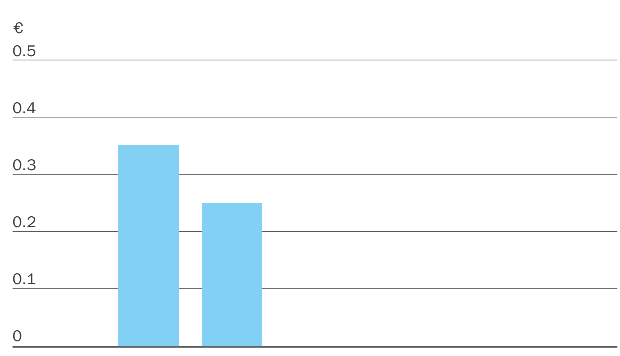
Investor information

Information for investors can be obtained from the Outokumpu website at www.outokumpu.com/en/Investors. Outokumpu's financial reports include annual and interim reports, as well as stock exchange and press releases. Outokumpu's stock exchange releases are available in English and Finnish.

To order financial reports, please contact Outokumpu Corporate Communications:

Outokumpu Oyj
Corporate Communications
Riihitontuntie 7 B, PO Box 140
02201 Espoo
Finland
e-mail: corporate.comms@outokumpu.com

Dividend/share



Years 2011 and 2012 no dividend was paid. For 2013, the Board proposes that no dividend will be paid.

Stock exchange releases in 2013

January 2	Outokumpu supplements its listing particulars
January 18	Outokumpu – Tubinoxia becomes majority shareholder in the OSTP tubular joint venture
January 22	Outokumpu – Shareholders' Nomination Board to give its proposal for the composition of the Board of Directors by the end of January
January 23	Outokumpu – Publishing of the 2012 Annual Accounts Bulletin
January 24	Outokumpu and Outotec enter into a legal dispute over invention rights
January 28	Outokumpu – Proposal by the Nomination Board to the Annual General Meeting
February 14	Outokumpu changes its reporting segments
February 14	Outokumpu's Annual Accounts Bulletin 2012: Positive operating cash flow but negative operating results in a weak market environment
February 14	Outokumpu – CFO Esa Lager intends to leave his position by end of 2013
February 14	Outokumpu – Share-based incentive schemes
February 14	Outokumpu – Notice to the Annual General Meeting
February 20	Outokumpu comments on the Terni divestment
February 25	Outokumpu Annual Report 2012 published
February 28	Outokumpu's stainless steel supports cable in the demanding Gorgon natural gas project in Australia
March 4	Outokumpu appoints Olli-Matti Saksi as Senior Vice President – Sales, Stainless Coil EMEA
March 18	Outokumpu – Resolutions of the Annual General Meeting 2013
March 18	Outokumpu Board decisions at their first meeting
April 9	Outokumpu – Publishing of the first-quarter 2013 financial results
April 17	Outokumpu supplies lean duplex for a pioneering solar plant project in Nevada, USA
April 25	Outokumpu proceeds with efficiency measures
April 25	Outokumpu – Unsatisfactory results in a weaker than expected market environment
May 2	Outokumpu has reached a settlement with Carrier regarding civil proceedings pursuant to EU industrial tube cartel decision
May 7	Outokumpu stainless steel creates lighter tanks and lower maintenance costs
May 13	Outokumpu conducts a strategic review of its VDM high performance alloys business
May 22	Outokumpu unveils new vision, products and pricing model, comments on its strategy progress
June 5	Outokumpu inaugurates new ferrochrome works in Tornio, Finland
June 7	Outokumpu comments on the Terni divestment process
June 10	Outokumpu supplies 12 250 tonnes of tailor-made stainless steel for Stolt chemical tankers
June 13	Outokumpu signs a strategic agreement with Sinopec, China's largest energy and chemical company
June 14	Outokumpu renews leadership team to accelerate strategy execution
June 18	Outokumpu changes its financial reporting schedule 2013
July 10	Outokumpu – Publishing of the second-quarter 2013 financial results
July 12	Outokumpu signs EUR 900 million revolving credit facility
July 24	Outokumpu – Good progress on synergies, cost saving and ferrochrome offset by weak market and disappointing progress in Americas
July 24	Outokumpu appoints Reinhard Florey as Chief Financial Officer
July 31	Outokumpu wins a new contract with Casa de Moneda de Mexico
August 12	Outokumpu provides stainless steel façade for China's highest skyscraper
September 2	Outokumpu stainless steel efficiently removes SO2 emissions at power plant
September 6	Outokumpu appoints Johanna Henttonen as Head of Investor Relations
September 13	Outokumpu's sustainability performance again recognized by Dow Jones Sustainability Indexes
October 1	Outokumpu introduces new industrial plan in Europe to improve financial performance
October 7	Outokumpu – Publishing of the third-quarter 2013 financial results
October 9	Outokumpu – Financial reporting schedule for the year 2014
October 10	Outokumpu featured in Climate Disclosure and Performance Leadership Indexes
October 16	Outokumpu's shareholders' Nomination Board held its first meeting
November 1	Outokumpu – Financial results still unsatisfactory – but positive operating cash flow of EUR 124 million
November 1	Outokumpu introduces daily alloy surcharge pricing model in Europe
November 12	Outokumpu stainless steel shines in the New Street station in Birmingham, UK
November 21	Outokumpu Chief Medical Officer Markku Huvinen's long-term study published in British Medical Journal
November 26	Outokumpu sells electricity distribution network at Tornio site to OFI InfraVia
November 30	Outokumpu announces comprehensive measures to strengthen its balance sheet and divests Terni and VDM to ThyssenKrupp
December 2	Outokumpu – Announcement regarding an agreement which, if completed, will result in change of holdings (Chapter 9, Section 10 of the Finnish Securities Market Act)
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December 6	Outokumpu – Krefeld melt shop ramp-down completed
December 9	Outokumpu comments the transaction with ThyssenKrupp announced on November 30, 2013
December 19	Outokumpu granted 25 million euros relief from the German renewable energy charge for 2013
December 19	Outokumpu sells Luvata vendor note to Proventus Capital Partners
December 20	Outokumpu supplies 700 tonnes of heat-resistant stainless steel for thermal power plant in India

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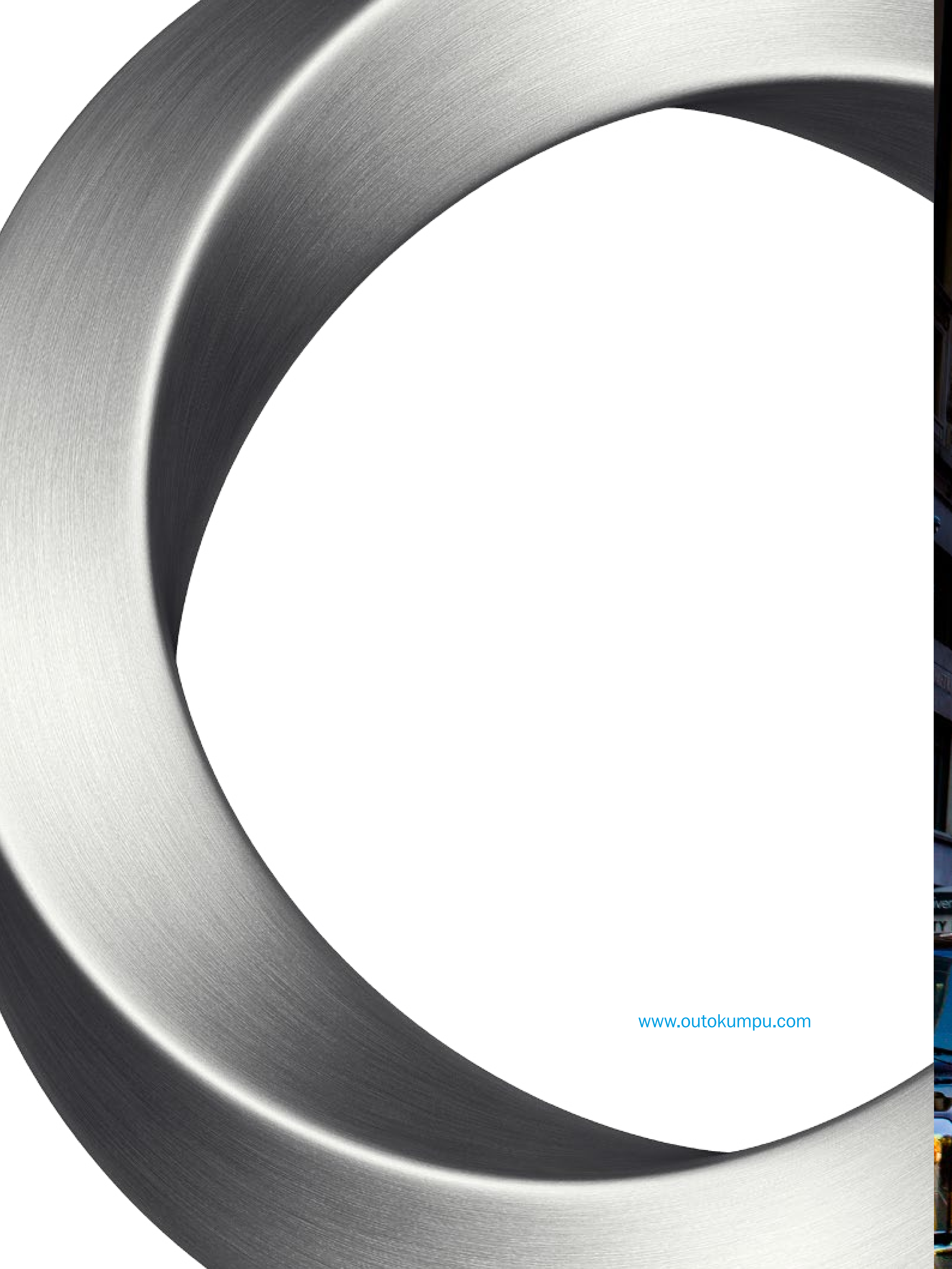
Outokumpu Oyj

Corporate Management
Riihitontuntie 7 B, P.O. Box 140
FI-02201 Espoo, Finland
Tel. +358 9 4211
Fax +358 9 421 3888

www.outokumpu.com



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