Interim report

Q1 2014

22,000 tonnes: Outokumpu's largest duplex delivery

Outokumpu delivers 22,000 tonnes of duplex to a gas field in Oman. Deliveries will start during the first half of 2014 and continue until 2016. This deal is the largest single project in duplex stainless steel that Outokumpu has ever won. Material from Outokumpu will be welded to tubes by Sosta, a major manufacturer of welded stainless steel pipe, and Inox Tech, leading producer specialized in corrosion-resistant alloy welded pipes. "Outokumpu is our main supplier because of the support Outokumpu gave us from the start and the reliability of the supplies. Part of our production is continuous production, so it is very important to avoid down time. With Outokumpu, we have the needed reliability," says Roel van Paassen, Managing Director, Sosta GmbH. "We have chosen Outokumpu because it offers the best service and because we have a long and lasting relationship that has enabled both of us to be successful also during difficulties and hard times," says Mattia Agnoletto, Managing Director, Inox Tech S.p.A.

outokumpu
high performance stainless steel

CONTENTS

Photo courtesy of Sosta GmbH

Improving financial results and continued progress in efficiency programs

Highlights in the first quarter 2014

In line with management expectations Outokumpu's operational performance continued to improve in the first quarter and underlying EBIT[1)] loss was EUR 45 million. Operating cash flow was EUR -14 million.

- Stainless steel deliveries grew by 9.1% and were 676,000 tonnes[2)] (IV 2013: 620,000 tonnes).
- Underlying EBITDA[1)] was EUR 37 million compared to EUR -1 million in the fourth quarter and underlying EBIT was EUR -45 million (IV 2013: EUR -90 million). The improvement was mainly due to higher delivery volumes, benefits from the cost savings programs and somewhat higher base prices. Operational performance in the fourth quarter also included EUR 20 million EEG refund and EUR 5 million gain on sale of disposed assets.
- EBIT was EUR -188 million (IV 2013: EUR -118 million). EBIT includes non-recurring items of EUR -140 million as well as the net effect of raw material-related inventory and hedging gains/losses of EUR -3 million (IV 2013: EUR 1 million[3)]).
- Operating cash flow was EUR -14 million (IV 2013: EUR 223 million) despite higher volumes and prices, mainly driven by stringent control of working capital.
- Net interest-bearing debt came down significantly to EUR 1,733 million (Dec 31, 2013: EUR 3,556 million) and gearing improved to 75.9% (Dec 31, 2013: 188.0%), due to the divestment of Terni and VDM to ThyssenKrupp as well as the completed rights issue.
- Agreement with the German labor unions regarding the company's restructuring plan in Europe was reached in March. Implementation of the plans proceeds. The original target of annual savings of EUR 100 million by the end of 2017 remains intact.

1) Due to the revised metal hedging policy from the beginning of 2014 Outokumpu has adjusted the definition for underlying EBIT and underlying EBITDA: In addition to non-recurring items and raw material-related inventory gains/losses, Outokumpu now also excludes metal derivative gains/losses. See "New definition of underlying profitability" for detailed information.
2) metric ton = 1,000 kg
3) IV/13 excludes metal derivative gains/losses.

Note: Terni remedy assets, the VDM business and certain service centers are reported as discontinued operations until February 28, 2014.

Group key figures

		I/14	IV/13	I/13	2013
Sales	EUR million	**1,617**	1,531	1,867	6,745
EBITDA	EUR million	**-78**	-29	0	-165
EBITDA excl. non-recurring items	EUR million	**34**	0	2	-87
Underlying EBITDA [1)]	EUR million	**37**	-1	5	-32
EBIT	EUR million	**-188**	-118	-87	-510
EBIT excl. non-recurring items	EUR million	**-48**	-89	-85	-432
Underlying EBIT [2)]	EUR million	**-45**	-90	-82	-377
Result before taxes	EUR million	**-262**	-232	-147	-822
Net result for the period from continuing operations	EUR million	**-267**	-260	-145	-832
excluding non-recurring items	EUR million	**-128**	-181	-143	-706
Net result for the period	EUR million	**-248**	-364	-152	-1,003
Earnings per share [3)]	EUR	**-0.07**	-0.11	-0.05	-0.30
excluding non-recurring items [3)]	EUR	**-0.03**	-0.09	-0.05	-0.26
Return on capital employed	%	**-18.3**	-9.9	-6.1	-10.3
excluding non-recurring items	%	**-4.7**	-7.4	-6.0	-8.7
Net cash generated from operating activities, continuing oper.	EUR million	**-14**	223	-58	34
Net interest-bearing debt at the end of period	EUR million	**1,733**	3,556	3,671	3,556
Debt-to-equity ratio at the end of period	%	**75.9**	188.0	131.1	188.0
Capital expenditure, continuing operations	EUR million	**15**	45	68	183
Stainless steel deliveries, continuing operations [4)]	1,000 tonnes	**676**	620	691	2,585
Stainless steel base price [5)]	EUR/tonne	**1,070**	1,057	1,177	1,103
Personnel at the end of period, continuing operations		**12,436**	12,561	13,092	12,561

[1)] EBITDA excluding non-recurring items, other than impairments; raw material-related inventory gains/losses and as of I/14 metal derivative gains/losses, unaudited.

[2)] EBIT excluding non-recurring items, raw material-related inventory gains/losses and as of I/14 metal derivative gains/losses, unaudited.

[3)] Calculated based on the rights-issue-adjusted weighted average number of shares.

[4)] Excludes ferrochrome deliveries.

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

New definition of underlying profitability

Following the change in Outokumpu's metal hedging policy in the beginning of 2014, Outokumpu has changed the definition of its underlying profitability. The new definition of the underlying profitability follows the company's underlying profit development by eliminating the impact of non-recurring items, raw material related inventory gains/losses and metal derivative gains/losses.

Raw material-related inventory gains/losses as well as metal derivative result is presented as net effect. The historical figures were not adjusted as the new hedging policy was implemented in the beginning of 2014 and is not applicable to past periods.

Business and financial outlook for the second quarter of 2014

Outokumpu extends its cautiously optimistic view of the markets for the second quarter. Underlying demand is estimated to continue recovery and the recent rally in the nickel price is expected to have a positive impact on market dynamics. The company estimates similar or somewhat higher delivery volumes and some improvement in base prices for the second quarter. The steady progress in the cost efficiency initiatives and synergies is expected to continue.

For the second quarter of 2014, Outokumpu estimates that the underlying EBIT will improve, but will be still at a loss. At current metal prices, net impact of raw material-related inventory and metal derivative gains/losses on profitability is expected to be marginal.

Going forward, Outokumpu's operating result is likely to be impacted by non-recurring items associated with the Group's ongoing restructuring programs, but significantly less than in the first quarter. This outlook reflects the current scope of continuing operations of Outokumpu.

CEO Mika Seitovirta:

"The first quarter was important for us for many reasons: we completed the divestment of Terni and VDM, finalized comprehensive financing arrangements and carried out a rights issue. As a result, we have a significantly stronger balance sheet and improved financial position. At the end of the quarter we also reached an agreement with the labor unions in Germany to proceed with the closure of the Bochum melt shop and the restructuring measures in EMEA at an accelerated pace.

During the first quarter, the stainless steel market started to pick up as well. There was modest improvement in the underlying market demand, sequentially higher delivery volumes and some improvement in base prices. We estimate continuing positive trend and remain cautiously optimistic about the market sentiment.

Despite higher deliveries we managed to continue tight control over our inventories, and thus delivered a better cash flow for the first quarter than we originally estimated. We remain focused on safeguarding the cash flow. However, the strong increase in nickel price and typical seasonal build-up of inventories may have an adverse effect on the operating cash flow in the coming months.

Our financial performance developed in line with our expectations. The one-off costs affecting the first-quarter results are related to the measures we are taking to improve our profitability, in particular the planned closure of Kloster in Sweden and the EMEA restructurings in Germany. There was a visible improvement in the underlying EBIT sequentially and year-on-year. We are going towards to right direction, but we still have a lot of work ahead of us before we are back to sustainable profitability.

Our focus thus remains on our customers and the completion of our turnaround plan. The ramp-up of Calvert is our single biggest profitability lever this year. During the first quarter we progressed according to plans, thereby supporting our goal of break-even EBITDA for Stainless Americas this year. The restructuring and savings programs are also starting to gain traction. We will continue to explore opportunities to build on the good development of our efficiency measures to fundamentally change the cost levels of our operations and reach sustainable profitability."

Update on strategic initiatives

Divestment of Terni and VDM to ThyssenKrupp finalized and balance sheet strengthened

On February 28, 2014, Outokumpu completed the divestment of the Terni remedy assets, certain service centers and the VDM business to ThyssenKrupp. In the transaction, the stainless steel mill in Terni, Italy, all related legal entities (Acciai Speciali Terni, Terninox, Aspasiel, Tubificio di Terni and Società delle Fucine), the service centers in Germany (Willich), Spain (Barcelona), Turkey (Gebze) and France (Tours) and the entire VDM business were divested in exchange for Outokumpu's approximately EUR 1.3 billion loan note to ThyssenKrupp.

In conjunction with the completion of the transaction, Outokumpu settled the outstanding amount of EUR 160 million under the credit facility granted by ThyssenKrupp. Furthermore, as ThyssenKrupp has sold all of its Outokumpu shares, representing a 29.9% stake in Outokumpu, the two companies have cut their financial and ownership ties, thereby fulfilling the requirements set by the European Commission.

Debt financing arrangements

Outokumpu has also completed extensive debt financing arrangements to strengthen its financial position that were announced on November 30, 2013. These included a new EUR 900 million revolving credit facility, a new EUR 500 million liquidity facility and extensions or amendments of its bilateral loan portfolio of approximately EUR 600 million to mature in February 2017. Please see "Financing" for detailed information.

Rights offering oversubscribed

In addition, Outokumpu carried out a rights issue immediately after the closing of the sale of Terni and VDM which was oversubscribed by 23% and resulted in net proceeds of approximately EUR 640 million.

A total of 10,258,172,806 shares were subscribed for in Outokumpu's rights offering during the subscription period from March 10 to March 26, 2014, representing 123.5% of the 8,308,534,476 shares offered (the "offer shares"). A total of 8,276,217,384 shares were subscribed for pursuant to subscription rights, representing 99.6% of all offer shares, and a total of 1,981,955,422 shares were subscribed for without subscription rights in the secondary subscription, representing 23.9% of all offer shares. Of the offer shares subscribed for without subscription rights, 32,317,092 offer shares have been allocated to subscribers in proportion to the number of subscription rights exercised for subscription of the offer shares by them. The underwriting provided by Danske Bank A/S, Helsinki Branch, Nordea Bank Finland Plc, Skandinaviska Enskilda Banken AB (publ) Helsinki Branch, BNP Paribas, Crédit Agricole Corporate and Investment Bank, J.P. Morgan Securities Plc and Swedbank AB (publ) was not utilized.

The subscription price was EUR 0.08 per offer share and Outokumpu raised net proceeds of approximately EUR 640 million through the rights offering. As a result of the rights offering, the total number of shares in Outokumpu increased to 10,386,615,824. The new shares were registered with the Finnish Trade Register on April 7, 2014 and they carry similar shareholder rights as all other shares in the company.

As a result of the Terni and VDM divestment and the rights issue, Outokumpu's net interest-bearing debt decreased significantly from EUR 3,556 million to EUR 1,733 million by the end of March 2014 leading to an improvement in gearing from 188.0% at the end of 2013 to 75.9%.

Agreement on new industrial plan in Europe

On March 30, 2014, Outokumpu successfully concluded negotiations with the employee representatives and unions in Germany regarding the new industrial plan in Europe. The industrial plan for business area Stainless EMEA was originally announced in October 2013, with a target of EUR 100 million in annual savings, contributing to the overall annual synergy and cost savings of EUR 470 million in 2017.

Key elements of the agreement:

- The Bochum melt shop closure will be accelerated and closed in 2015, following a production transfer process that ensures the continuation of high quality deliveries to customers after the Bochum closure
- Outokumpu invests EUR 108 million to the Krefeld cold rolling center in Germany between 2014 and 2016 through the ferritic production optimization (NIFO-project)
- Benrath cold rolling mill is expected to be closed in 2016 after the production transfer to Krefeld has been completed

The industrial plan results in a reduction of 1,000 jobs, thereby bringing the total reduction of jobs to 3,500 jobs globally by the end of 2017. In the first quarter, EUR 120 million of non-recurring cost was recorded for the EMEA restructuring program.

Strategic review of operations in Nyby, Kloster and Dahlerbrück concluded

In February 2014, Outokumpu concluded the 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 decided to discontinue its operations in Kloster, Sweden. Outokumpu will continue the operations in Nyby, Sweden and in Dahlerbrück, Germany as before. The planned measures are expected to result in annual savings of approximately EUR 15 million from 2015 onwards and a EUR 20 million non-recurring cost was recorded in the first quarter.

Strong progress in cost savings and efficiency programs

Synergy savings

In the first quarter of 2014, additional synergy savings of EUR 24 million have been achieved, leading to total cumulated synergy savings of EUR 119 million since the beginning of 2013. Roughly 60% of total savings came from raw material and general procurement. The Krefeld melt shop closure and the headcount reductions also contributed to the overall achievement. The business area Stainless EMEA's share in overall synergy savings added up to roughly 70 percent by the end of the first quarter, followed by the Specialty Stainless business area with 15 percent. Outokumpu expects synergy savings to reach more than EUR 170 million in 2014, with a larger relative share coming from production optimization. The synergy savings target of EUR 200 million by the end of 2017 remains unchanged.

P150 savings

Outokumpu introduced its P150 cost reduction program in the beginning of 2013 with a goal of EUR 150 million reduction in Outokumpu's annual costs by the end of 2014. These savings are 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 the first quarter of 2014, EUR 28 million of cost savings were reached leading to cumulated savings of EUR 132 million. The original target of EUR 150 million of annual savings by the end of 2014 remains unchanged. However, Outokumpu is working on identifying and implementing further cost saving potential. For example with the Kloster closure the annual savings impact increases with additional EUR 15 million in 2015.

EMEA restructuring savings

Outokumpu reached an agreement with the German labor unions regarding the EMEA restructuring plan in March. Implementation of the plans proceeds with the original targeted annual savings of EUR 100 million by the end of 2017 intact. The closure of the melt shop in Bochum will take place in 2015 following a production transfer process to other sites. There will be EUR 108 million investment into Krefeld cold rolling center in Germany between 2014 and 2016 to optimize ferritic stainless steel production. Benrath cold rolling mill is expected to be closed in 2016 after the production transfer to Krefeld has been completed.

Savings from the EMEA restructuring will start to have an impact in 2015 with roughly EUR 20 million. An additional EUR 60 million are expected for 2016 and the full cumulated savings of EUR 100 million in 2017.

One-time initial cash costs for all three programs are expected to amount to approximately EUR 200 million between 2013 and 2017. The increase from the previous estimate of EUR 170 million is mainly due to Kloster closure.

Cumulated savings from corporate programs

EUR million	2013	I/14	2014f	Target 2017
Total cumulated savings	199	251	320	470
of which: Synergies	95	119	>170	200
of which: P150	104	132	150	170
of which: EMEA restructuring	-	-	-	100

P300 net working capital program

In February 2013, Outokumpu announced a two-year working capital reduction program, P300. The program targets a net working capital reduction of EUR 300 million through active inventory, accounts receivable and accounts payable management. Since the beginning of 2013, EUR 399 million of net working capital has been already reduced, mainly through reduction of inventories.

In the first quarter of 2014, Outokumpu continued its tight control over net working capital and inventories in line with the anticipated market demand. Although inventories in absolute tonnes increased, a key metric of inventory days has been successfully kept under control with a quarterly average of 85 days (IV 2013: 88 days). The target for working capital efficiency measured in inventory days for the continuing operations is 91 on average for 2014. Special focus is now on accounts receivable and accounts payable management.

Ongoing ramp-ups

Ferrochrome production ramp-up

The ramp-up of new capacity at the Ferrochrome operations in Finland continued according to plans with quarterly ferrochrome production reaching 121,000 tonnes (IV 2013: 119,000 tonnes). The full technical production capacity of 530,000 tonnes is expected to be reached in 2015.

Calvert ramp-up

The ramp-up of Outokumpu's integrated stainless steel mill in Calvert, USA continues to develop positively with improvements and better production stability over the previous quarters. 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. March was a record month for all major production lines at the Calvert mill.

Additionally, the melt shop ramp-up continues as planned with operations 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 Potosí, Mexico (Mexinox). Previously, Mexinox received the majority of its hot rolled coil from Europe and the last contractual shipment from Terni was received in late March.

Market development

Stainless steel demand recovered during the first quarter, most notably in Europe

Global real demand for stainless steel products totaled 9.1 million tonnes in the first quarter of 2014, up by 6.0% compared to the fourth quarter of 2013. Especially in Americas and EMEA regions, demand increased during the first three months of 2014 by 14.9% and 12.7%, respectively. However, demand in EMEA still remained below last year's first quarter level. In APAC, consumption levels increased by 3.2% quarter-on-quarter.

Market development of total stainless steel real demand in Q1 2014

Million tonnes	2013	I/13	IV/13	I/14e	Δ y-o-y	Δ q-o-q
EMEA	6.9	1.8	1.6	1.8	-0.8%	12.7%
Americas	3.3	0.8	0.7	0.9	2.4%	14.9%
APAC	24.4	5.9	6.2	6.4	8.2%	3.2%
Total	34.6	8.6	8.6	9.1	5.7%	6.0%

Source: SMR April 2014
e = estimate

In the Industrial & Heavy Industries, Chemical/Petrochemical & Energy and Consumer Goods & Medical segments demand increased in the first quarter of 2014 by 8.8%, 8.4% and 6.2%, respectively, compared to the fourth quarter of 2013. Additionally growth was seen in the segments Architecture/Building & Construction and Automotive & Heavy Transport with quarter-on-quarter growth rates of 4.0% and 3.2%, respectively.

Imports into the EU reached 23.1% of total consumption in the first quarter of 2014 compared to an average level of 23.8% in the fourth quarter and for the full year of 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 the first quarter of 2014, slightly up from 13.0% in the previous quarter. The average import level in 2013 was 13.4%.

Stainless steel transaction prices

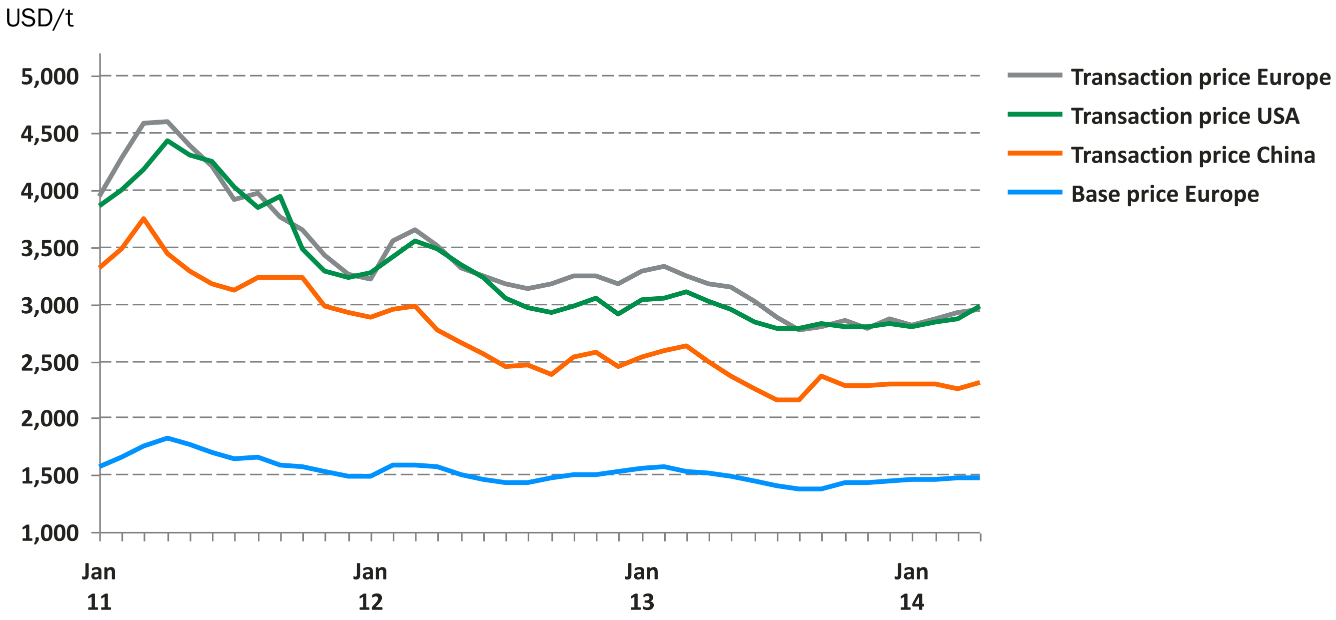
According to CRU, average transaction prices in the first quarter of 2014 for 2mm cold rolled 304 stainless steel sheet in all regions remained quite stable compared to the previous quarter. In Europe, there were some signs of improvement in the base price as well as in the alloy surcharge. In the US, the increase in the alloy surcharge by 2.9% was the main price driver during the first quarter, whereas the base price declined slightly. The Chinese transaction price remained unchanged quarter-on-quarter. Average transaction price levels still remain significantly below last year's first quarter levels with a decline of 13%, 8% and 12% in the EU, USA and China, respectively.

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

USD/t		2013	I/13	IV/13	I/14	Δ y-o-y	Δ q-o-q
Europe	Base	1,465	1,554	1,438	1,466	-5.6%	1.9%
	Alloy	1,550	1,730	1,397	1,405	-18.8%	0.6%
	Transaction price	3,015	3,287	2,836	2,872	-12.6%	1.3%
USA	Base	1,348	1,323	1,382	1,367	3.3%	-1.1%
	Alloy	1,554	1,742	1,426	1,468	-15.7%	2.9%
	Transaction price	2,902	3,064	2,808	2,835	-7.5%	1.0%
China	Transaction price	2,370	2,586	2,287	2,283	-11.7%	-0.2%

Source: CRU April 2014

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



Source: CRU April 2014

Price development of alloying metals

The nickel price[1)] was rallying during the first quarter of the year, driven by concerns about the future availability of laterite nickel ore, as a result of the Indonesian ore export ban, and secondly by strong demand from western stainless steel mills. Prices traded in the range from 13,365 to 16,225 USD/tonne in the quarter. The average price in the quarter was 14,632 USD/tonne, 5.2% higher than 13,914 USD/tonne in the fourth quarter of 2013.

The European benchmark price[2)] for ferrochrome increased to the level of 1.18 USD/lb. in the first quarter of the year, up from 1.125 USD/lb. in the fourth quarter of 2013, on the expectations of improved demand from the stainless steel mills. For the second quarter of 2014, the benchmark price has been settled at 1.22 USD/lb.

The average molybdenum price[3)] for the first quarter was 10.0 USD/lb., up by 3.3% from 9.7 USD/lb. in the fourth quarter of 2013.

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

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. A clear target is to improve financial performance and to drive cost efficiency by increasing capacity utilization levels and leveraging the company's own chrome mine and expanded ferrochrome production. The successful implementation of the industrial plan to restructure the company's European operations will be a key in returning the company to profitability.

Stainless EMEA's first-quarter stainless steel deliveries increased to 392,000 tonnes, (IV 2013: 352,000 tonnes) due to improved market demand but are still 65,000 tonnes below the same quarter last year. Ferrochrome ramp-up continued in line with the plans: production in the quarter grew to 121,000 tonnes (IV 2013: 119,000 tonnes). The Ferrochrome business experienced transformer breakdown at one of the two classical ferrochrome smelters and this is estimated to have a minor negative impact on targeted production volumes in 2014. Outokumpu achieved some price increases in Europe and there is an expectation for additional price increases for the second quarter. Sales rose by 9.7% to EUR 959 million (IV 2013: EUR 874 million).

Stainless EMEA key figures

		I/13	II/13	III/13	IV/13	2013	I/14
Stainless steel deliveries	1,000 tonnes	457	402	365	352	1,575	**392**
Ferrochrome deliveries, continuing oper.	1,000 tonnes	28	65	57	62	212	**25**
Sales	EUR million	1,340	1,111	943	874	4,267	**959**
EBITDA	EUR million	19	-4	8	5	28	**-46**
EBITDA excl. non-recurring items	EUR million	19	28	8	27	82	**47**
Underlying EBITDA	EUR million	na	na	na	na	na	**51**
EBIT	EUR million	-28	-49	-37	-44	-158	**-118**
EBIT excl. non-recurring items	EUR million	-28	-17	-37	-21	-104	**2**
Underlying EBIT	EUR million	na	na	na	na	na	**7**
Depreciation and amortization	EUR million	-44	-45	-45	-45	-179	**-45**
Capital expenditure	EUR million	26	14	14	15	69	**7**
Operating capital	EUR million	2,638	2,425	2,401	2,218	2,218	**2,131**

EBITDA excluding non-recurring items improved quarter-on-quarter from EUR 27 million to EUR 47 million. Profit improvement was driven by higher delivery volumes and base prices, as well as improved capacity utilization rates. The first-quarter EBITDA was EUR -46 million and included non-recurring items of EUR -93 million due to redundancy and environmental provisions related to the EMEA restructuring. Additional non-recurring impairments of EUR 27 million related to the EMEA restructuring were booked in EBIT. Against the first quarter of 2013, EBITDA excluding non-recurring items improved substantially despite lower delivery volumes, which is gradually showing the results from the synergy savings and the restructuring measures. Stainless EMEA reached EBIT break-even for the quarter (excluding non-recurring items) for the first time since the Inoxum transaction.

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 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 by 2016. In addition, Stainless Americas focuses on ensuring performance of the Mexican operations.

Stainless Americas key figures

		I/13	II/13	III/13	IV/13	2013	I/14
Deliveries	1,000 tonnes	102	116	129	119	465	**135**
Sales	EUR million	202	231	251	223	906	**254**
EBITDA	EUR million	-38	-70	-50	-43	-201	**-19**
EBITDA excl. non-recurring items	EUR million	-38	-70	-50	-35	-193	**-19**
Underlying EBITDA	EUR million	na	na	na	na	na	**-23**
EBIT	EUR million	-54	-87	-68	-60	-270	**-36**
EBIT excl. non-recurring items	EUR million	-54	-87	-68	-53	-262	**-36**
Underlying EBIT	EUR million	na	na	na	na	na	**-40**
Depreciation and amortization	EUR million	-17	-18	-18	-17	-69	**-17**
Capital expenditure	EUR million	23	3	2	16	44	**2**
Operating capital	EUR million	1,290	1,271	1,157	1,040	1,040	**993**

Stainless Americas' operational performance continued to improve during the first quarter of 2014. Progress in the Calvert ramp-up, as well as pick up in both fundamental demand and restocking, were reflected in higher deliveries of 135,000 tonnes in the quarter (IV 2013: 119,000 tonnes). Sales increased by 14% to EUR 254 million (IV 2013: EUR 223 million). Outokumpu's first-quarter base prices in the US remained unchanged from the previous quarter and price increases have been announced as of April.

The first-quarter EBITDA excluding non-recurring items improved to EUR -19 million (IV 2013: EUR -35 million). The improvement is mainly driven by increased delivery volumes and higher contribution margins from increased usage of own melted production thereby supporting our goal of break-even EBITDA for Stainless Americas this year.

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.

The market activity in APAC region slowed down around Chinese New Year in February but came back again in March. Order intake has been affected by long lead times from Outokumpu's European mills and rising prices. Order intake of SKS cold rolling mill in China improved in the first quarter compared to the fourth quarter last year partially offsetting the weakness of the European import business.

Stainless APAC key figures

		I/13	II/13	III/13	IV/13	2013	I/14
Deliveries	1,000 tonnes	36	29	56	62	184	**48**
Sales	EUR million	85	74	111	117	388	**88**
EBITDA	EUR million	4	3	4	-3	9	**-2**
EBITDA excl. non-recurring items	EUR million	4	3	4	-3	9	**-2**
Underlying EBITDA	EUR million	na	na	na	na	na	**-2**
EBIT	EUR million	0	-1	0	-7	-7	**-5**
EBIT excl. non-recurring items	EUR million	0	-1	0	-6	-7	**-5**
Underlying EBIT	EUR million	na	na	na	na	na	**-5**
Depreciation and amortization	EUR million	-4	-4	-4	-4	-16	**-3**
Capital expenditure	EUR million	1	1	1	1	3	**0**
Operating capital	EUR million	229	222	210	189	189	**177**

Deliveries were 48,000 tonnes in the first quarter of 2014, significantly down from 62,000 tonnes in the fourth quarter. The lower deliveries were due to limited hot band feedstock availability at SKS, maintenance breaks and the Chinese New Year in February.

The first-quarter EBITDA excluding non-recurring items was EUR -2 million and was impacted by low delivery volumes and reduced margins at SKS.

Specialty Stainless

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 February, Outokumpu announced a plan to discontinue operations in Kloster, Sweden by the end of 2014.

In the first quarter of 2014, underlying demand improved somewhat across all the business lines. Project business has also picked up and orders have been received, for example, from customers in chemical and energy industries.

Specialty Stainless key figures

		I/13	II/13	III/13	IV/13	2013	I/14
Deliveries	1,000 tonnes	143	116	109	121	490	**133**
Sales	EUR million	490	420	336	372	1,619	**400**
EBITDA	EUR million	25	1	-12	13	27	**-2**
EBITDA excl. non-recurring items	EUR million	25	1	-12	13	27	**18**
Underlying EBITDA	EUR million	na	na	na	na	na	**19**
EBIT	EUR million	9	-14	-27	-1	-33	**-16**
EBIT excl. non-recurring items	EUR million	9	-14	-26	-1	-32	**4**
Underlying EBIT	EUR million	na	na	na	na	na	**5**
Depreciation and amortization	EUR million	-15	-15	-14	-14	-58	**-14**
Capital expenditure	EUR million	10	10	21	13	54	**5**
Operating capital	EUR million	869	805	783	743	743	**730**

Deliveries in the first quarter of 2014 increased by 9.2% to 133,000 tonnes quarter-on-quarter. Deliveries are still below the levels of the same period a year ago reflecting low market activity during the latter half of 2013.

EBITDA excluding non-recurring items for the first quarter improved to EUR 18 million (IV 2013: EUR 13 million) primarily due to the increase in deliveries in all business lines. Non-recurring items amounted to EUR -20 million and related to provisions of the Kloster closure by the end of 2014.

Financial performance

Deliveries up by 9%

In line with somewhat improved market activity, Outokumpu's stainless steel deliveries in the first quarter of 2014 increased to 676,000 tonnes (IV 2013: 620,000 tonnes). Deliveries were up in Stainless EMEA, Stainless Americas and Specialty Stainless.

Capacity utilization rates of the Outokumpu production facilities have improved reflecting the closure of the Krefeld melt shop in December 2013 and the progress in the Calvert ramp-up. In the first quarter, Outokumpu's average utilization rate in melting was about 85% compared to 80% in the same period a year ago (2013 average: 65%). In cold rolling, the average utilization rate was 75%, which is similar to last year's first quarter (2013 average: 70%).

Continuing operations' deliveries

1,000 tonnes	I/13	II/13	III/13	IV/13	2013	**I/14**
Cold rolled	480	456	483	460	1,879	**487**
White hot strip	103	94	81	92	370	**103**
Quarto plate	23	19	16	18	77	**22**
Long products	15	17	16	15	62	**16**
Semi-finished products	92	116	94	96	398	**71**
Stainless steel [1)]	64	51	38	33	186	**46**
Ferrochrome	28	65	57	62	212	**25**
Tubular products	6	3	2	2	12	**2**
Total deliveries	719	705	692	682	2,797	**701**
Stainless steel deliveries	691	640	635	620	2,585	**676**

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

Sales and earnings up on higher deliveries and savings

Sales

EUR million	I/13	II/13	III/13	IV/13	2013	**I/14**
Stainless EMEA	1,340	1,111	943	874	4,267	**959**
Stainless Americas	202	231	251	223	906	**254**
Stainless APAC	85	74	111	117	388	**88**
Specialty Stainless	490	420	336	372	1,619	**400**
Other operations	100	114	166	158	538	**135**
Intra-group sales	-350	-212	-198	-214	-974	**-220**
Sales	1,867	1,738	1,609	1,531	6,745	**1,617**

Outokumpu sales in the first quarter of 2014 grew by 5.6% to EUR 1,617 million (IV 2013: EUR 1,531 million) mainly driven by Stainless EMEA and Stainless Americas.

For Outokumpu, the base prices increased by about 10-20 EUR/tonne during the first quarter. According to CRU, the average base price[1)] for the first quarter 2014 was 1,070 EUR/tonne (IV 2013: 1,057 EUR/tonne).

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

Profitability

EUR million	I/13	II/13	III/13	IV/13	2013	I/14
Underlying EBITDA 1)	5	-2	-34	-1	-32	**37**
Adjustments to EBITDA						
Non-recurring items in EBITDA	-2	-46	-1	-29	-78	**-113**
Net of raw material-related inventory and metal derivative gains/losses, unaudited 2)	-3	-38	-15	1	-56	**-3**
EBITDA	0	-86	-50	-29	-165	**-78**
Underlying EBIT 3)	-82	-87	-118	-90	-377	**-45**
Adjustments to EBIT						
Non-recurring items in EBIT	-2	-46	-1	-29	-78	**-140**
Net of raw material-related inventory and metal derivative gains/losses, unaudited 2)	-3	-38	-15	1	-56	**-3**
EBIT	-87	-171	-134	-118	-510	**-188**

1) EBITDA excluding non-recurring items, raw material-related inventory gains/losses and as of I/14 metal derivative gains/losses, unaudited.

2) I–IV/13 and 2013 exclude metal derivative gains/losses.

3) EBIT excluding non-recurring items, raw material-related inventory gains/losses and as of I/14 metal derivative gains/losses, unaudited.

First-quarter 2014 EBITDA amounted to EUR -78 million (IV 2013: EUR -29 million), including non-recurring items of EUR -113 million (IV 2013: EUR -29 million). Non-recurring items were related to redundancy and environmental provisions in Outokumpu's European operations.

The net effect from raw material-related inventory and hedging gains/losses in the first quarter of 2014 was EUR -3 million (IV 2013: EUR 1 million). See "New definition of underlying profitability" for more information.

Adjusted for non-recurring items and net of raw material-related inventory and metal derivative gains/losses underlying EBITDA was EUR 37 million, up from EUR -1 million in the fourth quarter of 2013 and EUR 5 million in the first quarter of 2013.

Underlying EBIT improved to EUR -45 million compared to EUR -90 million in the fourth quarter of 2013 and EUR -82 million in the first quarter of 2013. The restructuring and savings programs are gradually starting to gain traction.

Non-recurring items in EBITDA and EBIT

EUR million	I/13	II/13	III/13	IV/13	2013	I/14
EBITDA						
Redundancy provisions	-	-33	-0	-20	-54	**-88**
Environmental provisions related to site closures	-	-	-	-	-	**-25**
Inventory write-downs related to efficiency programs	-	-	-	-12	-12	**-**
Carrier settlement	-	-11	-	-	-11	**-**
Costs related to Inoxum transaction	-2	-1	-0	2	-1	**-**
Non-recurring items in EBITDA	-2	-46	-1	-29	-78	**-113**
of which in gross margin	-	-24	-0	-29	-53	**-113**
Additionally in EBIT						
Impairments related to EMEA restructuring	-	-	-	-	-	**-27**
Non-recurring items in EBIT	-2	-46	-1	-29	-78	**-140**

Lower financial expenses

Net financial income and expenses amounted to EUR -79 million (IV 2013: EUR -115 million). Interest expenses for the first quarter were EUR 49 million (IV 2013: EUR 58 million) including the interest cost of the ThyssenKrupp loan note until February 28, 2014. Market price losses amounted to EUR 9 million compared to EUR 3 million in the fourth quarter of 2013.

Financial expenses in the first quarter included a fair value change of EUR -6 million (IV 2013: EUR -3 million) for the 16% stake in Talvivaara Sotkamo Ltd due to the decline in the share price of Talvivaara Mining Company Plc during the quarter. At the end of March 2014, the remaining fair value for Outokumpu's Talvivaara stake was EUR 6 million.

Net result for the period

The net result for the first quarter of 2014 was EUR -248 million (IV 2013: EUR -364 million), of which EUR -267 million (IV 2013: EUR -260 million) was related to continuing operations and EUR 20 million (IV 2013: EUR -103 million) to discontinued operations, showing the results of the Terni remedy assets, VDM business and certain service centers until the completion of the divestment at the end of February 2014 and the estimated capital gain on sale. The current estimate of the capital gain on the transaction is about EUR 6 million net of transaction costs, out of which EUR 33 million is recognized in the result from the discontinued operations in the first quarter 2014. Non-recurring transaction costs of EUR -27 million were already recognized in 2013. See notes for details. Earnings per share of the continuing operations were EUR -0.07 (IV 2013: EUR -0.08).

Operating cash flow under control

There was only a small negative operating cash flow during the quarter. Cash flow was better than expected since the increase in inventories was small due to stringent net working capital management and the timing of raw material purchases. Operating cash flow was EUR -14 million (IV 2013: EUR 223 million).

Summary of cash flows

EUR million	Jan–March 2014	Oct–Dec 2013	Jan–March 2013	Jan–Dec 2013
Net result for the period	**-248**	-364	-152	-1,003
Non-cash adjustments	**227**	354	129	844
Change in working capital	**33**	254	-19	297
Dividends received	**3**	-	-	2
Interests received	**1**	2	0	3
Interests paid	**-29**	-20	-16	-106
Income taxes paid	**-1**	-2	-0	-3
Net cash from operating activities	**-14**	223	-58	34
Purchases of assets	**-32**	-43	-158	-287
Proceeds from the sale of subsidiaries, net of cash	**-10**	-	-1	-1
Proceeds from the sale of assets	**1**	187	0	187
Other investing cash flow	**-0**	0	-7	-7
Net cash from investing activities	**-42**	143	-166	-108
Cash flow before financing activities	**-56**	367	-224	-74
Net cash from financing activities	**341**	-199	287	459
Net change in cash and cash equivalents	**286**	168	63	385

Cash flows are presented for continuing operations.

Outokumpu's current trade accounts payable went up by 32%, inventories up by 9% and current trade accounts receivable up by 6%. The net cash from investing activities was EUR -42 million (IV 2013: EUR 143 million).

Outokumpu remains focused on safeguarding the cash flow. However, the strong increase in nickel price and typical seasonal build-up of inventories may have an adverse effect on the operating cash flow in the coming months.

Capital expenditure

Capital expenditure for continuing operations was kept at a low level during the quarter and was at EUR 15 million (IV 2013: EUR 45 million). Capital expenditure related mostly to maintenance and smaller projects in Stainless EMEA, Specialty Stainless and Stainless Americas.

Balance sheet significantly strengthened

Summary of statement of financial position

EUR million	March 31 2014	March 31 2013	Dec 31 2013
ASSETS			
Non-current assets	**3,854**	4,686	3,944
Current assets	**3,104**	4,055	2,679
Assets held for sale	**-**	1,284	2,200
TOTAL ASSETS	**6,959**	10,025	8,823
EQUITY AND LIABILITIES			
Equity	**2,283**	2,800	1,891
Non-current liabilities	**2,843**	3,654	3,791
Current liabilities	**1,832**	2,778	2,093
Liabilities directly attributable to assets held for sale	**-**	793	1,048
TOTAL EQUITY AND LIABILITIES	**6,959**	10,025	8,823

Total assets at the end of March 2014 declined to EUR 6,959 million (Dec 31, 2013: EUR 8,823 million) reflecting the divestment of the Terni remedy assets and the VDM business to ThyssenKrupp on February 28, 2014. As a result of the divestment, the assets classified as held for sale and related liabilities have been disposed of. Please see Notes for additional information.

Cash and cash equivalents increased by EUR 273 million to EUR 880 million (Dec 31, 2013: EUR 607 million) showing mainly the net effect of the cash inflow from the rights issue and cash outflow from financing activities.

The goodwill was EUR 468 million at the end of March 2014 (Dec 31, 2013: EUR 465 million).

Equity increased by EUR 392 million to 2,283 million (Dec 31, 2013: EUR 1,891 million) and was positively impacted by the net proceeds from the rights issue but on the other hand also reflecting the net loss for the period.

Long-term debt decreased by EUR 1,060 million to EUR 2,210 million compared to the year-end 2013 mainly driven by the deduction of the ThyssenKrupp loan note (Feb 28, 2014: EUR 1,292 million) as consideration for the Terni and VDM divestment. On the other hand, some loans were transferred from current debt to long-term debt as a result of the refinancing activities and the extension of the maturities of certain loans. See “Financing” for more details.

Provisions increased by EUR 102 million to EUR 217 million (Dec 31, 2013: EUR 115 million) mainly in connection with the planned closure of the Kloster production site, as well as the now agreed restructuring measures in business area Stainless EMEA.

Net interest-bearing debt at the end of March 2014 totaled EUR 1,733 million (Dec 31, 2013: EUR 3,556 million). Gearing improved from 188.0% to 75.9% as of March 31, 2014, reflecting the Terni and VDM divestment, as well as the rights issue.

Financing

Cash and liquidity reserves

Cash increased from EUR 607 million at the end of 2013 to EUR 880 million at the end of the first quarter of 2014, and the overall liquidity reserves are in excess of EUR 1.8 billion (Dec 31, 2013: approx. EUR 1.0 billion).

Refinancing

On February 28, 2014, Outokumpu completed the extensive debt financing arrangements to strengthen its financial position.

A new EUR 900 million revolving credit facility has been effective as of February 28, 2014. The facility has its maturity in February 2017 and replaces the previous EUR 900 million revolving credit facility signed in July 12, 2013 that would have matured in June 2015. BNP Paribas, Crédit Agricole Corporate and Investment Bank, Danske Bank, Svenska Handelsbanken, JP Morgan, Nordea, Pohjola Bank, The Royal Bank of Scotland, Skandinaviska Enskilda Banken and Swedbank act as Mandated Lead Arrangers and Lenders of the new facility.

A new EUR 500 million liquidity facility was signed with Skandinaviska Enskilda Banken, Nordea, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Danske Bank, JP Morgan, Pohjola Bank, Svenska Handelsbanken and Swedbank. This facility is effective as of February 28, 2014 and matures in February 2017. The purpose of this new facility is to strengthen Outokumpu's liquidity.

Both the EUR 900 million and EUR 500 million facilities include financial covenants on gearing and liquidity.

Furthermore, Outokumpu amended its bilateral loan portfolio of approximately EUR 600 million to mature in February 2017.

Outokumpu granted a security package for its debt and bond financing. As security, Outokumpu pledged the shares of some of its subsidiary companies, for example in Finland, Sweden and the United States, as well as other particular fixed assets. In addition, certain subsidiary companies have provided guarantees as security. The security package ensures financing on competitive prices and its benefits clearly surpass its costs. The security package covers most of Outokumpu's debt financing, including the new EUR 500 million liquidity facility, the EUR 900 million revolving credit facility, bilateral bank loans as well as the two outstanding notes.

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. The noteholders' meetings held on February 7, 2014 approved the amendment of the terms and conditions of the notes due in 2015 and 2016. Following the completion of the refinancing measures the amendments to the terms and conditions of the notes are effective as of February 28, 2014.

People

Outokumpu's headcount declined by 125 during the first quarter of 2014 and totaled 12,436 at the end of March 2014 (Dec 31, 2013: 12,561). The decrease in the number of employees was mainly related to the ongoing integration and cost reduction programs in Europe counterbalancing an increase of 85 employees in the course of ramp-up of our Calvert operations. During the last year, Outokumpu initiated actions to reduce costs and enable the Group to achieve sustainable profitability. In connection with the P150 cost savings program, the synergy savings and the new EMEA industrial plan, Outokumpu plans to reduce up to 3,500 jobs globally by 2017. The planned reductions are related to capacity reductions in Europe as well as streamlining all overlapping activities in sales, production, supply chain and support functions.

Personnel at the end of reporting period

	March 31 2014	March 31 2013	Dec 31 2013
Stainless EMEA	**6,706**	7,293	6,887
Stainless Americas	**2,093**	2,020	2,006
Stainless APAC	**627**	654	630
Specialty Stainless	**2,627**	2,717	2,653
Other operations	**383**	408	385
Continuing operations	**12,436**	13,092	12,561

The lost-time injury rate (lost-time accidents per million working hours) during the first quarter was 2.3 against a target of less than 4.0. There were no serious injuries in the quarter. The rollout of a new safety campaign commenced in March and will provide further focus on the main safety risks in the stainless steel industry.

Market and business outlook

Market outlook

For the second quarter of 2014, global demand for stainless steel is expected to increase slightly to 9.2 million tonnes. Total global demand for 2014 is estimated at 37.0 million tonnes, up by 6.8% compared to 2013, mainly driven by increased consumption in APAC (8.1%). In Americas and EMEA, total stainless steel demand is estimated to grow as well (4.1% and 3.6% compared to 2013, respectively).

Real demand development for total stainless products between 2013 and 2015

Million tonnes	2013	I/14e	II/14f	III/14f	IV/14f	2014f	2015f
EMEA	6.9	1.8	1.9	1.6	1.8	7.1	7.4
Americas	3.3	0.9	0.9	0.9	0.9	3.5	3.6
APAC	24.4	6.4	6.5	6.7	6.8	26.4	28.3
Total	34.6	9.1	9.2	9.2	9.5	37.0	39.3

Source: SMR April 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 Architecture/Building/Construction & Infrastructure (+8.4%), Automotive & Heavy Transport (+6.6%) and Consumer Goods & Medical (+6.6%) segments. The Industrial & Heavy Industries and Chemical/Petrochemical & Energy segments are expected to grow at average annual growth rates of 5.4% and 5.3%, respectively.

Business and financial outlook for the second quarter of 2014

Outokumpu extends its cautiously optimistic view of the markets for the second quarter. Underlying demand is estimated to continue recovery and the recent rally in the nickel price is expected to have a positive impact on market dynamics. The company estimates similar or somewhat higher delivery volumes and some improvement in base prices for the second quarter. The steady progress in the cost efficiency initiatives and synergies is expected to continue.

For the second quarter of 2014, Outokumpu estimates that the underlying EBIT will improve, but will be still at a loss. At current metal prices, net impact of raw material-related inventory and metal derivative gains/losses on profitability is expected to be marginal.

Going forward, Outokumpu's operating result is likely to be impacted by non-recurring items associated with the Group's ongoing restructuring programs, but significantly less than in the first quarter. 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 average target for working capital efficiency measured in inventory days for the continuing operations is 91.
- Cumulative annual synergy savings connected with the Inoxum integration expected to reach more than EUR 170 million during 2014 (2013: EUR 95 million) with full benefits of EUR 200 million by the end of 2017.
- The P150 program is expected to reach cumulative savings of EUR 150 million in 2014 as originally planned (2013: EUR 104 million). Additional savings for example via Kloster closure.
- The European industrial plan expected to result in savings of more than EUR 100 million in 2017.
- In total Outokumpu’s 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 470 million in 2017.
- Ferrochrome production is targeted to be approximately 490,000 tonnes in 2014 (2013: 434,000 tonnes) with possible minor negative impact from the transformer breakage in Q1 to this estimate. 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.

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. Key risks are assessed and updated on a regular basis. A detailed description of Outokumpu's risk management and risk profile can be found in the Annual Report for 2013 which is available at www.outokumpu.com.

In the first quarter of 2014, Outokumpu completed the divestment of the Terni remedy assets and the VDM business to ThyssenKrupp and concluded the debt financing arrangements, which led to significantly reduced debt levels and a strengthened overall financial situation, de-risking Outokumpu. During the first quarter there was one realized operational risk: machinery breakdown of furnace transformers in the ferrochrome production in Tornio.

The nickel price started to increase in the first quarter of 2014, supporting demand for stainless steel but also having an adverse impact on profitability during the quarter, mainly due to the timing of metal hedging related losses. While interest margins of loans increased during first quarter, the absolute amount of net debt was significantly reduced due to the financing measures, including the rights issue. This resulted in slightly lower net interest expenses in the first quarter compared to the previous quarters.

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; major failures or delays in achieving the anticipated synergy benefits, reduction of costs and the release of cash from working capital; 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 risks related to ownership in Talvivaara Sotkamo Oy. Possible adverse changes in the global political and economic environment, such as the recent crisis situation in Ukraine and related trade sanctions to Russia, which can impact the stainless steel industry as well, are risks for Outokumpu. These kinds of adverse developments may weaken the Group's financial position and also have an impact on Outokumpu's customers' payment behavior and increase default rates.

Significant legal proceedings

Outokumpu's 2013 annual report includes more detailed information on pending legal proceedings. Below are additions and changes to the descriptions in the annual report that have occurred during the first quarter of 2014.

All legal disputes and litigations related to the Terni remedy assets, the VDM business and certain service centers, including the legal proceedings reported under the heading "Lawsuits regarding a fire in AST's Turin facility" in the annual report have moved over to ThyssenKrupp upon the completion of the divestment to ThyssenKrupp on February 28, 2014. Due to the contractual agreements between ThyssenKrupp and Outokumpu, there will be no further liability risk for Outokumpu resulting from these legal disputes.

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. 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. In June 2011, all claims were dismissed by the Kouvola District Court. 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 Kouvola

Court of Appeal dismissed all charges brought by the prosecutor on April 19, 2012. The state prosecutor filed a petition for leave to appeal to the Finnish Supreme Court in June 2012 which was rejected by the Finnish Supreme Court on March 28, 2014. Accordingly, the judgment by the Kouvola Court of Appeal is final and Outokumpu and its employees have been cleared off all charges.

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 anti-dumping duty orders on imports of stainless steel strip and sheet from Mexico, Germany and Italy, among other countries. The anti-dumping 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 anti-dumping 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.

Environment

Emissions to air and discharges to water remained within permitted limits 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 the corporation’s financial position. This conclusion was made also in internal environmental audits which were performed at each production site during 2013.

Despite of start of the new EU CO2 Emission Trading period 2013-2020 authorities have not yet allocated the all final amounts of CO2 emission allowances for Outokumpu European production units. However, Outokumpu’s operations under the EU Emission Trading Scheme (ETS) will continue to receive free emissions allocations according to efficiency-based benchmarks and historical activity. The coming allocation is foreseen to be sufficient for Outokumpu’s operations during the 2014. During the first quarter, Outokumpu did not trade any emission allowances (EUA’s).

Outokumpu published its sustainability report together with the 2013 annual report in March 2014. Both are available on www.outokumpu.com.

Share development and shareholders

Outokumpu successfully conducted its rights offering in March-April 2014 and raised net proceeds of about EUR 640 million. The subscription price was EUR 0.08 per share with every old share entitling the holder to subscribe for four new shares. The subscription period ran from March 10 to March 26, 2014. The rights offering was oversubscribed by 23% and a total of 8,308,534,476 new shares were issued. No underwriting was utilized as result of the oversubscription. Following the rights offering, the total number of Outokumpu's shares increased to 10,386,615,824. The shares were registered on April 7, 2014.

The following table sets out the largest shareholders as per March 31, 2014 and March 31, 2013.

Shareholders

%	March 31 2014	March 31 2013
Finnish corporations	34.0	25.5
Foreign investors	29.2	42.2
Finnish private households	20.2	16.4
Finnish public sector institutions	12.1	10.6
Finnish financial and insurance institutions	3.9	4.1
Finnish non-profit organizations	0.7	1.1
Shareholders with over 5% of shares and voting rights		
Solidium Oy (owned by the Finnish State)	29.9	21.8
AC Invest Four B.V.	5.0	-
ThyssenKrupp AG	-	29.9

In connection with the divestment of the Terni remedy assets, the VDM business and certain service centers to ThyssenKrupp, ThyssenKrupp sold 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 acquired a part of the shares resulting in an increase of its ownership in Outokumpu from 21.8% to 29.9%. Similarly, Ahlström Capital (AC Invest Four B.V.) acquired shares representing 5.0% of all shares in Outokumpu.

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

Share information

		Jan–March 2014	Jan–March 2013
Fully paid share capital at the end of the period	EUR million	311.1	311.1
Number of shares at the end of the period [1]		10,386,615,824	2,078,081,348
Average number of shares outstanding [2]		2,538,709,170	2,077,065,460
Average number of shares outstanding, rights-issue-adjusted [2]		3,707,397,959	3,314,466,160
Number of shares outstanding at the end of the period [1] [2]		10,385,668,095	2,077,065,460
Number of treasury shares held at the end of the period		947,729	1,015,888
Share price at the end of the period [3]	EUR	0.19	0.21
Average share price [3]	EUR	0.16	0.25
Highest price during the period [3]	EUR	0.20	0.30
Lowest price during the period [3]	EUR	0.13	0.21
Market capitalization at the end of period	EUR million	2,004	1,232
Share turnover [4]	million shares	2,058.9	373.3
Value of shares traded [4]	EUR million	351.2	268.7

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

1) March 31, 2014 includes 8,308,534,476 new shares that were registered on April 7, 2014. The rights-issue-adjusted number of shares on March 31, 2013 is 3,315,482,048 shares of which 3,314,466,160 shares are outstanding.

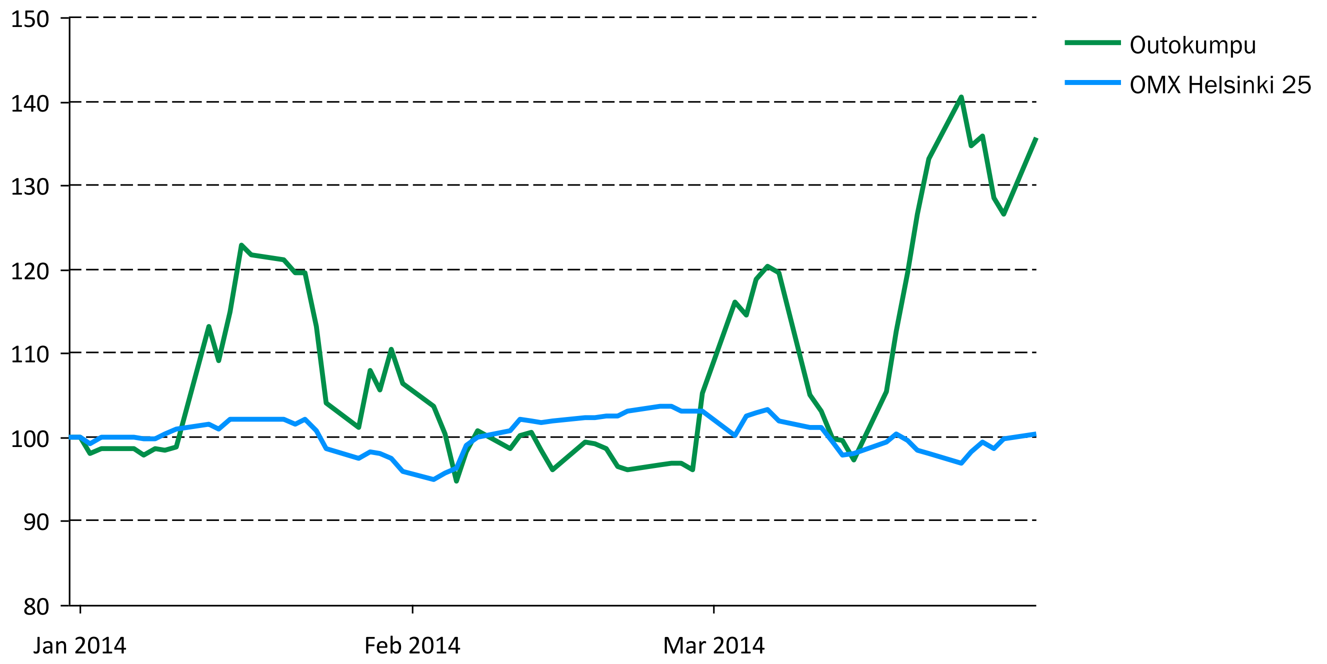
2) The number of own shares repurchased is excluded. There are currently no programs with diluting effect in place.

3) Comparative share prices adjusted regarding the effect of the rights issue.

4) Jan–March 2014 figures include the effect of share subsciption rights traded during March 10–19, 2014.

Outokumpu's market capitalization increased to EUR 2,004 million by the end of the first quarter 2014 (Dec 31, 2013: EUR 845 million). Outokumpu shares traded ex-rights from March 3, 2014 onwards and reached 0.19 EUR/share by the end of March. Outokumpu share price increased by 36% since the beginning of the year (based on rights issue adjusted share price).

The following graph sets out the indexed daily closing price of the Outokumpu share in the first quarter of 2014.



Extraordinary General Meeting

The Extraordinary General Meeting held on February 14, 2014 in Espoo, Finland, authorized the Board of Directors to undertake a share issue for consideration in which shareholders had the right to subscribe for new shares in proportion to their existing holdings of the shares of the company.

Based on this authorization, the Board of Directors resolved on February 28, 2014, on a rights offering of EUR 665 million to raise net proceeds of approximately EUR 640 million.

Events after the end of the reporting period

Annual General Meeting

The Annual General Meeting was held on April 14, 2014, in Espoo, Finland. The Meeting approved the financial statements and discharged the management of the company from liability for the financial year 2013. The Meeting decided that no dividend be paid for 2013 and approved the proposals regarding the authorization to the Board of Directors to repurchase the company's own shares and to decide on the issuance of shares as well as other special rights entitling to shares.

The Meeting decided that the number of the members of Board of Directors is eight. The Meeting decided to re-elect Jorma Ollila, Olli Vaartimo, Markus Akermann, Heikki Malinen, Elisabeth Nilsson and Siv Schalin of the current members and to elect Roberto Gualdoni and Stig Gustavson as new members for the term of office ending at the end of the next Annual General Meeting. The Meeting elected Jorma Ollila as the Chairman and Olli Vaartimo as the Vice Chairman of the Board of Directors.

All resolutions of the Annual General Meeting 2014 can be found on the company's website at www.outokumpu.com/en/Investors/General-meetings.

Espoo, April 28, 2014

Board of Directors

Condensed consolidated financial statements

Condensed income statement

EUR million	Jan–March 2014	Oct–Dec 2013	Jan–March 2013	Jan–Dec 2013
Continuing operations:				
Sales	**1,617**	1,531	1,867	6,745
Cost of sales	**-1,677**	-1,564	-1,851	-6,847
Gross margin	**-60**	-33	15	-102
Other operating income	**8**	13	17	24
Costs and expenses	**-92**	-86	-109	-400
Other operating expenses	**-43**	-13	-11	-31
EBIT	**-188**	-118	-87	-510
Share of results in associated companies	**4**	2	1	-2
Financial income and expenses				
Interest income	**1**	4	3	13
Interest expenses	**-49**	-58	-45	-210
Market price gains and losses	**-9**	-3	-14	-37
Other financial income	**0**	0	0	0
Other financial expenses	**-22**	-58	-5	-76
Result before taxes	**-262**	-232	-147	-822
Income taxes	**-5**	-27	2	-11
Net result for the period from continuing operations	**-267**	-260	-145	-832
Net result for the period from discontinued operation	**20**	-103	-7	-170
Net result for the period	**-248**	-364	-152	-1,003
Attributable to:				
Equity holders of the Company	**-246**	-361	-151	-997
Non-controlling interests	**-2**	-3	-1	-6
Earnings per share for result attributable to the equity holders of the Company, EUR [1] :				
Earnings per share, continuing operations (basic and diluted)	**-0.07**	-0.08	-0.04	-0.25
Earnings per share, discontinued operation (basic and diluted)	**0.01**	-0.03	-0.00	-0.05
Earnings per share (basic and diluted)	**-0.07**	-0.11	-0.05	-0.30

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

Statement of comprehensive income

EUR million	Jan–March 2014	Oct–Dec 2013	Jan–March 2013	Jan–Dec 2013
Net result for the period	**-248**	-364	-152	-1,003
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	**9**	-5	7	-40
Available-for-sale financial assets				
Fair value changes during the period	**0**	-2	1	-2
Reclassification adjustments from other comprehensive income to profit or loss	**-**	-	-0	-0
Income tax relating to available-for-sale financial assets	**-0**	0	-0	0
Cash flow hedges				
Fair value changes during the period	**1**	-4	6	-11
Reclassification adjustments from other comprehensive income to profit or loss	**0**	-1	-1	-4
Income tax relating to cash flow hedges	**1**	2	-1	4
Net investment hedges				
Income tax relating to net invesment hedges	**-**	1	-	1
Share of other comprehensive income in associated companies	**1**	-	-	-
Items that will not be reclassified to profit or loss:				
Remeasurements on defined benefit obligation plans				
Changes during the accounting period	**-12**	4	2	15
Income tax relating to remeasurements	**0**	-4	-0	-8
Other comprehensive income for the period, net of tax	**1**	-8	12	-44
Total comprehensive income for the period	**-247**	-371	-139	-1,047
Attributable to:				
Equity holders of the Company	**-245**	-368	-139	-1,040
Non-controlling interests	**-2**	-4	0	-7

Condensed statement of financial position

EUR million	March 31 2014	March 31 2013	Dec 31 2013
ASSETS			
Non-current assets			
Intangible assets	**567**	607	570
Property, plant and equipment	**3,156**	3,714	3,254
Investments in associated companies and joint ventures	**67**	70	66
Other financial assets	**20**	28	20
Deferred tax assets	**23**	91	24
Trade and other receivables	**22**	176	11
Total non-current assets	**3,854**	4,686	3,944
Current assets			
Inventories	**1,328**	2,388	1,216
Other financial assets	**36**	92	42
Trade and other receivables	**860**	1,284	813
Cash and cash equivalents	**880**	290	607
Total current assets	**3,104**	4,055	2,679
Assets held for sale	**-**	1,284	2,200
TOTAL ASSETS	**6,959**	10,025	8,823
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the Company	**2,281**	2,788	1,887
Non-controlling interests	**2**	12	4
Total equity	**2,283**	2,800	1,891
Non-current liabilities			
Long-term debt	**2,210**	2,982	3,270
Other financial liabilities	**13**	37	15
Deferred tax liabilities	**26**	90	26
Defined benefit and other long-term employee benefit obligations	**329**	424	317
Provisions	**217**	112	115
Trade and other payables	**48**	8	48
Total non-current liabilities	**2,843**	3,654	3,791
Current liabilities			
Current debt	**404**	979	893
Other financial liabilities	**40**	60	35
Provisions	**23**	36	25
Trade and other payables	**1,365**	1,703	1,140
Total current liabilities	**1,832**	2,778	2,093
Liabilities directly attributable to assets held for sale	**-**	793	1,048
TOTAL EQUITY AND LIABILITIES	**6,959**	10,025	8,823

Condensed statement of cash flows

EUR million	Jan–March 2014	Oct–Dec 2013	Jan–March 2013	Jan–Dec 2013
Net result for the period	**-248**	-364	-152	-1,003
Adjustments				
Depreciation, amortization and impairments	**110**	91	87	346
Other non-cash adjustments	**117**	263	42	498
Change in working capital	**33**	254	-19	297
Dividends received	**3**	-	-	2
Interests received	**1**	2	0	3
Interests paid	**-29**	-20	-16	-106
Income taxes paid	**-1**	-2	-0	-3
Net cash from operating activities	**-14**	223	-58	34
Purchases of assets	**-32**	-43	-158	-287
Proceeds from the sale of subsidiaries, net of cash	**-10**	-	-1	-1
Proceeds from the sale of assets	**1**	187	0	187
Other investing cash flow	**-0**	0	-7	-7
Net cash from investing activities	**-42**	143	-166	-108
Cash flow before financing activities	**-56**	367	-224	-74
Rights issue	**640**	-	-	-
Borrowings of long-term debt	**750**	98	300	1,114
Repayment of long-term debt	**-719**	-39	-26	-708
Change in current debt	**-326**	-256	11	52
Other financing cash flow	**-3**	-2	2	1
Net cash from financing activities	**341**	-199	287	459
Net change in cash and cash equivalents	**286**	168	63	385
Cash and cash equivalents at the beginning of the period	**607**	439	222	222
Foreign exchange rate effect	**-1**	-3	-1	-11
Discontinued operations net change in cash effect	**-12**	4	5	12
Net change in cash and cash equivalents	**286**	168	63	385
Cash and cash equivalents at the end of the period	**880**	607	290	607

Cash flows are presented for continuing operations.

Statement of changes in equity

EUR million	Share capital	Premium fund	Invested unrestricted equity reserve	Other reserves	Fair value reserves	Cumulative translation differences	Remeasurements of defined benefit plans	Treasury shares	Retained earnings	Non-controlling interests	Total equity
	Attributable to the owners of the parent										
Equity on Jan 1, 2013	**311**	**714**	**1,462**	**7**	**22**	**-81**	**-75**	**-25**	**591**	**26**	**2,952**
Result for the period	-	-	-	-	-	-	-	-	-151	-1	-152
Other comprehensive income	-	-	-	-	4	6	2	-	-	1	12
Total comprehensive income for the period	-	-	-	-	4	6	2	-	-151	0	-139
Transactions with owners of the Company											
Contributions and distributions											
Share-based payments	-	-	-	-	-	-	-	-	0	-	0
Changes in ownership interests											
Disposal of subsidiary	-	-	-	-	-	-	3	-	-3	-15	-15
Equity on March 31, 2013	**311**	**714**	**1,462**	**7**	**26**	**-75**	**-71**	**-25**	**438**	**12**	**2,800**
Equity on Jan 1, 2014	**311**	**714**	**1,462**	**7**	**9**	**-119**	**-65**	**-24**	**-410**	**4**	**1,891**
Result for the period	-	-	-	-	-	-	-	-	-246	-2	-248
Other comprehensive income	-	-	-	-	2	9	-12	-	1	0	1
Total comprehensive income for the period	-	-	-	-	2	9	-12	-	-245	-2	-247
Transactions with owners of the Company											
Contributions and distributions											
Rights issue	-	-	640	-	-	-	-	-	-	-	640
Share-based payments	-	-	-	-	-	-	-	1	-0	-	0
Changes in ownership interests											
Acquisition of a non-controlling interest	-	-	-	-	-	-	-	-	-0	-0	-1
Disposal of subsidiary	-	-	-	-1	-	-	4	-	-3	-0	-0
Equity on March 31, 2014	**311**	**714**	**2,102**	**7**	**12**	**-110**	**-73**	**-23**	**-658**	**2**	**2,283**

NOTES TO THE FINANCIAL STATEMENTS

Basis of preparation

This interim report is unaudited and it is prepared in accordance with IAS 34 (Interim Financial Reporting). The same accounting policies and methods of computation have been followed in this interim report as in the financial statements for 2013 except for those new and revised IFRS standards adopted from January 1, 2014.

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

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

The following amendments to IFRS standards and interpretations were adopted from January 1, 2014:

- IFRS 10 Consolidated Financial Statements and related amendments: the standard 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. The new standard didn't affect the consolidated financial statements.
- IFRS 11 Joint Arrangements and related amendments: In the accounting of joint arrangements the new standard 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. Jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. In connection with the new IFRS 11 standard, IAS 28 was revised and includes the requirements for joint ventures, as well as associates, to be equity accounted. The new and revised standards didn't have an impact on the consolidated financial statements.
- IFRS 12 Disclosures of Interests in Other Entities and related amendments the standard 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 the consolidated financial statements.

In addition there were some amendments to existing standards clarifying the accounting practices and an IFRIC interpretation with the effective date of January 1, 2014. They had no impact on the consolidated financial statements.

Use of estimates

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

Share based payment plans

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

Regarding the terminated share based incentive program, the targets set for the earnings period 2011-2013 were not met and therefore no reward was paid to the participants. Regarding the Performance Share plan, total of 20,159 shares and cash of EUR 43 thousand were given based on the achieved savings targets in 2013 to the persons that have left the plan during the period.

Additionally, the EBITDA criterion previously applied to the Performance Share Plan (Plans 2012–2014 and 2013–2015) was for the year 2014 replaced with the EBIT criterion.

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

Sale of VDM and Terni to ThyssenKrupp

The divestment of the VDM business and the remedy assets, which included Terni and certain service centers, to ThyssenKrupp was closed on February 28, 2014. The VDM business's, Terni's and service centers' assets and related liabilities were classified as held for sale in the consolidated financial statements at December 31, 2013. The results of the divested operations are reported as discontinued operations in the consolidated statement of income in 2013 and 2014.

Outokumpu's loan note to ThyssenKrupp was used as the consideration for the transaction. The sale also included customary terms and conditions regarding the businesses' level of working capital and net debt. Intragroup trade and other receivables and trade and other payables between Outokumpu and divested entities remained in force at the date of divestment and became external receivables and payables of Outokumpu.

The assets held for sale disposed of amounted to EUR 2,265 million and the related liabilities to EUR 1,074 million at the date of disposal. The amount of loan note including the capitalized interest was EUR 1,292 million. The cash disposed of amounted to EUR 10 million.

The result from discontinued operation January–March, 2014 include divested operations income of EUR 572 million and expenses of EUR 585 million. The current estimate of the capital gain from the transaction is about EUR 6 million net of transaction costs, out of which EUR 33 million is recognized in the result from the discontinued operations in the first quarter 2014. Non-recurring transaction costs of EUR -27 million were already recognized in 2013. The final gain to be recognized on the sale in the consolidated statement of income and the final effect of the disposal on the consolidated statement of financial position are dependent on the audit of the divested entities' financial statements at the date of disposal, and to the ongoing determination of working capital disposed of, and is expected to be published in the second-quarter interim report 2014.

The cash flows of discontinued operations during January 1–February, 28, 2014 were as follows: net cash from operating activities EUR 5 million and net cash from investing activities EUR -17 million. The impact of divestment is presented in the continuing operations' cash flows.

In connection with the transaction, Outokumpu settled the outstanding amount of EUR 160 million under the credit facility granted by ThyssenKrupp. Furthermore, ThyssenKrupp sold all of its Outokumpu shares, representing a 29.9% stake in Outokumpu prior to the transaction. As a result the companies no longer are each other's related parties.

Refinancing measures

The new revolving credit facility of EUR 900 million became effective as of February 28, 2014. The facility has its maturity in February 2017 and replaced the previous EUR 900 million revolving credit facility signed on July 12, 2013 that would have matured in June 2015. Also, a new EUR 500 million liquidity facility was signed that was effective as of February 28, 2014 and matures in February 2017. The purpose of this new facility is to further strengthen Outokumpu's liquidity. Both the EUR 900 million and EUR 500 million facilities include financial covenants on gearing and liquidity.

Furthermore, Outokumpu extended and amended or refinanced its bilateral loan portfolio of approximately EUR 600 million to mature in February 2017.

Additionally, Outokumpu granted a security package for its debt and bond financing. As security, Outokumpu has pledged the shares of certain of its subsidiary companies for example in Finland, Sweden and the United States as well as certain other real property.The security package covers most of Outokumpu's debt financing, including the new EUR 500 million liquidity facility, the EUR 900 million revolving credit facility, bilateral bank loans as well as the two outstanding notes.

The noteholders' meetings held on February 7, 2014 approved the amendment of the terms and conditions of the notes due in 2015 and 2016. Following the completion of the refinancing measures the amendments to the terms and conditions of the notes entered into force as of February 28, 2014.

Rights issue

Based on the authorization granted by the Extraordinary General meeting of shareholders, the Board of Directors of Outokumpu Oyj resolved on February 28, 2014 on the rights offering for a total of 8,308,534,476 new shares to raise net proceeds of approximately EUR 640 million. The proceeds from the rights offering were for strengthening Outokumpu's financial position to complete its turnaround plan aimed at returning to sustainable profitability. One subscription right entitled the holder to subscribe for four offer shares at a subscription price of EUR 0.08.

Subscription period began on March 10 and ended on March 26, 2014. As a result of the rights offering, the total number of shares in Outokumpu increased to 10,386,615,824. The subscribed shares are included in the number of shares reported in this interim report and taken into account when calculating the share-related key figures. The net proceeds have been recognized in the invested unrestricted equity reserve in the consolidated statement of financial position.

New shares were registered on April 7, 2014.

Restructuring of production in Germany and Sweden

At the end of March, Outokumpu announced that the negotiations regarding the industrial plan were completed with the employee representatives and unions in Germany. The industrial plan for business area Stainless EMEA was originally announced in October 2013, with a target of EUR 100 million annual savings, contributing to the overall annual synergy and cost savings of EUR 470 million in 2017.

Key elements of the agreement were the closure of Bochum meltshop in 2015, investments of EUR 108 million to the Krefeld cold rolling center between 2014 and 2016 through the ferritic production optimization (NIFO-project) and closure of Benrath cold rolling mill in 2016.

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, Outokumpu announced in February 2014 the discontinuation of its operations in Kloster, Sweden.

As a result, restructuring provisions of EUR 113 million and impairment losses of EUR 28 million were recognized for the reporting period.

Tax audit

Outokumpu Oyj is currently subject to a tax audit in Finland. Currently no exact information exists on the outcome of the audit.

Non-recurring items in EBIT and financial income and expenses

EUR million	Jan–March 2014	Jan–March 2013	Jan–Dec 2013
Redundancy provisions	-88	-	-54
Impairments related to EMEA restructuring	-27	-	-
Environmental provisions related to site closures	-25	-	-
Inventory write-downs related to efficiency programs	-	-	-12
Carrier settlement	-	-	-11
Costs related to Inoxum transaction	-	-2	-1
Total non-recurring items in EBIT	-140	-2	-78

Jan–March 2014 does not include any non-recurring items in financial income and expenses (Jan–March 2013: none, Jan–Dec 2013: loss of EUR 49 million on the sale of Luvata loan receivable).

Property, plant and equipment

EUR million	Jan–March 2014	Jan–March 2013	Jan–Dec 2013
Carrying value at the beginning of the period	3,254	3,716	3,716
Translation differences	-5	42	-57
Additions	15	73	231
Disposals	-0	-0	-4
Reclassifications	-1	-0	47
Depreciation and impairments	-106	-86	-355
Disposed subsidiaries	-	-31	-28
Reclassification to assets held for sale	-	-	-296
Carrying value at the end of the period	3,156	3,714	3,254

Provisions

On December 31, 2013 Outokumpu reported restructuring provisions totaling EUR 72 million. Of these provisions, EUR 2 million was reversed as unused during January–March 2014.

Commitments

EUR million	March 31 2014	March 31 2013	Dec 31 2013
Mortgages and pledges			
Mortgages	3,532	322	284
Other pledges	11	8	8
Guarantees			
On behalf of subsidiaries for commercial commitments	27	28	34
On behalf of associated companies for financing	7	8	7
On behalf of other parties for commercial commitments	5	-	-
Other commitments	24	30	28
Minimum future lease payments on operating leases	68	110	82

The increase in mortgages and pledges relates to the refinancing measures becoming effective on February 28, 2014. A major part of Outokumpu's borrowings are secured partly by security to the real property of the Group's main production plants and partly by share pledges over the shares in selected Group companies.

Certain guarantees issued by Outokumpu on behalf of the companies sold to ThyssenKrupp on February 28, 2014 have not yet been transferred to ThyssenKrupp as of March 31, 2014. These guarantees are presented as commercial commitments on behalf of other parties.

Related to the Inoxum acquisition, certain guarantees issued by ThyssenKrupp on behalf of Inoxum companies have not yet been transferred to Outokumpu Oyj as of March 31, 2014. However, Outokumpu Oyj has given ThyssenKrupp a counter-guarantee for these commitments. The outstanding amount of guarantees to be transferred totals EUR 11 million as of March 31, 2014, including guarantees for commercial and financing.

Group's off-balance sheet investment commitments totaled EUR 39 million on March 31, 2014 (March 31, 2013: EUR 130 million, December 31, 2013: EUR 47 million).

Related party transactions

EUR million	Jan–March 2014	Jan–March 2013	Jan–Dec 2013
Transactions and balances with ThyssenKrupp AG			
Sales	33	116	376
Purchases	-20	-66	-175
Interest expenses	-10	-20	-62
Trade and other receivables	-	55	23
Other financial assets	-	6	1
Trade and other payables	-	30	22
Loan note to ThyssenKrupp	-	1,242	1,283
Other interest-bearing debt	-	-	214
Other financial liabilities	-	13	3
Transactions and balances with associated companies and joint ventures			
Sales	18	18	161
Purchases	-0	-1	-6
Trade and other receivables	23	44	44
Trade and other payables	0	2	1

On February 28, 2014, Outokumpu completed the divestment of the VDM business, Terni remedy assets including Terni and certain service centers to ThyssenKrupp in exchange for Outokumpu’s loan note to ThyssenKrupp. ThyssenKrupp sold all of its Outokumpu shares, representing a 29.9% stake in Outokumpu prior to the transaction. As a result the companies are no longer are each other’s related parties. In 2014, the transactions with ThyssenKrupp are reported for the period of January 1–February 28.

Segment information

EUR million	Jan–March 2014	Jan–March 2013	Jan–Dec 2013
Sales by segment			
Stainless EMEA			
External sales	**838**	1,090	3,700
Internal sales	**121**	250	567
Stainless Americas			
External sales	**251**	196	884
Internal sales	**3**	6	23
Stainless APAC			
External sales	**86**	83	377
Internal sales	**2**	2	11
Specialty Stainless			
External sales	**380**	467	1,528
Internal sales	**20**	23	90
Other operations			
External sales	**61**	31	256
Internal sales	**73**	69	283
Eliminations	**-220**	-350	-974
Group sales	**1,617**	1,867	6,745
EBIT			
Stainless EMEA	**-118**	-28	-158
Stainless Americas	**-36**	-54	-270
Stainless APAC	**-5**	0	-7
Specialty Stainless	**-16**	9	-33
Reportable segments total	**-175**	-73	-468
Other operations	**-10**	-13	-39
Eliminations	**-2**	-0	-3
Group EBIT	**-188**	-87	-510
Operating capital at the end of the period			
Stainless EMEA	**2,131**	2,368	2,218
Stainless Americas	**993**	1,290	1,040
Stainless APAC	**177**	229	189
Specialty Stainless	**730**	869	743

Fair values and nominal amounts of derivative instruments

EUR million	March 31 2014 Net fair value	Dec 31 2013 Net fair value	March 31 2014 Nominal amounts	Dec 31 2013 Nominal amounts
Currency and interest rate derivatives				
Currency forwards including embedded derivatives	2	-1	2,614	2,518
Currency options, bought	0	0	3	3
Currency options, sold	-0	-0	3	3
Interest rate swaps	-9	-9	545	714
Cross-currency swaps	-15	-15	67	67
Interest rate options, bought	0	1	245	290
Interest rate options, sold	-3	-3	245	290
			Tonnes	Tonnes
Metal derivatives				
Forward and futures nickel contracts	-7	-2	22,528	21,865
Forward and futures molybdenum contracts	0	-	365	-
Emission allowance derivatives	-1	-1	725,000	725,000
Propane derivatives	2	2	38,000	25,000
			MMBtu	MMBtu
Natural gas derivatives	0	0	630,000	1,372,182
	-29	-27		

Hierarchy of financial assets and liabilities measured at fair value on March 31, 2014

EUR million	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	1	2	0	3
Investment at fair value through profit or losss	5	-	8	13
Derivatives	-	25	-	25
	5	27	8	40
Liabilities				
Derivatives	-	54	-	54

Reconciliation of changes on level 3

EUR million	Available-for-sale financial assets	Investment at fair value through profit or loss
Carrying value on Jan 1, 2014	0	15
Fair value changes	-	-6
Carrying balance on March 31, 2014	0	8

The fair value of the level three relates mostly to 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 ownership in energy producing companies is 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, 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 0 million or decrease of EUR 0 million in valuation.

The fair value of the non-current loan receivables is EUR 6 million (carrying amount EUR 6 million) and the fair value of long-term debt is EUR 2,167 million (carrying amount EUR 2,210 million). For other financial instruments the carrying amount is a reasonable approximation of fair value.

Key figures by quarters

EUR million	I/13	II/13	III/13	IV/13	2013	I/14
EBITDA	0	-86	-50	-29	-165	**-78**
EBIT margin, %	-4.6	-9.8	-8.3	-7.7	-7.6	**-11.6**
Return on capital employed, %	-6.1	-12.0	-9.8	-9.9	-10.3	**-18.3**
Return on equity, %	-21.1	-37.6	-39.8	-70.0	-41.4	**-47.5**
Return on equity, continuing operations, %	-20.1	-34.7	-32.9	-50.0	-34.4	**-51.2**
Long-term debt	2,982	2,770	3,289	3,270	3,270	**2,210**
Current debt	979	1,415	1,011	893	893	**404**
Cash and cash equivalents	-290	-327	-439	-607	-607	**-880**
Net interest-bearing debt at the end of period	3,671	3,859	3,861	3,556	3,556	**1,733**
Capital employed at the end of period	5,740	5,614	5,293	4,265	4,265	**3,958**
Equity-to-assets ratio at the end of period, %	28.0	26.2	25.0	21.5	21.5	**32.8**
Debt-to-equity ratio at the end of period, %	131.1	152.9	170.7	188.0	188.0	**75.9**
Earnings per share, EUR [1)]	-0.05	-0.07	-0.07	-0.11	-0.30	**-0.07**
Earnings per share from continuing operations, EUR [1)]	-0.04	-0.07	-0.06	-0.08	-0.25	**-0.07**
Earnings per share from discontinued operation, EUR [1)]	-0,00	-0.01	-0.01	-0.03	-0.05	**0.01**
Equity per share at the end of period, EUR [2)]	1.34	1.21	1.09	0.91	0.91	**0.22**
Capital expenditure, continuing operations	68	30	40	45	183	**15**
Depreciation and amortization, continuing operations	83	84	83	82	332	**82**
Average personnel for the period, continuing operations	13,379	13,467	13,129	12,625	13,150	**12,443**

[1)] Calculated based on the rights-issue-adjusted weighted average number of shares.

[2)] I/2014 includes the effect of the Outokumpu rights issue.

Market prices and exchange rates

		I/13	II/13	III/13	IV/13	2013	I/14
Market prices [1]							
Stainless steel							
Base price	EUR/t	1,177	1,137	1,043	1,057	1,103	**1,070**
Alloy surcharge	EUR/t	1,310	1,251	1,086	1,026	1,168	**1,026**
Transaction price	EUR/t	2,487	2,388	2,130	2,083	2,272	**2,083**
Nickel	USD/t	17,298	14,983	13,922	13,914	15,012	**14,632**
	EUR/t	13,107	11,457	10,510	10,223	11,303	**10,683**
Ferrochrome (Cr-content)	USD/lb	1.13	1.27	1.13	1.13	1.16	**1.18**
	EUR/kg	1.87	2.14	1.87	1.83	1.93	**1.90**
Molybdenum	USD/lb	11.39	10.92	9.47	9.66	10.35	**9.98**
	EUR/kg	19.01	18.45	15.75	15.65	17.18	**16.06**
Recycled steel	USD/t	375	342	344	358	354	**343**
	EUR/t	284	262	260	263	267	**250**
Exchange rates							
EUR/USD		1.321	1.306	1.324	1.361	1.328	**1.370**
EUR/SEK		8.497	8.565	8.680	8.858	8.834	**8.857**
EUR/GBP		0.851	0.851	0.855	0.841	0.827	**0.828**

[1] Sources of market prices:

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

Nickel: London Metal Exchange (LME) settlement quotation;

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

Molybdenum: Metal Bulletin - Molybdenum oxide - Europe;

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

Definitions of key financial figures

EBITDA = Operating result before depreciation, amortization and impairments

Capital employed = Total equity + net interest-bearing debt + 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 tax liability

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

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

Net interest-bearing debt = Long-term debt + current debt – cash and cash equivalents

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

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

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

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