

Interim statement

Q3
2017

Bright landmark

Outokumpu supplied 15 tonnes of Core 304/4301 austenitic stainless steel in BA/24 finish to MyZeil shopping mall in Frankfurt, Germany. The impressive complex is clad almost entirely in glass with reflective stainless steel covering the mall's interior façade.

Not only is stainless steel an aesthetic choice for the façade, as it is light and beautiful, it also offers exceptional quality and corrosion resistance. The material requires minimal maintenance which reduces the life-cycle costs of the application.

outokumpu
high performance stainless steel



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Third-quarter earnings burdened by raw material-related losses. Group adjusted EBITDA at EUR 56 million

Highlights in the third quarter of 2017

Outokumpu's third-quarter adjusted EBITDA amounted to EUR 56 million, compared to EUR 116 million in the third quarter of 2016. Despite successful cost reductions, higher base prices in Europe and increased deliveries in the Americas, profitability declined year-on-year due to raw material-related inventory and metal derivative losses of EUR 41 million (gains of EUR 6 million)¹, as well as due to third-party supplier production issues in the Americas. The reference period includes a positive impact from a reversal of credit loss allowances of EUR 22 million.

- Stainless steel deliveries were 623,000 tonnes (608,000 tonnes).
- Adjusted EBITDA² was EUR 56 million (EUR 116 million).
- EBITDA was EUR 62 million (EUR 119 million).
- Adjusted EBIT³ was EUR 2 million (EUR 38 million).
- EBIT was EUR 9 million (EUR 40 million).
- Operating cash flow was EUR 126 million (EUR 61 million).
- Net debt decreased to EUR 1,130 million (June 30, 2017: EUR 1,239 million).
- Gearing was 44.4% (June 30, 2017: 48.4%).
- Return on capital employed (ROCE) was 12.4% (9.3%).

Highlights during the first nine months of 2017

- Stainless steel deliveries were 1,887,000 tonnes (1,848,000 tonnes).
- Adjusted EBITDA was EUR 549 million (EUR 211 million).
- EBITDA was EUR 580 million (EUR 227 million).
- Adjusted EBIT was EUR 384 million (EUR 18 million).
- EBIT was EUR 415 million (EUR 34 million).
- Operating cash flow was EUR 223 million (EUR 190 million).

¹ Figures in parentheses refer to the corresponding period for 2016, unless otherwise stated.

² EBITDA excluding items classified as adjustments. Adjustments are material income and expense items such as restructuring costs, and gains or losses on sale of assets or businesses.

³ EBIT excluding items classified as adjustments.

Group key figures

		III/17	III/16	II/17	I-III/17	I-III/16	2016
Sales	EUR million	1,482	1,419	1,659	4,898	4,183	5,690
EBITDA	EUR million	62	119	209	580	227	355
Adjusted EBITDA ¹⁾	EUR million	56	116	199	549	211	309
EBIT	EUR million	9	40	154	415	34	103
Adjusted EBIT ²⁾	EUR million	2	38	145	384	18	57
Result before taxes	EUR million	-24	13	127	327	-56	-13
Net result for the period	EUR million	-27	13	109	264	-48	144
Earnings per share	EUR	-0.07	0.03	0.26	0.64	-0.12	0.35
Diluted earnings per share	EUR	-0.07	0.03	0.25	0.62	-0.12	0.35
Return on capital employed	%	12.4	9.3	13.2	12.4	9.3	2.6
Net cash generated from operating activities	EUR million	126	61	150	223	190	389
Net debt at the end of period	EUR million	1,130	1,396	1,239	1,130	1,396	1,242
Debt-to-equity ratio at the end of period	%	44.4	65.3	48.4	44.4	65.3	51.4
Capital expenditure	EUR million	40	43	31	90	103	164
Stainless steel deliveries ³⁾	1,000 tonnes	623	608	625	1,887	1,848	2,444
Personnel at the end of period ⁴⁾		10,276	10,785	10,254	10,276	10,785	10,600

¹⁾ Adjusted EBITDA = EBITDA – Items classified as adjustments.

²⁾ Adjusted EBIT = EBIT – Items classified as adjustments.

³⁾ Excludes ferrochrome deliveries.

⁴⁾ On June 30, 2017 Group employed in addition some 750 summer trainees.

Business and financial outlook for the fourth quarter of 2017

Underlying stainless steel demand is expected to remain healthy in both Europe and the US in the fourth quarter. However, typical seasonal slowdown in the US market is expected to have a negative impact on business area Americas' deliveries in the fourth quarter. Business area Europe's deliveries are expected to remain relatively flat compared to the third quarter.

Ferrochrome production is expected to be at normal levels. However, planned maintenance work in European stainless steel mills is expected to have a negative impact on fourth-quarter profitability with additional maintenance costs of approximately EUR 30 million.

The net impact of raw material-related inventory and metal derivative gains/losses is expected to be slightly positive in the fourth quarter.

Outokumpu expects its fourth-quarter adjusted EBITDA to be higher compared to the previous quarter (III/17: EUR 56 million).

CEO Roeland Baan:

“Outokumpu’s third-quarter results reflected the seasonal pattern with an adjusted EBITDA of 56 million euros. In addition to the typical third-quarter dip, profitability was burdened by low ferrochrome production volumes as well as the raw material related timing and hedging impacts. Third-party supplier production issues in the Americas had a notable negative impact on the business area’s profitability. We are confident that strict focus on commercial excellence and ongoing actions will bring the business area’s performance back on track. High deliveries and rigorous cost control during this year show that, operationally, business area Americas is continuously making progress.

Business area Europe’s deliveries were stable and underlying performance improved year-on-year. This development was supported by continued progress in reducing our cost base. I am also happy to confirm that our ferrochrome production is at full speed after the successful maintenance and ramp up of the damaged ferrochrome furnace. Normal production levels were reached at the end of August as planned.

Our actions to decrease net debt continue to pay off. Third-quarter cash flow was on a healthy level at 126 million euros. Net debt decreased to 1,130 million euros demonstrating that our net debt target of less than 1.1 billion euros by the end of 2017 is firmly in reach.

During the final quarter of the year, we expect improving profitability supported by positive market fundamentals and healthy underlying stainless steel demand in our main markets, Europe and the US. We are solidly on our way in achieving our 2020 vision to be the best value creator in stainless steel through customer orientation and efficiency.”

Market development

Stainless steel demand

Global apparent stainless steel consumption⁴ increased by 4.7% in the third quarter of 2017 compared to the same period last year. Growth in EMEA and APAC reached 3.0% and 5.7%, respectively, while growth in Americas was slightly negative at -0.1%. Global real demand for stainless steel products increased by 5.4% year-on-year, driven by growth of 6.0% in APAC, 5.1% in EMEA and 1.0% in the Americas.

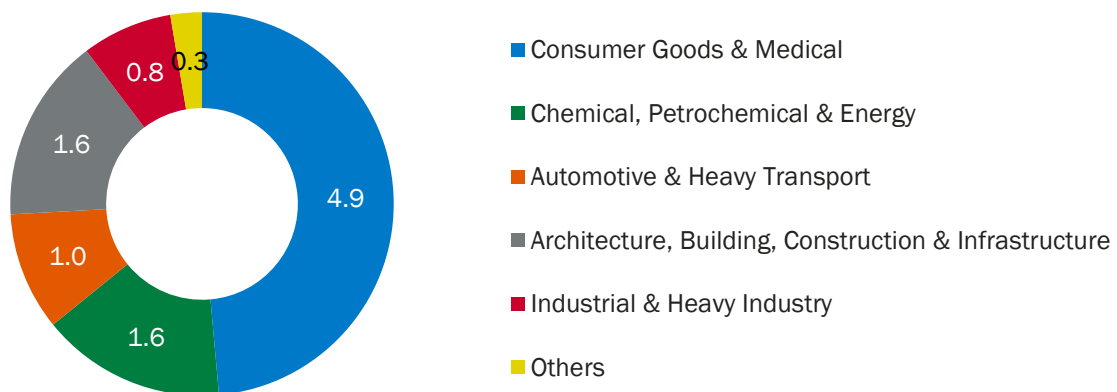
Demand increase was most prominent in the ABC & Infrastructure, Consumer Goods & Medical and Chemical, Petrochemical & Energy segments with growth of 6.7%, 5.7% and 4.7% year-on-year, respectively. Meanwhile, demand increased by 3.7% and by 3.5% in the Industrial & Heavy Industries and Automotive & Heavy Transport segments.

Market development of total stainless steel real demand

Million tonnes	III/17	III/16	II/17	2016	y-o-y	q-o-q
EMEA	1.9	1.8	1.9	7.5	5.1%	-4.2%
Americas	0.9	0.9	0.9	3.4	1.0%	-0.9%
APAC	7.4	7.0	7.5	28.2	6.0%	-2.1%
Total	10.1	9.6	10.4	39.1	5.4%	-2.4%

Source: SMR October 2017

Stainless steel demand by customer segment in the third quarter 2017, million tonnes (Total: 10.1 million tonnes)



Source: SMR October 2017

EU cold-rolled imports from third countries reached a level of 29.4% of total consumption in July-August of 2017, up from the average of 25.7% in the same period last year. Average cold rolled imports into the US reached 24.8% of the total consumption in July-August compared to 22.5% in July-August of 2016. (Source: Eurofer, July 2017 and Foreign Trade Statistics, August 2017)

⁴ Apparent consumption = real demand + stock change

Price development of alloying metals

Nickel prices rallied from the beginning of the quarter as a result of increased investor interest, weak US dollar and improved demand in China. The price peaked in early September at USD 12,150/tonne. During the rest of the quarter, the nickel price softened somewhat due to the stronger US dollar, and closed the quarter at the level of USD 10,500/tonne. The average price for the quarter amounted to USD 10,528/tonne, 2.6% higher than in the third quarter of 2016.

The European benchmark price for ferrochrome decreased from USD 1.54/lb in the second quarter of 2017 to USD 1.10/lb in the third quarter of 2017, driven by weaker demand from the Chinese stainless steel sector and improved availability of chrome ore in China. For the fourth quarter of 2017, the benchmark price increased to USD 1.39/lb as a result of increased demand in China.

Market prices

			III/17	III/16	II/17	2016	y-o-y	q-o-q
Stainless steel								
Europe	Base price	EUR/t	1,107	1,060	1,137	1,063	4.4%	-2.6%
	Alloy surcharge	EUR/t	1,135	1,002	1,349	966	13.3%	-15.9%
	Transaction price	EUR/t	2,241	2,062	2,486	2,028	8.7%	-9.8%
USA	Base price	USD/t	1,382	1,323	1,374	1,286	4.4%	0.5%
	Alloy surcharge	USD/t	1,008	874	1,257	831	15.3%	-19.8%
	Transaction price	USD/t	2,390	2,197	2,631	2,117	8.8%	-9.2%
China	Transaction price	USD/t	2,032	1,675	1,726	1,684	21.3%	17.7%
Nickel		USD/t	10,528	10,258	9,240	9,600	2.6%	13.9%
Ferrochrome (Cr-content)		USD/lb	1.10	0.98	1.54	0.96	12.2%	-28.6%
Molybdenum		USD/lb	8.11	7.06	8.11	6.52	14.9%	-0.1%
Recycled steel		USD/t	304	203	249	216	49.4%	21.8%

Sources:

Stainless steel: CRU July 2017, 2mm cold rolled 304 stainless steel sheet

Nickel: London Metal Exchange (LME) settlement quotation

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

Molybdenum: Metal Bulletin - Molybdenum oxide - Europe

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

Market outlook

In the fourth quarter of 2017, global real demand is expected to increase by 2.9% compared to the third quarter, driven by increases of 5.4% in EMEA, 1.5% in the Americas and 2.5% in APAC. Compared to last year's fourth quarter, demand is expected to grow by 4.0%, as a result of growth of 4.1% in EMEA, 1.8% in the Americas and 4.3% in APAC. Total global demand for 2017 is estimated to grow by 4.6% compared to 2016.

Market development for real demand total stainless steel products between 2015 and 2020

Million tonnes	2015	2016	2017f	2018f	2019f	2020f
EMEA	7.3	7.5	7.7	7.9	8.1	8.2
Americas	3.5	3.4	3.6	3.7	3.9	4.0
APAC	26.7	28.2	29.7	31.3	32.8	33.9
Total	37.5	39.1	40.9	42.9	44.7	46.2

Source: SMR October 2017

f = forecast

Business areas

Europe

Europe key figures

		III/17	III/16	II/17	I-III/17	I-III/16	2016
Stainless steel deliveries	1,000 tonnes	397	396	398	1,210	1,230	1,625
Sales	EUR million	1,026	946	1,147	3,398	2,893	3,927
Adjusted EBITDA	EUR million	90	107	178	525	264	374
Adjustments							
Redundancy costs	EUR million	-	4	-	-	-25	-22
Restructuring provisions, other than redundancy	EUR million	-	-	-	-	-8	-8
Changes to the UK pension scheme	EUR million	-	-	-	-	-	4
EBITDA	EUR million	90	111	178	525	231	348
Operating capital	EUR million	2,546	2,463	2,548	2,546	2,463	2,419

Certain activities were transferred from Other operations to Europe in 2017. Comparable figures for 2016 are presented accordingly.

Underlying stainless steel demand was strong in the third quarter but the typical seasonal slowdown had an impact on stainless steel consumption. Furthermore, low raw material prices resulted in distributor destocking, which increased pressure on base prices during the quarter. CRU reported European average base price for the third quarter decreased by EUR 30/tonne compared to the second quarter and amounted to EUR 1,107/tonne (II/17: EUR 1,137/tonne). However, the CRU reported European average base price was EUR 47/tonne higher than in the third quarter of 2016. Distributor inventories remained flat compared to the second quarter, slightly above the long-term average. The share of import volumes in the European market continued to increase.

Business area Europe's third-quarter stainless steel deliveries were flat at 397,000 tonnes (396,000 tonnes). The average base price in the business area's coil product deliveries was EUR 35/tonne higher than in the third quarter of 2016.

Ferrochrome production volumes were clearly below normal production level at 104,000 tonnes (93,000 tonnes) due to the planned maintenance shutdown of a ferrochrome furnace. Ferrochrome operations were positively impacted by higher ferrochrome contract price of USD 1.10/lb compared to USD 0.98/lb in the third quarter of 2016 but this impact was largely offset by the weaker US dollar.

Business area Europe's sales increased to EUR 1,026 million (EUR 946 million) primarily due to higher base prices. The third-quarter adjusted EBITDA decreased to EUR 90 million (EUR 107 million). The reference period includes a reversal of credit loss allowances of EUR 22 million. The third-quarter adjusted EBITDA was positively impacted by higher base prices and cost reductions. However, these positive impacts were largely offset by raw material-related inventory and metal derivative losses of EUR 23 million (losses of EUR 1 million).

Americas

Americas key figures

		III/17	III/16	II/17	I-III/17	I-III/16	2016
Deliveries	1,000 tonnes	203	185	186	571	523	690
Sales	EUR million	376	372	409	1,201	984	1,325
Adjusted EBITDA	EUR million	-34	12	27	22	-28	-27
Adjustments							
Net insurance compensation and costs related to technical issues in Calvert	EUR million	-	-	-	-	24	24
Redundancy costs	EUR million	-	-0	-	-	-3	-3
EBITDA	EUR million	-34	12	27	22	-7	-6
Operating capital	EUR million	1,049	1,175	1,139	1,049	1,175	1,127

Underlying stainless steel demand remained healthy in the third quarter. However, low raw material prices in the beginning of the quarter had an impact on distributor demand and resulted in a decrease of apparent consumption. Distributor stocks remained at long-term average levels. The CRU reported US base price averaged at USD 1,382/tonne, USD 59/tonne higher compared to the third quarter of 2016 (USD 1,323/tonne).

Business area Americas' third-quarter stainless steel deliveries were record-high at 203,000 tonnes (185,000 tonnes). The average base price in the business area's coil product deliveries was USD 30/tonne lower compared to the third quarter of 2016. Sales increased slightly to EUR 376 million (EUR 372 million) due to higher deliveries, partly offset by lower base prices.

Business area Americas' third-quarter adjusted EBITDA decreased to EUR -34 million (EUR 12 million), significantly impacted by raw material-related inventory and metal derivative losses of EUR 16 million (gains of EUR 5 million) and third-party supplier production issues with a negative impact of approximately EUR 20 million. Furthermore, additional costs of approximately EUR 10 million due to a delayed ferrochrome shipment and various hurricanes in the region of our operations had a negative impact on profitability.

Long Products

Long Products key figures

		III/17	III/16	II/17	I-III/17	I-III/16	2016
Deliveries	1,000 tonnes	51	59	68	194	179	245
Sales	EUR million	109	119	160	442	352	487
Adjusted EBITDA	EUR million	-2	2	7	13	-3	-1
Adjustments							
Changes to the UK pension scheme	EUR million	-	-	-	-	-	21
Redundancy costs	EUR million	-	-	-	-	-1	-2
EBITDA	EUR million	-2	2	7	13	-5	18
Operating capital	EUR million	152	139	167	152	139	139

The long products market was impacted by typical seasonality in the third quarter. Long products prices, however, remained relatively stable in both Europe and the US as a result of continued strong underlying demand.

Business area Long Products' stainless steel deliveries decreased to 51,000 tonnes (59,000 tonnes), primarily due to lower internal slab deliveries to business area Europe. Long Products' adjusted EBITDA declined to EUR -2 million from EUR 2 million in the third quarter of 2016, mainly as a result of lower deliveries. Improved product mix had a positive effect on the earnings. Raw material-related inventories and metal derivatives had a negative net impact of EUR 2 million on the result (positive impact of EUR 1 million).

Financial performance

Deliveries

Deliveries

1,000 tonnes	III/17	III/16	II/17	I-III/17	I-III/16	2016
Cold rolled	449	441	427	1,321	1,316	1,731
White hot strip	106	105	112	329	321	425
Quarto plate	17	21	19	59	73	100
Long products	16	15	19	53	50	65
Semi-finished products	53	54	71	207	183	247
Stainless steel ¹⁾	35	26	47	124	87	121
Ferrochrome	17	29	24	83	96	126
Tubular products	0	0	0	1	1	1
Total deliveries	641	637	649	1,970	1,944	2,570
Stainless steel deliveries	623	608	625	1,887	1,848	2,444

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

Outokumpu's third-quarter stainless steel deliveries increased to 623,000 tonnes (608,000 tonnes). Deliveries increased in business area Americas and were relatively flat in business area Europe. Business area Long products' deliveries decreased.

Sales and profitability

Outokumpu's sales in the third quarter increased by 4.5% to EUR 1,482 million (EUR 1,419 million) as a result of higher deliveries.

Profitability

EUR million	III/17	III/16	II/17	I-III/17	I-III/16	2016
Adjusted EBITDA	56	116	199	549	211	309
Adjustments						
Gain on the quarto plate mill divestment	-	-	-	15	-	-
Gain on the sale of land in Sheffield	-	-	9	9	-	-
Gain on the pipe plant divestment	7	-	-	7	-	-
Redundancy costs	-	2	-	-	-32	-30
Gain on the SKS divestment	-	-	-	-	26	28
Changes to the UK pension scheme	-	-	-	-	-	26
Net insurance compensation and costs related to technical issues in Calvert	-	-	-	-	24	24
Restructuring provisions, other than redundancy	-	-	-	-	-8	-8
Gain on the Guangzhou divestment	-	-	-	-	6	6
EBITDA	62	119	209	580	227	355

As of the beginning of 2017, raw material-related inventory and metal derivative gains/losses are no longer classified as an adjustment. Comparable figures for 2016 are presented accordingly.

Outokumpu's third-quarter adjusted EBITDA amounted to EUR 56 million, compared to EUR 116 million in the third quarter of 2016. Despite successful cost reductions, higher base prices in Europe and increased deliveries in the Americas, profitability declined year-on-year due to raw material-related inventory and metal derivative losses of EUR 41 million (gains of EUR 6 million), as well as due to third-party supplier production issues in the Americas. The reference period includes a positive impact from a reversal of credit loss allowances of EUR 22 million. Other operations' adjusted EBITDA increased to EUR 2 million (EUR -4 million), primarily due to an increase in net gains from derivatives. Adjusted EBITDA excludes a gain of EUR 7 million on the pipe plant divestment in the US (net adjustments of EUR 2 million).

The net result for the third quarter of 2017 was EUR -27 million (EUR 13 million) and earnings per share was EUR -0.07 (EUR 0.03).

Cash flow

Summary of cash flows

EUR million	July–Sept 2017	July–Sept 2016	April–June 2017	Jan–Sept 2017	Jan–Sept 2016	Jan–Dec 2016
Net cash from operating activities	126	61	150	223	190	389
Net cash from investing activities	-13	26	-9	-1	-14	-81
Cash flow before financing activities	113	87	141	223	176	308
Net cash from financing activities	-107	-29	69	-129	-148	-291
Net change in cash and cash equivalents	6	58	210	94	28	17

Outokumpu's operating cash flow amounted to EUR 126 million in the third quarter (EUR 61 million), positively impacted by a change in working capital of EUR 81 million (EUR 32 million). Inventories remained flat at EUR 1,289 million (June 30, 2017: EUR 1,282 million).

Financial position

Cash and cash equivalents were at EUR 294 million at the end of the third quarter of 2017 (June 30, 2017: EUR 289 million) and the overall liquidity reserves were approximately EUR 1.1 billion (June 30, 2017: EUR 1.0 billion). The overall liquidity reserves increased mainly due to reduction in working capital.

Debt information

EUR million	Sept 30 2017	Sept 30 2016	June 30 2017	Dec 31 2016
Bonds	472	496	472	496
Convertible bonds	226	217	224	219
Long-term loans from financial institutions	26	300	68	84
Pension loans	120	165	151	165
Finance lease liabilities	113	188	147	155
Short-term loans from financial institutions	4	23	22	5
Commercial paper	463	220	444	321
	1,424	1,610	1,528	1,445

Net debt decreased to EUR 1,130 million compared to EUR 1,239 million at the end of the second quarter. Gearing decreased to 44.4% (June 30, 2017: 48.4%).

Net financial expenses were EUR 32 million in the third quarter (EUR 29 million). Interest expenses were at EUR 23 million (EUR 27 million).

Capital expenditure

Capital expenditure was EUR 40 million in the third quarter, slightly lower than EUR 43 million in the third quarter of 2016.

Safety and people

Safety

The total recordable injury frequency rate (TRIFR) was 4.8 for the first nine months of 2017 against the target of less than 8.0 for 2017. Outokumpu has continued its safety strategy including ongoing work standardizing its systems and practices.

People

Personnel at the end of the reporting period

	Sept 30	Sept 30	June 30	Dec 31
	2017	2016	2017	2016
Europe	7,279	7,683	7,190	7,464
Americas	2,126	2,209	2,112	2,219
Long Products	583	640	672	628
Other operations	288	253	280	289
	10,276	10,785	10,254	10,600

Certain activities were transferred from Other operations to Europe in 2017. Comparable figures for 2016 are presented accordingly.

On June 30, 2017 Group employed in addition some 750 summer trainees.

Outokumpu's headcount decreased by 509 compared to the third quarter of 2016 and totaled 10,276 at the end of September 2017 (10,785). The decrease was driven primarily by continued restructuring and efficiency measures. All in all, Outokumpu plans to reduce its personnel to a level of 9,300 in the coming years.

Shares and shareholders

On September 30, 2017, Outokumpu's share capital was EUR 311 million, and the total number of shares was 416,374,448. At the end of the third quarter, Outokumpu held 4,176,548 treasury shares. The average number of shares outstanding was 412,176,012 for the third quarter of 2017.

Outokumpu's market capitalization was EUR 3,660 million at the end of September (EUR 2,546 million). The share price averaged EUR 7.84 in the third quarter and closed the quarter at EUR 8.79. At its highest, the share price closed at EUR 9.13, while the lowest price was EUR 6.81. The share turnover increased to 282.1 million shares compared to 220.7 million shares in the third quarter of 2016.

Risks and uncertainties

The main realized risks in the third quarter were related to decreased ferrochrome price and limited ferrochrome production due to the planned maintenance in July. Additionally, the tightening supply of graphite electrodes led to limited global availability of electrodes and sharp increases in their prices. This has, in turn, led to increase in stainless steel production costs. In late September, Outokumpu introduced a graphite electrode upcharge of EUR 30/tonne for all new contracts and spot-orders in Europe, Middle East, Africa, Australia and Asia.

Short-term risks and uncertainties

Outokumpu is exposed to the following risks and uncertainties in the short-term: risks and uncertainties in implementing the announced vision, including measures to drive competitiveness and further improve the financial performance; risks and uncertainties related to market development in stainless steel and in ferrochrome as well as competitor actions; vulnerability to business interruptions due to high capacity utilization and increased price levels; implementation risks related to ongoing development programs and investment projects; risk of material changes in metal prices impacting cash flow and availability of financing; risks and uncertainties in implementing the new organizational structure, and the loss of key personnel; changes in the prices of electrical power, fuels, nickel and molybdenum; currency developments affecting the euro, US dollar, Swedish krona and British pound; counterparty risk related to customers and other business partners, including financial institutions. Possible changes in the global political and economic environment, including trade and fiscal policies could have an adverse impact on Outokumpu's overall business and access to financial markets.

Helsinki, October 26, 2017

Board of Directors

Financial information

Condensed income statement

EUR million	July–Sept 2017	July–Sept 2016	Jan–Sept 2017	Jan–Sept 2016	Jan–Dec 2016
Sales	1,482	1,419	4,898	4,183	5,690
Cost of sales	-1,406	-1,301	-4,274	-3,897	-5,298
Gross margin	76	117	624	286	392
Other operating income	9	4	47	66	88
Sales, general and administrative costs	-69	-56	-240	-271	-331
Other operating expenses	-6	-26	-16	-47	-46
EBIT	9	40	415	34	103
Share of results in associated companies and joint ventures	-1	2	6	2	5
Financial income and expenses					
Interest expenses	-23	-27	-70	-78	-105
Net other financial expenses	-9	-3	-25	-13	-15
Result before taxes	-24	13	327	-56	-13
Income taxes	-3	0	-63	8	156
Net result for the period	-27	13	264	-48	144
Earnings per share for result attributable to the equity holders of the Company					
Earnings per share, EUR	-0.07	0.03	0.64	-0.12	0.35
Diluted earnings per share, EUR	-0.07	0.03	0.62	-0.12	0.35

Statement of comprehensive income

EUR million	July–Sept 2017	July–Sept 2016	Jan–Sept 2017	Jan–Sept 2016	Jan–Dec 2016
Net result for the period	-27	13	264	-48	144
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations					
Change in exchange differences	-19	-5	-72	-34	-3
Reclassification adjustments from other comprehensive income to profit or loss	4	-	-3	-2	-2
Available-for-sale financial assets	1	-3	-2	-2	-0
Cash flow hedges	0	-2	-0	-5	-4
Items that will not be reclassified to profit or loss:					
Remeasurements on defined benefit obligation plans					
Changes during the accounting period	21	-14	-4	-95	-63
Income tax relating to remeasurements	0	0	0	0	20
Share of other comprehensive income in associated companies and joint ventures	0	0	-1	0	0
Other comprehensive income for the period, net of tax	7	-24	-81	-138	-53
Total comprehensive income for the period	-19	-11	183	-186	91

Net result for the period and total comprehensive income for the period are fully attributable to the equity holders of the company.

Condensed statement of financial position

EUR million	Sept 30 2017	Sept 30 2016	Dec 31 2016
ASSETS			
Non-current assets			
Intangible assets	489	494	504
Property, plant and equipment	2,675	2,890	2,874
Investments in associated companies and joint ventures	72	64	67
Other financial assets	62	48	54
Deferred tax assets	146	25	204
Defined benefit plan assets	37	20	45
Trade and other receivables	2	6	2
Total non-current assets	3,483	3,546	3,750
Current assets			
Inventories	1,289	1,180	1,232
Other financial assets	63	37	50
Trade and other receivables	819	686	687
Cash and cash equivalents	294	213	204
Total current assets	2,466	2,116	2,173
Assets held for sale	-	-	67
TOTAL ASSETS	5,948	5,662	5,990
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company	2,543	2,137	2,416
Non-current liabilities			
Non-current debt	919	1,109	987
Other financial liabilities	3	4	4
Deferred tax liabilities	21	9	22
Defined benefit and other long-term employee benefit obligations	326	424	356
Provisions	67	126	118
Trade and other payables	39	37	37
Total non-current liabilities	1,375	1,709	1,525
Current liabilities			
Current debt	505	500	458
Other financial liabilities	33	32	63
Provisions	36	23	15
Trade and other payables	1,456	1,261	1,471
Total current liabilities	2,031	1,816	2,007
Liabilities directly attributable to assets held for sale	-	-	43
TOTAL EQUITY AND LIABILITIES	5,948	5,662	5,990

Condensed statement of cash flows

EUR million	July–Sept 2017	July–Sept 2016	Jan–Sept 2017	Jan–Sept 2016	Jan–Dec 2016
Net result for the period	-27	13	264	-48	144
Adjustments					
Depreciation, amortization and impairments	55	79	166	193	252
Other non-cash adjustments	47	-21	122	47	-118
Change in working capital	81	32	-229	149	307
Provisions, and defined benefit and other long-term employee benefit obligations paid	-16	-17	-45	-72	-94
Dividends and interests received	0	0	3	1	1
Interests paid	-11	-23	-50	-73	-94
Income taxes paid	-3	-2	-7	-8	-9
Net cash from operating activities	126	61	223	190	389
Acquisition of businesses, net of cash	-	-	-	-	-9
Purchases of assets	-41	-26	-116	-100	-156
Proceeds from the disposal of subsidiaries, net of cash and tax	26	49	90	72	72
Proceeds from the sale of assets	2	1	25	8	8
Other investing cash flow	0	2	0	5	4
Net cash from investing activities	-13	26	-1	-14	-81
Cash flow before financing activities	113	87	223	176	308
Dividends paid	-	-	-41	-	-
Treasury share purchase	-	-	-20	-7	-7
Borrowings of non-current debt	-	-	70	366	369
Repayment of non-current debt	-108	-26	-242	-452	-685
Change in current debt	0	-8	141	-99	-13
Other financing cash flow	1	5	-37	43	45
Net cash from financing activities	-107	-29	-129	-148	-291
Net change in cash and cash equivalents	6	58	94	28	17
Cash and cash equivalents at the beginning of the period	289	156	204	186	186
Foreign exchange rate effect	6	0	94	-1	1
Net change in cash and cash equivalents	-1	58	-3	28	17
Cash and cash equivalents at the end of the period	295	213	295	213	204

Statement of changes in equity

EUR million	Attributable to the equity holders of the parent									
	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	Total equity
Equity on Jan 1, 2016	311	714	2,103	5	6	8	-92	-21	-704	2,329
Net result for the period	-	-	-	-	-	-	-	-	-48	-48
Other comprehensive income	-	-	-	-	-7	-36	-95	-	0	-138
Total comprehensive income for the period	-	-	-	-	-7	-36	-95	-	-48	-186
Transactions with equity holders of the Company										
Contributions and distributions										
Share-based payments	-	-	-	-	-	-	-	5	-3	1
Treasury share purchase	-	-	-	-	-	-	-	-7	-	-7
Other	-	-	-	-2	-	-	-	-	2	-
Equity on Sept 30, 2016	311	714	2,103	2	-1	-28	-186	-23	-754	2,137
Equity on Jan 1, 2017	311	714	2,103	2	1	3	-135	-19	-564	2,416
Net result for the period	-	-	-	-	-	-	-	-	264	264
Other comprehensive income	-	-	-	-	-2	-74	-4	-	-1	-81
Total comprehensive income for the period	-	-	-	-	-2	-74	-4	-	263	183
Transactions with equity holders of the Company										
Contributions and distributions										
Dividends paid	-	-	-	-	-	-	-	-	-41	-41
Share-based payments	-	-	-	-	-	-	-	7	-2	5
Treasury share purchase	-	-	-	-	-	-	-	-20	-	-20
Changes in ownership interests										
Quarto plate mill and pipe plant divestments	-	-	-	-	-	3	8	-	-11	-
Other	-	-	-	1	-	-	-	-	-1	-
Equity on Sept 30, 2017	311	714	2,103	3	-1	-69	-131	-31	-356	2,543

Key figures by quarters

EUR million	I/16	II/16	III/16	I-III/16	IV/16	2016	I/17	II/17	III/17	I-III/17
Adjustments										
Gain on the quarto plate mill divestment	-	-	-	-	-	-	15	-	-	15
Gain on the sale of land in Sheffield	-	-	-	-	-	-	-	9	-	9
Gain on the pipe plant divestment	-	-	-	-	-	-	-	-	7	7
Redundancy costs	-	-35	2	-32	3	-30	-	-	-	-
Gain on the SKS divestment	-	26	-	26	2	28	-	-	-	-
Changes to the UK pension scheme	-	-	-	-	26	26	-	-	-	-
Net insurance compensation and costs related to technical issues in Calvert	25	-1	-	24	-	24	-	-	-	-
Restructuring provisions, other than redundancy	-8	-	-	-8	-	-8	-	-	-	-
Gain on the Guangzhou divestment	-	6	-	6	-	6	-	-	-	-
Adjustments to EBITDA and EBIT	17	-3	2	16	31	47	15	9	7	31
EBIT margin, %	-0.9	0.4	2.8	0.8	4.6	1.8	14.4	9.3	0.6	8.5
Return on capital employed, %	5.3	6.2	9.3	9.3	2.6	2.6	9.4	13.2	12.4	12.4
Return on equity, %	4.1	6.0	11.9	11.9	6.4	6.4	16.0	21.1	18.7	18.7
Non-current debt	870	1,162	1,109	1,109	987	987	1,010	996	919	919
Current debt	848	478	500	500	458	458	447	532	505	505
Cash and cash equivalents	-166	-156	-213	-213	-204	-204	-81	-289	-294	-294
Net debt at the end of period	1,551	1,485	1,396	1,396	1,242	1,242	1,376	1,239	1,130	1,130
Capital employed at the end of period	3,973	3,905	3,815	3,815	3,816	3,816	4,075	3,991	3,830	3,830
Equity-to-assets ratio at the end of period, %	39.2	37.9	37.7	37.7	40.4	40.4	41.6	42.7	42.8	42.8
Debt-to-equity ratio at the end of period, %	69.6	69.1	65.3	65.3	51.4	51.4	55.0	48.4	44.4	44.4
Net debt to adjusted EBITDA	14.0	12.3	6.0	6.0	4.0	4.0	2.4	1.8	1.7	1.7
Earnings per share, EUR	-0.10	-0.05	0.03	-0.12	0.46	0.35	0.44	0.26	-0.07	0.64
Diluted earnings per share, EUR	-0.10	-0.05	0.03	-0.12	0.46	0.35	0.42	0.25	-0.07	0.62
Equity per share at the end of period, EUR	5.36	5.19	5.17	5.17	5.84	5.84	6.07	6.21	6.17	6.17
Deliveries, 1,000 tonnes										
Cold rolled	440	435	441	1,316	415	1,731	445	427	449	1,321
White hot strip	103	113	105	321	104	425	112	112	106	329
Quarto plate	28	25	21	73	27	100	22	19	17	59
Long products	15	19	15	50	15	65	18	19	16	53
Semi-finished products	57	72	54	183	64	247	84	71	53	207
Stainless steel ¹⁾	24	37	26	87	34	121	42	47	35	124
Ferrochrome	33	34	29	96	30	126	42	24	17	83
Tubular products	0	0	0	1	0	1	0	0	0	1
Total deliveries	643	664	637	1,944	626	2,570	681	649	641	1,970
Stainless steel deliveries	610	629	608	1,848	596	2,444	639	625	623	1,887
Average personnel for the period	10,955	11,142	11,167	11,069	10,699	10,977	10,507	10,620	10,652	10,569

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

Business Area key figures by quarters

Stainless steel deliveries

1,000 tonnes	I/16	II/16	III/16	I-III/16	IV/16	2016	I/17	II/17	III/17	I-III/17
Europe total	421	413	396	1,230	395	1,625	415	398	397	1,210
of which intra-group	5	4	5	13	3	16	3	5	8	16
Americas total	161	177	185	523	167	690	182	186	203	571
of which intra-group	0	0	3	3	0	3	0	0	2	2
Long Products total	50	70	59	179	65	245	75	68	51	194
of which intra-group	18	26	25	68	28	97	30	22	18	70
Group total deliveries	610	629	608	1,848	596	2,444	639	625	623	1,887

Sales

EUR million	I/16	II/16	III/16	I-III/16	IV/16	2016	I/17	II/17	III/17	I-III/17
Europe total	988	958	946	2,893	1,034	3,927	1,225	1,147	1,026	3,398
of which intra-group	35	36	43	115	36	151	61	62	50	173
Americas total	301	311	372	984	342	1,325	416	409	376	1,201
of which intra-group	4	5	10	20	2	21	9	10	4	23
Long Products total	100	133	119	352	134	487	173	160	109	442
of which intra-group	27	38	40	105	48	153	56	43	32	131
Other operations total	134	131	159	423	144	567	141	121	125	387
of which intra-group	70	74	84	228	61	289	72	64	68	204
Group total sales	1,386	1,379	1,419	4,183	1,506	5,690	1,757	1,659	1,482	4,898

EBITDA

EUR million	I/16	II/16	III/16	I-III/16	IV/16	2016	I/17	II/17	III/17	I-III/17
Europe	74	47	111	231	117	348	257	178	90	525
Americas	-12	-6	12	-7	1	-6	29	27	-34	22
Long Products	-4	-2	2	-5	23	18	9	7	-2	13
Other operations and intra-group items	-11	24	-5	7	-12	-5	14	-3	9	20
Group total EBITDA	46	62	119	227	128	355	309	209	62	580

Adjusted EBITDA

EUR million	I/16	II/16	III/16	I-III/16	IV/16	2016	I/17	II/17	III/17	I-III/17
Europe	82	76	107	264	110	374	257	178	90	525
Americas	-37	-3	12	-28	1	-27	29	27	-34	22
Long Products	-4	-1	2	-3	2	-1	9	7	-2	13
Other operations and intra-group items	-11	-6	-4	-22	-15	-37	-1	-12	2	-11
Group total adjusted EBITDA	29	66	116	211	98	309	294	199	56	549

Adjustments to EBITDA and EBIT

EUR million	I/16	II/16	III/16	I-III/16	IV/16	2016	I/17	II/17	III/17	I-III/17
Europe	-8	-29	4	-33	7	-26	-	-	-	-
Americas	25	-3	-0	21	-	21	-	-	-	-
Long Products	-	-1	-	-1	20	19	-	-	-	-
Other operations and intra-group items	-	30	-1	29	3	32	15	9	7	31
Group total adjustments	17	-3	2	16	31	47	15	9	7	31

Certain activities were transferred from Other operations to Europe in 2017. Comparable figures for 2016 are presented accordingly.

EBIT										
EUR million	I/16	II/16	III/16	I-III/16	IV/16	2016	I/17	II/17	III/17	I-III/17
Europe	33	7	48	88	76	164	218	140	52	410
Americas	-26	-19	-2	-47	-13	-60	15	14	-47	-18
Long Products	-6	-4	-0	-10	21	11	7	5	-4	8
Other operations and intra-group items	-13	22	-6	3	-15	-12	13	-4	7	16
Group total EBIT	-12	6	40	34	69	103	252	154	9	415
Adjusted EBIT										
EUR million	I/16	II/16	III/16	I-III/16	IV/16	2016	I/17	II/17	III/17	I-III/17
Europe	40	36	44	121	68	190	218	140	52	410
Americas	-50	-16	-1	-68	-13	-81	15	14	-47	-18
Long Products	-6	-3	-0	-9	1	-8	7	5	-4	8
Other operations and intra-group items	-13	-8	-5	-26	-18	-44	-2	-14	1	-16
Group total adjusted EBIT	-29	9	38	18	38	57	238	145	2	384
Depreciation and amortization										
EUR million	I/16	II/16	III/16	I-III/16	IV/16	2016	I/17	II/17	III/17	I-III/17
Europe	-41	-40	-40	-120	-38	-158	-38	-38	-38	-114
Americas	-13	-13	-13	-40	-14	-54	-13	-13	-13	-39
Long Products	-2	-2	-2	-5	-2	-7	-2	-2	-2	-5
Other operations	-1	-1	-1	-4	-3	-7	-2	-2	-2	-5
Group total depreciation and amortization	-58	-56	-56	-170	-56	-226	-55	-54	-54	-164
Capital expenditure										
EUR million	I/16	II/16	III/16	I-III/16	IV/16	2016	I/17	II/17	III/17	I-III/17
Europe	25	23	28	76	25	101	10	12	23	46
Americas	0	2	5	7	10	17	1	6	4	11
Long Products	0	1	2	3	5	8	3	1	2	7
Other operations	6	2	8	17	20	37	5	11	11	27
Group total capital expenditure	32	28	43	103	61	164	19	31	40	90
Operating capital										
EUR million	I/16	II/16	III/16	I-III/16	IV/16	2016	I/17	II/17	III/17	I-III/17
Europe	2,636	2,545	2,463	2,463	2,419	2,419	2,546	2,548	2,546	2,546
Americas	1,211	1,178	1,175	1,175	1,127	1,127	1,245	1,139	1,049	1,049
Long Products	136	132	139	139	139	139	165	167	152	152
Other operations and intra-group items	-16	39	22	22	-51	-51	-21	0	-42	-42
Group total operating capital	3,967	3,893	3,799	3,799	3,635	3,635	3,934	3,854	3,705	3,705

Certain activities were transferred from Other operations to Europe in 2017. Comparable figures for 2016 are presented accordingly.

Definitions of financial key figures

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