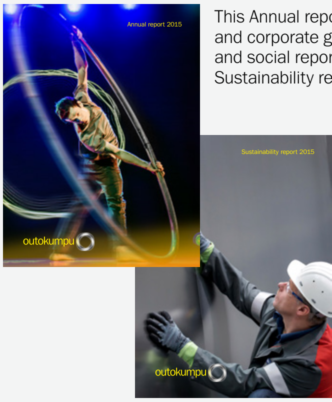
Annual report 2015

outokumpu



This Annual report includes Financial statements and corporate governance. For our environmental and social reporting, please check our Sustainability report 2015.

CONTENTS

Cover photo: Performer: Rony Hämäläinen, photographed at Outokumpu Experience 2015 in Berlin.

CEO review

As far as materials go, stainless steel has to be up there with the best of them. Decades of continued product development into its properties – among them, durability, corrosion-resistance, recyclability and aesthetics – has made it into a material with endless possibilities for just about every industry.

Outokumpu's dedication and experience in stainless steel is in a class of its own. I had first-hand experience of this when I started as the new CEO in January 2016. During the first weeks I visited all of our main sites and met a wealth of expertise and a genuine passion for stainless steel at each site I visited.

Our customers also recognize these traits in us. In 2015, we won a number of prestigious projects where our stainless grades matched specific needs for exceptional strength and corrosion-resistance, lifecycle cost, durability or beauty. Among those projects were material for the tower structures of La Sagrada Família basilica, a UNESCO world heritage site in Barcelona, Spain; and 400 tonnes of stainless cladding for New York's new 3 World Trade Center skyscraper.

Despite our strengths, our financial performance is still lagging. In 2015, the divestments in Mexico and China reduced our net debt significantly, pushed our gearing to a more robust level of 69 percent and improved our financial stability. The transactions also helped us reach a positive net result for the full year, but the underlying EBIT was still negative at -101 million euros.

At the end of 2015, we closed the synergy and P250 programs as planned, achieving the targeted 470 million euros in savings since the merger with Inoxum. Outokumpu has now successfully implemented the industrial restructuring and established a strong presence in both Europe and the Americas. However, we need to become much more resilient in our operational performance to safeguard our financial stability regardless of external conditions.

After a thorough analysis of the company's operations, we are confident about what needs to be done to improve the financial performance and competitiveness of the company in both the short and long term. On an immediate term, we will take swift and precise measures to address three particular areas – overhead costs, general procurement and working capital – to achieve substantial cost reductions and release working capital.

To drive long-term competitiveness, we will have renewed vigor in manufacturing excellence. Outokumpu has made a huge effort to form a strong, well-balanced industrial footprint. Now, we will take a very systematic approach to make the most of this competitive advantage: to improve the efficiency of our manufacturing processes and bring the operational capability and productivity to a world-class level. This will also further enhance our commercial capability through improved quality and delivery reliability, thus enabling differentiation through a superior customer experience.

The year 2016 has started around the world with minimal expectations for economic growth, and all commodity markets and prices continue to face enormous pressure. There is little reason to expect the stainless steel market to be any better, but Outokumpu must and will be. We expect Coil EMEA to further benefit from the new industrial set-up and a gradual improvement for Coil Americas. The measures we will take across the entire company to improve cost efficiency and reduce working capital are geared towards further reducing our debt.

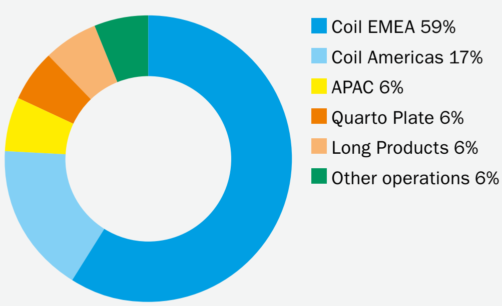
Everything I have seen so far at Outokumpu has only strengthened my belief in this company. The competence, commitment and passion of our people and their will to succeed are a strong foundation to build upon. The quality and capabilities of our mills can compete with the best that I have seen in the metals industry: modern, well-maintained equipment with a high level of automation. We will now move ahead from the merger and integration phase into an era of strong customer orientation and steady operational improvements with a lean, efficient cost structure. This will give us the power to successfully compete and perform in any market condition, and thereby deliver solid, long-term value to our shareholders.

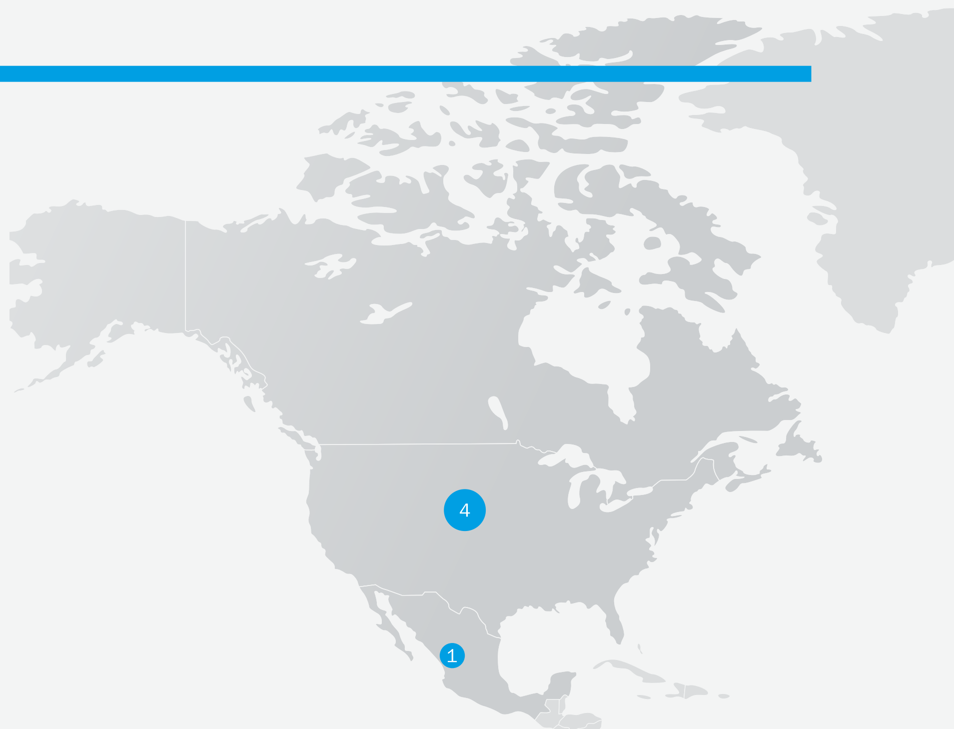
"Outokumpu's dedication and experience in stainless steel is in a class of its own."

Roeland Baan
CEO

Outokumpu and stainless steel market in 2015

Sales, 6 384 € million





Group key figures

	2015	2014
Sales (€ million)	**6 384**	6 844
EBITDA (€ million)	**531**	104
Underlying EBITDA (€ million)	**196**	232
EBIT (€ million)	**228**	-243
Underlying EBIT (€ million)	**-101**	-88
Net result for the period (€ million)	**86**	-439
Net cash generated from operating activities (€ million)	**-34**	-126
Capital expenditure (€ million)	**154**	127
Stainless steel deliveries (1 000 tonnes)	**2 381**	2 554
Personnel at the end of the period	**11 002**	12 125

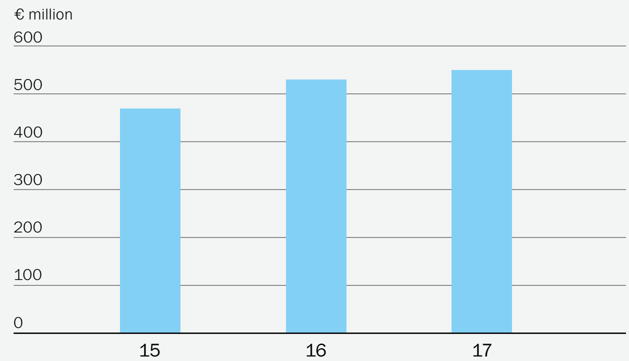
Americas

In Americas, real demand decreased by 1% compared to 2014. Consumption in the NAFTA region grew at 1%, driven by robust growth of 9% in Mexico, whereas growth in the US stagnated. Outokumpu is making progress in bringing its integrated stainless steel mill in Calvert, US to full commercial capability over the coming years. While order intake improved during the second half of 2015, Coil Americas posted a heavy loss as a result of lower deliveries and intense price pressure. Measures to improve profitability continue.

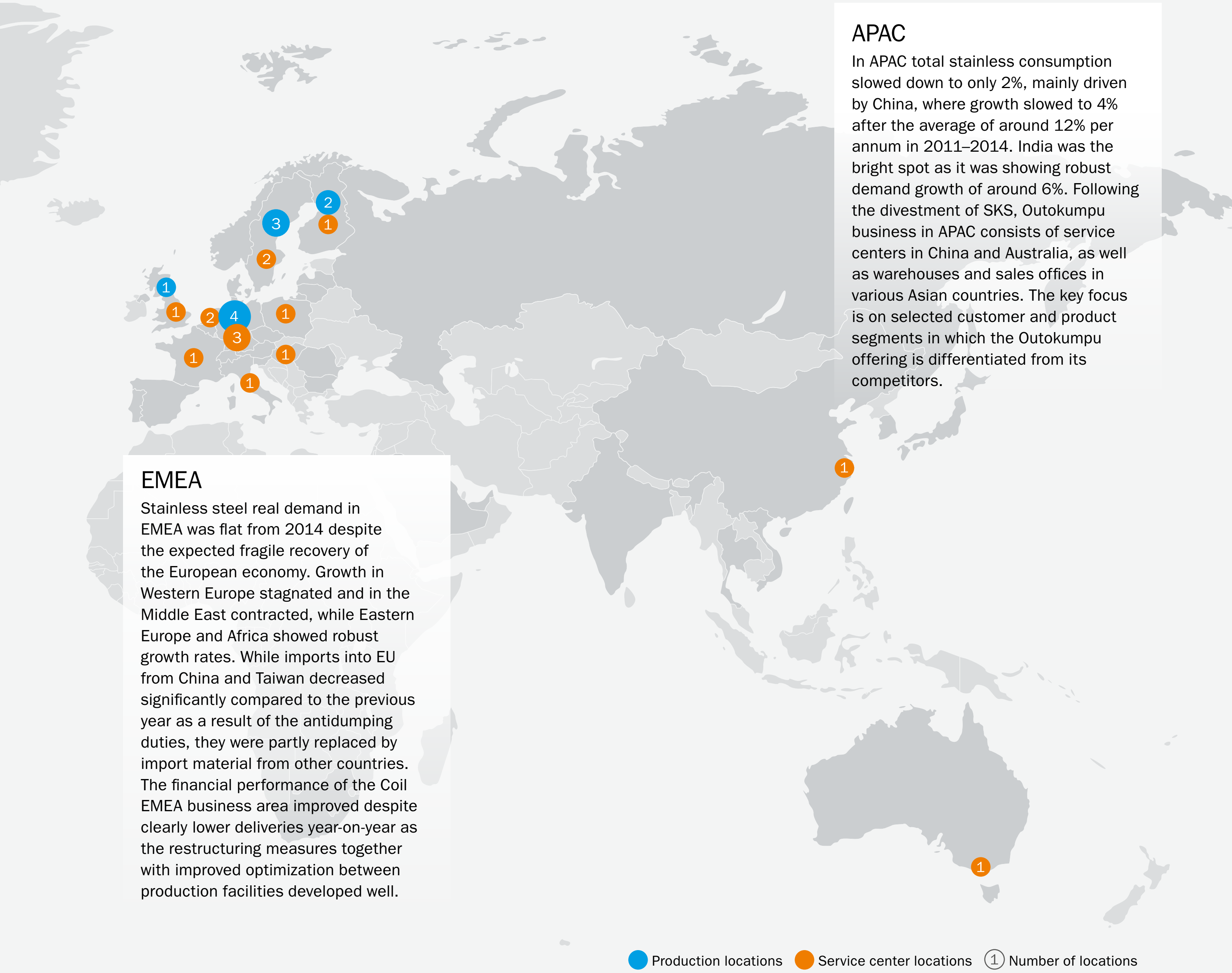
Capital structure

	2015	2014
Non-current debt (€ million)	**1 249**	1 597
Current debt (€ million)	**547**	569
Cash and cash equivalents (€ million)	**186**	191
Net debt at the end of the year (€ million)	**1 610**	1 974
Debt-to-equity ratio at the end of the year (%)	**69.1**	92.6

Combined savings*



* Synergies, P250 and EMEA restructuring, 2016–2017 forecast.



APAC

In APAC total stainless consumption slowed down to only 2%, mainly driven by China, where growth slowed to 4% after the average of around 12% per annum in 2011–2014. India was the bright spot as it was showing robust demand growth of around 6%. Following the divestment of SKS, Outokumpu business in APAC consists of service centers in China and Australia, as well as warehouses and sales offices in various Asian countries. The key focus is on selected customer and product segments in which the Outokumpu offering is differentiated from its competitors.

EMEA

Stainless steel real demand in EMEA was flat from 2014 despite the expected fragile recovery of the European economy. Growth in Western Europe stagnated and in the Middle East contracted, while Eastern Europe and Africa showed robust growth rates. While imports into EU from China and Taiwan decreased significantly compared to the previous year as a result of the antidumping duties, they were partly replaced by import material from other countries. The financial performance of the Coil EMEA business area improved despite clearly lower deliveries year-on-year as the restructuring measures together with improved optimization between production facilities developed well.

Highlights 2015

The turnaround to profitability sustained with decisive measures. Restructuring continued: The synergy and savings programs related to Inoxum transaction were closed at the end of 2015 achieving full benefits of EUR 470 million. Closure of the Bochum melt shop took place in June, a key element in the continuing European industrial restructuring. The subdued global market made its mark in the year 2015 which was difficult for Outokumpu. Despite the good progress in savings programs and industrial footprint, Outokumpu's operational profitability weakened. Yet the proceeds from divestments boosted Outokumpu's net profit for 2015 into positive territory after several years of losses.

Segment highlight: Automotive industry

While people are increasingly moving and cities are growing, new and ever more stringent environmental requirements are putting car manufacturers under a lot of pressure. The need to decrease emissions means that manufacturers need to reduce the weight of their vehicles. Here, stainless steel, which is an extremely strong and safe material even with thin walls, offers many opportunities for car manufacturers.

Outokumpu's sales and R&D teams work in cooperation with the customers to create ever lighter yet strong components for vehicles, such as the new Forta H-series. For the automotive sector, that means lower CO_2 emissions and better passenger safety.

Segment highlight: Building & construction

As the standard of living rises and with people increasingly living in cities, cities are getting bigger and growing upwards. This trend is setting new requirements for buildings. Durable, yet aesthetic façades and a longer service life are required from these tall buildings. In many cases, the world's population is concentrated in high-corrosion areas with exposure to coastal climate and high pollution levels. The sustainable design and construction of skyscrapers almost require the use of stainless steel – for instance in façades, in reinforcing concrete structures, and in escalators and elevators. Outokumpu has several showcases in skyscrapers all over the globe's metropolises, for example in New York, US, where 3 World Trade Center chose Outokumpu stainless steel for its façade. As a sustainable, durable, low-maintenance material, stainless steel is enjoying increasing popularity for cladding the outside of buildings.

Segment highlight: Energy

Every year, the world uses more resources than the planet actually has. As resources are limited, there is a huge demand for environmental responsibility and renewable energy sources. Solar power, wind power and products for higher fuel efficiency require materials that are durable and can withstand high temperatures. The depletion of raw materials is increasing the need for materials with high recyclability. Outokumpu's stainless steel is a good example of both. In heat exchangers, Outokumpu duplex takes the heat, and in tank-building for oils and chemicals in extreme corrosive environments it offers great cost-efficiency in manufacturing. Moreover, as it is maintenance-free, durable and fully recyclable, stainless steel keeps application life cycles very high and the carbon footprint of the product as small as possible.

"The properties of 316plus allow thinner wall thickness, resulting in lower overall weight."

Q1

New 316plus grade answers customer needs

Developed based on customer demand, the new austenitic grade Supra 316plus makes Langh Group's corrosive liquid tank and transportation containers more durable. The properties of 316plus allow thinner wall thickness, resulting in lower overall weight. The grade was accepted into six ASTM standards.

European Union antidumping measures

The European Commission announced provisional antidumping duties on cold rolled stainless steel imports from China and Taiwan. The final decision on the duties was made in September.

EUR 250 million bond

Outokumpu launched a senior unsecured convertible bond issue of EUR 250 million. The issuance was part of the plan to actively diversify the company's funding base and to reduce financing costs.

Q2

New leaders for Coil Americas and APAC

Outokumpu revised Coil Americas' volume outlook down and announced new leadership for the business area. Michael Williams was appointed President and Head of Coil Americas. Williams brought the Outokumpu Leadership Team a deep understanding of the market and long relationships with many of the company's key customers in the United States. In the APAC business area, Outokumpu announced the appointment of Jan Hofmann as President.

Outokumpu wins ISSF New Applications Award

A stainless steel fuel tank developed by Outokumpu and the Swedish fuel system company TechROi received a New Applications Award from the International Stainless Steel Forum in the Best New Development category. The use of the Outokumpu HyTens® steel grade allowed extremely thin walls and tailored strength, making the tank around three kilograms lighter than a conventional fuel tank made of plastic, thus reducing the overall vehicle weight, as well as making the car less fuel-consuming and consequently mitigating emissions.

"The most anticipated industry event Outokumpu Experience 2015 was attended by 500 guests from over 50 countries."

New product portfolio

By arranging its products according to performance, such as strength, heat-resistance and corrosion-resistance, Outokumpu puts customer needs first. The new portfolio structure features nine product ranges launched at Outokumpu Experience, a global customer event attended by more than 500 customers and stainless steel professionals, in Berlin, Germany. In connection with the event, new innovations saw the light: Core 4622 ferritic containing no nickel, and the high-strength, lightweight Forta H-series for the automotive industry.

Duplex delivers up to 20 years longer service life

Outokumpu delivered one of the largest orders to date for tank building, 245 tonnes of lean duplex stainless steel for the construction of three big oil storage tanks at the Antwerp harbor in Belgium. Outokumpu's Forta LDX 2101 is the material of choice for long-lasting tanks: the expected service life is 50 to 60 years, compared to 30 to 40 years in the past.

Q3

Bochum melt shop closed

The Bochum melt shop ramp-down in Germany was completed. The last melt was marked with a ceremony honoring the over 100 years of stainless steel operations in Bochum. All of the employees in Bochum were found new employment or other solutions. The positive financial impact of the Bochum melt shop ramp-down is over EUR 30 million annually from 2016 onwards. The closure is part of the EMEA restructuring program.


Copyright: Fennovoima

Outokumpu increases share in Fennovoima

Outokumpu decided to increase its share in the Finnish Fennovoima nuclear power plant project by 1.8 percentage points, raising its share to around 14 percent. The power plant is expected to be running in 2024. Fennovoima will provide electricity to its owners at cost price. The Outokumpu mills in Tornio are the single largest user of electricity in Finland, thus it is important to secure stable, cost-effective and reliable energy sources with zero or low carbon emissions.

"In 2015, Outokumpu's stainless solutions realized various pristine customer projects."

CDP CLIMATE DISCLOSURE LEADER 2015

Six years in a row a climate disclosure leader

Outokumpu was again included in the Nordic Climate Disclosure Leadership Index. Outokumpu earned its position by disclosing high-quality data on climate change-related information with the best possible disclosure score of 100, providing investors with a level of comfort for assessing corporate accountability and preparedness for changing markets and emissions regulations.

La Sagrada Família basilica relies on stainless

Outokumpu supplies stainless steel for the La Sagrada Família basilica, a UNESCO world heritage site, in rebar, bar, machined components and plasma-cut plate products. Stainless steel rebar was selected first in 2013 in the tower structures due to its high strength, exceptional corrosion resistance and reduced lifecycle costs.

Q4

New CEO

Roeland Baan was appointed as the new Chief Executive Officer of the Outokumpu Group in October. With extensive merits in the process and metals industry, Baan started in his position on January 1, 2016. Reinhard Florey, Chief Financial Officer and deputy to the CEO, acted as the interim CEO until then. In November, Outokumpu announced the appointment of Liam Bates as President and Head of the Quarto Plate business area.

Divestment of non-core assets

The divestment of the joint venture Fischer Mexicana in Mexico and SKS cold rolling mill in China were completed. Divestments also enabled refinancing and debt maturity extensions. These significantly reduced Outokumpu's net debt and strengthened its balance sheet.

Market environment

Our market position

In 2015, total global steel production was 1.6 billion tonnes, of which approximately 2.6% was stainless steel. Stainless steel is a versatile and widely used material that plays a key role in many important areas, including urbanization, transportation, energy, and the production and consumption of food, water and other beverages. Stainless steel's attractive properties, which include corrosion resistance, high strength-to-weight ratio, heat tolerance, aesthetic qualities and recyclability, have contributed to the increased use of stainless steel in new and existing applications. As a result, stainless steel consumption has been growing more rapidly than that of any other metal in recent decades.

Source: World Steel Association, SMR February 2016

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

The global crude stainless steel capacity in 2015, including flat and long products, totaled approximately 68.4 million tonnes, up slightly from 68.1 million tonnes in 2014. The largest producers based on crude stainless capacity are Tsingshan, TISCO, POSCO, Outokumpu, Baosteel, Acerinox, Aperam and LISCO. Global crude stainless steel production was 42.1 million tonnes in 2015, a decrease of 1.7% compared to 2014. This was the first time since 2009 that production shrank, and the decline was broad-based between the regions. In Europe, stainless steel production was 7.1 million tonnes in 2015, a decrease of 1.4% compared to 2014. In China, stainless steel production grew at an annual average pace of around 19% in 2007–2014, but decreased by 2.0% to 22.3 million tonnes in 2015. Of the major regions and countries, only India and South Africa increased output in 2015 compared to 2014. Outokumpu had an approximately 30% share of cold-rolled stainless steel deliveries in Europe and an approximately 8% share globally in 2015.

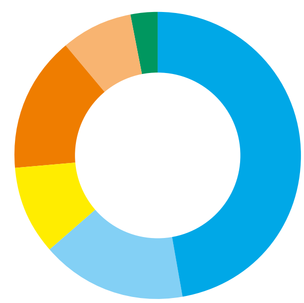
Source: Eurofer and SMR February 2016

Major stainless steel producers

million tonnes	2015	2016
Tsingshan	5.6	5.4
TISCO	4.5	4.5
POSCO	3.9	3.9
Outokumpu	3.6	3.3
Baosteel	3.4	2.7
Acerinox	2.9	2.9
Aperam	2.0	2.0
LISCO	2.0	2.0

Source: Global crude stainless steel capacity, SMR February 2016

End-uses of stainless steel in 2015



- Consumer Goods & Medicals 47%
- Chemical, Petrochemical & Energy 16%
- Automotive & Heavy Transport 10%
- ABC & Infrastructure 15%
- Industrial & Heavy Industry 8%
- Others 3%

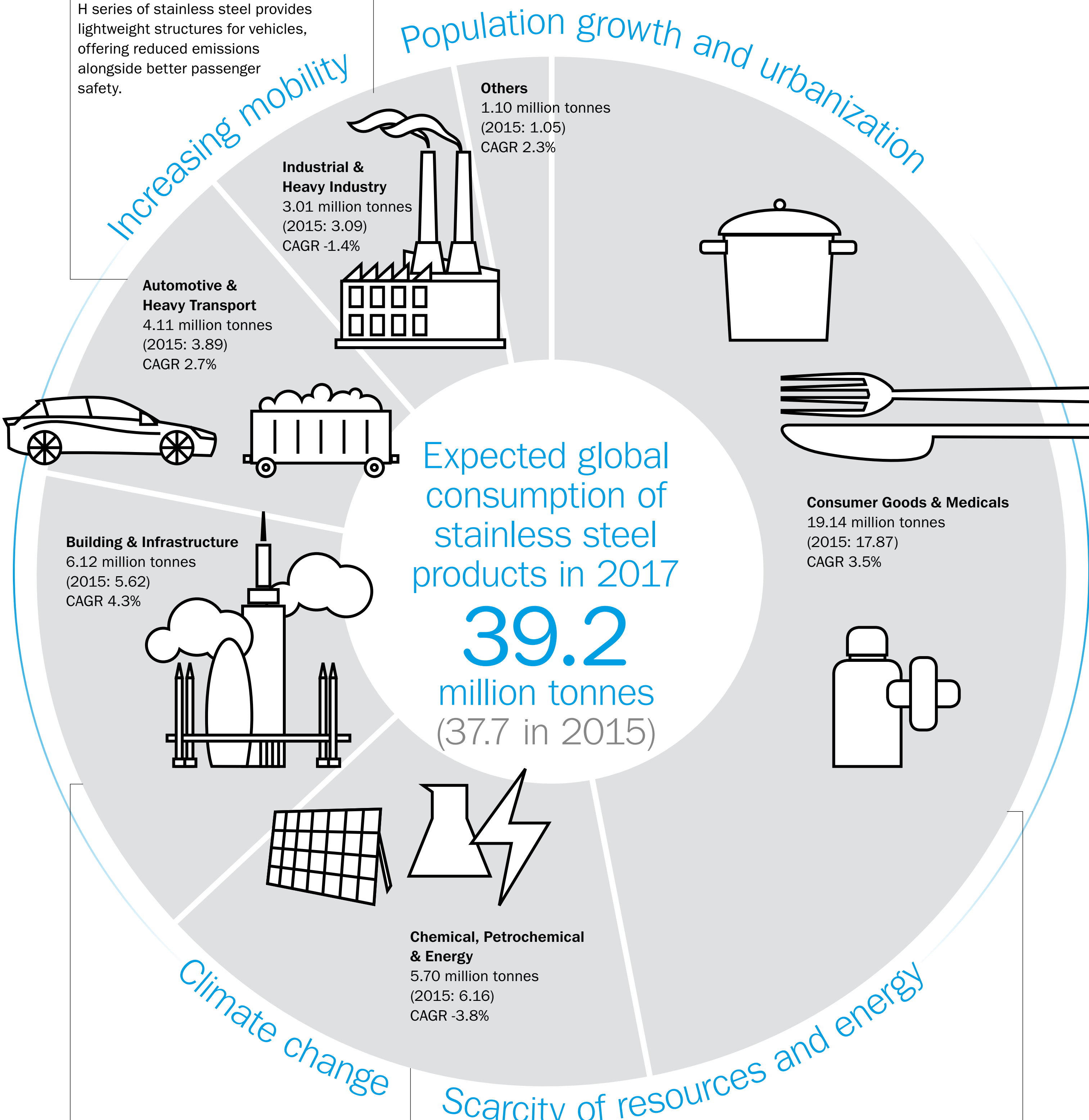
Source: SMR, stainless steel finished products*, February 2016.

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

"Global crude stainless steel production was 42.1 million tonnes in 2015, a decrease of 1.7% compared to 2014."

As fuel emissions regulations tighten, the need for new lightweight possibilities has never been more urgent. The Forta H series of stainless steel provides lightweight structures for vehicles, offering reduced emissions alongside better passenger safety.

In heavy industry applications, maintenance and down time of structures and machinery is difficult and expensive; stainless steel offers a significant cost advantage throughout its life cycle – from the raw materials that enable production, through to a reduced need for repairs and replacement.



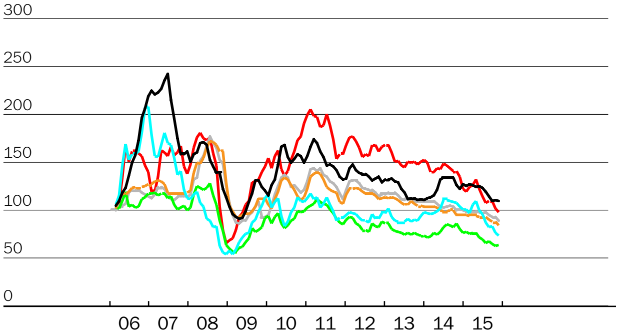
Outokumpu supplied duplex stainless steel to Marina Bay Pedestrian Bridge, Singapore with a 100 year design life, low maintenance costs, and resistance to corrosion cracking and chloride stress.

Outokumpu's stainless has superb heat resistance. In one of the world's largest solar energy plants our stainless steel withstands temperatures up to 600 degrees Celsius.

Stainless steel is corrosion-resistant, helping goods in heavy usage: Outokumpu delivers stainless flat plates to Miele of Germany, who make some of the world's longest lasting washing machines and driers.

Source: SMR, stainless steel finished products, February 2016
CAGR = Compound Annual Growth Rate

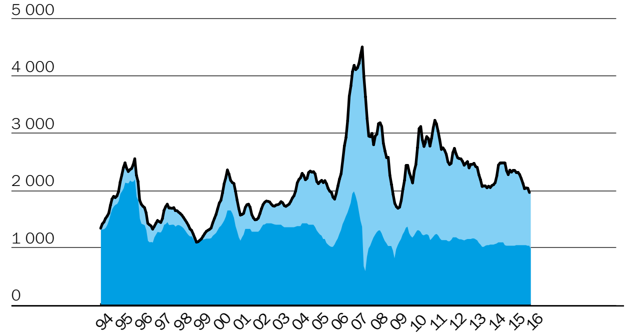
Market price comparison with competing materials



Source: CRU, LME and Metal Bulletin. Including December 2015.

* Stainless steel prices are for grade 1.4301.

Stainless steel price*



Source: CRU. Including January 2016.

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

Market review

Global real demand for stainless steel products reached 37.7 million tonnes in 2015, with a modest increase of around 2% from 37.1 million tonnes in 2014, after annual average growth of around 8% in 2011–2014. The deceleration of growth was most pronounced in the APAC and Americas regions, where the growth slowed markedly below the average rates of previous years. Slowing economies in emerging markets, notably China, broad-based weakness in global manufacturing and deteriorating nickel prices resulted in weaker demand growth in 2015 compared with previous years. Of the end-use segments, the Chemical, Petrochemical and Energy segment contracted by 2% amid retreating oil prices, whereas the Automotive & Heavy Transport and Consumer Goods & Medical segments were the most resilient, both at 3% growth in 2015, compared with 2014.

Real demand in the EMEA region reached 7.2 million tonnes in 2015, flat from 2014 despite the expected fragile recovery of the European economy on the back of a weaker euro, low oil prices and less expensive credit. Growth in Western Europe stagnated and the Middle East contracted, while Eastern Europe and Africa showed robust growth rates of 10% and 5%, respectively. Of the major Western European countries, Germany and Italy both grew at 2%, while consumption levels in France and Benelux shrank. Countries in the CIS region saw a slump of 16% in their consumption levels in 2015 compared with 2014. The Automotive & Heavy Transport segment, growing at 4%, outperformed other segments in 2015 as it grew even more quickly than in the past few years. In contrast, Chemical, Petrochemical and Energy and Industrial & Heavy Industry segments were the weakest as their demand shrank by 3% and 2%, respectively, compared with 2014.

In the Americas region, demand was at 3.6 million tonnes, a decrease of 1% compared with 2014, after average annual growth of around 10% during 2011–2014. Consumption in the NAFTA region grew at 1%, driven by robust growth of 9% in Mexico. Growth in the US stagnated on the back of weakness in the manufacturing sector driven by collapsed investment in the oil & gas industry, and secondly on weaker exports due to the strong dollar. Meanwhile, consumption levels in South America were 12% lower in 2015 compared with 2014, amid a slump of 14% in Brazil. Automotive & Heavy Transport outperformed the other segments, as it was able to grow even faster than in the past few years, at 4%. The Chemical, Petrochemical and Energy segment was the weakest performer, as it shrank by 12% compared with 2014.

In the APAC region, consumption has been growing rapidly in recent years, at an annual average of 9% in 2011–2014, which has been the main factor supporting global growth. In 2015, however, growth slowed down to only 2% resulting in consumption of 26.9 million tonnes. This was mainly driven by decelerated growth in China, which slowed to 4% in 2015 after the average of around 12% per annum in 2011–2014. The slowdown in China resulted from decreased metals consumption driven by the balancing of the economy from investment and manufacturing towards services and consumption. The slowdown was also largely broad-based between the other countries in the APAC region. In contrast, India was the bright spot, showing robust growth of around 6% in its consumption levels in 2015. Also, all the segments except Automotive & Heavy Industry showed markedly slower growth compared with the past few years. The Consumer Goods & Medical segment showed the strongest growth at 4%, whereas Chemical, Petrochemical and Energy was the weakest, with flat growth compared with 2014.

Source: SMR February 2016

According to CRU, average cold-rolled stainless steel transaction prices decreased in all regions in 2015 compared with 2014. In Europe, transaction prices were most resilient, partly as a result of the depreciated EUR against USD, with a decrease of 3% from 2014 in EUR terms. In the US and China, transaction prices were down by 18% and 20% respectively in USD terms. In Europe, most of the decline in transaction price came from the alloy surcharge (-4%), whereas the base price was down by 2% from 2014. In the US, the base price eased by 3% and the alloy surcharge by 29% in USD terms on the back of weaker prices of alloying metals across the board.

Source: CRU January 2016

Outlook

The long-term prospects for stainless steel consumption remain robust. Key global megatrends in urbanization, modernization and increased mobility, combined with

"Between 2016 and 2019, global stainless consumption is expected to increase at an annual average growth rate of around 3%."

growing global demand for energy, food and water, will ensure the continuing growth of stainless steel consumption in the future. SMR estimates that global stainless steel demand will reach 38.0 and 39.2 million tonnes in 2016 and 2017, respectively. Between 2016 and 2019, global consumption is expected to increase at an annual average growth rate of around 3%, driven mainly by increased consumption of around 3% in APAC. Meanwhile, demand in EMEA and Americas is estimated to increase by around 1% in both regions. Growth is expected to be broad-based between the end-use segments, with the Consumer Goods & Medical and ABC & Infrastructure segments showing the most robust annual growth of around 4% between 2016 and 2019. The Automotive & Heavy Industry and Industrials & Heavy Industries segments are estimated to grow at average rates of 3% and 1%, respectively. Meanwhile, the Chemical, Petrochemical & Energy segment is forecast to show no growth between 2016 and 2019.

Source: SMR Real Demand February 2016

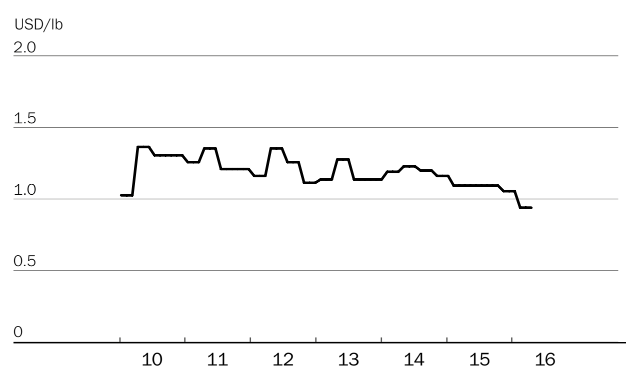
Nickel price

Source: LME settlement, monthly average prices, including December 2015.

Molybdenum price

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

Ferrochrome price



Source: Quarterly contract prices agreed between South African ferrochrome producers and European buyers, including Q1/2016.

Leadership Team

Roeland Baan

b. 1957, Dutch citizen
M.Sc. (Econ.)
President and Chief Executive Officer 2016–
Chairman of the Outokumpu Leadership Team 2016–
Responsibility: Group management, strategy and sustainability, legal and internal audit
Employed by the Outokumpu Group since 2016

Work experience
Executive Vice President and CEO: Aleris Europe and Asia 2013–2015
Executive Vice President and CEO, Global Rolled and Extruded Products: Aleris 2011–2013
Executive Vice President and CEO, Europe and Asia: Aleris 2008–2011
Executive Vice President and member of the Management Committee, Global Pipes and Tubes Division and the South African carbon steel operations: Arcelor Mittal Group 2006–2007
Chief Executive Officer: Mittal Steel Europe 2004–2006
Senior Vice President, Operations: SHV Energy BV 2001–2004
Chief Executive Officer: Thyssen Sonnenberg Recycling GmbH & Co. KG 1998–2001
Senior Vice President, Business Development and Asia Operations: SHV NV 1996–1998
Various management positions in Europe, Africa and the Americas: Shell International Petroleum Co. 1980–1996

Positions of trust
Board member: Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. 2012–, member of the Audit Committee 2012–, Chairman of the Corporate Governance Committee 2013– and member of the Risk Committee 2013–
Board member: Eurofer 2004–2005 and 2015–
Board member: International Stainless Steel Forum 2016–
Vice Chairman: European Aluminium Association 2014–2015

Liam Bates

b. 1971, UK citizen
B.Sc. hons Economics, MBA
President – Quarto Plate 2015–
Member of the Outokumpu Leadership Team 2015–
Responsibility: Quarto Plate business area
Employed by the Outokumpu Group since 1993

Work experience
Senior Vice President – Quarto Plate Europe: Outokumpu Stainless AB 2014–2015
Vice President – Mergers & Acquisitions: Outokumpu Oyj 2012–2014
Vice President – Business development: Outokumpu Oyj 2011–2012
Head of Pricing Office: Outokumpu Oyj 2009–2011
Head of Architecture, Building & Construction cluster: Outokumpu Oyj 2008–2009
Head of Degerfors Stainless, Long Products: Outokumpu Stainless AB 2002–2005
Various other positions in Outokumpu since 1993

Pekka Erkkilä

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

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

Positions of trust
Board member: Association of Finnish Steel and Metal Producers 2016–
Board member: Metallurgiska Forskningsbolaget i Luleå AB (Swerea MEFOS) 2015–
Chairman of the Board: Manga LNG Oy 2013–2015
Board member: Voimaosakeyhtiö SF 2014–
Board member: University of Oulu 2009–2015

Reinhard Florey

b. 1965, Austrian citizen
M. Sc. (Eng.), M.A.
CFO 2013–
Interim CEO October 26–December 31, 2015
Member of the Outokumpu Leadership Team 2012–
Responsibility: Financial services and reporting, business controlling and planning, treasury and risk management, taxation, corporate affairs and compliance, investor relations and metal desk
Employed by the Outokumpu Group since 2012

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

Positions of trust
Board member: Shanghai Krupp Stainless Co. Ltd. 2011–2015
Executive Member of the Board: Acciai Speciali Terni S.p.A. 2011–2014

Jan Hofmann

b. 1979, German citizen
M.Sc. (Econ.)
President – APAC 2015–
Member of the Outokumpu Leadership Team 2015–
Responsibility: APAC business area
Employed by the Outokumpu Group since 2012

Work experience
Chief Financial Officer – APAC: Outokumpu Oyj 2015
Senior Vice President – Group Strategy and Business Excellence: Outokumpu Oyj 2012–2014
Vice President – Business Development: Inoxum GmbH 2011–2012
Head of Business Development: ThyssenKrupp Stainless AG 2009–2011
Various positions at ThyssenKrupp 2005–2009

Positions of trust
Board member: Shanghai Krupp Stainless Co., Ltd. 2015–
Board member: Outokumpu Nirosta GmbH 2012–2014
Board member: ThyssenKrupp VDM GmbH 2011–2012

Olli-Matti Saksi

b. 1967, Finnish citizen
M.Sc. (Eng.)
President – Coil EMEA 2014–
Member of the Outokumpu Leadership Team 2014–
Responsibility: Coil EMEA business area
Employed by Outokumpu Group since 2013

Work experience
Senior Vice President – Head of Sales EMEA: Outokumpu 2013–2014
SVP and General Manager, Division Rolled Products: Aleris 2011–2013
VP, Sales and Marketing: Aleris 2008–2011
VP, Sales and Marketing: ArcelorMittal 2004–2008
VP, Sales: Rautaruukki 2000–2004
Business Development and Corporate Planning: Fundia 1998–2000
Various positions: Rautaruukki 1991–1998

Johann Steiner

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

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

Saara Tahvanainen

b. 1974, Finnish citizen
M.Sc. (Soc.) in communications
Executive Vice President – Communications & Marketing 2014–
Member of the Outokumpu Leadership Team 2014–
Responsibility: Communications and marketing
Employed by the Outokumpu Group since 2012

Work experience
Vice President – Communications: Outokumpu Oyj 2013–2014
Director – External Communications: Outokumpu Oyj 2012
Senior Communications Manager: Nokia 2007–2012
Communications Manager: Nokia 2006–2007
Communications Manager: Fazer 2004–2006
Project Manager, change and leadership communications: Ericsson 2001–2004
Communications Officer: Ericsson 2000–2001

Kari Tuutti

b. 1970, Finnish citizen
M.Sc. (Econ.)
President – Long Products 2014–
Member of the Outokumpu Leadership Team 2012–
Responsibility: Long Products business area
Employed by the Outokumpu Group since 2011

Work experience
Executive Vice President – Marketing, Communications and Sustainability: Outokumpu Oyj 2013–2014
Executive Vice President – Marketing, Communications and IR: Outokumpu Oyj 2012–2013
Senior Vice President – Marketing, Communications and IR: Outokumpu Oyj 2011–2012
Director, Marketing Creation: Nokia 2009–2011
Vice President, Communications: Nokia 2008
Director, Communications, Multimedia Business Group: Nokia 2002–2007
Senior Manager, Investor Relations: Nokia 1999–2002
Manager, Treasury, Finland and Geneva: Nokia 1995–1999
Analyst, Treasury: Merita Bank 1994–1995

Positions of trust
Board member: Fagersta Stainless AB 2015–
Chairman of the Board: Fagersta Stainless AB 2014–2015
Chairman of the Board: Euro Inox 2013–2015

Michael Williams

b. 1960, US citizen
B.Sc. (Information science)
President – Coil Americas 2015–
Member of the Outokumpu Leadership Team 2015–
Responsibility: Coil Americas business area
Employed by the Outokumpu Group since 2015

Work experience
Senior Vice President, Strategic Planning & Business Development: United States Steel Corporation 2013–2015
Senior Vice President, North American Flat-Roll Operations: United States Steel Corporation 2009–2013
Vice President, Midwest Flat-Roll Operations: United States Steel Corporation 2008–2009
General Manager, Gary Works Complex: United States Steel Corporation 2006–2008
Vice President, Commercial Products: Special Metals Corporation 2006
Chairman & Chief Executive Officer: Ormet Corporation 2004–2006
President & Chief Operating Officer: Ormet Corporation 2002–2004
Vice President, Operations & Sales, Ormet Aluminum Mill Products: Ormet Corporation 2000–2002
Vice President, Operations Ormet Aluminum Mill Products: Ormet Corporation 1999–2000
Various positions as Division Manager, Gary Works: United States Steel Corporation 1994–1999
Various positions: United States Steel Corporation 1992–1994
Senior Information & Automation Engineer: Armco Steel Corporation 1989–1992
Manager – Plant Manufacturing Systems: Koppers Corporation 1987–1989
Senior Systems & Project Manager: Omega Systems 1985–1987
Various positions: Commonwealth Clinical Systems 1983–1985

Board of Directors on Dec 31, 2015


Jorma Ollila


Olli Vaartimo


Markus Akermann


Roberto Gualdoni

Jorma Ollila

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

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

Positions of trust
Chairman of the Board: Miltton Oy 2015–
Chairman of the Board: Royal Dutch Shell Plc 2006–2015
Vice Chairman of the Board: Otava Ltd 1996–
Board member: Tetra Laval Group 2013–
Board member: University of Helsinki 2009–
Chairman of the Boards of Directors and the Supervisory Boards: The Research Institute of the Finnish Economy ETLA and Finnish Business and Policy Forum EVA 2005–
Advisory Partner: Perella Weinberg Partners 2014–

Independent of the company and its significant shareholders.

Olli Vaartimo

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

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

Positions of trust
Chairman of the Board: Valmet Automotive Oy 2003–2014
Board member: Valmet Automotive Oy 2014–
Board member: Kuusakoski Oy 2008–
Board member: Kuusakoski Group Oy 2008–
Board member: Alteams Oy 2008–2014
Board member: Northland Resources SA 2013–2014

Independent of the company and its significant shareholders.

Markus Akermann

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

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

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

Independent of the company and its significant shareholders.

Roberto Gualdoni

b. 1956, German citizen
MBA, M.Sc. (Eng.)
Outokumpu Board member 2014–
Member of the Remuneration Committee

Work experience
Chief Executive Officer: Styrolution Group 2011–2014
President, Styrenics: BASF SE 2010–2011
Senior Vice President, Global Procurement Raw Materials: BASF SE 2007–2010
Senior Vice President, Global Procurement Basic Products: BASF SE 2006–2007
Group Vice President, Business Unit Engineering Plastics Europe: BASF SE 2001–2005
Group Vice President, Business Unit Foam Products Europe: BASF SE 1998–2001
Chief Controller, Regional Division Central Europe: BASF SE 1996–1998
Controlling, Sales Division Germany: BASF SE 1994–1996
European Market Coordinator – Specialty Chemicals: BASF SE 1991–1994
Market Coordinator North Europe/Germany – Specialty Chemicals: BASF SE 1991
Product manager, Superabsorbers and Dispersing Agents: BASF SE 1990–1991
Marketing Manager, Textile, Leather, Paper and Specialty Chemicals: BASF Argentina S.A. 1988–1989
Assistant to the General Manager: BASF Argentina S.A. 1987–1989
Commercial Coordinator: Tenaris 1983–1986

Positions of trust
Chairman of the Supervisory Board: Styrolution Europe and Styrolution Americas 2012–2014
Chairman of the Board: BGS, Schwarzheide, 2001–2005
Member of the Steering Board: PlasticsEurope, Brussels/Belgium, 2012–2014
Board member: FIW, Munich, 1998–2001
Board member: BASF Intertrade AG, Zug/Switzerland, 2006–2007
Vice President: EXIBA, Brussels, 1998–2001

Independent of the company and its significant shareholders.

Stig Gustavson

b. 1945, Finnish citizen
M.Sc. (Eng.)
Dr.Tech. (hon.) Tampere University of Technology
Dr.Tech. (hon.) Aalto University Helsinki
Finnish Honorary title Vuorineuvos
Outokumpu Board member 2014–
Member of the Remuneration Committee

Work experience
President and CEO: Konecranes Plc 1994–2005
President: KONE Oy/KONE Cranes 1988–1994
President: KONE Oy/KONE Wood 1985–1988
Director: KONE Oy/KONE Roxon, 1982–1985
Various executive positions within leading Finnish and Swedish companies, 1970–1982

Positions of trust
Board memberships and Chairmanships in over 20 major Finnish and Scandinavian companies and over 10 Finnish, Scandinavian and European organizations, trusts and charities, including present positions:
Chairman of the Board: Konecranes Plc 2005–
Chairman of the Board: Suomi Gas Distribution Oy 2015–
Vice Chairman of the Supervisory Board: Tampere Technical University 2013–
Supervisory Board Member: Varma Mutual Pension Insurance Company 2000–
Senior Advisor: IK Investment Partners 1997–
Board Member: IK Investment Partners Funds 2014–
Past Chairman 2011–2015 and present Vice Chairman of the Board: Ahlstrom Capital Oy 2015–
Past Chairman of the Board and Executive Committee 2007–2015 and present Chairman of the Finance Committee: Technology Academy (Finland) 2015–
Past Chairman 2002–2007 and present Vice Chairman of the Board: Mercantile Oy Ab 2007–

Independent of the company and its significant shareholders.

Heikki Malinen

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

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

Positions of trust
Chairman: American Chamber of Commerce (AmCham Finland) 2009–2014
Board member: Ilmarinen Mutual Pension Insurance Company 2014–
Board member: Service Sector Employers PALTA 2013–
Board member: East Office of Finnish Industries 2012–
Board member: Federation of Finnish Technology Industries 2011–2012
Board member: Botnia Oy 2006–2008
Supervisory Board member: Finnish Fair Corporation 2014–
Supervisory Board member: Ilmarinen Mutual Pension Insurance Company 2013

Independent of the company and its significant shareholders.

Saila Miettinen-Lähde

b. 1962, Finnish citizen
M.Sc. (Eng.)
Outokumpu Board member 2015–
Member of the Audit Committee

Work experience
Chief Financial Officer: F-Secure Corporation 2015–
Deputy CEO 2012–2014 and CFO 2005–2015: Talvivaara Mining Company Plc
Founding Partner: SIDOS Partners Oy 2004–2005
Director: Carnegie Investment Bank 2000–2004
Vice President Business Development: Orion Oyj 2000
Director: The Finnish Innovation Fund Sitra: 1998–1999
Various managerial positions: Leiras Oy 1993–1998

Positions of trust
Member of the Board: LeaseGreen Group Oy 2015–
Member of the Board: Rautaruukki Oyj 2012–2014
Member of the Board: Biohit Oyj 2011–2013
Member of the Board: Talvivaara Mining Company Plc 2007–2012
Chairman of the Board: Valuecode Oy 2014–2015 and member of the Board 2008–2014

Independent of the company and its significant shareholders.

Elisabeth Nilsson

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

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

Positions of trust
Chairman of the Board: Göta Kanalbolaget 2011–
Chairman of the Board: Risbergska donationsfonden 2010–
Chairman of the Board: Tåkernfonden 2010–
Chairman of the Board: Övralidsstiftelsen 2010–
Chairman: Foundation Mefos 2005–2010
Chairman: Svenska Bergsmannaföreningen 2007–2009
Member: Royal Swedish Academy of Engineering Science IVA 2007–
Member: Skandia Council 2014–
Board Member: Boliden 2015–
Board member: Northland Resources SA 2013–2014
Board member: Sveaskog AB 2010–2012
Board member: 4:e AP-fonden 2010–2011
Board member: Swerea AB 2008–2011
Board member: Euromaint AB 2004–2007
Board member: Swedish Maritime Administration 1996–2006

Independent of the company and its significant shareholders.

Review by the Board of Directors 2015

Outokumpu's operational profitability weakened in 2015. Although the savings programs were successfully completed and the profitability of the largest business area Coil EMEA improved, the Group's underlying EBIT declined compared to 2014 as a result of difficult market environment, lower delivery volumes, and decreasing prices. In Americas, the technical issues in Calvert during the previous year were still burdening the performance particularly during the first half of 2015, but Coil Americas' order intake started to improve towards the end of the year. While the operational performance fell behind the targets in 2015, Outokumpu took decisive steps to strengthen its financial position through divestments. The divestments of Fischer Mexicana and especially Shanghai Krupp Stainless Co., Ltd enabled significant debt reduction and strengthening of the balance sheet. The proceeds from the divestments boosted Outokumpu's net profit for 2015 into positive territory after several years of losses. Strengthening of the financial position and decisive actions to improve profitability will continue in 2016.

Update on profitability improvement programs

Since the acquisition of Inoxum at the end of 2012, Outokumpu has implemented significant profitability improvement programs to restructure the company's asset base, reduce costs and improve efficiencies. Two of these programs, Synergies and P250, were closed at the end of 2015 following the achievement of the targeted savings. Likewise, the P400 program which aimed to release cash from net working capital was completed at the end of 2015. The ongoing EMEA restructuring plan continues as planned and targets EUR 100 million in savings by the end of 2017.

By the end of 2015, EUR 217 million out of the estimated EUR 220 million of the one-time initial cash costs (excluding capital expenditure and impairments) for all three savings programs had been recorded as provisions (December 31, 2014: EUR 191 million). The cash outflow of the provisions was EUR 94 million in 2015 (2014: EUR 36 million), and the estimated impact for 2016 is EUR 50 million.

Synergy savings

Cumulative synergy savings achieved the target of EUR 200 million at the end of 2015. The majority of the total savings related to production optimization since the start of the program in 2013, and a significant part of the total savings came from raw material and general procurement. The Krefeld melt shop closure at the end of 2013 and the headcount reductions also contributed to the overall achievement.

P250 savings

When the program was launched at the beginning of 2013, the initial target was to achieve savings of EUR 150 million. In 2014, the program was expanded to EUR 250 million by the end of 2015. The P250 program achieved the targeted total cumulative savings of EUR 250 million at the end of 2015. The savings were mainly driven by the Coil EMEA and Coil Americas business areas and are derived from procurement, IT and operational costs, as well as general and administration costs including headcount reductions.

EMEA restructuring savings

Cumulative savings from the EMEA restructuring program amounted to EUR 20 million by the end of 2015. The majority of the EMEA restructuring savings came from the Bochum melt shop closure at the end of June 2015. The next milestones will be the Benrath site closure in 2016 and the completion of the investment in ferritic stainless steel capacity in Krefeld by 2017. An additional savings of EUR 60 million are expected for 2016, with the full cumulative savings of EUR 100 million by the end of 2017.

Net working capital reduction

Outokumpu achieved its target of releasing EUR 400 million in cash from the net working capital reduction by the end of 2015 versus the 2012 level in the P400 program. The cumulative cash release reached EUR 574 million at the end of 2015. The majority of the cash release during 2015 was driven by lower metal prices as there was no reduction in absolute inventory amount in tonnes.

The total inventory days, Outokumpu's key metric for inventory efficiency, went down to 92 at the end of 2015. Outokumpu reports inventory days by comparing the current inventories with deliveries planned in following three months.

Outokumpu's management has identified significant further potential to improve working capital and inventory efficiency, and that is one of the key priorities during 2016.

Ongoing ramp-ups

Calvert

Outokumpu is making progress in bringing its new integrated stainless steel mill in Calvert, Alabama, US to full commercial capability over the coming years, with 2018 being the first year of steady-state operations. The technical ramp-up of the Calvert mill was completed at the end of 2014. All production steps have been tested and capabilities proven for both austenitic and ferritic grades as well as widths ranging from 36 to 72 inches.

Production in both the melt shop and the cold-rolling lines is showing good quality, and operational performance was running largely according to plan throughout 2015. All the cold-rolling lines have been back in production since the beginning of 2015 following the earlier technical issues. Lower utilization rates following the weak order intake in the early part of the year have helped to reduce the late order backlog, and both delivery performance and yields are improving.

Degerfors

The EUR 100 million investment project to expand capacity to 150,000 tonnes and to enhance the offering in tailored and standard quarto plate was completed in Degerfors, Sweden in 2014. The expanded capacity will be taken into use over the coming years.

Production at the Degerfors mill ran largely according to plan in 2015. Volumes in Degerfors grew 16% and reached 87,000 tonnes compared to 75,000 tonnes a year earlier. An additional 10% growth in Degerfors delivery volumes is targeted for 2016 with an increasing share of standard grades.

Strengthening of the financial position

Outokumpu took decisive steps to strengthen its financial stability and balance sheet towards the end of the year by completing two divestments.

Following its strategy to differentiate in the APAC region with specialty grades and tailored solutions, Outokumpu divested its 60% shareholding in SKS in China in December 2015. SKS operated a cold rolling mill in Shanghai with over 450 employees and SKS focused on the most common stainless steel grades.In total, Outokumpu recorded a non-recurring capital gain of EUR 389 million (net of withholding taxes) for the sale of SKS in the 2015 result.

In December 2015, Outokumpu completed the divestment of its stake in Fischer Mexicana, a joint venture between F.E.R. Fischer Edelstahlrohre GmbH and Outokumpu in Mexico. In the transaction, Outokumpu divested its 50% stake in the joint venture for EUR 57 million. The gain on the sale, net of withholding taxes, was EUR 43 million.

Market development

Stainless steel demand

In 2015, global apparent stainless steel consumption declined by 1.1% compared to 2014. Decrease was particularly strong in the Americas with the decline of 7.3%, while EMEA saw a decrease of 2.8% and APAC an increase of 0.2%. The apparent consumption was impacted by destocking as a result of very low nickel price.

According to research institute SMR, global real demand for stainless steel products reached 37.7 million tonnes in 2015, a modest increase of 1.6% from 37.1 million tonnes in 2014. Slowing economies in emerging markets, notably China, broad-based weakness in global manufacturing, and deteriorated nickel prices resulted in weaker consumption growth in 2015 compared to 2011-2014 which saw average annual demand growth of about 8%. The deceleration was most pronounced in the APAC and Americas regions where growth slowed down to 2.4%, substantially below the average rates of the past years, and in the Americas region, where demand shrank by 1.4%. Real demand for stainless steel products in the EMEA region grew at a rate of 0.2% in 2015 compared with 2014.

Consumer Goods & Medical and Automotive & Heavy Transport outperformed the other end-use segments in 2015, with real demand growing by 3.1% and 2.5% respectively compared to 2014. The Chemical, Petrochemical and Energy segment was the weakest performer with demand declining by 2.2% amid retreating oil prices. Real demand in the ABC & Infrastructure and Industrial & Heavy Industries segments grew at 1.6% and 0.6% respectively in 2015.

EU cold-rolled imports from third countries are expected to have reached a level of 24.7% of total consumption in 2015, clearly down from the average of 30.6% in 2014. The decline was driven by substantially lower volumes from China and Taiwan, after the imposition of anti-dumping duties by the European Commission in March 2015. Meanwhile, imported volumes from other countries, namely South Korea, India, South Africa, Turkey and some other Asian countries, increased.

Source: Eurofer and Foreign Trade Statistics January 2016

NAFTA cold-rolled imports from third countries are expected to have reached a level of 23.7% of total consumption in 2015, higher than the average of 19.5% in 2014. Imports from Asia, namely from South Korea, Taiwan and China, as well as from Brazil, South Africa and Turkey rose. Meanwhile, total imports from Europe decreased.

Source: Foreign Trade Statistics, January 2016

Stainless steel transaction prices

According to CRU, average transaction prices decreased in all regions in 2015 compared to 2014. In Europe, transaction prices were most resilient, partly as a result of the weaker EUR against the USD, with a decrease of 3.3% from 2014 in EUR terms. In the US and China, transaction prices were down by 17.8% and 20.4%, respectively, in USD terms. In Europe, most of the decline in transaction prices came from the alloy surcharge (-4.1%), whereas the base price was down by 2.4% from 2014. In the US, the base price eased by 3.4% and the alloy surcharge by 29.4% in USD terms on the back of weaker prices of alloying metals across the board.

Price development of alloying metals

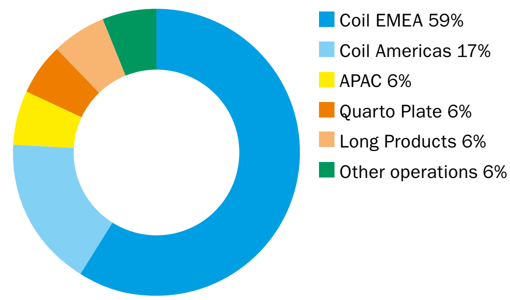
Nickel prices[1] trended lower during the year as slowing demand, from the stainless steel sector predominantly, weighed down prices. Also, the rapidly strengthening US dollar in the first half of the year, growing stocks and mounting concerns over the Chinese economy and its metals demand were eroding prices, which hit 12-year lows of 8,160 USD/tonne in late November. The average price of the year of 11,808 USD/tonne, was 30.0% lower than 16,864 USD/tonne in 2014.

The European benchmark price[2] for ferrochrome fell from 1.15 USD/lb in the fourth quarter of 2014 to 1.08 USD/lb in the first quarter of 2015. The price rolled over at 1.08 USD/lb for the second and third quarter and eased further to 1.04 USD/lb for the fourth quarter on soft demand and deflated production costs.

Molybdenum prices[3] weakened during the year and the average price in 2015 was down by 41.8%, to 6.67 USD/lb from 11.45 USD/lb in 2014. Soft demand, especially from the Oil and Gas sector together with ample supply weighed down prices during the year.

[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] Metal Bulletin - Molybdenum Drummed molybdic oxide Free market $ per lb Mo in warehouse

Sales, 6 384 € million



Business areas

Coil EMEA

The key focus of Coil EMEA is to maintain and expand Outokumpu's strong European stainless steel position through customer service and product leadership. A clear target is to improve financial performance and to drive cost efficiency by increasing capacity utilization levels and by leveraging the company's own chrome mine and expanded ferrochrome production. To this end, the successful completion of the industrial plan to restructure the company's European operations will be essential. In line with the program, the Bochum melt shop closure was completed in June 2015.

Overall, stainless steel markets in the EMEA region were challenging in 2015. End-customer demand remained relatively healthy, but the decline in the nickel price to historically low levels in the second half of the year had an impact on stainless demand in the region. This resulted in continued destocking as distributors held back orders. In addition, fluctuating imports to Europe impacted demand balances during the year. While imports from China and Taiwan decreased significantly compared to the previous year as a result of the antidumping duties, they were partly replaced by import material from other countries.

Deliveries for 2015 declined by 5.3% to 1,577,000 tonnes (2014: 1,666,000 tonnes) and sales were EUR 4,134 million (2014: EUR 4,520 million). Coil EMEA's average base price for standard austenitic grades in deliveries decreased by about EUR 20/tonne in 2015.

The ferrochrome production was 457,000 tonnes in 2015, below the initial target mainly due to maintenance issues in the second quarter.

For 2015, Coil EMEA recorded an underlying EBIT of EUR 107 million compared to EUR 62 million in 2014. The financial performance improved despite clearly lower deliveries year-on-year as the restructuring measures together with improved optimization between the production facilities developed well. Particularly, the good progress in the savings programs, and improved utilization rates in Tornio and Avesta contributed to the improvement in profitability. In 2015 Coil EMEA reported non-recurring items of EUR -31 million consisting of redundancy costs and impairments relating to EMEA restructuring program (2014: EUR -164 million of redundancy costs, impairments and environmental provisions relating to site closures). The net effect of raw material-related inventory and metal derivative gains/losses was EUR 25 million in 2015 (2014: EUR 16 million).

Coil Americas

Coil Americas' key target is to build a strong position in the Americas market by focusing on product quality, technical service and delivery reliability. Improvement in Coil Americas' financial performance is a priority and is driven by the ramp-up of the Calvert facility. Following the completion of the technical ramp-up at Calvert in 2014, the implementation of the commercial ramp-up will continue over the coming years with 2018 being the first year of steady-state operations. In addition, Coil Americas is focusing on ensuring the continued growth and performance improvements of the Mexican operations.

The operating environment for Coil Americas was difficult overall in 2015. Stainless steel imports into the NAFTA region peaked at close to 30% in the first half of the year resulting in intense competition and strongly declining base prices for the entire year. While the import pressure eased towards the year-end, there was little incentive for distributors to replenish their stocks as the nickel price remained historically low and destocking continued. Coil Americas' average base price dropped about USD 260/tonne during the year.

Outokumpu has since the summer of 2015 implemented decisive measures to improve Coil Americas' volumes and profitability, and delivery volumes grew during the second half of the year. However, full year 2015 deliveries of 509,000 tonnes remained 5.9% below the levels reached in 2014 mostly due to weak order intake which was also partly affected by the earlier cold-rolling technical issues at Calvert in 2014. Sales in 2015 declined to EUR 1,111 million (2014: EUR 1,158 million), mostly due to lower transaction prices.

For 2015, the financial performance of Coil Americas deteriorated considerably compared to the previous year as a result of lower volumes and intense price pressure. Underlying EBIT for 2015 was EUR -163 million (2014: EUR -93 million). In 2015 Coil Americas reported net non-recurring items of EUR -17 million relating to the 2014 technical issues in the cold rolling lines in Calvert (2014: EUR -21 million). The net effect of raw material-related inventory and metal derivative gains/losses was EUR -35 million in 2015 (2014: EUR 10 million).

APAC

The APAC business area's key focus is on selected customer and product segments in which the Outokumpu offering is differentiated from its competitors in the APAC region. Following the divestment of SKS, the APAC business area consists of service centers in China and Australia, as well as warehouses and sales offices in various Asian countries. SKS is included in the APAC figures up to the closing of the divestment in December 2015.

The overall market situation in the APAC region remained tough throughout 2015, as economic growth slowed down, the nickel price declined strongly and stainless demand continued to erode. The continued weakness in the stainless market was also reflected in commodity stainless steel prices which have been under severe pressure for the past 1.5 years in the region. While overcapacity remains and demand growth estimates for the coming years have been revised downwards, APAC is the fastest-growing region according to SMR with 3-5% demand growth rates for 2016-2017.

For the year 2015, deliveries were 197,000 tonnes, compared to 220,000 tonnes in 2014. Underlying EBIT was EUR -18 million, significantly weaker than the EUR -6 million in 2014. The decline in profitability was mostly driven by external pressures on the SKS business, impacted by the spread between the cost of the locally sourced hot band raw material and the continuous pressure on the cold-rolled sales price in China.

Quarto Plate

The Quarto Plate business area is a global leader in tailored quarto plate material, with key operations in Degerfors in Sweden and in New Castle, Indiana in the US. Both mills produce quarto plate in standard and special stainless steel grades for use in projects and by the process industry. Outokumpu also operates a European plate service center network that provides further services such as cutting to customer requirements. Quarto plate products are used in heavy industry and construction, and consumption is related to the global investment cycle.

A clear priority for the Quarto Plate business area is to ramp up the recent investment in Degerfors, and to leverage its position in both tailored and standard plate. Simultaneously, cost reduction and efficiency improvement measures are being implemented to improve profitability.

For 2015, deliveries grew 7.0% reflecting progress in the Degerfors investment ramp-up. However, the pace of growth decelerated throughout the year as the market situation became weaker and the nickel price continued to slide. While annual delivery volumes grew and cost take-out measures started to gain traction towards year-end, they were not enough to compensate for the negative impacts from low demand and intense price pressure. The Quarto Plate business area remained at a loss for the full year 2015, with underlying EBIT of EUR -23 million compared to EUR -30 million a year earlier.

Long Products

The Long Products business area focuses on specialty stainless long products, with production operations in Sheffield in the UK and Degerfors in Sweden, as well as Richburg and Wildwood in the US. Long Products produces wire rod, rod coil, bar, rebar, billet and other long products that are used in a wide range of industries, such as transportation, consumer durables, metal processing, chemical, energy, and construction. Long Products' melt shop in Sheffield, UK has an important role in Outokumpu's production platform, as it is one of the suppliers of feedstock to Outokumpu's Quarto Plate and Coil EMEA businesses, in addition to supplying the Long Products' downstream units and external customers.

Overall demand for long products was weak throughout 2015. The declining nickel price had a negative impact on the order intake and the low oil price kept Oil & Gas sector subdued, resulting in decreased project activity. Prices were under pressure in Europe since the beginning of the year, and prices also deteriorated in the US in the summer. During the second half of the year, tightening competition in standard grades and increasing imports added further pressure to prices.

Deliveries for 2015 declined to 213,000 tonnes (2014: 248,000 tonnes). The underlying EBIT of EUR 7 million was clearly lower compared to EUR 32 million in 2014 reflecting the difficult market environment, subdued Oil & Gas sector, and low prices for long products.

Financial performance

Outokumpu's financial performance weakened in 2015 mainly as a result of lower delivery volumes, downward pressure on base prices as well increase in scrap costs. While demand among end-users remained solid, distributors held back orders and destocking continued particularly during the second half of the year. The decline in profitability was partly offset by progress in savings programs, including a reduction in headcount. In Coil EMEA restructuring measures together with improved optimization between the mills developed well and profitability improved. Coil Americas, in turn, was suffering from the previous year's cold rolling issues, which together with weaker demand resulted in lower delivery volumes, and profitability deteriorated significantly.

Deliveries

For 2015, delivery volumes decreased from the previous year by 6.8% to 2,381,000 tonnes (2014: 2,554,000 tonnes). The decline was mostly driven by weak demand among distributor customers as the nickel price decreased to 12-year lows. As Coil EMEA and Coil Americas have significant sales to stainless steel distributors, these business areas were mostly affected, with deliveries declining by 5.3% and 6.1%, respectively. Deliveries in APAC declined partly as a result of the divestment of SKS, while Long Products volumes were impacted by weak demand. Quarto Plate was able to grow its delivery volumes by 7.0% as the ramp up in Degerfors progressed. The full-year ferrochrome production was at 457,000 tonnes, below the initial target mainly due to maintenance issues in the second quarter.

About 75% of the stainless steel products Outokumpu delivers to customers are cold rolled products, and the share of semi-finished products in delivery mix continued to decrease in 2015.

The utilization rate in melting was 85% and in cold rolling 75% in 2015 (2014: 80% and 75%). Overall, capacity utilization rates have improved from previous years as a result of the restructuring of the company's production set-up, reflecting the closure of the Krefeld and Bochum melt shops and the progress in the Calvert mill ramp-up. In 2013–2015, melting utilization has increased from 65% to 85% and in cold rolling from 70% to 75%.

Deliveries

1 000 tonnes	**2015**	2014	2013
Cold rolled	**1 767**	1 880	1 879
White hot strip	**346**	373	370
Quarto plate	**102**	89	77
Long products	**63**	64	62
Semi-finished products	**222**	271	398
Stainless steel [1]	**95**	138	186
Ferrochrome	**128**	133	212
Tubular products	**9**	9	12
Total deliveries	**2 509**	2 686	2 797
Stainless steel deliveries	**2 381**	2 554	2 585

[1] Black hot rolled, slabs, billets and other stainless steel products
2014 and 2013 presented for continuing operations.

Sales and profitability

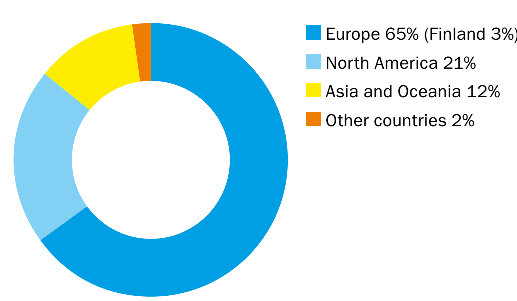
Sales for the full-year 2015 amounted to EUR 6,384 million, compared to EUR 6,844 million in 2014. Global real demand for stainless steel grew by only 0.9% in 2015 with slowing markets during the second half of the year and heavy destocking among distributors. The 6.7% decline in sales was a result of both lower deliveries as well as lower prices. 59% of Outokumpu sales are generated by Coil EMEA while Coil Americas accounts for 17% of the sales. Stainless steel benchmark transaction price for austenitic 304 grade in Europe decreased by 3.3% and in the US by 17.8%, driven mostly by low nickel price and alloy surcharge.

Outokumpu's average base price in deliveries decreased slightly in 2015 compared to 2014 driven mostly by the pricing pressure in the US, as well as in Europe. The CRU benchmark base price for austenitic 304 grade in Europe declined by 2.4% and in the US by 3.4%.

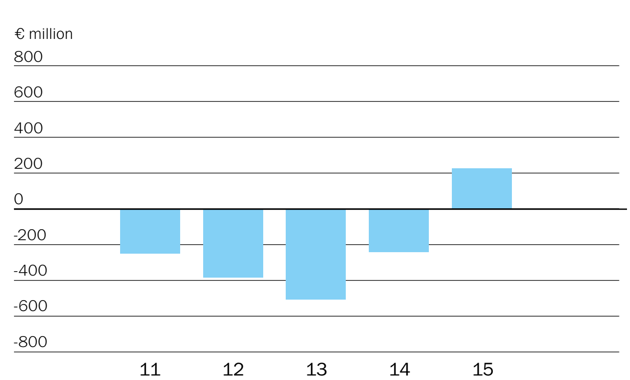
Sales

€ million	**2015**	2014	2013
Coil EMEA	**4 134**	4 520	5 067
Coil Americas	**1 111**	1 158	906
APAC	**403**	444	388
Quarto Plate	**459**	450	406
Long Products	**551**	651	556
Other operations	**663**	689	538
Intra-group sales	**-937**	-1 068	-1 116
The Group	**6 384**	6 844	6 745

Sales by market area



EBIT



Underlying EBIT amounted to EUR -101 million in 2015, weaker against EUR -88 million a year ago. This was mostly a result of lower deliveries, pressure on base prices as well as scrap benefits. The decline in profitability was partly offset by progress in savings programs, including reduction in headcount. In Coil EMEA, restructuring measures together with improved optimization between the mills was developing well and profitability improved. Coil Americas, in turn, was suffering from earlier cold rolling issues, which together with weaker demand resulted in lower delivery volumes and the profitability deteriorated significantly.

On the other hand, EBIT for the full year improved significantly to EUR 228 million compared to EUR -243 million in 2014 as a result of the SKS divestment that yielded a significant capital gain of EUR 409 million, excluding taxes.

The share of result from associated companies and joint ventures in 2015 includes the gain on the divestment of the Fischer Mexicana joint venture, amounting to EUR 49 million, excluding taxes.

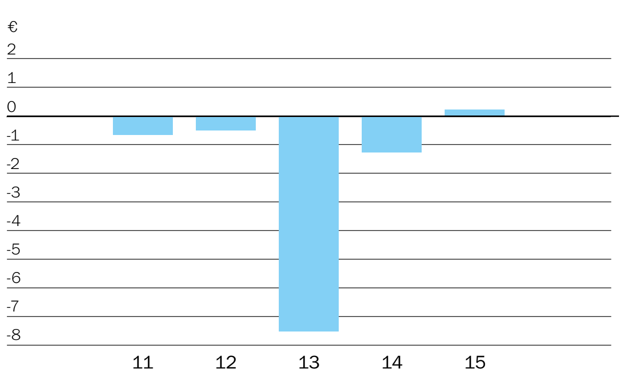
The net financial income and expenses for the full year 2015 decreased by EUR 71 million to EUR -149 million (2014: EUR -223 million). This was mainly due to decreased cost of committed credit facilities and a decrease in interest expenses to EUR -130 million (2014: EUR -141 million). The interest expenses declined as a result of reduction in debt levels and increased utilization of commercial paper program. Market price gains amounted to EUR 3 million compared to market price losses of EUR -15 in 2014.

The net result for 2015 improved significantly to EUR 86 million driven by the divestment of SKS and Fischer Mexicana which combined had EUR 432 million positive impact on the net result for the period (2014: -439 million). Earnings per share was EUR 0.23 (2014: EUR -1.24).

Cash flow

The operating cash flow in 2015 was EUR -34 million, compared to EUR -126 million in 2014. The change in working capital for 2015 was EUR 94 million (2014: EUR -50 million). The net cash from investing activities was EUR 239 million in 2015, compared to EUR -162 million in 2014.

Earnings per share



2014 and 2013 calculated based on the rights-issue-adjusted weighted average number of shares. 2012–2011 have not been restated.

Profitability

EUR million	**2015**	2014	2013
Underlying EBIT [1]			
Coil EMEA	**107**	62	-111
Coil Americas	**-163**	-93	-262
APAC	**-18**	-6	-7
Quarto Plate	**-23**	-30	-17
Long Products	**7**	32	-10
Other operations and intra-group items	**-11**	-52	-25
Raw material-related inventory gains/ losses, unaudited	**n/a**	n/a	56
Group underlying EBIT	**-101**	-88	-377
Non-recurring items in EBIT	**360**	-186	-78
Net of raw material-related inventory and metal derivative gains/losses, unaudited [2]	**-31**	31	-56
EBIT	**228**	-243	-510
Share of results in associated companies and joint ventures	**49**	7	-2
Financial income and expenses	**-149**	-223	-310
Result before taxes	**127**	-459	-822
Income taxes	**-41**	8	-11
Net result for the financial year from continuing operations	**86**	-450	-832
Net result for the financial year from discontinued operations	**-**	11	-170
Net result for the financial year	**86**	-439	-1 003
EBIT margin, %	**3.6**	-3.6	-7.6
Return on capital employed, %	**5.8**	-5.8	-10.3
Earnings per share, EUR [3]	**0.23**	-1.24	-7.52
Earnings per share, continuing operations, EUR [3]	**-**	-1.27	-6.23
Earnings per share, discontinued operations, EUR [3]	**-**	0.03	-1.29
Net cash generated from operating activities [4]	**-34**	-126	34

[1] BA profitabilities for 2013 presented as EBIT excl. non-recurring items. The reporting of BA underlying profitability was started in 2014.
[2] 2013 presented as Raw material-related inventory gains/losses, unaudited. Metal derivative gains/losses were excluded from the underlying profitability from 2014 onwards.
[3] 3) Calculated based on the rights-issue-adjusted weighted average number of shares. Comparative figures for 2013 adjusted for the effects of the rights-issue and the reverse split on June 20, 2014.
[4] Years 2014 and 2013 reported for continuing operations.

Capital expenditure

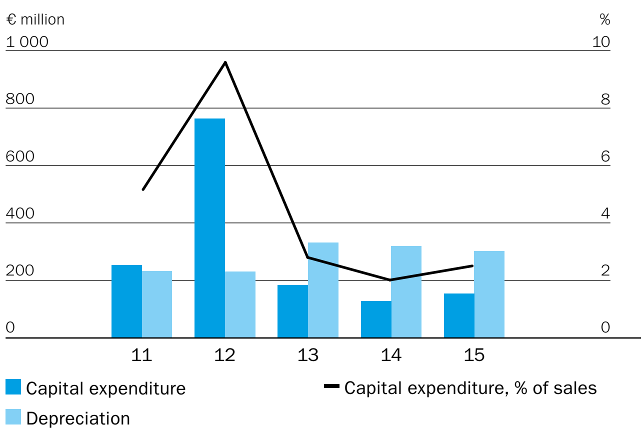
Capital expenditure amounted to EUR 154 million in 2015 (2014: EUR 127 million). The majority of the expenditure related to the maintenance and the ongoing investment into ferritic cold rolling capacity in Krefeld, Germany.

Capital expenditure

€ million	2015	2014	2013
Coil EMEA	**92**	67	81
Coil Americas	**19**	15	44
APAC	**1**	2	3
Quarto Plate	**4**	16	33
Long Products	**7**	6	9
Other operations	**31**	21	14
The Group	**154**	127	183
Depreciation and amortization	**302**	320	332

2014 and 2013 presented for continuing operations.

Capital expenditure and depreciation



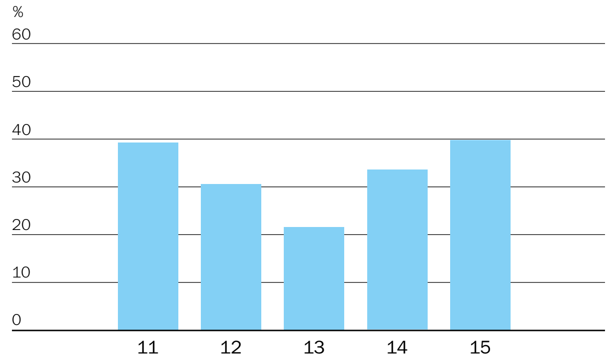
Balance sheet

Total assets at the end of 2015 decreased to EUR 5,874 million, compared to EUR 6,411 million at the end of 2014.

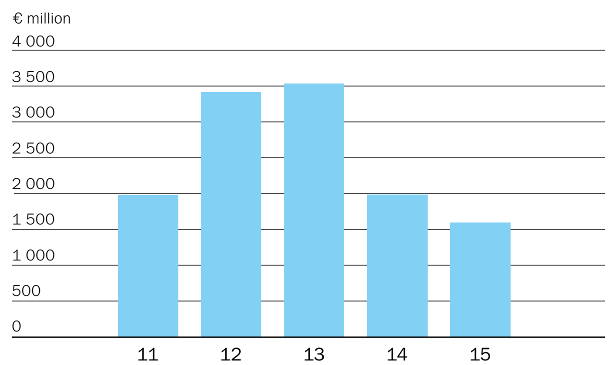
Non-current debt decreased to EUR 1,249 million (December 31, 2014: EUR 1,597 million), driven by scheduled repayment of debt as well as prepayments following asset disposals. Current debt amounted to EUR 547 million (December 31, 2014: EUR 569 million). Provisions of EUR 136 million were clearly down from the EUR 224 million recorded on December 31, 2014, mainly as a result of payments related to restructuring provisions in the first quarter.

Mainly as a result of the SKS divestment, net debt at the end of 2015 decreased significantly to EUR 1,610 million (December 31, 2014: EUR 1,974 million). Gearing decreased clearly to 69.1% compared to 92.6% on December 31, 2014.

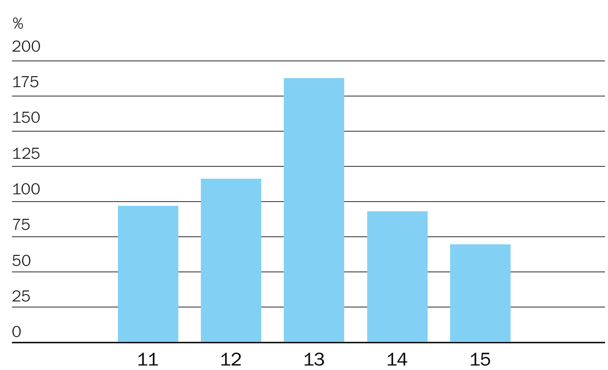
Equity-to-assets ratio



Net debt



Debt-to-equity ratio



Key financial indicators on financial position

€ million	**2015**	2014	2013
Net debt			
Non-current debt	**1 249**	1 597	3 270
Current debt	**547**	569	893
Cash and cash equivalents	**-186**	-191	-607
Net debt	**1 610**	1 974	3 556
Shareholders' equity	**2 329**	2 132	1 891
Return on equity, %	**3.9**	-17.3	-41.4
Debt-to-equity ratio, %	**69.1**	92.6	188.0
Equity-to-assets ratio, %	**39.6**	33.3	21.5
Net interest expenses	**125**	139	197

Financing

Cash and cash equivalents were at EUR 186 million at the end of 2015 (December 31, 2014: EUR 191 million), and the overall liquidity reserves were approximately EUR 1.1 billion (December 31, 2014: EUR 1.4 billion). The overall liquidity position decreased as some of the liquidity facilities were cancelled in connection with the balancing of the debt maturity profile.

In February 2015, Outokumpu issued senior unsecured convertible bonds due February 2020 convertible into ordinary shares in Outokumpu. The principal amount of the bonds was EUR 250 million. Following the issue of the convertible bonds, Outokumpu cancelled the remaining unutilized EUR 250 million of its EUR 500 million liquidity facility that was agreed in February 2014. The bonds carry a coupon of 3.25% per annum payable semi-annually in arrears. The bonds may be converted into maximum of 33,661,873 new ordinary shares in Outokumpu representing 8.1% of the outstanding shares prior to the issuance. The conversion period commenced in April 2015 and will end in February 2020.

The divestment of SKS enabled significant debt reduction and extension of the credit facilities and balancing of the debt maturity profile. In December Outokumpu prepaid and cancelled EUR 100 million of its EUR 900 million revolving credit facility and signed an amendment and extension agreement relating to the remaining EUR 800 million. The amended facility includes a new EUR 655 million tranche that matures in February 2019, and the remaining EUR 145 million matures in February 2017. In addition, Outokumpu cancelled and prepaid some EUR 240 million of its bilateral loans, including pension loans, and extended two bilateral facilities by a total amount of EUR 120 million to February 2019. The key credit facilities are covered by the same security package as earlier, and the syndicated revolving credit facility includes two financial covenants, one based on gearing and the other on liquidity.

People

Outokumpu's headcount continued to decrease and totaled 11,002 at the end of 2015, a clear reduction versus 12,125 at the end of 2014 (in 2013: 12,561). This was mostly due to restructuring in Coil EMEA that resulted in headcount reduction of more than 570 as well as reductions in Quarto Plate and other operations. The divestment of SKS reduced the Group's personnel by over 450.

Overall, Outokumpu plans to reduce up to 3,500 jobs globally in 2013–2017 in connection with its efficiency improvement programs. The reductions are related to site closures and restructurings in Europe, as well as streamlining all overlapping activities in sales, production, supply chain and support functions. To date, Outokumpu has reduced about 2,330 jobs since the beginning of the programs.

Total wages and salaries amounted to EUR 585 million in 2015 (2014: EUR 592 million, 2013: EUR 583 million). Indirect employee costs totaled EUR 177 million in 2015 (2014: EUR 262 million, 2013: EUR 222 million).

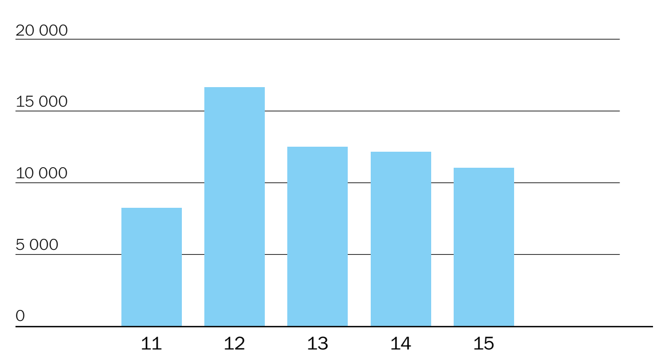
The lost-time injury rate (lost-time accidents per million working hours) in 2015 was 3.0 (2014: 2.7) against the target of less than 2.5. There were two serious incidents in 2015. In the first quarter, an operator became trapped in a coil stacking machine. The operator recovered and returned to work. The incident was fully investigated and corrective measures were put in place. Another serious incident occurred in the second quarter causing a fatality at the Mexinox mill. This incident was also fully investigated and corrective actions to avoid similar accidents in the future were implemented.

Personnel

Dec 31	**2015**	2014	2013
Coil EMEA	**7 008**	7 582	8 120
Coil Americas	**2 150**	2 128	2 006
APAC	**112**	602	630
Quarto Plate	**773**	838	746
Long Products	**658**	651	674
Other operations	**301**	324	385
The Group	**11 002**	12 125	12 561

2014 and 2013 presented for continuing operations.

Personnel on December 31, 2015



Environment

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

The EU Emissions Trading Scheme (ETS) is continuing with the third trading period 2013–2020. Outokumpu's operations under the EU ETS will continue to receive free emissions allocations according to efficiency-based benchmarks and historical activity. The total allocation is estimated to be sufficient for Outokumpu operations during 2016. Excess emission allowance account balance was rolled forward until December 2016 to be used for future deficit.

Outokumpu was awarded for the sixth consecutive year with a position on the Nordic Climate Disclosure Leadership Index (CDLI). Recognized as a Nordic leader for the quality of climate change-related information that it has disclosed to investors and the global marketplace through CDP, Outokumpu earned its position on the index by disclosing high quality data on carbon targets, emissions and energy efficiency through CDP's climate change program with the best possible disclosure score, 100.

In the first quarter of 2016, all Outokumpu production sites, now also including Calvert and Mexico, will be covered by certified ISO 14001 environment management systems in order to ensure compliance and systematic continuous improvement.

Research and development

Outokumpu's research & development (R&D) involves process, product, application and technical market development. R&D works closely together with the customers to align the company's activities with customers' current and future needs. Outokumpu's R&D operations are concentrated in three research centers, located at Avesta in Sweden, at Krefeld and Benrath in Germany and at Tornio in Finland. Each research center has certain focus areas of activity, and they employed around 240 people in 2015. In addition to the research centers, R&D activities also take place at the production sites.

In 2015, Outokumpu's R&D expenditure totaled EUR 23 million, 0.4% of sales (2014: EUR 23 million and 0.3%, 2013: EUR 26 million and 0.4%).

During 2015, process development teams continued to support EMEA restructuring and the ramp-up of the Calvert operations. A job rotation program and networking of technical experts was launched to transfer technical knowledge between R&D and production units. Commercialization of several new steel grades continued, including extensive activities related to the new Forta H-series steels targeted at the automotive industry. The highlights of the application and market development activities included the stainless steel fuel tank, which received the New Applications Award from ISSF (the International Stainless Steel Forum), and publication of the 11th edition of the Outokumpu Corrosion Handbook.

Risks and uncertainties

Outokumpu operates in accordance with the risk management policy approved by the Board of Directors which 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 to identify, evaluate and mitigate risks from the perspective of shareholders, customers, suppliers, personnel, creditors and other stakeholders.

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

The focus areas in risk management are aligned with Outokumpu's efforts to improve its profitability, the key topics in 2015 being: an increased focus on financial risk management, improved prevention of business interruptions within loss prevention audits, systematic operational risk management through a group-wide reporting tool, and detailed analysis of cyber-risk exposures. There were two serious accidents in 2015, one of them causing a fatality at the Mexinox mill.

In late 2015, Outokumpu strengthened its financial position with the divestments of SKS and Fischer Mexicana, resulting in significant proceeds from the divestments and a meaningful reduction in net debt. Additionally, Outokumpu's refinancing risk was further reduced by the extension of key loan facilities from 2017 to 2019 by a total amount of EUR 775 million.

Strategic and business risks

Outokumpu's key strategic and business risks currently include: risks and uncertainties in implementing reductions of costs and the release of cash from working capital as well as implementation of the EMEA restructuring actions; risks related to possible failures or delays in or inadequate profitability of ramping up the stainless steel mill in Calvert; risks related to developments in the stainless steel and ferrochrome market and competitor actions; the risk of changes in raw material and metal prices impacting Outokumpu's profitability and amounts of cash tied up in working capital; fluctuations of exchange rates affecting global competitive environment in stainless; and the risk of litigation or adverse political action affecting trade or changes that have an impact on environmental legislation.

Operational risks

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

Financial risks

Key financial risks for Outokumpu include: changes in the prices of nickel, iron, molybdenum, power and fuels; currency developments affecting the euro, the US dollar, the Swedish krona and the British pound; interest rate changes connected with the US dollar, the euro and the Swedish krona; changes in levels of credit margins; counterparty risk related to customers and other business partners, including financial institutions; risks related to liquidity and refinancing; risk of breaching financial covenants or other loan conditions leading to an event of default; and risk related to prices of equities and fixed-income securities invested under defined benefit pension plans.

The nickel price decreased during 2015 from approximately 15,000 USD/tonne in January to a level of 8.500 USD/tonne by the end of the year. This price decline had a negative impact on Outokumpu's profitability, while nickel hedging helped to partly mitigate the negative financial impacts. The continued decline in fuel prices caused a negative result for Outokumpu's propane hedges, whereas the actual cost of fuels declined in 2015.

Outokumpu issued a convertible bond of EUR 250 million in February 2015 to actively diversify the funding base and reduce financing costs. In December 2015, Outokumpu took decisive measures in reducing debt levels and to strengthen Outokumpu's financial position with the divestments of SKS and Fischer Mexicana. Additionally, Outokumpu's refinancing risk was further reduced by extending the maturities of certain loan facilities from 2017 to 2019 by a total amount of EUR 775 million. Outokumpu evaluates both liquidity and refinancing risks in connection with capital management as well as in connection with major investment decisions. Outokumpu's liquidity reserves remained clearly above one billion euros at the end of each quarter during 2015.

Short-term risks and uncertainties

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

Significant legal proceedings

Dispute over invention rights, Outotec vs. Outokumpu

In January 2013, Outokumpu and Outotec entered into a legal dispute over invention rights related to a ferrochromenickel production method. In August 2013, Outotec submitted an application for summons at the District Court of Helsinki regarding another patent relating to the invention. The production method is developed by Outokumpu and it has filed the patent applications related to this invention. Outotec claims it has rights to the inventions. In February 2014, Outotec filed a request with Arbitration Institute of the Finland Chamber of Commerce for commencing proceedings against Outokumpu concerning the same invention rights being subject to the District Court proceedings. Simultaneously Outotec filed a proposal to the District Court for postponement of further stages in these proceedings until the Arbitration Court will render its arbitration award. In August 2015, the Arbitration Court rendered its award, in which it ruled that Outotec's employee had contributed to the inventions and accordingly granted Outotec partial rights to the patents in question. The Arbitration Court ruled also that commercial use of the patent rights by Outotec is subject to agreement between the parties. In 2016, Outotec has withdrawn its claims against Outokumpu concerning the invention rights.

Cartel fine imposed by the European Commission

In March 2011, the European Court of Justice upheld a EUR 3.2 million cartel fine imposed on ThyssenKrupp Stainless AG, a legal predecessor of Outokumpu Nirosta GmbH ("Nirosta"), in a decision of the European Commission from December 2006 (the "2006 Decision"). The 2006 Decision is based on a 1998 European Commission finding (the "1998 Finding") that between 1993 and 1998, certain stainless steel producers, including Inoxum and certain of its legal predecessors, had violated Article 65 (1) of the European Coal and Steel Community Treaty by participating in a price-fixing arrangement with other stainless steel producers. The alleged price-fixing arrangement consisted of modifying and applying in a concerted fashion the reference values used to calculate the alloy surcharge to the base price of stainless steel. The 1998 Finding was appealed and subsequently annulled on procedural grounds with respect to Nirosta's liability for one of its legal predecessors. Subsequent to this annulment, the European Commission opened new proceedings, which resulted in the 2006 Decision. Nirosta's appeals of the 2006 Decision were unsuccessful. In April 2011, Nirosta filed a complaint (Verfassungsbeschwerde) with the German Constitutional Court (Bundesverfassungsgericht) requesting that the Court declare the 2006 Decision incompatible with certain fundamental rights under the German Constitution (Grundgesetz). As at the end of the reporting period, the German Constitutional Court has not decided whether it will accept the constitutional complaint. In case of a successful complaint, Nirosta is able to reclaim EUR 4.2 million from the European Commission.

Claim in Spain related to the divested copper companies

Outokumpu divested all of its copper business in 2003–2008. One of the divested companies domiciled in Spain later faced bankruptcy. The administrator of the bankruptcy has filed a claim against Outokumpu Oyj and two other non-Outokumpu companies, for recovery of payments made by the bankrupt Spanish company in connection with the divestment. The Bilbao court of first instance in Spain has accepted the claim of EUR 20 million brought against Outokumpu and the two other companies. Outokumpu and the two other companies have appealed the court's decision.

Claim in Italy related to former tax consolidation group

In December 2015 Outokumpu Holding Italia and Acciai Speciali Terni (AST) entered into a dispute among relating to the tax consolidation of the former ThyssenKrupp Tax Group in Italy. AST claims payment of approximately EUR 23 million resulting from the former tax consolidation of the Italian tax group managed by ThyssenKrupp. Outokumpu Holding Italia is the former ThyssenKrupp holding company and was transferred to Inoxum as part of the carve-out in 2011. The EUR 23 million claim resulted from former tax instalments paid by ThyssenKrupp Italia in 2006 which not have been properly settled towards AST in the following years. Outokumpu is currently preparing the defense against the claim as it holds the claim unjustified.

Share development and shareholders

Outokumpu's share capital was unchanged at EUR 311 million at the end of 2015. The total number of Outokumpu shares was 416,374,448, and Outokumpu held 885,140 of its own shares. According to its Articles of Association, Outokumpu has only one single class of shares, and all shares have equal voting power at General Meetings of Shareholders.

Shareholders

%	**Dec 31 2015**	Dec 31 2014
Foreign investors	**29.6**	30.3
Finnish corporations	**30.9**	33.9
Finnish private households	**26.8**	18.3
Finnish public sector institutions	**9.0**	11.3
Finnish financial and insurance institutions	**3.0**	5.4
Finnish non-profit organizations	**0.7**	0.8
Shareholders with over 5% of shares and voting rights		
Solidium Oy (owned by the Finnish State)	**26.2**	29.9
JPMorgan Chase & Co.[1]	**> 5**	-

[1] Based on a notification to Outokumpu
Information regarding shares and shareholders is updated daily on Outokumpu's website.

Share information

		Jan–Dec 2015	Jan–Dec 2014
Fully paid share capital at the end of the period	€ million	**311.1**	311.1
Average number of shares outstanding [1), 2)]		**415 473 976**	338 032 061
Number of shares at the end of the period [3)]		**416 374 448**	416 374 448
Number of shares outstanding at the end of the period [2), 3)]		**415 489 308**	415 426 724
Number of treasury shares held at the end of the period		**885 140**	947 724
Share price at the end of the period [1) 3)]	€	**2.73**	4.77
Average share price [1) 3))]	€	**4.49**	5.16
Highest price during the period [1) 3)]	€	**7.76**	7.50
Lowest price during the period [1) 3)]	€	**2.06**	3.37
Market capitalization at the end of period	€ million	**1 138**	1 987
Share turnover [3) 4)]	million shares	**1 345.5**	695.2
Value of shares traded [4)]	€ million	**6 013.4**	3 609.1

Source of share information: Nasdaq Helsinki (only includes Nasdaq Helsinki trading)

[1)] 2014 figures presented as rights-issue-adjusted.
[2)] The number of own shares repurchased is excluded.
[3)] 2014 figures adjusted to reflect the reverse split in June 2014.
[4)] 2014 figures include the effect of share subscription rights traded during March 10–19, 2014.

Management shareholdings and share based incentive programs

As of December 31, 2015, the members of the Board of Directors and the members of the Outokumpu Leadership Team (OLT) held altogether 180,681 shares, or 0.04% of the total shares outstanding.

Outokumpu has established share-based incentive programs for the OLT members and for selected managers and key employees. The first plan for 2012–2014, of the Performance Share Plan 2012 ended on December 31, 2014. The earnings criteria set for the plan were: TSR (total shareholder return) compared to a peer group, with 30% weighting of the maximum reward, as well as EBIT excluding non-recurring items for the year 2012, EBITDA for the year 2013 and EBIT improvement for the year 2014 representing 70% weighting of the maximum reward. Based on the achievement of the targets, the participants received 23.3% of the maximum number of shares as reward. After deductions for applicable taxes, altogether 48,234 shares were delivered to 69 persons in spring 2015. In addition, cash of EUR 257,949 was paid in taxes and rewards settled in cash.

The first plan for 2012–2014, of the Restricted Share Pool 2012 also ended on December 31, 2014. After deductions for applicable taxes, in total 14,350 shares were delivered to three participants in spring 2015. In addition, cash of EUR 73,779 was paid in taxes.

Outokumpu used its treasury shares for the reward payments and subsequently the number of treasury shares decreased to 885,140 at the end of 2015 (Dec 31, 2014: 947,724).

More details on the share-based incentive programs and information regarding shares and shareholders can be found on the Outokumpu website.

Corporate governance

Outokumpu's Corporate Governance Statement can be found on the Outokumpu website.

Changes in Outokumpu Leadership Team

On April 29, 2015, Outokumpu appointed Jan Hofmann as President and Head of the APAC business area and a member of the Outokumpu Leadership Team. Prior to this, he held key positions in the company, such as the Head of strategy and finance for APAC, and the Head of strategy at Outokumpu.

On June 16, 2015, Outokumpu announced the appointment of Michael Williams as the President and Head of the Coil Americas business area and a member of the Outokumpu Leadership Team as of July 1, 2015. Williams has over two decades of experience in the metals industry.

On October 26, 2015, Outokumpu announced the appointment of Roeland Baan as President and CEO of Outokumpu and the Chairman of the Leadership Team as of January 1, 2016. Before joining Outokumpu, Baan was the Executive Vice President and CEO of Aleris Europe and Asia. Previously, Baan has worked for Arcelor Mittal, Mittal Steel, SHV and Shell.

Mika Seitovirta left his position as President and CEO of Outokumpu and the Outokumpu Leadership Team on October 26, 2015. CFO Reinhard Florey served as the interim CEO from October 26 until December 31, 2015.

On November 5, 2015, Outokumpu announced the appointment of Liam Bates as the President and Head of the Quarto Plate business area and a member of the Outokumpu Leadership Team. Before this, Bates had been leading Quarto Plate operations in Europe and the production unit in Degerfors, Sweden. Prior to that, he had held several senior management positions at Outokumpu.

Outokumpu Leadership Team consists of following members as of January 1, 2016:

- Roeland Baan, President and Chief Executive Officer
- Reinhard Florey, Chief Financial Officer
- Olli-Matti Saksi, President – Coil EMEA
- Michael Williams, President – Coil Americas
- Jan Hofmann, President – APAC
- Liam Bates, President – Quarto Plate
- Kari Tuutti, President – Long Products
- Pekka Erkkilä, Executive Vice President – Chief Technology Officer
- Johann Steiner, Executive Vice President – Human Resources, IT, Health and Safety
- Saara Tahvanainen, Executive Vice President – Communications and Marketing

Annual General Meeting

The Annual General Meeting was held on March 26, 2015, in Espoo, Finland. The Meeting approved the financial statements and discharged the management of the company from liability for the financial year 2014. The Meeting decided that no dividend be paid for 2014 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 Board members continues to be eight, and the annual remuneration for the Board remains unchanged. Markus Akermann, Roberto Gualdoni, Stig Gustavson, Heikki Malinen, Elisabeth Nilsson, Jorma Ollila and Olli Vaartimo of the current members were re-elected to the Board, and Saila Miettinen-Lähde was elected as a new member for the term of office ending at the end of the next Annual General Meeting. Jorma Ollila was elected as the Chairman and Olli Vaartimo as the Vice Chairman of the Board of Directors.

Shareholders' Nomination Board

Shareholders' Nomination Board prepares annually proposals on the composition of the Board of Directors and director remuneration for the Annual General Meeting. The Shareholders' Nomination Board consists of the representatives of the four largest shareholders registered in the shareholders’ register of the company on October 1 and the Chairman of the Board of Directors as an expert member.

On October 1, 2015, the four largest shareholders of Outokumpu were Solidium Oy, Varma Mutual Pension Insurance Company, the Social Insurance Institution of Finland and Ilmarinen Mutual Pension Insurance Company. They have appointed the following representatives to the Shareholders' Nomination Board:

- Kari Järvinen, Managing Director of Solidium Oy
- Pekka Pajamo, CFO of Varma Mutual Pension Insurance Company
- Tuula Korhonen, Investment Director of the Social Insurance Institution of Finland
- Timo Ritakallio, President and CEO of Ilmarinen Mutual Pension Insurance Company

The Shareholders' Nomination Board proposes that the Board of Directors would consist of nine members and Markus Akermann, Roberto Gualdoni, Stig Gustavson, Heikki Malinen, Saila Miettinen-Lähde, Elisabeth Nilsson, Jorma Ollila and Olli Vaartimo would be re-elected, and Kati ter Horst would be elected as new member for the term of office ending at the end of the next Annual General Meeting. Jorma Ollila would be re-elected as the Chairman and Olli Vaartimo as the Vice Chairman of the Board of Directors. According to the proposal, the annual remuneration of the Board would be kept at the same level as during the previous term.

Market and business outlook

Market outlook

Total global demand for 2016 is forecast at 38.2 million tonnes, an increase of 1.1% compared to 2014. Growth is expected to be strongest at 2.3% in APAC, whereas the Americas and EMEA are expected to shrink by 2.9% and 1.3%, respectively.

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. Growth in stainless steel consumption between 2016 and 2019 is expected be relatively well-balanced between the end-use segments. SMR forecast growth rates of 4.0% in Architecture/Building/Construction & Infrastructure, 3.6% in Consumer Goods & Medical, 3.3% in Automotive & Heavy Transport, and 1.3% in Industrial and Heavy Industries. Meanwhile, it expects Chemical/Petrochemical & Energy segment to shrink by 0.3% per year on average.

Business and financial outlook for the first quarter of 2016

The year 2016 has started with downward revisions to economic growth outlooks and pressure in the materials sector. Outokumpu estimates no meaningful pick up in the stainless steel markets for the first quarter, and while distributor stocks have come to more normalized levels, the low nickel price continues to curtail distributor buying activity. On the positive note, demand among end-customers outside of Oil & Gas has remained healthy. In both Coil EMEA and Coil Americas order intake levels are on track for the ongoing quarter and the lead-times from the mills are competitive.

Market uncertainties warrant prudence in the outlook statement. Outokumpu estimates first-quarter delivery volumes to remain at a similar level as in the fourth quarter of 2015 and the Group’s underlying EBIT to be still negative. With current prices, the net impact of raw material-related inventory and metal derivative gains/losses on profitability is expected to be approximately EUR 30 million negative.

Outokumpu is finalizing plans for new savings from operational improvements and working capital optimization. The scale, details and time frame for these will be communicated in the next couple of months. Outokumpu expects that already in the first quarter continued cost streamlining will mitigate some of the current downward pressure on base prices as well as increase in scrap costs.

This outlook reflects the current scope of operations. Outokumpu’s operating result may be impacted by costs associated with restructuring programs.

Key targets

Outokumpu has implemented significant industrial restructuring and established a strong presence in both Europe and Americas following the acquisition of Inoxum in 2012. While progress has been made and Outokumpu’s financial stability restored, the current unsatisfactory financial performance shows that these improvements are not enough. Management is currently detailing the plans to take the company to the next level of competitiveness and performance with a two-phased approach.

On an immediate term, Outokumpu is moving ahead with the Coil Americas turnaround as well as finalizing the European restructuring. Additionally, swift and precise measures to reduce selling, general and administration cost as well as general procurement costs and to reduce inventory levels are taken. The measures to improve cost efficiency and reduce working capital are geared towards further debt reduction. The scale, details and time frame for the savings and working capital reduction will be communicated in the next couple of months.

To drive long-term competitiveness, Outokumpu will have renewed vigor in manufacturing excellence, because there is significant potential to increase efficiency and lower our production costs. Outokumpu has made a huge effort to form a strong, well-balanced industrial footprint. Now, a very systematic approach will be taken to make the most of this competitive advantage: improve the efficiency of the manufacturing processes and bring the operational capability and productivity to a world class level.

Board of Directors’ proposal for profit distribution

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

According to the parent company’s financial statements on December 31, 2015 distributable funds totaled EUR 2,149 million, of which retained earnings were EUR 26 million.

The Board of Directors is proposing to the Annual General Meeting scheduled for April 6, 2016 that no dividend be paid from the parent company’s distributable funds and that net result for the financial year 2015 be allocated to retained earnings.

Tornio, February 10, 2016

Board of Directors

Jorma Ollila
Olli Vaartimo
Markus Akermann
Roberto Gualdoni
Stig Gustavson
Heikki Malinen
Saila Miettinen-Lähde
Elisabeth Nilsson

Outokumpu Oyj

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

Auditor's report

To the Annual General Meeting of Outokumpu Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Outokumpu Oyj for the year ended December 31, 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

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

Auditor's Responsibility

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

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

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

Opinion on the consolidated financial statements

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

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

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

Other opinions

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

Helsinki, February 10, 2016

KPMG Oy Ab

Virpi Halonen
Authorized Public Accountant

Consolidated financial statements, IFRS

Consolidated statement of income

€ million	Note	2015	2014
Continuing operations			
Sales	3	**6 384**	6 844
Cost of sales		**-6 273**	-6 714
Gross margin		**111**	130
Other operating income	6	**472**	47
Selling and marketing expenses		**-107**	-112
Administrative expenses		**-212**	-219
Research and development expenses		**-23**	-23
Other operating expenses	6	**-13**	-65
EBIT		**228**	-243
Share of results in associated companies and joint ventures	13	**49**	7
Financial income and expenses	8		
Interest income		**4**	3
Interest expenses		**-130**	-141
Market price gains and losses		**3**	-15
Other financial income		**2**	2
Other financial expenses		**-29**	-70
Total financial income and expenses		**-149**	-223
Result before taxes		**127**	-459
Income taxes	9	**-41**	8
Net result for the financial year from continuing operations		**86**	-450
Net result for the financial year from discontinued operations	5	**-**	11
Net result for the financial year		**86**	-439
Attributable to			
Equity holders of the Company		**96**	-434
Non-controlling interests		**-9**	-5
Earnings per share for result attributable to the equity holders of the Company (basic and diluted), € [1)]	10		
Earnings per share, continuing operations		**-**	-1.27
Earnings per share, discontinued operations		**-**	0.03
Earnings per share		**0.23**	-1.24

[1)] 2014 figures calculated based on the rights-issue-adjusted weighted average number of shares and adjusted to reflect the reverse split on June 20, 2014.

Consolidated statement of comprehensive income

€ million	Note	2015	2014
Net result for the financial year		**86**	**-439**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations			
Change in exchange differences		**75**	71
Reclassification adjustments from other comprehensive income to profit or loss		**-17**	-
Available-for-sale financial assets	16		
Fair value changes during the financial year		**-1**	3
Reclassification adjustments from other comprehensive income to profit or loss		**-**	3
Income tax relating to available-for-sale financial assets	9	**0**	-1
Cash flow hedges	20		
Fair value changes during the financial year		**3**	-11
Reclassification adjustments from other comprehensive income to profit or loss		**0**	-2
Income tax relating to cash flow hedges	9	**-1**	3
Share of other comprehensive income in associated companies and joint ventures	13	**0**	-0
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	25		
Changes during the financial year		**3**	-14
Income tax relating to remeasurements	9	**-7**	-12
Share of other comprehensive income in associated companies and joint ventures	13	**-1**	1
Other comprehensive income for the financial year, net of tax		**56**	41
Total comprehensive income for the financial year		**142**	-398
Attributable to			
Equity holders of the Company		**150**	-394
Non-controlling interests		**-8**	-4

Consolidated statement of financial position

€ million	Note	**2015**	2014
ASSETS			
Non-current assets			
Intangible assets	11	**498**	567
Property, plant and equipment	12	**3 005**	3 138
Investments in associated companies and joint ventures	13	**63**	78
Available-for-sale financial assets	16	**40**	26
Investments at fair value through profit or loss	17	**1**	2
Derivative financial instruments	20	**0**	1
Deferred tax assets	9	**16**	44
Defined benefit plan assets	25	**35**	36
Trade and other receivables	22	**40**	12
		3 698	3 904
Current assets			
Inventories	21	**1 251**	1 527
Available-for-sale financial assets	16	**0**	0
Investments at fair value through profit or loss	17	**16**	4
Derivative financial instruments	20	**37**	36
Trade and other receivables	22	**686**	749
Cash and cash equivalents	23	**186**	191
		2 177	2 507
TOTAL ASSETS		**5 874**	6 411

€ million	Note	**2015**	2014
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital		**311**	311
Premium fund		**714**	714
Invested unrestricted equity reserve		**2 103**	2 103
Other reserves		**11**	10
Retained earnings		**-810**	-1 006
		2 329	2 132
Non-controlling interests		**-**	0
Total equity	24	**2 329**	2 132
Non-current liabilities			
Non-current debt	27	**1 249**	1 597
Derivative financial instruments	20	**9**	18
Deferred tax liabilities	9	**16**	31
Defined benefit and other long-term employee benefit obligations	25	**369**	372
Provisions	26	**113**	198
Trade and other payables	28	**48**	47
		1 805	2 262
Current liabilities			
Current debt	27	**547**	569
Derivative financial instruments	20	**50**	87
Provisions	26	**23**	26
Current tax liabilities	9	**32**	32
Trade and other payables	28	**1 089**	1 303
		1 741	2 016
TOTAL EQUITY AND LIABILITIES		**5 874**	**6 411**

Consolidated statement of cash flows

€ million	Note	2015	2014
Cash flow from operating activities			
Net result for the financial year		**86**	-439
Adjustments for			
Taxes	9	**41**	-8
Depreciation and amortization	11, 12	**302**	320
Impairments	11, 12	**2**	32
Share of results in associated companies and joint ventures	13	**-49**	-7
Gain/loss on sale of intangible assets and property, plant and equipment	6	**-19**	-10
Gain/loss on sale of financial assets	8	**-0**	-0
Gain/loss on disposal of subsidiaries	4	**-409**	-
Interest income	8	**-3**	-5
Dividend income	8	**-0**	-0
Interest expense	8	**120**	131
Exchange rate differences	8	**-8**	15
Other non-cash adjustments		**-74**	4
		-96	471
Change in working capital			
Change in trade and other receivables		**121**	148
Change in inventories		**318**	-259
Change in trade and other payables		**-216**	111
Change in provisions, and defined benefit and other long-term employee benefit obligations		**-130**	-50
		94	-50
Dividends received		**0**	3
Interest received		**4**	2
Interest paid		**-111**	-111
Income taxes paid		**-11**	-2
Net cash from operating activities		**-34**	-126

€ million	Note	2015	2014
Cash flow from investing activities			
Investments in associated companies and joint ventures	13	**-7**	-6
Purchases of available-for-sale financial assets	16	**-15**	-8
Purchases of property, plant and equipment	12	**-120**	-118
Purchases of intangible assets	11	**-10**	-11
Proceeds from the disposal of subsidiaries, net of cash and tax	4	**375**	-50
Proceeds from sale of property, plant and equipment	12	**20**	17
Proceeds from sale of intangible assets	11	**4**	13
Change in other non-current receivables		**-8**	2
Net cash from investing activities		**239**	-162
Cash flow before financing activities		**205**	-289
Cash flow from financing activities			
Rights issue	24	**-**	640
Capital contribution by the non-controlling interest holder		**41**	-
Borrowings of non-current debt		**316**	1 022
Repayments of non-current debt		**-612**	-1 483
Change in current debt		**78**	-277
Repayments of finance lease liabilities		**-37**	-22
Other financing cash flow		**0**	3
Net cash from financing activities		**-213**	-116
Net change in cash and cash equivalents		**-8**	-404
Cash and cash equivalents at the beginning of the financial year		**191**	607
Foreign exchange rate effect on cash and cash equivalents		**2**	0
Discontinued operations net change in cash effect		**-**	-12
Net change in cash and cash equivalents		**-8**	-404
Cash and cash equivalents at the end of the financial year	23	**186**	191

2014 cash flows are presented for continuing operations.

Consolidated statement of changes in equity

€ million	Note	Share capital	Premium fund	Invested unrestricted equity reserve	Other reserves	Fair value reserves	Cumulative translation differences	Remeasurements of defined benefit plans	Treasury shares	Other retained earnings	Attributable to the equity holders of the Company	Non-controlling interests	Total equity
Equity on Jan 1, 2014		**311**	**714**	**1 462**	**7**	**9**	**-119**	**-65**	**-24**	**-410**	**1 887**	**4**	**1 891**
Net result for the financial year		-	-	-	-	-	-	-	-	-434	-434	-5	-439
Other comprehensive income		-	-	-	-	-5	70	-27	-	1	40	1	41
Total comprehensive income for the financial year		-	-	-	-	-5	70	-27	-	-433	-394	-4	-398
Transactions with equity holders of the Company													
Contributions and distributions													
Rights issue		-	-	640	-	-	-	-	-	-	640	-	640
Share-based payments	18	-	-	-	-	-	-	-	1	1	2	-	2
Changes in ownership interests													
Acquisition of a non-controlling interest	24	-	-	-	-	-	-	-	-	-3	-3	-0	-3
Disposal of subsidiary	4	-	-	-	-1	-	-	4	-	-3	-	-0	-0
Other		-	-	-	-2	-	-	-	-	2	-	-	-
Equity on Dec 31, 2014		**311**	**714**	**2 103**	**5**	**5**	**-49**	**-89**	**-23**	**-846**	**2 132**	**0**	**2 132**
Net result for the financial year		-	-	-	-	-	-	-	-	96	96	-9	86
Other comprehensive income		-	-	-	-	1	57	-4	-	-1	55	1	56
Total comprehensive income for the financial year		-	-	-	-	1	57	-4	-	95	150	-8	142
Transactions with equity holders of the Company													
Contributions and distributions													
Convertible bond		-	-	-	-	-	-	-	-	45	45	-	45
Capital contribution by the non-controlling interest holder	24	-	-	-	-	-	-	-	-	-	-	41	41
Share-based payments	18	-	-	-	-	-	-	-	2	-0	1	-	1
Changes in ownership interests													
Disposal of non-controlling interest	4	-	-	-	-	-	-	-	-	-	-	-32	-32
Equity on Dec 31, 2015		**311**	**714**	**2 103**	**5**	**6**	**8**	**-92**	**-21**	**-704**	**2 329**	**-**	**2 329**

Notes to the consolidated financial statements

1. Corporate information

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

Outokumpu is the global leader in stainless steel and creates advanced materials that are efficient, long lasting and recyclable – helping to build a world that lasts forever. Stainless steel is an ideal material to create lasting solutions in demanding applications from cutlery to bridges, energy to medical equipment. Stainless steel is 100% recyclable, corrosion-resistant, maintenance-free, durable and hygienic. Outokumpu employs some 11 000 professionals in more than 40 countries.

In its meeting on February 10, 2016 the Board of Directors of Outokumpu Oyj approved the publishing of these consolidated financial statements. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to make a decision to amend the financial statements.

2. Accounting principles for the consolidated financial statements

Basis of preparation

The consolidated financial statements of Outokumpu have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The consolidated financial statements have been prepared in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on December 31, 2015. The consolidated financial statements also comply with the regulations of Finnish accounting and company legislation complementing the IFRSs.

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

The consolidated financial statements of Outokumpu for 2015 have been prepared on a going concern basis.

As from January 1, 2015 Outokumpu has applied the following new and amended standards and interpretations.

- **IFRIC 21 Levies (effective in the EU for financial years beginning on or after June 17, 2014):** The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognized when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation is not assessed to have a significant impact on Outokumpu's consolidated financial statements.
- **Annual Improvements to IFRSs (2011–2013 cycle, and 2010–2012 cycle,) (effective for financial years beginning on or after July 1, 2014):** The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011–2013 cycle) and seven (2010–2012 cycle) standards. Their impacts vary standard by standard but are not significant.

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

Change in accounting estimate of useful lives of property, plant and equipment

During 2015 Outokumpu has reviewed the useful lives of its property, plant and equipment and concluded that its maintenance and operating practices call for a change in the useful lives of machinery and equipment. As certain existing machinery and equipment have been and will be used for longer than previously anticipated, the estimated useful lives of these assets have been lengthened. For heavy machinery and equipment, the useful life estimate has been changed to 15–30 years compared to the previous 15–20 years. The new accounting estimate has been applied prospectively from October 1, 2015 onwards. The reduction of Group's annual depreciation expense is estimated to be approximately EUR 75 million.

Adoption of new and amended IFRS standards and interpretations

Outokumpu has not yet applied the following new and amended standards and interpretations already issued. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year (* = not yet endorsed by the European Union as at December 31, 2015).

- **Annual Improvements to IFRSs (2012–2014 Cycle*) (effective for financial years beginning on or after January 1, 2016):** The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in four standards. Their impacts vary standard by standard but are not significant.
- **Amendment to IAS 1 Presentation of Financial Statements:** Disclosure Initiative* (effective for financial years beginning on or after January 1, 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. Then interpretation is not assessed to have a significant impact on Outokumpu's consolidated financial statements.
- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Effective for financial years beginning on or after January 1, 2016):** The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not assessed to have an impact on Outokumpu's consolidated financial statements.
- **Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after January 1, 2016):** The amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendment is not assessed to have an impact on Outokumpu's consolidated financial statements.
- **IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after January 1, 2018):** IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods delivered or services rendered. Outokumpu is currently assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.
- **IFRS 9 Financial Instruments* (effective for financial years beginning on or after January 1, 2018):** IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Outokumpu is assessing the impact of IFRS 9.

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

Management judgements and use of estimates

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

Business combinations

In significant business combinations, the Group uses external advisors to assist in evaluating the fair values of assets acquired and liabilities assumed. The procedures include for example analysis of market conditions, market data covering economic and regulatory trends; analysis and inspection of acquired companies and their operating and financial projections; and development of discounted cash flow models and discount rates used in the models. Regarding analysis of property, plant and equipment, the scope includes a study of the major assets at facilities and research in the marketplace in order to identify replacement costs, useful lives and other pertinent information used in the valuation process. No business combinations occurred in 2015 or 2014.

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The most important commodity price risk for Outokumpu is caused by fluctuation in nickel and other alloy prices. The majority of stainless steel sales contracts include an alloy surcharge clause, with the aim of reducing the risk arising from the time difference between raw material purchase and product delivery. However, the risk is significant because the delivery cycle in production is longer than the alloy surcharge mechanism provides for. Thus, only the price for the products to be sold in near future is known. That is why a significant part of the future price for each product to be sold is estimated according to management's best knowledge in NRV calculations. Due to fluctuations in nickel and other alloy prices, the realized prices can deviate significantly from what has been used in NRV calculations on the closing date. See note 21.

Property, plant and equipment and intangible assets and impairments

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

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

Income taxes

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

At the end of reporting period, the Group assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires judgement with respect to, among other things, benefits that could be realized from future taxable income, available tax strategies, as well as other positive and negative factors. The recorded amount of deferred tax assets could be reduced if estimates of taxable income and benefits from available tax strategies are lowered, or if current tax regulations are enacted that impose restrictions on the Group's ability to utilize future tax benefits. See note 9.

Fair values of derivatives and other financial instruments

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

The Group has used discounted cash flow analysis for various derivative contracts and in case of options Black-Scholes-Merton model has been applied. See note 15.

Employee benefits

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

Provisions

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

The Group has also made provisions for known environmental liabilities based on management's best estimate of the remediation costs. The precise amount and timing of these costs could differ significantly from the estimate. See note 26.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the parent company Outokumpu Oyj and all those subsidiaries where over 50% of the subsidiary's voting rights are controlled directly or indirectly by the parent company, or the parent company is otherwise in control of the company at the end of the reporting period. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

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

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

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

Associated companies and joint ventures

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

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

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

Non-current assets held for sale and discontinued operations

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

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

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

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

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

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, and for which discrete financial information is available. Outokumpu has five reportable operating segments which represent the strategic business areas of the Group.

The operating segments are responsible for sales, profitability and production. They are located in different geographical areas, managed separately and are reported separately in internal management reporting to CEO who is Outokumpu's chief operating decision maker. Outokumpu's segment information is based on the internal management reporting which is prepared according to the IFRS accounting principles.

Pricing of intersegment transactions is based on arm's length prices. EBIT of the operating segments is reported to the CEO regularly in order for him to review their performance and make decisions about resources to be allocated to the segments. EBIT is defined correspondingly in management reporting as in these accounting principles.

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

Foreign currency transactions

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

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

Revenue recognition

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

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

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

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

Income taxes

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

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

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

Research and development costs

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

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

Goodwill and other intangible assets

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

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

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

Software	up to 10 years
Capitalized development costs	up to 10 years
Intangible rights	up to 20 years

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

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

Emission allowances

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

Property, plant and equipment

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

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

Buildings	25–40 years
Heavy machinery	15–30 years
Light machinery and equipment	3–15 years

Land is not depreciated, except for leased land, as the useful life of land is assumed to be indefinite. Mine properties are depreciated using the units-of-production method based on the depletion of ore reserves over their estimated useful lives. Recognition of depreciation on an item of property, plant and equipment is discontinued when the item is classified as held for sale. Expected useful lives and residual values are reviewed at least at the end of each financial year and, if they differ significantly from previous estimates, the useful lives are revised accordingly. During 2015 Outokumpu has reviewed the useful lives of its property, plant and equipment and concluded that its maintenance and operating practices call for a change in the useful lives of machinery and equipment. As certain existing machinery and equipment have been and will be used for longer than previously anticipated, the estimated useful lives of these assets have been lengthened. For heavy machinery and equipment, the useful life estimate has been changed to 15–30 years compared to the previous 15–20 years. The new accounting estimate has been applied prospectively from October 1, 2015 onwards. The reduction of Group's annual depreciation expense is estimated to be approximately EUR 75 million.

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

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

Government grants

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

Impairment of property, plant and equipment and intangible assets

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

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

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

Leases

Group as a lessee

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

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

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

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

Group as a lessor

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

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

Financial instruments

Financial assets

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

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

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

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

Available-for-sale financial assets

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

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

Cash and cash equivalents

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

Convertible bonds

The Group classifies convertible bonds as compound instruments. The component parts of the bonds are classified separately as financial liabilities and equity in accordance with the substance of the arrangement.

The liability component is recognized initially at fair value of a similar liability. The equity component is recognized initially at the difference between the fair value of the bond as a whole and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method. The equity component of the bond is not remeasured to initial recognition except on conversion expiry.

Derivative instruments and hedge accounting

Derivatives

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

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

Hedge accounting

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

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

Cash flow hedges

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

Fair value hedges

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

Net investment hedges

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

Measurement of fair values

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

Inventories

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

Treasury shares

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

Provisions and contingent liabilities

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

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

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

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

Employee benefits

Post-employment and other long-term employee benefits

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

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

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

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

Share-based payment transactions

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

EBIT

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

Non-recurring items

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

Dividends

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

Earnings per share

Basic earnings per share is calculated by dividing the net result attributable to the equity holders of the company by the weighted average number of shares in issue during the period, excluding shares purchased by Outokumpu and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding with the assumption that convertible instrument is converted. Furthermore, the profit or loss used in the calculation is adjusted for the interest expense related to the instrument and recognized in the period, net of tax. However, potential ordinary shares are only dilutive if the adjustments decrease the earnings per share ratio.

3. Segment information

Outokumpu's business is divided into five business areas which are Coil EMEA, Coil Americas, APAC, Quarto Plate and Long Products. In addition to the business area structure, Group Functions cover the CFO's office, CTO's office, HR, IT, Health and Safety, Communications and Marketing, Strategy, Legal, and Internal audit.

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

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

Coil EMEA consists of stainless operations as well as ferrochrome production in Europe. The high-volume and tailored standard stainless steel grades are primarily used for example in architecture, building and construction, transportation, catering and appliances, chemical, petrochemical and energy sectors, as well as other process industries. The business area has three business lines, Tornio, Nirosta and Avesta, with production facilities in Finland, Germany and Sweden, as well as a finishing plant in the Netherlands. EMEA has extensive coil service center and sales network across Europe, Middle East and Africa.

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

APAC includes coil and plate service center in China, as well as a coil service center in Australia. The service center in China specializes in selling, processing and distributing high quality stainless steel products. Shanghai Krupp Stainless (SKS), a cold rolling mill in Shanghai, China, was divested in December 2015. For more information see note 4.

Quarto Plate is comprised of the quarto plate production facilities in Sweden and in the US. These units produce individually rolled thick and wide plates in standard and special stainless steel grades. It has also plate service centers in Finland, Germany, Italy, Sweden, the Netherlands and the UK.

Long Products are used in a wide range of applications such as springs, wires, surgical equipment, automotive parts and construction. The manufacturing is concentrated in the integrated sites in the UK, Sweden and the US.

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

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

Operating segments

2015						Reconciliation			
€ million	Coil EMEA	Coil Americas	APAC	Quarto Plate	Long Products	Reportable segments total	Other operations	Eliminations	Group
External sales	3 777	1 074	393	399	389	6 031	352	-	6 384
Inter-segment sales	357	37	10	60	162	627	311	-938	-
Sales	4 134	1 111	403	459	551	6 658	663	-938	6 384
EBITDA	285	-138	-6	-1	10	150	379	2	531
EBIT	100	-215	-20	-19	2	-152	378	2	228
Share of results in associated companies and joint ventures	-	-	-	-	-	-	-	-	49
Financial income	-	-	-	-	-	-	-	-	9
Financial expenses	-	-	-	-	-	-	-	-	-159
Result before taxes	-	-	-	-	-	-	-	-	127
Income taxes	-	-	-	-	-	-	-	-	-41
Net result for the financial year	-	-	-	-	-	-	-	-	86
Non-recurring items in EBIT									
Gain on the SKS divestment	-	-	-	-	-	-	409	-	409
Redundancy costs	-25	-	-	-	-	-25	-	-	-25
Net costs related to technical issues in Calvert	-	-17	-	-	-	-17	-	-	-17
Impairments related to EMEA restructuring	-6	-	-	-	-	-6	-	-	-6
Depreciation and amortization	-179	-77	-14	-18	-8	-296	-6	-	-302
Assets in operating capital	3 396	1 437	53	326	212	5 424	296	-214	5 505
Investments in associated companies and joint ventures	-	-	-	-	-	-	-	-	63
Other financial assets	-	-	-	-	-	-	-	-	290
Deferred tax assets	-	-	-	-	-	-	-	-	16
Total assets	-	-	-	-	-	-	-	-	5 874
Liabilities in operating capital	1 213	208	16	117	66	1 620	239	-203	1 656
Other financial liabilities	-	-	-	-	-	-	-	-	1 874
Deferred tax liabilities	-	-	-	-	-	-	-	-	16
Total liabilities	-	-	-	-	-	-	-	-	3 546
Operating capital	2 183	1 229	38	209	146	3 805	56	-11	3 850
Net deferred tax asset	-	-	-	-	-	-	-	-	0
Capital employed	-	-	-	-	-	-	-	-	3 850

2014 € million	Coil EMEA	Coil Americas	APAC	Quarto Plate	Long Products	Reconciliation Reportable segments total	Other operations	Eliminations	Group
External sales	4 032	1 131	434	387	463	6 447	397	-	6 844
Inter-segment sales	488	27	10	63	188	776	292	-1 068	-
Sales	4 520	1 158	444	450	651	7 223	689	-1 068	6 844
EBITDA	142	-33	8	-7	40	149	-40	-5	104
EBIT	-86	-104	-6	-26	33	-188	-49	-5	-243
Share of results in associated companies and joint ventures	-	-	-	-	-	-	-	-	7
Financial income	-	-	-	-	-	-	-	-	4
Financial expenses	-	-	-	-	-	-	-	-	-227
Result before taxes	-	-	-	-	-	-	-	-	-459
Income taxes	-	-	-	-	-	-	-	-	8
Net result for the financial year from continuing operations	-	-	-	-	-	-	-	-	-450
Net result for the financial year from discontinued operations	-	-	-	-	-	-	-	-	11
Net result for the financial year	-	-	-	-	-	-	-	-	-439
Non-recurring items in EBIT									
Redundancy costs	-112	-	-	-	-	-112	-1	-	-113
Impairments related to EMEA restructuring	-27	-	-	-	-	-27	-	-	-27
Environmental provisions related to site closures	-25	-	-	-	-	-25	-	-	-25
Net costs related to technical issues in Calvert	-	-21	-	-	-	-21	-	-	-21
Depreciation and amortization	-201	-71	-13	-19	-7	-310	-10	-	-320
Assets in operating capital	3 684	1 467	263	351	249	6 014	174	-173	6 014
Investments in associated companies and joint ventures	-	-	-	-	-	-	-	-	78
Other financial assets	-	-	-	-	-	-	-	-	275
Deferred tax assets	-	-	-	-	-	-	-	-	44
Total assets	-	-	-	-	-	-	-	-	6 411
Liabilities in operating capital	1 279	272	79	133	82	1 845	271	-160	1 956
Other financial liabilities	-	-	-	-	-	-	-	-	2 292
Deferred tax liabilities	-	-	-	-	-	-	-	-	31
Total liabilities	-	-	-	-	-	-	-	-	4 279
Operating capital	2 405	1 195	184	218	167	4 169	-97	-13	4 059
Net deferred tax asset	-	-	-	-	-	-	-	-	13
Capital employed	-	-	-	-	-	-	-	-	4 072

Geographical information

€ million	Finland	Germany	Sweden	The UK	Other Europe	North America	Asia and Australia	Other countries	Inter-area	Group
2015										
Sales by destination	217	1 437	148	572	1 753	1 337	795	125	-	6 384
Sales by origin	3 088	1 367	1 326	515	460	1 343	407	60	-2 182	6 384
Non-current assets	1 604	324	311	71	120	1 047	22	3	-	3 503
2014										
Sales by destination	227	1 576	193	637	1 764	1 488	853	106	-	6 844
Sales by origin	2 997	1 650	1 251	650	429	1 424	446	45	-2 048	6 844
Non-current assets	1 687	303	342	66	137	988	178	4	-	3 706

Sales by destination is presented for external sales.
Sales by origin and non-current assets are presented by the locations of the Group companies.
Non-current assets exclude investments in associated companies and joint ventures, financial instruments, deferred tax assets and defined benefit plan assets.

4. Acquisitions and disposals

Acquisitions

Outokumpu made no acquisitions during 2015 nor 2014.

Disposals

Year 2015

In December 2015 Outokumpu divested its shares in Shanghai Krupp Stainless Co., Ltd. (SKS) in China following its strategy to differentiate from the competition in China and the Asia-Pacific region with specialty grades and tailored solutions. SKS employed over 450 people. The gain on the transaction net of withholding taxes was EUR 389 million, including EUR 8 million transaction costs and EUR 5 million cumulative foreign exchange gains reclassified from equity to profit or loss. The gain is presented in other operating income (EUR 409 million) and income taxes (EUR -20 million) in the consolidated statement of income.

Effect of the SKS disposal on the financial position of the Group

€ million	2015
Non-current assets	**156**
Current assets	**52**
Non-controlling interest	**-32**
Non-current liabilities	**-18**
Current liabilities	**-137**
	21
Consideration received in cash	**358**
Withholding taxes	**-20**
Cash and cash equivalents of the company disposed of	**-15**
Net cash inflow	**323**
Receivable	**75**

In December 2015 Outokumpu divested its share in joint venture Fischer Mexicana. The divestment was carried out by selling the shares in the subsidiary Outokumpu Participations Mexico S.A. de C.V. through which the share in Fischer Mexicana was owned. The consideration received in cash was EUR 57 million. The gain on the sale net of taxes was EUR 43 million, including EUR 1 million transaction costs and EUR 12 million of cumulative foreign exchange gains reclassified from equity to profit or loss. The gain is presented in share of results in associated companies and joint ventures (EUR 49 million) and income taxes (EUR -6 million) in the consolidated statement of income. In the consolidated statement of financial position the divestment mainly affected the item investments in associated companies and joint ventures, which decreased by EUR 18 million. Cash and cash equivalents of the divested subsidiary were EUR 0 million.

Year 2014

Outokumpu divested VDM business and the remedy assets, which included Terni and certain service centers to ThyssenKrupp on February 28, 2014. The loss on the sale, net of transaction costs, amounted to EUR 5 million, out of which a gain of EUR 22 million was included in the net result from discontinued operations in 2014. Transaction costs of EUR 27 million were already recognized in the 2013 net result from discontinued operations. The loss also included transaction costs of EUR 7 million in 2014 and foreign exchange losses of EUR 4 million reclassified into profit or loss.

Effect of disposal on the financial position of the Group

€ million	2014
Assets held for sale	2 268
Cash and cash equivalents	10
Net of current receivables and payables	17
Liabilities attributable to assets held for sale	-1 074
	1 220

Cash and cash equivalents of the companies disposed of	-10
Compensation related to the working capital and net debt	-41
Net cash outflow	-50
Loan note used as consideration	1 292
Total consideration	1 242

The cash and cash equivalents of the companies disposed of EUR 10 million and the compensation related to working capital and net debt of EUR 41 million were presented in the statement of cash flows in line item proceeds from the disposal of subsidiaries, net of cash.

In connection with the disposal, 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 and as a result the companies were no longer each other's related parties.

5. Discontinued operations

In 2015, Outokumpu had no discontinued operations.

In 2014, Outokumpu's discontinued operations consisted of VDM business and the remedy assets, which included Terni and certain service centers, which were divested to ThyssenKrupp on February 28, 2014. The result from discontinued operations includes both the net result of the disposed operations for January 1–February 28, 2014 and the result from the disposal.

Result from discontinued operations

€ million	2014
Sales and other operating income	594
Expenses	-579
Net financial expenses	-4
Result before tax	11
Income tax	1
Net result from discontinued operations	11

The cash flows of companies disposed of during January 1–February 28, 2014 amounted to as follows: net cash from operating activities EUR 5 million and net cash from investing activities EUR -17 million.

6. Income and expenses

Depreciation and amortization by function

€ million	**2015**	2014
Cost of sales	**-288**	-304
Selling and marketing expenses	**-1**	-1
Administrative expenses	**-12**	-13
Research and development expenses	**-1**	-1
	-302	-320

Other operating income

€ million	**2015**	2014
Exchange gains and losses from foreign exchange derivatives	**9**	-
Market price gains and losses from commodity derivatives	**22**	-
Market price gains and losses from derivative financial instruments	**31**	-
Gain on the SKS divestment	**409**	-
Gains on sale of intangible assets and property, plant and equipment	**20**	12
Other income items	**12**	34
	472	47

Other operating expenses

€ million	2015	2014
Exchange gains and losses from foreign exchange derivatives	-	3
Market price gains and losses from commodity derivatives	-	-28
Market price gains and losses from derivative financial instruments	-	-25
Impairments	**-1**	-27
Losses on sale of intangible assets and property, plant and equipment	**-1**	-2
Other expense items	**-11**	-11
	-13	-65

In 2015, the market price gains and losses from derivative financial instruments included a gain of EUR 0 million from ineffective portion of cash flow hedges. (2014: a gain of EUR 0 million)

Non-recurring items in EBIT

€ million	2015	2014
Gain on the SKS divestment	**409**	-
Redundancy costs	**-25**	-113
Net costs related to technical issues in Calvert	**-17**	-21
Impairments related to EMEA restructuring	**-6**	-27
Environmental provisions related to site closures	-	-25
	360	-186

Out of the total non-recurring items in EBIT, EUR -39 million was included in gross margin in 2015 (2014: EUR -167 million).

In December, 2015 Outokumpu divested its shares in Shanghai Krupp Stainless Co., Ltd. in China (SKS). See note 4.

In 2015 Outokumpu proceeded with closures of operations and other restructuring measures in Germany and Sweden in accordance with the EMEA restructuring plan. Relating to these measures non-recurring redundancy costs of EUR 25 million and impairments of EUR 6 million were recorded. In 2014 Outokumpu restructured its operations in Europe by closing the Kloster operations in Sweden to reduce capacity and to streamline production and supply chain of the thin strip operations, and proceeding with the closure of Bochum melt shop in Germany. Relating to these actions, non-recurring redundancy costs of EUR 113 million, impairments of EUR 27 million, and environmental provisions of EUR 25 million were recognized.

In the second half of 2014, Calvert mill in the US experienced technical issues in its cold rolling lines. The interruption and transfer of production to Group's other mills, and repair and maintenance costs were partly compensated by insurance, but non-recurring net costs of EUR 17 million mainly in the first quarter of 2015 and EUR 21 million in 2014 were recognized.

Auditor fees – KPMG

€ million	2015	2014
Audit	**-2.0**	-2.0
Audit related services	-	-0.1
Tax advisory	**-0.1**	-0.1
Other services	**-0.1**	-1.2
	-2.1	-3.4

7. Employee benefit expenses

€ million	2015	2014
Wages and salaries	**-585**	-592
Termination benefits	**-21**	-103
Social security costs	**-72**	-89
Post-employment and other long-term employee benefits		
Defined benefit plans	**-12**	-7
Defined contribution plans	**-55**	-45
Other long-term employee benefits	**-2**	-7
Expenses from share-based payments	**-1**	-2
Other personnel expenses	**-15**	-9
	-762	-855

Profit-sharing bonuses based on the Finnish Personnel Funds Act were not recognized in 2015 nor 2014.

More information on employee benefits for key management can be found in Note 31 and in chapter Corporate Governance on the page Remuneration.

8. Financial income and expenses

€ million	2015	2014
Dividend income on available-for-sale financial assets	**0**	0
Interest income		
Loans and receivables	**1**	1
Bank accounts and deposits	**2**	2
Interest income on defined benefit plan assets	**1**	0
Gains on the sale of available-for-sale financial assets	**0**	0
Other financial income	**2**	2
Total financial income	**6**	4
Interest expenses		
Debt at amortized cost	**-98**	-107
Finance lease arrangements	**-14**	-15
Derivatives	**-9**	-10
Interest expense on defined benefit obligations and other long-term employee benefits	**-9**	-10
Capitalized interests	**2**	1
Impairment of financial assets	**-1**	-4
Loss from the sale of financial assets	**-**	-0
Fees related to committed credit facilities	**-21**	-46
Other financial expenses	**-8**	-20
Total financial expenses	**-159**	-212
Exchange gains and losses		
Derivatives	**-92**	-107
Cash, loans and receivables	**86**	105
Other market price gains and losses		
Derivatives	**6**	-1
Subsequent fair valuation of Talvivaara Sotkamo Ltd	**-**	-13
Other	**3**	-0
Total market price gains and losses	**3**	-15
	-149	-223

Exchange gains and losses in the consolidated statement of income

€ million	2015	2014
In sales	**13**	37
In purchases [1]	**-35**	-54
In other income and expenses [1]	**8**	-0
In financial income and expenses [1]	**-6**	-2
	-21	-18

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

Exchange gains and losses include EUR 84 million net exchange loss on derivative financial instruments (2014: EUR 103 million net exchange gain) of which EUR 8 million gain on derivatives has been recognized in other operating income, EUR 0 million gain as adjustment to purchases and EUR 92 million loss in financial items.

9. Income taxes

Income taxes in the consolidated statement of income

€ million	2015	2014
Current taxes	**-35**	-17
Deferred taxes	**-6**	26
	-41	8

The applicable Finnish corporate tax rate for the financial years 2015 and 2014 was 20.0%. The applicable tax rates for companies outside Finland range from 0.0% to 38.8% (2014: 0.0% to 39.3%).

Aggregate deferred taxes recognized in equity through other comprehensive income

€ million	2015	2014
Cash flow hedging	**-1**	-0
Available-for-sale financial assets	**-1**	-1
Net investment hedging	**-4**	-4
Remeasurements of the net defined benefit liability	**2**	9
	-4	4

As of December 31, 2015 tax loss carry forwards amount to EUR 3 573 million (2014: EUR 3 038 million), in particular EUR 906 million (2014: EUR 907 million) in Finland, EUR 421 million (2014: EUR 401 million) in Sweden, EUR 1 404 million (2014: EUR 897 million) in the US and EUR 485 million (2014: EUR 444 million) in Germany. Deferred tax assets are recognized only to the extent that the realization of such tax benefits is probable. In determining the related valuation allowance, all positive and negative factors, including prospective results, are taken into consideration in estimating whether sufficient taxable income will be generated to realize deferred tax assets. These estimates can change depending on the future course of events. As of December 31, 2015 tax loss carry forwards of the Outokumpu Group for which no deferred tax asset is recognized amount to EUR 3 190 million (2014: EUR 2 675 million). No deferred tax liabilities were recorded on undistributed profits on foreign subsidiaries, as such profits are not to be distributed in the foreseeable future.

Tax losses carried forward

€ million	2015	2014
Expire in less than 5 years	**188**	260
Expire between 5 and 9 years	**616**	481
Expire later than 9 years	**1 489**	1 173
Never expire	**1 280**	1 124
	3 573	3 038

Deferred income taxes in the statement of financial position

€ million	2015	2014
Deferred tax assets	**16**	44
Deferred tax liabilities	**-16**	-31
Net deferred tax asset	**0**	13

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

	2015			2014		
€ million	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	11	-2	8	11	-9	2
Property, plant and equipment	32	-173	-142	85	-158	-73
Other financial assets	31	-1	30	0	-3	-3
Inventories	17	-8	9	15	-9	6
Derivative financial assets	5	-9	-4	4	-10	-6
Trade and other receivables	4	-2	2	17	-6	11
Non-current and current debt	58	-0	57	55	-2	53
Defined benefit and other long-term employee benefit obligations	69	-22	47	65	-17	48
Provisions	15	-18	-4	25	-8	17
Derivative financial liabilities	9	-0	8	11	0	11
Trade and other payables	20	-3	17	49	-5	44
Tax loss carry forwards	1 050	-	1 050	853	-	853
	1 320	**-240**	**1 080**	1 190	-226	964
Valuation allowance	-1 080	-	-1 080	-951	-	-951
Offset	-224	224	-	-195	195	-
	16	**-16**	**0**	44	-31	13

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

Movement in deferred tax assets and liabilities during the financial year

€ million	Net deferred taxes Jan 1, 2015	Translation differences	Recognized in profit or loss	Recognized in other comprehensive income	Net deferred taxes Dec 31, 2015
Intangible assets	2	0	6	-	**8**
Property, plant and equipment	-73	3	-72	-	**-142**
Other financial assets	-3	-0	33	0	**30**
Inventories	6	1	3	-	**9**
Derivative financial assets	-6	-0	3	-1	**-4**
Trade and other receivables	11	0	-9	-	**2**
Non-current and current debt	53	0	4	-	**57**
Defined benefit and other long-term employee benefit obligations	48	2	4	-7	**47**
Provisions	17	0	-21	-	**-4**
Derivative financial liabilities	11	0	-3	-	**8**
Trade and other payables	44	3	-31	-	**17**
Tax losses carried forward	853	48	151	-	**1 050**
	964	**58**	**68**	**-7**	**1 080**
Valuation allowance	-951	-57	-74	-	**-1 080**
	13	**0**	**-6**	**-7**	**0**

€ million	Net deferred taxes Jan 1, 2014	Translation differences	Recognized in profit or loss	Recognized in other comprehensive income	Net deferred taxes Dec 31, 2014
Intangible assets	3	0	-1	-	2
Property, plant and equipment	-72	5	-6	-	-73
Other financial assets	0	-0	-2	-1	-3
Inventories	9	0	-4	-	6
Derivative financial assets	-4	0	-5	2	-6
Trade and other receivables	-12	0	23	-	11
Non-current and current debt	69	0	-17	-	53
Defined benefit and other long-term employee benefit obligations	44	2	13	-10	48
Provisions	18	0	-1	-	17
Derivative financial liabilities	13	-0	-1	-	11
Trade and other payables	25	3	15	-	44
Tax losses carried forward	629	38	186	-	853
	723	49	201	-9	964
Valuation allowance	-724	-52	-175	-	-951
	-1	-3	26	-9	13

In 2015 the income tax expense of EUR 41 million presented in the financial statements is EUR 16 million higher than the expected income tax expense of EUR 25 million, which would result if the Finnish corporate tax rate of 20.0% was applied to the Group's result before taxes. For financial year 2014 the reported income tax benefit of EUR 8 million was EUR 84 million lower than the expected income tax benefit of EUR 92 million calculated with the Finnish corporate tax rate of 20.0%. The following table reconciles the expected income tax benefit to the income tax benefit or expense presented in the consolidated statement of income:

€ million	2015	2014
Hypothetical income taxes at Finnish tax rate on consolidated result before tax	**-25**	92
Difference between Finnish and foreign tax rates	**18**	53
Tax effect of non-deductible expenses and tax exempt income [1]	**88**	-37
Tax effect of losses for which no deferred tax asset is recognized	**-116**	-156
Taxes for prior years	**25**	75
Impact of the changes in the tax rates on deferred tax balances [2]	**-1**	0
Other items [1]	**-28**	-19
Income taxes in the consolidated statement of income	**-41**	8

[1] In 2015 the gain on the sale of shares in subsidiaries is fully or partly not taxable in the jurisdictions of the sellers, which resulted in a reconciliation effect of EUR 119 million. However, the gains are subject to withholding tax expense in the countries, in which the sales took place. The withholding taxes of EUR -26 million are included in Other items. See note 4.
[2] In 2015 as well as in 2014, enacted changes in tax rates had only little impact on deferred tax balances.

Tax audit in Outokumpu Oyj was concluded in November 2014 and did not result in proposed changes to the company's taxation. The Tax Recipients' Legal Service Unit has appealed against the outcome of the tax audit.

10. Earnings per share

	2015	2014
Result attributable to the equity holders of the Company, € million	**96**	-434
Result from continuing operations attributable to the equity holders of the Company, € million	-	-445
Result from discontinued operations attributable to the equity holders of the Company, € million	-	11
Weighted average number of shares, in thousands [1]	**415 474**	349 559
Diluted average number of shares, in thousands [1, 2]	**415 474**	349 559
Earnings per share for result attributable to the equity holders of the Company, € [1, 2]		
Earnings per share	**0.23**	-1.24
Earnings per share, continuing operations	-	-1.27
Earnings per share, discontinued operations	-	0.03

[1] 2014 figures calculated based on the rights-issue-adjusted weighted average number of shares and adjusted to reflect the reverse split on June 20, 2014.
[2] 33 662 thousand potentially convertible shares with an impact of 29 235 thousand shares on the average number were excluded from the diluted average number of shares because their effect would have been anti-dilutive. In 2014, Outokumpu did not have any diluting effect instruments.

11. Intangible assets

€ million	Other intangible assets [1]	Goodwill	Total
Historical cost on Jan 1, 2015	299	474	774
Translation differences	9	1	10
Additions	4	-	4
Disposals	-6	-	-6
Disposed subsidiaries	-80	-	-80
Reclassifications [2]	1	-	1
Historical cost on Dec 31, 2015	**229**	**475**	**704**
Accumulated amortization and impairment on Jan 1, 2015	-199	-7	-206
Translation differences	-3	-1	-3
Disposals	6	-	6
Disposed subsidiaries	7	-	7
Amortization	-10	-	-10
Accumulated amortization and impairment on Dec 31, 2015	**-198**	**-8**	**-206**
Carrying value on Dec 31, 2015	**30**	**467**	**498**
Carrying value on Jan 1, 2015	100	467	567
Historical cost on Jan 1, 2014	298	472	770
Translation differences	5	2	7
Additions	1	-	1
Disposals	-6	-0	-6
Reclassifications [2]	1	-	1
Historical cost on Dec 31, 2014	299	474	774
Accumulated amortization and impairment on Jan 1, 2014	-193	-7	-200
Translation differences	2	-	2
Disposals	6	-	6
Amortization	-14	-	-14
Accumulated amortization and impairment on Dec 31, 2014	-199	-7	-206
Carrying value on Dec 31, 2014	100	467	567
Carrying value on Jan 1, 2014	105	465	570

[1] Other intangible assets include capitalized land-use rights, development costs, patents, licenses and software.
[2] Construction work in progress related to intangible assets is presented in the corresponding item of PPE. When the asset is taken into use, it is reclassified to the appropriate asset account.

Intangible assets mainly comprise acquired assets.

Impairment testing of goodwill

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

€ million	2015	2014
Coil EMEA	**451**	451
APAC	**1**	1
Quarto Plate	**6**	7
Long Products	**9**	9
	467	467

In Outokumpu, goodwill is tested on operating segment level. Operating segments are the Group's cash-generating units. Goodwill has been allocated to the operating segments mentioned above. During the year 2015, impairment testing of goodwill was carried out on a quarterly basis.

The recoverable amounts of the cash-generating units are based on value-in-use calculations which are prepared using discounted cash flow projections. Key assumptions used in the value-in-use calculations are discount rate, terminal value growth rate, average global growth in end-use consumption of stainless steel and base price development. The values assigned to the key assumptions are based on the plans approved by the management for 2016–2019 after which cash flows are projected for a period of 2 years, including terminal value based on conservative assumptions.

Discount rate is the weighted average pre-tax cost of capital (WACC), as defined for Outokumpu. The components of WACC are risk-free yield rate, Outokumpu credit margin, market risk premium, equity beta, and industry capital structure. Goodwill of Coil EMEA presents 97% of the total goodwill of the Group and the pre-tax WACC used for Coil EMEA is 9.6% (2014: 10.5%).

In the terminal value, growth rate assumption of 0.5% (2014: 0.5%) is used which management believes to be prudent based on current economic circumstances, although historical growth rates and forecasts of independent market analysts indicate higher long-term growth rates.

Growth rate assumption used for stainless steel deliveries is conservative, and generally lower than independent analysts' view on long-term market development. Base price forecast is based on conservative assumptions, which are in line with expectations of general inflation. In addition, committed investments and expected cost savings have been included in the cash flow projections.

The estimated recoverable amount of Coil EMEA exceeds its carrying amount by approximately EUR 971 million. Increase of 2.5 percentage point in after-tax WACC would cause the recoverable amount to equal the carrying amount. Also, 12% decrease in annual delivery volumes or 6% decrease in base prices would cause the recoverable amount to equal the carrying amount. Terminal growth rate of 0% would not lead to impairment.

As a result of the performed impairment test to Group's cash-generating units, no impairment losses were recognized in 2015 or 2014.

Emission allowances

Outokumpu had eight active sites operating under EU's Emissions Trading Scheme (ETS) in 2015. These include the production plants in Tornio, Finland; Avesta, Degerfors and Nyby in Sweden; Sheffield in the UK; as well as Krefeld, Dillenburg and Benrath in Germany.

The pre-verified carbon dioxide emissions under ETS were approximately 1,018,000 tonnes in 2015 (2014: 1,103,000 tonnes). For the trading period 2013–2020, all relevant Outokumpu sites have applied free emission allowances according to efficiency-based benchmarks and historical activity. Preliminary allocation for years 2016 and 2017 is estimated to be some 1 million tonnes annually in total. Considering the Group's operations and the Group's current emission allowance position, the amount of allowances is foreseen to be sufficient for compliance. Position is frequently monitored and optimized according to the definitions set in corporate risk policies. See Note 19 for information on the management of the emission allowance price risk.

12. Property, plant and equipment

€ million	Land	Mine properties	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction work in progress [1)]	Total
Historical cost on Jan 1, 2015	145	46	1 275	4 631	132	128	6 357
Translation differences	3	-	28	145	1	2	179
Additions	0	12	1	29	1	86	129
Disposals	-12	-	-17	-109	-5	-1	-145
Disposed subsidiaries	-	-	-19	-92	-	-0	-112
Reclassifications	-	8	0	32	3	-45	-3
Historical cost on Dec 31, 2015	**136**	**66**	**1 269**	**4 635**	**131**	**170**	**6 407**
Accumulated depreciation and impairment on Jan 1, 2015	-9	-12	-543	-2 565	-70	-20	-3 219
Translation differences	-0	-	-5	-41	-0	-0	-47
Disposals	3	-	17	108	5	-	132
Disposed subsidiaries	-	-	3	23	-	-	25
Reclassifications	-	-	-	2	-1	-0	0
Depreciation	-0	-3	-47	-237	-5	-0	-292
Impairments	-6	-	-	5	-	-	-1
Accumulated depreciation and impairment on Dec 31, 2015	**-14**	**-15**	**-575**	**-2 705**	**-71**	**-21**	**-3 402**
Carrying value on Dec 31, 2015	**122**	**51**	**693**	**1 930**	**60**	**149**	**3 005**
Carrying value on Jan 1, 2015	136	34	732	2 065	63	108	3 138
Historical cost on Jan 1, 2014	146	46	1 260	4 600	132	184	6 368
Translation differences	3	-	18	74	-1	4	98
Additions	1	-	6	39	1	70	117
Disposals	-5	-	-27	-139	-	-36	-208
Reclassifications	-	-	19	57	0	-93	-18
Historical cost on Dec 31, 2014	145	46	1 275	4 631	132	128	6 357
Accumulated depreciation and impairment on Jan 1, 2014	-9	-9	-520	-2 462	-66	-49	-3 115
Translation differences	-0	-	1	14	0	2	16
Disposals	-	-	22	138	-	38	199
Reclassifications	-	-	0	6	-	8	13
Depreciation	-0	-3	-45	-252	-5	-	-306
Impairments	-	-	-0	-8	-	-19	-27
Accumulated depreciation and impairment on Dec 31, 2014	-9	-12	-543	-2 565	-70	-20	-3 219
Carrying value on Dec 31, 2014	136	34	732	2 065	63	108	3 138
Carrying value on Jan 1, 2014	137	37	740	2 139	66	134	3 254

[1)] Advances paid and construction work in progress includes also intangible assets. When the asset is ready to be taken into use, it is reclassified to appropriate asset account either in property, plant and equipment or in intangible assets.

Borrowing costs amounting to EUR 2 million were capitalized on investment projects during the financial year (2014: EUR 1 million). Total interest capitalized on December 31, 2015 was EUR 33 million (December 31, 2014: EUR 35 million). Outokumpu determines separate capitalization rates for each quarter. The average rate used during 2015 was 5.6%.

Impairments

In 2015 or 2014 no impairment losses were recognized as a result of the impairment test performed to Group's cash-generating units. However, due to restructuring in Germany, impairment losses of EUR 6 million were recognized in 2015 relating to land (2014: EUR 27 million relating to construction work in progress and machinery and equipment).

Assets leased by finance lease agreements

€ million	Land	Buildings	Machinery and equipment	Total
Historical cost	29	33	236	298
Accumulated depreciation	-1	-5	-87	-93
Carrying value on Dec 31, 2015	**28**	**28**	**149**	**205**
Historical cost	29	36	253	318
Accumulated depreciation	-1	-6	-73	-79
Carrying value on Dec 31, 2014	28	31	180	239

13. Investments in associated companies and joint ventures

Outokumpu has the following associated companies and joint ventures which are all equity accounted. Based on the amounts reported in the Group's consolidated financial statements, it is concluded that the investments are immaterial.

Associated companies

	Domicile	Ownership, %
OSTP Holding Oy	Finland	49
Rapid Power Oy	Finland	33
Manga LNG Oy [1)]	Finland	45
Hernandez Edestahl GmbH [1)]	Germany	33

[1)] Acquired in 2015.

Summarized financial information on associated companies

€ million	**2015**	2014
Carrying value of investments in associated companies	**48**	45
Group's share of total comprehensive income	**-4**	4

Joint ventures

	Domicile	Ownership, %
Fagersta Stainless AB	Sweden	50

Summarized financial information on joint ventures

€ million	**2015**	2014
Carrying value of investments in joint ventures	**14**	32
Group's share of total comprehensive income [1)]	**3**	3
Gain from disposal of Fisher Mexicana S.A. DE C.V.	**49**	-

[1)] Group's share of total comprehensive income in 2015 includes the divested joint venture Fisher Mexicana S.A. DE C.V. until December 2015. See note 4.

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

2015 € million	Category in accordance with IAS 39	Measured at Amortized cost	Cost	Fair value recognized in other comprehensive income	Fair value recognized through profit or loss	Carrying amount on Dec 31, 2015	Fair value on Dec 31, 2015
Non-current financial assets							
Available-for-sale financial assets	a)	-	36	4	-	40	40
Investments at fair value through profit or loss	c)	-	-	-	1	1	1
Trade and other receivables	b)	40	-	-	-	40	40
Derivatives held for trading	d)	-	-	-	0	0	0
Current financial assets							
Available-for-sale financial assets	a)	-	-	0	-	0	0
Investments at fair value through profit or loss	c)	-	-	-	16	16	16
Trade and other receivables	b)	624	-	-	-	624	624
Cash and cash equivalents	b), c)	186	-	-	-	186	186
Hedge accounted derivatives	e)	-	-	5	-	5	5
Derivatives held for trading	d)	-	-	-	32	32	32
		849	36	9	49	944	944
Non-current financial liabilities							
Non-current debt	f)	1 249	-	-	-	1 249	1 245
Derivatives held for trading	d)	-	-	-	9	9	9
Current financial liabilities							
Current debt	f)	547	-	-	-	547	547
Trade and other payables	f)	957	-	-	-	957	957
Hedge accounted derivatives	e)	-	-	1	-	1	1
Derivatives held for trading	d)	-	-	-	49	49	49
		2 752	-	1	58	2 811	2 807

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

2014 € million	Category in accordance with IAS 39	Measured at Amortized cost	Cost	Fair value recognized in other comprehensive income	Fair value recognized through profit or loss	Carrying amount on Dec 31, 2014	Fair value on Dec 31, 2014
Non-current financial assets							
Available-for-sale financial assets	a)	-	21	5	-	26	26
Investments at fair value through profit or loss	c)	-	-	-	2	2	2
Trade and other receivables	b)	10	-	-	-	10	10
Hedge accounted derivatives	e)	-	-	0	-	0	0
Derivatives held for trading	d)	-	-	-	1	1	1
Current financial assets							
Available-for-sale financial assets	a)	-	-	0	-	0	0
Investments at fair value through profit or loss	c)	-	-	-	4	4	4
Trade and other receivables	b)	694	-	-	-	694	694
Cash and cash equivalents	b), c)	191	-	-	-	191	191
Hedge accounted derivatives	e)	-	-	0	-	0	0
Derivatives held for trading	d)	-	-	-	35	35	35
		895	21	6	42	964	964
Non-current financial liabilities							
Non-current debt	f)	1 597	-	-	-	1 597	1 581
Derivatives held for trading	d)	-	-	-	18	18	18
Current financial liabilities							
Current debt	f)	569	-	-	-	569	568
Trade and other payables	f)	1 172	-	-	-	1 172	1 172
Hedge accounted derivatives	e)	-	-	14	-	14	14
Derivatives held for trading	d)	-	-	-	73	73	73
		3 337	-	14	91	3 442	3 425

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

15. Fair value hierarchy of financial assets and liabilities

2015 € million	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Available-for-sale financial assets	5	0	3	1	**5**
Investments at fair value through profit or loss	16	16	-	1	**16**
Hedge accounted derivatives	5	-	5	-	**5**
Derivatives held for trading	33	-	33	-	**33**
	59	**16**	**41**	**2**	**59**
Financial assets not measured at fair value					
Non-current trade and other receivables	40	-	40	-	**40**
Financial liabilities measured at fair value					
Hedge accounted derivatives	1	-	1	-	**1**
Derivatives held for trading	58	-	58	-	**58**
	59	**-**	**59**	**-**	**59**
Financial liabilities not measured at fair value					
Non-current debt	**1 249**	**465**	**780**	**-**	**1 245**

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

2014 € million	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Available-for-sale financial assets	6	0	2	3	6
Investments at fair value through profit or loss	6	4	-	2	6
Hedge accounted derivatives	0	-	0	-	0
Derivatives held for trading	36	-	36	-	36
	48	5	39	4	48
Financial assets not measured at fair value					
Non-current trade and other receivables	10	-	10	-	10
Financial liabilities measured at fair value					
Hedge accounted derivatives	14	-	14	-	14
Derivatives held for trading	91	-	91	-	91
	105	-	105	-	105
Financial liabilities not measured at fair value					
Non-current debt	1 597	407	1 174	-	1 581

Reconciliation of changes on level 3

2015 € million	Available-for-sale financial assets	Investment at fair value through profit or loss
Carrying value on Jan 1	3	2
Fair value changes	-2	-1
Carrying balance on Dec 31	**1**	**1**

2014 € million	Available-for-sale financial assets	Investment at fair value through profit or loss
Carrying value on Jan 1	0	15
Fair value changes	3	-13
Carrying balance on Dec 31	3	2

Accounting principles contain information on how fair values are defined on different levels in the fair value hierarchy. There were no transfers between level 1 and 2 during 2015.

Available-for-sale financial assets at hierarchy level 3 relate to investments in energy producing companies in 2015. 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 is mainly driven by electricity price. +/- 10% change in electricity price leads to an increase of EUR 0 million or decrease of EUR 0 million in valuation.

16. Available-for-sale financial assets

€ million	**2015**	2014
Carrying value on Jan 1	**27**	19
Translation differences	**0**	0
Additions	**15**	8
Fair value changes	**-1**	3
Disposals	**-0**	-2
Impairments	**-**	-4
Gains and losses from disposals reclassified to profit or loss	**-**	0
Change in other comprehensive income due to impairment	**-**	3
Carrying value on Dec 31	**40**	27
Non-current listed equity securities	**0**	0
Non-current unlisted equity securities	**40**	26
Current available-for-sale financial assets	**0**	0
	40	27
Listed equity securities, at fair value	**0**	0
Unlisted equity securities and other investments, at fair value	**4**	5
Unlisted equity securities and other investments, at cost	**36**	21
	40	27

Fair value reserve in equity

€ million	**2015**	2014
Fair value	**40**	27
Cost	**36**	22
Fair value reserve before tax	**4**	5
Deferred tax liability	**-1**	-1
Fair value reserve	**3**	4

Unlisted equity securities and other investments at cost include EUR 35 million holdings in Voimaosakeyhtiö SF providing ownership to Fennovoima Oy. During 2015 Outokumpu invested EUR 15 million in Voimaosakeyhtiö SF. As the Fennovoima project is at an early stage, the fair value cannot be reliably measured. Unlisted equity securities at fair value include holdings in energy producing companies and other investments not listed in any stock exchange. The valuation method of these investments is described in Note 15.

17. Investments at fair value through profit or loss

€ million	2015	2014
Carrying value on Jan 1	**6**	19
Translation differences	**0**	-0
Additions	**11**	0
Disposals	**-0**	-
Fair value change	**-1**	-13
Carrying value on Dec 31	**16**	6

The carrying value comprises mainly of investment by Group's captive insurance company Visenta Försäkrings AB in state bonds, covered bonds, and funds.

The fair value change in 2014 relates to write-down of Outokumpu's 16% holding in Talvivaara Sotkamo Ltd.

18. Share-based payment plans

During the year 2015 Outokumpu's share based payment programs included Performance Share Plan 2012 (Plans 2013–2015, 2014–2016 and 2015–2017) and Restricted Share Pool Program (Plans 2013–2015, 2014–2016 and 2015–2017). Share-based programs are part of the Group's incentive and commitment-building system for key employees. The objective of the programs is to retain, motivate and reward selected employees for good performance which supports Outokumpu's strategy.

The Performance Share Plan 2012–2014 ended and based on the achievement of the targets the participants received 23.3% of the maximum number of shares of the plan as reward. After deductions for applicable taxes, altogether 48,234 shares were delivered to 69 persons. In addition, cash of EUR 258 thousand was paid for taxes and rewards settled in cash. Regarding the Restricted Share Pool Program, plan 2012–2014, after deductions for applicable taxes in total 14,350 shares were delivered to three participants based on the conditions of the plan. In addition, cash of EUR 74 thousand was paid for taxes. Outokumpu used its treasury shares for the reward payment.

In December 2014, the Board of Directors approved the commencement of the new plan (plan 2015–2017) of Performance Share Plan 2012 as of the beginning of 2015. The maximum number of gross shares (taxes included) that could be allocated from the plan is 2,900,000. At the end of the reporting period 133 persons participated in the plan. The plan's earnings criteria for the year 2015 were EBIT excluding non-recurring items and business cash flow, in addition to which return on capital employed (ROCE) ranking among peers in 2017 was confirmed as one earnings criteria.

In December 2014 the Board also approved the commencement of the new plan (plan 2015–2017) of Restricted Share Pool Program 2012 as of the beginning of 2015. Restricted share grants are approved annually by the CEO on the basis of the authorization granted by the Board of Directors, with the exception of any allocations to Leadership Team members, which will be approved by the Board of Directors. The maximum number of gross shares (taxes included) that could be allocated from the plan is 320,000. At the end of the reporting period 6 persons participated in the plan.

The EBIT improvement criterion previously applied to the Performance share plans 2013–2015 and 2014–2016 was for the year 2015 replaced with the same EBIT excluding non-recurring items criterion as applied to the new plan 2015–2017. In addition, criterion on the return on capital employed in 2016 was added to the plan 2014–2016.

In December 2015, the Board of Directors approved the commencement of the fifth plan 2016–2018 regarding both Performance Share Plan 2012 and Restricted Share Pool Program 2012. Furthermore, the Board approved the details of a Matching Share Plan of the new Outokumpu CEO. They all commence at the beginning of 2016.

The total estimated fair value of the Performance share plan and Restricted share pool is EUR 4 million on December 31, 2015. This value is recognized as an expense in the statement of income during the vesting periods.

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

Share-based payments included in employee benefit expenses

€ million	2015	2014
Equity-settled share-based payment transactions	**-1**	-2
Cash-settled share-based payment transactions	**0**	-1
	-1	-2
Total carrying amount of liabilities for cash-settled arrangements on Dec 31	**1**	1

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

	Performance Share Plan 2012		
	Vesting period 2013–2015	Vesting period 2014–2016	Vesting period 2015–2017
Grant date	March 31, 2013	May 31, 2014	Feb 11, 2015
Vesting period	Jan 1, 2013–Dec 31, 2015	Jan 1, 2014–Dec 31, 2016	Jan 1, 2015–Dec 31, 2017
Vesting conditions			
Market	Outokumpu share-price adjusted with dividends at the end of 2015	-	-
Non-market	EBITDA for the year 2013; EBIT improvement for the year 2014; EBIT excluding non-recurring items for the year 2015; and achievement of annual Inoxum transaction related synergies	EBIT improvement for the year 2014; EBIT excluding non-recurring items for the year 2015; underlying EBITDA for the year 2016; a cash flow measure for the years 2014, 2015 and 2016; and return on capital employed (ROCE) in 2016	EBIT excluding non-recurring items and a cash flow measure for the year 2015; and return on capital employed (ROCE) ranking among peers and debt-to-equity ratio (gearing) in 2017
Other relevant conditions	A salary-based limit for the maximum benefits	A salary-based limit for the maximum benefits	A salary-based limit for the maximum benefits
Exercised	In shares and cash	In shares and cash	In shares and cash

	Restricted Share Pool Program 2012		
	Vesting period 2013–2015	Vesting period 2014–2016	Vesting period 2015–2017
Grant date	April 30, 2013	May 31, 2014	April 30, 2015
Vesting period	Jan 1, 2013–Dec 31, 2015	Jan 1, 2014–Dec 31, 2016	Jan 1, 2015–Dec 31, 2017
Vesting conditions	Continuation of employment until the shares are delivered, a salary-based limit for the maximum benefits	Continuation of employment until the shares are delivered, a salary-based limit for the maximum benefits	Continuation of employment until the shares are delivered, a salary-based limit for the maximum benefits
Exercised	In shares and cash	In shares and cash	In shares and cash

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

Share values used in valuations

€	Share price at the end of the reporting period	Incentive share fair value at the grant date
Performance Share Plan		
Vesting period 2013–2015	2.73	5.18
Vesting period 2014–2016	2.73	6.46
Vesting period 2015–2017	2.73	4.82
Restricted Share Pool Program		
Vesting period 2013–2015	2.73	4.61
Vesting period 2014–2016	2.73	6.46
Vesting period 2015–2017	2.73	5.41

19. Financial risk management, capital management and insurances

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

The Board has approved the risk management policy, which defines responsibilities, process and other main principles of risk management. The Board oversees risk management on a regular basis and the Chief Financial Officer is responsible for implementation and development of financial risk management. In 2015, the Group's Financial Risk Policy was reviewed and changes to it were approved by the Interim CEO. Main changes to the policy were related to metal, foreign exchange and energy risk management.

Financial risks consist of market, country, credit, liquidity and refinancing risks. Subsidiary companies hedge their currency and metal price risk with Outokumpu Oyj, which does most of the Group's foreign exchange and metal derivative contracts with banks and other financial institutions. The Treasury and Risk Management function is responsible for managing foreign exchange, interest rate, liquidity and refinancing risk as well as emission allowance price risk. Credit risk management is partly centralized and Treasury and Risk Management function monitors the risk. Energy function is responsible for managing electricity and fuel price risks. Metal Desk function is responsible for managing Group's metal price risk.

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

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

Market risk

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

Outokumpu uses derivative contracts to partially mitigate the above-mentioned impacts of market price changes. Hedge accounting is applied selectively and based on separate decisions. The derivatives, for which hedge accounting is not applied, have been entered into for the purpose of reducing impacts of market price changes on earnings and/or cash flows related to business or financing activities. The use of non-hedge-accounted derivatives may cause timing differences between derivative gains/losses and the earnings impact of the underlying exposure.

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

Sensitivity of financial instruments to market risks

€ million	2015 In profit or loss	2015 In other comprehensive income	2014 In profit or loss	2014 In other comprehensive income
+/-10% change in EUR/USD exchange rate	-2/+3	-	-0/+0	-
+/-10% change in EUR/SEK exchange rate	-9/+11	-13/+15	-9/+10	-15/+19
+/-10% change in nickel price in USD	-1/+1	+0/-0	-9/+9	+1/-1
+/-10% change in propane price in USD	+1/-1	-	+2/-2	-
+/-1% parallel shift in interest rates	-5/+1	-	-10/+10	-

The sensitivity analyses apply to financial instruments only. Other assets, liabilities and off-balance sheet items such as sales and purchase orders, are not in the scope of these analyses. The calculations are net of tax. During the year the volatility for nickel has been in the range of 24–38%. With +/-30% change in USD nickel price, the effect in profit or loss is about EUR -2/+2 million for nickel derivatives.

Foreign exchange rate risk

A major part of the Group's sales is in euros and US dollars. A significant part of expenses arise in euros, US dollars, Swedish kronas, Mexican pesos and British pounds. Due to the disposal of SKS shares the exposure to changes in yuan exchange rate decreased clearly. In Europe, Outokumpu's products are priced mainly in euros and therefore costs in Swedish krona and British pounds give rise to a significant foreign exchange risk impacting profitability and cash flows. Due to significant amount of captive ferrochrome production and related revenues being linked to US dollar, the EUR/USD exchange rate risk for the Group is significant. In addition, stainless steel contribution margin is impacted by the value of US dollar.

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

Foreign exchange positions of EUR-based companies

€ million	2015 SEK	2015 USD	2015 GBP	2015 Other	2014 SEK	2014 USD	2014 GBP	2014 Other
Trade receivables and payables	4	-99	18	5	0	-103	10	8
Loans and bank accounts [1]	302	930	-8	9	315	692	-31	-111
Derivatives [2]	-135	-798	-22	-12	-105	-585	-5	108
Net position	**170**	**34**	**-12**	**2**	210	4	-26	6

Foreign exchange positions of SEK-based companies

€ million	2015 EUR	2015 USD	2015 GBP	2015 Other	2014 EUR	2014 USD	2014 GBP	2014 Other
Trade receivables and payables	-2	5	-4	4	46	13	-8	8
Loans and bank accounts [1]	17	6	1	0	1	19	1	3
Derivatives [2]	-144	-25	-8	-15	-166	-66	9	-10
Net position	**-129**	**-14**	**-11**	**10**	-119	-33	2	0

[1] Includes cash and cash equivalents, loan receivables and debt.
[2] Includes derivatives to hedge committed cash flows

Outokumpu has income translation risk mainly in US dollars, Swedish kronas and British pounds; based on the policy this risk is not hedged. The Group has significant currency denominated net investment positions in US dollars, Swedish kronas and British pounds. At the end of the year there were no hedges related to net investment exposure. The effective portion of gains (EUR 17 million, net of tax) on earlier financial year net investment hedges is recognized in other comprehensive income. In 2015 Outokumpu reduced currency denominated equity e.g. in Australia and Mexico. Currency denominated debt and changes in currency rates have an impact on Group's capital structure.

Interest rate risk

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

US dollar, euro and Swedish krona have substantial contribution to the overall interest rate risk. Approximately 59% of the Group's debt (2014: 71%) have an interest period of less than one year and the average interest rate of non-current debt on December 31, 2015 was 5.4% (Dec 31, 2014: 4.3%). Interest rate position is presented on a more detailed level in the table below. Outokumpu is also exposed to market level of applicable credit margins, mainly in regards of any new financing.

Currency distribution and re-pricing of outstanding net debt

€ million	**Dec 31, 2015**				
Currency	Net debt [1]	Derivatives [2]	Average rate, %	Duration, year	Rate sensitivity [3]
EUR	1 385	-1 107	5.5	11.5	-4.8
SEK	283	294	4.1	0.3	4.3
USD	21	894	21.2	0.3	6.0
Others	-44	-78	2.7	0.2	-0.9
	1 646	**3**			**4.5**

€ million	Dec 31, 2014				
Currency	Net debt [1]	Derivatives [2]	Average rate, %	Duration, year	Rate sensitivity [3]
EUR	1 557	-601	4.9	4.2	2.7
SEK	377	137	4.3	0.4	4.1
USD	-50	617	3.1	0.4	3.6
Others	77	-135	7.9	-0.1	-0.4
	1 960	18			10.0

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

Metal and energy price risk

Outokumpu uses a substantial amount of raw materials and energy for which prices are determined in regulated markets, such as London Metal Exchange and Nasdaq Commodities. Timing differences between alloy metal purchases and pricing of products; changes in inventory levels; the capability to pass on changes in raw material and energy prices to end-product prices; and the amount of stainless steel scrap purchase discounts all affect risk.

Changes in nickel price is the most important metal price risk for Outokumpu. A majority of stainless steel sales contracts include an alloy surcharge clause, with the aim of reducing the risk arising from the time difference between raw material purchase and product delivery. Outokumpu's nickel position consists of price fixed purchase orders, nickel-containing material in inventories, price fixed sales orders and forecasted but not yet ordered monthly alloy surcharge based deliveries for the upcoming few weeks. Based on financial risk policy applied in 2015 most of the identified price risk should be hedged. In 2015 the nickel risk hedging ratio has typically varied between 15 and 40%. Metal price hedging has been done against US dollar, however based on the updated policy metal hedging will be done against base currencies in 2016. Risk related to stainless steel scrap purchase discounts is not hedged and the risk related to Molybdenum has been managed only partially due to illiquid markets.

Nickel derivatives and LME warrants have been used to manage impacts of price changes on earnings. Metal prices have a major impact on the Group’s working capital and therefore cash flow from operations. This risk has not been hedged with derivatives, however strict working capital management helps to reduce the cash flow risk.

Outokumpu’s main sites in Europe are participating in the EU Emissions Trading Scheme (ETS). The amounts of realized and forecasted carbon dioxide emissions and granted emission allowances are monitored centrally. Emission allowance price risk is managed with the aim of securing the cost of compliance for the current trading period and reducing the cost of compliance. In certain situations the market price of power is partly based on price of carbon dioxide emissions. This indirect exposure to emission prices can be significant for Outokumpu.

The Group has energy intensive production processes using power, propane, natural gas and other oil products, e.g. bunker fuels. The Group hedges both propane and natural gas price risk by locking future purchase prices with derivatives and supply contracts. Due to continued decline in price of crude oil and fuels, the valuation of propane hedges had an adverse impact on 2015 reported earnings. Power used by the production sites located in Finland, Sweden, the UK and Germany are managed centrally while at other sites power risk is managed is locally. Price risk is reduced with fixed price supply contracts and ownerships in energy producing companies.

Security price risk

Outokumpu has investments in equity securities and loan receivables. On December 31, 2015 the biggest investments were in Voimaosakeyhtiö SF (equity investment EUR 35 million) and OSTP Holding Oy (equity investment of EUR 21 million and loan receivable EUR 3 million). The captive insurance company Visenta Försäkrings AB has investments in highly rated and liquid fixed income securities, such as bonds issued governments and banks and other funds.

Country and credit risk

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

On December 31, 2015 the maximum exposure to credit risk of trade receivables was EUR 442 million (2014: EUR 536 million). A large part of trade receivables is covered by insurance or by secured payment terms, however there are also unsecured trade receivables based on separate decisions. The portion of unsecured receivables has varied between 13 to 15 percent of all trade receivables. For part of trade receivables Outokumpu uses factoring, which transfers substantial part of all risks and rewards to the buyer of the receivables. The Group’s trade receivables include some risk concentration, but most of the receivables are generated by a large number of customers. In 2015, Coil EMEA booked a EUR 5 million impairment related to a certain customer receivable. Age analysis of accounts receivables is in Note 22.

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

Liquidity and refinancing risk

Outokumpu raises most of its debt centrally. The Group seeks to reduce liquidity and refinancing risk by having sufficient amount of cash and credit lines available and by having balanced maturity profile of debt. Efficient cash and liquidity management is also reducing liquidity risk. Finance plans are prepared and reviewed quarterly with a particular focus on the Group’s forecasted cash flows, projected funding requirements, planned funding transactions during the forecast period and headrooms for financial covenants. The amount and adequacy of liquidity reserves, the amounts of scheduled annual repayments of non-current debt as well as forecasted gearing levels are key targets and outcomes of the planning. Low profitability and high gearing required significant measures which were implemented in late 2015. Proceeds from disposal of Group’s ownership in SKS and in Fischer Mexicana were mainly used to reduce debt. These disposals and the extension of certain loan maturities resulted to significant reduction in 2017 loan maturities and thus clear reduction in refinancing risk.

In February 2015 Outokumpu Oyj issued a EUR 250 million unsecured convertible bond maturing in 2020 carrying a coupon of 3.25% per annum payable semi-annually in arreas. The bonds may be converted into maximum of 33,661,873 new ordinary shares in Outokumpu representing 8.1% of the outstanding shares at the year end. The conversion period commenced in April 2015 and will end in February 14, 2020. As at year end the conversion price was EUR 7.4268. In December 2015 a total of EUR 655 million under the Revolving Facility as well as two bilateral loans, totaling EUR 120 million were extended by two years. The original maturities of all extended loans was 28 February 2017. In connection with the extension of loans a corresponding extension related to the security package was done as well.

The main funding programs and credit facilities are: a committed revolving facility of EUR 800 million, two committed revolving bilateral credit facilities of EUR 120 million, two committed revolving credit facilities totaling SEK 2,633 million and a Finnish commercial paper program totaling EUR 800 million. As at December 31, 2015 Outokumpu had a total amount of some EUR 1.2 billion committed credit facilities. Of these committed credit facilities some EUR 0.9 billion were unutilized in the end of the year. Certain legal entities and many of Outokumpu's lenders benefiting from the security package have signed an intercreditor agreement in February 2014. More information on liquidity and refinancing risk is presented in the following table.

Contractual cash flows

2015 € million	Balance Dec 31	2016	2017	2018	2019	2020	2021–
Bonds	398	150	-	-	250	-	-
Convertible bonds	210	-	-	-	-	250	-
Loans from financial institutions	467	20	369	6	66	6	5
Pension loans	174	9	34	38	34	31	29
Finance lease liabilities	208	28	66	5	3	3	102
Commercial papers	339	339	-	-	-	-	-
Trade payables	830	830	-	-	-	-	-
Interest payments and facility charges	20	83	60	54	41	21	151
Interest rate derivatives	7	4	3	1	1	-	-
Other derivatives	15	12	3	-	-	-	-
		1 475	**534**	**103**	**395**	**310**	**287**

On December 31, 2015, the Group had cash and cash equivalent marketable securities amounting to EUR 186 million and committed and available credit facilities, available and undrawn TyEL pension loans in Finland, and other agreed and undrawn loans totaling EUR 928 million.

2014 € million	Balance Dec 31	2015	2016	2017	2018	2019	2020–
Bonds	547	150	150	-	-	250	-
Loans from financial institutions	939	110	25	785	10	5	10
Pension loans	192	35	52	26	23	19	38
Finance lease liabilities	244	31	11	89	5	3	105
Commercial papers	243	243	-	-	-	-	-
Trade payables	1 031	1 031	-	-	-	-	-
Other liabilities	0	0	0	-	-	-	-
Interest payments and facility charges	23	105	89	44	31	27	165
Interest rate derivatives	11	6	3	2	0	0	-
Other derivatives	56	49	6	-	-	-	-
		1 760	337	945	70	304	318

On December 31, 2014, the Group had cash and cash equivalent marketable securities amounting to EUR 191 million and committed and available credit facilities, available and undrawn TyEL pension loans in Finland, and other agreed and undrawn loans totaling EUR 1,201 million.

Capital management

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

Capital structure and debt capacity are taken into account when deciding on new investments. Tools to manage equity capital include dividend policy, share buybacks and issues of equity or equity-linked securities. Debt capital is managed considering the requirement to secure liquidity and the capability to refinance maturing debt. Tools to manage debt capital structure include prepayments and liability management measures, such as the tender offers of issued notes. Revolving facilities and some of the loans include two financial covenants, which are based on gearing and liquidity. The bond maturing in 2019 includes an incurrence based financial covenant on gearing. The bond covenant level for gearing is 145% until March 31, 2016, 140% from April 1, 2016 until December 31, 2016 and 130% thereafter.

The Group’s internal capital structure is reviewed on a regular basis with an aim to optimize it e.g. by applying internal dividends and equity adjustments. Net investment and debt in foreign entities is monitored and Outokumpu has capability to hedge this translation risk. In 2015 Outokumpu repatriated equity by divedends and equity reductions from certain subsidiaries located e.g. in Belgium, Italy, Australia and Mexico. In Finland equity was injected to two subsidiaries. Equity was also injected to Visenta Försäkring Ab in Sweden.

Outokumpu’s captive insurance company, Visenta Försäkrings AB, has to comply with capital adequacy requirements set by the financial supervisory authority in Sweden. During the reporting period Visenta has been profitable and well capitalized to meet externally imposed requirements. The equity of Visenta was increased in order to support issuance of guarantees.

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

On December 31, 2015, net debt was EUR 1,610 million (2014: EUR 1,974 million), total equity EUR 2,329 million (2014: EUR 2,132 million) and gearing 69.1% (2014: 92.6%). The decrease in gearing resulted primarily from disposal of SKS.

Insurances

The Group’s business is capital intensive and key production processes are rather tightly integrated and have therefore interdependencies. Property damage and business interruption (PDBI) insurance, covering e.g. fires, machinery breakdowns and natural catastrophies, is the most important insurance line and most of the insurance premiums paid relate to these types of risks. Business operations may cause significant liability risks related e.g. to people, environment or Outokumpu's products. Outokumpu aims to mitigate liability risk by risk management measures and having reasonable insurances in place. Other significant insurance lines include marine cargo and credit insurances.

During the reporting year there were no serious fire or machinery breakdown incidents. Also, there were no significant liability insurance claims in 2015. Fire safety and machinery breakdown audits were carried out mainly as planned. The loss settlement for the machinery breakdown which took place in June 2014 in Calvert continued during 2015 and at the year end the claim was still open. In 2015 Group’s insurance coverage for environmental liability was increased by purchasing additional policy coverage.

Visenta Försäkrings AB can act as direct insurer and as reinsurer. The captive insurance company is registered in Sweden and it has assets totaling EUR 28 million (2014: EUR 21 million). Visenta underwrites PDBI insurance policy and until fall of 2015 gradual pollution insurance policy. In 2015 Visenta issued a significant surety bond to support the AvestaPolarit pension scheme in the UK.

20. Fair values and nominal amounts of derivative instruments

€ million	2015 Positive fair value	2015 Negative fair value	2015 Net fair value	2014 Net fair value	2015 Nominal amounts	2014 Nominal amounts
Currency and interest rate derivatives						
Currency forwards incl. embedded derivatives	**23**	**17**	**5**	-34	**2 284**	1 178
Interest rate swaps	**0**	**7**	**-7**	-11	**578**	606
Currency options, bought	**-**	**-**	**-**	0	**-**	16
Interest options, bought	**-**	**-**	**-**	0	**-**	143
Interest options, sold	**-**	**-**	**-**	-1	**-**	43
					Tonnes	Tonnes
Metal derivatives						
Forward and futures nickel contracts	**14**	**18**	**-4**	4	**32 623**	51 094
Forward and futures molybdenum contracts	**-**	**3**	**-3**	-3	**212**	654
Emission allowance derivatives	**0**	**0**	**-0**	1	**2 400 000**	1 900 000
Propane derivatives	**-**	**12**	**-12**	-22	**61 500**	89 000
					MMBtu	MMBtu
Natural gas derivatives	**-**	**1**	**-1**	-2	**705 000**	2 025 000
Total derivatives	**38**	**59**	**-22**	-68		
Less long-term derivatives						
Interest rate swaps	**0**	**7**	**-6**	-11		
Forward and futures nickel contracts	**0**	**2**	**-2**	-0		
Molybdenum derivatives	**-**	**-**	**-**	-1		
Propane derivatives	**-**	**1**	**-1**	-5		
Natural gas derivatives	**-**	**0**	**-0**	-0		
Short-term derivatives	**37**	**50**	**-12**	-52		

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

Hedge accounted cash flow hedges

Outokumpu has hedged currency spot price risk related to SEK denominated long-term electricity supply agreement for the Finnish production sites. The currency derivatives, which hedge the currency risk, mature in other periods in year 2016 than the underlying cash flows of electricity purchases. The derivatives will be prolonged later to mature at the same period as the underlying cash flows. The effective portion of hedges is recognized in other comprehensive income, net of tax, and will be reclassified to profit and loss as adjustment to purchases at the same period as the underlying hedged cash flows affect profit or loss. During 2015, effective portion of EUR 0 million gain was recognized in profit or loss as adjustment to purchases (2014: gain of EUR 1 million). The ineffective portion of the hedges, gain of EUR 0 million (2014: gain of EUR 0 million), is recognized in other operating income and expenses.

	2015 Nominal amount, SEK million	2015 Fair value of outstanding cash flow hedges, € million	2015 Equity, € million	2014 Nominal amount, SEK million	2014 Fair value of outstanding cash flow hedges, € million	2014 Equity, € million
Maturity < 1 year	391	1	1	390	-3	0
Maturity 1–5 years	1 171	4	2	1 562	-10	0
	1 562	**5**	**3**	1 952	-14	0

Outokumpu has also some minor cash flow hedges mainly used to hedge future cash flows against commodity price risks arising from fixed price sales. Cash flows from future transactions are currently hedged for a maximum of 11 months. At the end of the reporting period, the fair value of these hedging instruments was EUR 1 million negative. Ineffective portion of these hedges loss EUR 0 million is recognized in other operating income and expenses.

Master netting agreements and similar arrangements

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

€ million	**2015**	2014
Derivative assets		
Gross amounts of recognized financial assets in the statement of financial position	**38**	36
Related financial instruments that are not offset	**30**	31
	8	6
Derivative liabilities		
Gross amounts of recognized financial liabilities in the statement of financial position	**59**	105
Related financial instruments that are not offset	**30**	31
	29	74

21. Inventories

€ million	**2015**	2014
Raw materials and consumables	**340**	370
Work in progress	**476**	606
Finished goods and merchandise	**434**	551
Advance payments	**1**	1
	1 251	1 527

The most important commodity price risk for Outokumpu is caused by fluctuation in nickel and other alloy prices. Majority of stainless steel sales contracts include an alloy surcharge clause, with the aim of reducing the risk arising from the time difference between raw material purchase and product delivery. However, the risk is remarkable, because the delivery cycle in production is longer than the alloy surcharge mechanism expects. Thus, only the price for the products to be sold in near future is known. That is why a significant part of the future prices for the products to be sold is estimated according to management's best knowledge in net realizable value (NRV) calculations. Due to fluctuation in nickel and other alloy prices, the realized prices can deviate significantly from what has been used in NRV calculations on the closing date. NRV write-downs amounting to EUR 21 million were recognized in income statement during the financial year (2014: reversal of write-downs of EUR 15 million).

22. Trade and other receivables

€ million	2015	2014
Non-current		
Loans receivable	**3**	10
Other receivables	**37**	2
	40	12
Current		
Trade receivables	**443**	536
VAT receivable	**52**	60
Income tax receivable	**29**	23
Loans receivable	**7**	3
Prepaid insurance expenses	**3**	6
Other accruals	**30**	25
Other receivables	**122**	96
	686	749
Allowance for impairment of trade receivables		
Allowance on Jan 1	**19**	19
Additions	**6**	8
Deductions	**-4**	-2
Recovery of doubtful receivables	**-2**	-5
Allowance on Dec 31	**19**	19
Age analysis of trade receivables		
Neither impaired, nor past due	**390**	466
Past due 1–30 days	**39**	52
Past due 31–60 days	**5**	14
More than 60 days	**9**	4
	443	536

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

As of December 31, 2015 Outokumpu has derecognized trade receivables totaling EUR 287 million (2014: EUR 261 million), which represents fair value of the assets. Net proceeds received totaled EUR 271 million (2014: EUR 250 million). Underlying assets have maturity less than one year. The maximum amount of loss related to derecognized assets are estimated to be EUR 17 million (2014: EUR 9 million). This estimation is based on insurance policies and contractual arrangements of factoring companies and Outokumpu. The analysis does not include impact of any operational risk related to Outokumpu's contractual responsibilities.

Allowance for impairment of trade and other receivables on December 31, 2015 include EUR 10 million of receivables from associated companies (December 31, 2014: EUR - million).

23. Cash and cash equivalents

€ million	2015	2014
Cash at bank and in hand	**145**	176
Short term bank deposits [1]	**41**	15
	186	191
Bank overdrafts [2]	**-0**	-
	186	191

[1] Including a short-term deposit EUR 30 million which has been pledged.
[2] Presented in current debt in the statement of financial position.

Fair value of cash and cash equivalents does not significantly differ from the carrying value. The average effective interest rate of cash and cash equivalents at the end of 2015 was 1.3% (December 31, 2014: 1.2%).

24. Equity

Share capital, premium fund and invested unrestricted equity reserve

€ million	Number of shares, 1 000	Share capital	Premium fund	Invested unrestricted equity reserve	Total
On Jan 1, 2014	2 077 105	311	714	1 462	2 487
Shares granted from the share-based payment programs [1]	28	-	-	-	-
Rights issue in March 2014	8 308 534	-	-	640	640
Reverse share split in June 2014 [2]	-9 970 241	-	-	-	-
On Dec 31, 2014	415 427	311	714	2 103	3 127
Shares granted from the share-based payment programs [1]	63	-	-	-	-
On Dec 31, 2015	**415 489**	**311**	**714**	**2 103**	**3 127**
Treasury shares [1]	885				
Total number of shares on Dec 31, 2015	**416 374**				

[1] Shares granted from treasury shares without effect to share capital.
[2] The Extraordinary General Meeting held on June 16, 2014 decided that the number of shares would be reduced without reducing the share capital by merging each 25 shares to 1 share by means of a reverse share split.

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

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

Invested unrestricted equity reserve includes net proceeds from the rights issues in 2014 and 2012.

Fair value reserves

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

€ million	2015	2014
Available-for-sale financial assets reserve	**3**	4
Hedge reserves	**3**	0
	6	5

Other reserves

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

Retained earnings

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

Distributable funds

On December 31, 2015 the distributable funds of the parent company totaled EUR 2 149 million of which retained earnings were EUR 26 million.

Non-controlling interest

In December 2015 Outokumpu divested the subsidiary Shanghai Krupp Stainless Co., Ltd. (SKS) incorporated in China, which had a 40% non-controlling interest (see note 4).

In 2015 Outokumpu's profit attributable to SKS's non-controlling interest amounted to EUR -9 million (2014: EUR -5 million). SKS's non-controlling interest in consolidated total equity amounted to EUR 0 million in 2014. EUR 41 million of SKS's share capital was paid up by the non-controlling interest holder in 2015. Summarized IFRS financial information for SKS before intercompany eliminations but including fair value adjustments was as follows:

€ million	2015	2014
Sales	**322**	354
Net result for the financial year [1]	**-23**	-12
Total assets	**-**	215
Total liabilities	**-**	181

[1] In 2015 until the loss of control.

25. Employee benefit obligations

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

Germany

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

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

UK

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

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

The scheme was established on October 1, 2001 under trust and is governed under the scheme's current Trust Deed and Rules dated April 5, 2006. The trustees are responsible for the operation and governance of the scheme, including making decisions regarding the scheme's funding and investment strategy. By law, one third of the trustees must be member nominated. In 2015 there were four employer nominated and four member nominated trustees.

Risks associated with defined benefit plans

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

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

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

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

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

Funding

Funding requirements are generally based on pension fund's actuarial measurement framework set out in the funding policies. In UK preliminary pension fund's valuation was completed in 2015 with a deficit of GBP 27 million, which was agreed to be satisfied by 2017. The valuation is not based on the the same assumptions as the IFRS valuation, which shows a surplus.

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

€ million	**2015**	2014
In EBIT	**-12**	-7
In financial income and expenses	**-7**	-10
Defined benefit cost recognized in the consolidated statement of income	**-18**	-17
In other comprehensive income	**3**	-14
Total defined benefit cost recognized	**-15**	-31

Amounts recognized in the consolidated statement of financial position

€ million	**2015**	2014
Present value of funded defined benefit obligations	**489**	471
Present value of unfunded defined benefit obligations	**323**	321
Fair value of plan assets	**-516**	-498
Net defined benefit liability	**295**	295

€ million	**2015**	2014
Defined benefit liability	**331**	331
Other long-term employee benefit liabilities	**38**	41
Defined benefit assets	**-35**	-36
Net liability	**334**	336

Movement in net defined benefit liability

	2015			2014		
€ million	Present value of obligation	Fair value of plan assets	Net defined benefit liability	Present value of obligation	Fair value of plan assets	Net defined benefit liability
On Jan 1	792	-498	295	685	-411	275
Current service cost	11	-	11	10	-	10
Interest expense/(income)	26	-19	7	28	-18	10
Remeasurements arising from						
Return on plan assets	-	18	18	-	-49	-49
Demographic assumptions	-3	-	-3	-4	-	-4
Financial assumptions	-18	-	-18	83	-	83
Experience adjustment	-0	-	-0	-16	-	-16
Exchange differences	31	-30	2	35	-30	5
Employer contributions	-	-13	-13	-	-14	-14
Contributions by plan participants	1	-1	-0	1	-1	-
Benefits paid	-27	27	-	-24	24	-
Settlements	-	-	-	-2	2	-0
Past service cost	0	-	0	-3	-	-3
Other change	-3	-	-3	-2	-0	-2
On Dec 31	**812**	**-516**	**295**	792	-498	295

The present value of obligations and the fair value of plan assets comprise mainly of German and UK plans. The present value of obligation for German plans on December 31, 2015 was EUR 275 million (December 31, 2014: EUR 274 million). For the UK, the present value of obligation was EUR 433 million (December 31, 2014: EUR 410 million), and the fair value of plan assets was EUR 468 million (December 31, 2014: EUR 446 million) on December 31, 2015.

The expected contributions to be paid to the defined benefit plans in 2016 are EUR 43 million, covering also the deficit reduction in the UK according to the agreed payment schedule.

Allocation of plan assets

€ million	2015	2014
Equity instruments	**82**	78
Debt instruments	**346**	333
Real estate	**7**	6
Investment funds	**3**	3
Other assets	**75**	74
Total plan assets	**514**	493

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

Asset-liability matching strategies

The majority of defined benefit assets are in the UK. The UK scheme's benchmark asset allocation is 30%/70% return-seeking/liability matching. This strategy reflects the scheme's liability profile and the trustees' and company's attitude to risk. The trustee monitors the investment objectives and asset allocation policy on a regular basis.

Significant actuarial assumptions

		Germany	The UK	Other countries
Discount rate, %	**2015**	**2.25**	**4.00**	**3.86**
	2014	2.26	3.75	3.51
Future salary increase, %	**2015**	**-**	**3.80**	**2.23**
	2014	-	3.60	2.53
Inflation rate, %	**2015**	**-**	**3.30**	**-**
	2014	-	3.10	-
Future benefit increase, %	**2015**	**1.52**	**3.00**	**-**
	2014	1.51	2.90	-
Medical cost trend rate, %	**2015**	**-**	**-**	**7.30–7.80**
	2014	-	-	6.20–6.30
Life expectancy	**2015**	Modified from RT 2005 G	110% SAPS All Pensioner Amounts tables	Standard mortality tables
	2014	Modified from RT 2005 G	110% SAPS All Pensioner Amounts tables	Standard mortality tables

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

The weighted average duration of the overall defined benefit obligation is 17.3 years. In Germany and in the UK the weighted average durations are 14.1 and 20.2 years, respectively.

Sensitivity analysis of significant actuarial assumptions

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

Germany

2015	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 7%	Increase by 7%
Future benefit increase	0.5%	Increase by 4%	Decrease by 4%
Life expectancy	1 year	Increase by 3%	
2014			
Discount rate	0.5%	Decrease by 7%	Increase by 8%
Future benefit increase	0.5%	Increase by 4%	Decrease by 4%
Life expectancy	1 year	Increase by 2%	

The UK

2015	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 9%	Increase by 10%
Future benefit increase	0.5%	Increase by 6%	Decrease by 5%
Future salary increase	0.5%	Increase by 1%	Decrease by 1%
Life expectancy	1 year	Increase by 3%	
2014			
Discount rate	0.5%	Decrease by 9%	Increase by 10%
Future benefit increase	0.5%	Increase by 6%	Decrease by 5%
Future salary increase	0.5%	Increase by 1%	Decrease by 1%
Life expectancy	1 year	Increase by 3%	

Other countries

2015	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 6%	Increase by 7%
Medical cost trend rate	0.5%	Increase by 8%	Decrease by 6%
Future salary increase	0.5%	Increase by 1%	Decrease by 1%
Life expectancy	1 year	Increase by 5%	
2014			
Discount rate	0.5%	Decrease by 7%	Increase by 7%
Medical cost trend rate	0.5%	Increase by 8%	Decrease by 6%
Future salary increase	0.5%	Increase by 1%	Decrease by 1%
Life expectancy	1 year	Increase by 5%	

Other long-term employee benefits

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

The other long-term employee benefit liabilities recognized in the consolidated statement of financial position on December 31, 2015 were EUR 38 million (December 31, 2014: EUR 41 million).

Multi-employer defined benefit plans

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

26. Provisions

€ million	Restructuring provisions	Environmental provisions	Other provisions	Total
Provisions on Jan 1, 2015	138	68	18	224
Translation differences	0	1	0	2
Increases in provisions	26	5	7	38
Utilized during the financial year	-94	-9	-4	-107
Unused amounts reversed	-10	-2	-2	-14
Reclassifications	-	-	-6	-6
Provisions on Dec 31, 2015	**60**	**63**	**13**	**136**

€ million	2015	2014
Non-current provisions	**113**	198
Current provisions	**23**	26
	136	224

Restructuring provisions

Outokumpu continued its measures to improve profitability in 2015. The increase in restructuring provisions relates mainly to closures of operations and other restructuring measures in Germany and Sweden in accordance with the EMEA restructuring plan. The restructuring provisions are expected to be paid between the years 2016–2024.

Environmental provisions

Majority of the environmental provisions are for closing costs of production facilities and landfill areas, removal of problem waste and landscaping in facilities in Finland, in the UK, in the US and in Germany. The outflow of economic benefits related to environmental provisions is expected to take place mainly over a period of more than 10 years. Due to the nature of these provisions, there are uncertainties regarding both the amount and the timing of the outflow of economic benefits.

Other provisions

Other provisions comprise mainly provisions for product and other claims and are mainly current in nature. Most of the increase is due to product claims. Reclassifications occurred between provisions and other current liabilities.

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

27. Debt

€ million	2015	2014
Non-current		
Bonds	**248**	397
Convertible bonds	**210**	-
Loans from financial institutions	**447**	829
Pension loans	**165**	157
Finance lease liabilities	**179**	213
Other non-current liabilities	**0**	0
	1 249	1 597
Current		
Bonds	**150**	150
Loans from financial institutions	**20**	110
Pension loans	**9**	35
Finance lease liabilities	**28**	31
Commercial paper	**339**	243
Other current liabilities	**0**	0
	547	569

The bond maturing in 2019 and most of the bank loans include financial covenants, which are described in note 19.

Bonds

		Outstanding amount	
€ million	Interest rate, %	2015	2014
2010 fixed rate bond maturing on June 24, 2015	5.125	**-**	150
2012 fixed rate bond maturing on June 7, 2016	5.875	**150**	150
2014 fixed rate bond maturing on Sept 30, 2019	6.625	**250**	250
		400	550

Convertible bonds

		Outstanding amount	
€ million	Interest rate, %	2015	2014
2015 fixed rate bond maturing on Feb 26, 2020	3.25	**250**	-

Finance lease liabilities

Minimum lease payments

€ million	2015	2014
Not later than 1 year	**43**	45
Between 1 and 5 years	**122**	153
Later than 5 years	**253**	267
Future finance charges	**-211**	-221
Present value of minimum lease payments	**207**	244

Present value of minimum lease payments

€ million	2015	2014
Not later than 1 year	**28**	31
Between 1 and 5 years	**77**	108
Later than 5 years	**102**	105
Present value of minimum lease payments	**207**	244

28. Trade and other payables

€ million	2015	2014
Non-current		
Accruals	**48**	47
Current		
Trade payables	**830**	1 031
Accrued employee-related expenses	**81**	91
Accrued interest expenses	**20**	22
VAT payable	**45**	49
Advances received	**2**	8
Withholding tax and social security liabilities	**9**	9
Other accruals	**50**	39
Other payables	**53**	53
	1 089	1 303

29. Commitments and contingent liabilities

€ million	2015	2014
Mortgages and pledges on Dec 31		
Mortgages	**3 559**	3 593
Other pledges	**30**	-
Guarantees on Dec 31		
On behalf of subsidiaries for commercial and other commitments	**30**	27
On behalf of associated companies for financing	**7**	6
On behalf of other companies for financing	**1**	1
On behalf of other companies for commercial and other commitments	**2**	1
Other commitments	**11**	19

Mortgages relate mainly to the refinancing measures which became effective in 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.

Outokumpu Oyj is, in relation to its shareholding in Kymppivoima Tuotanto Oy and Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Rapid Power Oy. The net debt of Rapid Power Oy at the end of 2015 amounted to approximately EUR 22 million (2014: EUR 43 million), out of which Outokumpu is liable for one third. Outokumpu Oyj is, in relation to its shareholding in Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. The net debt of Tornion Voima Oy at the end of 2015 amounted to approximately EUR 21 million (2014: EUR 25 million), out of which Outokumpu is liable for under one fifth. These liabilities are reported under other commitments above.

Guarantees on behalf of other companies included guarantees issued by Outokumpu on behalf of the companies sold to ThyssenKrupp in 2014 that have not yet been transferred to ThyssenKrupp as of December 31, 2015.

One remaining guarantee issued by ThyssenKrupp on behalf of Inoxum companies has not yet been transferred to Outokumpu Oyj as of December 31, 2015. However, Outokumpu Oyj has given ThyssenKrupp a counter-guarantee for this commitment amounting to EUR 4 million.

In 2015 Outokumpu agreed a security, including a pledge of shares of a subsidiary company, related to AvestaPolarit pension scheme.

Present value of minimum lease payments on operating leases

€ million	**2015**	2014
Not later than 1 year	**10**	10
Between 1 and 5 years	**24**	19
Later than 5 years	**38**	33
	72	63

Operating leases include lease agreements on Group companies' premises.

In 2015, Outokumpu increased its share in the Fennovoima nuclear power plant project by 1.8 percentage points to 14%. Outokumpu's share of the investment is about EUR 250 million of which EUR 35 million has been paid by the end of the reporting period. Annual capital expenditure related to the project is expected to be around EUR 10–20 million in the coming years, and approximately half of the investment is expected to be paid only at the end of the construction phase in 2022–2023. Outokumpu is liable for Fennovoima's operating costs in proportion to its share of ownership.

Group's other off-balance sheet investment commitments totaled EUR 60 million on December 31, 2015 (December 31, 2014: EUR 66 million).

30. Disputes and litigations

Dispute over invention rights, Outotec vs. Outokumpu

In January 2013, Outokumpu and Outotec entered into a legal dispute over invention rights related to a ferrochromenickel production method. In August 2013, Outotec submitted an application for summons at the District Court of Helsinki regarding another patent relating to the invention. The production method has been developed by Outokumpu and it has filed the patent applications related to this invention. Outotec claims it has rights to the inventions. In February 2014 Outotec filed a request with Arbitration Institute of the Finland Chamber of Commerce for commencing proceedings against Outokumpu concerning the same invention rights being subject to the District Court proceedings. Simultaneously Outotec filed a proposal to the District Court for postponement of further stages in these proceedings until the Arbitration Court would render its arbitration award. In August 2015 the Arbitration Court rendered its award, in which it ruled that Outotec's employee had contributed to the inventions and accordingly granted Outotec partial rights to the patents in question. The Arbitration Court ruled also that commercial use of the patent rights by Outotec is subject to agreement between the parties. In 2016 Outotec has withdrawn its claims against Outokumpu concerning the invention rights.

Cartel fine imposed by the European Commission

In March 2011, the European Court of Justice upheld a EUR 3.2 million cartel fine imposed on ThyssenKrupp Stainless AG, a legal predecessor of Outokumpu Nirosta GmbH ("Nirosta"), in a decision of the European Commission from December 2006 (the "2006 Decision"). The 2006 Decision is based on a 1998 European Commission finding (the "1998 Finding") that between 1993 and 1998, certain stainless steel producers, including Inoxum and certain of its legal predecessors, had violated Article 65 (1) of the European Coal and Steel Community Treaty by participating in a price-fixing arrangement with other stainless steel producers. The alleged price-fixing arrangement consisted of modifying and applying in a concerted fashion the reference values used to calculate the alloy surcharge to the base price of stainless steel. The 1998 Finding was appealed and subsequently annulled on procedural grounds with respect to Nirosta's liability for one of its legal predecessors. Subsequent to this annulment, the European Commission opened new proceedings, which resulted in the 2006 Decision. Nirosta's appeals of the 2006 Decision were unsuccessful. In April 2011, Nirosta filed a complaint (Verfassungsbeschwerde) with the German Constitutional Court (Bundesverfassungsgericht) requesting that the Court declare the 2006 Decision incompatible with certain fundamental rights under the German Constitution (Grundgesetz). As at the end of the reporting period, the German Constitutional Court has not decided whether it will accept the constitutional complaint. In case of a successful complaint, Nirosta is able to reclaim EUR 4.2 million from the European Commission.

Claim in Spain related to the divested copper companies

Outokumpu divested all of its copper business in 2003–2008. One of the divested companies domiciled in Spain later faced bankruptcy. The administrator of the bankruptcy filed a claim against Outokumpu Oyj and two other non-Outokumpu companies, for recovery of payments made by the bankrupt Spanish company in connection with the divestment. The Bilbao court of first instance in Spain has accepted the claim of EUR 20 million brought against Outokumpu and the two other companies. Outokumpu and the two other companies have appealed the court's decision.

Claim in Italy related to former tax consolidation group

In December 2015 Outokumpu Holding Italia and Acciai Speciali Terni (AST) entered into a dispute among relating to the tax consolidation of the former ThyssenKrupp Tax Group in Italy. AST claims payment of approximately EUR 23 million resulting from the former tax consolidation of the Italian tax group managed by ThyssenKrupp. Outokumpu Holding Italia is the former ThyssenKrupp holding company and was transferred to Inoxum as part of the carve-out in 2011. The EUR 23 million claim resulted from former tax installments paid by ThyssenKrupp Italia in 2006 which not have been properly settled towards AST in the following years. Outokumpu is currently preparing the defense against the claim as it holds the claim unjustified.

31. Related party transactions

Outokumpu's related parties include the key management of the company, associated companies and joint ventures, and Solidium Oy. The transactions with related parties are presented in the tables below. Key management includes Leadership Team members and members of the Board of Directors. The principal associated companies and joint ventures are listed in Note 13 and subsidiaries are presented in Note 32.

Solidium Oy, a limited company fully owned by the State of Finland, owns 26.2% of Outokumpu on December 31, 2015. Solidium's mission is to strengthen and stabilize Finnish ownership in nationally important companies and increase the value of its holdings in the long run.

Transactions and balances with associated companies and joint ventures

€ million	**2015**	2014
Sales	**137**	162
Purchases	**-6**	-8
Interest income	**1**	1
Trade and other receivables	**64**	41
Trade and other payables	**1**	1

EUR 10 million of receivables from associated companies were impaired on December 31, 2015 (December 31, 2014: EUR - million). Property, plant and equipment with sales price of EUR 8 million was sold to an associated company party in 2015.

In 2014, the related party transactions included sales of EUR 56 million, purchases of EUR 20 million and interest expenses of EUR 10 million with ThyssenKrupp between January 1–February 28, 2014.

Employee benefits for the key management

€ thousand	**2015**	2014
Short-term employee benefits	**4 187**	5 157
Termination benefits	**2 681**	-
Post-employment benefits [1)]	**1 307**	1 123
Share-based payments	**273**	749
Remuneration to the Board of Directors	**721**	693
	9 169	7 721

[1)] Includes only supplementary pensions.

Employee benefits for CEO and Deputy CEO

€ thousand	Salaries and other short-term benefits	Termination benefits	Bonuses	Post-employment benefits	Share-based payments	Total
2015						
CEO, Jan 1–Oct 26	**635**	**1 821**	**-**	**302**	**-**	**2 758**
Deputy to the CEO	**512**	**-**	**-**	**503**	**-**	**1 015**
2014						
CEO	749	-	304	424	297	1 773
Deputy to the CEO	512	-	250	515	95	1 372

Regarding the CEO, the figures include both the statutory pension expenses based on the Finnish Employees Pensions Act and the expenses for a defined contribution pension plan arranged by Outokumpu. The deputy to the CEO resides in Germany and is entitled to the pension benefits in accordance with the German Essener Verband.

Remuneration to Board of Directors

€ thousand	**2015**	2014
Chairman Jorma Ollila	**154**	152
Vice Chairman Olli Vaartimo	**92**	93
Member Markus Akermann	**84**	82
Member Roberto Gualdoni, as of April 14, 2014	**88**	71
Member Stig Gustavson, as of April 14, 2014	**72**	65
Member Heikki Malinen	**73**	71
Member Saila Miettinen-Lähde, as of March 26, 2015	**69**	-
Member Elisabeth Nilsson	**86**	82
Member Siv Schalin, until March 26, 2015	**4**	71
Member Harri Kerminen, until April 14, 2014	**-**	5
	721	693

More information on key management's employee benefits can be found in chapter Corporate Governance on the page Remuneration.

32. Subsidiaries on December 31, 2015

		Country	Group holding, %
Coil EMEA			
AO Outokumpu		Russia	100
Avesta Klippcenter AB		Sweden	100
Outokumpu AS		Norway	100
Outokumpu A/S		Denmark	100
Outokumpu Benelux B.V.		The Netherlands	100
Outokumpu B.V.		The Netherlands	100
Outokumpu Chrome Oy		Finland	100
Outokumpu Distribution Benelux B.V.		The Netherlands	100
Outokumpu Distribution France S.A.S.		France	100
Outokumpu Distribution Hungary Kft.		Hungary	100
Outokumpu Distribution Polska Sp. z o.o.		Poland	100
Outokumpu Distribution UK Ltd.		The UK	100
Outokumpu EMEA GmbH		Germany	100
Outokumpu EMEA Oy	*)	Finland	100
Outokumpu Ges.m.b.H		Austria	100
Outokumpu Istanbul Dis Ticaret Limited Sirketi	*)	Turkey	100
Outokumpu Kft.		Hungary	100
Outokumpu, Lda.	*)	Portugal	100
Outokumpu Middle East FZCO		United Arab Emirates	100
Outokumpu Nirosta GmbH		Germany	100
Outokumpu Nirosta Precision GmbH		Germany	100
Outokumpu Nordic AB		Sweden	100
Outokumpu N.V.		Belgium	100
Outokumpu (Pty) Ltd		South Africa	100
Outokumpu S.A.		Spain	100
Outokumpu Shipping Oy		Finland	100
Outokumpu S.p.A.		Italy	100
Outokumpu S.r.l.		Romania	100
Outokumpu s.r.o.		Czech Republic	100
Outokumpu Stainless AB		Sweden	100
Outokumpu Stainless B.V.		The Netherlands	100
Outokumpu Stainless Coil, Inc.		The US	100
Outokumpu Stainless Oy		Finland	100
Outokumpu Tornio Infrastructure Oy		Finland	100
Sogepar UK Limited		The UK	100
Coil Americas			
Outokumpu Brasil Comercio de Metais Ltda.		Brazil	100
Outokumpu Fortinox S.A.		Argentina	100
Outokumpu Mexinox Distribution S.A. de C.V.		Mexico	100
Outokumpu Mexinox S.A. de C.V.		Mexico	100
Outokumpu Stainless USA, LLC		The US	100
ThyssenKrupp Mexinox CreateIT, S.A. de C.V.		Mexico	100

		Country	Group holding, %
APAC			
Outokumpu Asia Pacific Ltd		China	100
Outokumpu India Private Limited		India	100
Outokumpu K.K.		Japan	100
Outokumpu Management (Shanghai) Co., Ltd.	*)	China	100
Outokumpu Pty Ltd		Australia	100
Outokumpu (S.E.A.) Pte. Ltd.		Singapore	100
Outokumpu Stainless (GZ) Trading Co. Ltd.		China	100
Outokumpu Stainless International (Guangzhou) Ltd.		China	100
Outokumpu Stainless Steel (China) Co. Ltd.		China	100
Quarto Plate			
Outokumpu Industriunderhåll AB		Sweden	100
Outokumpu Prefab AB		Sweden	100
Outokumpu Press Plate AB		Sweden	100
Outokumpu PSC Benelux B.V.		The Netherlands	100
Outokumpu PSC Finland Oy		Finland	100
Outokumpu PSC Germany GmbH		Germany	100
Outokumpu Stainless Plate, LLC		The US	100
Long Products			
Outokumpu Stainless Bar, LLC		The US	100
Outokumpu Stainless Ltd		The UK	100
Outokumpu Stainless Pipe, Inc.		The US	100
Polarit Welding, Inc.		The US	100
Other operations			
2843617 Canada Inc.		Canada	100
Granefors Bruk AB	*)	Sweden	100
Orijärvi Oy	*)	Finland	100
Outokumpu Americas, Inc.		The US	100
Outokumpu Chrome Holding Oy	1)	Finland	100
Outokumpu Holding Germany GmbH	*)	Germany	100
Outokumpu Holding Italia S.p.A.		Italy	100
Outokumpu Holding Nederland B.V.	*)	The Netherlands	100
Outokumpu Holding UK Limited		The UK	100
Outokumpu Metals Off-Take Oy	*)	Finland	100
Outokumpu Mining Australia Pty. Ltd.		Australia	100
Outokumpu Mining Oy		Finland	100
Outokumpu Stainless Holding GmbH		Germany	100
Outokumpu Stainless Holdings Ltd		The UK	100
Outokumpu Treasury Belgium N.V./SA	*)	Belgium	100
Outokumpu Zinc B.V.	*)	The Netherlands	100
Viscaria AB	*)	Sweden	100
Visent Invest AB		Sweden	100
Visenta Försäkrings AB		Sweden	100

In addition Outokumpu has agents and branch offices in Argentina, Bulgaria, Chile, Colombia, Egypt, Estonia, Greece, Israel, South Korea, Lebanon, Peru, Slovenia, Switzerland, Taiwan, Thailand, Venezuela and Vietnam.

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

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

1) Established in 2015
*) Shares and stock held by the parent company

Key financial figures of the Group

Group key figures

		2015	2014	2013	2012	2011
Scope of activity						
Sales	€ million	**6 384**	6 844	6 745	4 538	5 009
- change in sales	%	**-6.7**	1.5	48.6	-9.4	18.4
- exports from and sales outside Finland, of total sales	%	**96.6**	96.7	96.9	95.7	95.7
Capital employed on Dec 31	€ million	**3 850**	4 072	4 265	5 623	3 770
Operating capital on Dec 31	€ million	**3 850**	4 059	4 266	5 626	3 730
Capital expenditure, continuing operations	€ million	**154**	127	183	3 149	254
- in relation to sales	%	**2.4**	1.0	2.7	69.4	5.1
Depreciation and amortization	€ million	**302**	320	332	230	235
Impairments	€ million	**1**	27	13	105	106
Research and development costs	€ million	**23**	23	26	19	21
- in relation to sales	%	**0.4**	0.3	0.4	0.4	0.4
Personnel on Dec 31 [1)]		**11 002**	12 125	12 561	16 649	8 253
- average for the year [2)]		**11 833**	12 540	13 150	7 853	8 651
Profitability						
EBIT	€ million	**228**	-243	-510	-385	-251
- in relation to sales	%	**3.6**	-3.6	-7.6	-8.5	-5.0
EBITDA	€ million	**531**	104	-165	-50	89
Share of results of associated companies and joint ventures	€ million	**49**	7	-2	-0	-5
Result before taxes	€ million	**127**	-459	-822	-524	-244
- in relation to sales	%	**2.0**	-6.7	-12.2	-11.5	-4.9
Net result for the financial year	€ million	**86**	-439	-1 003	-536	-180
- in relation to sales	%	**1.4**	-6.4	-14.9	-11.8	-3.6
Return on equity	%	**3.9**	-21.8	-41.4	-21.4	-8.2
Return on capital employed	%	**5.8**	-5.8	-10.3	-8.2	-6.3
Return on operating capital	%	**5.8**	-5.8	-10.3	-8.2	-6.3

		2015	2014	2013	2012	2011
Financing and financial position						
Liabilities	€ million	**3 546**	4 279	5 884	5 949	3 177
Net debt	€ million	**1 610**	1 974	3 556	3 431	1 991
- in relation to sales	%	**25.2**	28.8	52.7	75.6	39.7
Net financial expenses	€ million	**149**	223	310	138	-11
- in relation to sales	%	**2.3**	3.3	4.6	3.1	-0.2
Net interest expenses	€ million	**125**	139	197	66	65
- in relation to sales	%	**2.0**	2.0	2.9	1.5	1.3
Interest cover		**2.0**	-2.3	-3.2	-6.9	-2.8
Share capital	€ million	**311**	311	311	311	311
Other equity	€ million	**2 018**	1 821	1 580	2 641	1 739
Equity-to-assets ratio	%	**39.6**	33.3	21.5	30.5	39.3
Debt-to-equity ratio	%	**69.1**	92.6	188.0	116.2	97.1
Net cash generated from operating activities [3]	€ million	**-34**	-126	34	266	338
Dividends	€ million	**-** [4]	-	-	-	-

[1] Personnel reported as headcount. Year 2013 reported for continuing operations.
[2] Year 2012 average personnel does not include Inoxum personnel. Years 2014 and 2013 reported for continuing operations.
[3] Cash flow for 2014 and 2013 presented for continuing operations.
[4] The Board of Directors' proposal to the Annual General Meeting.

Share-related key figures

		2015	2014	2013	2012	2011
Earnings per share [1), 2)]	€	**0.23**	-1.24	-7.52	-0.46	-0.62
Earnings per share, continuing operations [2), 3)]	€	**-**	-1.27	-6.23	-	-
Cash flow per share [1), 2)]	€	**-0.08**	-0.36	0.26	0.23	1.20
Equity per share [2), 4)]	€	**5.60**	5.13	14.23	22.07	11.19
Dividend per share	€	**-** [5)]	-	-	-	-
Dividend payout ratio	%	**0.0**	neg.	neg.	neg.	neg.
Dividend yield	%	**0.0**	0.0	0.0	0.0	0.0
Price/earnings ratio		**11.85**	neg.	neg.	neg.	neg.
Development of share price [6)]						
Average trading price	€	**4.49**	5.16	4.64	0.97	2.25
Lowest trading price	€	**2.06**	3.37	3.03	0.64	1.21
Highest trading price	€	**7.76**	7.50	7.39	2.10	3.78
Trading price at the end of the period	€	**2.73**	4.77	3.55	0.79	1.33
Change during the period [7)]	%	**-42.7**	34.2	-48.8	-40.3	-63.4
Change in the OMXH index during the period	%	**10.8**	5.7	26.5	8.3	-30.1
Market capitalization at the end of the period	€ million	**1 138**	1 987	845	1 650	930
Development in trading volume						
Trading volume [8)]	1 000 shares	**1 345 515**	695 235	178 989	1 297 738	337 942
In relation to weighted average number of shares [1)]	%	**323.9**	198.9	135.0	112.5	120.5
Adjusted average number of shares [9)]		**415 473 976**	349 558 854	132 579 577	1 156 005 029	280 526 501
Number of shares at the end of the period [8), 9), 10)]		**415 489 308**	415 426 724	2 077 105 460	2 077 065 460	181 977 861

1) 2014 and 2013 calculated based on the rights-issue-adjusted weighted average number of shares. 2012 ja 2011 have not been restated.
2) 2013 adjusted to reflect the reverse split in June 2014.
3) 2013 calculated based on rights-issue-adjusted weighted average number of shares.
4) 2013 and 2012 calculated based on the rights-issue-adjusted number of shares. 2011 has not been restated.
5) The Board of Directors' proposal to the Annual General Meeting.
6) 2013 share prices adjusted according to the effect of the rights issue and the reverse split. 2012 and 2011 have not been adjusted.
7) 2014 calculated based on the adjusted comparable share prices. 2013 and 2011 calculated based on the unadjusted comparable share prices.
8) Includes only Nasdaq Helsinki trading.
9) Excluding treasury shares.
10) 2013–2011 not adjusted according to the effect of the rights-issue-adjusted and the reverse split.

Definitions of key financial figures

Capital employed	=	Total equity + net debt + net derivative liabilities + net accrued interest expenses – net assets held for sale – loans receivable – available-for-sale financial assets – investments at fair value through profit or loss – investments in associated companies and joint ventures
Operating capital	=	Capital employed + net deferred tax liability
Research and development costs	=	Research and development expenses in the statement of income (including expenses covered by grants received)
Underlying EBIT	=	EBIT excluding non-recurring items, raw material-related inventory gains/losses and metal derivative gains/losses.
EBITDA	=	EBIT before depreciation, amortization and impairments
Return on equity	=	$\frac{\text{Net result for the financial year}}{\text{Total equity (average for the period)}} \times 100$
Return on capital employed (ROCE)	=	$\frac{\text{EBIT}}{\text{Capital employed (average for the period)}} \times 100$
Return on operating capital (ROOC)	=	$\frac{\text{EBIT}}{\text{Operating capital (average for the period)}} \times 100$
Net debt	=	Non-current debt + current debt – cash and cash equivalents
Interest cover	=	$\frac{\text{Result before taxes + net interest expenses}}{\text{Net interest expenses}}$
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$
Debt-to-equity ratio	=	$\frac{\text{Net debt}}{\text{Total equity}} \times 100$
Earnings per share	=	$\frac{\text{Net result for the financial year attributable to the equity holders}}{\text{Adjusted average number of shares during the period}}$
Cash flow per share	=	$\frac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$
Equity per share	=	$\frac{\text{Equity attributable to the equity holders}}{\text{Adjusted number of shares at the end of the period}}$
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Adjusted number of shares at the end of the period}}$
Dividend payout ratio	=	$\frac{\text{Dividend for the financial year}}{\text{Net result for the financial year attributable to the equity holders}} \times 100$
Dividend yield	=	$\frac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}} \times 100$
Price/earnings ratio (P/E)	=	$\frac{\text{Adjusted trading price at the end of the period}}{\text{Earnings per share}}$
Average trading price	=	$\frac{\text{EUR amount traded during the period}}{\text{Adjusted number of shares traded during the period}}$
Market capitalization at end of the period	=	Number of shares at the end of the period × Trading price at the end of the period
Trading volume	=	Number of shares traded during the period, and in relation to the weighted average number of shares during the period

Parent company financial statements, FAS

Income statement of the parent company

€ million	2015	2014
Sales	**649**	647
Cost of sales	**-580**	-632
Gross margin	**69**	16
Other operating income	**10**	-9
Selling and marketing expenses	**-32**	-32
Administrative expenses	**-84**	-77
Research and development expenses	**-**	-
Other operating expenses	**-118**	-44
EBIT	**-156**	-146
Financial income and expenses	**311**	-30
Result before extraordinary items	**156**	-175
Result before appropriations and taxes	**156**	-175
Appropriations		
Change in depreciation difference	**0**	0
Income taxes	**-0**	-1
Result for the financial year	**155**	-176

According to the Finnish accounting standards the parent company financial statements are to be presented in addition to Group financial statements. The parent company's financial statements have been prepared in accordance with Finnish accounting standards (FAS). The parent company Outokumpu Oyj's income statement and balance sheet items are mainly internal and are eliminated on the group level. The parent company's complete financial statements (available only in Finnish) can be read on the company's internet pages www.outokumpu.com.

Balance sheet of the parent company

€ million	**2015**	2014
ASSETS		
Non-current assets		
Intangible assets	**19**	17
Property, plant and equipment	**11**	18
Financial assets		
Shares in Group companies	**3 798**	4 735
Loan receivables from Group companies	**740**	989
Shares in associated companies	**31**	24
Other shares and holdings	**36**	21
Other financial assets	**2**	5
	4 607	5 773
Total non-current assets	**4 637**	5 809
Current assets		
Current receivables		
Interest-bearing	**2 260**	1 718
Non interest-bearing	**225**	238
	2 485	1 956
Cash and cash equivalents	**139**	121
Total current assets	**2 624**	2 077
TOTAL ASSETS	**7 260**	7 886

€ million	2015	2014
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**311**	311
Premium fund	**720**	720
Invested unrestricted equity reserve	**2 123**	2 123
Retained earnings	**-130**	46
Result for the financial year	**155**	-176
	3 181	3 025
Untaxed reserves		
Accumulated depreciation difference	**0**	0
Liabilities		
Non-current liabilities		
Interest-bearing	**1 096**	1 347
	1 096	1 347
Current liabilities		
Interest-bearing	**2 725**	3 146
Non interest-bearing	**259**	368
	2 984	3 514
Total liabilities	**4 080**	4 861
TOTAL EQUITY AND LIABILITIES	**7 260**	7 886

Cash flow statement of the parent company

€ million	2015	2014
Cash flow from operating activities		
Result for the financial year	**155**	-176
Adjustments for		
Taxes	**0**	1
Depreciation and amortization	**6**	9
Impairments	**117**	4
Gain/loss on sale of intangible assets, and property, plant and equipment	**-5**	0
Interest income	**-137**	-118
Dividend income	**-272**	0
Interest expense	**88**	78
Change in provisions	**1**	0
Exchange gains and losses	**-13**	4
Rights issue expenses	**-**	23
Other adjustments	**-**	-28
	-215	-29
Change in working capital		
Change in trade and other receivables	**-64**	-80
Change in trade and other payables	**-51**	62
	-116	-19
Dividends received	**272**	0
Interest received	**133**	131
Interest paid	**-86**	-106
Income taxes paid	**0**	-1
	319	24
Net cash from operating activities	**143**	-199
Cash flow from investing activities		
Investments in subsidiaries and other shares and holdings	**-222**	-2 032
Purchases of property, plant and equipment	**-0**	-0
Purchases of intangible assets	**-31**	-18
Proceeds from disposal of subsidiaries and other disposals	**1 020**	8
Proceeds from sale of property, plant and equipment	**16**	0
Proceeds from sale of intangible assets	**22**	13
Change in other long-term receivables	**261**	432
Net cash from investing activities	**1 067**	-1 597
Cash flow before financing activities	**1 210**	-1 797
Cash flow from financing activities		
Rights issue	**-**	665
Rights issue expenses	**-**	-23
Borrowings of non-current debt	**326**	991
Repayments of non-current debt	**-589**	-2 771
Change in current debt	**-409**	1 685
Other financing cash flow	**-520**	897
Net cash from financing activities	**-1 192**	1 444
Net change in cash and cash equivalents	**18**	-352
Net change in cash and cash equivalents in the balance sheet	**18**	-352

Statement of changes in equity of the parent company

€ million	Share capital	Premium fund	Invested unrestricted equity reserve	Retained earnings	Total equity
Equity on Jan 1, 2014	**311**	**720**	**1 459**	**46**	**2 536**
Result for the financial year	-	-	-	-176	-176
Rights issue [1)]	-	-	665	-	665
Equity on Dec 31, 2014	**311**	**720**	**2 123**	**-130**	**3 025**
Result for the financial year	-	-	-	155	155
Equity on Dec 31, 2015	**311**	**720**	**2 123**	**26**	**3 181**

Distributable funds on Dec 31

€ million	2015	2014
Retained earnings	**-130**	46
Result for the financial year	**155**	-176
Invested unrestricted equity reserve	**2 123**	2 123
Distributable funds on Dec 31	**2 149**	1 994

[1)] Shares issued in the Outokumpu rights issue in March 2014.

Commitments and contingent liabilities of the parent company

€ million	2015	2014
Mortgages and pledges on Dec 31		
Pledges	**30**	-
Guarantees on Dec 31		
On behalf of subsidiaries		
For financing	**261**	276
For commercial and other commitments	**33**	33
On behalf of associated companies		
For financing	**7**	6
On behalf of sold companies		
For financing	**1**	1
For commercial and other commitments	**1**	1
Other commitments	**11**	19

Outokumpu Oyj is, in relation to its shareholding in Kymppivoima Tuotanto Oy and Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Rapid Power Oy. The net debt of Rapid Power Oy at the year-end 2015 amounted to approximately EUR 22 million (2014: EUR 43 million), out of which Outokumpu is liable for one third. Outokumpu Oyj is, in relation to its shareholding in Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. The net debt of Tornion Voima Oy at the year-end 2015 amounted to approximately EUR 21 million (2014: EUR 25 million), out of which Outokumpu is liable for under one fifth. These liabilities are reported under other commitments above.

A major part of Outokumpu's borrowings are secured partly by share pledges over the shares in selected Group companies and partly by security to the real property of selected subsidiaries.

Guarantees on behalf of sold companies included guarantees issued by Outokumpu on behalf of the companies sold to ThyssenKrupp in 2014 that have not yet been transferred to ThyssenKrupp as of December 31, 2015.

One remaining guarantee issued by ThyssenKrupp on behalf of Inoxum companies has not yet been transferred to Outokumpu Oyj as of December 31, 2015. However, Outokumpu Oyj has given ThyssenKrupp a counter-guarantee for this commitment amounting to EUR 4 million.

Outokumpu Oyj will guarantee until January 2017 certain subsidiaries' ability to satisfy their financial liabilities when due.

In 2015, Outokumpu increased its share in the Fennovoima nuclear power plant project by 1.8 percentage points to 14%. Outokumpu's share of the investment is about EUR 250 million of which EUR 35 million has been paid by the end of the reporting period. Annual capital expenditure related to the project is expected to be around EUR 10–20 million in the coming years, and approximately half of the investment is expected to be paid only at the end of the construction phase in 2022–2023. Outokumpu is liable for Fennovoima's operating costs in proportion to its share of ownership.

Corporate Governance in 2015

Regulatory framework

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

Outokumpu Oyj has followed the Finnish Corporate Governance Code (available at http://cgfinland.fi/en/), effective as of October 1, 2010 until December 31, 2015, and the updated Finnish Corporate Governance Code as of the effective date, January 1, 2016. The Finnish Corporate Governance Code is issued by the Securities Market Association and adopted by Nasdaq Helsinki Oy. Outokumpu Oyj complies with all regulations and recommendations issued by Nasdaq Helsinki Oy.

Tasks and responsibilities of governing bodies

The governing bodies of the parent company Outokumpu Oyj, i.e. the General Meeting of Shareholders, the Board of Directors and the President and Chief Executive Officer (CEO), have the ultimate responsibility for the Group management and Group operations. The Outokumpu Leadership Team reports to the CEO and supports and assists the CEO in the efficient management of the Group's operations. Outokumpu's primary corporate governance information source is the Group's corporate governance website at www.outokumpu.com/en/investors/Governance/. Please visit the website for the latest Corporate Governance Statement and the latest corporate governance information.

Outokumpu's organizational structure

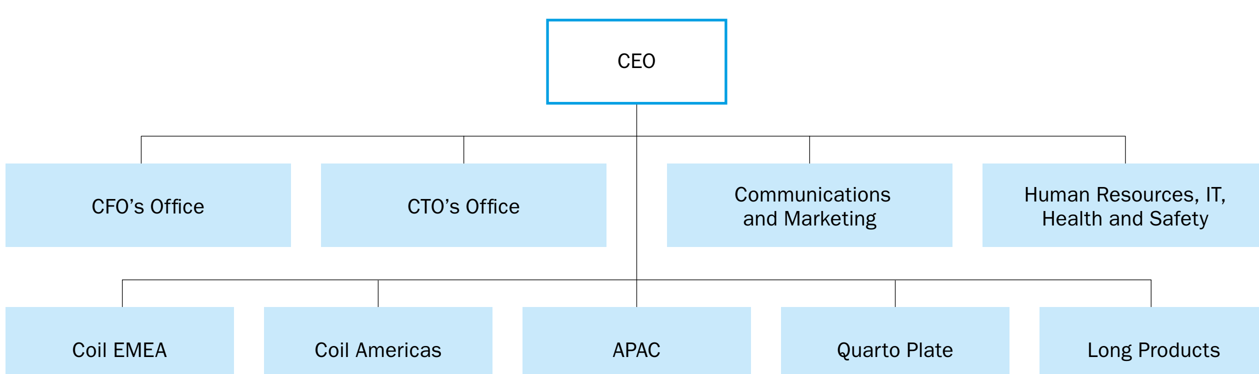
Outokumpu is organized into the following five business areas with responsibility for sales, profitability, production and supply chain management: (i) Coil EMEA, (ii) Coil Americas, (iii) APAC, (iv) Quarto Plate and (v) Long Products. In addition to these five business areas, Outokumpu has strong group functions to drive Group-wide efficiency and alignment in key business processes.

General Meeting of Shareholders

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

The Board of Directors convenes the General Meetings of Shareholders. The Board of Directors can decide to convene an extraordinary General Meeting on its own initiative, but is obliged to convene an extraordinary General Meeting if the auditor or shareholders holding at least 10% of Outokumpu's shares so request. In addition, each shareholder has the right to bring before an Annual General Meeting any matter that falls within the domain of the General Meeting, provided that a written request to do so has been delivered to the Board of Directors by the date announced on the company's website. The company shall announce the date no later than at the end of the financial year preceding the Annual General Meeting. According to its Articles of Association, Outokumpu has only one single class of shares, and all shares have equal voting rights at General Meetings.

Organization



Board of Directors

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

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

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

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

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

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

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

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

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

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

Under the company's Articles of Association, the Board shall have a minimum of five and a maximum of twelve members. A Board consisting of eight members was elected at the 2015 Annual General Meeting. The Board of Directors meets at least five times each year. In 2015, the Board of Directors had 16 meetings, and the average attendance rate was 97%.

Breakdown of individual attendance at Board meetings

16 meetings in 2015

Jorma Ollila	16
Olli Vaartimo	15
Markus Akermann	15
Roberto Gualdoni	16
Stig Gustavson	15
Saila Miettinen-Lähde (March 26–December 31)	13
Heikki Malinen	16
Elisabeth Nilsson	15
Siv Schalin (January 1–March 26)	3

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

The review by the Board of Directors is found in the Annual Report on p. 16.

Shares and options of the members of the Board of Directors on December 31, 2015

Member	Shares
Jorma Ollila	39 108
Olli Vaartimo	20 551
Markus Akermann	16 760
Roberto Gualdoni	26 448
Stig Gustavson	8 448
Heikki Malinen	19 448
Elisabeth Nilsson	11 057
Saila Miettinen-Lähde	4 430
	146 250

Board committees

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

Audit Committee

The Audit Committee comprises four Board members. The rules of procedure for and responsibilities of the Audit Committee have been established in the Charter of the Audit Committee approved by the Board of Directors. The task of the Audit Committee is to deal with matters relating to financial statements, the company's financial position, auditing work, internal controls and compliance matters, the scope of internal and external audits, fees paid to auditors, the Group's tax position, the Group's financial policies and other procedures for managing Group risks. In addition, the Audit Committee prepares a recommendation for the Annual General Meeting concerning the election of an external auditor and auditing fees. The Audit Committee met five times during 2015, and the average attendance rate was 100%.

Breakdown of individual attendance at Audit Committee meetings

5 meetings in 2015

Olli Vaartimo	5
Markus Akermann	5
Saila Miettinen-Lähde (March 26–December 31)	4
Heikki Malinen	5
Siv Schalin (January 1–March 26)	1

Remuneration Committee

The Remuneration Committee comprises the Chairman of the Board and three other Board members. The rules of procedure for and responsibilities of the Remuneration Committee have been established in the Remuneration Committee Charter approved by the Board of Directors. The task of the Remuneration Committee is to prepare proposals for the Board of Directors concerning the appointment of the company's top management and principles relating to the compensation they receive. The Board of Directors has authorized the Remuneration Committee to determine the terms of service and benefits enjoyed by the Outokumpu Leadership Team members other than the company's CEO. The Remuneration Committee met seven times during 2015, and the average attendance rate was 93%.

Breakdown of individual attendance at Remuneration Committee meetings

7 meetings in 2015

Jorma Ollila	7
Roberto Gualdoni	6
Stig Gustavson	6
Elisabeth Nilsson	7

Temporary Working groups

To handle specific tasks, the Board of Directors can also set up temporary working groups consisting of Board members. These working groups report to the Board of Directors. A temporary working group was set up in 2015 to oversee and review the strategic planning and implementation of strategic actions. The working group comprised the Chairman and Vice Chairman of the Board and one additional Board member. The working group met 4 times during 2015, and the average attendance rate was 100%. The temporary working group was discontinued in June 2015.

Breakdown of individual attendance at the Temporary Working group meetings

4 meetings in 2015

Jorma Ollila	4
Olli Vaartimo	4
Heikki Malinen	4

Shareholders' Nomination Board

Outokumpu's Annual General Meeting in 2012 resolved to establish a Shareholders' Nomination Board to annually prepare proposals to the Annual General Meeting for the election, composition and remuneration of the members of the Board of Directors.

In addition, the Annual General Meeting adopted a Charter of the Shareholders' Nomination Board, which regulates the nomination and composition, and defines the tasks and duties of the Nomination Board. According to the Charter, the Nomination Board consists of the representatives of Outokumpu's four largest shareholders, registered in the Finnish book-entry securities system on October 1, who accept the assignment and the Chairman of the Board should act as an expert member of the Nomination Board.

Holdings by a shareholder who, under the Finnish Securities Markets Act, has an obligation to disclose changes in shareholdings (flagging obligation) that are divided into several funds or registers will be summed up when calculating the share of all the voting rights, provided that the shareholder presents a written request to that effect to the Chairman of the Company's Board of Directors no later than September 30 preceding the Annual General Meeting. Should a shareholder not wish to use its nomination right, the right transfers to the next largest shareholder who would otherwise not have a nomination right.

Shareholders with the right to appoint representatives to the Nomination Board in 2015 were Solidium Oy, Varma Mutual Pension Insurance Company, the Social Insurance Institution of Finland and Ilmarinen Mutual Pension Insurance Company. These shareholders chose the following individuals as their representatives on the Nomination Board: Kari Järvinen, Managing Director of Solidium Oy; Pekka Pajamo, CFO of Varma Mutual Pension Insurance Company; Tuula Korhonen, Investment Director of the Finnish Social Insurance Institution; and Timo Ritakallio, President and CEO of Ilmarinen Mutual Pension Insurance Company. Kari Järvinen was elected Chairman of the Nomination Board, and Jorma Ollila, Chairman of the Outokumpu Board of Directors, served as an expert member. The Nomination Board convened 3 times in total, and the attendance rate was 100%. The Nomination Board has submitted its proposals regarding the Board composition and director remuneration to Outokumpu's Board of Directors, and the Board has incorporated these proposals into the notice convening the Outokumpu 2016 Annual General Meeting of Shareholders.

CEO and deputy to the CEO

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

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

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

Mika Seitovirta left his position as President and CEO on October 26, 2015, when the Outokumpu Board of Directors appointed Roeland Baan as President and Chief Executive Officer of Outokumpu and the Chairman of the Leadership Team as of January 1, 2016. CFO and Deputy to the CEO Reinhard Florey acted as the Interim CEO of Outokumpu from October 26 to December 31, 2015.

Leadership Team

The Outokumpu Leadership Team assists the CEO in the overall management of Outokumpu's business. The members of the team have extensive authority in their individual areas of responsibility, and their duty is to develop the Group's operations in line with the targets set by the Board of Directors and the CEO. At the end of 2015, the members of the Outokumpu Leadership Team held the following positions:

- President and Chief Executive Officer
- Executive Vice President – Chief Financial Officer
- President – Coil EMEA
- President – Coil Americas
- President – APAC
- President – Quarto Plate
- President – Long Products
- Executive Vice President – Chief Technology Officer
- Executive Vice President – Communications and Marketing
- Executive Vice President – Human Resources, IT, Health and Safety

The Leadership Team typically meets at least once a month.

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

Shares and share-based plans of the Leadership Team members on December 31, 2015

		Performance Share Plan			Restricted Share Pool	Restricted Share Pool
Member	Shares	2013–2015[1]	2014–2016[1]	2015–2017[1]	2013–2015[2]	2015–2017[2]
Reinhard Florey	8 190	38 880	55 200	75 000	-	-
Liam Bates	1 039	7 020	10 500	20 250	-	-
Pekka Erkkilä	20 000	32 400	55 200	49 500	-	-
Jan Hofmann	-	14 940	22 104	20 250	-	5 400
Olli-Matti Saksi	-	14 940	45 000	75 000	7 500	-
Johann Steiner	-	38 880	55 200	49 500	-	-
Saara Tahvanainen	160	7 020	10 500	30 000	-	-
Kari Tuutti	5 042	38 880	55 200	49 500	-	-
Michael Williams	-	-	-	99 000	-	-
Total	34 431					
Board and Leadership Team	180 681					

[1] The maximum number of gross shares (taxes included) payable if the set performance targets are achieved in full.
[2] The gross number of shares (taxes included) payable if the employment has continued until the delivery date of the shares and no notice of termination has been given prior to the delivery date.

Group management

Outokumpu's corporate management consists of the Chief Executive Officer (CEO), the members of the Outokumpu Leadership Team, as well as managers and experts from the corporate functions who assist the CEO and members of the Leadership Team.

The task of the corporate management is to manage the Group as a whole. Duties include the coordination and execution of strategy and corporate planning, financial control, tax, internal audit, human resources, environment, energy, health and safety, IT, marketing, communications and corporate responsibility, R&D, legal affairs, corporate affairs, compliance, IPR, investor relations as well as treasury and risk management. Certain support functions have been centralized at Group level. The Outokumpu Group is managed in accordance with the organization of its business, in which the Group's legal company structure also provides the legal framework for Outokumpu's operations. Clear financial and operational targets have been established for all the Group's operational businesses.

Outokumpu's organization is based on five business areas with sales, profit, production and supply chain management responsibility, with the focus on responding rapidly to customer needs, while Group-level functions with global processes ensure efficiency.

The business areas are:
- Coil EMEA
- Coil Americas
- APAC
- Quarto Plate
- Long Products

As well as being responsible for their own sales, the business areas are responsible for profit and operating cash flow and are supported by Group-level functions in the key areas. The business areas are geared to achieve the Group's business and financial targets while maintaining the focus on responding to customer needs.

Insider management

Outokumpu's insider rules are based on the Finnish Securities Act and comply with the Guidelines for Insiders issued by Nasdaq Helsinki Oy. Permanent insiders with a duty to declare consist of members of the company's Board of Directors, the Auditor in Charge, the CEO, and other members of the Outokumpu Leadership Team.

Outokumpu maintains a public register of permanent insiders who have the duty to declare. Employees of the Group who receive inside information on a regular basis as a result of their position or the duties they perform are registered in a non-public register of permanent, company-specific insiders. Permanent insiders must not purchase or sell securities issued by the company in the 14 days prior to the publication of interim reports or the company's annual accounts (the "closed window").

Separate, non-public, project-specific insider registers are maintained for insider projects. Persons defined as project-specific insiders are those who, in the course of their duties in connection with a project, receive information concerning the Group which, if or when realized, is likely to have a significant effect on the value of the company's publicly traded securities.

Outokumpu's Head of Corporate Affairs and Compliance is responsible for the coordination and supervision of insider issues.

Up-to-date information on holdings by Outokumpu's permanent insiders who have a duty to declare is available on Outokumpu's website.

See the year-end 2015 shareholding of the Board of Directors and Leadership Team on p. 100 and 101.

Compliance

Outokumpu is strongly committed to the highest ethical standards and observes the laws and other regulations of the countries it operates in, and it complies with agreements and commitments it has made. Outokumpu's Code of Conduct sets out these ethical standards and provides guidelines for a common way of working with the aim of ensuring that all Outokumpu employees live up to Outokumpu's ethical standards. Outokumpu's Corporate Affairs and Compliance function is responsible for managing and continuously developing Outokumpu's compliance program. The objective of the program is to ensure that Outokumpu and its employees comply with laws, regulations as well as Outokumpu's internal policies and instructions. The program also aims to globally mitigate compliance risks for the corporation as well as for each individual employee by a set of preventive and supervisory measures. Raising awareness of and training on the Code of Conduct and its topics are central elements of the program. As part of these efforts, Outokumpu issued in 2015 a new Anti-Corruption Instruction and launched a subsequent Anti-Corruption e-learning course, compulsory for all white collar employees. The e-learning covered some 3,700 people and achieved a completion rate of 99%. The Corporate Affairs and Compliance function reports to the Chief Financial Officer and also reports to the Outokumpu Leadership Team and directly to the Board Audit Committee on compliance-related matters.

Financial reporting

According to the Finnish Limited Liability Companies Act and the Finnish Corporate Governance Code, the Board of Directors is responsible for ensuring that the company's internal controls are properly organized. The purpose of this section is to provide shareholders and other parties with a description of how internal control and risk management of financial reporting is organized in Outokumpu.

As a listed company, the Group has to comply with a variety of regulations. To ensure that all the stated requirements are met, Outokumpu has introduced principles for financial reporting and internal control and distributed them throughout the company's organization.

Control environment

The foundation of Outokumpu's control environment is the business culture established within the Group and its associated methods of operation. The basis for the company's compliance and control routines is provided by Group policies and principles, which define the way in which Outokumpu's organization operates. These policies and principles include, for example, the Group's Corporate Responsibility Policy and Ethical Principles. The Outokumpu Code of Conduct describes the Group's basic values and offers standardized, practical guidelines for managers and employees to follow. Outokumpu's compliance program is described in the Compliance section. The Outokumpu performance management process is a key management activity and an important factor in enabling an efficient control environment. In all sections of the Group's operations, planning activities and the setting of both operational and financial targets are executed in accordance with Outokumpu's overall business targets. Management follow-up of related achievements is carried out through monthly management reporting routines and in performance review meetings.

Outokumpu operates in accordance with the risk management policy approved by the Group's Board of Directors, and the Audit Committee regularly monitors the Group's risk map. The policy defines the objectives of risk management activities, the approaches to be taken and areas of responsibility. As well as supporting the Outokumpu strategy, risk management activities help in defining a balanced risk profile from the perspective of shareholders and other stakeholders, such as customers, suppliers, personnel and lenders. More information on risk management within Outokumpu can be found in the Risk management section on p. 107.

Outokumpu's control process for financial reporting is based on Group policies, principles and instructions relating to financial reporting, as well as on the responsibility and authorization structure within the Group. Policies relating to financial reporting are usually owned and approved by the CEO and the CFO. Financial reporting in Outokumpu is carried out in a harmonized way using a common chart of accounts.

Financial reporting is prepared in accordance with International Financial Reporting Standards (IFRS). The Outokumpu Accounting Principles (OAP) are Outokumpu's application guidance as regards IFRS. The aim of the OAP and other financial reporting policies and instructions included in the Outokumpu Controller's Manual is to ensure that uniform financial processes and reporting practices are used throughout the Group. Policies and instructions for financial reporting are reviewed on a regular basis and revised when necessary. During the 2015 financial year, Outokumpu reviewed the useful lives of its property, plant and equipment and concluded that when maintenance and operating practices are followed, the useful lives of heavy machinery and equipment are longer than previously estimated. Therefore, their useful lives were changed to 15–30 years, compared to the previous 15–20 years, for calculating depreciation. Otherwise, only minor adjustments were made to the instructions. In 2016, Outokumpu will continue to follow the changes in IFRS standards closely. No major impact on the financial reporting due to the implementation of new standards is expected in 2016.

Financial statements by the parent company and stand-alone Finnish subsidiaries are prepared in accordance with generally accepted accounting principles in Finland, while foreign subsidiaries follow local accounting principles. Outokumpu also complies with regulations regarding financial reporting published by the Financial Supervisory Authority (FIN-FSA) and Nasdaq Helsinki.

Identification and assessment of risks related to financial reporting

Risk management processes connected with the Group's financial reporting are coordinated by Outokumpu's Treasury and Risk Management function. Related risks are classified as operational risks and can arise as a consequence of inadequate or failed internal processes, employee actions, systems or other events such as misconduct or crime. The aim of the Outokumpu risk management process is to identify, evaluate, control and mitigate such risks.

Major risks are reported to and evaluated by the Audit Committee on a regular basis. Outokumpu's risk management process includes arranging workshops on the identification of key risks, including operational risks, for business areas and Group functions. Deliverables include risk maps, risk identification plans, and a financial assessment of the Group's ability to bear risk.

Control activities

In addition to the Board of Directors and Audit Committee, operational management teams in Outokumpu are responsible for ensuring that internal controls relating to financial reporting are in place at all Outokumpu units. The aim of control activities is to discover, prevent and correct potential errors and deviations in financial reporting. Control activities also aim to ensure that authorization structures are designed and implemented in a way that conflicting divisions of work do not exist (i.e. one person performing an activity and also being responsible for controlling that activity). Control activities consist of different kinds of measures and include reviews of financial reports by Group management and in business area management teams, the reconciliation of accounts, analyses of the logic behind reported figures, forecasts compared to actual reported figures, and analyses of the Group's financial reporting processes, among others. A key component is the monitoring of monthly performance against financial and operational targets. These control activities take place at different levels of the organization. The most important accounting items in Outokumpu are the valuation and reporting of inventories and other items of working capital. Also, in difficult market situations, asset impairment calculations and related sensitivity analyses are increasingly important. These items are carefully monitored and controlled, both within business areas and at Group level, on a regular basis.

Information technology and solutions play an important role in guaranteeing that the Group's internal controls have a solid foundation. A new consolidation system has been implemented to ensure timely and uniform financial and management reporting from the Group entities and an effective closing process within the whole Group. Outokumpu has also started a business transformation program to develop and improve business capabilities. This will be achieved mainly by harmonizing and improving the Group's core business processes.

Information and communication

Group-wide policies and principles are available to all Outokumpu employees. Instructions relating to financial reporting are communicated to all the parties involved. The main communication channels employed are Outokumpu's intranet and other easily accessible databases. Face-to-face controller meetings are also organized. Senior controller meetings are organized on a quarterly basis or more frequently when this is considered necessary to share information and discuss issues of topical interest to the Group.

Outokumpu has established different networks and communities in which financial reporting and internal control issues and related instructions are discussed and reviewed. These networks usually consist of personnel from the business areas and Group functions. The aim of these networks, communities and common instructions is to ensure that unified financial processes and reporting practices are used throughout the Group. The networks and communities play an important role in establishing the effectiveness of internal controls relating to financial reporting and in developing Outokumpu policies, instructions and processes.

Follow-up

Both management in all Outokumpu companies and personnel in the accounting and controlling functions are responsible for the follow-up and monitoring of internal controls connected with financial reporting. The Internal Audit and Risk Management functions also engage in follow-up and control activities. The findings of the follow-up procedures are reported to the Audit Committee and the Outokumpu Leadership Team on a regular basis.

Internal Audit

Internal Audit is an independent and objective assurance, control, and consulting function designated to add value, to improve operations, and to monitor and support the organization in the achievement of its objectives. Through a systematic, disciplined approach, Internal Audit determines whether governance processes, the internal control system, and the risk management system, as designed and represented by the Board of Directors and the Leadership Team, are effective and efficient.

With commitment to integrity and accountability, Internal Audit provides value to governing bodies and senior management as an objective and direct source of correct, reliable information and independent advice. Internal Audit also monitors adherence to Group principles, policies and procedures, and investigates fraudulent and non-compliant behaviors and activities. Internal Audit performs its function on behalf of and directly reports to the Audit Committee and to the Leadership Team, but is functionally assigned to the CEO. The annual internal audit plan is approved by the Audit Committee.

In 2015, Internal Audit performed 14 extended operational audits, including an appraisal of the performance and control of Corporate Programs, one on-site follow-up, and an audit of a sales branch in Mexico. The results of all the performed audits, including their risk appraisals, have been reported and distributed in writing. In view of the Outokumpu Code of Conduct and the Corporate Responsibility Policy, a potential risk has been identified in the context of sales intermediary agreements.

The confidential whistleblowing hotline (“Helpline”) available on the company intranet and via the internet is set up to anonymously inform Internal Audit and the Audit Committee of suspicions of financial misconduct or unethical behavior. However, no cases were reported via the Helpline in 2015. Of 12 unscheduled investigations of allegations brought forward through other channels, no incidents of discrimination or human rights violations were noted. However, Internal Audit observed unfair behavior in multiple instances and various cases of incurred or alleged theft, among them one case of financial damage from a fraudulent phishing incident; however none of these cases were financially material. One instance of alleged misconduct observed in 2014 has been resolved via a special compliance audit and clean-up operation at the Eastern European entity concerned.

Auditors

Under its Articles of Association, the company shall have a minimum of one and a maximum of two auditors who are qualified auditors or firms of public accountants authorized by the Central Chamber of Commerce of Finland and independent of the company.

The Annual General Meeting elects the auditors for a term of office ending at the close of the next Annual General Meeting. A proposal to the Annual General Meeting on the election of auditors that has been made known to the Board of Directors prior to the Annual General Meeting will be made public if it is supported by shareholders holding a minimum of 10% of all the company’s shares and voting rights and the person or company proposed has consented to such nomination. Additionally, the Audit Committee of the Board has the duty to consider and make a proposal to the Annual General Meeting as to the election and fees of the auditor.

The company’s auditors submit the statutory auditor’s report to the company’s shareholders in connection with the company’s financial statements. The auditors also report their findings to the Board Audit Committee on a regular basis and at least once a year to the full Board of Directors. The parent company, Outokumpu Oyj, is audited by KPMG Oy Ab, and the responsible auditor is Virpi Halonen, Authorized Public Accountant. KPMG Oy Ab is also responsible for overseeing and coordinating the auditing of all Group companies. An audit tendering process was held in 2005, and KPMG has been the Group Auditor since fiscal year 2006. Virpi Halonen has been the Auditor in Charge since 2012.

Both Outokumpu and KPMG Oy Ab emphasize the requirement that the auditor be independent of the company being audited. In its global independence policy, KPMG has stated its commitment to observing and complying with the Code of Ethics of the International Federation of Accountants (IFAC).

Outokumpu’s Board Audit Committee continuously monitors non-audit services purchased by the Group from KPMG Oy Ab at a global level. In 2015, auditors were paid fees totaling EUR 2.1 million, of which non-auditing services accounted for EUR 0.2 million.

Remuneration

Board of Directors

As confirmed by the 2015 Outokumpu Annual General Meeting, the annual remuneration for the members of Outokumpu's Board of Directors is as follows: Chairman EUR 140,000, Vice Chairman EUR 80,000 and other members EUR 60,000, with 40% of this paid as Outokumpu shares purchased from the market and 60% paid in cash. The annual fee is paid once a year, and members of the Board are not entitled to any other share-based rewards. In addition to their annual remuneration, all members of the Board of Directors are paid a meeting fee of EUR 600 (EUR 1,200 for members of the Board of Directors residing outside Finland). The meeting fee is also payable for attending meetings of Board committees.

Compensation and other benefits of the CEO

In 2015, the President and CEO's compensation consisted of a basic salary and a yearly short-term incentive determined by the Board on the basis of the Company's key targets. The annual short-term incentive could not exceed 50% of the CEO's annual salary, and it was based on an EBIT target (earnings before interest and taxes) and operational targets with an emphasis on cash flow, occupational safety, gearing and delivery reliability. The compensation paid in 2015 to Mika Seitovirta (CEO until October 26, 2015) and Reinhard Florey (interim CEO from October 27 to December 31, 2015) is shown in the table on p. 106. The remuneration details of President and CEO Roeland Baan (CEO as of January 1, 2016) are presented on the Company's website.

Compensation and other benefits of the other Leadership Team members

The service contract of CFO Florey, who is also deputy to the CEO, could have been terminated by both parties with six months' notice. To the extent that the Service Contract would have been terminated by the Company, other than for a cause without notice or with ordinary notice due to misconduct, the CFO would have received additional compensation equivalent to 18 months' salary. For the members of the Leadership Team who are employed in Finland, the notice period is six months for both parties, in addition to which there will be additional compensation equivalent to their basic salary in the preceding 12 months plus the monetary value of their employee benefits at the moment of termination, provided that their employment is terminated for a reason other than one caused by the employee. The termination benefits of the other Leadership Team members employed outside of Finland vary in line with local market practices and amount to 18 months' base salary at the maximum, including salary for notice period and severance compensation.

In the 2015 financial year, the performance-based short-term incentive payable to the members of the Leadership Team, in addition to their base salary and employee benefits, was based on an EBIT target (earnings before interest and taxes) and operational targets with an emphasis on cash flow, occupational safety, gearing and delivery reliability. The maximum short-term incentive payment for 2015 varied based on local market practices between 50% and 100% of the members' annual base salaries. The Leadership Team members are also included in the share-based incentive plans for Outokumpu management, the details of which are presented in the tables on p. 101 and 114. In 2015, the total amount of short-term and long-term incentives could not exceed 200% of an individual's annual salary. Should this limit have been exceeded, the share-based reward would have been reduced accordingly.

No separate remuneration is paid to the Group CEO or members of the Leadership Team for membership of this Team or the Group's other internal governing bodies.

The retirement age for the members of the Leadership Team is 63 years, and they participate in the local retirement programs applicable to employees in the country where their employing company is located. The members employed in Germany are entitled to pension benefits in accordance with the rules of the German Essener Verband. The members employed in Finland participate in the Finnish TyEL pension system, in addition to which they are entitled to a defined contribution pension plan, for which the targeted pension is 60% of the annual salary at the age of 63 and the maximum premium is 25% of an individual's annual earnings, excluding share rewards. The pension benefits of the other Leadership Team members vary in line with the local market practices.

Outokumpu did not provide any guarantees or other similar commitments on behalf of members of its Board of Directors in 2015. No members of the Board of Directors or the Leadership Team or closely related persons or institutions have any significant business relationships with the Group.

Fees, salaries and employee benefits paid

2015 €	Salaries and fees with employee benefits	Performance/ project-related incentives	Annual remuneration	Share-based incentives [4]	Total
Board of Directors					
Chairman of the Board, Ollila	13 800	-	140 000	-	153 800
Vice Chairman of the Board, Vaartimo	12 000	-	80 000	-	92 000
Board member, Akermann	24 000	-	60 000	-	84 000
Board member, Gualdoni	27 600	-	60 000	-	87 600
Board member, Gustavson	12 000	-	60 000	-	72 000
Board member, Malinen	12 600	-	60 000	-	72 600
Board member, Miettinen-Lähde	9 000	-	60 000	-	69 000
Board member, Nilsson	26 400	-	60 000	-	86 400
Board member, Schalin [1]	3 600	-	-	-	3 600
CEO, Seitovirta [2]	634 888	303 912	-	110 408	1 049 207
Deputy to the CEO	512 072	250 000	-	100 675	862 748
Other Leadership Team Members [3]	3 039 955	1 015 241	-	48 035	4 103 231

[1] January 1–March 31, 2015
[2] January 1–October 26, 2015
[3] Lu January 1–March 31, 2015, Hofmann April 1–December 31, 2015, Wallis January 1–April 30, 2015, Salas May 1–June 30, 2015, Williams July 1–December 31, 2015, Parvento January 1–November 5, 2015, Bates November 5–December 31, 2015
[4] Gross, including the value of the shares on the day of delivery and taxes

2014 €	Salaries and fees with employee benefits	Performance/ project-related incentives	Annual remuneration	Share-based incentives	Total
Board of Directors					
Chairman of the Board, Ollila	12 000	-	140 000	-	152 000
Vice Chairman of the Board, Vaartimo	12 600	-	80 000	-	92 600
Board member, Akermann	22 200	-	60 000	-	82 200
Board member, Gualdoni	10 800	-	60 000	-	70 800
Board member, Gustavson	5 400	-	60 000	-	65 400
Board member, Kerminen [1]	5 400	-	-	-	5 400
Board member, Malinen	11 400	-	60 000	-	71 400
Board member, Nilsson	21 600	-	60 000	-	81 600
Board member, Schalin	11 400	-	60 000	-	71 400
CEO, Seitovirta	749 040	123 039	-	-	872 079
Deputy to the CEO	511 864	112 500	-	-	624 364
Other Leadership Team Members [2]	2 546 667	202 458	-	-	2 749 125

[1] January 1–March 31, 2014
[2] Tonteri January 1–August 31, 2014, Saksi July 1–December 31, 2014, Wallis September 1–December 31, 2014, Tahvanainen September 1–December 31, 2014

Risk management

Outokumpu operates in accordance with the risk management policy approved by the company's Board of Directors. This defines the objectives, approaches and areas of responsibility in the Group's risk management activities. As well as supporting Outokumpu's strategy, the aim of risk management is to identify, evaluate and mitigate risks from the perspective of shareholders, customers, suppliers, personnel, creditors and other stakeholders.

Risk management organization

The Board of Directors carries ultimate responsibility for risk management within Outokumpu. The CEO and members of the Leadership Team are responsible for defining and implementing risk management procedures and for ensuring that risks are both properly addressed and taken into account in strategic and business planning.

Outokumpu's Risk Management Steering Group was established to take responsibility as governing body for risk management in Outokumpu in 2015. Business Areas and Group functions are responsible for managing risks connected with their own operations. Auditors and Internal Audit monitor risk management processes, and the Risk Management Steering Group, the Board's Audit Committee and the Board of Directors review key risks as well as actions taken to manage these risks on a regular basis. The Treasury and Risk Management function supports implementation of Outokumpu's risk management policy, facilitates and coordinates risk management activities, and prepares quarterly risk reports for management, the Board's Audit Committee and Auditors.

Risk management process

Outokumpu has defined a risk as anything that could have an adverse impact on achieving the Group's objectives. Risks can therefore be threats, uncertainties or lost opportunities connected with current or future operations. Outokumpu's appetite for risk and risk tolerance are defined in relation to Group earnings, cash flows and capital structure. The risk management process is an integral part of the overall management processes, and it is divided into four stages: risk identification, evaluation and prioritization, mitigation and reporting.

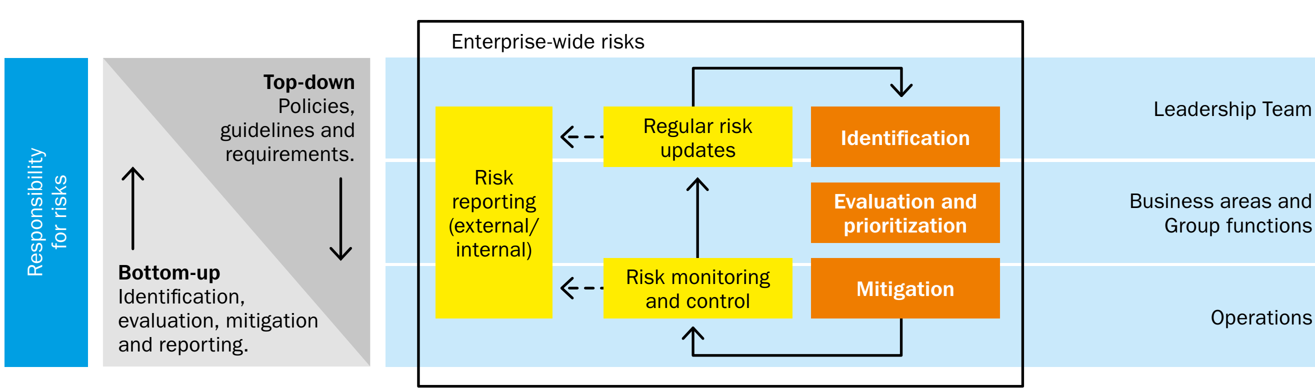
Within Outokumpu, the risk management process is monitored and controlled at different organizational levels in a systematic manner. Regular risk updates are done to ensure that the process is operating in an uninterrupted manner. The monitoring and analysis of results and risk updates also ensure that accurate information is provided both internally – to Business Area management teams and members of the Leadership Team – and externally to parties such as shareholders and other stakeholders.

Focus areas 2015

The focus areas in risk management were characterized by Outokumpu's efforts to improve its profitability towards sustainable levels, the key topics being: increased focus on financial risk management, improved prevention of business interruptions within loss prevention audits, systematic operational risk management through a Group-wide reporting tool, and detailed analysis of cyber-risk exposures. In addition, the recently established Risk Management Steering Group had quarterly meetings during 2015 to monitor the Group's key risks and approve the operational risk assessments. Outokumpu continued its systematic fire safety and loss prevention audit programs, which also focused on machinery breakdown loss prevention. In total, more than twenty fire safety and machinery breakdown loss prevention audits were carried out in 2015 using in-house expertise in co-operation with external advisors. There were two serious accidents in 2015, one of them causing a fatality at the Mexinox mill. No other major operational risks occurred in 2015.

In late 2015, Outokumpu divested its 50% stake in Fischer Mexicana and 60% of the shares in SKS, with significant positive impacts on Outokumpu's financial stability, including a reduction in net debt and financing costs. Outokumpu's refinancing risk was further reduced by the extension of key loan facilities from 2017 to 2019 by a total amount of EUR 775 million.

Risk management process in Outokumpu



Strategic and business risks

Risks related to Outokumpu's business priorities and targets

Outokumpu's future development will depend on the successful implementation of the measures aimed at returning Outokumpu to sustainable profitability with the objective of creating shareholder value as a leading stainless steel producer. Outokumpu's ability to successfully implement this turnaround is subject to a number of factors, including, but not limited to, its ability to:

- make progress in the Calvert mill ramp-up in the US into full commercial capability over the coming years, with 2018 being the first year of steady-state operations;
- make progress in Coil EMEA by finalizing the ongoing restructuring plan to gain cost savings of EUR 100 million by 2017;
- deliver additional commercial and operational improvements in all the business areas;
- continue measures to improve net working capital efficiency across the company to significantly reduce the amount of capital tied up in the business and to improve cash flows;
- continue to reduce the company's debt levels and to reduce financing costs.

Outokumpu's current expectations regarding the impact and timing of the above-mentioned targets are based on a number of assumptions and expectations that are subject to various risks and uncertainties.

Stainless steel industry and markets

In recent years, stainless steel production capacity in Asia, particularly in China, has grown significantly, and Asian producers have transitioned from being net importers of stainless steel to being significant exporters to Europe and North America. While the global trade flows within the industry have started to stabilize, the problem of Asian overcapacity remains and is being exacerbated by the slowdown in Chinese economic growth. Following the introduction of antidumping measures in the form of import duties in 2015 by the European Commission against cold-rolled stainless steel products from China and Taiwan, the import levels in Europe have decreased, particularly from China. While these trade protective measures in Europe seem to be successful, imports from other regions have partly replaced the imports from China and Taiwan. While market shares of European producers have stabilized, the introduction of the antidumping measures has helped to keep base prices in Europe quite stable. However, anticipated larger increases in base prices have failed to materialize as the strongly declining nickel price has curtailed demand, especially among distributors. The overcapacity situation in China combined with continued low price levels remain a risk to Outokumpu.

Supply and demand is more balanced in the Americas, but the pressure to export Asian overcapacity to the NAFTA region has been increasing over the past years. On February 12, 2016, Outokumpu filed antidumping and countervailing duty petitions in the US together with other stainless steel producers. The stainless steel producers charge in the antidumping duty petitions that unfairly traded imports of stainless steel sheet and strip from China are causing material injury to the American stainless steel industry, as Chinese producers are selling their products in the American markets at prices less than their fair value, thereby significantly undercutting American market prices.

The countervailing duty petition alleges that Chinese government has given significant subsidies to the Chinese stainless steel industry. Following the filing, Commerce Department and U.S. International Trade Commission have begun their preliminary investigations, which are expected to be finalized during the first quarter of 2016. The entire investigative process will take approximately one year, and it is expected to be ready in the first quarter of 2017. Additionally, Outokumpu is implementing full commercial capability at its Calvert mill in Alabama, US by 2018, with increasing volumes and growing market shares. Such a commercial ramp-up includes risks and uncertainties, which may, if realized, impact Outokumpu's profitability.

Overcapacities have resulted in fierce competition in the stainless steel industry, which has led to a situation where many producers in various countries have called for government protection and trade protective measures to safeguard domestic industry. In addition, several countries may grant substantial subsidies or other support to companies active in their respective local stainless steel industries. The pricing advantage enjoyed by these producers on their subsidized products may impair or eliminate Outokumpu's ability to compete with such producers. This and other practices may have an adverse effect on Outokumpu's profitability to the extent that subsidized stainless steel products are exported into Outokumpu's key markets, the EU and the United States. In addition, Outokumpu has significant exposure to the effects of trade actions and barriers due to the global nature of its operations. Such trade actions and barriers could limit Outokumpu's further growth and market access.

Outokumpu believes that the overall long-term prospects for stainless steel demand remain positive. Key global megatrends, such as urbanization, modernization, and increased mobility, are expected to support future growth of stainless steel demand. There are, however, risks that such megatrends will be realized slower than expected, and that the occurrence of natural catastrophes or other adverse changes in the global political and economic environment, such as the crisis situation in Ukraine and related trade sanctions on Russia, or deteriorated growth of the Chinese economy as seen in 2015, can impact the stainless steel industry and reduce growth prospects also in Outokumpu's core markets. Additionally, the growth rates of Asian economies slowed down in 2015, which had significant overall impacts on the oil price, global economy and stainless steel industry.

Outokumpu expects that the re-structuring actions, including the restructuring plan in Europe and the full commercial ramp-up of the Calvert mill in the US, will continue to make significant progress to return Outokumpu to sustainable profitability and maintain its position in global stainless steel markets.

Since global demand for stainless steel is forecasted to increase in the coming years, Outokumpu expects that global demand for ferrochrome, a key ingredient in stainless steel production, will increase correspondingly. As part of its Coil EMEA Business Area, Outokumpu produces ferrochrome at its Tornio ferrochrome production facility using chromite extracted from its Kemi chromite mine. Outokumpu aims to maintain both a high utilization rate at its ferrochrome production facility and the Group's competitive position in the ferrochrome market by consuming a significant amount of ferrochrome internally and also by selling certain volumes on the global market. However, in global terms, the ferrochrome market remains oversupplied with new capacity ramping up, especially in China. Outokumpu's competitive position in the ferrochrome business is affected by foreign exchange rates, particularly the US dollar and e.g. the prices of power and coke.

Raw materials, supplies and energy

Pricing systems applied in many markets may cause volatility in demand for stainless steel. This typically leads to reduced demand when metal prices decline, which may also lead to increases in producers' inventories, causing the adverse impact on earnings to be even higher. Another possible adverse consequence of volatility in demand is the negative impact on capacity utilization ratios. In addition, the monetary value of discounts in purchasing (e.g. in connection with purchases of stainless steel scrap) depends on the level of alloy metal prices. Therefore, the price levels of alloy metals are likely to have long-term impacts on profitability.

Stainless steel production requires substantial amounts of certain raw materials, primarily nickel, recycled stainless steel, ferrochrome, molybdenum, recycled carbon steel, as well as energy and supplies. Most of these are subject to significant price volatility due to fluctuating customer demand, speculation and scarcity, which may, from time to time, be compounded by decreases in extraction and production due to natural disasters, political or financial instability, or unrest. Outokumpu is exposed to changes and developments in production technologies related to the processing of alternative or substitute raw materials used to produce stainless steel, such as NPI (nickel pig iron) and UG-2, which is a by-product of the platinum production process used in South Africa that has a chromium content comparable to chromium ore and can be used to produce ferrochrome to a limited degree. Outokumpu is also exposed to price volatility of raw materials and supplies, which it purchases primarily under short- or long-term contracts, but also on the spot market. Increases in the prices of certain raw materials, such as nickel, ferrochrome, molybdenum and iron, are generally passed on to customers through alloy surcharges. Outokumpu has hedged part of its exposure to changing nickel prices and, on a case-by-case basis, molybdenum prices. Although the alloy surcharge mechanism is intended to allow stainless steel producers to pass on the costs of raw materials to customers, it does not eliminate Outokumpu's exposure to raw material price volatility. Therefore, Outokumpu may not be able to pass on all of its raw materials costs to customers, which can have negative impacts on Outokumpu's profitability.

Financial risks related to raw materials and energy prices are described in Note 19 to the financial statements.

Legal risks

Outokumpu and its subsidiaries are subject to several litigation cases. For a company such as Outokumpu, there is a general risk, which mainly relates to Outokumpu being litigated against by business partners and/or in connection with its business activities in the future. Outokumpu is also exposed to typical litigation risks in connection with mergers and acquisitions. For the specific risks relating to existing litigation, please see Note 30 to the financial statements, "Disputes and litigations". Outokumpu's products are used in a wide range of applications. For instance, certain products are used in safety-critical applications, such as pipes used in the oil, gas, chemical and petrochemical industries. In addition, a certain part of Outokumpu's products are used in the automotive industry, where key customers require extensive third-party certification regarding the products purchased. Therefore, Outokumpu is exposed to product liability claims arising e.g. from automotive industry customers. Such claims may result in severe damages, impacting Outokumpu's profitability. Outokumpu manages and mitigates its legal risks by running internal governance and compliance programs and policies, some of them extending beyond local minimum legal requirements.

Environmental business risks

The main environmental business risks for Outokumpu are related to emission trading schemes and new environmental and consumer protection demands. The European Union's Emission Trading System (ETS) forms a risk for Outokumpu, indirectly in electricity prices and directly from the buying of emission allowances. Outokumpu has secured part of its future electricity supply – and the associated prices – through long-term contracts. Additionally, Outokumpu is participating in some nuclear power projects in Finland.

Outokumpu operates in accordance with prevailing laws and regulations, including environmental, chemical and product safety legislation. EU regulatory activity in this area has developed rapidly, and new consumer safety, environment and ecology-related initiatives, directives and other regulations have been generated by the European Commission at a high rate in recent years. Radical changes in this kind of legislation could have long-term impacts on Outokumpu's operations. Strict compliance with all relevant environmental regulations causes increased costs and impacts Outokumpu's competitive position in some cases. Outokumpu mitigates these impacts through the systematic identification and management of environmental, chemical and product safety risks, through emission trading, by launching environmental initiatives, and by maintaining a proactive dialogue with both stakeholders and parties involved in the framing of environmental legislation.

Operational risks

Major disasters and business interruptions

Outokumpu's production processes are dependent on the continuous operation of critical production equipment, including furnaces, continuous casters, rolling mills and electrical equipment, e.g. electric motors and transformers, and production downtime may occur as a result of unexpected mechanical failures. Operations may also be disrupted for a variety of other reasons, including fire, explosion, flooding, the release of substances harmful to the environment or health, failures in information technology, strikes or transportation disruptions.

Furthermore, accidents may lead to production downtimes that affect specific items of machinery or production plants, or possibly result in plant closures, including closure for the duration of any ongoing investigation. This type of disruption may cause significant business interruptions and have a negative impact on Outokumpu's profitability.

Primarily because of the high temperatures required for production, fire is a significant risk for Outokumpu. Most of the production facilities are located in extensive industrial zones and a fire in could lead to major damage to property and interruptions in production. Extreme weather conditions and natural disasters may also affect Outokumpu's operations, especially as a result of damage to property or the loss of production through extremely low temperatures, flooding, hurricane, tornado or drought. Outokumpu monitors such risks by continuously evaluating its production facilities and production processes from a risk management perspective and also by arranging regular fire-safety audits. Insurance covers a large proportion of the associated risks. In 2015, Outokumpu also focused on machinery breakdowns loss prevention by conducting separate surveys at the main sites.

Environmental accidents

The main environmental accident risks at production sites relate to use of acids, production of hazardous waste and toxic gases, landfill activities, long-term contamination of soil or groundwater, or long-term effects of hazardous pollutants. Outokumpu also has environmental liabilities and risks at closed mines and sites. Certified environmental management systems are in place at several production sites to manage the environmental accident risks in a systematic way. Maintaining such management systems also includes external environmental audits. In addition, Outokumpu has an internal environmental auditing program to monitor and ensure local legal compliance and the level of environmental risk management.

Project risks

In August 2015, Outokumpu made the decision to increase its shareholding in Fennovoima Oy by 1.8 percent points. Outokumpu has then committed to a 14% stake in Fennovoima Oy, which has a parliamentary decision-in-principle to construct a new nuclear power plant in Pyhäjoki, Finland. The company has selected Rosatom Overseas CJSC as the plant supplier. Fennovoima Oy submitted a construction license application to the government in June 2015, and the construction permit is expected in 2017. According to the plans, infrastructure work at the site began in 2015 and is expected to last approximately two to three years. The construction of the plant would begin after the infrastructure work, and the power plant would start commercial operations in 2024. The project involves a number of potential risks for Outokumpu, including delays, cancellation, non-completion (for external or internal reasons), technical risks (including tightening nuclear safety regulations in the future), budget overruns (including non-competitive cost of power or increased cost of production), financing risks (including cost and availability of financing) and political risks (including public acceptance risks) and environmental risks. When operational, shareholders will be able to procure electricity against their pro rata share of operating expenses of the power plant (the “Mankala principle”). Accordingly, there can be no assurance that one or more of the project risks will not occur or that Outokumpu’s share of financing the project will not increase as a result of any future defaults by other shareholders in Fennovoima Oy.

Additionally, Outokumpu is investing approximately EUR 30 million in using liquefied natural gas (LNG) instead of propane at the Tornio mill. The main part of the investment, phased over 2015–2018, is being used to make the required equipment modifications at the Tornio mill. This investment includes a number of risks inherent to investment projects, including market price risks and contractual arrangements between different business partners. Replacing the use of propane with liquefied natural gas sourced directly from the global market will reduce production costs through lower and more stable energy prices, and thereby increase the competitiveness of our Tornio mill. As it is more sustainable, LNG is replacing oil and other fuels worldwide.

IT dependency and cyber security risks

Outokumpu relies on various applications and other information technologies that are used globally in all business areas and group functions. Many of these applications and underlying infrastructure are outdated, making them more vulnerable to failure, and could result in business interruptions, for example, in the production and supply chain processes. In addition, the enterprise architecture is complicated, and the large number of different and unharmonized information systems increases the risk of loss of critical applications.

Furthermore, cyber threats and other security threats could exploit possible weaknesses in Outokumpu’s security controls, which in turn, could cause leakage of sensitive information, theft of intellectual property, production outages or damage to Outokumpu’s reputation.

Outokumpu is taking necessary steps to ensure that the IT systems and solutions are reliable, and also aims to ensure secure information management at all company locations to avoid data loss or situations in which business-critical information becomes unavailable.

Additionally, Outokumpu is improving its cyber readiness in order to prevent possible cyber-attacks, by running and initiating various security development activities based on the detailed cyber threat and risk exposure analyses, which were completed during 2015. Outokumpu has also taken actions to mitigate its earlier dependence on certain people in application support and has improved IT incident management with a special focus on major incidents. Outokumpu has also launched a business transformation program to develop and improve its business capabilities and renew its IT systems in the coming years, with initial systems going live at the end of 2015.

Personnel

Outokumpu’s ability to continue and grow its business as well as provide high-quality products depends, to a large extent, on the contributions made by its key personnel. The loss of key individuals or other employees who have specific knowledge of, or relationships with, trade customers in markets in which Outokumpu operates could have significant impacts on Outokumpu’s business. If Outokumpu is unable to attract, retain, motivate, train and develop qualified employees at all levels, it could have a material adverse effect on Outokumpu’s business, financial condition and results of operations. There can be no assurance that Outokumpu will be able to retain such senior managers and other key employees. However, Outokumpu has implemented HR processes to attract and retain key employees in the Group. Implementation of leadership development programs and succession planning for key positions in the Group are also undertaken as part of the talent review process to maintain development opportunities and to ensure an adequate pipeline of talent to mitigate the potential loss of senior managers.

Compliance, crime and reputational harm

Outokumpu operates globally and its activities span multiple jurisdictions and complex regulatory frameworks at a time of increased enforcement activity and initiatives globally in areas such as competition law, anti-corruption and trade restrictions, including sanctions. Outokumpu’s governance and compliance processes may not prevent breaches of law or governance standards. Outokumpu also faces the risk of fraud by its employees, losses of critical research and development data, misconduct, as well as violations by its sales intermediaries or at its joint ventures and other companies in which it has an interest, particularly if it only has a minority stake and does not control accounting or other rules and protocols for the conduct of business. Outokumpu's failure to comply with applicable laws and other standards could subject it to fines, loss of operating licenses, breaches of our financing agreements and reputational harm. Effective internal controls are necessary for Outokumpu to provide reliable financial reports and effectively prevent and detect fraud. If Outokumpu cannot provide reliable financial reports or prevent fraud, this could have a material adverse effect on its financial results. Additionally, at the operational level, individual employees may not comply with Outokumpu's policies and guidelines and, as a result, may incur compliance costs and cause reputational damage. Inadequate internal controls could also cause investors and other third parties to lose confidence in Outokumpu's reported financial information. Outokumpu's compliance program aims to prevent and mitigate compliance risks from occurring and is further developed annually. In 2015, compliance efforts included an e-learning course in anti-corruption and an extended review and assessment of Outokumpu's compliance risks, including a subsequent compliance action plan for 2016.

Financial risks

Key current financial risks for Outokumpu are:
- Changes in the prices of nickel, iron, molybdenum, electrical power and fuels
- Currency developments affecting the euro, the US dollar, the Swedish krona and the British pound
- Interest rate changes connected with the US dollar, the euro and the Swedish krona
- Changes in levels of credit margins
- Counterparty risk related to customers and other business partners, including financial institutions
- Risks related to liquidity and refinancing
- Breach of financial covenants or other terms and conditions leading to default
- Risk related to prices of equities and fixed-income securities invested under defined benefit pension plans

The financial risks listed above and related processes for risk management are described in further detail in Note 19 to the Group's consolidated financial statements.

Corporate responsibility risks and stakeholders' materiality analysis

Outokumpu has also identified its exposures in sustainability and corporate responsibility. These are mainly identified through dialogue with stakeholders (customers, suppliers, investors, employees, NGOs, authorities, communities, associations) in connection with the materiality analysis related to Outokumpu's sustainability program, but also through Outokumpu's risk management process as well.

In the materiality analysis, the most important sustainability topics for business were a safe and healthy workplace, energy and material (resource) efficiency, and accountable and transparent governance and reporting. For our stakeholders, in addition to these, management of toxics and chemicals and mitigation of environmental impacts were also important. Additional information on the materiality analysis is available in Outokumpu's Sustainability report in the section Reporting on sustainable development. These main topics from the materiality analysis are also partially considered as Outokumpu's key risks, which are explained above within several risk scenarios, including: environmental business risks; environmental accident risks; raw materials, supplies and electricity; compliance; and reputational harm. For instance, the management of workplace safety, toxics and chemicals are core parts of Outokumpu's health and safety management activities, as described in the Sustainability report in the chapter Safe working environment. Additionally, Outokumpu takes seriously all labor practice violations and related threats as well as its full transparency and compliance in human rights topics. Additional information on human rights and about Outokumpu's stakeholder relations is available in the Sustainability report under sections Our people and Outokumpu and society. In order to also improve the identification of sustainability risks, the new Global Reporting Initiative G4 standard has been taken in to use for the responsibility reporting.

Shares and shareholders

Shares and share capital

Outokumpu's shares are listed on the Nasdaq Helsinki Large Cap list under the trading code OUT1V, and are incorporated into the Finnish book-entry securities system. The total share capital was EUR 311 million at the end of the year.

As of December 31, 2015, the total number of Outokumpu shares was 416,374,448, and Outokumpu held 885,140 of its own shares, i.e. treasury shares. All shares in Outokumpu carry equal voting and dividend rights.

Outokumpu in the capital markets

Outokumpu continued its regular and active dialogue with investors and analysts in 2015.

Key topics discussed with investors were the actions to turn Coil Americas profitable, development in Coil EMEA restructuring, actions to strengthen the balance sheet, as well as market-related topics.

Outokumpu held its Annual General Meeting in Espoo, Finland in March. The Capital Markets Day was held in Berlin, Germany in May. Outokumpu arranged 19 roadshows in Europe and in the US during the year. Outokumpu also met investors at an industry seminar in New York. In addition, the company arranged two investor events for private shareholders in Finland.

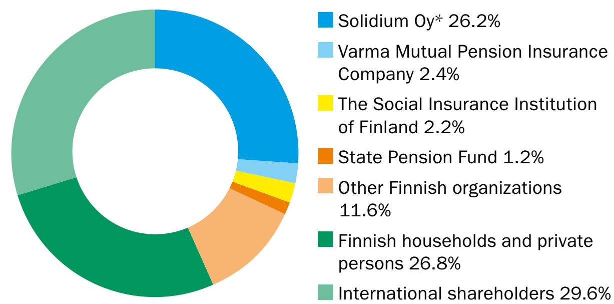
Outokumpu organized three site visits for analysts and institutional investors in 2015: one to the chrome mine in Kemi and the stainless steel plant in Tornio, Finland, and one to the stainless steel plant in Calvert, US. In total, about 250 one-on-one meetings and over 60 conference calls were held with investors during the year.

Share price development and market capitalization

During 2015, the price of the Outokumpu share peaked at EUR 7.76 and was EUR 2.06 at its lowest (2014 high/low: EUR 7.50/ EUR 3.37). The Outokumpu share price closed at end of the year at EUR 2.73, 43% below the closing price of 2014 (EUR 4.77 on December 30, 2014). At the end of 2015, the company's market capitalization was EUR 1,137 million, compared to EUR 1,987 million at the previous year's end.

In 2015, the average daily trading volume in Outokumpu shares on the Nasdaq Helsinki was 5.3 million shares. In total, 1,345 million Outokumpu shares were traded on the Nasdaq Helsinki during 2015, representing a value of EUR 6,013 million (2014: 695 million shares, which corresponded to EUR 3,609 million).

Shareholders by group on December 31, 2015

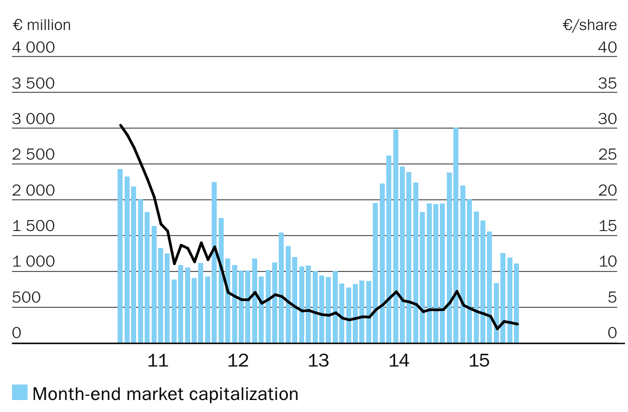


* Solidium Oy is wholly-owned by The Finnish State.

Shareholders by group on December 31, 2015

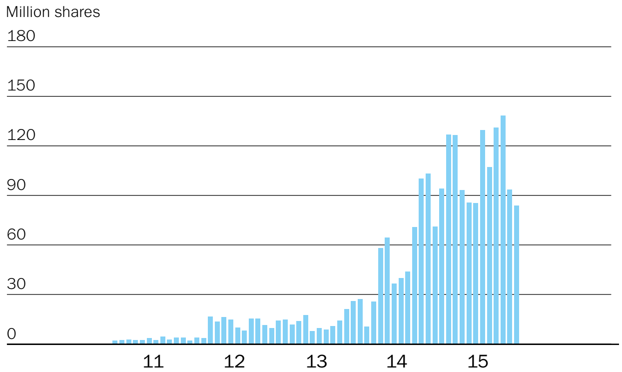
	Shares	%
Private corporations	128 779 521	30.9
Financial and insurance institutions	12 586 081	3.0
Public sector and public organizations	37 517 434	9.0
Non-profit organizations	2 785 140	0.7
Households	111 535 670	26.8
Outside Finland	2 022 173	0.5
Nominee accounts held by custodian banks	121 148 429	29.1
Total	**416 374 448**	**100.0**

Market capitalization and share price development



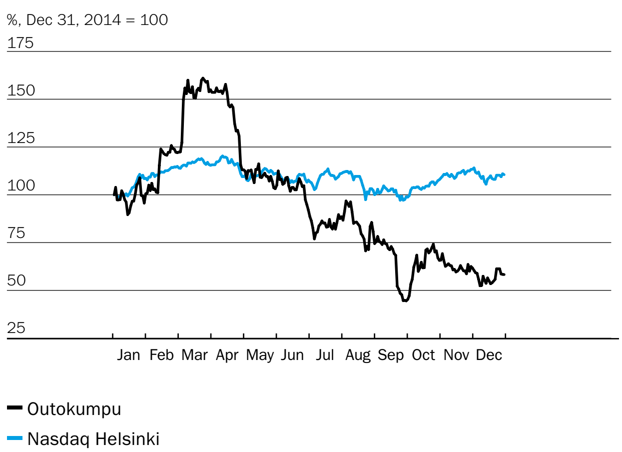
Source: Nasdaq

Monthly trading volume

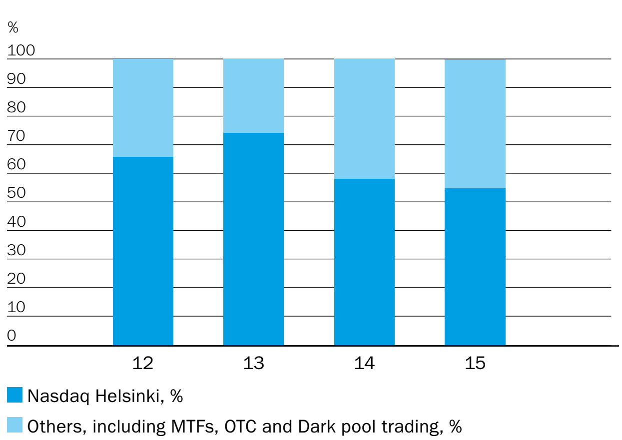


Includes trading on Nasdaq Helsinki. The graph does not include trading on February 28, 2014 because of an extraordinary peak as a result of ThyssenKrupp selling its shares in Outokumpu.

Outokumpu share price development in 2015



Trading venue development 2012–2015



Source: Fidessa.

In addition to the Nasdaq Helsinki, Outokumpu's shares are traded on various alternative trading platforms. The volume of Outokumpu's shares traded on the Nasdaq Helsinki represented 55% of the total volume of Outokumpu's shares traded in 2015 (source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com).

More information about shares is available at www.outokumpu.com/en/Investors/Share-info

Share-based incentive programs

Outokumpu's Board of Directors has confirmed that share-based incentive programs are part of the incentive and commitment scheme for the company's key personnel.

The objectives are to reward key personnel for good performance and thereby support Outokumpu's strategy, and to direct management attention towards increasing Outokumpu's profitability and shareholder value. The programs offer the possibility of receiving Outokumpu shares as an incentive, provided that the criteria set by the Board for each earnings period are fulfilled.

Performance Share Plan 2012

The Board of Directors of Outokumpu approved on January 31, 2012 the establishment of a share-based incentive plan, the Performance Share Plan 2012, which is part of the remuneration and commitment program for the key management of Outokumpu Group. The plan offers the possibility to receive Outokumpu shares as a long-term incentive reward if the targets set by the Board of Directors for each earnings period are achieved. The Performance Share Plan consists of annually commencing performance share plans. Each plan includes a three-year earnings period, after which any share rewards earned will be delivered to the participants.

The first plan of the Performance Share Plan, covering years 2012-2014, ended on December 31, 2014. The criteria set for the plan were relative TSR (total shareholder return) performance compared to a peer group, with a 30% weighting of the maximum reward, as well as EBIT (earnings before interest and taxes) excluding non-recurring items for the year 2012, EBITDA (earnings before interest, taxes, depreciation and amortization) for the year 2013 and EBIT improvement for the year 2014, with a combined 70% weighting of the maximum reward. Based on the achievement of the targets, the participants received 23.3% of the maximum number of shares as a reward. After deductions for applicable taxes, altogether 48,234 shares were delivered to 69 persons in spring 2015. Of these 48,234 shares, 8,021 shares were delivered to Mika Seitovirta (CEO until October 26, 2015) and 4,568 shares to other Leadership Team members. Outokumpu used its treasury shares for the reward payment, which meant that the total number of shares of the company did not change due to the reward.

December 31, 2015 status of the Performance Share Plans

	PSP 2013–2015	PSP 2014–2016	PSP 2015–2017
Number of participants on Dec 31, 2015	104	119	133
Maximum number of gross shares to be paid [1)			
Interim CEO Florey	38 880	55 200	75 000
Other Leadership Team members	154 080	253 704	393 000
Other participants	716 850	1 185 618	1 143 900
Total maximum number of gross shares to be paid [1)	909 810	1 494 522	1 611 900
Earning criteria	EBITDA for the year 2013, EBIT improvement for the year 2014, EBIT excluding non-recurring items for the year 2015, Outokumpu share price adjusted by dividends at the end of the three-year period, and the achievement of annual Inoxum transaction related synergies.	EBIT improvement for the year 2014, EBIT excluding non-recurring items for the year 2015 and underlying EBITDA for the year 2016, annual business cash flow for the years 2014, 2015 and 2016 and Outokumpu ROCE at the end of 2016.	EBIT excluding non-recurring items and business cash flow for the year 2015, ROCE ranking among peers at the end of 2017 and Outokumpu gearing in 2017.
Share delivery year	2016	2017	2018

[1)] The maximum number of gross shares (taxes included) payable if the set performance targets are achieved in full.

Restricted Share Pool 2012

The Board of Directors of Outokumpu approved on January 31, 2012 the establishment of a Restricted Share Pool program, which is part of the remuneration and commitment program for selected key resources of Outokumpu Group. It consists of annually commencing plans with a three-year vesting period, after which the allocated share rewards will be delivered to the participants provided that their employment with Outokumpu continues uninterrupted throughout the duration of the plan and until the shares are delivered. Restricted share grants are approved annually by the CEO, with the exception of any allocations to Leadership Team members, which will be approved by the Board of Directors.

The first plan of the Restricted Share Pool 2012, covering years 2012-2014, ended on December 31, 2014. After deductions for applicable taxes, in total 14,350 shares were delivered to three participants of the 2012–2014 plan in spring 2015. Of these 14,350 shares, 8,190 shares were delivered to Leadership Team members. Outokumpu used its treasury shares for the reward payment, which meant that the total number of shares of the company did not change due to the reward.

December 31, 2015 status of the Restricted Share Pool

	RSP 2013–2015	RSP 2014–2016	RSP 2015–2017
Number of participants on Dec 31 2015	2	6	6
Maximum number of gross shares to be paid [1)			
Interim CEO Florey	-	-	-
Other Leadership Team members	7 500	-	5400
Other participants	4 200	20 700	30 800
Total maximum number of gross shares to be paid [1)	11 700	20 700	36 200
Share delivery year	2016	2017	2018

[1)] The gross number of shares (taxes included) payable if the employment has continued until the delivery date of the shares and no notice of termination has been given prior to the delivery date.

Other terms

The aggregate reward of an individual participant under the above programs, together with other short-term and long-term incentives of the participant, could not exceed 200% of the participant's annual base salary in 2015.

According to the share ownership plan of the Outokumpu Group, the members of the Leadership Team are obliged to own Outokumpu shares received under share-based incentive programs to the value of their annual gross base salary. 50% of the net shares received from the Performance Share Plan and Restricted Share Pool programs described above must be used to fulfill the above ownership requirement.

Management shareholding

On December 31, 2015, members of the Outokumpu Board of Directors and the Leadership Team held a total of 180,681 Outokumpu shares, corresponding to 0.04% of the company's shares and voting rights. If the members of the Leadership Team were to receive the maximum number of shares for the 2013–2015, 2014–2016 and 2015–2017 periods of the performance share and restricted share plans (a total of 962,514, shares), their shareholding obtained via the programs would amount to 0.23% of the company's shares and voting rights.

Details of Outokumpu's management shareholdings can be found in the section Corporate governance.

Principal shareholders on December 31, 2015

	Shares	%
Solidium Oy	109 069 264	26.19
Varma Mutual Pension Insurance Company	10 016 567	2.41
The Social Insurance Institution of Finland	9 298 652	2.23
State Pension Fund	5 000 000	1.20
Elo Mutual Pension Insurance Company	4 820 000	1.16
Ilmarinen Mutual Pension Insurance Company	3 685 673	0.89
Etera Mutual Pension Insurance Company	3 050 449	0.73
Evli Finnish Small Cap Mutual Fund	1 377 300	0.33
SR Danske Invest Finnish Institutional Equity Fund	1 266 789	0.30
OP Life Assurance Company Ltd.	1 032 442	0.25
OP-Finland Small Firms Fund	924 653	0.22
OP-Finland Value Fund	911 524	0.22
Relander Harald Bertel	850 000	0.20
	151 303 313	**36.33**
Nominee accounts held by custodian banks	121 148 429	29.10
Treasury shares	885 140	0.21
Other shareholders	143 037 566	34.36
Total	**416 374 448**	**100.00**

Distribution of shareholders on December 31, 2015

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital	Average shareholding
1–100	15 663	22.02	721 950	0.17	46
101–1 000	34 834	48.98	15 476 476	3.72	444
1 001–10 000	18 460	25.96	56 563 475	13.58	3 064
10 001–100 000	2 048	2.88	47 457 138	11.40	23 172
100 001–1 000 000	106	0.15	26 396 644	6.34	249 025
1 000 001–10 000 000	8	0.01	29 531 305	7.09	3 691 413
10 000 001–100 000 000	1	0.00	10 016 567	2.41	10 016 567
100 000 001–	1	0.00	109 069 264	26.19	109 069 264
Shares in nominee accounts held by custodian banks	-	-	121 141 629	29.09	-
Shares not transferred to book-entry securities system total			30		
	71 121	**100.00**	**416 374 448**	**100.00**	

Information for investors

Annual General Meeting 2016

Outokumpu Oyj's Annual General Meeting 2016 will be held on Wednesday April 6, 2016 at 2:00 pm EET at the Marina Congress Center, Katajanokanlaituri 6, 00160 Helsinki.

To attend the Annual General Meeting, shareholders must be registered on March 23, 2016 in the company's shareholders' register held by Euroclear Finland Ltd.

A holder of nominee registered shares has the right to participate in the Annual General Meeting by virtue of such shares, based on which he/she on March 23, 2016 would be entitled to be registered in the shareholders' register of the company held by Euroclear Finland Ltd. The right to participate in the Annual General Meeting requires, in addition, that the shareholder has been registered on the basis of such shares in the temporary shareholders' register held by Euroclear Finland Ltd. by April 1, 2016 at 10:00 am EET at the latest. The account management organization of the custodian bank has to register a holder of nominee registered shares who wants to participate in the Annual General Meeting into the temporary shareholders' register of the company by the time stated above at the latest.

Shareholders who wish to attend the Annual General Meetings must notify Outokumpu no later than 4:00 pm EET on March 29, 2016. Notifications can be made on the website at www.outokumpu.com, by e-mail to the address: agm.outokumpu@innovatics.fi, by telefax: +358 (0)9 421 2428, by telephone: +358 (0)9 421 2474 or +358 (0)9 421 3808 (from Monday to Friday at 12:00–4:00 pm EET, March 7, 2016 onwards), or by regular mail to:

Outokumpu Oyj Share Register
P.O. Box 140
FI-02201 Espoo, Finland.

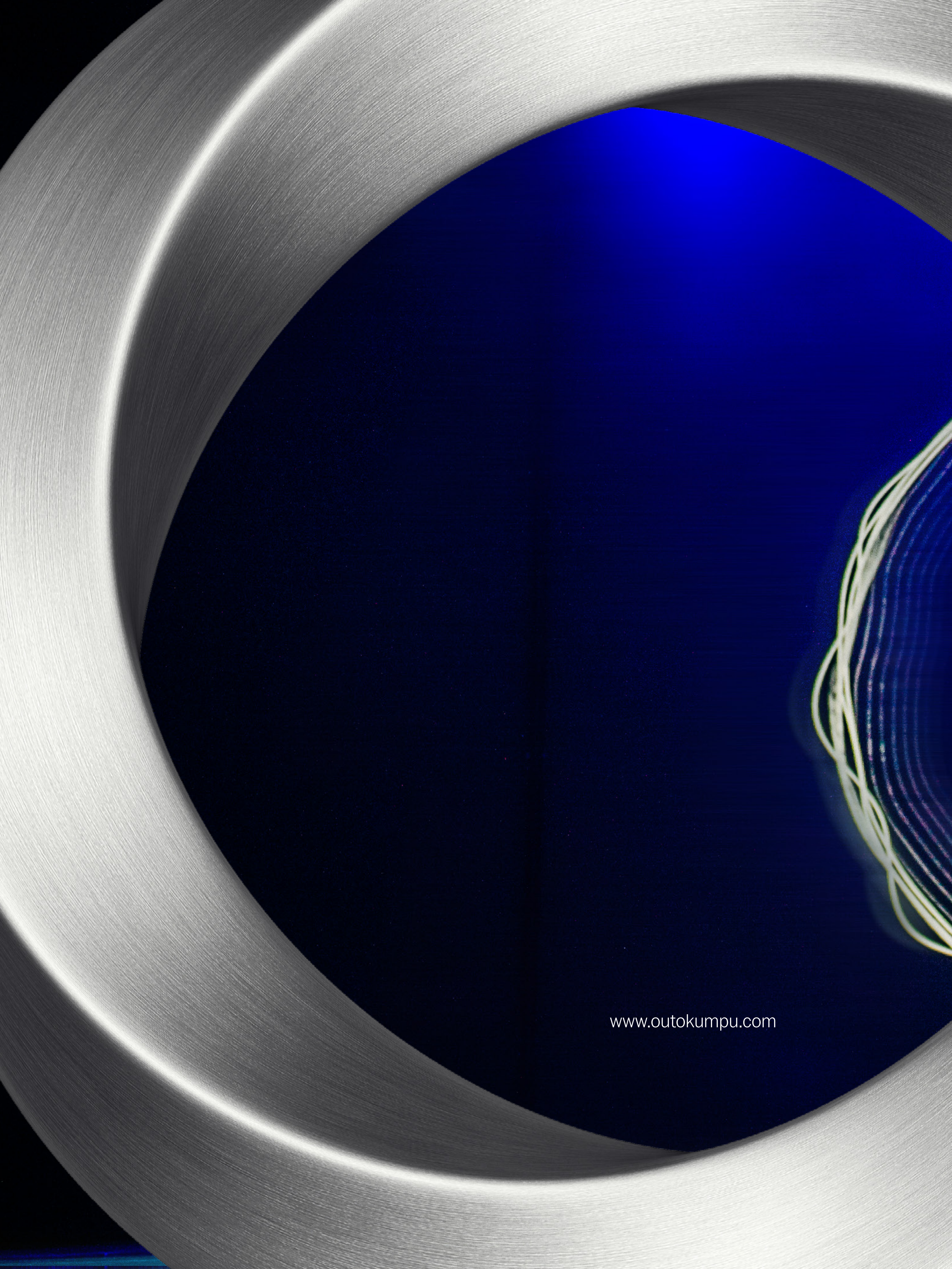
Shareholders may attend the AGM and vote in person or by proxy. In accordance with Finnish practice, Outokumpu does not send proxy forms to its shareholders. Shareholders wishing to vote by proxy should therefore submit their own proxy forms to Outokumpu's Share Register during the registration period.

The complete notice to the AGM and additional information concerning the AGM is available on the Outokumpu website on the Annual General Meeting webpage.

Outokumpu Oyj

Corporate Management
Riihitontuntie 7 B, P.O. Box 140
FI-02201 Espoo, Finland
Tel. +358 9 4211
Fax +358 9 421 3888

www.outokumpu.com


www.outokumpu.com