Financial year 2022

Year 2022 was a historic one for Outokumpu. Our result was the best in our history. We also reached an important milestone of being net debt free.

Review by the Board of Directors

The year 2022 was a historic one for Outokumpu. Our adjusted EBITDA increased to EUR 1.3 billion (EUR 1.0 billion), which is the best result in the company's history. Stainless steel deliveries declined from the previous year, while higher realized prices for stainless steel supported profitability. As a result of strengthened profitability, our ROCE increased to 22.6% (17.6%) and earnings per share to EUR 2.40 (EUR 1.21). We also reached an important milestone of being net debt free at the end of 2022. This is a remarkable achievement and was made possible by our diligent strategy execution and the exceptionally strong market environment for the past two years. Outokumpu is now financially stronger than ever and more resilient to withstand changing conditions.

In 2022, Outokumpu completed the first phase of its strategy, where the aim was to de-risk the company. By the end of the second quarter, both financial targets, a net debt to adjusted EBITDA ratio below 3.0 and an EBITDA run-rate improvement of EUR 250 million, were reached. As a result, Outokumpu launched the second phase ahead of schedule. The aim of the second phase is to strengthen Outokumpu's core, and this phase will last until the end of 2025. We aim to improve our EBITDA run-rate by another EUR 200 million and keep our net debt to adjusted EBITDA ratio at below 1.0 in normal market conditions. There is also an increased focus on shareholder returns in the second phase and, in 2022, Outokumpu updated its dividend policy and launched its first share buyback program ever.

The operating environment in 2022 was exceptionally volatile. The war in Ukraine and its consequences, such as the energy crisis in Europe, overshadowed the year and created challenges we overcame as a team. Despite

In 2022, Outokumpu classified the divested Long Products businesses as assets held for sale, reported as discontinued operations. Therefore, all figures and comments in this report refer to continuing operations, unless otherwise stated.

Highlights 2022

Stainless steel deliveries
2,106,000
tonnes
(2,254,000 tonnes)

Adjusted EBITDA, EUR
1,256
million
(EUR 980 million)

ROCE
22.6%
(17.6%)

Net result EUR
1,086
million
(EUR 526 million)

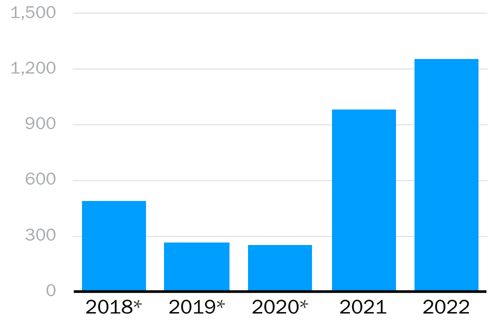
Operating cash flow, EUR incl. discontinued operations
778
million
(EUR 597 million)

the exceptional situation in the energy market, Outokumpu was able to run its stainless steel operations successfully throughout the year, and both business areas Europe and Americas delivered their best annual results in history. Business area Europe's adjusted EBITDA increased to EUR 680 million (EUR 485 million), while deliveries declined compared to the previous year. Business area Americas delivered a record-level adjusted EBITDA of EUR 384 million (EUR 297 million) with lower deliveries. Business area Ferrochrome, however, suffered from the exceptionally high electricity prices, which resulted in an optimization of ferrochrome production in the second half of the year. Business area Ferrochrome's adjusted EBITDA amounted to EUR 220 million (EUR 246 million), showing strong profitability but negatively affected by the high electricity prices.

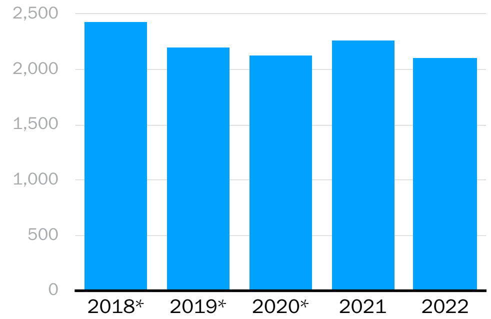
In 2022, our sustainability leadership continued. Safety performance further improved from last year's level, and the share of recycled content reached an all-time high of 94%. As a result of our strong sustainability performance, Outokumpu reduced its CO_2 emissions successfully in line with its SBTi emission reduction target. Additionally, we launched a new emission-minimized stainless steel product called Circle Green, which is the first of its kind in the industry.

After the balance sheet date in January 2023, Outokumpu completed the divestment of the majority of its Long Products business. This represents a successful closing of the turnaround program and allows Outokumpu to focus on its core business of flat stainless steel and ferrochrome.

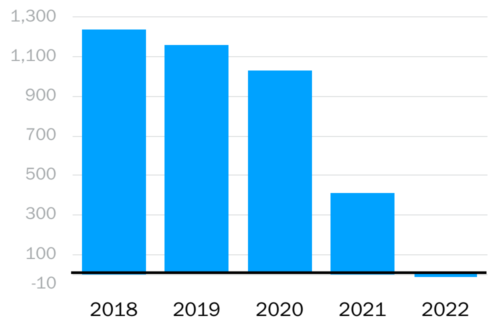
Adjusted EBITDA, € million



Stainless steel deliveries, 1,000 tonnes



Net debt, € million*



* Including discontinued operations

Market development

According to CRU's latest estimates (November 2022), global apparent consumption of stainless steel flat products increased marginally by 0.4% in 2022 compared to 2021. In terms of demand, while Europe experienced a very strong first half in 2022, markets in Americas and APAC showed very low growth rates after a very positive 2021. Demand in EMEA and Americas grew by 6.5% and 0.4%, respectively, while the largest region, APAC, decreased by 0.8%. In Europe, the market cooled down in the second half of 2022 as consumers felt the pressure from high inflation and energy prices.

Results

€ million	2022	2021
Sales	**9,494**	7,243
Adjusted EBITDA	**1,256**	980
Adjustments		
Loss on disposal of shares in Group companies and businesses	**–10**	–
Litigation provisions	**2**	–15
Environmental provisions	**–**	–10
Gain on disposal of property	**–**	12
EBITDA	**1,248**	968
EBIT	**992**	674
Net result for the financial year	**1,086**	526
Earnings per share, €	**2.40**	1.21
Diluted earnings per share, €	**2.22**	1.13
Adjusted EBITDA margin, %	**13.2**	13.5
Return on capital employed, rolling 12 months (ROCE), %[1)]	**22.6**	17.6

[1)] The balance sheet component is including discontinued operations except for Sept 30 and Dec 31, 2022, where only the equity component of discontinued operations is included.

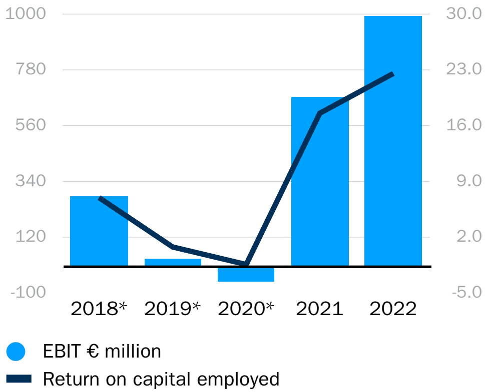
In January–December 2022, Outokumpu's sales increased to EUR 9,494 million (EUR 7,243 million) and adjusted EBITDA rose to EUR 1,256 million (EUR 980 million). As a result of strong profitability, ROCE improved to 22.6% (17.6%).

Total stainless steel deliveries declined by 7% in January–December 2022 compared to the previous year, while realized prices for stainless steel were at a higher level in both regions, Europe and Americas. Profitability in 2022 was negatively impacted by significant cost inflation in energy and various consumable prices.

Raw material-related inventory and metal derivative losses, mainly due to negative timing impacts amounted to EUR 131 million in January–December 2022 compared to gains of EUR 63 million in the previous year. Other operations and intra-group items' adjusted EBITDA amounted to EUR -28 million (EUR -48 million).

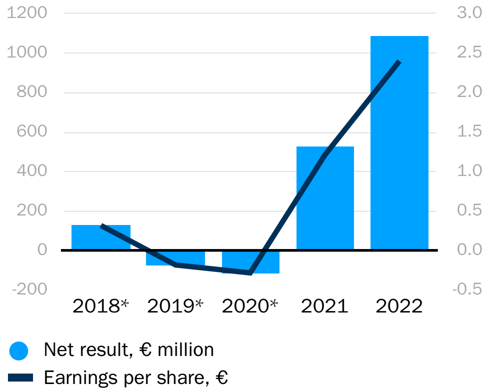
Outokumpu's EBIT increased to EUR 992 million (EUR 674 million) and net result to EUR 1,086 million (EUR 526 million) in January–December 2022. Net result in 2022 was positively impacted by the recognition of the deferred tax asset of EUR 297 million in the fourth quarter. The final amount of the recognized deferred tax asset was EUR 56 million lower than previously estimated and communicated on December 13, 2022. Valuation was impacted by EUR/ USD foreign exchange rate, and updated as part of the year-end tax reporting process. It was also impacted by changes in assumptions of ability to use state tax loss carry-forward and refinement in the blended tax rate used.

EBIT, € million, and return on capital employed, %



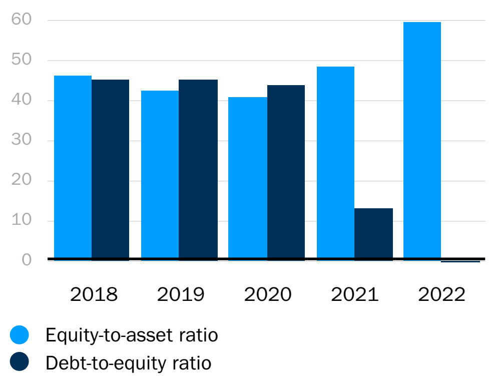
Outokumpu has redefined its' capital employed and ROCE definitions in 2022. Comparative information for 2021 has been restated accordingly.

Net result, € million, and earnings per share, €

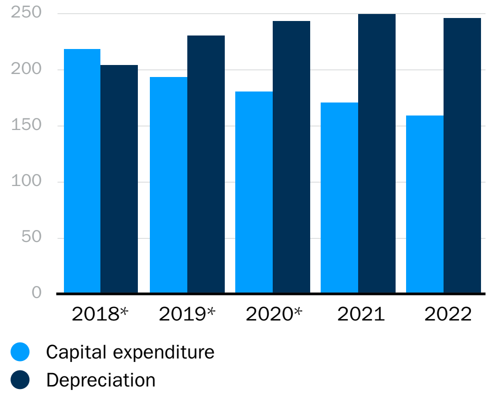


* Including discontinued operations

Equity-to-assets ratio and debt-to-equity ratio, %*



Capital expenditure and depreciation, € million



Capital expenditure definition changed from accrual-based to cash-based capital expenditure in 2020. Figures for 2019 and 2018 have been restated accordingly.

Strategy execution

Outokumpu launched its three-phased strategy in November 2020. The first phase, where the aim was to de-risk the company by the end of 2022, was completed six months ahead of schedule. By the end of the first half of 2022, both financial targets, net debt to adjusted EBITDA ratio to below 3.0 and EBITDA run-rate improvement of EUR 250 million were reached. As a result, Outokumpu launched the second phase of the strategy ahead of schedule, and it will last until the end of 2025.

In the second phase, the aim is to strengthen the core of Outokumpu. The company aims to improve its EBITDA run-rate by another EUR 200 million and keep the net debt to adjusted EBITDA ratio at below 1.0 in normal market conditions.

The second phase is focused on three key priorities: sustainability, growth from productivity and customer focused steering. Outokumpu will remain capital disciplined also in the second phase and keep its capital expenditure limited to EUR 600 million for the next three years. There is also an increased focus on shareholder returns.

For the second phase, Outokumpu launched two customer differentiated strategies for business area Europe. The company aims to strengthen cost leadership in high-volume stainless steel products and global market leadership in advanced products. In business area Americas, the initial aim is to improve capacity by 80 kilotons with small investments as announced in June, 2022. In business area Ferrochrome, carbon neutrality is a strategic priority.

Outokumpu has a strong strategic initiative pipeline of more than 1,000 projects with over 300 projects already in progress, following the rigorous governance and ways of working in the company's strategy execution.

During the second half, the first financial results towards the EBITDA improvement target of EUR 200 million were reached. Outokumpu improved its EBITDA run-rate by EUR 28 million. Much of the impact in the second half came through customer focused steering with early improvements in the digital experiences Outokumpu is offering to its customers. Yield improvement projects were also very strong early contributors and there has been early successes in the Circle Green products, which will be broadened with new grades. Outokumpu has also strongly focused on energy efficiency projects, which will have a positive impact on the sustainability and financials.

The second half of 2022 has laid down a solid foundation to ensure that the target of strengthening the core will be achieved by the end of 2025.

Financial position and cash flow, incl. discontinued operations

€ million	2022	2021
Net debt		
Non-current debt	**492**	597
Current debt	**141**	112
Cash and cash equivalents	**644**	300
Net debt	**–10**	408
Net debt to adjusted EBITDA	**0.0**	0.4
Net cash generated from operating activities	**778**	597
Capital expenditure, continuing operations	**158**	171
Capital expenditure	**160**	175
Debt-to-equity ratio, %	**–0.3**	13.1
Equity-to-assets ratio, %	**59.2**	48.3

Operating cash flow (incl. discontinued operations) amounted to EUR 778 million in 2022 (EUR 597 million). The annual net working capital increase was EUR 587 million as there was a negative impact coming from all three items, inventories, accounts payables and accounts receivables (increase of EUR 266 million).

Inventories amounted to EUR 1,783 million at the end of December (December 31, 2021: EUR 1,892 million). In 2022, the total inventory decrease was EUR 109 million, of which EUR 185 million relates to the reclassification of the Long Products inventory asset held for sale. Therefore, the inventories for the continuing operations increased by EUR 76 million. During the year, inventories decreased in volumes while higher metal prices offset the impact. Capital expenditure amounted to EUR 158 million in 2022 (EUR 171 million).

Net debt (incl. discontinued operations) turned negative during the fourth quarter of 2022 and stood at EUR -10 million at the end of the year (December 31, 2021: EUR 408 million). The impact of the EUR 100 million share buyback program, which was announced in the fourth quarter is included in the net debt figure. In addition to EUR 42 million cash impact, Outokumpu recognized in unrestricted equity for EUR 100 million and financial liability for EUR 58 million. Gearing (incl. discontinued operations) declined to -0.3% (December 31, 2021: 13.1%).

Net financial expenses decreased to EUR 71 million in 2022 (EUR 79 million) and interest expenses to EUR 44 million (EUR 64 million).

Cash and cash equivalents (incl. discontinued operations) increased in 2022, and amounted to EUR 644 million on December 31, 2022 (December 31, 2021: EUR 300 million). Overall liquidity reserves also increased during the year and amounted to EUR 1.4 billion at year-end (December 31, 2021: EUR 0.9 billion). Cash equivalents include deposits held at call with financial institution and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash with subject to an insignificant risk of changes in value.

At the end of 2022, Outokumpu had a total of EUR 800 million of outstanding committed credit facilities, which were fully unutilized. Outokumpu repaid during the year all outstanding issued commercial papers (December 31, 2021: EUR 58 million).

Outokumpu continued to divest its non-core assets in 2022. On June 1, Outokumpu divested its plate services in Castelleone, Italy. On October 3, the company announced that it has completed the divestment of its Aalten service center to Roba Holding. On November 24, Outokumpu completed the divestment of its Fortinox subsidiary in Argentina to Mirgor.

Business areas

Outokumpu has three business areas, which are also Group's operating segments. The divested Long Products businesses were classified as assets held for sale and reported as discontinued operations at the end of 2022. More information about the business areas can be found in note 2.1 in the consolidated financial statements.

Europe

		2022	2021
Stainless steel deliveries	1,000 tonnes	**1,423**	1,535
Sales	€ million	**6,266**	4,600
Adjusted EBITDA	€ million	**680**	485
Adjustments to EBITDA	€ million	**–**	12
EBITDA	€ million	**680**	498
Operating capital[1)]	€ million	**1,864**	1,721
Return on operating capital	%	**28.9**	20.4

[1)] Outokumpu has redefined its operating capital definition in 2022. Comparative information has been restated accordingly.

In 2022, business area Europe's sales increased to EUR 6,266 million (EUR 4,600 million) and adjusted EBITDA to EUR 680 million (EUR 485 million).

Stainless steel deliveries decreased by 7% compared to the previous year, but higher realized prices for stainless steel and improved product mix supported profitability. Variable costs increased significantly due to high inflation in electricity, gas and other consumable prices and freight rates. In 2022, raw material-related inventory and metal derivative losses amounted to EUR 135 million (gains of EUR 8 million in 2021).

Business area Europe's return on operating capital amounted to 28.9% at the end of 2022 (20.4%).

In 2022, apparent consumption in EMEA increased by 6.5% compared to 2021 (Source: CRU, November 2022). EU cold-rolled imports from the third countries increased to a level of 35% from the previous year's level of 26% (Source: EUROFER, January 2023). Also, distributor inventories in 2022 were higher than in 2021.

Americas

		2022	2021
Stainless steel deliveries	1,000 tonnes	**654**	742
Sales	€ million	**2,695**	1,947
Adjusted EBITDA	€ million	**384**	297
Adjustments to EBITDA	€ million	**2**	–15
EBITDA	€ million	**387**	283
Operating capital[1)]	€ million	**990**	880
Return on operating capital	%	**32.4**	27.2

[1)] Outokumpu has redefined its operating capital definition in 2022. Comparative information has been restated accordingly.

In 2022, business area Americas' sales increased to EUR 2,695 million (EUR 1,947 million) and adjusted EBITDA to EUR 384 million (EUR 297 million).

Stainless steel deliveries decreased by 12% compared to the previous year but realized prices for stainless steel were at a higher level. Variable costs increased significantly in 2022 due to higher energy and consumable prices, especially in packaging materials, refractories, and electrodes, as well as higher freight rates. Fixed costs also increased due to higher maintenance and personnel costs, and strategy phase 2 projects. In 2022, raw material-related inventory and metal derivative losses amounted to EUR 36 million (gains of EUR 55 million in 2021).

Business area Americas' return on operating capital rose to 32.4% at the end of 2022 (27.2%).

In 2022, the apparent consumption increased by 4% compared to 2021. The share of cold-rolled imports into the US increased to 26% compared to 19% in the previous year. (Source: American Iron and Steel Institute, AISI). Also, distributor inventories were significantly higher in 2022 than in 2021.

Ferrochrome

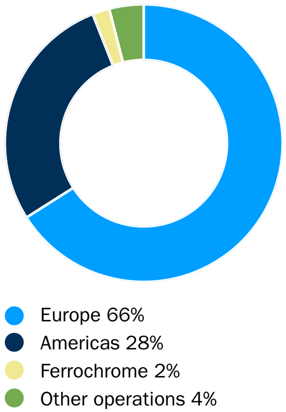
		2022	2021
FeCr production	1,000 tonnes	**430**	515
Sales	€ million	**633**	604
Adjusted EBITDA	€ million	**220**	246
EBITDA	€ million	**220**	246
Operating capital[1)]	€ million	**867**	823
Return on operating capital	%	**20.7**	24.8

[1)] Outokumpu has redefined its operating capital definition in 2022. Comparative information has been restated accordingly.

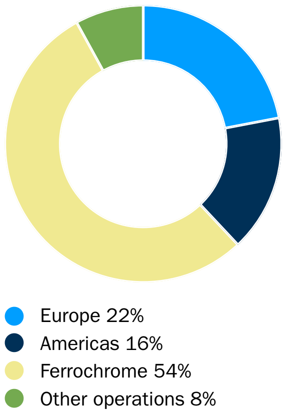
In 2022, business area Ferrochrome's sales increased to EUR 633 million (EUR 604 million), while adjusted EBITDA decreased to EUR 220 million (EUR 246 million).

Ferrochrome production was 17% lower compared to the previous year due to a furnace shutdown and the optimization of the ferrochrome production in the second half of the year because of the exceptionally high electricity prices. Profitability was however supported by higher ferrochrome sales price and weaker EUR/USD foreign exchange rate. Variable costs increased significantly in 2022, mainly due to higher reductant and electricity prices, and costs related to mine and freight. Fixed costs increased also as a result of higher maintenance.

Sales by business area, 9,494 € million



Capital expenditure by business area, 158 € million



Business area Ferrochrome's return on operating capital amounted 20.7% at the end of 2022 (24.8%).

Discontinued operations: divestment of majority of the Long Products business

On July 12, 2022, Outokumpu announced that it had signed an agreement to divest the majority of its Long Products business operations to Marcegaglia Steel Group, a leading industrial group worldwide in the steel processing sector. Outokumpu focuses on its core business of flat stainless steel and ferrochrome.

The prerequisites for the completion of the transaction were, among other things, the necessary approvals by the competition authorities, and Outokumpu announced these approvals on December 14, 2022.

After the balance sheet date on January 3, 2023, Outokumpu announced that it has completed the divestment. The transaction was carried out as a share sale and, as a result of the transaction, melting, rod, and bar operations in Sheffield, the UK, bar operations in Richburg, the US, and wire rod mill in Fagersta, Sweden were sold to Marcegaglia. The transaction excluded Outokumpu Long Products AB units in Degerfors and Storfors, Sweden, and different options regarding the future of the units will be evaluated.

The total consideration for the transaction on a debt and cash free basis was EUR 228 million, strengthening Outokumpu's financial position. Provisional cash proceeds for equity and net debt item are EUR 224 million, with EUR 5 million paid into an escrow account. Transaction costs are estimated to be approximately EUR 8 million.

The estimated proceeds, net of cash disposed, is around EUR 100 million in the first quarter of 2023. The consideration is subject to closing accounts that are finalized during the first half of 2023 and release of the escrow account.

Outokumpu recognized in the net result from the discontinued operations an impairment loss of EUR 33 million. The accumulated translation differences, currently estimated at EUR 8 million, will be reclassified into net result from the discontinued operations at the time of the disposal.

Starting from the interim report January–September 2022, Outokumpu has classified its Long Products businesses to be divested as assets held for sale and reported the businesses as discontinued operations. The divestment was completed only after the balance sheet date.

As in the interim report January–September 2022 the result from the discontinued operations is reported separately from income and expenses from continuing operations in the consolidated income statement and prior periods have been restated accordingly. The statement of financial position has not been restated for prior periods. Assets and liabilities related to the discontinued operations are presented as separate line items on the balance sheet. The statement of cash flows consists of total group figures, also including the discontinued operations.

In 2022, sales of the divested Long Products units (discontinued operations) was EUR 794 million (EUR 466 million) and EBITDA EUR 127 million (EUR 40 million). EBITDA includes transaction costs related to the divestment of EUR 4 million.

War in Ukraine

Outokumpu strongly condemns the continued military aggression by Russia against Ukraine. The company has undertaken actions throughout the year to sever connections with a country that does not honor international laws or human rights, while taking into account the contractual situations. Outokumpu has no employees, production, or service centers in Russia.

Outokumpu's most important raw material is recycled steel, and the company stopped sourcing it from Russia immediately in the first quarter of 2022. Prompt decisions and robust actions were taken to stop sales and deliveries to Russia. The company also took decisive measures to replace other raw materials of Russian origin. At the end of 2022, Outokumpu had replaced Russian origin nickel suppliers and as of the beginning of 2023, the company does not buy any nickel of Russian origin for its operations.

The prolonged war in Ukraine has had far-reaching consequences for Outokumpu through the adverse development of the geopolitical tension and global economy. In particular, the impacts of the energy crisis in Europe resulting from the war became severe for Outokumpu during the second half of 2022. The company has taken various measures to mitigate the negative impacts on its business and operations and to prevent energy costs from rising. Despite the challenging energy situation, Outokumpu ran its stainless steel operations successfully throughout 2022.

Outokumpu has been optimizing its ferrochrome production since August as a response to the significantly increased electricity prices. For the same reason, the company also decided in October to delay the restart of one of its ferrochrome furnaces after a planned maintenance break. The furnace will be restarted on February 15, 2023.

For the Tornio site in Finland, Outokumpu took further measures in the third quarter to secure its energy availability to mitigate the negative impacts of the potential disruption in the gas and energy market. The company purchased and stored propane gas in Tornio in preparation for winter 2023. During the fourth quarter, Outokumpu finalized most of its capabilities in order to switch between the energy gases if needed.

During the continued energy crisis in Europe, Outokumpu launched an ambitious energy efficiency improvement program in the fourth quarter. The company aims to improve its energy efficiency by 8% by the end of 2024 across the group.

Outokumpu continues to follow the global energy and gas market closely as well as sanctions and counter measures between Russia and the EU, the UK and the US. Outokumpu acquires energy gases from the European market, for which Russia is one of the indirect suppliers. Also, indirect supply from Russia exists for a very limited amount of raw material and the company is demanding its suppliers to commit to finding alternative sources globally.

Outokumpu monitors closely the prolonged situation concerning the war along with geopolitical and global economic development. The established global core team that represents the main business support functions is steering and facilitating the co-operation between functions to ensure effective implementation of risk mitigation actions. As part of the overall risk mitigation process, Outokumpu has continued to further strengthen its cyber security.

Outokumpu is committed to complying with all applicable laws and regulations, including applicable sanctions regulations. Due to the Russian invasion of Ukraine, Outokumpu has continued its actions regarding sanctions compliance, including the conduct of enhanced third-party screenings, as a matter of priority. This ensures that all applicable economic and individual sanctions related to Russia are followed and complied with.

Non-financial development at Outokumpu

The information in this section fulfills the requirements in the EU Directive and the Finnish Accounting Act's Chapter 3a on statement of non-financial information. Outokumpu is also reporting according to the EU taxonomy framework and with regards to the Task Force on Climate-related Financial Disclosures (TCFD) disclosure recommendations. The taxonomy reporting is based on the delegated act specifying the technical screening criteria under which certain economic activities qualify as contributing substantially to climate change mitigation and climate change adaptation.

Outokumpu is a leading global producer of stainless steel, with world-class production assets in its key markets in Europe and in the Americas, and has a global sales and service network close to its international customers. Stainless steel is a significant contributor to building a sustainable world. Stainless steel is used in building and construction, infrastructure, appliances, transportation, and heavy industries. It is a strong, corrosion-resistant, hygienic, and aesthetic material with a high strength-to-weight ratio and no need for maintenance. At the end of its lifecycle, stainless steel is fully and endlessly recyclable, making it a key contributor to the circular economy.

Outokumpu's organization and businesses are presented in the company's annual report and in notes 2.1 and 6.5 of the consolidated financial statements.

Climate change is one of the three megatrends driving Outokumpu's business, together with economic and population growth and urbanization. The properties and the low carbon profile of Outokumpu's stainless steel can help customers to reduce their carbon footprint. The market for solutions enabling the transition into a low-carbon society will increase on the way to 2°C or 1.5°C scenarios for 2050 and give preference to low carbon profile companies such as Outokumpu.

In June 2022, Outokumpu launched a new emission-minimized product line, Circle Green, which is the first of its kind. It has the smallest emission intensity in the world, up to 92% lower carbon footprint than the global average and 64% lower than Outokumpu's average. The exceptionally significant emission reduction was achieved with improvements throughout the whole stainless steel production chain. The first batch was produced in Tornio, Finland, and was delivered to one of our strategic customers, Fiskars Group, to use for cookware.

Outokumpu acknowledges the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) and the underlying framework and acknowledges that there are financial impacts in a 2°C or lower transition scenario. Outokumpu has performed a stated policy scenario and sustainable development scenario analysis in line with the International Energy Agency Iron and Steel Technology Roadmap (2020). The financial impact of the physical and transition risks of climate change are assessed and included in the general risk assessment and management of the company.

Outokumpu's business is based on a circular economy. Over 90% of the raw material used in Outokumpu's stainless steel production is recycled. By converting scrap and metal waste into new products the company also protects virgin resources. Throughout the process, Outokumpu aims to minimize the environmental impact of its production.

Outokumpu has an integrated production process. This includes the company's own chrome mine in Kemi, Finland for one of the main raw materials in stainless steel production, ferrochrome operations, melting, hot rolling and cold rolling, as well as finishing and service centers.

Outokumpu's production sites are mainly located in relatively small cities or towns. This means that Outokumpu is a significant contributor to the economies of small local communities, and often one of the very few large private-sector employers in the area.

Sustainability strategy

Outokumpu's vision is to be the customer's first choice in sustainable stainless steel. Sustainability at Outokumpu is founded on good governance and on three pillars: environmental, economic, and social, which all need to be in balance. Outokumpu's sustainability strategy was updated in May 2021 to further strengthen Outokumpu's position as the industry leader in sustainability.

As part of its ambitious sustainability strategy, Outokumpu increased its greenhouse gas emission reduction target to the Science-Based Target initiative's (SBTi) 1.5 °C climate ambition. Outokumpu's approved short-term Science Based Target on the way to the 1.5°C target in 2050 is to reduce scope 1, 2 and 3 greenhouse gas emissions by 42% per tonne stainless steel by 2030 from a 2016 base year. This translates into a 30% CO_2 emission reduction compared to the 2020 level.

Outokumpu regularly conducts materiality analyses to map stakeholders' expectations and to assess business impact of the Group on sustainability. The materiality analysis is updated every three years and the latest update was done in 2021. According to the analysis, Outokumpu's focus areas for acceleration are emission and footprint reduction, circular economy and waste management, sustainable supply chain management and innovative technologies.

The company is a signatory of the United Nations Global Compact. Outokumpu is committed to the UN's Sustainable Development Goals, with a focus on the following six objectives: affordable and clean energy, decent work and economic growth, industry, innovation and infrastructure, responsible consumption and production, climate action and partnerships for goals.

In the last quarter of the year 2022, a decision was taken by the EU on the continuation of the Emission Trading System (ETS) and an establishing of the Carbon Border Adjustment Mechanism (CBAM) with the renewal. Free emission allowances will be phased out during 2026–2034 while the CBAM is phased in. The decision was taken to include also the main precursor materials carbon footprint within the scope of the CBAM, limited to ferromanganese, ferrochrome, and ferronickel.

During 2022, Outokumpu started the certification process for the ResponsibleSteel standard for its operating sites in business area Europe. ResponsibleSteel is a standard developed to recognize steel sites that are being operated in a responsible manner with the focus on the most material ESG issues identified and agreed upon by ResponsibleSteel members and stakeholders.

Policies and principles of sustainability management

Outokumpu's Board of Directors approves Outokumpu's sustainability strategy and targets. On the Group level, sustainability is managed by the Group sustainability team headed by the Vice President – Sustainability, who reports to the Chief Technology Officer, responsible for the Group sustainability. The Outokumpu Leadership Team regularly follows the progress of Outokumpu's sustainability agenda. Business areas and functions are responsible for ensuring that operations within their own organizations and business lines are conducted in a responsible manner and that monitoring, data collection and reporting are duly carried out. All Outokumpu operating sites are certified according to quality ISO 9001 and environment ISO 14001 management systems. The functioning of the systems is monitored by both internal and external audits.

Outokumpu's external ESG Advisory Council supports Outokumpu in continuous improvement in sustainability. The council consists of four external advisors. Its role is to challenge and comment Outokumpu's ESG strategy, roadmap development and actions as well as facilitate dialogue and the exchange of views between Outokumpu and its stakeholders. More information about the council can be found on Outokumpu's website.

Outokumpu has in place also an internal and cross-functional ESG core team which drives, develops and supports the implementation of the company's sustainability strategy by giving executive proposals and drafts for decisions to Outokumpu's management, who will then implement the necessary actions. The team includes members from Group sustainability, procurement, communications, compliance, HR and safety functions.

The most important policies guiding Outokumpu's sustainability management are the Group's Code of Conduct and the Corporate Responsibility Policy. Outokumpu's Code of Conduct defines common ways of working in the Group and sets principles for conducting business in a legal, compliant, and ethical manner, including zero tolerance for corrupt practices, and requiring compliance with applicable laws and regulations, including competition laws and trade sanctions regulations.

The Corporate Responsibility Policy describes the main principles and rules followed by Outokumpu in relation to the sustainable development of the economic, environmental, and social aspects. Outokumpu also has an Anti-Corruption Instruction providing detailed guidance on responsible business practices.

In 2022, Outokumpu published a new Supplier Code of Conduct which outlines its expectations for suppliers. Complying with the Supplier Code of Conduct is considered a minimum requirement for business engagement with any of Outokumpu's business units. During the year, Outokumpu also published a Human Rights Policy.

Outokumpu has strict guidelines for safety through the Outokumpu Safety Principles and Health and Safety Standards. Additionally, Outokumpu has ten Cardinal Safety Rules that are a part of the company's operating principles.

Corporate statements, policies and instructions are the basis of the Outokumpu operating model in governance, risk, and compliance. Policies and instructions are implemented through internal communication, mandatory training and internal control mechanisms. Outokumpu currently has five key corporate policies, which everyone working for Outokumpu needs to know well:

- Code of Conduct
- Cardinal Safety Rules
- Approval Policy
- Competition Law Compliance Policy
- Acceptable Use of IT Policy

The internal audit function, flanked by external audits consistently monitors and tests adherence to corporate guidance and standards, while the sustainability organization follows-up on environmental performance and legality on a monthly basis. Regular internal environmental audits by the Group's environmental team are performed based on an internal risk assessment.

Outokumpu applies a risk-based approach in its supplier management. Risks are assessed in different stages of the relationship with the supplier, first during the onboarding of a new supplier, but also later during the relationship with the supplier.

Outokumpu monitors its suppliers through self-assessment, screenings and audits. Most suppliers also go through a monthly compliance screening for sanctions. The self-assessments and audits are based on Outokumpu's Supplier Requirements and focused on evaluating the suppliers' social and environmental responsibility and quality management. In raw material procurement, a supplier's sustainability performance is assessed by sustainability platform EcoVadis.

Outokumpu complies with international, national, and local laws and regulations, and honors and is committed to international agreements concerning human and labor rights, such as International Bill of Human Rights, and condemns the use of forced and child labor. Since 2021, Outokumpu has implemented the UN Guiding Principles on Business and Human Rights.

All Outokumpu employees are free to join trade unions according to local rules and regulations. There is zero tolerance of any form of discrimination, whether it is based on ethnic origin, nationality, religion, political views, gender, sexual orientation, age or any other factor.

Outokumpu expects its suppliers and contractors to comply with applicable laws and regulations as well as Outokumpu's Supplier Code of Conduct and to meet the company's Supplier Code of Conduct and Requirements. Outokumpu also aims to ensure that modern slavery or human trafficking plays no part in its supply chain or in any part of the business.

Outokumpu's Supplier Code of Conduct sets the minimum level for suppliers regarding sustainability and ethical standards, safety, environmental considerations, quality management and other criteria.

More information about Outokumpu's sustainability related risks can be found in the Annual review of this Annual report.

Sustainability targets

The Group's main sustainability targets are:

Environmental

- Reducing scope 1, 2 and 3 greenhouse gas emissions 42% per tonne of stainless steel by 2030 on 2016 base year. (The target setting includes biogenic emissions and removals from bioenergy feedstock.)
- Increasing recycled material content to 92.5% by 2023 (all metallic input from waste streams, such as scrap, scales or metals from slag and dust treatment per tonne stainless steel).
- Improving energy efficiency by 8% by the end of 2024 compared to January–September 2022 level.
- Reducing the landfilled production waste other than slag by 0.5% each year by 2023.

Social

- Achieving a total recordable injury frequency rate of <2.0 per million working hours by 2022. Outokumpu's long-term target is to achieve zero-level in injuries.
- Achieving high employee engagement index rate in the organizational pulse surveys.
- Increasing the share of diverse leaders in all international leadership teams to 30% by 2025.

Governance

- All employees trained on Outokumpu's Code of Conduct.

Outokumpu's long-term target is to achieve carbon neutrality by 2050 in scope 1 (direct) and 2 (indirect) emissions. Currently, Outokumpu is the only stainless steel producer with an approved short-term Science Based Target towards the 1.5°C scenario following the general rules of the initiative until the stainless steel sectoral decarbonization approach is available.

Environmental performance

The main environmental impacts from stainless steel production are the use of virgin materials, direct and indirect CO_2 emission, energy, dust emissions into the air, waste created in the production process and water discharges from production plants.

Outokumpu uses efficient dust-filtering systems that remove 99% of particles, and water is reused in production as much as possible and treated at production sites. In addition to material efficiency through using as much recycled material as possible, Outokumpu aims to reduce landfill waste and reuses waste from its production processes in its own production. Outokumpu also aims to increase the use of its by-product slag from its production outside the company for example in road construction, concrete production, and water treatment.

In 2022, the use rate of slag (the share of all slag compared to the used and landfilled slag) was 86.5% (78.1%). In addition to production waste, tailing sand from mining is the most significant waste item to be deposited in the mine site. Landfilled waste intensity decreased in 2022. As stainless steel production decreased from the previous year's level, less waste was generated and deposited as compared to the previous year.

The level of material recycling (all metallic input from waste streams, such as scrap, scales or metals from slag and dust treatment per tonne stainless steel) was at a record high level at 93.9% (89.6%). The recycled steel content of our stainless steel, defined according to ISO 14021, was 89.8% in 2022.

The energy efficiency calculated as a sum of different process steps decreased by 2.8% compared to the previous year.

In 2022, CO_2 intensity reduced by approximately 18% from the baseline of 2016 and reached 44% of the targeted reduction by the end of 2023.

All Outokumpu sites have environmental permits that set the basic framework for operations. In 2022, air emissions and effluents remained within the permitted limits, and the seven minor permit breaches in operations that occurred were temporary, identified, and had no or only minimal impact on the environment. There were no significant environmental incidents during 2022.

Outokumpu's operations under the EU Emissions Trading Scheme (ETS) will continue to receive free emissions allocations according to efficiency-based benchmarks and historical activity for the next five years. In 2022, the ETS free emission allowances of Outokumpu were below emissions within the ETS system, 0.9 million tonnes (1.0 million tonnes in 2021).

Outokumpu is not a party to any significant legal 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.

Environmental indicators

	2022	2021
Scope 1, 2 and 3 (direct and indirect) CO_2 emission intensity, tonnes per tonne of stainless steel	**1.70**	1.76
Energy intensity, GJ per tonne stainless steel	**10.5**	10.2
Use rate of slag, including slag from ferrochrome production, %	**86.5**	78.1
Total landfill waste intensity, tonnes per tonne stainless steel	**0.530**	0.561
Recycled material content, %	**93.9**	89.6

Social performance

Outokumpu's main indicator for safety performance is the total recordable injury frequency rate (TRIFR), which includes fatalities, lost-time injuries, restricted work injuries, and medically treated injuries per million working hours. The Group's TRIFR improved from the previous year and was 1.8, against the target level of <2.0 (2.1).

Outokumpu's personnel on full-time equivalent basis decreased by 82 during the year and totalled 8,357 at the end of December 2022 (8,439). Total wages and salaries amounted to EUR 544 million in 2022 (EUR 499 million). Indirect employee benefit expenses totalled EUR 178 million in 2022 (EUR 163 million).

In 2022, Outokumpu continued to accelerate the development of the supply chain sustainability management. In raw material procurement, a social audit approach was developed. The onboarding process for raw material suppliers was reviewed and has stronger focus on sustainability and related risks. During the year, Outokumpu placed particular focus on supply chain transparency beyond direct suppliers and started to document supply chains in a supplier relationship management tool.

In the beginning of 2022, Outokumpu initiated a human rights impact assessment concerning the supply chain in Guatemala. The purpose of the assessment was to investigate, identify and assess the human rights impacts of a supplier's operations in Guatemala, focusing on indigenous rights-holders. As part of the assessment, a field visit was completed in the beginning of March, during which both internal as well as external stakeholders were involved. Based on the findings, purchasing from the supplier was suspended.

As part of its sustainability strategy, Outokumpu is also focusing on strengthening diversity, equity and inclusion within the company. During 2022, a company-wide inclusion survey was conducted and roadmap and targets for strengthening diversity, equity and inclusion by 2025 were defined.

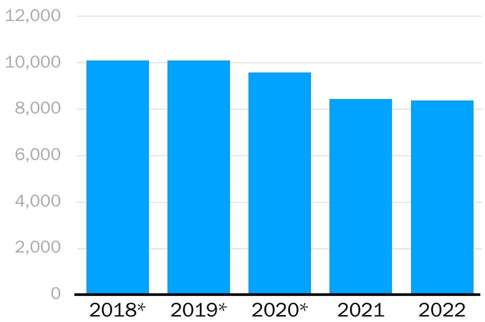
Outokumpu encourages all its employees to raise their concerns. All available reporting channels are detailed in the Code of Conduct, including the SpeakUp channel which is an externally operated communication channel to report misconduct confidentially and anonymously, if allowed by laws and regulations. The SpeakUp channel is available as a communication channel in Outokumpu's reporting process if other reporting channels do not feel suitable.

In 2022, 45 reports of potential misconduct were recorded through the various reporting channels. These incidents have been assessed and, if needed, further investigated. Consequently, proper corrective and preventative measures have been or will be taken.

The implementation of Outokumpu's group-wide ethics and compliance (E&C) program continued efficiently in close co-operation with business areas, group functions and E&C governance bodies during 2022. As part of these activities, the global E&C team started a visibility tour through site visits and various online trainings to share insight on topical E&C matters as well as to increase knowledge of and discuss about various ethics and compliance matters, including SpeakUp topics. In addition to the E&C visibility tour, close co-operation continued with the E&C governance bodies.

Outokumpu is committed to complying with all applicable laws and regulations, including applicable sanctions regulations. Within the area of trade compliance, Outokumpu has a Know Your Business Partner process in place which describes the risk-based principles and rules related to establishing and monitoring relationships with business partners. Sanctions monitoring is also a part of this process. Due to the Russian invasion of Ukraine, Outokumpu strengthened its actions within sanctions compliance during 2022 and, for instance, conducted enhanced third-party screenings as a matter of priority to ensure that all applicable sanctions regulations are complied with. In addition to the sanctions compliance, efforts were continued in other key E&C areas in 2022, such as in competition law compliance, anti-corruption and data protection areas.

Personnel on December 31



Personnel reported as full time equivalent number.

* Including discontinued operations

Key social indicators

	2022	2021
Diversity		
Employees		
male, %	**83**	84
female, %	**17**	16
Managers		
male, %	**83**	84
female, %	**17**	16
Board of Directors		
male, %	**62**	50
female, %	**38**	50
Safety		
Total recordable injury frequency rate, per million working hours	**1.8**	2.1

EU taxonomy reporting

Companies required to report non-financial information need to disclose the taxonomy eligibility and for the first time also the alignment of their economic activities for the year 2022. EU taxonomy is a classification system for categorization of sustainable business activities that could substantially contribute to the EU's environmental goals.

Non-financial companies are required to disclose the share of their sales, and both the capital and restricted operational expenditure associated with environmentally sustainable economic activities as defined in the EU Taxonomy Regulation (2020/852). Eligible activities are those that are in scope of the regulation while an aligned activity is defined as an eligible economic activity that is making a substantial contribution to at least one of the climate and environmental objectives, while also doing no significant harm to the remaining objectives and meeting minimum standards on human rights and labor standards.

Outokumpu representatives from finance, sustainability and business functions investigated the activities in relation to EU taxonomy, resulting in the identification of aligned, eligible and non-eligible activities. The key performance indicators were calculated by using the consolidated financial information and further accounting policies are disclosed after the key performance indicator table below. Full tables are available at the end of the Review by the Board of Directors.

Taxonomy key performance indicators

2022	Total € million	Eligible and aligned %	Non-eligible and non-aligned %
Sales	**9,494**	**91**	**9**
Capital expenditure	**153**	**42**	**58**
Restricted operating expenditure	**736**	**82**	**18**
2021			
Sales	7,243	85	15
Capital expenditure	151	37	63
Restricted operating expenditure	615	82	18

The preparation of the key performance indicators requires management to make judgements, estimates and assumptions on eligible and aligned economic activities, capital expenditure allocated to those activities and related restricted operating expenditure.

Taxonomy sales is presented in accordance with IFRS, in line with the sales in the Group's consolidated financial statements. The manufacturing of iron and steel is listed as an eligible economic activity.

The company reports its taxonomy eligibility and alignment only for the continuing operations. Additional change compared to last year's taxonomy reporting is that all sales from service centers are excluded from eligibility. The impact of this change is however insignificant as the Group internal sales from mills to service centers are still eligible. Since the service centers are excluded from eligibility, also restricted operating expenditure and capital expenditure associated with service centers has been excluded from eligibility. In 2022, as well as in the previous year, the main items of sales that are considered non-eligible include sales of ferrochrome, raw materials, other services, and energy. Only eligible activities have been assessed for alignment. Figures for the previous year 2021 have been restated to reflect these changes and presented accordingly.

All steelmaking sites have been assessed and they fulfill the technical screening criteria for substantial contribution to climate change mitigation, which requires that the steel scrap input relative to product output is not lower than 70% in the production of high alloy steel. An assessment was carried out to ensure if the activities also fulfil the criteria set to determine that they do no significant harm (DNSH) to the remaining objectives

- Criteria for DNSH to climate change adaptation: physical risks material to our production units have been screened and assessed and are part of the company´s overall risk management strategy.
- Criteria for DNSH sustainable use and protection of water and marine resources and criteria for DNSH to protection and restoration of biodiversity and ecosystems: Assessment, permits and plans are in place for all production sites and all sites meet current legislation.
- Criteria for DNSH to pollution prevention and control: Outokumpu's production sites do not use any prohibited substances. In a few activities where substances of concern are being used, we have either considered them essential since the use is defined as best available technology in the Bref documents or non-material as the activity is insignificant compared to total eligible sale.

Outokumpu's human rights due diligence process has been reviewed and is considered adequate with regards to EU taxonomy minimum safeguards on human rights and labor standards.

Taxonomy capital expenditure is presented and measured as cash-based, in line with the capital expenditure presented in the Group's financial statements. Taxonomy capital expenditure consists of purchases of property, plant and equipment and intangible assets, other than emission allowances. Leases and equity investments at fair value through other comprehensive income have been excluded from the amount. Capital expenditure associated with taxonomy-eligible economic activities has been considered eligible while capital expenditure related to business area Ferrochrome, service centers and directly to corporate functions have been considered non-eligible.

As all steelmaking activities were considered aligned, also related capital expenditure was considered aligned since it is necessary to uphold the substantial contribution of the activities. Currently, plans to expand taxonomy-aligned economic activities, plans to allow the activities to become taxonomy-aligned, or individual measures enabling the target activities to become low-carbon have not been separately taken into consideration.

Taxonomy restricted operating expenditure consists of expenses related directly to maintenance and servicing of assets as well as research and development expenses. Of the total taxonomy restricted operating expenditure, the portion supporting taxonomy-eligible economic activities has been considered eligible. Expenses related to business area Ferrochrome, service centers and corporate functions have been considered non-eligible. Research and development expenses have been included in full and considered eligible except for the part related to manufacturing of ferrochrome, service centers and corporate.

Only one taxonomy-eligible economic activity has been identified as relevant and taken into account in the calculations, together with one environmental objective. This eliminates the risk of double counting related to different activities and objectives. There are still considerable uncertainties regarding the requirements and guidelines provided by the EU, and Outokumpu continues to develop its calculations and definitions as new information becomes available. Outokumpu's taxonomy disclosure has been part of the limited assurance by an independent practitioner.

Research and development

Our research and development (R&D) function provides leading technical expertise for Outokumpu's customers and stakeholders inside Outokumpu. In our R&D, we are creating a culture of innovation and development to enable Outokumpu to be the leader of sustainable stainless steel. We are supporting our customers in their various and demanding needs via webinars and direct contacts. We are offering key insights and first-hand experience of fabrication, like forming and welding of our high alloyed grades. As experts, we are helping our customers to select the right material, tackling the challenge of corrosion in various environments. Outokumpu has three R&D centers, located in Avesta, Sweden, in Krefeld, Germany and in Tornio, Finland.

In 2022, the first phase of our R&D strategy was finalized, and the focus was on two must win battles: sustainable production process technologies and future products and customer applications. In 2022, Outokumpu's total R&D expenditure amounted to EUR 15 million, 0.16% of net sales (2021: EUR 14 million and 0.19%).

Our actions within sustainable production process technologies include Outokumpu's plans to invest in a biocoke and biomethane plant in Tornio, Finland. Additionally, we have developed a roadmap related to alternative heating technologies to reduce our CO_2 emissions in line with our strategy. Another focus area has been the development of future technologies. One example is the production of ferrochrome without the need for carbon, where several new technologies are tested in laboratory scale.

In future products and customer applications, two of our new stainless steel grades reached the development phase. Also, a new stainless steel grade with outstanding combination of corrosion and wear resistance was introduced for the knife industry.

R&D had a crucial contribution to the ramp up of Circle Green as the most sustainable stainless steel in the world. Key developments like biocoke or alternative heating technologies are essential for ramping up Circle Green beyond today's capability.

Risks and uncertainties

The prolonged war in Ukraine and related adverse economic development have increased the uncertainties and risks to which Outokumpu is exposed. The far-reaching direct and indirect consequences of the prolonged war and the possible further adverse development of economic and geopolitical tensions could further impact Outokumpu. The cost and availability of energy and raw materials, the weakened economic outlook with indications on recession, and continued overall high cost inflation are all considered to be significant risks to Outokumpu.

As a result of the continued energy crisis in Europe, electricity prices have been exceptionally high and volatile. Most affected among Outokumpu´s entities is business area Ferrochrome, due to the high consumption of the electricity needed in ferrochrome production.

The uncertainty surrounding energy gas availability continues to posses risks for Outokumpu's operations in Europe. In Germany, the tightened global energy gas supply still poses a risk for the continuity of operations, although the likelihood of interruption has decreased in the fourth quarter as the level of gas storages are considered to be at adequate levels in Europe for the winter. The main challenges are related to managing the negative impacts from rising energy costs.

High energy prices and uncertainty surrounding energy gas supply in central Europe may also impact Outokumpu through its customers and suppliers if their businesses and operations are negatively affected. There are also uncertainties concerning how the planned energy support schemes in each European member state will ultimately impact business and markets.

Raw material availability risks have been mainly related to sanctions imposed due to Russia's invasion of Ukraine. As a result of the continuous effort to reduce the dependencies on Russian origin raw material, the exposure and risk of supply chain disruption due to sanctions at the end of the 2022 are considered limited. The further change in suppliers could expose Outokumpu to increased costs and risks related to raw material sourcing in high-risk countries, including environmental-social governance risks and dependencies on certain critical suppliers, remain high.

The continued rise in global inflation may constrain Outokumpu's competitiveness. This is not only due to high energy prices but also overall cost inflation, such as in freight and consumable prices. The weakened economic outlook and uncertainty concerning the timing and severity of a possible recession could negatively impact stainless steel demand and Outokumpu's operating environment.

The company is also exposed to risks related to volatile metal prices, especially nickel, which may impact Outokumpu's result, among other financial risks. The uncertainties related to the spread of COVID-19 and its variants, especially in China, and cyber security risks remain as they could also impact Outokumpu's business and operations.

Outokumpu is a minority shareholder in Voimaosakeyhtiö SF, which is the majority shareholder of Fennovoima. In May 2022, Fennovoima announced that it had withdrawn the Hanhikivi 1 nuclear power plant construction license application as a consequence of the termination of the EPC (Engineering, Procurement and Construction) contract with RAOS Project Oy for supplier-related reasons. Several arbitration and other proceedings among the parties involved have been initiated. The contractual framework in the matter is complex and lengthy legal proceedings among the relevant parties are to be expected. The role of Fennovoima has turned from a nuclear power plant project company into an asset and litigation management company. At year-end 2022, Outokumpu was not a party to any of the legal proceedings.

However, on January 27, 2023, RAOS Project Oy and Rosatom Energy International JSC filed with the ICC International Court of Arbitration a request to join Outokumpu Oyj and certain other parties into the arbitration proceedings related to the termination of the EPC contract. As Outokumpu is not a party to any of the underlying contracts related to the disputes over the termination of the EPC Contract, it sees no basis for the joinder request, and will correspondingly strongly oppose it.

For more information on Outokumpu's risks, please refer to the Annual review in the Annual report 2022 and the Notes to the 2022 Financial Statements.

Significant legal proceedings

Dispute over payment of wages in the US

On July 16, 2018, a class of plaintiffs, consisting of 152 former and 126 current Outokumpu Calvert mill employees, brought suit against Outokumpu in U.S. federal circuit court. The plaintiffs alleged that Outokumpu failed to pay full wages for regular work and overtime work they performed. On November 18, 2021, the circuit court entered a default judgment against Outokumpu with respect to liability as a sanction for alleged misconduct during the discovery phase of the legal proceeding. On October 4, 2022, the circuit court further found Outokumpu liable to the plaintiffs for approximately USD 13 million in the aggregate, plus attorney's fees. Outokumpu has appealed the circuit court's November 18, 2021 default judgment entry and October 4, 2022 finding of liability. Outokumpu is of the view that the claims asserted against it are without merit and is defending against them.

Claim in Germany related to expired lease agreement

On January 19, 2018, Outokumpu was served with a claim for declaratory judgement by the owner of a warehouse in Krefeld that Outokumpu had leased until the end of 2016. The claim relates to a dispute over the responsibility for the maintenance and repair of the warehouse. The plaintiff has later in the process specified the claim and is now seeking payment of EUR 19 million. On May 4, 2022, the court issued a ruling covering only the merits of the claim. Said ruling was in favour of the claimant and has been appealed by Outokumpu. Outokumpu is of the view that the claims asserted against it are without merit and is defending against them.

Shares and share capital

On December 31, 2022, Outokumpu's share capital was EUR 311 million and the total number of shares was 456,874,448. At the end of December, Outokumpu held 12,739,837 treasury shares. The average number of shares outstanding was 451,932,876 in 2022. The closing share price at the end of the period, on December 31, was EUR 4.73.

Principal shareholders and share price development is presented in the Stakeholder engagement section in the Annual report.

Share buyback program

On November 3, 2022, Outokumpu's Board of Directors approved a share buyback program of up to EUR 100 million. The maximum number of shares to be repurchased under the program is 20 million, representing approximately 4.4% of the company's total number of shares. The program commenced on November 7, 2022, and ends no later than on March 24, 2023.

On December 31, 2022, Outokumpu had purchased 8,575,126 shares under the share buyback program and held 12,739,837 treasury shares.

Management shareholdings and share based incentive programs

On December 31, 2022, the members of the Board of Directors and Outokumpu Leadership Team (OLT) altogether held 896,449 shares, corresponding to 0.20% of the total number of shares.

Outokumpu has established share-based incentive programs for the OLT members, selected managers and key employees, which include a Performance Share Plan and a Restricted Share Pool for key employees.

In 2022, after deductions for applicable taxes, a total of 137,760 shares were delivered to the participants of the incentive programs based on the terms and conditions of the programs. Outokumpu used its treasury shares for the reward payments.

The Performance Share Plan and the Restricted Share Pool Program are currently ongoing for periods 2021–2023, 2022–2024 and their continuation for the period 2023–2025 was approved by the Board of Directors in December 2022. The sole performance criteria for the Performance Share Plan 2021–2023 is return on capital employed (ROCE).

To support Outokumpu's continuous improvements in sustainability an additional sustainability-related performance criteria was introduced in 2022 for Performance Share Plan periods 2022–2024 and 2023–2025. The above-mentioned programs now include earning criteria which are linked to the CO_2 emission reduction target according to Outokumpu's Science Based Targets initiative (SBTi) commitment. In the Performance Share Plan periods 2022–2024 and 2023–2025 return on capital employed represents 80% of the remuneration and CO_2 emission reduction target 20%.

More details on the share-based incentive programs can be found in the note 3.4 in the consolidated financial statements.

The members of OLT and the Board of Directors are introduced in the Corporate Governance Statement included in the Annual report and at Outokumpu website: https://www.outokumpu.com/en/investors/governance ↗. Their shareholding is also presented in the Corporate Governance Statement and remuneration in the note 3.2 in the consolidated financial statements. Remuneration report is also included in the Annual report.

Corporate governance

Outokumpu's Corporate Governance Statement can be found at the Outokumpu website: https://www.outokumpu.com/en/investors/governance ↗

Annual General Meeting

Outokumpu's Annual General Meeting 2022 was held on March 31, 2022, at the company's head office in Helsinki, Finland, under special arrangements due to the COVID-19 pandemic. The Annual General Meeting supported all the Board of Directors' and the Shareholders' Nomination Board's proposals and approved the company's remuneration report in an advisory vote. The Annual General Meeting approved the financial statements and discharged the management of the company from liability for the financial year 2021.

The Meeting decided that a dividend of 0.15 euros per share be paid for the financial year 2021 and authorized the Board of Directors to repurchase the company's own shares, to decide on the issuance of shares as well as special rights entitling to shares, and to decide on donations for charitable purposes. The Meeting also approved the proposals by the Shareholders' Nomination Board regarding the members of the Board of Directors and their remuneration.

The Annual General Meeting decided in accordance with the proposal by the Nomination Board that the Board of Directors consists of eight (8) members. Kari Jordan, Heinz Jörg Fuhrmann, Kati ter Horst, Päivi Luostarinen, Vesa-Pekka Takala, Pierre Vareille and Julia Woodhouse were re-elected and Petter Söderström was elected as new member, all for the term of office ending at the end of the next Annual General Meeting. Eeva Sipilä left the Board of Directors with the Annual General Meeting in 2022. Kari Jordan was re-elected as the Chairman and Kati ter Horst elected as the Vice Chairman of the Board of Directors.

Nomination Board

Outokumpu's Shareholders' Nomination Board consists of the representatives of the four largest shareholders registered in the shareholder register of the company following Nasdaq Helsinki's last trading day in August. The Nomination Board has been established to annually prepare proposals on the composition of the Board of Directors and director remuneration for the Annual General Meeting.

On August 31, 2022, the four largest shareholders of Outokumpu were Solidium Oy, Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company and The Social Insurance Institution of Finland. The Shareholders' Nomination Board comprised Reima Rytsölä, Managing Director at Solidium Oy; Pekka Pajamo, CFO at Varma Mutual Pension Insurance Company; Jouko Pölönen, President and CEO at Ilmarinen Mutual Pension Insurance Company and Outi Antila, Director General at The Social Insurance Institution of Finland, as well as Kari Jordan, Chairman of the Board of Directors of Outokumpu.

The Nomination Board submitted its proposals to Outokumpu's Board of Directors on December 2, 2022.

Board of Directors' proposal for profit distribution

According to the new dividend policy announced on June 16, 2022, Outokumpu aims to distribute a stable and growing dividend, to be paid annually. According to the parent company's financial statements on December 31, 2022, distributable funds totaled EUR 2,736 million, of which retained earnings were EUR 446 million.

The Board of Directors proposes to the Annual General Meeting to be held on March 30, 2023, that a base dividend of EUR 0.25 per share plus an extra dividend of EUR 0.10 per share, totaling EUR 0.35 per share will be paid for the year 2022, corresponding to EUR 155 million based on the number of shares outstanding on Dec 31, 2022.

The Board states that the base dividend amount of EUR 0.25 is the basis for future dividend distributions in accordance with the policy. The extra dividend of EUR 0.10 per share is a one-time extra dividend that is proposed to be distributed to the shareholders for the exceptionally good result of the financial year.

Outlook for Q1 2023

Group stainless steel deliveries in the first quarter are expected to increase by 10–20% compared to the fourth quarter.

Ferrochrome production continues at 50–60% of its full capacity as a result of the planned optimization due to high electricity prices and recent disruptions in one of the three furnaces.

Inflation in energy and consumable prices is expected to continue in the first quarter.

With current raw material prices, no significant raw material-related inventory and metal derivative impacts are expected to be realized in the first quarter.

Guidance for Q1 2023

Adjusted EBITDA in the first quarter of 2023 is expected to be higher compared to the fourth quarter.

Events after the balance sheet date

On January 3, 2023, Outokumpu announced that is has completed the divestment of the majority of the Long Products business.

More detailed information about the financial impacts of the transaction can be found earlier in this report under Discontinued operations: Divestment of majority of the Long Products business.

After the balance sheet date, Outokumpu has repurchased 3,755,005 of shares under the share buyback program, which ends no later than on March 24, 2023. By February 8, 2023, Outokumpu repurchased a total of 12,330,131 shares under the share buyback program and held a total of 16,494,842 treasury shares.

On January 27, 2023, RAOS Project Oy and Rosatom Energy International JSC have filed with the ICC International Court of Arbitration a request to join Outokumpu Oyj and certain other parties into the arbitration proceedings related to the termination of the EPC contract. As Outokumpu is not a party to any of the underlying contracts related to the disputes over the termination of the EPC Contract, it sees no basis for the joinder request, and will correspondingly strongly oppose it.

Group key figures

Continuing operations

		2022	2021	2020 [1]	2019 [1,2]	2018 [1]
Scope of activity						
Sales	€ million	**9,494**	7,243	5,639	6,403	6,872
– change in sales	%	**31.1**	28.4	–11.9	–6.8	8.1
– exports from and sales outside Finland, of total sales *	%	**95.9**	96.4	96.3	95.9	96.7
Capital employed on Dec 31 [3] [4] *	€ million	**4,751**	3,828	3,543	3,904	4,086
Capital expenditure [5] *	€ million	**158**	171	180	193	218
– in relation to sales	%	**1.7**	2.4	3.2	3.0	3.2
Depreciation and amortization	€ million	**245**	249	243	230	204
Impairments	€ million	**11**	45	3	3	12
Research and development costs	€ million	**15**	14	21	17	15
– in relation to sales	%	**0.2**	0.2	0.4	0.3	0.2
Personnel on Dec 31 [6]	FTE	**8,357**	8,439	9,602	10,078	10,118
– average for the year	FTE	**8,683**	8,714	10,000	10,329	10,100
Personnel on Dec 31	headcount	**8,591**	8,727	9,915	10,390	10,449
Profitability						
Adjusted EBITDA *	€ million	**1,256**	980	250	263	485
– in relation to sales	%	**13.2**	13.5	4.4	4.1	7.1
EBITDA *	€ million	**1,248**	968	191	266	496
EBIT *	€ million	**992**	674	–55	33	280
– in relation to sales	%	**10.5**	9.3	–1.0	0.5	4.1
Result before taxes	€ million	**933**	610	–151	–41	175
– in relation to sales	%	**9.8**	8.4	–2.7	–0.6	2.5
Net result for the financial year	€ million	**1,086**	526	–116	–75	130
– in relation to sales	%	**11.4**	7.3	–2.1	–1.2	1.9
Return on capital employed (ROCE) [4] [7] *	%	**22.6**	17.6	–1.4	0.8	7.0

		2022	2021	2020 [1]	2019 [1,2]	2018 [1]
Financing and financial position						
Net financial expenses *	€ million	**71**	79	98	80	107
– in relation to sales	%	**0.7**	1.1	1.7	1.3	1.6
Interest expenses *	€ million	**44**	64	78	76	70
– in relation to sales	%	**0.5**	0.9	1.4	1.2	1.0

Alternative performance measures are marked with *. For more information, please see Alternative Performance Measures section.

[1] Including discontinued operations.

[2] IFRS 16 – Leases was adopted on January 1, 2019 using the modified retrospective approach. Comparative information has not been restated.

[3] In 2022, including discontinued operations' equity. In 2021, including discontinued operations.

[4] Outokumpu has redefined its capital employed and ROCE definitions in 2022. Information for 2021 has been restated accordingly.

[5] Capital expenditure definition changed from accrual-based to cash-based capital expenditure in 2020. Comparative information has been restated accordingly.

[6] In 2021, Outokumpu changed its main personnel amount measure from headcount to full-time equivalent personnel.

[7] The balance sheet component is including discontinued operations except for Sept 30 and Dec 31, 2022, where only the equity component of discontinued operations is included.

Group key figures

Including discontinued operations

		2022	2021	2020	2019 [1]	2018
Scope of activity						
Sales	€ million	**10,287**	7,709	5,639	6,403	6,872
Capital employed on Dec 31 [2] *	€ million	**4,752**	3,828	3,543	3,904	4,086
Capital expenditure [3] *	€ million	**160**	175	180	193	218
Personnel on Dec 31 [4]	FTE	**9,029**	9,096	9,602	10,078	10,118
– average for the year	FTE	**9,362**	9,372	10,000	10,329	10,100
Personnel on Dec 31	headcount	**9,269**	9,395	9,915	10,390	10,449
Profitability						
Adjusted EBITDA *	€ million	**1,387**	1,021	250	263	485
Net result for the financial year	€ million	**1,140**	553	–116	–75	130
Return on equity (ROE) *	%	**30.6**	20.1	–4.7	–2.8	4.8
Return on capital employed (ROCE) [2] *	%	**24.5**	18.4	–1.4	0.8	7.0

		2022	2021	2020	2019 [1]	2018
Financing and financial position						
Net debt *	€ million	**–10**	408	1,028	1,155	1,241
Net financial expenses *	€ million	**68**	80	98	80	107
Interest expenses *	€ million	**45**	65	78	76	70
Net debt to adjusted EBITDA *		**0.0**	0.4	4.1	4.4	2.6
Share capital	€ million	**311**	311	311	311	311
Total equity	€ million	**4,119**	3,120	2,360	2,562	2,750
Equity-to-assets ratio *	%	**59.2**	48.3	40.8	42.5	45.9
Debt-to-equity ratio (gearing) *	%	**–0.3**	13.1	43.6	45.1	45.1
Net cash generated from operating activities	€ million	**778**	597	322	371	214

Alternative performance measures are marked with *. For more information, please see Alternative Performance Measures section.

[1] IFRS 16 – Leases has been adopted on January 1, 2019 using the modified retrospective approach. Comparative information has not been restated.

[2] Outokumpu has redefined its capital employed and ROCE definitions in 2022. Information for 2021 has been restated accordingly.

[3] Capital expenditure definition changed from accrual-based to cash-based capital expenditure in 2020. Comparative information has been restated accordingly.

[4] In 2021, Outokumpu changed its main personnel amount measure from headcount to full-time equivalent personnel.

Alternative performance measures

Certain financial key figures and ratios presented in Outokumpu's Annual Report are not measures of financial performance, financial position or cash flows under IFRS and are therefore considered as alternative performance measures. These measures are not defined by IFRS and therefore may not be directly comparable with financial measures and ratios used by other companies, including those in the same industry. The reason for presenting these measures is that either they are statutory requirements applicable to the Annual Report of the Group or the management believes that these measures provide meaningful supplemental information on the underlying business performance or financial position of the Group. These financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Alternative performance measures are marked with * in the Group key figures table.

Key figure, continuing operations	Definition of the key figure or source in the consolidated financial statements		2022	2021

Continuing operations

Exports from and sales outside Finland

Exports from and sales outside Finland is an indicator of the international nature of the Group's business.

Sales	Consolidated statement of income	€ million	**9,494**	7,243
Sales by destination to Finland	Note 2.2	€ million	**384**	258
Exports from and sales outside Finland	Sales – Sales by destination to Finland	€ million	**9,109**	6,985
– exports from and sales outside Finland, of total sales	Comparison to sales	%	**95.9**	96.4

Operating capital (segment reporting)

Operating capital is a measure for the amount of capital invested in Group's operations. It is used as a measure for the business areas' net assets.

Capital employed on Dec 31	Defined in the below section incl. discontinued operations – debt of discontinued operations	€ million	**4,751**	3,828
Cash and cash equivalents	Consolidated statement of financial position	€ million	**526**	300
Investments in associated companies	Consolidated statement of financial position	€ million	**51**	43
Investments in equity at fair value through other comprehensive income	Consolidated statement of financial position	€ million	**25**	24
Investments at fair value through profit or loss	Note 5.5	€ million	**23**	28
Net deferred tax assets	Note 2.6	€ million	**390**	221
Net assets held for sale	Assets held for sale – Liabilities related to assets held for sale in the Consolidated statement of financial position	€ million	**215**	–
Net employee benefit obligations	Note 3.3	€ million	**216**	309
Operating capital on Dec 31	Capital employed – cash and cash equivalents – investments in associated companies – investments in equity at fair value through other comprehensive income – investments at fair value through profit or loss – net deferred tax asset – net asset held for sale + net employee benefit obligations	€ million	**3,737**	3,520

Capital expenditure

Capital expenditure indicates the investment in assets to generate future cash flows for the Group.

Capital expenditure	Purchases of property, plant and equipment and intangible assets, other than emission allowances; investments in equity at fair value through other comprehensive income and associated companies, and acquisitions of businesses.	€ million	**158**	171
– in relation to sales	Comparison to sales	%	**1.7**	2.4

Key figure, continuing operations	Definition of the key figure or source in the consolidated financial statements		2022	2021

Adjusted EBITDA, EBITDA, and EBIT

Adjusted EBITDA is Outokumpu's main performance indicator in financial reporting. The adjustments to EBITDA relate to material income and expense items of unusual nature, and their purpose is to improve comparability of financial performance between reporting periods. EBITDA and EBIT are also measures of financial performance of the Group.

EBIT	Consolidated statement of income	€ million	**992**	674
– in relation to sales	Comparison to sales	%	**10.5**	9.3
Depreciation and amortization	Note 2.3	€ million	**245**	249
Impairments	Note 2.4	€ million	**11**	45
EBITDA	EBIT before depreciation, amortization and impairments	€ million	**1,248**	968
Adjustments to EBITDA	Note 2.1	€ million	**–7**	–12
Adjusted EBITDA	EBITDA – Adjustments to EBITDA	€ million	**1,256**	980
– in relation to sales	Comparison to sales	%	**13.2**	13.5

Return on capital employed (ROCE)

Return on capital employed is a measure for the value the Group generates to the capital invested in its operations. Outokumpu has redefined its capital employed and ROCE definitions in 2022. Comparative information has been restated accordingly.

Capital employed (4-quarter average), including discontinued operations[1)]	Defined in the below section incl. discontinued operations – debt of discontinued operations	€ million	**4,437**	3,909
EBIT	Consolidated statement of income	€ million	**992**	674
Share of results in associated companies	Consolidated statement of income	€ million	**11**	15
Return on capital employed (ROCE)	(EBIT + Share of results in associated companies) / Capital employed (4-quarter average)	%	**22.6**	17.6

Net financial expenses and interest expenses

Net financial expenses and interest expenses are measures for the cost of Group's financing.

Net financial expenses	Total financial income and expenses in the Consolidated statement of income	€ million	**71**	79
– in relation to sales	Comparison to sales	%	**0.7**	1.1
Interest expenses	Consolidated statement of income	€ million	**44**	64
– in relation to sales	Comparison to sales	%	**0.5**	0.9

[1)] Including discontinued operations except for capital employed on Sept 30 and Dec 31, 2022, where only the equity component of discontinued operations is included.

Key figure, including discontinued operations	Definition of the key figure or source in the consolidated financial statements		2022	2021

Including discontinued operations

Capital employed

Capital employed is a measure for the amount of capital invested in Group's operations. Outokumpu has redefined its capital employed and ROCE definitions in 2022. Comparative information has been restated accordingly.

Capital employed is the sum of:				
Total equity	Consolidated statement of financial position	€ million	**4,119**	3,120
Non-current debt	Consolidated statement of financial position + Note 6.1	€ million	**492**	597
Current debt	Consolidated statement of financial position + Note 6.1	€ million	**141**	112
Capital employed on Dec 31	Total equity + non-current debt + current debt	€ million	**4,752**	3,828

Capital expenditure

Capital expenditure indicates the investment in assets to generate future cash flows for the Group.

Capital expenditure	Purchases of property, plant and equipment and intangible assets, other than emission allowances; investments in equity at fair value through other comprehensive income and associated companies, and acquisitions of businesses	€ million	**160**	175
– in relation to sales	Comparison to sales	%	**1.6**	2.3

Adjusted EBITDA, EBITDA, and EBIT

Adjusted EBITDA is Outokumpu's main performance indicator in financial reporting. The adjustments to EBITDA relate to material income and expense items of unusual nature, and their purpose is to improve comparability of financial performance between reporting periods. EBITDA and EBIT are also measures of financial performance of the Group.

EBIT	Consolidated statement of income + Note 6.1	€ million	**1,078**	705
– in relation to sales	Comparison to sales	%	**10.5**	9.1
Depreciation and amortization	Note 2.3 + discontinued operations	€ million	**253**	259
Impairments	Note 2.4 + discontinued operations	€ million	**44**	45
EBITDA	EBIT before depreciation, amortization and impairments	€ million	**1,375**	1,009
Adjustments to EBITDA	Note 2.1 + discontinued operations	€ million	**–12**	–12
Adjusted EBITDA	EBITDA – Adjustments to EBITDA	€ million	**1,387**	1,021
– in relation to sales	Comparison to sales	%	**13.5**	13.2

Key figure, including discontinued operations	Definition of the key figure or source in the consolidated financial statements		2022	2021

Return on equity (ROE)

Return on equity is an indicator of the value the Group generates to the capital the shareholders have invested in the Group.

Total equity on Dec 31 of previous year	Consolidated statement of financial position	€ million	**3,120**	2,360
Total equity on March 31		€ million	**3,278**	2,455
Total equity on June 30		€ million	**3,943**	2,809
Total equity on Sept 30		€ million	**4,158**	3,040
Total equity on Dec 31	Consolidated statement of financial position	€ million	**4,119**	3,120
Total equity (4-quarter average)	Average of the opening and 4 quarter-end values	€ million	**3,723**	2,757

Net result for the financial year	Consolidated statement of income	€ million	**1,140**	553
Return on equity (ROE)	Net result for the financial year / Total equity (4-quarter average)	%	**30.6**	20.1

Return on capital employed (ROCE)

Return on capital employed is a measure for the value the Group generates to the capital invested in its operations. Outokumpu has redefined its capital employed and ROCE definitions in 2022. Comparative information has been restated accordingly.

Capital employed on Dec 31 of previous year	Defined earlier in this section	€ million	**3,828**	3,764
Capital employed on March 31		€ million	**4,097**	3,858
Capital employed on June 30		€ million	**4,705**	3,963
Capital employed on Sept 30		€ million	**4,805**	4,134
Capital employed on Dec 31	Defined earlier in this section	€ million	**4,752**	3,828
Capital employed (4-quarter average)	Average of the opening and 4 quarter-end values	€ million	**4,438**	3,909
EBIT	Consolidated statement of income + Note 6.1	€ million	**1,078**	705
Share of results in associated companies	Consolidated statement of income	€ million	**11**	15
Return on capital employed (ROCE)	(EBIT + Share of results in associated companies) / Capital employed (4-quarter average)	%	**24.5**	18.4

Key figure, including discontinued operations	Definition of the key figure or source in the consolidated financial statements		2022	2021

Net debt

Net debt is a measure for the level of debt financing in the Group. The reduction of net debt is a key priority for the Group.

Non-current debt	Consolidated statement of financial position + Note 6.1	€ million	**492**	597
Current debt	Consolidated statement of financial position + Note 6.1	€ million	**141**	112
Cash and cash equivalents	Consolidated statement of financial position + Note 6.1	€ million	**644**	300
Net debt	Non-current + current debt – cash and cash equivalents	€ million	**–10**	408
– in relation to sales	Comparison to sales	%	**–0.1**	5.3

Net debt to Adjusted EBITDA

Net debt to Adjusted EBITDA is an indicator of the Group's indebtedness.

Net debt	Defined earlier in this section	€ million	**–10**	408
Adjusted EBITDA	Defined earlier in this section	€ million	**1,387**	1,021
Net debt to Adjusted EBITDA	Net debt / Adjusted EBITDA		**0.0**	0.4

Equity-to-assets ratio

Equity-to-assets ratio shows the proportion the Group's assets financed with equity. The equity-to-assets ratio indicates the financial risk level of the Group.

Total equity	Consolidated statement of financial position	€ million	**4,119**	3,120
Total assets	Consolidated statement of financial position	€ million	**6,983**	6,482
Advances received	Note 4.5	€ million	**23**	27
Equity-to-assets ratio	Total equity / (Total assets – advances received)	%	**59.2**	48.3

Debt-to-equity ratio (gearing)

Debt-to-equity ratio or gearing is an indicator of the financial risk level and the indebtedness of the Group.

Net debt	Defined earlier in this section	€ million	**–10**	408
Total equity	Consolidated statement of financial position	€ million	**4,119**	3,120
Debt-to-equity ratio (gearing)	Net debt / Total equity	%	**–0.3**	13.1

Definitions of financial key figures

Key figure		Definition	
EBITDA	=	EBIT before depreciation, amortization and impairments	
Adjustments to EBITDA or EBIT	=	Material income and expense items which affect the comparability between periods because of their unusual nature, size or incidence resulting for example from group-wide restructuring programs or disposals of assets or businesses.	
Adjusted EBITDA or EBIT	=	EBITDA or EBIT – items classified as adjustments	
Capital employed	=	Total equity + non-current debt + current debt	
Operating capital (segment reporting)	=	Capital employed – cash and cash equivalents – investments in associated companies – investments in equity at fair value through other comprehensive income – investments at fair value through profit or loss – net deferred tax asset – net asset held for sale + net employee benefit obligations	
Capital expenditure	=	Purchases of property, plant and equipment and intangible assets, other than emission allowances; and investments in equity at fair value through other comprehensive income and in associated companies and acquisitions of businesses	
Return on capital employed (ROCE)	=	$\frac{\text{EBIT + Share of results in associated companies}}{\text{Capital employed (4-quarter rolling average)}}$	× 100
Return on operating capital (ROOC) (segment reporting)	=	$\frac{\text{Adjusted EBIT}}{\text{Operating capital (4-quarter rolling average)}}$	× 100
Return on equity (ROE)	=	$\frac{\text{Net result for the financial period}}{\text{Total equity (4-quarter rolling average)}}$	× 100
Net debt	=	Non-current debt + current debt – cash and cash equivalents	
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets – advances received}}$	× 100
Debt-to-equity ratio (gearing)	=	$\frac{\text{Net debt}}{\text{Total equity}}$	× 100
Net debt to adjusted EBITDA	=	$\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$	
Personnel, full-time equivalent	=	Headcount adjusted to full time equivalent number of personnel, excluding personnel on sick leave or parental leave of more than 6 months and excluding personnel whose employment has been terminated and who are on notice period without requirement to work	

Share-related key figures[1)]

		2022	2021	2020	2019	2018
Earnings per share [2) 3)]	€	**2.52**	1.26	–0.28	–0.18	0.32
Earnings per share continuing operations	€	**2.40**	1.21	–	–	–
Diluted earnings per share [2) 3)]	€	**2.33**	1.17	–0.28	–0.18	0.32
Diluted earnings per share continuing operations	€	**2.22**	1.13	–	–	–
Cash flow per share [3)]	€	**1.72**	1.36	0.78	0.90	0.52
Equity per share [2) 4)]	€	**9.27**	6.89	5.70	6.19	6.70
Dividend per share	€	**0.35**[5)]	0.15	–	–	0.15
Dividend payout ratio [2)]	%	**13.6**	12.3	–	–	47.4
Dividend yield	%	**7.4**	2.7	–	–	4.7
Price/earnings ratio [2)]		**1.88**	4.37	neg.	neg.	10.00
Development of share price						
Average trading price	€	**4.69**	4.96	2.66	3.01	5.39
Lowest trading price	€	**3.51**	3.36	2.08	2.23	3.18
Highest trading price	€	**6.48**	6.01	4.44	4.04	8.26
Trading price at the end of the period	€	**4.73**	5.50	3.22	2.81	3.20
Change during the period	%	**–14.0**	70.8	14.8	–12.2	–58.7
Change in the OMX Helsinki index during the period	%	**–13.4**	18.3	10.1	13.4	–8.0
Market capitalization at the end of the period [6)]	€ million	**2,101**	2,489	1,327	1,155	1,312
Development in trading volume						
Trading volume [7)]	1,000 shares	**720,801**	880,092	1,100,628	884,254	826,636
In relation to adjusted weighted average number of shares [3)]	%	**159.5**	200.5	265.9	215.0	201.1
Adjusted weighted average number of shares [3) 6)]		**451,932,876**	438,871,175	413,907,618	411,198,002	411,065,622
Adjusted diluted weighted average number of shares [3) 6)]		**493,535,712**	479,163,509	437,336,296	446,209,235	447,181,306
Number of shares at the end of the period [6)]		**444,134,611**	452,571,977	412,002,212	411,774,715	410,563,719

1) Including discontinued operations if not otherwise stated.

2) IFRS 16 – Leases has been adopted on January 1, 2019 using the modified retrospective approach. Comparative information has not been restated.

3) Reported based on share-issue-adjusted weighted average number of shares. Comparative information for 2020 is presented accordingly. Information for 2019–2018 has not been restated.

4) 2020 and 2019 calculated based on the share-issue-adjusted number of shares. 2018 has not been restated.

5) The Board of Directors' proposal to the Annual General Meeting.

6) Excluding treasury shares.

7) Includes only Nasdaq Helsinki trading.

Definitions of share-related key figures

Key figure		Definition	
Earnings per share	=	$\frac{\text{Net result for the financial year attributable to the equity holders}}{\text{Adjusted weighted average number of shares during the period}}$	
Diluted earnings per share	=	$\frac{\text{Net result for the financial year attributable to the equity holders + interest expenses on convertible bond, net of tax}}{\text{Adjusted diluted weighted average number of shares during the period}}$	
Cash flow per share	=	$\frac{\text{Net cash generated from operating activities}}{\text{Adjusted weighted average number of shares during the period}}$	
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	=	$\frac{\text{Dividend for the financial year}}{\text{Net result for the financial year attributable to the equity holders}}$	× 100
Dividend yield	=	$\frac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}}$	× 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 adjusted weighted average number of shares during the period	

Non-financial indicators

Environmental indicators

Environmental indicators	2022	2021	2020 [2]	2019 [2]	2018 [2]
Scope 1, 2 and 3 (direct and indirect) CO_2 emission intensity, tonnes per tonne of stainless steel	**1.70**	1.76	1.55	1.61	1.72
Energy intensity, GJ per tonne stainless steel	**10.5**	10.2	11.0	10.9	10.1
Use rate of slag, including slag from ferrochrome production, %	**86.5**	78.1	77.1	90.8	89.9
Total landfill waste intensity, tonnes per tonne stainless steel	**0.530**	0.561	0.590	0.500	0.472
Recycled material content, %	**93.9**	89.6	92.5	89.6	88.6

Social indicators

Social indicators	2022	2021	2020 [2]	2019 [2]	2018 [2]
Diversity					
Employees					
male, %	**83**	84	84	85	85
female, %	**17**	16	16	15	15
Managers [1]					
male, %	**83**	84	84	84	n/a
female, %	**17**	16	16	16	n/a
Board of Directors					
male, %	**62**	50	50	57	67
female, %	**38**	50	50	43	33
Safety					
Total recordable injury frequency rate, per million working hours	**1.8**	2.1	2.4	3.2	4.1

[1] Manager diversity data is not available for 2018.

[2] Including discontinued operations.

Taxonomy key performance indicators – Sales

				Substantial Contribution criteria						DNSH criteria										
Economic activties	Codes	Absolute sales (€ million)	Proportion of sales (%)	Climate Change Mitigation (%)	Climate Change Adaptation (%)	Water marine resources (%)	Circular Economy (%)	Pollution (%)	Bio-diversity and eco-systems (%)	Climate Change Mitigation (Y/N)	Climate Change Adaptation (Y/N)	Water marine resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Bio-diversity and eco-systems (Y/N)	Minimum safe-guards (Y/N)	Taxonomy-aligned proportion of sales year N (%)	Taxonomy-aligned proportion of sales year N-1 (%)	Category (enabling activity) (E)	Category (transitional activity) (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmental sustainable activities (Taxonomy aligned)																				
Manufacturing of iron and steel	3.9	8,645	91	100	0	0	0	0	0		Y	Y	N/A	Y	Y	Y	91	N/A	N/A	T
Sales of environmental sustainable activities (Taxonomy-aligned) (A.1.)		8,645	91																	
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)																				
Manufacturing of iron and steel	3.9																			
Sales of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)																				
Total (A.1. + A.2.)		8,645	91														91	85		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Sales of Taxonomy-non-eligible activities (B)		848	9																	
Total (A+B)		9,494	100																	

Taxonomy sales is presented in accordance with IFRS, in line with the sales in the Group's consolidated financial statements. The manufacturing of iron and steel is listed as an eligible economic activity.

Taxonomy key performance indicators – Capital expenditure (CapEx)

Economic activties	Codes	Absolute CapEx (€ million)	Proportion of CapEx (%)	Substantial Contribution criteria: Climate Change Mitigation (%)	Climate Change Adaptation (%)	Water marine resources (%)	Circular Economy (%)	Pollution (%)	Bio-diversity and eco-systems (%)	DNSH criteria: Climate Change Mitigation (Y/N)	Climate Change Adaptation (Y/N)	Water marine resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Bio-diversity and eco-systems (Y/N)	Minimum safe-guards (Y/N)	Taxonomy-aligned proportion of CapEx year N (%)	Taxonomy-aligned proportion of CapEx year N-1 (%)	Category (enabling activity) (E)	Category (transitional activity) (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmental sustainable activities (Taxonomy aligned)																				
Manufacturing of iron and steel	3.9	65	42	100	0	0	0	0	0		Y	Y	N/A	Y	Y	Y	38	N/A	N/A	T
CapEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)		65	42																	
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)																				
Manufacturing of iron and steel	3.9																			
CapEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)																				
Total (A.1. + A.2.)		65	42														42	37		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		88	58																	
Total (A+B)		153	100																	

Taxonomy capital expenditure is presented and measured as cash-based, in line with the capital expenditure presented in the Group's financial statements. Taxonomy capital expenditure consists of purchases of property, plant and equipment and intangible assets, other than emission allowances. Leases and equity investments at fair value through other comprehensive income have been excluded from the amount. Capital expenditure associated with taxonomy-eligible economic activities has been considered eligible while capital expenditure related to business area Ferrochrome, service centers and directly to corporate functions have been considered non-eligible.

Taxonomy key performance indicators – Restricted operating expenditure (OpEx)

				Substantial Contribution criteria						DNSH criteria										
Economic activties	Codes	Absolute OpEx (€ million)	Proportion of OpEx (%)	Climate Change Mitigation (%)	Climate Change Adaptation (%)	Water marine resources (%)	Circular Economy (%)	Pollution (%)	Bio-diversity and eco-systems (%)	Climate Change Mitigation (Y/N)	Climate Change Adaptation (Y/N)	Water marine resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Bio-diversity and eco-systems (Y/N)	Minimum safe-guards (Y/N)	Taxonomy-aligned proportion of OpEx year N (%)	Taxonomy-aligned proportion of OpEx year N-1 (%)	Category (enabling activity) (E)	Category (transitional activity) (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmental sustainable activities (Taxonomy aligned)																				
Manufacturing of iron and steel	3.9	607	82	100	0	0	0	0	0		Y	Y	N/A	Y	Y	Y	82	N/A	N/A	T
OpEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)		607	82																	
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)																				
Manufacturing of iron and steel	3.9																			
OpEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)																				
Total (A.1. + A.2.)		607	82														82	82		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		129	18																	
Total (A+B)		736	100																	

Taxonomy restricted operating expenditure consists of expenses related directly to maintenance and servicing of assets as well as research and development expenses. Of the total taxonomy restricted operating expenditure, the portion supporting taxonomy-eligible economic activities has been considered eligible. Expenses related to business area Ferrochrome, service centers and corporate functions have been considered non-eligible. Research and development expenses have been included in full and considered eligible except for the part related to manufacturing of ferrochrome, service centers and corporate.

Financial statements

In a strong market environment combined with strategy execution, Outokumpu delivered its best annual results and was net debt free at the end of the year.

"We have successfully de-risked the company and our significantly strengthened balance sheet gives us resilience to withstand changing conditions."

–Pia Aaltonen-Forsell
CFO

Financial statements content

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Notes to the consolidated financial statements

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Consolidated financial statements

Consolidated statement of income

€ million	Note	2022	2021
Continuing operations			
Sales	2.2	**9,494**	7,243
Cost of sales	2.3	**–8,147**	–6,310
Gross margin		**1,346**	933
Other operating income	2.4	**18**	49
Selling and marketing expenses	2.3	**–72**	–63
Administrative expenses	2.3	**–225**	–176
Research and development expenses	2.3	**–15**	–14
Other operating expenses	2.4	**–60**	–54
EBIT		**992**	674
Share of results in associated companies	6.6	**11**	15
Financial income and expenses	2.5		
Interest income and other financial income		**4**	7
Interest expenses		**–44**	–64
Market price gains and losses		**–12**	–3
Other financial expenses		**–19**	–19
Total financial income and expenses		**–71**	–79
Result before taxes		**933**	610
Income taxes	2.6	**154**	–84
Net result for the financial year from continuing operations		**1,086**	526
Discontinued operations			
Net result for the financial year from discontinued operations	6.1	**54**	27
Net result for the financial year		**1,140**	553

€ million	Note	2022	2021
Earnings per share from continuing operations attributable to the equity holders of the parent company	2.7		
Earnings per share, €		**2.40**	1.21
Diluted earnings per share, €		**2.22**	1.13
Earnings per share attributable to the equity holders of the parent company	2.7		
Earnings per share, €		**2.52**	1.26
Diluted earnings per share, €		**2.33**	1.17

Net result for the financial year is fully attributable to the equity holders of the parent company. The notes are an integral part of the financial statements.

Consolidated statement of comprehensive income

€ million	Note	2022	2021
Net result for the financial year		**1,140**	553
Other comprehensive income, continuing operations			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations			
Change in exchange differences		**17**	85
Cash flow hedges	5.4		
Fair value changes during the financial year		**–43**	–1
Reclassification to profit or loss		**28**	27
Income taxes	2.6	**–1**	–6
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	3.3		
Changes during the financial year		**65**	–72
Income taxes	2.6	**–24**	26
Equity investments at fair value through other comprehensive income	5.6		
Fair value changes during the financial year		**–4**	–44
Share of other comprehensive income in associated companies	6.6	**0**	0
Other comprehensive income for the financial year, continuing operations, net of tax		**38**	15
Other comprehensive income for the financial year, discontinued operations, net of tax		**8**	6
Other comprehensive income for the financial year, net of tax		**46**	22
Total comprehensive income for the financial year		**1,186**	574

Total comprehensive income for the financial year is fully attributable to the equity holders of the parent company. The notes are an integral part of the financial statements.

Consolidated statement of financial position

€ million	Note	2022	2021
ASSETS			
Non-current assets			
Intangible assets	4.1, 4.3	**547**	577
Property, plant and equipment	4.1, 4.2	**2,406**	2,573
Investments in associated companies	6.6	**51**	43
Equity investments at fair value through other comprehensive income	5.6	**25**	24
Deferred tax assets	2.6	**390**	222
Trade and other receivables	4.5	**6**	5
		3,425	3,444
Current assets			
Inventories	4.4	**1,783**	1,892
Investments at fair value through profit or loss		**23**	28
Derivative financial instruments	5.4	**40**	31
Trade and other receivables	4.5	**767**	786
Cash and cash equivalents	5.1	**526**	300
		3,139	3,038
Assets held for sale	6.1	**419**	–
TOTAL ASSETS		**6,983**	6,482

€ million	Note	2022	2021
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company			
Share capital		**311**	311
Premium fund and other restricted reserves		**717**	717
Invested unrestricted equity reserve		**2,308**	2,308
Treasury shares		**–129**	–30
Fair value reserves		**–142**	–96
Retained earnings		**1,054**	–90
Total equity	5.2	**4,119**	3,120
Non-current liabilities			
Non-current debt	5.1	**491**	597
Derivative financial instruments	5.4	**11**	2
Deferred tax liabilities	2.6	**0**	1
Employee benefit obligations	3.3	**216**	309
Provisions	4.6	**49**	63
Trade and other payables	4.5	**20**	23
		787	994
Current liabilities			
Current debt	5.1	**141**	112
Derivative financial instruments	5.4	**120**	40
Provisions	4.6	**32**	29
Current tax liabilities		**65**	21
Trade and other payables	4.5	**1,516**	2,166
		1,874	2,368
Liabilities related to assets held for sale	6.1	**204**	–
TOTAL EQUITY AND LIABILITIES		**6,983**	6,482

The notes are an integral part of the financial statements.

Consolidated statement of cash flows

€ million	Note	2022	2021
Cash flow from operating activities			
Net result for the financial year		**1,140**	553
Adjustments for			
Depreciation, amortization and impairments	2.3, 2.4, 4.1	**297**	304
Net expenses on provisions and employee benefit obligations		**28**	21
Gains/losses on sale of non-current assets, Group companies and businesses	2.4	**8**	–19
Net interest income and expense	2.5	**35**	58
Income taxes	2.6	**–119**	87
Other non-cash adjustments		**80**	0
		331	450
Change in net working capital			
Change in trade and other receivables		**–35**	–241
Change in inventories		**–129**	–684
Change in trade and other payables		**–424**	660
		–587	–266
Provisions and employee benefit obligations paid		**–53**	–80
Interest and dividends received		**7**	10
Interest paid		**–39**	–63
Income taxes paid		**–21**	–7
Net cash from operating activities		**778**	597

€ million	Note	2022	2021
Cash flow from investing activities			
Equity investments at fair value through other comprehensive income	5.6	**–5**	–19
Purchases of property, plant and equipment	4.1	**–148**	–145
Purchases of intangible assets	4.1	**–7**	–11
Proceeds from sale of property, plant and equipment	4.1	**2**	24
Proceeds from disposal of shares in Group companies and businesses, net of cash	6.2	**–1**	–
Other investing cash flow		**–**	2
Net cash from investing activities		**–159**	–149
Cash flow before financing activities		**619**	448
Cash flow from financing activities			
Directed share issue	5.2	**–**	205
Dividends paid		**–68**	–
Repurchase of treasury shares	5.2	**–42**	–
Borrowings of non-current debt	5.1	**–**	63
Repayments of non-current debt	5.1	**–71**	–587
Change in current debt	5.1	**–58**	–174
Repayments of lease liabilities	4.2	**–33**	–32
Net cash from financing activities		**–272**	–525
Net change in cash and cash equivalents		**346**	–77
Cash and cash equivalents at the beginning of the financial year		**300**	376
Net change in cash and cash equivalents		**346**	–77
Foreign exchange rate effect on cash and cash equivalents		**–3**	2
Cash and cash equivalents at the end of the financial year [1]	5.1	**644**	300

The notes are an integral part of the financial statements.

[1] Year 2022 includes cash and cash equivalents of discontinued operations amounting to EUR 117 million.

Consolidated statement of changes in equity

€ million	Note	Share capital	Premium fund	Other restricted reserves	Invested unrestricted equity reserve	Fair value reserve from equity investments	Fair value reserve from derivatives	Cumulative translation differences	Remeasure-ments of defined benefit plans	Treasury shares	Other retained earnings	Total equity
Equity on Jan 1, 2021		**311**	**714**	**3**	**2,103**	**–45**	**–4**	**–113**	**–124**	**–31**	**–454**	**2,360**
Net result for the financial year		–	–	–	–	–	–	–	–	–	553	553
Other comprehensive income		–	–	–	–	–44	20	92	–46	–	0	22
Total comprehensive income for the financial year		–	–	–	–	–44	20	92	–46	–	553	574
Transactions with equity holders of the parent company												
Contributions and distributions												
Directed share issue	5.2	–	–	–	205	–	–	–	–	–	–	205
Share-based payments	3.4	–	–	–	–	–	–	–	–	1	3	4
Fair value transfer to inventory	5.4	–	–	–	–	–	–23	–	–	–	–	–23
Other		–	–	–	–	–	–	–	1	–	–1	–
Equity on Dec 31, 2021		**311**	**714**	**3**	**2,308**	**–89**	**–7**	**–22**	**–169**	**–30**	**101**	**3,120**
Net result for the financial year		–	–	–	–	–	–	–	–	–	1,140	1,140
Other comprehensive income		–	–	–	–	–4	–15	24	41	–	0	46
Total comprehensive income for the financial year		–	–	–	–	–4	–15	24	41	–	1,140	1,186
Transactions with equity holders of the parent company												
Contributions and distributions												
Dividends	5.2	–	–	–	–	–	–	–	–	–	–68	–68
Share-based payments	3.4	–	–	–	–	–	–	–	–	1	6	7
Repurchase of treasury shares[1)]	5.2	–	–	–	–	–	–	–	–	–100	–	–100
Fair value transfer to inventory	5.4	–	–	–	–	–	–26	–	–	–	–	–26
Equity on Dec 31, 2022		**311**	**714**	**3**	**2,308**	**–93**	**–48**	**3**	**–128**	**–129**	**1,179**	**4,119**

The notes are an integral part of the financial statements.

Equity is fully attributable to the equity holders of the parent company. See note 5.2 for more information on equity.

[1)] Treasury shares are acquired as part of the share buyback program announced on November 3, 2022. Shares are repurchased using funds in the Invested unrestricted equity reserve. Because of the nature of the contract with the third party, Outokumpu has recognized EUR 58 million financial liability related to the share buyback program and the maximum amount of EUR 100 million is impacting Group equity already in 2022.

Notes to the consolidated financial statements

Outokumpu presents the notes to the consolidated financial statements as grouped in the following six sections.

1. **Basis of reporting**
2. **Business result**
3. **Employee benefits**
4. **Operating assets and liabilities**
5. **Capital structure and financial risk management**
6. **Group structure and other notes**

The basis of preparation, accounting principles and management judgements applicable to the entire consolidated financial statements are presented in the Basis of reporting section, but the accounting principles, management judgements, and risks related to each disclosure item are presented in the related note. The table outlines the notes structure and indicates which notes include accounting principle, management judgement and risk information, and the following icons are used to indicate these topics within the notes.

Note	Accounting principles	Management judgements	Risk information
1. Basis of reporting			
1.1 Corporate information			
1.2 Basis of preparation	■	▼	●
2. Business result			
2.1 Operating segments	■		
2.2 Revenue	■		
2.3 Cost of sales and selling, general and administrative expenses	■		
2.4 Other operating income and expenses	■		
2.5 Financial income and expenses	■		
2.6 Income taxes	■	▼	
2.7 Earnings per share	■		
3. Employee benefits			
3.1 Employee benefit expenses			
3.2 Employee benefits for key management	■		
3.3 Employee benefit obligations	■	▼	●
3.4 Share-based payments	■	▼	
4. Operating assets and liabilities			
4.1 Intangible assets and property, plant and equipment	■	▼	
4.2 Leases	■	▼	
4.3 Goodwill impairment test	■	▼	
4.4 Inventories	■	▼	
4.5 Trade and other receivables and payables	■		●
4.6 Provisions	■	▼	
5. Capital structure and financial risk management			
5.1 Net debt and capital management	■		●
5.2 Equity	■		
5.3 Financial risk management and insurances			●
5.4 Derivative instruments	■		
5.5 Financial assets and liabilities	■		
5.6 Equity investments at fair value through other comprehensive income	■	▼	
5.7 Commitments and contingent liabilities	■		
6. Group structure and other notes			
6.1 Discontinued operations	■		
6.2 Business acquisitions and disposals	■		
6.3 Disputes and litigations			
6.4 Related parties			
6.5 Subsidiaries			
6.6 Associated companies	■		
6.7 New IFRS standards			
6.8 Events after the balance sheet date			

1. Basis of reporting

This notes section covers the company information, general basis of preparation as well as accounting principles that are applicable to the entire consolidated financial statements.

1.1 Corporate information

Outokumpu Oyj is a Finnish public limited liability company organized under the laws of Finland and domiciled in Helsinki, Finland. The company has been listed on the Nasdaq Helsinki since 1988. Outokumpu Oyj is the parent company ("parent company", "Outokumpu Oyj") of the Outokumpu Group (the "Group", "Outokumpu", the "company").

Outokumpu is the global leader in stainless steel. The foundation of Outokumpu's business is its ability to tailor stainless steel into any form and for almost any purpose. Stainless steel is sustainable, durable and designed to last forever. The Group's customers use it to create civilization's basic structures and its most famous landmarks as well as products for households and various industries. Outokumpu employs some 8,500 (continuing operations) professionals in more than 30 countries.

Outokumpu's consolidated financial statements according to ESEF regulations are published in XHTML format at www.outokumpu.com/reports. Financial statements presented in other reports and formats, such as in the Annual report PDF or print, do not constitute as reports according to the ESEF regulations.

In its meeting on February 9, 2023, 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 decide to amend the financial statements.

1.2 Basis of preparation

These consolidated financial statements of Outokumpu have been prepared on a going concern basis for the financial year 2022 covering the period from January 1 to December 31, 2022.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union including the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on December 31, 2022. The consolidated financial statements also comply with the regulations of Finnish accounting and company legislation complementing the IFRS.

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.

Discontinued operations - Long product businesses

On July 12, 2022 Outokumpu announced that it has signed an agreement to divest the majority of the Long Products business operations to Marcegaglia Steel Group. The transaction includes melting, rod, and bar operations in Sheffield, the UK, bar operations in Richburg, the US, and wire rod mill in Fagersta, Sweden. The transaction excludes Outokumpu Long Products AB units in Degerfors and Storfors, Sweden, and different options regarding the future of the units will be evaluated. Long products activities that remain in Outokumpu are included in Other operations.

During 2022 Outokumpu reclassified its Long Products businesses to be divested as assets held for sale and reports the businesses as discontinued operations according to IFRS 5 Non current assets held for sale and discontinued operations.

Net result from the discontinued operations is reported separately from income and expenses from continuing operations in the consolidated statement of income and comparative period is restated accordingly. Assets and liabilities related to the discontinued operations are presented as separate line items in the statement of financial position and the comparative period is not restated. The statement of cash flows consists of total group figures including the discontinued operations. In the comparative period Outokumpu didn't have discontinued operations. See more information in note 6.1.

Corporate information

Company name	Outokumpu Oyj
Legal form	Public limited liability company
Country of incorporation	Finland
Domicile and principal place of business	Helsinki, Finland
Company address	P.O. Box 245, 00181 Helsinki, Finland
Ultimate parent company	Outokumpu Oyj

Risk information

War in Ukraine

Outokumpu strongly condemns the continued military actions Russia is taking in Ukraine. The company has undertaken actions throughout the year to sever connections with a country that does not honour international laws or human rights, while taking into account the contractual situations. Outokumpu has no employees, production, or service centers in Russia.

Outokumpu's most important raw material is recycled steel, and the company stopped sourcing it from Russia immediately in the first quarter of 2022. Prompt decisions were taken to stop sales and deliveries to Russia with a robust execution. The company also took decisive measures to replace other raw materials of Russian origin. At the end of 2022, Outokumpu had replaced Russian origin nickel suppliers and as of the beginning of 2023, the company does not buy any nickel of Russian origin for its operations.

The prolonged war in Ukraine has had far-reaching consequences for Outokumpu through the adverse development of the geopolitical tension and global economy. In particular, the impacts of the energy crisis in Europe resulting from the war became severe to Outokumpu during the second half of the year 2022. The company has taken various measures to mitigate the negative impacts on its business and operations and to prevent energy costs from rising.

Outokumpu monitors closely the prolonged situation concerning the war along with geopolitical and global economic development. The established global core team that represents the main business support functions is steering and facilitating the co-operation between functions to ensure effective implementation of risk mitigation actions. As part of the overall risk mitigation process, Outokumpu has continued to further strengthen its cyber security.

Outokumpu is committed to complying with all applicable laws and regulations, including applicable sanctions regulations. Due to the Russian invasion of Ukraine, Outokumpu has continued its actions regarding sanctions compliance, including the conduct of enhanced third party-screenings, as a matter of priority. This ensures that all applicable economic and individual sanctions related to Russia are followed and complied with.

Outokumpu has evaluated its trade receivables against implications resulting from the conflict. The direct trade receivables from Russia remained very limited and based on the assessment, no material expected credit losses were recognized in 2022.

Outokumpu has assessed whether any impairment indications have arisen as a result of the war but has not identified such indications. Outokumpu has also assessed the carrying amounts of its other assets and liabilities and has not identified any material impact on the carrying amounts.

Climate matters

Outokumpu aims to reduce its CO_2 emissions by 42% by the end of 2030 compared to the 2016 level, in line with its Science-Based Target initiative (SBTi) 1.5 degree climate target.

Outokumpu has assessed physical climate risks and mitigation measures for all sites and included them in the general risk assessment system. The evaluation shows that the physical risk does not materially impact the Group's capital expenditure or operative expenses. However, the financial impact of the climate transition risk is significant and has been estimated for the target period until 2030.

To be able to attain the 1.5 degree climate target, the company has created and committed to a low carbon roadmap and many CO_2 reduction projects have been initiated already. According to the roadmap, Outokumpu plans to invest to the CO_2 reduction projects in total about EUR 350 million until 2030. The avoided direct emission from European sites in that period corresponds to European CO_2 allowances of about EUR 114[1)] million. As some projects result in lower emissions outside the company, as avoided scope 3 emissions caused by raw material production, they do not impact the company's financial situation but enable the society to save about 2.5 million tons of CO_2 which corresponds to EUR 228[1)] million.

See more information about climate related matters in the section Sustainability review of the Annual report.

[1)] The financial impact is evaluated with Company's shadow price of 90 Euro per ton of CO_2.

Management judgments

The preparation of the financial statements in accordance with IFRS requires management to make judgments, 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 judgments are continuously evaluated 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 the assumptions.

The table in the beginning of the notes to the consolidated financial statements outlines the notes that include material management judgments.

Accounting principles

Principles of consolidation

The consolidated financial statements include the parent company Outokumpu Oyj and all subsidiaries controlled by Outokumpu Oyj either directly or indirectly. 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. 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.

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.

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 functional currency is mainly the subsidiary's local currency except for subsidiaries in Argentina (disposed in November 2022) and Mexico who use the US dollar as their 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 financial income and expenses in the consolidated 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 accumulated exchange differences arisen from hedges of net investments in foreign operations are recognized in equity.

For those subsidiaries whose functional and presentation currency is not the euro, the items in the statements of income and comprehensive income, and in the statement of cash flows are translated into euro using the average exchange rates of the reporting period. The assets and liabilities in 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 the Group's equity through other comprehensive income.

Any goodwill arising on acquisitions of foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisitions 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.

Adoption of new and amended IFRS standards

As of January 1, 2022, Outokumpu has applied the following new and amended standards, interpretations and decisions.

- **Amendments to IAS 16 Property, Plant and Equipment – Proceeds before intended use:** The amendment prohibits the deduction of any proceeds from selling produced items from the cost of a property, plant and equipment item while preparing the asset for its intended use. It also clarifies that testing the functioning of an asset refers to technical and physical performance of the asset, not financial performance.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts:** The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss occurred on assets used in fulfilling the contract.

The amendments did not have material impact on Outokumpu's consolidated financial statements.

2. Business result

In 2022, Outokumpu delivered its best annual result in history in a strong market environment and was net debt free at year-end. Stainless steel deliveries declined from the previous year while realized prices for stainless steel increased and supported profitability. As a result, return on capital employed and earnings per share increased to a very strong level.

2.1 Operating segments

Outokumpu's business is divided into three business areas which are Europe, the Americas, and Ferrochrome. The business areas have responsibility for commercials, supply chain management and operations and they are Outokumpu's operating segments under IFRS.

In addition to the business area structure, Group Functions cover Legal and compliance, Health and safety, Raw material procurement, Finance and IR, General procurement, Strategy, Transformation office, HR, Group communications, Global business services, R&D, Technology, Sustainability and Group IT.

Europe consists of both coil and plate operations 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 production facilities are located in Finland, Germany and Sweden. The business area has an extensive service center and sales network across Europe, Middle East, Africa and APAC region.

Americas produces 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.

Ferrochrome produces charge grade of ferrochrome. The business area has a chrome mine in Kemi, Finland and ferrochrome smelters in Tornio, Finland.

Other operations consist of activities outside the three operating segments, as well as industrial holdings and non-core businesses. Such business development, Corporate Management expenses and other extraordinary costs not part of business area performance assessment that are not allocated to the business areas are also reported under Other operations. Sales of Other operations consist of sales of electricity to the Group's production facilities in Finland and in Sweden, nickel procured under the Group's sourcing contract, sales of non-core businesses and internal services.

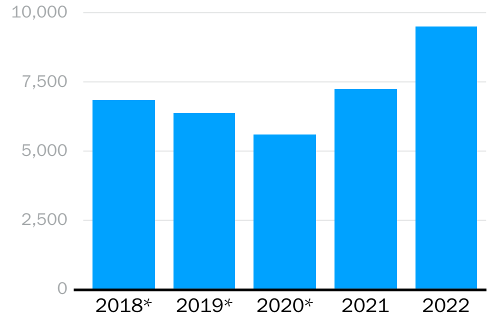
Sales EUR
9.5
billion

Adjusted EBITDA EUR
1,256
million

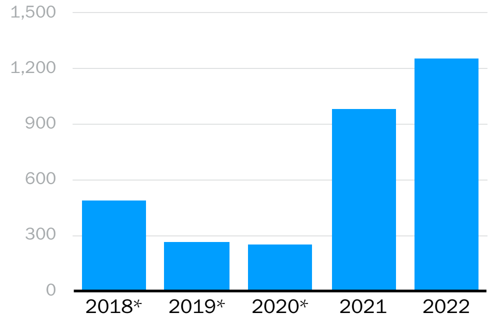
Net result EUR
1,086
million

Earnings per share EUR
2.40

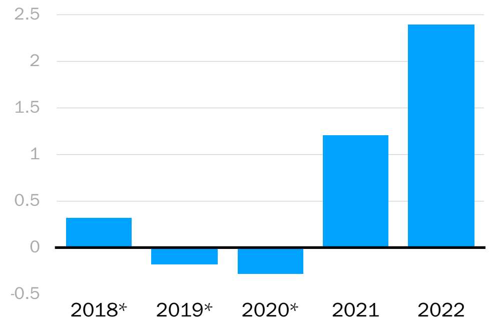
Sales, € million



Adjusted EBITDA, € million



Earnings per share, €



* Including discontinued operations

2022 € million	Europe	Americas	Ferrochrome	Operating segments total	Other operations	Eliminations	Reconciliation Group
External sales	6,225	2,686	221	9,131	258	–	9,389
Inter-segment sales	42	9	412	462	462	–924	–
Intra-Group sales to discontinued operations	–	–	–	–	–	104	104
Sales	6,266	2,695	633	9,594	720	–820	9,494
Adjusted EBITDA	680	384	220	1,284	–34	6	1,256
Adjustments to EBITDA							
Loss on disposal of shares in Group companies and businesses	–	–	–	–	–10	–	–10
Litigation provisions	–	2	–	2	–	–	2
EBITDA	680	387	220	1,287	–44	6	1,248
Depreciation and amortization	–130	–67	–42	–239	–6	0	–245
Impairments	0	0	–1	–1	–10	–	–11
EBIT	550	320	177	1,046	–60	5	992
Assets in operating capital	3,203	1,274	954	5,431	419	–301	5,550
Other assets							625
Deferred tax assets							390
Assets held for sale							419
Total assets							6,983
Liabilities in operating capital	1,339	285	87	1,711	385	–283	1,813
Other liabilities							848
Deferred tax liabilities							0
Liabilities related to assets held for sale							204
Total liabilities							2,864
Operating capital [1]	1,864	990	867	3,721	34	–18	3,737
Return on operating capital (ROOC), % [2]	28.9	32.4	20.7				

[1] Outokumpu has redefined its operating capital definition in 2022. Comparative information has been restated accordingly.

[2] To align with the new financial targets and internal management reporting, Outokumpu introduced return on operating capital (ROOC) as a key figure for segment reporting in 2022. Return on operating capital (ROOC) is an internal measure for the value the business areas generate to the capital invested in its operations.

Adjustments to EBITDA and EBIT

€ million	2022	2021
Loss on disposal of shares in Group companies and businesses	**–10**	–
Litigation provisions	**2**	–15
Environmental provisions	**–**	–10
Gain on disposal of property	**–**	12
Adjustments to EBITDA	**–7**	–12
Impairment of Group's ERP systems	**–10**	–18
Impairments in Ferrochrome business area	**–**	–13
Impairments in lease agreements	**–**	–10
Adjustments to EBIT	**–17**	–54

In 2022, Outokumpu divested its plate service center in Aalten, Netherlands, plated services business in Castelleone, Italy, and Outokumpu Fortinox S.A. in Argentina. The loss on the disposals including transaction costs amounted to EUR 10 million. Outokumpu also decreased the litigation provision in the US. See note 6.3 for more information on litigations and note 4.6 on provisions.

In addition to the impairment of EUR 18 million related to Group's ERP systems booked in 2021, Outokumpu recognized additional impairment of EUR 10 million in 2022. For more information on impairments in 2022, see note 2.4.

In 2021, Outokumpu recognized increases in litigation provisions of EUR 15 million and in environmental provisions of EUR 10 million. The environmental provisions relate to the aftercare of closed mines in Finland.

In 2021, Outokumpu divested properties related to closed operations in Krefeld and Bochum in Germany, resulting in a gain of EUR 12 million.

2021 € million	Europe	Americas	Ferrochrome	Operating segments total	Other operations	Eliminations	Group
							Reconciliation
External sales	4,531	1,896	185	6,613	540	–	7,153
Inter-segment sales	69	51	418	538	373	–911	–
Intra-group sales to discontinued operations	–	–	–	–	–	90	90
Sales	4,600	1,947	604	7,151	914	–821	7,243
Adjusted EBITDA	485	297	246	1,028	–18	–30	980
Adjustments to EBITDA							
Litigation provisions	–	–15	–	–15	–	–	–15
Environmental provisions	–	–	–	–	–10	–	–10
Gain on disposal of property	12	–	–	12	–	–	12
EBITDA	498	283	246	1,027	–28	–30	968
Depreciation and amortization	–141	–59	–44	–244	–4	–1	–249
Impairments	–10	–3	–13	–27	–18	–	–45
EBIT	346	220	189	755	–50	–31	674
Assets in operating capital	3,126	1,361	996	5,483	384	–3	5,864
Other assets							396
Deferred tax assets							222
Total assets							6,482
Liabilities in operating capital	1,405	480	173	2,058	385	–100	2,344
Other liabilities							1,018
Deferred tax liabilities							1
Total liabilities							3,362
Operating capital[1)]	1,721	880	823	3,425	–2	97	3,520
Return on operating capital (ROOC), %[2)]	20.4	27.2	24.8				

[1)] Outokumpu has redefined its operating capital definition in 2022. Comparative information has been restated accordingly.

[2)] To align with the new financial targets and internal management reporting, Outokumpu introduced return on operating capital (ROOC) as a key figure for segment reporting in 2022. Return on operating capital (ROOC) is an internal measure for the value the business areas generate to the capital invested in its operations.

Accounting principles

Outokumpu's CEO, supported by the Leadership Team, is the Group's chief operating decision maker. The segments are reviewed regularly for the purpose of assessing performance and allocating resources to segments. The review is based on internal management reporting on IFRS based financial information.

Adjusted EBITDA

Adjusted EBITDA is Outokumpu's main performance indicator in financial reporting, and is also used to assess the segments' performance. Adjusted EBITDA is defined as EBIT before depreciation, amortization and impairment charges, and excluding such material income and expense items which affect the comparability between periods due to their unusual nature, size or incidence resulting from, for example, Group-wide restructuring programs or disposals of assets or businesses.

Adjusted EBITDA is an alternative performance measure meaning that it is not an IFRS-defined measure, so it is defined also in the Alternative performance measures section within the Review by the Board of Directors and reconciled to the consolidated statement of income.

2.2 Revenue

External sales by geographical destination

€ million	Finland	Other Europe	North America	APAC region	Other countries	Group
2022						
Operating segment						
Europe	366	5,014	149	565	134	6,229
Americas	–	0	2,603	2	80	2,686
Ferrochrome	16	163	40	28	–	247
Other operations	2	278	51	1	–	331
	384	**5,455**	**2,843**	**597**	**214**	**9,494**
2021						
Operating segment						
Europe	244	3,938	79	227	49	4,535
Americas	–	0	1,829	4	63	1,896
Ferrochrome	14	140	27	31	1	212
Other operations	1	555	42	2	0	600
	258	**4,632**	**1,977**	**264**	**112**	**7,243**

Figures by operating segment include intra-group sales to discontinued operations in year 2022 EUR 104 million (2021: EUR 90 million).

Accounting principles

Outokumpu generates revenue mainly from sales of stainless steel and ferrochrome. Outokumpu ships these goods to customers under a variety of Incoterms, and considers the physical possession as well as risks and rewards related to the ownership of the goods to be transferred accordingly. This also signifies the transfer of control of the goods to the customer.

Outokumpu's performance obligations related to sale of stainless steel and ferrochrome are satisfied and revenue from contracts with customers recognized at a point of time. Only revenue from the performance obligation related to transportation of the goods is recognized over a period of time, and the period under which the revenue is recognized is relatively short. Moreover, the timing of revenue recognition does not have an impact when assessing the uncertainty associated with future cash flows, as the sales of goods and transportation service are billed from the customer on the same invoice. Outokumpu acts as a principal with regards to transportation of goods.

Outokumpu has bill-and-hold arrangements with selected European customers. Under these arrangements, based on a customer request, Outokumpu holds the readily available material at its own stock locations for the customer for up to a period of three months before the actual delivery of the material. Outokumpu has transferred control of these materials to the customer as Outokumpu is not able to direct the material to another customer, and consequently recognizes the revenue for the material sales. The revenue related to Outokumpu's transportation service performance obligation to deliver the material is recognized over the time when the delivery takes place.

In the end of 2022, the amount of revenue recognized under the bill and hold arrangements for products not delivered yet was immaterial.

Stainless steel and ferrochrome sales prices are mainly fixed before delivery, and volume discounts estimated and accrued in the revenue recognition are the only variable component in pricing. In individual cases, the sales price of ferrochrome is based on the period of time when the customer uses the purchased ferrochrome. The payment terms vary from advance payment to 90 days payment term, and do not include any significant financing component.

Outokumpu also sells nickel procured under Group's nickel sourcing agreement. These sales are recognized to revenue when the title to the material is transferred to the buyer.

Liabilities related to customer contracts are presented in note 4.5.

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

2.3 Cost of sales and selling, general and administrative expenses

€ million	2022	2021
Cost of sales	**–8,147**	–6,310
Selling and marketing expenses	**–72**	–63
Administrative expenses	**–225**	–176
Research and development expenses	**–15**	–14
Total, continuing operations	**–8,460**	–6,564

Cost of sales and selling, general and administrative expenses by nature

€ million	2022	2021
Materials	**–5,263**	–3,992
Supplies	**–777**	–518
Energy	**–462**	–327
Maintenance	**–197**	–160
Freight	**–284**	–253
Employee benefits	**–722**	–662
Depreciation and amortization	**–245**	–249
Other	**–510**	–404
Total, continuing operations	**–8,460**	–6,564

Depreciation and amortization by function

€ million	2022	2021
Cost of sales	**–236**	–240
Selling and marketing expenses	**–1**	–1
Administrative expenses	**–7**	–7
Research and development expenses	**–1**	–1
Total, continuing operations	**–245**	–249

Auditor fees

€ million	2022	2021
Audit	**–2.5**	–2.3
Audit-related services	**–**	0.0
Tax advisory	**0.0**	0.0
Other services	**–0.2**	–0.3
Total, continuing operations	**–2.7**	–2.7

PricewaterhouseCoopers Oy has provided non-audit services to Outokumpu in total of EUR 0.2 million during 2022 (2021: EUR 0.3 million). These services comprised of sustainability reporting, ESG consulting and other agreed upon procedures.

Accounting principles

Cost of sales

Cost of sales includes expenses related to materials and supplies, energy, maintenance and freight. Employee benefit expenses, depreciation and amortization and other expenses are included to the extent they relate to operational activities.

Research and development costs

As a main rule, research and development costs are expensed as incurred. If development is expected to generate future economic benefits for the Group, related costs are capitalized as intangible assets and amortized on a systematic basis over their useful lives.

Repairs and maintenance costs

Ordinary repairs and maintenance is carried out to maintain operating conditions of the mills and the equipment, and the related costs are expensed as they are incurred.
The costs of major repairs and renovations are included in the asset's carrying amount as capital expenditure when these activities are expected to generate future economic benefits for the Group, for example in form of a longer useful life, a wider product range, a higher output, or an improved quality, in excess of the originally assessed standard performance level.

Depreciation and amortization methods and useful lives of non-current assets

Depreciation and amortization methods as well as estimates for useful lives of different types of intangible asset and property, plant and equipment items are described in the note 4.1.

2.4 Other operating income and expenses

Other operating income

€ million	2022	2021
Exchange gains and losses from foreign exchange derivatives	–	22
Market price gains and losses from commodity derivatives	–	–12
Market price gains and losses from derivative financial instruments	–	10
Sale of services and rental income	5	5
Gains on sale of non-current assets	3	19
Other income items	10	14
Total, continuing operations	18	49

Other operating expenses

€ million	2022	2021
Exchange gains and losses from foreign exchange derivatives	–8	–
Market price gains and losses from commodity derivatives	–21	–
Market price gains and losses from derivative financial instruments	–29	–
Impairments in non-current assets	–11	–45
Loss on disposal of shares in Group companies and businesses	–9	–
Loss on sale of non-current assets	–2	–
Other expense items	–8	–9
Total, continuing operations	–60	–54

Comparative information for exchange as well as market price gains and losses is reported as other operating income.

In 2022, Outokumpu divested its plated services business in Castelleone, Italy, plate service center in Aalten, Netherlands, and Outokumpu Fortinox S.A. in Argentina. The loss on the disposals excluding transaction costs amounted to EUR 9 million. More information on the divestment in note 6.2.

In addition to the impairment of EUR 18 million related to Group's ERP systems booked in 2021, Outokumpu recognized an additional impairment of EUR 10 million in 2022.

In 2021, Outokumpu recognized impairments in non-current assets based on reviews of individual assets for EUR 45 million. These impairments include EUR 18 million relating to the Group’s ERP systems, EUR 13 million regarding mine properties and obsolete machinery in Ferrochrome business area, EUR 10 million regarding lease agreements on land and buildings in the business area Europe’s operations in Germany, and EUR 4 million regarding obsolescence of various assets in the Group.

Accounting principles

Other operating income and expenses include items such as gains or losses from disposals of non-current assets or businesses and gains or losses from derivate financial instruments that are not hedge accounted or do not relate to the Group’s financing activities.

Other operating income also includes rental and lease income, insurance compensations and government and other grants and support.

Grants and other support are recognized as income over the same periods as the costs they are intended to compensate. Investment grants related to purchases of non-current assets are deducted from the cost of the asset and recognized as income on a systematic basis as a reduction in depreciation or amortization over the useful life of the asset.

Other operating expenses include costs related to emission allowances and impairment losses related to non-current assets.

2.5 Financial income and expenses

€ million	2022	2021
Interest income	**4**	4
Other financial income	**1**	3
Interest income and other financial income	**4**	7
Interest expenses		
Debt at amortized cost	**–21**	–44
Factoring	**–10**	–6
Lease liabilities	**–10**	–11
Employee benefit obligations	**–3**	–1
Other interest expenses	**–1**	–2
Interest expenses	**–44**	–64
Capitalized interests	**3**	3
Fees related to committed credit facilities	**–12**	–13
Other fees	**–10**	–9
Other financial expenses	**–19**	–19
Exchange gains and losses		
Derivatives	**40**	8
Cash, loans and receivables	**–39**	–10
Other market price gains and losses		
Derivatives	**–10**	–5
Other	**–3**	4
Market price gains and losses	**–12**	–3
Total, continuing operations	**–71**	–79

Exchange gains and losses in the consolidated statement of income

€ million	2022	2021
In sales	**10**	12
In purchases	**–31**	–32
In other operating income and expenses	**–8**	22
In financial income and expenses	**1**	–2
Total, continuing operations	**–29**	0

Exchange gains and losses include EUR 32 million of net exchange gain on derivative financial instruments (2021: EUR 30 million net exchange gain) of which a loss of EUR 8 million (2021: EUR 22 million gain) has been recognized in other operating income and expenses and a gain of EUR 40 million (2021: EUR 8 million gain) in financial income and expenses.

Accounting principles

Financial income includes mainly interest income on cash and cash equivalents and defined benefit plans.

Financial expenses include mainly interest expenses of borrowings, lease liabilities, factoring and defined benefit plans.

Other income and expenses include fees related to accrued commitment credit facilities, other financial fees and capitalized interests.

Exchange gains and losses include exchange and other market price gains and losses on cash, debt and receivables and derivatives related to Group’s financing activities.

Exchange and other market price gains and losses on operative items and related derivative instruments are recognized in EBIT. Exchange and other market price gains and losses on financing items and related derivative instruments are recognized in financial income and expenses.

2.6 Income taxes

Income taxes in the consolidated statement of income

€ million	2022	2021
Current taxes	**–61**	–23
Deferred taxes	**215**	–61
Total, continuing operations	**154**	–84

Reconciliation of income taxes in the consolidated statement of income

€ million	2022	2021
Result before taxes	**933**	610
Income taxes at Finnish tax rate of 20%	**–187**	–122
Difference between Finnish and foreign tax rates	**–46**	–25
Non-deductible expenses and tax exempt income	**–1**	–2
Current year result for which no deferred tax asset has been recognized	**84**	54
Changes in deferred tax recognition[1)]	**303**	4
Group company disposals	**–2**	–
Taxes for prior years	**1**	–2
Tax rate changes and other changes in tax laws	**–1**	7
Associated companies	**2**	3
Total, continuing operations	**154**	–84

[1)] Mainly relate to US deferred tax asset recognition. More information at the end of this note.

Accumulated deferred taxes recognized in equity

€ million	2022	2021
Deferred tax on convertible bond equity component	**–1**	–2
Net investment hedging	**–4**	–4
Remeasurements of the net defined benefit liability	**64**	87
Derivatives	**6**	0
Total, continuing operations	**64**	81

Deferred tax assets and liabilities

€ million	Jan 1, 2022 Net deferred tax assets (+) and liabilities (–)	Movements Reclassifications	Recognized in profit or loss	Recognized in other comprehensive income or directly in equity	Translation differences	Dec 31, 2022 Net deferred tax assets (+) and liabilities (–)
Intangible assets	5	–	3	–	0	8
Property, plant and equipment	–211	–9	14	–	–8	–215
Inventories	6	0	–2	–	0	3
Net derivate financial assets	1	0	–5	6	0	2
Other financial assets	39	0	–8	–	0	31
Employee benefit obligations	41	0	–1	–24	0	16
Other financial liabilities	38	0	5	–	0	43
Provisions	–5	0	6	–	0	1
Tax losses and tax credits	307	–8	203	–	–2	500
Net deferred tax assets	221	–18	215	–18	–10	**390**
Deferred tax assets	222					**390**
Deferred tax liabilities	–1					**0**

Reclassifications include transfers to assets classified as held for sale.

€ million	Jan 1, 2021 Net deferred tax assets (+) and liabilities (–)	Movements Reclassifications	Recognized in profit or loss	Recognized in other comprehensive income or directly in equity	Translation differences	Dec 31, 2021 Net deferred tax assets (+) and liabilities (–)
Intangible assets	6	–	–2	–	1	5
Property, plant and equipment	–190	–	–17	–	–5	–211
Inventories	–4	–	9	–	0	6
Net derivate financial assets	–2	–	3	0	0	1
Other financial assets	23	–	16	–	0	39
Employee benefit obligations	41	–	–24	24	0	41
Other financial liabilities	87	–	–52	–	3	38
Provisions	–10	–	5	–	0	–5
Tax losses and tax credits	306	–	–1	–	3	307
Net deferred tax assets	257	–	–64	24	3	**221**
Deferred tax assets	264					**222**
Deferred tax liabilities	–7					**–1**

The figures in 2021 are including discontinued operations.

Tax losses and related deferred tax assets

	Tax losses carried forward		Recognized deferred tax assets		Unrecognized deferred tax assets	
€ million	2022	2021	2022	2021	2022	2021
Expire in 2–5 years	**0**	81	**0**	16	**–**	–
Expire later than in 5 years	**1,267**	1,633	**302**	126	**–**	307
Never expire	**924**	1,101	**199**	165	**7**	108
Total, continuing operations	**2,190**	2,815	**500**	307	**7**	414

Tax losses by country

€ million	2022	2021
Finland	**–**	197
Germany	**145**	217
Sweden	**190**	289
The US	**1,640**	1,871
The UK	**168**	190
Other countries	**47**	51
Total, continuing operations	**2,190**	2,815

As of December 31, 2022, the tax attributes of the Outokumpu Group for which no deferred tax asset has been recognized amount to EUR 31 million (Dec 31, 2021: EUR 1,540 million). The decrease is mainly due to the recognition of deferred tax assets relating to US operations. At the end of 2021, Outokumpu Group had losses in the US operations where losses were not valued to the extent they exceeded the deferred tax liability. Year 2021 was the first profitable year for business area Americas after a long history of losses and the accounting assessment for deferred tax asset did not support the recognition of a net deferred tax asset. Year 2022 was also profitable and therefore, following two consecutive years of strong performance and good expectations for continuing good performance, the condition for recording a deferred tax is fulfilled. A deferred tax asset of EUR 297 million relating to US losses was recorded in the balance sheet in 2022.

No deferred tax liabilities were recorded on undistributed profits of foreign subsidiaries, as such profits are not to be distributed in the foreseeable future.

Management judgments

Outokumpu operates and earns income in numerous countries and is subject to changes in tax laws in multiple jurisdictions. When recognizing income tax liabilities, material judgments and estimates need to be made on tax uncertainties.

In deferred tax asset recognition, the management assesses whether the realization of future tax benefits is sufficiently probable to support the recognition. This assessment requires judgment regarding, for example, realizable benefits 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 as a result of changes in these estimates or in tax regulations imposing restrictions on the utilization of future tax benefits.

Accounting principles

Current and deferred income taxes are determined on entity level to the extent an entity is subject to income taxation. The income taxes in the consolidated statement of income include the Group companies' current income taxes based on taxable profit for the period, tax adjustments for previous periods, and the change in deferred income taxes. In several countries (Finland, Germany, the Netherlands, Sweden, the UK and the US) Outokumpu companies are included in income tax consolidation groups or 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 assets and liabilities' carrying amounts in the financial statements and the corresponding tax basis at the reporting date, as well as for unused tax loss or credit carry forwards.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available for utilization of these differences. A valuation allowance is recognized if the realization of the tax benefits 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. As an exception, deferred tax liabilities are not recognized if they arise from initial recognition of an asset or a liability in a transaction that is not a business combination and that does not affect the accounting nor taxable profit at the time of the transaction.

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. However, if the taxes are related to items of other comprehensive income or to transactions or other events recognized directly in equity, the related income taxes are also recognized either in other comprehensive income or directly in equity, respectively.

2.7 Earnings per share

	2022	2021
Net result attributable to the equity holders of the parent company, € million	**1,140**	553
Interest expenses on convertible bond, net of tax, € million	**8**	8
Adjusted net result attributable to the equity holders of the parent company, € million	**1,148**	561
Net result attibutable to the equity holders of the parent company, continuing operations, € million	**1,086**	526
Interest expenses on convertible bond, net of tax, continuing operations, € million	**8**	8
Adjusted net result attributable to the equity holders of the parent company, continuing operations, € million	**1,094**	534
Adjusted weighted average number of shares, in thousands	**451,933**	438,871
Adjusted diluted weighted average number of shares, in thousands	**493,536**	479,164
Earnings per share, €	**2.52**	1.26
Diluted earnings per share, €	**2.33**	1.17
Earnings per share, continuing operations, €	**2.40**	1.21
Diluted earnings per share, continuing operations, €	**2.22**	1.13

In 2022, Outokumpu repurchased 8,575,126 treasury shares as part of a share buyback program. More information on the program is presented in note 5.2.

In May 2021, Outokumpu carried out an issue of 40,500,000 new shares directed to institutional investors. The new shares were registered on May 12, 2021.

Accounting principles

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

In a share issue, when shares are offered at discount compared to market price, the proportion of the issue representing the discount is retrospectively adjusted to the weighted average number of shares.

Diluted earnings per share is calculated by adjusting the adjusted weighted average number of ordinary shares outstanding with the assumption that convertible instruments are converted. 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. In addition, the shares estimated to be delivered based on the share-based incentive programs are taken into account. However, potential ordinary shares are only dilutive if the adjustments decrease the earnings per share ratio.

3. Employee benefits

Outokumpu slightly reduced its number of personnel for continuing operations during 2022 and at the end of December full-time equivalent number of personnel was 8,357. Employee benefit expenses increased in 2022, reflecting the intense utilization of our resources to produce higher volumes. In addition, expenses related to short-term incentives increased on the back of the strong performance in 2022.

3.1 Employee benefit expenses

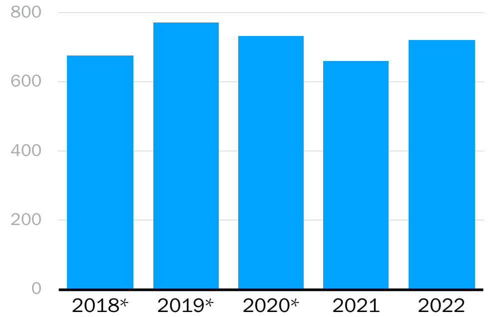
€ million	2022	2021
Wages and salaries [1]	**–544**	–499
Termination benefits	**–9**	–3
Social security costs [1]	**–108**	–102
Post-employment and other long-term employee benefits		
Defined benefit plans	**–5**	–3
Defined contribution plans	**–41**	–43
Other long-term employee benefits	**–1**	–1
Share-based payments	**–8**	–4
Other employee benefit expenses	**–7**	–6
Total, continuing operations	**–722**	–662

[1] The classification between wages and salaries and social security costs has been refined in 2022. Comparison period is presented accordingly.

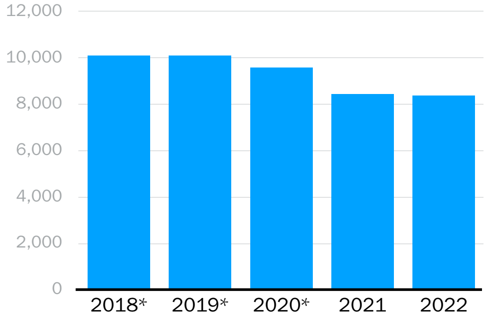
Total employee benefit expenses EUR
722
million

Number of personnel at the end of period (FTE)
8,357

Employee benefit expenses, € million



Personnel on December 31



Personnel reported as full time equivalent number.

* Including discontinued operations

3.2 Employee benefits for key management

€ thousand	2022	2021
Short-term employee benefits	**6,404**	6,171
Post-employment benefits [1]	**233**	421
Share-based payments	**2,331**	1,048
Remuneration to the Board of Directors	**898**	781
	9,866	8,421

[1] Contains only supplementary pensions.

Key management includes the members of the Outokumpu Leadership Team and the members of the parent company Outokumpu Oyj's Board of Directors. President and CEO, CFO, Presidents of the core business areas and business lines, Chief Technology Officer and Chief Human Resources Officer are part of the Outokumpu Leadership Team.

Employee benefits for the CEO

	Recognized in profit or loss		Remuneration paid	
€ thousand	2022	2021	2022	2021
Salaries and short-term benefits	**900**	796	**900**	796
Short-term incentives	**871**	1,065	**1,065**	–
Post-employment benefits	**241**	116	**241**	116
Share-based payments	**633**	278	–	–
	2,645	2,254	**2,206**	912

CEO participates in the Finnish TyEL pensions system, and the post-employment benefits have been calculated based on the general TyEL contribution percentage of the employer.

Remuneration paid to Board of Directors

€ thousand	2022	2021
Chairman Kari Jordan	**190**	176
Vice Chairman Kati ter Horst, Vice Chairman as of March 31, 2022	**114**	84
Vice Chairman Eeva Sipilä, until March 31, 2022	**4**	104
Member Heinz Jörg Fuhrmann, as of March 31, 2021	**95**	78
Member Päivi Luostarinen, as of March 31, 2021	**92**	80
Member Karl-Petter Söderström, as of March 31, 2022	**87**	–
Member Vesa-Pekka Takala	**113**	83
Member Pierre Vareille	**100**	85
Member Julia Woodhouse	**105**	93
	898	781

Remuneration of the CEO

The remuneration of the CEO consists of base salary, benefits, annually determined short-term incentives, and long-term share-based incentive programs.

The CEO's monthly gross base salary was raised by 16% to EUR 75,397 in April 2022, totaling EUR 900,322 including short-term benefits for the full year 2022.

In 2022, the CEO's short-term incentive earning opportunity remained unchanged at 50% of the annual gross base salary on a target level and 100% on a maximum level. The short-term incentive to be paid in 2023 reflects the achievement of the pre-defined targets for 2022: Group adjusted EBITDA (80% weight, achieved at maximum level), safety (10% weight, achieved at target level), and strategy implementation (10% weight, achieved at maximum level).

The CEO participates in the Performance Share Plans (PSP) 2020–2022, 2021–2023 and 2022–2024. Outokumpu did not reach the target for PSP 2019–2021 and subsequently no share rewards were paid in 2022. The target was reached however for PSP 2020–2022, and the CEO will receive 100% of his share grant during spring 2023, or 130,451 gross shares.

The members of Outokumpu's Leadership Team, including the CEO, are expected to own Outokumpu shares they receive in the company's share-based incentive programs corresponding to the value of their annual gross base salary. Half (50%) of the net shares received from the share-based incentive programs must be used to fulfil that ownership recommendation.

The CEO has the right to retire at the age of 65. He participates in the Finnish TyEL pension system, and there is no supplementary pension plan at place. The service contract of the CEO is valid until further notice. He is entitled to a severance payment of twelve (12) months, and the notice period is six (6) months for both parties.

Remuneration of the Board of Directors

Outokumpu's Annual General Meeting approved the annual remuneration to the members of the Board of Directors. 40% of the annual fee was paid in the company's own shares using treasury shares, unless a Board member already owned shares for a value exceeding the annual remuneration and chose to increase their cash portion. The annual fee is paid once a year. In addition to the annual remuneration, a meeting fee is paid. The Board members are not eligible for any pension schemes nor any other share-based rewards.

Accounting principles

Employee benefits for the key management include the benefits to each Leadership Team or Board of Directors member for the time they hold these positions.

Employee benefits are presented based on expenses recognized in profit or loss during the year on accrual basis except for the CEO whose remuneration is presented also based on paid during the year. The remuneration to Board of Directors is also presented on paid basis.

Short-term incentives are recognized to profit or loss during the period they relate to whereas bonuses are typically paid out during the following financial year. Expenses on share-based payments are recognized to profit or loss at the share price on the grant date of the benefit and over the period when the benefit is earned. Share-based benefits are reported as paid when delivered and at the share price on the delivery date.

3.3 Employee benefit obligations

Outokumpu has several defined benefit and defined contribution plans in various countries. The most significant defined benefit plans are in Germany and the UK, representing 44% and 53% of the Group's total defined benefit obligation, respectively.

Funding requirements of the defined benefit plans are generally based on the pension fund's actuarial measurement framework set out in the funding policies and local regulation.

Germany

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

In addition, all the obligations in Germany are embedded 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, and the plans are funded only for a small part with a CTA model (Contractual Trust Arrangement) that was introduced in 2019.

The UK

The AvestaPolarit Pension Scheme (the "Scheme") is registered under UK legislation and is contracted out of the State Second Pension. The Scheme is subject to the funding requirements outlined in UK legislation. The Scheme's trustee is responsible for the operation and governance of the Scheme, including decisions regarding the Scheme's funding and investment strategy.

In December 2021, a GBP 390 million buy-in contract was implemented. This buy-in completed the Scheme's de-risking process which began with an initial buy-in in 2020, when a GBP 110 million buy-in insurance solution was implemented. The actuarial losses in 2021 amounted to EUR 86 million, mainly attributable to the buy-in arrangement.

A buy-in removes risks of investment, longevity, interest rate changes and inflation for the Scheme and is held as a Scheme asset. Until a buy-out is secured, the Scheme ultimately remains the responsibility of the Company. However, as a result of the buy-in arrangement, the risks related to the Scheme's obligation are now significantly reduced and mostly covered by insurance. Outokumpu has agreed with the trustees to hold cash in an escrow account to provide for small mismatches in the insurance coverage and liquidity to the scheme. At year-end 2022, the escrow balance was GBP 13 million (2021: GBP 13 million).

Due to the buy-in solutions, no further contributions are expected to be required as a result of the triennial valuations. The latest actuarial valuation was completed in 2021. In 2021, Outokumpu made the final contribution of GBP 3 million.

Discontinued operations

All the figures in this note are including discontinued operations as their impact is considered immaterial.

Defined benefit cost in profit or loss and other comprehensive income

€ million	2022	2021
In employee benefit expenses in EBIT	**–5**	–3
In financial income and expenses	**–3**	–1
Defined benefit cost in profit or loss	**–7**	–4
In other comprehensive income	**65**	–72
Total defined benefit cost	**57**	–76

Gross defined benefit obligations and plan assets

€ million	2022	2021
Present value of funded defined benefit obligations	**502**	778
Present value of unfunded defined benefit obligations	**2**	3
Fair value of plan assets	**–301**	–487
Net defined benefit liability	**202**	294

Amounts recognized in the consolidated statement of financial position

€ million	2022	2021
Net defined benefit liability	**202**	294
Other long-term employee benefit liabilities	**14**	15
Employee benefit obligations in statement of financial position	**216**	309

Gross defined benefit obligations and plan assets are presented in the statement of financial position netted per plan either as a liability or an asset depending on nature of the netted item.

The share of discontinued operations in defined benefit cost in profit or loss and other comprehensive income in 2022 was immaterial (2021: immaterial). There was a net defined benefit liability of EUR 1 million in statement of financial position in discontinued operations in 2022.

Movement in net defined benefit liability

€ million	2022 Present value of obligation	2022 Fair value of plan assets	2022 Net defined benefit liability	2021 Present value of obligation	2021 Fair value of plan assets	2021 Net defined benefit liability
Total on Jan 1	781	–487	294	783	–534	249
Current service cost	4	–	4	5	–	5
Past service cost	1	–	1	–2	–	–2
Interest expense/(income)	10	–8	3	7	–7	1
Remeasurements arising from						
Return on plan assets	–	178	178	–	72	72
Demographic assumptions	4	–	4	14	–	14
Financial assumptions	–264	–	–264	–21	–	–21
Experience adjustment	16	–	16	5	–	5
Exchange differences	–16	17	1	32	–34	–2
Employer contributions	–	–34	–34	–	–28	–28
Benefits paid	–31	31	–	–41	41	–
Settlements	–1	2	0	–2	2	0
Total on Dec 31	**504**	**–301**	**202**	781	–487	294
Germany on Dec 31	**221**	**–34**	**187**	292	–16	276
The UK on Dec 31	**266**	**–262**	**4**	470	–464	6

The weighted average duration of the overall defined benefit obligation is 12.8 years. In Germany and in the UK, the weighted average durations are 10.8 and 15.0 years, respectively.

Discount rates, rising inflation and increasing retirement age have material impact on financial assumptions and remeasurement amounts.

The expected contributions to be paid to the defined benefit plans in 2023 are EUR 35 million and relate mainly to the German plans.

Allocation of plan assets

€ million	2022	2021
Cash and cash equivalents	**2**	5
Insurance policies	**264**	466
Total plan assets	**267**	471

Allocation of plan assets covers 88.5% of total defined benefit plan assets. On December 31, 2022, 0.9% of the plan assets were invested in quoted instruments (Dec 31, 2021: 1.0%).

Significant actuarial assumptions

		Germany	The UK	Other countries
Discount rate, %	**2022**	**3.74**	**4.75**	**7.14**
	2021	0.92	1.75	3.76
Future salary increase, %	**2022**	**–**	**–**	**4.11**
	2021	–	–	3.99
Inflation rate, %	**2022**	**–**	**3.25**	–
	2021	–	3.30	–
Future benefit increase, %	**2022**	**2.30**	**3.10**	**2.01**
	2021	1.70	3.15	1.36
Medical cost trend rate, %	**2022**	–	–	**5.20**
	2021	–	–	5.80–6.10
Life expectancy	**2022**	**RT 2018 G mortality tables**	**96% SAPS All Pensioner Amounts tables with CMI Core Projection Model –2021**	**Standard mortality tables**
	2021	RT 2018 G mortality tables	96% SAPS All Pensioner Amounts tables with CMI Core Projection Model –2020	Standard mortality tables

Sensitivity analysis of significant actuarial assumptions

	Change in assumption	Germany, %	The UK, %[1]	Other countries, %
2022				
Discount rate	+/– 0.5%	–5/+6	–7/+8	–3/+4
Future benefit increase	+/– 0.5%	+3/–2	+5/–5	+2/–2
Medical cost trend rate	+/– 0.5%	–	–	+5/–4
Future salary increase	+/– 0.5%	–	–	+3/–3
Life expectancy	+ 1 year	+2	+3	+7
2021				
Discount rate	+/– 0.5%	–6/+7	–9/+10	–4/+4
Future benefit increase	+/– 0.5%	+3/–3	+7/–7	+3/–3
Medical cost trend rate	+/– 0.5%	–	–	+1/–1
Future salary increase	+/– 0.5%	–	–	+3/–3
Life expectancy	+ 1 year	+3	+3	+7

Sensitivity is presented for reasonably possible change at the reporting date in one of the principal assumptions, while holding all other assumptions constant.

[1] The buy-in removed risks of investment, longevity, interest rate changes and inflation for the scheme.

Other long-term employee benefits

Other long-term employee benefits mainly relate to early retirement provisions in Germany and long-service remunerations in Finland. Under the German 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.

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.

Risk information

Through its defined benefit 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 plan's 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.

The buy-in solutions implemented in the UK in 2021 and 2020 significantly reduce the earlier-mentioned risks for the Scheme, which is mostly covered by insurance.

Management judgments

The present value of pension obligations is subject to actuarial assumptions which are used in calculating these obligations. These assumptions include, among others, discount rate, the annual rate of increase in future compensation levels, inflation rate and employee turnover rate. The assumptions are proposed by external independent actuaries separately for each defined benefit plan or each country where Outokumpu has defined benefit plan and approved by the management.

Accounting principles

The 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 expense 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 liability recognized in the statement of financial position is the defined benefit obligation less the fair value of plan assets at the closing date. When the fair value of plan assets exceeds the value of the obligation, the net amount is recognized as defined benefit plan assets.

Current service costs, past service costs and gains or losses on 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.

Buy-in contract in the UK does not result in a settlement because Outokumpu remains responsible for the benefit obligation. The buy-in contract is effectively an investment by which the plan can receive payments from the insurer corresponding to the benefits due to the participants, but ultimately the primary obligation to pay benefits has not been transferred.

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.

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

3.4 Share-based payments

Share-based programs are part of the Group's incentive and commitment-building system for key employees. The objectives are to align the interests between key employees and shareholders, promote shareholder value creation and the achievement of long-term strategic targets.

Outokumpu operates two share-based programs. The Performance Share Plan (PSP) includes an earning criterion and is part of the regular compensation of top executives, with a maximum number of participants of 150. The Restricted Share Pool (RSP) does not have any specific earning criteria and it is used for a limited number of employees, for key recruitments, exceptional performance, high potential, retention needs and other individual specific situations.

For the financial year 2022, the share-based payment expenses included in the employee benefit expenses were EUR 8 million (2021: EUR 4 million). The total estimated value of the share-based payment plans is EUR 18 million on December 31, 2022 (2021: EUR 14 million). This value is recognized as an expense in the statement of income during the vesting periods.

Outstanding programs

During 2022, Outokumpu's share based payment programs included the Performance Share Plan (periods 2020–2022, 2021–2023 and 2022–2024) and the Restricted Share Pool Program (periods 2020–2022, 2021–2023 and 2022–2024).

In December 2022, the Board of Directors approved the commencement of the 2023–2025 plans for the Performance Share Plan and the Restricted Share Pool Program from the beginning of 2023.

Vested programs

In 2022, the Performance Share Plan 2019–2021 ended, and as targets were not achieved, no shares were delivered to the participants. Regarding the Restricted Share Pool Program period 2019–2021, after deductions for applicable taxes, in total 90,740 shares were delivered to 56 participants based on the conditions of the plan. From the Restricted Share Pool Program plan 2021–2023, after deductions for applicable taxes as first instalment of three, in total 47,020 shares were delivered to the 62 participants. Shares were transferred in February 2022.

Outokumpu used its treasury shares for all share reward payments.

Share-based payment opportunity

Maximum number of shares Dec 31, 2022	2023	2024	2025	Total
PSP 2020–2022	1,969,652			1,969,652
RSP 2020–2022	148,900			148,900
	2,118,552			2,118,552
PSP 2021–2023		2,803,425		2,803,425
RSP 2021–2023	67,500	67,500		135,000
	67,500	2,870,925		2,938,425
PSP 2022–2024			1,352,153	1,352,153
RSP 2022–2024	45,433	45,433	231,534	322,400
	45,433	45,433	1,583,687	1,674,553
Total	**2,231,485**	**2,916,358**	**1,583,687**	**6,731,530**

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

	Performance Share Plan		
Grant date	March 9, 2020	March 15, 2021	March 15, 2022
Vesting period	Jan 1, 2020–Dec 31, 2022	Jan 1, 2021–Dec 31, 2023	Jan 1, 2022–Dec 31, 2024
Number of participants	88	98	105
Share price at grant date, €	2.80	4.35	4.50
Exercised	In shares and cash in 2023	In shares and cash in 2024	In shares and cash in 2025
Vesting conditions			
Non-market	Return on operating capital compared to a peer group	Return on capital employed as an absolute measure	Return on capital employed (80%), CO_2 emissions per ton of crude steel produced (20%)
Other relevant conditions	Continuation of employment until the shares are delivered, a salary-based limit for the maximum benefits		

	Restricted Share Pool Program		
Grant date	March 9, 2020	March 15, 2021	March 15, 2022
Vesting period	Jan 1, 2020–Dec 31, 2022	Jan 1, 2021–Dec 31, 2023	Jan 1, 2022–Dec 31, 2024
Number of participants	34	56	67
Share price at grant date, €	2.80	4.35	4.50
Exercised	In shares and cash in 2023	In shares and cash, in 3 installments in 2022, 2023 and 2024	In shares and cash, either in full in 2025 or in 3 installments in 2023, 2024 and 2025
Vesting conditions	Continuation of employment until the shares are delivered, a salary-based limit for the maximum benefits		

Management judgments

In valuing the share-based payment plans, the management estimates the likelihood of achieving the non-market performance criteria and the number of participants remaining in the plan when the vesting period ends.

The evaluation of the likelihood of achieving the non-market performance criteria uses mainly external financial forecasts but also internal forecasts are used. The number of participants remaining in plans at the end of the vesting period is estimated based on historical forfeit ratios of similar plans. Also potential impacts from restructuring activities carried out in the Group are considered in the estimate.

Accounting principles

The share-based payments are settled net of tax withholdings, and they are accounted as fully equity-settled. The expense of the programs recognized over vesting periods is based on the grant date fair value and is reported as employee benefit expenses within the administrative expenses in profit or loss.

Applicable statistical models are used in valuation, and the valuation is revised at the end of each reporting period based on the likelihood of achieving the non-market performance criteria and the estimated retention rate of the participants.

The salary-based maximum limits for the pay-outs have been taken into account in the valuation of the benefits.

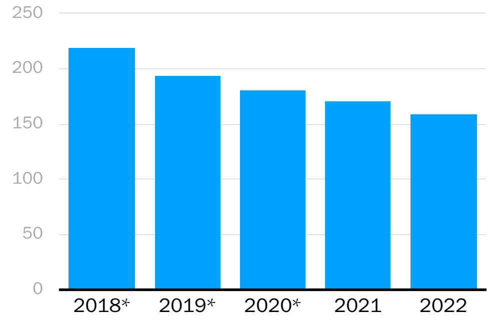
Detailed information of the share-based incentive programs can be found in Outokumpu's home page www.outokumpu.com ↗

4. Operating assets and liabilities

Outokumpu remained capital disciplined in 2022, and the annual capital expenditure was limited to EUR 180 million. The group's main capital expenditure project, the Kemi mine expansion, is estimated to be finalized in the first quarter of 2023. Outokumpu's net working capital increased in 2022. Inventories declined in volumes, while higher metal prices offset the impact. Return on capital employed increased further to an excellent level.

Capital expenditure
EUR
158
million

Capital expenditure, € million



Capital expenditure definition changed from accrual-based to cash-based capital expenditure in 2020. Figures for 2019 and 2018 have been restated accordingly.

4.1 Intangible assets and property, plant and equipment

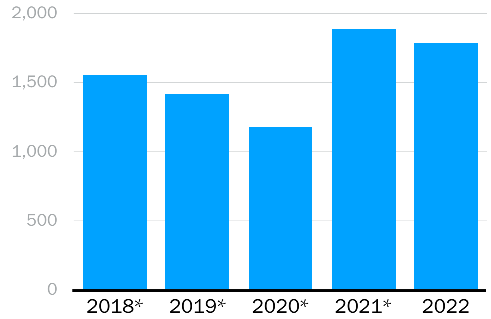
Intangible assets

2022 € million	Goodwill	Other intangible assets	Total
Historical cost on Jan 1, 2022	482	367	849
Translation differences	–2	–4	–5
Additions	–	7	7
Disposals	–2	–2	–4
Reclassifications	–8	–15	–23
Historical cost on Dec 31, 2022	**471**	**352**	**823**
Accumulated amortization and impairment on Jan 1, 2022	–17	–255	–272
Translation differences	1	4	5
Amortization	–	–16	–16
Impairments	–	–10	–10
Disposals	1	1	2
Reclassifications	–	15	15
Accumulated amortization and impairment on Dec 31, 2022	**–15**	**–262**	**–276**
Carrying value on Dec 31, 2022	**456**	**91**	**547**
Carrying value on Jan 1, 2022	465	112	577

Impairments in other intangible assets relate mainly to the Group's ERP systems. Reclassifications include transfers to assets classified as held for sale.

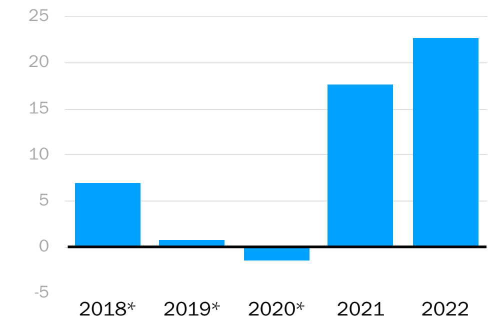
Inventories
EUR
1,783
million

Inventories, € million



Return on
capital employed
22.6%

Return on capital employed, %



Outokumpu has redefined its' capital employed and ROCE definitions in 2022. Comparative information for 2021 has been restated accordingly.

* Including discontinued operations

2021 € million	Goodwill	Other intangible assets	Total
Historical cost on Jan 1, 2021	485	377	862
Translation differences	–2	1	–1
Additions	–	10	10
Disposals	–1	–24	–24
Reclassifications	–	3	3
Historical cost on Dec 31, 2021	**482**	**367**	**849**
Accumulated amortization and impairment on Jan 1, 2021	–19	–232	–252
Translation differences	1	0	1
Amortization	–	–17	–17
Impairments	–	–18	–18
Disposals	1	12	13
Accumulated amortization and impairment on Dec 31, 2021	**–17**	**–255**	**–272**
Carrying value on Dec 31, 2021	**465**	**112**	**577**
Carrying value on Jan 1, 2021	466	144	610

Impairments in other intangible assets relate mainly to the Group's ERP systems. The figures in 2021 are including discontinued operations.

Emission allowances

Outokumpu's continuing operations had the following active sites operating under EU's Emissions Trading Scheme (EU ETS) in 2022: production plants in Tornio, Finland; Avesta, Degerfors and Nyby in Sweden; as well as Krefeld together with Dillenburg in Germany. All Outokumpu sites met the compliance requirements on time in 2022.

The pre-verified carbon dioxide emissions under EU ETS were approximately 0.9 million tonnes in 2022 (2021 1.0 million tonnes). For its 2022 emission allowance delivery, Outokumpu will use allowances received for free, but also allowances acquired from market in prior years. The cost of usage has been recognized as other operating expenses.

The Group's emission position is composed of realized and forecasted carbon emissions netted against confirmed and forecasted emission allowances granted by governments. All relevant Outokumpu sites applied for free emission allowances for Phase IV trading period according to the efficiency-based benchmarks and historical activity, and the allocations for the first half of the period have been confirmed. These allocations combined with the allowances held from prior period are adequate to cover the forecasted needs of EU emission allowances for the first half of the trading phase (2021–2025).

The emission allowance price risk is presented in the note 5.3 under Energy price risk.

Property, plant and equipment

2022 € million	Land	Mine properties	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction work in progress	Total
Historical cost on Jan 1, 2022	117	130	1,259	4,575	149	384	6,614
Translation differences	1	–	0	–27	–1	0	–27
Additions	–	0	2	13	0	96	111
Disposals	–2	–	–10	–28	–8	0	–48
Reclassifications	–4	0	–32	–189	–8	–36	–269
Other	–	–	–3	–8	0	–	–11
Historical cost on Dec 31, 2022	**112**	**131**	**1,215**	**4,336**	**133**	**444**	**6,370**
Accumulated depreciation and impairment on Jan 1, 2022	–18	–70	–782	–3,079	–91	0	–4,041
Translation differences	0	–	7	48	1	0	56
Disposals	0	–	4	28	8	–	40
Depreciation	–1	–10	–44	–169	–5	0	–229
Impairments	–	–	0	–1	–	–	–1
Reclassifications	–	–	22	159	–2	–	179
Other	–	–	4	27	–	–	31
Accumulated depreciation and impairment on Dec 31, 2022	**–18**	**–81**	**–789**	**–2,987**	**–89**	**–1**	**–3,964**
Own property, plant and equipment	63	50	406	1,244	43	443	2,250
Right-of-use assets	31	–	20	104	0	1	156
Carrying value on Dec 31, 2022	**94**	**50**	**426**	**1,348**	**44**	**443**	**2,406**
Carrying value on Jan 1, 2022	99	59	477	1,496	58	384	2,573

Reclassifications include transfers to assets classified as held for sale in addition to reclassifications from advances paid and construction work in progress to other asset classes. Change in other is mainly coming from extensions in the lease contracts.

2021 € million	Land	Mine properties	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction work in progress	Total
Historical cost on Jan 1, 2021	123	112	1,283	4,668	137	330	6,654
Translation differences	2	–	15	62	0	2	80
Additions	4	17	2	36	9	99	167
Disposals	–7	0	–37	–172	0	–1	–218
Reclassifications	–	0	0	36	4	–44	–4
Other	–5	–	–4	–58	–	–	–66
Historical cost on Dec 31, 2021	**117**	**130**	**1,259**	**4,575**	**149**	**384**	**6,614**
Accumulated depreciation and impairment on Jan 1, 2021	–16	–48	–766	–3,105	–86	–2	–4,023
Translation differences	0	–	–3	–20	0	0	–22
Disposals	–	–	36	172	0	1	210
Depreciation	–1	–12	–47	–176	–6	0	–242
Impairments	–4	–10	–7	–7	0	0	–27
Other	4	–	4	56	–	–	63
Accumulated depreciation and impairment on Dec 31, 2021	**–18**	**–70**	**–782**	**–3,079**	**–91**	**0**	**–4,041**
Own property, plant and equipment	68	59	452	1,387	57	384	2,407
Right-of-use assets	31	–	25	109	0	–	166
Carrying value on Dec 31, 2021	**99**	**59**	**477**	**1,496**	**58**	**384**	**2,573**
Carrying value on Jan 1, 2021	107	64	517	1,563	51	328	2,631

Impairments in property, plant and equipment include mine properties and obsolete machinery in Ferrochrome business area, lease agreements on land and buildings in the business area Europe's operations in Germany and various obsolete machinery and equipment items in the Group. The figures in 2021 are including discontinued operations.

Intangible assets and property, plant and equipment by geographical region

€ million	2022	2021
Finland	**1,671**	1,726
Other Europe	**574**	679
North America	**699**	733
APAC region	**9**	10
Other countries	**0**	2
	2,953	3,150

Capitalized interest expenses

During 2022, borrowing costs amounting to EUR 3 million were capitalized on investment projects under property, plant and equipment and intangible assets (2021: EUR 3 million). Total capitalized interests on December 31, 2022 were EUR 32 million (Dec 31, 2021: EUR 32 million). The average capitalization rate used in 2022 was 1.0%.

Management judgments

Management estimates relating to useful lives and recoverable amounts affect significantly the intangible asset and property, plant and equipment values in the consolidated statement of financial position, and different assumptions and assigned lives could have a material impact on the reported amounts.

Carrying amounts of intangible asset and property, plant and equipment items are regularly reviewed for any evidence of impairment. If any such evidence emerges, the asset's recoverable amount is assessed, which requires estimation of future cash flows attributable to the asset and related valuation parameters.

Indications for changes in useful lives are reviewed annually, and if changes to previous estimates are identified, the useful lives are revised accordingly. If an impairment loss is recognized, the estimated useful life of the asset is also reassessed.

Accounting principles

Intangible assets other than goodwill include capitalized development costs, patents, licenses and software. These assets comprises mainly acquired assets that typically have definite useful lives. An intangible asset is recognized if it is probable that the asset will generate future economic benefits to the company and the cost of the asset can be measured reliably.

Property, plant and equipment consist mainly of facilities, machinery and equipment used in stainless steel and ferrochrome production.

Intangible assets and property, plant and equipment are recognized initially at cost. Cost comprises of the asset's purchase price and all costs directly attributable to bringing the asset ready for its intended use. Government grants received for investment purposes are deducted from the asset's cost. Intangible assets and property, plant and equipment acquired in a business combination are measured at fair value at the acquisition date.

Borrowing costs (mainly interest costs) directly attributable to the acquisition of an asset are capitalized in the statement of financial position as part of the asset's carrying amount, when it takes a substantial period of time to get the asset ready for its intended use.

After initial recognition, intangible assets and property, plant and equipment are measured at cost less accumulated amortization, depreciation and impairment losses. Intangible assets and property, plant and equipment, other than land and mine properties, are amortized or depreciated on a straight-line basis over their expected useful lives. Assets tied to a certain fixed period are amortized over the contract term.

Amortization of intangible assets is based on the following estimated useful lives:

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

Depreciation of property, plant and equipment items 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 include preparatory work to utilize an ore body or part of it, such as shafts, ramps and ventilation and are depreciated using the units-of-production method based on the depletion of ore reserves over their estimated useful lives. Other tangible assets include items such as land improvements, asset retirement obligations related to landfill areas and infrastructure within the facilities, such as roads and railroads.

Recognition of amortization or depreciation on an asset is ceased when the item is classified as held for sale.

If evidence regarding an impairment of an asset is identified, the asset's recoverable amount is estimated as the higher of the fair value less costs to sell or the value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. A previously recognized impairment loss is reversed if there is a change in the recoverable amount. However, the reversal must not result in a higher carrying amount than what it would have been if no prior impairment loss had been recognized. Impairment losses are presented as other operating expenses in the consolidated statement of income.

Gains or losses on disposals of property, plant and equipment or intangible assets are determined as the difference between the net proceeds received and the carrying amount of the asset. These gains or losses are presented in other operating income or expenses.

Goodwill

Goodwill arises from business combinations and is recognized at the acquisition date at the amount excess of the consideration transferred 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. Goodwill is not amortized but tested for impairment. Goodwill is measured at cost less accumulated impairment losses. Impairment losses on goodwill cannot be subsequently reversed. See note 4.3 for goodwill impairment testing.

Emission allowances

Emission allowances are reported as other intangible assets. They are measured at cost and initially recognized when control is obtained. Allowances received free of charge are recognized at nominal value, i.e. at zero carrying amount. Emission allowances are derecognized against the actual emissions, or when the emission allowances are sold.

Emission allowance expense is recognized when emission allowances received free of charge do not cover the annual emissions for the difference based on the cost of the purchased allowances. In case the Group does not hold sufficient allowances to cover the actual emissions, a provision regarding the obligation to return the emission allowances is recognized at fair value at the end of the reporting period. The expenses are presented as other operating expenses. Gains from the sale of allowances are recognized as other operating income.

4.2 Leases

Outokumpu leases land, buildings, and machinery and equipment used in the Group's operations. Outokumpu has also entered into service and supply contracts that contain lease elements. Contracts include typically fixed rental amounts, and for land and buildings, rents are linked to an index.

The terms of new vehicle leases are typically 3 to 5 years, and lease terms for other machinery and equipment range up to 15 years. Lease terms for land and buildings can be significantly longer with the remaining terms for individual contracts on land of approximately 45–95 years.

Leases for machinery and equipment include also contracts with variable lease payments based on usage of the equipment. Machinery and equipment are also hired with daily rates for temporary use, in which case they are reported as short-term leases.

Right-of-use assets

2022 € million	Land	Buildings	Machinery and equipment	Advances paid and other tangible assets	Total
Historical cost on Jan 1, 2022	36	47	183	0	266
Additions	–	1	5	0	6
Reclassifications	–	–3	–3	0	–6
Other changes	–	–3	–10	1	–13
Historical cost on Dec 31, 2022	**36**	**41**	**175**	**2**	**254**
Accumulated depreciation on Jan 1, 2022	–4	–22	–75	–	–101
Depreciation and impairments	–1	–5	–27	0	–33
Reclassifications	–	1	2	–	3
Other changes	–	4	29	0	33
Accumulated depreciation and impairment on Dec 31, 2022	**–5**	**–22**	**–71**	**–1**	**–97**
Carrying value on Dec 31, 2022	**31**	**20**	**104**	**1**	**156**
Carrying value on Jan 1, 2022	31	25	109	–	166

Reclassifications include transfers to assets classified as held for sale.

2021 € million	Land	Buildings	Machinery and equipment	Advances paid	Total
Historical cost on Jan 1, 2021	41	49	210	1	301
Additions	0	2	29	0	31
Other changes	–5	–4	–56	–1	–65
Historical cost on Dec 31, 2021	**36**	**47**	**183**	**0**	**266**
Accumulated depreciation on Jan 1, 2021	–3	–13	–104	–	–120
Depreciation and impairments	–4	–13	–26	–	–44
Other changes	4	4	57	–	66
Accumulated depreciation and impairment on Dec 31, 2021	**–4**	**–22**	**–75**	**–**	**–101**
Carrying value on Dec 31, 2021	**31**	**25**	**109**	**–**	**166**
Carrying value on Jan 1, 2021	37	37	106	1	181

The figures in 2021 are including discontinued operations.

Lease liabilities

€ million	2022	2021
Non-current	**143**	157
Current	**37**	32
	179	189

Maturity analysis of lease liabilities is presented in note 5.1.

Lease expenses

€ million	2022	2021
Depreciation	**−32**	−32
Impairments	**−1**	−10
Interest expenses	**−10**	−11
Expenses on short-term and low-value leases	**−16**	−9
Total, continuing operations	**−60**	−63

Impairments in 2021 are related to lease contracts of land and buildings in Germany.

Lease cash flows

€ million	2022	2021
Repayments	**−33**	−32
Interest paid	**−10**	−11
Total, Group	**−43**	−43

Management judgments

Management judgment and estimates relate mainly to incremental borrowing rates of the Group companies, the probabilities of utilizing extension options in lease contracts and lease terms applied for contracts that are valid until further notice, which impact the reported amounts of lease liabilities and right-of-use assets.

The incremental borrowing rates are defined as part of the process to determine interest rates for intra-group lending, in which Outokumpu defines synthetic ratings for the subsidiaries. The incremental borrowing rate takes into account the currency, the maturity of the lease liability, the credit risk of the lessee based on the synthetic rating, and country risk.

The contracts with extension options are reviewed regularly to evaluate the probability of utilization based on information available.

Contracts that are valid until further notice represent only a small amount of Group's lease contracts, as most contracts have a fixed term. The lease terms for the contracts that are valid until further notice are either defined based on the Group's mid-term planning cycle of 3 years or treated as short-term depending of the type of the asset.

The Group applies materiality in defining low-value items for lease accounting purposes.

Accounting principles

Lease liabilities measured at the present value of future lease payments are recognized to the statement of financial position. In determining the present value of the lease liabilities, the fixed and index/rate-based lease payments are discounted with the interest rate implicit to the lease when available, or with the incremental borrowing rate of the company.

Lease payments are divided into interest expense and repayment of the lease liability. Lease contracts may include options to extend the contract term or purchase the leased asset at the end of the lease term. An option is considered in determining the lease liability when it is highly probable that the option will be used.

Right-of-use assets recognized to the statement of financial position are measured at the amount of lease liability and lease payments made in advance, less accumulated depreciation and impairments. Right-of-use assets are depreciated on a straight-line basis over the lease term, or over the expected useful life of the asset in case the asset will transfer to Outokumpu at the end of the lease term or it is highly probable that a purchase option will be used.

Lease liabilities are presented in non-current and current debt and right-of-use assets are presented in property, plant and equipment in consolidated statement of financial position.

Lease liabilities or right-of-use assets relating to short-term leases, leases of low value items, or intangible assets are not recognized to statement of financial position. Instead, related payments, as well as variable lease payments, are recognized as expense to the profit or loss.

Sale and lease-back

So-called sale and lease-back transactions by the Group in 2019 or later (i.e. in accordance with IFRS 16) do not typically meet the IFRS 15 criteria of a sale, as Outokumpu typically retains the control of the asset. Consequently, they do not meet the criteria of sale and lease-back, either. The asset remains in Outokumpu's property, plant and equipment at cost less accumulated depreciation and impairments. The proceeds of the transaction are recognized as other loans under non-current or current debt.

Sale and lease-back transactions carried out prior to 2019 have been treated according to the accounting principles prevailing at the time.

Group as a lessor

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. Rental income is presented as other operating income.

4.3 Goodwill impairment test

Goodwill and operating capital by operating segment

€ million	Goodwill 2022	Goodwill 2021	Operating capital[1] 2022	Operating capital[1] 2021
Europe	**342**	342	**1,864**	1,721
Americas	–	–	**990**	880
Ferrochrome	**114**	114	**867**	823
Other operations and intra-group items	–	–	**16**	–61
Total, continuing operations	**456**	456	**3,737**	3,363
Long Products[2]	–	9	**-**	157
Total, Group	**456**	465	**3,737**	3,520

[1] Outokumpu has redefined its operating capital definition in 2022. Comparative information has been restated accordingly.

[2] Operating capital key figure excluding net assets held-for-sale as defined in Definitions of financial key figures

In 2022 Long Products businesses to be divested were classified as assets-held-for-sale under IFRS 5. Due to the classification and ongoing disposal process as at the year-end, Long Products businesses were out-of-scope for goodwill impairment testing and related value-in-use calculations for 2022 as the recoverable amount was mainly expected to be recovered through the disposal transaction.

Assumptions by operating segment

	Europe	Americas	Ferrochrome	Long Products
2022				
Weighted average cost of capital (WACC), pre-tax, %	**11.5**	**13.6**	**11.2**	**-**
Weighted average cost of capital (WACC), after-tax, %	9.0	10.2	9.1	-
Terminal growth rate, %	0.5	0.5	0.5	-
2021				
Weighted average cost of capital (WACC), pre-tax, %	8.3	10.4	8.4	9.3
Weighted average cost of capital (WACC), after-tax, %	7.0	8.5	7.0	8.1
Terminal growth rate, %	0.5	1.0	0.5	0.5

Test results and sensitivities by operating segment

2022	Europe	Americas	Ferrochrome
Headroom, € million	1,919	302	560
After-tax WACC increase leading to impairment, %-points	9.7	3.1	5.8
EBITDA decrease leading to impairment, %	51	23	38
Terminal growth rate of zero leading to impairment	No	No	No

Headroom is the amount by which the recoverable amount determined based on the value-in-use analysis exceeds the segment's operating capital amount.

Goodwill impairment testing

In 2022 and 2021, as a result of the impairment testing performed to Group's cash-generating units, no goodwill impairment losses were recognized. Goodwill impairment testing is carried out on operating segment level, as they correspond to the Group's cash-generating units (CGUs) and the goodwill allocation level.

The recoverable amounts of the cash-generating units are based on value-in-use calculations that are prepared using discounted cash flow projections. These projections are based on the Group's strategy approved by the management, and include cash flow forecasts for 2023–2028 after which the terminal value is calculated.

The carrying amount to which the recoverable amount is compared, is the operating capital of the segment, defined in the Alternative performance measures section of the Review by the Board of Directors.

Management judgments

Key assumptions of the value-in-use calculations include the discount rate, the terminal value growth rate, the average global growth in end-use consumption of stainless steel and base price development. Assumptions also include estimates on delivery volume and capital expenditure development, and cost savings related to on-going strategy-implementation related initiatives.

Cash flow forecasts are discounted using the pre-tax weighted-average cost of capital (WACC) as defined for Outokumpu. The components of WACC are risk-free rate, Outokumpu credit margin, equity market risk premium, equity beta, and the industry's median capital structure.

In general, management believes that the assumptions used in the value-in-use calculations are conservative based on the current economic circumstances. Growth rates assumed for stainless steel deliveries are generally lower than independent analysts' view on long-term market development.

Accounting principles

Goodwill is allocated to and tested for impairment on operating segment level, which correspond to the Group's cash-generating units (CGUs), and the lowest level goodwill is monitored. Impairment test is carried out on an annual basis, or more frequently when there is evidence of potential goodwill impairment.

In goodwill impairment testing, the recoverable amounts are based on value in use determined by discounted future net cash flows expected to be generated by the cash-generating unit. The discount rate used is a pre-tax rate that reflects the current market view on the time value of money and the CGU-specific risks.

An impairment loss is the amount by which the carrying amount of the segment's assets exceeds its recoverable amount. Impairment losses are recognized first on goodwill and after that on other intangible and tangible assets on a pro-rata basis. In the consolidated statement of income impairments are presented in other operating expenses. Impairment losses related to goodwill cannot be subsequently reversed.

4.4 Inventories

€ million	2022	2021
Raw materials and consumables	**635**	524
Work in progress	**689**	875
Finished goods and merchandise	**447**	485
Advance payments	**12**	8
Total	**1,783**	1,892

Net realizable value write-downs of EUR 24 million were recognized in the profit or loss during 2022 (2021: write-downs of EUR 3 million).

In 2022, Outokumpu continued to apply cash flow hedge accounting for three selected nickel hedging programs. More details on commodity price risk and hedge accounting are presented in notes 5.3 and 5.4.

Management judgments

Management judgment and estimates are applied in net realizable value (NRV) and inventory obsolescence analysis.

NRV calculation requires estimates on sales prices for products to be sold in the future to the extent the prices are not known, which can be a significant part of the future prices. Due to fluctuations in nickel and other alloy prices, which are the most important commodity price risks for Outokumpu, the realized prices can deviate significantly from the estimates used in NRV calculations.

The alloy surcharge clause as well as daily fixed pricing of stainless steel reduce the risk arising from the time difference between raw material purchase and product delivery. However, the risk is still significant because the delivery cycle in production is longer than the alloy surcharge mechanism expects and the daily fixed pricing can also deviate from this cycle depending on the timing of the delivery.

Inventory obsolescence for stainless steel products is estimated based on internal guidelines of slow-moving inventory.

Accounting principles

Inventories are stated at the lower of cost and net realizable value. These are defined with different methodologies depending on the type of inventory.

The cost of raw materials is determined as monthly weighted average of the actual raw material cost. The cost of self-produced finished goods and work in progress comprises of raw materials, direct labor, other direct costs and related production and procurement overheads. Cost of purchased products includes all purchasing costs including direct transportation, handling and other costs.

NRV is calculated as the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs attributable to the sale. Obsolete stainless steel products are valued at scrap value. 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 year.

4.5 Trade and other receivables and payables

Trade and other receivables

€ million	2022	2021
Non-current		
Non-current receivables and accruals	**6**	5
Current		
Trade receivables	**593**	597
VAT receivables	**94**	68
Income tax receivables	**21**	21
Escrow deposits	**14**	15
Prepaid insurance expenses	**10**	10
Other accruals	**24**	66
Other receivables	**11**	9
Total	**767**	786
Loss allowance on trade receivables		
On Jan 1	**5**	5
Reclassifications	**0**	–
Reduction in loss allowance	**0**	0
On Dec 31	**5**	5

Reclassifications include transfers to assets classified as held for sale.

Age analysis of trade receivables	2022	2021
Not overdue	**553**	549
Past due 1–30 days	**28**	33
Past due 31–60 days	**7**	8
More than 60 days	**5**	8
Total	**593**	597

Factored trade receivables

Outokumpu uses factoring to finance its working capital. Under these arrangements, Outokumpu has on December 31, 2022 derecognized trade receivables totaling EUR 423 million (2021: EUR 420 million), which represents fair value of the assets. Net proceeds received amounted to EUR 423 million (2021: EUR 412 million). The underlying assets have maturity of less than one year.

The maximum amount of loss related to derecognized assets is estimated to be EUR 16 million (2021: EUR 12 million). This estimate is based on insurance policies and contractual arrangements between factoring companies and Outokumpu. The analysis does not include impact of any operational risk related to Outokumpu's contractual responsibilities. Year 2022 figures are presented for continuing operations.

Trade and other payables

€ million	2022	2021
Non-current		
Accruals	**20**	23
Total	**20**	23
Current		
Trade payables	**1,210**	1,802
Accrued employee-related expenses	**100**	109
Accrued interest expenses	**6**	6
VAT payable	**96**	119
Withholding tax and social security liabilities	**23**	21
Advance payments received	**23**	27
Other accruals	**51**	76
Other payables	**9**	7
Total	**1,516**	2,166

Current VAT payables on December 31, 2021 included EUR 18 million of VAT payments that were deferred for two years in Finland in 2020 as part of the state COVID-19 relief program. The remaining deferred VAT payables were paid during the first half of 2022.

Liabilities related to customer contracts

On December 31, 2022, accrued volume discounts related to customer contracts amounted to EUR 38 million (Dec 31, 2021: EUR 45 million). These are reported as other current accruals.

The liabilities related to the unperformed transportation service were not material on December 31, 2022, and these liabilities as well as advance payments received are expected to be recognized as revenue over the following three months.

Risk information

Credit risk

Outokumpu's sales are covered by approved credit limits or secured payment terms. Most of the outstanding trade receivables have been secured by trade credit insurances, which typically cover some 95% of the insured amount. Part of the credit risk related to trade receivables is managed with letters of credit, advance payments and guarantees.

On December 31, 2022, the maximum exposure to credit risk of trade receivables was EUR 593 million (2021: EUR 597 million). The portion of unsecured receivables during 2022 has been approximately 5-8% of all trade receivables. During 2022, credit limits have remained available from the insurer and there is no significant change in the insurance cover. Outokumpu has frequently monitored credit risk and the overdue situation and continued its close co-operation with the insurers. Outokumpu uses factoring, which transfers most risks and rewards to the buyer of the receivables. At the end of the year 2022, most of the receivables were generated by a large number of customers and there were only few risk concentrations.

Country risk

Exposure to country risk is monitored and reduced by having credit insurance that provides cover against political risk on external trade receivables. At year-end, main country related credit risk exposures included for example limited exposure on Argentina.

Accounting principles

Trade and other receivables and payables include financial assets or liabilities measured at amortized cost. After initial recognition, they are measured at amortized cost by using the effective interest rate method. Trade and other receivables are valued net of accumulated impairments.

Factored trade receivables

Factored trade receivables have been derecognized from the statement of financial position when the related risks and rewards of ownership have materially been transferred to the counterparty of the factoring transaction.

Expected credit losses

Outokumpu applies simplified model in assessing and recognizing loss allowance for expected credit losses on trade receivables. The calculation model is based on overdue statistics and counterparty-specific credit ratings linked with loss probabilities for each rating. Loss allowances are recognized in selling and marketing expenses in the consolidated statement of income.

Liabilities related to customer contracts

Liabilities related to customer contracts include accrued volume discounts, advance payments received and liabilities related to transportation service not yet performed. Accrued volume discounts have been recognized as reductions in revenue during the financial year.

4.6 Provisions

2022 € million	Environmental provisions	Restructuring provisions	Other provisions	Total
Provisions on Jan 1, 2022	57	8	26	91
Translation differences	−1	0	1	0
Increases in provisions	3	14	7	24
Utilized during the financial year	−1	−10	−1	−12
Unused amounts reversed	–	−2	−4	−6
Reclassifications	−14	−2	–	−16
Provisions on Dec 31, 2022	**45**	**8**	**28**	**81**

Reclassifications include transfers to assets classified as held for sale.

2021 € million	Environmental provisions	Restructuring provisions	Other provisions	Total
Provisions on Jan 1, 2021	48	62	5	115
Translation differences	0	0	1	1
Increases in provisions	20	2	21	42
Utilized during the financial year	0	−46	−1	−47
Unused amounts reversed	−10	−8	−1	−19
Reclassifications	–	−3	1	−1
Provisions on Dec 31, 2021	**57**	**8**	**26**	**91**

€ million	2022	2021
Non-current provisions	**49**	63
Current provisions	**32**	29
Total	**81**	91

Environmental provisions

In 2022, the reclassifications include the provisions related to landfill areas of the discontinued operations. In 2021, Outokumpu recognized an increase in environmental provisions of EUR 10 million relating to the aftercare of closed mines in Finland.

The majority of the environmental provisions for continuing operations are for closing costs of production facilities and landfill areas, removal of problem waste and landscaping in facilities in Finland, and Germany and aftercare of closed mines in Finland. 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.

Restructuring provisions

Restructuring provisions relate mainly to the redundancies in selected countries as a result of employee negotiations in 2020 to generate cost savings. The cash outflows related to these provisions took predominantly place in 2021. In 2022 increases in restructuring provisions are mainly due to revaluations.

Other provisions

Other provisions comprise for example provisions for litigations, product and other claims and are mainly current in nature. In both 2022 and 2021, the increases in other provisions were mainly related to litigation provisions.

Management judgments

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

Regarding environmental provisions, the management judgments and estimates relate mainly to the timing and the scope of the activities to be carried out as well as the cost of such activities in the future. Environmental expenditure related to dismantling an entire production facility and restoring the area are generally estimated when decision on a site closure is made.

As actual outflows can differ from estimates due to changes in law, regulations, public expectations, technology, prices and conditions, and can take place in many years in the future, the provisions are regularly reviewed to take such changes into account.

Regarding restructuring provisions, the judgements and estimates mainly relate to the amounts of termination benefits to employees.

Accounting principles

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 the amount can be reliably estimated. Provisions relate mainly to environmental liabilities, restructuring plans, onerous contracts and litigations. Non-current provisions are discounted to present value at the end of the reporting period using risk-free discount rates.

Environmental expenditure arising from restoring the conditions caused by past operations are recognized as expenses when they are incurred. Environmental provision is recognized when the Group has an obligation to decommission or remove a facility or equipment, rehabilitate environmental damage, or landscape and restore an area. The recognition of environmental provisions is based on current interpretation of the effective environmental laws and regulations related to the Group.

When environmental expenditure will arise from future asset retirement obligations, an item of property, plant and equipment corresponding to the amount of the provision is recognized, and the cost will be depreciated over the asset's useful life. Subsequent adjustments to the provision are deducted from or added to the cost of the corresponding asset in a symmetrical manner.

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 of employee termination benefits.

Any potential compensation from a third party is not included in the amount of the provision but recognized as a separate asset when it is virtually certain that the compensation will be received.

5. Capital structure and financial risk management

As a result of strong profitability and strategy execution, Outokumpu reached a significant milestone and was net debt free at the end of 2022. In 2022, credit rating agency Moody's improved the outlook for Outokumpu from Ba3 stable to Ba3 positive. Prepayment and cancellation of loan facilities, the refinancing of its main liquidity facility as well as reductions in the interest margins further decreased finance costs.

Net debt*
EUR
-10
million

Net debt to adjusted EBITDA*
0.0

Debt-to-equity ratio*
-0.3%

The capital structure is regularly monitored by management through the company's leverage ratio. The debt-to-equity ratio and net debt to adjusted EBITDA improved considerably during 2022 as a result of the good development in profitability driven by the successful strategy implementation and favorable market conditions. In addition, strong cash flow allowed debt reduction and had a positive impact on the Group's net debt.

The main objective of capital management is to secure the ability to operate on a going concern basis to enhance value to shareholders and to optimize the cost of capital. Outokumpu seeks to maintain access to loan and capital markets at all times and to preserve sufficient liquidity. The Board of Directors reviews the Group's capital structure on a regular basis. Capital structure and debt capacity are taken into account e.g. in investment, dividend and debt decisions.

Equity is managed through dividend policy, share buybacks and issuances of equity or equity-linked securities. In 2022 supported by a strong balance sheet, Outokumpu launched a share buyback program for a maximum amount of EUR 100 million. The buyback program will be finalised in March, 2023.

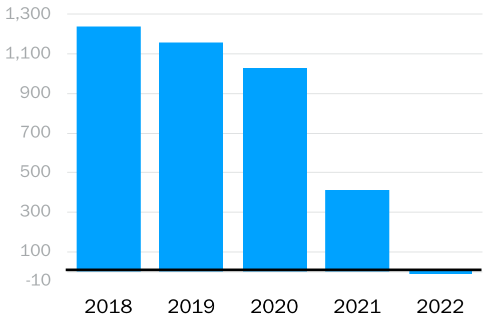
Tools to manage debt include raising new debt in various forms, establishing financing facilities, prepaying and cancelling loans, notes and other financing facilities in order to optimize the maturity structure of the debt portfolio and to minimize finance costs.

In 2022, Outokumpu refinanced its main liquidity facility increasing the current facility amount and extending the current maturity of the facility. Outokumpu also prepaid and cancelled a considerable amount of its outstanding debt.

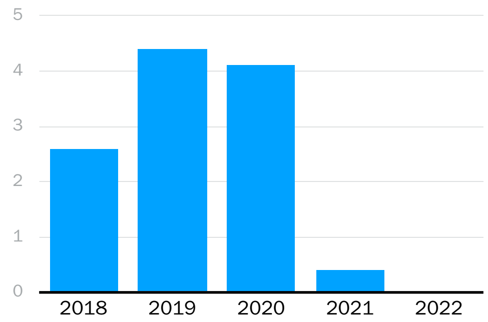
Capital structure

€ million	2022	2021
Total equity	4,119	3,120
Total debt, incl. discontinued operations	633	709
Total capitalization	4,752	3,828
Net debt, incl. discontinued operations	–10	408

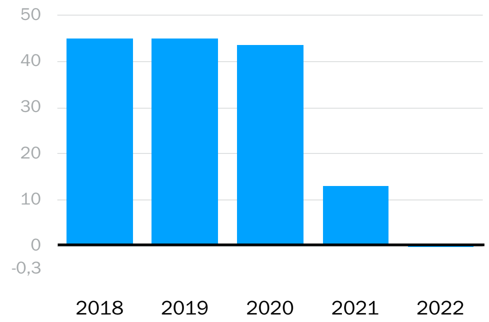
Net debt, € million*



Net debt to adjusted EBITDA*



Debt-to-equity ratio, %*



*Including discontinued operations

5.1 Net debt and capital management

The main focus in 2022 on debt management was to ensure sufficient liquidity and at the same time to reduce interest costs, together with a target to release its comprehensive security package. Strong cashflow enabled the company to decrease its net debt to a level of EUR –10 million at the year end 2022. In addition to cancelling the SEK 1,000 million secured revolving credit facility, the remaining part of the secured sustainability linked term loan was prepaid. Furthermore, the outstanding commercial papers were paid out in full in 2022.

In June Outokumpu refinanced its main liquidity facility by agreeing with its core banking group a new unsecured revolving credit facility in the amount of EUR 700 million. The new unsecured facility which matures in February 2026 includes a 12-month extension option. The interest margin is linked to emission reductions in line with the approved emission reduction target by the Science Based Targets initiative for 2030. The Finnvera facility of EUR 100 million is fully unutilized at year end.

During 2022 Outokumpu evaluated options to manage its EUR 125 million convertible bond due in 2025. In order to mitigate and manage the dilutive impact of the company's outstanding convertible bonds, Outokumpu launched a share buyback program in November with the aim to repurchase shares corresponding to approximately half of the shares needed in the conversion. Outokumpu has recognized EUR 58 million financial liability related to the share buyback program and the maximum amount of EUR 100 million is impacting the equity and net debt at the end of December 2022. See more information on share buyback program in note 5.2.

Net debt

€ million	2022	2021
Non-current		
Convertible bonds	**115**	112
Loans from financial institutions	**99**	163
Pension loans	**123**	154
Lease liabilities	**143**	157
Other loans	**11**	12
	491	597
Current		
Loans from financial institutions	**14**	7
Pension loans	**31**	13
Lease liabilities	**37**	32
Commercial papers	**–**	58
Other loans [1]	**60**	1
	141	112
Cash and cash equivalents		
Cash at bank and in hand	**452**	295
Short-term bank deposits and cash equivalents	**74**	5
	526	300
Net debt, continuing operations	**105**	408
Discontinued operations [2]	**–116**	–
Total	**–10**	408

[1] Including share buyback program related financial liability EUR 58 million.
[2] Including mainly cash and cash equivalents.

Net debt development

€ million	2022	2021
Net cash flow from operating activities	**778**	597
Net cash flow from investing activities	**–159**	–149
Cash flow before financing activities	**619**	448
Dividends paid	**–68**	–
Treasury share purchase	**–42**	–
Directed share issue	**–**	205
Cash flow impact on net debt	**509**	653
Net debt on Jan 1	**408**	1,028
Cash flow impact on net debt	**–509**	–653
Share buyback financial liability	**58**	–
Change in net debt, non-cash	**33**	34
Net debt on Dec 31	**–10**	408

Average effective interest rate of cash and cash equivalents at the end of 2022 was 2.3% (Dec 31, 2021: 0.0%).

Changes in non-current and current debt

2022 € million	Non-current debt	Current portion of non-current debt	Non-current lease liabilities	Current portion of lease liabilities	Current debt [1]	Total
On Jan 1	440	21	157	32	58	709
Financing cash flows	–50	–21	–	–33	–58	–163
Transfer to current debt	–46	46	–38	38	–	0
Other non-cash movements	4	–	25	1	58	87
Reclassifications	–	–	–1	–1	–	–2
On Dec 31	348	46	143	37	58	632

2021 € million	Non-current debt	Current portion of non-current debt	Non-current lease liabilities	Current portion of lease liabilities	Current debt	Total
On Jan 1	979	0	174	18	232	1,404
Financing cash flows	–523	–1	–	–32	–174	–730
Transfer to current debt	–22	22	–46	46	–	–
Other non-cash movements	6	–	29	–	–	35
On Dec 31	440	21	157	32	58	709

Reclassifications include liabilities related to asset held for sale.

[1] Including share buyback program related financial liability EUR 58 million.

Other non-cash movements in debt consist mainly of effective interest including accrued arrangement fees. Other non-cash movements in lease liabilities consist of new lease agreements and changes in terms of existing agreements. The reconciliation of cash effective and non-cash movements in cash and cash equivalents is presented in the consolidated statement of cash flows.

Convertible bonds

€ million	Interest rate, %	Outstanding amount 2022	Outstanding amount 2021
2020 fixed rate bond maturing on July 9, 2025	5.000	**125**	125

The convertible bonds maturing in July 2025 can be converted into maximum of 38,191,261 ordinary shares in Outokumpu representing 8.6% of the outstanding shares at year end. The conversion period commenced on August 19, 2020 and will end on June 25, 2025. The current conversion price is set at EUR 3.1581 per ordinary share. The conversion price is subject to adjustments for any dividend in cash or in kind as well as customary anti-dilution adjustments, pursuant to the terms and conditions of the bonds. On December 31, 2022, remaining part of the equity component of the convertible bond amounted to EUR 10 million (Dec 31, 2021: EUR 12 million).

Risk information

Liquidity and refinancing risk

Outokumpu raises most of its funding centrally and in co-ordination by the Treasury function ("Treasury"). The Group seeks to reduce its liquidity and refinancing risk by having sufficient amount of cash and committed long-term credit lines available and by maintaining a balanced debt maturity profile with diversified sources of funding. Efficient daily cash and liquidity management and the use of instruments such as commercial papers and currency swaps, also reduce the liquidity risk.

Finance and liquidity plans are prepared and reviewed regularly with a focus on forecasted cash flows, projected funding requirements, planned funding transactions and financial covenant headroom. The adequacy of liquidity reserves, the amounts of scheduled annual repayments of non-current debt compared to EBITDA as well as forecasted gearing and leverage ratios are key measures being considered.

Outokumpu is exposed to changes in credit margins as the development of the leverage ratio has an impact on the interest margin definition in some of the Group's loan agreements and as such on its interest and other financial expenses.

Accounting principles

Bonds, loans from financial institutions, pension and other loans are recognized at the settlement date and measured initially at fair value net of direct transaction costs. Subsequently they are carried at amortized cost using the effective interest rate method.

Transaction costs are amortized over the maturity of the borrowing using the effective interest rate method. A financial liability (or part of the liability) is derecognized when the liability ceases to exist, that is, when the obligation identified in a contract has been fulfilled or cancelled or is no longer effective.

The fair value of non-current debt is determined based on quoted prices for listed instruments. For loans the fair value is determined using the discounted cash flow method based on yields at the reporting date. The fair values of non-current debt are presented in note 5.5.

Fees related to revolving credit facilities are amortized over the expected facility term.

Convertible bonds

Convertible bonds are compound instruments with components of the bonds 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 values of the full bond and the liability component. Transaction costs are allocated to the components in proportion to their initial carrying amounts. The fair value includes the value of conversion rights.

Subsequently the liability component is measured at amortized cost with the effective interest method. At conversion or on expiry the equity component is reclassified within equity.

Lease liabilities

Accounting principles related to lease liabilities are presented in note 4.2.

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 with a low risk of any changes in the value. Bank overdrafts are reported as current debt.

Contractual cash flows

						2022						2021
€ million	2023	2024	2025	2026	2027	2028–	2022	2023	2024	2025	2026	2027–
Convertible bonds	–	–	125	–	–	–	–	–	–	125	–	–
Loans from financial institutions	14	14	14	14	14	42	7	14	64	14	14	56
Pension loans	31	29	23	19	15	38	13	31	29	23	19	53
Other loans [1]	60	1	1	1	1	6	1	1	1	1	1	7
Commercial papers	–	–	–	–	–	–	58	–	–	–	–	–
Interest payments on debt and facility charges	21	20	15	6	5	6	25	21	16	10	4	8
Lease liabilities	37	17	16	15	14	81	32	18	16	14	14	97
Interest payments on lease liabilities	9	8	7	6	5	132	10	9	8	7	6	137
Trade and other payables	1,220	–	–	–	–	–	1,811	–	–	–	–	–
	1,392	**90**	**201**	**62**	**55**	**305**	1,957	94	134	194	59	358

Contractual cash flows related to derivative instruments are presented in note 5.4.

[1] Including share buyback program related financial liability EUR 58 million.

Credit facilities

				2022			2021
€ million	Maturity	Total	Utilized	Available	Total	Utilized	Available
Committed revolving credit facility MEUR 700	Feb 2026	700	–	700	–	–	–
Committed revolving credit facility	May 2022	–	–	–	42	–	42
	June 2022	–	–	–	532	–	532
Committed Finnvera facility MEUR 100	Dec 2025	100	–	100	–	–	–
Committed SEK 1,000 million revolving credit facility	June 2022	–	–	–	98	–	98
Committed facilities total		**800**	–	**800**	672	–	672
Uncommitted Finnish commercial paper program	N/A	800	–	800	800	58	742

5.2 Equity

Shares and related movements in equity

€ million	Number of shares, 1,000	Share capital	Premium fund	Invested unrestricted equity reserve	Treasury shares	Total
On Jan 1, 2021	412,002	311	714	2,103	–31	3,097
Shares delivered from the share-based payment programs	70	–	–	–	1	1
Directed share issue	40,500	–	–	205	–	205
Shares outstanding on Dec 31, 2021	452,572	311	714	2,308	–30	3,303
Shares delivered from the share-based payment programs	138	–	–	–	1	1
Repurchase of treasury shares	–8,575	–	–	–	–100	–100
Shares outstanding on Dec 31, 2022	**444,135**	**311**	**714**	**2,308**	**–129**	**3,204**
Treasury shares	12,740					
Total number of shares on Dec 31, 2022	**456,874**					

Share buyback program

On November 3, 2022, Outokumpu's Board of Directors approved a share buyback program of up to EUR 100 million under the authorization of the Annual General Meeting. The maximum number of shares to be repurchased under the program is 20 million, representing approximately 4.4% of the company's total number of shares. The program started on November 7, 2022 and ends no later than on March 24, 2023. By the end of December, Outokumpu has purchased 8,575,126 shares which represents 1.9% of the total number of shares and EUR 42 million. The program continues.

Through the share buyback program, Outokumpu seeks to mitigate and manage the dilutive impact of the company's outstanding convertible bonds. The repurchased shares will be initially held by Outokumpu as treasury shares and may be used to meet its obligations under the convertible bonds. Alternatively, Outokumpu may decide to cancel any or all of the repurchased shares and reduce its capital accordingly. The share repurchases are funded by using funds from the invested unrestricted equity reserve.

To execute the share buyback program, Outokumpu has appointed a third-party broker. Based on irrevocable instructions, the broker will decide on the repurchase of shares in full independence, also in relation to the timing of the transactions, and in compliance with applicable price and volume limits as well as applicable terms. The share buyback program is expected to be carried out in full and to have a maximum EUR 100 million impact on net debt during the duration of the program. However, the company has the option to terminate the program during the buyback period and will, in such case, issue a stock exchange release to this effect. Because of the nature of the contract with the third party, Outokumpu has recognized a EUR 58 million financial liability related to the share buyback program and the maximum amount of EUR 100 million is impacting the equity and net debt already in 2022.

The Annual General Meeting, held on March 31, 2022, authorized Board of Directors to resolve to repurchase a maximum of 45,000,000 of Outokumpu's own shares, representing approximately 9.85% of Outokumpu's total number of shares.

Directed share issue

Based on the authorization granted by the Annual General Meeting 2021, Outokumpu issued 40,500,000 new shares directed to institutional investors on May 10, 2021, in deviation from the pre-emptive subscription right of the shareholders. The main purpose of the share issue was to accelerate Outokumpu's de-leveraging by using the proceeds to reduce gross debt.

The subscription price of the new shares was EUR 5.15 per share, corresponding to a discount of approximately 5.7% to the closing price of the Company's share on May 10, 2021. The gross proceeds of EUR 209 million were recorded in their entirety to the invested unrestricted equity reserve of Outokumpu Oyj. In the consolidated financial statements, the net proceeds are presented net of transaction costs, the net proceeds amounting to EUR 205 million.

Dividend policy and distributable funds

According to the new dividend policy announced in 2022, Outokumpu aims to distribute a stable and growing dividend, to be paid annually.

On December 31, 2022, the distributable funds of the parent company totaled EUR 2,736 million of which retained earnings were EUR 446 million.

The Board of Directors proposes to the Annual General Meeting in 2023 that a base dividend of EUR 0.25 per share plus an extra dividend of EUR 0.10 per share, totaling EUR 0.35 per share will be paid for the year 2022, corresponding to EUR 155 million based on the number of shares outstanding on Dec 31, 2022.

The Board states that the base dividend amount of EUR 0.25 is the basis for future dividend distributions in accordance with the policy. The extra dividend of EUR 0.10 per share is a one-time extra dividend that is proposed to be distributed to the shareholders for the exceptionally good result of the financial year.

In 2022, Outokumpu paid a dividend of EUR 0.15 per share for the financial year 2021, a total of EUR 68 million.

Accounting principles

Shares and share capital

According to the Articles of Association, Outokumpu has one single class of shares and all shares have equal voting rights at General meetings. The shares do not have a nominal value.

Premium fund

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

Other restricted reserves

Other restricted reserves include 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.

Invested unrestricted equity reserve

Invested unrestricted equity reserve includes the net proceeds from the rights issues in 2012 and 2014 and the directed share issue in 2021.

Fair value reserves

Fair value reserves include movements in the fair values of equity securities and hedge accounted derivative instruments.

Retained earnings

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

Treasury shares

When the parent company or its subsidiaries purchase the parent 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.

Dividends

The dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the Annual General Meeting of Shareholders. For the time period between the approval and the payment, the dividend to be paid is presented in current trade and other payables.

5.3 Financial risk management and insurances

The main objectives of financial risk management are to reduce earnings volatility and to secure sufficient liquidity to avoid financial distress. Other objectives include the reduction of cash flow volatility and the maintenance of the debt-to-equity and leverage ratios within set targets. The main objectives of insurance management are to provide mitigation against catastrophe risks and to reduce earnings variation.

The Board of Directors has approved the risk management policy, which defines responsibilities, the process and other main principles of risk management. The Board of Directors oversees risk management on a regular basis and the Chief Financial Officer (CFO) is responsible for the implementation and development of financial risk management. The CFO leads relevant steering groups, such as the Risk Management Steering Group for enterprise risk management, the Financial Risk Steering Group for financial risk management and the Energy Risk Steering Group for energy risk management.

Financial risks consist of market, country, credit, liquidity and refinancing risks. Outokumpu subsidiaries hedge their currency and commodity price risk with Outokumpu Oyj, which does most of the Group's foreign exchange and commodity derivative contracts with banks and other financial institutions. The Treasury function ("Treasury") is responsible for managing foreign exchange, metal, interest rate, liquidity and refinancing as well as emission allowance price risk. Credit controlling has been mainly centralized to Global Business Services, and Treasury coordinates credit risk management. Customer credit risk is presented in note 4.5. The CFO office together with the relevant business areas are responsible for managing the electricity and fuel price risks.

In 2022 Treasury revised and implemented new policy framework for treasury and risk management. The policy framework has three levels: Risk Management Policy, Treasury Policy and Instructions. In the policy levels the risk profile of the company's financial risk management was kept unchanged. The documentation is currently more aligned with organizational changes in Treasury, increasing clarity and transparency in day-to-day work as well as improving steering work.

Treasury sources all global insurances. The most important insurance lines are property damage and business interruption (PDBI), liability, marine cargo and credit risk. The captive insurance company Visenta Försäkringsaktiebolag is contributing global insurances by mainly participating in property damage and business interruption (PDBI) insurance line.

Exposure to financial risks is identified in connection with the Group's risk management process. This approach aims to ensure that any emerging risks are identified early and that significant risks are described, quantified, managed and communicated appropriately.

Risk information

Market risk

Outokumpu's main market risks are foreign exchange risk, interest rate risk, security price risk as well as commodity price risk, namely in metals, energy and emission allowances. The price changes in the before mentioned risks may have a significant impact on the Group's earnings (net result), cash flow and capital structure. Due to the cyclical stainless steel business, Outokumpu's exposure to market risks may change significantly from one period to another. Consequently, its derivatives' positions to mitigate its market risks change due to the cyclical business environment. Note 5.4 details the fair values and nominal amounts of derivative instruments while the sensitivity of financial instruments to market risks is described in the below table.

The strategy for market risk management is based on identifying, evaluating and mitigating relevant risks in committed business transactions and balance sheet items for each of the market risk categories. Forecasted items are included in the underlying risk position in interest rate, energy price and emission allowance price risk. The use of derivatives to mitigate market risks may cause timing differences between derivative gains or losses and the earnings impact of the underlying exposure. In order to reduce such timing differences in earnings, hedge accounting can be applied selectively as part of the metal and foreign exchange hedging activities. Most of the derivatives are short-term, however interest rate hedges typically have a maturity in excess of one year.

Foreign exchange rate risk

Outokumpu is exposed to foreign exchange risk as its business and operations are global. The risk arises from changes in exchange rates and may have effects on earnings, cash flow and balance sheet. The exposure consists mainly of raw material procurement, sales of stainless steel and ferrochrome production in foreign currencies. Also the location of Outokumpu's global operations expose the Group to foreign exchange rate risk. Outokumpu group companies are exposed to foreign exchange rate risk arising from net cash flows in other than the functional currency.

Sensitivity of financial instruments to market risks

€ million	Dec 31, 2022 In profit or loss	Dec 31, 2022 In other comprehensive income	Dec 31, 2021 In profit or loss	Dec 31, 2021 In other comprehensive income
+/–10% change in EUR/USD exchange rate	+1/–2	–	+6/–7	–
+/–10% change in EUR/SEK exchange rate	–5/+7	–	–5/+6	–
+/–10% change in nickel price in USD	+2/–2	–18/+18	–1/+1	–10/+10
+/–1% parallel shift in interest rates	–2/+2	–	–3/+4	–

The sensitivity analyses apply to financial assets and liabilities only. Other assets and liabilities, including defined benefit pension plan assets and liabilities, as well as 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 price has been in the range of 28–113%. With +/–50% change in dollar denominated price, the effect in profit or loss is about EUR +12/-12 million and in other comprehensive income EUR –89/+89 million for nickel derivatives. The sensitivity analysis is presented for continuing operations.

Foreign exchange positions of EUR based companies

€ million	Dec 31, 2022 SEK	USD	GBP	Other	Dec 31, 2021 SEK	USD	GBP	Other
Trade receivables and payables	5	–267	11	17	38	–458	14	18
Loans and bank accounts [1]	243	–305	58	15	269	–167	52	13
Derivatives	–229	566	–79	–39	–302	553	–106	–82
Net position	**19**	**–6**	**–10**	**–7**	6	–72	–40	–51

Foreign exchange positions of SEK based companies

€ million	Dec 31, 2022 EUR	USD	GBP	Other	Dec 31, 2021 EUR	USD	GBP	Other
Trade receivables and payables	32	13	3	6	15	20	0	-4
Loans and bank accounts [1]	27	9	5	2	13	7	1	7
Derivatives	–83	–30	–18	–28	–120	–47	–21	–12
Net position	**–24**	**–8**	**–11**	**–20**	–92	–21	–20	–9

[1] Includes cash and cash equivalents, loan receivables and debt.

Currency distribution and re-pricing of outstanding net debt

€ million Currency	Dec 31, 2022 Net debt [1]	Derivatives [2]	Average rate, % [1]	Duration, year [3]	Rate sensitivity [4]
EUR	315	17	7.9	5.7	0.6
SEK	–31	250	2.2	0.1	2.2
USD	–165	–321	3.8	0.0	–4.9
Others	–130	63	1.6	–0.1	–0.7
	–10	**9**			**–2.7**

€ million Currency	Dec 31, 2021 Net debt [1]	Derivatives [2]	Average rate, % [1]	Duration, year [3]	Rate sensitivity [4]
EUR	582	–120	5.4	5.2	1.5
SEK	–23	262	–0.1	0.1	2.4
USD	–85	–191	0.0	0.0	–2.8
Others	–66	47	0.6	–0.3	–0.2
	408	–2			1.0

[1] Includes cash and cash equivalents, debt and financial liability related to share buyback program. The interest rate of share buyback program financial liability is zero.

[2] Net derivative liabilities include nominal value of interest rate and currency forwards earmarked to net debt. Currency forwards are not included in average rate calculation.

[3] Duration calculation includes both net debt and derivatives.

[4] The effect of one percentage point increase in interest rates to financial expenses over the following year.

The foreign exchange exposure consists of risks associated with foreign currency cash flows (transaction risk), translation risk and economic risk, such as the change in competitiveness resulting from changes in foreign exchange rates. The transaction risk arises from committed and forecasted transactions and payments in currencies other than the functional currency of the entity and from changes in fair value of foreign currency denominated items recognized on the balance sheet. The fair value risk consists of foreign currency denominated accounts receivables, accounts payables, debt, cash, loan receivables and the currency position from commodity derivatives.

Foreign exchange transaction risk relates to firm commitments, e.g. price fixed sales and purchase orders. The fair value risks are hedged in principle in full in major currencies. However, continuing an exception to the hedging policy approved in 2019, the main operating entity in Sweden hedged its fixed price sales orders to a limited extent, and did not hedge its fixed price purchase orders. Forecasted and probable cash flows are not typically hedged but can be hedged selectively. In 2022 there were no hedge accounting applied in foreign exchange hedging activities.

Outokumpu's largest foreign exchange transaction risk exposures are in US dollars, Swedish krona and British pound. However, the British pound foreign exchange transaction risk exposures arising from the UK companies are expected to decrease substantially after the divestment of UK operations of Long Products business. A major part of the Group's sales is in euros and US dollars and thus the local currency denominated production costs in Sweden and the UK cause foreign exchange risk. The main US dollar cash flow risk origins from sales in the ferrochrome operations as chromium is priced in US dollars. Another significant US dollar cash flow risk is included in sales margins due to the dollar-linked stainless scrap purchase discounts. Internal Swedish krona denominated financing causes significant fair value foreign exchange rate risk, which is hedged with forward contracts and, if possible, with matching of external debt. The Group's fair value foreign exchange position is presented in a more detailed level in the table on the left side.

Translation risk consists of current net investment in foreign entities and future foreign currency denominated profits and losses which eventually will have an impact on Group's net result and balance sheet through consolidation. Outokumpu's net result and net investment translation risk is mainly in US dollars, Swedish kronas and British pounds. The equity translation risk is not typically hedged, although according to the Treasury policy this risk can be hedged selectively. In 2022, there were no hedges of net result or net investment exposures. However, the effective portion of gains (EUR 17 million, net of tax) on earlier financial years' net investment hedges is recognized in equity.

Interest rate risk

Changes in interest rates expose Outokumpu to interest rate risk with effects on Group's net interest expense (i.e. cash flow risk) and value of assets and liabilities (i.e. fair value risk) arising from changes in interest rates. The objective of the Group's interest rate risk management is to have a significant share of net debt effectively with a short-term interest rate as a reference rate. This approach is applied to mitigate the risk of adverse business conditions against net interest expenses as low interest rates are typically associated with such business conditions. Also this approach may help to reduce the average interest rate of debt. Approximately 38% (2021: 39%) of the Group's debt has an interest period of less than one year and the average interest rate of non-current debt on December 31, 2022 was 5.4% (Dec 31, 2021: 4.7%).

The interest rate risk exposure is composed of the Group's net debt including all interest-bearing assets and liabilities as well as derivatives that hedge these items. Interest rate derivatives, such as interest rate swaps, are used to adjust the share of net debt effectively repricing in different maturity buckets to limits defined in the Treasury policy. This cash flow risk exposure excludes lease liabilities.

Euro, Swedish krona and US dollar have a substantial contribution to the Group's interest rate risk exposure. The interest rate risk exposure in Swedish krona and US dollar primarily originates from cash balances and foreign exchange derivatives. The interest rate position for the Group is presented in more detail in the table on the previous page.

Metal price risk

Commodity risk refers to the risk on Outokumpu earnings, cash flow and balance sheet arising from commodity prices, such as metals, energy and emission allowances.

The Group's most significant exposures in metals price risk arise from chromium and nickel, while other alloy metals with metal price risk include for example iron and molybdenum. Outokumpu is exposed to metal price risk for example through purchase of raw materials as well as sale of stainless steel end products where the price of alloy metals is based on market prices. The timing difference in such commercial purchase and sale transactions as well as inventory position expose the Group to metal price risk alongside the Group's capability to pass on price changes in raw materials to end-product prices. Market prices are based on prices determined in regulated markets, such as the London Metal Exchange (LME). Also, derivatives contracts to mitigate metal price risk are based on for example LME prices. Chromium does not have an established financial derivatives market and consequently is not included in the scope of the Treasury policy.

In addition to hedging with financial derivatives, the metal price risk is also mitigated through other measures such as pricing decisions. A significant part of the Group's stainless steel sales contracts include an alloy surcharge clause, with the aim of reducing the risk arising from the timing difference between alloy metal purchase and stainless steel pricing and delivery. The share of Group sales contracts including an alloy surcharge clause increased in 2022 compared to the previous year. Outokumpu's underlying metal position (in following alloy metals: nickel, iron and molybdenum) consists of price fixed purchase orders, inventories of alloy metal containing materials and price fixed sales orders. According to the Tresury policy, the nickel price risk, excluding the risk related to the base stock, must be hedged in full. Price risk positions in iron and molybdenum can be hedged selectively. Financial derivatives mainly in nickel are used to manage impacts of metal price changes on earnings, whereas efficient working capital management helps to reduce cash flow variations caused by metal price. Outokumpu has continued to apply cash flow hedge accounting programs on nickel hedging in order to reduce the timing differences between derivative gains or losses and the earnings impact of the underlying exposure. The hedge accounting covers a material part of the Group's nickel derivatives hedges.

in the first quarter of 2022, after nickel market trading disruption on the LME, the exchange implemented up and down price limits for daily market price fluctuations. No market interruptions occurred on the LME since March 2022 but trading volumes in LME nickel contracts were still lower throughout the year since the market disruption compared to period preceding the market disruption. Raw material purchases and stainless-steel sales as well as nickel derivatives continue to have references to LME pricing. As a consequence of the trading disruption in the first quarter, the LME started an independent review of the nickel market in addition to reviews announced by the UK Financial Conduct Authority (FCA) and the Bank of England. The final independent report was published in January 2023.

Energy and emission allowance price risk

Outokumpu manages energy price risk centrally and mitigates the risks by guidance from the Energy Procurement policy. Energy price risk is hedged with long-term agreements, fixed price supply contracts and partial ownerships in power utilities. The Energy Risk Steering Group monitors and decides upon proposed hedging levels for each business entity.

In 2022, the energy market saw an energy crisis in Europe, especially after the Russia's attack on Ukraine in late February. Europe faced unprecedent heavy inflation of electricity and gas prices. The war in Ukraine also led to ceased electricity imports from Russia to Finland and domestic production could not catch up with that gap which further increased area prices in Finland. All in all, Outokumpu's energy spend took an estimated 30-40% increase compared to previous year. For 2023, Outokumpu's energy portfolio has been hedged with roughly two thirds of the estimated consumption.

Outokumpu has initiated and executed multiple actions to prevent further risks from realizing and to cope with the escalated energy prices. Outokumpu bought 6-months' worth of reserve fuel, propane, for Tornio, signed another 10-year wind power deal and started hourly and daily optimization activities to avoid peak prices in electricity. Additionally, Outokumpu renewed energy efficiency targets for 2023 and 2024 and created a long-term energy strategy for coming years.

Outokumpu is exposed to changes in emission allowance prices as the Group's main production sites in Europe are participating in the EU Emissions Trading Scheme (EU ETS) while the production site in the United Kingdom is participating in the UK Emissions Trading Scheme (UK ETS). The EU ETS and the UK ETS markets are separate and emission allowances are not transferable nor convertible. However, the risk exposure in relation to UK ETS arising from the UK operations is expected to disappear after the divestment of the Long Products businesses in the UK. All Outokumpu sites met the compliance requirements on time in 2022 regarding returning of emissions to local authorities. The Group's emission allowances positions are composed of realized and forecasted emissions netted against confirmed and forecasted emission allowances granted by the authorities. The prices of fuels and power as well as decisions on the EU and UK ETS have a significant impact on the price of emission allowances. The current trading phase of the EU ETS refers to the period 2021–2030. Outokumpu forecasts to have adequate amount of EU emission allowances until the end of this decade. However, e.g. future decisions on EU ETS including the Carbon Border Adjustment Mechanism (CBAM), may have a significant impact on this forecast.

Security price risk

Outokumpu has equity investments and fixed income securities. On December 31, 2022, the largest investments were in OSTP Holding Oy (investment in associated company of EUR 33 million) and Voimaosakeyhtiö SF. For more information on the investment in Voimaosakeyhtiö SF refer to note 5.6.

The captive insurance company Visenta Försäkringsaktiebolag has investments totaling EUR 23 million in highly rated and liquid fixed income securities as well as in fixed income and equity funds in order to optimize return for assets and to manage the risk prudently.

Country and counterparty credit risk

Treasury monitors credit risk related to financial institutions. Outokumpu seeks to reduce these risks by limiting the counterparties to banks and other financial institutions with good credit standing. For derivative transactions, Outokumpu prefers to have the ISDA framework agreements in place.

Exposure to country risk is monitored and mitigated by having a credit insurance that provides cover against political risk on external account receivables. However, there is some exposure on certain countries where insurance was unavailable, like limited exposure in Argentina.

Insurances

As part of risk mitigation activities, Outokumpu aims to secure it's assets and business globally by arranging insurances against financial losses arisen from risk events. Risks related to property, business interruption, liabilities and credit risk are covered by insurances. There were no events leading to a significant insurance claims during the reporting period. Losses related to the Outokumpu's site in Dahlerbrück due to flooding of the river Volme in 2021 remained limited and lower than first expected. In Kemi mine, Finland, the incident related to Deep Mine expansion project further delayed the commissioning of the hoisting system work. The project will be finalized in the first quarter of 2023.

Outokumpu has captive insurance company, Visenta Försäkringsaktiebolag (Visenta), for optimizing insurance arrangements as part of Group's risk management. The captive is registered in Sweden and can operate as a direct insurer and reinsurer. Visenta has to comply with capital adequacy requirements set by the financial supervisory authority in Sweden and European Insurance and Occupational Pensions Authority (EIOPA). During the reporting period Visenta was profitable and well capitalized to meet externally imposed requirements, which are based on e.g. the Solvency II framework. There were no significant changes in the company's assets during the year. On December 31, 2022 the assets amounted to EUR 38 million.

Visenta continued its participation in Outokumpu's property and business interruption insurance and also continued to provide surety to cover certain potential environmental liabilities in connection with the operations in Kemi and Tornio. The business interruption and property damage incident in Dahlerbrück, Germany was reported to Visenta and it did not led into claim compensation.

Outokumpu continued its systematic fire safety and loss prevention surveys, focusing on execution of the mitigating and preventive actions. In addition, marine cargo audits were conducted on sites with major logistic operations.

5.4 Derivative instruments

€ million	2022 Positive fair value	2022 Negative fair value	2022 Net fair value	2021 Net fair value	2022 Nominal amounts	2021 Nominal amounts
Currency and interest rate derivatives						
Currency forwards	10	–24	**–15**	1	**1,982**	2,510
Interest rate swaps	–	–11	**–11**	–2	**125**	125
					Tonnes	Tonnes
Metal derivatives						
Forward nickel contracts, hedge accounted	12	–65	**–53**	–8	**21,612**	27,636
Forward nickel contracts	19	–31	**–12**	–2	**13,289**	21,343
Forward scrap contracts	–	–	**–**	0	**–**	20,000
Total derivatives	40	–131	**–91**	–11		
Less long-term derivatives						
Interest rate swaps	–	–11	**–11**	–2		
Short-term derivatives	40	–120	**–80**	–9		

Contractual cash flows

2022 € million	2023	2024	2025	2026
Currency derivatives				
Outflows	1,975	–	–	–
Inflows	–1,990	–	–	–
Interest derivatives	–2	–4	–4	–
	–17	**–4**	**–4**	**–**

2021 € million	2022	2023	2024	2025
Currency derivatives				
Outflows	2,511	–	–	–
Inflows	–2,510	–	–	–
Interest derivatives	0	0	0	0
	1	0	0	0

Hedge accounted cash flow hedges (nickel derivatives)

	2022	2021
Fair value of nickel derivatives, € million	–53	–8
Nominal amount of nickel derivatives, tonnes	21,612	27,636
Hedge ratio	1:1	1:1
Fair value reserve in other comprehensive income, € million	–54	–7
Reclassified to sales in profit or loss, € million	–28	–27
Reclassified to cost of sales in profit or loss, € million	32	29
Recognized in inventory, € million	–5	–4

The nickel hedge accounting programs implemented for the business area Americas and the business area Europe cover a material part of the Group's sales and purchase contracts. Forwards, which correspond to the pricing model of underlying, are used as derivative instrument. Only the spot component of nickel derivatives is under hedge accounting, forward element is recognized in profit or loss. The ineffectiveness is tested regularly. Management estimates that possible ineffectiveness can arise related to credit risk or timing of transactions, but these are estimated to be immaterial.

Master netting agreements and similar arrangements

€ million	2022	2021
Derivative assets		
Gross amounts of recognized financial assets in the statement of financial position	40	31
Related financial instruments that are not offset	40	28
	0	3
Derivative liabilities		
Gross amounts of recognized financial liabilities in the statement of financial position	131	42
Related financial instruments that are not offset	40	28
	91	14

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 the balances in the statement of financial position, but the right to offset is enforceable only on the occurrence of future credit events. The following table sets out the carrying amounts of recognized financial instruments that are subject to the agreements described above.

Accounting principles

Derivatives are initially recognized at fair value on the trade date, when the Group enters into a derivative contract, and are subsequently measured at fair value.

The presentation of the gains or losses arising from the fair value measurement depends on the purpose of the derivative. The gains or losses arising from fair value changes of effective hedge-accounted derivative contracts are presented in profit or loss congruent with the hedged item. Changes in fair value of derivative contracts, where hedge accounting is not applied, are recognized in EBIT in other operating income and expenses. Changes in fair value of derivatives designated for financing activities are presented within financial income and expenses.

The fair value measurement is based on quoted market prices and rates as well as on discounted cash flows at the end of the reporting period. Fair values of derivatives can in certain cases be based on valuations of external counterparties.

Hedge accounting

Outokumpu applies cash flow hedge accounting on certain nickel derivatives. For each hedging arrangement the relationship between the hedging instrument and the hedged item, the objectives of risk management and the strategy of the hedging arrangement are documented.

The effectiveness of the hedge relationship is documented and assessed when hedging is started and at least in the end of each reporting period. Hedge effectiveness is calculated and assessed between the changes in the fair value or cash flows of the hedged item attributable to the hedged risk and the changes in the fair value or cash flows of the hedging instrument to ensure that these impacts offset one another. Hedge accounting is discontinued if the requirements of hedge accounting are no longer met.

Fair value changes of derivatives designated to hedge forecasted 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, and presented in sales or cost of sales in the period when the hedge accounted cash flows affect the profit or loss. In the certain hedge accounted transaction, the realized gains or losses of the nickel derivatives are first reclassified from fair value reserves in equity to the inventory for a certain period and finally recognized in profit or loss. The fair value changes related to the ineffective portion of the hedging instrument are recognized immediately in profit or loss.

5.5 Financial assets and liabilities

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

2022 € million	Measured at Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying amount	Fair value	Fair value hierarchy level
Non-current financial assets						
Equity investments	–	25	–	25	25	3
Trade and other receivables	6	–	–	6		
Current financial assets						
Other investments	–	–	23	23	23	1
Trade and other receivables	593	–	–	593		
Hedge accounted derivatives	–	–	12	12	12	2
Derivatives held for trading	–	–	28	28	28	2
Cash and cash equivalents	526	–	–	526		
	1,126	25	63	1,213		
Non-current financial liabilities						
Non-current debt	491	–	–	491	571	2
Derivatives held for trading	–	–	11	11	11	2
Current financial liabilities						
Current debt	141	–	–	141	141	2
Trade and other payables	1,220	–	–	1,220		
Hedge accounted derivatives	–	–	65	65	65	2
Derivatives held for trading	–	–	55	55	55	2
	1,852	–	131	1,983		

There were no transfers between levels 1, 2 and 3 during the years. A major part of equity investments at fair value through other comprehensive income at hierarchy level 3 relates to investments in unlisted energy producing companies. The movement in the carrying amounts of these investments presented in note 5.6 represents also the reconciliation of level 3 changes. Current debt includes EUR 58 million of share buyback program related financial liability.

2021 € million	Measured at Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying amount	Fair value	Fair value hierarchy level
Non-current financial assets						
Equity investments	–	24	–	24	24	3
Trade and other receivables	4	–	–	4		
Current financial assets						
Other investments	–	–	28	28	28	1
Trade and other receivables	597	–	–	597		
Hedge accounted derivatives	–	–	9	9	9	2
Derivatives held for trading	–	–	22	22	22	2
Cash and cash equivalents	300	–	–	300		
	902	24	60	985		
Non-current financial liabilities						
Non-current debt	597	–	–	597	730	2
Derivatives held for trading	–	–	2	2	2	2
Current financial liabilities						
Current debt	112	–	–	112	112	2
Trade and other payables	1,811	–	–	1,811		
Hedge accounted derivatives	–	–	17	17	17	2
Derivatives held for trading	–	–	23	23	23	2
	2,520	–	42	2,562		

Accounting principles

The Group's financial assets and liabilities are classified as items at fair value through profit or loss, items at fair value through other comprehensive income and items at amortized cost. The classification is based on Group's business model for financial assets and liabilities, and their contractual cash flow characteristics.

If a financial asset is not measured at fair value through profit or loss, significant transaction costs are included in the initial carrying amount of the 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. Accounting principles related to transaction costs and de-recognition of borrowings are presented in note 5.1.

Financial assets and liabilities measured at amortized cost

Financial assets measured at amortized cost include trade and other receivables and cash and cash equivalents. These assets are measured initially at fair value. After initial recognition, they are measured at amortized cost by using the effective interest rate method less accumulated impairments. The accounting principles related to factored receivables and expected credit losses are presented in note 4.5.

Financial liabilities measured at amortized cost include the borrowing and trade and other payables. See note 5.1 for further accounting and fair valuation principles for borrowings and note 4.5 for accounting principles for trade and other payables.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments in listed and unlisted companies. Accounting principles are presented in note 5.6.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss include derivative instruments. Financial assets at fair value through profit or loss include also investments in debt instrument or money market funds held for trading purposes and intended to be sold within a short period of time. In some cases, also equity investments can be classified in this category.

These financial assets and liabilities 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 of non-derivative financial assets are recognized in market price gains and losses under financial income and expenses in the reporting period in which they are incurred. Accounting principles related to derivatives are described in more detail in note 5.4.

Measurement of fair values

Number of accounting policies and disclosures require the measurement of fair values. Financial assets and liabilities measured at fair value are classified to fair value hierarchy levels based on the source information and inputs used in the fair valuation. 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 and discounted future cash flows. For assets and liabilities in level three, there is no reliable market source available and thus the fair value measurement is not based on observable market data. Therefore, the measurement methods are chosen taking into account the information available for the measurement and the characteristics of the measured item.

5.6 Equity investments at fair value through other comprehensive income

€ million	2022	2021
Carrying value on Jan 1	**24**	48
Additions	**5**	19
Fair value changes	**–4**	–44
Carrying value on Dec 31	**25**	24

Fair value reserve in equity

€ million	2022	2021
Fair value on Dec 31	**25**	24
Fair value at acquisition	**118**	113
Fair value reserve	**–93**	–89

Equity investments at fair value through other comprehensive income include unlisted strategic holdings mainly in energy companies in which Outokumpu does not have control, joint control or significant influence.

These energy companies produce energy to their shareholders on a cost-price basis (Mankala principle) which is a widely used business model among the Finnish energy companies. Under the Mankala principle, shareholders are entitled to receive energy in proportion to the ownership, and each shareholder is severally responsible for its respective share of the costs of the energy company as set out in the articles of association.

Outokumpu is an owner in nuclear utility through Pohjolan Voima Oy (PVO) which is a shareholder in Teollisuuuden Voima Oy (TVO). TVO, where Outokumpu does not have a direct ownership, operates Olkiluoto 3 (OL3) nuclear power plant in Eurajoki, Finland. Outokumpu has indirect ownership in Tornion Voima Oy, combined heat and power plant in Tornio, Northern Finland. This indirect ownership is through EPV Energia Oy. In addition, Outokumpu has a direct ownership in Rajakiiri Oy, which is a wind power mill in Tornio. The total estimated fair value of the aforementioned three utility assets was EUR 24 million at the year end.

Fennovoima

Investments include a 22% holding in Voimaosakeyhtiö SF at fair value of EUR 0 million (Dec 31, 2021: EUR 0 million). Voimaosakeyhtiö SF is the majority shareholder of Fennovoima. Voimaosakeyhtiö SF's ownership increased from 66% to 97% as a result of share issue which was resolved by an Extraordinary General Meeting (EGM) of Fennovoima on September 21, 2022. RAOS Voima Oy has challenged the said EGM resolution in Helsinki district court.

During the year 2022, Outokumpu invested EUR 5 million into Voimaosakeyhtiö SF, and by the end of 2022, Outokumpu had invested in total EUR 117 million (Dec 31, 2021: EUR 112 million) in Voimaosakeyhtiö SF.

In May 2022, Fennovoima announced that it had withdrawn the Hanhikivi-1 nuclear power plant construction license application as a consequence of the termination of the EPC (Engineering, Procurement and Construction) contract with RAOS Project Oy due to supplier related reasons. Several arbitration and other proceedings among the parties involved have been initiated. The contractual framework of the matter is complex and lengthy legal proceedings among the relevant parties are to be expected. The role of Fennovoima has turned from a nuclear power plant project company into an asset and litigation management company. At year-end 2022 Outokumpu was not a party to any of the legal proceedings.

Management judgments

Fennovoima

Due to Fennovoima's withdrawal of the nuclear power plant construction license application and the termination of the EPC contract, Outokumpu updated its discounted cash flow based valuation model to reflect the latest situation and developments in the project. The updated valuation model is no longer based on the earlier used main parameters i.e. market and forecasted long- term electricity prices, estimated amount of electricity to be received or estimated production costs due to the cancellation of the project. The valuation model is now mainly based on estimates of potential cash inflows or outflows related to Voimaosakeyhtiö SF.

Other unlisted strategic energy companies

The valuation model of the other unlisted strategic energy companies include among others discount rate derived from risk free rate (Germany 10 year bond yield), growth factor depending the nature of the power plant or wearing out of the mill and contractual factors which may have an impact on the valuation. Discounted cash flow models include also adjustments based on the latest information regarding the power plants and potential energy production.

Accounting principles

Equity investments at fair value through other comprehensive income consists of investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are mainly strategic investments, so this classification is considered relevant.

The investments and divestments are recognized at the trade date. They are included in non-current assets unless there is intention to dispose of the investment within 12 months from the reporting date.

The investments are measured at fair value, and fair value changes are recognized through other comprehensive income and presented net of tax in fair value reserve in equity. The valuation is based on quoted rates and market prices at the end of the reporting period, as well as on appropriate valuation techniques, such as cash flow discounting. Observable market data is used in the valuation when available but also entity-specific management estimates are applied.

Dividends are recognized in profit or loss. When equity investment is disposed, the accumulated fair value changes are reclassified from fair value reserve to retained earnings.

5.7 Commitments and contingent liabilities

€ million	2022	2021
Mortgages and pledges on Dec 31		
Mortgages	546	3,208
Other pledges	13	13
Guarantees on Dec 31		
On behalf of subsidiaries for commercial and other commitments	51	27
On behalf of associated companies for financing	1	–
On behalf of discontinued operations for other commitments	5	–
Other commitments for financing on Dec 31	4	9

Outstanding mortgages relate mainly to Group's financing and include both mortgage over the real property and the business mortgage note to secure a loan for the Kemi mine expansion project. In June 2022, Outokumpu signed a new unsecured revolving credit facility replacing the existing secured revolving credit facility and resulting in a release of mortgages provided for security.

Outokumpu is liable for its associated company Manga LNG Oy's certain liabilities amounting to EUR 16 million at the end of 2022 (2021: EUR 21 million). In the above table, this liability is reported as other pledges (Outokumpu's shares in Manga LNG Oy), as guarantees on behalf of associated companies, and the part exceeding the share pledge and guarantee as other commitments for financing.

Outokumpu Oyj is, in relation to its shareholding in EPV Energia Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. These liabilities are reported under other commitments for financing.

Outokumpu has a long-term energy supply contract that includes a minimum purchase quantity. There is uncertainty whether the company will be able to utilize this minimum purchase quantity in full by the end of 2028 or whether there will be additional cost to the company from this contract.

Investment commitments

Outokumpu is a minority shareholder in Voimaosakeyhtiö SF, which is the majority shareholder of Fennovoima. Fennovoima announced in May 2022 that it has withdrawn the Hanhikivi-1 nuclear power plant construction license application as a consequence of the termination of the EPC contract with RAOS Project Oy due to supplier related causes. In June 2022, Fennovoima completed change negotiations concerning its entire personnel which led to significant staff and operation reductions.

Originally, Outokumpu's commitment to the Fennovoima investment amounted to approximately EUR 250 million, of which EUR 117 million has been paid by the end of the reporting period. The payments related to the original commitment, if any, are not expected to occur in the previously planned schedule. See more information in note 5.6.

The Group's other off-balance sheet investment commitments totaled EUR 27 million on December 31, 2022 (Dec 31, 2021: EUR 32 million).

Accounting principles

Unrecognized commitments are disclosed when the Group has an obligation or a pledge to assume a financial liability at a future date.

A contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed by uncertain future events that are not wholly within the control of the entity. Obligations that are not considered probable or where the amounts cannot be reliably measured are also considered as contingent liabilities. Contingent liabilities are not recognized in the statement of financial position but disclosed as off-balance sheet commitments.

6. Group structure and other notes

This notes section covers the notes related to the Group structure, as well as other notes that do not directly fall under any of the previous notes sections.

6.1 Discontinued operations

On July 12, 2022 Outokumpu announced that it has signed an agreement to divest the majority of the Long Products business operations to Marcegaglia Steel Group. The transaction includes melting, rod, and bar operations in Sheffield, the UK, bar operations in Richburg, the US, and wire rod mill in Fagersta, Sweden. The transaction excludes Outokumpu Long Products AB units in Degerfors and Storfors, Sweden, and different options regarding the future of the units will be evaluated. Long products activities that remain in Outokumpu are included in Other operations.

During 2022 Outokumpu reclassified its Long Products businesses to be divested assets held for sale and discontinued operations. Outokumpu booked an impairment loss EUR 33 million. The impairment was allocated to goodwill, other intangible assets and property, plant and equipment. Transaction costs are estimated to be approximately EUR 8 million.

The divestment was completed on January 3, 2023 and the transaction was carried out as a share sale. The accumulated translation differences, currently estimated at EUR 8 million, will be reclassified into net result from the discontinued operations at the time of the disposal.

Accounting principles

Non-current assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through the disposal of the assets and the sale is highly probable. If their carrying amount will be recovered principally through their disposal rather than through their continuing use, they are measured at the lower of carrying amount and fair value less cost to sell. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Result from the discontinued operations is reported separately from income and expenses from continuing operations in the consolidated statement of income and prior periods are restated accordingly. Assets and liabilities related to the discontinued operations are presented as separate line items in the statement of the financial position and the comparative period is not restated. The statement of cash flows consists of total group figures including the discontinued operations. In the comparative periods Outokumpu didn't have discontinued operations.

Intra-group revenues and expenses between continuing and discontinued operations are eliminated in continuing operations only when the revenues and expenses are not considered to continue after the disposal of the discontinued operations.

Condensed statement of income, discontinued operations

€ million	2022	2021
Sales	**794**	466
Cost of sales	**–656**	–422
Gross margin	**138**	44
Other operating income	**1**	0
Sales, general and administrative costs	**–17**	–12
Other operating expenses	**–36**	–2
EBIT	**86**	30
Total financial income and expenses	**2**	–1
Result before taxes	**88**	29
Income taxes	**–35**	–2
Net result for the financial year from discontinued operations	**54**	27
Other comprehensive income for the financial year from discontinued operations, net of tax	**8**	6
Total comprehensive income for the financial year from discontinued operations	**62**	33

Other operating expenses is including impairment loss of EUR 33 million and due to the disposal of the Long Products businesses in the UK a relating deferred tax asset was reduced, increasing the tax expense with EUR 13 million.

Condensed statement of financial position, discontinued operations

€ million	2022
Assets held for sale	
Non-current assets	
Property, plant and equipment	**60**
Total non-current assets	**60**
Current assets	
Inventories	**193**
Trade and other receivables	**49**
Cash and cash equivalents	**117**
Total current assets	**359**
Total Assets held for sale	**419**

€ million	2022
Liabilities related to assets held for sale	
Non-current liabilities	
Non-current debt	**1**
Deferred tax liabilities	**2**
Employee benefit obligations	**1**
Provisions	**14**
Total non-current liabilities	**18**
Current liabilities	
Current debt	**1**
Trade and other payables	**186**
Total current liabilities	**186**
Total liabilities related to assets held for sale	**204**

Statement of cash flows, discontinued operations

€ million	2022	2021
Net cash from operating activities	**91**	28
Net cash from investing activities	**–2**	–4
Net cash from financing activities	**–2**	–6
Net change in cash and cash equivalents	**87**	18

6.2 Business acquisitions and disposals

During year 2022, Outokumpu divested its plated services business in Castellone, Italy, plate service center in Aalten, the Netherlands and Outokumpu Fortinox S.A. subsidiary in Argentina.

Total book value of sold net assets including a cumulative translation adjustment release was EUR 22 million, the provisional loss on sale was EUR 9 million and the net cash received was EUR –1 million. Receivable of EUR 2 million related to the sale consideration of the subsidiary Fortinox S.A. is recognized in the trade and other receivables. The provisional sale consideration is subject to completion of the closing accounts in accordance with the terms of the sale agreements. Related transaction costs amounted to EUR 1 million.

These transactions did not have a significant impact on the Group.

Accounting principles

The disposed companies are included in the consolidated financial statements up to the date when the control is lost. The gain or loss on disposal together with cumulative translation adjustments related to disposed companies are recognised in the consolidated statement of income at the date control is lost.

Provisional loss on sale

€ million	2022
Total net assets sold	–22
Provisional sale consideration	13
Provisional loss on sale	**–9**
Cash flow	
Provisional cash consideration, net of cash acquired	1
Receivable related to sale consideration	–2
Consideration received	**–1**

6.3 Disputes and litigations

Dispute over payment of wages in the US

On July 16, 2018, a class of plaintiffs, consisting of 152 former and 126 current Outokumpu Calvert mill employees, brought suit against Outokumpu in U.S. federal circuit court. The plaintiffs alleged that Outokumpu failed to pay full wages for regular work and overtime work they performed. On November 18, 2021, the circuit court entered a default judgment against Outokumpu with respect to liability as a sanction for alleged misconduct during the discovery phase of the legal proceeding. On October 4, 2022, the circuit court further found Outokumpu liable to the plaintiffs for approximately USD 13 million in the aggregate, plus attorney's fees. Outokumpu has appealed the circuit court's November 18, 2021 default judgment entry and October 4, 2022 finding of liability. Outokumpu is of the view that the claims asserted against it are without merit and is defending against them. Appropriate provisions are in place.

Claim in Germany related to expired lease agreement

On January 19, 2018, Outokumpu was served with a claim for declaratory judgement by the owner of a warehouse in Krefeld that Outokumpu had leased until the end of 2016. The claim relates to a dispute over the responsibility for the maintenance and repair of the warehouse. The plaintiff has later in the process specified the claim and is now seeking payment of EUR 19 million. On May 4, 2022, the court issued a ruling covering only the merits of the claim. Said ruling was in favour of the claimant and has been appealed by Outokumpu. Outokumpu is of the view that the claims asserted against it are without merit and is defending against them. Appropriate provisions are in place.

6.4 Related parties

Outokumpu's related parties include the key management of the company and their close family members, subsidiaries, associated companies and Solidium Oy. Key management includes Leadership Team members and members of the Board of Directors, and their remuneration is presented in note 3.2. The principal subsidiaries and associated companies are listed later in this notes section.

Solidium Oy, a limited company fully owned by the State of Finland, owned 15.5% of Outokumpu on December 31, 2022. 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 with related partied are carried out at arms-length principles.

Transactions and balances with related companies

€ million	2022	2021
Sales and other operating income	**115**	97
Purchases	**–66**	–51
Dividend income	**11**	7
Trade and other receivables	**26**	36
Trade and other payables	**7**	4

6.5 Subsidiaries

December 31, 2022		Country	Group holding, %
Europe			
Outokumpu AS		Norway	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 Europe Oy	1)	Finland	100
Outokumpu India Private Limited		India	100
Outokumpu Management (Shanghai) Co., Ltd	1)	China	100
Outokumpu Middle East FZCO		United Arab Emirates	100
Outokumpu Nirosta GmbH		Germany	100
Outokumpu N.V.		Belgium	100
Outokumpu Prefab AB		Sweden	100
Outokumpu Press Plate AB		Sweden	100
Outokumpu PSC Finland Oy		Finland	100
Outokumpu (Pty) Ltd		South Africa	100
Outokumpu S.A.		Spain	100
Outokumpu (S.E.A.) Pte. Ltd		Singapore	100
Outokumpu Shipping Oy		Finland	100
Outokumpu S.r.l.		Italy	100
Outokumpu Stainless AB		Sweden	100
Outokumpu Stainless B.V.		The Netherlands	100
Outokumpu Stainless Ltd		The UK	100
Outokumpu Stainless Oy		Finland	100
Outokumpu Stainless Pty. Ltd		Australia	100
Outokumpu Stainless Steel (China) Co., Ltd		China	100
Outokumpu Tornio Infrastructure Oy		Finland	100

December 31, 2022		Country	Group holding, %
Americas			
Outokumpu Brasil Comércio de Metais Ltda		Brazil	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
Ferrochrome			
Outokumpu Chrome Oy	1)	Finland	100
Other operations			
Outokumpu Americas, Inc.		The US	100
Outokumpu Distribution Benelux B.V.		The Netherlands	100
Outokumpu Holding Germany GmbH	1)	Germany	100
Outokumpu Holding Nederland B.V.	1)	The Netherlands	100
Outokumpu Long Products AB	2)	Sweden	100
Outokumpu Mining Oy		Finland	100
Outokumpu Stainless Holding GmbH		Germany	100
Outokumpu Stainless UAB		Lithuania	100
Québec Inc.		Canada	100
Viscaria AB	1)	Sweden	100
Visenta Försäkrings AB		Sweden	100
Discontinued operations			
Fagersta Stainless AB		Sweden	100
Outokumpu Long Products Ltd.	2)	The UK	100
Outokumpu Stainless Bar, LLC		The US	100

This list does not include all holding companies or all dormant companies. In addition, Outokumpu has branch offices in South Korea, Taiwan, Thailand, The UK and Vietnam.

1) Shares and stock held by the parent company

2) Established in 2022

6.6 Associated companies

	Industry	Domicile	Ownership, %
Manga LNG Oy	Energy	Finland	45
OSTP Holding Oy	Metals processing	Finland	49
Rapid Power Oy	Energy	Finland	33

Summarized financial information on associated companies

€ million	2022	2021
Carrying value of investments in associated companies	**51**	43
Group’s share of total comprehensive income	**11**	15

The impact of investments in associated companies on the Group's consolidated financial statement is considered immaterial.

Accounting principles

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

The Group’s share of the associated company’s net 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.

If 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.

6.7 New IFRS standards

Adoption of new and amended IFRS standards

Outokumpu has not yet applied the following new and amended standards and interpretations, but adopts 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. These new and amended standards or other not yet effective amendments and interpretations are not expected to have a material impact on Outokumpu’s consolidated financial statements.

- **IFRS 17 Insurance contracts and amendments to IFRS 17 insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative information** (effective for financial years beginning on or after January 1, 2023): The standard requires a current measurement model for insurance liability with re-measured estimates at each reporting date. The standard can impact the financial reporting of Outokumpu’s captive insurance company Visenta Försäkrings AB. However, the company is not material to Outokumpu as a whole, and the impacts are not expected to be material for the Group.
- **Amendments to IAS 1 Presentation of financial statements – Classification of Liabilities as Current or Non-current*** (effective for financial years beginning on or after January 1, 2023): The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period, and that classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the settlement of a liability. Amendments introduce additional disclosure requirements on loans which contain covenants.
- **Amendments to IAS 1 Presentation of financial statements, IFRS Practice Statement 2 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Disclosure of Accounting Policies and Definition of Accounting Estimates*** (effective for financial years beginning on or after January 1, 2023): The amendments distinguish changes in accounting estimates from changes in accounting policies and aim to improve accounting policy disclosures.
- **Amendments to IAS 12 Income taxes – Deferred Tax related to Assets and Liabilities arising from single transaction*** (effective for financial years beginning on or after January 1, 2023): The amendment clarifies the application of the recognition exemption of deferred taxes on a single transaction.
- **Amendments to IFRS16 Leases: Lease liability in a Sale and Leaseback*** (effective for financial years beginning on or after January 1, 2024): Narrow-scope amendments to requirements for sale and leaseback transactions in IFRS 16 explaining how an entity accounts for a sale and leaseback after the date of the transaction.

*Not yet endorsed by the EU.

6.8 Events after the balance sheet date

On January 3, 2023, Outokumpu announced that is has completed the divestment of majority of the Long Products business. More detailed information about the financial impacts of the transaction can be found in note 6.1.

After the balance sheet date, Outokumpu has repurchased 3,755,005 shares under the share buyback program, which ends no later than on March 24, 2023. By February 8, 2023, Outokumpu had repurchased a total of 12,330,131 shares under the share buyback program and held a total of 16,494,842 treasury shares.

On January 27, 2023, RAOS Project Oy and Rosatom Energy International JSC have filed with the ICC International Court of Arbitration a request to join Outokumpu Oyj and certain other parties into the arbitration proceedings related to the termination of the EPC contract. As Outokumpu is not a party to any of the underlying contracts related to the disputes over the termination of the EPC Contract, it sees no basis for the joinder request, and will correspondingly strongly oppose it.

Parent company financial statements, FAS

Income statement of the parent company

€ million	2022	2021
Sales	**496**	783
Cost of sales	**–409**	–716
Gross margin	**87**	67
Other operating income	**232**	27
Selling and marketing expenses	**–3**	–2
Administrative expenses	**–131**	–103
Other operating expenses	**–10**	–13
EBIT	**175**	–24
Financial income and expenses	**–6**	–100
Result before appropriations and taxes	**169**	–124
Appropriations		
Group contribution	**117**	164
Income taxes	**0**	0
Result for the financial year	**286**	40

According to the Finnish accounting standards (FAS), the parent company financial statements are presented in addition to the Group financial statements. The parent company's financial statements have been prepared in accordance with Finnish accounting standards. The parent company Outokumpu Oyj's income statement and balance sheet items are mainly internal and are eliminated on the group level except for the external financing and treasury items which are mainly centralized to the parent company.

Balance sheet of the parent company

€ million	2022	2021
ASSETS		
Non-current assets		
Intangible assets	**85**	103
Property, plant and equipment	**2**	2
Financial assets		
Shares in Group companies	**3,877**	3,685
Loan receivables from Group companies	**127**	658
Shares in associated companies	**13**	13
Other shares and holdings	**1**	1
Other financial assets	**3**	3
	4,021	4,360
Total non-current assets	**4,108**	4,465
Current assets		
Current receivables		
Loans receivable	**694**	294
Trade receivables	**75**	94
Prepaid expenses and accrued income	**22**	22
Other receivables	**275**	242
	1,066	652
Cash and cash equivalents	**500**	257
Total current assets	**1,566**	909
TOTAL ASSETS	**5,674**	5,374

€ million	2022	2021
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**311**	311
Premium fund	**720**	720
Invested unrestricted equity reserve	**2,290**	2,332
Retained earnings	**160**	188
Result for the financial year	**286**	40
	3,768	3,592
Untaxed reserves		
Accumulated depreciation difference	**1**	1
Liabilities		
Non-current liabilities		
Convertible bonds	**125**	125
Loans from financial institutions	**–**	50
Pension loans	**123**	154
Other non-current loans	**11**	2
	260	330
Current liabilities		
Group bank account liabilities	**1,263**	898
Other current loans	**27**	212
Pension loans	**31**	13
Trade payables	**139**	236
Accrued expenses and prepaid income	**13**	16
Other current liabilities	**173**	76
	1,646	1,451
Total liabilities	**1,906**	1,781
TOTAL EQUITY AND LIABILITIES	**5,674**	5,374

Cash flow statement of the parent company

€ million	2022	2021
Cash flow from operating activities		
Result for the financial year	**286**	40
Adjustments for		
Depreciation and amortization	**15**	14
Impairments	**15**	91
Reversal of impairments	**–220**	–
Gain/loss on sale of intangible assets, and property, plant and equipment	**0**	–18
Interest income	**–43**	–37
Dividend income	**–**	–2
Interest expense	**27**	34
Change in provisions	**0**	–1
Exchange gains and losses	**3**	6
Group contributions	**–117**	–164
Other non-cash adjustments	**–12**	–8
	–332	–84
Change in working capital		
Change in trade and other receivables	**21**	–30
Change in trade and other payables	**–28**	66
	–7	36
Dividends received	**–**	2
Interest received	**41**	37
Interest paid	**–27**	–37
	13	2
Net cash from operating activities	**–41**	–6

€ million	2022	2021
Cash flow from investing activities		
Investments in subsidiaries and other shares and holdings	**–5**	–19
Purchases of intangible assets	**–6**	–14
Proceeds from disposal of subsidiaries	**28**	28
Proceeds from disposal of other shares and holdings	**–**	2
Proceeds from sale of property, plant and equipment	**–1**	0
Proceeds from sale of intangible assets	**0**	30
Change in other long-term receivables	**–**	105
Net cash from investing activities	**16**	132
Cash flow before financing activities	**–24**	126
Cash flow from financing activities		
Directed share issue	**–**	209
Dividends paid	**–68**	–
Treasury shares purchase	**–42**	–
Borrowings of non-current debt	**–**	24
Repayments of non-current debt	**–63**	–530
Change in current debt	**171**	50
Cash flow from group contribution	**164**	111
Other financing cash flow	**106**	–64
Net cash from financing activities	**268**	–201
Net change in cash and cash equivalents	**244**	–75
Net change in cash and cash equivalents in the balance sheet	**244**	–75

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, 2021	311	720	2,123	188	3,343
Result for the financial year	–	–	–	40	40
Directed share issue	–	–	209	–	209
Equity on Dec 31, 2021	311	720	2,332	228	3,592
Result for the financial year	–	–	–	286	286
Dividends paid	–	–	–	–68	–68
Treasury share purchase	–	–	–42	–	–42
Equity on Dec 31, 2022	**311**	**720**	**2,290**	**446**	**3,768**

Distributable funds on Dec 31

€ million	2022	2021
Retained earnings	**160**	188
Result for the financial year	**286**	40
Invested unrestricted equity reserve	**2,290**	2,332
Distributable funds on Dec 31	**2,736**	2,560

Commitments and contingent liabilities of the parent company

€ million	2022	2021
Other pledges on Dec 31	**13**	13
Guarantees on Dec 31		
On behalf of subsidiaries		
For financing	**307**	427
For commercial guarantees	**1**	0
For other commitments	**55**	27
On behalf of associated companies		
For financing	**1**	–
Other commitments for financing on Dec 31	**4**	9

Outokumpu is liable for its associated company Manga LNG Oy's certain liabilities amounting to EUR 16 million at the end of 2022 (2021: EUR 21 million). In the above table, this liability is reported as other pledges (Outokumpu's shares in Manga LNG Oy), as guarantees on behalf of associated companies, and the part exceeding the share pledge and guarantee as other commitments for financing.

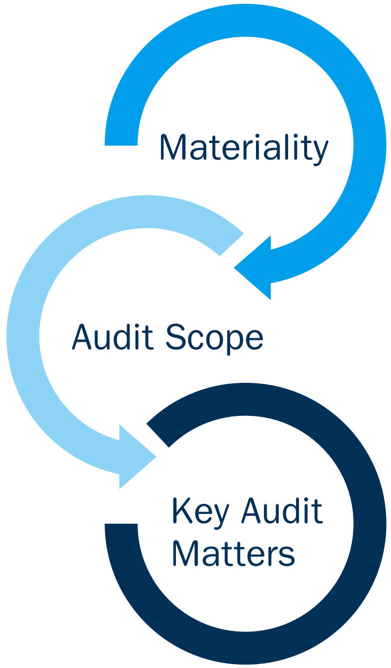
Outokumpu Oyj is, in relation to its shareholding in EPV Energia Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. These liabilities are reported under other commitments for financing.

Outokumpu is a minority shareholder in Voimaosakeyhtiö SF, which is the majority shareholder of Fennovoima.

Fennovoima announced in May 2022 that it has withdrawn the Hanhikivi-1 nuclear power plant construction license application as a consequence of the termination of the EPC contract with RAOS Project Oy due to supplier related causes. In June 2022, Fennovoima completed change negotiations concerning its entire personnel which led to significant staff and operation reductions.

Originally, Outokumpu's commitment to the Fennovoima investment amounted to approximately EUR 250 million, of which EUR 117 million has been paid by the end of the reporting period. The payments related to the original commitment, if any, are not expected to occur in previously planned schedule. See more information in note 5.6 of the consolidated financial statements.

Audit



Auditor's Report

(Translation of the Finnish Original)

Report on the Audit of the Financial Statements

To the Annual General Meeting of Outokumpu Oyj

Opinion

In our opinion
- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Outokumpu Oyj (business identity code 0215254-2) for the year ended 31 December 2022. The financial statements comprise:
- the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, including accounting principles for the consolidated financial statements
- the parent company's income statement, balance sheet, cash flow statement and notes to the parent company financial statements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 2.3 to the Financial Statements.

Our Audit Approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 35 million (2021: € 35 million)
How we determined it	0.4% of sales 2021
Rationale for the materiality benchmark applied	We chose sales as the benchmark because, in our view, it is a stable and an important benchmark in the group's current situation, against which the performance of the group is measured by users of the financial statements. As the group's profitability has not been stable, sales is also a generally accepted benchmark. We chose 0.4% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Outokumpu group, the accounting processes and controls, and the industry in which the group operates. The group audit scope was focused on the manufacturing companies in Finland, Sweden, Germany, USA, Mexico, the UK and Italy. We obtained, through our audit procedures at the aforementioned companies, combined with additional procedures at the group level, sufficient and appropriate evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of goodwill **Refer to notes 4.1 and 4.3 in the consolidated financial statements.** As at 31 December 2022 the group's goodwill balance amounted to € 456 million. Goodwill is tested at least annually, irrespective of whether there is any indication of impairment. In goodwill impairment testing, the recoverable amounts are based on value in use determined by discounted future net cash flows expected to be generated by the cash-generating unit. Key assumptions of the value-in-use calculations include the discount rate, the terminal value growth rate, the average global growth in end-use consumption of stainless steel and base price development. Valuation of goodwill is a key audit matter due to the size of the goodwill balance and the high level of management judgement involved in the estimation process.	Our audit of goodwill valuation focused on management's judgement and estimates used. We assessed the appropriateness of these through the following procedures: • We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of the calculations. • We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to medium term strategic plans and forecasts approved by the Board and testing the key underlying assumptions. • We considered whether the sensitivity analysis performed by management around key drivers of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions. • We compared the current year actual results to those included as estimates in the prior year impairment model to corroborate the reliability of management's estimates. • The discount rates applied within the model were assessed by PwC business valuation specialists, including comparison to economic and industry forecasts as appropriate. We also considered the appropriateness of the related disclosures provided in notes 4.1 and 4.3 in the group financial statements.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of Property, Plant and Equipment **Refer to note 4.1 in the consolidated financial statements.** As at 31 December 2022 the group's Property, Plant and Equipment (PPE) amounted to € 2,406 million, which is 34% of the total assets and 58% of the total equity. The group's business is very capital intensive and there is a risk that the carrying value of the Property, Plant and Equipment is overstated. The carrying value of Property, Plant and Equipment is tested as part of the group impairment testing based on the discounted cash flow model. Valuation of Property, Plant and Equipment is a key audit matter due to the size of the balance and the high level of management judgement involved in the estimation process.	We assessed the appropriateness of the group's method and management's judgement and estimates in the impairment calculations for Property, Plant and Equipment. Our audit work also included testing the operating effectiveness of controls in place to ensure the existence and appropriate valuation of Property, Plant and Equipment. Such controls include e.g. the authorization of additions, disposals and scrapings, and the reconciliation of fixed assets registers to the accounting records. In addition, we performed substantive audit procedures including testing of assets acquired in the year and depreciation of the fixed assets mainly through analytical audit procedures.
Valuation of Deferred Tax Assets in the US **Refer to note 2.6 in the consolidated financial statements.** As at 31 December 2022 the group's deferred tax assets amounted to € 390 million, of which € 297 million related to the US. In deferred tax recognition, the management assesses whether the realization of future tax benefits is sufficiently probable to support the recognition. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available for utilization of these differences.	Valuation of deferred tax assets in the US is a key audit matter as the amounts are material, the assessment process is judgemental and is based on assumptions that are impacted by expected future market conditions and performance in the US. We obtained an understanding of the process for accounting for deferred tax assets. We performed substantive audit procedures to validate the deferred tax balances, which are recorded with a consideration of enacted tax laws in each jurisdiction.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
	Our audit work on the valuation of deferred tax assets, with the involvement of our tax specialists, included: • Validating the completeness and accuracy of tax attributes. • Confirming the appropriate application of tax rules for utilizing deferred tax assets, including expiry of those attributes. • Evaluating the Company's ability to generate sufficient taxable income to utilize deferred tax assets. This evaluation takes into account the Company's historical profitability and circumstances as well as future projections. We also considered the appropriateness of the related disclosures provided in note 2.6 in the group financial statements.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of Inventories **Refer to note 4.4 in the consolidated financial statements.** As at 31 December 2022 the group's inventories amounted to € 1,783 million. 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 attributable to the sale. The most important commodity price risk for Outokumpu is caused by fluctuation in nickel and other alloy prices. The alloy surcharge clause as well as daily fixed pricing of stainless steel reduce the risk arising from the time difference between raw material purchase and product delivery. However, the risk is still relevant because the delivery cycle in production is longer than the alloy surcharge mechanism expects and the daily fixed pricing can also deviate from this cycle depending on the timing of the delivery. As the prices for all products to be sold in the future are not known, a significant part of the future prices are estimated according to management's best knowledge in net realizable value (NRV) calculations. Due to fluctuations in nickel and other alloy prices, the realized prices can deviate significantly from the estimates used in NRV calculations. Due to the high level of management judgement and the significant carrying amounts and risks relating to valuation, this is one of the key audit matters.	Our audit work included testing controls in place to ensure proper valuation and existence of inventories. In addition, our audit procedures included, among other things, the following: • We performed tests over the prices of raw materials and verified items in the product costing of work in progress. • We performed tests over the NRV calculations and the assumptions used. • We assessed the adequacy of the obsolescence provision and the management judgement used. • We participated in the physical inventory counting and performed independent test counts to validate the existence of assets and accuracy of the counting performed.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
System environment and internal controls The group has a fragmented system environment with a strong focus on continuously developing its system environment, e.g. platform transformation in 2022. However, the fragmented system environment introduces risks related to system access and change management, and we have accordingly designated this as a key audit matter. Our response to the risks related to the fragmented system environment included both testing of IT controls and tests of details. We tested the group's controls around access and change management related to the key IT systems.	We noted certain weaknesses related to access controls to certain key systems. We reported those control weaknesses to the management and performed tests of details to reduce the related risks of material misstatement to an acceptably low level. We tested the group's controls related to the platform transformation regarding database migration to a new environment. We also tested the completeness and accuracy of data migrations relevant for financial reporting.

Key audit matter in the audit of the parent company	How our audit addressed the key audit matter
Valuation of subsidiary shares in the parent company's financial statements As at 31 December 2022 the value of Outokumpu Oyj's subsidiary shares amounted to € 3,877 million in the parent company's financial statements prepared in accordance with Finnish GAAP. The valuation of subsidiary shares is tested as part of the group impairment testing based on the discounted cash flow model. The valuation of subsidiary shares is a key audit matter due to the significant carrying amounts involved and the high level of management judgement involved.	We assessed the appropriateness of the method and management's judgement and estimates in the calculations through the following procedures: • We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to medium term strategic plans and forecasts approved by the Board and testing the key underlying assumptions. • We considered whether the sensitivity analysis performed by management around key drivers of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions. • We compared the current year actual results included in the prior year impairment model to corroborate the reliability of management's estimates. • The discount rates applied within the model were assessed by PwC business valuation specialists, including comparison to economic and industry forecasts as appropriate.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director 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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent

- company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 21 March 2017. Our appointment represents a total period of uninterrupted engagement of 6 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other statements based on the decision by the Annual General Meeting

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 9 February 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant (KHT)

Information for shareholders

Annual General Meeting 2023

Outokumpu's Annual General Meeting will be held on Thursday, March 30, 2023 at 1.00 pm EEST at Dipoli congress center in Otaniemi, at Otakaari 24, 02150 Espoo, Finland entrance through the Gala entrance (Juhlaovi). The reception of persons who have registered for the meeting and the distribution of voting tickets will commence at 11.00 am EEST. Shareholders of the Company can exercise their right to vote also by voting in advance. Shareholders, who have registered for the meeting have the possibility to follow the Annual General Meeting via a webcast.

The meeting language of the Annual General Meeting will be Finnish. There will be simultaneous interpretation in English at the meeting.

Notice of the meeting and more information at www.outokumpu.com/en/agm 2023.

CEO and CFO available before the meeting

Before the Annual General Meeting, at 11.30-12.30 am EEST, the CEO and CFO of the Company will be available in Dipoli, and the CEO will discuss Company's result and development of operations. The event is not part of the Annual General Meeting, and it will be held only in Finnish. In connection with the event, participants can present questions to the CEO and CFO, but the event will not be a decision-making forum. Questions presented at the event are thus not questions referred to in Chapter 5, Section 25 of the Finnish Companies Act.

Important dates

February 9, 2023: Notice to the Annual General Meeting published.

February 9, 2023: Registration for the Annual General Meeting started at 12.00 noon.

March 3, 2023: Advance voting starts at 12.00 noon.

March 20, 2023: Record date of the AGM.

March 23, 2023: Registration and advance voting end at 4.00 pm EET.

March 30, 2023: Annual General Meeting at 1.00 pm EEST.

April 3, 2023: Proposed dividend record date.

April 12, 2023: Proposed dividend payment date.