outokumpu

Outokumpu Half-year financial report 2020

Contents

Outokumpu half-year financial report, January-June 2020

Second-quarter adjusted EBITDA declined to EUR 45 million due to weak global demand caused by COVID-19 pandemic

Highlights in Q2 2020

- Stainless steel deliveries were 523,000 tonnes (584,000 tonnes)[1].
- Adjusted EBITDA was EUR 45 million (EUR 91 million).
- EBITDA was EUR 45 million (EUR 91 million).
- Operating cash flow was EUR 72 million (EUR 177 million).
- Net debt remained relatively flat at EUR 1,243 million (March 31, 2020: EUR 1,249 million).
- Gearing was 49.2% (March 31, 2020: 48.0%).

Highlights in January-June 2020

- Stainless steel deliveries were 1,111,000 tonnes (1,205,000 tonnes)
- Adjusted EBITDA was EUR 151 million (EUR 145 million).
- EBITDA was EUR 151 million (EUR 131 million).
- Operating cash flow was EUR 40 million (EUR 216 million).
- Net result was EUR -15 million (EUR -33 million)

Group key figures		Q2/20	Q2/19	Q1/20	Q1–Q2/20	Q1–Q2/19	2019
Sales	EUR million	**1,420**	1,701	1,615	**3,035**	3,415	6,403
EBITDA	EUR million	**45**	91	106	**151**	131	266
Adjusted EBITDA [1)]	EUR million	**45**	91	106	**151**	145	263
EBIT	EUR million	**-16**	33	45	**29**	16	33
Adjusted EBIT [1)]	EUR million	**-16**	33	45	**29**	30	30
Result before taxes	EUR million	**-38**	17	22	**-16**	-18	-41
Net result for the period	EUR million	**-37**	6	22	**-15**	-33	-75
Earnings per share	EUR	**-0.09**	0.01	0.05	**-0.04**	-0.08	-0.18
Diluted earnings per share	EUR	**-0.09**	0.01	0.05	**-0.04**	-0.08	-0.18
Return on capital employed	%	**1.1**	2.9	2.3	**1.1**	2.9	0.8
Net cash generated from operating activities	EUR million	**72**	177	-32	**40**	216	371
Net debt at the end of period	EUR million	**1,243**	1,307	1,249	**1,243**	1,307	1,155
Debt-to-equity ratio at the end of period	%	**49.2**	49.8	48.0	**49.2**	49.8	45.1
Capital expenditure	EUR million	**57**	49	52	**109**	100	221
Stainless steel deliveries	1,000 tonnes	**523**	584	588	**1,111**	1,205	2,196
Personnel at the end of period [2)]		**10,213**	10,483	10,315	**10,213**	10,483	10,390

[1)] Adjusted EBITDA or EBIT = EBITDA or EBIT – Items classified as adjustments.

[2)] On June 30, 2020 the Group employed, in addition, some 540 summer trainees (June 30, 2019: some 710).

[1] Figures in parentheses refer to the corresponding period for 2019, unless otherwise stated.

President & CEO Heikki Malinen

"In the COVID-19 world, securing the health and safety of our employees and people around us has been a top priority at Outokumpu. Thanks to our proactive actions, the COVID-19 impact on our people and operations has been limited, and consequently our customer service and deliveries have continued largely uninterrupted. I am proud of our employees' hard work and ability to adjust to the new ways of working under these exceptional circumstances.

The pandemic started to impact Outokumpu in April with lower demand and declining order intake. As a result, Outokumpu's deliveries decreased by 11% in the second quarter and adjusted EBITDA declined to EUR 45 million. The EUR 125 million convertible bond that was successfully launched in July is an important funding element that improves our debt maturity profile in these harsh times.

In business area Americas, deliveries were down by 20% from the first quarter due to continued distributor destocking and COVID-19. By improving operational efficiency, we have been able to bring down the break-even point significantly enabling positive results even with lower production volumes.

Business area Europe's result was burdened by lower deliveries, continued price pressure and high import penetration. As a response to lower demand, production has been adjusted with temporary shutdowns and shorter working hours in all operating countries. On the positive side, productivity has continued to improve, and we have maintained our market position.

The European Commission's decision in June to increase the import quotas by 3% was a major disappointment for the European steel industry. As the import pressure from Asia continues, there is an urgent need to create a long-term solution beyond the current safeguard quota period ending in June 2021 to secure the viability of the European steel industry.

Since starting as the CEO of Outokumpu in mid-May, I have taken a deep dive into Outokumpu's operations and discussed with a large group of employees globally to build a good understanding of the company. I am impressed by our operations and the knowledge and expertise of our people which together provide a good foundation for our future.

Despite some signs of gradual market recovery, the operating environment continues to be difficult. The normal third-quarter seasonality will prevail, now further challenged by COVID-19. Therefore, our short-term focus will be on cash generation, securing liquidity and tight cost control. We have also decided to accelerate the Long Products' strategic review with new management. For the longer term, we are currently in the process of formulating a new vision, strategy and targets for Outokumpu for the coming years. These will be communicated before the announcement of the third quarter results."

Outlook for Q3 2020

Due to the global economic uncertainty caused by the COVID-19 pandemic, Outokumpu will not give quarterly guidance on adjusted EBITDA until further notice.

The COVID-19 pandemic and related measures are expected to have a significant impact on the stainless steel industry throughout 2020.

Due to seasonally low quarter, especially in Europe, combined with the continuing COVID-19 situation, Outokumpu expects its stainless steel deliveries to decrease in the third quarter for the whole Group by approximately 10% compared to the second quarter. The European stainless steel market remains challenging as a result of continuing import and price pressure.

The planned maintenance work at the Ferrochrome mill in Tornio, Finland is expected to have approximately EUR 15 million negative impact on the third-quarter result.

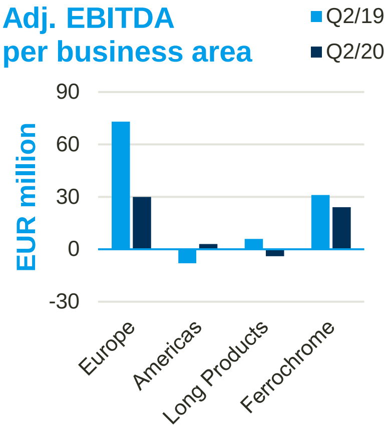
Responding to COVID-19

Protecting the health and safety of employees is a top priority in Outokumpu. Since the outbreak of the COVID-19 pandemic, Outokumpu has taken numerous measures to secure the health, safety and the well-being of employees and continues to monitor the COVID-19 situation closely. As a result of these prompt actions, Outokumpu has been able to limit the impacts of the COVID-19 on the company's employees, operations and customer service.

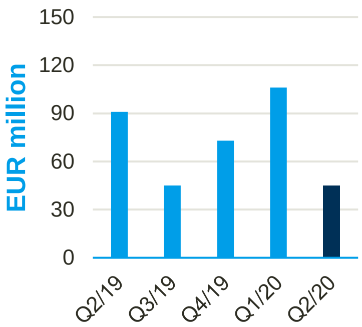
The global economic slowdown and overall market uncertainty caused by COVID-19 started to affect Outokumpu's operations and customer demand during April. Outokumpu has contingency plans in place to mitigate operational and financial risks and lower production volumes caused by the pandemic through overall cost reduction, tight inventory management and net working capital reduction of EUR 100 million during 2020 as well as cutting annual capital expenditure by EUR 40 million to EUR 180 million. Outokumpu continues the divestments of its non-core assets, but as the COVID-19 situation has slowed down economic activity, the original target to book approximately EUR 40 million of proceeds in 2020 might not fully materialize as planned. Other measures include shorter working hours, temporary site closures and co-determination negotiations in line with local labor laws and regulations. To avoid layoffs, Outokumpu has been able to utilize government support schemes in its operating countries and has received a total of EUR 3 million to compensate personnel expenses during the second quarter. Outokumpu has also utilized schemes available to defer VAT and social security payments.

Outokumpu's financial position is stable with a solid balance sheet. A special task force is in place to coordinate scenario-based financial planning. Liquidity is sufficient to carry over this difficult period with cash and cash equivalents amounting to EUR 399 million and total liquidity reserves EUR 0.8 billion at the end of June. The financial covenants of Outokumpu's financial agreements are based on debt-to-equity ratio. Outokumpu is in compliance with the financial covenants of its financing agreements and expects to maintain this position even in the adverse COVID-19 scenarios, as well.

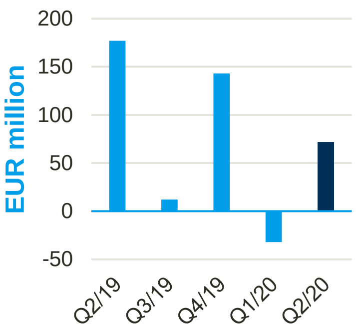
Adj. EBITDA per business area



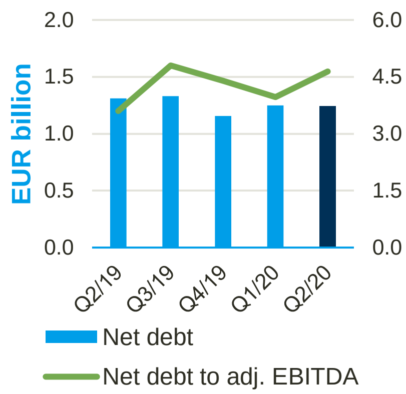
Group adj. EBITDA



Operating cash flow



Net debt and leverage



Results

Q2 2020 compared to Q2 2019

Outokumpu's sales decreased to EUR 1,420 million in the second quarter of 2020 (EUR 1,701 million) and adjusted EBITDA decreased to EUR 45 million (EUR 91 million). Stainless steel deliveries in the second quarter declined by 10% compared to the reference period in 2019. Realized prices were lower compared to prior year especially in Europe, but also in the Americas. Profitability was positively impacted by lower input costs and fixed costs and includes also EUR 3 million of government support to avoid layoffs and other positive one-off items of some EUR 8 million. Raw material-related inventory and metal derivative losses were at the level of the reference period, EUR 16 million. Lower ferrochrome benchmark price had a negative effect on business area Ferrochrome's profitability. Other operations and intra-group items' adjusted EBITDA was EUR -7 million (EUR -11 million).

Q2 2020 compared to Q1 2020

Outokumpu's sales decreased to EUR 1,420 million in the second quarter of 2020 (Q1/20: EUR 1,615 million) due to weaker global stainless steel demand. Adjusted EBITDA decreased to EUR 45 million (Q1/20: EUR 106 million). Volumes were lower in all business areas and the total stainless steel deliveries declined by 11% compared to the previous quarter. Raw material efficiency was weaker compared to the first quarter, but one-off items supported profitability in the second quarter. Raw material-related inventory and metal derivative losses decreased by EUR 6 million compared to the first quarter.

January-June 2020 compared to January-June 2019

During the first half of 2020, Outokumpu's sales decreased to EUR 3,035 million (EUR 3,415 million) while adjusted EBITDA increased to EUR 151 million (EUR 145 million). Deliveries in the first half of 2020 declined by 8% compared to the same period last year and realized prices were lower in both Europe and the Americas. Higher nickel price and positive raw material impacts supported profitability while the lower ferrochrome benchmark price had a negative impact on result compared to the first half of 2019. Raw material-related inventory and metal derivative losses were EUR 38 million (losses of EUR 26 million). Other operations and intra-group items' adjusted EBITDA amounted to EUR -13 million (EUR -10 million).

EBIT was EUR 29 million (EUR 16 million) and net result amounted to EUR -15 million (EUR -33 million) in the first half of 2020.

Financial position and cash flow

Operating cash flow amounted to EUR 40 million in the first half of 2020 (EUR 216 million). Net working capital increased by EUR 13 million, compared to a decrease of EUR 127 million in the first half of 2019. Inventories decreased to EUR 1,145 million (Dec 31, 2019: EUR 1,424 million).

Capital expenditure amounted to EUR 109 million in the first half (EUR 100 million). The ongoing investments include the Kemi mine expansion and the digital transformation project Chorus, including the ERP renewal.

Net debt amounted to EUR 1,243 million at the end of June (Dec 31, 2019: EUR 1,155 million) and gearing increased to 49.2% (Dec 31, 2019: 45.1%). Net financial expenses were EUR 46 million in the first half of the year (EUR 37 million) and interest expenses were EUR 38 million (EUR 36 million).

Cash and cash equivalents were at EUR 399 million at the end of June (Dec 31, 2019: EUR 325 million) and the overall liquidity reserves amounted to EUR 0.8 billion (Dec 31, 2019: EUR 1.0 billion). In addition to these reserves, Outokumpu has unutilized EUR 51 million short-term portion of the syndicated facility available and EUR 56 million of the Kemi mine financing facility. Despite the uncertainties brought by the coronavirus pandemic Outokumpu has been able to continue adequate issuance of commercial papers; at the end of June, the outstanding amount was EUR 287 million.

After the reporting period on July 2, Outokumpu successfully issued an EUR 125 million senior unsecured convertible bond due in July 2025. Furthermore, Outokumpu has applied and received decision regarding the deferral of Finnish VAT payables up to two years for an amount of approximately EUR 75 million, which will be reported as VAT liability. These transactions will have positive impacts on liquidity, debt maturity profile and capital structure.

Market development

According to CRU Group's (market intelligence & research company) latest estimates global apparent stainless steel consumption decreased by 15.5% in the second quarter of 2020 compared to the reference period last year. Consumption in EMEA decreased most by 27.0% while the Americas and APAC shrank by 19.5% and 12.4%, respectively. Compared to the first quarter of 2020, apparent consumption in the second quarter decreased by 1.2%. This was driven by the decreases of 22.4% in EMEA and 20.7% in the Americas while APAC grew by 7.0%. (CRU May 2020)

According to SMR's (Steel & Metals Market Research GmbH) latest estimates global real demand in the second quarter decreased by 7% compared to first quarter of 2020. This was mostly driven by the decline in Automotive & Heavy Transport segment at 13.0%, followed by Chemical, Petrochemical and Energy at 9.9%, ABC and Infrastructure at 8.0%, Industrial & Heavy Industry at 6.6% and Consumer Goods and Medicals at 4.6%. (SMR July 2020)

In the third quarter of 2020, global apparent consumption is expected to increase by 10.8% from the second quarter, driven by increases 10.9% in EMEA, 13.3% in the Americas and 10.5% in APAC. Compared to last year's third quarter, consumption is expected to decrease by 6.0% driven by decrease of 10.6% in EMEA, 8.8% in the Americas and 4.8% in APAC. (CRU July 2020)

In 2020, global real demand is estimated to decrease by 10.7% compared to 2019 (SMR July 2020). Global apparent consumption is expected to decrease 7.6% in 2020 compared to 2019 (CRU May 2020).

Business area Europe

Europe key figures		Q2/20	Q2/19	Q1/20	Q1–Q2/20	Q1–Q2/19	2019
Stainless steel deliveries	1,000 tonnes	**356**	391	391	**747**	806	1,459
Sales	EUR million	**900**	1,096	1,025	**1,925**	2,221	4,089
Adjusted EBITDA	EUR million	**30**	73	67	**97**	115	216
Adjustments							
Gain on the sale of real estate in Benrath, Germany	EUR million	**-**	-	-	**-**	-	70
Restructuring costs in Germany	EUR million	**-**	-	-	**-**	-	-53
EBITDA	EUR million	**30**	73	67	**97**	115	233
Operating capital	EUR million	**1,840**	1,985	1,878	**1,840**	1,985	1,901

Results

Q2 2020 compared to Q2 2019

Sales amounted to EUR 900 million (EUR 1,096 million).
Adjusted EBITDA amounted to EUR 30 million (EUR 73 million).

- Stainless steel deliveries decreased by 9% due to weak demand caused by COVID-19 and continued high import pressure.
- Stainless steel prices deteriorated, and product mix was weaker.
- Profitability was positively impacted by lower input costs and COVID-19 mitigation actions reduced fixed costs.
- Raw material-related inventory and metal derivative losses were EUR 13 million, same level as in Q2/19.

Q2 2020 compared to Q1 2020

Adjusted EBITDA amounted to EUR 30 million (Q1/20: EUR 67 million).

- Stainless steel deliveries decreased by 9% as a result of weak demand.
- Stainless steel prices declined slightly, and raw material efficiency was weaker.
- Fixed costs were lower due to COVID-19 mitigation actions, but the positive impact was offset by higher maintenance costs.
- Raw material-related inventory and metal derivative losses were EUR 13 million, same level as in Q1/20.

Market

- During the second quarter of 2020, apparent consumption in EMEA decreased by 27% compared to Q2/19 and by 22% compared to Q1/20 (Source: CRU May 2020).
- EU cold-rolled imports from the third countries decreased to 23% in the second quarter, down from the level of 29% in Q1/20. (Source: EUROFER, July 2020).
- In June, The European Commission decided to increase the import quotas by 3%.
- Distributor inventories were above the long-term average level in June.

Business area Americas

Americas key figures		Q2/20	Q2/19	Q1/20	Q1–Q2/20	Q1–Q2/19	2019
Stainless steel deliveries	1,000 tonnes	**134**	149	168	**303**	313	601
Sales	EUR million	**278**	343	359	**637**	706	1,346
Adjusted EBITDA	EUR million	**3**	-8	20	**22**	-26	-27
EBITDA	EUR million	**3**	-8	20	**22**	-26	-27
Operating capital	EUR million	**927**	961	957	**927**	961	914

Results

Q2 2020 compared to Q2 2019

Sales decreased to EUR 278 million (EUR 343 million).
Adjusted EBITDA increased to EUR 3 million (EUR -8 million).

- Stainless steel deliveries decreased by 10%, but product mix was better.
- Lower stainless steel prices impacted profitability.
- Raw material-related inventory and metal derivative losses were EUR 0 million compared to losses of EUR 3 million Q2/19.

Q2 2020 compared to Q1 2020

Adjusted EBITDA decreased to EUR 3 million (Q1/20: EUR 20 million).

- Stainless steel deliveries decreased by 20% as a result of lower demand.
- Product mix was weaker.
- Raw material-related inventory and metal derivative losses were EUR 0 million compared to losses of EUR 3 million in Q1/20.

Market

- In the second quarter of 2020, US real demand decreased by 21% compared to Q2/19.
- Cold-rolled imports into the US increased by 14% in the second quarter compared to Q1/20. (Source: American Iron & Steel Institute, June 2020).
- US Distributor inventories decreased by 7% in the second quarter compared to Q2/19. (Source: Metals Service Center Institute, June 2020).

Business area Long Products

Long Products key figures		Q2/20	Q2/19	Q1/20	Q1–Q2/20	Q1–Q2/19	2019
Stainless steel deliveries	1,000 tonnes	**40**	65	61	**101**	135	226
Sales	EUR million	**119**	186	170	**289**	370	642
Adjusted EBITDA	EUR million	**-4**	6	-1	**-5**	4	-7
EBITDA	EUR million	**-4**	6	-1	**-5**	4	-7
Operating capital	EUR million	**172**	170	172	**172**	170	157

Results

Q2 2020 compared to Q2 2019

Sales amounted to EUR 119 million (EUR 186 million).
Adjusted EBITDA amounted to EUR -4 million (EUR 6 million).

- Stainless steel deliveries decreased by 38%.
- Stainless steel prices were under pressure and product mix was weaker.
- Fixed costs were lower due to COVID-19 mitigation actions.
- Raw material-related inventory and metal derivative losses were EUR 2 million compared to losses of EUR 0 million in Q2/19.

Q2 2020 compared to Q1 2020

Adjusted EBITDA amounted to EUR -4 million (Q1/20: EUR -1 million).

- Stainless steel deliveries decreased by 34%.
- Profitability was positively impacted by lower input and fixed costs.
- Raw material-related inventory and metal derivative losses were EUR 2 million compared to losses of EUR 5 million in Q1/20.

Market

- Demand for Long Products in the US declined in the second quarter due to COVID-19 market slow-down and distributors' destocking.
- Demand in Europe continued on a low level. Distributors are overstocked and end user demand in key automotive and machine building sectors is weak.

Business area Ferrochrome

Ferrochrome key figures		Q2/20	Q2/19	Q1/20	Q1–Q2/20	Q1–Q2/19	2019
Ferrochrome production	1,000 tonnes	**123**	129	136	**260**	262	505
Sales	EUR million	**95**	127	112	**207**	253	461
Adjusted EBITDA	EUR million	**24**	31	25	**49**	61	96
EBITDA	EUR million	**24**	31	25	**49**	61	96
Operating capital	EUR million	**744**	685	736	**744**	685	692

Results

Q2 2020 compared to Q2 2019

Sales amounted to EUR 95 million (EUR 127 million).
Adjusted EBITDA decreased to EUR 24 million (EUR 31 million).

- Ferrochrome production was 4% lower.
- Profitability was negatively impacted by lower volumes and USD 0.06/lb lower ferrochrome benchmark price.
- Profitability was supported by lower input and maintenance costs.

Q2 2020 compared to Q1 2020

Adjusted EBITDA decreased to EUR 24 million (Q1/20: EUR 25 million).

- Ferrochrome production decreased by 10%.
- Profitability was supported by higher Ferrochrome benchmark price, but the positive impact was partly offset by higher share of spot sales.
- Input costs were lower.

Market

- The European benchmark price for ferrochrome increased by USD 0.13/lb in Q2/20 to USD 1.14/lb from USD 1.01/lb in Q1/20.
- For Q3/20, the European benchmark price remained unchanged quarter to quarter at USD 1.14/lb.

Sustainability

Outokumpu is the leading producer of sustainable stainless steel globally. The company's sustainability strategy is based on three pillars – Climate, Environment and Society. Outokumpu is committed to the United Nation's Sustainable Development Goals with a focus on the following six goals: clean water and sanitation, affordable and clean energy, decent work and economic growth, industry, innovation and infrastructure, responsible consumption and production, and climate action.

Outokumpu is the only stainless steel company globally to have an approved Science Based Target with the aim of reducing our greenhouse gas emissions by 20% per tonne of stainless steel in 2023. Outokumpu's longer-term target is to reach carbon neutrality in 2050 in-line with EU Green Deal objectives. Outokumpu's other sustainability targets include improved organizational health, improved safety, increased energy efficiency, zero environmental incidents and high material recycling.

In May, Outokumpu was recognized by the International Stainless Steel Forum (ISSF) and awarded its Gold Award in Safety for the "Hands are not Tools" project. The project, implemented at our site in Mexico over a three-year period, eliminated lost time injuries attributed to hands and fingers to zero.

Safety

The total recordable injury frequency rate (TRIFR) was 2.6 in the second quarter of 2020 (Q2/19: 3.1) against the target of less than 3.0. The first half of 2020 turned out to be the strongest half-year safety performance ever with TRIFR at 2.5 (H1/19: 3.4).

In addition to the normal safety measures, the amount of proactive accident prevention activities has increased to the highest level ever in Q2/2020 across the business.

Outokumpu has taken numerous measures to protect the health and safety of employees and people close to the company and to mitigate the negative impacts of the global COVID-19 pandemic. These actions include remote work when feasible, limited visitor access to all sites, travel ban, social distancing as well as enhanced focus on cleanliness and hygiene at all sites. Outokumpu is closely following the instructions given by the local governments and adjusts its own measures accordingly.

Personnel

Outokumpu's headcount decreased by 177 compared to the end of 2019 and totaled 10,213 at the end of June (Dec 31, 2019: 10,390). The restructuring plan in Germany, which aims for efficiency measures that will reduce about 350 jobs is progressing as planned. Approximately 80% of the planned reductions have been agreed.

Shares

On June 30, 2020, Outokumpu's share capital was EUR 311 million, and the total number of shares was 416,374,448. At the end of the second quarter, Outokumpu held 4,550,586 treasury shares. The average number of shares outstanding was 411,823,862 for the second quarter.

Risks and uncertainties

Short-term risks and uncertainties

In the short term, Outokumpu is focusing on mitigating its current exposures to the COVID-19 pandemic related risks and uncertainties to its business and operations, including but not limited to: risk of business interruptions due to closures in Outokumpu's production locations; weakened outlook for demand for stainless steel and consequently Outokumpu's expected product deliveries; impacts on personnel resources; dependencies on certain critical suppliers; overall price and availability of critical raw materials and supplies; impacts on payment terms with suppliers due to Outokumpu's weakened credit rating; increased overdues and realization of credit losses from customer receivables; liquidity and refinancing risks; changes in the prices of ferrochrome, nickel, electrical power and CO2 emission allowances; currency developments affecting the euro, US dollar, Swedish krona, and British pound; negative impacts on the amount of defined pension benefit assets and liabilities; changes in interest margins applied for Outokumpu; risks related to the fair value of shareholdings, e.g. investment in the Fennovoima project and project and investment implementation risks, including the ongoing project in the Kemi mine.

Possible further adverse changes in the global political and economic environment, including severe and lengthened impacts from the coronavirus pandemic with slower than expected recovery may have a significant negative impact on Outokumpu's overall business and access to financial markets.

Annual General Meeting 2020

On May 28, Outokumpu's Annual General Meeting 2020 was held under special arrangements due to the COVID-19 pandemic. 270 shareholders representing approximately 175 million shares and votes were represented at the meeting. The Annual General Meeting supported all the Board of Directors' and the Shareholders' Nomination Board's proposals by at least 84 percent of the votes cast.

The Meeting approved the financial statements and discharged the management of the company from liability for the financial year 2019. The Meeting decided to authorize the Board of Directors to decide at a later stage and in its discretion on a dividend payment in one or several instalments of a total maximum of EUR 0.10 per share and authorized the Board of Directors to repurchase the company's own shares and to decide on the issuance of shares as well as special rights entitling to shares. The Meeting also approved the proposals of the Shareholders' Nomination Board regarding the members of the Board of Directors and their remuneration and the remuneration policy of the Company.

Changes in Board of Directors and management

On April 14, Outokumpu's Board Directors appointed Heikki Malinen, M.Sc. (Econ.), MBA (Harvard), as President and CEO of Outokumpu and the Chairman of the Leadership Team. Malinen joined the company on May 1 and assumed his role as the CEO on May 16, 2020. Malinen had been a member of the Outokumpu Board of Directors since 2012, and due to his appointment, resigned from the Board at the end of April.

Events after the reporting period

On July 2, Outokumpu announced the successful placing and pricing of its offering of senior unsecured convertible bonds due July 2025 convertible into new and/or existing ordinary shares in Outokumpu. The New Convertible Bonds were issued in an aggregate principal amount of EUR 125 million.

On July 16, Outokumpu announced changes in its Leadership Team. Liam Bates, B.Sc. hons Economics, MBA, was appointed President, Long Products with immediate effect. Kari Tuutti, who lead business area Long Products since 2014, decided to pursue his career outside Outokumpu. In his new position, Liam Bates reports to CEO Heikki Malinen, but he does not continue as a member of the Outokumpu Leadership Team.

On July 27, Outokumpu announced that Maciej Gwozdz, President, business area Europe has decided to resign from Outokumpu to take a new position in another company. He will continue to work in Outokumpu in his current position until the end of September. His successor will be appointed in due course.

Helsinki, August 7, 2020

Outokumpu Oyj
Board of Directors

Financial information

Condensed statement of income (EUR million)	April–June 2020	April–June 2019	Jan–June 2020	Jan–June 2019	Jan–Dec 2019
Sales	**1,420**	1,701	**3,035**	3,415	6,403
Cost of sales	**-1,372**	-1,579	**-2,866**	-3,210	-6,108
Gross margin	**48**	122	**168**	205	295
Other operating income	**10**	8	**10**	14	107
Sales, general and administrative costs	**-67**	-77	**-138**	-152	-292
Other operating expenses	**-7**	-20	**-12**	-51	-77
EBIT	**-16**	33	**29**	16	33
Share of results in associated companies and joint ventures	**1**	2	**1**	3	6
Interest expenses	**-18**	-18	**-38**	-36	-76
Net other financial income and expenses	**-4**	-0	**-8**	-0	-4
Total financial income and expenses	**-23**	-18	**-46**	-37	-80
Result before taxes	**-38**	17	**-16**	-18	-41
Income taxes	**1**	-12	**1**	-15	-33
Net result for the period	**-37**	6	**-15**	-33	-75
Earnings per share for result attributable to the equity holders of the Company					
Earnings per share, EUR	**-0.09**	0.01	**-0.04**	-0.08	-0.18
Diluted earnings per share, EUR	**-0.09**	0.01	**-0.04**	-0.08	-0.18

Statement of comprehensive income (EUR million)	April–June 2020	April–June 2019	Jan–June 2020	Jan–June 2019	Jan–Dec 2019
Net result for the period	**-37**	6	**-15**	-33	-75
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations					
Change in exchange differences	**-22**	-25	**-12**	1	25
Reclassification adjustments from other comprehensive income to profit or loss	**-**	-	**-**	-	3
Cash flow hedges					
Fair value changes during the financial year	**4**	4	**3**	3	12
Reclassification adjustments from other comprehensive income to profit or loss	**-0**	0	**-9**	-1	-1
Reclassification adjustments from other comprehensive income to inventory	**-2**	-	**-1**	-	-2
Income tax relating to cash flow hedges	**0**	0	**0**	0	-1
Items that will not be reclassified to profit or loss:					
Remeasurements on defined benefit obligation plans					
Changes during the accounting period	**-23**	-19	**21**	-27	-43
Income tax relating to remeasurements	**6**	5	**-3**	9	10
Financial assets at fair value through other comprehensive income	**-6**	-1	**-22**	-16	-54
Share of other comprehensive income in associated companies and joint ventures	**0**	0	**-0**	-0	-0
Other comprehensive income for the period, net of tax	**-44**	-36	**-23**	-31	-49
Total comprehensive income for the period	**-81**	-30	**-37**	-64	-124

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

Condensed statement of financial position (EUR million)	June 30 2020	June 30 2019	Dec 31 2019
ASSETS			
Non-current assets			
Intangible assets	**611**	595	607
Property, plant and equipment	**2,739**	2,754	2,767
Investments in associated companies and joint ventures	**38**	41	38
Other financial assets	**29**	77	36
Deferred tax assets	**228**	243	229
Defined benefit plan assets	**83**	79	68
Trade and other receivables	**1**	2	2
Total non-current assets	**3,729**	3,790	3,747
Current assets			
Inventories	**1,145**	1,428	1,424
Other financial assets	**20**	25	28
Trade and other receivables	**625**	739	514
Cash and cash equivalents	**399**	190	325
Total current assets	**2,190**	2,381	2,291
Assets held for sale	**-**	19	-
TOTAL ASSETS	**5,919**	6,190	6,038
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company	**2,525**	2,624	2,562
Non-current liabilities			
Non-current debt	**1,293**	710	1,053
Other financial liabilities	**0**	0	-
Deferred tax liabilities	**14**	12	12
Defined benefit and other long-term employee benefit obligations	**325**	338	335
Provisions	**69**	62	85
Trade and other payables	**28**	34	29
Total non-current liabilities	**1,729**	1,156	1,514
Current liabilities			
Current debt	**348**	787	427
Other financial liabilities	**10**	21	17
Provisions	**6**	4	25
Trade and other payables	**1,300**	1,598	1,493
Total current liabilities	**1,665**	2,410	1,962
TOTAL EQUITY AND LIABILITIES	**5,919**	6,190	6,038

Condensed statement of cash flows (EUR million)	April–June 2020	April–June 2019	Jan–June 2020	Jan–June 2019	Jan–Dec 2019
Net result for the period	**-37**	6	**-15**	-33	-75
Adjustments					
Depreciation, amortization and impairments	**61**	58	**122**	115	233
Other non-cash adjustments	**13**	37	**33**	59	97
Change in working capital	**93**	96	**-13**	127	218
Provisions, and defined benefit and other long-term employee benefit obligations paid	**-34**	-7	**-46**	-27	-53
Dividends and interests received	**0**	5	**0**	5	12
Interests paid	**-20**	-15	**-32**	-27	-56
Income taxes paid	**-3**	-2	**-8**	-5	-5
Net cash from operating activities	**72**	177	**40**	216	371
Acquired businesses, net of cash	**-**	-	**-**	-	-3
Purchases of assets	**-52**	-46	**-110**	-87	-190
Proceeds from the disposal of subsidiaries, net of cash	**-**	-	**-**	-	9
Proceeds from the sale of assets	**0**	3	**0**	5	109
Other investing cash flow	**1**	6	**1**	9	10
Net cash from investing activities	**-51**	-37	**-109**	-72	-65
Cash flow before financing activities	**22**	140	**-68**	144	306
Dividends paid	**-**	-62	**-**	-62	-62
Borrowings of non-current debt	**22**	24	**341**	74	515
Repayment of non-current debt	**-9**	-9	**-389**	-19	-110
Change in current debt	**-48**	-36	**191**	-16	-396
Other financing cash flow	**-0**	-0	**-0**	1	3
Net cash from financing activities	**-34**	-82	**143**	-22	-49
Net change in cash and cash equivalents	**-13**	58	**75**	122	256
Cash and cash equivalents at the beginning of the period	**411**	132	**325**	68	68
Net change in cash and cash equivalents	**-13**	58	**75**	122	256
Foreign exchange rate effect	**0**	-1	**-1**	-0	0
Cash and cash equivalents at the end of the period	**399**	190	**399**	190	325

Statement of changes in equity
(EUR million)

	Attributable to the equity holders of the parent										
	Share capital	Premium fund	Invested unrestricted equity reserve	Other reserves	Fair value reserve from financial assets at fair value through OCI	Fair value reserve from derivatives	Cumulative translation differences	Remeasurements of defined benefit plans	Treasury shares	Other retained earnings	Total equity
Equity on Jan 1, 2019	**311**	**714**	**2,103**	**3**	**5**	**-3**	**-56**	**-80**	**-40**	**-207**	**2,750**
Net result for the period	-	-	-	-	-	-	-	-	-	-33	-33
Other comprehensive income	-	-	-	-	-16	3	1	-18	-	-0	-31
Total comprehensive income for the period	-	-	-	-	-16	3	1	-18	-	-33	-64
Transactions with equity holders of the Company											
Contributions and distributions											
Dividend distribution	-	-	-	-	-	-	-	-	-	-62	-62
Share-based payments	-	-	-	-	-	-	-	-	3	-4	-1
Other	-	-	-	-	-	-	-	-3	-	3	-
Equity on June 30, 2019	**311**	**714**	**2,103**	**3**	**-11**	**0**	**-55**	**-101**	**-37**	**-303**	**2,624**
Equity on Dec 31, 2019	**311**	**714**	**2,103**	**3**	**-49**	**6**	**-27**	**-116**	**-33**	**-350**	**2,562**
Net result for the period	-	-	-	-	-	-	-	-	-	-15	-15
Other comprehensive income	-	-	-	-	-22	-6	-12	18	-	-0	-23
Total comprehensive income for the period	-	-	-	-	-22	-6	-12	18	-	-15	-37
Transactions with equity holders of the Company											
Contributions and distributions											
Share-based payments	-	-	-	-	-	-	-	-	0	-0	0
Equity on June 30, 2020	**311**	**714**	**2,103**	**3**	**-71**	**-0**	**-39**	**-98**	**-32**	**-365**	**2,525**

Adjustments to EBITDA and EBIT (EUR million)	Q2/2020	Q2/2019	Q1–Q2/2020	Q1–Q2/2019	2019
Gain on the sale of real estate in Benrath, Germany	**-**	-	**-**	-	70
Restructuring costs in Germany	**-**	-	**-**	-	-53
Settlement with ThyssenKrupp	**-**	-	**-**	-14	-14
Adjustments to EBITDA and EBIT	**-**	-	**-**	-14	3

Group key figures		Q2/2020	Q2/2019	Q1–Q2/2020	Q1–Q2/2019	2019
Scope of activity						
Capital employed at the end of period	EUR million	**3,939**	4,048	**3,939**	4,048	3,904
Capital expenditure	EUR million	**57**	49	**109**	100	221
Depreciation and amortization	EUR million	**-61**	-57	**-122**	-114	-230
Impairments	EUR million	**-0**	-1	**-0**	-1	-3
Personnel at the end of period [1]		**10,213**	10,483	**10,213**	10,483	10,390
- average for the period		**10,515**	10,788	**10,439**	10,642	10,645
Profitability						
Adjusted EBITDA	EUR million	**45**	91	**151**	145	263
Adjustments to EBITDA	EUR million	**-**	-	**-**	-14	3
EBITDA	EUR million	**45**	91	**151**	131	266
Earnings per share	EUR	**-0.09**	0.01	**-0.04**	-0.08	-0.18
Diluted earnings per share	EUR	**-0.09**	0.01	**-0.04**	-0.08	-0.18
Adjusted average number of shares [2]	1,000 shares	**411,824**	411,321	**411,808**	410,981	411,198
Return on equity	%	**-2.2**	0.8	**-2.2**	0.8	-2.8
Return on capital employed	%	**1.1**	2.9	**1.1**	2.9	0.8
Financing and financial position						
Non-current debt	EUR million	**1,293**	710	**1,293**	710	1,053
Current debt	EUR million	**348**	787	**348**	787	427
Cash and cash equivalents	EUR million	**-399**	-190	**-399**	-190	-325
Net debt at the end of period	EUR million	**1,243**	1,307	**1,243**	1,307	1,155
Net debt to Adjusted EBITDA		**4.6**	3.6	**4.6**	3.6	4.4
Equity-to-assets ratio at the end of period	%	**42.7**	42.5	**42.7**	42.5	42.5
Debt-to-equity ratio at the end of period	%	**49.2**	49.8	**49.2**	49.8	45.1
Equity per share at the end of period [2]	EUR	**6.13**	6.38	**6.13**	6.38	6.22

[1] On June 30, 2020 the Group employed, in addition, some 540 summer trainees (June 30, 2019: some 710).

[2] Excluding treasury shares.

Sales by segment (EUR million)	Q2/2020	Q2/2019	Q1–Q2/2020	Q1–Q2/2019	2019
Europe total	**900**	1,096	**1,925**	2,221	4,089
of which intra-group	**12**	12	**44**	24	66
Americas total	**278**	343	**637**	706	1,346
of which intra-group	**0**	1	**0**	2	3
Long Products total	**119**	186	**289**	370	642
of which intra-group	**12**	38	**45**	86	137
Ferrochrome total	**95**	127	**207**	253	461
of which intra-group	**39**	80	**120**	165	293
Other operations total	**163**	148	**327**	282	653
of which intra-group	**71**	69	**142**	140	290
Group total sales	**1,420**	1,701	**3,035**	3,415	6,403

Adjusted EBITDA by segment (EUR million)	Q2/2020	Q2/2019	Q1–Q2/2020	Q1–Q2/2019	2019
Europe	**30**	73	**97**	115	216
Americas	**3**	-8	**22**	-26	-27
Long Products	**-4**	6	**-5**	4	-7
Ferrochrome	**24**	31	**49**	61	96
Other operations and intra-group items	**-7**	-11	**-13**	-10	-15
Group total adjusted EBITDA	**45**	91	**151**	145	263

Adjustments to EBITDA and EBIT by segment (EUR million)	Q2/2020	Q2/2019	Q1–Q2/2020	Q1–Q2/2019	2019
Europe	**-**	-	**-**	-	17
Americas	-	-	-	-	-
Long Products	-	-	-	-	-
Ferrochrome	-	-	-	-	-
Other operations	**-**	-	**-**	-14	-14
Group total adjustments	**-**	-	**-**	-14	3

EBITDA by segment (EUR million)	Q2/2020	Q2/2019	Q1–Q2/2020	Q1–Q2/2019	2019
Europe	**30**	73	**97**	115	233
Americas	**3**	-8	**22**	-26	-27
Long Products	**-4**	6	**-5**	4	-7
Ferrochrome	**24**	31	**49**	61	96
Other operations and intra-group items	**-7**	-11	**-13**	-24	-29
Group total EBITDA	**45**	91	**151**	131	266

Adjusted EBIT by segment (EUR million)	Q2/2020	Q2/2019	Q1–Q2/2020	Q1–Q2/2019	2019
Europe	**-5**	40	**27**	50	82
Americas	**-12**	-23	**-6**	-54	-84
Long Products	**-7**	4	**-10**	-0	-16
Ferrochrome	**15**	24	**32**	47	67
Other operations and intra-group items	**-8**	-12	**-15**	-13	-19
Group total adjusted EBIT	**-16**	33	**29**	30	30

EBIT by segment (EUR million)	Q2/2020	Q2/2019	Q1–Q2/2020	Q1–Q2/2019	2019
Europe	**-5**	40	**27**	50	99
Americas	**-12**	-23	**-6**	-54	-84
Long Products	**-7**	4	**-10**	-0	-16
Ferrochrome	**15**	24	**32**	47	67
Other operations and intra-group items	**-8**	-12	**-15**	-27	-34
Group total EBIT	**-16**	33	**29**	16	33

Depreciation and amortization by segment (EUR million)	Q2/2020	Q2/2019	Q1–Q2/2020	Q1–Q2/2019	2019
Europe	**-35**	-33	**-70**	-65	-134
Americas	**-14**	-14	**-28**	-28	-56
Long Products	**-2**	-2	**-5**	-4	-8
Ferrochrome	**-8**	-7	**-17**	-15	-29
Other operations	**-1**	-1	**-2**	-3	-4
Group total depreciation and amortization	**-61**	-57	**-122**	-114	-230

Capital expenditure by segment (EUR million)	Q2/2020	Q2/2019	Q1–Q2/2020	Q1–Q2/2019	2019
Europe	**7**	7	**16**	19	44
Americas	**3**	4	**6**	9	20
Long Products	**0**	4	**1**	6	18
Ferrochrome	**34**	26	**59**	51	103
Other operations	**12**	8	**27**	15	35
Group total capital expenditure	**57**	49	**109**	100	221

Operating capital by segment (EUR million)	Q2/2020	Q2/2019	Q1–Q2/2020	Q1–Q2/2019	2019
Europe	**1,840**	1,985	**1,840**	1,985	1,901
Americas	**927**	961	**927**	961	914
Long Products	**172**	170	**172**	170	157
Ferrochrome	**744**	685	**744**	685	692
Other operations and intra-group items	**42**	15	**42**	15	23
Group total operating capital	**3,724**	3,817	**3,724**	3,817	3,687

Personnel at the end of period by segment	Q2/2020	Q2/2019	Q1–Q2/2020	Q1–Q2/2019	2019
Europe	**6,651**	6,812	**6,651**	6,812	6,753
Americas	**1,880**	1,973	**1,880**	1,973	1,934
Long Products	**842**	898	**842**	898	883
Ferrochrome	**473**	461	**473**	461	472
Other operations	**367**	339	**367**	339	348
Group total personnel at the end of period	**10,213**	10,483	**10,213**	10,483	10,390

On June 30, 2020 the Group employed, in addition, some 540 summer trainees (June 30, 2019: some 710).

Geographical information – Sales by destination (EUR million)	Jan–June 2020	Jan–June 2019	Jan–Dec 2019
Finland	**128**	156	264
Other Europe	**1,745**	1,973	3,598
North America	**724**	817	1,573
Asia and Oceania	**210**	277	506
Other countries	**228**	193	462
Group total sales	**3,035**	3,415	6,403

Sales to other countries include the parent company's nickel warrant sales.

Total external sales by segment			
Europe	**1,881**	2,197	4,023
of which to Finland	**120**	149	254
of which to other Europe	**1,567**	1,773	3,277
of which to North America	**27**	44	96
of which to Asia and Oceania	**144**	206	349
of which to other counties	**24**	25	47
Americas	**637**	704	1,343
of which to North America	**615**	670	1,277
of which to Asia and Oceania	**3**	7	13
of which to other counties	**19**	27	52
Long Products	**244**	284	505
of which to Finland	**1**	1	1
of which to other Europe	**140**	162	265
of which to North America	**83**	103	200
of which to Asia and Oceania	**20**	18	39
Ferrochrome	**87**	88	168
of which to Finland	**6**	5	8
of which to other Europe	**38**	38	56
of which to Asia and Oceania	**43**	45	104
of which to other counties	**0**	-	1
Other operations	**185**	142	363
of which to other countries	**185**	142	363
Group total sales	**3,035**	3,415	6,403

Sales of Other operations include the parent company's nickel warrant sales.

Property, plant and equipment (EUR million)	Jan–June 2020	Jan–June 2019	Jan–Dec 2019
Carrying value at the beginning of the period	**2,767**	2,659	2,659
IFRS 16 transition impact	**-**	131	131
Translation differences	**-2**	-2	15
Additions	**88**	99	205
Disposals	**-0**	-4	-24
Disposed subsidiaries	**-**	-	-1
Reclassifications	**1**	-0	3
Depreciation and impairments	**-114**	-111	-226
Reclassification to assets held for sale	**-**	-19	-
Other	**-0**	-0	5
Carrying value at the end of the period	**2,739**	2,754	2,767

Commitments (EUR million)	June 30 2020	June 30 2019	Dec 31 2019
Mortgages	**3,175**	3,148	3,192
Other pledges	**13**	13	13
Guarantees			
On behalf of subsidiaries for commercial and other commitments	**28**	28	27
On behalf of associated companies for finaning	**2**	6	4
Other commitments	**11**	15	14

Mortgages relate mainly to securing the Group's financing. A major part of Outokumpu's borrowings are secured partly by mortgage over the real property of the Group's main production plants. Mortgages include also a business mortgage note to secure a loan for the DeepMine project.

Outokumpu has provided a guarantee and a pledge of shares of a subsidiary as a security for the AvestaPolarit pension scheme.

Other pledges include Outokumpu's shares in Manga LNG Oy of EUR 13 million to secure certain liabilities of Manga LNG Oy. Outokumpu's total liability on June 30, 2020 amounted to EUR 26 million (June 30, 2019: EUR 34 million and Dec 31, 2019: EUR 29 million), and the part exceeding the share pledge and guarantee is presented under other commitments. Other commitments include also Outokumpu's liabilities for the net debt in Tornion Voima Oy.

Outokumpu’s share of the Fennovoima investment is appr. EUR 250 million, of which EUR 92 million has been paid by the end of the reporting period. Annual capital expenditure related to the project is expected to be on average around EUR 15–20 million in the coming years, and approximately half of the investment is expected to be paid at the end of the construction phase.

The Group's other off-balance sheet investment commitments totaled EUR 74 million on June 30, 2020 (June 30, 2019: EUR 116 million and Dec 31, 2019: EUR 68 million).

Related party transactions (EUR million)	Jan–June 2020	Jan–June 2019	Jan–Dec 2019
Transactions and balances with related companies			
Sales and other operating income	**39**	46	89
Purchases	**-20**	-4	-7
Dividends received	**-**	5	10
Trade and other receivables	**17**	39	29
Trade and other payables	**2**	4	3

Fair values and nominal amounts of derivative instruments (EUR million)	June 30 2020 Net fair value	Dec 31 2019 Net fair value	June 30 2020 Nominal amounts	Dec 31 2019 Nominal amounts
Currency and interest rate derivatives				
Currency forwards	**-2**	-3	**930**	1,815
Currency options, bought	**-**	0	**-**	6
Interest rate swaps	**6**	5	**200**	200
			Tonnes	Tonnes
Metal derivatives				
Forward nickel contracts, hedge accounted	**-0**	6	**9,533**	8,048
Forward nickel contracts	**-2**	-6	**7,038**	9,772
Forward molybdenum contracts	**-**	-0	**-**	18
Nickel options, bought	**1**	0	**1,000**	5,500
	3	3		

Hierarchy of financial assets and liabilities measured at fair value on June 30, 2020 (EUR million)	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value through OCI	-	-	22	22
Investments at fair value through profit or loss	13	-	-	13
Derivatives	-	14	-	14
	13	14	22	49
Liabilities				
Derivatives	-	10	-	10

Reconciliation of changes on level 3 (EUR million)	Investments at fair value through other comprehensive income
Carrying value on Jan 1, 2020	31
Additions	13
Fair value changes	-22
Carrying balance on June 30, 2020	22

A major part of financial assets at fair value through other comprehensive income at hierarchy level 3 relate to investments in unlisted energy producing companies. Valuation model of energy producing companies is based on discounted cash flow model, which takes into account the market prices of electricity, discount rate, inflation rate, the estimated amount of electricity to be received and estimated production costs.

Outokumpu has invested in Voimaosakeyhtiö SF which gives Outokumpu an appr. 14% indirect share of the Fennovoima Oy nuclear power plant project. Voimaosakeyhtiö SF's additional valuation parameters include e.g. expected purchase price of electricity under the Mankala principle, expected project completion date and cost of debt in Fennovoima Oy. The fair value of Voimaosakeyhtiö SF shares is highly sensitive to the valuation parameters and especially to long-term market price of electricity, Fennovoima's capacity utilization rate, discount rates for cash flows and the terminal value, inflation rates for costs and market price of electricity, and project completion date.

Long-term market price for electricity for the time when the plant is expected to be commissioned has been estimated by the management, and the estimate assumes an increase compared to the current market price level. However, the long time periods to complete project and to operate the plant affect the reliability of such estimate, and reasonable changes in the electricity price estimate or in other valuation parameters can significantly impact the fair value of the investment. In general, the project risk is considered high with the estimated completion of the project in the early part of 2029, and the range of potential fair values is wide.

The fair value of non-current debt is EUR 1,257 million (carrying amount EUR 1,293 million). The carrying amount of other financial instrumets is a reasonable approximation of fair value.

Definitions of financial key figures

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 + net debt + net defined benefit and other long-term employee benefit obligations + net interest rate derivative liabilities + net accrued interest expenses – net assets held for sale – loans receivable – financial assets at fair value through other comprehensive income – financial assets at fair value through profit or loss – investments in associated companies and joint ventures	
Operating capital	=	Capital employed – net deferred tax asset	
Return on capital employed (ROCE)	=	$\frac{\text{EBIT (4-quarter rolling)}}{\text{Capital employed (4-quarter rolling average)}}$	× 100
Return on equity (ROE)	=	$\frac{\text{Net result for the financial period (4-quarter rolling)}}{\text{Total equity (4-quarter rolling average)}}$	× 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	=	$\frac{\text{Net debt}}{\text{Total equity}}$	× 100
Net debt to adjusted EBITDA	=	$\frac{\text{Net debt}}{\text{Adjusted EBITDA (4-quarter rolling)}}$	
Earnings per share	=	$\frac{\text{Net result for the financial period attributable to the owners of the parent}}{\text{Adjusted average number of shares during the period}}$	
Equity per share	=	$\frac{\text{Equity attributable to the owners of the parent}}{\text{Adjusted number of shares at the end of the period}}$	

Basis of preparation

This half-year report is unaudited, and it is prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods of computation have been followed when preparing the interim financial information as in the financial statements for 2019 with exception of new and amended standards applied as of the beginning of 2020.

The global economic slowdown and overall market uncertainty caused by COVID-19 has affected Outokumpu's performance, and consequently Outokumpu has evaluated their impact on its financial position.

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

Revenue recognition (new)

Outokumpu has entered into so-called bill and hold arrangements with its selected European customers. In these arrangements, based on customer request, Outokumpu holds the readily-available material in its own stock locations for the customer up to a period of three months before the actual delivery of the material. However, Outokumpu has transferred the control of these materials to the customer and consequently recognized the revenue for the material sales. The revenue related to Outokumpu's performance obligation to deliver the material will be recognized when the delivery takes place.

The revenues recognized under the bill and hold arrangements amount to less than 1% of Business Area Europe's Q2/2020 sales.

Management judgment and the use of estimates

The preparation of the financial statements in accordance with IFRSs requires management to make judgments, as well as 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 estimation of future cash flows and definition of the discount rates for the impairment testing require management to make assumptions relating to future expectations (e.g. future pricing, production volumes and costs, market supply and demand, projected maintenance capital expenditure and weighted average cost of capital). In estimating the future cash flows, in relation to COVID-19 pandemic, management makes assumption relating to the severity of the outbreak's impact on market and financial development as well as the timing and pace of the recovery.

Although these estimates are based on management's best knowledge of the circumstances at the end of the reporting period, actual outcomes may differ from the estimates and assumptions.

Risk management and COVID-19

Protecting the health and safety of employees is a top priority in Outokumpu. Since the outbreak of the COVID-19 pandemic, Outokumpu has taken numerous measures to secure the health, safety and the well-being of employees and continues to monitor the COVID-19 situation closely. As a result of these prompt actions, Outokumpu has been able to limit the impacts of the COVID-19 on the company's employees, operations and customer service.

Impairment of intangible assets and Property, Plant and equipment

Outokumpu's practice is to assess impairment indicators on quarterly basis. In relation to the scenario analysis of potential COVID-19 impacts on Outokumpu's business, the company has reviewed the projections used in the impairment test for intangible asset and property, plant and equipment. Also, other parameters, such as the discount rates, have been reviewed. The estimated recoverable amounts based on discounted cashflow projections continue to exceed the assets' carrying amounts for each Business Area, and consequently no impairment losses were recognized. For business area Americas in particular, the estimated recoverable amount exceeds the carrying amount by a somewhat higher amount compared to the year-end 2019. The improvement in the headroom is mainly due to favorable development in weighted average cost of capital and lower carrying amounts of assets but the headroom remains similarly sensitive to changes in valuation parameters as in the year-end 2019.

Credit risk management

Outokumpu's sales are covered by approved credit limits or secured payment terms. Most of the outstanding trade receivables have been secured mainly by credit insurance policies, which typically cover some 95% of an insured credit loss. Part of the credit risk related to trade receivables is also managed with letters of credit, advance payments and guarantees. The portion of unsecured receivables during 2020 has been approximately 4% of all trade receivables whereas typically it has varied between 3–12%. During 2020, credit limits have remained available from the insurer and there is no significant change in the insurance cover. Outokumpu has monitored credit risk on a weekly basis and the overdue situation daily and continued its close co-operation with the insurers. The overdue receivables amounted to EUR 37 million on June 30, 2020 (EUR 51 million on June 30, 2019 and EUR 47 million on Dec 31, 2019).

Liquidity

Cash and cash equivalents were at EUR 399 million on June 30, 2020 and the overall liquidity reserves were some EUR 0.8 billion (June 30, 2019: EUR 190 million and EUR 0.8 billion, and Dec 31, 2019: EUR 325 million and EUR 1.0 billion, respectively) In addition to these reserves, Outokumpu has available an unutilized short-term portion of the syndicated facility of EUR 51 million and EUR 56 million of the financing facility, which can be used to finance the Kemi mine investment. Despite the uncertainties brought by the coronavirus pandemic, Outokumpu has been able to continue an adequate issuance of commercial papers; at the end of the quarter the outstanding amount totaled EUR 287 million (June 30, 2019: EUR 476 million and Dec 31, 2019: EUR 101 million).

The financial covenants of Outokumpu's financial agreements are based on debt-to-equity ratio. Outokumpu is in compliance with the financial covenants of its financing agreements and expects to maintain this position in the adverse COVID-19 scenarios, as well.

After the end of the reporting period, Outokumpu has issued a EUR 125 million senior unsecured convertible bond due in July 2025. Furthermore, between Q3/2020–Q2/2022, Outokumpu will be able to defer Finnish VAT payments of some EUR 75 million. These transactions will have positive impacts on liquidity, debt maturity profile and capital structure (see Events after the end of the reporting period).

Government support

Outokumpu has been able to utilize government support schemes in its operating countries. These schemes vary country by country. To avoid layoffs, Outokumpu has received a total of EUR 3 million to compensate personnel expenses. Outokumpu has also utilized schemes available to defer VAT and social security payments.

Share-based payments

Outokumpu's share-based payment programs include Performance Share Plan (Plans 2018–2020, 2019–2021 and 2020–2022), Restricted Share Plan (Plans 2018–2020, 2019–2021and 2020–2022), and a Matching Share Plan for key management.

The Performance Share Plan 2017–2019 ended and based on not achieving the targets no shares were rewarded to the participants. Regarding the Restricted Share Plan 2017–2019, after deductions for applicable taxes in total 49,147 shares were delivered to the participants based on the conditions of the plan. Outokumpu used its treasury shares for the reward payments.

In December 2019, the Board of Directors approved the commencement of the new periods (plans 2020–2022) of the Performance Share Plan and the Restricted Share Plan as of the beginning of 2020. The maximum number of gross shares (taxes included) that can be allocated from the Performance Share Plan is 3,700,000 and at the end of the reporting period 139 key employees participated in the plan. The maximum number of gross shares (taxes included) that can be allocated from the Restricted Share Plan is 250,000 and at the end of the reporting period 38 key employees participated in the plan.

Events after the end of the reporting period

In July 2020, Outokumpu issued senior unsecured convertible bonds due July 2025 convertible into ordinary shares in Outokumpu. The aggregated principal amount of the bonds is EUR 125 million.

The bonds carry a coupon of 5.00% per annum, payable semi-annually in arrear, with the first interest payment date being January 9, 2021. The initial conversion price has been set at EUR 3.273 and it will be subject to adjustments for any dividend as well as customary anti-dilution adjustments pursuant to the terms and conditions of the bonds. The shares underlying the bonds represent 9.3% of the total number of issued and outstanding shares prior to the issuance, subject to potential adjustments to the conversion price.

Outokumpu has received a decision on its application to defer Finnish VAT payments of some EUR 75 million. The interest on the deferral is 2.5% per annum from the original due dates in January–March and July 2020 and the payments will be made in equal monthly installments between Q3/2020–Q2/2022. The deferred VAT payments will be presented as VAT payables in non-current and current trade and other payables.