outokumpu

Outokumpu interim report January–March 2022

Contents

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Another strong quarter, adjusted EBITDA amounting to EUR 377 million

Highlights in Q1 2022

- Stainless steel deliveries were 647,000 tonnes (608,000 tonnes)[1].
- Adjusted EBITDA increased to EUR 377 million (EUR 177 million).
- EBITDA was EUR 377 million (EUR 177 million).
- Net result increased to EUR 251 million (EUR 82 million).
- Operating cash flow amounted to EUR 147 million (EUR 27 million).
- Net debt decreased to EUR 294 million (December 31, 2021: EUR 408 million).
- Gearing decreased to 9.0% (December 31, 2021: 13.1%).
- Dividend of EUR 68 million was recognized as a dividend liability on March 31, 2022, and paid in April.

Group key figures		Q1/22	Q1/21	Q4/21	2021
Sales	EUR million	**2,760**	1,673	2,215	7,709
EBITDA	EUR million	**377**	177	314	1,009
Adjusted EBITDA [1)]	EUR million	**377**	177	326	1,021
EBIT	EUR million	**313**	116	191	705
Adjusted EBIT [1)]	EUR million	**313**	116	245	758
Result before taxes	EUR million	**305**	101	178	640
Net result for the period	EUR million	**251**	82	159	553
Earnings per share [2)]	EUR	**0.55**	0.20	0.35	1.26
Diluted earnings per share [2)]	EUR	**0.51**	0.19	0.33	1.17
Return on capital employed	%	**23.8**	0.5	18.8	18.8
Net cash generated from operating activities	EUR million	**147**	27	384	597
Net debt at the end of period	EUR million	**294**	1,073	408	408
Debt-to-equity ratio at the end of period	%	**9.0**	43.7	13.1	13.1
Capital expenditure	EUR million	**31**	47	59	175
Stainless steel deliveries	1,000 tonnes	**647**	608	586	2,395
Personnel at the end of period, full-time equivalent		**9,197**	9,256	9,096	9,096

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

[2)] Calculated based on the May 2021 share-issue-adjusted weighted average number of shares. Comparative information of Q1/21 is presented accordingly.

[1] Figures in parentheses refer to the corresponding period for 2021, unless otherwise stated.

President & CEO Heikki Malinen

In the first quarter of 2022, Outokumpu performed well despite the uncertainty caused by Russia's aggressive invasion and war in Ukraine. We have decided to stop all business operations related to Russia as soon as possible. My thoughts are with the Ukrainian people in this human tragedy. Outokumpu's Annual General Meeting approved the suggestion by our Board of Directors to donate up to EUR 1 million to support relief efforts in Ukraine and neighboring countries.

So far, the impact of the war on Outokumpu has been limited. Our mills have been running at full capacity and our adjusted EBITDA reached EUR 377 million. Deliveries increased by 10%, as we were successful in mitigating the impact of the COVID-19 pandemic in production and logistics. We diligently continued to de-risk, and we were able to reduce our net debt to EUR 294 million.

All business areas delivered solid first-quarter results. We have continued to build a strong position in the Americas, supporting the geographic diversification of our earnings. In Europe, our performance in the first quarter was also solid. We have strong expertise in value added grades, and I am pleased to see the improving demand in our pro grade business. The Ferrochrome and Long Products business areas recorded excellent earnings in the first quarter.

Despite the ongoing uncertainty brought about by the tense geopolitical situation, the tailwind in the market remained and realized prices for stainless steel continued to strengthen in the first quarter. However, imports from Asia into Europe increased to a significant level of 35%, creating uncertainty going forward.

While there were significant price increases in raw materials, energy, and logistics, we were able to manage our costs successfully. Going forward, we will keep a continuous focus on consumables consumption to ease inflationary pressure.

We made disciplined progress in our strategy execution and have now reached a cumulative EBITDA run-rate improvement of EUR 237 million, very close to reaching our EUR 250 million target.

Sustainability is a key factor in running a successful stainless steel business. We continued to take steps on our sustainability journey towards carbon neutrality by increasing the share of low-carbon electricity in our energy mix and improving energy efficiency from the already good level of last year.

I am proud that we have been able to continue with our safety improvement despite high-capacity utilization. Our quarterly total recordable injury frequency rate decreased to 1.7, which is an excellent result. I want to thank our employees for improving on what was already a great result!

I am very pleased that after many challenging years we are back on track with paying dividends. The dividend of EUR 0.15 per share, approved by the AGM, was paid in April 2022.

Outlook for Q2 2022

Group stainless steel deliveries in the second quarter are expected to remain at a similar level compared to the first quarter.

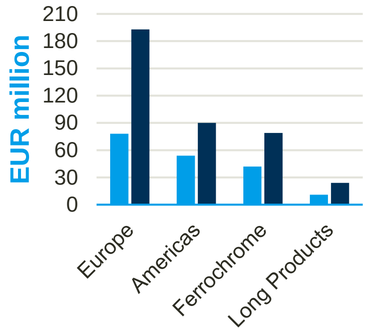
The European ferrochrome benchmark price further increased to USD 2.16/lb for the second quarter.

With current raw material prices, significant raw material-related inventory and metal derivative gains are expected to be realized in the second quarter.

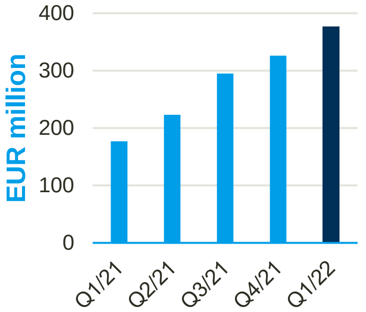
Supply chain uncertainties resulting from the war in Ukraine and associated Russian sanctions remain a risk in the second quarter.

Adjusted EBITDA in the second quarter of 2022 is expected to be higher compared to the first quarter.

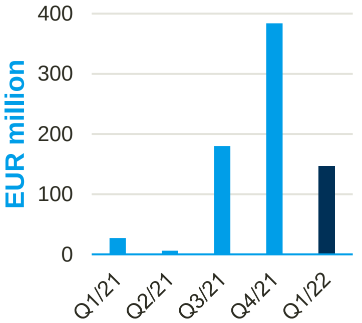
Adjusted EBITDA per business area



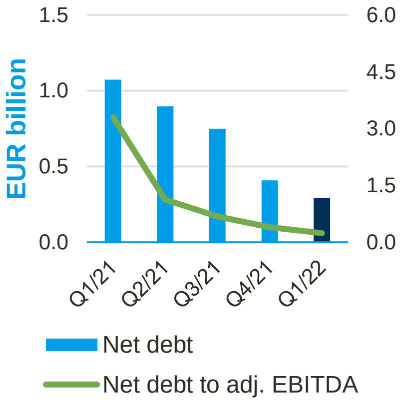
Group adjusted EBITDA



Operating cash flow



Net debt and leverage



Results

Q1 2022 compared to Q1 2021

Outokumpu’s sales increased to EUR 2,760 million in the first quarter of 2022 (EUR 1,673 million) and adjusted EBITDA reached EUR 377 million (EUR 177 million). In the strong market environment, total stainless steel deliveries grew by 6% compared to the previous year. Realized prices for stainless steel continued to increase and also the ferrochrome sales price was higher compared to the reference period. The positive impact from higher prices more than offset the negative impact from a significant cost inflation, especially in consumable prices. Raw material-related inventory and metal derivative losses amounted to EUR 42 million (gains of EUR 42 million). Negative impacts from metal hedging losses were partly offset by the positive timing gains. In the first quarter of 2022, EBIT increased to EUR 313 million (EUR 116 million) and net result to EUR 251 million (EUR 82 million).

Q1 2022 compared to Q4 2021

Outokumpu’s sales amounted to EUR 2,760 million in the first quarter of 2022 (Q4/2021: EUR 2,215 million) and adjusted EBITDA increased to EUR 377 million (Q4/2021: EUR 326 million). Total stainless steel deliveries grew by 10% compared to the previous quarter, and reflected the traditional seasonality as the COVID-19 mitigation actions taken by the company were successful. The market environment remained strong and higher realized prices for stainless steel overcompensated the increase in costs. Variable costs were at an elevated level as a result of higher consumable prices, especially in ferrosilicon. Energy costs did not increase compared to the previous quarter as the negative impact was mitigated with successful energy hedging activities. Raw material-related inventory and metal derivative losses amounted to EUR 42 million in the first quarter (Q4/2021: gains of EUR 6 million).

War in Ukraine

Outokumpu strongly condemns the military actions Russia has taken in Ukraine. The company has decided to stop sales and deliveries to Russia, and it also aims to sever all remaining connections with a country that does not honor international laws or human rights, taking into account the contractual situations. Currently, Outokumpu has no employees, production, or service centers in Russia. The company is doing its utmost to support and help its employees who are directly or indirectly impacted by the war in Ukraine. With the approval of the Annual General Meeting, Outokumpu has donated EUR 1 million to support relief efforts in Ukraine and neighboring countries.

The impact of the war in Ukraine on Outokumpu was limited in the first quarter of 2022. Various mitigation actions taken by the company were successful, and Outokumpu was able to conduct its operations normally throughout the quarter.

Outokumpu had been following closely the tense situation between Russia and Ukraine. When the conflict escalated into war, Outokumpu established a core team that represents the main business support functions and with the aim of monitoring the situation and mitigating any risks for the company. The core team 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 also strengthened its cyber security.

Outokumpu procures its raw materials and energy globally. Outokumpu’s main raw material in its stainless steel production is recycled steel and the company is not currently procuring any recycled steel of Russian origin. A limited amount of other raw materials is procured from Russia and the company is actively looking for alternative sources globally.

Outokumpu acquires energy gas from the European market, to which Russia is one of the indirect suppliers. The company is looking for alternative sources together with its energy suppliers to replace energy gas of Russian origin. Outokumpu is closely following the global energy and gas market as well as sanctions and counter measures between Russia and the EU.

Outokumpu has an indirect stake in the Fennovoima nuclear plant project in Finland, which is driven by Fennovoima and the Russian-owned company Rosatom. Outokumpu has valued the Fennovoima project at zero since its 2021 financial statements due to increased project risk. On May 2, Fennovoima announced that it has terminated the EPC contract of plant delivery with RAOS Project due to RAOS Project’s significant delays and inability to deliver the project.

Outokumpu is committed to complying with all applicable laws and regulations, including applicable sanctions and regulations. Due to the Russian invasion of Ukraine, Outokumpu has strengthened 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 does not conduct business with any party in breach of applicable sanctions and regulations.

Strategy execution

Outokumpu launched a new strategy in November 2020 and set financial targets by the end of 2022. The targets included a EUR 200 million EBITDA run-rate improvement and a reduction of the net debt to EBITDA ratio to below 3.0. In November 2021, with the commitment to de-risk the company by the end of 2022, Outokumpu increased the initial EBITDA run-rate improvement target to EUR 250 million. The company continues to de-risk through the first phase of the strategy until the end of 2022. The strategy has three key focus areas: Lean & Agile Organization, Cost & Capital Discipline, and Commercial Excellence.

The cumulative EBITDA run-rate improvement amounted to EUR 237 million at the end of the first quarter of 2022. Outokumpu continued its diligent execution of initiatives and achieved a EUR 40 million EBITDA run-rate impact in the first quarter. The impact was achieved through the continuing execution of initiatives in the Cost & Capital Discipline stream and the Commercial Excellence stream. The Lean & Agile Organization stream was completed by the end of 2021.

One of the projects in the first quarter was a project to reuse the waste heat from our bright annealing line at the Krefeld plant. A waste heat boiler system was activated, which utilizes the hot exhaust air from the furnace to generate steam via heat exchangers and a boiler system. The steam is then fed into the existing steam network and utilized in many production processes and in heating the production halls and buildings. By utilizing the waste heat that would otherwise be lost unused via the chimney, Outokumpu not only saves energy and costs in the long term, but also reduces CO_2 emissions by partly replacing fossil fuels. In addition, the CO_2 emissions from the bright annealing line which are caused due to the operation are utilized to operate other systems.

Looking ahead, there is a continued focus on consumables consumption efficiency to mitigate inflationary pressures. While the Cost & Capital Discipline stream is increasing capacities and efficiencies to supply strong market demands, the Commercial Excellence stream is improving ways of working to mitigate the effects of market swings on profitability.

Financial position and cash flow

Operating cash flow amounted to EUR 147 million in the first quarter of 2022 (EUR 27 million). Net working capital increased by EUR 252 million compared to an increase of EUR 79 million last year. Inventories continued to increase also throughout the first quarter and amounted to EUR 2,105 million on March 31, 2022 (December 31, 2021: EUR 1,892 million). Approximately half of the quarterly inventory increase came from higher metal prices. Capital expenditure amounted to EUR 31 million in the first quarter (EUR 47 million).

During the first quarter, net debt decreased further to EUR 294 million (December 31, 2021: EUR 408 million) and consequently gearing to 9.0% (December 31, 2021: 13.1%). Net financial expenses amounted to EUR 13 million (EUR 21 million), of which interest expenses EUR 10 million (EUR 18 million).

Cash and cash equivalents increased to EUR 525 million on March 31, 2022 (December 31, 2021: EUR 300 million) and the overall liquidity reserves to EUR 1.3 billion (December 31, 2021: EUR 0.9 billion). In addition to these reserves, Outokumpu has an unutilized EUR 42 million short-term portion of its main syndicated revolving credit facility available. During the first quarter of the year, the outstanding amount of commercial papers increased by EUR 114 million and amounted to EUR 173 million on March 31, 2022 (December 31, 2021: EUR 58 million). Strong free cash flow, increased utilization of commercial papers as well as the new EUR 100 million revolving working capital facility with Finnvera Oyj supported the increase of liquidity reserves.

Market development

According to CRU's latest estimates (February 2022), global apparent consumption of stainless steel flat products decreased by 6.5% in the first quarter of 2022 compared to the same period last year. While the demand in the EMEA and Americas grew by 4.5% and 8.5%, respectively, the largest region APAC decreased by 10.2%. Demand in APAC declined because of the weak domestic demand due to extended slowdown around the Chinese New Year and the strict emission targets around the Winter Olympics. Sporadic COVID-19 pandemic outbreaks also impacted demand, and this became even more severe with Shanghai going into lockdown. Furthermore, in the first quarter of 2021, demand for consumer durables was exceptionally strong also on the export markets which contributed to this significant year-on-year decrease.

Compared to the fourth quarter of 2021, global apparent consumption of stainless steel flat products increased by 0.5% in the first quarter of 2022 due to seasonally high demand in Europe at the beginning of the year. Hence, the development was driven by an increase of 7.1% in EMEA, while APAC decreased by 0.5% and Americas, the smallest region, by 3.4%, respectively.

In the second quarter of 2022, CRU expects the global apparent consumption of stainless steel flat products to increase by 9.1% compared to the previous quarter. This is driven by the strongest growth of 12.2% in APAC, but also increases of 0.9% in Americas and 0.1% in EMEA are expected to contribute to the positive development. Compared to last year's second quarter, apparent consumption is expected to increase by 1.7%, driven by 2.1% and 1.9% higher apparent consumption in EMEA and APAC, respectively, while Americas is assumed to decrease by 1.2%.

In 2022, CRU estimates that total global apparent consumption of stainless steel flat products will grow by 3.6% compared to 2021.

Business area Europe

Europe key figures		Q1/22	Q1/21	Q4/21	2021
Stainless steel deliveries	1,000 tonnes	**414**	401	370	1,535
Sales	EUR million	**1,693**	1,025	1,320	4,600
Adjusted EBITDA	EUR million	**193**	78	161	485
Gain on disposal of property	EUR million	**-**	-	12	12
EBITDA	EUR million	**193**	78	173	498
Operating capital	EUR million	**1,799**	1,633	1,724	1,724

Results

Q1 2022 compared to Q1 2021

Sales amounted to EUR 1,693 million (EUR 1,025 million).
Adjusted EBITDA increased to EUR 193 million (EUR 78 million).

- Stainless steel deliveries increased by 3%.
- Result was driven by significantly higher realized prices for stainless steel and also the product mix slightly improved.
- Consumable prices, especially for ferrosilicon, fuels and electricity increased, and together with higher freight costs impacted negatively profitability.
- Raw material-related inventory and metal derivative losses amounted to EUR 19 million, compared to gains of EUR 18 million in Q1/2021.

Q1 2022 compared to Q4 2021

Sales amounted to EUR 1,693 million (EUR 1,320 million).
Adjusted EBITDA increased to EUR 193 million (EUR 161 million).

- Stainless steel deliveries increased by 12%.
- Profitability was driven by higher realized prices for stainless steel.
- Maintenance costs were lower but variable costs increased as a result of significantly higher consumables prices, especially for ferrosilicon, fuels, and slagformers.
- Raw material-related inventory and metal derivative losses amounted to EUR 19 million, compared to gains of EUR 4 million in Q4/2021.

Market

- During Q1/2022, apparent consumption in EMEA increased by 4.5% compared to Q1/2021, whereas there was a growth of 7.1% compared to Q4/2021. (Source: CRU, February 2022)
- The share of EU cold-rolled stainless steel imports from third countries reached 35% in Q1/2022 and increased compared to Q4/2021 due to more sourcing from Asia on behalf of strong demand and continuous supply shortages in Europe. (Source: EUROFER, April 2022)
- Distributor inventories increased above the historical average level, while stock turnover also sped up given robust end-use demand.

Business area Americas

Americas key figures		Q1/22	Q1/21	Q4/21	2021
Stainless steel deliveries	1,000 tonnes	**185**	176	180	742
Sales	EUR million	**662**	384	556	1,947
Adjusted EBITDA	EUR million	**90**	54	95	297
Litigation provisions	EUR million	**-**	-	-15	-15
EBITDA	EUR million	**90**	54	80	283
Operating capital	EUR million	**867**	874	879	879

Results

Q1 2022 compared to Q1 2021

Sales amounted to EUR 662 million (EUR 384 million).
Adjusted EBITDA increased to EUR 90 million (EUR 54 million).

- Stainless steel deliveries increased by 5%.
- Result was driven by significantly higher realized prices for stainless steel and a better product mix.
- Variable costs increased as a result of higher consumable prices, and also freight costs were at an elevated level.
- Raw material-related inventory and metal derivative losses amounted to EUR 24 million compared to gains of EUR 20 million in Q1/2021.

Q1 2022 compared to Q4 2021

Sales amounted to EUR 662 million (EUR 556 million).
Adjusted EBITDA decreased to EUR 90 million (EUR 95 million).

- Stainless steel deliveries increased by 2%.
- Higher realized prices for stainless steel supported profitability, while freight costs and variable costs, as a result of higher consumable prices, increased.
- Raw material-related inventory and metal derivative losses amounted to EUR 24 million compared to impact of EUR 0 million in Q4/2021.

Market

- During Q1/2022, US real demand increased by 24% compared to Q1/2021 and by 8% compared to Q4/2021. (Source: AISI, American Iron and Steel Institute)
- The share of cold-rolled imports into the US was 26% in Q1/2022, and slightly decreased from the level of 27% in Q4/2021. (Source: AISI)
- Cold-rolled distributor inventories increased during Q1/2022 compared to Q4/2021.

Business area Ferrochrome

Ferrochrome key figures		Q1/22	Q1/21	Q4/21	2021
Ferrochrome production	1,000 tonnes	**129**	131	125	515
Sales	EUR million	**175**	121	179	604
Adjusted EBITDA	EUR million	**79**	42	73	246
EBITDA	EUR million	**79**	42	73	246
Operating capital	EUR million	**875**	793	823	823

Results

Q1 2022 compared to Q1 2021

Sales amounted to EUR 175 million (EUR 121 million).
Adjusted EBITDA increased to EUR 79 million (EUR 42 million).

- Ferrochrome production decreased by 1%.
- Profitability was driven by a higher ferrochrome sales price, as both the European ferrochrome benchmark price and Chinese spot market prices increased, and a weaker EUR/USD exchange rate.
- Variable costs increased as a result of higher consumable prices, especially for reductants.

Q1 2022 compared to Q4 2021

Sales amounted to EUR 175 million (EUR 179 million).
Adjusted EBITDA increased to EUR 79 million (EUR 73 million).

- Ferrochrome production increased by 3%.
- Higher ferrochrome sales price supported profitability.
- Both fixed and variable costs were at a lower level.

Market

- For Q1/2022, the published European benchmark price for ferrochrome was settled at USD 1.80/lb.
- For Q2/2022, the published European benchmark price for ferrochrome increased to USD 2.16/lb.
- The ferrochrome market supply-demand situation has tightened due to robust demand from stainless steel industry while ferrochrome production in China has decreased. Disruptions and uncertainties around supply continue, driven by Russia's invasion to Ukraine and logistical issues in South-Africa, leading to an increase in market prices.

Business area Long Products

Long Products key figures		Q1/22	Q1/21	Q4/21	2021
Stainless steel deliveries	1,000 tonnes	**71**	65	65	250
Sales	EUR million	**320**	184	243	810
Adjusted EBITDA	EUR million	**24**	11	15	47
EBITDA	EUR million	**24**	11	15	47
Operating capital	EUR million	**190**	131	157	157

Results

Q1 2022 compared to Q1 2021

Sales amounted to EUR 320 million (EUR 184 million).
Adjusted EBITDA increased to EUR 24 million (EUR 11 million).

- Total stainless steel deliveries increased by 9%.
- Profitability was supported by higher realized prices for stainless steel.
- Both variable and fixed costs were at a higher level as a result of higher delivered volumes and cost inflation, especially in electricity prices.
- Raw material-related inventory and metal derivative gains were EUR 3 million compared to gains of EUR 4 million in Q1/2021.

Q1 2022 compared to Q4 2021

Sales amounted to EUR 320 million (EUR 243 million).
Adjusted EBITDA increased to EUR 24 million (EUR 15 million).

- Total stainless steel deliveries increased by 10%.
- Realized prices for stainless steel increased and the product mix was better.
- Variable costs increased as a result of higher delivered volumes and cost inflation, especially in electricity prices.
- Raw material-related inventory and metal derivative gains amounted to EUR 3 million compared to gains of EUR 3 million in Q4/2021.

Market

- Market remained strong with no signs of weakening.
- Good shipments in all products lines, especially in bars and wire rod and wire.
- The strong demand is broad-based across all segments, except oil & gas and heavy industries, which have not fully recovered yet.

Sustainability

Outokumpu's vision is to be the customer's first choice in sustainable stainless steel, and Outokumpu's company purpose is working towards a world that lasts forever. Sustainability at Outokumpu is founded on good governance and is based on three factors: environmental, economic, and social, which all need to be in balance. The company is a signatory of the United Nations Global Compact. Outokumpu is committed to the United Nations' 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 the goals. These goals were the result of a materiality analysis that was conducted in 2021.

In the past, Outokumpu has operated mines both in Finland and elsewhere. At the beginning of the 2000s, the company decided to focus on stainless steel. Currently, Outokumpu has only one active mine, the Kemi chrome mine, which is an integral part of our stainless steel production. Our Kemi mine is the only chrome mine in the European Union, and the carbon footprint of our ferrochrome operations is estimated to be only 42% of the global industry average.

Outokumpu is globally the only stainless steel producer that publishes its stainless steel carbon footprint, including all direct (scope 1) and indirect (scope 2, electricity) emissions as well as emissions from the production of raw materials and transportation (scope 3). As part of the new more ambitious sustainability strategy, Outokumpu increased its greenhouse gas emission reduction target and committed to the Science-Based Target initiative (SBTi) 1.5 °C climate ambition. Outokumpu's new SBTi target was approved in December, and it requires a 42% CO2 emission reduction across all scopes by 2030 compared to the company's 2016 baseline. This translates into a 30% CO2 reduction compared to the 2020 level.

Outokumpu's long-term target is to achieve carbon neutrality by 2050 in scope 1 (direct) and 2 (indirect) emissions. Outokumpu's other sustainability targets include improved safety, improved organizational health, supply chain sustainability, increased energy efficiency, zero environmental incidents and high material recycling. All of Outokumpu's production sites are certified according to ISO 14001.

In the first quarter of 2022, Outokumpu connected its SBTi climate targets to incentive structures introducing sustainability criteria to Performance Share Plan (PSP). The PSP program's plan period for 2022–2024 will include earnings criteria linked to the emissions reduction target for a maximum of 150 key employees in each period. PSP is a part of the regular compensation of top executives.

In the first quarter, Outokumpu announced two 10-year wind power agreements with Alpiq and Gasum, further increasing the share of low-carbon electricity in the energy mix. Outokumpu received a Platinum rating from EcoVadis, highlighting the progress in ESG topics with an increased score from previous years. Outokumpu was also included in the S&P Sustainability Yearbook.

For the first quarter, Outokumpu met all targets on sustainability KPIs including energy-efficiency, material recycling and emission intensity. Energy-efficiency was further improved from the already good level reached in 2021, and recycled material content remained at a high level of over 90% for the rolling 12 months.

Outokumpu was informed of allegations concerning its nickel sub-supplier Solway in Guatemala. Outokumpu is acting firmly and decisively on the information and, together with an external partner, visited the site to assess the situation. Until further notice, new orders originating from Solway have been stopped due to the allegations concerning environmental damage, negative impacts on local people, and a lack of transparency that were brought to our attention. In 2022, Outokumpu is focusing specifically on the sustainable supply chain, having already established a supplier sustainability team within raw material procurement and agreeing on external support for human rights impact assessments.

During the first quarter, there were two environmental incidents concerning Outokumpu's operations. One of these was a permit breach. Both incidents were reported to the relevant authorities.

Safety performance demonstrated a positive improvement in the first quarter of 2022. The quarterly total recordable injury frequency rate (TRIFR) fell to 1.7 (Q4/2021: 2.0). During the first quarter of the year, the sites worked on the quarterly safety theme "safety standard alignment", reviewing the four main safety standards and the adherence to the requirements. The safety network team was focused on several improvement projects which will develop the team concept and transition into the next phase of group development.

The COVID-19 pandemic continues to be managed at the local level within company guidelines and local country rules.

Personnel

On March 31, 2022, Outokumpu's full-time equivalent number of personnel totaled 9,197 (December 31, 2021: 9,096) and headcount 9,439 (December 31, 2021: 9,395). Outokumpu's aim is to have a full-time equivalent number of personnel below 9,000 during 2022.

Shares

On March 31, 2022, Outokumpu's share capital was EUR 311 million and the total number of shares was 456,874,448. At the end of the first quarter, Outokumpu held 4,164,711 treasury shares. The average number of shares outstanding was 452,634,734 in the first quarter. The closing share price on March 31, 2022 was EUR 4.86.

Risks and uncertainties

The war in Ukraine has increased the uncertainties and risks to which Outokumpu is exposed. While the impacts in the first quarter of 2022 have been limited, going forward, the far-reaching direct and indirect consequences of the war could impact Outokumpu. The risk of not being able to purchase the needed raw materials and energy gas due to limited availability outside Russia, the rise in global inflation, the slowdown in global economic growth, increased cybersecurity threats, and high price volatility in metals such as nickel and higher energy prices may all have an effect on Outokumpu's business, cost competitiveness, and financial results. Furthermore, a weakening economy in Asia could potentially lead to a significant increase in stainless steel exports from Asia to Europe. In addition, the continued COVID-19 pandemic, including a possible lockdown in China, and the surrounding uncertainties regarding possible further adverse changes in the global geopolitical and economic environment could have an impact on demand for stainless steel.

The risks related to the imposed sanctions and the actions taken by Outokumpu to reduce exposure in Russia have not impacted Outokumpu's business. However, the sanctions and counter measures between Russia and the EU, the UK or the US could further expose Outokumpu to compliance risks and also to overall global supply chain challenges, including price and the availability of raw materials and supplies and energy supply, especially the risk of disruption in energy gas availability. Outokumpu is purchasing a limited amount of raw materials from Russia, and Russia is also one of the indirect suppliers of the energy gases acquired from the European market. The exposure in Russia through receivables is very limited and the company has decided to stop sales and deliveries to Russia. The risks related to raw material sourcing in high-risk countries, including environmental-social governance risks and dependencies on certain critical suppliers, remain high.

Furthermore, Outokumpu is also exposed to risks which could present uncertainties to its operations, such as project and investment implementation risks, including further delay in the ongoing project at the Kemi mine.

Outokumpu is a minority shareholder in Voimaosakeyhtiö SF, which is the main owner of Fennovoima. Fennovoima has terminated the EPC contract of plant delivery with RAOS Project. The contractual framework of the matter is complex, and Outokumpu is closely following up the situation.

For more information on Outokumpu's risks, please refer to the Annual Report for 2021 and the Notes to the 2021 Financial Statements.

LME nickel trading disruption

The London Metal's Exchange (LME) prices have traditionally been applied as a reference price in stainless steel for both purchase and sales pricing of certain alloy metals such as nickel. A significant market disruption occurred on the LME in March 2022 as nickel prices traded at a record high in a short period of time. The LME suspended nickel trading on March 8 as the nickel market had become disorderly and exceptionally the LME cancelled already executed trades for that date.

After more than a week-long trading suspension, the LME re-opened the nickel market while introducing up and down daily price limits to stabilize the market. The trading suspension and the disruption events that followed after nickel trading re-opened (i.e. the LME does not publish official prices for days when prices reach the daily price limit) impacted the fixing and settlement of derivatives contracts based on LME nickel quotations. Similarly, the lack of an LME pricing reference during the trading suspension had an impact on the pricing of both raw materials purchases and stainless steel sales, but with mechanisms to account for such disruptions. After the reporting period, the LME has 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.

Annual General Meeting 2022

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. At the meeting, 586 shareholders representing 244,497,689 shares and votes were represented. The Annual General Meeting supported all of 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 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 Annual General 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 will consist of eight (8) members. Of the current members of the Board of Directors, 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 a new member, all for a term of office ending at the end of the next Annual General Meeting. Kari Jordan was re-elected as the Chairman and Kati ter Horst was elected as the Vice Chairman of the Board of Directors.

Dividend

The Annual General Meeting decided that a dividend of EUR 0.15 per share will be paid for the accounting period that ended December 31, 2021. The dividend, amounting to a total of EUR 68 million, was paid on April 11, 2022, and reflected in March 31, 2022, financials as dividend liability and reduction of equity.

According to Outokumpu's dividend policy, the dividend pay-out ratio throughout a business cycle shall be within a range of 30–50% of the Group's net income.

Events after the end of the reporting period

On May 2, Fennovoima announced that it has terminated the EPC contract of plant delivery with RAOS Project due to RAOS Project's significant delays and inability to deliver the project. Outokumpu is following up the situation closely.

Helsinki, May 5, 2022

Outokumpu Oyj
Board of Directors

Financial information

Condensed statement of income (EUR million)	Jan–March 2022	Jan–March 2021	Jan–Dec 2021
Sales	**2,760**	1,673	7,709
Cost of sales	**-2,322**	-1,510	-6,732
Gross margin	**438**	163	977
Other operating income	**4**	17	49
Sales, general and administrative costs	**-78**	-59	-266
Other operating expenses	**-50**	-5	-55
EBIT	**313**	116	705
Share of results in associated companies	**5**	6	15
Interest expenses	**-10**	-18	-65
Net other financial income and expenses	**-2**	-3	-15
Total financial income and expenses	**-13**	-21	-80
Result before taxes	**305**	101	640
Income taxes	**-54**	-19	-87
Net result for the period	**251**	82	553
Earnings per share attributable to the equity holders of the Company			
Earnings per share, EUR	**0.55**	0.20	1.26
Diluted earnings per share, EUR	**0.51**	0.19	1.17

Earnings per share figures are calculated based on the May 2021 share-issue-adjusted weighted average number of shares. Comparative information of Jan–March 2021 is presented accordingly.

Statement of comprehensive income (EUR million)	Jan–March 2022	Jan–March 2021	Jan–Dec 2021
Net result for the period	**251**	82	553
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations			
Change in exchange differences	**22**	49	92
Cash flow hedges			
Fair value changes during the financial year	**-80**	-8	-1
Reclassification to profit or loss	**30**	14	27
Income taxes	**1**	1	-6
Items that will not be reclassified to profit or loss:			
Remeasurements on defined benefit plans			
Changes during the accounting period	**30**	2	-72
Income taxes	**-10**	-2	26
Equity investments at fair value through other comprehensive income	**-5**	-38	-44
Share of other comprehensive income in associated companies	**0**	0	0
Other comprehensive income for the period, net of tax	**-12**	18	22
Total comprehensive income for the period	**238**	100	574

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)	March 31 2022	March 31 2021	Dec 31 2021
ASSETS			
Non-current assets			
Intangible assets	**574**	610	577
Property, plant and equipment	**2,545**	2,660	2,573
Investments in associated companies	**48**	44	43
Other financial assets	**19**	22	24
Deferred tax assets	**180**	253	222
Defined benefit plan assets	**-**	65	-
Trade and other receivables	**1**	1	5
Total non-current assets	**3,367**	3,654	3,444
Current assets			
Inventories	**2,105**	1,336	1,892
Other financial assets	**126**	76	60
Trade and other receivables	**1,119**	724	786
Cash and cash equivalents	**525**	330	300
Total current assets	**3,875**	2,466	3,038
TOTAL ASSETS	**7,243**	6,120	6,482
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company	**3,278**	2,455	3,120
Non-current liabilities			
Non-current debt	**575**	1,160	597
Other financial liabilities	**5**	1	2
Deferred tax liabilities	**0**	6	1
Employee benefit obligations	**273**	316	309
Provisions	**60**	69	63
Trade and other payables	**22**	33	23
Total non-current liabilities	**936**	1,584	994
Current liabilities			
Current debt	**244**	244	112
Other financial liabilities	**214**	41	40
Provisions	**29**	16	29
Trade and other payables	**2,542**	1,780	2,188
Total current liabilities	**3,029**	2,081	2,368
TOTAL EQUITY AND LIABILITIES	**7,243**	6,120	6,482

Condensed statement of cash flows (EUR million)	Jan–March 2022	Jan–March 2021	Jan–Dec 2021
Net result for the period	**251**	82	553
Adjustments			
Depreciation, amortization and impairments	**63**	61	304
Other non-cash adjustments	**113**	12	146
Change in working capital	**-252**	-79	-266
Provisions and employee benefit obligations paid	**-14**	-34	-80
Interests and dividends received	**0**	0	10
Interests paid	**-12**	-13	-63
Income taxes paid	**-2**	-3	-7
Net cash from operating activities	**147**	27	597
Purchases of assets	**-31**	-47	-175
Proceeds from the sale of assets	**1**	0	24
Other investing cash flow	**-**	-	2
Net cash from investing activities	**-29**	-47	-149
Cash flow before financing activities	**118**	-21	448
Directed share issue	**-**	-	205
Borrowings of non-current debt	**-**	5	63
Repayment of non-current debt	**-9**	-8	-619
Change in current debt	**114**	-23	-174
Net cash from financing activities	**106**	-26	-525
Net change in cash and cash equivalents	**224**	-47	-77
Cash and cash equivalents at the beginning of the period	**300**	376	376
Net change in cash and cash equivalents	**224**	-47	-77
Foreign exchange rate effect	**1**	0	2
Cash and cash equivalents at the end of the period	**525**	330	300

Statement of changes in equity
(EUR million)

	Attributable to the equity holders of the parent										
	Share capital	Premium fund	Other restricted reserves	Invested unrestricted equity reserve	Fair value reserve from equity investments	Fair value reserve from derivatives [1]	Cumulative translation differences	Remeasurements 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 period	-	-	-	-	-	-	-	-	-	82	82
Other comprehensive income	-	-	-	-	-38	7	49	0	-	0	18
Total comprehensive income for the period	-	-	-	-	-38	7	49	0	-	82	100
Transactions with equity holders of the Company											
Contributions and distributions											
Share-based payments	-	-	-	-	-	-	-	-	1	-1	0
Fair value transfer to inventory	-	-	-	-	-	-4	-	-	-	-	-4
Equity on March 31, 2021	**311**	**714**	**3**	**2,103**	**-83**	**-2**	**-65**	**-124**	**-30**	**-372**	**2,455**
Equity on Jan 1, 2022	**311**	**714**	**3**	**2,308**	**-89**	**-7**	**-22**	**-169**	**-30**	**101**	**3,120**
Net result for the period	-	-	-	-	-	-	-	-	-	251	251
Other comprehensive income	-	-	-	-	-5	-49	22	20	-	0	-12
Total comprehensive income for the period	-	-	-	-	-5	-49	22	20	-	251	238
Transactions with equity holders of the Company											
Contributions and distributions											
Dividend distribution	-	-	-	-	-	-	-	-	-	-68	-68
Share-based payments	-	-	-	-	-	-	-	-	1	0	1
Fair value transfer to inventory	-	-	-	-	-	-13	-	-	-	-	-13
Equity on March 31, 2022	**311**	**714**	**3**	**2,308**	**-94**	**-69**	**0**	**-149**	**-29**	**284**	**3,278**

[1] The presentation of fair value changes reclassified to inventory has been changed in 2021 from other comprehensive income to movement in equity. Comparative information is presented accordingly.

Adjustments to EBITDA and EBIT (EUR million)	Q1/2022	Q1/2021	2021
Litigation provisions	**-**	-	-15
Environmental provisions	**-**	-	-10
Gain on disposal of property	**-**	-	12
Adjustments to EBITDA	**-**	-	-12
Impairments on non-current assets	**-**	-	-42
Adjustments to EBIT	**-**	-	-54

In 2021, Outokumpu recognized increases in litigation provisions of EUR 15 million and in environmental provisions of EUR 10 million. The environmental provisions related to aftercare of closed mines in Finland. In 2021, Outokumpu sold properties related to closed operations in Germany, which resulted in a gain of EUR 12 million.

In 2021, Outokumpu recognized impairments based on reviews of individual assets of EUR 45 million, of which EUR 42 million were reported as adjustments to EBIT. These impairments included EUR 18 million related to Group's ERP systems, EUR 13 million regarding mine properties and obsolete machinery in Ferrochrome business area, and EUR 10 million regarding lease agreements on land and buildings in business area Europe's operations in Germany.

Group key figures		Q1/2022	Q1/2021	2021
Scope of activity				
Capital employed at the end of period	EUR million	**3,759**	3,701	3,744
Capital expenditure	EUR million	**31**	47	175
Depreciation and amortization	EUR million	**-63**	-59	-259
Impairments	EUR million	**0**	-2	-45
Personnel at the end of period, full-time equivalent		**9,197**	9,256	9,096
- average for the period		**9,140**	9,393	9,372
Personnel at the end of period, headcount		**9,439**	9,639	9,395
Profitability				
Adjusted EBITDA	EUR million	**377**	177	1,021
Adjustments to EBITDA	EUR million	**-**	-	-12
EBITDA	EUR million	**377**	177	1,009
Earnings per share [1]	EUR	**0.55**	0.20	1.26
Diluted earnings per share [1]	EUR	**0.51**	0.19	1.17
Adjusted average number of shares [2, 3]	1,000 shares	**452,635**	414,113	438,871
Return on equity	%	**24.5**	-2.3	20.1
Return on capital employed	%	**23.8**	0.5	18.8
Financing and financial position				
Non-current debt	EUR million	**575**	1,160	597
Current debt	EUR million	**244**	244	112
Cash and cash equivalents	EUR million	**-525**	-330	-300
Net debt at the end of period	EUR million	**294**	1,073	408
Net debt to Adjusted EBITDA		**0.2**	3.3	0.4
Equity-to-assets ratio at the end of period	%	**45.4**	40.2	48.3
Debt-to-equity ratio at the end of period	%	**9.0**	43.7	13.1
Equity per share at the end of period [1, 3]	EUR	**7.24**	5.93	6.89

[1] Calculated based on the May 2021 share-issue-adjusted number of shares. Comparative information of Q1/2021 is presented accordingly.

[2] Adjusted by the May 2021 share-issue impact. Comparative information of Q1/2021 is presented accordingly.

[3] Excluding treasury shares.

Sales by segment (EUR million)	Q1/2022	Q1/2021	2021
Europe total	**1,693**	1,025	4,600
of which intra-group	**7**	16	69
Americas total	**662**	384	1,947
of which intra-group	**8**	9	51
Ferrochrome total	**175**	121	604
of which intra-group	**124**	85	418
Long Products total	**320**	184	810
of which intra-group	**68**	47	189
Other operations total	**196**	183	784
of which intra-group	**80**	67	307
Group total sales	**2,760**	1,673	7,709

Adjusted EBITDA by segment (EUR million)	Q1/2022	Q1/2021	2021
Europe	**193**	78	485
Americas	**90**	54	297
Ferrochrome	**79**	42	246
Long Products	**24**	11	47
Other operations and intra-group items	**-11**	-8	-55
Group total adjusted EBITDA	**377**	177	1,021

Adjustments to EBITDA and EBIT by segment (EUR million)	Q1/2022	Q1/2021	2021
Europe	**-**	-	12
Americas	**-**	-	-15
Ferrochrome	**-**	-	-
Long Products	**-**	-	-
Other operations	**-**	-	-10
Group total adjustments in EBITDA	**-**	-	-12
Europe	**-**	-	-10
Ferrochrome	**-**	-	-13
Other operations	**-**	-	-18
Group total adjustments in EBIT	**-**	-	-54

EBITDA by segment (EUR million)	Q1/2022	Q1/2021	2021
Europe	**193**	78	498
Americas	**90**	54	283
Ferrochrome	**79**	42	246
Long Products	**24**	11	47
Other operations and intra-group items	**-11**	-8	-65
Group total EBITDA	**377**	177	1,009

Adjusted EBIT by segment (EUR million)	Q1/2022	Q1/2021	2021
Europe	**160**	44	344
Americas	**75**	40	235
Ferrochrome	**68**	34	202
Long Products	**21**	8	36
Other operations and intra-group items	**-11**	-9	-59
Group total adjusted EBIT	**313**	116	758

EBIT by segment (EUR million)	Q1/2022	Q1/2021	2021
Europe	**160**	44	346
Americas	**75**	40	220
Ferrochrome	**68**	34	189
Long Products	**21**	8	36
Other operations and intra-group items	**-11**	-9	-87
Group total EBIT	**313**	116	705

Depreciation and amortization by segment (EUR million)	Q1/2022	Q1/2021	2021
Europe	**-33**	-34	-141
Americas	**-16**	-13	-59
Ferrochrome	**-11**	-9	-44
Long Products	**-3**	-3	-11
Other operations	**-1**	-1	-3
Group total depreciation and amortization	**-63**	-59	-259

Capital expenditure by segment (EUR million)	Q1/2022	Q1/2021	2021
Europe	**4**	8	29
Americas	**1**	1	16
Ferrochrome	**24**	28	93
Long Products	**0**	1	4
Other operations	**1**	9	32
Group total capital expenditure	**31**	47	175

Operating capital by segment (EUR million)	Q1/2022	Q1/2021	2021
Europe	**1,799**	1,633	1,724
Americas	**867**	874	879
Ferrochrome	**875**	793	823
Long Products	**190**	131	157
Other operations and intra-group items	**-153**	24	-60
Group total operating capital	**3,578**	3,454	3,523

Personnel at the end of period by segment, full-time equivalent	Q1/2022	Q1/2021	2021
Europe	**5,745**	5,886	5,706
Americas	**1,871**	1,805	1,831
Ferrochrome	**490**	479	481
Long Products	**758**	740	736
Other operations	**333**	347	342
Group total personnel at the end of period	**9,197**	9,256	9,096

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 – equity investments at fair value through other comprehensive income – investments at fair value through profit or loss – investments in associated companies
Operating capital	=	Capital employed – net deferred tax asset
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)	=	$\frac{\text{EBIT (4-quarter rolling)}}{\text{Capital employed (4-quarter rolling average)}} \times 100$
Return on equity (ROE)	=	$\frac{\text{Net result for the financial period (4-quarter rolling)}}{\text{Total equity (4-quarter rolling average)}} \times 100$
Net debt	=	Non-current debt + current debt – cash and cash equivalents
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$
Debt-to-equity ratio	=	$\frac{\text{Net debt}}{\text{Total equity}} \times 100$
Net debt to adjusted EBITDA	=	$\frac{\text{Net debt}}{\text{Adjusted EBITDA (4-quarter rolling)}}$
Earnings per share	=	$\frac{\text{Net result for the financial period attributable to the owners of the parent}}{\text{Adjusted average number of shares during the period}}$
Equity per share	=	$\frac{\text{Equity attributable to the owners of the parent}}{\text{Adjusted number of shares at the end of the period}}$
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

Basis of preparation

This interim report is unaudited. It has been prepared on a going concern basis. The same accounting policies and methods of computation have been followed when preparing the financial information as in the financial statements for 2021, with the exception of new and amended standards applied as of the beginning of 2022. These amendments did not have a material impact on Outokumpu's consolidated financial statements.

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

The sales, earnings and working capital of Outokumpu are subject to seasonal variations as a result of, for example, industry demand, the number of working days, and vacation periods.

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.

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 and uncertainties related to the war in Ukraine

The war in Ukraine has increased the uncertainties and risks to which Outokumpu is exposed, and these risks and uncertainties are described above in this report.

In addition to the regular expected credit loss assessment process, Outokumpu has evaluated its trade receivables against implications resulting from conflict. Based on the assessment, no material expected credit losses were recognized in the first quarter of 2022.

Outokumpu has assessed whether any impairment indications have arisen as a result of the war but has not identified such indications.

Outokumpu has valued its indirect stake in the Fennovoima nuclear plant project at fair value of zero since 2021 financial statements.

Outokumpu has also assessed the carrying amounts of its other assets and liabilities and has not identified any material impact on the carrying amounts.

LME nickel trading disruption

A significant market disruption occurred in the London Metal Exchange (LME) nickel trading in March 2022 as nickel prices traded at a record high in a short period of time. More information on the events can be found abovein this report.

Outokumpu applies hedge accounting to a major part of its nickel derivatives and derivatives under hedge accounting are closely monitored to avoid inefficiency in hedging relationship between the derivative and the underlying item. The LME market disruption did not cause inefficiency in hedge accounting programs. Outokumpu follows approved hedging guidelines and risk policies as well as risk management governance in steering groups, with the Financial Risk Steering Group (led by CFO) being the main governance body for financial market risks.

At the end of March, with LME nickel price above 30,000 USD/tonne, net fair value of nickel derivatives in balance sheet was EUR -107 million, comprising of derivatives with a positive fair value of EUR 89 million and a negative fair value of EUR 196 million impacting other current financial assets and liabilities lines in the condensed statement of financial position.

Events after the end of the reporting period

Please see events after the end of the reporting period earlier in this report.