outokumpu

Outokumpu half-year report January–June 2022

Content

Outokumpu half-year report January–June 2022

Adjusted EBITDA in the second quarter exceeded EUR 0.5 billion

Highlights in Q2 2022

- Stainless steel deliveries were 603,000 tonnes (626,000 tonnes)[1].
- Adjusted EBITDA increased to EUR 547 million (EUR 223 million).
- EBITDA was EUR 547 million (EUR 223 million).
- Return on capital employed increased to 29.9% (5.2%)
- Operating cash flow amounted to EUR 104 million (EUR 6 million).
- Net debt decreased to EUR 289 million (March 31, 2022: EUR 294 million).
- Gearing decreased to 7.3% (March 31, 2022: 9.0%).

Highlights in January–June 2022

- Stainless steel deliveries were 1,250,000 tonnes (1,234,000 tonnes).
- Adjusted EBITDA amounted to EUR 923 million (EUR 400 million).
- EBITDA was EUR 923 million (EUR 400 million).
- Operating cash flow amounted to EUR 251 million (EUR 33 million).
- Net result was EUR 636 million (EUR 212 million).

Group key figures		Q2/22	Q2/21	Q1/22	Q1-Q2/22	Q1-Q2/21	2021
Sales	EUR million	**2,951**	1,873	2,760	**5,712**	3,546	7,709
EBITDA	EUR million	**547**	223	377	**923**	400	1,009
Adjusted EBITDA [1)]	EUR million	**547**	223	377	**923**	400	1,021
EBIT	EUR million	**483**	163	313	**796**	279	705
Adjusted EBIT [1)]	EUR million	**483**	163	313	**796**	279	758
Result before taxes	EUR million	**467**	143	305	**772**	244	640
Net result for the period	EUR million	**385**	129	251	**636**	212	553
Earnings per share	EUR	**0.85**	0.30	0.55	**1.40**	0.50	1.26
Diluted earnings per share	EUR	**0.78**	0.28	0.51	**1.29**	0.46	1.17
Return on capital employed, rolling 12 months [2)]	%	**29.9**	5.2	23.0	**29.9**	5.2	18.4
Net cash generated from operating activities	EUR million	**104**	6	147	**251**	33	597
Net debt at the end of period	EUR million	**289**	897	294	**289**	897	408
Debt-to-equity ratio at the end of period	%	**7.3**	31.9	9.0	**7.3**	31.9	13.1
Capital expenditure	EUR million	**32**	37	31	**62**	84	175
Stainless steel deliveries	1,000 tonnes	**603**	626	647	**1,250**	1,234	2,395
Personnel at the end of period, full-time equivalent [3)]		**9,173**	9,088	9,197	**9,173**	9,088	9,096

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

[2)] Outokumpu has redefined it's capital employed and ROCE definitions in Q2/2022. Comparative information has been restated accordingly. Please see more information at the end of this report.

[3)] On June 30, 2022 the Group employed, in addition, some 800 summer trainees (June 30, 2021: some 690).

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

President & CEO Heikki Malinen

Our strong performance continued in the second quarter – we delivered another record-level adjusted EBITDA of EUR 547 million, despite significant cost inflation and geopolitical turmoil. Our stainless steel deliveries declined, but realized prices for stainless steel continued to strengthen and support our profitability.

The past months have been eventful for Outokumpu. To mention a few of the key events of the second quarter, we launched the second phase of our strategy, introduced emission-minimized stainless steel product line Circle Green and announced our aim to achieve carbon neutrality at our Kemi chrome mine by 2025. In July, we announced that we will divest the majority of Long Products business area. This divestment represents a successful closing of the turnaround program, which was started two years ago.

At the end of the second quarter, our net debt totaled only 289 million. This is a great achievement, and I am proud that we have achieved the targets of the first phase of the strategy to deleverage the company and entered the second phase ahead of time. The aim of the second phase is to strengthen the core. We will be focusing on three key priorities: sustainability, growth from productivity and customer-focused steering.

In addition, new financial targets were launched: we aim to improve our EBITDA run-rate level by another EUR 200 million and keep our net debt to EBITDA ratio below 1.0 in a normal market environment. Our teams have done great work with the execution of the first phase, and I have full trust in that going forward.

In the first half of 2022, our adjusted EBITDA reached EUR 923 million, which is the best half-year result ever. Through diligent strategy execution, we have managed to strengthen the company significantly. Outokumpu is now more resilient to withstand also more challenging economic environments.

The market environment has been exceptionally favorable, but we have now started to see softening especially on the commodity business. Upcoming growth is expected to be generated from pro grades business looking for global expansion.

In the first half of 2022, Asian imports into Europe have increased and distributors' inventory levels have continued to grow, which has had a negative impact on demand. Also, global cost inflation has started to impact Outokumpu, and we are doing our utmost to mitigate the negative impacts on our profitability.

In Europe, the war in Ukraine has led to an energy crisis with increased energy prices and uncertain availability for next winter. Yet, the realized impacts of the uncertain situation on stainless steel demand or economic growth are difficult to estimate.

We are living in exceptionally uncertain times both politically and economically. Outokumpu is financially stronger than ever and resilient to withstand changing circumstances.

Outlook for Q3 2022 for continuing operations*

Group stainless steel deliveries for continuing operations* in the third quarter are expected to decrease by 10–20% compared to the second quarter.

Prices for stainless steel in the already received orders have remained at a high level.

The European ferrochrome benchmark price decreased to USD 1.80/lb for the third quarter.

Energy costs are expected to increase in the third quarter and impact especially negatively business area Ferrochrome.

Planned maintenance costs in the third quarter are expected to increase by approximately EUR 10 million compared to the second quarter.

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

Guidance for Q3 2022:

Adjusted EBITDA for continuing operations* in the third quarter of 2022 is expected to be lower compared to the second quarter.

*Continuing operations is excluding the Long Products business units to be divested, which will be classified as assets held for sale, reported and restated as discontinued operations in Q3/2022. Continuing operations represents approximately 90% of Group second-quarter adjusted EBITDA.

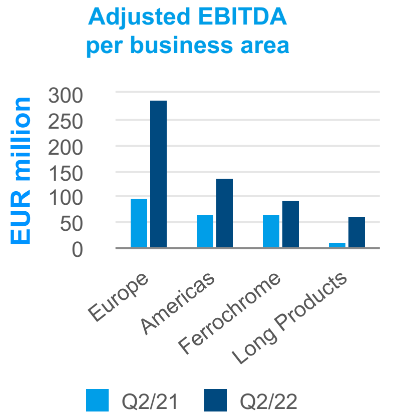
Results

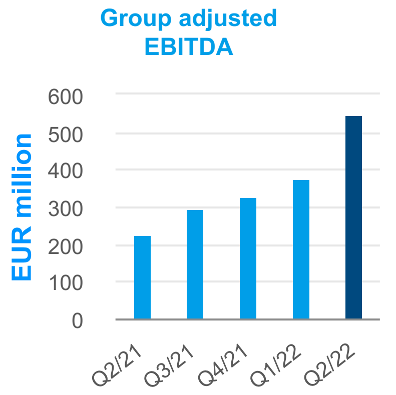
Q2 2022 compared to Q2 2021

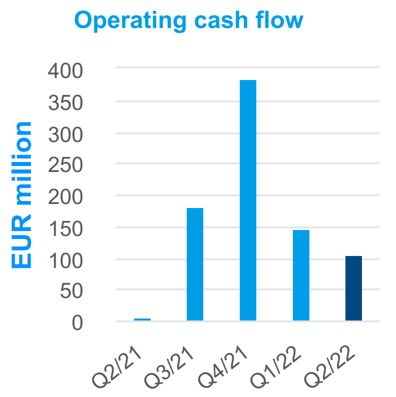
Outokumpu's sales increased to EUR 2,951 million in the second quarter of 2022 (EUR 1,873 million) and adjusted EBITDA amounted to EUR 547 million (EUR 223 million). Due to improved profitability, ROCE increased to 29.9% (5.2%) despite recent increase in capital employed. Total stainless steel deliveries were 4% lower compared to the reference period, while realized prices for stainless steel increased significantly in both Europe and Americas. Also, higher ferrochrome sales price impacted positively profitability. In the second quarter of 2022, variable costs were at a significantly higher level compared to the previous year due to increased cost inflation in energy and consumable prices. Fixed costs also increased and slightly burdened profitability. Raw material-related inventory and metal derivative gains amounted to EUR 86 million, mainly due to positive timing impacts, compared to the gains of EUR 7 million in the reference period. Other operations and intra-group items' adjusted EBITDA amounted to EUR -34 million (EUR -19 million).

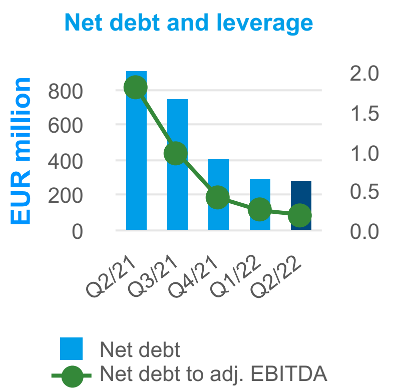
Q2 2022 compared to Q1 2022

Outokumpu's sales increased to EUR 2,951 million in the second quarter of 2022 (Q1/2022: EUR 2,760 million) and adjusted EBITDA amounted to EUR 547 million (Q1/2022: EUR 377 million). ROCE increased to 29.9% (23.0%) as a result of strong profitability. Total stainless steel deliveries declined by 7% while realized prices for stainless steel continued to further strengthen in Europe and also in Americas. Profitability was negatively impacted by increased maintenance costs and higher variable costs, mainly due to significant cost inflation in freight and consumable prices. Raw material-related inventory and metal derivative gains were significantly higher compared to the previous quarter, mainly due to positive timing impacts, and amounted to EUR 86 million (Q1/2022: losses of EUR 43 million). Other operations and intra-group items' adjusted EBITDA amounted to EUR -34 million (Q1/2022: EUR -11 million).









January–June 2022 compared to January–June 2021

During the first-half of 2022, Outokumpu's sales increased to EUR 5,712 million (EUR 3,546 million) and adjusted EBITDA amounted to EUR 923 million (EUR 400 million). Strong profitability supported ROCE development and ratio increased to 29.9% (5.2%). Total stainless steel deliveries in the first-half of 2022 were 1% higher compared to the same period last year. In 2022, profitability was driven by remarkably increased realized prices for stainless steel in both Europe and Americas and a higher ferrochrome sales price. However, fixed and variable costs increased compared to the previous year. Especially significant cost inflation in energy, freight and consumable prices burdened profitability. Raw material-related inventory and metal derivative gains amounted to EUR 43 million in the first-half of 2022 (gains of EUR 49 million). Other operations and intra-group items' adjusted EBITDA amounted to EUR -45 million (EUR -27 million). EBIT increased to EUR 796 million (EUR 279 million) and net result to EUR 636 million (EUR 212 million) in the first-half of 2022.

War in Ukraine

Outokumpu strongly condemns the military actions Russia has taken in Ukraine. In the first quarter of 2022, the company 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.

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

Outokumpu monitors closely the prolonged war situation. The established global core team that represents the main business support functions is steering and facilitating the co-operation between functions to ensure effective implementation of risk mitigation actions. As part of the overall risk mitigation process, Outokumpu continued to strengthen 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 gases 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.

In the second quarter of 2022, Outokumpu took further measures to secure its energy availability for the Tornio site for potential disruption of the gas and energy market. The company has secured access and availability of physical propane gas as part of mitigating measures to imminent energy market disruption and market uncertainties. Pre-purchase of propane for the Tornio site has been conducted in view of winter 2023. As a result of the unprecedented energy crisis in Europe, also uncertainty around electricity pricing has increased. Outokumpu continues to follow the global energy and gas market closely as well as sanctions and counter measures between Russia and the EU, the UK and the US.

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

Strategy execution

Outokumpu launched a new three-phase 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. The focus throughout the first phase of the strategy was on de-risking and strengthening of the balance sheet. The first phase of the strategy had three key focus areas: Lean & Agile Organization, Cost & Capital Discipline, and Commercial Excellence. 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.

As a result of the diligent strategy execution during the past six quarters, Outokumpu achieved both of its financial targets ahead of time. By the end of the second quarter of 2022, the cumulative EBITDA run-rate improvement amounted to EUR 260 million. The EBITDA run-rate improvement in the second quarter totaled EUR 22 million. The impact was achieved through the execution of initiatives in the Cost & Capital Discipline and the Commercial Excellence streams, while the Lean & Agile Organization stream was completed already at the end of 2021. More than 1,800 initiatives have been executed since the launch of the new strategy and, as a result, the first phase was concluded two quarters ahead of schedule.

The achievements during the past six quarters are not one-off savings, but sustained improvements in the ways of working. Projects ranged from consumables consumption efficiency to mitigate inflationary pressure to improved ways of working to mitigate the effects of market swings on profitability. These fundamental changes provide a solid foundation for the latter phases of the strategy.

On June 16, 2022, Outokumpu announced the second phase of its strategy with the aim of strengthening the core. The second phase will be focused on three key priorities: sustainability, growth from productivity and customer-focused steering. Outokumpu also aims to reduce its CO_2 emissions by 14% by the end of 2025 in line with its Science-Based Target initiative (SBTi) 1.5 degree climate target.

Outokumpu launched two customer differentiated strategies for business area Europe. The company aims to strengthen cost leadership in high-volume stainless steel products and a global market leadership in advanced products. In business area Americas, the focus will be on sustaining the high profitability levels, and at the core of business area Ferrochrome's strategy is carbon neutrality.

Outokumpu updated its financial targets for the second phase until the end of 2025. The new targets include keeping the net debt to EBITDA ratio below 1.0 in normal market conditions and improving EBITDA run-rate by another EUR 200 million. The company will continue to report on a quarterly basis its progress with the strategy execution and the achieved EBITDA run-rate improvement. Outokumpu will remain disciplined with its capital expenditure limiting it to EUR 600 million for the coming three years. The focus in the second phase will be increasingly on shareholder returns and the company aims to distribute a stable and growing dividend, to be paid annually.

As part of the second phase of the strategy, Outokumpu continues to report return on capital employed (ROCE) as a key figure for the Group but has redefined the calculation. To align with the new financial targets and internal management reporting, the company introduced return on operating capital (ROOC) as a key figure for segment reporting. The company also redefined other related alternative performance measures capital employed and operating capital in segment reporting by reclassifying certain balance sheet items impacting the definition of return on capital employed.

Financial position and cash flow

Operating cash flow amounted to EUR 104 million in the second quarter and EUR 251 million in the first-half of 2022 (EUR 6 million and EUR 33 million, respectively). Net working capital continued to increase during the second quarter and the quarterly change was EUR 417 million (EUR 176 million). During the first half, net working capital increased by EUR 669 million, compared to EUR 255 million in the reference period. Inventories also increased during both the second quarter and first-half of 2022 and stood at EUR 2,345 million at the end of June (December 31, 2021: EUR 1,892 million). The inventory increase in the second quarter was EUR 240 million and over 95% of the increase came from higher metal prices.

Capital expenditure amounted to EUR 32 million in the second quarter (EUR 37 million) and EUR 62 million in the first-half of 2022 (EUR 84 million).

Net debt decreased further to EUR 289 million during the first-half of 2022 (December 31, 2021: EUR 408 million) and gearing declined to 7.3% (December 31, 2021: 13.1%). Net financial expenses in the second quarter amounted to EUR 22 million (EUR 23 million) and EUR 35 million in the first half (EUR 44 million). Interest expenses were EUR 11 million in the second quarter (EUR 17 million) and EUR 21 million in the first half (EUR 35 million).

Cash and cash equivalents amounted to EUR 473 million on June 30, 2022 (December 31, 2021: EUR 300 million) and the overall liquidity reserves increased to EUR 1.3 billion (December 31, 2021: EUR 0.9 billion).

During the second quarter, the existing secured revolving credit facility of EUR 532 million was replaced with a new EUR 700 million sustainability linked unsecured revolving credit facility, which matures in February 2026. Due to strong liquidity, the SEK 1,000 million revolving credit facility was cancelled and the remaining outstanding amount of the EUR 50 million term loan was prepaid. At the end of the second quarter, Outokumpu had a total of EUR 800 million of outstanding committed credit facilities, which were fully unutilized.

The company increased the issuance of the commercial papers during the first half of 2022 and the outstanding amount totaled EUR 170 million on June 30, 2022. (December 31, 2021: EUR 58 million).

Outokumpu continued to divest its non-core assets during the second quarter. On June 17, Outokumpu announced that it will divest its plate services in Castelleone, Italy. On June 27, the company announced that it will divest its Aalten service center, but the closing of the deal is estimated to take place during the second half of 2022.

Market development

According to CRU's latest estimates (May 2022), global apparent consumption of stainless steel flat products decreased by 2.9% in the second quarter compared to the same period last year. While the consumption in EMEA grew by 2.5%, given continuously strong customer demand in a yearly comparison, Americas and the largest region APAC decreased by 3.2% and 4.0%, respectively. New COVID-19 outbreaks weighted on demand in APAC, especially in China, while the driver in Americas was more the common seasonality.

In the second quarter of 2022, global apparent consumption of stainless steel flat products increased by 1.2% compared to the first quarter of 2022, fostered by high seasonal demand in Americas, which has risen by 6.5%. Also, the consumption in APAC picked up by 1.6% in a quarterly comparison, after the Chinese New Year-related drop in the first quarter. Only EMEA lost 2.8% of apparent consumption quarter on quarter, showing the more hesitant buying behavior, due to uncertainties related to inflation and the war in Ukraine.

In the third quarter of 2022, CRU expects the global apparent consumption of stainless steel flat products to increase by 5.9% compared to the previous quarter, driven by the strongest growth of 10.6% in APAC, reflecting the recovery of the Chinese domestic demand, while Americas and EMEA are expected to lose the positive development, with a -1.3% and -11.7% change respectively. Compared to last year's third quarter, apparent consumption is expected to increase by 8.5%, driven by 10.6% and 6.0% higher apparent consumption in APAC and Americas, respectively, while EMEA is assumed to decrease by 1.1%.

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		Q2/22	Q2/21	Q1/22	Q1-Q2/22	Q1-Q2/21	2021
Stainless steel deliveries	1,000 tonnes	**372**	410	414	**786**	811	1,535
Sales	EUR million	**1,768**	1,124	1,693	**3,461**	2,149	4,600
Adjusted EBITDA	EUR million	**289**	98	193	**483**	176	485
Gain on disposal of property	EUR million	**—**	—	—	**—**	—	12
EBITDA	EUR million	**289**	98	193	**483**	176	498
ROOC, rolling 12 months	%	**35.9**	4.8	26.6	**35.9**	4.8	20.4

Results

Q2 2022 compared to Q2 2021

Sales increased to EUR 1,768 million (EUR 1,124 million).

Adjusted EBITDA increased to EUR 289 million (EUR 98 million)

- Stainless steel deliveries decreased by 10% while product mix improved and realized prices for stainless steel were at a higher level.
- Profitability was negatively impacted by higher consumable prices, freight costs and maintenance costs.
- Raw material-related inventory and metal derivative gains amounted to EUR 1 million, compared to losses of EUR 13 million in Q2 2021.

ROOC rose to 35.9% (4.8%), supported by strong profitability.

Q2 2022 compared to Q1 2022

Sales increased to EUR 1,768 million (EUR 1,693 million).

Adjusted EBITDA increased to EUR 289 million (EUR 193 million).

- Stainless steel deliveries decreased by 9%, but product mix strengthened.
- Improved profitability was driven by significantly higher realized prices for stainless steel.
- Variable costs increased as a result of significantly higher consumable prices.
- Raw material-related inventory and metal derivative gains amounted to EUR 1 million, as against losses of EUR 19 million in Q1 2022.

ROOC amounted to 35.9% (26.6%).

Market

- During Q2 2022, apparent consumption in EMEA increased by 2.5% compared to Q2 2021, whereas there was a decrease of 2.8% compared to the previous quarter. (Source: CRU, May 2022)
- EU cold-rolled imports from the third countries reached a level of 35% in Q2 2022 and remained stable compared to Q1 2022 due to steady sourcing from Asia. (Source: EUROFER, July 2022).
- Distributor inventories in Q2 2022 increased above the historical average level with slowing demand.

Business area Americas

Americas key figures		Q2/22	Q2/21	Q1/22	Q1-Q2/22	Q1-Q2/21	2021
Stainless steel deliveries	1,000 tonnes	**177**	192	185	**362**	368	742
Sales	EUR million	**775**	476	662	**1,437**	861	1,947
Adjusted EBITDA	EUR million	**136**	65	90	**226**	119	297
Litigation provisions	EUR million	**—**	—	—	**—**	—	-15
EBITDA	EUR million	**136**	65	90	**226**	119	283
ROOC, rolling 12 months	%	**36.8**	11.2	30.8	**36.8**	11.2	27.2

Results

Q2 2022 compared to Q2 2021

Sales increased to EUR 775 million (EUR 476 million).

Adjusted EBITDA increased to EUR 136 million (EUR 65 million).

- Stainless steel deliveries decreased by 8%, but realized prices for stainless steel were at a significantly higher level.
- Profitability was negatively impacted by increased fixed costs and higher freight and consumable costs.
- Raw material-related inventory and metal derivative gains amounted to EUR 49 million, compared to gains of EUR 17 million in Q2/2021.

As a result of improved profitability ROOC rose to 36.8% (11.2%).

Q2 2022 compared to Q1 2022

Sales increased to EUR 775 million (EUR 662 million).

Adjusted EBITDA increased to EUR 136 million (EUR 90 million).

- Stainless steel deliveries decreased by 4% while realized prices for stainless steel continued to increase.
- Fixed costs increased and higher consumable costs burdened profitability.
- Raw material-related inventory and metal derivative gains amounted to EUR 49 million, compared to losses of EUR 24 million in Q1/2022.

ROOC amounted to 36.8% (30.8%).

Market

- During Q2 2022, real demand increased by 12% compared to Q2 2021 and 1% compared to Q1 2022. (Source: American Iron and Steel Institute, AISI)
- The share of cold-rolled imports into the US reached a level of 30% in Q2 2022, and increased compared to Q1 2022. (Source: AISI)
- Cold-rolled distributor inventories remained at a high level in Q2 2022 and further increased compared to Q1 2022.

Business area Ferrochrome

Ferrochrome key figures		Q2/22	Q2/21	Q1/22	Q1-Q2/22	Q1-Q2/21	2021
Ferrochrome production	1,000 tonnes	**128**	131	129	**257**	262	515
Sales	EUR million	**212**	155	175	**388**	276	604
Adjusted EBITDA	EUR million	**93**	67	79	**172**	109	246
EBITDA	EUR million	**93**	67	79	**172**	109	246
ROOC, rolling 12 months	%	**30.7**	14.9	28.3	**30.7**	14.9	24.8

Results

Q2 2022 compared to Q2 2021

Sales increased to EUR 212 million (EUR 155 million).

Adjusted EBITDA increased to EUR 93 million (EUR 67 million).

- Ferrochrome production was 2% lower.
- Profitability was driven by a significantly higher ferrochrome sales price as both reference prices increased and also the EUR/USD foreign exchange rate was weaker.
- Variable costs were at a higher level mainly due to higher reductant and electricity price.
- Fixed costs increased as a result of higher maintenance costs.

ROOC increased to 30.7% (14.9%) due to improved profitability.

Q2 2022 compared to Q1 2022

Sales increased to EUR 212 million (EUR 175 million).

Adjusted EBITDA increased to EUR 93 million (EUR 79 million).

- Ferrochrome production remained at a stable level.
- Higher ferrochrome sales price impacted positively on result as both reference prices increased and EUR/USD foreign exchange rate was weaker.
- Maintenance costs were at a higher level and variable costs increased mainly due to higher reductants price.

ROOC amounted 30.7% (28.3%).

Market

- For Q2 2022, the European benchmark price for ferrochrome was settled at USD 2.16/lb.
- For Q3 2022, the published European benchmark price for ferrochrome decreased to USD 1.80/lb.

Business area Long Products

Long Products key figures		Q2/22	Q2/21	Q1/22	Q1-Q2/22	Q1-Q2/21	2021
Stainless steel deliveries	1,000 tonnes	**69**	67	71	**140**	132	250
Sales	EUR million	**401**	200	320	**721**	383	810
Adjusted EBITDA	EUR million	**63**	12	24	**87**	23	47
EBITDA	EUR million	**63**	12	24	**87**	23	47
ROOC, rolling 12 months	%	**59.9**	6.3	31.7	**59.9**	6.3	25.2

Results

Q2 2022 compared to Q2 2021

Sales increased to EUR 401 million (EUR 200 million).

Adjusted EBITDA increased to EUR 63 million (EUR 12 million).

- Total stainless steel deliveries increased by 3%.
- Profitability was driven by higher realized prices for stainless steel.
- Variable costs increased significantly due to higher energy prices and general inflation across the costs.
- Maintenance costs also increased.
- Raw material-related inventory and metal derivative gains amounted to EUR 34 million compared to gains of EUR 3 million in Q2/2021.

ROOC increased to 59.9% (6.3%) as a result of strong profitability.

Q2 2022 compared to Q1 2022

Sales amounted to EUR 401 million (EUR 320 million).

Adjusted EBITDA increased to EUR 63 million (EUR 24 million).

- Total stainless steel deliveries decreased by 4%, but realized prices for stainless steel increased.
- Profitability was negatively impacted by higher variable costs, mainly as a result of increased ferrosilicon and refractories prices.
- Raw material-related inventory and metal derivative gains amounted to EUR 34 million compared to gains of EUR 3 million in Q1/2022.

ROOC amounted to 59.9% (31.7%).

Market

- Good shipments in all product lines continued during Q2 2022.
- Market was showing signs of weakening towards the end of the second quarter.

Sustainability

Outokumpu's vision is to be the customer's first choice in sustainable stainless steel, and the company's purpose is working towards a world that lasts forever. Sustainability at Outokumpu is founded on good governance and is based on three pillars: environmental, economic and social, which 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 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 less than one third of the global industry average. Outokumpu announced in the second quarter that it would achieve carbon neutrality at the Kemi mine by 2025.

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 2021, 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 emission 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 second quarter, Outokumpu introduced a new product line to the market – Circle Green. This material was produced with the lowest carbon footprint possible and the result was a 64% reduction in CO_2 footprint compared to normal production on the same production line. This included a reduction of 95% in scope 1 and 2 CO_2 emissions and the footprint was verified by a third party. During the first half of 2022, Outokumpu has developed a system for defining product carbon footprint from production data that is currently being externally verified.

In the second quarter, Outokumpu met all targets on sustainability KPIs including energy-efficiency, material recycling and emission intensity. The company maintained energy-efficiency on a good level, which was reached in 2021 and recycled material content remained at a high level of over 90% for the rolling 12 months.

In the second quarter, Outokumpu published a Group wide human rights policy reinforcing the commitment to UN Guiding Principles.

During the second quarter, there were five environmental incidents concerning Outokumpu operations, three of which were permit breaches. All of the incidents were reported to the relevant authorities.

Safety performance remained on a good level in the second quarter and total recordable injury frequency rate (TRIFR) was 2.0 (Q2/2021: 1.6). For the first half of 2022, TRIFR amounted to 1.8 and was slightly weaker compared to the previous year's record low TRIFR of 1.5.

In the second quarter, the sites continued to work on their safety projects together with the safety network representatives. These projects will improve the company's main safety standards and give Outokumpu a great benefit in developing and applying the requirements of the standards, which will then contribute to reducing the accidents on sites. In addition, the safety network has been developing a new safety cross-learning program, which will be implemented in the third quarter.

Personnel

On June 30, 2022, Outokumpu's full-time equivalent number of personnel totaled 9,173 (December 31, 2021: 9,096). Headcount was 9,403 on June 30, 2022 (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 June 30, 2022, Outokumpu's share capital was EUR 311 million and the total number of shares was 456,874,448. At the end of June, Outokumpu held 4,164,711 treasury shares. The average number of shares outstanding was 452,709,737 in the second quarter. The closing share price at the end of the period, on June 30, was EUR 3.95.

Risks and uncertainties

The continued war in Ukraine and weakened economic outlook have increased the uncertainties and risks to which Outokumpu is exposed. The impacts in the second quarter of 2022 have been limited, but the far-reaching direct and indirect consequences of the prolonged war could further affect Outokumpu. In addition to the uncertainties related to the development of economic and geopolitical tension, the availability of the needed raw materials and energy are considered to be the most significant risks to Outokumpu.

The global energy gas supply has further tightened which poses a risk especially for the continuity of Outokumpu's operations in Germany. Disruption in energy gas supply could also impact Outokumpu through its customers and suppliers. As a result of the unprecedented energy crisis in Europe, also uncertainty around electricity pricing has increased, which causes a significant risk for Outokumpu's operations in Finland.

Raw material availability risks are mainly related to sanctions and counter measures between Russia and the EU, the UK, the US and other countries. In addition, sanctions could expose Outokumpu to supply chain disruptions and compliance risks as well. Outokumpu is purchasing a limited amount of raw materials from Russia. The exposure in Russia through receivables remains very limited.

The risks related to raw material sourcing in high-risk countries, including environmental-social governance risks and dependencies on certain critical suppliers, remain high.

The company is also exposed to risks in metal prices, the continued COVID-19 pandemic and the surrounding uncertainties regarding further adverse changes in the global geopolitical and economic environment. A surge in global inflation especially in energy prices, increasing interest rates and cyber threats, could all impact on Outokumpu's business, cost competitiveness and demand for stainless steel.

Outokumpu is a minority shareholder in Voimaosakeyhtiö SF, which is the main owner of Fennovoima. In May 2022, Fennovoima announced that it has withdrawn the Hanhikivi 1 nuclear power plant construction license application as a consequence of the termination of the EPC (Engineering, procurement and construction) contract with RAOS Project Oy due to supplier-related causes. In June, Fennovoima finalized employee negotiations concerning its entire personnel and will significantly reduce its operations.

Outokumpu's commitment to the Fennovoima investment is approximately EUR 250 million. The contractual framework of the matter is complex and lengthy legal processes are to be expected. Outokumpu is closely following the situation. The main objective for Voimaosakeyhtiö SF continues to be to safeguard the interests of its shareholders in the termination process.

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 Exchange's (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. After nickel market trading disruption in the first quarter of 2022 on the LME, the exchange implemented up and down price limits for daily market price fluctuations. The aforementioned limits have been in place on LME throughout the second quarter.

In the second quarter, no LME nickel market trading disruptions occurred although, for instance, trading volumes in LME nickel contracts were lower in the second quarter than before the disruption in the first quarter. Raw material purchases and stainless steel sales as well as nickel derivatives continue to have references to LME pricing. Hedge accounting programs for nickel have been effective also in the second quarter. As a consequence of the trading disruption in the first quarter, the LME started an independent review of the nickel market in addition to reviews announced by the UK Financial Conduct Authority (FCA) and the Bank of England. The review is ongoing.

Events after the reporting period

On July 12, Outokumpu announced that it has signed an agreement to divest the majority of the Long Products business operations to Marcegaglia Steel Group, a leading industrial group worldwide in the steel processing sector. Outokumpu will now focus on its core business of flat stainless steel products.

The total consideration on a debt and cash free basis amounts to EUR 228 million, implying an EV / Adjusted 2021 EBITDA multiple of 4.9x. Outokumpu expects the transaction to strengthen its financial position.

In the January–September 2022 interim report, Outokumpu will classify its Long Products businesses to be divested as assets held for sale, report the businesses as a discontinued operation and based on preliminary assessment, impairment of some EUR 50 million would be recognized, subject still to final review impacted by market conditions as well as closing balance sheet. Outokumpu will publish comparable historical financial information in connection with its January–September 2022 interim report.

Outokumpu expects to complete the divestment by the end of this year. The completion of the transaction is subject to customary closing conditions and regulatory approvals by the competition authorities and requires for instance internal structuring before completion. The transaction will be carried out as a share sale.

The adjusted EBITDA of business area Long Products accounted for approximately 5% of the Group's adjusted EBITDA in 2021. The transaction includes Long Products' melting, rod and bar operations in Sheffield, UK; bar operations in Richburg, US; and wire rod mill in Fagersta, Sweden. Approximately 650 employees in Sheffield, Richburg and Fagersta will transfer to the buyer as a part of the transaction. The transaction does not include Outokumpu Long Products operations in Degerfors and Storfors, Sweden, whose adjusted EBITDA amounted to EUR 8 million in 2021.

Outokumpu Long Products units in Degerfors and Storfors in Sweden continue their operations for now as part of the Outokumpu Group, and different options are to be evaluated for the future of the units.

For more information about business area Long Products' financials, please refer to the business area Long Products and Financial information sections of this release, as well as Financial Statements 2021.

Helsinki, August 4, 2022

Outokumpu Oyj
Board of Directors

Financial information

Condensed statement of income (EUR million)	April–June 2022	April–June 2021	Jan–June 2022	Jan–June 2021	Jan-Dec 2021
Sales	**2,951**	1,873	**5,712**	3,546	7,709
Cost of sales	**-2,430**	-1,638	**-4,752**	-3,148	-6,732
Gross margin	**521**	235	**959**	398	977
Other operating income	**45**	5	**9**	17	49
Sales, general and administrative costs	**-82**	-69	**-161**	-128	-266
Other operating expenses	**0**	-9	**-12**	-7	-55
EBIT	**483**	163	**796**	279	705
Share of results in associated companies	**6**	3	**10**	9	15
Interest expenses	**-11**	-17	**-21**	-35	-65
Net other financial income and expenses	**-11**	-6	**-14**	-9	-15
Total financial income and expenses	**-22**	-23	**-35**	-44	-80
Result before taxes	**467**	143	**772**	244	640
Income taxes	**-82**	-14	**-136**	-33	-87
Net result for the period	**385**	129	**636**	212	553
Earnings per share attributable to the equity holders of the Company					
Earnings per share, EUR	**0.85**	0.30	**1.40**	0.50	1.26
Diluted earnings per share, EUR	**0.78**	0.28	**1.29**	0.46	1.17

Statement of comprehensive income (EUR million)	April–June 2022	April–June 2021	Jan–June 2022	Jan–June 2021	Jan-Dec 2021
Net result for the period	**385**	129	**636**	212	553
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations					
Change in exchange differences	**81**	-11	**103**	38	92
Cash flow hedges [1)]					
Fair value changes during the financial year	**93**	11	**13**	3	-1
Reclassification to profit or loss	**92**	-5	**122**	9	27
Income taxes	**-17**	-3	**-16**	-3	-6
Items that will not be reclassified to profit or loss:					
Remeasurements on defined benefit plans					
Changes during the accounting period	**24**	4	**54**	6	-72
Income taxes	**-9**	4	**-18**	2	26
Equity investments at fair value through other comprehensive income	**23**	16	**18**	-21	-44
Share of other comprehensive income in associated companies	**0**	0	**0**	0	0
Other comprehensive income for the period, net of tax	**287**	16	**275**	34	22
Total comprehensive income for the period	**672**	146	**910**	246	574

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.

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)	Jun 2022	Jun 2021	Dec 2021
ASSETS			
Non-current assets			
Intangible assets	**572**	599	577
Property, plant and equipment	**2,553**	2,626	2,573
Investments in associated companies	**53**	42	43
Other financial assets	**42**	38	24
Deferred tax assets	**153**	244	222
Defined benefit plan assets	**—**	69	—
Trade and other receivables	**2**	1	5
Total non-current assets	**3,375**	3,620	3,444
Current assets			
Inventories	**2,345**	1,431	1,892
Other financial assets	**252**	59	60
Trade and other receivables	**1,153**	822	786
Cash and cash equivalents	**473**	257	300
Total current assets	**4,223**	2,569	3,038
TOTAL ASSETS	**7,598**	6,189	6,482
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company	**3,943**	2,809	3,120
Non-current liabilities			
Non-current debt	**524**	968	597
Other financial liabilities	**7**	1	2
Deferred tax liabilities	**1**	5	1
Employee benefit obligations	**240**	314	309
Provisions	**66**	59	63
Trade and other payables	**22**	26	23
Total non-current liabilities	**860**	1,373	994
Current liabilities			
Current debt	**238**	186	112
Other financial liabilities	**99**	23	40
Provisions	**35**	11	29
Trade and other payables	**2,422**	1,788	2,188
Total current liabilities	**2,795**	2,007	2,368
TOTAL EQUITY AND LIABILITIES	**7,598**	6,189	6,482

Condensed statement of cash flows (EUR million)	April–June 2022	April–June 2021	Jan–June 2022	Jan–June 2021	Jan-Dec 2021
Net result for the period	**385**	129	**636**	212	553
Adjustments					
Depreciation, amortization and impairments	**64**	60	**127**	120	304
Other non-cash adjustments	**101**	25	**213**	37	146
Change in working capital	**-417**	-176	**-669**	-255	-266
Provisions and employee benefit obligations paid	**-13**	-15	**-27**	-49	-80
Interests and dividends received	**0**	3	**0**	3	10
Interests paid	**-7**	-20	**-19**	-33	-63
Income taxes paid	**-8**	0	**-10**	-2	-7
Net cash from operating activities	**104**	6	**251**	33	597
Purchases of assets	**-32**	-37	**-62**	-84	-175
Proceeds from the disposal of businesses, net of cash	**4**	0	**4**	0	0
Proceeds from the sale of assets	**0**	0	**1**	0	24
Other investing cash flow	**0**	2	**0**	2	2
Net cash from investing activities	**-27**	-34	**-57**	-81	-149
Cash flow before financing activities	**76**	-28	**194**	-49	448
Directed share issue	**0**	205	**0**	205	205
Dividends paid	**-68**	0	**-68**	0	0
Borrowings of non-current debt	**0**	24	**0**	29	63
Repayment of non-current debt	**-58**	-219	**-67**	-227	-619
Change in current debt	**-3**	-55	**112**	-79	-174
Net cash from financing activities	**-128**	-45	**-23**	-71	-525
Net change in cash and cash equivalents	**-52**	-73	**172**	-120	-77
Cash and cash equivalents at the beginning of the period	**525**	330	**300**	376	376
Net change in cash and cash equivalents	**-52**	-73	**172**	-120	-77
Foreign exchange rate effect	**0**	0	**1**	1	2
Cash and cash equivalents at the end of the period	**473**	257	**473**	257	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	-	-	-	-	-	-	-	-	-	212	212
Other comprehensive income	-	-	-	-	-21	9	38	8	-	0	34
Total comprehensive income for the period	-	-	-	-	-21	9	38	8	-	212	246
Transactions with equity holders of the Company											
Contributions and distributions											
Share-based payments	-	-	-	-	-	-	-	-	1	1	1
Directed share issue	-	-	-	205	-	-	-	-	-	-	205
Fair value transfer to inventory	-	-	-	-	-	-3	-	-	-	-	-3
Equity on June 30, 2021	**311**	**714**	**3**	**2,308**	**-66**	**2**	**-75**	**-116**	**-30**	**-241**	**2,809**
Equity on Jan 1, 2022	**311**	**714**	**3**	**2,308**	**-89**	**-7**	**-22**	**-169**	**-30**	**101**	**3,120**
Net result for the period	-	-	-	-	-	-	-	-	-	636	636
Other comprehensive income	-	-	-	-	18	119	103	35	-	0	275
Total comprehensive income for the period	-	-	-	-	18	119	103	35	-	636	910
Transactions with equity holders of the Company											
Contributions and distributions											
Dividends paid	-	-	-	-	-	-	-	-	-	-68	-68
Share-based payments	-	-	-	-	-	-	-	-	1	2	3
Fair value transfer to inventory	-	-	-	-	-	-23	-	-	-	-	-23
Equity on June 30, 2022	**311**	**714**	**3**	**2,308**	**-71**	**89**	**81**	**-134**	**-29**	**670**	**3,943**

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)	Q2/2022	Q2/2021	Q1-Q2/22	Q1-Q2/21	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 the 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		Q2/2022	Q2/2021	Q1-Q2/22	Q1-Q2/21	2021
Scope of activity						
Capital employed at the end of period	EUR million	**4,705**	3,963	**4,705**	3,963	3,828
Capital expenditure	EUR million	**32**	37	**62**	84	175
Depreciation and amortization	EUR million	**-64**	-59	**-127**	-118	-259
Impairments	EUR million	**0**	-1	**0**	-2	-45
Personnel at the end of period, full-time equivalent [1)]		**9,173**	9,088	**9,173**	9,088	9,096
- average for the period		**9,551**	9,473	**9,366**	9,458	9,372
Personnel at the end of period, headcount		**9,403**	9,521	**9,403**	9,521	9,395
Profitability						
Adjusted EBITDA	EUR million	**547**	223	**923**	400	1,021
Adjustments to EBITDA	EUR million	—	—	—	—	-12
EBITDA	EUR million	**547**	223	**923**	400	1,009
Earnings per share	EUR	**0.85**	0.30	**1.40**	0.50	1.26
Diluted earnings per share	EUR	**0.78**	0.28	**1.29**	0.46	1.17
Adjusted average number of shares 3)	1,000 shares	**452,710**	435,675	**452,672**	424,954	438,871
Return on equity, rolling 12 months	%	**30.2**	4.4	**30.2**	4.4	20.1
Return on capital employed, rolling 12 months [2)]	%	**29.9**	5.2	**29.9**	5.2	18.4
Financing and financial position						
Non-current debt	EUR million	**524**	968	**524**	968	597
Current debt	EUR million	**238**	186	**238**	186	112
Cash and cash equivalents	EUR million	**-473**	-257	**-473**	-257	-300
Net debt at the end of period	EUR million	**289**	897	**289**	897	408
Net debt to Adjusted EBITDA		**0.2**	1.8	**0.2**	1.8	0.4
Equity-to-assets ratio at the end of period	%	**52.0**	45.5	**52.0**	45.5	48.3
Debt-to-equity ratio at the end of period	%	**7.3**	31.9	**7.3**	31.9	13.1
Equity per share at the end of period [3)]	EUR	**8.71**	6.21	**8.71**	6.21	6.89

1) On June 30, 2022 the Group employed, in addition, some 800 summer trainees (June 30, 2021: some 690).

2) Outokumpu has redefined it's capital employed and ROCE definitions in Q2/2022. Comparative information has been restated accordingly. Please see more information at the end of this report.

3) Excluding treasury shares.

Sales by segment (EUR million)	Q2/2022	Q2/2021	Q1-Q2/22	Q1-Q2/21	2021
Europe total	**1,768**	1,124	**3,461**	2,149	4,600
of which intra-group	**9**	25	**16**	41	69
Americas total	**775**	476	**1,437**	861	1,947
of which intra-group	**0**	25	**8**	34	51
Ferrochrome total	**212**	155	**388**	276	604
of which intra-group	**133**	105	**258**	190	418
Long Products total	**401**	200	**721**	383	810
of which intra-group	**63**	37	**131**	84	189
Other operations total	**82**	180	**278**	363	784
of which intra-group	**81**	69	**161**	137	307
Group total sales	**2,951**	1,873	**5,712**	3,546	7,709

Adjusted EBITDA by segment (EUR million)	Q2/2022	Q2/2021	Q1-Q2/22	Q1-Q2/21	2021
Europe	**289**	98	**483**	176	485
Americas	**136**	65	**226**	119	297
Ferrochrome	**93**	67	**172**	109	246
Long Products	**63**	12	**87**	23	47
Other operations and intra-group items	**-34**	-19	**-45**	-27	-55
Group total adjusted EBITDA	**547**	223	**923**	400	1,021

Adjustments to EBITDA and EBIT by segment (EUR million)	Q2/2022	Q2/2021	Q1-Q2/22	Q1-Q2/21	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)	Q2/2022	Q2/2021	Q1-Q2/22	Q1-Q2/21	2021
Europe	**289**	98	**483**	176	498
Americas	**136**	65	**226**	119	283
Ferrochrome	**93**	67	**172**	109	246
Long Products	**63**	12	**87**	23	47
Other operations and intra-group items	**-34**	-19	**-45**	-27	-65
Group total EBITDA	**547**	223	**923**	400	1,009

Adjusted EBIT by segment (EUR million)	Q2/2022	Q2/2021	Q1-Q2/22	Q1-Q2/21	2021
Europe	**257**	64	**417**	108	344
Americas	**120**	51	**194**	91	235
Ferrochrome	**82**	58	**151**	92	202
Long Products	**60**	9	**82**	18	36
Other operations and intra-group items	**-36**	-20	**-47**	-29	-59
Group total adjusted EBIT	**483**	163	**796**	279	758

EBIT by segment (EUR million)	Q2/2022	Q2/2021	Q1-Q2/22	Q1-Q2/21	2021
Europe	**257**	64	**417**	108	346
Americas	**120**	51	**194**	91	220
Ferrochrome	**82**	58	**151**	92	189
Long Products	**60**	9	**82**	18	36
Other operations and intra-group items	**-36**	-20	**-47**	-29	-87
Group total EBIT	**483**	163	**796**	279	705

Depreciation and amortization by segment (EUR million)	Q2/2022	Q2/2021	Q1-Q2/22	Q1-Q2/21	2021
Europe	**-33**	-33	**-66**	-68	-141
Americas	**-16**	-13	**-32**	-26	-59
Ferrochrome	**-11**	-9	**-21**	-18	-44
Long Products	**-3**	-3	**-6**	-5	-11
Other operations	**-1**	-1	**-2**	-2	-3
Group total depreciation and amortization	**-64**	-59	**-127**	-118	-259

Capital expenditure by segment (EUR million)	Q2/2022	Q2/2021	Q1-Q2/22	Q1-Q2/21	2021
Europe	**6**	3	**10**	11	29
Americas	**2**	1	**3**	2	16
Ferrochrome	**21**	27	**45**	55	93
Long Products	**1**	0	**1**	2	4
Other operations	**1**	5	**3**	14	32
Group total capital expenditure	**32**	37	**62**	84	175

Operating capital by segment (EUR million)	Q2/2022	Q2/2021	Q1-Q2/22	Q1-Q2/21	2021
Europe	**2,053**	1,727	**2,053**	1,727	1,721
Americas	**1,075**	876	**1,075**	876	880
Ferrochrome	**857**	850	**857**	850	823
Long Products	**188**	143	**188**	143	157
Other operations and intra-group items	**27**	12	**27**	12	-62
Group total operating capital	**4,200**	3,608	**4,200**	3,608	3,520

Outokumpu has redefined it's operating capital definition in Q2/2022. Comparative information has been restated accordingly. Please see more information at the end of this report.

Return on operating capital (ROOC) by segment, rolling 12 months (%)	Q2/2022	Q2/2021	Q1-Q2/22	Q1-Q2/21	2021
Europe	**35.9**	4.8	**35.9**	4.8	20.4
Americas	**36.8**	11.2	**36.8**	11.2	27.2
Ferrochrome	**30.7**	14.9	**30.7**	14.9	24.8
Long Products	**59.9**	6.3	**59.9**	6.3	25.2
Group total return on operating capital	**34.3**	7.3	**34.3**	7.3	21.6

Personnel at the end of period by segment, full-time equivalent	Q2/2022	Q2/2021	Q1-Q2/22	Q1-Q2/21	2021
Europe	**5,668**	5,710	5,668	5,710	5,706
Americas	**1,911**	1,851	1,911	1,851	1,831
Ferrochrome	**483**	470	483	470	481
Long Products	**785**	728	785	728	736
Other operations	**325**	329	325	329	342
Group total personnel at the end of period	**9,173**	9,088	9,173	9,088	9,096

On June 30, 2022 the Group employed, in addition, some 800 summer trainees (June 30, 2021: some 690).

Geographical information – Sales by destination (EUR million)	Jan–June 2022	Jan–June 2021	Jan-Dec 2021
Finland	**234**	134	259
Other Europe	**3,508**	2,296	4,890
North America	**1,653**	940	2,146
Asia and Oceania	**220**	123	302
Other countries	**96**	53	111
Group total sales	**5,712**	3,546	7,709

Other operations' nickel sales are reported under other Europe instead of other countries. Comparative information is presented accordingly.

Total external sales by segment			
Europe	**3,445**	2,108	4,531
of which to Finland	**210**	126	244
of which to other Europe	**2,938**	1,840	3,933
of which to North America	**69**	26	79
of which to Asia and Oceania	**175**	91	227
of which to other countries	**53**	25	49
Americas	**1,429**	827	1,896
of which to North America	**1,385**	798	1,829
of which to Asia and Oceania	**1**	2	4
of which to other countries	**43**	27	63
Ferrochrome	**130**	86	185
of which to Finland	**9**	6	14
of which to other Europe	**73**	49	113
of which to North America	**28**	18	27
of which to Asia and Oceania	**19**	12	31
of which to other countries	**0**	1	1
Long Products	**590**	299	620
of which to Finland	**7**	1	1
of which to other Europe	**379**	182	366
of which to North America	**178**	98	211
of which to Asia and Oceania	**25**	19	41
Other operations	**117**	226	476
of which to other Europe	**117**	226	476
Group total sales	**5,712**	3,546	7,709

Other operations' nickel sales are reported under other Europe instead of other countries. Comparative information is presented accordingly.

Property, plant and equipment (EUR million)	Jan–June 2022	Jan–June 2021	Jan-Dec 2021
Carrying value at the beginning of the period	**2,573**	2,631	2,631
Translation differences	**54**	24	58
Additions	**46**	86	167
Disposals	**-5**	0	-8
Reclassifications	**0**	-1	-4
Depreciation and impairments	**-119**	-112	-269
Other	**4**	-2	-2
Carrying value at the end of the period	**2,553**	2,626	2,573

Commitments (EUR million)	June 30 2022	June 30 2021	Dec 31 2021
Mortgages	**546**	3,201	3,208
Other pledges	**13**	13	13
Guarantees			
On behalf of subsidiaries for commercial and other commitments	**28**	27	27
On behalf of associated companies for financing	**2**	0	-
Other commitments for financing	**4**	8	9

Mortgages relate mainly to securing the Group's financing and include both mortgages in real property and business mortgages.

Outokumpu is liable for its associated company Manga LNG Oy's certain liabilities amounting to EUR 19 million at the end of the reporting period (Dec 31, 2021: EUR 21 million). In the above table, this liability is reported as other pledges (Outokumpu's shares in Manga LNG Oy), as guarantees on behalf of associated companies, and the part exceeding the share pledge and guarantee as other commitments for financing. Other commitments for financing include also Outokumpu's liabilities for the net debt in Tornion Voima Oy.

Outokumpu is a minority shareholder in Voimaosakeyhtiö SF, which is the main owner of Fennovoima. Fennovoima announced in May 2022 that it has withdrawn the Hanhikivi 1 nuclear power plant construction license application as a consequence of the termination of the EPC contract with RAOS Project Oy due to supplier-related causes. In June Fennovoima finalized employee negotiations concerning its entire personnel and will significantly reduce its operations.

The contractual framework of the matter is complex, and Outokumpu is closely following the situation. Outokumpu's commitment to the Fennovoima investment is approx. EUR 250 million, of which EUR 112 million has been paid by the end of the reporting period. The payments related to the remaining commitment are not expected to occur in previously planned schedule. Instead, Outokumpu may further invest to Voimaosakeyhtiö SF as agreed with other shareholders of Voimaosakeyhtiö SF. It has been agreed that shareholders will pay in August 2022 25% of 2022 investment which corresponds to EUR 5.2 million. Main objective for Voimaosakeyhtiö SF continues to be to safeguard the interests of its shareholders in the termination process.

The Group's other off-balance sheet investment commitments totaled EUR 39 million on June 30, 2022 (Dec 31, 2021: EUR 32 million).

Outokumpu has a long-term energy supply contract that includes a minimum purchase quantity. There is uncertainty as to whether the company will be able to utilize this minimum purchase quantity in full by the end of 2029 or whether there will be additional costs to the company from this contract.

Related party transactions (EUR million)	Jan–June 2022	Jan–June 2021	Jan-Dec 2021
Transactions and balances with related companies			
Sales and other operating income	**76**	48	97
Purchases	**-35**	-25	-51
Dividends received	**-**	2	7
Trade and other receivables	**44**	12	36
Trade and other payables	**6**	3	4

Fair values and nominal amounts of derivative instruments (EUR million)	June 30 2022 Net fair value	Dec 31 2021 Net fair value	June 30 2022 Nominal amounts	Dec 31 2021 Nominal amounts
Currency and interest rate derivatives				
Currency forwards	**14**	1	**2,658**	2,510
Interest rate swaps	**-7**	-2	**125**	125
			Tonnes	Tonnes
Metal derivatives				
Forward nickel contracts, hedge accounted	**98**	-8	**24,977**	27,636
Forward nickel contracts	**17**	-2	**25,346**	21,343
Forward scrap contracts	**—**	0	**—**	20,000
	121	-11		

Hierarchy of financial assets and liabilities measured at fair value on June 30, 2022 (EUR million)	Level 1	Level 2	Level 3	Total
Assets				
Equity investments at fair value through OCI	—	—	42	42
Investments at fair value through profit or loss	25	—	—	25
Derivatives	—	227	—	227
	25	227	42	294
Liabilities				
Derivatives	—	106	—	106

Reconciliation of changes on level 3 (EUR million)	Equity investments at fair value through other comprehensive income
Carrying value on Jan 1, 2022	24
Additions	0
Fair value changes	18
Carrying balance on June 30, 2022	42

Equity investments at fair value through other comprehensive income include unlisted strategic holdings in energy producing companies.

Investments include a 22% holding in Voimaosakeyhtiö SF at fair value of EUR 0 million since Dec 31, 2021. Valuation model parameters were adjusted accordingly to reflect latest developments. The contractual framework of the matter is complex, and Outokumpu is closely following the situation and related valuation method.

The fair value of non-current debt is EUR 587 million (carrying amount EUR 524 million). The fair value of non-current debt is determined by using quoted prices for listed instruments. The fair value of loans is determined using the discounted cash flow method, which uses the yields observed on the reporting date. The fair value of the convertible bonds includes the value of the conversion rights.

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 + non-current debt + current debt	
Operating capital (segment reporting)	=	Capital employed – cash and cash equivalents – investments in associated companies – investments in equity at fair value through other comprehensive income – investments at fair value through profit or loss – net deferred tax asset – net asset held for sale + net employee benefit obligations	
Capital expenditure	=	Purchases of property, plant and equipment and intangible assets, other than emission allowances; and investments in equity at fair value through other comprehensive income and in associated companies and acquisitions of businesses	
Return on capital employed (ROCE)	=	EBIT + Share of results in associated companies (4-quarter rolling) / Capital employed (4-quarter rolling average)	× 100
Return on operating capital (ROOC) (segment reporting)	=	Adjusted EBIT (4-quarter rolling) / Operating capital (4-quarter rolling average)	× 100
Return on equity (ROE)	=	Net result for the financial period (4-quarter rolling) / Total equity (4-quarter rolling average)	× 100
Net debt	=	Non-current debt + current debt – cash and cash equivalents	
Equity-to-assets ratio	=	Total equity / Total assets – advances received	× 100
Debt-to-equity ratio	=	Net debt / Total equity	× 100
Net debt to adjusted EBITDA	=	Net debt / Adjusted EBITDA (4-quarter rolling)	
Earnings per share	=	Net result for the financial period attributable to the owners of the parent / Adjusted average number of shares during the period	
Equity per share	=	Equity attributable to the owners of the parent / 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 half-year report is unaudited. It has been done 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 material impact on Outokumpu's consolidated financial statements.

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.

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 that Outokumpu is exposed to, and these risks and uncertainties are described earlier in this report.

In addition to the regular expected credit loss assessment process, Outokumpu has evaluated its trade receivables against implications resulting from the conflict. Based on the assessment, no material expected credit losses were recognized in the first half 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 also assessed the carrying amounts of its other assets and liabilities and has not identified any material impact on the carrying amounts.

Share-based payments

During 2022, Outokumpu's share-based payment programs include Performance Share Plan (Plans 2020–2022, 2021–2023 and 2022–2024) and Restricted Share Plan (Plans 2020–2022, 2021–2023 and 2022–2024).

The Performance Share Plan 2019–2021 ended, and as the targets were not achieved, no shares were rewarded to the participants. Regarding the Restricted Share Plan 2019–2021, after deductions for applicable taxes, in total 90,740 shares were delivered to 56 participants based on the conditions of the plan. From the first installment of the Restricted Share Plan 2021–2023, after deductions for applicable taxes, in total 47,020 shares were delivered to 62 participants. Both deliveries were made in February 2022, and Outokumpu used its treasury shares for the reward payments.

In December 2021, the Board of Directors approved the commencement of plan 2022–2024 of the Performance Share Plan and the Restricted Share Plan as of the beginning of 2022. At the end of June 2022, the maximum number of gross shares (taxes included) that can be delivered from the Performance Share Plan 2022–2024 is 1,401,000, and 110 key employees participated in the plan. The maximum number of gross shares (taxes included) that can be allocated from the Restricted Share Plan 2022–2024 is 297,900 and at the end of the reporting period 64 key employees participated in the plan.

Sustainability-linked revolving credit facility

In June 2022, Outokumpu signed with its key banks an unsecured EUR 700 million revolving credit facility, which replaced the earlier secured revolving credit facility of EUR 532 million, which was unused at the time of the signing. The proceeds will be used for general corporate purposes of the Group. The new facility which matures in February 2026, includes a 12-month extension option. The margin of the new facility is linked to emission reductions in line with the approved emission reduction target by the Science Based Targets initiative for 2030.

Events after the reporting period

On July 12, Outokumpu announced that it has signed an agreement to divest the majority of the Long Products business operations to Marcegaglia Steel Group. The total consideration on a debt and cash free basis amounts to EUR 228 million, implying an EV / Adjusted 2021 EBITDA multiple of 4.9x.

In the January–September 2022 interim report, Outokumpu will classify its Long Products businesses to be divested as assets held for sale, report the businesses as a discontinued operation and based on preliminary assessment, impairment of some EUR 50 million would be recognized, subject still to final review impacted by market conditions as well as closing balance sheet. Outokumpu will publish comparable historical financial information in connection with its January–September 2022 interim report. Outokumpu expects to complete the divestment by the end of this year. The transaction will be carried out as a share sale.

The adjusted EBITDA of business area Long Products accounted for approximately 5% of the Group's adjusted EBITDA in 2021. The transaction includes Long Products' melting, rod and bar operations in Sheffield, UK; bar operations in Richburg, US; and wire rod mill in Fagersta, Sweden. Approximately 650 employees in Sheffield, Richburg and Fagersta will transfer to the buyer as a part of the transaction.

The transaction does not include Outokumpu Long Products operations in Degerfors and Storfors, Sweden, whose adjusted EBITDA amounted to EUR 8 million in 2021. They will continue their operations for now as part of the Outokumpu Group.

Comparative financial figures according to the new financial key figure definitions

On June 16, Outokumpu launched the second phase of its strategy and set financial targets for the second phase until the end of 2025. As part of the new phase of the strategy, Outokumpu continues to report return on capital employed (ROCE) as a key figure for the Group but has redefined the definition of the ROCE and other related alternative performance measures. The company redefined capital employed and segment reporting's operating capital by reclassifying certain balance sheet items impacting also the definition of return on capital employed. In addition, share of results in associated companies was added to the profit component of the ROCE definition.

To align with the new financial targets and internal management reporting, Outokumpu introduced return on operating capital (ROOC) as a key figure for segment reporting.

Capital employed is a measure of the amount of capital invested in the Group's operations. Return on capital employed (ROCE) is a measure for the value the Group generates to the capital invested in its operations. Operating capital is an internal measure for the amount of capital invested in the Group's operations. It is used as a measure for the business areas' net assets. Return on operating capital (ROOC) is an internal measure for the value the business areas generate to the capital invested in its operations.

Operating capital EUR million	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Europe	2,053	1,790	1,721	1,793	1,727	1,621
Americas	1,075	869	880	897	876	875
Ferrochrome	857	874	823	840	850	792
Long Products	188	190	157	160	143	131
Other operations and intra-group items	27	-152	-62	-1	12	27
Group total operating capital	4,200	3,571	3,520	3,689	3,608	3,446

Return on operating capital (ROOC) by segment, rolling 12 months (%)	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Europe	35.9	26.6	20.4	13.3	4.8	0.6
Americas	36.8	30.8	27.2	19.4	11.2	3.9
Ferrochrome	30.7	28.3	24.8	21.4	14.9	9.7
Long Products	59.9	31.7	25.2	14.8	6.3	-4.5
Group total return on operating capital	34.3	26.8	21.6	15.1	7.3	2.1

Group key figures		Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Capital employed at the end of period	EUR million	4,705	4,097	3,828	4,134	3,963	3,858
Return on capital employed (ROCE), rolling 12 months	%	29.9	23.0	18.4	12.5	5.2	0.6

.