Outokumpu financial statements release 2022

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Outokumpu financial statements release 2022

A historic year for Outokumpu – record earnings and a net debt free balance sheet

In Q3 2022, divested Long Products businesses were classified as assets held for sale, reported as discontinued operations. All figures and comments in this report refer to continuing operations unless otherwise stated.

Highlights in Q4 2022

- Stainless steel deliveries were 450,000 tonnes (550,000 tonnes)*.
- Adjusted EBITDA decreased to EUR 110 million (EUR 312 million).
- EBITDA was EUR 103 million (EUR 300 million).
- ROCE improved to 22.6% (17.6%).
- Operating cash flow (incl. discontinued operations) amounted to EUR 289 million (EUR 384 million).
- Net debt (incl. discontinued operations) turned negative and amounted to EUR -10 million (September 30, 2022: EUR 90 million).
- Gearing (incl. discontinued operations) decreased to -0.3% (September 30, 2022: 2.2%).

Highlights in 2022

- Stainless steel deliveries were 2,106,000 tonnes (2,254,000 tonnes).
- Adjusted EBITDA amounted to EUR 1,256 million (EUR 980 million).
- EBITDA was EUR 1,248 million (EUR 968 million).
- Operating cash flow (incl. discontinued operations) amounted to EUR 778 million (EUR 597 million).
- Net result increased to EUR 1,086 million (EUR 526 million).
- The Board of Directors proposes that a base dividend of EUR 0.25 per share plus an extra dividend of EUR 0.10 per share, totaling EUR 0.35 per share will be paid for the year 2022.

Key figures, continuing operations		Q4/22	Q4/21	Q3/22	2022	2021
Sales	EUR million	**1,895**	2,083	2,339	**9,494**	7,243
EBITDA	EUR million	**103**	300	304	**1,248**	968
Adjusted EBITDA [1)]	EUR million	**110**	312	304	**1,256**	980
EBIT	EUR million	**31**	180	241	**992**	674
Adjusted EBIT [1)]	EUR million	**48**	234	241	**1,010**	728
Result before taxes	EUR million	**13**	168	225	**933**	610
Net result for the period	EUR million	**312**	150	207	**1,086**	526
Earnings per share	EUR	**0.69**	0.34	0.46	**2.40**	1.21
Diluted earnings per share	EUR	**0.64**	0.31	0.42	**2.22**	1.13
Return on capital employed, rolling 12 months (ROCE) [2), 3)]	%	**22.6**	17.6	26.8	**22.6**	17.6
Capital expenditure	EUR million	**60**	58	37	**158**	171
Stainless steel deliveries	1,000 tonnes	**450**	550	491	**2,106**	2,254
Personnel at the end of period, full-time equivalent		**8,357**	8,439	8,602	**8,357**	8,439
Key figures, including discontinued operations		**Q4/22**	**Q4/21**	**Q3/22**	**2022**	**2021**
Net result for the period	EUR million	**315**	159	189	**1,140**	553
Earnings per share	EUR	**0.70**	0.35	0.42	**2.52**	1.26
Diluted earnings per share	EUR	**0.64**	0.33	0.39	**2.33**	1.17
Return on capital employed, rolling 12 months (ROCE) [3)]	%	**24.5**	18.4	28.7	**24.5**	18.4
Net cash generated from operating activities	EUR million	**289**	384	238	**778**	597
Net debt at the end of period	EUR million	**-10**	408	90	**-10**	408
Debt-to-equity ratio at the end of period	%	**-0.3**	13.1	2.2	**-0.3**	13.1

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

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

[3)] Outokumpu has redefined its capital employed and ROCE definitions in Q2/2022. Comparative information has been restated accordingly.

*Figures in parentheses refer to the corresponding period for 2021, unless otherwise stated.

President & CEO Heikki Malinen

In 2022, we delivered the best financial result in our history and reached an amazing milestone – Outokumpu is now net debt free. I am very proud of our relentless work towards this goal. Outokumpu's full-year adjusted EBITDA increased to a record level of EUR 1.3 billion.

I want to express my heartfelt thanks to all our team members around the world for their contribution and thank our customers and suppliers for their good collaboration during a year when supply chains were under pressure.

After two years of exceptional tailwinds in the market, we have now moved into a period of weakening in the global economy. Volume-wise, the year 2022 started strongly. However, towards the end of the year, volumes dropped and overall stainless steel deliveries declined by 7% from the previous year. Our adjusted EBITDA reached EUR 110 million in the fourth quarter.

In business areas Europe and Americas, high Asian imports, significant distributor de-stocking and declining demand impacted the results negatively in the last quarter. In Europe, distributor de-stocking seems to be coming to an end, while in Americas it is expected to continue through the first quarter of 2023. Business area Ferrochrome suffered from high electricity prices and, as a consequence, its production is limited to 50–60% of its total capacity.

During times like these, it is crucial we have a strong balance sheet. I am pleased to say that Outokumpu is now financially stronger than ever and resilient enough to withstand the changing conditions in the market environment.

During the year, we have taken strong actions to maintain and further improve our position as the sustainability leader in the stainless steel industry. We reduced CO_2 emissions in line with our 1.5°C science-based climate target and reached an all-time high recycled material content of 94% for the full year.

In 2022, we launched the industry's first emission minimized stainless steel, Outokumpu Circle Green. I was delighted to see strong customer interest in low-carbon products. We are now looking into expanding our emission minimized offering to cover more grades to serve even more of our customer segments with the greenest stainless steel in the world.

On the regulatory side, comprehensive political agreement was reached in the EU regarding the Carbon Border Adjustment Mechanism (CBAM) to include CO_2 emissions from not only direct emissions but also precursor materials to limit carbon leakage outside the European Union. This is an important step in the right direction, but the implementation will take time and mechanisms need to be defined.

Lastly, I want to emphasize our increased focus on shareholder returns. In November, we launched our first ever share buyback program, which is a concrete commitment to return capital to our shareholders.

We updated our dividend policy in June and accordingly, I am pleased to say that Outokumpu's Board of Directors proposes a base dividend of EUR 0.25 per share for the year 2022 plus an extra dividend of EUR 0.10 per share due to the exceptionally strong financial results.

Outlook for Q1 2023

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

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

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

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

Guidance for Q1 2023:

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

Results

Q4 2022 compared to Q4 2021

Outokumpu's sales decreased to EUR 1,895 million in the fourth quarter of 2022 (EUR 2,083 million) and adjusted EBITDA declined to EUR 110 million (EUR 312 million). Nevertheless, ROCE for the rolling 12 months improved to 22.6% (17.6%).

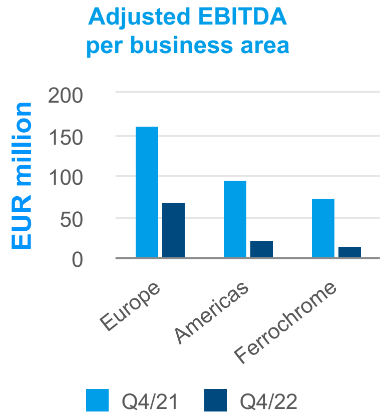
In the fourth quarter of 2022, total stainless steel deliveries declined by 18% compared to the reference period. Realized prices for stainless steel were at a lower level in Europe while increased in Americas. Variable costs were higher due to significant cost inflation in energy and various consumable prices. The optimization of ferrochrome production due to high electricity prices led to a lower production volume and result for business area Ferrochrome. Raw material-related inventory and metal derivative losses amounted to EUR 47 million, mainly due to negative timing impacts (gains of EUR 3 million). Other operations and intra-group items' adjusted EBITDA amounted to EUR 4 million (EUR -16 million). Net result of EUR 312 million (EUR 150 million) was positively impacted by the recognition of the deferred tax asset of EUR 297 million.

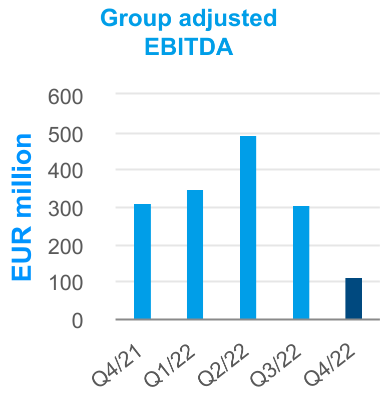
Q4 2022 compared to Q3 2022

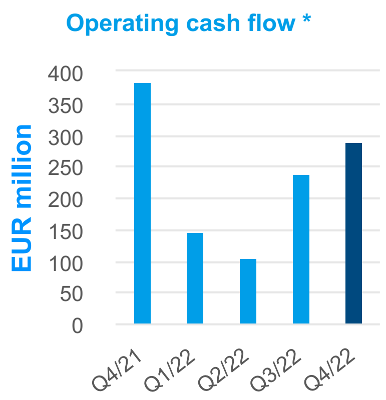
Outokumpu's sales decreased to EUR 1,895 million in the fourth quarter (Q3/2022: EUR 2,339 million) and adjusted EBITDA declined to EUR 110 million (Q3/2022: EUR 304 million). ROCE amounted to 22.6% at the end of the year (26.8%).

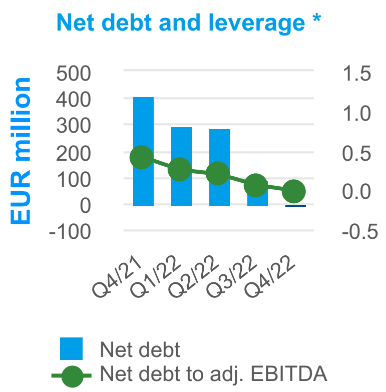
In the fourth quarter, in a weakening market with high imports and distributor de-stocking, total stainless steel deliveries decreased by 8% compared to the previous quarter. Realized prices for stainless steel declined in both Europe and Americas. Positive metal impacts supported profitability in the third quarter while there was no similar impact in the fourth quarter. Costs in general slightly increased but through the optimization of ferrochrome production the company successfully prevented its energy costs from rising.

Raw material-related inventory and metal derivative losses amounted to EUR 47 million in the fourth quarter (Q3/2022: losses of EUR 107 million). The realized impact in the fourth quarter was driven by negative timing impacts. Other operations and intra-group items' adjusted EBITDA amounted to EUR 4 million (Q3/2022: EUR 7 million). Net result of EUR 312 million (Q3/2022: EUR 207 million) was positively impacted by the recognition of the deferred tax asset of EUR 297 million.









*Including discontinued operations

2022 compared to 2021

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

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

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

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

War in Ukraine

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

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

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

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

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

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

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

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

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

Strategy execution

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

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

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

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

After launching the second phase of the strategy, Outokumpu started to ramp up and make preparations for the phase during the third quarter. The company has a strong strategic initiative pipeline of more than 1,000 projects, with over 300 projects already in progress, following the rigorous governance and ways of working in the company's strategy execution.

During the second half of 2022, the first financial results towards the EBITDA improvement target of EUR 200 million were reached and Outokumpu improved its EBITDA run-rate by EUR 28 million. Much of the impact came through customer focused steering with early improvements in the digital experiences Outokumpu is offering to its customers. Yield improvement projects were also very strong early contributors and there has been early successes with Circle Green products, which will be broadened with new grades. In the fourth quarter, Outokumpu has also strongly focused on energy efficiency projects, which will have a positive impact on the sustainability and financials.

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

Discontinued operations: divestment of the majority of the Long Products business

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

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

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

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

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

Outokumpu recognized in the net result from the discontinued operations an impairment loss of EUR 33 million that is slightly lower than what was recognized in the third quarter of 2022. The accumulated translation differences, currently estimated at EUR 8 million, will be reclassified into net result from the discontinued operations at the time of the disposal.

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

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

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

Financial position and cash flow

Operating cash flow (incl. discontinued operations) amounted to EUR 289 million in the fourth quarter and EUR 778 million in 2022 (EUR 384 million and EUR 597 million, respectively).

Net working capital (incl. discontinued operations) was released by EUR 229 million during the fourth quarter and all items contributed positively (EUR 80 million). In 2022, the total net working capital increase was EUR 587 million (increase of EUR 266 million) as there was a negative impact coming from all three items, inventories, accounts payables, and accounts receivables.

Inventories decreased by EUR 104 million during the fourth quarter and amounted to EUR 1,783 million at the end of December (September 30, 2022: EUR 1,887 million, December 31, 2021: EUR 1,892 million). In 2022, the total inventory decrease was EUR 109 million, of which EUR 185 million relates to the reclassification of the Long Products inventory asset held for sale. Therefore, inventories for the continuing operations increased by EUR 76 million. During the year, inventories decreased in volumes, while higher metal prices offset the impact.

Capital expenditure amounted to EUR 60 million in the fourth quarter (EUR 58 million) and EUR 158 million in 2022 (EUR 171 million).

Net debt (incl. discontinued operations) turned negative during the fourth quarter of 2022 and stood at EUR -10 million at the end of the year (September 30, 2022: EUR 90 million, December 31, 2021: EUR 408 million). The impact of the EUR 100 million share buyback program recognized in unrestricted equity, which was announced in the fourth quarter is included in the net debt figure. This comprises EUR 42 million cash impact and EUR 58 million financial liability. Gearing (incl. discontinued operations) declined to -0.3% (September 30, 2022: 2.2%, December 31, 2021: 13.1%).

Net financial expenses in the fourth quarter amounted to EUR 18 million (EUR 16 million) and EUR 71 million in 2022 (EUR 79 million). Interest expenses were EUR 12 million in the fourth quarter (EUR 15 million) and EUR 44 million in 2022 (EUR 64 million).

Cash and cash equivalents (incl. discontinued operations) increased both in the fourth quarter and in 2022, and amounted to EUR 644 million on December 31, 2022 (September 30, 2022: EUR 558 million, December 31, 2021: EUR 300 million). Overall liquidity reserves also increased during the year and amounted to EUR 1.4 billion at year-end (September 30, 2022: EUR 1.4 billion, December 31, 2021: EUR 0.9 billion). Cash equivalents include deposits held at call with a financial institution and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and subject to an insignificant risk of changes in value.

On December 31, 2022, Outokumpu had a total of EUR 800 million of outstanding committed credit facilities, which were fully unutilized. During the fourth quarter, Outokumpu repaid all outstanding issued commercial papers (September 30, 2022 : EUR 84 million, December 31, 2021: EUR 58 million).

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

Market development

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

In the fourth quarter of 2022, global apparent consumption of stainless steel flat products increased by 8.9% compared to the same period last year. Consumption in EMEA dropped by 6.5% compared to the fourth quarter of 2021, which was characterized by the extraordinarily strong demand as a recovery after COVID-19-related decline in previous quarters.

Consumption in the fourth quarter of 2022 increased by 13.4% in the largest region APAC compared to an extremely low level in the fourth quarter of 2021. This mainly resulted from a delayed recovery in the Chinese market toward the end of 2022. The industry was facing a combination of high inventories, lower-than-expected demand, and a historically elevated cost base. Also, in Americas, consumption of stainless steel decreased by 0.6% in the fourth quarter of 2022 compared to the same period last year.

Compared to the third quarter of 2022, global apparent consumption of stainless steel flat products increased by 11.1% in the fourth quarter of 2022. Apparent consumption in Europe and APAC increased in a quarterly comparison, by 8.8% and 13.2%, respectively. Contrary to these developments, apparent consumption in Americas decreased by 3.5% quarter on quarter.

In the first quarter of 2023, CRU expects the global apparent consumption of stainless steel flat products to decrease by 5.6% compared to the previous quarter. APAC is expected to have the largest decrease of 8.8%, driven by weak demand and a slow recovery in the Chinese market. EMEA and Americas are expected to increase by 7.6% and 2.9%, respectively.

Compared to the first quarter of 2022, global apparent consumption in the first quarter of 2023 is expected to remain relatively stable. While Europe may face a drop of 13.2%, APAC and Americas are expected to grow their demand by 2.7% and 5.8% in Americas, respectively.

In 2023, CRU estimates that total global apparent consumption of stainless steel flat products will increase by 3.3% compared to 2022. (Source: CRU, November 2022)

Business area Europe

Europe key figures		Q4/22	Q4/21	Q3/22	2022	2021
Stainless steel deliveries	1,000 tonnes	**322**	370	316	**1,423**	1,535
Sales	EUR million	**1,350**	1,320	1,455	**6,266**	4,600
Adjusted EBITDA	EUR million	**69**	161	128	**680**	485
Gain on disposal of property	EUR million	**—**	12	—	**—**	12
EBITDA	EUR million	**69**	173	128	**680**	498
Operating capital [1)]	EUR million	**1,864**	1,721	2,090	**1,864**	1,721
ROOC, rolling 12 months	%	**28.9**	20.4	33.5	**28.9**	20.4

[1)] Outokumpu has redefined its operating capital definition in Q2/2022. Comparative information has been restated accordingly.

Results

Q4 2022 compared to Q4 2021

Sales increased to EUR 1,350 million (EUR 1,320 million).

Adjusted EBITDA decreased to EUR 69 million (EUR 161 million)

- Stainless steel deliveries decreased by 13%, and realized prices for stainless steel were at a lower level while stronger product mix supported profitability.
- Variable costs increased significantly due to the strong increase in electricity and gas prices as well as other consumables and freight rates.
- Raw material-related inventory and metal derivative losses amounted to EUR 30 million (gains of EUR 4 million in Q4 2021).

ROOC rose to 28.9% (20.4%).

Q4 2022 compared to Q3 2022

Sales decreased to EUR 1,350 million (EUR 1,455 million).

Adjusted EBITDA decreased to EUR 69 million (EUR 128 million).

- Stainless steel deliveries increased by 2%, while realized prices for stainless steel were at a lower level and product mix weakened.
- Profitability was negatively impacted by increased maintenance and personnel costs, and slightly higher consumable prices.
- Raw material-related inventory and metal derivative losses amounted to EUR 30 million (losses of EUR 88 million in Q3 2022).

ROOC amounted to 28.9% (33.5%).

2022 compared to 2021

Sales increased to EUR 6,266 million (EUR 4,600 million).

Adjusted EBITDA increased to EUR 680 million (EUR 485 million).

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

ROOC amounted to 28.9% (20.4%).

Market

- During Q4 2022, apparent consumption in EMEA decreased by 6.5% compared to Q4 2021 and increased by 8.8% compared to Q3 2022. In 2022, apparent consumption in EMEA increased by 6.5% compared to 2021. (Source: CRU, November 2022)
- EU cold-rolled import penetration from third countries declined from 40% in Q3 2022 to 28% in Q4 2022. With deteriorating demand, short lead times and a narrow price margin between European and Asian prices, imports lost their attractiveness. In 2022, EU cold-rolled imports from the third countries increased to 35% from the previous year's level of 26%. (Source: EUROFER, January 2023)
- Distributor inventories declined in Q4 2022 as a result of de-stocking from the high levels in Q3 2022. In 2022, distributor inventories were higher than in 2021.

Business area Americas

Americas key figures		Q4/22	Q4/21	Q3/22	2022	2021
Stainless steel deliveries	1,000 tonnes	**125**	180	167	**654**	742
Sales	EUR million	**471**	556	786	**2,695**	1,947
Adjusted EBITDA	EUR million	**23**	95	135	**384**	297
Litigation provisions	EUR million	**2**	-15	—	**2**	-15
EBITDA	EUR million	**25**	80	135	**387**	283
Operating capital [1)]	EUR million	**990**	880	1,088	**990**	880
ROOC, rolling 12 months	%	**32.4**	27.2	40.2	**32.4**	27.2

[1)] Outokumpu has redefined its operating capital definition in Q2/2022. Comparative information has been restated accordingly.

Results

Q4 2022 compared to Q4 2021

Sales decreased to EUR 471 million (EUR 556 million).

Adjusted EBITDA decreased to EUR 23 million (EUR 95 million).

- Stainless steel deliveries decreased by 31% in a weakening market environment, but higher realized prices for stainless steel supported profitability.
- Variable costs increased as a result of higher consumable and energy prices as well as higher freight rates.
- Raw material-related inventory and metal derivative losses amounted to EUR 29 million (EUR 0 million in Q4 2021).

ROOC rose to 32.4% (27.2%).

Q4 2022 compared to Q3 2022

Sales decreased to EUR 471 million (EUR 786 million).

Adjusted EBITDA decreased to EUR 23 million (EUR 135 million).

- Stainless steel deliveries decreased by 25% as a result of typical seasonality, high imports, and distributor de-stocking.
- Realized prices for stainless steel slightly declined and product mix weakened.
- Fixed costs decreased due to lower sales volumes and cost control measures.
- Raw material-related inventory and metal derivative losses amounted to EUR 29 million (losses of EUR 32 million in Q3 2022).

ROOC amounted to 32.4% (40.2%).

2022 compared to 2021

Sales increased to EUR 2,695 million (EUR 1,947 million).

Adjusted EBITDA increased to EUR 384 million (EUR 297 million).

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

ROOC rose to 32.4% (27.2%).

Market

- During Q4 2022, apparent consumption for cold-rolled flat products decreased by 30% compared to Q3 2022 and by 27% compared to Q4 2021. In 2022, the apparent consumption increased by 4% compared to 2021. (Source: American Iron and Steel Institute, AISI)
- The share of cold-rolled imports into the US declined from 25% in Q3 2022 to 18% in Q4 2022. In 2022, the share was 26% compared to 19% in 2021. (Source: AISI)
- Cold-rolled distributor inventories remained high despite slight decrease in Q4 2022 compared to Q3 2022. In 2022, distributor inventories were significantly higher than in 2021.

Business area Ferrochrome

Ferrochrome key figures		Q4/22	Q4/21	Q3/22	2022	2021
Ferrochrome production	1,000 tonnes	**69**	125	104	**430**	515
Sales	EUR million	**110**	179	136	**633**	604
Adjusted EBITDA	EUR million	**14**	73	34	**220**	246
EBITDA	EUR million	**14**	73	34	**220**	246
Operating capital [1)]	EUR million	**867**	823	856	**867**	823
ROOC, rolling 12 months	%	**20.7**	24.8	27.0	**20.7**	24.8

[1)] Outokumpu has redefined its operating capital definition in Q2/2022. Comparative information has been restated accordingly.

Results

Q4 2022 compared to Q4 2021

Sales decreased to EUR 110 million (EUR 179 million).

Adjusted EBITDA decreased to EUR 14 million (EUR 73 million).
- Ferrochrome production was 45% lower due to a furnace shutdown and the optimization of the ferrochrome production because of the exceptionally high electricity prices.
- Profitability was negatively impacted by lower ferrochrome sales price but supported by a weaker EUR/USD foreign exchange rate.
- Variable costs increased, mainly due to higher reductant price, but the impact was partly offset by lower electricity cost.
- Fixed costs increased as a result of higher maintenance work.

ROOC decreased to 20.7% (24.8%).

Q4 2022 compared to Q3 2022

Sales decreased to EUR 110 million (EUR 136 million).

Adjusted EBITDA decreased to EUR 14 million (EUR 34 million).
- Ferrochrome production decreased by 34% due to a furnace shutdown and the optimization of the ferrochrome production because of the exceptionally high electricity prices.
- Profitability was negatively impacted by lower ferrochrome sales price.
- Variable costs decreased as a result of lower electricity price, while fixed costs increased.

ROOC amounted 20.7% (27.0%).

2022 compared to 2021

Sales increased to EUR 633 million (EUR 604 million).

Adjusted EBITDA decreased to EUR 220 million (EUR 246 million).
- Ferrochrome production was 17% lower due to a furnace shutdown and the optimization of the ferrochrome production because of the exceptionally high electricity prices.
- Profitability was supported by higher ferrochrome sales price and weaker EUR/USD foreign exchange rate.
- Variable costs increased significantly, mainly due to higher reductant and electricity prices, and costs related to mine and freight.
- Fixed costs increased also as a result of higher maintenance.

ROOC amounted 20.7% (24.8%).

Market

- Surplus in the ferrochrome market continued to decrease during Q4/2022 following increased production costs and low prices, leading to positive price development towards end of the quarter.

Other

- In Q4 2022, Ferrochrome production was at 50–60% of its full capacity due to a furnace shutdown and the optimization of production due to high electricity prices.
- Outokumpu will restart one of its three ferrochrome furnaces after a planned maintenance break earlier than expected on February 15, 2023.
- Ferrochrome production will continue at 50–60% of its full capacity in Q1 2023.
- Recent disruption in one of the other ferrochrome furnaces is likely to require a maintenance break in Q2 2023.

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 three pillars -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. The Kemi mine is the only chrome mine in the European Union, and the CO_2 footprint of Outokumpu's ferrochrome operations is estimated to be less than one third of the global industry average.

Globally, Outokumpu is the only stainless steel producer that publishes its stainless steel carbon footprint, including all direct (scope 1) and indirect (scope 2) emissions as well as emissions from the production of raw materials and transportation (scope 3). As part of the ambitious sustainability strategy, Outokumpu increased its greenhouse gas emission reduction target in 2021 and committed to the Science-Based Target initiative (SBTi) 1.5 °C climate ambition. Outokumpu's approved SBTi target requires a 42% CO_2 emission reduction across all scopes by 2030 compared to the company's 2016 baseline. This translates into a 30% CO_2 emission reduction compared to the 2020 level.

Outokumpu's long-term target is to achieve carbon neutrality by 2050 in scope 1 and scope 2 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.

Outokumpu has been a member of ResponsibleSteel since 2019. ResponsibleSteel is a standard that was developed to recognize steel sites that are being operated in a responsible manner with a focus on the most material ESG issues identified and agreed upon by ResponsibleSteel members and stakeholders. During the fourth quarter of 2022, Outokumpu started stage 1 audits for its operating sites in business area Europe and the certification process will continue in the first half of 2023.

In November, Outokumpu announced and started an ambitious energy efficiency program, in which the target is to improve energy efficiency by 8% until the end of 2024 across Outokumpu's operations from the January–September 2022 baseline. Outokumpu also announced that EUR 40 million of capital expenditure will be used in 2023 and 2024 for projects that improve energy efficiency. In the fourth quarter, seven projects were already approved and they account for approximately 7% of the projected energy efficiency target. The target is not to be met only via investments but also via operational improvements.

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

Environmental sustainability key performance indicators (KPIs) for material recycling and emission intensity were met in the fourth quarter and for the full year 2022. During the fourth quarter, direct emissions were on a relatively low level due to the closure of one of the three ferrochrome furnaces. Outokumpu met the SBTi emission reduction target set for 2022, but the data still needs external verification, which is part of the annual assurance process and communicated in the Sustainability Review for 2022. Energy-efficiency in the fourth quarter was below the target affected by lower volumes and energy usage optimization, also the full year 2022 target for energy efficiency was not met. Recycled material content reached an all-time high level of 94% for the rolling 12 months.

Companies required to report non-financial information need to disclose the taxonomy eligibility and for the first time also the alignment of their economic activities for the year 2022. EU taxonomy is a classification system for categorization of sustainable business activities that could substantially contribute to the EU's environmental goals. 91% of Outokumpu's sales in 2022 is both eligible and aligned with the EU taxonomy. Corresponding percentages for restricted operating expenditure is 82% and for capital expenditure 42%.

During the fourth quarter, there were two environmental incidents concerning Outokumpu operations, one of which was a permit breach. For the full year 2022 in Outokumpu's continuing operations there were 13 medium environmental incidents, 9 of which were permit breaches. The number of incidents was the lowest on record. All incidents were reported to the relevant authorities.

Safety performance improved significantly in the fourth quarter as decisive actions were taken. The quarterly total recordable injury frequency rate (TRIFR) was 1.3 (Q4/21: 2.0). The annual total recordable injury frequency rate in 2022 was better than in 2021 and amounted to 1.8 (2021: 2.1). In the fourth quarter, the safety cross-learning program, which kicked off in the third quarter, offered great benefits and opportunities for improvement. In addition, a new project to measure the company's Safety Index was implemented.

Personnel

On December 31, 2022, Outokumpu’s full-time equivalent number of personnel for the continuing operations totaled 8,357 (September 30, 2022: 8,602, December 31, 2021: 8,439). Headcount was 8,591 on December 31, 2022 (September 30, 2022: 8,826, December 31, 2021: 8,727).

Shares

On December 31, 2022, Outokumpu’s share capital was EUR 311 million and the total number of shares was 456,874,448. At the end of December, Outokumpu held 12,739,837 treasury shares. The average number of shares outstanding was 449,700,999 in the fourth quarter and 451,932,876 in 2022. The closing share price at the end of the period, on December 31, was EUR 4.73.

Share buyback program

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

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

Risks and uncertainties

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

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

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

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

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

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

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

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

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

Board of Directors' proposal for profit distribution

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

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

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

Events after the reporting period

On January 3, 2023, Outokumpu announced that it has completed the divestment of the majority of the Long Products business. More detailed information about the financial impacts of the transaction can be found earlier in this report under Discontinued operations: Divestment of majority of the Long Products business.

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

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

Helsinki, February 9, 2023

Outokumpu Oyj
Board of Directors

Financial information

Condensed statement of income (EUR million)	Oct–Dec 2022	Oct–Dec 2021	Jan–Dec 2022	Jan–Dec 2021
Continuing operations				
Sales	**1,895**	2,083	**9,494**	7,243
Cost of sales	**-1,741**	-1,811	**-8,147**	-6,310
Gross margin	**154**	272	**1,346**	933
Other operating income	**6**	25	**18**	49
Sales, general and administrative costs	**-88**	-68	**-313**	-254
Other operating expenses	**-42**	-48	**-60**	-54
EBIT	**31**	180	**992**	674
Share of results in associated companies	**-1**	4	**11**	15
Interest expenses	**-12**	-15	**-44**	-64
Net other financial income and expenses	**-5**	-1	**-26**	-15
Total financial income and expenses	**-18**	-16	**-71**	-79
Result before taxes	**13**	168	**933**	610
Income taxes	**299**	-18	**154**	-84
Net result for the period from continuing operations	**312**	150	**1,086**	526
Discontinued operations				
Net result for the period from discontinued operations	**3**	9	**54**	27
Net result for the period	**315**	159	**1,140**	553
Earnings per share for result from continuing operations attributable to the equity holders of the parent company				
Earnings per share, EUR	**0.69**	0.34	**2.40**	1.21
Diluted earnings per share, EUR	**0.64**	0.31	**2.22**	1.13
Earnings per share for result attributable to the equity holders of the parent company				
Earnings per share, EUR	**0.70**	0.35	**2.52**	1.26
Diluted earnings per share, EUR	**0.64**	0.33	**2.33**	1.17

Statement of comprehensive income (EUR million)	Oct–Dec 2022	Oct–Dec 2021	Jan–Dec 2022	Jan–Dec 2021
Net result for the period	**315**	159	**1,140**	553
Other comprehensive income, continuing operations				
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations				
Change in exchange differences	**-159**	27	**17**	85
Cash flow hedges				
Fair value changes during the financial year	**-72**	-10	**-43**	-1
Reclassification to profit or loss	**3**	6	**28**	27
Income taxes	**7**	-1	**-1**	-6
Items that will not be reclassified to profit or loss:				
Remeasurements on defined benefit plans				
Changes during the accounting period	**-4**	-85	**65**	-72
Income taxes	**-1**	-26	**-24**	26
Equity investments at fair value through other comprehensive income	**-18**	-38	**-4**	-44
Share of other comprehensive income in associated companies	**0**	0	**0**	0
Other comprehensive income, continuing operations, net of tax	**-243**	-76	**38**	15
Other comprehensive income, discontinued operations, net of tax	**-7**	1	**8**	6
Other comprehensive income, net of tax	**-251**	-75	**46**	22
Total comprehensive income for the period	**64**	84	**1,186**	574

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

Condensed statement of financial position (EUR million)	Dec 2022	Dec 2021
ASSETS		
Non-current assets		
Intangible assets	**547**	577
Property, plant and equipment	**2,406**	2,573
Investments in associated companies	**51**	43
Other financial assets	**25**	24
Deferred tax assets	**390**	222
Trade and other receivables	**6**	5
Total non-current assets	**3,425**	3,444
Current assets		
Inventories	**1,783**	1,892
Other financial assets	**63**	60
Trade and other receivables	**767**	786
Cash and cash equivalents	**526**	300
Total current assets	**3,139**	3,038
Assets held for sale	**419**	—
TOTAL ASSETS	**6,983**	6,482
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the parent company	**4,119**	3,120
Non-current liabilities		
Non-current debt	**491**	597
Other financial liabilities	**11**	2
Deferred tax liabilities	**0**	1
Employee benefit obligations	**216**	309
Provisions	**49**	63
Trade and other payables	**20**	23
Total non-current liabilities	**787**	994
Current liabilities		
Current debt	**141**	112
Other financial liabilities	**120**	40
Provisions	**32**	29
Trade and other payables	**1,581**	2,188
Total current liabilities	**1,874**	2,368
Liabilities related to assets held for sale	**204**	—
TOTAL EQUITY AND LIABILITIES	**6,983**	6,482

Condensed statement of cash flows (EUR million)	Oct–Dec 2022	Oct–Dec 2021	Jan–Dec 2022	Jan-Dec 2021
Net result for the period	**315**	159	**1,140**	553
Adjustments				
Depreciation, amortization and impairments	**70**	123	**297**	304
Other non-cash adjustments	**-295**	56	**33**	146
Change in working capital	**229**	80	**-587**	-266
Provisions and employee benefit obligations paid	**-19**	-21	**-53**	-80
Interests and dividends received	**6**	6	**7**	10
Interests paid	**-7**	-16	**-39**	-63
Income taxes paid	**-9**	-2	**-21**	-7
Net cash from operating activities	**289**	384	**778**	597
Purchases of assets	**-60**	-59	**-160**	-175
Proceeds from the disposal of shares in Group companies and businesses, net of cash	**-5**	—	**-1**	—
Proceeds from the sale of assets	**0**	23	**2**	24
Other investing cash flow	**—**	—	**—**	2
Net cash from investing activities	**-65**	-37	**-159**	-149
Cash flow before financing activities	**225**	348	**619**	448
Directed share issue	**—**	—	**—**	205
Dividends paid	**—**	—	**-68**	—
Repurchase of treasury shares	**-42**	—	**-42**	—
Borrowings of non-current debt	**—**	34	**—**	63
Repayment of non-current debt	**-8**	-385	**-105**	-619
Change in current debt	**-83**	-42	**-58**	-174
Net cash from financing activities	**-133**	-393	**-272**	-525
Net change in cash and cash equivalents	**91**	-45	**346**	-77
Cash and cash equivalents at the beginning of the period	**558**	345	**300**	376
Net change in cash and cash equivalents	**91**	-45	**346**	-77
Foreign exchange rate effect	**-5**	1	**-3**	2
Cash and cash equivalents at the end of the period [1)]	**644**	300	**644**	300

1) Periods of Oct-Dec 2022 and Jan-Dec 2022 include cash and cash equivalents of discontinued operations amounting to EUR 117 million.

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

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

Adjustments to EBITDA and EBIT (EUR million)	Q4/2022	Q4/2021	2022	2021
Continuing operations				
Loss on disposal of shares in Group companies and businesses	**-10**	—	**-10**	—
Litigation provisions	**2**	-15	**2**	-15
Environmental provisions	**—**	-10	**—**	-10
Gain on disposal of property	**—**	12	**—**	12
Adjustments to EBITDA	**-7**	-12	**-7**	-12
Impairments on non-current assets	**-10**	-42	**-10**	-42
Adjustments to EBIT	**-17**	-54	**-17**	-54

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

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

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		Q4/2022	Q4/2021	2022	2021
Continuing operations					
Scope of activity					
Capital expenditure	EUR million	**60**	58	**158**	171
Depreciation and amortization	EUR million	**-62**	-78	**-245**	-249
Impairments	EUR million	**-10**	-42	**-11**	-45
Personnel at the end of period, full-time equivalent		**8,357**	8,439	**8,357**	8,439
- average for the period		**8,468**	8,472	**8,683**	8,714
Personnel at the end of period, headcount		**8,591**	8,727	**8,591**	8,727
Profitability					
Adjusted EBITDA	EUR million	**110**	312	**1,256**	980
Adjustments to EBITDA	EUR million	**-7**	-12	**-7**	-12
EBITDA	EUR million	**103**	300	**1,248**	968
Earnings per share	EUR	**0.69**	0.34	**2.40**	1.21
Diluted earnings per share	EUR	**0.64**	0.31	**2.22**	1.13
Return on capital employed, rolling 12 months (ROCE) [1),2)]	%	**22.6**	17.6	**22.6**	17.6
Including discontinued operations					
Scope of activity					
Capital employed at the end of period	EUR million	**4,752**	3,828	**4,752**	3,828
Profitability					
Earnings per share	EUR	**0.70**	0.35	**2.52**	1.26
Diluted earnings per share	EUR	**0.64**	0.33	**2.33**	1.17
Adjusted weighted average number of shares [3)]	1,000 shares	**449,701**	452,563	**451,933**	438,871
Return on equity, rolling 12 months (ROE)	%	**30.6**	20.1	**30.6**	20.1
Return on capital employed, rolling 12 months (ROCE)[2)]	%	**24.5**	18.4	**24.5**	18.4
Financing and financial position					
Non-current debt	EUR million	**492**	597	**492**	597
Current debt	EUR million	**141**	112	**141**	112
Cash and cash equivalents	EUR million	**644**	300	**644**	300
Net debt at the end of period	EUR million	**-10**	408	**-10**	408
Net debt to Adjusted EBITDA		**0.0**	0.4	**0.0**	0.4
Equity-to-assets ratio at the end of period	%	**59.2**	48.3	**59.2**	48.3
Debt-to-equity ratio at the end of period	%	**-0.3**	13.1	**-0.3**	13.1
Equity per share at the end of period [3)]	EUR	**9.27**	6.89	**9.27**	6.89

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

[2)] Outokumpu has redefined its capital employed and ROCE definitions in Q2/2022. Comparative information has been restated accordingly.

[3)] Excluding treasury shares.

Sales by segment (EUR million)	Q4/2022	Q4/2021	2022	2021
Europe total	**1,350**	1,320	**6,266**	4,600
of which intra-group [1)]	**17**	18	**42**	69
Americas total	**471**	556	**2,695**	1,947
of which intra-group	**0**	3	**9**	51
Ferrochrome total	**110**	179	**633**	604
of which intra-group [1)]	**72**	126	**412**	418
Other operations total	**155**	260	**720**	914
of which intra-group [1)]	**125**	114	**462**	373
Intra-group sales to discontinued operations	**-23**	-29	**-104**	-90
Total sales, continuing operations	**1,895**	2,083	**9,494**	7,243

1) Includes Long Products businesses related sales

Adjusted EBITDA by segment (EUR million)	Q4/2022	Q4/2021	2022	2021
Europe	**69**	161	**680**	485
Americas	**23**	95	**384**	297
Ferrochrome	**14**	73	**220**	246
Other operations and intra-group items	**4**	-16	**-28**	-48
Total adjusted EBITDA, continuing operations	**110**	312	**1,256**	980

Adjustments to EBITDA and EBIT by segment (EUR million)	Q4/2022	Q4/2021	2022	2021
Europe	**—**	12	**—**	12
Americas	**2**	-15	**2**	-15
Other operations	**-10**	-10	**-10**	-10
Total adjustments in EBITDA, continuing operations	**-7**	-12	**-7**	-12
Europe	**—**	-10	**—**	-10
Ferrochrome	**—**	-13	**—**	-13
Other operations	**-10**	-18	**-10**	-18
Total adjustments in EBIT, continuing operations	**-17**	-54	**-17**	-54

EBITDA by segment (EUR million)	Q4/2022	Q4/2021	2022	2021
Europe	**69**	173	**680**	498
Americas	**25**	80	**387**	283
Ferrochrome	**14**	73	**220**	246
Other operations and intra-group items	**-6**	-26	**-38**	-58
Total EBITDA, continuing operations	**103**	300	**1,248**	968

Adjusted EBIT by segment (EUR million)	Q4/2022	Q4/2021	2022	2021
Europe	**37**	120	**550**	344
Americas	**6**	75	**317**	235
Ferrochrome	**4**	56	**177**	202
Other operations and intra-group items	**2**	-17	**-34**	-53
Total adjusted EBIT, continuing operations	**48**	234	**1,010**	728

EBIT by segment (EUR million)	Q4/2022	Q4/2021	2022	2021
Europe	**37**	122	**550**	346
Americas	**8**	60	**320**	220
Ferrochrome	**4**	43	**177**	189
Other operations and intra-group items	**-18**	-45	**-54**	-81
Total EBIT, continuing operations	**31**	180	**992**	674

Depreciation and amortization by segment (EUR million)	Q4/2022	Q4/2021	2022	2021
Europe	**-32**	-40	**-130**	-141
Americas	**-17**	-19	**-67**	-59
Ferrochrome	**-10**	-17	**-42**	-44
Other operations	**-2**	-1	**-6**	-4
Total depreciation and amortization, continuing operations	**-62**	-78	**-245**	-249

Capital expenditure by segment (EUR million)	Q4/2022	Q4/2021	2022	2021
Europe	**15**	14	**35**	29
Americas	**17**	12	**25**	16
Ferrochrome	**24**	19	**85**	93
Other operations	**3**	12	**13**	32
Total capital expenditure, continuing operations	**60**	58	**158**	171

Personnel at the end of period by segment, full-time equivalent	Q4/2022	Q4/2021	2022	2021
Europe	**5,718**	5,706	**5,718**	5,706
Americas	**1,785**	1,831	**1,785**	1,831
Ferrochrome	**409**	481	**409**	481
Other operations	**445**	422	**445**	422
Total personnel at the end of period, continuing operations	**8,357**	8,439	**8,357**	8,439

Geographical information – Sales by destination (EUR million)	Jan–Dec 2022	Jan-Dec 2021
Finland	**384**	258
Other Europe	**5,455**	4,632
North America	**2,843**	1,977
Asia and Oceania	**597**	264
Other countries	**214**	112
Total sales, continuing operations	**9,494**	7,243

Total external sales by segment		
Europe	**6,229**	4,535
of which to Finland	**366**	244
of which to other Europe	**5,014**	3,938
of which to North America	**149**	79
of which to Asia and Oceania	**565**	227
of which to other countries	**134**	49
Americas	**2,686**	1,896
of which to North America	**2,603**	1,829
of which to Asia and Oceania	**2**	4
of which to other countries	**80**	63
Ferrochrome	**247**	212
of which to Finland	**16**	14
of which to other Europe	**163**	140
of which to North America	**40**	27
of which to Asia and Oceania	**28**	31
of which to other countries	**—**	1
Other operations	**331**	600
of which to Finland	**2**	1
of which to other Europe	**278**	555
of which to North America	**51**	42
of which to Asia and Oceania	**1**	2
Total sales, continuing operations	**9,494**	7,243

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

Property, plant and equipment (EUR million)	Jan–Dec 2022	Jan-Dec 2021
Carrying value at the beginning of the period	**2,573**	2,631
Translation differences	**29**	58
Additions	**111**	167
Disposals	**-8**	-8
Reclassifications	**-88**	-4
Depreciation and impairments	**-231**	-269
Other	**20**	-2
Carrying value at the end of the period	**2,406**	2,573

Reclassifications in 2022 include also transfers to assets classified as held for sale.

Change in other is mainly coming from extensions in the lease contracts.

Commitments (EUR million)	Dec 31 2022	Dec 31 2021
Mortgages	**546**	3,208
Other pledges	**13**	13
Guarantees		
On behalf of subsidiaries for commercial and other commitments	**51**	27
On behalf of associated companies for financing	**1**	—
On behalf of discontinued operations for other commitments	**5**	—
Other commitments for financing	**4**	9

Mortgages relate mainly to securing the Group's financing and include both mortgages in real property and business mortgages. In June 2022, Outokumpu signed a new unsecured revolving credit facility replacing the existing secured revolving credit facility and resulting in a release of mortgages provided for security.

Outokumpu is liable for its associated company Manga LNG Oy’s certain liabilities amounting to EUR 16 million at the end of the reporting period (Dec 31, 2021: EUR 21 million). In the table above, 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 majority shareholder of Fennovoima. Fennovoima announced in May 2022 that it has withdrawn the Hanhikivi-1 nuclear power plant construction license application as a consequence of the termination of the EPC contract with RAOS Project Oy for supplier related causes. In June 2022, Fennovoima completed change negotiations concerning its entire personnel which led to significant staff and operation reductions.

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

The Group's other off-balance sheet investment commitments totaled EUR 27 million on December 31, 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 2028 or whether there will be additional costs to the company from this contract.

Related party transactions (EUR million)	Jan–Dec 2022	Jan-Dec 2021
Transactions and balances with related companies		
Sales and other operating income	**115**	97
Purchases	**-66**	-51
Dividend income	**11**	7
Trade and other receivables	**26**	36
Trade and other payables	**7**	4

Fair values and nominal amounts of derivative instruments (EUR million)	Dec 31 2022 Net fair value	Dec 31 2021 Net fair value	Dec 31 2022 Nominal amounts	Dec 31 2021 Nominal amounts
Currency and interest rate derivatives				
Currency forwards	**-15**	1	**1,982**	2,510
Interest rate swaps	**-11**	-2	**125**	125
			Tonnes	Tonnes
Metal derivatives				
Forward nickel contracts, hedge accounted	**-53**	-8	**21,612**	27,636
Forward nickel contracts	**-12**	-2	**13,289**	21,343
Forward scrap contracts	**-**	0	**-**	20,000
	-91	-11		

Hierarchy of financial assets and liabilities measured at fair value on December 31, 2022 (EUR million)	Level 1	Level 2	Level 3	Total
Assets				
Equity investments at fair value through OCI	—	—	25	25
Investments at fair value through profit or loss	23	—	—	23
Derivatives	—	40	—	40
	23	40	25	87
Liabilities				
Derivatives	—	131	—	131

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	5
Disposals	0
Fair value changes	-4
Carrying value on December 31, 2022	25

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

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

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

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

The fair value of non-current debt is EUR 571 million (carrying amount EUR 491 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.

Discontinued operations

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

As of September 2022, Outokumpu reclassified its Long Products businesses to be divested as assets held for sale and discontinued operations. Outokumpu recognized in the net result from discontinued operations an impairment loss of EUR 33 million that is slightly lower than what was recognized in the third quarter of 2022. The impairment was allocated to goodwill, other intangible assets and property, plant and equipment. The transaction costs are estimated to be approximately EUR 8 million.

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

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

1) Including EUR 33 million of impairment loss

2) Due to the disposal of the Long Products businesses in the UK a relating deferred tax asset was reduced, increasing the tax expense with EUR 13 million.

Condensed statement of financial position (EUR million)	Dec 2022
Assets held for sale	
Non-current assets	
Property, plant and equipment	**60**
Total non-current assets	**60**
Current assets	
Inventories	**193**
Trade and other receivables	**49**
Cash and cash equivalents	**117**
Total current assets	**359**
Total Assets held for sale	**419**
Liabilities related to assets held for sale	
Non-current liabilities	
Non-current debt	**1**
Deferred tax liabilities	**2**
Employee benefit obligations	**1**
Provisions	**14**
Total non-current liabilities	**18**
Current liabilities	
Current debt	**1**
Trade and other payables	**186**
Total current liabilities	**186**
Total liabilities related to assets held for sale	**204**

Condensed statement of cash flows (EUR million)	Jan–Dec 2022	Jan–Dec 2021
Discontinued operations		
Net cash from operating activities	**91**	28
Net cash from investing activities	**-2**	-4
Net cash from financing activities	**-2**	-6
Net change in cash and cash equivalents from discontinued operations	**87**	18

Business disposals

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

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

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

Provisional loss on sale (EUR million)	Jan–Dec 2022
Total net assets sold	-22
Provisional sale consideration	13
Provisional loss on sale	**-9**

Cash flow (EUR million)	Jan–Dec 2022
Provisional cash consideration, net of cash acquired	1
Receivable related to sale consideration	-2
Consideration received	**-1**

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, rolling 12 months (ROCE)	=	EBIT + Share of results in associated companies (4-quarter rolling) / Capital employed (4-quarter rolling average)	× 100
Return on operating capital, rolling 12 months (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 equity holders / Adjusted weighted average number of shares during the period	
Diluted earnings per share		Net result for the financial period attributable to the equity holders + interest expenses on convertible bond, net of tax / Adjusted diluted weighted average number of shares during the period	
Equity per share	=	Equity attributable to the equity holders / 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 financial statement release is prepared in accordance with IAS 34 Interim Financial Reporting and the annual financial information in this release is based on audited IFRS figures. 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 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 IFRS 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.

Discontinued operations – Long Products businesses

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 transaction includes melting, rod, and bar operations in Sheffield, the UK, bar operations in Richburg, the US, and wire rod mill in Fagersta, Sweden. The transaction excludes Outokumpu Long Products AB units in Degerfors and Storfors, Sweden, and different options regarding the future of the units will be evaluated. Long Products' activities that remain in Outokumpu are included in Other operations.

As of September 2022, Outokumpu reclassified its Long Products businesses to be divested as assets held for sale and report the businesses as discontinued operations according to IFRS 5 Non-current assets held for sale and discontinued operations. All figures in this interim report concern continuing operations unless otherwise stated.

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

The result from discontinued operations is reported separately from income and expenses from continuing operations in the consolidated statement of income and prior periods are restated accordingly. The restated historical consolidated statement of income and relevant Group and segment key figures were published on September 26, 2022. Assets and liabilities related to the discontinued operations are presented as separate line items on the statement of financial position and the prior periods are not restated. The statement of cash flows consists of total group figures including discontinued operations. In previous quarters, Outokumpu did not have discontinued operations.

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

The divestment was completed on January 3, 2023, and the transaction was carried out as a share sale.

Risks and uncertainties related to the war in Ukraine

The war in Ukraine has increased the risks and uncertainties that Outokumpu is exposed to, 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 the conflict. The direct trade receivables from Russia remained very limited and, based on the assessment, no material expected credit losses were recognized in January–December 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 buyback program

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

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

Deferred tax asset related to business area Americas

At the end of 2021, Outokumpu Group had losses in its US operations where losses were not valued to the extent they exceeded the deferred tax liability. The year 2021 was the first profitable year for business area Americas after a long history of losses, and the accounting assessment for deferred tax asset did not support the recognition of a net deferred tax asset. The year 2022 was also profitable and therefore, following two consecutive years of strong performance and good expectations for continuing good performance, the condition for recording a deferred tax is fulfilled. A deferred tax asset of EUR 297 million relating to US losses was recorded on the balance sheet in December 2022. The final amount of the recognized deferred tax asset was EUR 56 million lower than previously estimated and communicated on December 13, 2022. Valuation was impacted by EUR/USD foreign exchange, and updated as part of year-end tax reporting process. It was also impacted by changes in assumptions of ability to use state tax loss carry-forward and refinement in the blended tax rate used. For further information see the original stock exchange release on December 13, 2022.

Share-based payments

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

In December 2022, the Board of Directors approved the commencement of plan 2023–2025 of the Performance Share Plan and the Restricted Share Pool as of the beginning of 2023.

The Performance Share Plan 2019–2021 ended, and as the targets were not achieved, no shares were delivered to the participants. Regarding the Restricted Share Pool period 2019–2021, after deductions for the applicable taxes, a total of 90,740 shares were delivered to 56 participants based on the conditions of the plan. From the Restricted Share Pool 2021–2023, after deductions for applicable taxes as first installment of three, in total 47,020 shares were delivered to the 62 participants. Shares were delivered 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 Pool as of the beginning of 2022. At the end of December 2022, the maximum number of gross shares (taxes included) that can be delivered from the Performance Share Plan 2022–2024 is 1,352,153 and 105 key employees participated in the plan. The maximum number of gross shares (tax included) that can be allocated from the Restricted Share Pool 2022–2024 is 322,400 and, at the end of the reporting period, 67 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 replacing the earlier secured revolving credit facility of EUR 532 million, which was unused at the time of signing. The proceeds will be used for the 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.

Comparative financial figures according to the new financial key figure definitions

In the second quarter, the company redefined capital employed and segment reporting's operating capital by reclassifying certain balance sheet items also impacting the definition of return on capital employed. In addition, the 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 of 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 of the business areas' net assets. Return on operating capital (ROOC) is an internal measure of the value the business areas generate to the capital invested in its operations.

Events after the reporting period

On January 3, 2023, Outokumpu announced that it has completed the divestment of the majority of the Long Products business. More detailed information about the financial impacts of the transaction can be found earlier in this report under Discontinued operations: Divestment of majority of the Long Products business.

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

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