Annual report 2020

outokumpu

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This Annual report combines Outokumpu's sustainability and financial reporting for 2020. Outokumpu's Sustainability review has been assured and the Financial statements have been audited. Outokumpu's Financial statements published according to the ESEF regulation are available at www.outokumpu.com/reports.

The lower and side surfaces of the Myllysilta bridge in Turku, Finland, are cladded with our duplex stainless steel that conceals and protects the other construction elements.

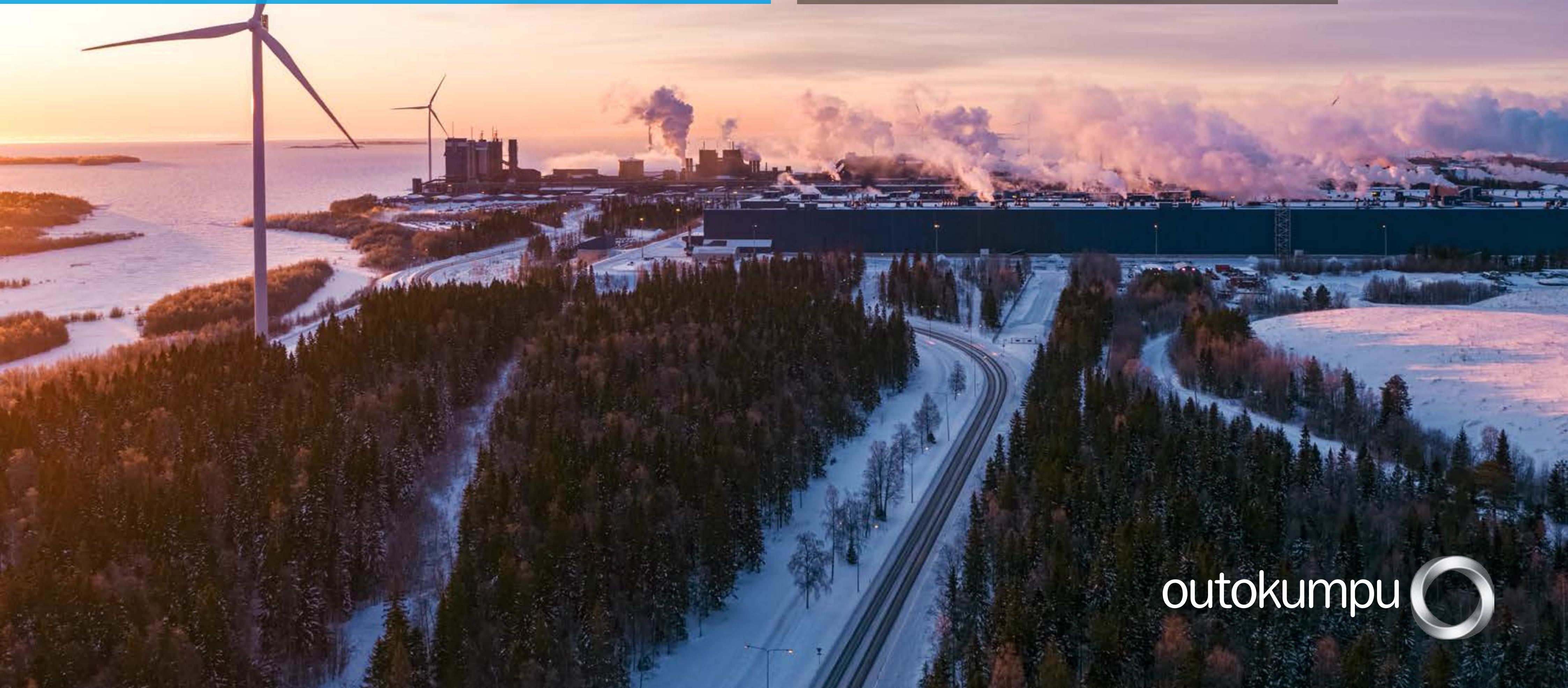
Download the Sustainability review as PDF

Download the Review by the Board of Directors and Financial statements as PDF

Download the Corporate Governance as PDF

Annual review 2020

We are the global leader in stainless steel and the producer of the most sustainable stainless steel in the world. Our stainless steel has the highest recycled content and the smallest environmental footprint in the industry.



outokumpu

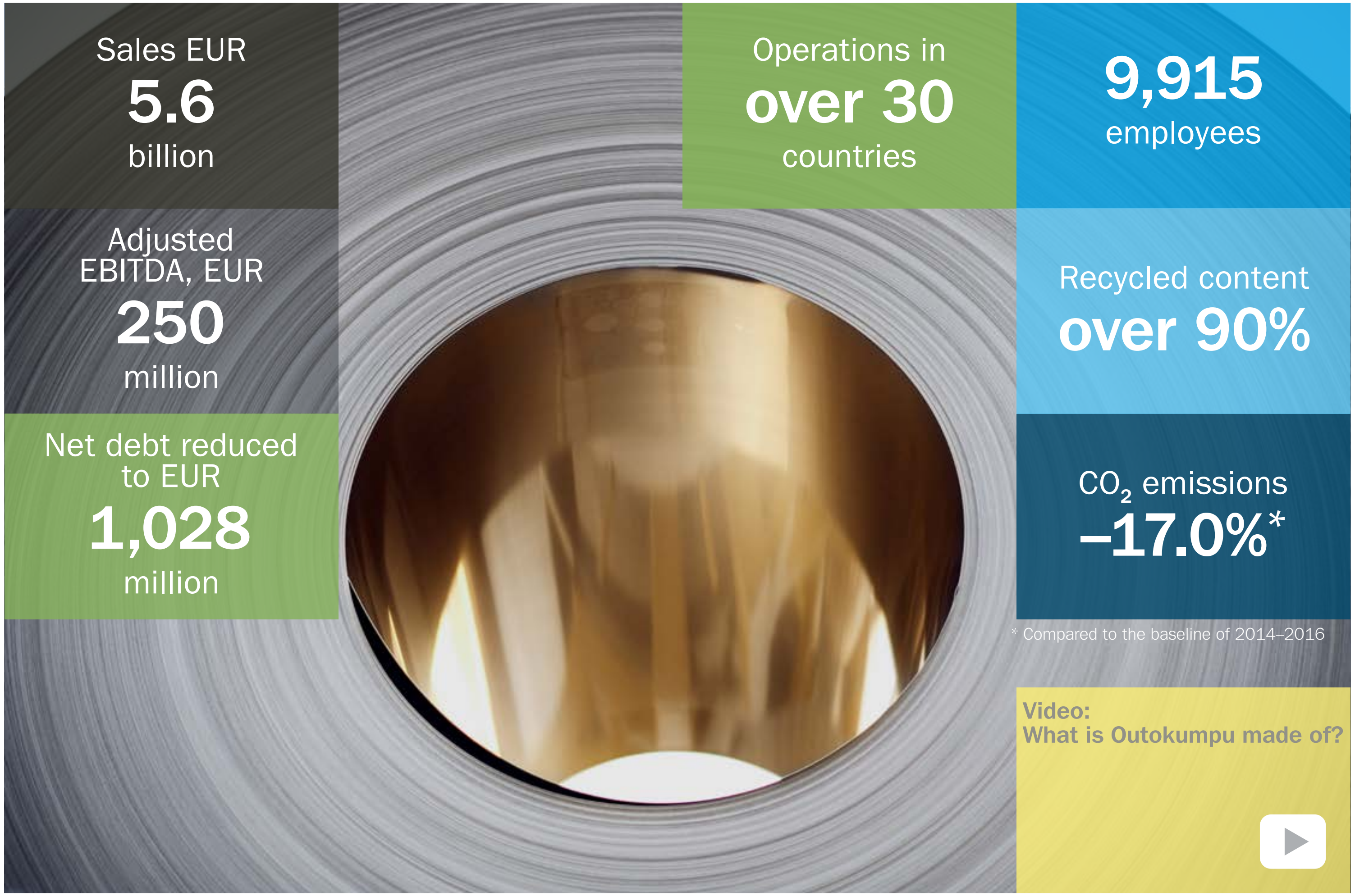
Outokumpu – the global leader in stainless steel

At Outokumpu, we work towards a world that lasts forever. The cornerstone of our business is enabling growth and innovation through environmentally, economically, and socially sustainable stainless steel products to benefit modern society for generations to come.

The foundation of our business is our ability to tailor stainless steel into any form and for almost any purpose. Our customers use it to create civilization's basic structures and its most famous landmarks as well as products for households and various industries. We are the clear market leader in Europe and in the second place in the Americas market. Our ultimate vision is to be customer's first choice in sustainable stainless steel.

We are the industry leader in sustainability with the highest recycled content, more than 90%, and smallest carbon footprint. Our products are extremely durable and corrosion resistant, resulting in low life-cycle costs, and they are endlessly and 100% recyclable.

As the inventor of stainless steel, Outokumpu is committed to carrying this legacy forward and to take the benefits of stainless steel even further. With the vast expertise and experience of our team, we ensure the high quality and efficiency of our production at our mills in Finland, Germany, Mexico, Sweden, the UK and the US, and we serve our customers through a global sales and service center network. Outokumpu's own chrome mine in Kemi, Finland is the source of the key raw material for stainless steel. Outokumpu Oyj is headquartered in Helsinki, Finland, and our shares are listed on Nasdaq Helsinki. ■



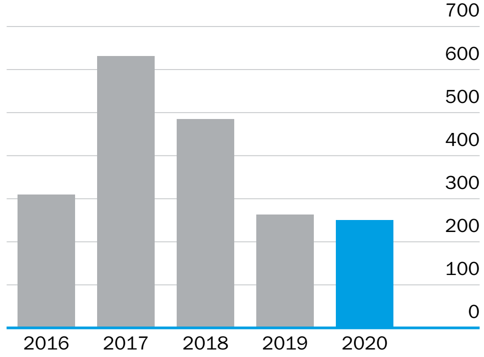
Year 2020 in figures

In 2020, we kept our financial performance on a similar level than year before, despite a challenging year, and most importantly, we reduced our net debt to EUR 1,028 million. In safety, the year was the strongest on record with total recordable injury frequency rate of 2.4, better than our target. We also increased our already high share of recycled content and further decreased our CO_2 footprint, the lowest in the industry.

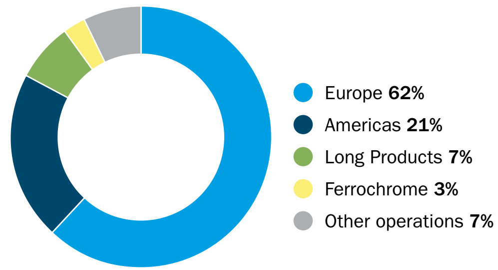
	2020	2019	2018	2017	2016
Financial key figures					
Net sales, EUR million	**5,639**	6,403	6,872	6,356	5,690
Deliveries, 1,000 tonnes	**2,121**	2,196	2,428	2,448	2,444
Adjusted EBITDA, EUR million	**250**	263	485	631	309
Net result, EUR million	**–116**	–75	130	392	144
Operating cash flow, EUR million	**322**	371	214	328	389
Net debt, EUR million	**1,028**	1,155	1,241	1,091	1,242
Debt-to-equity, EUR million	**43.6**	45.1	45.1	40.1	51.4
Environmental key figures					
Recycled content, %	**92.5**	89.6	88.6	87.0	87.1
CO_2 emission intensity, kg of CO_2 eq. per tonne steel	**1,549**	1,606	1,719	1,832	1,865
Energy intensity, use in GJ per tonne crude steel	**11.0**	10.9	10.1	9.3	9.5
Use rate of slag, %	**77.1**	90.8	89.9	91.1	90.0
Total landfill waste intensity, tonnes per tonne steel	**0.590**	0.500	0.472	0.364	0.406
Social key figures					
Total recordable injury frequency rate [1]	**2.4**	3.2	4.1	4.4	8.7
Lost-time injuries rate [2]	**1.4**	1.4	1.7	1.8	2.2
Personnel	**9,915**	10,390	10,449	10,141	10,600

[1] Total recordable injury frequency includes fatalities, lost time injuries, restricted work injuries and medically treated injuries, per million working hours.
[2] Lost time injuries including fatalities and lost time injuries, per million working hours.

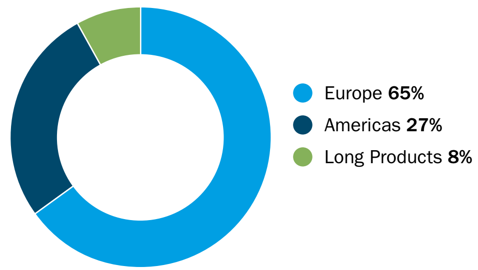
Adjusted EBITDA, € million



Sales by business area, € 5,639 million



Stainless steel deliveries by business area, %



CEO's review

The year 2020 was unprecedented for the global economy, for societies and individuals as well as for the stainless steel industry and Outokumpu. In addition to the ongoing global market uncertainty and the market disruption from Asian imports into Europe, the year was strongly shaped by the COVID-19 pandemic.

Ever since the outbreak of COVID-19 in the first quarter of 2020, Outokumpu has taken strong measures to mitigate its impacts on our employees, operations and business. Our priority has been to secure the health and safety of our employees and those close to us, and our comprehensive actions during the year have been proven effective. Outokumpu adjusted operations to meet the lowered demand, reduced fixed costs through cost compression measures and focused on maintaining proactive customer engagement to ensure the continuation of customer service.

The efforts to mitigate the pandemic's impacts continued throughout the year 2020 into 2021 with ongoing new waves of the pandemic around the world. Outokumpu's measures for health and safety and for running our operations and business have transformed our ways of working and collaborating. I am proud and thankful of the resilience, flexibility and commitment the Outokumpu team and our partners have demonstrated.

In terms of overall safety, we maintained our high standards and continued to improve our safety performance reaching the strongest year on record. The total recordable injury frequency rate was 2.4, surpassing our target of below 3.0.

The market situation in Europe remained difficult due to increased import pressure from Asia, leading in the third quarter to the historically lowest stainless steel price levels. The definitive anti-dumping duties imposed in October by the European Commission on hot rolled stainless steel from Indonesia, China and Taiwan were a step into the right direction. However, they are still insufficient to restore a level playing field and to secure a sustainable future for the European stainless steel industry. We call for available trade enforcement tools to be applied in full.

Our full-year adjusted EBITDA amounted to EUR 250 million. Even though the EBITDA was lower than expected, in an exceptional market situation reaching nearly the same level as in 2019 demonstrates the power of our actions to step up and to protect our business in times of challenge. As a result of working capital release and stringent control of our capital expenditures, we successfully reduced our net debt to EUR 1,028 million, the lowest level in recent history and below the year-end goal of EUR 1,100 million. The extension of the maturity of the EUR 650 million syndicated revolving credit facility strengthens our debt structure and liquidity profile.

CEO's review

Despite returning our financial performance in the year shaped by COVID-19 back to near 2019 levels, our financial performance needs further strenghtening. Hence, we will continue to execute strategic measures to improve our results.

Business area Europe was impacted by the high import pressure from Asia and lower prices. During the second half of the year, the business area achieved an impressive comeback leading to a full-year adjusted EBITDA of EUR 142 million, which is a notable achievement in a very challenging environment.

With a full-year adjusted EBITDA of EUR 55 million, business area Americas continued its successful turnaround: operations have been stabilized and commercial performance is accelerating. The investment in ferritics in Calvert reached ramp-up phase in the fourth quarter, taking us closer to leveraging the investment's full potential. Outokumpu now has strong footholds in both European and American markets, strengthening our stability and capabilities to meet our customers' needs in all markets.

Business area Ferrochrome holds a strong potential for value creation at Outokumpu. The ongoing Deep Mine expansion project, expected to be finalized by the end of 2022, ensures the ore availability at Kemi mine for the coming decades. During 2020, business area Long Products underwent a strategic review, which was concluded in September with a start of a turnaround program to develop the business area internally.

In addition to navigating through an exceptional year, Outokumpu launched its new long-term strategy in 2020. After starting as CEO in May, I took a deep dive into our business and operations and discussed in detail with a sizeable group of employees and customers to lay a good foundation for the strategy work: a thorough understanding of the company, its strengths and areas that need development. Outokumpu has made notable progress in efficiency and productivity improvements, but due to global market uncertainty, impacts of the pandemic and market disruption from Asian imports, further measures are needed to improve the overall performance, cost structure, operational efficiency and customer engagement. Following a thorough assessment and a full-potential analysis together with our internal team, we introduced the new strategy in November to position the company competitively for the future by strengthening its balance sheet in the shorter term and de-risking the company in the long run.

> "We will continue to execute strategic measures to improve our results."

The strategy is built on clear timebound initiatives and targets and it calls for diligent, decisive execution. It is centered on strict cost and capital discipline, strong customer engagement and a lean, delayered organization. We set ambitious but realistic financial targets for our strategy: EUR 200 million EBITDA run-rate improvement and net debt to EBITDA of below 3.0x by the end of 2022. These targets are fully based on our own improvement actions.

We are the industry leader in sustainability with the lowest CO_2 footprint and with the highest recycled content in our stainless steel. In 2020, we succeeded in increasing the already high share of recycled content in our production to over 90% and further decreasing our CO_2 footprint. We are well on track to achieve our sustainability targets to reduce our CO_2 emissions by 20% by 2023 and to reach carbon neutrality by 2050. Sustainability has always been in the very core of Outokumpu, and we are pleased to note growing significance of sustainability as a decision-making criteria among our stakeholders – including customers, investors and employees. To ensure we continue to carry our responsibility as the sustainability leader, we are sharpening our sustainability strategy and roadmap. We harness every measure we can to realize our vision to be customer's first choice in sustainable stainless steel.

I want to again thank our employees for the resilience and commitment to keep each other safe and our business running and improving during the challenging year 2020. I also warmly thank our customers and shareholders for their continued trust in Outokumpu.

Heikki Malinen
President and CEO

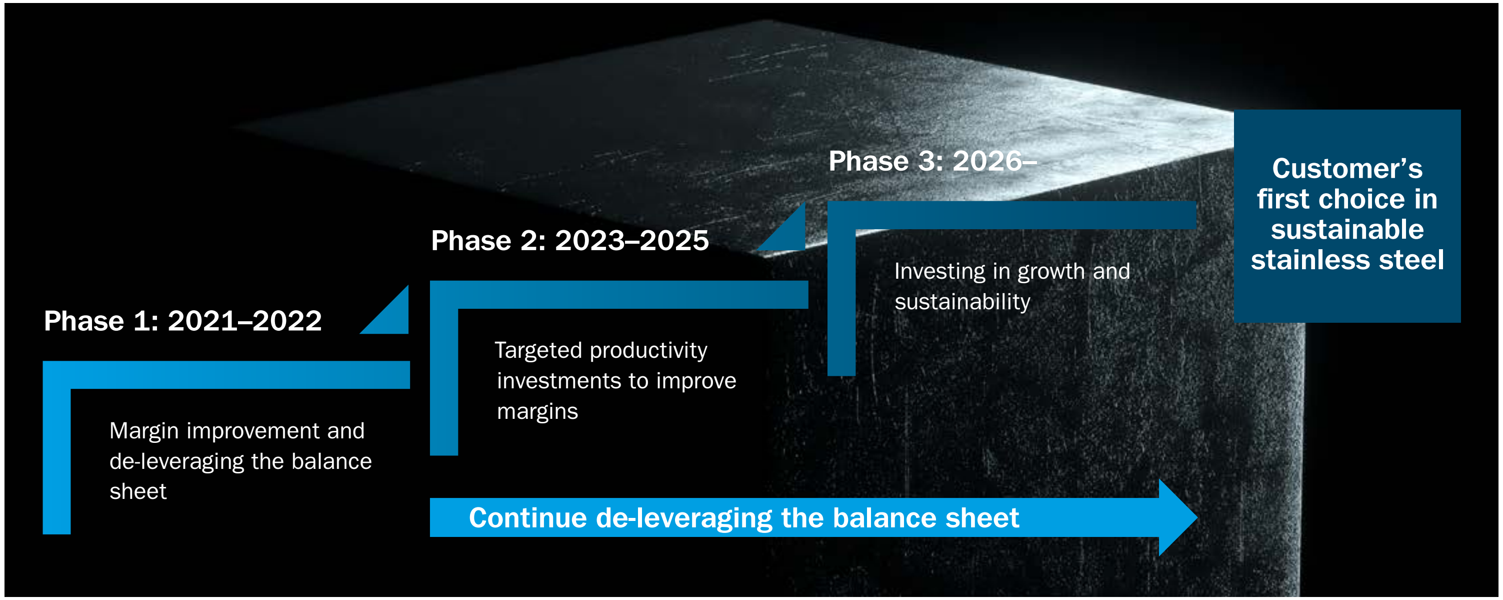
Strategy focuses on strengthening the balance sheet and de-risking the company

Outokumpu’s strategy aims to competitively position the company for the future by strengthening the balance sheet in the shorter term and by de-risking the company for strong returns in the long run. The strategy is built on clear timebound initiatives and targets. Outokumpu is the sustainability leader in its industry and Outokumpu’s ultimate vision is to be customer’s first choice in sustainable stainless steel.

During the reporting year, we continued to improve Outokumpu’s competitiveness and profitability in line with the goals for the strategy period ending in 2020. The six focus areas of the strategy were safety, sustainability, operational excellence, commercial excellence, the Americas and digital transformation. We improved the safety of our operations and succeeded in decreasing our total recordable injury frequency rate (TRIFR) below 3.0 as targeted. Improvements in sustainability, operational excellence and commercial excellence continued. Business area Americas has succeeded on operational and commercial stabilization, and in the area of digital transformation we progressed for example with the digital manufacturing program in Tornio mill.

New strategy in November

Outokumpu has made great progress with efficiency and productivity improvements during the past years, but due to ongoing global market uncertainty, the impacts of COVID-19 pandemic and market disruption from Asian imports into Europe and Mexico, we clearly need further measures to improve our overall financial performance, cost structure, operational efficiency and customer engagement. The new strategy launched for the coming years addresses all these topics.



Three phases of the strategy

Outokumpu’s strategy includes three phases with each phase requiring strong and diligent execution and focus, creating the foundation for the next phase. Deleveraging the balance sheet will continue throughout all three phases.

In the first phase of the strategy, during 2021–2022, we will focus on strengthening the balance sheet. The following two phases of the strategy will focus on targeted investments in productivity, sustainability and value-adding growth, and the targets will be communicated at a later stage.

Outokumpu’s strategy builds on the company’s strong foundation. Outokumpu is the industry leader in sustainability. We have the lowest CO_2 footprint and highest recycled content rate in the industry, and we have ambitious targets to strengthen our sustainability record further. Outokumpu is also the leader in specialty grades, and our customers see us as their preferred partner. We have an experienced team and world-class, stable operations with a strong culture for continuous improvement.

Strategy for 2021–2022

During the first phase of the strategy, during 2021–2022, Outokumpu will prioritize de-risking the company through margin improvement, cash flow management and deleveraging the balance sheet. The new financial targets, EUR 200 million EBITDA run-rate improvement and net debt to EBITDA of below 3.0× by the end of 2022, are fully based on self-help improvement actions.

To reach these financial targets, the strategy is divided into operational, commercial and organizational objectives: strict cost and capital discipline, strong customer engagement and a lean, delayered organization. Each of these areas will contribute equally to the target of EUR 200 million run-rate EBITDA improvement. Outokumpu will increase raw material efficiency and operational cost savings while limiting annual capital expenditure to EUR 180 million in 2021 and 2022 through maintenance optimization and strict asset management.

As part of the strategy, Outokumpu's core businesses – stainless steel and ferrochrome – focus on increasing the market penetration, enhancing the product mix, growing in selected segments and leveraging the company's leadership in specialty grades. Business area Long Products is undergoing a turnaround program to deliver significant improvement in financial performance, following a strategic review concluded in the second half of 2020.

With the approach on lean and delayered organization, Outokumpu is simplifying the organizational structure and accountability. Outokumpu initiated restructuring measures with the plan to create cost savings by restructuring and reducing total employee headcount by approximately 1,000 mostly by the end of 2021. Outokumpu targets to have a headcount of below 9,000 during 2022.

Concrete targets for each business area

Efficient strategy execution is ensured through a new steering model, in which each business area has concrete plans and initiatives. In business area Europe, the focus will be on measures improving cost position and customer engagement. In commercial excellence, the target is to grow specialty grades sales, supported by new products and high-quality technical sales, and to strengthen commodity sales through improved cost competitiveness and stronger customer engagement. In cost and capital discipline, Europe continues to optimize raw material costs, reduces fixed costs, accelerates manufacturing excellence programs, and optimizes maintenance and procurement spend.

In the Americas business area, the focus moves from turnaround to continuous improvement and growth. We look to strengthen our commercial footprint both in Mexico and in the US, and to grow in selected segments: automotive, appliances and pipe and tube. We also aim to capture full benefits of the EUR 30 million ferritics investment which reached the ramp-up phase at the end of 2020. In cost and capital discipline we focus on slab costs and freight costs optimization as well as manufacturing excellence program.

Business area Ferrochrome holds strong potential for future value creation. We plan to increase sales through new product development and to reduce reliance on spot markets and logistics costs. Fine concentrating plant capabilities and efficiency of the mining will also be improved. The ongoing Deep Mine investment extends ore availability until the beginning of the 2040s. ■

> "There is great value in the company, and we will unlock it with a clear strategy and determined implementation."
>
> CEO Heikki Malinen

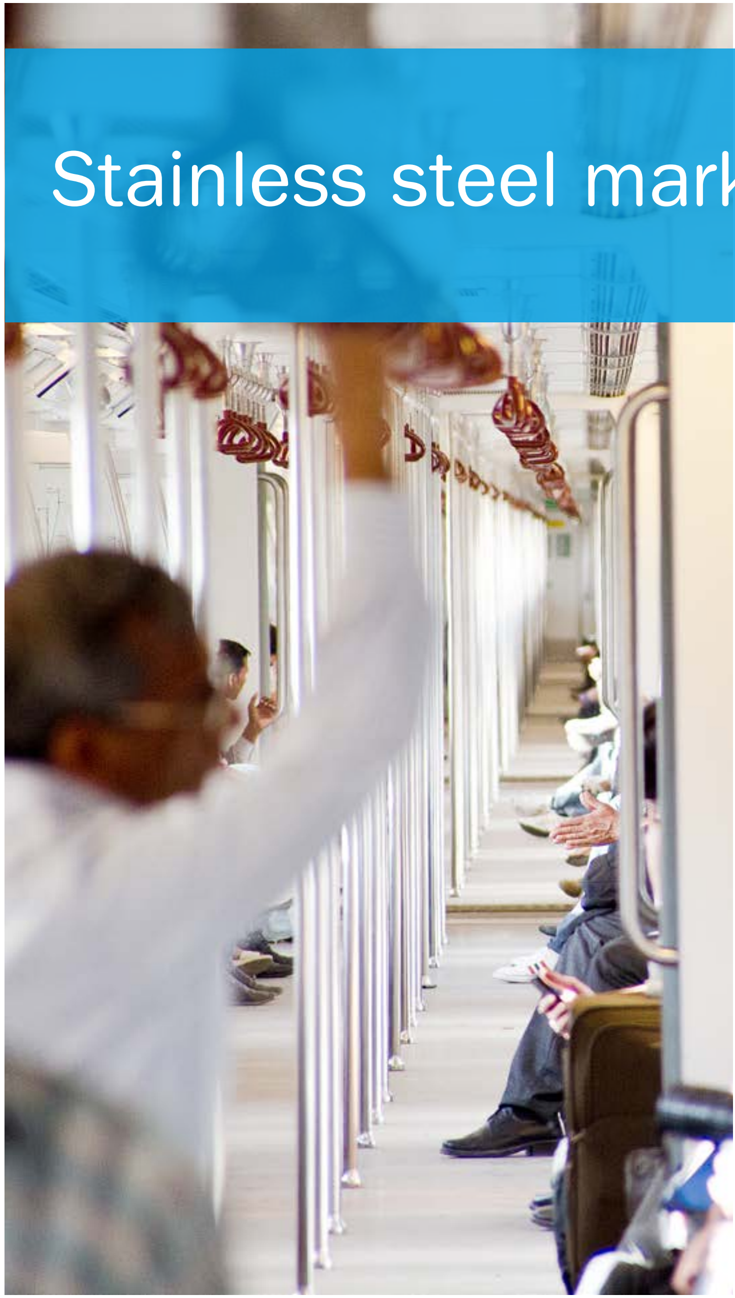
Strategic initiatives focus on de-risking the company

Customer excellence	• Enhanced product mix in all business areas • Growth in selected segments • Leverage specialty grades leadership
Cost & capital discipline	• Increased raw material efficiency • Maintenance optimization • Strict asset management • Annual CAPEX EUR 180 million in 2021 and 2022
Lean and agile organization	• Planned 10% reduction in Group headcount by end of 2021 • De-layered organization • Strong performance management
Deleveraging the balance sheet	

EUR **200** million EBITDA improvement*

<3.0× Net debt / EBITDA

*run-rate improvement from actions by year-end 2022



Stainless steel market

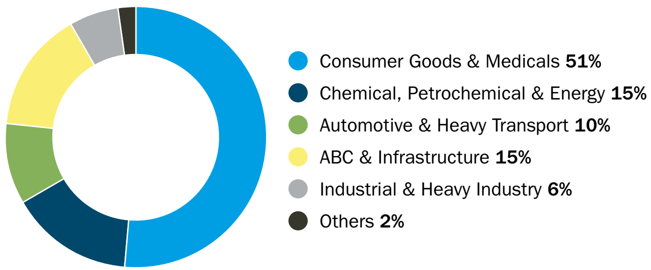
The long-term outlook for stainless steel remains positive due to the increasing need of long-lasting and sustainable solutions for the world's most critical challenges. Outokumpu is the undisputed market leader in Europe and strong number two in the Americas.

Megatrends drive the demand for sustainable solutions

Global megatrends, such as urbanization, mobility, economic and population growth, and climate change, are the main growth drivers for the stainless steel industry. The need to develop sustainable solutions that are durable and can be reused at the end of their lifecycle is apparent, as the megatrends drive the demand for economic, social, and environmental sustainability.

Our commitment and contribution to sustainability are embedded throughout our value chain from procurement and production to customer deliveries. We have the lowest carbon footprint in our industry, and we are the leader in the circular economy as the recycled content in our stainless steel is highest in the industry – over 90%. Mitigating climate change by reducing our carbon footprint is a clear focus area, and we aim to reduce our environmental impact for example through energy

End-uses of stainless steel in 2020



Source: SMR, stainless steel finished products (rolled and forged products excl. 13Cr tubes, profiles), January 2021.

efficient production and by using low-carbon electricity. We are continuously looking for ways to even further improve the sustainability of our products and processes.

Global market with few big players

Outokumpu operates in the global stainless steel market. Our world-class assets, comprehensive product portfolio and proven expertise form a sound foundation for our strategy execution and future success.

In 2020, the market for cold-rolled products totaled approximately 26.5 million tonnes. Outokumpu's global market share was approximately 6%. In Europe, our cold rolled market share is approximately 30%, which makes us the market leader in Europe. In the USMCA region our market share is approximately 24% and in the US approximately 22%, making Outokumpu the clear number two in the Americas. (Sources: EUROFER, SMR, US: Foreign Trade Statistics, American Iron & Steel Institute)

In addition to Outokumpu, the largest stainless steel producers worldwide include Asian companies Tsingshan, TISCO and POSCO as well as European-based Acerinox and Aperam. Several Asian producers also manufacture carbon steel, while European manufacturers focus on stainless steel. (Source: CRU)

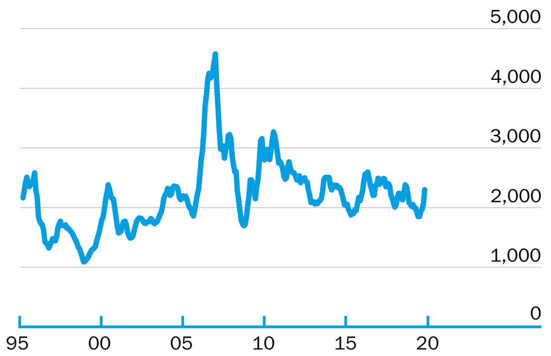
Major stainless steel producers

Million tonnes	2021	2020
Tsingshan	**9.8**	9.8
TISCO	**4.5**	4.5
POSCO	**3.3**	3.3
Acerinox	**3.3**	3.3
Outokumpu	**3.2**	3.2
Aperam	**3.0**	3.0
Guanxi Chengde	**3.0**	3.0
Jiangsu Delong	**2.9**	1.1
YUSCO	**2.8**	2.8

Source: Stainless steel production capacity of slabs, CRU November 2020.

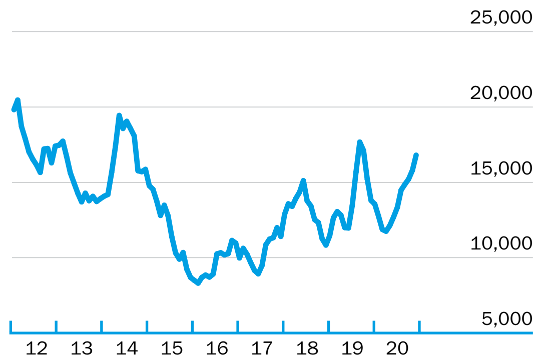
Stainless steel and raw material prices in 2020

Stainless steel price*, EUR/t



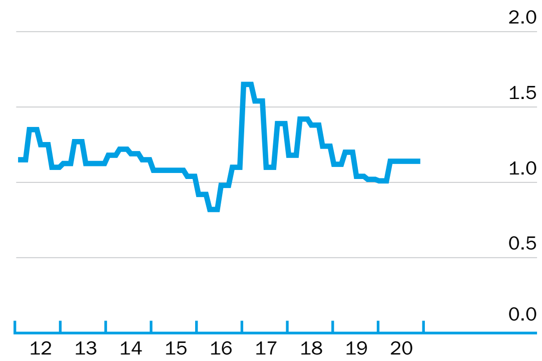
Source: CRU January 2021
* Stainless steel reference price for cold rolled 304 2mm sheet in Europe.

Nickel price, USD/t



Source: LME settlement, monthly average prices, including December 2020.

Ferrochrome price, USD/lb



Source: Quarterly contract prices agreed between South African ferrochrome producers and European buyers.

After an unusual year, the long-term market outlook remains positive with growing demand

The long-term outlook for stainless steel demand remains positive despite the disruption caused by the COVID-19 pandemic in 2020. Global megatrends, such as urbanization, climate change, and increased mobility combined with growing global demand for energy, food, and water, are expected to support the future growth of stainless steel demand. In 2020, the global steel production amounted to 1,864 million tonnes of which approximately 3% was stainless steel. (Source: CRU, Worldsteel)

The demand for stainless steel products is impacted by global, regional, and national economic conditions, levels of industrial investment activity and industrial production.

Market environment remains difficult

Global consumption and production of stainless steels were in 2020 severely disrupted by the shock arising from COVID-19 pandemic. Due to the wide lockdown schemes the most pronounced impact in Europe and Americas took place in the second quarter and by the end of the year we started to see a strong recovery. European steel industry continues to suffer from the high level of imports from the third countries and price pressure despite the anti-dumping duties on stainless steel hot rolled from China, Indonesia and Taiwan imposed by the European Union in April. The need for the renewal of the EU’s Safeguard measures after June 2021 remains in place as there are currently no signs of easing overcapacities in Asia, nor lifting of the US imports tariffs imposed in 2018. Global real demand for stainless steel products amounted to 42.8 million tonnes in 2020, a decrease of 3.3% from 44.3 million tonnes in 2019. The demand in EMEA and Americas decreased by 12.1% and 12.3, respectively, while APAC only decreased by 0.2%. The annual demand decreased most, by 15.6% in Automotive & Heavy Transport segment. The demand in Industrial & Heavy Industry decreased by 4.8%, in ABC and Infrastructure by 3.3%, in Chemical, Petrochemical and Energy by 2.3% and in Consumer Goods and Medicals by 0.5%. (Source: SMR)

The global stainless steel production decreased by around 5% in 2020 from the previous year, reaching 50.4 million tonnes. The drop in output was pronounced in the most of the regions, while the output only grew in Indonesia and remained on the same levels compared to 2019 in China. This on one hand demonstrates the continuation of the rapid capacity build-up in Indonesia, and on the other hand China’s prompt recovery from the crisis caused by the COVID-19 pandemic. (Source: CRU)

The stainless steel industry has been burdened by overcapacity in recent years, especially in Asia. The global stainless steel production capacity of slabs increased in 2020 by roughly 2% to 60.1 million tonnes. The global utilization rate was assessed to have decreased to the levels of 70% in 2020. As the production of stainless steel is capital intensive, producers generally seek to maintain high capacity utilization in order to maintain and improve profitability. (Source: CRU)

Stainless steel is sold either directly to end users or to stainless steel distributors, tube makers, and processors, such as steel service centers, who resell the products to end users. In 2020, 52% of Outokumpu’s stainless steel was sold directly to end-user customers. The remaining approximately 48% of sales were shipped to distributors that stock and process stainless steel to serve end users.

Year 2020

Responding to COVID-19

Safe safety training during the summer's maintenance break in Avesta, Sweden, with marks showing adequate distances for the participants.

Safety is a key priority at Outokumpu, and the company is committed to protecting the health and safety of its employees. Outokumpu has several safety measures in place to ensure the safety of people and to mitigate the negative impacts of the COVID-19 pandemic. These measures include for example suspending all attendance at any gatherings or events, limiting travel, face-to-face meetings and visitor access to the sites to business critical, encouraging remote work whenever possible, and imposing quarantine for employees as needed. Outokumpu monitors the COVID-19 situation closely in each country in which it operates and adjusts the required measures accordingly. Despite the exceptional times brought about by the pandemic, the company delivered its strongest annual safety performance on record.

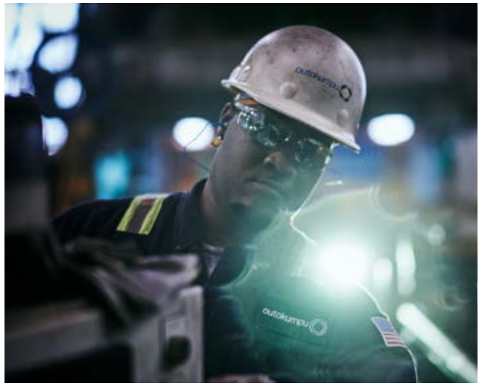
In 2020, Outokumpu navigated successfully through the pandemic. Outokumpu has contingency plans in place to mitigate operational and financial risks. Thanks to decisive and well-timed actions taken by the company, the negative impacts of the COVID-19 pandemic on Outokumpu's operations have been very limited. Outokumpu has been able to operate efficiently throughout the pandemic and has successfully adjusted its operations to meet the current demand level. Outokumpu also initiated immediate cost compression measures when the COVID-19 pandemic began to affect global stainless steel demand. The actions continued throughout the year and tight cost control supported the company's profitability and cash flow in 2020.

As a response to the pandemic, Outokumpu reduced its capital expenditures to EUR 180 million in 2020. Furthermore, the cash release from the net working capital reduction was significantly above the targeted level of EUR 100 million. Included here are the deferred VAT payments in Finland of EUR 75 million, of which EUR 61 million was still outstanding at year-end for up to one and a half years. In November, Outokumpu closed the sale and lease back transaction regarding its service center premises in Hockenheim, Germany, with net cash proceeds of EUR 14 million. Including this transaction, Outokumpu was able to release a total of EUR 23 million of cash from non-core assets. In general, the COVID-19 situation slowed down the divestment of non-core assets and the original target to book approximately EUR 40 million of proceeds in 2020 did not materialize as planned.

Outokumpu has successfully managed its liquidity through the pandemic and the company's financial position has remained stable. Cash and cash equivalents amounted to EUR 376 million at the end of the year and the total liquidity reserves increased to over EUR 1.0 billion. At the end of October, Outokumpu signed together with a group of banks a SEK 1,000 million revolving credit facility, which is guaranteed by the Swedish Export Credit Agency EKN. At the end of December, Outokumpu agreed an amendment and extension of its syndicated revolving credit facility. Out of the EUR 574 million maturing in May 2022, EUR 532 million was extended until the end of May 2023.

The financial covenants of Outokumpu's financial agreements are based on debt-to-equity ratio and Outokumpu remains in compliance with the financial covenants of its financing agreements.

In this report, we go through the impacts of COVID-19, whenever there are any, in the sustainability review and in the financial statements.



Right direction in the Americas

Outokumpu’s business area Americas is developing in the right direction, thanks to the successful operational and commercial stabilization. Business area Americas continues its successful turnaround with full-year adjusted EBITDA reaching EUR 55 million, an improvement of over EUR 80 million from 2019. We are now accelerating the commercial turnaround in the Americas supported by our investment in ferritics capabilities in Calvert. Our Calvert mill has been in the American market for nearly ten years, with first years dedicated to ramping up the new mill, and Outokumpu has become the clear number two in the American market. Going forward, we want to strengthen our commercial footprint in the US and in Mexico and grow in such segments as automotive, appliances, and pipe and tube.

Working at Europe’s biggest recycling center

At our Tornio mill alone, we handle 1 million tonnes of scrap, turning it into top-quality stainless steel. In fact, our Tornio plant is the largest material recycling center in all of Europe, and sustainability means a lot to us. Maija Mehtälä, Environmental Engineer at the Outokumpu Tornio mill explains: “My mother was an example to me on how to do recycling. Nature and environmental issues were part of daily life. Now, my workplace in Tornio is Europe’s biggest material recycling center. One of our biggest targets is to decrease our environmental impact – something we have been working on for decades. Stainless steel can be used everywhere, and best of all, it is 100% recyclable. It is very important that you bring your old pots and pans back to us, so that we can give a new life for them.”

Watch Maija Mehtälä describe her work at Outokumpu

Buying stainless steel has never been easier

We launched a new digital sales channel in 2019 for the customers of our coil service center in Hockenheim, Germany. In 2020, we extended it to our coil service center in Castelleone, Italy for customers in Italy and the neighboring countries.

In our web shop, customers have 24/7 online accessibility to information on our products, availability, prices and lead times, with shipping of stock material within 48 hours when ordering before 12 noon CET. Our customers can select from more than 1,000 standard products from stock, as well as choose cut sheets according to their needs. Paul Schlimgen, SVP, Customer Experience and Digital Sales Channels at Outokumpu: “The journey to digitalize the sale of our products has just started. We believe that this trend is – like in other industries – non-reversible. Therefore, we are continuing to follow this important path by extending the service offering for our customers.”

Visit our web shop

Duplex turned 90

In 2020, Outokumpu celebrated 90 years since duplex stainless steel made its debut on the world market. The global leader in stainless steel used the opportunity to highlight the growing role of duplex grades in supporting sustainability. This is made possible by their superior corrosion resistance and high strength. Thanks to this combination of properties, engineers can create lightweight components and structures that provide a long life and require minimum maintenance – delivering excellent value for money and minimizing the use of raw materials. As the inventor of duplex stainless steel, Outokumpu is committed to carrying this legacy forward: over the years, we have developed super, lean and formable duplex grades.

Find out more on duplex

Sustainability review 2020

We are proud provider of the most sustainable stainless steel that helps to build a world that lasts forever. However, it's not just about what we do, but how we do it.

Download the Sustainability review as PDF

Sustainability at Outokumpu

As the leading global producer of sustainable stainless steel, we are at the heart of moving society towards ecologically, socially, and economically sustainable solutions.

Our product is at the very core of our sustainability approach. Stainless steel is a superb material for sustainable solutions as it is 100% recyclable, efficient and long-lasting. The cornerstone of our business is enabling growth and innovation through sustainable stainless steel solutions and our vision is to become our customers' first choice in sustainable stainless steel.

However, it is not only what we do, but also how we do it. We are the industry leader in sustainability as according to internal estimates our stainless steel has the lowest carbon footprint of the industry when taking into account all indirect emissions, including raw materials. We also lead the industry in terms of contribution to the circular economy. The recycled content of our stainless steel is more than 90% and we are continuously looking for ways to minimize our environmental impact. We have ambitious goals for our sustainability and we are committed to reach carbon neutrality by 2050 and are well on-track to reach the short-term target of 20% reduction by 2023.

Key initiatives to strengthen the sustainability agenda

During 2020, we took steps to further strengthen our sustainability agenda and our sustainability approach was updated to reflect the growing importance of sustainability and the possibilities it offers to our business. Our sustainability approach can be divided into three themes: mitigating climate change, protecting the environment and responsibility to our people and the society.

Several key initiatives were launched during the year to drive our sustainability approach across the organization. Key initiatives included renewing the environmental performance KPIs, creating a road map to carbon neutrality, launching working groups to strengthen customer cooperation and marketing, as well as developing a stronger sustainability culture through internal communications and an e-learning. Outokumpu has also joined the ResponsibleSteel initiative.

The updated approach is based on a materiality analysis and a mapping of our key stakeholders – customers, employees, suppliers, and investors – and the topics most relevant to them. We maintain a continuous dialog with our key stakeholder groups to follow emerging sustainability trends and topics within the stainless steel industry. Key topics discussed in 2020 include climate change mitigation with lower carbon footprint, improving energy efficiency, ensuring the safety, well-being, and development of our personnel and strengthening supply chain sustainability with further assessment of environmental, social and governance compliance.

Commitment to global frameworks and standards

We are committed to the United Nation's Sustainable Development Goals (SDGs) and our focus was realigned in 2019. We have selected six SDGs that are the most relevant either through the way we operate or through our products.

Sustainability is integrated into all our operations, activities, and decision making. Outokumpu's operations are guided by our Code of Conduct, Ethical Principles, Corporate Responsibility Policy, and Environment, Health & Safety and Quality Policy. We expect our business partners and suppliers to follow similar standards. All of our policies are available at outokumpu.com.

All of Outokumpu's sites are certified according to quality ISO 9001 and environment ISO 14001 management systems, including energy efficiency targets. The functioning of the systems is monitored by both internal and external audits. These management systems are used to implement sustainability issues on the local level. No fines or non-monetary sanctions occurred in 2020.

Sustainability performance in 2020

Outokumpu has set challenging goals and key sustainability performance indicators. The company also follows up and measures other selected economic, social and environmental indicators.

All sustainability figures are available on our sustainability data tool

Continuous performance development

In 2020, 98% of all Outokumpu employees in applicable countries had a regular performance development discussion with their managers.

More on our people

TARGET **100%** /RESULT **98%**

Work-related injuries continued to decline

Our total recordable injury frequency rate (TRIFR, per million working hours) continued to decline and was 2.4 compared to 3.2 in 2019.

More on safety and health

TARGET **<3.0** / RESULT **2.4**

Energy efficiency remained stable

Our target was to improve energy efficiency by 1% annually since 2010. Target was not reached due to restructuring and changes in the company.

More on energy efficiency

TARGET 2020 **12.9%** / STATUS **3.6%**

No significant environmental incidents

Outokumpu's target is to have no significant environmental incidents, and the company has had no such incidents for many years.

More on our environmental impact

TARGET **0** / RESULT **0**

Recycled content on a high level

Our stainless steel contains the highest rate of recycled content in the industry. Recycled content includes steel scrap and recycled metals from other residuals.

More on resource efficiency

TARGET 2020 **90%** / STATUS **92.5%**

Reduced CO_2 emissions intensity

Our target is to reduce our CO_2 emissions by 20% by 2023 compared to the baseline of 2014–2016.

More on our actions on climate change

TARGET 2023 **20%** / STATUS **17.0%**

Protecting the climate with stainless steel

Stainless steel helps to combat climate change as it is durable, long-lasting, and recyclable. In addition to offering stainless steel with a low carbon profile, we work continuously to further reduce our carbon profile. Outokumpu is committed to reaching carbon neutrality by 2050.

The keys to reducing our own carbon emissions are to increase our energy efficiency and the use of low carbon energy sources.

Stainless steel production is energy intensive. The keys to reducing our own carbon emissions are to increase our energy efficiency and the use of low carbon energy sources. Stainless steel produced by Outokumpu has the lowest total carbon footprint in the industry, helping our customers to reduce their carbon footprints.

Where do our emissions come from?

The greenhouse gas emissions from Outokumpu operations are limited to CO_2 emissions. These emissions come directly from production (scope 1), indirectly from the use of electricity (scope 2) and from upstream emissions mainly from the use of materials (scope 3).

Direct emissions originate from the carbon content of our raw materials and from the use of fuels. Indirect emissions are caused by the use of electricity. Electricity emissions are also published as location-based emissions with the specific emission factors for electricity published by the country statistics.

Other indirect emissions for steel production are mainly upstream emissions of material use such as ferroalloys (except ferrochrome which is included in direct and indirect emissions of scope 1 and 2) as well as lime and dolomite, transportation and to a lesser extent from some other scope 3 emissions. At the moment, there are no estimation methods for the complex downstream emissions of stainless steel available. Case studies from consultants indicate CO_2 net savings of steel use from life cycle assessment.

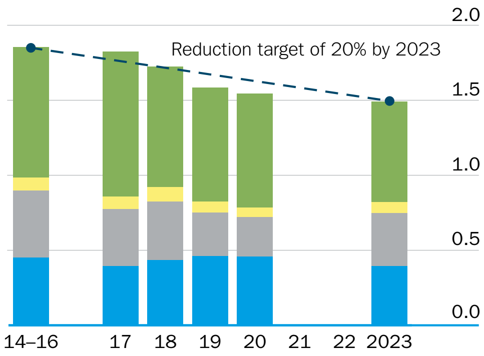
Toward a lower carbon footprint

Our total company carbon profile, including upstream emissions, is the lowest in the industry according to internal estimates. We continuously strive to make our operations more energy efficient and to maximize the use of low carbon electricity in our operations. Increasing the recycled content in our steel and improving resource efficiency are also factors in reaching even lower CO_2eq emissions and reducing upstream emissions.

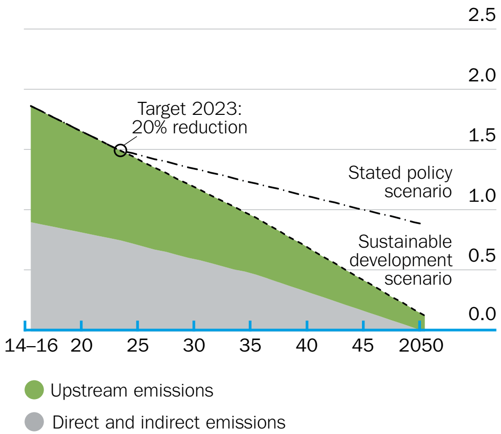
In 2020, the total specific CO_2eq emissions were reduced by 17.0% compared to the baseline of 2014–2016. The high recycling rate is the main driver to succeed in high reduction of scope 3 emissions. CO_2eq emissions from transport reduced significantly by implementing an intermodal transport strategy and reduced emission factors. Travel restrictions due to the COVID-19 pandemic lowered business travel emissions to a fifth. The emissions allocated to sold ferrochrome were not included in the target report for the stainless steel.

Target for Science Based Target criteria

Outokumpu's CO_2 eq emission intensity, tonnes of CO_2 eq per tonne steel



Outokumpu's emissions scenarios, Scope 1 , 2 & 3 emission intensity



In 2020, Outokumpu consumed overall 27,655 TJ of primary fuels and electricity with a decrease of 2.3% due to lower production. However, the intensity figure slightly increased by 1.5% to 11.0 GJ per tonne steel due to increased ferrochrome production. See all data on CO_2 emissions.

Climate commitment to science-based targets

Outokumpu is committed to the Science Based Targets initiative. The initiative considers companies' greenhouse gas reduction targets science-based if they are in line with the level of decarbonization required to keep the global temperature increase well below 2°C compared to the pre-industrial temperature.

Our target is to reduce scope 1, 2, and 3 greenhouse gas emissions by 20% per tonne of stainless steel by 2023 from a 2014–2016 base period. The baseline of the three years was chosen to get the most recent baseline after the restructuring of the company and to avoid the influence of yearly fluctuations. Emission intensity refers to emissions per tonne of produced steel. In recent years, the reporting details were improved. We have now covered 60% of our nickel input by supplier specific emission details.

We also follow the well below 2°C scenario convergence criteria of the steel industry's decarbonization approach: to reduce emission intensity to 0.92 t CO_2 per tonne of crude steel by 2050. Specific electricity emissions follow the electricity decarbonization approach, where the specific emission reduction target is 95% by 2050.

Low-carbon roadmap

Outokumpu has prepared a roadmap to reach the set targets. Electric arc furnace is the best available technique for stainless steel production. The continuous work to increase energy and material efficiency, the amount of recycled material and the amount of low carbon electricity are currently the main drivers. In addition to these, projects have been identified.

In Tornio, the majority of direct CO_2 emissions originate from coke which is used as a reductant in the ferrochrome production. Carbon monoxide is a sidestream from that reduction process. It is recycled as a heating fuel in ferrochrome and stainless steel production and about one third is sold outside. The use of carbon monoxide creates CO_2 emissions that are allocated according to the use either in ferrochrome, stainless steel or as outsourced. Replacing part or all coke with carbon neutral reductants would reduce a notable amount of CO_2 emissions in Tornio. In the long run, direct reduction for ferrochrome could replace completely the use of coal-based reductants. This technology requires still research and piloting and no technology is yet available.

The rest of the direct CO_2 emissions come from the use of heating fuels, i.e. natural gas, propane and a small amount of oil. In the long run, these fuels could be replaced either by induction heating or by the use of carbon neutral fuels, such as biogas or, in some applications, hydrogen. The third option to reduce CO_2 emissions in the atmosphere are the use of Carbon Capture and Storage / Utilization (CCS/CCU). R&D projects have been identified.

For all above mentioned potential projects, both investment and operating costs are higher than for the conventional technologies.

Climate scenario analysis

Outokumpu acknowledges the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) and the underlying framework and acknowledges that there are financial impacts in a 2°C or lower transitions scenario. Outokumpu has performed a scenario analysis according to the stated policies scenario and sustainable development scenario analysis in line with the International Energy Agency (IEA) Iron and Steel Technology Roadmap 2020. The translation of the strategies in financial terms considering the transition and physical scenarios is ongoing.

The Stated Policies Scenario takes into account countries' energy- and climate related policy commitments, including nationally determined contributions under the Paris Agreement, to provide a baseline scenario against which we assess the additional policy actions and measures needed to achieve the Sustainable Development Scenario. The Sustainable Development Scenario sets out the major changes that would be required to reach the main energy-related goals of the United Nations Sustainable Development Agenda, including an early peak and subsequent rapid reduction in emissions, in line with the Paris Agreement, universal access to modern energy by 2030 and a dramatic reduction in energy-related air pollution. The trajectory for emissions in the Sustainable Development Scenario of IEA is consistent with reaching global "net-zero" CO_2 emissions for the energy system as a whole by around 2070. (Source: International Energy Agency (IEA) Iron and Steel Technology Roadmap, 2020)

To translate the steel industry scenarios to the stainless steel production, it is assumed that the emission intensity of the steel sector is the same as the intensity of the stainless steel production, including scope 3 emissions. This approach goes for the company beyond the science-based target convergency criteria for the sector decarbonization approach. The target year of the scenarios is set to 2050 in line with the company's carbon neutral target. The assumption of the Sustainable Development scenario includes the possible CO_2 reduction projects at different maturity grades according to the developed carbon neutral road map. Additionally, an initiated metal recycling project in Tornio will decrease the related scope 3 emissions although some direct and indirect emission increase will be connected to that project. It is assumed in the SDS scenario that nickel containing stainless steel grades are produced fully by recycling. All projects are to be realized during the journey in addition to the efficiency improvements.

Climate change risks

The climate change risks have been analyzed on today's situation, as well as on medium and long-term time scale. The physical risks were estimated by the Atlas of the Human Planet of the EU's Joint Research Center from 2017 and 2019. According to these sources, our company's operation sites are not exposed to or have mitigated relevant physical risks. Water risk was further assessed on medium and long-term time scale by the Aqueduct program from World Resource Institute for 2030 and 2040. Limited risks are detected in that evaluation.

Only very limited change in risk categories of operation sites can be observed. Especially the site in San Luis Potosí, Mexico, situated in an arid area, will be under future water risk increase. The water management of this site is in focus and will be further evaluated on future water stress.

Opportunities of a low-carbon society

Climate change is one of the three megatrends driving our business. The life cycle of a stainless steel solution can have a lower climate impact compared to carbon steel, for example. As stainless steel is corrosion resistant and a long-lasting material, it stands out in many applications of renewable energy production such as in high temperature power plants, solar farms, and biofuel plants. This growing market in the transition to a low-carbon society gives Outokumpu the opportunity to increase the revenue.

Continuous increasing of material recycling and energy efficiency as well as change to use lower emission fuel and electricity have significantly reduced the product’s carbon profile. This is driving the competitive advantage on high alloy steel with low-carbon footprint that customers are increasingly demanding.

Investors are looking for financing sustainable projects or investing in sustainable companies. The low-carbon profile of Outokumpu's stainless steel enables financial advantages in investments and the transition to the low-carbon society.

Emissions trading and fair competition

80% of Outokumpu’s all direct CO_2 emissions fall under the European Union Emissions Trading Scheme (ETS). The ETS has finalized the third trading period in 2020. In 2020, free allocation for the Group was slightly above the emissions. The fourth period will remain with similar conditions but substantially shorter free allocations.

The main risks of the next trading phase 2020–2030 of the emissions trading system to Outokumpu involves the pass-through costs of allowances to the electricity price and reduction of electricity price compensations. In the later part, the company needs to buy allowances as some surplus allocations available from production decrease in the past will be used. The final decision on the benchmarks for free allocation is expected mid-2021. Allowance prices are expected to increase especially as the Green Deal of the European Commission requests further greenhouse gas reduction, and the benchmark for free allocation will decrease. Read about the risks related to emissions trading in Key risks section. The EU Emissions Trading System does not take into account the product life span. This is misleading for metal and steel products because they decrease CO_2 emissions during their life span more than their production phase causes.

Focus on energy efficiency

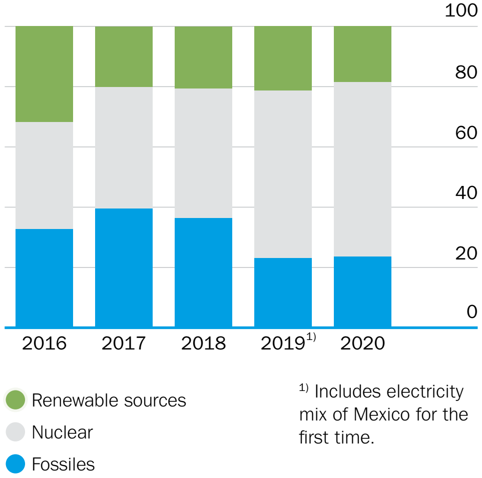
Although the melting of recycled steel and the production of stainless steel consume a lot of energy, stainless steel enables energy efficient solutions from a life-cycle perspective.

Outokumpu's operations are energy intensive. For the recycled steel to melt, it is heated to over 1,400°C. The process requires a high amount of electricity as the best available technique for melting recycled steel is to use electric arc furnaces.

Outokumpu is continuously striving to make its production operations more energy and material efficient and minimize its environmental impacts. Although the melting of recycled steel and the production of stainless steel consume a lot of energy, stainless steel enables energy efficient solutions from a life-cycle perspective by saving energy during its use phase.

In 2020, our improvement of energy efficiency, calculated as a sum of different process steps including ferrochrome, was 3.6% compared to the baseline 2007–2009. The reached energy efficiency corresponds to a yearly saving of over 0.3 million MWh in 2020. Over the period of 2010–2020 the average improvement was 7%. The company could not reach the target for year 2020 after a ten-year period due to changes such as restructuring, new grade production mix and the low capacity use impacted the specific energy consumption. A new target of at least 0.5% reduction per year compared to the baseline 2018–2020 in energy efficiency by 2030 was set. Additionally,

Origin of electricity, %



1) Includes electricity mix of Mexico for the first time.

cold rolling mills are expected to reach the level of best performance of the last seven years by 2023. The energy efficiency target for 2030 is set to reach 3 MWh/t.

Yield optimization improves energy efficiency

The biggest energy-saving potential lies in the optimization of yield. Yield refers to how much sellable products we can make of the metal raw materials added to the process. Energy reduction and efficiency plans are included in environmental management systems at all our sites. In the past, we have been able to improve our overall energy efficiency by reorganizing production sites and optimizing our internal supply chain. However, in recent years this improvement has not been achieved. In 2020, we did not succeed in increasing our capacity utilization due to the difficult market situation and the COVID-19 pandemic.

As energy sources, we use natural gas, propane, or other fuels, such as diesel. Fossil fuels cover about 81% of our total fuel consumption. Outokumpu does not consume renewable fuels in production processes today, but we utilize our own recovered carbon monoxide process gas with 19% of our total fuel. Process gases and waste heat are also used to heat buildings on sites.

Toward low-carbon electricity

Outokumpu has centralized energy procurement in order to secure a sufficient energy supply, to ensure predictable, competitive, and stable energy prices, and to optimize the energy portfolio also on low-carbon electricity.

In 2020, 76% of our electricity sources came from low-carbon (renewable and nuclear) sources. See more details in the data tool

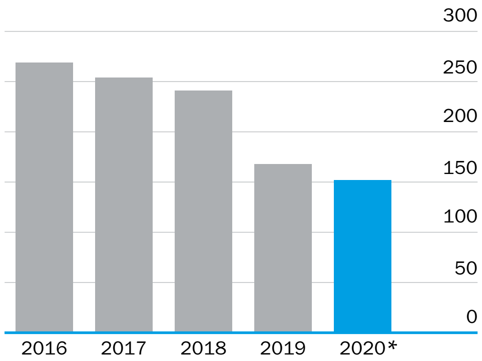
Outokumpu participates in several programs that promote the use of low-carbon electricity such as wind power, hydropower, combined heat, and power as well as nuclear power. For example, the combined heat and power plant in Tornio produces heat for the Tornio site out of recovered process gases, and in Dahlerbrück, Germany, we have our own hydro power plant to generate some 10% of the electricity needed in the production. Outokumpu is a shareholder in a wind power park in Tornio and in a new nuclear power plant project in Finland.

Fuel switch to lower carbon emission fuels is ongoing. Natural gas has already been in use at our sites in Germany, Mexico, the US, the UK and now in Tornio, Finland. We still have some improvement potential left in Sweden where we are actively studying options for alternative fuels.

Energy used in operations

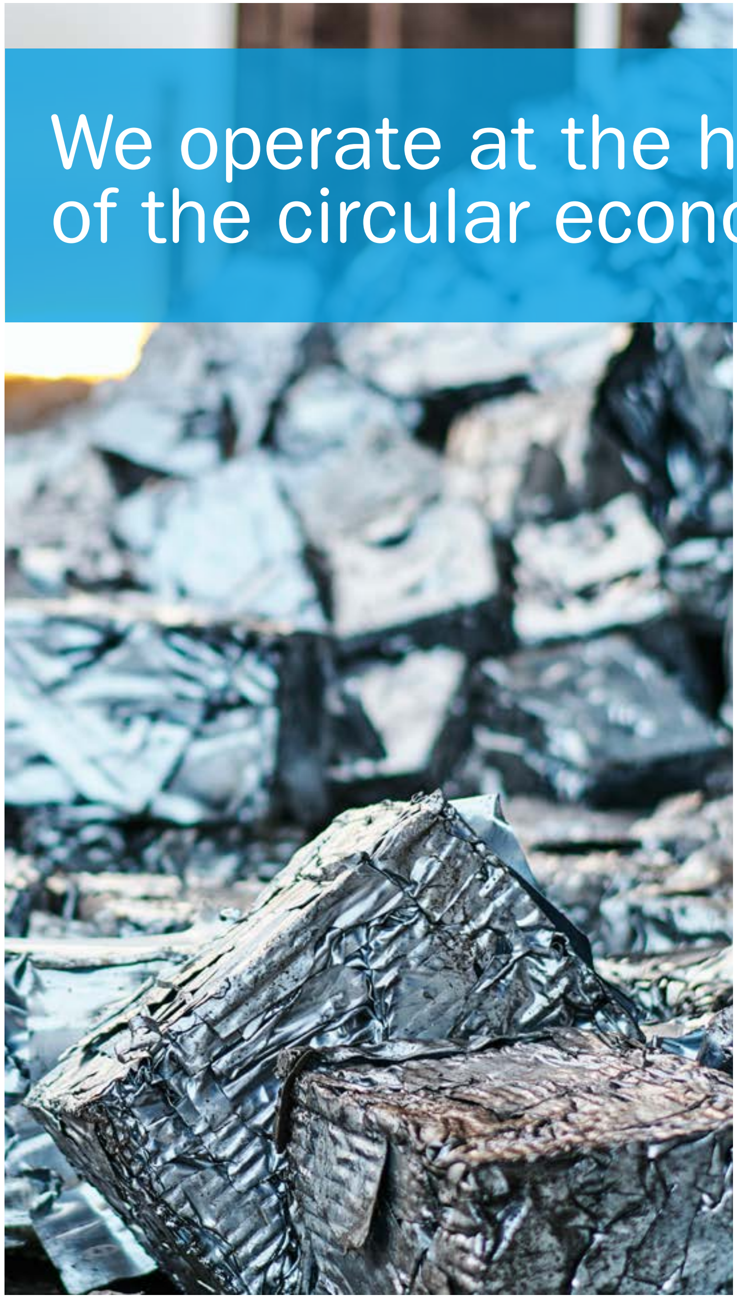
Terajoules, TJ	2020	2019	2018
Electricity	**15,735**	16,167	17,189
Carbon monoxide gas	**2,250**	2,412	2,275
Natural gas	**7,269**	7,239	4,623
Propane	**1,828**	2,024	4,754
Diesel, light and heavy fuel oil	**573**	668	662
Energy	**27,655**	28,509	29,502
Energy use in GJ per tonne crude steel	**11.0**	10.9	10.1

Market-based electricity emission factor, kg CO_2eq/MWh



* Hydro power recs are calculated as fossil fuel replacements in specific countries.

We operate at the heart of the circular economy



The recycled content of our products, including the use of recycled metal from our waste streams, was 92.5% in 2020, exceeding our own target.

Stainless steel is a durable material that fits perfectly into the circular economy. Recycling saves resources, and stainless steel is made of recycled materials and is fully recyclable, without any quality degradation.

In fact, our stainless steel mills are significant recycling facilities, producing new products out of recycled steel, recovering and recycling everything reasonable in our production, and finally selling by-products from the manufacturing process to replace natural resources.

Record high recycled content rate

Recycled steel from both stainless and carbon steel is our most important raw material. Increasing the recycled content of stainless steel is the most efficient way for Outokumpu to reduce the overall environmental footprint.

The steel recycled content rate of our stainless steel, defined according to ISO 14021, was 87.8% in 2020. This includes pre- and post-consumer scrap. Including the use of recycled metal from our waste streams, the recycled content of our products was 92.5% in 2020. We reached better recycling than our target of 90% for 2020. The result might have been impacted by the circumstances created by the COVID-19 pandemic. We aim to maintain the high level of 92.5% until 2023 and align all the target years in 2023 when the first transitional science-based target will be revised.

One key factor in reaching such a high level of recycled content is the recovery and recycling of metals from the production processes, e.g. from dust and scales. We are continuously looking for best ways to recycle the metals of

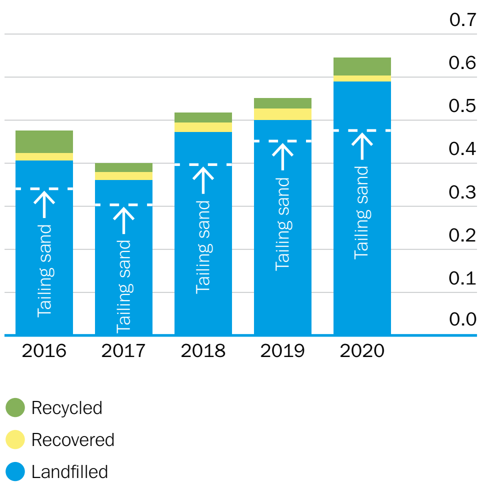
Total waste

Tonnes	2020	2019	2018
Total non-hazardous waste	**442,763**	281,646	356,230
Recycled	**46,619**	49,227	52,736
Recovery	**9,657**	17,138	19,256
Landfilled	**386,487**	215,281	284,239
Total hazardous waste	**152,588**	146,765	163,555
Recycled	**59,635**	12,988	15,414
Recovery	**25,471**	53,252	47,700
Landfilled	**67,482**	80,525	100,442
Tailing sands	**1,023,503**	1,006,590	991,391

our melt shop dust. Dust recycling increased especially at our site in Calvert, the US. These sidestreams are either treated on site or by an external facility for recycling in our melt shops. Metal recycling is the main driver of the reduction of the upstream material emissions (scope 3).

In addition to metals, other materials, such as slag formers, acids, and gases, are needed in the production process although they do not become part of the stainless steel products. Some of these input materials are needed to minimize or prevent emissions into the environment. As far as reasonable, these are also recovered and recycled in the process. For instance, the used acids are continuously regenerated for reuse, and the hydrogen from the bright annealing process is recovered in the incineration of the process furnace.

Total waste development, tonnes per tonne steel



Aim to reduce waste to landfill in stainless steel production

Outokumpu's long-term goal is zero-waste stainless steel production, which means that all production material streams are studied carefully to find the means of fully recycling, reusing, or selling them as by-products. Our approach to reaching zero waste is twofold: we aim to reduce the total volume of landfill waste from our own operations and increase the proportion of materials sold as by-products.

The biggest waste items at Outokumpu are slag that are not used, tailing sand from the mining operation, and sludges, dust, and scales from the stainless steel production. While waste is recycled whenever possible in our own production, our production still generates landfill waste. Therefore, we decided to set a target for waste (other than slag) going to the landfill to be reduced by 0.5% per year. We are striving to reduce this even further.

The amount of tailing sands from the mining operation increased in 2020 compared to the previous year, as the production of chrome concentrate increased. 17.8% of waste from stainless steel production was recycled and 5.9% recovered. Other recovered materials like lime, bricks, and some sludges were mostly used in our melting shops to substitute virgin additive materials like slag formers. Tailing sand is deposited in the pond of the mining area itself.

Turning slag into by-products

Outokumpu sold or used 1.13 million tonnes of slag as the main by-product of operations. Slag is an essential material in the steel melting process, and it is made from lime or other natural minerals.

Outokumpu has developed slag-based mineral products for road construction, refractory, concrete production and for water treatment. The use of our slag by-products reduces the amount of landfilled waste, saves virgin materials, and leads to lower CO_2 emissions. For example, in road construction, slag use is an environmentally and economically sustainable solution.

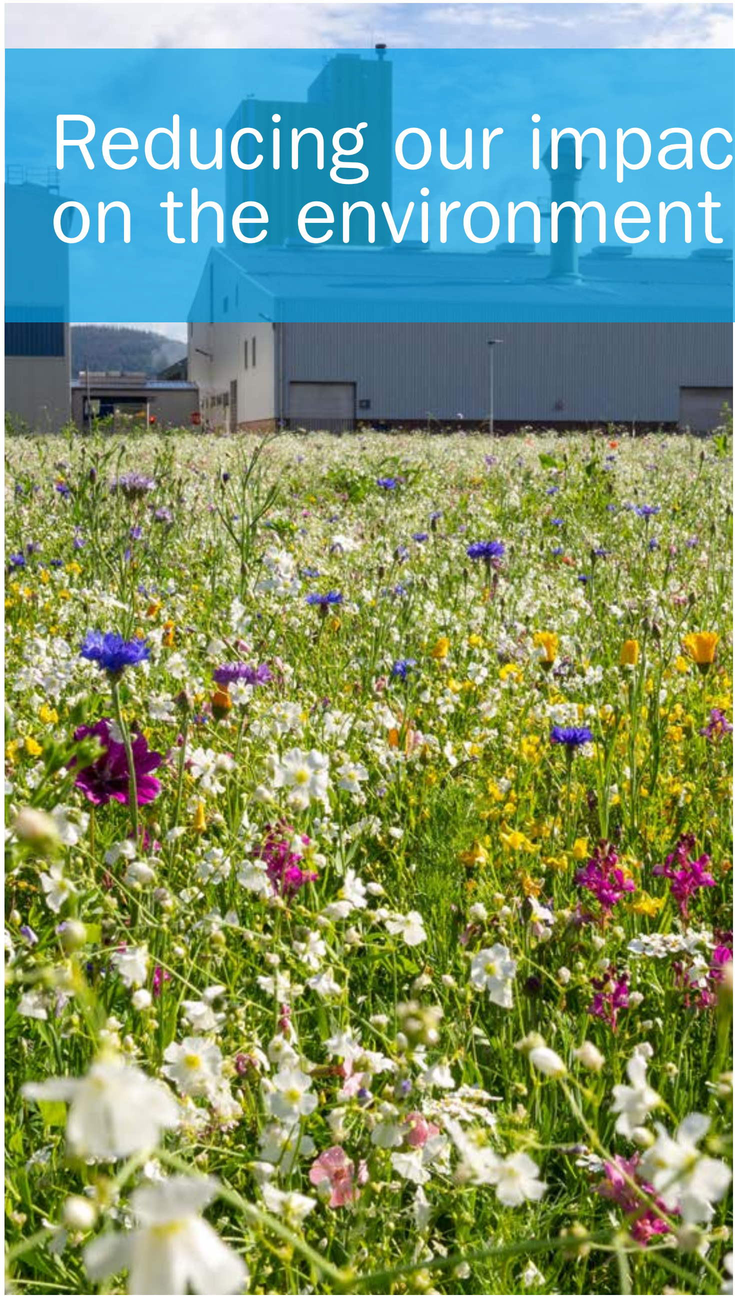
In 2020, the use rate (including use, recovery, and recycling) of all slag was 77.1%. The remaining 336,700 tonnes of slag were sent to landfill. The use rate depends on the local market for construction materials and on the acceptance of secondary material instead of virgin materials. In 2020, less slag could be used which resulted in higher amount of landfilled slag.

Reutilizing slag is good for the environment

Slag is an essential material in the steel melting process. However, once it is used, we also sell it under the trademark of OKTO to replace the use of natural materials, such as sand or crushed rock, in construction. In 2020, together with Destia, we compared the carbon footprint of slag and other road structure materials. Results showed that by replacing virgin materials, slag significantly reduced CO_2eq emissions in an actual road construction case. In this case, CO_2eq savings of nearly 800 tonnes could be reached.

Utilizing 700,000 metric tons of ferrochrome slag annually may save up to one million tonnes of gravel and rock. OKTO insulation has been used for more than 50 years already. Over the years, the positive environmental impacts have become manifold and large areas of rock and sand have been spared.

Reducing our impact on the environment



At our Dillenburg site in Germany, wildflower meadow and beehives meet stainless steel mill.

Our growing environmental efficiency is based on long-term efforts and continuous improvement. We constantly research and develop new ways of operating to reduce the environmental impact of stainless steel.

The biggest environmental impacts of stainless steel production are dust emissions from melt shop and ferrochrome production processes into the air, water use and discharges from production, use of direct and indirect energy, and the waste created in the production process. We aim to reduce our impact on the environment by proactively developing our production processes, energy and material efficiency, and solutions for the by-products from our operations.

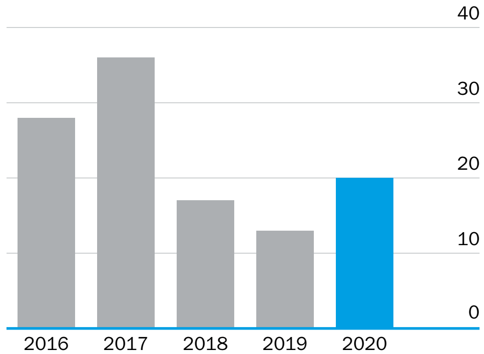
In Tornio, Finland the overall impact on the environment was analyzed during 2020 in connection with the revision of the environmental permit. The impact of the Tornio site to nearby sea area is negligible. The fallout via air is minimal and in practice not shown outside the mill area (modelling done by FMI, Finnish Meteorological Institute).

Dust emissions remained low

Steel melting and rolling processes generate dust and scales that are collected, treated and, whenever possible, recycled in our own production. For example, raw material metals (chromium, nickel, and molybdenum) are recovered from dust, sludges, and scales through a specialized recovery plant.

Our dust filtering systems are extremely efficient and remove 99% of the particles. The

Steel melt shop particle emissions, grams/t



measured particle emissions from all of our production processes were 274 tonnes in 2020 (347 tonnes in 2019). A large amount of particles, 128 tonnes, were emitted from the ferrochrome production process. However, the emission measurement campaigns include high uncertainty causing a remarkable fluctuation in the results year by year. The level of dust emissions from the melt shops is within the limits of environmental permits and inline with BAT levels. No significant further reduction is expected.

As our main raw material is recycled steel, we take all possible precautionary measures to check the input material for any unwanted content, such as mercury and radioactive contaminated material. In 2020, there were four incidents involving radioactivity. All of the incidents were dealt with in accordance with authority guidance and did not cause exposure. We work together with our suppliers to decrease the amount of unwanted materials in our production processes. All input material, the liquid steel and waste gas of the melting process, is controlled regarding radioactive contamination.

Water withdrawal and discharges

Million m³	2020	2019	2018
Surface water	**46.1**	45.4	44.6
Municipal water	**1.1**	1.2	1.4
Groundwater	**2.6**	2.4	2.5
Rainwater	**2.4**	1.8	1.2
Water withdrawal by source	**52.1**	50.7	49.7
Water discharges by type and destination			
Cooling water out	**13.2**	13.7	13.4
Wastewater out	**22.1**	22.4	23.4
Discharge to surface water	**21.0**	21.1	22.2
Emissions to water			
Metal discharges to water, tonnes	**41**	34	25
Nitrogen in nitrates, tonnes [1)]	**1,070**	1,046	1,443

[1)] Data restated to give the discharged nitrate. Part of the nitrates are treated in a municipal treatment plant.

Water is reused in production

Water is used in our production process in annealing, pickling, and cooling. The withdrawal of water is metered and rainwater is estimated by average rainfall and the surface of captured rainwater. It is treated and recycled as much as possible, and only some is discharged to the municipal wastewater system.

All wastewater is treated in the company's own treatment plants or in municipal water treatment systems before it is discharged. The main discharges into water are metals and nitrates. The discharge is measured and supervised by the authorities. In 2020, six cases of minor non-compliances occurred. They were coordinated with authorities, immediately removed and analyzed. Wastewater treatment depends on the contamination of the wastewater. The water is treated directly in the water circle at the process step and before discharge. According to the needs, treatments are oil skimming, neutralization, flocculation, and sedimentation to extract metals and, when necessary, a Cr(VI) reduction process. Nitrate is often treated in the municipal water treatment to reduce discharge. In these cases, the steel allocated discharge cannot be monitored. The water impact is managed by the municipal treatment operators.

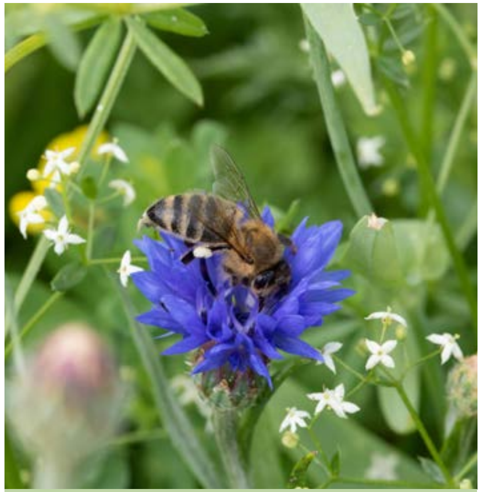
The water used in the production is mainly surface water and often includes rainwater. The impact of water withdrawal is evaluated at sites where river water is used, and where the data on the river water is available. The impact was screened by the percentage of withdrawn water compared to the river flow on a yearly basis in 2017 and revised in 2020. None of the sites had an impact on the river, meaning the withdrawal was below 5% at all sites. Our production site in Avesta, Sweden, has analysed the impact of the water management to the river Dalälven. The water quality remained unchanged with a very limited impact.

Outokumpu operates a cold rolling mill in San Luis Potosí, Mexico, in a dry, arid area, where groundwater is a scarce resource for people. The freshwater discharge was at about 50 megaliters. Water recycling and treatment at this site are especially ambitious to minimize the groundwater impact. According to the water risk assessment, future water stress change will be further evaluated.

Impacts of the mining operation are limited

Outokumpu operates a chrome mine in Kemi, Finland. We are a member of The Finnish Network for Sustainable Mining, and Kemi mine is committed to the Finnish sustainability standard for mining.

The environmental impacts of the mine are very limited due to the nature of the process. The minerals are in oxide form and very stable with only a minimal amount of sulfur compounds. Chemicals are not used in the beneficiation process, which is based on gravity separation. Kemi mine is almost self-sufficient with water as it recycles water on site and collects rainwater. The underground mine takes drilling water from old open pits (rainwater), and drilling water is also recycled inside the underground mining process. All dewatering from the mine is pumped to the closed circuit of the tailings site and concentrator plant on the surface level. Furthermore, a significant



Honey "made by Outokumpu"

At our Dillenburg site in Germany, wildflower meadow meets stainless steel mill. The surprising wealth of plants and blossoms on our plant premises provides nutrition for numerous insects. We have among our workforce an avid hobby beekeeper, our operator Janosch Ritter, who together with other our team members have created a wildflower meadow to support the protection of endangered insect species and foster biodiversity.

In the summer, the project team also set up beehives. The first honey "made by Outokumpu" will be bottled next year. This will be done in cooperation with a local charity organization that will collect the sales revenues.

amount of 1.6 million m³ of rain and snow melting waters were collected in the process in 2020. Kemi mine discharges 3,200,000 m^3 water, incl. rainwater, from the area, whereas the water intake from the municipal supply is only 23,500 m^3.

During 2018–2021, Kemi mine is carrying out a Deep Mine project to increase the resource efficiency of the mine. The project is about the depth extension and building underground mine infrastructure from 500-level to 1,000-level (meters) below surface. The area of the mine site has not been expanded.

The biggest impact on the environment from the mine is nitrates in the discharge water which originate from explosives. However, the amount of nitrates is reduced by natural processes in the internal water recycling system of the mine site. Another environmental aspect is chlorites from underground mine water that originates from natural geological formations. Land use of mining is limited to the existing mining area as mining is underground. Tailing sand is deposited in the tailing ponds of the mine area which will be landscaped as forest when full.

Environmental Impact Assessment process has started at the Kemi mine in 2020, and the process will continue during 2021. In the process, the mine is looking to find more sustainable processes related to material recovery.

Biodiversity and cultural heritages

The production of stainless steel does not occupy or reserve large areas of land or have a significant effect on the biodiversity of the surrounding natural environment. Outokumpu's production sites are not located in sensitive areas. However, Outokumpu has identified areas of high biodiversity value that are owned by the company or adjacent to our sites. These sites comprise 80% of the total owned land. Areas once utilized by production are remediated for further use.

Outokumpu's site in Tornio, Finland is located near Natura protected water areas. No risk to the protection basics of those areas have been identified according to Natura assessment. In a study, some very rare biotopes were found just by the mill area as well as also some protected animals, such as a frog race and otters.

The Kemi mine is adjacent to two Natura protected peat and wetland areas but no indication, claim or report of any negative impact of mining activities on biodiversity have been identified. The Kemi mine cooperates with local ornithological society to monitor the local biodiversity. During 2020, the Kemi mine and Tornio operations have both done fish plantings in addition to permit obligations to increase biodiversity. In 2020, there has been investigations related to biodiversity around the Kemi Mine site (nature surveys) which will still be updated during 2021.

In Dahlerbrück, Germany a 0.042 km² protected area is partly located on the company's property. There are e.g. endangered deciduous forests and natural silicate rock biotype with some endangered animal habitats and plant species such as crinkled hairgrass and fern.

In Calvert, Alabama, the US, some 80 hectares of the property is defined as wetland including some restrictions on land use. The site management has identified as a biodiversity aspect that part of the wetland area is home to a wide array of wildlife, like wild turkeys, bears, fox squirrels, gopher tortoises and snakes, among other species.

In 2020, the company started to evaluate the possible impact on cultural heritage.

Biodiversity

Site	Area in km²	Percentage
Calvert, US	4.69	18.8%
Dahlerbrück, Germany	0.063	0.3%
Kemi, Finland	9.16	36.7%
Tornio, Finland	6	24.0%
Total		**79.7%**

Sustainable supply chain

Our target is to transport as much of our products by rail and ship as possible.

Stainless steel is a durable and long-lasting material used by leading brands and demanding industries around the globe. As the leading provider of sustainable stainless steel, Outokumpu has strict requirements for traceability and responsibility throughout the supply chain.

Our customers require assurance that the materials for their applications are produced and procured in an ethical and responsible manner. Our most important raw material is recycled steel, which primarily originates from Europe and the US where our melt shops are located.

The main alloying element, chromium, originates from our own chrome mine that differentiates us from our competitors. Our mine in Kemi, Finland is the only chrome mine in the EU and we produce ferrochrome for all our steel melt shops and for sale. We are one of the few companies in the stainless steel industry with an integrated production – covering the production from the mining of chromite and ferrochrome production to the melting, hot rolling, cold rolling, and finishing of stainless steel.

Outokumpu's supply chain activities are guided by our Code of Conduct, Supplier Requirements and our Corporate Responsibility Policy. Outokumpu is also committed to the Modern Slavery Act.

Strict requirements on ourselves and our suppliers

As our customers require a lot from us, we place the most stringent requirements on ourselves, and we require the same from our suppliers. All suppliers and subcontractors are expected to comply with our Code of Conduct or similar standards and meet our supplier requirements, which require our suppliers to act according to the applicable laws and regulations, maintain a quality management system, sign general terms and conditions, and be able to clearly define, document, and share their supply and production control processes including material traceability.

We assess our new and existing suppliers, and if there is evidence of any kind of violation of our requirements, the suppliers are requested to provide an improvement plan and evidence of improvement. If the situation continues without progress, Outokumpu will discontinue purchasing from the supplier. There were no cases of restricting supply in 2020.

Outokumpu monitors its suppliers through self-assessment, screenings, and audits. Due to the COVID-19 pandemic, no on-site audits were conducted during 2020. However, a supplier performance assessment was conducted for 103 of Outokumpu's key suppliers in 2020, covering almost 60% of key suppliers. In the supplier performance assessment, suppliers are assessed using the following criteria: technology, quality, supply, cost, safety, environment and financial risk. As a result, improvement opportunities and improvement requirements were identified and communicated to the suppliers.

General procurement supply chain

In 2020, Outokumpu had over 9,000 suppliers. The vast majority (93%) of the suppliers are located in Finland, Germany, Sweden, the UK, the US, and Mexico, where Outokumpu has its production units. In those locations where we have significant production sites, the proportion of spending on local suppliers was on level of around 90% for general procurement, excluding raw material suppliers. There were no major changes in the supplier base during the year.

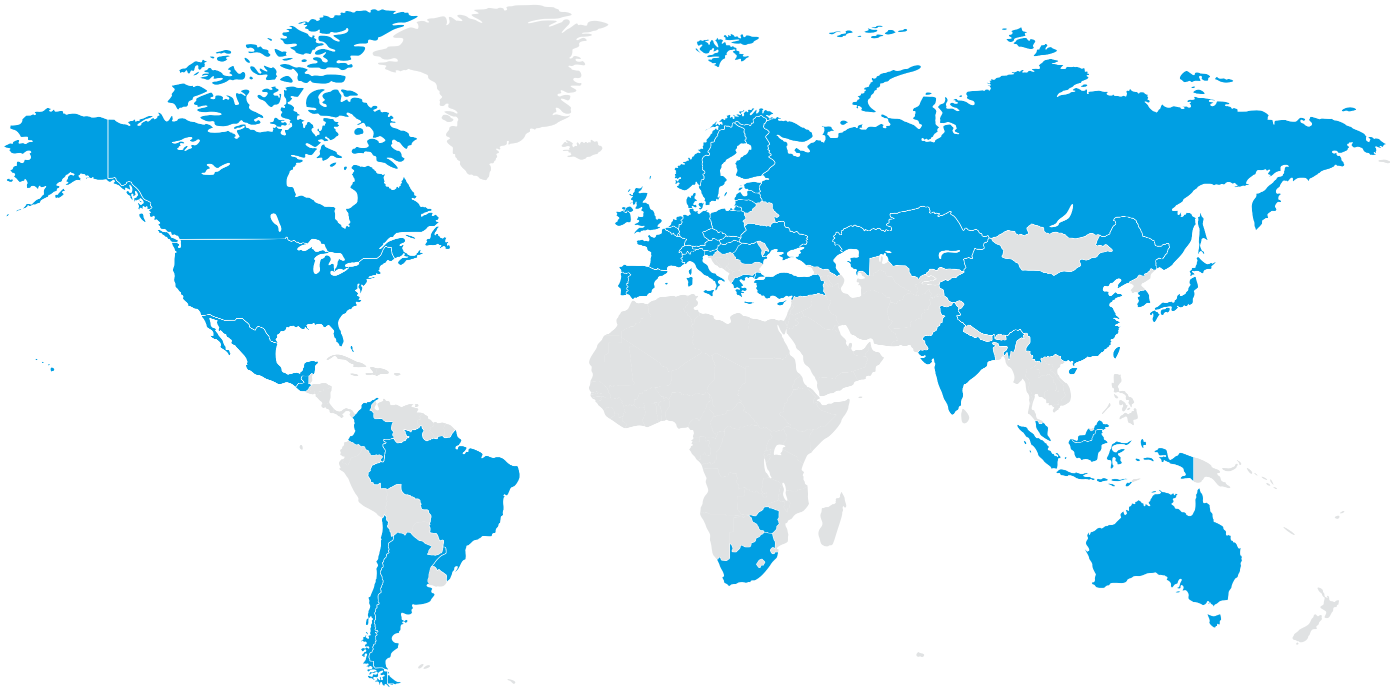
Raw materials

We take into account the OECD Due Diligence Guidance for Responsible Supply Chain. In 2019, our direct material suppliers were screened on the environmental, social, and governance (ESG) risks in countries of origin. The ESG country risk assessment was based on the following seven criteria: regulatory quality, rule of law and corruption from the World Bank, Environmental Performance Index, conflict minerals, child labor, and forced labor. The top 20 suppliers cover 80% of the total direct material spending. Six suppliers out of this group are located in countries with ESG risks. During 2020, only one site was audited due to travel restrictions but 23 suppliers were assessed under the ESG criteria resulting in some development discussion and tracking procedures.

Finnwatch, a Finnish NGO, published in February 2021 a report on Outokumpu's supply chain in Brazil. Outokumpu recognizes the report and will further investigate the case. Outokumpu has started to implement the UN Guiding Principles on Business and Human Rights.

Environmentally sustainable transportation

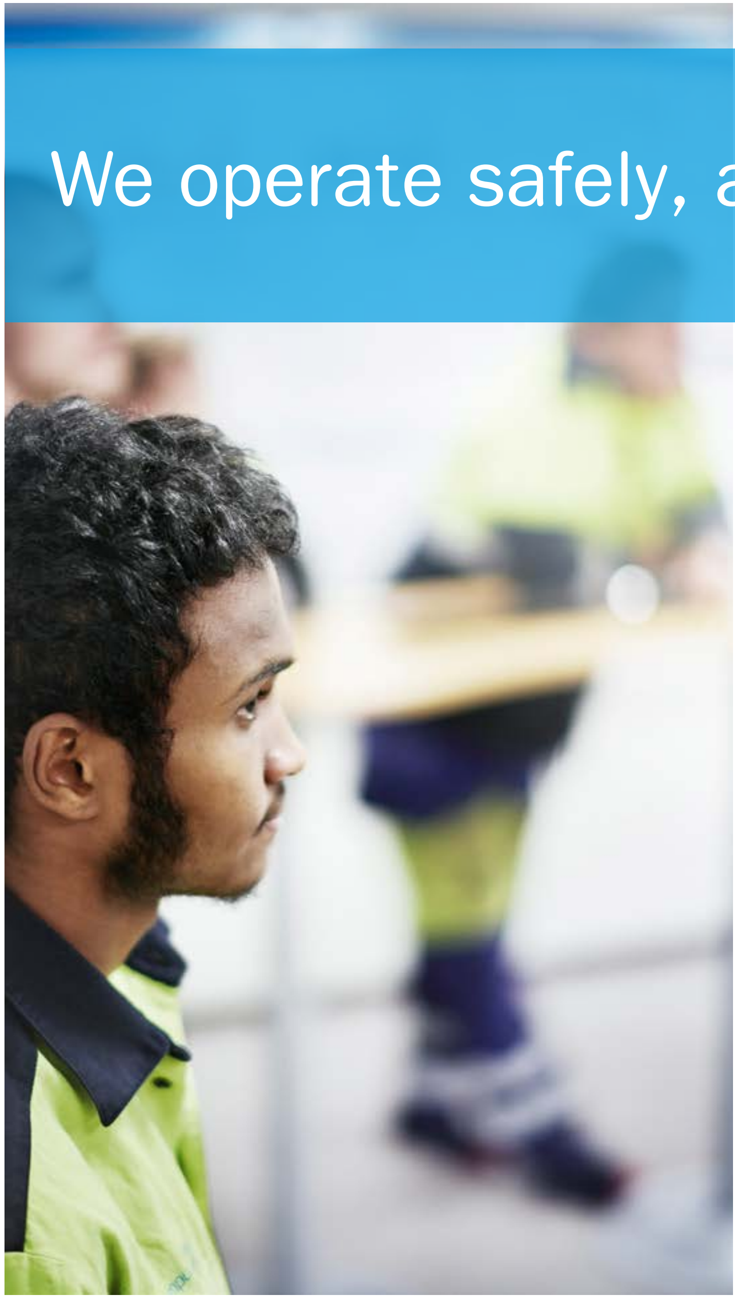
Outokumpu's target is to transport as much of our products by rail and ship as possible. Our mills have various programs and targets to make transportation more environmentally friendly, such as the implementation of intermodal transportation. In intermodal transportation, trucks are used for pre-carriage and on-carriage but trains are used for long distance transport. Also, the CO_2eq emission factors of trucks are continuously decreasing due to better technique. In 2020, the company could significantly decrease the transport CO_2eq emissions by about 19% although production only decreased by 3.7%. ■



Material and service suppliers

● Outokumpu supplier countries, including the most important supplier countries with purchases of more than 50,000 euros.

We operate safely, always



Protecting the health and safety of our employees is always our top priority, and even more so during the COVID-19 pandemic.

Safety is our highest priority. Everyone at Outokumpu has the right to a safe and healthy working environment. Strong safety performance correlates with improved quality and operational efficiency. We aim to be among the industry leaders in safety with the vision of zero accidents.

Our safety management system supports us in striving toward this goal through various preventive activities. Safety audits are performed regularly according to a standardized audit program. Due to the COVID-19 pandemic, most of the audits were conducted remotely. Our daily work is guided by common safety principles, standards, guidelines, and our ten Cardinal Safety Rules.

Hazard observations and Safety Behavioral Observations (SBOs) are utilized to flag potential risks and unsafe behaviors before they lead to accidents. Lessons from past incidents are shared with other sites in the monthly Safety Call hosted by the CEO.

Our safety network which comprises of every site safety manager and is coordinated by the Group safety function meets monthly to ensure up-to-date safety topics are communicated effectively and best practices are shared and adopted.

Responding to COVID-19

Protecting the health and safety of employees is the top priority at Outokumpu. During the year, Outokumpu has taken several rigorous safety measures to mitigate the negative effects of the COVID-19 pandemic on people and operations. A group-level crisis management team has been responsible for coordinating mitigation measures across the company. Local crisis teams have implemented site-specific rules and instructions according to the decisions by the company and local authorities.

Thanks to these decisive and well-timed actions, the impacts have been limited. We continue to monitor the development of the pandemic closely in each country that we operate in and adjust the needed measures accordingly.

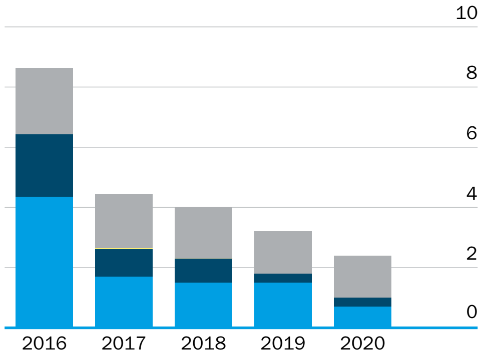
Strengthening positive safety culture

During 2020, developing the company's safety culture was focused around creating a positive safety culture across the organization.

The company-wide behavioral safety training program SafeStart has been executed at most of our sites with approximately two-thirds of the employees having completed the training. The feedback questionnaire that was filled out by participants at the end of the training has given a good indication that the program has met expectations with positive feedback for the trainers who held the trainings.

In addition to the safety awareness training and the regular task and location specific safety education, a new e-learning course

Work-related injuries*



* Per 1 million working hours.

about controlling contractors in safety was launched during 2020. Despite the restrictions caused by the COVID-19 pandemic, safety trainings at the sites could be arranged according to plans by implementing safety measures and control systems for minimizing any risk.

Safety performance

Proactive safety actions and incidents were reported and monitored on a monthly basis. The definitions of safety performance indicators are based on international standards. Incident rates and the rate of proactive safety actions (leading indicators) were reported per million working hours.

Outokumpu uses total recordable injuries per million working hours of employees and contractors (TRIFR) as the main safety performance indicator. Group TRIFR, our main safety measure, declined from the previous year and was 2.4 against the target of <3.0 (2019: 3.2). Group LTIFR (lost time injuries per million working hours) was 1.4 against the target of <1.2 (2019: 1.4).

The rate of all work-related accidents (total recordable injuries and first aid treated injuries per million working hours) was 13.7 (2019: 15.3).

Proactive safety action frequency was 5,353 (2019: 3,810). This includes reported near-misses, hazard observations, SBOs, and other preventive safety actions per million working hours.

Health and well-being

Good health and well-being of our personnel are essential values on their own. In addition, we believe that a healthy and thriving team of professionals is an asset to the company's success. We want all employees to return home healthy, safe, and sound every day.

Outokumpu encourages its employees to take care of their physical health by offering various exercise benefits and discounts to sports and well-being services. Different health support programs are also run across our sites. In addition, occupational hygiene measurements are being carried out at Outokumpu sites to ensure a healthy working environment.

The number of occupational diseases diagnosed in the Group was 0 (2019: 0). The total absentee rate was 3.3% (2019: 4.2%).

Work-related injuries by region, accident and employee type

	Group	BA Europe	BA Americas	BA Long Products	BA Ferro-chrome	Employees	Contrac-tors
TRIFR 1)	2.4	2.1	1.6	8.1	3.1	2.3	2.7
LTIFR 2)	1.4	1.5	1.1	3.1	1	1.3	1.7
Total recordable injuries 3)	53	25	9	13	6	40	13
Fatalities	0	0	0	0	0	0	0
Lost time injuries	31	18	6	5	2	23	8
Restricted work injuries	6	0	3	1	2	3	3
Medically treated injuries	16	7	0	7	2	14	2

1) Total recordable injury frequency includes fatalities, lost time injuries, restricted work injuries and medically treated injuries, per million working hours.
2) Lost time injuries including fatalities and lost time injuries, per million working hours.
3) Includes fatalities, lost time injuries, restricted work injuries and medically treated injuries.

Strong safety performance, strong safety culture

In 2020, our performance in safety was on a very good level as we improved our performance especially regarding our total recordable injuries. This follows the long trend of continuous improvement in safety performance, proving that we have been able to build a strong safety culture within Outokumpu.

Since 2016, when the new safety KPIs were implemented our total recordable injury rate has declined over 70% from 8.7 to 2.4. Our lost time injury rate has declined from 2.2 to 1.4.

"Everyone can be proud of this performance that we have achieved and the strong safety culture we have built. Our focus on safety principles, safety standards and sharing good practices throughout the company has been the key to our success. This shows that we are on the right path toward our long-term goal of zero accidents," says Alastair McCubbin, Head of Health & Safety.

We want to build our employees the best work environment


In control rooms our operators ensure that the process runs smoothly – all year round.

The year 2020 was largely labeled by the impacts of the COVID-19 pandemic. Also, the launch of Outokumpu's new strategy set in motion a transformation affecting our personnel at all levels. Our Ways of Working provide us now with the fundamentals that describe our key success factors.

Mitigating the effects of the pandemic

The outbreak and the continuous effects of COVID-19 strengthened our teams, and our joint response proved the cross-functional cooperation within the organization to be strong. Maintaining the level of collaboration and effectiveness of work was a remarkable achievement of all the Outokumpu team members.

We empowered our employees to work remotely whenever possible and helped to adjust their work environment according to the changed situation and restrictions caused by the pandemic. The online meeting methods were taken into use without delay, where applicable, and adjusting the ways of working in operations was systematic and prompt.

In these circumstances, social interaction and face-to-face collaboration have naturally shown their value. Nonetheless the amount of successfully conducted remote work and online meetings will have implications on our future ways of interaction. The flexible view and practice of combining remote and office work will provide our way forward.

The Outokumpu Ways of Working

To steer our journey toward our vision, we commit to promote a high-performing culture and Outokumpu Ways of Working. The Ways of Working were launched with our new strategy, and they clarify and define the way we need to work together in Outokumpu in the coming years. They consist of six elements: we operate safely always, we leverage the power of one Outokumpu, we deliver, we grow people and value diversity, we act sustainably, and we are a trusted partner. The way we work at Outokumpu is now condensed in these fundamentals that describe our important success factors.

For example, related to valuing diversity, it is very important that all people feel comfortable to work in the company and can contribute equally to our joint journey. There is zero tolerance for any kind of discrimination in Outokumpu, whether it is based on ethnic origin, nationality, religion, political views, gender, sexual orientation, age, or any other factor. Outokumpu's Code of Conduct sets the way of operating in the Group, built on the equal treatment of all people.

Our target is to align ourselves in these six Ways of Working, thereby gaining the ingredients to be a truly high performing organization. The Outokumpu Ways of Working provide us with a road map: they express the requirements for our ways of working to be the customer's first choice in sustainable stainless steel. During 2021, our Ways of Working will be communicated and implemented throughout the organization, and gradually also incorporated into our performance management system and My Performance Commitment development discussions.

Improving organizational health

We strive to improve our organizational health. Elevating empowerment, role clarity, and leadership were identified as the key development areas for 2020, based on the results of our global employee survey Organizational Health Index conducted in 2019. By developing our leadership capabilities, we can significantly impact our business performance and organizational health – hence improving leadership and empowerment helps influence many other areas of organizational health.

Outokumpu Ways of Working

We operate safely. Always.	We work safely, comply with our cardinal safety rules, assess potential risks and take appropriate measures to mitigate them.
We leverage the power of one Outokumpu.	We work together, share and combine our knowledge, across functions and regions to create best value for our customers.
We deliver.	We live up to our promises with clear roles and clear accountabilities. We have a passion for continuous improvement.
We grow people and value diversity.	We foster diversity and create work environment that allows all team-members to contribute and develop.
We act sustainably.	We are driven by creating sustainable impact, environmentally, socially and economically.
We are a trusted partner.	We are a reliable and trusted partner towards all our stakeholders, our customers, employees, investors and the communities we are operating in.

Although every day work was largely affected by the pandemic, many development initiatives took place to increase our organizational health and employee satisfaction. We clearly saw that the development on empowerment and leadership supported us also in managing the difficult and challenging situation caused by the pandemic.

To ensure alignment with the new company strategy and targets the 2020 organizational health survey was moved forward. The next survey will take place in 2021. By creating a common understanding on how we run and lead our business, engage and empower our people, and moreover how the day-to-day behaviors and mindsets are connected to the company strategy, this employee engagement survey will further support our Ways of Working.

Step-change in leadership

Strong leadership forms a firm foundation for our high performing organization, and we aspire to grow leaders within our own organization. The basis for further leadership development in Outokumpu is the implementation of the Leadership Pipeline concept and methodology, and our Step-Change in Leadership Excellence program develops our leaders in all levels. The program brings clarity to the expectations of different roles and pushes accountability forward in the organization in a coherent way. The program has been piloted and rolled out in several locations, and we are proceeding with a top down approach starting with the Outokumpu Leadership team and Group finance team. The roll-out will then continue throughout the organization, commencing with management teams and then cascading within the function or location, targeted at strengthening the performance of each team and endorsing them to become high performing.

The Step-Change in Leadership Excellence program includes workshops where management teams learn to function as a cohesive unit, with a clear team purpose and vision, aligned priorities and key deliverables in alignment with the wider Outokumpu organization and strategy. The training enables individual leaders to complete the transition into the leadership role that needs to be executed to add most value to their team and the organization.

For the recently appointed administrative managers, who have stepped into their role for the first time, we have developed in-house a program to advance tools and methods which drive performance, talent, and rewarding. Leadership Pipeline is implemented in this program as well as in our License to Lead shift-leader program to our first-line managers in

More experts in problem solving

We strive to support the development of our people, and to facilitate continuous improvement in our operations, the Outokumpu team members are regularly trained and certified as experts in the Lean Six Sigma methods and tools. Developing process improvement and problem-solving skills helps us to improve business processes, e.g. by reducing variation and eliminating defects and waste.

In 2020, on a regular basis, we celebrated the achievement of our employees by certifying new Green Belts, who help us to continuously improve our processes and procedures.

During the year, these training sessions presented an example of the many which were promptly transformed into virtual format, and projects were executed in the altered circumstances, with excellent deliverables.

operations. Hence, we will continue enhancing the capabilities of our managers to ensure alignment in our leadership on all levels.

A strong focus will be maintained on people development and especially in leadership development, and the Leadership Pipeline program will be executed in more functions and teams throughout the entire organization.

Making a career

In our international and process driven organization, key roles require international and cross-functional experience accompanied by excellent leadership skills. To attract, develop, deploy and retain the talent we need for the future we have increased the rigor of our talent management. This has included executing a significant international rotation of leadership inside the company: most of our major operational units now have new leadership. With a new talent management team, we are defining the road map for the coming years to ensure we employ capable and talented team members to take over key positions in the future, and the development work continues in 2021.

Defining and managing our talent pipeline and the different talent pools – young talents, those with high potential, and top leadership – form a core responsibility of our global talent management. Our intensive programs grow these talent pools step by step, as we identify and assess the potential of our talents in the different pools to provide clarity about the strengths and development areas of each talent.

For example, the global program Form your Future sets the basis for international career growth in Outokumpu, targeting newly hired graduates. We provide them opportunities for international collaboration, coaching, as well as efficient presentation and communication skills. The program also gives an opportunity to share experiences, provide insights and inspiration and moreover, get motivated by success stories from our current leaders.

Learning and development

Amidst the COVID-19 pandemic and the unexpected change in circumstances, it was important to continue the training and coaching efforts to further increase role clarity, cooperation, and leadership skills to enable the best execution of our goals. Thanks to the quick and agile shift into virtual learning methods and online exercises we were able to maintain a fair number of training and development measures despite the social distancing restrictions and travel guidelines.

Even before the effects of COVID-19, the share of e-learnings had risen significantly as part of our learning plan and offering. Self-evidently growth occurred also after the outbreak of the pandemic, providing training where learners participate in an online learning course at different times, whenever it is the most suitable for the participant and at their own pace. To keep up the learning processes, e-learnings were created, and courses were launched in the areas of safety, manufacturing excellence, and sustainability.

We also had a significant increase in the quantity of webinars and virtual training available. Initially, we experienced a brief drop in the number of training sessions as events were canceled, but the ways of working quickly adjusted. Helping our own subject matter experts enhance their training skills has encompassed a systematic process for the past three years, and amidst the pandemic, we saw the benefits materialize. One driver was the increased offering of learning sessions for trainers instructing on the of use virtual tools and methods. Virtual training delivers multiple benefits especially in a global company spread over several locations and sites. Many of our face-to-face and classroom training sessions were converted into online versions allowing development to continue though people could not travel nor meet in person.

To enhance efficiency, customer orientation, and the understanding of quality in our organization, we will introduce a learning program on quality. The modular program is targeted especially at our operators and it will familiarize our employees with the significance of quality – especially to our customers –, our quality management system, and the way every one of us affects quality.

In total in 2020, 93% of Outokumpu employees participated in training sessions and programs. Despite the significant increase in remote and online training as well as webinars, however, the number of training days dropped during the exceptional year. Overall, the number of training and development days amounted to 9,978 (2019: 18,004) and 79,825 hours (2019: 144,036) during the year.

Setting and achieving targets

To ensure that managers and employees understand their main tasks and how they contribute to the business targets and the strategy, we have a systematic process for setting and achieving individual performance and behavior targets as well as a discussion about development needs. The core of performance management in Outokumpu is My Performance Commitment process, MPC.

Consistent execution of My Performance Commitment process ensures high performance by clarifying responsibilities and individual accountabilities. Our target setting process starts with the definition of the business targets, which are cascaded throughout the organization. Each employee and their manager agree on individual performance targets that contribute to the overall business targets on the right level: business targets, leaders' targets, or individual contributor targets.

In 2020, Outokumpu continued its performance review process with increasing focus on achieving results. Communication tools for managers and employees were further developed with an intensified attention on follow-up and driving a performance culture in the organization. To further strengthen engagement and performance among employees, Group supported managers with performance tools and measures while also providing training. Going into 2021, the target setting and follow-up will be further strengthened and intensified to secure a delivery following the new strategy for positioning Outokumpu competitively for the future.

My Performance Commitment process is documented in our common HR platform PeopleDrive. In 2020, 98% of employees in applicable countries had a regular performance development discussion with their respective manager. The remaining 2% are mostly on parental or other long-term leave. In those countries where local contracts or regulations do not make it possible to have performance development discussions, Outokumpu follows the local procedures.

Through having one global HR ERP system, PeopleDrive, Outokumpu has been able to improve and harmonize HR processes and bring efficiency and better end-user experience to managers and employees. During 2020 Outokumpu conducted several audits to ensure high quality of data, acknowledging that the global system supports an increasing number of other processes and systems within the Group.

Outokumpu's remuneration principles and framework was largely unchanged from the year before: incentive plans remained the same while the target setting was adjusted. Salary budgets were set on very moderate market-based levels observing the overall difficult market situation. Long-term incentive programs continue to focus on emphasizing shareholder value creation and ownership culture and setting a performance culture through Group and BA level target setting. The commitment to our new strategy and transformation will also be reflected in the incentive programs within Outokumpu.

Organizational development

As part of our aim for a lean and agile organization, we started delayering the organizational structure. The target is a simplified and flat structure with clear roles and responsibilities, thereby creating a high level of individual accountability.

In 2020, the number of employees decreased by 475 globally. In April we concluded negotiations to reduce our personnel in Germany by approximately 370 full-time employees, and the measures were close to completion at the end of 2020. In the business area Long Products, approximately 100 positions were reduced by year end. Approximately 70% of the redundancies took place in the UK, and shift reductions were also implemented in Sweden earlier in 2020. In November, Outokumpu started employee negotiation processes in selected operating countries with the plan to create cost savings by restructuring and reducing the total employee headcount by up to approximately 1,000 mostly by the end of 2021. The employee reductions were planned to be 270 in Finland, 250 in Germany and 190 in Sweden, with further reductions planned across the European and Americas based operations. Outokumpu has targeted a headcount of below 9,000 during 2022.

By cultivating a lean and agile organization, we aim to grow an organization with people who have the capability of quickly reacting and adapting in the changing market environment. The year 2021 will see some of our teams building their everyday tasks, manners and routines after the delayering of the organization, as certain functions will need to adapt the structures or change the ways of working going forward.

Outokumpu is committed to informing and consulting its employees and their representatives to ensure a greater understanding of the company and the competitive situation in which we operate. In Europe, continuous

Keeping it safe

While we encourage remote work whenever possible during the COVID-19 pandemic, our mills would not run, and we could not deliver top-quality stainless steel to our customers, without our ever-present experts in several shifts. During the year, we took countless actions to ensure the safety of those who could not work remotely but also to keep our mills up and running by global and local guidelines on social distancing, hygiene and cleaning, travel bans as well as limiting face-to-face meetings and visitor access. Our teams came up with various solutions like outdoor meetings following the rules of social distancing.

Here the Americas' safety team, led by Wayne Denton, is showing example of how to organize the melt shop team's safety meeting safely.

Our Americas business area also successfully launched virtual customer visits to replace real-life visits to our mills.

Our people by region

	2020	2019	2018
Finland	**2,517**	2,502	2,437
Germany	**2,326**	2,555	2,667
Sweden	**1,888**	1,975	1,940
The United Kingdom	**502**	560	571
Other Europe	**747**	727	698
Europe	**7,980**	8,319	8,313
The United States	**1,010**	1,064	1,072
Mexico	**786**	859	903
South America	**84**	87	86
Americas	**1,880**	2,010	2,061
Asia/Rest of the world	**55**	61	75
Group total	**9,915**	10,390	10,449

collaboration with the personnel takes place in a joint consultative body, Personnel Forum, which is an information channel between our personnel and corporate management. Personnel Forum appoints the Group Working Committee, which is responsible for the ongoing cooperation between management and employees. Eight members represent employees and three the management. Normally, the Personnel Forum meets once a year but in 2020, the Outokumpu Personnel Forum was postponed and then canceled due to COVID-19. A meeting of the Personnel Forum is planned to be organized in 2021, yet the COVID-19 situation will be monitored very closely. Additionally, Group Working Committee was heavily affected in 2020 by COVID-19, as it was possible to convene face-to-face only once, and the other three official meetings were virtual. In addition, between mid-March and end of June, Group Working Committee had weekly COVID-19 update calls.

Outokumpu's working hours, minimum notice periods, vacation times, wages, and other working conditions are consistent with the applicable local laws. Outokumpu maintains a consistent policy of freedom of association. All Outokumpu employees are free to join trade unions according to the local rules and regulations, and in 2020 altogether 79% of the Group's employees were covered by collective agreements (2019: 79%). In sum, 2,496 days in 2020 were lost due to strikes (2019: 5,424).

Sharing expertise across functions

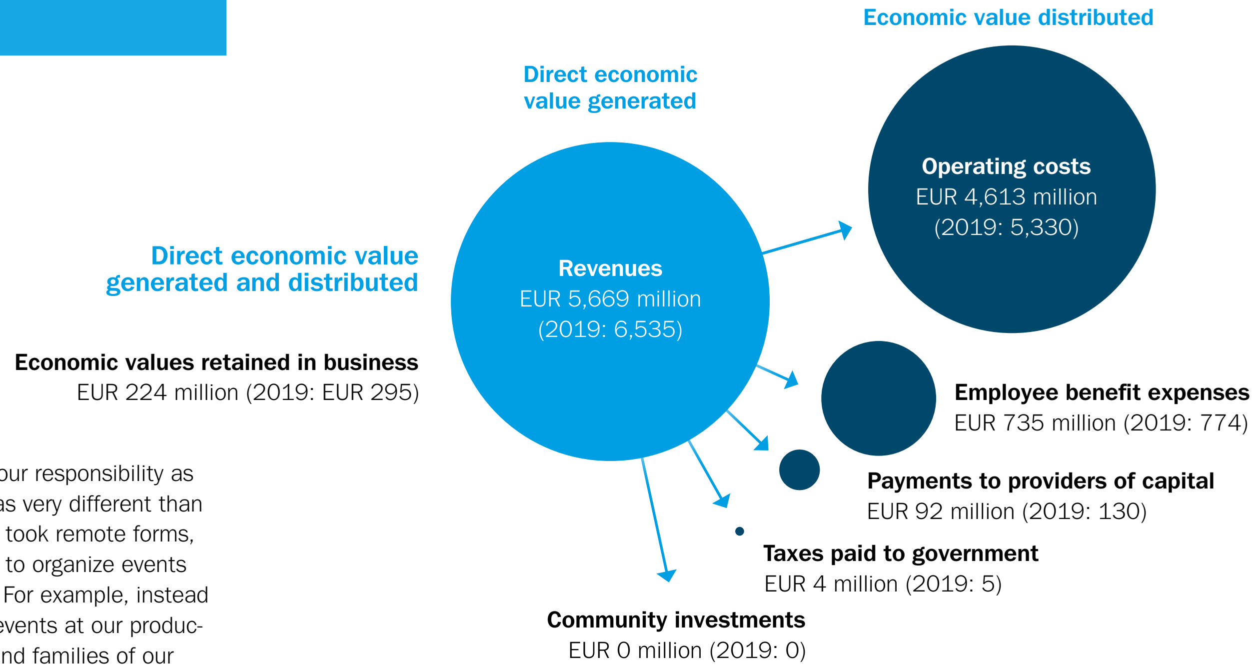
To enhance the development of training programs internally, we have leveraged the power of one Outokumpu. With an extensive collaboration across functions, operations and different teams, during 2020 we have constructed for example a vast training program concentrating on quality. In the future, quality will help us to strengthen our market position and we recognize that the foundation for high-quality products is built on high-quality culture throughout the organization. Thus, the aim is to ensure that employees understand how they create value for the customer and Outokumpu in terms of product quality and how the contribution and awareness of each and every one of us is crucial. The training is targeted especially at operators and first line managers but will also be available to process specialists, decision makers and sales teams.

In addition to quality, online and in-house training programs have been developed around topics such as stainless products and properties as well as making of stainless steel from scrap to slab. These training programs will be rolled out during 2021–22.

Outokumpu and society

Our main areas of direct economic impact are our financial interactions with customers, suppliers, employees, the public sector, investors and shareholders.

See taxes by country in our sustainability data tool.



Local communities

While Outokumpu operates in a global market, our production sites are often located in relatively small cities or towns. This means that we are a significant part of the many of the communities we operate in, and often one of the very few private-sector employers in the area. We recognize that our decisions might have a major impact on communities, our personnel as well as local suppliers and service providers, and we maintain continuous cooperation with community officials and representatives, other companies, schools, and universities. Typically, sites have yearly discussions with local community representatives on relevant topics such as employment, the environment, energy, or sponsoring of local events.

As part of their community engagement, some Outokumpu sites also continued their dialogue within the community and with environmental NGOs related to ongoing permit processes or other environmental issues. In 2020, Outokumpu launched an Environmental Impact Assessment (EIA) procedure related to the plans to expand our Kemi Mine. Discussions about possible concerns related to the project have been conducted with local stakeholders.

In this exceptional year, our responsibility as a community member was very different than it usually is. Cooperation took remote forms, when it was not possible to organize events due to social distancing. For example, instead of organizing open-door events at our production sites for neighbors and families of our employees, we limited the number of visitors at our sites to only business critical visits. Our sites followed both Outokumpu's own and local guidelines by authorities to safeguard both our employees and the community we operate in.

Public sector and sponsoring

In sponsorships, Outokumpu prioritizes connections to stainless steel, sustainability, talent, and education. Locally, Outokumpu has sponsored, for example, artworks by donating stainless steel, significant local projects, and sports associations.

We support research related to our field of industry and maintain close cooperation with educational institutes. In 2020, for instance, Outokumpu strengthened cooperation with local educational institutions in Finland with Lapland University of Applied Sciences, Oulu University of Applied Sciences and Vocational College Lappia. This way, the competencies and skills needed in the industry can be better embedded into curriculums. Students, educational institutions and Outokumpu all benefit from the systematic and long-term cooperation.

Apprenticeships have been offered to local colleges, and student placements have been made available in the form of one-year programs.

Associations and public affairs

Outokumpu is a signatory to the International Chamber of Commerce (ICC) charter and the United Nations Global Compact. Outokumpu has signed the World Steel Association's Sustainable Development Charter and the ISSF's Sustainable Stainless Charter and joined ResponsibleSteel initiative for the steel industry.

Outokumpu is a member of several international organizations and provides relevant information to decision-makers and experts relating to the development of the business environment and legislation. The Group also participates in the work of trade organizations. Our public affairs approach is to communicate via industrial associations like Eurofer toward governing bodies and regulators. Our total spending on association memberships is around EUR 2.5 million.

See the list of our memberships on our website.

Ethics and Compliance

Outokumpu is strongly committed to conducting business in a legal, compliant and ethical way. The objective of Outokumpu's ethics and compliance program is to ensure that Outokumpu and its employees comply with the laws and regulations as well as Outokumpu's internal policies and instructions and make sound, ethical decisions as part of their daily work. The program also aims to mitigate compliance risks by a set of preventative and supervisory measures. During 2020 the implementation of all elements of the ethics and compliance program continued in close cooperation with the leadership, business areas and business support functions. The compliance governance bodies, including Compliance Steering Group and a network of compliance contact persons, also supported with the implementation of the program.

Outokumpu's Code of Conduct is the core element of Outokumpu's ethics and compliance program as it sets the standards for what is the right thing to do. That means acting honestly, responsibly, and in an ethical manner in everything we do. One of the key compliance projects for 2020 was the revision of Code of Conduct. The revision was made, inter alia, in order to incorporate new Ways of Working and strategies into the Code of Conduct and to comply with the stricter external requirements and expectations from the business partners. The revised Code of Conduct will be launched during 2021 together with the updated, mandatory Code of Conduct e-learning for all employees.

Outokumpu's Code of Conduct sets zero tolerance for corrupt practices. Outokumpu has also an Anti-Corruption Instruction providing more detailed guidance on responsible business practices. In 2020, specific anti-corruption related communications were made, and anti-corruption e-learning was reissued to all administrative employees. The e-learning achieved a completion rate of 100%. The effectiveness of the anti-corruption e-learning was measured through a survey that was launched for the first time as part of the improvement of internal controls. Communications were also made with respect to data protection topic and data protection e-learning was relaunched in 2020 with the completion rate of 100%. To strengthen the enforcement of mandatory compliance e-learnings a consequence management process was implemented in 2020. Through this process, the completion of the mandatory compliance e-learnings can be effectively monitored, and follow-up actions can be taken in case of non-completions.

During 2020 further improvement actions also continued in the identified other key risk areas, including competition law compliance and trade compliance. Within competition law compliance, the company's Competition Law Compliance Policy was updated, several webinars were conducted for selected target groups and communications were made through different channels on this topic. Within the area of trade compliance, Outokumpu has a Know Your Business Partner Instruction detailing the principles and rules related to establishing and monitoring relationships with business partners and managing related risks. During 2020, third party risks were further mitigated with process improvements and organizing several webinars on the trade compliance topic for targeted groups.

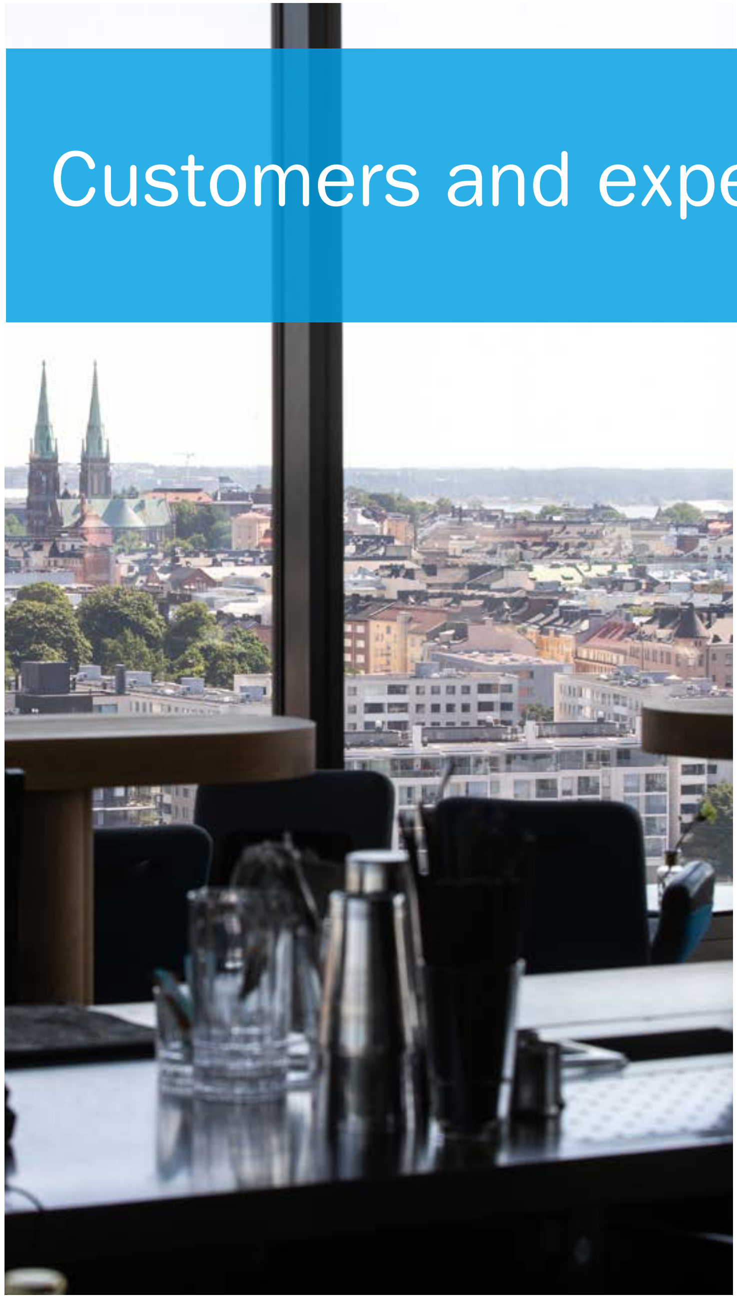
Compliance risks, including risks related to corruption, are assessed and reviewed annually and described in the Key risks section in this Annual report. More information regarding our misconduct reporting can be found in the review by the Board of Directors, Corporate Governance statement, and our website.

Rescue patrol ready to serve

At our mills, we have internal task forces who support local rescue services by taking care of the situation until the rescue services arrive. But some of our experts also act as on-call firefighters in their community.

In Nyby, Sweden our task force works closely with the local rescue service in the Eskilstuna area. Among our stainless steel experts, we have eight on-call firefighters who work part-time and respond to hundreds of emergency calls in their community every year. As locals they have good knowledge of the area, and they are an important part of the local community's emergency preparedness, with also certain tasks agreed with the authorities. Outokumpu as an employer supports our team members' work as part-time firefighters and enables their participation in the emergency operations and exercises. As compensation, Outokumpu gains own experts with solid knowledge in fire protection, lifesaving and accident prevention work.

Customers and expertise



Temoco provides bar furniture and chose Outokumpu as a supplier because we are a responsible producer of stainless steel.

Our customers are our focus in our new vision, to be our customer's first choice in sustainable stainless steel.

We want to increase our customers' competitiveness with our products by improving their efficiency, profitability, and sustainability. We continuously innovate and improve our operations and products so that we can offer more benefits to our customers. Together with our customers, we can find new application areas where stainless steel can make a positive impact as a more sustainable solution. While we had to adjust our operations in 2020 to meet lower demand, our sales team proactively engaged with our customers during these exceptional times to ensure the continuation of our service and remain our customers' trusted partner.

Outokumpu has a strong customer base spread across the globe on every continent and balanced over a range of industries. Our customers build and construct infrastructure and buildings, produce energy, and manufacture appliances and cars. Most of our customers are based in areas where we have our own production: Europe, the US, and Mexico. We also have a global sales and service center network that serves customers on all the main continents.

Outokumpu conducts regular customer satisfaction surveys. In the latest one, conducted in 2019, 95% of customers were satisfied, very satisfied or absolutely satisfied with their business relationship with us. Our strengths are quick reaction to customer requests, understanding customer needs and easy reach of contact people, while we need to work on our delivery performance. In the exceptional year of 2020, we strove to keep our delivery performance on an acceptable level but did not manage to improve it significantly.

Customer cooperation goes online

Continuous interaction with customers helps us to improve our understanding of our customers' needs, challenges, and business environments. This feedback helps us to achieve our growth targets and guides us in improving our performance, at the strategic and operational levels. In 2020, our customer cooperation took new remote forms. For example, the Americas business area arranged virtual visits with top distributor customers.

In terms of digitalizing our sales channels, 2020 was a significant step forward. Electronic Data Interchange (EDI) has been a main pillar of connecting on a transactional level with our customers. Additionally, we have been able to further expand our web shop offering. All those sales digitalization efforts do not only improve the customer experience and satisfaction, but also help us to further reduce administrational effort and cost of sales.

Excess material sold online in Germany

In 2020, we took another leap forward in our sales digitalization efforts and set up a new web shop selling excess material from our German mills. Excess material can be for instance leftovers due to order cancellations and with sometimes very distinct dimensions, or material that does not fulfill the quality requirements for prime products, such as with scratches on the surface, but which are still too good to scrap it. We have always sold excess material but by a different method and a negotiation process.

Now with the web shop, our select customers, who have bough excess materials before, can immediately see what is available, and the process runs smoothly for both Outokumpu and the customers. Our excess material web shop was set up in a record short time, in only 13 weeks. We are looking into possibilities to expanding it to Tornio and Terneuzen.

Bridge built to last

New Pooley Bridge, the first stainless steel road bridge in the UK, was designed by Knight Architects to replace the original historic stone bridge, swept away in a storm, and opened up for traffic in October 2020. “We found that local people wanted to minimize the risk of future flooding, to be able to see the landscape clearly and to include traditional stonework. We also needed to minimize the impact of construction on the river,” explains Hector Beade Pereda, Head of Design at Knight Architects.

Using strong duplex stainless steel, bridge designers could create something as slender as possible, to help the bridge appear transparent so that people can see the landscape through it. The slender design also allows the river to flow freely and avoids backing up during storms. The duplex steel is also more tolerant of impacts by debris when the river level is high and flowing fast. Light design minimized the impact of construction on the river.

Find out more on Pooley bridge

Transforming bar industry sustainably

Temoco provides bar furniture for some of the Nordics’ leading bars, transforming the bar industry sustainably. Morten Larssen, the owner of Temoco: “We chose Outokumpu because they clearly show and act like a responsible producer of stainless steel. That business is all but green due to the industrial process, but they do their best to produce it as sustainably as possible. The fact that 90% of the raw materials used in their business are recycled and 100% recyclable played a large part and being located in the Nordics ensures fair working conditions. We must educate and inform our clients about all the benefits sustainable options give to the environment and to the economy. We believe that more players in the market will begin to pay more attention to sustainability.”

Watch Morten Larssen describe the sustainable business of Temoco

Research and development

Outokumpu's research and development function contributes to Outokumpu's new vision to be the customer's first choice in sustainable stainless steel.

Outokumpu's research and development (R&D) aims to create extraordinary value for our collaboration partners both internally and externally by delivering focused projects on the current and future product demands of our customers, developing and adopting new process technologies, ensuring and improving efficiency of our production processes, ensuring best in class product support, securing competitive knowledge and driving value by using digital tools and data science.

Further optimization of R&D organization

Our R&D works closely together with sales, operations and customers to support the business and align R&D activities with customers' current and future needs. As part of organizational changes made in the Chief Technology Officer's function, the R&D organization was further streamlined in 2020. Both process and product R&D teams started to report directly to the head of R&D. Outokumpu has three R&D centers located in Avesta, Sweden, in Krefeld, Germany and in Tornio, Finland. R&D activities are focused on the development of our production processes, products and customer applications. In 2020, Outokumpu's R&D expenditure totaled EUR 21 million, 0.4% of net sales (2019: EUR 17 million and 0.3%, 2018: EUR 15 million and 0.2%).

Process R&D

During 2020 the key process R&D projects were focused on the optimization of product quality, yield, production cost reduction and material efficiency. R&D also contributed to product transfers between the Outokumpu units. A training program to further improve the technical competences of our staff at production operations was developed and launched. Sharing of best practices between Outokumpu production sites was also kept high in our agenda, facilitated by so called CTC (core technology competence) groups involving technology experts from both production and R&D teams. Process R&D experts continued to be actively involved in our industrial digitalization initiatives. A long-term R&D program to aiming to reduce the CO_2 footprint of our operations was initiated.

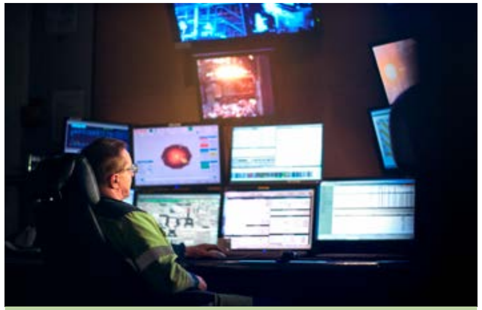
Product R&D

The product R&D projects are focused on developing new steel grades, characterization and improvement of the existing grades, as well as the use of stainless steels in different end-use application areas. The product R&D activities are focused on the Outokumpu Pro product family that offers stainless steel products for specific applications or demanding end use. Product and application development projects mostly concentrate on the development of sustainable solutions in certain key segments, such as clean energy, transport and construction.

R&D infrastructure and networking

Outokumpu is continuously developing its R&D infrastructure and laboratory facilities. In 2020 one of our R&D key assets, the unique pilot plant facility at Tornio R&D center, was revamped. A completely new automation system was installed, and furnace fuel changed from LPG to LNG.

Outokumpu has an extensive network of external R&D collaboration partners, including top class universities and institutes, technology suppliers and customers. Outokumpu actively participates both in national and international collaborative R&D projects and programs.



Digitalizing Tornio moves ahead

In 2020, we have been transforming our Tornio mill into the most digitalized and cost-competitive stainless steel operation in the industry. We built our own industrial digital platform based on Microsoft Azure technology. We are using artificial intelligence in process optimization, predictive maintenance and quality control. Concrete examples are surface inspection cameras installed in integrated rolling, annealing and pickling line as well as software and sensory gates in the spare part storage for automatic spare part storage inventory.

"This platform will enable us to transform from experience-based and intuitive decision-making to data-based decision-making," says Minna Bhati, Program Manager for the program. "Already we are using data from Tornio's machines to help close the skills gap between operators who have been producing stainless steel for decades and those who are new to the industry."

Scope of the report

Outokumpu has published its sustainability review as part of the Annual Report 2020. Sustainability information is also available at www.outokumpu.com/sustainability.

Outokumpu Oyj reports on the material developments of continuing sites and changes in 2020 as part of the Annual Report. The reported data includes all continuing sites. Additional information is published on the company's website. The Annual Report 2020, including Sustainability Review, was published in March 2021.

Outokumpu's report has been prepared in accordance with the GRI Standards: Core option according to the GRI Standards reporting requirements. The materiality assessment from 2018 and continuous communication with stakeholders were the basis for the decision on material topics and relevant disclosures.

Full GRI disclosure

The independent practitioner's assurance report on the limited assurance conclusion is available on page 30 in the Sustainability Review. The Financial Statements 2020 have been audited, and the auditor's report is available after the FInancial statements.

Measurement and estimation methods

Economic responsibility

Most figures relating to economic responsibility presented in this report are based on the consolidated financial statements issued by the Outokumpu Group and collected through Outokumpu's internal consolidation system. Financial data has been prepared in accordance with International Financial Reporting Standards (IFRS). Outokumpu's accounting principles for the Group's consolidated financial statements are available in note 2 to the consolidated financial statements.

All financial figures presented have been rounded, and consequently the sum of individual figures may deviate from the presented aggregate figure. Key figures have been calculated using exact figures. Using the GRI guidelines as a basis, economic responsibility figures have been calculated as follows:

Direct economic value generated

Direct economic value generated includes all revenues received by Outokumpu during the financial year. The sources of revenue include sales invoiced to customers, net of discounts and indirect taxes, revenues reported as other operating income (including gains from the disposal of Group assets), and revenues reported as financial income, mainly dividend and interest income.

Economic value distributed

Operating costs include the cost of goods and services purchased by Outokumpu during the financial year. Employee benefit expenses include wages and salaries, termination benefits, social security expenses, pension and other post-employment and long-term employee benefits, expenses from share-based payments and other personnel expenses. Taxes paid to the government include income taxes. Deferred taxes are excluded from the figure. Payments to providers of capital include interest costs on debt and other financial expenses during the financial year. Capitalized interest is deducted from this figure. The dividend payout is included in the payments to providers of capital according to the proposal by Outokumpu's Board of Directors.

Community investments consist of donations to and investments in beneficiaries external to the company.

Local suppliers

In this report, vendors are defined as local if they are located in the same country as the Outokumpu location. Significant locations for suppliers are production units that have a melt shop, ie. Avesta, Sweden; Calvert, the US; Sheffield, the UK and Tornio, Finland.

Environmental responsibility

Outokumpu's climate change target is based on science and approved by the Science Based Target initiative. The target includes CO_2 eq intensity of direct and indirect emissions of electricity and upstream emissions. Emissions are consolidated on production control.

CO_2 eq emissions of electricity are calculated and monitored by the emissions factor of Outokumpu's electricity mix of 152 kg CO_2 eq/MWh (2019: 167 kg CO_2 eq/MWh), given by the electricity supplier for the used electricity and calculated as weighted average. Some hydro power recs were calculated as replacing fossil fuel of the concerning country. In addition, the location-based electricity emissions are disclosed. They are calculated by the published country-specific emissions factors of the electricity generation of 2018 or 2019 if available.

CO_2 eq emissions outside the company (scope 3), except electricity, are covered by more than 96%. They are calculated as follows:

- For alloys: by emissions factors of the life-cycle assessment of relevant association. Emission factor of ferronickel was calculated with 58% from supplier specific emissions and 42% of LCA e-factor. Emissions of sold ferrochrome are not allocated to the stainless steel production of the company.
- For used gases, lime and dolomite, electrodes and coke: by emissions factors of ISO 14404.
- For upstream emissions of coke and oil: by emissions factors of WorldSteel Association.
- For internal and product transport: by typical distances and type of transport with the corresponding emissions factors. The coverage of reporting includes all

modes of transport, including intermodal transportation.

- For business travel: by estimated driven kilometers with emissions factors for the car, and for flights by CO_2 eq reports of the flight companies. Rental car emissions are included by the rental car company report.

Upstream transport was assessed on data of environmental product declaration of 2020 but excluded from scope 3 emissions.

The recycled content according to ISO 14021 (recycled steel content) is calculated as the sum of pre and post consumer scrap related to crude steel production. Additionally, we report on the recycled content including all recycled metals from treated own waste streams entering the melt shop.

Energy efficiency is defined as the sum of specific fuel and electricity energy of all processes calculated as energy consumption compared to the product output of that process. It covers all company productions: ferrochrome with 15%, melt shop, hot rolling and cold rolling processes. Used heat values and the consumption of energy are taken from supplier's invoices.

Water withdrawal is measured for surface water, taken from municipal suppliers and estimated for rainwater amount.

Waste is separately reported for mining and stainless production. In mining, amount of non-hazardous tailing sands is reported. For stainless production hazardous and non-hazardous wastes are reported as recycled, recovered and landfilled. Waste treated is counted as landfilled waste.

Social responsibility

Health and safety figures

Health and safety figures reflect the scope of Outokumpu's operations as they were in 2020.

Safety indicators (accidents and preventive safety actions) are expressed per million hours worked (frequency). Safety indicators include Outokumpu employees, persons employed by a third party (contractor) or visitor accidents and preventive safety actions. A workplace accident is the direct result of a work-related activity and it has taken place during working hours at the workplace.

Accident types

- Lost time injury (LTI) is an accident that caused at least one day of sick leave (excluding the day of the injury or accident), as the World Steel Association defines it. One day of sick leave means that the injured person has not been able to return to work on their next scheduled period of working or any future working day if caused by an outcome of the original accident. Lost-day rate is defined as more than one calendar day absence from the day after the accident per million working hours.
- Restricted work injury (RWI) does not cause the individual to be absent, but results in that person being restricted in their capabilities so that they are unable to undertake their normal duties.
- Medically treated injury (MTI) has to be treated by a medical professional (doctor or nurse).
- First aid treated injury (FTI), where the injury did not require medical care and was treated by a person themselves or by first aid trained colleague.
- Total recordable injury (TRI) includes fatalities, LTIs, RWIs and MTIs, but FTIs are excluded.
- All workplace accidents include total recordable injuries (TRI) and first aid treated injuries (FTI)

Proactive safety actions

Hazards refer to events, situations or actions that could have led to an accident, but where no injury occurred. Safety behavior observations (SBOs) are safety-based discussions between an observer and the person being observed. Other preventive safety action includes proactive measures.

Sick-leave hours and absentee rate

Sick-leave hours reported are total sick leave hours during a reporting period. Reporting units provide data on absence due to illness, injury and occupational diseases on a monthly basis. The absentee rate (%) includes the actual absentee hours lost expressed as a percentage of total hours scheduled.

Total personnel costs

This figure includes wages, salaries, bonuses, social costs or other personnel expenses, as well as fringe benefits paid and/or accrued during the reporting period.

Training costs

Training costs include external training-related expenses such as participation fees. Wages, salaries and daily allowances for participants in training activities are not included, but the salaries of internal trainers are included.

Training days per employee

The number of days spent by an employee in training when each training day is counted as lasting eight hours.

Bonuses

A bonus is an additional payment for good performance. These figures are reported without social costs or fringe benefits.

Personnel figures

Rates are calculated using the total employee numbers at the end of the reporting period. The calculations follow the requirements of GRI Standards. The following calculation has been applied e.g.

Hiring rate = New Hires / total number of permanent employees by year-end

Average turnover rate = (Turnover + New Hires) / (total number of permanent employees by year-end × 2)

Days lost due to strikes

The number of days lost due to strikes is calculated by multiplying the number of Outokumpu employees who have been on strike by the number of scheduled working days lost. The day on which a strike starts is included. ■

Independent Practitioner's Assurance Report

To the Management of Outokumpu Oyj

We have been engaged by the Management of Outokumpu Oyj (hereinafter also the Company) to perform a limited assurance engagement on selected sustainability disclosures for the reporting period 1 January to 31 December 2020, disclosed in Outokumpu Oyj's Sustainability Review 2020 and in Outokumpu Oyj's online sustainability tool. In terms of the Company's GRI Standards reporting and GRI Standards Content Index, the scope of the assurance has covered economic, social and environmental sustainability disclosures listed within the Topic-Specific Disclosures as well as General Disclosures 102-8 and 102-41 (hereinafter Sustainability Information).

Management's responsibility

The Management of Outokumpu Oyj is responsible for preparing the Sustainability Information in accordance with the Reporting criteria as set out in the Company's reporting instructions and the GRI Sustainability Reporting Standards of the Global Reporting Initiative. The Management of Outokumpu Oyj is also responsible for such internal control as the management determines is necessary to enable the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error.

Practitioner's independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers Oy applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Sustainability Information based on the procedures we have performed and the evidence we have obtained. Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Outokumpu Oyj for our work, for this report, or for the conclusions that we have reached.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". That standard requires that we plan and perform the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Sustainability Information. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Sustainability Information.

Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of the Company.
- Conducting three video interviews with sites in Finland, Sweden and the United Kingdom.
- Interviewing employees responsible for collecting and reporting the Sustainability Information at the Group level and at the site level where our online site visits and video interviews were conducted.
- Assessing how Group employees apply the Company's reporting instructions and procedures.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Outokumpu Oyj's Sustainability Information for the reporting period ended 31 December 2020 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

When reading our assurance report, the inherent limitations to the accuracy and completeness of sustainability information should be taken into consideration.

Helsinki, 25 February 2021

PricewaterhouseCoopers Oy

Tiina Puukkoniemi	Janne Rajalahti
Partner Authorised Public Accountant (KHT)	Partner Authorised Public Accountant (KHT)

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Outokumpu’s financial statements according to the ESEF regulation are published at www.outokumpu.com/reports.

Download the Review by the Board of Directors and Financial statements as PDF

Review by the Board of Directors

Throughout 2020 Outokumpu continued rigorous measures to mitigate the negative impacts of the ongoing COVID-19 pandemic on its employees, operations and business. The Group concluded the year without any pandemic-related production losses. In safety, the year was the strongest on record with the total recordable injury frequency rate of 2.4, surpassing the target of below 3.0. Outokumpu increased its already high share of recycled content in production to over 90% and decreasing its CO_2 footprint, which is already the lowest in the industry. Outokumpu was also able to reduce its net debt to the lowest level in recent history.

Business area Europe's deliveries remained relatively stable, but the result was negatively impacted by significantly deteriorated prices and weaker product mix. The Americas continued its successful turnaround with the adjusted EBITDA reaching EUR 55 million, an improvement of over EUR 80 million from 2019. The ferrochrome production remained on a record-high level. The Long Products business area is going through a comprehensive turnaround program. Outokumpu is decisively executing its new strategy to reach its financial targets of EUR 200 million EBITDA run-rate improvement and net debt to EBITDA of below 3.0× by the end of 2022.

Responding to COVID-19

Safety is a key priority at Outokumpu, and the company is committed to protecting the health and safety of its employees. Outokumpu has several safety measures in place to ensure the safety of people and to mitigate the negative impacts of the COVID-19 pandemic.

Outokumpu monitors the COVID-19 situation closely in each country in which it operates and adjusts the required measures accordingly. Despite the exceptional times brought about by the pandemic the company delivered its strongest annual safety performance on record and safety continues to be a key priority.

Outokumpu has contingency plans in place to mitigate operational and financial risks. Thanks to decisive and well-timed actions taken by the company, the negative impacts of the COVID-19 pandemic on Outokumpu's operations have been very limited. Outokumpu has been able to operate efficiently throughout the pandemic and has successfully adjusted its operations to meet the current demand level. Outokumpu also initiated immediate cost compression measures when the COVID-19 pandemic began to affect global stainless steel demand. The actions have continued throughout the year and tight cost control has supported the company's profitability and cash flow in 2020.

As a response to the pandemic, Outokumpu reduced its capital expenditures to EUR 180 million in 2020. Furthermore, the cash release from the net working capital reduction was significantly above the targeted level of EUR 100 million. Included here are the deferred VAT payments in Finland of EUR 75 million of which EUR 61 million was still outstanding at year-end for up to one and a half years. In November Outokumpu closed the sale and lease back transaction regarding its service center premises in Hockenheim, Germany with net cash proceeds of EUR 14 million. Including this transaction, Outokumpu was able to release a total of EUR 23 million of cash from non-core assets. In general, the COVID-19 situation slowed down the divestments of non-core assets and the original target to book approximately EUR 40 million of proceeds in 2020 did not materialize as planned.

Outokumpu has successfully managed its liquidity through the pandemic and company's financial position has remained stable. Cash and cash equivalents amounted to EUR 376 million at the end of 2020 and the total liquidity reserves increased to over EUR 1.0 billion. Outokumpu issues new EUR 125 million convertible bond in July and signed together with a group of banks a SEK 1,000 million revolving credit facility, guaranteed by the Swedish Export Credit Agency EKN, in October. In December, Outokumpu agreed an amendment and extension of its syndicated revolving credit facility allowing for two consecutive yearly extension requests of the maturity dates until the end of May 2024. Out of the EUR 574 million maturing at the end of May 2022, a facility amount of EUR 532 million has been extended until the end of May 2023. The financial covenants of Outokumpu's financial agreements are based on debt-to-equity ratio and Outokumpu remains in compliance with the financial covenants of its financing agreements.

Market development

The global real demand for stainless steel products amounted to 42.8 million tonnes in 2020 and decreased by 3.3% from 44.3 million tonnes in 2019. The demand in EMEA and Americas decreased by 12.1% and 12.3%, respectively, while APAC only decreased by 0.2%. Annual demand decreased the most, by 15.6%, in the Automotive & Heavy Transport segment. Demand in Industrial & Heavy Industry decreased by 4.8%, in ABC and Infrastructure by 3.3%, in Chemical, Petrochemical and Energy by 2.3% and in Consumer Goods and Medicals by 0.5%. (Source: SMR, January 2021)

Financial performance

In 2020, Outokumpu's sales decreased to EUR 5,639 million (EUR 6,403 million) and adjusted EBITDA to EUR 250 million (EUR 263 million). EBIT decreased to EUR –55 million (EUR 33 million) in 2020 and the net result was EUR –116 million (EUR –75 million).

Sales

€ million	2020	2019	2018
Europe	**3,568**	4,089	4,267
Americas	**1,195**	1,346	1,715
Long Products	**493**	642	740
Ferrochrome	**411**	461	542
Other operations	**665**	653	587
Intra-group sales	**–693**	–788	–980
The Group	**5,639**	6,403	6,872

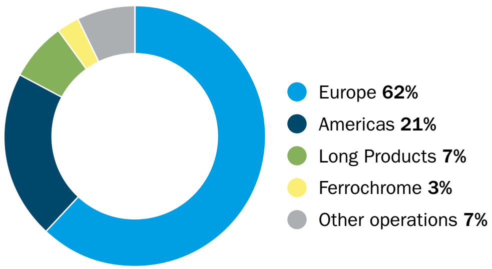
Stainless steel deliveries declined by 3% compared to the previous year as a result of weaker demand and were 2,121,000 tonnes (2,196,000 tonnes). In addition, prices were significantly lower in Europe and declined also in Americas compared to the previous year. Various cost saving measures supported profitability and both input costs as well as fixed costs were at a lower level compared to the previous year. Raw material-related inventory and metal derivative losses amounted to EUR 16 million in 2020 compared to the losses of EUR 64 million in 2019.

As part of the actions for reaching the financial targets of the first phase of its strategy and creating cost savings, Outokumpu carried out employee negotiation processes in selected countries in 2020 aiming to reduce the headcount by up to approximately 1,000 (10% of the Group total headcount) by the end of 2021. As a result, in 2020, Outokumpu recognized EUR 59 million restructuring costs related to personnel reduction measures, reported as adjustments to EBITDA. Most of these costs were provisions where the cash outflow will take place mainly in 2021. The adjustments to EBITDA in 2019 included restructuring provisions of EUR 53 million and a gain on a real estate sale of EUR 70 million.

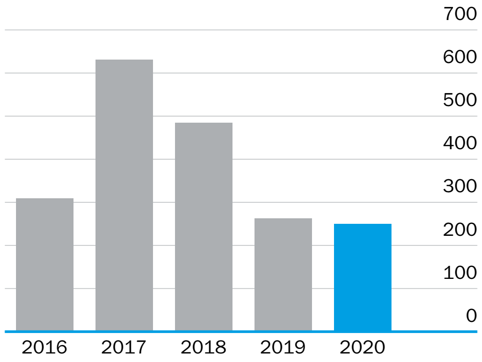
Operating cash flow amounted to EUR 322 million in 2020 (EUR 371 million). The net working capital reduced by EUR 247 million in 2020 (EUR 218 million) including the impact from the deferred VAT payments in Finland of EUR 61 million at the year-end. Net debt amounted to EUR 1,028 million at the end of 2020, a decrease from EUR 1,155 million at the end of 2019. Gearing was 43.6%, lower than at the end of 2019 (45.1%).

Net financial expenses were EUR 98 million in 2020 (EUR 80 million) and interest expenses EUR 78 million (EUR 76 million). Cash and cash equivalents were at EUR 376 million at the end of 2020 (EUR 325 million) and the total liquidity reserves were EUR 1.0 billion (EUR 1.0 billion). In addition, Outokumpu has unutilized EUR 76 million short-term portion of the syndicated facility available and EUR 34 million financing facility, which can be used to finance certain part of the Kemi mine investment.

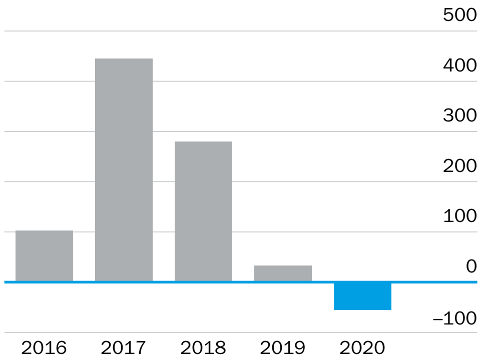
Sales, € 5,639 million



Adjusted EBITDA, € million



EBIT, € million



Profitability

€ million	2020	2019	2018
Adjusted EBITDA			
Europe	**142**	216	248
Americas	**55**	–27	–5
Long Products	**–8**	–7	25
Ferrochrome	**91**	96	210
Other operations and intra-group items	**–29**	–15	7
Group adjusted EBITDA	**250**	263	485
Adjustments	**–59**	3	10
EBITDA	**191**	266	496
EBIT	**–55**	33	280
Share of results in associated companies	**2**	6	3
Financial income and expenses	**–98**	–80	–107
Result before taxes	**–151**	–41	175
Income taxes	**34**	–33	–45
Net result for the financial year	**–116**	–75	130
Adjusted EBITDA margin, %	**4.4**	4.1	7.1
EBIT margin, %	**–1.0**	0.5	4.1
Return on capital employed, %	**–1.4**	0.8	7.0
Earnings per share, €	**–0.28**	–0.18	0.32
Diluted earnings per share, €	**–0.28**	–0.18	0.32
Net cash generated from operating activities	**322**	371	214

Outokumpu adopted IFRS 16 – Leases on January 1, 2019. Comparative information was not restated, but transition impacts of EUR 131 million were recognized into January 1, 2019 property, plant and equipment, and non-current and current debt, respectively.

Key financial indicators on financial position

€ million	2020	2019	2018
Net debt			
Non-current debt	**1,153**	1,053	798
Current debt	**251**	427	511
Cash and cash equivalents	**376**	325	68
Net debt	**1,028**	1,155	1,241
Shareholders’ equity	**2,360**	2,562	2,750
Return on equity, %	**–4.7**	–2.8	4.8
Debt-to-equity ratio, %	**43.6**	45.1	45.1
Equity-to-assets ratio, %	**40.8**	42.5	45.9
Interest expenses	**78**	76	70

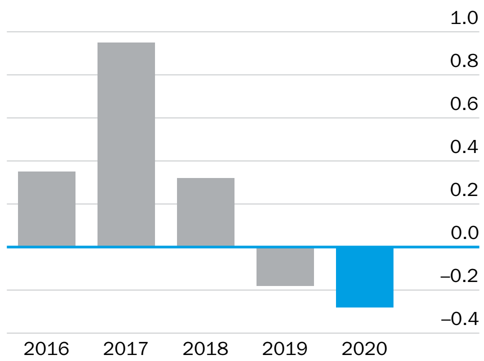
Capital expenditure, measured on cash-basis, amounted to EUR 180 million in 2020 (EUR 193 million). The ongoing investments include the Kemi mine expansion, ferritics capabilities in Calvert, Fennovoima project and the digital transformation project Chorus, including the ERP renewal.

Capital expenditure

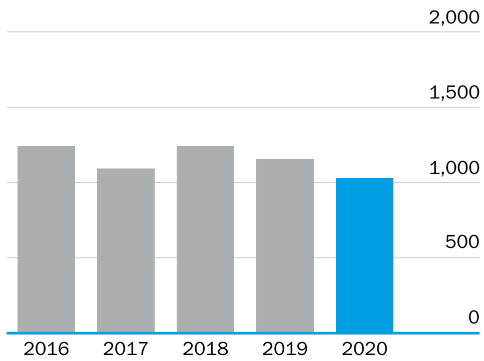
€ million	2020	2019	2018
Europe	**34**	51	75
Americas	**16**	21	19
Long Products	**3**	16	22
Ferrochrome	**92**	77	47
Other operations	**35**	28	55
The Group	**180**	193	218
Depreciation and amortization	**243**	230	204

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

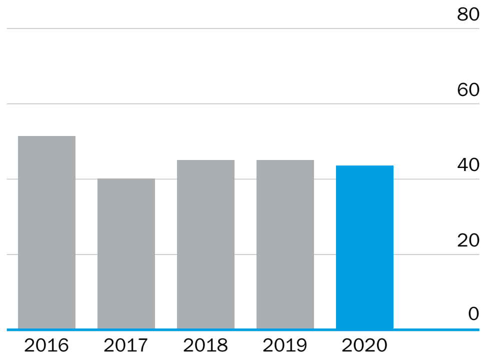
Earnings per share, €



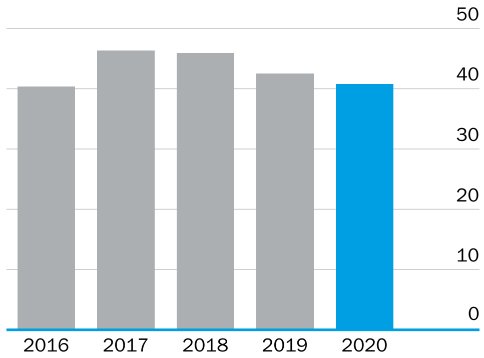
Net debt, € million



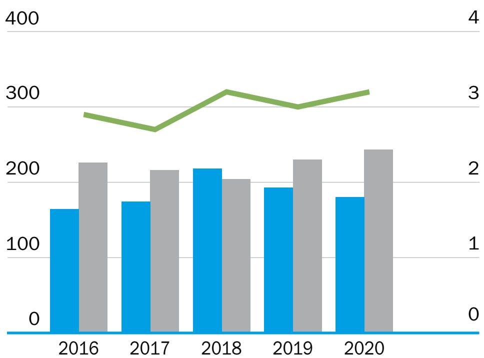
Debt-to-equity ratio, %



Equity-to-assets ratio, %



Capital expenditure and depreciation, € million



Capital expenditure definition changed from accrual-based to cash-based capital expenditure in 2020. Figures for 2019 and 2018 have been restated accordingly. Figures for 2017 and 2016 have not been restated.

Capital expenditure Depreciation
Capital expenditure, % of sales

Business areas

Europe's sales decreased to EUR 3,568 million in 2020 compared to EUR 4,089 million in 2019 and adjusted EBITDA decreased to EUR 142 million (EUR 216 million). Stainless steel deliveries remained relatively stable and decreased only by 1% compared to the previous year and amounted to 1,440,000 tonnes (1,459,000 tonnes). The 2020 result was negatively impacted by significantly deteriorated prices and weaker product mix. Costs were at a lower level compared to the previous year, and positive raw material impacts supported profitability in 2020. Raw material-related inventory and metal derivative losses were EUR 11 million in 2020 (losses of EUR 19 million). Adjustments to EBITDA included EUR 47 million of restructuring costs relating to personnel reductions in 2020 (EUR 53 million of restructuring costs and EUR 70 million of gains on the sale of real estate). In 2020, real demand in the EMEA region decreased by 12.1% compared to 2019 and the apparent consumption by 10.8% (Sources: SMR, January 2021 and CRU, January 2021).

Americas' sales decreased to EUR 1,195 million in 2020 compared to EUR 1,346 million in 2019. Adjusted EBITDA increased to EUR 55 million (EUR –27 million). Stainless steel deliveries decreased by 2% in 2020 to 588,000 tonnes (601,000 tonnes). Positive impacts from improved product mix were offset by weaker prices in 2020 compared to 2019. However, positive raw material impacts and lower costs supported profitability. Raw material-related inventory and metal derivative losses were EUR 1 million in 2020 (losses of EUR 40 million). In 2020, US real demand decreased by 11% compared to the previous year, and in the Americas region the decrease was 12.3% (Source: SMR, January 2021 and American Iron & Steel Institute, January 2021).

Long Products' sales amounted to EUR 493 million in 2020 compared to EUR 642 million in 2019 and adjusted EBITDA amounted to EUR –8 million (EUR –7 million). Stainless steel deliveries decreased by 23% to 175,000 tonnes in 2020 compared to 2019 (226,000 tonnes). The negative impact from lower volumes in 2020 was partly offset by stronger product mix compared to 2019. Lower input costs compared to previous year and cost saving initiatives supported profitability in 2020. Raw material-related inventory and metal derivative losses were EUR 3 million in 2020 compared to losses of EUR 9 million in 2019. Adjustments to EBITDA in 2020 include EUR 3 million of restructuring costs relating to personnel reductions.

Ferrochrome's sales amounted to EUR 411 million in 2020 compared to EUR 461 million in 2019. Adjusted EBITDA amounted to EUR 91 million (EUR 96 million). Ferrochrome production remained at record-high levels in 2020 producing 498,000 tonnes (505,000 tonnes). Pricing was weaker in 2020 but profitability was positively impacted by lower input costs compared to 2019.

Non-financial development at Outokumpu

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

Climate change is one of the three megatrends driving Outokumpu's business, together with economic and population growth and urbanization. The properties and the low carbon profile of Outokumpu's stainless steel can help customers to reduce their carbon footprint. Market for solutions enabling the transition to low carbon society will increase on the way to 2 degree or 1.5 degree scenarios for 2050.

Outokumpu acknowledges the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) and the underlying framework and acknowledges that there are financial impacts in a 2°C or lower transitions scenario. Outokumpu has performed a stated policy scenario and sustainable development scenario analysis in line with the International Energy Agency Iron and Steel Technology Roadmap, 2020. The translation of the strategies in financial terms considering the transition and physical scenarios is ongoing.

Outokumpu's business is based on a circular economy. Over 85% of the material used in Outokumpu's stainless steel production is recycled steel. By converting scrap and metal waste into new products the company also protects virgin resources. Throughout the process, Outokumpu aims to minimize the environmental impact of its production. At the end of its long life-cycle, stainless steel is fully recyclable, without any loss of quality.

Outokumpu has an integrated production process, including the company's own chrome mine for one of the main raw materials of stainless steel, ferrochrome operations, melting, hot rolling and cold rolling, and the finishing and services.

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

Policies and principles of sustainability management

On group level, sustainability is managed by the Group's sustainability team. The business areas and functions are responsible for ensuring that operations within their own organizations are conducted in a responsible manner and that monitoring, data collection and reporting are duly carried out. All Outokumpu operating sites are certified according to quality ISO 9001 and environment ISO 14001 management systems. The functioning of the systems is monitored by both internal and external audits.

The most important policies guiding Outokumpu's Sustainability Management are the Group's Code of Conduct, Corporate Responsibility Policy and the Policy on Environment, Health, Safety and Quality (EHSQ), all available on Outokumpu's website. Outokumpu's Code of Conduct defines the common way of operating in the Group and sets principles for conducting business in a legal, compliant and ethical manner, including zero tolerance for corrupt practices and requiring compliance with applicable laws and regulations, including competition laws and trade sanctions regulations.

The Corporate Responsibility Policy describes the main principles of the sustainable development of economic, environmental, and social aspects in the Group. Outokumpu's EHSQ policy describes the company's commitment to continuous improvement in these fields, compliance with legislation in all areas the company operates in, and the fulfilment of stakeholder requirements to which the company subscribes. Outokumpu has also an Anti-Corruption Instruction providing detailed guidance on responsible business practices.

In addition to the EHSQ policy, Outokumpu has strict guidelines for safety through the Outokumpu Safety Principles and Health and Safety Standard. Additionally, Outokumpu has ten Cardinal Safety Rules that are a part of the company's operating principles. The health and safety of the personnel is a precondition for successful day-to-day operations as well as for long-term competitiveness. Outokumpu works towards a goal of zero accidents.

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

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

The internal audit function flanked by external audits consistently monitors and tests adherence to corporate guidance and standards, while the sustainability organization follows-up on environmental performance and legality on a quarterly basis. In 2020, Outokumpu carried out self-assessments of raw material suppliers with production in countries who have high environmental, social and governance risks. Regular internal environmental audits are performed based on an internal risk assessment. In addition, majority of suppliers are going through a regular sanction screening.

Outokumpu has an approved Science Based Target following the below 2-degree scenario of the sectoral decarbonization approach for steel industry. Outokumpu contributes to the UN Sustainable Development Goals by developing production processes and the properties of its products.

Outokumpu complies with international, national, and local laws and regulations, and respects international agreements concerning human and labor rights, such as the United Nations' Universal Declaration of Human Rights and condemns the use of forced and child labor. All Outokumpu employees are free to join trade unions according to local rules and regulations. There is zero tolerance of any form of discrimination, whether it is based on ethnic origin, nationality, religion, political views, gender, sexual orientation, age or any other factor.

Outokumpu expects its suppliers and contractors to comply with applicable laws and regulations as well as Outokumpu's Code of Conduct or similar standards and principles, and to meet the company's supplier requirements. Outokumpu aims to ensure that modern slavery or human trafficking plays no part in our supply chain or in any part of our business.

Sustainability targets

The Group's environmental performance targets are set for the reporting year with exemption of the greenhouse gas emissions target:

- Recycled content (all metallic input from waste streams, such as scrap, scales or metals from slag and dust treatment per tonne stainless steel) of 90% by 2020.
- Improvement of energy efficiency by 1% yearly until 2020 reported as improvement compared to base-period of 2007–2009.
- Reducing scope 1, 2 and 3 greenhouse gas emissions 20% per tonne of stainless steel by 2023 from a 2014–2016 base-period.
- Top decile position in safety in the industry by 2020 and long-term target of zero incidents.

Outokumpu's emissions intensity trajectory includes the upstream emissions from raw material supply chain. Outokumpu aims to improve the Group's resource efficiency by minimizing the use of virgin materials and primary energy and by contributing to climate protection.

New targets have been set for the next period:

- Increase material recycling (all metallic input from waste streams, such as scrap, scales or metals from slag and dust treatment per tonne stainless steel) to 92.5% by 2023.
- Improve energy efficiency by 0.5% each year by 2030, reported as improvement compared to base-period of 2018–2020.
- Reduce the landfill production waste other than slag by 0.5% each year by 2023.

In safety, the Group's target for year 2020 was to achieve total recordable injury rate of <3.0 per million working hours. The Group's long-term target is to achieve zero-level in injuries.

Environmental performance

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

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

In 2020, all used slag compared to the used and landfilled slag (use rate) decreased to 77%

(91%). The total amount of slag decreased by 20% compared to last year but less slag could be used. On top of production waste, tailing sand from mining is the most significant waste item to be deposited in the mine site.

In 2020, Outokumpu could further increase the level of material recycling (all metallic input from waste streams, such as scrap, scales or metals from slag and dust treatment per tonne stainless steel) to 92.5% (89.6%), reaching an exceptionally high level above the 2020 target of 90%.

The improvement of the energy efficiency calculated as a sum of different process steps was 3.6% (6.1%) compared to the baseline of 2007–2009. More energy than expected was needed as the production level was low and interrupted by the difficult market conditions, the produced steel grades changed, and processing increased. There were no significant environmental incidents.

In 2020, CO_2 intensity reduced by about 17% from baseline period 2014–2016 and reached 86% of the targeted reduction by 2023. Landfilled waste increased despite the reduction of production as more slag needed to be deposited.

All Outokumpu sites have environmental permits that set the basic framework for production operations. In 2020, emissions and effluents remained within permitted limits, and the 13 minor breaches that occurred were temporary, identified, and had only a minimal impact on the environment.

The EU Emissions Trading Scheme (ETS) is finalizing with the third trading period 2013–2020. Outokumpu's operations under the EU ETS will continue to receive free emissions allocations according to efficiency-based benchmarks and historical activity. In 2020, free allocation for the Group was on the same level as the emissions. The conditions for the fourth period will remain similar as for the third period but the allocations will be shorter.

Outokumpu is not a party to any significant legal or administrative proceedings concerning environmental issues, nor is it aware of any realized environmental risks that could have a material adverse effect on its financial position.

Social performance

Outokumpu's main indicator for safety performance is the total recordable injury frequency rate (TRIFR), which includes fatal accidents, lost time injuries, restricted work injuries, and medically treated injuries per million working hours. Group TRIFR improved from the previous year and was 2.4 against the target of <3.0 (3.2).

Environmental indicators

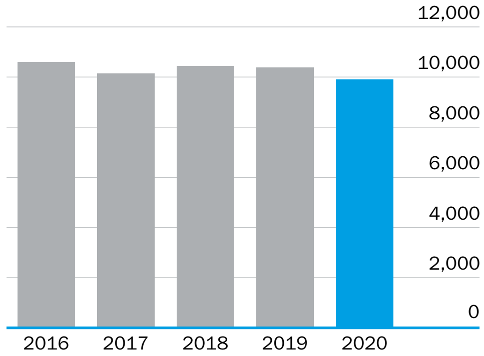
	2020	2019	2018
Scope 1, 2 and 3 (direct and indirect) CO_2 emission intensity, kg per tonne stainless steel	**1,549**	1,606	1,719
Energy intensity, GJ per tonne stainless steel	**11.0**	10.9	10.1
Use rate of slag, including slag from ferrochrome production, %	**77.1**	90.8	89.9
Total landfill waste intensity per tonne stainless steel	**0.590**	0.500	0.472

Outokumpu's headcount decreased by 475 during the year and totaled 9,915 at the end of December 2020 (2019: 10,390, 2018: 10,449). Total wages and salaries amounted to EUR 547 million in 2020 (2019: EUR 568 million, 2018: EUR 541 million). Indirect employee benefit expenses totaled EUR 188 million in 2020 (2019: EUR 206 million, 2018: EUR 135 million).

Outokumpu encourages everyone to raise their concerns. All available reporting channels are detailed in the Code of Conduct, including the SpeakUp channel which is an externally operated communication channel to report misconduct confidentially and anonymously, if allowed by laws and regulations. The SpeakUp channel is available as a communication channel in Outokumpu's reporting process if other reporting channels do not feel suitable. In 2020, more than 20 investigations of potential misconduct were recorded through the various reporting channels. These incidents have been investigated and proper corrective and preventative actions have been taken as a consequence.

During 2020, the implementation of Outokumpu's ethics and compliance program continued in close co-operation with the leadership, business areas and business functions. As part of these efforts, the core element of the program, Code of Conduct, was revised and it will be implemented in 2021 with a mandatory e-learning for all Outokumpu employees. In addition, anti-corruption and data protection e-learning courses were reissued and tailored training sessions were organized in the competition law compliance and trade compliance areas in 2020. In order to strengthen the enforcement of the mandatory compliance e-learnings, a consequence management process was implemented in 2020. Furthermore, compliance related communications were given through different channels on various topics.

Personnel on December 31



Key social indicators

	2020	2019	2018
Diversity			
Employees			
male, %	**81**	85	85
female, %	**19**	15	15
Board of Directors			
male, %	**50**	57	67
female, %	**50**	43	33
Safety			
Total recordable injury frequency rate, per million working hours	**2.4**	3.2	4.1

Research and development

Outokumpu's research and development (R&D) works closely together with sales, operations and customers to support the business and align R&D activities with customers' current and future needs. Outokumpu has three R&D centers located in Avesta in Sweden, in Krefeld in Germany and in Tornio in Finland. R&D activities are focused on development of production processes, products and customer applications. In 2020, Outokumpu's R&D expenditure totaled EUR 21 million, 0.4% of net sales (2019: EUR 17 million and 0.3%, 2018: EUR 15 million and 0.2%).

As part of organizational changes in the Chief Technology Office function, the R&D organization was further streamlined in 2020. During 2020, the process development projects focused on optimization of product quality, yield and production cost efficiency. A long-term R&D program aiming at reducing the CO_2 footprint of Group's operations was initiated. The product and application development projects focused on developing new steel grades, characterization and optimization of existing grades, as well as on development of new applications and markets for Group's products.

Risks and uncertainties

Outokumpu operates in accordance with the risk management policy approved by the company's Board of Directors. This defines the objectives, approaches and areas of responsibility in the Group's risk management activities. As well as supporting Outokumpu's strategy, the aim of risk management is identifying, evaluating and mitigating risks from the perspective of shareholders, customers, suppliers, personnel, creditors, and other stakeholders.

Outokumpu has defined risk as anything that could have an adverse impact on achieving the Group's objectives. Risks can therefore be threats, uncertainties or lost opportunities connected with current or future operations.

The risk management process is an integral part of the overall management processes and is divided into four stages: 1) risk identification; 2) evaluation and prioritization; 3) mitigation and controls and 4) reporting. Key risks are assessed and updated on a regular basis. Risk mitigation actions are defined according to the risk identification and the impact/likelihood assessments.

Outokumpu's risk governance model includes quarterly reporting of risks to the Audit Committee, as well as semi-annual updates on key risks and risk management, including strategic and business risks, operational risks and financial risks.

The risk management focus in 2020 was on implementing the mitigating actions of the identified risks, supporting debt reduction at Outokumpu e.g. by focused working capital management and by improving the overall efficiency of the risk management process. Furthermore, the harsh market environment, especially in Europe, required several mitigating actions to protect the Group's earnings and cash flows.

Outokumpu continued its systematic fire safety and loss prevention audit program, focusing on execution of the mitigating actions. Due to 2020 travel restrictions, many audits were conducted virtually using in-house expertise in cooperation with external advisors.

The main realized risks in 2020 were related to disruption of the stainless steel markets due to the pandemic, and imports that continued to have a negative impact on stainless steel base prices and deliveries in Europe throughout the year.

Strategic and business risks

Outokumpu's key strategic and business risks include: risks and uncertainties relating to the development of overcapacity of global stainless steel production, volatility of raw material and end product prices; risks and uncertainties implementing new IT systems and processes; opportunities to improve operational reliability, drive competitiveness and further improve financial performance; the risk of permanent safeguard measures initiated by EU not being effective; risks and uncertainties related to developments in the stainless steel and ferrochrome markets and competitor actions; changes in the prices of electrical power, fuels, nickel, iron and molybdenum impacting cash flow; fluctuations in exchange rates affecting the global competitive environment in stainless; and the risk of litigation or adverse political action affecting trade.

Operational risks

Key operational risks for Outokumpu include: a major fire or machinery breakdown causing business interruption; IT dependency and cyber security risks; risks due to a fragmented system environment; risks related to supply chain and certain critical supplier dependencies; and investment and project implementation risks. Operational risks also include inadequate or failed internal processes, employee actions, systems, or events such as natural catastrophes, and misconduct or crime. These risks are often connected with production operations, logistics, financial processes, major investment projects, other projects or information technology and, should they materialize, can lead to personal injury, liability, loss of property, interrupted operations, or environmental impacts. Outokumpu's operational risks are partly covered by insurance. To minimize the possible damage to property and business interruption that could result from a fire occurring at some of its major production sites, Outokumpu has systematic fire safety audit programs in place.

Environmental and climate change related risks

The main environmental accident risks at production sites relate to the use of acids, the production of hazardous waste and toxic gases, landfill activities, long-term contamination of soil or groundwater, and the long-term effects of hazardous pollutants. Outokumpu also has some potential environmental liabilities and risks at closed mines and production sites.

The main environmental business risks for Outokumpu are related to emissions trading schemes; new environmental and consumer protection demands, including changes in environmental legislation and the potential impact on Outokumpu's competitive position; as well as the risk of increased electricity prices and emissions costs due to the European Union's unilateral Emissions Trading System (ETS).

Outokumpu also evaluates annually its climate change related risks, including main production locations' exposures on several threats and risks driven by climate change. These climate change threats and risks include e.g. flood, sea water level changes, exposures to hurricanes, tornadoes and severe storms, extreme weather conditions like lightning, rain or hail. The main climate change related risks to Outokumpu are driven by changes to climate policies, which can have adverse impact to Outokumpu's operating environment and financial position.

Safety and personnel-related risks

The main risks related to safety and personnel are the risk of fatalities and serious injuries to Outokumpu's own employees and contractors, which would also have a significant impact on the safety culture and the company's reputation as an employer; the loss of key individuals or other employees who have specific knowledge of, or relationships with, trade customers in markets in which Outokumpu operates; and the risk of being unable to attract, retain, motivate, train, and develop qualified employees at all levels, which could have a material adverse effect on Outokumpu's business, financial condition, and operational results.

Risks related to compliance, crime and reputational harm

Outokumpu operates globally and its activities span multiple jurisdictions and complex regulatory frameworks at a time of increased enforcement activity globally in areas such as competition law, anti-corruption and bribery, anti-money laundering, data protection; and trade restrictions, including sanctions.

Outokumpu also faces the risk of fraud by its employees, external theft and crime, losses of critical research and development data, misconduct, as well as violations by its sales intermediaries or at its joint ventures and other companies.

Social responsibility related risks and uncertainties

Outokumpu aims to actively identify risks and uncertainties related to its exposures in social responsibility, including human rights related topics. This applies to Outokumpu's own operations globally including supply chain and other business partners. Outokumpu takes seriously all labor practice violations and related threats as it insists on full transparency and compliance on human rights topics. However, Outokumpu operates mainly in regions, where the risk related to social responsibility and human rights are not considered high risk.

Financial risks

Key financial risks for Outokumpu include: changes in the prices of nickel, iron, molybdenum, power, fuels and carbon emissions; currency developments affecting the euro, the US dollar, the Swedish krona, and the British pound; interest rate changes connected to the euro, the Swedish krona and the US dollar; interest margin changes for Outokumpu; constrained access to new financing; counterparty risks related to customers and other business partners, including suppliers and financial institutions; risks related to liquidity and refinancing; risks related to the fair value of shareholdings, e.g. investment in the Fennovoima project; the risk of breaching financial covenants or other terms and conditions of debt, leading to an event of default; and risks related to the prices of equities and fixed-income securities invested under defined benefit pension plans and risks related to valuation parameters, especially long-term interest rates of defined benefit pension plans.

Short-term risks and uncertainties

Outokumpu is exposed to the following risks and uncertainties in the short term: risks and uncertainties in implementing the announced strategy, including measures to implement new IT systems and processes, especially related to implementation of new ERP systems, improve operational reliability, drive competitiveness and further improve financial performance; the risk of permanent safeguard measures initiated by EU not being effective; risks and uncertainties related to global overcapacity in stainless steel, as well as to market development in stainless steel, ferrochrome and competitor actions; dependencies on certain critical suppliers; changes in the prices of ferrochrome, nickel, electrical power and carbon emissions; currency developments affecting the euro, US dollar, Swedish krona, and British pound; changes in interest margins applied for Outokumpu; risks related to the fair value of shareholdings, e.g. investment in the Fennovoima project; project and investment implementation risks, including the ongoing project in the Kemi mine; IT dependency and cyber security risks; refinancing risks; counterparty risks related to customers and other business partners, including suppliers and financial institutions.

Possible adverse changes in the global political and economic environment, including a severe global economic downturn may have a significant negative impact on Outokumpu's overall business and access to financial markets. Outokumpu also considers recent events in its risk assessments, such as: the global impact of the pandemic; the UK's departure from the EU and possible risks related to trade relations.

Significant legal proceedings

Claim in Spain related to the divested copper companies

Outokumpu divested all of its copper business in 2003–2008. One of the divested companies domiciled in Spain later faced bankruptcy. The administrator of the bankruptcy estate filed a claim against Outokumpu Oyj and two other non-Outokumpu companies for recovery of payments made by the bankrupt Spanish company in connection with the divestment. The court of first instance in Spain accepted the claim of EUR 20 million brought against Outokumpu and the two other companies. Outokumpu and the two other companies appealed the court's decision and in March 2018 the Court of Appeal ruled in favor of Outokumpu. In May 2018, the administrator of the bankruptcy estate filed an appeal before the Spanish Supreme Court, where the case is pending without progress during 2019 or 2020.

Shares

On December 31, 2020, Outokumpu Oyj's share capital was EUR 311 million, and the total number of shares was 416,374,448. At the end of the year, Outokumpu held 4,372,236 treasury shares. The average number of shares outstanding in 2020 was 411,824,420.

Management shareholdings and share based incentive programs

On December 31, 2020, the members of the Board of Directors and the members of the Outokumpu Leadership Team (OLT) altogether held 1,059,306 shares, or 0.25% of the total number of shares.

Outokumpu has established share-based incentive programs for the OLT members, selected managers and key employees. Outokumpu's share-based incentive programs include a Performance Share Plan, a Restricted Share Pool and a Matching Share Plan for key employees. In 2020, after deductions for applicable taxes, a total of 227,497 shares were delivered to the participants of the programs based on the conditions of the programs. Outokumpu used its treasury shares for the reward payments.

The Performance Share Plan and the Restricted Share Pool Program are currently ongoing for the periods 2019–2021, 2020–2022 and their continuation for the period 2021–2023 was approved by the Board of Directors in December 2020. The Performance Share Plan for all three periods focuses on earning criteria that measures Outokumpu's profitability and the efficiency with which its capital is employed.

More details on the share-based incentive programs can be found in the note 18 in the consolidated financial statements.

Corporate governance

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

Annual General Meeting

Outokumpu's Annual General Meeting 2020 was held on May 28, 2020 in Helsinki, Finland under special arrangements due to the COVID-19 pandemic. The Meeting decided to authorize the Board of Directors to decide at a later stage and in its discretion on a dividend payment in one or several instalments of a total maximum of EUR 0.10 per share.

Following a review of the January–September 2020 financial results on November 5, 2020, the Board of Directors decided that owing to the importance of strengthening the Company's balance sheet no dividend would be paid for the financial year 2019.

The Annual General Meeting also decided to authorize the Board of Directors to repurchase the company's own shares and to decide on the issuance of shares as well as special rights entitling to shares. The Meeting also approved the proposals of the Shareholders' Nomination Board regarding the members of the Board of Directors and their remuneration and the remuneration policy of the Company.

The Annual General Meeting decided in accordance with the proposal by the Nomination Board that the Board of Directors would consist of six members. The current members of the Board of Directors Kati ter Horst, Kari Jordan, Eeva Sipilä, Vesa-Pekka Takala, Pierre Vareille and Julia Woodhouse were re-elected for the term of office ending at the end of the next Annual General Meeting. Kari Jordan was re-elected as the Chairman and Eeva Sipilä elected as the new Vice Chairman of the Board of Directors.

Changes in the Outokumpu Leadership Team

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

On July 16, it was announced that Liam Bates was appointed President, Long Products with immediate effect. Kari Tuutti, who had been leading business area Long Products, decided to pursue his career outside Outokumpu. In his new position, Liam Bates did not continue as a member of the Outokumpu Leadership Team.

On July 27, it was announced that Maciej Gwozdz, President, business area Europe had resigned from Outokumpu to take a new position in another company. He continued to work in his position in Outokumpu until the end of September.

On August 31, it was announced that Reeta Kaukiainen, Executive Vice President, Communications, Marketing and Investor Relations had decided to pursue her career outside Outokumpu. She continued in her position in Outokumpu until the end of September.

On September 29, Outokumpu announced changes in its Leadership Team. New members appointed to the Leadership team were Thomas Anstots, Executive Vice President, Commercial, business area Europe; Stefan Erdmann, Chief Technology Officer; Martti Sassi, President, business area Ferrochrome; Niklas Wass, Executive Vice President, Operations, business area Europe and Tamara Weinert, Acting President, business area Americas. The new Leadership team became effective on October 1, 2020.

On December 7, it was announced that Jan Hofmann decided to pursue a new career opportunity outside the company. Due to this he resigned from the company with immediate effect.

Nomination Board

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

On August 31, 2020 the four largest shareholders of Outokumpu were Solidium Oy, The Social Insurance Institution of Finland, Ilmarinen Mutual Pension Insurance Company and the State Pension Fund of Finland. As the State Pension Fund of Finland informed Outokumpu that it would not use its nomination right, the right transferred to Elo Mutual Pension Insurance Company as the next largest shareholder registered in the shareholder register. The shareholders appointed the following representatives to the Nomination Board:

- Antti Mäkinen, Managing Director at Solidium Oy
- Outi Antila, Director General at The Social Insurance Institution of Finland
- Jouko Pölönen, President and CEO at Ilmarinen Mutual Pension Insurance Company
- Satu Huber, Chief Executive Officer at Elo Mutual Pension Insurance Company

The Nomination Board submitted its proposals to Outokumpu's Board of Directors on December 4, 2020.

Board of Directors' proposal for profit distribution

According to Outokumpu's dividend policy, the dividend pay-out ratio throughout a business cycle shall be in a range of 30–50 per cent of net income. According to the parent company's financial statements on December 31, 2020 distributable funds totaled EUR 2,312 million, of which retained earnings were EUR 188 million.

The Board of Directors is proposing to the Annual General Meeting to be held on March 31, 2021 that no dividend will be paid for 2020 as in the challenging market environment improving the Company's financial position continues to be of highest priority.

Group key figures

		2020	2019 [1]	2018	2017 [2]	2016
Scope of activity						
Sales	€ million	**5,639**	6,403	6,872	6,356	5,690
– change in sales	%	**–11.9**	–6.8	8.1	11.7	–10.9
– exports from and sales outside Finland, of total sales *	%	**96.3**	95.9	96.7	96.5	96.4
Capital employed on Dec 31 *	€ million	**3,543**	3,904	4,086	3,929	3,816
Capital expenditure [3] *	€ million	**180**	193	218	174	164
– in relation to sales	%	**3.2**	3.0	3.2	2.7	2.9
Depreciation and amortization	€ million	**243**	230	204	216	226
Impairments	€ million	**3**	3	12	1	26
Research and development costs	€ million	**21**	17	15	13	20
– in relation to sales	%	**0.4**	0.3	0.2	0.2	0.4
Personnel on Dec 31 [4]		**9,915**	10,390	10,449	10,141	10,600
– average for the year		**10,310**	10,645	10,468	10,485	10,977
Profitability						
Adjusted EBITDA *	€ million	**250**	263	485	631	309
– in relation to sales	%	**4.4**	4.1	7.1	9.9	5.4
EBITDA *	€ million	**191**	266	496	663	355
EBIT *	€ million	**–55**	33	280	445	103
– in relation to sales	%	**–1.0**	0.5	4.1	7.0	1.8
Result before taxes	€ million	**–151**	–41	175	327	–13
– in relation to sales	%	**–2.7**	–0.6	2.5	5.1	–0.2
Net result for the financial year	€ million	**–116**	–75	130	392	144
– in relation to sales	%	**–2.1**	–1.2	1.9	6.2	2.5
Return on equity *	%	**–4.7**	–2.8	4.8	15.4	6.4
Return on capital employed *	%	**–1.4**	0.8	7.0	11.3	2.6

		2020	2019 [1]	2018	2017 [2]	2016
Financing and financial position						
Net debt *	€ million	**1,028**	1,155	1,241	1,091	1,242
– in relation to sales	%	**18.2**	18.0	18.1	17.2	21.8
Net financial expenses *	€ million	**98**	80	107	127	121
– in relation to sales	%	**1.7**	1.3	1.6	2.0	2.1
Interest expenses *	€ million	**78**	76	70	92	105
– in relation to sales	%	**1.4**	1.2	1.0	1.5	1.9
Net debt to adjusted EBITDA *		**4.1**	4.4	2.6	1.7	4.0
Share capital	€ million	**311**	311	311	311	311
Total equity	€ million	**2,360**	2,562	2,750	2,721	2,416
Equity-to-assets ratio *	%	**40.8**	42.5	45.9	46.3	40.4
Debt-to-equity ratio *	%	**43.6**	45.1	45.1	40.1	51.4
Net cash generated from operating activities	€ million	**322**	371	214	328	389

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

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

[2] Figures for 2017 have been restated due to IFRS 15 adoption in 2018. Figures for 2016 have not been restated.

[3] Capital expenditure definition changed from accrual-based to cash-based capital expenditure in 2020. Figures for 2019 and 2018 have been restated accordingly. Figures for 2017 and 2016 have not been restated.

[4] Personnel reported as headcount, not as full time equivalent.

Alternative performance measures

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

Key figure	Definition of the key figure or source in the consolidated financial statements		2020	2019
Exports from and sales outside Finland				
Exports from and sales outside Finland is an indicator of the international nature of the Group's business.				
Sales	Consolidated statement of income	€ million	**5,639**	6,403
Sales by destination to Finland	Note 4. Geographical information	€ million	**208**	264
Exports from and sales outside Finland	Sales – Sales by destination to Finland	€ million	**5,431**	6,139
– exports from and sales outside Finland, of total sales	Comparison to sales	%	**96.3**	95.9
Capital employed				
Capital employed is a measure for the amount of capital invested in Group's operations.				
Capital employed is the sum of:				
Total equity	Consolidated statement of financial position	€ million	**2,360**	2,562
Net debt	Defined later in this section	€ million	**1,028**	1,155
Defined benefit and other long-term employee benefit obligations	Consolidated statement of financial position	€ million	**329**	335
Net interest rate derivative liabilities	Note 20. Fair values and nominal amounts of derivative instruments	€ million	**–6**	–5
Net accrued interest expenses	Note 28. Trade and other payables	€ million	**11**	9
Less:				
Defined benefit plan assets	Consolidated statement of financial position	€ million	**64**	68
Equity investments at fair value through other comprehensive income	Consolidated statement of financial position	€ million	**48**	31
Investments at fair value through profit or loss	Consolidated statement of financial position	€ million	**26**	13
Investments in associate companies	Consolidated statement of financial position	€ million	**38**	38
Capital employed on Dec 31		€ million	**3,543**	3,904

Key figure	Definition of the key figure or source in the consolidated financial statements		2020	2019

Operating capital

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

Capital employed on Dec 31	Defined earlier in this section	€ million	**3,543**	3,904
Net deferred tax asset on Dec 31	Note 3. Operating segment information	€ million	**257**	217
Operating capital on Dec 31	Capital employed – Net deferred tax asset	€ million	**3,286**	3,687

Capital expenditure

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

Capital expenditure	Purchases of property, plant and equipment and intangible assets, other than emission allowances; investments in equity at fair value through other comprehensive income and associated companies, and acquisitions of businesses	€ million	**180**	193
– in relation to sales	Comparison to sales	%	**3.2**	3.0

Adjusted EBITDA, EBITDA, and EBIT

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

EBIT	Consolidated statement of income	€ million	**–55**	33
– in relation to sales	Comparison to sales	%	**–1.0**	0.5
Depreciation and amortization	Note 6. Income and expenses	€ million	**243**	230
Impairments	Note 6. Income and expenses	€ million	**3**	3
EBITDA	EBIT + depreciation and amortization + impairments	€ million	**191**	266
Adjustments to EBITDA	Note 6. Income and expenses	€ million	**–59**	3
Adjusted EBITDA	EBITDA – Adjustments to EBITDA	€ million	**250**	263
– in relation to sales	Comparison to sales	%	**4.4**	4.1

Key figure	Definition of the key figure or source in the consolidated financial statements		2020	2019

Return on equity

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

Total equity on Dec 31 of previous year	Consolidated statement of financial position	€ million	**2,562**	2,750
Total equity on March 31		€ million	**2,605**	2,656
Total equity on June 30		€ million	**2,525**	2,624
Total equity on Sept 30		€ million	**2,449**	2,602
Total equity on Dec 31	Consolidated statement of financial position	€ million	**2,360**	2,562
Total equity (4-quarter average)	Average of the opening and 4 quarter-end values	€ million	**2,500**	2,639
Net result for the financial year	Consolidated statement of income	€ million	**–116**	–75
Return on equity	Net result for the financial year / Total equity (4-quarter average)	%	**–4.7**	–2.8

Return on capital employed

Return on capital employed is a measure for the value the Group generates to the capital invested in its operations.

Capital employed on Dec 31 of previous year	Defined earlier in this section	€ million	**3,904**	4,086
Capital employed on March 31		€ million	**4,006**	4,135
Capital employed on June 30		€ million	**3,939**	4,048
Capital employed on Sept 30		€ million	**3,707**	4,096
Capital employed on Dec 31	Defined earlier in this section	€ million	**3,543**	3,904
Capital employed (4-quarter average)	Average of the opening and 4 quarter-end values	€ million	**3,820**	4,054
EBIT	Consolidated statement of income	€ million	**–55**	33
Return on capital employed	EBIT / Capital Employed (4-quarter average)	%	**–1.4**	0.8

Key figure	Definition of the key figure or source in the consolidated financial statements		2020	2019

Net debt

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

Non-current debt	Consolidated statement of financial position	€ million	**1,153**	1,053
Current debt	Consolidated statement of financial position	€ million	**251**	427
Cash and cash equivalents	Consolidated statement of financial position	€ million	**376**	325
Net debt	Non-current + current debt – cash and cash equivalents	€ million	**1,028**	1,155
– in relation to sales	Comparison to sales	%	**18.2**	18.0

Net financial expenses and interest expenses

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

Net financial expenses	Total financial income and expenses in the Consolidated statement of income	€ million	**98**	80
– in relation to sales	Comparison to sales	%	**1.7**	1.3

Interest expenses	Consolidated statement of income	€ million	**78**	76
– in relation to sales	Comparison to sales	%	**1.4**	1.2

Net debt to Adjusted EBITDA

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

Net debt	Defined earlier in this section	€ million	**1,028**	1,155
Adjusted EBITDA	Defined earlier in this section	€ million	**250**	263
Net debt to Adjusted EBITDA	Net debt / Adjusted EBITDA		**4.1**	4.4

Key figure	Definition of the key figure or source in the consolidated financial statements		2020	2019

Equity-to-assets ratio

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

Total equity	Consolidated statement of financial position	€ million	**2,360**	2,562
Total assets	Consolidated statement of financial position	€ million	**5,797**	6,038
Advances received	Note 28. Trade and other payables	€ million	**7**	11
Equity-to-assets ratio	Total equity / (Total assets – advances received)	%	**40.8**	42.5

Debt-to-equity ratio

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

Net debt	Defined earlier in this section	€ million	**1,028**	1,155
Total equity	Consolidated statement of financial position	€ million	**2,360**	2,562
Debt-to-equity ratio	Net debt / Total equity	%	**43.6**	45.1

Share-related key figures

		2020	2019	2018	2017	2016
Earnings per share [1) 2)]	€	**–0.28**	–0.18	0.32	0.95	0.35
Diluted earnings per share [1) 2)]	€	**–0.28**	–0.18	0.32	0.90	0.35
Cash flow per share	€	**0.78**	0.90	0.52	0.79	0.94
Equity per share [1) 2)]	€	**5.73**	6.22	6.70	6.59	5.84
Dividend per share	€	**–** [3)]	–	0.15	0.25	0.10
Dividend payout ratio [1) 2)]	%	**–**	–	47.4	26.3	28.8
Dividend yield	%	**–**	–	4.7	3.2	1.2
Price/earnings ratio [1) 2)]		**neg.**	neg.	10.00	8.15	24.31
Development of share price						
Average trading price	€	**2.66**	3.01	5.39	8.11	4.51
Lowest trading price	€	**2.08**	2.23	3.18	6.61	2.08
Highest trading price	€	**4.44**	4.04	8.26	10.05	8.51
Trading price at the end of the period	€	**3.22**	2.81	3.20	7.74	8.51
Change during the period	%	**14.8**	–12.2	–58.7	–9.0	211.3
Change in the OMX Helsinki index during the period	%	**10.1**	13.4	–8.0	6.4	3.6
Market capitalization at the end of the period [4)]	€ million	**1,327**	1,155	1,312	3,194	3,520
Development in trading volume						
Trading volume [5)]	1,000 shares	**1,100,628**	884,254	826,636	1,021,607	955,682
In relation to weighted average number of shares	%	**267.3**	215.0	201.1	247.7	230.6
Adjusted average number of shares [4)]		**411,824,420**	411,198,002	411,065,622	412,363,204	414,411,287
Diluted average number of shares [4)]		**435,135,181**	446,209,235	447,181,306	450,247,639	414,411,287
Number of shares at the end of the period [4)]		**412,002,212**	411,774,715	410,563,719	412,671,549	413,860,600

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

2) Figures for 2017 have been restated due to IFRS 15 adoption in 2018. Figures for 2016 have not been restated.

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

4) Excluding treasury shares.

5) Includes only Nasdaq Helsinki trading.

Definitions of share-related key figures

$$\text{Earnings per share} = \frac{\text{Net result for the financial year attributable to the equity holders}}{\text{Adjusted average number of shares during the period}}$$

$$\text{Cash flow per share} = \frac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$$

$$\text{Equity per share} = \frac{\text{Equity attributable to the equity holders}}{\text{Adjusted number of shares at the end of the period}}$$

$$\text{Dividend per share} = \frac{\text{Dividend for the financial year}}{\text{Adjusted number of shares at the end of the period}}$$

$$\text{Dividend payout ratio} = \frac{\text{Dividend for the financial year}}{\text{Net result for the financial year attributable to the equity holders}} \times 100$$

$$\text{Dividend yield} = \frac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}} \times 100$$

$$\text{Price/earnings ratio (P/E)} = \frac{\text{Adjusted trading price at the end of the period}}{\text{Earnings per share}}$$

$$\text{Average trading price} = \frac{\text{EUR amount traded during the period}}{\text{Adjusted number of shares traded during the period}}$$

Market capitalization at end of the period = Number of shares at the end of the period × Trading price at the end of the period

Trading volume = Number of shares traded during the period, and in relation to the weighted average number of shares during the period

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Consolidated statement of income

€ million	Note	2020	2019
Sales	3, 4, 6	**5,639**	6,403
Cost of sales		**–5,403**	–6,108
Gross margin		**236**	295
Other operating income	6	**22**	107
Selling and marketing expenses		**–68**	–77
Administrative expenses		**–196**	–198
Research and development expenses		**–21**	–17
Other operating expenses	6	**–28**	–77
EBIT		**–55**	33
Share of results in associated companies	15	**2**	6
Financial income and expenses	8		
Interest income		**3**	4
Interest expenses		**–78**	–76
Market price gains and losses		**–10**	4
Other financial expenses		**–13**	–13
Total financial income and expenses		**–98**	–80
Result before taxes		**–151**	–41
Income taxes	9	**34**	–33
Net result for the financial year		**–116**	–75
Earnings per share for result attributable to the equity holders of the Company	10		
Earnings per share, EUR		**–0.28**	–0.18
Diluted earnings per share, EUR		**–0.28**	–0.18

Net result for the financial year is fully attributable to the equity holders of the company.

Consolidated statement of comprehensive income

€ million	Note	2020	2019
Net result for the financial year		**–116**	–75
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations			
Change in exchange differences		**–86**	25
Reclassification adjustments from other comprehensive income to profit or loss		**–**	3
Cash flow hedges	20		
Fair value changes during the financial year		**–8**	12
Reclassification adjustments from other comprehensive income to profit or loss		**–5**	–1
Reclassification adjustments from other comprehensive income to inventory		**4**	–2
Income tax relating to cash flow hedges	9	**0**	–1
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	25		
Changes during the financial year		**–12**	–43
Income tax relating to remeasurements	9	**4**	10
Equity investments at fair value through other comprehensive income	17		
Fair value changes during the financial year		**4**	–55
Income tax relating to equity investments at fair value through other comprehensive income	9	**–**	1
Share of other comprehensive income in associated companies	15	**–0**	–0
Other comprehensive income for the financial year, net of tax		**–101**	–49
Total comprehensive income for the financial year		**–217**	–124

Total comprehensive income for the financial year is fully attributable to the equity holders of the company.

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Consolidated statement of financial position

€ million	Note	2020	2019
ASSETS			
Non-current assets			
Intangible assets	11, 14	**610**	607
Property, plant and equipment	12, 13, 14	**2,631**	2,767
Investments in associated companies	15	**38**	38
Equity investments at fair value through other comprehensive income	17	**48**	31
Derivative financial instruments	20	**6**	5
Deferred tax assets	9	**264**	229
Defined benefit plan assets	25	**64**	68
Trade and other receivables	22	**1**	2
		3,663	3,747
Current assets			
Inventories	21	**1,177**	1,424
Investments at fair value through profit or loss		**26**	13
Derivative financial instruments	20	**17**	15
Trade and other receivables	22	**537**	514
Cash and cash equivalents	23	**376**	325
		2,134	2,291
TOTAL ASSETS		**5,797**	6,038

€ million	Note	2020	2019
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital		**311**	311
Premium fund		**714**	714
Invested unrestricted equity reserve		**2,103**	2,103
Other reserves		**–46**	–40
Retained earnings		**–721**	–525
Total equity	24	**2,360**	2,562
Non-current liabilities			
Non-current debt	27	**1,153**	1,053
Deferred tax liabilities	9	**7**	12
Defined benefit and other long-term employee benefit obligations	25	**329**	335
Provisions	26	**84**	85
Trade and other payables	28	**45**	29
		1,618	1,514
Current liabilities			
Current debt	27	**251**	427
Derivative financial instruments	20	**32**	17
Provisions	26	**31**	25
Current tax liabilities		**6**	17
Trade and other payables	28	**1,500**	1,475
		1,820	1,962
TOTAL EQUITY AND LIABILITIES		**5,797**	6,038

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Consolidated statement of cash flows

€ million	Note	2020	2019
Cash flow from operating activities			
Net result for the financial year		**–116**	–75
Adjustments for			
Depreciation, amortization and impairments	6, 11, 12, 14	**246**	233
Net expenses on provisions, and defined benefit and other long-term employee benefit obligations		**59**	75
Gain/loss on sale of intangible assets and property, plant and equipment	6	**–6**	–81
Net interest income and expense	8	**71**	63
Taxes	9	**–34**	33
Other non-cash adjustments		**3**	7
		339	330
Change in working capital			
Change in trade and other receivables		**–37**	100
Change in inventories		**237**	129
Change in trade and other payables		**47**	–10
		247	218
Provisions, and defined benefit and other long-term employee benefit obligations paid		**–71**	–53
Interest and dividends received		**2**	12
Interest paid		**–69**	–56
Income taxes paid		**–10**	–5
Net cash from operating activities		**322**	371

€ million	Note	2020	2019
Cash flow from investing activities			
Acquired businesses, net of cash		**–**	–3
Equity investments at fair value through other comprehensive income	17	**–13**	–
Purchases of property, plant and equipment	12	**–146**	–161
Purchases of intangible assets	11	**–20**	–28
Proceeds from the disposal of subsidiaries, net of cash		**–**	9
Proceeds from sale of property, plant and equipment	12	**15**	99
Proceeds from sale of intangible assets	11	**–**	10
Other investing cash flow		**–10**	10
Net cash from investing activities		**–175**	–65
Cash flow before financing activities		**147**	306
Cash flow from financing activities			
Dividends paid	24	**–**	–62
Borrowings of non-current debt		**496**	515
Repayments of non-current debt		**–688**	–76
Change in current debt		**130**	–396
Repayments of lease liabilities		**–33**	–34
Other financing cash flow		**0**	3
Net cash from financing activities		**–94**	–49
Net change in cash and cash equivalents		**53**	256
Cash and cash equivalents at the beginning of the financial year		**325**	68
Net change in cash and cash equivalents		**53**	256
Foreign exchange rate effect on cash and cash equivalents		**–1**	0
Cash and cash equivalents at the end of the financial year	23	**376**	325

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Consolidated statement of changes in equity

€ million	Note	Share capital	Premium fund	Invested unrestricted equity reserve	Misc. other reserves	Fair value reserve from equity investments at FV through OCI	Fair value reserve from derivatives	Cumulative translation differences	Remeasure-ments of defined benefit plans	Treasury shares	Other retained earnings	Total equity
Equity on Jan 1, 2019		**311**	**714**	**2,103**	**3**	**5**	**–3**	**–56**	**–80**	**–40**	**–207**	**2,750**
Net result for the financial year		–	–	–	–	–	–	–	–	–	–75	–75
Other comprehensive income		–	–	–	–	–54	9	29	–33	–	–0	–49
Total comprehensive income for the financial year		–	–	–	–	–54	9	29	–33	–	–75	–124
Transactions with equity holders of the Company												
Contributions and distributions												
Dividends paid	24	–	–	–	–	–	–	–	–	–	–62	–62
Share-based payments	18	–	–	–	–	–	–	–	–	7	–9	–3
Other		–	–	–	–	–	–	–	–3	–	3	–
Equity on Dec 31, 2019		**311**	**714**	**2,103**	**3**	**–49**	**6**	**–27**	**–116**	**–33**	**–350**	**2,562**
Net result for the financial year		–	–	–	–	–	–	–	–	–	–116	–116
Other comprehensive income		–	–	–	–	4	–10	–86	–8	–	–0	–101
Total comprehensive income for the financial year		–	–	–	–	4	–10	–86	–8	–	–117	–217
Transactions with equity holders of the Company												
Contributions and distributions												
Convertible bond	27	–	–	–	–	–	–	–	–	–	14	14
Share-based payments	18	–	–	–	–	–	–	–	–	2	–1	1
Equity on Dec 31, 2020		**311**	**714**	**2,103**	**3**	**–45**	**–4**	**–113**	**–124**	**–31**	**–454**	**2,360**

Total equity is fully attributable to the equity holders of the company.

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Notes to the consolidated financial statements

1. Corporate information

Outokumpu Oyj is a Finnish public limited liability company organized under the laws of Finland and domiciled in Helsinki, Finland. The parent company, Outokumpu Oyj, has been listed on the Nasdaq Helsinki since 1988. The company's address is P.O. Box 245, 00181 Helsinki, Finland.

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

Outokumpu is the global leader in stainless steel. The foundation of Outokumpu's business is its ability to tailor stainless steel into any form and for almost any purpose. Stainless steel is sustainable, durable and designed to last forever. The Group's customers use it to create civilization's basic structures and its most famous landmarks as well as products for households and various industries. Outokumpu employs some 10,000 professionals in more than 30 countries.

In its meeting on February 4, 2021 the Board of Directors of Outokumpu Oyj approved the publishing of these consolidated financial statements. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to decide to amend the financial statements.

For the purpose of reporting according to ESEF regulations: Outokumpu Oyj operated with this name also in the previous year. Outokumpu Oyj is the ultimate parent of the Group and its principal place of business is Helsinki, Finland.

2. Accounting principles for the consolidated financial statements

Basis of preparation

These consolidated financial statements of Outokumpu have been prepared on going concern basis for the financial year 2020 covering the period from January 1 to December 31, 2020.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The consolidated financial statements have been prepared in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on December 31, 2020. The consolidated financial statements also comply with the regulations of Finnish accounting and company legislation complementing the IFRSs.

The consolidated financial statements are presented in millions of euros and have been prepared under the historical cost convention, unless otherwise stated in the accounting principles. All figures presented have been rounded, and consequently the sum of individual figures may deviate from the presented aggregate figure. Key figures have been calculated using exact figures.

Responding to COVID-19

Safety is a key priority at Outokumpu, and the company is committed to protecting the health and safety of its employees. Outokumpu has several safety measures in place to ensure the safety of the people and to mitigate the negative impacts of the COVID-19 pandemic. Outokumpu monitors the COVID-19 situation closely in each country in which it operates and adjusts the required measures accordingly.

Outokumpu has contingency plans in place to mitigate the operational and financial risks. Thanks to decisive and well-timed actions taken by the company, the negative impacts of the COVID-19 pandemic on Outokumpu's operations have been very limited. Outokumpu has been able to operate efficiently throughout the pandemic and has successfully adjusted its operations to meet the current demand level. Outokumpu also initiated immediate cost compression measures when the COVID-19 pandemic began to affect global stainless steel demand. The actions have continued throughout the year and the tight cost control has supported company's profitability and cash flow in 2020.

As a response to the pandemic, Outokumpu reduced its capital expenditures to EUR 180 million in 2020. Furthermore, the cash release from the net working capital reduction was significantly above the targeted level of EUR 100 million. Included here are the deferred VAT payments in Finland of EUR 75 million of which EUR 61 million was still outstanding at year-end for up to one and a half years.

Outokumpu has successfully managed its liquidity through the pandemic and company's financial position has remained stable. Cash and cash equivalents amounted to EUR 376 million at the end of the year and the total liquidity reserves increased to over EUR 1.0 billion. Outokumpu issued a new EUR 125 million convertible bond in July and signed a revolving credit facility in the amount of SEK 1,000 million, guaranteed by the Swedish Export Credit Agency EKN in October. In December, Outokumpu agreed an amendment and extension of its syndicated revolving credit facility allowing for two consecutive yearly extension requests of the maturity dates until the end of May 2024. Out of the EUR 574 million maturing at the end of May 2022, a facility amount of EUR 532 million has been extended until the end of May 2023. The financial covenants of Outokumpu's financial agreements are based on debt-to-equity ratio and Outokumpu remains in compliance with the financial covenants of its financing agreements.

Outokumpu has not experienced material credit risk impacts as a result of COVID-19. The portion of unsecured receivables has been approximately 4–6% of all trade receivables in 2020. Credit limits have remained available from the insurer and there has been no significant change in the insurance cover. Outokumpu has monitored credit risk and overdue situation closely, and continued its close co-operation with insurers.

More information on the liquidity and refinancing risk management as well as credit and country risk management can be found in note 19.

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To ensure appropriate carrying amounts of intangible assets and property, plant and equipment, Outokumpu has continued its practice to assess impairment indicators on quarterly basis. Cash flow projections and other valuation parameters were reviewed due to the global economic slowdown resulting from COVID-19. In reviewing these projections, management had to make assumptions relating to the severity of the outbreak's impact on market as well as the timing and pace of the recovery. More information on impairment testing can be found in note 14 and on management judgements later in this note.

Outokumpu has utilized government support schemes in its operating countries. Outokumpu has received some compensation on its personnel expenses. Outokumpu has also utilized schemes available to defer VAT and social security payments.

Adoption of new and amended IFRS standards and interpretations

As of January 1, 2020, Outokumpu has applied the following new and amended standards.

- **Amendments to IAS 1 Presentation of financial statements** and **IAS 8 Accounting policies, changes in accounting estimates and errors** (effective for financial years beginning on or after January 1, 2020): The amendments clarify the definition of materiality and use it consistently throughout IFRSs and the Conceptual Framework of Financial Reporting. The amendments did not have material impact on Outokumpu's consolidated financial statements.
- **Revised Conceptual Framework of Financial Reporting** (effective for financial years beginning on or after January 1, 2020): The International Accounting Standards Board's revised Conceptual Framework is used in decisions on standard setting. The current accounting standards have not changed, but Framework is applied in determining accounting policies in situations that are not otherwise dealt with under the accounting standards. Key changes in the framework include: increasing the prominence of stewardship in the objective of financial reporting, reinstating prudence as a component of neutrality, revising the definitions of an asset and a liability, removing the probability threshold for recognition, adding guidance on derecognition and different measurement bases, and stating that profit or loss is the primary performance indicator. The amendments did not have material impact on Outokumpu's consolidated financial statements.
- **Temporary amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform** (effective for financial year beginning on or after January 1, 2020): The amendments modify certain specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information on their hedging relationships which are directly affected by these uncertainties. The amendments did not impact Outokumpu's consolidated financial statements as Outokumpu currently applies hedge accounting only to nickel derivatives not impacted by the changes.

Other new or amended standards and interpretations had no impact on Outokumpu's consolidated financial statements.

Outokumpu has not yet applied the following new and amended standards and interpretations already issued. The Group adopts them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform, Phase 2** (effective for financial years beginning on or after January 1, 2021): The amendments address issues arising during the interest rate benchmark reform, including the replacement of one benchmark rate with an alternative one. The amendments cover: (1) accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform; (2) additional temporary exceptions to applying specific hedge accounting requirements to avoid failure of hedge relationships solely due to IBOR reform; and (3) additional IFRS 7 disclosures related to IBOR reform. The amendments are not expected to have material impact on Outokumpu's consolidated financial statements.
- **Amendments to IAS 1 Presentation of financial statements – Classification of Liabilities as Current or Non-current *** (effective for financial years beginning on or after January 1, 2022, possibly deferred to January, 2023): The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period, and that classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the settlement of a liability. The amendments are not expected to have material impact on Outokumpu's consolidated financial statements.
- **Amendments to IAS 16 Property, Plant and Equipment – Proceeds before intended use *** (effective for financial years beginning on or after January 1, 2022): The amendment prohibits an entity from deducting from the cost of a property, plant and equipment item any proceeds received from selling produced items while preparing the asset for its intended use. It also clarifies that testing the functioning of an asset refers to technical and physical performance of the asset, not financial performance. The amendment is not expected to have material impact on Outokumpu's consolidated financial statements.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts *** (effective for financial years beginning on or after January 1, 2022): The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. The amendment is not expected to have material impact on Outokumpu's consolidated financial statements.

*Not yet endorsed by the EU.

Other new or amended standards and interpretations that are not yet effective are not expected to have a material impact on Outokumpu's consolidated financial statements.

Management judgements and use of estimates

The preparation of the financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts

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of assets and liabilities and the disclosure of contingent assets and contingent liabilities at the reporting date, as well as the reported amounts of income and expenses during the reporting period. The management estimates and judgements are continuously monitored and they are based on prior experience and other factors, such as future expectations assumed to be reasonable considering the circumstances. Although these estimates are based on management's best knowledge of the circumstances at the end of the reporting period, actual results may differ from the estimates and the assumptions. Management believes that the following accounting principles represent those matters requiring the exercise of judgement where a different opinion could result in significant changes to reported results.

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The most important commodity price risk for Outokumpu is caused by fluctuation in nickel and other alloy prices. The alloy surcharge clause as well as daily fixed pricing of stainless steel can reduce the risk arising from the time difference between raw material purchase and product delivery. However, the risk is significant because the delivery cycle in production is longer than the alloy surcharge mechanism expects and the daily fixed pricing can also deviate from this cycle depending on the timing of the delivery. As the prices for all products to be sold in the future are not known, a significant part of the future prices are estimated according to management's best knowledge in net realizable value (NRV) calculations. Due to fluctuations in nickel and other alloy prices, the realized prices can deviate significantly from what has been used in NRV calculations on the closing date. See note 21.

Property, plant and equipment and intangible assets and impairments

Management estimates relate to carrying amounts and useful lives of assets as well as other underlying assumptions. Different assumptions and assigned lives could have a significant impact on the reported amounts. Management estimates in relation to goodwill relate to the estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate to calculate present value. The future projections of cash flows include, among other estimates, projections of future prices and delivery volumes, production costs and maintenance capital expenditures.

Carrying amounts of non-current assets are regularly reviewed to determine whether there is any evidence of impairment as described in these accounting principles. The estimation of future cash flows and the definition of the discount rates for impairment testing require management to make assumptions relating to future expectations (e.g. future product pricing, production levels, production costs, market supply and demand, projected maintenance capital expenditure and weighted average cost of capital). In estimating future cash flows, with regards to the COVID-19 pandemic, management makes assumptions relating to the severity of the outbreak's impact on market and financial development as well as the timing and pace of the recovery. A pre-tax discount rate used for the net present value calculation of projected cash flows reflects the weighted average cost of capital. The key assumptions used in the impairment testing, including sensitivity analysis, are explained further in note 14.

Income taxes

Group operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within the countries. Significant judgements are necessary in determining the worldwide income tax liabilities of the Group. Although management believes they have made reasonable estimates about the resolution of tax uncertainties, the final outcome of these uncertainties could have an effect on the income tax liabilities and deferred tax liabilities in the period.

At the end of reporting period, the management assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires judgement with respect to, among other things, benefits that could be realized from future taxable income, available tax strategies, as well as other positive and negative factors. The recorded amount of deferred tax assets could be reduced if estimates of taxable income and benefits from available tax strategies are lowered, or if current tax regulations are enacted that impose restrictions on the Group's ability to utilize future tax benefits. See note 9.

Fair values of non-derivative financial instruments

The fair value of financial instruments which cannot be determined based on quoted market prices and rates are based on different valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Factors regarding valuation techniques and their assumptions could affect the reported fair values.

Relating to the valuation of Outokumpu's investment in Voimaosakeyhtiö SF, key management judgements relate to long-term market price for electricity, Fennovoima's capacity utilization rate, discount rates for cash flows and terminal value, and inflation rates for costs and electricity market price. See note 17.

Employee benefits

The present value of pension obligations is subject to actuarial assumptions which actuaries use in calculating these obligations. Actuarial assumptions include, among others, discount rate, the annual rate of increase in future compensation levels and inflation rate. The assumptions used are presented in note 25.

Provisions

The most significant provisions in the statement of financial position relate to restructuring programs and primarily include termination benefits to employees. The judgement applied mainly relates to the estimated amounts of termination benefits.

The Group has also made provisions for known environmental liabilities based on management's best estimate of the remediation costs. The precise amount and timing of these costs could differ significantly from the estimate. See note 26.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the parent company Outokumpu Oyj and all those subsidiaries where over 50% of the

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subsidiary's voting rights are controlled directly or indirectly by the parent company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Acquired or established subsidiaries are accounted for by using the acquisition method. The consideration transferred, and the identifiable assets acquired and liabilities assumed in the acquired company are measured at fair value at the acquisition date. The consideration transferred includes any assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer. Any contingent consideration related to the business combination is measured at fair value at the acquisition date and it is classified as either liability or equity. Contingent consideration classified as liability is remeasured at its fair value at the end of each reporting period, and the subsequent changes to fair value are recognized in profit or loss. Contingent consideration classified as equity is not subsequently remeasured. The consideration transferred does not include any transactions accounted for separately from the acquisition. All acquisition-related costs except costs to issue debt or equity securities, are recognized as expenses in the periods in which costs are incurred and services rendered.

Goodwill arising on an acquisition is recognized as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests or previously held equity interests in the acquiree, over the Group's share of the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. Non-controlling interest in the acquiree is measured acquisition-by-acquisition either at fair value or at value, which equals to the proportional share of the non-controlling interest in the identifiable net assets acquired. Changes in the parent company's ownership interest in a subsidiary are accounted for as equity transactions if the parent company retains control of the subsidiary.

To those business combinations, which have taken place before January 1, 2010, accounting principles effective at that time have been applied.

All intra-group transactions, receivables, liabilities and unrealized margins, as well as distribution of profits within the Group, are eliminated in the preparation of consolidated financial statements.

Associated companies

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

The Group's share of the associated company's result for the period is separately disclosed below EBIT in the consolidated statement of income. Outokumpu's share of changes recognized in the associated company's other comprehensive income is recognized in the Group's other comprehensive income. When Outokumpu's share of the associated company's losses exceeds the carrying amount of the investment, the investment is recognized at zero value in the statement of financial position and recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of the associated company. The interest in an associated company comprises the carrying amount of the investment under the equity method together with any long-term interest that, in substance, forms a part of the net investment in the associated company.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Classification as held for sale requires that the following criteria are met: the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition subject to usual and customary terms, the management is committed to the sale and the sale is expected to be completed within one year from the date of classification.

Prior to classification as held for sale, the assets or assets and liabilities related to a disposal group in question are measured according to the respective IFRS standards. From the date of classification, non-current assets or a disposal group held for sale are measured at the lower of the carrying amount and the fair value less costs to sell, and the recognition of depreciation and amortization is discontinued.

Assets included in disposal groups but not in the scope of the measurement requirements of IFRS 5, as well as liabilities, are measured according to the related IFRS standards also after the date of classification.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, and for which discrete financial information is available. Outokumpu's business is divided into four business areas, which are responsible for sales, profitability, production and supply chain management, and they are Outokumpu's operating segments under IFRS. The performance of the segments is reviewed based on segments' adjusted EBITDA, which is defined in these accounting principles. The review is done by the CEO who is Outokumpu's chief operating decision maker, on basis of regular internal management reporting based on IFRS.

Foreign currency transactions

Transactions of each subsidiary included in the consolidated financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that subsidiary ("the functional currency"). The functional currency is mainly the subsidiary's local currency except for subsidiaries in Mexico and Argentina who use the US dollar as their functional currency.

The consolidated financial statements are presented in euros which is the functional and presentation currency of the parent company. Group companies' foreign currency transactions are translated into local functional currencies using the exchange rates prevailing at the dates of the transactions. Receivables and liabilities in foreign currencies are translated into functional currencies at the exchange rates prevailing at the end of the reporting period. Foreign exchange differences arising from interest-bearing assets and liabilities and related derivatives are recognized in finance income and expenses in the consolidated statement of income. Foreign exchange differences arising in respect of other financial instruments are included in EBIT under sales, purchases or other operating income and expenses. The effective portion of exchange differences arisen from instruments designated as hedges of the net investments in foreign operations is recognized in other comprehensive income.

For those subsidiaries whose functional and presentation currency is not the euro, the income and expenses for the statements of income and comprehensive income, and the items for statement of cash flows, are translated into euro using the average exchange rates of the reporting period. The assets and liabilities for the statement of financial position are translated using the exchange rates prevailing at the reporting date. The translation differences arising from the use of different exchange rates explained above are recognized in Group's other comprehensive income. Any goodwill arising on the acquisition of foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of those foreign operations are treated as assets and liabilities of those foreign operations. They are translated into euro using the exchange rates prevailing at the reporting date. When a foreign operation is sold, or is otherwise partially or completely disposed of, the translation differences accumulated in equity are reclassified in profit or loss as part of the gain or loss on the sale.

Revenue from contracts with customers

Outokumpu generates revenue mainly from sales of stainless steel and ferrochrome. Outokumpu ships these goods to customers under a variety of Incoterms, and considers the transfers of physical possession and risks and rewards related to the ownership of the goods accordingly. Consequently, the performance obligations related to sales of stainless steel and ferrochrome are satisfied at a point of time.

With customer deliveries following the "C" Incoterms, whereby the control of the goods transfers to the customer before the delivery, Outokumpu remains responsible for organizing the transportation of the goods to the customer. In these cases, the transportation service is a separate performance obligation, which is satisfied over time of the transportation. Outokumpu has concluded that it acts as a principal with regards to the transportation service performance obligation.

Most of Outokumpu's revenue from contracts with customer is recognized at a point of time. Only revenue from transportation service is recognized over a period of time, and the period under which the revenue is recognized, is relatively short. Moreover, the sales of goods and transportation service are invoiced together from the customer. Consequently, the uncertainty associated with the cash flows does not differ with respect to the timing of revenue recognition.

Outokumpu has made bill and hold arrangements with its selected European customers. Under these arrangements, based on a customer request, Outokumpu holds the readily available material at its own stock locations for the customer up to a period of three months before the actual delivery of the material. However, Outokumpu has transferred control of these materials to the customer and consequently recognizes the revenue for the material sales. The revenue related to Outokumpu's transportation service performance obligation to deliver the material is recognized over the time when the delivery takes place.

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

Outokumpu also sells nickel and nickel warrants that relate to nickel sourced as part of a nickel supply agreement but is not needed for production of stainless steel. These sales are recognized to revenue when the title to the material is transferred to the buyer.

Income taxes

Current and deferred income taxes are determined in accordance with IAS 12 Income Taxes on entity level to the extent an entity is subject to income taxation. The Group's income tax in the consolidated statement of income includes current income taxes of the Group companies based on taxable profit for the period, together with tax adjustments for previous periods and the change in deferred income taxes. In several countries (Germany, the UK, Italy, the Netherlands, Sweden and the USA) Outokumpu companies are included in income tax consolidation groups / group taxation systems. The share of results in associated companies is reported in the statement of income based on the net result and thus including the income tax effect.

Deferred income taxes are stated using the balance sheet liability method to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis at the reporting date, as well as for unused tax losses or credits carry forward. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available, against which deductible temporary differences can be utilized. A valuation allowance is recognized against a deferred tax asset if the realization of the related tax benefit is not probable. The ability to recognize deferred tax assets is reviewed at the end of each reporting period. Deferred tax liabilities are usually recognized in the statement of financial position in full except to the extent that the deferred taxes arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred taxes are calculated at the enacted or substantially enacted tax rates that are expected to apply by the end of the reporting period. Generally, deferred tax is recognized to the statement of income, except if the taxes are related to items of other comprehensive income or to transactions or other events recognized directly in equity, in which case the related income taxes are also recognized either in other comprehensive income or directly in equity, respectively.

Research and development costs

Research costs are expensed in the reporting period in which they are incurred. Development costs are capitalized when it is probable that the development project will generate future economic benefits for the Group, and certain criteria related to commercial and technological feasibility are met. These

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costs relate to the development of new or substantially improved products or production processes and to transformation projects with the target of developing and improving business processes. Capitalized development costs mainly comprise materials and supplies and direct labour costs as well as related overhead costs. Development costs recognized as expenses are not subsequently capitalized.

Subsequent to initial recognition, capitalized development costs are measured at cost less accumulated amortization and impairment losses. Capitalized development costs are amortized on a straight-line basis over their estimated useful lives which is generally five years. Recognition of amortization is commenced as the asset is ready for use. The accounting treatment of the government grants received for research and development activities is described below under Government grants.

Goodwill and other intangible assets

Goodwill arising on a business combination is recognized at the acquisition date at an amount representing the excess of the consideration transferred in an acquisition over the fair value of the identifiable assets acquired, liabilities assumed and any non-controlling interest and any previously held equity interests in the acquiree, if any. Goodwill is not amortized but tested for impairment. Goodwill is measured at cost less accumulated impairment losses.

Intangible assets other than goodwill include capitalized development costs, patents, licenses and software. An intangible asset is recognized only if it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. All other expenditure is expensed as incurred. Intangible assets are recognized initially at cost. After initial recognition, assets are measured at cost less accumulated amortizations and impairment losses if the intangible asset has a finite useful life. Cost comprises the purchase price and all costs directly attributable to bringing the asset ready for its intended use. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

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

Intangible assets are amortized on a straight-line basis over their expected useful lives. Assets tied to a certain fixed period are amortized over the contract term. Amortization periods used for intangible assets are the following:

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

Recognition of amortization is discontinued when the intangible asset is classified as held for sale. The estimated useful lives and residual values are reviewed at least at the end of each financial year. If they differ substantially from previous estimates, the useful lives are adjusted accordingly.

Gains and losses on disposal of intangible assets are included in other operating income and expenses.

Emission allowances

Emission allowances are intangible assets measured at cost. Allowances received free of charge are recognized at nominal value, i.e. at zero carrying amount. A provision to cover the obligation to return emission allowances is recognized at fair value at the end of the reporting period if the emission allowances held by the Group do not cover the actual emissions. The purchased emission allowance quotas recognized in intangible rights are derecognized against the actual emissions or, when the emission allowances are sold. The obligation to deliver allowances equal to emissions is recognized under other operating expenses. Gains from the sale of allowances are recognized as other operating income in the statement of income.

Property, plant and equipment

Property, plant and equipment acquired by the Group companies are measured at cost. The cost includes all expenditure directly attributable to the acquisition of the asset. Government grants received are deducted from the cost. Property, plant and equipment acquired in business combinations are measured at fair value at the acquisition date.

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

Property, plant and equipment are carried in the statement of financial position at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. Depreciation is based on the following estimated useful lives:

Buildings	25–40 years
Heavy machinery	15–30 years
Light machinery and equipment	3–15 years

Land is not depreciated, except for leased land, as the useful life of land is assumed to be indefinite. Mine properties include preparatory work to utilize an ore body or part of it, such as shafts, ramps and ventilation and are depreciated using the units-of-production method based on the depletion of ore reserves over their estimated useful lives. Recognition of depreciation on an item of property, plant and equipment is discontinued when the item is classified as held for sale. Expected useful lives and residual values are reviewed at least at the end of each financial year and, if they differ significantly from previous estimates, the useful lives are revised accordingly.

Ordinary repairs and maintenance costs are expensed during the reporting period in which they are incurred. The cost of major renovations is included in the asset's carrying amount when it is probable that the Group will derive future economic benefits in excess of the originally assessed standard of performance of the existing asset and the cost can be reliably measured. Costs arising on such major renovations are accounted for as capital expenditure and depreciated on a straight-line basis over their estimated useful lives.

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

Government grants

Government or other grants and support are recognized as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate. Income from grants and other support is presented as other

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operating income. Investment grants related to acquisitions of property, plant and equipment and intangible assets are deducted from the cost of the asset in question in the statement of financial position and recognized as income on a systematic basis over the useful life of the asset in the form of reduced depreciation or amortization expense.

Impairment of property, plant and equipment and intangible assets

Carrying amounts of non-current assets are regularly reviewed to determine whether there is any evidence of impairment. If any such evidence of impairment emerges, the asset's recoverable amount is estimated. Goodwill is tested at least annually, irrespective of whether there is any evidence of impairment.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. For goodwill testing purposes, the recoverable amount is based on value in use which is determined by reference to discounted future net cash flows expected to be generated by the asset. In Outokumpu, goodwill is tested on operating segment level. The discount rate used is a pre-tax rate that reflects the current market view on the time value of money and the asset-specific risks. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognized immediately in profit or loss. The estimated useful life of the asset that is subject to depreciation or amortization is also reassessed when an impairment loss is recognized.

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted carrying amount is higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill are not reversed.

Leases

Group as a lessee

Outokumpu leases land, buildings, machinery and equipment for its operations. Outokumpu has also entered into service and supply contracts that contain lease elements. Contracts are typically with a fixed term and a fixed rental amount. Rents for contracts on land and buildings are typically linked to an index or a rate. For some contracts, the rental payments are variable based on the use of the asset.

Outokumpu recognizes lease liabilities measured at the present value of future lease payments to its statement of financial position. In determining the present value of the lease liabilities, the fixed and index/rate-based lease payments are discounted with the interest rate implicit to the lease when available, or with the incremental borrowing rate of the company. Incremental borrowing rates for Group companies are defined as part of the process to determine interest rates for intra-group lending, in which Outokumpu defines a synthetic rating for subsidiaries. The incremental borrowing rate takes into account the currency, the maturity of the lease liability, and the credit risk of the lessee, which is based on the synthetic rating, and country risk.

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

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

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

Outokumpu does not apply the accounting practice of recognizing lease liabilities or right-of-use assets to short-term leases, leases of low value items, or intangible assets. Instead, related payments, as well as variable lease payments are recognized as expense to the profit or loss.

Group as a lessor

Rental income received from property, plant and equipment leased out by the Group under operating leases is recognized on a straight-line basis over the lease term. Rental income is presented under other operating income.

Financial instruments

Financial assets

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

If an item is not measured at fair value through profit or loss, significant transaction costs are included in the initial carrying amount of the financial asset. Financial assets are derecognized when the Group loses the rights to receive the contractual cash flows on the financial asset or it transfers substantially all the risks and rewards of ownership outside the Group.

Financial assets at fair value through profit or loss

The category of financial assets at fair value through profit or loss includes derivatives, to which hedge accounting is not applied, as well as other financial items at fair value through profit or loss held for trading purposes. A financial asset, such as an investment in debt instrument or money market fund is classified in this category if it has been acquired with the main purpose of selling the asset within a short period of time. In some cases, also share investments can be classified in this category.

These financial assets are recognized at the trade date at fair value and subsequently remeasured at fair value at the end of each reporting period. The fair value measurement is based on quoted rates and market prices as well as on appropriate valuation methodologies and models.

Realized and unrealized gains and losses arising from changes in fair values are recognized in profit or loss in the reporting period in which they are incurred. The changes in fair value of other financial items measured at fair value are recognized in market price gains and losses under financial income and expenses. Accounting of derivatives is described in more detail in section Derivatives and hedge accounting.

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Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include hedge accounted derivatives and equity investments in listed and unlisted companies.

Equity investments and divestments of these items are recognized at the trade date. Equity investments are included in non-current assets, unless the Group has the intention to dispose of the investment within 12 months from the reporting date.

Equity investments are measured at fair value. The fair value measurement is based on quoted rates and market prices at the end of the reporting period, as well as on appropriate valuation techniques, such as recent transaction prices and cash flow discounting. These valuation techniques use observable market data when it is available but rely also on entity-specific estimates made by the management. Fair value changes of equity investments measured at fair value are recognized in other comprehensive income and presented in equity within fair value reserve, net of tax. Dividends are recognized in profit or loss. When the shares are disposed, the accumulated changes in fair value are reclassified from fair value reserve to retained earnings.

Financial assets measured at amortized cost

Financial assets measured at amortized cost include non-derivative financial assets with fixed or determinable payments and are not quoted in active markets. This category includes trade and other receivables and cash and cash equivalents.

Financial assets measured at amortized cost are measured initially at fair value. After initial recognition, they are measured at amortized cost by using the effective interest rate method less accumulated impairments.

Outokumpu uses factoring for working capital management. Factored trade receivables have been derecognized from the statement of financial position when the related risks and rewards of ownership have materially been transferred.

Outokumpu has adopted simplified model in assessing and recognizing expected credit losses on trade receivables. The calculation model is based on overdue statistics and counterparty-specific credit rating linked with loss probabilities for each rating. Impairment losses are recognized in selling and marketing expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other highly liquid investments with original maturities of three months or less. These are readily convertible to a known amount of cash and the risk of changes in value is low. Bank overdrafts are included in current liabilities in the statement of financial position.

Financial liabilities

Financial liabilities at fair value through profit or loss

The category of financial liabilities at fair value through profit or loss includes derivatives that do not meet the criteria of hedge accounting. Realized and unrealized gains and losses arising from changes in fair value of derivatives are recognized in profit or loss in the reporting period in which they are incurred.

Financial liabilities at amortized cost

Financial liabilities recognized at amortized cost include the loans, bonds, lease liabilities and trade and other payables. Loans and trade and other payables are recognized at the settlement date and measured initially at fair value. After initial recognition, they are carried at amortized cost using the effective interest rate method. Transaction costs are included in the original carrying amount. A financial liability (or part of the liability) is not derecognized until the liability has ceased to exist, that is, when the obligation identified in a contract has been fulfilled or cancelled or is no longer effective.

Significant costs related to revolving credit facilities are amortized over the expected loan term.

Convertible bonds

The Group classifies convertible bonds as compound instruments. The component parts of the bonds are classified separately as financial liabilities and equity in accordance with the substance of the arrangement.

The liability component is recognized initially at fair value of a similar liability. The equity component is recognized initially at the difference between the fair value of the bond as a whole and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method. The equity component of the bond is not remeasured to initial recognition except on conversion or expiry.

Derivative instruments and hedge accounting

Derivatives

Derivatives are initially recognized at fair value on the trade date, on which the Group becomes a contractual counterparty, and are subsequently measured at fair value. Gains and losses arising on fair value measurement are accounted for depending on the purpose of use of the derivative contract. The gains and losses arising from fair value changes of derivative contracts, to which hedge accounting is applied and which are effective hedging instruments, are presented congruent with the hedged item. Changes in fair value of derivative contracts not qualifying for hedge accounting are recognized in EBIT in other operating income and expenses. If a derivative is designated for financing activities, the gain or loss effects arising from the instrument are recognized within financial income and financial expenses.

The fair value measurement of derivatives is based on quoted market prices and rates as well as on discounted cash flows at the end of the reporting period. The fair values of currency, interest rate and metal options are determined by utilising commonly applied option valuation models, such as Black-Scholes-Merton model. Fair values of derivatives can in certain cases be based on valuations of external counterparties.

Hedge accounting

Outokumpu applies cash flow hedge accounting to certain nickel derivatives which fulfil the IFRS 9 hedge accounting requirements. In the beginning of each hedging arrangement, the Group documents the relationship between the hedging instrument and the hedged item, as well as the objectives of risk management and strategy of the hedging arrangement. Effectiveness of the hedge relationship is documented and assessed when hedging is started and at least in the end of each reporting period. Hedge effectiveness is calculated and assessed between the changes in the fair

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value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument. Hedge accounting is discontinued when the requirements of hedge accounting are no longer met.

Fair value changes of derivatives designated to hedge forecasted cash flows are recognized in other comprehensive income and presented within the fair value reserve in equity to the extent that the hedge is effective. Such fair value changes accumulated in equity are reclassified in profit or loss in the period in which the hedged cash flows affect profit or loss. In the certain hedge accounted transaction, the realized part of the nickel derivatives is first reclassified from other comprehensive income to inventory for certain period and finally reclassified in profit and loss. The fair value changes related to the ineffective portion of the hedging instrument are recognized immediately in profit or loss.

The Group has in earlier years hedged equities of the subsidiaries located outside the euro area against changes in exchange rates with the aim to reduce the effects of changes in exchange rates on the Group's equity. Accumulated fair value changes of qualifying financial instruments designated as hedges are reported in equity. They will be reclassified to profit or loss as part of the gain or loss on disposal if the corresponding foreign operation is sold or otherwise disposed of, partly or in full.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value hierarchy is based on the source of inputs used in determining fair values. In level one, fair values are based on public quotations for identical instruments. In level two, fair values are based on market rates and prices, discounted future cash flows and, in respect of options, on valuation models. For assets and liabilities in level three, there is no reliable market source available and thus the fair value measurement cannot be based on observable market data. Therefore, the measurement methods are chosen so that the information available for the measurement and the characteristics of the measured objects can be adequately taken into account.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of raw material is determined by actual cost defined as monthly weighted average. The cost of self-produced finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production and procurement overheads, but excludes borrowing costs. Cost of purchased products includes all purchasing costs including direct transportation, handling and other costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Spare parts are carried as inventory and their cost is recognized in profit or loss as consumed. Major spare parts are recognized in property, plant and equipment when they are expected to be used over more than one financial year.

Treasury shares

When the parent company or its subsidiaries purchase the company's own shares, the consideration paid, including any attributable transaction costs, net of taxes, is deducted from the parent company's equity as treasury shares until the shares are cancelled. When such shares are subsequently sold or reissued, any consideration received is recognized directly in equity.

Provisions and contingent liabilities

A provision is recognized when Outokumpu has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group's provisions mainly relate to restructuring plans, onerous contracts, environmental liabilities, litigation and tax risks. The amount recognized as a provision corresponds to the management's best estimate of the costs required to fulfil an existing obligation at the end of the reporting period. If part of the obligation may potentially be compensated by a third party, the compensation is recognized as a separate asset when it is virtually certain that the compensation will be received. Non-current provisions are discounted to net present value at the end of the reporting period using risk-free discount rates.

The cost of an item of property, plant and equipment also comprises the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located at the end of the useful life of the item on a present value basis. Such a liability may exist for decommissioning a plant, rehabilitating environmental damage, landscaping or removing equipment. A provision presenting the asset retirement obligation is recognized in the same amount at the same date. Adjustments to the provision due to subsequent changes in the estimated timing or amount of the outflow of resources, or in the change in the discount rate are deducted from or added to the cost of the corresponding asset in a symmetrical manner. The costs will be depreciated over the asset's remaining useful life.

Environmental provisions are based on the interpretation of the effective environmental laws and regulations related to the Group at the end of the reporting period. Such environmental expenditure, that arises from restoring the conditions caused by prior operations are recognized as expenses in the period in which they are incurred. A restructuring provision is recognized when a detailed restructuring plan has been prepared and its implementation has been started or the main parts of the plan have been communicated to those, who are impacted by the plan. Restructuring provision mainly comprise employee termination benefits.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the control of the entity. Such present obligation that probably does not require settlement of a payment obligation and the amount of which cannot be reliably measured is also considered to be a contingent liability. Contingent liabilities are disclosed in the notes to the financial statements.

Employee benefits

Post-employment and other long-term employee benefits

Group companies in different countries have various post-employment benefit plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans.

The fixed contributions to defined contribution plans are recognized as expenses in the period to which they relate. The Group has no legal or constructive obligation to pay further contributions if the receiving party is not able to pay the benefits in question. All such arrangements that do not meet these requirements are defined benefit plans.

Defined benefit plans are funded with payments to the pension funds or insurance companies. The present value of the defined benefit obligations is determined separately for each plan by using the projected unit credit method. The plan assets are measured at fair value at the end of the reporting period. The liability recognized in the statement of financial position is the defined benefit obligation at the closing date less the fair value of plan assets. Current service costs, past service costs and gains or losses on settlements are recognized in functional costs above EBIT. Net interest expense or income is recognized in financial items under interest expense or interest income. All remeasurements of the net defined benefit liability (asset) are recognized directly in other comprehensive income.

For other long-term employee benefits, all service costs and remeasurements are recognized immediately in the statement of income. Interest expenses are recognized in financial items under interest expenses.

Share-based payment transactions

The share-based payments are settled net of tax withholdings, and they are accounted as fully equity-settled. The expense of the programs recognized over vesting periods is based on the grant date fair value.

Applicable statistical models are used in valuation. The impact of non-market-based vesting conditions is assessed at the end of each reporting period. The programs include maximum limits for the pay-outs and the limits have been taken into account in the valuation of the benefits.

EBIT and EBITDA

Outokumpu's EBIT is the net sum which is formed by adding other operating income to sales and then deducting the cost of purchase adjusted by change in the inventory and the cost of manufacture for own use, the cost of employee benefits, depreciation, amortization, any impairments, and other operating expenses. All other items of the statement of income are presented below EBIT. Exchange gains and losses and fair value changes of derivatives are included in EBIT, if they arise from business-related items. Otherwise they are recognized in financial items. EBITDA is formed by adding the deducted depreciation, amortization and impairments back into EBIT.

Adjusted EBITDA

Adjusted EBITDA is Outokumpu's main performance indicator in financial reporting, including segment reporting. Adjusted EBITDA presented in the notes to the consolidated financial statements excludes such 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.

Dividends

The dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the Annual General Meeting of Shareholders.

Earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding with the assumption that convertible instrument is converted. The profit or loss used in the calculation is adjusted for the interest expense related to the instrument and recognized in the period, net of tax. In addition, the shares estimated to be delivered based on the share-based incentive programs are taken into account. However, potential ordinary shares are only dilutive if the adjustments decrease the earnings per share ratio.

3. Operating segment information

Outokumpu's business is divided into four business areas which are Europe, Americas, Long Products and Ferrochrome. In addition to the business area structure, Group Functions cover Legal and compliance, Health and safety, Raw material procurement, Finance and IR, General procurement, Strategy, Transformation office, HR, Group communications, Global business services, R&D, Technology, Sustainability and Group IT.

Business areas have responsibility for commercials, supply chain management and operations and they are Outokumpu's operating segments under IFRS. The performance of the segments is reviewed based on segment's adjusted EBITDA, which is defined in the accounting principles for the consolidated financial statements. The review is done regularly by the CEO based on internal management reporting which is based on IFRS. Below is a description of the activities of the four operating segments:

Europe consists of both coil and plate operations in Europe. The high-volume and tailored standard stainless steel grades are primarily used for example in architecture, building and construction, transportation, catering and appliances, chemical, petrochemical and energy sectors, as well as other process industries. The production facilities are located in Finland, Germany and Sweden. The business area has extensive service center and sales network across Europe, Middle East, Africa and APAC region.

Americas produces standard austenitic and ferritic grades as well as tailored products. Its largest customer segments are automotive and transport, consumer appliances, oil and gas, chemical and petrochemical industries, food

2020 € million	Europe	Americas	Long Products	Ferrochrome	Operating segments total	Reconciliation Other operations	Eliminations	Group
External sales	3,485	1,194	415	151	5,245	394	–	5,639
Inter-segment sales	83	1	78	260	422	271	–693	–
Sales	3,568	1,195	493	411	5,667	665	–693	5,639
Adjusted EBITDA	142	55	–8	91	280	–29	–0	250
Adjustments to EBITDA								
Restructuring costs	–47	–2	–3	–1	–53	–6	–	–59
EBITDA	95	53	–11	90	227	–36	–0	191
Depreciation and amortization	–140	–54	–10	–34	–238	–4	–0	–243
Impairments	–2	–1	–	–	–3	–0	–	–3
EBIT	–47	–1	–21	56	–14	–40	–1	–55
Share of results in associated companies	–	–	–	–	–	–	–	2
Financial income	–	–	–	–	–	–	–	3
Financial expenses	–	–	–	–	–	–	–	–101
Result before taxes	–	–	–	–	–	–	–	–151
Income taxes	–	–	–	–	–	–	–	34
Net result for the financial year	–	–	–	–	–	–	–	–116
Assets in operating capital	2,610	1,097	255	931	4,894	292	–213	4,973
Other assets	–	–	–	–	–	–	–	561
Deferred tax assets	–	–	–	–	–	–	–	264
Total assets	–	–	–	–	–	–	–	5,797
Liabilities in operating capital	1,037	297	122	166	1,622	270	–205	1,687
Other liabilities	–	–	–	–	–	–	–	1,744
Deferred tax liabilities	–	–	–	–	–	–	–	7
Total liabilities	–	–	–	–	–	–	–	3,437
Operating capital	1,573	801	133	766	3,272	21	–8	3,286
Net deferred tax asset	–	–	–	–	–	–	–	257
Capital employed	–	–	–	–	–	–	–	3,543

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and beverage processing, as well as building and construction industry. The business area has production units in the US and Mexico, as well as a service center in Argentina.

Long Products are used in a wide range of applications such as springs, wires, surgical equipment, automotive parts and construction. The manufacturing is concentrated in the integrated sites in the UK, Sweden and the US. Outokumpu has concluded strategic review of Long Products during 2020 and as a result, Outokumpu has initiated a turnaround program to develop the Long Products business internally.

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

Other operations consist of activities outside the four operating segments described above, as well as industrial holdings. Such business development and Corporate Management expenses that are not allocated to the business areas are also reported under Other operations. Sales of Other operations consist of sales of electricity to Group's production facilities in Finland and in Sweden, nickel procured under Group's sourcing contract that exceed the production needs, and internal commissions and services.

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

					Reconciliation			
2019 € million	Europe	Americas	Long Products	Ferrochrome	Operating segments total	Other operations	Eliminations	Group
External sales	4,023	1,343	505	168	6,040	363	–	6,403
Inter-segment sales	66	3	137	293	498	290	–788	–
Sales	4,089	1,346	642	461	6,538	653	–788	6,403
Adjusted EBITDA	216	–27	–7	96	278	–21	6	263
Adjustments to EBITDA								
Gain on the sale of real estate in Benrath, Germany	70	–	–	–	70	–	–	70
Restructuring costs in Germany	–53	–	–	–	–53	–	–	–53
Settlement with ThyssenKrupp	–	–	–	–	–	–14	–	–14
EBITDA	233	–27	–7	96	295	–35	6	266
Depreciation and amortization	–134	–56	–8	–29	–226	–4	–	–230
Impairments	–1	–1	–	–0	–2	–0	–	–3
EBIT	99	–84	–16	67	66	–39	6	33
Share of results in associated companies	–	–	–	–	–	–	–	6
Financial income	–	–	–	–	–	–	–	8
Financial expenses	–	–	–	–	–	–	–	–89
Result before taxes	–	–	–	–	–	–	–	–41
Income taxes	–	–	–	–	–	–	–	–33
Net result for the financial year	–	–	–	–	–	–	–	–75
Assets in operating capital	2,876	1,209	296	854	5,235	292	–201	5,327
Other assets	–	–	–	–	–	–	–	483
Deferred tax assets	–	–	–	–	–	–	–	229
Total assets	–	–	–	–	–	–	–	6,038
Liabilities in operating capital	975	295	139	163	1,571	262	–194	1,640
Other liabilities	–	–	–	–	–	–	–	1,824
Deferred tax liabilities	–	–	–	–	–	–	–	12
Total liabilities	–	–	–	–	–	–	–	3,476
Operating capital	1,901	914	157	692	3,664	30	–7	3,687
Net deferred tax asset	–	–	–	–	–	–	–	217
Capital employed	–	–	–	–	–	–	–	3,904

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4. Geographical information

External sales by destination

€ million	Finland	Other Europe	North America	APAC region	Other countries	Group
2020						
Business area						
Europe	196	2,940	47	262	41	3,485
Americas	–	0	1,144	5	45	1,194
Long Products	2	235	144	33	0	415
Ferrochrome	10	66	2	73	0	151
Other operations	–	–	–	–	394	394
	208	**3,240**	**1,337**	**373**	**481**	**5,639**
2019						
Business area						
Europe	254	3,277	96	349	47	4,023
Americas	–	0	1,277	13	52	1,343
Long Products	1	265	200	39	0	505
Ferrochrome	8	56	–	104	1	168
Other operations	–	–	–	–	363	363
	264	3,598	1,573	506	462	6,403

Non-current assets

€ million	Finland	Other Europe	North America	APAC region	Other countries	Group
2020	**1,774**	**732**	**723**	**10**	**2**	**3,241**
2019	1,762	764	834	11	2	3,374

Non-current assets are presented by the locations of the Group companies. Non-current assets exclude investments in associated companies, financial instruments, deferred tax assets and defined benefit plan assets.

5. Acquisitions and divestments

Outokumpu did not have any material acquisitions or divestments in 2020.

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6. Income and expenses

Timing of revenue recognition related contracts with customers

Outokumpu recognizes revenue from sales of stainless steel and ferrochrome at a point of time. The revenue recognized over time relates to the performance obligation of organizing the transport of sold goods to the customer, which is a minor source of revenue compared to the material sales, and the period of transport, over which it is recognized, is relatively short. Moreover, the sales of goods and transportation service are invoiced together from the customer. Consequently, the uncertainty associated with the cash flows do not differ with respect to the timing of revenue recognition.

Revenue related to bill and hold

Outokumpu has so-called bill and hold arrangements in place with its selected European customers where Outokumpu has transferred control of the material to the customer and recognized the revenue for the material sales. In the end of 2020, the amount of revenue recognized under the bill and hold arrangements for products not delivered yet was immaterial.

Depreciation and amortization by function

€ million	2020	2019
Cost of sales	**–233**	–217
Selling and marketing expenses	**–2**	–2
Administrative expenses	**–7**	–11
Research and development expenses	**–1**	–1
	–243	–230

Other operating income

€ million	2020	2019
Gains from disposal of subsidiaries	–	1
Gains on sale of intangible assets and property, plant and equipment	**6**	82
Insurance compensation	**0**	4
Other income items	**16**	20
	22	107

Other income items include EUR 5 million of government support in 2020 mainly related to COVID-19 support measures in various countries (2019: no material items).

Other operating expenses

€ million	2020	2019
Exchange gains and losses from foreign exchange derivatives	**–12**	–18
Market price gains and losses from commodity derivatives	**5**	–35
Market price gains and losses from derivative financial instruments	**–7**	–52
Impairments	**–3**	–3
Losses on sale of intangible assets and property, plant and equipment	**–0**	–1
Other expense items	**–17**	–21
	–28	–77

Other expense items include EUR 11 million of expensed emission allowances in 2020 (2019: no expenses).

Adjustments to EBITDA

€ million	2020	2019
Restructuring costs	**–59**	–53
Gain on the sale of real estate in Benrath	**–**	70
Settlement with ThyssenKrupp	**–**	–14
	–59	3

In 2020, Outokumpu announced its new strategy with the first-phase focus on de-risking the company through deleveraging the balance sheet. Actions include cost savings through employee reductions, and the related restructuring costs amounted to EUR 59 million.

In 2019, Outokumpu carried out restructuring negotiations in Germany targeting to improve competitiveness through cost reductions. The agreed measures resulted in restructuring costs of EUR 53 million.

In 2019, Outokumpu sold real estate in Benrath, Germany. The sold property had been unused since 2016 when Outokumpu closed its cold rolling operations in Benrath. The gain on the sale amounted to EUR 70 million.

In 2019, Outokumpu and ThyssenKrupp settled a claim relating to tax consolidation in Italy, as well as other earlier claims relating to Outokumpu's acquisition of Inoxum. The settlement resulted in a EUR 14 million expense in Outokumpu.

Auditor fees

PricewaterhouseCoopers

€ million	2020	2019
Audit	**–2.0**	–2.4
Audit-related services	**–0.0**	–0.0
Tax advisory	**–0.0**	–0.3
Other services	**–0.1**	–0.4
	–2.1	–3.1

PricewaterhouseCoopers Oy has provided non-audit services to Outokumpu in total of EUR 0.1 million during 2020. These services comprised of sustainability reporting and other agreed upon procedures.

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7. Employee benefit expenses

€ million	2020	2019
Wages and salaries	**–547**	–568
Termination benefits	**–56**	–61
Social security costs	**–80**	–84
Post-employment and other long-term employee benefits		
Defined benefit plans	**–5**	–7
Defined contribution plans	**–40**	–40
Other long-term employee benefits	**–1**	–9
Expenses from share-based payments	**–1**	–0
Other personnel expenses	**–5**	–6
	–735	–774

In 2020, Outokumpu carried out employee negotiation processes in selected operating countries to create cost savings by restructuring and reducing total employee headcount by up to approximately 1,000 (10% of the Group total) mostly by the end of 2021. The fixed cost reductions are needed as the market situation in Europe is challenging and import pressure remains high, and the COVID-19 pandemic impacts the global economy. The restructuring costs are reported as termination benefits in the above table and as adjustments to EBITDA (see note 6).

No profit-sharing bonuses based on the Finnish Personnel Funds Act were recognized in 2020 nor in 2019.

More information on employee benefits for key management can be found in note 31 and the Remuneration report.

8. Financial income and expenses

€ million	2020	2019
Interest income	**3**	4
Interest expenses		
Debt at amortized cost	**–56**	–48
Factoring expenses	**–6**	–10
Lease liabilities	**–12**	–13
Other interest expenses	**–1**	–
Interest expense on defined benefit and other long-term employee benefit obligations	**–3**	–6
Interest expenses	**–78**	–76
Capitalized interests	**3**	5
Fees related to committed credit facilities	**–11**	–14
Other fees	**–5**	–4
Other financial expenses	**–13**	–13
Exchange gains and losses		
Derivatives	**–4**	–0
Cash, loans and receivables	**–8**	–4
Other market price gains and losses		
Derivatives	**1**	3
Other	**1**	5
Market price gains and losses	**–10**	4
Total financial income and expenses	**–98**	–80

Other interest expenses include expenses of EUR 1 million related to deferred VAT payments in Finland.

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Exchange gains and losses in the consolidated statement of income

€ million	2020	2019
In sales	**–12**	9
In purchases [1]	**30**	–16
In other income and expenses [1]	**–12**	–18
In financial income and expenses [1]	**–11**	–4
	–6	–29

[1] Includes exchange gains and losses on elimination of intra-group transactions.

Exchange gains and losses include EUR 16 million of net exchange loss on derivative financial instruments (2019: EUR 18 million net exchange loss) of which a loss of EUR 12 million has been recognized in other operating expenses and a loss of EUR 4 million in financial items.

9. Income taxes

Income taxes in the consolidated statement of income

€ million	2020	2019
Current taxes	**–4**	–5
Deferred taxes	**39**	–28
	34	–33

Reconciliation of income taxes at statutory tax rate in Finland and income taxes recognized in the consolidated income statement

€ million	2020	2019
Result before taxes	**–151**	–41
Hypothetical income taxes at Finnish tax rate of 20% on consolidated result before tax	**30**	8
Difference between Finnish and foreign tax rates	**4**	4
Tax effect of non-deductible expenses and tax exempt income	**–6**	–8
Current year losses for which no deferred tax asset recognized	**–0**	–29
Deferred tax asset valuation movements	**–1**	1
Taxes for prior years	**4**	–9
Tax effect of tax rate changes and other changes in tax laws	**3**	0
Income taxes in the consolidated statement of income	**34**	–33

Accumulated deferred taxes recognized in equity

€ million	2020	2019
Deferred tax on convertible bond equity component	**–3**	–
Net investment hedging	**–4**	–4
Remeasurements of the net defined benefit liability through other comprehensive income	**62**	58
	55	54

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Deferred tax assets and liabilities

€ million	Jan 1, 2020 Deferred tax assets	Jan 1, 2020 Deferred tax liabilities	Movements: Recognized in profit or loss	Movements: Recognized in other comprehensive income or directly in equity	Movements: Translation differences	Dec 31, 2020 Deferred tax assets	Dec 31, 2020 Deferred tax liabilities
Intangible assets	8	–3	1	–	0	8	–2
Property, plant and equipment	16	–228	22	–	0	17	–207
Inventories	10	–18	4	–	–0	10	–14
Net derivate financial assets	1	–4	1	–	–0	1	–3
Other financial assets	19	–6	9	–	–0	31	–9
Defined benefit and other long-term employee benefit obligations	51	–11	–3	4	0	52	–12
Other financial liabilities	112	–6	–16	–3	–0	89	–2
Provisions	5	–13	–2	–	–0	7	–17
Tax losses and tax credits	283	–	22	–	1	306	–
	505	–288	39	0	1	**523**	**–266**
Offset in country-level income tax consolidation	–277	277				–260	260
Deferred taxes in the statement of financial position	229	–12				**264**	**–7**

€ million	Jan 1, 2019 Deferred tax assets	Jan 1, 2019 Deferred tax liabilities	Movements: Recognized in profit or loss	Movements: Recognized in other comprehensive income	Movements: Translation differences	Dec 31, 2019 Deferred tax assets	Dec 31, 2019 Deferred tax liabilities
Intangible assets	7	–4	3	–	–	8	–3
Property, plant and equipment	29	–214	–27	–	0	16	–228
Inventories	20	–12	–17	–	0	10	–18
Net derivate financial assets	4	–13	5	1	–0	1	–4
Other financial assets	–16	–10	40	–1	–0	19	–6
Defined benefit and other long-term employee benefit obligations	75	–33	–11	10	–1	51	–11
Other financial liabilities	88	–14	32	–	0	112	–6
Provisions	22	–20	–10	–	0	5	–13
Tax losses and tax credits	326	–	–43	–	0	283	–
	555	–320	–28	11	0	505	–288
Offset in country-level income tax consolidation	–308	308				–277	277
Deferred taxes in the statement of financial position	247	–12				229	–12

Deferred taxes have been reported as a net balance of those Group companies that file a consolidated tax return, or that may otherwise be consolidated for current tax purposes.

Tax losses carried forward

€ million	2020	2019
Expire in less than 1 year	**3**	–
Expire in 2–5 years	**217**	358
Expire later than in 5 years	**1,883**	1,759
Never expire	**1,283**	1,344
	3,385	3,461
Finland	**592**	447
Germany	**266**	354
Sweden	**374**	314
The US	**1,898**	2,077
The UK	**183**	187
Other countries	**73**	82
	3,385	3,461

Deferred tax assets are recognized only to the extent that the utilization of related tax benefits is considered probable. In the determination of whether the utilization is probable, all positive and negative factors, including prospective results, are taken into consideration in order to estimate whether sufficient taxable income will be generated to realize deferred tax assets. These estimates can change depending on the future course of events. As of December 31, 2020 tax attributes of the Outokumpu Group for which no deferred tax asset has been recognized amount to EUR 1,942 million (Dec 31, 2019: EUR 2,079 million). No material previously unrecognized deferred tax assets were recognized in 2020 or 2019. No deferred tax liabilities were recorded on undistributed profits on foreign subsidiaries, as such profits are not to be distributed in the foreseeable future.

10. Earnings per share

	2020	2019
Result attributable to the equity holders of the Company, € million	**–116**	–75
Weighted average number of shares, in thousands	**411,824**	411,198
Diluted average number of shares, in thousands	**435,135**	446,209
Earnings per share for result attributable to the equity holders of the Company		
Earnings per share, €	**–0.28**	–0.18
Diluted earnings per share, €	**–0.28**	–0.18

11. Intangible assets

€ million	Goodwill	Other intangible assets [1]	Total
Historical cost on Jan 1, 2020	487	361	848
Translation differences	–2	0	–2
Additions	–	17	17
Disposals	–	–4	–4
Reclassifications	–	2	2
Historical cost on Dec 31, 2020	**485**	**377**	**862**
Accumulated amortization and impairment on Jan 1, 2020	–21	–220	–241
Translation differences	2	–1	1
Amortization	–	–15	–15
Disposals	–	3	3
Accumulated amortization and impairment on Dec 31, 2020	**–19**	**–232**	**–252**
Carrying value on Dec 31, 2020	**466**	**144**	**610**
Carrying value on Jan 1, 2020	466	141	607
Historical cost on Jan 1, 2019	489	332	821
Translation differences	–2	–0	–2
Additions	–	36	36
Disposals	–	–7	–7
Reclassifications	–	1	1
Historical cost on Dec 31, 2019	487	361	848
Accumulated amortization and impairment on Jan 1, 2019	–22	–214	–236
Translation differences	2	1	2
Amortization	–	–7	–7
Disposals	–	1	1
Accumulated amortization and impairment on Dec 31, 2019	–21	–220	–241
Carrying value on Dec 31, 2019	466	141	607
Carrying value on Jan 1, 2019	467	118	585

[1] Other intangible assets include land-use rights, emission allowances, capitalized development costs, patents, licenses and software.

Intangible assets mainly comprise acquired assets.

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During 2020, borrowing costs amounting to EUR 0 million were capitalized on investment projects (2019: EUR 4 million). Total interest capitalized on December 31, 2020 was EUR 6 million (Dec 31, 2019: EUR 6 million). Outokumpu determinates separate capitalization rates for each quarter. The average rate used during 2020 was 4.3%.

Emission allowances

Outokumpu had seven active sites operating under EU's Emissions Trading Scheme (ETS) in 2020. These include the production plants in Tornio, Finland; Avesta, Degerfors, Fagersta and Nyby in Sweden; Sheffield in the UK; as well as Krefeld together with Dillenburg in Germany.

The pre-verified carbon dioxide emissions under ETS were approximately 1.0 million tonnes in 2020 (2019: 1.0 million tonnes). For its 2020 emission allowance delivery, Outokumpu will use allowances received for free, but also allowances acquired from market in prior years, and has therefore recognized EUR 11 million in other operating expenses in 2020 (2019: no expenses).

The emission allowance trading period 2013–2020 ended, and for the new period 2021–2030, all relevant Outokumpu sites have applied free emission allowances according to efficiency-based benchmarks and historical activity. Decisions on free allocation conditions are expected later in 2021. Emission allowance position is regularly monitored and optimized according to the definitions set in corporate risk policies.

12. Property, plant and equipment

€ million	Land	Mine properties	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction work in progress	Total
Historical cost on Jan 1, 2020	128	72	1,286	4,691	135	294	6,606
Translation differences	–2	–	–12	–46	1	–3	–62
Additions	2	17	10	37	1	102	169
Disposals	–4	–	–10	–43	–1	–	–58
Reclassifications	–	23	8	31	1	–64	–2
Other	0	–	1	–2	–	–	–0
Historical cost on Dec 31, 2020	**123**	**112**	**1,283**	**4,668**	**137**	**330**	**6,654**
Accumulated depreciation and impairment on Jan 1, 2020	–15	–39	–719	–2,983	–82	–2	–3,840
Translation differences	0	–	–0	1	–1	–0	1
Disposals	–	–	3	43	1	–	46
Depreciation	–1	–9	–47	–165	–4	–0	–227
Impairments	–	–	–2	–1	–	–	–3
Accumulated depreciation and impairment on Dec 31, 2020	**–16**	**–48**	**–766**	**–3,105**	**–86**	**–2**	**–4,023**
Own property, plant and equipment	70	64	481	1,457	51	327	2,450
Right-of-use assets	37	–	37	106	0	1	181
Carrying value on Dec 31, 2020	**107**	**64**	**517**	**1,563**	**51**	**328**	**2,631**
Carrying value on Jan 1, 2020	112	33	567	1,708	53	293	2,767

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€ million	Land	Mine properties	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction work in progress	Total
Historical cost on Jan 1, 2019 before IFRS 16 transition	136	71	1,243	4,511	137	235	6,332
IFRS 16 transition impact	13	–	40	77	0	–	131
Translation differences	1	–	3	7	–0	1	10
Additions	–	1	3	58	1	142	205
Disposals	–20	–	–6	–43	–3	–1	–73
Disposed subsidiaries	–	–	–1	–4	–0	–	–6
Reclassifications	–	–	5	76	1	–79	3
Other	–	–	–	7	–	–2	5
Historical cost on Dec 31, 2019	128	72	1,286	4,691	135	294	6,606
Accumulated depreciation and impairment on Jan 1, 2019	–14	–33	–676	–2,868	–80	–2	–3,673
Translation differences	–0	–	0	5	0	0	5
Disposals	–	–	5	42	3	–	49
Disposed subsidiaries	–	–	1	3	0	–	4
Depreciation	–1	–6	–48	–164	–4	–	–223
Impairments	–0	–	–1	–2	–0	–	–2
Accumulated depreciation and impairment on Dec 31, 2019	–15	–39	–719	–2,983	–82	–2	–3,840
Own property, plant and equipment	74	33	532	1,581	53	293	2,566
Right-of-use assets	38	–	35	126	0	–	200
Carrying value on Dec 31, 2019	112	33	567	1,708	53	293	2,767
Carrying value on Jan 1, 2019	121	37	567	1,644	56	233	2,659

During 2020, EUR 2 million of borrowing costs were capitalized on investment projects (2019: EUR 2 million). Total interest capitalized on December 31, 2020 was EUR 25 million (Dec 31, 2019: EUR 24 million). Outokumpu determines separate capitalization rates for each quarter. The average rate used during 2020 was 1.5%.

13. Leases

Outokumpu leases land, buildings, and machinery and equipment used in Group's operations. Contracts include typically fixed rental amounts, and for land and buildings, rents are linked to an index. The terms of new vehicle leases are typically 3 to 5 years, and lease terms for other machinery and equipment range up to 15 years. Lease terms for land and buildings can be significantly longer with remaining terms for individual contracts on land of approximately 45–95 years.

Leases for machinery and equipment include also contracts with variable lease payments based on usage of the equipment. Machinery and equipment are also hired with daily rates for temporary use and thus reported as short-term leases. Outokumpu applies the recognition exemption for short-term leases and leases of low-value assets. Leases of low value assets typically include office equipment.

Right-of-use assets

€ million	Land	Buildings	Machinery and equipment	Advances paid	Total
Historical cost on Jan 1, 2020	41	42	204	–	286
Additions	0	8	8	1	16
Other changes	0	0	–2	–	–2
Historical cost on Dec 31, 2020	**41**	**49**	**210**	**1**	**301**
Accumulated depreciation on Jan 1, 2020	–2	–6	–77	–	–85
Depreciation	–1	–6	–27	–	–34
Accumulated depreciation on Dec 31, 2020	**–3**	**–13**	**–104**	–	**–120**
Carrying value on Dec 31, 2020	**37**	**37**	**106**	**1**	**181**

€ million	Land	Buildings	Machinery and equipment	Advances paid	Total
Historical cost on Jan 1, 2019 before IFRS 16 transition	28	1	100	2	131
IFRS 16 transition impact	13	40	77	–	131
Additions	–	0	19	1	19
Other changes	–	–	7	–2	5
Historical cost on Dec 31, 2019	41	42	204	–	286
Accumulated depreciation on Jan 1, 2019	–1	–0	–52	–	–53
Depreciation	–1	–6	–26	–	–33
Accumulated depreciation on Dec 31, 2019	–2	–6	–77	–	–85
Carrying value on Dec 31, 2019	38	35	126	–	200

Lease liabilities

€ million	2020	2019
Non-current	**174**	176
Current	**18**	30
	192	206

Maturity analysis of lease liabilities is presented in note 19.

Amounts recognized in the statement of income

€ million	2020	2019
Depreciation of right-of-use assets	**–34**	–33
Interest expenses on lease liabilities	**–12**	–13
Expenses related to short-term leases	**–10**	–13
Expenses related to leases of low-value items	**–1**	–1
	–56	–59

Amounts recognized in the statement of cash flows

€ million	2020	2019
Repayments of lease liabilities	**–33**	–34
Interest paid on lease liabilities	**–12**	–13
	–45	–46

14. Impairment of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment by operating segment

	Goodwill		Other intangible assets		Property, plant and equipment	
€ million	**2020**	2019	**2020**	2019	**2020**	2019
Europe	**343**	343	**5**	4	**1,140**	1,220
Americas	**–**	–	**1**	1	**705**	811
Long Products	**9**	9	**2**	3	**88**	98
Ferrochrome	**114**	114	**0**	0	**686**	615
Other operations	**–**	–	**136**	133	**11**	24
	466	466	**144**	141	**2,631**	2,767

Impairment testing

Impairment testing is carried out on operating segment level, as they are the Group's cash-generating units. Goodwill, other intangible assets, and property, plant and equipment by business area are presented in the above table. In addition, the test covers the net working capital of each business area. In 2020, due to COVID-19, the cash flow projections and other testing parameters were reviewed on a quarterly basis.

The recoverable amounts of the cash-generating units are based on value-in-use calculations, prepared using discounted cash flow projections, based on the new strategy approved by the management in November, 2020, and include cash flow forecasts for 2021–2026 after which the terminal value is calculated. The carrying amount to which the recoverable amount is compared, is the operating capital of the segment as presented in note 3 and defined in the Alternative performance measures section of the Review by the Board of Directors.

Key assumptions are discount rate, terminal value growth rate, average global growth in end-use consumption of stainless steel and base price development, and the values assigned to the key assumptions are conservative. As the base-line for the cash flow projections was the performance level impacted by COVID-19, the estimates also include assumptions relating to the severity of the pandemic's impact on market and financial development as well as the timing and pace of the recovery, where the management has used external analyses on different scenarios to define a realistic estimate for Outokumpu's business and operating environment.

Discount rate is the weighted average pre-tax cost of capital (WACC), as defined for Outokumpu. The components of WACC are risk-free yield rate, Outokumpu credit margin, market risk premium, equity beta, and the Group target capital structure. The pre-tax WACC used for Europe was 8.2% (2019: 7.6%), for Americas 10.1% (2019: 10.7%), for Long Products 9.1% (2019: 9.2%), and for Ferrochrome 8.1% (2019: 7.6%).

In the terminal value, growth rate assumptions are 0.5% (2019: 0.5%) for Europe, Ferrochrome, and Long Products and 1.0% (2019: 1.0%) for Americas. Management believes these to be prudent based on current economic circumstances, although historical growth rates and forecasts of independent market analysts indicate higher long-term growth rates.

Growth rate assumption used for stainless steel deliveries is conservative, and generally lower than independent analysts' view on long-term market development. Base price forecast is based on conservative assumptions. In addition, committed investments and expected cost savings have been included in the cash flow projections.

The estimated recoverable amount of Europe exceeds its carrying amount by approximately EUR 1,057 million. Increase of 4.4 percentage points in after-tax WACC would cause the recoverable amount to equal the carrying amount. Also, 25% decrease in EBITDA would cause the recoverable amount to equal the carrying amount. A terminal growth rate of 0% would not lead to impairment.

The estimated recoverable amount of Americas exceeds its carrying amount by approximately EUR 181 million. Increase of 1.4 percentage points in after-tax WACC would cause the recoverable amount to equal the carrying amount. Also, 12% decrease in EBITDA would cause the recoverable amount to equal the carrying amount. A terminal growth rate of 0% would not lead to impairment.

The estimated recoverable amount of Long Products exceeds its carrying amount by approximately EUR 35 million. Increase of 1.7 percentage points in after-tax WACC would cause the recoverable amount to equal the carrying amount. Also, 12% decrease in EBITDA would cause the recoverable amount to equal the carrying amount. A terminal growth rate of 0% would not lead to impairment.

The estimated recoverable amount of Ferrochrome exceeds its carrying amount by approximately EUR 277 million. Increase of 2.8 percentage points in after-tax WACC would cause the recoverable amount to equal the carrying amount. Also, 18% decrease in EBITDA would cause the recoverable amount to equal the carrying amount. A terminal growth rate of 0% would not lead to impairment.

As a result of the performed impairment test to Group's cash-generating units, no impairment losses were recognized in 2020 nor 2019. However, impairment losses of EUR 3 million related to asset obsolence were recognized in Europe and Americas in 2020 (2019: impairment losses of EUR 3 million).

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

15. Investments in associated companies

Outokumpu has the following associated companies which are all equity accounted. Based on the amounts reported in Group's consolidated financial statements, it is concluded that the investments are immaterial.

Associated companies

	Domicile	Ownership, %
Manga LNG Oy	Finland	45
OSTP Holding Oy	Finland	49
Rapid Power Oy	Finland	33

Summarized financial information on associated companies

€ million	2020	2019
Carrying value of investments in associated companies	**38**	38
Group's share of total comprehensive income	**2**	6

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

	Measured at					
2020 € million	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying amount	Fair value	Fair value hierarchy level
Non-current financial assets						
Equity investments	–	48	–	48	48	3
Trade and other receivables	1	–	–	1	1	–
Derivatives held for trading	–	–	6	6	6	2
Current financial assets						
Other investments	–	–	26	26	26	1
Trade and other receivables	385	–	–	385	385	–
Hedge accounted derivatives	–	8	–	8	8	2
Derivatives held for trading	–	–	10	10	10	2
Cash and cash equivalents	376	–	–	376	376	–
	762	56	42	860	860	
Non-current financial liabilities						
Non-current debt	1,153	–	–	1,153	1,208	2
Current financial liabilities						
Current debt	251	–	–	251	251	2
Trade and other payables	1,246	–	–	1,246	1,246	–
Hedge accounted derivatives	–	11	–	11	11	2
Derivatives held for trading	–	–	21	21	21	2
	2,650	11	21	2,682	2,737	

The fair value of non-current debt is determined by using quoted prices for listed instrument, for loans and lease liabilities the fair value is determined by discounted cash flow method where yields observed at reporting date are used. The fair value of the convertible bonds includes the value of the conversion rights.

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2019 € million	Measured at Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying amount	Fair value	Fair value hierarchy level
Non-current financial assets						
Equity investments	–	31	–	31	31	3
Trade and other receivables	2	–	–	2	2	–
Hedge accounted derivatives	–	0	–	0	0	2
Derivatives held for trading	–	–	5	5	5	2
Current financial assets						
Other investments	–	–	13	13	13	1
Trade and other receivables	359	–	–	359	359	–
Hedge accounted derivatives	–	7	–	7	7	2
Derivatives held for trading	–	–	8	8	8	2
Cash and cash equivalents	325	–	–	325	325	–
	686	38	26	750	750	
Non-current financial liabilities						
Non-current debt	1,053	–	–	1,053	1,068	2
Current financial liabilities						
Current debt	427	–	–	427	431	2
Trade and other payables	1,291	–	–	1,291	1,291	–
Hedge accounted derivatives	–	1	–	1	1	2
Derivatives held for trading	–	–	16	16	16	2
	2,771	1	16	2,788	2,807	

Accounting principles contain information on how fair values are defined on different levels in the fair value hierarchy. There were no transfers between level 1, 2 and 3 during the years. A major part of equity investments at fair value through other comprehensive income at hierarchy level 3 relate to investments in unlisted energy producing companies. The movement in the carrying amounts of equity investments at fair value through other comprehensive income presented in note 17 represents also the reconciliation of level 3 changes.

17. Equity investments at fair value through other comprehensive income

€ million	2020	2019
Carrying value on Jan 1	**31**	86
Additions	**13**	–
Fair value changes	**4**	–55
Carrying value on Dec 31	**48**	31

Fair value reserve in equity

€ million	2020	2019
Fair value on Dec 31	**48**	31
Fair value at initial recognition	**93**	80
Fair value reserve	**–45**	–49

Equity investments at fair value through other comprehensive income consists of investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are mainly strategic investments and the Group considers this classification to be relevant. All equity securities at fair value through other comprehensive income are unlisted. Investments include EUR 27 million holding in Voimaosakeyhtiö SF providing ownership to Fennovoima Oy and EUR 20 million of holdings in other energy companies in which Outokumpu does not have control, joint control or significant influence. During year 2020 Outokumpu invested EUR 13 million to Voimaosakeyhtiö SF and by the end of 2020 Outokumpu has invested totally EUR 92 million in the shares of Voimaosakeyhtiö SF. The EUR 4 million increase in fair value in 2020 relates to energy producing companies and is caused mainly due to rise in estimated long-term prices of electricity.

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Valuation model of energy producing companies is based on discounted cash flow model, which takes into account the market and forecasted long-term prices of electricity, discount rate, inflation rate, the estimated amount of electricity to be received and estimated production costs.

Additional parameters for Voimaosakeyhtiö SF valuation include e.g. the expected purchase price of electricity under the Mankala principle, expected project completion date and cost of debt in Fennovoima Oy. The fair value of Voimaosakeyhtiö SF shares is highly sensitive to the valuation parameters and especially to long-term price of electricity, Fennovoima's capacity utilization rate, discount rates for cash flows and the terminal value, inflation rate and project completion date.

Long-term prices for electricity have been estimated by the management, and the estimate assumes an increase compared to the current price level. The long time period to complete the Fennovoima project and to operate the plant affect the reliability of such estimate, and reasonable changes in the electricity price estimate or in other valuation parameters can significantly impact the fair value of the investment. In general, the project risk is considered high with the estimated completion of the project earliest in 2029, and the range of potential fair values is wide.

18. Share-based payment plans

During 2020, Outokumpu's share based payment programs included Performance Share Plan 2012 (Plans 2018–2020, 2019–2021 and 2020–2022), Restricted Share Pool Program 2012 (Plans 2018–2020, 2019–2021 and 2020–2022) and Matching Share Plan for the key management. Matching Share Plan and Performance Share Plan 2019–2020 for the CEO related to the former CEO, and ended when he left the company. Share-based programs are part of the Group's incentive and commitment-building system for key employees. The objective of the programs is to retain, motivate and reward selected employees for good performance which supports Outokumpu's strategy.

The Performance Share Plan 2017–2019 ended and based on not achieving the targets, no shares were rewarded to the participants. Regarding the Restricted Share Pool Program plan 2017–2019, after deductions for applicable taxes, in total 49,147 shares were delivered to 53 participants based on the conditions of the plan.

In December 2019, the Board of Directors approved the commencement of the new plan (plan 2020–2022) of the Performance Share Plan from the beginning of 2020. At the end of the reporting period 127 persons participated in the plan and they had been allocated in total 2,903,702 gross shares (payout at maximum performance level).The plan's earnings criterion is Outokumpu's return on operating capital compared to a peer group.

In December 2019, the Board of Directors approved the commencement of the new plan (plan 2020–2022) of Restricted Share Pool Program from the beginning of 2020. Restricted share grants are approved annually by the CEO on the basis of the authorization granted by the Board of Directors, with the exception of any allocations to Leadership Team members, which will be approved by the Board of Directors. At the end of the reporting period 37 persons participated in the plan and they have been allocated in total 161,900 gross shares.

In April 2016, the Board of Directors approved the commencement of Matching Share Plan for the management for the years 2016–2020. According to the plan, the participants invested 30–120% of their annual gross base salary into Outokumpu shares by December 31, 2016. Outokumpu matched each share acquired by the participant with two gross shares from which applicable taxes were deducted and the remaining net number of shares was delivered in four equal installments at the end of 2017, 2018, 2019 and 2020, respectively. In order to receive the matching shares, the participants were required to keep all the shares they had acquired until the vesting of each matching share tranche. In 2020, the Board of Directors approved the delivery of the last reward tranche from the plan. After deduction of applicable taxes, the net number of shares delivered was 178,350.

Outokumpu used its treasury shares for all share reward payments.

In December 2020, the Board of Directors approved the commencement of the 2021–2023 plans for the Performance Share Plan 2012 and the Restricted Share Pool Program 2012 from the beginning of 2021.

For the financial year 2020, the share-based payment expenses included in the employee benefit expenses were EUR 1 million (2019: EUR –0 million). The total estimated value of the share-based payment plans is EUR 2 million on December 31, 2020. This value is recognized as an expense in the statement of income during the vesting periods.

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

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

	Performance Share Plan		
Grant date	Feb 2, 2018	Feb 20, 2019	March 9, 2020
Vesting period	Jan 1, 2018–Dec 31, 2020	Jan 1, 2019–Dec 31, 2021	Jan 1, 2020–Dec 31, 2022
Share price at grant date	6.61	3.55	2.80
Exercised	In shares and cash	In shares and cash	In shares and cash
Vesting conditions			
Non-market	Outokumpu's return on operating capital compared to a peer group		
Other relevant conditions	A salary-based limit for the maximum benefits		

	Restricted Share Pool Program		
Grant date	June 1, 2018	April 18, 2019	March 9, 2020
Vesting period	Jan 1, 2018–Dec 31, 2020	Jan 1, 2019–Dec 31, 2021	Jan 1, 2020–Dec 31, 2022
Share price at grant date	5.76	3.72	2.80
Exercised	In shares and cash	In shares and cash	In shares and cash
Vesting conditions	Continuation of employment until the shares are delivered, a salary-based limit for the maximum benefits		

	Matching Share Plan for the management
Grant date	April 27, 2016
Vesting period	Jan 1, 2017–Dec 31, 2020
Share price at grant date	5.35 [1)]
Exercised	In shares and cash
Vesting conditions	Personal investment of 30–120% of annual gross base salary into Outokumpu shares; requirement to keep the personal investment until the vesting of each matching share tranch; continuation of employment until the matching shares are delivered.

1) Incentive fair value at the grant date reported as the average fair value based on the share purchase dates.

19. Financial risk management, capital management and insurances

The main objectives of financial risk management are to reduce earnings volatility and to secure sufficient liquidity to avoid financial distress. Other objectives include reduction of cash flow volatility and maintaining debt-to-equity ratio as well as leverage according to set targets. The objective of capital management is to secure the ability to continue as a going concern and to optimize cost of capital in order to enhance value to shareholders, with a focus on sufficient liquidity during the pandemic in 2020. The main objectives of insurance management are to provide mitigation against catastrophe risks and to reduce earnings variation.

The Board of Directors has approved the risk management policy, which defines responsibilities, process and other main principles of risk management. The Board of Directors oversees risk management on a regular basis and the Chief Financial Officer is responsible for implementation and development of financial risk management. Financial risk management is regularly monitored and reviewed by the Risk Management Steering Group, led by the CFO.

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

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

Exposure to financial risk is identified in connection with the risk management process. This approach aims to secure that any emerging risk is identified early and that each significant risk is described, quantified, managed and communicated properly. Eventually, the impacts of key financial risks are quantified in terms of changes to income, free cash flow, net debt and equity.

Market risk

Market risk categories include foreign exchange, interest rates, interest margins as well as metal, energy, emission and security price risk. These price changes may have a significant impact on Group's earnings, cash flow and capital structure.

The strategy for market risk management is based on identifying, assessing and mitigating relevant risk in committed business transactions and balance sheet items for each of the market risk categories. In interest rate, energy price and emission price risk the forecasted items are included in the underlying risk position. Outokumpu uses matching strategies and derivative contracts to partially mitigate impacts of market price changes. The use of derivatives may cause timing differences between derivative gains/losses and the earnings impact of the underlying exposure. In order to reduce earnings variations, hedge accounting is applied selectively as part of the metal hedging activities. Most of the derivatives are short-term, however interest rate hedges typically have a maturity in excess of one year.

Stainless steel business is cyclical, which may result in significant changes in the underlying exposures to different market risk factors, especially US dollar and nickel price. Consequently, the cyclicality may lead to significant changes in the amounts of derivate contracts. Nominal amounts and fair values of derivatives are presented in note 20. Sensitivity of financial instruments to market prices is described in the table below.

Foreign exchange rate risk

A major part of the Group's sales is in euros and US dollars. In this context, the local currency denominated production costs in the UK and Sweden cause foreign exchange risk. Foreign exchange cash flow risk related to firm commitments, e.g. price fixed sales and purchase orders, is usually hedged whereas forecasted and probable cash flows are not typically hedged but can be hedged selectively. Continuing an exception to hedging policy approved in 2019, the main operating entity in Sweden hedged its fixed price sales orders to limited extent, and did not hedge its fixed price purchase orders.

The main dollar cash flow risk origins from ferrochrome operations as a consequence of chromium being priced in US dollars. Another significant dollar cash flow risk is embedded in sales margins due to dollar-linked stainless scrap purchase discounts.

Fair value risk consists of currency denominated accounts receivable, accounts payable, debt, cash, loan receivables and commodity derivatives. Outokumpu aims to hedge most of the identified fair value risk with derivative contracts. Internal Swedish krona denominated financing causes significant fair value exchange

Sensitivity of financial instruments to market risks

	Dec 31, 2020		Dec 31, 2019	
€ million	In profit or loss	In other comprehensive income	In profit or loss	In other comprehensive income
+/–10% change in EUR/USD exchange rate	+3/–4	–	+5/–6	–
+/–10% change in EUR/SEK exchange rate	–2/+3	–	–9/+11	–
+/–10% change in nickel price in USD	+0/–0	+5/–5	–3/+3	+0/–0
+/–1% parallel shift in interest rates	–9/+10	–	–6/+7	–

The sensitivity analyses apply to financial assets and liabilities only. Other assets and liabilities, including defined benefit pension plan assets and liabilities, as well as off-balance sheet items such as sales and purchase orders, are not in the scope of these analyses. The calculations are net of tax. During the year the volatility for nickel price has been in the range of 21–31%. With +/–30% change in dollar denominated price, the effect in profit or loss is about EUR +0/–0 million and in other comprehensive income EUR +15/–15 million for nickel derivatives.

Foreign exchange positions of EUR-based companies

€ million	Dec 31, 2020 SEK	USD	GBP	Other	Dec 31, 2019 SEK	USD	GBP	Other
Trade receivables and payables	–6	–257	11	7	0	–248	12	11
Loans and bank accounts [1]	440	50	0	6	525	59	–7	17
Derivatives	–438	179	–30	–27	–525	183	–14	–29
Net position	**–4**	**–28**	**–19**	**–14**	0	–7	–9	–1

Foreign exchange positions of SEK-based companies

€ million	Dec 31, 2020 EUR	USD	GBP	Other	Dec 31, 2019 EUR	USD	GBP	Other
Trade receivables and payables	67	–23	2	5	69	–17	4	18
Loans and bank accounts [1]	9	9	1	1	26	8	0	1
Derivatives	–122	–1	–12	–12	–217	–49	–11	–29
Net position	**–46**	**–15**	**–10**	**–5**	–121	–58	–7	–9

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

Currency distribution and re-pricing of outstanding net debt

€ million Currency	Dec 31, 2020 Net debt [1]	Derivatives [2]	Average rate, % [1]	Duration. year [3]	Rate sensitivity [4]
EUR	1,204	–450	5.1	3.9	3.4
SEK	–26	436	0.0	0.1	4.1
USD	–94	18	0.0	–0.0	–0.8
Others	–56	3	0.3	–0.0	–0.5
	1,028	**7**			**6.2**

€ million Currency	Dec 31, 2019 Net debt [1]	Derivatives [2]	Average rate, % [1]	Duration. year [3]	Rate sensitivity [4]
EUR	1,292	–587	5.6	2.8	3.5
SEK	–9	581	–0.1	0.2	5.7
USD	–77	6	1.0	0.0	–0.7
Others	–50	5	0.8	0.0	–0.5
	1,155	5			8.0

[1] Includes cash and cash equivalents and debt.

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

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

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

rate risk, which is hedged with forward contracts and, if possible, with matching of external debt. The Group's fair value foreign exchange position is presented in a more detailed level in the table.

Outokumpu's net income and net investment translation risk is mainly in US dollars, Swedish kronas and British pounds. Based on the policy this risk can be hedged selectively and in 2020 there were no hedges related to net income or net investment exposures. The effective portion of gains (EUR 17 million, net of tax) on earlier financial years' net investment hedges is recognized in equity.

Changes in currency rates cause translation differences in debt and have therefore impact on Group's capital structure. The largest debt translation risk relates to Swedish krona denominated internal loans.

Interest rate risk

The Group's interest rate risk is monitored as cash flow risk i.e. impact of interest rate changes on net interest expenses, and fair value risk i.e. impact of interest rate changes on fair value of monetary assets and liabilities. In order to manage the balance between risk and cost in an optimal way, significant part of debt has effectively short-term interest rate as a reference rate. This approach typically helps to reduce average interest rate of debt while it may also provide some mitigation against a risk of adverse changes in business environment, which tends to result to decrease in interest rates. In 2020 these conditions existed, which have positive impact on financial income and expenses.

Swedish krona, euro and US dollar have substantial contribution to the overall interest rate risk. Approximately 47% (2019: 64%) of the Group's debt has an interest period of less than one year and the average interest rate of non-current debt on December 31, 2020 was 4.9% (Dec 31, 2019: 4.5%). Interest rate position is presented on a more detailed level in the table. Outokumpu is also exposed to variation of credit margins, mainly in regards of any new financing, e.g. in connection with issue of commercial papers and new long-term debt. Furthermore, interest expenses and other financing expenses are somewhat affected by development of the leverage ratio due to margin grid definition in some of the loan agreements.

Changes in interest rates impact pension plan asset and liability values. The net liability of defined benefit plans and other long-term employee benefits was EUR 250 million at year end and an increase in long-term interest rates would typically be expected to decrease the net liability of the plans.

Metal and energy price risk

Outokumpu uses a substantial amount of raw materials and energy for which prices are determined in regulated markets, such as London Metal Exchange ("LME") and Nasdaq Commodities. Timing differences between alloy metal purchases and pricing of stainless steel; changes in inventory levels; and the capability to pass on price changes in raw materials to end-product prices affect metal risk. Since there is no established financial derivative market for chromium, this risk is categorized as business risk.

Apart from chromium, changes in nickel price is the most important metal price risk for Outokumpu. A significant part of stainless-steel sales contracts includes an alloy surcharge clause, with the aim of reducing the risk arising from the timing difference between alloy metal purchase and stainless-steel delivery. Outokumpu's nickel position consists of price fixed purchase orders, inventories of nickel-containing materials and price fixed sales orders. Based on the financial risk policy the identified nickel price risk, excluding the risk related to the base stock, must be hedged. Nickel forwards and options are used to manage impacts of nickel price changes on earnings, whereas efficient working capital management helps to reduce cash flow variations caused by metal prices.

During the reporting year, the share of sales contracts in Europe with fixed price continued to increase. Furthermore, the ability to pass price changes in alloy metals to stainless steel prices varied resulting in a varying price relationship between e.g. LME nickel prices and stainless steel.

Hedge accounting programs in nickel derivatives were broadened during 2020. Both Business Area Europe and Business Area Americas have active hedge accounting programs in nickel derivatives. The hedge accounting covers a meaningful part of Group nickel price risk and has reduced volatility of the underlying nickel linked earnings. For further details on hedge accounting please see Note 20.

Outokumpu's exposure to iron price is similar to that of nickel, except for the value of the exposure being lower and secondly, Outokumpu produces some iron in connection with the Kemi chromite mining.

Outokumpu's main production sites in Europe are participating in the EU Emissions Trading Scheme (ETS). The amounts of realized and forecasted carbon dioxide emissions and granted emission allowances are monitored at Group level. In certain situations, the market price of power can be partially based on price of carbon emissions. This indirect exposure to emission prices can be significant for Outokumpu due to energy intensive processes using power and fuels. At year end, Outokumpu had adequate amount of emission allowances to cover all forecasted needs of the (phase III) emission trading period, ending in 2020.

Outokumpu manages energy price risk centrally. The electricity and gas price risks are reduced with fixed price supply contracts and partial ownership in power utilities.

Security price risk

Outokumpu has equity investments and fixed income securities. On December 31, 2020, the biggest investments were in OSTP Holding Oy (investment in associated company of EUR 23 million) and Voimaosakeyhtiö SF.

The investment in Voimaosakeyhtiö SF provides Outokumpu with appr. 14% indirect stake in the Fennovoima Oy nuclear power plant project. This stake gives Outokumpu access to estimated 170 MW power capacity once the project has been completed. Information on the valuation of the investment is presented in note 17.

The captive insurance company Visenta Försäkringsaktiebolag has investments totaling EUR 26 million in highly rated and liquid fixed income securities as well as fixed income and equity funds in order to optimize return for assets and to manage the risk prudently.

Outokumpu has a defined benefit pension plan in the UK. This plan has assets approximately EUR 0.5 billion, most of which have been invested in fixed income securities and almost one fifth to return seeking assets. Changes in security prices would therefore impact the net asset reported on this plan. Based on the locally applied technical provisions the plan assets cover nearly in full the plan liabilities at year end. For more information please see note 25.

Country and credit risk

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

On December 31, 2020, the maximum exposure to credit risk of trade receivables was EUR 384 million (2019: EUR 359 million). The portion of unsecured receivables during 2020 has been approximately 4–6% of all trade receivables. During 2020, credit limits have remained available from the insurer and there is no significant change in the insurance cover. As a COVID-19 mitigation action, Outokumpu has more frequently monitored credit risk and the overdue situation and continued its close co-operation with the insurers. For significant part of trade receivables Outokumpu uses factoring, which transfers most risks and rewards to the buyer of the receivables. At the end of the year, most of the receivables were generated by a large number of customers and there were only a few risk concentrations. Age analysis of accounts receivables is presented in note 22.

Treasury monitors credit risk related to financial institutions. Outokumpu seeks to reduce these risks by limiting the counterparties to banks and other financial institutions with good credit standing. For the derivative transactions, Outokumpu prefers to have ISDA framework agreements in place. Exposure to country risk is monitored and at year-end such risk included e.g. Argentina due to Outokumpu's local and cross-border business activities there.

Liquidity and refinancing risk

Outokumpu raises most of its debt centrally. The Group seeks to reduce liquidity and refinancing risk by having sufficient amount of cash and long-term committed credit lines available, by having balanced maturity profile of debt and by diversifying sources of funding. Daily liquidity is optimized by issuance of commercial papers and by doing currency swaps. Efficient cash and liquidity management is also reducing liquidity risk. Finance plans are prepared and reviewed regularly with a focus on forecasted cash flow, projected funding requirements, planned funding transactions during the forecast period and financial covenant headroom. The adequacy of liquidity reserves, the amounts of scheduled annual repayments of non-current debt compared to EBITDA as well as forecasted debt-to-equity and leverage ratios are key measurements in the planning.

In 2020, Outokumpu strengthened its liquidity reserves in response to the COVID-19 pandemic as well as improved its maturity profile of debt. In March, Outokumpu refinanced EUR 120 million pension loan with new maturity of 10 years. In July, Outokumpu issued new EUR five years 125 million unsecured convertible bonds, where the proceeds were used for general corporate purposes and the prepayment of debt. In October, Outokumpu signed a new SEK 1000 million secured revolving credit facility, which is guaranteed by the Swedish Export Credit Agency EKN. The facility can be used to finance Outokumpu's subsidiary Outokumpu Stainless Ab in Sweden and includes a condition allowing for two

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consecutive yearly extensions of the maturity until the end of May 2024. In addition, in December, Outokumpu agreed an amendment and extension of its syndicated revolving credit facility allowing for two consecutive yearly extension requests of the maturity dates until the end of May 2024. Out of EUR 574 million maturing at the end of May 2022, a facility amount of EUR 532 was extended until end of May 2023. Furthermore, the use of the EUR 120 million Kemi mine facility continued and Outokumpu drew EUR 44 million new long-term capital expenditure funding for the project. In addition to funding measures, Outokumpu also deferred VAT payments in Finland of EUR 75 million of which EUR 61 million is outstanding at year end.

Net debt development

€ million	2020	2019
Net cash flow from operating activities	**322**	371
Net cash flow from investing activities	**–175**	–65
Cash flow before financing activities	**147**	306
Dividends paid	**–**	–62
Convertible bond equity portion	**17**	–
Other financing cash flow	**0**	3
Cash flow impact on net debt	**164**	248
Opening net debt	**1,155**	1,241
IFRS 16 transition impact	**–**	131
Cash flow impact on net debt	**–164**	–248
Change in net debt, non–cash	**37**	32
Closing net debt	**1,028**	1,155

In 2020 the Moody's corporate family rating for Outokumpu decreased from B2 to B3 and the rating for secured notes decreased from B1 to B2. Both ratings have negative outlook at the end of the year.

Credit facilities

€ million	Maturity	Total 2020	Utilized 2020	Available 2020	Total 2019	Utilized 2019	Available 2019
Committed revolving credit facility	May 2021	76	–	76	76	–	76
	May 2022	42	–	42	574	–	574
	May 2023	532	–	532	–	–	–
Committed Kemi mine investment facility	Sept 2030 [1)]	120	86	34	120	42	78
Committed SEK 1,000 million revolving credit facility	May 2022	100	–	100	–	–	–
Commited facilities total		**870**	**86**	**784**	770	42	728
Uncommitted Finnish commercial paper program	N/A	800	231	569	800	101	699

[1)] Availability period until March 2022

Contractual cash flows

2020 € million	2021	2022	2023	2024	2025	2026–
Bonds	–	–	–	250	–	–
Convertible bonds	–	–	–	–	125	–
Loans from financial institutions	2	5	340	10	10	51
Pension loans	–	13	43	37	31	76
Lease liabilities	18	17	15	15	14	113
Other loans	0	0	0	0	0	6
Commercial papers	231	–	–	–	–	–
Trade payables	1,246	–	–	–	–	–
Interest payments and facility charges	67	61	46	28	18	167
Currency derivatives						
Outflows	1,267	–	–	–	–	–
Inflows	–1,279	–	–	–	–	–
Interest derivatives	–2	–2	–2	–1	–	–
	1,550	**94**	**442**	**339**	**198**	**413**

On December 31, 2020, the Group had cash and cash equivalent amounting to EUR 376 million and committed available long-term credit facilities totaling EUR 674 million. In addition, the EUR 34 million long-term facility is available for financing the Kemi mine investment.

2019 € million	2020	2021	2022	2023	2024	2025–
Bonds	–	–	–	–	250	–
Convertible bonds	250	–	–	–	–	–
Loans from financial institutions	8	4	4	405	5	30
Pension loans	40	48	62	28	22	24
Lease liabilities	30	64	11	9	8	84
Commercial papers	101	–	–	–	–	–
Trade payables	1,180	–	–	–	–	–
Interest payments and facility charges	66	55	42	27	12	148
Currency derivatives						
Outflows	1,816	–	–	–	–	–
Inflows	–1,813	–	–	–	–	–
Interest derivatives	–1	–1	–1	–1	–1	–
	1,678	171	118	467	296	285

On December 31, 2019, the Group had cash and cash equivalent amounting to EUR 325 million and committed available long-term credit facilities totaling EUR 650 million. In addition, the EUR 78 million long-term facility is available for financing the Kemi mine investment.

The revolving credit facility totalling EUR 650 million, the sustainability linked term loan and the notes due in 2024 are secured by a comprehensive security package, which includes pledges on real estate in Tornio and Calvert, pledges of shares of certain material subsidiary companies and guarantees issued by many of the material subsidiary companies. Outokumpu and its secured lenders have signed an intercreditor agreement in February 2014, when the security package was originally created. More information on liquidity and refinancing risk is presented in the following table.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

Capital management

The objectives of capital management are to secure ability to continue as a going concern and to optimize cost of capital in order to enhance value to shareholders, with a focus on sufficient liquidity during the pandemic in 2020. As part of these objectives, Outokumpu seeks to maintain access to loan and capital markets at all times despite of the cyclical nature of the stainless-steel industry. The Board of Directors reviews the capital structure of the Group on a regular basis. Capital structure and debt capacity are taken into account when deciding e.g. on investments and dividends. Tools to manage equity capital include dividend policy, share buybacks and issues of equity or equity-linked securities. Debt capital is managed taking into account the requirement to maintain good liquidity and the capability to refinance maturing debt. These topics are considered in connection with cost of capital optimization.

Tools to manage debt capital include issue of new debt, prepayment of loans and liability management measures, such as the use of call options of issued notes. In 2020 several measures targeting to increase liquidity and average maturity of debt were implemented. The revolving credit facilities, the sustainability linked term loan and the Kemi mine financing facility include financial covenants, which are based on debt-to-equity ratios. The notes maturing in 2024 include an incurrence based financial covenant on debt-to-equity ratio and the defined covenant level is 100 percent. In 2020 Outokumpu was in compliance with the financial covenants of its financing agreements.

The Group's internal capital structure is reviewed on a regular basis with an aim to optimize it e.g. by applying internal dividends and equity adjustments. In 2020, several capital transactions were made between German units and from Germany to Sweden and Finland. In addition a shareholder contribution was made to Visenta Försäkringaktiebolag. Net investment and debt in foreign subsidiaries are monitored and Outokumpu has capability to hedge net investment translation risk.

Visenta Försäkringsaktiebolag has to comply with capital adequacy requirements set by the financial supervisory authority in Sweden. During the reporting period Visenta has been profitable and well capitalized to meet externally imposed requirements, which are based e.g. on Solvency II framework.

The management monitors Group's capital structure based on debt-to-equity ratio, which is calculated as net debt divided by total equity, and on a basis of leverage ratio, which is calculated as net debt divided by adjusted EBITDA. Outokumpu's long-term targets are to have debt-to-equity ratio below 35% and leverage below 1.0. Outokumpu also targets to improve its current credit ratings.

Capital structure

€ million	2020	2019
Total equity	**2,360**	2,562
Non-current debt	**1,153**	1,053
Current debt	**251**	427
Total debt	**1,404**	1,480
Total capitalization	**3,764**	4,042
Total debt	**1,404**	1,480
Cash and cash equivalents	**–376**	–325
Net debt	**1,028**	1,155

	2020	2019
Debt-to-equity ratio, %	**43.6**	45.1
Net debt to adjusted EBITDA	**4.1**	4.4

The debt-to-equity ratio improved slightly despite of low profitability. Successful cost scrutiny and cash preservation through working capital management and capex reductions supported the ratio to remain stable.

Insurances

The Group's business is capital intensive and key production processes are rather tightly integrated and have therefore interdependencies. Property damage and business interruption insurance, covering e.g. fires, machinery breakdowns and natural catastrophes, is the most important insurance line and significant portion of insurance premiums paid relate to this PDBI cover. Business operations may cause significant liability risks related e.g. to people, environment or Outokumpu's products. Outokumpu aims to mitigate liability risk by relevant risk management measures and by having reasonable insurances in place. Other significant insurance lines include marine cargo and credit. During the reporting year there were no events leading to significant insurance claims. Outokumpu's captive insurance company, Visenta Försäkringsaktiebolag, is registered in Sweden and can operate as direct insurer and as reinsurer. The assets increased in 2020 to EUR 42 million (2019: EUR 19 million) due to shareholder's contribution of SEK 220 million. This enabled Visenta to continue and increase its participation to Outokumpu's property and business interruption insurance. Visenta also continued to provide surety to cover certain potential environmental liabilities in connection with the operations in Kemi and Tornio.

Outokumpu continued its systematic fire safety and loss prevention audit program, focusing on execution of the mitigating actions. Due to 2020 travel restrictions, many audits were conducted virtually using in-house expertise in co-operation with external advisors.

20. Fair values and nominal amounts of derivative instruments

€ million	2020 Positive fair value	2020 Negative fair value	2020 Net fair value	2019 Net fair value	2020 Nominal amounts	2019 Nominal amounts
Currency and interest rate derivatives						
Currency forwards	4	–16	**–12**	–3	**1,273**	1,815
Currency options, bought	–	–	**–**	0	**–**	6
Interest rate swaps	6	–	**6**	5	**325**	200
					Tonnes	Tonnes
Metal derivatives						
Forward nickel contracts, hedge accounted	8	–11	**–4**	6	**26,417**	8,048
Forward nickel contracts	6	–5	**1**	–6	**19,132**	9,772
Forward molybdenum contracts	–	–	**–**	–0	**–**	18
Nickel options, bought	–	–	**–**	0	**–**	5,500
Total derivatives	24	–32	**–8**	3		
Less long-term derivatives						
Interest rate swaps	6	–	**6**	5		
Short-term derivatives	17	–32	**–15**	–2		

Fair values are estimated based on market rates and prices on the reporting date, discounted future cash flows and, in respect of options, on common option pricing models.

Hedge accounted cash flow hedges (nickel derivatives)

In 2020, Outokumpu continued cash flow hedge accounting for two selected nickel hedging programs, for sales and purchases, and began a new one for sales in order to reduce volatility of the underlying nickel linked earnings. The programs are implemented for business area Americas and business area Europe and cover meaningful part of the Group sales contracts. Fair value of the nickel contracts included in hedge accounting is deferred in other comprehensive income and realized derivative result is recognized in sales or cost of sales depending on the nature of underlying hedged item during the same reporting period as the underlying item is recognized. In the purchase cash flow hedge program, the realized part of the nickel derivatives are first reclassified from other comprehensive income to inventory for certain period of time before allocating to cost of sales. Only the spot component related to nickel derivatives is under hedge accounting, forward element is recognized in profit or loss. The used nickel derivative instruments are forwards. The selected derivative instruments correspond to the pricing model used in the underlying. The ineffectiveness is tested regularly. The management estimates that possible ineffectiveness can arise related to credit risk or timing of transactions, but these are estimated to be immaterial.

	2020	2019
Fair value of nickel derivatives, € million	**–4**	6
Nominal amount of nickel derivatives, tons	**26,417**	8,048
Hedge ratio	**1:1**	1:1
Fair value reserve in other comprehensive income, € million	**–4**	6
Reclassified from other comprehensive income to profit or loss, € million [1)]	**–2**	–10
Reclassified from other comprehensive income to profit or loss, € million [2)]	**7**	7
Reclassified from other comprehensive income to inventory, € million	**–4**	2

1) Included in sales
2) Included in cost of sales

Hedge accounted cash flow hedges (EUR/SEK)

Outokumpu had a ten year EUR/SEK hedge accounting program which ended at year end 2019. In 2019, the remaining part EUR 4 million was reclassified from other comprehensive income to profit and loss, to cost of sales.

Master netting agreements and similar arrangements

Outokumpu enters into derivative transactions with most counterparties under ISDA agreements. In general the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single amount is payable in settlement of all transactions. ISDA agreements do not meet the criteria for offsetting in the statement of financial position. The right to offset is enforceable only on the occurrence of future credit events. The following table sets out the carrying amounts of recognized financial instruments that are subject to the agreements described above.

€ million	2020	2019
Derivative assets		
Gross amounts of recognized financial assets in the statement of financial position	24	20
Related financial instruments that are not offset	15	11
	8	9
Derivative liabilities		
Gross amounts of recognized financial liabilities in the statement of financial position	32	17
Related financial instruments that are not offset	15	11
	17	6

21. Inventories

€ million	2020	2019
Raw materials and consumables	387	440
Work in progress	419	460
Finished goods and merchandise	369	523
Advance payments	2	0
	1,177	1,424

The most important commodity price risk for Outokumpu is caused by fluctuation in nickel and other alloy prices. The alloy surcharge clause as well as daily fixed pricing of stainless steel can reduce the risk arising from the time difference between raw material purchase and product delivery. However, the risk is significant, because the delivery cycle in production is longer than the alloy surcharge mechanism expects and the daily fixed pricing can also deviate from this cycle depending on the timing of the delivery. As the prices for all products to be sold in the future are not known, a significant part of the future prices are estimated according to management's best knowledge in net realizable value (NRV) calculations. Due to fluctuation in nickel and other alloy prices, the realized prices can deviate significantly from what has been used in NRV calculations on the closing date. Reversal of NRV write-downs of EUR 15 million were recognized in income statement during 2020 (2019: write-downs of EUR 1 million). In 2020, Outokumpu continued to apply cash flow hedge accounting for two selected nickel hedging cases and started a new, third one. More details on commodity price risk are presented in note 19 and on hedge accounting in note 20.

22. Trade and other receivables

€ million	2020	2019
Non-current		
Other accruals and receivables	1	2
Current		
Trade receivables	384	359
VAT receivable	44	55
Income tax receivable	23	29
Prepaid insurance expenses	10	9
Other accruals	35	28
Other receivables	41	34
	537	514
Impairment of trade receivables		
On Jan 1	7	7
Recovery of doubtful receivables	–1	–
On Dec 31	5	7
Age analysis of trade receivables		
Neither impaired, nor past due	362	312
Past due 1–30 days	17	40
Past due 31–60 days	3	3
More than 60 days	2	4
	384	359

The maximum exposure to credit risk at the reporting date is the carrying amount of trade receivables. Most of the outstanding trade receivables have been secured by credit insurance policies, which typically cover some 95% of an insured credit loss. Credit risks related to trade receivables are presented in more detail in note 19. Expected credit losses are calculated as defined in the accounting principles of these financial statements (see note 2).

As of December 31, 2020 Outokumpu has derecognized trade receivables totaling EUR 269 million (2019: EUR 321 million), which represents fair value of the assets. Net proceeds received totaled EUR 263 million (2019: EUR 312 million). Underlying assets have maturity of less than one year. The maximum amount of loss related to derecognized assets is estimated to be EUR 10 million (2019: EUR 11 million). This estimate is based on insurance policies and contractual arrangements of factoring companies and Outokumpu. The analysis does not include impact of any operational risk related to Outokumpu's contractual responsibilities.

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23. Cash and cash equivalents

€ million	2020	2019
Cash at bank and in hand	**374**	323
Short-term bank deposits and cash equivalents	**2**	2
	376	325

Fair value of cash and cash equivalents does not significantly differ from the carrying value. The average effective interest rate of cash and cash equivalents at the end of 2020 was –0.0% (Dec 31, 2019: 0.2%).

24. Equity

Share capital, premium fund and invested unrestricted equity reserve

€ million	Number of shares, 1,000	Share capital	Premium fund	Invested unrestricted equity reserve	Total
On Jan 1, 2019	410,564	311	714	2,103	3,127
Shares delivered from the share-based payment programs [1]	1,211	–	–	–	–
On Dec 31, 2019	411,775	311	714	2,103	3,127
Shares delivered from the share-based payment programs [1]	227	–	–	–	–
On Dec 31, 2020	**412,002**	**311**	**714**	**2,103**	**3,127**
Treasury shares [1]	4,372				
Total number of shares on Dec 31, 2020	**416,374**				

[1] Shares granted from treasury shares without effect to share capital. The movement in the cost of treasury shares is presented in the statement of changes in the equity.

According to the Articles of Association, Outokumpu share does not have a nominal value.

Premium fund includes proceeds from share subscription and other contribution based on the old Finnish Limited Liability Companies Act for the part the contributions exceed the account equivalent value allocated to share capital. Invested unrestricted equity reserve includes net proceeds from the rights issues in 2014 and 2012. Fair value reserve from financial assets at fair value through other comprehensive income includes movements in the fair values of equity securities and fair value reserve from derivatives includes movements in the fair values of derivative instruments used for cash flow hedging. See note 17 for more information on the equity securities and note 20 for more information on derivative instruments. Other reserves include amounts transferred from the distributable equity under the Articles of Association or by a decision of the General Meeting of Shareholders, and other items based on the local regulations of the Group companies. Retained earnings include remeasurements of defined benefit plans, treasury shares, cumulative translation differences and other retained earnings and losses.

Distributable funds

On December 31, 2020, the distributable funds of the parent company totaled EUR 2,312 million of which retained earnings were EUR 188 million. The Board of Directors proposes to the Annual General Meeting in 2021 that no dividend will be paid for 2020. No dividend was paid for 2019.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

25. Employee benefit obligations

Outokumpu has established several defined benefit and defined contribution plans in various countries. The most significant defined benefit plans are in Germany representing 40% and in the UK representing 57% of Group's total defined benefit liability.

Germany

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

In addition, all the obligations are embedded in Germany in the BetrAVG law. The law contains rules for vested rights, pension protection scheme and regulations for the pension adjustments. In Germany no funding requirements exist, and the plans have been for most part unfunded. However, in 2019 a CTA model (Contractual Trust Arrangement) was introduced under which the plans are funded and previously unfunded plans are reported as funded.

The UK

The scheme is registered under UK legislation and is contracted out of the State Second Pension. The scheme is subject to the scheme funding requirements outlined in UK legislation. The scheme trustees are responsible for the operation and governance of the scheme, including making decisions regarding the scheme's funding and investment strategy. In 2020 a GBP 110 million buy-in insurance solution was implemented to the scheme changing the scheme's asset portfolio.

Risks associated with defined benefit plans

Through its defined benefit pension plans, Outokumpu is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility: The level of equity returns is a key factor in the overall investment return. If a plan holds significant proportion of equities, which are expected to outperform corporate bonds in the long-term, it might face higher volatility and risk in the short-term. The investment portfolio might also be subject to a range of other risks typical of the assets held, in particular credit risk on bonds and exposure to the property market.

Change in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings (if any). In a situation where the return on plan assets is lower than the corporate bond yields, a plan may face a shortfall which might lead to increased contributions.

Inflation risk: Inflation rate is linked to both future pension and salary increase, and higher inflation will lead to higher liabilities.

Longevity: The majority of Outokumpu's defined benefit obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Funding

Funding requirements are generally based on pension fund's actuarial measurement framework set out in the funding policies and local regulation. In the UK preliminary pension fund's latest actuarial valuation started in January 1, 2017 and was completed in 2018 with a deficit of GBP 36 million. The valuation was not based on the same assumptions as the IFRS valuation, which shows a surplus. Since the valuation, Outokumpu has made contributions to cover the deficit. In 2020, these contributions were GBP 6 million, and the remaining GBP 3 million will be paid in February 2021. The preliminary actuarial valuation started on January 1, 2020 indicates continued improvement on the scheme's funding and this new valuation is expected to be finalized during the first quarter of 2021.

Defined benefit cost recognized in the consolidated statements of income and comprehensive income

€ million	2020	2019
In EBIT	–5	–7
In financial income and expenses	–2	–3
Defined benefit cost recognized in the consolidated statement of income	–8	–10
In other comprehensive income	–12	–43
Total defined benefit cost recognized	–19	–53

Gross defined benefit obligations and plan assets

€ million	2020	2019
Present value of funded defined benefit obligations	781	783
Present value of unfunded defined benefit obligations	3	3
Fair value of plan assets	–534	–537
Net defined benefit liability	250	249

Amounts recognized in the consolidated statement of financial position

€ million	2020	2019
Defined benefit liability	314	318
Defined benefit plan assets	–64	–68
Net defined benefit liability	250	249
Other long-term employee benefit liabilities	16	18

Gross defined benefit obligations and plan assets are presented in the statement of financial position netted per plan either as a liability or an asset depending on nature of the netted item. The defined benefit liability and the other long-term employee benefit obligations are presented in the statement of financial position aggregated amounting to EUR 329 million on December 31, 2020 (Dec 31, 2019: EUR 335 million).

Movement in net defined benefit liability

€ million	2020 Present value of obligation	2020 Fair value of plan assets	2020 Net defined benefit liability	2019 Present value of obligation	2019 Fair value of plan assets	2019 Net defined benefit liability
On Jan 1	786	–537	249	702	–471	231
Current service cost	5	–	5	6	–	6
Interest expense/(income)	12	–10	2	16	–13	3
Remeasurements arising from						
Return on plan assets	–	–32	–32	–	–38	–38
Demographic assumptions	–15	–	–15	–7	–	–7
Financial assumptions	68	–	68	88	–	88
Experience adjustment	–9	–	–9	–0	–	–0
Exchange differences	–25	28	2	21	–24	–3
Employer contributions	–	–22	–22	–	–31	–31
Benefits paid	–38	38	–	–40	40	–
Settlements	–1	1	–0	1	–	1
On Dec 31	**783**	**–534**	**250**	786	–537	249

The present value of obligations and the fair value of plan assets comprise mainly of German and UK plans. The present value of obligation for German plans on December 31, 2020 was EUR 315 million (Dec 31, 2019: EUR 316 million), and the fair value of plan assets was EUR 13 million (Dec 31, 2019: EUR 11 million) on December 31, 2020. For the UK, the present value of obligation was EUR 445 million (Dec 31, 2019: EUR 444 million), and the fair value of plan assets was EUR 509 million (Dec 31, 2019: EUR 512 million) on December 31, 2020.

The weighted average duration of the overall defined benefit obligation is 17.2 years. In Germany and in the UK the weighted average durations are 13.8 and 20.2 years, respectively.

The expected contributions to be paid to the defined benefit plans in 2021 are EUR 28 million.

Allocation of plan assets

€ million	2020	2019
Equity instruments	**33**	49
Debt instruments	**150**	282
Other assets	**348**	203
Total plan assets	**531**	534

Allocation of plan assets covers 99.5% of total defined benefit plan assets. On December 31, 2020, 76% of the plan assets were invested in quoted instruments (Dec 31, 2019: 95%), the change resulting from the buy-in insurance solution in the UK. Debt instruments include mostly investment grade government and corporate bonds.

Asset-liability matching strategies

The majority of defined benefit assets are in the UK. The UK scheme's benchmark asset allocation is 20%/80% return-seeking/liability matching. This strategy reflects the scheme's liability profile and the trustees' and company's attitude to risk. The trustee monitors the investment objectives and asset allocation policy on a regular basis.

Significant actuarial assumptions

		Germany	The UK	Other countries
Discount rate, %	**2020**	**0.72**	**1.25**	**2.41**
	2019	0.90	2.00	2.72
Future salary increase, %	**2020**	**–**	**–**	**1.30**
	2019	–	–	1.57
Inflation rate, %	**2020**	**–**	**2.80**	**–**
	2019	–	3.00	–
Future benefit increase, %	**2020**	**1.70**	**2.75**	**–**
	2019	1.70	2.85	–
Medical cost trend rate, %	**2020**	**–**	**–**	**4.70**
	2019	–	–	4.70–5.20
Life expectancy	**2020**	RT 2018 G	96% SAPS All Pensioner Amounts tables with CMI Core Projection Model –2019	Standard mortality tables
	2019	RT 2018 G	96% SAPS All Pensioner Amounts tables with CMI Core Projection Model –2016	Standard mortality tables

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

Sensitivity analysis of significant actuarial assumptions

Reasonably possible changes at the reporting date to one of the weighted principal assumptions, while holding all other assumptions constant, would have affected the defined benefit obligation as shown below:

Germany	Change in assumption	Increase in assumption	Decrease in assumption
2020			
Discount rate	0.5%	Decrease by 6%	Increase by 7%
Future benefit increase	0.5%	Increase by 3%	Decrease by 3%
Life expectancy	1 year	Increase by 3%	
2019			
Discount rate	0.5%	Decrease by 6%	Increase by 7%
Future benefit increase	0.5%	Increase by 3%	Decrease by 3%
Life expectancy	1 year	Increase by 3%	

The UK	Change in assumption	Increase in assumption	Decrease in assumption
2020			
Discount rate	0.5%	Decrease by 9%	Increase by 10%
Future benefit increase	0.5%	Increase by 6%	Decrease by 6%
Life expectancy	1 year	Increase by 3%	
2019			
Discount rate	0.5%	Decrease by 9%	Increase by 11%
Future benefit increase	0.5%	Increase by 7%	Decrease by 6%
Life expectancy	1 year	Increase by 3%	

Other countries	Change in assumption	Increase in assumption	Decrease in assumption
2020			
Discount rate	0.5%	Decrease by 4%	Increase by 4%
Medical cost trend rate	0.5%	Increase by 1%	Decrease by 1%
Future salary increase	0.5%	Increase by 3%	Decrease by 4%
Life expectancy	1 year	Increase by 7%	
2019			
Discount rate	0.5%	Decrease by 4%	Increase by 4%
Medical cost trend rate	0.5%	Increase by 1%	Decrease by 1%
Future salary increase	0.5%	Increase by 3%	Decrease by 4%
Life expectancy	1 year	Increase by 7%	

Other long-term employee benefits

Other long-term employee benefits mainly relate to early retirement provisions in Germany and long-service remunerations in Finland. Under the German early retirement agreements, employees work additional time prior to retirement, which is subsequently paid for in instalments after retirement. In Finland, the employees are entitled to receive a one-time indemnity every five years after 20 years of service.

The other long-term employee benefit liabilities recognized in the consolidated statement of financial position on December 31, 2020 were EUR 16 million (Dec 31, 2019: EUR 18 million).

Multi-employer defined benefit plans

ITP pension plans operated by Alecta in Sweden and plans operated by Stichting Bedrijfspensioenfonds voor de metaalindustrie in the Netherlands are multi-employer defined benefit pension plans. However, it has not been possible to get sufficient information for the calculation of obligations and assets by employer from the plan operators, and therefore these plans have been accounted for as defined contribution plans in the consolidated financial statements.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

26. Provisions

€ million	Restructuring provisions	Environmental provisions	Other provisions	Total
Provisions on Jan 1, 2020	56	48	5	110
Increases in provisions	50	3	2	54
Utilized during the financial year	–43	–2	–1	–45
Unused amounts reversed	–1	–1	–1	–4
Provisions on Dec 31, 2020	**62**	**48**	**5**	**115**

€ million	2020	2019
Non-current provisions	**84**	85
Current provisions	**31**	25
	115	110

Restructuring provisions

Restructuring provisions relate mainly to the restructuring and employee negotiation processes carried out in selected countries in 2020 to create cost savings by restructuring and reducing total employee headcount by up to approximately 1,000 (10% of the Group total) mostly by the end of 2021. The fixed cost reductions are needed as the market situation in Europe is challenging and import pressure remains high, and the COVID-19 pandemic impacts the global economy. These provision are expected to result in cash outflows predominantly in 2021.

Restructuring include also some provisions related to the 2019 measures in Germany targeting to improve competitiveness through cost reductions. The cash outflows related to these provisions took mainly place in 2020 with some cash outflows still expected in 2021.

Environmental provisions

Majority of the environmental provisions are for closing costs of production facilities and landfill areas, removal of problem waste and landscaping in facilities in Finland, the UK, and Germany. The outflow of economic benefits related to environmental provisions is expected to take place mainly over a period of more than 10 years. Due to the nature of these provisions, there are uncertainties regarding both the amount and the timing of the outflow of economic benefits.

Other provisions

Other provisions comprise for example provisions for product and other claims and are mainly current in nature.

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

27. Debt

€ million	2020	2019
Non-current		
Bonds	**249**	249
Convertible bonds	**108**	–
Loans from financial institutions	**414**	445
Pension loans	**199**	183
Lease liabilities	**174**	176
Other loans	**8**	–
	1,153	1,053
Current		
Convertible bonds	**–**	248
Loans from financial institutions	**2**	8
Pension loans	**–**	40
Lease liabilities	**18**	30
Commercial paper	**231**	101
	251	427
Net debt		
Non-current and current debt	**1,404**	1,480
Cash and cash equivalents	**–376**	–325
Net debt	**1,028**	1,155

The bond maturing in 2024 as well as credit facilities and loans from financial institutions include financial covenants, which are described in note 19.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

Bonds

€ million	Interest rate, %	Outstanding amount 2020	2019
2018 fixed rate bond maturing on June 18, 2024	4.125	**250**	250

Convertible bonds

€ million	Interest rate, %	Outstanding amount 2020	2019
2015 fixed rate bond matured on Feb 26, 2020	3.250	–	250
2020 fixed rate bond maturing on July 9, 2025	5.000	**125**	–

The convertible bonds maturing in July 2025 can be converted into maximum of 38,191,261 ordinary shares in Outokumpu representing 9.3% of the outstanding shares at year end. The conversion period commenced on August 19, 2020 and will end on June 25, 2025. The current conversion price is set at EUR 3.273 per ordinary shares. The conversion price is subject to adjustments for any dividend in cash or in kind as well as customary anti-dilution adjustments, pursuant to the terms and conditions of the bonds.

Changes in non-current and current debt

2020 € million	Non-current debt	Current portion of non-current debt	Non-current lease liabilities	Current portion of lease liabilities	Current debt	Total
On Jan 1	877	295	176	30	103	1,480
Financing cash flows	117	–296	–	–33	130	–82
Transfer to current debt	–0	0	–21	21	–	0
Other non-cash movements	–14	2	19	–	–0	6
On Dec 31	979	0	174	18	232	1,404

2019 € million	Non-current debt	Current portion of non-current debt	Non-current lease liabilities	Current portion of lease liabilities	Current debt	Total
On Jan 1, before IFRS 16 transition	715	10	82	3	499	1,309
IFRS 16 transition impact	–	–	101	29	–	131
Financing cash flows	452	–13	–	–34	–396	9
Transfer to current debt	–290	290	–32	32	–	0
Other non-cash movements	–1	9	24	–	–	32
On Dec 31	877	295	176	30	103	1,480

Regarding cash and cash equivalents, the reconciliation of cash effective and non-cash movements is presented in the consolidated statement of cash flows.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

28. Trade and other payables

€ million	2020	2019
Non-current		
VAT payable	**18**	–
Accruals	**27**	29
	45	29
Current		
Trade payables	**1,225**	1,265
Accrued employee-related expenses	**73**	65
Accrued interest expenses	**11**	9
VAT payable	**86**	23
Withholding tax and social security liabilities	**21**	20
Payables related to factoring programs	**8**	11
Advance payments received	**7**	11
Other accruals	**55**	47
Other payables	**14**	24
	1,500	1,475

Non-current and current VAT payables on December 31, 2020 include the deferred VAT payments in Finland in 2020 of EUR 61 million.

On December 31, 2020, accrued volume discounts related to contracts with customers amounted to EUR 34 million (Dec 31, 2019: EUR 37 million).

Customer contract liabilities related to unperformed transportation service amounted to EUR 1 million on December 31, 2020 (Dec 31, 2019: EUR 1 million). These liabilities and advances received are expected to be recognized as revenue during the first quarter of 2021.

29. Commitments and contingent liabilities

€ million	2020	2019
Mortgages and pledges on Dec 31		
Mortgages	**3,203**	3,192
Other pledges	**13**	13
Guarantees on Dec 31		
On behalf of subsidiaries for commercial and other commitments	**29**	27
On behalf of associated companies for financing	**2**	4
Other commitments on Dec 31	**10**	14

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

Outokumpu has provided a security, including a pledge of shares of a subsidiary company, related to AvestaPolarit pension scheme in the UK.

Other pledges include Outokumpu's shares in Manga LNG Oy to secure certain liabilities of Manga LNG Oy. Outokumpu's total liability at the end of 2020 amounted to EUR 24 million (Dec 31, 2019: EUR 29 million), and the part exceeding the share pledge and guarantee is presented under other commitments.

Outokumpu Oyj is, in relation to its shareholding in Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. Outokumpu's liability for the net debt of Tornion Voima Oy in year-end 2020 amounted to EUR 0 million (Dec 31, 2019: EUR 1 million). These liabilities are reported under other commitments.

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

Investment commitments

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

Group's other off-balance sheet investment commitments totaled EUR 51 million on December 31, 2020 (Dec 31, 2019: EUR 68 million).

30. Disputes and litigations

Claim in Spain related to the divested copper companies

Outokumpu divested all of its copper business in 2003–2008. One of the divested companies domiciled in Spain later faced bankruptcy. The administrator of the bankruptcy estate filed a claim against Outokumpu Oyj and two other non-Outokumpu companies for recovery of payments made by the bankrupt Spanish company in connection with the divestment. The court of first instance in Spain accepted the claim of EUR 20 million brought against Outokumpu and the two other companies. Outokumpu and the two other companies appealed the court's decision and in March 2018 the Court of Appeal ruled in favor of Outokumpu. In May 2018, the administrator of the bankruptcy estate filed an appeal before the Spanish Supreme Court, where the case is pending without progress during 2019 or 2020.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

31. Related party transactions

Outokumpu's related parties include the key management of the company and their close family members, associated companies, subsidiaries and Solidium Oy. The transactions with related parties are presented in the tables below. Key management includes Leadership Team members and members of the Board of Directors. The principal associated companies are listed in note 15 and subsidiaries are presented in note 32.

Solidium Oy, a limited company fully owned by the State of Finland, owned 21.7% of Outokumpu on December 31, 2020. Solidium's mission is to strengthen and stabilize Finnish ownership in nationally important companies and increase the value of its holdings in the long run.

Transactions with related partied are carried out at arms-length principles.

Transactions and balances with related companies

€ million	2020	2019
Sales and other operating income	**69**	89
Purchases	**–37**	–7
Dividend income	**–**	10
Trade and other receivables	**21**	29
Trade and other payables	**3**	3

Employee benefits for the key management

€ thousand	2020	2019
Short-term employee benefits	**3,889**	5,320
Termination benefits	**1,489**	–
Post-employment benefits [1]	**367**	1,574
Share-based payments	**205**	235
Remuneration to the Board of Directors	**658**	706
	6,608	7,834

[1] Includes only supplementary pensions.

Employee benefits for the key management include the benefits to each Leadership Team or Board of Directors member, which are associated with these management positions. Benefits that are associated with positions held within Outokumpu before or after such management position are not included in the presented amounts.

Employee benefits for the CEO

€ thousand	2020	2019
Salaries and other short-term benefits	**989**	1,074
Bonuses	**–**	276
Post-employment benefits	**281**	444
Share-based payments	**4**	372
	1,274	2,167

Employee benefits for the CEO in 2020 include Heikki Malinen as of May 16, 2020 and Roeland Baan until May 15, 2020.

CEO Malinen has the right to retire at the age of 65 and he participates in the Finnish TyEL pension system and there are no supplementary pension plans in place. Former CEO Baan had a defined contribution pension plan in place with an annual insurance premium of 25% of his annual earnings, excluding share rewards.

Remuneration to Board of Directors

€ thousand	2020	2019
Chairman Kari Jordan	**181**	173
Vice Chairman Eeva Sipilä, as of May 28, 2020, member until May 27, 2020	**108**	99
Vice Chairman Heikki Malinen, until April 30, 2020	**7**	103
Vice Chairman Olli Vaartimo, until March 27, 2019	**–**	3
Member Kati ter Horst	**88**	80
Member Vesa-Pekka Takala, as of March 27, 2019	**88**	77
Member Pierre Vareille	**94**	90
Member Julia Woodhouse, as of March 27, 2019	**93**	81
	658	706

Outokumpu has not had specifically appointed Deputy to the CEO since February, 2019. In January–February 2019, the employee benefits to the Deputy to the CEO were EUR 117 thousand.

More information on key management's employee benefits can be found in the Remuneration report.

32. Subsidiaries on December 31, 2020

		Country	Group holding, %
Europe			
Outokumpu AS		Norway	100
Outokumpu B.V.		The Netherlands	100
Outokumpu Distribution France S.A.S.		France	100
Outokumpu Distribution Hungary Kft.		Hungary	100
Outokumpu Distribution Polska Sp. z o.o.		Poland	100
Outokumpu Europe Oy	*)	Finland	100
Outokumpu Ges.m.b.H.		Austria	100
Outokumpu India Private Limited		India	100
Outokumpu K.K.		Japan	100
Outokumpu Management (Shanghai) Co., Ltd	*)	China	100
Outokumpu Middle East FZCO		United Arab Emirates	100
Outokumpu Nirosta GmbH		Germany	100
Outokumpu N.V.		Belgium	100
Outokumpu Prefab AB		Sweden	100
Outokumpu Press Plate AB		Sweden	100
Outokumpu PSC Benelux B.V.		The Netherlands	100
Outokumpu PSC Finland Oy		Finland	100
Outokumpu PSC Germany GmbH		Germany	100
Outokumpu (Pty) Ltd		South Africa	100
Outokumpu S.A.		Spain	100
Outokumpu (S.E.A.) Pte. Ltd		Singapore	100
Outokumpu Shipping Oy		Finland	100
Outokumpu S.p.A.		Italy	100
Outokumpu Stainless AB		Sweden	100
Outokumpu Stainless B.V.		The Netherlands	100
Outokumpu Stainless Oy		Finland	100
Outokumpu Stainless Pty. Ltd		Australia	100
Outokumpu Stainless Steel (China) Co. Ltd		China	100
Outokumpu Tornio Infrastructure Oy		Finland	100

		Country	Group holding, %
Americas			
Outokumpu Brasil Comercio de Metais Ltda		Brazil	100
Outokumpu Fortinox S.A.		Argentina	100
Outokumpu Mexinox Distribution S.A. de C.V.		Mexico	100
Outokumpu Mexinox S.A. de C.V.		Mexico	100
Outokumpu Stainless USA, LLC		The US	100
ThyssenKrupp Mexinox CreateIT, S.A. de C.V.		Mexico	100
Long Products			
Fagersta Stainless AB		Sweden	100
Outokumpu Stainless Bar, LLC		The US	100
Outokumpu Stainless Ltd		The UK	100
Ferrochrome			
Outokumpu Chrome Oy	*)	Finland	100
Other operations			
Outokumpu Americas, Inc.		The US	100
Outokumpu Distribution Benelux B.V.		The Netherlands	100
Outokumpu Holding Germany GmbH	*)	Germany	100
Outokumpu Holding Italia S.p.A.		Italy	100
Outokumpu Holding Nederland B.V.	*)	The Netherlands	100
Outokumpu Mining Oy		Finland	100
Outokumpu Stainless Holding GmbH		Germany	100
Outokumpu Stainless Holdings Ltd		The UK	100
Outokumpu Stainless UAB		Lithuania	100
Québec Inc.		Canada	100
Viscaria AB	*)	Sweden	100
Visenta Försäkrings AB		Sweden	100

In addition Outokumpu has branch offices in South Korea, Switzerland, Taiwan, Thailand, The UK and Vietnam.

This list does not include all holding companies or all dormant companies.

The Group holding corresponds to the Group's share of voting rights.

*) Shares and stock held by the parent company

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

Parent company financial statements

Income statement of the parent company

€ million	2020	2019
Sales	**664**	652
Cost of sales	**–565**	–555
Gross margin	**99**	97
Other operating income	**0**	17
Selling and marketing expenses	**–10**	–17
Administrative expenses	**–110**	–115
Other operating expenses	**–8**	–0
EBIT	**–29**	–19
Financial income and expenses	**–58**	16
Result before appropriations and taxes	**–87**	–3
Appropriations		
Group contribution	**111**	53
Change in depreciation difference	**–0**	–0
Income taxes	**–**	–0
Result for the financial year	**24**	51

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

Balance sheet of the parent company

€ million	2020	2019
ASSETS		
Non-current assets		
Intangible assets	**130**	120
Property, plant and equipment	**2**	9
Financial assets		
Shares in Group companies	**3,713**	3,821
Loan receivables from Group companies	**771**	254
Shares in associated companies	**15**	17
Other shares and holdings	**60**	80
Other financial assets	**6**	5
	4,565	4,176
Total non-current assets	**4,698**	4,305
Current assets		
Current receivables		
Loans receivable	**221**	843
Trade receivables	**67**	53
Prepaid expenses and accrued income	**23**	39
Other receivables	**160**	91
	470	1,026
Cash and cash equivalents	**332**	272
Total current assets	**801**	1,298
TOTAL ASSETS	**5,500**	5,603

€ million	2020	2019
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**311**	311
Premium fund	**720**	720
Invested unrestricted equity reserve	**2,123**	2,123
Retained earnings	**164**	113
Result for the financial year	**24**	51
	3,343	3,319
Untaxed reserves		
Accumulated depreciation difference	**1**	1
Liabilities		
Non-current liabilities		
Bonds	**250**	250
Convertible bonds	**125**	–
Loans from financial institutions	**330**	405
Pension loans	**143**	103
Other non-current loans	**1**	0
	849	758
Current liabilities		
Convertible bonds	–	250
Loans from financial institutions	–	6
Pension loans	–	40
Group bank account liabilities	**787**	722
Other current loans	**263**	244
Trade payables	**177**	208
Accrued expenses and prepaid income	**15**	13
Other current liabilities	**65**	42
	1,307	1,525
Total liabilities	**2,156**	2,283
TOTAL EQUITY AND LIABILITIES	**5,500**	5,603

Cash flow statement of the parent company

€ million	2020	2019
Cash flow from operating activities		
Result for the financial year	**24**	51
Adjustments for		
Depreciation and amortization	**12**	5
Impairments	**33**	0
Gain/loss on sale of intangible assets, and property, plant and equipment	**–0**	–5
Interest income	**–38**	–68
Interest expense	**46**	36
Change in provisions	**1**	0
Exchange gains and losses	**2**	3
Group contributions	**–111**	–53
Other non-cash adjustments	**8**	–1
	–47	–83
Change in working capital		
Change in trade and other receivables	**0**	–6
Change in trade and other payables	**–27**	47
	–27	41
Interest received	**39**	75
Interest paid	**–45**	–34
Income taxes paid	**–**	–0
	–6	41
Net cash from operating activities	**–55**	51

€ million	2020	2019
Cash flow from investing activities		
Investments in subsidiaries and other shares and holdings	**–13**	–274
Purchases of intangible assets	**–19**	–30
Proceeds from disposal of subsidiaries and other financial assets	**108**	239
Proceeds from sale of property, plant and equipment	**–**	1
Proceeds from sale of intangible assets	**2**	11
Change in other long-term receivables	**21**	361
Net cash from investing activities	**99**	308
Cash flow before financing activities	**44**	358
Cash flow from financing activities		
Dividends paid	**–**	–62
Borrowings of non-current debt	**444**	473
Repayments of non-current debt	**–664**	–76
Change in current debt	**85**	–806
Cash flow from group contribution	**53**	185
Other financing cash flow	**97**	176
Net cash from financing activities	**16**	–109
Net change in cash and cash equivalents	**60**	249
Net change in cash and cash equivalents in the balance sheet	**60**	249

Statement of changes in equity of the parent company

€ million	Share capital	Premium fund	Invested unrestricted equity reserve	Retained earnings	Total equity
Equity on Jan 1, 2019	311	720	2,123	175	3,330
Result for the financial year	–	–	–	51	51
Dividends paid	–	–	–	–62	–62
Equity on Dec 31, 2019	311	720	2,123	164	3,319
Result for the financial year	–	–	–	24	24
Dividends paid	–	–	–	–	–
Equity on Dec 31, 2020	311	720	2,123	188	3,343

Distributable funds on Dec 31

€ million	2020	2019
Retained earnings	**164**	113
Result for the financial year	**24**	51
Invested unrestricted equity reserve	**2,123**	2,123
Distributable funds on Dec 31	**2,312**	2,287

Commitments and contingent liabilities of the parent company

€ million	2020	2019
Other pledges on Dec 31	**13**	13
Guarantees on Dec 31		
On behalf of subsidiaries		
For financing	**327**	350
For commercial guarantees	**0**	3
For other commitments	**28**	26
On behalf of associated companies		
For financing	**2**	4
Other commitments on Dec 31	**10**	14

A major part of Outokumpu's borrowings are secured by security to the real property of selected subsidiaries.

Other pledges include Outokumpu's shares in Manga LNG Oy to secure certain liabilities of Manga LNG Oy. Outokumpu's total liability at the end of 2020 amounts to EUR 24 million (Dec 31, 2019: EUR 29 million), and the part exceeding the share pledge and guarantee is presented under other commitments.

Outokumpu Oyj is, in relation to its shareholding in Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. Outokumpu Oyj's liability for the net debt of Tornion Voima Oy at the year-end 2020 amounted to EUR 0 million (Dec 31, 2019: EUR 1 million). These liabilities are reported under other commitments.

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

In 2020, Outokumpu Oyj recognized an impairment of EUR 33 million to its shareholding in Voimaosakeyhtiö SF providing ownership to Fennovoima Oy. In the income statement, the impairment is recognized in financial income and expenses. The impairment did not impact Outokumpu Group's consolidated financial statements under IFRS where the shareholding is valued at fair value.

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of
Outokumpu Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

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

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

What we have audited

We have audited the financial statements of Outokumpu Oyj (business identity code 0215254-2) for the year ended 31 December 2020. The financial statements comprise:

- the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, including accounting principles for the consolidated financial statements
- the parent company's income statement, balance sheet, cash flow statement and notes to the parent company financial statements.

Basis for Opinion

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

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

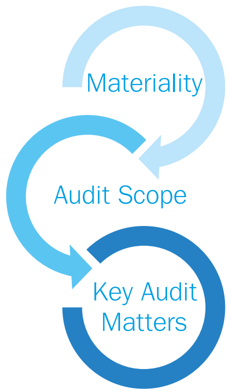
Independence

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

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 6 to the Financial Statements.

Our Audit Approach

Overview



- Overall group materiality: € 35 million (2019: € 38 million)

- The audit scope includes all significant companies, covering the vast majority of revenues, assets and liabilities.

- Valuation of goodwill
- Valuation of Property, Plant and Equipment
- Valuation of inventories
- System environment and internal controls
- Valuation of subsidiary shares in the parent company's financial statements

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

Materiality

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

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

Overall group materiality	€ 35 million (2019: € 38 million)
How we determined it	0.6% of net sales 2020
Rationale for the materiality benchmark applied	We chose net sales as the benchmark because, in our view, it is a stable and an important benchmark in the group's current situation, against which the performance of the group is measured by users of the financial statements. As the group's profitability has not been stable, net sales is also a generally accepted benchmark. We chose 0.6% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

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

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

Key Audit Matters

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

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of goodwill Refer to notes 2, 11 and 14 in the consolidated financial statements. As at 31 December 2020 the group's goodwill balance amounted to € 466 million. Goodwill is tested at least annually, irrespective of whether there is any indication of impairment. For goodwill testing purposes, the recoverable amount is based on value in use which is determined by reference to discounted future net cash flows expected to be generated by the asset. Key assumptions used in the value-in-use calculations are discount rate, growth rate of terminal value, average global growth in consumption of stainless steel and base price development. Valuation of goodwill is a key audit matter due to the size of the goodwill balance and the high level of management judgement involved in the estimation process.	Our audit of goodwill valuation focused on management's judgement and estimates used. We assessed the appropriateness of these through the following procedures: • We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of the calculations. • We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to medium term strategic plans and forecasts approved by the Board and testing the key underlying assumptions. • We considered whether the sensitivity analysis performed by management around key drivers of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions. • We compared the current year actual results to those included as estimates in the prior year impairment model to corroborate the reliability of management's estimates. • The discount rates applied within the model were assessed by PwC business valuation specialist, including comparison to economic and industry forecasts as appropriate. We also considered the appropriateness of the related disclosures provided in note 14 in the group financial statements.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of Property, Plant and Equipment Refer to notes 2 and 12 in the consolidated financial statements. As at 31 December 2020 the group’s Property, Plant and Equipment (PPE) amounted to € 2,631 million, which is 45% of the total assets and 112% of the total equity. The group’s business is very capital intensive and there is a risk that the carrying value of the Property, Plant and Equipment is overstated. The carrying value of Property, Plant and Equipment is tested as part of the group impairment testing based on the discounted cash flow model. Valuation of Property, Plant and Equipment is a key audit matter due to the size of the balance and the high level of management judgement involved in the estimation process.	We assessed the appropriateness of the group’s method and management’s judgement and estimates in the impairment calculations for Property, Plant and Equipment. Our audit work also included testing the operating effectiveness of key controls in place to ensure the existence and appropriate valuation of Property, Plant and Equipment. Such controls include the authorization of additions, disposals and scrapings, the evaluation of the useful economic lives and the reconciliation of fixed assets registers to the accounting records. In addition, we performed substantive audit procedures including testing of assets acquired in the year and depreciation of the fixed assets mainly through analytical audit procedures.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of Inventories Refer to notes 2 and 21 in the consolidated financial statements. As at 31 December 2020 the group’s inventories amounted to € 1,177 million. Inventories are stated at the lower of cost and net realizable value (NRV). Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The most important commodity price risk for Outokumpu is caused by fluctuation in nickel and other alloy prices. The alloy surcharge clause as well as daily fixed pricing of stainless steel can reduce the risk arising from the time difference between raw material purchase and product delivery. However, the risk is significant, because the delivery cycle in production is longer than the alloy surcharge mechanism expects and the daily fixed pricing can also deviate from this cycle depending on the timing of the delivery. As the prices for all products to be sold in the future are not known, a significant part of the future prices are estimated according to management’s best knowledge in net realizable value (NRV) calculations. Due to fluctuation in nickel and other alloy prices, the realized prices can deviate significantly from what has been used in NRV calculations on the closing date. Due to the high level of management judgment and the significant carrying amounts and risks relating to valuation, this is one of the key audit matters.	Our audit work included testing management’s key controls in place to ensure proper valuation and existence of inventories. In addition, our audit procedures included, among other things, the following: • We performed tests over the prices of raw materials and verified items in the product costing of work in progress. • We performed tests over the NRV calculations and the assumptions used. • We assessed the adequacy of the obsolescence provision and the management judgement used. • We participated in the physical inventory counting and performed independent test counts to validate the existence of assets and accuracy of the counting performed.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
System environment and internal controls The group has a fragmented system environment. The fragmented system environment introduces risks related to system access, change management and data transfer between the different systems, and we have accordingly designated this as a key audit matter.	Our response to the risks related to the fragmented system environment included both testing of IT controls and tests of details. We tested the group's controls around access and change management related to key IT systems. We also tested the group's controls around system interfaces, and the transfer of data between systems. We noted certain weaknesses related to access controls to certain key systems. We reported these control weaknesses to management and performed tests of details to reduce the related risks of material misstatement to an acceptably low level.

Key audit matter in the audit of the parent company	How our audit addressed the key audit matter
Valuation of subsidiary shares in the parent company's financial statements As at 31 December 2020 the value of Outokumpu Oyj's subsidiary shares amounted to € 3,712 million in the parent company's financial statements prepared in accordance with Finnish GAAP. The valuation of subsidiary shares is tested as part of the group impairment testing based on the discounted cash flow model. The valuation of subsidiary shares is a key audit matter due to the significant carrying amounts involved and the high level of management judgement involved.	We assessed the appropriateness of the method and management's judgement and estimates in the calculations through the following procedures: • We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to medium term strategic plans and forecasts approved by the Board and testing the key underlying assumptions. • We considered whether the sensitivity analysis performed by management around key drivers of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions. • We compared the current year actual results included in the prior year impairment model to corroborate the reliability of management's estimates. • The discount rates applied within the model were assessed by PwC business valuation specialist, including comparison to economic and industry forecasts as appropriate.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 21 March 2017. Our appointment represents a total period of uninterrupted engagement of 4 years.

Other Information

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

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

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

In our opinion

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

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

Other statements based on the decision by the Annual General Meeting

The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki 4 February 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant (KHT)

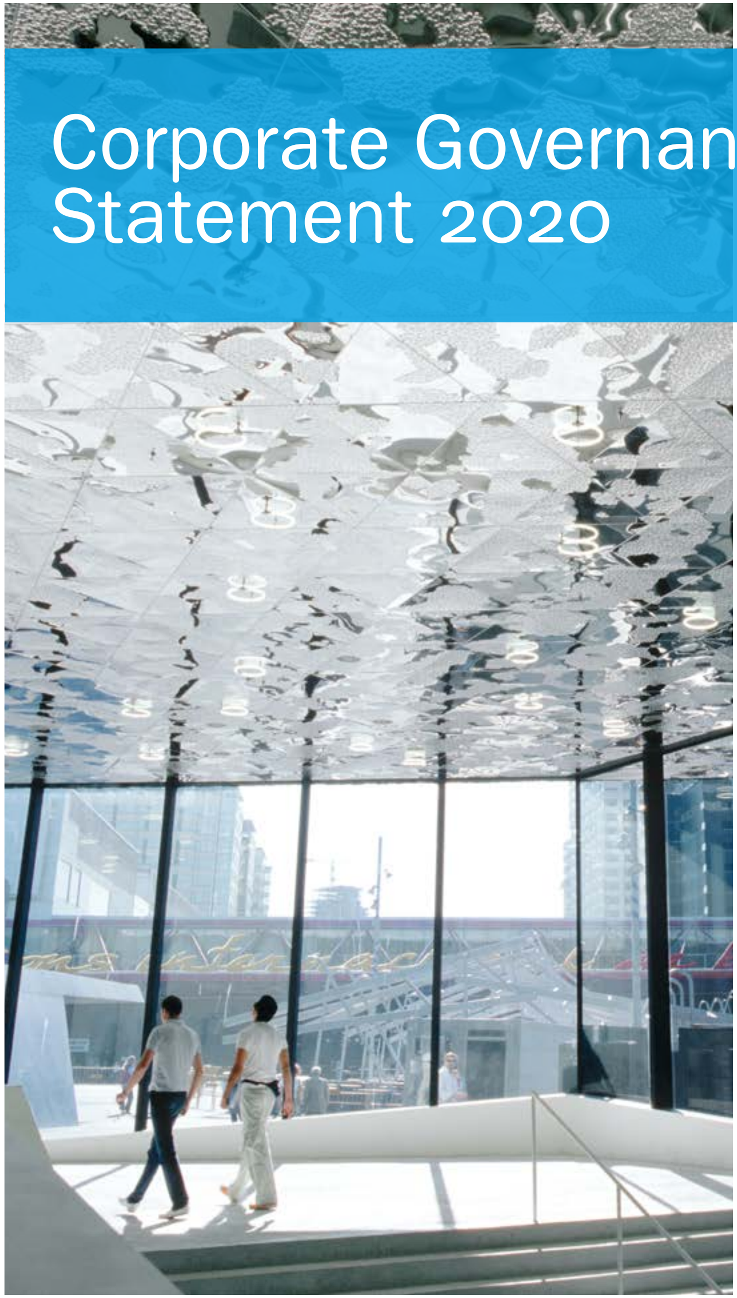
Governance 2020

This Governance section includes Outokumpu's Corporate Governance statement, Remuneration Report as well as information on risks and shareholders.

Download the Corporate Governance as PDF

outokumpu

Corporate Governance Statement 2020



In the architectural masterpiece Edificio Forum in Barcelona, Spain, 28,000 panels of Outokumpu Supra austenitic stainless steel create a finish that replicates the surface of water.

Regulatory and structural framework

Outokumpu Oyj, the Group's parent company, is a public limited liability company, listed on Nasdaq Helsinki and incorporated and domiciled in Finland. In its corporate governance and management, Outokumpu Oyj complies with the laws and regulations applicable to a Finnish public company, the company's Articles of Association and the Corporate Governance Policy approved by the company's Board of Directors.

Outokumpu Oyj follows the Finnish Corporate Governance Code, effective as of January 1, 2020. The Finnish Corporate Governance Code is issued by the Finnish Securities Market Association and adopted by Nasdaq Helsinki.

The governing bodies of the parent company Outokumpu Oyj, i.e. the General Meeting of Shareholders, the Board of Directors, and the President and Chief Executive Officer (CEO), have the ultimate responsibility for the management and operations of the Outokumpu Group ("the Group").

The latest Corporate Governance Statement and other updated corporate governance information can be found on the Group's Corporate Governance website.

The General Meeting of Shareholders convenes at least once a year. In accordance with the Finnish Companies Act, the General Meeting of Shareholders is the highest decision-making body of the company. The Act provides that certain important decisions such as amendments to the Articles of Association, approval of the financial statements, increasing or decreasing share capital, decisions on dividends, and the election of the Board of Directors and the auditors, are the exclusive domain of the General Meeting of Shareholders. In addition, the Annual General Meeting makes advisory resolutions on the Remuneration Policy and the Remuneration Report.

Composition and operations of the Board of Directors December 31, 2020

All Board members are independent of the company and its significant shareholders.

Board of Directors' CVs are also available at our webpages

Kari Jordan

Chairman of the Board of Directors
b. 1956, Finnish citizen
M.Sc. (Econ.), Vuorineuvos (Finnish honorary title)
Outokumpu Board member 2018–
Chairman of the Board 2018–
Chairman of the Remuneration Committee

Work experience
CEO: Metsäliitto Cooperative 2004–2017
President and CEO: Metsä Group 2006–2018
Chairman: Metsä Board Corporation 2005–2018
Chairman: Metsä Fibre Oy 2006–2017
Chairman: Metsä Tissue Corporation 2004–2017
Executive Vice President and Member of the Group Executive Management: Nordea AB and predecessors 1994–2004
Member of the Board of Management: OKOBANK 1987–1994

Positions of trust
Vice Chairman of the Board of Directors: Nordea Bank Abp 2019–
Chairman of the Supervisory Board: Varma Mutual Pension Insurance Company 2015–2019
Vice Chairman of the Board: Nokian Tyres Plc 2018–
Chairman of the Board: Finland Chamber of Commerce 2012–2016
Chairman of the Board: Finnish Forest Industries Federation 2009–2011
Vice Chairman of the Board: Confederation of Finnish Industries (EK) 2009–2011, 2013–2014

Holds several positions of trust in foundations and non-profit associations.

Eeva Sipilä

Vice Chairman of the Board of Directors
b. 1973, Finnish citizen
M. Sc. (Econ.), CEFA
Outokumpu Board member 2017–
Vice Chairman of the Board 2020–
Chairman of the Audit Committee

Work experience
Chief Financial Officer and Deputy to the CEO: Metso Outotec 2020–
Chief Financial Officer and Deputy to the CEO: Metso Corporation 2016–2020
Executive Vice President and Chief Financial Officer: Cargotec Corporation 2008–2016
SVP, Investor Relations and Communications: Cargotec Corporation 2005–2008
VP, Investor Relations: Metso Corporation 2004–2005
Investor Relations Manager: Metso Corporation 2002–2004
Equity Analyst: Mandatum Stockbrokers (part of Sampo group) 1999–2002
Associate Consultant: Arkwright AB, Stockholm, Sweden 1997–1998

Positions of trust
Board member (2012–2016) and Audit Committee chairman (2014–2016): Metso Corporation
Board member: Basware Corporation 2010–2013

Kati ter Horst

Member of the Board of Directors
b. 1968, Finnish citizen
M.Sc. (Econ.), MBA (International Business)
Outokumpu Board member 2016–
Member of the Remuneration Committee

Work experience
Executive Vice President, Head of Stora Enso Paper, member of the Group Leadership team: Stora Enso 2014–
Senior Vice President, Paper Sales, Printing and Living: Stora Enso 2013–2014
Senior Vice President, Office Paper Sales, Printing and Reading: Stora Enso 2012–2013
Director, Customer Service Centre West, Publication Paper: Stora Enso 2010–2012
Several managerial positions in the paper business: 1996–2010
Business analyst: Jaakko Pöyry Consulting, Singapore 1994–1996

Positions of trust
Board member: Climate Leadership Coalition 2019–
Board member (2017–), Vice chair (2019–2020) and Chair (2020–): EURO-GRAPH asbl
Board member: Finnish Forest Industries Federation 2015–

Vesa-Pekka Takala

Member of the Board of Directors
b. 1966, Finnish citizen
M.Sc. (Econ.)
Outokumpu Board member 2019–
Member of the Audit Committee

Work experience
Deputy Managing Director: Metsäliitto Cooperative 2017–
Chief Financial Officer (CFO): Metsä Group 2010–
Chief Financial Officer (CFO) and Substitute to CEO, Member of the Group Executive Committee: Outotec Oyj 2009–2010
Chief Financial Officer (CFO), Member of the Group Executive Committee: Outotec Oyj 2006–2009
Executive Vice President, Corporate Controller, Member of the Group Executive Committee: Outokumpu Oyj 2005–2006
Senior Vice President, Corporate Controller: Outokumpu Oyj 2001–2005
Vice President, Corporate Controller: Outokumpu Oyj 1998–2001

Positions of trust
Board member: Metsä Tissue Oy 2018–
Board member: Metsä Spring Oy 2018–
Chairman of the Board: Metsä Group Treasury Oy 2013–
Board member, the Economy and Tax Committee: Finnish Forest Industries 2017–
Member of the Delegation: the Helsinki School of Economics Foundation 2014–
Board member, the Economy and Tax Committee: Confederation of Finnish Industries (EK) 2013–2016

Pierre Vareille

Member of the Board of Directors

b. 1957, French citizen, Knight of the Legion of Honour in July 2003
M.Sc. (Ecole Centrale Paris), BA (Econ.) (Sorbonne University), Degree in Controlling and Finance (Institut de Contrôle de Gestion)
Outokumpu Board member 2018–
Member of the Remuneration Committee

Work experience
Chairman and CEO 2012–2013 and CEO 2013–2016: Constellium
Chairman of the Board and CEO: FCI SA 2008–2012
Chief Operating Officer: FCI SA 2007–2008
Group Chief Executive: Wagon Plc. 2004–2007
Senior Executive Vice President: Alcan Inc. 2003–2004
Senior Executive Vice President and President of the Aluminium Conversion Sector: Pechiney 2002–2003
Executive Vice President and President of the Exhaust Systems Business Group: Faurecia 1999–2002
Chairman and CEO: GFI Aerospace (now LISI Aerospace) 1995–1999
CEO of Group subsidiaries Cefival and Specitubes 1990–1995 and several operational and staff positions 1982–1989: Vallourec Group

Positions of trust
Chairman of the Board: Société Bic SA 2018–
Board member (2015–), member of the Audit Committee (2018–2019) and the Nomination and Compensation Committee (2019–): Verallia
Founder and Co-President: The Vareille Foundation 2014–
Member of the Strategic Committee: CentraleSupelec 2008–2019
Lead Director and Vice President of the Board: Société Bic SA 2016–2018
Board member and member of the Audit Committee: Société Bic SA 2009–2016
Board member: CentraleSupelec 2008–2019
Chairman: European Aluminium Association 2015–2016
President: Alumni Association of the Ecole Centrale 2011–2013

In addition, Mr. Vareille has been a Member of the Board of Directors of diverse organizations such as the Advisory Board of the Confederation of British Industry, the European Committee of the MEDEF (Confederation of the French Industry) and the GIFAS (French Aerospace Industries Association).

Julia Woodhouse

Member of the Board of Directors

b. 1958, British citizen
BA (hons) History
Outokumpu Board member 2019–
Member of the Audit Committee

Work experience
Director, Global Chassis Purchasing: Ford Motor Company 2016–2018
Director, Global Power Train Components Purchasing: Ford Motor Company 2012–2016
Director, Ford of Europe Program Purchasing: Ford Motor Company 2005–2011
Director, Implementation Team: Ford Motor Company 2004–2005
Director, Team Value Management, Strategy & Business Development: Ford Motor Company 2002–2003

Positions of trust
Independent non-executive board member, Standards & Regulation Board: Royal Institution of Chartered Surveyors 2020–
Member of the Advisory Board: Nexcel, a BP/Castrol automotive technology start-up company 2019–2020
Member of the Strategic Advisory Board: Ford/Michelin 2016–2018
Committee member: Ford Motor Company Global Purchasing Personnel Development Committee 2016–2018
Committee member: Ford Motor Company North America Purchasing Diversity Committee 2012–2015
Member: Ford/Ford Otosan Joint Venture Sourcing Governance Forum 2007–2011

In addition, Ms. Woodhouse has held several additional roles on operating boards including Components Division and International Operations.

The Board assesses the independence of the Board members and records the outcome in the Board minutes. All members of the Board of Directors on December 31, 2020 were independent of the company and its significant shareholders.

Outokumpu shares and share-based rights (parent and subsidiaries) owned by each director and their controlled corporations on December 31, 2020

Board member	Number of shares
Kari Jordan	206,828
Kati ter Horst	33,998
Eeva Sipilä	38,509
Pierre Vareille	44,829
Vesa-Pekka Takala	30,848
Julia Woodhouse	19,848
Total	374,860

Operations and appointment of the Board of Directors

The general objective of the Board of Directors is to direct Outokumpu's business and strategies in a manner that secures a significant and sustained increase in the value of the company for its shareholders and to ensure that the company acts as a reliable and trusted partner towards all its stakeholders. To this end, the members of the Board are expected to act as a resource and to offer their expertise and experience for the benefit of the company. The tasks and responsibilities of the company's Board of Directors are determined on the basis of the Finnish Companies Act as well as other applicable legislation.

The Board of Directors has the general authority to decide and act in all matters not reserved for other corporate governance bodies by law or under the provisions of the company's Articles of Association. The general task of the Board of Directors is to organize and oversee the company's management and operations and it has the duty at all times to act in the best interest of the company.

The Board of Directors has established the rules of procedure that define its tasks and operating principles in the Charter of the Board of Directors. The main duties of the Board of Directors are as follows:

With respect to directing the company's business and strategies:

- Decide on Outokumpu's strategy and the long-term targets of the Outokumpu Group (the "Group") and monitor their implementation;
- Decide on annual business plans and monitor their implementation;
- Decide on annual limits for the Group's capital expenditure, monitor related implementation, review performance and decide on changes;
- Decide on any major and strategically significant investments and monitor their implementation;
- Decide on any major and strategically important business acquisitions and divestments and monitor their implementation;
- Decide on the Group's external financing and treasury matters as follows and as further defined in the Board Charter;
  - i. All long-term financing arrangements by any Group company;
  - ii. Any major leasing arrangements; sale of receivables programmes; short-term financing arrangements; and pledges and guarantees; by any Group company;
  - iii. Any major short-term derivatives or long-term derivatives, or any derivatives not done for hedging or liquidity management purposes; by any Group company;
  - iv. Any other significant financing and treasury transactions which are otherwise out of the Group's normal course of business;
- Decide on any other commitments by any of the Group companies that are out of the ordinary either in terms of value or nature, taking into account the size, structure, and field of the Group's operations.

With respect to organizing the company's management and operations:

- Nominate and dismiss the CEO and his/her deputy, if any, monitor his/her performance and decide on the CEO's terms of service, including incentive schemes, on the basis of a proposal made by the Board's Remuneration Committee;
- Nominate and dismiss the members of the Outokumpu Leadership Team and to define their areas of responsibility based on a proposal by the Board's Remuneration Committee;
- Monitor the adequacy and allocation of the Group's top management resources;
- Decide on any significant changes to the Group's business organization;
- Decide on the Group's ethical values and modes of activity
- Ensure that policies outlining the principles of corporate governance are in place;
- Ensure that policies outlining the principles of managing the company's insider issues and related party transactions are being observed;
- Ensure that the company has guidelines for any other matters that the Board deems necessary and that fall within the scope of the Board's duties and authority.

With respect to the preparation of matters to be resolved by the General Meetings of Shareholders:

- Establish a dividend policy and issue a proposal to the Annual General Meeting on dividend distribution;
- Make a proposal to the Annual General Meeting concerning the election of an external auditor and auditing fees;
- Make proposals to the Annual General Meeting concerning the Company's Remuneration Policy and Remuneration Report; and
- Make other proposals to General Meetings of Shareholders.

With respect to financial control and risk management:

- Discuss and approve interim reports, statements, and annual accounts;
- Monitor significant risks related to the Group's operations and the management of such risks;
- Ensure that adequate policies for risk management are in place;

- Monitor financial position, liquidity, and debt maturity structure;
- Monitor the Group's control environment;
- Monitor and assess how agreements and other legal acts between the company and its related parties meet the requirements of the ordinary course of business and arm's length terms; and
- Reassess its activities on a regular basis.

In 2020, the Board of Directors conducted an assessment of its ways of working and performance with support from an external service provider. The assessment results were presented to the Shareholders' Nomination Board.

According to the company's Articles of Association, the Board of Directors constitutes a quorum when more than half of its elected members are present. A decision by the Board of Directors shall be the opinion supported by more than half of the members present at a meeting. In the event of a tie, the Chairman shall have the casting vote.

The Annual General Meeting elects the Chairman, Vice Chairman and other members of the Board of Directors for a term expiring at the close of the following Annual General Meeting. The entire Board of Directors is, therefore, elected at each Annual General Meeting. A Board member may be removed from office at any time by a resolution passed by a General Meeting of Shareholders. Proposals to the Annual General Meeting concerning the election of Board members that have been made known to the Board of Directors prior to the Annual General Meeting will be made public if such a proposal is supported by shareholders holding a minimum of 10% of all the company's shares and voting rights and the person being proposed has consented to such nomination.

Under the company's Articles of Association, the Board shall have a minimum of five and a maximum of twelve members. A Board consisting of 6 members was elected at the Annual General Meeting 2020. Board meetings will be held as regularly as deemed necessary, but at least five times every year. In 2020, the Board of Directors had 23 meetings, and the average attendance rate was 99%.

Breakdown of individual attendance at Board meetings

23 meetings in 2020	Attendance
Kari Jordan	23/23
Kati ter Horst	23/23
Heikki Malinen, until April 30, 2020	9/9
Eeva Sipilä	22/23
Pierre Vareille	23/23
Vesa-Pekka Takala	23/23
Julia Woodhouse	23/23

Diversity principles of the Board of Directors

Diversity of the Board of Directors supports the vision and long-term objectives of the Group. Outokumpu recognizes the importance of a diverse Board, taking age, educational and international background, professional expertise, experience from relevant industrial sectors as well as a well-balanced gender representation into account. The Shareholders' Nomination Board shall take the Diversity Principles into consideration when preparing its proposals to the Annual General Meeting and the progress in achieving set objectives shall be disclosed annually. The objective of a well-balanced Board structure in terms of gender representation was achieved in 2020.

The review by the Board of Directors is found on p. 2 in the section Review by the Board of Directors and Financial statements.

Composition and operations of the Board committees

The Board of Directors has set up two permanent committees consisting of Board members and has confirmed the rules of procedure for these committees. Both committees report to the Board of Directors.

Audit Committee

The Audit Committee consists of a minimum of three Board members. At least one of the Committee members shall have an appropriate education and special expertise in corporate finance, accounting or auditing. The rules of procedure for and responsibilities of the Audit Committee have been established in the Audit Committee Charter approved by the Board of Directors. The task of the Audit Committee is, in greater detail than is possible for the Board as a whole, to deal with matters relating to financial statements, the company's financial position, auditing work, internal controls and compliance matters, the scope of internal and external audits, fees paid to the auditors the Group's tax position, the Group's financial policies, monitoring and assessing related party transactions and other procedures for managing Group risks. In addition, the Audit Committee prepares a recommendation to the Board of Directors concerning the election of an external auditor and auditing fees at a General Meeting. The Audit Committee met six times during 2020, and the attendance rate was 100%.

Breakdown of individual attendance at Audit Committee meetings

6 meetings in 2020	Attendance
Eeva Sipilä	6/6
Kati ter Horst, until April 30, 2020	1/1
Vesa-Pekka Takala	6/6
Julia Woodhouse	6/6

Remuneration Committee

The Remuneration Committee consists of the Chairman of the Board and a minimum of two additional Board members. The tasks of the Remuneration Committee is to prepare proposals to the Board concerning the appointment of the company's top management and principles relating to the compensation they receive as well as the company's Remuneration Policy and Remuneration Report. The terms of service and benefits of the Leadership Team members other than the CEO, are determined and approved by the Remuneration Committee.

The Committee's rules of procedure shall be further defined in the Remuneration Committee Charter, approved by the Board. The Remuneration Committee met nine times during 2020, and the average attendance rate was 93%.

Shareholders’ Nomination Board

Breakdown of individual attendance at Remuneration Committee meetings

9 meetings in 2020	Attendance
Kari Jordan	9/9
Kati ter Horst, from May 1, 2020	6/6
Heikki Malinen, until April 30, 2020	1/3
Pierre Vareille	9/9

Temporary working groups

To handle specific tasks, the Board of Directors can also set up temporary working groups consisting of Board members. These working groups report to the Board of Directors. No temporary working groups were set up in 2020.

Outokumpu’s Annual General Meeting in 2012 resolved to establish a Shareholders’ Nomination Board to annually prepare proposals to the Annual General Meeting for the election, composition, and compensation of the members of the Board of Directors.

The Annual General Meeting has adopted a Charter of the Shareholders’ Nomination Board, last revised in 2019, which regulates the nomination and composition, and defines the tasks and duties of the Nomination Board.

The Nomination Board consists of five members. Four of the members represent the company’s four largest shareholders and the Chairman of the Company’s Board of Directors, in his capacity as an expert member, acts as the fifth member of the Nomination Board.

The representatives of the four largest shareholders of the company are annually appointed to the Nomination Board. The largest shareholders of the company are determined on the basis of the shareholders’ register of the company and the ownership situation at the closing of Nasdaq Helsinki’s last trading day in August. The company’s shareholders’ register only consists of shareholders who are directly registered in the Finnish book-entry system. Accordingly, to be eligible for membership in the Nomination Board, a nominee-registered shareholder needs to register the respective shareholding directly in the Finnish book-entry system for at least the said date.

In case a shareholder, who under the Finnish Securities Markets Act has an obligation to announce changes in its shareholdings and to sum up its holdings together with the holdings of certain other parties when doing so (flagging obligation), presents no later than on August 31 a written request to that effect to the Chairman of the company’s Board of Directors, then the holdings of such shareholder and other parties shall be summed up for the purposes of determining the holdings of the largest shareholders.

In case two or more shareholders own an equal number of shares and, as a consequence, the four largest shareholders cannot be determined, the status of these shareholders among the four largest shareholders shall be resolved by drawing lots.

The Chairman of the Board of Directors shall request the four largest shareholders of the company each to nominate one member to the Nomination Board. Should a shareholder wish not to use its nomination right, the right transfers to the next largest shareholder who would otherwise not have a nomination right.

The term of office of the members of the Nomination Board expires annually when a new Nomination Board has been appointed. A shareholder may change its representative in the Nomination Board mid-term, should there be a weighty cause for such a change.

Decisions of the Nomination Board shall be unanimous. If unanimity cannot be reached, members of the Nomination Board shall present their own proposals to the Annual General Meeting individually or jointly with other members of the Nomination Board.

Shareholders with the right to appoint representatives to the Nomination Board in 2020 were Solidium Oy, the Social Insurance Institution of Finland, Ilmarinen Mutual Pension Insurance Company and the State Pension Fund of Finland. As the State Pension Fund of Finland informed Outokumpu that it will not use its nomination right, the right transferred to Elo Mutual Pension Insurance Company as the next largest shareholder registered in Outokumpu’s shareholder register.

These shareholders nominated the following individuals as their representatives in the Nomination Board: Antti Mäkinen, Managing Director of Solidium Oy; Outi Antila, Director General at The Social Insurance Institution of Finland, Jouko Pölönen, President and CEO of Ilmarinen Mutual Pension Insurance Company and Satu Huber, Chief Executive Officer at Elo Mutual Pension Insurance Company. Antti Mäkinen was elected Chairman of the Nomination Board, and Kari Jordan, Chairman of the Outokumpu Board of Directors, served as an expert member.

The Nomination Board convened four times, and the attendance rate was 100%. The Nomination Board has submitted its proposals regarding the Board composition and director compensation to Outokumpu’s Board of Directors, and the Board has incorporated these proposals into the notice convening the Outokumpu 2021 Annual General Meeting of Shareholders.

Executive Management

Biographical details of the CEO and the Leadership Team on December 31, 2020

Heikki Malinen

President and CEO
b. 1962, Finnish citizen
M.Sc. (Econ.), MBA (Harvard)
President and Chief Executive Officer 2020–
Chairman of the Outokumpu Leadership Team 2020–
Responsibility: Group management, legal, corporate affairs and compliance, safety and health and business area Europe
Employed by Outokumpu Group since 2020

Work experience
President and CEO: Posti Group Corporation (formerly Itella Corporation) 2012–2019
President and CEO: Pöyry PLC 2008–2012
Executive Vice President, Strategy, member of the UPM Executive Team: UPMKymmene Corporation, Helsinki, Finland 2006–2008
President: UPM North America, Chicago, USA 2004–2005
President of Sales: UPM North America, Chicago, USA 2002–2003
Managing Partner: Jaakko Pöyry Consulting, New York, USA 2000–2001
Engagement Manager: McKinsey & Co, Atlanta, USA 1997–1999
Director, Business Development UPM Paper Divisions, Helsinki, Finland 1994–1996

Positions of trust
Vice Chairman (2019–2020) and Board member: Outokumpu 2012–2020
Vice Chairman (2016–2018) and Board member: Service Sector Employers PALTA 2013–2019
Chairman: Realia Group 2017–2020
Board member: East Office of Finnish Industries 2012–2019
Chairman: American Chamber of Commerce (AmCham Finland) 2009–2014
Board member: Ilmarinen Mutual Pension Insurance Company 2014–2016
Board member: Federation of Finnish Technology Industries 2011–2012
Supervisory Board member: Finnish Fair Corporation 2014–2019
Supervisory Board member: Ilmarinen Mutual Pension Insurance Company 2013
Board member: Botnia Oy 2006–2008

Pia Aaltonen-Forsell

CFO
b. 1974, Finnish citizen
M.Soc.Sc. (Econ.), MBA
Chief Financial Officer, 2019–
Member of the Outokumpu Leadership Team 2019–
Responsibility: Financial and business controlling, treasury, mergers and acquisitions, taxation, internal controls and internal audit, investor relations, general procurement, strategy and Transformation Office
Employed by Outokumpu Group since 2019

Work experience
Executive Vice President & CFO: Ahlström-Munksjö 2018
Chief Financial Officer: Munksjö 2015–2017
Chief Financial Officer: Vacon 2013–2015
Senior Vice President, Finance, IT and M&A, Building and Living: Stora Enso 2012–2013
Senior Vice President & Group Controller: Stora Enso 2009–2012
Various finance and managerial positions: Stora Enso 2000–2009

Positions of trust
Board member (2017–) and Audit Committee Chair (2018–): Uponor

Thomas Anstots

Executive Vice President, Commercial, business area Europe
b. 1962, German citizen
M.Sc. (Mechanical Engineering)
Executive Vice President, Commercial, business area Europe 2020–
Member of the Leadership Team 2020–
Responsibility: Sales in business area Europe and global marketing
Employed by Outokumpu Group since 2012

Work experience
Senior Vice President, Head of Sales, business area Europe: Outokumpu 2019–2020
Senior Vice President, Sales North: Outokumpu 2014–2018
Vice President, Sales Central and Service Center Operations: Outokumpu 2013
General Manager: Nirosta Service Center: Inoxum/ThyssenKrupp Nirosta 2010–2012
Managing Director Technology, Service Center Group: ThyssenKrupp Nirosta 2005–2009
Vice President, Business Processes and Applications: ThyssenKrupp Nirosta 2002–2004
Plant Manager, Finish Departments: ThyssenKrupp Nirosta 1998–2001
Various Manager and Senior Manager Positions in Cold Rolling Mill Production: Thyssen Edelstahl/Krupp Thyssen 1989–1997

Positions of trust
Member of the Board and Vice Chairman: ISER Germany 2016–

Stefan Erdmann

Chief Technology Officer
b. 1972, German citizen
M.Sc. (Eng.)
Chief Technology Officer 2020–
Member of the Leadership Team 2020–
Responsibility: Research and development, technology, sustainability, investment steering and Group IT
Employed by Outokumpu Group since 2018

Work experience
Senior Vice President and CTO: Outokumpu 2018–2020
Technical Managing Director: Aluminium Norf GmbH 2015–2018
Vice President; Global Research and Development: Novelis Inc 2011–2015
General Manager; Business Unit Can Europe: Novelis AG 2009–2011
General Manager: Novelis Deutschland GmbH 2007–2009
Sales Director Painted Products: Novelis Europe 2006–2007
Various operational and managerial positions: Novelis and Alcan 1993–2006

Martti Sassi

President, business area Ferrochrome
b. 1964, Finnish citizen
M.Sc. (Eng.)
President, business area Ferrochrome 2020–
Member of the Leadership Team 2020–
Responsibility: Business area Ferrochrome
Employed by Outokumpu Group since 1990

Work experience
Senior Vice President – business area Ferrochrome: Outokumpu 2018–2020
Senior Vice President – Tornio Stainless and Ferrochrome Operations: Outokumpu 2016–2018
Senior Vice President – Tornio Stainless Operations: Outokumpu 2012–2016
Vice President – Tornio Stainless Business Excellence: Outokumpu 2010–2012
General Manager – Tornio Cold Rolling Plant: Outokumpu 2006–2010
Various operations and R&D positions 1990–2006: Outokumpu

Positions of trust
Board member: Association of Finnish Steel and Metal Producers 2020–
Chairman of Board: Chamber of Commerce in Lapland 2020–
Council member: International Chromium Development Association 2019–
Board member: EuroAlliages 2018–

Johann Steiner

Chief Human Resources Officer
b. 1966, German citizen
M.Sc. (Econ.)
Chief Human Resources Officer 2020–
Member of the Outokumpu Leadership Team 2013–
Responsibility: Human resources, Group communications and Global Business Services (GBS)
Employed by Outokumpu Group since 2013

Work experience
Executive Vice President – Human Resources and Organization Development: Outokumpu 2016–2020
Executive Vice President – Human Resources, IT, Health and Safety: Outokumpu 2013–2016
Executive Vice President – Human Resources and Health, Safety and Sustainability: Outokumpu 2013
Group HR Director: SAG Group GmbH 2012
Operating Partner: Humatica AG 2010–2012
Group HR Director: Clariant International AG 2002–2008
VP Executive Policies: EADS (former DaimlerChrysler Aerospace AG) 1999–2002
Senior Consultant: Towers Perrin 1993–1998

Niklas Wass

Executive Vice President, Operations, business area Europe
b. 1977, Swedish citizen
M.Sc. (Environmental Science)
Executive Vice President, Operations, business area Europe 2020–
Member of the Leadership Team 2020–
Responsibility: Operations and supply chain management in business area Europe
Employed by Outokumpu Group since 2002

Work experience
Senior Vice President – Operations Europe: Outokumpu 2020
Senior Vice President – Tornio Operations: Outokumpu 2018–2020
Vice President – Quarto Plate: Outokumpu 2015–2018
General Manager Production: Outokumpu Degerfors 2010–2015
Various operational positions: Outokumpu 2002–2010

Positions of trust
Board member: Swedish Steel association (Jernkontoret) 2015–

Tamara Weinert

Acting President, business area Americas
b. 1965, German citizen
MBA, M.Sc.
Acting President, business area Americas 2020–
Member of the Leadership Team 2020–
Responsibility: Business area Americas
Employed by Outokumpu Group since 2012

Work experience
Senior Vice President – Sales South & Overseas, business area Europe: Outokumpu 2016–2020
Senior Vice President – Finance & Control, business area Europe: Outokumpu 2013–2016
Vice President – Investor Relations: Outokumpu 2012–2013
Director Treasury, Risk Management, Insurance & Investor Relations: Inoxum 2012
Director, Head of Corporate & Structured Finance: Vattenfall 2011–2012
Treasurer: N.V. Nuon 2008–2010
Risk Management: N.V. Nuon 2000–2008
International postings in India, Singapore, Russia, Netherlands and Finland

Information on work experience and positions of trust to be found on the Company's website

Outokumpu shares and share-based rights (parent or subsidiaries) owned by the CEO and Leadership Team members and their respective controlled corporations on December 31, 2020

Member of the Leadership Team	Number of shares
Heikki Malinen	45,459
Pia Aaltonen-Forsell	0
Thomas Anstots	94,909
Stefan Erdmann	10,000
Olli-Matti Saksi	317,676
Martti Sassi	17,196
Johann Steiner	155,444
Niklas Wass	18,443
Tamara Weinert (acting)	25,319
Total	684,446

More information on compensation can be found in the Remuneration Report.

CEO and deputy to the CEO

The President and Chief Executive Officer (CEO) is responsible for the company's operational management, in which the objective is to secure significant and sustainable growth in the value of the company for its shareholders.

The CEO prepares decisions and other matters for the meetings of the Board of Directors, develops the Group's operations in line with the targets agreed with the Board of Directors, and ensures the proper implementation of Board decisions. The CEO is also responsible for ensuring that the existing legislation and applicable regulations are observed throughout the Group. The deputy to the CEO, if one has been appointed, is responsible for attending to the CEO's duties in the event that the CEO is prevented from doing so. Currently, no deputy to the CEO has been appointed.

Leadership Team and Business Area Boards

The Outokumpu Leadership Team, chaired by the CEO, is a reporting and decision-making forum for steering and managing Outokumpu's corporate agenda. The Outokumpu Leadership Team consists of the CEO, his/her deputy (if one has been appointed) and other key members of senior management. The Group Functions Board is a sub-section of the Outokumpu Leadership Team and a monitoring and decision-making forum for the corporate affairs of the Group Functions. The Group Functions Board is chaired by the CEO. Decisions taken by the Group Functions Board are reported to the Outokumpu Leadership Team.

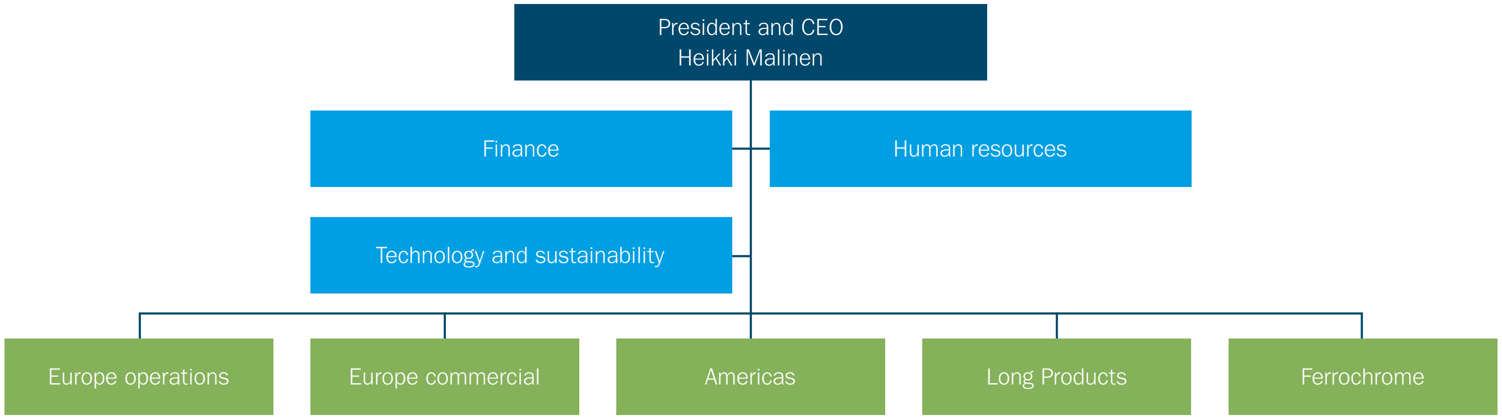
Each Outokumpu business area is steered by a Business Area Board, chaired by the CEO. The Business Area Boards consist of the CEO, the Chief Financial Officer, the Head of the respective business area and selected other key members of senior management.

The decision-making authorities of the Leadership Team and the Business Area Boards follow from the authority of the CEO. It is the duty of these bodies to run and develop the Group's operations in line with the strategy and targets set by the Board of Directors.

The Leadership Team and the Business Area Board meetings are convened by the CEO. Minutes shall be kept for each meeting.

The Leadership Team, the Group Functions Board and the Business Area Boards typically meet once a month.

Organization structure on Dec 31, 2020



Internal control procedures and the main features of the risk management systems

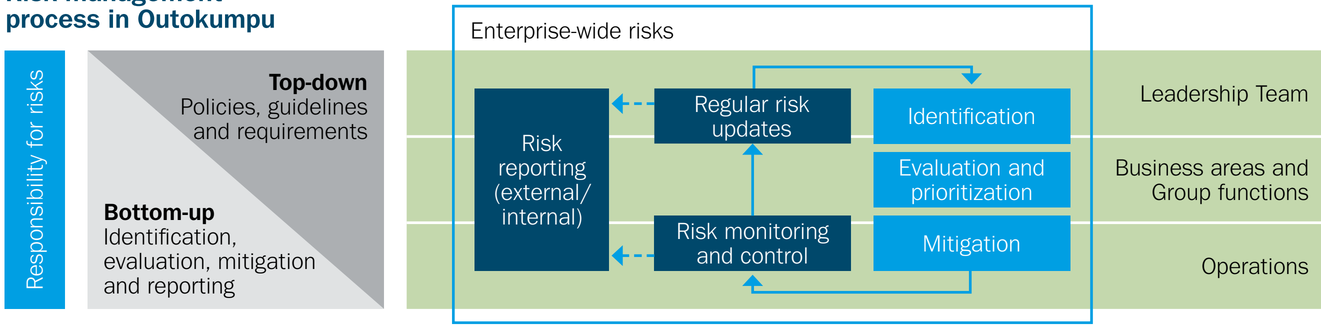
Internal control and risk management

According to the Finnish Limited Liability Companies Act and the Finnish Corporate Governance Code, the Board of Directors is responsible for ensuring that the company's internal controls are appropriately organized. The purpose of this section is to provide shareholders and other parties with a description of how the internal control and risk management of financial reporting is organized in Outokumpu. As a listed company, the Group has to comply with a variety of regulations. To ensure that all the stated requirements are met, Outokumpu has introduced principles for financial reporting and internal control and deployed them throughout the company's organization.

Control environment

The foundation of Outokumpu's control environment is the business culture established within the Group and its associated methods of operation. The basis for the company's compliance and control routines is provided by Group policies and principles, which define the way in which Outokumpu's organization operates. These policies and principles include, for example, the Corporate Responsibility Policy and Ethics Statement. The Outokumpu Code of Conduct describes the Group's basic values and offers standardized, practical guidelines for managers and employees to follow. Furthermore, the Internal Control Policy, the Approval Policy and the Identity and Access Management Policy define many of the principles related to the system of internal controls.

Risk management process in Outokumpu



The performance management and the risk management processes are key management activities in enabling an efficient control environment. In all sections of the Group's operations, the planning activities and the setting of both operational and financial targets are executed in accordance with Outokumpu's overall business targets. Management follow-up of related achievements and risks is carried out through regular management reporting and meeting routines.

In 2020, Outokumpu has established a separate Internal Control function to oversee and develop Outokumpu's system of internal controls. The new function is also responsible for Group-wide governance, risk and compliance coordination. With the lead of the Internal Control function, Outokumpu has continued the measures to develop and implement global, aligned and consistent risk management and the internal control process, which is expected to provide improved assurance for the Group to reach its key targets. In the course of 2021, the new risk management and internal control processes will be implemented wider to cover the key entities and functions of the Group.

Risk management

Outokumpu operates in accordance with the risk management policy approved by the company's Board of Directors. The policy defines the objectives, approaches, and areas of responsibility in the Group's risk management activities. In addition to supporting Outokumpu's strategy, the aim of risk management is identifying, evaluating, mitigating and controlling risks from the perspective of shareholders, customers, suppliers, personnel, creditors, and other stakeholders.

Risk management organization

The Board of Directors carries ultimate responsibility for risk management within Outokumpu. The CEO and members of the Leadership Team are responsible for defining and implementing risk management procedures, and for ensuring that risks are both properly addressed and considered in strategic and business planning.

Outokumpu's Risk Management Steering Group, led by the CFO, is the governing body for risk management in Outokumpu.

The Business areas and Group functions are responsible for managing the risks connected with their own operations. The Risk Management Steering Group and the Board of Directors review the key risks and actions to be taken to manage these risks on a regular basis. The Treasury and Risk Management function supports the implementation of Outokumpu's risk management policy, facilitates and coordinates risk management activities, and prepares quarterly risk reports for management, the Board Audit Committee and Auditors.

Risk management process

Outokumpu has defined risk as anything that could have an adverse impact on achieving the Group's objectives. Risks can, therefore, be threats, uncertainties, or lost opportunities connected with current or future operations. Outokumpu's appetite for risk and risk tolerance are defined regularly in relation to earnings, cash flows, and capital structure. The risk management process is an integral part of the overall management processes and is divided into four stages: 1) risk identification; 2) evaluation and prioritization; 3) mitigation and controls and 4) reporting. The risk management process in Outokumpu is two-fold: a top-down approach to manage the Group's key risks and a bottom-up approach focusing on operational level risks.

Within Outokumpu, the risk management process is monitored and controlled at different organizational levels. Regular risk updates are carried out to capture relevant information. The monitoring of the results and risk updates also ensure that accurate information is provided both internally – to business area management teams and members of the Leadership Team – and externally to relevant parties such as shareholders and other stakeholders. Risk mitigation actions are defined according to the risk identification and the impact/likelihood assessments.

Focus areas

The focus in risk management in 2020 was on implementing the mitigation actions of the identified risks, supporting debt reduction at Outokumpu e.g. by focused working capital management and by improving the overall efficiency of the risk management process. Furthermore, the harsh market environment, especially in Europe, required several mitigating actions to protect the Group's earnings and cash flows.

Outokumpu continued its systematic fire safety and loss prevention audit program, focusing on execution of the mitigating actions. Due to the 2020 travel restrictions, many audits were conducted virtually using in-house expertise in cooperation with external advisors.

The main realized risks in 2020 were related to the disruption of the stainless steel markets due to the pandemic, and imports that continued to have a negative impact on stainless steel base prices and deliveries in Europe throughout the year.

Internal controls for financial reporting

Outokumpu's control process for financial reporting is mainly based on the Internal Control Policy, Outokumpu Accounting Principles and the Approval Policy, as well as on the responsibility and authorization structure within the Group. Policies relating to financial reporting are usually owned and approved by the CEO and the CFO. Financial reporting in Outokumpu is carried out in a harmonized way using a common chart of accounts and principles.

Financial reporting is prepared in a harmonized way in accordance with International Financial Reporting Standards (IFRS). The Outokumpu Accounting Principles (OAP) are Outokumpu's application guidance on IFRS. The aim of the OAP and other financial reporting policies and instructions is to ensure that uniform financial processes and reporting practices are used throughout the Group. Policies and instructions for financial reporting are reviewed on a regular basis and revised when necessary.

In 2020, Outokumpu implemented a process and solution to report financial statements in the European Single Electronic Platform (ESEF). Outokumpu also launched a new financial closing management system to develop quality, consistency and transparency of the controls around financial closing process including account reconciliations and manual journals. At the end of 2020 the new processes covered more than half of the targeted scope. In 2021, Outokumpu will further implement its financial closing management system across the Group and plans to continue developing its financial reporting process and related controls.

The financial statements of the parent company and stand-alone Finnish subsidiaries are prepared in accordance with generally accepted accounting principles in Finland, while foreign subsidiaries follow local accounting principles. Outokumpu also complies with the regulations regarding the financial reporting published by the Financial Supervisory Authority (FIN-FSA), Nasdaq Helsinki, and ESMA.

Identification and assessment of risks related to financial reporting

The risks related to the Group's financial reporting are managed according to Outokumpu's risk management process and classified as operational risks that can arise as consequences of inadequate or failed internal processes, employee actions, systems, or other events such as misconduct or crime. The risks related to financial reporting are identified and typically assessed in risk workshops and in 2020 one focus area was the risk related to inventory valuations.

Control activities

In addition to the Board of Directors, finance management at all levels as well as the Boards of subsidiary companies are responsible for ensuring that the internal controls relating to financial reporting are in place. Outokumpu has centralized the majority of its accounting and financial reporting in its global business service centers, which enables the efficient execution of internal control activities.

The aim of control activities is to discover, prevent, and correct the potential errors and deviations in financial reporting. Control activities also aim to ensure that authorization structures are designed and implemented in such a way that incompatible tasks (i.e. one person performing a critical activity and also being responsible for controlling that activity) are segregated. Control activities consist of different kinds of measures and include reviews of financial reports by Group management and in business area management teams, the reconciliation of accounts, analyses of the logic behind reported figures, forecasts compared to actual reported figures, and analyses of the Group's financial reporting processes, among others. A key component is the monitoring of monthly performance against financial and operational targets. These control activities take place at different levels of the organization.

The most important accounting items in Outokumpu are the valuation and reporting of inventories and other items requiring management judgment, such as provisions. Moreover, in difficult market situations, such as the current COVID-19 pandemic, asset impairment calculations and the related sensitivity analyses are equally important. These items are carefully monitored and controlled on a regular basis, both within business areas and at the Group level.

Information technology and solutions play an important role in ensuring the appropriate structures for internal controls. The Group's consolidation system provides timely and uniform financial and management reporting from the Group entities and an effective closing process within the whole Group. Outokumpu is also running a business transformation program to develop and improve business capabilities and to renew parts of its fragmented system environment. This will be achieved mainly by harmonizing and improving the Group's core business processes and implementing supporting IT systems, with improved system-based controls embedded in processes. The first rollouts of the new ERP together with other related IT systems took place during 2019. Further rollouts of the system will take place in 2021 as the scheduled rollouts for 2020 were postponed partly due to the COVID-19 pandemic.

Outokumpu has centralized the majority of its accounting and financial reporting in its global business service centers, which enables further development and harmonization opportunities for internal control activities.

Information and communication

Group-wide policies and principles are available to all Outokumpu employees. Instructions relating to financial reporting are communicated to all of the parties involved. The main communication channels employed are regular controller meetings, Outokumpu's intranet, other easily accessible databases, and email. In the pandemic situation with remote work promoted, only a very limited number of face-to-face controller meetings have been organized. Finance Leadership Team meetings are organized regularly to share information and discuss issues of topical interest to the Group.

Furthermore, Outokumpu has established steering groups (e.g. for risk management and compliance topics) in which financial reporting and internal control issues can be discussed and reviewed. These groups typically consist of senior members of management and substance experts. The aim of these bodies is to ensure that common financial processes and reporting practices are followed throughout the Group and that effective internal controls relating to financial reporting are established.

Follow-up

Both management in all Outokumpu companies and personnel in the accounting and controlling functions are responsible for the follow-up and monitoring of internal controls connected with financial reporting. Through its activities, the Internal Audit function monitors that an appropriate control environment exists across the Group. Risk management, compliance function, and external auditors are also engaged in the follow-up of control activities. The findings of the follow-up procedures are reported to the Board Audit Committee and the Outokumpu Leadership Team on a regular basis.

Internal audit

Internal Audit is an independent and objective assurance, control, and consulting function designated to add value, improve operations, and monitor and support the organization in the achievement of its objectives. Through a systematic, disciplined approach, Internal Audit determines whether governance and compliance processes, the internal control system, and the risk management process, as designed and represented by the Board of Directors and the Outokumpu Leadership Team, are effective and efficient.

With a strong commitment to integrity and accountability, Internal Audit provides value to the Board of Directors and senior management as an objective and direct source of information, insights and independent advice. Internal Audit monitors adherence to Group principles, policies and instructions, and leads investigations on fraudulent and noncompliant behaviors and activities. Internal Audit performs its function on behalf of and directly reports to the Board Audit Committee and to the executive management. The internal audit plan is approved by the Board Audit Committee. In addition, the function may carry out unscheduled audits when needed.

In 2020, Internal Audit performed six operational audits. The results of the audits that were carried out, including their risk appraisals, are reported and distributed in writing. In view of the Outokumpu Code of Conduct and the Corporate Responsibility Policy, no issues of material risk for the Outokumpu Group were identified. The 2021 internal audit plan will focus on strategy implementation, key projects and certain Group companies selected based on assumed level of different types of risk.

Outokumpu encourages everyone to raise their concerns. There are several ways to report alleged misconduct, including SpeakUp, an externally operated communication channel, that offers the option to report misconduct confidentially and anonymously, if allowed by the laws and regulations.

SpeakUp is available both internally on company intranet and for external stakeholders via the company webpage. More than twenty investigations of potential misconduct were recorded in 2020, and thereof 16 cases were reported via SpeakUp and 6 were recognized through other channels.

During the year Internal Audit provided additional support e.g. in investigation of the possible segregation of duty issues in the system environment.

Compliance

Outokumpu is strongly committed to the highest ethical standards and complies with the applicable laws and regulations of the countries in which it operates as well as with the agreements and commitments it has made. Outokumpu's Code of Conduct sets out these ethical standards and provides guidelines for a common way of operating with the aim of ensuring that all Outokumpu employees live up to Outokumpu's ethical standards.

Outokumpu's Legal and Compliance function is responsible for managing and continuously developing Outokumpu's ethics and compliance program. Outokumpu's ethics and compliance program is described in more detail as part of Outokumpu & society at www.outokumpu.com. The Legal and Compliance function reports to the CEO and to the Outokumpu Leadership Team as well as directly to the Board Audit Committee on compliance-related matters. Compliance-related matters are also regularly handled in the Compliance Steering Group, consisting of the CEO, CFO, Head of HR and Organization Development, Head of Internal Audit, Corporate General Counsel and Head of Compliance. The Compliance Steering Group met four times in 2020. A network of compliance contact persons supports the local implementation of the ethics and compliance program in the business areas and business support functions.

Insider management

The company's Insider Rules, the Finnish insider laws and regulations, including the EU Market Abuse Regulation, constitute the primary legal framework for the insider issues relevant to the Group and its employees.

Furthermore, the Regulation on EU Energy Market Integrity and Transparency sets forth similar requirements as the Market Abuse Regulation on dealing with inside information relating to wholesale energy products. As the company is a participant in the wholesale energy market, the company's Insider Rules apply to such energy-related inside information, as applicable.

The persons discharging managerial responsibilities in Outokumpu, in the meaning of the Market Abuse Regulation, include members of the company's Board of Directors, the CEO, and other members of the Outokumpu Leadership Team ("the Management"). The Management together with the persons or companies closely associated with a member of the Management constitutes the so called "Notifying Persons". Outokumpu maintains a non-public list of the Notifying Persons.

Outokumpu applies a restricted period of thirty (30) calendar days before the announcement, as well the day of the announcement, of an interim financial report, interim financial statement and a year-end report (the "Closed Window"). During this period, the Management, the persons subject to trading restrictions and any legally incompetent persons under their custody shall not conduct any transactions, on his/her own account or for the account of a third party, directly or indirectly, relating to the company's shares or debt instruments, or derivatives or other financial instruments linked thereto. Separate, non-public, project-specific insider registers are maintained for insider projects. Persons defined as project-specific insiders are those who, in the course of their duties in connection with a project, receive inside information concerning the Group which, if or when realized, is likely to have a significant effect on the value of the company's publicly traded securities.

The company has the obligation to inform the public as soon as possible of inside information that directly concerns the company, unless the company has decided that the publication of the inside information shall be delayed, in accordance with the applicable insider regulations. The publication of inside information shall be made in accordance with the company's Disclosure Policy.

Outokumpu's Head of Legal and Compliance function is responsible for the coordination and supervision of insider topics.

Related Party Transactions

The Second Shareholders' Rights Directive (EU), the International Accounting Standards IAS 24, the Companies Act and the Securities Markets Act as well as the Finnish Corporate Governance Code constitute the primary legal framework in the Related Party Transaction principles relevant to the Outokumpu Group and its related parties.

Definition of related parties and maintenance of the list of related parties

Outokumpu Oyj's related parties are determined in accordance with the International Accounting Standards (IAS 24) and they include, i.a., the Group subsidiaries, members of the Parent Company's Board of Directors and the Leadership Team as well as their related persons and companies. The Company's Legal and Compliance function maintains a non-public list of Outokumpu Oyj's related parties, which is updated on a regular basis.

Evaluating Related Party Transactions

A related party transaction is any transaction which is conducted between the Outokumpu Group and a related party of Outokumpu Oyj. Transactions between a company and its related parties are allowed, provided that they promote the purpose and interests of the company and are commercially justified.

Any transactions that are not conducted in Outokumpu Group's ordinary course of business or are not implemented under arms-length terms require specific approval according to Outokumpu Group's Approval Policy. Any such transactions are escalated for review on Group executive level and cross-checked against the list of related parties. Any related party transactions that are not conducted in Outokumpu Group's ordinary course of business will require a decision by Outokumpu Oyj's Board of Directors and a transaction which would be deemed material for Outokumpu Oyj's shareholders will also have to be publicly disclosed. The decision making of the Board of Directors also takes provisions on conflicts of interest into account as board members cannot participate in deciding a matter concerning themselves. Board members also have a conflict of interest and cannot participate in decisions concerning a transaction with one of their related parties if that transaction is not part of the company's ordinary course of business or is not implemented under arms-length terms.

Monitoring and Reporting Related Party Transactions

Outokumpu Oyj's Audit Committee monitors the evaluation process. Related party transactions are reported to the Audit Committee on a regular basis. Outokumpu Oyj's finance and control functions monitor related party transactions regularly in arrears as a part of the company's reporting and control procedures. Information on transactions concluded between the company and its related parties is disclosed annually in the company's consolidated financial statement.

Auditors

Under its Articles of Association, the company shall have a minimum of one and a maximum of two auditors. The auditors must be Authorized Public Accountants (KHT) or accounting firms whose mainly responsible auditors are Authorized Public Accountants (KHT). The auditors shall be independent of the company.

The Board of Directors has the duty to make a proposal to the Annual General Meeting as to the election and fees of the auditor. The Annual General Meeting elects the auditors for a term of office ending at the close of the next Annual General Meeting. A proposal to the Annual General Meeting on the election of auditors that has been made known to the Board of Directors prior to the Annual General Meeting will be made public if it is supported by shareholders holding a minimum of 10% of all the company's shares and voting rights and the person or company proposed has consented to such nomination.

The company's auditors submit the statutory auditor's report to the company's shareholders in connection with the company's financial statements. The auditors also report their findings to the Board Audit Committee on a regular basis and at least once a year to the full Board of Directors. The parent company, Outokumpu Oyj, is audited by Pricewaterhouse-Coopers Oy, and the responsible auditor is Janne Rajalahti, Authorized Public Accountant. PricewaterhouseCoopers Oy is also responsible for overseeing and coordinating the auditing of all Group companies.

PricewaterhouseCoopers Oy was elected as the Group Auditor in the Annual General Meeting held on May 28, 2020 and has been the Auditor of Outokumpu for four consecutive terms. Both Outokumpu and PricewaterhouseCoopers Oy emphasize the requirement stipulating that the auditor be independent of the company being audited. The PwC Network Independence policy is based on the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants.

Outokumpu's Board Audit Committee continuously monitored the non-audit services purchased by the Group from Pricewater-houseCoopers at the global level. In 2020, the auditors were paid fees totaling EUR 2.0 million, of which the non-auditing services accounted for EUR 0.1 million.

Key risks

Strategic and business risks

Risks related to Outokumpu's business priorities and targets

Outokumpu's new vision is to be customer's first choice in sustainable stainless Outokumpu's new strategy is built on clear timebound initiatives and targets to competitively position itself for the future by strengthening its balance sheet in the shorter term and by de-risking the company for strong returns in the long run. Outokumpu's strategy defines The Outokumpu Ways of Working:

We operate safely, always

We work safely, comply with our cardinal safety rules, assess potential risks and take appropriate measures to mitigate them.

We leverage the power of one Outokumpu

We work together, share and combine our knowledge across functions and regions to create best value for our customers.

We deliver

We live up to our promises with clear roles and clear accountabilities. We have a passion for continuous improvement.

We grow people and value diversity

We foster diversity and create a work environment that allows all team members to contribute and to develop.

We act sustainably

We are driven by creating sustainable impact, environmentally, socially and economically.

We are a trusted partner

We are a reliable and trusted partner towards all our stakeholders, our customers, employees, investors and the communities we operate in.

Outokumpu's current expectations regarding the outcome of the strategy and ways of working are based on a number of assumptions that are subject to various risks and uncertainties.

Stainless steel industry and markets

Outokumpu believes that the long-term prospects for stainless steel demand remain firmly positive. Global megatrends including population growth, urbanization, increasing mobility and climate change will drive the need for sustainable materials. There is a possibility that such megatrends will realize more slowly than expected and that the occurrence of natural catastrophes or other adverse changes in the global political and economic environment can impact the stainless steel industry, thereby reducing growth prospects in Outokumpu's core markets. Nonetheless, demand in Outokumpu's main regions and customer segments is expected to be robust and will continue to support long-term growth.

The risk of global overcapacity in stainless steel has the potential to further disrupt industry economics. The commissioning of new export-driven capacity in Asia, particularly in China and Indonesia, has created a regional demand imbalance. This results in a risk of adverse trade flows to Outokumpu's core markets, which when further coupled with trade protectionist measures, can distort the stainless steel market. Given the global nature of its operations Outokumpu has significant exposure to the effects of trade actions and barriers which create a risk to market access, continued growth and stable profitability.

The implementation of additional tariffs on imports of aluminium and steel under Section 232 of the 1962 Trade Expansion Act by the United States of America originally in 2018 has disrupted both the US and the European stainless steel markets. The European Commission's imposition of provisional safeguard measures on steel imports, consisting of a tariff-rate quota system, first in July, 2018 has only been partially successful in mitigating the risks. Definitive measures became effective in February 2019, which were expected to support the restoration of traditional market supply levels and reduce the profitability risk. These measures were further enforced in October as European market continued to suffer of Asian imports. While the markets remained unbalanced and difficult in end of 2019, Outokumpu expects that the market should get more balanced as import quotas get filled and earlier announced anti-dumping and countervailing duties investigations against China, Indonesia and Taiwan by the European Commission should ease the market pressure. Quotas are set to expire in June 2021. Outokumpu's current expectations regarding the market trends are based on assumptions and expectations that are subject to various risks and uncertainties.

With increasing global demand for stainless steel, Outokumpu expects global demand for ferrochrome, a key ingredient in stainless steel production, to increase correspondingly. From its cost competitive chromite mine in Kemi and ferrochrome production facilities in Tornio, Outokumpu supplies a significant amount of ferrochrome to its own stainless steel operations. As a result, Outokumpu is well placed to maintain high utilization rates and support the group's growth and profitability. Risks resulting from its production of ferrochrome are typical operational risks and uncertainties that may cause significant financial impacts due to the costs for power and coke, production downtimes and business interruptions. Risks associated with its external sales of chromite and ferrochrome include COVID-19 causing uncertain demand impacts, market price of chromium impacted by ore export tax introduced in South Africa, and foreign exchange rates, particularly the US dollar.

Raw materials, supplies, and energy

Outokumpu is exposed to price changes of alloy metals in multiple ways. The underlying exposure consists of price fixed purchase contracts; price fixed sales contracts and physical stocks of priced inventories of nickel, molybdenum, carbon steel and stainless steel scrap as well as various grades and forms of stainless steel. Price changes of alloy metals lead to impacts on earnings, cash flows, and balance sheet structure.

Pricing systems are applied in many markets and may cause volatility in demand of stainless steel. A possible adverse consequence of volatility in demand is the negative impact on capacity utilization ratios. In addition, the monetary value of discounts in purchasing (e.g. in connection with purchases of stainless steel scrap) depends on the level of alloy metal prices. Therefore, the price levels of alloy metals have long-term impacts on profitability.

Stainless steel production requires substantial amounts of certain raw materials, primarily nickel, recycled stainless steel, ferrochrome, molybdenum, recycled carbon steel as well as energy and other supplies. Most of these are subject to significant price volatility due to fluctuating customer demand, speculation, and scarcity, which may, from time to time, be compounded by decreases in extraction and production due to natural disasters, the COVID-19 pandemic, and political or financial instability or unrest.

Increases in the prices of certain raw materials, such as nickel, ferrochrome, molybdenum, and iron, are generally passed on to customers through alloy surcharges. Outokumpu has hedged part of its exposure to changing nickel prices. Although the alloy surcharge mechanism is intended to allow stainless steel producers to pass on the costs of raw materials to customers, it does not eliminate Outokumpu's exposure to raw material price volatility. Financial risks related to raw materials and energy prices are described in note 19 to the consolidated financial statements.

In addition, the production of stainless steel products and ferrochrome requires significant amounts of energy, particularly electricity, natural gas, and to a lesser extent, propane and fuel oil. Energy costs represent a substantial portion of Outokumpu's total cost of sales and energy prices have historically varied, and may continue to vary significantly, as a result of political and economic factors beyond Outokumpu's control.

Legal risks

In connection with its business activities Outokumpu may become subject to various legal claims and litigations. In addition to legal claims resulting from Outokumpu's daily business, Outokumpu is also exposed to typical litigation risks in connection with mergers and acquisitions. For further information on existing major litigations, please see note 30 to the financial statements.

Outokumpu's products are used in a wide range of applications. For instance, certain products are used in safety-critical applications in the oil, gas, chemical, and petrochemical industries. In addition, a part of Outokumpu's products are used in the automotive and aviation industries, where key customers require extensive third-party certification regarding the products purchased. Therefore, Outokumpu is exposed to product quality related liability claims. Such claims may result in severe damages, impacting Outokumpu's profitability. Outokumpu manages and mitigates its legal risks by running internal processes as well as governance and compliance programs and policies, some of which extending beyond the local minimum legal requirements.

Risks related to environmental regulation

The European Union's unilateral Emission Trading System (ETS) presents a risk for Outokumpu, indirectly in electricity prices and directly in emission allowance costs. Outokumpu's European units cannot transfer these costs to product prices due to global competition. However, Outokumpu has secured part of its future electricity supply – and the associated prices – through long-term contracts. Furthermore, Outokumpu is participating in two nuclear power projects in Finland.

Outokumpu operates in accordance with the prevailing laws and regulations, including environmental, chemical, and product safety legislation. The EU Chemicals Strategy for Sustainability is a risk to market for many metals and alloys as the target is to ban all use of "substances of concern" in European industry and consumer goods. The approach is based on intrinsic hazard rather than risk. This can hamper the market of metal products, recycling of products and materials as well as the use of by-products. Strict compliance with all environmental regulations could increase costs and impact Outokumpu's competitive position. Outokumpu mitigates these impacts through the systematic identification and management of environmental, chemical, and product safety risks, through emission trading, and by maintaining a proactive dialog with stakeholders involved in the framing of environmental legislation.

Operational risks

Major disasters and business interruptions

Outokumpu's production processes are dependent on the continuous operation of critical production equipment, including smelters, furnaces, continuous casters, rolling mills, and electrical equipment, e.g. electric motors and transformers, and production downtime may occur as a result of unexpected mechanical failures. Operations may also be disrupted for a variety of other reasons, including fire, explosion, flooding, release of harmful substances to the environment or health, failures in information technology, strikes, or transportation disruptions.

Furthermore, accidents may lead to production downtimes that affect specific items of machinery or production plants, or possibly result in plant closures, including closure for the duration of any ongoing investigation. This type of disruption may cause significant business interruptions and have a negative impact on Outokumpu's profitability. Primarily because of the high temperatures required for production, fire is a significant risk for Outokumpu. Most of the production facilities are located in extensive industrial zones and a fire could lead to major damage to property and interruptions in production. Extreme weather conditions and natural disasters may also affect Outokumpu's operations, especially as a result of damage to property or the loss of production through extremely low temperatures, flooding, hurricane, tornado, or drought. Outokumpu monitors such risks by continuously evaluating its production facilities and production processes from a risk management perspective and also by arranging regular fire-safety and loss prevention surveys. Insurance covers a large proportion of the associated risks.

Environmental accidents

The main environmental accident risks at production sites relate to use of acids, hazardous waste, gases, landfill activities, gradually developing pollution and long-term contamination of soil or groundwater or effects of hazardous pollutants. Outokumpu also has environmental liabilities and risks at closed mines and sites. Certified environmental management systems are in place at all production sites to manage the environmental accident risks in a systematic way, including external environmental audits. In addition, Outokumpu has an internal environmental auditing program to monitor and ensure local legal compliance and the level of environmental risk management.

Project risks

Outokumpu has (through a holding company Voimaosakeyhtiö SF) committed to a 14% stake in Fennovoima Oy, which has a parliamentary decision-in-principle to construct a new nuclear power plant in Pyhäjoki, Finland. The company has selected Rosatom Overseas CJSC as the plant supplier. Fennovoima Oy submitted a construction license application to the government in June 2015 and originally expected to receive the construction license by the end of 2021. However, that is now highly unlikely. The original Fennovoima plans that commercial operation of the plant would begin in 2028 is also highly unlikely as the project continues to progress slowly. The project involves several risks for Outokumpu, including project completion risks such as continued delays, cancellations, non-completion, technical risks, possible tightening nuclear safety regulations, and financial risks such as budget overruns, non-competitive cost of power, financing risks, cost and availability of the financing, fair value of shareholding, political and public acceptance risks, and environmental risks. When operational, shareholders will be liable for their pro rata share of the company's fixed energy procurement costs and the right to procure their pro rata share of the energy produced by the company at cost (the "Mankala principle"). Considering the risks involved in the project, there can be no assurance that one or more of the project risks will not occur or that Fennovoima Oy will have adequate financing for the project in the event of any future defaults by the direct or indirect shareholders in Fennovoima Oy.

Outokumpu also faces project risks related to other ongoing investments in the Kemi mine expansion and the digital transformation project Chorus, which focuses on harmonizing business processes, including the ERP renewal. These and other ongoing investments and projects include similar project risks which Outokumpu manages through its project management process.

IT dependency and cyber security risks

Outokumpu relies on various applications and other information technologies that are used globally in all business areas and group functions. Many of these applications and underlying infrastructure are outdated, making them more vulnerable to failure, and could result in business interruptions, for example, in the production and supply chain processes. In addition, the enterprise architecture is complex, and the large number of different and unharmonized information systems increases the risk of loss of critical applications. Furthermore, cyber threats and other security threats could exploit possible weaknesses in Outokumpu's security controls, which in turn could cause leaks of sensitive information, theft of intellectual property, production outages, or damage to Outokumpu's reputation.

Outokumpu is taking necessary steps to ensure that the IT systems, solutions and processes are efficient and reliable, and also aims to ensure secure information management and continuity at all company locations to avoid data loss or situations in which business critical information becomes unavailable. Moreover, Outokumpu has improved its cyber readiness in order to prevent possible cyber attacks, by running and initiating various security development activities based on the detailed cyber threat and risk exposure analyses.

Outokumpu continued the business transformation program to harmonize its enterprise level data, processes, and IT systems as well as to develop or enhance business capabilities.

Safety and personnel

Outokumpu has set its safety vision and principles at a high level. Safety takes priority over all other activities. All Outokumpu employees are responsible for their own safety, but also for the safety of their colleagues. Outokumpu strongly believes that all injuries can be prevented and the target is zero accidents. Furthermore, as a part of its strategy, Outokumpu has introduced ways of working to reach its short-term targets, safety being one of them, aiming at fully implemented, a standardized and disciplined approach to safety that correlates with improved quality and operational efficiency, striving to be an industry leader.

Despite the ongoing efforts and actions, a serious incident or fatal accident may occur during working hours to Outokumpu employees or contractors. Outokumpu considers the risk of fatalities and serious injuries having a significant impact on its safety culture and its reputation as an employer. Moreover, Outokumpu believes that great focus and the systematic development of safety performance and safety culture will have a positive impact on operational performance and discipline. Improving the safety performance through driving the full implementation of our company standards and processes, with a focus on risk assessments and risk reduction plans in place on all sites in addition to implementation plans for other major company safety standards.

In the current situation of the COVID-19 pandemic the safety function and operational teams have collaborated to create safety, hygiene and distancing rules and practices to look after the health of our employees, prevent the spread of the virus in the workplace and allow us to maintain production.

Outokumpu's ability to continue and grow its business as well as provide high-quality products depends, to a large extent, on the contributions made by its key personnel. The loss of key individuals or other employees who have specific knowledge of, or relationships with, trade customers in markets in which Outokumpu operates could have significant impacts on Outokumpu's business. If Outokumpu is unable to attract, retain, motivate, train, and develop qualified employees at all levels, it could have a material adverse effect on Outokumpu's business, financial condition and results of operations. There can be no assurance that Outokumpu will be able to retain such senior managers and other key employees. Outokumpu has implemented processes to attract and retain key employees in the Group. Implementation of leadership development programs and succession planning for key positions in the Group are also undertaken as part of the talent review process to maintain development opportunities and to ensure an adequate pipeline of talent to mitigate the potential loss of senior leaders.

Compliance, crime, and reputational harm

Outokumpu operates globally and its activities span multiple jurisdictions and complex regulatory frameworks at a time of increased enforcement activity and enforcement initiatives globally in areas such as competition law, anti-corruption and bribery, anti-money laundering, data protection (including EU GDPR compliance) and trade restrictions, including sanctions. Outokumpu's governance and compliance processes may not prevent breaches of law or governance standards. Outokumpu also faces the risk of fraud by its employees, losses of critical research and development data, misconduct as well as violations by its sales intermediaries or at its joint ventures and other companies in which it has an interest, particularly if it only has a minority stake and does not control accounting or other rules and protocols for the conduct of business.

Outokumpu's failure to comply with the applicable laws and other standards could subject it to fines, loss of operating licenses, loss of business, loss of management time and company focus, breach of its financing agreements, and reputational harm. Effective internal controls are necessary for Outokumpu to provide reliable financial reports and effectively prevent and detect fraud. If Outokumpu cannot provide reliable financial reports or prevent fraud, this could have a material adverse effect on its financial results. Additionally, at the operational level, individual employees may not comply with Outokumpu's statements, policies, instructions and guidelines and, as a result, may incur compliance costs (including fines) and cause reputational damage. Inadequate internal controls could also cause investors and other third parties to lose confidence in Outokumpu's reported financial information and risk management processes, which could have a material adverse effect on Outokumpu's business, financial condition and results of operations. Outokumpu's compliance program aims to prevent and mitigate compliance risks from occurring and is developed continuously. The compliance risk assessment forms the basis for the compliance action plan for the forthcoming year.

Financial risks

Key current financial risks for Outokumpu are:

- Changes in the prices of nickel, iron, molybdenum, electrical power, and fuels;
- Currency developments affecting the euro, the US dollar, the Swedish krona, and the British pound;
- Interest rate changes connected with the euro, the Swedish krona and the US dollar;
- Changes in levels of credit margins applied for Outokumpu;
- Risk related to prices of equities and fixed-income securities invested e.g. under defined benefit pension plans;
- Counterparty risk related to customers and other business partners, including financial institutions;
- Risks related to liquidity and refinancing;
- Breach of financial covenants or other terms and conditions leading to default;
- Changes in fair value of equity investments in energy production.

The financial risks listed above and related processes for risk management are described in further detail in note 19 to the consolidated financial statements.

Sustainability and Corporate responsibility risks

Outokumpu has also identified its exposures in sustainability and corporate responsibility.

Protecting the climate

Climate change is one of the most urgent challenges the world is facing today. Outokumpu aims to protect the climate with our sustainable stainless steel. We are developing our operations to reach carbon neutrality by 2050. We are already on track to meet our short-term target of reducing our emissions by 20% by 2023. We work closely with our customers to help them develop solutions that further decrease their carbon footprint and reduce burden on climate.

Environmental impacts

Protecting the environment in the locations where we operate is our highest priority and a part of our licence to operate. We have made significant investments in environmental protection over the past years and we will continue to develop our processes even further. We aim to have a minimal impact on nature and biodiversity.

People and society

Outokumpu is deeply connected to the wider society through our employees, contractors, investors, local communities and other stakeholders. The safety and wellbeing of our employees is our highest priority and we conduct our business with the highest ethical standards. We also contribute to the wellbeing of communities through our economic impact.

Circular economy

Outokumpu uses high amounts of recycled materials. Stainless steel is endlessly recyclable without any loss in quality. It is also the most efficient way to reduce the environmental impact of production processes enabling us to produce sustainable stainless steel. So, we continuously aim for higher recycling rates in our operations. Currently, Outokumpu's rate of recycled content is the highest in the industry, over 90%.

Traceability and responsibility throughout the supply chain

Outokumpu is a part of a global supply chain by producing stainless steel for leading brands and demanding industries around the globe. Our customers expect us to provide a traceable supply chain and, therefore, we have in place stringent requirements on our suppliers, too.

Outokumpu is strongly committed to legal compliance and an ethical way of conducting business. Outokumpu's Code of Conduct sets out these ethical standards and provides guidelines for a common way of working. All suppliers and subcontractors must comply with our Code of Conduct or similar standards and meet our supplier requirements. Outokumpu monitors its suppliers closely through self-assessment, screenings and audits.

Safety is one of the cornerstones in Outokumpu's strategy and ensuring the safety and good health of our employees is the first priority. In addition, Outokumpu takes all labor practice violations and related threats as well as its full transparency and compliance in Environment, Social and Governance (ESG) topics seriously.

Additional information is available on Outokumpu's website. ■

Shares and shareholders

Shares and share capital

Outokumpu's shares are listed on the Nasdaq Helsinki Large Cap list under the trading code OUT1V and are incorporated into the Finnish book-entry securities system. The total share capital was EUR 311 million at the end of the year 2020. All shares in Outokumpu carry equal voting and dividend rights.

On December 31, 2020, the total number of Outokumpu shares was 416,374,448. On December 31, 2020, Outokumpu held 4,372,236 of treasury shares (Dec 31, 2019: 4,599,733).

Outokumpu in the capital markets

Outokumpu continued the regular and active communication with investors and analysts in 2020. Due to the global COVID-19 pandemic, almost all meetings and roadshows were virtual as well as the Capital Markets Day, which was arranged in March.

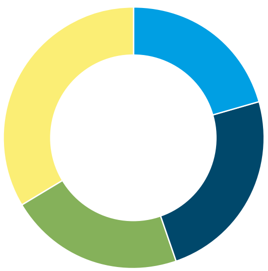
Key topics in the investor discussions were the impacts of the COVID-19 pandemic on Outokumpu, Asian imports and trade defence measures, balance sheet, the Americas' performance, sustainability and the new strategy, which was published in November.

Outokumpu held its Annual General Meeting in Helsinki, Finland, in May under special arrangements due to the COVID-19 pandemic. During 2020 Outokumpu arranged nine roadshows in Europe and in the US. The company also met investors at three virtual industry seminars. In total, 116 one-on-one

Principal shareholders on December 31, 2020

	Shares	%
Solidium Oy	90,324,385	21.69
Ilmarinen Mutual Pension Insurance Company	11,450,000	2.75
The Social Insurance Institution of Finland	9,298,652	2.23
State Pension Fund	6,827,142	1.64
Varma Mutual Pension Insurance Company	5,453,112	1.31
Elo Mutual Pension Insurance Company	5,210,988	1.25
Mandatum Life	3,698,266	0.89
Nordea Life Assurance Finland Ltd.	2,968,677	0.71
Tutkimuksen vaikuttavuuden tukisäätiö sr	2,820,000	0.68
Merivirta Jyri Tapio	2,000,000	0.48
Keva	1,765,000	0.42
OP Life Assurance Company Ltd.	1,531,208	0.37
OP-Finland Small Firms Fund	1,427,691	0.34
Virala Oy Ab	1,350,000	0.32
Belgrano Inversiones Oy	1,350,000	0.32
	147,475,121	**35.40**
Nominee accounts held by custodian banks	83,374,696	20.02
Treasury Shares	4,372,236	1.05
Other Shareholders	181,152,395	43.53
Total	**416,374,448**	**100.00**

Shareholders by group on December 31, 2020



- Nominee registered and non-Finnish holders **21%**
- Finnish institutions, companies and foundations **24%**
- Solidium Oy [1)] **22%**
- Households **33%**

[1)] Solidium Oy is wholly owned by the Finnish state meetings and conference calls were held with investors in 2020.

International shareholders held 20.7% of the total shares at the end of December 2020 compared to 22.0% at the end of the previous year.

The largest Finnish shareholder Solidium Oy held 21.7% of Outokumpu shares. The share of Finnish households and private persons increased from 31.1% in 2019 to 33.5% at the end of 2020.

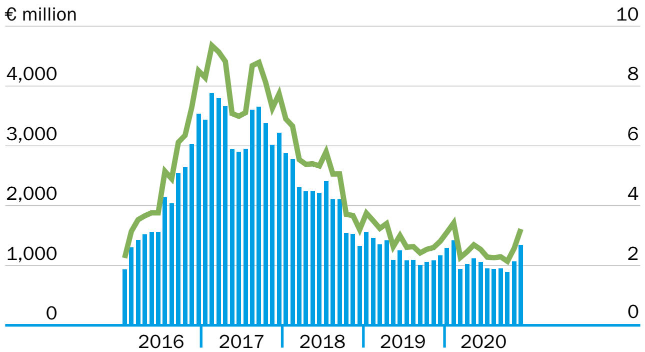
Share price development and market capitalization

During 2020, Outokumpu's share was EUR 4.44 at its highest and EUR 2.08 at its lowest (2019 high/low: EUR 4.04 / EUR 2.23). At the end of the year the share price closed at EUR 3.22, marking an increase of 14.75% from the closing price of EUR 2.81 at the end of 2019. At the end of 2020, the company's market capitalization was EUR 1,341 million, compared to EUR 1,168 million at the previous year's end.

In 2020, the average daily trading volume in Outokumpu shares on Nasdaq Helsinki was 4.4 million shares. In total, 1,101 million Outokumpu shares were traded on Nasdaq Helsinki during 2020, representing a value of EUR 5,325 million (2019: 884 million shares, which corresponded to EUR 5,325 million).

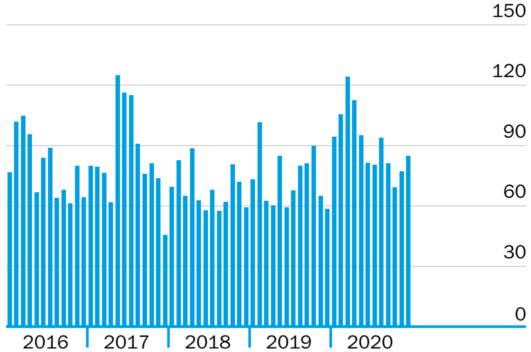
In addition to Nasdaq Helsinki, Outokumpu's shares are traded also on various alternative trading platforms.

Market capitalization and share price development



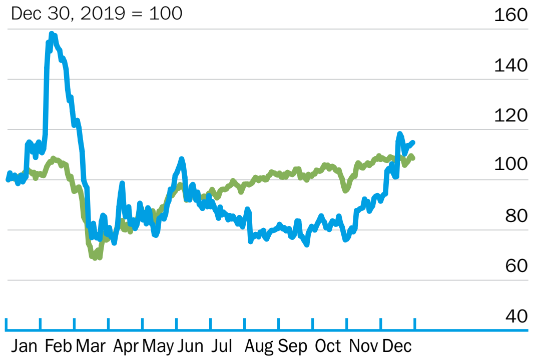
Month-end market capitalization, € million Share price, €/share
Source: Nasdaq

Monthly trading volume, million shares



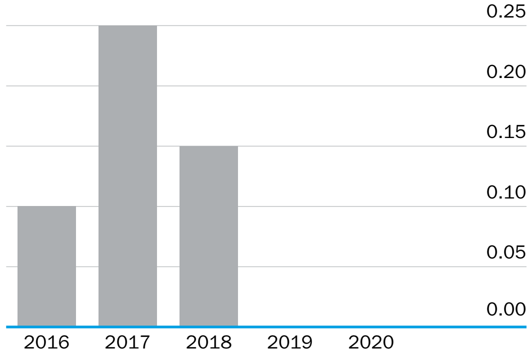
Includes trading on Nasdaq Helsinki.
Source: Nasdaq

Outokumpu share price development in 2020, %



Outokumpu
Nasdaq Helsinki

Dividend/share, €



2020 is a proposal by the Board of Directors.

Information for shareholders

Annual General Meeting 2021

Notice is given to the shareholders of Outokumpu Oyj to the Annual General Meeting to be held on Wednesday, March 31, 2021 at 1.00 pm EET at the company's head office at Salmisaarenranta 11, Helsinki, Finland. Shareholders of the company and their proxy representatives may participate in the meeting and exercise their rights as shareholders only by voting in advance and by making counterproposals and presenting questions in advance in accordance with instructions in the notice and otherwise by the company. In order to prevent the spread of the COVID-19 pandemic, it is not possible to attend the meeting in person.

Each shareholder, who is registered on the record date March 19, 2021 in Outokumpu's shareholder register held by Euroclear Finland Oy, has the right to participate in the Annual General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is automatically shown in the shareholder register.

Registration for the meeting and advance voting will begin on March 10, 2021 at 12.00, following the deadline for submitting counterproposals to be placed for a vote. A shareholder, who is registered in the shareholders' register of the company and who wants to participate in the Annual General Meeting, must register for the Meeting and vote in advance no later than March 25, 2021 by 4.00 pm EET by which time the registration and votes need to be received.

A shareholder, who has a personal Finnish book-entry account, may register and vote in advance on certain items on the agenda of the Annual General Meeting from March 10, 2021 12.00 until 4.00 pm EET on March 25, 2021
a) at Outokumpu's Annual General Meeting website or
b) by mail to Innovatics Oy, Yhtiökokous/ Outokumpu Oyj, Ratamestarinkatu 13 A, 00520 Helsinki or by email to agm.outokumpu@innovatics.fi.

If the shareholder participates in the meeting by sending the votes in advance by mail or email to Innovatics Oy before the end of the registration and advance voting period, this constitutes registration for the Annual General Meeting, provided that the shareholder information required for registration is provided.

A holder of nominee registered shares has the right to participate in the Annual General Meeting by virtue of such shares, based on which he/she on the record date of the Annual General Meeting, March 19, 2021, would be entitled to be registered in the shareholders' register of the Company held by Euroclear Finland Oy. Participation in the meeting also requires that the shareholder has been registered into the temporary shareholders' register held by Euroclear Finland Oy at the latest by March 26, 2021 by 10.00 am EET. This constitutes due registration for the Annual General Meeting.

A holder of nominee registered shares is advised to early enough request the necessary instructions regarding the registration in the temporary shareholders' register, the issuing of proxy documents and registration for the Annual General Meeting from his/her custodian bank. A holder of nominee-registered shares who wants to participate in the Annual General Meeting has to be registered into the temporary shareholders' register by the account management organization of the custodian bank latest by the time stated above. In addition, the account management organization of the custodian bank shall arrange advance voting on behalf of the holders of nominee registered shares by the end of the registration date above.

A complete notice to the Annual General Meeting and information on the voting, making counterproposals and presenting question is available at Outokumpu's Annual General Meeting website.

Payment of the dividend

The Board of Directors is proposing to the Annual General Meeting to be held on March 31, 2021 that no dividend will be paid for 2020 as in the challenging market environment improving the Company's financial position continues to be of highest priority.

Remuneration Report 2020

outokumpu

Remuneration Report 2020

Dear shareholder,

On behalf of the Board, I am pleased to present Outokumpu's Remuneration Report for 2020, following the guidelines of the Corporate Governance Code 2020.

The report presents the remuneration paid or due to the Board members and the President and Chief Executive Officer for year 2020. The materialized remuneration is in line with the Remuneration Policy of the Governing Bodies of Outokumpu approved at the Annual General Meeting 2020. The report also reflects the targets outlined in the Remuneration Policy.

Our Remuneration Policy aims to translate our cultural heritage into a remuneration framework that attracts and retains people, who fit the business culture and deliver talent, international experience and attitude that match our long-term business ambitions.

Following this target, the remuneration of Outokumpu's Board members in 2020 compensated for their time commitment, knowledge and required experience to contribute to the Board's work, as well as the level of responsibility that they bear. It enabled attracting and retaining high caliber Board members with the experience and skills necessary in a company and business of this size and complexity, thus contributing to the long-term financial performance and success of the company.

Similarly, the CEO remuneration in 2020 was in line with our compensation philosophy which includes shareholder value creation as the underlying focus of the reward strategy, business strategy aligned incentives, pay for performance and competitive remuneration. For year 2020, the CEO received market competitive base pay but no incentive payment. This reflects the below target financial performance, due to the challenging market situation with continuing high import pressure in Europe and the COVID-19 pandemic impacting the global economy.

Going forward, we will continue to review and refine our remuneration arrangements to ensure they deliver on our goals, accounting for the everchanging business environment, legislative changes and well as your opinion as a shareholder.

The table below gives further insight in how the development of the Board member fees and CEO remuneration compares to the development of the average remuneration of employees and to Outokumpu's financial development over the last five years.

Kari Jordan
Chairman of the Board of Directors

Development of remuneration and financial development over the past five years

	2020	2019	2018	2017	2016
Board of Directors [1], €	**658,400**	705,800	576,200	617,315	763,000
President and CEO [2], €	**1,264,729**	2,534,480	2,705,913	4,104,317	3,578,465
Employees' average [3], €	**53,637**	53,922	52,159	54,554	53,293
Adjusted EBITDA, € million	**250**	263	485	631	309

[1] Total remuneration paid to the Board of Directors, including annual remuneration and meeting fees for all members.

[2] Total remuneration paid to the CEO, including salary, employee benefits and incentives, for Roeland Baan from 2016 until May 15, 2020 and for Heikki Malinen from May 16, 2020.

[3] Personnel expenses without indirect employee costs and termination benefits, divided by the average number of employees during the year.

Fees of the Board of Directors

Outokumpu's Annual General Meeting 2020 approved the following annual remuneration to be paid to the members of Outokumpu's Board of Directors: EUR 163,000 for the Chairman of the Board, EUR 91,600 for the Vice Chairman and for the Chairman of the Board's Audit Committee and EUR 71,100 for the other members of the Board. The Annual General Meeting 2020 decided that 40% of the annual remuneration will be paid in the company's own shares using treasury shares or shares to be purchased from the market at a price formed in public trading and in accordance with the applicable insider regulations. The annual fee is paid once a year and members of the Board are not entitled to any other share-based rewards. In addition to their annual remuneration, all the members of the Board of Directors are paid a meeting fee of EUR 600 per meeting for each member of the Board of Directors and EUR 1,200 per meeting when travelling to a meeting held outside the Board member's country of residence.

The Board members are not entitled to other financial benefits and they are not as a main rule employed by the company or any company belonging to its group. Thus, the Board members are not eligible for any employment related salaries or pension schemes. The fees paid to the Board members are presented in the table below.

Remuneration and meeting fees of the Board of Directors in 2020 and 2019

	Due based on 2020	2020				2019			
		Annual compensation				Annual compensation			
€	Meeting fees[1]	Share portion	Cash portion	Meeting fees[1]	Total	Share portion	Cash portion	Meeting fees[1]	Total
Kari Jordan, Chairman	1,800	66,241	96,759	18,000	**181,000**	64,645	95,355	12,600	**172,600**
Eeva Sipilä, Vice Chairman[2]	1,800	37,225	54,375	16,200	**107,800**	36,360	53,640	9,000	**99,000**
Kati ter Horst, Member	1,800	42,206	28,894	16,800	**87,900**	28,280	41,720	10,200	**80,200**
Vesa-Pekka Takala, Member	1,800	42,206	28,894	16,800	**87,900**	28,280	41,720	7,200	**77,200**
Pierre Vareille, Member	1,800	42,206	28,894	22,800	**93,900**	28,280	41,720	20,400	**90,400**
Julia Woodhouse, Member	1,800	42,206	28,894	21,600	**92,700**	28,280	41,720	10,800	**80,800**
Heikki Malinen, Vice Chairman[3]	0	0	0	7,200	**7,200**	36,360	53,640	12,600	**102,600**
Olli Vaartimo, Vice Chairman[4]	0	0	0	0	**0**	0	0	3,000	**3,000**
Total	**10,800**	**272,291**	**266,709**	**119,400**	**658,400**	**250,485**	**369,515**	**85,800**	**705,800**

[1] Meeting fees have been entered in the table on the year when they have been paid and include also committee meeting fees.

[2] Eeva Sipilä was elected as the new Vice Chairman of the Board at the Annual General Meeting 2020.

[3] Heikki Malinen was Vice Chairman of the Board until April 30, 2020.

[4] Olli Vaartimo was Vice Chairman of the Board until March 27, 2019.

Remuneration of the CEO

The remuneration of the President and CEO consists of base salary, benefits, and an annually determined short-term incentive plan. In addition, the CEO participates in the long-term incentive arrangement of the company consisting of individual performance share plans.

The Performance Share Plans are covered by the following share ownership requirement applied by Outokumpu Group: The members of Outokumpu's Leadership Team, including the CEO, are obliged to own Outokumpu shares received under the company's share-based incentive programs corresponding to the value of their annual gross base salary. Half (50%) of the net shares received from the share-based incentive programs must be used to fulfil the above ownership requirement. This requirement applied to CEO Baan as long as he continued in the company's service. This requirement also applies to CEO Malinen.

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

The former CEO Baan had the right to retire at the age of 63 and participated in the Finnish TyEL pension system in addition to which he was included in a defined contribution pension plan with an annual insurance premium of 25% of his annual earnings, excluding share rewards. The contributions to the defined contribution pension plan amounted to EUR 281,344 in 2020 (EUR 444,208 in 2019). The former CEO's service contract was valid until further notice and he was not entitled to a severance payment. The notice period was three months for both parties.

Remuneration of the CEO paid in 2020 and 2019

€	2020 Heikki Malinen[1]	2020 Roeland Baan[1]	2019 Roeland Baan
Base salary and benefits	**487,010**	**501,510**	1,074,495
Short-term incentives [2]	**0**	**276,209**	347,782
Long-term incentives [3]	**0**	**0**	1,112,203
Share portion	–	–	711,550
Cash portion	–	–	400,653
Total remuneration	**487,010**	**777,719**	2,534,480
Share of fixed pay of total remuneration	100%	64%	42%
Share of variable pay of total remuneration	0%	36%	58%

[1] Heikki Malinen was appointed as President and CEO as of May 16, 2020 until when Roeland Baan acted as the CEO.

[2] Paid short-term incentives have been entered in the table on the year when they have been paid. They usually relate to the performance in the previous year.

[3] Long-term incentives are paid partly in shares and partly in cash, to cover for income taxes and other taxes arising from the reward. Shares were delivered on the following dates with respective prices: March 20, 2019 (EUR 3.6102 per share) and December 20, 2019 (EUR 2.767 per share).

Remuneration of the CEO not yet paid but due based on the year 2020

€	2020 Heikki Malinen
Short-term incentives Remuneration due based on the achievement of STI performance measures in 2020	**0**
Long-term incentives Number of gross shares due based on the achievement of PSP 2018–2020 performance measures	**0**

The CEO's earning opportunity and performance measures in the short-term incentive plan

	Heikki Malinen			Roeland Baan		
Earning opportunity	(% of gross annual base salary)			(% of gross annual base salary)		
Threshold		0.5%			0.6%	
Target		50%			60%	
Maximum		100%			120%	
Performance measures in 2019	Weight	Achievement	Payout	Weight	Achievement	Payout
Net debt	–	–	–	40%	Partly achieved	62% of the target
Strategic projects	–	–	–	60%	Partly achieved	35% of the target
Performance measures in 2020	Weight	Achievement	Payout [1]	Weight	Achievement	Payout
Group EBITDA	40%	Below threshold	0% of the target	–	–	–
Strategic projects	60%	Achieved	0% of the target	–	–	–

[1] If the achievement of the group EBITDA target (as included in the management plan) is below threshold, the total short-term incentive payout is decided by the Board of Directors. Therefore, the payout for different targets can in such cases be less than their actual achievement.

The CEO's earning opportunity and performance measures in long-term incentive plans and grants in 2020

	Performance Share Plan 2018–2020	Performance Share Plan 2019–2021	Performance Share Plan 2020–2022
Earning opportunity			
Threshold [1) 2)]	6%	14%	22%
Target [1), 3)]	11%	28%	44%
Maximum [1), 4)]	22%	56%	67%
Grant [5)]	**21,500**	**48,500**	**130,451**
Payout year	2021	2022	2023
Performance measures			
Performance criteria	Return on operating capital compared to a peer group (Q4 2019–Q3 2020)	Return on operating capital compared to a peer group (Q4 2020–Q3 2021)	Return on operating capital compared to a peer group (Q4 2021–Q3 2022)
Weight	100%	100%	100%
Achievement	Below threshold – no payout	Performance period ongoing	Performance period ongoing

[1] Expressed in percentage of gross annual base salary at the time of the grant.

[2] The threshold is 50% of target in all PSP periods.

[3] The target of 50% of annual base salary is prorated to time in position during the performance period, i.e. 8/36 for PSP 2018–2020, 20/36 in PSP 2019–2021 and 32/36 in PSP 2020–2022.

[4] The maximum is 200% of target in PSP 2018–2020 and PSP 2019–2021, while 150% of target in PSP 2020–2022.

[5] Number of gross shares at target level. The number of shares was determined using the share price at the time of plan approval, i.e. EUR 4.00 for PSP 2018–2020, EUR 4.50 for PSP 2019–2021 and EUR 2.66 for PSP 2020–2022.

Working towards a world that lasts forever

We believe in a world that is efficient, sustainable, and designed to last forever. The world deserves innovations that can stand the test of time and are ready to be born again at the end of their life cycle. Stainless steel is vital in enabling a sustainable world with economic prosperity.

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