Annual report 2022

outokumpu

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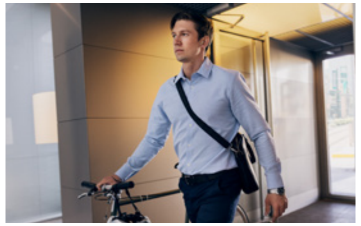


Remuneration report

Financial year

Numbers in this report refer to continuing operations, unless otherwise stated. Since Outokumpu announced the divestment of the majority of its Long Products business in 2022, the figures for 2022 and 2021 include only continuing operations and the divested units are reported as discontinued operations.

About this report Our Annual report combines Outokumpu's sustainability and financial reporting. The sustainability review has been assured and the financial statements have been audited. Our official financial statements in Finnish and unofficial translation in English published according to the ESEF regulation are available at www.outokumpu.com/reports.

Pioneers don't let the future happen. They build it and reform it. Like Outokumpu: we relentlessly redesign, recycle and reduce what is necessary to accelerate circularity towards a more sustainable planet. The best time to start building the circular future for the next generation is today.

Annual review

We produce the world’s most sustainable stainless steel, which we are very proud of. In 2022, we took this to the next level and introduced Circle Green that has the lowest carbon footprint in the world.

Download separate print-friendly version of this section in A4 format.

We are Outokumpu

The world needs more sustainable solutions to fight the climate change. We are proud to be the producer of the most sustainable stainless steel in the world: we are able to help our customers to reduce their carbon footprint. Our customers use our stainless steel to build bridges and buildings, produce cars, trains and trucks, and manufacture household appliances and utensils.

Outokumpu is known in the market for our unmatched expertise in stainless steel as well as the quality of our products. Our experts produce stainless steel in our mills in Finland, Germany, Mexico, Sweden, and in the US. Our engineers research and develop it further at our research centers and mills, and our dedicated salespeople and technical experts help and advise our customers in choosing, using, and processing stainless steel.

Our stainless steel has the smallest carbon footprint on the market, covering all the emissions from scope 1, 2 and 3 in our supply chain. Our total carbon footprint is less than 30% of the global average[1]. By using our products, our customers can contribute to fighting the climate change by reducing their CO_2 emissions by around 10 million tonnes every year. We have also introduced an emission-minimized stainless steel to the market – our Circle Green product line has up to 92% lower carbon footprint than the global average and 64% lower than Outokumpu's regular production, the current sustainability leader in the industry.

Operations in close to
30
countries

8,357
employees[2]

Sales, EUR
9.5
billion

Adjusted EBITDA, EUR
1,256
million

Net debt free with a net debt of EUR[4]
-10
million

Recycled content
94%

CO_2 emissions[3]
-18.4%

Carbon footprint
30%
of industry average[1]

How Circle Green was born

Watch a video

[1] Outokumpu's carbon footprint is on average 1.7 t/ton of crude steel against the global average of 6.1 (source: ISSF 2020).

[2] Personnel as full-time equivalent.

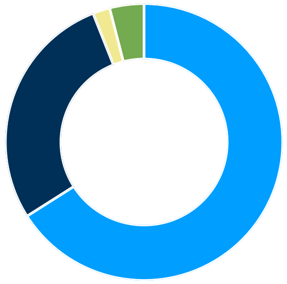
[3] Total specific CO_2eq emissions, compared to the baseline of 2016.

[4] Including discontinued operations.

2022 in figures

Our adjusted EBITDA in 2022 was best in our history even as the share of energy and consumables of our costs rose. We also improved our safety performance, and recycled content was the highest ever.

Sales by business area, 9,494 € million

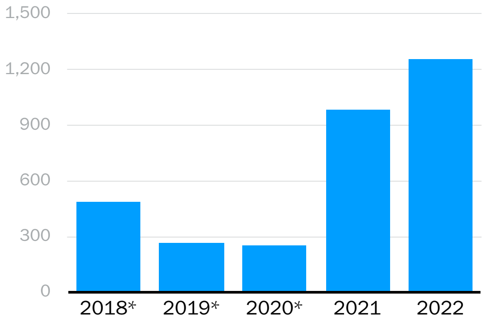


- Europe 66%
- Americas 28%
- Ferrochrome 2%
- Other operations 4%

Cost structure, %

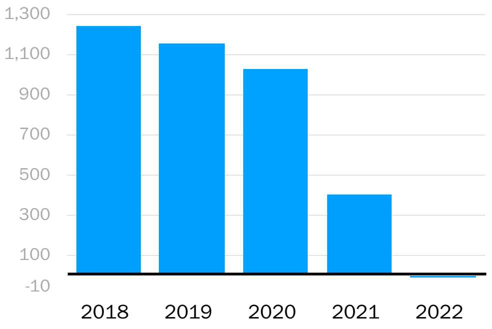
- Raw materials 61%
- Energy and other consumables 19%
- Personnel expenses 9%
- Others 10%

Adjusted EBITDA, € million



* Including discontinued operations

Net debt, € million*



Key figures

	2022	2021	2020	2019	2018
Financial key figures					
Net sales, € million	**9,494**	7,243	5,639	6,403	6,872
Stainless steel deliveries, 1,000 tonnes	**2,106**	2,254	2,121	2,196	2,428
Adjusted EBITDA, € million	**1,256**	980	250	263	485
Net result for the period, € million	**1,086**	526	–116	-75	130
Operating cash flow[1]	**778**	597	322	371	214
Net debt, € million[1]	**-10**	408	1,028	1,155	1,241
Debt-to-equity at the year-end, %[1]	**-0.3**	13.1	43.6	45.1	45.1
Environmental key figures					
Recycled content, %	**93.9**	89.6	92.5	89.6	88.6
CO_2 emission intensity, tonnes of CO_2 eq. per tonne steel	**1.70**	1.76	1.55	1.61	1.72
Energy intensity, use in GJ per tonne crude steel	**10.5**	10.2	11.0	10.9	10.1
Use rate of slag, %	**86.5**	78.1	77.1	90.8	89.9
Total landfill waste intensity, tonnes per tonne steel	**0.530**	0.561	0.590	0.500	0.472
Social key figures					
Total recordable injury frequency rate[2]	**1.8**	2.1	2.4	3.2	4.1
Lost-time injuries rate[3]	**0.8**	1.3	1.4	1.4	1.7
Personnel	**8,591**	8,727	9,915	10,390	10,449
Personnel, full-time equivalent	**8,357**	8,439	9,602	10,078	10,118

[1] Including discontinued operations.

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

[3] Lost-time injuries including fatalities and lost time injuries, per million working hours.

Our year 2022

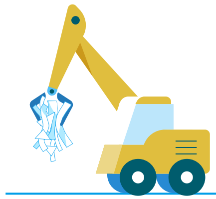
2022 has been an eventful year. We started our next strategy phase ahead of time and introduced a product line with the lowest carbon footprint in the world. On the other hand, we had to deal with the rising energy prices and increasing uncertainty due to the war in Ukraine.

New energy efficiency target

corresponding to the annual electricity use of

15,000

households in 2023 and 2024



Q1

The Russian attack against Ukraine shocked us, and we announced that we would severe all business relations with Russia. For our most important raw material, recycled steel, we stopped sourcing from Russia immediately in the first quarter. In the beginning of 2023, we do not buy nickel of Russian origin for our operations. In March, our shareholders approved a donation of 1,000,000 euros for supporting Ukraine.

Circle Green has

90%

smaller carbon footprint than global average

Q2

We launched our Circle Green product line in June. Our stainless steel already routinely has the lowest carbon footprint, but we were able to reduce it by a further 60%. Circle Green is the first product of its kind in the market and has been well received by our customers.

Q3

As a result of exceptionally high electricity prices, Outokumpu began to optimize the ferrochrome production. Optimizing our ferrochrome production helped us to manage rising energy costs.

Q4

Outokumpu decided to improve its energy efficiency significantly in the next two years amidst the European energy crisis. The target is to improve energy efficiency by 8% and prioritize related investments in 2023 and 2024, corresponding to the savings of 600,000 MWh.

A record year despite geopolitical turmoil in Europe

Year 2022 was a combination of a record financial performance and the mitigation of the far-reaching impacts of Russia’s attack on Ukraine.

We have seen exceptional tailwinds in the market for the past two years. During this period, we succeeded in de-risking the company and exceeded our strategic targets ahead of plans. In this second record-breaking year in a row, Outokumpu delivered another solid year and the company’s full-year adjusted EBITDA increased to EUR 1.3 billion in 2022. In addition to delivering the best financial result in our history, Outokumpu is now net debt free.

The year 2022 turned out to be truly exceptional with the war in Europe. Outokumpu strongly condemns the continued military actions that Russia is taking in Ukraine and has taken decisive actions to sever connections with a country that does not honor international laws or human rights. We would like to thank our shareholders for approving the donation for relief work in Ukraine in 2022.

The prolonged war in Ukraine has had far-reaching consequences for Outokumpu through the adverse development of the geopolitical tension in the global economy. In particular, the energy crisis in Europe, resulting from the war, impacted Outokumpu during the second half of the year 2022.

Especially the business area Ferrochrome suffered from high electricity prices in the latter part of the year. Ferrochrome production was limited to 50–60% of its total capacity by optimizing production due to high electricity prices and shutting down one of the furnaces. In both stainless steel business areas, Europe and the Americas, the results improved despite significant cost inflation, as the higher realized prices for stainless steel supported profitability.

“In sustainability we took actions to further improve our position as the sustainability leader of the stainless steel industry.”

In sustainability we made excellent progress and took actions to further improve our position as the sustainability leader of the stainless steel industry. For instance, we announced an ambitious energy efficiency target and reduced our CO_2 emissions successfully in line with our 1.5°C science-based climate commitment. We also reached an all-time high recycled material content of 94% for the full year and the safety performance was even better than in the previous year.

Moreover, we launched Circle Green, which is a product line with a carbon footprint taken to extreme lows – to a level that has never been achieved in the industry. Customer demand for zero-emission products is real, and we are well-positioned on our path to help our customers to reduce their emissions. We are now looking into expanding our green stainless steel offering to cover more grades to serve even more of our customer segments.

As we are focused and committed to sustainability as a priority, it is important that the global playing field is as level as possible. A comprehensive political agreement was reached by the EU regarding Carbon Border Adjustment Mechanism, or CBAM, to include CO_2 emissions from not only the direct emissions but also to precursor materials to limit carbon leakage outside of the European Union. This is an important step in the right direction, but the implementation will take time and the mechanisms need to be defined.

“We launched Circle Green, which is a product line with a carbon footprint taken to extreme lows – to a level that has never been achieved in the industry.”

After two exceptionally favorable years, we are now moving into a period of weakening in the global economy. During times like these, it is crucial to have a strong balance sheet. I am pleased to say that Outokumpu is now financially stronger than ever and resilient to withstand the changing conditions in the market environment.

Lastly, I want to express my heartfelt thanks to all of our team members across the globe for their contribution, to our shareholders for their continued trust, and to our customers, suppliers and other stakeholders for the good collaboration in a year when the supply chains were under pressure.

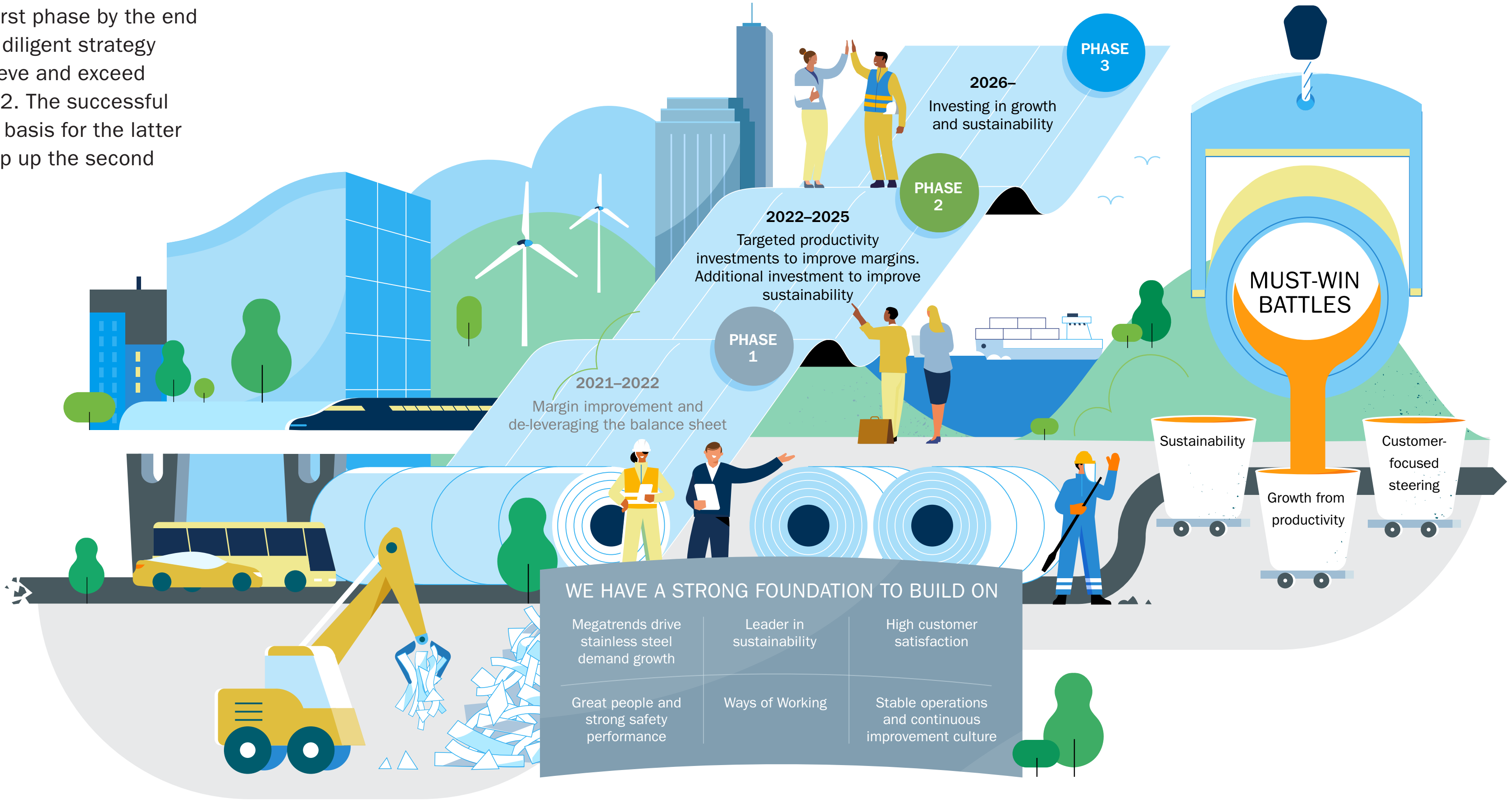
Heikki Malinen
President and CEO

Vision and strategy

We completed the first phase of our strategy six months ahead of schedule and have moved to the second phase. Our vision is to be the customer's first choice in sustainable stainless steel.

Outokumpu's long-term strategy has three phases, each building on the other. The first phase, with the aim to de-risk the company, was started when the new strategy was first launched in November 2020. The aim was to complete the first phase by the end of 2022, but as a result of the diligent strategy execution we managed to achieve and exceed our targets already by mid-2022. The successful first phase provided us a great basis for the latter phases, and we started to ramp up the second phase well ahead of schedule.

Our vision is to be customer's first choice in sustainable stainless steel.



More resilient than ever

The main focus in the first phase of our strategy was to de-risk the company and strengthen the balance sheet. We set two financial targets for ourselves, which were improving our EBITDA run-rate by EUR 250 million and reducing our net debt to adjusted EBITDA ratio to below 3.0 by the end of 2022. As a result of our diligent strategy execution, both financial targets were achieved well ahead of time. We significantly reduced our net debt and improved our financial performance by commercial initiatives, by cost and capital discipline, and by making the organization more efficient. These were not any one-off savings, but sustainable improvements in our ways of working.

Our net debt reduction in the past two years has been significant. Our strong financial performance combined with a favorable market environment sped up the work, as did the directed share issue executed during the first phase. In a cyclical business like stainless steel, we see it as extremely important to have a strong balance sheet. We succeeded in de-risking the company in the first phase and are now financially stronger than ever. Outokumpu is now more resilient to withstand also more challenging economic environments.

On to strengthening the core

The second phase of the strategy is about strengthening the core of the company. We will focus on three key priorities: sustainability, growth from productivity and customer-focused steering. We will aim to improve our EBITDA run-rate by another EUR 200 million and maintain our net debt to adjusted EBITDA ratio below 1.0 in normal market conditions. Capital discipline continues throughout the second phase and there will also be an increasing focus on shareholder returns.

We will keep and further improve our leading position in sustainability to be able to meet our customers' increasingly critical and challenging needs. We will make targeted investments in sustainability and productivity to improve our margins. In the second phase, Outokumpu aims to reduce its CO_2 emissions by 14% by the end of 2025 in line with its SBTi 1.5°C climate target. We also intend to create defendable competitive advantage through sustainability, particularly against the Asian producers.

As part of the second phase, we launched two customer differentiated strategies for business area Europe. We aim to strengthen our cost leadership in high-volume stainless-steel products and a global market leadership in advanced products. Cost leadership in high-volume products is about running our largest and fully integrated facilities as efficiently as possible. The stainless steel industry is a very tough cost-per-ton game. We are the lowest-cost producer in Europe today and our intention is to maintain that position. We also need to further improve our delivery flow to customers, to increase customer satisfaction and lower working capital. As the green transition in the energy market is intensifying, and industrial activity is increasing, we will utilize our market leadership in advanced products used in many industrial segments. In the business area Americas, our focus will be on sustaining the high profitability levels, and at the core of business area Ferrochrome's strategy is carbon neutrality.

Outokumpu is now financially stronger than ever.

Targets for 2022	Achieved by end of June 2022	Targets for 2022–2025	Achieved by end of 2022
Net debt to adjusted EBITDA ratio to below 3.0	Net debt to adjusted EBITDA ratio at 0.2	Net debt to adjusted EBITDA below 1.0 in normal market conditions	Net debt ratio at 0.0
EUR 250 million EBITDA run-rate improvement	EUR 260 million EBITDA run-rate improvement	EBITDA run-rate improvement of EUR 200 million	EUR 28 million EBITDA run-rate improvement
		EUR 600 million of capital expenditure for the coming three years	EUR 158 million of capital expenditure
		Stable and growing dividend	Dividend proposal of EUR 0.25 plus additional EUR 0.10 per share

Value creation

Our operations impact society and the environment in many ways. Our biggest impact is our product, stainless steel, manufactured mostly of recycled metal. We contribute to several United Nations' sustainable development goals either through the way we operate or through our products.

Inputs

448,000 tonnes alloys
418,000 tonnes slag formers
227,000 tonnes coke
2,135,000 tonnes of recycled steel
7,493 million euros of operating costs (6,482 million euros of materials and supplies and 1,011 million euros on services)
6,228 suppliers (45% local)
3,973 GWh of electricity used (86% of low carbon, of which 20% renewable)
574 GWh of our own of process gases
2,407 GWh of primary fuel used

Avoided CO_2 emissions by using our stainless steel

10,700,000

tonnes in a year

Outokumpu

9,494 million euros of sales
94% of recycled material content in our products
98,000 tonnes of recycled metals
167 million euros of environmental expenditures
8,357 employees (full-time equivalent)
2.8% decrease in energy efficiency
128,000 tonnes of recycled and reused waste
99% of dust captured
Total recordable injury frequency rate 1.8
65,708 training hours
Development discussion % of 98
Employee survey's overall score of 79

Outputs and impacts

2,160,000 tonnes of stainless steel
430,000 tonnes of ferrochrome produced
927,000 tonnes of slag
1,043,000 tonnes of direct CO_2 emissions
368,000 tonnes of indirect CO_2 emissions of electricity
2,718,000 tonnes of other indirect mainly upstream CO_2 emissions
249,000 tonnes of waste landfilled
54,000 tonnes of dust recycled and 16,000 tonnes landfilled

Some 10.7 million tonnes of avoided CO_2 emissions by using our stainless steel and 1.7 million tonnes by using our ferrochrome
80 million euros of payments to creditors
155 million euros of dividends
15 million euros paid taxes
1,061,000 euros to sponsoring
722 million euros of employee benefit expenses
Annual average salary of 66,013 euros

Sustainable development goals we impact

Affordable and clean energy
Decent work and economic growth
Industry, innovation and infrastructure
Responsible production
Climate action
Partnership for goals

Stainless steel market

The long-term outlook for stainless steel consumption remains positive: there is an increasing need for long-lasting and sustainable solutions to the world's most critical challenges. Outokumpu has a strong market position in its key markets.

Sustainability is the key

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

Our commitment and contribution to sustainability are embedded throughout our value chain from procurement and production to customer deliveries. Mitigating climate change by reducing our carbon footprint is a clear focus area, and we aim to reduce our environmental impact through, for example, energy efficient production and by using low-carbon electricity. We are continuously looking for ways to improve the sustainability of our products and processes even further. In 2022, we presented the new sustainable product, Outokumpu Circle Green, the world's first emission-minimized stainless steel.

We sell our stainless steel 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 2022, around 60% of our business area Europe's stainless steel flat products was sold directly to end-user customers, with the share of end-users rising from the previous year. The remaining 40% were delivered to distributors that stock and process stainless steel to serve end-users. In the Americas business area, distributors have a higher share, with around 70% of the total quantities.

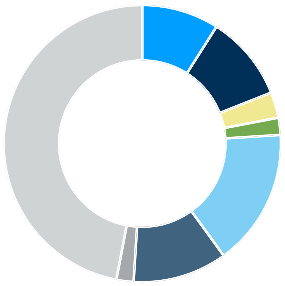
Global market with a few big players

Outokumpu operates in the global stainless steel market. We are known in the market for our world-class assets, comprehensive product portfolio and proven expertise, which form a sound foundation for our strategy execution and future success. In 2022, the market for cold-rolled flat products totaled approximately 30.5 million tonnes. Outokumpu's global market share was approximately 3.6%. Outokumpu is the market leader in Europe, given our cold-rolled market share of approximately 26%, impacted by elevated imports into EU30. In the USMCA region, our market share stands at 23%, making Outokumpu the clear number two in the Americas. Focusing on the US market, Outokumpu's share amounts to around 22%. (Sources: CRU Stainess Steel Flat Products Market Outlook November 2022, EUROFER, Foreign Trade Statistics, American Iron & Steel Institute, StatsCan, Canacero)

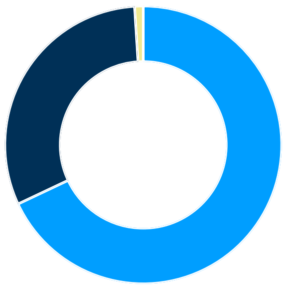
Overcapacity has burdened the stainless steel industry in recent years, especially in Asia. In addition to Outokumpu, the largest stainless steel producers worldwide include Asian companies Tsingshan, Delong, Baosteel, TISCO and POSCO as well as European-based Acerinox and Aperam. Global steel production amounted to 1,391 million tonnes of which approximately 4.1% was stainless steel. (Source: CRU Nickel Monitor January 2023, Worldsteel).

Amazon Doppler tower in Seattle combines sustainable, corrosion-resistant material fits for the coastal location with bright colors on stainless steel by Inox-Color GmbH.

Sales of customer segments
Kilotonnes of flat products



Stainless steel deliveries by business area, %



In 2022, the global stainless steel production capacity of slabs increased by roughly 16% to 70.3 million tonnes. The global utilization rate was calculated around 66% in 2022, down from 80% in 2021, when mills operated at full steam. In the second half of 2022, the market slowed down and faced decreasing production volumes. (Source: CRU Stainless Steel Flat Products Statistical Review November 2022)

As the production of stainless steel is capital intensive, producers generally aim for continuously high capacity utilization in order to maintain and improve profitability. Several Asian producers also manufacture carbon steel, which can be a substitute product for stainless in some cases, while European stainless steel manufacturers focus on the production of sustainable material.

Business area	Europe	Americas	Ferrochrome
Market share	#1, 26% (EU30) [1]	#2, 23% (USMCA) [2]	3% [3]
Production	Tornio, Finland Avesta, Degerfors and Nyby, Sweden Terneuzen, the Netherlands Dahlerbrück, Dillenburg and Krefeld, Germany	Calvert, Alabama, the US San Luis Potosí, Mexico	Kemi and Tornio, Finland
Largest customer segments	Distributors Automotive Metal processing and tubes Heavy industries	Distributors Appliances Automotive Pipes and tubes	Stainless steel producers
Main competitors	Aperam, Acerinox, Acciai Speciali Terni	NAS, Cleveland Cliffs (AK), ATI	Glencore, Samancor, ERG

[1] EUROFER. [2] American Iron & Steel Institute, StatsCan, Canacero. [3] ICDA.

Major stainless steel producers

Million tonnes	2023	2022
Tsingshan	**9.8**	9.8
Delong	**5.9**	5.9
Baosteel*	**5.2**	5.2
TISCO*	**4.5**	4.5
POSCO	**3.3**	3.3
Acerinox	**3.3**	3.3
Outokumpu	**3.2**	3.2
Guangxi	**3.0**	3.0
Jindal	**2.9**	2.9
Aperam	**2.8**	2.8

Source: Stainless steel production capacity of slabs, CRU Stainless Steel Flat Products Statistical Review, November 2022.

* Subsidiaries of Baowu Steel

2022: a year with two different halves

Exceptional circumstances in 2021 were an outcome of unprecedented order intake growth, mainly due to economic stimulus across the world and a successful rollout of COVID-19 vaccines. For many markets, the momentum continued into the first quarter of 2022, leading to upwards revised cold-rolled apparent consumption for the first quarter. With extraordinary high base prices, profitability of mills in Europe and the USA remained on a high level.

After the start of the war in Ukraine in the first quarter of 2022, the market saw unprecedented nickel price volatility and raising energy costs putting European producers under pressure. Uncertainties of cost development undermined consumer demand, and stocks were full. Mills' order books normalized in the second quarter, with European producers' lead times extending to two–three months for commodity grades.

During the second half of 2022, the stainless steel market saw a steep correction. High energy prices and consumer inflation created a challenging landscape in Europe as demand weakened. Logistical constraints and a shortage of components continued to weigh on industrial production worldwide. In China, strict COVID-19 restrictions and extraordinary weather conditions delayed demand recovery and pessimism among producers led to production cutbacks.

During the first quarter the wide price gap between European and Asian material offered many advantages for importing material and led to an extraordinary high import penetration. The difference between transaction prices narrowed in the course of 2022, and imports became more and more unattractive. Decreasing base prices and shortening lead times in Europe made domestic ordering more favorable, starting in autumn 2022.

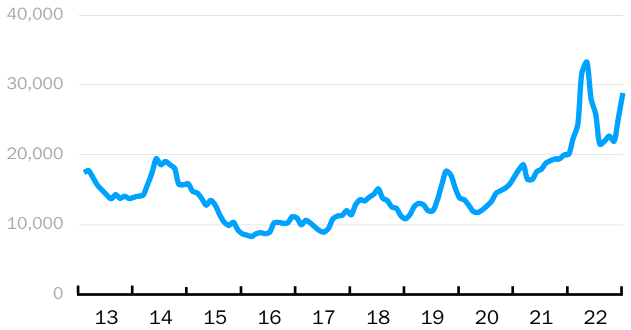
Unprecedented order intake growth followed by a steep correction.

Stainless steel and raw material prices in 2022

Stainless steel price*, EUR/t

Source: CRU Stainless Steel Flat Products Monitor, December 2022.
* Stainless steel reference price for cold rolled 304 2mm sheet in Europe.

Nickel price, USD/t



Source: LME settlement, monthly average prices.

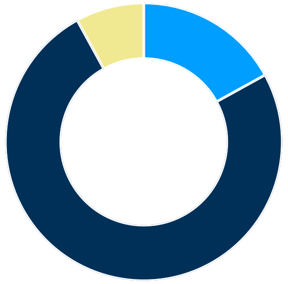
Ferrochrome price, USD/lb

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

Global apparent consumption of stainless steel flat products amounted to 39.6 million tonnes in 2022, a gain of 0.4% vs. 39.4 million tons in 2021. The demand in APAC decreased by 0.8%, while Americas and EMEA were able to grow by 0.4% and 6.5% respectively. (Source: CRU Stainless Steel Flat Products Market Outlook November 2022)

In China, domestic production has rebounded strongly, but strict lockdowns in key consuming and logistical hubs severely undermined demand.

Regional distribution of stainless steel apparent consumption in 2022



- EMEA 17%
- APAC 75%
- Americas 8%

Source: CRU Stainless Steel Flat Products Market Outlook, November 2022.

Outokumpu's CEO **Heikki Malinen** and Klöckner & Co's CEO **Guido Kerkhoff** at our finishing plant in Terneuzen, the Netherlands.

Circle Green has the lowest carbon footprint in the world

Our Circle Green product line has raised interest and demand among our customers across segments, and in 2022 we witnessed early successes with Circle Green product orders. Circle Green's emission intensity is the smallest in the world: 92% smaller than the global industry average and 64% less than Outokumpu's stainless steel routinely, which was already the smallest in the industry.

Our long-term customer Fiskars Group, the global home of design-driven brands for indoor and outdoor living, was the first company to use this product as a raw material in Fiskars branded cookware products made at Fiskars Group's Sorsakoski Factory in Finland.

In December, Klöckner & Co became the second customer, and in their product portfolio Circle Green is classified in the best, so-called 'PRIME' category in Klöckner & Co's new Nexigen® categorization for CO_2-reduced stainless steel. By cooperating with Outokumpu, Klöckner & Co will be able to significantly expand its range of sustainable Nexigen® products and services.

Challenges ahead but recovery expected

The global market will remain turbulent and mixed throughout 2023 when it comes to apparent consumption growth.

While Europe may struggle with an upright recession and energy crisis, the Chinese market may not recover as fast as expected. The end of strict COVID-19 restrictions might lead to disruptions in economy during the first quarter, but in the long-term stronger growth rates are to be expected. Extreme climate conditions and weakening global demand could impose additional uncertainty on the market.

Although being more independent from energy supply than Europe, the US demand is still challenged by high distributor inventories, high-interest rates, an uncertain economic outlook and volatile costs. These factors will result in some uncertainty in 2023.

The world GDP is expected to have grown 3.0% in 2022. For 2023, growth is expected at 1.5%. (Source: CRU Global Economic Outlook December 2022)

We are taking immediate action on our energy efficiency.

New ambitious energy efficiency target set

Outokumpu introduced a significant increase in its energy efficiency improvement target and will therefore prioritize related investments in 2023 and 2024. We set a new 8% energy efficiency improvement target until the end of 2024 compared to the January–September 2022 level. These measures would correspond to energy saving of approximately 600,000 MWh which is equal to the annual electricity usage of 15,000 households.

“The European energy crisis has created a turbulent operating environment. To tackle the uncertainty, we have decided to take immediate action on our own energy efficiency. This means that we will prioritize investments to improve our energy efficiency and also increase related annual capital expenditure by EUR 20 million in 2023 and 2024”, says Outokumpu’s Chief Technology Officer **Stefan Erdmann**.

We aim to improve our energy efficiency by investing in furnace improvements of heat treatment lines, optimizing our energy consumption and fully utilizing our energy management system, and improving yield.

Risks and opportunities

Effective risk management is critical
to the delivery of our strategic targets.

Risks and opportunities delivering on the Outokumpu's strategy

Risk management's role in delivering Outokumpu's strategy

Outokumpu's strategy is built on our strong foundation, starting with megatrends driving stainless steel demand growth, our people and our stable operations and continuous improvement culture. Our aim during the second phase of the strategy is to strengthen the core of the company, focusing on three key priorities: sustainability, growth from productivity and customer-focused steering.

Outokumpu's Board of Directors recognizes that creating shareholder returns is the reward for taking and accepting risk. The effective management of risk is therefore critical to supporting the delivery of the Group's strategic objectives. In order to manage risks associated with the strategic business decisions, an effective risk management has a vital role in

- Determining the appropriate level of risk tolerance and appetite
- Assessing the risks and the nature of the risks
- Ensuring that appropriate processes, risk mitigations and controls exist in Outokumpu to manage the risk under each risk area

Opportunities and risks

The risk management approach is mapped to eight material risk areas relevant for Outokumpu, set out in the table on the next page. Financial risks are described in further details in note 5 to our audited consolidated financial statements. Risks associated with internal controls over financial reporting reporting are described in Corporate Governance Statement.

Having completed the first phase of our strategy, we have emerged financially stronger and have built a solid foundation to unlock further value for the long term. We explored the value accretive opportunities that leverage Outokumpu's capabilities and resources, while positioning us favorably for a decarbonizing world and operating in a circular economy.

Our most important raw material is recycled steel, and melting it requires a lot of energy. We are actively managing risks related energy costs and sustainable sourcing.

Risk areas relevant to us and our strategy implementation

Macro economics and steel markets

Steel demand is affected by business environment, economic outlook, market megatrends, demand for sustainable materials and long-term prospects for stainless steel across regions. Risk of overcapacity in stainless steel, global trade and industrial actions and trade defense measures also affect the supply-demand balance.

Material risks in the area:
- Stagnation/economic downturn
- Trade and geopolitics

Legal and compliance

Evolving legal, compliance and ethical requirements in areas such as competition law, trade sanctions, anti-corruption, data protection and contract requirements require constant attention to which Outokumpu is committed adhering to. Breaches of applicable laws and regulations, other unethical behaviour, as well as exposure to crime, fraud and other unauthorized activities may result in adverse criminal, financial or reputational consequences. Developments in the area of trade sanctions may also cause disruption to Outokumpu's supply chain.

Raw material and energy prices

Price changes of alloy metals such as nickel and chrome as well as volatility in energy prices may have significant impacts on earnings, cash flow and balance sheet. Price volatility may also impact adversely stainless steel demand, level of inventories and consequently also capacity utilization ratios.

Material risks in the area:
- Metal price risk
- Energy costs

Operational / supply chain

Our production processes are dependent on the continuous operation of critical production equipment. Fire or machinery breakdown may lead to major interruption in production and severe incident to personnel. Supply chain disruption may arise from e.g. equipment failures, natural disasters, epidemics or other factors affecting security of supply for raw materials (especially sustainable nickel), energy required in the manufacturing process and also dependencies on the suppliers and their contractual terms and conditions.

Material risks in the area:
- Dependency on critical suppliers and machinery
- Sustainable nickel availability
- Energy availability

Information security

Outokumpu relies on various applications and other information technologies that are used globally. Unplanned interruptions or failures in the applications and underlying infrastructure could result in business interruptions. Furthermore, cyber threats could cause leaks of sensitive information, theft of intellectual property, business disruption and imposition of penalties.

Material risks in the area:
- Cyber security

ESG

Outokumpu is committed through its emission reduction targets to be carbon neutral in 2050 for direct and indirect CO_2 emissions. Complying with ESG goals requires mitigating ESG-related risks related to physical climate change, adapting environmental management practices and duty of care, integrity and ethic risk, social responsibilities such as gender neutrality, respect for human rights, anti-bribery and corruption practices, and compliance to relevant laws and regulations.

Material risks in the area:
- Climate risk
- People and safety
- Sustainable sourcing

Financial

Financial risks arise from adverse changes in metal prices, foreign currencies, interest rates and fair values of equity instruments, credit risk, liquidity risk, insurance and underwriting risk and country and counterparty risk.

Reporting

The risks associated with reporting in Outokumpu's business include failure in financial reporting, incomplete reporting or disclosures towards authorities, incomplete sustainability reporting and internal reporting.

Opportunities can further leverage our capabilities in strategy implementation

- Global megatrends like urbanization, mobility and economic and population growth drive the need for sustainable solutions.
- Mitigating climate change increase demand for low-carbon products as well as transparent product carbon footprint information.
- Investments in energy efficiency improvement initiatives and programs across Outokumpu enhance cost competitiveness, innovation, and business resilience.

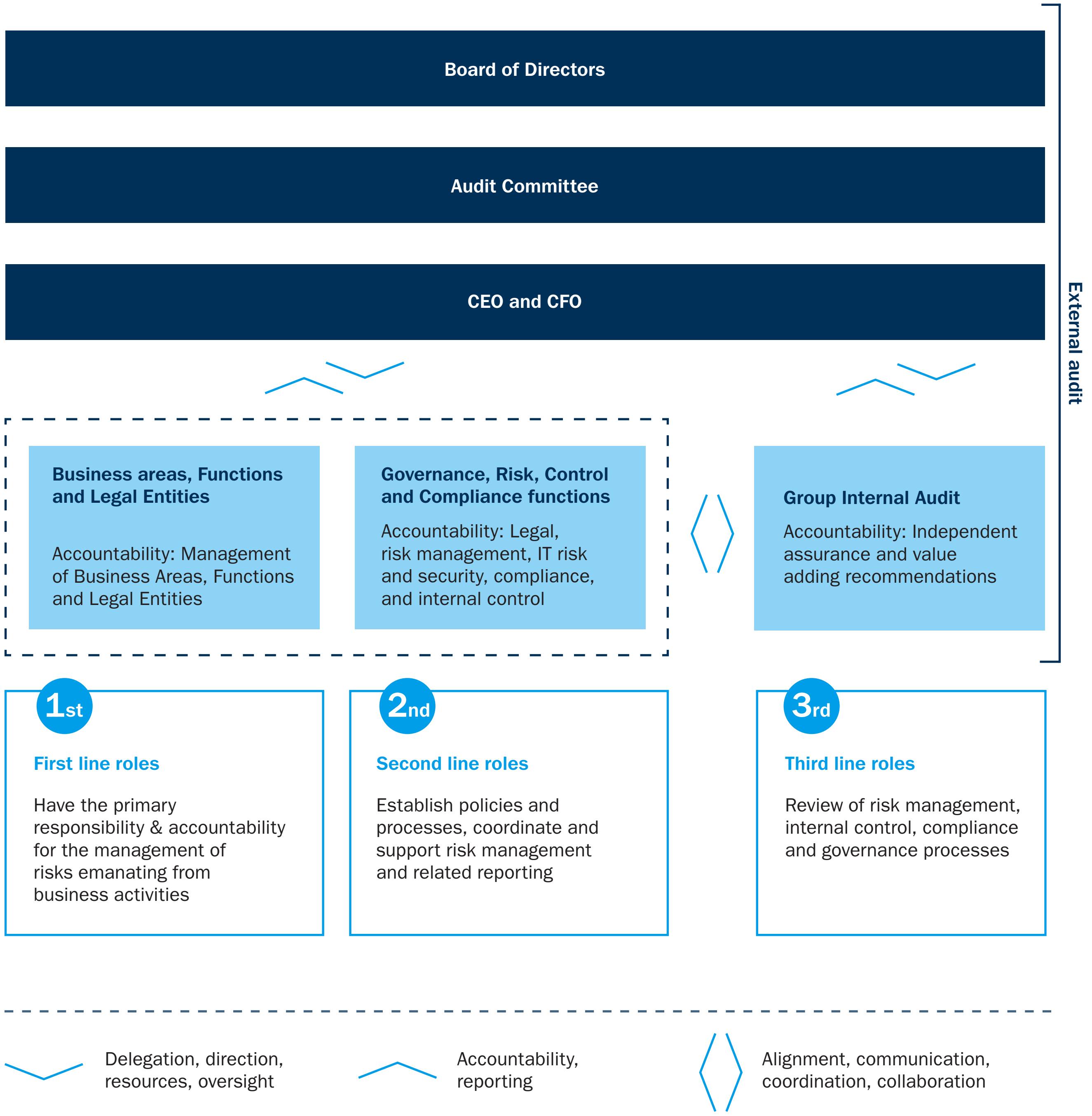
More about opportunities in connection with risk areas on the following pages.

Risk management

Our three lines model

Within Outokumpu, identified risks are monitored and controlled at different organizational levels. Outokumpu's risk management policy outlines the roles and responsibilities of the relevant governance bodies in implementing the risk management, including continuous reporting within the Outokumpu Group.

The CEO and CFO form the main governing roles in governance, risk and compliance (GRC) topics and are responsible for monitoring material risks and exposures on a regular basis. The GRC functions (consisting of risk management, legal, IT risk and security, compliance and internal control) are responsible for day-to-day coordination and supporting of risk management activities and reporting. Internal audit periodically reviews risk management, internal control, IT risk and security, compliance, and governance processes. Detailed descriptions of our three lines model can be found in the table on the right.



Risk management and control procedures

Our risk management is based on a holistic risk management procedure, which is shaped by our vision of being the customer's first choice in sustainable stainless steel and by our strategic objectives and risk appetite.

We operate in accordance with the risk management policy approved by our Board of Directors. The risk management framework sets out clear roles and responsibilities for each role at different organizational levels. At Outokumpu, we have begun the journey to digitalize our risk management and control procedures. By leveraging our digital enterprise risk management and control platform, we improve risk communication and enhance the overall effectiveness of our risk and control management process. Outokumpu is committed to managing risks in a proactive and effective manner, which includes the early identification and evaluation of risks, and the management and mitigation of risks before they materialize. Furthermore, the platform supports also control testing. The risk management process consists of the following five core stages: 1) risk identification; 2) risk evaluation; 3) mitigation actions; 4) control activities, and 5) risk reporting. The illustration on the right summarizes our risk and control framework.

Risk management process in Outokumpu

Outokumpu's vision

Outokumpu's pursuit of its strategic objectives affects the risks to which the company is exposed

Risk management policy

The policy defines the objectives, approaches and areas of responsibility in the Group's risk management activities

Risk and control management system

Who	
Board of Directors	Approves Risk Management Policy including risk tolerances and monitor material risks
Audit Committee & Remuneration Committee	Oversees financial reporting, audit process and monitors related party transactions and risk management. Determines and approves the terms of service, including remuneration, Outokumpu Leadership Team members exc. CEO.
CEO & CFO	Develop and implement risk management approach in line with policy
Risk Management Steering Group & other Steering groups	Execute risk management actions delegated by the CEO and CFO. Contribute to company's overall risk management
Governance, risk and compliance (GRC)	Plan and coordinate governance, risk management, compliance and internal control efforts
Business, operations and functions	Ownership of the risk management activities related to risks arising from their business activities
Internal audit	Determines whether governance and compliance processes, the internal control system, and the risk and control management process are effective and efficient

How

- Risk management process is supported by the digital platform for risk and control management, where risks are identified, evaluated, mitigated, controlled and reported on a timely basis
- Adherence to sub-policies including financial risk, informational and cyber security, internal control, security policy and Outokumpu's internal audit charter
- Risk management actions are linked to strategy planning, performance management, internal controls and compliance

Risk management process

Analyze

1. Identify
Identify all significant risks, including causes and effects of the risks.

2. Evaluate
Evaluate the risks, determine gross and net impacts and likelihoods of occurrence of risks

3. Mitigate
Develop and implement risk mitigation actions, seek to reduce the likelihood and impact or realization of the risk

Manage

4. Control
Monitor and conduct control activities, improve the level of assurance on the underlying processes

5. Report
Report and communicate the risks on an on-going basis and regular update to maintain continuous improvement

Material risks

Significant identified risks in relation to the risk areas

Material risks recognized by Outokumpu's management could be of any nature and arise from any part of the business all having a potential material impact on our business performance and objectives. Outokumpu regularly assesses the likelihood and potential impact of risks from both financial and non-financial perspectives in order to also reflect our ambition in ESG strategy and reputational tolerance. The evaluation of the material risks, and the effectiveness of our associated mitigation actions and internal controls, reflect management's current expectations, forecasts and assumptions, and involve critical judgments that are subject to changes in our internal operations and external factors that are beyond our control. Outokumpu deploys preventative and mitigative actions and controls to reduce the likelihood of certain threats. Some of the threats cannot always be avoided. We closely monitor the threats on an ongoing basis and develop business resilience plans to mitigate the disruptions caused by any threats.

Based on our risk evaluation criteria and scoring, Outokumpu has identified 11 significant material risks in relation to the risk areas. They are presented in the table on the right. Outokumpu continuously monitors and re-assess these material risks, reviews changes overtime, and identifies new opportunities to achieve our strategy and new emerging material risks having arisen. The identified material risks are described in the risk profiles in the following pages to provide overview on the possible threats, opportunities and our actions to mitigate these risks.

Risk areas and material risks

Macro economics and steel markets	Stagnation/economic downturn
Macro economics and steel markets	Trade and geopolitics
Raw material and energy prices	Metal price risk
Raw material and energy prices	Energy costs
Operational/supply chain	Dependency on critical suppliers and machinery
Operational/supply chain	Sustainable nickel availabiliy
Operational/supply chain	Energy availability
Information security	Cyber security
ESG	Climate risk
ESG	People and safety
ESG	Sustainable sourcing

We are actively mitigating identified material risks.

Stagnation and economic downturn

Summary

Adverse changes in the global economic environment may impact the stainless steel market and thus Outokumpu's business in its core markets. Examples of such adverse developments are, for instance, an economic downturn driven by energy crisis in Europe and a slower than expected recovery in the Chinese market from further COVID-19 restrictions.

Risk area

Macro-economics and steel markets

Opportunities

- Global megatrends including population growth, urbanization, increasing mobility and climate change drive the need for sustainable materials over the economic downturns and hence supporting the long-term prospects for stainless steel demand.
- Maintaining our competitiveness through economic cycles strengthens the confidence towards Outokumpu.
- Benefiting from post-COVID-19 market recoveries in Asia, especially in China.

Threats

- An economic downturn could have negative impact on demand for our products.
- Inflation pressures could increase the cost of production and negatively impact demand and profitability.

Outokumpu's response

- Continue to safeguard our strong financial position and ensure our corporate credit rating to remain at least at the current level, maintain a diversified source of funding and secure access to funding when needed.
- Continue capital discipline with targeted investments in sustainability and energy efficiency.
- Monitor market development with supporting tools enabling us to respond and react changes in business plans and operations.

Trade and geopolitics

Summary

As Outokumpu's operations are global, Outokumpu is exposed to the developments of global trade policies and geopolitics. Potential geopolitical conflicts and unfavourable trade policy decisions for Outokumpu can result to risk of increased unfair imports on the home markets, or undermine access to the export markets.

Risk area

Macro-economics and steel markets

Opportunities

- By calling for a level playing field, Outokumpu could contribute to creating fair competition on its markets.
- More assertive trade and climate policies for the imports imposed by the EU could level the playing field and ensure they are not circumvented.

Threats

- Imports surge if the trade defense measures in our home markets, (such as the EU steel safeguard quota measures and antidumping/antisubsidy duties) are not renewed or not made effective enough to mitigate from unfair imports.
- Geopolitical tensions, trade sanctions or the trade policies imposed by the third countries could result in restricting access to our export markets or on the other hand disrupting access to our key raw materials.

Outokumpu's response

- Continue advocacy actions on the national and the EU level to promote relevant measures and cooperate with organizations such as the European Steel Association (EUROFER) to initiate new investigations when possible to ensure a level playing field and fair competition.
- Closely review the status of the EU trade defense measures and related investigations to be able to proactively react to the threat of import surge, and ensure the measures are not circumvented.
- Continually monitor the geopolitical and global trade policy developments to proactively prepare for potential supply chain disruptions.

Read more about stainless steel market.

Metal price risks

Summary

Outokumpu is exposed to price changes in alloy metals (such as chrome, nickel, molybdenum and iron) for example through purchase of raw materials as well as sale of stainless steel end products where the price of alloy metals is based on market prices. The timing difference in such commercial purchase and sale transactions as well as the inventory position expose Outokumpu to metal price risk alongside our capability to pass on price changes in raw materials to end-product prices. Changes in ferrochrome market prices expose Outokumpu revenue from ferrochrome sales to metal price risk.

Risk area

Raw material and energy prices

Opportunities

- Managing turning points of metal markets successfully reduces metal price risk impacts on earnings, cash flows, and balance sheet structure.
- End-to-end approach in metal price and margin steering ensures alignment and consistent metal price risk mitigation from raw materials to stainless sales.

Threats

- Significant price level changes of alloy metals could have an impact on profitability.
- Changes in market and trading conditions at metal exchanges may have adverse impacts on metal pricing and risk mitigation through hedging.
- Fluctuation of revenue from ferrochrome sales due to changes in the ferrochrome market prices.

Outokumpu's response

- Steer the metal price risk mitigation through the Financial Risk Steering group and other steering groups.
- Manage metal margin in both raw material and stainless steel pricing according to Outokumpu's pricing policies and processes.
- Hedge the nickel price risk, excluding the risk related to base stock, in full according to Treasury Policy.
- Mitigate risk through pricing decisions by including an alloy surcharge clause in some of the stainless steel sales contracts, with the aim of reducing the risk arising from the timing difference between alloy metal purchase and stainless steel pricing and delivery.
- Ensure that mitigating actions are conducted across functions, i.e., in sales, raw material procurement, operations and supply chain management and treasury.

Read more in the note 5.3 in the financial statements.

Energy costs

Summary

The production of stainless steel 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 spend has increased as a result of political and economic factors beyond Outokumpu's control.

Risk area

Raw material and energy prices

Opportunities

- Enhancing cost competitiveness, innovation, and business resilience through investments in energy efficiency improvement initiatives and programs across the Group.
- Better control over energy costs by optimizing energy utilization and avoiding electricity price peaks.

Threats

- Adverse economic development such as the energy crisis in Europe, the war in Ukraine, and political interventions could cause imbalance in the energy market.
- High and volatile electricity and gas prices together with increasing hedging and spot costs could constrain our competitiveness.

Outokumpu's response

- Manage energy price risk centrally, complying with Energy Procurement Policy and increased energy steering cadence.
- Hedge energy price risk with long-term agreements, fixed price supply contracts and partial ownerships in power utilities.
- Launch and implement energy efficiency initiatives and measures, revising targets and priorities related capital expenditure.
- Optimize ferrochrome production and maintenance periods to avoid increase in costs and to ensure profitability by daily activities.
- Monitor and issue regular energy updates on availability and cost outlooks to business to ensure visibility and updates for management decisions.

Dependency on critical suppliers and machinery

Risk area

Operational / supply chain

Summary

Stainless steel and ferrochrome production processes are dependent on the continuous operation of critical production equipment. Production downtime and disrupted operations may occur as a result of fire, mechanical failures in production equipment, disruptions in supply chain management or supplier relationships. Main critical supplier dependencies exist in Calvert in the US, where hot rolling is done under a hot rolling agreement at a facility owned and operated by an external company close to Outokumpu's own facilities; and in Tornio, Finland, where the operations rely on the take or pay liquid natural gas agreement for the supply of LNG.

Opportunities

- Preventing the risk of machinery breakdown improves safety and increases efficiency in production.
- Stringent supplier qualification requirements and efficient supplier relationship management improves supply chain resilience.
- The continuous evaluation of dependencies and review of alternative plans could increase our ability to identify opportunities to further improve the efficiency of our operations.

Threats

- Natural catastrophes, fire or serious mechanical machinery breakdowns could lead to major damage to property, business interruption or severe accidents for personnel on site.
- Supply chain disruptions or critical supplier relationships ending without sufficient alternative arrangements in place could cause substantial interruptions to the downstream part of our business.

Outokumpu's response

- Ensure maintenance and manage loss prevention actions in close cooperation with our insurers with regular site loss prevention audits.
- Place appropriate insurance covers to secure the company against large financial losses arisen from insurable loss events.
- Manage our supply chain by maintaining good visibility into the supply chain and maintaining good relationships with suppliers. Also, reviewing alternative plans for securing availability of critical services and goods with contingency plans being developed.
- Prioritize sustainable sourcing and creating supply chain resiliency via strict supplier qualification requirements, including ESG criteria.

Sustainable nickel availability

Risk area

Operational / supply chain

Summary

Nickel is one of the essential metal alloys in the stainless steel production. In addition of secondary nickel units derived from stainless steel scrap, Outokumpu utilizes primary nickel ore in its production. As with all raw materials, Outokumpu aims to ensure that its nickel supply chain is complying with its sustainable and responsible sourcing values, including human rights and carbon emission reduction. Depending on the nickel ore type, the carbon footprint varies.

Opportunities

- Maximize sourcing and using steel scrap as a raw material rather than virgin ore minimizes our carbon footprint and ensures utilization of sustainable nickel through recycled material.
- Increase in sustainable nickel capacity or new innovations in technologies to improve low carbon footprint in nickel unit production.

Threats

- Increase in demand on low-carbon class 1 nickel predominantly from western countries in electric vehicle battery industry.
- Limited alternatives could push towards the use of high carbon footprint options which would negatively impact on our CO_2 emission and sustainability targets.

Outokumpu's response

- Maintain and further develop strong relationships with our scrap metal suppliers. Better quality scrap of the right composition is key to using recycled steel as efficiently as possible.
- Manage projects that aim to increase the use of stainless steel scrap and also to maximize the benefits of the recycled content in order to reduce primary raw materials with higher carbon footprint.
- Improve the supplier evaluation process with the aim to support Outokumpu's strategy of sustainable and responsible sourcing.

Energy availability

Summary

Outokumpu requires significant amounts energy in its stainless steel and ferrochrome operations, particularly electricity and gas, and hence the availability of energy is critical to continuity of Outokumpu's operation. Adverse development in geopolitics, trade sanctions, energy crisis in Europe together with possible new regulations and governmental actions, such as possible controlled electricity black-outs, could all negatively affect the energy availability.

Risk area

Operational /supply chain

Opportunities

- Strengthening the independence of Outokumpu from fossil fuels through possible investments in biocoke and biomethane being investigated could reduce CO_2 emissions but also improve business and operational resilience towards lack of energy.
- Focus on energy utilization could drive us to explore further economic opportunities within energy markets and also embed a culture of energy efficiency across the company.

Threats

- Disruption in energy availability could lead into temporary shutdowns or production limitations.
- Trade sanctions could disrupt energy market by limiting energy supplies and indirectly expose Outokumpu as energy gases are acquired from the European market, for which Russia is one of the indirect suppliers.

Outokumpu's response

- Launch and implement energy efficiency initiatives and measures, revising targets and priorities related capital expenditure.
- Ensure diversified energy sources and suppliers.
- Purchase and store alternative gas to ensure business continuity in case of supply disruption.
- Source renewable wind power by long-term power supply agreements.
- Evaluate regularly the availability of electricity and energy gases for the main countries in Europe by energy sourcing teams in order to plan and adjust business decisions.

Cyber security

Summary

Outokumpu relies on various applications and other information technologies that are used globally. Possible cyber security breach could cause damage to our operations, data privacy or leaks of sensitive information related to Outokumpu or its partners such as customers and suppliers.

Risk area

Information security

Opportunities

- Cyber security analysis and improvement investments could increase transparency on the underlying synergies and efficiencies in Outokumpu's global and local information technology environment.
- Cyber engagement campaigns targeted to better cyber security engagement, awareness and knowledge within Outokumpu employees will also improve overall security culture.

Threats

- Outokumpu production facilities could face sudden disruption which could cause delays in deliveries and in severe cases large business losses as well as damage our customer and supplier relationships.
- Employee identities used in fraud cases, personal or confidential information leaked outside company could cause financial losses, imposition of penalties but also reputational harm.

Outokumpu's response

- Ensure continuous improvements in cyber threat intelligence and cyber threat detection to notice any attacks to conduct proactive prevention.
- Enhance security operations capability for infrastructure resilience and faster incident response.
- Raise internal awareness of cyber threats by cyber security engagement campaigns.
- Improve cyber security global governance with cross-functional co-operation for cyber security strategy implementation.

Climate change

Summary

Outokumpu is exposed to climate risks, both physical and transition risks. Physical climate-related risks are threats to our production sites, such as extreme weather conditions. Transition risks are changes in, for instance, climate policies, emission trading systems as well as electricity prices which can have an adverse impact to Outokumpu's operating environment and financial position.

Risk area

ESG

Opportunities

- Increased demand for more sustainable products with lower carbon footprint.
- Growing need for more transparent product carbon footprint information, for example product-specific carbon footprint calculations.
- Being well positioned in the industry towards Carbon Border Adjustment Mechanism (CBAM) and EU's taxonomy alignment could create competitive advantage.

Threats

- Failure to meet emission reduction targets coud result in losing business and reputational and financial impact.
- Physical climate change risks such as floods, tornados, hurricanes and rising sea water level.
- Increase in production costs due to new regulation after 2025 such as in Emission Trading System (ETS) and Carbon Border Adjustment Mechanism (CBAM).

Outokumpu's response

- Implement ambitious climate targets set in line with the Science Based Targets initiative's 1.5°C ambition of limiting global warming.
- Improve energy efficiency, including the use of biocoke, fuel changes, scrap increase and work on additional emission reduction technologies such as carbon capture.
- Embed climate targets to main loan facility and to performance-based share plans.
- Support customers in their emission-reduction targets with new low-carbon solutions, such as the Circle Green, and transparent product-specific carbon footprint data.
- Implement CO_2 reduction program to meet challenging emission targets.

Read more about climate change.

People and safety

Summary

Outokumpu has set its safety vision and principles on a high level. Despite the ongoing efforts and actions, a serious incident or fatal accident may occur during working hours to Outokumpu employees or contractors. Risks relating to our people also include the risk of not being able to provide a healthy and inclusive working culture that can attract and retain the best talents.

Risk area

ESG

Opportunities

- Sharing best safety practices globally creates opportunities to improve safety in all our processes.
- Safety leadership trainings improves management skills and ensure that safety is kept priority in the company.
- Investments in our production lines and ways of working upgrades our workplaces to ensure safe environment for our employees and strengthens the engagement.
- Inclusive and diverse workforce ensures best market understanding and fosters innovation.

Threats

- Risk of serious injuries and fatalities due to failure in high level safety practices and culture.
- Lack of adherence to ensure that safety standards are fully implemented in every site across the company.
- Inability to attract skilled and diverse workforce.

Outokumpu's response

- Improve safety performance according to our safety strategy, including active safety network activities.
- Address social and governance topics in the revised ESG strategy, such as social responsibility, compliant behaviour, gender neutrality, and alignment with the United Nations' Guiding Principles on Human Rights and Business (UNGPs).
- Continue roll-out of established diversity, equity and inclusion targets.
- Provide a communication channel, SpeakUp, enabling Outokumpu employees and external stakeholders to report breaches of Outokumpu Code of Conduct and other misconduct.

Read more about safety, our people, and ethics and compliance.

Sustainable sourcing

Risk area

ESG

Summary

Outokumpu is part of a global supply chain, including raw material, services and other material suppliers worldwide. Sustainable sourcing, with the process of selecting suppliers, is critical across all purchases, especially in raw material sourcing. Outokumpu is exposed to risks related to raw material sourcing in high-risk countries, including ESG risks and dependencies on certain critical suppliers.

Opportunities

- Improving environmental protection and conditions for people and communities in our supply chain ensures that Outokumpu is contributing to sustainable development globally.
- Engaging and partnering with our suppliers supports in building not only sustainable but also resilient supply chain.
- Exceeding customer expectations to provide a traceable and responsible supply chain.

Threats

- Wrongdoing or social or environmental issues in our supply chain.
- Increase in external ferrochrome usage and slippage of scrap content.
- Competition over needed raw materials could increase sourcing in high-risk countries.

Outokumpu's response

- Ensure strong steering through established ESG core team and raw materials supplier sustainability team.
- Implement ESG strategy where responsible sourcing is one of the focus areas.
- Continue ResponsibleSteel certification of European sites.
- Continue implementation of United Nations Guiding Principles (UNGPs) to prevent and mitigate human rights risks.

Read more about sustainable supply chain.

Sustainability review

In this company of great people, we work towards a world that lasts forever and produce the most sustainable stainless steel with the lowest carbon footprint in the world. Our people and their expertise is what separates us from other companies.

Download separate print-friendly version of this section in A4 format.

Sustainability at Outokumpu

Sustainability is the beating heart of everything we do at Outokumpu.

Outokumpu’s sustainable stainless steel helps to create a world that lasts forever.

Our product is at the very core of our sustainability approach. Stainless steel helps to build a more sustainable future as it is 100% recyclable, efficient and long-lasting. The cornerstone of our business is enabling growth and innovation through sustainable stainless steel solutions. Our vision is to become our customer’s 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 our stainless steel has the lowest carbon footprint in the industry when taking into account all indirect emissions, including raw materials. We also lead the industry in terms of the circular economy. The recycled material content of our stainless steel is more than 90% and we are continuously looking for ways to minimize our environmental impact.

Sustainability strategy and targets

Sustainability at Outokumpu is founded on good governance and on three pillars: environmental, economic, and social, all of which need to be in balance. In 2022, we continued to implement our sustainability strategy which was updated in 2021. The updated sustainability strategy was based on our most recent materiality analysis and reflects the growing importance of sustainability and the possibilities it offers to our business.

As a part of the new sustainability strategy, we launched more ambitious goals for our sustainability. Our greenhouse gas emission reduction target was increased, and we committed to the Science-Based Target initiative’s (SBTi) 1.5°C climate ambition. Outokumpu's approved SBTi target requires a 42% CO_2 emission reduction across all scopes by 2030 compared to the 2016 baseline. This translates into a 30% CO_2 emission reduction compared to the 2020 level. Outokumpu is working closely with the SBTi to define the decarbonization approach for the steel sector.

In 2022, we announced new ambitious target for energy efficiency in the next two years. By the end of 2024, Outokumpu now aims to improve its energy efficiency by 8% across the group compared to the January–September 2022 level.

Outokumpu’s other sustainability targets include improved safety and organizational health, strengthening diversity, equity and inclusion, supply chain sustainability, zero environmental incidents, and high material recycling.

Highlights in 2022

Outokumpu launched a new emission-minimized product line Circle Green in June. It has the smallest emission intensity in the world, up to 92% lower carbon footprint than the global average. The unprecedented emission reduction was achieved with improvements throughout the whole stainless steel production chain. The first batch was produced in Tornio, Finland, and was delivered to one of our strategic customers, Fiskars Group, for use in cookware.

During 2022, Outokumpu started the certification process for the ResponsibleSteel standard for its operating sites in business area Europe. ResponsibleSteel is a standard that was developed to recognize steel sites that are being operated in a responsible manner with the focus on the most material ESG issues identified and agreed upon by ResponsibleSteel members and stakeholders.

In September, Outokumpu announced that it is investigating a significant investment in a biocoke and biomethane plant in Tornio, Finland. With this investment Outokumpu aims to significantly reduce its direct CO_2 emissions and increase energy self-sufficiency in Finland.

Outokumpu's product-specific carbon footprints for its stainless steel products produced in Europe were published in November. The calculations are based on continuous production data. Outokumpu is the first stainless steel producer able to provide product-specific footprint data.

Several supplier visits with sustainability topics in focus were conducted during the year. Outokumpu also published a Human Rights Policy as well as a Supplier Code of Conduct during the year.

To strengthen organizational health and wellbeing, Outokumpu started to conduct regular employee pulse surveys during the second half of the year. The first survey focused on employee engagement and the second on safety culture. In May, Outokumpu conducted a company-wide inclusion survey which was used as a basis for creating Outokumpu’s roadmap and targets in diversity, equity and inclusion.

Our reporting is based on material topics

Outokumpu regularly conducts a materiality analysis to map our stakeholders' expectations and to assess our business impact on sustainability. We updated our materiality analysis in 2021 to further improve our focus on the sustainability topics that are most important for our stakeholders and operations. The analysis also guides our reporting on the relevant topics. The detailed

We achieved unprecedented emission reduction in our Circle Green product. The first batch was delivered to one of our strategic customers, Fiskars Group.

materiality analysis study is updated every three years. The materiality analysis will be updated in 2024.

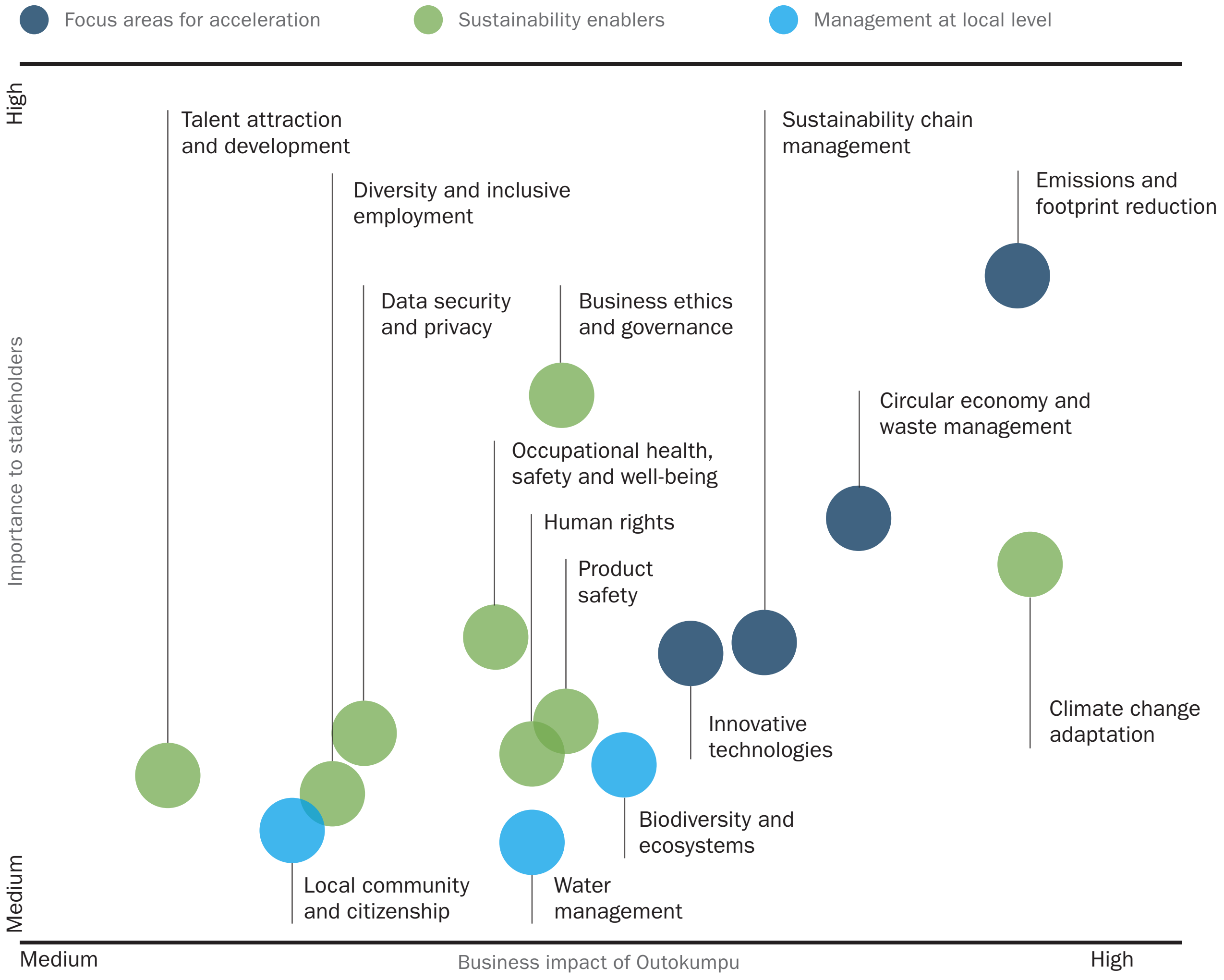
The analysis is applying double materiality, meaning both the impact of and on Outokumpu's business were assessed. As a basis for the materiality analysis, an external advisor conducted an extensive data study of the emerging trends in the steel industry and compared these trends with the material topics of Outokumpu's main peers, customers and suppliers. This analysis was complemented with an overview of material issues found in global sustainability frameworks. Additionally, interviews with customers, suppliers and other stakeholders such as investors, employees and non-governmental organizations were conducted to gain a deeper insight into the relevant stakeholder groups.

Based on the research and internal workshops, a list of the 15 most material topics was compiled. The topics were ranked and prioritized based on the stakeholder rankings and the business impact of Outokumpu on these issues.

Four topics were defined as focus areas for acceleration based on alignment with business model and high potential for differentiation. Sustainability enablers have been defined to have a lower level of potential for differentiation. Topics defined for management at local level have value creation potential from execution on the local operating level.

The selection of material topics covers both inside-out topics that related to corporate strategy as well as outside-in topics that reflect stakeholder concerns. Topics are material when they have the ability to affect Outokumpu's operational results and the company has the ability to control and influence the topic.

Materiality matrix



Sustainable Development Goals in our focus

We are a signatory to the United Nations' Global Compact initiative, and we have committed to the UN's Sustainable Development Goals (SDGs). We contribute to several SDGs either through the way we operate or through our products.

Our focus on the SDGs is aligned according to our materiality analysis. Our main focus is on the following six goals:

United Nations Global Compact

Goal 7: Affordable and clean energy

Products: Stainless steel is the only long-lasting material for many applications of clean energy, e.g. solar farms and biofuels. **Operations:** We follow sustainable energy supply practices to gain secure and stable energy. **Highlight in 2022:** Share of low-carbon electricity was about 86%.

Goal 8: Decent work and economic growth

Products: Stainless steel is a key element in building a modern, efficient and well-being society. **Operations:** We contribute to the community well-being through direct and indirect employment, taxes and other involvement. **Highlight in 2022:** We employed directly in total over 8,500 employees and achieved high engagement rate in our company-wide people pulse survey.

Goal 9: Industry, innovation and infrastructure

Products: Due to its excellent properties, stainless steel is a key material in sustainable industrialization and modern infrastructure. **Operations**: We have a long history in developing new steel grades. We work closely with customers to find the most sustainable material solution. **Highlight in 2022:** We launched a new product line Circle Green with the industry's lowest carbon footprint.

Goal 12: Responsible consumption and production

Products: Our stainless steel has the highest recycled content. Stainless steel is also the single most recycled material globally. **Operations**: Our business is based on circular economy. Our mills are among the largest material recycling facilities in the world. **Highlight in 2022:** We achieved record-high recycled material rate of 94%.

Goal 13: Climate action

Products: Our stainless steel reduces our customers' overall carbon footprint by 10 million tonnes annually. **Operations:** Our carbon footprint is less than 30% of the global industry average. We are committed to reaching carbon neutrality by 2050. **Highlight in 2022:** We met the science-based climate target for 2022 and launched new product-specific carbon footprint calculations.

Goal 17: Partnerships for goals

Products: We are working together with our customers and partners to minimize the environmental impact of our stainless steel products. **Operations:** We are committed to global sustainability frameworks and to partnering with our whole value chain to drive sustainable development. **Highlight in 2022:** We partnered with our customers Fiskars Group and Klöckner & Co. to publish the new product line Circle Green.

Commitment to global frameworks and standards

Sustainability is integrated into all our operations, activities, and decision making. The most important policies guiding Outokumpu's sustainability management are the Group's Code of Conduct and the Corporate Responsibility 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 production 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. Outokumpu complies with international, national, and local laws and regulations, and respects international agreements concerning human and labor rights, such as the International Bill of Human Rights, the UN Global Compact and the ILO Declaration on Fundamental Principles and Rights at Work. Outokumpu also implements the UN Guiding Principles on Business and Human Rights in its corporate policies.

Management of sustainability

Outokumpu's Board of Directors approves Outokumpu's sustainability agenda and targets. On the Group level, sustainability is managed by the Group Sustainability Team headed by the Vice President – Sustainability who reports to the Chief Technology Officer. The Outokumpu Leadership Team regularly follows the progress of Outokumpu's sustainability agenda. The business areas and functions are responsible for ensuring that operations within their own organizations and business lines are conducted in a responsible manner and that monitoring, data collection and reporting are duly carried out.

Outokumpu has also an ESG Advisory Council consisting of four external advisors:

- Pia Theresa Duerrschnabel, Director of Sustainability, Wieland Group
- Antoine Allanore, Professor of Metallurgy, Massachusetts Institute of Technology (as of Dec 2022)
- Sirpa Juutinen, Independent Sustainability Advisor
- Julia Woodhouse, Board member, member of the Audit Committee, Outokumpu
- Lucas Joppa, Chief Environmental Officer, Microsoft (until Dec 2022)

The council's role is to challenge and comment the company's sustainability strategy and actions as well as facilitate dialogue between Outokumpu and its stakeholders. In 2022, the council discusses topics such as decarbonization, Circle Green and other commercial initiatives, supply chain sustainability and human rights as well as Outokumpu's ResponsibleSteel certification process.

Sustainability is integrated into all our operations, guided by our Code of Conduct and Responsibility Policy. We expect our business partners and suppliers to follow similar standards.

Sustainability performance in 2022

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

All sustainability figures are available on our sustainability data tool ↗

Energy efficiency

Energy efficiency decreased this year due to lower production volumes but several improvement projects were started.

More on energy efficiency ↗

Target 3.06 MWh/t
Result 3.15 MWh/t

No significant environmental incidents

We haven't had any significant environmental incidents for years. We follow up on medium incidents and permit breaches.

More on our environmental impact ↗

Target 16
Result 14 (7 of which were permit breaches)

Recycled material content on a very high level

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

More on resource efficiency ↗

Target 92,5%
Result 93,9%

Reduced CO_2 emissions intensity

Our target is to reduce our CO_2 emissions per tonne stainless steel by 42% by 2030 compared to the baseline of 2016.

More on our actions on climate change ↗

Target 1.71 CO_2/t
Result 1.70 CO_2/t

Employee engagement on a good level

Employee engagement index score was 79 in the latest pulse survey, above the average of the benchmark companies and well in-line with previous results.

More on our people ↗

Result 79

New DE&I roadmap and targets

During 2022, we created a roadmap to strengthen diversity, equity and inclusion. Our new target is to have 30% diverse representation in our leadership teams.

More on our people ↗

Target 30%

Work-related injuries continued to decline

Our total recordable injury frequency rate (TRIFR, per million working hours) continued to decline and was 1.8 compared to 2.1 in 2021.

More on safety and health ↗

Target < 2.0
Result 1.8

Ethics and compliance trainings conducted

In 2022, we relaunched company-wide eLearning on anti-corruption. 99% of administrative employees completed the training.

More on ethics and compliance ↗

Result 99%

Environment

We constantly research and develop new ways of operating to reduce the environmental impact of stainless steel and its production.

“Our growing environmental efficiency is based on long-term efforts and continuous improvement, and our aim is to minimize our emissions and environmental impacts.”

Decarbonizing for the climate

Stainless steel helps to mitigate climate change as it is a durable, long-lasting, and endlessly recyclable material. In addition to offering solutions with a low carbon profile, we have ambitious goals to reduce our own carbon emissions.

Global megatrends such as population growth and accelerating mobility and urbanization have resulted in increased carbon emissions and climate change. Stainless steel can help to build solutions and infrastructure for a more sustainable world.

Stainless steel produced by Outokumpu has the lowest total carbon footprint in the industry, and we help our customers to reduce their carbon footprints. Key reasons for our low carbon footprint are having our own ferrochrome, high recycled material content and the use of low-carbon electricity.

In 2022, we launched a new product line, Circle Green, which has the smallest emission intensity in the world, up to 92% lower carbon footprint than the global average. During the year, we also published product-specific carbon footprints that help our customers to provide more sustainable solutions to the market.

"We are committed to limiting global warming to below 1.5°C. By working closely with our customers, we help them to develop solutions that further decrease their carbon footprint and reduce burden on climate."

We have committed to reducing our own emissions throughout our whole value chain. The keys to reducing our own carbon emissions are to increase our energy efficiency and the use of low-carbon energy sources. We are also working closely with our suppliers and partners to reduce emissions.

Committed to the 1.5 degree ambition

We are committed to the Science Based Targets initiative's ambition of keeping global warming below 1.5°C and our new climate targets were approved by the initiative in 2021.

Outokumpu's near-term science-based target is to reduce direct and indirect emissions as well as our supply chain emissions (scopes 1, 2 and 3) by 42% per tonne of stainless steel by 2030 from a 2016 base year. This translates into a 30% CO_2 emission intensity reduction compared to the 2020 level.

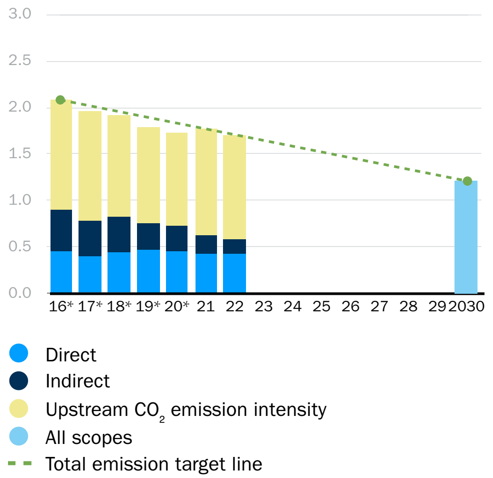
This target follows the well-below 2°C scenario convergence criteria of the steel industry's decarbonization approach, as no revised approach is available, and the electricity decarbonization approach, where the specific emission reduction target is 95% by 2050.

The updated targets cover Outokumpu's value chain from raw materials to own production and delivery. In the long-term, Outokumpu is committed to reaching carbon neutrality in our own operations by 2050.

Our Circle Green product line has the smallest emission intensity in the world. Fiskars was the first of our customers to use it in their production of cookware.

Energy efficiency and recycled steel reduce emissions.

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



The restructuring resulted in a recalculation of the baseline and in 2% higher emission intensity figures.

* Including discontinued operations

In 2022, Outokumpu divested its Long Products operations. The impact of this structural change was limited to 2% increase in the base year emissions and did not impact the approved SBT target.

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 CO_2eq 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. Our production has decreased by 2% compared to new structure baseline, but direct emission intensity has decreased by 5% compared to base year thanks to improving energy efficiency, replacing fossil fuels with lower-emission options and digitalization.

Indirect emissions in scope 2 are caused by the use of electricity. Emission intensity from electricity use were reduced by about 66% compared to the base year mainly due to increased use of low-carbon electricity. Electricity emissions are reported as market-based emissions and also published as location-based emissions with the specific emission factors for electricity published by the country statistics.

Scope 3 emission intensity, originating mainly from the use of raw materials, decreased by 5% compared to the base year. The reduction was mainly supported by the high share of recycled material content in our production, 93.9%.

Scope 3 emissions from material use are, for example, ferroalloys (except ferrochrome which is included mostly in scopes 1 and 2) as well as lime and dolomite, downstream transportation and, to a lesser extent, from some other sources. Emissions arising from externally used process gas and external services are included in scope 3 emissions. A certain amount of slabs from the divested meltshops are processed in our operations. This amount is seen as own crude steel production in CO_2 emission intensity calculations.

At the moment, there are no estimation methods for the complex downstream use emissions of stainless steel available. External case studies indicate CO_2 net savings from steel use in life cycle assessments.

Reducing our carbon footprint

Our total company carbon profile, including upstream emissions, is the lowest in the industry. As stainless steel production is energy intensive, we continuously strive to make our operations more energy efficient and to maximize the use of low carbon electricity and recycled materials in our operations. These are the main factors in reaching even lower CO_2 emissions and reducing upstream emissions.

We are also working with our raw material suppliers to decrease our upstream emissions. We are in the process of integrating CO_2 emissions into purchase decision making and working on innovations across industries to discover news ways of reducing CO_2 emissions.

In 2022, the total specific CO_2eq emissions reduced by 18.4% compared to the baseline of 2016. Key drivers for reduced emissions were the increased energy efficiency and the record high level of recycled material content. Scope 3 emissions were negatively influenced by the external ferrochrome that was purchased during the year and higher e-factors for some raw materials.

In 2022, Outokumpu consumed overall 25,033 GJ of primary fuels and electricity with a decrease due to lower production. The overall energy intensity increased from 10.2 to 10.5 GJ per tonne crude steel.

See all data on CO_2 emissions in the sustainability data tool on Outokumpu's website ↗

Low-carbon roadmap

Outokumpu has developed a roadmap to reach our ambitious climate targets. Electric arc furnaces, in use at our mills, are 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, several other projects have also been identified.

In 2022, we announced a new ambitious target for energy efficiency within the next two years. Until the end of 2024, Outokumpu prioritizes investments in energy efficiency and aims to improve the energy efficiency run-rate by 8% across the Group compared to the January–September 2022 level. Planned energy efficiency improvements will reduce scope 1 and 2 emissions substantially.

The strategy to further reduce the CO_2 emissions of electricity is to expand the low-carbon electricity supply, invest in renewable energy projects and buy certificates. During 2021–2022, Outokumpu announced altogether three new supply agreements for wind power in Europe. In 2022, Outokumpu bought guarantees of origin for 33% of electricity from the energy producers, all used in the EU area.

Implementation of various digitalization projects are estimated to help increase yield, energy and material efficiency in our operations which directly impact our CO_2 emissions.

In the Tornio mill, the majority of direct CO_2 emissions originate from coke which is used as a reductant in the ferrochrome production. For the short-term target, a significant share of fossil coke is to be replaced by biocoke and this 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, which are being studied but no deployable technology is yet available.

In September, Outokumpu announced that it is planning an investment in a biocoke and biomethane plant at its stainless-steel production site in Tornio, Finland. This large-scale biocoke project has now proceeded to a phase where Outokumpu is applying for investment support of EUR 25 million. If realized, this project would potentially reduce CO_2 emissions by more than 200,000 tonnes per year.

Most 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. The scenario for the short-term target includes a change to lower emission fuels, such as replacing propane with natural gas where reasonable and plans to use carbon-neutral biofuels in some operating sites.

A further option to reduce CO_2 emissions in the atmosphere is the carbon capture and storage/utilization (CCS/CCU). Slag use in CCU is seen as one of the most potential techniques to reduce direct CO_2 emissions. Flue gas from own processes could be used in accelerated carbonation technique and outcome would be carbonated slag product replacing cement that can be utilized as construction material.

Magnesium-rich mine tailings can be utilized in CCU by using technology developed by Åbo Akademi University. During 2022–2024, the aim is to pilot the technique and find applications for magnesium-rich residues in carbonation. The project consortium has several industrial partners, institutes and universities involved and it is funded by Business Finland.

Reducing indirect and transport emissions

Close to 70% of the scope 3 emissions originate from material use such as ferronickel, burnt lime and dolomite as well as other alloying elements. Alloying elements are used to generate the different grades and quality of stainless steel. The roadmap for reducing scope 3 emissions follows two strategic approaches.

For the short-term target raw material purchasing is taking the carbon footprint of the supplier into account to align the purchasing to suppliers with lower carbon emissions. The second approach is the increase of recycling as steel scrap and recycled metals from any waste management can replace raw material use. The amount of scrap depends on the availability of suitable scrap.

Outokumpu's low-carbon roadmap also contains projects to reduce the transport emissions. Two projects focus on switching from road transport to electric train transport. Outokumpu cooperates with local communities to realize the projects together.

Raw material purchasing takes suppliers' carbon footprint into account.

Biocoke to reduce climate emissions

As a part of its ambitious climate actions, Outokumpu announced plans in September 2022 to invest in a biocoke and biomethane plant at the Tornio site in Finland.

If realized, this project would significantly increase energy self-sufficiency in Finland. It also has the potential to reduce CO_2 emissions by more than 200,000 tonnes per year. This project significantly supports the Finnish and European energy and climate targets for 2030.

"The new biocoke and biomethane plant would show that it is possible to produce a new raw material from the forest industry waste that is currently burned for low-efficiency energy creation. Biocoke could replace the coke we currently import and which is used as reductant in our ferrochrome production process. The usage of the forest waste instead of solid wood, and the ability to produce a significant amount of biomethane in that process is an example of our innovative capabilities. The production of biomethane enables us to become more independent of external fossil fuels," says Juha Erkkilä, Outokumpu's Head of Sustainability.

Reporting aligned with the TCFD recommendations

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 a sustainable development scenario analysis in line with the 1.5 degree ambition of the Science Based Targets initiative. As soon as a steel sector decarbonization approach to net-zero scenario is available it will be taken for further scenario analysis.

More information in the Risks and opportunities and Review by the Board of Directors.

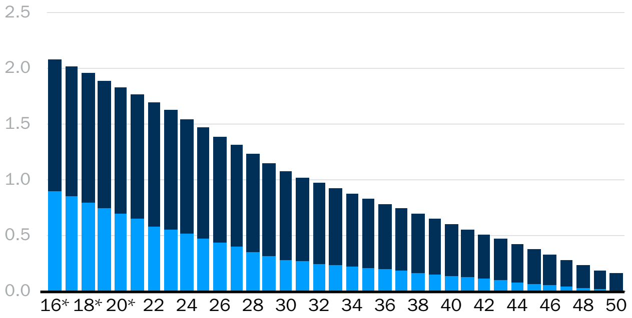
Climate change scenario analysis

The stated policies scenario takes into account countries' energy and climate-related policy commitments, including nationally determined contributions under the Paris Agreement. These provide a baseline scenario against which we assess the additional policy actions and measures needed to achieve the sustainable development scenario (SDS). The SDS 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 emissions. 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 or 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. The target year of the scenarios is set to 2050 in line with the company's carbon neutrality target. The assumption

Area	Recommended TCFD disclosures	Source of information in reporting
Governance		
Disclose the organization's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	Sustainability at Outokumpu SR 33, FS 125
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	Sustainability at Outokumpu SR 33, Risks and opportunities AR 17-27, FS 125, GC 104-108
Strategy		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Climate change SR 26-41, Risks and opportunities AR 26, FS 124-125
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Climate change SR 26-41, Risks and opportunities AR 26, FS 124-125
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Climate change SR 26-41, Risks and opportunities AR 26, FS 124-125
Risk management		
Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.	Climate change SR 26-41, Risks and opportunities AR 26, FS 124-125
	b) Describe the organization's processes for managing climate-related risks.	Climate change SR 26-41, Risks and opportunities AR 26, FS 124-125
	c) Describe how processes for identifying, assessing, and managing climate related risks are integrated into the organization's overall risk management	Climate change SR 26-41, Risks and opportunities AR 26, FS 124-125
Metrics & Targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	Climate change SR 26-41, Risks and opportunities AR 26, FS 124-125
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Climate change SR 26-41, Risks and opportunities AR 26, FS 124-125
	c) Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.	Climate change SR 26-41, Risks and opportunities AR 26, FS 124-125

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



Upstream emissions
Direct and indirect emissions
Target

* Including discontinued operations

of the SDS includes the possible CO_2 reduction projects at different maturity grades according to the developed carbon neutral road map. It is assumed in the SDS scenario that nickel-containing stainless steel grades are produced mainly by recycling, more heating furnaces are changed to electricity-driven heating and that the biocoke and biomethane project is further expanded. All projects are to be realized during the journey in addition to the efficiency improvements.

Analyzed scenarios have been estimated under pessimistic, optimistic and realistic implementation of the projects and technologies for the carbon neutral roadmap to 2050. It is expected that compensation or new carbon capture, sequestration and utilization options for some remaining amount of emissions are needed.

Climate change risks

Outokumpu has assessed physical climate risks and mitigation measures for all sites and included them in the general risk assessment system. None of the physical risks have been identified as a key risk to our company. According to the analysis, the most physical risk is flooding caused by increased events of extreme weather conditions or storms. Natural and catastrophe hazards could impact deliveries and result in interruptions to operations or facility damage at some sites.

The financial impact of the climate transition risk have been estimated for the target period until 2030. The transition risks to Outokumpu are driven by changes to climate policies, which can have adverse impact to Outokumpu's operating environment and financial position as by an increased price of greenhouse gas emissions and the linked rising electricity price. The risk on realization of lower emissions technology will become effective in the coming years. The risk of losing customers and market share is assessed and included in the risk management system. Read more about risks in Risks and opportunities.

In the beginning of 2022, Outokumpu announced that its long-term incentive plans were linked to the company's science-based climate targets.

Opportunities of a low-carbon society

Climate change is one of the three megatrends driving our business. The lifecycle of a stainless steel solution can have a lower climate impact compared to other materials such as carbon steel. As stainless steel is corrosion resistant and 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 of alloyed steel with low-carbon footprint that customers are increasingly demanding.

Investors are looking to finance sustainable projects or to invest 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

88% of Outokumpu's direct CO_2 emissions fall under an emissions trading system (ETS). The share has decreased from 2021 due to discontinued sites. The main risks of the trading phase 2021–2030 of the emissions trading system to Outokumpu involves the pass-through costs of allowances to the electricity price and the protection against carbon leakage by phasing out of free allocations. Free allocations have been decided until 2025.

Decision on the European carbon border adjustment measure will phase out the free allocation 2026–2034. Additional uncertainty on reduction of free allocations in the second half of the ongoing period by further decreasing benchmarks and possible cross sectoral reduction factor will impact the company's position. Outokumpu forecasts to have an adequate quantity of the EU emission allowances until the end of this decade, if the projected CO_2 reduction projects are realized.

Allowance prices are expected to further increase especially as the Green Deal of the European Commission requests further greenhouse gas reduction, and the benchmark for free allocation will decrease.

The European proposal on carbon border adjustment measures is not considering the high impact of the scope 2 emissions. Some main impacts of stainless steel raw materials, such as ferronickel, ferrochrome and ferromanganese are taken in account. There remains a risk that the carbon leakage avoidance measure in the trading system will not effectively be overtaken by the planned carbon border adjustment mechanism for the stainless steel industry.

Working with ambitious climate goals

Verena Schulz-Klemp, Director of Sustainability and Environment, has worked with environmental challenges for several decades. Since 2016, she has developed Outokumpu's climate target setting.

How has Outokumpu's emission reporting developed over the years?

We have reported our climate emissions for decades but first we only reported our direct emissions and emissions from electricity use. These are called scopes 1 and 2. The next major step was to include the raw material and supply chain emissions, which are also called scope 3 or upstream emissions. Scope 3 was included in our calculations in 2016.

What are the challenges in reporting upstream emissions?

It was a big challenge to estimate and calculate the upstream emissions as it can be tricky to get correct emission factors. We started with including the main raw materials and then other materials, downstream, transport, and process gases. The number of different emission sources to be included in scope 3 calculation can be quite big: we have over a dozen of separate sources of scope 3 emissions which need to be calculated per each production site. A bit ironically, the better and more thorough our climate reporting has become, the higher the emissions have become because we have been filling the missing gaps. But we are in a good position to lower our emissions in line with the Science Based Targets initiative.

Why did Outokumpu join the Science Based Targets initiative?

We joined the initiative in 2016 as the first stainless steel producer. Our first science-based climate target was approved in the beginning of 2019. SBTi has a deep technical background focusing on emission intensities, and it takes into account all scopes, which was important for us. We also wanted to contribute to reducing CO_2 emissions and give the signal that we are taking climate change seriously.

What are Outokumpu's climate targets now?

Our targets are now clear but ambitious: our CO_2 target for 2030 corresponds to a reduction of 30% compared to 2020. To reach the set targets we are applying a bottom-up approach and considering all options. For example, lowering our ferrochrome footprint would make a big difference. We produce our own ferrochrome, and it has around 70% lower CO_2 footprint than the industry average, but we still aim to reduce it even more. This can be achieved for example with the planned biocoke investment. In 2022, we also announced an ambitious program for improving our energy efficiency. This program is also a big step to reach our targets.

Developing the stainless steel sector's decarbonization approach is an important focus area for the industry. Can you explain what is being done at the moment?

We have very good expertise on stainless steel decarbonization, and we are working with the SBTi and other organizations to develop the industry's target setting even further. The first steel sector

decarbonization approach did not take into account the special characteristics of stainless steel production. Compared to carbon steel, stainless has lower scope 1 emissions but higher scope 2 and 3 emissions. Stainless steel is produced in electric arc furnace (EAF) mainly out of scrap. A transition from integrated production process to an EAF process, as in carbon steel, is not possible for stainless steel. Developing common target setting principles for the whole stainless steel sector will be significant for the global aim to limit climate warming to 1.5 degrees.

Energy efficiency in focus

Improving the energy efficiency of our operations is one of our focus areas for the next few years.

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. 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.

Key drivers in energy efficiency improvements

In 2022, we announced the decision to significantly increase our energy efficiency improvement target and prioritize related investments in the next two years. Until the end of 2024, we aim to improve energy efficiency by 8% across the group compared to the January–September 2022 level. These measures would correspond to energy savings of approximately 600,000 MWh which is equal to the annual electricity usage of 15,000 households.

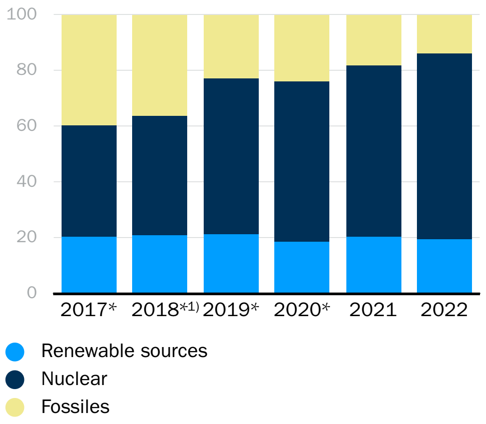
We aim to improve our energy efficiency by
- investing into furnace improvements of heat treatment lines,
- optimizing our energy consumption and fully utilizing our energy management system, and
- improving yield.

The new energy efficiency targets have been translated into site-specific targets. Sites will have specific plans and targets for improving energy efficiency and related investments.

Energy efficiency development

In 2022, our energy intensity per tonne stainless steel increased by 3% from last year mainly due to lower production volumes. Energy efficiency is calculated as a sum of different process steps including ferrochrome.

Origin of electricity, %



1) Includes electricity mix of Mexico for the first time

* Including discontinued operations

Our operations are energy intensive, but our new energy efficiency target by end of 2024 would mean an energy saving of 600,000 MWh – equal to annual electricity usage of 15,000 households.

Total energy efficiency was 3.15 MWh/t against the target of 3.06 MWh/t.

During 2022, the energy efficiency was impacted by a standstill in ferrochrome production and performance of melt shops, but the performance was helped by digitalization and energy efficiency projects.

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 2022, 86% of our electricity sources came from low-carbon (renewable and nuclear) sources. Outokumpu participates in several programs that promote the use of low-carbon electricity such as wind power, hydropower as well as combined heat and power. During 2021–2022, Outokumpu announced altogether three new supply agreements for wind power in Europe.

As primary 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 yet consume fuels from renewable sources in production processes, except small amount for the circle green production, but we utilize our own recovered carbon monoxide process gas which accounts for 19% of our total use of fuel.

Process gases and waste heat are also used to heat buildings on sites. For example, the combined heat and power plant in Tornio, Finland produces heat for the Tornio site out of recovered process gases, and in Dahlerbrück, Germany, we have our own hydropower plant to generate some 10% of the electricity needed in the production. Outokumpu is also a shareholder in a wind power park in Tornio. Fuel switch to lower carbon emission fuels is ongoing. See more details in the sustainability data tool ↗

Share of low-carbon energy

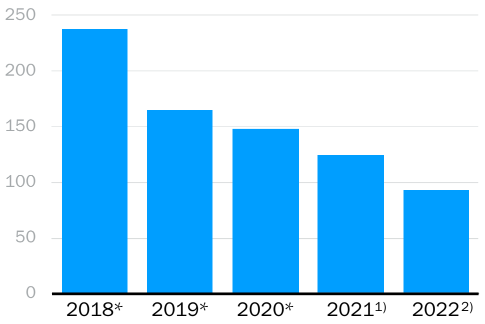
86%

of our electricity sources

Energy used in operations

Gigawatt hours, GWh	2022	2021	2020*)
Electricity	**3,973**	4,384	4,371
Carbon monoxide gas	**574**	678	625
Natural gas	**1,775**	1,990	2,019
Propane	**483**	492	508
Diesel, light and heavy fuel oil and other	**149**	152	159
Energy	**6,953**	**7,696**	**7,682**
Energy use in GJ per tonnes crude steel	**10.5**	10.2	11.0

Market-based electricity emission factor, kg CO_{2eq}/MWh



1) 0,5% of electricity use in EU market is coming with GoO or from ownerships in power production.
2) 33% of electricity use in EU market is coming with GoO or from ownerships in power production.

* Including discontinued operations

Circularity at our heart

We are committed to a circular economy model with our sustainable, 100% recyclable, long-lasting and resource-efficient stainless steel.

We recycle the equivalent of the weight of 250 Eiffel towers annually. In fact, only at Outokumpu's Tornio mill – the largest material recycling center in Europe – we recycle over one million tons of metals per year.

All 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 production 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. Increasing the use of recycled raw materials helps us to reduce our indirect scope 3 emissions which form the largest share of our total CO_2 emissions.

The recycled steel content of our stainless steel, defined according to ISO 14021, was 89.8% in 2022. This includes pre- and post-consumer scrap. Including the use of recycled metals from our waste streams, the recycled material content of our products was 93.9% in 2022 against our target of 92.5% for 2022.

The result was impacted by the good availability of steel scrap. For 2023, our goal is to keep the high level of 92.5%.

Recycling in our own processes

One key factor in reaching such a high level of recycled material content is the recovery and recycling of metals from the production processes, e.g. from dust and scales. We are continuously looking for the best ways to recycle the metals of our melt shop dust. These side streams are either treated on site or by an external facility for recycling in our melt shops.

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.

Our business is based on circular economy.

Our Tornio mill in Finland is actually the largest material recycling center in Europe.

Recycling as much as possible

In our production, all material streams in production are studied carefully to find the means of fully recycling, reusing, or selling them as by-products. Waste management is in our focus and we reuse, recycle and recover as much material as reasonable.

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. Our target for waste (other than slag) going to the landfill is to reduce it by 0.5% per year. In 2022, all waste to landfill per tonne stainless steel was reduced to 0.53 tonnes from 0.56 tonnes.

The amount of tailing sands from the mining operation slightly decreased in 2022 compared to the previous year, as less ore was concentrated. Scales and metals from filter dust or from slag are recycled and acids are regenerated. Other recovered materials like lime, bricks, and some sludges were mostly used in our melt shops to substitute virgin additive materials like slag formers. Tailing sand is deposited in the pond of the mining area itself. Outokumpu's waste management is described in more detail on Outokumpu's website ↗

By-products

In addition to reducing the total volume of landfill waste from our own operations, we also aim to increase the proportion of materials sold as by-products.

We have developed slag-based products, e.g. for reractory and concrete production and water treatment. Slag is an essential material in the steel melting process, and it is made from lime or other natural minerals. By-products made of slag mineral reduce the amount of waste generated by steel, save virgin raw materials and lead to lower CO_2 emissions. In 2022, Outokumpu sold or used 0.93 million tonnes of slag as the main by-product of operations.

In 2022, the use rate (including use, recovery, and recycling) of all slag was 86.5%. The remaining share of slag was sent to landfill. In September, the University of Oulu in Finland published a study that linked Outokumpu's ferrochrome slag by-product to the increased number of broken timing belts in cars in northern Finland. The ferrochrome slag by-products have been used in road construction in the area. Outokumpu is currently assessing the implications of the study, and the sales of the ferrochrome slag for road construction has been stopped for the time being.

During 2022, a company-wide working group worked to develop value-added products of slag and other sidestreams.

Waste management

Tonnes	Generated	Diverted from landfill	Landfill
Hazardous waste	**122,962**	**79,046**	**43,916**
Steelmaking dust	68,846	53,654	15,192
Oily sludge	12,437	12,294	143
Regeneration & hydroxide sludge	5,747	5,200	547
Neutralization sludge	20,006	2,314	17,692
Other waste	15,925	5,584	10,341
Non-hazardous waste from stainless steel production	**254,138**	**49,082**	**205,057**
Scales	11,298	11,298	0
Slag	144,608	0	144,608
Other waste	98,233	37,784	60,449
Tailing sand (surface impoundment)	**1,003,150**	**0**	**1,003,150**

Waste diverted from disposal by recycling

Tonnes	Onsite	Offsite	Total
Hazardous waste			
Recycling	7,457	12,239	19,696
Other recovery operations	57,738	1,612	59,350
Total			**79,046**
Non-hazarduous waste			
Recycling	24,753	11,924	36,677
Other recovery operations	12,405	0.00	12,405
Total			**49,082**
Waste circulation			**128,128**

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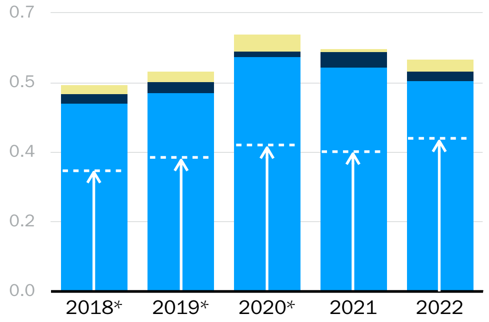
High recycled content is one of the drivers for reducing our emissions.

Total waste development, tonnes per steel



- Landfilled
- Recovered
- Recycled
- Thereof tailing sand

* Including discontinued operations

Achieving high recycling rate

Circularity is in our heart as stainless steel is a key ingredient in the circular economy. At the end of its lifecycle, it's fully recyclable. In our own production we recycle as much as possible and also the rate of recycled materials in our production is the highest in the industry. In 2022, we reached the record-level of 93.9%. How is that possible?

To start with, we use as much as recycled steel in our production as possible. Recycled steel can be both stainless and carbon steel. The recycled steel can be anything from old car bodies and machine parts to old pots and pans. This is why it is so important to return for example old kitchen utilities to recycling once those have been worn out.

We also reuse and recover all metals from our own process, such as filter dust or slags, which is what really differentiates us and helps us the achieve the record high rate. These side streams are either treated on site or by an external facility. Recycling truly is integrated into every step of our processes.

Environmental impacts minimized

We aim to reduce our impact on the environment by proactively developing our production processes, energy and material efficiency. Our growing environmental efficiency is based on long-term efforts and continuous improvement.

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.

Environmental compliance

Our environmental network closely follows the environmental performance of our operations, their permit status and legal compliance. The network conducts internal site audits in the production units according to risk screening. Environmental incidents have been reduced continuously.

In 2022, there were 7 permit breaches at our operational sites, but all were temporary and did not have a significant impact on the environment. Outokumpu reported each incident to environmental authorities, and carried out corrective actions immediately or resolved the incidents together with the authorities. No environmental damage was detected, and no fines were declared in 2022.

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. We work together with our suppliers to decrease the share 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.

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 in specialized internal and external recovery plants. Our dust filtering systems are extremely efficient and remove 99% of the particles.

The measured particle emissions from all of our production processes were 223 tonnes in 2022. A large share of the particles, 139 tonnes, were emitted from the ferrochrome production process. However, the emission measurements 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 in line with BAT levels. No significant further reduction is expected.

Water is reused as much as possible

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

During the last decades, we have made significant investments to minimize our environmental impacts.

and nitrates. The discharge is measured and supervised by the authorities. Out of the 7 permit breaches that occurred in 2022, one case was a minor non-compliance in sanitary wastewater. They were coordinated with authorities, immediately removed and analyzed.

Wastewater treatment depends on the contamination of the wastewater. 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 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 municipal treatment operators.

The water used in the production is mainly surface water from rivers and sea and often includes rainwater. The impact of water withdrawal is evaluated at sites where river water is used, and where data on the river water is available.

Regular water impact assessments in our biggest operating site Tornio and in the mining site in Kemi are available publicly. Latest assessment from 2021 covers meteorological and hydrological development, factors impacting the sea area, physical and chemical water quality and fishery impact and development. The studies show that the impact of the stainless and ferrochrome production on the sea area's water quality and the biodiversity changes is minor.

Outokumpu operates a cold rolling mill in San Luis Potosí, Mexico, in a dry, arid area, where groundwater is a scarce resource for people (extremely high water stress area according to Aqueduct). The groundwater withdrawal accounts for about 0.29 million m³ and the water discharge to municipal wastewater system was at about 0.04 million m³. Water recycling and treatment at this site are especially ambitious to minimize the groundwater impact. The site has self-committed on specific groundwater use and on high water treatment.

Impacts of the mining operation are limited

Outokumpu operates the only chrome mine in the EU located 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.

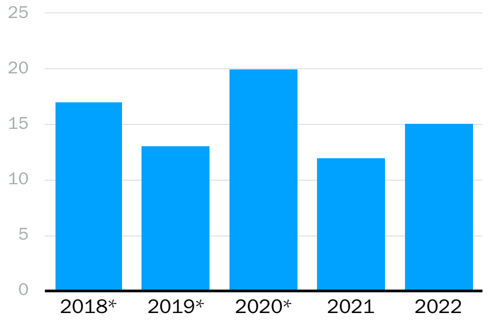
The environmental impacts of the mine are very limited due to the nature of the process. The minerals are in oxide form and very stable with only a minimal amount of sulfur compounds. Chemicals are not used in the beneficiation process, which is based on gravity separation.

The 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

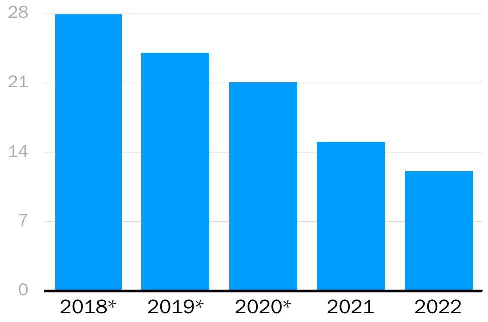
Water withdrawal and discharges

Million m³	2022	2021	2020*)
Surface water	**29.1**	29.2	46.1
Seawater	**11.6**	13.1	na
Municipal water	**0.5**	0.5	1.1
Groundwater	**2.6**	2.3	2.6
Rainwater	**1.2**	1.9	2.4
Water withdrawal by source	**45.1**	**46.9**	**52.2**
Water discharges	**32.3**	**35.0**	**na**
Cooling water out	**13.7**	14.5	13.2
Wastewater to municipal treatment	**0.7**	0.8	na
Discharge to surface water	**11.4**	12.9	21.0
Discharge to sea water	**6.5**	6.7	na
Emissions to water, tonnes			
Metal discharges to water, tonnes	**27.9**	26.9	43.7
Nitrogen in nitrates, tonnes	**1,648**	1,049	1,070

Steel melt shop particle emissions, grams/t



Total amount of environmental incidents at operational sites



Includes all environmental incidents in addition to the permit breaches.

* Including discontinued operations

concentrator plant on the surface level. Furthermore, a significant amount of 0.43 million m³ of rain and snow melting waters, less than half of last year, were collected in the process in 2022. The Kemi mine discharges 2,522,000 m³ water from the area, including rainwater, whereas the water intake from the municipal supply is only 23,000 m³.

During 2018–2021, the Kemi mine carried out a project to increase the resource efficiency of the mine. The project was 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 was not 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.

In June, Outokumpu announced that it has established a roadmap to achieve carbon neutrality at the Kemi chrome mine by 2025. The three main factors to reach carbon neutrality at the Kemi mine are the utilization of carbon-free electricity, using biofuels in transportation and machinery as well as replacing natural gas and propane gas with biogas in heating. Mining machinery electrification will also be extended to reduce the need for fuels.

Biodiversity

Outokumpu is committed to supporting biodiversity and takes it into consideration in its decision-making. The main way for Outokumpu to contribute to maintaining biodiversity globally is through the reduction of greenhouse gas emissions and increase of recycling as this is saving natural resources. 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. The company's chromium mining is an underground mining without increase of used land, without the use of chemicals and without impact on the climate development. Old open pits in the mining area are ponds and living environment for many birds and fishes. An environmental impact assessment on the mining operation is still ongoing.

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 81% of the total owned land. Find out more about these sites on our website ↗

Outokumpu has several projects ongoing to support biodiversity on areas surrounding its sites. These include building bird hotels at the Kemi mine, establishing insect hotels in Avesta, Sweden and creating a wildflower meadow for bees in Dillenburg, Germany.

Biodiversity

Site	Area in km²	Percentage
Calvert, US	4.69	19.2%
Dahlerbrück, Germany	0.063	0.3%
Kemi, Finland	9.16	37.4%
Tornio, Finland	6	24.5%
Total		**81.4%**

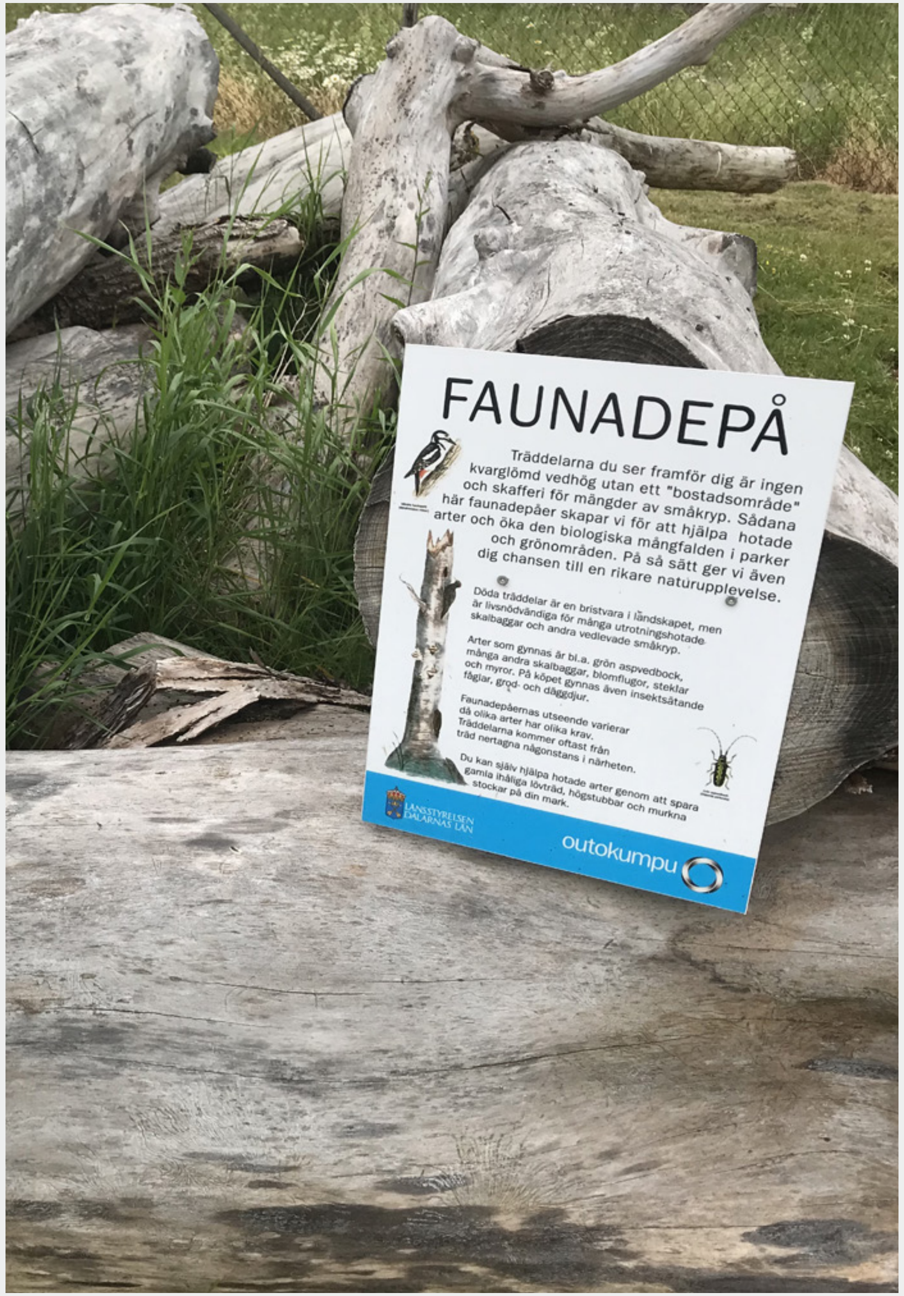
Hosting birds and insects in hotels

The unique ecosystem of the Kemi mine area has created a diverse environment for different bird species. The area is popular among local bird enthusiasts, and Outokumpu has been cooperating with the local bird enthusiast association for decades. The latest step in the cooperation has been to build a hotel for house martins in the Kemi mine area.

“Due to the scarcity of nesting sites, the number of house martins has decreased dramatically, and these birds have built nests in the office area buildings. We wanted to build nesting sites for house martins near a water basin, where there is enough water and insects for them,” says **Tuula Laasanen**, Chairperson of the local bird-watchers association Xenus.

A similar initiative took place at our site in Avesta, Sweden.

"As an initiative for biodiversity, we let tree logs remain on the ground so they can become a hotel and food storage for a wide array of insects. These logs are placed just outside the fence to our industrial area," explains **Joakim Rollin**, Environmental Coordinator in Avesta.



People and society

Outokumpu is a part of a global supply chain and a major employer in many of our communities.

"We want to be a good corporate citizen and an employer, and we take our role in the global supply chain seriously."

Sustainable supply chain

Outokumpu is a part of a global supply chain by producing stainless steel for leading brands in demanding industries around the globe.

Our customers expect us to provide a traceable supply chain and, therefore, we have in place stringent requirements for our suppliers, too. Developing our supply chain monitoring is one of the priorities in our sustainability work.

Supply chain management and policies

Our procurement activities are divided into general procurement and procurement of raw materials. Raw materials are all ingredients that are in the steel we produce. General procurement purchases everything that is needed for our production activities and everything else we do at Outokumpu.

In 2022, we had
- Over 6,000 suppliers globally, local suppliers account for about 45% of purchases
- Raw material suppliers in 49 countries and General Procurement suppliers in 48 countries
- 61 raw material suppliers operating in countries with an assessed increased risk, covering 13% of the total spend on raw materials.
- only a few of general procurement suppliers operating in countries with increased risk with negligible combined spend.

Outokumpu's supply chain activities are guided by our Supplier Code of Conduct, Supplier Requirements and our Corporate Responsibility Policy. We are committed to the Modern Slavery Act and take into account the OECD Due Diligence Guidance for Responsible Supply Chains. We have started to implement the UN Guiding Principles on Business and Human Rights (UNGP) into our operations and supply chain.

Our most important raw material is recycled steel, which primarily originates from Europe and the US where our melt shops are located. The primary alloying element, chromium, originates primarily from our own chrome mine in Kemi, Finland. We also get large amounts of the alloying elements (Cr & Ni) from the recycled materials.

Progress and events during the year

In 2022, we continued the development of our supply chain sustainability management. During the year, Outokumpu published a new Supplier Code of Conduct which outlines our expectations for our suppliers. Complying with our Supplier Code of Conduct is considered a minimum requirement for business engagement with any of our business units. We also reviewed our Supplier Requirements and published a Human Rights Policy.

The raw materials sustainability team was strengthened in April with three additional resources. The team developed a social audit approach with the support of external advisors and was trained to be social auditors. The onboarding process for raw material suppliers was reviewed and now has a stronger focus on sustainability and related risks, and we also developed a new digital tool for the onboarding.

We want to provide a tracleable supply chain and therefore we look beyond our direct suppliers.

During the year, we had a particular focus on supply chain transparency beyond direct (tier 1) suppliers and extended the documentation of our supply chains.

All these activities contribute to us fulfilling the expectations of the UNGP, the Norwegian Transparency Act, the German Supply Chain Act and other existing and upcoming legislation in this field.

Following the enactment of the Uyghur Forced Labor Prevention Act (UFLPA) this year, we identified those suppliers with increased risk in the context of the law and asked them to sign a declaration and/or to present their supply chain due diligence practices to us.

We also continued the collection of supplier-specific CO_2 emission values for selected raw materials and developed a scope 3 CO_2 emission reporting and forecasting tool.

Risk-based approach

Outokumpu applies a risk-based approach in supplier management. Risks are assessed in different stages of the relationship with the supplier, first during the onboarding of a new supplier, but also later during the relationship with the supplier.

Onboarding

A supplier shall be qualified before they can be approved and added to the Outokumpu supplier portfolio. In the qualification process, the potential risks and/or opportunities are identified and evaluated. The identification of risks follows Outokumpu's Know Your Business Partner Instruction.

This ensures that the suppliers comply with the Outokumpu Supplier Code of Conduct and Supplier Requirements and can provide conforming raw materials, products, or services on a consistent basis. All new suppliers go through a compliance screening for sanctions before any business is initiated.

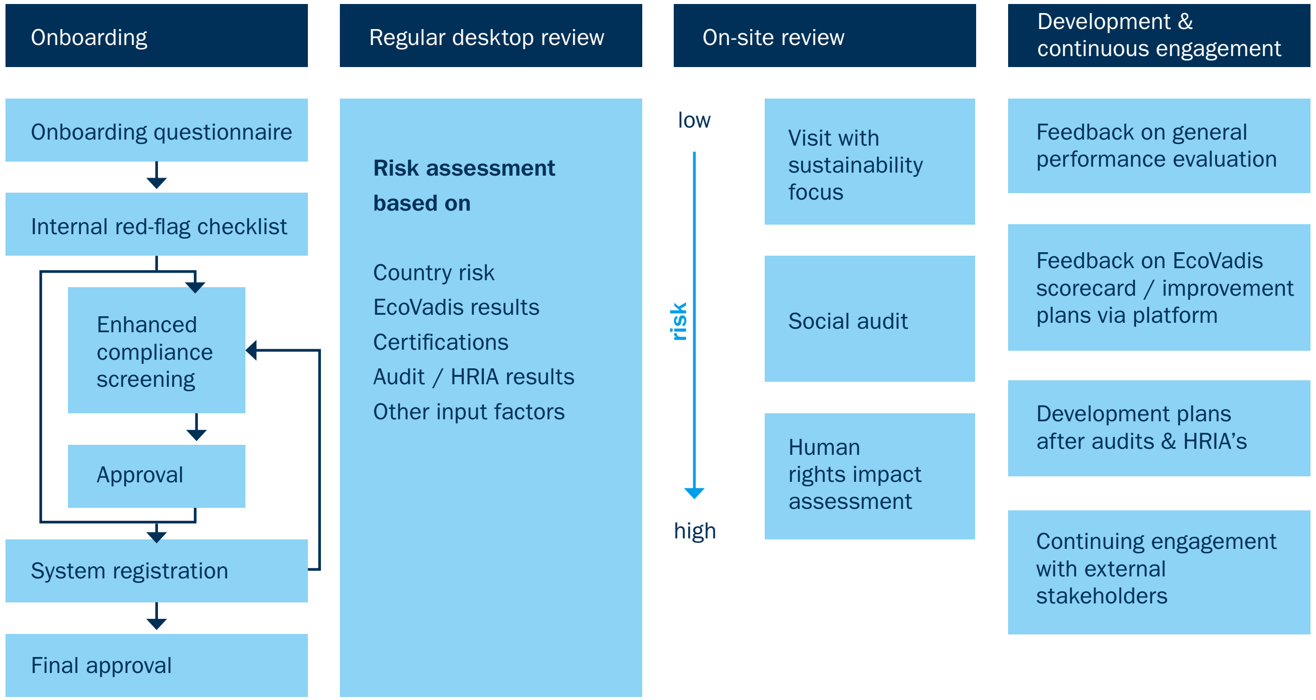
Around 500 general procurement and 11 raw material suppliers were onboarded in 2022. Two raw material suppliers were onboarded with the new process.

Regular desktop review

Outokumpu monitors its suppliers through regular desktop reviews, by using, for example, country-based risk indicators, self-assessments, and screenings. In 2022, 100% of our raw material suppliers were assessed with this risk-based approach. In 2022, 18 of Outokumpu's raw materials suppliers were categorized with medium and 43 suppliers with high risk, covering 13% of the total spend on raw materials.

Raw material procurement uses the EcoVadis platform for self-assessments, which focuses on environment, labor and human rights, ethics, and sustainable procurement.

Supply chain due diligence



Risk-based supplier due diligence in raw materials procurement

At the end of 2022, 56 raw material suppliers had valid EcoVadis scorecards, with an average rating score of 52 (scale 1–100), covering 64% of the spend.

General procurement uses its own self-assessment process to evaluate suppliers. The assessment is done against our Supplier Requirements and includes the areas ethics and sustainability, health and safety, environmental management, quality, production and supply control, supply chain and supplier management and company management. In addition, the performance of selected suppliers is regularly evaluated using the following criteria: technology, quality, supply, cost, safety, environment, and financial risk. As a result of the self-assessments and performance evaluations, non-conformities and improvement opportunities are identified and needed actions agreed with the suppliers.

During 2022, 89 general procurement suppliers completed a self-assessment questionnaire and 187 improvement actions were defined and completed.

In general procurement, financial screenings for 97 potential new and existing suppliers were conducted. Of the screened suppliers, five are located in medium or low risk countries, which are defined in the Know Your Business Partner Instruction.

Visits, on-site audits, and impact assessments

Suppliers are selected for visits, on-site audits and impact assessments based on their risk level.

Social audits are carried out on suppliers that have potential human rights impacts arising from the supplier's own operations or its value chain. Impact assessments are conducted on high-risk suppliers.

Whereas social audits are carried out by Outokumpu itself, impact assessments are always carried out in collaboration with an external auditor and usually take longer than a social audit. Also, the scope of an impact assessment goes beyond the supplier's premises and employees and includes external stakeholders as well.

During 2022, 12 general procurement suppliers were audited. In raw material procurement, 11 suppliers were visited, one was audited and three went through an impact assessment.

Based on the visits and audits, improvement areas were recognized and discussed with the suppliers. One raw material supplier in Guatemala was subjected to a human rights impact assessment after several allegations were raised against the supplier. Based on the findings, purchasing from the supplier was suspended.

More information about Outokumpu's site visits to raw material suppliers can be found on our website ↗

Capacity building

During 2022, capacity building in the areas of social and environmental issues within raw material supply chains took place in the form of trainings related to the EcoVadis concept, new onboarding process of new suppliers and conflict minerals procurement and reporting. All category managers and buyers participated in the trainings, and everyone participated in at least one of the trainings. The average participation rate was 96%.

In general procurement, category managers and buyers were trained on supplier qualification and relationship management processes during a 3-day capacity building workshop. A separate human rights risk assessment workshop was held for the transportation category group. Four team members have developed their auditor skills further in trainings.

In raw materials procurement, the strengthened supplier sustainability team received the social auditor training, and all category managers and buyers were trained on conflict minerals, the new onboarding process, and on the concept of social auditing.

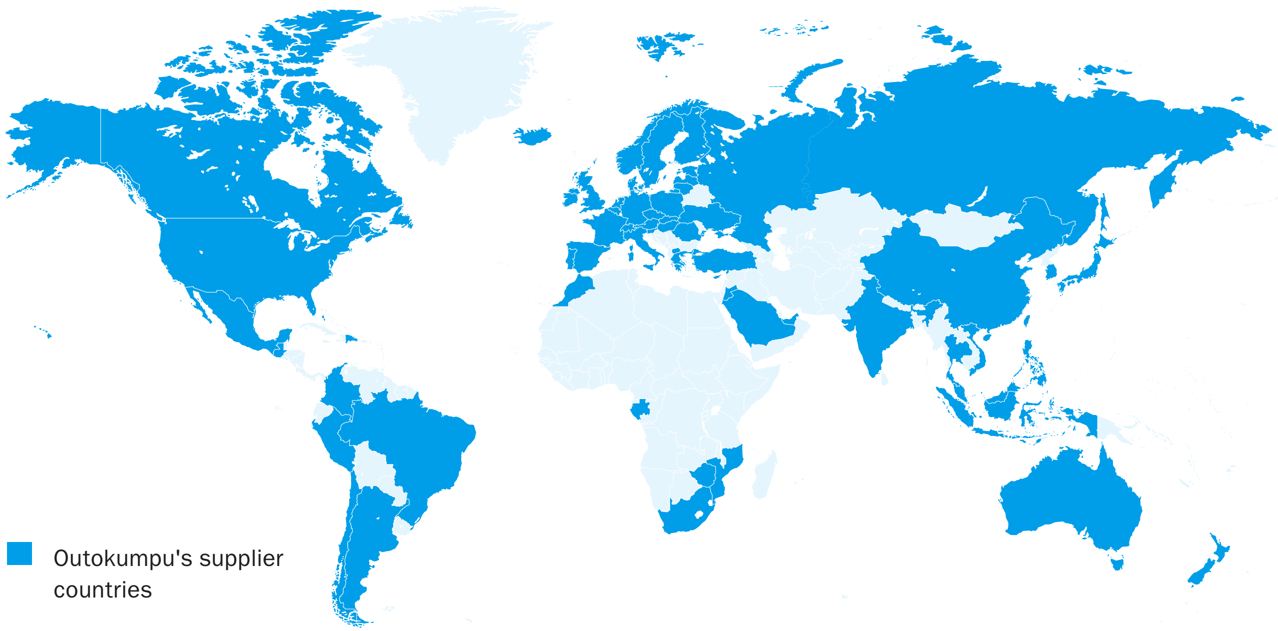
Plans for 2023

Outokumpu will continue to strengthen its approach to sustainable supply chain management in 2023.

In raw material procurement, the aim is to continue the work on supply chain transparency and documentation in our SRM tool, reducing scope 3 CO_2 emissions, executing and fine tuning the processes developed in 2022, such as the new onboarding process, the regular desktop review, and the social auditing approach.

In general procurement, the aim is to develop the risk-based approach on supplier assessments by further increasing the focus on sustainability and executing on-site assessments for selected suppliers, improve risk identification and evaluation efficiency with specific focus on sustainability and compliance.

Material and service suppliers



Continuous improvement in supply chain sustainability

Outokumpu conducted a human rights impact assessment at one of its suppliers in Guatemala after allegations of negative impacts were raised in the media. **Hannah Stratmann**, Head of Human Rights and Supplier Sustainability at Outokumpu, takes us through the case and how we have developed our processes.

What happened?

In late 2021, Outokumpu was contacted by Swedish journalists investigating nickel mining in Guatemala. The journalists claimed that one of our sub-suppliers was covering up pollution of a lake near a mine operated by them. There were also other allegations, for example negative impacts on the local people and lack of transparency.

How did Outokumpu act on the situation?

As soon as we got the information about these allegations, we acted firmly and decisively and decided to discontinue purchases from the sub-supplier and to conduct a human rights impact assessment together with an external partner. As part of the assessment, a field visit was completed in the beginning of March, during which both internal as well as external stakeholders were involved.

How was the assessment conducted?

The purpose of the assessment was to investigate, identify and assess the human rights impacts of our sub-suppliers' operations on the affected communities, focusing on indigenous rights-holders. This included a review of the company's human rights risk management practices and their status of implementation to determine if Outokumpu can rely on those processes to fulfil its own due diligence responsibilities under the UN Guiding Principles for Business and Human Rights.

What happened after the visit?

Based on the findings in the assessment, the suspension of purchases from the sub-supplier remained in place. The final report contained recommendations for the sub-supplier, and we stayed in regular contact with them to discuss the recommendations and monitor their implementation. We are committed to working with the sub-supplier in improving the situation for the local population and their welfare and safety.

Have you visited other suppliers to assess human rights impacts?

Yes, in 2022 we visited five of our metallurgical coke suppliers in Colombia together with the same external partner that conducted human rights impact assessment in Guatemala. This time, there were no allegations towards the suppliers beforehand, so we conducted these visits proactively based on our raw material supply chain risk assessment. We also conducted a human rights impact assessment at a nickel supplier in Colombia with our external partner. During these visits, we discussed the suppliers' own due diligence processes, governance and how they assess their suppliers. We also engaged again with external stakeholders and NGOs to hear their views on the companies and to learn about specific risks and conditions in those regions. Interestingly, most of the suppliers told us that we were the first of their customers to visit them to talk about human rights.

In addition to the impact assessments we conducted with our external partner, we did our first social audit at a supplier in the Dominican Republic. We developed the Outokumpu social audit approach with our external partner and my team and I received training in how to conduct these audits. We are aware of the criticism that social

audits sometimes are subject to, but we believe we have found a good way to identify human rights risks and assess our supplier's due diligence practices. We will continue conducting social audits on suppliers with medium risk and we will finetune our approach along the way.

Currently, we are working with our external partner and one of our scrap suppliers on identifying human rights risks in the stainless-steel scrap supply chain. The scrap supply chain is often seen as less risky than the extraction and processing of primary metals, but as our stainless steel is made to more than 90 % out of scrap, we find it very important to get a better understanding of the risks in this supply chain.

What remains to be done?

Developing our supply chain sustainability is a continuous journey for us. In 2023, we will continue to strengthen our approach and processes which we have developed this year, for example the audit approach that I just mentioned. Human rights impact assessments with the external partner are also on our agenda for next year. We also developed a new onboarding process for raw material suppliers which we continue to execute and finetune. This helps us to engage our suppliers right from the start.

Impact on human rights

Outokumpu is committed to conduct its business with high integrity. We respect and promote human rights and conduct business in a safe, sustainable and ethical manner.

This section is a summary on the reporting on human rights in accordance with the UNGP Reporting Framework and the Norwegian act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act). The full report will be published on our website ↗

Commitment

Outokumpu is committed to conduct its business with high integrity. We respect and promote internationally recognized human rights as set forth in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. Human rights are addressed in several publicly available company documents: Outokumpu's Human Rights Policy, Code of Conduct, our Corporate Responsibility Policy, Supplier Code of Conduct, our Supplier Requirements for Raw Materials and our Supplier Requirements for General Procurement.

Our Human Rights Policy was developed during spring 2022 and is publicly available at www.outokumpu.com. At the end of 2021, we engaged external experts to help us identify human rights risks and impacts that we may cause, contribute to, or are linked to through our business relationships. This work included the identification of our salient human rights issues, which informed our human rights policy. Health & safety, equality, and anti-discrimination, working conditions, freedom of association, no tolerance for forced labour and child labour, indigenous rights, and the right to a clean and healthy environment are material topics to us and are highlighted in our human rights policy.

Outokumpu is committed to respect and protect the human rights of everyone who may be affected by our activities or through our business relationships. We expect not only our own employees, but also business partners, including suppliers and sub-suppliers to respect and not infringe upon human rights.

The CEO has most senior level of oversight and accountability for human rights in Outokumpu. Responsibilities are cascaded down via the Chief Technology Officer, who represents sustainability in the company's leadership team to the VP, Sustainability who is responsible for the management of ESG risks within the company and further to the Head of Human Rights and Supplier Sustainability. Responsibilities related to human rights and supplier sustainability are combined in one role, because most of the identified high human rights risks are connected to Outokumpu's sourcing activities. The Chief Technology Officer, the VP, Sustainability and the Head of Human Rights and Supplier Sustainability are part of the ESG core team, which discusses human rights risks on a regular basis.

Outokumpu has been involved in some labor-related disputes, for example in the US regarding a dispute over payment of wages, of which more information can be found in the Review by the Board of Directors. Even when Outokumpu is of the view that the claims asserted against

In 2022, we completed a human rights risk assessment of one supplier in Guatemala and visited several suppliers in Colombia.

it are without merit and is defending against them, we always investigate each issue and take necessary measures to improve our processes and mitigate any residual risks of these kinds of claims.

Development in 2022

Whereas 2021 was a year of commitment, 2022 marked the start of our UNGP implementation journey. During the first half of 2022 we developed and documented a method of integrating human rights risks into our enterprise risk management system. We also developed and published our human rights policy and published our first report on human rights due diligence following the UNGP reporting framework. The Outokumpu human rights network was founded, and first trainings and workshops were held.

In addition to developing the structures for human rights management in Outokumpu, we had a specific focus on human rights in our raw material supply chain. A case of potential human rights infringements at a supplier in Guatemala was brought to our attention, which resulted in an impact assessment in early 2022. During 2022, the raw material supply chain team developed and improved due diligence processes and visited 14 raw material suppliers on-site.

Salient human rights issues

In 2021, we carried out workshops with internal stakeholders to identify the most salient human rights risks. The identified human rights risks were rated based on their scale, reach and remediability to be able to make a prioritization based on their severity, as well as on their probability to occur. In 2022, the human rights risks were separated into risks stemming from Outokumpu's own operations and risks within Outokumpu's supply chain. Some of the identified risks were renamed and their likelihood and severity was re-evaluated.

Those risks with a very high rating on severity and probability, are considered to be salient. Updated human rights risk matrix can be found on this page.

Affected human rights: / Risks:	Right to equality & freedom from discrimination	Health & safety	Right related to minorities	Rights to rest and leisure	Right to environment	Freedom from slavery	Children's rights	Indigenous rights
Risks stemming from Outokumpu's own operations								
Climate change								
Discrimination, intimidation, and harassment within the workforce								
High workload								
Risks stemming from Outokumpu's supply chain								
Radioactive material in scrap								
Human trafficking in coke supply chain in Colombia								
Environmental pollution by nickel suppliers								

Stakeholder engagement

Management of human rights issues requires the involvement of stakeholders. We maintain a dialogue with our stakeholders to understand what they expect from us. We conduct a regular materiality analyses to stay up-to-date on the expectations of our stakeholders. In 2022, we also participated in the Reputation & Trust survey in Finland to examine the general public's view on reputation.

Access to remedy

At Outokumpu we encourage everyone inside and outside the company to report potential and actual human rights infringements to us, even if we are not causing or contributing to them, but are linked to them through our operations, products, or services.

All stakeholders, both internal and external, can raise their concerns to Outokumpu in various ways, including through our SpeakUp Channel. SpeakUp is an externally operated channel enabling Outokumpu employees and external stakeholders to report breaches of the Outokumpu Code of Conduct or other misconduct. This can be done confidentially and anonymously, if allowed by the local laws and regulations. The Channel is available through our website and can be used in several different languages. The VP, Sustainability and the Head of Human Rights and Supplier Sustainability can also be contacted directly via e-mail, their e-mail addresses are available on Outokumpu's webpage ↗

We operate safely, always

We believe that continuously strong safety performance correlates with improved quality and operational efficiency. Everyone at Outokumpu has the right to a safe and healthy working environment.

Taking every step necessary to protect ourselves and our colleagues, we are continuously reducing our accident record year on year. We aim to be the industry leader in safety with the vision of zero accidents.

Managing safety with a proactive focus

Our proactive safety management system, which includes hazard recognitions and Safety Behavioral Observations (SBOs), supports us in striving toward our safety targets. Hazard recognitions and SBOs are utilized to flag potential risks and unsafe acts and 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 daily work is guided by common safety principles, standards, guidelines, and our ten Cardinal Safety Rules. Safety audits are performed regularly according to a standardized audit program.

"When we work safely always, we prevent accidents and protect those around us."

Our safety network, which comprises 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. In 2022, the working methods of the network were developed further to fully utilize the group's expertise in implementing the new safety strategy. The network group was expanded to include more safety experts from sites and two face-to-face workshop meetings were held to define a common roadmap.

Safety themes in 2022

We have achieved remarkable improvements in our safety performance over the past few years, but we still have many accidents that are rooted in complacency and errors in our day-to-day behaviors. Focusing on safety culture and human factors will help us to maintain our positive safety trend performance and supports our journey towards zero accidents within our organization.

Our safety strategy and ambition were updated in 2022. The updated safety strategy is based on three pillars:
- strengthening our safety culture,
- developing our safety management, and
- utilizing the latest safety technologies.

To support the development of our safety culture, a pulse survey was launched in November to map our organization's views on safety. Over 71% of our


To protect ourselves, our colleagues and all our stakeholders we work and carry out our day-to-day jobs and tasks in a safe manner.

employees answered the survey. According to the results, our safety culture is at a good level with the Safety Index grade being at 87. The results are used to develop an action plan for further strengthening safety culture. Going forward, the survey will be conducted regularly.

In safety management development, one of the key projects was to establish a cross-learning program for safety. Read more about the program on the next page. During the year, the safety network worked on implementing a global digital tool for harmonizing safety management. The network also conducted research into how artificial intelligence could be utilized in safety management and risk detection.

Safety performance

Outokumpu uses total recordable injuries per million working hours of employees and contractors (TRIFR) as the main safety performance indicator. Group TRIFR declined from the previous year and was 1.8 against the target of <2.0 (2.1). Group LTIFR (lost time injuries per million working hours) was 0.8 against the target of <1.2 (1.1).

The rate of all work-related accidents (total recordable injuries and first-aid treated injuries per million working hours) was 10.1 (11.9).

Proactive safety action frequency was 11,029 (8,185). This includes reported hazard observations, SBOs, and other preventive safety actions per million working hours.

Our long-term target is zero accidents.

Work-related injuries by region, accident and employee type

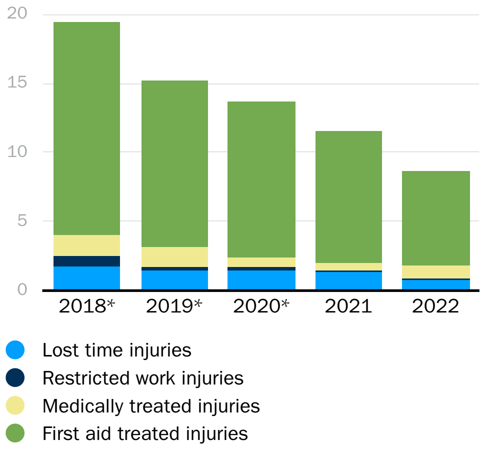
	Group	BA Europe	BA Americas	BA Fe Cr	Employees	Contractors
TRIFR [1]	1.8	2.1	0.3	0.6	1.4	0.4
LTIFR [2]	0.8	1.1	1	2.4	0.7	0.1
Total recordable injuries [3]	37	27	6	4	29	8
Fatalities	0	0	0	0	0	0
Lost time injuries	17	14	2	1	15	2
Restricted work injuries	2	2	0	0	1	1
Medically treated injuries	18	11	4	3	13	5

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.

Work-related injuries[1]



1) Per 1 million working hours.

* Including discontinued operations

The main direct causes for work-related injuries were the use of forbidden or inappropriate work methods, temporary carelessness and defects in machines and lack of operational procedures.

Health and well-being

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 the Outokumpu sites to ensure a healthy working environment.

The number of occupational diseases diagnosed in the Group was 0 (0).

Total injury frequency rate was
1.8
per million working hours in 2022.

Sharing best practices in the cross-learning program

As a part of our updated safety strategy, a new cross-learning program was started at Outokumpu during 2022. In the new program, members of Outokumpu's safety network visit other sites with the aim of sharing best safety practices, increasing knowledge and helping the organization to improve our safety performance.

"I am very proud of the honesty and transparency of our different teams. Big thanks also to operations, maintenance, reliability, safety and all the other teams involved in this project. Working as a team and with this positive attitude we can make sure all Outokumpu employees and contractors work in a safe workplace free of accidents", says **Oihana Ramos**, VP – Health & Safety.

During the year, altogether 13 cross-learning visits were conducted. Key finding from these visits relate to implementing safety standards, handling of SBOs, utilization of digital tools and best practices in safety walks.

In good company

Our people are engaged in their work, and our priorities are clear. Our vision is to build a working culture on people's success, where everyone can be themselves and utilize their full potential at work.

Going forward with the new business lines

On July 1, we announced the new business area Europe organization and related appointments. With the two distinct business lines – business line Advanced Materials and Stainless Europe – business area Europe will strengthen our position as the customer's first choice in sustainable stainless steel.

The split into the two business lines has brought more transparency and visibility into our operations. In practice, it has meant closer collaboration between operations, supply chain and sales functions. We are closely working together and aligning the operations of our sites to ensure alignment within the European markets. This provides our clients an easy access to the whole range of products, while offering us more flexibility within our organization to simplify the operating model and strengthen our business orientation.

The management teams of the new business lines were formed emphasizing the diversity of the team members. During the first months, management teams have spent a lot of time together getting to know each other and visiting actively our sites in different countries to know the new organization and our people. Internal webinar discussions have been arranged regularly to engage and inform everyone.

With the launch of the new organization, we were able to utilize our existing talent pool and offer new, interesting positions to Outokumpu team members. It has been wonderful to see our people flourish in the new roles and be proud of what they do. The new organization has meant new ways of working and has required quick adoption ability of the team members, but it has started very well in good cooperation on all levels.

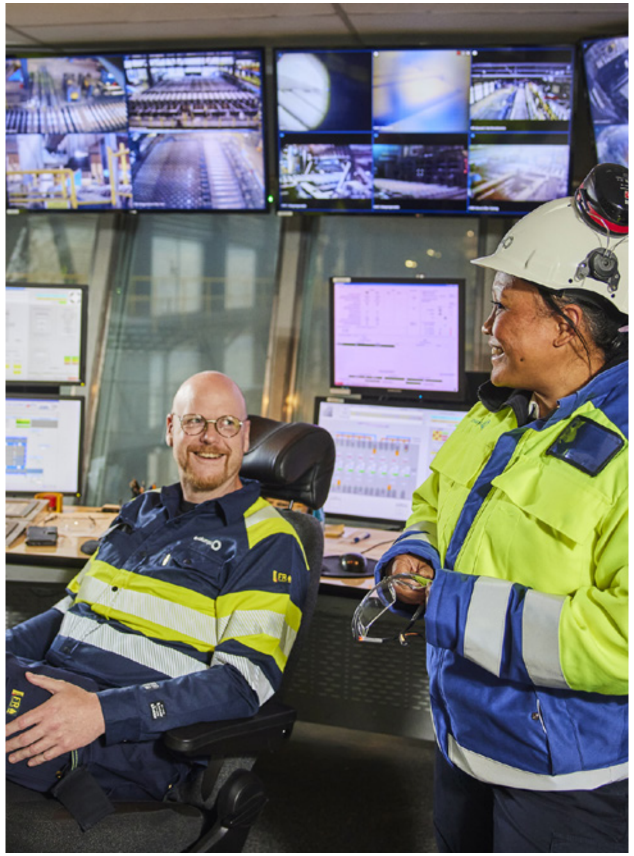
Going forward, the new organization will require new capabilities and versatile talents to be able to respond to the developing business needs. The new working model has already been pressure-tested during the third quarter with volumes being low. Agility and ability to react fast in the changing market environment are keys to the success.

Enhancing leadership and the excellence of our teams

We have continued investments in our leadership's capabilities having significant impact on our business performance and our team members' well-being at work.

After the pandemic, it has been important to bring colleagues together. Multiple management teams have participated in Team Excellence workshops to increase their performance as a team.

Our Step-Change in Leadership Excellence program continued across the organization. The program develops leaders at all leadership roles. In the Americas, especially our shift-leaders have actively participated in the License to Lead shift-leader program.



The split into the two business lines has meant closer cooperation between operations, supply chain and sales functions, and also new opportunities to our people.

Our well-established training programs continued at all levels. For example, with the Sales Academy and its Way to the Customer training, we are further enhancing our sales organization. This Outokumpu-specific training offers tools for efficient sales discussions and harmonizes the way Outokumpu is presented to the customers. Our Finance Academy concentrates on developing the core competencies of our finance team to be able to act as a trust-worthy and influential business partner.

All programs will be offered to the teams also in 2023 and will be complemented with new parts aligned with business requirements.

Developing our talents and future leaders

The key target of our talent management is to ensure that we have enough of potential in our talent pipeline to grow into our key leadership positions globally.

In our global and process-driven organization, key roles require international and cross-functional experience accompanied by agility and excellent leadership skills. During 2022, we were able to rotate more than 80% of our young talents and high potentials to key positions.

We have established extensive programs and development opportunities to grow our talent and different talent pools: young talents, those with high potential, and top leadership.

Leap – our Global Opportunity program – is a 2-year program which we offer to our young talents who are interested in moving into leadership roles very fast. We provide the opportunity to grow networks and global understanding of the company and fast-track career as international leaders. One ambition is to increase the number of females in our leadership pipeline. The program has been designed to provide customized experiences with systematic mentoring and individual training plans. For the selection process, we use various assessments and panel interviews to make the best decisions based on objective criteria.

Hybrid working model is the new normal

After the national pandemic guidances for remote working ending in many countries, we could finally get back to the offices and meet colleagues in a familiar environment.

To encourage teams to meet each other regularly, weekly coffee meetings are arranged on several locations. Informal meetings offer a great opportunity to meet-and-greet, introduce new team members and share topical information.

We want to be as flexible as possible but maintain the good elements of working together. Employees, whose tasks are suitable for remote work, have the possibility for hybrid working. At our operational sites, securing the production defines the possibilities for remote work.

The hybrid model means a balanced combination of office work and remote work. Remote work is agreed between the manager and the team members. Face-to-face work in the office is important regarding team spirit, collaboration and connecting to company and its priorities.

Early indications show that the hybrid working model approach is well received. In all cases we emphasize trust and flexibility.

In June, Leap professionals finally started their 24-months program with the first assignment. Rotations in other functions and countries are planned for the participants every 6 to 12 months, to grow their experience, develop an end-to-end understanding of our business, gain in agility, and become international leaders.

Continuous employee listening

Our vision is to build a working culture on our team members' success, where everyone can be themselves and utilize their full potential at work. With continuous employee listening, we want to make sure that we always have up-to-date understanding of our employees´ experiences and commitment to work, and our strategic common goals.

To support the agile decision making and development, we have moved towards forward looking feedback culture and continuous pulse surveys. People pulse surveys are short and real-time driving for timely actions. Engagement is the basis of all people surveys, complemented with topical themes and employee life-cycle surveys. Key questions are rotated smartly to see the trends and development in the long run.

The new tool and approach were introduced in 2022 with two short pulse surveys for all employees. The first pulse survey was conducted about strategy awareness & engagement and the second one about safety awareness. We can be particularly proud of the overall results: the Engagement Index of Outokumpu team members increased to as high as 79. This is a great result above the average of the benchmarked companies and well in-line with the Organizational Health Index (OHI) used in previous years.

The people pulse surveys will be conducted on a regular basis quarterly. We want to give everyone a voice – that is the only way we know where our organization is strong and where further development is needed.

Outokumpu ways of working

We operate safely. Always.	We work safely, comply with our cardinal safety rules, assess potential risks and take appropriate actions 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 operate in.

Strengthening diversity, equity, and inclusion

We at Outokumpu believe that diversity, equity, and inclusion are essential for us to continue being successful in the future. Our people live across several continents and represent different nationalities, cultures and backgrounds, religions, genders, sexual orientation, and age groups. A healthy variety of employees from different backgrounds and cultures provides us with the balance of voices and diversity of thought that we need.

In 2022, we completed our first global inclusion survey to understand where to focus our actions to foster a culture in which all employees feel welcome and that they are equally heard and have equal opportunities. The global results highlight our strengths: inclusion is on average at a high level and is driven by peers who respect and support each other and who feel that they can be themselves at work and their work is meaningful. Women and men perceive Outokumpu as equally inclusive.

Looking at areas where we need to improve, the perception of inclusion between different employee groups is mixed. We must focus our actions on fostering a culture that is welcoming and safe for all, regardless of visible or invisible differences. We will also work on being more transparent on how we reward, promote, and hire people and to check for bias in these processes to strengthen equity in all.

Results of the survey were cascaded to the organization through local action plans. For example, in Avesta, Sweden, we are hosting monthly meetings in all process groups in operations to offer employees the opportunity to get information and to ask their questions creating participation. In Castelleone, Italy, we are committed to increasing diversity by sourcing for new talent pools and reviewing the possibility to accommodate new restrooms and dressing rooms to hire more women in operations. In Tornio, Finland, special attention is put on increasing understanding about inappropriate behaviors and other actions strengthening inclusion such as organizing family days and team days. In the Americas, we continue to expand recruiting efforts to improve relationships with colleges, universities and alumni organizations placing focus on diverse populations attracting qualified candidates where underrepresentation exists.

The core of our journey is to strengthen our inclusive working culture. In 2023, we will organize training for all employees to understand how we can, with our everyday behavior, foster a workplace where everyone feels welcome, safe, and respected regardless of their background. We will align diversity, equity and inclusion with our existing leadership model, training programs and tools as well as arrange specific training for leaders.

Our processes and policies guide our ways of working and decision making. We are reviewing our processes for hiring, promoting, and rewarding to ensure equity in all. For example, we have established interview panels to increase objectivity in our hiring decisions. We are also acting to attract and engage more diverse talent to Outokumpu.

Finally, to measure our progress in strengthening diversity, equity and inclusion, we are tracking the diversity of our employees with a special focus on leadership teams and will organize a yearly pulse survey to track inclusion.

Building a culture of continuous dialogue

Our team members' performance is led and evaluated with the annual My Performance Commitment process (MPC). Target setting starts with the definition of the business targets at the beginning of the year. Based on the business targets, cascaded throughout the organization, each employee and manager agree on the individual targets contributing to the company targets at the right level.

Our goals for diversity, equity and inclusion

Outokumpu's ambition towards 2025 – for our personnel and leadership – is to represent the diverse societies we operate in and serve. Our Board of Directors have approved the following DE&I targets towards 2025:

Diversity targets: increase diversity in leadership
- Add 100 diverse leaders to leadership teams by the end of 2025
- Minimum of 30% of diverse leaders in all international business area/business line/ function management teams by the end of 2025

Equity targets: ensure equal access to opportunities
- Correct any biases in recruitment and promotion processes by the end of 2022
- Full equality on compensation (verified by an external certification) by the end of 2023

Inclusion targets: strengthen culture where everyone feels welcome
- Enforcing the culture of zero tolerance for inappropriate behavior
- 60% agreement score on all areas of inclusion and across all diverse employee groups

The Outokumpu behaviours – integrity, delivery and growth – are incorporated in the annual performance plans. Both performance based and behavioural targets are weighted equally, having the same impact on salary reviews and incentive calculations. Development targets are set to strengthen employee skills, competencies and behaviors.

During 2022, the mid-year reviews of the performance process were replaced by continuous dialogues. These continuous dialogues consist of regular one-to-one discussions between the manager and the team member during the year. Continuous dialogue increases managers' visibility into team members' activity and achievements and supports employee engagement and well-being at work.

98% of employees in applicable countries had a regular performance development discussion with their manager. The remaining 2% are mostly on parental or other long-term leave. In countries where local contracts or regulations do not make it possible to have performance development discussions, Outokumpu follows the local procedures.

At the end of the year, we launched a new Continuous Feedback feature in our global HR platform, providing possibility to give or receive feedback from any colleague within the company. This voluntary tool helps employees to develop in their daily work and interaction with others. For the managers, it offers better visibility to their team members' accomplishments, strengths and development areas.

We will further continue our efforts in building a culture of continuous dialogue and feedback in 2023.

Extraordinary profit sharing and pay transparency

In 2022, we made significant progress towards more equitable and transparent pay. In business area Americas, all white-collar employees participated in virtual training sessions for a better understanding on the pay and compensation principles at Outokumpu. The team members were given visibility to their individual pay grades and comparatio supporting our principles of transparency and openness. We will expand this successful pilot to other countries next year. A Group-wide pay analysis is planned for 2023 to identify possible pay gaps and take corrective actions.

Our ESG ambitions are included in our incentive plans. Safety has been a key target in our short-term incentive plans for many years already, and as of 2022, our SBTi target of reducing our CO_2 emissions per ton of stainless steel produced has been included in our performance share plan. In 2023, we will also include a diversity target in our short-term incentive plan for all employees in managerial positions.

In addition to the global incentive programs, Outokumpu's Board of Directors decided to pay an extraordinary additional bonus to reward our team members for the solid financial performance in 2022. Thanks to the flexible payment schedule, we were able to support the individuals and their families in the challenging times faced during the year. Exceptional cost-of-living payments were also made in three European countries impacted the most by the war in Ukraine and record-high inflation.

Smooth collaboration between the management and employees

To ensure good cooperation and understanding of our different employee groups, we are committed to informing and consulting our employees and their representatives.

The Outokumpu Personnel Forum is an important information channel between our personnel and management in the European operations. The Forum is based on the European Works Council Directive. Due to the pandemic, this year's meeting in Italy was the first face-to-face meeting since 2019.

Our people by region

	2022	2021	2020*
Finland	**2,415**	2,394	2,517
Germany	**2,018**	2,043	2,326
Sweden	**1,542**	1,566	1,888
The United Kingdom	**105**	93	502
Other Europe	**677**	750	747
Europe	**6,757**	6,846	7,980
The United States	**963**	947	1,010
Mexico	**815**	804	786
South America	**8**	80	84
Americas	**1,786**	1,831	1,880
Asia/Rest of the world	**48**	50	55
Group total	**8,591**	8,727	9,915

* Including discontinued operations

Personnel Forum appoints the Group Working Committee, which is responsible for the operative cooperation between the management and employees. During the year, the committee was able to convene face-to-face once and three times virtually.

In 2022, the number of employees decreased by 82 globally (2021: 506). 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. In 2022, 78% of the Group's employees were covered by collective agreements (2021: 78%). In total, 29 days in 2022 were lost due to strikes (2021: 16).

Over 100 voluntary projects all around the world

To celebrate the commitment of our people and the world-class response rate in our global employee survey in 2021, we wanted to share the good with the communities and people around us during this year.

More than hundred diverse voluntary projects have been sponsored in our neighboring communities all around the world as part of our social responsibility. The focus has been on projects linked to sustainability both from environmental and social aspects.

Selected projects, chosen by the local steering groups, varied from supporting children, elderly people, and minority groups, to building better surroundings for communities and organizing events or to increase the safety or environmental awareness.

To mention few of the numerous projects, in Vilnius, Lithuania, we sponsored planting trees, and taught the elderly people to use mobile devices and internet. In Avesta, Sweden, one of the projects improved first aid preparedness on a local riding club. Our Asian colleagues in Singapore, Thailand and Vietnam, arranged cleaning activities on near-by beaches and parks.

Stakeholder engagement

We take our social responsibility as a corporate citizen seriously. We recognize that our operations have an impact both on a local level and on the wider society.

One of our ways of working is being a reliable and trusted partner towards our stakeholders: our customers, employees, investors, suppliers, and the communities we operate in. For us to be able to achieve our vision of being the customer's first choice in sustainable stainless steel, we maintain a dialogue with our stakeholders to understand what they expect from us.

We conduct a regular materiality analysis to keep up-to-date on the expectations of our stakeholders. In 2022, we also participated in the Reputation & Trust survey in Finland to examine the general public's view on our reputation.

Read more about our suppliers and our employees.

Customers

In the stainless steel market, Outokumpu is known for the high quality of our products, our comprehensive product portfolio, and our technical expertise. Our customers represent several industries, which means that we have a strong and balanced customer base spread across the globe and a range of industries. Our customers use our stainless steel to construct buildings and infrastructure, produce energy, and manufacture appliances and cars, for example.

We work to solve the challenges our customers face and work together with them to find new application areas where stainless steel can be used. Our innovations date back to the time when stainless steel was first invented. Today, our customers are more and more interested in lowering the carbon footprint of their products, in environmental aspects, and in their entire value chain.

In 2022, we launched a new emission-minimized Circle Green product line and a product-specific carbon footprint based on continuous production data as the first stainless steel producer in the industry to do so. The product-specific carbon footprint allows our customers to use the exact footprint of our products in their own carbon footprint calculations.

We collect feedback from our customers as a part of the sales process. They are mostly satisfied or very satisfied with their business relationship with us. In their opinion, our strengths are quickly reacting to requests, understanding customer needs and being easy to reach. One improvement area continues to be our delivery performance.

In 2022, customer cooperation continued in hybrid ways, with both face-to-face meetings and remote cooperation. We also resumed visiting fairs, where our new virtual mill tour allowed our customers to visit our operations in Tornio, Finland at the same time as visiting our booth.

Outokumpu takes several measures to ensure the safe use of our products. We offer safety information sheets for stainless steel in the EU and provide material safety data sheets for the US market. For ferrochrome products, we instruct our customers on safe use. We also comply with relevant product requirements such as REACH, RoHS and ELV, and we strictly control that there is no contamination of radioactive material in the steel. No health and safety incidents caused by our products were reported to us in 2022.

We are a significant member of our communities and, in many cases, one of the few big private-sector employers in the area.

Communities

Outokumpu's production sites are often located in relatively small towns where we are a significant member of those communities and, in many cases, one of the few big private-sector employers in the area. Many of our production sites have long and interesting histories: some of our sites in Finland, Germany and Sweden have been producing metal products for decades or even centuries. We recognize that our decisions might have a major impact on communities, our personnel and local suppliers and service providers.

Our sites engage regularly with local community representatives, especially on the topics of employment, environment, energy, or sponsoring. We also maintain continuous cooperation with local schools and universities, NGOs, our neighbors and other companies.

Ongoing permit processes are one important topic that is discussed with local stakeholders. Based on these discussions with the neighboring communities and with authorities, no significant negative impacts on local communities have been identified.

In 2022, we were again able to organize family day events at our sites and they were again very well received, allowing the families of our team members to see our operations for themselves. Outokumpu organizes open-door events also for our neighbors at our production sites.

Before focusing on stainless steel, Outokumpu operated mines both in Finland and elsewhere. The decision to focus on stainless was taken some twenty years ago, and Outokumpu currently operates one mine, the Kemi chrome mine, which is an integral part of our stainless steel production, as it is chrome that makes steel stainless. In 2022, Outokumpu continued to monitor its old mine sites in Finland, both those where Outokumpu still has obligations and those where they have ended. In Enonkoski, Finland, Outokumpu investigated the mine area and will apply for an environmental permit to restore the area. Outokumpu has environmental permits at a few old mines. In 2022, two minor environmental

Restoring old Enonkoski mine area

Outokumpu investigated the current situation at one of its old mines in Enonkoski, Finland, in 2021, and decided in 2022 to restore the old mining area as far as necessary. To do so, we will apply for an environmental permit. In this way, we will know the current situation well enough to plan for restoration.

Before applying for the environmental permit, we will thoroughly investigate the current situation of the Enonkoski mine, and a field survey was started in the fall. The research will include water system, tailings ponds and their covering structures, the water routes and overflow areas, ground water pipes and tailing sand areas. Surface water and its quality in the nearby water bodies will be measured in approximately 20 research spots. Samples will be taken also in the beginning of 2023.

In the second phase, the research will be extended for instance to ground sediments and groundwater quality. Investigating the current situation will take some 1–2 years. After that, we will know what kinds of restoration measures are needed and can apply for an environmental permit.

permit breaches were observed: in Hammaslahti annual average of leachate pH value and in Kotalahti annual average of leachate iron concentration did not meet the environmental permits' requirements.

Information on old mines ↗
List of Outokumpu's operating sites ↗

Non-governmental organizations

Non-governmental organizations, or NGOs, are an important stakeholder group for Outokumpu: they provide us external views on expectations towards big companies like Outokumpu and our impact on the nature and society. For example, regarding climate change, the dialogue has helped both sides to understand its urgency and related actions and policies. Other recurring topics are ongoing permit processes and other environmental issues. We are thankful for NGOs as they highlight any issues in our operating environment.

Since a Finnish NGO, Finnwatch, assessed critically our supply chain sustainability monitoring and purchasing, we have continued a dialogue with them, and Finnwatch has thanked Outokumpu for the actions taken, such as human rights impact assessment and committing to the UN guiding principles on business and human rights, and calls for a further increasing the transparency of the supply chain. In 2022, we continued to strengthen our monitoring: our team was strengthened, and we launched a separate Supplier Code of Conduct and human rights policy.

Read more on our supply chain ↗

Associations, memberships and public affairs

Outokumpu is a member of many international organizations and associations, such as the International Chamber of Commerce (ICC), the European Steel Association (Eurofer), the International Chromium Development Association (ICDA), EUROALLIAGES and EUROSLAG. We are actively involved in and support the work of these associations. For example, we provide relevant information to decision-makers and experts for the development of the business environment and legislation.

Outokumpu also participates in the work of trade organizations and is a member of industrial federations and associations in Finland, France, Germany, Italy, the Netherlands, Sweden, the UK, the US and Australia. These organizations advance industry views and contribute to national development. Outokumpu is also a member of the Sustainable Mining network in Finland and committed to the Finnish Sustainable Mining standard, based on the Canadian initiative Towards Sustainable Mining.

We conduct our public affairs through industry associations like Eurofer towards governing bodies and regulators. Outokumpu participates in different working groups in these associations, where the aim is to provide expertise to help decision-makers. In these forums, members share best practices and obtain benchmark

We are a trusted partner towards our stakeholders.

data relating to, for example, the environment, R&D, product life cycles, product and chemical safety, and occupational safety. Members also contribute their own data for use in the industry reports, such as the ICDA's safety and sustainability reporting.

In 2022, Outokumpu's membership fees and other contributions to the associations amounted to EUR 728,000.

Sponsoring and support

In sponsorships, Outokumpu prioritizes connections to stainless steel, sustainability, talent, and education. Local sponsorship follows the same guidelines. Locally we sponsor for instance significant local projects, sports associations, and artworks by donating stainless steel. Outokumpu does not take part in or otherwise support political activities, whether they are local, national or international.

Outokumpu also makes discretionary donations for the common good as a responsible corporate citizen. These donations are approved by the Leadership Team or by the Board of Directors. In 2022, Outokumpu's shareholders approved in the Annual General Meeting the suggestion by our Board of Directors to donate up to EUR 1,000,000 to support relief efforts in Ukraine and neighboring countries. Half of this sum was donated to UNICEF and half to the Red Cross.

Outokumpu supports research related to its field of industry and maintains a close cooperation with educational institutes. We offer apprenticeships to local colleges and offer student placements also in the form of one-year programs. We also introduce our operations to schoolchildren and local students.

Outokumpu has also been among the founders of a number of technological, research and educational funds. These funds support and promote university-level research and teaching and business opportunities. Examples include the Technology Industries of Finland Centennial

1,000,000 euros to relief work in Ukraine

We were shocked by the Russian attack on Ukraine, and thankful when our shareholders approved the suggestion by our Board of Directors to donate up to 1,000,000 euros to relief work in Ukraine. Half of this sum went to UNICEF and half to the Red Cross.

Before that, our employees wanted to help Ukrainian refugees by engaging in various support actions and individual initiatives in the neighboring countries, and Outokumpu donated also smaller amounts locally. In Poland, we have for example made a local donation for medical assistance to support transportations of medical supplies to Ukraine. "We talk about our direct neighbors – a neighboring country to which our people have a lot of connections, both private and business," says **Krzysztof Kurjański** who heads our service center in Poland. "Our employees in Poland have been very active in this situation, engaging in various supporting actions and individual initiatives, such as providing transportation for Ukrainian refugees and collecting, for example, toys for kids. The scope of support exceeds anything we have experienced before."

Foundation and the Fund for the Association of Finnish Steel and Metal Producers.

In 2022, Outokumpu spent some EUR 1,061,000 in sponsoring.

Investors and shareholders

Outokumpu's share is a so-called people's share in Finland, with households and private investors owning more than a quarter of its outstanding shares. The largest shareholder is Solidium Oy, the Finnish-state owned investment company, who owned 15.5% of the outstanding shares at year-end. The share of international institutions' ownership slightly decreased during the year and reached a level of 30.8% at the end of 2022.

Outokumpu continued its regular and active communication with investors and analysts throughout the year. The key topics in 2022 were the unprecedented situation in the energy market, increased cost inflation, the Russian attack on Ukraine and its consequences as well as the overall market environment including raw material and stainless steel price development. Other topics included Outokumpu's second phase of the strategy and related financial targets, strengthened balance sheet, normalized EBITDA level, capital allocation and sustainability.

In 2022, after the global COVID-19 pandemic subsided, Outokumpu again started to meet its investors and analysts physically, but certain conferences, seminars and roadshows were still arranged as virtual events. The Annual General Meeting was held at the company headquarters in March 2022 under special arrangements.

In June, Outokumpu arranged its Capital Markets Day 2022 physically in Helsinki, Finland. The event was also broadcasted as a live webcast and close to 250 people participated in the event virtually. In the event, Outokumpu announced that it had completed the first phase of its strategy ahead of time and reached both financial targets. The company also announced the second phase of its strategy, related financial targets and the new dividend policy. In the second phase of the strategy, there is an increased focus on shareholder returns and according to the new dividend policy, Outokumpu aims to distribute a stable and growing dividend to be paid annually.

In connection with the Capital Markets Day 2022, we also took our institutional investors, analysts and bankers on a site visit to our Kemi mine and Tornio operations in Finland. Another site visit was arranged in September, when Outokumpu participated in Nordea's US site tour for

Principal shareholders on December 31, 2022

	Shares	%
Solidium Oy	70,793,208	15.50
Varma Mutual Pension Insurance Company	21,938,403	4.80
Ilmarinen Mutual Pension Insurance Company	12,629,316	2.76
The Social Insurance Institution of Finland	9,298,652	2.04
Elo Mutual Pension Insurance Company	5,875,000	1.29
State Pension Fund	5,500,000	1.20
Mandatum Life	5,136,645	1.12
Danske Invest Finnish Equity Fund	4,047,186	0.89
Nordea Life Assurance Finland Ltd.	3,130,615	0.69
Equity Fund Evli Europe	2,362,903	0.52
OP Life Assurance Company Ltd.	2,311,047	0.51
Helander Hannu-Jukka	1,672,800	0.37
Nordea Pro Finland Fund	1,633,043	0.36
Sinituote Oy	1,588,560	0.35
Säästöpankki Kotimaa - Equity Fund	1,541,975	0.34
OP-Finland Small Firms Fund	1,379,229	0.30
Laakkonen Mikko Kalervo	1,156,000	0.25
Insurance Company Fennia Life	1,039,153	0.23
Etola Erkki Olavi	1,000,000	0.22
Seligson & Co Equity Fund	959,288	0.21
	154,993,023	**33.95**
Nominee accounts held by custodian banks	140,552,290	30.76
Treasury Shares	12,739,837	2.79
Other Shareholders	148,589,298	32.50
Total	**456,874,448**	**100.00**

In our Capital Markets Day 2022, we announced that we had completed the first phase of our strategy ahead of time.

Shareholders by group on December 31, 2022

- Nominee registered and non-Finnish holders 31.13%
- Finnish institutions, companies and foundations 26.99%
- Solidium Oy[1] 15.5%
- Households 26.38%

[1] Solidium Oy is wholly owned by the Finnish state
Source: Innovatics

Finnish institutional investors, taking them to our Calvert mill in Alabama.

During 2022, Outokumpu participated in eight seminars or roadshows and had 57 one-on-one meetings with investors. On top of that, we arranged four breakfast meetings with Finnish institutional investors after every quarterly result and four pre-silent conference calls, which were open for everyone to participate.

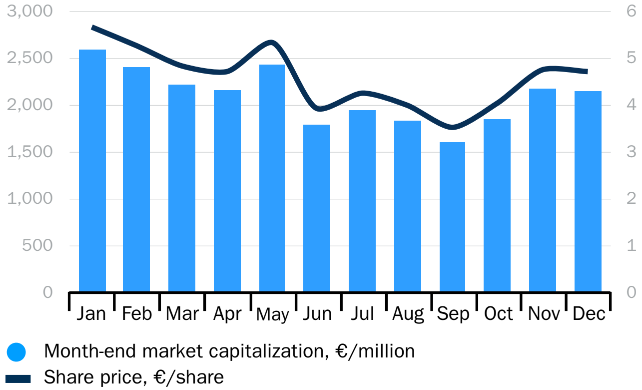
In November, Outokumpu Board of Directors approved a share buyback program of up to EUR 100 million under the authorization of the Annual General Meeting 2022. The maximum number of shares to be repurchased under the program is 20 million, representing approximately 4.4% of the company's total number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

Through the share buyback program, Outokumpu seeks to mitigate and manage the dilutive impact of the company's outstanding convertible bonds. The repurchased shares will be initially held by Outokumpu as treasury shares and may be used to meet its obligations under the convertible bonds. Alternatively, Outokumpu may decide to cancel any or all of the repurchased shares and reduce its capital accordingly. The share repurchases will be funded by using funds from the unrestricted equity. Prior to the announcement Outokumpu held 4,164,711 of treasury shares, representing 0.91% of the company's total number of shares.

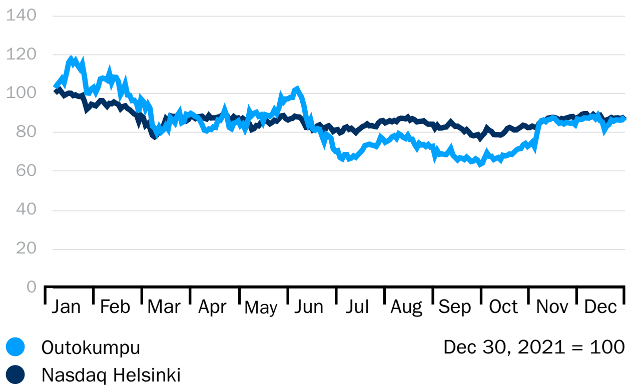
At the end of the year, the total share capital was EUR 311 million. All shares in Outokumpu carry equal voting and dividend rights. On December 31, 2022, the total number of Outokumpu shares was 456,874,448. Outokumpu had acquired 8,575,126 million shares under the share buyback program by the end of 2022. As a result, the number of treasury shares held by Outokumpu rose to 12,739,837 shares (Dec 31, 2021: 4,302,471 shares).

Outokumpu's shares are listed on the Nasdaq Helsinki Large Cap list under the trading code OUT1V and

Market capitalization and share price development



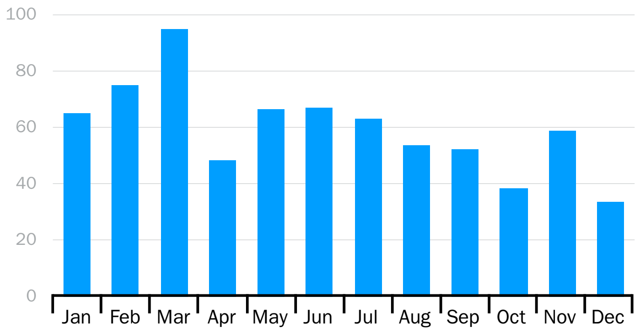
Outokumpu share price development in 2022



incorporated into the Finnish book-entry securities system. Outokumpu's shares are also traded on various alternative platforms.

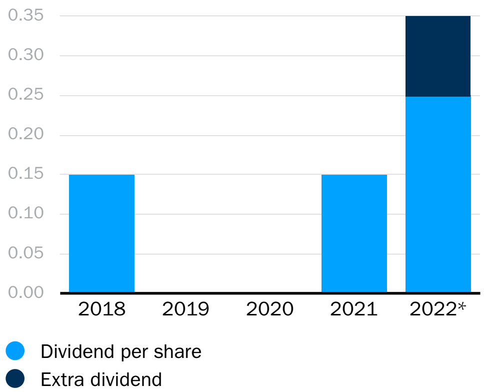
In 2022, Outokumpu's share price was EUR 6.48 at its highest and EUR 3.51 at its lowest (2021: EUR 6.01 at its highest and EUR 3.36 at its lowest). The share price closed at 4.73 at the end of the year, decreasing 14% from the closing period of EUR 5.50 at the end of 2021. The market capitalization was EUR 2,161 million at the

Monthly trading volume, million shares



Source: Nasdaq

Dividend/share, €



* Proposal by the Board of Directors. The extra dividend of EUR 0.10 per share is a one-time extra dividend that is proposed to be distributed to the shareholders for the exceptionally good result of the account period.

end of the year, compared to the level of EUR 2,513 million at the end of 2021.

During 2022, the average daily trading volume in Outokumpu shares on Nasdaq Helsinki was 2.8 million shares. 721 million Outokumpu shares were traded in total on Nasdaq Helsinki during the year (2021: 880 million shares).

Ethics and compliance

At Outokumpu, we conduct business with high integrity. We are committed to complying with all applicable laws and regulations and to making sustainable, ethical judgements as part of our daily work. Responsible and ethical business practices are owned by everyone at Outokumpu, and it is up to all of us to do the right thing!

Close co-operation with business areas, group functions and governance bodies

The implementation of Outokumpu's group-wide ethics and compliance (E&C) program continued efficiently in close co-operation with business areas, group functions and E&C governance bodies during 2022. As part of these activities, the global E&C team started a visibility tour to increase understanding of E&C matters through direct engagement with internal stakeholders. During the tour, several Outokumpu sites were visited, and numerous E&C discussions and training sessions were held with colleagues globally. Please see more information about the E&C visibility tour on the next page.

In addition to the E&C visibility tour, close co-operation continued with the E&C governance bodies, including the Compliance Steering Group, Compliance Network and the newly established Group Data Protection Network.

Trade sanctions compliance as a priority

Outokumpu is committed to complying with all applicable laws and regulations, including applicable sanctions regulations, and we expect our suppliers, sub-suppliers and other business partners to comply with these requirements as well.

Within the trade compliance area, Outokumpu has a Know Your Business Partner process in place, on the basis of which business partners are identified and monitored based on risk. Sanctions monitoring is a part of this process, and Outokumpu conducts enhanced case-by-case and regular compliance screenings in order to ensure that we comply with applicable sanctions regulations and do not conduct business with any party in breach of these regulations. Outokumpu is also constantly monitoring and following and is committed to complying with export and import restrictions arising from applicable export control and sanctions regulations. Furthermore, our employees are regularly being trained on the adherence to sanctions regulations.

Due to the Russian invasion of Ukraine, Outokumpu strengthened its actions within sanctions compliance during 2022 and, for instance, conducted enhanced compliance screenings as a matter of priority in order to ensure that all applicable sanctions regulations are complied with. In addition, the assessment of the different elements of Outokumpu's sanctions compliance program was in focus. In general, E&C risks, including risks related to corruption, are assessed and reviewed annually.

Competition law compliance as a continuous focus area

Outokumpu is committed to complying with applicable competition laws and regulations and is continuously investing significant efforts in this area. Outokumpu's global E&C team continued to support and give daily advice to business areas and group functions in their competition law related questions to help ensure constant attention and strict adherence to applicable competition laws. In 2022, the key focus was on the assessment of different elements of Outokumpu's competition law

Responsible and ethical business practices are owned by everyone at Outokumpu.

compliance program. In addition, several competition law compliance face-to-face and webinar trainings were held for various target groups as part of the E&C visibility tour. Additionally, in 2022, 96% of administrative employees completed the competition law compliance eLearning.

Engaging trainings and communication

Training and communication are key elements of Outokumpu's group-wide E&C program as it is important that our employees know how to comply with and interpret the rules as part of their daily decision-making. In addition to the relaunch of the competition law compliance eLearning, 97% of administrative employees completed our Code of Conduct eLearning and 99% of administrative employees completed Anti-Corruption eLearning. These eLearnings were complemented by numerous other face-to-face and webinar training sessions, among other forms of efforts to increase awareness and understanding of these matters globally.

We encourage everyone to speak up!

At Outokumpu, we encourage open and transparent communication. We also encourage everyone to speak up if any concerns arise. There are several ways to report concerns, which are mentioned in Outokumpu's Code of Conduct, including the SpeakUp channel. Outokumpu's SpeakUp channel is an externally hosted channel where concerns can be reported confidentially and anonymously, to the extent allowed by applicable laws and regulations.

Speaking up was a topical matter for Outokumpu employees in 2022 as part of the E&C related trainings and communications. In addition, the implementation of the requirements deriving from the EU Whistleblower Protection Directive and consequent local laws and regulations continued in 2022 in close co-operation between the E&C team and the internal audit team. More information about misconduct reporting and internal investigations at Outokumpu can be found in our review by the Board of Directors, Corporate Governance statement and website.

Making ethics and compliance visible to colleagues globally

Responsible and ethical business practices are owned by everyone at Outokumpu. Outokumpu's global E&C team invests significantly into various training and communication efforts on a regular basis to help ensure that our employees globally know how to apply E&C rules and principles in their daily decision-making. At Outokumpu, E&C related trainings are given both through mandatory eLearnings as well as face-to-face trainings, webinars and discussions.

In 2022, the training and communication element was in increased focus. The global E&C team visited several of our sites and met teams also online. There were training sessions organized about several E&C topics, such as our Code of Conduct, competition law compliance, anti-corruption, sanctions compliance as well as the importance of speaking up. As part of these visits and trainings, the E&C team engaged with colleagues globally and had lively discussions on topical E&C matters. In addition to the training sessions, engaging E&C related communication was distributed regularly through the company's intranet and in other ways.

Research and development

R&D is a global function working together with all Outokumpu sites and functions. R&D is the provider of leading technical expertise in the group. As the core of our R&D mission, we create a culture of innovation and development. This enables Outokumpu being the leader of sustainable stainless steel.

The first phase of R&D strategy was finalized in 2022. A solid foundation was set in both R&D must-win battles, sustainable production process technologies and future products and customer applications. The R&D team continued working in the three R&D centers located in Avesta, Sweden, in Krefeld, Germany and in Tornio, Finland focusing on the execution of the R&D programs. In 2022, Outokumpu's R&D expenditure totaled EUR 15 million, 0.16% of net sales (2021: EUR 14 million and 0.19%, 2020: EUR 21 million and 0.4%).

Sustainable production process technologies

By 2030, Outokumpu aims to reduce its total emission intensity by 30% from the 2020 baseline. This requires development of new technologies and more efficient production.

In 2021, we embarked on the research program Towards Carbon Neutral Metals (TOCANEM) financed by Business Finland. In 2022, this research program ran with full speed collaborating with leading research institutes to address fundamental development needs: The biocoke project has proceeded to a phase where Outokumpu is planning for a significant investment in Tornio.

Another key topic in 2022 was the development of a roadmap related to alternative heating technologies to reduce CO_2 emissions. Further ongoing projects are related to the utilization of different types of waste. Another pillar is the development of completely new

Our R&D team includes three R&D centers in Avesta, Sweden, in Krefeld, Germany and Tornio, Finland, focusing on the execution of our R&D programs.

production technologies related to different process steps. Modeling and simulation tools are widely used in these activities.

Future products and customer applications

Megatrends drive stainless steel demand growth and motivates R&D to develop new steel grades and improve existing grades for new applications. The focus is on the Outokumpu's Pro product family for demanding end-use and offering sustainable solutions for high customer satisfaction. To strengthen our high temperature material offering two new grades reached the development phase in our productization process. A new martensitic Dura 4419N grade with outstanding combination of corrosion and wear resistance was introduced for the knife industry. Under the Swedish strategic innovation program for Metallic Materials seven projects covering various topics were approved for funding.

External research collaboration

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

"Our emission reduction targets require development of new technologies and more efficient production."

Calculating product specific carbon footprint as we go

In 2022, Outokumpu became the first stainless steel producer to provide a product-specific carbon footprint on its stainless steel products. In addition to customer value, the product-specific carbon footprint brings full transparency to our sustainability work.

"As the global leader in sustainable stainless steel, we are the forerunner to push the whole industry forward. At the same time when customers are paying more attention to cutting down emissions, they are asking for more specific information about the carbon footprint for each product and solution. Now customers can utilize the data to calculate the product carbon footprints of their products and provide more sustainable solutions to the market", says Stefan Erdmann, Chief Technology Officer & Group Sustainability at Outokumpu.

The distinct feature of the calculation model Outokumpu is using is based on continuous follow-up of production data. Basically, it is a massive data mining exercise.

About reporting

Outokumpu's sustainability reporting is prepared with reference to the GRI Standards.

"In sustainability reporting, we report on the material developments of continuing sites and changes in 2022. Sustainability information is also available on our website."

Scope of the report

Outokumpu has published its sustainability review as part of the Annual Report 2022. Sustainability information is also available at www.outokumpu.com/sustainability.

Outokumpu Oyj reports on the material developments of continuing sites and changes in 2022 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 2022, including Sustainability Review, was published in March 2023.

Outokumpu's report has been prepared with reference to the GRI Standards 2021. The materiality assessment from 2021 and continuous communication with stakeholders were the basis for the decision on material topics and relevant disclosures.

The independent practitioner's assurance report on the limited assurance conclusion is available on page 87 in the Sustainability Review. The Financial Statements 2022 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; and Tornio, Finland.

Environmental responsibility

All energy and environmental informations are based on the operational control. Outokumpu's climate change target is based on science and approved by the Science Based Target initiative. The target includes CO_2eq intensity of direct and indirect emissions of electricity and upstream emissions. Emissions are consolidated on production control.

The green house gas measuring and reporting is following the GHG Protocol Corporate Standard and Value Chain Standards. Site falling under the European emission trading system (EU ETS) report the direct emission according to the verified EU ETS requirements.

CO_2eq emissions of electricity are calculated and monitored by the emissions factor of Outokumpu's electricity mix of 93 kg CO_2eq/MWh (2021: 124 kg CO_2eq/MWh), given by the electricity supplier for the used electricity and calculated as weighted average. It includes 33% of electricity use in EU market which is coming with guarantees of origin from ownerships in power production. In addition, the location-based electricity emissions are disclosed. They are calculated by the published country-specific emissions factors of the electricity generation of 2020 or 2021 if available.

CO_2eq emissions outside the company (scope 3), except electricity, are covered by more than 95%. 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 40% from supplier specific emissions and 60% of LCA e-factor published in 2021. Emissions of sold ferrochrome are not allocated to the stainless steel production of the company.
- E-factor for lime and dolomite are calculated with 71% from supplier specific emissions. For used gases, electrodes and coke: by emissions factors of ISO 14404.
- For upstream emissions of light fuel oil: by emissions factors of WorldSteel Association.
- For internal and product transport: by typical distances and type of transport with the well-to-wheel emissions according to the EEA report 2/2022 of the European Environmental Agency for the European transport and with the published e-factors of US EPA for US transport.
- For business travel: for the cars, trains and flights by CO_2eq reports of the service provider.

Upstream transport was assessed on data of environmental product declaration of 2020, to be at about 3% of the scope 3 emissions 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 material 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 groundwater surface and sea water, taken from municipal suppliers and estimated for rainwater amount.

Waste generation details on company's typical waste categories of hazardous and non-hazardous classification are reported on webtool data. In 2022, waste is reported as generated, diverted from landfill and landfilled. The offsite and onsite recycling and recovery are reported in the table. Waste treated is counted as landfilled waste.

Customers' CO_2 savings are calculated with the difference of world's stainless steel footprint of 6.12 tonnes CO_2eq per tonne crude steel with 40% scrap recycling and 30% of nickel pig iron production and Outokumpu's footprint of 1.70 tonnes CO_2eq per tonne steel and company's production.

Social responsibility

Health and safety figures

Health and safety figures reflect the scope of Outokumpu's operations as they were in 2021.

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.

Employee benefit expenses

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.

Administrative employees

Administrative employees include all white collar employees that were active as of December 31, 2022. For Code of Conduct eLearning administrative employees include also newly hired managers of operators (hired since January 1, 2022).

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 = (Leavers + New Hires) / (total number of permanent employees by year-end × 2)

Safety indicators include our employees, contractors and visitors.

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.

Statement of use	Outokumpu Oyj has reported with reference to the GRI Standards 2021 for the period from 01.01.2022 to 31.12.2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard	No applicable GRI Sector Standard

GRI standard	Disclosure	Omission	Location in Annual report 2022	Assured
General disclosures				
GRI 2: General Disclosures				
2-1	Organizational details		Corporate Governance Statement CG 90, back cover	
2-2	Entities included in the organization's sustainability reporting		Scope of the report SR 79	
2-3	Reporting period, frequency and contact point		Scope of the report SR 79, back cover	
2-4	Restatements of information		Scope of the report SR 79	
2-5	External assurance		Scope of the report SR 79, Assurance report SR 87-88	
2-6	Activities, value chain and other business relationships		We are Outoukumpu AR 4, Value creation AR 11, Stainless steel market AR 12-16	
2-7	Employees		Our people SR 62-67	x
2-9	Governance structure and composition		Corporate Governance Statement CG 90-103	
2-10	Nomination and selection of the highest governance body		Corporate Governance Statement CG 98	
2-11	Chair of the highest governance body		Corporate Governance Statement CG 91	
2-12	Role of the highest governance body in overseeing the management of impacts		Corporate Governance Statement CG 95-97	
2-13	Delegation of responsibility for managing impacts		Corporate Governance Statement CG 95-97	
2-14	Role of the highest governance body in sustainability reporting		Corporate Governance Statement CG 95-97, Review by the Board of Directors FS 125	
2-16	Communication of critical concerns		Corporate Governance Statement CG 104-108	
2-19	Remuneration policies		Remuneration statement CG 111-113	
2-22	Statement on sustainable development strategy		Review by the Board of Directors FS 124-127	
2-25	Processes to remediate negative impacts		Human rights SR 57, Ethics and compliance SR 74	
2-26	Mechanisms for seeking advice and raising concerns		Human rights SR 57, Ethics and compliance SR 74	
2-27	Compliance with laws and regulations		Human rights SR 57, Ethics and compliance SR 74, Review by the Board of Directors FS 127	x
2-28	Membership associations		Stakeholder engagement SR 70-71	
2-29	Approach to stakeholder engagement		Stakeholder engagement SR 68-73	
2-30	Collective bargaining agreements		In good company SR 67	x

Material topics

GRI 3: Material topics				
3-1	Process to determine material topics		Sustainability at Outokumpu SR 29-33	
3-2	List of material topics		Sustainability at Outokumpu SR 29-33	
GRI 201: Economic performance				
201-1	Direct economic value generated and distributed		Key figures AR 5, Value creation AR 11	x
201-2	Financial implications and other risks and opportunities due to climate change		Climate change SR 36-41, Review by the Board of Directors FS 124-128, Risks and opportunities AR 26	x
GRI 203: Indirect economic impacts				
203-2	Significant indirect economic impacts		Stakeholder engagement SR 68, Value creation AR 11, Sustainability data tool (website)	x
GRI 204: Procurement practices				
204-1	Proportion of spending on local suppliers		Sustainable supply chain SR 53	x
GRI 205: Anti-corruption				
205-2	Communication and training about anti-corruption policies and procedures		Ethics and compliance SR 74	x
GRI 206: Anti-competitive behavior				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		Ethics and compliance SR 74, Review by the Board of Directors FS 127	x
GRI 207: Tax				
207-2	Tax governance, control, and risk management		Corporate Governance Statement CG 96	
207-4	Country-by-country reporting		Sustainability data tool (website)	
GRI 301: Materials				
301-1	Materials used by weight or volume		Sustainability data tool (website)	x
301-2	Recycled input materials used		Circularity SR 45-47, Sustainability data tool (website)	
301-3	Reclaimed products and their packaging materials		Stakeholder engagement SR 68	
GRI 302: Energy				
302-1	Energy consumption within the organization		Energy efficiency in focus SR 43-44, Sustainability data tool (website)	x
302-3	Energy intensity		Energy efficiency in focus SR 43-44, Sustainability data tool (website)	x
302-4	Reduction of energy consumption		Energy efficiency in focus SR 43-44, Sustainability data tool (website)	
GRI 303: Water and effluents				
303-1	Interactions with water as a shared resource		Environmental impacts minimized SR 48-50	x
303-2	Management of water discharge-related impacts		Environmental impacts minimized SR 48-50	x
303-3	Water withdrawal	Information on dissolved solids is not available	Environmental impacts minimized SR 48-50	x
303-4	Water discharge	Information on dissolved solids is not available	Environmental impacts minimized SR 48-50	x
303-5	Water consumption		Environmental impacts minimized SR 48-50	
GRI 304: Biodiversity				

304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Environmental impacts minimized SR 48-50	
GRI 305: Emissions				
305-1	Direct (Scope 1) GHG emissions		Climate change SR 36-41	x
305-2	Energy indirect (Scope 2) GHG emissions		Climate change SR 36-41	x
305-3	Other indirect (Scope 33) GHG emissions		Climate change SR 36-41	x
305-4	GHG emissions intensity		Climate change SR 36-41	x
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Climate change SR 36-41	x
GRI 306: Waste				
306-1	Waste generation and significant waste related impacts		Circularity SR 45-47	
306-3	Waste generated		Circularity SR 45-47	x
306-4	Waste diverted from disposal		Circularity SR 45-47	x
306-5	Waste directed to disposal		Circularity SR 45-47	x
GRI 308: Supplier environmental assessment				
308-1	New suppliers that were screened using environmental criteria		Sustainable supply chain SR 53-55	
308-2	Negative environmental impacts in the supply chain and actions taken		Sustainable supply chain SR 53-55	
GRI 401: Employment				
401-1	New employee hires and employee turnover		In good company SR 67, Sustainability data tool (website)	x
GRI 403: Occupational health and safety				
403-1	Occupational health and safety managementsystem		Safety SR 59-61	
403-2	Hazard indentification, risk assessment, and incident investigation		Safety SR 59-61	
403-4	Worker participation, consultation, and communication on occupational health and safety		Safety SR 59-61	
403-5	Worker training on occupational health and safety		Safety SR 59-61	
403-8	Workers covered by an occupational health and safety management system		Safety SR 59-61	
403-9	Work related injuries	Number of hours worked not reported	Safety SR 59-61	x
GRI 404: Training and education				
404-2	Programs for upgrading employee skills and transition assitance programs		In good company SR 62-67	
404-3	Percentage of employees receiving regular performance and career development reviews		In good company SR 66. Details of gender and employee category not available	
GRI 405: Diversity and equal opportunity				
405-1	Diversity of governance bodies and employees	Information on governance bodies by age groups is not reported. BoD not reported by age group as not reasonable. Other indicators of diversity are not reported.	Review by the Board of Directors FS 127, Sustainability data tool (website)	x

GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	Corporate Governance statement CG 104-108	
GRI 407: Freedom of association and collective bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Sustainable supply chain SR 53-55, no risk within own operations	
GRI 408: Child labor			
408-1	Operations and suppliers at significant risk of incident of child labour	Sustainable supply chain SR 53-55, no risk within own operations	
GRI 409: Forced or compulsory labor			
409-1	Operations and suppliers at significant risk of forced and compulsary labor	Sustainable supply chain SR 53-55, no risk within own operations	
GRI 411: Rights of indigenous peoples			
411-1	Incidents of violation involving rights of indigenous people	Sustainable supply chain SR 53-55, Human rights SR 57-58	
GRI 413: Local communities			
413-2	Operations with significant actual and potential negative impacts on local communities	Environmental impacts minimized SR 48-50, Stakeholder engagement SR 68-73	x
GRI 414: Supplier social assessment			
414-1	New suppliers that were screened using social criteria	Sustainable supply chain SR 53-55	
414-2	Negative social impacts in the supply chain and actions taken	Sustainable supply chain SR 53-55	
GRI 415: Public policy			
415-1	Political contributions	Outokumpu does not make any donations to political parties or groups, see Code of Conduct https://www.outokumpu.com/en/sustainability/sustainability-downloads, Stakeholder engagement SR 71	x

Company's own indicators

Resource efficiency	Recycled material content and recycled (steel) content acc. Iso 14021	Circularity SR 45-47	x
Energy	Energy efficiency	Energy efficiency in focus SR 43-44, Sustainability data tool (website), Review by the Board of Directors FS 126	x
Climate change	Science Based Target	Climate change SR 36-41, Sustainability data tool (website)	x
By-products	Slag use rate	Circularity SR 45-47, Sustainability data tool (website), Review by the Board of Directors FS 126	x

ResponsibleSteel content index*

ResponsibleSteel principle	Location in Sustainability Review 2022
1. Corporate Leadership	Sustainability at Outokumpu SR 29-33
2. Social, Environmental and Governance Management Systems	Sustainability at Outokumpu SR 29-33 Sustainability Performance in 2022 SR 34 Sustainable Supply Chain SR 53-55 In a good company SR 62-67 Ethics and compliance in 2022 SR 74
3. Responsible Sourcing of Input Materials	Sustainable Supply Chain SR 53-55
4. Decommissioning and Closure	Not applicable to Outokumpu due to no plans to decommission or close sites
5. Occupational Health and Safety	We operate safely, always SR 59-61
6. Labour Rights	In a good company SR 62-67
7. Human Rights	Sustainable Supply Chain SR 53-55 Impact on human rights SR 57-58
8. Stakeholder Engagement and Communication	Stakeholder engagement SR 68
9. Local Communities	Stakeholder engagement SR 68
10. Climate Change and Greenhouse Gas Emissions	Decarbonizing for the climate SR 36 Energy efficiency in focus SR 43-44
11. Noise, Emissions, Effluents and Waste	Circularity at our heart SR 45-47 Environmental impacts minimized SR 48-50
12. Water Stewardship	Environmental impacts minimized SR 48-50
13. Biodiversity	Environmental impacts minimized SR 48-50

* Outokumpu has not yet been certified by the ResponsibleSteel initiative but this table indicates which part of the Sustainability Review 2022 contains information on sustainability work related to the ResponsibleSteel Principles and related requirements.

Independent practitioner's limited 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 information for the reporting period 1 January 2022 to 31 December 2022, disclosed in Outokumpu Oyj's Sustainability Review 2022 and in Outokumpu Oyj's online sustainability tool available on Outokumpu's website.

Selected sustainability information

The selected sustainability information within the scope of assurance covers:

- The economic, social and environmental sustainability indicators as identified in the GRI Content Index.
- EU taxonomy KPIs for climate change mitigation and climate change adaptation as disclosed in Outokumpu Oy'js Sustainability Review 2022.
- All of the indicators in the online sustainability tool available on the Company's website on 2 March 2023. Any changes made to the online tool made after the publishing date are not covered by this assurance report.

Management's responsibility

The Management of Outokumpu Oyj is responsible for preparing the Selected sustainability information in accordance with the Reporting criteria as set out in Outokumpu Oyj's reporting instructions described in Outokumpu Oyj's Sustainability Review 2022, the GRI Standards of the Global Reporting Initiative, Regulation (EU) 2020/852 and Commission Delegated Regulation 2021/2178, as well as own reporting instructions (collectively reporting criteria).

The Management of Outokumpu Oyj is also responsible for such internal control as the management determines is necessary to enable the preparation of the Selected sustainability information that are free from material misstatement, whether due to fraud or error.

Practitioner's independence, other ethical requirements and quality control

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

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 Selected sustainability information based on the procedures we have performed and the evidence we have obtained. 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" and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements (ISAE) 3410 "Assurance Engagements on Greenhouse Gas

Statements”. These Standards require that we plan and perform the engagement to obtain limited assurance about whether the Selected 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 information in the Selected sustainability information. The procedures selected depend on the practitioner’s judgment, including an assessment of the risks of material misstatement of the Selected sustainability information.

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

- Interviewing the senior management of the Company.
- Conducting three site visits; in Finland, Sweden and the United States of America.
- Interviewing employees responsible for collecting and reporting the selected information on sustainability indicators at the Group level.
- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Review of the EU Taxonomy related disclosures.
- Testing the consolidation of information and performing recalculations on a sample basis.
- Considering the disclosure and presentation of the Selected sustainability information.

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 Selected sustainability information for the reporting period ended 31 December 2022 are not properly prepared, in all material respects, in accordance with the Reporting criteria.

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

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.

Helsinki 28 February 2023

PricewaterhouseCoopers Oy

Tiina Puukkoniemi
Partner,
Authorised Public
Accountant (KHT)
ESG Reporting &
Assurance

Janne Rajalahti
Partner,
Authorised Public
Accountant (KHT)

Governance

Outokumpu complies with the laws and regulations applicable to a Finnish public company, the company's Articles of Association and the Corporate Governance Policy.

Download separate print-friendly version of this section in A4 format.

Corporate Governance Statement 2022

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. Its headquarters are located in Helsinki. 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 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, 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.

Our latest Corporate Governance statement and updated corporate governance information can be found at www.outokumpu.com/governance.

Outokumpu Oyj is domiciled in Finland, and our headquarters are located in Helsinki.

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 states that certain important decisions such as amendments to the Articles of Association, approval of the financial statements, increase or decrease of 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.

Board of Directors

Composition and operations of the Board of Directors December 31, 2022

All Board members are independent of the company. 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

Independent of the company and its significant shareholders.

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
Vice President: Citicorp Investment Bank Ltd 1986–1987
Several management positions: Citibank Plc 1981–1986

Positions of trust
Member of the Board of Directors: Stora Enso March 2022–
Vice Chairman of the Board of Directors: Nordea Bank Abp 2019–March 2022
Chairman of the Supervisory Board: Varma Mutual Pension Insurance Company 2015–2019
Vice Chairman of the Board: Nokian Tyres Plc 2018–2021
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

Mr. Jordan holds several positions of trust in foundations and non-profit associations.

Kati ter Horst

Vice Chairman of the Board of Directors
b. 1968, Finnish citizen
M.Sc. (Econ.), MBA (International Business)

Outokumpu Board member 2016– and Vice Chairman 2022–
Member of the Remuneration Committee

Independent of the company and its significant shareholders.

Work experience
Divisional CEO, EMEA: Aliaxis 2022–
Executive Vice President, Head of Stora Enso Paper, member of the Group Leadership team 2014–2022
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
Member of the Supervisory Board: Wienerberger AG, May 2021–September 2022
Board member: Climate Leadership Coalition 2019–2022
Board member (2017–2022), Vice Chair (2019–2020) and Chair (2020–2022): EURO-GRAPH asbl
Board member: Finnish Forest Industries Federation 2015–2022

Heinz Jörg Fuhrmann

Member of the Board of Directors
b. 1956, German citizen
PhD, Metallurgy, University of Berlin, Germany
Master's Degree, Metallurgy, RWTH Aachen University, Germany
Honorary Professor, RWTH Aachen University, Germany

Outokumpu Board member 2021–
Member of the Remuneration Committee

Independent of the company and its significant shareholders.

Work experience
Chief Executive Officer: Salzgitter AG 2011–2021
Vice Chairman, Executive Board: Salzgitter AG 2007–2011
Chief Financial Officer: Salzgitter AG 2001–2011
Executive Board Member: Salzgitter AG and Preussag Stahl AG 1996–2001
General Representative and Head of Central Corporate Planning: Preussag Stahl AG 1995–1996

Positions of trust
Member of the EIB Group Climate and Environment Advisory Council: 2021–
Chairman of the German Steel Industry Employer's Association 2020–
Member of the Presidential Board: Federation of German Industries (BDI) 2018–2021
Member of the Senate (2014–2016) and Chairman of the Senate: Fraunhofer Society 2016–2022
Member of the Supervisory Board: Aurubis AG 2009–2021
Member of the Supervisory Board: TÜV Nord AG 2008–
Member of the Supervisory Board: Öffentliche Versicherung Braunschweig (Insurance) 2002–2022

Päivi Luostarinen

Member of the Board of Directors
b. 1955, Finnish citizen
LL.M. University of Helsinki, Finland

Outokumpu Board member 2021–
Member of the Audit Committee

Independent of the company and its significant shareholders.

Work experience
Ambassador of Finland: London 2015–2019
Ambassador of Finland: Berlin 2011–2015
Director General, Europe: Ministry for Foreign Affairs of Finland 2008–2011
Deputy Director General, Americas and Asia: Ministry for Foreign Affairs 2007–2008
Chief Policy Adviser, Team Lead of Trade Policy and International Relations: Confederation of Finnish Industries, EK 2005–2006
Director General, Americas and Asia: Ministry for Foreign Affairs 2003–2005
Deputy Director General, Americas and Asia: Ministry for Foreign Affairs 2002–2003
Deputy Director General, Trade Policy and Economic Cooperation: Ministry for Foreign Affairs 2000–2001
Deputy Director General, the EU Secretariat: Ministry for Foreign Affairs 1996–2000
Member of the Cabinet of the Finnish Commissioner: EU Commission, Brussels 1995–1996

Positions of trust
Member: Finnish High Court of Impeachment 2012–2015
Member of the Board: Finnish Institute of International Affairs 2010–2014
Member of the Supervisory Board: Finnfund 2005–2006
Member of the Board: Finnfund 2002 and deputy member 2000–2001, 2003–2005 and 2007–2009

Ms. Luostarinen has in addition held several positions, starting in 1981, in the Foreign Service in Helsinki, at the Permanent Mission of Finland to the UN in New York and at the Permanent Delegation of Finland to the EU in Brussels

Petter Söderström

Member of the Board of Directors
b. 1976, Finnish citizen
M. Sc. (Econ.), Hanken School of Economics

Outokumpu Board member 2022–
Member of the Audit Committee

Independent of the company

Work experience
Investment Director and Member of the Management Team: Solidium Oy 2009–
Project Leader and Partner: Leimdörfer Finland Oy 2008–2009
Associate Director and Partner: Mandatum & Co Oy 2002–2008
Senior Associate: PricewaterhouseCoopers Oy 2000–2002

Positions of trust
Member of the Nomination Board (2018-2020) and Chairperson of the Nomination Board: TietoEVRY 2020–
Member of the Board of Directors and Member of the Audit Committee: Neles 2020–2021
Member of the Nomination Board: SSAB AB 2019–2021
Chairperson of the Nomination Board: Metso 2018–2020
Member of the Nomination Board: Telia Company AB 2017–2018

Vesa-Pekka Takala

Member of the Board of Directors
b. 1966
Finnish citizen
M.Sc. (Econ.)

Outokumpu Board member 2019–
Chairman of the Audit Committee

Independent of the company and its significant shareholders.

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 Fibre Oy 2021–
Board member: Metsä Tissue Oy 2018–
Board member: Metsä Spring Oy 2018–
Chairman of the Board: Metsä Group Treasury Oy 2013–
Board member (2017–2021) and Chairman (2021–) of the Economy and Tax Committee: Finnish Forest Industries
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

Independent of the company and its significant shareholders.

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 and President of the Aluminium Conversion Sector: Pechiney 2002–2004
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
Vice Chairman of the Board and Lead Independent Director (2021–), Chairman of the Nomination, Remuneration and Governance Committee: Vallourec Group
Chairman of the Board: Société Bic SA 2018–2021
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 2008–2022
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

Member of the ESG Advisory Council 2021–

Independent of the company and its significant shareholders.

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 board member and member of Audit Committee and Remuneration Committee: Surface Transforms Plc 2021–
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

In addition, Ms. Woodhouse has held several additional roles on committees and operating boards.

The Board assesses the independence of the Board members and records the outcome in the Board minutes. All members of the Board of Directors were independent of the company and its significant shareholders on December 31, 2022, excluding one Board member who was independent of the Company but not of one of its major shareholders.

Outokumpu shares and share-based rights (parents or subsidiaries) owned by each director and their controlled corporations on December 31, 2022

Board member	Number of shares
Kari Jordan	300,000
Heinz Jörg Fuhrmann	11,667
Kati ter Horst	39,609
Päivi Luostarinen	11,667
Petter Söderström	6,336
Vesa-Pekka Takala	44,269
Pierre Vareille	56,496
Julia Woodhouse	31,515
Total	**501,559**

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 pursuant to 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 financing arrangements, which exceed €20 million, or which have a fixed tenor exceeding ten years or which are organized by way of public offerings by any Group company;
  - ii. All major guarantees and pledges on behalf of non-Group parties; and all guarantees and pledges on behalf of Group companies which exceed €20 million; 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 internal control and risk management:

- Discuss and approve interim reports 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 2022, the Board of Directors assessed 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 eight members was elected at the Annual General Meeting 2022. Board meetings will be held as regularly as deemed necessary, but at least five times every year. In 2022, the Board of Directors had 22 meetings, and the attendance rate was 98%.

Breakdown of individual attendance at Board meetings

22 meetings in 2022	Attendance
Kari Jordan	22/22
Heinz Jörg Fuhrmann	21/22
Kati ter Horst	21/22
Päivi Luostarinen	22/22
Eeva Sipilä, until March 31, 2022	4/5
Petter Söderström, as of March 31, 2022	17/17
Vesa-Pekka Takala	22/22
Pierre Vareille	21/22
Julia Woodhouse	22/22

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 2022.

The review by the Board of Directors is available in the Financial year section in the Annual report.

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 five times during 2022, and the attendance rate was 100%.

Breakdown of individual attendance at Audit Committee meetings

5 meetings in 2022	Attendance
Päivi Luostarinen	5/5
Eeva Sipilä	1/1
Petter Söderström, as of March 31, 2022	4/4
Vesa-Pekka Takala	5/5
Julia Woodhouse	5/5

Remuneration Committee

The Remuneration Committee consists of the Chairman of the Board and a minimum of two additional Board members. The task 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.

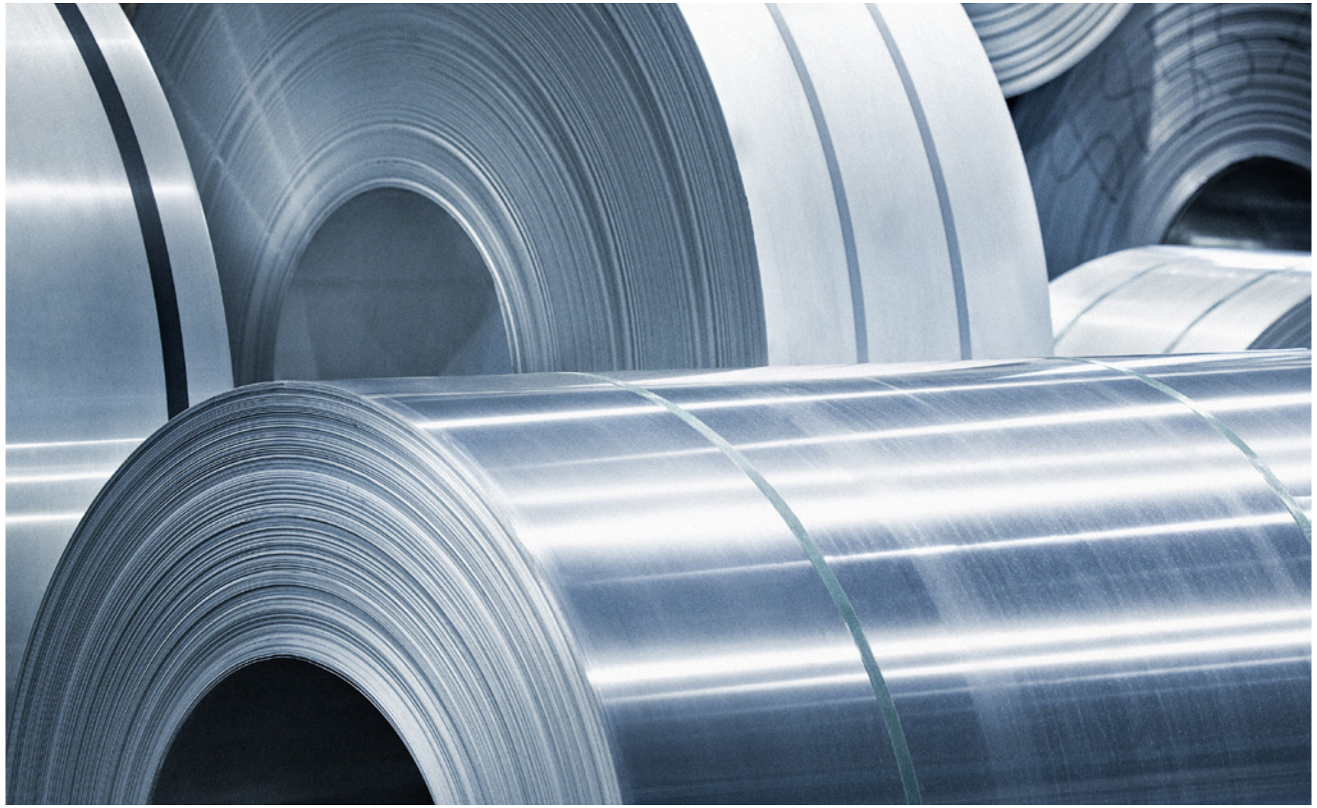
The Committee's rules of procedure are further defined in the Remuneration Committee Charter, approved by the Board. The Remuneration Committee met eight times during 2022, and the attendance rate was 100%.

Breakdown of individual attendance at Remuneration Committee meetings

8 meetings in 2022	Attendance
Kari Jordan	8/8
Heinz Jörg Fuhrmann	8/8
Kati ter Horst	8/8
Pierre Vareille	8/8

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 2022.



Shareholders’ Nomination Board

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, 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 2022 were Solidium Oy, Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company, and the Social Insurance Institution of Finland.

The Nomination Board prepares proposals for composition and compensation of the members of the Board.

These shareholders nominated the following individuals as their representatives in the Nomination Board: Reima Rytsölä, CEO at Solidium Oy, Pekka Pajamo, CFO at Varma Mutual Pension Insurance Company, Jouko Pölönen, President and CEO at Ilmarinen Mutual Pension Insurance Company, and Outi Antila, Director General at The Social Insurance Institution of Finland. Reima Rytsölä was elected Chairman of the Nomination Board, and Kari Jordan, Chairman of the Outokumpu Board of Directors, served as the fifth member of the Nomination Board.

The Nomination Board convened three 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 2023 Annual General Meeting of Shareholders.

Executive Management

Biographical details of the CEO and the Leadership Team on December 31, 2022

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 and compliance, safety and health and business area Europe

Employed by the 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

President – business line, Advanced Materials
b. 1962, German citizen
M.Sc. (Mechanical Engineering)

President – business line, Advanced Materials 2022–
Member of the Leadership Team 2020–
Responsibility: Business line Advanced Materials within business area Europe

Employed by Outokumpu since 2012.

Work experience
Executive Vice President, Commercial, Business Area Europe 2020–2022
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 IT

Employed by Outokumpu 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

Positions of trust
Board member: German Steel Association (Wirtschaftsvereinigung Stahl) 2020–

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 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: Outokumpu 1990–2006

Positions of trust
Board member: Technology Industry Employers of Finland 2021–
Board member: Association of Finnish Steel and Metal Producers 2020–
Chairman of Board: Chamber of Commerce in Lapland 2020–2021
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 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 Oyj 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

President – business line, Stainless Europe
b. 1977, Swedish citizen
M.Sc. (Environmental Science)

President – business line, Stainless Europe 2022–
Member of the Leadership Team 2020–
Responsibility: Business line Stainless Europe within business area Europe

Employed by Outokumpu since 2002.

Work experience
Executive Vice President, Operations, Business Area Europe 2020–2022
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

President – business area Americas
b. 1965, German citizen
MBA, M.Sc.

President, Business Area Americas 2021–
Member of the Leadership Team 2020–
Responsibility: Business area Americas

Employed by Outokumpu since 2012.

Work experience
Acting President, Business Area Americas: Outokumpu 2020–2021
SVP, Sales South & Overseas, Business Area Europe: Outokumpu 2016–2020
SVP, Finance & Control, Business Area Europe: Outokumpu 2013–2016
VP, Investor Relations: Outokumpu 2012–2013
Director Treasury, Risk Management, Insurance & Investor Relations: Inoxum 2012
Director, Head of Corporate & Structured Finance: Vattenfall 2010–2012
Treasurer: N.V. Nuon 2008–2010
Risk Management: N.V. Nuon 2000–2008

International postings in India, Pakistan, Singapore, Russia, Netherlands, the US and Finland.

Positions of trust
Board member: BCA, the Business Council of Alabama 2022
Board member: American Iron and Steel Institute 2020–
Member of the Board of Directors: Mobile Chamber of Commerce, Alabama, US 2021–

Outokumpu shares and share-based rights (parents or subsidiaries) owned by Leadership Team members and his/her controlled corporations on December 31, 2022

Members of the leadership team	Number of shares
Heikki Malinen	45,459
Pia Aaltonen-Forsell	10,950
Thomas Anstots	76,909
Stefan Erdmann	40,000
Martti Sassi	17,196
Johann Steiner	155,444
Niklas Wass	18,443
Tamara Weinert	30,489
Total	**394,890**

CEO and deputy to the CEO

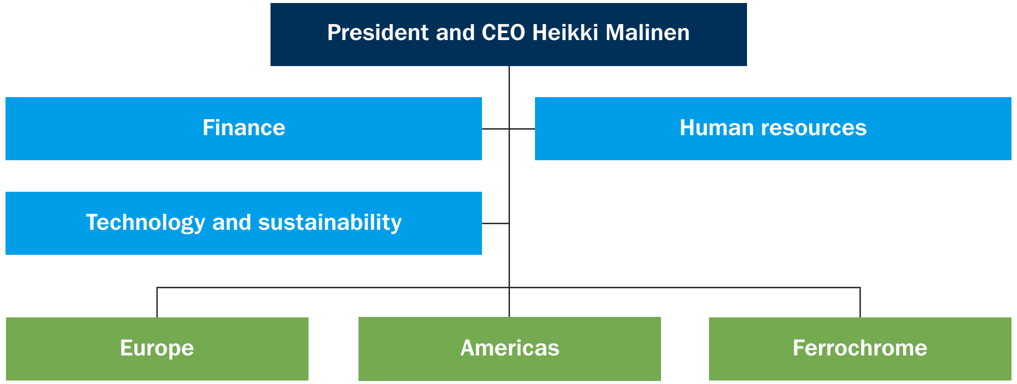
The President and Chief Executive Officer (CEO) is responsible for the company's operational management, in which the objective is to secure significant and sustainable growth in the value of the company for its shareholders.

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

Organization structure on Dec 31, 2022



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 CFO, 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.

Outokumpu Leadership Team is a reporting and decision-making forum for steering our corporate agenda.

Internal controls 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. As a listed company, the Group has to comply with a variety of regulations. Furthermore, it is important to ensure that key operational and reporting targets are met. Outokumpu has developed a system of internal controls and implements it throughout the company. The main purpose of the internal control system is to provide management and the Board of Directors with reasonable assurance regarding the achievement of objectives relating to the Group's operations, reporting and compliance. The internal control system consists of the Internal Control Policy and related instructions, common ways of working with clearly defined roles and responsibilities and IT system supported processes.

The risk management policy approved by the company's Board of Directors defines the objectives, approaches, and areas of responsibility in the Group's risk management activities. The risk management process consists of the following five core stages: 1) risk identification, 2) risk evaluation, 3) mitigation actions, 4) control activities, and 5) risk reporting. Read more about risks and opportunities.

Internal control provides management reasonable assurance.

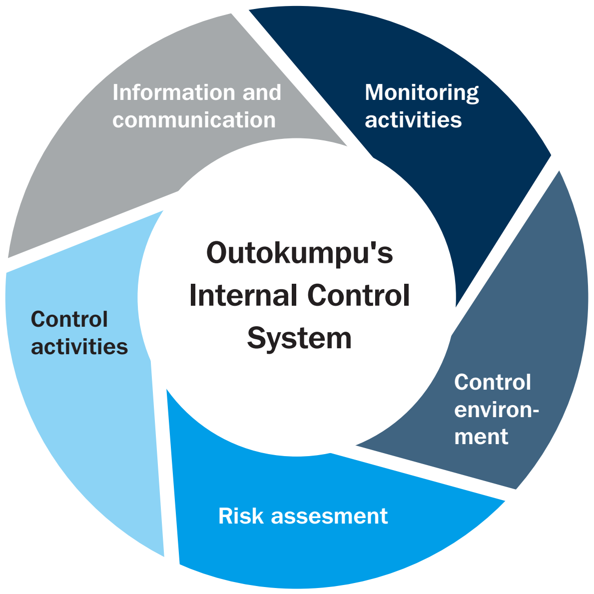
Internal controls over financial reporting

The purpose of this section is to provide shareholders and other stakeholders with a description of how the internal controls over financial reporting are organized at Outokumpu.

Outokumpu's Internal Control Policy defines main roles, responsibilities, principles, and objectives for the Group's internal control system. Outokumpu applies the COSO Internal Control – Integrated Framework (2013) as main guidance for the internal control system.

The Board of Directors is ultimately responsible for overseeing the system of internal controls and the CEO, supported by other members of executive management, is responsible for implementing and maintaining an efficient system of internal controls. Components of the system include control environment, risk assessment, control activities, information and communication as well as monitoring activities.

Outokumpu's financial reporting follows International Financial Reporting Standards (IFRS) as adopted by the EU. The Outokumpu Accounting Principles are Outokumpu's application guidance on IFRS. Outokumpu also complies with the regulations regarding financial reporting published by the Financial Supervisory Authority (FIN-FSA), Nasdaq Helsinki, and the European Securities and Markets Authority (ESMA). The objective of internal controls over financial reporting at Outokumpu is to provide reasonable assurance that the financial reporting and the preparation of financial statements are in accordance with applicable laws, regulations, and internal requirements.



Control environment

The foundation of Outokumpu's control environment consists of policies, standards, processes, and structures that provide the basis for the internal control system across the organization and define the ways in which Outokumpu operates. The performance management as well as the risk management and internal control process are key management activities in enabling an efficient control environment. Throughout the Group's operations, the planning activities and the setting of compliance, operational and financial targets are executed in accordance with Outokumpu's overall business targets. Management monitors related achievements. Risks or

Key Policies relevant to internal controls

- **Approval Policy**
  Defines the relevant authorization levels and thresholds within the Outokumpu Group. Applies to the internal approval of contracts and other commitments made by the Business Areas and Group Functions of the Outokumpu Group.
- **Risk Management Policy**
  Describes the risk management principles and main rules followed by the Outokumpu Group.
- **Code of Conduct**
  Sets out the ethical standards and provides guidelines for a common way of working.
- **Internal Audit Charter**
  Describes the main principles and rules followed by the Outokumpu Group in relation to Internal Audit's assignment and underlying values.
- **Internal Control Policy**
  Defines main roles, responsibilities, principles, and objectives for Outokumpu's internal control system.
- **Treasury Policy**
  Defines objectives and main principles for Treasury as well as the distribution of related tasks and responsibilities within the Outokumpu Group.
- **Acceptable Use of IT Policy**
  Outlines the guidelines of constraints and practices that a user must agree to for access to Outokumpu's network, the internet, and other resources.
- **Identity and Access Management Policy**
  Enables the right individuals to access the right resources at the right times for the right reasons.
- **Corporate Responsibility Policy and Ethics Statement**
  Aims to guarantee that companies work ethically, considering human rights as well as the social, economic and environmental impacts.
- **Outokumpu Accounting Principles (OAP)**
  Sets out the accounting principles and disclosure requirements that must be followed by all legal companies and reporting units in reporting their financial information to the Group.

threats are handled through regular reporting and status review meetings.

Risk assessment

Risk assessment involves a dynamic and iterative process for identifying and evaluating risks to achieve predefined objectives and it provides the foundation for determining how risks will be managed.

The risks related to the financial reporting are managed according to Outokumpu's risk management policy. The risks related to financial reporting are identified and evaluated in risk workshops or similar, addressing the risks for the most relevant parts of the financial reporting process.

Control activities

The objective of control activities is to prevent, discover, and correct potential errors and deviations. Control activities also aim to ensure that authorization structures are designed and implemented in such a way that incompatible tasks (e.g. one person performing a critical activity and being responsible for controlling that activity) are segregated. Control activities are performed at all levels of the organization, at various stages within business processes, and within the key technologies, e.g. ERP systems.

Control activities for the financial reporting consist of different kinds of measures and include reviews of financial reports by Group and business area management teams, the reconciliation of accounts, analyses of the logic behind reported figures, forecasts compared to 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 types of control activities take place at different levels of the organization.

Control activities highlights

- During 2022, implementation of the digital platform for risk and control management continued by stabilizing the process and adding more units and functions into the scope.
- Strengthening of segregation of duties management (SoD) continued in 2022 as per development roadmap by governance and process modelling and through the SoD risk identification. Furthermore, the SoD risk reporting development was started.
- Outokumpu further developed its financial reporting process by increasing efficiencies and effectiveness in financial closing processes through process and timeline harmonization, documenting financial reporting related risks, and increasing the coverage of internal controls in the financial reporting process area.
- Preparations for the next rollout of the new ERP system together with other related IT systems continued.

Information and communication

Group-wide policies and principles are available to all Outokumpu's 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. Finance Leadership Team meetings are organized regularly to share information and discuss issues of topical interest to the Group.

Furthermore, Outokumpu has established Group Functions Board and steering groups in which financial reporting and internal control issues are discussed and reviewed. These groups typically consist of senior members of management and substance experts. Outokumpu's objective 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.

Monitoring activities

The organization evaluates and communicates internal control deficiencies in a timely manner to the parties responsible for taking corrective action, including executive and senior management, and the Board of Directors, as appropriate. Both management in Outokumpu's group companies and the accounting and controlling functions are responsible for the follow-up and monitoring of internal controls connected with financial reporting. Overall development and monitoring of the internal control process and platform, as well as control testing, are performed by the Group's internal control function. The internal audit function monitors that an appropriate control environment exists across the Group. Risk management, the compliance function, and Outokumpu's auditors are also engaged in the review of control activities. The findings of the review procedures as well as maturity of the system of internal controls are reported to the Board Audit Committee and the Group Functions Board on a regular basis.

Internal audit

The mission of internal audit is to provide 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 and control management process, as designed and represented by the Board of Directors and the Outokumpu Leadership Team, are effective and efficient.

Group internal audit, with the third-line roles in risk management, performs audits according to the audit plan approved by the Board Audit Committee. Internal audit monitors, together with the compliance function, adherence to Group principles, policies, and instructions, and leads investigations into fraudulent and noncompliant behaviors and activities.

Key activities in 2022

- In 2022, internal audit performed nine audits, in line with the audit plan. The results of the audits as well as progress in related actions are reported to the relevant management, the Board Audit Committee, and the external auditor.
- Total of 45 misconduct reports were recorded in 2022 (2021: 40), most of the reports leading to recommendations for management actions.

Planned key activities for 2023

- In 2023, from 8 to 10 site and thematic audits are expected

Ethics and 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 common ways of working 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 group-wide ethics and compliance program. Outokumpu's ethics and compliance program is described in more detail in the Sustainability review. 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 ethics and compliance related matters.

Ethics and compliance related matters are also regularly handled in the Compliance Steering Group, consisting of the CEO, CFO, Head of HR, Head of Internal Controls and Internal Audit, General Counsel and Head of Compliance. The Compliance Steering Group met four times in 2022. In addition, a global network of compliance contact persons and several data protection governance bodies support the implementation of the ethics and compliance program in the business areas and group 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 and a year-end report – so called "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 the Outokumpu Group's Approval Policy. Any such transactions are escalated for review on the Group's executive level and cross-checked against the related parties. Any related party transactions that are not conducted in Outokumpu Group's ordinary course of business will require a decision by Outokumpu's Board of Directors and a transaction which would be deemed material for Outokumpu'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

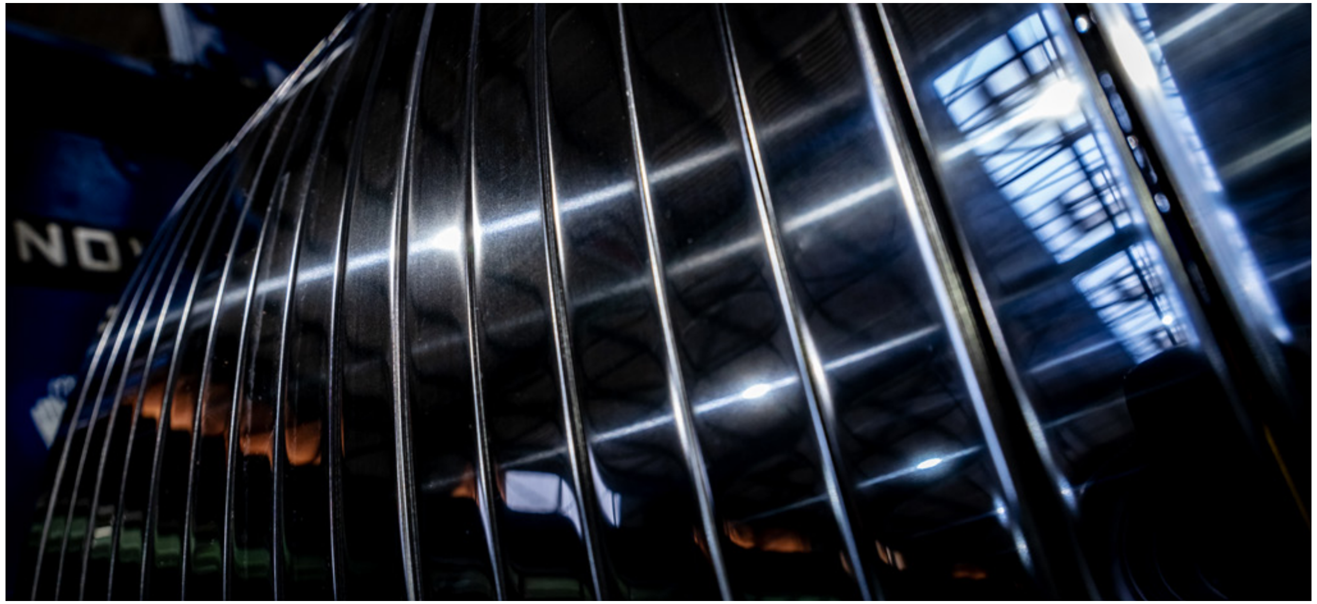
Outokumpu's Audit Committee monitors the evaluation process. Related party transactions are reported to the Audit Committee on a regular basis. Outokumpu's finance and control functions monitor related party transactions regularly in arrears as a part of the company's reporting and control procedures. 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 PricewaterhouseCoopers 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 March 31, 2022 and has been the Auditor of Outokumpu for six 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 PricewaterhouseCoopers at the global level. In 2022, the auditors were paid fees totaling EUR 2.7 million, of which the non-auditing services accounted for EUR 0.2 million.

Remuneration report

Based on results, our Performance Share Plan reached target level for the first time in several years. We continue to review our remuneration framework to ensure they support value delivery for our stakeholders.

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Dear Shareholder,

on behalf of the Board, I am pleased to present Outokumpu's Remuneration Report for 2022.

This report has been prepared according to the Corporate Governance Code 2020 and approved by the Board of Directors. It will be presented to the Annual General Meeting in March 2023.

The report presents in a clear and transparent way how Outokumpu rewarded the Board members and the President and CEO for 2022. The materialized remuneration is in line with the Remuneration Policy of the governing bodies of Outokumpu, approved at the Annual General Meeting in 2020.

In 2022, the Annual General Meeting elected Petter Söderström as a new Board member. Petter's astute investor perspective and vast experience in financial analysis provide an excellent addition to the experience and capabilities of our Board of Directors. In the autumn, an independent party conducted a thorough assessment of the Board of Directors' capabilities and performance, providing assurance as well as valuable insights.

Following excellent results in 2021, strong performance continued in 2022 despite a softening market, exceptionally high imports from Asia, and an energy crisis in Europe. For the second year in a row, we delivered record level profitability. We also progressed determinedly with our strategy, concluding the first phase six months ahead of schedule and ramping up the second phase. Having two customer-differentiated business lines in Europe, Advanced Materials and Stainless Europe, is proving to be a successful move in serving the specific needs of the two customer groups.

Sustainability continues to be at the core of our operations, and therefore in 2022 we introduced a CO_2 emission reduction target in our long-term incentive program, the Performance Share Plan. We also agreed on long-term ambitions for diversity, equity and inclusion and added a diversity target for managers in our short-term incentive plan for 2023, alongside safety which is still a top priority.

Based on the exceptional business results, the CEO will receive a short-term incentive close to the maximum level set in the Remuneration Policy. In addition, the Performance Share Plan reached target level for the first time in several years and share rewards will be paid to the CEO and management during the first quarter of 2023.

Going forward, we will continue to review our remuneration framework to ensure they support value delivery for our stakeholders.

Sustainability continues to be at the core of our operations, and in 2022 we introduced a CO_2 emission reduction target in our long-term management incentive.

Kari Jordan
Chairman of the Board of Directors

Introduction – how remuneration relates to Outokumpu's performance

Outokumpu's Remuneration Policy from 2020 sets the framework for the remuneration of the Board of Directors and the CEO.

This remuneration report for 2022 follows the Finnish Corporate Governance Code and the applicable legislation.

The report presents how the policy was applied in 2022 and how remuneration aligns with the successful delivery of sustainable business results according to the company's long-term strategy. Pay for performance is one of Outokumpu's guiding principles for remuneration. It is applied in practice via incentive plans, both short-term and long-term, so that remuneration follows business performance.

Outokumpu's Annual General Meeting on March 31, 2022 approved the remuneration report 2021 in an advisory vote. 243,832,375 shares and votes, representing approximately 53% of all shares and votes in the company, participated in the voting. 156,961,014 votes, representing approximately 64% of the votes cast, voted for the remuneration report. In this remuneration report 2022, we increased the transparency of our disclosures, notably on performance measures in incentive plans.

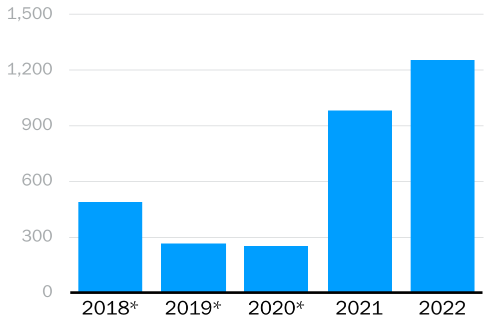
For 2022, the CEO remuneration was in line with the framework and principles set forth in the Remuneration Policy. The remuneration of the employees follows the same principles, which include shareholder value creation as the underlying focus of the reward strategy, competitive remuneration, business strategy aligned incentives, and pay for performance. In line with this last principle, exceptional performance provided correspondingly higher rewards for all employees.

The table and graphs on the next page show how the Board member fees and the CEO remuneration have developed compared to the average remuneration of employees and to Outokumpu's financial results over the last five years.

Pay for performance is one of our guiding principles for remuneration.

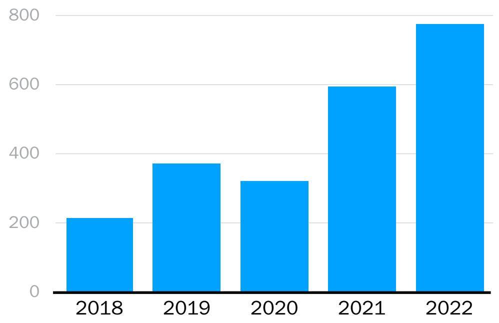
Outokumpu performance and CEO remuneration 2018–2022

Adjusted EBITDA, € million

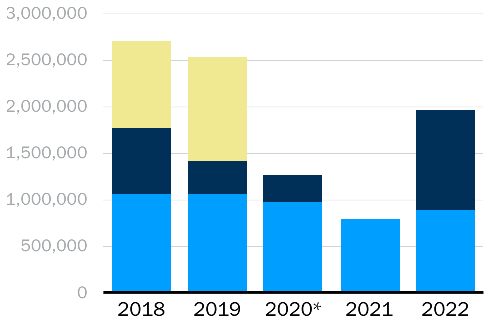


*Including discontinued operations

Operating cash flow, € million*



CEO remuneration, €



Base salary + benefits
Short-term incentive[1)]
Long-term incentive[1)]

1) Paid incentives are entered in the graph on the year when they are paid. Usually, they relate to the performance in the previous year(s).

* Roeland Baan until April 2020 (including incentives that year), Heikki Malinen since May 2020

Development of remuneration and financial development over the past five years

	2022	2021	2020	2019	2018
Board of Directors [1)], €	**898,200**	780,600	658,400	705,800	576,200
CEO [2)], €	**1,965,022**	795,840	1,264,729	2,534,480	2,705,913
Employee average [3) 4)],€	**66,013**	62,677	53,637	53,922	52,159
Adjusted EBITDA[4)], € million	**1,256**	980	250	263	485

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.

3) Personnel expenses without indirect employee costs and termination benefits, divided by the average number of employees during the year. In 2018–2020, the employee headcount was used for the calculation. For 2021 onwards, the calculation is based on the full-time equivalent (FTE). The average remuneration has increased due to the higher incentive accruals as well as higher utilization of our resources.

4) 2018–2020 including discontinued operations.

Remuneration Policy briefly

The Remuneration Policy sets the remuneration framework and principles for the governing bodies, the Board of Directors and the President and CEO of Outokumpu.

The remuneration of the Board of Directors is decided by the Annual General Meeting based on the proposal by the Shareholders' Nomination Board. The CEO's remuneration is decided by the Board of Directors based on preparation by its Remuneration Committee and in accordance with the policy presented to the AGM.

The adjacent table describes the content of the policy briefly.

For short-term and long-term incentives, similar principles apply also for all the Outokumpu employees included in the schemes.

Remuneration element, purpose, and link to strategy	Applied to	Key features of the policy
Fixed fee Ensures that Outokumpu can attract and retain Board members with the experience and skills necessary in a large and complex business operating in a global competitive environment, enabling to set and monitor the company strategy.	Board of Directors	The Shareholders' Nomination Board is responsible for presenting a proposal for remuneration of the members of the Board of Directors to the Annual General Meeting.
Fixed compensation Compensates for the job responsibilities and reflects the competencies, knowledge, and experience of the individual.	President and CEO	The fixed monthly salary is reviewed annually as part of the review of the CEO's total compensation package. The Board of Directors will consider various factors when determining changes in the fixed compensation, including individual contribution, business performance and alignment with external market levels.
Pension and other benefits Enable focus on job responsibilities by releasing the individuals from the worry of organizing other aspects of their lives.	President and CEO	Rights to a supplementary pension plan are assessed on a case-by-case basis. The current President and CEO is not eligible for supplementary pension. Other benefits follow the applicable company policy and may be amended from time to time. They can include for example a mobile phone, a company car, housing, and insurance policies.
Short-term incentives Support the achievement of Outokumpu's annual financial and strategic targets.	President and CEO	Performance measures, weights, and targets for the selected measures are set annually by the Board of Directors to ensure they support the strategy. These may change from year to year to reflect business priorities and typically include Outokumpu's financial performance, safety, and individual strategic targets. After year-end, the Board of Directors determines the extent to which each of the targets were achieved and the final pay-out level.
Long-term incentives Align the interests with the shareholders and retain by creating a long-term equity interest. Promote shareholder value creation and the achievement of long-term strategic targets.	President and CEO	Outokumpu's long-term incentive program consists of annually commencing long-term incentive plans with a three-year performance period. Performance measures, weights, and targets are set by the Board of Directors to ensure they support the strategy and typically include financial measures. After the end of the performance period the Board of Directors measures the achievement level of performance targets and confirms the final pay-out level.
Shareholding requirement Ensures alignment of the interests of the President and CEO with that of shareholders.	President and CEO	The CEO should accumulate and once achieved, hold a shareholding in Outokumpu corresponding to their annual gross base salary. The shareholding is expected to be accumulated out of rewards received under the share-based incentive schemes of Outokumpu.

Fees of the Board of Directors

Outokumpu's Board members are compensated for their time, commitment, knowledge, and required experience for contributing to the long-term financial performance and success of the company. As of March 2022, Petter Söderström joined the Board of Directors as a new member. Eeva Sipilä left the Board of Directors at the Annual General Meeting in 2022.

Observing general market trends and in accordance with the proposal by the Nomination Board, the Annual General Meeting 2022 decided to increase the annual remuneration of the Board of Directors as presented in the adjacent table.

40% of the annual remuneration is 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.

If a Board member, on the date of the Annual General Meeting, owns shares of the company, which based on the closing price of that day represent a value exceeding the annual remuneration, he or she can opt to receive the remuneration in cash.

The annual fee is paid once a year, and in addition to the annual remuneration, all the members of the Board of Directors are paid a fee for each meeting they attend. The members of the Board are not entitled to any other share-based rewards. The Board members are not eligible for any pension schemes.

Set fees of the Board of Directors

	2022		2021	
€	Annual remuneration	Meeting fee	Annual remuneration	Meeting fee
Chairman	**169,000**	**600**	163,000	600
Vice Chairman	**93,500**	**600**	91,600	600
Board members	**72,500**		71,100	
Meeting held in the country of residence		**600**		600
Meeting held outside the country of residence		**1,200**		1,200

Remuneration and meeting fees of the Board of Directors paid in 2022 and 2021

	Paid in 2022			
	Annual compensation paid in 2022			
Members of the leadership team	Share portion	Cash portion	Meeting fees[1]	Total
Kari Jordan, Chairman		169,000	21,000	190,000
Eeva Sipilä, Vice Chariman until March 31, 2022			4,200	4,200
Kati ter Horst, Vice Chariman from April 1, 2022		91,600	22,200	113,800
Heinz Jörg Fuhrmann, Member[2]	29,463	43,037	22,200	94,700
Päivi Luostarinen, Member[2]	29,463	43,037	19,200	91,700
Petter Söderström, Member[3]	29,463	43,037	14,400	86,900
Vesa-Pekka Takala, Member	37,996	55,504	19,200	112,700
Pierre Vareille, Member	29,463	43,037	27,000	99,500
Julia Woodhouse, Member	29,463	43,037	32,200[4]	104,700
Total	**185,308**	**531,292**	**181,600**	**898,200**

	Paid in 2021			
	Annual compensation paid in 2022			
Members of the leadership team	Share portion	Cash portion	Meeting fees[1]	Total
Kari Jordan, Chairman	66,243	96,757	12,600	175,600
Eeva Sipilä, Vice Chariman until March 31, 2022	37,226	54,374	12,000	103,600
Kati ter Horst, Vice Chariman from April 1, 2022	28,894	42,206	12,600	83,700
Heinz Jörg Fuhrmann, Member[2]	28,894	42,206	6,600	77,700
Päivi Luostarinen, Member[2]	28,894	42,206	8,400	79,500
Petter Söderström, Member[3]				
Vesa-Pekka Takala, Member	28,894	42,206	12,000	83,100
Pierre Vareille, Member	28,894	42,206	13,800	84,900
Julia Woodhouse, Member	28,894	42,206	21,400[4]	92,500
Total	**276,832**	**404,368**	**92,400**	**780,600**

[1] Meeting fees are entered in the table on the year when they are paid and include committee meeting fees.

[2] Appointed as a Board member on March 31, 2021.

[3] Appointed as a Board member on March 31, 2022.

[4] Meeting fees include 7,000 € meeting fees for the ESG (environmental, social and governance) Board.

Remuneration of the CEO

The remuneration of the CEO consists of a base salary, benefits and an annually determined short-term incentive plan. In addition, the CEO participates in long-term incentives comprising performance share plans launched on a yearly basis.

Following the excellent results achieved since he took office, the CEO's monthly gross base salary was raised by 16% to EUR 75,397 in April 2022, totaling EUR 900,322 including short-term benefits for the full year 2022. This reflects the market salary level for this type of responsibilities and this size of a company, and recognizes that the CEO performed well above expectations, bringing in record level results in 2021 and successfully de-risking the company.

In 2022, the CEO's short-term incentive earning opportunity remained unchanged at 50% of the annual gross base salary on a target level and 100% on a maximum level. The short-term incentive to be paid in 2023 reflects the achievement of the pre-defined targets for 2022: Group adjusted EBITDA, safety, and strategy implementation. Group adjusted EBITDA broke new record levels. Total Recordable Incident Frequency Rate (TRIFR) reached the ambitious target of 2.0, which is exceptional in this industry. The first phase of the strategy was successfully completed ahead of time, bringing significant improvement in commercial excellence, cost and capital discipline and lean and agile organization, as well as achieving both its financial targets, EUR 250 million EBITDA run-rate improvement and net debt to EBITDA ratio to below 3.0. Altogether, EUR 871,388 of short-term incentives will be paid to the CEO in spring 2023 for 2022, which is 95% of the maximum.

Management and employees belonging to the short-term incentive scheme will also receive correspondingly high pay-outs, conditioned to their respective individual performance levels.

The CEO's long-term incentive earning opportunity is at most 150% of the annual gross base salary at the time of payment. In 2022, the CEO was not paid any long-term incentive, since the threshold level of the Performance Share Plan 2019–2021, return on operating capital compared to the peers, was not met. However, for the Performance Share Plan 2020–2022, the same performance target was reached, and therefore, the executives participating in the plan will receive 100% of the shares granted at target level. For the CEO, that means 130,451 gross shares.

The members of Outokumpu's Leadership Team, including the CEO, are expected to own Outokumpu shares they receive in the company's share-based incentive programs corresponding to at least 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 that ownership recommendation.

The service contract of the CEO is valid until further notice. He is entitled to a severance payment of twelve (12) months, and the notice period is six (6) months for both parties. CEO Heikki Malinen has the right to retire at the age of 65. He participates in the Finnish TyEL pension system, and there is no supplementary pension plan at place.

Remuneration of the CEO

	Due in 2023	Paid in 2022	Paid in 2021
Base salary and benefits[1]	N/A	900,322	795,840
Short-term incentives [2]	871,388	1,064,700	0
Long-term incentives [2]	See table on the next page	0	0
Total Remuneration	**N/A**	**1,965,022**	**795,840**

[1] Excluding post-employment benefits.

[2] Paid incentives are entered in the table on the year when they are paid. Usually, they relate to the performance in the previous year(s).

Share-based remuneration of the CEO

	Due in 2023	Paid in 2022	Paid in 2021
Long-term incentive plan	PSP 2020-2022	PSP 2019-2021	PSP 2018-2020
Maximum number of shares granted (gross)	195,677	97,000	43,000
Grant date	May 15, 2020	May 15, 2020	May 15, 2020
Number of shares earned (gross)	130,451	0	0
Number of shares delivered (net) [1]	71,902	0	0
Share delivery date	February, 2023	–	–
Share price at delivery	Not known yet	–	–

[1] Paid incentives are entered in the table on the year when they are paid. Usually, they relate to the performance in the previous year(s).

Shareholding of the CEO

	2022	2021
Shareholding recommendation	100% of individual annual gross base salary	100% of individual annual gross base salary
Shares owned on December 31	**45,459**	45,459
Closing share price on December 31, €	**4.73**	5.50
Value of the shares on December 31, €	**215,021**	250,025
Value of the shares in % of annual base salary	**23%**	31%

CEO's earning opportunity and performance measures in the short-term incentive plans in 2022

Earning opportunity in % of gross annual base salary[1]			Payout, %	Payout, €
Threshold			0.5%	4,586
Target			50%	458,625
Maximum			100%	917,250
Performance measures in 2022	**Weight**	**Achievement**	**Payout, %**	**Payout, €**
Group Adjusted EBITDA in 2022	80%	Maximum	100%	733,800
Group safety: Total Recordable Incident Frequency Rate = 2.0	10%	Target	50%	45,863
Strategy implementation: EUR 250 million EBITDA run-rate improvement and net debt to EBITDA ratio to below 3.0.	10%	Maximum	100%	91,725
Total (sum of the products of each target weight and payout level)	100%		95%	871,388

[1] Prorated to the different salary levels during 2022, i.e., 3/12 * 819,000 + 9/12 * 950,000 = 917,250 €. The actual base salary paid during 2022 differs from this prorated annual base salary because of accrued holiday pay not yet paid.

CEO's earning opportunity and performance measures in the long-term incentive plans in 2022

Earning opportunity	PSP 2020–2022	PSP 2021–2023	PSP 2022–2024
Threshold [1]	22%	25%	25%
Target [1]	44%	50%	50%
Maximum [1]	67%	75%	75%
Grant [2]	130,451	168,800	85,300
Grant date	May 15, 2020	March 15, 2021	March 15, 2022
Payout year	2023	2024	2025
Performance measures			
Criteria	Return on operating capital, average Q4/2022–Q3/2022, compared to peers	Return on capital employed in 2023	Return on capital employed, average 2022–2024
Weight	100%	100%	80%
Criteria	–	–	CO_2 emissions per ton of crude steel, 2024 SBTi target
Weight	–	–	20%

[1] Expressed in percentage of annual gross base salary at the time of grant. In PSP 2020–2022, the levels were prorated to time in position during the performance period: 32/36 months.

[2] Number of gross shares at target level. The number of shares was determined using the share price at the time of plan approval: EUR 2.66 for PSP 2020–2022, EUR 2.31 for PSP 2021–2023, and EUR 5.57 for PSP 2022–2024.

Financial year 2022

Year 2022 was a historic one for Outokumpu. Our result was the best in our history. We also reached an important milestone of being net debt free.

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

Review by the Board of Directors

The year 2022 was a historic one for Outokumpu. Our adjusted EBITDA increased to EUR 1.3 billion (EUR 1.0 billion), which is the best result in the company's history. Stainless steel deliveries declined from the previous year, while higher realized prices for stainless steel supported profitability. As a result of strengthened profitability, our ROCE increased to 22.6% (17.6%) and earnings per share to EUR 2.40 (EUR 1.21). We also reached an important milestone of being net debt free at the end of 2022. This is a remarkable achievement and was made possible by our diligent strategy execution and the exceptionally strong market environment for the past two years. Outokumpu is now financially stronger than ever and more resilient to withstand changing conditions.

In 2022, Outokumpu completed the first phase of its strategy, where the aim was to de-risk the company. By the end of the second quarter, both financial targets, a net debt to adjusted EBITDA ratio below 3.0 and an EBITDA run-rate improvement of EUR 250 million, were reached. As a result, Outokumpu launched the second phase ahead of schedule. The aim of the second phase is to strengthen Outokumpu's core, and this phase will last until the end of 2025. We aim to improve our EBITDA run-rate by another EUR 200 million and keep our net debt to adjusted EBITDA ratio at below 1.0 in normal market conditions. There is also an increased focus on shareholder returns in the second phase and, in 2022, Outokumpu updated its dividend policy and launched its first share buyback program ever.

The operating environment in 2022 was exceptionally volatile. The war in Ukraine and its consequences, such as the energy crisis in Europe, overshadowed the year and created challenges we overcame as a team. Despite

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

Highlights 2022

Stainless steel deliveries
2,106,000
tonnes
(2,254,000 tonnes)

Adjusted EBITDA, EUR
1,256
million
(EUR 980 million)

ROCE
22.6%
(17.6%)

Net result EUR
1,086
million
(EUR 526 million)

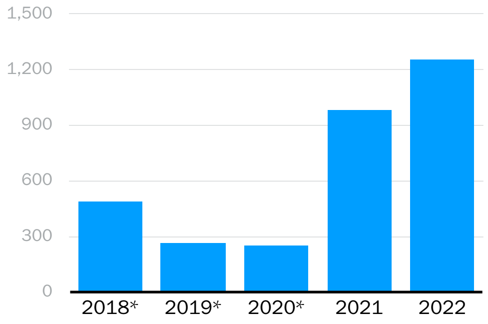
Operating cash flow, EUR incl. discontinued operations
778
million
(EUR 597 million)

the exceptional situation in the energy market, Outokumpu was able to run its stainless steel operations successfully throughout the year, and both business areas Europe and Americas delivered their best annual results in history. Business area Europe's adjusted EBITDA increased to EUR 680 million (EUR 485 million), while deliveries declined compared to the previous year. Business area Americas delivered a record-level adjusted EBITDA of EUR 384 million (EUR 297 million) with lower deliveries. Business area Ferrochrome, however, suffered from the exceptionally high electricity prices, which resulted in an optimization of ferrochrome production in the second half of the year. Business area Ferrochrome's adjusted EBITDA amounted to EUR 220 million (EUR 246 million), showing strong profitability but negatively affected by the high electricity prices.

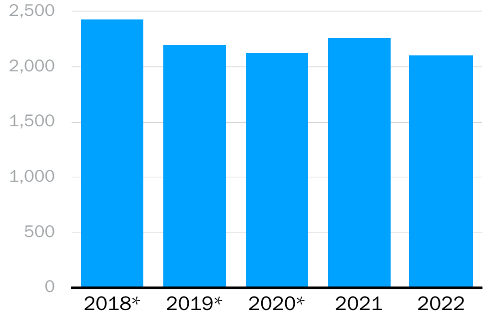
In 2022, our sustainability leadership continued. Safety performance further improved from last year's level, and the share of recycled content reached an all-time high of 94%. As a result of our strong sustainability performance, Outokumpu reduced its CO_2 emissions successfully in line with its SBTi emission reduction target. Additionally, we launched a new emission-minimized stainless steel product called Circle Green, which is the first of its kind in the industry.

After the balance sheet date in January 2023, Outokumpu completed the divestment of the majority of its Long Products business. This represents a successful closing of the turnaround program and allows Outokumpu to focus on its core business of flat stainless steel and ferrochrome.

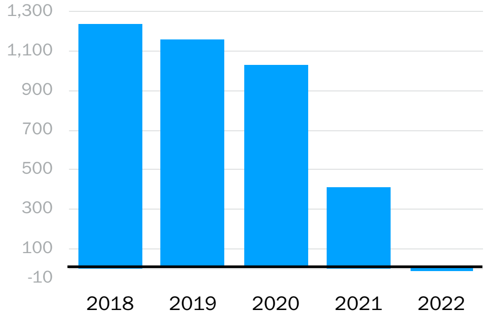
Adjusted EBITDA, € million



Stainless steel deliveries, 1,000 tonnes



Net debt, € million*



* Including discontinued operations

Market development

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

Results

€ million	2022	2021
Sales	9,494	7,243
Adjusted EBITDA	1,256	980
Adjustments		
Loss on disposal of shares in Group companies and businesses	–10	–
Litigation provisions	2	–15
Environmental provisions	–	–10
Gain on disposal of property	–	12
EBITDA	1,248	968
EBIT	992	674
Net result for the financial year	1,086	526
Earnings per share, €	2.40	1.21
Diluted earnings per share, €	2.22	1.13
Adjusted EBITDA margin, %	13.2	13.5
Return on capital employed, rolling 12 months (ROCE), %[1)]	22.6	17.6

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

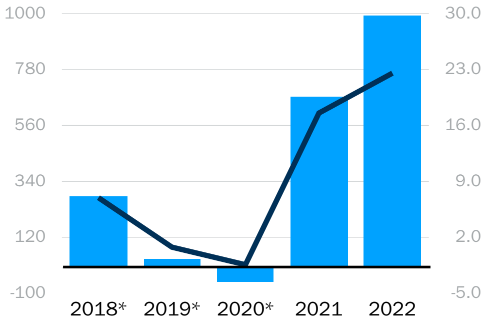
In January–December 2022, Outokumpu's sales increased to EUR 9,494 million (EUR 7,243 million) and adjusted EBITDA rose to EUR 1,256 million (EUR 980 million). As a result of strong profitability, ROCE improved to 22.6% (17.6%).

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

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

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

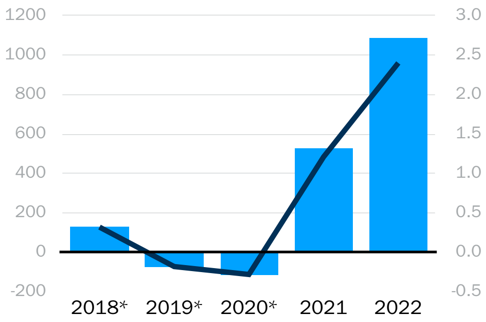
EBIT, € million, and return on capital employed, %



EBIT € million
Return on capital employed

Outokumpu has redefined its' capital employed and ROCE definitions in 2022. Comparative information for 2021 has been restated accordingly.

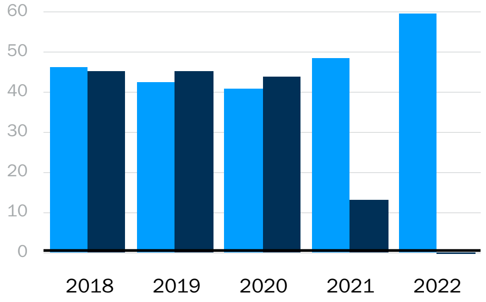
Net result, € million, and earnings per share, €



Net result, € million
Earnings per share, €

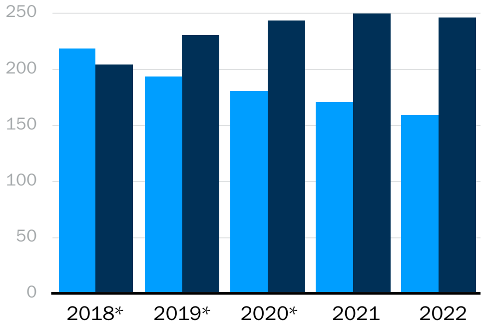
* Including discontinued operations

Equity-to-assets ratio and debt-to-equity ratio, %*



Equity-to-asset ratio
Debt-to-equity ratio

Capital expenditure and depreciation, € million



Capital expenditure
Depreciation

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

Strategy execution

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

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

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

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

Outokumpu has a strong strategic initiative pipeline of more than 1,000 projects with over 300 projects already in progress, following the rigorous governance and ways of working in the company's strategy execution.

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

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

Financial position and cash flow, incl. discontinued operations

€ million	2022	2021
Net debt		
Non-current debt	**492**	597
Current debt	**141**	112
Cash and cash equivalents	**644**	300
Net debt	**–10**	408
Net debt to adjusted EBITDA	**0.0**	0.4
Net cash generated from operating activities	**778**	597
Capital expenditure, continuing operations	**158**	171
Capital expenditure	**160**	175
Debt-to-equity ratio, %	**–0.3**	13.1
Equity-to-assets ratio, %	**59.2**	48.3

Operating cash flow (incl. discontinued operations) amounted to EUR 778 million in 2022 (EUR 597 million). The annual net working capital increase was EUR 587 million as there was a negative impact coming from all three items, inventories, accounts paya-bles and accounts receivables (increase of EUR 266 million).

Inventories amounted to EUR 1,783 million at the end of December (December 31, 2021: EUR 1,892 million). In 2022, the total inventory decrease was EUR 109 million, of which EUR 185 million relates to the reclassification of the Long Products inventory asset held for sale. Therefore, the inventories for the continuing operations increased by EUR 76 million. During the year, inventories decreased in volumes while higher metal prices offset the impact. Capital expenditure amounted to EUR 158 million in 2022 (EUR 171 million).

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

Net financial expenses decreased to EUR 71 million in 2022 (EUR 79 million) and interest expenses to EUR 44 million (EUR 64 million).

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

At the end of 2022, Outokumpu had a total of EUR 800 million of outstanding committed credit facilities, which were fully unutilized. Outokumpu repaid during the year all out-standing issued commercial papers (December 31, 2021: EUR 58 million).

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

Business areas

Outokumpu has three business areas, which are also Group's operating segments. The divested Long Products businesses were classified as assets held for sale and reported as discontinued operations at the end of 2022. More information about the business areas can be found in note 2.1 in the consolidated financial statements.

Europe

		2022	2021
Stainless steel deliveries	1,000 tonnes	**1,423**	1,535
Sales	€ million	**6,266**	4,600
Adjusted EBITDA	€ million	**680**	485
Adjustments to EBITDA	€ million	**–**	12
EBITDA	€ million	**680**	498
Operating capital[1]	€ million	**1,864**	1,721
Return on operating capital	%	**28.9**	20.4

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

In 2022, business area Europe's sales increased to EUR 6,266 million (EUR 4,600 million) and adjusted EBITDA to EUR 680 million (EUR 485 million).

Stainless steel deliveries decreased by 7% compared to the previous year, but higher realized prices for stainless steel and improved product mix supported profitability. Variable costs increased significantly due to high inflation in electricity, gas and other consumable prices and freight rates. In 2022, raw material-related inventory and metal derivative losses amounted to EUR 135 million (gains of EUR 8 million in 2021).

Business area Europe's return on operating capital amounted to 28.9% at the end of 2022 (20.4%).

In 2022, apparent consumption in EMEA increased by 6.5% compared to 2021 (Source: CRU, November 2022). EU cold-rolled imports from the third countries increased to a level of 35% from the previous year's level of 26% (Source: EUROFER, January 2023). Also, distributor inventories in 2022 were higher than in 2021.

Americas

		2022	2021
Stainless steel deliveries	1,000 tonnes	**654**	742
Sales	€ million	**2,695**	1,947
Adjusted EBITDA	€ million	**384**	297
Adjustments to EBITDA	€ million	**2**	–15
EBITDA	€ million	**387**	283
Operating capital[1]	€ million	**990**	880
Return on operating capital	%	**32.4**	27.2

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

In 2022, business area Americas' sales increased to EUR 2,695 million (EUR 1,947 million) and adjusted EBITDA to EUR 384 million (EUR 297 million).

Stainless steel deliveries decreased by 12% compared to the previous year but realized prices for stainless steel were at a higher level. Variable costs increased significantly in 2022 due to higher energy and consumable prices, especially in packaging materials, refractories, and electrodes, as well as higher freight rates. Fixed costs also increased due to higher maintenance and personnel costs, and strategy phase 2 projects. In 2022, raw material-related inventory and metal derivative losses amounted to EUR 36 million (gains of EUR 55 million in 2021).

Business area Americas' return on operating capital rose to 32.4% at the end of 2022 (27.2%).

In 2022, the apparent consumption increased by 4% compared to 2021. The share of cold-rolled imports into the US increased to 26% compared to 19% in the previous year. (Source: American Iron and Steel Institute, AISI). Also, distributor inventories were significantly higher in 2022 than in 2021.

Ferrochrome

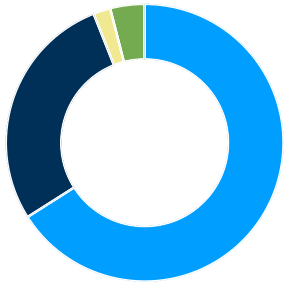
		2022	2021
FeCr production	1,000 tonnes	**430**	515
Sales	€ million	**633**	604
Adjusted EBITDA	€ million	**220**	246
EBITDA	€ million	**220**	246
Operating capital[1]	€ million	**867**	823
Return on operating capital	%	**20.7**	24.8

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

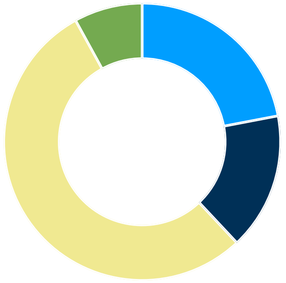
In 2022, business area Ferrochrome's sales increased to EUR 633 million (EUR 604 million), while adjusted EBITDA decreased to EUR 220 million (EUR 246 million).

Ferrochrome production was 17% lower compared to the previous year due to a furnace shutdown and the optimization of the ferrochrome production in the second half of the year because of the exceptionally high electricity prices. Profitability was however supported by higher ferrochrome sales price and weaker EUR/USD foreign exchange rate. Variable costs increased significantly in 2022, mainly due to higher reductant and electricity prices, and costs related to mine and freight. Fixed costs increased also as a result of higher maintenance.

Sales by business area, 9,494 € million



Capital expenditure by business area, 158 € million



Business area Ferrochrome’s return on operating capital amounted 20.7% at the end of 2022 (24.8%).

Discontinued operations: divestment of majority of the Long Products business

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

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

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

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

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

Outokumpu recognized in the net result from the discontinued operations an impairment loss of EUR 33 million. The accumulated translation differences, currently estimated at EUR 8 million, will be reclassified into net result from the discontinued operations at the time of the disposal.

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

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

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

War in Ukraine

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

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

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

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

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

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

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

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

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

Non-financial development at Outokumpu

The information in this section fulfills the requirements in the EU Directive and the Finnish Accounting Act's Chapter 3a on statement of non-financial information. Outokumpu is also reporting according to the EU taxonomy framework and with regards to the Task Force on Climate-related Financial Disclosures (TCFD) disclosure recommendations. The taxonomy reporting is based on the delegated act specifying the technical screening criteria under which certain economic activities qualify as contributing substantially to climate change mitigation and climate change adaptation.

Outokumpu is a leading global producer of stainless steel, with world-class production assets in its key markets in Europe and in the Americas, and has 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. At the end of its lifecycle, stainless steel is fully and endlessly recyclable, making it a key contributor to the circular economy.

Outokumpu's organization and businesses are presented in the company's annual report and in notes 2.1 and 6.5 of the consolidated financial statements.

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. The market for solutions enabling the transition into a low-carbon society will increase on the way to 2°C or 1.5°C scenarios for 2050 and give preference to low carbon profile companies such as Outokumpu.

In June 2022, Outokumpu launched a new emission-minimized product line, Circle Green, which is the first of its kind. It has the smallest emission intensity in the world, up to 92% lower carbon footprint than the global average and 64% lower than Outokumpu's average. The exceptionally significant emission reduction was achieved with improvements throughout the whole stainless steel production chain. The first batch was produced in Tornio, Finland, and was delivered to one of our strategic customers, Fiskars Group, to use for cookware.

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 transition 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 financial impact of the physical and transition risks of climate change are assessed and included in the general risk assessment and management of the company.

Outokumpu's business is based on a circular economy. Over 90% of the raw material used in Outokumpu's stainless steel production is recycled. 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.

Outokumpu has an integrated production process. This includes the company's own chrome mine in Kemi, Finland for one of the main raw materials in stainless steel production, ferrochrome operations, melting, hot rolling and cold rolling, as well as finishing and service centers.

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

Sustainability strategy

Outokumpu's vision is to be the customer's first choice in sustainable stainless steel. Sustainability at Outokumpu is founded on good governance and on three pillars: environmental, economic, and social, which all need to be in balance. Outokumpu's sustainability strategy was updated in May 2021 to further strengthen Outokumpu's position as the industry leader in sustainability.

As part of its ambitious sustainability strategy, Outokumpu increased its greenhouse gas emission reduction target to the Science-Based Target initiative's (SBTi) 1.5 °C climate ambition. Outokumpu's approved short-term Science Based Target on the way to the 1.5°C target in 2050 is to reduce scope 1, 2 and 3 greenhouse gas emissions by 42% per tonne stainless steel by 2030 from a 2016 base year. This translates into a 30% CO_2 emission reduction compared to the 2020 level.

Outokumpu regularly conducts materiality analyses to map stakeholders' expectations and to assess business impact of the Group on sustainability. The materiality analysis is updated every three years and the latest update was done in 2021. According to the analysis, Outokumpu's focus areas for acceleration are emission and footprint reduction, circular economy and waste management, sustainable supply chain management and innovative technologies.

The company is a signatory of the United Nations Global Compact. Outokumpu is committed to the UN's Sustainable Development Goals, with a focus on the following six objectives: affordable and clean energy, decent work and economic growth, industry, innovation and infrastructure, responsible consumption and production, climate action and partnerships for goals.

In the last quarter of the year 2022, a decision was taken by the EU on the continuation of the Emission Trading System (ETS) and an establishing of the Carbon Border Adjustment Mechanism (CBAM) with the renewal. Free emission allowances will be phased out during 2026–2034 while the CBAM is phased in. The decision was taken to include also the main precursor materials carbon footprint within the scope of the CBAM, limited to ferromanganese, ferrochrome, and ferronickel.

During 2022, Outokumpu started the certification process for the ResponsibleSteel standard for its operating sites in business area Europe. ResponsibleSteel is a standard developed to recognize steel sites that are being operated in a responsible manner with the focus on the most material ESG issues identified and agreed upon by ResponsibleSteel members and stakeholders.

Policies and principles of sustainability management

Outokumpu's Board of Directors approves Outokumpu's sustainability strategy and targets. On the Group level, sustainability is managed by the Group sustainability team headed by the Vice President – Sustainability, who reports to the Chief Technology Officer, responsible for the Group sustainability. The Outokumpu Leadership Team regularly follows the progress of Outokumpu's sustainability agenda. Business areas and functions are responsible for ensuring that operations within their own organizations and business lines 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.

Outokumpu's external ESG Advisory Council supports Outokumpu in continuous improvement in sustainability. The council consists of four external advisors. Its role is to challenge and comment Outokumpu's ESG strategy, roadmap development and actions as well as facilitate dialogue and the exchange of views between Outokumpu and its stakeholders. More information about the council can be found on Outokumpu's website.

Outokumpu has in place also an internal and cross-functional ESG core team which drives, develops and supports the implementation of the company's sustainability strategy by giving executive proposals and drafts for decisions to Outokumpu's management, who will then implement the necessary actions. The team includes members from Group sustainability, procurement, communications, compliance, HR and safety functions.

The most important policies guiding Outokumpu's sustainability management are the Group's Code of Conduct and the Corporate Responsibility Policy. Outokumpu's Code of Conduct defines common ways of working 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 and rules followed by Outokumpu in relation to the sustainable development of the economic, environmental, and social aspects. Outokumpu also has an Anti-Corruption Instruction providing detailed guidance on responsible business practices.

In 2022, Outokumpu published a new Supplier Code of Conduct which outlines its expectations for suppliers. Complying with the Supplier Code of Conduct is considered a minimum requirement for business engagement with any of Outokumpu's business units. During the year, Outokumpu also published a Human Rights Policy.

Outokumpu has strict guidelines for safety through the Outokumpu Safety Principles and Health and Safety Standards. Additionally, Outokumpu has ten Cardinal Safety Rules that are a part of the company's operating principles.

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 currently has five key corporate policies, which everyone working for Outokumpu needs to know well:

- 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 monthly basis. Regular internal environmental audits by the Group's environmental team are performed based on an internal risk assessment.

Outokumpu applies a risk-based approach in its supplier management. Risks are assessed in different stages of the relationship with the supplier, first during the onboarding of a new supplier, but also later during the relationship with the supplier.

Outokumpu monitors its suppliers through self-assessment, screenings and audits. Most suppliers also go through a monthly compliance screening for sanctions. The self-assessments and audits are based on Outokumpu's Supplier Requirements and focused on evaluating the suppliers' social and environmental responsibility and quality management. In raw material procurement, a supplier's sustainability performance is assessed by sustainability platform EcoVadis.

Outokumpu complies with international, national, and local laws and regulations, and honors and is committed to international agreements concerning human and labor rights, such as International Bill of Human Rights, and condemns the use of forced and child labor. Since 2021, Outokumpu has implemented the UN Guiding Principles on Business and Human Rights.

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 Supplier Code of Conduct and to meet the company's Supplier Code of Conduct and Requirements. Outokumpu also aims to ensure that modern slavery or human trafficking plays no part in its supply chain or in any part of the business.

Outokumpu's Supplier Code of Conduct sets the minimum level for suppliers regarding sustainability and ethical standards, safety, environmental considerations, quality management and other criteria.

More information about Outokumpu's sustainability related risks can be found in the Annual review of this Annual report.

Sustainability targets

The Group's main sustainability targets are:

Environmental

- Reducing scope 1, 2 and 3 greenhouse gas emissions 42% per tonne of stainless steel by 2030 on 2016 base year. (The target setting includes biogenic emissions and removals from bioenergy feedstock.)
- Increasing recycled material content to 92.5% by 2023 (all metallic input from waste streams, such as scrap, scales or metals from slag and dust treatment per tonne stainless steel).
- Improving energy efficiency by 8% by the end of 2024 compared to January–September 2022 level.
- Reducing the landfilled production waste other than slag by 0.5% each year by 2023.

Social

- Achieving a total recordable injury frequency rate of <2.0 per million working hours by 2022. Outokumpu's long-term target is to achieve zero-level in injuries.
- Achieving high employee engagement index rate in the organizational pulse surveys.
- Increasing the share of diverse leaders in all international leadership teams to 30% by 2025.

Governance

- All employees trained on Outokumpu's Code of Conduct.

Outokumpu's long-term target is to achieve carbon neutrality by 2050 in scope 1 (direct) and 2 (indirect) emissions. Currently, Outokumpu is the only stainless steel producer with an approved short-term Science Based Target towards the 1.5°C scenario following the general rules of the initiative until the stainless steel sectoral decarbonization approach is available.

Environmental performance

The main environmental impacts from stainless steel production are the use of virgin materials, direct and indirect CO_2 emission, 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 at 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 2022, the use rate of slag (the share of all slag compared to the used and landfilled slag) was 86.5% (78.1%). In addition to production waste, tailing sand from mining is the most significant waste item to be deposited in the mine site. Landfilled waste intensity decreased in 2022. As stainless steel production decreased from the previous year's level, less waste was generated and deposited as compared to the previous year.

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) was at a record high level at 93.9% (89.6%). The recycled steel content of our stainless steel, defined according to ISO 14021, was 89.8% in 2022.

The energy efficiency calculated as a sum of different process steps decreased by 2.8% compared to the previous year.

In 2022, CO_2 intensity reduced by approximately 18% from the baseline of 2016 and reached 44% of the targeted reduction by the end of 2023.

All Outokumpu sites have environmental permits that set the basic framework for operations. In 2022, air emissions and effluents remained within the permitted limits, and the seven minor permit breaches in operations that occurred were temporary, identified, and had no or only minimal impact on the environment. There were no significant environmental incidents during 2022.

Outokumpu's operations under the EU Emissions Trading Scheme (ETS) will continue to receive free emissions allocations according to efficiency-based benchmarks and historical activity for the next five years. In 2022, the ETS free emission allowances of Outokumpu were below emissions within the ETS system, 0.9 million tonnes (1.0 million tonnes in 2021).

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.

Environmental indicators

	2022	2021
Scope 1, 2 and 3 (direct and indirect) CO_2 emission intensity, tonnes per tonne of stainless steel	**1.70**	1.76
Energy intensity, GJ per tonne stainless steel	**10.5**	10.2
Use rate of slag, including slag from ferrochrome production, %	**86.5**	78.1
Total landfill waste intensity, tonnes per tonne stainless steel	**0.530**	0.561
Recycled material content, %	**93.9**	89.6

Social performance

Outokumpu's main indicator for safety performance is the total recordable injury frequency rate (TRIFR), which includes fatalities, lost-time injuries, restricted work injuries, and medically treated injuries per million working hours. The Group's TRIFR improved from the previous year and was 1.8, against the target level of <2.0 (2.1).

Outokumpu's personnel on full-time equivalent basis decreased by 82 during the year and totalled 8,357 at the end of December 2022 (8,439). Total wages and salaries amounted to EUR 544 million in 2022 (EUR 499 million). Indirect employee benefit expenses totalled EUR 178 million in 2022 (EUR 163 million).

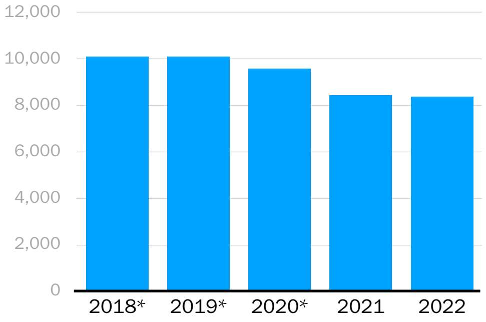
In 2022, Outokumpu continued to accelerate the development of the supply chain sustainability management. In raw material procurement, a social audit approach was developed. The onboarding process for raw material suppliers was reviewed and has stronger focus on sustainability and related risks. During the year, Outokumpu placed particular focus on supply chain transparency beyond direct suppliers and started to document supply chains in a supplier relationship management tool.

In the beginning of 2022, Outokumpu initiated a human rights impact assessment concerning the supply chain in Guatemala. The purpose of the assessment was to investigate, identify and assess the human rights impacts of a supplier's operations in Guatemala, focusing on indigenous rights-holders. As part of the assessment, a field visit was completed in the beginning of March, during which both internal as well as external stakeholders were involved. Based on the findings, purchasing from the supplier was suspended.

As part of its sustainability strategy, Outokumpu is also focusing on strengthening diversity, equity and inclusion within the company. During 2022, a company-wide inclusion survey was conducted and roadmap and targets for strengthening diversity, equity and inclusion by 2025 were defined.

Outokumpu encourages all its employees 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.

Personnel on December 31



Personnel reported as full time equivalent number.

* Including discontinued operations

In 2022, 45 reports of potential misconduct were recorded through the various reporting channels. These incidents have been assessed and, if needed, further investigated. Consequently, proper corrective and preventative measures have been or will be taken.

The implementation of Outokumpu's group-wide ethics and compliance (E&C) program continued efficiently in close co-operation with business areas, group functions and E&C governance bodies during 2022. As part of these activities, the global E&C team started a visibility tour through site visits and various online trainings to share insight on topical E&C matters as well as to increase knowledge of and discuss about various ethics and compliance matters, including SpeakUp topics. In addition to the E&C visibility tour, close co-operation continued with the E&C governance bodies.

Outokumpu is committed to complying with all applicable laws and regulations, including applicable sanctions regulations. Within the area of trade compliance, Outokumpu has a Know Your Business Partner process in place which describes the risk-based principles and rules related to establishing and monitoring relationships with business partners. Sanctions monitoring is also a part of this process. Due to the Russian invasion of Ukraine, Outokumpu strengthened its actions within sanctions compliance during 2022 and, for instance, conducted enhanced third-party screenings as a matter of priority to ensure that all applicable sanctions regulations are complied with. In addition to the sanctions compliance, efforts were continued in other key E&C areas in 2022, such as in competition law compliance, anti-corruption and data protection areas.

Key social indicators

	2022	2021
Diversity		
Employees		
male, %	**83**	84
female, %	**17**	16
Managers		
male, %	**83**	84
female, %	**17**	16
Board of Directors		
male, %	**62**	50
female, %	**38**	50
Safety		
Total recordable injury frequency rate, per million working hours	**1.8**	2.1

EU taxonomy reporting

Companies required to report non-financial information need to disclose the taxonomy eligibility and for the first time also the alignment of their economic activities for the year 2022. EU taxonomy is a classification system for categorization of sustainable business activities that could substantially contribute to the EU's environmental goals.

Non-financial companies are required to disclose the share of their sales, and both the capital and restricted operational expenditure associated with environmentally sustainable economic activities as defined in the EU Taxonomy Regulation (2020/852). Eligible activities are those that are in scope of the regulation while an aligned activity is defined as an eligible economic activity that is making a substantial contribution to at least one of the climate and environmental objectives, while also doing no significant harm to the remaining objectives and meeting minimum standards on human rights and labor standards.

Outokumpu representatives from finance, sustainability and business functions investigated the activities in relation to EU taxonomy, resulting in the identification of aligned, eligible and non-eligible activities. The key performance indicators were calculated by using the consolidated financial information and further accounting policies are disclosed after the key performance indicator table below. Full tables are available at the end of the Review by the Board of Directors.

Taxonomy key performance indicators

2022	Total € million	Eligible and aligned %	Non-eligible and non-aligned %
Sales	**9,494**	**91**	**9**
Capital expenditure	**153**	**42**	**58**
Restricted operating expenditure	**736**	**82**	**18**
2021			
Sales	7,243	85	15
Capital expenditure	151	37	63
Restricted operating expenditure	615	82	18

The preparation of the key performance indicators requires management to make judgements, estimates and assumptions on eligible and aligned economic activities, capital expenditure allocated to those activities and related restricted operating expenditure.

Taxonomy sales is presented in accordance with IFRS, in line with the sales in the Group's consolidated financial statements. The manufacturing of iron and steel is listed as an eligible economic activity.

The company reports its taxonomy eligibility and alignment only for the continuing operations. Additional change compared to last year's taxonomy reporting is that all sales from service centers are excluded from eligibility. The impact of this change is however insignificant as the Group internal sales from mills to service centers are still eligible. Since the service centers are excluded from eligibility, also restricted operating expenditure and capital expenditure associated with service centers has been excluded from eligibility. In 2022, as well as in the previous year, the main items of sales that are considered non-eligible include sales of ferrochrome, raw materials, other services, and energy. Only eligible activities have been assessed for alignment. Figures for the previous year 2021 have been restated to reflect these changes and presented accordingly.

All steelmaking sites have been assessed and they fulfill the technical screening criteria for substantial contribution to climate change mitigation, which requires that the steel scrap input relative to product output is not lower than 70% in the production of high alloy steel. An assessment was carried out to ensure if the activities also fulfil the criteria set to determine that they do no significant harm (DNSH) to the remaining objectives

- Criteria for DNSH to climate change adaptation: physical risks material to our production units have been screened and assessed and are part of the company´s overall risk management strategy.
- Criteria for DNSH sustainable use and protection of water and marine resources and criteria for DNSH to protection and restoration of biodiversity and ecosystems: Assessment, permits and plans are in place for all production sites and all sites meet current legislation.
- Criteria for DNSH to pollution prevention and control: Outokumpu's production sites do not use any prohibited substances. In a few activities where substances of concern are being used, we have either considered them essential since the use is defined as best available technology in the Bref documents or non-material as the activity is insignificant compared to total eligible sale.

Outokumpu's human rights due diligence process has been reviewed and is considered adequate with regards to EU taxonomy minimum safeguards on human rights and labor standards.

Taxonomy capital expenditure is presented and measured as cash-based, in line with the capital expenditure presented in the Group's financial statements. Taxonomy capital expenditure consists of purchases of property, plant and equipment and intangible assets, other than emission allowances. Leases and equity investments at fair value through other comprehensive income have been excluded from the amount. Capital expenditure associated with taxonomy-eligible economic activities has been considered eligible while capital expenditure related to business area Ferrochrome, service centers and directly to corporate functions have been considered non-eligible.

As all steelmaking activities were considered aligned, also related capital expenditure was considered aligned since it is necessary to uphold the substantial contribution of the activities. Currently, plans to expand taxonomy-aligned economic activities, plans to allow the activities to become taxonomy-aligned, or individual measures enabling the target activities to become low-carbon have not been separately taken into consideration.

Taxonomy restricted operating expenditure consists of expenses related directly to maintenance and servicing of assets as well as research and development expenses. Of the total taxonomy restricted operating expenditure, the portion supporting taxonomy-eligible economic activities has been considered eligible. Expenses related to business area Ferrochrome, service centers and corporate functions have been considered non-eligible. Research and development expenses have been included in full and considered eligible except for the part related to manufacturing of ferrochrome, service centers and corporate.

Only one taxonomy-eligible economic activity has been identified as relevant and taken into account in the calculations, together with one environmental objective. This eliminates the risk of double counting related to different activities and objectives. There are still considerable uncertainties regarding the requirements and guidelines provided by the EU, and Outokumpu continues to develop its calculations and definitions as new information becomes available. Outokumpu's taxonomy disclosure has been part of the limited assurance by an independent practitioner.

Research and development

Our research and development (R&D) function provides leading technical expertise for Outokumpu's customers and stakeholders inside Outokumpu. In our R&D, we are creating a culture of innovation and development to enable Outokumpu to be the leader of sustainable stainless steel. We are supporting our customers in their various and demanding needs via webinars and direct contacts. We are offering key insights and first-hand experience of fabrication, like forming and welding of our high alloyed grades. As experts, we are helping our customers to select the right material, tackling the challenge of corrosion in various environments. Outokumpu has three R&D centers, located in Avesta, Sweden, in Krefeld, Germany and in Tornio, Finland.

In 2022, the first phase of our R&D strategy was finalized, and the focus was on two must win battles: sustainable production process technologies and future products and customer applications. In 2022, Outokumpu's total R&D expenditure amounted to EUR 15 million, 0.16% of net sales (2021: EUR 14 million and 0.19%).

Our actions within sustainable production process technologies include Outokumpu's plans to invest in a biocoke and biomethane plant in Tornio, Finland. Additionally, we have developed a roadmap related to alternative heating technologies to reduce our CO_2 emissions in line with our strategy. Another focus area has been the development of future technologies. One example is the production of ferrochrome without the need for carbon, where several new technologies are tested in laboratory scale.

In future products and customer applications, two of our new stainless steel grades reached the development phase. Also, a new stainless steel grade with outstanding combination of corrosion and wear resistance was introduced for the knife industry.

R&D had a crucial contribution to the ramp up of Circle Green as the most sustainable stainless steel in the world. Key developments like biocoke or alternative heating technologies are essential for ramping up Circle Green beyond today's capability.

Risks and uncertainties

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

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

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

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

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

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

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

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

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

For more information on Outokumpu's risks, please refer to the Annual review in the Annual report 2022 and the Notes to the 2022 Financial Statements.

Significant legal proceedings

Dispute over payment of wages in the US

On July 16, 2018, a class of plaintiffs, consisting of 152 former and 126 current Outokumpu Calvert mill employees, brought suit against Outokumpu in U.S. federal circuit court. The plaintiffs alleged that Outokumpu failed to pay full wages for regular work and overtime work they performed. On November 18, 2021, the circuit court entered a default judgment against Outokumpu with respect to liability as a sanction for alleged misconduct during the discovery phase of the legal proceeding. On October 4, 2022, the circuit court further found Outokumpu liable to the plaintiffs for approximately USD 13 million in the aggregate, plus attorney's fees. Outokumpu has appealed the circuit court's November 18, 2021 default judgment entry and October 4, 2022 finding of liability. Outokumpu is of the view that the claims asserted against it are without merit and is defending against them.

Claim in Germany related to expired lease agreement

On January 19, 2018, Outokumpu was served with a claim for declaratory judgement by the owner of a warehouse in Krefeld that Outokumpu had leased until the end of 2016. The claim relates to a dispute over the responsibility for the maintenance and repair of the warehouse. The plaintiff has later in the process specified the claim and is now seeking payment of EUR 19 million. On May 4, 2022, the court issued a ruling covering only the merits of the claim. Said ruling was in favour of the claimant and has been appealed by Outokumpu. Outokumpu is of the view that the claims asserted against it are without merit and is defending against them.

Shares and share capital

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

Principal shareholders and share price development is presented in the Stakeholder engagement section in the Annual report.

Share buyback program

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

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

Management shareholdings and share based incentive programs

On December 31, 2022, the members of the Board of Directors and Outokumpu Leadership Team (OLT) altogether held 896,449 shares, corresponding to 0.20% of the total number of shares.

Outokumpu has established share-based incentive programs for the OLT members, selected managers and key employees, which include a Performance Share Plan and a Restricted Share Pool for key employees.

In 2022, after deductions for applicable taxes, a total of 137,760 shares were delivered to the participants of the incentive programs based on the terms and 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 periods 2021–2023, 2022–2024 and their continuation for the period 2023–2025 was approved by the Board of Directors in December 2022. The sole performance criteria for the Performance Share Plan 2021–2023 is return on capital employed (ROCE).

To support Outokumpu's continuous improvements in sustainability an additional sustainability-related performance criteria was introduced in 2022 for Performance Share Plan periods 2022–2024 and 2023–2025. The above-mentioned programs now include earning criteria which are linked to the CO_2 emission reduction target according to Outokumpu's Science Based Targets initiative (SBTi) commitment. In the Performance Share Plan periods 2022–2024 and 2023–2025 return on capital employed represents 80% of the remuneration and CO_2 emission reduction target 20%.

More details on the share-based incentive programs can be found in the note 3.4 in the consolidated financial statements.

The members of OLT and the Board of Directors are introduced in the Corporate Governance Statement included in the Annual report and at Outokumpu website: https://www.outokumpu.com/en/investors/governance ↗. Their shareholding is also presented in the Corporate Governance Statement and remuneration in the note 3.2 in the consolidated financial statements. Remuneration report is also included in the Annual report.

Corporate governance

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

Annual General Meeting

Outokumpu's Annual General Meeting 2022 was held on March 31, 2022, at the company's head office in Helsinki, Finland, under special arrangements due to the COVID-19 pandemic. The Annual General Meeting supported all the Board of Directors' and the Shareholders' Nomination Board's proposals and approved the company's remuneration report in an advisory vote. The Annual General Meeting approved the financial statements and discharged the management of the company from liability for the financial year 2021.

The Meeting decided that a dividend of 0.15 euros per share be paid for the financial year 2021 and authorized the Board of Directors to repurchase the company's own shares, to decide on the issuance of shares as well as special rights entitling to shares, and to decide on donations for charitable purposes. The Meeting also approved the proposals by the Shareholders' Nomination Board regarding the members of the Board of Directors and their remuneration.

The Annual General Meeting decided in accordance with the proposal by the Nomination Board that the Board of Directors consists of eight (8) members. Kari Jordan, Heinz Jörg Fuhrmann, Kati ter Horst, Päivi Luostarinen, Vesa-Pekka Takala, Pierre Vareille and Julia Woodhouse were re-elected and Petter Söderström was elected as new member, all for the term of office ending at the end of the next Annual General Meeting. Eeva Sipilä left the Board of Directors with the Annual General Meeting in 2022. Kari Jordan was re-elected as the Chairman and Kati ter Horst elected as the Vice Chairman of the Board of Directors.

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. 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, 2022, the four largest shareholders of Outokumpu were Solidium Oy, Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company and The Social Insurance Institution of Finland. The Shareholders' Nomination Board comprised Reima Rytsölä, Managing Director at Solidium Oy; Pekka Pajamo, CFO at Varma Mutual Pension Insurance Company; Jouko Pölönen, President and CEO at Ilmarinen Mutual Pension Insurance Company and Outi Antila, Director General at The Social Insurance Institution of Finland, as well as Kari Jordan, Chairman of the Board of Directors of Outokumpu.

The Nomination Board submitted its proposals to Outokumpu's Board of Directors on December 2, 2022.

Board of Directors' proposal for profit distribution

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

The Board of Directors proposes to the Annual General Meeting to be held on March 30, 2023, that a base dividend of EUR 0.25 per share plus an extra dividend of EUR 0.10 per share, totaling EUR 0.35 per share will be paid for the year 2022, corresponding to EUR 155 million based on the number of shares outstanding on Dec 31, 2022.

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

Outlook for Q1 2023

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

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

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

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

Guidance for Q1 2023

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

Events after the balance sheet date

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

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

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

Group key figures

		2022	2021	2020 [1]	2019 [1)2)]	2018 [1]
Continuing operations						
Scope of activity						
Sales	€ million	**9,494**	7,243	5,639	6,403	6,872
– change in sales	%	**31.1**	28.4	–11.9	–6.8	8.1
– exports from and sales outside Finland, of total sales *	%	**95.9**	96.4	96.3	95.9	96.7
Capital employed on Dec 31 [3] [4] *	€ million	**4,751**	3,828	3,543	3,904	4,086
Capital expenditure [5] *	€ million	**158**	171	180	193	218
– in relation to sales	%	**1.7**	2.4	3.2	3.0	3.2
Depreciation and amortization	€ million	**245**	249	243	230	204
Impairments	€ million	**11**	45	3	3	12
Research and development costs	€ million	**15**	14	21	17	15
– in relation to sales	%	**0.2**	0.2	0.4	0.3	0.2
Personnel on Dec 31 [6]	FTE	**8,357**	8,439	9,602	10,078	10,118
– average for the year	FTE	**8,683**	8,714	10,000	10,329	10,100
Personnel on Dec 31	headcount	**8,591**	8,727	9,915	10,390	10,449
Profitability						
Adjusted EBITDA *	€ million	**1,256**	980	250	263	485
– in relation to sales	%	**13.2**	13.5	4.4	4.1	7.1
EBITDA *	€ million	**1,248**	968	191	266	496
EBIT *	€ million	**992**	674	–55	33	280
– in relation to sales	%	**10.5**	9.3	–1.0	0.5	4.1
Result before taxes	€ million	**933**	610	–151	–41	175
– in relation to sales	%	**9.8**	8.4	–2.7	–0.6	2.5
Net result for the financial year	€ million	**1,086**	526	–116	–75	130
– in relation to sales	%	**11.4**	7.3	–2.1	–1.2	1.9
Return on capital employed (ROCE) [4] [7] *	%	**22.6**	17.6	–1.4	0.8	7.0

		2022	2021	2020 [1]	2019 [1)2)]	2018 [1]
Financing and financial position						
Net financial expenses *	€ million	**71**	79	98	80	107
– in relation to sales	%	**0.7**	1.1	1.7	1.3	1.6
Interest expenses *	€ million	**44**	64	78	76	70
– in relation to sales	%	**0.5**	0.9	1.4	1.2	1.0

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

1) Including discontinued operations.

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

3) In 2022, including discontinued operations' equity. In 2021, including discontinued operations.

4) Outokumpu has redefined its capital employed and ROCE definitions in 2022. Information for 2021 has been restated accordingly.

5) Capital expenditure definition changed from accrual-based to cash-based capital expenditure in 2020. Comparative information has been restated accordingly.

6) In 2021, Outokumpu changed its main personnel amount measure from headcount to full-time equivalent personnel.

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

Group key figures

		2022	2021	2020	2019 1)	2018
Including discontinued operations						
Scope of activity						
Sales	€ million	**10,287**	7,709	5,639	6,403	6,872
Capital employed on Dec 31 2) *	€ million	**4,752**	3,828	3,543	3,904	4,086
Capital expenditure 3) *	€ million	**160**	175	180	193	218
Personnel on Dec 31 4)	FTE	**9,029**	9,096	9,602	10,078	10,118
– average for the year	FTE	**9,362**	9,372	10,000	10,329	10,100
Personnel on Dec 31	headcount	**9,269**	9,395	9,915	10,390	10,449
Profitability						
Adjusted EBITDA *	€ million	**1,387**	1,021	250	263	485
Net result for the financial year	€ million	**1,140**	553	–116	–75	130
Return on equity (ROE) *	%	**30.6**	20.1	–4.7	–2.8	4.8
Return on capital employed (ROCE) 2) *	%	**24.5**	18.4	–1.4	0.8	7.0

		2022	2021	2020	2019 1)	2018
Financing and financial position						
Net debt *	€ million	**–10**	408	1,028	1,155	1,241
Net financial expenses *	€ million	**68**	80	98	80	107
Interest expenses *	€ million	**45**	65	78	76	70
Net debt to adjusted EBITDA *		**0.0**	0.4	4.1	4.4	2.6
Share capital	€ million	**311**	311	311	311	311
Total equity	€ million	**4,119**	3,120	2,360	2,562	2,750
Equity-to-assets ratio *	%	**59.2**	48.3	40.8	42.5	45.9
Debt-to-equity ratio (gearing) *	%	**–0.3**	13.1	43.6	45.1	45.1
Net cash generated from operating activities	€ million	**778**	597	322	371	214

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) Outokumpu has redefined its capital employed and ROCE definitions in 2022. Information for 2021 has been restated accordingly.

3) Capital expenditure definition changed from accrual-based to cash-based capital expenditure in 2020. Comparative information has been restated accordingly.

4) In 2021, Outokumpu changed its main personnel amount measure from headcount to full-time equivalent personnel.

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, continuing operations	Definition of the key figure or source in the consolidated financial statements		2022	2021

Continuing operations

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	**9,494**	7,243
Sales by destination to Finland	Note 2.2	€ million	**384**	258
Exports from and sales outside Finland	Sales – Sales by destination to Finland	€ million	**9,109**	6,985
– exports from and sales outside Finland, of total sales	Comparison to sales	%	**95.9**	96.4

Operating capital (segment reporting)

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 in the below section incl. discontinued operations – debt of discontinued operations	€ million	**4,751**	3,828
Cash and cash equivalents	Consolidated statement of financial position	€ million	**526**	300
Investments in associated companies	Consolidated statement of financial position	€ million	**51**	43
Investments in equity at fair value through other comprehensive income	Consolidated statement of financial position	€ million	**25**	24
Investments at fair value through profit or loss	Note 5.5	€ million	**23**	28
Net deferred tax assets	Note 2.6	€ million	**390**	221
Net assets held for sale	Assets held for sale – Liabilities related to assets held for sale in the Consolidated statement of financial position	€ million	**215**	–
Net employee benefit obligations	Note 3.3	€ million	**216**	309
Operating capital on Dec 31	Capital employed – cash and cash equivalents – investments in associated companies – investments in equity at fair value through other comprehensive income – investments at fair value through profit or loss – net deferred tax asset – net asset held for sale + net employee benefit obligations	€ million	**3,737**	3,520

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	**158**	171
– in relation to sales	Comparison to sales	%	**1.7**	2.4

Key figure, continuing operations	Definition of the key figure or source in the consolidated financial statements		2022	2021

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 their purpose 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	**992**	674
– in relation to sales	Comparison to sales	%	**10.5**	9.3
Depreciation and amortization	Note 2.3	€ million	**245**	249
Impairments	Note 2.4	€ million	**11**	45
EBITDA	EBIT before depreciation, amortization and impairments	€ million	**1,248**	968
Adjustments to EBITDA	Note 2.1	€ million	**–7**	–12
Adjusted EBITDA	EBITDA – Adjustments to EBITDA	€ million	**1,256**	980
– in relation to sales	Comparison to sales	%	**13.2**	13.5

Return on capital employed (ROCE)

Return on capital employed is a measure for the value the Group generates to the capital invested in its operations. Outokumpu has redefined its capital employed and ROCE definitions in 2022. Comparative information has been restated accordingly.

Capital employed (4-quarter average), including discontinued operations[1)]	Defined in the below section incl. discontinued operations – debt of discontinued operations	€ million	**4,437**	3,909
EBIT	Consolidated statement of income	€ million	**992**	674
Share of results in associated companies	Consolidated statement of income	€ million	**11**	15
Return on capital employed (ROCE)	(EBIT + Share of results in associated companies) / Capital employed (4-quarter average)	%	**22.6**	17.6

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	**71**	79
– in relation to sales	Comparison to sales	%	**0.7**	1.1
Interest expenses	Consolidated statement of income	€ million	**44**	64
– in relation to sales	Comparison to sales	%	**0.5**	0.9

1) Including discontinued operations except for capital employed on Sept 30 and Dec 31, 2022, where only the equity component of discontinued operations is included.

Key figure, including discontinued operations	Definition of the key figure or source in the consolidated financial statements		2022	2021

Including discontinued operations

Capital employed

Capital employed is a measure for the amount of capital invested in Group's operations. Outokumpu has redefined its capital employed and ROCE definitions in 2022. Comparative information has been restated accordingly.

Capital employed is the sum of:				
Total equity	Consolidated statement of financial position	€ million	**4,119**	3,120
Non-current debt	Consolidated statement of financial position + Note 6.1	€ million	**492**	597
Current debt	Consolidated statement of financial position + Note 6.1	€ million	**141**	112
Capital employed on Dec 31	Total equity + non-current debt + current debt	€ million	**4,752**	3,828

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	**160**	175
– in relation to sales	Comparison to sales	%	**1.6**	2.3

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 their purpose 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 + Note 6.1	€ million	**1,078**	705
– in relation to sales	Comparison to sales	%	**10.5**	9.1
Depreciation and amortization	Note 2.3 + discontinued operations	€ million	**253**	259
Impairments	Note 2.4 + discontinued operations	€ million	**44**	45
EBITDA	EBIT before depreciation, amortization and impairments	€ million	**1,375**	1,009
Adjustments to EBITDA	Note 2.1 + discontinued operations	€ million	**–12**	–12
Adjusted EBITDA	EBITDA – Adjustments to EBITDA	€ million	**1,387**	1,021
– in relation to sales	Comparison to sales	%	**13.5**	13.2

Return on equity (ROE)

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

Key figure, including discontinued operations	Definition of the key figure or source in the consolidated financial statements		2022	2021
Total equity on Dec 31 of previous year	Consolidated statement of financial position	€ million	**3,120**	2,360
Total equity on March 31		€ million	**3,278**	2,455
Total equity on June 30		€ million	**3,943**	2,809
Total equity on Sept 30		€ million	**4,158**	3,040
Total equity on Dec 31	Consolidated statement of financial position	€ million	**4,119**	3,120
Total equity (4-quarter average)	Average of the opening and 4 quarter-end values	€ million	**3,723**	2,757
Net result for the financial year	Consolidated statement of income	€ million	**1,140**	553
Return on equity (ROE)	Net result for the financial year / Total equity (4-quarter average)	%	**30.6**	20.1

Return on capital employed (ROCE)

Return on capital employed is a measure for the value the Group generates to the capital invested in its operations. Outokumpu has redefined its capital employed and ROCE definitions in 2022. Comparative information has been restated accordingly.

Key figure, including discontinued operations	Definition of the key figure or source in the consolidated financial statements		2022	2021
Capital employed on Dec 31 of previous year	Defined earlier in this section	€ million	**3,828**	3,764
Capital employed on March 31		€ million	**4,097**	3,858
Capital employed on June 30		€ million	**4,705**	3,963
Capital employed on Sept 30		€ million	**4,805**	4,134
Capital employed on Dec 31	Defined earlier in this section	€ million	**4,752**	3,828
Capital employed (4-quarter average)	Average of the opening and 4 quarter-end values	€ million	**4,438**	3,909
EBIT	Consolidated statement of income + Note 6.1	€ million	**1,078**	705
Share of results in associated companies	Consolidated statement of income	€ million	**11**	15
Return on capital employed (ROCE)	(EBIT + Share of results in associated companies) / Capital employed (4-quarter average)	%	**24.5**	18.4

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.

Key figure, including discontinued operations	Definition of the key figure or source in the consolidated financial statements		2022	2021
Non-current debt	Consolidated statement of financial position + Note 6.1	€ million	**492**	597
Current debt	Consolidated statement of financial position + Note 6.1	€ million	**141**	112
Cash and cash equivalents	Consolidated statement of financial position + Note 6.1	€ million	**644**	300
Net debt	Non-current + current debt – cash and cash equivalents	€ million	**–10**	408
– in relation to sales	Comparison to sales	%	**–0.1**	5.3

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	**–10**	408
Adjusted EBITDA	Defined earlier in this section	€ million	**1,387**	1,021
Net debt to Adjusted EBITDA	Net debt / Adjusted EBITDA		**0.0**	0.4

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	**4,119**	3,120
Total assets	Consolidated statement of financial position	€ million	**6,983**	6,482
Advances received	Note 4.5	€ million	**23**	27
Equity-to-assets ratio	Total equity / (Total assets – advances received)	%	**59.2**	48.3

Debt-to-equity ratio (gearing)

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	**–10**	408
Total equity	Consolidated statement of financial position	€ million	**4,119**	3,120
Debt-to-equity ratio (gearing)	Net debt / Total equity	%	**–0.3**	13.1

Definitions of financial key figures

Key figure		Definition
EBITDA	=	EBIT before depreciation, amortization and impairments
Adjustments to EBITDA or EBIT	=	Material income and expense items which affect the comparability between periods because of their unusual nature, size or incidence resulting for example from group-wide restructuring programs or disposals of assets or businesses.
Adjusted EBITDA or EBIT	=	EBITDA or EBIT – items classified as adjustments
Capital employed	=	Total equity + non-current debt + current debt
Operating capital (segment reporting)	=	Capital employed – cash and cash equivalents – investments in associated companies – investments in equity at fair value through other comprehensive income – investments at fair value through profit or loss – net deferred tax asset – net asset held for sale + net employee benefit obligations
Capital expenditure	=	Purchases of property, plant and equipment and intangible assets, other than emission allowances; and investments in equity at fair value through other comprehensive income and in associated companies and acquisitions of businesses
Return on capital employed (ROCE)	=	$\frac{\text{EBIT + Share of results in associated companies}}{\text{Capital employed (4-quarter rolling average)}} \times 100$
Return on operating capital (ROOC) (segment reporting)	=	$\frac{\text{Adjusted EBIT}}{\text{Operating capital (4-quarter rolling average)}} \times 100$
Return on equity (ROE)	=	$\frac{\text{Net result for the financial period}}{\text{Total equity (4-quarter rolling average)}} \times 100$
Net debt	=	Non-current debt + current debt – cash and cash equivalents
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$
Debt-to-equity ratio (gearing)	=	$\frac{\text{Net debt}}{\text{Total equity}} \times 100$
Net debt to adjusted EBITDA	=	$\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$
Personnel, full-time equivalent	=	Headcount adjusted to full time equivalent number of personnel, excluding personnel on sick leave or parental leave of more than 6 months and excluding personnel whose employment has been terminated and who are on notice period without requirement to work

Share-related key figures[1)]

		2022	2021	2020	2019	2018
Earnings per share [2) 3)]	€	**2.52**	1.26	–0.28	–0.18	0.32
Earnings per share continuing operations	€	**2.40**	1.21	–	–	–
Diluted earnings per share [2) 3)]	€	**2.33**	1.17	–0.28	–0.18	0.32
Diluted earnings per share continuing operations	€	**2.22**	1.13	–	–	–
Cash flow per share [3)]	€	**1.72**	1.36	0.78	0.90	0.52
Equity per share [2) 4)]	€	**9.27**	6.89	5.70	6.19	6.70
Dividend per share	€	**0.35**[5)]	0.15	–	–	0.15
Dividend payout ratio [2)]	%	**13.6**	12.3	–	–	47.4
Dividend yield	%	**7.4**	2.7	–	–	4.7
Price/earnings ratio [2)]		**1.88**	4.37	neg.	neg.	10.00
Development of share price						
Average trading price	€	**4.69**	4.96	2.66	3.01	5.39
Lowest trading price	€	**3.51**	3.36	2.08	2.23	3.18
Highest trading price	€	**6.48**	6.01	4.44	4.04	8.26
Trading price at the end of the period	€	**4.73**	5.50	3.22	2.81	3.20
Change during the period	%	**–14.0**	70.8	14.8	–12.2	–58.7
Change in the OMX Helsinki index during the period	%	**–13.4**	18.3	10.1	13.4	–8.0
Market capitalization at the end of the period [6)]	€ million	**2,101**	2,489	1,327	1,155	1,312
Development in trading volume						
Trading volume [7)]	1,000 shares	**720,801**	880,092	1,100,628	884,254	826,636
In relation to adjusted weighted average number of shares [3)]	%	**159.5**	200.5	265.9	215.0	201.1
Adjusted weighted average number of shares [3) 6)]		**451,932,876**	438,871,175	413,907,618	411,198,002	411,065,622
Adjusted diluted weighted average number of shares [3) 6)]		**493,535,712**	479,163,509	437,336,296	446,209,235	447,181,306
Number of shares at the end of the period [6)]		**444,134,611**	452,571,977	412,002,212	411,774,715	410,563,719

1) Including discontinued operations if not otherwise stated.

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

3) Reported based on share-issue-adjusted weighted average number of shares. Comparative information for 2020 is presented accordingly. Information for 2019–2018 has not been restated.

4) 2020 and 2019 calculated based on the share-issue-adjusted number of shares. 2018 has not been restated.

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

6) Excluding treasury shares.

7) Includes only Nasdaq Helsinki trading.

Definitions of share-related key figures

Key figure		Definition	
Earnings per share	=	$\frac{\text{Net result for the financial year attributable to the equity holders}}{\text{Adjusted weighted average number of shares during the period}}$	
Diluted earnings per share	=	$\frac{\text{Net result for the financial year attributable to the equity holders + interest expenses on convertible bond, net of tax}}{\text{Adjusted diluted weighted average number of shares during the period}}$	
Cash flow per share	=	$\frac{\text{Net cash generated from operating activities}}{\text{Adjusted weighted average number of shares during the period}}$	
Equity per share	=	$\frac{\text{Equity attributable to the equity holders}}{\text{Adjusted number of shares at the end of the period}}$	
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Adjusted number of shares at the end of the period}}$	
Dividend payout ratio	=	$\frac{\text{Dividend for the financial year}}{\text{Net result for the financial year attributable to the equity holders}}$	× 100
Dividend yield	=	$\frac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}}$	× 100
Price/earnings ratio (P/E)	=	$\frac{\text{Adjusted trading price at the end of the period}}{\text{Earnings per share}}$	
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 adjusted weighted average number of shares during the period	

Non-financial indicators

Environmental indicators	2022	2021	2020 [2]	2019 [2]	2018 [2]
Scope 1, 2 and 3 (direct and indirect) CO_2 emission intensity, tonnes per tonne of stainless steel	**1.70**	1.76	1.55	1.61	1.72
Energy intensity, GJ per tonne stainless steel	**10.5**	10.2	11.0	10.9	10.1
Use rate of slag, including slag from ferrochrome production, %	**86.5**	78.1	77.1	90.8	89.9
Total landfill waste intensity, tonnes per tonne stainless steel	**0.530**	0.561	0.590	0.500	0.472
Recycled material content, %	**93.9**	89.6	92.5	89.6	88.6

Social indicators	2022	2021	2020[2]	2019[2]	2018[2]
Diversity					
Employees					
male, %	**83**	84	84	85	85
female, %	**17**	16	16	15	15
Managers [1]					
male, %	**83**	84	84	84	n/a
female, %	**17**	16	16	16	n/a
Board of Directors					
male, %	**62**	50	50	57	67
female, %	**38**	50	50	43	33
Safety					
Total recordable injury frequency rate, per million working hours	**1.8**	2.1	2.4	3.2	4.1

[1] Manager diversity data is not available for 2018.

[2] Including discontinued operations.

Taxonomy key performance indicators – Sales

				Substantial Contribution criteria						DNSH criteria										
Economic activties	Codes	Absolute sales (€ million)	Proportion of sales (%)	Climate Change Mitigation (%)	Climate Change Adaptation (%)	Water marine resources (%)	Circular Economy (%)	Pollution (%)	Bio-diversity and eco-systems (%)	Climate Change Mitigation (Y/N)	Climate Change Adaptation (Y/N)	Water marine resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Bio-diversity and eco-systems (Y/N)	Minimum safe-guards (Y/N)	Taxonomy-aligned proportion of sales year N (%)	Taxonomy-aligned proportion of sales year N-1 (%)	Category (enabling activity) (E)	Category (transitional activity) (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmental sustainable activities (Taxonomy aligned)																				
Manufacturing of iron and steel	3.9	8,645	91	100	0	0	0	0	0		Y	Y	N/A	Y	Y	Y	91	N/A	N/A	T
Sales of environmental sustainable activities (Taxonomy-aligned) (A.1.)		8,645	91																	
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)																				
Manufacturing of iron and steel	3.9																			
Sales of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)																				
Total (A.1. + A.2.)		8,645	91														91	85		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Sales of Taxonomy-non-eligible activities (B)		848	9																	
Total (A+B)		9,494	100																	

Taxonomy sales is presented in accordance with IFRS, in line with the sales in the Group's consolidated financial statements. The manufacturing of iron and steel is listed as an eligible economic activity.

Taxonomy key performance indicators – Capital expenditure (CapEx)

				Substantial Contribution criteria						DNSH criteria										
Economic activties	Codes	Absolute CapEx (€ million)	Proportion of CapEx (%)	Climate Change Mitigation (%)	Climate Change Adaptation (%)	Water marine resources (%)	Circular Economy (%)	Pollution (%)	Bio-diversity and eco-systems (%)	Climate Change Mitigation (Y/N)	Climate Change Adaptation (Y/N)	Water marine resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Bio-diversity and eco-systems (Y/N)	Minimum safe-guards (Y/N)	Taxonomy-aligned proportion of CapEx year N (%)	Taxonomy-aligned proportion of CapEx year N-1 (%)	Category (enabling activity) (E)	Category (transitional activity) (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmental sustainable activities (Taxonomy aligned)																				
Manufacturing of iron and steel	3.9	65	42	100	0	0	0	0	0		Y	Y	N/A	Y	Y	Y	38	N/A	N/A	T
CapEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)		65	42																	
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)																				
Manufacturing of iron and steel	3.9																			
CapEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)																				
Total (A.1. + A.2.)		65	42														42	37		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		88	58																	
Total (A+B)		153	100																	

Taxonomy capital expenditure is presented and measured as cash-based, in line with the capital expenditure presented in the Group’s financial statements. Taxonomy capital expenditure consists of purchases of property, plant and equipment and intangible assets, other than emission allowances. Leases and equity investments at fair value through other comprehensive income have been excluded from the amount. Capital expenditure associated with taxonomy-eligible economic activities has been considered eligible while capital expenditure related to business area Ferrochrome, service centers and directly to corporate functions have been considered non-eligible.

Taxonomy key performance indicators – Restricted operating expenditure (OpEx)

Economic activties	Codes	Absolute OpEx (€ million)	Proportion of OpEx (%)	Substantial Contribution criteria: Climate Change Mitigation (%)	Climate Change Adaptation (%)	Water marine resources (%)	Circular Economy (%)	Pollution (%)	Bio-diversity and eco-systems (%)	DNSH criteria: Climate Change Mitigation (Y/N)	Climate Change Adaptation (Y/N)	Water marine resources (Y/N)	Circular Economy (Y/N)	Pollution (Y/N)	Bio-diversity and eco-systems (Y/N)	Minimum safe-guards (Y/N)	Taxonomy-aligned proportion of OpEx year N (%)	Taxonomy-aligned proportion of OpEx year N-1 (%)	Category (enabling activity) (E)	Category (transitional activity) (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmental sustainable activities (Taxonomy aligned)																				
Manufacturing of iron and steel	3.9	607	82	100	0	0	0	0	0		Y	Y	N/A	Y	Y	Y	82	N/A	N/A	T
OpEx of environmental sustainable activities (Taxonomy-aligned) (A.1.)		607	82																	
A.2. Taxonomy-Eligible but not environmental sustainable activites (not Taxonomy-aligned activities)																				
Manufacturing of iron and steel	3.9																			
OpEx of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)																				
Total (A.1. + A.2.)		607	82														82	82		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		129	18																	
Total (A+B)		736	100																	

Taxonomy restricted operating expenditure consists of expenses related directly to maintenance and servicing of assets as well as research and development expenses. Of the total taxonomy restricted operating expenditure, the portion supporting taxonomy-eligible economic activities has been considered eligible. Expenses related to business area Ferrochrome, service centers and corporate functions have been considered non-eligible. Research and development expenses have been included in full and considered eligible except for the part related to manufacturing of ferrochrome, service centers and corporate.

Financial statements

In a strong market environment combined with strategy execution, Outokumpu delivered its best annual results and was net debt free at the end of the year.

"We have successfully de-risked the company and our significantly strengthened balance sheet gives us resilience to withstand changing conditions."

–Pia Aaltonen-Forsell
CFO

Financial statements content

Consolidated financial statements

Consolidated statement of income

€ million	Note	2022	2021
Continuing operations			
Sales	2.2	**9,494**	7,243
Cost of sales	2.3	**–8,147**	–6,310
Gross margin		**1,346**	933
Other operating income	2.4	**18**	49
Selling and marketing expenses	2.3	**–72**	–63
Administrative expenses	2.3	**–225**	–176
Research and development expenses	2.3	**–15**	–14
Other operating expenses	2.4	**–60**	–54
EBIT		**992**	674
Share of results in associated companies	6.6	**11**	15
Financial income and expenses	2.5		
Interest income and other financial income		**4**	7
Interest expenses		**–44**	–64
Market price gains and losses		**–12**	–3
Other financial expenses		**–19**	–19
Total financial income and expenses		**–71**	–79
Result before taxes		**933**	610
Income taxes	2.6	**154**	–84
Net result for the financial year from continuing operations		**1,086**	526
Discontinued operations			
Net result for the financial year from discontinued operations	6.1	**54**	27
Net result for the financial year		**1,140**	553

€ million	Note	2022	2021
Earnings per share from continuing operations attributable to the equity holders of the parent company	2.7		
Earnings per share, €		**2.40**	1.21
Diluted earnings per share, €		**2.22**	1.13
Earnings per share attributable to the equity holders of the parent company	2.7		
Earnings per share, €		**2.52**	1.26
Diluted earnings per share, €		**2.33**	1.17

Net result for the financial year is fully attributable to the equity holders of the parent company. The notes are an integral part of the financial statements.

Consolidated statement of comprehensive income

€ million	Note	2022	2021
Net result for the financial year		**1,140**	553
Other comprehensive income, continuing operations			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations			
Change in exchange differences		**17**	85
Cash flow hedges	5.4		
Fair value changes during the financial year		**–43**	–1
Reclassification to profit or loss		**28**	27
Income taxes	2.6	**–1**	–6
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	3.3		
Changes during the financial year		**65**	–72
Income taxes	2.6	**–24**	26
Equity investments at fair value through other comprehensive income	5.6		
Fair value changes during the financial year		**–4**	–44
Share of other comprehensive income in associated companies	6.6	**0**	0
Other comprehensive income for the financial year, continuing operations, net of tax		**38**	15
Other comprehensive income for the financial year, discontinued operations, net of tax		**8**	6
Other comprehensive income for the financial year, net of tax		**46**	22
Total comprehensive income for the financial year		**1,186**	574

Total comprehensive income for the financial year is fully attributable to the equity holders of the parent company. The notes are an integral part of the financial statements.

Consolidated statement of financial position

€ million	Note	2022	2021
ASSETS			
Non-current assets			
Intangible assets	4.1, 4.3	**547**	577
Property, plant and equipment	4.1, 4.2	**2,406**	2,573
Investments in associated companies	6.6	**51**	43
Equity investments at fair value through other comprehensive income	5.6	**25**	24
Deferred tax assets	2.6	**390**	222
Trade and other receivables	4.5	**6**	5
		3,425	3,444
Current assets			
Inventories	4.4	**1,783**	1,892
Investments at fair value through profit or loss		**23**	28
Derivative financial instruments	5.4	**40**	31
Trade and other receivables	4.5	**767**	786
Cash and cash equivalents	5.1	**526**	300
		3,139	3,038
Assets held for sale	6.1	**419**	–
TOTAL ASSETS		**6,983**	6,482

€ million	Note	2022	2021
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company			
Share capital		**311**	311
Premium fund and other restricted reserves		**717**	717
Invested unrestricted equity reserve		**2,308**	2,308
Treasury shares		**–129**	–30
Fair value reserves		**–142**	–96
Retained earnings		**1,054**	–90
Total equity	5.2	**4,119**	3,120
Non-current liabilities			
Non-current debt	5.1	**491**	597
Derivative financial instruments	5.4	**11**	2
Deferred tax liabilities	2.6	**0**	1
Employee benefit obligations	3.3	**216**	309
Provisions	4.6	**49**	63
Trade and other payables	4.5	**20**	23
		787	994
Current liabilities			
Current debt	5.1	**141**	112
Derivative financial instruments	5.4	**120**	40
Provisions	4.6	**32**	29
Current tax liabilities		**65**	21
Trade and other payables	4.5	**1,516**	2,166
		1,874	2,368
Liabilities related to assets held for sale	6.1	**204**	–
TOTAL EQUITY AND LIABILITIES		**6,983**	6,482

The notes are an integral part of the financial statements.

Consolidated statement of cash flows

€ million	Note	2022	2021
Cash flow from operating activities			
Net result for the financial year		1,140	553
Adjustments for			
Depreciation, amortization and impairments	2.3, 2.4, 4.1	297	304
Net expenses on provisions and employee benefit obligations		28	21
Gains/losses on sale of non-current assets, Group companies and businesses	2.4	8	–19
Net interest income and expense	2.5	35	58
Income taxes	2.6	–119	87
Other non-cash adjustments		80	0
		331	450
Change in net working capital			
Change in trade and other receivables		–35	–241
Change in inventories		–129	–684
Change in trade and other payables		–424	660
		–587	–266
Provisions and employee benefit obligations paid		–53	–80
Interest and dividends received		7	10
Interest paid		–39	–63
Income taxes paid		–21	–7
Net cash from operating activities		778	597

€ million	Note	2022	2021
Cash flow from investing activities			
Equity investments at fair value through other comprehensive income	5.6	–5	–19
Purchases of property, plant and equipment	4.1	–148	–145
Purchases of intangible assets	4.1	–7	–11
Proceeds from sale of property, plant and equipment	4.1	2	24
Proceeds from disposal of shares in Group companies and businesses, net of cash	6.2	–1	–
Other investing cash flow		–	2
Net cash from investing activities		–159	–149
Cash flow before financing activities		619	448
Cash flow from financing activities			
Directed share issue	5.2	–	205
Dividends paid		–68	–
Repurchase of treasury shares	5.2	–42	–
Borrowings of non-current debt	5.1	–	63
Repayments of non-current debt	5.1	–71	–587
Change in current debt	5.1	–58	–174
Repayments of lease liabilities	4.2	–33	–32
Net cash from financing activities		–272	–525
Net change in cash and cash equivalents		346	–77
Cash and cash equivalents at the beginning of the financial year		300	376
Net change in cash and cash equivalents		346	–77
Foreign exchange rate effect on cash and cash equivalents		–3	2
Cash and cash equivalents at the end of the financial year [1]	5.1	644	300

The notes are an integral part of the financial statements.

[1] Year 2022 includes cash and cash equivalents of discontinued operations amounting to EUR 117 million.

Consolidated statement of changes in equity

€ million	Note	Share capital	Premium fund	Other restricted reserves	Invested unrestricted equity reserve	Fair value reserve from equity investments	Fair value reserve from derivatives	Cumulative translation differences	Remeasure-ments of defined benefit plans	Treasury shares	Other retained earnings	Total equity
Equity on Jan 1, 2021		**311**	**714**	**3**	**2,103**	**–45**	**–4**	**–113**	**–124**	**–31**	**–454**	**2,360**
Net result for the financial year		–	–	–	–	–	–	–	–	–	553	553
Other comprehensive income		–	–	–	–	–44	20	92	–46	–	0	22
Total comprehensive income for the financial year		–	–	–	–	–44	20	92	–46	–	553	574
Transactions with equity holders of the parent company												
Contributions and distributions												
Directed share issue	5.2	–	–	–	205	–	–	–	–	–	–	205
Share-based payments	3.4	–	–	–	–	–	–	–	–	1	3	4
Fair value transfer to inventory	5.4	–	–	–	–	–	–23	–	–	–	–	–23
Other		–	–	–	–	–	–	–	1	–	–1	–
Equity on Dec 31, 2021		**311**	**714**	**3**	**2,308**	**–89**	**–7**	**–22**	**–169**	**–30**	**101**	**3,120**
Net result for the financial year		–	–	–	–	–	–	–	–	–	1,140	1,140
Other comprehensive income		–	–	–	–	–4	–15	24	41	–	0	46
Total comprehensive income for the financial year		–	–	–	–	–4	–15	24	41	–	1,140	1,186
Transactions with equity holders of the parent company												
Contributions and distributions												
Dividends	5.2	–	–	–	–	–	–	–	–	–	–68	–68
Share-based payments	3.4	–	–	–	–	–	–	–	–	1	6	7
Repurchase of treasury shares[1)]	5.2	–	–	–	–	–	–	–	–	–100	–	–100
Fair value transfer to inventory	5.4	–	–	–	–	–	–26	–	–	–	–	–26
Equity on Dec 31, 2022		**311**	**714**	**3**	**2,308**	**–93**	**–48**	**3**	**–128**	**–129**	**1,179**	**4,119**

The notes are an integral part of the financial statements.

Equity is fully attributable to the equity holders of the parent company. See note 5.2 for more information on equity.

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

Notes to the consolidated financial statements

Outokumpu presents the notes to the consolidated financial statements as grouped in the following six sections.

1. **Basis of reporting**
2. **Business result**
3. **Employee benefits**
4. **Operating assets and liabilities**
5. **Capital structure and financial risk management**
6. **Group structure and other notes**

The basis of preparation, accounting principles and management judgements applicable to the entire consolidated financial statements are presented in the Basis of reporting section, but the accounting principles, management judgements, and risks related to each disclosure item are presented in the related note. The table outlines the notes structure and indicates which notes include accounting principle, management judgement and risk information, and the following icons are used to indicate these topics within the notes.

Note	Accounting principles	Management judgements	Risk information
1. Basis of reporting			
1.1 Corporate information			
1.2 Basis of preparation	■	▼	●
2. Business result			
2.1 Operating segments	■		
2.2 Revenue	■		
2.3 Cost of sales and selling, general and administrative expenses	■		
2.4 Other operating income and expenses	■		
2.5 Financial income and expenses	■		
2.6 Income taxes	■	▼	
2.7 Earnings per share	■		
3. Employee benefits			
3.1 Employee benefit expenses			
3.2 Employee benefits for key management	■		
3.3 Employee benefit obligations	■	▼	●
3.4 Share-based payments	■	▼	
4. Operating assets and liabilities			
4.1 Intangible assets and property, plant and equipment	■	▼	
4.2 Leases	■	▼	
4.3 Goodwill impairment test	■	▼	
4.4 Inventories	■	▼	
4.5 Trade and other receivables and payables	■		●
4.6 Provisions	■	▼	
5. Capital structure and financial risk management			
5.1 Net debt and capital management	■		●
5.2 Equity	■		
5.3 Financial risk management and insurances			●
5.4 Derivative instruments	■		
5.5 Financial assets and liabilities	■		
5.6 Equity investments at fair value through other comprehensive income	■	▼	
5.7 Commitments and contingent liabilities	■		
6. Group structure and other notes			
6.1 Discontinued operations	■		
6.2 Business acquisitions and disposals	■		
6.3 Disputes and litigations			
6.4 Related parties			
6.5 Subsidiaries			
6.6 Associated companies	■		
6.7 New IFRS standards			
6.8 Events after the balance sheet date			

1. Basis of reporting

This notes section covers the company information, general basis of preparation as well as accounting principles that are applicable to the entire consolidated financial statements.

1.1 Corporate information

Outokumpu Oyj is a Finnish public limited liability company organized under the laws of Finland and domiciled in Helsinki, Finland. The company has been listed on the Nasdaq Helsinki since 1988. Outokumpu Oyj is the parent company ("parent company", "Outokumpu Oyj") of the Outokumpu Group (the "Group", "Outokumpu", the "company").

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 8,500 (continuing operations) professionals in more than 30 countries.

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 print, do not constitute as reports according to the ESEF regulations.

In its meeting on February 9, 2023, 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.

1.2 Basis of preparation

These consolidated financial statements of Outokumpu have been prepared on a going concern basis for the financial year 2022 covering the period from January 1 to December 31, 2022.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union including the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on December 31, 2022. The consolidated financial statements also comply with the regulations of Finnish accounting and company legislation complementing the IFRS.

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.

Discontinued operations - Long product businesses

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

During 2022 Outokumpu reclassified its Long Products businesses to be divested as assets held for sale and reports the businesses as discontinued operations according to IFRS 5 Non current assets held for sale and discontinued operations.

Net result from the discontinued operations is reported separately from income and expenses from continuing operations in the consolidated statement of income and comparative period is restated accordingly. Assets and liabilities related to the discontinued operations are presented as separate line items in the statement of financial position and the comparative period is not restated. The statement of cash flows consists of total group figures including the discontinued operations. In the comparative period Outokumpu didn't have discontinued operations. See more information in note 6.1.

Corporate information

Company name	Outokumpu Oyj
Legal form	Public limited liability company
Country of incorporation	Finland
Domicile and principal place of business	Helsinki, Finland
Company address	P.O. Box 245, 00181 Helsinki, Finland
Ultimate parent company	Outokumpu Oyj

Risk information

War in Ukraine

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

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

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

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

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

Outokumpu has evaluated its trade receivables against implications resulting from the conflict. The direct trade receivables from Russia remained very limited and based on the assessment, no material expected credit losses were recognized in 2022.

Outokumpu has assessed whether any impairment indications have arisen as a result of the war but has not identified such indications. Outokumpu has also assessed the carrying amounts of its other assets and liabilities and has not identified any material impact on the carrying amounts.

Climate matters

Outokumpu aims to reduce its CO_2 emissions by 42% by the end of 2030 compared to the 2016 level, in line with its Science-Based Target initiative (SBTi) 1.5 degree climate target.

Outokumpu has assessed physical climate risks and mitigation measures for all sites and included them in the general risk assessment system. The evaluation shows that the physical risk does not materially impact the Group's capital expenditure or operative expenses. However, the financial impact of the climate transition risk is significant and has been estimated for the target period until 2030.

To be able to attain the 1.5 degree climate target, the company has created and committed to a low carbon roadmap and many CO_2 reduction projects have been initiated already. According to the roadmap, Outokumpu plans to invest to the CO_2 reduction projects in total about EUR 350 million until 2030. The avoided direct emission from European sites in that period corresponds to European CO_2 allowances of about EUR 114[1)] million. As some projects result in lower emissions outside the company, as avoided scope 3 emissions caused by raw material production, they do not impact the company's financial situation but enable the society to save about 2.5 million tons of CO_2 which corresponds to EUR 228[1)] million.

See more information about climate related matters in the section Sustainability review of the Annual report.

1) The financial impact is evaluated with Company's shadow price of 90 Euro per ton of CO_2.

Management judgments

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and contingent liabilities at the reporting date, as well as the reported amounts of income and expenses during the reporting period.

The management estimates and judgments are continuously evaluated 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.

The table in the beginning of the notes to the consolidated financial statements outlines the notes that include material management judgments.

Accounting principles

Principles of consolidation

The consolidated financial statements include the parent company Outokumpu Oyj and all subsidiaries controlled by Outokumpu Oyj either directly or indirectly. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the 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. 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.

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.

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 Argentina (disposed in November 2022) and Mexico 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 financial 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 accumulated exchange differences arisen from hedges of net investments in foreign operations are recognized in equity.

For those subsidiaries whose functional and presentation currency is not the euro, the items in the statements of income and comprehensive income, and in the statement of cash flows are translated into euro using the average exchange rates of the reporting period. The assets and liabilities in 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 the Group's equity through other comprehensive income.

Any goodwill arising on acquisitions of foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisitions 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.

Adoption of new and amended IFRS standards

As of January 1, 2022, Outokumpu has applied the following new and amended standards, interpretations and decisions.

- **Amendments to IAS 16 Property, Plant and Equipment – Proceeds before intended use:** The amendment prohibits the deduction of any proceeds from selling produced items from the cost of a property, plant and equipment item 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.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts:** 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 occurred on assets used in fulfilling the contract.

The amendments did not have material impact on Outokumpu's consolidated financial statements.

2. Business result

In 2022, Outokumpu delivered its best annual result in history in a strong market environment and was net debt free at year-end. Stainless steel deliveries declined from the previous year while realized prices for stainless steel increased and supported profitability. As a result, return on capital employed and earnings per share increased to a very strong level.

2.1 Operating segments

Outokumpu's business is divided into three business areas which are Europe, the Americas, and Ferrochrome. The business areas have responsibility for commercials, supply chain management and operations and they are Outokumpu's operating segments under IFRS.

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.

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

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 three operating segments, as well as industrial holdings and non-core businesses. Such business development, Corporate Management expenses and other extraordinary costs not part of business area performance assessment that are not allocated to the business areas are also reported under Other operations. Sales of Other operations consist of sales of electricity to the Group's production facilities in Finland and in Sweden, nickel procured under the Group's sourcing contract, sales of non-core businesses and internal services.

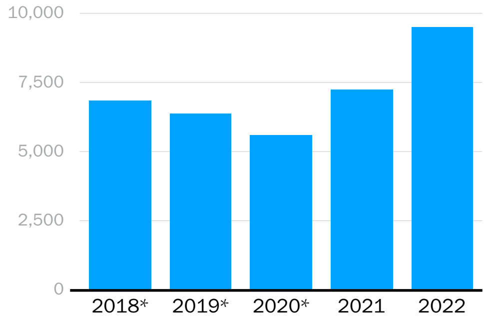
Sales EUR
9.5
billion

Adjusted EBITDA EUR
1,256
million

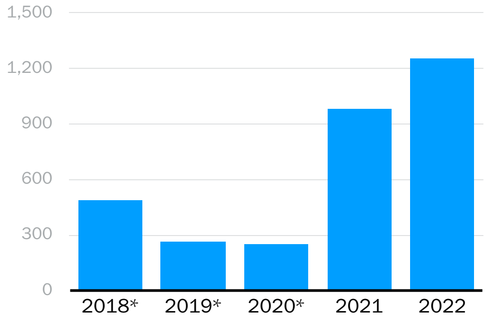
Net result EUR
1,086
million

Earnings per share EUR
2.40

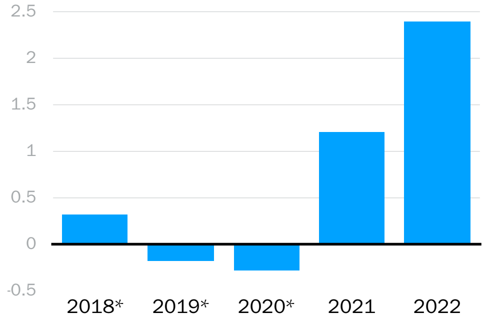
Sales, € million



Adjusted EBITDA, € million



Earnings per share, €



* Including discontinued operations

2022 € million	Europe	Americas	Ferrochrome	Operating segments total	Other operations	Eliminations	Reconciliation Group
External sales	6,225	2,686	221	9,131	258	–	9,389
Inter-segment sales	42	9	412	462	462	–924	–
Intra-Group sales to discontinued operations	–	–	–	–	–	104	104
Sales	6,266	2,695	633	9,594	720	–820	9,494
Adjusted EBITDA	680	384	220	1,284	–34	6	1,256
Adjustments to EBITDA							
Loss on disposal of shares in Group companies and businesses	–	–	–	–	–10	–	–10
Litigation provisions	–	2	–	2	–	–	2
EBITDA	680	387	220	1,287	–44	6	1,248
Depreciation and amortization	–130	–67	–42	–239	–6	0	–245
Impairments	0	0	–1	–1	–10	–	–11
EBIT	550	320	177	1,046	–60	5	992
Assets in operating capital	3,203	1,274	954	5,431	419	–301	5,550
Other assets							625
Deferred tax assets							390
Assets held for sale							419
Total assets							6,983
Liabilities in operating capital	1,339	285	87	1,711	385	–283	1,813
Other liabilities							848
Deferred tax liabilities							0
Liabilities related to assets held for sale							204
Total liabilities							2,864
Operating capital [1]	1,864	990	867	3,721	34	–18	3,737
Return on operating capital (ROOC), % [2]	28.9	32.4	20.7				

Adjustments to EBITDA and EBIT

€ million	2022	2021
Loss on disposal of shares in Group companies and businesses	**–10**	–
Litigation provisions	**2**	–15
Environmental provisions	**–**	–10
Gain on disposal of property	**–**	12
Adjustments to EBITDA	**–7**	–12
Impairment of Group's ERP systems	**–10**	–18
Impairments in Ferrochrome business area	**–**	–13
Impairments in lease agreements	**–**	–10
Adjustments to EBIT	**–17**	–54

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

[2] To align with the new financial targets and internal management reporting, Outokumpu introduced return on operating capital (ROOC) as a key figure for segment reporting in 2022. Return on operating capital (ROOC) is an internal measure for the value the business areas generate to the capital invested in its operations.

In 2022, Outokumpu divested its plate service center in Aalten, Netherlands, plated services business in Castelleone, Italy, and Outokumpu Fortinox S.A. in Argentina. The loss on the disposals including transaction costs amounted to EUR 10 million. Outokumpu also decreased the litigation provision in the US. See note 6.3 for more information on litigations and note 4.6 on provisions.

In addition to the impairment of EUR 18 million related to Group's ERP systems booked in 2021, Outokumpu recognized additional impairment of EUR 10 million in 2022. For more information on impairments in 2022, see note 2.4.

In 2021, Outokumpu recognized increases in litigation provisions of EUR 15 million and in environmental provisions of EUR 10 million. The environmental provisions relate to the aftercare of closed mines in Finland.

In 2021, Outokumpu divested properties related to closed operations in Krefeld and Bochum in Germany, resulting in a gain of EUR 12 million.

2021 € million	Europe	Americas	Ferrochrome	Operating segments total	Other operations	Eliminations	Reconciliation Group
External sales	4,531	1,896	185	6,613	540	–	7,153
Inter-segment sales	69	51	418	538	373	–911	–
Intra-group sales to discontinued operations	–	–	–	–	–	90	90
Sales	4,600	1,947	604	7,151	914	–821	7,243
Adjusted EBITDA	485	297	246	1,028	–18	–30	980
Adjustments to EBITDA							
Litigation provisions	–	–15	–	–15	–	–	–15
Environmental provisions	–	–	–	–	–10	–	–10
Gain on disposal of property	12	–	–	12	–	–	12
EBITDA	498	283	246	1,027	–28	–30	968
Depreciation and amortization	–141	–59	–44	–244	–4	–1	–249
Impairments	–10	–3	–13	–27	–18	–	–45
EBIT	346	220	189	755	–50	–31	674
Assets in operating capital	3,126	1,361	996	5,483	384	–3	5,864
Other assets							396
Deferred tax assets							222
Total assets							6,482
Liabilities in operating capital	1,405	480	173	2,058	385	–100	2,344
Other liabilities							1,018
Deferred tax liabilities							1
Total liabilities							3,362
Operating capital[1)]	1,721	880	823	3,425	–2	97	3,520
Return on operating capital (ROOC), %[2)]	20.4	27.2	24.8				

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

[2)] To align with the new financial targets and internal management reporting, Outokumpu introduced return on operating capital (ROOC) as a key figure for segment reporting in 2022. Return on operating capital (ROOC) is an internal measure for the value the business areas generate to the capital invested in its operations.

Accounting principles

Outokumpu's CEO, supported by the Leadership Team, is the Group's chief operating decision maker. The segments are reviewed regularly for the purpose of assessing performance and allocating resources to segments. The review is based on internal management reporting on IFRS based financial information.

Adjusted EBITDA

Adjusted EBITDA is Outokumpu's main performance indicator in financial reporting, and is also used to assess the segments' performance. Adjusted EBITDA is defined as EBIT before depreciation, amortization and impairment charges, and excluding such material income and expense items which affect the comparability between periods due to their unusual nature, size or incidence resulting from, for example, Group-wide restructuring programs or disposals of assets or businesses.

Adjusted EBITDA is an alternative performance measure meaning that it is not an IFRS-defined measure, so it is defined also in the Alternative performance measures section within the Review by the Board of Directors and reconciled to the consolidated statement of income.

2.2 Revenue

External sales by geographical destination

€ million	Finland	Other Europe	North America	APAC region	Other countries	Group
2022						
Operating segment						
Europe	366	5,014	149	565	134	6,229
Americas	–	0	2,603	2	80	2,686
Ferrochrome	16	163	40	28	–	247
Other operations	2	278	51	1	–	331
	384	**5,455**	**2,843**	**597**	**214**	**9,494**
2021						
Operating segment						
Europe	244	3,938	79	227	49	4,535
Americas	–	0	1,829	4	63	1,896
Ferrochrome	14	140	27	31	1	212
Other operations	1	555	42	2	0	600
	258	**4,632**	**1,977**	**264**	**112**	**7,243**

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

Accounting principles

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 physical possession as well as risks and rewards related to the ownership of the goods to be transferred accordingly. This also signifies the transfer of control of the goods to the customer.

Outokumpu's performance obligations related to sale of stainless steel and ferrochrome are satisfied and revenue from contracts with customers recognized at a point of time. Only revenue from the performance obligation related to transportation of the goods is recognized over a period of time, and the period under which the revenue is recognized is relatively short. Moreover, the timing of revenue recognition does not have an impact when assessing the uncertainty associated with future cash flows, as the sales of goods and transportation service are billed from the customer on the same invoice. Outokumpu acts as a principal with regards to transportation of goods.

Outokumpu has bill-and-hold arrangements with 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 for up to a period of three months before the actual delivery of the material. Outokumpu has transferred control of these materials to the customer as Outokumpu is not able to direct the material to another 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.

In the end of 2022, the amount of revenue recognized under the bill and hold arrangements for products not delivered yet was immaterial.

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 do not include any significant financing component.

Outokumpu also sells nickel procured under Group's nickel sourcing agreement. These sales are recognized to revenue when the title to the material is transferred to the buyer.

Liabilities related to customer contracts are presented in note 4.5.

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

2.3 Cost of sales and selling, general and administrative expenses

€ million	2022	2021
Cost of sales	–8,147	–6,310
Selling and marketing expenses	–72	–63
Administrative expenses	–225	–176
Research and development expenses	–15	–14
Total, continuing operations	–8,460	–6,564

Cost of sales and selling, general and administrative expenses by nature

€ million	2022	2021
Materials	–5,263	–3,992
Supplies	–777	–518
Energy	–462	–327
Maintenance	–197	–160
Freight	–284	–253
Employee benefits	–722	–662
Depreciation and amortization	–245	–249
Other	–510	–404
Total, continuing operations	–8,460	–6,564

Depreciation and amortization by function

€ million	2022	2021
Cost of sales	–236	–240
Selling and marketing expenses	–1	–1
Administrative expenses	–7	–7
Research and development expenses	–1	–1
Total, continuing operations	–245	–249

Auditor fees

€ million	2022	2021
Audit	–2.5	–2.3
Audit-related services	–	0.0
Tax advisory	0.0	0.0
Other services	–0.2	–0.3
Total, continuing operations	–2.7	–2.7

PricewaterhouseCoopers Oy has provided non-audit services to Outokumpu in total of EUR 0.2 million during 2022 (2021: EUR 0.3 million). These services comprised of sustainability reporting, ESG consulting and other agreed upon procedures.

Accounting principles

Cost of sales

Cost of sales includes expenses related to materials and supplies, energy, maintenance and freight. Employee benefit expenses, depreciation and amortization and other expenses are included to the extent they relate to operational activities.

Research and development costs

As a main rule, research and development costs are expensed as incurred. If development is expected to generate future economic benefits for the Group, related costs are capitalized as intangible assets and amortized on a systematic basis over their useful lives.

Repairs and maintenance costs

Ordinary repairs and maintenance is carried out to maintain operating conditions of the mills and the equipment, and the related costs are expensed as they are incurred.
The costs of major repairs and renovations are included in the asset's carrying amount as capital expenditure when these activities are expected to generate future economic benefits for the Group, for example in form of a longer useful life, a wider product range, a higher output, or an improved quality, in excess of the originally assessed standard performance level.

Depreciation and amortization methods and useful lives of non-current assets

Depreciation and amortization methods as well as estimates for useful lives of different types of intangible asset and property, plant and equipment items are described in the note 4.1.

2.4 Other operating income and expenses

Other operating income

€ million	2022	2021
Exchange gains and losses from foreign exchange derivatives	–	22
Market price gains and losses from commodity derivatives	–	–12
Market price gains and losses from derivative financial instruments	–	10
Sale of services and rental income	5	5
Gains on sale of non-current assets	3	19
Other income items	10	14
Total, continuing operations	18	49

Other operating expenses

€ million	2022	2021
Exchange gains and losses from foreign exchange derivatives	–8	–
Market price gains and losses from commodity derivatives	–21	–
Market price gains and losses from derivative financial instruments	–29	–
Impairments in non-current assets	–11	–45
Loss on disposal of shares in Group companies and businesses	–9	–
Loss on sale of non-current assets	–2	–
Other expense items	–8	–9
Total, continuing operations	–60	–54

Comparative information for exchange as well as market price gains and losses is reported as other operating income.

In 2022, Outokumpu divested its plated services business in Castelleone, Italy, plate service center in Aalten, Netherlands, and Outokumpu Fortinox S.A. in Argentina. The loss on the disposals excluding transaction costs amounted to EUR 9 million. More information on the divestment in note 6.2.

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

In 2021, Outokumpu recognized impairments in non-current assets based on reviews of individual assets for EUR 45 million. These impairments include EUR 18 million relating to the Group’s ERP systems, EUR 13 million regarding mine properties and obsolete machinery in Ferrochrome business area, EUR 10 million regarding lease agreements on land and buildings in the business area Europe’s operations in Germany, and EUR 4 million regarding obsolescence of various assets in the Group.

Accounting principles

Other operating income and expenses include items such as gains or losses from disposals of non-current assets or businesses and gains or losses from derivate financial instruments that are not hedge accounted or do not relate to the Group’s financing activities.

Other operating income also includes rental and lease income, insurance compensations and government and other grants and support.

Grants and other support are recognized as income over the same periods as the costs they are intended to compensate. Investment grants related to purchases of non-current assets are deducted from the cost of the asset and recognized as income on a systematic basis as a reduction in depreciation or amortization over the useful life of the asset.

Other operating expenses include costs related to emission allowances and impairment losses related to non-current assets.

2.5 Financial income and expenses

€ million	2022	2021
Interest income	**4**	4
Other financial income	**1**	3
Interest income and other financial income	**4**	7
Interest expenses		
Debt at amortized cost	**–21**	–44
Factoring	**–10**	–6
Lease liabilities	**–10**	–11
Employee benefit obligations	**–3**	–1
Other interest expenses	**–1**	–2
Interest expenses	**–44**	–64
Capitalized interests	**3**	3
Fees related to committed credit facilities	**–12**	–13
Other fees	**–10**	–9
Other financial expenses	**–19**	–19
Exchange gains and losses		
Derivatives	**40**	8
Cash, loans and receivables	**–39**	–10
Other market price gains and losses		
Derivatives	**–10**	–5
Other	**–3**	4
Market price gains and losses	**–12**	–3
Total, continuing operations	**–71**	–79

Exchange gains and losses in the consolidated statement of income

€ million	2022	2021
In sales	**10**	12
In purchases	**–31**	–32
In other operating income and expenses	**–8**	22
In financial income and expenses	**1**	–2
Total, continuing operations	**–29**	0

Exchange gains and losses include EUR 32 million of net exchange gain on derivative financial instruments (2021: EUR 30 million net exchange gain) of which a loss of EUR 8 million (2021: EUR 22 million gain) has been recognized in other operating income and expenses and a gain of EUR 40 million (2021: EUR 8 million gain) in financial income and expenses.

Accounting principles

Financial income includes mainly interest income on cash and cash equivalents and defined benefit plans.

Financial expenses include mainly interest expenses of borrowings, lease liabilities, factoring and defined benefit plans.

Other income and expenses include fees related to accrued commitment credit facilities, other financial fees and capitalized interests.

Exchange gains and losses include exchange and other market price gains and losses on cash, debt and receivables and derivatives related to Group’s financing activities.

Exchange and other market price gains and losses on operative items and related derivative instruments are recognized in EBIT. Exchange and other market price gains and losses on financing items and related derivative instruments are recognized in financial income and expenses.

2.6 Income taxes

Income taxes in the consolidated statement of income

€ million	2022	2021
Current taxes	**–61**	–23
Deferred taxes	**215**	–61
Total, continuing operations	**154**	–84

Reconciliation of income taxes in the consolidated statement of income

€ million	2022	2021
Result before taxes	**933**	610
Income taxes at Finnish tax rate of 20%	**–187**	–122
Difference between Finnish and foreign tax rates	**–46**	–25
Non-deductible expenses and tax exempt income	**–1**	–2
Current year result for which no deferred tax asset has been recognized	**84**	54
Changes in deferred tax recognition[1)]	**303**	4
Group company disposals	**–2**	–
Taxes for prior years	**1**	–2
Tax rate changes and other changes in tax laws	**–1**	7
Associated companies	**2**	3
Total, continuing operations	**154**	–84

[1)] Mainly relate to US deferred tax asset recognition. More information at the end of this note.

Accumulated deferred taxes recognized in equity

€ million	2022	2021
Deferred tax on convertible bond equity component	**–1**	–2
Net investment hedging	**–4**	–4
Remeasurements of the net defined benefit liability	**64**	87
Derivatives	**6**	0
Total, continuing operations	**64**	81

Deferred tax assets and liabilities

€ million	Jan 1, 2022 Net deferred tax assets (+) and liabilities (–)	Movements Reclassifications	Recognized in profit or loss	Recognized in other comprehensive income or directly in equity	Translation differences	Dec 31, 2022 Net deferred tax assets (+) and liabilities (–)
Intangible assets	5	–	3	–	0	8
Property, plant and equipment	–211	–9	14	–	–8	–215
Inventories	6	0	–2	–	0	3
Net derivate financial assets	1	0	–5	6	0	2
Other financial assets	39	0	–8	–	0	31
Employee benefit obligations	41	0	–1	–24	0	16
Other financial liabilities	38	0	5	–	0	43
Provisions	–5	0	6	–	0	1
Tax losses and tax credits	307	–8	203	–	–2	500
Net deferred tax assets	221	–18	215	–18	–10	**390**
Deferred tax assets	222					**390**
Deferred tax liabilities	–1					**0**

Reclassifications include transfers to assets classified as held for sale.

€ million	Jan 1, 2021 Net deferred tax assets (+) and liabilities (–)	Movements Reclassifications	Recognized in profit or loss	Recognized in other comprehensive income or directly in equity	Translation differences	Dec 31, 2021 Net deferred tax assets (+) and liabilities (–)
Intangible assets	6	–	–2	–	1	5
Property, plant and equipment	–190	–	–17	–	–5	–211
Inventories	–4	–	9	–	0	6
Net derivate financial assets	–2	–	3	0	0	1
Other financial assets	23	–	16	–	0	39
Employee benefit obligations	41	–	–24	24	0	41
Other financial liabilities	87	–	–52	–	3	38
Provisions	–10	–	5	–	0	–5
Tax losses and tax credits	306	–	–1	–	3	307
Net deferred tax assets	257	–	–64	24	3	**221**
Deferred tax assets	264					**222**
Deferred tax liabilities	–7					**–1**

The figures in 2021 are including discontinued operations.

Tax losses and related deferred tax assets

	Tax losses carried forward		Recognized deferred tax assets		Unrecognized deferred tax assets	
€ million	**2022**	2021	**2022**	2021	**2022**	2021
Expire in 2–5 years	**0**	81	**0**	16	**–**	–
Expire later than in 5 years	**1,267**	1,633	**302**	126	**–**	307
Never expire	**924**	1,101	**199**	165	**7**	108
Total, continuing operations	**2,190**	2,815	**500**	307	**7**	414

Tax losses by country

€ million	**2022**	2021
Finland	**–**	197
Germany	**145**	217
Sweden	**190**	289
The US	**1,640**	1,871
The UK	**168**	190
Other countries	**47**	51
Total, continuing operations	**2,190**	2,815

As of December 31, 2022, the tax attributes of the Outokumpu Group for which no deferred tax asset has been recognized amount to EUR 31 million (Dec 31, 2021: EUR 1,540 million). The decrease is mainly due to the recognition of deferred tax assets relating to US operations. At the end of 2021, Outokumpu Group had losses in the US operations where losses were not valued to the extent they exceeded the deferred tax liability. Year 2021 was the first profitable year for business area Americas after a long history of losses and the accounting assessment for deferred tax asset did not support the recognition of a net deferred tax asset. Year 2022 was also profitable and therefore, following two consecutive years of strong performance and good expectations for continuing good performance, the condition for recording a deferred tax is fulfilled. A deferred tax asset of EUR 297 million relating to US losses was recorded in the balance sheet in 2022.

No deferred tax liabilities were recorded on undistributed profits of foreign subsidiaries, as such profits are not to be distributed in the foreseeable future.

Management judgments

Outokumpu operates and earns income in numerous countries and is subject to changes in tax laws in multiple jurisdictions. When recognizing income tax liabilities, material judgments and estimates need to be made on tax uncertainties.

In deferred tax asset recognition, the management assesses whether the realization of future tax benefits is sufficiently probable to support the recognition. This assessment requires judgment regarding, for example, realizable benefits 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 as a result of changes in these estimates or in tax regulations imposing restrictions on the utilization of future tax benefits.

Accounting principles

Current and deferred income taxes are determined on entity level to the extent an entity is subject to income taxation. The income taxes in the consolidated statement of income include the Group companies' current income taxes based on taxable profit for the period, tax adjustments for previous periods, and the change in deferred income taxes. In several countries (Finland, Germany, the Netherlands, Sweden, the UK and the US) Outokumpu companies are included in income tax consolidation groups or 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 assets and liabilities' carrying amounts in the financial statements and the corresponding tax basis at the reporting date, as well as for unused tax loss or credit carry forwards.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available for utilization of these differences. A valuation allowance is recognized if the realization of the tax benefits 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. As an exception, deferred tax liabilities are not recognized if they arise from initial recognition of an asset or a liability in a transaction that is not a business combination and that does not affect the accounting nor taxable profit at the time of the transaction.

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. However, if the taxes are related to items of other comprehensive income or to transactions or other events recognized directly in equity, the related income taxes are also recognized either in other comprehensive income or directly in equity, respectively.

2.7 Earnings per share

	2022	2021
Net result attributable to the equity holders of the parent company, € million	**1,140**	553
Interest expenses on convertible bond, net of tax, € million	**8**	8
Adjusted net result attributable to the equity holders of the parent company, € million	**1,148**	561
Net result attibutable to the equity holders of the parent company, continuing operations, € million	**1,086**	526
Interest expenses on convertible bond, net of tax, continuing operations, € million	**8**	8
Adjusted net result attributable to the equity holders of the parent company, continuing operations, € million	**1,094**	534
Adjusted weighted average number of shares, in thousands	**451,933**	438,871
Adjusted diluted weighted average number of shares, in thousands	**493,536**	479,164
Earnings per share, €	**2.52**	1.26
Diluted earnings per share, €	**2.33**	1.17
Earnings per share, continuing operations, €	**2.40**	1.21
Diluted earnings per share, continuing operations, €	**2.22**	1.13

In 2022, Outokumpu repurchased 8,575,126 treasury shares as part of a share buyback program. More information on the program is presented in note 5.2.

In May 2021, Outokumpu carried out an issue of 40,500,000 new shares directed to institutional investors. The new shares were registered on May 12, 2021.

Accounting principles

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

In a share issue, when shares are offered at discount compared to market price, the proportion of the issue representing the discount is retrospectively adjusted to the weighted average number of shares.

Diluted earnings per share is calculated by adjusting the adjusted weighted average number of ordinary shares outstanding with the assumption that convertible instruments are 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. Employee benefits

Outokumpu slightly reduced its number of personnel for continuing operations during 2022 and at the end of December full-time equivalent number of personnel was 8,357. Employee benefit expenses increased in 2022, reflecting the intense utilization of our resources to produce higher volumes. In addition, expenses related to short-term incentives increased on the back of the strong performance in 2022.

3.1 Employee benefit expenses

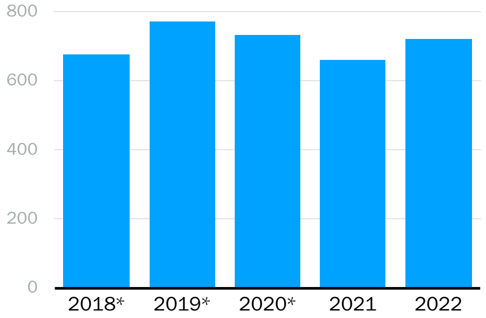
€ million	2022	2021
Wages and salaries [1]	**–544**	–499
Termination benefits	**–9**	–3
Social security costs [1]	**–108**	–102
Post-employment and other long-term employee benefits		
Defined benefit plans	**–5**	–3
Defined contribution plans	**–41**	–43
Other long-term employee benefits	**–1**	–1
Share-based payments	**–8**	–4
Other employee benefit expenses	**–7**	–6
Total, continuing operations	**–722**	–662

[1] The classification between wages and salaries and social security costs has been refined in 2022. Comparison period is presented accordingly.

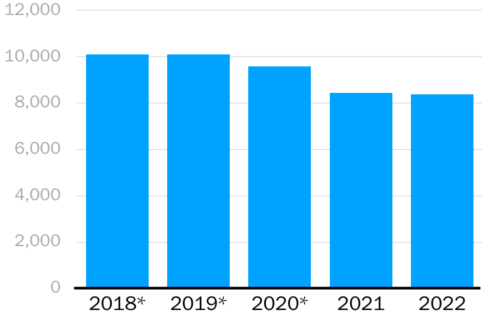
Total employee benefit expenses EUR
722
million

Number of personnel at the end of period (FTE)
8,357

Employee benefit expenses, € million



Personnel on December 31



Personnel reported as full time equivalent number.

* Including discontinued operations

3.2 Employee benefits for key management

€ thousand	2022	2021
Short-term employee benefits	6,404	6,171
Post-employment benefits [1]	233	421
Share-based payments	2,331	1,048
Remuneration to the Board of Directors	898	781
	9,866	8,421

[1] Contains only supplementary pensions.

Key management includes the members of the Outokumpu Leadership Team and the members of the parent company Outokumpu Oyj's Board of Directors. President and CEO, CFO, Presidents of the core business areas and business lines, Chief Technology Officer and Chief Human Resources Officer are part of the Outokumpu Leadership Team.

Employee benefits for the CEO

	Recognized in profit or loss		Remuneration paid	
€ thousand	2022	2021	2022	2021
Salaries and short-term benefits	900	796	900	796
Short-term incentives	871	1,065	1,065	–
Post-employment benefits	241	116	241	116
Share-based payments	633	278	–	–
	2,645	2,254	2,206	912

CEO participates in the Finnish TyEL pensions system, and the post-employment benefits have been calculated based on the general TyEL contribution percentage of the employer.

Remuneration paid to Board of Directors

€ thousand	2022	2021
Chairman Kari Jordan	190	176
Vice Chairman Kati ter Horst, Vice Chairman as of March 31, 2022	114	84
Vice Chairman Eeva Sipilä, until March 31, 2022	4	104
Member Heinz Jörg Fuhrmann, as of March 31, 2021	95	78
Member Päivi Luostarinen, as of March 31, 2021	92	80
Member Karl-Petter Söderström, as of March 31, 2022	87	–
Member Vesa-Pekka Takala	113	83
Member Pierre Vareille	100	85
Member Julia Woodhouse	105	93
	898	781

Remuneration of the CEO

The remuneration of the CEO consists of base salary, benefits, annually determined short-term incentives, and long-term share-based incentive programs.

The CEO's monthly gross base salary was raised by 16% to EUR 75,397 in April 2022, totaling EUR 900,322 including short-term benefits for the full year 2022.

In 2022, the CEO's short-term incentive earning opportunity remained unchanged at 50% of the annual gross base salary on a target level and 100% on a maximum level. The short-term incentive to be paid in 2023 reflects the achievement of the pre-defined targets for 2022: Group adjusted EBITDA (80% weight, achieved at maximum level), safety (10% weight, achieved at target level), and strategy implementation (10% weight, achieved at maximum level).

The CEO participates in the Performance Share Plans (PSP) 2020–2022, 2021–2023 and 2022–2024. Outokumpu did not reach the target for PSP 2019–2021 and subsequently no share rewards were paid in 2022. The target was reached however for PSP 2020–2022, and the CEO will receive 100% of his share grant during spring 2023, or 130,451 gross shares.

The members of Outokumpu's Leadership Team, including the CEO, are expected to own Outokumpu shares they receive in 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 that ownership recommendation.

The CEO has the right to retire at the age of 65. He participates in the Finnish TyEL pension system, and there is no supplementary pension plan at place. The service contract of the CEO is valid until further notice. He is entitled to a severance payment of twelve (12) months, and the notice period is six (6) months for both parties.

Remuneration of the Board of Directors

Outokumpu's Annual General Meeting approved the annual remuneration to the members of the Board of Directors. 40% of the annual fee was paid in the company's own shares using treasury shares, unless a Board member already owned shares for a value exceeding the annual remuneration and chose to increase their cash portion. The annual fee is paid once a year. In addition to the annual remuneration, a meeting fee is paid. The Board members are not eligible for any pension schemes nor any other share-based rewards.

Accounting principles

Employee benefits for the key management include the benefits to each Leadership Team or Board of Directors member for the time they hold these positions.

Employee benefits are presented based on expenses recognized in profit or loss during the year on accrual basis except for the CEO whose remuneration is presented also based on paid during the year. The remuneration to Board of Directors is also presented on paid basis.

Short-term incentives are recognized to profit or loss during the period they relate to whereas bonuses are typically paid out during the following financial year. Expenses on share-based payments are recognized to profit or loss at the share price on the grant date of the benefit and over the period when the benefit is earned. Share-based benefits are reported as paid when delivered and at the share price on the delivery date.

3.3 Employee benefit obligations

Outokumpu has several defined benefit and defined contribution plans in various countries. The most significant defined benefit plans are in Germany and the UK, representing 44% and 53% of the Group's total defined benefit obligation, respectively.

Funding requirements of the defined benefit plans are generally based on the pension fund's actuarial measurement framework set out in the funding policies and local regulation.

Germany

Outokumpu has several defined benefit plans in Germany, of which major plans include a management plan, open pension plans for other 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). The management plan and other pension obligations are based on annuity payments, whereas plans for other employees are based on one lump sum payment after retirement.

In addition, all the obligations in Germany are embedded 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 are funded only for a small part with a CTA model (Contractual Trust Arrangement) that was introduced in 2019.

The UK

The AvestaPolarit Pension Scheme (the "Scheme") is registered under UK legislation and is contracted out of the State Second Pension. The Scheme is subject to the funding requirements outlined in UK legislation. The Scheme's trustee is responsible for the operation and governance of the Scheme, including decisions regarding the Scheme's funding and investment strategy.

In December 2021, a GBP 390 million buy-in contract was implemented. This buy-in completed the Scheme's de-risking process which began with an initial buy-in in 2020, when a GBP 110 million buy-in insurance solution was implemented. The actuarial losses in 2021 amounted to EUR 86 million, mainly attributable to the buy-in arrangement.

A buy-in removes risks of investment, longevity, interest rate changes and inflation for the Scheme and is held as a Scheme asset. Until a buy-out is secured, the Scheme ultimately remains the responsibility of the Company. However, as a result of the buy-in arrangement, the risks related to the Scheme's obligation are now significantly reduced and mostly covered by insurance. Outokumpu has agreed with the trustees to hold cash in an escrow account to provide for small mismatches in the insurance coverage and liquidity to the scheme. At year-end 2022, the escrow balance was GBP 13 million (2021: GBP 13 million).

Due to the buy-in solutions, no further contributions are expected to be required as a result of the triennial valuations. The latest actuarial valuation was completed in 2021. In 2021, Outokumpu made the final contribution of GBP 3 million.

Discontinued operations

All the figures in this note are including discontinued operations as their impact is considered immaterial.

Defined benefit cost in profit or loss and other comprehensive income

€ million	2022	2021
In employee benefit expenses in EBIT	**–5**	–3
In financial income and expenses	**–3**	–1
Defined benefit cost in profit or loss	**–7**	–4
In other comprehensive income	**65**	–72
Total defined benefit cost	**57**	–76

Gross defined benefit obligations and plan assets

€ million	2022	2021
Present value of funded defined benefit obligations	**502**	778
Present value of unfunded defined benefit obligations	**2**	3
Fair value of plan assets	**–301**	–487
Net defined benefit liability	**202**	294

Amounts recognized in the consolidated statement of financial position

€ million	2022	2021
Net defined benefit liability	**202**	294
Other long-term employee benefit liabilities	**14**	15
Employee benefit obligations in statement of financial position	**216**	309

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 share of discontinued operations in defined benefit cost in profit or loss and other comprehensive income in 2022 was immaterial (2021: immaterial). There was a net defined benefit liability of EUR 1 million in statement of financial position in discontinued operations in 2022.

Movement in net defined benefit liability

€ million	2022 Present value of obligation	2022 Fair value of plan assets	2022 Net defined benefit liability	2021 Present value of obligation	2021 Fair value of plan assets	2021 Net defined benefit liability
Total on Jan 1	781	–487	294	783	–534	249
Current service cost	4	–	4	5	–	5
Past service cost	1	–	1	–2	–	–2
Interest expense/(income)	10	–8	3	7	–7	1
Remeasurements arising from						
Return on plan assets	–	178	178	–	72	72
Demographic assumptions	4	–	4	14	–	14
Financial assumptions	–264	–	–264	–21	–	–21
Experience adjustment	16	–	16	5	–	5
Exchange differences	–16	17	1	32	–34	–2
Employer contributions	–	–34	–34	–	–28	–28
Benefits paid	–31	31	–	–41	41	–
Settlements	–1	2	0	–2	2	0
Total on Dec 31	**504**	**–301**	**202**	781	–487	294
Germany on Dec 31	**221**	**–34**	**187**	292	–16	276
The UK on Dec 31	**266**	**–262**	**4**	470	–464	6

The weighted average duration of the overall defined benefit obligation is 12.8 years. In Germany and in the UK, the weighted average durations are 10.8 and 15.0 years, respectively.

Discount rates, rising inflation and increasing retirement age have material impact on financial assumptions and remeasurement amounts.

The expected contributions to be paid to the defined benefit plans in 2023 are EUR 35 million and relate mainly to the German plans.

Allocation of plan assets

€ million	2022	2021
Cash and cash equivalents	**2**	5
Insurance policies	**264**	466
Total plan assets	**267**	471

Allocation of plan assets covers 88.5% of total defined benefit plan assets. On December 31, 2022, 0.9% of the plan assets were invested in quoted instruments (Dec 31, 2021: 1.0%).

Significant actuarial assumptions

		Germany	The UK	Other countries
Discount rate, %	**2022**	**3.74**	**4.75**	**7.14**
	2021	0.92	1.75	3.76
Future salary increase, %	**2022**	**–**	**–**	**4.11**
	2021	–	–	3.99
Inflation rate, %	**2022**	**–**	**3.25**	–
	2021	–	3.30	–
Future benefit increase, %	**2022**	**2.30**	**3.10**	**2.01**
	2021	1.70	3.15	1.36
Medical cost trend rate, %	**2022**	–	–	**5.20**
	2021	–	–	5.80–6.10
Life expectancy	**2022**	**RT 2018 G mortality tables**	**96% SAPS All Pensioner Amounts tables with CMI Core Projection Model –2021**	**Standard mortality tables**
	2021	RT 2018 G mortality tables	96% SAPS All Pensioner Amounts tables with CMI Core Projection Model –2020	Standard mortality tables

Sensitivity analysis of significant actuarial assumptions

	Change in assumption	Germany, %	The UK, %[1]	Other countries, %
2022				
Discount rate	+/– 0.5%	–5/+6	–7/+8	–3/+4
Future benefit increase	+/– 0.5%	+3/–2	+5/–5	+2/–2
Medical cost trend rate	+/– 0.5%	–	–	+5/–4
Future salary increase	+/– 0.5%	–	–	+3/–3
Life expectancy	+ 1 year	+2	+3	+7
2021				
Discount rate	+/– 0.5%	–6/+7	–9/+10	–4/+4
Future benefit increase	+/– 0.5%	+3/–3	+7/–7	+3/–3
Medical cost trend rate	+/– 0.5%	–	–	+1/–1
Future salary increase	+/– 0.5%	–	–	+3/–3
Life expectancy	+ 1 year	+3	+3	+7

Sensitivity is presented for reasonably possible change at the reporting date in one of the principal assumptions, while holding all other assumptions constant.

[1] The buy-in removed risks of investment, longevity, interest rate changes and inflation for the scheme.

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.

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.

Risk information

Through its defined benefit 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 plan's 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.

The buy-in solutions implemented in the UK in 2021 and 2020 significantly reduce the earlier-mentioned risks for the Scheme, which is mostly covered by insurance.

Management judgments

The present value of pension obligations is subject to actuarial assumptions which are used in calculating these obligations. These assumptions include, among others, discount rate, the annual rate of increase in future compensation levels, inflation rate and employee turnover rate. The assumptions are proposed by external independent actuaries separately for each defined benefit plan or each country where Outokumpu has defined benefit plan and approved by the management.

Accounting principles

The 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 expense 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 liability recognized in the statement of financial position is the defined benefit obligation less the fair value of plan assets at the closing date. When the fair value of plan assets exceeds the value of the obligation, the net amount is recognized as defined benefit 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.

Buy-in contract in the UK does not result in a settlement because Outokumpu remains responsible for the benefit obligation. The buy-in contract is effectively an investment by which the plan can receive payments from the insurer corresponding to the benefits due to the participants, but ultimately the primary obligation to pay benefits has not been transferred.

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.

The significant actuarial assumptions are presented separately for the most significant countries, and for other countries a weighted average of the assumptions is presented.

3.4 Share-based payments

Share-based programs are part of the Group's incentive and commitment-building system for key employees. The objectives are to align the interests between key employees and shareholders, promote shareholder value creation and the achievement of long-term strategic targets.

Outokumpu operates two share-based programs. The Performance Share Plan (PSP) includes an earning criterion and is part of the regular compensation of top executives, with a maximum number of participants of 150. The Restricted Share Pool (RSP) does not have any specific earning criteria and it is used for a limited number of employees, for key recruitments, exceptional performance, high potential, retention needs and other individual specific situations.

For the financial year 2022, the share-based payment expenses included in the employee benefit expenses were EUR 8 million (2021: EUR 4 million). The total estimated value of the share-based payment plans is EUR 18 million on December 31, 2022 (2021: EUR 14 million). This value is recognized as an expense in the statement of income during the vesting periods.

Outstanding programs

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

In December 2022, the Board of Directors approved the commencement of the 2023–2025 plans for the Performance Share Plan and the Restricted Share Pool Program from the beginning of 2023.

Vested programs

In 2022, the Performance Share Plan 2019–2021 ended, and as targets were not achieved, no shares were delivered to the participants. Regarding the Restricted Share Pool Program period 2019–2021, after deductions for applicable taxes, in total 90,740 shares were delivered to 56 participants based on the conditions of the plan. From the Restricted Share Pool Program plan 2021–2023, after deductions for applicable taxes as first instalment of three, in total 47,020 shares were delivered to the 62 participants. Shares were transferred in February 2022.

Outokumpu used its treasury shares for all share reward payments.

Share-based payment opportunity

Maximum number of shares Dec 31, 2022	2023	2024	2025	Total
PSP 2020–2022	1,969,652			1,969,652
RSP 2020–2022	148,900			148,900
	2,118,552			2,118,552
PSP 2021–2023		2,803,425		2,803,425
RSP 2021–2023	67,500	67,500		135,000
	67,500	2,870,925		2,938,425
PSP 2022–2024			1,352,153	1,352,153
RSP 2022–2024	45,433	45,433	231,534	322,400
	45,433	45,433	1,583,687	1,674,553
Total	**2,231,485**	**2,916,358**	**1,583,687**	**6,731,530**

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

	Performance Share Plan		
Grant date	March 9, 2020	March 15, 2021	March 15, 2022
Vesting period	Jan 1, 2020–Dec 31, 2022	Jan 1, 2021–Dec 31, 2023	Jan 1, 2022–Dec 31, 2024
Number of participants	88	98	105
Share price at grant date, €	2.80	4.35	4.50
Exercised	In shares and cash in 2023	In shares and cash in 2024	In shares and cash in 2025
Vesting conditions			
Non-market	Return on operating capital compared to a peer group	Return on capital employed as an absolute measure	Return on capital employed (80%), CO_2 emissions per ton of crude steel produced (20%)
Other relevant conditions	Continuation of employment until the shares are delivered, a salary-based limit for the maximum benefits		

	Restricted Share Pool Program		
Grant date	March 9, 2020	March 15, 2021	March 15, 2022
Vesting period	Jan 1, 2020–Dec 31, 2022	Jan 1, 2021–Dec 31, 2023	Jan 1, 2022–Dec 31, 2024
Number of participants	34	56	67
Share price at grant date, €	2.80	4.35	4.50
Exercised	In shares and cash in 2023	In shares and cash, in 3 installments in 2022, 2023 and 2024	In shares and cash, either in full in 2025 or in 3 installments in 2023, 2024 and 2025
Vesting conditions	Continuation of employment until the shares are delivered, a salary-based limit for the maximum benefits		

Management judgments

In valuing the share-based payment plans, the management estimates the likelihood of achieving the non-market performance criteria and the number of participants remaining in the plan when the vesting period ends.

The evaluation of the likelihood of achieving the non-market performance criteria uses mainly external financial forecasts but also internal forecasts are used. The number of participants remaining in plans at the end of the vesting period is estimated based on historical forfeit ratios of similar plans. Also potential impacts from restructuring activities carried out in the Group are considered in the estimate.

Accounting principles

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 and is reported as employee benefit expenses within the administrative expenses in profit or loss.

Applicable statistical models are used in valuation, and the valuation is revised at the end of each reporting period based on the likelihood of achieving the non-market performance criteria and the estimated retention rate of the participants.

The salary-based maximum limits for the pay-outs have been taken into account in the valuation of the benefits.

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

4. Operating assets and liabilities

Outokumpu remained capital disciplined in 2022, and the annual capital expenditure was limited to EUR 180 million. The group's main capital expenditure project, the Kemi mine expansion, is estimated to be finalized in the first quarter of 2023. Outokumpu's net working capital increased in 2022. Inventories declined in volumes, while higher metal prices offset the impact. Return on capital employed increased further to an excellent level.

4.1 Intangible assets and property, plant and equipment

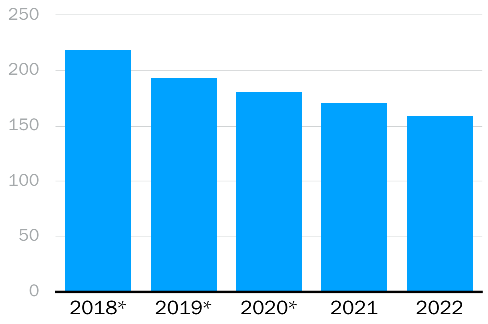
Intangible assets

2022 € million	Goodwill	Other intangible assets	Total
Historical cost on Jan 1, 2022	482	367	849
Translation differences	–2	–4	–5
Additions	–	7	7
Disposals	–2	–2	–4
Reclassifications	–8	–15	–23
Historical cost on Dec 31, 2022	**471**	**352**	**823**
Accumulated amortization and impairment on Jan 1, 2022	–17	–255	–272
Translation differences	1	4	5
Amortization	–	–16	–16
Impairments	–	–10	–10
Disposals	1	1	2
Reclassifications	–	15	15
Accumulated amortization and impairment on Dec 31, 2022	**–15**	**–262**	**–276**
Carrying value on Dec 31, 2022	**456**	**91**	**547**
Carrying value on Jan 1, 2022	465	112	577

Impairments in other intangible assets relate mainly to the Group's ERP systems. Reclassifications include transfers to assets classified as held for sale.

Capital expenditure
EUR
158
million

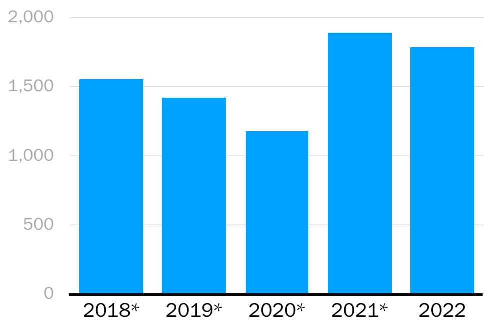
Capital expenditure, € million



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

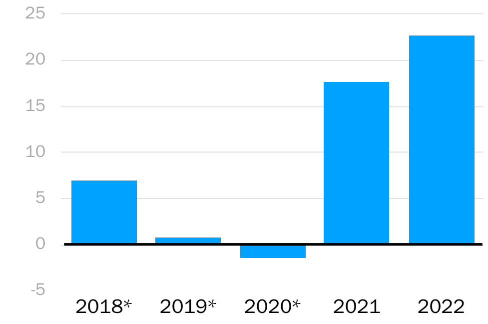
Inventories
EUR
1,783
million

Inventories, € million



Return on capital employed
22.6%

Return on capital employed, %



Outokumpu has redefined its' capital employed and ROCE definitions in 2022. Comparative information for 2021 has been restated accordingly.

* Including discontinued operations

2021 € million	Goodwill	Other intangible assets	Total
Historical cost on Jan 1, 2021	485	377	862
Translation differences	–2	1	–1
Additions	–	10	10
Disposals	–1	–24	–24
Reclassifications	–	3	3
Historical cost on Dec 31, 2021	**482**	**367**	**849**
Accumulated amortization and impairment on Jan 1, 2021	–19	–232	–252
Translation differences	1	0	1
Amortization	–	–17	–17
Impairments	–	–18	–18
Disposals	1	12	13
Accumulated amortization and impairment on Dec 31, 2021	**–17**	**–255**	**–272**
Carrying value on Dec 31, 2021	**465**	**112**	**577**
Carrying value on Jan 1, 2021	466	144	610

Impairments in other intangible assets relate mainly to the Group's ERP systems. The figures in 2021 are including discontinued operations.

Emission allowances

Outokumpu's continuing operations had the following active sites operating under EU's Emissions Trading Scheme (EU ETS) in 2022: production plants in Tornio, Finland; Avesta, Degerfors and Nyby in Sweden; as well as Krefeld together with Dillenburg in Germany. All Outokumpu sites met the compliance requirements on time in 2022.

The pre-verified carbon dioxide emissions under EU ETS were approximately 0.9 million tonnes in 2022 (2021 1.0 million tonnes). For its 2022 emission allowance delivery, Outokumpu will use allowances received for free, but also allowances acquired from market in prior years. The cost of usage has been recognized as other operating expenses.

The Group's emission position is composed of realized and forecasted carbon emissions netted against confirmed and forecasted emission allowances granted by governments. All relevant Outokumpu sites applied for free emission allowances for Phase IV trading period according to the efficiency-based benchmarks and historical activity, and the allocations for the first half of the period have been confirmed. These allocations combined with the allowances held from prior period are adequate to cover the forecasted needs of EU emission allowances for the first half of the trading phase (2021–2025).

The emission allowance price risk is presented in the note 5.3 under Energy price risk.

Property, plant and equipment

2022 € million	Land	Mine properties	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction work in progress	Total
Historical cost on Jan 1, 2022	117	130	1,259	4,575	149	384	6,614
Translation differences	1	–	0	–27	–1	0	–27
Additions	–	0	2	13	0	96	111
Disposals	–2	–	–10	–28	–8	0	–48
Reclassifications	–4	0	–32	–189	–8	–36	–269
Other	–	–	–3	–8	0	–	–11
Historical cost on Dec 31, 2022	**112**	**131**	**1,215**	**4,336**	**133**	**444**	**6,370**
Accumulated depreciation and impairment on Jan 1, 2022	–18	–70	–782	–3,079	–91	0	–4,041
Translation differences	0	–	7	48	1	0	56
Disposals	0	–	4	28	8	–	40
Depreciation	–1	–10	–44	–169	–5	0	–229
Impairments	–	–	0	–1	–	–	–1
Reclassifications	–	–	22	159	–2	–	179
Other	–	–	4	27	–	–	31
Accumulated depreciation and impairment on Dec 31, 2022	**–18**	**–81**	**–789**	**–2,987**	**–89**	**–1**	**–3,964**
Own property, plant and equipment	63	50	406	1,244	43	443	2,250
Right-of-use assets	31	–	20	104	0	1	156
Carrying value on Dec 31, 2022	**94**	**50**	**426**	**1,348**	**44**	**443**	**2,406**
Carrying value on Jan 1, 2022	99	59	477	1,496	58	384	2,573

Reclassifications include transfers to assets classified as held for sale in addition to reclassifications from advances paid and construction work in progress to other asset classes. Change in other is mainly coming from extensions in the lease contracts.

2021 € million	Land	Mine properties	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction work in progress	Total
Historical cost on Jan 1, 2021	123	112	1,283	4,668	137	330	6,654
Translation differences	2	–	15	62	0	2	80
Additions	4	17	2	36	9	99	167
Disposals	–7	0	–37	–172	0	–1	–218
Reclassifications	–	0	0	36	4	–44	–4
Other	–5	–	–4	–58	–	–	–66
Historical cost on Dec 31, 2021	**117**	**130**	**1,259**	**4,575**	**149**	**384**	**6,614**
Accumulated depreciation and impairment on Jan 1, 2021	–16	–48	–766	–3,105	–86	–2	–4,023
Translation differences	0	–	–3	–20	0	0	–22
Disposals	–	–	36	172	0	1	210
Depreciation	–1	–12	–47	–176	–6	0	–242
Impairments	–4	–10	–7	–7	0	0	–27
Other	4	–	4	56	–	–	63
Accumulated depreciation and impairment on Dec 31, 2021	**–18**	**–70**	**–782**	**–3,079**	**–91**	**0**	**–4,041**
Own property, plant and equipment	68	59	452	1,387	57	384	2,407
Right-of-use assets	31	–	25	109	0	–	166
Carrying value on Dec 31, 2021	**99**	**59**	**477**	**1,496**	**58**	**384**	**2,573**
Carrying value on Jan 1, 2021	107	64	517	1,563	51	328	2,631

Impairments in property, plant and equipment include mine properties and obsolete machinery in Ferrochrome business area, lease agreements on land and buildings in the business area Europe's operations in Germany and various obsolete machinery and equipment items in the Group. The figures in 2021 are including discontinued operations.

Intangible assets and property, plant and equipment by geographical region

€ million	2022	2021
Finland	**1,671**	1,726
Other Europe	**574**	679
North America	**699**	733
APAC region	**9**	10
Other countries	**0**	2
	2,953	3,150

Capitalized interest expenses

During 2022, borrowing costs amounting to EUR 3 million were capitalized on investment projects under property, plant and equipment and intangible assets (2021: EUR 3 million). Total capitalized interests on December 31, 2022 were EUR 32 million (Dec 31, 2021: EUR 32 million). The average capitalization rate used in 2022 was 1.0%.

Management judgments

Management estimates relating to useful lives and recoverable amounts affect significantly the intangible asset and property, plant and equipment values in the consolidated statement of financial position, and different assumptions and assigned lives could have a material impact on the reported amounts.

Carrying amounts of intangible asset and property, plant and equipment items are regularly reviewed for any evidence of impairment. If any such evidence emerges, the asset's recoverable amount is assessed, which requires estimation of future cash flows attributable to the asset and related valuation parameters.

Indications for changes in useful lives are reviewed annually, and if changes to previous estimates are identified, the useful lives are revised accordingly. If an impairment loss is recognized, the estimated useful life of the asset is also reassessed.

Accounting principles

Intangible assets other than goodwill include capitalized development costs, patents, licenses and software. These assets comprises mainly acquired assets that typically have definite useful lives. An intangible asset is recognized if it is probable that the asset will generate future economic benefits to the company and the cost of the asset can be measured reliably.

Property, plant and equipment consist mainly of facilities, machinery and equipment used in stainless steel and ferrochrome production.

Intangible assets and property, plant and equipment are recognized initially at cost. Cost comprises of the asset's purchase price and all costs directly attributable to bringing the asset ready for its intended use. Government grants received for investment purposes are deducted from the asset's cost. Intangible assets and property, plant and equipment 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 asset are capitalized in the statement of financial position as part of the asset's carrying amount, when it takes a substantial period of time to get the asset ready for its intended use.

After initial recognition, intangible assets and property, plant and equipment are measured at cost less accumulated amortization, depreciation and impairment losses. Intangible assets and property, plant and equipment, other than land and mine properties, are amortized or depreciated on a straight-line basis over their expected useful lives. Assets tied to a certain fixed period are amortized over the contract term.

Amortization of intangible assets is based on the following estimated useful lives:

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

Depreciation of property, plant and equipment items 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. Other tangible assets include items such as land improvements, asset retirement obligations related to landfill areas and infrastructure within the facilities, such as roads and railroads.

Recognition of amortization or depreciation on an asset is ceased when the item is classified as held for sale.

If evidence regarding an impairment of an asset is identified, the asset's recoverable amount is estimated as the higher of the fair value less costs to sell or the value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. A previously recognized impairment loss is reversed if there is a change in the recoverable amount. However, the reversal must not result in a higher carrying amount than what it would have been if no prior impairment loss had been recognized. Impairment losses are presented as other operating expenses in the consolidated statement of income.

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

Goodwill

Goodwill arises from business combinations and is recognized at the acquisition date at the amount excess of the consideration transferred 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. Goodwill is not amortized but tested for impairment. Goodwill is measured at cost less accumulated impairment losses. Impairment losses on goodwill cannot be subsequently reversed. See note 4.3 for goodwill impairment testing.

Emission allowances

Emission allowances are reported as other intangible assets. They are measured at cost and initially recognized when control is obtained. Allowances received free of charge are recognized at nominal value, i.e. at zero carrying amount. Emission allowances are derecognized against the actual emissions, or when the emission allowances are sold.

Emission allowance expense is recognized when emission allowances received free of charge do not cover the annual emissions for the difference based on the cost of the purchased allowances. In case the Group does not hold sufficient allowances to cover the actual emissions, a provision regarding the obligation to return the emission allowances is recognized at fair value at the end of the reporting period. The expenses are presented as other operating expenses. Gains from the sale of allowances are recognized as other operating income.

4.2 Leases

Outokumpu leases land, buildings, and machinery and equipment used in the Group's operations. Outokumpu has also entered into service and supply contracts that contain lease elements. 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 the 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, in which case they are reported as short-term leases.

Right-of-use assets

2022 € million	Land	Buildings	Machinery and equipment	Advances paid and other tangible assets	Total
Historical cost on Jan 1, 2022	36	47	183	0	266
Additions	–	1	5	0	6
Reclassifications	–	–3	–3	0	–6
Other changes	–	–3	–10	1	–13
Historical cost on Dec 31, 2022	**36**	**41**	**175**	**2**	**254**
Accumulated depreciation on Jan 1, 2022	–4	–22	–75	–	–101
Depreciation and impairments	–1	–5	–27	0	–33
Reclassifications	–	1	2	–	3
Other changes	–	4	29	0	33
Accumulated depreciation and impairment on Dec 31, 2022	**–5**	**–22**	**–71**	**–1**	**–97**
Carrying value on Dec 31, 2022	**31**	**20**	**104**	**1**	**156**
Carrying value on Jan 1, 2022	31	25	109	–	166

Reclassifications include transfers to assets classified as held for sale.

2021 € million	Land	Buildings	Machinery and equipment	Advances paid	Total
Historical cost on Jan 1, 2021	41	49	210	1	301
Additions	0	2	29	0	31
Other changes	–5	–4	–56	–1	–65
Historical cost on Dec 31, 2021	**36**	**47**	**183**	**0**	**266**
Accumulated depreciation on Jan 1, 2021	–3	–13	–104	–	–120
Depreciation and impairments	–4	–13	–26	–	–44
Other changes	4	4	57	–	66
Accumulated depreciation and impairment on Dec 31, 2021	**–4**	**–22**	**–75**	**–**	**–101**
Carrying value on Dec 31, 2021	**31**	**25**	**109**	**–**	**166**
Carrying value on Jan 1, 2021	37	37	106	1	181

The figures in 2021 are including discontinued operations.

Lease liabilities

€ million	2022	2021
Non-current	**143**	157
Current	**37**	32
	179	189

Maturity analysis of lease liabilities is presented in note 5.1.

Lease expenses

€ million	2022	2021
Depreciation	**–32**	–32
Impairments	**–1**	–10
Interest expenses	**–10**	–11
Expenses on short-term and low-value leases	**–16**	–9
Total, continuing operations	**–60**	–63

Impairments in 2021 are related to lease contracts of land and buildings in Germany.

Lease cash flows

€ million	2022	2021
Repayments	**–33**	–32
Interest paid	**–10**	–11
Total, Group	**–43**	–43

Management judgments

Management judgment and estimates relate mainly to incremental borrowing rates of the Group companies, the probabilities of utilizing extension options in lease contracts and lease terms applied for contracts that are valid until further notice, which impact the reported amounts of lease liabilities and right-of-use assets.

The incremental borrowing rates are defined as part of the process to determine interest rates for intra-group lending, in which Outokumpu defines synthetic ratings for the subsidiaries. The incremental borrowing rate takes into account the currency, the maturity of the lease liability, the credit risk of the lessee based on the synthetic rating, and country risk.

The contracts with extension options are reviewed regularly to evaluate the probability of utilization based on information available.

Contracts that are valid until further notice represent only a small amount of Group's lease contracts, as most contracts have a fixed term. The lease terms for the contracts that are valid until further notice are either defined based on the Group's mid-term planning cycle of 3 years or treated as short-term depending of the type of the asset.

The Group applies materiality in defining low-value items for lease accounting purposes.

Accounting principles

Lease liabilities measured at the present value of future lease payments are recognized to the 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.

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 in determining the lease liability when it is highly probable 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.

Lease liabilities or right-of-use assets relating to short-term leases, leases of low value items, or intangible assets are not recognized to statement of financial position. Instead, related payments, as well as variable lease payments, are recognized as expense to the profit or loss.

Sale and lease-back

So-called sale and lease-back transactions by the Group in 2019 or later (i.e. in accordance with IFRS 16) do not typically meet the IFRS 15 criteria of a sale, as Outokumpu typically retains the control of the asset. Consequently, they do not meet the criteria of sale and lease-back, either. The asset remains in Outokumpu's property, plant and equipment at cost less accumulated depreciation and impairments. The proceeds of the transaction are recognized as other loans under non-current or current debt.

Sale and lease-back transactions carried out prior to 2019 have been treated according to the accounting principles prevailing at the time.

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 as other operating income.

4.3 Goodwill impairment test

Goodwill and operating capital by operating segment

€ million	Goodwill 2022	2021	Operating capital[1)] 2022	2021
Europe	**342**	342	**1,864**	1,721
Americas	**–**	–	**990**	880
Ferrochrome	**114**	114	**867**	823
Other operations and intra-group items	**–**	–	**16**	–61
Total, continuing operations	**456**	456	**3,737**	3,363
Long Products[2)]	**–**	9	**-**	157
Total, Group	**456**	465	**3,737**	3,520

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

[2)] Operating capital key figure excluding net assets held-for-sale as defined in Definitions of financial key figures

In 2022 Long Products businesses to be divested were classified as assets-held-for-sale under IFRS 5. Due to the classification and ongoing disposal process as at the year-end, Long Products businesses were out-of-scope for goodwill impairment testing and related value-in-use calculations for 2022 as the recoverable amount was mainly expected to be recovered through the disposal transaction.

Assumptions by operating segment

	Europe	Americas	Ferrochrome	Long Products
2022				
Weighted average cost of capital (WACC), pre-tax, %	**11.5**	**13.6**	**11.2**	-
Weighted average cost of capital (WACC), after-tax, %	9.0	10.2	9.1	-
Terminal growth rate, %	0.5	0.5	0.5	-
2021				
Weighted average cost of capital (WACC), pre-tax, %	8.3	10.4	8.4	9.3
Weighted average cost of capital (WACC), after-tax, %	7.0	8.5	7.0	8.1
Terminal growth rate, %	0.5	1.0	0.5	0.5

Test results and sensitivities by operating segment

2022	Europe	Americas	Ferrochrome
Headroom, € million	1,919	302	560
After-tax WACC increase leading to impairment, %-points	9.7	3.1	5.8
EBITDA decrease leading to impairment, %	51	23	38
Terminal growth rate of zero leading to impairment	No	No	No

Headroom is the amount by which the recoverable amount determined based on the value-in-use analysis exceeds the segment's operating capital amount.

Goodwill impairment testing

In 2022 and 2021, as a result of the impairment testing performed to Group's cash-generating units, no goodwill impairment losses were recognized. Goodwill impairment testing is carried out on operating segment level, as they correspond to the Group's cash-generating units (CGUs) and the goodwill allocation level.

The recoverable amounts of the cash-generating units are based on value-in-use calculations that are prepared using discounted cash flow projections. These projections are based on the Group's strategy approved by the management, and include cash flow forecasts for 2023–2028 after which the terminal value is calculated.

The carrying amount to which the recoverable amount is compared, is the operating capital of the segment, defined in the Alternative performance measures section of the Review by the Board of Directors.

Management judgments

Key assumptions of the value-in-use calculations include the discount rate, the terminal value growth rate, the average global growth in end-use consumption of stainless steel and base price development. Assumptions also include estimates on delivery volume and capital expenditure development, and cost savings related to on-going strategy-implementation related initiatives.

Cash flow forecasts are discounted using the pre-tax weighted-average cost of capital (WACC) as defined for Outokumpu. The components of WACC are risk-free rate, Outokumpu credit margin, equity market risk premium, equity beta, and the industry's median capital structure.

In general, management believes that the assumptions used in the value-in-use calculations are conservative based on the current economic circumstances. Growth rates assumed for stainless steel deliveries are generally lower than independent analysts' view on long-term market development.

Accounting principles

Goodwill is allocated to and tested for impairment on operating segment level, which correspond to the Group's cash-generating units (CGUs), and the lowest level goodwill is monitored. Impairment test is carried out on an annual basis, or more frequently when there is evidence of potential goodwill impairment.

In goodwill impairment testing, the recoverable amounts are based on value in use determined by discounted future net cash flows expected to be generated by the cash-generating unit. The discount rate used is a pre-tax rate that reflects the current market view on the time value of money and the CGU-specific risks.

An impairment loss is the amount by which the carrying amount of the segment's assets exceeds its recoverable amount. Impairment losses are recognized first on goodwill and after that on other intangible and tangible assets on a pro-rata basis. In the consolidated statement of income impairments are presented in other operating expenses. Impairment losses related to goodwill cannot be subsequently reversed.

4.4 Inventories

€ million	2022	2021
Raw materials and consumables	**635**	524
Work in progress	**689**	875
Finished goods and merchandise	**447**	485
Advance payments	**12**	8
Total	**1,783**	1,892

Net realizable value write-downs of EUR 24 million were recognized in the profit or loss during 2022 (2021: write-downs of EUR 3 million).

In 2022, Outokumpu continued to apply cash flow hedge accounting for three selected nickel hedging programs. More details on commodity price risk and hedge accounting are presented in notes 5.3 and 5.4.

Management judgments

Management judgment and estimates are applied in net realizable value (NRV) and inventory obsolescence analysis.

NRV calculation requires estimates on sales prices for products to be sold in the future to the extent the prices are not known, which can be a significant part of the future prices. Due to fluctuations in nickel and other alloy prices, which are the most important commodity price risks for Outokumpu, the realized prices can deviate significantly from the estimates used in NRV calculations.

The alloy surcharge clause as well as daily fixed pricing of stainless steel reduce the risk arising from the time difference between raw material purchase and product delivery. However, the risk is still 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.

Inventory obsolescence for stainless steel products is estimated based on internal guidelines of slow-moving inventory.

Accounting principles

Inventories are stated at the lower of cost and net realizable value. These are defined with different methodologies depending on the type of inventory.

The cost of raw materials is determined as monthly weighted average of the actual raw material cost. The cost of self-produced finished goods and work in progress comprises of raw materials, direct labor, other direct costs and related production and procurement overheads. Cost of purchased products includes all purchasing costs including direct transportation, handling and other costs.

NRV is calculated as the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs attributable to the sale. Obsolete stainless steel products are valued at scrap value. 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 year.

4.5 Trade and other receivables and payables

Trade and other receivables

€ million	2022	2021
Non-current		
Non-current receivables and accruals	**6**	5
Current		
Trade receivables	**593**	597
VAT receivables	**94**	68
Income tax receivables	**21**	21
Escrow deposits	**14**	15
Prepaid insurance expenses	**10**	10
Other accruals	**24**	66
Other receivables	**11**	9
Total	**767**	786
Loss allowance on trade receivables		
On Jan 1	**5**	5
Reclassifications	**0**	–
Reduction in loss allowance	**0**	0
On Dec 31	**5**	5

Reclassifications include transfers to assets classified as held for sale.

Age analysis of trade receivables	2022	2021
Not overdue	**553**	549
Past due 1–30 days	**28**	33
Past due 31–60 days	**7**	8
More than 60 days	**5**	8
Total	**593**	597

Factored trade receivables

Outokumpu uses factoring to finance its working capital. Under these arrangements, Outokumpu has on December 31, 2022 derecognized trade receivables totaling EUR 423 million (2021: EUR 420 million), which represents fair value of the assets. Net proceeds received amounted to EUR 423 million (2021: EUR 412 million). The underlying assets have maturity of less than one year.

The maximum amount of loss related to derecognized assets is estimated to be EUR 16 million (2021: EUR 12 million). This estimate is based on insurance policies and contractual arrangements between factoring companies and Outokumpu. The analysis does not include impact of any operational risk related to Outokumpu's contractual responsibilities. Year 2022 figures are presented for continuing operations.

Trade and other payables

€ million	2022	2021
Non-current		
Accruals	**20**	23
Total	**20**	23
Current		
Trade payables	**1,210**	1,802
Accrued employee-related expenses	**100**	109
Accrued interest expenses	**6**	6
VAT payable	**96**	119
Withholding tax and social security liabilities	**23**	21
Advance payments received	**23**	27
Other accruals	**51**	76
Other payables	**9**	7
Total	**1,516**	2,166

Current VAT payables on December 31, 2021 included EUR 18 million of VAT payments that were deferred for two years in Finland in 2020 as part of the state COVID-19 relief program. The remaining deferred VAT payables were paid during the first half of 2022.

Liabilities related to customer contracts

On December 31, 2022, accrued volume discounts related to customer contracts amounted to EUR 38 million (Dec 31, 2021: EUR 45 million). These are reported as other current accruals.

The liabilities related to the unperformed transportation service were not material on December 31, 2022, and these liabilities as well as advance payments received are expected to be recognized as revenue over the following three months.

Risk information

Credit risk

Outokumpu's sales are 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, 2022, the maximum exposure to credit risk of trade receivables was EUR 593 million (2021: EUR 597 million). The portion of unsecured receivables during 2022 has been approximately 5-8% of all trade receivables. During 2022, credit limits have remained available from the insurer and there is no significant change in the insurance cover. Outokumpu has frequently monitored credit risk and the overdue situation and continued its close co-operation with the insurers. Outokumpu uses factoring, which transfers most risks and rewards to the buyer of the receivables. At the end of the year 2022, most of the receivables were generated by a large number of customers and there were only few risk concentrations.

Country risk

Exposure to country risk is monitored and reduced by having credit insurance that provides cover against political risk on external trade receivables. At year-end, main country related credit risk exposures included for example limited exposure on Argentina.

Accounting principles

Trade and other receivables and payables include financial assets or liabilities measured at amortized cost. After initial recognition, they are measured at amortized cost by using the effective interest rate method. Trade and other receivables are valued net of accumulated impairments.

Factored trade receivables

Factored trade receivables have been derecognized from the statement of financial position when the related risks and rewards of ownership have materially been transferred to the counterparty of the factoring transaction.

Expected credit losses

Outokumpu applies simplified model in assessing and recognizing loss allowance for expected credit losses on trade receivables. The calculation model is based on overdue statistics and counterparty-specific credit ratings linked with loss probabilities for each rating. Loss allowances are recognized in selling and marketing expenses in the consolidated statement of income.

Liabilities related to customer contracts

Liabilities related to customer contracts include accrued volume discounts, advance payments received and liabilities related to transportation service not yet performed. Accrued volume discounts have been recognized as reductions in revenue during the financial year.

4.6 Provisions

2022 € million	Environmental provisions	Restructuring provisions	Other provisions	Total
Provisions on Jan 1, 2022	57	8	26	91
Translation differences	–1	0	1	0
Increases in provisions	3	14	7	24
Utilized during the financial year	–1	–10	–1	–12
Unused amounts reversed	–	–2	–4	–6
Reclassifications	–14	–2	–	–16
Provisions on Dec 31, 2022	**45**	**8**	**28**	**81**

Reclassifications include transfers to assets classified as held for sale.

2021 € million	Environmental provisions	Restructuring provisions	Other provisions	Total
Provisions on Jan 1, 2021	48	62	5	115
Translation differences	0	0	1	1
Increases in provisions	20	2	21	42
Utilized during the financial year	0	–46	–1	–47
Unused amounts reversed	–10	–8	–1	–19
Reclassifications	–	–3	1	–1
Provisions on Dec 31, 2021	**57**	**8**	**26**	**91**

€ million	2022	2021
Non-current provisions	**49**	63
Current provisions	**32**	29
Total	**81**	91

Environmental provisions

In 2022, the reclassifications include the provisions related to landfill areas of the discontinued operations. In 2021, Outokumpu recognized an increase in environmental provisions of EUR 10 million relating to the aftercare of closed mines in Finland.

The majority of the environmental provisions for continuing operations are for closing costs of production facilities and landfill areas, removal of problem waste and landscaping in facilities in Finland, and Germany and aftercare of closed mines in Finland. 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.

Restructuring provisions

Restructuring provisions relate mainly to the redundancies in selected countries as a result of employee negotiations in 2020 to generate cost savings. The cash outflows related to these provisions took predominantly place in 2021. In 2022 increases in restructuring provisions are mainly due to revaluations.

Other provisions

Other provisions comprise for example provisions for litigations, product and other claims and are mainly current in nature. In both 2022 and 2021, the increases in other provisions were mainly related to litigation provisions.

Management judgments

Provisions are based on management's best estimates at the end of the reporting period.

Regarding environmental provisions, the management judgments and estimates relate mainly to the timing and the scope of the activities to be carried out as well as the cost of such activities in the future. Environmental expenditure related to dismantling an entire production facility and restoring the area are generally estimated when decision on a site closure is made.

As actual outflows can differ from estimates due to changes in law, regulations, public expectations, technology, prices and conditions, and can take place in many years in the future, the provisions are regularly reviewed to take such changes into account.

Regarding restructuring provisions, the judgements and estimates mainly relate to the amounts of termination benefits to employees.

Accounting principles

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 the amount can be reliably estimated. Provisions relate mainly to environmental liabilities, restructuring plans, onerous contracts and litigations. Non-current provisions are discounted to present value at the end of the reporting period using risk-free discount rates.

Environmental expenditure arising from restoring the conditions caused by past operations are recognized as expenses when they are incurred. Environmental provision is recognized when the Group has an obligation to decommission or remove a facility or equipment, rehabilitate environmental damage, or landscape and restore an area. The recognition of environmental provisions is based on current interpretation of the effective environmental laws and regulations related to the Group.

When environmental expenditure will arise from future asset retirement obligations, an item of property, plant and equipment corresponding to the amount of the provision is recognized, and the cost will be depreciated over the asset's useful life. Subsequent adjustments to the provision are deducted from or added to the cost of the corresponding asset in a symmetrical manner.

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 of employee termination benefits.

Any potential compensation from a third party is not included in the amount of the provision but recognized as a separate asset when it is virtually certain that the compensation will be received.

5. Capital structure and financial risk management

As a result of strong profitability and strategy execution, Outokumpu reached a significant milestone and was net debt free at the end of 2022. In 2022, credit rating agency Moody's improved the outlook for Outokumpu from Ba3 stable to Ba3 positive. Prepayment and cancellation of loan facilities, the refinancing of its main liquidity facility as well as reductions in the interest margins further decreased finance costs.

Net debt*
EUR
-10
million

Net debt to adjusted EBITDA*
0.0

Debt-to-equity ratio*
-0.3%

The capital structure is regularly monitored by management through the company's leverage ratio. The debt-to-equity ratio and net debt to adjusted EBITDA improved considerably during 2022 as a result of the good development in profitability driven by the successful strategy implementation and favorable market conditions. In addition, strong cash flow allowed debt reduction and had a positive impact on the Group's net debt.

The main objective of capital management is to secure the ability to operate on a going concern basis to enhance value to shareholders and to optimize the cost of capital. Outokumpu seeks to maintain access to loan and capital markets at all times and to preserve sufficient liquidity. The Board of Directors reviews the Group's capital structure on a regular basis. Capital structure and debt capacity are taken into account e.g. in investment, dividend and debt decisions.

Equity is managed through dividend policy, share buybacks and issuances of equity or equity-linked securities. In 2022 supported by a strong balance sheet, Outokumpu launched a share buyback program for a maximum amount of EUR 100 million. The buyback program will be finalised in March, 2023.

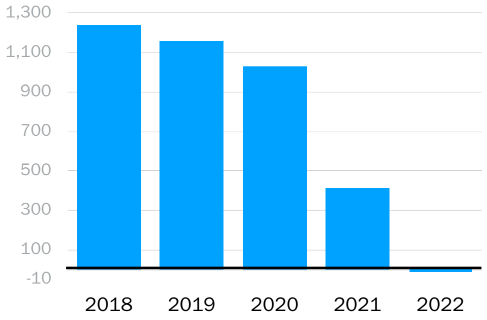
Tools to manage debt include raising new debt in various forms, establishing financing facilities, prepaying and cancelling loans, notes and other financing facilities in order to optimize the maturity structure of the debt portfolio and to minimize finance costs.

In 2022, Outokumpu refinanced its main liquidity facility increasing the current facility amount and extending the current maturity of the facility. Outokumpu also prepaid and cancelled a considerable amount of its outstanding debt.

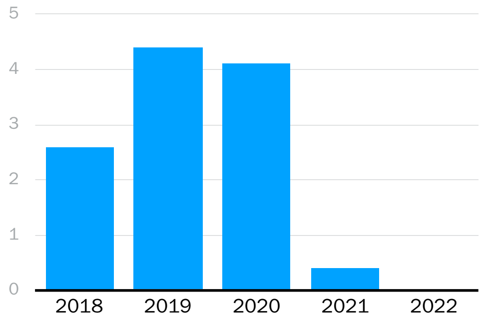
Capital structure

€ million	2022	2021
Total equity	**4,119**	3,120
Total debt, incl. discontinued operations	**633**	709
Total capitalization	**4,752**	3,828
Net debt, incl. discontinued operations	**–10**	408

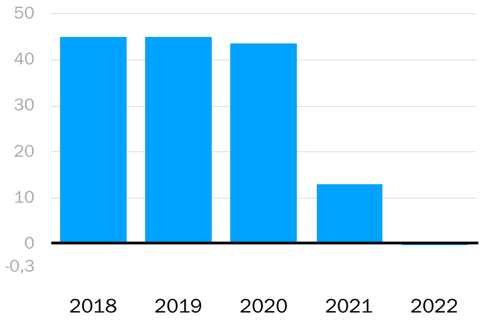
Net debt, € million*



Net debt to adjusted EBITDA*



Debt-to-equity ratio, %*



*Including discontinued operations

5.1 Net debt and capital management

The main focus in 2022 on debt management was to ensure sufficient liquidity and at the same time to reduce interest costs, together with a target to release its comprehensive security package. Strong cashflow enabled the company to decrease its net debt to a level of EUR –10 million at the year end 2022. In addition to cancelling the SEK 1,000 million secured revolving credit facility, the remaining part of the secured sustainability linked term loan was prepaid. Furthermore, the outstanding commercial papers were paid out in full in 2022.

In June Outokumpu refinanced its main liquidity facility by agreeing with its core banking group a new unsecured revolving credit facility in the amount of EUR 700 million. The new unsecured facility which matures in February 2026 includes a 12-month extension option. The interest margin is linked to emission reductions in line with the approved emission reduction target by the Science Based Targets initiative for 2030. The Finnvera facility of EUR 100 million is fully unutilized at year end.

During 2022 Outokumpu evaluated options to manage its EUR 125 million convertible bond due in 2025. In order to mitigate and manage the dilutive impact of the company's outstanding convertible bonds, Outokumpu launched a share buyback program in November with the aim to repurchase shares corresponding to approximately half of the shares needed in the conversion. Outokumpu has recognized EUR 58 million financial liability related to the share buyback program and the maximum amount of EUR 100 million is impacting the equity and net debt at the end of December 2022. See more information on share buyback program in note 5.2.

Net debt

€ million	2022	2021
Non-current		
Convertible bonds	**115**	112
Loans from financial institutions	**99**	163
Pension loans	**123**	154
Lease liabilities	**143**	157
Other loans	**11**	12
	491	597
Current		
Loans from financial institutions	**14**	7
Pension loans	**31**	13
Lease liabilities	**37**	32
Commercial papers	**–**	58
Other loans [1]	**60**	1
	141	112
Cash and cash equivalents		
Cash at bank and in hand	**452**	295
Short-term bank deposits and cash equivalents	**74**	5
	526	300
Net debt, continuing operations	**105**	408
Discontinued operations [2]	**–116**	–
Total	**–10**	408

[1] Including share buyback program related financial liability EUR 58 million.
[2] Including mainly cash and cash equivalents.

Net debt development

€ million	2022	2021
Net cash flow from operating activities	**778**	597
Net cash flow from investing activities	**–159**	–149
Cash flow before financing activities	**619**	448
Dividends paid	**–68**	–
Treasury share purchase	**–42**	–
Directed share issue	**–**	205
Cash flow impact on net debt	**509**	653
Net debt on Jan 1	**408**	1,028
Cash flow impact on net debt	**–509**	–653
Share buyback financial liability	**58**	–
Change in net debt, non-cash	**33**	34
Net debt on Dec 31	**–10**	408

Average effective interest rate of cash and cash equivalents at the end of 2022 was 2.3% (Dec 31, 2021: 0.0%).

Changes in non-current and current debt

2022 € million	Non-current debt	Current portion of non-current debt	Non-current lease liabilities	Current portion of lease liabilities	Current debt [1]	Total
On Jan 1	440	21	157	32	58	709
Financing cash flows	–50	–21	–	–33	–58	–163
Transfer to current debt	–46	46	–38	38	–	0
Other non-cash movements	4	–	25	1	58	87
Reclassifications	–	–	–1	–1	–	–2
On Dec 31	348	46	143	37	58	632

2021 € 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	979	0	174	18	232	1,404
Financing cash flows	–523	–1	–	–32	–174	–730
Transfer to current debt	–22	22	–46	46	–	–
Other non-cash movements	6	–	29	–	–	35
On Dec 31	440	21	157	32	58	709

Reclassifications include liabilities related to asset held for sale.

[1] Including share buyback program related financial liability EUR 58 million.

Other non-cash movements in debt consist mainly of effective interest including accrued arrangement fees. Other non-cash movements in lease liabilities consist of new lease agreements and changes in terms of existing agreements. The reconciliation of cash effective and non-cash movements in cash and cash equivalents is presented in the consolidated statement of cash flows.

Convertible bonds

		Outstanding amount	
€ million	Interest rate, %	**2022**	2021
2020 fixed rate bond maturing on July 9, 2025	5.000	**125**	125

The convertible bonds maturing in July 2025 can be converted into maximum of 38,191,261 ordinary shares in Outokumpu representing 8.6% 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 3.1581 per ordinary share. 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. On December 31, 2022, remaining part of the equity component of the convertible bond amounted to EUR 10 million (Dec 31, 2021: EUR 12 million).

Risk information

Liquidity and refinancing risk

Outokumpu raises most of its funding centrally and in co-ordination by the Treasury function ("Treasury"). The Group seeks to reduce its liquidity and refinancing risk by having sufficient amount of cash and committed long-term credit lines available and by maintaining a balanced debt maturity profile with diversified sources of funding. Efficient daily cash and liquidity management and the use of instruments such as commercial papers and currency swaps, also reduce the liquidity risk.

Finance and liquidity plans are prepared and reviewed regularly with a focus on forecasted cash flows, projected funding requirements, planned funding transactions 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 gearing and leverage ratios are key measures being considered.

Outokumpu is exposed to changes in credit margins as the development of the leverage ratio has an impact on the interest margin definition in some of the Group's loan agreements and as such on its interest and other financial expenses.

Accounting principles

Bonds, loans from financial institutions, pension and other loans are recognized at the settlement date and measured initially at fair value net of direct transaction costs. Subsequently they are carried at amortized cost using the effective interest rate method.

Transaction costs are amortized over the maturity of the borrowing using the effective interest rate method. A financial liability (or part of the liability) is derecognized when the liability ceases to exist, that is, when the obligation identified in a contract has been fulfilled or cancelled or is no longer effective.

The fair value of non-current debt is determined based on quoted prices for listed instruments. For loans the fair value is determined using the discounted cash flow method based on yields at the reporting date. The fair values of non-current debt are presented in note 5.5.

Fees related to revolving credit facilities are amortized over the expected facility term.

Convertible bonds

Convertible bonds are compound instruments with components of the bonds 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 values of the full bond and the liability component. Transaction costs are allocated to the components in proportion to their initial carrying amounts. The fair value includes the value of conversion rights.

Subsequently the liability component is measured at amortized cost with the effective interest method. At conversion or on expiry the equity component is reclassified within equity.

Lease liabilities

Accounting principles related to lease liabilities are presented in note 4.2.

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 with a low risk of any changes in the value. Bank overdrafts are reported as current debt.

Contractual cash flows

	2022						2021					
€ million	2023	2024	2025	2026	2027	2028–	2022	2023	2024	2025	2026	2027–
Convertible bonds	–	–	125	–	–	–	–	–	–	125	–	–
Loans from financial institutions	14	14	14	14	14	42	7	14	64	14	14	56
Pension loans	31	29	23	19	15	38	13	31	29	23	19	53
Other loans [1]	60	1	1	1	1	6	1	1	1	1	1	7
Commercial papers	–	–	–	–	–	–	58	–	–	–	–	–
Interest payments on debt and facility charges	21	20	15	6	5	6	25	21	16	10	4	8
Lease liabilities	37	17	16	15	14	81	32	18	16	14	14	97
Interest payments on lease liabilities	9	8	7	6	5	132	10	9	8	7	6	137
Trade and other payables	1,220	–	–	–	–	–	1,811	–	–	–	–	–
	1,392	**90**	**201**	**62**	**55**	**305**	1,957	94	134	194	59	358

Contractual cash flows related to derivative instruments are presented in note 5.4.

[1] Including share buyback program related financial liability EUR 58 million.

Credit facilities

		2022			2021		
€ million	Maturity	Total	Utilized	Available	Total	Utilized	Available
Committed revolving credit facility MEUR 700	Feb 2026	700	–	700	–	–	–
Committed revolving credit facility	May 2022	–	–	–	42	–	42
	June 2022	–	–	–	532	–	532
Committed Finnvera facility MEUR 100	Dec 2025	100	–	100	–	–	–
Committed SEK 1,000 million revolving credit facility	June 2022	–	–	–	98	–	98
Committed facilities total		**800**	–	**800**	672	–	672
Uncommitted Finnish commercial paper program	N/A	800	–	800	800	58	742

5.2 Equity

Shares and related movements in equity

€ million	Number of shares, 1,000	Share capital	Premium fund	Invested unrestricted equity reserve	Treasury shares	Total
On Jan 1, 2021	412,002	311	714	2,103	–31	3,097
Shares delivered from the share-based payment programs	70	–	–	–	1	1
Directed share issue	40,500	–	–	205	–	205
Shares outstanding on Dec 31, 2021	452,572	311	714	2,308	–30	3,303
Shares delivered from the share-based payment programs	138	–	–	–	1	1
Repurchase of treasury shares	–8,575	–	–	–	–100	–100
Shares outstanding on Dec 31, 2022	**444,135**	**311**	**714**	**2,308**	**–129**	**3,204**
Treasury shares	12,740					
Total number of shares on Dec 31, 2022	**456,874**					

Share buyback program

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

Through the share buyback program, Outokumpu seeks to mitigate and manage the dilutive impact of the company's outstanding convertible bonds. The repurchased shares will be initially held by Outokumpu as treasury shares and may be used to meet its obligations under the convertible bonds. Alternatively, Outokumpu may decide to cancel any or all of the repurchased shares and reduce its capital accordingly. The share repurchases are funded by using funds from the invested unrestricted equity reserve.

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

The Annual General Meeting, held on March 31, 2022, authorized Board of Directors to resolve to repurchase a maximum of 45,000,000 of Outokumpu's own shares, representing approximately 9.85% of Outokumpu's total number of shares.

Directed share issue

Based on the authorization granted by the Annual General Meeting 2021, Outokumpu issued 40,500,000 new shares directed to institutional investors on May 10, 2021, in deviation from the pre-emptive subscription right of the shareholders. The main purpose of the share issue was to accelerate Outokumpu's de-leveraging by using the proceeds to reduce gross debt.

The subscription price of the new shares was EUR 5.15 per share, corresponding to a discount of approximately 5.7% to the closing price of the Company's share on May 10, 2021. The gross proceeds of EUR 209 million were recorded in their entirety to the invested unrestricted equity reserve of Outokumpu Oyj. In the consolidated financial statements, the net proceeds are presented net of transaction costs, the net proceeds amounting to EUR 205 million.

Dividend policy and distributable funds

According to the new dividend policy announced in 2022, Outokumpu aims to distribute a stable and growing dividend, to be paid annually.

On December 31, 2022, the distributable funds of the parent company totaled EUR 2,736 million of which retained earnings were EUR 446 million.

The Board of Directors proposes to the Annual General Meeting in 2023 that a base dividend of EUR 0.25 per share plus an extra dividend of EUR 0.10 per share, totaling EUR 0.35 per share will be paid for the year 2022, corresponding to EUR 155 million based on the number of shares outstanding on Dec 31, 2022.

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

In 2022, Outokumpu paid a dividend of EUR 0.15 per share for the financial year 2021, a total of EUR 68 million.

Accounting principles

Shares and share capital

According to the Articles of Association, Outokumpu has one single class of shares and all shares have equal voting rights at General meetings. The shares do not have a nominal value.

Premium fund

Premium fund includes proceeds from share subscription and other contribution based on the old Finnish Limited Liability Companies Act for the part the contributions exceeded the account equivalent value allocated to share capital.

Other restricted reserves

Other restricted 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.

Invested unrestricted equity reserve

Invested unrestricted equity reserve includes the net proceeds from the rights issues in 2012 and 2014 and the directed share issue in 2021.

Fair value reserves

Fair value reserves include movements in the fair values of equity securities and hedge accounted derivative instruments.

Retained earnings

Retained earnings include remeasurements of defined benefit plans, cumulative translation differences and other retained earnings and losses.

Treasury shares

When the parent company or its subsidiaries purchase the parent 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.

Dividends

The dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the Annual General Meeting of Shareholders. For the time period between the approval and the payment, the dividend to be paid is presented in current trade and other payables.

5.3 Financial risk 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 the reduction of cash flow volatility and the maintenance of the debt-to-equity and leverage ratios within set targets. 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, the process and other main principles of risk management. The Board of Directors oversees risk management on a regular basis and the Chief Financial Officer (CFO) is responsible for the implementation and development of financial risk management. The CFO leads relevant steering groups, such as the Risk Management Steering Group for enterprise risk management, the Financial Risk Steering Group for financial risk management and the Energy Risk Steering Group for energy risk management.

Financial risks consist of market, country, credit, liquidity and refinancing risks. Outokumpu subsidiaries 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. The Treasury function ("Treasury") is responsible for managing foreign exchange, metal, interest rate, liquidity and refinancing as well as emission allowance price risk. Credit controlling has been mainly centralized to Global Business Services, and Treasury coordinates credit risk management. Customer credit risk is presented in note 4.5. The CFO office together with the relevant business areas are responsible for managing the electricity and fuel price risks.

In 2022 Treasury revised and implemented new policy framework for treasury and risk management. The policy framework has three levels: Risk Management Policy, Treasury Policy and Instructions. In the policy levels the risk profile of the company's financial risk management was kept unchanged. The documentation is currently more aligned with organizational changes in Treasury, increasing clarity and transparency in day-to-day work as well as improving steering work.

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 contributing global insurances by mainly participating in property damage and business interruption (PDBI) insurance line.

Exposure to financial risks is identified in connection with the Group's risk management process. This approach aims to ensure that any emerging risks are identified early and that significant risks are described, quantified, managed and communicated appropriately.

Risk information

Market risk

Outokumpu's main market risks are foreign exchange risk, interest rate risk, security price risk as well as commodity price risk, namely in metals, energy and emission allowances. The price changes in the before mentioned risks may have a significant impact on the Group's earnings (net result), cash flow and capital structure. Due to the cyclical stainless steel business, Outokumpu's exposure to market risks may change significantly from one period to another. Consequently, its derivatives' positions to mitigate its market risks change due to the cyclical business environment. Note 5.4 details the fair values and nominal amounts of derivative instruments while the sensitivity of financial instruments to market risks is described in the below table.

The strategy for market risk management is based on identifying, evaluating and mitigating relevant risks in committed business transactions and balance sheet items for each of the market risk categories. Forecasted items are included in the underlying risk position in interest rate, energy price and emission allowance price risk. The use of derivatives to mitigate market risks may cause timing differences between derivative gains or losses and the earnings impact of the underlying exposure. In order to reduce such timing differences in earnings, hedge accounting can be applied selectively as part of the metal and foreign exchange hedging activities. Most of the derivatives are short-term, however interest rate hedges typically have a maturity in excess of one year.

Foreign exchange rate risk

Outokumpu is exposed to foreign exchange risk as its business and operations are global. The risk arises from changes in exchange rates and may have effects on earnings, cash flow and balance sheet. The exposure consists mainly of raw material procurement, sales of stainless steel and ferrochrome production in foreign currencies. Also the location of Outokumpu's global operations expose the Group to foreign exchange rate risk. Outokumpu group companies are exposed to foreign exchange rate risk arising from net cash flows in other than the functional currency.

Sensitivity of financial instruments to market risks

	Dec 31, 2022		Dec 31, 2021	
€ million	In profit or loss	In other comprehensive income	In profit or loss	In other comprehensive income
+/–10% change in EUR/USD exchange rate	+1/–2	–	+6/–7	–
+/–10% change in EUR/SEK exchange rate	–5/+7	–	–5/+6	–
+/–10% change in nickel price in USD	+2/–2	–18/+18	–1/+1	–10/+10
+/–1% parallel shift in interest rates	–2/+2	–	–3/+4	–

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 28–113%. With +/–50% change in dollar denominated price, the effect in profit or loss is about EUR +12/-12 million and in other comprehensive income EUR –89/+89 million for nickel derivatives. The sensitivity analysis is presented for continuing operations.

Foreign exchange positions of EUR based companies

	Dec 31, 2022				Dec 31, 2021			
€ million	SEK	USD	GBP	Other	SEK	USD	GBP	Other
Trade receivables and payables	5	–267	11	17	38	–458	14	18
Loans and bank accounts [1]	243	–305	58	15	269	–167	52	13
Derivatives	–229	566	–79	–39	–302	553	–106	–82
Net position	**19**	**–6**	**–10**	**–7**	6	–72	–40	–51

Foreign exchange positions of SEK based companies

	Dec 31, 2022				Dec 31, 2021			
€ million	EUR	USD	GBP	Other	EUR	USD	GBP	Other
Trade receivables and payables	32	13	3	6	15	20	0	-4
Loans and bank accounts [1]	27	9	5	2	13	7	1	7
Derivatives	–83	–30	–18	–28	–120	–47	–21	–12
Net position	**–24**	**–8**	**–11**	**–20**	–92	–21	–20	–9

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

Currency distribution and re-pricing of outstanding net debt

					Dec 31, 2022
€ million Currency	Net debt [1]	Derivatives [2]	Average rate, % [1]	Duration, year [3]	Rate sensitivity [4]
EUR	315	17	7.9	5.7	0.6
SEK	–31	250	2.2	0.1	2.2
USD	–165	–321	3.8	0.0	–4.9
Others	–130	63	1.6	–0.1	–0.7
	–10	**9**			**–2.7**

					Dec 31, 2021
€ million Currency	Net debt [1]	Derivatives [2]	Average rate, % [1]	Duration, year [3]	Rate sensitivity [4]
EUR	582	–120	5.4	5.2	1.5
SEK	–23	262	–0.1	0.1	2.4
USD	–85	–191	0.0	0.0	–2.8
Others	–66	47	0.6	–0.3	–0.2
	408	–2			1.0

[1] Includes cash and cash equivalents, debt and financial liability related to share buyback program. The interest rate of share buyback program financial liability is zero.

[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.

The foreign exchange exposure consists of risks associated with foreign currency cash flows (transaction risk), translation risk and economic risk, such as the change in competitiveness resulting from changes in foreign exchange rates. The transaction risk arises from committed and forecasted transactions and payments in currencies other than the functional currency of the entity and from changes in fair value of foreign currency denominated items recognized on the balance sheet. The fair value risk consists of foreign currency denominated accounts receivables, accounts payables, debt, cash, loan receivables and the currency position from commodity derivatives.

Foreign exchange transaction risk relates to firm commitments, e.g. price fixed sales and purchase orders. The fair value risks are hedged in principle in full in major currencies. However, continuing an exception to the hedging policy approved in 2019, the main operating entity in Sweden hedged its fixed price sales orders to a limited extent, and did not hedge its fixed price purchase orders. Forecasted and probable cash flows are not typically hedged but can be hedged selectively. In 2022 there were no hedge accounting applied in foreign exchange hedging activities.

Outokumpu's largest foreign exchange transaction risk exposures are in US dollars, Swedish krona and British pound. However, the British pound foreign exchange transaction risk exposures arising from the UK companies are expected to decrease substantially after the divestment of UK operations of Long Products business. A major part of the Group's sales is in euros and US dollars and thus the local currency denominated production costs in Sweden and the UK cause foreign exchange risk. The main US dollar cash flow risk origins from sales in the ferrochrome operations as chromium is priced in US dollars. Another significant US dollar cash flow risk is included in sales margins due to the dollar-linked stainless scrap purchase discounts. Internal Swedish krona denominated financing causes significant fair value foreign exchange 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 on the left side.

Translation risk consists of current net investment in foreign entities and future foreign currency denominated profits and losses which eventually will have an impact on Group's net result and balance sheet through consolidation. Outokumpu's net result and net investment translation risk is mainly in US dollars, Swedish kronas and British pounds. The equity translation risk is not typically hedged, although according to the Treasury policy this risk can be hedged selectively. In 2022, there were no hedges of net result or net investment exposures. However, the effective portion of gains (EUR 17 million, net of tax) on earlier financial years' net investment hedges is recognized in equity.

Interest rate risk

Changes in interest rates expose Outokumpu to interest rate risk with effects on Group's net interest expense (i.e. cash flow risk) and value of assets and liabilities (i.e. fair value risk) arising from changes in interest rates. The objective of the Group's interest rate risk management is to have a significant share of net debt effectively with a short-term interest rate as a reference rate. This approach is applied to mitigate the risk of adverse business conditions against net interest expenses as low interest rates are typically associated with such business conditions. Also this approach may help to reduce the average interest rate of debt. Approximately 38% (2021: 39%) 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, 2022 was 5.4% (Dec 31, 2021: 4.7%).

The interest rate risk exposure is composed of the Group's net debt including all interest-bearing assets and liabilities as well as derivatives that hedge these items. Interest rate derivatives, such as interest rate swaps, are used to adjust the share of net debt effectively repricing in different maturity buckets to limits defined in the Treasury policy. This cash flow risk exposure excludes lease liabilities.

Euro, Swedish krona and US dollar have a substantial contribution to the Group's interest rate risk exposure. The interest rate risk exposure in Swedish krona and US dollar primarily originates from cash balances and foreign exchange derivatives. The interest rate position for the Group is presented in more detail in the table on the previous page.

Metal price risk

Commodity risk refers to the risk on Outokumpu earnings, cash flow and balance sheet arising from commodity prices, such as metals, energy and emission allowances.

The Group's most significant exposures in metals price risk arise from chromium and nickel, while other alloy metals with metal price risk include for example iron and molybdenum. Outokumpu is exposed to metal price risk for example through purchase of raw materials as well as sale of stainless steel end products where the price of alloy metals is based on market prices. The timing difference in such commercial purchase and sale transactions as well as inventory position expose the Group to metal price risk alongside the Group's capability to pass on price changes in raw materials to end-product prices. Market prices are based on prices determined in regulated markets, such as the London Metal Exchange (LME). Also, derivatives contracts to mitigate metal price risk are based on for example LME prices. Chromium does not have an established financial derivatives market and consequently is not included in the scope of the Treasury policy.

In addition to hedging with financial derivatives, the metal price risk is also mitigated through other measures such as pricing decisions. A significant part of the Group's stainless steel sales contracts include an alloy surcharge clause, with the aim of reducing the risk arising from the timing difference between alloy metal purchase and stainless steel pricing and delivery. The share of Group sales contracts including an alloy surcharge clause increased in 2022 compared to the previous year. Outokumpu's underlying metal position (in following alloy metals: nickel, iron and molybdenum) consists of price fixed purchase orders, inventories of alloy metal containing materials and price fixed sales orders. According to the Tresury policy, the nickel price risk, excluding the risk related to the base stock, must be hedged in full. Price risk positions in iron and molybdenum can be hedged selectively. Financial derivatives mainly in nickel are used to manage impacts of metal price changes on earnings, whereas efficient working capital management helps to reduce cash flow variations caused by metal price. Outokumpu has continued to apply cash flow hedge accounting programs on nickel hedging in order to reduce the timing differences between derivative gains or losses and the earnings impact of the underlying exposure. The hedge accounting covers a material part of the Group's nickel derivatives hedges.

in the first quarter of 2022, after nickel market trading disruption on the LME, the exchange implemented up and down price limits for daily market price fluctuations. No market interruptions occurred on the LME since March 2022 but trading volumes in LME nickel contracts were still lower throughout the year since the market disruption compared to period preceding the market disruption. Raw material purchases and stainless-steel sales as well as nickel derivatives continue to have references to LME pricing. As a consequence of the trading disruption in the first quarter, the LME started an independent review of the nickel market in addition to reviews announced by the UK Financial Conduct Authority (FCA) and the Bank of England. The final independent report was published in January 2023.

Energy and emission allowance price risk

Outokumpu manages energy price risk centrally and mitigates the risks by guidance from the Energy Procurement policy. Energy price risk is hedged with long-term agreements, fixed price supply contracts and partial ownerships in power utilities. The Energy Risk Steering Group monitors and decides upon proposed hedging levels for each business entity.

In 2022, the energy market saw an energy crisis in Europe, especially after the Russia's attack on Ukraine in late February. Europe faced unprecedent heavy inflation of electricity and gas prices. The war in Ukraine also led to ceased electricity imports from Russia to Finland and domestic production could not catch up with that gap which further increased area prices in Finland. All in all, Outokumpu's energy spend took an estimated 30-40% increase compared to previous year. For 2023, Outokumpu's energy portfolio has been hedged with roughly two thirds of the estimated consumption.

Outokumpu has initiated and executed multiple actions to prevent further risks from realizing and to cope with the escalated energy prices. Outokumpu bought 6-months' worth of reserve fuel, propane, for Tornio, signed another 10-year wind power deal and started hourly and daily optimization activities to avoid peak prices in electricity. Additionally, Outokumpu renewed energy efficiency targets for 2023 and 2024 and created a long-term energy strategy for coming years.

Outokumpu is exposed to changes in emission allowance prices as the Group's main production sites in Europe are participating in the EU Emissions Trading Scheme (EU ETS) while the production site in the United Kingdom is participating in the UK Emissions Trading Scheme (UK ETS). The EU ETS and the UK ETS markets are separate and emission allowances are not transferable nor convertible. However, the risk exposure in relation to UK ETS arising from the UK operations is expected to disappear after the divestment of the Long Products businesses in the UK. All Outokumpu sites met the compliance requirements on time in 2022 regarding returning of emissions to local authorities. The Group's emission allowances positions are composed of realized and forecasted emissions netted against confirmed and forecasted emission allowances granted by the authorities. The prices of fuels and power as well as decisions on the EU and UK ETS have a significant impact on the price of emission allowances. The current trading phase of the EU ETS refers to the period 2021–2030. Outokumpu forecasts to have adequate amount of EU emission allowances until the end of this decade. However, e.g. future decisions on EU ETS including the Carbon Border Adjustment Mechanism (CBAM), may have a significant impact on this forecast.

Security price risk

Outokumpu has equity investments and fixed income securities. On December 31, 2022, the largest investments were in OSTP Holding Oy (investment in associated company of EUR 33 million) and Voimaosakeyhtiö SF. For more information on the investment in Voimaosakeyhtiö SF refer to note 5.6.

The captive insurance company Visenta Försäkringsaktiebolag has investments totaling EUR 23 million in highly rated and liquid fixed income securities as well as in fixed income and equity funds in order to optimize return for assets and to manage the risk prudently.

Country and counterparty credit risk

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 derivative transactions, Outokumpu prefers to have the ISDA framework agreements in place.

Exposure to country risk is monitored and mitigated by having a credit insurance that provides cover against political risk on external account receivables. However, there is some exposure on certain countries where insurance was unavailable, like limited exposure in Argentina.

Insurances

As part of risk mitigation activities, Outokumpu aims to secure it's assets and business globally by arranging insurances against financial losses arisen from risk events. Risks related to property, business interruption, liabilities and credit risk are covered by insurances. There were no events leading to a significant insurance claims during the reporting period. Losses related to the Outokumpu's site in Dahlerbrück due to flooding of the river Volme in 2021 remained limited and lower than first expected. In Kemi mine, Finland, the incident related to Deep Mine expansion project further delayed the commissioning of the hoisting system work. The project will be finalized in the first quarter of 2023.

Outokumpu has captive insurance company, Visenta Försäkringsaktiebolag (Visenta), for optimizing insurance arrangements as part of Group's risk management. The captive is registered in Sweden and can operate as a direct insurer and reinsurer. Visenta has to comply with capital adequacy requirements set by the financial supervisory authority in Sweden and European Insurance and Occupational Pensions Authority (EIOPA). During the reporting period Visenta was profitable and well capitalized to meet externally imposed requirements, which are based on e.g. the Solvency II framework. There were no significant changes in the company's assets during the year. On December 31, 2022 the assets amounted to EUR 38 million.

Visenta continued its participation in Outokumpu's property and business interruption insurance and also continued to provide surety to cover certain potential environmental liabilities in connection with the operations in Kemi and Tornio. The business interruption and property damage incident in Dahlerbrück, Germany was reported to Visenta and it did not led into claim compensation.

Outokumpu continued its systematic fire safety and loss prevention surveys, focusing on execution of the mitigating and preventive actions. In addition, marine cargo audits were conducted on sites with major logistic operations.

5.4 Derivative instruments

	2022			2021	2022	2021
€ million	Positive fair value	Negative fair value	Net fair value	Net fair value	Nominal amounts	Nominal amounts
Currency and interest rate derivatives						
Currency forwards	10	–24	**–15**	1	**1,982**	2,510
Interest rate swaps	–	–11	**–11**	–2	**125**	125
					Tonnes	Tonnes
Metal derivatives						
Forward nickel contracts, hedge accounted	12	–65	**–53**	–8	**21,612**	27,636
Forward nickel contracts	19	–31	**–12**	–2	**13,289**	21,343
Forward scrap contracts	–	–	**–**	0	**–**	20,000
Total derivatives	40	–131	**–91**	–11		
Less long-term derivatives						
Interest rate swaps	–	–11	**–11**	–2		
Short-term derivatives	40	–120	**–80**	–9		

Contractual cash flows

2022 € million	2023	2024	2025	2026
Currency derivatives				
Outflows	1,975	–	–	–
Inflows	–1,990	–	–	–
Interest derivatives	–2	–4	–4	–
	–17	**–4**	**–4**	**–**

2021 € million	2022	2023	2024	2025
Currency derivatives				
Outflows	2,511	–	–	–
Inflows	–2,510	–	–	–
Interest derivatives	0	0	0	0
	1	0	0	0

Hedge accounted cash flow hedges (nickel derivatives)

	2022	2021
Fair value of nickel derivatives, € million	**–53**	–8
Nominal amount of nickel derivatives, tonnes	**21,612**	27,636
Hedge ratio	**1:1**	1:1
Fair value reserve in other comprehensive income, € million	**–54**	–7
Reclassified to sales in profit or loss, € million	**–28**	–27
Reclassified to cost of sales in profit or loss, € million	**32**	29
Recognized in inventory, € million	**–5**	–4

The nickel hedge accounting programs implemented for the business area Americas and the business area Europe cover a material part of the Group's sales and purchase contracts. Forwards, which correspond to the pricing model of underlying, are used as derivative instrument. Only the spot component of nickel derivatives is under hedge accounting, forward element is recognized in profit or loss. The ineffectiveness is tested regularly. Management estimates that possible ineffectiveness can arise related to credit risk or timing of transactions, but these are estimated to be immaterial.

Master netting agreements and similar arrangements

€ million	2022	2021
Derivative assets		
Gross amounts of recognized financial assets in the statement of financial position	**40**	31
Related financial instruments that are not offset	**40**	28
	0	3
Derivative liabilities		
Gross amounts of recognized financial liabilities in the statement of financial position	**131**	42
Related financial instruments that are not offset	**40**	28
	91	14

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 the balances in the statement of financial position, but 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.

Accounting principles

Derivatives are initially recognized at fair value on the trade date, when the Group enters into a derivative contract, and are subsequently measured at fair value.

The presentation of the gains or losses arising from the fair value measurement depends on the purpose of the derivative. The gains or losses arising from fair value changes of effective hedge-accounted derivative contracts are presented in profit or loss congruent with the hedged item. Changes in fair value of derivative contracts, where hedge accounting is not applied, are recognized in EBIT in other operating income and expenses. Changes in fair value of derivatives designated for financing activities are presented within financial income and expenses.

The fair value measurement is based on quoted market prices and rates as well as on discounted cash flows at the end of the reporting period. Fair values of derivatives can in certain cases be based on valuations of external counterparties.

Hedge accounting

Outokumpu applies cash flow hedge accounting on certain nickel derivatives. For each hedging arrangement the relationship between the hedging instrument and the hedged item, the objectives of risk management and the strategy of the hedging arrangement are documented.

The 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 value or cash flows of the hedged item attributable to the hedged risk and the changes in the fair value or cash flows of the hedging instrument to ensure that these impacts offset one another. Hedge accounting is discontinued if 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, and presented in sales or cost of sales in the period when the hedge accounted cash flows affect the profit or loss. In the certain hedge accounted transaction, the realized gains or losses of the nickel derivatives are first reclassified from fair value reserves in equity to the inventory for a certain period and finally recognized in profit or loss. The fair value changes related to the ineffective portion of the hedging instrument are recognized immediately in profit or loss.

5.5 Financial assets and liabilities

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

2022 € million	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying amount	Fair value	Fair value hierarchy level
	Measured at					
Non-current financial assets						
Equity investments	–	25	–	25	25	3
Trade and other receivables	6	–	–	6		
Current financial assets						
Other investments	–	–	23	23	23	1
Trade and other receivables	593	–	–	593		
Hedge accounted derivatives	–	–	12	12	12	2
Derivatives held for trading	–	–	28	28	28	2
Cash and cash equivalents	526	–	–	526		
	1,126	25	63	1,213		
Non-current financial liabilities						
Non-current debt	491	–	–	491	571	2
Derivatives held for trading	–	–	11	11	11	2
Current financial liabilities						
Current debt	141	–	–	141	141	2
Trade and other payables	1,220	–	–	1,220		
Hedge accounted derivatives	–	–	65	65	65	2
Derivatives held for trading	–	–	55	55	55	2
	1,852	–	131	1,983		

There were no transfers between levels 1, 2 and 3 during the years. A major part of equity investments at fair value through other comprehensive income at hierarchy level 3 relates to investments in unlisted energy producing companies. The movement in the carrying amounts of these investments presented in note 5.6 represents also the reconciliation of level 3 changes. Current debt includes EUR 58 million of share buyback program related financial liability.

2021 € million	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying amount	Fair value	Fair value hierarchy level
	Measured at					
Non-current financial assets						
Equity investments	–	24	–	24	24	3
Trade and other receivables	4	–	–	4		
Current financial assets						
Other investments	–	–	28	28	28	1
Trade and other receivables	597	–	–	597		
Hedge accounted derivatives	–	–	9	9	9	2
Derivatives held for trading	–	–	22	22	22	2
Cash and cash equivalents	300	–	–	300		
	902	24	60	985		
Non-current financial liabilities						
Non-current debt	597	–	–	597	730	2
Derivatives held for trading	–	–	2	2	2	2
Current financial liabilities						
Current debt	112	–	–	112	112	2
Trade and other payables	1,811	–	–	1,811		
Hedge accounted derivatives	–	–	17	17	17	2
Derivatives held for trading	–	–	23	23	23	2
	2,520	–	42	2,562		

Accounting principles

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

If a financial asset is not measured at fair value through profit or loss, significant transaction costs are included in the initial carrying amount of the 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. Accounting principles related to transaction costs and de-recognition of borrowings are presented in note 5.1.

Financial assets and liabilities measured at amortized cost

Financial assets measured at amortized cost include trade and other receivables and cash and cash equivalents. These assets 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. The accounting principles related to factored receivables and expected credit losses are presented in note 4.5.

Financial liabilities measured at amortized cost include the borrowing and trade and other payables. See note 5.1 for further accounting and fair valuation principles for borrowings and note 4.5 for accounting principles for trade and other payables.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments in listed and unlisted companies. Accounting principles are presented in note 5.6.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss include derivative instruments. Financial assets at fair value through profit or loss include also investments in debt instrument or money market funds held for trading purposes and intended to be sold within a short period of time. In some cases, also equity investments can be classified in this category.

These financial assets and liabilities 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 of non-derivative financial assets are recognized in market price gains and losses under financial income and expenses in the reporting period in which they are incurred. Accounting principles related to derivatives are described in more detail in note 5.4.

Measurement of fair values

Number of accounting policies and disclosures require the measurement of fair values. Financial assets and liabilities measured at fair value are classified to fair value hierarchy levels based on the source information and inputs used in the fair valuation. 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 and discounted future cash flows. For assets and liabilities in level three, there is no reliable market source available and thus the fair value measurement is not based on observable market data. Therefore, the measurement methods are chosen taking into account the information available for the measurement and the characteristics of the measured item.

5.6 Equity investments at fair value through other comprehensive income

€ million	2022	2021
Carrying value on Jan 1	**24**	48
Additions	**5**	19
Fair value changes	**–4**	–44
Carrying value on Dec 31	**25**	24

Fair value reserve in equity

€ million	2022	2021
Fair value on Dec 31	**25**	24
Fair value at acquisition	**118**	113
Fair value reserve	**–93**	–89

Equity investments at fair value through other comprehensive income include unlisted strategic holdings mainly in energy companies in which Outokumpu does not have control, joint control or significant influence.

These energy companies produce energy to their shareholders on a cost-price basis (Mankala principle) which is a widely used business model among the Finnish energy companies. Under the Mankala principle, shareholders are entitled to receive energy in proportion to the ownership, and each share-holder is severally responsible for its respective share of the costs of the energy company as set out in the articles of association.

Outokumpu is an owner in nuclear utility through Pohjolan Voima Oy (PVO) which is a shareholder in Teollisuuuden Voima Oy (TVO). TVO, where Outokumpu does not have a direct ownership, operates Olkiluoto 3 (OL3) nuclear power plant in Eurajoki, Finland. Outokumpu has indirect ownership in Tornion Voima Oy, combined heat and power plant in Tornio, Northern Finland. This indirect ownership is through EPV Energia Oy. In addition, Outokumpu has a direct ownership in Rajakiiri Oy, which is a wind power mill in Tornio. The total estimated fair value of the aforementioned three utility assets was EUR 24 million at the year end.

Fennovoima

Investments include a 22% holding in Voimaosakeyhtiö SF at fair value of EUR 0 million (Dec 31, 2021: EUR 0 million). Voimaosakeyhtiö SF is the majority shareholder of Fennovoima. Voimaosakeyhtiö SF's ownership increased from 66% to 97% as a result of share issue which was resolved by an Extraordinary General Meeting (EGM) of Fennovoima on September 21, 2022. RAOS Voima Oy has challenged the said EGM resolution in Helsinki district court.

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

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

Management judgments

Fennovoima

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

Other unlisted strategic energy companies

The valuation model of the other unlisted strategic energy companies include among others discount rate derived from risk free rate (Germany 10 year bond yield), growth factor depending the nature of the power plant or wearing out of the mill and contractual factors which may have an impact on the valuation. Discounted cash flow models include also adjustments based on the latest information regarding the power plants and potential energy production.

Accounting principles

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, so this classification is considered relevant.

The investments and divestments are recognized at the trade date. They are included in non-current assets unless there is intention to dispose of the investment within 12 months from the reporting date.

The investments are measured at fair value, and fair value changes are recognized through other comprehensive income and presented net of tax in fair value reserve in equity. The valuation is based on quoted rates and market prices at the end of the reporting period, as well as on appropriate valuation techniques, such as cash flow discounting. Observable market data is used in the valuation when available but also entity-specific management estimates are applied.

Dividends are recognized in profit or loss. When equity investment is disposed, the accumulated fair value changes are reclassified from fair value reserve to retained earnings.

5.7 Commitments and contingent liabilities

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

Outstanding mortgages relate mainly to Group's financing and include both mortgage over the real property and the business mortgage note to secure a loan for the Kemi mine expansion project. In June 2022, Outokumpu signed a new unsecured revolving credit facility replacing the existing secured revolving credit facility and resulting in a release of mortgages provided for security.

Outokumpu is liable for its associated company Manga LNG Oy's certain liabilities amounting to EUR 16 million at the end of 2022 (2021: EUR 21 million). In the above table, this liability is reported as other pledges (Outokumpu's shares in Manga LNG Oy), as guarantees on behalf of associated companies, and the part exceeding the share pledge and guarantee as other commitments for financing.

Outokumpu Oyj is, in relation to its shareholding in EPV Energia Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. These liabilities are reported under other commitments for financing.

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 is a minority shareholder in Voimaosakeyhtiö SF, which is the majority shareholder of Fennovoima. Fennovoima announced in May 2022 that it has withdrawn the Hanhikivi-1 nuclear power plant construction license application as a consequence of the termination of the EPC contract with RAOS Project Oy due to supplier related causes. In June 2022, Fennovoima completed change negotiations concerning its entire personnel which led to significant staff and operation reductions.

Originally, Outokumpu's commitment to the Fennovoima investment amounted to approximately EUR 250 million, of which EUR 117 million has been paid by the end of the reporting period. The payments related to the original commitment, if any, are not expected to occur in the previously planned schedule. See more information in note 5.6.

The Group's other off-balance sheet investment commitments totaled EUR 27 million on December 31, 2022 (Dec 31, 2021: EUR 32 million).

Accounting principles

Unrecognized commitments are disclosed when the Group has an obligation or a pledge to assume a financial liability at a future date.

A contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed by uncertain future events that are not wholly within the control of the entity. Obligations that are not considered probable or where the amounts cannot be reliably measured are also considered as contingent liabilities. Contingent liabilities are not recognized in the statement of financial position but disclosed as off-balance sheet commitments.

6. Group structure and other notes

This notes section covers the notes related to the Group structure, as well as other notes that do not directly fall under any of the previous notes sections.

6.1 Discontinued operations

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

During 2022 Outokumpu reclassified its Long Products businesses to be divested assets held for sale and discontinued operations. Outokumpu booked an impairment loss EUR 33 million. The impairment was allocated to goodwill, other intangible assets and property, plant and equipment. Transaction costs are estimated to be approximately EUR 8 million.

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

Accounting principles

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

Result from the discontinued operations is reported separately from income and expenses from continuing operations in the consolidated statement of income and prior periods are restated accordingly. Assets and liabilities related to the discontinued operations are presented as separate line items in the statement of the financial position and the comparative period is not restated. The statement of cash flows consists of total group figures including the discontinued operations. In the comparative periods Outokumpu didn’t have discontinued operations.

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

Condensed statement of income, discontinued operations

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

Other operating expenses is including impairment loss of EUR 33 million and due to the disposal of the Long Products businesses in the UK a relating deferred tax asset was reduced, increasing the tax expense with EUR 13 million.

Condensed statement of financial position, discontinued operations

€ million	2022
Assets held for sale	
Non-current assets	
Property, plant and equipment	60
Total non-current assets	60
Current assets	
Inventories	193
Trade and other receivables	49
Cash and cash equivalents	117
Total current assets	359
Total Assets held for sale	419

€ million	2022
Liabilities related to assets held for sale	
Non-current liabilities	
Non-current debt	1
Deferred tax liabilities	2
Employee benefit obligations	1
Provisions	14
Total non-current liabilities	18
Current liabilities	
Current debt	1
Trade and other payables	186
Total current liabilities	186
Total liabilities related to assets held for sale	204

Statement of cash flows, discontinued operations

€ million	2022	2021
Net cash from operating activities	91	28
Net cash from investing activities	–2	–4
Net cash from financing activities	–2	–6
Net change in cash and cash equivalents	87	18

6.2 Business acquisitions and disposals

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

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

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

Accounting principles

The disposed companies are included in the consolidated financial statements up to the date when the control is lost. The gain or loss on disposal together with cumulative translation adjustments related to disposed companies are recognised in the consolidated statement of income at the date control is lost.

Provisional loss on sale

€ million	2022
Total net assets sold	–22
Provisional sale consideration	13
Provisional loss on sale	**–9**
Cash flow	
Provisional cash consideration, net of cash acquired	1
Receivable related to sale consideration	–2
Consideration received	**–1**

6.3 Disputes and litigations

Dispute over payment of wages in the US

On July 16, 2018, a class of plaintiffs, consisting of 152 former and 126 current Outokumpu Calvert mill employees, brought suit against Outokumpu in U.S. federal circuit court. The plaintiffs alleged that Outokumpu failed to pay full wages for regular work and overtime work they performed. On November 18, 2021, the circuit court entered a default judgment against Outokumpu with respect to liability as a sanction for alleged misconduct during the discovery phase of the legal proceeding. On October 4, 2022, the circuit court further found Outokumpu liable to the plaintiffs for approximately USD 13 million in the aggregate, plus attorney's fees. Outokumpu has appealed the circuit court's November 18, 2021 default judgment entry and October 4, 2022 finding of liability. Outokumpu is of the view that the claims asserted against it are without merit and is defending against them. Appropriate provisions are in place.

Claim in Germany related to expired lease agreement

On January 19, 2018, Outokumpu was served with a claim for declaratory judgement by the owner of a warehouse in Krefeld that Outokumpu had leased until the end of 2016. The claim relates to a dispute over the responsibility for the maintenance and repair of the warehouse. The plaintiff has later in the process specified the claim and is now seeking payment of EUR 19 million. On May 4, 2022, the court issued a ruling covering only the merits of the claim. Said ruling was in favour of the claimant and has been appealed by Outokumpu. Outokumpu is of the view that the claims asserted against it are without merit and is defending against them. Appropriate provisions are in place.

6.4 Related parties

Outokumpu's related parties include the key management of the company and their close family members, subsidiaries, associated companies and Solidium Oy. Key management includes Leadership Team members and members of the Board of Directors, and their remuneration is presented in note 3.2. The principal subsidiaries and associated companies are listed later in this notes section.

Solidium Oy, a limited company fully owned by the State of Finland, owned 15.5% of Outokumpu on December 31, 2022. 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	2022	2021
Sales and other operating income	**115**	97
Purchases	**–66**	–51
Dividend income	**11**	7
Trade and other receivables	**26**	36
Trade and other payables	**7**	4

6.5 Subsidiaries

December 31, 2022		Country	Group holding, %
Europe			
Outokumpu AS		Norway	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	1)	Finland	100
Outokumpu India Private Limited		India	100
Outokumpu Management (Shanghai) Co., Ltd	1)	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 Finland Oy		Finland	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.r.l.		Italy	100
Outokumpu Stainless AB		Sweden	100
Outokumpu Stainless B.V.		The Netherlands	100
Outokumpu Stainless Ltd		The UK	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

December 31, 2022		Country	Group holding, %
Americas			
Outokumpu Brasil Comércio de Metais Ltda		Brazil	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
Ferrochrome			
Outokumpu Chrome Oy	1)	Finland	100
Other operations			
Outokumpu Americas, Inc.		The US	100
Outokumpu Distribution Benelux B.V.		The Netherlands	100
Outokumpu Holding Germany GmbH	1)	Germany	100
Outokumpu Holding Nederland B.V.	1)	The Netherlands	100
Outokumpu Long Products AB	2)	Sweden	100
Outokumpu Mining Oy		Finland	100
Outokumpu Stainless Holding GmbH		Germany	100
Outokumpu Stainless UAB		Lithuania	100
Québec Inc.		Canada	100
Viscaria AB	1)	Sweden	100
Visenta Försäkrings AB		Sweden	100
Discontinued operations			
Fagersta Stainless AB		Sweden	100
Outokumpu Long Products Ltd.	2)	The UK	100
Outokumpu Stainless Bar, LLC		The US	100

This list does not include all holding companies or all dormant companies. In addition, Outokumpu has branch offices in South Korea, Taiwan, Thailand, The UK and Vietnam.

1) Shares and stock held by the parent company

2) Established in 2022

6.6 Associated companies

	Industry	Domicile	Ownership, %
Manga LNG Oy	Energy	Finland	45
OSTP Holding Oy	Metals processing	Finland	49
Rapid Power Oy	Energy	Finland	33

Summarized financial information on associated companies

€ million	2022	2021
Carrying value of investments in associated companies	**51**	43
Group's share of total comprehensive income	**11**	15

The impact of investments in associated companies on the Group's consolidated financial statement is considered immaterial.

Accounting principles

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

The Group's share of the associated company's net 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.

If 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.

6.7 New IFRS standards

Adoption of new and amended IFRS standards

Outokumpu has not yet applied the following new and amended standards and interpretations, but 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. These new and amended standards or other not yet effective amendments and interpretations are not expected to have a material impact on Outokumpu's consolidated financial statements.

- **IFRS 17 Insurance contracts and amendments to IFRS 17 insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative information** (effective for financial years beginning on or after January 1, 2023): The standard requires a current measurement model for insurance liability with re-measured estimates at each reporting date. The standard can impact the financial reporting of Outokumpu's captive insurance company Visenta Försäkrings AB. However, the company is not material to Outokumpu as a whole, and the impacts are not expected to be material for the Group.
- **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, 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. Amendments introduce additional disclosure requirements on loans which contain covenants.
- **Amendments to IAS 1 Presentation of financial statements, IFRS Practice Statement 2 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Disclosure of Accounting Policies and Definition of Accounting Estimates*** (effective for financial years beginning on or after January 1, 2023): The amendments distinguish changes in accounting estimates from changes in accounting policies and aim to improve accounting policy disclosures.
- **Amendments to IAS 12 Income taxes – Deferred Tax related to Assets and Liabilities arising from single transaction*** (effective for financial years beginning on or after January 1, 2023): The amendment clarifies the application of the recognition exemption of deferred taxes on a single transaction.
- **Amendments to IFRS16 Leases: Lease liability in a Sale and Leaseback*** (effective for financial years beginning on or after January 1, 2024): Narrow-scope amendments to requirements for sale and leaseback transactions in IFRS 16 explaining how an entity accounts for a sale and leaseback after the date of the transaction.

*Not yet endorsed by the EU.

6.8 Events after the balance sheet date

On January 3, 2023, Outokumpu announced that is has completed the divestment of majority of the Long Products business. More detailed information about the financial impacts of the transaction can be found in note 6.1.

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

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

Parent company financial statements, FAS

Income statement of the parent company

€ million	2022	2021
Sales	**496**	783
Cost of sales	**–409**	–716
Gross margin	**87**	67
Other operating income	**232**	27
Selling and marketing expenses	**–3**	–2
Administrative expenses	**–131**	–103
Other operating expenses	**–10**	–13
EBIT	**175**	–24
Financial income and expenses	**–6**	–100
Result before appropriations and taxes	**169**	–124
Appropriations		
Group contribution	**117**	164
Income taxes	**0**	0
Result for the financial year	**286**	40

According to the Finnish accounting standards (FAS), the parent company financial statements are presented in addition to the 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 except for the external financing and treasury items which are mainly centralized to the parent company.

Balance sheet of the parent company

€ million	2022	2021
ASSETS		
Non-current assets		
Intangible assets	**85**	103
Property, plant and equipment	**2**	2
Financial assets		
Shares in Group companies	**3,877**	3,685
Loan receivables from Group companies	**127**	658
Shares in associated companies	**13**	13
Other shares and holdings	**1**	1
Other financial assets	**3**	3
	4,021	4,360
Total non-current assets	**4,108**	4,465
Current assets		
Current receivables		
Loans receivable	**694**	294
Trade receivables	**75**	94
Prepaid expenses and accrued income	**22**	22
Other receivables	**275**	242
	1,066	652
Cash and cash equivalents	**500**	257
Total current assets	**1,566**	909
TOTAL ASSETS	**5,674**	5,374

€ million	2022	2021
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**311**	311
Premium fund	**720**	720
Invested unrestricted equity reserve	**2,290**	2,332
Retained earnings	**160**	188
Result for the financial year	**286**	40
	3,768	3,592
Untaxed reserves		
Accumulated depreciation difference	**1**	1
Liabilities		
Non-current liabilities		
Convertible bonds	**125**	125
Loans from financial institutions	**–**	50
Pension loans	**123**	154
Other non-current loans	**11**	2
	260	330
Current liabilities		
Group bank account liabilities	**1,263**	898
Other current loans	**27**	212
Pension loans	**31**	13
Trade payables	**139**	236
Accrued expenses and prepaid income	**13**	16
Other current liabilities	**173**	76
	1,646	1,451
Total liabilities	**1,906**	1,781
TOTAL EQUITY AND LIABILITIES	**5,674**	5,374

Cash flow statement of the parent company

€ million	2022	2021
Cash flow from operating activities		
Result for the financial year	**286**	40
Adjustments for		
Depreciation and amortization	**15**	14
Impairments	**15**	91
Reversal of impairments	**–220**	–
Gain/loss on sale of intangible assets, and property, plant and equipment	**0**	–18
Interest income	**–43**	–37
Dividend income	**–**	–2
Interest expense	**27**	34
Change in provisions	**0**	–1
Exchange gains and losses	**3**	6
Group contributions	**–117**	–164
Other non-cash adjustments	**–12**	–8
	–332	–84
Change in working capital		
Change in trade and other receivables	**21**	–30
Change in trade and other payables	**–28**	66
	–7	36
Dividends received	**–**	2
Interest received	**41**	37
Interest paid	**–27**	–37
	13	2
Net cash from operating activities	**–41**	–6

€ million	2022	2021
Cash flow from investing activities		
Investments in subsidiaries and other shares and holdings	**–5**	–19
Purchases of intangible assets	**–6**	–14
Proceeds from disposal of subsidiaries	**28**	28
Proceeds from disposal of other shares and holdings	**–**	2
Proceeds from sale of property, plant and equipment	**–1**	0
Proceeds from sale of intangible assets	**0**	30
Change in other long-term receivables	**–**	105
Net cash from investing activities	**16**	132
Cash flow before financing activities	**–24**	126
Cash flow from financing activities		
Directed share issue	**–**	209
Dividends paid	**–68**	–
Treasury shares purchase	**–42**	–
Borrowings of non-current debt	**–**	24
Repayments of non-current debt	**–63**	–530
Change in current debt	**171**	50
Cash flow from group contribution	**164**	111
Other financing cash flow	**106**	–64
Net cash from financing activities	**268**	–201
Net change in cash and cash equivalents	**244**	–75
Net change in cash and cash equivalents in the balance sheet	**244**	–75

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, 2021	311	720	2,123	188	3,343
Result for the financial year	–	–	–	40	40
Directed share issue	–	–	209	–	209
Equity on Dec 31, 2021	311	720	2,332	228	3,592
Result for the financial year	–	–	–	286	286
Dividends paid	–	–	–	–68	–68
Treasury share purchase	–	–	–42	–	–42
Equity on Dec 31, 2022	**311**	**720**	**2,290**	**446**	**3,768**

Distributable funds on Dec 31

€ million	2022	2021
Retained earnings	**160**	188
Result for the financial year	**286**	40
Invested unrestricted equity reserve	**2,290**	2,332
Distributable funds on Dec 31	**2,736**	2,560

Commitments and contingent liabilities of the parent company

€ million	2022	2021
Other pledges on Dec 31	**13**	13
Guarantees on Dec 31		
On behalf of subsidiaries		
For financing	**307**	427
For commercial guarantees	**1**	0
For other commitments	**55**	27
On behalf of associated companies		
For financing	**1**	–
Other commitments for financing on Dec 31	**4**	9

Outokumpu is liable for its associated company Manga LNG Oy's certain liabilities amounting to EUR 16 million at the end of 2022 (2021: EUR 21 million). In the above table, this liability is reported as other pledges (Outokumpu's shares in Manga LNG Oy), as guarantees on behalf of associated companies, and the part exceeding the share pledge and guarantee as other commitments for financing.

Outokumpu Oyj is, in relation to its shareholding in EPV Energia Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. These liabilities are reported under other commitments for financing.

Outokumpu is a minority shareholder in Voimaosakeyhtiö SF, which is the majority shareholder of Fennovoima.

Fennovoima announced in May 2022 that it has withdrawn the Hanhikivi-1 nuclear power plant construction license application as a consequence of the termination of the EPC contract with RAOS Project Oy due to supplier related causes. In June 2022, Fennovoima completed change negotiations concerning its entire personnel which led to significant staff and operation reductions.

Originally, Outokumpu's commitment to the Fennovoima investment amounted to approximately EUR 250 million, of which EUR 117 million has been paid by the end of the reporting period. The payments related to the original commitment, if any, are not expected to occur in previously planned schedule. See more information in note 5.6 of the consolidated financial statements.

Audit

Auditor's Report

(Translation of the Finnish Original)

Report on the Audit of the Financial Statements

To the Annual General Meeting of Outokumpu Oyj

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 2022. 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 2.3 to the Financial Statements.

Our Audit Approach

Overview

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 (2021: € 35 million)
How we determined it	0.4% of sales 2021
Rationale for the materiality benchmark applied	We chose 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, sales is also a generally accepted benchmark. We chose 0.4% 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

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 matter in the audit of the group	How our audit addressed the key audit matter
Valuation of goodwill **Refer to notes 4.1 and 4.3 in the consolidated financial statements.** As at 31 December 2022 the group's goodwill balance amounted to € 456 million. Goodwill is tested at least annually, irrespective of whether there is any indication of impairment. In goodwill impairment testing, the recoverable amounts are based on value in use determined by discounted future net cash flows expected to be generated by the cash-generating unit. Key assumptions of the value-in-use calculations include the discount rate, the terminal value growth rate, the average global growth in end-use 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 specialists, including comparison to economic and industry forecasts as appropriate. We also considered the appropriateness of the related disclosures provided in notes 4.1 and 4.3 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 note 4.1 in the consolidated financial statements.** As at 31 December 2022 the group's Property, Plant and Equipment (PPE) amounted to € 2,406 million, which is 34% of the total assets and 58% 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 controls in place to ensure the existence and appropriate valuation of Property, Plant and Equipment. Such controls include e.g. the authorization of additions, disposals and scrapings, 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.
Valuation of Deferred Tax Assets in the US **Refer to note 2.6 in the consolidated financial statements.** As at 31 December 2022 the group's deferred tax assets amounted to € 390 million, of which € 297 million related to the US. In deferred tax recognition, the management assesses whether the realization of future tax benefits is sufficiently probable to support the recognition. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available for utilization of these differences.	Valuation of deferred tax assets in the US is a key audit matter as the amounts are material, the assessment process is judgemental and is based on assumptions that are impacted by expected future market conditions and performance in the US. We obtained an understanding of the process for accounting for deferred tax assets. We performed substantive audit procedures to validate the deferred tax balances, which are recorded with a consideration of enacted tax laws in each jurisdiction. Our audit work on the valuation of deferred tax assets, with the involvement of our tax specialists, included: • Validating the completeness and accuracy of tax attributes. • Confirming the appropriate application of tax rules for utilizing deferred tax assets, including expiry of those attributes. • Evaluating the Company's ability to generate sufficient taxable income to utilize deferred tax assets. This evaluation takes into account the Company's historical profitability and circumstances as well as future projections. We also considered the appropriateness of the related disclosures provided in note 2.6 in the group financial statements.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of Inventories **Refer to note 4.4 in the consolidated financial statements.** As at 31 December 2022 the group's inventories amounted to € 1,783 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 attributable to 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 reduce the risk arising from the time difference between raw material purchase and product delivery. However, the risk is still relevant 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 the estimates used in NRV calculations. Due to the high level of management judgement and the significant carrying amounts and risks relating to valuation, this is one of the key audit matters.	Our audit work included testing 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 with a strong focus on continuously developing its system environment, e.g. platform transformation in 2022. However, the fragmented system environment introduces risks related to system access and change management, 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 the key IT systems.	We noted certain weaknesses related to access controls to certain key systems. We reported those control weaknesses to the management and performed tests of details to reduce the related risks of material misstatement to an acceptably low level. We tested the group's controls related to the platform transformation regarding database migration to a new environment. We also tested the completeness and accuracy of data migrations relevant for financial reporting.

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 2022 the value of Outokumpu Oyj's subsidiary shares amounted to € 3,877 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 specialists, 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 judgement 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 6 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 9 February 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant (KHT)

Information for shareholders

Annual General Meeting 2023

Outokumpu's Annual General Meeting will be held on Thursday, March 30, 2023 at 1.00 pm EEST at Dipoli congress center in Otaniemi, at Otakaari 24, 02150 Espoo, Finland entrance through the Gala entrance (Juhlaovi). The reception of persons who have registered for the meeting and the distribution of voting tickets will commence at 11.00 am EEST. Shareholders of the Company can exercise their right to vote also by voting in advance. Shareholders, who have registered for the meeting have the possibility to follow the Annual General Meeting via a webcast.

The meeting language of the Annual General Meeting will be Finnish. There will be simultaneous interpretation in English at the meeting.

Notice of the meeting and more information at www.outokumpu.com/en/agm 2023.

CEO and CFO available before the meeting

Before the Annual General Meeting, at 11.30-12.30 am EEST, the CEO and CFO of the Company will be available in Dipoli, and the CEO will discuss Company's result and development of operations. The event is not part of the Annual General Meeting, and it will be held only in Finnish. In connection with the event, participants can present questions to the CEO and CFO, but the event will not be a decision-making forum. Questions presented at the event are thus not questions referred to in Chapter 5, Section 25 of the Finnish Companies Act.

Important dates

February 9, 2023: Notice to the Annual General Meeting published.

February 9, 2023: Registration for the Annual General Meeting started at 12.00 noon.

March 3, 2023: Advance voting starts at 12.00 noon.

March 20, 2023: Record date of the AGM.

March 23, 2023: Registration and advance voting end at 4.00 pm EET.

March 30, 2023: Annual General Meeting at 1.00 pm EEST.

April 3, 2023: Proposed dividend record date.

April 12, 2023: Proposed dividend payment date.

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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