Outokumpu financial statements release 2020

Contents

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Outokumpu navigated successfully through the pandemic in 2020.

Highlights in Q4 2020

- Stainless steel deliveries were 523,000 tonnes (458,000 tonnes)[1].
- Adjusted EBITDA was EUR 78 million (EUR 73 million).
- EBITDA was EUR 30 million (EUR 90 million).
- Operating cash flow was EUR 112 million (EUR 143 million).
- Net debt decreased to EUR 1,028 million (September 30, 2020: EUR 1,105 million).
- Gearing was at 43.6% (September 30, 2020: 45.1%).

Highlights in 2020

- Stainless steel deliveries were 2,121,000 tonnes (2,196,000 tonnes).
- Adjusted EBITDA was EUR 250 million (EUR 263 million).
- EBITDA was EUR 191 million (EUR 266 million).
- Net result was EUR -116 million (EUR -75 million).
- Operating cash flow was EUR 322 million (EUR 371 million).
- Net debt was reduced by EUR 127 million (EUR 85 million).
- Return on capital employed (ROCE) was -1.4% (0.8%).

Group key figures		Q4/20	Q4/19	Q3/20	2020	2019
Sales	EUR million	**1,350**	1,398	1,254	**5,639**	6,403
EBITDA	EUR million	**30**	90	10	**191**	266
Adjusted EBITDA 1)	EUR million	**78**	73	22	**250**	263
EBIT	EUR million	**-33**	30	-51	**-55**	33
Adjusted EBIT 1)	EUR million	**15**	13	-39	**4**	30
Result before taxes	EUR million	**-57**	6	-77	**-151**	-41
Net result for the period	EUR million	**-39**	-15	-63	**-116**	-75
Earnings per share	EUR	**-0.09**	-0.04	-0.15	**-0.28**	-0.18
Diluted earnings per share	EUR	**-0.09**	-0.04	-0.15	**-0.28**	-0.18
Return on capital employed	%	**-1.4**	0.8	0.2	**-1.4**	0.8
Net cash generated from operating activities	EUR million	**112**	143	170	**322**	371
Net debt at the end of period	EUR million	**1,028**	1,155	1,105	**1,028**	1,155
Debt-to-equity ratio at the end of period	%	**43.6**	45.1	45.1	**43.6**	45.1
Capital expenditure 2)	EUR million	**35**	58	35	**180**	193
Stainless steel deliveries	1,000 tonnes	**523**	458	488	**2,121**	2,196
Personnel at the end of period		**9,915**	10,390	10,118	**9,915**	10,390

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

2) In Q4/2020, Outokumpu changed its capital expenditure definition from accrual-based to cash-based capital expenditure. Comparative information has been restated accordingly.

[1] Figures in parentheses refer to the corresponding period for 2019, unless otherwise stated.

President & CEO Heikki Malinen

Throughout 2020 Outokumpu has continued with rigorous measures to mitigate the negative impacts of the ongoing COVID-19 pandemic on our employees, operations, and business. Our actions have been effective, and we concluded the year without any pandemic-related production losses. In terms of overall safety, the year was the strongest on record, with the total recordable injury frequency rate of 2.4 surpassing our target of below 3.0.

In the fourth quarter, Outokumpu's adjusted EBITDA increased to EUR 78 million due to a stronger than expected market recovery. Stainless steel deliveries increased by 7% and effective cost-saving actions supported profitability. The full-year 2020 adjusted EBITDA was EUR 250 million. We reduced our net debt to EUR 1,028 million, the lowest level in recent history. I want to thank the whole Outokumpu team for all their efforts during a challenging year.

While we were able to return our financial performance in the year shaped by COVID-19 back to near 2019 levels, the financial performance needs further strengthening. Hence, we will continue to execute the announced strategic measures to improve our results.

Business area Europe's deliveries increased from the third quarter, but lower prices weighed down fourth quarter adjusted EBITDA to EUR 36 million. Import penetration into Europe remains high despite a decrease to 24% in the fourth quarter. We continue to call for available trade enforcement tools to be applied in full to restore a level playing field and secure a sustainable future for the European stainless industry.

Business area Americas continues its successful turnaround with full-year adjusted EBITDA reaching EUR 55 million, an improvement of over EUR 80 million from 2019. We are now accelerating the commercial turnaround in the Americas supported by our investment in ferritics capabilities in Calvert.

As the industry leader in sustainability, we constantly strive to improve our sustainability performance. In 2020, we succeeded in increasing the already high share of recycled content in our production to over 90%, and with that further decreasing our CO2 footprint, which is already the lowest in the industry. We are well on track to meet our sustainability targets.

We are decisively executing our new strategy. With the three-phase strategy, we will strengthen our balance sheet and create strong returns. During 2021–2022, we will focus on strict cost and capital discipline, strong customer engagement, and a lean and delayered organization. The employee negotiations initiated in November were concluded in December, resulting in headcount reductions as planned and we target to have a headcount of below 9,000 during 2022. This was a difficult decision to make, but necessary to improve our cost structure in this competitive industry. We remain committed to our strategic plan to reach our financial targets of EUR 200 million EBITDA run-rate improvement, and net debt to EBITDA of below 3.0x by the end of 2022.

Outlook for Q1 2021

The stainless steel market has begun to recover after the global downturn caused by the COVID-19 pandemic.

The demand for stainless steel is strengthening and both business areas Europe and Americas are expected to see a seasonal increase in volumes.

Consequently, Outokumpu expects its stainless steel deliveries for the whole Group to increase in the first quarter by 10-20% compared to the fourth quarter.

Adjusted EBITDA for the first quarter of 2021 is expected to be higher compared to the fourth quarter of 2020.

Responding to COVID-19

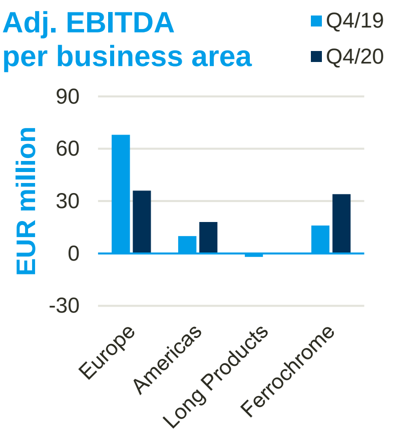
Safety is a key priority at Outokumpu, and the company is committed to protecting the health and safety of its employees. Outokumpu has several safety measures in place to ensure the safety of people and to mitigate the negative impacts of the COVID-19 pandemic. Outokumpu monitors the COVID-19 situation closely in each country in which it operates and adjusts the required measures accordingly. Despite the exceptional times brought about by the pandemic, the company delivered its strongest annual safety performance on record and safety continues to be a key priority.

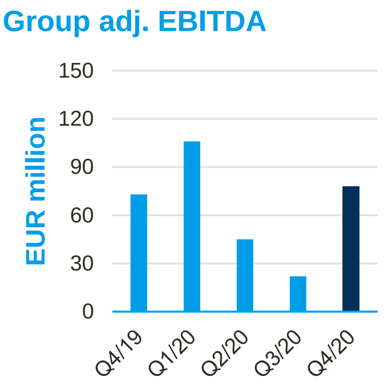
Outokumpu has contingency plans in place to mitigate operational and financial risks. Thanks to decisive and well-timed actions taken by the company, the negative impacts of the COVID-19 pandemic on Outokumpu's operations have been very limited. Outokumpu has been able to operate efficiently throughout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

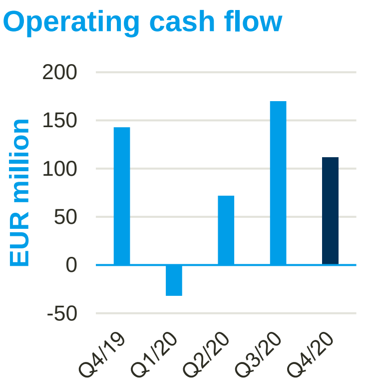
As a response to the pandemic, Outokumpu reduced its capital expenditures to EUR 180 million in 2020. Furthermore, the cash release from the net working capital reduction was significantly above the targeted level of EUR 100 million. Included here are the deferred VAT payments in Finland of EUR 75 million,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

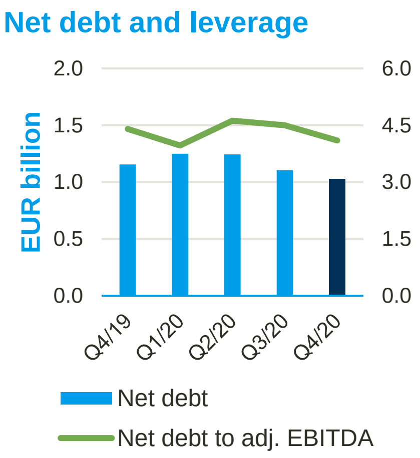
Outokumpu has successfully managed its liquidity through the pandemic and the company's financial position has remained stable. Cash and cash equivalents amounted to EUR 376 million at the end of the year and the total liquidity reserves increased to over EUR 1.0 billion. At the end of October, Outokumpu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

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









Results

Q4 2020 compared to Q4 2019

Outokumpu's sales decreased to EUR 1,350 million in the fourth quarter of 2020 (EUR 1,398 million), while adjusted EBITDA increased to EUR 78 million (EUR 73 million). Total stainless steel deliveries were 14% higher compared to the fourth quarter of the previous year. However, the positive impact from higher volumes was offset by weaker prices, especially in Europe but also to a lesser extent in the Americas. Cost-saving measures supported profitability and both input costs and fixed costs were at a lower level compared to the previous year. Raw material-related inventory and metal derivative gains amounted to EUR 15 million in the fourth quarter of 2020, while the raw material-related inventory and metal derivative losses were EUR 9 million in the reference period. Other operations and intra-group items' adjusted EBITDA amounted to EUR -10 million (EUR -19 million).

Q4 2020 compared to Q3 2020

Outokumpu's sales increased to EUR 1,350 million in the last quarter of 2020 (Q3/20: EUR 1,254 million). Adjusted EBITDA increased to EUR 78 million (Q3/20: EUR 22 million) and total stainless steel deliveries were 7% higher compared to the third quarter. Prices continued to decline in Europe but remained relatively stable in Americas. The planned maintenance work in Tornio had a EUR 7 million negative impact on the fourth quarter result compared to the previous quarter but was offset by the positive raw material impacts and reduced costs. Ferrochrome profitability improved significantly as the planned maintenance work-related and other one-off costs had a EUR 15 million negative impact on the third quarter result. Raw material-related inventory and metal derivative gains amounted to EUR 15 million in the fourth quarter compared to the EUR 3 million gains in the previous quarter.

2020 compared to 2019

In 2020, Outokumpu's sales decreased to EUR 5,639 million (EUR 6,403 million) and adjusted EBITDA to EUR 250 million (EUR 263 million). Stainless steel deliveries declined by 3% compared to the previous year as a result of weaker demand. Prices were significantly lower in Europe but declined also in Americas. Various cost-saving measures supported profitability and both input costs as well as fixed costs were at a lower level compared to the previous year. Raw material-related inventory and metal derivative losses amounted to EUR 16 million in 2020 compared to the losses of EUR 64 million in 2019. Other operations and intra-group items' adjusted EBITDA amounted to EUR -29 million (EUR -15 million). In 2020, Outokumpu recognized EUR 59 million restructuring costs related to personnel measures, reported as adjustments to EBITDA. Most of these costs are provisions where the cash impact will take place mainly in 2021. The adjustments to EBITDA in 2019 included restructuring provisions of EUR 53 million and a gain on a real estate sale of EUR 70 million.

EBIT decreased to EUR -55 million (EUR 33 million) and the net result to EUR -116 million (EUR -75 million) in 2020.

Financial position and cash flow

Operating cash flow amounted to EUR 112 million in the fourth quarter of 2020 (EUR 143 million) and EUR 322 for the full year 2020 (EUR 371 million). Net working capital decreased by EUR 73 million, compared to a decrease of EUR 66 million in the reference period. For the full year 2020, the net working capital reduction amounted to EUR 247 million (EUR 218 million) including EUR 61 million of VAT deferral. Inventories increased during the fourth quarter to EUR 1,177 million (September 30, 2020: EUR 1,077 million).

In Q4/2020, Outokumpu changed its capital expenditure definition from accrual-based to cash-based capital expenditure. Comparative information has been restated accordingly. In the fourth quarter of 2020, capital expenditure amounted to EUR 35 million (EUR 58 million). For the full year 2020, capital expenditure amounted to EUR 180 million (EUR 193 million).

Net debt decreased to EUR 1,028 million during the last quarter of the year (September 30, 2020: EUR 1,105 million) and gearing to 43.6% (September 30, 2020: 45.1%). Net financial expenses were EUR 25 million in the fourth quarter of the year (EUR 27 million) and EUR 98 million in 2020 (EUR 80 million). Interest expenses were EUR 20 million for the fourth quarter (EUR 22 million) and EUR 78 million for 2020 (EUR 76 million).

Cash and cash equivalents were at EUR 376 million at the end of December (September 30, 2020: EUR 411 million) and the overall liquidity reserves increased to over EUR 1.0 billion (September 30, 2020: EUR 0.9 billion). In addition to these reserves, Outokumpu has the unutilized EUR 76 million short-term portion of the syndicated facility available and a EUR 34 million financing facility, which can be used to finance a certain part of the Kemi mine investment.

Despite the uncertainties created by the COVID-19 pandemic, Outokumpu has been able to continue with the issuance of commercial papers; at the end of the year the outstanding amount totaled EUR 231 million. In the last quarter of 2020 Outokumpu signed a new revolving credit facility to the amount of SEK 1,000 million, which further improved its liquidity. In addition, Outokumpu also agreed an amendment and extension of its syndicated revolving credit facility; out of the EUR 574 million maturing at the end of May 2022, a facility amount of EUR 532 million was extended until the end of May 2023.

Market development

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

In the fourth quarter of 2020, real demand increased by 8.7% compared to the previous quarter (Consumer Goods and Medicals 8.6%, Chemical, Petrochemical and Energy 8.8%, Automotive & Heavy Transport 9.3%, ABC and Infrastructure 9.2%, Industrial & Heavy Industry 8.3%).

In the first quarter of 2021, global real demand is expected to decrease by 5.5% compared to the fourth quarter of 2020. This is driven by a decrease of 7.2% in APAC and 1.5% in Americas, while EMEA is expected to grow by 1.7%. Compared to the first quarter of 2020, real demand is expected to grow by 23.8%, on the back of the growth of 4.6% in EMEA, 1.7% in Americas and 32.0% in APAC. In 2021, the total global demand is estimated to grow by 8.8% compared to 2020.

Business area Europe

Europe key figures		Q4/20	Q4/19	Q3/20	2020	2019
Stainless steel deliveries	1,000 tonnes	**356**	297	338	**1,440**	1,459
Sales	EUR million	**834**	862	809	**3,568**	4,089
Adjusted EBITDA	EUR million	**36**	68	9	**142**	216
Adjustments						
Restructuring costs	EUR million	**-46**	-53	-1	**-47**	-53
Gain on the sale of real estate in Benrath, Germany	EUR million	**-**	70	-	**-**	70
EBITDA	EUR million	**-11**	85	8	**95**	233
Operating capital	EUR million	**1,573**	1,901	1,664	**1,573**	1,901

Results

Q4 2020 compared to Q4 2019

Sales amounted to EUR 834 million (EUR 862 million).
Adjusted EBITDA amounted to EUR 36 million (EUR 68 million).

- Deliveries increased by 20%.
- Positive impact from higher volumes was offset by significantly lower prices and weaker product mix.
- Cost saving measures supported profitability.
- Raw material-related inventory and metal derivative gains amounted to EUR 12 million compared to gains of EUR 6 million in Q4/19.

Q4 2020 compared to Q3 2020

Adjusted EBITDA amounted to EUR 36 million (Q3/20: EUR 9 million).

- Deliveries increased by 5%.
- Prices were lower and product mix weakened.
- Lower costs supported profitability.
- Raw material-related inventory and metal derivative gains were EUR 12 million compared to gains of EUR 3 million in Q3/20.

2020 compared to 2019

Sales amounted to EUR 3,568 million (EUR 4,089 million).
Adjusted EBITDA amounted to EUR 142 million (EUR 216 million).

- Stainless steel deliveries remained relatively stable and decreased only by 1%.
- Result was negatively impacted by significantly deteriorated prices and weaker product mix.
- Costs were at a lower level and positive raw material impacts supported profitability.
- Raw material-related inventory and metal derivative losses were EUR 11 million (losses of EUR 19 million).
- Adjustments in 2020 include EUR 47 million of restructuring costs relating to personnel reductions (EUR 53 million of restructuring costs and EUR 70 million of gains on the sale of real estate).

Market

- In Q4/20, apparent consumption in EMEA decreased by 8% compared to Q4/19 and for the full year 2020 the apparent consumption decreased by 10.8% compared to the previous year (Source: CRU January 2021).
- The share of EU cold-rolled imports from third countries declined to 24% in Q4/20, down from the level of 31% in Q3/20. (Source: EUROFER, January 2021).
- Distributor inventories remained below the long-term average level in Q4/20.

Business area Americas

Americas key figures		Q4/20	Q4/19	Q3/20	2020	2019
Stainless steel deliveries	1,000 tonnes	**148**	134	136	**588**	601
Sales	EUR million	**294**	302	264	**1,195**	1,346
Adjusted EBITDA	EUR million	**18**	10	14	**55**	-27
Restructuring costs	EUR million	**-**	-	-2	**-2**	-
EBITDA	EUR million	**18**	10	13	**53**	-27
Operating capital	EUR million	**801**	914	831	**801**	914

Results

Q4 2020 compared to Q4 2019

Sales decreased to EUR 294 million (EUR 302 million).
Adjusted EBITDA increased to EUR 18 million (EUR 10 million).

- Deliveries increased by 10%.
- Prices were lower, but product mix improved slightly.
- Raw material-related inventory and metal derivative gains amounted to EUR 2 million compared to losses of EUR 8 million in Q4/19.

Q4 2020 compared to Q3 2020

Adjusted EBITDA increased to EUR 18 million (Q3/20: EUR 14 million).

- Deliveries increased by 9%.
- Raw material-related inventory and metal derivative gains were EUR 2 million compared to gains of EUR 1 million in Q3/20.

2020 compared to 2019

Sales amounted to EUR 1,195 million (EUR 1,346 million).
Adjusted EBITDA amounted to EUR 55 million (EUR -27 million).

- Stainless steel deliveries decreased by 2%.
- Positive impacts from improved product mix were offset by weaker prices.
- Positive raw material impacts and lower costs supported profitability.
- Raw material-related inventory and metal derivative losses were EUR 1 million (losses of EUR 40 million).

Market

- In 2020, US real demand decreased by 11% compared to the previous year (American Iron & Steel Institute, January 2021).
- The share of cold-rolled imports into the US remained relatively flat at 12% in Q4/20, 3% down compared to Q3/20 (Source: American Iron & Steel Institute, January 2021).
- US distributor inventories decreased further in Q4/20 and were significantly below the long-term average level. (Source: Metals Service Center Institute, January 2021).

Business area Long Products

Long Products key figures		Q4/20	Q4/19	Q3/20	2020	2019
Stainless steel deliveries	1,000 tonnes	**43**	44	31	**175**	226
Sales	EUR million	**115**	135	89	**493**	642
Adjusted EBITDA	EUR million	**0**	-2	-3	**-8**	-7
Restructuring costs	EUR million	**3**	-	-6	**-3**	-
EBITDA	EUR million	**3**	-2	-9	**-11**	-7
Operating capital	EUR million	**133**	157	153	**133**	157

Results

Q4 2020 compared to Q4 2019

Sales decreased to EUR 115 million (EUR 135 million).
Adjusted EBITDA amounted to EUR 0 million (EUR -2 million).

- Deliveries decreased by 2%.
- Product mix was weaker.
- Cost were at a lower level.
- Raw material-related inventory and metal derivative gains amounted to EUR 1 million compared to losses of EUR 0 million in Q4/19.

Q4 2020 compared to Q3 2020

Adjusted EBITDA amounted to EUR 0 million (Q3/20: EUR -3 million).

- Deliveries increased by 37%.
- Product mix was weaker, but higher volumes supported cost efficiency.
- Raw material-related inventory and metal derivative gains were EUR 1 million compared to gains of EUR 0 million in Q3/20.

2020 compared to 2019

Sales amounted to EUR 493 million (EUR 642 million).
Adjusted EBITDA amounted to EUR -8 million (EUR -7 million).

- Stainless steel deliveries decreased by 23%.
- Negative impact from lower volumes was partly offset by stronger product mix.
- Lower input costs and cost saving initiatives supported profitability.
- Raw material-related inventory and metal derivative losses were EUR 3 million compared to losses of EUR 9 million in 2019.
- Adjustments in 2020 include EUR 3 million of restructuring costs relating to personnel reductions.

Market

- Deliveries recovered from the historic low Q3 and remained low compared to pre-COVID-19 levels.
- Order intake raised towards to end of the fourth quarter, mainly driven by increased demand from distributors and the automotive sector.
- Stock levels at the beginning of the quarter were at a historic low.

Business area Ferrochrome

Ferrochrome key figures		Q4/20	Q4/19	Q3/20	2020	2019
Ferrochrome production	1,000 tonnes	**127**	112	112	**498**	505
Sales	EUR million	**119**	104	85	**411**	461
Adjusted EBITDA	EUR million	**34**	16	9	**91**	96
Restructuring costs	EUR million	**-1**	-	-	**-1**	-
EBITDA	EUR million	**32**	16	9	**90**	96
Operating capital	EUR million	**766**	692	761	**766**	692

Results

Q4 2020 compared to Q4 2019

Sales amounted to EUR 119 million (EUR 104 million).
Adjusted EBITDA increased to EUR 34 million (EUR 16 million).

- Ferrochrome production increased by 14%.
- Input costs were lower.
- Profitability was positively impacted by USD 0.12/lb higher ferrochrome benchmark price.

Q4 2020 compared to Q3 2020

Adjusted EBITDA increased to EUR 34 million (Q3/20: EUR 9 million).

- Ferrochrome production increased by 14%.
- Input costs and fixed costs were significantly lower.
- The planned maintenance work-related and other one-off costs had EUR 15 million negative impact on Q3/20 result.

2020 compared to 2019

Sales amounted to EUR 411 million (EUR 461 million).
Adjusted EBITDA amounted to EUR 91 million (EUR 96 million).

- Ferrochrome production decreased by 1% but remained at record-high levels.
- Pricing was weaker but profitability was positively impacted by lower input costs.

Market

- For Q4/20, the European benchmark price for ferrochrome remined stable at USD 1.14/lb.
- For Q1/21, the European benchmark price for ferrochrome increased by 3.1% from USD 1.14/lb to USD 1.175/lb.
- Due to the increase in stainless steel demand and ferrochrome capacity reductions, Chinese ferrochrome spot market prices have recently increased. Due to the time delay and the fact that European benchmark pricing will not be affected before Q2/21, the impact on business area Ferrochrome's Q1/21 result will be limited.

Sustainability

Outokumpu is a leading global producer of sustainable stainless steel. The company's sustainability strategy is based on three pillars: Sustainable Operations, People & Society and Sustainable Solutions. Outokumpu is committed to the United Nations' Sustainable Development Goals with a focus on the following six goals: clean water and sanitation, affordable and clean energy, decent work and economic growth, industry, innovation and infrastructure, responsible consumption and production, and climate action.

Outokumpu is the only global stainless steel producer that publishes its stainless steel carbon footprint including all direct (scope 1) and indirect (scope 2) emissions as well as emissions from the production of raw material and transports (scope 3) annually. Outokumpu is also the only global stainless steel company to have an approved Science Based Target with the aim of reducing its greenhouse gas emissions by 20% per tonne of stainless steel by 2023. Outokumpu is well on the way to achieving this target.

In 2020, Outokumpu exceeded its target for recycled content and used over 90% of recycled material in production. Together with changed transportation modes, this reduced scope 3 emissions substantially. Outokumpu's longer-term target is to reach carbon neutrality by 2050 in-line with the EU Green Deal objectives. Outokumpu's other sustainability targets include improved organizational health, improved safety, increased energy efficiency, and zero environmental incidents. All of Outokumpu production sites are certified according to ISO 14001.

Outokumpu is rated by several corporate responsibility indexes recognizing Outokumpu's achievements in responsible operations. The independent indexes also offer insights into which areas of corporate responsibility still have room for improvement. Outokumpu is rated by EcoVadis, a leading sustainability rating provider from the customer's view which assesses over 30,000 companies regarding the environment, labor and human rights, ethics, and sustainable procurement, with a platinum recognition level. This result includes Outokumpu among the top 1% performers. In November 2020, Outokumpu received the 'Prime' label from the ISS ESG sustainability rating. The label means that Outokumpu fulfills ISS ESG's demanding requirements regarding sustainability performance in the sector and serves as an indicator of the quality of the company's performance in the governance, social, and environmental spheres.

Outokumpu is among all the steel companies in the SAM Corporate Sustainability Assessment (CSA, the leading global benchmark in the growing field of Sustainability Investing and Corporate Sustainability) included in the SAM Sustainability Yearbook 2020 as an industry mover, indicating a position within the top 15% of sustainability performers in the industry. In the Carbon Disclosure Project's (CDP) assessment in 2020, Outokumpu received a B rating for its performance in climate change actions. The rating is higher than the European average of C, and higher than the Metal Smelting, Refining & Forming sector average of D.

Safety

The total recordable injury frequency rate (TRIFR) was 2.2 in the fourth quarter of 2020 (Q4/19: 3.1) and 2.4 in 2020 (2019: 3.2), against the target of less than 3.0. These are Outokumpu's strongest quarterly and yearly performances on record.

Outokumpu has taken numerous measures to protect the health and safety of its employees and people close to the company and to mitigate the negative impacts of the global COVID-19 pandemic. These actions include remote work when feasible, limited visitor access to all sites, a travel ban, social distancing as well as an enhanced focus on cleanliness and hygiene at all sites.

The COVID-19 pandemic has now moved into a second wave of infections in most of the countries in which Outokumpu operates, but the impact on the company's employees has been limited. Outokumpu operates under strict rules and continuously reviews the COVID-19 instructions given by the local governments to protect its employees.

Personnel

Outokumpu's headcount was reduced by 203 during the last quarter of the year, totaling 9,915 at the end of December (September 30, 2020: 10,118). On November 5, Outokumpu announced plans on restructuring measures with the aim to reduce company's cost base. The company completed its employee negotiation processes in December, and it was announced that the total targeted employee headcount reduction of 1,000 will be completed in full, mostly by the end of 2021. Outokumpu aims to have a headcount of below 9,000 during 2022.

Shares

On December 31, 2020, Outokumpu's share capital was EUR 311 million, and the total number of shares was 416,374,448. At year-end, Outokumpu held 4,372,236 of treasury shares. The average number of shares outstanding was 411,856,818 in the fourth quarter and 411,824,420 in 2020.

Risks and uncertainties

Short-term risks and uncertainties

Outokumpu continues to focus on mitigating its exposure to COVID-19 pandemic-related risks and uncertainties to its business and operations, as well as other risks including but not limited to: risk of business interruptions due to closures or partial closures in Outokumpu's production and distribution locations; weakened outlook in demand for stainless steel and consequently Outokumpu's expected product deliveries; delays or failures in deliveries by Outokumpu's suppliers; impacts on personnel resources; dependencies on certain critical suppliers; overall price and availability of critical raw materials and supplies; impacts on payment terms with suppliers due to Outokumpu's weakened credit rating; increased overdues and the realization of credit losses from customer receivables; liquidity and refinancing risks; changes in the prices of ferrochrome, nickel, electrical power, and CO2 emission allowances; currency developments affecting the euro, US dollar, Swedish krona, and British pound; negative impacts on the amount of defined pension benefit assets and liabilities; changes in interest margins applied to Outokumpu; and risks related to the fair value of shareholdings, such as investment in the Fennovoima project and project and investment implementation risks, including the ongoing project at the Kemi mine.

Possible further adverse changes in the global political and economic environment, including severe and lengthened impacts from the vaccine deployment process with slower than expected recovery may have an impact on Outokumpu's overall business.

Board of Directors' proposal for profit distribution

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

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

Changes in management

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

Helsinki, February 4, 2021

Outokumpu Oyj
Board of Directors

Financial information

Condensed statement of income (EUR million)	Oct–Dec 2020	Oct–Dec 2019	Jan–Dec 2020	Jan–Dec 2019
Sales	**1,350**	1,398	**5,639**	6,403
Cost of sales	**-1,306**	-1,382	**-5,403**	-6,108
Gross margin	**45**	16	**236**	295
Other operating income	**8**	88	**22**	107
Sales, general and administrative costs	**-76**	-71	**-285**	-292
Other operating expenses	**-9**	-2	**-28**	-77
EBIT	**-33**	30	**-55**	33
Share of results in associated companies	**1**	3	**2**	6
Interest expenses	**-20**	-22	**-78**	-76
Net other financial income and expenses	**-6**	-5	**-20**	-4
Total financial income and expenses	**-25**	-27	**-98**	-80
Result before taxes	**-57**	6	**-151**	-41
Income taxes	**19**	-21	**34**	-33
Net result for the period	**-39**	-15	**-116**	-75
Earnings per share for result attributable to the equity holders of the Company				
Earnings per share, EUR	**-0.09**	-0.04	**-0.28**	-0.18
Diluted earnings per share, EUR	**-0.09**	-0.04	**-0.28**	-0.18

Statement of comprehensive income (EUR million)	Oct–Dec 2020	Oct–Dec 2019	Jan–Dec 2020	Jan–Dec 2019
Net result for the period	**-39**	-15	**-116**	-75
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations				
Change in exchange differences	**-30**	-19	**-86**	25
Reclassification adjustments from other comprehensive income to profit or loss	**-**	3	**-**	3
Cash flow hedges				
Fair value changes during the financial year	**-8**	2	**-8**	12
Reclassification adjustments from other comprehensive income to profit or loss	**5**	-1	**-5**	-1
Reclassification adjustments from other comprehensive income to inventory	**-0**	2	**4**	-2
Income tax relating to cash flow hedges	**0**	-1	**0**	-1
Items that will not be reclassified to profit or loss:				
Remeasurements on defined benefit obligation plans				
Changes during the accounting period	**-19**	-7	**-12**	-43
Income tax relating to remeasurements	**3**	-2	**4**	10
Equity investments at fair value through other comprehensive income	**2**	-1	**4**	-54
Share of other comprehensive income in associated companies	**0**	0	**-0**	-0
Other comprehensive income for the period, net of tax	**-47**	-24	**-101**	-49
Total comprehensive income for the period	**-86**	-39	**-217**	-124

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

Condensed statement of financial position (EUR million)	Dec 31 2020	Dec 31 2019
ASSETS		
Non-current assets		
Intangible assets	**610**	607
Property, plant and equipment	**2,631**	2,767
Investments in associated companies	**38**	38
Other financial assets	**54**	36
Deferred tax assets	**264**	229
Defined benefit plan assets	**64**	68
Trade and other receivables	**1**	2
Total non-current assets	**3,663**	3,747
Current assets		
Inventories	**1,177**	1,424
Other financial assets	**44**	28
Trade and other receivables	**537**	514
Cash and cash equivalents	**376**	325
Total current assets	**2,134**	2,291
TOTAL ASSETS	**5,797**	6,038
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the Company	**2,360**	2,562
Non-current liabilities		
Non-current debt	**1,153**	1,053
Deferred tax liabilities	**7**	12
Defined benefit and other long-term employee benefit obligations	**329**	335
Provisions	**84**	85
Trade and other payables	**45**	29
Total non-current liabilities	**1,618**	1,514
Current liabilities		
Current debt	**251**	427
Other financial liabilities	**32**	17
Provisions	**31**	25
Trade and other payables	**1,505**	1,493
Total current liabilities	**1,820**	1,962
TOTAL EQUITY AND LIABILITIES	**5,797**	6,038

Condensed statement of cash flows (EUR million)	Oct–Dec 2020	Oct–Dec 2019	Jan–Dec 2020	Jan–Dec 2019
Net result for the period	**-39**	-15	**-116**	-75
Adjustments				
Depreciation, amortization and impairments	**63**	60	**246**	233
Other non-cash adjustments	**49**	55	**93**	97
Change in working capital	**73**	66	**247**	218
Provisions, and defined benefit and other long-term employee benefit obligations paid	**-13**	-14	**-71**	-53
Dividends and interests received	**0**	6	**2**	12
Interests paid	**-21**	-16	**-69**	-56
Income taxes paid	**0**	1	**-10**	-5
Net cash from operating activities	**112**	143	**322**	371
Acquired businesses, net of cash	**-**	-3	**-**	-3
Purchases of assets	**-35**	-54	**-180**	-190
Proceeds from the disposal of subsidiaries, net of cash	**-**	9	**-**	9
Proceeds from the sale of assets	**14**	93	**15**	109
Other investing cash flow	**-1**	1	**-10**	10
Net cash from investing activities	**-22**	44	**-175**	-65
Cash flow before financing activities	**91**	187	**147**	306
Dividends paid	**-**	-	**-**	-62
Borrowings of non-current debt	**22**	441	**496**	515
Repayment of non-current debt	**-97**	-30	**-721**	-110
Change in current debt	**-51**	-396	**130**	-396
Other financing cash flow	**0**	-0	**0**	3
Net cash from financing activities	**-126**	14	**-94**	-49
Net change in cash and cash equivalents	**-35**	201	**53**	256
Cash and cash equivalents at the beginning of the period	**411**	123	**325**	68
Net change in cash and cash equivalents	**-35**	201	**53**	256
Foreign exchange rate effect	**0**	0	**-1**	0
Cash and cash equivalents at the end of the period	**376**	325	**376**	325

Statement of changes in equity
(EUR million)

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

Adjustments to EBITDA and EBIT (EUR million)	Q4/2020	Q4/2019	2020	2019
Restructuring costs	**-48**	-53	**-59**	-53
Gain on the sale of real estate in Benrath, Germany	**-**	70	**-**	70
Settlement with ThyssenKrupp	**-**	-	**-**	-14
Adjustments to EBITDA and EBIT	**-48**	17	**-59**	3

Group key figures		Q4/2020	Q4/2019	2020	2019
Scope of activity					
Capital employed at the end of period	EUR million	**3,543**	3,904	**3,543**	3,904
Capital expenditure [1)]	EUR million	**35**	58	**180**	193
Depreciation and amortization	EUR million	**-60**	-59	**-243**	-230
Impairments	EUR million	**-2**	-1	**-3**	-3
Personnel at the end of period		**9,915**	10,390	**9,915**	10,390
- average for the period		**10,007**	10,445	**10,310**	10,645
Profitability					
Adjusted EBITDA	EUR million	**78**	73	**250**	263
Adjustments to EBITDA	EUR million	**-48**	17	**-59**	3
EBITDA	EUR million	**30**	90	**191**	266
Earnings per share	EUR	**-0.09**	-0.04	**-0.28**	-0.18
Diluted earnings per share	EUR	**-0.09**	-0.04	**-0.28**	-0.18
Adjusted average number of shares [2)]	1,000 shares	**411,857**	411,436	**411,824**	411,198
Return on equity	%	**-4.7**	-2.8	**-4.7**	-2.8
Return on capital employed	%	**-1.4**	0.8	**-1.4**	0.8
Financing and financial position					
Non-current debt	EUR million	**1,153**	1,053	**1,153**	1,053
Current debt	EUR million	**251**	427	**251**	427
Cash and cash equivalents	EUR million	**-376**	-325	**-376**	-325
Net debt at the end of period	EUR million	**1,028**	1,155	**1,028**	1,155
Net debt to Adjusted EBITDA		**4.1**	4.4	**4.1**	4.4
Equity-to-assets ratio at the end of period	%	**40.8**	42.5	**40.8**	42.5
Debt-to-equity ratio at the end of period	%	**43.6**	45.1	**43.6**	45.1
Equity per share at the end of period [2)]	EUR	**5.73**	6.22	**5.73**	6.22

[1)] In Q4/2020, Outokumpu changed its capital expenditure definition from accrual-based to cash-based capital expenditure.

Comparative information has been restated accordingly.

[2)] Excluding treasury shares.

Sales by segment (EUR million)	Q4/2020	Q4/2019	2020	2019
Europe total	**834**	862	**3,568**	4,089
of which intra-group	**19**	21	**83**	66
Americas total	**294**	302	**1,195**	1,346
of which intra-group	**0**	0	**1**	3
Long Products total	**115**	135	**493**	642
of which intra-group	**21**	20	**78**	137
Ferrochrome total	**119**	104	**411**	461
of which intra-group	**82**	72	**260**	293
Other operations total	**177**	178	**665**	653
of which intra-group	**66**	71	**271**	290
Group total sales	**1,350**	1,398	**5,639**	6,403

Adjusted EBITDA by segment (EUR million)	Q4/2020	Q4/2019	2020	2019
Europe	**36**	68	**142**	216
Americas	**18**	10	**55**	-27
Long Products	**0**	-2	**-8**	-7
Ferrochrome	**34**	16	**91**	96
Other operations and intra-group items	**-10**	-19	**-29**	-15
Group total adjusted EBITDA	**78**	73	**250**	263

Adjustments to EBITDA and EBIT by segment (EUR million)	Q4/2020	Q4/2019	2020	2019
Europe	**-46**	17	**-47**	17
Americas	**-**	-	**-2**	-
Long Products	**3**	-	**-3**	-
Ferrochrome	**-1**	-	**-1**	-
Other operations	**-3**	-0	**-6**	-14
Group total adjustments	**-48**	17	**-59**	3

EBITDA by segment (EUR million)	Q4/2020	Q4/2019	2020	2019
Europe	**-11**	85	**95**	233
Americas	**18**	10	**53**	-27
Long Products	**3**	-2	**-11**	-7
Ferrochrome	**32**	16	**90**	96
Other operations and intra-group items	**-13**	-19	**-36**	-29
Group total EBITDA	**30**	90	**191**	266

Adjusted EBIT by segment (EUR million)	Q4/2020	Q4/2019	2020	2019
Europe	**-2**	33	**-0**	82
Americas	**5**	-5	**0**	-84
Long Products	**-3**	-4	**-19**	-16
Ferrochrome	**25**	8	**57**	67
Other operations and intra-group items	**-11**	-20	**-34**	-19
Group total adjusted EBIT	**15**	13	**4**	30

EBIT by segment (EUR million)	Q4/2020	Q4/2019	2020	2019
Europe	**-48**	50	**-47**	99
Americas	**6**	-5	**-1**	-84
Long Products	**1**	-4	**-21**	-16
Ferrochrome	**24**	8	**56**	67
Other operations and intra-group items	**-14**	-20	**-40**	-34
Group total EBIT	**-33**	30	**-55**	33

Depreciation and amortization by segment (EUR million)	Q4/2020	Q4/2019	2020	2019
Europe	**-35**	-35	**-140**	-134
Americas	**-13**	-14	**-54**	-56
Long Products	**-3**	-2	**-10**	-8
Ferrochrome	**-9**	-7	**-34**	-29
Other operations	**-1**	-1	**-4**	-4
Group total depreciation and amortization	**-60**	-59	**-243**	-230

Capital expenditure by segment (EUR million)	Q4/2020	Q4/2019	2020	2019
Europe	**7**	16	**34**	51
Americas	**6**	9	**16**	21
Long Products	**1**	1	**3**	16
Ferrochrome	**20**	22	**92**	77
Other operations	**1**	9	**35**	28
Group total capital expenditure	**35**	58	**180**	193

In Q4/2020, Outokumpu changed its capital expenditure definition from accrual-based to cash-based capital expenditure.
Comparative information has been restated accordingly.

Operating capital by segment (EUR million)	Q4/2020	Q4/2019	2020	2019
Europe	**1,573**	1,901	**1,573**	1,901
Americas	**801**	914	**801**	914
Long Products	**133**	157	**133**	157
Ferrochrome	**766**	692	**766**	692
Other operations and intra-group items	**13**	23	**13**	23
Group total operating capital	**3,286**	3,687	**3,286**	3,687

Personnel at the end of period by segment	Q4/2020	Q4/2019	2020	2019
Europe	**6,454**	6,753	**6,454**	6,753
Americas	**1,811**	1,934	**1,811**	1,934
Long Products	**799**	883	**799**	883
Ferrochrome	**477**	472	**477**	472
Other operations	**374**	348	**374**	348
Group total personnel at the end of period	**9,915**	10,390	**9,915**	10,390

Geographical information – Sales by destination (EUR million)	Jan–Dec 2020	Jan–Dec 2019
Finland	**208**	264
Other Europe	**3,240**	3,598
North America	**1,337**	1,573
Asia and Oceania	**373**	506
Other countries	**481**	462
Group total sales	**5,639**	6,403

Sales to other countries include the parent company's nickel warrant sales.

Total external sales by segment		
Europe	**3,485**	4,023
of which to Finland	**196**	254
of which to other Europe	**2,940**	3,277
of which to North America	**47**	96
of which to Asia and Oceania	**262**	349
of which to other countries	**41**	47
Americas	**1,194**	1,343
of which to North America	**1,144**	1,277
of which to Asia and Oceania	**5**	13
of which to other countries	**45**	52
Long Products	**415**	505
of which to Finland	**2**	1
of which to other Europe	**235**	265
of which to North America	**144**	200
of which to Asia and Oceania	**33**	39
Ferrochrome	**151**	168
of which to Finland	**10**	8
of which to other Europe	**66**	56
of which to North America	**2**	-
of which to Asia and Oceania	**73**	104
of which to other countries	**0**	1
Other operations	**394**	363
of which to other countries	**394**	363
Group total sales	**5,639**	6,403

Sales of Other operations include the parent company's nickel warrant sales.

Property, plant and equipment (EUR million)	Jan–Dec 2020	Jan–Dec 2019
Carrying value at the beginning of the period	**2,767**	2,659
IFRS 16 transition impact	**-**	131
Translation differences	**-61**	15
Additions	**169**	205
Disposals	**-11**	-24
Disposed subsidiaries	**-**	-1
Reclassifications	**-1**	3
Depreciation and impairments	**-231**	-226
Other	**-0**	5
Carrying value at the end of the period	**2,631**	2,767

Commitments (EUR million)	Dec 31 2020	Dec 31 2019
Mortgages	**3,203**	3,192
Other pledges	**13**	13
Guarantees		
On behalf of subsidiaries for commercial and other commitments	**29**	27
On behalf of associated companies for finaning	**2**	4
Other commitments	**10**	14

Mortgages relate mainly to securing the Group's financing. A major part of Outokumpu's borrowings are secured partly by mortgage over the real property of the Group's main production plants. Mortgages include also a business mortgage note to secure a loan for the DeepMine project.

Outokumpu has provided a guarantee and a pledge of shares of a subsidiary as a security for the AvestaPolarit pension scheme.

Other pledges include Outokumpu's shares in Manga LNG Oy of EUR 13 million to secure certain liabilities of Manga LNG Oy. Outokumpu's total liability on Dec 31, 2020 amounted to EUR 24 million (Dec 31, 2019: EUR 29 million), and the part exceeding the share pledge and guarantee is presented under other commitments. Other commitments include also Outokumpu's liabilities for the net debt in Tornion Voima Oy.

Outokumpu's share of the Fennovoima investment is appr. EUR 250 million, of which EUR 92 million has been paid by the end of the reporting period. Annual capital expenditure related to the project is expected to be on average around EUR 15–20 million in the coming years, and approximately half of the investment is expected to be paid at the end of the construction phase.

The Group's other off-balance sheet investment commitments totaled EUR 51 million on Dec 31, 2020 (Dec 31, 2019: EUR 68 million).

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 costs to the company from this contract.

Related party transactions (EUR million)	Jan–Dec 2020	Jan–Dec 2019
Transactions and balances with related companies		
Sales and other operating income	**69**	89
Purchases	**-37**	-7
Dividends received	**-**	10
Trade and other receivables	**21**	29
Trade and other payables	**3**	3

Fair values and nominal amounts of derivative instruments (EUR million)	Dec 31 2020 Net fair value	Dec 31 2019 Net fair value	Dec 31 2020 Nominal amounts	Dec 31 2019 Nominal amounts
Currency and interest rate derivatives				
Currency forwards	**-12**	-3	**1,273**	1,815
Currency options, bought	**-**	0	**-**	6
Interest rate swaps	**6**	5	**325**	200
			Tonnes	Tonnes
Metal derivatives				
Forward nickel contracts, hedge accounted	**-4**	6	**26,417**	8,048
Forward nickel contracts	**1**	-6	**19,132**	9,772
Forward molybdenum contracts	**-**	-0	**-**	18
Nickel options, bought	**-**	0	**-**	5,500
	-8	3		

Hierarchy of financial assets and liabilities measured at fair value on Dec 31, 2020 (EUR million)	Level 1	Level 2	Level 3	Total
Assets				
Equity investments at fair value through OCI	-	-	48	48
Investments at fair value through profit or loss	26	-	-	26
Derivatives	-	24	-	24
	26	24	48	98
Liabilities				
Derivatives	-	32	-	32

Reconciliation of changes on level 3 (EUR million)	Equity investments at fair value through other comprehensive income
Carrying value on Jan 1, 2020	31
Additions	13
Fair value changes	4
Carrying balance on Dec 31, 2020	48

A major part of equity investments at fair value through other comprehensive income at hierarchy level 3 relate to investments in unlisted energy producing companies. Valuation model of energy producing companies is based on discounted cash flow model, which takes into account the market prices of electricity, discount rate, inflation rate, the estimated amount of electricity to be received and estimated production costs.

Outokumpu has invested in Voimaosakeyhtiö SF which gives Outokumpu an appr. 14% indirect share of the Fennovoima Oy nuclear power plant project. Voimaosakeyhtiö SF's additional valuation parameters include e.g. expected purchase price of electricity under the Mankala principle, expected project completion date and cost of debt in Fennovoima Oy. The fair value of Voimaosakeyhtiö SF shares is highly sensitive to the valuation parameters and especially to long-term market price of electricity, Fennovoima's capacity utilization rate, discount rates for cash flows and the terminal value, inflation rates for costs and market price of electricity, and project completion date.

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

The fair value of non-current debt is EUR 1,208 million (carrying amount EUR 1,153 million). The carrying amount of other financial instruments is a reasonable approximation of fair value.

Definitions of financial key figures

EBITDA	=	EBIT before depreciation, amortization and impairments	
Adjustments to EBITDA or EBIT	=	Material income and expense items which affect the comparability between periods because of their unusual nature, size or incidence resulting for example from group-wide restructuring programs or disposals of assets or businesses.	
Adjusted EBITDA or EBIT	=	EBITDA or EBIT – items classified as adjustments	
Capital employed	=	Total equity + net debt + net defined benefit and other long-term employee benefit obligations + net interest rate derivative liabilities + net accrued interest expenses – net assets held for sale – loans receivable – equity investments at fair value through other comprehensive income – investments at fair value through profit or loss – investments in associated companies	
Operating capital	=	Capital employed – net deferred tax asset	
Capital expenditure	=	Purchases of property, plant and equipment and intangible assets, other than emission allowances; and investments in equity at fair value through other comprehensive income and in associated companies and acquisitions of businesses	
Return on capital employed (ROCE)	=	$\frac{\text{EBIT (4-quarter rolling)}}{\text{Capital employed (4-quarter rolling average)}}$	× 100
Return on equity (ROE)	=	$\frac{\text{Net result for the financial period (4-quarter rolling)}}{\text{Total equity (4-quarter rolling average)}}$	× 100
Net debt	=	Non-current debt + current debt – cash and cash equivalents	
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets – advances received}}$	× 100
Debt-to-equity ratio	=	$\frac{\text{Net debt}}{\text{Total equity}}$	× 100
Net debt to adjusted EBITDA	=	$\frac{\text{Net debt}}{\text{Adjusted EBITDA (4-quarter rolling)}}$	
Earnings per share	=	$\frac{\text{Net result for the financial period attributable to the owners of the parent}}{\text{Adjusted average number of shares during the period}}$	
Equity per share	=	$\frac{\text{Equity attributable to the owners of the parent}}{\text{Adjusted number of shares at the end of the period}}$	

Basis of preparation

This financial statement release is prepared in accordance with IAS 34 Interim Financial Reporting and the annual financial information in this release is based on audited IFRS figures. The same accounting policies and methods of computation have been followed when preparing the financial information as in the financial statements for 2019, with the exception of new and amended standards applied from the beginning of 2020.

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

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

Revenue recognition (new)

Outokumpu has entered into so-called bill and hold arrangements with its selected European customers. In these arrangements, based on a customer request, Outokumpu holds the readily available material at its own stock locations for the customer up to a period of three months before the actual delivery of the material. However, Outokumpu has transferred control of these materials to the customer and consequently recognized the revenue for the material sales. The revenue related to Outokumpu's performance obligation to deliver the material will be recognized when the delivery takes place. At the end of Q4/2020, the amount of revenues recognized under the bill and hold arrangements in business area Europe was immaterial.

Management judgment and the use of estimates

The preparation of the financial statements in accordance with IFRSs 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 estimation of future cash flows and the definition of the discount rates for impairment testing require management to make assumptions relating to future expectations (e.g. future pricing, production volumes and costs, market supply and demand, projected maintenance capital expenditure, and weighted average cost of capital). In estimating future cash flows, with regard to the COVID-19 pandemic, management makes assumptions relating to the severity of the outbreak's impact on market and financial development as well as the timing and pace of the recovery.

Although these estimates are based on management's best knowledge of the circumstances at the end of the reporting period, actual outcomes may differ from the estimates and assumptions.

Responding to COVID-19

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

Impairment of intangible assets and property, plant and equipment

Outokumpu's practice is to assess the impairment indication on a quarterly basis. In relation to the strategic review process, the company has updated its cashflow projections and other parameters used in the impairment test for intangible assets and property, plant, and equipment. The estimated recoverable amounts based on discounted cash flow projections continue to exceed the assets' carrying amounts for each business area, and consequently no impairment losses were recognized. For Americas in particular, the estimated recoverable amount exceeds the carrying amount by approximately EUR 181 million. An increase of 1.4 percentage points in the after-tax WACC would cause the recoverable amount to equal the carrying amount. Also, a 12% decrease in EBITDA would cause the recoverable amount to equal the carrying amount. A terminal growth rate of 0% would not lead to impairment.

Credit risk management

Outokumpu's sales are covered by approved credit limits or secured payment terms. Most of the outstanding trade receivables have been secured mainly by credit insurance policies, which typically cover some 95% of an insured credit loss. Part of the credit risk related to trade receivables is also managed with letters of credit, advance payments and guarantees. The portion of unsecured receivables during 2020 has been approximately 4–6% of all trade receivables. During 2020, credit limits have remained available from the insurer and there is no significant change in the insurance cover. Outokumpu has monitored credit risk and the overdue situation closely and continued its close co-operation with insurers. The overdue receivables amounted to EUR 22 million on December 31, 2020 (EUR 47 million on Dec 31, 2019).

Liquidity

Cash and cash equivalents were at EUR 376 million on December 31, 2020, and the overall liquidity reserves were some EUR 1.0 billion (Dec 31, 2019: EUR 325 million and EUR 1.0 billion, respectively) In addition to these reserves, Outokumpu has available an unutilized short-term portion of the syndicated facility of EUR 76 million and EUR 34 million of the financing facility, which can be used to finance the Kemi mine investment. Despite the uncertainties created by the coronavirus pandemic, Outokumpu has been able to continue an issuance of commercial papers; at the end of the year, the outstanding amount totaled EUR 231 million (Dec 31, 2019: EUR 101 million).

In July 2020, Outokumpu issued a EUR 125 million senior unsecured convertible bond due in July 2025. The bonds carry a coupon of 5.00% per annum, payable semi-annually in arrears, with the first interest payment date of January 9, 2021. The current conversion price is set at EUR 3.273 and it will be subject to adjustments for any dividend as well as customary anti-dilution adjustments pursuant to the terms and conditions of the bonds. The shares underlying the bonds represent 9.3% of the total number of outstanding shares at year-end.

In October 2020, Outokumpu signed a new revolving credit facility in the amount of SEK 1,000 million, guaranteed by the Swedish Export Credit Agency EKN and including a condition allowing for two consecutive yearly extensions of maturity until the end of May 2024. In December 2020, Outokumpu agreed an amendment and extension of its syndicated revolving credit facility allowing for two consecutive yearly extension requests of the maturity dates until the end of May 2024. Out of the EUR 574 million maturing at the end of May 2022, a facility amount of EUR 532 million has been extended until the end of May 2023.

Furthermore, Outokumpu has deferred Finnish VAT payments of EUR 61 million outstanding at year-end 2020. The interest on the deferral is 2.5% per annum from the original due dates in January–March and July 2020 and the payments will be made in equal monthly installments between Q3/2020–Q2/2022. The deferred VAT payments are presented as VAT payables in non-current and current trade and other payables. These transactions have had positive impacts on liquidity, debt maturity profile and capital structure.

Government support

Outokumpu has been able to utilize government support schemes in its operating countries. Outokumpu has received a total of EUR 5 million to compensate personnel expenses. Outokumpu has also utilized schemes available to defer VAT and social security payments.

Share-based payments

Outokumpu's share-based payment programs include Performance Share Plan (Plans 2018–2020, 2019–2021 and 2020–2022), Restricted Share Plan (Plans 2018–2020, 2019–2021, and 2020–2022), and a Matching Share Plan for the key management.

The Performance Share Plan 2017–2019 ended and based on not achieving the targets no shares were rewarded to the participants. Regarding the Restricted Share Plan 2017–2019, after deductions for applicable taxes, a total of 49,147 shares were delivered to the participants based on the conditions of the plan. Regarding the Matching Share Plan, after deduction of applicable taxes, a total of 178,350 shares were delivered to the participants. Outokumpu used its treasury shares for the reward payments.

In December 2019, the Board of Directors approved the commencement of the new periods (plans 2020–2022) of the Performance Share Plan and the Restricted Share Plan from the beginning of 2020. At the end of the reporting period, 127 key employees participated in the Performance Share Plan and the maximum number of gross shares (taxes included) allocated to them was 2,903,702 shares. At the end of the reporting period, 37 key employees participated in the Restricted Share Plan and the maximum number of gross shares (taxes included) allocated to them was 161,900 shares.

In December 2020, the Board of Directors approved the commencement of the2021–2023 plans for the Performance Share Plan and the Restricted Share Plan from the beginning of 2021.