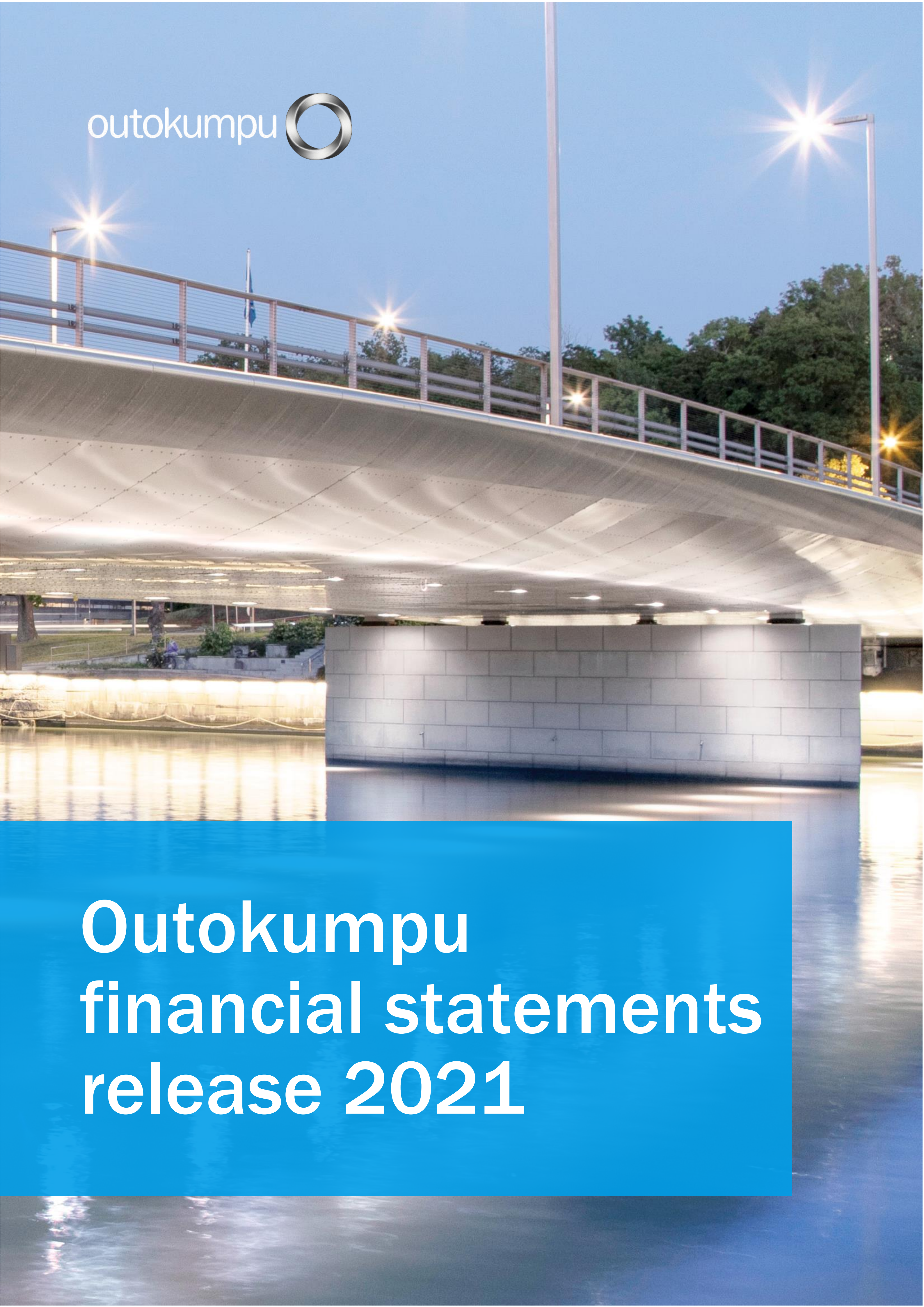


Outokumpu financial statements release 2021

Contents

Outokumpu financial statements release 2021

2021 adjusted EBITDA reached over EUR 1 billion, while net debt decreased to EUR 408 million

Highlights in Q4 2021

- Stainless steel deliveries were 586,000 tonnes (523,000 tonnes)[1].
- Adjusted EBITDA increased to EUR 326 million (EUR 78 million).
- EBITDA was EUR 314 million (EUR 30 million).
- Operating cash flow amounted to EUR 384 million (EUR 112 million).
- Net debt decreased to EUR 408 million (September 30, 2021: EUR 749 million).
- Gearing decreased to 13.1% (September 30, 2021: 24.6%).

Highlights in 2021

- Stainless steel deliveries were 2,395,000 tonnes (2,121,000 tonnes).
- Adjusted EBITDA amounted to EUR 1,021 million (EUR 250 million).
- EBITDA was EUR 1,009 million (EUR 191 million).
- Operating cash flow amounted to EUR 597 million (EUR 322 million).
- Net result was EUR 553 million (EUR -116 million).
- The Board of Directors proposes that a dividend of EUR 0.15 per share will be paid for year 2021.

Group key figures		Q4/21	Q4/20	Q3/21	2021	2020
Sales	EUR million	**2,215**	1,350	1,949	**7,709**	5,639
EBITDA	EUR million	**314**	30	295	**1,009**	191
Adjusted EBITDA [1)]	EUR million	**326**	78	295	**1,021**	250
EBIT	EUR million	**191**	-33	234	**705**	-55
Adjusted EBIT [1)]	EUR million	**245**	15	234	**758**	4
Result before taxes	EUR million	**178**	-57	217	**640**	-151
Net result for the period	EUR million	**159**	-39	182	**553**	-116
Earnings per share [2)]	EUR	**0.35**	-0.09	0.40	**1.26**	-0.28
Diluted earnings per share [2)]	EUR	**0.33**	-0.09	0.37	**1.17**	-0.28
Return on capital employed	%	**18.8**	-1.4	12.9	**18.8**	-1.4
Net cash generated from operating activities	EUR million	**384**	112	180	**597**	322
Net debt at the end of period	EUR million	**408**	1,028	749	**408**	1,028
Debt-to-equity ratio at the end of period	%	**13.1**	43.6	24.6	**13.1**	43.6
Capital expenditure	EUR million	**59**	35	32	**175**	180
Stainless steel deliveries	1,000 tonnes	**586**	523	575	**2,395**	2,121
Personnel at the end of period, full-time equivalent [3)]		**9,096**	9,602	9,137	**9,096**	9,602

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

[2)] Calculated based on the share-issue-adjusted weighted average number of shares. Comparative information is presented accordingly.

[3)] In Q1/2021, Outokumpu changed its main personnel amount measure from headcount to full-time equivalent personnel. Comparative information is presented accordingly.

[1] Figures in parentheses refer to the corresponding period for 2020, unless otherwise stated.

President & CEO Heikki Malinen

The year 2021 was a great success for Outokumpu. In an exceptionally strong market environment, we delivered our best annual financial results in recent history. I am very pleased that Outokumpu's adjusted EBITDA exceeded the remarkable EUR 1.0 billion milestone and amounted to EUR 1,021 million, while net debt decreased to EUR 408 million. Our strong earnings per share was also a highlight of the past year.

I am proud to say that in 2021 we had the strongest safety performance on record. Our annual total recordable injury frequency rate improved to 2.0. I want to thank all our employees for their continuous efforts.

During 2021, our focus has been on our strategic aim of de-risking. As a result of the various actions taken throughout the year, we have reduced our net debt to EBITDA ratio to 0.4. Also, credit rating agency Moody's recognized our good development and upgraded Outokumpu's credit rating twice last year. In November, we increased our EBITDA run-rate improvement target to EUR 250 million and have now reached a cumulative impact of EUR 198 million. De-risking also continues through the first phase of the strategy until the end of 2022.

In the fourth quarter, we increased our adjusted EBITDA to EUR 326 million, while deliveries remained at a similar level compared to the previous quarter. Throughout the year, our mills have been running at full capacity, and we increased our annual deliveries by 13% compared to the previous year. All business areas provided solid results in 2021 and development in realized stainless steel prices has been favorable. We have had logistical challenges throughout the year as the global supply chains have been under pressure. Our teams have worked very hard to overcome the difficult situation.

In 2021, business area Europe's adjusted EBITDA reached EUR 485 million and deliveries increased by 7% compared to the previous year. In the exceptionally strong market, business area Americas' adjusted EBITDA rose to its highest level ever, EUR 297 million, and deliveries increased by 26%. Also, business area Ferrochrome increased its adjusted EBITDA to EUR 246 million.

Sustainability has been our key focus area in 2021. We are committed to the United Nations' Guiding Principles on Business and Human Rights. In particular, we have invested time and resources to better understand and manage our supply chain. We are assessing our raw material suppliers, starting with Brazil and followed by Guatemala, where the work continues. The results so far demonstrate the importance of this ongoing work. In 2022, we aim to conduct several supplier assessments in high-risk countries.

Outokumpu's updated and more ambitious climate targets have been approved by the Science Based Targets initiative (SBTi). Our targets are now aligned with keeping global warming below 1.5° degrees. Outokumpu is currently the only stainless steel producer to have its ambitious climate targets approved by the SBTi. We are firmly progressing on our path towards our vision of being the customer's first choice in sustainable stainless steel.

Following Outokumpu's strong financial performance and strengthened financial position, Board of Directors has today proposed a dividend of EUR 0.15 per share for year 2021.

Outlook for Q1 2022

Group stainless steel deliveries in the first quarter are expected to increase compared to the fourth quarter.

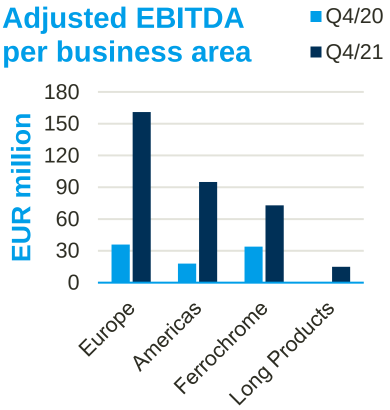
The European ferrochrome benchmark price remained stable at USD 1.80/lb for the first quarter.

Higher stainless steel prices are reflected in the already received orders and more than offset the increase in energy and consumable prices.

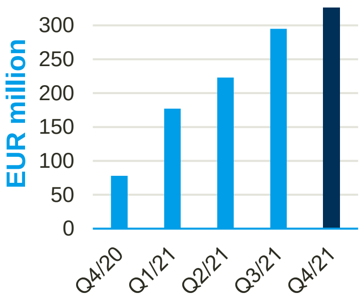
COVID-19 remains a risk and could potentially impact operations and logistics.

Adjusted EBITDA in the first quarter of 2022 is expected to be on a similar or higher level compared to the fourth quarter.

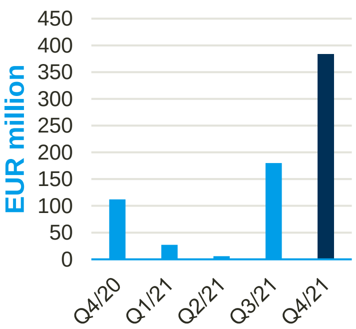
Adjusted EBITDA per business area



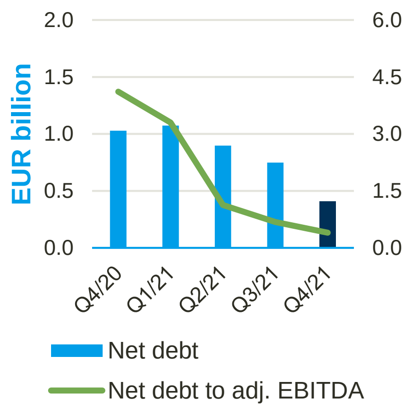
Group adjusted EBITDA



Operating cash flow



Net debt and leverage



Results

Q4 2021 compared to Q4 2020

Outokumpu's fourth-quarter sales increased to EUR 2,215 million in 2021 (EUR 1,350 million). Adjusted EBITDA amounted to EUR 326 million (EUR 78 million), while total stainless steel deliveries grew by 12% compared to the reference period. Realized prices for stainless steel were at a higher level in both Europe and Americas, and the ferrochrome sales price increased from the previous year. However, profitability was impacted by significantly increased energy and consumable prices as well as higher fixed costs. In the fourth quarter of 2021, raw material-related inventory and metal derivative gains amounted to EUR 6 million (gains of EUR 15 million) and adjustment items in EBITDA EUR -12 million (EUR -48 million). Other operations and intra-group items' adjusted EBITDA amounted to EUR -18 million (EUR -10 million) due to higher intra-group inventory eliminations.

Q4 2021 compared to Q3 2021

Outokumpu's sales increased to EUR 2,215 million in the fourth quarter (Q3/2021: EUR 1,949 million) and adjusted EBITDA reached EUR 326 million (Q3/2021: EUR 295 million). Total stainless steel deliveries grew by 2% and remained at a similar level compared to the third quarter, while the product mix improved. Realized prices for stainless steel continued to increase in both Europe and Americas, and the ferrochrome sales price was also at a higher level. The positive impact from higher prices on profitability was partly offset by significantly increased energy and consumables prices and higher fixed costs. In the fourth quarter, raw material-related inventory and metal derivative gains amounted to EUR 6 million (Q3/2021: gains of EUR 22 million) and adjustment items in EBITDA EUR -12 million (Q3/2021: none). Other operations and intra-group items' adjusted EBITDA totaled EUR -18 million (Q3/2021: EUR -10 million).

2021 compared to 2020

Outokumpu's sales grew by 37% compared to the previous year and amounted to EUR 7,709 million in 2021 (EUR 5,639 million). In the exceptionally strong market environment, adjusted EBITDA reached EUR 1,021 million (EUR 250 million). Total stainless steel deliveries grew by 13% and profitability was supported by higher realized prices for stainless steel in Europe and Americas, and a higher ferrochrome sales price. Fixed and variable costs increased from the previous year and profitability was especially impacted by significantly higher energy and consumable prices. In 2021, raw material-related inventory and metal derivative gains increased to EUR 76 million (losses of EUR 16 million), mainly due to positive timing impacts. Adjustment items in EBITDA totaled EUR -12 million (EUR -59 million). Other operations and intra-group items' adjusted EBITDA amounted to EUR -55 million (EUR -29 million).

EBITDA amounted to EUR 1,009 million in 2021 (EUR 191 million) and EBIT increased to EUR 705 million (EUR -55 million). Adjustment items in EBIT totaled EUR -54 million (EUR -59 million), and included a gain from property sales in Germany, an increase in litigation provisions and environmental provision related to closed mines in Finland as well as single asset impairments. In 2021, net result increased to EUR 553 million (EUR -116 million).

Strategy execution

Outokumpu launched a new strategy in November 2020 and set financial targets by the end of 2022. The targets included a EUR 200 million EBITDA run-rate improvement and a reduction of the net debt to EBITDA ratio to below 3.0. In November 2021, with the commitment to de-risk the company by the end of 2022, Outokumpu increased the initial EBITDA run-rate improvement target to EUR 250 million. The company continues to de-risk through the first phase of the strategy until the end of 2022. The strategy has three key focus areas: Lean & Agile Organization, Cost & Capital Discipline, and Commercial Excellence.

The closing of the year 2021 marked the one-year milestone in the first phase of Outokumpu's strategy. Outokumpu took various actions throughout 2021 to move forward in its strategy execution. More than 600 people from different functions and all areas of the business contributed, driving projects along through shared governance to collectively meet the commitment to the strategy. Projects focusing on efficiency in the usage of raw materials and consumables or ways to prioritize maintenance spend did not only deliver results in 2021 but changed the company's ways of working to ensure that the improvements are sustainable.

The cumulative EBITDA run-rate improvement amounted to EUR 198 million at the end of 2021. During the fourth quarter, Outokumpu continued its diligent strategy execution of initiatives, achieving a EUR 35 million EBITDA run-rate impact. The impact was achieved through the execution of 197 small and medium-sized initiatives and was largely driven by the Cost & Capital Discipline stream and the Commercial Excellence stream. The Lean & Agile Organization stream was close to completion and therefore contributed with a lower share in the fourth quarter.

Looking ahead to 2022, Outokumpu is confident that it will reach its increased ambitions of EUR 250 million EBITDA run-rate improvement. The governance and ways of working in the company's strategy execution have been ingrained across the organization during the past year and the pre-validated initiative pipeline supports confidence to deliver against the increased target. Despite the already strong results in the Cost & Capital Discipline stream, it remains the focus area in 2022. Initiative ideation is largely focused on consumables consumption efficiency to mitigate inflationary pressure.

Financial position and cash flow

Operating cash flow amounted to EUR 384 million in the fourth quarter (EUR 112 million) and EUR 597 million in 2021 (EUR 322 million). In the last quarter of the year, net working capital decreased by EUR 80 million, while there was a decrease of EUR 73 million in the reference period. In 2021, the increase in net working capital was EUR 266 million (decrease of EUR 247 million). The change in net working capital includes EUR 45 million of payments on the 2020 VAT deferral in Finland (EUR 61 million positive net impact from the VAT deferral). Inventories increased further during the fourth quarter and amounted to EUR 1,892 million at year-end (September 30, 2021: EUR 1,644 million; December 31, 2020: EUR 1,177 million). Approximately 60% of the annual inventory increase came from higher metal prices. Capital expenditure amounted to EUR 59 million in the fourth quarter (EUR 35 million) and EUR 175 million in 2021 (EUR 180 million).

Net debt decreased to EUR 408 million during the fourth quarter (September 30, 2021: EUR 749 million; December 31, 2020: EUR 1,028 million) and consequently gearing to 13.1% (September 30, 2021: 24.6%; December 31, 2020: 43.6%). Net financial expenses were EUR 17 million in the fourth quarter (EUR 25 million) and EUR 80 in 2021 (EUR 98 million). Interest expenses amounted to EUR 15 million in the fourth quarter (EUR 20 million) and EUR 65 million in 2021 (EUR 78 million).

Cash and cash equivalents were EUR 300 million on December 31, 2021 (September 30, 2021: EUR 345 million) and the overall liquidity reserves amounted to EUR 0.9 billion (September 30, 2021: EUR 1.0 billion). In addition to these reserves, Outokumpu has an unutilized EUR 42 million short-term portion of its main syndicated revolving credit facility available. The company withdrew the remaining part, EUR 34 million, of the EUR 120 million Kemi mine financing facility in the fourth quarter. During the last quarter of the year, the outstanding amount of commercial papers decreased by EUR 42 million and amounted to EUR 58 million on December 31, 2021 (September 30, 2021: EUR 100 million).

In December, following the strong cash flow Outokumpu voluntarily redeemed its EUR 250 million fixed rate notes due in 2024 and prepaid EUR 70 million of the term loan and one of its pension loans amounting to EUR 56 million. Outokumpu also entered into a EUR 100 million secured revolving working capital facility with Finnvera Oyj. The facility is expected to be available for drawdown during the first quarter of 2022. In December, Outokumpu secured a GBP 390 million buy-in insurance contract with a pension insurer for its defined pension benefit scheme in the UK, impacting net pension assets as well as equity.

Market development

According to CRU's latest estimates (November 2021), global apparent consumption of stainless steel flat products increased by 10.1% in 2021 compared to 2020. Global consumption of stainless steel has recovered strongly throughout 2021, supported by successful vaccination programs, supportive fiscal and monetary policy, and due to robust private consumption and high demand for durable goods containing stainless steel. The demand in EMEA and Americas grew by 10.8% and 25.5%, respectively, while the largest region APAC decreased by 8.5%.

In the fourth quarter of 2021, according to CRU's latest estimates (November 2020), global apparent consumption of stainless steel flat products decreased by 5.3% compared to the same period last year, which was exceptionally strong because the markets were recovering from the COVID-19 pandemic. The demand in EMEA and Americas grew by 4.5% and 17.7%, respectively, while the largest region APAC decreased by 9.0%.

Compared to the third quarter, global apparent consumption of stainless steel flat products decreased by 2.7% in the fourth quarter of 2021 due to the usual slowdown towards year-end. This development was driven by an increase of 3.2% in EMEA, while APAC decreased by 3.2% and Americas, the smallest region, by 8.1% respectively.

In the first quarter of 2022, CRU expects the global apparent consumption of stainless steel flat products to increase by 3.0% compared to the fourth quarter of 2021. The increase is driven by the strongest growth of 9.4% in EMEA, but also increases of 1.9% in APAC and 1.7% in Americas are expected to contribute to the positive development.

Compared to the first quarter of 2021, apparent consumption is expected to decrease by 4.5%. The decrease is driven by 7.3% lower apparent consumption in APAC, while EMEA and Americas are assumed to grow by 4.0% and 6.1%, respectively.

In 2022, CRU estimates that the total global apparent consumption of stainless steel flat products will grow by 4.1% compared to full year 2021.

Business area Europe

Europe key figures		Q4/21	Q4/20	Q3/21	2021	2020
Stainless steel deliveries	1,000 tonnes	**370**	356	355	**1,535**	1,440
Sales	EUR million	**1,320**	834	1,131	**4,600**	3,568
Adjusted EBITDA	EUR million	**161**	36	149	**485**	142
Gain on disposal of property	EUR million	**12**	-	-	**12**	-
Restructuring costs	EUR million	**-**	-46	-	**-**	-47
EBITDA	EUR million	**173**	-11	149	**498**	95
Operating capital	EUR million	**1,724**	1,573	1,805	**1,724**	1,573

Results

Q4 2021 compared to Q4 2020

Sales amounted to EUR 1,320 million (EUR 834 million). Adjusted EBITDA increased to EUR 161 million (EUR 36 million).

- Stainless steel deliveries increased by 4%.
- Higher realized prices for stainless steel and better product mix supported profitability.
- Result was burdened by increased freight costs and significantly higher consumable prices.
- Raw material-related inventory and metal derivative gains decreased to EUR 4 million, compared to gains of EUR 12 million in Q4/2020.

Q4 2021 compared to Q3 2021

Sales amounted to EUR 1,320 million (EUR 1,131 million). Adjusted EBITDA increased to EUR 161 million (EUR 149 million).

- Stainless steel deliveries increased by 4%.
- Realized prices for stainless steel continued to increase and the product mix improved.
- Significant increase in consumable prices, energy and freight costs had a negative impact on profitability.
- Maintenance costs were at a higher level.
- Raw material-related inventory and metal derivative gains increased to EUR 4 million, compared to losses of EUR 2 million in Q3/2021.

2021 compared to 2020

Sales amounted to EUR 4,600 million (EUR 3,568 million). Adjusted EBITDA increased to EUR 485 million (EUR 142 million).

- Stainless steel deliveries increased by 7%.
- Profitability was positively impacted by significantly higher realized prices for stainless steel.
- Consumable prices and freight costs increased.
- Raw material-related inventory and metal derivative gains were EUR 8 million (losses of EUR 11 million).
- Adjustments include a gain of EUR 12 million from the properties sold in Germany (EUR 47 million of restructuring costs relating to personnel reductions).

Market

- During Q4/2021, apparent consumption in EMEA increased by 4.5% compared to Q4/2020 and 3.2% compared to Q3/2021. During 2021, the increase was 10.8% compared to 2020. (Source: CRU, November 2021)
- The share of EU cold-rolled stainless steel imports from third countries increased to 30% in Q4/2021 as a result of strong demand, continuous supply shortages in Europe and higher sourcing from Asia. In 2021, the share of imports reached 27% and remained stable compared to previous year despite more sourcing from Asia in the second half of the year. (Source: EUROFER, January 2022)
- Distributor inventories have remained at a low level throughout 2021, given robust end-use demand.

Business area Americas

Americas key figures		Q4/21	Q4/20	Q3/21	2021	2020
Stainless steel deliveries	1,000 tonnes	**180**	148	194	**742**	588
Sales	EUR million	**556**	294	530	**1,947**	1,195
Adjusted EBITDA	EUR million	**95**	18	84	**297**	55
Litigation provisions	EUR million	**-15**	-	-	**-15**	-
Restructuring costs	EUR million	**-**	-	-	**-**	-2
EBITDA	EUR million	**80**	18	84	**283**	53
Operating capital	EUR million	**879**	801	896	**879**	801

Results

Q4 2021 compared to Q4 2020

Sales amounted to EUR 556 million (EUR 294 million).
Adjusted EBITDA increased to EUR 95 million (EUR 18 million).

- Stainless steel deliveries increased by 22%.
- Significantly increased realized prices for stainless steel and the improved product mix had a positive impact on profitability.
- Consumable prices were higher and also fixed costs increased as a result of higher sales volume and more maintenance.
- Raw material-related inventory and metal derivative losses amounted to EUR 0 million compared to gains of EUR 2 million in Q4/2020.

Q4 2021 compared to Q3 2021

Sales amounted to EUR 556 million (EUR 530 million).
Adjusted EBITDA increased to EUR 95 million (EUR 84 million).

- Stainless steel deliveries decreased by 7%.
- Realized prices for stainless steel continued to increase and the product mix improved.
- Raw material-related inventory and metal derivative impacts amounted to EUR 0 million compared to gains of EUR 18 million in Q3/2021.

2021 compared to 2020

Sales amounted to EUR 1,947 million (EUR 1,195 million).
Adjusted EBITDA increased to EUR 297 million (EUR 55 million).

- Stainless steel deliveries increased by 26%.
- Profitability was supported by significantly higher realized prices for stainless steel and the improved product mix.
- Consumable prices and freight costs increased.
- Raw material-related inventory and metal derivative gains increased to EUR 55 million (losses of EUR 1 million).
- Adjustments include EUR 15 million increase in litigation provisions.

Market

- During Q4/2021, US real demand increased by 23% compared to Q4/2020 and stayed flat compared to Q3/2021. During 2021, the increase was 21% compared to 2020. (Source: American Iron and Steel Institute)
- The share of cold-rolled imports into the US was 25% in Q4/2021. In 2021, the share of imports was 18% and increased from the previous year level. (Source: American Iron and Steel Institute)
- Cold-rolled distributor inventories have remained at a low level during 2021 but started to slightly increase at the end of the year.

Business area Ferrochrome

Ferrochrome key figures		Q4/21	Q4/20	Q3/21	2021	2020
Ferrochrome production	1,000 tonnes	**125**	127	128	**515**	498
Sales	EUR million	**179**	119	149	**604**	411
Adjusted EBITDA	EUR million	**73**	34	64	**246**	91
Restructuring costs	EUR million	**-**	-1	-	**-**	-1
EBITDA	EUR million	**73**	32	64	**246**	90
Operating capital	EUR million	**823**	766	841	**823**	766

Results

Q4 2021 compared to Q4 2020

Sales amounted to EUR 179 million (EUR 119 million).
Adjusted EBITDA increased to EUR 73 million (EUR 34 million).

- Ferrochrome production decreased by 2%.
- Result was positively impacted by a higher ferrochrome sales price as both the European ferrochrome benchmark price and Chinese spot market prices increased and EUR/USD exchange rate was weaker.
- Electricity prices were at a significantly higher level and also other variable costs increased.

Q4 2021 compared to Q3 2021

Sales amounted to EUR 179 million (EUR 149 million).
Adjusted EBITDA increased to EUR 73 million (EUR 64 million).

- Ferrochrome production decreased by 2%.
- Increased ferrochrome sales price, driven by the higher European benchmark price and Chinese spot market prices and weaker EUR/USD exchange rate, had a positive impact on profitability.
- Result was burdened by higher fixed and variable costs and increased electricity prices.

2021 compared to 2020

Sales amounted to EUR 604 million (EUR 411 million).
Adjusted EBITDA amounted to EUR 246 million (EUR 91 million).

- Ferrochrome production increased by 3%.
- Profitability was supported by a higher ferrochrome sales price, which was driven by the increased European benchmark price and Chinese spot market prices, slightly offset by a stronger EUR/USD exchange rate.
- Significantly increased electricity and reductant prices had a negative impact on profitability.

Market

- For Q4/2021, the published European benchmark price for ferrochrome was settled at USD 1.80/lb.
- For Q1/2022, the published European benchmark price for ferrochrome was rolled over and remained stable at USD 1.80/lb compared to previous quarter.
- The supply-demand situation in global ferrochrome market has balanced due to record level ferrochrome production in China. Uncertainties around supply continue, driven by availability and price of energy, environmental restrictions, and logistical disruptions.

Business area Long Products

Long Products key figures		Q4/21	Q4/20	Q3/21	2021	2020
Stainless steel deliveries	1,000 tonnes	**65**	43	53	**250**	175
Sales	EUR million	**243**	115	184	**810**	493
Adjusted EBITDA	EUR million	**15**	0	9	**47**	-8
Restructuring costs	EUR million	**-**	3	-	**-**	-3
EBITDA	EUR million	**15**	3	9	**47**	-11
Operating capital	EUR million	**157**	133	160	**157**	133

Results

Q4 2021 compared to Q4 2020

Sales amounted to EUR 243 million (EUR 115 million).
Adjusted EBITDA increased to EUR 15 million (EUR 0 million).

- Total stainless steel deliveries increased by 51%.
- Product mix improved and realized prices for stainless steel were at a higher level.
- Energy and consumable prices were higher and also fixed costs increased as a result of higher sales volume and more maintenance.
- Raw material-related inventory and metal derivative gains were EUR 3 million compared to gains of EUR 1 million in Q4/2020.

Q4 2021 compared to Q3 2021

Sales amounted to EUR 243 million (EUR 184 million).
Adjusted EBITDA increased to EUR 15 million (EUR 9 million).

- Total stainless steel deliveries increased by 23%.
- Significant increase in consumable and energy prices, also freight and maintenance costs were higher.
- Raw material-related inventory and metal derivative gains amounted to EUR 3 million compared to gains of EUR 5 million in Q3/2021.

2021 compared to 2020

Sales amounted to EUR 810 million (EUR 493 million).
Adjusted EBITDA amounted to EUR 47 million (EUR -8 million).

- Stainless steel deliveries increased by 43% and both internal and external deliveries were higher.
- Profitability was positively impacted by the improved product mix and higher realized prices for stainless steel.
- Energy and consumable prices were higher and also fixed costs increased as a result of higher sales volume and more maintenance.
- Raw material-related inventory and metal derivative gains were EUR 15 million compared to losses of EUR 3 million in 2020.

Market

- Market activity remained strong in all segments.
- Rod and bar segments were both robust and there were some positive signs of an increased activity related to oil & gas, energy, and other heavy industrial investments segments.
- Wire segments also continued to be strong, especially in products driven by demand in consumer goods and construction.

Sustainability

Outokumpu's vision is to be the customer's first choice in sustainable stainless steel. Sustainability at Outokumpu is founded on good governance and is based on three factors: environmental, economic, and social, and which all need to be in balance. The company is a signatory of the United Nations Global Compact. Outokumpu is committed to the United Nations' Sustainable Development Goals, with a focus on the following six objectives: affordable and clean energy, decent work and economic growth, industry, innovation and infrastructure, responsible consumption and production, climate action and partnerships for goals. These goals were the result of a materiality analysis that was conducted in the second and third quarters of 2021.

In the past, Outokumpu has operated mines in Finland and elsewhere. At the beginning of the 2000s, the company decided to focus on stainless steel. Currently, Outokumpu has only one mine, the Kemi chrome mine, which is an integral part of our stainless steel production. Our Kemi mine in Finland is the only chrome mine in the European Union, and the carbon footprint of our ferrochrome operations is estimated to be only 42% of the global industry average.

Outokumpu is globally the only stainless steel producer that publishes its stainless steel carbon footprint, including all direct (scope 1) and indirect (scope 2, electricity) emissions as well as emissions from the production of raw materials and transportation (scope 3). As part of the new and more ambitious sustainability strategy, Outokumpu increased its greenhouse gas emission reduction target and committed to the Science-Based Target initiative (SBTi) 1.5 °C climate ambition. Outokumpu's new SBTi target was approved in December, and it requires a 42% CO2 emission reduction across all scopes by 2030 compared to the company's 2016 baseline. This is equal to a further 30% CO2 emission reduction from the 2020 level.

Outokumpu's long-term target is to achieve carbon neutrality by 2050 in scope 1 (direct) and 2 (indirect) emissions. Outokumpu's other sustainability targets include improved safety, improved organizational health, supply chain sustainability, increased energy efficiency, zero environmental incidents, and high material recycling. All of Outokumpu's production sites are certified according to ISO 14001.

In the fourth quarter, Outokumpu announced an additional 10-year wind power agreement, further increasing the share of low-carbon electricity in the energy mix. Outokumpu also concluded a multi-year supply agreement for ferronickel with a supplier whose CO2 footprint is approximately 50% lower than the industry average.

In the fourth quarter, Outokumpu published a "Sustainable sourcing initiative" for raw material procurement with the aim of increasing the emphasis of supply chain sustainability, ensuring that sustainability is an integral part of the company's supplier management, and that all suppliers respect human rights and the environment. As part of the sustainable sourcing initiative, Outokumpu partnered with EcoVadis to evaluate the sustainability performance of suppliers on regular basis. In the fourth quarter, Outokumpu also received updated ESG ratings from S&P, CDP, and MSCI, and they all showed a further improvement on the previous year's score.

In 2021, Outokumpu improved its energy efficiency by more than 6% compared to 2020, which supported the company's reduction in direct and indirect CO2 emission intensity. Energy efficiency remained at a high level throughout 2021, and was supported by good volumes and development projects within production, such as the digitalization project in Tornio, which has established multiple examples in energy and material efficiency with the use of data. The rolling average for the last 12 months for recycled material content has remained above 90%.

During the fourth quarter, there were five environmental incidents concerning Outokumpu operations, all of which were permit breaches. All the incidents were reported to the relevant authorities. In 2021, Outokumpu had a total of 18 medium environmental incidents, which is the lowest number on record and a 65% reduction compared to 2017.

Safety performance improved in the fourth quarter compared to the previous quarter and the reference period last year. The quarterly total recordable injury frequency rate (TRIFR) amounted to 2.0 (Q4/2020: 2.2). During the last quarter of the year, the sites worked on the quarterly safety theme "acid handling", reviewing the standard and the guidance documents to be applicable to all acids.

As a result of Outokumpu's continuous efforts on safety improvements, the company's total recordable injury frequency rate reached its best annual level in 2021. The total recordable injury frequency rate in 2021 was 2.0 and improved from the level of 2.4 in 2020. The total number of recordable accidents decreased by 15% compared to previous year, which is an excellent result in support of our zero accidents journey goal. In 2021, the safety network team was focused on several proactive activities which had a positive impact on the annual results.

The COVID-19 pandemic continues to be managed at the local level within company guidelines and local country rules.

Personnel

On December 31, 2021, Outokumpu's full-time equivalent number of personnel totaled 9,096 (September 30, 2021: 9,137) and headcount 9,395 (September 30, 2021: 9,505). During 2021, the company reduced its full-time equivalent number of personnel by 506 in line with the new strategy. Outokumpu's aim is to have a full-time equivalent number of personnel below 9,000 during 2022. In the first quarter of 2021, Outokumpu changed its main method for measuring the number of personnel from headcount to full-time equivalent personnel. Headcount also continues to be reported.

Shares

On December 31, 2021, Outokumpu's share capital was EUR 311 million and the total number of shares was 456,874,448. At the end of 2021, Outokumpu held 4,302,471 treasury shares. The average number of shares outstanding was 452,562,693 in the fourth quarter and 438,871,175 in 2021. The closing share price at year-end was EUR 5.50.

Risks and uncertainties

Outokumpu continues to focus on mitigating its exposure to risks which present uncertainties to its business and operations, including but not limited to: impacts from the continued COVID-19 pandemic; increases and volatility in energy prices; cyber security risks and IT failures; the risk of business interruption at Outokumpu's production and distribution locations; delays or failures in Outokumpu's supply chain, such as impacts from the global supply chain challenges and including risk in overall price and availability of critical raw materials and supplies; the shortage of spare parts and logistical challenges; dependencies on certain critical suppliers; raw material sourcing in high-risk countries; changes in the prices of ferrochrome, nickel, electrical power, and CO2 emission allowances; currency developments affecting the euro, US dollar, Swedish krona, and pound sterling; the realization of credit losses from customer receivables; negative impacts on the amount of defined pension benefit assets and liabilities; changes in interest margins applicable to Outokumpu; risks related to the fair value of shareholdings, such as the investment in the Fennovoima project as well as general project and investment implementation risks, including the ongoing project at the Kemi mine.

Possible further adverse changes in the global political and economic environment and their impact on demand for stainless steel may all have an impact on Outokumpu's business and access to financial markets, including COVID-19 related risks, uncertainty surrounding the sustainability of US economic growth, the global inflation outlook, geopolitical tensions related to Ukraine, the risk of unfair trade practices by third countries and ineffective trade defence measures by the EU against them as well as the environmental-social governance risk.

Board of Directors' proposal for profit distribution

According to Outokumpu's dividend policy, the dividend pay-out ratio throughout a business cycle shall be within a range of 30–50% of the Group's net income. According to the parent company's financial statements on December 31, 2021, distributable funds totaled EUR 2,560 million, of which retained earnings were EUR 228 million.

The Board of Directors proposes to the Annual General Meeting to be held on March 31, 2022, that a dividend of EUR 0.15 per share will be paid for year 2021.

Helsinki, February 8, 2022

Outokumpu Oyj
Board of Directors

Financial information

Condensed statement of income (EUR million)	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Sales	**2,215**	1,350	**7,709**	5,639
Cost of sales	**-1,928**	-1,306	**-6,732**	-5,403
Gross margin	**287**	45	**977**	236
Other operating income	**25**	8	**49**	22
Sales, general and administrative costs	**-71**	-76	**-266**	-285
Other operating expenses	**-50**	-9	**-55**	-28
EBIT	**191**	-33	**705**	-55
Share of results in associated companies	**4**	1	**15**	2
Interest expenses	**-15**	-20	**-65**	-78
Net other financial income and expenses	**-1**	-6	**-15**	-20
Total financial income and expenses	**-17**	-25	**-80**	-98
Result before taxes	**178**	-57	**640**	-151
Income taxes	**-19**	19	**-87**	34
Net result for the period	**159**	-39	**553**	-116
Earnings per share attributable to the equity holders of the Company				
Earnings per share, EUR	**0.35**	-0.09	**1.26**	-0.28
Diluted earnings per share, EUR	**0.33**	-0.09	**1.17**	-0.28

Earnings per share figures are calculated based on the share-issue-adjusted weighted average number of shares. Comparative information is presented accordingly.

Statement of comprehensive income (EUR million)	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Net result for the period	**159**	-39	**553**	-116
Other comprehensive income				
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations				
Change in exchange differences	**28**	-30	**92**	-86
Cash flow hedges [1]				
Fair value changes during the financial year	**-10**	-8	**-1**	-8
Reclassification to profit or loss	**6**	5	**27**	-5
Income taxes	**-1**	0	**-6**	0
Items that will not be reclassified to profit or loss:				
Remeasurements on defined benefit plans				
Changes during the accounting period	**-85**	-19	**-72**	-12
Income taxes	**26**	3	**26**	4
Equity investments at fair value through other comprehensive income	**-38**	2	**-44**	4
Share of other comprehensive income in associated companies	**0**	0	**0**	0
Other comprehensive income for the period, net of tax	**-75**	-47	**22**	-104
Total comprehensive income for the period	**84**	-86	**574**	-221

[1] The presentation of fair value changes reclassified to inventory has been changed in 2021 from other comprehensive income to movement in equity. Comparative information is presented accordingly.

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

Condensed statement of financial position (EUR million)	Dec 31 2021	Dec 31 2020
ASSETS		
Non-current assets		
Intangible assets	**577**	610
Property, plant and equipment	**2,573**	2,631
Investments in associated companies	**43**	38
Other financial assets	**24**	54
Deferred tax assets	**222**	264
Defined benefit plan assets	**-**	64
Trade and other receivables	**5**	1
Total non-current assets	**3,444**	3,663
Current assets		
Inventories	**1,892**	1,177
Other financial assets	**60**	44
Trade and other receivables	**786**	537
Cash and cash equivalents	**300**	376
Total current assets	**3,038**	2,134
TOTAL ASSETS	**6,482**	5,797
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the Company	**3,120**	2,360
Non-current liabilities		
Non-current debt	**597**	1,153
Other financial liabilities	**2**	-
Deferred tax liabilities	**1**	7
Employee benefit obligations	**309**	329
Provisions	**63**	84
Trade and other payables	**23**	45
Total non-current liabilities	**994**	1,618
Current liabilities		
Current debt	**112**	251
Other financial liabilities	**40**	32
Provisions	**29**	31
Trade and other payables	**2,188**	1,505
Total current liabilities	**2,368**	1,820
TOTAL EQUITY AND LIABILITIES	**6,482**	5,797

Condensed statement of cash flows (EUR million)	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Net result for the period	**159**	-39	**553**	-116
Adjustments				
Depreciation, amortization and impairments	**123**	63	**304**	246
Other non-cash adjustments	**56**	49	**146**	93
Change in working capital	**80**	73	**-266**	247
Provisions and employee benefit obligations paid	**-21**	-13	**-80**	-71
Interests and dividends received	**6**	0	**10**	2
Interests paid	**-16**	-21	**-63**	-69
Income taxes paid	**-2**	0	**-7**	-10
Net cash from operating activities	**384**	112	**597**	322
Purchases of assets	**-59**	-35	**-175**	-180
Proceeds from the sale of assets	**23**	14	**24**	15
Other investing cash flow	**0**	-1	**2**	-10
Net cash from investing activities	**-37**	-22	**-149**	-175
Cash flow before financing activities	**348**	91	**448**	147
Directed share issue	**-**	-	**205**	-
Borrowings of non-current debt	**34**	22	**63**	496
Repayment of non-current debt	**-385**	-97	**-619**	-721
Change in current debt	**-42**	-51	**-174**	130
Net cash from financing activities	**-393**	-126	**-525**	-94
Net change in cash and cash equivalents	**-45**	-35	**-77**	53
Cash and cash equivalents at the beginning of the period	**345**	411	**376**	325
Net change in cash and cash equivalents	**-45**	-35	**-77**	53
Foreign exchange rate effect	**1**	0	**2**	-1
Cash and cash equivalents at the end of the period	**300**	376	**300**	376

Statement of changes in equity
(EUR million)

	Attributable to the equity holders of the parent										
	Share capital	Premium fund	Other restricted reserves	Invested unrestricted equity reserve	Fair value reserve from equity investments	Fair value reserve from derivatives [1]	Cumulative translation differences	Remeasurements of defined benefit plans	Treasury shares	Other retained earnings	Total equity
Equity on Jan 1, 2020	**311**	**714**	**3**	**2,103**	**-49**	**6**	**-27**	**-116**	**-33**	**-350**	**2,562**
Net result for the period	-	-	-	-	-	-	-	-	-	-116	-116
Other comprehensive income	-	-	-	-	4	-13	-86	-8	-	0	-104
Total comprehensive income for the period	-	-	-	-	4	-13	-86	-8	-	-117	-221
Transactions with equity holders of the Company											
Contributions and distributions											
Convertible bond	-	-	-	-	-	-	-	-	-	14	14
Share-based payments	-	-	-	-	-	-	-	-	2	-1	1
Fair value transfer to inventory	-	-	-	-	-	4	-	-	-	-	4
Equity on Dec 31, 2020	**311**	**714**	**3**	**2,103**	**-45**	**-4**	**-113**	**-124**	**-31**	**-454**	**2,360**
Equity on Jan 1, 2021	**311**	**714**	**3**	**2,103**	**-45**	**-4**	**-113**	**-124**	**-31**	**-454**	**2,360**
Net result for the period	-	-	-	-	-	-	-	-	-	553	553
Other comprehensive income	-	-	-	-	-44	20	92	-46	-	0	22
Total comprehensive income for the period	-	-	-	-	-44	20	92	-46	-	553	574
Transactions with equity holders of the Company											
Contributions and distributions											
Directed share issue	-	-	-	205	-	-	-	-	-	-	205
Share-based payments	-	-	-	-	-	-	-	-	1	3	4
Fair value transfer to inventory	-	-	-	-	-	-23	-	-	-	-	-23
Other	-	-	-	-	-	-	-	1	-	-1	-
Equity on Dec 31, 2021	**311**	**714**	**3**	**2,308**	**-89**	**-7**	**-22**	**-169**	**-30**	**101**	**3,120**

[1] The presentation of fair value changes reclassified to inventory has been changed in 2021 from other comprehensive income to movement in equity.
Comparative information is presented accordingly.

Adjustments to EBITDA and EBIT (EUR million)	Q4/2021	Q4/2020	2021	2020
Litigation provisions	**-15**	-	**-15**	-
Environmental provisions	**-10**	-	**-10**	-
Gain on disposal of property	**12**	-	**12**	-
Restructuring costs	**-**	-48	**-**	-59
Adjustments to EBITDA	**-12**	-48	**-12**	-59
Impairments on non-current assets	**-42**	-	**-42**	-
Adjustments to EBIT	**-54**	-48	**-54**	-59

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 aftercare of closed mines in Finland. In 2021, Outokumpu sold properties related to closed operations in Krefeld and Bochum in Germany, resulting in a gain of EUR 12 million.

In 2021, Outokumpu recognized impairments based on reviews of individual assets of EUR 45 million, of which EUR 42 million were reported as adjustments to EBIT. These impairments include EUR 18 million related to Group's ERP systems, EUR 13 million regarding mine properties and obsolete machinery in Ferrochrome business area, and EUR 10 million regarding lease agreements on land and buildings in business area Europe's operations in Germany.

Group key figures		Q4/2021	Q4/2020	2021	2020
Scope of activity					
Capital employed at the end of period	EUR million	**3,744**	3,543	**3,744**	3,543
Capital expenditure	EUR million	**59**	35	**175**	180
Depreciation and amortization	EUR million	**-81**	-60	**-259**	-243
Impairments	EUR million	**-42**	-2	**-45**	-3
Personnel at the end of period, full-time equivalent [1]		**9,096**	9,602	**9,096**	9,602
- average for the period		**9,124**	9,705	**9,372**	10,000
Personnel at the end of period, headcount		**9,395**	9,915	**9,395**	9,915
Profitability					
Adjusted EBITDA	EUR million	**326**	78	**1,021**	250
Adjustments to EBITDA	EUR million	**-12**	-48	**-12**	-59
EBITDA	EUR million	**314**	30	**1,009**	191
Earnings per share [2]	EUR	**0.35**	-0.09	**1.26**	-0.28
Diluted earnings per share [2]	EUR	**0.33**	-0.09	**1.17**	-0.28
Adjusted average number of shares [3,4]	1,000 shares	**452,563**	413,940	**438,871**	413,908
Return on equity	%	**20.1**	-4.7	**20.1**	-4.7
Return on capital employed	%	**18.8**	-1.4	**18.8**	-1.4
Financing and financial position					
Non-current debt	EUR million	**597**	1,153	**597**	1,153
Current debt	EUR million	**112**	251	**112**	251
Cash and cash equivalents	EUR million	**-300**	-376	**-300**	-376
Net debt at the end of period	EUR million	**408**	1,028	**408**	1,028
Net debt to Adjusted EBITDA		**0.4**	4.1	**0.4**	4.1
Equity-to-assets ratio at the end of period	%	**48.3**	40.8	**48.3**	40.8
Debt-to-equity ratio at the end of period	%	**13.1**	43.6	**13.1**	43.6
Equity per share at the end of period [2, 4]	EUR	**6.89**	5.70	**6.89**	5.70

[1] In Q1/2021, Outokumpu changed its main personnel amount measure from headcount to full-time equivalent personnel. Comparative information is presented accordingly.

[2] Calculated based on the share-issue-adjusted number of shares. Comparative information is presented accordingly.

[3] Adjusted by the share-issue impact. Comparative information is presented accordingly.

[4] Excluding treasury shares.

Sales by segment (EUR million)	Q4/2021	Q4/2020	2021	2020
Europe total	**1,320**	834	**4,600**	3,568
of which intra-group	**18**	19	**69**	83
Americas total	**556**	294	**1,947**	1,195
of which intra-group	**3**	0	**51**	1
Ferrochrome total	**179**	119	**604**	411
of which intra-group	**126**	82	**418**	260
Long Products total	**243**	115	**810**	493
of which intra-group	**61**	21	**189**	78
Other operations total	**219**	177	**784**	665
of which intra-group	**94**	66	**307**	271
Group total sales	**2,215**	1,350	**7,709**	5,639

Adjusted EBITDA by segment (EUR million)	Q4/2021	Q4/2020	2021	2020
Europe	**161**	36	**485**	142
Americas	**95**	18	**297**	55
Ferrochrome	**73**	34	**246**	91
Long Products	**15**	0	**47**	-8
Other operations and intra-group items	**-18**	-10	**-55**	-29
Group total adjusted EBITDA	**326**	78	**1,021**	250

Adjustments to EBITDA and EBIT by segment (EUR million)	Q4/2021	Q4/2020	2021	2020
Europe	**12**	-46	**12**	-47
Americas	**-15**	-	**-15**	-2
Ferrochrome	**-**	-1	**-**	-1
Long Products	**-**	3	**-**	-3
Other operations	**-10**	-3	**-10**	-6
Group total adjustments in EBITDA	**-12**	-48	**-12**	-59
Europe	**-10**	-	**-10**	-
Ferrochrome	**-13**	-	**-13**	-
Other operations	**-18**	-	**-18**	-
Group total adjustments in EBIT	**-54**	-48	**-54**	-59

EBITDA by segment (EUR million)	Q4/2021	Q4/2020	2021	2020
Europe	**173**	-11	**498**	95
Americas	**80**	18	**283**	53
Ferrochrome	**73**	32	**246**	90
Long Products	**15**	3	**47**	-11
Other operations and intra-group items	**-28**	-13	**-65**	-36
Group total EBITDA	**314**	30	**1,009**	191

Adjusted EBIT by segment (EUR million)	Q4/2021	Q4/2020	2021	2020
Europe	**120**	-2	**344**	0
Americas	**75**	5	**235**	0
Ferrochrome	**56**	25	**202**	57
Long Products	**13**	-3	**36**	-19
Other operations and intra-group items	**-19**	-11	**-59**	-34
Group total adjusted EBIT	**245**	15	**758**	4

EBIT by segment (EUR million)	Q4/2021	Q4/2020	2021	2020
Europe	**122**	-48	**346**	-47
Americas	**60**	6	**220**	-1
Ferrochrome	**43**	24	**189**	56
Long Products	**13**	1	**36**	-21
Other operations and intra-group items	**-46**	-14	**-87**	-40
Group total EBIT	**191**	-33	**705**	-55

Depreciation and amortization by segment (EUR million)	Q4/2021	Q4/2020	2021	2020
Europe	**-40**	-35	**-141**	-140
Americas	**-19**	-13	**-59**	-54
Ferrochrome	**-17**	-9	**-44**	-34
Long Products	**-3**	-3	**-11**	-10
Other operations	**0**	-1	**-3**	-4
Group total depreciation and amortization	**-81**	-60	**-259**	-243

Capital expenditure by segment (EUR million)	Q4/2021	Q4/2020	2021	2020
Europe	**14**	7	**29**	34
Americas	**12**	6	**16**	16
Ferrochrome	**19**	20	**93**	92
Long Products	**1**	1	**4**	3
Other operations	**12**	1	**32**	35
Group total capital expenditure	**59**	35	**175**	180

Operating capital by segment (EUR million)	Q4/2021	Q4/2020	2021	2020
Europe	**1,724**	1,573	**1,724**	1,573
Americas	**879**	801	**879**	801
Ferrochrome	**823**	766	**823**	766
Long Products	**157**	133	**157**	133
Other operations and intra-group items	**-60**	13	**-60**	13
Group total operating capital	**3,523**	3,286	**3,523**	3,286

Personnel at the end of period by segment, full-time equivalent	Q4/2021	Q4/2020	2021	2020
Europe	**5,706**	6,196	**5,706**	6,196
Americas	**1,831**	1,810	**1,831**	1,810
Ferrochrome	**481**	467	**481**	467
Long Products	**736**	784	**736**	784
Other operations	**342**	346	**342**	346
Group total personnel at the end of period	**9,096**	9,602	**9,096**	9,602

In Q1/2021, Outokumpu changed its main personnel amount measure from headcount to full-time equivalent personnel.
Comparative information is presented accordingly.

Geographical information – Sales by destination (EUR million)	Jan–Dec 2021	Jan–Dec 2020
Finland	**259**	208
Other Europe	**4,890**	3,634
North America	**2,146**	1,337
Asia and Oceania	**302**	373
Other countries	**111**	86
Group total sales	**7,709**	5,639

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

Total external sales by segment		
Europe	**4,531**	3,485
of which to Finland	**244**	196
of which to other Europe	**3,933**	2,940
of which to North America	**79**	47
of which to Asia and Oceania	**227**	262
of which to other countries	**49**	41
Americas	**1,896**	1,194
of which to North America	**1,829**	1,144
of which to Asia and Oceania	**4**	5
of which to other countries	**63**	45
Ferrochrome	**185**	151
of which to Finland	**14**	10
of which to other Europe	**113**	66
of which to North America	**27**	2
of which to Asia and Oceania	**31**	73
of which to other countries	**1**	0
Long Products	**620**	415
of which to Finland	**1**	2
of which to other Europe	**366**	235
of which to North America	**211**	144
of which to Asia and Oceania	**41**	33
Other operations	**476**	394
of which to other Europe	**476**	394
Group total sales	**7,709**	5,639

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

Property, plant and equipment (EUR million)	Jan–Dec 2021	Jan–Dec 2020
Carrying value at the beginning of the period	**2,631**	2,767
Translation differences	**58**	-61
Additions	**167**	169
Disposals	**-8**	-11
Reclassifications	**-4**	-1
Depreciation and impairments	**-269**	-231
Other	**-2**	0
Carrying value at the end of the period	**2,573**	2,631

Commitments (EUR million)	Dec 31 2021	Dec 31 2020
Mortgages	**3,208**	3,203
Other pledges	**13**	13
Guarantees		
On behalf of subsidiaries for commercial and other commitments	**27**	29
On behalf of associated companies for finaning	**-**	2
Other commitments for financing	**9**	10

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

Outokumpu is liable for its associated company Manga LNG Oy's certain liabilities amounting to EUR 21 million at the end of 2021 (2020: EUR 24 million). In the above table, this liability is reported as other pledges (Outokumpu's shares in Manga LNG Oy), as guarantees on behalf of associated companies, and the part exceeding the share pledge and guarantee as other commitments for financing. Other commitments for financing include also Outokumpu's liabilities for the net debt in Tornion Voima Oy.

Outokumpu's share of the Fennovoima investment is appr. EUR 250 million, of which EUR 112 million has been paid by the end of the reporting period. The remaining commitment is expected to be paid during the preparation and construction phases of the project before the estimated completion earliest in 2029 with capital expenditure expected to be some EUR 20 million annually in the coming years.

The Group's other off-balance sheet investment commitments totaled EUR 32 million on Dec 31, 2021 (Dec 31, 2020: EUR 51 million).

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

Related party transactions (EUR million)	Jan–Dec 2021	Jan–Dec 2020
Transactions and balances with related companies		
Sales and other operating income	**97**	69
Purchases	**-51**	-37
Dividends received	**7**	-
Trade and other receivables	**36**	21
Trade and other payables	**4**	3

Fair values and nominal amounts of derivative instruments (EUR million)	Dec 31 2021 Net fair value	Dec 31 2020 Net fair value	Dec 31 2021 Nominal amounts	Dec 31 2020 Nominal amounts
Currency and interest rate derivatives				
Currency forwards	**1**	-12	**2,510**	1,273
Interest rate swaps	**-2**	6	**125**	325
			Tonnes	Tonnes
Metal derivatives				
Forward nickel contracts, hedge accounted	**-8**	-4	**27,636**	26,417
Forward nickel contracts	**-2**	1	**21,343**	19,132
Forward scrap contracts	**0**	-	**20,000**	-
	-11	-8		

Hierarchy of financial assets and liabilities measured at fair value on Dec 31, 2021 (EUR million)	Level 1	Level 2	Level 3	Total
Assets				
Equity investments at fair value through OCI	-	-	24	24
Investments at fair value through profit or loss	28	-	-	28
Derivatives	-	31	-	31
	28	31	24	83
Liabilities				
Derivatives	-	42	-	42

Reconciliation of changes on level 3 (EUR million)	Equity investments at fair value through other comprehensive income
Carrying value on Jan 1, 2021	48
Additions	19
Fair value changes	-44
Carrying balance on Dec 31, 2021	24

Equity investments at fair value through other comprehensive income include unlisted strategic holdings in energy producing companies. Investments include a holding in Voimaosakeyhtiö SF at fair value of EUR 0 million on Dec 31, 2021 (Dec 31, 2020: EUR 27 million). The investment provides Outokumpu with appr. 14% indirect stake in Fennovoima Oy nuclear power plant project. The decrease in fair value in 2021 is mainly driven by estimated increase in Fennovoima project risk. The overall project risk is considered in the valuation model by including a separate project risk factor in the cash flow discount rate. In general, the project risk is considered high with the estimated completion earliest in 2029, and the range of potential fair values is wide.

The fair value of non-current debt is EUR 730 million (carrying amount EUR 597 million). The fair value of non-current debt is determined by using quoted prices for listed instrument. The fair value of loans is determined using the discounted cash flow method, which uses the yields observed on the reporting date. The fair value of the convertible bonds includes the value of the conversion rights.

Definitions of financial key figures

EBITDA	=	EBIT before depreciation, amortization and impairments
Adjustments to EBITDA or EBIT	=	Material income and expense items which affect the comparability between periods because of their unusual nature, size or incidence resulting for example from group-wide restructuring programs or disposals of assets or businesses.
Adjusted EBITDA or EBIT	=	EBITDA or EBIT – items classified as adjustments
Capital employed	=	Total equity + 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)	=	$\frac{\text{EBIT (4-quarter rolling)}}{\text{Capital employed (4-quarter rolling average)}} \times 100$
Return on equity (ROE)	=	$\frac{\text{Net result for the financial period (4-quarter rolling)}}{\text{Total equity (4-quarter rolling average)}} \times 100$
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	=	$\frac{\text{Net debt}}{\text{Total equity}} \times 100$
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	=	$\frac{\text{Equity attributable to the owners of the parent}}{\text{Adjusted number of shares at the end of the period}}$
Personnel, full-time equivalent	=	Headcount adjusted to full time equivalent number of personnel, excluding personnel on sick leave or parental leave of more than 6 months and excluding personnel whose employment has been terminated and who are on notice period without requirement to work

Basis of preparation

This financial statement release is prepared in accordance with IAS 34 Interim Financial Reporting and the annual financial information in this release is based on audited IFRS figures. The same accounting policies and methods of computation have been followed when preparing the financial information as in the financial statements for 2020, with the exception of new and amended standards applied from the beginning of 2021. These amendments did not have a material impact on Outokumpu's consolidated financial statements.

All presented figures in this report have been rounded and consequently, the totals for individual figures may 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 as result of, for example, industry demand, the number of working days, and vacation periods.

Management judgment and the use of estimates

The preparation of the financial statements in accordance with IFRSs requires management to make judgments, as well as estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and contingent liabilities at the reporting date, as well as the reported amounts of income and expenses during the reporting period.

As COVID-19 continues to impact the global economy and Outokumpu's operating environment, when estimating the future cash flows from impairment indication purposes, management estimates include 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 the best and most recent information available to management on the circumstances at the end of the reporting, actual outcomes may differ from the estimates and assumptions.

The UK pension scheme insurance solution

In December 2021, a GBP 390 million buy-in contract was implemented in Outokumpu's defined benefit pension scheme in the UK. This buy-in completes 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 from the scheme valuation in 2021 amounted to EUR 86 million, mainly attributable to the buy-in arrangement.

As a result of the arrangement, the risks related to the scheme are now significantly reduced and mostly covered by insurance.

Share-based payments

During 2021, Outokumpu's share-based payment programs include Performance Share Plan (Plans 2019–2021, 2020–2022 and 2021–2023) and Restricted Share Plan (Plans 2019–2021, 2020–2022 and 2021–2023). In December 2021, the Board of Directors approved the commencement of plan 2022–2024 of the Performance Share Plan and the Restricted Share Plan from beginning of 2022.

The Performance Share Plan 2018–2020 ended, and as the targets were not achieved, no shares were rewarded to the participants. Regarding the Restricted Share Plan 2018–2020, after deductions for applicable taxes in total 58,815 shares were delivered to 42 participants based on the conditions of the plan. From the Restricted Share Plan 2019–2021, after deductions for applicable taxes, a total of 10,950 shares were delivered to one participant in December 2021. Outokumpu used its treasury shares for the reward payments.

At year-end 2021 the maximum number of gross shares (taxes included) that can be delivered from the Performance Share Plan 2021–2023 is 3,217,800 and 115 key employees participated in the plan. The maximum number of gross shares (taxes included) that can be allocated from the Restricted Share Plan 2021–2023 is 226,600 and, at the end of the reporting period 62 key employees participated in the plan.

Impairment of intangible assets and Property, plant and equipment

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 related to the Group's ERP systems, EUR 13 million regarding mine properties and obsolete machinery in Group's Ferrochrome business area, EUR 10 million regarding lease agreements on land and buildings in business area Europe's operations in Germany, and EUR 4 million regarding obsolescence of various assets in the Group (2020: EUR 3 million related to obsolescence of various assets). Based on goodwill impairments testing, no impairments were recognized in 2021 or 2020.

Debt prepayments

In December 2021, Outokumpu voluntarily redeemed its EUR 250 million fixed rate bond due in 2024 and prepaid EUR 70 million of the term loan and one of its pension loans amounting to EUR 56 million.

Directed share issue

Based on the authorization given by the Annual General Meeting on March 31, 2021, Outokumpu Oyj carried out an issue of 40,500,000 new shares in a private placement to institutional investors on May 10, 2021 in deviation of the pre-emptive subscription right of the shareholders.

The subscription price of the new shares was EUR 5.15 per share, corresponding to a discount of appr. 5.7% to the closing price of the company's share on May 10, 2021, immediately prior to the commencement of the bookbuilding process. The gross proceeds of EUR 209 million were recorded in its entirety in the invested unrestricted equity reserve of Outokumpu Oyj. In the consolidated financial statements, the proceeds are presented net of transaction costs, the net proceeds amounting to EUR 205 million.

The main purpose of the share issue was to accelerate the de-leveraging of Outokumpu by using the proceeds to reduce gross debt and thus strengthen its balance sheet.

As a result of the share issue, the total number of shares in Outokumpu increased to 456,874,448. New shares were registered on May 12, 2021, and are taken into account when calculating the share-related key figures.

Disputes and litigations

Claim in Spain related to the divested copper companies

Outokumpu divested all of its copper business in 2003–2008. One of the divested companies, domiciled in Spain, later faced bankruptcy. The administrator of the bankruptcy estate filed a claim against Outokumpu Oyj and two other non-Outokumpu companies for recovery of payments made by the bankrupt company in connection with the divestment. In 2014, the court of first instance in Spain accepted the claim of EUR 20 million brought against Outokumpu and the two other companies. In 2018, the Court of Appeal ruled the case in favor of Outokumpu. Finally, in March 2021, the Spanish Supreme Court ruled the case in favor of Outokumpu and released the company from all claims and liabilities. All legal cases against Outokumpu related to the recovery have now been closed.

Dispute over payment of wages in the US

A class of plaintiffs, consisting of 152 former and 126 current Outokumpu Calvert mill employees, has brough suit against Outokumpu in U.S. federal court with allegations of failure to pay full wages for regular work and overtime work they performed. In November 2021, the 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. The process to finally determine the damages is pending in the court. Outokumpu does not consider the potential financial impact of the case material for the Group as a whole.