outokumpu

Outokumpu interim report January–March 2023

Contents

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Adjusted EBITDA increased to EUR 204 million - strong improvement from previous quarter

Highlights in Q1 2023

- Stainless steel deliveries were 505,000 tonnes (605,000 tonnes)*.
- Adjusted EBITDA decreased to EUR 204 million (EUR 350 million).
- EBITDA was EUR 198 million (EUR 350 million).
- ROCE declined to 18.4% (21.8%).
- Operating cash flow was EUR 74 million (EUR 147 million incl. discontinued operations).
- Net debt amounted to EUR -166 million (December 31, 2022: EUR -10 million incl. discontinued operations).
- Earnings per share was 0.22 (0.53).
- Gearing improved to -4.1% (December 31, 2022: -0.3% incl. discontinued operations).
- Dividend of EUR 152 million was paid in April, and recognized in trade and other payables on March 31, 2023.
- Divestment of the majority of the Long Products business was completed on January 3, 2023. Since September 2022, these businesses were classified as assets held for sale and reported as discontinued operations. Comparative figures include discontinued operations if separately stated.

Key figures, continuing operations		Q1/23	Q1/22	Q4/22	2022
Sales	EUR million	**2,006**	2,573	1,895	9,494
EBITDA	EUR million	**198**	350	103	1,248
Adjusted EBITDA [1)]	EUR million	**204**	350	110	1,256
EBIT	EUR million	**135**	289	31	992
Adjusted EBIT [1)]	EUR million	**144**	289	48	1,010
Result before taxes	EUR million	**128**	281	13	933
Net result for the period	EUR million	**97**	230	312	1,086
Earnings per share	EUR	**0.22**	0.53	0.69	2.40
Diluted earnings per share	EUR	**0.21**	0.49	0.64	2.22
Return on capital employed, rolling 12 months (ROCE) [2), 3)]	%	**18.4**	21.8	22.6	22.6
Capital expenditure	EUR million	**15**	30	60	158
Stainless steel deliveries	1,000 tonnes	**505**	605	450	2,106
Personnel at the end of period, full-time equivalent		**8,377**	8,514	8,357	8,357
Key figures, including discontinued operations		**Q1/23**	**Q1/22**	**Q4/22**	**2022**
Net result for the period	EUR million	**103**	251	315	1,140
Earnings per share	EUR	**0.23**	0.55	0.70	2.52
Diluted earnings per share	EUR	**0.22**	0.51	0.64	2.33
Return on capital employed, rolling 12 months (ROCE) [3)]	%	**19.7**	23.0	24.5	24.5
Net cash generated from operating activities	EUR million	**74**	147	289	778
Net debt at the end of period	EUR million	**-166**	294	-10	-10
Debt-to-equity ratio at the end of period (gearing)	%	**-4.1**	9.0	-0.3	-0.3

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

[2)] The balance sheet component in 2022 includes discontinued operations except for in Sep 30, 2022 and in Dec 31, 2022, where only the equity component of discontinued operations is included. Q1/2022 figure has been adjusted compared to what has previously been reported.

[3)] Outokumpu has redefined its capital employed and ROCE definitions in Q2/2022. Q1/2022 information has been restated accordingly.

*Figures in parentheses refer to the corresponding period for 2022, unless otherwise stated.

President & CEO Heikki Malinen

We delivered another solid quarter and kept our operational performance strong. Our stainless steel deliveries rose by 12% in line with the seasonal pattern and adjusted EBITDA increased to EUR 204 million. I am proud that Outokumpu is now able to create value also in more challenging market conditions.

Distributor de-stocking continued in the first quarter in both Americas and Europe, which impacted our delivery volumes negatively. We have already seen replenishment in some parts of Europe and de-stocking seems to be coming to an end also in the US.

We have succeeded in keeping our costs under control, and now both energy price volatility and inflation seem to be slowing down. Salary negotiations in our main locations have also been concluded with a reasonable outcome. Amidst weakening market conditions, our teams have been very efficient in raw material management, and we have been able to take advantage of the favorable situation in the raw material market.

Our business delivered strong results. In business area Europe, stainless steel deliveries increased by 15% and adjusted EBITDA reached EUR 122 million. Business area Americas achieved a solid result with increasing volumes, and continuing good performance over the past few years proves Americas' sustainable ability to generate profits.

In business area Ferrochrome, adjusted EBITDA reached EUR 16 million, and was slightly better than in the previous quarter. Optimization of ferrochrome production continued throughout the first quarter and capacity utilization was slightly more than half. As energy prices have recently declined from the exceptionally high levels, we have now ramped up our ferrochrome production to a more normal level.

Once again, we took remarkable steps in strengthening our sustainability leadership in the industry. We also announced our plans to explore the decarbonization of Outokumpu's stainless steel manufacturing operations with the emerging nuclear technology of small modular reactors. We are proudly on the frontline with Fortum and playing a key role in ensuring energy efficiency, emission reduction, and competitiveness in Finland.

Overall, our $CO2$ emission reduction continues in line with our approved 1.5 °C Science-Based Targets initiative (SBTi) target. We have maintained our recycled material content at the record level of 94% also in the first quarter, and this is an important measure to keep our direct emissions at the lowest level of the stainless steel industry.

At the turn of the quarter, we announced an agreement to divest the remaining Long Products operations in Degerfors and Storfors, Sweden, to Cogne Acciai Speciali. I am happy that we are finalizing the divestment of our non-core Long Products business. Outokumpu will now focus on its core business.

As we have previously stated, we have a strong focus on shareholder returns. Not only did we complete our first-ever share buyback program, but also our Annual General Meeting approved the payment of a base dividend of EUR 0.25 per share plus an extra dividend of EUR 0.10 per share, totaling EUR 0.35. The dividend was paid in April. I am pleased to say that we have returned over EUR 250 million of capital to our shareholders, while we have kept our balance sheet the strongest in the industry.

Outlook for Q2 2023

Group stainless steel deliveries in the second quarter are expected to remain stable compared to the first quarter.

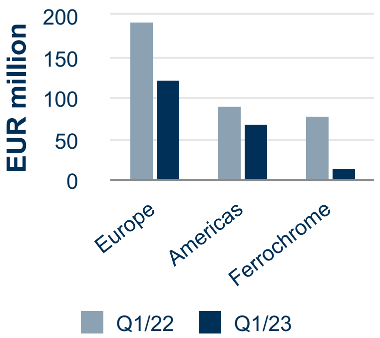
Ferrochrome production will increase and return to normal levels in the second quarter; however, the business area is preparing for a maintenance break in the third quarter.

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

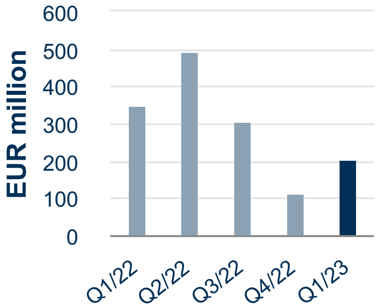
Guidance for Q2 2023:

Adjusted EBITDA in the second quarter of 2023 is expected to be at a similar or higher level compared to the first quarter.

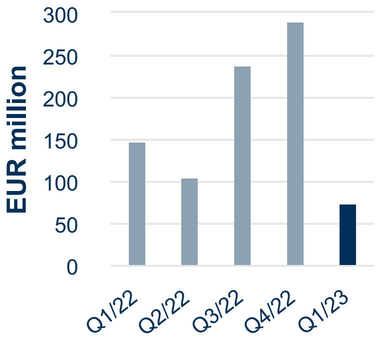
Adjusted EBITDA per business area



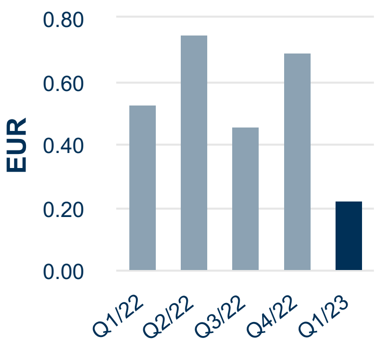
Group adjusted EBITDA



Operating cash flow *



Earnings per share



*2022 figures include discontinued operations

Results

Q1 2023 compared to Q1 2022

The stainless steel market in the first quarter of 2023 was clearly weaker compared to the reference period, and Outokumpu's sales decreased to EUR 2,006 million (EUR 2,573 million). Also, adjusted EBITDA decreased to EUR 204 million (EUR 350 million). ROCE for the rolling 12 months was impacted by lower profitability and amounted to 18.4% (21.8%).

In the first quarter of 2023, in a weakened market with distributor de-stocking, total stainless steel deliveries were 17% lower compared to the reference period. Realized prices for stainless steel declined in both regions, but especially heavily in Europe, while positive raw material impacts supported profitability. Fixed costs were stable compared to the reference period while variable costs increased due to high cost inflation. Business area Ferrochrome's profitability was lower as a result of production optimization due to exceptionally high electricity prices. Raw material-related inventory and metal derivative losses decreased to EUR 6 million (losses of EUR 43 million). Other operations and intra-group items' adjusted EBITDA amounted to EUR -2 million (EUR -13 million). Net result was EUR 97 million in the first quarter of 2023 (EUR 230 million).

Q1 2023 compared to Q4 2022

Outokumpu's sales increased to EUR 2,006 million in the first quarter of 2023 (Q4/2022: EUR 1,895 million) and adjusted EBITDA rose to EUR 204 million (Q4/2022: EUR 110 million). ROCE for the rolling 12 months, however, decreased to 18.4% (22.6%).

The first quarter of the year is seasonally strong, and despite heavy distributor de-stocking, total stainless steel deliveries increased by 12% from the previous quarter. Realized prices for stainless steel further declined in both Europe and Americas but the negative effect of lower prices was offset by positive raw material impacts, supported by favorable market conditions. Cost inflation in energy and consumable prices was lower than initially expected and, therefore, costs in the first quarter remained stable compared to the previous quarter. Raw material-related inventory and metal derivative losses decreased to EUR 6 million in the first quarter (Q4/2022: losses of EUR 47 million). Other operations and intra-group items' adjusted EBITDA amounted to EUR -2 million (Q4/2022: EUR 4 million). Net result in the first quarter was EUR 97 million (Q4/2022: EUR 312 million, including a positive EUR 297 million impact from the recognition of the deferred tax asset).

Strategy execution

Outokumpu launched its three-phased strategy in November 2020. The first phase, in which the aim was to de-risk the company by the end of 2022, was completed six months ahead of schedule. As a result, Outokumpu started the second phase in July 2022, and this phase will run until the end of 2025.

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

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

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

In the first quarter of 2023, Outokumpu completed a total of 89 projects towards the EBITDA run-rate improvement target. For the second phase of the strategy, the company has a strong strategic initiative pipeline of more than 1,000 projects, of which almost 300 projects were progressing at the end of the first quarter.

During the first quarter, Outokumpu achieved a EUR 24 million EBITDA run-rate improvement through its own actions. This translates into a cumulative EBITDA run-rate improvement of EUR 52 million during the past three quarters since the start of the second phase. Outokumpu is well on track to achieve its EUR 200 million EBITDA run-rate improvement target by the end of year 2025.

In business area Ferrochrome the major impact in the first quarter came from the expansion project of the ore concentrating plant. This project enables Outokumpu to utilize lower grade ore sourced from the mine and, as a result, mineral reserves can be used more sustainably and more cost efficiently.

The expansion of the digital platforms available to Outokumpu's customers was also a good contributor in the first quarter. Broadening of the Circle Green product offering will increase the EBITDA run-rate impact later in the year. Outokumpu has also strongly focused on energy efficiency projects, which will have a positive impact on the sustainability targets as well as financials in the coming years.

Divestment of the Long Products business

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

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

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

The total consideration for the transaction on a debt and cash-free basis was EUR 228 million. Provisional cash proceeds for the equity and net debt item were EUR 224 million, with EUR 5 million paid into an escrow account. The transaction costs in total are EUR 8 million and are presented in the net result for the period from discontinued operations.

In the first quarter of 2023, the received proceeds, net of cash disposed, were EUR 100 million. The gain on divestment reported in the net result from discontinued operations was EUR 6 million, mainly as the accumulated translation differences were reclassified into net result at the time of the divestment. The consideration is still subject to closing accounts that will be finalized in the second quarter of 2023 and the release of the escrow account. In 2022, Outokumpu recognized in the net result from the discontinued operations an impairment loss of EUR 33 million.

On April 1, 2023, Outokumpu announced that is has signed an agreement to divest the remaining Long Products operations in Degerfors and Storfors, Sweden to Cogne Acciai Speciali, a world leader in the production of long stainless steels and nickel alloys based in Italy.

The enterprise value of the transaction is EUR 12 million and it has a positive cash impact. Outokumpu, however, will book a loss of approximately EUR 30 million based on the current estimates of the consideration and this will have a negative impact on EBITDA, but not on adjusted EBITDA. The amount of the book loss is subject to the closing accounts and final accumulated translation difference.

Outokumpu expects to complete the divestment in the third quarter and the financial impacts will only be recorded then. The completion of the transaction is subject to customary closing conditions and regulatory approvals by the competition authorities. The transaction will be carried out as a share sale. Outokumpu's other operations in Degerfors are not affected by the divestment.

Financial position and cash flow

Operating cash flow amounted to EUR 74 million in the first quarter of 2023 (EUR 147 million, incl. discontinued operations). Net working capital increased by EUR 48 million (EUR 252 million, incl. discontinued operations) and was driven by seasonally increased volumes.

Inventories increased by EUR 31 million during the first quarter and amounted to EUR 1,814 million at the end of March (December 31, 2022: EUR 1,783 million). Inventory volumes increased, while there was an offsetting impact from lower metal prices.

Capital expenditure decreased to EUR 15 million in the first quarter (EUR 30 million), mainly due to lower capital expenditure related to the DeepMine expansion project. Less capital expenditure was allocated for the first quarter, but the annual capital expenditure for year 2023 remains at EUR 200 million.

Net debt decreased further during the first quarter of 2023 and stood at EUR -166 million at the end of March (December 31, 2022: EUR -10 million, incl. discontinued operations). The completion of the divestment of the majority of the Long Products business had a EUR 100 million positive impact on net debt. As Outokumpu is now paying income taxes in Finland the company had a EUR 38 million cash-out impact in the first quarter relating to current and prior year taxes. Also, the impact of the EUR 100 million share buyback program recognized in unrestricted equity was already included in net debt figure in the fourth quarter of 2022 but the cash impact of the outstanding EUR 58 million of share purchases were realized by the end of the program with full cash impact only during the first quarter of 2023. Gearing also declined further to -4.1% (December 31, 2022: -0.3%, incl. discontinued operations).

Net financial expenses in the first quarter amounted to EUR 8 million (EUR 13 million) and interest expenses EUR 15 million (EUR 10 million).

Cash and cash equivalents increased during the first quarter of the year and amounted to EUR 714 million on March 31, 2023 (December 31, 2022: EUR 644 million, incl. discontinued operations). Overall liquidity reserves totaled to EUR 1.5 billion at the end of the quarter (December 31, 2022: EUR 1.4 billion, incl. discontinued operations). Cash equivalents include deposits held at call and other short-term, highly liquid investments with original maturities of three months or less.

On March 31, 2023, Outokumpu had a total of EUR 800 million of outstanding committed credit facilities, which were fully unutilized. Outokumpu repaid all its commercial papers at the end of year 2022, and had no commercial paper funding at the end of the first quarter of 2023 either.

Market development

According to CRU's latest estimates (February 2023), the global apparent consumption of stainless steel flat products remained relatively stable in the first quarter of 2023 compared to the first quarter of 2022 (-0.5%). While demand in EMEA and Americas decreased by 16.7% and 4.9%, respectively, the largest region APAC compensated with growth of 4.2%, with tentative signs of real demand improvements as the Chinese economy re-emerges after years of pandemic-related disruptions.

Compared to the fourth quarter of 2022, global apparent consumption of stainless steel flat products decreased by 0.9% in the first quarter of 2023. This was largely driven by a decrease of 2.9% in the APAC region due to seasonal festivities around Chinese New Year and resulting in a slowdown of the market. In Americas and Europe, global apparent consumption increased by 6.8% and 6.0%, respectively. The Americas market faced excessive inventories and end-use activity in some key end-use sectors remained sluggish. In EMEA, after a first phase of de-stocking, inventories started to decrease. Clear signs of demand recovery were yet to be demonstrated, though.

CRU expects global apparent consumption of stainless steel flat products to increase by 5.7% in the second quarter of 2023 compared to the first quarter. This is driven by a 5.6% increase in APAC, 5.0% in EMEA and 7.6% in Americas.

Compared to last year's second quarter, apparent consumption is expected to increase by 1.6%. This is driven by an increase of 5.9% in APAC, whereas lower apparent consumption is expected in EMEA and Americas, with -12.4% and -5.6%, respectively.

In 2023, CRU estimates that total global apparent consumption of stainless steel flat products will grow by 4.3% compared to 2022.

(Source: CRU Stainless Steel Flat Products Market Outlook, February 2023)

Business area Europe

Europe key figures		Q1/23	Q1/22	Q4/22	2022
Stainless steel deliveries	1,000 tonnes	**369**	414	322	1,423
Sales	EUR million	**1,444**	1,693	1,350	6,266
Adjusted EBITDA	EUR million	**122**	193	69	680
Onerous contracts provisions	EUR million	**-6**	—	—	—
EBITDA	EUR million	**116**	193	69	680
Operating capital [1)]	EUR million	**1,984**	1,790	1,864	1,864
ROOC, rolling 12 months	%	**24.4**	26.6	28.9	28.9

[1)] Outokumpu has redefined its operating capital definition in Q2/2022. Q1/2022 information has been restated accordingly.

Results

Q1 2023 compared to Q1 2022

Sales decreased to EUR 1,444 million (EUR 1,693 million).

Adjusted EBITDA amounted to EUR 122 million (EUR 193 million)

- Stainless steel deliveries decreased by 11%.
- Realized prices for stainless steel were significantly lower but the negative effect was offset by positive raw material impacts.
- Profitability was negatively impacted by high cost inflation, especially in electricity prices.
- Raw material-related inventory and metal derivative losses amounted to EUR 15 million (losses of EUR 19 million in Q1 2022).

ROOC decreased to 24.4% (26.6%).

Q1 2023 compared to Q4 2022

Sales increased to EUR 1,444 million (EUR 1,350 million).

Adjusted EBITDA amounted to EUR 122 million (EUR 69 million).

- Stainless steel deliveries increased by 15%, while realized prices for stainless steel further weakened.
- Positive raw material impacts supported profitability and costs remained stable.
- Raw material-related inventory and metal derivative losses amounted to EUR 15 million (losses of EUR 30 million in Q4 2022).

ROOC decreased to 24.4% (28.9%).

Market

- In Q1 2023, apparent consumption in EMEA dropped by 16.7% compared to Q1 2022, whereas there was an increase of 6.0% compared to Q4 2022. (Source: CRU Stainless Steel Flat Products Market Outlook, February 2023)
- EU cold-rolled imports from third countries reached a level of 23% in Q1 2023 and decreased compared to Q4 2022. (Source: EUROFER April 2023).
- Buying activity has been influenced by market uncertainties after a phase of de-stocking. Distributor inventories decreased during Q1 2023, and especially in Germany, were below the historical average level at the end of March. However, according to CRU, inventories remain elevated in most parts of Europe. (Source: CRU Stainless Steel Flat Products Monitor, April 2023)

Sales split

- Business area Europe sells its products both directly from the mills and via its extensive service center network in Europe. Direct mill sales represent 80% of the sales and indirect service center sales 20%.
- Business area Europe sells 40% to distributors and 60% to end-customers from the mills and service centers in total.

Business area Americas

Americas key figures		Q1/23	Q1/22	Q4/22	2022
Stainless steel deliveries	1,000 tonnes	**142**	185	125	654
Sales	EUR million	**498**	662	471	2,695
Adjusted EBITDA	EUR million	**68**	90	23	384
Litigation provisions	EUR million	**—**	—	2	2
EBITDA	EUR million	**68**	90	25	387
Operating capital [1)]	EUR million	**900**	869	990	990
ROOC, rolling 12 months	%	**29.8**	30.8	32.4	32.4

[1)] Outokumpu has redefined its operating capital definition in Q2/2022. Q1/2022 information has been restated accordingly.

Results

Q1 2023 compared to Q1 2022

Sales decreased to EUR 498 million (EUR 662 million).

Adjusted EBITDA amounted to EUR 68 million (EUR 90 million).

- Significant distributor de-stocking had a negative impact on volumes and stainless steel deliveries decreased by 23%.
- Realized prices for stainless steel were at a lower level, while positive raw material impacts supported profitability.
- Variable costs increased slightly.
- Raw material-related inventory and metal derivative gains amounted to EUR 9 million (losses of EUR 24 million in Q1 2022).

ROOC was 29.8% (30.8%).

Q1 2023 compared to Q4 2022

Sales increased to EUR 498 million (EUR 471 million).

Adjusted EBITDA rose to EUR 68 million (EUR 23 million).

- Despite significant distributor de-stocking stainless steel deliveries increased by 14% in line with the seasonal pattern.
- Negative impact from lower realized prices for stainless steel was fully offset by positive raw material impacts.
- Raw material-related inventory and metal derivative gains amounted to EUR 9 million (losses of EUR 29 million in Q4 2022).

ROOC amounted to 29.8% (32.4%).

Market

- During Q1 2023, apparent consumption in Americas for cold-rolled flat products decreased by 10% compared to Q4 2022 and by 31% compared to Q1 2022. (Source: American Iron and Steel Institute, AISI)
- The share of cold-rolled imports into the US increased from a level of 19% in Q4 2022 to a level of 20% in Q1 2023. (Source: AISI)
- US cold-rolled distributor inventories decreased during Q1 2023 but remained above the average level.

Sales split

- Business area Americas sells all its products directly from the mill and significant majority goes to distributors.

Business area Ferrochrome

Ferrochrome key figures		Q1/23	Q1/22	Q4/22	2022
Ferrochrome production	1,000 tonnes	**70**	129	69	430
Sales	EUR million	**99**	175	110	633
Adjusted EBITDA	EUR million	**16**	79	14	220
EBITDA	EUR million	**16**	79	14	220
Operating capital [1)]	EUR million	**857**	874	867	867
ROOC, rolling 12 months	%	**13.2**	28.3	20.7	20.7

[1)] Outokumpu has redefined its operating capital definition in Q2/2022. Q1/2022 information has been restated accordingly.

Results

Q1 2023 compared to Q1 2022

Sales decreased to EUR 99 million (EUR 175 million).

Adjusted EBITDA amounted to EUR 16 million (EUR 79 million).

- Ferrochrome production was 46% lower due to a furnace shutdown and the optimization of ferrochrome production because of the exceptionally high electricity prices.
- Variable costs were significantly higher due to strong cost inflation, especially in electricity and reductant prices.

ROOC decreased to 13.2% (28.3%).

Q1 2023 compared to Q4 2022

Sales decreased to EUR 99 million (EUR 110 million).

Adjusted EBITDA amounted to EUR 16 million (EUR 14 million).

- The optimization of ferrochrome production due to the exceptionally high electricity prices continued and production increased only by 2%.
- Profitability was supported by higher ferrochrome sales price.
- Positive impact from lower fixed costs, including maintenance, more than offset the negative impact from increased variable costs.

ROOC amounted 13.2% (20.7%).

Market

- The ferrochrome market continued to tighten during Q1 2023, resulting in a positive price development. Also, chrome ore prices continued to increase following improving demand and supply-side logistics disruptions, supporting price improvement. Towards the end of the quarter the market stabilized.

Other

- In Q1 2023, Ferrochrome production was at 50–60% of its full capacity due to a furnace shutdown and the optimization of production due to high electricity prices.
- Ferrochrome production will increase and return to normal levels in Q2 2023; however, the business area is preparing for a maintenance break in the third quarter.
- Disruption in one of the ferrochrome furnaces requires a maintenance break and it will occur in Q3 2023.
- The DeepMine expansion project is expected be be fully completed in Q2 2023 with only minor finalization work left.

Sustainability

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

In the past, Outokumpu has operated mines both in Finland and elsewhere. At the beginning of the 2000s, the company decided to focus on stainless steel. Currently, Outokumpu has only one active mine, the Kemi chrome mine, which is an integral part of our stainless steel production. The Kemi mine is the only chrome mine in the European Union, and the CO_2 footprint of Outokumpu's ferrochrome operations is estimated to be less than one third of the global industry average.

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

Outokumpu's long-term target is to achieve carbon neutrality by 2050 in scope 1 and scope 2 emissions. Outokumpu's other sustainability targets include improved safety, improved organizational health, supply chain sustainability, increased energy efficiency, zero environmental incidents, and high material recycling. All of Outokumpu's production sites are certified according to ISO 14001. During the first quarter, there were no environmental incidents concerning Outokumpu's operations.

Outokumpu has been a member of ResponsibleSteel since 2019. ResponsibleSteel is a standard that was developed to recognize steel sites that are being operated in a responsible manner with a focus on the most material ESG issues identified and agreed upon by ResponsibleSteel members and stakeholders. During the first quarter of 2023, Outokumpu completed stage 2 audits in Avesta, Sweden, and Tornio, Finland. Stage 1 audits have been completed in all steel producing and rolling sites at business area Europe and remaining stage 2 audits will be completed during the second quarter.

During the first quarter, Outokumpu was recognized as the "supplier engagement leader" by the Carbon Disclosure Project (CDP). Outokumpu was also included in the Sustainability yearbook by S&P for the third consecutive year.

In 2022, Outokumpu announced and started an ambitious energy efficiency program, in which the target is to improve energy efficiency by 8% until the end of 2024 across Outokumpu's operations from the January–September 2022 baseline. Outokumpu also announced that EUR 40 million of capital expenditure will be used in 2023 and 2024 for projects that improve energy efficiency. In the first quarter of 2023, 17 projects were approved and they account for approximately 5% of the projected energy efficiency target. The target is not to be met only via investments but also through operational improvements. On March 23, Outokumpu announced also plans to partner with Fortum to accelerate industrial decarbonization in stainless steel production with the emerging nuclear technology of small modular reactors.

Environmental sustainability key performance indicators (KPIs) for material recycling and emission intensity were met in the first quarter of 2023. During the first quarter, direct emissions were at a relatively low level due to the closure of one of the three ferrochrome furnaces. The furnace was restarted in February, earlier than initially planned while optimization of ferrochrome production continued. Outokumpu met the SBTi emission reduction target set for 2022. It was part of the annual assurance process and communicated in the Sustainability Review for 2022, which was published in the first quarter. Energy-efficiency in the first quarter was below the target due to lower volumes and optimization of the energy usage. Recycled material content was maintained at a high level of 94% for the rolling 12 months.

Safety performance was slightly weaker at the beginning of the year. In the first quarter of 2023, the total recordable injury frequency rate (TRIFR) was 1.8 (Q1/22: 1.7). The safety cross-learning program phase II and the focus on contractor safety have been accelerated to combat the slight increase in recordable injury frequency. Additionally, new measures are being implemented in each site to improve the Health & Safety Index during 2023.

Personnel

On March 31, 2023, Outokumpu's full-time equivalent number of personnel totaled 8,377 (December 31, 2022: 8,357).

Shares

On March 31, 2023, Outokumpu's share capital was EUR 311 million and the total number of shares was 456,874,448. At the end of March, Outokumpu held 23,109,206 treasury shares. The average number of shares outstanding was 439,449,963 in the first quarter of 2023. The closing share price at the end of the period, on March 31, was EUR 5.02.

Share buyback program

On November 3, 2022, Outokumpu's Board of Directors approved a share buyback program of up to EUR 100 million. The maximum number of shares to be repurchased under the program was 20 million, representing approximately 4.4% of the company's total number of shares. The program commenced on November 7, 2022 and ended on March 24, 2023.

During the program, Outokumpu repurchased a total of 19,836,205 of its own shares and used a total of EUR 100 million for the share repurchases. The average price per share was approximately EUR 5.04. After the completion of the program, Outokumpu held a total of 23,109,206 treasury shares, representing 5.06% of the company's total number of shares.

Through the share buyback program, Outokumpu aims to mitigate and manage the dilutive impact of the company's outstanding convertible bonds. The repurchased shares are initially held by Outokumpu as treasury shares and may be used to meet its obligations under the convertible bonds. Alternatively, Outokumpu may decide to cancel any or all of the repurchased shares and reduce its capital accordingly.

Risks and uncertainties

Outokumpu is exposed to various risks and uncertainties that may have an adverse impact on its business and operations. The consequences of the continued war in Ukraine and the adverse development of economic and geopolitical tensions have increased the risks to which Outokumpu is exposed, but the company has taken prompt measures to manage and control these risks.

During the first quarter, energy risk decreased as a result of falling energy prices; however, some uncertainty remains as the average prices are still higher than before the war in Ukraine. Successful ramp up of new energy sector production assets, such as Olkiluoto nuclear power plant in Finland and wind power in Nordic countries further contribute in stabilizing electricity prices and availability. Possible increases in electricity prices would mainly affect business area Ferrochrome, due to the high amount of electricity needed in ferrochrome production.

Gas availability in Germany improved during the first quarter but some uncertainties remain related to the next winter period. Disruptions in gas availability could directly impact Outokumpu's operations in Germany and indirectly through the company's customers and suppliers. Further possible sanctions or disruptions in the natural gas supply could also affect the prices or availability of gas for Outokumpu's operations in Europe. Outokumpu acquires energy gases from the European market, for which Russia is one of the indirect suppliers.

Raw material availability risks have been mainly related to sanctions imposed due to the Russia's invasion of Ukraine. As a result of the successful actions to sever Outokumpu's dependencies on raw materials of Russian origin, the exposure and risk of supply chain disruption due to sanctions was considered limited at the end of the first quarter. Outokumpu has been able to replace almost all its raw material supplies of Russian origin. The company does not buy any scrap or nickel of Russian origin for its operations. Indirect supply from Russia exists for a very limited amount of raw material, and the company is demanding its suppliers commit to finding alternative sources globally. Any potential changes in suppliers could expose Outokumpu to increased costs and risks related to raw material sourcing in high-risk countries, including environmental-social governance risks and dependencies on certain critical suppliers. Also, further potential sanctions against Russia could increase the uncertainties in the operating environment.

Global inflation has started to slow down in some markets, but may still constrain Outokumpu's competitiveness. Also, the recent instability events in the banking sector may accelerate the adverse development of the global economy. Uncertainty about the economic slowdown and reopening of China remains, and could impact stainless steel demand and Outokumpu's operating environment.There are also uncertainties related to the renewal of the trade defense measures by the European Commission as European safeguard measures are under review during the first half of the year.

The company is exposed to risks related to volatile metal prices, especially nickel and in the first quarter, also the molybdenum price. Volatile metal prices may impact Outokumpu's result, among other financial risks. Also, the uncertainties related to the spread of COVID-19 and its variants, and cyber security risks remain and could impact Outokumpu's business and operations.

Annual General Meeting 2023

Outokumpu's Annual General Meeting 2023 was held on March 30, 2023 at the Dipoli congress center in Espoo, Finland. At the beginning of the meeting, 991 shareholders representing 242,010,107 shares and votes were represented. The Annual General Meeting supported all of the proposals by the Board of Directors and the Shareholders' Nomination Board and approved the company's remuneration report in an advisory vote.

The Annual General Meeting approved the financial statements and discharged the management of the company from liability for the financial year 2022. The meeting authorized the Board of Directors to repurchase the company's own shares, to decide on the issuance of shares as well as special rights entitling to shares, and to decide on donations for charitable purposes. In addition, the Annual General Meeting also approved the proposals by the Shareholders' Nomination Board regarding the members of the Board of Directors and their remuneration.

According to the proposal by the Shareholders' Nomination Board, the Annual General Meeting decided that the Board of Directors would consist of eight (8) members. The Annual General Meeting re-elected Heinz Jörg Fuhrmann, Kati ter Horst, Kari Jordan, Päivi Luostarinen, Petter Söderström, Pierre Vareille and Julia Woodhouse of the current members and elected Jyrki Mäki-Kala as a new member, all for the term of office ending at the end of the next Annual General Meeting. The Annual General Meeting also re-elected Kari Jordan as the Chairman and Kati ter Horst as the Vice Chairman of the Board of Directors.

Dividend

The Annual General Meeting decided that a base dividend of EUR 0.25 per share plus an extra dividend of EUR 0.10 per share, totaling to EUR 0.35 per share will be paid for the accounting period that ended December 31, 2022. The dividend amounting to a total of EUR 152 million was paid on April 12, 2023, and was reflected in March 31, 2023 financials as dividend liability and reduction of equity.

According to the new dividend policy announced on June 16, 2022, Outokumpu aims to distribute a stable and growing dividend, to be paid annually. The Board states that the base dividend amount of EUR 0.25 is the basis for the future dividend distributions in accordance with the policy. The extra dividend of EUR 0.10 per share was a one-time extra dividend for the exceptionally good result in the financial year 2022.

Events after the reporting period

On April 1, 2023, Outokumpu announced that is has signed an agreement to divest the remaining Long Products operations in Degerfors and Storfors, Sweden to Cogne Acciai Speciali. More detailed information about the financial impacts of the transaction can be found earlier in this report under Divestment of the Long Products business.

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Helsinki, May 9, 2023

Outokumpu Oyj
Board of Directors

Financial information

Condensed statement of income (EUR million)	Jan–March 2023	Jan–March 2022	Jan-Dec 2022
Continuing operations			
Sales	**2,006**	2,573	9,494
Cost of sales	**-1,791**	-2,162	-8,147
Gross margin	**215**	411	1,346
Other operating income	**5**	4	18
Sales, general and administrative costs	**-80**	-76	-313
Other operating expenses	**-5**	-50	-60
EBIT	**135**	289	992
Share of results in associated companies	**2**	5	11
Interest expenses	**-15**	-10	-44
Net other financial income and expenses	**7**	-2	-26
Total financial income and expenses	**-8**	-13	-71
Result before taxes	**128**	281	933
Income taxes	**-32**	-52	154
Net result for the period from continuing operations	**97**	230	1,086
Discontinued operations			
Net result for the period from discontinued operations	**6**	21	54
Net result for the period	**103**	251	1,140
Earnings per share for result from continuing operations attributable to the equity holders of the parent company			
Earnings per share, EUR	**0.22**	0.53	2.40
Diluted earnings per share, EUR	**0.21**	0.49	2.22
Earnings per share for result attributable to the equity holders of the parent company			
Earnings per share, EUR	**0.23**	0.55	2.52
Diluted earnings per share, EUR	**0.22**	0.51	2.33

Statement of comprehensive income (EUR million)	Jan–March 2023	Jan–March 2022	Jan-Dec 2022
Net result for the period	**103**	251	1,140
Other comprehensive income, continuing operations			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations			
Change in exchange differences	**-37**	15	17
Cash flow hedges			
Fair value changes during the financial year	**31**	-80	-43
Reclassification to profit or loss	**43**	30	28
Income taxes	**-8**	1	-1
Items that will not be reclassified to profit or loss:			
Remeasurements on defined benefit plans			
Changes during the accounting period	**-4**	30	65
Income taxes	**1**	-10	-24
Equity investments at fair value through other comprehensive income	**-17**	-5	-4
Share of other comprehensive income in associated companies	**1**	0	0
Other comprehensive income, continuing operations, net of tax	**11**	-20	38
Other comprehensive income, discontinued operations, net of tax	**-12**	7	8
Other comprehensive income, net of tax	**-1**	-12	46
Total comprehensive income for the period	**102**	238	1,186

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

Condensed statement of financial position (EUR million)	March 2023	March 2022	Dec 2022
ASSETS			
Non-current assets			
Intangible assets	**548**	574	547
Property, plant and equipment	**2,347**	2,545	2,406
Investments in associated companies	**53**	48	51
Other financial assets	**8**	19	25
Deferred tax assets	**365**	180	390
Trade and other receivables	**3**	1	6
Total non-current assets	**3,325**	3,367	3,425
Current assets			
Inventories	**1,814**	2,105	1,783
Other financial assets	**72**	126	63
Trade and other receivables	**876**	1,119	767
Cash and cash equivalents	**714**	525	526
Total current assets	**3,476**	3,875	3,139
Assets held for sale	**—**	—	419
TOTAL ASSETS	**6,801**	7,243	6,983
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company	**4,064**	3,278	4,119
Non-current liabilities			
Non-current debt	**468**	575	491
Other financial liabilities	**10**	5	11
Employee benefit obligations	**211**	273	216
Provisions	**57**	60	49
Trade and other payables	**19**	22	20
Total non-current liabilities	**765**	936	787
Current liabilities			
Current debt	**79**	244	141
Other financial liabilities	**32**	214	120
Provisions	**40**	29	32
Trade and other payables	**1,821**	2,542	1,581
Total current liabilities	**1,972**	3,029	1,874
Liabilities related to assets held for sale	**—**	—	204
TOTAL EQUITY AND LIABILITIES	**6,801**	7,243	6,983

Condensed statement of cash flows (EUR million)	Jan–March 2023	Jan–March 2022	Jan-Dec 2022
Net result for the period	**103**	251	1,140
Adjustments			
Depreciation, amortization and impairments	**63**	63	297
Other non-cash adjustments	**22**	113	33
Change in working capital	**-48**	-252	-587
Provisions and employee benefit obligations paid	**-11**	-14	-53
Interests and dividends received	**4**	0	7
Interests paid	**-15**	-12	-39
Income taxes paid	**-44**	-2	-21
Net cash from operating activities	**74**	147	778
Purchases of assets	**-15**	-31	-160
Proceeds from the disposal of shares in Group companies and businesses, net of cash	**100**	—	-1
Proceeds from the sale of assets	**1**	1	2
Net cash from investing activities	**86**	-29	-159
Cash flow before financing activities	**160**	118	619
Dividends paid	**—**	—	-68
Repurchase of treasury shares	**-59**	—	-42
Repayment of non-current debt	**-30**	-9	-105
Change in current debt	**0**	114	-58
Net cash from financing activities	**-89**	106	-272
Net change in cash and cash equivalents	**71**	224	346
Cash and cash equivalents at the beginning of the period	**644**	300	300
Net change in cash and cash equivalents	**71**	224	346
Foreign exchange rate effect	**-1**	1	-3
Cash and cash equivalents at the end of the period [1)]	**714**	525	644

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

Statement of changes in equity (EUR million)	Attributable to the equity holders of the parent company										
	Share capital	Premium fund	Other restricted reserves	Invested unrestricted equity reserve	Fair value reserve from equity investments	Fair value reserve from derivatives	Cumulative translation differences	Remeasurements of defined benefit plans	Treasury shares 1)	Other retained earnings	Total equity
Equity on January 1, 2022	**311**	**714**	**3**	**2,308**	**-89**	**-7**	**-22**	**-169**	**-30**	**101**	**3,120**
Net result for the period	-	-	-	-	-	-	-	-	-	251	251
Other comprehensive income	-	-	-	-	-5	-49	22	20	-	0	-12
Total comprehensive income for the period	-	-	-	-	-5	-49	22	20	-	251	238
Transactions with equity holders of the parent company											
Contributions and distributions											
Dividend distribution	-	-	-	-	-	-	-	-	-	-68	-68
Share-based payments	-	-	-	-	-	-	-	-	1	0	1
Fair value transfer to inventory	-	-	-	-	-	-13	-	-	-	-	-13
Equity on March 31, 2022	**311**	**714**	**3**	**2,308**	**-94**	**-69**	**0**	**-149**	**-29**	**284**	**3,278**
Equity on January 1, 2023	**311**	**714**	**3**	**2,308**	**-93**	**-48**	**3**	**-128**	**-129**	**1,179**	**4,119**
Net result for the period	-	-	-	-	-	-	-	-	-	103	103
Other comprehensive income	-	-	-	-	-17	67	-47	-5	-	1	-1
Total comprehensive income for the period	-	-	-	-	-17	67	-47	-5	—	103	102
Transactions with equity holders of the parent company											
Contributions and distributions											
Dividend distribution	-	-	-	-	-	-	-	-	-	-152	-152
Share-based payments	-	-	-	-	-	-	-	-	9	-11	-2
Fair value transfer to inventory	-	-	-	-	-	0	-	-	-	-	0
Other	-	-	-3	-	-	-	-	-	-	-	-3
Equity on March 31, 2023	**311**	**714**	**0**	**2,308**	**-110**	**18**	**-44**	**-133**	**-120**	**1,119**	**4,064**

1) Outokumpu announced on November 3, 2022 a share buyback program and completed the program on March 24, 2023. Due to the nature of the contract with the third party, Outokumpu recognized a EUR 58 million financial liability in December 2022 related to the share buyback program and the maximum amount of EUR 100 million already impacted Group equity in 2022. The outstanding EUR 58 million share purchases were realized by the end of the program.

Adjustments to EBITDA and EBIT (EUR million)	Q1/2023	Q1/2022	2022
Continuing operations			
Loss on disposal of shares in Group companies and businesses[1)]	**—**	—	-10
Onerous contracts provisions [2)]	**-6**	—	—
Litigation provisions [3)]	**—**	—	2
Adjustments to EBITDA	**-6**	—	-7
Impairments on non-current assets [4)]	**-3**	—	-10
Adjustments to EBIT	**-9**	—	-17

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

[2)] In March 2023, Outokumpu recognized an onerous contract provision amounting to EUR 6 million related to the metal powder plant in Germany.

[3)] In 2022, Outokumpu decreased the litigation provision in the US.

[4)] In March 2023, Outokumpu recognized an impairment related to the metal powder plant in Germany. In 2022, Outokumpu recognized an impairment related to Group's ERP systems of EUR 10 million.

Group key figures		Q1/2023	Q1/2022	2022
Continuing operations				
Scope of activity				
Capital expenditure	EUR million	**15**	30	158
Depreciation and amortization	EUR million	**-60**	-61	-245
Impairments	EUR million	**-3**	0	-11
Personnel at the end of period, full-time equivalent		**8,377**	8,514	8,357
- average for the period		**8,357**	8,470	8,683
Personnel at the end of period, headcount		**8,647**	8,743	8,591
Profitability				
Adjusted EBITDA	EUR million	**204**	350	1,256
Adjustments to EBITDA	EUR million	**-6**	—	-7
EBITDA	EUR million	**198**	350	1,248
Earnings per share	EUR	**0.22**	0.53	2.40
Diluted earnings per share	EUR	**0.21**	0.49	2.22
Return on capital employed, rolling 12 months (ROCE) [1),2)]	%	**18.4**	21.8	22.6
Including discontinued operations				
Scope of activity				
Capital employed at the end of period	EUR million	**4,612**	4,097	4,752
Profitability				
Earnings per share	EUR	**0.23**	0.55	2.52
Diluted earnings per share	EUR	**0.22**	0.51	2.33
Adjusted weighted average number of shares [3)]	1,000 shares	**439,450**	452,635	451,933
Return on equity, rolling 12 months (ROE)	%	**25.4**	24.5	30.6
Return on capital employed, rolling 12 months (ROCE)[2)]	%	**19.7**	23.0	24.5
Financing and financial position				
Non-current debt	EUR million	**468**	575	492
Current debt	EUR million	**79**	244	141
Cash and cash equivalents	EUR million	**714**	525	644
Net debt at the end of period	EUR million	**-166**	294	-10
Net debt to Adjusted EBITDA		**-0.1**	0.2	0.0
Equity-to-assets ratio at the end of period	%	**60.0**	45.4	59.2
Debt-to-equity ratio at the end of period (gearing)	%	**-4.1**	9.0	-0.3
Equity per share at the end of period [3)]	EUR	**9.37**	7.24	9.27

[1)] The balance sheet component is including discontinued operations in 2022 except for in Sept 30 and Dec 31, 2022, where only the equity component of discontinued operations is included. Q1/2022 figure has been adjusted compared to what has previously been reported.

[2)] Outokumpu has redefined its capital employed and ROCE definitions in Q2/2022. Q1/2022 information has been restated accordingly.

[3)] Excluding treasury shares.

Sales by segment (EUR million)	Q1/2023	Q1/2022	2022
Europe total	**1,444**	1,693	6,266
of which intra-group [1)]	**25**	7	42
Americas total	**498**	662	2,695
of which intra-group	**9**	8	9
Ferrochrome total	**99**	175	633
of which intra-group [1)]	**56**	124	412
Other operations total	**163**	247	720
of which intra-group [1)]	**109**	101	462
Intra-group sales to discontinued operations	**—**	35	104
Total sales, continuing operations	**2,006**	2,573	9,494

1) In comparison periods includes Long Products businesses related sales

Adjusted EBITDA by segment (EUR million)	Q1/2023	Q1/2022	2022
Europe	**122**	193	680
Americas	**68**	90	384
Ferrochrome	**16**	79	220
Other operations and intra-group items	**-2**	-13	-28
Total adjusted EBITDA, continuing operations	**204**	350	1,256

Adjustments to EBITDA and EBIT by segment (EUR million)	Q1/2023	Q1/2022	2022
Europe	**-6**	—	—
Americas	**—**	—	2
Other operations	**—**	—	-10
Total adjustments in EBITDA, continuing operations	**-6**	—	-7
Europe	**-3**	—	—
Other operations	**—**	—	-10
Total adjustments in EBIT, continuing operations	**-9**	—	-17

EBITDA by segment (EUR million)	Q1/2023	Q1/2022	2022
Europe	**116**	193	680
Americas	**68**	90	387
Ferrochrome	**16**	79	220
Other operations and intra-group items	**-2**	-13	-38
Total EBITDA, continuing operations	**198**	350	1,248

Adjusted EBIT by segment (EUR million)	Q1/2023	Q1/2022	2022
Europe	**88**	160	550
Americas	**51**	75	317
Ferrochrome	**5**	68	177
Other operations and intra-group items	**-1**	-14	-34
Total adjusted EBIT, continuing operations	**144**	289	1,010

EBIT by segment (EUR million)	Q1/2023	Q1/2022	2022
Europe	**79**	160	550
Americas	**51**	75	320
Ferrochrome	**5**	68	177
Other operations and intra-group items	**-1**	-14	-54
Total EBIT, continuing operations	**135**	289	992

Depreciation and amortization by segment (EUR million)	Q1/2023	Q1/2022	2022
Europe	**-34**	-33	-130
Americas	**-17**	-16	-67
Ferrochrome	**-11**	-11	-42
Other operations	**0**	-1	-6
Total depreciation and amortization, continuing operations	**-60**	-61	-245

Capital expenditure by segment (EUR million)	Q1/2023	Q1/2022	2022
Europe	**7**	4	35
Americas	**2**	1	25
Ferrochrome	**6**	24	85
Other operations	**1**	2	13
Total capital expenditure, continuing operations	**15**	30	158

Personnel at the end of period by segment, full-time equivalent	Q1/2023	Q1/2022	2022
Europe	**5,717**	5,745	5,718
Americas	**1,792**	1,871	1,785
Ferrochrome	**410**	490	409
Other operations	**459**	408	445
Total personnel at the end of period, continuing operations	**8,377**	8,514	8,357

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 + non-current debt + current debt	
Operating capital (segment reporting)	=	Capital employed – cash and cash equivalents – investments in associated companies – investments in equity at fair value through other comprehensive income – investments at fair value through profit or loss – net deferred tax asset – net asset held for sale + net employee benefit obligations	
Capital expenditure	=	Purchases of property, plant and equipment and intangible assets, other than emission allowances; and investments in equity at fair value through other comprehensive income and in associated companies and acquisitions of businesses	
Return on capital employed, rolling 12 months (ROCE)	=	EBIT + Share of results in associated companies (4-quarter rolling) / Capital employed (4-quarter rolling average)	× 100
Return on operating capital, rolling 12 months (ROOC) (segment reporting)	=	Adjusted EBIT (4-quarter rolling) / Operating capital (4-quarter rolling average)	× 100
Return on equity (ROE)	=	Net result for the financial period (4-quarter rolling) / Total equity (4-quarter rolling average)	× 100
Net debt	=	Non-current debt + current debt – cash and cash equivalents	
Equity-to-assets ratio	=	Total equity / Total assets – advances received	× 100
Debt-to-equity ratio (gearing)	=	Net debt / Total equity	× 100
Net debt to adjusted EBITDA	=	Net debt / Adjusted EBITDA (4-quarter rolling)	
Earnings per share	=	Net result for the financial period attributable to the equity holders / Adjusted weighted average number of shares during the period	
Diluted earnings per share	=	Net result for the financial period attributable to the equity holders + interest expenses on convertible bond, net of tax / Adjusted diluted weighted average number of shares during the period	
Equity per share	=	Equity attributable to the equity holders / Adjusted number of shares at the end of the period	
Personnel, full-time equivalent	=	Headcount adjusted to full-time equivalent number of personnel, excluding personnel on sick leave or parental leave of more than 6 months and excluding personnel whose employment has been terminated and who are on notice period without requirement to work	

Basis of preparation

This interim report is unaudited. It has been prepared on a going concern basis. The same accounting policies and methods of computation have been followed when preparing the financial information as in the financial statements for 2022, with the exception of new and amended standards applied as of the beginning of 2023. These amendments did not have a material impact on Outokumpu's consolidated financial statements.

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

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

Management judgment and the use of estimates

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

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

Discontinued operations – Long Products businesses

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

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

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

The total consideration for the transaction on a debt and cash-free basis was EUR 228 million. Provisional cash proceeds for the equity and net debt item were EUR 224 million, with EUR 5 million paid into an escrow account. The transaction costs in total are EUR 8 million and are presented in the net result for the period from discontinued operations.

In the first quarter of 2023, the received proceeds, net of cash disposed, were EUR 100 million. The gain on divestment reported in the net result from discontinued operations was EUR 6 million, mainly as the accumulated translation differences were reclassified into net result at the time of the divestment. The consideration is still subject to closing accounts that will be finalized in the second quarter of 2023 and the release of the escrow account. In 2022, Outokumpu recognized in the net result from the discontinued operations an impairment loss of EUR 33 million.

Comparative financial figures according to the new financial key figure definitions

In the second quarter of 2022, the Group redefined capital employed and segment reporting's operating capital by reclassifying certain balance sheet items also impacting the definition of return on capital employed. In addition, the share of results in associated companies was added to the profit component of the ROCE definition. Also return on operating capital (ROOC) as a key figure for segment reporting was introduced. All the figures for the first quarter of 2022 have been restated accordingly.

Share buyback program

On November 3, 2022, Outokumpu's Board of Directors approved a share buyback program of up to EUR 100 million. The maximum number of shares to be repurchased under the program was 20 million, representing approximately 4.4% of the company's total number of shares. The program commenced on November 7, 2022 and ended on March 24, 2023.

During the program, Outokumpu repurchased a total of 19,836,205 of its own shares and used a total of EUR 100 million for the share repurchases. The average price per share was approximately EUR 5.04. After the completion of the program, Outokumpu held a total of 23,109,206 treasury shares, representing 5.06% of the company's total number of shares.

Through the share buyback program, Outokumpu aims to mitigate and manage the dilutive impact of the company's outstanding convertible bonds. The repurchased shares are initially held by Outokumpu as treasury shares and may be used to meet its obligations under the convertible bonds. Alternatively, Outokumpu may decide to cancel any or all of the repurchased shares and reduce its capital accordingly.

Events after the reporting period

On April 1, 2023, Outokumpu announced that is has signed an agreement to divest the remaining Long Products operations in Degerfors and Storfors, Sweden to Cogne Acciai Speciali. More detailed information about the financial impacts of the transaction can be found earlier in this report under Divestment of the Long Products business.

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