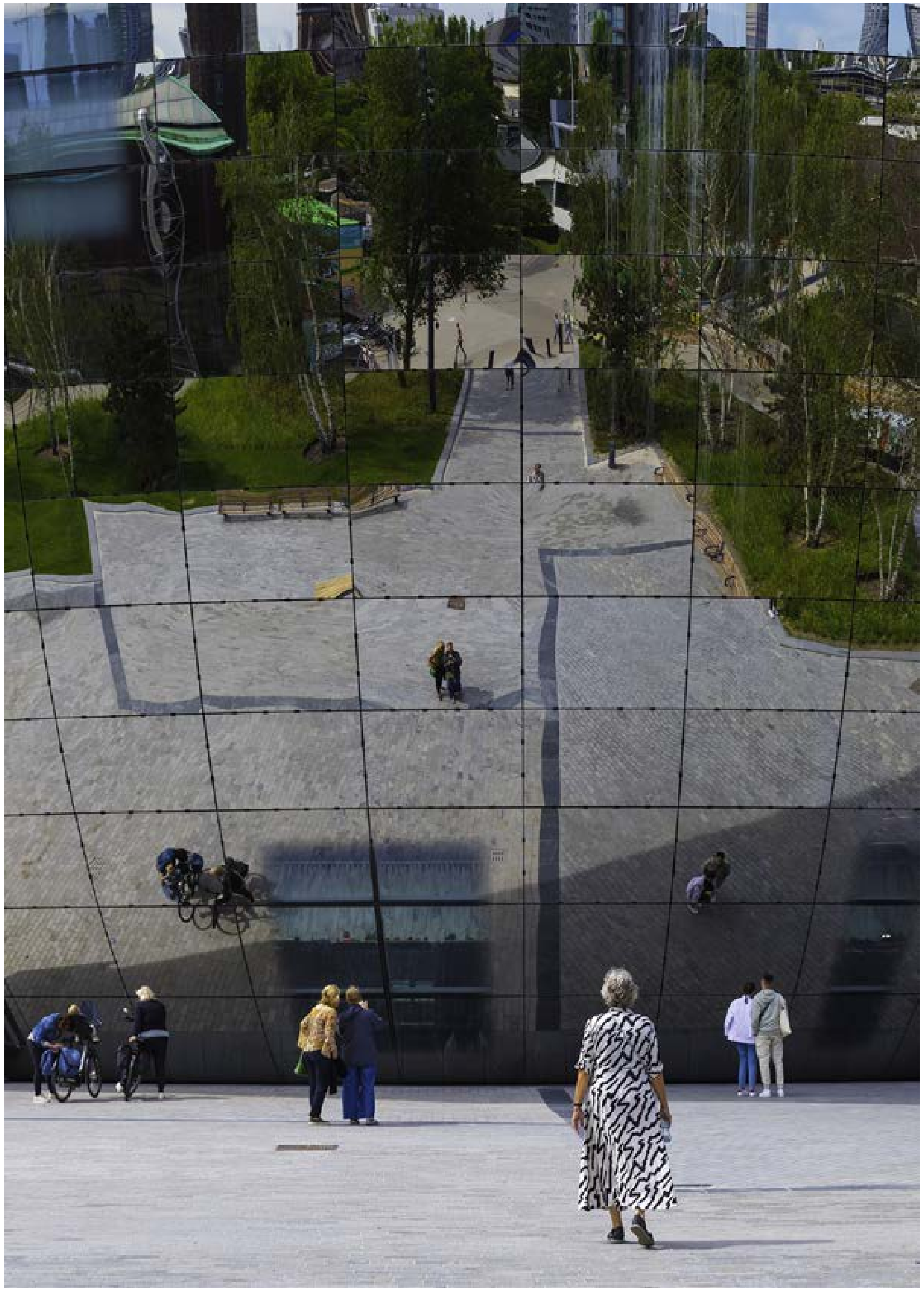
Financial year 2023

Outokumpu's performance was solid in 2023. Despite the shift in the market environment, operative results remained good and the year ended with a net debt free balance sheet.



Review by the Board of Directors

In 2023, we experienced a shift in the global stainless steel market, which is reflected in our annual results. Despite the more challenging operating environment, especially in Europe, our operational performance remained strong. In 2023, Outokumpu's adjusted EBITDA amounted to EUR 517 million (EUR 1,256 million). The comparison period was exceptionally strong from a market perspective and therefore, we delivered our best annual result ever in 2022.

In 2023, our stainless steel deliveries decreased compared to the previous year. Market environment in the first half of the year was relatively solid in both Europe and Americas, but the second half turned out to be challenging in Europe. In the midst of changing conditions, we took immediate measures to manage our costs and improve our profitability. Our financial result, however, decreased compared to the previous year and was negatively impacted by significantly lower realized prices for stainless steel in the European market. As a result of lower profitability, our ROCE was -2.1% (22.6%). Net result amounted to EUR -111 million and earnings per share to EUR -0.26 (EUR 2.40). Both our net result and earnings per share as well as ROCE were negatively impacted by restructuring, divestments and the EUR 264 million impairment booking related to the renegotiated hot rolling agreement in business area Americas. This is a result of the strategic assessment, which we concluded during the year and found that the continuation of the procurement of hot rolling services in business area Americas is the best solution for Outokumpu. This was a great step on our strategy journey to extend our partnership in the U.S. until year 2051.

Outokumpu's balance sheet remained strong in 2023, and as a result of solid cash flow we ended the year with no net debt. It is crucial to have a buffer in these volatile times and this shows why de-risking of the company was considered a priority in the beginning of our

In 2023, Outokumpu successfully exited the Long Products business as it was considered non-core. Majority of the Long Products business was divested in the beginning of the year on January 3, 2023. The exit was completed on August 1, 2023 when the remaining Long Products units were divested. In 2022, Outokumpu classified the divested Long Products businesses as assets held for sale, reported as discontinued operations. Therefore, all figures and comments in this report refer to continuing operations, unless otherwise stated.

three-phase strategy journey. Cyclicality of the stainless steel industry prevails, but our strong financial position and increased resilience help us to withstand changing conditions.

Business area Europe's adjusted EBITDA amounted to EUR 148 million (EUR 680 million), and stainless deliveries decreased compared to the previous year. Business area Americas' performance remained solid in 2023. Stainless steel deliveries decreased and business area delivered adjusted EBITDA of EUR 285 million (EUR 384 million). Business area Ferrochrome's adjusted EBITDA amounted to EUR 96 million (EUR 220 million) and ferrochrome production decreased from the previous year due to weaker market conditions.

Throughout the year, we diligently executed our strategy and focused especially on measures to restore our profitability and improve our competitiveness. In the second phase of the strategy, we aim to improve our EBITDA run-rate by EUR 200 million and by the end of 2023, we had almost achieved our target. As part of our strategy, we also aim to keep our net debt to adjusted EBITDA ratio at below 1.0 in normal market conditions and have an increased focus on shareholder returns as well as an ambitious aim to reduce our CO_2 emissions further. During 2023, we proceeded decisively towards our strategic targets. We also kept our focus on shareholder returns and launched yet another share buyback program at the end of the year.

In 2023, we took important steps forward on our climate strategy and successfully reduced our CO_2 emissions in line with our SBTi climate target. We continued to execute energy efficiency improvements, which have a positive impact on both our costs and CO_2 emissions. The share of our recycled content even further increased and in 2023, our production was based on 95% recycled raw materials. As a result of various actions taken across the group, by the end of 2023, we had reduced our carbon emissions by 27% compared to year 2016. We supported our customers to reduce their emissions by over 12 million tonnes. During 2023, we also strengthened our future supply of low carbon raw materials through new partnerships. Within safety, we managed to further improve our performance to the best level in history, reflecting our strong commitment towards zero incidents.

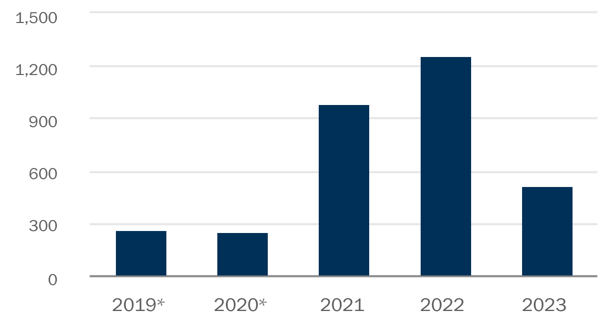
2023 was a solid year for Outokumpu. We kept out balance sheet strong in a weaker stainless steel market and ended the year with a negative net debt. This gives us significant resilience and strength to withstand changing conditions.

Market development

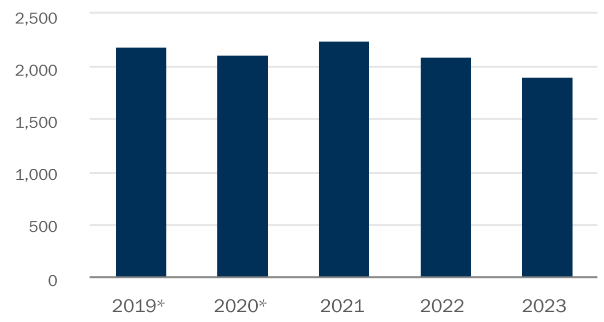
CRU adjusted downwards the expectations concerning global apparent consumption and estimates that total global apparent consumption of stainless steel flat products in 2023 will remain at the previous year's level, showing only a very minor increase of 0.1%. However, in EMEA apparent consumption of stainless steel flat products is estimated to decrease by 18.3% in 2023 compared to the previous year.

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

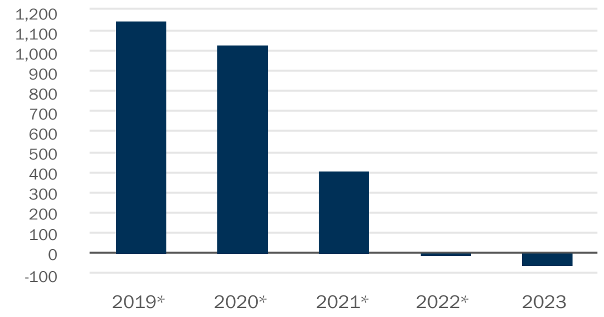
Adjusted EBITDA, € million



Stainless steel deliveries, 1,000 tonnes



Net debt, € million



*Including discontinued operations

Results

€ million	2023	2022
Sales	**6,961**	9,494
Adjusted EBITDA	**517**	1,256
Adjustments		
Loss on disposal of shares in Group companies and businesses	**-26**	-10
Restructuring costs	**-50**	—
Inventory write-down	**-20**	—
Onerous contracts provisions	**-7**	—
Litigation provisions	**—**	2
EBITDA	**416**	1,248
EBIT	**-100**	992
Net result for the financial year	**-111**	1,086
Earnings per share, €	**-0.26**	2.40
Diluted earnings per share, €	**-0.22**	2.22
Adjusted EBITDA margin, %	**7.4**	13.2
Return on capital employed, rolling 12 months (ROCE), %[1]	**-2.1**	22.6

[1] The balance sheet component in 2022 includes the equity component of discontinued operation.

During January–December 2023, Outokumpu’s sales decreased to EUR 6,961 million (EUR 9,494 million) and adjusted EBITDA amounted to EUR 517 million (EUR 1,256 million). The decrease in adjusted EBITDA was mainly driven by a substantially weaker market environment in Europe. The previous year was exceptionally strong and in 2023 the market shifted. Due to the same reason as well as the impairment booking in business area Americas and other adjustment items, ROCE for the rolling 12 months was -2.1% (22.6%).

In January–December 2023 total stainless steel deliveries were 9% lower compared to the previous year. Realized prices for stainless steel were at a significantly lower level in Europe, but also declined in the Americas. Lower profitability in business area Ferrochrome negatively impacted the group result and costs in business area Europe increased compared to the previous year. Raw material-related inventory and metal derivative losses amounted to EUR 44 million in January–December 2023 (losses of EUR 131 million). Other operations and intra-group items' adjusted EBITDA totaled EUR -12 million (EUR -28 million).

EBIT amounted to EUR -100 million (EUR 992 million) and net result declined to EUR -111 million (EUR 1,086 million) in 2023. Negative development was mainly driven by a lower profitability as well as notable adjustment items related mainly to impairment, divestments and restructuring. Net result in 2022 was positively impacted by the recognition of the EUR 297 million deferred tax asset..

Strategy execution

Outokumpu launched its three-phase strategy in November 2020. In the first phase, the aim was to de-risk the company by the end of 2022. This 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 an additional EUR 200 million and maintain a net debt to adjusted EBITDA ratio 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 remains committed to capital discipline, limiting its capital expenditure to EUR 600 million for years 2023-2025, while also increasing its 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.

At the end of the year 2023, Outokumpu had completed a total of 475 projects towards the EBITDA run-rate improvement target of EUR 200 million since the start of the second phase. By the end of the year, the company had improved its EBITDA run-rate by EUR 186 million and therefore, almost achieved its target.

In business area Americas, Outokumpu's target is to increase its cold rolling capacity by 80kt in the second phase of the strategy. At the end of 2023, the company was ahead of its target and had increased its cold rolling capacity by 55 kilotons in total. In San Luis Potosi, Mexico a significant number of actions had been implemented, allowing Outokumpu to offer to the market 32 kilotons of additional capacity of cold rolled prime product. In Calvert, Alabama, Outokumpu increased its cold rolling capacity by 23 kilotons through yield improvements and de-bottlenecking. Projects to turn this increased capacity into revenue are ongoing.

In the fourth quarter, on November 29, Outokumpu announced it had negotiated a long-term extension to its hot rolling partnership with AM/NS in business area Americas until 2051. The contract is subject to four years prior written notice with the earliest effective termination date being October 1, 2042. Outokumpu had been evaluating different options for its hot rolling arrangements to achieve its commercial ambitions in the attractive North

American market. One option under consideration was to build its own hot rolling mill, however, as a result of the evaluation, continuing with the partnership was considered the best solution. Outokumpu aims to strengthen its position in North America and is evaluating a possible cold rolling capacity expansion, which would enable the company to grow in North America. Decisions regarding the cold rolling capacity expansion are foreseen within a year.

In business area Europe, in the middle of the challenging market conditions, the focus has been on improving profitability and competitiveness. On November 7, Outokumpu announced restructuring plans for its German operations in order to ensure its competitiveness in Europe and strengthen global market leadership in advanced materials. The company is planning to transfer precision strip operations from Dahlerbrück to Dillenburg and to centralize production. The intended change would both consolidate underutilized capacity and create significant synergies. In addition, Outokumpu is also closing the service center in Hockenheim and will transfer volumes to other locations.

Throughout the second phase of the strategy a strong focus has been on the steering model in business area Europe. Especially in the commodity business, Outokumpu has been able to improve steering and thereby benefit from being more agile while facing challenging market conditions. This, combined with the ongoing focus on improving the digital customer experience and continuing efficiencies in scrap utilization, business area Europe contributed strongly to the EBITDA run-rate improvement throughout 2023.

In business area Ferrochrome, Outokumpu is targeting significant emissions reductions for the Kemi mine to become carbon neutral by 2025. In October, the company took a significant step forward in reaching this target by replacing fossil fuels with renewable solutions provided by Neste, the world’s leading producer of renewable diesel. With renewable fuels, the annual greenhouse gas emissions of the Kemi mine will be cut by almost 11.3 million kilos, which corresponds to the removal of approximately 4,000 passenger cars from Finnish traffic for a year.

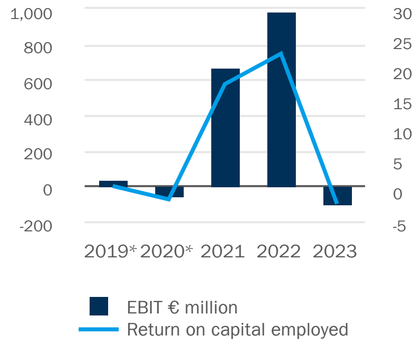
Outokumpu is a significant user of energy which impacts both costs and emissions. As part of the sustainability journey, the company has set an ambitious target to improve energy efficiency by 8% across the group by the end of 2024 compared to the January–September 2022 level. This corresponds to energy consumption of around 600 GWh. At the end of the year 2023, Outokumpu had achieved a run-rate improvement of 215 GWh in context of energy consumption, resulting in savings of more than EUR 10 million.

During 2023, Outokumpu took significant actions to strengthen its supply of sustainable raw materials. In the fourth quarter, Outokumpu announced it has signed an agreement to become a shareholder in Envigas AB, a leading European producer of biocarbon, with an ownership share of 20%. The company also announced it is expanding collaboration with CRONIMET to take circularity to new heights and to secure access to high-quality scrap near Outokumpu's sites in Europe. The company signed an agreement to acquire a 10% minority interest in CRONIMET North-East GmbH, the holding company for CRONIMET’s Northeastern business in Europe and the partnership agreement was completed after the reporting period on January 24, 2024. In the fourth quarter, Outokumpu also signed a letter of intent with Greenland Resources Inc. to strengthen the future supply chain of low-emission high-quality molybdenum and in the second quarter, the company acquired a 9.9% share of FPX Nickel to strengthen the supply chain of sustainable nickel.

In 2023, Outokumpu announced it has begun preparations for the third phase of its strategy, which will start in 2026 and will most likely require new investments. The company’s focus in the third phase will be to strengthen its market position further and to develop more globally diversified operations including Americas expansion, European competitiveness, value-chain integration and sustainability leadership along with the possible biocoke investment.

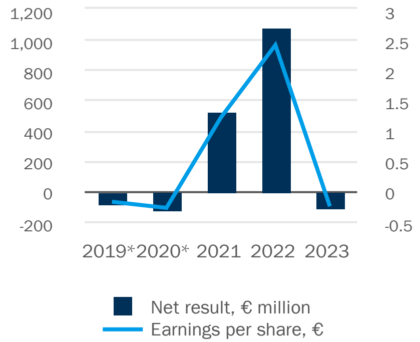
On December 18, Outokumpu announced that it is investing EUR 30 million in a pelletizing plant for biocoke in Tornio, Finland to accelerate the reduction of direct emissions. The company also continues to plan for further investments to capacity for a biocoke production in the future. Further investment decisions are expected during 2024 provided that the financial feasibility is proven.

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



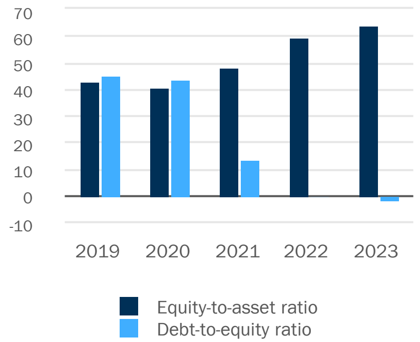
Outokumpu has redefined its' capital employed and ROCE definitions in 2022. Comparative information for 2021 has been restated accordingly.

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

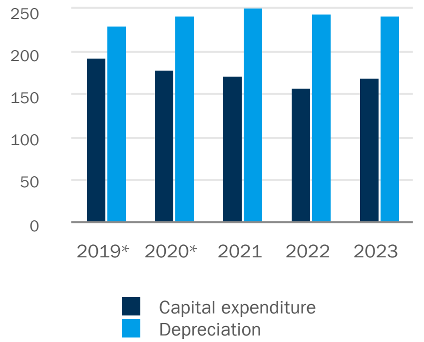


*Including discontinued operations. In 2023 no discontinued operations impact in the balance sheet.

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



Capital expenditure and depreciation, € million



Financial position and cash flow, incl. discontinued operations

€ million	2023	2022
Net debt		
Non current debt	**359**	492
Current debt	**82**	141
Cash and cash equivalents	**502**	644
Net debt	**-60**	-10
Net debt to adjusted EBITDA	**-0.1**	0.0
Net cash generated from operating activities	**325**	778
Capital expenditure, continuing operations	**170**	158
Capital expenditure	**170**	160
Debt-to-equity ratio, %	**-1.6**	-0.3
Equity-to-assets, ratio, %	**63.8**	59.2

Operating cash flow for full-year 2023 was EUR 325 million (EUR 778 million, incl. discontinued operations). The decrease in the annual operating cash flow compared to the previous year was mainly driven by weaker profitability, partly offset by positive development in net working capital. During full-year of 2023, net working capital decreased by EUR 54 million, while there was an increase of EUR 587million in the previous year. The difference in net working capital development compared to the previous year was mainly driven by lower metal prices as inventory volumes remained relatively stable. Inventories stood at EUR 1,581 million at the end of December (December 31, 2022: EUR 1,783 million). The inventory decrease in full-year of 2023 was EUR 202 million. Capital expenditure amounted to EUR 170 million in the full-year of 2023 (EUR 158 million).

Net debt amounted to EUR -60 million at the end of December (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 94 million positive impact on net debt, while the dividend payment of EUR 152 million for the year 2022 had a negative impact on net debt. In the fourth quarter, the impact of the announced EUR 50 million share buyback program is included in net debt. This comprises of EUR 12 million cash impact and EUR 38 million financial liability. Gearing amounted to -1.6% at the end of December (December 31, 2022: -0.3%, incl. discontinued operations).

Net financial expenses in full-year 2023 decreased to EUR 37 million (EUR 71 million) and were driven by higher interest income, lower loan-related fees and market price impact. Interest expenses increased to EUR 60 million (EUR 44 million), mainly due to an overall higher interest rate environment.

Cash and cash equivalents amounted to EUR 502 million at the end of December (December 31, 2022: EUR 644 million, incl. discontinued operations) and overall liquidity reserves were EUR 1.3 billion (December 31, 2022: EUR 1.4 billion). In 2023, Outokumpu prepaid EUR 141 million of the remaining outstanding pension loans.

On December 31, 2023, Outokumpu had a total of EUR 800 million of outstanding committed credit facilities, which were fully unutilized. In 2023, Outokumpu extended its current EUR 700 million multicurrency revolving credit facility by one year and it will mature in February 2027.

In 2021, Outokumpu signed a deal on three cargo vessels with Langh Ship to reduce CO_2 emissions in transports. The company will take these cargo vessels into use during the first half of 2024. The net debt impact is expected to be approximately EUR 38 million in the first half of 2024, of which approximately EUR 25 million in the first quarter.

Business areas

Outokumpu has three business areas, which are also Group's operating segments. In 2023, the company exited the Long Product's business, which was previously one of Outokumpu's business area. The divested Long Products businesses were classified as assets held for sale and reported as discontinued operations as of September 2022. More information about the business areas can be found in note 2.1 in the consolidated financial statements.

Europe

		2023	2022
Stainless steel deliveries	1,000 tonnes	**1,367**	1,423
Sales	EUR million	**4,818**	6,266
Adjusted EBITDA	EUR million	**148**	680
Adjustments to EBITDA	EUR million	**-52**	—
EBITDA	EUR million	**96**	680
Operating capital	EUR million	**1,850**	1,864
Return on operating capital, rolling 12 months	%	**1.5**	28.9

In 2023, business area Europe's sales decreased to EUR 4,818 million (EUR 6,266 million) and adjusted EBITDA amounted to EUR 148 million (EUR 680 million).

Stainless steel deliveries decreased by 4% compared to the previous year. Market environment was substantially weaker and profitability was negatively impacted by significantly lower realized prices for stainless steel. Variable costs increased in 2023 compared to the previous year as a result of higher consumable and energy prices, and also fixed costs were slightly higher. Raw material-related inventory and metal derivative losses amounted to EUR 27 million (losses of EUR 135 million in 2022). Adjustments to EBITDA include the impact from restructuring plans in Germany.

Business area Europe's return on operating capital amounted to 1.5% at the end of 2023 (28.9%) mainly due to lower profitability, but was supported by improvements in working capital management.

In 2023, apparent consumption in EMEA decreased by 18% compared to 2022 (Source: CRU, November 2023). EU cold-rolled imports from the third countries decreased to a level of 19% from the previous year's level of 35% (Source: EUROFER, January 2024). Distributor inventories were below the average levels at the end of 2023.

Americas

		2023	2022
Stainless steel deliveries	1,000 tonnes	**552**	654
Sales	EUR million	**1,892**	2,695
Adjusted EBITDA	EUR million	**285**	384
Adjustments to EBITDA	EUR million	**-16**	2
EBITDA	EUR million	**270**	387
Operating capital	EUR million	**594**	990
Return on operating capital, rolling 12 months	%	**25.8**	32.4

In 2023, business area Americas' sales decreased to EUR 1,892 million (EUR 2,695 million) and adjusted EBITDA amounted to EUR 285 million (EUR 384 million).

Stainless steel deliveries decreased by 16% compared to the previous year. Negative affect on profitability from lower realized prices for stainless steel was offset by positive raw material related impacts. Variable costs remained relatively stable and fixed costs slightly decreased. Raw material-related inventory and metal derivative losses amounted to EUR 1 million (losses of EUR 36 million in 2022).

Business area Americas' return on operating capital amounted to 25.8% at the end of 2023 (32.4%), and was negatively impacted by the impairment booking related to the renegotiated hot rolling agreement.

In 2023, the apparent consumption decreased by 23% compared to 2022. The share of cold-rolled imports into the US decreased to a level of 22% compared to a level of 26% in the previous year. (Source: American Iron and Steel Institute, AISI). Distributor inventories were below the average levels at the end of 2023.

Ferrochrome

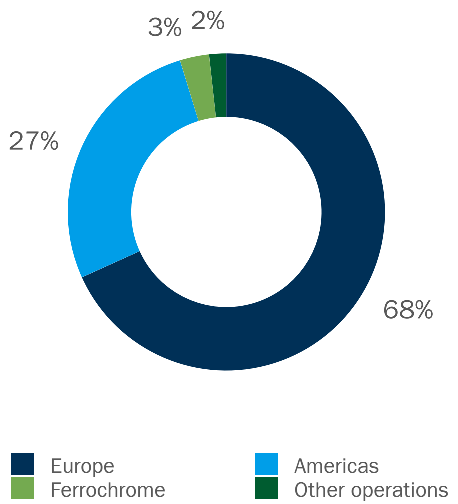
		2023	2022
FeCr production	1,000 tonnes	**390**	430
Sales	EUR million	**467**	633
Adjusted EBITDA	EUR million	**96**	220
Adjustments to EBITDA	EUR million	**-3**	—
EBITDA	EUR million	**93**	220
Operating capital	EUR million	**894**	867
Return on operating capital, rolling 12 months	%	**5.0**	20.7

In 2023, business area Ferrochrome's sales decreased to EUR 467 million (EUR 633 million), while adjusted EBITDA amounted to EUR 96 million (EUR 220 million).

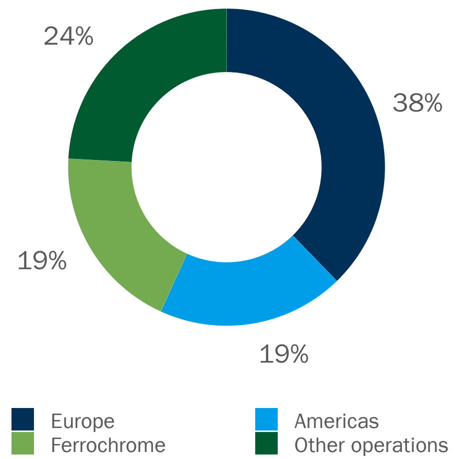
Ferrochrome production was 9% lower compared to the previous year, mainly due to weak market conditions and the major maintenance break in one of the ferrochrome furnaces. Profitability was negatively impacted by a significantly lower ferrochrome sales price in 2023. Variable costs increased compared to the previous year due to higher electricity price, while fixed costs decreased and were positively affected by lower maintenance costs.

Business area Ferrochrome's return on operating capital amounted 5.0% at the end of 2023 (20.7%).

Sales by business area, 6,961 € million



Capital expenditure by business area, 170 € million



Discontinued operations: divestment of the Long Products business

In 2023, Outokumpu successfully exited the Long Products business as it was considered non-core. The majority of the Long Products business was divested already at the beginning of the year and the exit was finalized in the third quarter when the divestment of the remaining units was completed.

On July 12, 2022, Outokumpu 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.

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

On January 3, 2023, Outokumpu completed the divestment of the majority of the Long Products business. 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 214 million, with EUR 5 million paid into an escrow account. The transaction costs in total were EUR 8 million and are presented in the net result for the period from discontinued operations.

The received proceeds, net of cash disposed, were EUR 94 million. The gain on divestment reported in the net result from discontinued operations was EUR 5 million, mainly as the accumulated translation differences were reclassified into net result at the time of the divestment. The consideration is still subject to 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 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. On August 1, 2023, Outokumpu completed the divestment. The company's plate operations in Degerfors were not affected by the divestment. The enterprise value of the transaction was EUR 12 million and it had a positive cash impact for Outokumpu. Outokumpu booked a loss of EUR 26 million in the third quarter.

Non-financial development at Outokumpu

The information in this section fulfills the requirements in the EU Directive and the Finnish Accounting Act's Chapter 3a on statement of non-financial information. Outokumpu is also reporting according to the EU taxonomy framework and with regards to the Task Force on Climate-related Financial Disclosures (TCFD) disclosure recommendations. The taxonomy reporting is based on the delegated act specifying the technical screening criteria under which certain economic activities qualify as contributing substantially to climate change mitigation and climate change adaptation.

Outokumpu acknowledges the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) and the underlying framework and acknowledges that there are financial impacts in a 2°C or lower transition scenario. Outokumpu has performed a stated policy scenario and sustainable development scenario analysis in line with the International Energy Agency Iron and Steel Technology Roadmap (2020). The financial impact of the physical and transition risks of climate change are assessed and included in the general risk assessment and management of the company.

Outokumpu is a leading global producer of stainless steel, with world-class production assets in its key markets in Europe and in the Americas and has a global sales and service network close to its international customers. From basic structures of society to industry, mobility, and household appliances, the demand for stainless steel will grow. As a product, stainless steel is a strong, corrosion-resistant, hygienic, and aesthetic material with a high strength-to-weight ratio and no need for maintenance. At the end of its lifecycle, stainless steel is fully and endlessly recyclable, making it a key contributor to the circular economy. Outokumpu's organization and businesses are presented in the company's annual report and in notes 2.1 and 6.5 of the consolidated financial statements.

Outokumpu's vision is to be the customer's first choice in sustainable stainless steel. Climate change is one of the megatrends driving Outokumpu's business, together with economic and population growth and urbanization. At the same time, sustainable stainless steel has a significant role in society by enabling green transition – from hydrogen to electric vehicles. Outokumpu believes that the market for climate solutions supporting the transition towards low-carbon economies will increase on the way to 1.5°C scenarios and present an opportunity for companies ahead of the climate journey.

Outokumpu has built its business on circular economy, using 94.6% recycled materials in the production of stainless steel during 2023. By converting scrap and metal waste into new products the company also minimizes the use of virgin resources. Through this, Outokumpu reduces its carbon emissions but also mitigates biodiversity loss and impact on nature.

Outokumpu has an integrated production process. This includes the company's own chrome mine in Kemi, Finland for one of the main raw materials in stainless steel production, ferrochrome operations, melting, hot rolling and cold rolling, as well as finishing and service centres. Outokumpu's production sites are mainly located in relatively small cities or towns. This means that Outokumpu is a significant contributor to the economies of small local communities, and often one of the very few large private-sector employers in the area.

Sustainability strategy & targets

This section focuses on the most material sustainability topics for Outokumpu and its stakeholders in relation to value creation and risk management. Outokumpu conducted a materiality analysis mapping stakeholders' expectations and assessing business impact in 2021 which worked as the basis for the current sustainability strategy. Based on the analysis, Outokumpu focus areas on sustainability are emission reduction, circular economy, waste management, sustainable supply chain and innovative technologies. At end of 2023, Outokumpu conducted a double materiality analysis during 2023 to prepare for Corporate Sustainability Reporting Directive (CSRD), which the company will start reporting on in 2024.

Outokumpu is a signatory of the United Nations Global Compact. Outokumpu is committed to the UN's Sustainable Development Goals, with a focus on the following six objectives: affordable and clean energy, decent work and economic growth, industry, innovation and infrastructure, responsible consumption and production, climate action and partnerships for goals.

Sustainability at Outokumpu consist of three pillars: environmental, social and governance. To demonstrate the commitment to sustainability in all aspects, Outokumpu finalized the certification process for the ResponsibleSteel standard for its operating sites in business area Europe during 2023. ResponsibleSteel is a standard developed to recognize steel sites that are being operated in a responsible manner with the focus on the most material sustainability issues identified and agreed upon by the members and stakeholders.

Outokumpu is currently in the process of waiting for the certification, after finalizing the audits of the sites during 2023. Outokumpu received also a Platinum rating from Ecovadis, the global sustainability rating platform, ranking Outokumpu among the top 1 % of the assessed companies.

As part of its ambitious sustainability strategy, Outokumpu has a climate target approved by Science Based Targets aligned with the 1.5 °C climate ambition and the long-term target is to become carbon neutral by 2050. Outokumpu’s environmental targets are:

- Reducing Scope 1, 2 and 3 greenhouse gas emissions 42% per tonne of stainless steel by 2030 from 2016 baseline (the target setting includes biogenic missions and removals from bioenergy feedstock).
- Increasing recycled material content to 92.5% in 2023 (all metallic input from waste streams, such as scrap, scales or metals from slag and dust treatment per tonne stainless steel).
- Improving energy efficiency by 8% by the end of 2024 compared to January–September 2022 level.
- Reducing the landfilled production waste other than slag by 0.5% in 2023.

Outokumpu supported customers to reduce their emissions by over 12 million tonnes in 2023. Outokumpu has supported customers across various industries to even further reduce emissions with Circle Green stainless steel with up to 93% lower carbon footprint compared to the global average. The exceptionally significant emission reduction is achieved through low-carbon energy use, sustainable raw materials, and improvements to the production process. More about Outokumpu’s climate solutions and decarbonization roadmap can be found on the Sustainability Review.

The European Carbon Border Adjustment Mechanism (CBAM) will be introduced in 2026 to avoid carbon leakage which will impact also steel producers. CBAM measures will also phase out the free allocation under EU ETS 2026–2034. Outokumpu forecasts to have an adequate quantity of the EU emission allowances until the end of this decade if the projected carbon emission reduction projects are realized. Outokumpu also has a strong position due to own ferrochrome production in Finland and the low carbon footprint of its production.

Outokumpu is committed to the United Nations Guiding Principles on Business and Human Rights and has clear targets on diversity, equity, and inclusion. Safety is integrated to all our decision-making, and the long-term target is to have achieve zero-level in injuries.

The social targets of the company are:

- Achieving a total recordable injury frequency rate of <1.9 per million working hours
- Achieving high employee engagement index rate in the organizational pulse surveys
- Increasing the share of diverse leaders in all international leadership teams to 30% and add 100 diverse managers by the end of 2025
- Verifying pay equity by an external certification
- Reaching 60% agreement score on all areas of inclusion and across all diverse employee group in our people pulse survey

Outokumpu has built its business foundation on ethical principles and conducts its operations with a commitment to ethical business practices and strives for continuous improvement and transparency in its sustainability governance.

Governance targets:

- Employees trained on Outokumpu Code of Conduct

More information about ethics & compliance in the Sustainability Review.

Policies and principles of sustainability management

Outokumpu’s Board of Directors approves Outokumpu’s sustainability strategy and targets. On the Group level, sustainability is managed by the Group sustainability team headed by the Vice President, Sustainability, who reports to the EVP Sustainability, People and Communications. The Outokumpu Leadership Team follows the progress of Outokumpu’s sustainability targets continuously. Business areas and functions are responsible for ensuring that operations within their own organizations and business lines are aligned with the targets and that monitoring, data collection and reporting are duly carried out. All Outokumpu operating sites are certified according to quality ISO 9001 and environment ISO 14001 management systems. The functioning of the systems is monitored by both internal and external audits.

Outokumpu’s external ESG Advisory Council supports Outokumpu in challenging and commenting the sustainability strategy, roadmap and actions as well as facilitating dialogue between Outokumpu and its stakeholders. The council consists of three external advisors. More information about the council can be found on Outokumpu’s website. Outokumpu also has internal and cross-functional ESG teams in place developing and supporting the implementation of the company’s sustainability strategy. Outokumpu works across cross-functionally including Group sustainability, operations, procurement, communications, compliance, HR and safety functions.

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

- Code of Conduct

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

The most important policies guiding Outokumpu's sustainability management are the Group's Code of Conduct and the Corporate Responsibility Policy. Outokumpu's Code of Conduct defines common ways of working in the Group and sets principles for conducting business in a legal, compliant, and ethical manner, including zero tolerance for corrupt practices, and requiring compliance with applicable laws and regulations, including competition laws and trade sanctions regulations.

The Corporate Responsibility Policy describes the main principles and rules followed by Outokumpu in relation to the sustainable development of the economic, environmental, and social aspects. Outokumpu also has an Anti-Corruption Instruction providing detailed guidance on responsible business practices.

Supplier Code of Conduct outlines Outokumpu's expectations for suppliers. Complying with the Supplier Code of Conduct is considered a minimum requirement for business engagement with any of Outokumpu's business units. Outokumpu has also published a Human Rights Policy.

Outokumpu has strict guidelines for safety through the Outokumpu Safety Principles and Health and Safety Standards. Additionally, Outokumpu has ten Cardinal Safety Rules that are a part of the company's operating principles.

The internal audit function, flanked by external audits consistently monitors and tests adherence to corporate guidance and standards, while the sustainability organization follows-up on environmental performance and legality monthly. Regular internal environmental audits by the Group's environmental team are performed based on an internal risk assessment.

Outokumpu applies a risk-based approach in its supplier management. Risks are assessed in different stages of the relationship with the supplier, first during the onboarding of a new supplier as well as later during the relationship with the supplier. Outokumpu monitors its suppliers through self-assessment, screenings and audits. Most suppliers also go through a monthly compliance screening for sanctions. The self-assessments and audits are based on Outokumpu's Supplier Requirements and focused on evaluating the suppliers' social and environmental responsibility and quality management. In raw material procurement, a supplier's sustainability performance is assessed by sustainability platform EcoVadis, which Outokumpu plans to also introduce to the General Procurement.

Outokumpu complies with international, national, and local laws and regulations, and honors and is committed to international agreements concerning human and labor rights, such as International Bill of Human Rights, and condemns the use of forced and child labor. Since 2021, Outokumpu has implemented the UN Guiding Principles on Business and Human Rights.

All Outokumpu employees are free to join trade unions according to local rules and regulations. There is zero tolerance of any form of discrimination, whether it is based on ethnic origin, nationality, religion, political views, gender, sexual orientation, age or any other factor.

Outokumpu expects its suppliers and contractors to comply with applicable laws and regulations as well as Outokumpu's Supplier Code of Conduct and to meet the company's Supplier Code of Conduct and Requirements. Outokumpu also aims to ensure that modern slavery or human trafficking plays no part in its supply chain or in any part of the business.

Outokumpu's Supplier Code of Conduct sets the minimum level for suppliers regarding sustainability and ethical standards, safety, environmental considerations, quality management and other criteria.

More information about Outokumpu's sustainability related risks can be found in the Annual review of the Annual report.

Environmental performance

The impacts to environment from stainless steel production are the use of virgin materials, energy, dust emissions into the air, waste created in the production process and water discharges from production plants. By 2023, Outokumpu managed to reduce emissions intensity by 27% from 2016 baseline. During the year Outokumpu also reduced its customers emissions by over 12 million tonnes compared to the global average of stainless steel.

All Outokumpu sites have environmental permits that set the basic framework for operations. In 2023, there were three environmental permit breaches in operational sites and one in an old mining site. The permit breaches that occurred were temporary, identified, and had no or only minimal impact on the environment. There were no significant environmental incidents during 2023.

Outokumpu's operations under the EU Emissions Trading Scheme (ETS) will continue to receive free emissions allocations according to efficiency-based benchmarks and historical activity for the next five years. In 2023, the ETS free emission allowances of Outokumpu were below emissions within the ETS system, 0.86 million tonnes (0.9 million tonnes in 2022).

The energy efficiency improved by 0.9% compared to the previous year. Outokumpu also switched to low-carbon electricity across its production sites in Europe.

Outokumpu had an all-time high material recycling (all metallic input from waste streams, such as scrap or metals from slag and dust treatment per tonne of stainless steel), resulting in 2023 to 94.6% (93.9% in 2022). The recycled steel content of our stainless steel, defined according to ISO 14021, was 90.9 % in 2023 (89.8% in 2022). Outokumpu uses efficient dust-filtering systems that remove 99% of particles, and water is reused in production as much as possible and treated at production sites. In addition to material efficiency through maximizing utilization of recycled material, Outokumpu aims to reduce landfill waste and reuses waste from its production processes. Outokumpu also aims to increase the use of its by-product slag from its production outside the company for example in road construction, concrete production, and water treatment.

In 2023, the use rate of slag, meaning the share of slag used (e.g. in construction or agricultural purpose) compared to all slag produced was 87.8% (86.5%). In addition to production waste, tailing sand from mining is the most significant waste item to be deposited in the mine site. Landfill waste intensity increased due to higher production of tailing sands in the mining business.

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

Environmental indicators

	2023	2022
Scope 1, 2 and 3 (direct and indirect) CO_2 emission intensity, tonnes per tonne of stainless steel	**1.52**	1.70
Energy intensity, GJ per tonne stainless steel	**10.4**	10.5
Use rate of slag, including slag from ferrochrome production, %	**87.8**	86.5
Total landfill waste intensity, tonnes per tonne stainless steel	**0.647**	0.530
Recycled material content, %	**94.6**	93.9

Social & governance performance

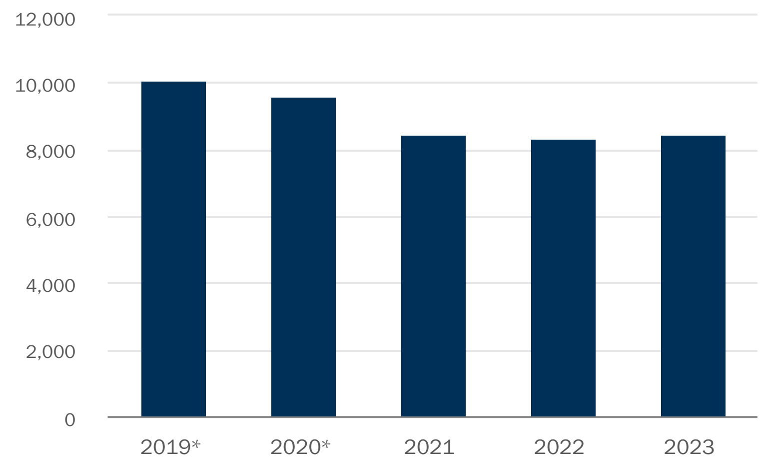
Outokumpu's main indicator for safety performance is the total recordable injury frequency rate (TRIFR), which includes fatalities, lost-time injuries, restricted work injuries, and medically treated injuries per million working hours. Group TRIFR declined from the previous year and was 1.5 against the target of below 1.9, from 1.8 in 2022.

Outokumpu's personnel on full-time equivalent basis increased by 112 during the year and totaled 8,469 at the end of December 2023 (8,357). Total wages and salaries amounted to EUR 531 million in 2023 (EUR 544 million). Other employee benefit expenses totaled EUR 182 million in 2023 (EUR 178 million).

As part of its sustainability strategy, Outokumpu is also focusing on strengthening diversity, equity and inclusion within the company. We have progressed well against our target of having 30% diverse leaders in all key leadership teams by 2025: at the end of 2023, 10 out of 12 key leadership teams had reached the target and the overall diversity among these leaders was 43%. We have also been working on an external pay equity certification, which we expect to conclude early 2024. Finally, we reached our inclusion target: 60% of group employee respondents agreed on all areas related to inclusion in our People Pulse survey.

In our annual pulse survey about inclusion and fairness conducted during 2023, all areas of DE&I topics scored above 60%. Compared to 2022's pulse survey, we already see improvement in belonging, inclusion, but a slight decrease in respectful treatment. Especially fair treatment was rated significantly better in the survey than previous year and above benchmark group. Additionally, the overall results show that men and women perceive their working environment and how they are treated the same way. The improvement opportunities are still in providing equal opportunities to all employees.

Personnel on December 31



Personnel reported as full time equivalent number.
*Including discontinued operations

During 2023, Outokumpu continued to develop the management of sustainable supply chain to create a transparent and responsible supply chain with partners with the highest standard. During the year, Outokumpu placed particular focus on improving the supply chain transparency and solidifying processes to evaluate supplier sustainability performance. In addition, Outokumpu developed the supply chain risk identification processes by activating use of new group level risk management tools and expanding country-based risk rating to cover all categories.

In accordance with our due diligence process, we initiated a human rights impact assessment on our suppliers in Zimbabwe. The target was to assess the maturity level of their human rights management processes, to identify potential human rights impacts of their operations, and to better understand the context of the industry and country. The specific topics we investigated on were workers' conditions and wages, environmental impacts such as pollution, health and safety and the supply chain of the chrome. Based on the final assessment report, we provide recommendations to our suppliers and stay in close contact with them to see the results. In the previous year 2022, Outokumpu also conducted a human rights risk assessment of one supplier in Guatemala and visited several suppliers in Colombia.

Outokumpu encourages all its employees to raise their concerns. All available reporting channels are detailed in the Code of Conduct, including the SpeakUp channel which is an externally operated communication channel to report misconduct confidentially and anonymously, if allowed by laws and regulations. The SpeakUp channel is available as a communication channel in Outokumpu's reporting process if other reporting channels do not feel suitable.

In 2023, 48 reports of potential misconduct were recorded through the various reporting channels. These incidents have been assessed and, if needed, further investigated. Consequently, proper corrective and preventative measures have been or will be taken.

The effective implementation of Outokumpu's group-wide Ethics and Compliance (E&C) Program continued in close co-operation with the business areas, business lines and group functions during 2023. As part of these activities, the first ever E&C Week was organized in September 2023. The purpose of the week was to offer information and increase awareness about important E&C themes to all Outokumpu employees worldwide, encouraging everyone to do the right thing, conduct business fairly and in a responsible and ethical manner, and speak up if any concerns arise. The E&C Week was full of many engaging activities, such as presentations and local events organized in several Outokumpu sites.

Trade sanctions compliance was one of the key themes during the E&C Week and throughout the year 2023. Outokumpu is committed to complying with all applicable laws and regulations, including sanctions regulations. Due to the Russian invasion of Ukraine, Outokumpu continued to concentrate on trade sanctions compliance as a priority work also during 2023 to ensure that all applicable sanctions regulations are complied with. Improvement actions were also taken in other key E&C areas in 2023 such as within the anti-corruption, competition law compliance and data protection areas.

Key social indicators

	2023	2022
Diversity		
Employees		
male, %	**82**	83
female, %	**18**	17
Managers		
male, %	**81**	83
female, %	**19**	17
Board of Directors		
male, %	**62**	62
female, %	**38**	38
Safety		
Total recordable injury frequency rate, per million working hours	**1.5**	1.8

EU taxonomy reporting

EU taxonomy is a classification system for categorization of sustainable business activities that could substantially contribute to the EU's environmental goals. Companies required to report non-financial information need to disclose the taxonomy eligibility and alignment of their economic activities.

Non-financial companies are required to disclose the share of their sales, and both the capital and restricted operational expenditure associated with environmentally sustainable economic activities as defined in the EU Taxonomy Regulation (2020/852). Eligible activities are those that are in scope of the regulation while an aligned activity is defined as an eligible economic activity that is making a substantial contribution to at least one of the climate and environmental objectives, while also doing no significant harm to the remaining objectives and meeting minimum standards on human rights and labor standards.

In 2023 the Commission published additional technical screening criteria related to water, circular economy, pollution prevention and biodiversity (EU 2023/2486) and amendments to the previously published Climate change Mitigation and Adaptation Acts (EU 2023/2485).

Outokumpu representatives from finance and sustainability have evaluated Outokumpu activities in relation to EU taxonomy, resulting in the identification of aligned, eligible and non-eligible activities. The key performance indicators were calculated by using the consolidated financial information and further accounting policies are disclosed after the key performance indicator table below. Full tables are available at the end of the Review by the Board of Directors.

Taxonomy key performance indicators

2023	Total € million	Eligible and aligned, %	Eligible and non-aligned, %	Non-eligible
Sales (Turnover)	**6,961**	**90**	**0**	**10**
Capital expenditure	**146**	**75**	**0**	**25**
Restricted operating expenditure	**652**	**83**	**0**	**17**
2022				
Sales (Turnover)	9,494	91	0	9
Capital expenditure	153	42	0	58
Restricted operating expenditure	736	82	0	18

The preparation of the key performance indicators requires management to make judgements, estimates and assumptions on eligible and aligned economic activities, capital expenditure allocated to those activities and related restricted operating expenditure.

Taxonomy sales (turnover) is presented in accordance with IFRS, in line with the sales in the Group's consolidated financial statements. Outokumpu's principles for defining sales (turnover) can be found in note 2.2 in the Group's consolidated financial statements. The manufacturing of iron and steel is listed as an eligible economic activity.

The company reports its taxonomy eligibility and alignment only for the continuing operations, sales from service centers are excluded from eligibility. The impact of service centers is however insignificant as the Group internal sales from mills to service centers are still eligible. Since the service centers are excluded from eligibility, also restricted operating expenditure and capital expenditure associated with service centers is excluded from eligibility. The main items of sales that are considered non-eligible include sales of ferrochrome, raw materials, other services, and energy. Only eligible activities have been assessed for alignment.

Outokumpu has invested in and holds stakes in energy companies in order to secure low emission electricity. However, Outokumpu does not hold a direct nuclear ownership, our ownership is considered immaterial and is not included in the group taxonomy key performance indicators.

All steelmaking sites have been assessed and they fulfill the technical screening criteria for substantial contribution to climate change mitigation, which requires that the steel scrap input relative to product output is not lower than 70% in the production of high alloy steel. In 2022 an assessment was carried out to ensure if the activities also fulfil the criteria set to determine that they do no significant harm (DNSH) to the remaining objectives, this assessment was reviewed in 2023, no changes that affect the outcome of the evaluation was identified.

- Criteria for DNSH to climate change adaptation: physical risks material to our production units have been screened and assessed and are part of the company´s overall risk management strategy.
- Criteria for DNSH sustainable use and protection of water and marine resources and criteria for DNSH to protection and restoration of biodiversity and ecosystems: Assessment, permits and plans are in place for all production sites and all sites meet current legislation

Outokumpu's production sites do not use any prohibited substances. In a few activities where substances of concern are being used, we have either considered them essential since the use is defined as best available technology in the Bref documents or nonmaterial as the activity is insignificant compared to total eligible sale, thus fulfilling the DNSH criteria for pollution prevention and control.

Outokumpu's human rights due diligence process has been reviewed and is considered adequate with regards to EU taxonomy minimum safeguards on human rights and labor standards.

Taxonomy capital expenditure is presented and measured as cash-based. Taxonomy capital expenditure consists of purchases of property, plant and equipment and purchases of intangible assets. Taxonomy capital expenditure is presented in accordance with IFRS and in line with Outokumpu’s consolidated statement of cash flows. Equity investments at fair value through other comprehensive income and investments in associated companies have been excluded from the amount. Capital expenditure associated with taxonomy-eligible economic activities has been considered eligible while capital expenditure related to business area Ferrochrome, service centers and directly to corporate functions have been considered non-eligible. The increase in the eligible and aligned share of capital expenditure is driven by the substantial non-eligible Deep mine expansion investment in business area Ferrochrome in 2022.

As all steelmaking activities were considered aligned, also related capital expenditure was considered aligned since it is necessary to uphold the substantial contribution of the activities. Currently, plans to expand taxonomy-aligned economic activities, plans to allow the activities to become taxonomy-aligned, or individual measures enabling the target activities to become low-carbon have not been separately taken into consideration.

Taxonomy restricted operating expenditure consists of expenses related directly to maintenance and servicing of assets as well as research and development expenses. Of the total taxonomy restricted operating expenditure, the portion supporting taxonomy-eligible economic activities has been considered eligible. Expenses related to business area Ferrochrome, service centers and corporate functions have been considered non-eligible. Research and development expenses have been included in full and considered eligible except for the part related to manufacturing of ferrochrome, service centers and corporate.

Only one taxonomy-eligible economic activity has been identified as relevant and taken into account in the calculations, together with one environmental objective. While recycling of metallic scrap is at the core of Outokumpu’s business, the collection and sorting of scrap as outlined in the Circular Economy criteria document is not considered an economic activity in itself for Outokumpu. Outokumpu continues to develop its calculations and definitions as new information becomes available. Outokumpu's taxonomy disclosure has been part of the limited assurance by an independent practitioner.

Research and development

Outokumpu’s research and development (R&D) provides leading technical expertise covering the whole range from the production process to fabrication of the company’s products at our customers. Outokumpu has three R&D centers located in Avesta, Sweden, in Krefeld, Germany and in Tornio, Finland. R&D activities are focused to two key themes: sustainable production process technologies and future products and customer applications. In 2023, Outokumpu’s total R&D expenditure amounted to EUR 14 million, representing 0.2% of the annual sales (2022: EUR 15 million and 0.2%).

As a leader in sustainable stainless steel, Outokumpu has recognized since a long time its responsibility to provide customers with all the technical information they need to select the best grade for their requirements. In 2023, Outokumpu published its 12th edition of the Outokumpu’s Corrosion handbook, fully revised and updated. It covers the latest additions to the company’s expanding portfolio of corrosion-resistant materials which now include nickel alloys.

To strengthen Outokumpu’s portfolio a new ferritic grade, Therma 4622Nb™, was launched. This grade has an enhanced high temperature creep resistance above 1000°C. That makes it ideal for a wide range of applications such as automotive exhaust systems, furnace equipment, annealing boxes, air heaters and burner nozzles.

As part of its commitment to decarbonize its operations and supply chain, Outokumpu further developed its initiative in replacing fossil coke with renewable raw materials from biomass. In 2023, the company made a decision to invest 30 million euros in a pelletizing plant for biocoke in Tornio, Finland and acquired a share of Swedish Envigas AB to ensure sustainable raw materials in the future. Replacing fossil coke, which is used in the ferrochrome production process as a reductant, with biocoke is one of the company’s ways to reduce its direct emissions.

The circular economy is another key area of Outokumpu’s research and development. Examples include the use of waste heat with the help of new technologies or the reuse of refractories in the company’s melt shops. Born from the idea to go as low as possible with CO_2 emissions, Outokumpu produced Outokumpu Circle Green® product which has up to 93% lower carbon footprint than the global average. In December 2023, Circle Green celebrated its second birthday.

Risks and uncertainties

Outokumpu is exposed to various risks and uncertainties that may have an adverse impact on its business and operations. The adverse development of the global economy, geopolitical conflicts including the Israel-Hamas war, the recent tension in the Red Sea and the continued war in Ukraine have increased the risks and uncertainties to which Outokumpu is exposed. However, the company has taken prompt measures to manage and control these risks.

The main uncertainties relate to inflation, slow growth in China, geopolitical conflicts that could disrupt global supply chains, energy prices and the slowdown of the global economic growth. All these adverse consequences could impact Outokumpu's operating environment, business, and stainless steel demand.

Throughout 2023, electricity prices have declined but the uncertainties in volatility and price peaks remain and may expose Outokumpu to increased energy costs. During the fourth quarter, the main driver of the volatility in the electricity prices in the Nordics was the cold weather and the limited wind and hydro balance availability. Possible increases in the price of electricity would mainly affect business area Ferrochrome, due to the high amount of electricity needed in ferrochrome production. The activities implemented in relation to electricity optimization are enabling mitigation of peaks in spot market electricity prices and for 2024, Outokumpu's energy portfolio has been hedged with roughly two thirds of the estimated consumption.The nuclear power plant Olkiluoto-3 in Finland continued to balance the electricity market in Finland with good electricity availability.

Gas availability in Germany remained sufficient during the fourth quarter with limited uncertainties for the remaining winter period. The uncertainties over gas are mainly related to increased energy price sensitivity to adverse events in the geopolitical situation, especially developments in the Middle East. Any severe disruption or possible further sanctions in the natural gas supply could 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.

Outokumpu does not purchase any scrap or nickel of Russian origin for its operations. The risk of possible disruptions in its raw material supply chain due to sanctions is considered to be limited. At the end of 2023, indirect supply from Russia still exists for a very limited amount of raw material, and the company is demanding that its supplier finds alternative sources globally.

The company remains exposed to risks related to volatile metal prices, especially nickel. Volatile metal prices may impact Outokumpu's result, among other financial risks.

In addition, cyber security threats and dependencies on critical suppliers expose Outokumpu to the risk of operational disruptions and additional costs. In the fourth quarter, Outokumpu announced that with respect to its critical supplier dependency in the US it has successfully extended the existing hot rolling agreement with its current partner AM/NS on mutually acceptable terms until October 1, 2051. The contract is subject to prior written notice of four years, with the earliest effective termination date being October 1, 2042.

The EU safeguard measures, renewed in June 2023 by the European Commission, are in place until June 2024 which decreases the risk of a sudden import surge. In August 2023, the anti-circumvention investigation on cold rolled stainless steel from Indonesia was initiated and this has decreased the risk of imports from Taiwan, Turkey, and Vietnam.

Outokumpu Oyj has been joined in arbitration proceedings over a dispute between Fennovoima and Rosatom entities related to the termination of the EPC (Engineering, Procurement and Construction) contract. Outokumpu disputes the existence of any contractual relationship, obligation, or arbitration agreement between Outokumpu and any Rosatom entity.

Significant legal proceedings

Dispute over payment of wages in the US

On July 16, 2018, a class of plaintiffs, consisting of 152 former and 126 current Outokumpu Calvert mill employees, brought suit against Outokumpu in U.S. federal circuit court. The plaintiffs alleged that Outokumpu failed to pay full wages for regular work and overtime work they performed. On November 18, 2021, the circuit court entered a default judgment against Outokumpu with respect to liability as a sanction for alleged misconduct during the discovery phase of the legal proceeding. On October 4, 2022, the circuit court further found Outokumpu liable to the plaintiffs for approximately USD 13 million in the aggregate, plus attorney's fees. Outokumpu has appealed the circuit court's November 18, 2021 default judgment entry and October 4, 2022 finding of liability. Outokumpu is of the view that the claims asserted against it are without merit and is defending against them. Appropriate provisions are in place.

Claim in Germany related to expired lease agreement

On January 19, 2018, Outokumpu was served with a claim for declaratory judgement by the owner of a warehouse in Krefeld that Outokumpu had leased until the end of 2016. The claim relates to a dispute over the responsibility for the maintenance and repair of the warehouse. The plaintiff has later in the process specified the claim and is now seeking payment of EUR 19 million. On May 4, 2022, the court issued a ruling covering only the merits of the claim. Said ruling was in favour of the claimant and has been appealed by Outokumpu. On June 15, 2023 the court of appeal cancelled the ruling of May 4, 2022 and referred the dispute back to the court. Outokumpu is of the view that the claims asserted against it are without merit and and continues to defend against them. Appropriate provisions are in place.

Joinder to arbitration dispute between Fennovoima and Rosatom entities

Outokumpu Oyj has been joined into arbitration proceedings over a dispute between Fennovoima and Rosatom entities related to the termination of the EPC (Engineering, Procurement and Construction) contract. Outokumpu disputes the existence of any contractual relationship, obligation, or arbitration agreement between Outokumpu and any Rosatom entity.

Shares and share capital

On December 31, 2023, Outokumpu's share capital was EUR 311 million and the total number of shares was 456,874,448. At the end of December, Outokumpu held 25,683,745 treasury shares. The average number of shares outstanding was 435,090,240 in 2023. The closing share price at the end of the period, on December 29, was EUR 4.48.

Principal shareholders and share price development is presented in the Stakeholder engagement section in the Annual report.

Share buyback program

On March 24, 2023, Outokumpu completed its share buyback program of up to EUR 100 million and repurchased a total of 19,836,205 shares.

On November 29, 2023, Outokumpu launched a share buyback program of up to EUR 50 million under the authorization of the Annual General Meeting. The maximum number of shares to be repurchased under the program is 11 million, representing approximately 2.4% of the company's total number of shares. The program commenced on December 1, 2023, and ends no later than on March 21, 2024.

Through the share buyback program, Outokumpu seeks to mitigate and manage the dilutive impact of the company's outstanding convertible bonds. The repurchased shares will be initially held by Outokumpu as treasury shares and may be used to meet its obligations under the convertible bonds. Alternatively, Outokumpu may decide to cancel any or all of the repurchased shares and reduce its capital accordingly. The share repurchases will be funded by using funds from the unrestricted equity. Prior to the announcement, Outokumpu held 23,041,290 treasury shares, representing approximately 5.0% of the company's total number of shares.

During the year 2023, Outokumpu purchased a total of 13,903,534 of its own shares with EUR 70 million. 2,642,455 shares were repurchased under the new 2023 share buyback program and 11,261,079 under the 2022 program that ended on March 24, 2023. On December 31, 2023, Outokumpu held 25,683,745 treasury shares.

Management shareholdings and share based incentive programs

On December 31, 2023, the members of the Board of Directors and Outokumpu Leadership Team (OLT) altogether held 1,174,806 shares, corresponding to 0.26% of the total number of shares.

Outokumpu has established share-based incentive programs for the OLT members, selected managers and key employees, which include a Performance Share Plan and a Restricted Share Pool for key employees.

In 2023, after deductions for applicable taxes, a total of 217,503 shares were delivered to the OLT participants in the incentive programs based on the terms and conditions of the programs. Outokumpu used its treasury shares for the reward payments.

The Performance Share Plan and the Restricted Share Pool Program are currently ongoing for periods 2021-2023, 2022–2024, 2023–2025 and their continuation for the period 2024–2026 was approved by the Board of Directors in December 2023. For vesting conditions see note 3.4 in the consolidated financial statements.

To support Outokumpu's continuous improvements in sustainability, an additional sustainability-related performance criteria was introduced in 2022 for Performance Share Plan periods 2022–2024 and 2023–2025. The above-mentioned programs now include earning criteria which are linked to the CO_2 emission reduction target according to Outokumpu's Science Based Targets initiative (SBTi) commitment. In the Performance Share Plan periods 2022–2024 and 2023–2025 return on capital employed represents 80% of the remuneration and CO_2 emission reduction target 20%.

More details on the share-based incentive programs can be found in the note 3.4 in the consolidated financial statements.

The members of OLT and the Board of Directors are introduced in the Corporate Governance Statement included in the Annual report and at Outokumpu website. Their shareholding is also presented in the Corporate Governance Statement and remuneration in the note 3.2 in the consolidated financial statements. Remuneration report is also included in the Annual report.

Changes in management and Board of Directors

On June 7, 2023, it was announced that Marc-Simon Schaar has been appointed as Chief Procurement Officer and member of Outokumpu Leadership Team. Marc-Simon Schaar has worked at Outokumpu since 2011 in senior roles in finance, M&A, and raw materials procurement, most recently as SVP, Raw Materials Procurement. Chief Procurement Officer is a new role in the company and reports to CEO Heikki Malinen.

On March 30, 2023, Vesa-Pekka Takala left the Board of Directors and the Annual General Meeting 2023 elected Jyrki Mäki-Kala as a new member, for a term of office ending at the end of the next Annual General Meeting.

Corporate governance

Outokumpu's Corporate Governance Statement can be found at the Outokumpu website.

Annual General Meeting

Outokumpu's Annual General Meeting 2023 was held on March 30, 2023, at the Dipoli congress center in Espoo, Finland. The Annual General Meeting supported all the Board of Directors' and the Shareholders' Nomination Board's proposals and approved the company's remuneration report in an advisory vote. The Annual General Meeting approved the financial statements and discharged the management of the company from liability for the financial year 2022.

The Annual General Meeting decided that a base dividend of 0.25 euros and an extra divided of EUR 0.10 per share, totaling EUR 0.35 per share, be paid for the financial year 2022. The Annual General Meeting also 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 Meeting also approved the proposals by the Shareholders' Nomination Board regarding the members of the Board of Directors and their remuneration.

The Annual General Meeting decided in accordance with the proposal by the Nomination Board that the Board of Directors consists of eight (8) members. Kari Jordan, Heinz Jörg Fuhrmann, Kati ter Horst, Päivi Luostarinen, Petter Söderström, Pierre Vareille and Julia Woodhouse were re-elected and Jyrki Mäki-Kala was elected as new member, all for the term of office ending at the end of the next Annual General Meeting. Vesa-Pekka Takala left the Board of Directors with the Annual General Meeting in 2023. Kari Jordan was re-elected as the Chairman and Kati ter Horst was elected as the Vice Chairman of the Board of Directors.

Nomination Board

Outokumpu's Shareholders' Nomination Board consists of the representatives of the four largest shareholders registered in the shareholder register of the company following Nasdaq Helsinki's last trading day in August.

The Nomination Board has been established to annually prepare proposals on the composition of the Board of Directors and director remuneration for the Annual General Meeting.

On August 31, 2023, the four largest shareholders of Outokumpu were Solidium Oy, Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company and The Social Insurance Institution of Finland. The Shareholders' Nomination Board comprised Reima Rytsölä, Managing Director at Solidium Oy; Pekka Pajamo, CFO at Varma Mutual Pension Insurance Company; Jouko Pölönen, President and CEO at Ilmarinen Mutual Pension Insurance Company and Outi Antila, Director General at The Social Insurance Institution of Finland, as well as Kari Jordan, Chairman of the Board of Directors of Outokumpu.

The Nomination Board submitted its proposals to Outokumpu's Board of Directors on January 22, 2024.

Board of Directors' proposal for profit distribution

According to the dividend policy, Outokumpu aims to distribute a stable and growing dividend, to be paid annually. According to the parent company´s financial statements on December 31, 2023, distributable funds totaled EUR 2,589 million, of which retained earnings were EUR 369 million.

The Board of Directors proposes to the Annual General Meeting to be held on April 4, 2024, that a dividend of EUR 0.26 per share, be paid for the year 2023.

Last year, the Board stated that the base dividend amount of EUR 0.25 was the basis for future dividend distributions in accordance with the policy. The extra dividend of EUR 0.10 per share was a one-time extra dividend that was proposed to be distributed to the shareholders for the exceptionally good result of the financial year 2022.

Outlook for Q1 2024

Group stainless steel deliveries in the first quarter are expected to increase by 5–15% compared to the fourth quarter.

Market environment started to weaken at the end of the fourth quarter for business area Americas, and in Europe, a slow recovery is expected to continue. Also, scrap market has recently tightened.

Ferrochrome production is running at 80% of its full capacity as one of the three ferrochrome furnaces and one of the two sintering plants were closed in January 2024 due to weak ferrochrome market conditions.

Maintenance costs in the first quarter are expected to decrease by approximately EUR 20 million compared to the fourth quarter.

With current raw material prices, some raw material related inventory and metal derivative losses are expected to be realized in the first quarter.

Guidance for Q1 2024

Adjusted EBITDA in the first quarter of 2024 is expected to be at a similar level compared to the fourth quarter.

Events after the balance sheet date

After the reporting period, Outokumpu repurchased 6,297,563 shares under the share buyback program, which ends no later than on March 21, 2024. By February 7, 2024, Outokumpu had repurchased a total of 8,940,018 shares under the share buyback program. After the disclosed transactions, the company held a total of 31,981,308 treasury shares.

After the reporting period, on January 24, 2024, Outokumpu announced it has completed the partnership agreement to accelerate circularity and becomes a minority shareholder in CRONIMET North-East GmbH.

After the reporting period, on January 3, 2024, Outokumpu announced that it plans to temporarily restrict its ferrochrome production due to weak ferrochrome market conditions.

Group key figures

		2023	2022	2021	2020[1]	2019[1]
Continuing operations						
Scope of activity						
Sales	€ million	**6,961**	9,494	7,243	5,639	6,403
change in sales	%	**-26.7**	31.1	28.4	-11.9	-6.8
exports from and sales outside Finland, of total sales*	%	**96.5**	95.9	96.4	96.3	95.9
Capital employed on Dec 31 [2) 3)] *	€ million	**4,204**	4,751	3,828	3,543	3,904
Capital expenditure *	€ million	**170**	158	171	180	193
in relation to sales	%	**2.4**	1.7	2.4	3.2	3.0
Depreciation and amortization	€ million	**242**	245	249	243	230
Impairments	€ million	**274**	11	45	3	3
Research and development costs	€ million	**14**	15	14	21	17
in relation to sales	%	**0.2**	0.2	0.2	0.4	0.3
Personnel on Dec 31 [4)]	FTE	**8,469**	8,357	8,439	9,602	10,078
average for the year	FTE	**8,624**	8,683	8,714	10,000	10,329
Personnel on Dec 31	headcount	**8,750**	8,591	8,727	9,915	10,390
Profitability						
Adjusted EBITDA*	€ million	**517**	1,256	980	250	263
in relation to sales	%	**7.4**	13.2	13.5	4.4	4.1
EBITDA*	€ million	**416**	1,248	968	191	266
EBIT*	€ million	**-100**	992	674	-55	33
in relation to sales	%	**-1.4**	10.5	9.3	-1.0	0.5
Result before taxes	€ million	**-133**	933	610	-151	-41
in relation to sales	%	**-1.9**	9.8	8.4	-2.7	-0.6

		2023	2022	2021	2020[1]	2019[1]
Net result for the financial year	€ million	**-111**	1,086	526	-116	-75
in relation to sales	%	**-1.6**	11.4	7.3	-2.1	-1.2
Return on capital employed (ROCE) [3) 5)] *	%	**-2.1**	22.6	17.6	-1.4	0.8
Financing and financial position						
Net financial expenses*	€ million	**37**	71	79	98	80
in relation to sales	%	**0.5**	0.7	1.1	1.7	1.3
Interest expenses*	€ million	**60**	44	64	78	76
in relation to sales	%	**0.9**	0.5	0.9	1.4	1.2

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

1) Including discontinued operations.
2) In 2022, including discontinued operations' equity. In 2021, including discontinued operations.
3) Outokumpu has redefined its capital employed and ROCE definitions in 2022. Information for 2021 has been restated accordingly.
4) In 2021, Outokumpu changed its main personnel amount measure from headcount to full-time equivalent personnel.
5) Until the year-end 2022 the balance sheet component is including discontinued operations except for Sept 30 and Dec 31, 2022, where only the equity component of discontinued operations is included. At the end of the year 2023 no discontinued operations impacts in the balance sheet.

Group key figures

		2023	2022	2021	2020	2019
Including discontinued operations						
Scope of activity						
Sales	€ million	**6,961**	10,287	7,709	5,639	6,403
Capital employed on Dec 31 [1] *	€ million	**4,204**	4,752	3,828	3,543	3,904
Capital expenditure*	€ million	**170**	160	175	180	193
Personnel on Dec 31 [2]	FTE	**8,469**	9,029	9,096	9,602	10,078
average for the year	FTE	**8,624**	9,362	9,372	10,000	10,329
Personnel on Dec 31	headcount	**8,750**	9,269	9,395	9,915	10,390
Profitability						
Adjusted EBITDA*	€ million	**517**	1,387	1,021	250	263
Net result for the financial year	€ million	**-106**	1,140	553	-116	-75
Return on equity (ROE)*	%	**-2.6**	30.6	20.1	-4.7	-2.8
Return on capital employed (ROCE) [1] *	%	**-2.0**	24.5	18.4	-1.4	0.8

		2023	2022	2021	2020	2019
Financing and financial position						
Net debt*	€ million	**-60**	-10	408	1,028	1,155
Net financial expenses*	€ million	**37**	68	80	98	80
Interest expenses*	€ million	**60**	45	65	78	76
Net debt adjusted EBITDA*		**-0.1**	0.0	0.4	4.1	4.4
Share capital	€ million	**311**	311	311	311	311
Total equity	€ million	**3,762**	4,119	3,120	2,360	2,562
Equity-to-assets ratio*	%	**63.8**	59.2	48.3	40.8	42.5
Debt-to-equity ratio (gearing)*	%	**-1.6**	-0.3	13.1	43.6	45.1
Net cash generated from operating activities	€ million	**325**	778	597	322	371

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

[1] Outokumpu has redefined its capital employed and ROCE definitions in 2022. Information for 2021 has been restated accordingly.
[2] In 2021, Outokumpu changed its main personnel amount measure from headcount to full-time equivalent personnel.

Alternative performance measures

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

Key figure, continuing operations	Definition of the key figure or source in the consolidated financial statements		2023	2022
Continuing operations				
Exports from and sales outside Finland				
Exports from and sales outside Finland is an indicator of the international nature of the Group's business.				
Sales	Consolidated statement of income	€ million	**6,961**	9,494
Sales by destination to Finland	Note 2.2	€ million	**243**	384
Exports from and sales outside Finland	Sales - Sales by destination to Finland	€ million	**6,717**	9,109
exports from and sales outside Finland, of total sales	Comparison to sales	%	**96.5**	95.9
Operating capital (segment reporting)				
Operating capital is a measure for the amount of capital invested in Group's operations. It is used as a measure for the business areas' net assets.				
Capital employed on Dec 31	Defined in the below section incl. discontinued operations - debt of discontinued operations	€ million	**4,204**	4,751
Cash and cash equivalents	Consolidated statement of financial position	€ million	**502**	526
Investments in associated companies	Consolidated statement of financial position	€ million	**62**	51
Investments in equity at fair value through other comprehensive income	Consolidated statement of financial position	€ million	**12**	25
Investments at fair value through profit or loss	Note 5.5	€ million	**27**	23
Net deferred tax assets	Note 2.6	€ million	**423**	390
Net assets held for sale	Assets held for sale - Liabilities related to assets held for sale in the Consolidated statement of financial position	€ million	**—**	215
Net employee benefit obligations	Note 3.3	€ million	**212**	216
Operating capital on Dec 31	Capital employed – cash and cash equivalents – investments in associated companies – investments in equity at fair value through other comprehensive income – investments at fair value through profit or loss – net deferred tax asset – net asset held for sale + net employee benefit obligations	€ million	**3,390**	3,737
Capital expenditure				
Capital expenditure indicates the investment in assets to generate future cash flows for the Group.				
Capital expenditure	Purchases of property, plant and equipment and intangible assets, other than emission allowances; investments in equity at fair value through other comprehensive income and associated companies, and acquisitions of businesses.	€ million	**170**	158
in relation to sales	Comparison to sales	%	**2.4**	1.7

Key figure, continuing operations	Definition of the key figure or source in the consolidated financial statements		2023	2022

Adjusted EBITDA, EBITDA, and EBIT

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

EBIT	Consolidated statement of income	€ million	**-100**	992
in relation to sales	Comparison to sales	%	**-1.4**	10.5
Depreciation and amortization	Note 2.3	€ million	**242**	245
Impairments	Note 2.4	€ million	**274**	11
EBITDA	EBIT before depreciation, amortization and impairments	€ million	**416**	1,248
Adjustments to EBITDA	Note 2.1	€ million	**-102**	-7
Adjusted EBITDA	EBITDA - Adjustments to EBITDA	€ million	**517**	1,256
in relation to sales	Comparison to sales	%	**7.4**	13.2

Return on capital employed (ROCE)

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

Capital employed (4-quarter average), including discontinued operations[1)]	Defined in the below section incl. discontinued operations - debt of discontinued operations	€ million	**4,528**	4,437
EBIT	Consolidated statement of income	€ million	**-100**	992
Share of results in associated companies	Consolidated statement of income	€ million	**4**	11
Return on capital employed (ROCE)	(EBIT+Share of results in associated companies)/ Capital employed (4-quarter average)	%	**-2.1**	22.6

Net financial expenses and interest expenses

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

Net financial expenses	Total financial income and expenses in the Consolidated statement of income	€ million	**37**	71
in relation to sales	Comparison to sales	%	**0.5**	0.7
Interest expenses	Consolidated statement of income	€ million	**60**	44
in relation to sales	Comparison to sales	%	**0.9**	0.5

1) Including discontinued operations except for capital employed on Sept 30 and Dec 31, 2022, where only the equity component of discontinued operations is included.

Key figure, including discontinuing operations	Definition of the key figure or source in the consolidated financial statements		2023	2022

Including discontinued operations

Capital employed

Capital employed is a measure for the amount of capital invested in Group's operations.

Capital employed is the sum of:				
Total equity:	Consolidated statement of financial position	€ million	**3,762**	4,119
Non-current debt	Consolidated statement of financial position + Note 6.1	€ million	**359**	492
Current debt	Consolidated statement of financial position + Note 6.1	€ million	**82**	141
Capital employed on Dec 31	Total equity + non-current debt + current debt	€ million	**4,204**	4,752

Capital expenditure

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

Capital expenditure	Purchase of property, plant and equipment and intangible assets, other than emission allowances; investments in equity at fair value through other comprehensive income and associated companies, and acquisitions of businesses	€ million	**170**	160
in relation to sales	Comparison to sales	%	**2.4**	1.6

Adjusted EBITDA, EBITDA, and EBIT

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

EBIT	Consolidated statement of income + Note 6.1	€ million	**-95**	1,078
in relation to sales	Comparison to sales	%	**-1.4**	10.5
Depreciation and amortization	Note 2.3 + discontinued operations	€ million	**242**	253
Impairments	Note 2.4 + discontinued operations	€ million	**274**	44
EBITDA	EBIT before depreciation, amortization and impairments	€ million	**421**	1,375
Adjustments to EBITDA	Note 2.1 + discontinued operations	€ million	**-97**	-12
Adjusted EBITDA	EBITDA - Adjustments to EBITDA	€ million	**517**	1,387
in relation to sales	Comparison to sales	%	**7.4**	13.5

Key figure, including discontinued operations	Definition of the key figure or source in the consolidated financial statements		2023	2022

Return on equity (ROE)

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

Total equity on Dec 31 of previous year	Consolidated statement of financial position	€ million	**4,119**	3,120
Total equity on March 31		€ million	**4,064**	3,278
Total equity on June 30		€ million	**4,141**	3,943
Total equity on Sept 30		€ million	**4,135**	4,158
Total equity on Dec 31	Consolidated statement of financial position	€ million	**3,762**	4,119
Total equity (4-quarter average)	Average of the opening and 4 quarter-end values	€ million	**4,044**	3,723
Net result for the financial year	Consolidated statement of income	€ million	**-106**	1,140
Return on equity (ROE)	Net result for the financial year/ Total equity (4-quarter average)	%	**-2.6**	30.6

Return on capital employed (ROCE)

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

Capital employed on Dec 31 of previous year	Defined earlier in this section	€ million	**4,752**	3,828
Capital employed on March 31		€ million	**4,612**	4,097
Capital employed on June 30		€ million	**4,541**	4,705
Capital employed on Sept 30		€ million	**4,531**	4,805
Capital employed on Dec 31	Defined earlier in this section	€ million	**4,204**	4,752
Capital employed (4-quarter average)	Average of the opening and 4-quarter-end values	€ million	**4,528**	4,438
EBIT	Consolidated statement of income + Note 6.1	€ million	**-95**	1,078
Share of results in associated companies	Consolidated statement of income	€ million	**4**	11
Return on capital employed (ROCE)	(EBIT+ Share of results in associated companies)/ Capital employed (4-quarter average)	%	**-2.0**	24.5

Key figure, including discontinued operations	Definition of the key figure or source in the consolidated financial statements		2023	2022

Net debt

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

Non-current debt	Consolidated statement of financial position + Note 6.1	€ million	**359**	492
Current debt	Consolidated statement of financial position + Note 6.1	€ million	**82**	141
Cash and cash equivalents	Consolidated statement of financial position + Note 6.1	€ million	**502**	644
Net debt	Non-current + current debt – cash and cash equivalents	€ million	**-60**	-10
in relation to sales	Comparison to sales	%	**-0.9**	-0.1

Net debt to Adjusted EBITDA

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

Net debt	Defined earlier in this section	€ million	**-60**	-10
Adjusted EBITDA	Defined earlier in this section	€ million	**517**	1,387
Net debt to Adjusted EBITDA	Net debt / Adjusted EBITDA		**-0.1**	0.0

Equity-to-assets ratio

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

Total equity	Consolidated statement of financial position	€ million	**3,762**	4,119
Total assets	Consolidated statement of financial position	€ million	**5,927**	6,983
Advances received	Note 4.5	€ million	**31**	23
Equity-to-assets ratio	Total equity/ (Total assets - advances received)	%	**63.8**	59.2

Debt-to-equity ratio (gearing)

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

Net debt	Defined earlier in this section	€ million	**-60**	-10
Total equity	Consolidated statement of financial position	€ million	**3,762**	4,119
Debt-to-equity ratio (gearing)	Net debt / Total equity	%	**-1.6**	-0.3

Definitions of financial key figures

Key figure		Definition
EBITDA	=	EBIT before depreciation, amortization and impairments
Adjustments to EBITDA or EBIT	=	Material income and expense items which affect the comparability between periods because of their unusual nature, size or incidence resulting for example from group-wide restructuring programs or disposals of assets or businesses.
Adjusted EBITDA or EBIT	=	EBITDA or EBIT – items classified as adjustments
Capital employed	=	Total equity + non-current debt + current debt
Operating capital (segment reporting)	=	Capital employed – cash and cash equivalents – investments in associated companies – investments in equity at fair value through other comprehensive income – investments at fair value through profit or loss – net deferred tax asset – net asset held for sale + net employee benefit obligations
Capital expenditure	=	Purchases of property, plant and equipment and intangible assets, other than emission allowances; and investments in equity at fair value through other comprehensive income and in associated companies and acquisitions of businesses
Return on capital employed (ROCE)	=	$\frac{\text{EBIT + Share of results in associated companies}}{\text{Capital employed (4-quarter rolling average)}} \times 100$
Return on operating capital (ROOC) (segment reporting)	=	$\frac{\text{Adjusted EBIT}}{\text{Operating capital (4-quarter rolling average)}} \times 100$
Return on equity (ROE)	=	$\frac{\text{Net result for the financial period}}{\text{Total equity (4-quarter rolling average)}} \times 100$
Net debt	=	Non-current debt + current debt – cash and cash equivalents
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$
Debt-to-equity ratio (gearing)	=	$\frac{\text{Net debt}}{\text{Total equity}} \times 100$
Net debt to adjusted EBITDA	=	$\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$
Personnel, full-time equivalent	=	Headcount adjusted to full-time equivalent number of personnel, excluding personnel on sick leave or parental leave of more than 6 months and excluding personnel whose employment has been terminated and who are on notice period without requirement to work

Share-related key figures[1)]

		2023	2022	2021	2020	2019
Earnings per share 2)	€	**-0.24**	2.52	1.26	-0.28	-0.18
Earnings per share continuing operations 2)	€	**-0.26**	2.40	1.21	0.00	0.00
Diluted earnings per share 2)	€	**-0.21**	2.33	1.17	-0.28	-0.18
Diluted earnings per share continuing operations 2)	€	**-0.22**	2.22	1.13	0.00	0.00
Cash flow per share 2)	€	**0.75**	1.72	1.36	0.78	0.90
Equity per share 3)	€	**8.73**	9.27	6.89	5.70	6.19
Dividend per share	€	**0.26** 4)	0.35	0.15	—	—
Dividend payout ratio	%	**-105.97**	13.64	12.30	—	—
Dividend yield	%	**5.80**	7.40	2.70	—	—
Price / earnings ratio		**neg.**	1.88	4.37	neg.	neg.
Development of share price						
Average trading price	€	**4.77**	4.69	4.96	2.66	3.01
Lowest trading price	€	**3.60**	3.51	3.36	2.08	2.23
Highest trading price	€	**5.90**	6.48	6.01	4.44	4.04
Trading price at the end of the period	€	**4.48**	4.73	5.50	3.22	2.81
Change during the period	%	**-5.2**	-14.0	70.8	14.8	-12.2
Change in the OMX Helsinki index during the period	%	**-6.6**	-13.4	18.3	10.1	13.4
Market capitalization at the end of the period 5)	€ million	**1,933**	2,101	2,489	1,327	1,155
Development in trading volume						
Trading volume 6)	1,000 shares	**386,008**	720,801	880,092	1,100,628	884,254
In relation to adjusted weighted average number of shares 2)	%	**88.7**	159.5	200.5	265.9	215.0
Adjusted weighted average number of shares 2)5)		**435,090,240**	451,932,876	438,871,175	413,907,618	411,198,002
Adjusted diluted weighted average number of shares 2)5)		**475,843,726**	493,535,712	479,163,509	437,336,296	446,209,235
Number of shares at the end of the period 5)		**431,190,703**	444,134,611	452,571,977	412,002,212	411,774,715

1) Including discontinued operations if not otherwise stated. In 2023 only impact of discontinued operations is the transactions related to the sale of Long Products business operations.
2) Reported based on share-issue-adjusted weighted average number of shares. Comparative information for 2020 is presented accordingly. Information for 2019 has not been restated.
3) 2020 and 2019 calculated based on the share issue-adjusted number of shares.
4) The Board of Directors' proposal to the Annual General Meeting.
5) Excluding treasury shares.
6) Includes only Nasdaq Helsinki trading.

Definitions of share-related key figures

Key figure		Definition
Earnings per share	=	$\frac{\text{Net result for the financial year attributable to the equity holders}}{\text{Adjusted weighted average number of shares during the period}}$
Diluted earnings per share	=	$\frac{\text{Net result for the financial year attributable to the equity holders + interest expenses on convertible bond, net of tax}}{\text{Adjusted diluted weighted average number of shares during the period}}$
Cash flow per share	=	$\frac{\text{Net cash generated from operating activities}}{\text{Adjusted weighted average number of shares during the period}}$
Equity per share	=	$\frac{\text{Equity attributable to the equity holders}}{\text{Adjusted number of shares at the end of the period}}$
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Adjusted number of shares at the end of the period}}$
Dividend payout ratio	=	$\frac{\text{Dividend for the financial year}}{\text{Net result for the financial tear attributable to the equity holders}} \times 100$
Dividend yield	=	$\frac{\text{Dividend per share}}{\text{Adjusted trading price at the end of the period}} \times 100$
Price/ earnings ratio (P/E)	=	$\frac{\text{Adjusted trading price at the end of the period}}{\text{Earnings per share}}$
Average trading price	=	$\frac{\text{EUR amount traded during the period}}{\text{Adjusted number of shares traded during the period}}$
Market capitalization at end off the period	=	Number of shares outstanding at the end of the period x Trading price at the end of the period
Trading volume	=	Number of shares traded during the period, and in relation to the adjusted weighted average number of shares during the period

Non-financial indicators

Environmental indicators	2023	2022	2021	2020[1)]	2019[1)]
Scope 1, 2 and 3 (direct and indirect) CO_2 emission intensity, tonnes per tonne of stainless steel	**1.5**	1.7	1.8	1.6	1.6
Energy intensity, GJ per tonne stainless steel	**10.4**	10.5	10.2	11.0	10.9
Use rate of slag, including slag from ferrochrome production, %	**87.8**	86.5	78.1	77.1	90.8
Total landfill waste intensity, tonnes per tonne stainless steel	**0.647**	0.530	0.561	0.590	0.500
Recycled material content, %	**94.6**	93.9	89.6	92.5	89.6

Social indicators	2023	2022	2021	2020[1)]	2019[1)]
Diversity					
Employees					
male, %	**82**	83	84	84	85
female, %	**18**	17	16	16	15
Managers					
male, %	**81**	83	84	84	84
female, %	**19**	17	16	16	16
Board of Directors					
male, %	**62**	62	50	50	57
female, %	**38**	38	50	50	43
Safety					
Total recordable injury frequency rate, per million working hours	**1.5**	1.8	2.1	2.4	3.2

[1)] Including discontinued operations.

Taxonomy key performance indicators - Turnover

Financial year 2023		2023		Substantial Contribution criteria						DNSH criteria (“Does Not Significantly Harm”)									
Economic activities	Code	Turnover	Proportion of Turnover, 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or - eligible (A.2) turnover, 2022	Category enabling activity	Category transitional activity
		EUR (millions)	%	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A . TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacturing of iron and steel	3.9	6,246	90%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	91%		T
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**6,246**	**90%**	**90%**	**0%**	**0%**	**0%**	**0%**	**0%**		**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**91%**		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional		6,246	90%	90%							Y	Y	Y	Y	Y	Y	91%		T
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacturing of iron and steel	3.9	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Turnover of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0**	**0%**	0%	0%	0%	0%	0%	0%								0%		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		**6,246**	**90%**	90%	0%	0%	0%	0%	0%								91%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		714	10%																
TOTAL		**6,961**	**100%**																

Taxonomy turnover total is presented in accordance with IFRS, in line with the sales in the Group’s consolidated statement of income in the financial statements. Outokumpu’s principles for defining turnover (sales) can be found in note 2.2 in the Group’s financial statements. The manufacturing of iron and steel is listed as an eligible economic activity.

Taxonomy key performance indicators - Capital expenditure (CapEx)

Financial year 2023		2023		Substantial Contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities	Code	CapEx	Proportion of CapEx, 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or - eligible (A.2) CapEx, 2022	Category enabling activity	Category transitional activity
		EUR (millions)	%	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A . TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacturing of iron and steel	3.9	109	75%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	42%		T
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**109**	**75%**	**75%**	**0%**	**0%**	**0%**	**0%**	**0%**		**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**42%**		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional		109	**75%**	75%							Y	Y	Y	Y	Y	Y	42%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacturing of iron and steel	3.9	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
CapEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0**	**0%**	0%	0%	0%	0%	0%	0%								0%		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		**109**	**75%**	75%	0%	0%	0%	0%	0%								42%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		37	25%																
TOTAL		**146**	**100%**																

Taxonomy capital expenditure is presented and measured as cash-based. Taxonomy capital expenditure consists of purchases of property, plant and equipment and purchases of intangible assets. Taxonomy capital expenditure is presented in accordance with IFRS and in line with Outokumpu's statement of cash flows. Equity investments at fair value through other comprehensive income and investments in associated companies have been excluded from the amount. Capital expenditure associated with taxonomy-eligible economic activities has been considered eligible while capital expenditure related to business area Ferrochrome, service centers and directly to corporate functions have been considered non-eligible. The increase in the eligible and aligned share of capital expenditure is driven by the substantial non-eligible Deep mine expansion investment in business area Ferrochrome in 2022.

Taxonomy key performance indicators - Restricted operating expenditure (OpEx)

Financial year 2023		2023		Substantial Contribution criteria						DNSH criteria (“Does Not Significantly Harm”)									
Economic activities	Code	OpEx	Proportion of CapEx, 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or - eligible (A.2) OpEx, 2022	Category enabling activity	Category transitional activity
		EUR (millions)	**%**	**Y;N; N/EL**	**Y;N; N/EL**	**Y;N; N/EL**	**Y;N; N/EL**	**Y;N; N/EL**	**Y;N; N/EL**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**E**	**T**
A . TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacturing of iron and steel	3.9	538	83%	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	82%		T
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**538**	**83%**	**83%**	**0%**	**0%**	**0%**	**0%**	**0%**		**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**82%**		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional		538	83%	83%							Y	Y	Y	Y	Y	Y	82%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**										
Manufacturing of iron and steel	3.9	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
OpEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		**538**	**83%**	83%	0%	0%	0%	0%	0%								82%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		114	17%																
TOTAL		**652**	**100%**																

Taxonomy restricted operating expenditure consists of expenses related directly to maintenance and servicing of assets as well as research and development expenses. Of the total taxonomy restricted operating expenditure, the portion supporting taxonomy-eligible economic activities has been considered eligible. Expenses related to business area Ferrochrome, service centers and corporate functions have been considered non-eligible. Research and development expenses have been included in full and considered eligible except for the part related to manufacturing of ferrochrome, service centers and corporate.

Financial statements

In 2023, Outokumpu delivered a solid adjusted EBITDA and progressed well with its strategy execution. Stainless steel market was clearly weaker but the year ended with a net debt free balance sheet and a strong liquidity position.

"I am proud that we kept our balance sheet strong in the midst of the changing stainless steel market conditions."

– Pia Aaltonen-Forsell, CFO

Financial statements content

Consolidated financial statements, IFRS

Consolidated statement of income

€ million	Note	2023	2022
Continuing operations			
Sales	2.2	**6,961**	9,494
Cost of sales	2.3	**-6,474**	-8,147
Gross margin		**486**	1,346
Other operating income	2.4	**62**	18
Selling and marketing expenses	2.3	**-73**	-72
Administrative expenses	2.3	**-260**	-225
Research and development expenses	2.3	**-14**	-15
Other operating expenses	2.4	**-302**	-60
EBIT		**-100**	992
Share of results in associated companies	6.6	**4**	11
Financial income and expenses	2.5		
Interest income and other financial income		**21**	4
Interest expenses		**-60**	-44
Market price gains and losses		**11**	-12
Other financial expenses		**-9**	-19
Total financial income and expenses		**-37**	-71
Result before taxes		**-133**	933
Income taxes	2.6	**22**	154
Net result for the period from continuing operations		**-111**	1,086

€ million	Note	2023	2022
Discontinued operations			
Net result for the period from discontinued operations	6.1	**5**	54
Net result for the period		**-106**	1,140
Earnings per share for result from continuing operations attributable to the equity holders of the parent company	2.7		
Earnings per share, EUR		**-0.26**	2.40
Diluted earnings per share, EUR		**-0.22**	2.22
Earnings per share for result attributable to the equity holders of the parent company	2.7		
Earnings per share, EUR		**-0.24**	2.52
Diluted earnings per share, EUR		**-0.21**	2.33

Net result for the financial year is fully attributable to the equity holders of the parent company. The notes are an integral part of the financial statements.

Consolidated statement of comprehensive income

€ million	Note	2023	2022
Net result for the period		**-106**	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		**-58**	17
Cash flow hedges	5.4		
Fair value changes during the financial year		**71**	-43
Reclassification to profit or loss		**-15**	28
Income taxes	2.6	**-6**	-1
Items that will not be reclassified to profit or loss:			
Remeasurements on defined benefit plans	3.3		
Changes during the financial year		**-15**	65
Income taxes	2.6	**5**	-24
Equity investments at fair value through other comprehensive income	5.6		
Fair value changes during the financial year		**-23**	-4
Share of other comprehensive income in associated companies	6.6	**1**	0
Other comprehensive income for the financial year, continuing operations, net of tax		**-41**	38
Other comprehensive income for the financial year, discontinued operations, net of tax		**-12**	8
Other comprehensive income for the financial year, net of tax		**-53**	46
Total comprehensive income for the financial year		**-159**	1,186

Total comprehensive income for the financial year is fully attributable to the equity holders of the parent company. The notes are an integral part of the financial statements.

Consolidated statement of financial position

€ million	Note	2023	2022
ASSETS			
Non-current assets			
Intangible assets	4.1, 4.3	**556**	547
Property, plant and equipment	4.1	**1,905**	2,250
Right-of-use assets	4.2	**147**	156
Investments in associated companies	6.6	**62**	51
Equity investments at fair value through other comprehensive income	5.6	**12**	25
Deferred tax assets	2.6	**454**	390
Trade and other receivables	4.5	**12**	6
		3,148	3,425
Current assets			
Inventories	4.4	**1,581**	1,783
Investments at fair value through profit or loss	5.5	**27**	23
Derivative financial instruments	5.4	**34**	40
Current tax receivables	2.6	**27**	21
Trade and other receivables	4.5	**609**	746
Cash and cash equivalents	5.1	**502**	526
		2,779	3,139
Assets held for sale	6.1	**—**	419
TOTAL ASSETS		**5,927**	6,983

€ million	Note	2023	2022
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company			
Share capital		**311**	311
Premium fund and other restricted reserves		**714**	717
Invested unrestricted equity reserve		**2,307**	2,308
Treasury share		**-169**	-129
Fair value reserves		**6**	-142
Retained earnings		**593**	1,054
Total equity	5.2	**3,762**	4,119
Non current liabilities			
Non-current debt	5.1	**359**	491
Derivative financial instruments	5.4	**8**	11
Deferred tax liabilities	2.6	**31**	0
Employee benefit obligations	3.3	**212**	216
Provisions	4.6	**73**	49
Trade and other payables	4.5	**16**	20
		700	787
Current liabilities			
Current debt	5.1	**82**	141
Derivative financial instruments	5.4	**40**	120
Provisions	4.6	**37**	32
Current tax liabilities	2.6	**8**	65
Trade and other payables	4.5	**1,299**	1,516
		1,465	1,874
Liabilities related to assets held for sale	6.1	**—**	204
TOTAL EQUITY AND LIABILITIES		**5,927**	6,983

The notes are an integral part of the financial statements.
During 2023 the process of netting of deferred tax assets and liabilities was redefined.

Consolidated statement of cash flows

€ million	Note	2023	2022
Cash flow from operating activities[1]			
Net result for the financial year		**-106**	1,140
Adjustments for			
Depreciation, amortization and impairments	2.3, 2.4, 4.1	**516**	297
Gains/ losses on sale of non-current assets, Group companies and businesses	2.4	**-6**	8
Net interest income and expense	2.5	**37**	35
Income taxes	2.6	**-22**	-119
Other non-cash adjustments		**-34**	80
		491	302
Change in net working capital			
Change in trade and other receivables		**101**	-35
Change in inventories		**165**	-129
Change in trade and other payables		**-212**	-424
		54	-587
Provisions and employee benefit obligations		**6**	-24
Interest and dividends received		**19**	7
Interest paid		**-47**	-39
Other financial items		**-9**	—
Income taxes paid		**-84**	-21
Net cash from operating activities		**325**	778

€ million	Note	2023	2022
Cash flow from investing activities			
Equity investments at fair value through other comprehensive income	5.6	**-14**	-5
Purchase of property, plant and equipment	4.1	**-129**	-148
Purchases of intangible assets	4.1	**-17**	-7
Investments in associated companies	6.6	**-10**	—
Proceeds from sale of property, plant and equipment and intangible assets	4.1	**37**	2
Proceeds from disposal of shares in Group companies and businesses, net of cash	6.2	**97**	-1
Other investing cash flow		**1**	—
Net cash from investing activities		**-35**	-159
Cash flow before financing activities		**290**	619
Cash flow from financing activities			
Dividends paid	5.2	**-152**	-68
Repurchase of treasury share	5.2	**-70**	-42
Repayments of non-current debt	5.1	**-169**	-71
Change in current debt	5.1	**0**	-58
Repayments of lease liabilities	4.2	**-39**	-33
Net cash from financing activities		**-430**	-272
Net change in cash and cash equivalents		**-140**	346
Cash and cash equivalents at the beginning of the financial year		**644**	300
Net change in cash and cash equivalents		**-140**	346
Foreign exchange rate effect on cash and cash equivalents		**-2**	-3
Cash and cash equivalents at the end of the financial year [2]	5.1	**502**	644

The notes are an integral pat of the financial statements.
[1] During 2023, cash flow presentation within the net cash from operating activities was redefined. The impact is not material.
[2] Year 2022 includes cash and cash equivalents of discontinued operations amounting to EUR 117 million.

Consolidated statement of changes in equity

€ million	Note	Share capital	Premium fund	Other restricted reserves	Invested unrestricted equity reserve	Treasury shares	Fair value reserve from equity investments	Fair value reserve from derivatives	Cumulative translation differences	Remeasure-ments of defined benefit plans	Other retained earnings	Total equity
Equity on January 1, 2022		**311**	**714**	**3**	**2,308**	**-30**	**-89**	**-7**	**-22**	**-169**	**101**	**3,120**
Net result for the period		—	—	—	—	—	—	—	—	—	1,140	1,140
Other comprehensive income		—	—	—	—	—	-4	-15	24	41	0	46
Total comprehensive income for the financial year		—	—	—	—	—	-4	-15	24	41	1,140	1,186
Transactions with equity holders of the parent company												
Contributions and distributions												
Dividends	5.2	—	—	—	—	—	—	—	—	—	-68	-68
Share-based payments	3.4	—	—	—	—	1	—	—	—	—	6	7
Repurchase of treasury shares[1)]	5.2	—	—	—	—	-100	—	—	—	—	—	-100
Fair value transfer to inventory	5.4	—	—	—	—	—	—	-26	—	—	—	-26
Equity on December 31, 2022		**311**	**714**	**3**	**2,308**	**-129**	**-93**	**-48**	**3**	**-128**	**1,179**	**4,119**
Net result for the period		—	—	—	—	—	—	—	—	—	-106	-106
Other comprehensive income		—	—	—	—	—	-23	49	-68	-11	1	-53
Total comprehensive income for the financial year		—	—	—	—	—	-23	49	-68	-11	-105	-159
Transactions with equity holders of the parent company												
Contributions and distributions												
Dividends	5.2	—	—	—	—	—	—	—	—	—	-152	-152
Convertible bond		—	—	—	0	1	—	—	—	—	—	0
Share-based payments	3.4	—	—	—	—	9	—	—	—	—	-10	-2
Repurchase of treasury shares [2)]	5.2	—	—	—	—	-50	—	—	—	—	—	-50
Fair value transfer to inventory	5.4	—	—	—	—	—	—	5	—	—	—	5
Other[3)]		—	—	-3	—	—	117	—	28	—	-142	—
Equity on December 31, 2023		**311**	**714**	**0**	**2,307**	**-169**	**1**	**5**	**-38**	**-139**	**770**	**3,762**

The notes are an integral part of the financial statements.
Equity is fully attributable to the equity holders of the parent company. See note 5.2 for more information on equity.

[1)] 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.
[2)] Treasury shares were acquired as part of the share buyback program announced on November 29, 2023. Shares are repurchased using funds in the Invested unrestricted equity reserve. Because of the nature of the contract with the third party, Outokumpu has recognized EUR 38 million financial liability related to the share buyback program and the maximum amount of EUR 50 million is impacting Group equity already in 2023.
[3)] Other is related to reclassification of cumulative translation differences amounting to EUR 28 million and reclassification of investment to Voimaosakeyhtiö SF from equity investments at fair value through other comprehensive income to associated company amounting to EUR 117 million. More information on the Voimaosakeyhtiö SF reclassification in note 6.6. These changes did not have an impact in total equity.

Notes to the consolidated financial statements

Outokumpu presents the notes to the consolidated financial statements as grouped in the following six sections.

1. **Basis of reporting**
2. **Business result**
3. **Employee benefits**
4. **Operating assets and liabilities**
5. **Capital structure and financial risk management**
6. **Group structure and other notes**

The basis of preparation, accounting principles and management judgements applicable to the entire consolidated financial statements are presented in the Basis of reporting section, but the accounting principles, management judgements, and risks related to each disclosure item are presented in the related note. The table outlines the notes structure and indicates which notes include accounting principle, management judgement and risk information, and the following icons are used to indicate these topics within the notes.

Note	Accounting principles	Management judgements	Risk information
1 Basis of reporting			
1.1 Corporate information			
1.2 Basis of preparation	■	▼	●
2 Business result			
2.1 Operating segments	■		
2.2 Revenue	■		
2.3 Cost of sales and selling, general and administrative expenses	■		
2.4 Other operating income and expenses	■		
2.5 Financial income and expenses	■		
2.6 Income taxes	■	▼	
2.7 Earnings per share	■		
3 Employee benefits			
3.1 Employee benefit expenses			
3.2 Employee benefits for key management	■		
3.3 Employee benefit obligations	■	▼	●
3.4 Share-based payments	■	▼	
4 Operating assets and liabilities			
4.1 Intangible assets and property, plant and equipment	■	▼	
4.2 Leases	■	▼	
4.3 Goodwill impairment test	■	▼	
4.4 Inventories	■	▼	
4.5 Trade and other receivables and payables	■		●
4.6 Provisions	■	▼	

Note	Accounting principles	Management judgements	Risk information
5 Capital structure and financial risk management			
5.1 Net debt and capital management	■		●
5.2 Equity	■		
5.3 Financial risk management and insurance			●
5.4 Derivative instruments	■		
5.5 Financial assets and liabilities	■		
5.6 Equity investments at fair value through other comprehensive income	■	▼	
5.7 Commitments and contingent liabilities	■		
6 Group structure and other notes			
6.1 Discontinued operations	■		
6.2 Business acquisitions and disposals	■		
6.3 Disputes and litigations			
6.4 Related parties			
6.5 Subsidiaries			
6.6 Associated companies	■		
6.7 New IFRS standards			
6.8 Events after the balance sheet date			

1. Basis of reporting

This notes section covers the company information, general basis of preparation as well as accounting principles that are applicable to the entire consolidated financial statements.

1.1 Corporate information

Outokumpu Oyj is a Finnish public limited liability company organized under the laws of Finland and domiciled in Helsinki, Finland. The company has been listed on the Nasdaq Helsinki since 1988. Outokumpu Oyj is the parent company ("parent company", "Outokumpu Oyj") of the Outokumpu Group (the "Group", "Outokumpu", the "company").

Outokumpu is the global leader in stainless steel. The foundation of Outokumpu's business is its ability to tailor stainless steel into any form and for almost any purpose. Stainless steel is sustainable, durable and designed to last forever. The Group's customers use it to create civilization's basic structures and its most famous landmarks as well as products for households and various industries. Outokumpu employs some 8,800 professionals in close to 30 countries.

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

In its meeting on February 8, 2024, the Board of Directors of Outokumpu Oyj approved the publishing of these consolidated financial statements. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to decide to amend the financial statements.

1.2 Basis of preparation

These consolidated financial statements of Outokumpu have been prepared on a going concern basis for the financial year 2023 covering the period from January 1 to December 31, 2023.

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union including SIC and IFRIC interpretations in force on December 31, 2023. The consolidated financial statements also comply with the regulations of Finnish accounting and company legislation complementing the IFRS.

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

Discontinued operations - Long product businesses

On July 12, 2022 Outokumpu announced that it has signed an agreement to divest the majority of the Long Products business operations to Marcegaglia Steel Group. The transaction includes melting, rod, and bar operations in Sheffield, the UK, bar operations in Richburg, the US, and wire rod mill in Fagersta, Sweden. The transaction excludes Outokumpu Long Products AB units in Degerfors and Storfors, Sweden. Long products activities that remained in Outokumpu until completion of disposal on August 1, 2023 are included in Other operations.

During 2022 Outokumpu reclassified its Long Products businesses to be divested as assets held for sale and reports the businesses as discontinued operations according to IFRS 5 Non current assets held for sale and discontinued operations.

Net result from the discontinued operations is reported separately from income and expenses from continuing operations in the consolidated statement of income. Assets and liabilities related to the discontinued operations are presented as separate line items in the statement of financial position. The statement of cash flows consists of total group figures including the discontinued operations. In the comparative period Outokumpu had only Long product businesses reported as discontinued operations.

The divestment was completed on January 3, 2023, and the transaction was carried out as a share sale. The only impact in 2023 financial statements regarding the discontinued operations is the sale transaction. See more information in note 6.1.

Corporate information	
Company name	Outokumpu Oyj
Legal form	Public limited liability company
Country of incorporation	Finland
Domicile and principal place of business	Helsinki, Finland
Company address	P.O. Box 245, 00181 Helsinki, Finland
Ultimate parent company	Outokumpu Oyj

Risk information

Global economy and geopolitical conflicts

The adverse development of global economy, geopolitical conflicts including Israel-Hamas war, the recent tension in the Red Sea and the continued war in Ukraine have increased the risks and uncertainties to which Outokumpu is exposed. However, the company has taken prompt measures to manage and control these risks. These developments have not had material impact on 2023 financial statements.

For more information on risks and uncertainties see Review of Board of Directors and notes to financial statements.

Climate matters

Outokumpu aims to reduce its carbon emission intensity by 42% by the end of 2030 compared to the 2016 level, in line with its Science-Based Target initiative (SBTi) 1.5 degree climate target.

Outokumpu has assessed physical climate risks and mitigation measures for all sites and included them in the general risk assessment system. The evaluation shows that the physical risk does not materially impact the Group's capital expenditure or operative expenses. However, the financial impact of the climate transition risk is significant and has been estimated for the target period until 2030.

To be able to attain the 1.5 degree climate target, the company has created and committed to a low carbon roadmap and many carbon emission reduction projects have been initiated already. According to the roadmap, Outokumpu plans to invest to the emission reduction projects in total about EUR 350 million until 2030. The avoided direct emission from European sites in that period corresponds to European emission allowances of about EUR 114[1)] million. As some projects result in lower emissions outside the company, as avoided Scope 3 emissions caused by raw material production, they do not impact the company's financial situation but enable the society to save about 2.5 million tons of carbon emissions which corresponds to EUR 228[1)] million.

See more information about climate related matters in the section Sustainability review.

[1)] The financial impact is evaluated with Company's shadow price of 90 Euro per ton of CO_2.

Management judgements

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

The management estimates and judgments are continuously evaluated and they are based on prior experience and other factors, such as future expectations assumed to be reasonable considering the circumstances. Although these estimates are based on management's best knowledge of the circumstances at the end of the reporting period, actual results may differ from the estimates and the assumptions.

The table in the beginning of the notes to the consolidated financial statements outlines the notes that include material management judgments.

Accounting principles

Principles of consolidation

The consolidated financial statements include the parent company Outokumpu Oyj and all subsidiaries controlled by Outokumpu Oyj either directly or indirectly. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Changes in the parent company's ownership interest in a subsidiary are accounted for as equity transactions if the parent company retains control of the subsidiary.

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

Foreign currency transactions

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

The consolidated financial statements are presented in euros which is the functional and presentation currency of the parent company. Group companies' foreign currency transactions are translated into local functional currencies using the exchange rates prevailing at the dates of the transactions. Receivables and liabilities in foreign currencies are translated into functional currencies at the exchange rates prevailing at the end of the reporting period.

Foreign exchange differences arising from interest-bearing assets and liabilities and related derivatives are recognized in financial income and expenses in the consolidated statement of income. Foreign exchange differences arising in respect of other financial instruments are included in EBIT under sales, purchases or other operating income and expenses. The effective portion of accumulated exchange differences arisen from hedges of net investments in foreign operations are recognized in equity.

For those subsidiaries whose functional and presentation currency is not the euro, the items in the statements of income and comprehensive income, and in the statement of cash flows are translated into euro using monthly average exchange rates. During 2023 Outokumpu changed the translation method for the statements of income and comprehensive income and the statement of cash flows from cumulative foreign exchange translation method to periodical translation method. The impact was not significant and the comparative period has not been restated. The assets and liabilities in the statement of financial position are translated using the exchange rates prevailing at the reporting date. The translation differences arising from the use of different exchange rates explained above are recognized in the Group's equity through other comprehensive income.

Any goodwill arising on acquisitions of foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisitions of those foreign operations are treated as assets and liabilities of those foreign operations. They are translated into euro using the exchange rates prevailing at the reporting date. When a foreign operation is sold, or is otherwise partially or completely disposed of, the translation differences accumulated in equity are reclassified in profit or loss as part of the gain or loss on the sale.

Adoption of new and amended IFRS standards

As of January 1, 2023, Outokumpu has applied the following new and amended standards, interpretations and decisions.

- Amendments to IAS 1 Presentation of financial statements, IFRS Practice Statement 2 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Disclosure of Accounting Policies and Definition of Accounting Estimates: The amendments distinguish changes in accounting estimates from changes in accounting policies and aim to improve accounting policy disclosures.
- Amendments to IAS 12 Income taxes – Deferred Tax related to Assets and Liabilities arising from single transaction: The amendment clarifies the application of the recognition exemption of deferred taxes on a single transaction.
- Amendments to IAS 12 - International Tax Reform, Pillar Two Model Rules: The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include: A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date. See more information in note 2.6.
- IFRS 17 Insurance contracts and amendments to IFRS 17 insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative information: The standard requires a current measurement model for insurance liability with re-measured estimates at each reporting date. Outokumpu has a captive insurance company Visenta Försäkrings AB but in the Group's consolidated financial statements IFRS 17 is not applicable.

The new and amended standards, interpretations and decisions did not have material impact on Outokumpu's consolidated financial statements.

2. Business result

In 2023, Outokumpu generated a solid adjusted EBITDA in more challenging market conditions and kept its balance sheet strong. Stainless steel deliveries decreased from the previous year and realized prices for stainless steel were substantially lower especially in Europe, reflecting weaker market. Net result, however, turned negative mainly due the impairment booking related to the renegotiated hot rolling agreement in business area Americas.

2.1 Operating segments

Outokumpu's business is divided into three business areas which are Europe, the Americas, and Ferrochrome. The business areas have responsibility for commercials, supply chain management and operations and they are Outokumpu's operating segments under IFRS.

In addition to the business area structure, Group Functions cover Legal and compliance, Health and safety, Raw material procurement, Finance and IR, General procurement, Strategy, Transformation office, HR, Group communications, Global business services, R&D, Technology, Sustainability and Group IT.

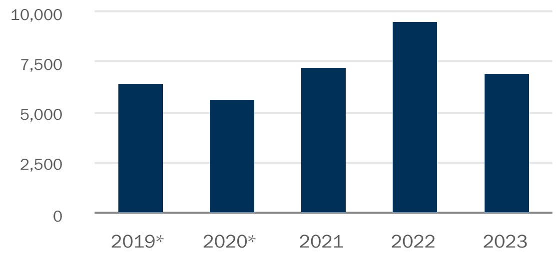
Europe consists of both coil and plate operations in Europe. The high-volume and tailored standard stainless steel grades are primarily used for example in architecture, building and construction, transportation, catering and appliances, chemical, petrochemical and energy sectors, as well as other process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

Americas produces standard austenitic and ferritic grades as well as tailored products. Its largest customer segments are automotive and transport, consumer appliances, oil and gas, chemical and petrochemical industries, food and beverage processing, as well as building and construction industry. The business area has production units in the US and Mexico.

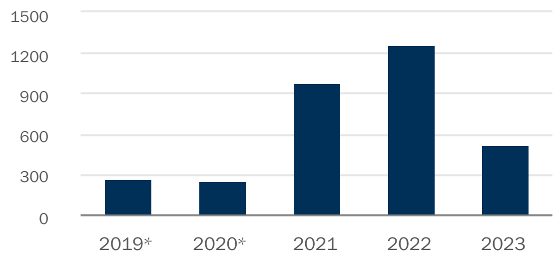
Ferrochrome produces charge grade of ferrochrome. The business area has a chrome mine in Kemi, Finland and ferrochrome smelters in Tornio, Finland.

Other operations consist of activities outside the three operating segments, as well as industrial holdings, non-core businesses and strategic group level investments. Such business development, Corporate Management expenses and other extraordinary costs not part of business area performance assessment that are not allocated to the business areas are also reported under Other operations. Sales of Other operations consist of sales of electricity to the Group's production facilities in Finland and in Sweden, nickel procured under the Group's sourcing contract, sales of non-core businesses and internal services.

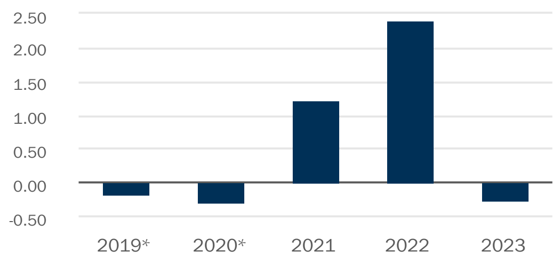
Sales, € million



Adjusted EBITDA, € million



Earnings per share, €



* Including discontinued operations

Sales EUR

7.0

billion

Adjusted EBITDA EUR

517

million

Net result EUR

-111

million

Earnings per share EUR

-0.26

2023 € million	Europe	Americas	Ferrochrome	Operating segments total	Reconciliation Other operations	Eliminations	Group
External sales	4,749	1,883	207	6,840	121	—	6,961
Inter-segment sales	69	8	260	337	287	-624	—
Sales	4,818	1,892	467	7,177	408	-624	6,961
Adjusted EBITDA	148	285	96	529	-18	6	517
Adjustments to EBITDA							
Loss on disposal of shares in Group companies and businesses	—	—	—	—	-26	—	-26
Onerous contracts provisions	-7	—	—	-7	—	—	-7
Restructuring costs	-26	-16	-3	-45	-5	—	-50
Inventory write-down	-20	—	—	-20	—	—	-20
EBITDA	96	270	93	458	-49	6	416
Depreciation and amortization	-119	-60	-50	-228	-14	—	-242
Impairments	-8	-264	-2	-274	—	—	-274
EBIT	-31	-54	41	-44	-107	51	-100
Assets in operating capital	2,843	940	1,018	4,801	824	-754	4,871
Other assets							602
Deferred tax assets							454
Total assets							5,927
Liabilities in operating capital	993	346	125	1,463	224	-207	1,480
Other liabilities							653
Deferred tax liabilities							31
Total liabilities							2,165
Operating capital	1,850	594	894	3,338	600	-548	3,390
Return on operating capital (ROOC), %	1.5	25.8	5.0				

In 2023, Outokumpu recognized adjustments relating to the sale of the remaining Long Products business in Degerfors and Storfors, Sweden, with a loss of EUR 26 million, an onerous contracts provision of EUR 7 million related to the metal powder plant in Germany, restructuring costs total of EUR 50 million of which EUR 26 million is related to restructuring in Germany and EUR 16 million to the renegotiated hot rolling agreement in business area Americas, regarding these two items impairments of EUR 5 million and EUR 264 million were also booked respectively. Adjustment item was also recognized for a propane-related inventory write-down of EUR 20 million. For more information on impairments related to business area Americas in 2023, see note 4.1.

In 2022, Outokumpu recognized adjustments relating mainly to divestment in the Netherlands, Italy, and Argentina, amounting to EUR 10 million loss and impairment related to Group's ERP systems of EUR 10 million

Adjustments to EBITDA and EBIT

€ million	2023	2022
Loss on disposal of shares in Group companies and businesses	**-26**	-10
Restructuring costs	**-50**	—
Inventory write-down	**-20**	—
Onerous contracts provisions	**-7**	—
Litigation provisions	**—**	2
Adjustments to EBITDA	**-102**	-7
Impairments of Group’s ERP systems	**—**	-10
Impairments on non-current assets	**-272**	—
Adjustments to EBIT	**-374**	-17

2022 € million	Europe	Americas	Ferrochrome	Operating segments total	Reconciliation Other operations	Eliminations	Group
External sales	6,225	2,686	221	9,131	258	—	9,389
Inter-segment sales	42	9	412	462	462	-924	—
Intra-Group sales to discontinued operations	—	—	—	—	—	104	104
Sales	6,266	2,695	633	9,594	720	-820	9,494
Adjusted EBITDA	680	384	220	1,284	-34	6	1,256
Adjustments to EBITDA							
Loss on disposal of shares in Group companies and businesses	—	—	—	—	-10	—	-10
Litigation provisions	—	2	—	2	—	—	2
EBITDA	680	387	220	1,287	-44	6	1,248
Depreciation and amortization	-130	-67	-42	-239	-6	0	-245
Impairments	0	0	-1	-1	-10	—	-11
EBIT	550	320	177	1,046	-60	5	992
Assets in operating capital	3,203	1,274	954	5,431	419	-301	5,550
Other assets							625
Deferred tax assets							390
Assets held for sale							419
Total assets							6,983
Liabilities in operating capital	1,339	285	87	1,711	385	-283	1,813
Other liabilities							848
Deferred tax liabilities							0
Liabilities related to assets held for sale							204
Total liabilities							2,864
Operating capital	1,864	990	867	3,721	34	-18	3,737
Return on operating capital (ROOC), %	28.9	32.4	20.7				

Accounting principles

Outokumpu's CEO, supported by the Leadership Team, is the Group's chief operating decision maker. The segments are reviewed regularly for the purpose of assessing performance and allocating resources to segments. The review is based on internal management reporting on IFRS based financial information.

Adjusted EBITDA

Adjusted EBITDA is Outokumpu's main performance indicator in financial reporting, and is also used to assess the segments' performance. Adjusted EBITDA is defined as EBIT before depreciation, amortization and impairment charges, and excluding such material income and expense items which affect the comparability between periods due to their unusual nature, size or incidence resulting from, for example, Group-wide restructuring programs or disposals of assets or businesses.

Adjusted EBITDA is an alternative performance measure meaning that it is not an IFRS-defined measure, so it is defined also in the Alternative performance measures section within the Review by the Board of Directors and reconciled to the consolidated statement of income.

Operating capital and ROOC

Segment assets and liabilities resulting in the operating capital are allocated to the segments based on the operations and the physical location of the assets and are measured the same way as in the financial statements.

Return on operating capital (ROOC) is a key figure for the segment reporting and it is an internal measure for the value the business areas generate to the capital invested in their operations. The formula for calculating Return on operating capital (ROOC) is presented in Definitions of financial key figures.

2.2 Revenue

External sales by geographical destination

€ million	Finland	Other Europe	North America	APAC region	Other countries	Group
2023						
Operating segment						
Europe	222	4,035	105	318	70	4,749
Americas	—	0	1,856	5	22	1,883
Ferrochrome	13	130	21	44	0	207
Other operations	8	98	13	2	—	121
	243	**4,263**	**1,995**	**368**	**91**	**6,961**
2022						
Operating segment						
Europe	366	5,014	149	565	134	6,229
Americas	—	0	2,603	2	80	2,686
Ferrochrome	16	163	40	28	—	247
Other operations	2	278	51	1	—	331
	384	**5,455**	**2,843**	**597**	**214**	**9,494**

Year 2022 figures by operating segment include intra-group sales to discontinued operations amounting to EUR 104 million.

Accounting principles

Outokumpu generates revenue mainly from sales of stainless steel and ferrochrome. Outokumpu ships these goods to customers under a variety of Incoterms, and considers the physical possession as well as risks and rewards related to the ownership of the goods to be transferred accordingly. This also signifies the transfer of control of the goods to the customer.

Outokumpu’s performance obligations related to sale of stainless steel and ferrochrome are satisfied and revenue from contracts with customers recognized at a point of time. Only revenue from the performance obligation related to transportation of the goods is recognized over a period of time, and the period under which the revenue is recognized is relatively short. Moreover, the timing of revenue recognition does not have an impact when assessing the uncertainty associated with future cash flows, as the sales of goods and transportation service are billed from the customer on the same invoice. Outokumpu acts as a principal with regards to transportation of goods.

Outokumpu has bill-and-hold arrangements with selected European customers. Under these arrangements, based on a customer request, Outokumpu holds the readily available material at its own stock locations for the customer for up to a period of three months before the actual delivery of the material. Outokumpu has transferred control of these materials to the customer as Outokumpu is not able to direct the material to another customer, and consequently recognizes the revenue for the material sales. The revenue related to Outokumpu’s transportation service performance obligation to deliver the material is recognized over the time when the delivery takes place.

In the end of 2023, the amount of revenue recognized under the bill and hold arrangements for products not delivered yet was immaterial.

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

Outokumpu can sell nickel procured under Group’s nickel sourcing agreement. These sales are recognized to revenue when the title to the material is transferred to the buyer.

Liabilities related to customer contracts are presented in note 4.5.

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

2.3 Cost of sales and selling, general and administrative expenses

€ million	2023	2022
Cost of sales	**-6,474**	-8,147
Selling and marketing expenses	**-73**	-72
Administrative expenses	**-260**	-225
Research and development expenses	**-14**	-15
Total, continuing operations	**-6,821**	-8,460

Cost of sales and selling, general and administrative expenses by nature

€ million	2023	2022
Materials	**-3,671**	-5,263
Supplies	**-737**	-777
Energy	**-461**	-462
Maintenance	**-226**	-197
Freight	**-248**	-284
Employee benefits	**-712**	-722
Depreciation and amortization	**-242**	-245
Other	**-524**	-510
Total, continuing operations	**-6,821**	-8,460

Depreciation and amortization by function

€ million	2023	2022
Cost of sales	**-233**	-236
Selling and marketing expenses	**0**	-1
Administrative expenses	**-7**	-7
Research and development expenses	**-1**	-1
Total, continuing operations	**-242**	-245

Auditor fees

€ million	2023	2022
Audit	**-2.9**	-2.5
Audit-related services	**—**	—
Tax advisory	**-0.1**	0.0
Other services	**-0.2**	-0.2
Total, continuing operations	**-3.2**	-2.7

PricewaterhouseCoopers Oy has provided non-audit services to Outokumpu in total of EUR 0.3 million during 2023 (2022: EUR 0.2 million). These services comprised of sustainability reporting, ESG consulting and other agreed upon procedures.

Accounting principles

Cost of sales

Cost of sales includes expenses related to materials and supplies, energy, maintenance and freight. Employee benefit expenses, depreciation and amortization and other expenses are included to the extent they relate to operational activities.

Research and development costs

As a main rule, research and development costs are expensed as incurred. If development is expected to generate future economic benefits for the Group, related costs are capitalized as intangible assets and amortized on a systematic basis over their useful lives.

Repairs and maintenance costs

Ordinary repairs and maintenance is carried out to maintain operating conditions of the mills and the equipment, and the related costs are expensed as they are incurred.

The costs of major repairs and renovations are included in the asset's carrying amount as capital expenditure when these activities are expected to generate future economic benefits for the Group, for example in form of a longer useful life, a wider product range, a higher output, or an improved quality, in excess of the originally assessed standard performance level.

Depreciation and amortization methods and useful lives of non-current assets

Depreciation and amortization methods as well as estimates for useful lives of different types of intangible asset and property, plant and equipment items are described in the note 4.1.

2.4 Other operating income and expenses

Other operating income

€ million	2023	2022
Exchange gains and losses from foreign exchange derivatives	**-2**	—
Market price gains and losses from commodity derivatives	**10**	—
Market price gains and losses from derivative financial instruments	**8**	—
Sale of services and rental income	**7**	5
Gains on sale of non-current assets	**33**	3
Insurance compensation	**6**	0
Other income items	**8**	10
Total continuing operations	**62**	18

Other operating expenses

€ million	2023	2022
Exchange gains and losses from foreign exchange derivatives	**—**	-8
Market price gains and losses from commodity derivatives	**—**	-21
Market price gains and losses from derivative financial instruments	**—**	-29
Impairments in non-current assets	**-274**	-11
Loss on disposal of shares in Group companies and businesses	**-26**	-9
Loss on sale of non-current assets	**0**	-2
Other expense items	**-2**	-8
Total, continuing operations	**-302**	-60

Comparative information for exchange as well as market price gains and losses is reported as other operating expenses.

In other operating income the gain on sale of non-current assets is mainly related to the sale of emission allowances amounting to EUR 29 million. More information on emission allowances in note 4.1.

In other operating expenses impairments in non-current assets are mainly related to impairment in business area Americas EUR 264 million and impairments in Germany EUR 8 million related to restructuring and metal powder plant. More information on the impairment of business area Americas in note 4.1.

Loss on disposal of shares in Group companies and businesses is related to the sale of Degerfors. More information on the disposal in note 6.2.

Accounting principles

Other operating income and expenses include items such as gains or losses from disposals of non-current assets or businesses and gains or losses from derivative financial instruments that are not hedge accounted or do not relate to the Group's financing activities.

Other operating income also includes rental and lease income, insurance compensations and government and other grants and support.

Grants and other support are recognized as income over the same periods as the costs they are intended to compensate. Investment grants related to purchases of non-current assets are deducted from the cost of the asset and recognized as income on a systematic basis as a reduction in depreciation or amortization over the useful life of the asset.

Other operating expenses include costs related to emission allowances and impairment losses related to non-current assets.

2.5 Financial income and expenses

€ million	2023	2022
Interest income	**16**	4
Other financial income	**5**	1
Interest income and other financial income	**21**	4
Interest expenses		
Debt at amortized cost	**-19**	-21
Factoring	**-19**	-10
Lease liabilities	**-10**	-10
Employee benefit obligations	**-7**	-3
Other interest expenses	**-5**	-1
Interest expenses	**-60**	-44
Capitalized interests	**2**	3
Fees related to committed credit facilities	**-6**	-12
Other fees	**-4**	-10
Other financial expenses	**-9**	-19
Exchange gains and losses		
Derivatives	**-5**	40
Cash, loans and receivables	**16**	-39
Other market price gains and losses		
Derivatives	**5**	-10
Other	**-4**	-3
Market price gains and losses	**11**	-12
Total, continuing operations	**-37**	-71

Exchange gains and losses in the consolidated statement of income

€ million	2023	2022
In sales	**7**	10
In purchases	**9**	-31
In other operating income and expenses	**-2**	-8
In financial income and expenses	**11**	1
Total, continuing operations	**24**	-29

Exchange gains and losses include EUR 7 million of net exchange loss on derivative financial instruments (2022: EUR 32 million net exchange gain) of which a loss of EUR 2 million (2022: EUR 8 million loss) has been recognized in other operating income and expenses and a loss of EUR 5 million (2022: EUR 40 million gain) in financial income and expenses.

Accounting principles

Financial income includes mainly interest income on cash and cash equivalents and defined benefit plans.

Financial expenses include mainly interest expenses of borrowings, lease liabilities, factoring and defined benefit plans.

Other income and expenses include fees related to commitment credit facilities, other financial fees and capitalized interests.

Exchange gains and losses include exchange and other market price gains and losses on cash, debt and receivables and derivatives related to Group's financing activities.

Exchange and other market price gains and losses on operative items and related derivative instruments are recognized in EBIT. Exchange and other market price gains and losses on financing items and related derivative instruments are recognized in financial income and expenses.

2.6 Income taxes

Income taxes in the consolidated statement of income

€ million	2023	2022
Current taxes	**-23**	-61
Deferred taxes	**45**	215
Total, continuing operations	**22**	154

Reconciliation of income taxes in the consolidated statement of income

€ million	2023	2022
Result before taxes	**-133**	933
Income taxes at Finnish tax rate of 20%	**27**	-187
Difference between Finnish and foreign tax rates	**-1**	-46
Non-deductible expenses and tax exempt income	**0**	-1
Current year result for which no deferred tax asset has been recognized	**—**	84
Changes in deferred tax recognition	**10**	303
Group company disposals	**-5**	-2
Taxes for prior years	**-6**	1
Tax rate changes and other changes in tax laws	**-3**	-1
Associated companies	**1**	2
Total, continuing operations	**22**	154

Accumulated deferred taxes recognized in equity

€ million	2023	2022
Deferred tax on convertible bond equity component	**-1**	-1
Net investment hedging	**-4**	-4
Remeasurements of the net defined benefit liability	**69**	64
Derivatives	**-2**	6
Total, continuing operations	**63**	64

Deferred tax assets and liabilities

€ million	Jan 1, 2023 Net deferred tax assets (+) and liabilities (-)	Movements Reclassifications	Recognized in profit or loss	Recognized in other comprehensive income or directly in equity	Translation differences	Dec 31, 2023 Net deferred tax assets (+) and liabilities (-)
Intangible assets	8	0	0	—	0	8
Property, plant and equipment	-215	9	85	—	0	-121
Inventories	3	1	-14	—	0	-11
Net derivate financial assets	2	0	3	-8	0	-3
Other financial assets	31	-2	-24	—	0	6
Employee benefit obligations	16	-16	21	5	0	26
Other financial liabilities	43	0	0	—	0	42
Provisions	1	16	-3	—	0	14
Tax losses and tax credits	500	-9	-23	—	-8	461
Net deferred tax assets	390	0	45	-2	-9	**423**
Deferred tax assets	390					**454**
Deferred tax liabilities	0					**-31**

During 2023 the process of netting of deferred tax assets and liabilities was redefined.

€ million	Jan 1, 2022 Net deferred tax assets (+) and liabilities (-)	Movements Reclassifications	Recognized in profit or loss	Recognized in other comprehensive income or directly in equity	Translation differences	Dec 31, 2022 Net deferred tax assets (+) and liabilities (-)
Intangible assets	5	—	3	—	0	8
Property, plant and equipment	-211	-9	14	—	-8	-215
Inventories	6	0	-2	—	0	3
Net derivate financial assets	1	0	-5	6	0	2
Other financial assets	39	0	-8	—	0	31
Employee benefit obligations	41	0	-1	-24	0	16
Other financial liabilities	38	0	5	—	0	43
Provisions	-5	0	6	—	0	1
Tax losses and tax credits	307	-8	203	—	-2	500
Net deferred tax assets	221	-18	215	-18	-10	**390**
Deferred tax assets	222					**390**
Deferred tax liabilities	-1					**0**

Reclassifications include transfers to assets classified as held for sale.

Tax losses and related deferred tax assets

	Tax losses carried forward		Recognized deferred tax assets		Unrecognized deferred tax assets	
€ million	**2023**	2022	**2023**	2022	**2023**	2022
Expire in 2-5 years	**0**	0	**0**	0	**0**	—
Expire later than in 5 year	**1,090**	1,267	**238**	302	**25**	—
Never expire	**967**	924	**222**	199	**0**	7
Total, continuing operations	**2,056**	2,190	**461**	500	**25**	7

Tax losses by country

€ million	**2023**	2022
Finland	**94**	0
Germany	**169**	145
Sweden	**198**	190
The US	**1,358**	1,640
The UK	**179**	168
Other countries	**58**	47
Total, continuing operations	**2,056**	2,190

As of December 31, 2023, Outokumpu Group has recognized a deferred tax asset on all material tax losses. The tax attributes of the Outokumpu Group for which no deferred tax asset has been recognized relate to a portion of the US state tax losses which are estimated to expire before utilization. A deferred tax asset of EUR 297 million relating to US losses was recorded in the balance sheet in 2022. Year 2021 was the first profitable year for business area Americas after a long history of losses and the accounting assessment for deferred tax asset did not support the recognition of a net deferred tax asset. Year 2022 was also profitable and therefore, following two consecutive years of strong performance and good expectations for continuing good performance, the condition for recording a deferred tax was fulfilled. Business area Americas has continued its strong performance in year 2023.

No deferred tax liabilities were recorded on undistributed profits of foreign subsidiaries, as such profits are not to be distributed in the foreseeable future.

Management judgements

Outokumpu operates and earns income in numerous countries and is subject to changes in tax laws in multiple jurisdictions. When recognizing income tax liabilities, material judgments and estimates need to be made on tax uncertainties.

In deferred tax asset recognition, the management assesses whether the realization of future tax benefits is sufficiently probable to support the recognition. This assessment requires judgment regarding, for example, realizable benefits from future taxable income, available tax strategies, as well as other positive and negative factors. The recorded amount of deferred tax assets could be reduced as a result of changes in these estimates or in tax regulations imposing restrictions on the utilization of future tax benefits.

Accounting principles

Current and deferred income taxes are determined on entity level to the extent an entity is subject to income taxation. The income taxes in the consolidated statement of income include the Group companies' current income taxes based on taxable profit for the period, tax adjustments for previous periods, and the change in deferred income taxes. In several countries (Finland, Germany, the Netherlands, Sweden, the UK and the US) Outokumpu companies are included in income tax consolidation groups or group taxation systems. The share of results in associated companies is reported in the statement of income based on the net result and thus including the income tax effect.

Deferred income taxes are stated using the balance sheet liability method to reflect the net tax effects of temporary differences between the assets and liabilities' carrying amounts in the financial statements and the corresponding tax basis at the reporting date, as well as for unused tax loss or credit carry forwards.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available for utilization of these differences. A valuation allowance is recognized if the realization of the tax benefits is not probable. The ability to recognize deferred tax assets is reviewed at the end of each reporting period.

Deferred tax liabilities are usually recognized in the statement of financial position in full.

As an exception, deferred tax liabilities are not recognized if they arise from initial recognition of an asset or a liability in a transaction that is not a business combination and that does not affect the accounting nor taxable profit at the time of the transaction.

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

The group is within the scope of the OECD pillar Two model rules. Pillar Two legislation was implemented in Finland, the jurisdiction in which Outokumpu Oyj is incorporated, based on the EU directive, and will come into effect from January 1, 2024. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. The group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Regarding the OECD Pillar 2 model rules, the management does not expect any material impact. The analysis is based on rules, regulations and information available at the time when the financial statements are prepared.

2.7 Earnings per share

	2023	2022
Net result attributable to the equity holders of the parent company, € million	**-106**	1,140
Interest expenses on convertible bond, net of tax, € million	**8**	8
Adjusted net result attributable to the equity holders of the parent company, € million	**-98**	1,148
Net result attributable to the equity holders of the parent company, continuing operations, € million	**-111**	1,086
Interest expenses on convertible bond, net tax, continuing operations, € million	**8**	8
Adjusted net result attributable to the equity holders of the parent company, continuing operations, € million	**-103**	1,094
Adjusted weighted average number of shares, in thousands	**435,090**	451,933
Adjusted diluted weighted average number of shares, in thousands	**475,844**	493,536
Earnings per share, €	**-0.24**	2.52
Diluted earnings per share, €	**-0.21**	2.33
Earnings per share, continuing operations, €	**-0.26**	2.40
Diluted earnings per share, continuing operations, €	**-0.22**	2.22

In 2023, Outokumpu repurchased 13,903,534 treasury shares as part of two different share buyback programs of which one started in 2022 and the other in 2023. More information on the programs are presented in note 5.2.

In 2022, Outokumpu repurchased 8,575,126 treasury shares as part of a share buyback program started in 2022.

Accounting principles

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

In a share issue, when shares are offered at discount compared to market price, the proportion of the issue representing the discount is retrospectively adjusted to the weighted average number of shares.

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

3. Employee benefits

Outokumpu somewhat increased its number of personnel during 2023 and at the end of December full-time equivalent number of personnel was 8,469. Employee benefit expenses slightly decreased in 2023 however, reflecting the cost reduction measures taken to adapt to the weaker market environment.

3.1 Employee benefit expenses

€ million	2023	2022
Wages and salaries	**-531**	-544
Termination benefits	**-18**	-9
Social security costs	**-98**	-108
Post-employment and other long-term employee benefits		
Defined benefit plans	**-3**	-5
Defined contribution plans	**-50**	-41
Other long-term employee benefits	**-7**	-1
Share-based payments	**-1**	-8
Other employee benefit expenses	**-4**	-7
Total continuing operations	**-712**	-722

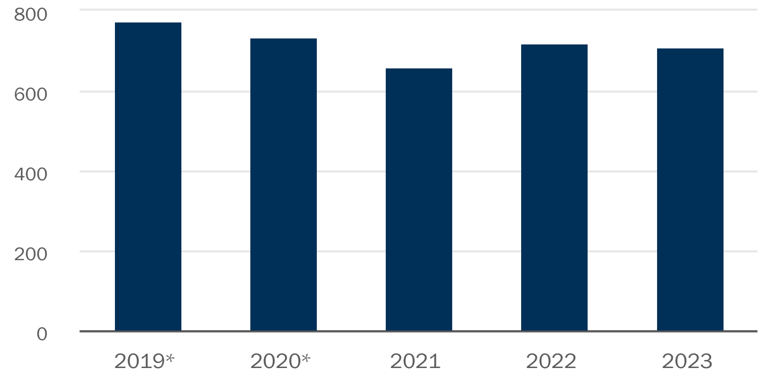
Total employee benefit expenses EUR

-712 million

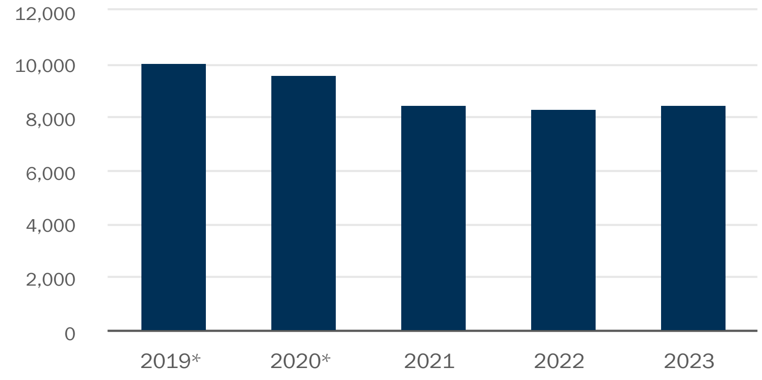
Number of personnel at the end of period (FTE)

8,469

Employee benefit expenses, € million



Personnel on December 31



Personnel reported as full time equivalent number.
*Including discontinued operations

3.2 Employee benefits for key management

€ thousands	2023	2022
Short-term employee benefits	**6,438**	6,404
Post-employment benefits [1)]	**240**	233
Share-based payments	**447**	2,331
Remuneration to the Board of Directors	**918**	898
	8,043	9,866

[1)] Contains only supplementary pensions

Key management includes the members of the Outokumpu Leadership Team and the members of the parent company Outokumpu Oyj’s Board of Directors. President and CEO, CFO, Presidents of the core business areas and business lines, Chief Procurement Officer, Chief Technology Officer and Chief Human Resources Officer are part of the Outokumpu Leadership Team. In June 2023, the Chief Procurement Officer was added to the Leadership Team, bringing the number of its members from 8 to 9.

Employee benefits for the CEO

	Recognized in profit or loss		Remuneration paid	
€ thousands	2023	2022	2023	2022
Salaries and short-term benefits	**1,003**	900	**1,003**	900
Short-term incentives	**516**	871	**871**	1,065
Post-employment benefits	**259**	241	**259**	241
Share-based payments	**111**	633	**729**	—
	1,888	2,645	**2,863**	2,206

CEO participates in the Finnish TyEL pensions system, and the post-employment benefits have been calculated based on the general TyEL contribution percentage of the employer.

Remuneration paid to Board of Directors

€ thousands	2023	2022
Chairman Kari Jordan	**193**	190
Vice Chairman Eeva Sipilä, until March 31, 2022	**—**	4
Vice Chairman Kati ter Horst, Vice Chairman as of March 31, 2022	**120**	114
Member Heinz Jörg Fuhrmann	**94**	95
Member Päivi Luostarinen	**93**	92
Member Jyrki Mäki-Kala, as of March 30, 2023	**106**	—
Member Karl-Petter Söderström, as of March 31, 2022	**92**	87
Member Vesa-Pekka Takala, until March 30, 2023	**8**	113
Member Pierre Vareille	**98**	100
Member Julia Woodhouse	**113**	105
Total	**918**	898

Remuneration of the CEO

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

In 2023, the CEO’s short-term incentive earning opportunity stayed unchanged at 50% of the annual gross base salary on a target level and 100% on a maximum level. The outcome was 54%or EUR 515,755. It will be paid in March 2024.

In 2023, the long-term incentive target and maximum levels remained at 50% and respectively 75% of the annual base salary at time of grant. The Performance Share Plan (PSP) 2021-2023 partly met its performance criteria and the executives participating in the plan, including the CEO, will receive 73.3% of the shares granted at target level. The rewards will be paid in 2024.

The members of Outokumpu’s Leadership Team, including the CEO, are expected to own Outokumpu shares they receive in the company’s share-based incentive programs corresponding to at least the value of their annual gross base salary. Half of the net shares received from the share-based incentive programs must be used to fulfil that ownership recommendation.

The service contract of the CEO is valid until further notice. He is entitled to a severance payment of 12 months, and the notice period is 6 months for both parties. Heikki Malinen’s retirement age is 65 years. He participates in the Finnish statutory pension system, and in 2023 there was no supplementary pension plan at place.

Remuneration of the Board of Directors

Outokumpu’s Annual General Meeting approved the annual remuneration to the members of the Board of Directors. 40% of the annual fee was paid in the company’s own shares using treasury shares, unless a Board member already owned shares for a value exceeding the annual remuneration and choose to increase their cash portion. The annual fee is paid once a year. In addition to the annual remuneration, a meeting fee is paid. The Board members are not eligible for any pension schemes nor any other share-based rewards.

Accounting principles

Employee benefits for the key management include the benefits to each Leadership Team or Board of Directors member for the time they hold these positions.

Employee benefits are presented based on expenses recognized in profit or loss during the year on accrual basis except for the CEO whose remuneration is presented also based on paid during the year. The remuneration to Board of Directors is also presented on paid basis.

Short-term incentives are recognized to profit or loss during the period they relate to whereas bonuses are typically paid out during the following financial year. Expenses on share-based payments are recognized to profit or loss at the share price on the grant date of the benefit and over the period when the benefit is earned. Share-based benefits are reported as paid when delivered and at the share price on the delivery date.

3.3 Employee benefit obligations

Outokumpu has several defined benefit and defined contribution plans in various countries. The most significant defined benefit plans are in Germany and the UK, representing 45% and 52% of the Group's total defined benefit obligation, respectively.

Funding requirements of the defined benefit plans are generally based on the pension fund's actuarial measurement framework set out in the funding policies and local regulation.

Germany

Outokumpu has several defined benefit plans in Germany, of which major plans include a management plan, open pension plans for other staff, and other pension obligations, which are nearly all closed for new entrants. Basis to all pension obligations in Germany are bargaining agreements and/or individual contracts (management obligations). The management plan and other pension obligations are based on annuity payments, whereas plans for other employees are based on one lump sum payment after retirement.

In addition, all the obligations in Germany are embedded in the BetrAVG law. The law contains rules for vested rights, pension protection scheme and regulations for the pension adjustments. In Germany, no funding requirements exist, and the plans are funded only for a small part with a CTA model (Contractual Trust Arrangement) that was introduced in 2019.

The UK

The AvestaPolarit Pension Scheme (the "Scheme") is registered under UK legislation and is contracted out of the State Second Pension. The Scheme is subject to the funding requirements outlined in UK legislation. The Scheme's trustee is responsible for the operation and governance of the Scheme, including decisions regarding the Scheme's funding and investment strategy.

In December 2021, a GBP 390 million buy-in contract was implemented. This buy-in completed the Scheme's de-risking process which began with an initial buy-in in 2020, when a GBP 110 million buy-in insurance solution was implemented.

A buy-in removes risks of investment, longevity, interest rate changes and inflation for the Scheme and is held as a Scheme asset. Until a buy-out is secured, the Scheme ultimately remains the responsibility of the Company.

However, as a result of the buy-in arrangement, the risks related to the Scheme's obligation are now significantly reduced and mostly covered by insurance. Outokumpu has agreed with the trustees to hold cash in an escrow account to provide for small mismatches in the insurance coverage and liquidity to the scheme.

At year-end 2023, the escrow balance was GBP 13 million (2022: GBP 13 million). The actuarial losses in 2023 amounted to EUR 0.5 million.

Due to the buy-in solutions, no further contributions are expected to be required as a result of the triennial valuations. The latest valuation for this purpose was completed in 2021.

Discontinued operations

At the end of year 2023, there were no assets held for sale nor costs related to defined benefits. All the year 2022 figures in this note are including discontinued operations as their impact is considered immaterial.

Defined benefit cost in profit or loss and other comprehensive income

€ million	2023	2022
In employee benefit expenses in EBIT	**-3**	-5
In financial income and expenses	**-7**	-3
Defined benefit cost in profit or loss	**-11**	-7
In other comprehensive income	**-15**	65
Total defined benefit cost	**-25**	57

Gross defined benefit obligations and plan assets

€ million	2023	2022
Present value of funded defined benefit obligations	**522**	502
Present value of unfunded defined benefit obligations	**1**	2
Fair value of plan assets	**-330**	-301
Net defined benefit liability	**193**	202

Amounts recognized in the consolidated statement of financial position

€ million	2023	2022
Net defined benefit liability	**193**	202
Other long-term employee benefit liabilities	**19**	14
Employee benefit obligations in statement of financial position	**212**	216

Gross defined benefit obligations and plan assets are presented in the statement of financial position netted per plan either as a liability or an asset depending on nature of the netted item.

There was a net defined benefit liability of EUR 1 million in statement of financial position in discontinued operations in 2022.

Movement in net defined benefit liability

€ million	2023 Present value of obligation	2023 Fair value of plan assets	2023 Net defined benefit liability	2022 Present value of obligation	2022 Fair value of plan assets	2022 Net defined benefit liability
Total on Jan 1	504	-301	202	781	-487	294
Current service cost	3	—	3	4	—	4
Past service cost	—	—	—	1	—	1
Interest expense/(income)	21	-14	7	10	-8	3
Remeasurements arising from						
Return on plan assets	—	-9	-9	—	178	178
Demographic assumptions	-5	—	-5	4	—	4
Financial assumptions	20	—	20	-264	—	-264
Experience adjustment	9	—	9	16	—	16
Exchange differences	6	-5	1	-16	17	1
Employer contributions	0	-34	-34	—	-34	-34
Benefits paid	-33	33	0	-31	31	—
Settlements	0	—	0	-1	2	0
Business combinations	-1	—	-1	—	—	—
Total on Dec 31	**524**	**-330**	**193**	504	-301	202
Germany on Dec 31	**233**	**-58**	**175**	221	-34	187
The UK on Dec 31	**273**	**-267**	**6**	266	-262	4

The weighted average duration of the overall defined benefit obligation is 13.2 years. In Germany and in the UK, the weighted average durations are 11.2 and 15.0 years, respectively.

Discount rates, rising inflation and increasing retirement age have material impact on financial assumptions and remeasurement amounts.

The expected contributions to be paid to the defined benefit plans in 2024 are EUR 35 million and relate mainly to the German plans.

Allocation of plan assets

€ million	2023	2022
Cash and cash equivalents	**1**	2
Insurance policies	**271**	264
Other assets	**59**	34
Total plan assets	**330**	301

On December 31, 2023, 0.2% of the plan assets were invested in quoted instruments (Dec 31, 2022: 0.8%).

Significant actuarial assumptions

		Germany	The UK	Other countries
Discount rate, %	**2023**	**3.18**	**4.50**	**8.15**
	2022	3.74	4.75	7.14
Future salary increase, %	**2023**	**—**	**—**	**5.28**
	2022	—	—	4.11
Inflation rate, %	**2023**	**2.30**	**3.10**	**3.48**
	2022	2.30	3.25	3.40
Future benefit increase, %	**2023**	**2.30**	**2.95**	**2.06**
	2022	2.30	3.10	2.01
Medical cost trend rate, %	**2023**	**—**	**—**	**4.70**
	2022	—	—	5.20
Life expectancy	**2023**	**RT 2018 G mortality tables**	**96% SAPS All Pensioner Amounts tables with CMI Core Projection Model - 2022**	**Standard mortality tables**
	2022	RT 2018 G mortality tables	96% SAPS All Pensioner Amounts tables with CMI Core Projection Model - 2021	Standard mortality tables

Sensitivity analysis of significant actuarial assumptions

	Change in assumption	Germany, %	The UK, % [1]	Other countries, %
2023				
Discount rate	+/-0.5%	-5 / +6	-7 / +7	-7 / +7
Future benefit increase	+/-0.5%	+3 / -2	+6 / -5	+2 / -2
Medical cost trend rate	+/-0.5%	— / —	— / —	+8 / -7
Future salary increase	+/-0.5%	— / —	— / —	+6 / -3
Life expectancy	+ 1 year	— / +3	— / +3	— / +7
2022				
Discount rate	+/-0.5%	-5 / +6	-7 / +8	-3 / +4
Future benefit increase	+/-0.5%	+3 / -2	+5 / -5	+2 / -2
Medical cost trend rate	+/-0.5%	— / —	— / —	+5 / -4
Future salary increase	+/-0.5%	— / —	— / —	+3 / -3
Life expectancy	+ 1 year	— / +2	— / +3	— / +7

Sensitivity is presented for reasonably possible change at the reporting date in one of the principal assumptions, while holding all other assumptions constant.

[1] The buy-in removed risks of investment, longevity, interest rate changes and inflation for the scheme.

Other long-term employee benefits

Other long-term employee benefits mainly relate to early retirement provisions in Germany and long-service remunerations in Finland.

Under the German early retirement regulations, employees are able to retire a certain number of years prior to their earliest pensionable age (passive phase). During a period equal in length to the passive phase they will be working full-time with their net salary cut to 50% of their former regular salary (active phase). During both phases the employer supplements the net salary to match a defined percentage of the employee‘s former regular net salary. Under the long-service remunerations in Finland, the employees are entitled to receive a one-time indemnity every five years after 20 years of service.

Multi-employer defined benefit plans

ITP pension plans operated by Alecta in Sweden and plans operated by Stichting Bedrijfspensioenfonds voor de metaalindustrie in the Netherlands are multi-employer defined benefit pension plans. However, it has not been possible to get sufficient information for the calculation of obligations and assets by employer from the plan operators, and therefore these plans have been accounted for as defined contribution plans in the consolidated financial statements.

Risk information

Through its defined benefit plans, Outokumpu is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility: The level of equity returns is a key factor in the overall investment return. If a plan holds significant proportion of equities, which are expected to outperform corporate bonds in the long-term, it might face higher volatility and risk in the short-term. The investment portfolio might also be subject to a range of other risks typical of the assets held, in particular credit risk on bonds and exposure to the property market.

Change in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan’s bond holdings (if any). In a situation where the return on plan assets is lower than the corporate bond yields, a plan may face a shortfall which might lead to increased contributions.

Inflation risk: Inflation rate is linked to both future pension and salary increase, and higher inflation will lead to higher liabilities.

Longevity: The majority of Outokumpu’s defined benefit obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans’ liabilities.

The buy-in solutions implemented in the UK in 2021 and 2020 significantly reduce the earlier-mentioned risks for the Scheme, which is mostly covered by insurance.

Management judgements

The present value of pension obligations is subject to actuarial assumptions which are used in calculating these obligations. These assumptions include, among others, discount rate, the annual rate of increase in future compensation levels, inflation rate and employee turnover rate. The assumptions are proposed by external independent actuaries separately for each defined benefit plan or each country where Outokumpu has defined benefit plan and approved by the management.

Accounting principles

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

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

Defined benefit plans are funded with payments to the pension funds or insurance companies. The present value of the defined benefit obligations is determined separately for each plan by using the projected unit credit method. The liability recognized in the statement of financial position is the defined benefit obligation less the fair value of plan assets at the closing date. When the fair value of plan assets exceeds the value of the obligation, the net amount is recognized as defined benefit plan assets.

Current service costs, past service costs and gains or losses on settlements are recognized in functional costs above EBIT. Net interest expense or income is recognized in financial items under interest expense or interest income. All remeasurements of the net defined benefit liability (asset) are recognized directly in other comprehensive income.

Buy-in contract in the UK does not result in a settlement because Outokumpu remains responsible for the benefit obligation. The buy-in contract is effectively an investment by which the plan can receive payments from the insurer corresponding to the benefits due to the participants, but ultimately the primary obligation to pay benefits has not been transferred.

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

The significant actuarial assumptions are presented separately for the most significant countries, and for other countries a weighted average of the assumptions is presented.

3.4 Share-based payments

Share-based programs are part of the Group’s incentive and commitment-building system for key employees. The objectives are to align the interests between key employees and shareholders, promote shareholder value creation and the achievement of long-term strategic targets.

Outokumpu operates two share-based programs. The Performance Share Plan (PSP) includes an earning criterion and is part of the regular compensation of top executives, with a maximum number of participants of 200. The Restricted Share Pool (RSP) does not have any specific earning criterion and it is used for a limited number of employees, for key recruitments, exceptional performance, high potential, retention needs and other individual specific situations.

For the financial year 2023, the share-based payment expenses included in the employee benefit expenses were EUR 1 million (2022: EUR 8 million). The total estimated value of the share-based payment plans is EUR 13 million on December 31, 2023 (2022: EUR 18 million). This value is recognized as an expense in the statement of income during the vesting periods.

Outstanding programs

During 2023, Outokumpu's share-based payment programs include Performance Share Plan (periods 2021–2023, 2022–2024 and 2023–2025) and Restricted Share Pool (periods 2021–2023, 2022–2024 and 2023–2025).

In December 2023, the Board of Directors has approved the commencement of Outokumpu’s share-based programs, Performance Share Plan and Restricted Share Pool, for the period 2024–2026. The plans commence at the beginning of 2024.

Vested programs

In 2023, the Performance Share Plan 2020–2022 ended with the targets met in full, and after deduction for the applicable taxes, a total of 732,495 shares were delivered to the participants. Regarding the Restricted Share Pool period 2020–2022, after deductions for the applicable taxes, a total of 90,545 shares were delivered to 33 participants based on the conditions of the plan. From the Restricted Share Pool 2021–2023, after deductions for applicable taxes as second installment of three, in total 41,577 shares were delivered to the 56 participants. From the Restricted Share Pool 2022–2024, after deductions for applicable taxes as first installment of three, in total 27,093 shares were delivered to the 56 participants. Shares were delivered in February 2023, and Outokumpu used its treasury shares for the reward payments.

Share-based payment opportunity

Maximum number of shares Dec 31, 2023	2024	2025	2026	Total
PSP 2021-2023	2,724,375	—	—	2,724,375
RSP 2021-2023	65,370	—	—	65,370
	2,789,745	—	—	2,789,745
PSP 2022-2024	—	1,305,353	—	1,305,353
RSP 2022-2024	57,034	237,332	—	294,366
	57,034	1,542,685	—	1,599,719
PSP 2023-2025	—	—	2,465,400	2,465,400
RSP 2023-2025	60,064	60,064	60,072	180,200
	60,064	60,064	2,525,472	2,645,600
Total	**2,906,843**	**1,602,749**	**2,525,472**	**7,035,064**

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

	Performance Share plan		
	PSP 2021-2023	PSP 2022-2024	PSP 2023-2025
Grant date	March 15, 2021	March 15, 2022	March 10, 2023
Vesting period	Jan 1, 2021-Mar 31, 2024	Jan 1, 2022-Mar 31, 2025	Jan 1, 2023-Mar 31, 2026
Number of participants	94	99	183
Share price at grant date, €	4.35	4.50	5.68
Exercised	In shares and cash in 2024	In shares and cash in 2025	In shares and cash in 2026
Vesting conditions			
Non-market	Return on capital employed	Return on capital employed (80%), CO_2, emissions per ton of crude steel produced (20%)	Return on capital employed (80%), CO_2, emissions per ton of crude steel produced (20%)
Other relevant conditions	Continuation of employment until the shares are delivered, a salary based limit for the maximum benefits		

	Restricted Share Pool Program		
	RSP 2021-2023	RSP 2022-2024	RSP 2023-2025
Grant date	March 15, 2021	March 15, 2022	March 10, 2023
Vesting period	Jan 1, 2021-Mar 31, 2024	Jan 1, 2022-Mar 31, 2025	Jan 1, 2023-Mar 31, 2026
Number of participants	54	68	57
Share price at grant date, €	4.35	4.50	5.68
Exercised	In shares and cash, in 3 installments in 2022, 2023 and 2024	In shares and cash, either in full in 2025 or in 3 installments in 2023, 2024 and 2025	In shares and cash in 3 installments in 2024, 2025 and 2026
Vesting conditions	Continuation of employment until the shares are delivered, a salary-based limit for the maximum benefits		

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

Management judgements

In valuing the share-based payment plans, the management estimates the likelihood of achieving the non-market performance criteria and the number of participants remaining in the plan when the vesting period ends.

The evaluation of the likelihood of achieving the non-market performance criteria uses mainly external financial forecasts but also internal forecasts are used. The number of participants remaining in plans at the end of the vesting period is estimated based on historical forfeit ratios of similar plans. Also potential impacts from restructuring activities carried out in the Group are considered in the estimate.

Accounting principles

The share-based payments are settled net of tax withholding, and they are accounted as fully equity-settled. The expense of the programs recognized over vesting periods is based on the grant date fair value and is reported as employee benefit expenses within the administrative expenses in profit or loss.

Applicable statistical models are used in valuation, and the valuation is revised at the end of each reporting period based on the likelihood of achieving the non-market performance criteria and the estimated retention rate of the participants.

The salary-based maximum limits for the pay-outs have been taken into account in the valuation of the benefits.

4. Operating assets and liabilities

Outokumpu remained capital disciplined also in 2023, and the annual capital expenditure amounted to EUR 170 million. The group's main capital expenditure project during the past years has been the Kemi mine expansion, which was finalized during the year. Outokumpu's net working capital slightly decreased in 2023. Inventory volumes remained relatively stable while metal prices were lower. Return on capital employed was negatively affected by significant adjustment items on result.

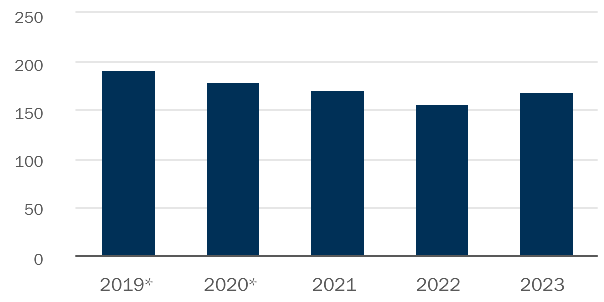
4.1 Intangible assets and property, plant and equipment

Intangible assets

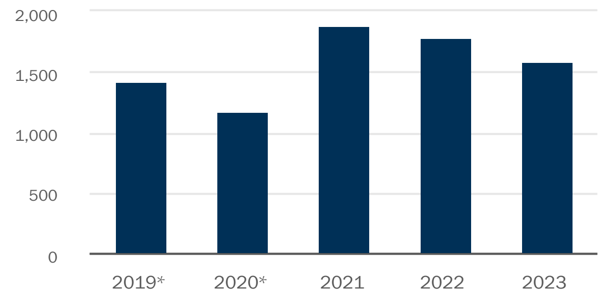
2023 € million	Goodwill	Other intangible assets	Total
Historical cost on Jan 1, 2023	471	352	823
Translation differences	—	-3	-3
Additions	—	24	24
Disposals	—	-7	-7
Reclassifications	1	-35	-33
Other	—	0	0
Historical cost on Dec 31, 2023	**472**	**332**	**804**
Accumulated amortization and impairment on Jan 1, 2023	-15	-262	-276
Translation differences	—	3	3
Amortization	—	-13	-13
Disposals	—	0	0
Reclassifications	0	38	37
Other	—	0	0
Accumulated amortization and impairment on Dec, 31, 2023	**-15**	**-234**	**-249**
Carrying value on Dec 31, 2023	**457**	**98**	**556**
Carrying value on Jan 1, 2023	456	91	547

Reclassifications include transfers between historical cost and accumulated depreciation and impairment.

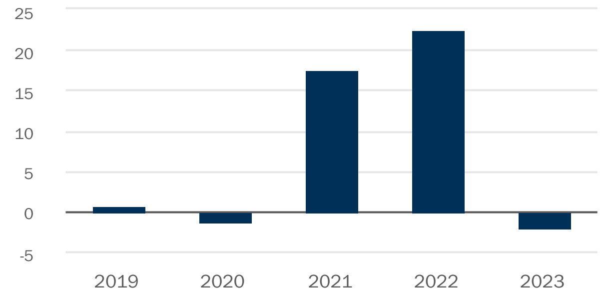
Capital expenditure, € million



Inventories, € million



Return on capital employed, %,



*Including discontinued operations.

2022 € million	Goodwill	Other intangible assets	Total
Historical cost on Jan 1, 2022	482	367	849
Translation differences	-2	-4	-5
Additions	—	7	7
Disposals	-2	-2	-4
Reclassifications	-8	-15	-23
Historical cost on Dec 31, 2022	**471**	**352**	**823**
Accumulated amortization and impairment on Jan 1, 2022	-17	-255	-272
Translation differences	1	4	5
Amortization	—	-16	-16
Impairments	—	-10	-10
Disposals	1	1	2
Reclassifications	—	15	15
Accumulated amortization and impairment on Dec, 31, 2022	**-15**	**-262**	**-276**
Carrying value on Dec 31, 2022	**456**	**91**	**547**
Carrying value on Jan 1, 2022	465	112	577

Impairments in other intangible assets relate mainly to the Group's ERP systems. Reclassifications include transfers to assets classified as held for sale.

Emission allowances

Outokumpu's continuing operations had the following active sites operating under EU's Emissions Trading Scheme (EU ETS) in 2023: production plants in Tornio, Finland; Avesta, Degerfors and Nyby in Sweden; as well as Krefeld together with Dillenburg in Germany. All Outokumpu sites met the compliance requirements on time in 2023.

The pre-verified carbon dioxide emissions under EU ETS were approximately 0.9 million tonnes in 2023 (2022: 0.9 million tonnes). For its 2023 emission allowance delivery, Outokumpu will use allowances received for free, but also allowances acquired from the market in prior years. The cost of usage has been recognized as other operating expenses. During 2023, Outokumpu Oyj sold externally 450,000 tons of emission allowances and recognized a gain on sale of non-current assets of EUR 29 million.

The Group's emission position is composed of realized and forecasted carbon emissions netted against confirmed and forecasted emission allowances granted by governments. All relevant Outokumpu sites applied for free emission allowances for Phase IV trading period according to the efficiency-based benchmarks and historical activity, and the allocations for the first half of the period have been confirmed. These allocations combined with the allowances held from prior period are adequate to cover the forecasted needs of EU emission allowances for the first half of the trading phase (2021–2025).

The emission allowance price risk is presented in the note 5.3 under Energy price risk.

Property, plant and equipment

2023 € million	Land	Mine properties	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction work in progress	Group
Historical cost on Jan 1, 2023	76	131	1,174	4,161	132	443	6,116
Translation differences	0	—	-7	-31	0	-1	-40
Additions	—	1	3	9	1	129	143
Disposals	0	—	-1	-17	-1	-1	-19
Reclassifications	-6	175	59	119	-2	-396	-50
Other	—	—	-1	0	0	0	-1
Historical cost on Dec 31, 2023	**70**	**307**	**1,228**	**4,240**	**131**	**174**	**6,150**
Accumulated depreciation and impairment on Jan 1, 2023	-13	-81	-768	-2,916	-89	—	-3,866
Translation differences	0	—	3	19	0	—	22
Disposals	—	—	0	12	1	—	13
Depreciation	—	-15	-37	-135	-5	—	-192
Impairments	—	—	-58	-210	—	—	-269
Reclassifications	6	40	11	-15	6	—	48
Other	—	—	1	0	0	—	1
Accumulated depreciation and impairment on Dec 31, 2023	**-7**	**-56**	**-847**	**-3,246**	**-88**	**—**	**-4,244**
Carrying value on Dec 31, 2023	**63**	**251**	**381**	**994**	**43**	**174**	**1,905**
Carrying value on Jan 1, 2023	63	50	406	1,244	43	443	2,250

Reclassifications include transfers from advances paid and construction work in progress to other asset classes and also transfers between historical cost and accumulated depreciation and impairment.

Impairment in business area Americas

At the end of the year 2023, Outokumpu conducted an impairment test of business area Americas' fixed assets as the new extended hot rolling agreement is expected to decrease business area Americas' normalized annual EBITDA run-rate from USD 200 million to USD 170 million. The Value-in-use method was used in the calculations with a growth rate of 0.5% and a post-tax weighted average cost of capital (WACC) of 10.58%. As the result of the impairment test calculation, Outokumpu recognized an impairment loss of EUR 264 million related to property, plant and equipment of business area Americas.

2022 € million	Land	Mine properties	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction work in progress	Group
Historical cost on Jan 1, 2022	81	130	1,212	4,391	148	384	6,347
Translation differences	1	—	0	-26	-1	0	-27
Additions	—	0	1	8	0	96	106
Disposals	-2	—	-10	-28	-8	0	-48
Reclassifications	-4	0	-29	-185	-8	-36	-262
Other	—	—	—	1	—	-1	1
Historical cost on Dec 31, 2022	**76**	**131**	**1,174**	**4,161**	**132**	**443**	**6,116**
Accumulated depreciation and impairment on Jan 1, 2022	-14	-70	-760	-3,004	-91	—	-3,940
Translation differences	0	—	7	47	1	—	56
Disposals	—	—	4	27	8	—	40
Depreciation	—	-10	-39	-143	-5	—	-196
Impairments	—	—	0	0	—	—	0
Reclassifications	—	—	20	156	-2	—	175
Other	0	—	0	-2	—	—	-2
Accumulated depreciation and impairment on Dec 31, 2022	**-13**	**-81**	**-768**	**-2,916**	**-89**	**0**	**-3,866**
Carrying value on Dec 31, 2022	**63**	**50**	**406**	**1,244**	**43**	**443**	**2,250**
Carrying value on Jan 1, 2022	68	59	452	1,387	57	384	2,407

Reclassifications include transfers to assets classified as held for sale in addition to reclassifications from advances paid and construction work in progress to other asset classes.
All the comparative information regarding property, plant and equipment has been restated as the Group has separated the property, plant and equipment from the right-of-use assets in the 2023 consolidated statement of financial position.

Intangible assets and property, plant and equipment by geographical region

€ million	2023	2022
Finland	**1,552**	1,565
Other Europe	**495**	525
North America	**406**	698
APAC region	**8**	9
Other countries	**0**	0
	2,461	2,797

Capitalized interest expenses

During 2023, borrowing costs amounting to EUR 2 million (2022: EUR 3 million) were capitalized on investment projects under property, plant and equipment and intangible assets. Total capitalized interests on December 31, 2023 were EUR 25 million (Dec 31, 2022: EUR 32 million). The average capitalization rate used in 2023 was 1.0% (2022: 1,0%).

Management judgements

Management estimates relating to useful lives and recoverable amounts affect significantly the intangible asset and property, plant and equipment values in the consolidated statement of financial position, and different assumptions and assigned lives could have a material impact on the reported amounts.

Carrying amounts of intangible asset and property, plant and equipment items are regularly reviewed for any evidence of impairment. If any such evidence emerges, the asset's recoverable amount is assessed, which requires estimation of future cash flows attributable to the asset and related valuation parameters.

Indications for changes in useful lives are reviewed annually, and if changes to previous estimates are identified, the useful lives are revised accordingly. If an impairment loss is recognized, the estimated useful life of the asset is also reassessed.

Accounting principles

Intangible assets other than goodwill include capitalized development costs, patents, licenses and software. These assets comprises mainly acquired assets that typically have definite useful lives. An intangible asset is recognized if it is probable that the asset will generate future economic benefits to the company and the cost of the asset can be measured reliably.

Property, plant and equipment consist mainly of facilities, machinery and equipment used in stainless steel and ferrochrome production.

Intangible assets and property, plant and equipment are recognized initially at cost. Cost comprises of the asset's purchase price and all costs directly attributable to bringing the asset ready for its intended use. Government grants received for investment purposes are deducted from the asset's cost. Intangible assets and property, plant and equipment acquired in a business combination are measured at fair value at the acquisition date.

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

After initial recognition, intangible assets and property, plant and equipment are measured at cost less accumulated amortization, depreciation and impairment losses. Intangible assets and property, plant and equipment, other than land and mine properties, are amortized or depreciated on a straight-line basis over their expected useful lives. Assets tied to a certain fixed period are amortized over the contract term.

Amortization of intangible assets is based on the following estimated useful lives:

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

Depreciation of property, plant and equipment items is based on the following estimated useful lives:

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

Land is not depreciated, except for leased land, as the useful life of land is assumed to be indefinite. Mine properties include preparatory work to utilize an ore body or part of it, such as shafts, ramps and ventilation and are depreciated using the units-of-production method based on the depletion of ore reserves over their estimated useful lives. Other tangible assets include items such as land improvements, asset retirement obligations related to landfill areas and infrastructure within the facilities, such as roads and railroads.

Recognition of amortization or depreciation on an asset is ceased when the item is classified as held for sale.

If evidence regarding an impairment of an asset is identified, the asset's recoverable amount is estimated as the higher of the fair value less costs to sell or the value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. A previously recognized impairment loss is reversed if there is a change in the recoverable amount. However, the reversal must not result in a higher carrying amount than what it would have been if no prior impairment loss had been recognized. Impairment losses are presented as other operating expenses in the consolidated statement of income.

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

Goodwill

Goodwill arises from business combinations and is recognized at the acquisition date at the amount excess of the consideration transferred over the fair value of the identifiable assets acquired, liabilities assumed and any non-controlling interest and any previously held equity interests in the acquiree. Goodwill is not amortized but tested for impairment. Goodwill is measured at cost less accumulated impairment losses. Impairment losses on goodwill cannot be subsequently reversed.

See note 4.3 for goodwill impairment testing.

Emission allowances

Emission allowances are reported as other intangible assets. They are measured at cost and initially recognized when control is obtained. Allowances received free of charge are recognized at nominal value, i.e. at zero carrying amount. Emission allowances are derecognized against the actual emissions, or when the emission allowances are sold.

Emission allowance expense is recognized when emission allowances received free of charge do not cover the annual emissions for the difference based on the cost of the purchased allowances. In case the Group does not hold sufficient allowances to cover the actual emissions, a provision regarding the obligation to return the emission allowances is recognized at fair value at the end of the reporting period. The expenses are presented as other operating expenses. Gains from the sale of emission allowances are recognized as other operating income.

4.2 Leases

Outokumpu leases land, buildings, and machinery and equipment used in the Group’s operations. Outokumpu has also entered into service and supply contracts that contain lease elements. Contracts include typically fixed rental amounts, and for land and buildings, rents are linked to an index. The terms of new vehicle leases are typically 3 to 5 years, and lease terms for other machinery and equipment range up to 15 years. Lease terms for land and buildings can be significantly longer with the remaining terms for individual contracts on land of approximately 45–95 years. Leases for machinery and equipment include also contracts with variable lease payments based on usage of the equipment. Machinery and equipment are also hired with daily rates for temporary use, in which case they are reported as short-term leases. Most of the right-of-use assets are in Finland, totaling EUR 104 million.

Right-of-use assets

2023 € million	Land	Buildings	Machinery and equipment	Advances paid and other tangible assets	Total
Historical cost on Jan 1, 2023	36	41	175	2	254
Additions	—	2	19	1	22
Reclassifications	—	1	0	0	1
Other changes	—	-3	-15	-1	-19
Historical cost on Dec 31, 2023	**36**	**41**	**179**	**1**	**257**
Accumulated depreciation and impairment on Jan 1,2023	-5	-22	-71	-1	-97
Depreciation and impairments	-1	-10	-32	0	-42
Reclassifications	—	-1	0	0	-1
Other changes	—	3	27	1	30
Accumulated depreciation and impairment on Dec 31, 2023	**-5**	**-30**	**-75**	**-1**	**-110**
Carrying value on Dec 31, 2023	**30**	**11**	**104**	**1**	**147**
Carrying value on Jan 1, 2023	31	20	104	1	156

2022 € million	Land	Buildings	Machinery and equipment	Advances paid and other tangible assets	Total
Historical cost on Jan 1, 2022	36	47	183	0	266
Additions	—	1	5	0	6
Reclassifications	—	-3	-3	0	-6
Other changes	—	-3	-10	1	-13
Historical cost on Dec 31, 2022	**36**	**41**	**175**	**2**	**254**
Accumulated depreciation and impairment on Jan 1, 2022	-4	-22	-75	—	-101
Depreciation and impairments	-1	-5	-27	0	-33
Reclassifications	—	1	2	—	3
Other changes	—	4	29	0	33
Accumulated depreciation and impairment on Dec 31, 2022	**-5**	**-22**	**-71**	**-1**	**-97**
Carrying value on Dec 31, 2022	**31**	**20**	**104**	**1**	**156**
Carrying value on Jan 1, 2022	31	25	109	—	166

Reclassifications include transfers to assets classified as held for sale.

Lease liabilities

€ million	2023	2022
Non-current	**146**	143
Current	**29**	37
	175	179

Maturity analysis of lease liabilities is presented in note 5.1.

Lease expenses

€ million	2023	2022
Depreciation	**-37**	-32
Impairments	**-5**	-1
Interest expenses	**-10**	-10
Expenses on short-term and low-value leases	**-20**	-16
Total continuing operations	**-72**	-60

Lease cash flows

€ million	2023	2022
Repayments	**-39**	-33
Interest paid	**-10**	-10
Total, Group	**-49**	-43

Management judgements

Management judgment and estimates relate mainly to incremental borrowing rates of the Group companies, the probabilities of utilizing extension options in lease contracts and lease terms applied for contracts that are valid until further notice, which impact the reported amounts of lease liabilities and right-of-use assets.

The incremental borrowing rates are defined as part of the process to determine interest rates for intra-group lending, in which Outokumpu defines synthetic ratings for the subsidiaries. The incremental borrowing rate takes into account the currency, the maturity of the lease liability, the credit risk of the lessee based on the synthetic rating, and country risk.

The contracts with extension options are reviewed regularly to evaluate the probability of utilization based on information available.

Contracts that are valid until further notice represent only a small amount of Group's lease contracts, as most contracts have a fixed term. The lease terms for the contracts that are valid until further notice are either defined based on the Group's mid-term planning cycle of 3 years or treated as short-term depending of the type of the asset.

The Group applies materiality in defining low-value items for lease accounting purposes.

Accounting principles

Lease liabilities measured at the present value of future lease payments are recognized to the statement of financial position. In determining the present value of the lease liabilities, the fixed and index/rate-based lease payments are discounted with the interest rate implicit to the lease when available, or with the incremental borrowing rate of the company.

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

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

Lease liabilities are presented in non-current and current debt in the consolidated statement of financial position.

Lease liabilities or right-of-use assets relating to short-term leases, leases of low value items, or intangible assets are not recognized to statement of financial position. Instead, related payments, as well as variable lease payments, are recognized as expense to the profit or loss.

Sale and lease-back

So-called sale and lease-back transactions by the Group in 2019 or later (i.e. in accordance with IFRS 16) do not typically meet the IFRS 15 criteria of a sale, as Outokumpu typically retains the control of the asset. Consequently, they do not meet the criteria of sale and lease-back, either. The asset remains in Outokumpu's property, plant and equipment at cost less accumulated depreciation and impairments. The proceeds of the transaction are recognized as other loans under non-current or current debt.

Sale and lease-back transactions carried out prior to 2019 have been treated according to the accounting principles prevailing at the time.

Group as a lessor

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

4.3 Goodwill impairment test

Goodwill and operating capital by operating segment

€ million	Goodwill		Operating capital	
	2023	2022	**2023**	2022
Europe	**343**	342	**1,850**	1,864
Americas	**—**	—	**594**	990
Ferrochrome	**114**	114	**894**	867
Other operations and intra-group items	**—**	—	**52**	16
Total, continuing operations	**457**	456	**3,390**	3,737

Assumptions by operating segment

	Europe	Ferrochrome
2023		
Weighted average cost of capital (WACC), pre-tax, %	**11.6**	**11.7**
Weighted average cost of capital (WACC), after-tax, %	**9.0**	**9.3**
Terminal growth rate, %	**0.5**	**0.5**
2022		
Weighted average cost of capital (WACC), pre-tax, %	11.5	11.2
Weighted average cost of capital (WACC), after-tax, %	9.0	9.1
Terminal growth rate, %	0.5	0.5

Test results and sensitivities by operating segment

2023	Europe	Ferrochrome
Headroom, € million	1,189	217
After-tax WACC increase leading to impairment, %-points	6.2	2.4
EBITDA decrease leading to impairment, %	37	19
Terminal growth rate of zero leading to impairment	No	No

Headroom is the amount by which the recoverable amount determined based on the value-in-use analysis exceeds the segment's operating capital amount as at the impairment testing date.

Goodwill impairment testing

In 2023 and 2022, as a result of the impairment testing performed to Group's cash-generating units, no goodwill impairment losses were recognized. Goodwill impairment testing is carried out on operating segment level, as they correspond to the Group's cash-generating units (CGUs) and the goodwill allocation level.

The recoverable amounts of the cash-generating units are based on value-in-use calculations that are prepared using discounted cash flow projections. These projections are based on the Group's strategy approved by the management, and include cash flow forecasts for 2024–2029 after which the terminal value is calculated.

The carrying amount to which the recoverable amount is compared, is the operating capital of the segment, defined in the Alternative performance measures section of the Review by the Board of Directors.

Management judgements

Key assumptions of the value-in-use calculations include the discount rate, the terminal value growth rate, the average global growth in end-use consumption of stainless steel and base price development. Assumptions also include estimates on delivery volume and capital expenditure development, and cost savings related to on-going strategy-implementation related initiatives.

Cash flow forecasts are discounted using the pre-tax weighted-average cost of capital (WACC) as defined for Outokumpu. The components of WACC are risk-free rate, Outokumpu credit margin, equity market risk premium, equity beta, and the industry's median capital structure.

In general, management believes that the assumptions used in the value-in-use calculations are conservative based on the current economic circumstances. Growth rates assumed for stainless steel deliveries are generally lower than independent analysts' view on long-term market development.

Accounting principles

Goodwill is allocated to and tested for impairment on operating segment level, which correspond to the Group's cash-generating units (CGUs), and the lowest level goodwill is monitored. Impairment test is carried out on an annual basis, or more frequently when there is evidence of potential goodwill impairment.

In goodwill impairment testing, the recoverable amounts are based on value in use determined by discounted future net cash flows expected to be generated by the cash-generating unit. The discount rate used is a pre-tax rate that reflects the current market view on the time value of money and the CGU-specific risks.

An impairment loss is the amount by which the carrying amount of the segment's assets exceeds its recoverable amount. Impairment losses are recognized first on goodwill and after that on other intangible and tangible assets on a pro-rata basis. In the consolidated statement of income impairments are presented in other operating expenses. Impairment losses related to goodwill cannot be subsequently reversed.

4.4 Inventories

€ million	2023	2022
Raw materials and consumables	**690**	635
Work in progress	**553**	689
Finished goods and merchandise	**321**	447
Advanced payments	**16**	12
Total	**1,581**	1,783

Net realizable value write-downs of EUR 19 million were recognized in the profit or loss during 2023 (2022: write-downs of EUR 24 million).

In 2023, Outokumpu continued to apply cash flow hedge accounting for three selected nickel hedging programs. More details on commodity price risk and hedge accounting are presented in notes 5.3 and 5.4.

Management judgements

Management judgment and estimates are applied in net realizable value (NRV) and inventory obsolescence analysis.

NRV calculation requires estimates on sales prices for products to be sold in the future to the extent the prices are not known, which can be a significant part of the future prices. Due to fluctuations in nickel and other alloy prices, which are the most important commodity price risks for Outokumpu, the realized prices can deviate significantly from the estimates used in NRV calculations.

The alloy surcharge clause as well as daily fixed pricing of stainless steel reduce the risk arising from the time difference between raw material purchase and product delivery. However, the risk is still significant because the delivery cycle in production is longer than the alloy surcharge mechanism expects and the daily fixed pricing can also deviate from this cycle depending on the timing of the delivery.

Inventory obsolescence for stainless steel products is estimated based on internal guidelines of slow-moving inventory.

Accounting principles

Inventories are stated at the lower of cost and net realizable value. These are defined with different methodologies depending on the type of inventory.

The cost of raw materials is determined as monthly weighted average of the actual raw material cost. The cost of self-produced finished goods and work in progress comprises of raw materials, direct labor, other direct costs and related production and procurement overheads. Cost of purchased products includes all purchasing costs including direct transportation, handling and other costs.

NRV is calculated as the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs attributable to the sale.

Obsolete stainless steel products are valued at scrap value. Spare parts are carried as inventory and their cost is recognized in profit or loss as consumed.

Major spare parts are recognized in property, plant and equipment when they are expected to be used over more than one year.

4.5 Trade and other receivables and payables

Trade and other receivables

€ million	2023	2022
Non-current		
Non-current receivables and accruals	**12**	6
Current		
Trade receivables	**508**	593
VAT receivables	**51**	94
Escrow deposits	**18**	14
Prepaid insurance expenses	**7**	10
Other accruals	**21**	24
Other receivables	**4**	11
Total	**609**	746
Loss allowance on trade receivables		
On Jan 1	**5**	5
Reclassifications	**0**	0
Reduction in loss allowance	**0**	0
On Dec 31	**5**	5

In 2022, reclassifications include transfers to assets classified as held for sale.

Age analysis of trade receivables		
Not overdue	**474**	553
Past due 1-30 days	**28**	28
Past due 31-60 days	**2**	7
More than 60 days	**4**	5
Total	**508**	593

Factored trade receivables

Outokumpu uses factoring to finance its working capital. Under these arrangements, Outokumpu has on December 31, 2023 derecognized trade receivables totaling EUR 376 million (2022: EUR 423 million), which represents fair value of the assets. Net proceeds received amounted to EUR 376 million (2022: EUR 423 million). The underlying assets have maturity of less than one year.

The maximum amount of loss related to derecognized assets is estimated to be EUR 14 million (2022: EUR 16 million). This estimate is based on insurance policies and contractual arrangements between factoring companies and Outokumpu. The analysis does not include impact of any operational risk related to Outokumpu’s contractual responsibilities. Year 2022 figures are presented for continuing operations.

Trade and other payables

€ million	2023	2022
Non-current		
Accruals	**16**	20
Total	**16**	20
Current		
Trade payables	**1,086**	1,210
Accrued employee-related expenses	**72**	100
Accrued interest expenses	**7**	6
VAT payable	**23**	96
Withholding tax and social security liabilities	**18**	23
Advance payments received	**31**	23
Other accruals	**53**	51
Other payables	**9**	9
Total	**1,299**	1,516

Liabilities related to customer contracts

On December 31, 2023, accrued volume discounts related to customer contracts amounted to EUR 24 million (Dec 31, 2022: EUR 38 million). These are reported as other current accruals.

The liabilities related to the unperformed transportation service were not material on December 31, 2023, and these liabilities as well as advance payments received are expected to be recognized as revenue over the following three months.

Risk information

Credit risk

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

On December 31, 2023, the maximum exposure to credit risk of trade receivables was EUR 508 million (2022: EUR 593 million). The portion of unsecured receivables during 2023 has been approximately 6-11% of all trade receivables. During 2023, credit limits have remained available from the insurer and there is no significant change in the insurance cover. Outokumpu has frequently monitored credit risk and the overdue situation and continued its close co-operation with the insurers.

Outokumpu uses factoring, which transfers most risks and rewards to the buyer of the receivables. At the end of the year 2023, most of the receivables were generated by a large number of customers and there were only few risk concentrations.

Country risk

Exposure to country risk is monitored and reduced by having credit insurance that provides cover against political risk on external trade receivables. At year-end, main country related credit risk exposures included for example limited exposure on Argentina.

Accounting principles

Trade and other receivables and payables include financial assets or liabilities measured at amortized cost. After initial recognition, they are measured at amortized cost by using the effective interest rate method. Trade and other receivables are valued net of accumulated impairments.

Factored trade receivables

Factored trade receivables have been derecognized from the statement of financial position when the related risks and rewards of ownership have materially been transferred to the counterparty of the factoring transaction.

Expected credit losses

Outokumpu applies simplified model in assessing and recognizing loss allowance for expected credit losses on trade receivables. The calculation model is based on overdue statistics and counterparty-specific credit ratings linked with loss probabilities for each rating. Loss allowances are recognized in selling and marketing expenses in the consolidated statement of income.

Liabilities related to customer contracts

Liabilities related to customer contracts include accrued volume discounts, advance payments received and liabilities related to transportation service not yet performed. Accrued volume discounts have been recognized as reductions in revenue during the financial year.

4.6 Provisions

2023 € million	Environmental provisions	Restructuring provisions	Other provisions	Total
Provisions on Jan 1, 2023	45	8	28	81
Translation differences	0	0	-1	-1
Increase in provisions	4	30	11	46
Utilized during the financial year	0	0	-1	-2
Unused amounts reversed	-1	-1	-1	-2
Reclassifications	—	-13	1	-12
Provisions on Dec 31, 2023	**48**	**24**	**38**	**110**

2022 € million	Environmental provisions	Restructuring provisions	Other provisions	Total
Provisions on Jan 1, 2022	57	8	26	91
Translation differences	-1	0	1	0
Increase in provisions	3	14	7	24
Utilized during the financial year	-1	-10	-1	-12
Unused amounts reserved	—	-2	-4	-6
Reclassifications	-14	-2	—	-16
Provisions on Dec 31, 2022	**45**	**8**	**28**	**81**

Reclassifications include transfers to assets classified as held for sale.

€ million	**2023**	2022
Non current provisions	**73**	49
Current provisions	**37**	32
Total	**110**	81

Environmental provisions

The majority of the environmental provisions are for closing costs of production facilities and landfill areas, removal of problem waste and landscaping in facilities in Finland and Germany, and aftercare of closed mines in Finland. The outflow of economic benefits related to environmental provisions is expected to take place mainly over a period of more than 10 years. Due to the nature of these provisions, there are uncertainties regarding both the amount and the timing of the outflow of economic benefits.

Restructuring provisions

In 2023 increases in restructuring provisions are mainly due to planned restructuring measures in Germany. Outokumpu plans to transfer it’s precision strip operations from Dahlerbrück to Dillenburg and to close its coil service center in Hockenheim. These plans are expected to impact close to 200 people in Germany. Reclassifications are mainly related to transfers from provisions to employee benefit obligations in Germany. In 2022 increases in restructuring provisions were mainly due to revaluations related to the provisions from earlier redundancies as a result of employee negations in 2020.

Other provisions

Other provisions comprise for example provisions for litigations, product and other claims and are mainly current in nature. In 2023 the increase in other provisions is mainly related to onerous contracts provision of EUR 7 million related to the metal powder plant in Germany. In 2022, the increases in other provisions were mainly related to litigation provisions.

Management judgements

Provisions are based on management's best estimates at the end of the reporting period.

Regarding environmental provisions, the management judgments and estimates relate mainly to the timing and the scope of the activities to be carried out as well as the cost of such activities in the future. Environmental expenditure related to dismantling an entire production facility and restoring the area are generally estimated when decision on a site closure is made.

As actual outflows can differ from estimates due to changes in law, regulations, public expectations, technology, prices and conditions, and can take place in many years in the future, the provisions are regularly reviewed to take such changes into account.

Regarding restructuring provisions, the judgements and estimates mainly relate to the amounts of termination benefits to employees.

Accounting principles

A provision is recognized when Outokumpu has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions relate mainly to environmental liabilities, restructuring plans, onerous contracts and litigations. Non-current provisions are discounted to present value at the end of the reporting period using risk-free discount rates.

Environmental expenditure arising from restoring the conditions caused by past operations are recognized as expenses when they are incurred. Environmental provision is recognized when the Group has an obligation to decommission or remove a facility or equipment, rehabilitate environmental damage, or landscape and restore an area. The recognition of environmental provisions is based on current interpretation of the effective environmental laws and regulations related to the Group.

When environmental expenditure will arise from future asset retirement obligations, an item of property, plant and equipment corresponding to the amount of the provision is recognized, and the cost will be depreciated over the asset's useful life. Subsequent adjustments to the provision are deducted from or added to the cost of the corresponding asset in a symmetrical manner.

A restructuring provision is recognized when a detailed restructuring plan has been prepared and its implementation has been started or the main parts of the plan have been communicated to those, who are impacted by the plan. Restructuring provision mainly comprise of employee termination benefits.

Any potential compensation from a third party is not included in the amount of the provision but recognized as a separate asset when it is virtually certain that the compensation will be received.

5. Capital structure and financial risk management

Due to prudent capital discipline Outokumpu remained net debt free despite lower profitability and capital distributions. In 2023, credit rating agency Moody's upgraded Outokumpu from Ba3 positive to Ba2 stable. Prepayment of loans mitigated the impact of higher interest expenses.

The capital structure is regularly monitored by management with focus on the company's leverage ratio (net debt to adjusted EBITDA) . The target is to have a leverage ratio less than 1.0 in normal market conditions and it remained within the target during 2023.

The main objective of capital management is to secure the ability to operate on a going concern basis to enhance value to shareholders and to optimize the cost of capital. Outokumpu seeks to maintain access to loan and capital markets at all times and to preserve sufficient liquidity. The Board of Directors reviews the Group's capital structure on a regular basis. Capital structure and debt capacity are taken into account e.g. in investment, dividend and debt decisions.

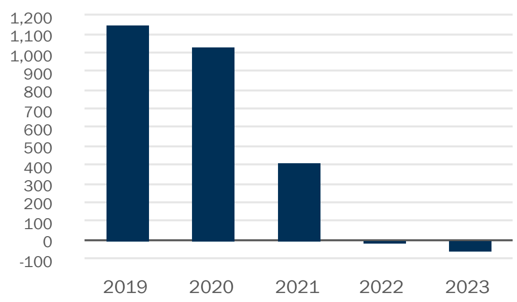
Equity is managed through dividend policy, share buybacks and issuances of equity or equity-linked securities. In March 2023 Outokumpu finalized its share buyback program for a maximum amount of EUR 100 million. A new share buyback program for a maximum amount of EUR 50 million was launched in November and will be finalized in March, 2024.

Tools to manage debt include raising new debt in various forms, establishing financing facilities, prepaying and cancelling loans, notes and other financing facilities in order to optimize the maturity structure of the debt portfolio and to minimize finance costs.

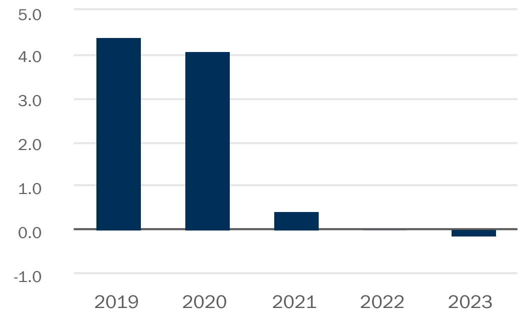
Capital structure

€ million	2023	2022
Total equity	**3,762**	4,119
Total non-current and current debt, incl. discontinued operations	**441**	633
Total capitalization	**4,204**	4,752
Net debt, incl. discontinued operations	**-60**	-10

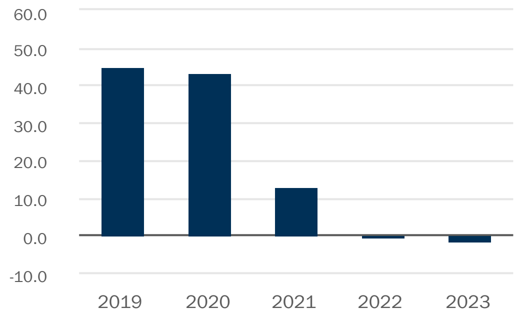
Net debt, € million*



Net debt to adjusted EBITDA*



Debt-to-equity, %*



*Including discontinued operations until 2022. In 2023 no discontinued operations impact in the balance sheet.

5.1 Net debt and capital management

The main focus in 2023 on debt management was to ensure sufficient liquidity and at the same time monitor financing costs following the sharp increase in interest rates. Net Debt decreased to EUR -60 million at the year end 2023. In addition to extending the maturity of the EUR 700 million revolving credit facility with 12 month to mature in 2027, all outstanding pension loans EUR 141 million were prepaid in June. In 2023 remaining outstanding real estate mortgage securities were released and returned to Outokumpu.

Outokumpu has evaluated options to manage its EUR 125 million convertible bond due in 2025. In order to mitigate and manage the dilutive impact of the conversion, Outokumpu completed a share buyback program of EUR 100 million in March 2023 and launched a new program of EUR 50 million in November 2023. The number of shares in the new program corresponds to approximately half of the remaining shares needed in the conversion. Outokumpu has recognized EUR 38 million financial liability related to the share buyback program and the maximum amount of EUR 50 million is impacting the equity and net debt at the end of December 2023. See more information on share buyback program in note 5.2.

Net debt

€ million	2023	2022
Non-current		
Convertible bonds	**119**	115
Loans from financial institutions	**85**	99
Pension loans	**—**	123
Lease liabilities	**146**	143
Other loans	**9**	11
	359	491
Current		
Loans from financial institutions	**14**	14
Pension loans	**—**	31
Lease liabilities	**29**	37
Other loans [1]	**40**	60
	82	141
Cash and cash equivalents		
Cash at bank and in hand	**497**	452
Short-term bank deposits and cash equivalents	**5**	74
	502	526
Net debt, continuing operations	**-60**	105
Discontinued operations [2]	**—**	-116
Total	**-60**	-10

[1] Including share buyback program related financial liability EUR 38 million (Dec 31, 2022: EUR 58 million),
[2] Including mainly cash and cash equivalents.

Net debt development

€ million	2023	2022
Net cash flow from operating activities	**325**	778
Net cash flow from investing activities	**-35**	-159
Cash flow before financing activities	**290**	619
Dividends paid	**-152**	-68
Treasury share purchase	**-70**	-42
Cash flow impact on net debt	**68**	509
Net debt on Jan 1	**-10**	408
Cash flow impact on net debt	**-68**	-509
Share buyback financial liability	**38**	58
Change in net debt, non-cash	**-20**	33
Net debt on Dec 31	**-60**	-10

Average effective interest rate of cash and cash equivalents at the end of 2023 was 3.8% (Dec 31, 2022: 2.3%).

Changes in non-current and current debt

2023 € million	Non-current debt	Current portion of non-current debt	Non-current lease liabilities	Current portion of lease liabilities	Current debt 1)	Total
On Jan 1	348	46	143	37	58	632
Financing cash flows	-123	-46	—	-39	-58	-266
Transfer to current debt	-15	15	-31	31	—	0
Other non-cash movements	4	—	34	—	38	76
On Dec 31	213	15	146	29	38	441

2022 € million	Non-current debt	Current portion of non-current debt	Non-current lease liabilities	Current portion of lease liabilities	Current debt 1)	Total
On Jan 1	440	21	157	32	58	709
Financing cash flows	-50	-21	—	-33	-58	-163
Transfer to current debt	-46	46	-38	38	—	0
Other non-cash movements	4	—	25	1	58	87
Reclassifications 2)	—	—	-1	-1	—	-2
On Dec 31	348	46	143	37	58	632

1) Including share buyback program related financial liability EUR 38 million (Dec 31, 2022 EUR 58 million).
2) Reclassifications include liabilities related to assets held for sale.

Other non-cash movements in debt consist mainly of effective interest including accrued arrangement fees. Other non-cash movements in lease liabilities consist of new lease agreements and changes in terms of existing agreements. The reconciliation of cash effective and non-cash movements in cash and cash equivalents is presented in the consolidated statement of cash flows.

Convertible bonds

		Outstanding amount	
€ million	Interest rate, %	**2023**	2022
2020 fixed rate bond maturing on July 9, 2025	5.0	**125**	125

The convertible bonds maturing in July 2025 can be converted into maximum of 42.379.788 ordinary shares in Outokumpu representing 9.8% of the outstanding shares at year end. The conversion period commenced on August 19, 2020 and will end on June 25, 2025. The current conversion price is set at EUR 2.9448 per ordinary share. The conversion price is subject to adjustments for any dividend in cash or in kind as well as customary anti-dilution adjustments, pursuant to the terms and conditions of the bonds. On December 31, 2023 remaining part of the equity component of the convertible bond amounted to EUR 6 million (Dec 31, 2022: EUR 10 million).

Contractual cash flows

€ million	2023						2022					
	2024	2025	2026	2027	2028	2029	2023	2024	2025	2026	2027	2028
Convertible bonds	—	125	—	—	—	—	—	—	125	—	—	—
Loans from financial institutions	14	14	14	14	14	28	14	14	14	14	14	42
Pension loans	—	—	—	—	—	—	31	29	23	19	15	38
Other loans [1]	40	1	1	1	0	5	60	1	1	1	1	6
Interest payments on debt and facility charges	17	13	9	4	2	3	21	20	15	6	5	6
Lease liabilities	29	25	18	17	16	70	37	17	16	15	14	81
Interest payments on lease liabilities	10	9	7	6	5	127	9	8	7	6	5	132
Trade and other payables	1,103	—	—	—	—	—	1,220	—	—	—	—	—
	1,212	**187**	**49**	**43**	**38**	**234**	1,392	90	201	62	55	305

Contractual cash flows related to derivative instruments are presented in note 5.4.

[1] Including share buyback program related financial liability EUR 38 million (Dec 31, 2022 EUR 58 million).

Credit facilities

€ million	Maturity	2023			2022		
		Total	Utilized	Available	Total	Utilized	Available
Committed revolving credit facility	Feb 2027	700	—	700	700	—	700
Committed Finnvera facility	Dec 2025	100	—	100	100	—	100
Committed facilities total		**800**	**—**	**800**	800	—	800
Uncommitted Finnish Commercial paper program	N/A	800	—	800	800	—	800

Risk information

Liquidity and refinancing risk

Outokumpu raises most of its funding centrally and in co-ordination by the Treasury function ("Treasury"). The Group seeks to reduce its liquidity and refinancing risk by having sufficient amount of cash and committed long-term credit lines available and by maintaining a balanced debt maturity profile with diversified sources of funding. Efficient daily cash and liquidity management and the use of instruments such as commercial papers and currency swaps, also reduce the liquidity risk.

Finance and liquidity plans are prepared and reviewed regularly with a focus on forecasted cash flows, projected funding requirements, planned funding transactions and financial covenant headroom. The adequacy of liquidity reserves, the amounts of scheduled annual repayments of non-current debt compared to EBITDA as well as forecasted gearing and leverage ratios are key measures being considered.

Outokumpu is exposed to changes in credit margins as the development of the leverage ratio has an impact on the interest margin definition in some of the Group's loan agreements and as such on its interest and other financial expenses. In addition, some of the Group´s loan agreements include a financial covenant, but a breach is unlikely as there is ample headroom in the financial covenant.

Accounting principles

Bonds, loans from financial institutions, pension and other loans are recognized at the settlement date and measured initially at fair value net of direct transaction costs. Subsequently they are carried at amortized cost using the effective interest rate method.

Transaction costs are amortized over the maturity of the borrowing using the effective interest rate method. A financial liability (or part of the liability) is derecognized when the liability ceases to exist, that is, when the obligation identified in a contract has been fulfilled or cancelled or is no longer effective.

The fair value of non-current debt is determined based on quoted prices for listed instruments. For loans the fair value is determined using the discounted cash flow method based on yields at the reporting date. The fair values of non-current debt are presented in note 5.5.

Fees related to revolving credit facilities are amortized over the expected facility term.

Convertible bonds

Convertible bonds are compound instruments with components of the bonds classified separately as financial liabilities and equity in accordance with the substance of the arrangement.

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

Subsequently the liability component is measured at amortized cost with the effective interest method. At conversion or on expiry the equity component is reclassified within equity.

Lease liabilities

Accounting principles related to lease liabilities are presented in note 4.2.

Cash and cash equivalents

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

5.2 Equity

Shares and related movements in equity

€ million	Number of shares, 1,000	Share capital	Premium fund	Invested unrestricted equity reserve	Treasury shares	Total
On Jan 1, 2022	452,572	311	714	2,308	-30	3,303
Shares delivered from the share-based payment programs	138	—	—	—	1	1
Repurchase of treasury shares	-8,575	—	—	—	-100	-100
Shares outstanding on Dec 31, 2022	444,135	311	714	2,308	-129	3,204
Shares delivered from the share-based payment programs	892	—	—	—	9	9
Repurchase of treasury shares	-13,904	—	—	—	-50	-50
Surrendered shares related to convertible bond	68	—	—	0	1	0
Shares outstanding on Dec 31, 2023	**431,191**	**311**	**714**	**2,307**	**-169**	**3,163**
Treasury shares	25,684					
Total number of shares on Dec 31, 2023	**456,874**					

Share buyback program

Through the share buyback programs, Outokumpu seeks to mitigate and manage the dilutive impact of the company's outstanding convertible bonds. The repurchased shares will be initially held by Outokumpu as treasury shares and may be used to meet its obligations under the convertible bonds. Alternatively, Outokumpu may decide to cancel any or all of the repurchased shares and reduce its capital accordingly. The share repurchases will be funded by using funds from the unrestricted equity. During the year 2023 Outokumpu had two different programs: the 2022 program that started in November 2022 and ended on March 24, 2023 and 2023 program that still continues.

During the year 2023, Outokumpu had purchased a total of 13,903,534 of its own shares of which 2,642,455 shares were under the new 2023 share buyback program and 11,261,079 were under the 2022 program that ended on March 24, 2023. On December 31, 2023, Outokumpu held 25,683,745 treasury shares, which represents 5.6% of the company's total number of shares.

2023 program

On November 29, 2023, Outokumpu launched a share buyback program of up to EUR 50 million under the authorization of the Annual General Meeting. The maximum number of shares to be repurchased under the program is 11 million, representing approximately 2.4% of the company's total number of shares. The program commenced on December 1, 2023, and ends no later than on March 21, 2024. By the end of December, Outokumpu has purchased 2,642,455 shares and used a total of EUR 12 million. The program continues.

Outokumpu has appointed a third-party broker to execute the share buyback program that, based on irrevocable instructions, will decide on the repurchase of shares in full independence, also in relation to the timing of the transactions, and in compliance with applicable price and volume limits as well as applicable terms. The share buyback program is expected to be carried out in full and have a maximum EUR 50 million impact on net debt during the duration of the program. However, the company has the option to terminate the program during the buyback period and will, in such case, issue a stock exchange release to this effect. Because of the nature of the contract with the third party, Outokumpu has recognized a EUR 38 million financial liability related to the share buyback program and the maximum amount of EUR 50 million is impacting the equity and net debt already in 2023.

The Annual General Meeting, held on March 30, 2023, authorized the Board of Directors to resolve to repurchase a maximum of 45,000,000 of Outokumpu's own shares, representing approximately 9.8% of Outokumpu's total number of shares.

2022 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.

Dividend policy and distributable funds

According to the dividend policy, Outokumpu aims to distribute a stable and growing dividend, to be paid annually. On December 31, 2023, the distributable funds of the parent company totaled EUR 2,589 million of which retained earnings were EUR 369 million.

The Board of Directors proposes to the Annual General Meeting to be held on April 4, 2024 that a dividend of EUR 0.26 per share will be paid for the year 2023, corresponding to EUR 112 million based on the number of shares outstanding on December 31, 2023.

In 2023, Outokumpu paid for a financial year 2022 a total dividend of EUR 0.35 per share comprising of base dividend of EUR 0.25 per share plus an extra dividend of EUR 0.10 per share, a total of EUR 152 million. The extra dividend of EUR 0.10 per share was a one-time extra dividend that was distributed to the shareholders for the exceptionally good result of the financial year.

Accounting principles

Shares and share capital

According to the Articles of Association, Outokumpu has one single class of shares and all shares have equal voting rights at General meetings. The shares do not have a nominal value.

Premium fund

Premium fund includes proceeds from share subscription and other contribution based on the old Finnish Limited Liability Companies Act for the part the contributions exceeded the account equivalent value allocated to share capital.

Other restricted reserves

Other restricted reserves include amounts transferred from the distributable equity under the Articles of Association or by a decision of the General Meeting of Shareholders, and other items based on the local regulations of the Group companies.

Invested unrestricted equity reserve

Invested unrestricted equity reserve includes the net proceeds from the rights issues in 2012 and 2014 and the directed share issue in 2021.

Fair value reserves

Fair value reserves include movements in the fair values of equity securities and hedge accounted derivative instruments.

Retained earnings

Retained earnings include remeasurements of defined benefit plans, cumulative translation differences and other retained earnings and losses.

Treasury shares

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

Dividends

The dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the Annual General Meeting of Shareholders. For the time period between the approval and the payment, the dividend to be paid is presented in current trade and other payables.

5.3 Financial risk management and insurances

The main objectives of financial risk management are to reduce volatility of net result and to secure sufficient liquidity to avoid financial distress. Other objectives include the reduction of cash flow volatility and the maintenance of the debt-to-equity and leverage ratios within set targets. The main objectives of insurance management are to provide mitigation against catastrophe risks and to reduce variation of net result.

The Board of Directors has approved the risk management policy, which defines responsibilities, the process and other main principles of risk management. The Board of Directors oversees risk management on a regular basis and the Chief Financial Officer (CFO) is responsible for the implementation and development of financial risk management. The CFO leads relevant steering groups, such as the Risk Management Steering Group for enterprise risk management and the Financial Risk Steering Group for financial risk management. The Energy Steering Group for energy risk management is led by Chief Procurement Officer (CPO).

Financial risks consist of market, country, credit, liquidity and refinancing risks. Outokumpu subsidiaries hedge their currency and commodity price risk with parent company Outokumpu Oyj, which does most of the Group’s foreign exchange and commodity derivative contracts with banks and other financial institutions. The Treasury function (“Treasury”) is responsible for managing foreign exchange, metal, interest rate, liquidity and refinancing as well as emission allowance price risk. Credit controlling has been mainly centralized to Global Business Services, and Treasury coordinates credit risk management. Customer credit risk is presented in note 4.5. The procurement is responsible for managing the electricity and fuel price risks.

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

Exposure to financial risks is identified in connection with the Group’s risk management process. This approach aims to ensure that any emerging risks are identified early and that significant risks are described, quantified, managed and communicated appropriately.

Sensitivity of financial instruments to market risk

	Dec 31, 2023		Dec 31, 2022	
€ million	In profit or loss	In other comprehensive income	In profit or loss	In other comprehensive income
+/-10% change in EUR/USD exchange rate	+2/-3	—	+1/-2	—
+/-10% change in EUR/SEK exchange rate	-5/+6	—	-5/+7	—
+/-10% change in nickel price in USD	-2/+2	-6/+6	+2/-2	-18/+18
+/-1% parallel shift in interest rates	-1/+1	—	-2/+2	—

The sensitivity analyses apply to financial assets and liabilities only. Other assets and liabilities, including defined benefit pension plan assets and liabilities, as well as off- balance sheet items such as sales and purchase orders, are not in the scope of these analyses. The calculations are net of tax. During the year the volatility for nickel price has been in the range of 26–55%. With +/–30% change in dollar denominated price, the effect in profit or loss is about EUR -6/+6 million and in other comprehensive income EUR -19/+19 million for nickel derivatives.

Risk information

Market risk

Outokumpu's main market risks are foreign exchange risk, interest rate risk, security price risk as well as commodity price risk, namely in metals, energy and emission allowances. The price changes in the before mentioned risks may have a significant impact on the Group's net result, cash flow and capital structure. Due to the cyclical stainless steel business, Outokumpu's exposure to market risks may change significantly from one period to another. Consequently, derivative positions to mitigate market risks change due to the cyclical business environment.

Note 5.4 details the fair values and nominal amounts of derivative instruments while the sensitivity of financial instruments to market risks is described in the table of previous page.

The strategy for market risk management is based on identifying, evaluating and mitigating relevant risks in committed business transactions and balance sheet items for each of the market risk categories. Forecasted items are included in the underlying risk position in interest rate, energy price and emission allowance price risk. The use of derivatives to mitigate market risks may cause timing differences between derivative gains or losses and in the impact of net result of the underlying exposure. In order to reduce such timing differences in net result, hedge accounting can be applied selectively as part of the metal and foreign exchange hedging activities. Most of the derivatives are short-term, however interest rate hedges typically have a maturity in excess of one year.

Foreign exchange rate risk

Outokumpu is exposed to foreign exchange risk as its business and operations are global. The risk arises from changes in exchange rates and may have effects on net result, cash flow and balance sheet. The foreign exchange exposure consists of risks associated with foreign currency cash flows (transaction risk), translation risk and economic risk, such as the change in competitiveness resulting from changes in foreign exchange rates.

The transaction risk arises from committed and forecasted transactions and payments in currencies other than the functional currency of the entity and from changes in fair value of foreign currency denominated items recognized on the balance sheet.

The fair value risk consists of foreign currency denominated accounts receivables, accounts payables, debt, cash, loan receivables and the currency position from commodity derivatives. The foreign exchange and fair value risks are, with a few exceptions, hedged in principle in full in major currencies. However, continuing an exception to the hedging policy approved in 2019, the main operating entity in Sweden hedged its fixed price sales orders to a limited extent, and did not hedge its fixed price purchase orders. Forecasted and probable cash flows are not typically hedged but can be hedged selectively.

In 2023 there were no hedge accounting applied in foreign exchange hedging activities.

Foreign exchange positions of EUR based companies

	Dec 31, 2023				Dec 31, 2022			
€ million	SEK	USD	GBP	Other	SEK	USD	GBP	Other
Trade receivables and payables	-25	-157	6	9	5	-267	11	17
Loans and bank accounts [1]	90	-772	-43	4	243	-305	58	15
Derivatives	-64	908	32	-22	-229	566	-79	-39
Net position	0	-21	-5	-8	19	-6	-10	-7

Foreign exchange positions of SEK based companies

	Dec 31, 2023				Dec 31, 2022			
€ million	EUR	USD	GBP	Other	EUR	USD	GBP	Other
Trade receivables and payables	-6	7	2	3	32	13	3	6
Loans and bank accounts [1]	14	2	1	1	27	9	5	2
Derivatives	-81	-20	-19	-7	-83	-30	-18	-28
Net position	-72	-11	-17	-4	-24	-8	-11	-20

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

Currency distribution and re-pricing of outstanding net debt

€ million					**Dec 31, 2023**
Currency	Net debt [1]	Derivatives [2]	Rate sensitivity [3]	Average rate, % [4]	Duration, year [5]
EUR	117	771	7.4	6.3	2.8
SEK	-61	84	0.2	—	—
USD	-75	-791	-8.7	—	—
Others	-41	-47	-0.9	—	—
	-60	17	-1.9		

€ million					Dec 31, 2022
Currency	Net debt [1]	Derivatives [2]	Rate sensitivity [3]	Average rate, % [4]	Duration, year [5]
EUR	315	17	0.6	4.8	3.0
SEK	-31	250	2.2	—	—
USD	-165	-321	-4.9	—	—
Others	-130	63	-0.7	—	—
	-10	9	-2.7		

[1] Includes cash and cash equivalents, debt and financial liability related to share buyback program.
[2] Net derivative liabilities include nominal value of interest rate and currency forwards earmarked to debt.
[3] The effect of one percentage point increase in interest rates to financial expenses over the following year.
[4]) Includes debt and financial liability related to share buy back program. The interest rate of share buy back program financial liability is zero. Currency forwards are not included in average rate calculation. Year 2022 figures have been restated accordingly.
[5] Duration calculation includes both debt and interest rate derivatives. Year 2022 figures have been restated accordingly.

Outokumpu's largest foreign exchange transaction risk exposures are in US dollars, Swedish krona and British pound. However, the British pound foreign exchange transaction risk has decreased substantially after the divestment of UK operations of Long Products business. A major part of the Group's sales is in euros and US dollars and thus the local currency denominated production costs in Sweden cause foreign exchange risk. The main US dollar cash flow risk origins from sales in the ferrochrome operations as chromium is priced in US dollars. Another significant US dollar cash flow risk is included in sales margins due to the dollar-linked stainless scrap purchase discounts. Internal financing denominated in Swedish krona and US dollar cause significant fair value foreign exchange rate risk, which is hedged with forward contracts and, if possible, with matching of external debt or investment. The Group's fair value foreign exchange position is presented in a more detailed level in the table on the previous page.

Translation risk consists of current net investment in foreign entities and future foreign currency denominated profits and losses which eventually will have an impact on Group's net result and balance sheet through consolidation. Outokumpu's net result and net investment translation risk is mainly in US dollars and Swedish krona. The equity translation risk is not typically hedged, although according to the Treasury policy this risk can be hedged selectively. In 2023, there were no hedges of net result or net investment exposures. However, the effective portion of gains (EUR 17 million, net of tax) on earlier financial years' net investment hedges is recognized in equity.

Economic risk relates to foreign exchange rates, commodity and energy prices, or any other market price risks, which impact the long-term competitive position. Hedging of economic risk in the Group is seen as a strategic decision approved by CFO. In 2023, there were no hedges related to economic risk.

Interest rate risk

Changes in interest rates expose Outokumpu to interest rate risk with effects on Group's net interest expense (i.e. cash flow risk) and value of assets and liabilities (i.e. fair value risk). The objective of the Group's interest rate risk management is to have a significant share of net debt effectively with a short-term interest rate as a reference rate. This approach may help to reduce the average interest rate of debt. Approximately 38% (2022: 38%) of the Group's debt has an interest period of less than one year and the average interest rate of non-current debt on December 31, 2023 was 7.0% (Dec 31, 2022: 5.4%).

The interest rate risk exposure is composed of the Group's net debt including all interest-bearing assets and liabilities as well as derivatives that hedge these items. Interest rate derivatives, such as interest rate swaps, are used to adjust the share of net debt effectively repricing in different maturity buckets to limits defined in the Treasury policy. This cash flow risk exposure excludes lease liabilities.

Euro, Swedish krona and US dollar have a substantial contribution to the Group's interest rate risk exposure. The interest rate risk exposure in Swedish krona and US dollar primarily originates from cash balances and foreign exchange derivatives. The interest rate position for the Group is presented in more detail in the table on the previous page.

Metal price risk

The Metal price risk arises from changes in metal market prices and may have effects on net result, cash flow and balance sheet.

The Group's most significant exposures in metals price risk arise from chromium and nickel, while other alloy metals with metal price risk include for example iron and molybdenum. Outokumpu is exposed to metal price risk for example through purchase of raw materials as well as sale of stainless steel products where the price of alloy metals is based on market prices. The timing difference in such commercial purchase and sale transactions as well as inventory position expose the Group to metal price risk alongside the Group's capability to pass on price changes in raw materials to end-product prices.

Outokumpu's underlying metal net position (in the following alloy metals: nickel, iron and molybdenum) consists of fixed price purchase orders, inventories of alloy metal containing materials and fixed price sales orders. The metal net positions (in tons of metal) are continuously calculated in order to manage the underlying positions.

Metal market prices are based on prices determined in regulated markets, such as the London Metal Exchange (LME). Also, derivatives contracts to mitigate metal price risk are based on for example LME prices. Chromium does not have an established financial derivatives market and consequently is not included in the scope of the Treasury policy. Financial derivatives mainly in nickel are used to manage impacts of metal price changes on net result, whereas efficient working capital management helps to reduce cash flow variations caused by metal price. Outokumpu has continued to apply cash flow hedge accounting programs on nickel hedging in order to reduce the timing differences between derivative gains or losses and the net result impact of the underlying exposure. The hedge accounting covers a material part of the Group's nickel derivatives hedges. The Group's financial derivatives fair values and nominal amounts are presented in a more detailed in the table 5.4 Derivative instruments.

In addition to hedging with financial derivatives, the metal price risk is also mitigated through other measures such as pricing decisions. A significant part of the Group's stainless steel sales contracts include an alloy surcharge clause, with the aim of reducing the risk arising from the timing difference between alloy metal purchase and stainless steel pricing and delivery. The share of Group sales contracts including an alloy surcharge clause decreased in 2023 compared to the previous year.

After nickel market trading disruption in March 2022, LME has implemented new measures to prevent similar market behavior from occurring again, including permanent daily price limits and enhanced reporting of open positions in the market. During 2023 market has started to gain more confidence towards functioning of the LME nickel market. Market volumes and inventories of LME grade nickel have grown steadily especially in the second half of the year.

Energy and emission allowance price risk

Outokumpu manages energy price risk centrally and mitigates the risks by guidance from the Energy Procurement policy. Energy price risk is hedged with long-term agreements, fixed price supply contracts and partial ownerships in power utilities. The Energy Risk Steering Group monitors and decides upon proposed hedging levels for each European business entity.

All in all, Outokumpu's energy spend decreased around 20% - 25% compared to last year. For 2024, Outokumpu's energy portfolio has been hedged with roughly two thirds of the estimated consumption.

Outokumpu has initiated and executed multiple actions to prevent further risks from realizing and to cope with the escalated energy prices. Improved energy efficiency is prioritized and several initiatives are ongoing. In August, 2023 Outokumpu established a new reporting unit within Outokumpu Europe Oy, Outokumpu EvoEnergy. Outokumpu EvoEnergy will focus on long term development of increasing Outokumpu's own energy production and will also support Outokumpu's sustainability targets by focusing on new decarbonization initiatives. In December Outokumpu increased its ownership in Rajakiiri wind farm in Tornio. See more information on energy in Sustainability review's section Low-carbon energy and energy efficiency.

Outokumpu is exposed to changes in emission allowance prices as the Group's main production sites in Europe are participating in the EU Emissions Trading Scheme (EU ETS). All Outokumpu sites met the compliance requirements on time in 2023 regarding returning of emissions to local authorities. The Group's emission allowances positions are composed of realized and forecasted emissions netted against confirmed and forecasted emission allowances granted by the authorities. General economic outlook, the prices of fuels and power as well as decisions on the EU ETS have a significant impact on the price of emission allowances. The current trading phase of the EU ETS refers to the period 2021–2030. Outokumpu forecasts to have adequate amount of EU emission allowances until the end of this decade. However, the future decisions on EU ETS may have an significant impact on this forecast.

Security price risk

Outokumpu has equity investments and fixed income securities. On December 31, 2023, the largest investments were in OSTP Holding Oy (investment in associated company of EUR 32 million) and Voimaosakeyhtiö SF. For more information on the investment in Voimaosakeyhtiö SF refer to note 6.6.

The captive insurance company Visenta Försäkringsaktiebolag has investments totaling EUR 27 million in fixed income and equity funds in order to optimize return for assets and to manage the risk prudently.

Country and counterparty credit risk

Treasury monitors credit risk related to financial institutions. Outokumpu seeks to reduce these risks by limiting the counterparties to banks and other financial institutions with good credit standing. For derivative transactions, Outokumpu prefers to have the ISDA framework agreements in place.

Exposure to country risk is monitored and mitigated by having a credit insurance that provides cover against political risk on external account receivables. However, there is some exposure on certain countries where insurance was unavailable, like limited exposure in Argentina.

Insurances

As part of risk mitigation activities, Outokumpu aims to secure its assets and business continuity by arranging insurances against financial losses arisen from unexpected risk events. Risks related to property, business interruption, liabilities and credit risk are covered by insurances as per policy terms and conditions. Outokumpu continued its systematic property loss prevention program, focusing on execution of the mitigating and preventive actions.

Outokumpu has captive insurance company, Visenta Försäkringsaktiebolag (Visenta), for optimizing insurance arrangements as part of Group's risk management. The captive insurance company is registered in Sweden and can operate as a direct insurer and reinsurer. Visenta has to comply with capital adequacy requirements set by the financial supervisory authority in Sweden and European Insurance and Occupational Pensions Authority (EIOPA). During the reporting period Visenta was well capitalized to meet other externally imposed requirements, which are based on e.g. the Solvency II framework. There were no significant changes in Visenta's assets during the year.

5.4 Derivative instruments

€ million	Positive fair value 2023	Negative fair value 2023	Net fair value 2023	Net fair value 2022	Nominal amounts 2023	Nominal amounts 2022
Currency and interest rate derivatives						
Currency forwards	11	-27	**-17**	-15	**1,972**	1,982
Interest rate swaps	—	-7	**-7**	-11	**125**	125
					Tonnes	Tonnes
Metal derivatives						
Forward nickel contracts, hedge accounted	15	-8	**7**	-53	**22,823**	21,612
Forward nickel contracts	8	-5	**3**	-12	**10,720**	13,289
Total derivatives	34	-47	**-14**	-91		
Less long-term derivatives						
Forward nickel contracts, hedge accounted	—	-1	**-1**	—		
Interest rate swaps	—	-7	**-7**	-11		
Short-term derivatives	34	-40	**-6**	-80		

Contractual cash flows

2023 € million	2024	2025	2026	2027
Currency derivatives				
Outflows	1,964	—	—	—
Inflows	-1,980	—	—	—
Interest derivatives	-6	-6	—	—
	-21	**-6**	**—**	**—**

2022 € million	2023	2024	2025	2026
Currency derivatives				
Outflows	1,975	—	—	—
Inflows	-1,990	—	—	—
Interest derivatives	-2	-4	-4	—
	-17	-4	-4	—

Hedge accounted cash flow hedges (nickel derivatives)

	2023	2022
Fair value of nickel derivatives, € million	**7**	-53
Nominal amount of nickel derivatives, tonnes	**22,823**	21,612
Hedge ratio	**1:1**	1:1
Fair value reserve in other comprehensive income, € million	**7**	-54
Reclassified to sales in profit or loss, € million	**16**	-28
Reclassified to cost of sales in profit or loss, € million	**2**	32
Recognized in inventory, € million	**4**	-5

The nickel hedge accounting programs implemented for the business area Americas and the business area Europe cover a material part of the Group's sales and purchase contracts. Forwards, which correspond to the pricing model of underlying, are used as derivative instrument. Only the spot component of nickel derivatives is under hedge accounting, forward element is recognized in profit or loss. The ineffectiveness is tested regularly. Management estimates that possible ineffectiveness can arise relates to credit risk or timing of transactions, but these are estimated to be immaterial.

Master netting agreements and similar arrangements

€ million	2023	2022
Derivative assets		
Gross amounts of recognized financial assets in the statement of financial position	**34**	40
Related financial instruments that are not offset	**21**	40
	12	0
Derivative liabilities		
Gross amounts of recognized financial liabilities in the statement of financial position	**47**	131
Related financial instruments that are not offset	**21**	40
	26	91

Outokumpu enters into derivative transactions with most counterparties under ISDA agreements. In general, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated.The termination value is assessed and only a single amount is payable in settlement of all transactions. ISDA agreements do not meet the criteria for offsetting the balances in the statement of financial position, but the right to offset is enforceable only on the occurrence of future credit events. The table above sets out the carrying amounts of recognized financial instruments that are subject to the agreements described above.

Accounting principles

Derivatives are initially recognized at fair value on the trade date, when the Group enters into a derivative contract, and are subsequently measured at fair value.

The presentation of the gains or losses arising from the fair value measurement depends on the purpose of the derivative. The gains or losses arising from fair value changes of effective hedge-accounted derivative contracts are presented in profit or loss congruent with the hedged item. Changes in fair value of derivative contracts, where hedge accounting is not applied, are recognized in EBIT in other operating income and expenses. Changes in fair value of derivatives designated for financing activities are presented within financial income and expenses.

The fair value measurement is based on quoted market prices and rates as well as on discounted cash flows at the end of the reporting period. Fair values of derivatives can in certain cases be based on valuations of external counterparties.

Hedge accounting

Outokumpu applies cash flow hedge accounting on certain nickel derivatives. For each hedging arrangement the relationship between the hedging instrument and the hedged item, the objectives of risk management and the strategy of the hedging arrangement are documented.

The effectiveness of the hedge relationship is documented and assessed when hedging is started and at least in the end of each reporting period. Hedge effectiveness is calculated and assessed between the changes in the fair value or cash flows of the hedged item attributable to the hedged risk and the changes in the fair value or cash flows of the hedging instrument to ensure that these impacts offset one another. Hedge accounting is discontinued if the requirements of hedge accounting are no longer met.

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

5.5 Financial assets and liabilities

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

2023 € million	Measured at Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Carrying amount	Fair value	Fair value hierarchy level
Non-current financial assets						
Equity investments	—	12	—	12	12	1,3
Trade and other receivables	12	—	0	12	0	3
Current financial assets						
Other investments	—	—	27	27	27	1
Trade and other receivables	515	—	—	515		
Hedge accounted derivatives	—	—	15	15	15	2
Derivatives held for trading	—	—	19	19	19	2
Cash and cash equivalents	502	—	—	502		
	1,029	12	60	1,101		
Non-current financial liabilities						
Non-current debt	359	—	—	359	443	2
Hedge accounted derivatives	—	—	1	1	1	2
Derivatives held for trading	—	—	7	7	7	2
Current financial liabilities						
Current debt	82	—	—	82	82	2
Trade and other payables	1,103	—	—	1,103		
Hedge accounted derivatives	—	—	7	7	7	2
Derivatives held for trading	—	—	32	32	32	2
	1,544	—	47	1,591		

There were no transfers between levels 1, 2 and 3 during the years. A major part of equity investments at fair value through other comprehensive income at hierarchy level 3 relates to investments in unlisted energy producing companies. Current debt includes EUR 38 million (Dec 31, 2022 EUR 58 million) of share buyback program related financial liability.

2022 € million	Measured at Amortized cost	 Fair value through other comprehensive income	 Fair value through profit or loss	Carrying amount	Fair value	Fair value hierarchy level
Non-current financial assets						
Equity investments	—	25	—	25	25	3
Trade and other receivables	6	—	—	6		
Current financial assets						
Other investments	—	—	23	23	23	1
Trade and other receivables	593	—	—	593		
Hedge accounted derivatives	—	—	12	12	12	2
Derivatives held for trading	—	—	28	28	28	2
Cash and cash equivalents	526	—	—	526		
	1,126	25	63	1,213		
Non-current financial liabilities						
Non-current debt	491	—	—	491	571	2
Derivatives held for trading	—	—	11	11	11	2
Current financial liabilities						
Current debt	141	—	—	141	141	2
Trade and other payables	1,220	—	—	1,220		
Hedge and other payables	—	—	65	65	65	2
Derivatives held for trading	—	—	55	55	55	2
	1,852	—	131	1,983		

Reconciliation of changes on level 3

€ million	Investments at fair value through profit or loss	Equity investments at fair value through other comprehensive income
Carrying value on Jan 1, 2023	—	25
Additions	5	3
Disposals	—	0
Fair value changes	-5	-20
Carrying value at the end of the period	0	7

€ million	Investments at fair value through profit or loss	Equity investments at fair value through other comprehensive income
Carrying value on Jan 1, 2022	—	24
Additions	—	5
Disposals	—	0
Fair value changes	—	-4
Carrying value at the end of the period	—	25

In 2023 Outokumpu Oyj agreed to participate in a convertible loan offered by Voimaosakeyhtiö SF to its shareholders. Outokumpu's share is EUR 14 million. The first call of the loan was in August 2023 and amounted to EUR 5 million. The loan has been valuated at EUR 0 million at the end of the period. Change in value has been presented in the other market price gains and losses in the consolidated statement of income, for more information see note 2.5. For more information on Voimaosakeyhtiö SF, see note 6.6 and 5.7.

Accounting principles

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

If a financial asset is not measured at fair value through profit or loss, significant transaction costs are included in the initial carrying amount of the asset. Financial assets are derecognized when the Group loses the rights to receive the contractual cash flows on the financial asset or it transfers substantially all the risks and rewards of ownership outside the Group. Accounting principles related to transaction costs and derecognition of borrowings are presented in note 5.1.

Financial assets and liabilities measured at amortized cost

Financial assets measured at amortized cost include trade and other receivables and cash and cash equivalents. These assets are measured initially at fair value. After initial recognition, they are measured at amortized cost by using the effective interest rate method less accumulated impairments. The accounting principles related to factored receivables and expected credit losses are presented in note 4.5.

Financial liabilities measured at amortized cost include the borrowing and trade and other payables. See note 5.1 for further accounting and fair valuation principles for borrowings and note 4.5 for accounting principles for trade and other payables.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments in listed and unlisted companies. Accounting principles are presented in note 5.6.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss include derivative instruments. Financial assets at fair value through profit or loss include also investments in debt instrument or money market funds held for trading purposes and intended to be sold within a short period of time. In some cases, also equity investments can be classified in this category.

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

Realized and unrealized gains and losses arising from changes in fair values of non-derivative financial assets are recognized in market price gains and losses under financial income and expenses in the reporting period in which they are incurred. Accounting principles related to derivatives are described in more detail in note 5.4.

Measurement of fair values

Number of accounting policies and disclosures require the measurement of fair values. Financial assets and liabilities measured at fair value are classified to fair value hierarchy levels based on the source information and inputs used in the fair valuation. In level one, fair values are based on public quotations for identical instruments. In level two, fair values are based on market rates and prices and discounted future cash flows. For assets and liabilities in level three, there is no reliable market source available and thus the fair value measurement is not based on observable market data. Therefore, the measurement methods are chosen taking into account the information available for the measurement and the characteristics of the measured item.

5.6 Equity investments at fair value through other comprehensive income

€ million	2023	2022
Carrying value on Jan 1	**25**	24
Additions	**11**	5
Disposals	**0**	—
Fair value changes	**-23**	-4
Carrying value on Dec 31	**12**	25

Fair value reserve in equity

€ million	2023	2022
Fair value on Dec 31	**12**	25
Reclassification	**-117**	—
Fair value at acquisition	**129**	118
Fair value reserve	**1**	-93

Equity investments at fair value through other comprehensive income include unlisted and listed strategic holdings mainly in energy companies in which Outokumpu does not have control, joint control or significant influence.

These energy companies produce energy to their shareholders on a cost-price basis (Mankala principle) which is a widely used business model among the Finnish energy companies. Under the Mankala principle, shareholders are entitled to receive energy in proportion to the ownership, and each shareholder is severally responsible for its respective share of the costs of the energy company as set out in the articles of association.

The additions during the year EUR 11 million are related to two investments. In May 2023, Outokumpu signed an agreement to become a shareholder in the Canadian company, FPX Nickel Corp. with an ownership share of 9.9%. The amount of the investment is EUR 11 million. The premium paid over the share's market price at the acquisition date EUR 3 million has been treated as part of the inventory and will be released at the time of the nickel purchase. In December 2023, Outokumpu invested in a further stake in the Rajakiiri wind farm in Tornio, Finland. With this latest investment, Outokumpu's ownership in the 45MW wind farm in Tornio rised to a level of close to 9MW and 19.9% of the shares.

Outokumpu is an owner in nuclear utility through Pohjolan Voima Oy (PVO), with an ownership share of 0.1%. PVO is a shareholder in Teollisuuden Voima Oy (TVO). TVO, where Outokumpu does not have a direct ownership, operates Olkiluoto 3 (OL3) nuclear power plant in Eurajoki, Finland. Outokumpu has indirect ownership in Tornion Voima Oy, combined heat and power plant in Tornio, Northern Finland. This indirect ownership is through EPV Energia Oy, with on ownership share of 0.3%. In addition, Outokumpu has a direct ownership in Rajakiiri Oy with a share of 19.9%. Rajakiiri Oy is a wind power mill in Tornio. The total estimated fair value of the aforementioned three utility assets was EUR 6 million at the year end (Dec 31, 2022: EUR 24 million). The remaining EUR 6 million (Dec 31, 2022: EUR 1 million) are other share holdings.

During the year 2023 Outokumpu's investment in Voimaosakeyhtiö SF (22%) which is the majority shareholder of Fennovoima was reclassified from equity investments at fair value through other comprehensive income to associated company, consequently EUR 117 million was reclassified from fair value reserve in equity to other retained earnings within equity. More information in note 6.6 Associated companies.

Management judgements

Unlisted strategic energy companies

The valuation model of the other unlisted strategic energy companies include among others discount rate derived from risk free rate (Germany 10 year bond yield), growth factor depending the nature of the power plant or wearing out of the mill and contractual factors which may have an impact on the valuation. Discounted cash flow models include also adjustments based on the latest information regarding the power plants and potential energy production.

Accounting principles

Equity investments at fair value through other comprehensive income consists of investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are mainly strategic investments, so this classification is considered relevant.

The investments and divestments are recognized at the trade date. They are included in non-current assets unless there is intention to dispose of the investment within 12 months from the reporting date.

The investments are measured at fair value, and fair value changes are recognized through other comprehensive income and presented net of tax in fair value reserve in equity. The valuation is based on quoted rates and market prices at the end of the reporting period, as well as on appropriate valuation techniques, such as cash flow discounting. Observable market data is used in the valuation when available but also entity-specific management estimates are applied.

Dividends are recognized in profit or loss. When equity investment is disposed, the accumulated fair value changes are reclassified from fair value reserve to retained earnings.

The premium paid over the FPX Nickel Corp. share's market price at the acquisition date has been treated as part of the inventory and will be released at the time of the nickel purchase.

5.7 Commitments and contingent liabilities

€ million	2023	2022
Mortgages and pledges on Dec 31		
Mortgages	**156**	546
Other pledges	**13**	13
Guarantees on Dec 31		
On behalf of subsidiaries for commercial and other commitments	**51**	51
On behalf of associated companies for financing	—	1
On behalf of discontinued operations for other commitments	—	5
Other commitments for financing on Dec 31	**2**	4

Outokumpu has issued business mortgages over movable assets in Kemi to secure an outstanding project loan. In June 2023, Outokumpu prepaid all outstanding pension loans and the mortgages in real property provided as security for the loans were returned.

Outokumpu Oyj is, in relation to its shareholding in EPV Energia Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. These liabilities are reported under other commitments for financing.

Outokumpu has a long-term energy supply contract that includes a minimum purchase quantity. There is uncertainty as to whether the company will be able to utilize this minimum purchase quantity in full by the end of 2028 or whether there will be additional costs to the company from this contract.

Investment commitments and commitments related to shares in associated companies

Outokumpu is liable for its associated company Manga LNG Oy’s certain liabilities amounting to EUR 12 million at the end of 2023 (Dec 31, 2022: EUR 16 million). In the above table, this commitment is reported as other pledges (Outokumpu’s shares in Manga LNG Oy).

Outokumpu is a minority shareholder in its associated company Voimaosakeyhtiö SF, which is the majority shareholder of Fennovoima Oy. The role of Fennovoima Oy has changed from a nuclear power plant project company into an asset and litigation management company after it terminated the EPC (Engineering, Procurement and Construction) contract with RAOS Project Oy for supplier-related reasons in May 2022.

Originally, Outokumpu’s commitment to Voimaosakeyhtiö SF for participation in the planned nuclear power plant project amounted to approximately EUR 250 million, of which EUR 117 million has been paid. Further payments related to the original commitment, if any, are not expected to occur in the foreseeable future. In June 2023 Outokumpu Oyj agreed to participate in a convertible loan offered by Voimaosakeyhtiö SF to its shareholders. Outokumpu’s share of the convertible loan is EUR 14 million. The first call of the loan was in August 2023 and amounted to EUR 5 million.

The Group’s other off-balance sheet investment commitments totaled EUR 46 million on December 31, 2023 (Dec 31, 2022: EUR 27 million).

Accounting principles

Unrecognized commitments are disclosed when the Group has an obligation or a pledge to assume a financial liability at a future date.

A contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed by uncertain future events that are not wholly within the control of the entity. Obligations that are not considered probable or where the amounts cannot be reliably measured are also considered as contingent liabilities. Contingent liabilities are not recognized in the statement of financial position but disclosed as off-balance sheet commitments.

6. Group structure and other notes

This notes section covers the notes related to the Group structure,
as well as other notes that do not directly fall under any of the previous notes sections.

6.1 Discontinued operations

On July 12, 2022, Outokumpu announced that it had 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 remained in Outokumpu until completion of disposal on August 1, 2023, are included in Other operations.

During 2022, Outokumpu reclassified its Long Products businesses to be divested assets held for sale and discontinued operations. Outokumpu booked an impairment loss of EUR 33 million. The impairment was allocated to goodwill, other intangible assets and property, plant and equipment.

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 214 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.

The received proceeds, net of cash disposed, were EUR 94 million. The gain on divestment reported in the net result from discontinued operations was EUR 5 million, mainly as the accumulated translation differences were reclassified into net result at the time of the divestment. The consideration is still subject to the release of the escrow account.

Provisional gain on sale

€ million	2023
Total net assets sold as of Jan 3, 2023	**-215**
Provisional sale consideration	**214**
Other	**-4**
Gain on sale of discontinued operations before reclassification of accumulated translation differences	**-5**
Reclassification of accumulated translation differences	**10**
Gain on sale	**5**

€ million	2023
Cash flow	
Provisional cash consideration	**214**
Cash and cash equivalents	**-117**
Escrow account receivable	**-3**
Consideration received	**94**

Condensed statement of income, discontinued operations[1)]

€ million	2022
Sales	794
Cost of sales	-656
Gross margin	138
Other operating income	1
Sales, general and administrative costs	-17
Other operating expenses[2)]	-36
EBIT	86
Total financial income and expenses	2
Result before taxes	88
Income taxes[3)]	-35
Net result for the financial year from discontinued operations	54
Other comprehensive income for the financial year from discontinued operations, net of tax	8
Total comprehensive income for the financial year from discontinued operations	62

1) As the Long Product businesses were sold on January 3, 2023, the net result for the period from discontinued operations in 2023 EUR 5 million is related to the gain on sale presented in line other operating income. Other comprehensive income for the same period was EUR -12 million.
2) Including EUR 33 million of impairment loss
3) Due to the disposal of the Long Products businesses in the UK a related deferred tax asset was reduced, increasing the tax expense with EUR 13 million.

Condensed statement of financial position, discontinued operations

€ million	2022
Assets held for sale	
Non-current assets	
Property, plant and equipment	60
Total non-current assets	60
Current assets	
Inventories	193
Trade and other receivables	49
Cash and cash equivalents	117
Total current assets	359
Total Assets held for sale	419

€ million	2022
Liabilities related to assets held for sale	
Non-current liabilities	
Non-current debt	1
Deferred tax liabilities	2
Employee benefit obligations	1
Provisions	14
Total non-current liabilities	18
Current liabilities	
Current debt	1
Trade and other payables	186
Total current liabilities	186
Total liabilities related to assets held for sale	204

Condensed statement of cash flows, discontinued operations

€ million	2022
Net cash from operating activities	91
Net cash from investing activities	-2
Net cash from financing activities	-2
Net change in cash and cash equivalents from discontinued operations	87

As the Long Product businesses were sold on January 3, 2023, cash flows in 2023 are related to received proceeds, net of cash disposed of amounting to EUR 94 million.

Accounting principles

Non-current assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through the disposal of the assets and the sale is highly probable. If their carrying amount will be recovered principally through their disposal rather than through their continuing use, they are measured at the lower of carrying amount and fair value less cost to sell. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Result from the discontinued operations is reported separately from income and expenses from continuing operations in the consolidated statement of income and prior periods are restated accordingly. Assets and liabilities related to the discontinued operations are presented as separate line items in the statement of the financial position and the comparative period is not restated. The statement of cash flows consists of total group figures including the discontinued operations.

Intra-group revenues and expenses between continuing and discontinued operations are eliminated in continuing operations only when the revenues and expenses are not considered to continue after the disposal of the discontinued operations.

6.2 Business acquisitions and disposals

2023

Disposals

During the year 2023 Outokumpu divested its 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 was EUR 12 million and it had a positive cash impact for Outokumpu amounting to EUR 2 million. Outokumpu booked a loss of EUR 26 million on the disposal.

€ million	2023
Total net assets sold	**-32**
Sale consideration	**5**
Loss on sale	**-26**

During the year 2023 Outokumpu has completed disposals of 2022 with no material impact on financial statements. Relating to the sale of Outokumpu Fortinox S.A. EUR 1 million was received as cash proceeds.

2022

Disposals

During the year 2022, Outokumpu divested its plate service center in Aalten, the Netherlands, plated services business in Castelleone, Italy, and Outokumpu Fortinox S.A. in Argentina.

The total book value of sold net assets including a cumulative translation adjustment release was EUR 22 million, the provisional loss on sale was EUR 9 million and the net cash received was EUR -1 million. A receivable of EUR 2 million related to the sale consideration of the subsidiary Fortinox S.A. is recognized in the trade and other receivables. Related transaction costs amounted to EUR 1 million.

These transactions did not have a significant impact on the Group.

€ million	2022
Total net assets sold	-22
Sale consideration	13
Provisional loss on sale	-9
Cash flow	
Cash consideration, net of cash acquired	1
Receivable related to sale consideration	-2
Consideration received	-1

Accounting principles

The disposed companies are included in the consolidated financial statements up to the date when the control is lost. The gain or loss on disposal together with cumulative translation adjustments related to disposed companies are recognized in the consolidated statement of income at the date control is lost.

6.3 Disputes and litigations

Dispute over payment of wages in the US

On July 16, 2018, a class of plaintiffs, consisting of 152 former and 126 current Outokumpu Calvert mill employees, brought suit against Outokumpu in U.S. federal circuit court. The plaintiffs alleged that Outokumpu failed to pay full wages for regular work and overtime work they performed. On November 18, 2021, the circuit court entered a default judgment against Outokumpu with respect to liability as a sanction for alleged misconduct during the discovery phase of the legal proceeding. On October 4, 2022, the circuit court further found Outokumpu liable to the plaintiffs for approximately USD 13 million in the aggregate, plus attorney's fees. Outokumpu has appealed the circuit court's November 18, 2021 default judgment entry and October 4, 2022 finding of liability. Outokumpu is of the view that the claims asserted against it are without merit and is defending against them. Appropriate provisions are in place.

Claim in Germany related to expired lease agreement

On January 19, 2018, Outokumpu was served with a claim for declaratory judgement by the owner of a warehouse in Krefeld that Outokumpu had leased until the end of 2016. The claim relates to a dispute over the responsibility for the maintenance and repair of the warehouse. The plaintiff has later in the process specified the claim and is now seeking payment of EUR 19 million. On May 4, 2022, the court issued a ruling covering only the merits of the claim. Said ruling was in favour of the claimant and has been appealed by Outokumpu. On June 15, 2023 the court of appeal cancelled the ruling of May 4, 2022 and referred the dispute back to the court. Outokumpu is of the view that the claims asserted against it are without merit and and continues to defend against them. Appropriate provisions are in place.

Joinder to arbitration dispute between Fennovoima and Rosatom entities

Outokumpu Oyj has been joined into arbitration proceedings over a dispute between Fennovoima and Rosatom entities related to the termination of the EPC (Engineering, Procurement and Construction) contract. Outokumpu disputes the existence of any contractual relationship, obligation, or arbitration agreement between Outokumpu and any Rosatom entity.

6.4 Related parties

Outokumpu's related parties include the key management of the company and their close family members, subsidiaries, associated companies and Solidium Oy. Key management includes Leadership Team members and members of the Board of Directors, and their remuneration is presented in note 3.2. Commitments related to associated companies are presented in note 5.7. The principal subsidiaries and associated companies are listed later in this notes section.

Solidium Oy, a limited company fully owned by the State of Finland, owned 15.5% of Outokumpu on December 31, 2023. Solidium's mission is to strengthen and stabilize Finnish ownership in nationally important companies and increase the value of its holdings in the long run.

In 2023 Outokumpu Oyj agreed to participate in a convertible loan offered by Voimaosakeyhtiö SF to its shareholders. Outokumpu's share of the convertible loan is EUR 14 million. The first call of the loan was in August 2023 and amounted to EUR 5 million. The loan is valued at EUR 0 million at the end of December 2023.

Transactions with related partied are carried out at arms-length principles.

Transactions and balances with related companies

€ million	**2023**	2022
Sales and other operating income	**99**	115
Purchases	**-51**	-66
Dividend income	**3**	11
Trade and other receivables	**35**	26
Trade and other payables	**5**	7

6.5 Subsidiaries

December 31, 2023	Country	Group holding, %
Europe		
Outokumpu AS	Norway	100
Outokumpu Distribution France S.A.S.	France	100
Outokumpu Distribution Hungary Kft.	Hungary	100
Outokumpu Distribution Polska Sp. z o.o.	Poland	100
Outokumpu Europe Oy [1)]	Finland	100
Outokumpu India Private Limited	India	100
Outokumpu Management (Shanghai) Co., Ltd [1)]	China	100
Outokumpu Middle East FZCO	United Arab Emirates	100
Outokumpu Nirosta GmbH	Germany	100
Outokumpu N.V.	Belgium	100
Outokumpu Prefab AB	Sweden	100
Outokumpu Press Plate AB	Sweden	100
Outokumpu PSC Finland Oy	Finland	100
Outokumpu (Pty) Ltd	South Africa	100
Outokumpu S.A.	Spain	100
Outokumpu (S.E.A.) Pte. Ltd	Singapore	100
Outokumpu Shipping Oy	Finland	100
Outokumpu S.r.l.	Italy	100
Outokumpu Stainless AB	Sweden	100
Outokumpu Stainless B.V.	The Netherlands	100
Outokumpu Stainless Ltd	The UK	100
Outokumpu Stainless Oy	Finland	100
Outokumpu Stainless Pty. Ltd	Australia	100
Outokumpu Stainless Steel (China) Co., Ltd	China	100
Outokumpu Tornio Infrastructure Oy	Finland	100

December 31, 2023	Country	Group holding, %
Americas		
Outokumpu Brasil Comércio de Metais Ltda	Brazil	100
Outokumpu Mexinox S.A. de C.V.	Mexico	100
Outokumpu Stainless USA, LLC	The US	100
ThyssenKrupp Mexinox CreateIT, S.A. de C.V.	Mexico	100
Ferrochrome		
Outokumpu Chrome Oy [1)]	Finland	100
Other operations		
Outokumpu Americas, Inc.	The US	100
Outokumpu Distribution Benelux B.V.	The Netherlands	100
Outokumpu Holding Germany GmbH [1)]	Germany	100
Outokumpu Holding Nederland B.V. [1)]	The Netherlands	100
Outokumpu Mining Oy	Finland	100
Outokumpu Stainless Holding GmbH	Germany	100
Outokumpu Stainless UAB	Lithuania	100
Québec Inc.	Canada	100
Viscaria AB [1)]	Sweden	100
Visenta Försäkrings AB	Sweden	100

This list does not include all dormant companies. In addition, Outokumpu has branch offices in Portugal, South Korea, Taiwan, Thailand, The UK and Vietnam.

[1)] Shares and stock held by the parent company

6.6 Associated companies

	Industry	Domicile	Ownership, %
Envigas AB	Energy	Sweden	21
Manga LNG Oy	Energy	Finland	45
OSTP Holding Oy	Metals processing	Finland	49
Voimaosakeyhtiö SF	Energy	Finland	22

Summarized financial information on associated companies

€ million	2023	2022
Carrying value of investments in associated companies	**62**	51
Group’s share of total comprehensive income	**5**	11

The carrying amounts of individual associated companies are immaterial in the Group's consolidated financial statements.

In 2023 Outokumpu acquired 21% of Envigas AB amounting to EUR 10 million. Envigas is a leading European producer of biocarbon. With the investment, Outokumpu secures a right to 50% of Envigas’ production. As Outokumpu holds 21% of voting rights and has a place in the Board of Directors, Outokumpu has significant influence in Envigas.

During 2023 Rapid Power was liquidated.

In previous financial statements investment to Voimaosakeyhtiö SF for participation in the planned nuclear power plant project (previously referred as Fennovoima investment) was treated as equity investment at fair value through other comprehensive income due to Mankala principle. It has been concluded recently that the role of Fennovoima Oy has turned from a nuclear power plant project company into an asset and litigation management company, and it will never operate according to Mankala principle. Consequently, Voimaosakeyhtiö SF Group (including Fennovoima Oy subsidiary) where Outokumpu has a significant influence due to 22% of voting rights was reclassified as an associated company in accordance with IAS 28. Outokumpu has invested in total EUR 117 million in Voimaosakeyhtiö SF and the value of the investment in Voimaosakeyhtiö SF is EUR 0 million at the end of December 2023 (Dec 31, 2022: EUR 0 million).

See the commitments related to the associated companies in note 5.7.

Accounting principles

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

The Group’s share of the associated company’s net result for the period is separately disclosed below EBIT in the consolidated statement of income. Outokumpu’s share of changes recognized in the associated company’s other comprehensive income is recognized in the Group’s other comprehensive income.

If Outokumpu’s share of the associated company’s losses exceeds the carrying amount of the investment, the investment is recognized at zero value in the statement of financial position and recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of the associated company. The interest in an associated company comprises the carrying amount of the investment under the equity method together with any long-term interest that, in substance, forms a part of the net investment in the associated company.

6.7 New IFRS standards

Adoption of new and amended IFRS standards

Certain new accounting standard amendments and interpretations have been published that came into effect only after the reporting period started on January 1, 2023. These standards and amendments are not expected to have a material impact on Outokumpu’s current or future reporting periods nor foreseeable future transactions and have not been early adopted.

6.8 Events after the balance sheet date

After the reporting period, Outokumpu repurchased 6,297,563 shares under the share buyback program, which ends no later than on March 21, 2024. By February 7, 2024, Outokumpu had repurchased a total of 8,940,018 shares under the share buyback program. After the disclosed transactions, the company held a total of 31,981,308 treasury shares.

After the reporting period, on January 24, 2024, Outokumpu announced it has completed the partnership agreement to accelerate circularity and becomes a minority shareholder in CRONIMET North-East GmbH.

After the reporting period, on January 3, 2024, Outokumpu announced that it plans to temporarily restrict its ferrochrome production due to weak ferrochrome market conditions.

Parent company financial statements, FAS

Income statement of the parent company

€ million	2023	2022
Sales	**423**	496
Cost of sales	**-313**	-409
Gross margin	**111**	87
Other operating income	**133**	232
Selling and marketing expenses	**—**	-3
Administrative expenses	**-156**	-131
Other operating expenses	**-20**	-10
EBIT	**67**	175
Financial income and expenses	**-7**	-6
Result before appropriations and taxes	**60**	169
Appropriations		
Group contribution	**17**	117
Change in depreciation difference	**1**	—
Income taxes	**-3**	0
Result for the financial year	**75**	286

According to the Finnish accounting standards (FAS), the parent company financial statements are presented in addition to the Group financial statements. The parent company's financial statements have been prepared in accordance with Finnish accounting standards. The parent company Outokumpu Oyj's income statement and balance sheet items are mainly internal and are eliminated on the group level except for the external financing and treasury items which are mainly centralized to the parent company.

Balance sheet of the parent company

€ million	2023	2022
ASSETS		
Non-current assets		
Intangible assets	**91**	85
Property, plant and equipment	**3**	2
Financial assets		
Shares in Group companies	**3,952**	3,877
Loan receivables from Group companies	**532**	127
Shares in associated companies	**13**	13
Other shares and holdings	**1**	1
Other financial assets	**3**	3
	4,500	4,021
Total non-current assets	**4,594**	4,108
Current assets		
Current receivables		
Loans receivable	**80**	694
Trade receivables	**80**	75
Prepaid expenses and accrued income	**25**	22
Other receivables	**75**	275
	260	1,066
Cash and cash equivalents	**470**	500
Total current assets	**730**	1,566
TOTAL ASSETS	**5,324**	5,674

€ million	2023	2022
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**311**	311
Premium fund	**720**	720
Invested unrestricted equity reserve	**2,220**	2,290
Retained earnings	**294**	160
Result for the financial year	**75**	286
	3,621	3,768
Untaxed reserves		
Accumulated depreciation difference	**0**	1
Liabilities		
Non-current liabilities		
Convertible bonds	**125**	125
Pension loans	**—**	123
Other non-current loans	**8**	11
	133	260
Current liabilities		
Group bank account liabilities	**978**	1,263
Other current loans	**398**	27
Pension loans	**—**	31
Trade payables	**88**	139
Accrued expenses and prepaid income	**17**	13
Other current liabilities	**89**	173
	1,570	1,646
Total liabilities	**1,703**	1,906
TOTAL EQUITY AND LIABILITIES	**5,324**	5,674

Cash flow statement of the parent company

€ million	2023	2022
Cash flow from operating activities		
Result for the financial year	**75**	286
Adjustments for		
Taxes	**3**	—
Depreciation and amortization	**11**	15
Impairments	**27**	15
Reversal of impairments	**-130**	-220
Gain/loss on sale of intangible assets, and property, plant and equipment	**-30**	0
Interest income	**-65**	-43
Interest expense	**76**	27
Change in provisions	**-1**	0
Exchange gains/losses	**-2**	3
Group contributions	**-17**	-117
Other non-cash adjustments	**19**	-12
	-108	-332
Change in working capital		
Change in trade and other receivables	**-6**	21
Change in trade and other payables	**-64**	-28
	-70	-7
Interest received	**66**	41
Interest paid	**-73**	-27
Income taxes paid	**-5**	—
	-13	13
Net cash from operating activities	**-115**	-41

€ million	2023	2022
Cash flow from investing activities		
Investments in subsidiaries and other shares and holdings	**—**	-5
Purchases of intangible assets	**-17**	-6
Proceeds from disposal of subsidiaries	**28**	28
Proceeds from disposal of other shares and holdings	**0**	—
Purchases of property, plant and equipment	**-1**	-1
Proceeds from sale of intangible assets	**37**	0
Change in other long-term receivables	**216**	—
Net cash from investing activities	**263**	16
Cash flow before financing activities	**148**	-24
Cash flow from financing activities		
Dividends paid	**-152**	-68
Treasury shares purchase	**-70**	-42
Repayments of non-current debt	**-154**	-63
Change in current debt	**86**	171
Cash flow from group contribution	**117**	164
Other financing cash flow	**-7**	106
Net cash from financing activities	**-179**	268
Net change in cash and cash equivalents	**-31**	244
Net change in cash and cash equivalents in the balance sheet	**-31**	244

Statement of changes in equity of the parent company

€ million	Share capital	Premium fund	Invested unrestricted equity reserve	Retained earnings	Total equity
Equity on Jan 1, 2022	311	720	2,332	228	3,592
Result for the financial year	—	—	—	286	286
Dividends paid	—	—	—	-68	-68
Treasury share purchase	—	—	-42	—	-42
Equity on Dec 31, 2022	311	720	2,290	446	3,768
Result for the financial year	—	—	—	75	75
Dividends paid	—	—	—	-152	-152
Treasury share purchase	—	—	-70	—	-70
Equity on Dec 31, 2023	**311**	**720**	**2,220**	**369**	**3,621**

Distributable funds on Dec 31

€ million	2023	2022
Retained earnings	**294**	160
Result for the financial year	**75**	286
Invested unrestricted equity reserve	**2,220**	2,290
Distributable funds on Dec 31	**2,589**	2,736

Commitments and contingent liabilities of the parent company

€ million	2023	2022
Other pledges on Dec 31	**13**	13
Guarantees on Dec 31		
On behalf of subsidiaries		
For financing	**256**	307
For commercial guarantees	**0**	1
For other commitments	**50**	55
On behalf of associated companies		
For financing	**—**	1
Other commitments for financing on Dec 31	**2**	4

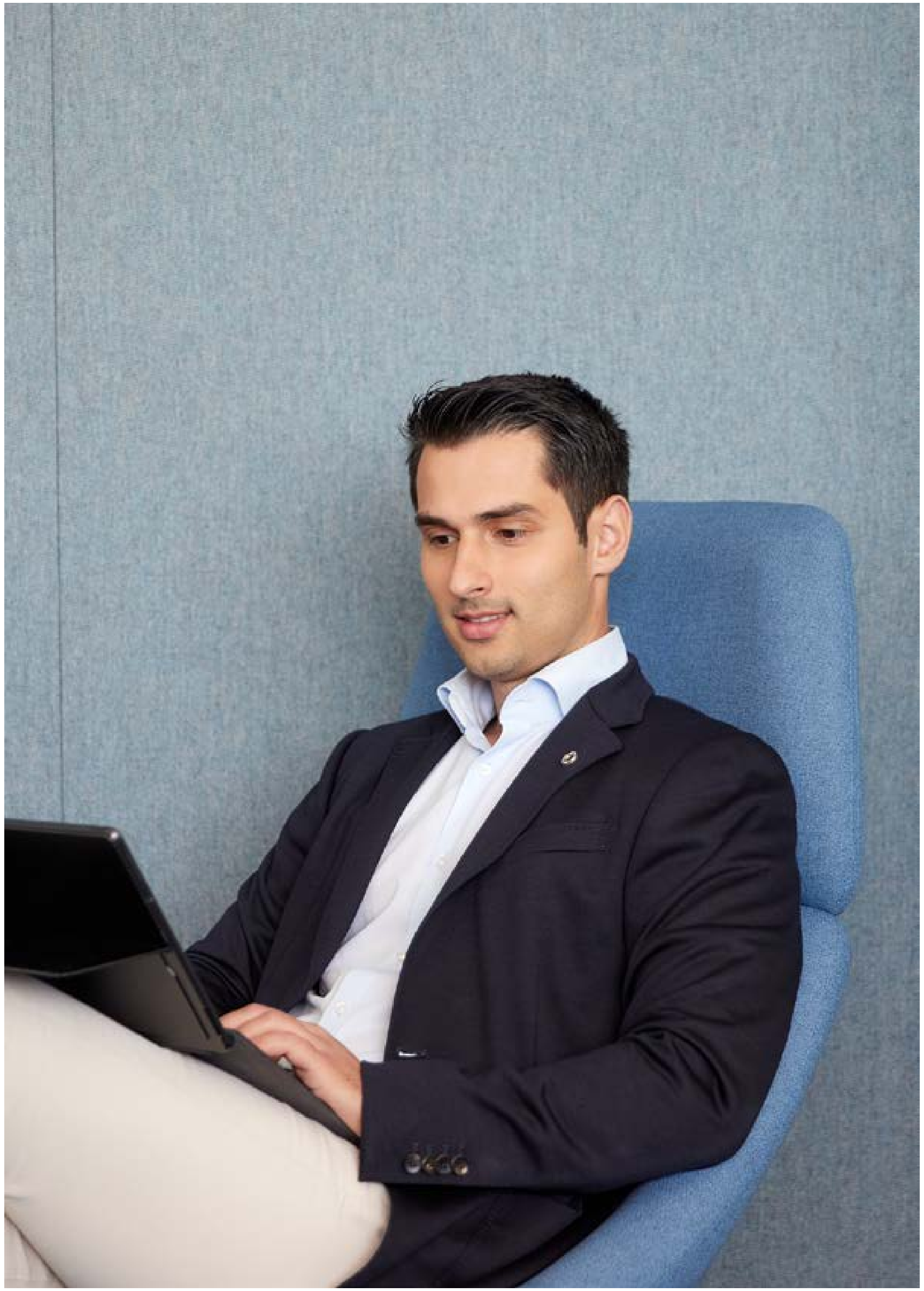
Outokumpu is liable for its associated company Manga LNG Oy’s certain liabilities amounting to EUR 12 million at the end of 2023 (Dec 31, 2022: EUR 16 million). In the above table, this commitment is reported as other pledges (Outokumpu’s shares in Manga LNG Oy).

Outokumpu Oyj is, in relation to its shareholding in EPV Energia Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. These liabilities are reported under other commitments for financing.

Outokumpu is a minority shareholder in its associated company Voimaosakeyhtiö SF, which is the majority shareholder of Fennovoima Oy. The role of Fennovoima Oy has changed from a nuclear power plant project company into an asset and litigation management company after it terminated the EPC (Engineering, Procurement and Construction) contract with RAOS Project Oy for supplier-related reasons in May 2022.

Originally, Outokumpu’s commitment to Voimaosakeyhtiö SF for participation in the planned nuclear power plant project amounted to approximately EUR 250 million, of which EUR 117 million has been paid. Further payments related to the original commitment, if any, are not expected to occur in the foreseeable future. In June 2023 Outokumpu Oyj agreed to participate in a convertible loan offered by Voimaosakeyhtiö SF to its shareholders. Outokumpu’s share of the convertible loan is EUR 14 million. The first call of the loan was in August 2023 and amounted to EUR 5 million.

See more information in note 5.7 of the consolidated financial statements.



Audit

Auditor’s Report

(Translation of the Finnish Original)

Report on the Audit of the Financial Statements

To the Annual General Meeting of Outokumpu Oyj

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position and financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Outokumpu Oyj (business identity code 0215254-2) for the year ended 31 December 2023. The financial statements comprise:

- the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, which include material accounting policy information and other explanatory information
- the parent company’s income statement, balance sheet, cash flow statement and notes to the parent company financial statements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 2.3 to the Financial Statements.

Our Audit Approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 35 million (2022: € 35 million)
How we determined it	0.5% of sales 2023
Rationale for the materiality benchmark applied	We chose sales as the benchmark because, in our view, it is a stable and an important benchmark in the group's current situation, against which the performance of the group is measured by users of the financial statements. As the group's profitability has not been stable, sales is also a generally accepted benchmark. We chose 0.5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Outokumpu group, the accounting processes and controls, and the industry in which the group operates. The group audit scope was focused on the manufacturing companies in Finland, Sweden, Germany, USA, Mexico, the UK and Italy. We obtained, through our audit procedures at the aforementioned companies, combined with additional procedures at the group level, sufficient and appropriate evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of goodwill **Refer to notes 4.1 and 4.3 in the consolidated financial statements.** As at 31 December 2023 the group's goodwill balance amounted to € 457 million. Goodwill is tested at least annually, irrespective of whether there is any indication of impairment. In goodwill impairment testing, the recoverable amounts are based on value in use determined by discounted future net cash flows expected to be generated by the cash-generating unit. Key assumptions of the value-in-use calculations include the discount rate, the terminal value growth rate, the average global growth in end-use consumption of stainless steel, base price development, delivery volume and capital expenditure development. Valuation of goodwill is a key audit matter due to the size of the goodwill balance and the high level of management judgement involved in the estimation process.	Our audit of goodwill valuation focused on management's judgement and estimates used. We assessed the appropriateness of these through the following procedures: • We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of the calculations. • We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to medium term strategic plans and forecasts approved by the Board and testing the key underlying assumptions. • We considered whether the sensitivity analysis performed by management around key drivers of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions. • We compared the current year actual results to those included as estimates in the prior year impairment model to corroborate the reliability of management's estimates. • The discount rates applied within the model were assessed by PwC business valuation specialists, including comparison to economic and industry forecasts as appropriate. We also considered the appropriateness of the related disclosures provided in notes 4.1 and 4.3 in the group financial statements.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of Property, Plant and Equipment	
Refer to note 4.1 in the consolidated financial statements. As at 31 December 2023 the group's Property, Plant and Equipment (PPE) amounted to € 1,905 million. The group's business is very capital intensive and there is a risk that the carrying value of the Property, Plant and Equipment is overstated. The carrying value of Property, Plant and Equipment is tested as part of the group impairment testing based on the discounted cash flow model. Valuation of Property, Plant and Equipment is a key audit matter due to the size of the balance and the high level of management judgement involved in the estimation process.	We assessed the appropriateness of the group's method and management's judgement and esti- mates in the impairment calculations for Property, Plant and Equipment. We performed substantive audit procedures including e.g. testing of assets acquired, disposals and scrapings in the year and depreciation of the fixed assets mainly through analytical audit procedures. Our audit work also included testing the operating effectiveness of controls in place to ensure the appropriate valuation of Property, Plant and Equipment.
Valuation of Deferred Tax Assets in the US	
Refer to note 2.6 in the consolidated financial statements. As at 31 December 2023 the group's deferred tax assets amounted to € 454 million, of which € 293 million related to the US. In deferred tax recognition, the management assesses whether the realization of future tax benefits is sufficiently probable to support the recognition. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available for utilization of these differences.	We obtained an understanding of the process for accounting for deferred tax assets. We performed substantive audit procedures to validate the deferred tax balances, which are recorded with a consideration of enacted tax laws in each jurisdiction.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of deferred tax assets in the US is a key audit matter as the amounts are material, the assessment process is judgemental and is based on assumptions that are impacted by expected future market conditions and performance in the US.	Our audit work on the valuation of deferred tax assets, with the involvement of our tax specialists, included: • Validating the completeness and accuracy of tax attributes. • Confirming the appropriate application of tax rules for utilizing deferred tax assets, including expiry of those attributes. • Evaluating the Company's ability to generate sufficient taxable income to utilize deferred tax assets. This evaluation takes into account the Company's historical profitability and circumstances as well as future projections. We also considered the appropriateness of the related disclosures provided in note 2.6 in the group financial statements

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of Inventories **Refer to note 4.4 in the consolidated financial statements.** As at 31 December 2023 the group's inventories amounted to € 1,581 million. Inventories are stated at the lower of cost and net realizable value (NRV). Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs attributable to the sale. The most important commodity price risk for Outokumpu is caused by fluctuation in nickel and other alloy prices. The alloy surcharge clause as well as daily fixed pricing of stainless steel reduce the risk arising from the time difference between raw material purchase and product delivery. However, the risk is still relevant because the delivery cycle in production is longer than the alloy surcharge mechanism expects and the daily fixed pricing can also deviate from this cycle depending on the timing of the delivery. As the prices for all products to be sold in the future are not known, a significant part of the future prices are estimated according to management's best knowledge in net realizable value (NRV) calculations. Due to fluctuations in nickel and other alloy prices, the realized prices can deviate significantly from the estimates used in NRV calculations. Due to the high level of management judgement and the significant carrying amounts and risks relating to valuation, this is one of the key audit matters.	Our audit work included testing controls in place to ensure proper valuation and existence of inventories. In addition, our audit procedures included, among other things, the following: • We performed tests over the prices of raw materials and verified items in the product costing of work in progress. • We performed tests over the NRV calculations and the assumptions used. • We assessed the adequacy of the obsolescence provision and the management judgement used. • We participated in the physical inventory counting and performed independent test counts to validate the existence of assets and accuracy of the counting performed.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
System environment and internal controls The group has a fragmented system environment with a strong focus on continuously developing its system environment, e.g. platform transformation, upgrading and implementing new systems. However, the fragmented system environment introduces risks related to system access and change management, and we have accordingly designated this as a key audit matter.	Our response to the risks related to the fragmented system environment included both testing of IT controls and tests of details. We tested the group's controls around access and change management related to the key IT systems. We noted certain weaknesses related to access controls to certain key systems. We reported those control weaknesses to the management and performed tests of details to reduce the related risks of material misstatement to an acceptably low level. We tested the group's controls related to the platform transformation, new system implementation and system upgrade. We also tested the completeness and accuracy of data migrations relevant for financial reporting.

Key audit matter in the audit of the parent company	How our audit addressed the key audit matter
Valuation of subsidiary shares in the parent company's financial statements	
As at 31 December 2023 the value of Outokumpu Oyj's subsidiary shares amounted to € 3,952 million in the parent company's financial statements prepared in accordance with Finnish GAAP. The valuation of subsidiary shares is tested as part of the group impairment testing based on the discounted cash flow model. The valuation of subsidiary shares is a key audit matter due to the significant carrying amounts involved and the high level of management judgement involved.	We assessed the appropriateness of the method and management's judgement and estimates in the calculations through the following procedures: • We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to medium term strategic plans and forecasts approved by the Board and testing the key underlying assumptions. • We considered whether the sensitivity analysis performed by management around key drivers of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions. • We compared the current year actual results included in the prior year impairment model to corroborate the reliability of management's estimates. • The discount rates applied within the model were assessed by PwC business valuation specialists, including comparison to economic and industry forecasts as appropriate.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relation- ships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 21 March 2017. Our appointment represents a total period of uninterrupted engagement of 7 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other statements based on the decision by the Annual General Meeting

The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki 8 February 2024

PricewaterhouseCoopers Oy

Authorised Public Accountants

Janne Rajalahti

Authorised Public Accountant (KHT)

Information for shareholders

Annual General Meeting 2024

Outokumpu's Annual General Meeting will be held on Thursday, April 4, 2024 at 1.00 pm EEST in Clarion Hotel Helsinki's meeting venue Bysa 1-3, at the address Tyynenmerenkatu 2, Helsinki. The reception of persons who have registered for the meeting and the distribution of voting tickets will commence at 10.30 am EEST. Shareholders of the company can exercise their right to vote also by voting in advance. Shareholders, who have registered for the meeting have the possibility to follow the Annual General Meeting via a webcast.

The meeting language of the Annual General Meeting will be Finnish. There will be simultaneous translation in English at the meeting.

Notice of the meeting and more information at www.outokumpu.com/en/agm2024.

CEO and CFO available before the meeting

Before the Annual General Meeting, from 11.15 am to 12.15 pm EEST, the CEO and CFO of the company will be available at Clarion Hotel Helsinki at a discussion event organized by the company. The event is not part of the Annual General Meeting, and its presentation language is Finnish. Simultaneous translation into English is also available. In connection with the event, participants can present questions to the CEO and CFO, but the event will not be a decision-making forum. Questions presented at the event are thus not questions referred to in Chapter 5, Section 25 of the Finnish Companies Act.

Important dates

February 8, 2024: Notice to the Annual General Meeting published.

February 9, 2024: Registration for the AGM started at 12.00 pm EET.

March 4, 2024: Advance voting starts at 12.00 pm EET.

March 21, 2024: Record date of the AGM.

March 26, 2024: Registration and advance voting end at 4.00 pm EET.

April 4, 2024: Annual General Meeting at 1.00 pm EEST.

April 8, 2024: Proposed dividend record date.

April 15, 2024: Proposed dividend payment date.

Signatures of the Review by the Board of Directors and Financial statements

Helsinki, February 8, 2024

[Signatures to be included in the official Finnish language version only.]

Kari Jordan
Chairman

Kati ter Horst
Vice Chairman

Heinz Jörg Fuhrmann
Member

Päivi Luostarinen
Member

Jyrki Mäki-Kala
Member

Karl-Petter Söderström
Member

Pierre Vareille
Member

Julia Woodhouse
Member

Heikki Malinen
CEO

Auditor signature

[Signature to be included in the official Finnish language version only.]

Helsinki, February 8, 2024
PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant (KHT)