Review by the Board of Directors and Financial statements

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

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Review by the Board of Directors

Throughout 2020 Outokumpu continued rigorous measures to mitigate the negative impacts of the ongoing COVID-19 pandemic on its employees, operations and business. The Group concluded the year without any pandemic-related production losses. In safety, the year was the strongest on record with the total recordable injury frequency rate of 2.4, surpassing the target of below 3.0. Outokumpu increased its already high share of recycled content in production to over 90% and decreasing its CO_2 footprint, which is already the lowest in the industry. Outokumpu was also able to reduce its net debt to the lowest level in recent history.

Business area Europe's deliveries remained relatively stable, but the result was negatively impacted by significantly deteriorated prices and weaker product mix. The Americas continued its successful turnaround with the adjusted EBITDA reaching EUR 55 million, an improvement of over EUR 80 million from 2019. The ferrochrome production remained on a record-high level. The Long Products business area is going through a comprehensive turnaround program. Outokumpu is decisively executing its new strategy to reach its financial targets of EUR 200 million EBITDA run-rate improvement and net debt to EBITDA of below 3.0× by the end of 2022.

Responding to COVID-19

Safety is a key priority at Outokumpu, and the company is committed to protecting the health and safety of its employees. Outokumpu has several safety measures in place to ensure the safety of people and to mitigate the negative impacts of the COVID-19 pandemic.

Outokumpu monitors the COVID-19 situation closely in each country in which it operates and adjusts the required measures accordingly. Despite the exceptional times brought about by the pandemic the company delivered its strongest annual safety performance on record and safety continues to be a key priority.

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

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

Outokumpu has successfully managed its liquidity through the pandemic and company's financial position has remained stable. Cash and cash equivalents amounted to EUR 376 million at the end of 2020 and the total liquidity reserves increased to over EUR 1.0 billion. Outokumpu issues new EUR 125 million convertible bond in July and signed together with a group of banks a SEK 1,000 million revolving credit facility, guaranteed by the Swedish Export Credit Agency EKN, in October. In December, Outokumpu agreed an amendment and extension of its syndicated revolving credit facility allowing for two consecutive yearly extension requests of the maturity dates until the end of May 2024. Out of the EUR 574 million maturing at the end of May 2022, a facility amount of EUR 532 million has been extended until the end of May 2023. The financial covenants of Outokumpu's financial agreements are based on debt-to-equity ratio and Outokumpu remains in compliance with the financial covenants of its financing agreements.

Market development

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

Financial performance

In 2020, Outokumpu's sales decreased to EUR 5,639 million (EUR 6,403 million) and adjusted EBITDA to EUR 250 million (EUR 263 million). EBIT decreased to EUR –55 million (EUR 33 million) in 2020 and the net result was EUR –116 million (EUR –75 million).

Sales

€ million	**2020**	2019	2018
Europe	**3,568**	4,089	4,267
Americas	**1,195**	1,346	1,715
Long Products	**493**	642	740
Ferrochrome	**411**	461	542
Other operations	**665**	653	587
Intra-group sales	**–693**	–788	–980
The Group	**5,639**	6,403	6,872

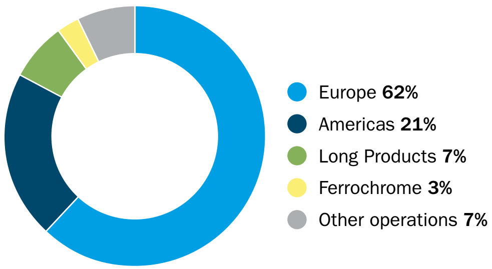
Stainless steel deliveries declined by 3% compared to the previous year as a result of weaker demand and were 2,121,000 tonnes (2,196,000 tonnes). In addition, prices were significantly lower in Europe and declined also in Americas compared to the previous year. Various cost saving measures supported profitability and both input costs as well as fixed costs were at a lower level compared to the previous year. Raw material-related inventory and metal derivative losses amounted to EUR 16 million in 2020 compared to the losses of EUR 64 million in 2019.

As part of the actions for reaching the financial targets of the first phase of its strategy and creating cost savings, Outokumpu carried out employee negotiation processes in selected countries in 2020 aiming to reduce the headcount by up to approximately 1,000 (10% of the Group total headcount) by the end of 2021. As a result, in 2020, Outokumpu recognized EUR 59 million restructuring costs related to personnel reduction measures, reported as adjustments to EBITDA. Most of these costs were provisions where the cash outflow will take place mainly in 2021. The adjustments to EBITDA in 2019 included restructuring provisions of EUR 53 million and a gain on a real estate sale of EUR 70 million.

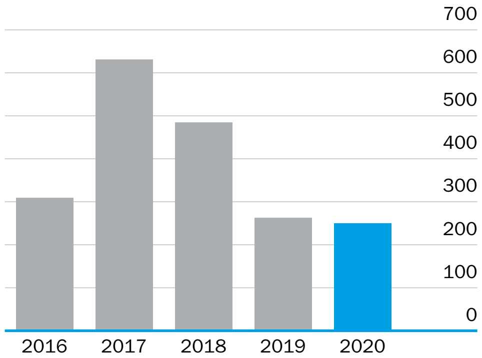
Operating cash flow amounted to EUR 322 million in 2020 (EUR 371 million). The net working capital reduced by EUR 247 million in 2020 (EUR 218 million) including the impact from the deferred VAT payments in Finland of EUR 61 million at the year-end. Net debt amounted to EUR 1,028 million at the end of 2020, a decrease from EUR 1,155 million at the end of 2019. Gearing was 43.6%, lower than at the end of 2019 (45.1%).

Net financial expenses were EUR 98 million in 2020 (EUR 80 million) and interest expenses EUR 78 million (EUR 76 million). Cash and cash equivalents were at EUR 376 million at the end of 2020 (EUR 325 million) and the total liquidity reserves were EUR 1.0 billion (EUR 1.0 billion). In addition, Outokumpu has unutilized EUR 76 million short-term portion of the syndicated facility available and EUR 34 million financing facility, which can be used to finance certain part of the Kemi mine investment.

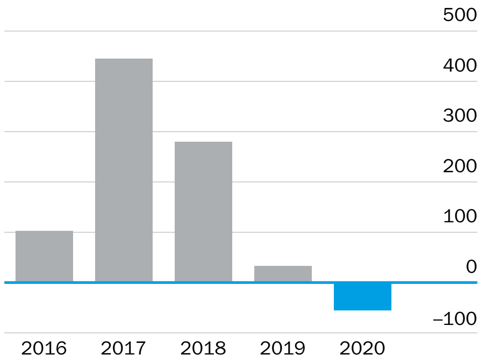
Sales, € 5,639 million



Adjusted EBITDA, € million



EBIT, € million



Profitability

€ million	2020	2019	2018
Adjusted EBITDA			
Europe	**142**	216	248
Americas	**55**	–27	–5
Long Products	**–8**	–7	25
Ferrochrome	**91**	96	210
Other operations and intra-group items	**–29**	–15	7
Group adjusted EBITDA	**250**	263	485
Adjustments	**–59**	3	10
EBITDA	**191**	266	496
EBIT	**–55**	33	280
Share of results in associated companies	**2**	6	3
Financial income and expenses	**–98**	–80	–107
Result before taxes	**–151**	–41	175
Income taxes	**34**	–33	–45
Net result for the financial year	**–116**	–75	130
Adjusted EBITDA margin, %	**4.4**	4.1	7.1
EBIT margin, %	**–1.0**	0.5	4.1
Return on capital employed, %	**–1.4**	0.8	7.0
Earnings per share, €	**–0.28**	–0.18	0.32
Diluted earnings per share, €	**–0.28**	–0.18	0.32
Net cash generated from operating activities	**322**	371	214

Outokumpu adopted IFRS 16 – Leases on January 1, 2019. Comparative information was not restated, but transition impacts of EUR 131 million were recognized into January 1, 2019 property, plant and equipment, and non-current and current debt, respectively.

Key financial indicators on financial position

€ million	2020	2019	2018
Net debt			
Non-current debt	**1,153**	1,053	798
Current debt	**251**	427	511
Cash and cash equivalents	**376**	325	68
Net debt	**1,028**	1,155	1,241
Shareholders' equity	**2,360**	2,562	2,750
Return on equity, %	**–4.7**	–2.8	4.8
Debt-to-equity ratio, %	**43.6**	45.1	45.1
Equity-to-assets ratio, %	**40.8**	42.5	45.9
Interest expenses	**78**	76	70

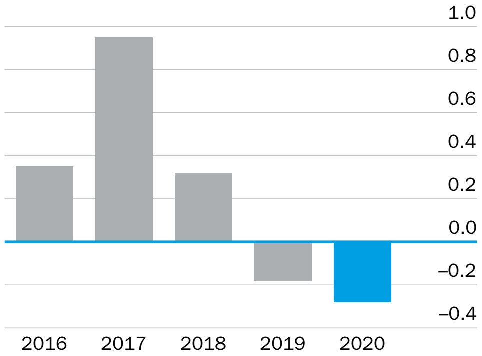
Capital expenditure, measured on cash-basis, amounted to EUR 180 million in 2020 (EUR 193 million). The ongoing investments include the Kemi mine expansion, ferritics capabilities in Calvert, Fennovoima project and the digital transformation project Chorus, including the ERP renewal.

Capital expenditure

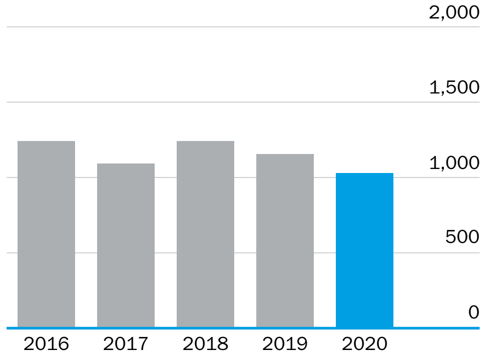
€ million	2020	2019	2018
Europe	**34**	51	75
Americas	**16**	21	19
Long Products	**3**	16	22
Ferrochrome	**92**	77	47
Other operations	**35**	28	55
The Group	**180**	193	218
Depreciation and amortization	**243**	230	204

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

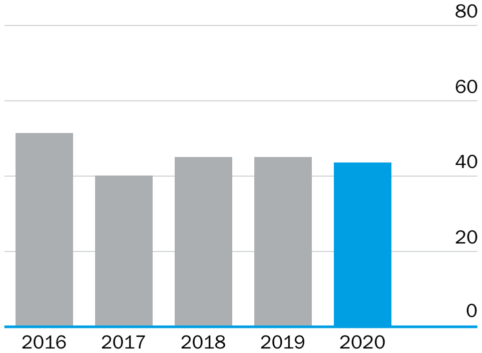
Earnings per share, €



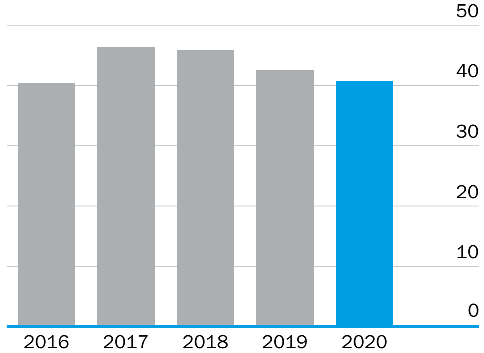
Net debt, € million



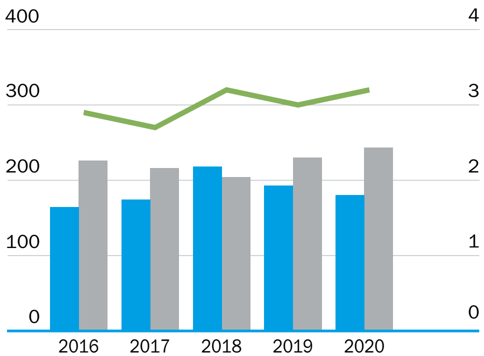
Debt-to-equity ratio, %



Equity-to-assets ratio, %



Capital expenditure and depreciation, € million



Capital expenditure definition changed from accrual-based to cash-based capital expenditure in 2020. Figures for 2019 and 2018 have been restated accordingly. Figures for 2017 and 2016 have not been restated.

Business areas

Europe's sales decreased to EUR 3,568 million in 2020 compared to EUR 4,089 million in 2019 and adjusted EBITDA decreased to EUR 142 million (EUR 216 million). Stainless steel deliveries remained relatively stable and decreased only by 1% compared to the previous year and amounted to 1,440,000 tonnes (1,459,000 tonnes). The 2020 result was negatively impacted by significantly deteriorated prices and weaker product mix. Costs were at a lower level compared to the previous year, and positive raw material impacts supported profitability in 2020. Raw material-related inventory and metal derivative losses were EUR 11 million in 2020 (losses of EUR 19 million). Adjustments to EBITDA included EUR 47 million of restructuring costs relating to personnel reductions in 2020 (EUR 53 million of restructuring costs and EUR 70 million of gains on the sale of real estate). In 2020, real demand in the EMEA region decreased by 12.1% compared to 2019 and the apparent consumption by 10.8% (Sources: SMR, January 2021 and CRU, January 2021).

Americas' sales decreased to EUR 1,195 million in 2020 compared to EUR 1,346 million in 2019. Adjusted EBITDA increased to EUR 55 million (EUR –27 million). Stainless steel deliveries decreased by 2% in 2020 to 588,000 tonnes (601,000 tonnes). Positive impacts from improved product mix were offset by weaker prices in 2020 compared to 2019. However, positive raw material impacts and lower costs supported profitability. Raw material-related inventory and metal derivative losses were EUR 1 million in 2020 (losses of EUR 40 million). In 2020, US real demand decreased by 11% compared to the previous year, and in the Americas region the decrease was 12.3% (Source: SMR, January 2021 and American Iron & Steel Institute, January 2021).

Long Products' sales amounted to EUR 493 million in 2020 compared to EUR 642 million in 2019 and adjusted EBITDA amounted to EUR –8 million (EUR –7 million). Stainless steel deliveries decreased by 23% to 175,000 tonnes in 2020 compared to 2019 (226,000 tonnes). The negative impact from lower volumes in 2020 was partly offset by stronger product mix compared to 2019. Lower input costs compared to previous year and cost saving initiatives supported profitability in 2020. Raw material-related inventory and metal derivative losses were EUR 3 million in 2020 compared to losses of EUR 9 million in 2019. Adjustments to EBITDA in 2020 include EUR 3 million of restructuring costs relating to personnel reductions.

Ferrochrome's sales amounted to EUR 411 million in 2020 compared to EUR 461 million in 2019. Adjusted EBITDA amounted to EUR 91 million (EUR 96 million). Ferrochrome production remained at record-high levels in 2020 producing 498,000 tonnes (505,000 tonnes). Pricing was weaker in 2020 but profitability was positively impacted by lower input costs compared to 2019.

Non-financial development at Outokumpu

Outokumpu is a leading global producer of stainless steel with world-class production assets in its key markets in Europe and the Americas, and a global sales and service network close to its international customers. Stainless steel is a significant contributor to building a sustainable world. Stainless steel is used in building and construction, infrastructure, appliances, transportation, and heavy industries. It is a strong, corrosion-resistant, hygienic, and aesthetic material with a high strength-to-weight ratio and no need for maintenance.

Climate change is one of the three megatrends driving Outokumpu's business, together with economic and population growth and urbanization. The properties and the low carbon profile of Outokumpu's stainless steel can help customers to reduce their carbon footprint. Market for solutions enabling the transition to low carbon society will increase on the way to 2 degree or 1.5 degree scenarios for 2050.

Outokumpu acknowledges the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) and the underlying framework and acknowledges that there are financial impacts in a 2°C or lower transitions scenario. Outokumpu has performed a stated policy scenario and sustainable development scenario analysis in line with the International Energy Agency Iron and Steel Technology Roadmap, 2020. The translation of the strategies in financial terms considering the transition and physical scenarios is ongoing.

Outokumpu's business is based on a circular economy. Over 85% of the material used in Outokumpu's stainless steel production is recycled steel. By converting scrap and metal waste into new products the company also protects virgin resources. Throughout the process, Outokumpu aims to minimize the environmental impact of its production. At the end of its long life-cycle, stainless steel is fully recyclable, without any loss of quality.

Outokumpu has an integrated production process, including the company's own chrome mine for one of the main raw materials of stainless steel, ferrochrome operations, melting, hot rolling and cold rolling, and the finishing and services.

Outokumpu's production sites are often located in relatively small cities or towns. This means that Outokumpu is significant for the economies of small local communities and it is often one of the very few private-sector employers in the area.

Policies and principles of sustainability management

On group level, sustainability is managed by the Group's sustainability team. The business areas and functions are responsible for ensuring that operations within their own organizations are conducted in a responsible manner and that monitoring, data collection and reporting are duly carried out. All Outokumpu operating sites are certified according to quality ISO 9001 and environment ISO 14001 management systems. The functioning of the systems is monitored by both internal and external audits.

The most important policies guiding Outokumpu's Sustainability Management are the Group's Code of Conduct, Corporate Responsibility Policy and the Policy on Environment, Health, Safety and Quality (EHSQ), all available on Outokumpu's website. Outokumpu's Code of Conduct defines the common way of operating 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 of the sustainable development of economic, environmental, and social aspects in the Group. Outokumpu's EHSQ policy describes the company's commitment to continuous improvement in these fields, compliance with legislation in all areas the company operates in, and the fulfilment of stakeholder requirements to which the company subscribes. Outokumpu has also an Anti-Corruption Instruction providing detailed guidance on responsible business practices.

In addition to the EHSQ policy, Outokumpu has strict guidelines for safety through the Outokumpu Safety Principles and Health and Safety Standard. Additionally, Outokumpu has ten Cardinal Safety Rules that are a part of the company's operating principles. The health and safety of the personnel is a precondition for successful day-to-day operations as well as for long-term competitiveness. Outokumpu works towards a goal of zero accidents.

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 has currently five Key Corporate Policies, which need to be well known by everyone working for Outokumpu:

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

The internal audit function flanked by external audits consistently monitors and tests adherence to corporate guidance and standards, while the sustainability organization follows-up on environmental performance and legality on a quarterly basis. In 2020, Outokumpu carried out self-assessments of raw material suppliers with production in countries who have high environmental, social and governance risks. Regular internal environmental audits are performed based on an internal risk assessment. In addition, majority of suppliers are going through a regular sanction screening.

Outokumpu has an approved Science Based Target following the below 2-degree scenario of the sectoral decarbonization approach for steel industry. Outokumpu contributes to the UN Sustainable Development Goals by developing production processes and the properties of its products.

Outokumpu complies with international, national, and local laws and regulations, and respects international agreements concerning human and labor rights, such as the United Nations' Universal Declaration of Human Rights and condemns the use of forced and child labor. 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 Code of Conduct or similar standards and principles, and to meet the company's supplier requirements. Outokumpu aims to ensure that modern slavery or human trafficking plays no part in our supply chain or in any part of our business.

Sustainability targets

The Group's environmental performance targets are set for the reporting year with exemption of the greenhouse gas emissions target:

- Recycled content (all metallic input from waste streams, such as scrap, scales or metals from slag and dust treatment per tonne stainless steel) of 90% by 2020.
- Improvement of energy efficiency by 1% yearly until 2020 reported as improvement compared to base-period of 2007–2009.
- Reducing scope 1, 2 and 3 greenhouse gas emissions 20% per tonne of stainless steel by 2023 from a 2014–2016 base-period.
- Top decile position in safety in the industry by 2020 and long-term target of zero incidents.

Outokumpu's emissions intensity trajectory includes the upstream emissions from raw material supply chain. Outokumpu aims to improve the Group's resource efficiency by minimizing the use of virgin materials and primary energy and by contributing to climate protection.

New targets have been set for the next period:

- Increase material recycling (all metallic input from waste streams, such as scrap, scales or metals from slag and dust treatment per tonne stainless steel) to 92.5% by 2023.
- Improve energy efficiency by 0.5% each year by 2030, reported as improvement compared to base-period of 2018–2020.
- Reduce the landfill production waste other than slag by 0.5% each year by 2023.

In safety, the Group's target for year 2020 was to achieve total recordable injury rate of <3.0 per million working hours. The Group's long-term target is to achieve zero-level in injuries.

Environmental performance

The main environmental impacts from stainless steel production are the use of virgin materials, direct and indirect energy, dust emissions into the air, waste created in the production process and water discharges from production plants.

Outokumpu uses efficient dust-filtering systems that remove 99% of particles, and water is reused in production as much as possible and treated on production sites. In addition to material efficiency through using as much recycled material as possible, Outokumpu aims to reduce landfill waste and reuses waste from its production processes in its own production. Outokumpu also aims to increase the use of its by-product slag from its production outside the company for example in road construction, concrete production and water treatment.

In 2020, all used slag compared to the used and landfilled slag (use rate) decreased to 77%

(91%). The total amount of slag decreased by 20% compared to last year but less slag could be used. On top of production waste, tailing sand from mining is the most significant waste item to be deposited in the mine site.

In 2020, Outokumpu could further increase the level of material recycling (all metallic input from waste streams, such as scrap, scales or metals from slag and dust treatment per tonne stainless steel) to 92.5% (89.6%), reaching an exceptionally high level above the 2020 target of 90%.

The improvement of the energy efficiency calculated as a sum of different process steps was 3.6% (6.1%) compared to the baseline of 2007–2009. More energy than expected was needed as the production level was low and interrupted by the difficult market conditions, the produced steel grades changed, and processing increased. There were no significant environmental incidents.

In 2020, CO_2 intensity reduced by about 17% from baseline period 2014–2016 and reached 86% of the targeted reduction by 2023. Landfilled waste increased despite the reduction of production as more slag needed to be deposited.

All Outokumpu sites have environmental permits that set the basic framework for production operations. In 2020, emissions and effluents remained within permitted limits, and the 13 minor breaches that occurred were temporary, identified, and had only a minimal impact on the environment.

The EU Emissions Trading Scheme (ETS) is finalizing with the third trading period 2013–2020. Outokumpu's operations under the EU ETS will continue to receive free emissions allocations according to efficiency-based benchmarks and historical activity. In 2020, free allocation for the Group was on the same level as the emissions. The conditions for the fourth period will remain similar as for the third period but the allocations will be shorter.

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.

Social performance

Outokumpu's main indicator for safety performance is the total recordable injury frequency rate (TRIFR), which includes fatal accidents, lost time injuries, restricted work injuries, and medically treated injuries per million working hours. Group TRIFR improved from the previous year and was 2.4 against the target of <3.0 (3.2).

Environmental indicators

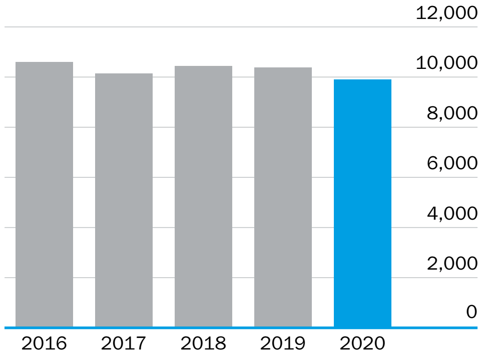
	2020	2019	2018
Scope 1, 2 and 3 (direct and indirect) CO_2 emission intensity, kg per tonne stainless steel	**1,549**	1,606	1,719
Energy intensity, GJ per tonne stainless steel	**11.0**	10.9	10.1
Use rate of slag, including slag from ferrochrome production, %	**77.1**	90.8	89.9
Total landfill waste intensity per tonne stainless steel	**0.590**	0.500	0.472

Outokumpu's headcount decreased by 475 during the year and totaled 9,915 at the end of December 2020 (2019: 10,390, 2018: 10,449). Total wages and salaries amounted to EUR 547 million in 2020 (2019: EUR 568 million, 2018: EUR 541 million). Indirect employee benefit expenses totaled EUR 188 million in 2020 (2019: EUR 206 million, 2018: EUR 135 million).

Outokumpu encourages everyone 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 2020, more than 20 investigations of potential misconduct were recorded through the various reporting channels. These incidents have been investigated and proper corrective and preventative actions have been taken as a consequence.

During 2020, the implementation of Outokumpu's ethics and compliance program continued in close co-operation with the leadership, business areas and business functions. As part of these efforts, the core element of the program, Code of Conduct, was revised and it will be implemented in 2021 with a mandatory e-learning for all Outokumpu employees. In addition, anti-corruption and data protection e-learning courses were reissued and tailored training sessions were organized in the competition law compliance and trade compliance areas in 2020. In order to strengthen the enforcement of the mandatory compliance e-learnings, a consequence management process was implemented in 2020. Furthermore, compliance related communications were given through different channels on various topics.

Personnel on December 31



Key social indicators

	2020	2019	2018
Diversity			
Employees			
male, %	**81**	85	85
female, %	**19**	15	15
Board of Directors			
male, %	**50**	57	67
female, %	**50**	43	33
Safety			
Total recordable injury frequency rate, per million working hours	**2.4**	3.2	4.1

Research and development

Outokumpu’s research and development (R&D) works closely together with sales, operations and customers to support the business and align R&D activities with customers’ current and future needs. Outokumpu has three R&D centers located in Avesta in Sweden, in Krefeld in Germany and in Tornio in Finland. R&D activities are focused on development of production processes, products and customer applications. In 2020, Outokumpu’s R&D expenditure totaled EUR 21 million, 0.4% of net sales (2019: EUR 17 million and 0.3%, 2018: EUR 15 million and 0.2%).

As part of organizational changes in the Chief Technology Office function, the R&D organization was further streamlined in 2020. During 2020, the process development projects focused on optimization of product quality, yield and production cost efficiency. A long-term R&D program aiming at reducing the CO_2 footprint of Group’s operations was initiated. The product and application development projects focused on developing new steel grades, characterization and optimization of existing grades, as well as on development of new applications and markets for Group’s products.

Risks and uncertainties

Outokumpu operates in accordance with the risk management policy approved by the company’s Board of Directors. This defines the objectives, approaches and areas of responsibility in the Group’s risk management activities. As well as supporting Outokumpu’s strategy, the aim of risk management is identifying, evaluating and mitigating risks from the perspective of shareholders, customers, suppliers, personnel, creditors, and other stakeholders.

Outokumpu has defined risk as anything that could have an adverse impact on achieving the Group’s objectives. Risks can therefore be threats, uncertainties or lost opportunities connected with current or future operations.

The risk management process is an integral part of the overall management processes and is divided into four stages: 1) risk identification; 2) evaluation and prioritization; 3) mitigation and controls and 4) reporting. Key risks are assessed and updated on a regular basis. Risk mitigation actions are defined according to the risk identification and the impact/likelihood assessments.

Outokumpu’s risk governance model includes quarterly reporting of risks to the Audit Committee, as well as semi-annual updates on key risks and risk management, including strategic and business risks, operational risks and financial risks.

The risk management focus in 2020 was on implementing the mitigating actions of the identified risks, supporting debt reduction at Outokumpu e.g. by focused working capital management and by improving the overall efficiency of the risk management process. Furthermore, the harsh market environment, especially in Europe, required several mitigating actions to protect the Group’s earnings and cash flows.

Outokumpu continued its systematic fire safety and loss prevention audit program, focusing on execution of the mitigating actions. Due to 2020 travel restrictions, many audits were conducted virtually using in-house expertise in cooperation with external advisors.

The main realized risks in 2020 were related to disruption of the stainless steel markets due to the pandemic, and imports that continued to have a negative impact on stainless steel base prices and deliveries in Europe throughout the year.

Strategic and business risks

Outokumpu’s key strategic and business risks include: risks and uncertainties relating to the development of overcapacity of global stainless steel production, volatility of raw material and end product prices; risks and uncertainties implementing new IT systems and processes; opportunities to improve operational reliability, drive competitiveness and further improve financial performance; the risk of permanent safeguard measures initiated by EU not being effective; risks and uncertainties related to developments in the stainless steel and ferrochrome markets and competitor actions; changes in the prices of electrical power, fuels, nickel, iron and molybdenum impacting cash flow; fluctuations in exchange rates affecting the global competitive environment in stainless; and the risk of litigation or adverse political action affecting trade.

Operational risks

Key operational risks for Outokumpu include: a major fire or machinery breakdown causing business interruption; IT dependency and cyber security risks; risks due to a fragmented system environment; risks related to supply chain and certain critical supplier dependencies; and investment and project implementation risks. Operational risks also include inadequate or failed internal processes, employee actions, systems, or events such as natural catastrophes, and misconduct or crime. These risks are often connected with production operations, logistics, financial processes, major investment projects, other projects or information technology and, should they materialize, can lead to personal injury, liability, loss of property, interrupted operations, or environmental impacts. Outokumpu’s operational risks are partly covered by insurance. To minimize the possible damage to property and business interruption that could result from a fire occurring at some of its major production sites, Outokumpu has systematic fire safety audit programs in place.

Environmental and climate change related risks

The main environmental accident risks at production sites relate to the use of acids, the production of hazardous waste and toxic gases, landfill activities, long-term contamination of soil or groundwater, and the long-term effects of hazardous pollutants. Outokumpu also has some potential environmental liabilities and risks at closed mines and production sites.

The main environmental business risks for Outokumpu are related to emissions trading schemes; new environmental and consumer protection demands, including changes in environmental legislation and the potential impact on Outokumpu’s competitive position; as well as the risk of increased electricity prices and emissions costs due to the European Union’s unilateral Emissions Trading System (ETS).

Outokumpu also evaluates annually its climate change related risks, including main production locations’ exposures on several threats and risks driven by climate change. These climate change threats and risks include e.g. flood, sea water level changes, exposures to hurricanes, tornadoes and severe storms, extreme weather conditions like lightning, rain or hail. The main climate change related risks to Outokumpu are driven by changes to climate policies, which can have adverse impact to Outokumpu’s operating environment and financial position.

Safety and personnel-related risks

The main risks related to safety and personnel are the risk of fatalities and serious injuries to Outokumpu’s own employees and contractors, which would also have a significant impact on the safety culture and the company’s reputation as an employer; the loss of key individuals or other employees who have specific knowledge of, or relationships with, trade customers in markets in which Outokumpu operates; and the risk of being unable to attract, retain, motivate, train, and develop qualified employees at all levels, which could have a material adverse effect on Outokumpu’s business, financial condition, and operational results.

Risks related to compliance, crime and reputational harm

Outokumpu operates globally and its activities span multiple jurisdictions and complex regulatory frameworks at a time of increased enforcement activity globally in areas such as competition law, anti-corruption and bribery, anti-money laundering, data protection; and trade restrictions, including sanctions.

Outokumpu also faces the risk of fraud by its employees, external theft and crime, losses of critical research and development data, misconduct, as well as violations by its sales intermediaries or at its joint ventures and other companies.

Social responsibility related risks and uncertainties

Outokumpu aims to actively identify risks and uncertainties related to its exposures in social responsibility, including human rights related topics. This applies to Outokumpu’s own operations globally including supply chain and other business partners. Outokumpu takes seriously all labor practice violations and related threats as it insists on full transparency and compliance on human rights topics. However, Outokumpu operates mainly in regions, where the risk related to social responsibility and human rights are not considered high risk.

Financial risks

Key financial risks for Outokumpu include: changes in the prices of nickel, iron, molybdenum, power, fuels and carbon emissions; currency developments affecting the euro, the US dollar, the Swedish krona, and the British pound; interest rate changes connected to the euro, the Swedish krona and the US dollar; interest margin changes for Outokumpu; constrained access to new financing; counterparty risks related to customers and other business partners, including suppliers and financial institutions; risks related to liquidity and refinancing; risks related to the fair value of shareholdings, e.g. investment in the Fennovoima project; the risk of breaching financial covenants or other terms and conditions of debt, leading to an event of default; and risks related to the prices of equities and fixed-income securities invested under defined benefit pension plans and risks related to valuation parameters, especially long-term interest rates of defined benefit pension plans.

Short-term risks and uncertainties

Outokumpu is exposed to the following risks and uncertainties in the short term: risks and uncertainties in implementing the announced strategy, including measures to implement new IT systems and processes, especially related to implementation of new ERP systems, improve operational reliability, drive competitiveness and further improve financial performance; the risk of permanent safeguard measures initiated by EU not being effective; risks and uncertainties related to global overcapacity in stainless steel, as well as to market development in stainless steel, ferrochrome and competitor actions; dependencies on certain critical suppliers; changes in the prices of ferrochrome, nickel, electrical power and carbon emissions; currency developments affecting the euro, US dollar, Swedish krona, and British pound; changes in interest margins applied for Outokumpu; risks related to the fair value of shareholdings, e.g. investment in the Fennovoima project; project and investment implementation risks, including the ongoing project in the Kemi mine; IT dependency and cyber security risks; refinancing risks; counterparty risks related to customers and other business partners, including suppliers and financial institutions.

Possible adverse changes in the global political and economic environment, including a severe global economic downturn may have a significant negative impact on Outokumpu’s overall business and access to financial markets. Outokumpu also considers recent events in its risk assessments, such as: the global impact of the pandemic; the UK’s departure from the EU and possible risks related to trade relations.

Significant legal proceedings

Claim in Spain related to the divested copper companies

Outokumpu divested all of its copper business in 2003–2008. One of the divested companies domiciled in Spain later faced bankruptcy. The administrator of the bankruptcy estate filed a claim against Outokumpu Oyj and two other non-Outokumpu companies for recovery of payments made by the bankrupt Spanish company in connection with the divestment. The court of first instance in Spain accepted the claim of EUR 20 million brought against Outokumpu and the two other companies. Outokumpu and the two other companies appealed the court’s decision and in March 2018 the Court of Appeal ruled in favor of Outokumpu. In May 2018, the administrator of the bankruptcy estate filed an appeal before the Spanish Supreme Court, where the case is pending without progress during 2019 or 2020.

Shares

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

Management shareholdings and share based incentive programs

On December 31, 2020, the members of the Board of Directors and the members of the Outokumpu Leadership Team (OLT) altogether held 1,059,306 shares, or 0.25% of the total number of shares.

Outokumpu has established share-based incentive programs for the OLT members, selected managers and key employees. Outokumpu's share-based incentive programs include a Performance Share Plan, a Restricted Share Pool and a Matching Share Plan for key employees. In 2020, after deductions for applicable taxes, a total of 227,497 shares were delivered to the participants of the programs based on the 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 the periods 2019–2021, 2020–2022 and their continuation for the period 2021–2023 was approved by the Board of Directors in December 2020. The Performance Share Plan for all three periods focuses on earning criteria that measures Outokumpu's profitability and the efficiency with which its capital is employed.

More details on the share-based incentive programs can be found in the note 18 in the consolidated financial statements.

Corporate governance

Outokumpu's Corporate Governance Statement can be found on the Outokumpu website: https://www.outokumpu.com/en/investors/governance

Annual General Meeting

Outokumpu's Annual General Meeting 2020 was held on May 28, 2020 in Helsinki, Finland under special arrangements due to the COVID-19 pandemic. The Meeting decided to authorize the Board of Directors to decide at a later stage and in its discretion on a dividend payment in one or several instalments of a total maximum of EUR 0.10 per share.

Following a review of the January–September 2020 financial results on November 5, 2020, the Board of Directors decided that owing to the importance of strengthening the Company's balance sheet no dividend would be paid for the financial year 2019.

The Annual General Meeting also decided to authorize the Board of Directors to repurchase the company's own shares and to decide on the issuance of shares as well as special rights entitling to shares. The Meeting also approved the proposals of the Shareholders' Nomination Board regarding the members of the Board of Directors and their remuneration and the remuneration policy of the Company.

The Annual General Meeting decided in accordance with the proposal by the Nomination Board that the Board of Directors would consist of six members. The current members of the Board of Directors Kati ter Horst, Kari Jordan, Eeva Sipilä, Vesa-Pekka Takala, Pierre Vareille and Julia Woodhouse were re-elected for the term of office ending at the end of the next Annual General Meeting. Kari Jordan was re-elected as the Chairman and Eeva Sipilä elected as the new Vice Chairman of the Board of Directors.

Changes in the Outokumpu Leadership Team

On April 14, Outokumpu's Board of Directors appointed Heikki Malinen, M.Sc. (Econ.), MBA (Harvard), as President and CEO of Outokumpu and the Chairman of the Leadership Team. Malinen joined the company on May 1 and assumed his role as the CEO on May 16, 2020. Malinen had been a member of the Outokumpu Board of Directors since 2012, and due to his appointment, resigned from the Board at the end of April.

On July 16, it was announced that Liam Bates was appointed President, Long Products with immediate effect. Kari Tuutti, who had been leading business area Long Products, decided to pursue his career outside Outokumpu. In his new position, Liam Bates did not continue as a member of the Outokumpu Leadership Team.

On July 27, it was announced that Maciej Gwozdz, President, business area Europe had resigned from Outokumpu to take a new position in another company. He continued to work in his position in Outokumpu until the end of September.

On August 31, it was announced that Reeta Kaukiainen, Executive Vice President, Communications, Marketing and Investor Relations had decided to pursue her career outside Outokumpu. She continued in her position in Outokumpu until the end of September.

On September 29, Outokumpu announced changes in its Leadership Team. New members appointed to the Leadership team were Thomas Anstots, Executive Vice President, Commercial, business area Europe; Stefan Erdmann, Chief Technology Officer; Martti Sassi, President, business area Ferrochrome; Niklas Wass, Executive Vice President, Operations, business area Europe and Tamara Weinert, Acting President, business area Americas. The new Leadership team became effective on October 1, 2020.

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

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. In addition, Kari Jordan, Outokumpu's Chairman of the Board of Directors, acts as an expert member in the Nomination Board. 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, 2020 the four largest shareholders of Outokumpu were Solidium Oy, The Social Insurance Institution of Finland, Ilmarinen Mutual Pension Insurance Company and the State Pension Fund of Finland. As the State Pension Fund of Finland informed Outokumpu that it would not use its nomination right, the right transferred to Elo Mutual Pension Insurance Company as the next largest shareholder registered in the shareholder register. The shareholders appointed the following representatives to the Nomination Board:

- Antti Mäkinen, Managing Director at Solidium Oy
- Outi Antila, Director General at The Social Insurance Institution of Finland
- Jouko Pölönen, President and CEO at Ilmarinen Mutual Pension Insurance Company
- Satu Huber, Chief Executive Officer at Elo Mutual Pension Insurance Company

The Nomination Board submitted its proposals to Outokumpu’s Board of Directors on December 4, 2020.

Board of Directors’ proposal for profit distribution

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

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

Group key figures

		2020	2019 1)	2018	2017 2)	2016
Scope of activity						
Sales	€ million	**5,639**	6,403	6,872	6,356	5,690
– change in sales	%	**–11.9**	–6.8	8.1	11.7	–10.9
– exports from and sales outside Finland, of total sales *	%	**96.3**	95.9	96.7	96.5	96.4
Capital employed on Dec 31 *	€ million	**3,543**	3,904	4,086	3,929	3,816
Capital expenditure 3) *	€ million	**180**	193	218	174	164
– in relation to sales	%	**3.2**	3.0	3.2	2.7	2.9
Depreciation and amortization	€ million	**243**	230	204	216	226
Impairments	€ million	**3**	3	12	1	26
Research and development costs	€ million	**21**	17	15	13	20
– in relation to sales	%	**0.4**	0.3	0.2	0.2	0.4
Personnel on Dec 31 4)		**9,915**	10,390	10,449	10,141	10,600
– average for the year		**10,310**	10,645	10,468	10,485	10,977
Profitability						
Adjusted EBITDA *	€ million	**250**	263	485	631	309
– in relation to sales	%	**4.4**	4.1	7.1	9.9	5.4
EBITDA *	€ million	**191**	266	496	663	355
EBIT *	€ million	**–55**	33	280	445	103
– in relation to sales	%	**–1.0**	0.5	4.1	7.0	1.8
Result before taxes	€ million	**–151**	–41	175	327	–13
– in relation to sales	%	**–2.7**	–0.6	2.5	5.1	–0.2
Net result for the financial year	€ million	**–116**	–75	130	392	144
– in relation to sales	%	**–2.1**	–1.2	1.9	6.2	2.5
Return on equity *	%	**–4.7**	–2.8	4.8	15.4	6.4
Return on capital employed *	%	**–1.4**	0.8	7.0	11.3	2.6

		2020	2019 1)	2018	2017 2)	2016
Financing and financial position						
Net debt *	€ million	**1,028**	1,155	1,241	1,091	1,242
– in relation to sales	%	**18.2**	18.0	18.1	17.2	21.8
Net financial expenses *	€ million	**98**	80	107	127	121
– in relation to sales	%	**1.7**	1.3	1.6	2.0	2.1
Interest expenses *	€ million	**78**	76	70	92	105
– in relation to sales	%	**1.4**	1.2	1.0	1.5	1.9
Net debt to adjusted EBITDA *		**4.1**	4.4	2.6	1.7	4.0
Share capital	€ million	**311**	311	311	311	311
Total equity	€ million	**2,360**	2,562	2,750	2,721	2,416
Equity-to-assets ratio *	%	**40.8**	42.5	45.9	46.3	40.4
Debt-to-equity ratio *	%	**43.6**	45.1	45.1	40.1	51.4
Net cash generated from operating activities	€ million	**322**	371	214	328	389

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

1) IFRS 16 – Leases has been adopted on January 1, 2019 using the modified retrospective approach. Comparative information has not been restated.

2) Figures for 2017 have been restated due to IFRS 15 adoption in 2018. Figures for 2016 have not been restated.

3) Capital expenditure definition changed from accrual-based to cash-based capital expenditure in 2020. Figures for 2019 and 2018 have been restated accordingly. Figures for 2017 and 2016 have not been restated.

4) Personnel reported as headcount, not as full time equivalent.

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	Definition of the key figure or source in the consolidated financial statements		2020	2019
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	**5,639**	6,403
Sales by destination to Finland	Note 4. Geographical information	€ million	**208**	264
Exports from and sales outside Finland	Sales – Sales by destination to Finland	€ million	**5,431**	6,139
– exports from and sales outside Finland, of total sales	Comparison to sales	%	**96.3**	95.9
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	**2,360**	2,562
Net debt	Defined later in this section	€ million	**1,028**	1,155
Defined benefit and other long-term employee benefit obligations	Consolidated statement of financial position	€ million	**329**	335
Net interest rate derivative liabilities	Note 20. Fair values and nominal amounts of derivative instruments	€ million	**–6**	–5
Net accrued interest expenses	Note 28. Trade and other payables	€ million	**11**	9
Less:				
Defined benefit plan assets	Consolidated statement of financial position	€ million	**64**	68
Equity investments at fair value through other comprehensive income	Consolidated statement of financial position	€ million	**48**	31
Investments at fair value through profit or loss	Consolidated statement of financial position	€ million	**26**	13
Investments in associate companies	Consolidated statement of financial position	€ million	**38**	38
Capital employed on Dec 31		€ million	**3,543**	3,904

Key figure	Definition of the key figure or source in the consolidated financial statements		2020	2019
Operating capital				
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 earlier in this section	€ million	**3,543**	3,904
Net deferred tax asset on Dec 31	Note 3. Operating segment information	€ million	**257**	217
Operating capital on Dec 31	Capital employed – Net deferred tax asset	€ million	**3,286**	3,687
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	**180**	193
– in relation to sales	Comparison to sales	%	**3.2**	3.0
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 the purpose of these 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	**–55**	33
– in relation to sales	Comparison to sales	%	**–1.0**	0.5
Depreciation and amortization	Note 6. Income and expenses	€ million	**243**	230
Impairments	Note 6. Income and expenses	€ million	**3**	3
EBITDA	EBIT + depreciation and amortization + impairments	€ million	**191**	266
Adjustments to EBITDA	Note 6. Income and expenses	€ million	**–59**	3
Adjusted EBITDA	EBITDA – Adjustments to EBITDA	€ million	**250**	263
– in relation to sales	Comparison to sales	%	**4.4**	4.1

Key figure	Definition of the key figure or source in the consolidated financial statements		2020	2019
Return on equity				
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	**2,562**	2,750
Total equity on March 31		€ million	**2,605**	2,656
Total equity on June 30		€ million	**2,525**	2,624
Total equity on Sept 30		€ million	**2,449**	2,602
Total equity on Dec 31	Consolidated statement of financial position	€ million	**2,360**	2,562
Total equity (4-quarter average)	Average of the opening and 4 quarter-end values	€ million	**2,500**	2,639
Net result for the financial year	Consolidated statement of income	€ million	**–116**	–75
Return on equity	Net result for the financial year / Total equity (4-quarter average)	%	**–4.7**	–2.8
Return on capital employed				
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	**3,904**	4,086
Capital employed on March 31		€ million	**4,006**	4,135
Capital employed on June 30		€ million	**3,939**	4,048
Capital employed on Sept 30		€ million	**3,707**	4,096
Capital employed on Dec 31	Defined earlier in this section	€ million	**3,543**	3,904
Capital employed (4-quarter average)	Average of the opening and 4 quarter-end values	€ million	**3,820**	4,054
EBIT	Consolidated statement of income	€ million	**–55**	33
Return on capital employed	EBIT / Capital Employed (4-quarter average)	%	**–1.4**	0.8

Key figure	Definition of the key figure or source in the consolidated financial statements		2020	2019

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	€ million	**1,153**	1,053
Current debt	Consolidated statement of financial position	€ million	**251**	427
Cash and cash equivalents	Consolidated statement of financial position	€ million	**376**	325
Net debt	Non-current + current debt – cash and cash equivalents	€ million	**1,028**	1,155
– in relation to sales	Comparison to sales	%	**18.2**	18.0

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	**98**	80
– in relation to sales	Comparison to sales	%	**1.7**	1.3

Interest expenses	Consolidated statement of income	€ million	**78**	76
– in relation to sales	Comparison to sales	%	**1.4**	1.2

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	**1,028**	1,155
Adjusted EBITDA	Defined earlier in this section	€ million	**250**	263
Net debt to Adjusted EBITDA	Net debt / Adjusted EBITDA		**4.1**	4.4

Key figure	Definition of the key figure or source in the consolidated financial statements		2020	2019

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	**2,360**	2,562
Total assets	Consolidated statement of financial position	€ million	**5,797**	6,038
Advances received	Note 28. Trade and other payables	€ million	**7**	11
Equity-to-assets ratio	Total equity / (Total assets – advances received)	%	**40.8**	42.5

Debt-to-equity ratio

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	**1,028**	1,155
Total equity	Consolidated statement of financial position	€ million	**2,360**	2,562
Debt-to-equity ratio	Net debt / Total equity	%	**43.6**	45.1

Share-related key figures

		2020	2019	2018	2017	2016
Earnings per share [1) 2)]	€	**–0.28**	–0.18	0.32	0.95	0.35
Diluted earnings per share [1) 2)]	€	**–0.28**	–0.18	0.32	0.90	0.35
Cash flow per share	€	**0.78**	0.90	0.52	0.79	0.94
Equity per share [1) 2)]	€	**5.73**	6.22	6.70	6.59	5.84
Dividend per share	€	**–** [3)]	–	0.15	0.25	0.10
Dividend payout ratio [1) 2)]	%	**–**	–	47.4	26.3	28.8
Dividend yield	%	**–**	–	4.7	3.2	1.2
Price/earnings ratio [1) 2)]		**neg.**	neg.	10.00	8.15	24.31
Development of share price						
Average trading price	€	**2.66**	3.01	5.39	8.11	4.51
Lowest trading price	€	**2.08**	2.23	3.18	6.61	2.08
Highest trading price	€	**4.44**	4.04	8.26	10.05	8.51
Trading price at the end of the period	€	**3.22**	2.81	3.20	7.74	8.51
Change during the period	%	**14.8**	–12.2	–58.7	–9.0	211.3
Change in the OMX Helsinki index during the period	%	**10.1**	13.4	–8.0	6.4	3.6
Market capitalization at the end of the period [4)]	€ million	**1,327**	1,155	1,312	3,194	3,520
Development in trading volume						
Trading volume [5)]	1,000 shares	**1,100,628**	884,254	826,636	1,021,607	955,682
In relation to weighted average number of shares	%	**267.3**	215.0	201.1	247.7	230.6
Adjusted average number of shares [4)]		**411,824,420**	411,198,002	411,065,622	412,363,204	414,411,287
Diluted average number of shares [4)]		**435,135,181**	446,209,235	447,181,306	450,247,639	414,411,287
Number of shares at the end of the period [4)]		**412,002,212**	411,774,715	410,563,719	412,671,549	413,860,600

1) IFRS 16 – Leases has been adopted on January 1, 2019 using the modified retrospective approach. Comparative information has not been restated.

2) Figures for 2017 have been restated due to IFRS 15 adoption in 2018. Figures for 2016 have not been restated.

3) The Board of Directors' proposal to the Annual General Meeting.

4) Excluding treasury shares.

5) Includes only Nasdaq Helsinki trading.

Definitions of share-related key figures

Earnings per share	=	$\frac{\text{Net result for the financial year attributable to the equity holders}}{\text{Adjusted average number of shares during the period}}$
Cash flow per share	=	$\frac{\text{Net cash generated from operating activities}}{\text{Adjusted average number of shares during the period}}$
Equity per share	=	$\frac{\text{Equity attributable to the equity holders}}{\text{Adjusted number of shares at the end of the period}}$
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Adjusted number of shares at the end of the period}}$
Dividend payout ratio	=	$\frac{\text{Dividend for the financial year}}{\text{Net result for the financial year attributable to the equity holders}} \times 100$
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 of the period	=	Number of shares at the end of the period × Trading price at the end of the period
Trading volume	=	Number of shares traded during the period, and in relation to the weighted average number of shares during the period

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Consolidated statement of income

€ million	Note	2020	2019
Sales	3, 4, 6	**5,639**	6,403
Cost of sales		**–5,403**	–6,108
Gross margin		**236**	295
Other operating income	6	**22**	107
Selling and marketing expenses		**–68**	–77
Administrative expenses		**–196**	–198
Research and development expenses		**–21**	–17
Other operating expenses	6	**–28**	–77
EBIT		**–55**	33
Share of results in associated companies	15	**2**	6
Financial income and expenses	8		
Interest income		**3**	4
Interest expenses		**–78**	–76
Market price gains and losses		**–10**	4
Other financial expenses		**–13**	–13
Total financial income and expenses		**–98**	–80
Result before taxes		**–151**	–41
Income taxes	9	**34**	–33
Net result for the financial year		**–116**	–75
Earnings per share for result attributable to the equity holders of the Company	10		
Earnings per share, EUR		**–0.28**	–0.18
Diluted earnings per share, EUR		**–0.28**	–0.18

Net result for the financial year is fully attributable to the equity holders of the company.

Consolidated statement of comprehensive income

€ million	Note	2020	2019
Net result for the financial year		**–116**	–75
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations			
Change in exchange differences		**–86**	25
Reclassification adjustments from other comprehensive income to profit or loss		**–**	3
Cash flow hedges	20		
Fair value changes during the financial year		**–8**	12
Reclassification adjustments from other comprehensive income to profit or loss		**–5**	–1
Reclassification adjustments from other comprehensive income to inventory		**4**	–2
Income tax relating to cash flow hedges	9	**0**	–1
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	25		
Changes during the financial year		**–12**	–43
Income tax relating to remeasurements	9	**4**	10
Equity investments at fair value through other comprehensive income	17		
Fair value changes during the financial year		**4**	–55
Income tax relating to equity investments at fair value through other comprehensive income	9	**–**	1
Share of other comprehensive income in associated companies	15	**–0**	–0
Other comprehensive income for the financial year, net of tax		**–101**	–49
Total comprehensive income for the financial year		**–217**	–124

Total comprehensive income for the financial year is fully attributable to the equity holders of the company.

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Consolidated statement of financial position

€ million	Note	2020	2019
ASSETS			
Non-current assets			
Intangible assets	11, 14	**610**	607
Property, plant and equipment	12, 13, 14	**2,631**	2,767
Investments in associated companies	15	**38**	38
Equity investments at fair value through other comprehensive income	17	**48**	31
Derivative financial instruments	20	**6**	5
Deferred tax assets	9	**264**	229
Defined benefit plan assets	25	**64**	68
Trade and other receivables	22	**1**	2
		3,663	3,747
Current assets			
Inventories	21	**1,177**	1,424
Investments at fair value through profit or loss		**26**	13
Derivative financial instruments	20	**17**	15
Trade and other receivables	22	**537**	514
Cash and cash equivalents	23	**376**	325
		2,134	2,291
TOTAL ASSETS		**5,797**	6,038

€ million	Note	2020	2019
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital		**311**	311
Premium fund		**714**	714
Invested unrestricted equity reserve		**2,103**	2,103
Other reserves		**–46**	–40
Retained earnings		**–721**	–525
Total equity	24	**2,360**	2,562
Non-current liabilities			
Non-current debt	27	**1,153**	1,053
Deferred tax liabilities	9	**7**	12
Defined benefit and other long-term employee benefit obligations	25	**329**	335
Provisions	26	**84**	85
Trade and other payables	28	**45**	29
		1,618	1,514
Current liabilities			
Current debt	27	**251**	427
Derivative financial instruments	20	**32**	17
Provisions	26	**31**	25
Current tax liabilities		**6**	17
Trade and other payables	28	**1,500**	1,475
		1,820	1,962
TOTAL EQUITY AND LIABILITIES		**5,797**	6,038

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

Consolidated statement of cash flows

€ million	Note	2020	2019
Cash flow from operating activities			
Net result for the financial year		**–116**	–75
Adjustments for			
Depreciation, amortization and impairments	6, 11, 12, 14	**246**	233
Net expenses on provisions, and defined benefit and other long-term employee benefit obligations		**59**	75
Gain/loss on sale of intangible assets and property, plant and equipment	6	**–6**	–81
Net interest income and expense	8	**71**	63
Taxes	9	**–34**	33
Other non-cash adjustments		**3**	7
		339	330
Change in working capital			
Change in trade and other receivables		**–37**	100
Change in inventories		**237**	129
Change in trade and other payables		**47**	–10
		247	218
Provisions, and defined benefit and other long-term employee benefit obligations paid		**–71**	–53
Interest and dividends received		**2**	12
Interest paid		**–69**	–56
Income taxes paid		**–10**	–5
Net cash from operating activities		**322**	371

€ million	Note	2020	2019
Cash flow from investing activities			
Acquired businesses, net of cash		**–**	–3
Equity investments at fair value through other comprehensive income	17	**–13**	–
Purchases of property, plant and equipment	12	**–146**	–161
Purchases of intangible assets	11	**–20**	–28
Proceeds from the disposal of subsidiaries, net of cash		**–**	9
Proceeds from sale of property, plant and equipment	12	**15**	99
Proceeds from sale of intangible assets	11	**–**	10
Other investing cash flow		**–10**	10
Net cash from investing activities		**–175**	–65
Cash flow before financing activities		**147**	306
Cash flow from financing activities			
Dividends paid	24	**–**	–62
Borrowings of non-current debt		**496**	515
Repayments of non-current debt		**–688**	–76
Change in current debt		**130**	–396
Repayments of lease liabilities		**–33**	–34
Other financing cash flow		**0**	3
Net cash from financing activities		**–94**	–49
Net change in cash and cash equivalents		**53**	256
Cash and cash equivalents at the beginning of the financial year		**325**	68
Net change in cash and cash equivalents		**53**	256
Foreign exchange rate effect on cash and cash equivalents		**–1**	0
Cash and cash equivalents at the end of the financial year	23	**376**	325

Consolidated statement of changes in equity

€ million	Note	Share capital	Premium fund	Invested unrestricted equity reserve	Misc. other reserves	Fair value reserve from equity investments at FV through OCI	Fair value reserve from derivatives	Cumulative translation differences	Remeasure-ments of defined benefit plans	Treasury shares	Other retained earnings	Total equity
Equity on Jan 1, 2019		**311**	**714**	**2,103**	**3**	**5**	**–3**	**–56**	**–80**	**–40**	**–207**	**2,750**
Net result for the financial year		–	–	–	–	–	–	–	–	–	–75	–75
Other comprehensive income		–	–	–	–	–54	9	29	–33	–	–0	–49
Total comprehensive income for the financial year		–	–	–	–	–54	9	29	–33	–	–75	–124
Transactions with equity holders of the Company												
Contributions and distributions												
Dividends paid	24	–	–	–	–	–	–	–	–	–	–62	–62
Share-based payments	18	–	–	–	–	–	–	–	–	7	–9	–3
Other		–	–	–	–	–	–	–	–3	–	3	–
Equity on Dec 31, 2019		**311**	**714**	**2,103**	**3**	**–49**	**6**	**–27**	**–116**	**–33**	**–350**	**2,562**
Net result for the financial year		–	–	–	–	–	–	–	–	–	–116	–116
Other comprehensive income		–	–	–	–	4	–10	–86	–8	–	–0	–101
Total comprehensive income for the financial year		–	–	–	–	4	–10	–86	–8	–	–117	–217
Transactions with equity holders of the Company												
Contributions and distributions												
Convertible bond	27	–	–	–	–	–	–	–	–	–	14	14
Share-based payments	18	–	–	–	–	–	–	–	–	2	–1	1
Equity on Dec 31, 2020		**311**	**714**	**2,103**	**3**	**–45**	**–4**	**–113**	**–124**	**–31**	**–454**	**2,360**

Total equity is fully attributable to the equity holders of the company.

Notes to the consolidated financial statements

1. Corporate information

Outokumpu Oyj is a Finnish public limited liability company organized under the laws of Finland and domiciled in Helsinki, Finland. The parent company, Outokumpu Oyj, has been listed on the Nasdaq Helsinki since 1988. The company's address is P.O. Box 245, 00181 Helsinki, Finland.

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 the Financial report print, do not constitute as reports according to the ESEF regulations.

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 10,000 professionals in more than 30 countries.

In its meeting on February 4, 2021 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.

For the purpose of reporting according to ESEF regulations: Outokumpu Oyj operated with this name also in the previous year. Outokumpu Oyj is the ultimate parent of the Group and its principal place of business is Helsinki, Finland.

2. Accounting principles for the consolidated financial statements

Basis of preparation

These consolidated financial statements of Outokumpu have been prepared on going concern basis for the financial year 2020 covering the period from January 1 to December 31, 2020.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The consolidated financial statements have been prepared in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on December 31, 2020. The consolidated financial statements also comply with the regulations of Finnish accounting and company legislation complementing the IFRSs.

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

Responding to COVID-19

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

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

As a response to the pandemic, Outokumpu reduced its capital expenditures to EUR 180 million in 2020. Furthermore, the cash release from the net working capital reduction was significantly above the targeted level of EUR 100 million. Included here are the deferred VAT payments in Finland of EUR 75 million of which EUR 61 million was still outstanding at year-end for up to one and a half years.

Outokumpu has successfully managed its liquidity through the pandemic and company's financial position has remained stable. Cash and cash equivalents amounted to EUR 376 million at the end of the year and the total liquidity reserves increased to over EUR 1.0 billion. Outokumpu issued a new EUR 125 million convertible bond in July and signed a revolving credit facility in the amount of SEK 1,000 million, guaranteed by the Swedish Export Credit Agency EKN in October. In December, Outokumpu agreed an amendment and extension of its syndicated revolving credit facility allowing for two consecutive yearly extension requests of the maturity dates until the end of May 2024. Out of the EUR 574 million maturing at the end of May 2022, a facility amount of EUR 532 million has been extended until the end of May 2023. The financial covenants of Outokumpu's financial agreements are based on debt-to-equity ratio and Outokumpu remains in compliance with the financial covenants of its financing agreements.

Outokumpu has not experienced material credit risk impacts as a result of COVID-19. The portion of unsecured receivables has been approximately 4–6% of all trade receivables in 2020. Credit limits have remained available from the insurer and there has been no significant change in the insurance cover. Outokumpu has monitored credit risk and overdue situation closely, and continued its close co-operation with insurers.

More information on the liquidity and refinancing risk management as well as credit and country risk management can be found in note 19.

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To ensure appropriate carrying amounts of intangible assets and property, plant and equipment, Outokumpu has continued its practice to assess impairment indicators on quarterly basis. Cash flow projections and other valuation parameters were reviewed due to the global economic slowdown resulting from COVID-19. In reviewing these projections, management had to make assumptions relating to the severity of the outbreak's impact on market as well as the timing and pace of the recovery. More information on impairment testing can be found in note 14 and on management judgements later in this note.

Outokumpu has utilized government support schemes in its operating countries. Outokumpu has received some compensation on its personnel expenses. Outokumpu has also utilized schemes available to defer VAT and social security payments.

Adoption of new and amended IFRS standards and interpretations

As of January 1, 2020, Outokumpu has applied the following new and amended standards.

- **Amendments to IAS 1 Presentation of financial statements** and **IAS 8 Accounting policies, changes in accounting estimates and errors** (effective for financial years beginning on or after January 1, 2020): The amendments clarify the definition of materiality and use it consistently throughout IFRSs and the Conceptual Framework of Financial Reporting. The amendments did not have material impact on Outokumpu's consolidated financial statements.
- **Revised Conceptual Framework of Financial Reporting** (effective for financial years beginning on or after January 1, 2020): The International Accounting Standards Board's revised Conceptual Framework is used in decisions on standard setting. The current accounting standards have not changed, but Framework is applied in determining accounting policies in situations that are not otherwise dealt with under the accounting standards. Key changes in the framework include: increasing the prominence of stewardship in the objective of financial reporting, reinstating prudence as a component of neutrality, revising the definitions of an asset and a liability, removing the probability threshold for recognition, adding guidance on derecognition and different measurement bases, and stating that profit or loss is the primary performance indicator. The amendments did not have material impact on Outokumpu's consolidated financial statements.
- **Temporary amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform** (effective for financial year beginning on or after January 1, 2020): The amendments modify certain specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information on their hedging relationships which are directly affected by these uncertainties. The amendments did not impact Outokumpu's consolidated financial statements as Outokumpu currently applies hedge accounting only to nickel derivatives not impacted by the changes.

Other new or amended standards and interpretations had no impact on Outokumpu's consolidated financial statements.

Outokumpu has not yet applied the following new and amended standards and interpretations already issued. The Group adopts them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform, Phase 2** (effective for financial years beginning on or after January 1, 2021): The amendments address issues arising during the interest rate benchmark reform, including the replacement of one benchmark rate with an alternative one. The amendments cover: (1) accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform; (2) additional temporary exceptions to applying specific hedge accounting requirements to avoid failure of hedge relationships solely due to IBOR reform; and (3) additional IFRS 7 disclosures related to IBOR reform. The amendments are not expected to have material impact on Outokumpu's consolidated financial statements.
- **Amendments to IAS 1 Presentation of financial statements – Classification of Liabilities as Current or Non-current *** (effective for financial years beginning on or after January 1, 2022, possibly deferred to January, 2023): The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period, and that classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the settlement of a liability. The amendments are not expected to have material impact on Outokumpu's consolidated financial statements.
- **Amendments to IAS 16 Property, Plant and Equipment – Proceeds before intended use *** (effective for financial years beginning on or after January 1, 2022): The amendment prohibits an entity from deducting from the cost of a property, plant and equipment item any proceeds received from selling produced items while preparing the asset for its intended use. It also clarifies that testing the functioning of an asset refers to technical and physical performance of the asset, not financial performance. The amendment is not expected to have material impact on Outokumpu's consolidated financial statements.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts *** (effective for financial years beginning on or after January 1, 2022): The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. The amendment is not expected to have material impact on Outokumpu's consolidated financial statements.

*Not yet endorsed by the EU.

Other new or amended standards and interpretations that are not yet effective are not expected to have a material impact on Outokumpu's consolidated financial statements.

Management judgements and use of estimates

The preparation of the financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts

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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 judgements are continuously monitored 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. Management believes that the following accounting principles represent those matters requiring the exercise of judgement where a different opinion could result in significant changes to reported results.

Inventories

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 necessary to make 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 can reduce the risk arising from the time difference between raw material purchase and product delivery. However, the risk is 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. 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 what has been used in NRV calculations on the closing date. See note 21.

Property, plant and equipment and intangible assets and impairments

Management estimates relate to carrying amounts and useful lives of assets as well as other underlying assumptions. Different assumptions and assigned lives could have a significant impact on the reported amounts. Management estimates in relation to goodwill relate to the estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate to calculate present value. The future projections of cash flows include, among other estimates, projections of future prices and delivery volumes, production costs and maintenance capital expenditures.

Carrying amounts of non-current assets are regularly reviewed to determine whether there is any evidence of impairment as described in these accounting principles. The estimation of future cash flows and the definition of the discount rates for impairment testing require management to make assumptions relating to future expectations (e.g. future product pricing, production levels, production costs, market supply and demand, projected maintenance capital expenditure and weighted average cost of capital). In estimating future cash flows, with regards to the COVID-19 pandemic, management makes assumptions relating to the severity of the outbreak's impact on market and financial development as well as the timing and pace of the recovery. A pre-tax discount rate used for the net present value calculation of projected cash flows reflects the weighted average cost of capital. The key assumptions used in the impairment testing, including sensitivity analysis, are explained further in note 14.

Income taxes

Group operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within the countries. Significant judgements are necessary in determining the worldwide income tax liabilities of the Group. Although management believes they have made reasonable estimates about the resolution of tax uncertainties, the final outcome of these uncertainties could have an effect on the income tax liabilities and deferred tax liabilities in the period.

At the end of reporting period, the management assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires judgement with respect to, among other things, benefits that could be realized 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 if estimates of taxable income and benefits from available tax strategies are lowered, or if current tax regulations are enacted that impose restrictions on the Group's ability to utilize future tax benefits. See note 9.

Fair values of non-derivative financial instruments

The fair value of financial instruments which cannot be determined based on quoted market prices and rates are based on different valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Factors regarding valuation techniques and their assumptions could affect the reported fair values.

Relating to the valuation of Outokumpu's investment in Voimaosakeyhtiö SF, key management judgements relate to long-term market price for electricity, Fennovoima's capacity utilization rate, discount rates for cash flows and terminal value, and inflation rates for costs and electricity market price. See note 17.

Employee benefits

The present value of pension obligations is subject to actuarial assumptions which actuaries use in calculating these obligations. Actuarial assumptions include, among others, discount rate, the annual rate of increase in future compensation levels and inflation rate. The assumptions used are presented in note 25.

Provisions

The most significant provisions in the statement of financial position relate to restructuring programs and primarily include termination benefits to employees. The judgement applied mainly relates to the estimated amounts of termination benefits.

The Group has also made provisions for known environmental liabilities based on management's best estimate of the remediation costs. The precise amount and timing of these costs could differ significantly from the estimate. See note 26.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the parent company Outokumpu Oyj and all those subsidiaries where over 50% of the subsidiary's voting rights are controlled directly or indirectly by the parent company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has 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.

Acquired or established subsidiaries are accounted for by using the acquisition method. The consideration transferred, and the identifiable assets acquired and liabilities assumed in the acquired company are measured at fair value at the acquisition date. The consideration transferred includes any assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer. Any contingent consideration related to the business combination is measured at fair value at the acquisition date and it is classified as either liability or equity. Contingent consideration classified as liability is remeasured at its fair value at the end of each reporting period, and the subsequent changes to fair value are recognized in profit or loss. Contingent consideration classified as equity is not subsequently remeasured. The consideration transferred does not include any transactions accounted for separately from the acquisition. All acquisition-related costs except costs to issue debt or equity securities, are recognized as expenses in the periods in which costs are incurred and services rendered.

Goodwill arising on an acquisition is recognized as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests or previously held equity interests in the acquiree, over the Group's share of the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. Non-controlling interest in the acquiree is measured acquisition-by-acquisition either at fair value or at value, which equals to the proportional share of the non-controlling interest in the identifiable net assets acquired. 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.

To those business combinations, which have taken place before January 1, 2010, accounting principles effective at that time have been applied.

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.

Associated companies

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

The Group's share of the associated company's 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. When 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.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amounts are expected to be recovered primarily through sale rather than through continuing use. Classification as held for sale requires that the following criteria are met: the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition subject to usual and customary terms, the management is committed to the sale and the sale is expected to be completed within one year from the date of classification.

Prior to classification as held for sale, the assets or assets and liabilities related to a disposal group in question are measured according to the respective IFRS standards. From the date of classification, non-current assets or a disposal group held for sale are measured at the lower of the carrying amount and the fair value less costs to sell, and the recognition of depreciation and amortization is discontinued.

Assets included in disposal groups but not in the scope of the measurement requirements of IFRS 5, as well as liabilities, are measured according to the related IFRS standards also after the date of classification.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, and for which discrete financial information is available. Outokumpu's business is divided into four business areas, which are responsible for sales, profitability, production and supply chain management, and they are Outokumpu's operating segments under IFRS. The performance of the segments is reviewed based on segments' adjusted EBITDA, which is defined in these accounting principles. The review is done by the CEO who is Outokumpu's chief operating decision maker, on basis of regular internal management reporting based on IFRS.

Foreign currency transactions

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

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in finance 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 exchange differences arisen from instruments designated as hedges of the net investments in foreign operations is recognized in other comprehensive income.

For those subsidiaries whose functional and presentation currency is not the euro, the income and expenses for the statements of income and comprehensive income, and the items for statement of cash flows, are translated into euro using the average exchange rates of the reporting period. The assets and liabilities for 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 Group's other comprehensive income. Any goodwill arising on the acquisition of foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition 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.

Revenue from contracts with customers

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 transfers of physical possession and risks and rewards related to the ownership of the goods accordingly. Consequently, the performance obligations related to sales of stainless steel and ferrochrome are satisfied at a point of time.

With customer deliveries following the "C" Incoterms, whereby the control of the goods transfers to the customer before the delivery, Outokumpu remains responsible for organizing the transportation of the goods to the customer. In these cases, the transportation service is a separate performance obligation, which is satisfied over time of the transportation. Outokumpu has concluded that it acts as a principal with regards to the transportation service performance obligation.

Most of Outokumpu's revenue from contracts with customer is recognized at a point of time. Only revenue from transportation service is recognized over a period of time, and the period under which the revenue is recognized, is relatively short. Moreover, the sales of goods and transportation service are invoiced together from the customer. Consequently, the uncertainty associated with the cash flows does not differ with respect to the timing of revenue recognition.

Outokumpu has made bill and hold arrangements with its 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 up to a period of three months before the actual delivery of the material. However, Outokumpu has transferred control of these materials to the customer and consequently 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.

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 they do not include any significant financing component.

Outokumpu also sells nickel and nickel warrants that relate to nickel sourced as part of a nickel supply agreement but is not needed for production of stainless steel. These sales are recognized to revenue when the title to the material is transferred to the buyer.

Income taxes

Current and deferred income taxes are determined in accordance with IAS 12 Income Taxes on entity level to the extent an entity is subject to income taxation. The Group's income tax in the consolidated statement of income includes current income taxes of the Group companies based on taxable profit for the period, together with tax adjustments for previous periods and the change in deferred income taxes. In several countries (Germany, the UK, Italy, the Netherlands, Sweden and the USA) Outokumpu companies are included in income tax consolidation groups / 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 carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis at the reporting date, as well as for unused tax losses or credits carry forward. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available, against which deductible temporary differences can be utilized. A valuation allowance is recognized against a deferred tax asset if the realization of the related tax benefit 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 except to the extent that the deferred taxes arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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, except if the taxes are related to items of other comprehensive income or to transactions or other events recognized directly in equity, in which case the related income taxes are also recognized either in other comprehensive income or directly in equity, respectively.

Research and development costs

Research costs are expensed in the reporting period in which they are incurred. Development costs are capitalized when it is probable that the development project will generate future economic benefits for the Group, and certain criteria related to commercial and technological feasibility are met. These

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costs relate to the development of new or substantially improved products or production processes and to transformation projects with the target of developing and improving business processes. Capitalized development costs mainly comprise materials and supplies and direct labour costs as well as related overhead costs. Development costs recognized as expenses are not subsequently capitalized.

Subsequent to initial recognition, capitalized development costs are measured at cost less accumulated amortization and impairment losses. Capitalized development costs are amortized on a straight-line basis over their estimated useful lives which is generally five years. Recognition of amortization is commenced as the asset is ready for use. The accounting treatment of the government grants received for research and development activities is described below under Government grants.

Goodwill and other intangible assets

Goodwill arising on a business combination is recognized at the acquisition date at an amount representing the excess of the consideration transferred in an acquisition 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, if any. Goodwill is not amortized but tested for impairment. Goodwill is measured at cost less accumulated impairment losses.

Intangible assets other than goodwill include capitalized development costs, patents, licenses and software. An intangible asset is recognized only if it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. All other expenditure is expensed as incurred. Intangible assets are recognized initially at cost. After initial recognition, assets are measured at cost less accumulated amortizations and impairment losses if the intangible asset has a finite useful life. Cost comprises the purchase price and all costs directly attributable to bringing the asset ready for its intended use. Intangible assets 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 intangible asset are capitalized in the statement of financial position as part of the carrying amount of the asset, when it takes a substantial period of time to get the asset ready for its intended use.

Intangible assets are amortized on a straight-line basis over their expected useful lives. Assets tied to a certain fixed period are amortized over the contract term. Amortization periods used for intangible assets are the following:

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

Recognition of amortization is discontinued when the intangible asset is classified as held for sale. The estimated useful lives and residual values are reviewed at least at the end of each financial year. If they differ substantially from previous estimates, the useful lives are adjusted accordingly.

Gains and losses on disposal of intangible assets are included in other operating income and expenses.

Emission allowances

Emission allowances are intangible assets measured at cost. Allowances received free of charge are recognized at nominal value, i.e. at zero carrying amount. A provision to cover the obligation to return emission allowances is recognized at fair value at the end of the reporting period if the emission allowances held by the Group do not cover the actual emissions. The purchased emission allowance quotas recognized in intangible rights are derecognized against the actual emissions or, when the emission allowances are sold. The obligation to deliver allowances equal to emissions is recognized under other operating expenses. Gains from the sale of allowances are recognized as other operating income in the statement of income.

Property, plant and equipment

Property, plant and equipment acquired by the Group companies are measured at cost. The cost includes all expenditure directly attributable to the acquisition of the asset. Government grants received are deducted from the cost. Property, plant and equipment acquired in business combinations are measured at fair value at the acquisition date.

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

Property, plant and equipment are carried in the statement of financial position at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. Depreciation 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. Recognition of depreciation on an item of property, plant and equipment is discontinued when the item is classified as held for sale. Expected useful lives and residual values are reviewed at least at the end of each financial year and, if they differ significantly from previous estimates, the useful lives are revised accordingly.

Ordinary repairs and maintenance costs are expensed during the reporting period in which they are incurred. The cost of major renovations is included in the asset's carrying amount when it is probable that the Group will derive future economic benefits in excess of the originally assessed standard of performance of the existing asset and the cost can be reliably measured. Costs arising on such major renovations are accounted for as capital expenditure and depreciated on a straight-line basis over their estimated useful lives.

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

Government grants

Government or other grants and support are recognized as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate. Income from grants and other support is presented as other

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operating income. Investment grants related to acquisitions of property, plant and equipment and intangible assets are deducted from the cost of the asset in question in the statement of financial position and recognized as income on a systematic basis over the useful life of the asset in the form of reduced depreciation or amortization expense.

Impairment of property, plant and equipment and intangible assets

Carrying amounts of non-current assets are regularly reviewed to determine whether there is any evidence of impairment. If any such evidence of impairment emerges, the asset's recoverable amount is estimated. Goodwill is tested at least annually, irrespective of whether there is any evidence of impairment.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. For goodwill testing purposes, the recoverable amount is based on value in use which is determined by reference to discounted future net cash flows expected to be generated by the asset. In Outokumpu, goodwill is tested on operating segment level. The discount rate used is a pre-tax rate that reflects the current market view on the time value of money and the asset-specific risks. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognized immediately in profit or loss. The estimated useful life of the asset that is subject to depreciation or amortization is also reassessed when an impairment loss is recognized.

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted carrying amount is higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill are not reversed.

Leases

Group as a lessee

Outokumpu leases land, buildings, machinery and equipment for its operations. Outokumpu has also entered into service and supply contracts that contain lease elements. Contracts are typically with a fixed term and a fixed rental amount. Rents for contracts on land and buildings are typically linked to an index or a rate. For some contracts, the rental payments are variable based on the use of the asset.

Outokumpu recognizes lease liabilities measured at the present value of future lease payments to its 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. Incremental borrowing rates for Group companies are defined as part of the process to determine interest rates for intra-group lending, in which Outokumpu defines a synthetic rating for subsidiaries. The incremental borrowing rate takes into account the currency, the maturity of the lease liability, and the credit risk of the lessee, which is based on the synthetic rating, and country risk.

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 when determining the lease liability when it is highly probably that the option will be used.

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

Lease liabilities are presented in non-current and current debt and right-of-use assets are presented in property, plant and equipment in consolidated statement of financial position.

Outokumpu does not apply the accounting practice of recognizing lease liabilities or right-of-use assets to short-term leases, leases of low value items, or intangible assets. Instead, related payments, as well as variable lease payments are recognized as expense to the profit or loss.

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 under other operating income.

Financial instruments

Financial assets

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

If an item is not measured at fair value through profit or loss, significant transaction costs are included in the initial carrying amount of the financial 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.

Financial assets at fair value through profit or loss

The category of financial assets at fair value through profit or loss includes derivatives, to which hedge accounting is not applied, as well as other financial items at fair value through profit or loss held for trading purposes. A financial asset, such as an investment in debt instrument or money market fund is classified in this category if it has been acquired with the main purpose of selling the asset within a short period of time. In some cases, also share investments can be classified in this category.

These financial assets 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 are recognized in profit or loss in the reporting period in which they are incurred. The changes in fair value of other financial items measured at fair value are recognized in market price gains and losses under financial income and expenses. Accounting of derivatives is described in more detail in section Derivatives and hedge accounting.

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Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include hedge accounted derivatives and equity investments in listed and unlisted companies.

Equity investments and divestments of these items are recognized at the trade date. Equity investments are included in non-current assets, unless the Group has the intention to dispose of the investment within 12 months from the reporting date.

Equity investments are measured at fair value. The fair value measurement is based on quoted rates and market prices at the end of the reporting period, as well as on appropriate valuation techniques, such as recent transaction prices and cash flow discounting. These valuation techniques use observable market data when it is available but rely also on entity-specific estimates made by the management. Fair value changes of equity investments measured at fair value are recognized in other comprehensive income and presented in equity within fair value reserve, net of tax. Dividends are recognized in profit or loss. When the shares are disposed, the accumulated changes in fair value are reclassified from fair value reserve to retained earnings.

Financial assets measured at amortized cost

Financial assets measured at amortized cost include non-derivative financial assets with fixed or determinable payments and are not quoted in active markets. This category includes trade and other receivables and cash and cash equivalents.

Financial assets measured at amortized cost 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.

Outokumpu uses factoring for working capital management. Factored trade receivables have been derecognized from the statement of financial position when the related risks and rewards of ownership have materially been transferred.

Outokumpu has adopted simplified model in assessing and recognizing expected credit losses on trade receivables. The calculation model is based on overdue statistics and counterparty-specific credit rating linked with loss probabilities for each rating. Impairment losses are recognized in selling and marketing expenses.

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 and the risk of changes in value is low. Bank overdrafts are included in current liabilities in the statement of financial position.

Financial liabilities

Financial liabilities at fair value through profit or loss

The category of financial liabilities at fair value through profit or loss includes derivatives that do not meet the criteria of hedge accounting. Realized and unrealized gains and losses arising from changes in fair value of derivatives are recognized in profit or loss in the reporting period in which they are incurred.

Financial liabilities at amortized cost

Financial liabilities recognized at amortized cost include the loans, bonds, lease liabilities and trade and other payables. Loans and trade and other payables are recognized at the settlement date and measured initially at fair value. After initial recognition, they are carried at amortized cost using the effective interest rate method. Transaction costs are included in the original carrying amount. A financial liability (or part of the liability) is not derecognized until the liability has ceased to exist, that is, when the obligation identified in a contract has been fulfilled or cancelled or is no longer effective.

Significant costs related to revolving credit facilities are amortized over the expected loan term.

Convertible bonds

The Group classifies convertible bonds as compound instruments. The component parts of the bonds are 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 value of the bond as a whole and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method. The equity component of the bond is not remeasured to initial recognition except on conversion or expiry.

Derivative instruments and hedge accounting

Derivatives

Derivatives are initially recognized at fair value on the trade date, on which the Group becomes a contractual counterparty, and are subsequently measured at fair value. Gains and losses arising on fair value measurement are accounted for depending on the purpose of use of the derivative contract. The gains and losses arising from fair value changes of derivative contracts, to which hedge accounting is applied and which are effective hedging instruments, are presented congruent with the hedged item. Changes in fair value of derivative contracts not qualifying for hedge accounting are recognized in EBIT in other operating income and expenses. If a derivative is designated for financing activities, the gain or loss effects arising from the instrument are recognized within financial income and financial expenses.

The fair value measurement of derivatives is based on quoted market prices and rates as well as on discounted cash flows at the end of the reporting period. The fair values of currency, interest rate and metal options are determined by utilising commonly applied option valuation models, such as Black-Scholes-Merton model. Fair values of derivatives can in certain cases be based on valuations of external counterparties.

Hedge accounting

Outokumpu applies cash flow hedge accounting to certain nickel derivatives which fulfil the IFRS 9 hedge accounting requirements. In the beginning of each hedging arrangement, the Group documents the relationship between the hedging instrument and the hedged item, as well as the objectives of risk management and strategy of the hedging arrangement. 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 that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument. Hedge accounting is discontinued when 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 in the period in which the hedged cash flows affect profit or loss. In the certain hedge accounted transaction, the realized part of the nickel derivatives is first reclassified from other comprehensive income to inventory for certain period and finally reclassified in profit and loss. The fair value changes related to the ineffective portion of the hedging instrument are recognized immediately in profit or loss.

The Group has in earlier years hedged equities of the subsidiaries located outside the euro area against changes in exchange rates with the aim to reduce the effects of changes in exchange rates on the Group's equity. Accumulated fair value changes of qualifying financial instruments designated as hedges are reported in equity. They will be reclassified to profit or loss as part of the gain or loss on disposal if the corresponding foreign operation is sold or otherwise disposed of, partly or in full.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value hierarchy is based on the source of inputs used in determining fair values. 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, discounted future cash flows and, in respect of options, on valuation models. For assets and liabilities in level three, there is no reliable market source available and thus the fair value measurement cannot be based on observable market data. Therefore, the measurement methods are chosen so that the information available for the measurement and the characteristics of the measured objects can be adequately taken into account.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of raw material is determined by actual cost defined as monthly weighted average. The cost of self-produced finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production and procurement overheads, but excludes borrowing costs. Cost of purchased products includes all purchasing costs including direct transportation, handling and other costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. 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 financial year.

Treasury shares

When the parent company or its subsidiaries purchase the 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.

Provisions and contingent liabilities

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 a reliable estimate can be made of the amount of the obligation. The Group's provisions mainly relate to restructuring plans, onerous contracts, environmental liabilities, litigation and tax risks. The amount recognized as a provision corresponds to the management's best estimate of the costs required to fulfil an existing obligation at the end of the reporting period. If part of the obligation may potentially be compensated by a third party, the compensation is recognized as a separate asset when it is virtually certain that the compensation will be received. Non-current provisions are discounted to net present value at the end of the reporting period using risk-free discount rates.

The cost of an item of property, plant and equipment also comprises the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located at the end of the useful life of the item on a present value basis. Such a liability may exist for decommissioning a plant, rehabilitating environmental damage, landscaping or removing equipment. A provision presenting the asset retirement obligation is recognized in the same amount at the same date. Adjustments to the provision due to subsequent changes in the estimated timing or amount of the outflow of resources, or in the change in the discount rate are deducted from or added to the cost of the corresponding asset in a symmetrical manner. The costs will be depreciated over the asset's remaining useful life.

Environmental provisions are based on the interpretation of the effective environmental laws and regulations related to the Group at the end of the reporting period. Such environmental expenditure, that arises from restoring the conditions caused by prior operations are recognized as expenses in the period in which they are incurred. 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 employee termination benefits.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the control of the entity. Such present obligation that probably does not require settlement of a payment obligation and the amount of which cannot be reliably measured is also considered to be a contingent liability. Contingent liabilities are disclosed in the notes to the financial statements.

Employee benefits

Post-employment and other long-term employee benefits

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 expenses 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

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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 plan assets are measured at fair value at the end of the reporting period. The liability recognized in the statement of financial position is the defined benefit obligation at the closing date less the fair value of 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.

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.

Share-based payment transactions

The share-based payments are settled net of tax withholdings, and they are accounted as fully equity-settled. The expense of the programs recognized over vesting periods is based on the grant date fair value.

Applicable statistical models are used in valuation. The impact of non-market-based vesting conditions is assessed at the end of each reporting period. The programs include maximum limits for the pay-outs and the limits have been taken into account in the valuation of the benefits.

EBIT and EBITDA

Outokumpu's EBIT is the net sum which is formed by adding other operating income to sales and then deducting the cost of purchase adjusted by change in the inventory and the cost of manufacture for own use, the cost of employee benefits, depreciation, amortization, any impairments, and other operating expenses. All other items of the statement of income are presented below EBIT. Exchange gains and losses and fair value changes of derivatives are included in EBIT, if they arise from business-related items. Otherwise they are recognized in financial items. EBITDA is formed by adding the deducted depreciation, amortization and impairments back into EBIT.

Adjusted EBITDA

Adjusted EBITDA is Outokumpu's main performance indicator in financial reporting, including segment reporting. Adjusted EBITDA presented in the notes to the consolidated financial statements excludes such 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.

Dividends

The dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the Annual General Meeting of Shareholders.

Earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding with the assumption that convertible instrument is 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. Operating segment information

Outokumpu's business is divided into four business areas which are Europe, Americas, Long Products and Ferrochrome. 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.

Business areas have responsibility for commercials, supply chain management and operations and they are Outokumpu's operating segments under IFRS. The performance of the segments is reviewed based on segment's adjusted EBITDA, which is defined in the accounting principles for the consolidated financial statements. The review is done regularly by the CEO based on internal management reporting which is based on IFRS. Below is a description of the activities of the four operating segments:

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 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

					Reconciliation			
2020 € million	Europe	Americas	Long Products	Ferrochrome	Operating segments total	Other operations	Eliminations	Group
External sales	3,485	1,194	415	151	5,245	394	–	5,639
Inter-segment sales	83	1	78	260	422	271	–693	–
Sales	3,568	1,195	493	411	5,667	665	–693	5,639
Adjusted EBITDA	142	55	–8	91	280	–29	–0	250
Adjustments to EBITDA								
Restructuring costs	–47	–2	–3	–1	–53	–6	–	–59
EBITDA	95	53	–11	90	227	–36	–0	191
Depreciation and amortization	–140	–54	–10	–34	–238	–4	–0	–243
Impairments	–2	–1	–	–	–3	–0	–	–3
EBIT	–47	–1	–21	56	–14	–40	–1	–55
Share of results in associated companies	–	–	–	–	–	–	–	2
Financial income	–	–	–	–	–	–	–	3
Financial expenses	–	–	–	–	–	–	–	–101
Result before taxes	–	–	–	–	–	–	–	–151
Income taxes	–	–	–	–	–	–	–	34
Net result for the financial year	–	–	–	–	–	–	–	–116
Assets in operating capital	2,610	1,097	255	931	4,894	292	–213	4,973
Other assets	–	–	–	–	–	–	–	561
Deferred tax assets	–	–	–	–	–	–	–	264
Total assets	–	–	–	–	–	–	–	5,797
Liabilities in operating capital	1,037	297	122	166	1,622	270	–205	1,687
Other liabilities	–	–	–	–	–	–	–	1,744
Deferred tax liabilities	–	–	–	–	–	–	–	7
Total liabilities	–	–	–	–	–	–	–	3,437
Operating capital	1,573	801	133	766	3,272	21	–8	3,286
Net deferred tax asset	–	–	–	–	–	–	–	257
Capital employed	–	–	–	–	–	–	–	3,543

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and beverage processing, as well as building and construction industry. The business area has production units in the US and Mexico, as well as a service center in Argentina.

Long Products are used in a wide range of applications such as springs, wires, surgical equipment, automotive parts and construction. The manufacturing is concentrated in the integrated sites in the UK, Sweden and the US. Outokumpu has concluded strategic review of Long Products during 2020 and as a result, Outokumpu has initiated a turnaround program to develop the Long Products business internally.

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 four operating segments described above, as well as industrial holdings. Such business development and Corporate Management expenses that are not allocated to the business areas are also reported under Other operations. Sales of Other operations consist of sales of electricity to Group's production facilities in Finland and in Sweden, nickel procured under Group's sourcing contract that exceed the production needs, and internal commissions and services.

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

					Reconciliation			
2019 € million	Europe	Americas	Long Products	Ferrochrome	Operating segments total	Other operations	Eliminations	Group
External sales	4,023	1,343	505	168	6,040	363	–	6,403
Inter-segment sales	66	3	137	293	498	290	–788	–
Sales	4,089	1,346	642	461	6,538	653	–788	6,403
Adjusted EBITDA	216	–27	–7	96	278	–21	6	263
Adjustments to EBITDA								
Gain on the sale of real estate in Benrath, Germany	70	–	–	–	70	–	–	70
Restructuring costs in Germany	–53	–	–	–	–53	–	–	–53
Settlement with ThyssenKrupp	–	–	–	–	–	–14	–	–14
EBITDA	233	–27	–7	96	295	–35	6	266
Depreciation and amortization	–134	–56	–8	–29	–226	–4	–	–230
Impairments	–1	–1	–	–0	–2	–0	–	–3
EBIT	99	–84	–16	67	66	–39	6	33
Share of results in associated companies	–	–	–	–	–	–	–	6
Financial income	–	–	–	–	–	–	–	8
Financial expenses	–	–	–	–	–	–	–	–89
Result before taxes	–	–	–	–	–	–	–	–41
Income taxes	–	–	–	–	–	–	–	–33
Net result for the financial year	–	–	–	–	–	–	–	–75
Assets in operating capital	2,876	1,209	296	854	5,235	292	–201	5,327
Other assets	–	–	–	–	–	–	–	483
Deferred tax assets	–	–	–	–	–	–	–	229
Total assets	–	–	–	–	–	–	–	6,038
Liabilities in operating capital	975	295	139	163	1,571	262	–194	1,640
Other liabilities	–	–	–	–	–	–	–	1,824
Deferred tax liabilities	–	–	–	–	–	–	–	12
Total liabilities	–	–	–	–	–	–	–	3,476
Operating capital	1,901	914	157	692	3,664	30	–7	3,687
Net deferred tax asset	–	–	–	–	–	–	–	217
Capital employed	–	–	–	–	–	–	–	3,904

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4. Geographical information

External sales by destination

€ million	Finland	Other Europe	North America	APAC region	Other countries	Group
2020						
Business area						
Europe	196	2,940	47	262	41	3,485
Americas	–	0	1,144	5	45	1,194
Long Products	2	235	144	33	0	415
Ferrochrome	10	66	2	73	0	151
Other operations	–	–	–	–	394	394
	208	**3,240**	**1,337**	**373**	**481**	**5,639**
2019						
Business area						
Europe	254	3,277	96	349	47	4,023
Americas	–	0	1,277	13	52	1,343
Long Products	1	265	200	39	0	505
Ferrochrome	8	56	–	104	1	168
Other operations	–	–	–	–	363	363
	264	3,598	1,573	506	462	6,403

Non-current assets

€ million	Finland	Other Europe	North America	APAC region	Other countries	Group
2020	**1,774**	**732**	**723**	**10**	**2**	**3,241**
2019	1,762	764	834	11	2	3,374

Non-current assets are presented by the locations of the Group companies. Non-current assets exclude investments in associated companies, financial instruments, deferred tax assets and defined benefit plan assets.

5. Acquisitions and divestments

Outokumpu did not have any material acquisitions or divestments in 2020.

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6. Income and expenses

Timing of revenue recognition related contracts with customers

Outokumpu recognizes revenue from sales of stainless steel and ferrochrome at a point of time. The revenue recognized over time relates to the performance obligation of organizing the transport of sold goods to the customer, which is a minor source of revenue compared to the material sales, and the period of transport, over which it is recognized, is relatively short. Moreover, the sales of goods and transportation service are invoiced together from the customer. Consequently, the uncertainty associated with the cash flows do not differ with respect to the timing of revenue recognition.

Revenue related to bill and hold

Outokumpu has so-called bill and hold arrangements in place with its selected European customers where Outokumpu has transferred control of the material to the customer and recognized the revenue for the material sales. In the end of 2020, the amount of revenue recognized under the bill and hold arrangements for products not delivered yet was immaterial.

Depreciation and amortization by function

€ million	2020	2019
Cost of sales	**–233**	–217
Selling and marketing expenses	**–2**	–2
Administrative expenses	**–7**	–11
Research and development expenses	**–1**	–1
	–243	–230

Other operating income

€ million	2020	2019
Gains from disposal of subsidiaries	–	1
Gains on sale of intangible assets and property, plant and equipment	**6**	82
Insurance compensation	**0**	4
Other income items	**16**	20
	22	107

Other income items include EUR 5 million of government support in 2020 mainly related to COVID-19 support measures in various countries (2019: no material items).

Other operating expenses

€ million	2020	2019
Exchange gains and losses from foreign exchange derivatives	**–12**	–18
Market price gains and losses from commodity derivatives	**5**	–35
Market price gains and losses from derivative financial instruments	**–7**	–52
Impairments	**–3**	–3
Losses on sale of intangible assets and property, plant and equipment	**–0**	–1
Other expense items	**–17**	–21
	–28	–77

Other expense items include EUR 11 million of expensed emission allowances in 2020 (2019: no expenses).

Adjustments to EBITDA

€ million	2020	2019
Restructuring costs	**–59**	–53
Gain on the sale of real estate in Benrath	**–**	70
Settlement with ThyssenKrupp	**–**	–14
	–59	3

In 2020, Outokumpu announced its new strategy with the first-phase focus on de-risking the company through deleveraging the balance sheet. Actions include cost savings through employee reductions, and the related restructuring costs amounted to EUR 59 million.

In 2019, Outokumpu carried out restructuring negotiations in Germany targeting to improve competitiveness through cost reductions. The agreed measures resulted in restructuring costs of EUR 53 million.

In 2019, Outokumpu sold real estate in Benrath, Germany. The sold property had been unused since 2016 when Outokumpu closed its cold rolling operations in Benrath. The gain on the sale amounted to EUR 70 million.

In 2019, Outokumpu and ThyssenKrupp settled a claim relating to tax consolidation in Italy, as well as other earlier claims relating to Outokumpu's acquisition of Inoxum. The settlement resulted in a EUR 14 million expense in Outokumpu.

Auditor fees

PricewaterhouseCoopers

€ million	2020	2019
Audit	**–2.0**	–2.4
Audit-related services	**–0.0**	–0.0
Tax advisory	**–0.0**	–0.3
Other services	**–0.1**	–0.4
	–2.1	–3.1

PricewaterhouseCoopers Oy has provided non-audit services to Outokumpu in total of EUR 0.1 million during 2020. These services comprised of sustainability reporting and other agreed upon procedures.

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7. Employee benefit expenses

€ million	2020	2019
Wages and salaries	**–547**	–568
Termination benefits	**–56**	–61
Social security costs	**–80**	–84
Post-employment and other long-term employee benefits		
Defined benefit plans	**–5**	–7
Defined contribution plans	**–40**	–40
Other long-term employee benefits	**–1**	–9
Expenses from share-based payments	**–1**	–0
Other personnel expenses	**–5**	–6
	–735	–774

In 2020, Outokumpu carried out employee negotiation processes in selected operating countries to create cost savings by restructuring and reducing total employee headcount by up to approximately 1,000 (10% of the Group total) mostly by the end of 2021. The fixed cost reductions are needed as the market situation in Europe is challenging and import pressure remains high, and the COVID-19 pandemic impacts the global economy. The restructuring costs are reported as termination benefits in the above table and as adjustments to EBITDA (see note 6).

No profit-sharing bonuses based on the Finnish Personnel Funds Act were recognized in 2020 nor in 2019.

More information on employee benefits for key management can be found in note 31 and the Remuneration report.

8. Financial income and expenses

€ million	2020	2019
Interest income	**3**	4
Interest expenses		
Debt at amortized cost	**–56**	–48
Factoring expenses	**–6**	–10
Lease liabilities	**–12**	–13
Other interest expenses	**–1**	–
Interest expense on defined benefit and other long-term employee benefit obligations	**–3**	–6
Interest expenses	**–78**	–76
Capitalized interests	**3**	5
Fees related to committed credit facilities	**–11**	–14
Other fees	**–5**	–4
Other financial expenses	**–13**	–13
Exchange gains and losses		
Derivatives	**–4**	–0
Cash, loans and receivables	**–8**	–4
Other market price gains and losses		
Derivatives	**1**	3
Other	**1**	5
Market price gains and losses	**–10**	4
Total financial income and expenses	**–98**	–80

Other interest expenses include expenses of EUR 1 million related to deferred VAT payments in Finland.

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Exchange gains and losses in the consolidated statement of income

€ million	2020	2019
In sales	**–12**	9
In purchases [1)]	**30**	–16
In other income and expenses [1)]	**–12**	–18
In financial income and expenses [1)]	**–11**	–4
	–6	–29

[1)] Includes exchange gains and losses on elimination of intra-group transactions.

Exchange gains and losses include EUR 16 million of net exchange loss on derivative financial instruments (2019: EUR 18 million net exchange loss) of which a loss of EUR 12 million has been recognized in other operating expenses and a loss of EUR 4 million in financial items.

9. Income taxes

Income taxes in the consolidated statement of income

€ million	2020	2019
Current taxes	**–4**	–5
Deferred taxes	**39**	–28
	34	–33

Reconciliation of income taxes at statutory tax rate in Finland and income taxes recognized in the consolidated income statement

€ million	2020	2019
Result before taxes	**–151**	–41
Hypothetical income taxes at Finnish tax rate of 20% on consolidated result before tax	**30**	8
Difference between Finnish and foreign tax rates	**4**	4
Tax effect of non-deductible expenses and tax exempt income	**–6**	–8
Current year losses for which no deferred tax asset recognized	**–0**	–29
Deferred tax asset valuation movements	**–1**	1
Taxes for prior years	**4**	–9
Tax effect of tax rate changes and other changes in tax laws	**3**	0
Income taxes in the consolidated statement of income	**34**	–33

Accumulated deferred taxes recognized in equity

€ million	2020	2019
Deferred tax on convertible bond equity component	**–3**	–
Net investment hedging	**–4**	–4
Remeasurements of the net defined benefit liability through other comprehensive income	**62**	58
	55	54

Deferred tax assets and liabilities

€ million	Jan 1, 2020 Deferred tax assets	Jan 1, 2020 Deferred tax liabilities	Movements Recognized in profit or loss	Movements Recognized in other comprehensive income or directly in equity	Movements Translation differences	Dec 31, 2020 Deferred tax assets	Dec 31, 2020 Deferred tax liabilities
Intangible assets	8	–3	1	–	0	8	–2
Property, plant and equipment	16	–228	22	–	0	17	–207
Inventories	10	–18	4	–	–0	10	–14
Net derivate financial assets	1	–4	1	–	–0	1	–3
Other financial assets	19	–6	9	–	–0	31	–9
Defined benefit and other long-term employee benefit obligations	51	–11	–3	4	0	52	–12
Other financial liabilities	112	–6	–16	–3	–0	89	–2
Provisions	5	–13	–2	–	–0	7	–17
Tax losses and tax credits	283	–	22	–	1	306	–
	505	–288	39	0	1	**523**	**–266**
Offset in country-level income tax consolidation	–277	277				–260	260
Deferred taxes in the statement of financial position	229	–12				**264**	**–7**

€ million	Jan 1, 2019 Deferred tax assets	Jan 1, 2019 Deferred tax liabilities	Movements Recognized in profit or loss	Movements Recognized in other comprehensive income	Movements Translation differences	Dec 31, 2019 Deferred tax assets	Dec 31, 2019 Deferred tax liabilities
Intangible assets	7	–4	3	–	–	8	–3
Property, plant and equipment	29	–214	–27	–	0	16	–228
Inventories	20	–12	–17	–	0	10	–18
Net derivate financial assets	4	–13	5	1	–0	1	–4
Other financial assets	–16	–10	40	–1	–0	19	–6
Defined benefit and other long-term employee benefit obligations	75	–33	–11	10	–1	51	–11
Other financial liabilities	88	–14	32	–	0	112	–6
Provisions	22	–20	–10	–	0	5	–13
Tax losses and tax credits	326	–	–43	–	0	283	–
	555	–320	–28	11	0	505	–288
Offset in country-level income tax consolidation	–308	308				–277	277
Deferred taxes in the statement of financial position	247	–12				229	–12

Deferred taxes have been reported as a net balance of those Group companies that file a consolidated tax return, or that may otherwise be consolidated for current tax purposes.

Tax losses carried forward

€ million	2020	2019
Expire in less than 1 year	**3**	–
Expire in 2–5 years	**217**	358
Expire later than in 5 years	**1,883**	1,759
Never expire	**1,283**	1,344
	3,385	3,461
Finland	**592**	447
Germany	**266**	354
Sweden	**374**	314
The US	**1,898**	2,077
The UK	**183**	187
Other countries	**73**	82
	3,385	3,461

Deferred tax assets are recognized only to the extent that the utilization of related tax benefits is considered probable. In the determination of whether the utilization is probable, all positive and negative factors, including prospective results, are taken into consideration in order to estimate whether sufficient taxable income will be generated to realize deferred tax assets. These estimates can change depending on the future course of events. As of December 31, 2020 tax attributes of the Outokumpu Group for which no deferred tax asset has been recognized amount to EUR 1,942 million (Dec 31, 2019: EUR 2,079 million). No material previously unrecognized deferred tax assets were recognized in 2020 or 2019. No deferred tax liabilities were recorded on undistributed profits on foreign subsidiaries, as such profits are not to be distributed in the foreseeable future.

10. Earnings per share

	2020	2019
Result attributable to the equity holders of the Company, € million	**–116**	–75
Weighted average number of shares, in thousands	**411,824**	411,198
Diluted average number of shares, in thousands	**435,135**	446,209
Earnings per share for result attributable to the equity holders of the Company		
Earnings per share, €	**–0.28**	–0.18
Diluted earnings per share, €	**–0.28**	–0.18

11. Intangible assets

€ million	Good-will	Other intangible assets [1]	Total
Historical cost on Jan 1, 2020	487	361	848
Translation differences	–2	0	–2
Additions	–	17	17
Disposals	–	–4	–4
Reclassifications	–	2	2
Historical cost on Dec 31, 2020	**485**	**377**	**862**
Accumulated amortization and impairment on Jan 1, 2020	–21	–220	–241
Translation differences	2	–1	1
Amortization	–	–15	–15
Disposals	–	3	3
Accumulated amortization and impairment on Dec 31, 2020	**–19**	**–232**	**–252**
Carrying value on Dec 31, 2020	**466**	**144**	**610**
Carrying value on Jan 1, 2020	466	141	607
Historical cost on Jan 1, 2019	489	332	821
Translation differences	–2	–0	–2
Additions	–	36	36
Disposals	–	–7	–7
Reclassifications	–	1	1
Historical cost on Dec 31, 2019	487	361	848
Accumulated amortization and impairment on Jan 1, 2019	–22	–214	–236
Translation differences	2	1	2
Amortization	–	–7	–7
Disposals	–	1	1
Accumulated amortization and impairment on Dec 31, 2019	–21	–220	–241
Carrying value on Dec 31, 2019	466	141	607
Carrying value on Jan 1, 2019	467	118	585

[1] Other intangible assets include land-use rights, emission allowances, capitalized development costs, patents, licenses and software.

Intangible assets mainly comprise acquired assets.

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During 2020, borrowing costs amounting to EUR 0 million were capitalized on investment projects (2019: EUR 4 million). Total interest capitalized on December 31, 2020 was EUR 6 million (Dec 31, 2019: EUR 6 million). Outokumpu determinates separate capitalization rates for each quarter. The average rate used during 2020 was 4.3%.

Emission allowances

Outokumpu had seven active sites operating under EU's Emissions Trading Scheme (ETS) in 2020. These include the production plants in Tornio, Finland; Avesta, Degerfors, Fagersta and Nyby in Sweden; Sheffield in the UK; as well as Krefeld together with Dillenburg in Germany.

The pre-verified carbon dioxide emissions under ETS were approximately 1.0 million tonnes in 2020 (2019: 1.0 million tonnes). For its 2020 emission allowance delivery, Outokumpu will use allowances received for free, but also allowances acquired from market in prior years, and has therefore recognized EUR 11 million in other operating expenses in 2020 (2019: no expenses).

The emission allowance trading period 2013–2020 ended, and for the new period 2021–2030, all relevant Outokumpu sites have applied free emission allowances according to efficiency-based benchmarks and historical activity. Decisions on free allocation conditions are expected later in 2021. Emission allowance position is regularly monitored and optimized according to the definitions set in corporate risk policies.

12. Property, plant and equipment

€ million	Land	Mine properties	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction work in progress	Total
Historical cost on Jan 1, 2020	128	72	1,286	4,691	135	294	6,606
Translation differences	–2	–	–12	–46	1	–3	–62
Additions	2	17	10	37	1	102	169
Disposals	–4	–	–10	–43	–1	–	–58
Reclassifications	–	23	8	31	1	–64	–2
Other	0	–	1	–2	–	–	–0
Historical cost on Dec 31, 2020	**123**	**112**	**1,283**	**4,668**	**137**	**330**	**6,654**
Accumulated depreciation and impairment on Jan 1, 2020	–15	–39	–719	–2,983	–82	–2	–3,840
Translation differences	0	–	–0	1	–1	–0	1
Disposals	–	–	3	43	1	–	46
Depreciation	–1	–9	–47	–165	–4	–0	–227
Impairments	–	–	–2	–1	–	–	–3
Accumulated depreciation and impairment on Dec 31, 2020	**–16**	**–48**	**–766**	**–3,105**	**–86**	**–2**	**–4,023**
Own property, plant and equipment	70	64	481	1,457	51	327	2,450
Right-of-use assets	37	–	37	106	0	1	181
Carrying value on Dec 31, 2020	**107**	**64**	**517**	**1,563**	**51**	**328**	**2,631**
Carrying value on Jan 1, 2020	112	33	567	1,708	53	293	2,767

€ million	Land	Mine properties	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction work in progress	Total
Historical cost on Jan 1, 2019 before IFRS 16 transition	136	71	1,243	4,511	137	235	6,332
IFRS 16 transition impact	13	–	40	77	0	–	131
Translation differences	1	–	3	7	–0	1	10
Additions	–	1	3	58	1	142	205
Disposals	–20	–	–6	–43	–3	–1	–73
Disposed subsidiaries	–	–	–1	–4	–0	–	–6
Reclassifications	–	–	5	76	1	–79	3
Other	–	–	–	7	–	–2	5
Historical cost on Dec 31, 2019	128	72	1,286	4,691	135	294	6,606
Accumulated depreciation and impairment on Jan 1, 2019	–14	–33	–676	–2,868	–80	–2	–3,673
Translation differences	–0	–	0	5	0	0	5
Disposals	–	–	5	42	3	–	49
Disposed subsidiaries	–	–	1	3	0	–	4
Depreciation	–1	–6	–48	–164	–4	–	–223
Impairments	–0	–	–1	–2	–0	–	–2
Accumulated depreciation and impairment on Dec 31, 2019	–15	–39	–719	–2,983	–82	–2	–3,840
Own property, plant and equipment	74	33	532	1,581	53	293	2,566
Right-of-use assets	38	–	35	126	0	–	200
Carrying value on Dec 31, 2019	112	33	567	1,708	53	293	2,767
Carrying value on Jan 1, 2019	121	37	567	1,644	56	233	2,659

During 2020, EUR 2 million of borrowing costs were capitalized on investment projects (2019: EUR 2 million). Total interest capitalized on December 31, 2020 was EUR 25 million (Dec 31, 2019: EUR 24 million). Outokumpu determines separate capitalization rates for each quarter. The average rate used during 2020 was 1.5%.

13. Leases

Outokumpu leases land, buildings, and machinery and equipment used in Group's operations. 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 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 and thus reported as short-term leases. Outokumpu applies the recognition exemption for short-term leases and leases of low-value assets. Leases of low value assets typically include office equipment.

Right-of-use assets

€ million	Land	Buildings	Machinery and equipment	Advances paid	Total
Historical cost on Jan 1, 2020	41	42	204	–	286
Additions	0	8	8	1	16
Other changes	0	0	–2	–	–2
Historical cost on Dec 31, 2020	**41**	**49**	**210**	**1**	**301**
Accumulated depreciation on Jan 1, 2020	–2	–6	–77	–	–85
Depreciation	–1	–6	–27	–	–34
Accumulated depreciation on Dec 31, 2020	**–3**	**–13**	**–104**	–	**–120**
Carrying value on Dec 31, 2020	**37**	**37**	**106**	**1**	**181**

€ million	Land	Buildings	Machinery and equipment	Advances paid	Total
Historical cost on Jan 1, 2019 before IFRS 16 transition	28	1	100	2	131
IFRS 16 transition impact	13	40	77	–	131
Additions	–	0	19	1	19
Other changes	–	–	7	–2	5
Historical cost on Dec 31, 2019	41	42	204	–	286
Accumulated depreciation on Jan 1, 2019	–1	–0	–52	–	–53
Depreciation	–1	–6	–26	–	–33
Accumulated depreciation on Dec 31, 2019	–2	–6	–77	–	–85
Carrying value on Dec 31, 2019	38	35	126	–	200

Lease liabilities

€ million	2020	2019
Non-current	**174**	176
Current	**18**	30
	192	206

Maturity analysis of lease liabilities is presented in note 19.

Amounts recognized in the statement of income

€ million	2020	2019
Depreciation of right-of-use assets	**–34**	–33
Interest expenses on lease liabilities	**–12**	–13
Expenses related to short-term leases	**–10**	–13
Expenses related to leases of low-value items	**–1**	–1
	–56	–59

Amounts recognized in the statement of cash flows

€ million	2020	2019
Repayments of lease liabilities	**–33**	–34
Interest paid on lease liabilities	**–12**	–13
	–45	–46

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14. Impairment of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment by operating segment

	Goodwill		Other intangible assets		Property, plant and equipment	
€ million	**2020**	2019	**2020**	2019	**2020**	2019
Europe	**343**	343	**5**	4	**1,140**	1,220
Americas	**–**	–	**1**	1	**705**	811
Long Products	**9**	9	**2**	3	**88**	98
Ferrochrome	**114**	114	**0**	0	**686**	615
Other operations	**–**	–	**136**	133	**11**	24
	466	466	**144**	141	**2,631**	2,767

Impairment testing

Impairment testing is carried out on operating segment level, as they are the Group's cash-generating units. Goodwill, other intangible assets, and property, plant and equipment by business area are presented in the above table. In addition, the test covers the net working capital of each business area. In 2020, due to COVID-19, the cash flow projections and other testing parameters were reviewed on a quarterly basis.

The recoverable amounts of the cash-generating units are based on value-in-use calculations, prepared using discounted cash flow projections, based on the new strategy approved by the management in November, 2020, and include cash flow forecasts for 2021–2026 after which the terminal value is calculated. The carrying amount to which the recoverable amount is compared, is the operating capital of the segment as presented in note 3 and defined in the Alternative performance measures section of the Review by the Board of Directors.

Key assumptions are discount rate, terminal value growth rate, average global growth in end-use consumption of stainless steel and base price development, and the values assigned to the key assumptions are conservative. As the base-line for the cash flow projections was the performance level impacted by COVID-19, the estimates also include assumptions relating to the severity of the pandemic's impact on market and financial development as well as the timing and pace of the recovery, where the management has used external analyses on different scenarios to define a realistic estimate for Outokumpu's business and operating environment.

Discount rate is the weighted average pre-tax cost of capital (WACC), as defined for Outokumpu. The components of WACC are risk-free yield rate, Outokumpu credit margin, market risk premium, equity beta, and the Group target capital structure. The pre-tax WACC used for Europe was 8.2% (2019: 7.6%), for Americas 10.1% (2019: 10.7%), for Long Products 9.1% (2019: 9.2%), and for Ferrochrome 8.1% (2019: 7.6%).

In the terminal value, growth rate assumptions are 0.5% (2019: 0.5%) for Europe, Ferrochrome, and Long Products and 1.0% (2019: 1.0%) for Americas. Management believes these to be prudent based on current economic circumstances, although historical growth rates and forecasts of independent market analysts indicate higher long-term growth rates.

Growth rate assumption used for stainless steel deliveries is conservative, and generally lower than independent analysts' view on long-term market development. Base price forecast is based on conservative assumptions. In addition, committed investments and expected cost savings have been included in the cash flow projections.

The estimated recoverable amount of Europe exceeds its carrying amount by approximately EUR 1,057 million. Increase of 4.4 percentage points in after-tax WACC would cause the recoverable amount to equal the carrying amount. Also, 25% decrease in EBITDA would cause the recoverable amount to equal the carrying amount. A terminal growth rate of 0% would not lead to impairment.

The estimated recoverable amount of Americas exceeds its carrying amount by approximately EUR 181 million. Increase of 1.4 percentage points in after-tax WACC would cause the recoverable amount to equal the carrying amount. Also, 12% decrease in EBITDA would cause the recoverable amount to equal the carrying amount. A terminal growth rate of 0% would not lead to impairment.

The estimated recoverable amount of Long Products exceeds its carrying amount by approximately EUR 35 million. Increase of 1.7 percentage points in after-tax WACC would cause the recoverable amount to equal the carrying amount. Also, 12% decrease in EBITDA would cause the recoverable amount to equal the carrying amount. A terminal growth rate of 0% would not lead to impairment.

The estimated recoverable amount of Ferrochrome exceeds its carrying amount by approximately EUR 277 million. Increase of 2.8 percentage points in after-tax WACC would cause the recoverable amount to equal the carrying amount. Also, 18% decrease in EBITDA would cause the recoverable amount to equal the carrying amount. A terminal growth rate of 0% would not lead to impairment.

As a result of the performed impairment test to Group's cash-generating units, no impairment losses were recognized in 2020 nor 2019. However, impairment losses of EUR 3 million related to asset obsolence were recognized in Europe and Americas in 2020 (2019: impairment losses of EUR 3 million).

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15. Investments in associated companies

Outokumpu has the following associated companies which are all equity accounted. Based on the amounts reported in Group's consolidated financial statements, it is concluded that the investments are immaterial.

Associated companies

	Domicile	Ownership, %
Manga LNG Oy	Finland	45
OSTP Holding Oy	Finland	49
Rapid Power Oy	Finland	33

Summarized financial information on associated companies

€ million	2020	2019
Carrying value of investments in associated companies	**38**	38
Group's share of total comprehensive income	**2**	6

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

2020 € million	Measured at Amortized cost	Measured at Fair value through other comprehensive income	Measured at Fair value through profit or loss	Carrying amount	Fair value	Fair value hierarchy level
Non-current financial assets						
Equity investments	–	48	–	48	48	3
Trade and other receivables	1	–	–	1	1	–
Derivatives held for trading	–	–	6	6	6	2
Current financial assets						
Other investments	–	–	26	26	26	1
Trade and other receivables	385	–	–	385	385	–
Hedge accounted derivatives	–	8	–	8	8	2
Derivatives held for trading	–	–	10	10	10	2
Cash and cash equivalents	376	–	–	376	376	–
	762	56	42	860	860	
Non-current financial liabilities						
Non-current debt	1,153	–	–	1,153	1,208	2
Current financial liabilities						
Current debt	251	–	–	251	251	2
Trade and other payables	1,246	–	–	1,246	1,246	–
Hedge accounted derivatives	–	11	–	11	11	2
Derivatives held for trading	–	–	21	21	21	2
	2,650	11	21	2,682	2,737	

The fair value of non-current debt is determined by using quoted prices for listed instrument, for loans and lease liabilities the fair value is determined by discounted cash flow method where yields observed at reporting date are used. The fair value of the convertible bonds includes the value of the conversion rights.

2019 € 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	–	31	–	31	31	3
Trade and other receivables	2	–	–	2	2	–
Hedge accounted derivatives	–	0	–	0	0	2
Derivatives held for trading	–	–	5	5	5	2
Current financial assets						
Other investments	–	–	13	13	13	1
Trade and other receivables	359	–	–	359	359	–
Hedge accounted derivatives	–	7	–	7	7	2
Derivatives held for trading	–	–	8	8	8	2
Cash and cash equivalents	325	–	–	325	325	–
	686	38	26	750	750	
Non-current financial liabilities						
Non-current debt	1,053	–	–	1,053	1,068	2
Current financial liabilities						
Current debt	427	–	–	427	431	2
Trade and other payables	1,291	–	–	1,291	1,291	–
Hedge accounted derivatives	–	1	–	1	1	2
Derivatives held for trading	–	–	16	16	16	2
	2,771	1	16	2,788	2,807	

Accounting principles contain information on how fair values are defined on different levels in the fair value hierarchy. There were no transfers between level 1, 2 and 3 during the years. A major part of equity investments at fair value through other comprehensive income at hierarchy level 3 relate to investments in unlisted energy producing companies. The movement in the carrying amounts of equity investments at fair value through other comprehensive income presented in note 17 represents also the reconciliation of level 3 changes.

17. Equity investments at fair value through other comprehensive income

€ million	2020	2019
Carrying value on Jan 1	**31**	86
Additions	**13**	–
Fair value changes	**4**	–55
Carrying value on Dec 31	**48**	31

Fair value reserve in equity

€ million	2020	2019
Fair value on Dec 31	**48**	31
Fair value at initial recognition	**93**	80
Fair value reserve	**–45**	–49

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 and the Group considers this classification to be relevant. All equity securities at fair value through other comprehensive income are unlisted. Investments include EUR 27 million holding in Voimaosakeyhtiö SF providing ownership to Fennovoima Oy and EUR 20 million of holdings in other energy companies in which Outokumpu does not have control, joint control or significant influence. During year 2020 Outokumpu invested EUR 13 million to Voimaosakeyhtiö SF and by the end of 2020 Outokumpu has invested totally EUR 92 million in the shares of Voimaosakeyhtiö SF. The EUR 4 million increase in fair value in 2020 relates to energy producing companies and is caused mainly due to rise in estimated long-term prices of electricity.

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Valuation model of energy producing companies is based on discounted cash flow model, which takes into account the market and forecasted long-term prices of electricity, discount rate, inflation rate, the estimated amount of electricity to be received and estimated production costs.

Additional parameters for Voimaosakeyhtiö SF valuation include e.g. the expected purchase price of electricity under the Mankala principle, expected project completion date and cost of debt in Fennovoima Oy. The fair value of Voimaosakeyhtiö SF shares is highly sensitive to the valuation parameters and especially to long-term price of electricity, Fennovoima's capacity utilization rate, discount rates for cash flows and the terminal value, inflation rate and project completion date.

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

18. Share-based payment plans

During 2020, Outokumpu's share based payment programs included Performance Share Plan 2012 (Plans 2018–2020, 2019–2021 and 2020–2022), Restricted Share Pool Program 2012 (Plans 2018–2020, 2019–2021 and 2020–2022) and Matching Share Plan for the key management. Matching Share Plan and Performance Share Plan 2019–2020 for the CEO related to the former CEO, and ended when he left the company. Share-based programs are part of the Group's incentive and commitment-building system for key employees. The objective of the programs is to retain, motivate and reward selected employees for good performance which supports Outokumpu's strategy.

The Performance Share Plan 2017–2019 ended and based on not achieving the targets, no shares were rewarded to the participants. Regarding the Restricted Share Pool Program plan 2017–2019, after deductions for applicable taxes, in total 49,147 shares were delivered to 53 participants based on the conditions of the plan.

In December 2019, the Board of Directors approved the commencement of the new plan (plan 2020–2022) of the Performance Share Plan from the beginning of 2020. At the end of the reporting period 127 persons participated in the plan and they had been allocated in total 2,903,702 gross shares (payout at maximum performance level).The plan's earnings criterion is Outokumpu's return on operating capital compared to a peer group.

In December 2019, the Board of Directors approved the commencement of the new plan (plan 2020–2022) of Restricted Share Pool Program from the beginning of 2020. Restricted share grants are approved annually by the CEO on the basis of the authorization granted by the Board of Directors, with the exception of any allocations to Leadership Team members, which will be approved by the Board of Directors. At the end of the reporting period 37 persons participated in the plan and they have been allocated in total 161,900 gross shares.

In April 2016, the Board of Directors approved the commencement of Matching Share Plan for the management for the years 2016–2020. According to the plan, the participants invested 30–120% of their annual gross base salary into Outokumpu shares by December 31, 2016. Outokumpu matched each share acquired by the participant with two gross shares from which applicable taxes were deducted and the remaining net number of shares was delivered in four equal installments at the end of 2017, 2018, 2019 and 2020, respectively. In order to receive the matching shares, the participants were required to keep all the shares they had acquired until the vesting of each matching share tranche. In 2020, the Board of Directors approved the delivery of the last reward tranche from the plan. After deduction of applicable taxes, the net number of shares delivered was 178,350.

Outokumpu used its treasury shares for all share reward payments.

In December 2020, the Board of Directors approved the commencement of the 2021–2023 plans for the Performance Share Plan 2012 and the Restricted Share Pool Program 2012 from the beginning of 2021.

For the financial year 2020, the share-based payment expenses included in the employee benefit expenses were EUR 1 million (2019: EUR –0 million). The total estimated value of the share-based payment plans is EUR 2 million on December 31, 2020. This value is recognized as an expense in the statement of income during the vesting periods.

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

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

	Performance Share Plan		
Grant date	Feb 2, 2018	Feb 20, 2019	March 9, 2020
Vesting period	Jan 1, 2018–Dec 31, 2020	Jan 1, 2019–Dec 31, 2021	Jan 1, 2020–Dec 31, 2022
Share price at grant date	6.61	3.55	2.80
Exercised	In shares and cash	In shares and cash	In shares and cash
Vesting conditions			
Non-market	Outokumpu’s return on operating capital compared to a peer group		
Other relevant conditions	A salary-based limit for the maximum benefits		

	Restricted Share Pool Program		
Grant date	June 1, 2018	April 18, 2019	March 9, 2020
Vesting period	Jan 1, 2018–Dec 31, 2020	Jan 1, 2019–Dec 31, 2021	Jan 1, 2020–Dec 31, 2022
Share price at grant date	5.76	3.72	2.80
Exercised	In shares and cash	In shares and cash	In shares and cash
Vesting conditions	Continuation of employment until the shares are delivered, a salary-based limit for the maximum benefits		

	Matching Share Plan for the management
Grant date	April 27, 2016
Vesting period	Jan 1, 2017–Dec 31, 2020
Share price at grant date	5.35 [1)]
Exercised	In shares and cash
Vesting conditions	Personal investment of 30–120% of annual gross base salary into Outokumpu shares; requirement to keep the personal investment until the vesting of each matching share tranch; continuation of employment until the matching shares are delivered.

[1)] Incentive fair value at the grant date reported as the average fair value based on the share purchase dates.

19. Financial risk management, capital management and insurances

The main objectives of financial risk management are to reduce earnings volatility and to secure sufficient liquidity to avoid financial distress. Other objectives include reduction of cash flow volatility and maintaining debt-to-equity ratio as well as leverage according to set targets. The objective of capital management is to secure the ability to continue as a going concern and to optimize cost of capital in order to enhance value to shareholders, with a focus on sufficient liquidity during the pandemic in 2020. The main objectives of insurance management are to provide mitigation against catastrophe risks and to reduce earnings variation.

The Board of Directors has approved the risk management policy, which defines responsibilities, process and other main principles of risk management. The Board of Directors oversees risk management on a regular basis and the Chief Financial Officer is responsible for implementation and development of financial risk management. Financial risk management is regularly monitored and reviewed by the Risk Management Steering Group, led by the CFO.

Financial risks consist of market, country, credit, liquidity and refinancing risks. Subsidiary companies hedge their currency and commodity price risk with Outokumpu Oyj, which does most of the Group's foreign exchange and commodity derivative contracts with banks and other financial institutions. Treasury function ("Treasury") is responsible for managing foreign exchange, metal, interest rate, liquidity and refinancing risk as well as emission allowance price risk. Credit risk management has been mostly centralized to Global Business Services, and Treasury coordinates credit control. CFO office together with relevant Business Areas are responsible for managing 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 used in insurance management.

Exposure to financial risk is identified in connection with the risk management process. This approach aims to secure that any emerging risk is identified early and that each significant risk is described, quantified, managed and communicated properly. Eventually, the impacts of key financial risks are quantified in terms of changes to income, free cash flow, net debt and equity.

Market risk

Market risk categories include foreign exchange, interest rates, interest margins as well as metal, energy, emission and security price risk. These price changes may have a significant impact on Group's earnings, cash flow and capital structure.

The strategy for market risk management is based on identifying, assessing and mitigating relevant risk in committed business transactions and balance sheet items for each of the market risk categories. In interest rate, energy price and emission price risk the forecasted items are included in the underlying risk position. Outokumpu uses matching strategies and derivative contracts to partially mitigate impacts of market price changes. The use of derivatives may cause timing differences between derivative gains/losses and the earnings impact of the underlying exposure. In order to reduce earnings variations, hedge accounting is applied selectively as part of the metal hedging activities. Most of the derivatives are short-term, however interest rate hedges typically have a maturity in excess of one year.

Stainless steel business is cyclical, which may result in significant changes in the underlying exposures to different market risk factors, especially US dollar and nickel price. Consequently, the cyclicality may lead to significant changes in the amounts of derivate contracts. Nominal amounts and fair values of derivatives are presented in note 20. Sensitivity of financial instruments to market prices is described in the table below.

Foreign exchange rate risk

A major part of the Group's sales is in euros and US dollars. In this context, the local currency denominated production costs in the UK and Sweden cause foreign exchange risk. Foreign exchange cash flow risk related to firm commitments, e.g. price fixed sales and purchase orders, is usually hedged whereas forecasted and probable cash flows are not typically hedged but can be hedged selectively. Continuing an exception to hedging policy approved in 2019, the main operating entity in Sweden hedged its fixed price sales orders to limited extent, and did not hedge its fixed price purchase orders.

The main dollar cash flow risk origins from ferrochrome operations as a consequence of chromium being priced in US dollars. Another significant dollar cash flow risk is embedded in sales margins due to dollar-linked stainless scrap purchase discounts.

Fair value risk consists of currency denominated accounts receivable, accounts payable, debt, cash, loan receivables and commodity derivatives. Outokumpu aims to hedge most of the identified fair value risk with derivative contracts. Internal Swedish krona denominated financing causes significant fair value exchange

Sensitivity of financial instruments to market risks

	Dec 31, 2020		Dec 31, 2019	
€ million	In profit or loss	In other comprehensive income	In profit or loss	In other comprehensive income
+/–10% change in EUR/USD exchange rate	+3/–4	–	+5/–6	–
+/–10% change in EUR/SEK exchange rate	–2/+3	–	–9/+11	–
+/–10% change in nickel price in USD	+0/–0	+5/–5	–3/+3	+0/–0
+/–1% parallel shift in interest rates	–9/+10	–	–6/+7	–

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 21–31%. With +/–30% change in dollar denominated price, the effect in profit or loss is about EUR +0/–0 million and in other comprehensive income EUR +15/–15 million for nickel derivatives.

Foreign exchange positions of EUR-based companies

	Dec 31, 2020				Dec 31, 2019			
€ million	SEK	USD	GBP	Other	SEK	USD	GBP	Other
Trade receivables and payables	–6	–257	11	7	0	–248	12	11
Loans and bank accounts [1)]	440	50	0	6	525	59	–7	17
Derivatives	–438	179	–30	–27	–525	183	–14	–29
Net position	**–4**	**–28**	**–19**	**–14**	0	–7	–9	–1

Foreign exchange positions of SEK-based companies

	Dec 31, 2020				Dec 31, 2019			
€ million	EUR	USD	GBP	Other	EUR	USD	GBP	Other
Trade receivables and payables	67	–23	2	5	69	–17	4	18
Loans and bank accounts [1)]	9	9	1	1	26	8	0	1
Derivatives	–122	–1	–12	–12	–217	–49	–11	–29
Net position	**–46**	**–15**	**–10**	**–5**	–121	–58	–7	–9

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

Currency distribution and re-pricing of outstanding net debt

€ million	Dec 31, 2020				
Currency	Net debt [1)]	Derivatives [2)]	Average rate, % [1)]	Duration. year [3)]	Rate sensitivity [4)]
EUR	1,204	–450	5.1	3.9	3.4
SEK	–26	436	0.0	0.1	4.1
USD	–94	18	0.0	–0.0	–0.8
Others	–56	3	0.3	–0.0	–0.5
	1,028	**7**			**6.2**

€ million	Dec 31, 2019				
Currency	Net debt [1)]	Derivatives [2)]	Average rate, % [1)]	Duration. year [3)]	Rate sensitivity [4)]
EUR	1,292	–587	5.6	2.8	3.5
SEK	–9	581	–0.1	0.2	5.7
USD	–77	6	1.0	0.0	–0.7
Others	–50	5	0.8	0.0	–0.5
	1,155	5			8.0

[1)] Includes cash and cash equivalents and debt.

[2)] Net derivative liabilities include nominal value of interest rate and currency forwards earmarked to net debt. Currency forwards are not included in average rate calculation.

[3)] Duration calculation includes both net debt and derivatives.

[4)] The effect of one percentage point increase in interest rates to financial expenses over the following year.

rate risk, which is hedged with forward contracts and, if possible, with matching of external debt. The Group's fair value foreign exchange position is presented in a more detailed level in the table.

Outokumpu's net income and net investment translation risk is mainly in US dollars, Swedish kronas and British pounds. Based on the policy this risk can be hedged selectively and in 2020 there were no hedges related to net income or net investment exposures. The effective portion of gains (EUR 17 million, net of tax) on earlier financial years' net investment hedges is recognized in equity.

Changes in currency rates cause translation differences in debt and have therefore impact on Group's capital structure. The largest debt translation risk relates to Swedish krona denominated internal loans.

Interest rate risk

The Group's interest rate risk is monitored as cash flow risk i.e. impact of interest rate changes on net interest expenses, and fair value risk i.e. impact of interest rate changes on fair value of monetary assets and liabilities. In order to manage the balance between risk and cost in an optimal way, significant part of debt has effectively short-term interest rate as a reference rate. This approach typically helps to reduce average interest rate of debt while it may also provide some mitigation against a risk of adverse changes in business environment, which tends to result to decrease in interest rates. In 2020 these conditions existed, which have positive impact on financial income and expenses.

Swedish krona, euro and US dollar have substantial contribution to the overall interest rate risk. Approximately 47% (2019: 64%) 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, 2020 was 4.9% (Dec 31, 2019: 4.5%). Interest rate position is presented on a more detailed level in the table. Outokumpu is also exposed to variation of credit margins, mainly in regards of any new financing, e.g. in connection with issue of commercial papers and new long-term debt. Furthermore, interest expenses and other financing expenses are somewhat affected by development of the leverage ratio due to margin grid definition in some of the loan agreements.

Changes in interest rates impact pension plan asset and liability values. The net liability of defined benefit plans and other long-term employee benefits was EUR 250 million at year end and an increase in long-term interest rates would typically be expected to decrease the net liability of the plans.

Metal and energy price risk

Outokumpu uses a substantial amount of raw materials and energy for which prices are determined in regulated markets, such as London Metal Exchange ("LME") and Nasdaq Commodities. Timing differences between alloy metal purchases and pricing of stainless steel; changes in inventory levels; and the capability to pass on price changes in raw materials to end-product prices affect metal risk. Since there is no established financial derivative market for chromium, this risk is categorized as business risk.

Apart from chromium, changes in nickel price is the most important metal price risk for Outokumpu. A significant part of stainless-steel sales contracts includes an alloy surcharge clause, with the aim of reducing the risk arising from the timing difference between alloy metal purchase and stainless-steel delivery. Outokumpu's nickel position consists

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of price fixed purchase orders, inventories of nickel-containing materials and price fixed sales orders. Based on the financial risk policy the identified nickel price risk, excluding the risk related to the base stock, must be hedged. Nickel forwards and options are used to manage impacts of nickel price changes on earnings, whereas efficient working capital management helps to reduce cash flow variations caused by metal prices.

During the reporting year, the share of sales contracts in Europe with fixed price continued to increase. Furthermore, the ability to pass price changes in alloy metals to stainless steel prices varied resulting in a varying price relationship between e.g. LME nickel prices and stainless steel.

Hedge accounting programs in nickel derivatives were broadened during 2020. Both Business Area Europe and Business Area Americas have active hedge accounting programs in nickel derivatives. The hedge accounting covers a meaningful part of Group nickel price risk and has reduced volatility of the underlying nickel linked earnings. For further details on hedge accounting please see Note 20.

Outokumpu's exposure to iron price is similar to that of nickel, except for the value of the exposure being lower and secondly, Outokumpu produces some iron in connection with the Kemi chromite mining.

Outokumpu's main production sites in Europe are participating in the EU Emissions Trading Scheme (ETS). The amounts of realized and forecasted carbon dioxide emissions and granted emission allowances are monitored at Group level. In certain situations, the market price of power can be partially based on price of carbon emissions. This indirect exposure to emission prices can be significant for Outokumpu due to energy intensive processes using power and fuels. At year end, Outokumpu had adequate amount of emission allowances to cover all forecasted needs of the (phase III) emission trading period, ending in 2020.

Outokumpu manages energy price risk centrally. The electricity and gas price risks are reduced with fixed price supply contracts and partial ownership in power utilities.

Security price risk

Outokumpu has equity investments and fixed income securities. On December 31, 2020, the biggest investments were in OSTP Holding Oy (investment in associated company of EUR 23 million) and Voimaosakeyhtiö SF.

The investment in Voimaosakeyhtiö SF provides Outokumpu with appr. 14% indirect stake in the Fennovoima Oy nuclear power plant project. This stake gives Outokumpu access to estimated 170 MW power capacity once the project has been completed. Information on the valuation of the investment is presented in note 17.

The captive insurance company Visenta Försäkringsaktiebolag has investments totaling EUR 26 million in highly rated and liquid fixed income securities as well as fixed income and equity funds in order to optimize return for assets and to manage the risk prudently.

Outokumpu has a defined benefit pension plan in the UK. This plan has assets approximately EUR 0.5 billion, most of which have been invested in fixed income securities and almost one fifth to return seeking assets. Changes in security prices would therefore impact the net asset reported on this plan. Based on the locally applied technical provisions the plan assets cover nearly in full the plan liabilities at year end. For more information please see note 25.

Country and credit risk

Outokumpu's sales have been 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, 2020, the maximum exposure to credit risk of trade receivables was EUR 384 million (2019: EUR 359 million). The portion of unsecured receivables during 2020 has been approximately 4–6% of all trade receivables. During 2020, credit limits have remained available from the insurer and there is no significant change in the insurance cover. As a COVID-19 mitigation action, Outokumpu has more frequently monitored credit risk and the overdue situation and continued its close co-operation with the insurers. For significant part of trade receivables Outokumpu uses factoring, which transfers most risks and rewards to the buyer of the receivables. At the end of the year, most of the receivables were generated by a large number of customers and there were only a few risk concentrations. Age analysis of accounts receivables is presented in note 22.

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 the derivative transactions, Outokumpu prefers to have ISDA framework agreements in place. Exposure to country risk is monitored and at year-end such risk included e.g. Argentina due to Outokumpu's local and cross-border business activities there.

Liquidity and refinancing risk

Outokumpu raises most of its debt centrally. The Group seeks to reduce liquidity and refinancing risk by having sufficient amount of cash and long-term committed credit lines available, by having balanced maturity profile of debt and by diversifying sources of funding. Daily liquidity is optimized by issuance of commercial papers and by doing currency swaps. Efficient cash and liquidity management is also reducing liquidity risk. Finance plans are prepared and reviewed regularly with a focus on forecasted cash flow, projected funding requirements, planned funding transactions during the forecast period 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 debt-to-equity and leverage ratios are key measurements in the planning.

In 2020, Outokumpu strengthened its liquidity reserves in response to the COVID-19 pandemic as well as improved its maturity profile of debt. In March, Outokumpu refinanced EUR 120 million pension loan with new maturity of 10 years. In July, Outokumpu issued new EUR five years 125 million unsecured convertible bonds, where the proceeds were used for general corporate purposes and the prepayment of debt. In October, Outokumpu signed a new SEK 1000 million secured revolving credit facility, which is guaranteed by the Swedish Export Credit Agency EKN. The facility can be used to finance Outokumpu's subsidiary Outokumpu Stainless Ab in Sweden and includes a condition allowing for two

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consecutive yearly extensions of the maturity until the end of May 2024. In addition, in December, Outokumpu agreed an amendment and extension of its syndicated revolving credit facility allowing for two consecutive yearly extension requests of the maturity dates until the end of May 2024. Out of EUR 574 million maturing at the end of May 2022, a facility amount of EUR 532 was extended until end of May 2023. Furthermore, the use of the EUR 120 million Kemi mine facility continued and Outokumpu drew EUR 44 million new long-term capital expenditure funding for the project. In addition to funding measures, Outokumpu also deferred VAT payments in Finland of EUR 75 million of which EUR 61 million is outstanding at year end.

Net debt development

€ million	2020	2019
Net cash flow from operating activities	**322**	371
Net cash flow from investing activities	**–175**	–65
Cash flow before financing activities	**147**	306
Dividends paid	**–**	–62
Convertible bond equity portion	**17**	–
Other financing cash flow	**0**	3
Cash flow impact on net debt	**164**	248
Opening net debt	**1,155**	1,241
IFRS 16 transition impact	**–**	131
Cash flow impact on net debt	**–164**	–248
Change in net debt, non–cash	**37**	32
Closing net debt	**1,028**	1,155

In 2020 the Moody's corporate family rating for Outokumpu decreased from B2 to B3 and the rating for secured notes decreased from B1 to B2. Both ratings have negative outlook at the end of the year.

Credit facilities

€ million	Maturity	Total 2020	Utilized 2020	Available 2020	Total 2019	Utilized 2019	Available 2019
Committed revolving credit facility	May 2021	76	–	76	76	–	76
	May 2022	42	–	42	574	–	574
	May 2023	532	–	532	–	–	–
Committed Kemi mine investment facility	Sept 2030 [1)]	120	86	34	120	42	78
Committed SEK 1,000 million revolving credit facility	May 2022	100	–	100	–	–	–
Commited facilities total		**870**	**86**	**784**	770	42	728
Uncommitted Finnish commercial paper program	N/A	800	231	569	800	101	699

1) Availability period until March 2022

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Contractual cash flows

2020 € million	2021	2022	2023	2024	2025	2026–
Bonds	–	–	–	250	–	–
Convertible bonds	–	–	–	–	125	–
Loans from financial institutions	2	5	340	10	10	51
Pension loans	–	13	43	37	31	76
Lease liabilities	18	17	15	15	14	113
Other loans	0	0	0	0	0	6
Commercial papers	231	–	–	–	–	–
Trade payables	1,246	–	–	–	–	–
Interest payments and facility charges	67	61	46	28	18	167
Currency derivatives						
Outflows	1,267	–	–	–	–	–
Inflows	–1,279	–	–	–	–	–
Interest derivatives	–2	–2	–2	–1	–	–
	1,550	**94**	**442**	**339**	**198**	**413**

On December 31, 2020, the Group had cash and cash equivalent amounting to EUR 376 million and committed available long-term credit facilities totaling EUR 674 million. In addition, the EUR 34 million long-term facility is available for financing the Kemi mine investment.

2019 € million	2020	2021	2022	2023	2024	2025–
Bonds	–	–	–	–	250	–
Convertible bonds	250	–	–	–	–	–
Loans from financial institutions	8	4	4	405	5	30
Pension loans	40	48	62	28	22	24
Lease liabilities	30	64	11	9	8	84
Commercial papers	101	–	–	–	–	–
Trade payables	1,180	–	–	–	–	–
Interest payments and facility charges	66	55	42	27	12	148
Currency derivatives						
Outflows	1,816	–	–	–	–	–
Inflows	–1,813	–	–	–	–	–
Interest derivatives	–1	–1	–1	–1	–1	–
	1,678	171	118	467	296	285

On December 31, 2019, the Group had cash and cash equivalent amounting to EUR 325 million and committed available long-term credit facilities totaling EUR 650 million. In addition, the EUR 78 million long-term facility is available for financing the Kemi mine investment.

The revolving credit facility totalling EUR 650 million, the sustainability linked term loan and the notes due in 2024 are secured by a comprehensive security package, which includes pledges on real estate in Tornio and Calvert, pledges of shares of certain material subsidiary companies and guarantees issued by many of the material subsidiary companies. Outokumpu and its secured lenders have signed an intercreditor agreement in February 2014, when the security package was originally created. More information on liquidity and refinancing risk is presented in the following table.

Capital management

The objectives of capital management are to secure ability to continue as a going concern and to optimize cost of capital in order to enhance value to shareholders, with a focus on sufficient liquidity during the pandemic in 2020. As part of these objectives, Outokumpu seeks to maintain access to loan and capital markets at all times despite of the cyclical nature of the stainless-steel industry. The Board of Directors reviews the capital structure of the Group on a regular basis. Capital structure and debt capacity are taken into account when deciding e.g. on investments and dividends. Tools to manage equity capital include dividend policy, share buybacks and issues of equity or equity-linked securities. Debt capital is managed taking into account the requirement to maintain good liquidity and the capability to refinance maturing debt. These topics are considered in connection with cost of capital optimization.

Tools to manage debt capital include issue of new debt, prepayment of loans and liability management measures, such as the use of call options of issued notes. In 2020 several measures targeting to increase liquidity and average maturity of debt were implemented. The revolving credit facilities, the sustainability linked term loan and the Kemi mine financing facility include financial covenants, which are based on debt-to-equity ratios. The notes maturing in 2024 include an incurrence based financial covenant on debt-to-equity ratio and the defined covenant level is 100 percent. In 2020 Outokumpu was in compliance with the financial covenants of its financing agreements.

The Group's internal capital structure is reviewed on a regular basis with an aim to optimize it e.g. by applying internal dividends and equity adjustments. In 2020, several capital transactions were made between German units and from Germany to Sweden and Finland. In addition a shareholder contribution was made to Visenta Försäkringaktiebolag. Net investment and debt in foreign subsidiaries are monitored and Outokumpu has capability to hedge net investment translation risk.

Visenta Försäkringsaktiebolag has to comply with capital adequacy requirements set by the financial supervisory authority in Sweden. During the reporting period Visenta has been profitable and well capitalized to meet externally imposed requirements, which are based e.g. on Solvency II framework.

The management monitors Group's capital structure based on debt-to-equity ratio, which is calculated as net debt divided by total equity, and on a basis of leverage ratio, which is calculated as net debt divided by adjusted EBITDA. Outokumpu's long-term targets are to have debt-to-equity ratio below 35% and leverage below 1.0. Outokumpu also targets to improve its current credit ratings.

Capital structure

€ million	2020	2019
Total equity	**2,360**	2,562
Non-current debt	**1,153**	1,053
Current debt	**251**	427
Total debt	**1,404**	1,480
Total capitalization	**3,764**	4,042
Total debt	**1,404**	1,480
Cash and cash equivalents	**–376**	–325
Net debt	**1,028**	1,155

	2020	2019
Debt-to-equity ratio, %	**43.6**	45.1
Net debt to adjusted EBITDA	**4.1**	4.4

The debt-to-equity ratio improved slightly despite of low profitability. Successful cost scrutiny and cash preservation through working capital management and capex reductions supported the ratio to remain stable.

Insurances

The Group's business is capital intensive and key production processes are rather tightly integrated and have therefore interdependencies. Property damage and business interruption insurance, covering e.g. fires, machinery breakdowns and natural catastrophes, is the most important insurance line and significant portion of insurance premiums paid relate to this PDBI cover. Business operations may cause significant liability risks related e.g. to people, environment or Outokumpu's products. Outokumpu aims to mitigate liability risk by relevant risk management measures and by having reasonable insurances in place. Other significant insurance lines include marine cargo and credit. During the reporting year there were no events leading to significant insurance claims. Outokumpu's captive insurance company, Visenta Försäkringsaktiebolag, is registered in Sweden and can operate as direct insurer and as reinsurer. The assets increased in 2020 to EUR 42 million (2019: EUR 19 million) due to shareholder's contribution of SEK 220 million. This enabled Visenta to continue and increase its participation to Outokumpu's property and business interruption insurance. Visenta also continued to provide surety to cover certain potential environmental liabilities in connection with the operations in Kemi and Tornio.

Outokumpu continued its systematic fire safety and loss prevention audit program, focusing on execution of the mitigating actions. Due to 2020 travel restrictions, many audits were conducted virtually using in-house expertise in co-operation with external advisors.

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20. Fair values and nominal amounts of derivative instruments

€ million	2020 Positive fair value	2020 Negative fair value	2020 Net fair value	2019 Net fair value	2020 Nominal amounts	2019 Nominal amounts
Currency and interest rate derivatives						
Currency forwards	4	–16	**–12**	–3	**1,273**	1,815
Currency options, bought	–	–	**–**	0	**–**	6
Interest rate swaps	6	–	**6**	5	**325**	200
					Tonnes	Tonnes
Metal derivatives						
Forward nickel contracts, hedge accounted	8	–11	**–4**	6	**26,417**	8,048
Forward nickel contracts	6	–5	**1**	–6	**19,132**	9,772
Forward molybdenum contracts	–	–	**–**	–0	**–**	18
Nickel options, bought	–	–	**–**	0	**–**	5,500
Total derivatives	24	–32	**–8**	3		
Less long-term derivatives						
Interest rate swaps	6	–	**6**	5		
Short-term derivatives	17	–32	**–15**	–2		

Fair values are estimated based on market rates and prices on the reporting date, discounted future cash flows and, in respect of options, on common option pricing models.

Hedge accounted cash flow hedges (nickel derivatives)

In 2020, Outokumpu continued cash flow hedge accounting for two selected nickel hedging programs, for sales and purchases, and began a new one for sales in order to reduce volatility of the underlying nickel linked earnings. The programs are implemented for business area Americas and business area Europe and cover meaningful part of the Group sales contracts. Fair value of the nickel contracts included in hedge accounting is deferred in other comprehensive income and realized derivative result is recognized in sales or cost of sales depending on the nature of underlying hedged item during the same reporting period as the underlying item is recognized. In the purchase cash flow hedge program, the realized part of the nickel derivatives are first reclassified from other comprehensive income to inventory for certain period of time before allocating to cost of sales. Only the spot component related to nickel derivatives is under hedge accounting, forward element is recognized in profit or loss. The used nickel derivative instruments are forwards. The selected derivative instruments correspond to the pricing model used in the underlying. The ineffectiveness is tested regularly. The management estimates that possible ineffectiveness can arise related to credit risk or timing of transactions, but these are estimated to be immaterial.

	2020	2019
Fair value of nickel derivatives, € million	**–4**	6
Nominal amount of nickel derivatives, tons	**26,417**	8,048
Hedge ratio	**1:1**	1:1
Fair value reserve in other comprehensive income, € million	**–4**	6
Reclassified from other comprehensive income to profit or loss, € million [1]	**–2**	–10
Reclassified from other comprehensive income to profit or loss, € million [2]	**7**	7
Reclassified from other comprehensive income to inventory, € million	**–4**	2

[1] Included in sales
[2] Included in cost of sales

Hedge accounted cash flow hedges (EUR/SEK)

Outokumpu had a ten year EUR/SEK hedge accounting program which ended at year end 2019. In 2019, the remaining part EUR 4 million was reclassified from other comprehensive income to profit and loss, to cost of sales.

Master netting agreements and similar arrangements

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

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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 in the statement of financial position. The right to offset is enforceable only on the occurrence of future credit events. The following table sets out the carrying amounts of recognized financial instruments that are subject to the agreements described above.

€ million	2020	2019
Derivative assets		
Gross amounts of recognized financial assets in the statement of financial position	**24**	20
Related financial instruments that are not offset	**15**	11
	8	9
Derivative liabilities		
Gross amounts of recognized financial liabilities in the statement of financial position	**32**	17
Related financial instruments that are not offset	**15**	11
	17	6

21. Inventories

€ million	2020	2019
Raw materials and consumables	**387**	440
Work in progress	**419**	460
Finished goods and merchandise	**369**	523
Advance payments	**2**	0
	1,177	1,424

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 can reduce the risk arising from the time difference between raw material purchase and product delivery. However, the risk is 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. 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 fluctuation in nickel and other alloy prices, the realized prices can deviate significantly from what has been used in NRV calculations on the closing date. Reversal of NRV write-downs of EUR 15 million were recognized in income statement during 2020 (2019: write-downs of EUR 1 million). In 2020, Outokumpu continued to apply cash flow hedge accounting for two selected nickel hedging cases and started a new, third one. More details on commodity price risk are presented in note 19 and on hedge accounting in note 20.

22. Trade and other receivables

€ million	2020	2019
Non-current		
Other accruals and receivables	**1**	2
Current		
Trade receivables	**384**	359
VAT receivable	**44**	55
Income tax receivable	**23**	29
Prepaid insurance expenses	**10**	9
Other accruals	**35**	28
Other receivables	**41**	34
	537	514
Impairment of trade receivables		
On Jan 1	**7**	7
Recovery of doubtful receivables	**–1**	–
On Dec 31	**5**	7
Age analysis of trade receivables		
Neither impaired, nor past due	**362**	312
Past due 1–30 days	**17**	40
Past due 31–60 days	**3**	3
More than 60 days	**2**	4
	384	359

The maximum exposure to credit risk at the reporting date is the carrying amount of trade receivables. Most of the outstanding trade receivables have been secured by credit insurance policies, which typically cover some 95% of an insured credit loss. Credit risks related to trade receivables are presented in more detail in note 19. Expected credit losses are calculated as defined in the accounting principles of these financial statements (see note 2).

As of December 31, 2020 Outokumpu has derecognized trade receivables totaling EUR 269 million (2019: EUR 321 million), which represents fair value of the assets. Net proceeds received totaled EUR 263 million (2019: EUR 312 million). Underlying assets have maturity of less than one year. The maximum amount of loss related to derecognized assets is estimated to be EUR 10 million (2019: EUR 11 million). This estimate is based on insurance policies and contractual arrangements of factoring companies and Outokumpu. The analysis does not include impact of any operational risk related to Outokumpu's contractual responsibilities.

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23. Cash and cash equivalents

€ million	2020	2019
Cash at bank and in hand	**374**	323
Short-term bank deposits and cash equivalents	**2**	2
	376	325

Fair value of cash and cash equivalents does not significantly differ from the carrying value. The average effective interest rate of cash and cash equivalents at the end of 2020 was –0.0% (Dec 31, 2019: 0.2%).

24. Equity

Share capital, premium fund and invested unrestricted equity reserve

€ million	Number of shares, 1,000	Share capital	Premium fund	Invested unrestricted equity reserve	Total
On Jan 1, 2019	410,564	311	714	2,103	3,127
Shares delivered from the share-based payment programs [1)]	1,211	–	–	–	–
On Dec 31, 2019	411,775	311	714	2,103	3,127
Shares delivered from the share-based payment programs [1)]	227	–	–	–	–
On Dec 31, 2020	**412,002**	**311**	**714**	**2,103**	**3,127**
Treasury shares [1)]	4,372				
Total number of shares on Dec 31, 2020	**416,374**				

[1)] Shares granted from treasury shares without effect to share capital. The movement in the cost of treasury shares is presented in the statement of changes in the equity.

According to the Articles of Association, Outokumpu share does not have a nominal value.

Premium fund includes proceeds from share subscription and other contribution based on the old Finnish Limited Liability Companies Act for the part the contributions exceed the account equivalent value allocated to share capital. Invested unrestricted equity reserve includes net proceeds from the rights issues in 2014 and 2012. Fair value reserve from financial assets at fair value through other comprehensive income includes movements in the fair values of equity securities and fair value reserve from derivatives includes movements in the fair values of derivative instruments used for cash flow hedging. See note 17 for more information on the equity securities and note 20 for more information on derivative instruments. Other 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. Retained earnings include remeasurements of defined benefit plans, treasury shares, cumulative translation differences and other retained earnings and losses.

Distributable funds

On December 31, 2020, the distributable funds of the parent company totaled EUR 2,312 million of which retained earnings were EUR 188 million. The Board of Directors proposes to the Annual General Meeting in 2021 that no dividend will be paid for 2020. No dividend was paid for 2019.

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25. Employee benefit obligations

Outokumpu has established several defined benefit and defined contribution plans in various countries. The most significant defined benefit plans are in Germany representing 40% and in the UK representing 57% of Group's total defined benefit liability.

Germany

In Germany, Outokumpu has several defined benefit plans, of which major plans include a management plan, open pension plans for normal 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). Management plan and other pension obligations are based on annuity payments, whereas plans for normal employees are based on one lump sum payment after retirement.

In addition, all the obligations are embedded in Germany 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 have been for most part unfunded. However, in 2019 a CTA model (Contractual Trust Arrangement) was introduced under which the plans are funded and previously unfunded plans are reported as funded.

The UK

The scheme is registered under UK legislation and is contracted out of the State Second Pension. The scheme is subject to the scheme funding requirements outlined in UK legislation. The scheme trustees are responsible for the operation and governance of the scheme, including making decisions regarding the scheme's funding and investment strategy. In 2020 a GBP 110 million buy-in insurance solution was implemented to the scheme changing the scheme's asset portfolio.

Risks associated with defined benefit plans

Through its defined benefit pension 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 plans' 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.

Funding

Funding requirements are generally based on pension fund's actuarial measurement framework set out in the funding policies and local regulation. In the UK preliminary pension fund's latest actuarial valuation started in January 1, 2017 and was completed in 2018 with a deficit of GBP 36 million. The valuation was not based on the same assumptions as the IFRS valuation, which shows a surplus. Since the valuation, Outokumpu has made contributions to cover the deficit. In 2020, these contributions were GBP 6 million, and the remaining GBP 3 million will be paid in February 2021. The preliminary actuarial valuation started on January 1, 2020 indicates continued improvement on the scheme's funding and this new valuation is expected to be finalized during the first quarter of 2021.

Defined benefit cost recognized in the consolidated statements of income and comprehensive income

€ million	2020	2019
In EBIT	–5	–7
In financial income and expenses	–2	–3
Defined benefit cost recognized in the consolidated statement of income	–8	–10
In other comprehensive income	–12	–43
Total defined benefit cost recognized	–19	–53

Gross defined benefit obligations and plan assets

€ million	2020	2019
Present value of funded defined benefit obligations	781	783
Present value of unfunded defined benefit obligations	3	3
Fair value of plan assets	–534	–537
Net defined benefit liability	250	249

Amounts recognized in the consolidated statement of financial position

€ million	2020	2019
Defined benefit liability	314	318
Defined benefit plan assets	–64	–68
Net defined benefit liability	250	249
Other long-term employee benefit liabilities	16	18

Gross defined benefit obligations and plan assets are presented in the statement of financial position netted per plan either as a liability or an asset depending on nature of the netted item. The defined benefit liability and the other long-term employee benefit obligations are presented in the statement of financial position aggregated amounting to EUR 329 million on December 31, 2020 (Dec 31, 2019: EUR 335 million).

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Movement in net defined benefit liability

€ million	2020 Present value of obligation	2020 Fair value of plan assets	2020 Net defined benefit liability	2019 Present value of obligation	2019 Fair value of plan assets	2019 Net defined benefit liability
On Jan 1	786	–537	249	702	–471	231
Current service cost	5	–	5	6	–	6
Interest expense/(income)	12	–10	2	16	–13	3
Remeasurements arising from						
Return on plan assets	–	–32	–32	–	–38	–38
Demographic assumptions	–15	–	–15	–7	–	–7
Financial assumptions	68	–	68	88	–	88
Experience adjustment	–9	–	–9	–0	–	–0
Exchange differences	–25	28	2	21	–24	–3
Employer contributions	–	–22	–22	–	–31	–31
Benefits paid	–38	38	–	–40	40	–
Settlements	–1	1	–0	1	–	1
On Dec 31	**783**	**–534**	**250**	786	–537	249

The present value of obligations and the fair value of plan assets comprise mainly of German and UK plans. The present value of obligation for German plans on December 31, 2020 was EUR 315 million (Dec 31, 2019: EUR 316 million), and the fair value of plan assets was EUR 13 million (Dec 31, 2019: EUR 11 million) on December 31, 2020. For the UK, the present value of obligation was EUR 445 million (Dec 31, 2019: EUR 444 million), and the fair value of plan assets was EUR 509 million (Dec 31, 2019: EUR 512 million) on December 31, 2020.

The weighted average duration of the overall defined benefit obligation is 17.2 years. In Germany and in the UK the weighted average durations are 13.8 and 20.2 years, respectively.

The expected contributions to be paid to the defined benefit plans in 2021 are EUR 28 million.

Allocation of plan assets

€ million	2020	2019
Equity instruments	**33**	49
Debt instruments	**150**	282
Other assets	**348**	203
Total plan assets	**531**	534

Allocation of plan assets covers 99.5% of total defined benefit plan assets. On December 31, 2020, 76% of the plan assets were invested in quoted instruments (Dec 31, 2019: 95%), the change resulting from the buy-in insurance solution in the UK. Debt instruments include mostly investment grade government and corporate bonds.

Asset-liability matching strategies

The majority of defined benefit assets are in the UK. The UK scheme's benchmark asset allocation is 20%/80% return-seeking/liability matching. This strategy reflects the scheme's liability profile and the trustees' and company's attitude to risk. The trustee monitors the investment objectives and asset allocation policy on a regular basis.

Significant actuarial assumptions

		Germany	The UK	Other countries
Discount rate, %	**2020**	**0.72**	**1.25**	**2.41**
	2019	0.90	2.00	2.72
Future salary increase, %	**2020**	**–**	**–**	**1.30**
	2019	–	–	1.57
Inflation rate, %	**2020**	**–**	**2.80**	**–**
	2019	–	3.00	–
Future benefit increase, %	**2020**	**1.70**	**2.75**	**–**
	2019	1.70	2.85	–
Medical cost trend rate, %	**2020**	**–**	**–**	**4.70**
	2019	–	–	4.70–5.20
Life expectancy	**2020**	RT 2018 G	96% SAPS All Pensioner Amounts tables with CMI Core Projection Model –2019	Standard mortality tables
	2019	RT 2018 G	96% SAPS All Pensioner Amounts tables with CMI Core Projection Model –2016	Standard mortality tables

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

Sensitivity analysis of significant actuarial assumptions

Reasonably possible changes at the reporting date to one of the weighted principal assumptions, while holding all other assumptions constant, would have affected the defined benefit obligation as shown below:

Germany	Change in assumption	Increase in assumption	Decrease in assumption
2020			
Discount rate	0.5%	Decrease by 6%	Increase by 7%
Future benefit increase	0.5%	Increase by 3%	Decrease by 3%
Life expectancy	1 year	Increase by 3%	
2019			
Discount rate	0.5%	Decrease by 6%	Increase by 7%
Future benefit increase	0.5%	Increase by 3%	Decrease by 3%
Life expectancy	1 year	Increase by 3%	

The UK	Change in assumption	Increase in assumption	Decrease in assumption
2020			
Discount rate	0.5%	Decrease by 9%	Increase by 10%
Future benefit increase	0.5%	Increase by 6%	Decrease by 6%
Life expectancy	1 year	Increase by 3%	
2019			
Discount rate	0.5%	Decrease by 9%	Increase by 11%
Future benefit increase	0.5%	Increase by 7%	Decrease by 6%
Life expectancy	1 year	Increase by 3%	

Other countries	Change in assumption	Increase in assumption	Decrease in assumption
2020			
Discount rate	0.5%	Decrease by 4%	Increase by 4%
Medical cost trend rate	0.5%	Increase by 1%	Decrease by 1%
Future salary increase	0.5%	Increase by 3%	Decrease by 4%
Life expectancy	1 year	Increase by 7%	
2019			
Discount rate	0.5%	Decrease by 4%	Increase by 4%
Medical cost trend rate	0.5%	Increase by 1%	Decrease by 1%
Future salary increase	0.5%	Increase by 3%	Decrease by 4%
Life expectancy	1 year	Increase by 7%	

Other long-term employee benefits

Other long-term employee benefits mainly relate to early retirement provisions in Germany and long-service remunerations in Finland. Under the German early retirement agreements, employees work additional time prior to retirement, which is subsequently paid for in instalments after retirement. In Finland, the employees are entitled to receive a one-time indemnity every five years after 20 years of service.

The other long-term employee benefit liabilities recognized in the consolidated statement of financial position on December 31, 2020 were EUR 16 million (Dec 31, 2019: EUR 18 million).

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.

26. Provisions

€ million	Restructuring provisions	Environmental provisions	Other provisions	Total
Provisions on Jan 1, 2020	56	48	5	110
Increases in provisions	50	3	2	54
Utilized during the financial year	–43	–2	–1	–45
Unused amounts reversed	–1	–1	–1	–4
Provisions on Dec 31, 2020	**62**	**48**	**5**	**115**

€ million	2020	2019
Non-current provisions	**84**	85
Current provisions	**31**	25
	115	110

Restructuring provisions

Restructuring provisions relate mainly to the restructuring and employee negotiation processes carried out in selected countries in 2020 to create cost savings by restructuring and reducing total employee headcount by up to approximately 1,000 (10% of the Group total) mostly by the end of 2021. The fixed cost reductions are needed as the market situation in Europe is challenging and import pressure remains high, and the COVID-19 pandemic impacts the global economy. These provision are expected to result in cash outflows predominantly in 2021.

Restructuring include also some provisions related to the 2019 measures in Germany targeting to improve competitiveness through cost reductions. The cash outflows related to these provisions took mainly place in 2020 with some cash outflows still expected in 2021.

Environmental provisions

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, the UK, and Germany. 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.

Other provisions

Other provisions comprise for example provisions for product and other claims and are mainly current in nature.

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

27. Debt

€ million	2020	2019
Non-current		
Bonds	**249**	249
Convertible bonds	**108**	–
Loans from financial institutions	**414**	445
Pension loans	**199**	183
Lease liabilities	**174**	176
Other loans	**8**	–
	1,153	1,053
Current		
Convertible bonds	**–**	248
Loans from financial institutions	**2**	8
Pension loans	**–**	40
Lease liabilities	**18**	30
Commercial paper	**231**	101
	251	427
Net debt		
Non-current and current debt	**1,404**	1,480
Cash and cash equivalents	**–376**	–325
Net debt	**1,028**	1,155

The bond maturing in 2024 as well as credit facilities and loans from financial institutions include financial covenants, which are described in note 19.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

Bonds

€ million	Interest rate, %	Outstanding amount 2020	2019
2018 fixed rate bond maturing on June 18, 2024	4.125	**250**	250

Convertible bonds

€ million	Interest rate, %	Outstanding amount 2020	2019
2015 fixed rate bond matured on Feb 26, 2020	3.250	–	250
2020 fixed rate bond maturing on July 9, 2025	5.000	**125**	–

The convertible bonds maturing in July 2025 can be converted into maximum of 38,191,261 ordinary shares in Outokumpu representing 9.3% of the outstanding shares at year end. The conversion period commenced on August 19, 2020 and will end on June 25, 2025. The current conversion price is set at EUR 3.273 per ordinary shares. 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.

Changes in non-current and current debt

2020 € million	Non-current debt	Current portion of non-current debt	Non-current lease liabilities	Current portion of lease liabilities	Current debt	Total
On Jan 1	877	295	176	30	103	1,480
Financing cash flows	117	–296	–	–33	130	–82
Transfer to current debt	–0	0	–21	21	–	0
Other non-cash movements	–14	2	19	–	–0	6
On Dec 31	979	0	174	18	232	1,404

2019 € million	Non-current debt	Current portion of non-current debt	Non-current lease liabilities	Current portion of lease liabilities	Current debt	Total
On Jan 1, before IFRS 16 transition	715	10	82	3	499	1,309
IFRS 16 transition impact	–	–	101	29	–	131
Financing cash flows	452	–13	–	–34	–396	9
Transfer to current debt	–290	290	–32	32	–	0
Other non-cash movements	–1	9	24	–	–	32
On Dec 31	877	295	176	30	103	1,480

Regarding cash and cash equivalents, the reconciliation of cash effective and non-cash movements is presented in the consolidated statement of cash flows.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

28. Trade and other payables

€ million	2020	2019
Non-current		
VAT payable	**18**	–
Accruals	**27**	29
	45	29
Current		
Trade payables	**1,225**	1,265
Accrued employee-related expenses	**73**	65
Accrued interest expenses	**11**	9
VAT payable	**86**	23
Withholding tax and social security liabilities	**21**	20
Payables related to factoring programs	**8**	11
Advance payments received	**7**	11
Other accruals	**55**	47
Other payables	**14**	24
	1,500	1,475

Non-current and current VAT payables on December 31, 2020 include the deferred VAT payments in Finland in 2020 of EUR 61 million.

On December 31, 2020, accrued volume discounts related to contracts with customers amounted to EUR 34 million (Dec 31, 2019: EUR 37 million).

Customer contract liabilities related to unperformed transportation service amounted to EUR 1 million on December 31, 2020 (Dec 31, 2019: EUR 1 million). These liabilities and advances received are expected to be recognized as revenue during the first quarter of 2021.

29. Commitments and contingent liabilities

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

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

Outokumpu has provided a security, including a pledge of shares of a subsidiary company, related to AvestaPolarit pension scheme in the UK.

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

Outokumpu Oyj is, in relation to its shareholding in Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. Outokumpu's liability for the net debt of Tornion Voima Oy in year-end 2020 amounted to EUR 0 million (Dec 31, 2019: EUR 1 million). These liabilities are reported under other commitments.

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

Investment commitments

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

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

30. Disputes and litigations

Claim in Spain related to the divested copper companies

Outokumpu divested all of its copper business in 2003–2008. One of the divested companies domiciled in Spain later faced bankruptcy. The administrator of the bankruptcy estate filed a claim against Outokumpu Oyj and two other non-Outokumpu companies for recovery of payments made by the bankrupt Spanish company in connection with the divestment. The court of first instance in Spain accepted the claim of EUR 20 million brought against Outokumpu and the two other companies. Outokumpu and the two other companies appealed the court's decision and in March 2018 the Court of Appeal ruled in favor of Outokumpu. In May 2018, the administrator of the bankruptcy estate filed an appeal before the Spanish Supreme Court, where the case is pending without progress during 2019 or 2020.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

31. Related party transactions

Outokumpu's related parties include the key management of the company and their close family members, associated companies, subsidiaries and Solidium Oy. The transactions with related parties are presented in the tables below. Key management includes Leadership Team members and members of the Board of Directors. The principal associated companies are listed in note 15 and subsidiaries are presented in note 32.

Solidium Oy, a limited company fully owned by the State of Finland, owned 21.7% of Outokumpu on December 31, 2020. Solidium's mission is to strengthen and stabilize Finnish ownership in nationally important companies and increase the value of its holdings in the long run.

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

Transactions and balances with related companies

€ million	2020	2019
Sales and other operating income	**69**	89
Purchases	**–37**	–7
Dividend income	**–**	10
Trade and other receivables	**21**	29
Trade and other payables	**3**	3

Employee benefits for the key management

€ thousand	2020	2019
Short-term employee benefits	**3,889**	5,320
Termination benefits	**1,489**	–
Post-employment benefits [1)]	**367**	1,574
Share-based payments	**205**	235
Remuneration to the Board of Directors	**658**	706
	6,608	7,834

[1)] Includes only supplementary pensions.

Employee benefits for the key management include the benefits to each Leadership Team or Board of Directors member, which are associated with these management positions. Benefits that are associated with positions held within Outokumpu before or after such management position are not included in the presented amounts.

Employee benefits for the CEO

€ thousand	2020	2019
Salaries and other short-term benefits	**989**	1,074
Bonuses	**–**	276
Post-employment benefits	**281**	444
Share-based payments	**4**	372
	1,274	2,167

Employee benefits for the CEO in 2020 include Heikki Malinen as of May 16, 2020 and Roeland Baan until May 15, 2020.

CEO Malinen has the right to retire at the age of 65 and he participates in the Finnish TyEL pension system and there are no supplementary pension plans in place. Former CEO Baan had a defined contribution pension plan in place with an annual insurance premium of 25% of his annual earnings, excluding share rewards.

Remuneration to Board of Directors

€ thousand	2020	2019
Chairman Kari Jordan	**181**	173
Vice Chairman Eeva Sipilä, as of May 28, 2020, member until May 27, 2020	**108**	99
Vice Chairman Heikki Malinen, until April 30, 2020	**7**	103
Vice Chairman Olli Vaartimo, until March 27, 2019	**–**	3
Member Kati ter Horst	**88**	80
Member Vesa-Pekka Takala, as of March 27, 2019	**88**	77
Member Pierre Vareille	**94**	90
Member Julia Woodhouse, as of March 27, 2019	**93**	81
	658	706

Outokumpu has not had specifically appointed Deputy to the CEO since February, 2019. In January–February 2019, the employee benefits to the Deputy to the CEO were EUR 117 thousand.

More information on key management's employee benefits can be found in the Remuneration report.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32

32. Subsidiaries on December 31, 2020

		Country	Group holding, %
Europe			
Outokumpu AS		Norway	100
Outokumpu B.V.		The Netherlands	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	*)	Finland	100
Outokumpu Ges.m.b.H.		Austria	100
Outokumpu India Private Limited		India	100
Outokumpu K.K.		Japan	100
Outokumpu Management (Shanghai) Co., Ltd	*)	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 Benelux B.V.		The Netherlands	100
Outokumpu PSC Finland Oy		Finland	100
Outokumpu PSC Germany GmbH		Germany	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.p.A.		Italy	100
Outokumpu Stainless AB		Sweden	100
Outokumpu Stainless B.V.		The Netherlands	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

		Country	Group holding, %
Americas			
Outokumpu Brasil Comercio de Metais Ltda		Brazil	100
Outokumpu Fortinox S.A.		Argentina	100
Outokumpu Mexinox Distribution S.A. de C.V.		Mexico	100
Outokumpu Mexinox S.A. de C.V.		Mexico	100
Outokumpu Stainless USA, LLC		The US	100
ThyssenKrupp Mexinox CreateIT, S.A. de C.V.		Mexico	100
Long Products			
Fagersta Stainless AB		Sweden	100
Outokumpu Stainless Bar, LLC		The US	100
Outokumpu Stainless Ltd		The UK	100
Ferrochrome			
Outokumpu Chrome Oy	*)	Finland	100
Other operations			
Outokumpu Americas, Inc.		The US	100
Outokumpu Distribution Benelux B.V.		The Netherlands	100
Outokumpu Holding Germany GmbH	*)	Germany	100
Outokumpu Holding Italia S.p.A.		Italy	100
Outokumpu Holding Nederland B.V.	*)	The Netherlands	100
Outokumpu Mining Oy		Finland	100
Outokumpu Stainless Holding GmbH		Germany	100
Outokumpu Stainless Holdings Ltd		The UK	100
Outokumpu Stainless UAB		Lithuania	100
Québec Inc.		Canada	100
Viscaria AB	*)	Sweden	100
Visenta Försäkrings AB		Sweden	100

In addition Outokumpu has branch offices in South Korea, Switzerland, Taiwan, Thailand, The UK and Vietnam.

This list does not include all holding companies or all dormant companies.

The Group holding corresponds to the Group's share of voting rights.

*) Shares and stock held by the parent company

Parent company financial statements

Income statement of the parent company

€ million	2020	2019
Sales	**664**	652
Cost of sales	**–565**	–555
Gross margin	**99**	97
Other operating income	**0**	17
Selling and marketing expenses	**–10**	–17
Administrative expenses	**–110**	–115
Other operating expenses	**–8**	–0
EBIT	**–29**	–19
Financial income and expenses	**–58**	16
Result before appropriations and taxes	**–87**	–3
Appropriations		
Group contribution	**111**	53
Change in depreciation difference	**–0**	–0
Income taxes	**–**	–0
Result for the financial year	**24**	51

According to the Finnish accounting standards (FAS), the parent company financial statements are presented in addition to 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.

Balance sheet of the parent company

€ million	2020	2019
ASSETS		
Non-current assets		
Intangible assets	**130**	120
Property, plant and equipment	**2**	9
Financial assets		
Shares in Group companies	**3,713**	3,821
Loan receivables from Group companies	**771**	254
Shares in associated companies	**15**	17
Other shares and holdings	**60**	80
Other financial assets	**6**	5
	4,565	4,176
Total non-current assets	**4,698**	4,305
Current assets		
Current receivables		
Loans receivable	**221**	843
Trade receivables	**67**	53
Prepaid expenses and accrued income	**23**	39
Other receivables	**160**	91
	470	1,026
Cash and cash equivalents	**332**	272
Total current assets	**801**	1,298
TOTAL ASSETS	**5,500**	5,603

€ million	2020	2019
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**311**	311
Premium fund	**720**	720
Invested unrestricted equity reserve	**2,123**	2,123
Retained earnings	**164**	113
Result for the financial year	**24**	51
	3,343	3,319
Untaxed reserves		
Accumulated depreciation difference	**1**	1
Liabilities		
Non-current liabilities		
Bonds	**250**	250
Convertible bonds	**125**	–
Loans from financial institutions	**330**	405
Pension loans	**143**	103
Other non-current loans	**1**	0
	849	758
Current liabilities		
Convertible bonds	–	250
Loans from financial institutions	–	6
Pension loans	–	40
Group bank account liabilities	**787**	722
Other current loans	**263**	244
Trade payables	**177**	208
Accrued expenses and prepaid income	**15**	13
Other current liabilities	**65**	42
	1,307	1,525
Total liabilities	**2,156**	2,283
TOTAL EQUITY AND LIABILITIES	**5,500**	5,603

Cash flow statement of the parent company

€ million	2020	2019
Cash flow from operating activities		
Result for the financial year	**24**	51
Adjustments for		
Depreciation and amortization	**12**	5
Impairments	**33**	0
Gain/loss on sale of intangible assets, and property, plant and equipment	**–0**	–5
Interest income	**–38**	–68
Interest expense	**46**	36
Change in provisions	**1**	0
Exchange gains and losses	**2**	3
Group contributions	**–111**	–53
Other non-cash adjustments	**8**	–1
	–47	–83
Change in working capital		
Change in trade and other receivables	**0**	–6
Change in trade and other payables	**–27**	47
	–27	41
Interest received	**39**	75
Interest paid	**–45**	–34
Income taxes paid	**–**	–0
	–6	41
Net cash from operating activities	**–55**	51

€ million	2020	2019
Cash flow from investing activities		
Investments in subsidiaries and other shares and holdings	**–13**	–274
Purchases of intangible assets	**–19**	–30
Proceeds from disposal of subsidiaries and other financial assets	**108**	239
Proceeds from sale of property, plant and equipment	**–**	1
Proceeds from sale of intangible assets	**2**	11
Change in other long-term receivables	**21**	361
Net cash from investing activities	**99**	308
Cash flow before financing activities	**44**	358
Cash flow from financing activities		
Dividends paid	**–**	–62
Borrowings of non-current debt	**444**	473
Repayments of non-current debt	**–664**	–76
Change in current debt	**85**	–806
Cash flow from group contribution	**53**	185
Other financing cash flow	**97**	176
Net cash from financing activities	**16**	–109
Net change in cash and cash equivalents	**60**	249
Net change in cash and cash equivalents in the balance sheet	**60**	249

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, 2019	311	720	2,123	175	3,330
Result for the financial year	–	–	–	51	51
Dividends paid	–	–	–	–62	–62
Equity on Dec 31, 2019	311	720	2,123	164	3,319
Result for the financial year	–	–	–	24	24
Dividends paid	–	–	–	–	–
Equity on Dec 31, 2020	311	720	2,123	188	3,343

Distributable funds on Dec 31

€ million	2020	2019
Retained earnings	**164**	113
Result for the financial year	**24**	51
Invested unrestricted equity reserve	**2,123**	2,123
Distributable funds on Dec 31	**2,312**	2,287

Commitments and contingent liabilities of the parent company

€ million	2020	2019
Other pledges on Dec 31	**13**	13
Guarantees on Dec 31		
On behalf of subsidiaries		
For financing	**327**	350
For commercial guarantees	**0**	3
For other commitments	**28**	26
On behalf of associated companies		
For financing	**2**	4
Other commitments on Dec 31	**10**	14

A major part of Outokumpu's borrowings are secured by security to the real property of selected subsidiaries.

Other pledges include Outokumpu's shares in Manga LNG Oy to secure certain liabilities of Manga LNG Oy. Outokumpu's total liability at the end of 2020 amounts to EUR 24 million (Dec 31, 2019: EUR 29 million), and the part exceeding the share pledge and guarantee is presented under other commitments.

Outokumpu Oyj is, in relation to its shareholding in Etelä-Pohjanmaan Voima Oy, liable for the costs, commitments and liabilities relating to electricity provided by Tornion Voima Oy. Outokumpu Oyj's liability for the net debt of Tornion Voima Oy at the year-end 2020 amounted to EUR 0 million (Dec 31, 2019: EUR 1 million). These liabilities are reported under other commitments.

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

In 2020, Outokumpu Oyj recognized an impairment of EUR 33 million to its shareholding in Voimaosakeyhtiö SF providing ownership to Fennovoima Oy. In the income statement, the impairment is recognized in financial income and expenses. The impairment did not impact Outokumpu Group's consolidated financial statements under IFRS where the shareholding is valued at fair value.

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of
Outokumpu Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

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

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

What we have audited

We have audited the financial statements of Outokumpu Oyj (business identity code 0215254-2) for the year ended 31 December 2020. The financial statements comprise:

- the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, including accounting principles for the consolidated financial statements
- the parent company's income statement, balance sheet, cash flow statement and notes to the parent company financial statements.

Basis for Opinion

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

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

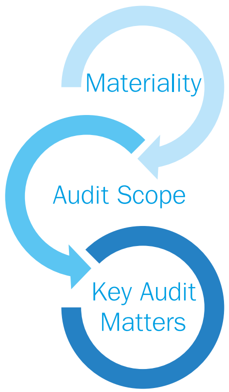
Independence

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

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 6 to the Financial Statements.

Our Audit Approach

Overview



- Overall group materiality: € 35 million (2019: € 38 million)

- The audit scope includes all significant companies, covering the vast majority of revenues, assets and liabilities.

- Valuation of goodwill
- Valuation of Property, Plant and Equipment
- Valuation of inventories
- System environment and internal controls
- Valuation of subsidiary shares in the parent company's financial statements

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 (2019: € 38 million)
How we determined it	0.6% of net sales 2020
Rationale for the materiality benchmark applied	We chose net 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, net sales is also a generally accepted benchmark. We chose 0.6% 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.

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 Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of goodwill Refer to notes 2, 11 and 14 in the consolidated financial statements. As at 31 December 2020 the group's goodwill balance amounted to € 466 million. Goodwill is tested at least annually, irrespective of whether there is any indication of impairment. For goodwill testing purposes, the recoverable amount is based on value in use which is determined by reference to discounted future net cash flows expected to be generated by the asset. Key assumptions used in the value-in-use calculations are discount rate, growth rate of terminal value, average global growth in consumption of stainless steel and base price development. Valuation of goodwill is a key audit matter due to the size of the goodwill balance and the high level of management judgement involved in the estimation process.	Our audit of goodwill valuation focused on management's judgement and estimates used. We assessed the appropriateness of these through the following procedures: • We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of the calculations. • We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to medium term strategic plans and forecasts approved by the Board and testing the key underlying assumptions. • We considered whether the sensitivity analysis performed by management around key drivers of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions. • We compared the current year actual results to those included as estimates in the prior year impairment model to corroborate the reliability of management's estimates. • The discount rates applied within the model were assessed by PwC business valuation specialist, including comparison to economic and industry forecasts as appropriate. We also considered the appropriateness of the related disclosures provided in note 14 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 notes 2 and 12 in the consolidated financial statements. As at 31 December 2020 the group's Property, Plant and Equipment (PPE) amounted to € 2,631 million, which is 45% of the total assets and 112% of the total equity. The group's business is very capital intensive and there is a risk that the carrying value of the Property, Plant and Equipment is overstated. The carrying value of Property, Plant and Equipment is tested as part of the group impairment testing based on the discounted cash flow model. Valuation of Property, Plant and Equipment is a key audit matter due to the size of the balance and the high level of management judgement involved in the estimation process.	We assessed the appropriateness of the group's method and management's judgement and estimates in the impairment calculations for Property, Plant and Equipment. Our audit work also included testing the operating effectiveness of key controls in place to ensure the existence and appropriate valuation of Property, Plant and Equipment. Such controls include the authorization of additions, disposals and scrapings, the evaluation of the useful economic lives and the reconciliation of fixed assets registers to the accounting records. In addition, we performed substantive audit procedures including testing of assets acquired in the year and depreciation of the fixed assets mainly through analytical audit procedures.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of Inventories Refer to notes 2 and 21 in the consolidated financial statements. As at 31 December 2020 the group's inventories amounted to € 1,177 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 necessary to make 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 can reduce the risk arising from the time difference between raw material purchase and product delivery. However, the risk is 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. 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 fluctuation in nickel and other alloy prices, the realized prices can deviate significantly from what has been used in NRV calculations on the closing date. Due to the high level of management judgment and the significant carrying amounts and risks relating to valuation, this is one of the key audit matters.	Our audit work included testing management's key 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. The fragmented system environment introduces risks related to system access, change management and data transfer between the different systems, 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 key IT systems. We also tested the group’s controls around system interfaces, and the transfer of data between systems. We noted certain weaknesses related to access controls to certain key systems. We reported these control weaknesses to management and performed tests of details to reduce the related risks of material misstatement to an acceptably low level.

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 2020 the value of Outokumpu Oyj’s subsidiary shares amounted to € 3,712 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 specialist, including comparison to economic and industry forecasts as appropriate.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 21 March 2017. Our appointment represents a total period of uninterrupted engagement of 4 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 4 February 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant (KHT)