Outokumpu half-year report January–June 2023

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Adjusted EBITDA amounted to EUR 394 million in the first half of 2023

Highlights in Q2 2023

- Stainless steel deliveries were 502,000 tonnes (560,000 tonnes)*.
- Adjusted EBITDA amounted to EUR 190 million (EUR 491 million).
- EBITDA was EUR 185 million (EUR 491 million).
- ROCE amounted to 11.4% (28.3%).
- Operating cash flow was EUR 25 million (EUR 104 million incl. discontinued operations).
- Net debt amounted to EUR -9 million (March 31, 2023: EUR -166 million).
- Earnings per share was EUR 0.21 (EUR 0.75).
- Gearing amounted to -0.2% (March 31, 2023: -4.1%).

Highlights in January–June 2023

- Stainless steel deliveries were 1,007,000 tonnes (1,165,000 tonnes).
- Adjusted EBITDA amounted to EUR 394 million (EUR 842 million).
- EBITDA was EUR 383 million (EUR 842 million).
- Operating cash flow amounted to EUR 99 million (EUR 251 million incl. discontinued operations).
- Earnings per share was EUR 0.43 (EUR 1.28).
- Dividend of EUR 152 million was paid in April.
- Share buyback program of EUR 100 million was completed in March.
- Divestment of the majority of the Long Products business was completed on January 3, 2023. Since September 2022, these businesses were classified as assets held for sale and reported as discontinued operations. Comparative figures include discontinued operations if separately stated.

Key figures, continuing operations		Q2/23	Q2/22	Q1/23	Q1-Q2/23	Q1-Q2/22	2022
Sales	EUR million	**1,911**	2,686	2,006	**3,916**	5,259	9,494
EBITDA	EUR million	**185**	491	198	**383**	842	1,248
Adjusted EBITDA [1)]	EUR million	**190**	491	204	**394**	842	1,256
EBIT	EUR million	**124**	431	135	**259**	720	992
Adjusted EBIT [1)]	EUR million	**129**	431	144	**273**	720	1,010
Result before taxes	EUR million	**119**	413	128	**247**	695	933
Net result for the period	EUR million	**89**	338	97	**186**	567	1,086
Earnings per share	EUR	**0.21**	0.75	0.22	**0.43**	1.28	2.40
Diluted earnings per share	EUR	**0.19**	0.69	0.21	**0.40**	1.18	2.22
Return on capital employed, rolling 12 months (ROCE) [2)]	%	**11.4**	28.3	18.4	**11.4**	28.3	22.6
Capital expenditure	EUR million	**38**	30	15	**53**	61	158
Stainless steel deliveries	1,000 tonnes	**502**	560	505	**1,007**	1,165	2,106
Personnel at the end of period, full-time equivalent [3)]		**8,457**	8,480	8,377	**8,457**	8,480	8,357
Key figures, including discontinued operations		**Q2/23**	**Q2/22**	**Q1/23**	**Q1-Q2/23**	**Q1-Q2/22**	**2022**
Net result for the period	EUR million	**89**	385	103	**192**	636	1,140
Earnings per share	EUR	**0.21**	0.85	0.23	**0.44**	1.40	2.52
Diluted earnings per share	EUR	**0.19**	0.78	0.22	**0.41**	1.29	2.33
Return on capital employed, rolling 12 months (ROCE)	%	**11.8**	29.9	19.7	**11.8**	29.9	24.5
Net cash generated from operating activities	EUR million	**25**	104	74	**99**	251	778
Net debt at the end of period	EUR million	**-9**	289	-166	**-9**	289	-10
Debt-to-equity ratio at the end of period (gearing)	%	**-0.2**	7.3	-4.1	**-0.2**	7.3	-0.3

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

[2)] The balance sheet component in 2022 includes discontinued operations except for in Sep 30, 2022 and in Dec 31, 2022, where only the equity component of discontinued operations is included.

[3)] On June 30, 2023, the Group employed, in addition, approx. 770 summer trainees (June 30, 2022: approx. 800).

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

President & CEO Heikki Malinen

Our performance in the second quarter of 2023 was solid in the Americas, albeit overshadowed by a softened market in Europe. Adjusted EBITDA amounted to EUR 190 million, while stainless steel deliveries remained modest as expected. During the first half of the year, we generated EUR 394 million of adjusted EBITDA, which is a strong result in the current market environment. I am proud of the fact that during the weakening market conditions we have kept our balance sheet the strongest in the industry.

We have successfully de-leveraged the company so that it is better positioned for the downturns that are part of the cyclical stainless steel business. After two exceptionally strong years, we are now in a weaker part of the cycle. Today, with our strong balance sheet, Outokumpu has the resilience to withstand even more challenging market conditions.

The execution of the second phase of our strategy has progressed well and we have started the preparations for the third phase commencing in 2026. In the second phase we are making the most out of our current asset base. In the third phase the focus will be on Americas expansion, European competitiveness, value-chain integration and sustainability leadership.

In the second quarter, the market environment in Europe weakened faster than expected and negatively impacted business area Europe's profitability already at the end of the quarter. Stainless steel deliveries decreased from the previous quarter and adjusted EBITDA amounted EUR 52 million. In business area Ferrochrome, we ramped up our production back to normal levels in the second quarter and adjusted EBITDA increased to EUR 36 million.

Business area Americas once again delivered very strong results. This demonstrates the benefit of having a geopolitically diversified business. Stainless steel deliveries for business area Americas increased from the previous quarter and adjusted EBITDA reached EUR 110 million. This is a result to be proud of.

We have successfully turned around our business in the U.S. and aim to strengthen our position further in this attractive market with a favorable regulatory environment. We want to capture a fair share of the increasing demand for the locally produced sustainable stainless steel. As a result, we are conducting a feasibility study to investigate options to expand our operations in the U.S. We seek to increase our cold rolling capacity and at the same time investigate different options for our hot rolling arrangements. One option is to build our own hot rolling mill and we are in a good state of readiness to make a final investment decision as need be.

In the second quarter, we also had changes in our management as Marc-Simon Schaar was appointed Chief Procurement Officer and a member of Outokumpu Leadership Team. This role is crucial in strategically managing our cost base, inflationary impacts and sustainability actions, as well as ensuring effective relationship management. Our supply chain is at the core of our decarbonization journey and our ethical approach to sourcing. We want to ensure that Outokumpu's stainless steel is made of raw materials with the lowest possible CO2 emissions. In the second quarter, we kept our recycled material content at a very strong level of 94%.

The market environment, especially in Europe, is expected to be challenging in the third quarter. However, we have great teams in place and a strong balance sheet, and this gives me confidence that we will manage the changing conditions also in the future.

Outlook for Q3 2023

Group stainless steel deliveries in the third quarter are expected to decrease by 5–15% compared to the second quarter, in line with the seasonal pattern. For business area Europe, the market environment is challenging in the third quarter.

The planned maintenance break in business area Ferrochrome is expected to have an approximately EUR 10 million negative impact on the business area's adjusted EBITDA.

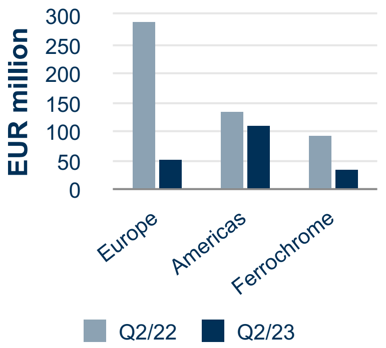
Maintenance costs for the rest of the group in the third quarter are expected to increase by up to EUR 10 million compared to the second quarter.

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

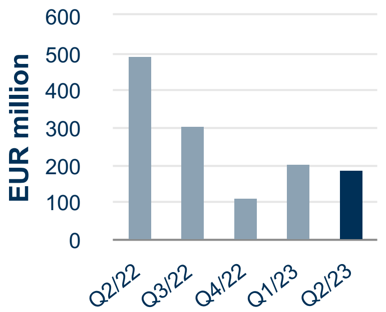
Guidance for Q3 2023:

Adjusted EBITDA in the third quarter of 2023 is expected to be lower compared to the second quarter.

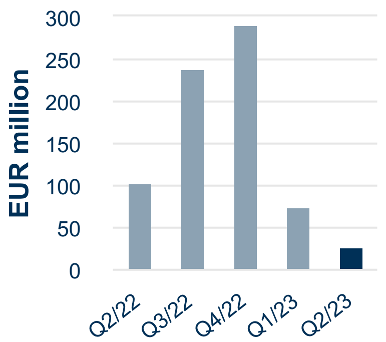
Adjusted EBITDA per business area



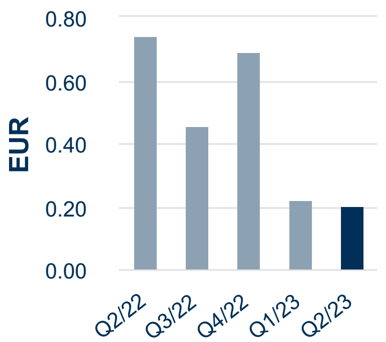
Group adjusted EBITDA



Operating cash flow *



Earnings per share



*2022 figures include discontinued operations

Results

Q2 2023 compared to Q2 2022

Outokumpu's sales in the second quarter of 2023 decreased to EUR 1,911 million (EUR 2,686 million). In a weaker market environment, adjusted EBITDA amounted to EUR 190 million (EUR 491 million). As a result of the lower profitability, ROCE for the rolling 12 months also declined to 11.4% (28.3%).

In the second quarter of 2023, total stainless steel deliveries decreased by 10% compared to the reference period. Realized prices for stainless steel were at a significantly lower level in Europe, but declined also in Americas. Profitability was also negatively impacted by higher fixed and variable costs and a lower ferrochrome sales price. Raw material-related inventory and metal derivative losses amounted to EUR 12 million (gains of EUR 64 million). Other operations and intra-group items' adjusted EBITDA totaled EUR -8 million (EUR -26 million). Net result was EUR 89 million in the second quarter of 2023 (EUR 338 million).

Q2 2023 compared to Q1 2023

Outokumpu's sales decreased to EUR 1,911 million in the second quarter of 2023 (Q1/2023: EUR 2,006 million) and adjusted EBITDA amounted to EUR 190 million (Q1/2023: EUR 204 million). ROCE for the rolling 12 months further decreased as a result of lower profitability and was 11.4% (18.4%).

In the second quarter, total stainless steel deliveries remained stable compared to the previous quarter and decreased only by 1%. Realized prices for stainless steel declined in both Europe and Americas compared to the previous quarter. Ferrochrome production was increased back to normal levels after the optimization of the production due to high electricity costs was discontinued, and this had a positive impact on the group's result. Costs were slightly lower due to decreased energy prices. Raw material-related inventory and metal derivative losses amounted to EUR 12 million in the second quarter (Q1/2023: losses of EUR 6 million). Other operations and intra-group items' adjusted EBITDA totaled EUR -8 million (Q1/2023: EUR -2 million). Net result in the second quarter was EUR 89 million (Q1/2023: EUR 97 million).

January–June 2023 compared to January–June 2022

During January–June 2023, Outokumpu's sales decreased to EUR 3,916 million (EUR 5,259 million) and adjusted EBITDA amounted to EUR 394 million (EUR 842 million). ROCE decreased to 11.4% as a result of lower profitability (28.3%).

In a weaker market environment in January–June 2023 total stainless steel deliveries decreased by 14% compared to the same period last year. In 2023, profitability was negatively impacted by significantly lower realized prices for stainless steel especially in Europe, but also in Americas. Both fixed and variable costs decreased and positive raw material impacts supported profitability. Raw material-related inventory and metal derivative losses amounted to EUR 18 million in January–June 2023 (gains of EUR 22 million). Other operations and intra-group items' adjusted EBITDA totaled EUR -9 million (EUR -39 million). EBIT amounted to EUR 259 million (EUR 720 million) and net result to EUR 186 million (EUR 567 million) in January–June 2023.

Strategy execution

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

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

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

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

In the first half of 2023, Outokumpu completed a total of 179 projects (90 were in the second quarter) towards the EBITDA run-rate improvement target. For the second phase of the strategy, the company has a continuous improvement pipeline of more than 1,000 projects, of which almost 300 projects are progressing at the end of the first half.

Outokumpu improved its EBITDA run-rate by EUR 30 million in the second quarter of 2023 and by EUR 57 million in the first half. This translates into a cumulative EBITDA run-rate improvement of EUR 82 million since the start of the second phase. Outokumpu remains fully on course to achieve the EUR 200 million EBITDA run-rate improvement target by the end of year 2025.

Projects that supported the EBITDA run-rate improvement in the second quarter were related to more efficient utilization of the company's own scrap material and responsible sourcing of external scrap purchases. These early enabler projects resulted in an increased recycled content, which is also a major contributor in achieving Outokumpu's sustainability targets. In the first half of the year, the expansion project of the ore concentrating plant in business area Ferrochrome was also a main driver as well as the expansion of the digital customer platforms and energy efficiency projects.

Outokumpu has begun preparations for the third phase of its strategy, which will start in 2026 and most likely require new investments. On August 3, 2023, the company announced that it explores options to strengthen its position in the U.S. as part of phase three strategic preparations. The company’s focus in this phase will be to strengthen its market position further and develop more globally diversified operations including Americas expansion, European competitiveness, value-chain integration and sustainability leadership along with the possible biocoke investment.

Divestment of the Long Products business

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

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

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

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

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

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

On August 1, 2023, Outokumpu announced that it has completed the divestment of the remaining Long Products business in Sweden. Outokumpu's plate operations in Degerfors are not affected by the divestment. The enterprise value of the transaction is EUR 12 million and it has a positive cash impact for Outokumpu. Outokumpu books a loss of approximately EUR 30 million for the third quarter. The amount of the book loss is still subject to final consideration, closing accounts and final accumulated translation difference.

Financial position and cash flow

Operating cash flow amounted to EUR 25 million in the second quarter of 2023 (EUR 104 million, incl. discontinued operations) and EUR 99 million in the first-half of 2023 (EUR 251 million, incl. discontinued operations).

In the second quarter, net working capital increased by EUR 124 million (EUR 417 million, incl. discontinued operations). Increase in net working capital was driven by the normal seasonality whereas the second quarter of 2022 was also impacted by a strong increase in metal prices. During first-half of the year, the net working capital increase was EUR 172 million, compared to EUR 669 million in the reference period.

Inventories increased further during the second quarter and stood at EUR 1,845 million at the end of June (March 31, 2023: EUR 1,814 million, December 31, 2022: EUR 1,783 million). The inventory increase in the second quarter was EUR 31 million and EUR 62 million in first-half of the year. Change in inventory was driven by higher volumes and partly offset by lower metal prices.

Capital expenditure was EUR 38 million in the second quarter (EUR 30 million) and EUR 53 million in the first-half of 2023 (EUR 61 million). Annual capital expenditure for 2023 is decreased from EUR 200 million to EUR 170 million.

Net debt amounted to EUR -9 million at the end of June (December 31, 2022: EUR -10 million, incl. discontinued operations). In April, Outokumpu paid a dividend of EUR 152 million which impacted net debt. On the other hand, in the first quarter, the completion of the divestment of the majority of the Long Products business had a EUR 100 million positive impact on net debt. Gearing was -0.2% at the end of June (December 31, 2022: -0.3%, incl. discontinued operations).

Net financial expenses in the second quarter decreased to EUR 7 million (EUR 23 million) and interest expenses amounted to EUR 16 million (EUR 11 million).

Net financial expenses in the first-half of the year decreased to EUR 15 million (EUR 36 million) and interest expenses amounted to EUR 31 million (EUR 21 million).

Cash and cash equivalents decreased during the second quarter of the year and amounted to EUR 409 million at the end of June (March 31, 2023: EUR 714 million, December 31, 2022: EUR 644 million, incl. discontinued operations). In June, Outokumpu prepaid EUR 141 million of the remaining outstanding pension loans. Overall liquidity reserves totaled EUR 1.2 billion at the end of the quarter (March 31, 2023: 1.5 billion, December 31, 2022: EUR 1.4 billion). Cash equivalents include deposits held at call and other short-term, highly liquid investments with original maturities of three months or less.

On June 30, 2023, Outokumpu had a total of EUR 800 million of outstanding committed credit facilities, which were fully unutilized.

Market development

According to CRU's latest estimates (May 2023), the global apparent consumption of stainless steel flat products decreased by 5.0% in the second quarter of 2023 compared to the second quarter of 2022. Demand dropped in all areas, EMEA and Americas by 18.9% and 9.4%, respectively, while the largest region APAC decreased only by 1.2%. Weaker than expected economic recovery, softening consumer confidence and elevated inflation led to lower demand overall as well as continued elevated stocks.

Compared to the first quarter of 2023, global apparent consumption of stainless steel flat products increased by 3.5% in the second quarter of 2023. This effect was driven by an increase of 4.3% in APAC region and 9.0% in Americas, while EMEA showed a decrease of 3.0%.

While the European market was moving very slowly, the Americas market proved more resilient and stable. Chinese demand recovery did, however, not materialize as fast as expected and at lower rates.

CRU expects global apparent consumption of stainless steel flat products to increase by 1.4% in the third quarter of 2023 compared to the second quarter, driven by APAC and Americas with increases of 3.2% and 1.3%, respectively. Due to a slow moving European market and a bearish market sentiment, apparent consumption for EMEA is expected to decrease by 7.3%.

Compared to last year's third quarter, apparent consumption is expected to increase by 4.1%. This is driven by an increase of 6.7% in APAC, whereas lower apparent consumption is expected in EMEA and Americas, with -5.8% and -2.4%, respectively.

In 2023, CRU estimates that total global apparent consumption of stainless steel flat products will remain quite stable compared to 2022, showing a small decrease of 0.5%.

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

Business area Europe

Europe key figures		Q2/23	Q2/22	Q1/23	Q1-Q2/23	Q1-Q2/22	2022
Stainless steel deliveries	1,000 tonnes	**349**	372	369	**718**	786	1,423
Sales	EUR million	**1,275**	1,768	1,444	**2,718**	3,461	6,266
Adjusted EBITDA	EUR million	**52**	289	122	**174**	483	680
Adjustments to EBITDA	EUR million	**-1**	—	-6	**-7**	—	—
EBITDA	EUR million	**51**	289	116	**167**	483	680
Operating capital	EUR million	**2,032**	2,053	1,984	**2,032**	2,053	1,864
ROOC, rolling 12 months	%	**12.3**	35.9	24.4	**12.3**	35.9	28.9

Results

Q2 2023 compared to Q2 2022

Sales decreased to EUR 1,275 million (EUR 1,768 million).

Adjusted EBITDA amounted to EUR 52 million (EUR 289 million)
- Stainless steel deliveries were 6% lower.
- Decreased profitability was driven by significantly lower realized prices for stainless steel.
- Variable costs increased mainly due to higher consumable prices.
- Raw material-related inventory and metal derivative losses amounted to EUR 2 million (gains of EUR 1 million in Q2 2022).

ROOC decreased to 12.3% (35.9%).

Q2 2023 compared to Q1 2023

Sales decreased to EUR 1,275 million (EUR 1,444 million).

Adjusted EBITDA amounted to EUR 52 million (EUR 122 million).
- Stainless steel deliveries decreased by 5% in a weaker market environment.
- Profitability was also burdened by negative raw material impacts and increased costs.
- Raw material-related inventory and metal derivative losses amounted to EUR 2 million (losses of EUR 15 million in Q1 2023).

ROOC decreased to 12.3% (24.4%).

Market

- In Q2 2023, apparent consumption in EMEA decreased by 18.9% compared to Q2 2022 and by 3.0% compared to Q1 2023. (Source: CRU Stainless Steel Flat Products Market Outlook, May 2023)
- In addition to falling demand, distributor inventories have reduced close to historical average levels.
- EU cold-rolled imports from third countries reached a level of approximately 23% in Q2 2023, which is lower than historical levels. (Source: EUROFER July 2023).

Business area Americas

Americas key figures		Q2/23	Q2/22	Q1/23	Q1-Q2/23	Q1-Q2/22	2022
Stainless steel deliveries	1,000 tonnes	**147**	177	142	**289**	362	654
Sales	EUR million	**529**	775	498	**1,028**	1,437	2,695
Adjusted EBITDA	EUR million	**110**	136	68	**178**	226	384
Adjustments to EBITDA	EUR million	**-3**	—	—	**-3**	—	2
EBITDA	EUR million	**107**	136	68	**175**	226	387
Operating capital	EUR million	**950**	1,075	900	**950**	1,075	990
ROOC, rolling 12 months	%	**26.8**	36.8	29.8	**26.8**	36.8	32.4

Results

Q2 2023 compared to Q2 2022

Sales decreased to EUR 529 million (EUR 775 million).

Adjusted EBITDA amounted to EUR 110 million (EUR 136 million).

- Stainless steel deliveries decreased by 17%.
- Realized prices for stainless steel were lower while positive raw material impacts supported profitability.
- Costs slightly decreased.
- Raw material-related inventory and metal derivative gains amounted to EUR 7 million (gains of EUR 49 million in Q2 2022).

ROOC was 26.8% (36.8%).

Q2 2023 compared to Q1 2023

Sales increased to EUR 529 million (EUR 498 million).

Adjusted EBITDA rose to EUR 110 million (EUR 68 million).

- Stainless steel deliveries increased by 3%.
- Profitability was supported by positive raw material impacts and slightly lower costs.
- Raw material-related inventory and metal derivative gains amounted to EUR 7 million (gain of EUR 9 million in Q1 2023).

ROOC amounted to 26.8% (29.8%).

Market

- During Q2 2023, apparent consumption in Americas for cold-rolled flat products increased by 16% compared to Q1 2023 and decreased by 27% compared to Q2 2022. (Source: American Iron and Steel Institute, AISI)
- The share of cold-rolled imports into the US increased from a level of 20% in Q1 2023 to a level of 21% in Q2 2023. (Source: AISI)
- US cold-rolled distributor inventories decreased gradually during Q2 2023 close to historic levels.

Business area Ferrochrome

Ferrochrome key figures		Q2/23	Q2/22	Q1/23	Q1-Q2/23	Q1-Q2/22	2022
Ferrochrome production	1,000 tonnes	**118**	128	70	**189**	257	430
Sales	EUR million	**129**	212	99	**227**	388	633
Adjusted EBITDA	EUR million	**36**	93	16	**52**	172	220
EBITDA	EUR million	**36**	93	16	**52**	172	220
Operating capital	EUR million	**882**	857	857	**882**	857	867
ROOC, rolling 12 months	%	**6.5**	30.7	13.2	**6.5**	30.7	20.7

Results

Q2 2023 compared to Q2 2022

Sales decreased to EUR 129 million (EUR 212 million).

Adjusted EBITDA amounted to EUR 36 million (EUR 93 million).

- Ferrochrome production was 7% lower.
- Profitability was negatively impacted by lower ferrochrome sales price.
- Variable costs increased as a result of higher electricity price.
- Fixed costs were lower and there was less maintenance work.

ROOC decreased to 6.5% (30.7%).

Q2 2023 compared to Q1 2023

Sales increased to EUR 129 million (EUR 99 million).

Adjusted EBITDA amounted to EUR 36 million (EUR 16 million).

- Production increased by 69% as the optimization of the ferrochrome production due to high electricity price was discontinued and there was a disruption in one of the ferrochrome furnaces in Q1 2023.
- Profitability was positively impacted by lower variable costs resulting from decreased electricity and reductant prices.

ROOC amounted to 6.5% (13.2%).

Market

- The ferrochrome market started to weaken in the early part of the second quarter, resulting in an oversupply towards the end of the quarter due to decreased demand from both stainless steel and carbon steel industries. Chrome ore prices continued fairly strong and inventory levels low, giving support to ferrochrome prices in China. However, the softening of prices continued throughout the quarter.

Sustainability

Outokumpu’s vision is to be the customer’s first choice in sustainable stainless steel, and the company's purpose is working towards a world that lasts forever. Sustainability at Outokumpu is founded on good governance and three pillars—environmental, economic, and social—which all need to be in balance. The company is a signatory to the United Nations Global Compact. Outokumpu is committed to the United Nations’ Sustainable Development Goals, with a focus on the following six objectives: affordable and clean energy; decent work and economic growth; industry; innovation and infrastructure; responsible consumption and production; climate action; and partnerships for the goals. These goals were the result of a materiality analysis that was conducted in 2021 and Outokumpu plans to review these as part of a double materiality analysis that will be conducted during the second half of 2023.

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

Globally, Outokumpu reports its stainless steel carbon footprint including all direct (scope 1) and indirect (scope 2) emissions as well as emissions from the production of raw materials and transportation (scope 3). As part of the ambitious sustainability strategy, Outokumpu committed to the Science-Based Target initiative (SBTi) 1.5 °C climate ambition and has approved SBTi targets. Outokumpu's approved SBTi target requires a 42% CO2 emission reduction across all scopes by 2030 compared to the company’s 2016 baseline.

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

During the second quarter, Outokumpu was recognized as the Climate Leader by The Financial Times, the only stainless steel producer in the world. To strengthen the supply chain sustainability, Outokumpu acquired a share in a Canadian junior mining company FPX Nickel which has been projected to be among the 10% of companies with the lowest carbon footprint for nickel in the market. Outokumpu also supported customers in reducing their carbon footprint with Circle Green product offering and launched two collaborations with Thyssenkrupp and Boysen Group and with Nordic Steel.

Outokumpu has been a member of ResponsibleSteel since 2019. ResponsibleSteel is a standard that was developed to recognize steel sites that are being operated in a responsible manner with a focus on the most material ESG issues identified and agreed upon by ResponsibleSteel members and stakeholders. Outokumpu completed Stage 1 and 2 audits for all European manufacturing sites with no major non-conformities during the first half of the year.

In 2022, Outokumpu announced and started an ambitious energy efficiency program, in which the target is to improve energy efficiency by 8% by the end of 2024 across Outokumpu's operations from the January–September 2022 baseline. Outokumpu also announced that EUR 40 million of capital expenditure will be used in 2023 and 2024 for projects that improve energy efficiency. During the second quarter of 2023, twelve projects were approved to improve energy efficiency. The target is not to be met only via investments but also through operational improvements.

Outokumpu met the set targets for sustainability key performance indicators (KPIs) in the second quarter for material recycling and emission intensity. Energy-efficiency was reduced from the 2022 level. Recycled material content remained high and was 94% for the rolling 12 months for the entire group.

During the second quarter, there were four environmental incidents with zero permit breaches concerning Outokumpu operations. All of them were reported to the relevant authorities.

Safety performance improved in the second quarter and the total recordable injury frequency rate (TRIFR) was 1.2 (Q2/2022: 2.0). In the first half of 2023, TRIFR was 1.5 which is an improvement compared to the previous half year and annual TRIFR of 1.8.

During the second quarter the focus in safety was on digitalization and AI. The safety network representatives worked on projects to implement robots for line inspection especially in hazardous areas and harmonizing reporting tools. In addition, regarding fire or fire loss prevention awareness was targeted with training across the organization. These activities contribute to further improve the performance of Outokumpu and will be continued in the third quarter.

Personnel

On June 30, 2023, Outokumpu's full-time equivalent number of personnel totaled 8,457 (December 31, 2022: 8,357).

Shares

On June 30, 2023, Outokumpu's share capital was EUR 311 million and the total number of shares was 456,874,448. At the end of June, Outokumpu held 23,109,206 treasury shares. The average number of shares outstanding was 433,765,242 in the second quarter of 2023 and 436,591,899 in the first half. The closing share price at the end of the period, on June 30, was EUR 4.90.

The Annual General Meeting authorized the Board of Directors on March 30, 2023, to resolve to repurchase the company's own shares, to decide on the issuance of shares as well as special rights entitling to shares.

The Board of Directors is authorized to resolve a purchase a maximum of 45,000,000 of Outokumpu's own shares and to issue a maximum of 45,000,000 shares. The authorizations are in force until the end of the next Annual General Meeting, however expiring at the latest on May 31, 2024.

Resolutions of the Annual General Meeting 2023 were published as a stock exchange release on March 30, 2023, and are available on Outokumpu's website.

Risks and uncertainties

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

During the first half of 2023, energy prices have decreased and inflation has shown signs of slowing down. However, the global economic outlook remains uncertain. The uncertainties mainly relate to the development in the global economy, inflation, interest rates and recovery of China, all of which could impact Outokumpu's operating environment, business, and stainless steel demand.

During the second quarter, electricity prices continued to decrease. The nuclear power plant Olkiluoto-3 in Finland started its commercial production, which contributed to balancing the electricity market in Finland. Uncertainty regarding electricity price development and impacts on costs remain for the upcoming winter period. Possible increases in the price of electricity would mainly affect business area Ferrochrome, due to the high amount of electricity needed in ferrochrome production.

Gas availability in Germany remained sufficient during the second quarter but some availability and price uncertainties remain for the next winter period. Further possible sanctions or disruptions in the natural gas supply could affect the prices or availability of gas for Outokumpu’s operations in Europe. Outokumpu acquires energy gases from the European market, for which Russia is one of the indirect suppliers.

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

In addition, cyber security threats and dependencies on critical suppliers expose Outokumpu to the risk of operational disruptions and additional costs. A key critical supplier dependency in this regard exists in Calvert, Alabama in the US where Outokumpu procures hot rolling services from an external party.

The EU safeguard measures were renewed by the European Commission at the end of the second quarter and they will be in place until June 2024 which decreases the risk of a sudden import surge.

In May 2023 Outokumpu Oyj was joined in arbitration proceedings over a dispute between Fennovoima and RAOS Project Oy related to the termination of the EPC (Engineering, Procurement and Construction) agreement for a nuclear power plant. Outokumpu disputes the existence of any contractual relation, obligation, or arbitration agreement between Outokumpu and RAOS Project Oy.

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

For more information on Outokumpu’s risks, please refer to the Annual Report for 2022 and the Notes to the 2022 Financial Statements.

Changes in management and Board of Directors

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

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

Events after the reporting period

On August 1, 2023, Outokumpu announced that it has completed the divestment of its remaining Long Products business in Sweden. More detailed information about the financial impacts of the transaction can be found earlier in this report under Divestment of the Long Products business.

On August 3, 2023, Outokumpu announced that it explores options to strengthen its position in the U.S. as part of phase three strategic preparations. The company's focus in this phase will be to strengthen its market position further and develop more globally diversified operations including Americas expansion, European competitiveness, value-chain integration and sustainability leadership along with the possible biocoke investment.

Outokumpu is seeking to increase its existing cold rolling capacity and investigating different options for its hot rolling arrangements in Calvert, Alabama, U.S. With respect to the latter, one option under consideration for the company is to build its own hot rolling mill.

Helsinki, August 3, 2023

Outokumpu Oyj
Board of Directors

Financial information

Condensed statement of income (EUR million)	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Continuing operations					
Sales	**1,911**	2,686	**3,916**	5,259	9,494
Cost of sales	**-1,706**	-2,219	**-3,496**	-4,381	-8,147
Gross margin	**205**	468	**420**	878	1,346
Other operating income	**16**	43	**21**	8	18
Sales, general and administrative costs	**-91**	-79	**-171**	-155	-313
Other operating expenses	**-6**	-1	**-10**	-12	-60
EBIT	**124**	431	**259**	720	992
Share of results in associated companies	**1**	6	**3**	10	11
Interest expenses	**-16**	-11	**-31**	-21	-44
Net other financial income and expenses	**9**	-12	**16**	-15	-26
Total financial income and expenses	**-7**	-23	**-15**	-36	-71
Result before taxes	**119**	413	**247**	695	933
Income taxes	**-29**	-76	**-61**	-127	154
Net result for the period from continuing operations	**89**	338	**186**	567	1,086
Discontinued operations					
Net result for the period from discontinued operations	**—**	47	**6**	68	54
Net result for the period	**89**	385	**192**	636	1,140
Earnings per share for result from continuing operations attributable to the equity holders of the parent company					
Earnings per share, EUR	**0.21**	0.75	**0.43**	1.28	2.40
Diluted earnings per share, EUR	**0.19**	0.69	**0.40**	1.18	2.22
Earnings per share for result attributable to the equity holders of the parent company					
Earnings per share, EUR	**0.21**	0.85	**0.44**	1.40	2.52
Diluted earnings per share, EUR	**0.19**	0.78	**0.41**	1.29	2.33

Statement of comprehensive income (EUR million)	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Net result for the period	**89**	385	**192**	636	1,140
Other comprehensive income, continuing operations					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations					
Change in exchange differences	**-11**	78	**-48**	92	17
Cash flow hedges					
Fair value changes during the financial year	**1**	93	**33**	13	-43
Reclassification to profit or loss	**-3**	92	**40**	122	28
Income taxes	**-2**	-17	**-10**	-16	-1
Items that will not be reclassified to profit or loss:					
Remeasurements on defined benefit plans					
Changes during the accounting period	**0**	24	**-4**	54	65
Income taxes	**0**	-9	**1**	-18	-24
Equity investments at fair value through other comprehensive income	**-1**	23	**-18**	18	-4
Share of other comprehensive income in associated companies	**0**	0	**1**	0	0
Other comprehensive income, continuing operations, net of tax	**-16**	284	**-5**	264	38
Other comprehensive income, discontinued operations, net of tax	**—**	3	**-12**	11	8
Other comprehensive income, net of tax	**-16**	287	**-17**	275	46
Total comprehensive income for the period	**73**	672	**175**	910	1,186

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

Condensed statement of financial position (EUR million)	June 30 2023	June 30 2022	Dec 31 2022
ASSETS			
Non-current assets			
Intangible assets	**549**	572	547
Property, plant, and equipment	**2,311**	2,553	2,406
Investments in associated companies	**54**	53	51
Other financial assets	**14**	42	25
Deferred tax assets	**396**	153	390
Trade and other receivables	**7**	2	6
Total non-current assets	**3,331**	3,375	3,425
Current assets			
Inventories	**1,845**	2,345	1,783
Other financial assets	**69**	252	63
Trade and other receivables	**854**	1,153	767
Cash and cash equivalents	**409**	473	526
Total current assets	**3,177**	4,223	3,139
Assets held for sale	**—**	—	419
TOTAL ASSETS	**6,508**	7,598	6,983
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company	**4,141**	3,943	4,119
Non-current liabilities			
Non-current debt	**355**	524	491
Other financial liabilities	**10**	7	11
Deferred tax liabilities	**57**	1	0
Employee benefit obligations	**208**	240	216
Provisions	**54**	66	49
Trade and other payables	**18**	22	20
Total non-current liabilities	**703**	860	787
Current liabilities			
Current debt	**44**	238	141
Other financial liabilities	**25**	99	120
Provisions	**30**	35	32
Trade and other payables	**1,564**	2,422	1,581
Total current liabilities	**1,664**	2,795	1,874
Liabilities related to assets held for sale	**—**	—	204
TOTAL EQUITY AND LIABILITIES	**6,508**	7,598	6,983

In the second quarter of 2023, the process for netting the deferred tax assets and liabilities was redefined.

Condensed statement of cash flows (EUR million)[1]	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Net result for the period	**89**	385	**192**	636	1,140
Adjustments					
Depreciation, amortization, and impairments	**60**	64	**124**	127	297
Other non-cash adjustments	**21**	101	**47**	213	33
Change in working capital	**-124**	-417	**-172**	-669	-587
Provisions and employee benefit obligations	**0**	-13	**-12**	-27	-53
Interests and dividends received	**4**	0	**9**	0	7
Interests paid	**-9**	-7	**-24**	-19	-39
Other financial items	**-11**	—	**-15**	—	—
Income taxes paid	**-5**	-8	**-49**	-10	-21
Net cash from operating activities	**25**	104	**99**	251	778
Purchases of assets	**-38**	-32	**-53**	-62	-160
Proceeds from the disposal of shares in Group companies and businesses, net of cash	**0**	4	**101**	4	-1
Proceeds from the sale of assets	**10**	0	**10**	1	2
Other investing cash flow	**0**	0	**0**	0	—
Net cash from investing activities	**-28**	-27	**58**	-57	-159
Cash flow before financing activities	**-2**	76	**158**	194	619
Dividends paid	**-152**	-68	**-152**	-68	-68
Repurchase of treasury shares	**1**	—	**-58**	—	-42
Repayment of non-current debt	**-150**	-58	**-180**	-67	-105
Change in current debt	**0**	-3	**0**	112	-58
Net cash from financing activities	**-301**	-128	**-390**	-23	-272
Net change in cash and cash equivalents	**-304**	-52	**-233**	172	346
Cash and cash equivalents at the beginning of the period	**714**	525	**644**	300	300
Net change in cash and cash equivalents	**-304**	-52	**-233**	172	346
Foreign exchange rate effect	**-1**	0	**-2**	1	-3
Cash and cash equivalents at the end of the period[2]	**409**	473	**409**	473	644

[1] In the second quarter of 2023, cash flow presentation within the net cash from operating activities was changed. The impact is not material.

[2] Period of Jan-Dec 2022 includes cash and cash equivalents of discontinued operations amounting to EUR 117 million.

Statement of changes in equity (EUR million)

Attributable to the equity holders of the parent company

	Share capital	Premium fund	Other restricted reserves	Invested unrestricted equity reserve	Treasury shares [1]	Fair value reserve from equity investments	Fair value reserve from derivatives	Cumulative translation differences	Remeasurements of defined benefit plans	Other retained earnings	Total equity
Equity on January 1, 2022	**311**	**714**	**3**	**2,308**	**-30**	**-89**	**-7**	**-22**	**-169**	**101**	**3,120**
Net result for the period	—	—	—	—	—	—	—	—	—	636	636
Other comprehensive income	—	—	—	—	—	18	119	103	35	0	275
Total comprehensive income for the period	—	—	—	—	—	18	119	103	35	636	910
Transactions with equity holders of the parent company											
Contributions and distributions											
Dividend distribution	—	—	—	—	—	—	—	—	—	-68	-68
Share-based payments	—	—	—	—	1	—	—	—	—	2	3
Fair value transfer to inventory	—	—	—	—	—	—	-23	—	—	—	-23
Equity on June 30, 2022	**311**	**714**	**3**	**2,308**	**-29**	**-71**	**89**	**81**	**-134**	**670**	**3,943**
Equity on January 1, 2023	**311**	**714**	**3**	**2,308**	**-129**	**-93**	**-48**	**3**	**-128**	**1,179**	**4,119**
Net result for the period	—	—	—	—	—	—	—	—	—	192	192
Other comprehensive income	—	—	—	—	—	-18	63	-58	-4	1	-17
Total comprehensive income for the period	—	—	—	—	—	-18	63	-58	-4	193	175
Transactions with equity holders of the parent company											
Contributions and distributions											
Dividend distribution	—	—	—	—	—	—	—	—	—	-152	-152
Share-based payments	—	—	—	—	9	—	—	—	—	-11	-2
Fair value transfer to inventory	—	—	—	—	—	—	1	—	—	—	1
Other[2]	—	—	-3	—	—	—	—	27	—	-25	—
Equity on June 30, 2023	**311**	**714**	**0**	**2,308**	**-120**	**-111**	**15**	**-28**	**-132**	**1,185**	**4,141**

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

[2] Other is related to reclassification of cumulative translation differences amounting to EUR 27 million. No impact on total equity.

Adjustments to EBITDA and EBIT (EUR million)	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Continuing operations					
Loss on disposal of shares in Group companies and businesses	**—**	—	**—**	—	-10
Onerous contracts provisions	**-1**	—	**-7**	—	—
Litigation provisions	**—**	—	**—**	—	2
Restructuring costs	**-5**	—	**-5**	—	—
Adjustments to EBITDA	**-5**	—	**-11**	—	-7
Impairments on non-current assets	**0**	—	**-2**	—	-10
Adjustments to EBIT	**-5**	—	**-14**	—	-17

Jan-Jun 2023 adjustments relate mainly to metal powder plant in Germany where an onerous contracts provision of EUR 7 million was recognized and as well as an impairment of EUR 2 million.

Jan-Dec 2022 adjustments relate mainly to divestment in Netherlands, Italy, and Argentina, amounting to EUR 10 million and impairment related to Group's ERP systems of EUR 10 million.

Group key figures		Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Continuing operations						
Scope of activity						
Capital expenditure	EUR million	**38**	30	**53**	61	158
Depreciation and amortization	EUR million	**-61**	-61	**-121**	-122	-245
Impairments	EUR million	**0**	0	**-2**	0	-11
Personnel at the end of period, full-time equivalent [1]		**8,457**	8,480	**8,457**	8,480	8,357
- average for the period		**8,771**	8,860	**8,591**	8,687	8,683
Personnel at the end of period, headcount		**8,708**	8,702	**8,708**	8,702	8,591
Profitability						
Adjusted EBITDA	EUR million	**190**	491	**394**	842	1,256
Adjustments to EBITDA	EUR million	**-5**	—	**-11**	—	-7
EBITDA	EUR million	**185**	491	**383**	842	1,248
Earnings per share	EUR	**0.21**	0.75	**0.43**	1.28	2.40
Diluted earnings per share	EUR	**0.19**	0.69	**0.40**	1.18	2.22
Return on capital employed, rolling 12 months (ROCE) [2]	%	**11.4**	28.3	**11.4**	28.3	22.6
Including discontinued operations						
Scope of activity						
Capital employed at the end of period	EUR million	**4,541**	4,705	**4,541**	4,705	4,752
Profitability						
Earnings per share	EUR	**0.21**	0.85	**0.44**	1.40	2.52
Diluted earnings per share	EUR	**0.19**	0.78	**0.41**	1.29	2.33
Adjusted weighted average number of shares [3]	1,000 shares	**433,765**	452,710	**436,592**	452,672	451,933
Return on equity, rolling 12 months (ROE)	%	**17.0**	30.2	**17.0**	30.2	30.6
Return on capital employed, rolling 12 months (ROCE)	%	**11.8**	29.9	**11.8**	29.9	24.5
Financing and financial position						
Non-current debt	EUR million	**355**	524	**355**	524	492
Current debt	EUR million	**44**	238	**44**	238	141
Cash and cash equivalents	EUR million	**409**	473	**409**	473	644
Net debt at the end of period	EUR million	**-9**	289	**-9**	289	-10
Net debt to Adjusted EBITDA		**0.0**	0.2	**0.0**	0.2	0.0
Equity-to-assets ratio at the end of period	%	**63.8**	52.0	**63.8**	52.0	59.2
Debt-to-equity ratio at the end of period (gearing)	%	**-0.2**	7.3	**-0.2**	7.3	-0.3
Equity per share at the end of period [3]	EUR	**9.55**	8.71	**9.55**	8.71	9.27

[1] On June 30, 2023, the Group employed, in addition, approx. 770 summer trainees (June 30, 2022: approx. 800).

[2] The balance sheet component includes discontinued operations in 2022, except for in Sept 30 and Dec 31, 2022, where only the equity component of discontinued operations is included.

[3] Excluding treasury shares.

Sales by segment (EUR million)	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Europe total	**1,275**	1,768	**2,718**	3,461	6,266
of which intra-group [1)]	**-11**	-9	**-36**	-16	-42
Americas total	**529**	775	**1,028**	1,437	2,695
of which intra-group	**0**	0	**-8**	-8	-9
Ferrochrome total	**129**	212	**227**	388	633
of which intra-group [1)]	**-64**	-133	**-120**	-258	-412
Other operations total	**127**	150	**255**	396	720
of which intra-group [1)]	**-74**	-102	**-148**	-203	-462
Intra-group sales to discontinued operations	**—**	25	**0**	62	104
Total sales, continuing operations	**1,911**	2,686	**3,916**	5,259	9,494

[1)] In comparison periods includes Long Products businesses related sales

Adjusted EBITDA by segment (EUR million)	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Europe	**52**	289	**174**	483	680
Americas	**110**	136	**178**	226	384
Ferrochrome	**36**	93	**52**	172	220
Other operations and intra-group items	**-8**	-26	**-9**	-39	-28
Total adjusted EBITDA, continuing operations	**190**	491	**394**	842	1,256

Adjustments to EBITDA and EBIT by segment (EUR million)	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Europe	**-1**	—	**-7**	—	—
Americas	**-3**	—	**-3**	—	2
Other operations	**-2**	—	**-2**	—	-10
Total adjustments in EBITDA, continuing operations	**-5**	—	**-11**	—	-7
Europe	**0**	—	**-2**	—	—
Other operations	**—**	—	**—**	—	-10
Total adjustments in EBIT, continuing operations	**-5**	—	**-14**	—	-17

EBITDA by segment (EUR million)	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Europe	**51**	289	**167**	483	680
Americas	**107**	136	**175**	226	387
Ferrochrome	**36**	93	**52**	172	220
Other operations and intra-group items	**-9**	-26	**-11**	-39	-38
Total EBITDA, continuing operations	**185**	491	**383**	842	1,248

Adjusted EBIT by segment (EUR million)	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Europe	**26**	257	**114**	417	550
Americas	**94**	120	**145**	194	317
Ferrochrome	**24**	82	**30**	151	177
Other operations and intra-group items	**-15**	-28	**-16**	-42	-34
Total adjusted EBIT, continuing operations	**129**	431	**273**	720	1,010

EBIT by segment (EUR million)	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Europe	**26**	257	**105**	417	550
Americas	**91**	120	**142**	194	320
Ferrochrome	**24**	82	**30**	151	177
Other operations and intra-group items	**-17**	-28	**-18**	-42	-54
Total EBIT, continuing operations	**124**	431	**259**	720	992

Depreciation and amortization by segment (EUR million)	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Europe	**-26**	-33	**-59**	-66	-130
Americas	**-16**	-16	**-33**	-32	-67
Ferrochrome	**-11**	-11	**-22**	-21	-42
Other operations	**-7**	-2	**-7**	-2	-6
Total depreciation and amortization, continuing operations	**-61**	-61	**-121**	-122	-245

Capital expenditure by segment (EUR million)	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Europe	**12**	6	**19**	10	35
Americas	**4**	2	**5**	3	25
Ferrochrome	**6**	21	**12**	45	85
Other operations	**16**	1	**17**	3	13
Total capital expenditure, continuing operations	**38**	30	**53**	61	158

Personnel at the end of period by segment, full-time equivalent	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Europe	**5,722**	5,668	**5,722**	5,668	5,718
Americas	**1,815**	1,911	**1,815**	1,911	1,785
Ferrochrome	**456**	483	**456**	483	409
Other operations	**464**	418	**464**	418	445
Total personnel at the end of period, continuing operations	**8,457**	8,480	**8,457**	8,480	8,357

On June 30, 2023, the Group employed, in addition, approx. 770 summer trainees (June 30, 2022: approx. 800).

Geographical information – Sales by destination (EUR million)	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Finland	**168**	221	384
Other Europe	**2,419**	3,239	5,455
North America	**1,092**	1,508	2,843
Asia and Oceania	**185**	196	597
Other countries	**53**	96	214
Total sales, continuing operations	**3,916**	5,259	9,494

Total external sales by segment			
Europe	**2,683**	3,448	6,229
of which to Finland	**158**	210	366
of which to other Europe	**2,247**	2,941	5,014
of which to North America	**67**	69	149
of which to Asia and Oceania	**176**	175	565
of which to other countries	**34**	53	134
Americas	**1,019**	1,429	2,686
of which to North America	**999**	1,385	2,603
of which to Asia and Oceania	**2**	1	2
of which to other countries	**19**	43	80
Ferrochrome	**108**	152	247
of which to Finland	**9**	9	16
of which to other Europe	**80**	95	163
of which to North America	**12**	28	40
of which to Asia and Oceania	**6**	19	28
Other operations	**106**	230	331
of which to Finland	**1**	2	2
of which to other Europe	**90**	202	278
of which to North America	**13**	25	51
of which to Asia and Oceania	**2**	1	1
Total sales, continuing operations	**3,916**	5,259	9,494

In comparison periods figures by operating segment include intra-group sales to discontinued operations amounting to EUR 62 million in the first half of the year 2022 and EUR 104 million in full year 2022.

Property, plant, and equipment (EUR million)	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Carrying value at the beginning of the period	**2,406**	2,573	2,573
Translation differences	**-23**	54	29
Additions	**45**	46	111
Disposals	**-1**	-5	-8
Reclassifications	**0**	0	-88
Depreciation and impairments	**-118**	-119	-231
Other	**1**	4	20
Carrying value at the end of the period	**2,311**	2,553	2,406

Reclassifications in Jan-Dec 2022 also include transfers to assets classified as held for sale.

Change in other mainly comes from extensions in the lease contracts.

Commitments (EUR million)	June 30 2023	June 30 2022	Dec 31 2022
Mortgages	**156**	546	546
Other pledges	**13**	13	13
Guarantees			
On behalf of subsidiaries for commercial and other commitments	**51**	28	51
On behalf of associated companies for financing	**0**	2	1
On behalf of discontinued operations for other commitments1)	**—**	—	5
Other commitments for financing	**2**	4	4

1) Since September 2022 Long Product businesses were classified as assets held for sale and reported as discontinue operations.

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

Outokumpu is liable for its associated company Manga LNG Oy's certain liabilities amounting to EUR 14 million at the end of the reporting period (December 31, 2022: EUR 16 million). In the table above, this liability is reported as other pledges (Outokumpu's shares in Manga LNG Oy), as guarantees on behalf of associated companies, and the part exceeding the share pledge and guarantee as other commitments for financing. Other commitments for financing also include Outokumpu's liabilities for the net debt in Tornion Voima Oy.

Outokumpu is a minority shareholder in Voimaosakeyhtiö SF, which is the majority shareholder of Fennovoima. The role of Fennovoima has changed from a nuclear power plant project company into an asset and litigation management company after it terminated the EPC (Engineering, Procurement and Construction) contract between Fennovoima Oy and RAOS Project Oy for supplier-related reasons in May 2022. Several legal proceedings are ongoing among various parties. Outokumpu Oyj was in May 2023 joined in arbitration proceedings over a dispute between Fennovoima and RAOS Project Oy related to the termination of the EPC agreement. Outokumpu disputes the existence of any contractual relationship, obligation, or arbitration agreement between Outokumpu and RAOS Project Oy, and accordingly has not made a provision in its accounting for the matter.

Originally, Outokumpu's commitment to the Fennovoima investment amounted to approximately EUR 250 million, of which EUR 117 million has been paid by the end of the reporting period. The payments related to the original commitment, if any, are not expected to occur in the previously planned schedule. In June 2023 Outokumpu Oyj agreed to participate in a convertible loan offered by Voimaosakeyhtiö SF to its shareholders. Outokumpu's share is EUR 14 million. The first call of the loan is expected to occur in August 2023.

The Group's other off-balance sheet investment commitments totaled EUR 29 million on June 30, 2023 (December 31, 2022: EUR 27 million).

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

Related party transactions (EUR million)	Jan-Jun 2023	Jan-Jun 2022	Jan-Dec 2022
Transactions and balances with related companies			
Sales and other operating income	**52**	76	115
Purchases	**-26**	-35	-66
Dividend income	**—**	—	11
Trade and other receivables	**30**	44	26
Trade and other payables	**2**	6	7

Fair values and nominal amounts of derivative instruments (EUR million)	June 30 2023 Net fair value	Dec 31 2022 Net fair value	June 30 2023 Nominal amounts	Dec 31 2022 Nominal amounts
Currency and interest rate derivatives				
Currency forwards	**2**	-15	**2,250**	1,982
Interest rate swaps	**-10**	-11	**125**	125
			Tonnes	Tonnes
Metal derivatives				
Forward nickel contracts, hedge accounted	**20**	-53	**15,660**	21,612
Forward nickel contracts	**-1**	-12	**16,770**	13,289
	10	-91		

Hierarchy of financial assets and liabilities measured at fair value on June 30, 2023 (EUR million)	Level 1	Level 2	Level 3	Total
Assets				
Equity investments at fair value through OCI	9	—	6	14
Investments at fair value through profit or loss	23	—	—	23
Derivatives	—	46	—	46
	31	46	6	83
Liabilities				
Derivatives	—	36	—	36

On May 30,2023 Outokumpu acquired an ownership share of 9.9% of the Canadian company FPX Nickel Corp. The ownership is reported on level 1.

Reconciliation of changes on level 3 (EUR million)	Equity investments at fair value through other comprehensive income
Carrying value on Jan 1, 2023	25
Additions	—
Disposals	—
Fair value changes	-19
Carrying value at the end of the period	6

Equity investments at fair value through other comprehensive income include mainly unlisted strategic holdings in energy producing companies.

Investments include a 22% holding in Voimaosakeyhtiö SF at fair value of EUR 0 million (Dec 31, 2022: EUR 0 million). Voimaosakeyhtiö SF is the majority shareholder of Fennovoima. Voimaosakeyhtiö SF's ownership increased from 66% to 97% as a result of the share issue which was resolved by an Extraordinary General Meeting (EGM) of Fennovoima on September 21, 2022. RAOS Voima Oy has challenged the EGM resolution in the Helsinki District Court. By the end of June 2023, Outokumpu has invested a total of EUR 117 million (Jun 30, 2022: EUR 112 million, Dec 31, 2022: EUR 117 million) in Voimaosakeyhtiö SF.

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

The fair value of non-current debt is EUR 461 million (carrying amount EUR 355 million). The fair value of non-current debt is determined by using quoted prices for listed instruments. The fair value of loans is determined using the discounted cash flow method, which uses the yields observed on the reporting date. The fair value of the convertible bonds includes the value of the conversion rights.

Discontinued operations

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

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

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

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

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

Condensed statement of income (EUR million)[1)]	Jan-Jun 2022	Jan-Dec 2022
Discontinued operations		
Sales and operating income	454	795
Expenses[2)]	-377	-709
Net financial expenses	1	2
Result before taxes	77	88
Income tax[3)]	-9	-35
Net result for the period from discontinued operations	68	54
Other comprehensive income, discontinued operations, net of tax	11	8
Total comprehensive income for the period from discontinued operations	79	62

1) As the Long Product businesses were sold on January 3, 2023, the net result for the period from discontinued operations in Jan-Jun 2023 EUR 6 million is mainly related to the gain on sale presented in line sales and operating income. Other comprehensive for the same period was EUR -12 million.

2) In Jan-Dec 2022 including EUR 33 million of impairment loss

3) In Jan-Dec 2022 due to the disposal of the Long Products businesses in the UK a related deferred tax asset was reduced, increasing the tax expense with EUR 13 million.

Condensed statement of financial position (EUR million)	Dec 31 2022
Assets held for sale	
Total non-current assets	60
Total current assets	359
Total Assets held for sale	419
Liabilities related to assets held for sale	
Total non-current liabilities	18
Total current liabilities	186
Total liabilities related to assets held for sale	204
Net assets	215

Condensed statement of cash flows (EUR million)	Jan-Jun 2022	Jan-Dec 2022
Discontinued operations		
Net cash from operating activities	**47**	91
Net cash from investing activities	**-2**	-2
Net cash from financing activities	**-35**	-2
Net change in cash and cash equivalents from discontinued operations	**10**	87

As the Long Product businesses were sold on January 3, 2023, cash flows in Jan-Jun 2023 is related to received proceeds, net of cash disposed of amounting to EUR 100 million.

Provisional gain on sale (EUR million)	Jan-Jun 2023
Total net assets sold as of Jan 3, 2023	**-215**
Provisional sale consideration	**215**
Other	**-4**
Gain on sale of discontinued operations before reclassification of accumulated translation differences	**-4**
Reclassification of accumulated translation differences	**10**
Gain on sale	**6**

Business disposals

2023

On January 3rd, 2023, Outokumpu completed the divestment of the majority of the Long Products business operations to Marcegaglia Steel Group. See more information in the section Discontinued operations.

2022

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

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

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

Provisional loss on sale (EUR million)	Jan-Dec 2022
Total net assets sold	**-22**
Provisional sale consideration	**13**
Provisional loss on sale	**-9**

Cash flow (EUR million)	Jan-Dec 2022
Provisional cash consideration, net of cash acquired	**1**
Receivable related to sale consideration	**-2**
Consideration received	**-1**

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

Basis of preparation

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

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

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

Management judgment and the use of estimates

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

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

Acquisition of FPX Nickel

In May 2023, Outokumpu signed an agreement to become a shareholder in the Canadian company, FPX Nickel Corp. with an ownership share of 9.9%. The amount of the investment is EUR 11 million. This equity investment is classified as fair value through other comprehensive income. The ownership is reported on level 1. The premium paid over the share's market price at the acquisition date has been treated as part of the inventory and will be released at the time of the nickel purchase.

Share buyback program

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

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

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

Share-based payments

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

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

In December 2022, the Board of Directors approved the commencement of plan 2023–2025 of the Performance Share Plan and the Restricted Share Pool from the beginning of 2023. At the end of June 2023, the maximum number of gross shares (taxes included) that can be delivered from the Performance Share Plan

2023–2025 is 2,533,650 and 191 key employees participated in the plan. The maximum number of gross shares (tax included) that can be allocated from the Restricted Share Pool 2023–2025 is 184,200 and, at the end of the reporting period, 59 key employees participated in the plan.

Events after the reporting period

On August 1, 2023, Outokumpu announced that it has completed the divestment of its remaining Long Products business in Sweden. More detailed information about the financial impacts of the transaction can be found earlier in this report under Divestment of the Long Products business.

On August 3, 2023, Outokumpu announced that it explores options to strengthen its position in the U.S. as part of phase three strategic preparations. The company's focus in this phase will be to strengthen its market position further and develop more globally diversified operations including Americas expansion, European competitiveness, value-chain integration and sustainability leadership along with the possible biocoke investment.

Outokumpu is seeking to increase its existing cold rolling capacity and investigating different options for its hot rolling arrangements in Calvert, Alabama, U.S. With respect to the latter, one option under consideration for the company is to build its own hot rolling mill.