Outokumpu interim statement Q3 2020

Contents

Outokumpu third quarter interim statement 2020

Rigorous measures improved cash flow and net debt decreased to EUR 1.1 billion.

Highlights in Q3 2020

- Stainless steel deliveries were 488,000 tonnes (533,000 tonnes)[1].
- Adjusted EBITDA was EUR 22 million (EUR 45 million).
- EBITDA was EUR 10 million (EUR 45 million).
- Operating cash flow was EUR 170 million (EUR 12 million).
- Net debt decreased to EUR 1,105 million (June 30, 2020: EUR 1,243 million).
- Gearing was 45.1% (June 30, 2020: 49.2%).

Highlights in Q1–Q3 2020

- Stainless steel deliveries were 1,599,000 tonnes (1,738,000 tonnes).
- Adjusted EBITDA was EUR 172 million (EUR 190 million).
- EBITDA was EUR 161 million (EUR 176 million).
- Operating cash flow was EUR 210 million (EUR 228 million).
- Net result was EUR -78 million (EUR -60 million).

Group key figures		Q3/20	Q3/19	Q2/20	Q1–Q3/20	Q1–Q3/19	2019
Sales	EUR million	**1,254**	1,590	1,420	**4,289**	5,006	6,403
EBITDA	EUR million	**10**	45	45	**161**	176	266
Adjusted EBITDA 1)	EUR million	**22**	45	45	**172**	190	263
EBIT	EUR million	**-51**	-13	-16	**-22**	3	33
Adjusted EBIT 1)	EUR million	**-39**	-13	-16	**-10**	17	30
Result before taxes	EUR million	**-77**	-30	-38	**-93**	-47	-41
Net result for the period	EUR million	**-63**	-27	-37	**-78**	-60	-75
Earnings per share	EUR	**-0.15**	-0.06	-0.09	**-0.19**	-0.14	-0.18
Diluted earnings per share	EUR	**-0.15**	-0.06	-0.09	**-0.19**	-0.14	-0.18
Return on capital employed	%	**0.2**	1.0	1.1	**0.2**	1.0	0.8
Net cash generated from operating activities	EUR million	**170**	12	72	**210**	228	371
Net debt at the end of period	EUR million	**1,105**	1,336	1,243	**1,105**	1,336	1,155
Debt-to-equity ratio at the end of period	%	**45.1**	51.4	49.2	**45.1**	51.4	45.1
Capital expenditure	EUR million	**32**	56	57	**141**	156	221
Stainless steel deliveries	1,000 tonnes	**488**	533	523	**1,599**	1,738	2,196
Personnel at the end of period 2)		**10,118**	10,507	10,213	**10,118**	10,507	10,390

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

2) On June 30, 2020 the Group employed, in addition, some 540 summer trainees.

[1] Figures in parentheses refer to the corresponding period for 2019, unless otherwise stated.

President & CEO Heikki Malinen

Outokumpu has continued extensive measures to limit the impacts of the COVID-19 pandemic on its employees, operations and business. Our top priority remains securing the health and safety of our employees and I am pleased our comprehensive actions have been successful. We have also adjusted our operations to meet lower demand and reduced fixed costs by continuing with cost compression measures. I am especially delighted to see our sales team proactively engaging with customers during these exceptional times to ensure the continuation of our service and remain our customers' trusted partner.

In the third quarter, Outokumpu's deliveries decreased as expected compared to the second quarter and our adjusted EBITDA was EUR 22 million. Business area Americas is developing in the right direction thanks to the successful operational and commercial stabilization, with the third quarter adjusted EBITDA increasing to EUR 14 million, compared to a negative result last year.

The market in Europe was difficult due to increased import pressure from Asia, resulting lower prices and typical seasonality, leading to a challenging quarter for business area Europe with adjusted EBITDA amounting to EUR 9 million.

In October, the European Commission imposed definitive anti-dumping duties on hot rolled stainless steel from Indonesia, China, and Taiwan. We welcome the measure as a first step towards restoring a level playing field and securing a sustainable future for the European stainless industry. This is still insufficient, however, and we would prefer to see the available trade enforcement tools applied in full. In September, the European Commission started an anti-dumping investigation on cold rolled stainless steel from India and Indonesia with the possibility of provisional measures.

Outokumpu announced today its new strategy with a focus on strengthening the balance sheet and creating strong returns in the long run. During the first phase of this strategy, our unwavering focus will be on reaching our financial targets: EUR 200 million EBITDA run-rate improvement and net debt to EBITDA <3.0x by the end of 2022. These targets will be achieved through strict cost and capital discipline, strong customer engagement and a lean and delayered organization.

In execution, we will increase raw material efficiency and operational cost savings and limit annual capital expenditure to EUR 180 million in 2021 and 2022 through maintenance optimization and strict asset management. We will also target fixed cost savings through planned restructuring measures and have today announced the start of employee negotiations targeting the planned reduction of 1,000 employees. The planned measures are hard especially during a pandemic and we will do everything we can to ensure a transparent and fair process. With this decisive and systematic strategy execution, we will unlock the true value in the company to benefit all of our stakeholders.

Outlook for Q4 2020

As communicated previously, the COVID-19 pandemic is expected to have a significant impact on the stainless steel industry throughout 2020, and increases uncertainty.

Outokumpu expects its stainless steel deliveries for the whole Group to remain stable in the fourth quarter compared to the third quarter.

The seasonal year-end maintenance work in Tornio, Finland is expected to have an approximately EUR 10 million negative impact on the fourth quarter result compared to the third quarter.

Adjusted EBITDA is expected to remain at the same level during the fourth quarter compared to the third quarter.

Responding to COVID-19

Protecting the health and safety of employees is the top priority at Outokumpu. The company has taken several rigorous safety measures to mitigate the negative effects of the COVID-19 pandemic on people and operations. Thanks to these decisive and well-timed actions, the impacts have been limited. Outokumpu monitors the development of the COVID-19 pandemic closely in each country it operates in and adjusts the needed measures accordingly.

At the beginning of the second quarter, the global economic slowdown caused by the COVID-19 pandemic started to affect global stainless steel demand and Outokumpu's operations. As expected, the negative impacts continued also in the third quarter. The company took decisive actions immediately when the pandemic started, and contingency plans were put in place to mitigate operational and financial risks. During the pandemic Outokumpu has been able to ensure continued operations and customer care. Top management and salespeople have been actively engaging with customers remotely. Deliveries have been negatively impacted by the current market environment, but operations have been adjusted to meet the lower level of demand.

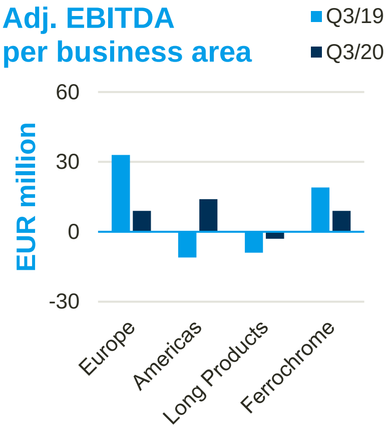
As part of the COVID-19 mitigating actions, Outokumpu initiated significant cost compression measures in the second quarter and continued with those during the third quarter. When the pandemic started to impact the company, capital expenditure was immediately reduced to EUR 180 million for the full year and the annual planned cash release from net working capital was set to EUR 100 million. Outokumpu has also deferred VAT payments in Finland of EUR 75 million of which EUR 72 million is still outstanding for up to two years.

Outokumpu continues with the divestment of its non-core assets, however as the COVID-19 situation has slowed them down, the original target to book approximately EUR 40 million of proceeds in 2020 will not fully materialize as planned. On October 23, Outokumpu entered into a sale and lease back transaction regarding its service center premises in Hockenheim, Germany. The transaction is expected to be closed by the end of 2020 with cash proceeds of EUR 15 million.

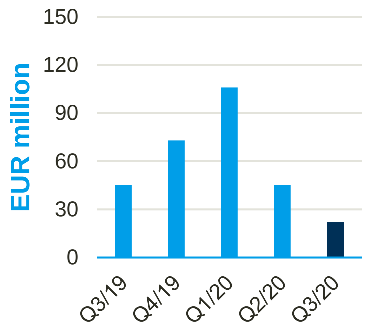
Outokumpu has been successfully managing its liquidity and funding during the pandemic. The company issued a new EUR 125 million convertible bond in July and the proceeds were used for general corporate purposes and the prepayment of debt. The financial position of Outokumpu is stable, and liquidity improved during the third quarter. Cash and cash equivalents amounted to EUR 411 million at the end of September and the total liquidity reserves were around EUR 0.9 billion. On October 30, Outokumpu signed together with a group of banks a revolving credit facility in the amount of SEK 1,000 million. The facility is guaranteed by the Swedish Export Agency EKN and it will be used to finance Outokumpu's subsidiary Outokumpu Stainless Ab in Sweden.

The financial covenants of Outokumpu's financial agreements are based on debt-to-equity ratio. Outokumpu is in compliance with the financial covenants of its financing agreements and expects to maintain this position even in an adverse COVID-19 scenario.

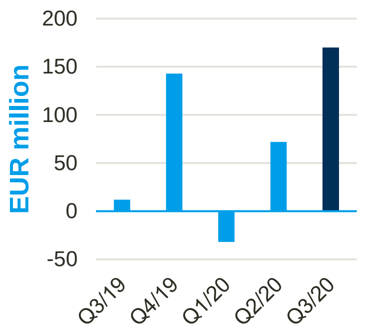
Adj. EBITDA per business area



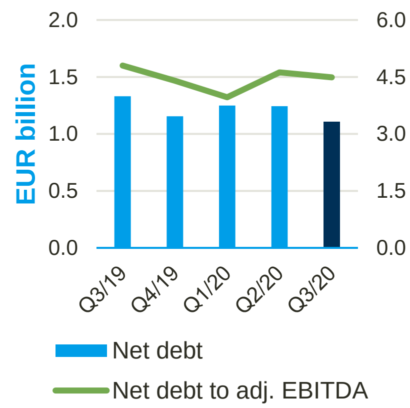
Group adj. EBITDA



Operating cash flow



Net debt and leverage



Results

Q3 2020 compared to Q3 2019

Outokumpu's sales decreased to EUR 1,254 million in the third quarter of 2020 (EUR 1,590 million) due to weakened global demand. Adjusted EBITDA decreased to EUR 22 million (EUR 45 million) and total stainless steel deliveries were 9% lower compared to the reference period of the prior year. Realized prices declined in Europe, but lower input costs supported profitability on the Group level. Also, fixed costs decreased in both Europe and Americas. The planned maintenance work related and other one-off costs in business area Ferrochrome had EUR 15 million negative impact on the Group's profitability. During the third quarter of 2020, Outokumpu recognized restructuring costs of EUR 11 million mainly relating to personnel reductions in business area Long Products. Some restructuring costs were also recognized in Other operations and in business areas Americas and Europe. These costs are reported as adjustments for the quarter (no adjustments). Raw material-related inventory and metal derivative gains amounted to EUR 3 million compared to the losses of EUR 31 million in the reference period. Other operations and intra-group items' adjusted EBITDA amounted to EUR -7 million (EUR 14 million).

Q3 2020 compared to Q2 2020

Outokumpu's sales amounted to EUR 1,254 million in the third quarter of 2020 (Q2/20: EUR 1,420 million). Adjusted EBITDA decreased to EUR 22 million (Q2/20: EUR 45 million) and total stainless steel deliveries were 7% lower compared to the previous quarter. Realized prices in Europe declined, but the Group's result was supported by lower fixed costs. Raw material-related inventory and metal derivative gains were EUR 3 million in the third quarter compared to the EUR 15 million losses in the previous quarter.

Q1–Q3 2020 compared to Q1–Q3 2019

During January-September 2020, Outokumpu's sales decreased to EUR 4,289 million (EUR 5,006 million) and adjusted EBITDA to EUR 172 million (EUR 190 million). Deliveries in the first three quarters of 2020 were 8% lower compared to the reference period last year. Realized prices declined in both Europe and Americas, but lower input and fixed costs affected positively on the Group's result. The lower ferrochrome benchmark price had a negative impact on profitability compared to the previous year. Raw material-related inventory and metal derivative losses amounted to EUR 31 million, while the losses in the reference period were EUR 60 million. Other operations and intra-group items' adjusted EBITDA amounted to EUR -19 million (EUR 4 million).

EBIT was EUR -22 million (EUR 3 million) and the net result amounted to EUR -78 million (EUR -60 million) in January-September 2020.

Financial position and cash flow

Operating cash flow amounted to EUR 170 million in the third quarter of 2020 (EUR 12 million). Net working capital decreased by EUR 188 million, including EUR 72 million of deferred VAT payments in Finland, compared to a net working capital decrease of EUR 25 million in the reference period. Inventories decreased during the third quarter to EUR 1,077 million (June 30, 2020: EUR 1,145 million).

Capital expenditure amounted to EUR 32 million in the third quarter (EUR 56 million). The ongoing investments include the Kemi mine expansion, the Ferritics investment in the US and the digital transformation project Chorus, including the ERP renewal. The total amount of the Kemi mine expansion investment is expected to increase to EUR 283 million and will be finalized by the end of 2022.

Net debt amounted to EUR 1,105 million at the end of September (June 30, 2020: EUR 1,243 million) and gearing declined to 45.1% (June 30, 2020: 49.2%). Net financial expenses were EUR 27 million in the third quarter of the year (EUR 17 million) and interest expenses were EUR 21 million (EUR 18 million).

Cash and cash equivalents were at EUR 411 million at the end of September (June 30, 2020: EUR 399 million) and the overall liquidity reserves increased to some EUR 0.9 billion (June 30, 2020: EUR 0.8 billion). In addition to these reserves, Outokumpu has the unutilized EUR 66 million short-term portion of the syndicated facility available and EUR 56 million financing facility, which can be used to finance certain amount of the Kemi mine investment.

Despite the uncertainties brought about by the coronavirus pandemic Outokumpu has been able to continue with the issuance of commercial papers; at the end of the third quarter the outstanding amount totaled EUR 279 million. In July, Outokumpu successfully issued a EUR 125 million senior unsecured convertible bond due in July 2025. The proceeds from the convertible bonds were used for general corporate purposes and prepayment of debt. Furthermore, Outokumpu has deferred VAT payments in Finland of EUR 75 million of which EUR 72 million is still outstanding for up to two years. The outstanding amount is reported as VAT liability within net working capital. These transactions have had positive impacts on liquidity, the debt maturity profile and capital structure.

Market development

According to CRU's latest estimates global apparent consumption of stainless steel flat products decreased by 2.0% in the third quarter of 2020 compared to the reference period last year. Consumption in EMEA decreased most by 18.1% while the Americas shrank by 11.0%. Meanwhile consumption in APAC already grew by 2.3%. Compared to the second quarter of 2020, apparent consumption in the third quarter increased by 10.2%. This was driven by the increases of 13.3% in APAC and 12.3% in the Americas. Meanwhile consumption in EMEA still shrank further by 6.1%. (CRU August 2020)

In the fourth quarter of 2020, global apparent consumption of flat products is expected to increase by 2.5% from the third quarter, driven by increases of 13.5% in EMEA, 3.8% in the Americas and 0.5% in APAC. Compared to last year's fourth quarter, consumption is expected to increase by 3.8% driven by an increase of 7.0% in APAC. Meanwhile consumption in the EMEA and Americas is expected to shrink by 7.7% and 3.2%, respectively. (CRU August 2020)

Global apparent consumption is expected to decrease by 4.1% in 2020 compared to 2019 (CRU August 2020).

Business area Europe

Europe key figures		Q3/20	Q3/19	Q2/20	Q1–Q3/20	Q1–Q3/19	2019
Stainless steel deliveries	1,000 tonnes	**338**	356	356	**1,085**	1,162	1,459
Sales	EUR million	**809**	1,006	900	**2,734**	3,227	4,089
Adjusted EBITDA	EUR million	**9**	33	30	**106**	148	216
Adjustments							
Restructuring costs	EUR million	**-1**	-	-	**-1**	-	-53
Gain on the sale of real estate in Benrath, Germany	EUR million	**-**	-	-	**-**	-	70
EBITDA	EUR million	**8**	33	30	**105**	148	233
Operating capital	EUR million	**1,664**	1,990	1,840	**1,664**	1,990	1,901

Results

Q3 2020 compared to Q3 2019

Sales amounted to EUR 809 million (EUR 1,006 million).
Adjusted EBITDA amounted to EUR 9 million (EUR 33 million).

- Deliveries decreased by 5%.
- Prices were on a lower level, and the product mix was significantly weaker.
- Lower input costs and fixed cost savings from COVID-19 mitigation actions supported profitability.
- Raw material-related inventory and metal derivative gains amounted to EUR 3 million compared to losses of 17 million in Q3/19.

Q3 2020 compared to Q2 2020

Adjusted EBITDA amounted to EUR 9 million (Q2/20: EUR 30 million).

- Deliveries decreased by 5%.
- Prices declined, and the product mix was weaker.
- Positive effects from cost-saving actions were offset by negative volume and price impacts.
- Raw material-related inventory and metal derivative gains were EUR 3 million compared to losses of 13 million in Q2/20.

Market

- In the third quarter of 2020, apparent consumption in EMEA decreased by 18% compared to Q3/19 and 6% compared to Q2/20 (Source: CRU August 2020).
- EU cold-rolled imports from the third countries increased to 38% in the third quarter, significantly up from the level of 24% in Q2/20. (Source: EUROFER, October 2020).
- Distributor inventories decreased during the third quarter and were below the long-term average level in September.

Business area Americas

Americas key figures		Q3/20	Q3/19	Q2/20	Q1–Q3/20	Q1–Q3/19	2019
Stainless steel deliveries	1,000 tonnes	**136**	154	134	**439**	467	601
Sales	EUR million	**264**	337	278	**901**	1,043	1,346
Adjusted EBITDA	EUR million	**14**	-11	3	**37**	-37	-27
Restructuring costs	EUR million	**-2**	-	-	**-2**	-	-
EBITDA	EUR million	**13**	-11	3	**35**	-37	-27
Operating capital	EUR million	**831**	956	927	**831**	956	914

Results

Q3 2020 compared to Q3 2019

Sales decreased to EUR 264 million (EUR 337 million).
Adjusted EBITDA increased to EUR 14 million (EUR -11 million).

- Deliveries decreased by 11%.
- Prices were lower, but the negative impact was slightly offset by a better product mix.
- Fixed costs decreased.
- Raw material-related inventory and metal derivative gains amounted to EUR 1 million compared to losses of EUR 15 million Q3/19.

Q3 2020 compared to Q2 2020

Adjusted EBITDA increased to EUR 14 million (Q2/20: EUR 3 million).

- Deliveries increased by 2%.
- Profitability was supported by lower fixed costs.
- Raw material-related inventory and metal derivative gains were EUR 1 million compared to losses of EUR 0 million in Q2/20.

Market

- In the third quarter of 2020, US real demand decreased by 20% compared to Q3/19.
- Cold-rolled imports into the US decreased to 14% in the third quarter, slightly down from the level of 16% in Q2/20 (Source: American Iron & Steel Institute, October 2020).
- US distributor inventories decreased by 13% in the third quarter compared to Q3/19 and were below the long-term average level. (Source: Metals Service Center Institute, September 2020).

Business area Long Products

Long Products key figures		Q3/20	Q3/19	Q2/20	Q1–Q3/20	Q1–Q3/19	2019
Stainless steel deliveries	1,000 tonnes	**31**	47	40	**132**	183	226
Sales	EUR million	**89**	137	119	**378**	507	642
Adjusted EBITDA	EUR million	**-3**	-9	-4	**-8**	-6	-7
Restructuring costs	EUR million	**-6**	-	-	**-6**	-	-
EBITDA	EUR million	**-9**	-9	-4	**-14**	-6	-7
Operating capital	EUR million	**153**	203	172	**153**	203	157

Results

Q3 2020 compared to Q3 2019

Sales amounted to EUR 89 million (EUR 137 million).
Adjusted EBITDA amounted to EUR -3 million (EUR -9 million).

- Deliveries decreased by 34%.
- Input costs and fixed costs were lower.
- Raw material-related inventory and metal derivative gains amounted to EUR 0 million compared to losses of EUR 6 million in Q3/19.
- Adjustments for Q3/20 include EUR 6 million of restructuring costs relating to personnel reductions.

Q3 2020 compared to Q2 2020

Adjusted EBITDA amounted to EUR -3 million (Q2/20: EUR -4 million).

- Deliveries decreased by 22%.
- Profitability was slightly negatively impacted by higher costs.
- Raw material-related inventory and metal derivative gains were EUR 0 million compared to losses of EUR 2 million in Q2/20.

Market

- After a seasonal slowdown during the summer months demand picked up in both Europe and USA to pre-summer levels.
- There are signs of improved activity, but this has not yet translated into improvements in ordering, so any post COVID-19 rebound is not expected in demand for long products until 2021.

Business area Ferrochrome

Ferrochrome key figures		Q3/20	Q3/19	Q2/20	Q1–Q3/20	Q1–Q3/19	2019
Ferrochrome production	1,000 tonnes	**112**	131	123	**371**	393	505
Sales	EUR million	**85**	104	95	**292**	357	461
Adjusted EBITDA	EUR million	**9**	19	24	**57**	80	96
EBITDA	EUR million	**9**	19	24	**57**	80	96
Operating capital	EUR million	**761**	686	744	**761**	686	692

Results

Q3 2020 compared to Q3 2019

Sales amounted to EUR 85 million (EUR 104 million).
Adjusted EBITDA decreased to EUR 9 million (EUR 19 million).

- Ferrochrome production was 15% lower.
- Fixed costs were higher, and the planned maintenance work related and other one-off costs had EUR 15 million negative impact on Q3/20 result.
- Profitability was positively impacted by lower input costs and USD 0.10/lb higher ferrochrome benchmark price.

Q3 2020 compared to Q2 2020

Adjusted EBITDA decreased to EUR 9 million (Q2/20: EUR 24 million).

- Ferrochrome production decreased by 9%.
- Fixed costs increased, and the planned maintenance work related and other one-off costs had EUR 15 million negative impact on Q3/20 result.

Market

- For Q3/20, the European benchmark price for ferrochrome remained flat quarter on quarter at USD 1.14/lb.
- For Q4/20, the European benchmark price for ferrochrome remained unchanged at USD 1.14/lb for the third consecutive quarter.

Sustainability

Outokumpu is a leading producer of sustainable stainless steel globally. The company's sustainability strategy is based on three pillars – Sustainable operations, People & Society and Sustainable solutions. Outokumpu is committed to the United Nations' Sustainable Development Goals with a focus on the following six goals: clean water and sanitation, affordable and clean energy, decent work and economic growth, industry, innovation and infrastructure, responsible consumption and production, and climate action.

Outokumpu is the only stainless steel producer globally that is publishing annually its stainless steel carbon footprint including all direct and indirect (electricity) emissions as well as emissions from the production of raw material and transports. Outokumpu is also the only stainless steel company globally to have an approved Science Based Target with the aim of reducing our greenhouse gas emissions by 20% per tonne of stainless steel in 2023. Outokumpu's longer-term target is to reach carbon neutrality by 2050 in-line with the EU Green Deal objectives. Outokumpu's other sustainability targets include improved organizational health, improved safety, increased energy efficiency, zero environmental incidents and high material recycling.

Outokumpu participated in the benchmark system on the platform SAM, the supplier platform Ecovadis and the Carbon Disclosure Project and submitted the information requested in the third quarter. These ratings are now under assessment.

Safety

The total recordable injury frequency rate (TRIFR) was 2.5 in the third quarter (Q3/19: 3.0) against the target of less than 3.0. Additionally, the YTD TRIFR at the end of the third quarter was also 2.5 and this is Outokumpu's strongest January–September performance on record.

Outokumpu has taken numerous measures to protect the health and safety of employees and people close to the company and to mitigate the negative impacts of the global COVID-19 pandemic. These actions include remote work when feasible, limited visitor access to all sites, travel ban, social distancing as well as enhanced focus on cleanliness and hygiene at all sites.

The COVID-19 pandemic is now moving into a second wave of infections in most of the countries in which Outokumpu operates, and there now starts to be more positive cases within the company's workforce. Outokumpu continues to operate under strict rules and instructions to protect its employees.

Personnel

Outokumpu's headcount fell by 95 during the third quarter, totaling 10,118 at the end of September (June 30, 2020: 10,213). On November 5, Outokumpu announced plans on restructuring measures aimed at cost savings and the start of employee negotiations with a plan to reduce the total employee headcount by up to approximately 1,000 mostly by the end of 2021.

Shares

On September 30, 2020, Outokumpu's share capital was EUR 311 million, and the total number of shares was 416,374,448. At the end of the third quarter, Outokumpu held 4,550,586 treasury shares. The average number of shares outstanding was 411,823,862 in the third quarter.

Risks and uncertainties

Short-term risks and uncertainties

In the short term, Outokumpu is focusing on mitigating its current exposures to the COVID-19 pandemic-related risks and uncertainties to its business and operations, including but not limited to: risk of business interruptions due to closures in Outokumpu's production locations; other temporary business interruptions; weakened outlook for demand for stainless steel and consequently Outokumpu's expected product deliveries; impacts on personnel resources; dependencies on certain critical suppliers; overall price and availability of critical raw materials and supplies; impacts on payment terms with suppliers due to Outokumpu's weakened credit rating; increased overdues and the realization of credit losses from customer receivables; liquidity and refinancing risks; changes in the prices of ferrochrome, nickel, electrical power and CO2 emission allowances; currency developments affecting the euro, US dollar, Swedish krona, and British pound; negative impacts on the amount of defined pension benefit assets and liabilities; changes in interest margins applied for Outokumpu; risks related to the fair value of shareholdings, such as investment in the Fennovoima project and project and investment implementation risks, including the ongoing project in the Kemi mine.

Possible further adverse changes in the global political and economic environment, including severe and lengthened impacts from the coronavirus pandemic with slower than expected recovery may have a significant negative impact on Outokumpu's overall business and access to financial markets.

Changes in management

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 at 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 at Outokumpu until the end of September.

On September 29, Outokumpu announced changes in its Leadership Team. The 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.

Events after the reporting period

On October 23, Outokumpu entered into a sale and lease back transaction regarding its service center premises in Hockenheim, Germany. The closing of the transaction is expected by the end of 2020 with cash proceeds of EUR 15 million.

On October 30, Outokumpu signed together with a group of banks a revolving credit facility in the amount of SEK 1,000 million. The facility is guaranteed by the Swedish Export Agency EKN and it will be used to finance Outokumpu's subsidiary Outokumpu Stainless Ab in Sweden.

On November 5, Outokumpu announced its new strategy and financial targets, with the focus on strengthening the balance sheet.

On November 5, Outokumpu announced plans on restructuring measures for cost savings and the start of the employee negotiations with a plan to reduce the total employee headcount by up to approximately 1,000 mostly by the end of 2021.

On November 5, it was announced that Outokumpu Board of Directors has decided that no dividend will be paid for the financial year 2019.

Helsinki, November 5, 2020

Outokumpu Oyj
Board of Directors

Financial information

Condensed statement of income (EUR million)	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Jan–Dec 2019
Sales	**1,254**	1,590	**4,289**	5,006	6,403
Cost of sales	**-1,231**	-1,516	**-4,098**	-4,726	-6,108
Gross margin	**23**	74	**191**	279	295
Other operating income	**4**	12	**14**	26	107
Sales, general and administrative costs	**-70**	-68	**-208**	-220	-292
Other operating expenses	**-7**	-31	**-19**	-82	-77
EBIT	**-51**	-13	**22**	3	33
Share of results in associated companies and joint ventures	**0**	0	**1**	3	6
Interest expenses	**-21**	-18	**-59**	-54	-76
Net other financial income and expenses	**-6**	1	**-14**	1	-4
Total financial income and expenses	**-27**	-17	**-73**	-53	-80
Result before taxes	**-77**	-30	**-93**	-47	-41
Income taxes	**14**	3	**15**	-12	-33
Net result for the period	**-63**	-27	**-78**	-60	-75
Earnings per share for result attributable to the equity holders of the Company					
Earnings per share, EUR	**-0.15**	-0.06	**-0.19**	-0.14	-0.18
Diluted earnings per share, EUR	**-0.15**	-0.06	**-0.19**	-0.14	-0.18

Statement of comprehensive income (EUR million)	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Jan–Dec 2019
Net result for the period	**-63**	-27	**-78**	-60	-75
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations					
Change in exchange differences	**-44**	44	**-56**	45	25
Reclassification adjustments from other comprehensive income to profit or loss	**-**	-	**-**	-	3
Cash flow hedges					
Fair value changes during the financial year	**-3**	11	**0**	15	12
Reclassification adjustments from other comprehensive income to profit or loss	**-2**	-7	**-11**	-9	-1
Reclassification adjustments from other comprehensive income to inventory	**4**	-	**4**	-	-2
Income tax relating to cash flow hedges	**-**	-	**-**	-	-1
Items that will not be reclassified to profit or loss:					
Remeasurements on defined benefit obligation plans					
Changes during the accounting period	**-14**	-9	**7**	-35	-43
Income tax relating to remeasurements	**4**	3	**1**	12	10
Financial assets at fair value through other comprehensive income	**23**	-37	**1**	-53	-54
Share of other comprehensive income in associated companies and joint ventures	**0**	0	**-0**	-0	-0
Other comprehensive income for the period, net of tax	**-31**	6	**-53**	-25	-49
Total comprehensive income for the period	**-94**	-21	**-131**	-85	-124

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

Condensed statement of financial position (EUR million)	Sept 30 2020	Sept 30 2019	Dec 31 2019
ASSETS			
Non-current assets			
Intangible assets	**611**	595	607
Property, plant and equipment	**2,676**	2,790	2,767
Investments in associated companies and joint ventures	**38**	41	38
Other financial assets	**52**	42	36
Deferred tax assets	**241**	249	229
Defined benefit plan assets	**82**	83	68
Trade and other receivables	**1**	2	2
Total non-current assets	**3,701**	3,802	3,747
Current assets			
Inventories	**1,077**	1,362	1,424
Other financial assets	**39**	55	28
Trade and other receivables	**550**	687	514
Cash and cash equivalents	**411**	123	325
Total current assets	**2,078**	2,227	2,291
Assets held for sale	**-**	19	-
TOTAL ASSETS	**5,779**	6,048	6,038
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company	**2,449**	2,602	2,562
Non-current liabilities			
Non-current debt	**1,201**	653	1,053
Other financial liabilities	**0**	0	-
Deferred tax liabilities	**7**	12	12
Defined benefit and other long-term employee benefit obligations	**336**	348	335
Provisions	**64**	54	85
Trade and other payables	**56**	33	29
Total non-current liabilities	**1,664**	1,100	1,514
Current liabilities			
Current debt	**315**	807	427
Other financial liabilities	**13**	27	17
Provisions	**13**	5	25
Trade and other payables	**1,324**	1,507	1,493
Total current liabilities	**1,666**	2,346	1,962
TOTAL EQUITY AND LIABILITIES	**5,779**	6,048	6,038

Condensed statement of cash flows (EUR million)	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Jan–Dec 2019
Net result for the period	**-63**	-27	**-78**	-60	-75
Adjustments					
Depreciation, amortization and impairments	**61**	58	**183**	173	233
Other non-cash adjustments	**12**	-18	**45**	42	97
Change in working capital	**188**	25	**175**	152	218
Provisions, and defined benefit and other long-term employee benefit obligations paid	**-11**	-12	**-57**	-39	-53
Dividends and interests received	**1**	0	**1**	6	12
Interests paid	**-15**	-14	**-48**	-40	-56
Income taxes paid	**-2**	-2	**-10**	-6	-5
Net cash from operating activities	**170**	12	**210**	228	371
Acquired businesses, net of cash	**-**	-	**-**	-	-3
Purchases of assets	**-35**	-48	**-145**	-135	-190
Proceeds from the disposal of subsidiaries, net of cash	**-**	-	**-**	-	9
Proceeds from the sale of assets	**0**	12	**1**	17	109
Other investing cash flow	**-10**	-	**-9**	9	10
Net cash from investing activities	**-45**	-37	**-154**	-109	-65
Cash flow before financing activities	**125**	-25	**56**	119	306
Dividends paid	**-**	-	**-**	-62	-62
Borrowings of non-current debt	**133**	-	**474**	74	515
Repayment of non-current debt	**-234**	-61	**-624**	-80	-110
Change in current debt	**-11**	16	**181**	1	-396
Other financing cash flow	**0**	3	**0**	4	3
Net cash from financing activities	**-112**	-42	**32**	-64	-49
Net change in cash and cash equivalents	**13**	-67	**88**	55	256
Cash and cash equivalents at the beginning of the period	**399**	190	**325**	68	68
Net change in cash and cash equivalents	**13**	-67	**88**	55	256
Foreign exchange rate effect	**-1**	0	**-2**	-0	0
Cash and cash equivalents at the end of the period	**411**	123	**411**	123	325

Statement of changes in equity

(EUR million) — **Attributable to the equity holders of the parent**

	Share capital	Premium fund	Invested unrestricted equity reserve	Other reserves	Fair value reserve from financial assets at fair value through OCI	Fair value reserve from derivatives	Cumulative translation differences	Remeasurements 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 period	-	-	-	-	-	-	-	-	-	-60	-60
Other comprehensive income	-	-	-	-	-54	9	45	-24	-	-0	-25
Total comprehensive income for the period	-	-	-	-	-54	9	45	-24	-	-60	-85
Transactions with equity holders of the Company											
Contributions and distributions											
Dividend distribution	-	-	-	-	-	-	-	-	-	-62	-62
Share-based payments	-	-	-	-	-	-	-	-	3	-5	-1
Other	-	-	-	-	-	-	-	-3	-	3	0
Equity on Sept 30, 2019	**311**	**714**	**2,103**	**3**	**-49**	**6**	**-11**	**-107**	**-37**	**-330**	**2,602**
Equity on Dec 31, 2019	**311**	**714**	**2,103**	**3**	**-49**	**6**	**-27**	**-116**	**-33**	**-350**	**2,562**
Net result for the period	-	-	-	-	-	-	-	-	-	-78	-78
Other comprehensive income	-	-	-	-	1	-7	-56	8	-	-0	-53
Total comprehensive income for the period	-	-	-	-	1	-7	-56	8	-	-78	-131
Transactions with equity holders of the Company											
Contributions and distributions											
Convertible bond	-	-	-	-	-	-	-	-	-	17	17
Share-based payments	-	-	-	-	-	-	-	-	0	0	0
Equity on Sept 30, 2020	**311**	**714**	**2,103**	**3**	**-48**	**0**	**-83**	**-108**	**-32**	**-411**	**2,449**

Adjustments to EBITDA and EBIT (EUR million)	Q3/2020	Q3/2019	Q1–Q3/2020	Q1–Q3/2019	2019
Restructuring costs	**-11**	-	**-11**	-	-53
Gain on the sale of real estate in Benrath, Germany	**-**	-	**-**	-	70
Settlement with ThyssenKrupp	**-**	-	**-**	-14	-14
Adjustments to EBITDA and EBIT	**-11**	-	**-11**	-14	3

Group key figures		Q3/2020	Q3/2019	Q1–Q3/2020	Q1–Q3/2019	2019
Scope of activity						
Capital employed at the end of period	EUR million	**3,707**	4,096	**3,707**	4,096	3,904
Capital expenditure	EUR million	**32**	56	**141**	156	221
Depreciation and amortization	EUR million	**-60**	-57	**-182**	-171	-230
Impairments	EUR million	**-1**	-1	**-1**	-2	-3
Personnel at the end of period		**10,118**	10,507	**10,118**	10,507	10,390
- average for the period		**10,452**	10,952	**10,413**	10,711	10,645
Profitability						
Adjusted EBITDA	EUR million	**22**	45	**172**	190	263
Adjustments to EBITDA	EUR million	**-11**	-	**-11**	-14	3
EBITDA	EUR million	**10**	45	**161**	176	266
Earnings per share	EUR	**-0.15**	-0.06	**-0.19**	-0.14	-0.18
Diluted earnings per share	EUR	**-0.15**	-0.06	**-0.19**	-0.14	-0.18
Adjusted average number of shares [1)]	1,000 shares	**411,824**	411,387	**411,814**	411,118	411,198
Return on equity	%	**-3.6**	-1.2	**-3.6**	-1.2	-2.8
Return on capital employed	%	**0.2**	1.0	**0.2**	1.0	0.8
Financing and financial position						
Non-current debt	EUR million	**1,201**	653	**1,201**	653	1,053
Current debt	EUR million	**315**	807	**315**	807	427
Cash and cash equivalents	EUR million	**-411**	-123	**-411**	-123	-325
Net debt at the end of period	EUR million	**1,105**	1,336	**1,105**	1,336	1,155
Net debt to Adjusted EBITDA		**4.5**	4.8	**4.5**	4.8	4.4
Equity-to-assets ratio at the end of period	%	**42.4**	43.2	**42.2**	43.2	42.5
Debt-to-equity ratio at the end of period	%	**45.1**	51.4	**45.1**	51.4	45.1
Equity per share at the end of period [1)]	EUR	**5.95**	6.33	**5.95**	6.33	6.22

[1)] Excluding treasury shares.

Sales by segment (EUR million)	Q3/2020	Q3/2019	Q1–Q3/2020	Q1–Q3/2019	2019
Europe total	**809**	1,006	**2,734**	3,227	4,089
of which intra-group	**20**	21	**64**	45	66
Americas total	**264**	337	**901**	1,043	1,346
of which intra-group	**0**	0	**1**	2	3
Long Products total	**89**	137	**378**	507	642
of which intra-group	**13**	30	**58**	116	137
Ferrochrome total	**85**	104	**292**	357	461
of which intra-group	**57**	56	**177**	221	293
Other operations total	**161**	192	**488**	475	653
of which intra-group	**63**	79	**205**	219	290
Group total sales	**1,254**	1,590	**4,289**	5,006	6,403

Adjusted EBITDA by segment (EUR million)	Q3/2020	Q3/2019	Q1–Q3/2020	Q1–Q3/2019	2019
Europe	**9**	33	**106**	148	216
Americas	**14**	-11	**37**	-37	-27
Long Products	**-3**	-9	**-8**	-6	-7
Ferrochrome	**9**	19	**57**	80	96
Other operations and intra-group items	**-7**	14	**-19**	4	-15
Group total adjusted EBITDA	**22**	45	**172**	190	263

Adjustments to EBITDA and EBIT by segment (EUR million)	Q3/2020	Q3/2019	Q1–Q3/2020	Q1–Q3/2019	2019
Europe	**-1**	-	**-1**	-	17
Americas	**-2**	-	**-2**	-	-
Long Products	**-6**	-	**-6**	-	-
Ferrochrome	**-**	-	**-**	-	-
Other operations	**-3**	-	**-3**	-14	-14
Group total adjustments	**-11**	-	**-11**	-14	3

EBITDA by segment (EUR million)	Q3/2020	Q3/2019	Q1–Q3/2020	Q1–Q3/2019	2019
Europe	**8**	33	**105**	148	233
Americas	**13**	-11	**35**	-37	-27
Long Products	**-9**	-9	**-14**	-6	-7
Ferrochrome	**9**	19	**57**	80	96
Other operations and intra-group items	**-10**	14	**-23**	-11	-29
Group total EBITDA	**10**	45	**161**	176	266

Adjusted EBIT by segment (EUR million)	Q3/2020	Q3/2019	Q1–Q3/2020	Q1–Q3/2019	2019
Europe	**-26**	-2	**1**	49	82
Americas	**1**	-25	**-5**	-79	-84
Long Products	**-6**	-11	**-16**	-12	-16
Ferrochrome	**0**	12	**32**	59	67
Other operations and intra-group items	**-8**	13	**-22**	0	-19
Group total adjusted EBIT	**-39**	-13	**-10**	17	30

EBIT by segment (EUR million)	Q3/2020	Q3/2019	Q1–Q3/2020	Q1–Q3/2019	2019
Europe	**-27**	-2	**1**	49	99
Americas	**-1**	-25	**-7**	-79	-84
Long Products	**-12**	-11	**-22**	-12	-16
Ferrochrome	**0**	12	**32**	59	67
Other operations and intra-group items	**-11**	13	**-26**	-14	-34
Group total EBIT	**-51**	-13	**-22**	3	33

Depreciation and amortization by segment (EUR million)	Q3/2020	Q3/2019	Q1–Q3/2020	Q1–Q3/2019	2019
Europe	**-35**	-34	**-105**	-99	-134
Americas	**-13**	-14	**-41**	-42	-56
Long Products	**-3**	-2	**-8**	-6	-8
Ferrochrome	**-9**	-7	**-25**	-22	-29
Other operations	**-1**	-0	**-3**	-3	-4
Group total depreciation and amortization	**-60**	-57	**-182**	-171	-230

Capital expenditure by segment (EUR million)	Q3/2020	Q3/2019	Q1–Q3/2020	Q1–Q3/2019	2019
Europe	**7**	12	**23**	31	44
Americas	**2**	6	**8**	15	20
Long Products	**1**	9	**2**	15	18
Ferrochrome	**21**	22	**79**	73	103
Other operations	**2**	8	**28**	22	35
Group total capital expenditure	**32**	56	**141**	156	221

Operating capital by segment (EUR million)	Q3/2020	Q3/2019	Q1–Q3/2020	Q1–Q3/2019	2019
Europe	**1,664**	1,990	**1,664**	1,990	1,901
Americas	**831**	956	**831**	956	914
Long Products	**153**	203	**153**	203	157
Ferrochrome	**761**	686	**761**	686	692
Other operations and intra-group items	**64**	24	**64**	24	23
Group total operating capital	**3,473**	3,859	**3,473**	3,859	3,687

Personnel at the end of period by segment	Q3/2020	Q3/2019	Q1–Q3/2020	Q1–Q3/2019	2019
Europe	**6,583**	6,844	**6,583**	6,844	6,753
Americas	**1,857**	1,953	**1,857**	1,953	1,934
Long Products	**826**	896	**826**	896	883
Ferrochrome	**484**	469	**484**	469	472
Other operations	**368**	345	**368**	345	348
Group total personnel at the end of period	**10,118**	10,507	**10,118**	10,507	10,390

Definitions of financial key figures

EBITDA	=	EBIT before depreciation, amortization and impairments
Adjustments to EBITDA or EBIT	=	Material income and expense items which affect the comparability between periods because of their unusual nature, size or incidence resulting for example from group-wide restructuring programs or disposals of assets or businesses.
Adjusted EBITDA or EBIT	=	EBITDA or EBIT – items classified as adjustments
Capital employed	=	Total equity + net debt + net defined benefit and other long-term employee benefit obligations + net interest rate derivative liabilities + net accrued interest expenses – net assets held for sale – loans receivable – financial assets at fair value through other comprehensive income – financial assets at fair value through profit or loss – investments in associated companies and joint ventures
Operating capital	=	Capital employed – net deferred tax asset
Return on capital employed (ROCE)	=	$\frac{\text{EBIT (4-quarter rolling)}}{\text{Capital employed (4-quarter rolling average)}} \times 100$
Return on equity (ROE)	=	$\frac{\text{Net result for the financial period (4-quarter rolling)}}{\text{Total equity (4-quarter rolling average)}} \times 100$
Net debt	=	Non-current debt + current debt – cash and cash equivalents
Equity-to-assets ratio	=	$\frac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$
Debt-to-equity ratio	=	$\frac{\text{Net debt}}{\text{Total equity}} \times 100$
Net debt to adjusted EBITDA	=	$\frac{\text{Net debt}}{\text{Adjusted EBITDA (4-quarter rolling)}}$
Earnings per share	=	$\frac{\text{Net result for the financial period attributable to the owners of the parent}}{\text{Adjusted average number of shares during the period}}$
Equity per share	=	$\frac{\text{Equity attributable to the owners of the parent}}{\text{Adjusted number of shares at the end of the period}}$

Basis of preparation

This interim statement is unaudited. It has been prepared on a going concern basis following the same accounting policies and methods of computation as when preparing the financial statements for 2019, with the exception of new and amended standards applied from the beginning of 2020.

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

Revenue recognition (new in 2020)

Outokumpu has entered into so-called bill and hold arrangements with selected European customers. In these arrangements, based on a customer request, Outokumpu holds the readily available material in 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 recognized the revenue for the material sales. The revenue related to Outokumpu's performance obligation to deliver the material will be recognized when the delivery takes place. At the end of Q3/2020, the amount of revenues recognized under the bill and hold arrangements in business area Europe was immaterial.

Management judgment and the use of estimates

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

The estimation of future cash flows and the definition of the discount rates for the impairment testing require management to make assumptions relating to future expectations (e.g. future pricing, production volumes and costs, market supply and demand, projected maintenance capital expenditure and weighted average cost of capital). In estimating future cash flows, in relation 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.

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

Impairment of intangible assets and property, plant and equipment

Outokumpu's practice is to assess impairment indication on a quarterly basis. In relation to the strategic review process, the company has updated its cashflow projections and other parameters used in the impairment test for intangible assets and property, plant and equipment. The estimated recoverable amounts based on discounted cashflow projections continue to exceed the assets' carrying amounts for each business area, and consequently no impairment losses were recognized. Americas remains similarly sensitive to changes in valuation parameters as at the year-end 2019.