



**Outokumpu
interim report
January–September 2021**

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Outokumpu interim report January–September 2021

Realized prices for stainless steel increased and Q3 adjusted EBITDA rose to EUR 295 million

Highlights in Q3 2021

- Stainless steel deliveries were 575,000 tonnes (488,000 tonnes)¹.
- Adjusted EBITDA increased to EUR 295 million (EUR 22 million).
- EBITDA was EUR 295 million (EUR 10 million).
- Operating cash flow amounted to EUR 180 million (EUR 170 million).
- Net debt decreased to EUR 749 million (June 30, 2021: EUR 897 million).
- Gearing decreased to 24.6% (June 30, 2021: 31.9%).

Highlights in January–September 2021

- Stainless steel deliveries were 1,809,000 tonnes (1,599,000 tonnes).
- Adjusted EBITDA amounted to EUR 695 million (EUR 172 million).
- EBITDA was EUR 695 million (EUR 161 million).
- Operating cash flow amounted to EUR 213 million (EUR 210 million).
- Net result was EUR 394 million (EUR -78 million).

Group key figures		Q3/21	Q3/20	Q2/21	Q1–Q3/21	Q1–Q3/20	2020
Sales	EUR million	1,949	1,254	1,873	5,495	4,289	5,639
EBITDA	EUR million	295	10	223	695	161	191
Adjusted EBITDA ¹⁾	EUR million	295	22	223	695	172	250
EBIT	EUR million	234	-51	163	513	-22	-55
Adjusted EBIT ¹⁾	EUR million	234	-39	163	513	-10	4
Result before taxes	EUR million	217	-77	143	461	-93	-151
Net result for the period	EUR million	182	-63	129	394	-78	-116
Earnings per share ²⁾	EUR	0.40	-0.15	0.30	0.91	-0.19	-0.28
Diluted earnings per share ²⁾	EUR	0.37	-0.15	0.28	0.84	-0.19	-0.28
Return on capital employed	%	12.9	0.2	5.2	12.9	0.2	-1.4
Net cash generated from operating activities	EUR million	180	170	6	213	210	322
Net debt at the end of period	EUR million	749	1,105	897	749	1,105	1,028
Debt-to-equity ratio at the end of period	%	24.6	45.1	31.9	24.6	45.1	43.6
Capital expenditure ³⁾	EUR million	32	35	37	115	145	180
Stainless steel deliveries	1,000 tonnes	575	488	626	1,809	1,599	2,121
Personnel at the end of period, full-time equivalent ⁴⁾		9,137	9,815	9,088	9,137	9,815	9,602

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

²⁾ Calculated based on the share-issue-adjusted weighted average number of shares. Comparative information is presented accordingly.

³⁾ In Q4/2020, Outokumpu changed its capital expenditure definition from accrual-based to cash-based capital expenditure. Comparative information is presented accordingly.

⁴⁾ In Q1/2021, Outokumpu changed its main personnel amount measure from headcount to full-time equivalent personnel. Comparative information is presented accordingly.

On June 30, 2021 the Group employed, in addition, some 690 summer trainees.

¹ Figures in parentheses refer to the corresponding period for 2020, unless otherwise stated.

President & CEO Heikki Malinen

High realized prices and continuous progress on our margin improvement actions supported our profitability in the third quarter. We increased our adjusted EBITDA to EUR 295 million, which is the best quarter in Outokumpu's recent history. Stainless steel deliveries decreased by 8% from the second quarter, which is in line with the expected seasonal pattern.

I am proud that we have achieved EUR 695 million of adjusted EBITDA in the first three quarters of the year. The result is supported by a combination of strong market environment and our own decisive actions in strategy execution.

All business areas provided solid results in the third quarter. In Europe, the remarkable recovery from COVID-19 lows continued. Demand was strong in distributor business, domestic appliances and automotive. Business area Europe's adjusted EBITDA reached EUR 149 million, while deliveries seasonally decreased by 13%. The turnaround in Americas continues to be successful. The business area has improved its performance now for five consecutive quarters, and the adjusted EBITDA reached EUR 84 million in a strong market environment. Deliveries remained flat compared to the second quarter. Ferrochrome operations performed well, contributing EUR 64 million to the Group's adjusted EBITDA. Also, the turnaround in business area Long Product has progressed well.

Sustainability is at the core of our operations, and we are continuously taking steps towards our ambitious Science-Based Targets initiative (SBTi) of 1.5 °C

emission reduction target. In the third quarter, our energy efficiency was at a good level due to high volumes and development projects. We also announced that we are increasing the share of wind power in our electricity procurement, which is again an important step on our sustainability journey.

In July, the European Commission provided a proposal for the Carbon Border Adjustment Mechanism (CBAM). The proposal currently includes only scope 1 emissions and therefore, it does not create sufficient protection for carbon leakage. For stainless steel, it would be crucial that CBAM is applied to the whole carbon footprint (scope 1, scope 2 and scope 3).

In safety, there has been an unfortunate increase in the total recordable injury frequency rate from the previous quarters' all-time low levels. Actions to get back on track with our best-in-class safety performance have been taken across sites. In terms of the big picture, we have taken a massive leap in safety during the past five years, and it continues to be of the highest priority.

We are well on track with our strategy execution, targeting a EUR 200 million EBITDA run-rate improvement by the end of 2022. We have now reached a cumulative run-rate impact of EUR 163 million. Given the strong momentum, we decided to increase the target by EUR 50 million to EUR 250 million by the end of 2022. So far, over 500 initiatives have been executed across the company and I am very proud of our progress. I want to thank our dedicated employees for making this happen.



Outlook for Q4 2021

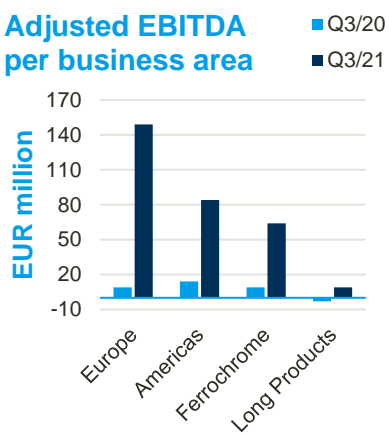
Group stainless steel deliveries in the fourth quarter are expected to remain at a similar level compared to the third quarter.

The European ferrochrome benchmark price increased to USD 1.80/lb for the fourth quarter.

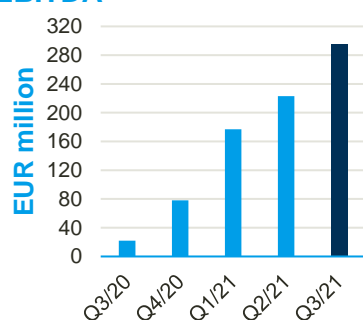
Higher stainless steel prices are reflected in the already received orders and compensating the inflationary pressures in energy, consumables and freight in the fourth quarter.

Adjusted EBITDA in the fourth quarter of 2021 is expected to be higher compared to the third quarter.

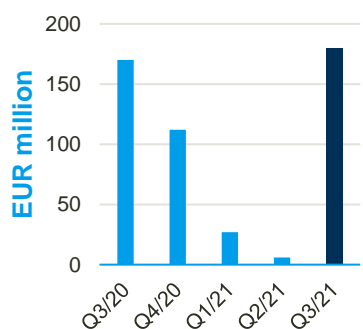
Adjusted EBITDA per business area



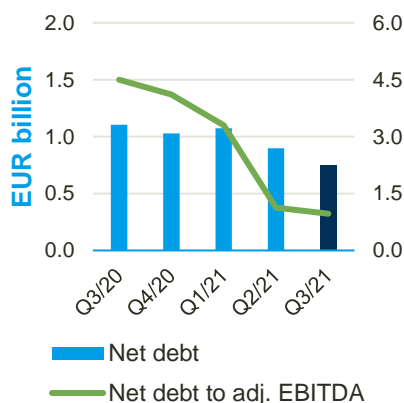
Group adjusted EBITDA



Operating cash flow



Net debt and leverage



Results

Q3 2021 compared to Q3 2020

Outokumpu's sales increased significantly in the third quarter of 2021 compared to the previous year and amounted to EUR 1,949 million (EUR 1,254 million). In the strong market environment, adjusted EBITDA rose to EUR 295 million (EUR 22 million). Total stainless steel deliveries grew by 18% from the reference period, which was negatively impacted by the global COVID-19 pandemic. Profitability in the third quarter of 2021 was supported by increased realized prices for stainless steel in both Europe and Americas as well as higher ferrochrome sales price. Increased prices, which were driven by the strong COVID-19 rebound, exceptionally long order book and augmented raw material prices, offset the higher energy and consumable prices, which burdened the result. Both fixed and variable costs increased compared to the reference period. Raw material-related inventory and metal derivative gains increased and amounted to EUR 22 million (gains of EUR 3 million). Other operations and intra-group items' adjusted EBITDA was EUR -10 million (EUR -7 million).

Q3 2021 compared to Q2 2021

Outokumpu's sales increased to EUR 1,949 million in the strong market environment in the third quarter of 2021 (Q2/2021: EUR 1,873 million). Total stainless steel deliveries declined by 8%, but adjusted EBITDA increased to EUR 295 million (Q2/2021: EUR 223 million) as the realized prices for stainless steel were at a higher level in both Europe and Americas. Profitability was also positively impacted by the increased ferrochrome sales price. At the Group level, fixed costs were higher and the planned maintenance costs increased from the previous quarter. Maintenance plans in the third quarter were, however, executed effectively, resulting in lower expenditure than planned. Also, significant cost inflation in energy and consumable prices burdened profitability in the third quarter. Raw material-related inventory and metal derivative gains increased from the previous quarter and amounted to EUR 22 million (Q2/2021: gains of EUR 7 million). Other operations and intra-group items' adjusted EBITDA amounted to EUR -10 million (Q2/2021: EUR -19 million).

January-September 2021 compared to January-September 2020

Outokumpu's sales grew significantly and amounted to EUR 5,495 million during the first three quarters of 2021 (EUR 4,289 million). Higher realized prices for stainless steel supported profitability and adjusted EBITDA increased to EUR 695 million (EUR 172 million). Stainless steel deliveries grew by 13% from the reference period, which was negatively impacted by the global COVID-19 pandemic. Overall, costs increased slightly compared to the previous year. Raw material-related inventory and metal derivative gains increased to EUR 70 million (losses of EUR 31 million), mainly due to positive timing impacts. Other operations and intra-group items' adjusted EBITDA amounted to EUR -37 million (EUR -19 million).

EBIT increased to EUR 513 million (EUR -22 million) and net result to EUR 394 million (EUR -78 million).

Strategy execution

Outokumpu launched a new strategy in November 2020 and set financial targets by the end of 2022. The targets included a EUR 200 million EBITDA run-rate improvement and a reduction of the net debt to EBITDA ratio to below 3.0. With the commitment to continue de-risking the company by the end of 2022, Outokumpu announced on November 4, 2021, that it increases the initial EBITDA run-rate improvement target to EUR 250 million. Although the initial leverage target has already been met, the company will continue to deleverage through the first phase of the strategy until the end of 2022. The strategy has three key focus areas: Lean & Agile Organization, Cost & Capital Discipline as well as Commercial Excellence.

During the third quarter, Outokumpu continued its diligent strategy execution and executed projects with a EUR 40 million EBITDA run-rate impact. This led to a cumulative EBITDA run-rate impact of EUR 163 million by the end of September. The strong impact was backed by several initiatives, and so far, over 500 initiatives have been executed across all business areas and functions of varying size in financial impact, but all contributing to overall company performance.

The strength in the third quarter was heavily driven by the implementation of engineering projects within the Cost & Capital Discipline stream which had longer project lifecycles due to complexity. The company's efforts in the Lean & Agile Organization stream are near completion, with only 10% of initiatives in the stream pending completion.

During the third quarter, the teams have held workshops to identify additional initiatives for 2022, recognizing the current high level of utilization and inflationary pressures. Continuous idea generation across all business areas and the current project pipeline for the fourth quarter and into 2022 supports the target raise. The strategy execution going forward is mainly focused on the Cost and Capital Discipline and the Commercial Excellence streams. In the Lean & Agile Organization stream the company will move towards agility.

Financial position and cash flow

Operating cash flow amounted to EUR 180 million in the third quarter (EUR 170 million). Net working capital increased by EUR 91 million, compared to a decrease of EUR 188 million in the reference period. The change in net working capital includes EUR 10 million of payments on the 2020 VAT deferral in Finland (EUR 72 million positive net impact from the VAT deferral). Inventories increased in the third quarter and amounted to EUR 1,644 million at end of September (June 30, 2021: EUR

1,431 million). Over 40% of the inventory increase came from higher metal prices. Capital expenditure amounted to EUR 32 million in the third quarter (EUR 35 million).

Net debt decreased to EUR 749 million during the third quarter (June 30, 2021: EUR 897 million) and gearing fell to 24.6% (June 30, 2021: 31.9%). Net financial expenses were EUR 19 million in the third quarter (EUR 27 million) and interest expenses amounted to EUR 15 million (EUR 21 million).

Cash and cash equivalents were EUR 345 million on September 30, 2021 (June 30, 2021: EUR 257 million) and the overall liquidity reserves increased to EUR 1.0 billion (June 30, 2021: EUR 0.9 billion) due to positive free cash flow. In addition to these reserves, Outokumpu has an unutilized EUR 42 million short-term portion of the syndicated facility available and a EUR 34 million financing facility, which can be used to finance a certain part of the Kemi mine investment. The outstanding amount of commercial papers decreased by EUR 50 million during the third quarter and amounted to EUR 100 million at the end of September (June 30, 2021: EUR 151 million).

Market development

According to CRU's latest estimates (August 2021), global apparent consumption of stainless steel flat products increased by 6.3% in the third quarter compared to the same period last year, when markets were beginning to recover from the global COVID-19 pandemic. The largest region APAC contributed with growth of 4.6%, while demand in EMEA grew by 5.9% and in Americas, the smallest region, by 28.4%, respectively.

In the third quarter of 2021, global apparent consumption of stainless steel flat products decreased slightly (0.2%) compared to the second quarter of 2021 due to the usual seasonality during summer, especially in Europe. This development was driven by an increase of 2.3% in APAC, while EMEA and Americas decreased by 11.5% and 1.1%, respectively.

In the fourth quarter of 2021, CRU expects the global apparent consumption of stainless steel flat products to increase by 1.3% compared to the third quarter. This is driven by an increase of 6.3% in EMEA and 1.0% in APAC, while consumption in Americas is assumed to decrease by 5.0%. Compared to last year's fourth quarter, apparent consumption is expected to grow by 2.1%, driven by an increase of 15.9% in Americas, 5.1% in EMEA and 0.4% in APAC.

In 2021, total global apparent consumption of stainless steel flat products is estimated to grow by 12.0% compared to 2020.

Business area Europe

Europe key figures		Q3/21	Q3/20	Q2/21	Q1-Q3/21	Q1-Q3/20	2020
Stainless steel deliveries	1,000 tonnes	355	338	410	1,165	1,085	1,440
Sales	EUR million	1,131	809	1,124	3,280	2,734	3,568
Adjusted EBITDA	EUR million	149	9	98	325	106	142
Restructuring costs	EUR million	-	-1	-	-	-1	-47
EBITDA	EUR million	149	8	98	325	105	95
Operating capital	EUR million	1,805	1,664	1,732	1,805	1,664	1,573

Results

Q3 2021 compared to Q3 2020

Sales amounted to EUR 1,131 million (EUR 809 million). Adjusted EBITDA increased to EUR 149 million (EUR 9 million).

- Stainless steel deliveries were 5% higher, but the reference period was negatively impacted by the global COVID-19 pandemic.
- Realized prices for stainless steel increased significantly and supported profitability.
- Consumable prices and freight costs increased.
- Raw material-related inventory and metal derivative losses were EUR 2 million, compared to gains of EUR 3 million in Q3/2020.

Q3 2021 compared to Q2 2021

Sales amounted to EUR 1,131 million (EUR 1,124 million).

Adjusted EBITDA increased to EUR 149 million (EUR 98 million).

- Stainless steel deliveries decreased by 13%, in line with the seasonal pattern.
- Realized prices for stainless steel increased significantly and the product mix slightly improved.
- Profitability was negatively impacted by higher consumable prices and freight costs due to container shortage.
- Raw material-related inventory and metal derivative losses decreased to EUR 2 million, compared to losses of EUR 13 million in Q2/2021.

Market

- During Q3/2021, apparent consumption in EMEA increased by 5.9% compared to Q3/2020, whereas quarter-on-quarter there was a decrease of 11.5%.
- The share of EU cold-rolled imports from the third countries was 26% in Q3/2021, the same level as in Q2/2021 (Source: EUROFER, October 2021).
- Distributor inventories remained at a low level due to the robust end-use demand.

Business area Americas

Americas key figures		Q3/21	Q3/20	Q2/21	Q1-Q3/21	Q1-Q3/20	2020
Stainless steel deliveries	1,000 tonnes	194	136	192	562	439	588
Sales	EUR million	530	264	476	1,391	901	1,195
Adjusted EBITDA	EUR million	84	14	65	203	37	55
Restructuring costs	EUR million	-	-2	-	-	-2	-2
EBITDA	EUR million	84	13	65	203	35	53
Operating capital	EUR million	896	831	874	896	831	801

Results

Q3 2021 compared to Q3 2020

Sales amounted to EUR 530 million (EUR 264 million).

Adjusted EBITDA increased to EUR 84 million (EUR 14 million).

- Stainless steel deliveries were 42% higher, but the reference period was negatively impacted by the global COVID-19 pandemic.
- Realized prices for stainless steel increased and the product mix was slightly better.
- Variable costs, especially consumable prices, and fixed costs including freight costs, increased.
- Raw material-related inventory and metal derivative gains increased to EUR 18 million compared to gains of EUR 1 million in Q3/2020.

Q3 2021 compared to Q2 2021

Sales amounted to EUR 530 million (EUR 476 million).

Adjusted EBITDA increased to EUR 84 million (EUR 65 million).

- Stainless steel deliveries remained at a similar level.
- Profitability was supported by increased realized prices for stainless steel and improved product mix.
- Variable costs, especially consumable prices, were at a higher level.
- Raw material-related inventory and metal derivative gains amounted to EUR 18 million compared to gains of EUR 17 million in Q2/2021.

Market

- During Q3/2021, US real demand increased by 32% compared to Q3/2020 and by 4% quarter on quarter.
- The share of cold-rolled imports into the US was 20% in Q3/2021 and increased by 4% points compared to Q2/2021 and by 2% points compared to Q3/2020 (Source: American Iron & Steel Institute, October 2021).
- Distributor inventories in Q3/2021 were slightly above the average (Source: Metals Service Center Institute, October 2021).

Business area Ferrochrome

Ferrochrome key figures		Q3/21	Q3/20	Q2/21	Q1-Q3/21	Q1-Q3/20	2020
Ferrochrome production	1,000 tonnes	128	112	131	390	371	498
Sales	EUR million	149	85	155	425	292	411
Adjusted EBITDA	EUR million	64	9	67	173	57	91
Restructuring costs	EUR million	-	-	-	-	-	-1
EBITDA	EUR million	64	9	67	173	57	90
Operating capital	EUR million	841	761	850	841	761	766

Results

Q3 2021 compared to Q3 2020

Sales increased to EUR 149 million (EUR 85 million).

Adjusted EBITDA increased to EUR 64 million (EUR 9 million).

- Ferrochrome production was 15% higher.
- Profitability was positively impacted by a higher ferrochrome sales price as both the European ferrochrome benchmark price and Chinese spot market prices increased.
- Prices for electricity and reductants increased.
- Fixed costs were lower as the reference period was heavily impacted by the planned maintenance shutdown.

Q3 2021 compared to Q2 2021

Sales amounted to EUR 149 million (EUR 155 million).

Adjusted EBITDA decreased to EUR 64 million (EUR 67 million).

- Ferrochrome production decreased by 2%.
- Higher ferrochrome sales price supported profitability, and was impacted by higher Chinese spot market prices and a weaker EUR/USD FX rate.
- Variable costs were at a higher level as the prices for electricity and reductants increased.
- Fixed costs decreased.

Market

- For Q3/2021, the published European benchmark price for ferrochrome was settled at USD 1.56/lb.
- For Q4/2021, the published European benchmark price for ferrochrome increased and was settled at USD 1.80/lb.
- The global ferrochrome supply market is overshadowed by uncertainty, which is driven by the political situation in South Africa, supply restrictions in Asia, increased energy prices and global logistical challenges.

Kemi mine

- The finalization of the Deep Mine expansion project will be delayed by approximately six months due to an incident that occurred during hoisting shaft guide rope installation.
- The delay will not cause any risks regarding ore availability and, therefore, the Kemi mine underground operations will continue as planned.
- The costs of the investment are not expected to increase.

Business area Long Products

Long Products key figures		Q3/21	Q3/20	Q2/21	Q1-Q3/21	Q1-Q3/20	2020
Stainless steel deliveries	1,000 tonnes	53	31	67	186	132	175
Sales	EUR million	184	89	200	567	378	493
Adjusted EBITDA	EUR million	9	-3	12	32	-8	-8
Restructuring costs	EUR million	-	-6	-	-	-6	-3
EBITDA	EUR million	9	-9	12	32	-14	-11
Operating capital	EUR million	160	153	143	160	153	133

Results

Q3 2021 compared to Q3 2020

Sales amounted to EUR 184 million (EUR 89 million).

Adjusted EBITDA increased to EUR 9 million (EUR -3 million).

- Total stainless steel deliveries increased by 72% as the reference period was heavily impacted by the global COVID-19 pandemic.
- Product mix improved.
- Variable costs increased, but the negative impact was offset by volume efficiencies.
- Raw material-related inventory and metal derivative gains were EUR 5 million compared to gains of EUR 0 million in Q3/2020.

Q3 2021 compared to Q2 2021

Sales amounted to EUR 184 million (EUR 200 million).

Adjusted EBITDA decreased to EUR 9 million (EUR 12 million).

- Total stainless steel deliveries decreased by 20% due to summer seasonality.
- Higher costs burdened profitability, but the negative impact was offset by improved product mix.
- Energy prices, freight costs and maintenance costs were at a higher level.
- Raw material-related inventory and metal derivative gains amounted to EUR 5 million compared to gains of EUR 3 million in Q2/2021.

Market

- Demand continued to be strong in Q3/2021 with only a minimal reduction in order intake despite the summer holidays. Additionally, shipments remained strong by third-quarter standards.
- Market strength continued to be broadly based, with stable demand in serial manufacturing and the distributor sector.

Sustainability

Outokumpu's vision is to be the customer's first choice in sustainable stainless steel. Sustainability at Outokumpu is founded on good governance and is based on three factors: environmental, economic and social, which all need to be in balance. The company is a signatory of 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 goals. These goals were the result of a materiality analysis that was conducted during the second and the third quarter of 2021.

In the past, Outokumpu has operated mines both in Finland and elsewhere. At the beginning of the 2000s, the company decided to focus on stainless steel. Currently, Outokumpu has only one mine, the Kemi chrome mine, which is an integral part of our stainless steel production. Our Kemi mine is the only chrome mine in the European Union, and the carbon footprint of our ferrochrome operations is estimated to be only 42% of the global industry average.

Outokumpu is globally the only stainless steel producer that publishes its stainless steel carbon footprint, including all direct (scope 1) and indirect (scope 2, electricity) emissions as well as emissions from the production of raw materials and transportation (scope 3). Outokumpu is also the only stainless steel company to have an approved 2 °C Science-Based Target with the aim of reducing greenhouse gas emissions by 20% per tonne of stainless steel by 2023 compared to the 2014–2016 baseline. Outokumpu is well on track to achieving this current target.

As part of the new sustainability strategy, Outokumpu increased its greenhouse gas emission reduction target and committed to the Science-Based Target initiative (SBTi) 1.5 °C climate ambition. This is expected to translate into a greenhouse gas emission reduction of approximately 30% by 2030 compared to the company's 2020 level. Outokumpu is now in the process of establishing the greenhouse gas emission reduction target together with SBTi for 2030. The target setting has been submitted to the SBTi for consideration.

Outokumpu's long-term target is to achieve carbon neutrality by 2050 in scope 1 (direct) and 2 (indirect) 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.

In the third quarter, the European Commission published the so called "Fit for 55" package, which details proposals contributing to the 55% emission reduction within the European Union by 2030 compared to the 2005 level. This package included proposals such as the renewed Emission Trading System (ETS) directive, the energy efficiency directive and the carbon border adjustment mechanism (CBAM) which are all relevant for Outokumpu's operations. The proposed changes in the "Fit for 55" package are aimed towards 2026–2030. Stainless steel was included in the EC's proposal for CBAM, but ferroalloys were excluded which relates to Outokumpu's ferrochrome operations.

In the third quarter, Outokumpu announced an increase in wind power in its electricity mix by securing a 10-year wind power agreement with Gasum. Outokumpu also received the "Responsible Chromium" award, which is a newly established award by the International Chrome Development Association, ICDA.

Energy efficiency remained at a high level in the third quarter, supported by good volumes and development projects within production, such as the digitalization in Tornio, which has established multiple examples in energy and material efficiency with the use of data. The rolling average for the last 12 months for recycled material content has remained above 90%. During the quarter, there were four environmental incidents concerning Outokumpu operations, three of which were permit breaches. All the incidents were reported to the relevant authorities.

Safety performance was weaker in the third quarter of 2021 and the quarterly total recordable injury frequency rate (TRIFR) rose to 3.1 (Q3/2020: 2.5). The total recordable injury frequency rate was 2.1 for January–September and remains at a better level compared to the previous year (January–September 2020: 2.5). During the third quarter, the sites continued to work on the quarterly safety theme "Control of Contractors". This has had a positive effect with the major maintenance and shutdown projects at the end of the summer.

The COVID-19 pandemic has moved on to a point where the crisis is no longer steered centrally at the group level. Instead, the situation is now managed at the local level within company guidelines and local country rules.

Personnel

In Q1/2021, Outokumpu changed its main method for measuring the number of personnel from headcount to full-time equivalent personnel. Headcount also continues to be reported. At the end of September, Outokumpu's full-time equivalent personnel totalled 9,137 (June 30, 2021: 9,088) and headcount 9,505 (June 30, 2021: 9,521). Outokumpu's aim is a full-time equivalent number of personnel of below 9,000 during 2022.

Shares

On September 30, 2021, Outokumpu's share capital was EUR 311 million and the total number of shares was 456,874,448. At the end of September, Outokumpu held 4,313,421 treasury shares. The average number of shares outstanding was 452,561,027 in the third quarter. The closing share price at the end of the period, on September 30, was EUR 5.28.

Risks and uncertainties

Outokumpu continues to focus on mitigating its exposure to risks which present uncertainties to its business and operations, including but not limited to: impacts from the COVID-19 pandemic; recently increased energy prices; cyber security and information technology; the risk of business interruption at Outokumpu's production and distribution locations; delays or failures in Outokumpu's supply chain, such as impacts from the current tense global supply chain situation, including the shortage of spare parts and logistical challenges; dependencies on certain critical suppliers; overall price and availability of critical raw materials and supplies; 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 pound sterling; negative impacts on the amount of defined pension benefit assets and liabilities; changes in interest margins applicable to Outokumpu; risks related to the fair value of shareholdings, such as the investment in the Fennovoima project as well as general project and investment implementation risks, including the ongoing project at the Kemi mine.

Possible further adverse changes in the global political and economic environment and their impact on demand for stainless steel including severe and lengthened impacts from the vaccine deployment process, possible new virus variants, and uncertainty surrounding the sustainability of the US economic recovery, the global inflation outlook as well as the environmental-social-governance risk, may all have an impact on Outokumpu's business and access to financial markets.

Events after the reporting period

On November 4, with a commitment to continue de-risking the company by the end of 2022, Outokumpu announced that it increases the financial target from a EUR 200 million EBITDA run-rate improvement to EUR 250 million.

On November 4, Outokumpu announced its intention to redeem in full its outstanding 4.125 percent rated senior secured fixed rate notes due in 2024 on the redemption date of December 7, 2021. The outstanding principal amount of the notes is EUR 250 million.

Helsinki, November 4, 2021

Outokumpu Oyj
Board of Directors

Financial information

Condensed statement of income (EUR million)

	July–Sept 2021	July–Sept 2020	Jan–Sept 2021	Jan–Sept 2020	Jan–Dec 2020
Sales	1,949	1,254	5,495	4,289	5,639
Cost of sales	-1,656	-1,231	-4,804	-4,098	-5,403
Gross margin	292	23	691	191	236
Other operating income	10	4	27	14	22
Sales, general and administrative costs	-67	-70	-195	-208	-285
Other operating expenses	-1	-7	-9	-19	-28
EBIT	234	-51	513	22	-55
Share of results in associated companies	2	0	11	1	2
Interest expenses	-15	-21	-50	-59	-78
Net other financial income and expenses	-4	-6	-13	-14	-20
Total financial income and expenses	-19	-27	-63	-73	-98
Result before taxes	217	-77	461	-93	-151
Income taxes	-35	14	-67	15	34
Net result for the period	182	-63	394	-78	-116
Earnings per share for result attributable to the equity holders of the Company					
Earnings per share, EUR	0.40	-0.15	0.91	-0.19	-0.28
Diluted earnings per share, EUR	0.37	-0.15	0.84	-0.19	-0.28

Earnings per share figures are calculated based on the share-issue-adjusted weighted average number of shares. Comparative information is presented accordingly.

Statement of comprehensive income (EUR million)

	July–Sept 2021	July–Sept 2020	Jan–Sept 2021	Jan–Sept 2020	Jan–Dec 2020
Net result for the period	182	-63	394	-78	-116
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations					
Change in exchange differences	26	-44	64	-56	-86
Cash flow hedges					
Fair value changes during the financial year	13	-3	12	0	-8
Reclassification adjustments from other comprehensive income to profit or loss	4	-2	9	-11	-5
Reclassification adjustments from other comprehensive income to inventory	-16	4	-12	4	4
Income tax relating to cash flow hedges	1	-	-0	-	0
Items that will not be reclassified to profit or loss:					
Remeasurements on defined benefit obligation plans					
Changes during the accounting period	7	-14	13	7	-12
Income tax relating to remeasurements	-2	4	0	1	4
Equity investments at fair value through other comprehensive income	15	23	-6	1	4
Share of other comprehensive income in associated companies	0	0	-0	-0	-0
Other comprehensive income for the period, net of tax	49	-31	80	-53	-101
Total comprehensive income for the period	231	-94	473	-131	-217

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 2021	Sept 30 2020	Dec 31 2020
ASSETS			
Non-current assets			
Intangible assets	595	611	610
Property, plant and equipment	2,611	2,676	2,631
Investments in associated companies	45	38	38
Other financial assets	58	52	54
Deferred tax assets	218	241	264
Defined benefit plan assets	70	82	64
Trade and other receivables	1	1	1
Total non-current assets	3,598	3,701	3,663
Current assets			
Inventories	1,644	1,077	1,177
Other financial assets	72	39	44
Trade and other receivables	800	550	537
Cash and cash equivalents	345	411	376
Total current assets	2,861	2,078	2,134
TOTAL ASSETS	6,459	5,779	5,797
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company	3,040	2,449	2,360
Non-current liabilities			
Non-current debt	943	1,201	1,153
Other financial liabilities	1	0	-
Deferred tax liabilities	5	7	7
Defined benefit and other long-term employee benefit obligations	308	336	329
Provisions	56	64	84
Trade and other payables	26	56	45
Total non-current liabilities	1,340	1,664	1,618
Current liabilities			
Current debt	150	315	251
Other financial liabilities	32	13	32
Provisions	9	13	31
Trade and other payables	1,889	1,324	1,505
Total current liabilities	2,080	1,666	1,820
TOTAL EQUITY AND LIABILITIES	6,459	5,779	5,797

Condensed statement of cash flows (EUR million)

	July–Sept 2021	July–Sept 2020	Jan–Sept 2021	Jan–Sept 2020	Jan–Dec 2020
Net result for the period	182	-63	394	-78	-116
Adjustments					
Depreciation, amortization and impairments	61	61	182	183	246
Other non-cash adjustments	53	12	90	45	93
Change in working capital	-91	188	-346	175	247
Provisions, and defined benefit and other long-term employee benefit obligations paid	-10	-11	-59	-57	-71
Dividends and interests received	0	1	4	1	2
Interests paid	-14	-15	-47	-48	-69
Income taxes paid	-2	-2	-4	-10	-10
Net cash from operating activities	180	170	213	210	322
Purchases of assets	-32	-35	-115	-145	-180
Proceeds from the sale of assets	0	0	1	1	15
Other investing cash flow	-0	-10	2	-9	-10
Net cash from investing activities	-31	-45	-113	-154	-175
Cash flow before financing activities	149	125	100	56	147
Directed share issue	-	-	205	-	-
Borrowings of non-current debt	0	133	29	474	496
Repayment of non-current debt	-8	-234	-235	-624	-721
Change in current debt	-54	-11	-132	181	130
Net cash from financing activities	-62	-112	-133	32	-94
Net change in cash and cash equivalents	87	13	-33	88	53
Cash and cash equivalents at the beginning of the period	257	399	376	325	325
Net change in cash and cash equivalents	87	13	-33	88	53
Foreign exchange rate effect	0	-1	1	-2	-1
Cash and cash equivalents at the end of the period	345	411	345	411	376

Statement of changes in equity
(EUR million)

Attributable to the equity holders of the parent

	Share capital	Premium fund	Invested unrestricted equity reserve	Misc. other reserves	Fair value reserve from equity investments 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, 2020	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
Equity on Jan 1, 2021	311	714	2,103	3	-45	-4	-113	-124	-31	-454	2,360
Net result for the period	-	-	-	-	-	-	-	-	-	394	394
Other comprehensive income	-	-	-	-	-6	8	64	13	-	-0	80
Total comprehensive income for the period	-	-	-	-	-6	8	64	13	-	394	473
Transactions with equity holders of the Company											
Contributions and distributions											
Share-based payments	-	-	-	-	-	-	-	-	1	1	2
Directed share issue	-	-	205	-	-	-	-	-	-	-	205
Equity on Sept 30, 2021	311	714	2,308	3	-51	5	-50	-111	-30	-59	3,040

Adjustments to EBITDA and EBIT (EUR million)	Q3/2021	Q3/2020	Q1-Q3/2021	Q1-Q3/2020	2020
Restructuring costs	-	-11	-	-11	-59
Adjustments to EBITDA and EBIT	-	-11	-	-11	-59

Group key figures	Q3/2021	Q3/2020	Q1-Q3/2021	Q1-Q3/2020	2020
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Scope of activity						
Capital employed at the end of period	EUR million	3,906	3,707	3,906	3,707	3,543
Capital expenditure ¹⁾	EUR million	32	35	115	145	180
Depreciation and amortization	EUR million	-60	-60	-178	-182	-243
Impairments	EUR million	-1	-1	-3	-1	-3
Personnel at the end of period, full-time equivalent ²⁾		9,137	9,815	9,137	9,815	9,602
- average for the period		9,513	10,149	9,448	10,100	10,000
Personnel at the end of period, headcount		9,505	10,118	9,505	10,118	9,915

Profitability						
Adjusted EBITDA	EUR million	295	22	695	172	250
Adjustments to EBITDA	EUR million	-	-11	-	-11	-59
EBITDA	EUR million	295	10	695	161	191

Earnings per share ³⁾	EUR	0.40	-0.15	0.91	-0.19	-0.28
Diluted earnings per share ³⁾	EUR	0.37	-0.15	0.84	-0.19	-0.28
Adjusted average number of shares ^{4), 5)}	1,000 shares	452,561	413,907	434,257	413,897	413,908

Return on equity	%	13.5	-3.6	13.5	-3.6	-4.7
Return on capital employed	%	12.9	0.2	12.9	0.2	-1.4

Financing and financial position

Non-current debt	EUR million	943	1,201	943	1,201	1,153
Current debt	EUR million	150	315	150	315	251
Cash and cash equivalents	EUR million	-345	-411	-345	-411	-376
Net debt at the end of period	EUR million	749	1,105	749	1,105	1,028

Net debt to Adjusted EBITDA		1.0	4.5	1.0	4.5	4.1
Equity-to-assets ratio at the end of period	%	47.3	42.4	47.3	42.4	40.8
Debt-to-equity ratio at the end of period	%	24.6	45.1	24.6	45.1	43.6
Equity per share at the end of period ^{3), 5)}	EUR	6.72	5.95	6.72	5.95	5.70

¹⁾ In Q4/2020, Outokumpu changed its capital expenditure definition from accrual-based to cash-based capital expenditure. Comparative information is presented accordingly.

²⁾ In Q1/2021, Outokumpu changed its main personnel amount measure from headcount to full-time equivalent personnel. Comparative information is presented accordingly.

³⁾ Calculated based on the share-issue-adjusted number of shares. Comparative information is presented accordingly.

⁴⁾ Adjusted by the share-issue impact. Comparative information is presented accordingly.

⁵⁾ Excluding treasury shares.

Sales by segment (EUR million)	Q3/2021	Q3/2020	Q1-Q3/2021	Q1-Q3/2020	2020
Europe total	1,131	809	3,280	2,734	3,568
of which intra-group	10	20	50	64	83
Americas total	530	264	1,391	901	1,195
of which intra-group	15	0	48	1	1
Ferrochrome total	149	85	425	292	411
of which intra-group	102	57	292	177	260
Long Products total	184	89	567	378	493
of which intra-group	44	13	128	58	78
Other operations total	203	161	566	488	665
of which intra-group	77	63	213	205	271
Group total sales	1,949	1,254	5,495	4,289	5,639

Adjusted EBITDA by segment (EUR million)	Q3/2021	Q3/2020	Q1-Q3/2021	Q1-Q3/2020	2020
Europe	149	9	325	106	142
Americas	84	14	203	37	55
Ferrochrome	64	9	173	57	91
Long Products	9	-3	32	-8	-8
Other operations and intra-group items	-10	-7	-37	-19	-29
Group total adjusted EBITDA	295	22	695	172	250

Adjustments to EBITDA and EBIT by segment (EUR million)	Q3/2021	Q3/2020	Q1-Q3/2021	Q1-Q3/2020	2020
Europe	-	-1	-	-1	-47
Americas	-	-2	-	-2	-2
Ferrochrome	-	-	-	-	-1
Long Products	-	-6	-	-6	-3
Other operations	-	-3	-	-3	-6
Group total adjustments	-	-11	-	-11	-59

EBITDA by segment (EUR million)	Q3/2021	Q3/2020	Q1-Q3/2021	Q1-Q3/2020	2020
Europe	149	8	325	105	95
Americas	84	13	203	35	53
Ferrochrome	64	9	173	57	90
Long Products	9	-9	32	-14	-11
Other operations and intra-group items	-10	-10	-37	-23	-36
Group total EBITDA	295	10	695	161	191

Adjusted EBIT by segment (EUR million)	Q3/2021	Q3/2020	Q1-Q3/2021	Q1-Q3/2020	2020
Europe	115	-26	224	1	-0
Americas	70	1	161	-5	0
Ferrochrome	55	0	146	32	57
Long Products	6	-6	24	-16	-19
Other operations and intra-group items	-11	-8	-41	-22	-34
Group total adjusted EBIT	234	-39	513	-10	4

EBIT by segment (EUR million)	Q3/2021	Q3/2020	Q1-Q3/2021	Q1-Q3/2020	2020
Europe	115	-27	224	1	-47
Americas	70	-1	161	-7	-1
Ferrochrome	55	0	146	32	56
Long Products	6	-12	24	-22	-21
Other operations and intra-group items	-11	-11	-41	-26	-40
Group total EBIT	234	-51	513	-22	-55

Depreciation and amortization by segment (EUR million)	Q3/2021	Q3/2020	Q1-Q3/2021	Q1-Q3/2020	2020
Europe	-33	-35	-101	-105	-140
Americas	-13	-13	-39	-41	-54
Ferrochrome	-10	-9	-27	-25	-34
Long Products	-3	-3	-8	-8	-10
Other operations	-1	-1	-3	-3	-4
Group total depreciation and amortization	-60	-60	-178	-182	-243

Capital expenditure by segment (EUR million)	Q3/2021	Q3/2020	Q1-Q3/2021	Q1-Q3/2020	2020
Europe	4	6	15	27	34
Americas	2	3	4	10	16
Ferrochrome	19	22	74	72	92
Long Products	1	1	3	3	3
Other operations	6	3	20	34	35
Group total capital expenditure	32	35	115	145	180

In Q4/2020, Outokumpu changed its capital expenditure definition from accrual-based to cash-based capital expenditure. Comparative information is presented accordingly.

Operating capital by segment (EUR million)	Q3/2021	Q3/2020	Q1-Q3/2021	Q1-Q3/2020	2020
Europe	1,805	1,664	1,805	1,664	1,573
Americas	896	831	896	831	801
Ferrochrome	841	761	841	761	766
Long Products	160	153	160	153	133
Other operations and intra-group items	-10	64	-10	64	13
Group total operating capital	3,692	3,473	3,692	3,473	3,286

Personnel at the end of period by segment, full-time equivalent	Q3/2021	Q3/2020	Q1-Q3/2021	Q1-Q3/2020	2020
Europe	5,758	6,328	5,758	6,328	6,196
Americas	1,840	1,856	1,840	1,856	1,810
Ferrochrome	482	476	482	476	467
Long Products	721	810	721	810	784
Other operations	335	346	335	346	346
Group total personnel at the end of period	9,137	9,815	9,137	9,815	9,602

In Q1/2021, Outokumpu changed its main personnel amount measure from headcount to full-time equivalent personnel. Comparative information is presented accordingly.

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 – equity investments at fair value through other comprehensive income – investments at fair value through profit or loss – investments in associated companies	
Operating capital	=	Capital employed – net deferred tax asset	
Capital expenditure	=	Purchases of property, plant and equipment and intangible assets, other than emission allowances; and investments in equity at fair value through other comprehensive income and in associated companies and acquisitions of businesses	
Return on capital employed (ROCE)	=	$\frac{\text{EBIT (4-quarter rolling)}}{\text{Capital employed (4-quarter rolling average)}} \times 100$	
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	=	$\frac{\text{Equity attributable to the owners of the parent}}{\text{Adjusted number of shares at the end of the period}}$	
Personnel, full-time equivalent	=	Headcount adjusted to full time equivalent number of personnel, excluding personnel on sick leave or parental leave of more than 6 months and excluding personnel whose employment has been terminated and who are on notice period without requirement to work	

Basis of preparation

This interim report is unaudited. It has been prepared on a going concern basis, and the same accounting policies and methods of computation have been followed when preparing the financial information as in the financial statements for 2020 with the exception of new and amended standards applied from the beginning of 2021. 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 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.

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.

Events after the reporting period

On November 4, Outokumpu announced its intention to redeem in full its outstanding 4.125 percent rated senior secured fixed rate notes due in 2024 on the redemption date of December 7, 2021. The outstanding principal amount of the notes is EUR 250 million.