Outokumpu interim report January–September 2022

Content

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Strong adjusted EBITDA of EUR 304 million delivered, share buyback program launched

Outokumpu classifies its Long Products businesses to be divested as assets held for sale and reports the businesses as discontinued operations. All figures and comments in this report refer to continuing operations unless otherwise stated.

Highlights in Q3 2022

- Stainless steel deliveries were 491,000 tonnes (546,000 tonnes)*.
- Adjusted EBITDA increased to EUR 304 million (EUR 288 million).
- EBITDA was EUR 304 million (EUR 288 million).
- ROCE rose to 26.8% (12.0%).
- Operating cash flow (incl. discontinued operations) amounted to EUR 238 million (EUR 180 million).
- Net debt (incl. discontinued operations) decreased to EUR 90 million (June 30, 2022: EUR 289 million).
- Gearing (incl. discontinued operations) decreased to 2.2% (June 30, 2022: 7.3%).

Highlights in January–September 2022

- Stainless steel deliveries were 1,656,000 tonnes (1,704,000 tonnes).
- Adjusted EBITDA amounted to EUR 1,146 million (EUR 668 million).
- EBITDA was EUR 1,146 million (EUR 668 million).
- Operating cash flow (incl. discontinued operations) amounted to EUR 489 million (EUR 213 million).
- Net result was EUR 775 million (EUR 376 million).

Key figures, continuing operations		Q3/22	Q3/21	Q2/22	Q1–Q3/22	Q1–Q3/21	2021
Sales	EUR million	**2,339**	1,845	2,686	**7,598**	5,160	7,243
EBITDA	EUR million	**304**	288	491	**1,146**	668	968
Adjusted EBITDA [1)]	EUR million	**304**	288	491	**1,146**	668	980
EBIT	EUR million	**241**	229	431	**961**	494	674
Adjusted EBIT [1)]	EUR million	**241**	229	431	**961**	494	728
Result before taxes	EUR million	**225**	212	413	**920**	442	610
Net result for the period	EUR million	**207**	178	338	**775**	376	526
Earnings per share	EUR	**0.46**	0.40	0.75	**1.71**	0.87	1.21
Diluted earnings per share	EUR	**0.42**	0.37	0.69	**1.58**	0.80	1.13
Return on capital employed, rolling 12 months (ROCE) [2), 3)]	%	**26.8**	12.0	27.6	**26.8**	12.0	17.6
Capital expenditure	EUR million	**37**	30	30	**98**	113	171
Stainless steel deliveries	1,000 tonnes	**491**	546	560	**1,656**	1,704	2,254
Personnel at the end of period, full-time equivalent [4)]		**8,602**	8,492	8,480	**8,602**	8,492	8,439
Key figures, including discontinued operations		**Q3/22**	**Q3/21**	**Q2/22**	**Q1-Q3/22**	**Q1-Q3/21**	**2021**
Net result for the period	EUR million	**189**	182	385	**825**	394	553
Earnings per share	EUR	**0.42**	0.40	0.85	**1.82**	0.91	1.26
Diluted earnings per share	EUR	**0.39**	0.37	0.78	**1.68**	0.84	1.17
Return on capital employed, rolling 12 months (ROCE) [3)]	%	**28.7**	12.6	29.9	**28.7**	12.6	18.4
Net cash generated from operating activities	EUR million	**238**	180	104	**489**	213	597
Net debt at the end of period	EUR million	**90**	749	289	**90**	749	408
Debt-to-equity ratio at the end of period	%	**2.2**	24.6	7.3	**2.2**	24.6	13.1

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

[2)] According to definitions of key figures balance sheet component includes discontinued operations' assets and liabilities.

[3)] Outokumpu has redefined its capital employed and ROCE definitions in Q2/2022. Comparative information has been restated accordingly.

[4)] On June 30, 2022, the Group employed, in addition, some 800 summer trainees.

*Figures in parentheses refer to the corresponding period for 2021, unless otherwise stated.

President & CEO Heikki Malinen

Our third-quarter performance was solid. We delivered EUR 304 million of adjusted EBITDA, which is the best third-quarter result in Outokumpu's history. We also reached a significant milestone by reducing our net debt to an all-time low level of EUR 90 million, and our balance sheet is now stronger than ever. This enabled Outokumpu's Board of Directors to approve a share buyback program of a maximum of 20 million shares.

Our stainless steel deliveries fell by 12% in a softening market with exceptionally high imports. Distributors accelerated de-stocking of commodity grades, while end-user demand remained stable.

Business area Americas contributed once again strongly with a very high adjusted EBITDA of EUR 135 million. The US market has been exceptionally robust, but it has been clearly showing signs of weakening in the third quarter.

The energy crisis and related uncertainty cast a shadow across the quarter especially in business areas Europe and Ferrochrome. Despite the challenges in the operating environment, adjusted EBITDA for business area Europe's amounted to EUR 128 million.

Due to high electricity prices, we have been optimizing our ferrochrome production, which has led to lower production volumes, and adjusted EBITDA for business area Ferrochrome declined to EUR 34 million. We also decided to delay the restart of one of our three ferrochrome furnaces to at least the end of the first quarter of 2023.

Energy has become a major challenge in Europe. Therefore, we raise our energy efficiency improvement target to 8% by the end of 2024. To reach our new ambitious target, we will prioritize investments related to energy efficiency in the coming years and increase the annual capital expenditure for that by EUR 20 million for years 2023 and 2024. Annual capital expenditure for these years will remain limited to EUR 200 million.

We are determinedly progressing with our strategy. We concluded the first phase six months ahead of schedule and since then we have been ramping up the second phase. Having two customer-differentiated business lines, Advanced Materials and Stainless Europe, is proving to be a successful move in serving the specific needs of the two customer groups.

We have continued our strong emphasis on sustainability to further improve Outokumpu's position as the sustainability leader in the stainless steel sector. Earlier this year we launched our emission-minimized product, Circle Green, which has raised interest and demand among our customers across segments.

In September, we announced our plans to investigate a biocoke and biomethane plant investment in Tornio, Finland. With this project, we aim to significantly reduce our direct CO_2 emissions and increase energy self-sufficiency in Finland.

Market uncertainty will continue in the fourth quarter and beyond, and the global economy faces a risk of recession. Outokumpu is much more resilient than ever before, and our significantly strengthened balance sheet gives us the stamina and strength to see us through these challenging times.

Outlook for Q4 2022

Group stainless steel deliveries in the fourth quarter are expected to decrease by 0–10% compared to the third quarter.

The European ferrochrome benchmark price decreased to USD 1.49/lb for the fourth quarter.

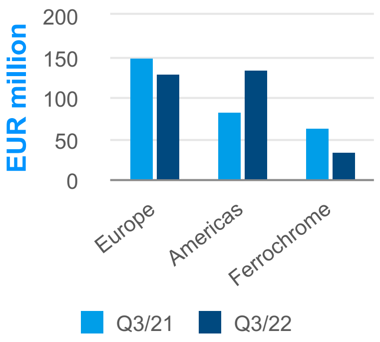
Ferrochrome production continues at 50–60% of its full capacity due to a furnace shutdown and the optimization of the ferrochrome production, caused by exceptionally high electricity costs.

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

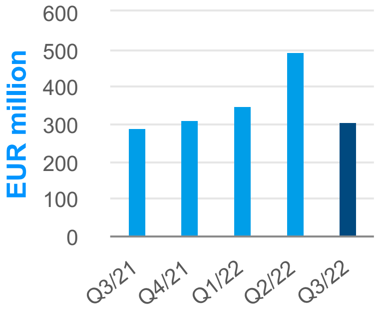
Guidance for Q4 2022:

Adjusted EBITDA in the fourth quarter of 2022 is expected to be lower compared to the third quarter.

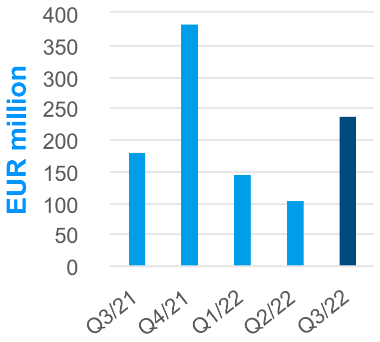
Adjusted EBITDA per business area



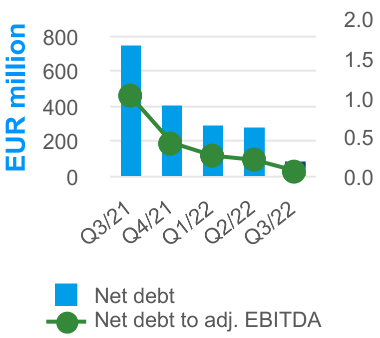
Group adjusted EBITDA



Operating cash flow *



Net debt and leverage *



*Including discontinued operations

Results

Q3 2022 compared to Q3 2021

Outokumpu's sales increased to EUR 2,339 million in the third quarter of 2022 (EUR 1,845 million) and adjusted EBITDA amounted to EUR 304 million (EUR 288 million). ROCE increased to 26.8% (12.0%). In the third quarter of 2022, total stainless steel deliveries decreased by 10% compared to the reference period, while higher realized prices for stainless steel supported profitability in both Europe and Americas. In the third quarter of 2022, variable costs were at a higher level due to significant cost inflation in electricity, gas, and ferrosilicon prices. However, the higher ferrochrome sales price had a positive impact on the group's result, while the optimization of ferrochrome production led to lower production volumes. Raw material-related inventory and metal derivative losses amounted to EUR 107 million, mainly due to negative timing impacts as various metal prices deteriorated significantly during the quarter (gains of EUR 17 million). Other operations and intra-group items' adjusted EBITDA amounted to EUR 7 million (EUR -8 million).

Q3 2022 compared to Q2 2022

Outokumpu's sales decreased to EUR 2,339 million in the third quarter of 2022 (Q2/2022: EUR 2,686 million) and adjusted EBITDA amounted to EUR 304 million (Q2/2022: EUR 491 million). At the end of September, ROCE stood at 26.8% (27.6%). In the third quarter, total stainless steel deliveries declined by 12% compared to the previous quarter, while positive metal impacts supported profitability. Realized prices for stainless steel declined slightly in Europe and remained at a previous quarter's level in Americas. Costs increased during the third quarter and profitability was negatively impacted by significant cost inflation, especially in the price of electricity, but also in freight, fuels, and slag formers prices, and higher maintenance costs. Also, the optimization of the ferrochrome production combined with decreased ferrochrome sales price negatively affected the group's result. Raw material-related inventory and metal derivative losses amounted to EUR 107 million in the third quarter compared to gains of EUR 66 million in the previous quarter. The realized impact in the third quarter was mainly driven by negative timing impacts as various metal prices deteriorated significantly during the quarter. Other operations and intra-group items' adjusted EBITDA amounted to EUR 7 million (Q2/2022: EUR -26 million).

January–September 2022 compared to January–September 2021

During January–September 2022, Outokumpu's sales increased to EUR 7,598 million (EUR 5,160 million) and adjusted EBITDA amounted to EUR 1,146 million (EUR 668 million). ROCE was 26.8% (12.0%). Total stainless steel deliveries were 3% lower in January–September 2022 compared to the same period last year. In 2022, realized prices for stainless steel were at a remarkably higher level in both Europe and Americas, and ferrochrome sales price also increased, all having a very positive impact on profitability. However, significant cost inflation, especially in electricity, gas, and ferrosilicon prices increased variable costs compared to the previous year. Raw material-related inventory and metal derivative losses amounted to EUR 83 million in January–September 2022 compared to gains of EUR 60 million in the previous year. Other operations and intra-group items' adjusted EBITDA amounted to EUR -33 million (EUR -32 million). EBIT increased to EUR 961 million (EUR 494 million) and net result to EUR 775 million (EUR 376 million) in January–September 2022.

War in Ukraine

Outokumpu strongly condemns the continued military actions Russia is taking in Ukraine. Already in the first quarter of 2022, the company decided to stop sales and deliveries to Russia, and it also aims to sever all remaining connections with a country that does not honor international laws or human rights, taking into account the contractual situations. Outokumpu has no employees, production, or service centers in Russia. The company is doing its utmost to support and help its employees who are directly or indirectly impacted by the war.

The prolonged war in Ukraine has had far-reaching consequences for Outokumpu through the adverse development of the geopolitical tension and global economy. In particular, the energy crisis in Europe that has resulted from the war has started to impact Outokumpu in the third quarter of 2022 and the company has taken various measure to mitigate the resulting negative impacts on its business and operations.

Due to significantly increased electricity prices Outokumpu started to optimize its ferrochrome production in August to manage the rising costs. For the same reason, the company also decided to delay the restart of one of its ferrochrome furnaces after a planned maintenance break at least until the end of Q1/2023.

In the third quarter of 2022, Outokumpu took further measures to secure its energy availability for the Tornio site in Finland for potential disruption in the gas and energy market. The company has already purchased and stored propane gas in Tornio in view of winter 2023. During the fourth quarter, Outokumpu will finalize its capabilities in order to rapidly switch between the energy gases if needed.

Outokumpu acquires energy gases from the European market, for which Russia is one of the indirect suppliers. Outokumpu continues to follow the global energy and gas market closely as well as sanctions and counter measures between Russia and the EU, the UK and the US.

Outokumpu procures its raw materials and energy globally. Outokumpu's main raw material in its stainless steel production is recycled steel and the company is not currently procuring any recycled steel of Russian origin. A limited amount of other raw materials is procured from Russia and the company is actively looking for alternative sources globally.

Outokumpu continues to monitor closely the prolonged situation concerning the war along with geopolitical and global economic development. The established global core team that represents the main business support functions is steering and facilitating the co-operation between functions to ensure effective implementation of risk mitigation actions. As part of the overall risk mitigation process, Outokumpu has continued to strengthen its cyber security.

Outokumpu is committed to complying with all applicable laws and regulations, including applicable sanctions regulations. Due to the Russian invasion of Ukraine, Outokumpu has continued its actions regarding sanctions compliance, including the conduct of enhanced third party-screenings, as a matter of priority. This ensures that all applicable economic and individual sanctions related to Russia are followed and complied with.

Strategy execution

Outokumpu launched its three-phased strategy in November 2020. The first phase, where the aim was to de-risk the company by the end of 2022, was completed six months ahead of schedule and both financial targets were reached. As a result, Outokumpu already launched the second phase of the strategy, which will last until the end of 2025. In the second phase, the aim is to strengthen the core of Outokumpu.

The second phase will focus on three key priorities: sustainability, growth from productivity and customer-focused steering.

Outokumpu aims to reduce its CO2 emissions by 14% by the end of 2025 in line with its Science-Based Target initiative (SBTi) 1.5 degree climate target. The financial targets for the second phase by the end of 2025 include keeping the net debt to EBITDA ratio below 1.0 in normal market conditions and improving the EBITDA run-rate by another EUR 200 million.

For the second phase, Outokumpu launched two customer differentiated strategies for business area Europe. The company aims to strengthen cost leadership in high-volume stainless steel products and global market leadership in advanced products. In business area Americas, the focus will be on sustaining high profitability levels. In business area Ferrochrome, carbon neutrality is a strategic priority.

In the third quarter of 2022, Outokumpu has been ramping up the second phase of the strategy. The company has a strong strategic initiative pipeline of more than 1,000 projects, ranging from throughput improvements to sustainable product offering development. Over 300 projects are already in progress, following the rigorous governance and ways of working in the company's strategy execution.

The third quarter has laid down a solid foundation to ensure that the target of strengthening the core will be achieved by the end of 2025. There have been early successes with Circle Green product orders as well as steady development of throughput improvements in business areas Europe and Americas, enabling increased productivity in the future.

Discontinued operations: divestment of majority of the Long Products business

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

Outokumpu expects to complete the divestment by the end of this year or in the beginning of next year. The completion of the transaction is subject to customary closing conditions and regulatory approvals by the competition authorities and requires, for instance, internal structuring before completion. The transaction will be carried out as a share sale.

The total consideration on a debt and cash free basis amounts to EUR 228 million, implying an EV / Adjusted 2021 EBITDA multiple of 4.9x. Outokumpu expects the transaction to strengthen its financial position.

The transaction includes Long Products' melting, rod and bar operations in Sheffield, UK; bar operations in Richburg, the US; and the wire rod mill in Fagersta, Sweden. The transaction does not include Outokumpu Long Products operations in Degerfors and Storfors, Sweden. These units will continue their operations for now as part of the Outokumpu Group, and different options regarding the future of the units will be evaluated.

On September 26, Outokumpu published the restated consolidated statement of income and relevant group and segment key figures for 2021 and first half of 2022 to reflect the divestment. Outokumpu classifies its Long Products businesses to be divested as assets held for sale and reports the businesses as discontinued operations. All figures in this January-September interim report refer to the company's continuing operations unless otherwise stated.

The result from the discontinued operations is reported separately from income and expenses from continuing operations in the consolidated income statement and prior periods are restated accordingly. The statement of financial position has not been restated for prior periods. Assets and liabilities related to the discontinued operations are presented as separate line items on the balance sheet starting from this January–September reporting period. The statement of cash flows consists of total group figures, also including the discontinued operations.

Sales of the divested Long Products units (discontinued operations) amounted to EUR 650 million in January-September 2022 and EUR 198 million in third quarter of 2022. EBITDA was EUR 111 million in January-September 2022 and EUR 30 million in the third quarter of 2022. EBITDA includes transaction costs related to the divestment.

Financial position and cash flow

Operating cash flow (incl. discontinued operations) was EUR 238 million in the third quarter and EUR 489 million in January–September of 2022 (EUR 180 million and EUR 213 million, respectively).

Net working capital (incl. discontinued operations) increased by EUR 147 million during the third quarter as there was a negative impact coming from accounts payable (EUR 91 million). Since the beginning of the year, net working capital built has been EUR 816 million (EUR 346 million).

Inventories decreased both during the third quarter and January–September of 2022 and stood at EUR 1,887 million at the end of September (June 30, 2022: EUR 2,345 million, December 31, 2021: EUR 1,892 million). The decrease in the third quarter was EUR 458 million, of which EUR 202 million relates to reclassification of the Long Products inventory as asset held for sale.

Capital expenditure amounted to EUR 37 million in the third quarter (EUR 30 million) and EUR 98 million in January–September of 2022 (EUR 113 million).

Net debt (incl. discontinued operations) decreased further to EUR 90 million in the third quarter of 2022 (June 30, 2022: EUR 289 million, December 31, 2021: EUR 408 million) and gearing (incl. discontinued operations) declined to 2.2% (June 30, 2022: 7.3%, December 31, 2021: 13.1%).

Net financial expenses in the third quarter amounted to EUR 17 million (EUR 19 million) and EUR 53 million in January–September (EUR 63 million). Interest expenses were EUR 11 million in the third quarter (EUR 15 million) and EUR 32 million in January–September (EUR 49 million).

Cash and cash equivalents (incl. discontinued operations) increased to EUR 558 million on September 30, 2022 (June 30, 2022: EUR 473 million, December 31, 2021: EUR 300 million), while overall liquidity reserves increased to EUR 1.4 billion (June 30, 2022: EUR 1.3 billion, December 31, 2021: EUR 0.9 billion). Cash equivalents include deposits held at call with financial institution and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash with subject to an insignificant risk of changes in value.

On September 30, Outokumpu had a total of EUR 800 million of outstanding committed credit facilities, which were fully unutilized. The outstanding amount of issued commercial papers decreased in the third quarter and amounted to EUR 84 million on September 30, 2022 (June 30, 2022: EUR 170 million, December 31, 2021: EUR 58 million).

Outokumpu continued to divest its non-core assets during the third quarter. On October 3, the company announced that it has completed the divestment of its Aalten service center to Roba Holding.

Market development

According to CRU's latest estimates (September 2022), global apparent consumption of stainless steel flat products decreased by 5.3% in the third quarter of 2022 compared to the same period last year. The consumption in EMEA dropped by 4.5%. While supply concerns resulted in a significant increase in order intake in last year's third quarter, the market now saw a correction to moderate demand levels, which were also pushed down by usual seasonality during the summer months, high stock levels and inflation raised uncertainties in Europe. The largest region APAC decreased by 6.6% in the third quarter of 2022 due to strict COVID-19 measures and consumer pessimism with a significant impact on China. During the same period, the consumption of stainless steel grew by 5.7% in Americas.

Compared to the second quarter of 2022, global apparent consumption of stainless steel flat products decreased by 8.3% in the third quarter. The significant drop in European demand, namely down by 18.1% quarter on quarter, was again the result of ample inventories, traditional summer seasonality, and weakening demand. Also, the consumption in APAC decreased by 7.3% in a quarterly comparison. Contrary to these developments, apparent consumption in Americas continued to grow by 3.4% quarter on quarter.

In the fourth quarter of 2022, CRU expects the global apparent consumption of stainless steel flat products to increase by 8.8% compared to the third quarter, driven by the strongest growth of 10.1% in APAC, and 8.9% growth in EMEA, respectively. Americas is expected to reach a turning point as demand cools and availability continues to rise, resulting in a -2.6% change. Compared to last year's fourth quarter, apparent consumption is expected to increase by 4.5% globally, driven by 7.2% and 0.3% higher apparent consumption in APAC and Americas, respectively, while EMEA is assumed to decrease by 5.6%.

In 2022, CRU estimates that total global apparent consumption of stainless steel flat products will decrease by 1.8% compared to 2021.

Business area Europe

Europe key figures		Q3/22	Q3/21	Q2/22	Q1–Q3/22	Q1–Q3/21	2021
Stainless steel deliveries	1,000 tonnes	**316**	355	372	**1,101**	1,165	1,535
Sales	EUR million	**1,455**	1,131	1,768	**4,916**	3,280	4,600
Adjusted EBITDA	EUR million	**128**	149	289	**611**	325	485
Gain on disposal of property	EUR million	**—**	—	—	**—**	—	12
EBITDA	EUR million	**128**	149	289	**611**	325	498
Operating capital [1)]	EUR million	**2,090**	1,793	2,053	**2,090**	1,793	1,721
ROOC, rolling 12 months	%	**33.5**	13.3	35.9	**33.5**	13.3	20.4

[1)] Outokumpu has redefined its operating capital definition in Q2/2022. Comparative information has been restated accordingly.

Results

Q3 2022 compared to Q3 2021

Sales increased to EUR 1,455 million (EUR 1,131 million).

Adjusted EBITDA decreased to EUR 128 million (EUR 149 million)

- Stainless steel deliveries decreased by 11%, but higher realized prices for stainless steel and improved product mix supported profitability.
- Variable costs were at a significantly higher level due to the extreme increase in electricity, freight, and consumable prices.
- Raw material-related inventory and metal derivative losses amounted to EUR 88 million (losses of EUR 2 million in Q3 2021).

ROOC rose to 33.5% (13.3%).

Q3 2022 compared to Q2 2022

Sales decreased to EUR 1,455 million (EUR 1,768 million).

Adjusted EBITDA decreased to EUR 128 million (EUR 289 million).

- Stainless steel deliveries decreased by 15% and realized prices for stainless steel were at a lower level.
- Variable costs increased significantly mainly due to higher electricity prices, but also high freight and fuel prices.
- Raw material-related inventory and metal derivative losses amounted to EUR 88 million (gains of EUR 1 million in Q2 2022).

ROOC amounted to 33.5% (35.9%).

Market

- During Q3 2022, apparent consumption in EMEA decreased by 4.5% compared to Q3 2021, whereas there was a decrease of 18.1% compared to the previous quarter. (Source: CRU, September 2022)
- EU cold-rolled imports from the third countries reached a level of 39% in Q3 2022 and increased slightly compared to Q2 2022. The continuously high imports appear to be the delayed result of extraordinary importing activities at the beginning of this year, making use of a new quota period (Source: EUROFER, October 2022).
- Distributor inventories and stock turnover in Q3 2022 increased above the historical average level with slowing demand.

Business area Americas

Americas key figures		Q3/22	Q3/21	Q2/22	Q1–Q3/22	Q1–Q3/21	2021
Stainless steel deliveries	1,000 tonnes	**167**	194	177	**529**	562	742
Sales	EUR million	**786**	530	775	**2,224**	1,391	1,947
Adjusted EBITDA	EUR million	**135**	84	136	**361**	203	297
Litigation provisions	EUR million	**—**	—	—	**—**	—	-15
EBITDA	EUR million	**135**	84	136	**361**	203	283
Operating capital [1)]	EUR million	**1,088**	897	1,075	**1,088**	897	880
ROOC, rolling 12 months	%	**40.2**	19.4	36.8	**40.2**	19.4	27.2

[1)] Outokumpu has redefined its operating capital definition in Q2/2022. Comparative information has been restated accordingly.

Results

Q3 2022 compared to Q3 2021

Sales increased to EUR 786 million (EUR 530 million).

Adjusted EBITDA increased to EUR 135 million (EUR 84 million).

- Stainless steel deliveries decreased by 14% due to market softening, driven by the increased distributor inventory levels.
- Higher realized prices for stainless steel supported profitability.
- Transformation costs increased due to inflation and higher maintenance for strategy phase 2 projects.
- Raw material-related inventory and metal derivative losses amounted to EUR 32 million (gains of EUR 18 million in Q3 2021).

ROOC rose to 40.2% (19.4%).

Q3 2022 compared to Q2 2022

Sales increased to EUR 786 million (EUR 775 million).

Adjusted EBITDA decreased to EUR 135 million (EUR 136 million).

- Stainless steel deliveries decreased by 6% due to market softening and higher distributor inventory levels.
- Realized prices for stainless steel remained at a similar level compared to prior quarter.
- Positive metal impacts supported profitability, while fixed costs slightly increased.
- Raw material-related inventory and metal derivative losses amounted to EUR 32 million (gains of EUR 49 million in Q2 2022).

ROOC amounted to 40.2% (36.8%).

Market

- During Q3 2022, apparent consumption decreased by 5% compared to Q2 2022 and increased by 2% compared to Q3 2021. (Source: American Iron and Steel Institute, AISI)
- The share of cold-rolled imports into the US reached a level of 33% in Q3 2022, and decreased compared to Q2 2022. (Source: AISI)
- Cold-rolled distributor inventories remained at a high level in Q3 2022 and further increased compared to Q2 2022.

Business area Ferrochrome

Ferrochrome key figures		Q3/22	Q3/21	Q2/22	Q1–Q3/22	Q1–Q3/21	2021
Ferrochrome production	1,000 tonnes	**104**	128	128	**362**	390	515
Sales	EUR million	**136**	149	212	**523**	425	604
Adjusted EBITDA	EUR million	**34**	64	93	**206**	173	246
EBITDA	EUR million	**34**	64	93	**206**	173	246
Operating capital [1)]	EUR million	**856**	840	857	**856**	840	823
ROOC, rolling 12 months	%	**27.0**	21.4	30.7	**27.0**	21.4	24.8

[1)] Outokumpu has redefined its operating capital definition in Q2/2022. Comparative information has been restated accordingly.

Results

Q3 2022 compared to Q3 2021

Sales decreased to EUR 136 million (EUR 149 million).

Adjusted EBITDA decreased to EUR 34 million (EUR 64 million).

- Ferrochrome production was 19% lower as a result of the planned maintenance break and the optimization of the ferrochrome production due to exceptionally high electricity prices.
- Profitability was supported by higher ferrochrome sales price as both reference prices increased and also the EUR/USD foreign exchange rate was weaker.
- Variable costs increased, mainly due to higher reductant and electricity prices.
- Maintenance costs were at a higher level due to planned maintenance break.

ROOC increased to 27.0% (21.4%).

Q3 2022 compared to Q2 2022

Sales decreased to EUR 136 million (EUR 212 million).

Adjusted EBITDA decreased to EUR 34 million (EUR 93 million).

- Ferrochrome production decreased by 19% as a result of the planned maintenance break and the optimization of the ferrochrome production due to exceptionally high electricity prices.
- Profitability was impacted negatively by lower ferrochrome sales price as both reference prices weakened.
- Maintenance costs were at a higher level due to planned maintenance break and variable cost increased due to higher reductant and electricity prices.

ROOC amounted 27.0% (30.7%).

Market

- For Q3 2022, the European benchmark price for ferrochrome was settled at USD 1.80/lb.
- For Q4 2022, the published European benchmark price for ferrochrome decreased to USD 1.49/lb.
- Surplus in the ferrochrome market decreased during Q3/2022 following a squeeze on supply due to regular maintenances and electricity related production cuts by ferrochrome producers.

Energy-related measures

- Due to exceptionally high electricity prices, ferrochrome production has been optimized since the beginning of August.
- In this exceptional situation, Outokumpu also decided to delay the restart of one of its three ferrochrome furnaces after a planned maintenance break at least until the end of Q1/2023. The capacity of the furnace is approximately 30% of the entire ferrochrome capacity.

Kemi mine

- The finalization of the Deep Mine expansion project will be in Q1/2023 due to delayed commissioning of the hoisting system work.
- The delay will not impact the costs of the investment.

Sustainability

Outokumpu's vision is to be the customer's first choice in sustainable stainless steel, and the company's purpose is working towards a world that lasts forever. Sustainability at Outokumpu is founded on good governance and on three pillars: 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 in 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 active mine, the Kemi chrome mine, which is an integral part of our stainless steel production. Kemi mine is the only chrome mine in the European Union, and the CO_2 footprint of Outokumpu's ferrochrome operations is estimated to be less than one third 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) emissions as well as emissions from the production of raw materials and transportation (scope 3). As part of the ambitious sustainability strategy, Outokumpu increased its greenhouse gas emission reduction target in 2021 and committed to the Science-Based Target initiative (SBTi) 1.5 °C climate ambition. Outokumpu's approved SBTi target requires a 42% CO_2 emission reduction across all scopes by 2030 compared to the company's 2016 baseline. This translates into a 30% CO_2 emission reduction compared to the 2020 level.

The divestment of the majority of the Long Products business would mean a reduction in absolute CO_2 emissions for Outokumpu but only a minor impact on the relative CO_2 emissions per ton of stainless steel produced, which is the relevant metric for Outokumpu's SBTi target.

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

Outokumpu has been a member of ResponsibleSteel since 2019. ResponsibleSteel is a standard that was developed to recognize steel sites that are being operated in a responsible manner with the focus on the most material ESG issues identified and agreed upon by ResponsibleSteel members and stakeholders. During the third quarter, Outokumpu started the certification process for the ResponsibleSteel standard for its operating sites in business area Europe with the intent of starting the related audits in 2022. In the third quarter, Outokumpu also published a supplier code of conduct, submitted ESG surveys to S&P, EcoVadis, CDP, and reported on the communication of progress to the UN Global Compact.

During the third quarter, Outokumpu finalized a digital product carbon footprint model, which allows Outokumpu to identify the carbon footprint of individual products produced in the European production system based on the process data. This enables product-specific carbon footprint extraction, which is necessary for Circle Green material information, for instance, and also enables the scaling of low carbon footprint material production. The model was externally verified.

Outokumpu met targets in sustainability KPIs in the third quarter for material recycling and emission intensity. Energy-efficiency was maintained on a similar level to 2021. Recycled material content remained above the high level of 90% for the rolling 12 months, both for continuing operations and for the entire group.

On September 30, Outokumpu announced that it investigates a significant investment in a biocoke and biomethane plant in Tornio, Finland as part of its ambitious climate actions. With this investment Outokumpu aims to reduce significantly its direct CO_2 emissions and increase energy self-sufficiency in Finland.

During the third quarter, there were three environmental incidents concerning Outokumpu operations, two of which were permit breaches. All incidents were reported to the relevant authorities.

Safety performance slightly weakened in the third quarter and the company has already taken actions to restore it. The quarterly total recordable injury frequency rate (TRIFR) was 2.7 (Q3/21: 3.0). The total recordable injury frequency rate for January-September amounted to 1.9 (January-September 2021: 2.1). In the third quarter, the new safety cross-learning program kicked-off with the focus on sharing best practices between sites. The project will continue in the fourth quarter due to the good results achieved during the first visits.

Personnel

On September 30, 2022, Outokumpu's full-time equivalent number of personnel for the continuing operations totaled 8,602 (June 30, 2022: 8,480, December 31, 2021: 8,439). Headcount was 8,826 on September 30, 2022 (June 30, 2022: 8,702, December 31, 2021: 8,727).

Shares

On September 30, 2022, 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 4,164,711 treasury shares. The average number of shares outstanding was 452,709,737 in the third quarter. The closing share price at the end of the period, on September 30, was EUR 3.54.

Risks and uncertainties

The ongoing war in Ukraine and adverse economic development have increased the uncertainties and risks to which Outokumpu is exposed. The far-reaching direct and indirect consequences of the prolonged war and the possible further adverse development of economic and geopolitical tensions could have a negative impact on Outokumpu. The cost and availability of energy and raw materials, the weakened economic outlook with slowing global growth, and continued overall cost inflation are all considered to be significant risks to Outokumpu.

As a result of the unprecedented energy crisis in Europe, electricity prices have rapidly increased and uncertainty in energy gas availability remains. These are risks for Outokumpu's operations in Europe as well and create challenges in managing the negative impacts from rising costs. Most affected is Ferrochrome business, where Outokumpu has temporarily closed one of its ferrochrome furnaces due to high electricity prices. In Germany, the tightened global energy gas supply poses a risk for the continuity of operations. High energy prices and uncertainty around energy gas supply in central Europe may also impact Outokumpu through its customers' and suppliers' if they are unable to continue their businesses and operations.

Raw material availability risks are mainly related to sanctions imposed due to Russia's invasion of Ukraine. These actions could expose Outokumpu to supply chain disruptions or increase costs related to the change of the supplier. The risks related to raw material sourcing in high-risk countries, including environmental-social governance risks and dependencies on certain critical suppliers, remain high. Outokumpu is purchasing a limited amount of raw materials from Russia. The exposure in Russia through receivables is non-material.

The continued rise in global inflation may constrain Outokumpu's competitiveness. This is not only due to high energy prices but also overall cost inflation, such as in freight and consumable prices.

The company is also exposed to risks related to volatile metal prices, especially nickel, which may impact Outokumpu's result, among other financial risks. The uncertainties around possible new COVID-19 variants and cyber security risks remain as they could also impact Outokumpu's business, cost competitiveness, and demand for stainless steel.

Outokumpu is a minority shareholder in Voimaosakeyhtiö SF, which is the main owner of Fennovoima. In May 2022, Fennovoima announced that it has withdrawn the Hanhikivi 1 nuclear power plant construction license application as a consequence of the termination of the EPC (Engineering, procurement and construction) contract with RAOS Project Oy due to supplier-related causes. In August, Fennovoima announced that it has initiated several arbitration and other proceedings against various Rosatom entities.The contractual framework of the matter is complex and lengthy legal processes are to be expected. Outokumpu is closely following the situation. The main objective for Voimaosakeyhtiö SF continues to be to safeguard the interests of its shareholders.

For more information on Outokumpu's risks, please refer to the Annual Report for 2021 and the Notes to the 2021 Financial Statements.

Events after the reporting period

On November 3, Outokumpu announced that until the end of 2024 it aims to improve its energy efficiency by 8% across the group compared to the January-September 2022 level and prioritize related investments.

On November 3, Outokumpu announced that the Board of Directors approved a share buyback program of up to EUR 100 million under the authorization of the Annual General Meeting. The maximum number of shares to be repurchased under the program is 20 million, representing approximately 4.4% of the company's total number of shares. The program will commence at the earliest on November 7, 2022 and end no later than on March 24, 2023. The share buyback program is expected to be carried out in full and have a maximum EUR 100 million impact on net debt during the duration of the program.

Through the share buyback program, Outokumpu seeks to mitigate and manage the dilutive impact of the company's outstanding convertible bonds. The repurchased shares will be initially held by Outokumpu as treasury shares and may be used to meet its obligations under the convertible bonds. Alternatively, Outokumpu may decide to cancel any or all of the repurchased shares and reduce its capital accordingly. The share repurchases will be funded by using funds from the unrestricted equity. Prior to the announcement Outokumpu held 4,164,711 of treasury shares, representing 0.91% of the company's total number of shares.

Helsinki, November 3, 2022

Outokumpu Oyj
Board of Directors

Financial information

Condensed statement of income (EUR million)	July–Sep 2022	July–Sep 2021	Jan–Sep 2022	Jan–Sep 2021	Jan-Dec 2021
Continuing operations					
Sales	**2,339**	1,845	**7,598**	5,160	7,243
Cost of sales	**-2,025**	-1,561	**-6,406**	-4,499	-6,310
Gross margin	**314**	284	**1,192**	662	933
Other operating income	**4**	10	**12**	27	49
Sales, general and administrative costs	**-70**	-64	**-225**	-186	-254
Other operating expenses	**-6**	-1	**-18**	-9	-54
EBIT	**241**	229	**961**	494	674
Share of results in associated companies	**1**	2	**12**	11	15
Interest expenses	**-11**	-15	**-32**	-49	-64
Net other financial income and expenses	**-6**	-5	**-21**	-14	-15
Total financial income and expenses	**-17**	-19	**-53**	-63	-79
Result before taxes	**225**	212	**920**	442	610
Income taxes	**-18**	-34	**-145**	-66	-84
Net result for the period from continuing operations	**207**	178	**775**	376	526
Discontinued operations					
Net result for the period from discontinued operations	**-18**	4	**50**	18	27
Net result for the period	**189**	182	**825**	394	553
Earnings per share for result from continuing operations attributable to the equity holders of the Company					
Earnings per share, EUR	**0.46**	0.40	**1.71**	0.87	1.21
Diluted earnings per share, EUR	**0.42**	0.37	**1.58**	0.80	1.13
Earnings per share for result attributable to the equity holders of the Company					
Earnings per share, EUR	**0.42**	0.40	**1.82**	0.91	1.26
Diluted earnings per share, EUR	**0.39**	0.37	**1.68**	0.84	1.17

Statement of comprehensive income (EUR million)	July–Sep 2022	July–Sep 2021	Jan–Sep 2022	Jan–Sep 2021	Jan-Dec 2021
Net result for the period	**189**	182	**825**	394	553
Other comprehensive income, continuing operations					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations					
Change in exchange differences	**83**	24	**176**	59	85
Cash flow hedges [1)]					
Fair value changes during the financial year	**17**	6	**30**	9	-1
Reclassification to profit or loss	**-97**	12	**25**	21	27
Income taxes	**8**	-2	**-8**	-4	-6
Items that will not be reclassified to profit or loss:					
Remeasurements on defined benefit plans					
Changes during the accounting period	**15**	7	**69**	13	-72
Income taxes	**-5**	-2	**-23**	0	26
Equity investments at fair value through other comprehensive income	**-5**	15	**13**	-6	-44
Share of other comprehensive income in associated companies	**0**	0	**0**	0	0
Other comprehensive income, continuing operations	**17**	61	**281**	92	15
Other comprehensive income, discontinued operations	**5**	2	**15**	5	6
Other comprehensive income, net of tax	**22**	62	**297**	96	22
Total comprehensive income for the period	**211**	244	**1,122**	490	574

1) The presentation of fair value changes reclassified to inventory has been changed in 2021 from other comprehensive income to movement in equity. Comparative information is presented accordingly.

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)	Sep 2022	Sep 2021	Dec 2021
ASSETS			
Non-current assets			
Intangible assets	**559**	595	577
Property, plant and equipment	**2,483**	2,611	2,573
Investments in associated companies	**55**	45	43
Other financial assets	**42**	58	24
Deferred tax assets	**108**	218	222
Defined benefit plan assets	**—**	70	—
Trade and other receivables	**2**	1	5
Total non-current assets	**3,249**	3,598	3,444
Current assets			
Inventories	**1,887**	1,644	1,892
Other financial assets	**110**	72	60
Trade and other receivables	**849**	800	786
Cash and cash equivalents	**465**	345	300
Total current assets	**3,311**	2,861	3,038
Assets held for sale	**431**	—	—
TOTAL ASSETS	**6,990**	6,459	6,482
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company	**4,158**	3,040	3,120
Non-current liabilities			
Non-current debt	**498**	943	597
Other financial liabilities	**10**	1	2
Deferred tax liabilities	**1**	5	1
Employee benefit obligations	**223**	308	309
Provisions	**50**	56	63
Trade and other payables	**21**	26	23
Total non-current liabilities	**803**	1,340	994
Current liabilities			
Current debt	**148**	150	112
Other financial liabilities	**47**	32	40
Provisions	**37**	9	29
Trade and other payables	**1,581**	1,889	2,188
Total current liabilities	**1,813**	2,080	2,368
Liabilities related to assets held for sale	**217**	—	—
TOTAL EQUITY AND LIABILITIES	**6,990**	6,459	6,482

Condensed statement of cash flows (EUR million)	July–Sep 2022	July–Sep 2021	Jan–Sep 2022	Jan–Sep 2021	Jan-Dec 2021
Net result for the period	**189**	182	**825**	394	553
Adjustments					
Depreciation, amortization and impairments	**100**	61	**227**	182	304
Other non-cash adjustments	**115**	53	**328**	90	146
Change in working capital	**-147**	-91	**-816**	-346	-266
Provisions and employee benefit obligations paid	**-6**	-10	**-33**	-59	-80
Interests and dividends received	**1**	0	**1**	4	10
Interests paid	**-12**	-14	**-31**	-47	-63
Income taxes paid	**-3**	-2	**-13**	-4	-7
Net cash from operating activities	**238**	180	**489**	213	597
Purchases of assets	**-38**	-32	**-100**	-116	-175
Proceeds from the disposal of businesses, net of cash	**—**	—	**4**	—	—
Proceeds from the sale of assets	**0**	0	**2**	1	24
Other investing cash flow	**—**	0	**—**	2	2
Net cash from investing activities	**-38**	-31	**-95**	-113	-149
Cash flow before financing activities	**200**	149	**394**	100	448
Directed share issue	**—**	—	**—**	205	205
Dividends paid	**—**	—	**-68**	—	—
Borrowings of non-current debt	**—**	—	**—**	29	63
Repayment of non-current debt	**-30**	-8	**-97**	-235	-619
Change in current debt	**-86**	-54	**25**	-132	-174
Net cash from financing activities	**-116**	-62	**-139**	-133	-525
Net change in cash and cash equivalents	**84**	87	**255**	-33	-77
Cash and cash equivalents at the beginning of the period	**473**	257	**300**	376	376
Net change in cash and cash equivalents	**84**	87	**255**	-33	-77
Foreign exchange rate effect	**1**	0	**2**	1	2
Cash and cash equivalents at the end of the period [1)]	**558**	345	**558**	345	300

1) Periods of Jul-Sep 2022 and Jan-Sep 2022 including cash and cash equivalents of discontinued operations amounting to EUR 92.4 million.

Statement of changes in equity (EUR million)

Attributable to the equity holders of the parent

	Share capital	Premium fund	Other restricted reserves	Invested unrestricted equity reserve	Fair value reserve from equity investments	Fair value reserve from derivatives 1)	Cumulative translation differences	Remeasurements of defined benefit plans	Treasury shares	Other retained earnings	Total equity
Equity on January 1, 2021	**311**	**714**	**3**	**2,103**	**-45**	**-4**	**-113**	**-124**	**-31**	**-454**	**2,360**
Net result for the period	-	-	-	-	-	-	-	-	-	394	394
Other comprehensive income	-	-	-	-	-6	25	64	13	-	0	96
Total comprehensive income for the period	-	-	-	-	-6	25	64	13	-	394	490
Transactions with equity holders of the Company											
Contributions and distributions											
Share-based payments	-	-	-	-	-	-	-	-	1	1	2
Directed share issue	-	-	-	205	-	-	-	-	-	-	205
Fair value transfer to inventory	-	-	-	-	-	-17	-	-	-	-	-17
Equity on September 30, 2021	**311**	**714**	**3**	**2,308**	**-51**	**5**	**-50**	**-111**	**-30**	**-59**	**3,040**
Equity on January 1, 2022	**311**	**714**	**3**	**2,308**	**-89**	**-7**	**-22**	**-169**	**-30**	**101**	**3,120**
Net result for the period	-	-	-	-	-	-	-	-	-	825	825
Other comprehensive income	-	-	-	-	13	47	191	46	-	0	297
Total comprehensive income for the period	-	-	-	-	13	47	191	46	-	825	1,122
Transactions with equity holders of the Company											
Contributions and distributions											
Dividends paid	-	-	-	-	-	-	-	-	-	-68	-68
Share-based payments	-	-	-	-	-	-	-	-	1	5	7
Fair value transfer to inventory	-	-	-	-	-	-23	-	-	-	-	-23
Equity on September 30, 2022	**311**	**714**	**3**	**2,308**	**-76**	**17**	**169**	**-123**	**-29**	**863**	**4,158**

1) The presentation of fair value changes reclassified to inventory has been changed in 2021 from other comprehensive income to movement in equity. Comparative information is presented accordingly.

Adjustments to EBITDA and EBIT (EUR million)	Q3/2022	Q3/2021	Q1–Q3/22	Q1–Q3/21	2021
Litigation provisions	—	—	—	—	-15
Environmental provisions	—	—	—	—	-10
Gain on disposal of property	—	—	—	—	12
Adjustments to EBITDA	—	—	—	—	-12
Impairments on non-current assets	—	—	—	—	-42
Adjustments to EBIT	—	—	—	—	-54

In 2021, Outokumpu recognized increases in litigation provisions of EUR 15 million and in environmental provisions of EUR 10 million. The environmental provisions related to aftercare of closed mines in Finland. In 2021, Outokumpu sold properties related to closed operations in Germany, which resulted in a gain of EUR 12 million.

In 2021, Outokumpu recognized impairments based on reviews of individual assets of EUR 45 million, of which EUR 42 million were reported as adjustments to EBIT. These impairments included EUR 18 million related to Group's ERP systems, EUR 13 million regarding mine properties and obsolete machinery in the Ferrochrome business area, and EUR 10 million regarding lease agreements on land and buildings in business area Europe's operations in Germany.

Group key figures		Q3/2022	Q3/2021	Q1–Q3/22	Q1–Q3/21	2021
Continuing operations						
Scope of activity						
Capital expenditure	EUR million	**37**	30	**98**	113	171
Depreciation and amortization	EUR million	**-61**	-57	**-183**	-171	-249
Impairments	EUR million	**-1**	-1	**-1**	-3	-45
Personnel at the end of period, full-time equivalent		**8,602**	8,492	**8,602**	8,492	8,439
- average for the period		**9,022**	8,865	**8,761**	8,788	8,714
Personnel at the end of period, headcount		**8,826**	8,848	**8,826**	8,848	8,727
Profitability						
Adjusted EBITDA	EUR million	**304**	288	**1,146**	668	980
Adjustments to EBITDA	EUR million	—	—	—	—	-12
EBITDA	EUR million	**304**	288	**1,146**	668	968
Earnings per share	EUR	**0.46**	0.40	**1.71**	0.87	1.21
Diluted earnings per share	EUR	**0.42**	0.37	**1.58**	0.80	1.13
Return on capital employed, rolling 12 months (ROCE) [1),2)]	%	**26.8**	12.0	**26.8**	12.0	17.6
Including discontinued operations						
Scope of activity						
Capital employed at the end of period	EUR million	**4,805**	4,134	**4,805**	4,134	3,828
Profitability						
Earnings per share	EUR	**0.42**	0.40	**1.82**	0.91	1.26
Diluted earnings per share	EUR	**0.39**	0.37	**1.68**	0.84	1.17
Adjusted average number of shares [3)]	1,000 shares	**452,710**	452,561	**452,685**	434,257	438,871
Return on equity, rolling 12 months	%	**28.1**	13.7	**28.1**	13.7	20.1
Return on capital employed, rolling 12 months (ROCE)[2)]	%	**28.7**	12.6	**28.7**	12.6	18.4
Financing and financial position						
Non-current debt	EUR million	**499**	943	**499**	943	597
Current debt	EUR million	**148**	150	**148**	150	112
Cash and cash equivalents	EUR million	**558**	345	**558**	345	300
Net debt at the end of period	EUR million	**90**	749	**90**	749	408
Net debt to Adjusted EBITDA		**0.1**	1.0	**0.1**	1.0	0.4
Equity-to-assets ratio at the end of period	%	**59.7**	47.3	**59.7**	47.3	48.3
Debt-to-equity ratio at the end of period	%	**2.2**	24.6	**2.2**	24.6	13.1
Equity per share at the end of period [3)]	EUR	**9.18**	6.72	**9.18**	6.72	6.89

[1)] According to definitions of key figures balance sheet component includes discontinued operations' assets and liabilities.

[2)] Outokumpu has redefined it's capital employed and ROCE definitions in Q2/2022. Comparative information has been restated accordingly.

[3)] Excluding treasury shares.

Sales by segment (EUR million)	Q3/2022	Q3/2021	Q1–Q3/22	Q1–Q3/21	2021
Europe total	**1,455**	1,131	**4,916**	3,280	4,600
of which intra-group [1)]	**9**	10	**25**	50	69
Americas total	**786**	530	**2,224**	1,391	1,947
of which intra-group	**0**	15	**9**	48	51
Ferrochrome total	**136**	149	**523**	425	604
of which intra-group [1)]	**82**	102	**340**	292	418
Other operations total	**168**	234	**564**	654	914
of which intra-group [1)]	**134**	93	**337**	259	373
Intra-group sales to discontinued operations	**-19**	-21	**-82**	-59	-89
Total sales, continuing operations	**2,339**	1,845	**7,598**	5,160	7,243

[1)] Includes Long Products businesses related sales

Adjusted EBITDA by segment (EUR million)	Q3/2022	Q3/2021	Q1–Q3/22	Q1–Q3/21	2021
Europe	**128**	149	**611**	325	485
Americas	**135**	84	**361**	203	297
Ferrochrome	**34**	64	**206**	173	246
Other operations and intra-group items	**7**	-8	**-33**	-32	-48
Total adjusted EBITDA, continuing operations	**304**	288	**1,146**	668	980

Adjustments to EBITDA and EBIT by segment (EUR million)	Q3/2022	Q3/2021	Q1–Q3/22	Q1–Q3/21	2021
Europe	**—**	—	**—**	—	12
Americas	**—**	—	**—**	—	-15
Other operations	**—**	—	**—**	—	-10
Total adjustments in EBITDA, continuing operations	**—**	—	**—**	—	-12
Europe	**—**	—	**—**	—	-10
Ferrochrome	**—**	—	**—**	—	-13
Other operations	**—**	—	**—**	—	-18
Total adjustments in EBIT, continuing operations	**—**	—	**—**	—	-54

EBITDA by segment (EUR million)	Q3/2022	Q3/2021	Q1–Q3/22	Q1–Q3/21	2021
Europe	**128**	149	**611**	325	498
Americas	**135**	84	**361**	203	283
Ferrochrome	**34**	64	**206**	173	246
Other operations and intra-group items	**7**	-8	**-33**	-32	-58
Total EBITDA, continuing operations	**304**	288	**1,146**	668	968

Adjusted EBIT by segment (EUR million)	Q3/2022	Q3/2021	Q1–Q3/22	Q1–Q3/21	2021
Europe	**96**	115	**513**	224	344
Americas	**117**	70	**312**	161	235
Ferrochrome	**23**	55	**173**	146	202
Other operations and intra-group items	**5**	-10	**-36**	-36	-53
Total adjusted EBIT, continuing operations	**241**	229	**961**	494	728

EBIT by segment (EUR million)	Q3/2022	Q3/2021	Q1–Q3/22	Q1–Q3/21	2021
Europe	**96**	115	**513**	224	346
Americas	**117**	70	**312**	161	220
Ferrochrome	**23**	55	**173**	146	189
Other operations and intra-group items	**5**	-10	**-36**	-36	-81
Total EBIT, continuing operations	**241**	229	**961**	494	674

Depreciation and amortization by segment (EUR million)	Q3/2022	Q3/2021	Q1–Q3/22	Q1–Q3/21	2021
Europe	**-32**	-33	**-98**	-101	-141
Americas	**-17**	-13	**-50**	-39	-59
Ferrochrome	**-10**	-10	**-32**	-27	-44
Other operations	**-1**	-1	**-4**	-3	-4
Total depreciation and amortization, continuing operations	**-61**	-57	**-183**	-171	-249

Capital expenditure by segment (EUR million)	Q3/2022	Q3/2021	Q1–Q3/22	Q1–Q3/21	2021
Europe	**10**	4	**20**	15	29
Americas	**5**	2	**8**	4	16
Ferrochrome	**16**	19	**61**	74	93
Other operations	**7**	6	**10**	20	32
Total capital expenditure, continuing operations	**37**	30	**98**	113	171

Personnel at the end of period by segment, full-time equivalent	Q3/2022	Q3/2021	Q1–Q3/22	Q1–Q3/21	2021
Europe	**5,784**	5,758	5,784	5,758	5,706
Americas	**1,888**	1,840	1,888	1,840	1,831
Ferrochrome	**495**	482	495	482	481
Other operations	**436**	412	436	412	422
Total personnel at the end of period, continuing operations	**8,602**	8,492	8,602	8,492	8,439

EBITDA	=	EBIT before depreciation, amortization and impairments	
Adjustments to EBITDA or EBIT	=	Material income and expense items which affect the comparability between periods because of their unusual nature, size or incidence resulting for example from group-wide restructuring programs or disposals of assets or businesses.	
Adjusted EBITDA or EBIT	=	EBITDA or EBIT – items classified as adjustments	
Capital employed	=	Total equity + non-current debt + current debt	
Operating capital (segment reporting)	=	Capital employed – cash and cash equivalents – investments in associated companies – investments in equity at fair value through other comprehensive income – investments at fair value through profit or loss – net deferred tax asset – net asset held for sale + net employee benefit obligations	
Capital expenditure	=	Purchases of property, plant and equipment and intangible assets, other than emission allowances; and investments in equity at fair value through other comprehensive income and in associated companies and acquisitions of businesses	
Return on capital employed (ROCE)	=	EBIT + Share of results in associated companies (4-quarter rolling) / Capital employed (4-quarter rolling average)	× 100
Return on operating capital (ROOC) (segment reporting)	=	Adjusted EBIT (4-quarter rolling) / Operating capital (4-quarter rolling average)	× 100
Return on equity (ROE)	=	Net result for the financial period (4-quarter rolling) / Total equity (4-quarter rolling average)	× 100
Net debt	=	Non-current debt + current debt – cash and cash equivalents	
Equity-to-assets ratio	=	Total equity / Total assets – advances received	× 100
Debt-to-equity ratio	=	Net debt / Total equity	× 100
Net debt to adjusted EBITDA	=	Net debt / Adjusted EBITDA (4-quarter rolling)	
Earnings per share	=	Net result for the financial period attributable to the owners of the parent / Adjusted average number of shares during the period	
Equity per share	=	Equity attributable to the owners of the parent / 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. The same accounting policies and methods of computation have been followed when preparing the financial information as in the financial statements for 2021, with the exception of new and amended standards applied as of the beginning of 2022. These amendments did not have material impact on Outokumpu's consolidated financial statements.

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

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

Management judgment and the use of estimates

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

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

Discontinued operations – Long Products businesses

On July 12, Outokumpu announced that it has signed an agreement to divest the majority of the Long Products business operations to Marcegaglia Steel Group. The transaction includes Long Products' melting, rod and bar operations in Sheffield, UK; bar operations in Richburg, the US; and the wire rod mill in Fagersta, Sweden. The transaction does not include Outokumpu Long Products operations in Degerfors and Storfors in Sweden. Long Products activities that remain in Outokumpu are included in Other operations.

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

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

The result from discontinued operations is reported separately from income and expenses from continuing operations in the consolidated statement of income and prior periods are re-presented accordingly. The re-presented historical consolidated statement of income and relevant Group and segment key figures have been published on September 26, 2022. Assets and liabilities related to the discontinued operations are presented as separate line items on the balance sheet. The balance sheet is not re-presented for prior periods. The statement of cash flows consists of total group figures including discontinued operations. In previous quarters, Outokumpu did not have discontinued operations.

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

In the third quarter of 2022, Outokumpu recognized an impairment loss amounting to EUR 35 million based on the current balance sheet and estimated purchase price that is still subject to final review impacted by market conditions as well as the closing balance sheet. The accumulated translation differences will be reclassified into profit and loss at the time of the disposal.

The divestment is expected to be completed by the end of the year 2022 or in the beginning of 2023. The completion of the transaction is subject to customary closing conditions and regulatory approvals by the competition authorities and requires, for instance, internal structuring before completion. The transaction will be carried out as a share sale.

Risk and uncertainties related to the war in Ukraine

The war in Ukraine has increased the uncertainties and risks that Outokumpu is exposed to, and these risks and uncertainties are described above in this report.

In addition to the regular expected credit loss assessment process, Outokumpu has evaluated its trade receivables against implications resulting from the conflict. Based on the assessment, no material expected credit losses were recognized in January-September 2022.

Outokumpu has assessed whether any impairment indications have arisen as a result of the war but has not identified such indications. Outokumpu has also assessed the carrying amounts of its other assets and liabilities and has not identified any material impact on the carrying amounts.

Comparative financial figures according to the new financial key figure definitions

The company redefined capital employed and segment reporting's operating capital by reclassifying certain balance sheet items also impacting the definition of return on capital employed. In addition, the share of results in associated companies was added to the profit component of the ROCE definition.

To align with the new financial targets and internal management reporting, Outokumpu introduced return on operating capital (ROOC) as a key figure for segment reporting.

Capital employed is a measure of the amount of capital invested in the Group's operations. Return on capital employed (ROCE) is a measure for the value the Group generates to the capital invested in its operations. Operating capital is an internal measure for the amount of capital invested in the Group's operations. It is used as a measure for the business areas' net assets. Return on operating capital (ROOC) is an internal measure for the value the business areas generate to the capital invested in its operations.

Events after the reporting period

On November 3, Outokumpu announced that until the end of 2024 it aims to improve its energy efficiency by 8% across the group compared to the January-September 2022 level and and prioritize related investments.

On November 3, Outokumpu announced that the Board of Directors approved a share buyback program of up to EUR 100 million under the authorization of the Annual General Meeting. The maximum number of shares to be repurchased under the program is 20 million, representing approximately 4.4% of the company's total number of shares. The program will commence at the earliest on November 7, 2022 and end no later than on March 24, 2023. The share buyback program is expected to be carried out in full and have a maximum EUR 100 million impact on net debt during the duration of the program.

Through the share buyback program, Outokumpu seeks to mitigate and manage the dilutive impact of the company's outstanding convertible bonds. The repurchased shares will be initially held by Outokumpu as treasury shares and may be used to meet its obligations under the convertible bonds. Alternatively, Outokumpu may decide to cancel any or all of the repurchased shares and reduce its capital accordingly. The share repurchases will be funded by using funds from the unrestricted equity. Prior to the announcement Outokumpu held 4,164,711 of treasury shares, representing 0.91% of the company's total number of shares.