

# Q2 2019 results

CEO Roeland Baan  
CFO Pia Aaltonen-Forsell

August 1, 2019

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# Speakers



Roeland Baan  
President & CEO



Pia Aaltonen-Forsell  
CFO



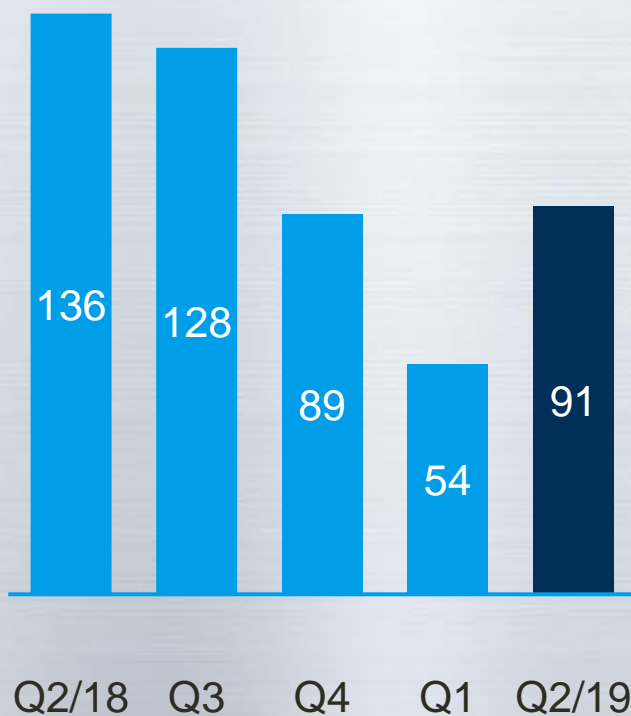
Tommi Järvenpää  
Vice President, Investor Relations

## OUR VISION

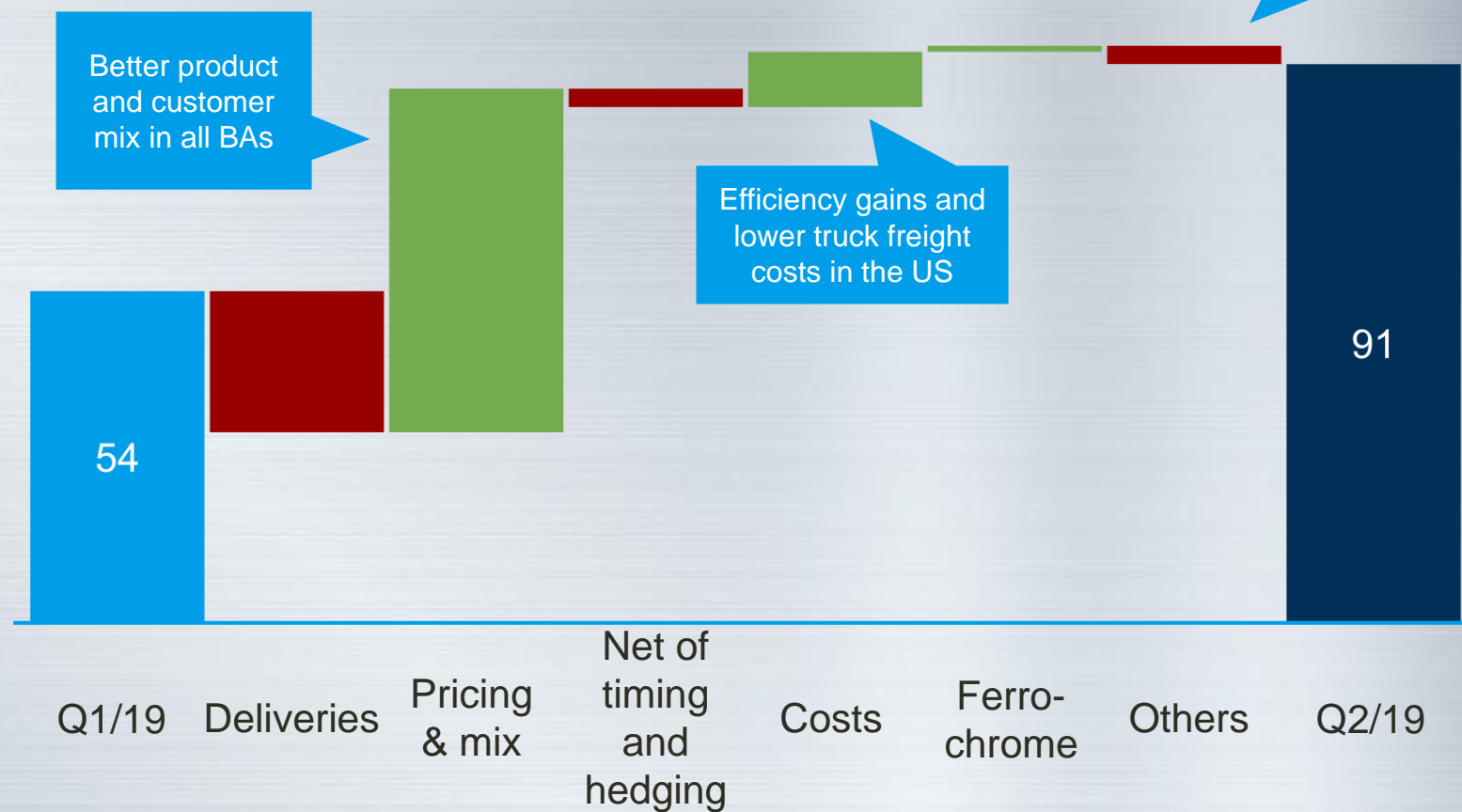
**Best value creator  
in stainless steel  
by 2020 through  
customer orientation  
and efficiency**

# Strong operational execution secured satisfactory performance in the second quarter

Group adjusted EBITDA, EUR million

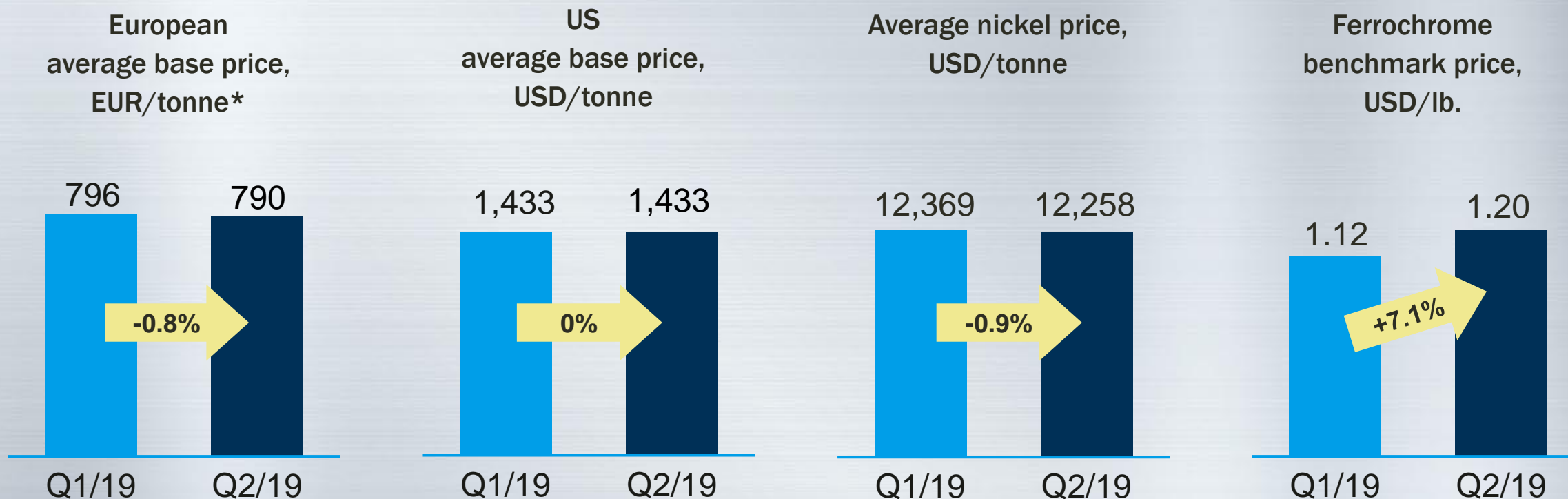


Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



1) Indicative columns based on management estimates

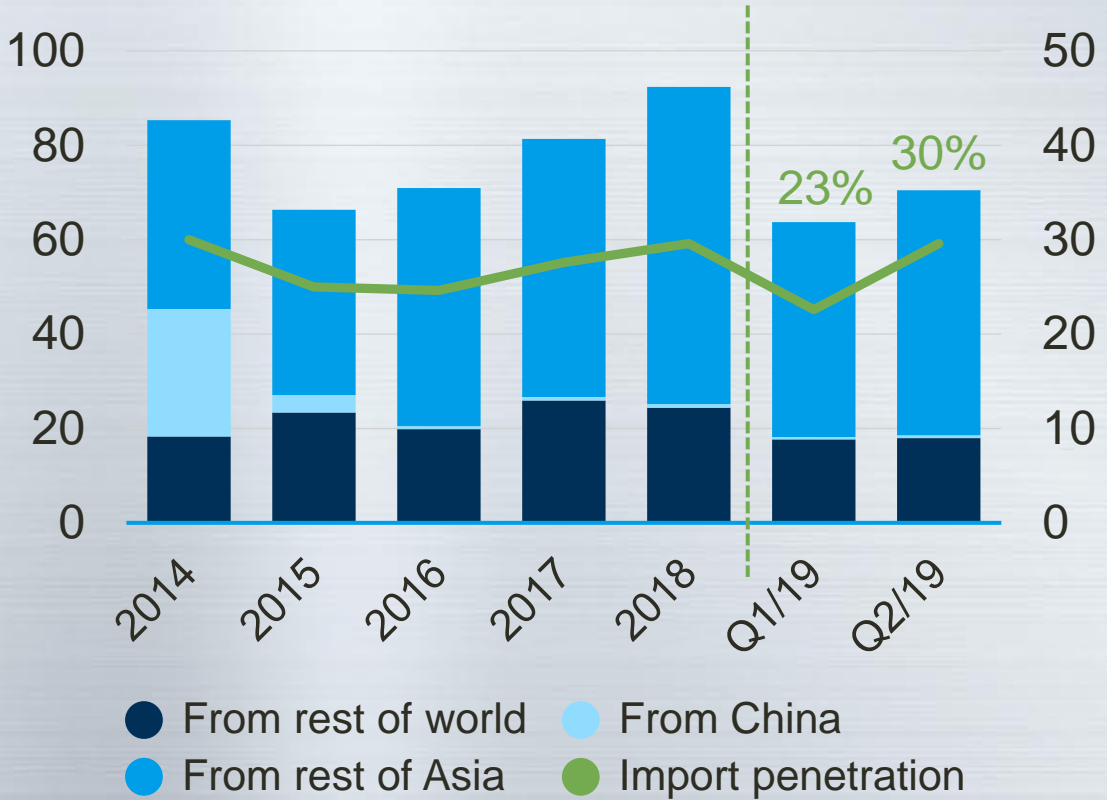
# No significant changes in the stainless steel markets in Q2



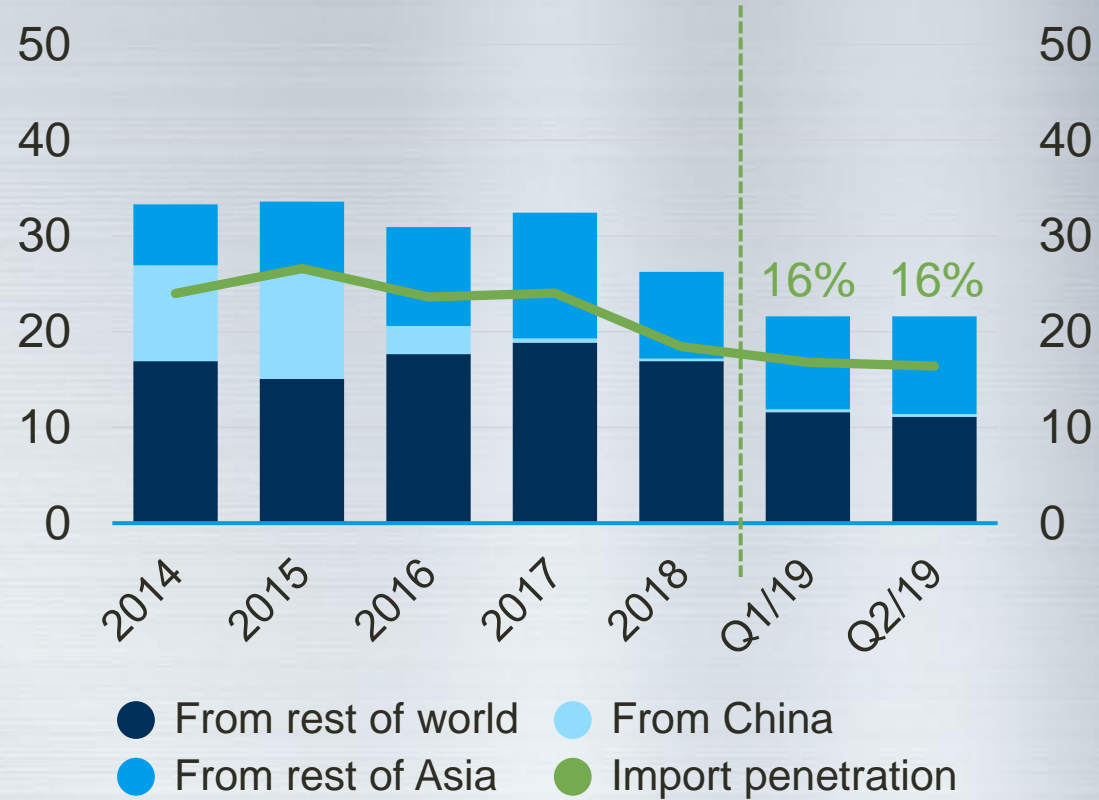
\* According to the CRU, they have been no longer able to accurately assess base prices from June 2018 onwards. Subsequently, the reported base price value in is derived from effective prices and the published alloy surcharges.

# Europe continues to battle with cheap Asian imports...

Third-country cold rolled imports<sup>1</sup> into Europe, 1,000 tonnes



Third-country cold rolled imports<sup>2</sup> into the US, 1,000 tonnes



1. Cold rolled, monthly average. Source: Eurofer, July 2019 (Q2'19 based on Apr-May)  
 2. Cold rolled, monthly average. Source: Foreign Trade Statistics, American Iron & Steel Institute, May 2019 (Q2'19 based on Apr-May)



# ...keeping European base prices at low levels

European base prices<sup>1</sup> (Germany)\*, EUR/tonne



US base prices<sup>1</sup>, USD/tonne



Transaction prices 304 stainless, USD/tonne



● Europe ● USA ● China

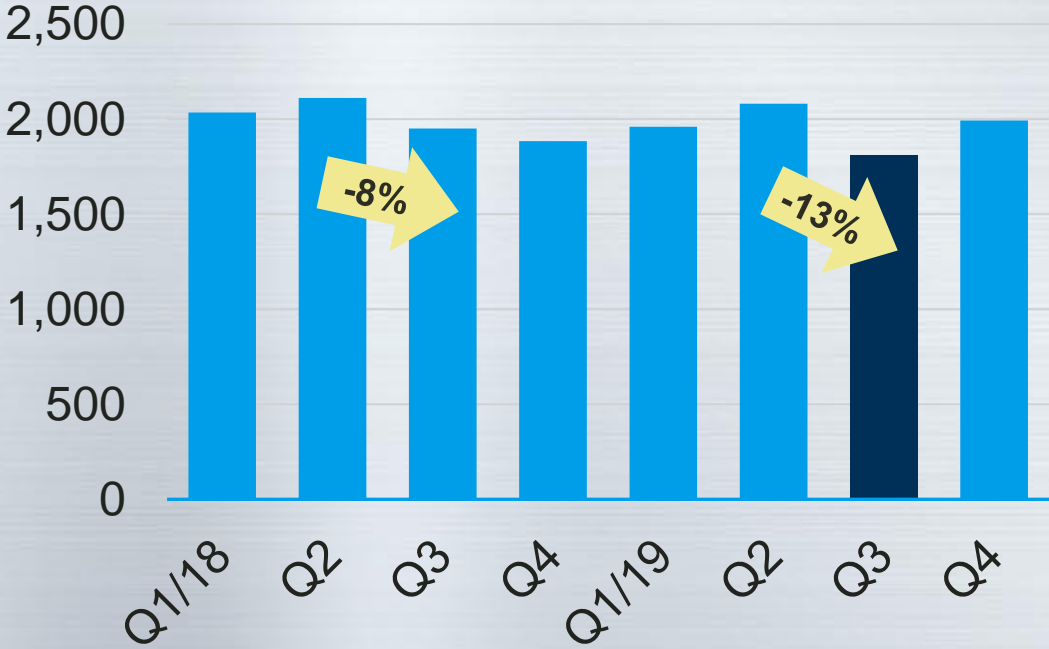
1. 2mm sheet cold rolled 304 grade. CRU July 2019

\* According to the CRU, they have been no longer able to accurately assess base prices from June 2018 onwards. Subsequently, the reported base price value in is derived from effective prices and the published alloy surcharges.

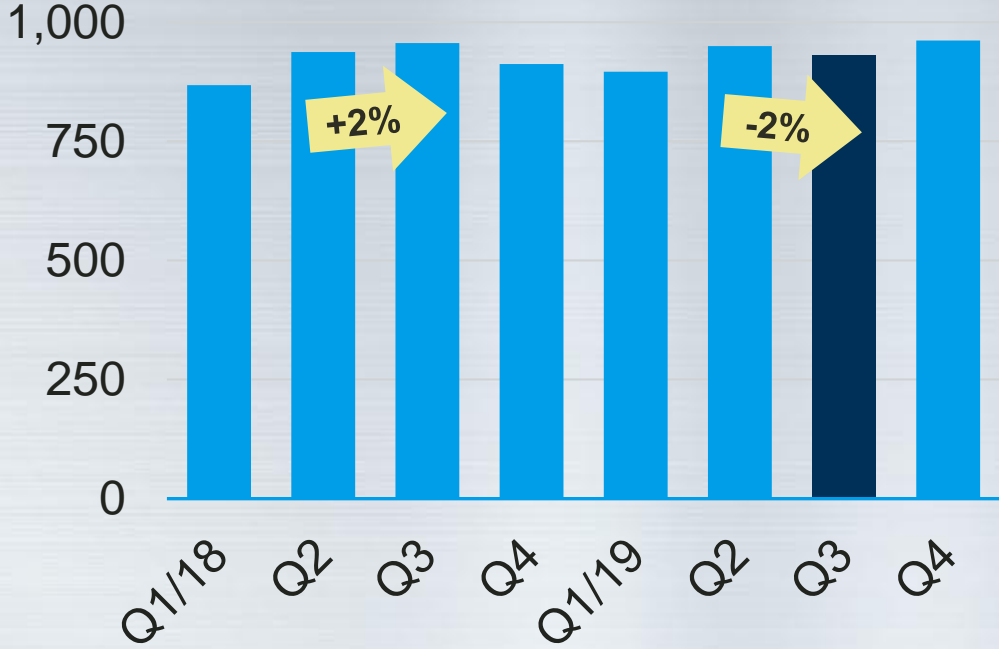


# More pronounced Q3 dip in demand expected in Europe

EMEA total stainless steel real demand<sup>1</sup>



Americas total stainless steel real demand<sup>1</sup>



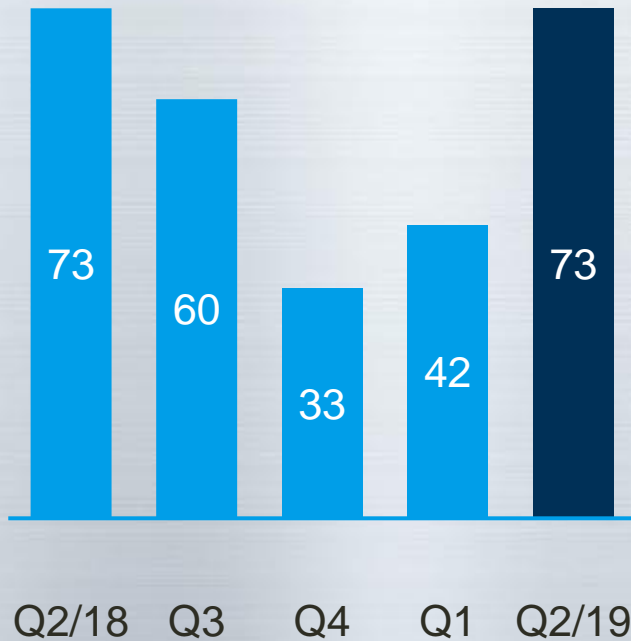
1) Total stainless = rolled & forged products, excl. 13Cr tubes, profiles  
Source: SMR July 2019



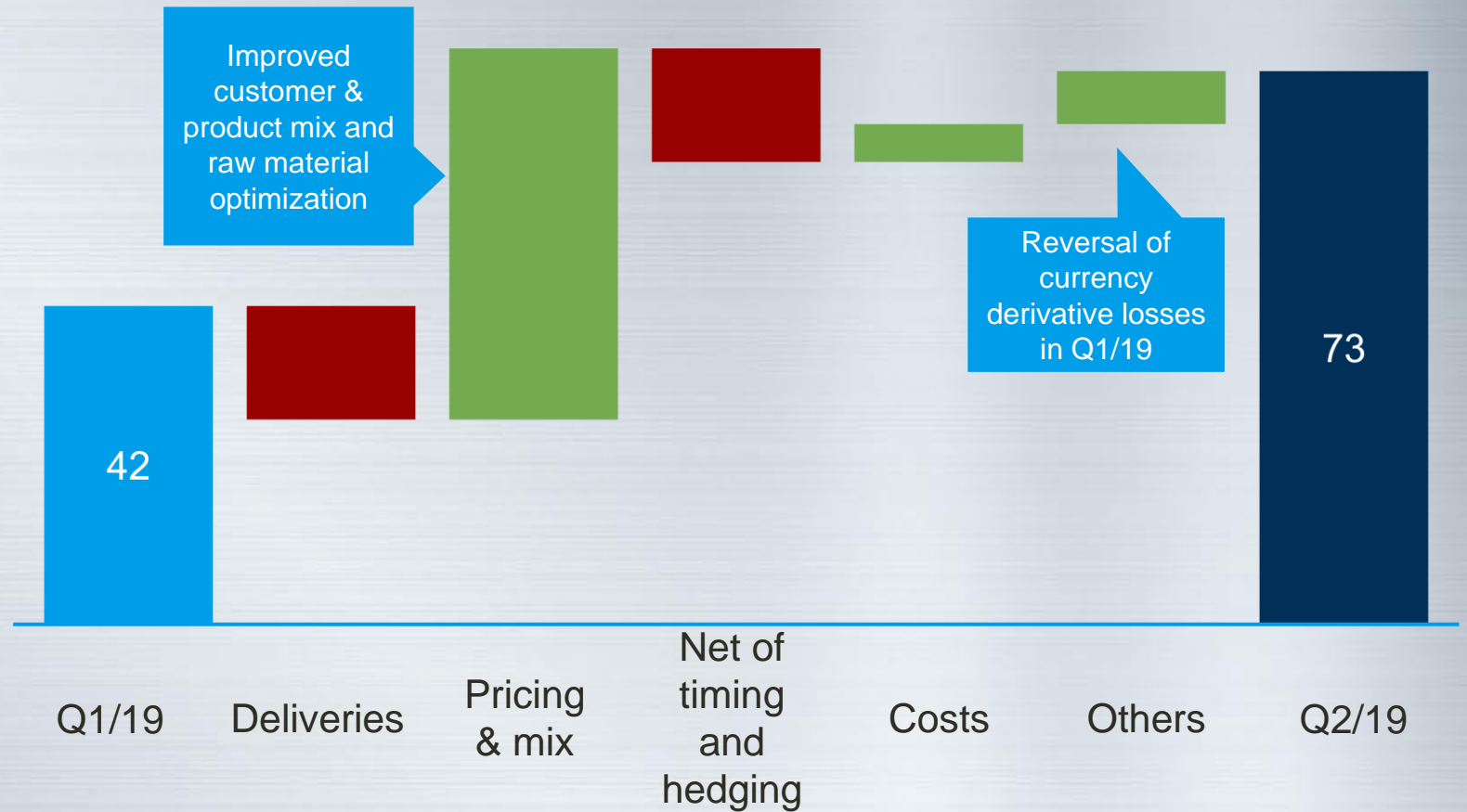
<b>Key figures</b>		<b>Q2/19</b>	<b>Q2/18</b>	<b>Q1/19</b>
Stainless steel deliveries	1,000 tonnes	<b>584</b>	668	621
Sales	EUR million	<b>1,701</b>	1,883	1,715
Adjusted EBITDA	EUR million	<b>91</b>	136	54
EBITDA	EUR million	<b>91</b>	136	40
Net result	EUR million	<b>6</b>	25	-39
Earnings per share	EUR	<b>0.01</b>	0.06	-0.09
Operating cash flow	EUR million	<b>177</b>	71	39
Net debt	EUR million	<b>1,307</b>	1,211	1,370
Gearing	%	<b>49.8</b>	45.1	51.6
Capital expenditure	EUR million	<b>49</b>	63	50
Return on capital employed, ROCE	%	<b>2.9</b>	5.5	4.3
Personnel at the end of the period		<b>10,483</b>	10,419	10,449

# Strong product mix in BA Europe

Europe adjusted EBITDA, EUR million



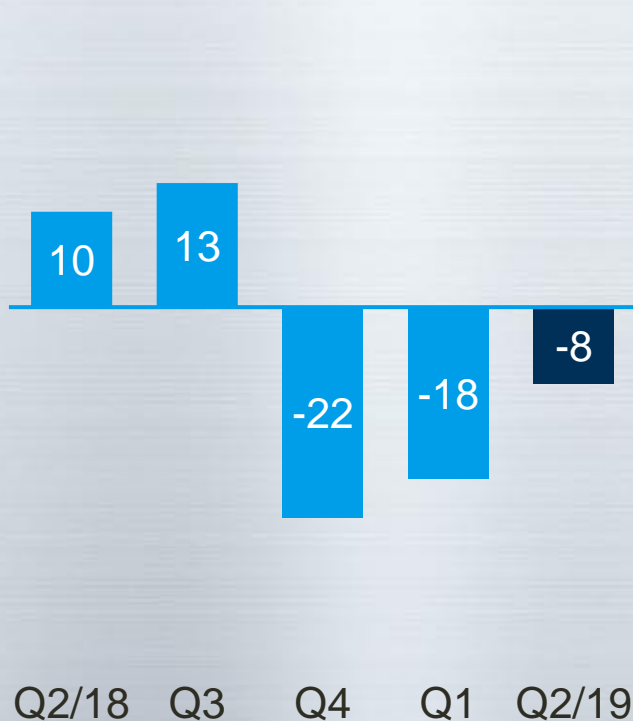
Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



1) Indicative columns based on management estimates

# BA Americas suffering from continuous distributor destocking

Americas adjusted EBITDA, EUR million



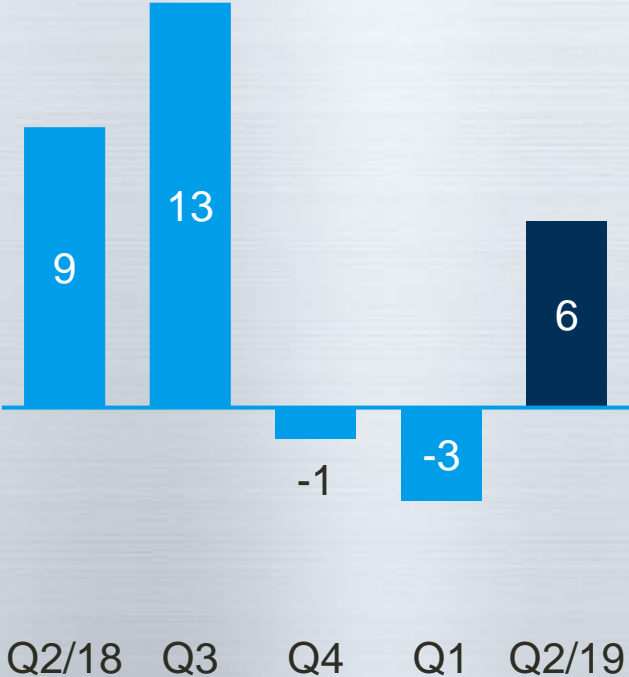
Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



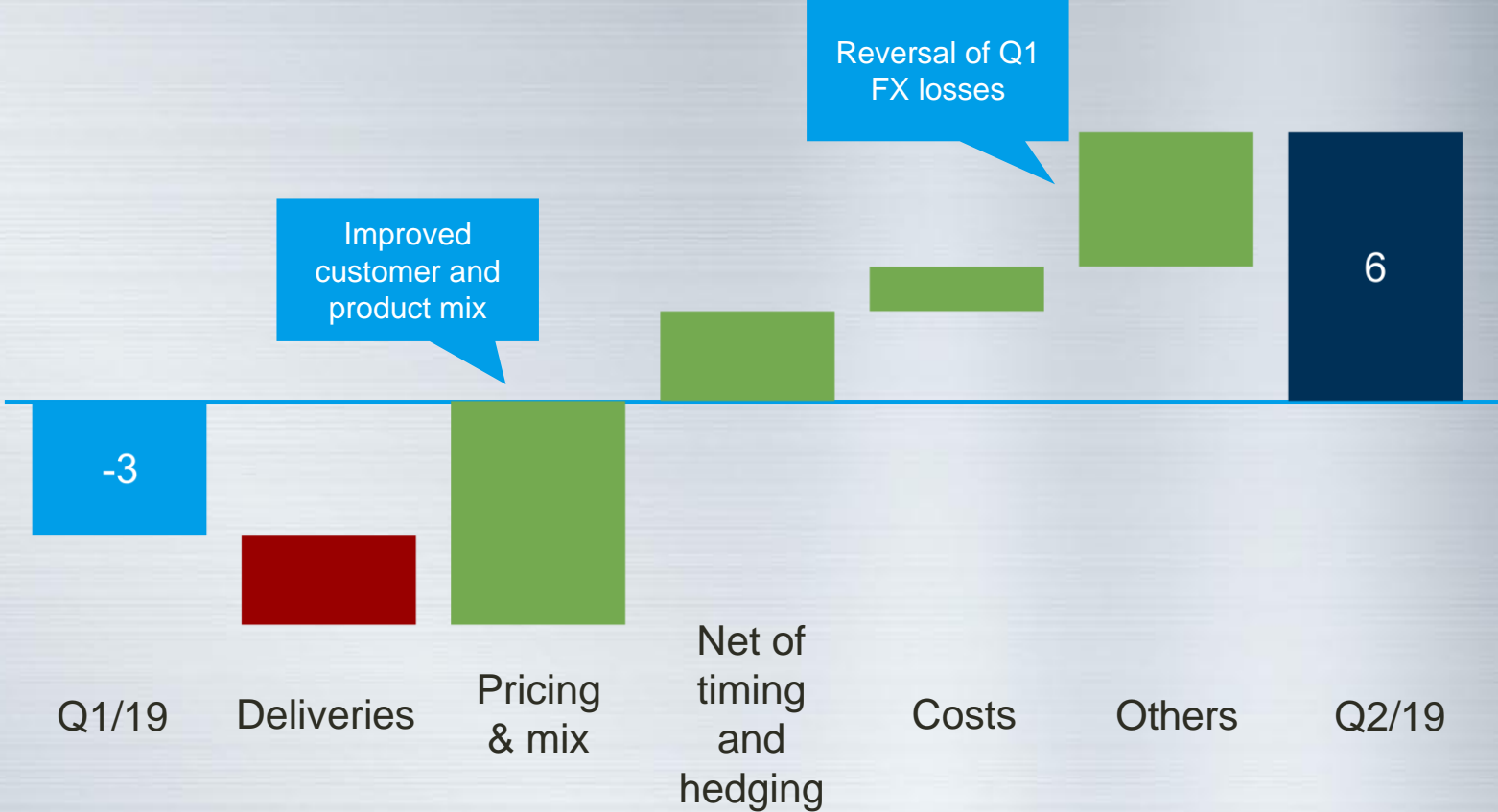
1) Indicative columns based on management estimates

# Long products' demand weakening in Europe

Long Products adjusted EBITDA, EUR million



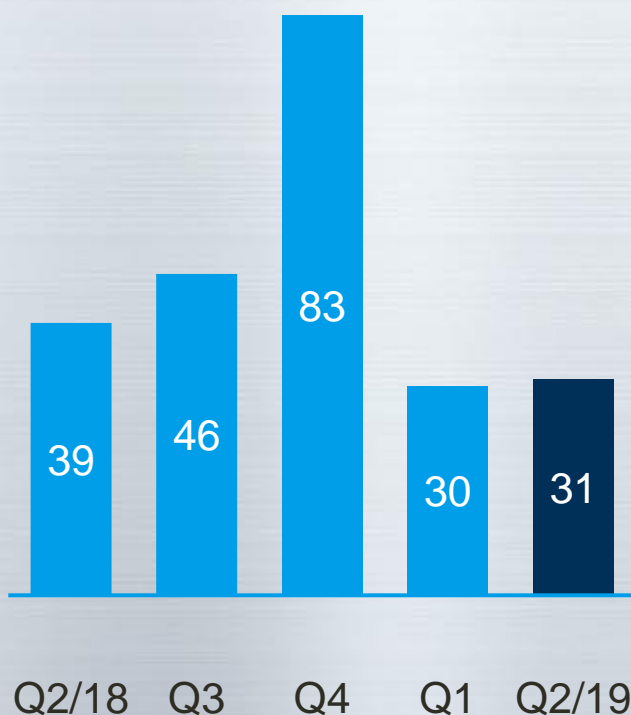
Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



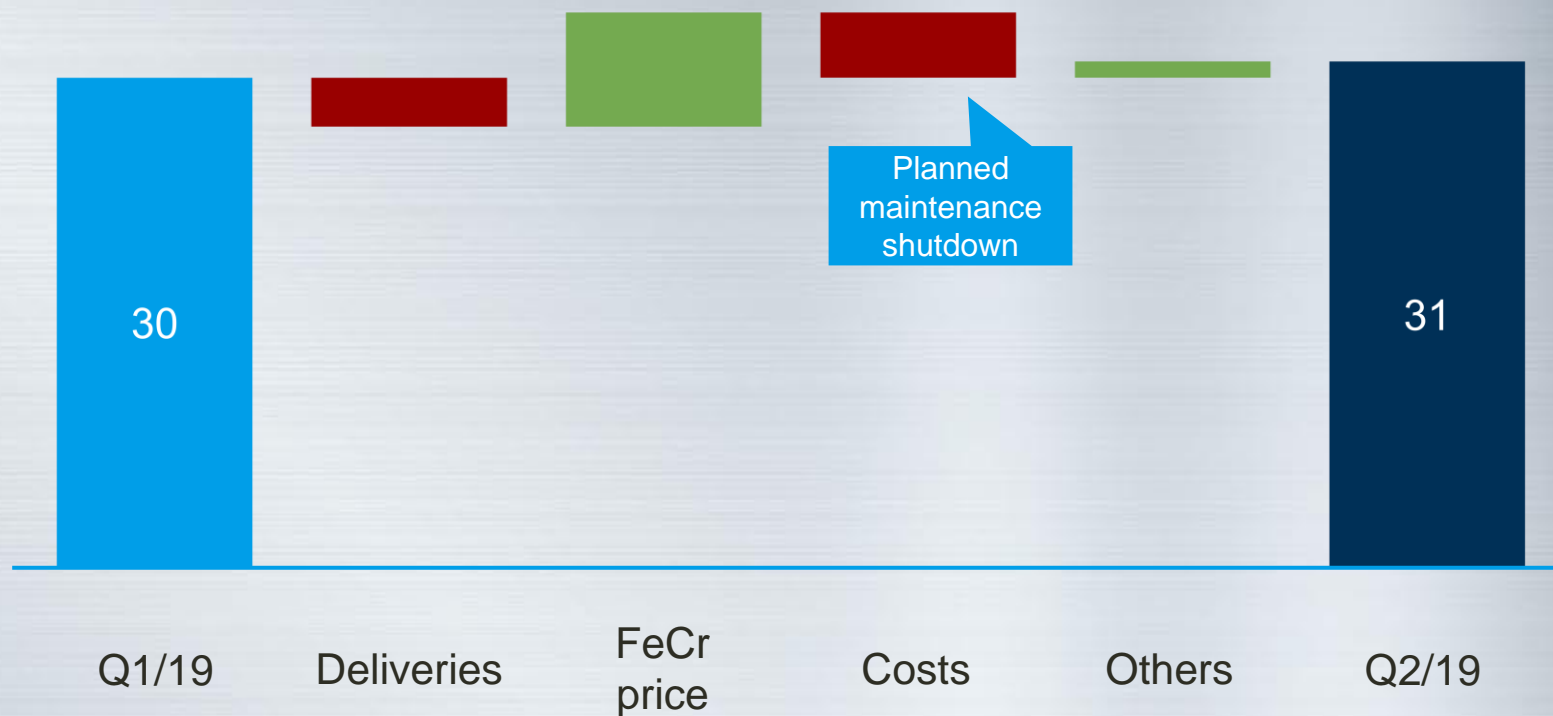
1) Indicative columns based on management estimates

# Ferrochrome deliveries remained at a high level, costs increased due to planned maintenance

Ferrochrome adjusted EBITDA, EUR million



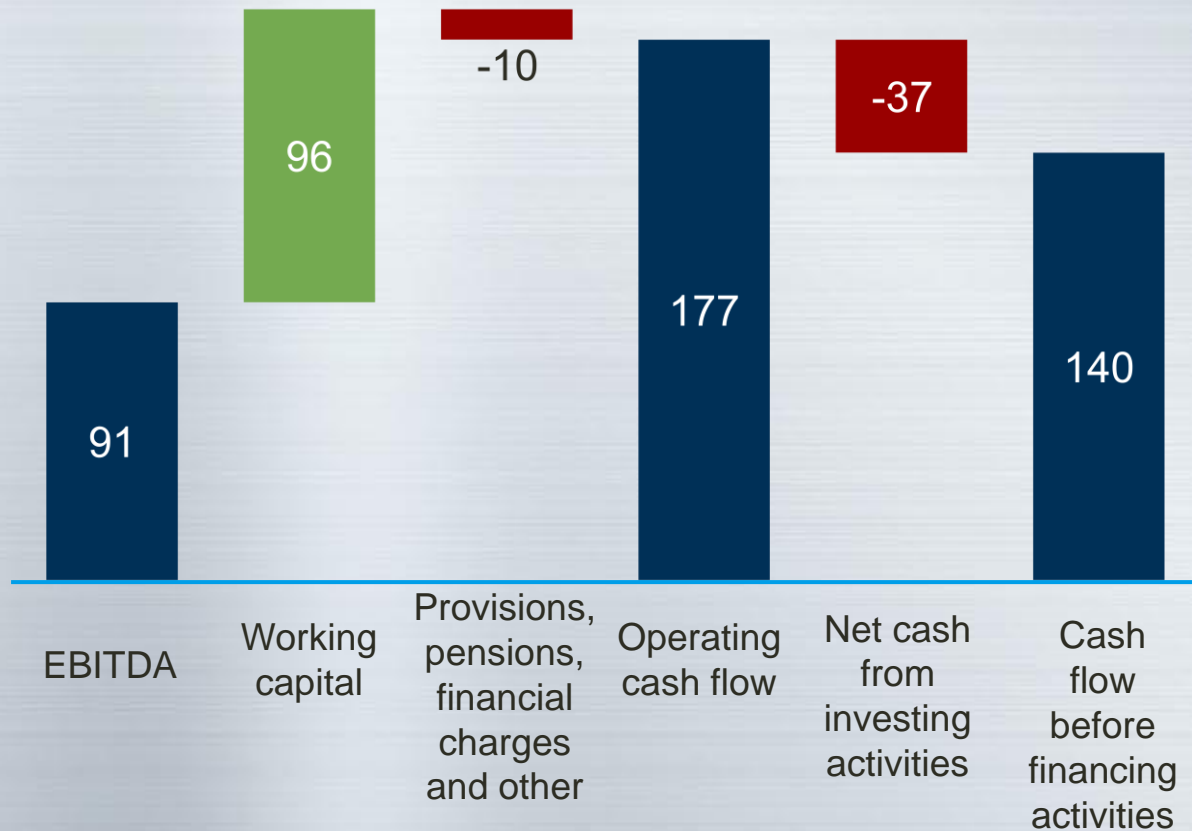
Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



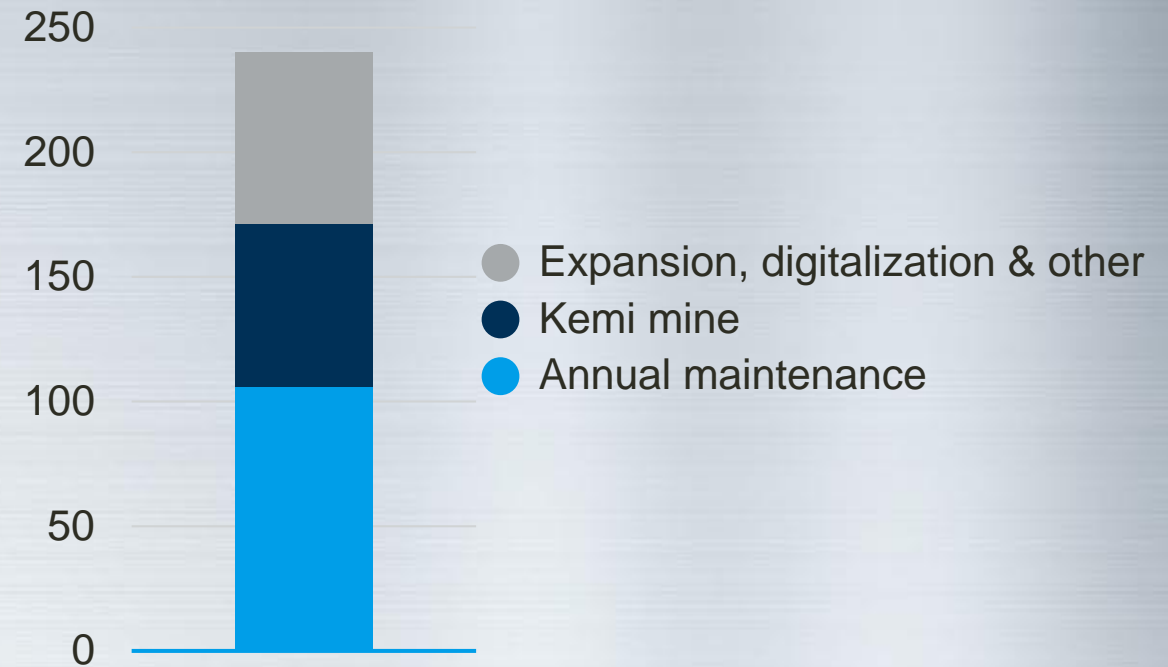
1) Indicative columns based on management estimates

# Strong cash generation

Q2/19 cash flow, EUR million

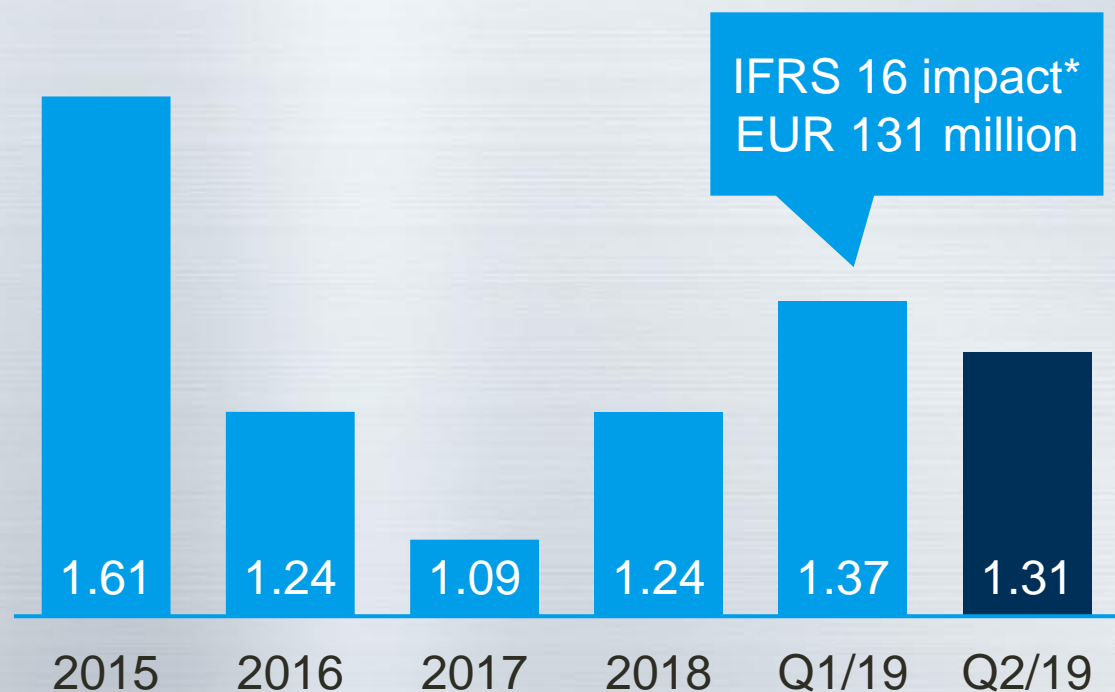


CAPEX estimate 2019, EUR million



# Net debt decreased due to continued focus on net working capital

Net debt, EUR billion



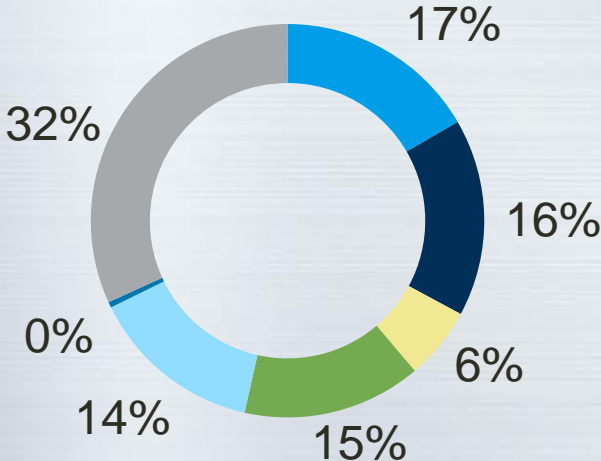
Net debt/LTM adjusted EBITDA





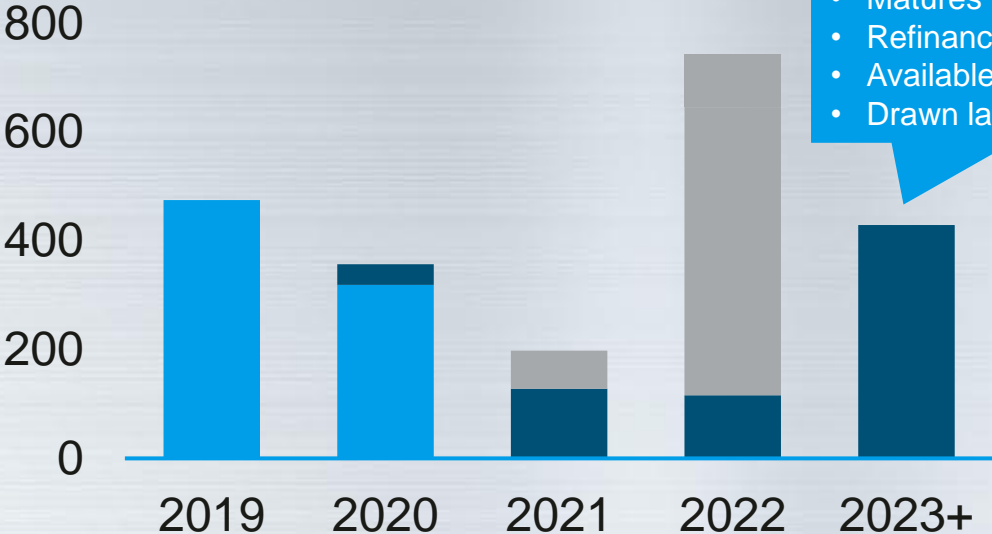
# New term loan signed to extend debt maturities

Debt structure\*, %



- Bonds
- Convertible bonds
- Long-term loans
- Pension loans
- Finance leases
- Short-term loans
- Commercial paper

Debt maturity profile\*, EUR million



- EUR 400 million secured term loan
- Signed in June
- Matures in 2023
- Refinancing short term debt
- Available in July
- Drawn latest in Q4/19

- Current debt
- Non-current debt
- Unutilized facilities

# Outlook for Q3 2019

- The stainless steel market is expected to be challenging
- Deliveries expected to be lower in Europe and remain at stable level in the Americas compared to Q2
- Ferrochrome result will be negatively impacted by lower benchmark price and weaker demand
- The planned maintenance shutdown of a ferrochrome furnace is expected to have a total cost impact of up to EUR 10 million during H2/19

Adjusted EBITDA is expected to be lower than in Q2/19 (€91 million)



# Appendix

# Becoming the best value creator

Vision	Best value creator in stainless steel by 2020 through customer orientation and efficiency	Must-Win battles	Safety High performing organization Operational excellence* Commercial excellence Americas Digital transformation**
Strengths	Strong market position Broad product portfolio	World-class assets Solid balance sheet	
Purpose	Working towards a world that lasts forever		

\* Includes previous must-win battles of World-class supply chain and manufacturing excellence as of 2019  
\*\* New must-win battle as of 2019

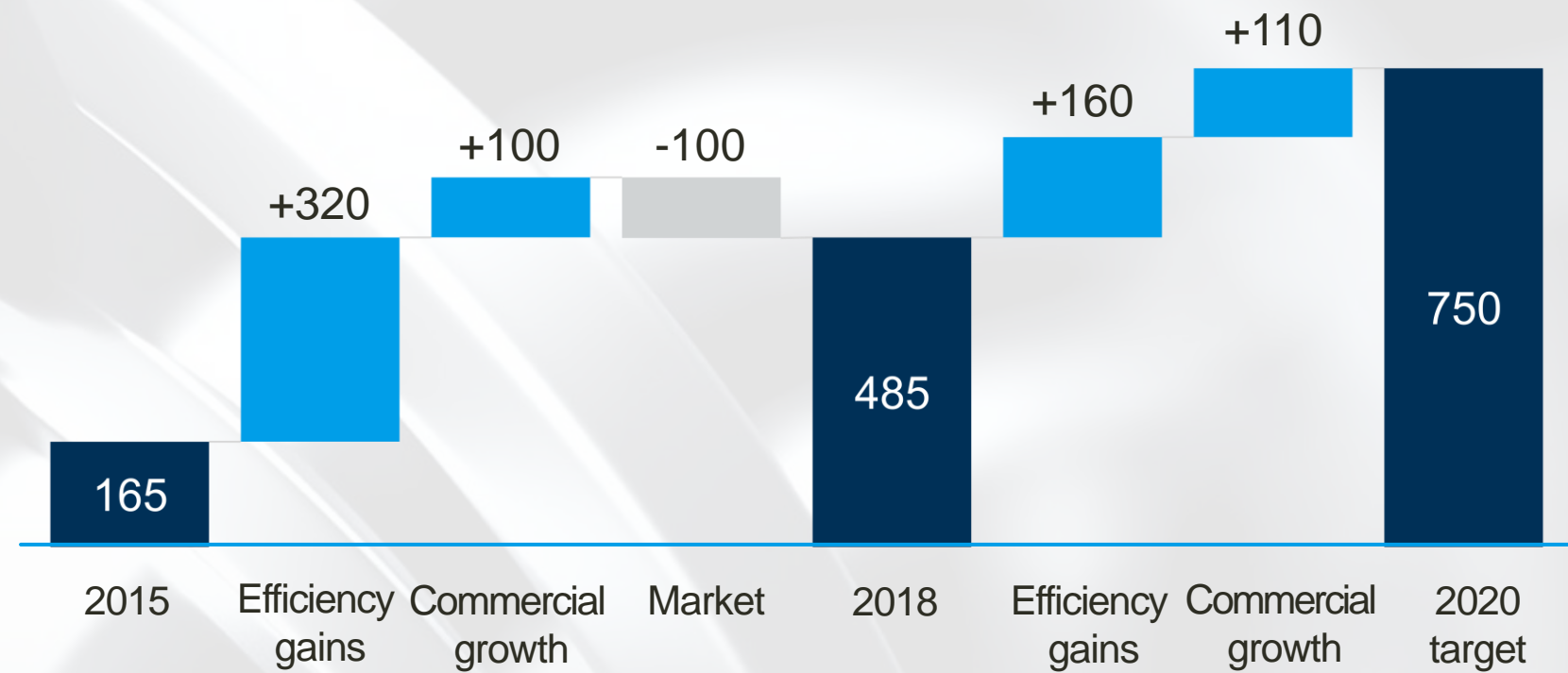


Our path to deliver an adjusted EBITDA of

€750

million in 2020

Adjusted EBITDA, € million



# How to close the gap to €750 million by 2020

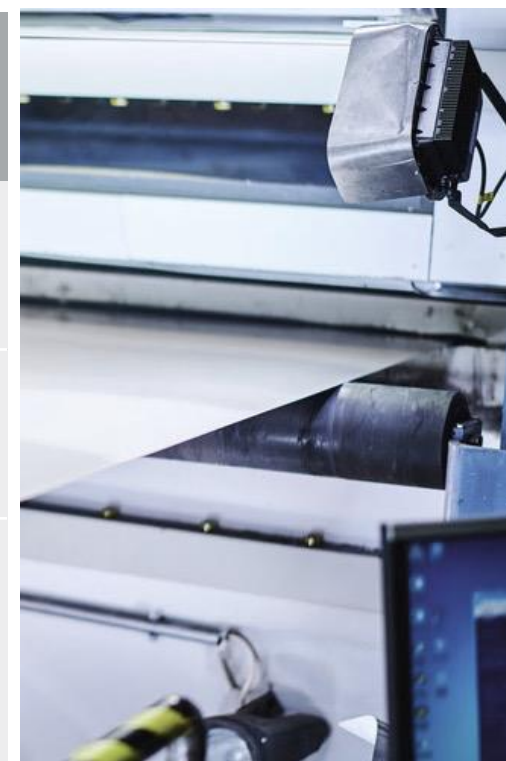


Gains by 2020 <sup>1</sup>	Europe	Americas	Other
Commercial growth <b>€110</b> million	<b>€50</b> <ul style="list-style-type: none"> <li>Higher deliveries</li> <li>Value-added products</li> <li>Service solutions</li> </ul>	<b>€60</b> <ul style="list-style-type: none"> <li>Customer &amp; product mix</li> <li>Market share in Mexico</li> <li>New products</li> </ul>	
Efficiency gains <b>€160</b> million	<b>€100</b> <ul style="list-style-type: none"> <li>Raw material optimization</li> <li>General procurement</li> <li>3% annual productivity increase</li> <li>Digital manufacturing</li> </ul>	<b>€40</b> <ul style="list-style-type: none"> <li>Mexinox restructuring</li> <li>Logistics costs reduction</li> <li>Raw material optimization</li> <li>Delivery reliability</li> </ul>	<b>€20</b>
Total gains <b>€270</b> million	<b>€150</b>	<b>€100</b>	<b>€20</b>

<sup>1</sup>Approximate figures, based on management estimates. Benchmark year 2018

# Fully integrated production asset base

	Europe				Americas		Long Products				Total
1,000 tonnes	Tornio Finland	Avesta + Nyby Sweden	Krefeld + Dillenburg Germany	Degerfors Sweden	Calvert USA	Mexinox Mexico	Sheffield UK	Richburg USA	Degerfors Sweden	Fagersta Sweden	
Melting	1,450	450			900		450				3,250
Hot rolling	1,450	900			870						3,220
Finishing											
- Cold rolling	750	130	500		350	250					
- HWB	150	120			150						
- Quarto plate											
- Long products				150			25	40	40	65	
											2,720

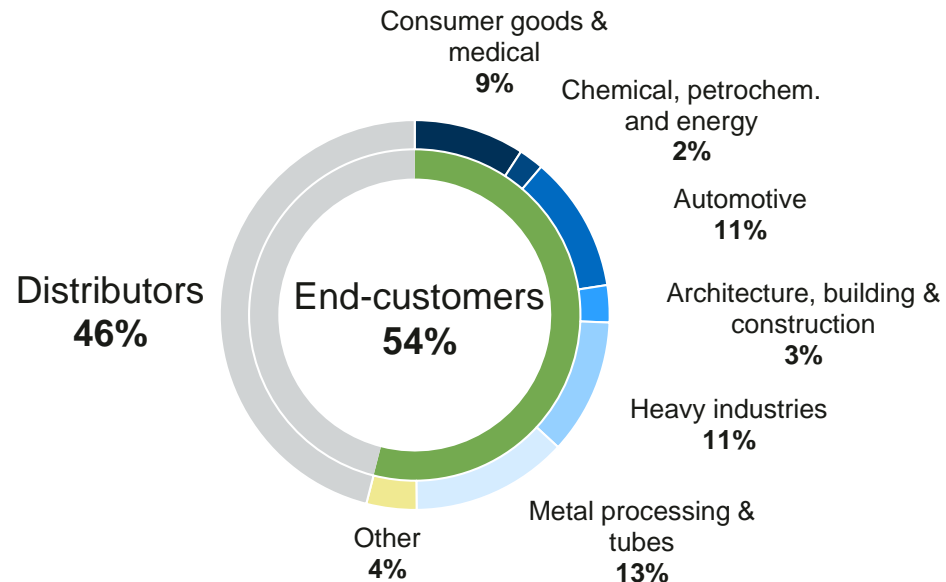


# We focus on growth segments

Consumer goods, automotive, architecture, building and construction

## Distributors

- Spot contracts
- Standard products and grades
- Austenitic cold rolled and tubular products
- Speculative behavior
- Value added services



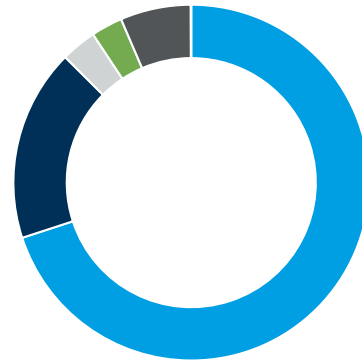
## End-customers

- Long term contracts
- Large quantities
- Special grades
- Ferritics and duplex
- Technical advice
- Develop relationships and receive volume discounts



# Broadest product portfolio globally

Outokumpu stainless steel deliveries by product form



- Cold rolled **70%**
- Hot rolled white coil **17%**
- Quarto plate **3%**
- Long products **3%**
- Semi finished stainless steel products **6%**

Stainless steel is not a single product and there are thousands of different grades and product forms. They can be divided to flat and long products or semi-finished products, rolled products and products finished by additional operations. Outokumpu has the broadest product portfolio globally and use of our steels reduces the carbon footprint of our customers' products.

Chrome is the most important raw material used in stainless steel production. Outokumpu has its own chrome mine and ferrochrome works and this makes us uniquely self-sufficient. Ferrochrome contains 50-54% of chrome. Most of our ferrochrome is used in our own melt shops and approximately 25% is sold to other producers. Outokumpu is the only producer of Ferrochrome in Europe.

## Flat products



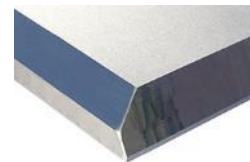
Slab



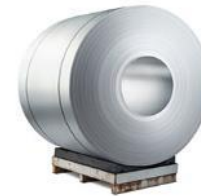
Hot rolled black coil



Hot rolled white coil



Quarto plate



Cold rolled white coil



Precision strip coil

## Long products



Cast semis



Rolled and forged billet



Bar



Rebar



Wire rod



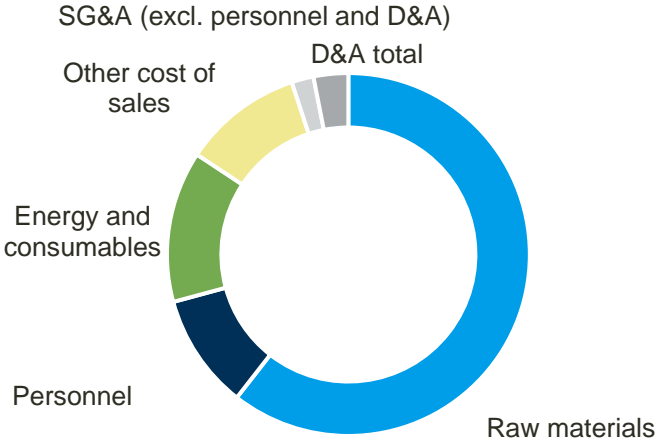
Wire



Ferrochrome

# Continued cost efficiency improvements

### Operative cost components\*



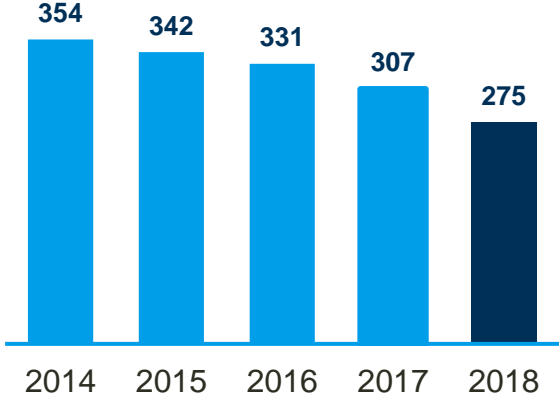
Our target is to achieve further

# €160

million

from efficiency gains by 2020

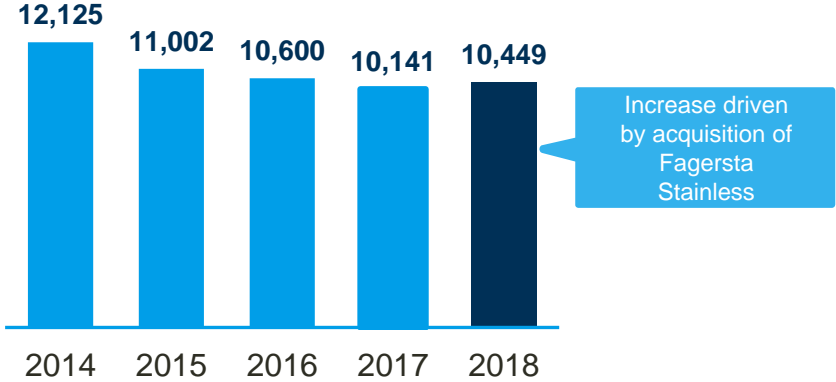
### SG&A costs, € million



- Raw materials account for around 60% of the total operative costs of the Group
- Energy and other consumables account for 10-15% of the total operative costs
- Personnel expenses 10-15% of the total operative costs
- Other cost of sales includes e.g. freight, maintenance and rents and leases



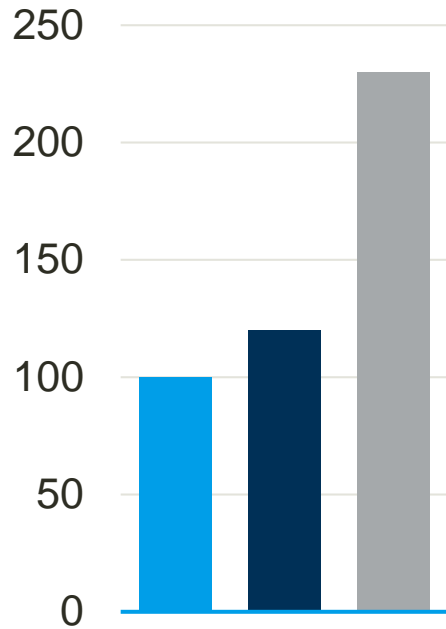
### Personnel at the end of period



\*Jan-Dec 2018

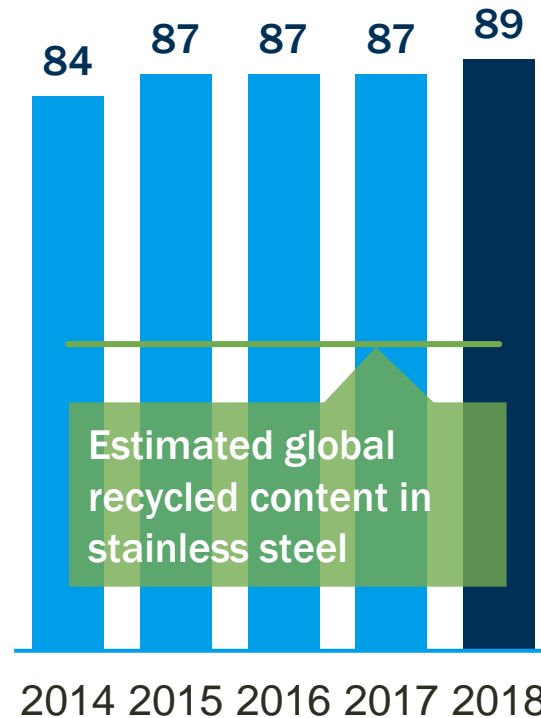
# We are the world leader in sustainable steel production...

CO<sub>2</sub> footprint, index



- Outokumpu
- Europe & Japan
- China

Recycled content, %



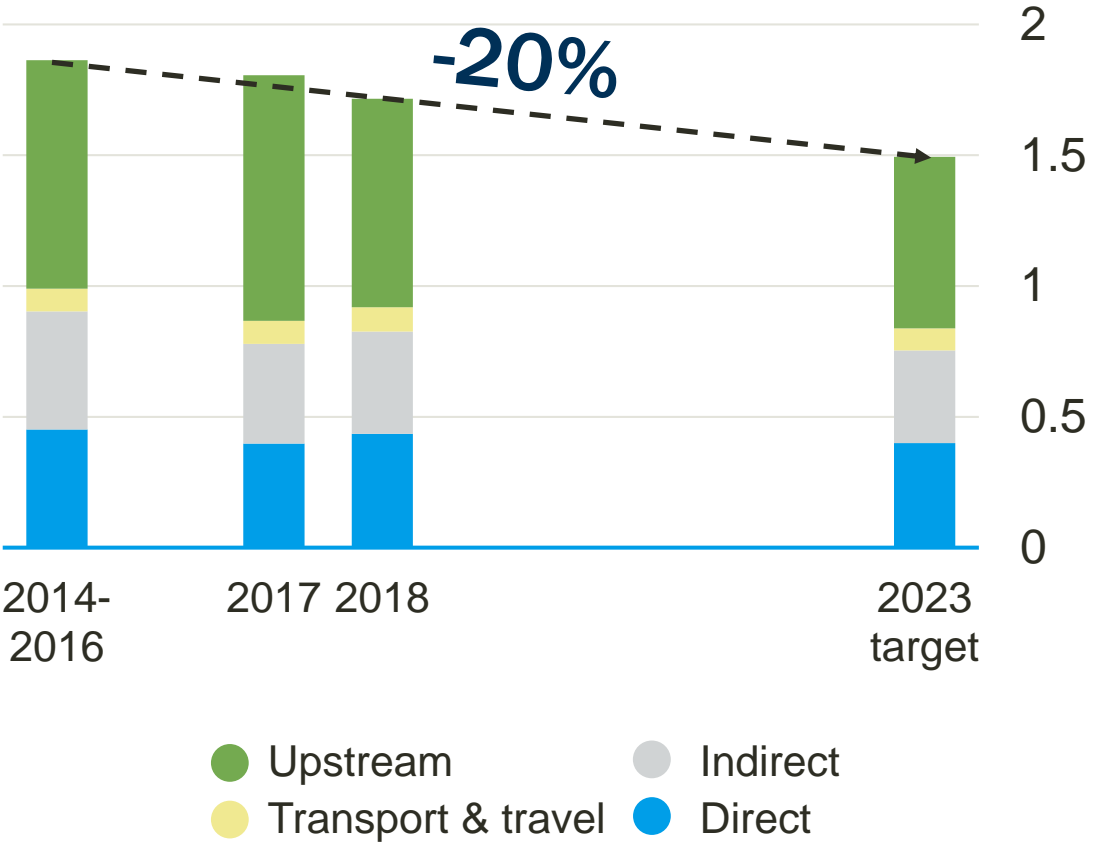
Our ferrochrome operations' CO<sub>2</sub> footprint is only

**42%**

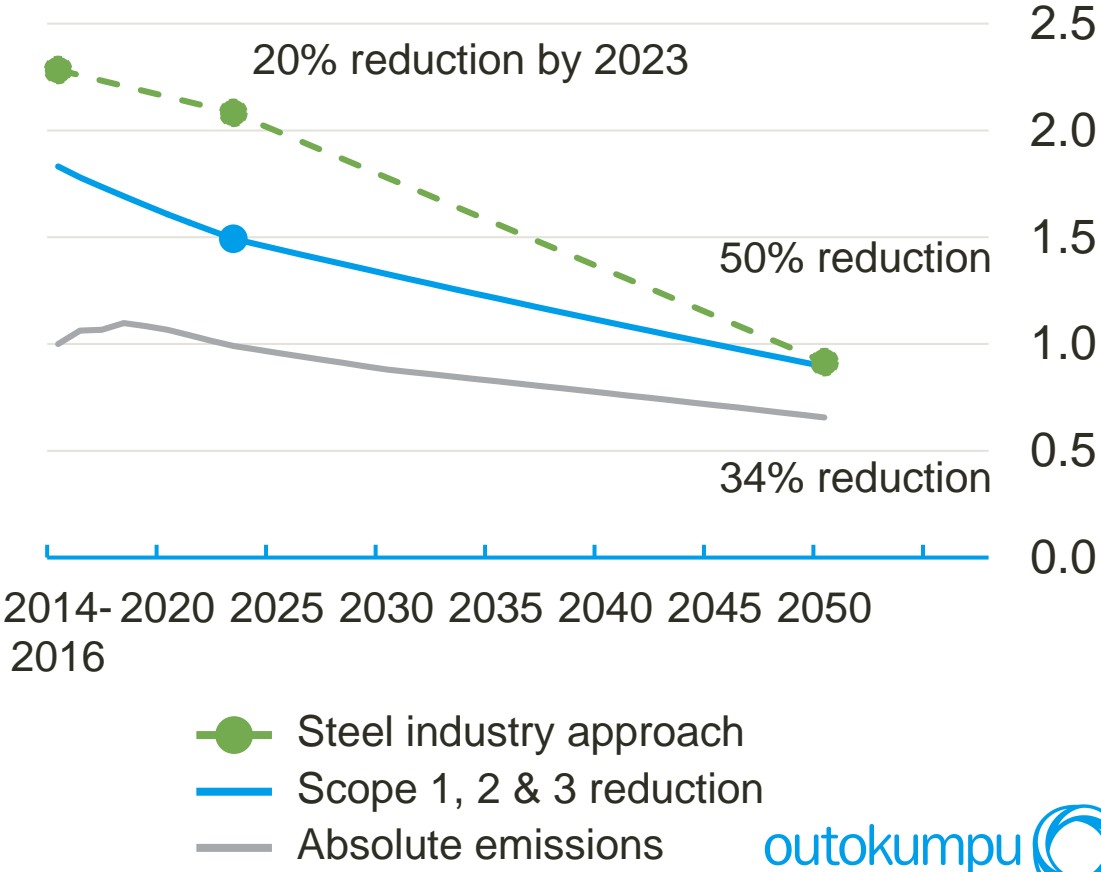
of industry average\*

# ...and we have ambitious targets

CO<sub>2</sub> emissions intensity, tonnes per stainless steel



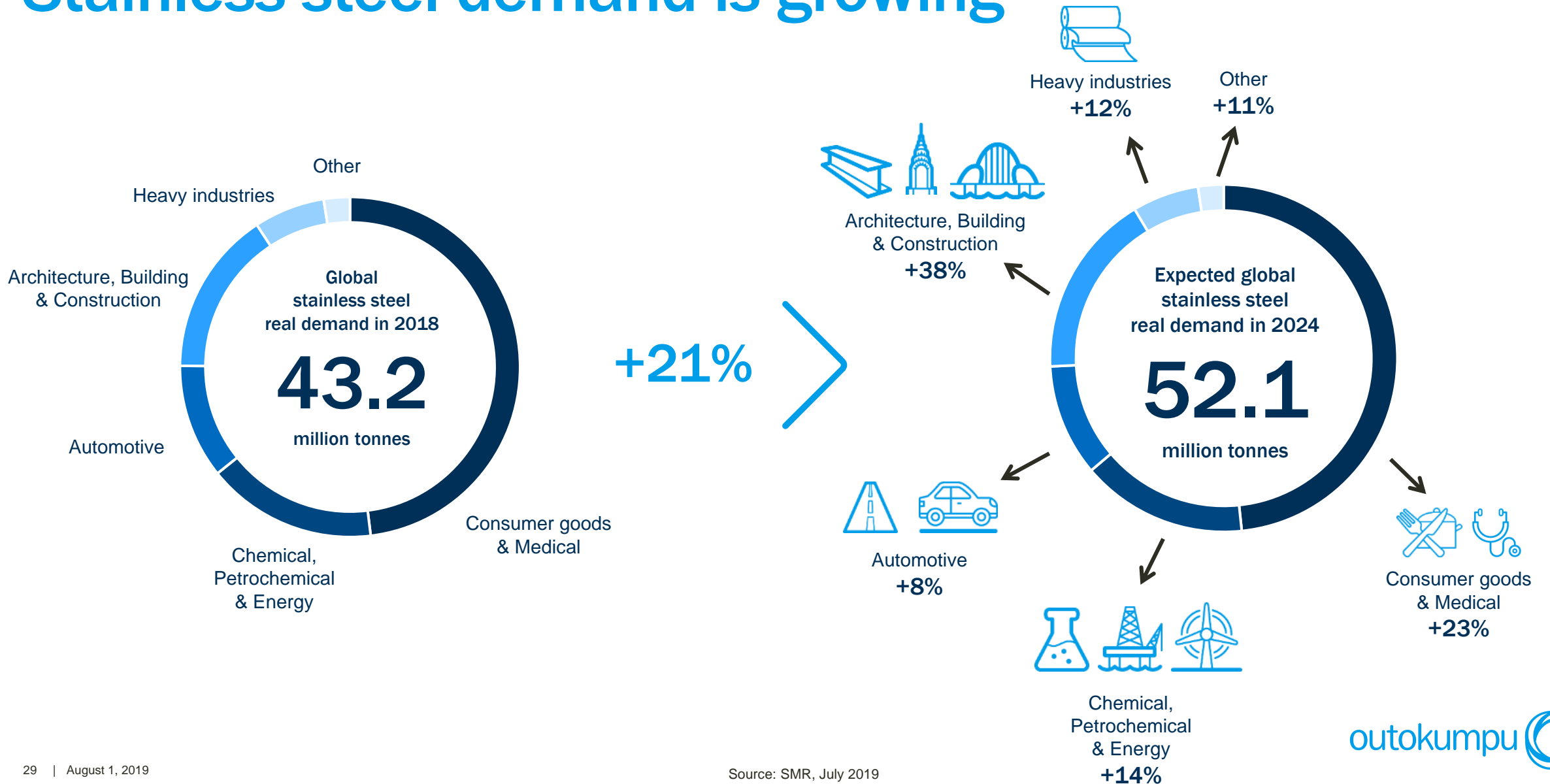
Outokumpu's emissions forecast under SBT conditions, tonnes of CO<sub>2</sub> per tonne steel <sup>1)</sup>



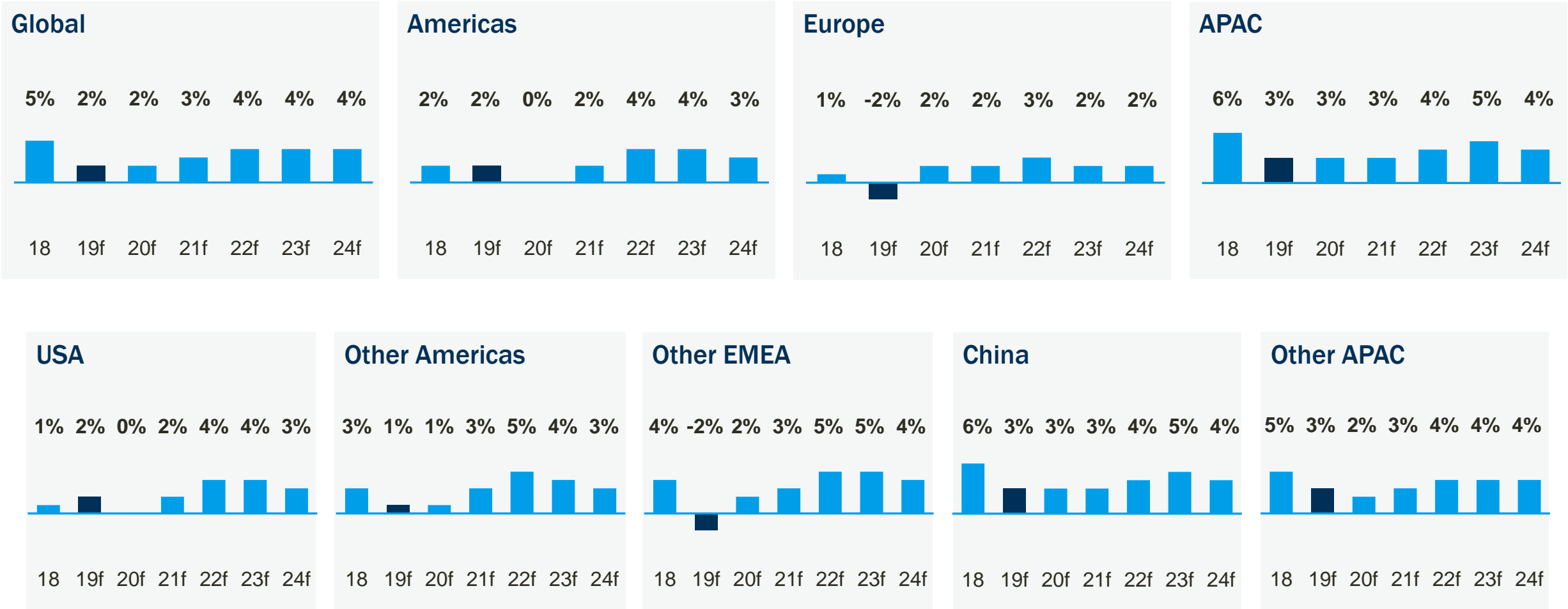
1) Restated according to the target approved by SBT initiative



# Stainless steel demand is growing



# 2% demand growth expected for 2019



Data source: SMR, July 2019

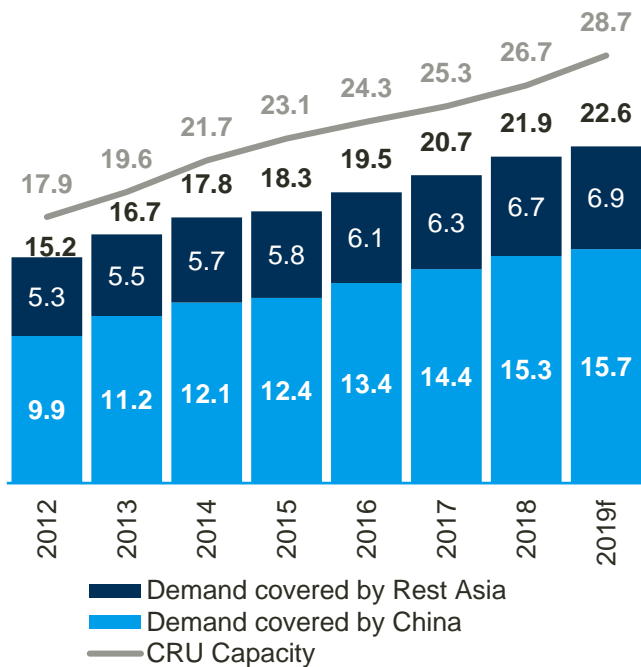
Real demand for total stainless steel (rolled & forged products, excl. 13Cr tubes, profiles)



# Low capacity utilization in China, on healthier level in Europe and Americas

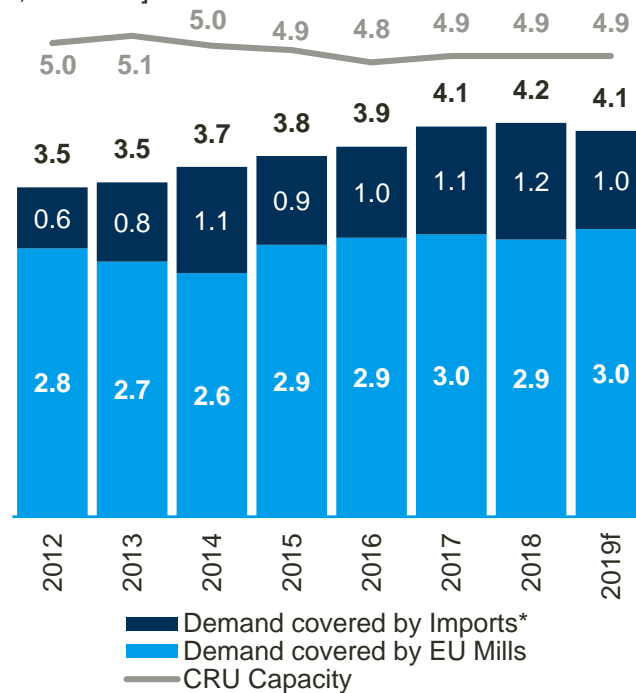
## Asia

[CR, Mtonnes]



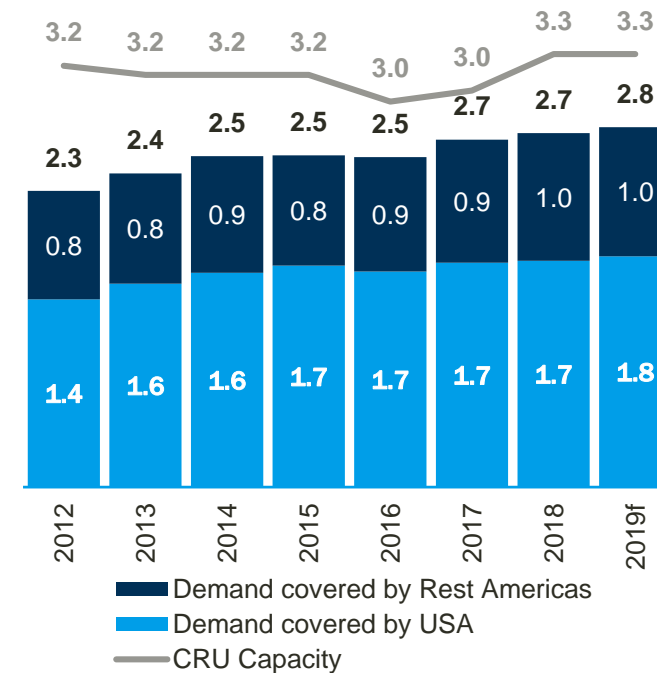
## Europe

[CR, Mtonnes]

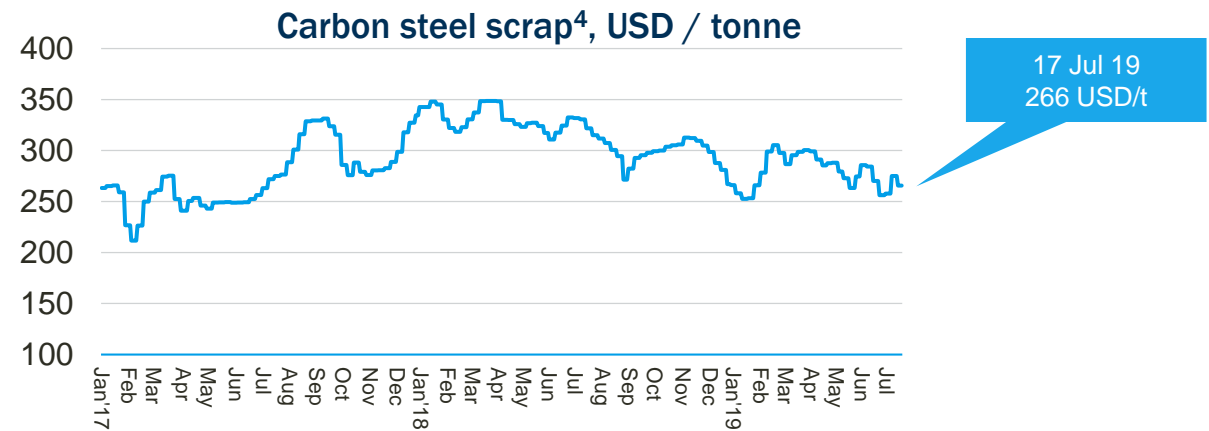
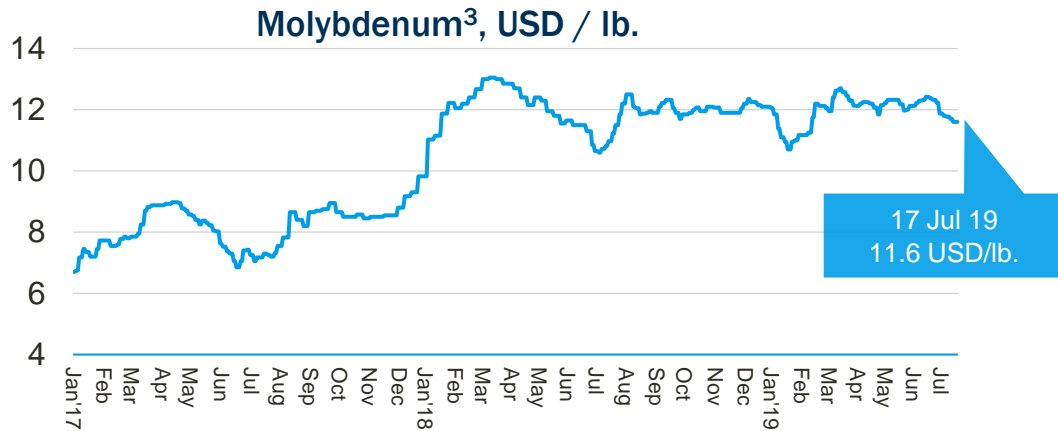
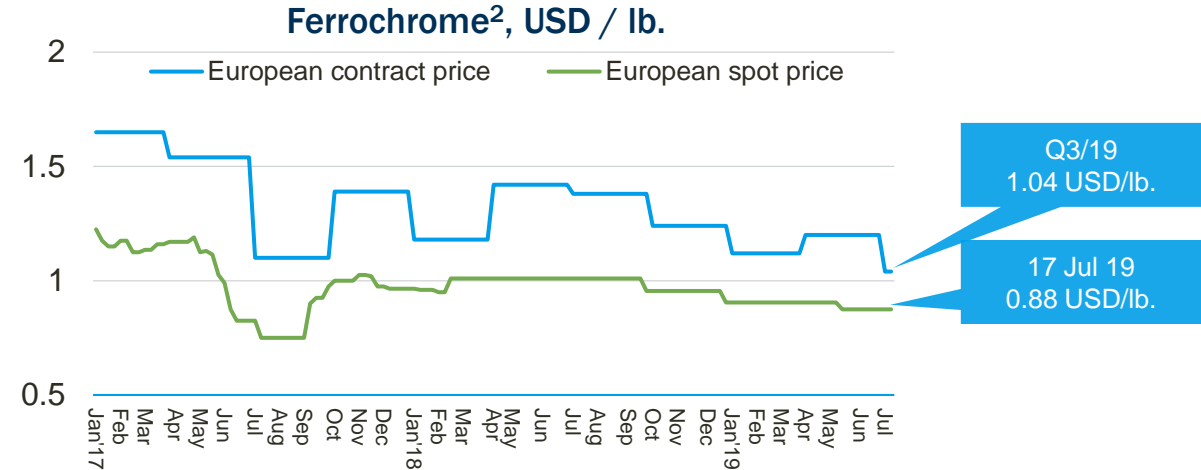
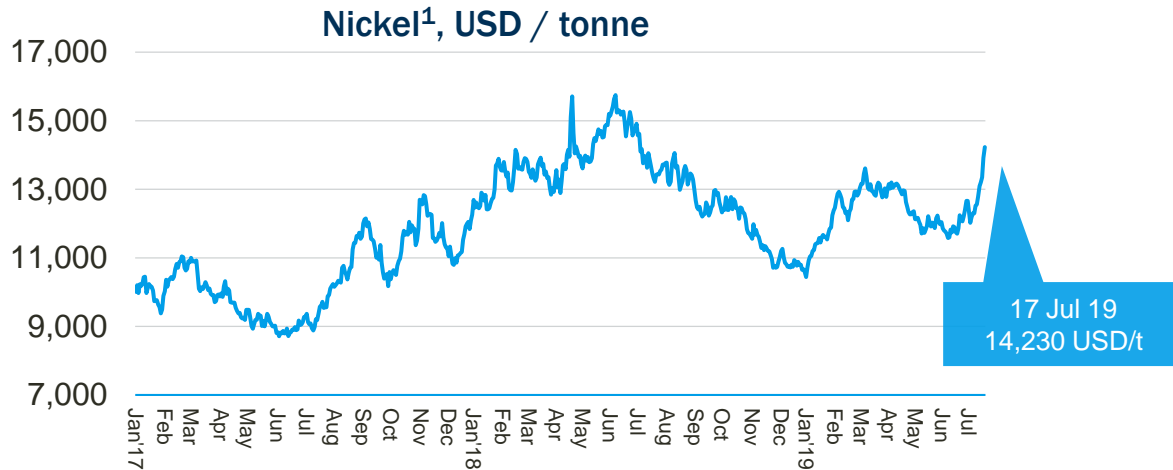


## Americas

[CR, Mtonnes]



# Raw materials - price development



Data source:

1) Nickel Cash LME Daily Official

2) Contract - MetalBulletin - Ferro-chrome Lumpy CR charge basis 52% & Cr quarterly major European destinations Cr ; Spot: Platts Charge Chrome 52% DDP Europe

3) MetalBulletin - Molybdenum Drummed molybdic oxide Free market Mo in warehouse; 4 Ferrous Scrap Index HMS 1&2 (80:20 mix) \$ per tonne fob Rotterdam



# Balance sheet

Assets (EUR million)	Q2/19	Q1/19
<b>Non-current assets</b>		
Intangible assets	595	589
Property, plant and equipment	2,754	2,794
Investments in associated companies and joint ventures	41	49
Other financial assets	77	75
Deferred tax assets	243	248
Defined benefit plan assets	79	89
Trade and other receivables	2	2
<b>Total non-current assets</b>	<b>3,790</b>	<b>3,847</b>
<b>Current assets</b>		
Inventories	1,428	1,448
Other financial assets	25	21
Trade and other receivables	739	748
Cash and cash equivalents	190	132
<b>Total current assets</b>	<b>2,381</b>	<b>2,348</b>
Assets held for sale	19	
<b>TOTAL ASSETS</b>	<b>6,190</b>	<b>6,195</b>

Equities and liabilities (EUR million)	Q2/19	Q1/19
<b>Equity attributable to the equity holders of the Company</b>	<b>2,624</b>	<b>2,656</b>
<b>Non-current liabilities</b>		
Non-current debt	710	703
Other financial liabilities	0	0
Deferred tax liabilities	12	12
Defined benefit and other long-term employee benefit obligations	338	329
Provisions	62	61
Trade and other payables	34	35
<b>Total non-current liabilities</b>	<b>1,156</b>	<b>1,140</b>
<b>Current liabilities</b>		
Current debt	787	800
Other financial liabilities	21	17
Provisions	4	4
Trade and other payables	1,598	1,579
<b>Total current liabilities</b>	<b>2,410</b>	<b>2,399</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,190</b>	<b>6,195</b>

For more information, call Outokumpu  
Investor Relations or visit  
[www.outokumpu.com/investors](http://www.outokumpu.com/investors)

**Tommi Järvenpää**

Vice President – Investor Relations

Phone +358 9 421 3466

Mobile +358 40 576 0288

E-mail: [tommi.jarvenpaa@outokumpu.com](mailto:tommi.jarvenpaa@outokumpu.com)

**Päivi Laajaranta**

Executive Assistant

Phone +358 9 421 4070

Mobile +358 400 607 424

E-mail: [paivi.laajaranta@outokumpu.com](mailto:paivi.laajaranta@outokumpu.com)

**Aki Vesikallio**

Investor Relations Manager

Mobile: +358 50 544 8925

E-mail: [aki.vesikallio@outokumpu.com](mailto:aki.vesikallio@outokumpu.com)

**Next IR events**

**Q3 results  
October 31, 2019**

**Thank you!**

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