



# Good performance in the first half of 2023, preparations started for strategy phase 3

## Outokumpu Q2 2023 results

Heikki Malinen, President & CEO

Pia Aaltonen-Forsell, CFO

August 3, 2023

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# H1 adjusted EBITDA €394 million - strong result in the current market environment

Heikki Malinen, President & CEO

## Q2/23 was overshadowed by softened market conditions in Europe, while strong performance in the Americas continued

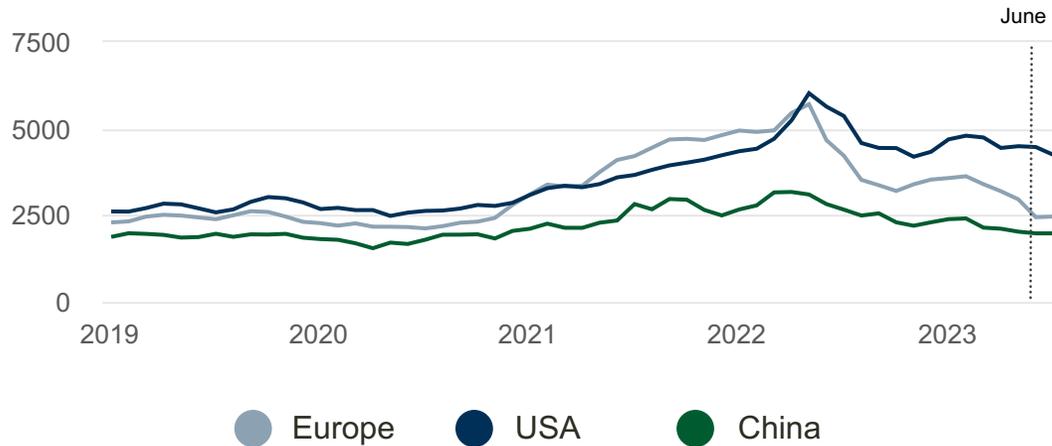
Adjusted EBITDA reached  
**EUR 190 million**  
in the second quarter of  
**2023**

- Stainless steel deliveries remained at a modest level as expected, reflecting the weaker market conditions
- Realized prices for stainless steel softened in Europe faster than anticipated
- Americas contributed once again with a strong result
- Ferrochrome production was back to normal levels
- Recycled material content\* remained record high at 94%
- Safety performance strengthened to a record level, TRIFR was 1.2

\*last 12-month rolling average

# Price gap between the European and Asian stainless steel has narrowed further in Q2/23

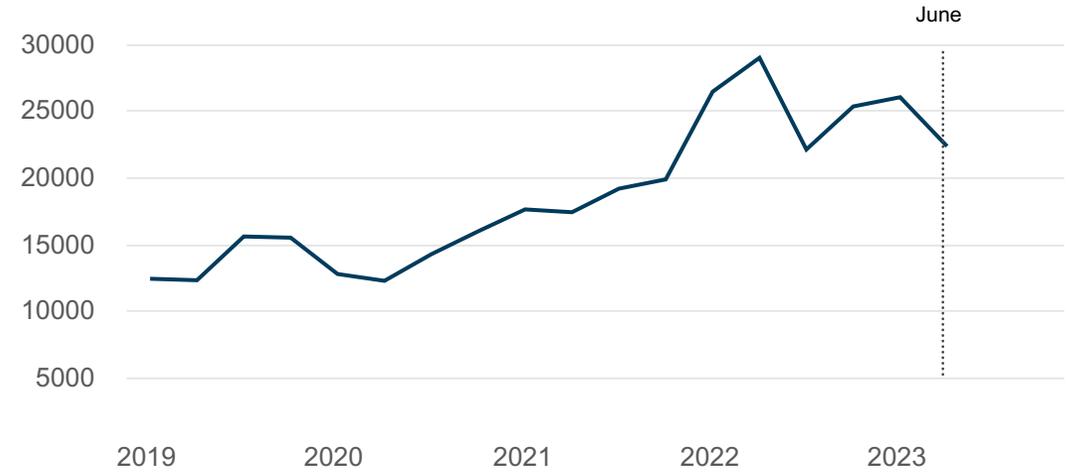
Transaction prices 304 stainless, USD/tonne\*



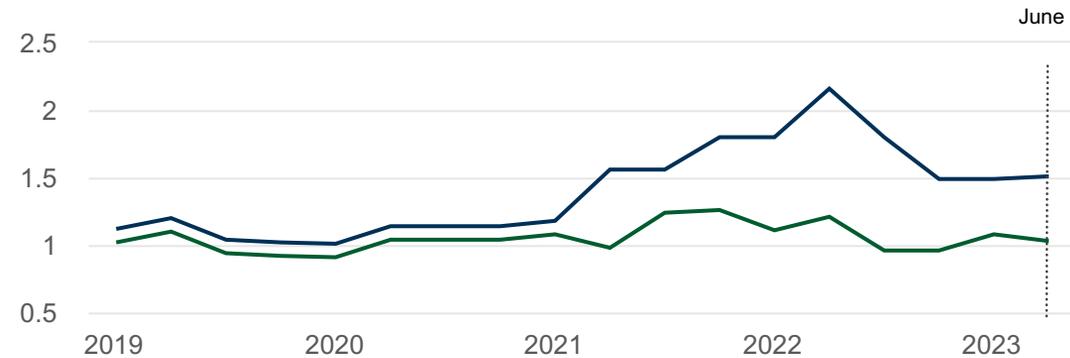
Source: CRU, July 2023; Fastmarkets, July 2023  
Stainless transaction prices 304 monthly figures, nickel and ferrochrome quarterly figures

\*EUR/USD FX rate impacting USD transaction prices

Nickel LME cash, USD/tonne



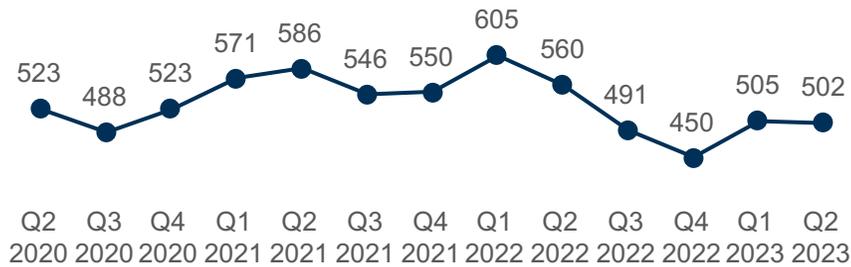
Ferrochrome, USD/lb



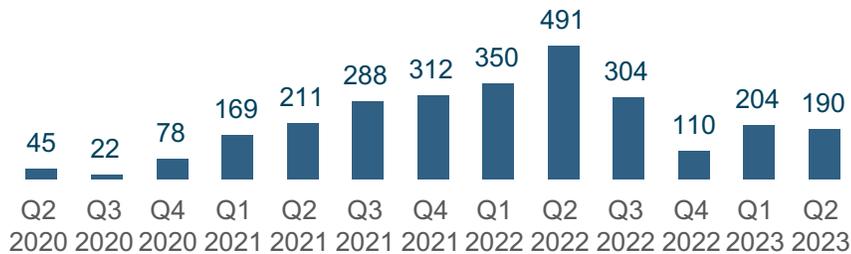
● European benchmark price ● Chinese spot market price

# Slight decrease in adjusted EBITDA was driven by lower realized prices for stainless steel, while costs were well controlled

Deliveries, kt

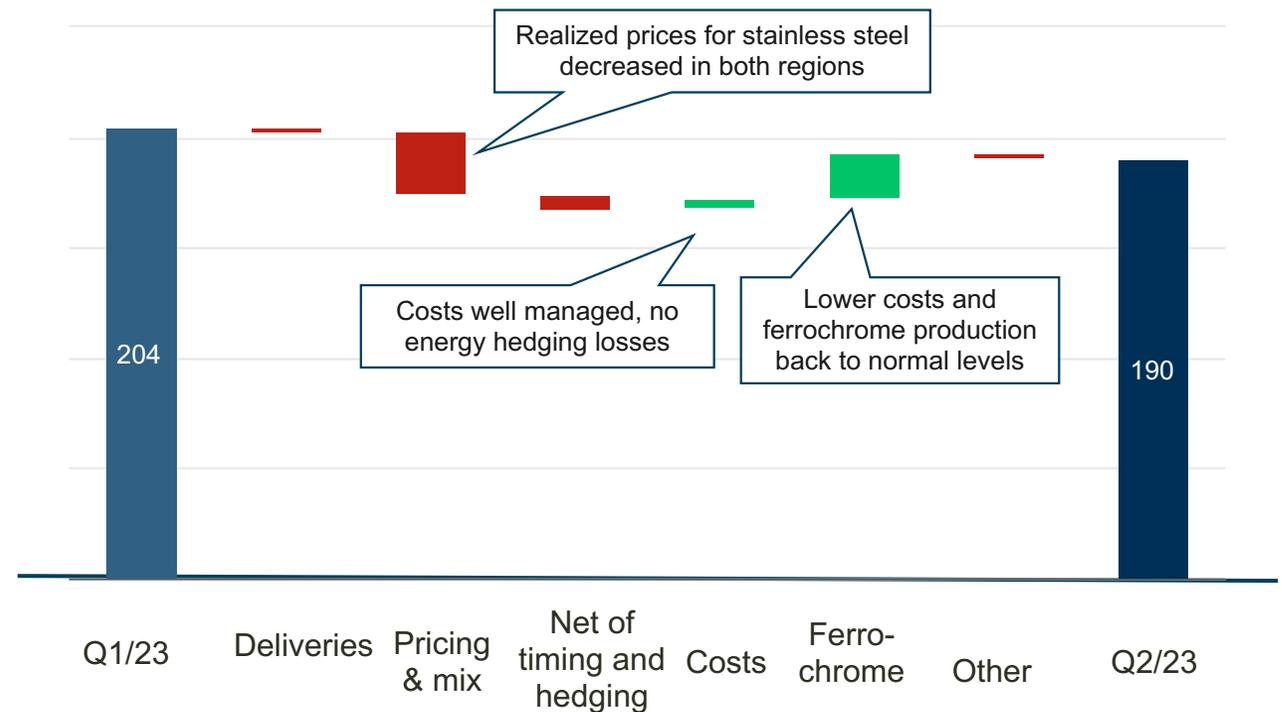


Group adjusted EBITDA, EUR million



Note: figures for adjusted EBITDA and deliveries have been restated from Q1 2021 onward to reflect the divestment of majority of the Long Products business.

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



1) Indicative columns based on management estimates

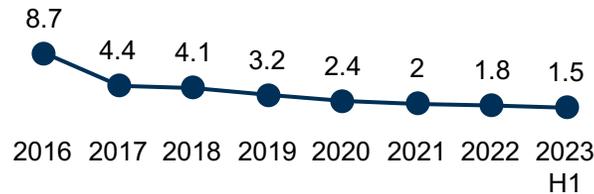
# Improving safety with the help of robots and AI

## Highlights in Q2/23

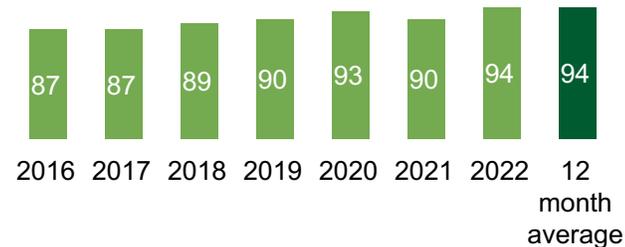
- Record strong safety performance; TRIFR was 1.2
- New robot and AI technology introduced and used in maintenance
- ResponsibleSteel Stage 1 and 2 audits completed in Europe
- Our business is based on **circular economy** and recycled material content remained at 94%
- Strong interest towards Outokumpu Circle Green products

## Safety performance, TRIFR

(= Number of total recordable incidents per million working hours 2021 and 2022 numbers include only continuing operations)



## Recycled materials, %



# Outokumpu Circle Green taking over new areas in cutting emissions – decarbonizing the automotive sector and the first-mover in Norway

Strong new partnerships in Q2/23 leading the way with our towards-zero stainless steel – up to 92% lower carbon footprint compared to the industry average

- **Thyssenkrupp Materials Processing Europe and Boysen Group**  
⇒ Automotive industry
- **Nordic Steel**, Norway's leading competence centre in steel  
⇒ Renewable energy, transport and infrastructure
- **Sverdrup Steel**, the global supplier of high-performance alloys  
⇒ Offshore wind industry
- **Lemvigh-Müller**, Denmark's largest wholesaler of steel & metals, and technical goods  
⇒ Various industrial customers in the Danish market

# Phase 2 strategy execution proceeding as planned, preparations for the phase 3 have started

## Phase 1:

Strengthen the balance sheet  
2021–2022

Margin improvement and  
de-leveraging the balance  
sheet

## Phase 2:

Strengthen the core 2023–2025

Targeted productivity  
investments to improve margins.  
Additional investment to improve  
sustainability

## Phase 3:

Strong sustained performance  
2026–

Americas expansion,  
European  
competitiveness, value-  
chain integration and  
sustainability leadership

Capital discipline and strong shareholder returns

Sustainability

**OUR VISION: Customer's first choice in sustainable stainless steel**

# In strategy phase 3 we aim to unlock significant additional potential in our business

## Priority areas for phase 3



### Americas expansion

- Hot rolling and cold rolling capacity expansion assessment



### European competitiveness

- Competitiveness improvement and capacity expansion assessment



### Value-chain integration

- Minority share in FPX Nickel junior mine
- Fortum partnership for emerging nuclear technology



### Sustainability leadership

- Energy efficiency
- Biocoke and biomethane investments

# We are conducting a feasibility study to investigate options to expand our operations in the U.S. to capture the promising market growth potential

## U.S. is a promising market..

- **Supply shortage in USMCA** of ~400kt in a normalized market currently, expected to increase to ~1,000kt in 2030
- Local producers benefit from policies focused on strengthening US industry, such as Section 232 tariffs and anti-dumping and countervailing duties

## ..with future growth opportunities

- **Regulatory environment drives expected market growth further:**
  - Inflation Reduction Act
  - Build America, Buy America Act
  - Chips and Science Act
  - US Infrastructure Bill
  - The United States-Mexico-Canada Agreement (USMCA)
  - Section 232 tariffs

# We are exploring options to reorganize our hot rolling and expand our cold rolling capacity in the U.S.

## Hot rolling

- Currently, Outokumpu procures its hot rolling services from an external party\*
- As part of the feasibility study, Outokumpu is exploring different options to reorganize its hot rolling in the U.S.
- One option under consideration is to build our own hot rolling mill, good readiness to take the investment decisions as needed

## Cold rolling

- Currently, Outokumpu has ~600kt of cold rolling capacity in the U.S. and Mexico
- Cold-rolling capacity was increased by 32kt in 2022 to reach phase 2 target of 80kt capacity growth, further increases in 2023
- As part of the feasibility study, we are seeking to increase our existing cold rolling capacity in the U.S.

**With these options, we aim to achieve our commercial ambitions and further strengthen our supply chain in the U.S.**

# Strongest balance sheet in the industry helps us to withstand changing conditions

Pia Aaltonen-Forsell, CFO



# Strong liquidity position, prudent capital discipline continues

- Net debt EUR -9 million
  - EUR 152 million dividend paid in April
  - EUR 141 million of pension loans prepaid in June
- Total liquidity reserves EUR 1.2 billion
- Another credit rating upgrade by Moody's
- In H2/23 focus on:
  - Cash control
  - Reduced capex
  - Cost saving measures
- Prudent capital discipline continues to safeguard dividends

# Solid financials

- Net result EUR 89 million
- Earnings per share EUR 0.21
- ROCE 11.4%

Key figures		Q2 2023	Q2 2022	Q1 2023
<b>Continuing operations</b>				
Stainless steel deliveries	1,000 tonnes	<b>502</b>	560	505
Sales	EUR million	<b>1,911</b>	2,686	2,006
Adjusted EBITDA	EUR million	<b>190</b>	491	204
Net result	EUR million	<b>89</b>	338	97
Earnings per share	EUR	<b>0.21</b>	0.75	0.22
Capital expenditure	EUR million	<b>38</b>	30	15
Personnel at the end of period	FTE	<b>8,457</b>	8,480	8,377
Return on capital employed, ROCE	%	<b>11.4</b>	28.3	18.4
<b>Including discontinued operations</b>				
Operating cash flow	EUR million	<b>25</b>	104	74
Net debt	EUR million	<b>-9</b>	289	-166
Net debt to adjusted EBITDA	Ratio	<b>0.0</b>	0.2	-0.1
Return on capital employed, ROCE	%	<b>11.8</b>	29.9	19.7

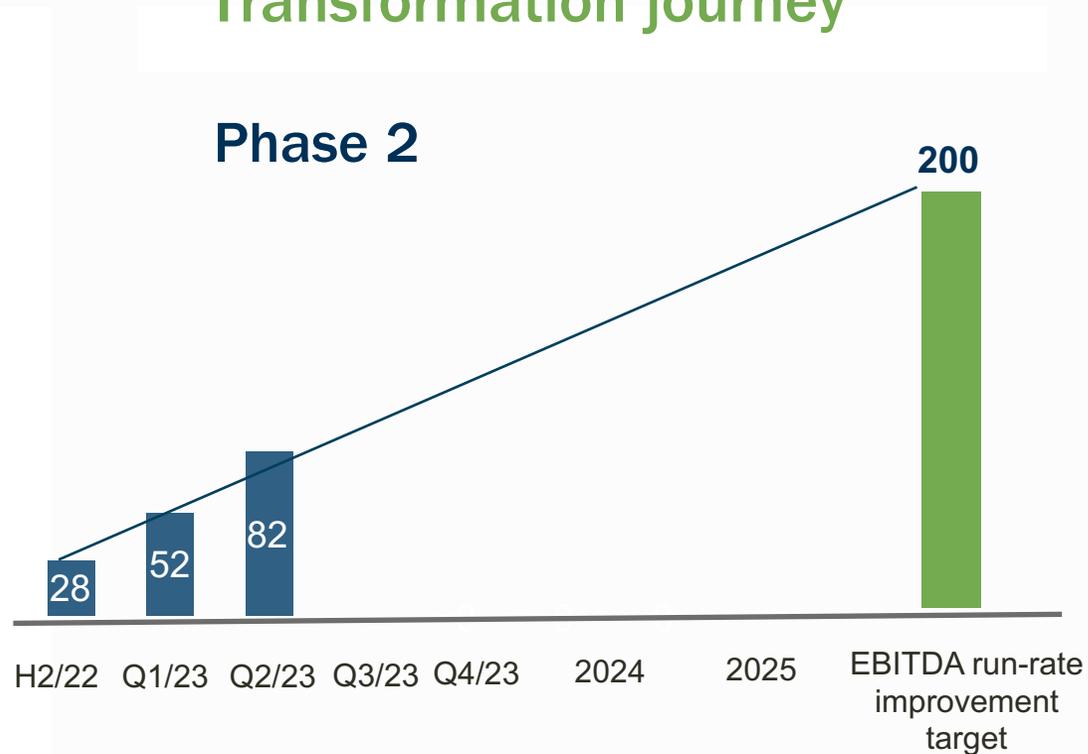
# Phase 2 strategy execution firmly progressing: Cumulative EBITDA run-rate improvement EUR 82 million by the end of Q2 2023

## Transformation journey

### Phase 1

EBITDA run-rate improvement target:  
**250 EUR million**

Actual improvement:  
**260 EUR million**



Gross annualized EBITDA run-rate improvement, EUR million

■ Realized — Illustrative plan ■ Target

Projects that supported EBITDA run-rate improvement in H1/23

- More efficient utilization of scrap purchases
- Energy efficiency projects
- Ore concentrating plant expansion in BA Ferrochrome

## BA Europe

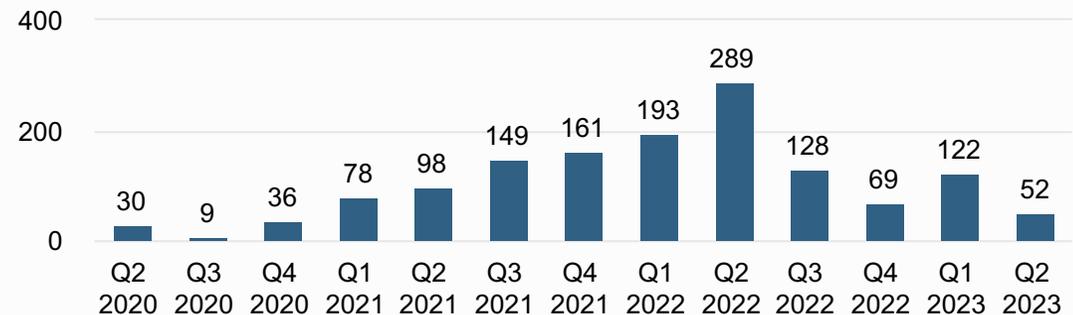
Market conditions in Europe softened faster than anticipated, which is reflected in Q2/23 results

- Decrease in profitability was driven by lower volumes, lower realized prices and negative raw material impacts
- Good utilization in Europe's most cost competitive asset in Tornio, Finland
- Market environment in Europe is expected to be challenging in the third quarter

### Europe's stainless steel deliveries, 1,000 tonnes



### Europe's adjusted EBITDA, EUR million



## BA Americas

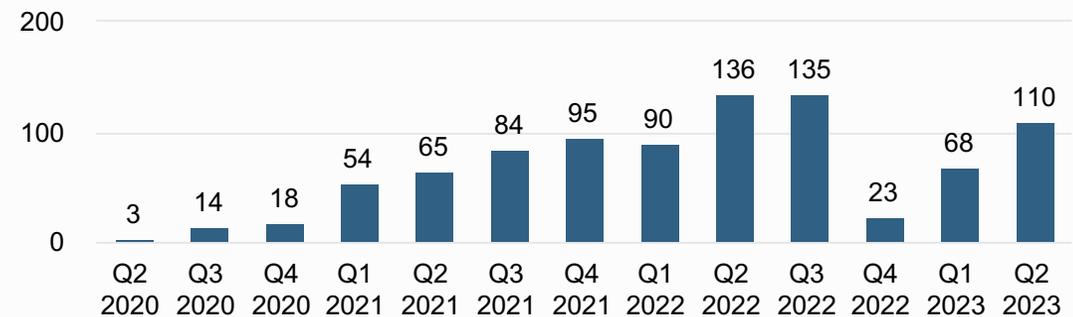
Strong result delivered in a resilient market, exploring options to strengthen Outokumpu further in the U.S.

- Improved profitability in Q2/23 was driven by slightly higher volumes, positive raw material impacts and lower costs
- Distributor inventories decreased close to historic levels

### Americas' stainless steel deliveries, 1,000 tonnes



### Americas adjusted EBITDA, EUR million

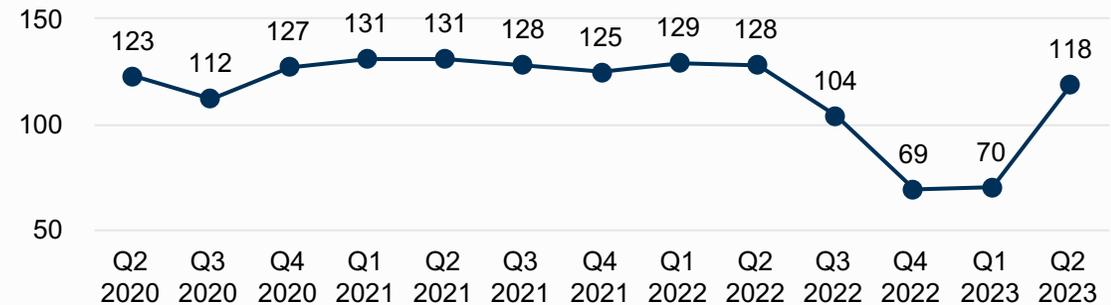


## BA Ferrochrome

Production was increased back to normal levels in Q2/23, while business area prepared for a maintenance break

- Production increased by 69% as the optimization of the production due to high electricity price was discontinued
- Profitability was positively impacted by lower electricity and reductant prices
- Ferrochrome market started to weaken in the early part of the quarter resulting in an oversupply towards the end of Q2/23

Ferrochrome production, 1,000 tonnes

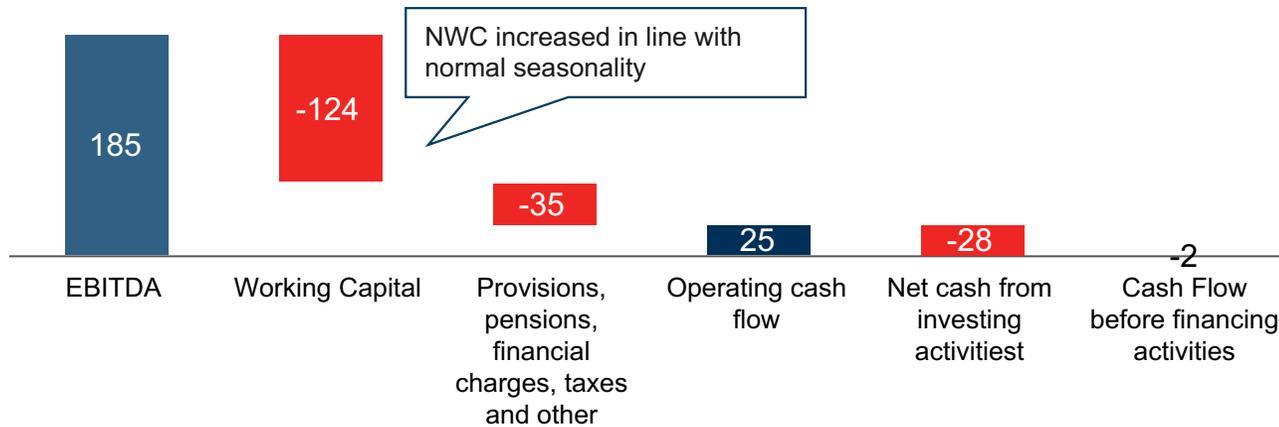


Ferrochrome's adjusted EBITDA, EUR million

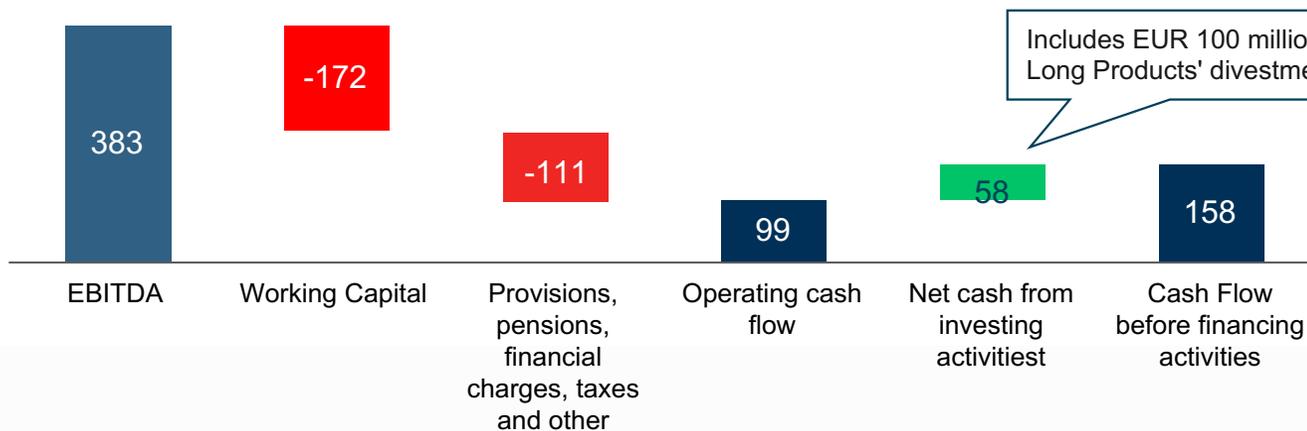


# Effective capital management in weaker market conditions

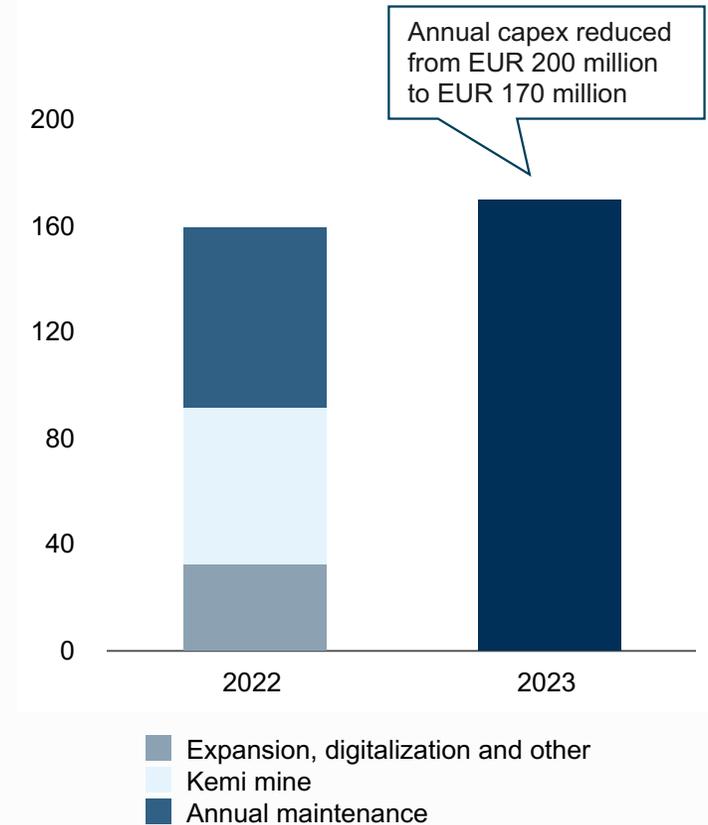
## Q2/23 cash flow, EUR million



## H1/23 cash flow, EUR million



## Annual capex, EUR million



- Expansion, digitalization and other
- Kemi mine
- Annual maintenance



**We are managing the changing  
conditions with confidence**

Heikki Malinen, President & CEO

## Quick response to changing market conditions to ensure our profitability

- **Marc-Simon Schaar** was appointed Chief Procurement Officer and a member of Outokumpu Leadership Team
  - Crucial role in managing our cost base, inflationary impacts and sustainability efforts on our decarbonization journey
- **Prompt measures and cost discipline in changing market conditions:** cost saving measures and fixed cost reductions in place
- **Fighting inflation:** aim to reduce consumable costs by 15-20% in Q4/23
- **Strong focus on energy efficiency continues:** ambitious energy efficiency improvement projects started already at the end of last year

Marc-Simon Schaar,  
Chief Procurement Officer



# Risk outlook

## Positives

- Pick up in our order intake in July in Europe
- China stimulus
- Low distributor inventories, restocking to begin?
- Speeding up our own actions to benefit from deflationary environment
- Growing demand for Circle Green

## Uncertainties

- Scrap market tightening but Outokumpu well sourced
- Inflationary pressure in Europe and its impact on consumer confidence
- Impact from high interest rates still uncertain in the U.S.
- Winter electricity prices: Finland is self-sufficient

# Outlook for Q3 2023



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

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

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

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

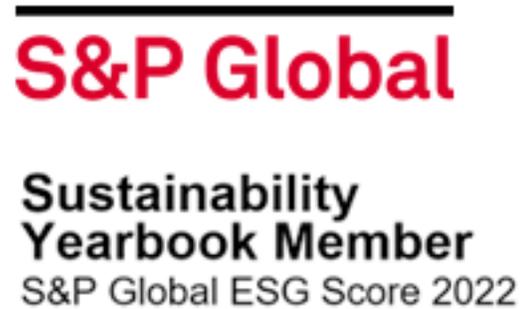
## **Guidance for Q3 2023:**

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

# Thank you!

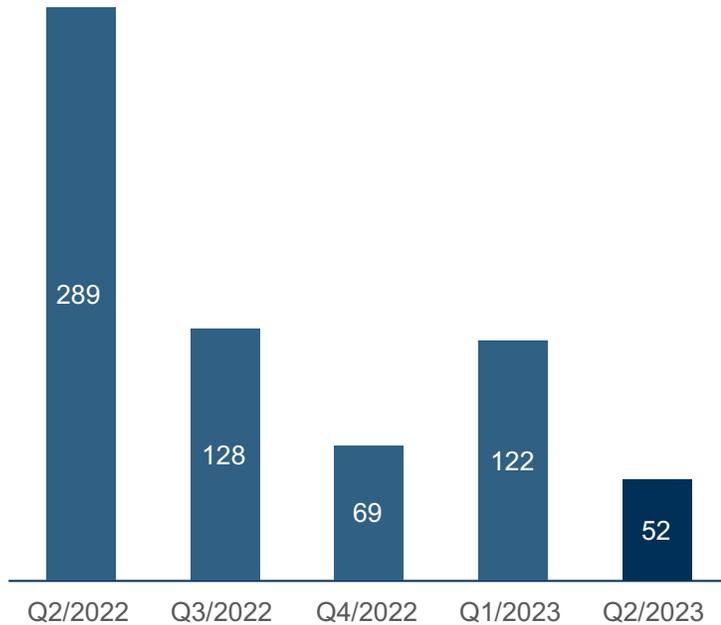
## Questions & answers

Our efforts in sustainability have been globally recognized

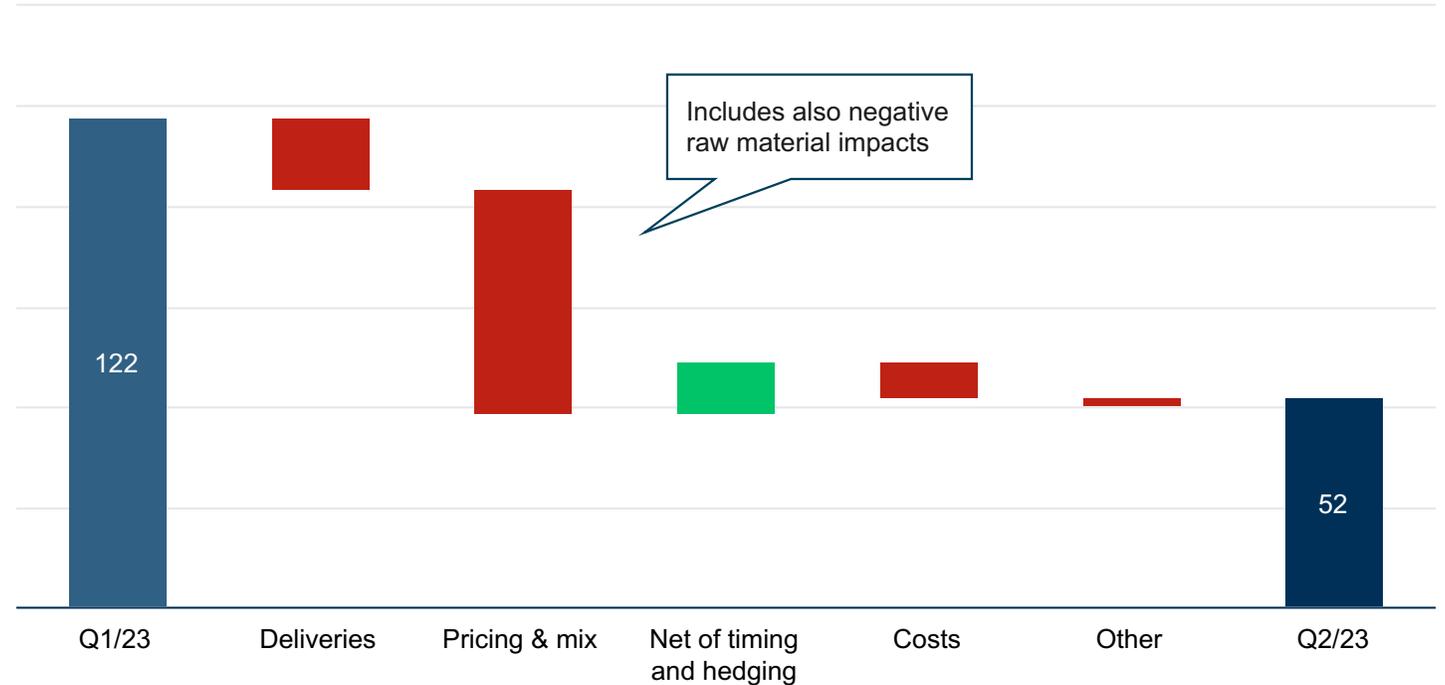


## BA Europe's adjusted EBITDA was EUR 52 million in Q2

Adjusted EBITDA, EUR million



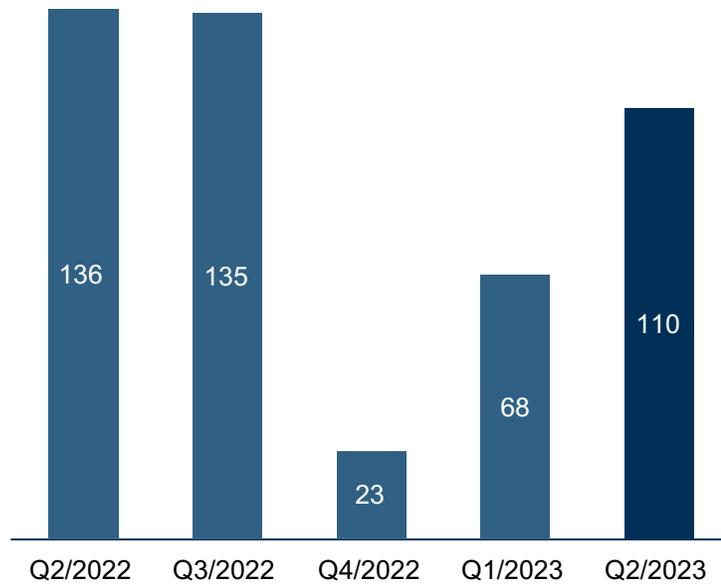
Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



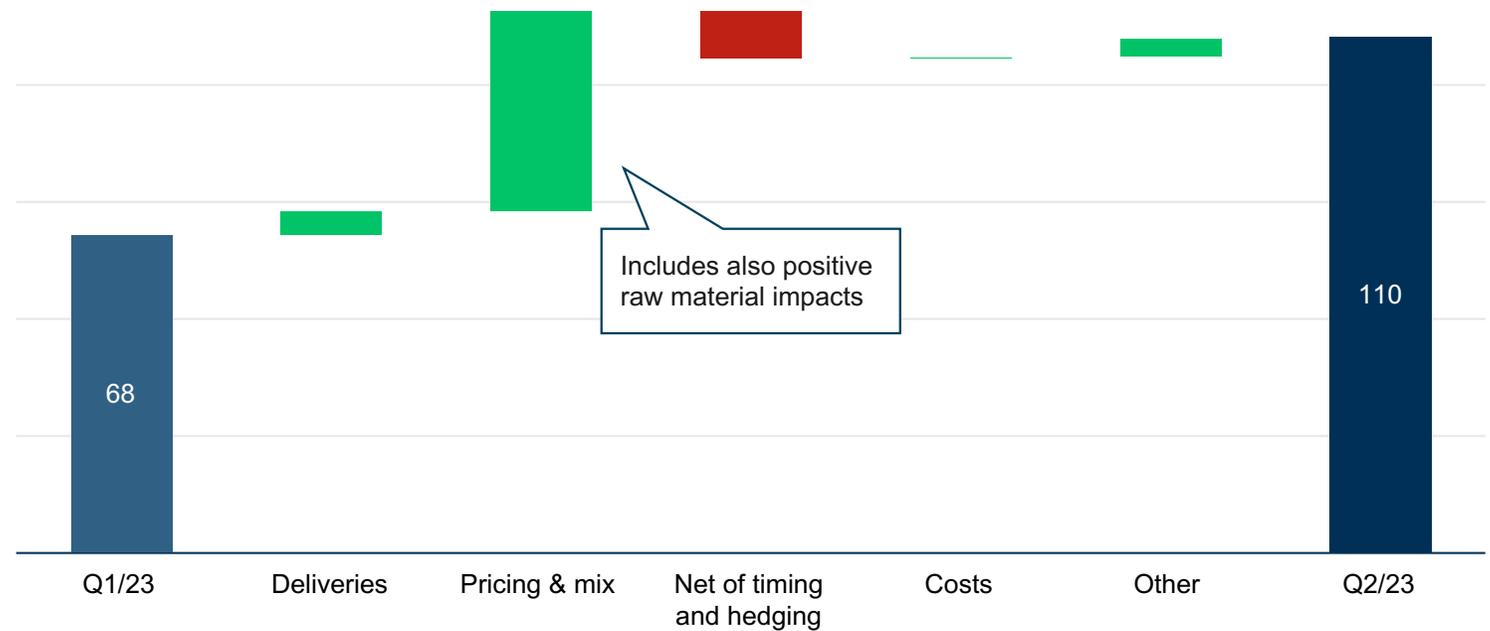
1) Indicative columns based on management estimates

# BA Americas' adjusted EBITDA was EUR 110 million in Q2

Adjusted EBITDA, EUR million



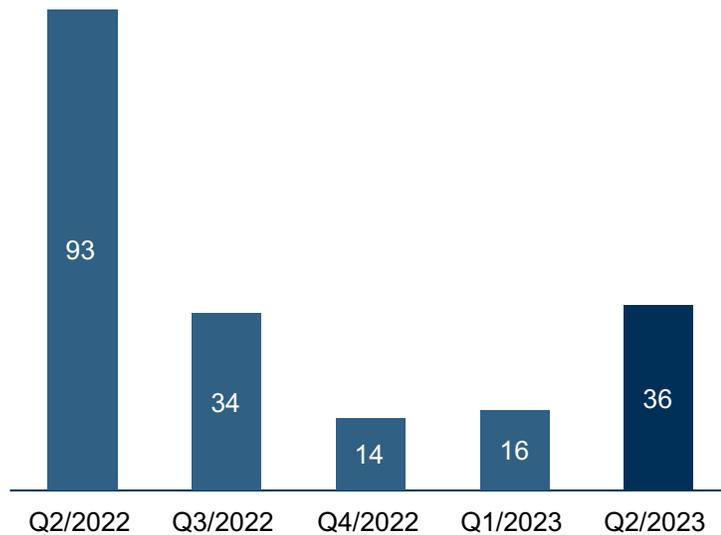
Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



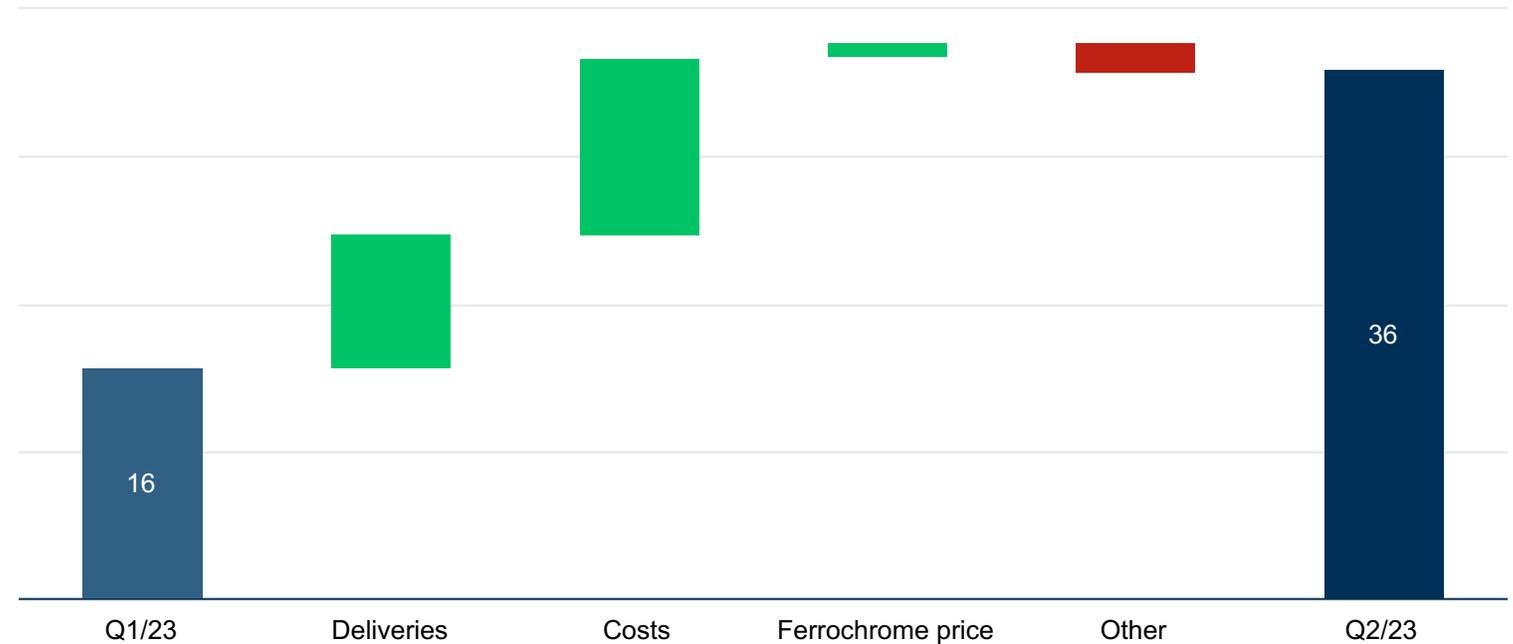
1) Indicative columns based on management estimates

## BA Ferrochrome's adjusted EBITDA was EUR 36 million in Q2

Adjusted EBITDA, EUR million



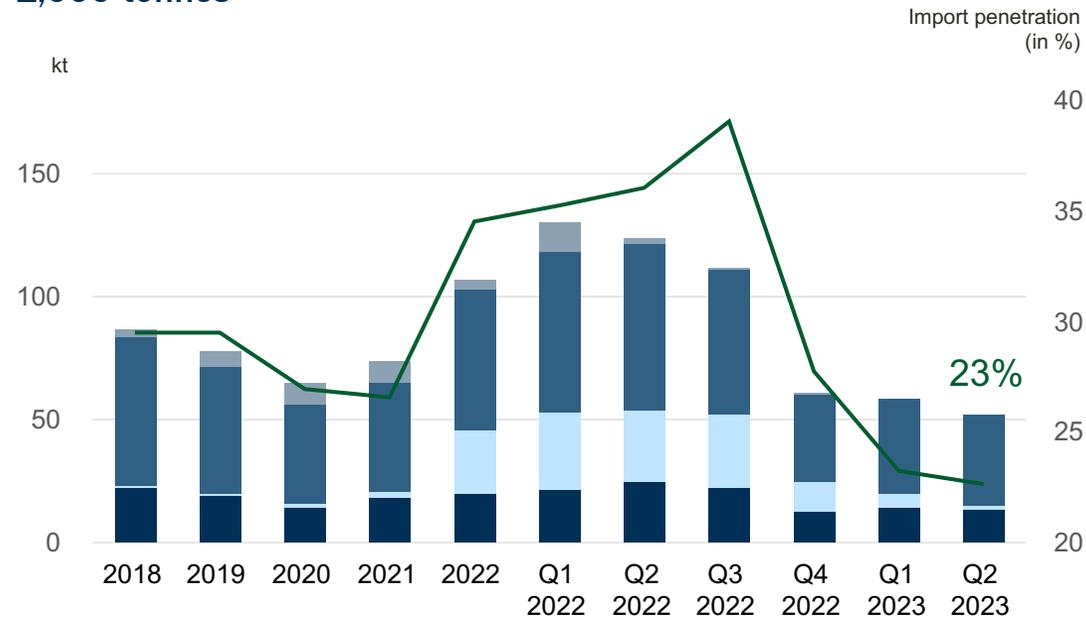
Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



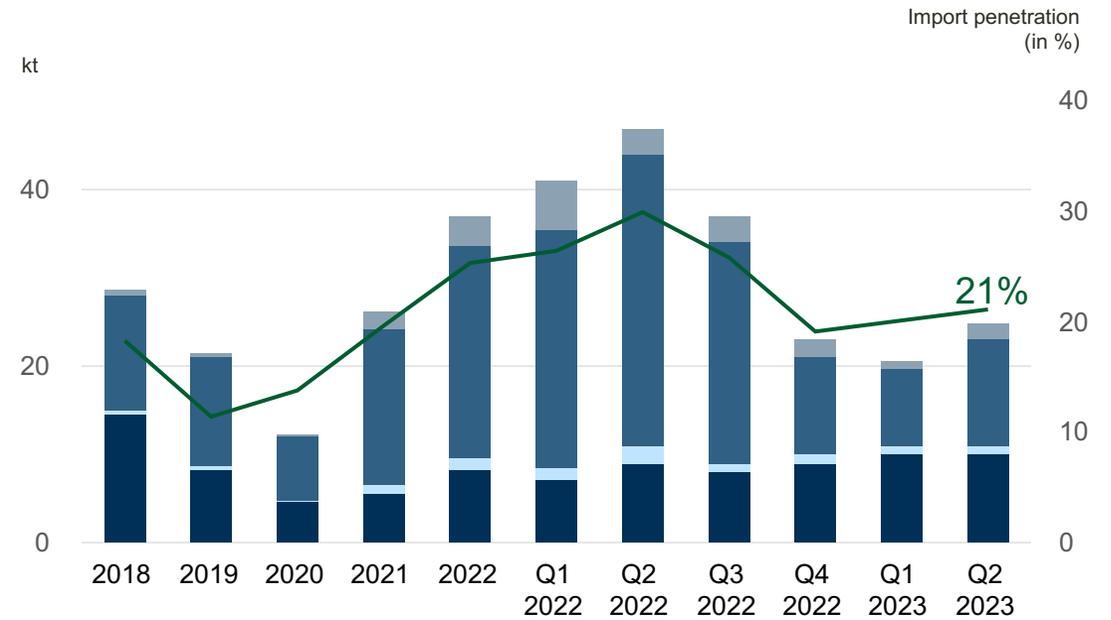
1) Indicative columns based on management estimates

# Imports into Europe and US have normalized

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



- From rest of world
- From rest of Asia
- From Indonesia
- From China
- Import penetration

- From rest of world
- From rest of Asia
- From Indonesia
- From China
- Import penetration

1. Cold rolled, monthly average. Source: Eurofer, July 2023  
 2. Cold rolled, monthly average. Source: AISI, July 2023