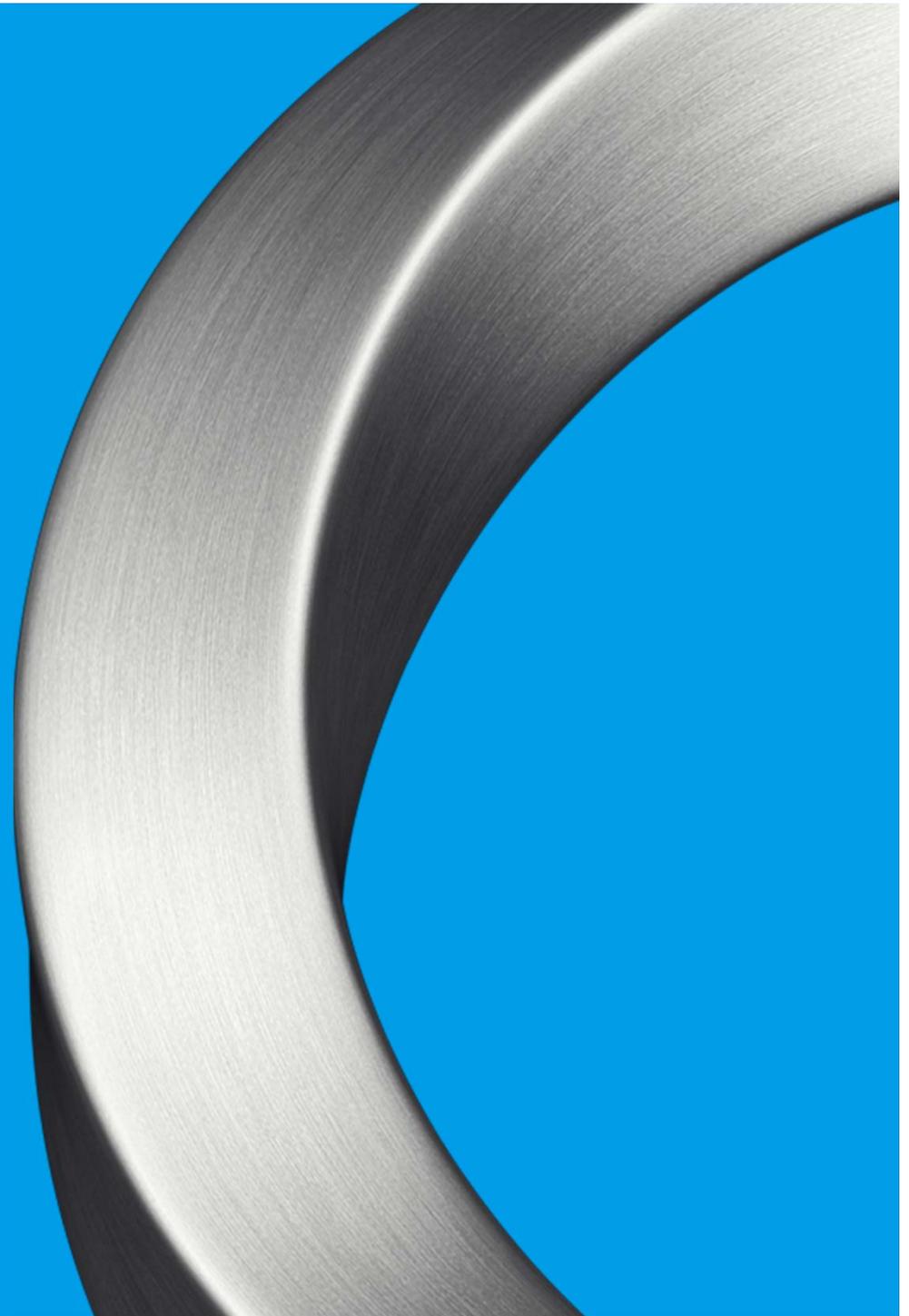


# Annual Accounts 2015

CEO Roeland Baan  
CFO Reinhard Florey

February 11, 2016

outokumpu 



# Disclaimer

This presentation contains, or may be deemed to contain, statements that are not historical facts but forward-looking statements. Such forward-looking statements are based on the current plans, estimates and expectations of Outokumpu's management based on information available to it on the date of this presentation. By their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. Future results of Outokumpu may vary from the results expressed in, or implied by, the forward-looking statements, possibly to a material degree. Factors that could cause such differences include, but are not limited to, the risks described in the "Risk factors" section of Outokumpu's latest Annual Report and the risks detailed in Outokumpu's most recent financial results announcement. Outokumpu undertakes no obligation to update this presentation after the date hereof.

# Today's attendees of Outokumpu



Roeland Baan  
CEO



Reinhard Florey  
CFO



Johanna Henttonen  
SVP – Investor  
Relations

# Contents

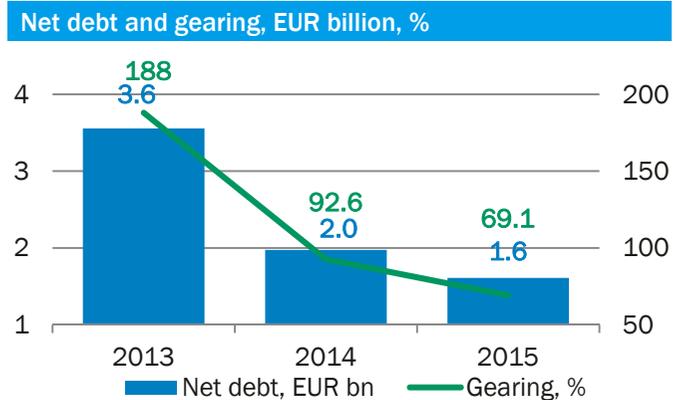
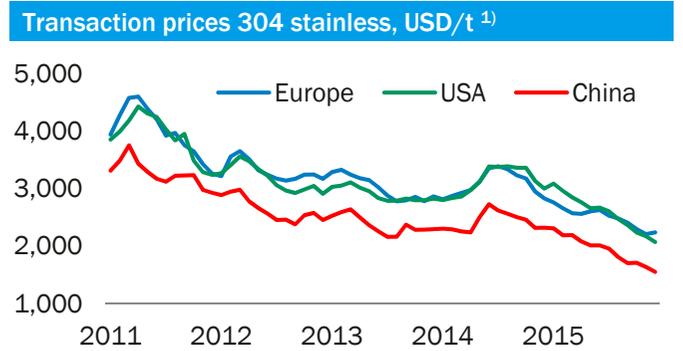
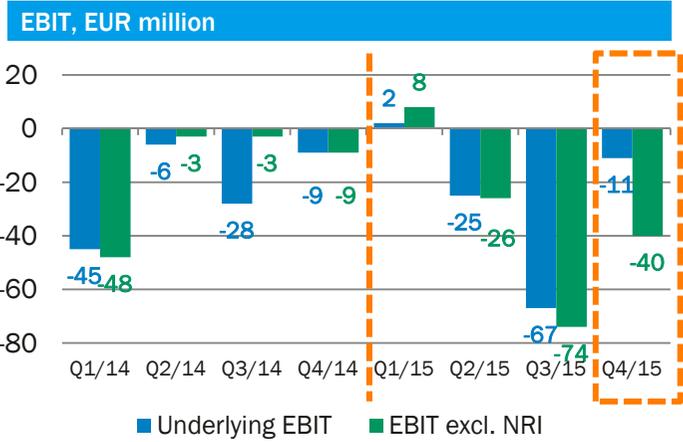
1. 2015 overview
2. Financial performance
3. Outlook and guidance

# 2015 in brief



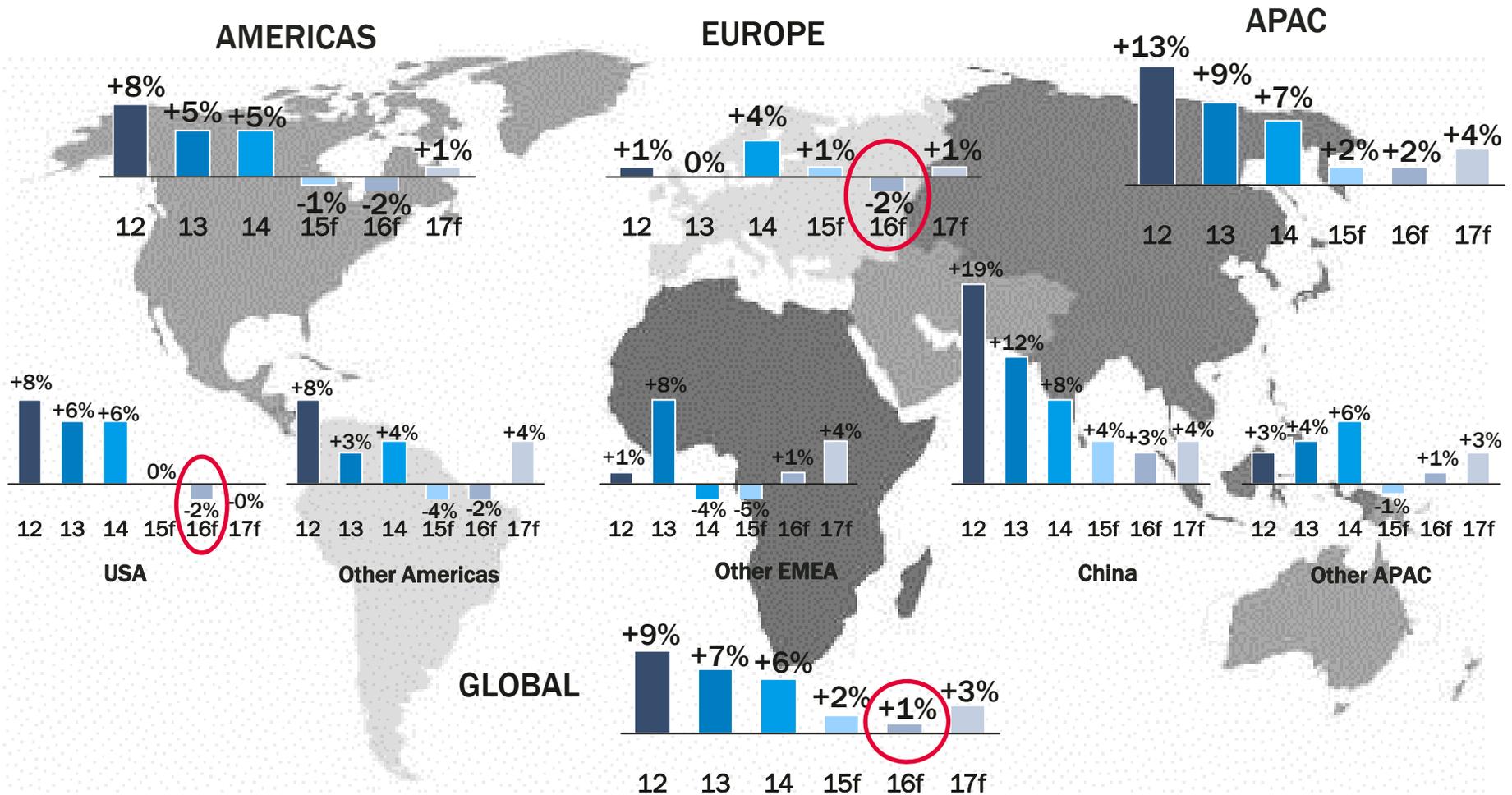
- EMEA improved due to restructuring benefits despite difficult market
- Stronger balance sheet due to divestment of SKS and Fischer Mexicana
- Net debt down to EUR 1.6bn., gearing to 69%, successful debt refinancing
- Net result for 2015 positive EUR 86 million, supported by EUR 432 million gain from the divestments
- Synergy, P250 and P400 programs completed successfully
  - EUR 450 million savings; EUR 574 million release of NWC; headcount down by 2,330 vs. 2012

- Very difficult markets in all regions, real demand healthy but distributor demand affected by very low nickel price resulting in destocking
- Lower deliveries y-o-y in all businesses except for Quarto Plate
- Coil Americas performance deteriorated in 2015 as a result of lower volumes and intense price pressure



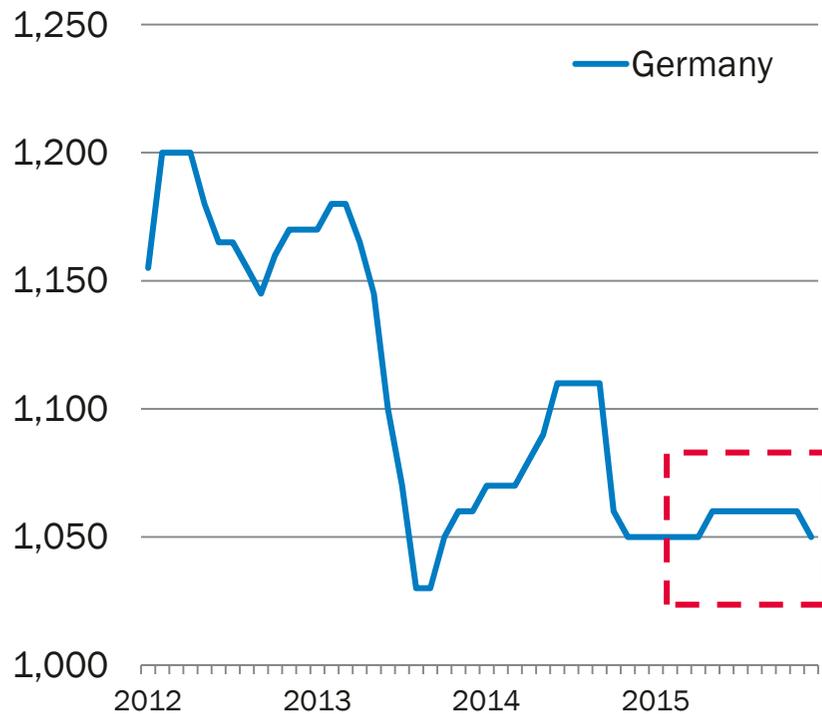
1) Source: CRU January 2016, price for 2mm sheet cold rolled 304 grade

# About 1% demand growth expected for 2016

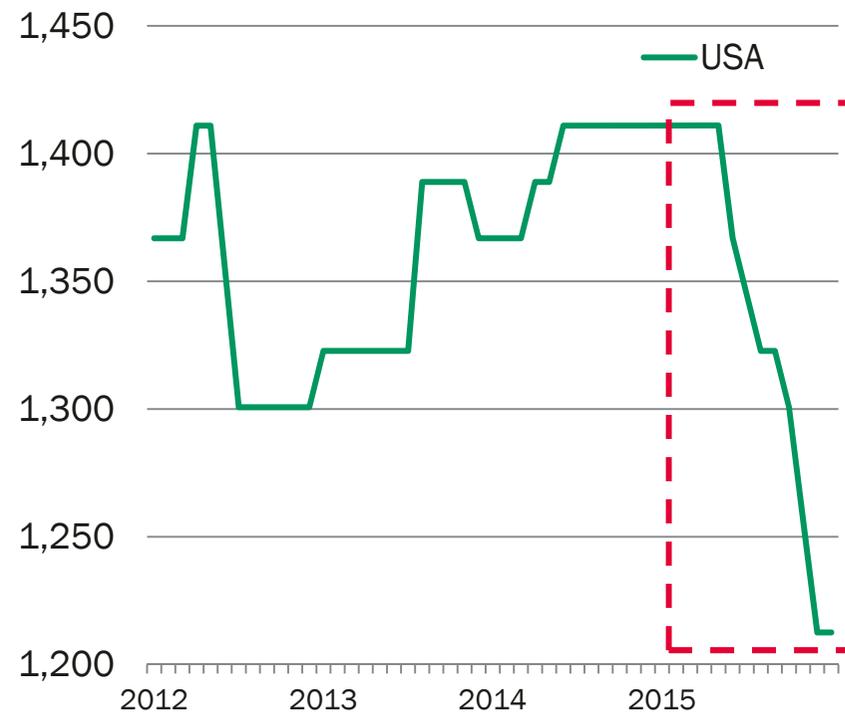


# Stainless steel base price resilient in Europe, but strongly down in the US

European base prices <sup>1)</sup>, EUR/t

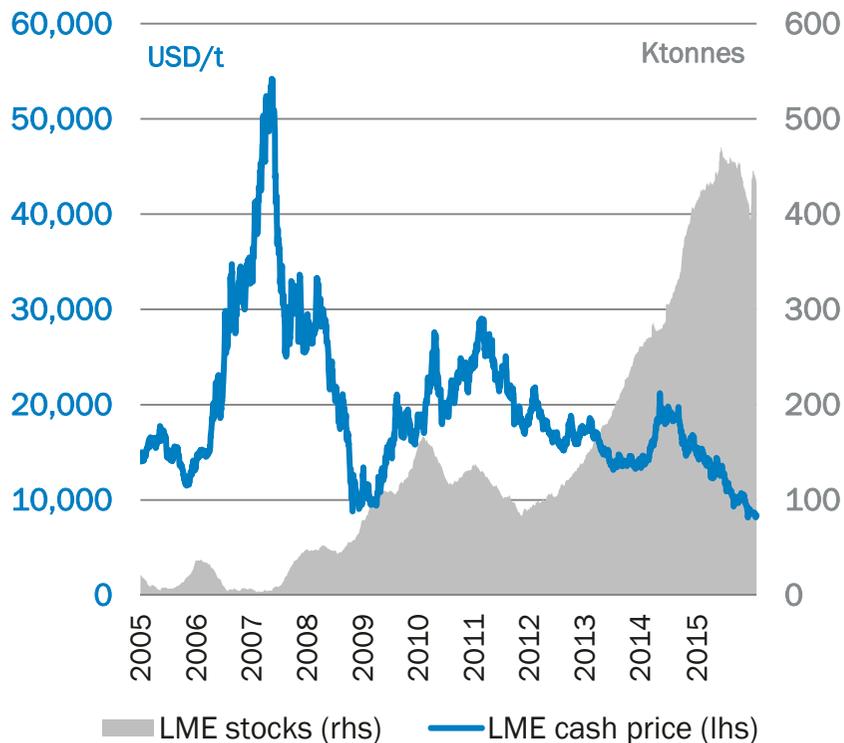


US base prices <sup>1)</sup>, USD/t



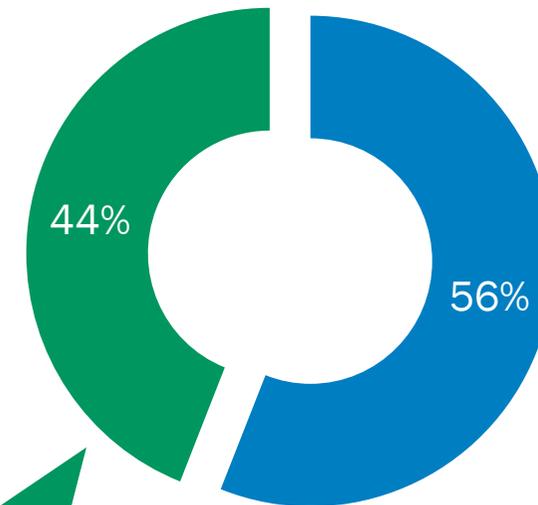
# Strong decline in commodity prices resulted in distributor destocking

Nickel price and stocks <sup>1)</sup>



Outokumpu sales by customer type

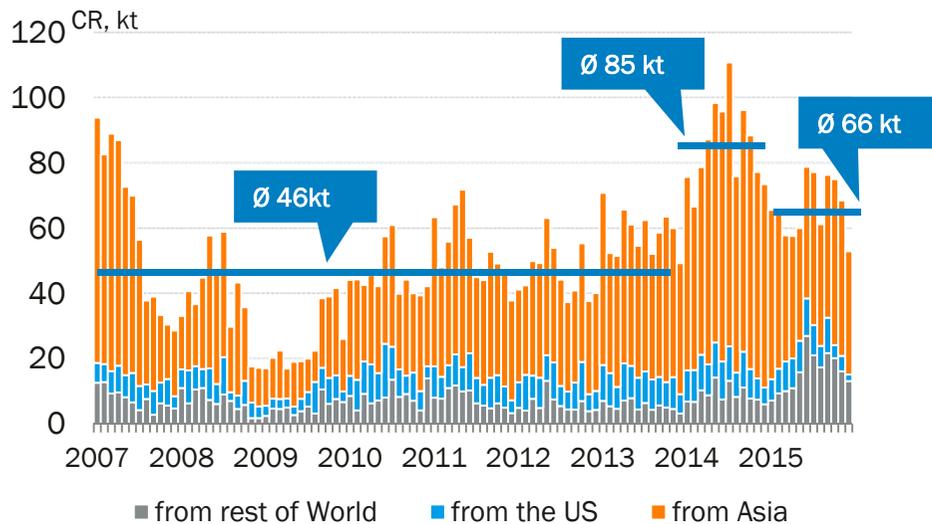
Distributors End-customers



Nickel price historically low impacting distributor sector buying

# Import pressure in Europe decreased, US imports remaining at elevated levels

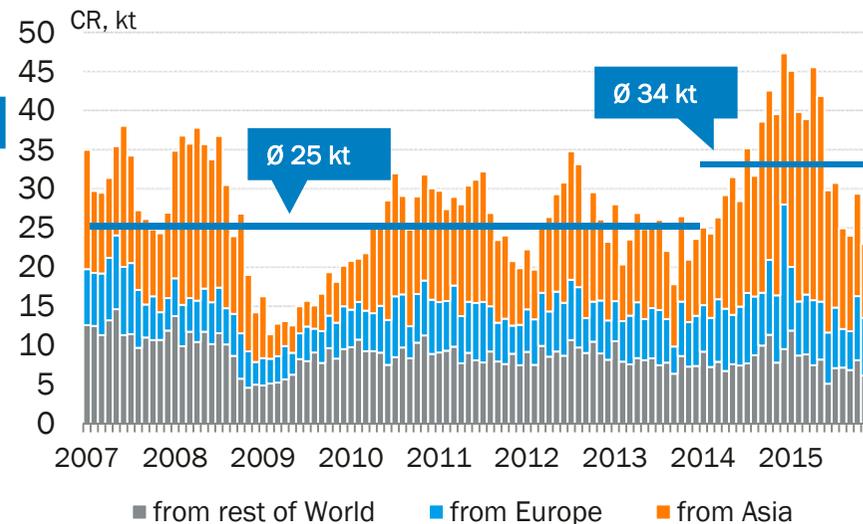
Third-country imports into Europe, total market 3.7 Mtonnes in 2015<sup>1</sup>



Market penetration of imports in Europe, %

	Q4/15 <sup>2</sup>	Q3/15	FY15	FY14
China	0.2	0.2	1.4	9.6
Total	25.0	27.8	24.6	30.6

Third-country imports into the US, total market 1.7 Mtonnes in 2015<sup>1</sup>

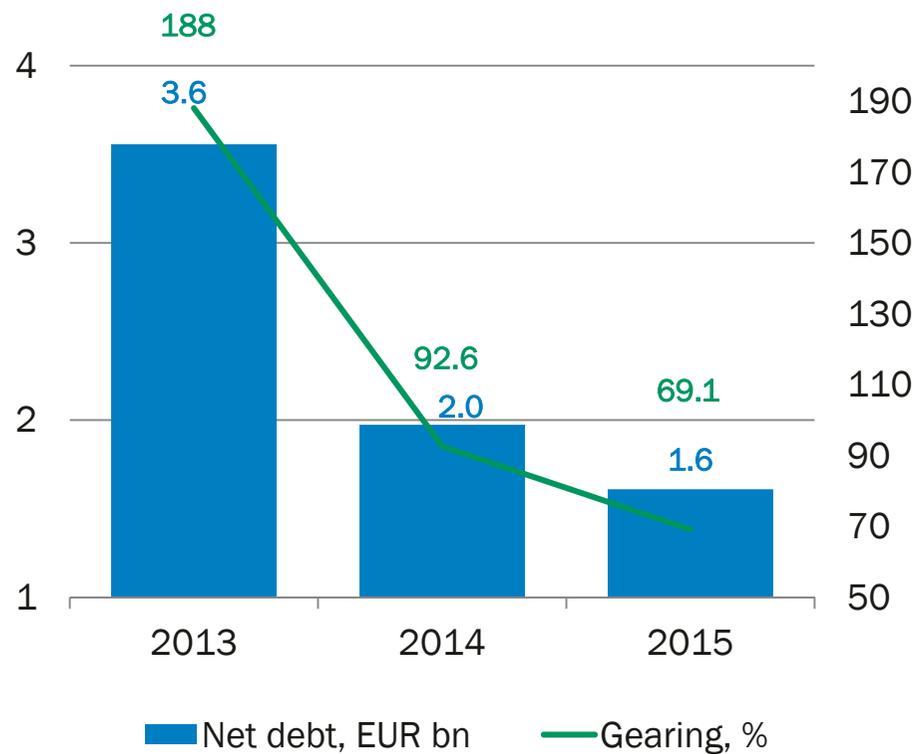


Market penetration of imports in the US, %

	Q4/15 <sup>3</sup>	Q3/15	FY15	FY14
China	4.8	6.0	9.1	7.3
Total	23.7	22.3	26.8	23.8

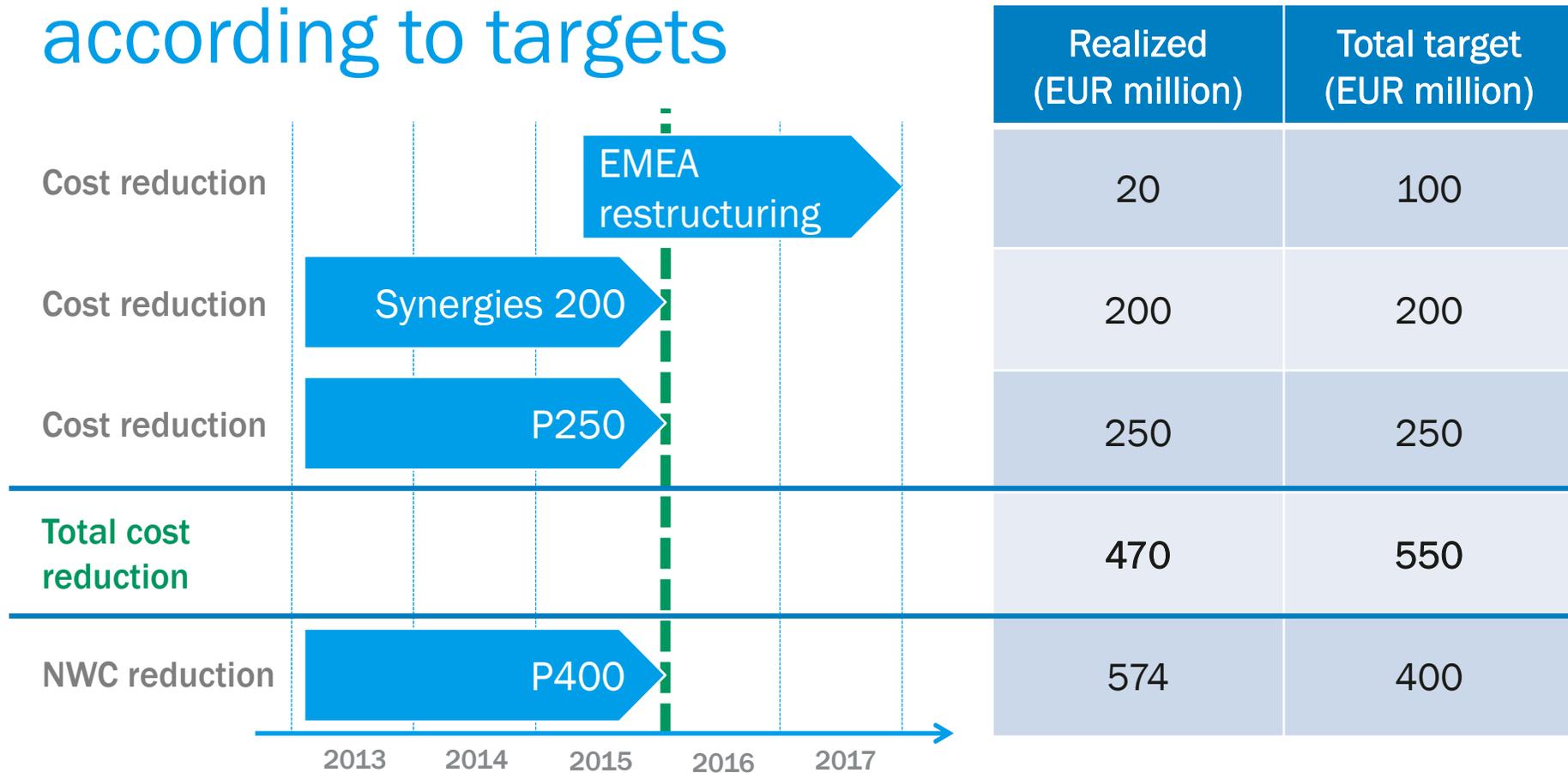
# Balance sheet strengthened significantly

## Net interest-bearing debt and gearing



- Divestments strengthened financial position
  - 60% stake in SKS in China
  - 50% stake in Fischer Mexicana in Mexico
- Net debt down to EUR 1.6 billion, gearing to 69%

# Synergies, P250 and P400 completed according to targets



New savings and working capital measures planned. The scale, details and time frame will be communicated in the next couple of months.

# Contents

1. 2015 overview
2. Financial performance
3. Outlook and guidance

# Q4 and FY15 key financials overview

## Q4/15

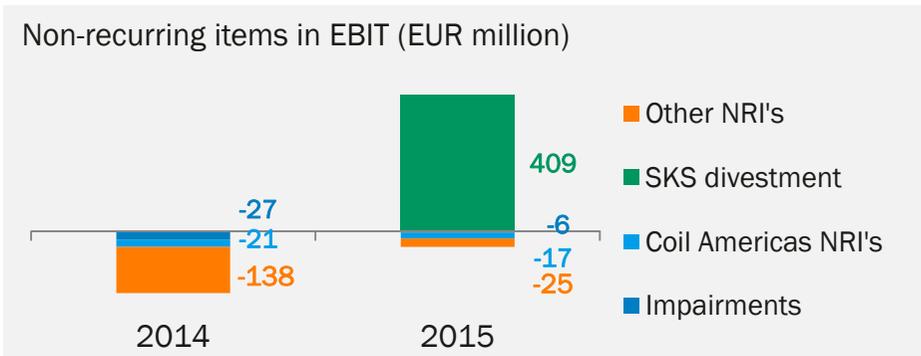
- Stainless steel deliveries flat
- Sales declined 4%; lower volumes and prices
- Underlying EBIT improved as a result of improved cost management
- EUR -29 million net effect of raw material-related inventory and metal derivative gains/losses (Q3: EUR -8 million)
- Operating cash flow EUR 2 million

## 2015

- Deliveries down by weak demand among distributors
- 6.7% decline in sales due to lower deliveries and prices
- Underlying EBIT weaker due to lower deliveries, downward pressure on base prices and increase in scrap costs
- Operating cash flow EUR -34 million

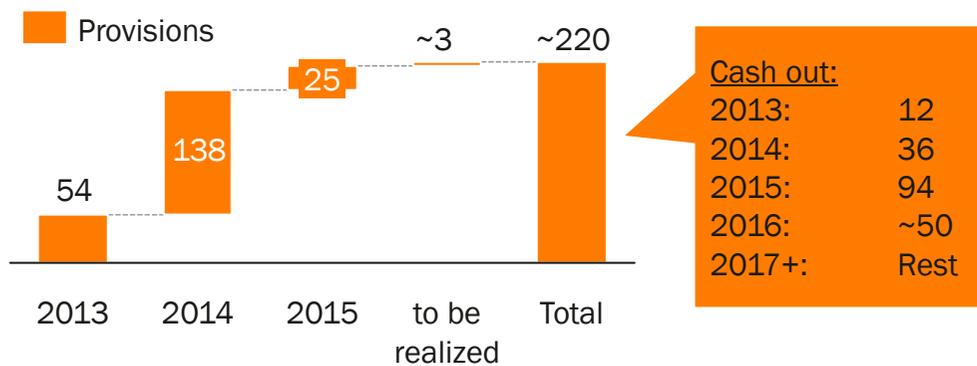
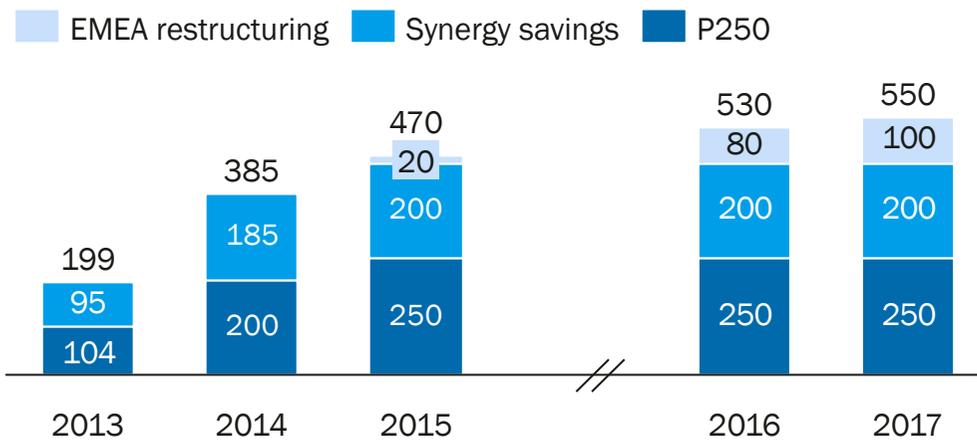
## Group key figures

EUR million	IV/15	III/15	2015	2014
Stainless steel deliveries, kt	574	570	2,381	2,554
Sales	1,435	1,487	6,384	6,844
EBITDA	408	3	531	104
EBIT	341	-77	228	-243
Underlying EBIT <sup>1)</sup>	-11	-67	-101	-88
Net result	308	-115	86	-439
Operating cash flow	2	67	-34	-126
Capex (accounting)	65	29	154	127
Personnel at end of period	11,002	11,560	11,002	12,125



# Good progress in cost saving programs

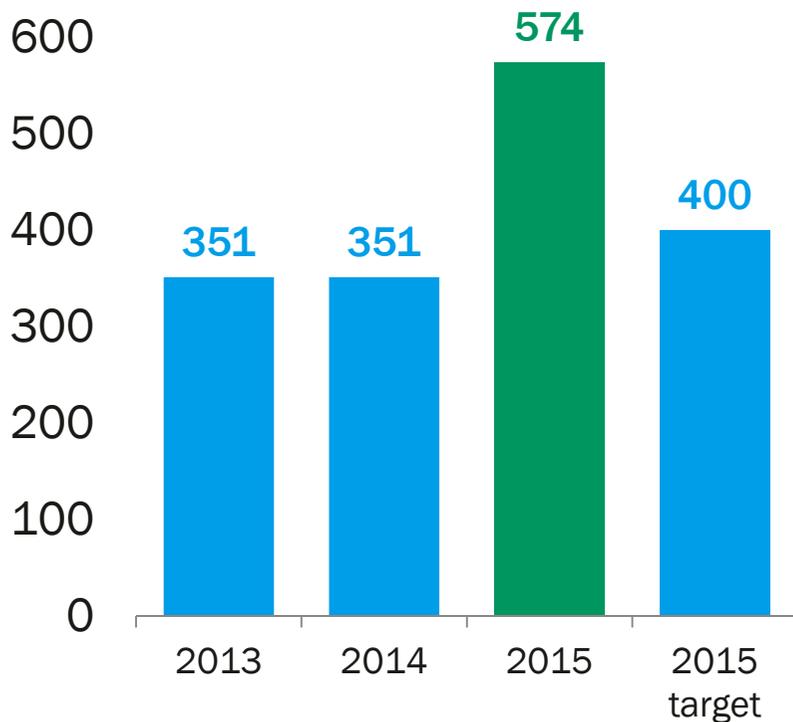
Cumulative savings 2013-2017 and related cash costs, MEUR



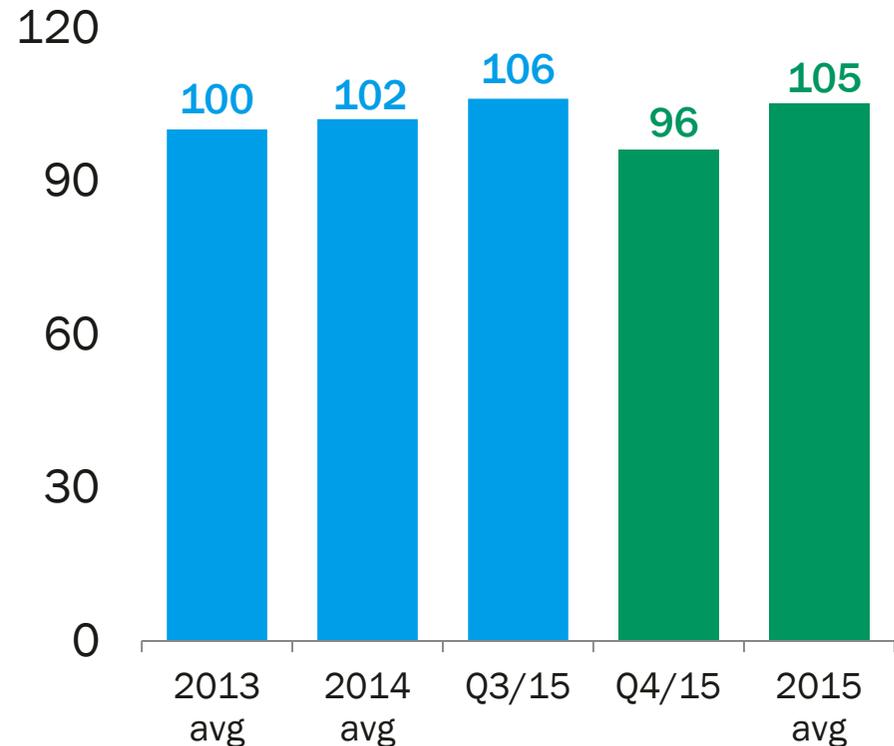
- Synergy savings and P250 completed according to targets
- EUR 16 million savings in Q4
- Total savings of EUR 470 million vs. 2012
- EUR 217 million provisions booked (est. EUR 220 million)
- Cash outflow of EUR 6 million in Q4, and EUR 94 million in 2015

# P400 program completed: NWC focus to continue

Cumulated cash flow from working capital change <sup>1)</sup>



Inventory days development <sup>2)</sup>



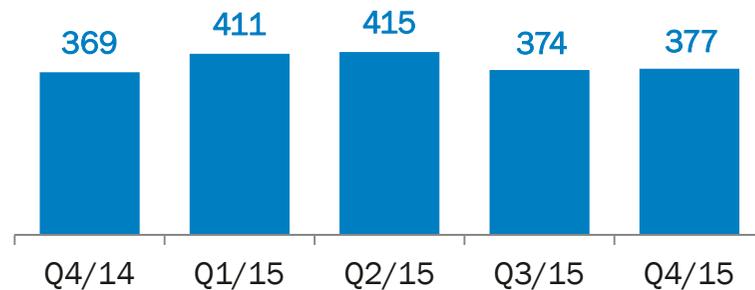
1) Change in accounts payables, accounts receivables and inventories differs from the change in WC as presented in CF statement which also includes provisions.

2) Figures exclude FeCr operations

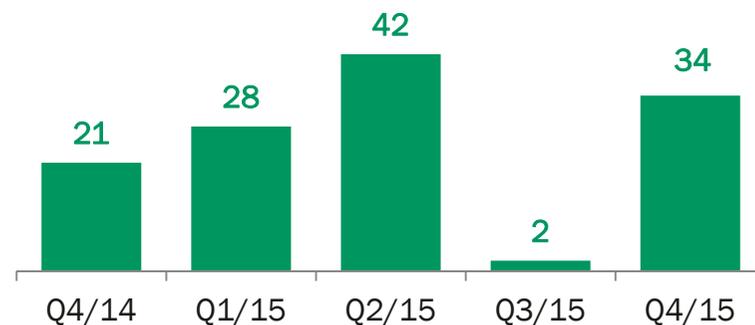
Since 2015, Outokumpu reports inventory days by comparing the current inventories with deliveries planned in following three months. History adjusted accordingly.

# Coil EMEA industrial setup developing well

Coil EMEA stainless deliveries, kt



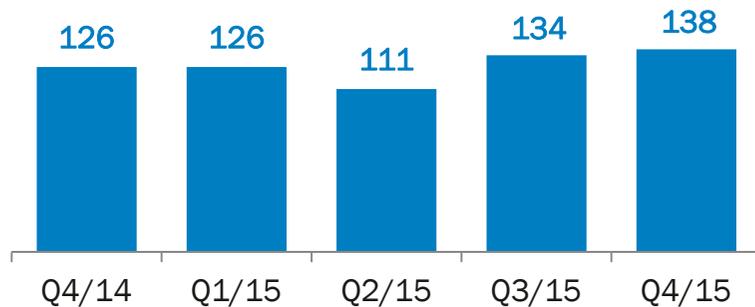
Coil EMEA underlying EBIT, EUR million



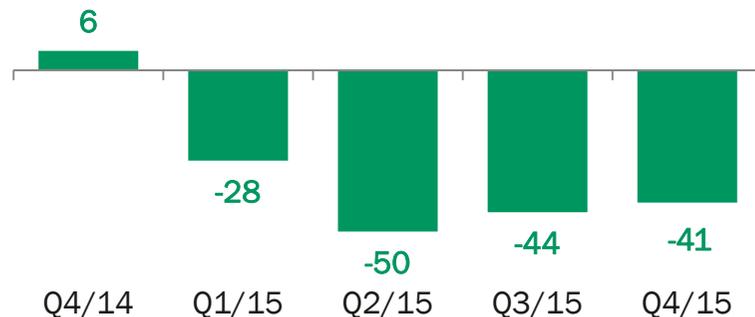
- Challenging markets in 2015
  - Nickel price at 12-year lows
  - End demand stable, continued destocking
  - Fluctuating imports to Europe
- Deliveries declined by 5.3% vs 2014
- Base prices down about EUR 20/t in 2015
- Full-year ferrochrome production at 457 kt
- FY15 underlying EBIT improved to EUR 107 million (2014: EUR 62 million)
  - Restructuring and improved optimization between the mills
  - Higher utilization in Tornio and Avesta
- Q4 showed strong seasonal recovery: volumes stable, improved profitability

# Coil Americas suffered from difficult markets

Coil Americas stainless deliveries, kt



Coil Americas underlying EBIT, EUR million

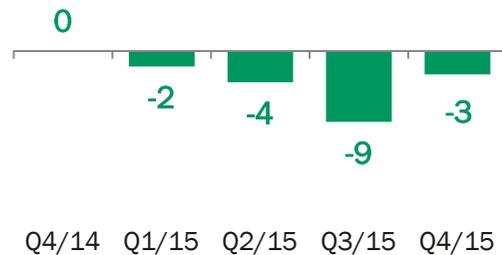


- Operating environment difficult in 2015
  - Imports peaked H1 close to 30%
  - Intense competition and strongly declining prices
- FY15 deliveries down 6% y-o-y impacted by weak order intake during H1
- Base price down USD ~260/t during 2015
- FY15 heavy underlying loss of EUR -163 million (2014: EUR -93 million)
  - Lower volumes
  - Intense price pressure
- Q4 still at heavy loss: volumes stable, but cost improvements offset by intense price pressure

# APAC, Quarto Plate & Long Products

## APAC

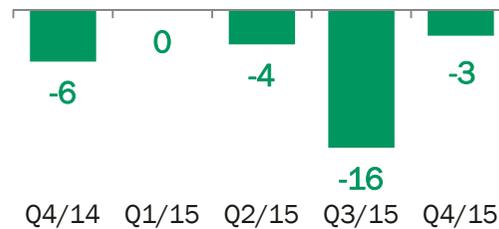
Underlying EBIT



- Tough markets in 2015 with continued demand erosion
- Prices under severe pressure for past 1.5 years
- Deliveries impacted by divestment of SKS business in December
- Underlying EBIT down to -18m (2014:-6m) driven by external pressures on SKS business

## Quarto Plate

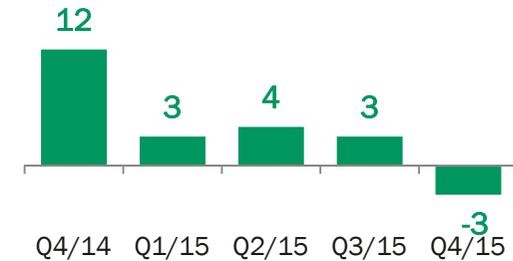
Underlying EBIT



- Operating environment extremely difficult in 2015
- Prices under pressure both in Europe and the US
- Deliveries grew 7% reflecting progress in Degerfors
- Underlying losses reduced to -23m (2014:-30m) driven by higher deliveries and cost take-out measures

## Long Products

Underlying EBIT



- Demand weak throughout 2015
- Deliveries down 13%
- Clearly lower underlying EBIT of 7m. (2014: 32m) reflecting difficult market environment, subdued Oil & Gas sector and low prices

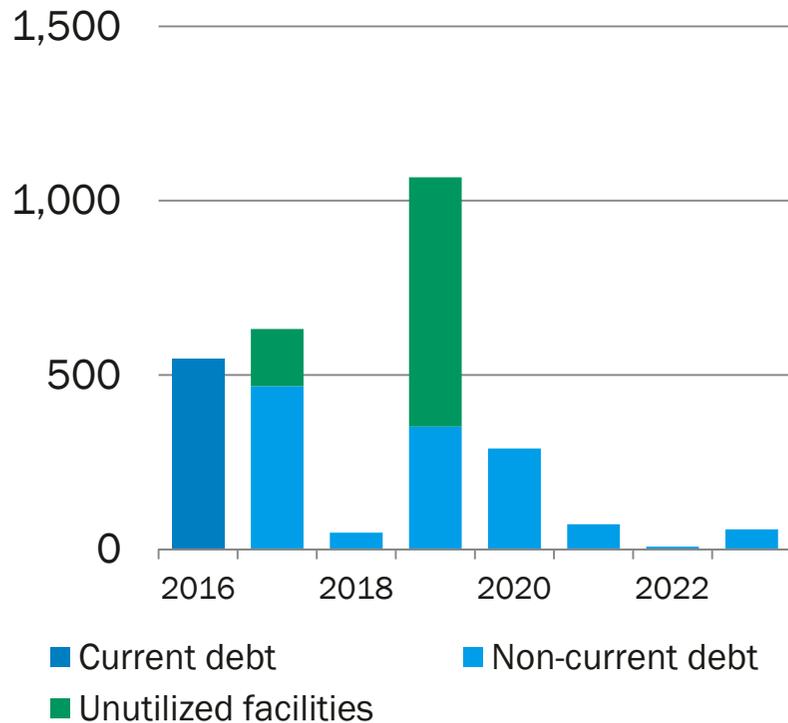
# Strong focus on managing the cash flows

EUR million	IV/15	III/15	2015	2014
Net cash from operating activities	2	67	-34	-126
Net cash from investing activities	319	-15	239	-162
Free cash flow	321	52	205	-289
Cash and cash equivalents	186	225	186	191

- EUR 2 million positive operating cash flow in Q4
- Proceeds from the disposal of subsidiaries, net of cash and tax at EUR 375 million as a result of SKS divestment
- Capex cash flow kept under control
- Financing costs of EUR 150 million in 2015
- Overall liquidity reserves at EUR 1.1 billion

# Financial stability improved

Net debt and gearing, EUR million and %



- Successful refinancing in December
- Revolving credit facility extended
  - New EUR 655 million tranche maturing in Feb 2019
  - Remaining EUR 145 million maturing in Feb 2017
- Prepayment and extension of bilateral loans

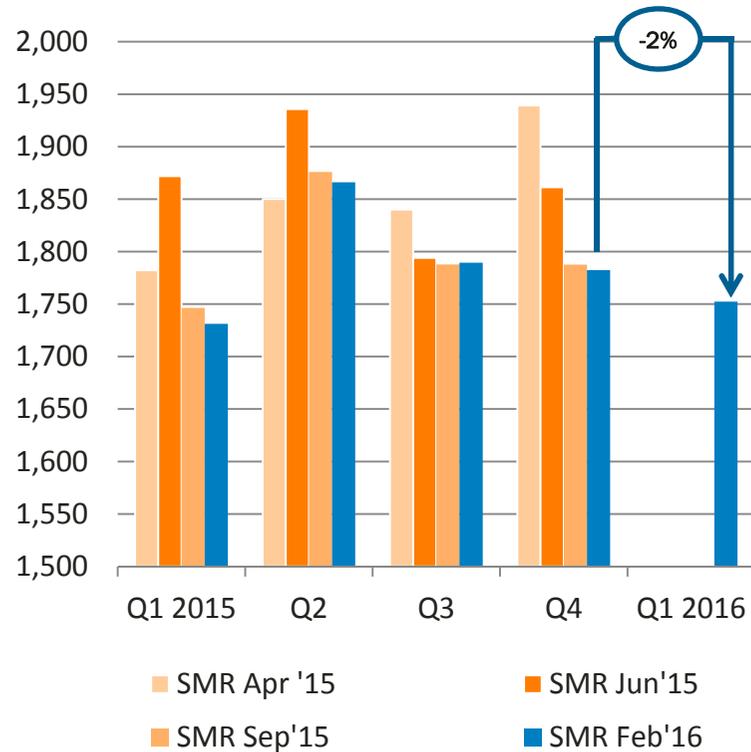
# Contents

1. 2015 overview
2. Financial performance
3. Outlook and guidance

# Real demand in Q1/16 expected to decline in EMEA and Americas from Q4/15

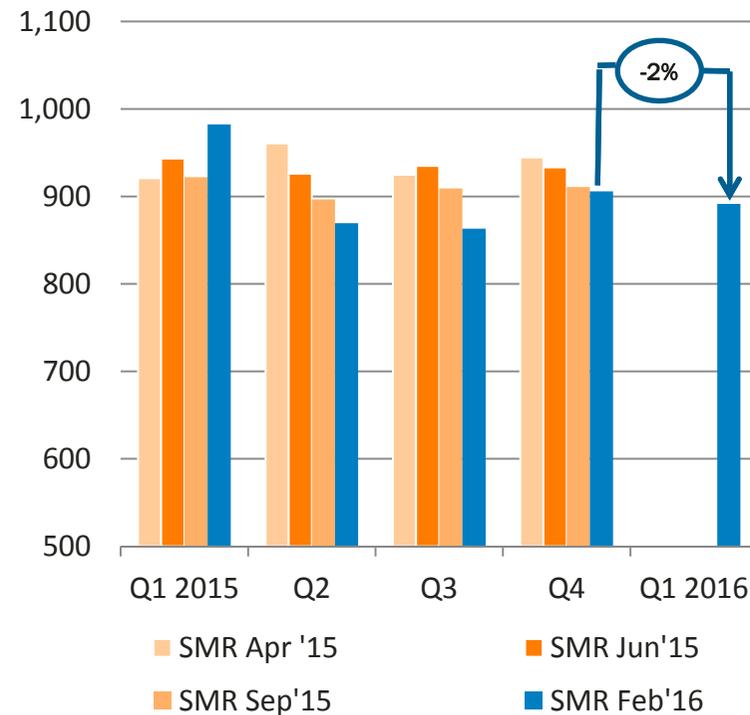
EMEA total stainless steel real demand<sup>1</sup>

1,000 tonnes



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

1,000 tonnes



1) Total stainless = rolled & forged products, excl. 13Cr tubes, profiles

# Business and financial outlook for Q1 2016

## Market commentary

Year 2016 has started with downward revisions to economic growth outlooks and pressure in the materials sector

Outokumpu estimates no meaningful pick up in the stainless steel markets for the first quarter, and while distributor stocks have come to more normalized levels, the low nickel price continues to curtail distributor buying activity.

On the positive note, demand among end-customers outside of Oil & Gas has remained healthy.

In both Coil EMEA and Coil Americas, order intake levels are on track for the ongoing quarter and the lead-times from the mills are competitive.

## Outokumpu estimate for Q1



Market uncertainties warrant prudence in the outlook statement.

Outokumpu estimates first-quarter delivery volumes to remain at a similar level as in the fourth quarter of 2015 and the Group's underlying EBIT to be still negative.

With current prices, the net impact of raw material-related inventory and metal derivative gains/losses on profitability is expected to be approximately EUR 30 million negative.

Outokumpu is finalizing plans for new savings from operational improvements and working capital optimization. The scale, details and time frame for these will be communicated in the next couple of months. Outokumpu expects that already in the first quarter continued cost streamlining will mitigate some of the current downward pressure on base prices as well as increase in scrap costs.

# CEO's first 40 days at the office

# Bringing Outokumpu to the next level

## Immediate actions

- Moving ahead with Coil Americas turnaround
- Finalizing European restructuring
- SGA and general procurement cost reduction
- Decreasing inventory levels
- Further debt reduction

## Building long-term competitiveness

- Manufacturing excellence for efficiency and lower production costs
- Bringing the operational capability and productivity to a world class level
- Differentiation through superior customer experience: improved quality and delivery reliability

Further details communicated in the coming months

# Q&A



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

**Johanna Henttonen**

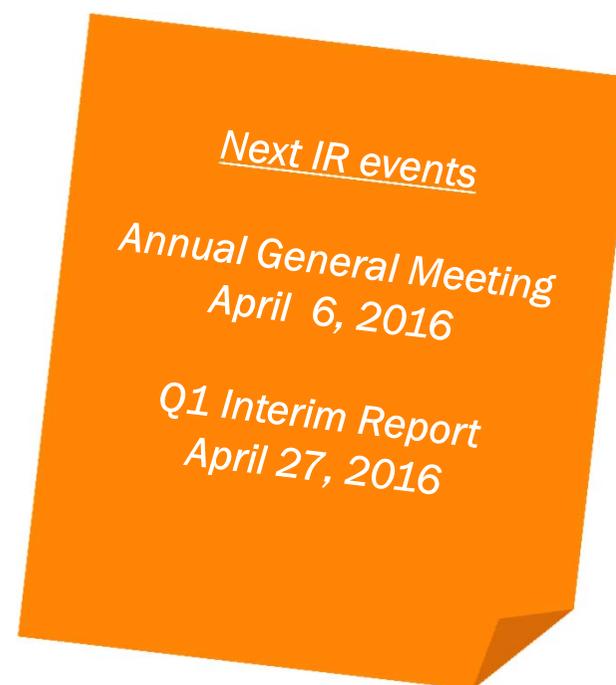
Senior Vice President – Investor Relations  
Phone +358 9 421 3804  
Mobile +358 40 5300 778  
E-mail: [johanna.henttonen@outokumpu.com](mailto:johanna.henttonen@outokumpu.com)

**Tommi Järvenpää**

Manager – 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)



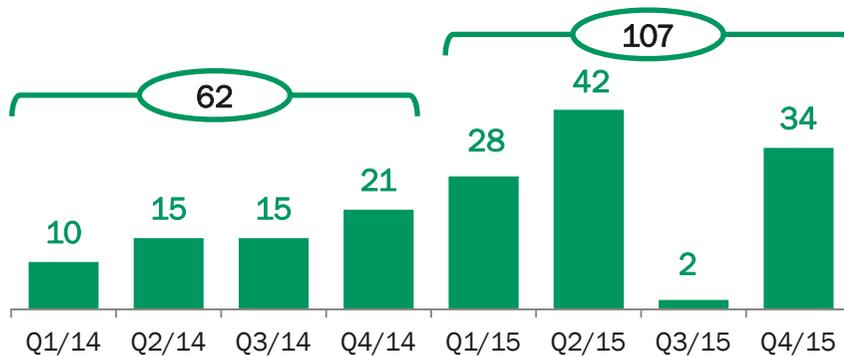
# Appendix

# Coil EMEA

## EMEA key figures

EUR million	IV/15	III/15	2015	2014
Stainless steel deliveries, kt	377	374	1,577	1,666
Ferrochrome external deliveries, kt		29		133
Sales	944	973	4,134	4,520
EBIT excl. NRI	30	-3	131	78
Underlying EBIT	34	2	107	62
Operating capital	2,183	2,333	2,183	2,405

## Underlying EBIT (EUR million)



## Q4 highlights

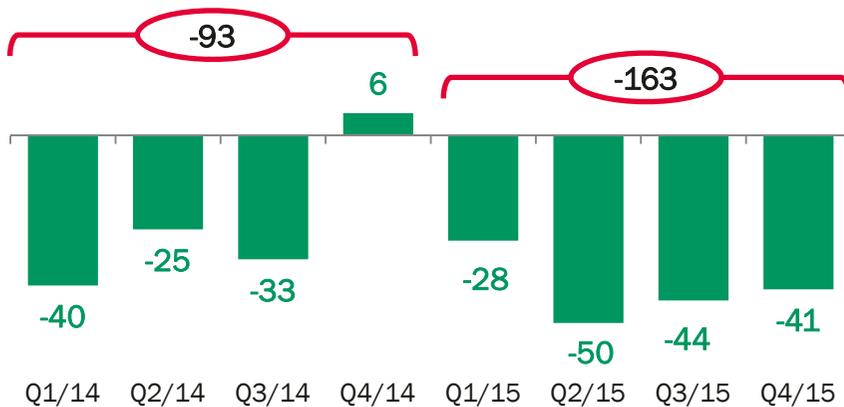
- Difficult market conditions continued in Q4
- Stable stainless steel deliveries
- EUR 15/t base price decrease in deliveries
- Stronger performance as a result of
  - Successful cost control
  - Lower depreciation charge
- EUR 10 million additional savings from EMEA restructuring program

# Coil Americas

## Americas key figures

EUR million	IV/15	III/15	2015	2014
Stainless steel deliveries, kt	138	134	509	541
Sales	272	276	1,111	1,158
EBIT excl. NRI	-54	-49	-198	-82
Underlying EBIT	-41	-44	-163	-93
Operating capital	1,229	1,193	1,229	1,195

## Underlying EBIT (EUR million)



## Q4 highlights

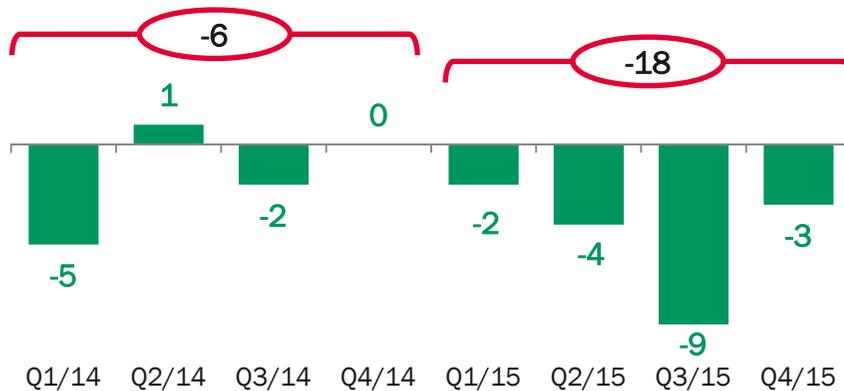
- Delivery volumes grown during the past two quarters, Q4 similar to Q3
- Base price further down by USD 50/t in deliveries
- Performance still at heavy loss
  - Cost improvements not enough to offset price pressure
  - NRI of EUR 2 million from insurance compensation related to earlier technical issues

# APAC

## APAC key figures

EUR million	IV/15	III/15	2015	2014
Stainless steel deliveries, kt	33	51	197	220
Sales	65	97	403	444
EBIT excl. NRI	-4	-8	-20	-6
Underlying EBIT	-3	-9	-18	-6
Operating capital	38	174	38	184

## Underlying EBIT (EUR million)



## Q4 highlights

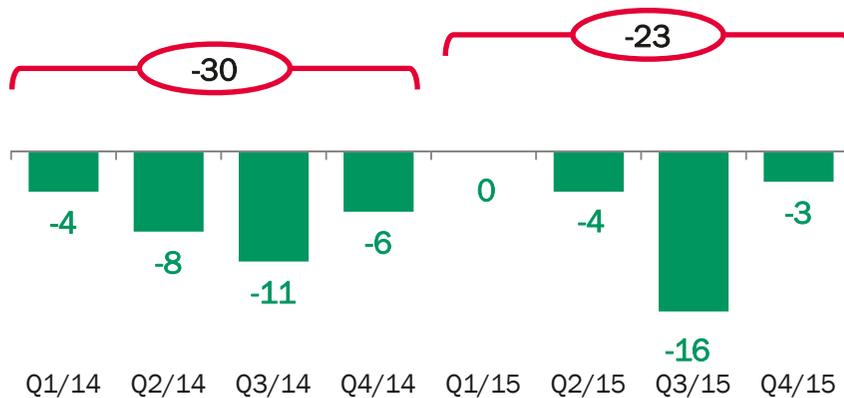
- Following the divestment of SKS, APAC business area consists of service centers in China and Australia, as well as warehouses and sales offices in various Asian countries
- Overall market situation tough
- Deliveries impacted by deconsolidation of SKS

# Quarto Plate

## Quarto Plate key figures

EUR million	IV/15	III/15	2015	2014
Stainless steel deliveries, kt	24	24	105	98
Sales	99	104	459	450
EBIT excl. NRI	-4	-14	-19	-26
Underlying EBIT	-3	-16	-23	-30
Operating capital	209	204	209	218

## Underlying EBIT (EUR million)



## Q4 highlights

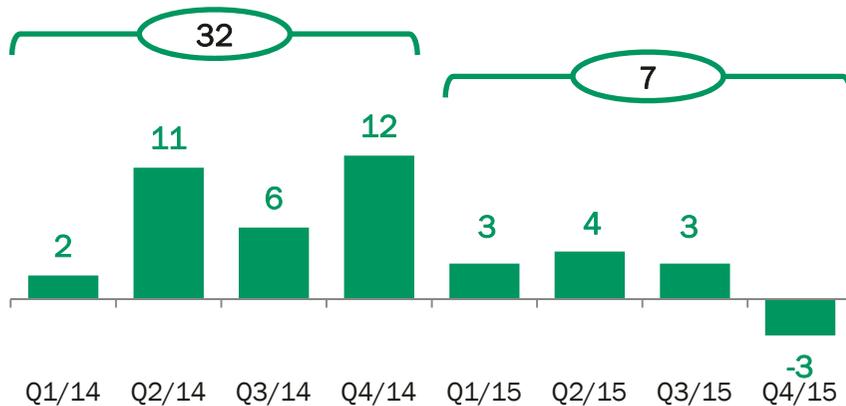
- Operating environment remained extremely difficult as industrial investment activity continued subdued
- Deliveries were flat
- Prices continued under pressure in Europe and the US
- Underlying EBIT improved
  - Lower raw material costs
  - Better product mix

# Long Products

## Long Products key figures

EUR million	IV/15	III/15	2015	2014
Stainless steel deliveries, kt	42	58	213	248
Sales	100	142	551	651
EBIT excl. NRI	-8	1	2	33
Underlying EBIT	-3	3	7	32
Operating capital	146	163	146	167

## Underlying EBIT (EUR million)



## Q4 highlights

- Overall demand for long products continued to be weak and prices were under pressure
- Clearly lower total deliveries as a result of significantly lower internal slab deliveries
- Deliveries to end-customers increased by 5.0%
- Underlying EBIT decreased due to lower deliveries

# Outokumpu balance sheet

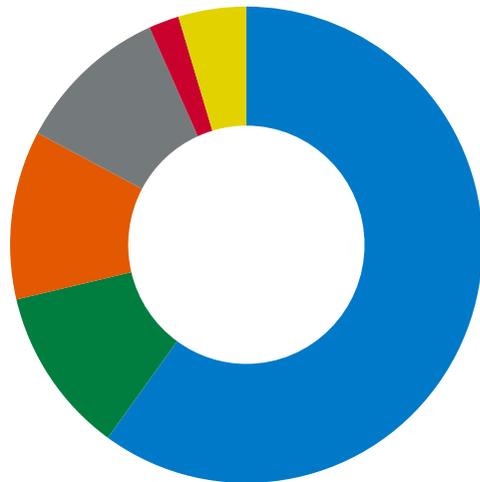
<b>Assets (MEUR)</b>	<b>31.12.15</b>	<b>30.9.15</b>
<b>Non-current assets</b>		
Intangible assets	498	567
Property, plant and equipment	3,005	3,061
Investments in associated companies and joint ventures	63	82
Other financial assets	41	38
Deferred tax assets	16	61
Defined benefit plan assets	35	38
Trade and other receivables	40	17
<b>Total non-current assets</b>	<b>3,698</b>	<b>3,864</b>
<b>Current assets</b>		
Inventories	1,251	1,413
Other financial assets	53	32
Trade and other receivables	686	676
Cash and cash equivalents	186	225
<b>Total current assets</b>	<b>2,177</b>	<b>2,346</b>
<b>Total assets</b>	<b>5,874</b>	<b>6,210</b>

# Outokumpu balance sheet

Equity and liabilities (MEUR)	31.12.15	30.9.15
<b>Total equity</b>	<b>2,329</b>	<b>2,085</b>
<b>Non-current liabilities</b>		
Non-current debt	1,249	1,494
Other financial liabilities	9	11
Deferred tax liabilities	16	38
Defined benefit and other long-term employee benefit obligations	369	335
Provisions	113	110
Trade and other payables	48	48
<b>Total non-current liabilities</b>	<b>1,805</b>	<b>2,035</b>
<b>Current liabilities</b>		
Current debt	547	743
Other financial liabilities	50	51
Provisions	23	26
Trade and other payables	1,121	1,270
<b>Total current liabilities</b>	<b>1,741</b>	<b>2,090</b>
<b>Total equity and liabilities</b>	<b>5,874</b>	<b>6,210</b>

# Cost analysis 2015

## Operative cost components <sup>1)</sup>



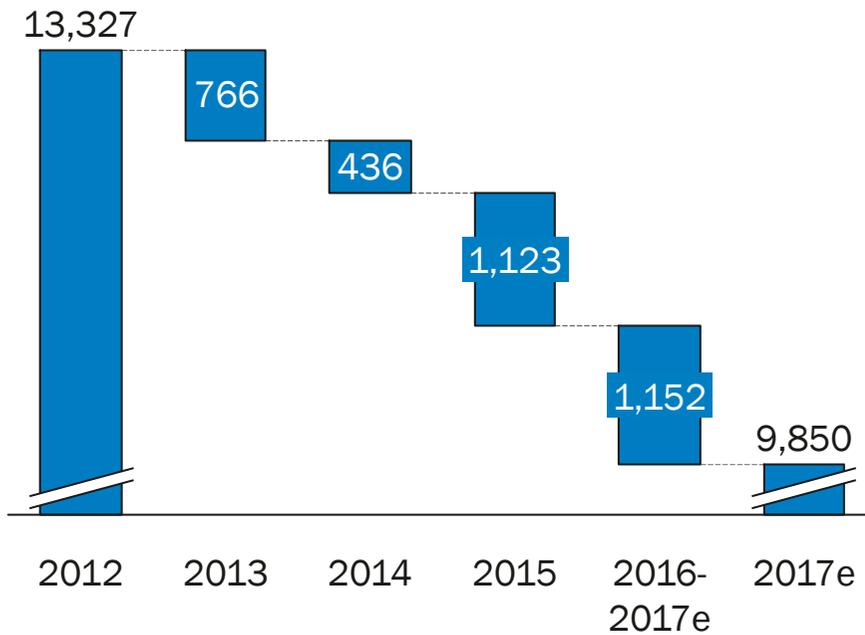
- Raw materials
- Personnel
- Energy and consumables
- Other cost of sales
- SG&A (excl. personnel and D&A)
- D&A total

## Comments

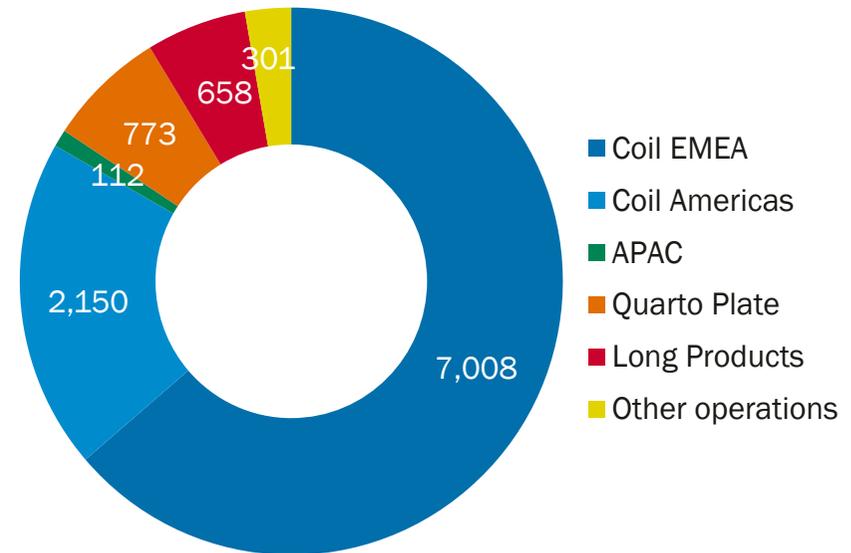
- Raw materials account for around 60% of the total operative costs of the Group
- Energy and other consumables account for 10-15% of the total operative costs
- Personnel expenses 10-15% of the total operative costs
- Other cost of sales includes e.g. freight, maintenance and rents and leases

# Headcount reductions

Total headcount reduction <sup>1)</sup>

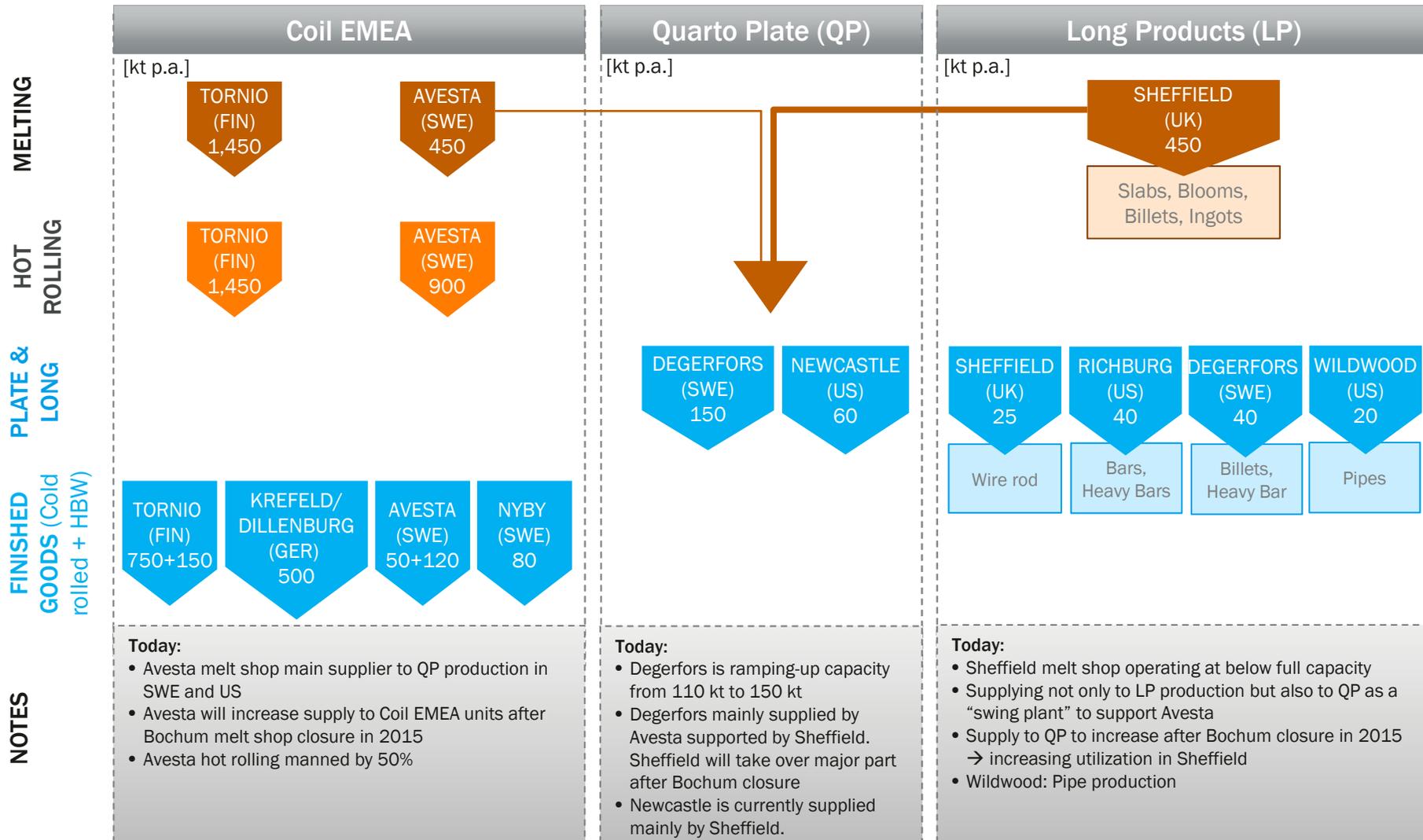


Personnel per BA at the end of 2015

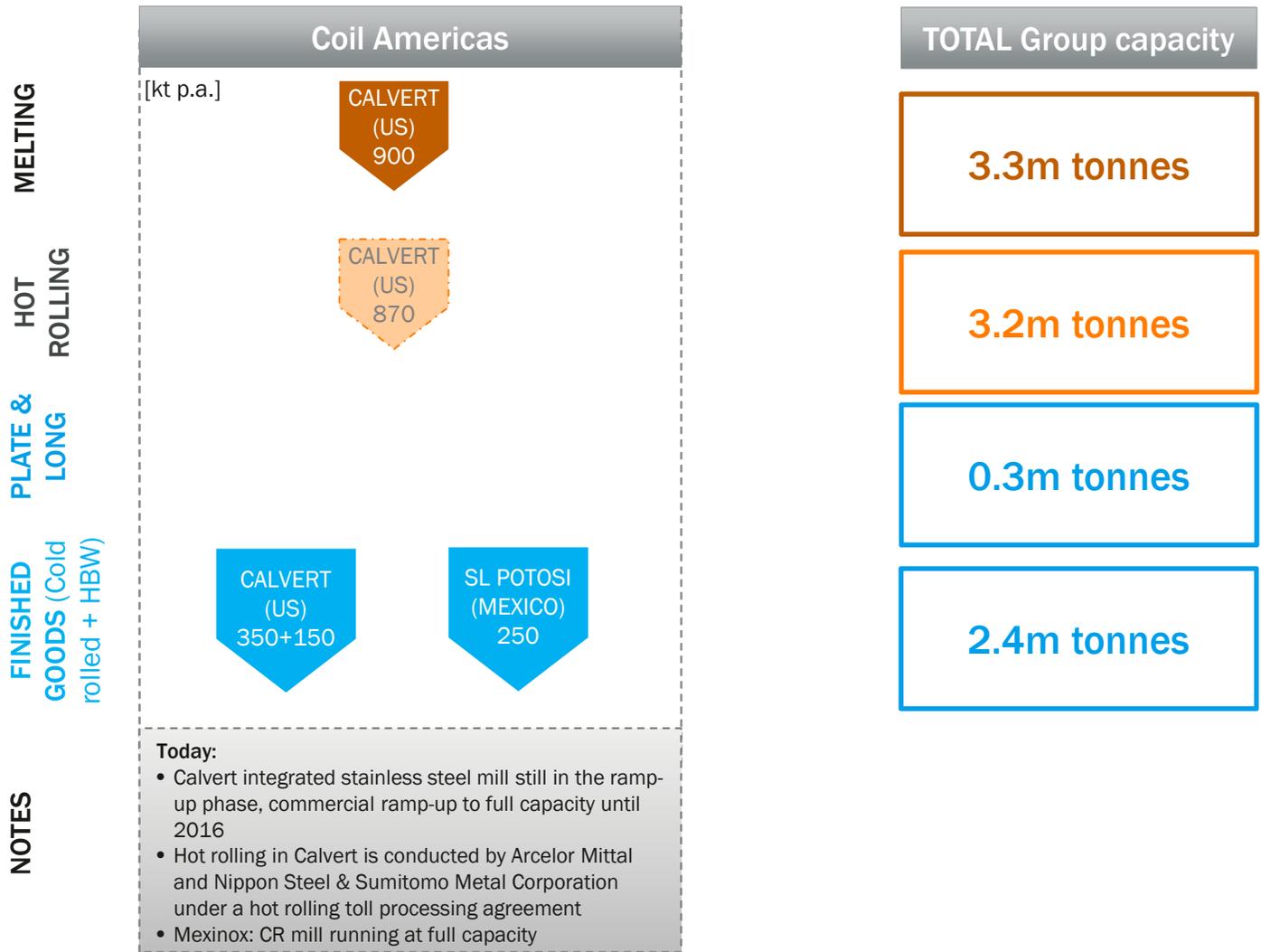


- Outokumpu has reduced some 2,330 jobs since the merger (target of 3,500 between 2013-2017)

# Capacities and production flow

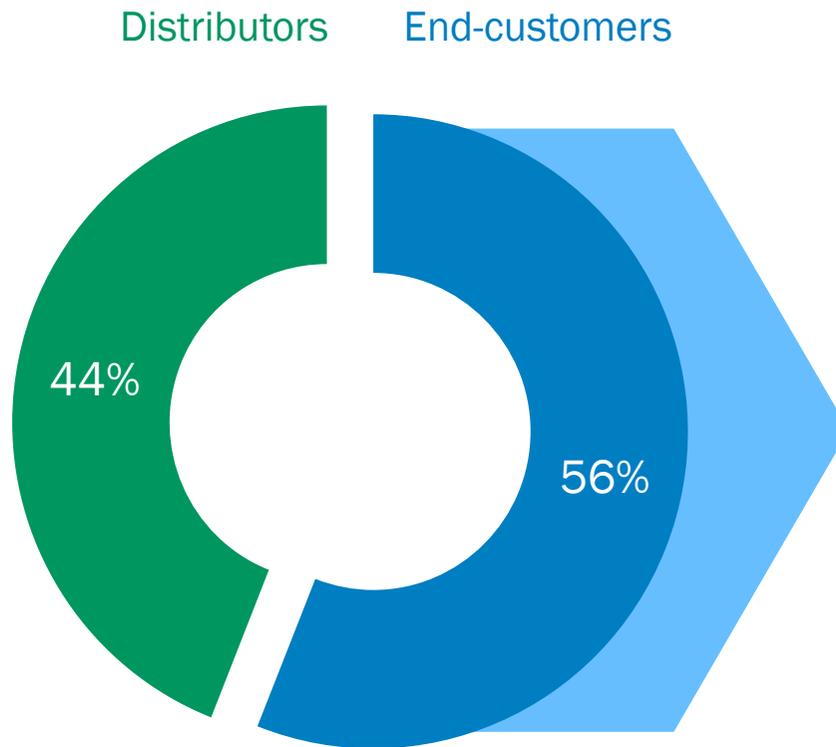


# Capacities and production flow

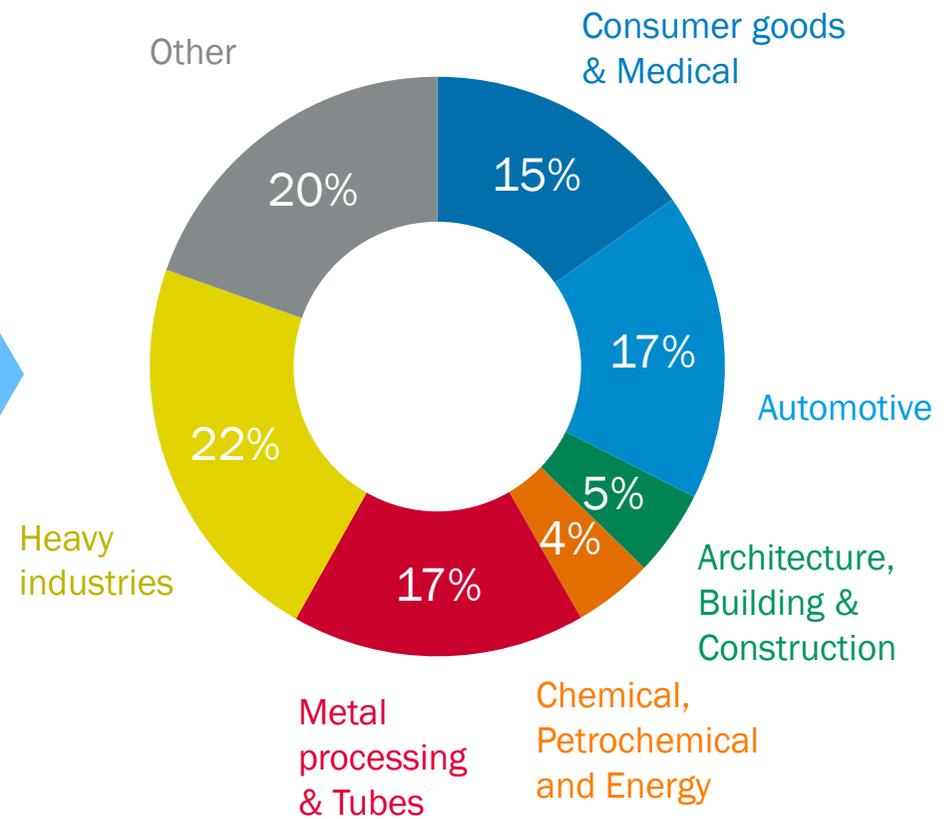


# Balanced customer base across industries

Sales by customer segment <sup>1)</sup>

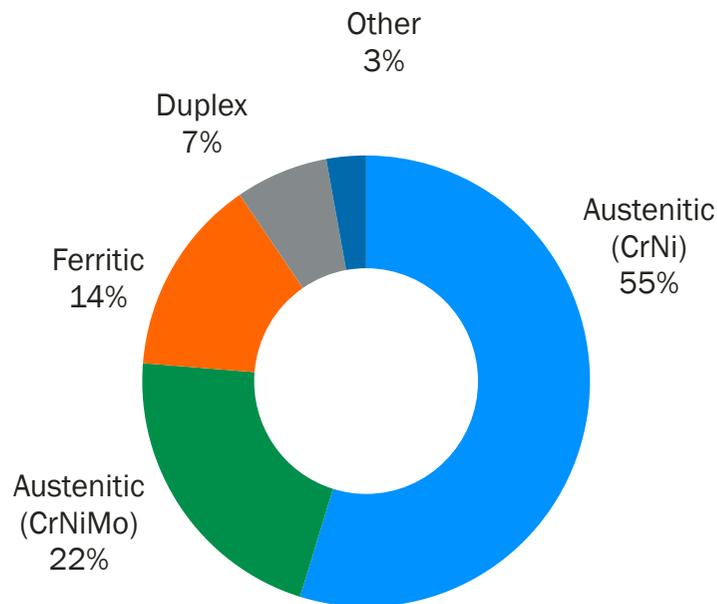


Sales by end-customer segment <sup>1)</sup>



# Broadest product portfolio across stainless steel

Deliveries by product grade <sup>1)</sup>



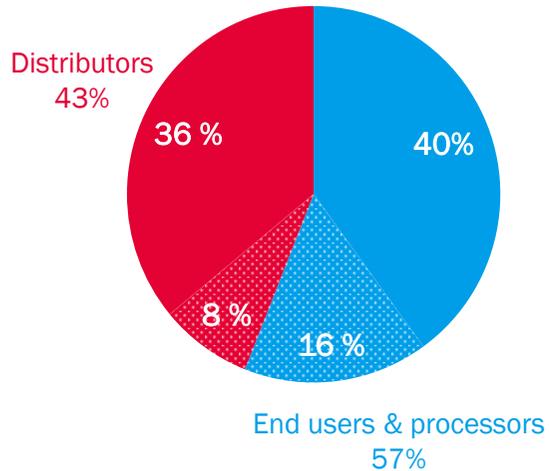
- Outokumpu has a broad product portfolio to serve all customers
- Significantly higher share of ferritic grades leads into reduced sensitivity to nickel price volatility<sup>2)</sup>
- Outokumpu product mix closely resembles the overall market mix by grade

## All product forms offered



# Balanced customer base and comprehensive service center network in Europe

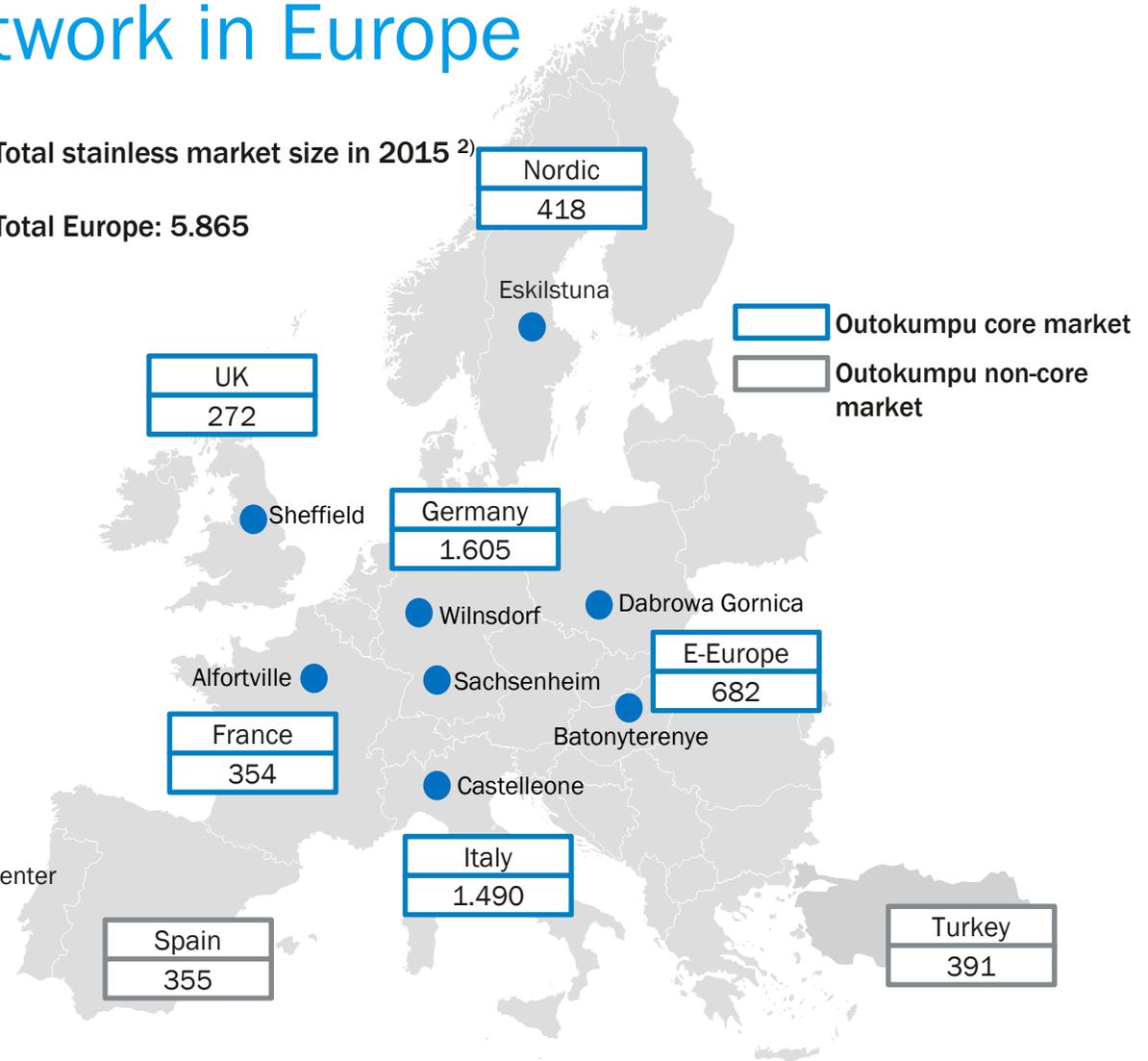
Coil EMEA sales by customer segment <sup>1)</sup>



- End users and processors direct sales
- End users and processors through internal service center
- Distributors through internal service centers
- Distributors direct sales

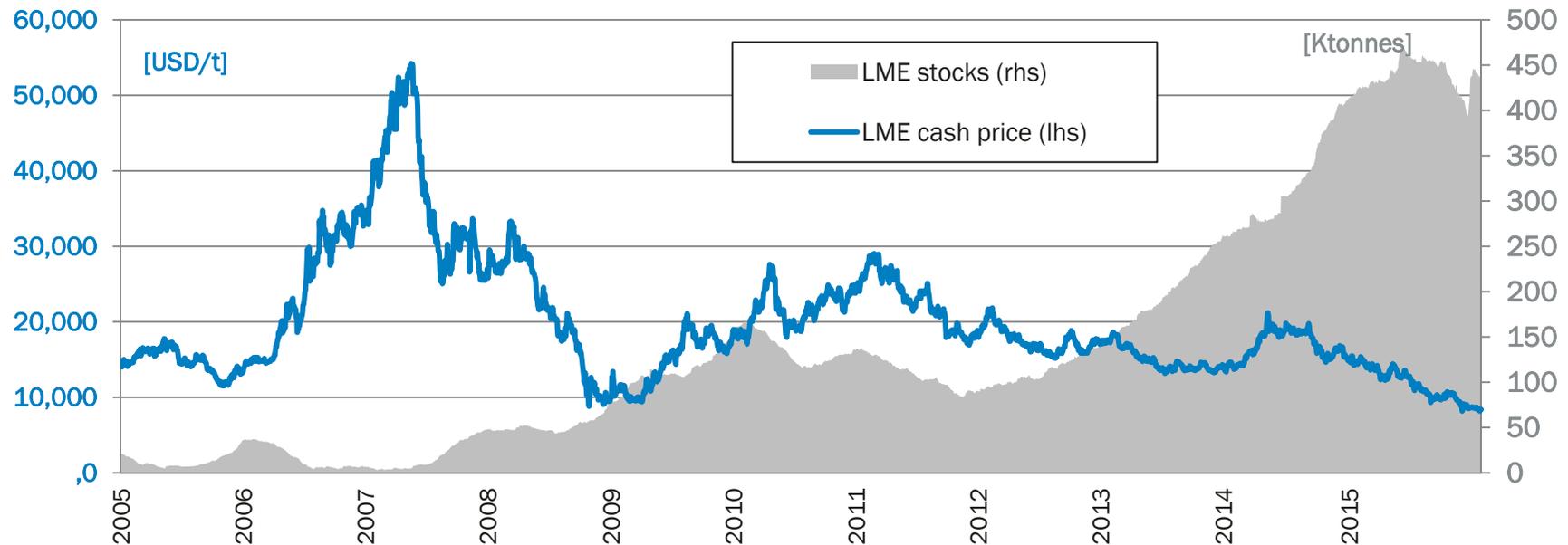
Total stainless market size in 2015 <sup>2)</sup>

Total Europe: 5.865



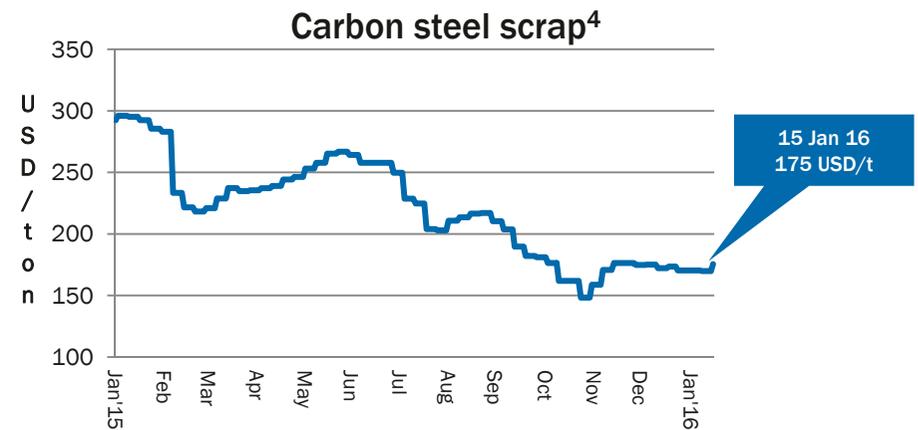
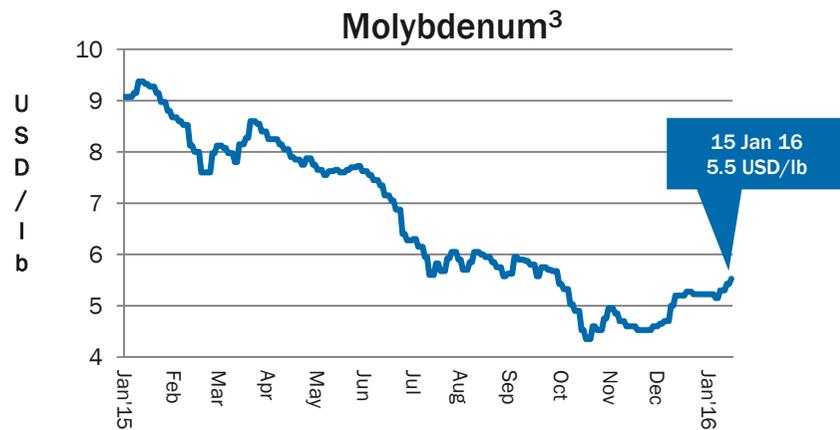
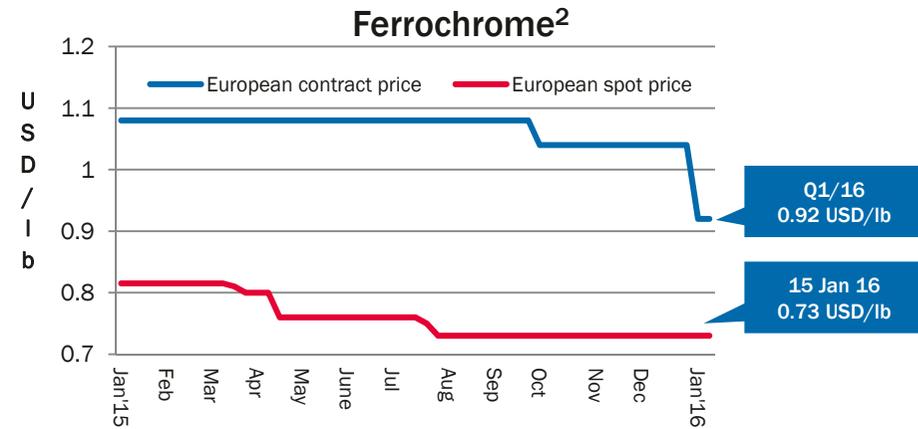
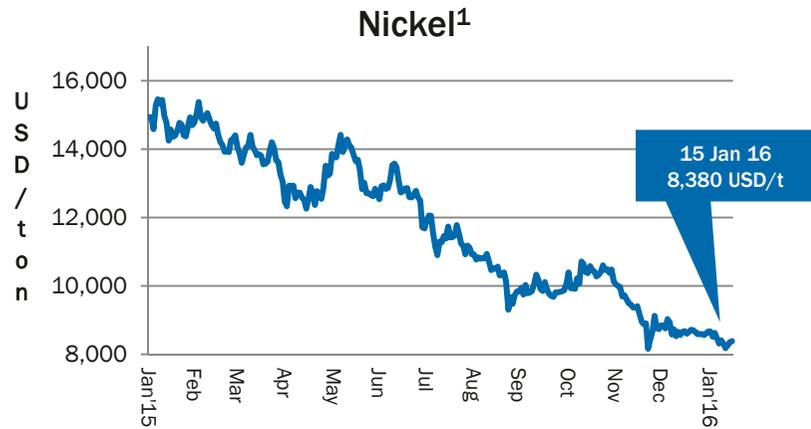
1) Coil EMEA sales Q3/2015.  
 2) Source: SMR Real Demand December 2015. Total stainless = rolled & forged, excl. 13Cr tubes, profiles

# Nickel price development



- The nickel prices were trending lower during the year as slowing demand from stainless steel sector predominantly was weighing on prices.
- Also rapidly strengthening US dollar in the first half of the year, growing stocks and mounting concerns over Chinese economy and its metals demand were eroding the prices, which hit the 12-year lows of 8,160 USD/t in late November.
- The average price of the year of 11,808 USD/tonne, was 30.0% lower than 16,864 USD/tonne in 2014.

# Raw materials - price development



outokumpu  
working towards a world that lasts forever

