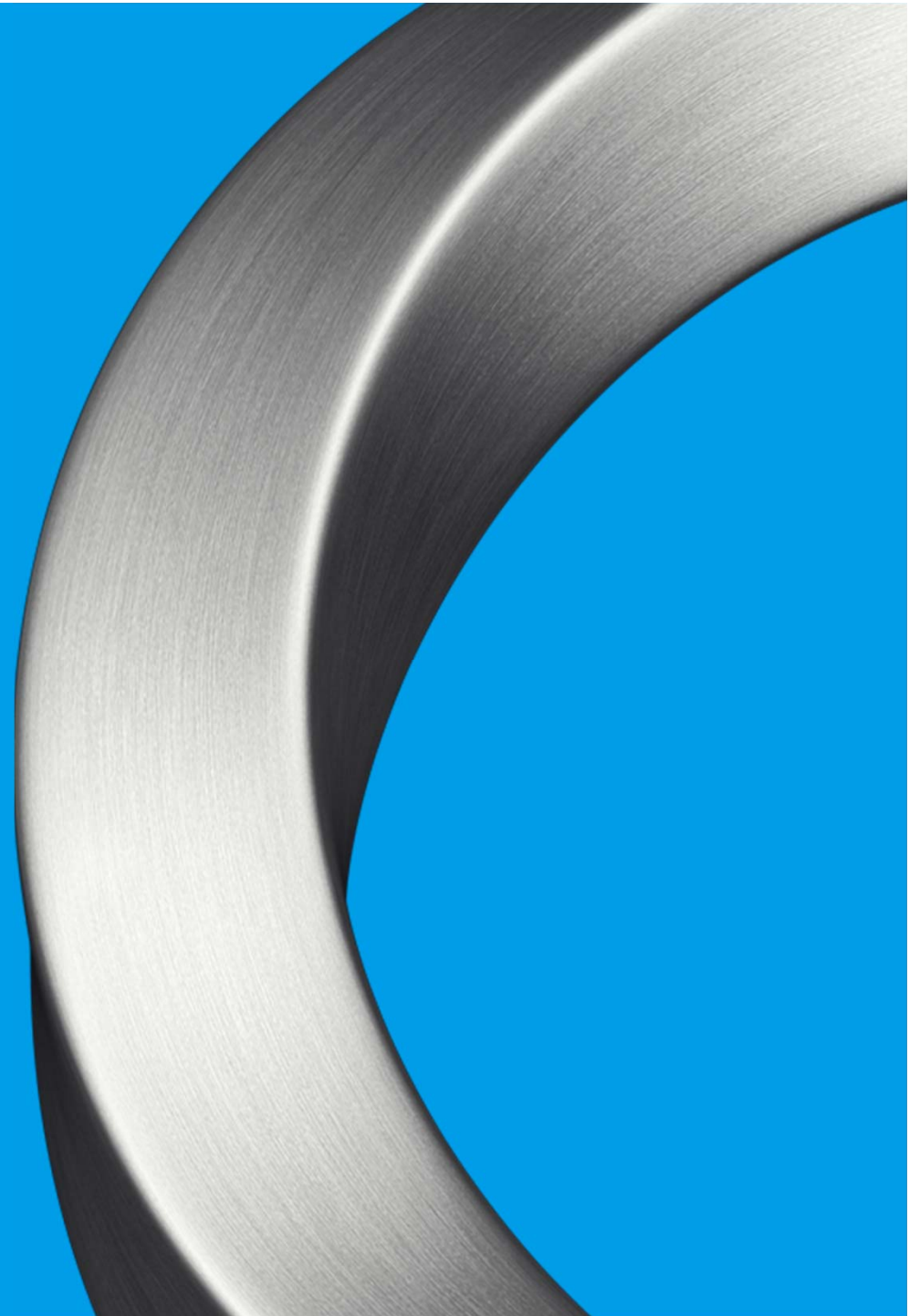


Interim report Q2 2015

CEO Mika Seitovirta
CFO Reinhard Florey

July 23, 2015

outokumpu 



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Today's attendees of Outokumpu



Mika Seitovirta
CEO



Reinhard Florey
CFO



Johanna Henttonen
SVP – Investor
Relations

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1. Q2/15 overview and strategic priorities
2. Financial performance
3. Outlook and guidance

Q2 2015 in brief

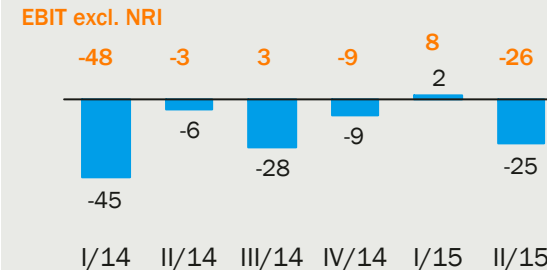


- Coil EMEA profitability continued to improve
- Import pressure in Europe eases
- Small base price increases in Europe
- Bochum melt shop closed at the end of June
- Continued solid development in savings programs
- New head for Coil Americas started

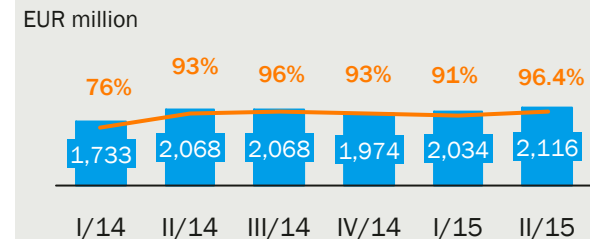


- Market headwinds and economic uncertainty: low nickel price, pressure on scrap prices
- Underlying EBIT of EUR -25 million, driven by weak profitability of Coil Americas
- US market continues difficult with high imports and sharp decline in prices
- Net debt rose to EUR 2.1 bn

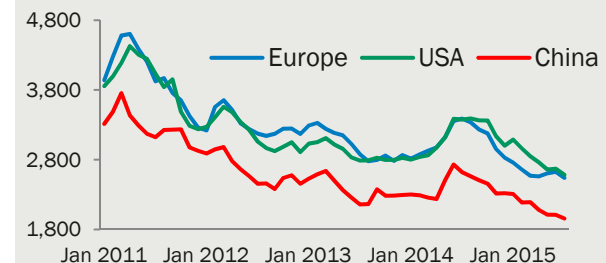
Underlying EBIT (EUR million) ¹⁾



Net debt and gearing

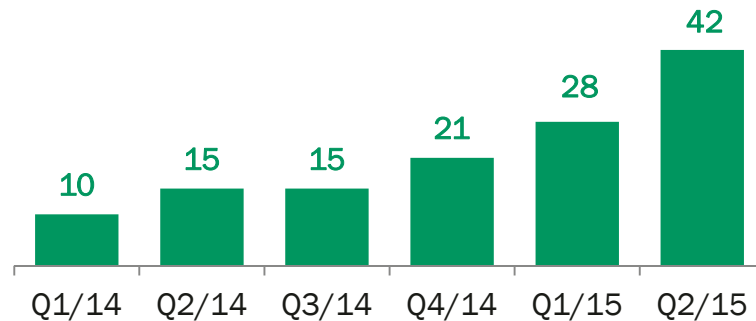


Transaction prices 304 stainless (USD/t) ²⁾

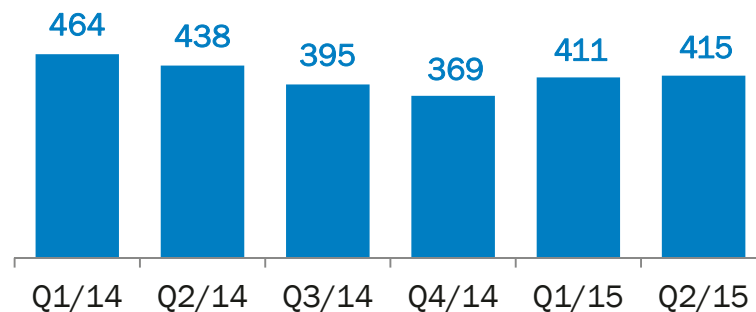


Coil EMEA continues on track

Coil EMEA underlying EBIT, EUR million



Coil EMEA stainless deliveries, kt



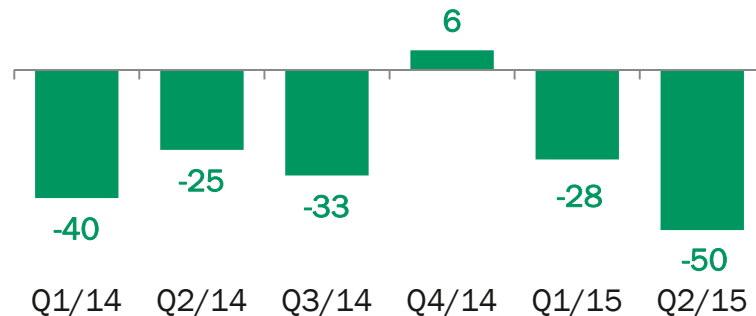
- Overall healthy demand, import pressure eases but low nickel impacting
- Profitability improvement driven by restructuring and saving benefits, as well as improved mix
- EMEA restructuring on track: Bochum closed in June, Benrath closure and Krefeld investment progressing



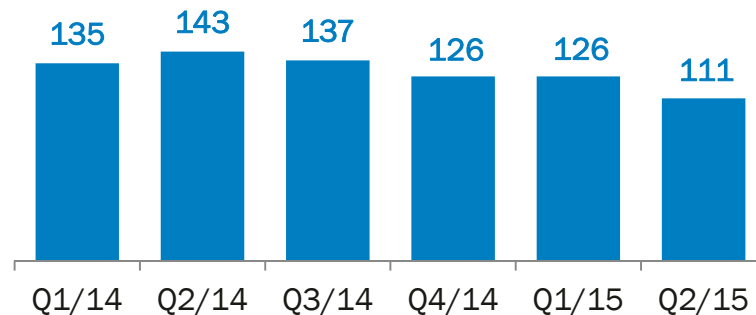
- Seasonal slowdown during the summer
- Moderate impact from antidumping duties on profitability
- Significant pressure on scrap prices short term
- Improvement efforts increasingly from commercial efficiency to increase sales

Getting Coil Americas back on track

Coil Americas underlying EBIT, EUR million



Coil Americas stainless deliveries, kt

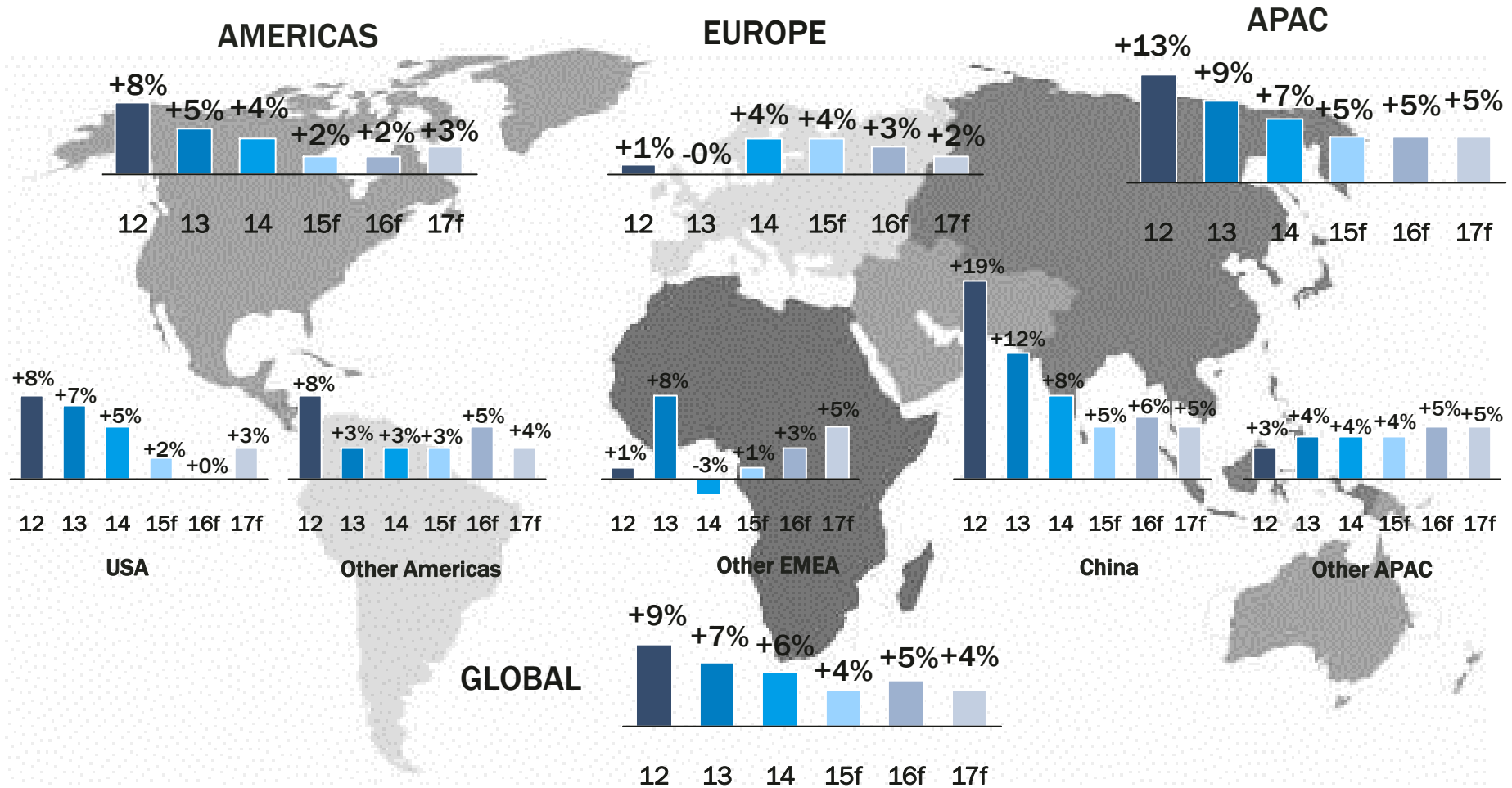


- High import pressure, elevated inventories and declining prices
- Poor volume development and profitability
- Weak H1 impacting FY2015
- Commercial ramp-up delayed by 1 year



- New business area head appointed
- Commercial strategy sharpened
- Sales team strengthened
- Calvert running well but suffering from low volumes, large potential to improve operational efficiency
- Accelerating cost streamlining actions

Continued growth for stainless steel globally



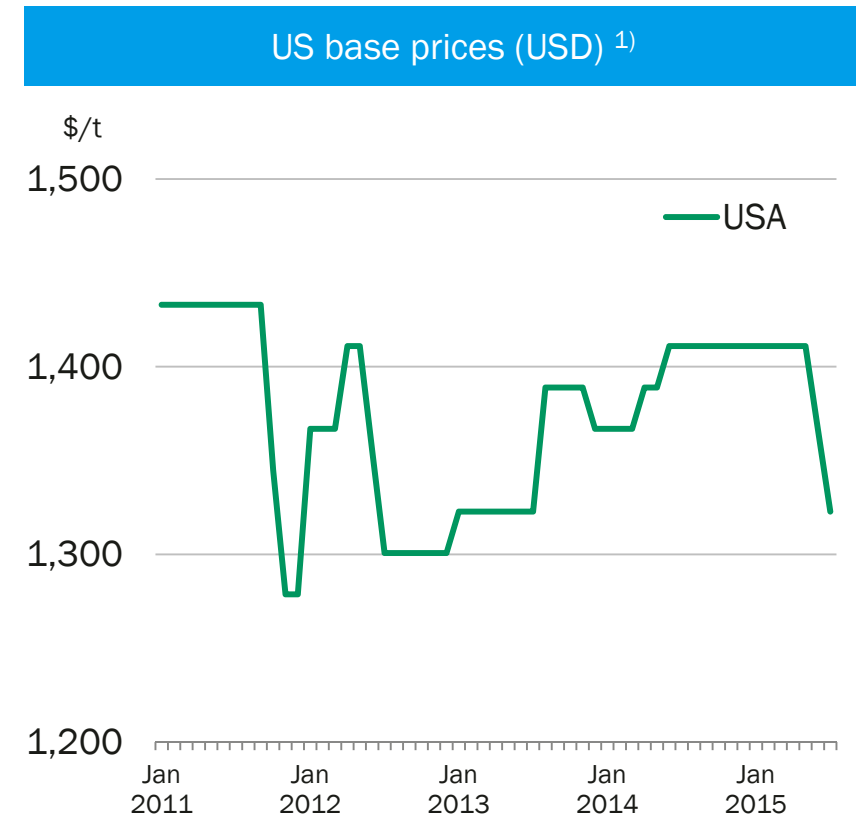
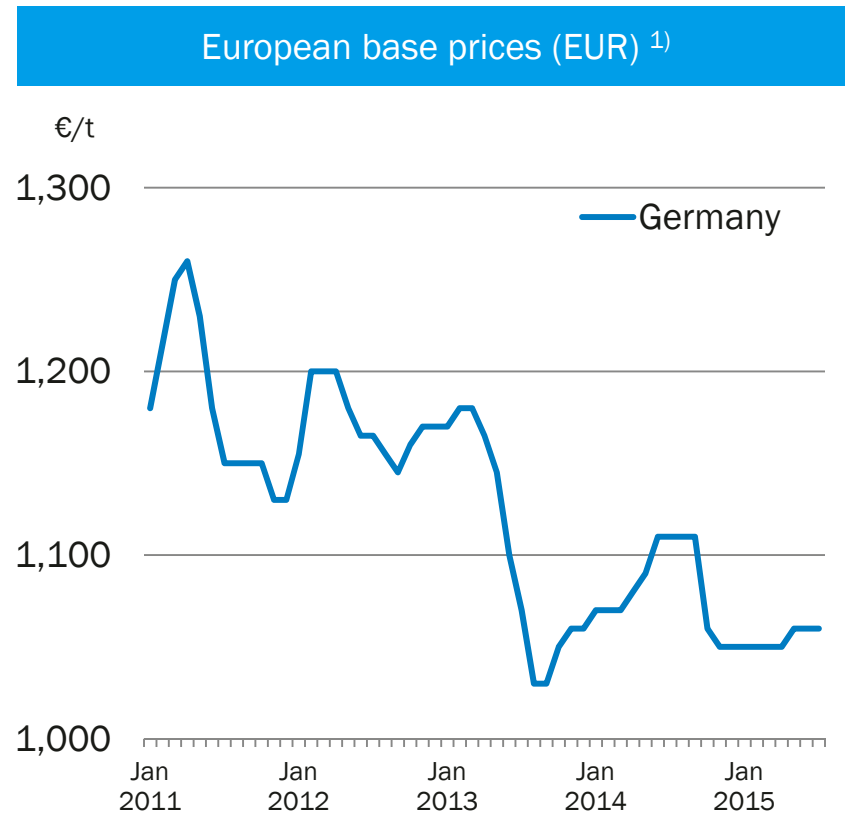
Data source: SMR, June 2015

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

July 23, 2015

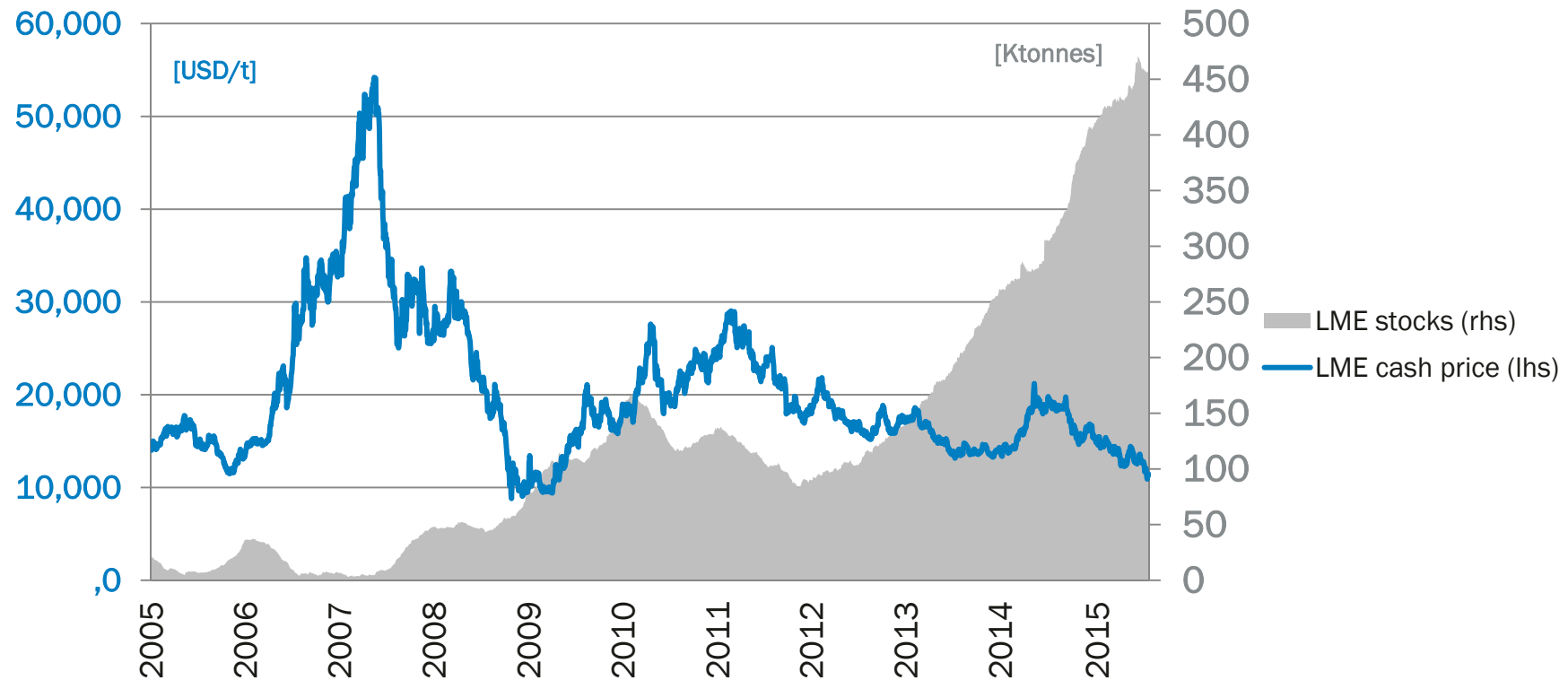
8

Stainless steel base prices slightly up in Europe but sharply down in the US



Nickel price development and stock levels

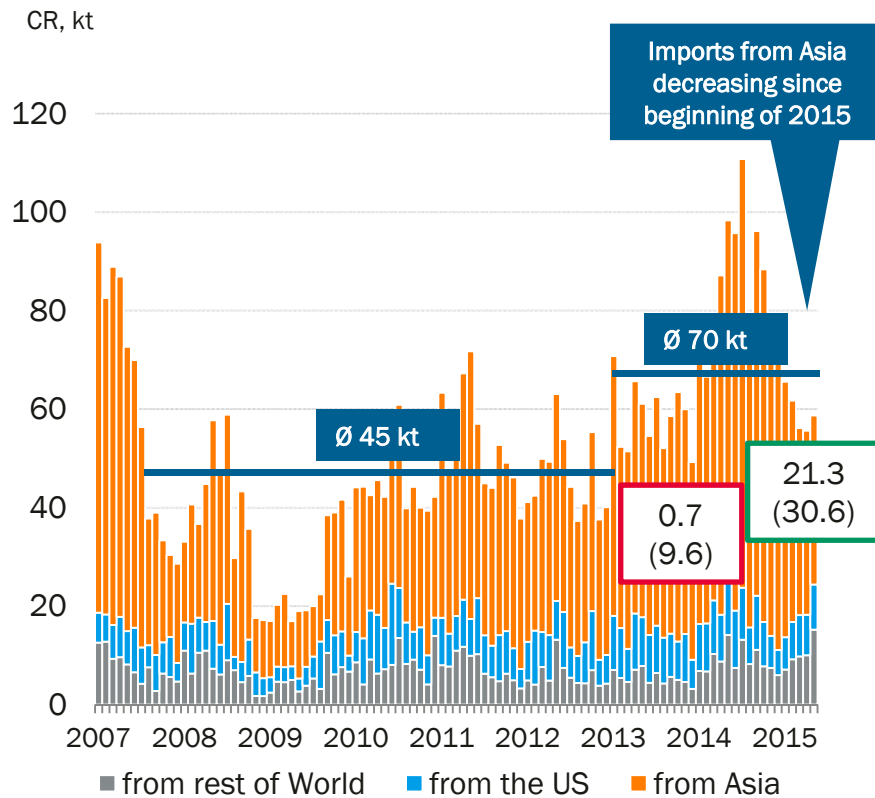
Nickel price and stocks ¹⁾



Imports into Europe eased further in Q2. Import pressure in the US remains strong

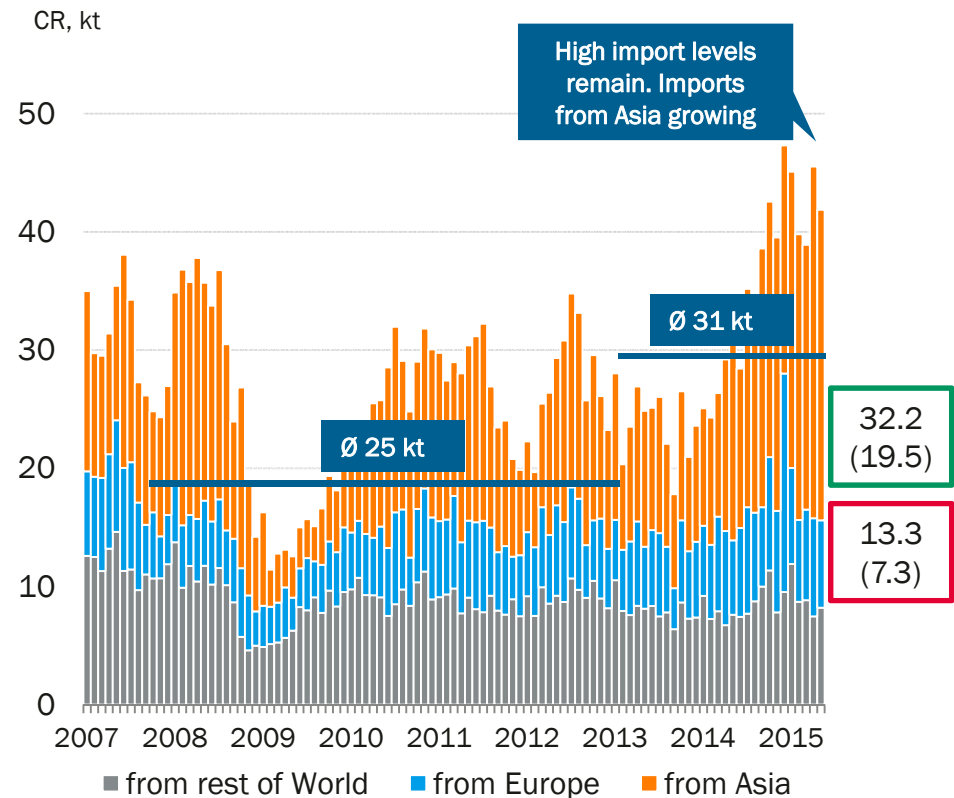
Third-country imports into Europe

Total market size 3.7 million tonnes in 2014*



Third-country imports into the US

Total market size 1.6 million tonnes in 2014*



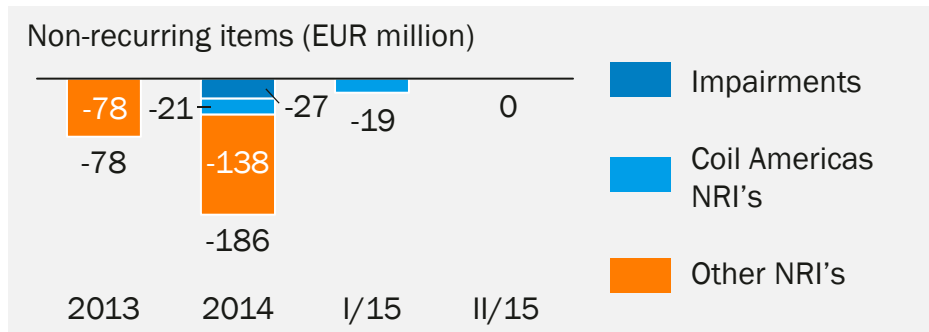
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1. Q2/15 overview and strategic priorities
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Q2 key financials overview

- Stainless steel deliveries at similar level with Q1
 - Stable in EMEA, Coil Americas down 11.9%
- Underlying EBIT declined driven by weak performance in Coil Americas
- No NRI's in Q2
- EUR -1 million net effect of raw material-related inventory and metal derivative gains/losses (Q1: 7 MEUR)
- Operating cash flow EUR -41 million

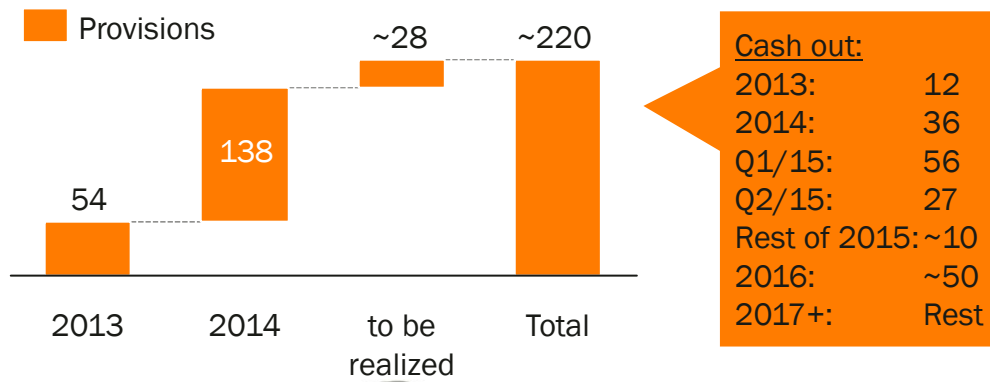
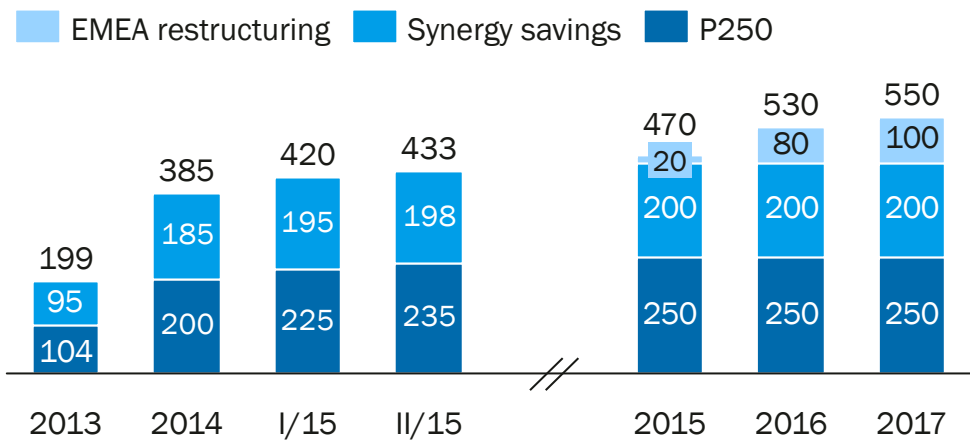
Group key figures				
EUR million	II/15	I/15	II/14	2014
Stainless steel deliveries, kt	616	620	675	2,554
Sales	1,694	1,768	1,753	6,844
EBIT	-26	-10	-10	-243
EBIT excl. NRI	-26	8	-3	-57
Underlying EBIT ¹⁾	-25	2	-6	-88
Operating cash flow	-41	-62	-257	-126
Capex (accounting)	35	26	33	127
Personnel at end of period	11,665	11,824	12,365	12,125



¹⁾ EBIT excl. non-recurring items, raw material-related inventory gains/losses and metal derivative gains/losses, unaudited

Good progress in cost saving programs

Cumulative savings 2013-2017 and related cash costs (EURm)



Cash out:

2013:	12
2014:	36
Q1/15:	56
Q2/15:	27
Rest of 2015:	~10
2016:	~50
2017+:	Rest

- EUR 13 million savings in Q2
- Total savings EUR 433 million vs. 2012
- Additional savings of ~EUR 37 million expected in H2, including EUR 20 million from the Bochum closure
- Total cash cost estimate for all three programs unchanged at ~EUR 220 million
- Cash outflow of EUR 27 million in Q2

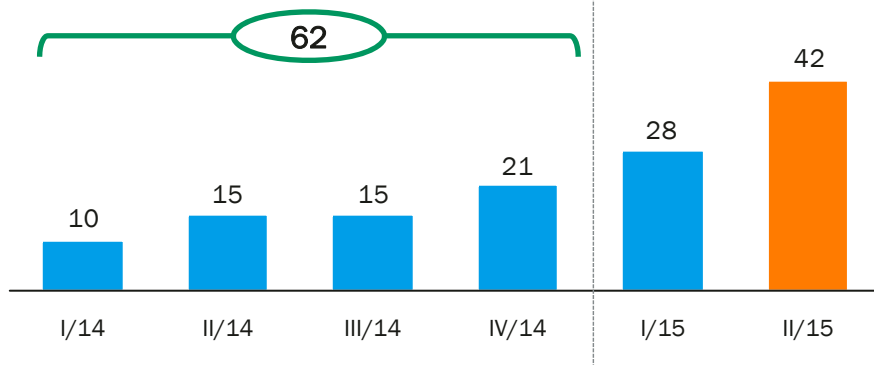


Coil EMEA

EMEA key figures

EUR million	II/15	I/15	II/14	2014
Stainless steel deliveries, kt	415	411	438	1,666
Ferrochrome external deliveries, kt	23	22	25	133
Sales	1,090	1,127	1,161	4,520
EBIT excl. NRI	56	48	14	78
Underlying EBIT	42	28	15	62
Operating capital	2,362	2,364	2,575	2,405

Underlying EBIT (EUR million)



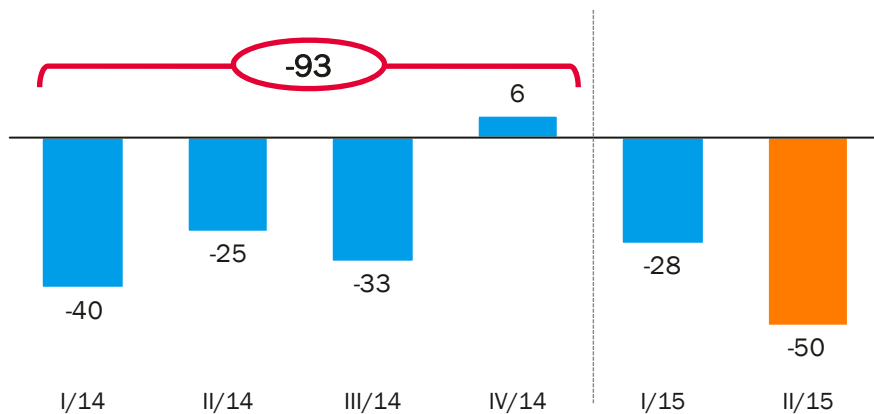
- Demand overall healthy, import pressure from China and Taiwan eases
- Base price up EUR 10/t, low nickel price
- Improved profitability
 - Progress in savings programs
 - Healthy utilization at Tornio and Avesta melt shops
- Production disturbances in hot rolling in Tornio affecting delivery performance
- Ferrochrome maintenance break completed, production 90 kt in Q2. FY15 production estimate 460 kt
- Q3 seasonally slow in Europe with lower volumes. Pressure on scrap prices

Coil Americas

Americas key figures

EUR million	II/15	I/15	II/14	2014
Stainless steel deliveries, kt	111	126	143	541
Sales	255	308	291	1,158
EBIT excl. NRI	-65	-30	-17	-82
Underlying EBIT	-50	-28	-25	-93
Operating capital	1,289	1,341	1,111	1,195

Underlying EBIT (EUR million)



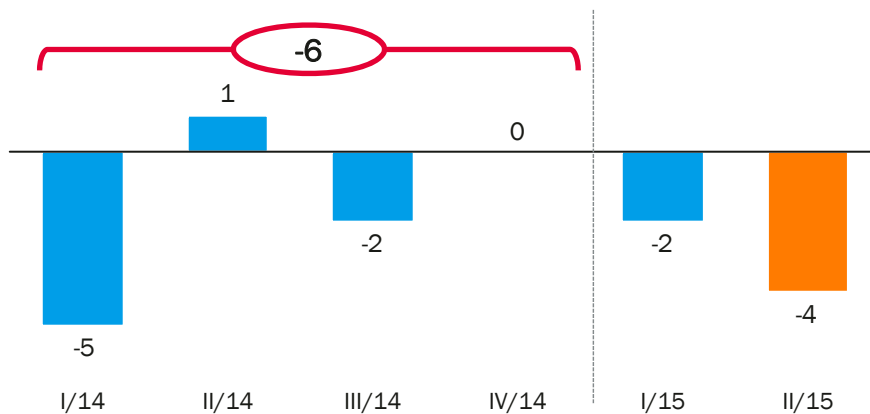
- Operating environment continued difficult
 - Weak demand from the distributor sector
 - US imports >32% in April-May
 - Base prices down by 80 USD/tonne in Q2 driven by sharp decline in alloy surcharge
- Very low deliveries of 111 kt
- Weak profitability
 - Low volumes
 - Declining prices
 - Increased operating costs due to low utilization rates
- Net effect of raw material-related inventory and metal derivative gains/losses negative EUR 15 million in Q2 due to lower nickel price
- H2 deliveries targeted to increase, FY2015 deliveries to remain below 540 kt
- Special measures to improve profitability ongoing

APAC

APAC key figures

EUR million	II/15	I/15	II/14	2014
Stainless steel deliveries, kt	61	52	58	220
Sales	129	112	118	444
EBIT excl. NRI	-5	-2	1	-6
Underlying EBIT	-4	-2	1	-6
Operating capital	183	202	183	184

Underlying EBIT (EUR million)



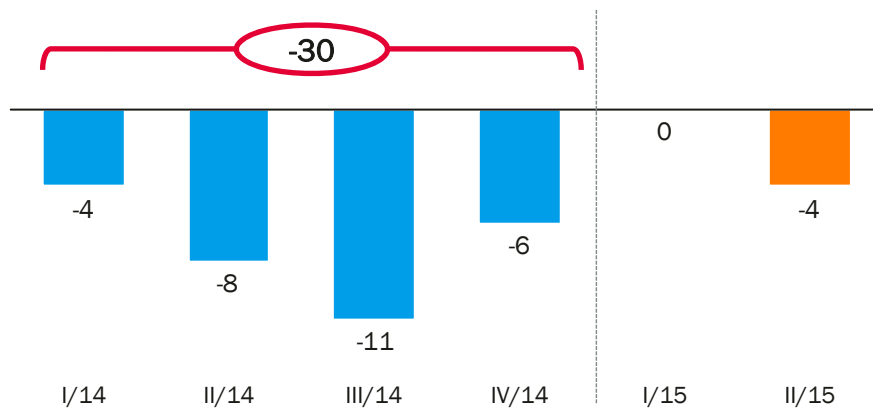
- Market continued weak in APAC region in line with slowing GDP growth in China
- Stainless steel prices further down in China; low nickel price, capacity additions to the market
- Deliveries picked up from the seasonally slow Q1
- Higher volumes were not enough to compensate for lower prices
- Underlying EBIT declined

Quarto Plate

Quarto Plate key figures

EUR million	II/15	I/15	II/14	2014
Stainless steel deliveries, kt	31	26	25	98
Sales	133	122	114	450
EBIT excl. NRI	-2	0	-9	-26
Underlying EBIT	-4	-0	-8	-30
Operating capital	228	224	253	218

Underlying EBIT (EUR million)



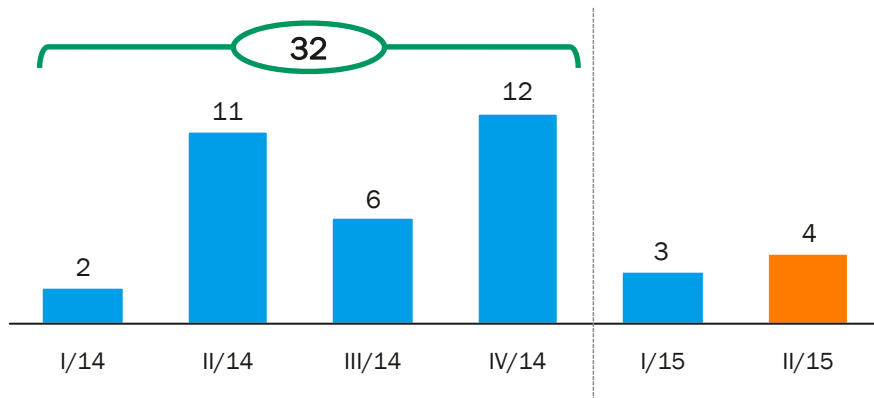
- Weak operating environment due to depressed investment climate and low nickel price
- Intense price pressure in Europe and the US
- Deliveries up 19% driven by Degerfors ramp-up
- Underlying EBIT at EUR -4 million
 - Low margin product mix
 - Price pressure and somewhat higher raw material costs
 - Transportation and hire work costs

Long Products

Long Products key figures

EUR million	II/15	I/15	II/14	2014
Stainless steel deliveries, kt	62	52	80	248
Sales	159	149	203	651
EBIT excl. NRI	5	4	14	33
Underlying EBIT	4	3	11	32
Operating capital	163	174	153	167

Underlying EBIT (EUR million)



- Weak demand driven by low nickel price and slow project activity
- Sluggishness of the European market impacted by weakness of the euro and subdued demand from the oil & gas sector
- Prices remained under pressure in Europe and also the US prices started to feel pressure
- Positive impact of higher volumes on profitability was limited as most of the additional volumes were internal slab deliveries with relatively low margins

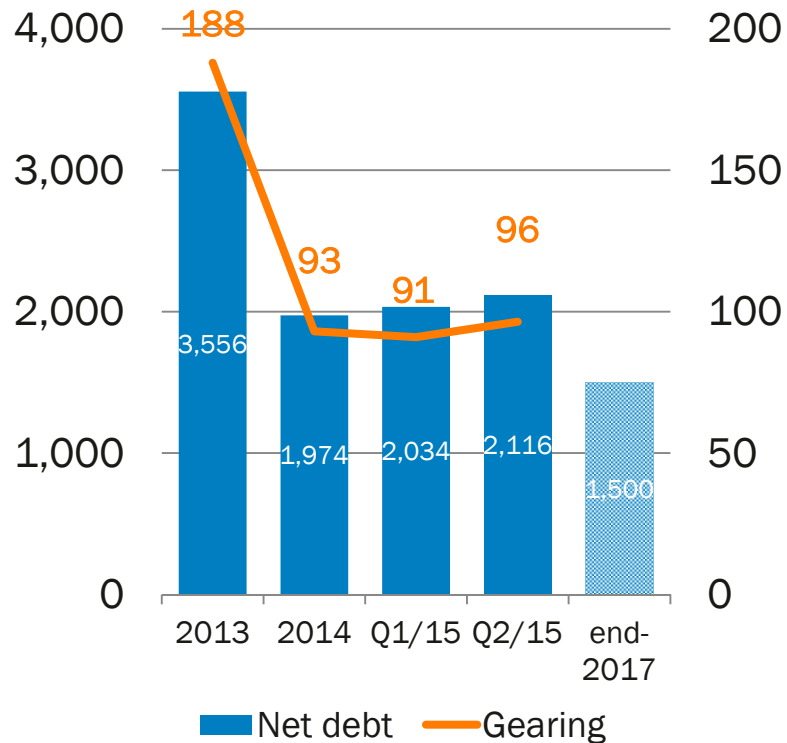
Operating cash flow

EUR million	II/15	I/15	II/14	2014
Net cash from operating activities	-41	-62	-257	-126
Net cash from investing activities	-34	-31	-69	-162
Free cash flow	-75	-93	-327	-289
Cash and cash equivalents	207	298	161	191

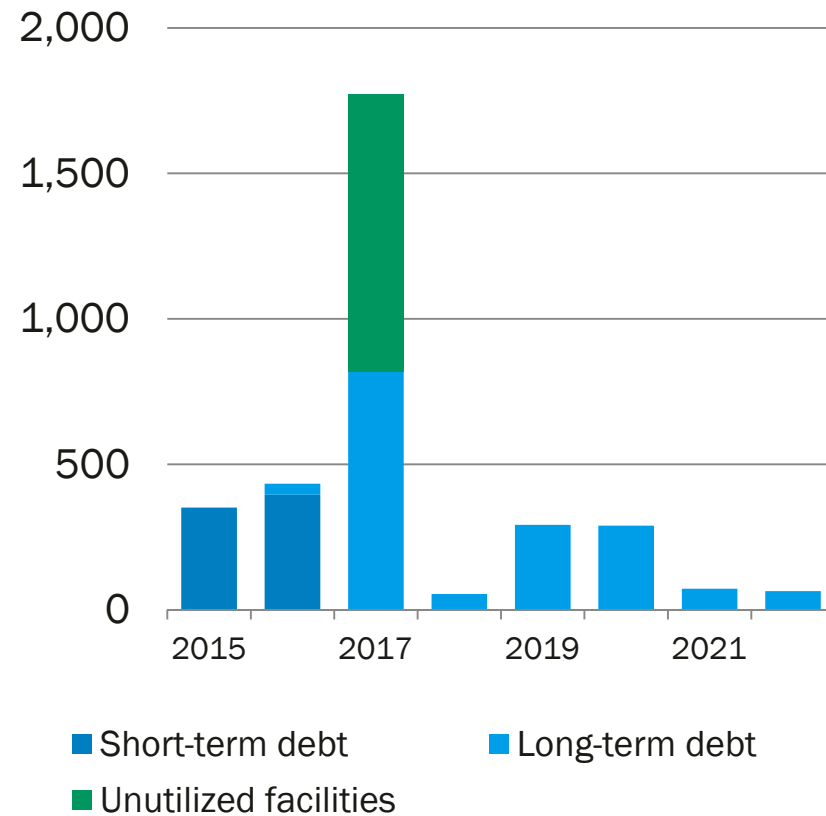
- Negative EUR 41 million operating cash flow
- Cash outflow mainly related to provisions and pension obligations
- Capex at moderate level
- Quarterly financing costs in line with full-year guidance
- Overall liquidity reserves at EUR 1.2 billion

Targeting net debt of below EUR 1.5 billion by the end of 2017

Net debt and gearing, EUR million and %



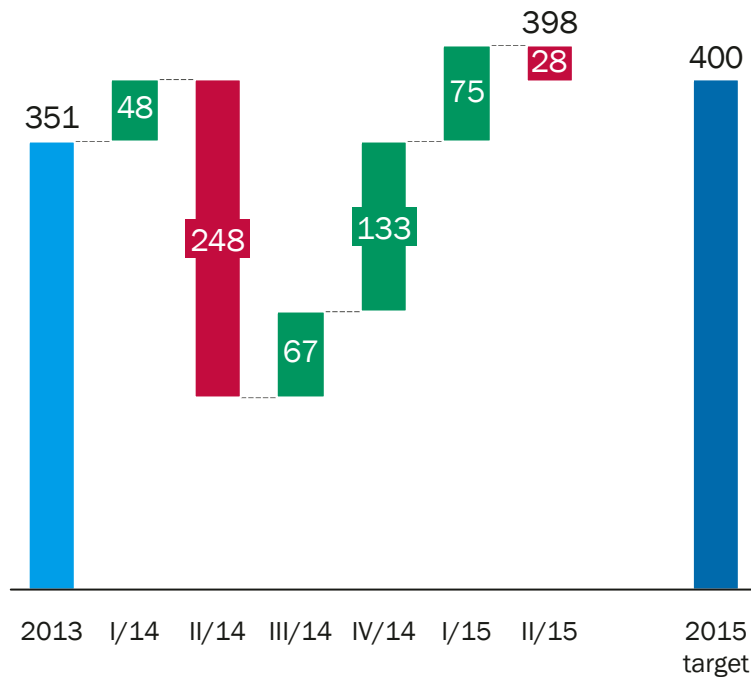
Debt maturity profile, EUR million



Targeting cumulative EUR 400 million release in 2015 from net working capital

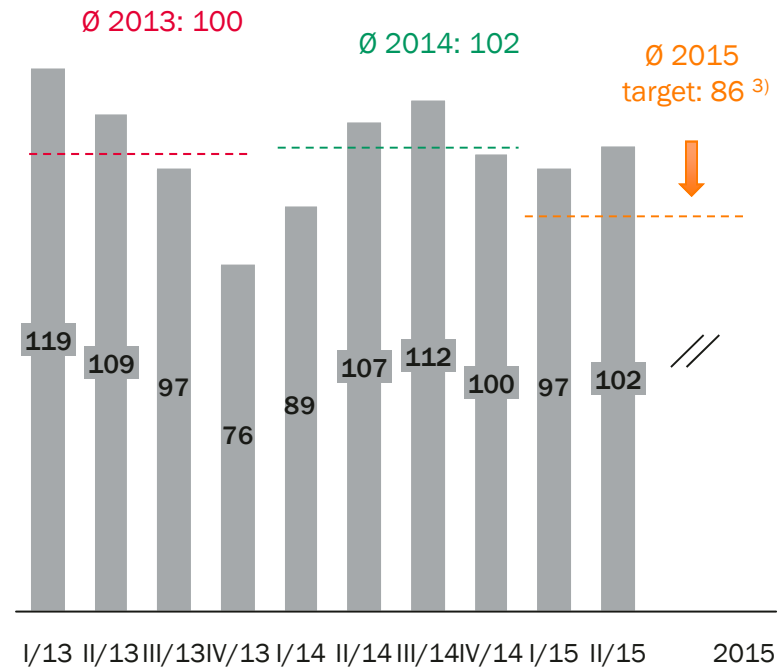
Cash flow from working capital change ¹⁾

EUR million



P400 program for further NWC release in 2015

Inventory days development ²⁾



Forward-looking inventory day definition displayed⁴⁾



- 1) Change in accounts payables, accounts receivables and inventories shown here differs from the change in WC as presented in CF statement which also includes provisions.
- 2) Figures exclude FeCr operations
- 3) 86 days target is an estimate based on similar sales configuration as 2014.
- 4) Since 2015 Outokumpu reports inventory days by comparing the current inventories with deliveries planned in following three months. History adjusted accordingly.

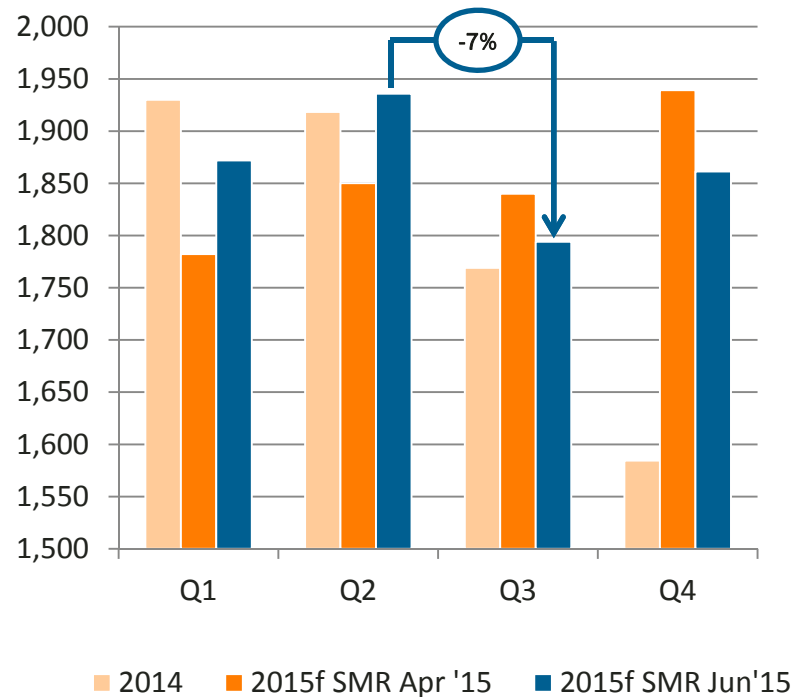
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Less pronounced Q3 decline in demand in EMEA expected, Americas stable

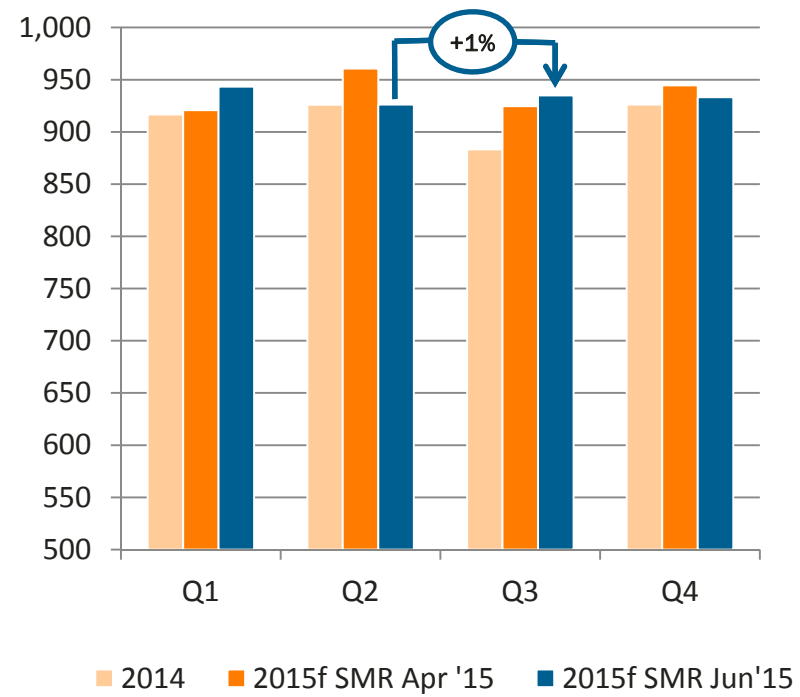
EMEA total stainless steel real demand¹⁾

1.000 tonnes



Americas total stainless steel real demand¹⁾

1.000 tonnes



Business and financial outlook for Q3 2015

Stainless steel end-user demand expected to remain relatively healthy in Q3

European markets seasonally slow during the summer months

In Americas, pressure from Asian imports continues and low nickel price puts constraints on distributor buying, pricing and rebound of the market

In APAC region, stainless steel market remains difficult

Outokumpu estimates

Somewhat lower delivery volumes q-on-q with seasonal decline in Europe and gradual increase in Americas

Underlying EBIT for Q3 to improve from Q2, but to remain negative mostly due to seasonal impacts.

In addition to the ongoing savings programs, special measures are taken to improve profitability in Coil Americas

With current prices, net impact of raw material-related inventory and metal derivative gains/losses on profitability is expected to be EUR 10-15 million negative



Clear priorities for second half of 2015

1. Turning Coil Americas back on track
2. Further progress in Coil EMEA
3. Continued progress in savings programs
4. Additional commercial and operational improvements in all business areas
5. NWC management and cash flows
6. Debt reduction and keeping financing costs intact



Q&A



For more information, call Outokumpu Investor Relations or visit 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

Tommi Järvenpää

Manager – Investor Relations
Phone +358 9 421 3466
Mobile +358 40 576 0288
E-mail: tommi.jarvenpaa@outokumpu.com

Päivi Laajaranta

Executive Assistant
Phone +358 9 421 4070
Mobile +358 400 607 424
E-mail: paivi.laajaranta@outokumpu.com



Appendix

Outokumpu balance sheet

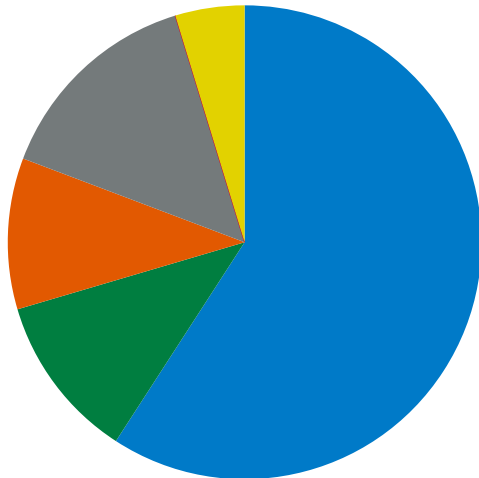
Assets (MEUR)	30.6.15	31.3.15
Non-current assets		
Intangible assets	572	576
Property, plant and equipment	3,138	3,237
Investments in associated companies and joint ventures	81	79
Other financial assets	35	28
Deferred tax assets	62	53
Defined benefit plan assets	40	39
Trade and other receivables	17	15
Total non-current assets	3,945	4,026
Current assets		
Inventories	1,552	1,628
Other financial assets	64	84
Trade and other receivables	798	853
Cash and cash equivalents	207	298
Total current assets	2,621	2,863
Total assets	6,566	6,889

Outokumpu balance sheet

Equity and liabilities (MEUR)	30.6.15	31.3.15
Total equity	2,195	2,223
Non-current liabilities		
Non-current debt	1,576	1,732
Other financial liabilities	12	16
Deferred tax liabilities	39	36
Defined benefit and other long-term employee benefit obligations	332	392
Provisions	113	140
Trade and other payables	47	47
Total non-current liabilities	2,119	2,364
Current liabilities		
Current debt	747	600
Other financial liabilities	64	117
Provisions	21	26
Trade and other payables	1,420	1,559
Total current liabilities	2,252	2,303
Total equity and liabilities	6,566	6,889

Cost analysis Q2 2015

Operative cost components ¹⁾



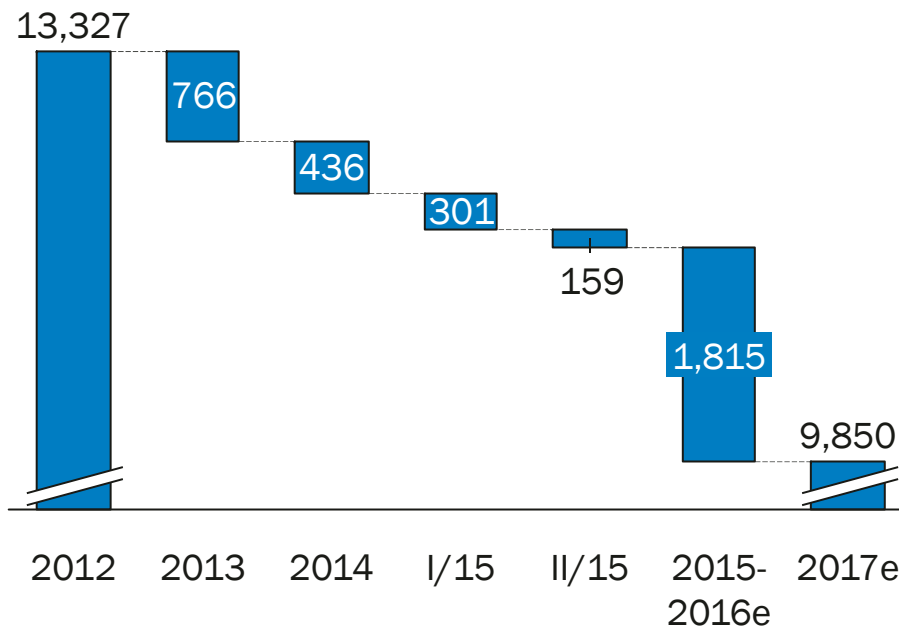
- Raw materials
- Personnel
- Energy and consumables
- Other cost of sales
- SG&A (excl. personnel and D&A)
- D&A total

Comments

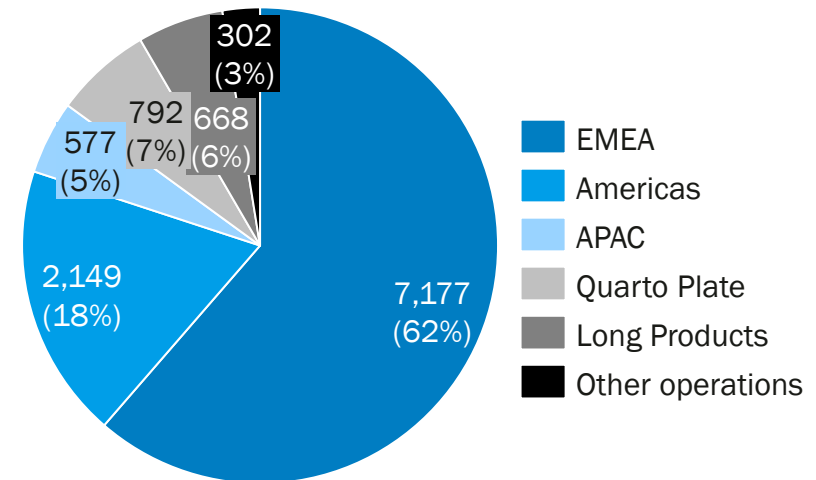
- Raw materials account for around 59% of the total operative costs of the Group
- Energy and other consumables account for some 10-15% of the total operative costs
- Personnel expenses some 10% of the total operative costs
- Other cost of sales includes e.g. freight, maintenance and rents and leases

Headcount reductions

Total headcount reduction ¹⁾



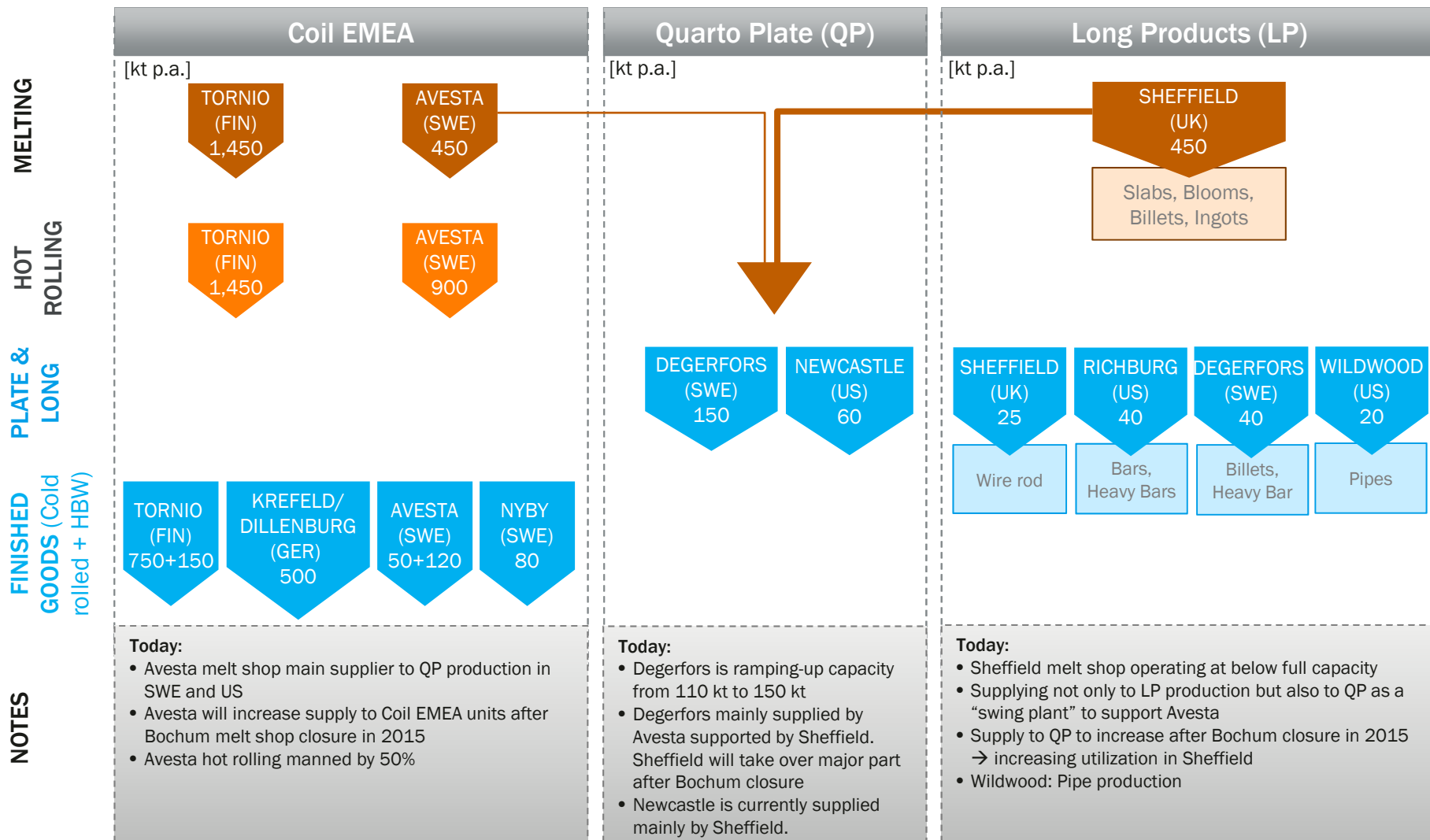
Personnel per BA at the end of Q2/15



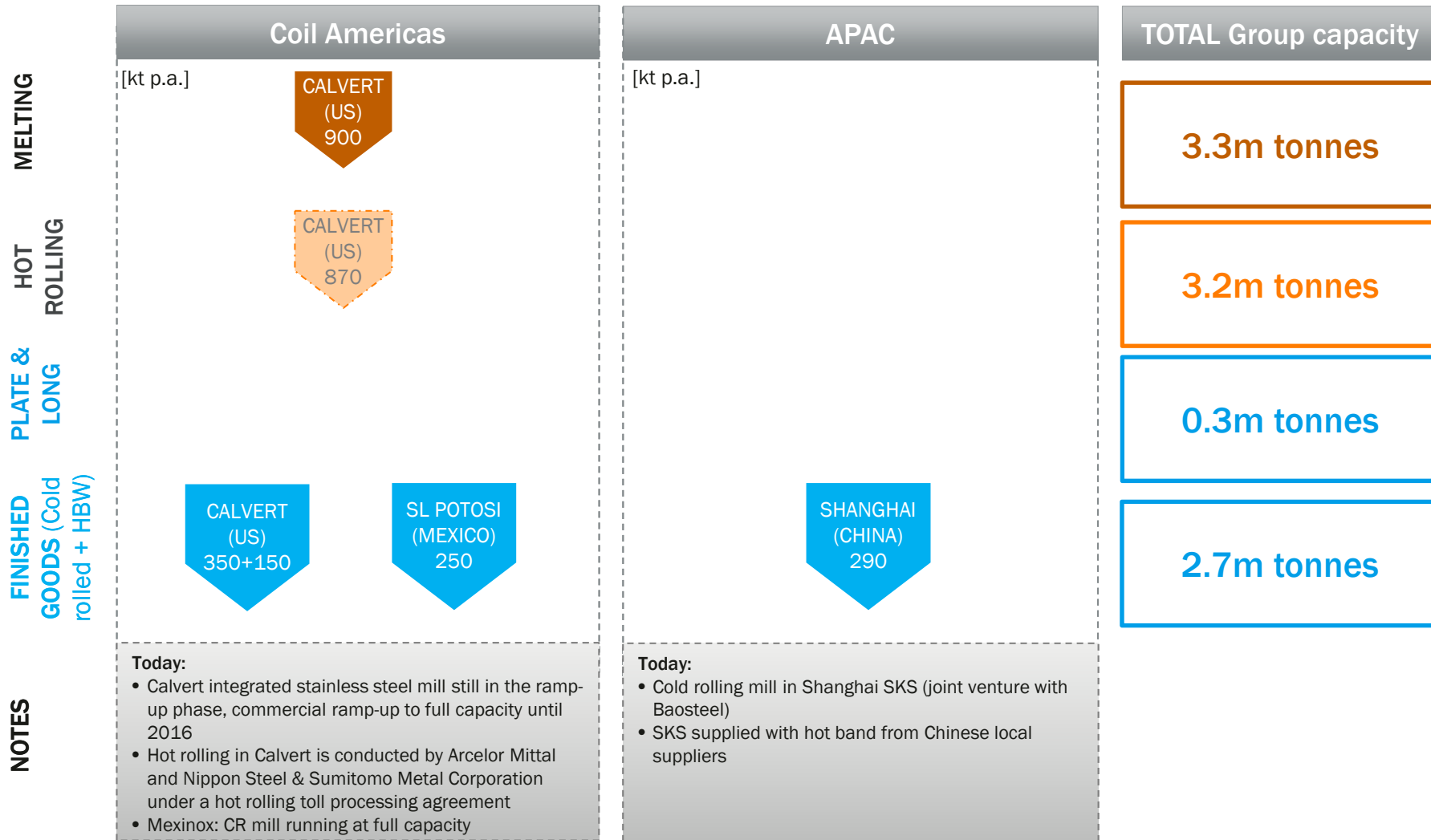
- Overall target is to reduce global headcount by up to 3,500 between 2013–2017

1) 2012: Total Group excl. OSTP, Terni remedy assets, VDM, certain service centers (Willich initial remedy headcount)

Capacities and production flow following restructuring



Capacities and production flow ('to be' state)



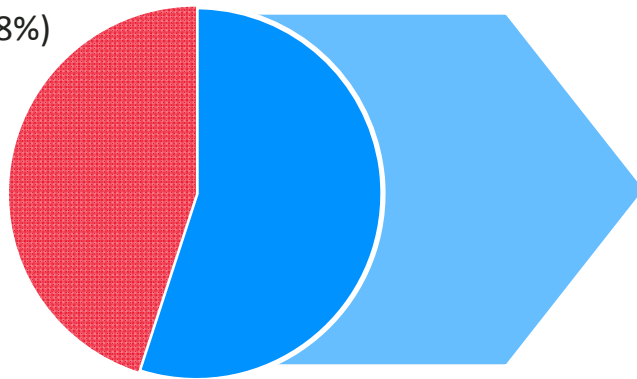
Balanced customer base across industries

Sales by customer segment ¹⁾

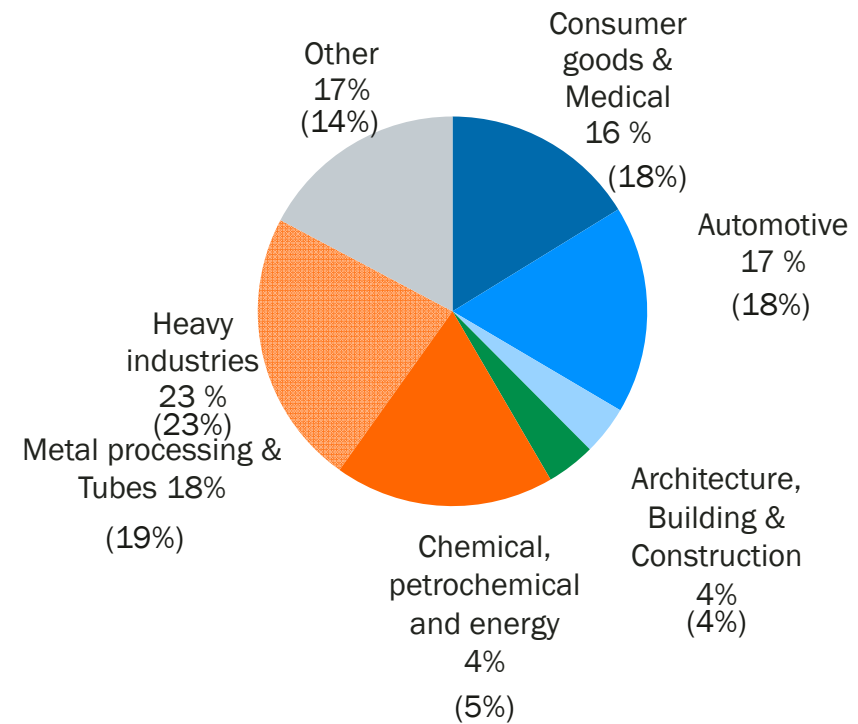
Sales by end-customer segment ¹⁾

Healthy balance between end-customer segments across both investment and consumer driven industries

Distributors
45% (48%)

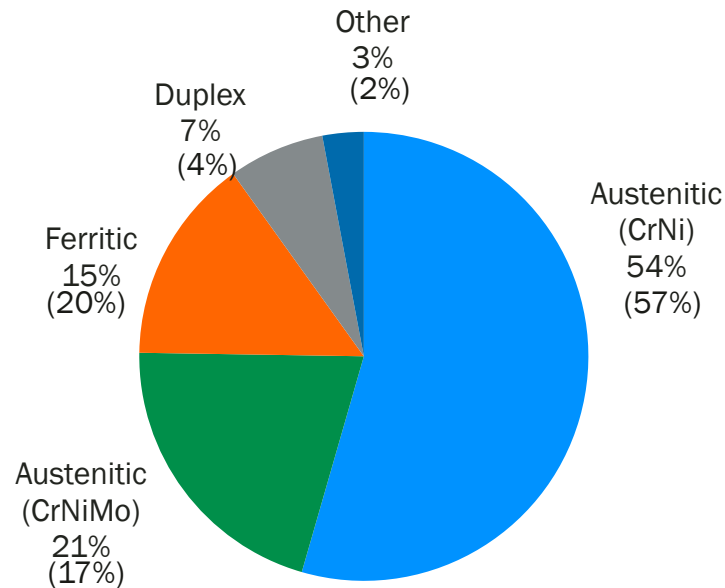


End users &
processors 55%
(52%)



Broadest product portfolio across stainless steel

Deliveries by product grade ¹⁾



- Outokumpu has a broad product portfolio to serve all customers
- Significantly higher share of ferritic grades leads into reduced sensitivity to nickel price volatility²⁾
- Outokumpu product mix closely resembles the overall market mix by grade

All product forms offered

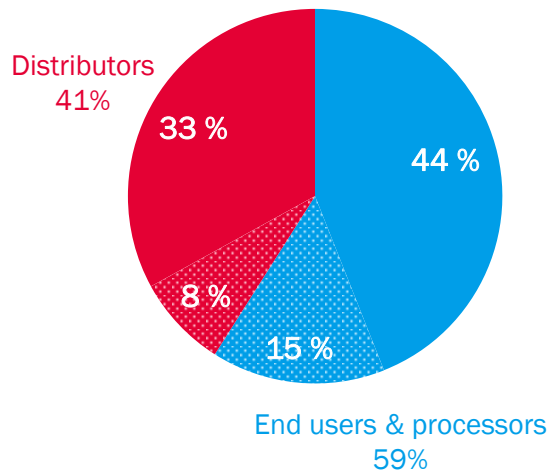


1) Management estimates Q2 2015, for continuing operations. Q1 2015 figures in parenthesis

2) Standalone Outokumpu had only a 5% share of ferritics vs. ~20% for the combined entity.

Balanced customer base and comprehensive service center network in Europe

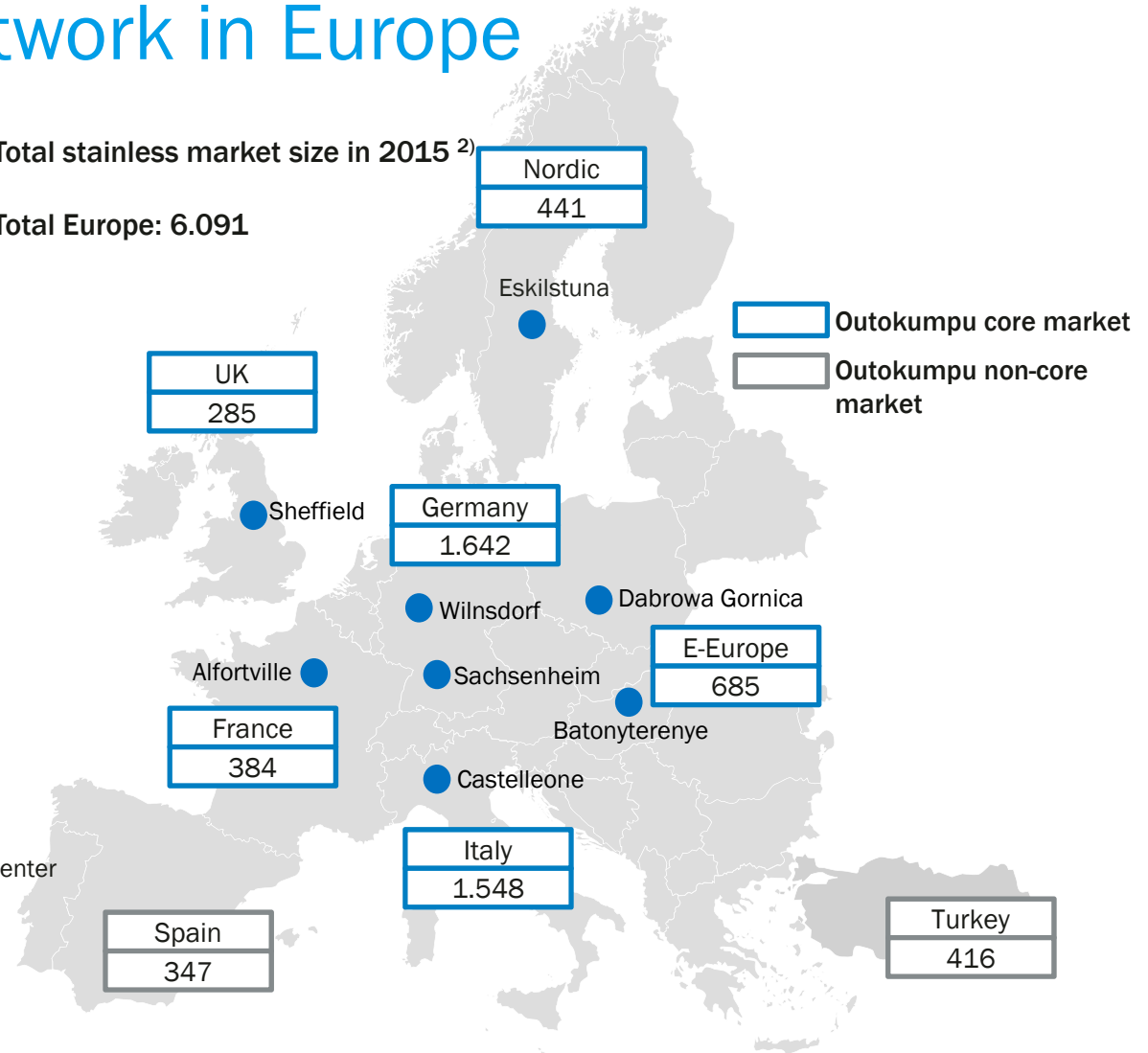
Coil EMEA sales by customer segment ¹⁾



- 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 ²⁾

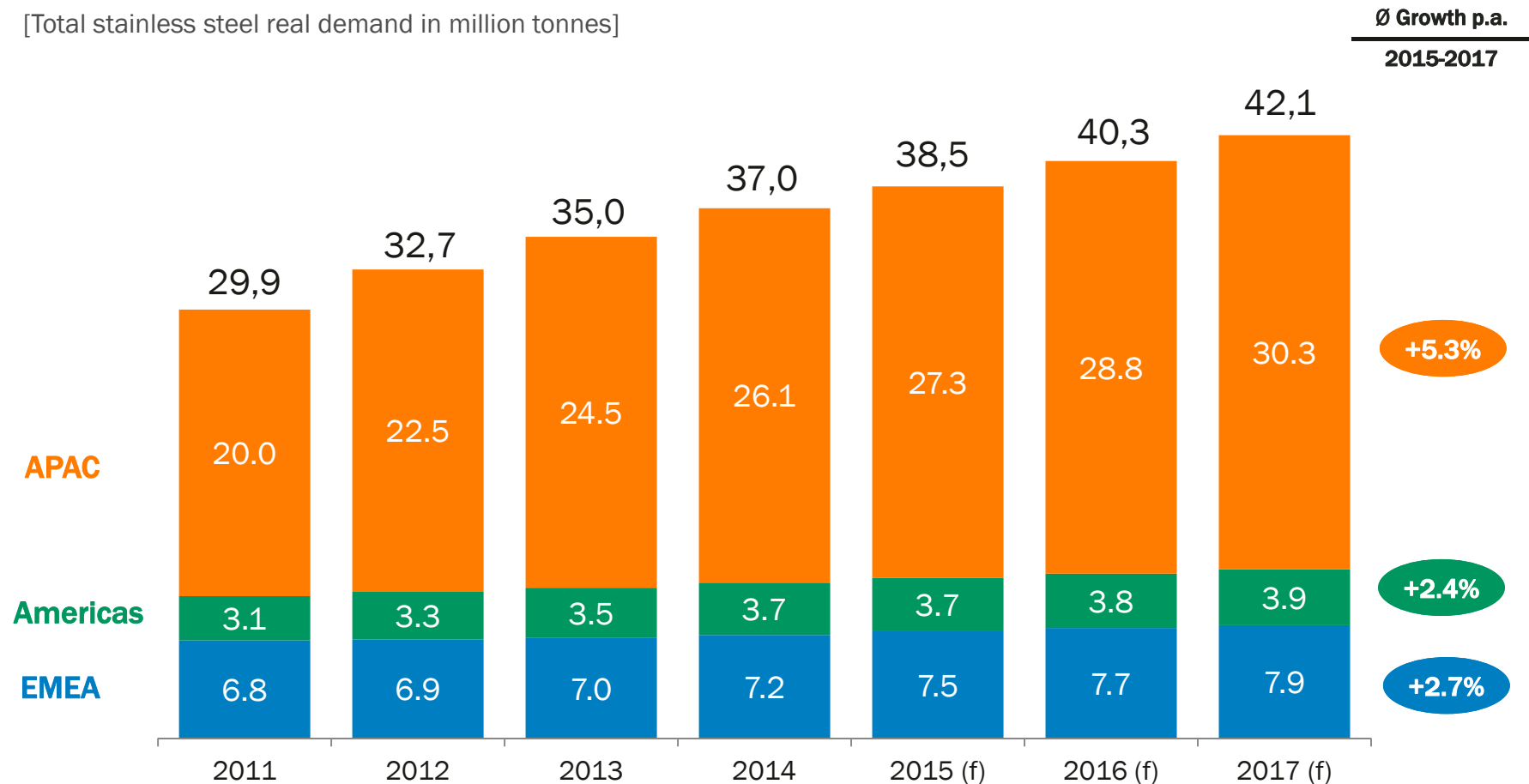
Total Europe: 6.091



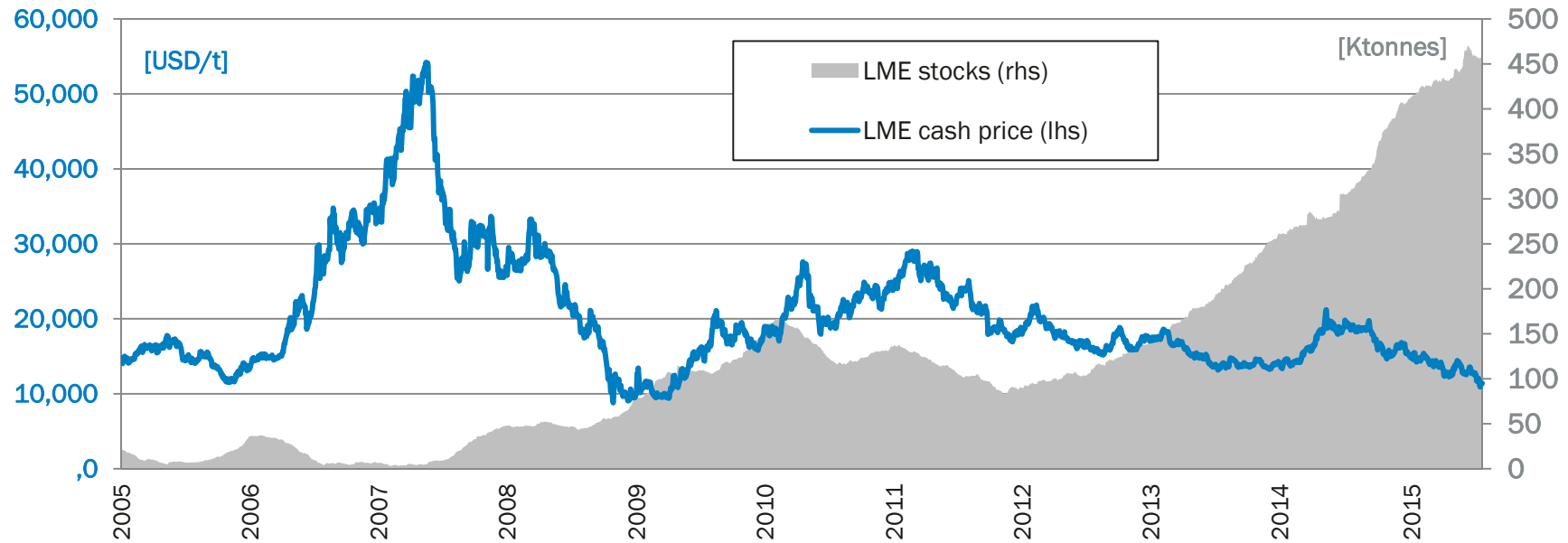
1) Coil EMEA sales Q2/2015, for continuing operations.
 2) Source: SMR Real Demand June 2015. Total stainless = rolled & forged, excl. 13Cr tubes, profiles

Despite slowing from ~8% p.a. in 2011-2015, APAC still to be fastest growing region

[Total stainless steel real demand in million tonnes]

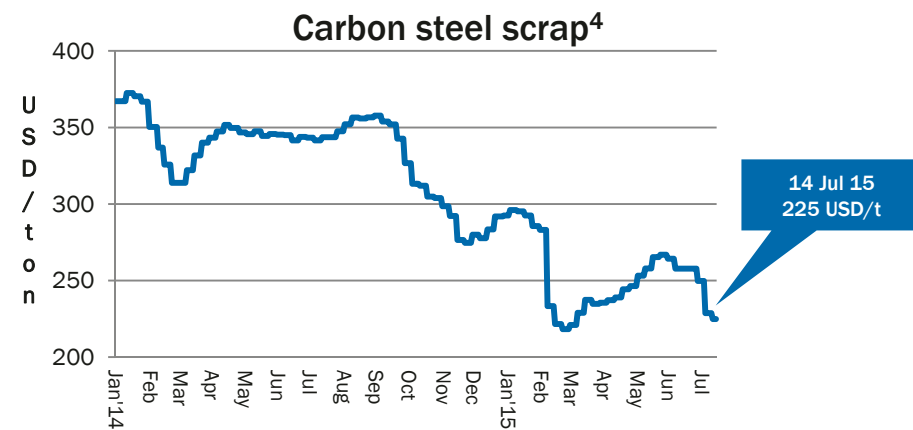
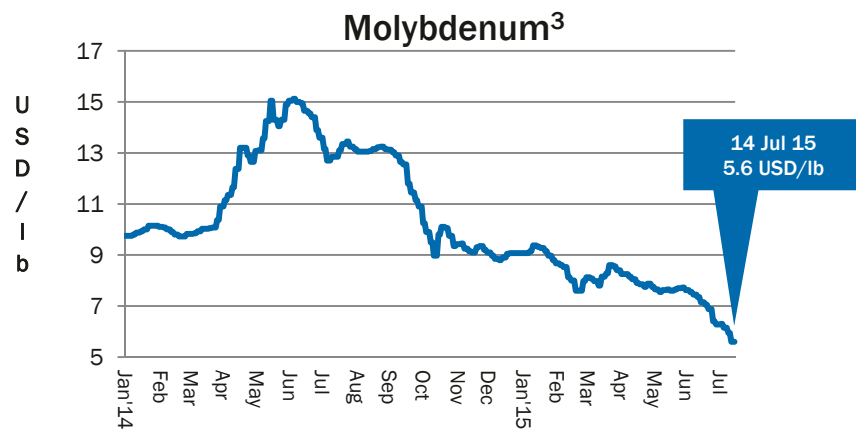
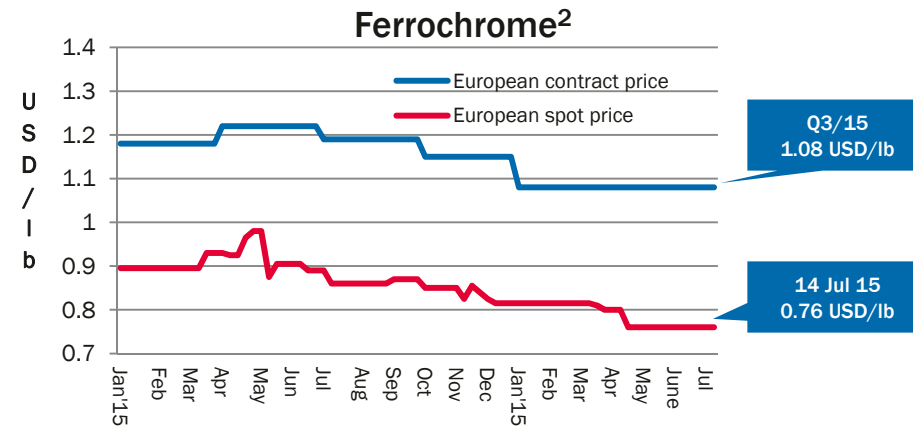
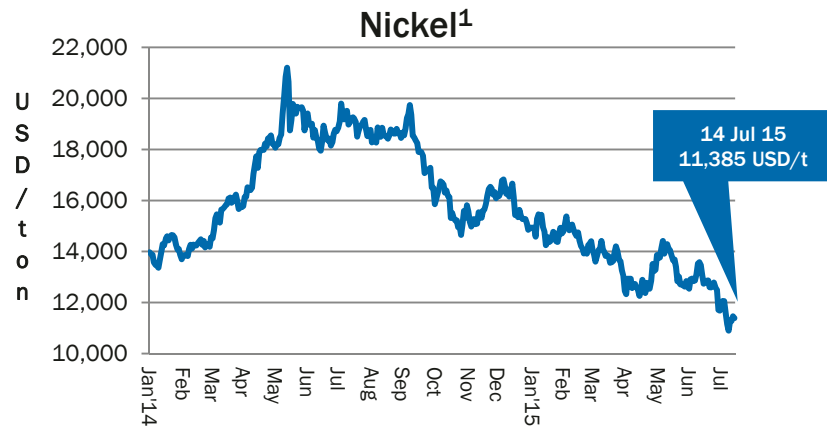


Nickel price development



- The Nickel price staged some recovery from mid-April on weakening US dollar and renewed investor interest but subsequently weakened on soft demand from stainless steel sector, high LME stocks and worries over Chinese economy. Closing price of the quarter was 11,680 USD/tonne, the lowest value of the quarter. The average price in the quarter was 13,015 USD/tonne, 9.3% lower than 14,348 USD/tonne in the first quarter of 2015
- Despite easing from the all-time highs LME stocks still at ~454kt, more than 20% of annual consumption and down 2% in last month, but up 10% this year.

Raw materials - price development



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