

Interim report Q2/2016

CEO Roeland Baan
CFO Chris de la Camp

July 26, 2016

Today's attendees of Outokumpu



Roeland Baan
CEO



Chris de la Camp
CFO



Tommi Järvenpää
Director
Investor Relations

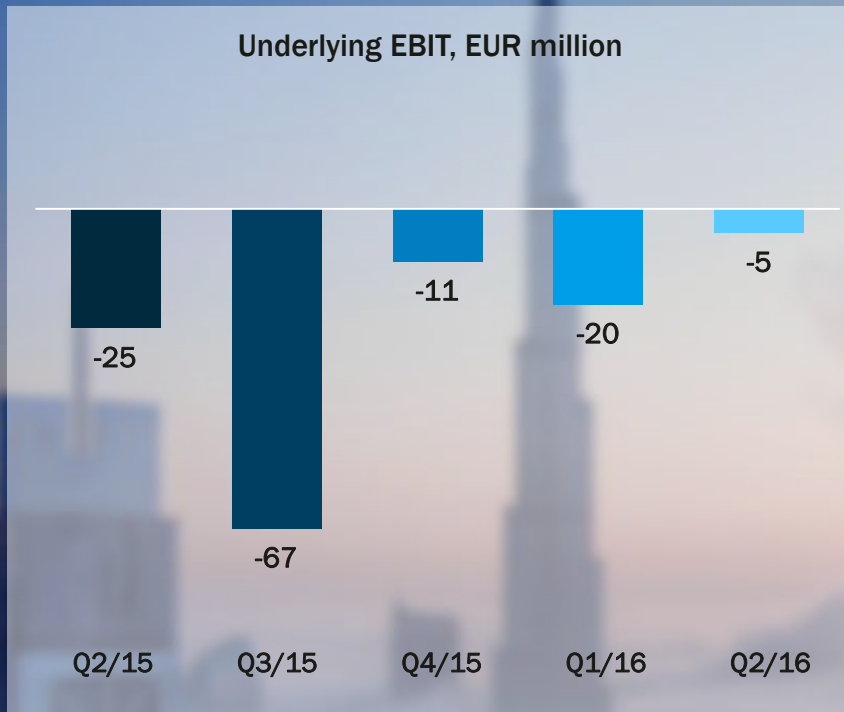
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Our vision

To be the best value creator
in stainless steel by 2020
through customer orientation
and efficiency.

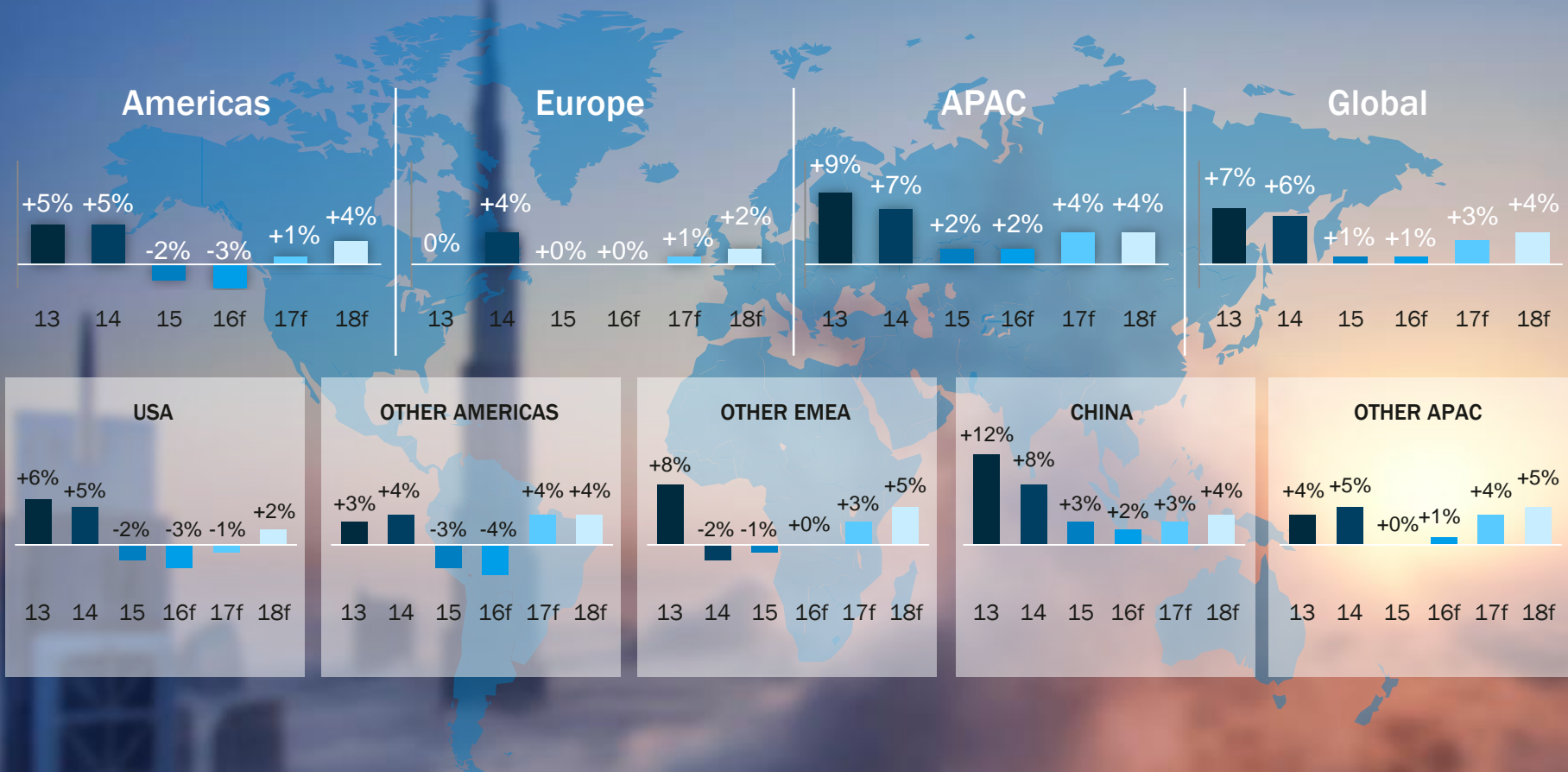
Gaining momentum in Q2



- Record-high deliveries and reduction in production costs in the Americas
- Cost savings continued in Europe
- Net working capital released further
- Positive cash flow
- Net debt reduced

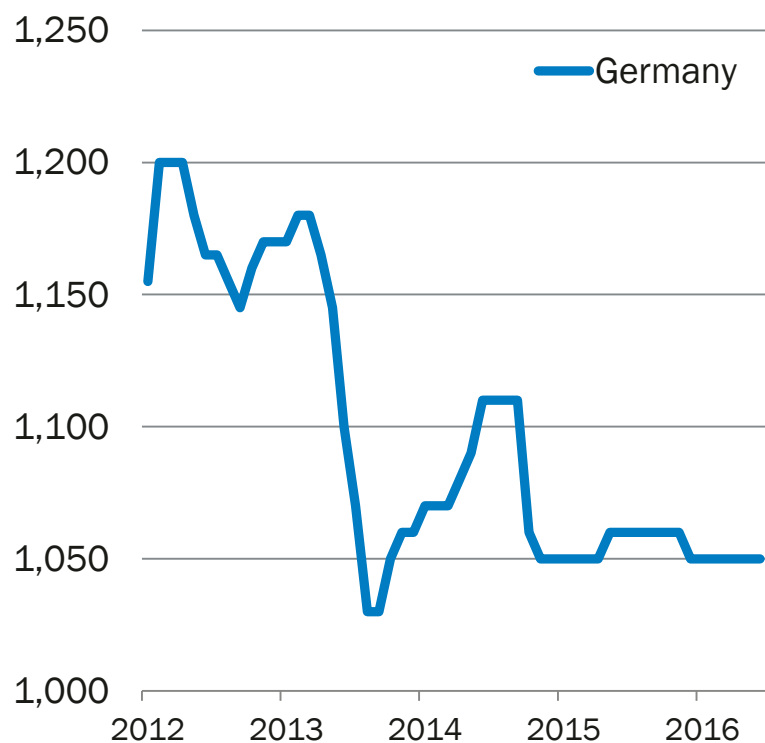
- Low ferrochrome prices impacting Europe's profitability
- Lower deliveries in Europe

~1% demand growth expected for 2016

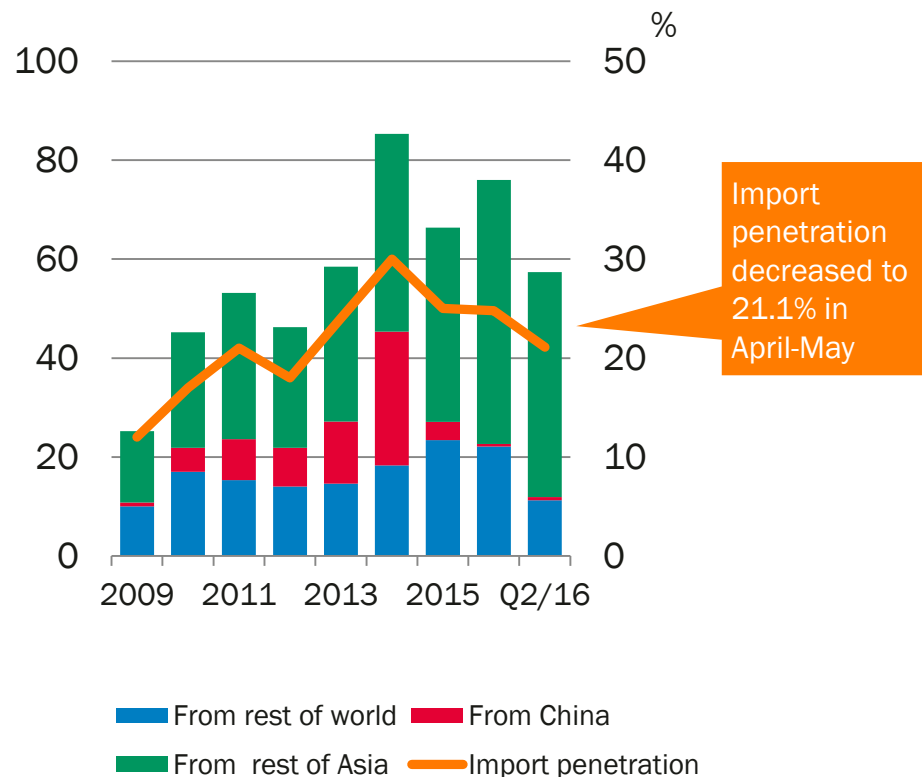


European base prices continued to be stable

European base prices¹, EUR/tonne

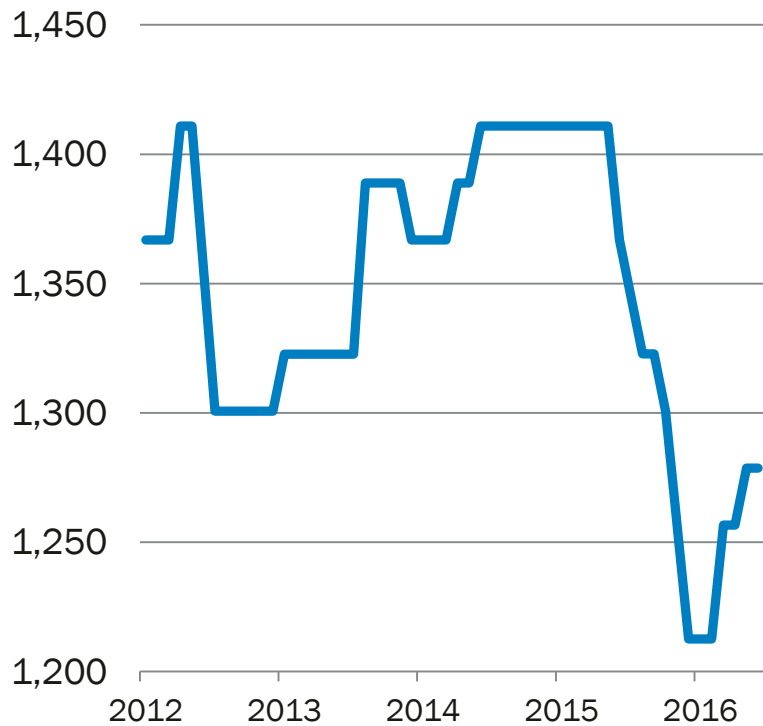


Third-country imports² into Europe, 1,000 tonnes

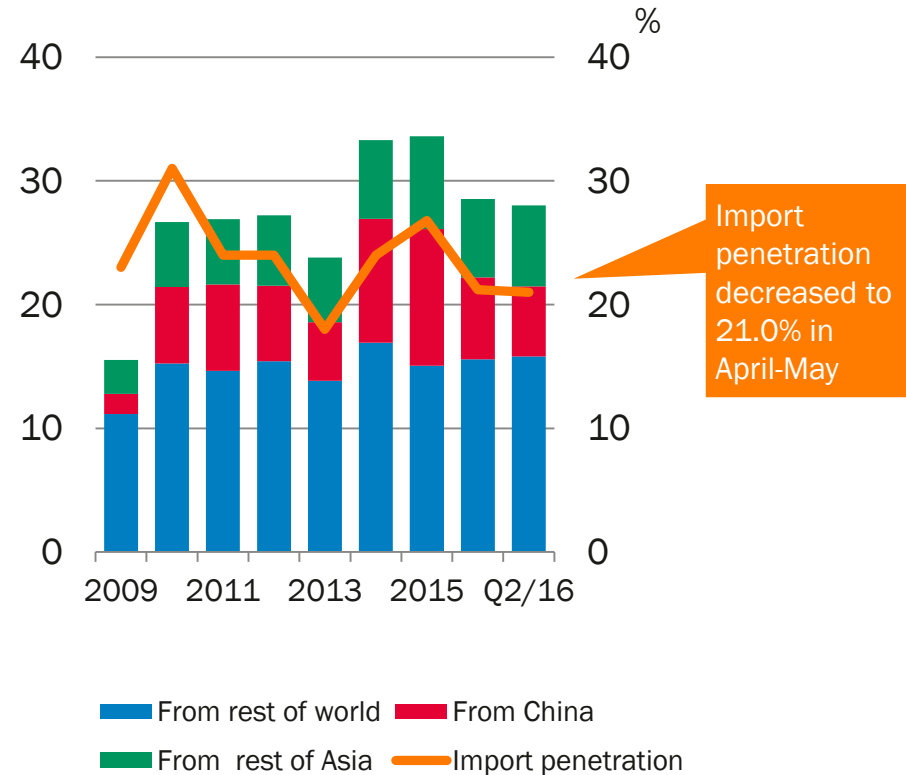


American base price increases gaining traction

US base prices¹, USD/tonne

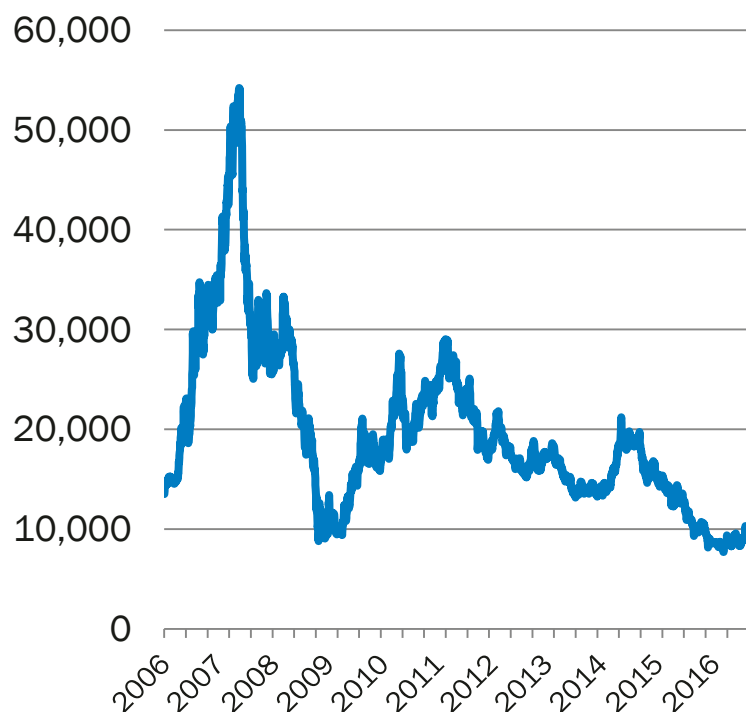


Third-country imports² into the US, 1,000 tonnes

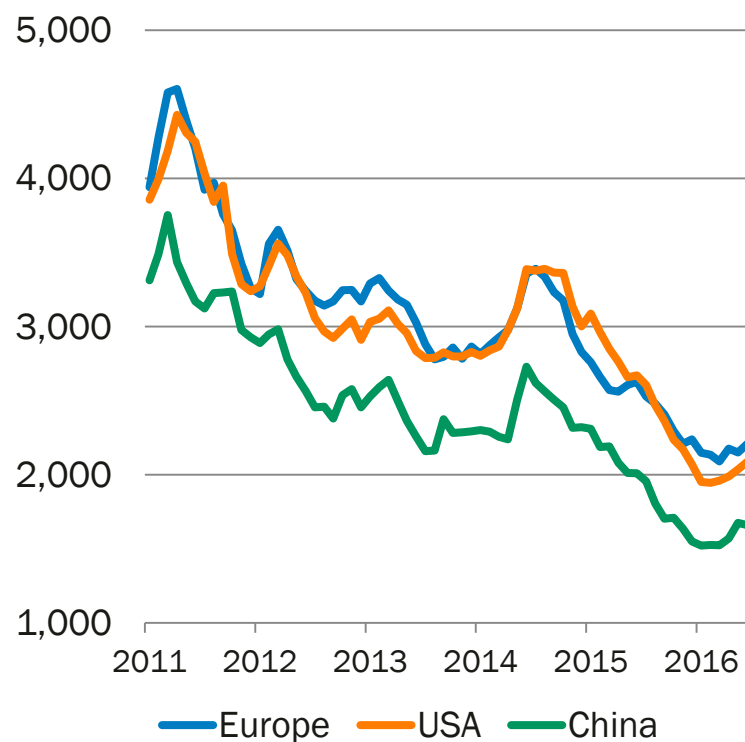


Volatile nickel price still at low levels

Nickel price, USD/tonne



Transaction prices 304 stainless, USD/tonne



Q2 key financials

Deliveries grew driven by the Americas and Long Products

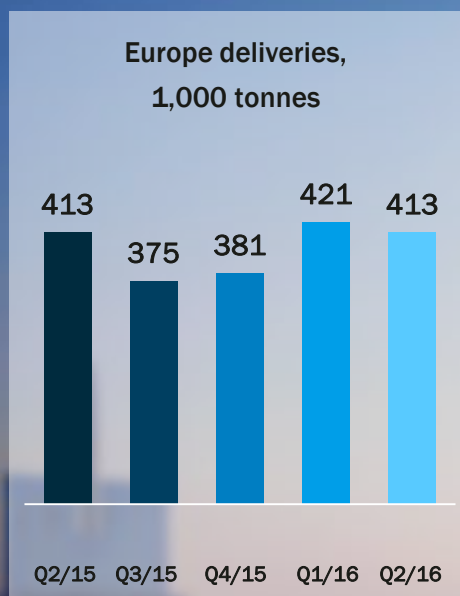
Sales down by 0.5% mainly due to lower deliveries Europe

Underlying EBIT improved driven by higher delivery volumes and decrease in production costs

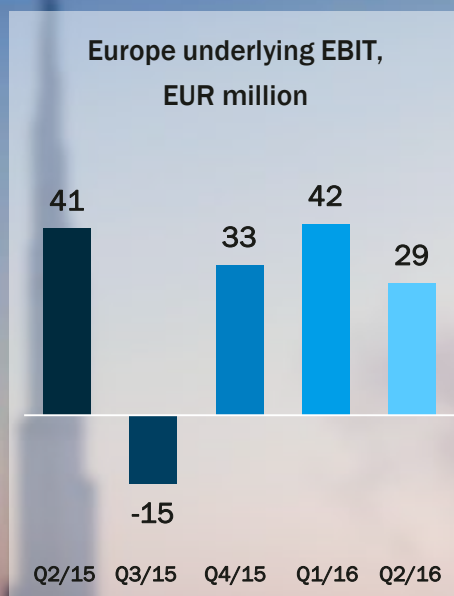
Positive operating cash flow of EUR 54 million

Key figures	Q2/16	Q1/16	2015
Stainless steel deliveries, 1,000 tonnes	629	610	2,381
Sales, EUR million	1,379	1,386	6,384
Underlying EBITDA, EUR million	51	38	196
Underlying EBIT, EUR million	-5	-20	-101
EBIT, EUR million	6	-12	228
Net result, EUR million	-20	-41	86
Operating cash flow, EUR million	54	74	-34
Net debt, EUR million	1,485	1,551	1,610
Capital expenditure, EUR million	28	32	154
Personnel at the end of the period	10,645	10,920	11,002

Europe's profitability impacted by low ferrochrome prices



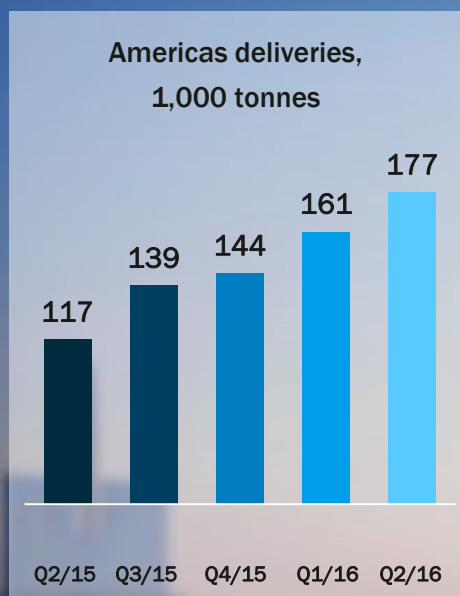
Deliveries decreased by 1.9%



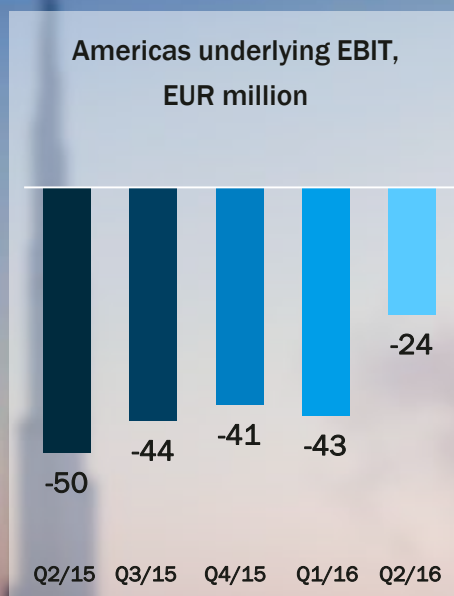
Decrease in profitability due to lower ferrochrome prices, lower stainless steel deliveries and higher raw material prices

- Market relatively healthy
- Uncertainties in general investment climate impacting plate products
- Base prices remained flat
- Ferrochrome production 135,000 tonnes
- EMEA restructuring program savings of EUR 15 million
- Adjustments:
 - EUR 29 million redundancy costs
 - EUR 7 million net effect of raw material-related inventory and metal derivative gains/losses

Americas achieved record-high deliveries and improved efficiency



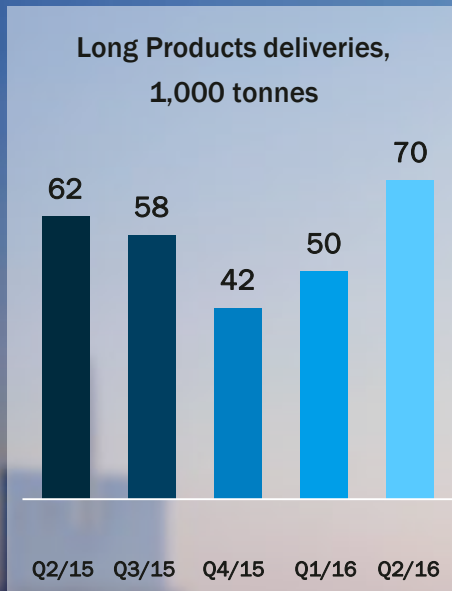
Deliveries increased by 9.9% to record-high 177,000 tonnes



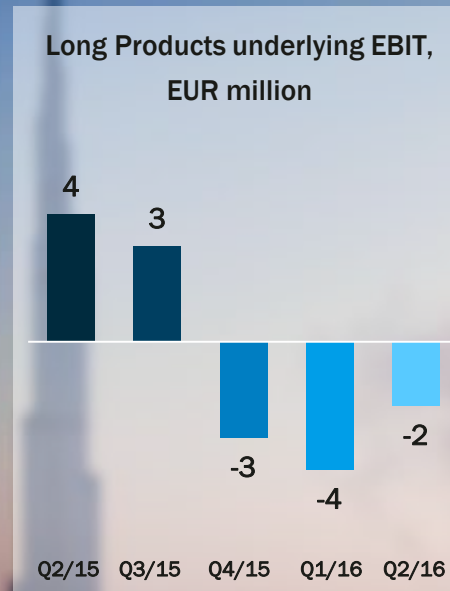
Underlying EBIT improved as a result of higher deliveries, improved efficiency and lower production costs in Calvert

- Number of positive market developments
 - Apparent consumption grew by 2.1%
 - Ongoing antidumping investigation curbed Chinese imports
 - Distributors started to restock
 - Further price increases announced
- 14% reduction in variable costs
- Base price in deliveries up by USD 70/tonne vs. Q1
- Adjustments:
 - EUR 2 million redundancy costs
 - EUR -1 million adjustment to earlier insurance compensation
 - EUR 8 million net effect of raw material-related inventory and metal derivative gains/losses

Long Products' earnings impacted by derivative losses



Deliveries up by 40% driven both by internal slab deliveries, as well as growth in external customer deliveries



Underlying EBIT still negative as higher deliveries were offset by the GBP derivative losses of approx. EUR 5 million, and a weak product mix

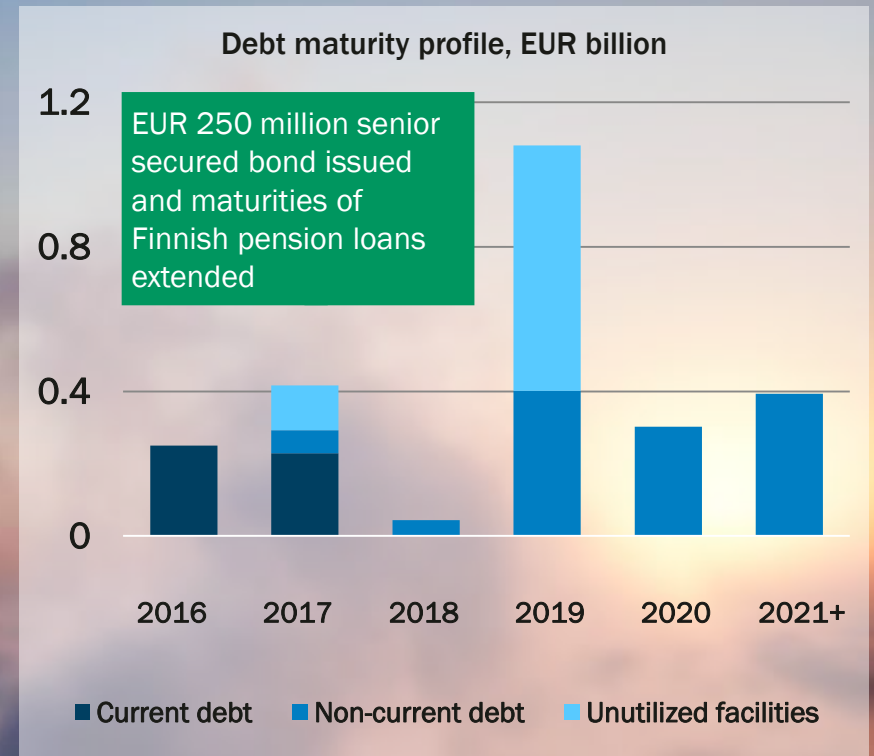
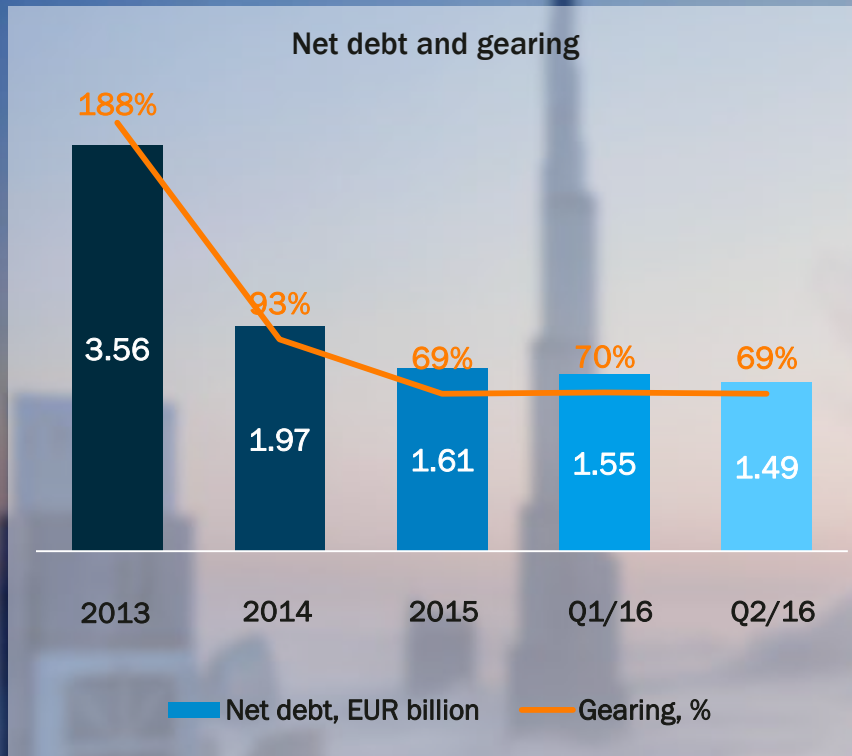
- Growing demand across all markets, especially in Europe
- Oil & Gas related project activity remained subdued
- Base prices remained at Q1 levels in both Europe and the US
- Order intake improved
- Adjustments:
 - EUR 1 million redundancy costs
 - EUR -0 million net effect of raw material-related inventory and metal derivative gains/losses

Positive operating cash flow

EUR million	Q2/16	Q1/16	2015
Net cash from operating activities	54	74	-34
Net cash from investing activities	-22	-17	239
Cash flow before financing activities	32	57	205
Cash and cash equivalents	156	166	186

- Net working capital release of EUR 117 million during H1/16 (excluding provisions and pension obligations)
- Financing costs of EUR 28 million
- Overall liquidity reserves at EUR 800 million
- Net debt decreased by EUR 66 million

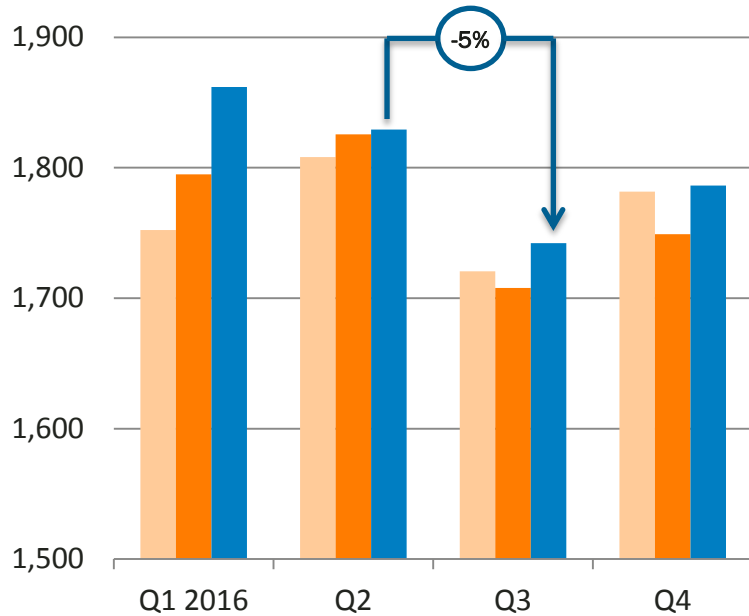
Net debt decreased to below EUR 1.5 billion



Real demand in Q3 expected to slow down in EMEA and Americas

EMEA total stainless steel real demand¹

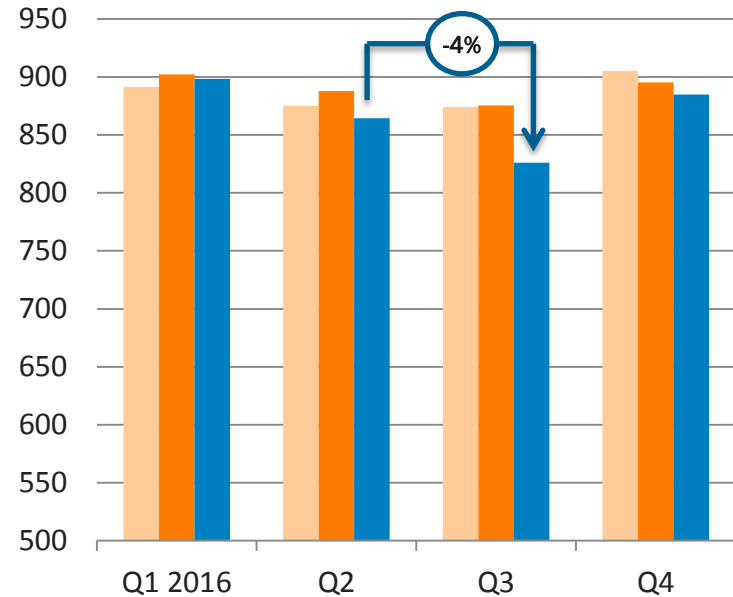
1,000 tonnes



SMR Feb'16 SMR Apr'16 SMR May'16

Americas total stainless steel real demand¹

1,000 tonnes



SMR Feb'16 SMR Apr'16 SMR May'16

Business and financial outlook for Q3/2016

Market commentary

In Europe

- Stock levels among distributors at historical averages
- Underlying demand in key sectors is expected to continue relatively healthy, but demand will be impacted by seasonality

In Americas

- Stock levels among distributors below historical averages
- Price increases are gaining traction
- Antidumping ruling expected to curb unfair competition

Outokumpu estimates for Q3

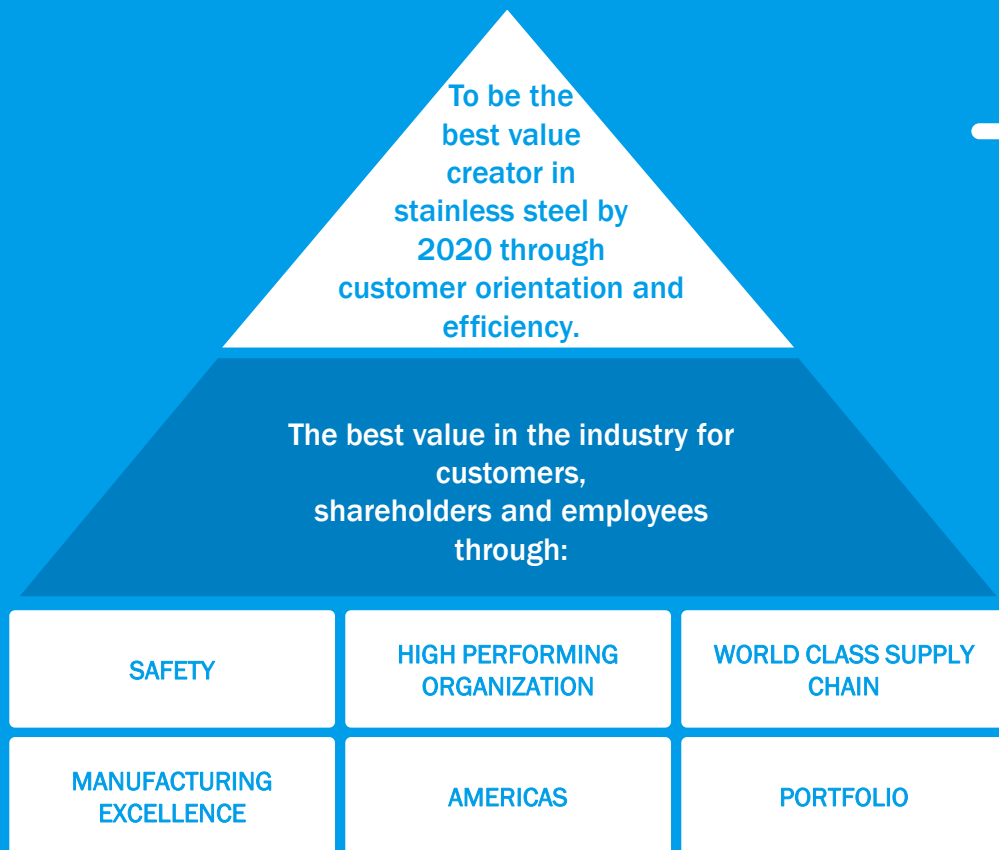


Delivery volumes to be sequentially flat

Pace of the efficiency improvements to continue and the Group's underlying EBIT to turn positive

Ferrochrome operations will be impacted by major maintenance work, partly offsetting the positive impact of higher ferrochrome prices

Improving competitiveness and financial performance



Financial targets for 2020

1

EBIT
EUR 500 million

2

ROCE
12%

3

Gearing
<35%

Immediate actions for a step change in cost and competitive position

1

New organizational set-up

2

SG&A cost reduction
EUR 100 million by
end of 2017

3

NWC reduction
At least EUR 200
million by end of 2016



Net debt
EUR 1.2 billion
by end of 2017

Save the date

Outokumpu
Capital Markets Day

on November 29
in Helsinki

Appendix

Income statement

(MEUR)	Apr-June 2016	Jan-Mar 2016
Sales	1,379	1,386
Cost of sales	-1,287	-1,309
Gross margin	92	76
Other operating income	36	26
SG&A costs	-112	-104
Other operating expenses	-10	-11
EBIT	6	-12
Share of results in associated companies and joint ventures	1	-1
Financial income and expenses		
Interest expenses	-25	-26
Net other financial expenses	-3	-8
Result before taxes	-22	-47
Income taxes	1	6
Net result for the period	-20	-41

Balance sheet

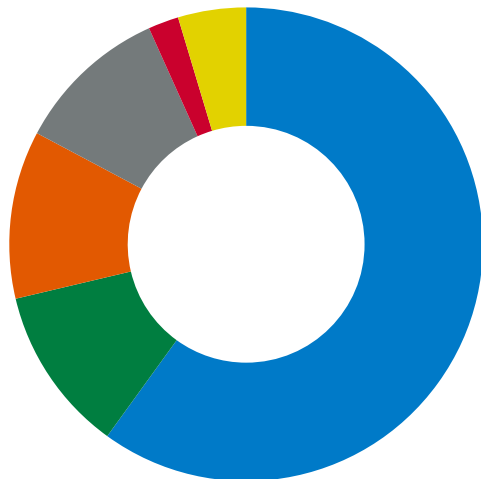
Assets (MEUR)	June 30, 2016	Mar 31, 2016
Non-current assets		
Intangible assets	495	496
Property, plant and equipment	2,911	2,924
Investments in associated companies and joint ventures	62	62
Other financial assets	46	45
Deferred tax assets	21	22
Defined benefit plan assets	23	47
Trade and other receivables	6	36
Total non-current assets	3,565	3,632
Current assets		
Inventories	1,153	1,147
Other financial assets	27	45
Trade and other receivables	773	694
Cash and cash equivalents	156	166
Total current assets	2,109	2,052
Total assets	5,674	5,684

Balance sheet

Equity and liabilities (MEUR)	June 30, 2016	Mar 31, 2016
Total equity	2,148	2,229
Non-current liabilities		
Non-current debt	1,162	870
Other financial liabilities	7	9
Deferred tax liabilities	9	16
Defined benefit and other long-term employee benefit obligations	413	388
Provisions	114	111
Trade and other payables	47	48
Total non-current liabilities	1,752	1,442
Current liabilities		
Current debt	478	848
Other financial liabilities	47	38
Provisions	34	17
Trade and other payables	1,215	1,111
Total current liabilities	1,774	2,014
Total equity and liabilities	5,674	5,684

Cost analysis

Operative cost components in 2015



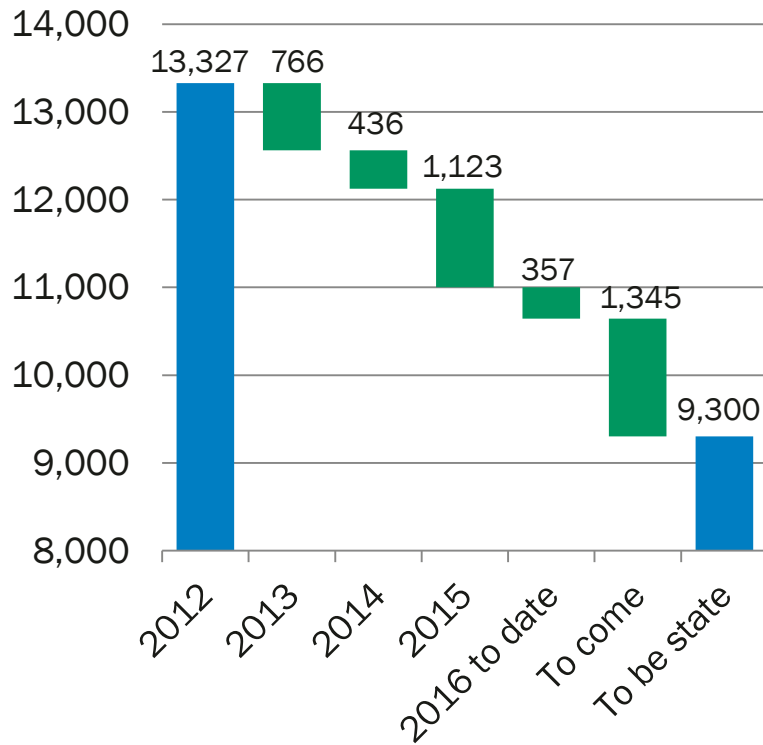
- Raw materials
- Personnel
- Energy and consumables
- Other cost of sales
- SG&A (excl. personnel and D&A)
- D&A total

Comments

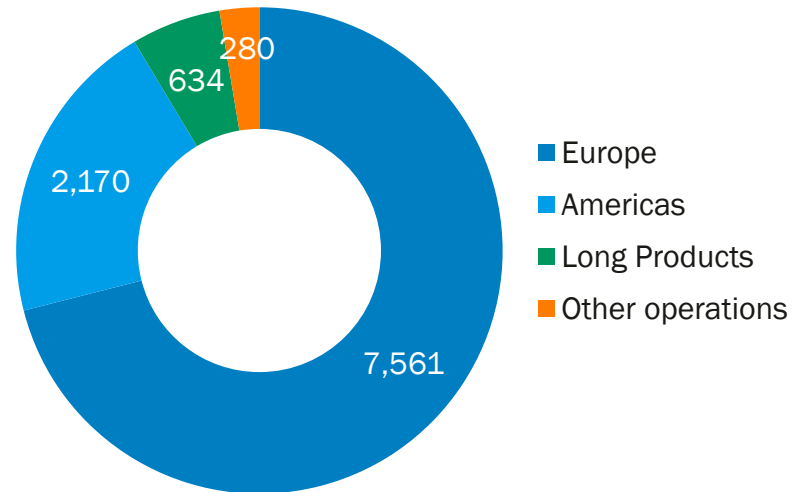
- Raw materials account for around 60% of the total operative costs of the Group
- Energy and other consumables account for 10-15% of the total operative costs
- Personnel expenses 10-15% of the total operative costs
- Other cost of sales includes e.g. freight, maintenance and rents and leases

Headcount reductions

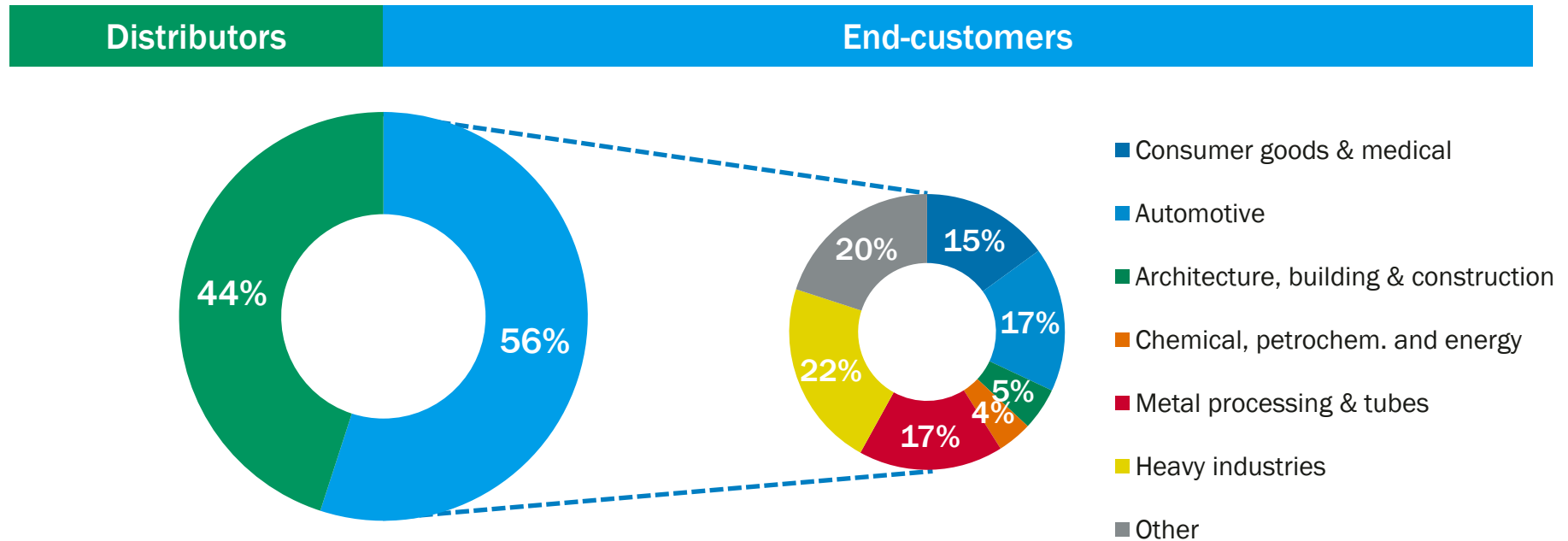
Total headcount reduction



Personnel per business area at the end Q2/16

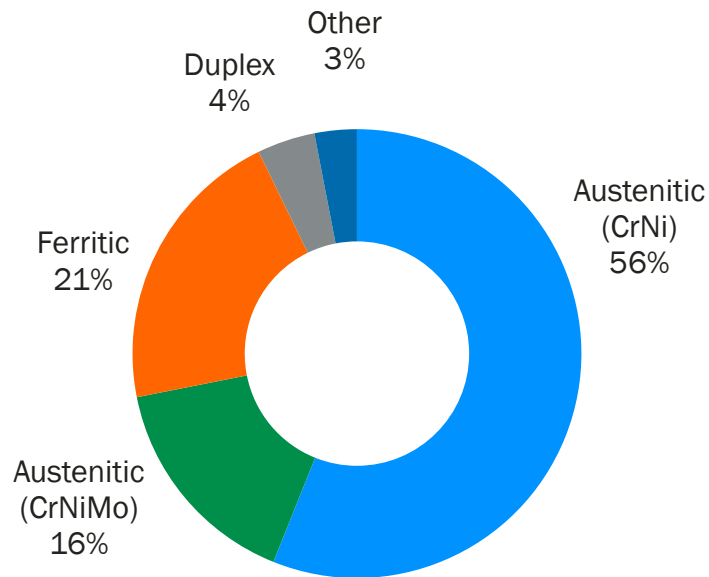


Balanced customer base across industries

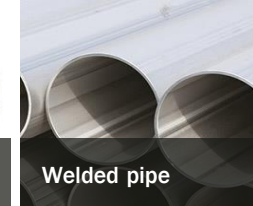
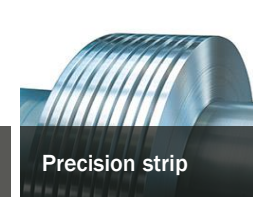
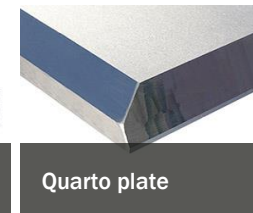


Broadest product portfolio across stainless steel

Deliveries by product grade in 2015



Outokumpu product forms



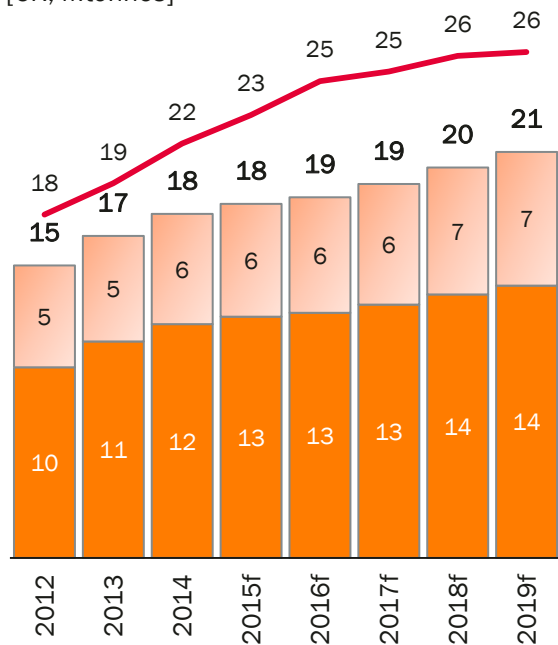
Fully integrated production asset base

	Europe				Americas			Long Products				Total
	Tornio Finland	Avesta Sweden	Krefeld Germany	Degerfors Sweden	Calvert USA	Mexinox Mexico	New Castle USA	Sheffield UK	Richburg USA	Degerfors Sweden	Wildwood USA	
Melting	1,450	450			900			450				3,250
Hot rolling	1,450	900			870							3,220
Finishing - Cold rolling - Quarto plate - Long products	900	250	500	150	500	250	60	25	40	40	20	2,735

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

Asia

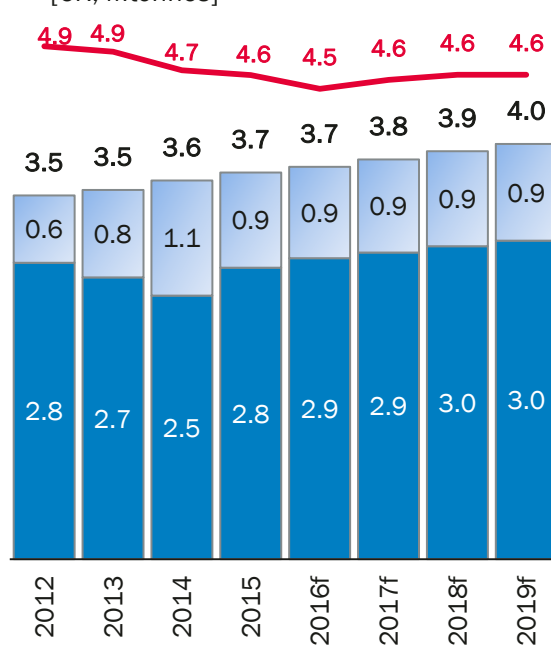
[CR, Mtonnes]



■ Demand covered by Rest Asia
■ Demand covered by China
— CRU Capacity

Europe

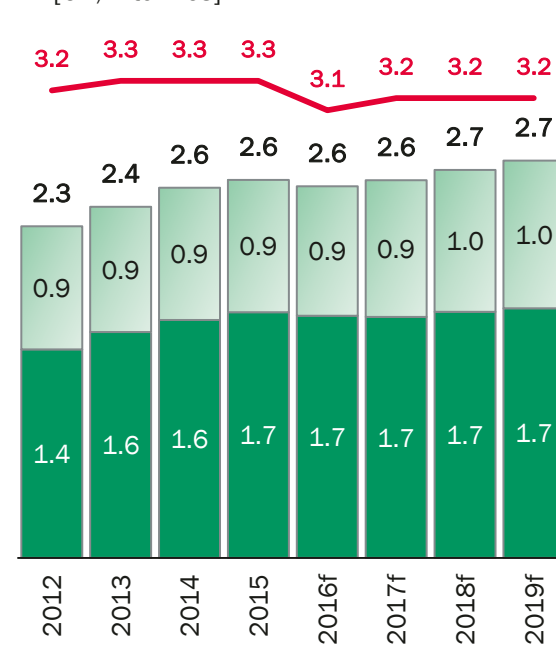
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■ Demand covered by EU Mills
■ Demand covered by Imports*
— CRU Capacity

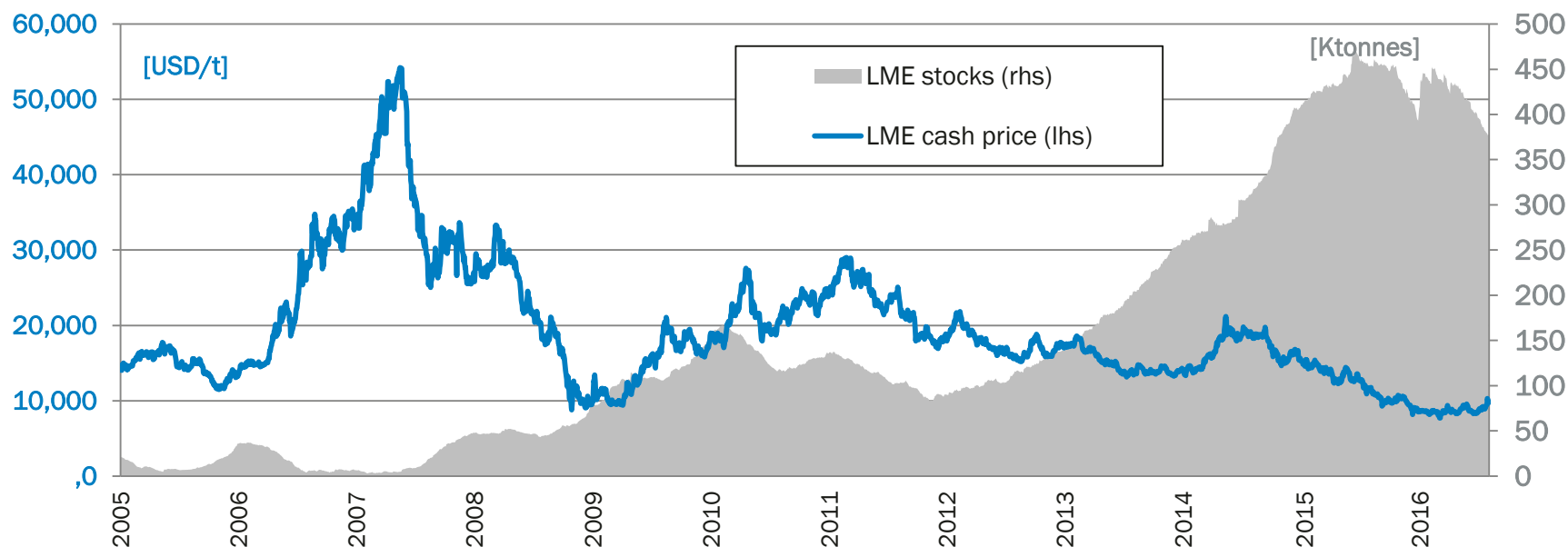
Americas

[CR, Mtonnes]



■ Demand covered by USA
■ Demand covered by Rest Americas
— CRU Capacity

Nickel price development



- Nickel prices rallied in April on signs of Chinese manufacturing recovery, weaker US dollar and higher oil prices and hit the highest level of the quarter of \$9,555/t in early May.
- Subsequently prices lost most of the gains but started to increase again in June and ended the quarter at \$9,415/t.
- The average price of the quarter of 8,826 USD/tonne, was 3.8% higher than 8,504 USD/tonne in the first quarter of 2016.

For more information, call Outokumpu Investor Relations or visit www.outokumpu.com/investors

Tommi Järvenpää

Director – 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

