

Interim report Q3/2016

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CFO Chris de la Camp

November 3, 2016

Today's attendees of Outokumpu



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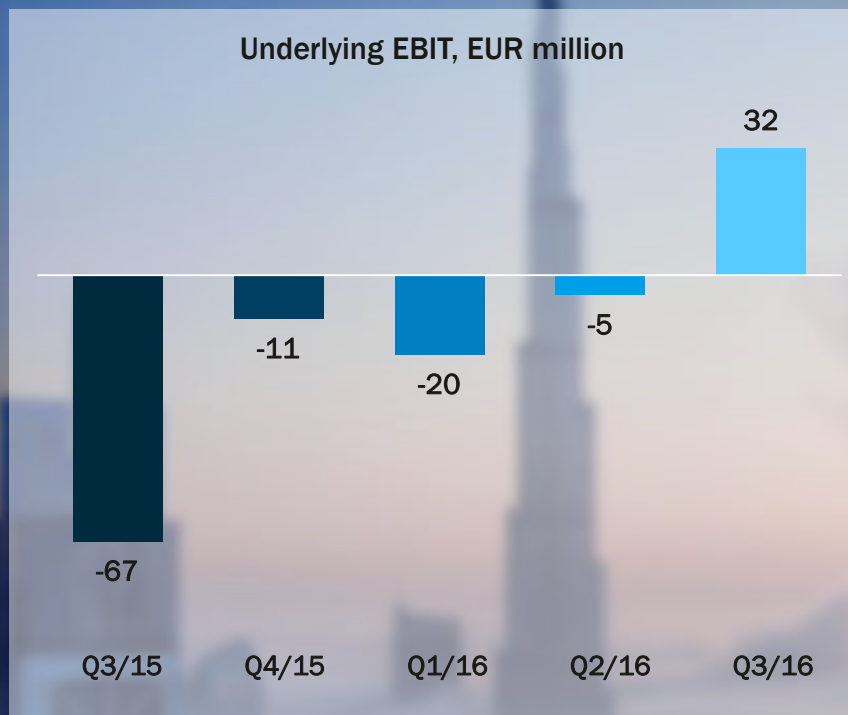
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Our vision

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

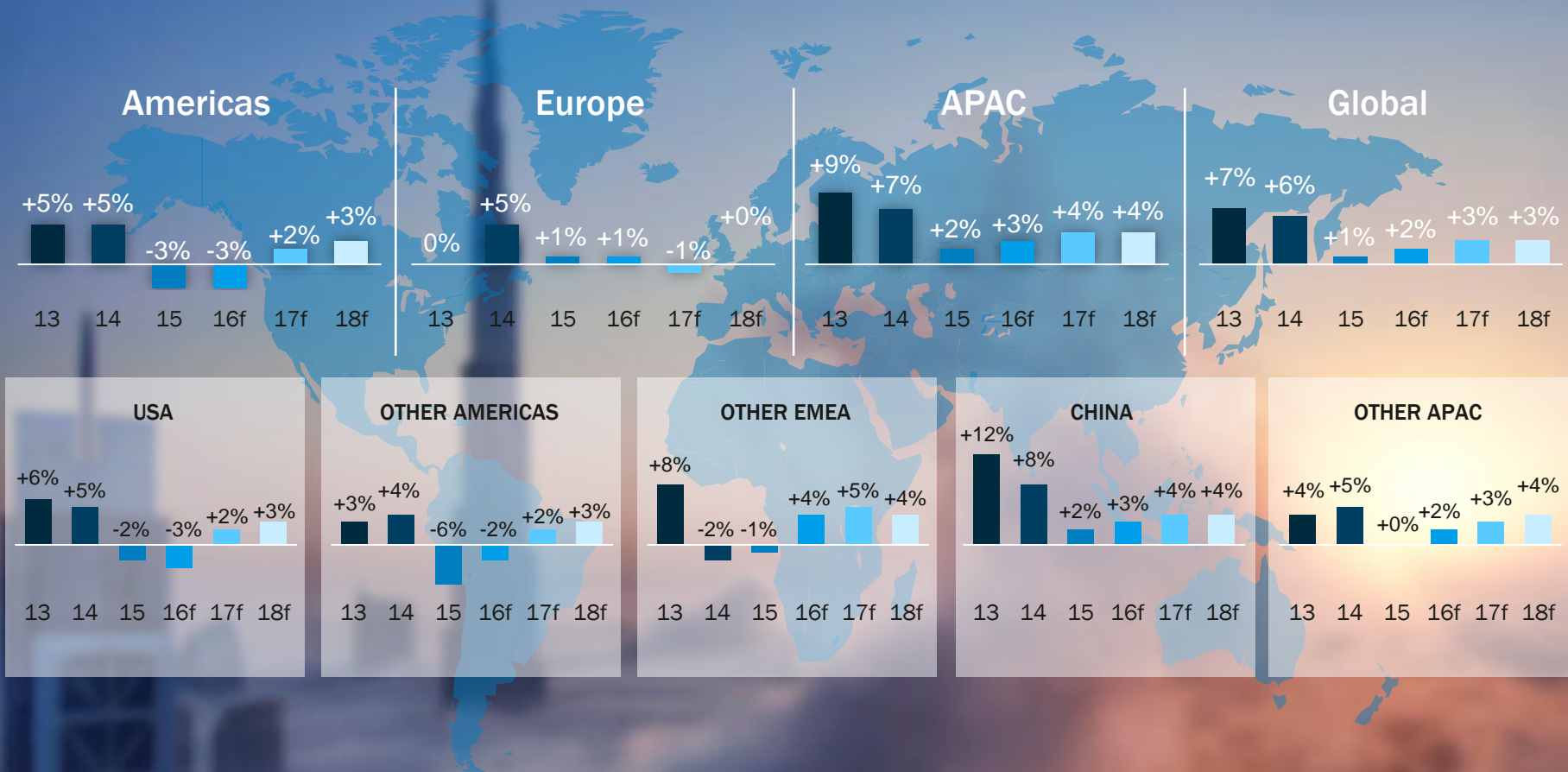
Group underlying EBIT clearly positive



- Continuing improvement
- Great progress in Americas
- Europe's profitability improved
- NWC release of EUR 149 million YTD
- Positive cash flow
- Further net debt reduction

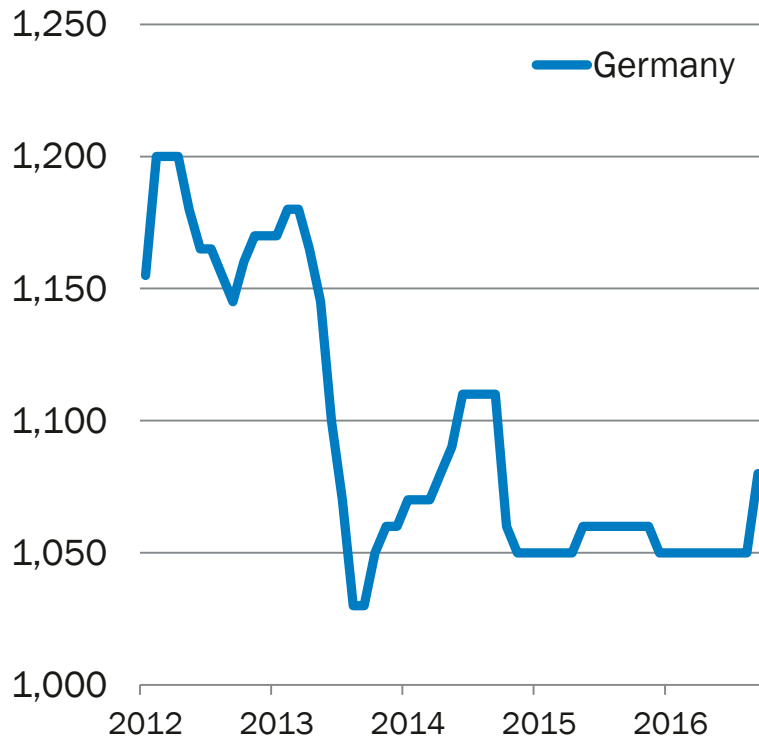
- Long Products' underlying EBIT still negative
- Ferrochrome operations impacted by major maintenance work

~2% demand growth expected for 2016

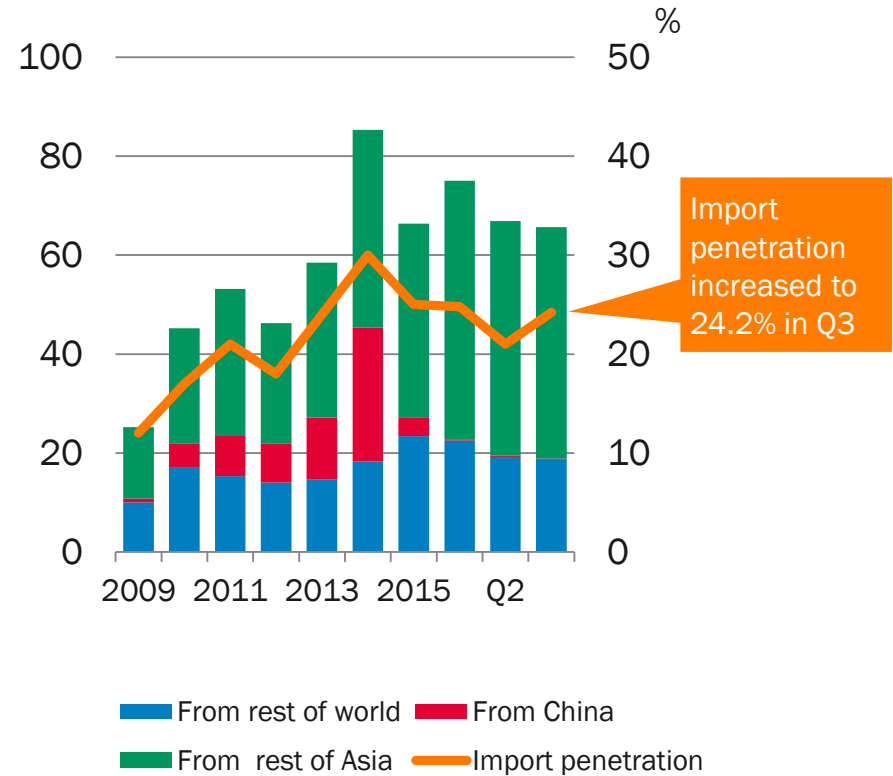


European base prices edging up

European base prices¹, EUR/tonne

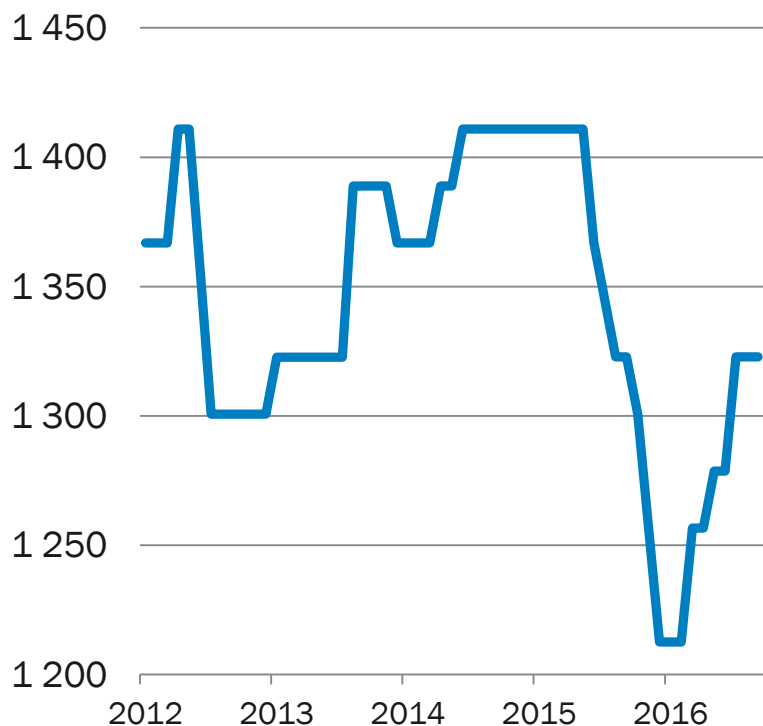


Third-country imports² into Europe, 1,000 tonnes

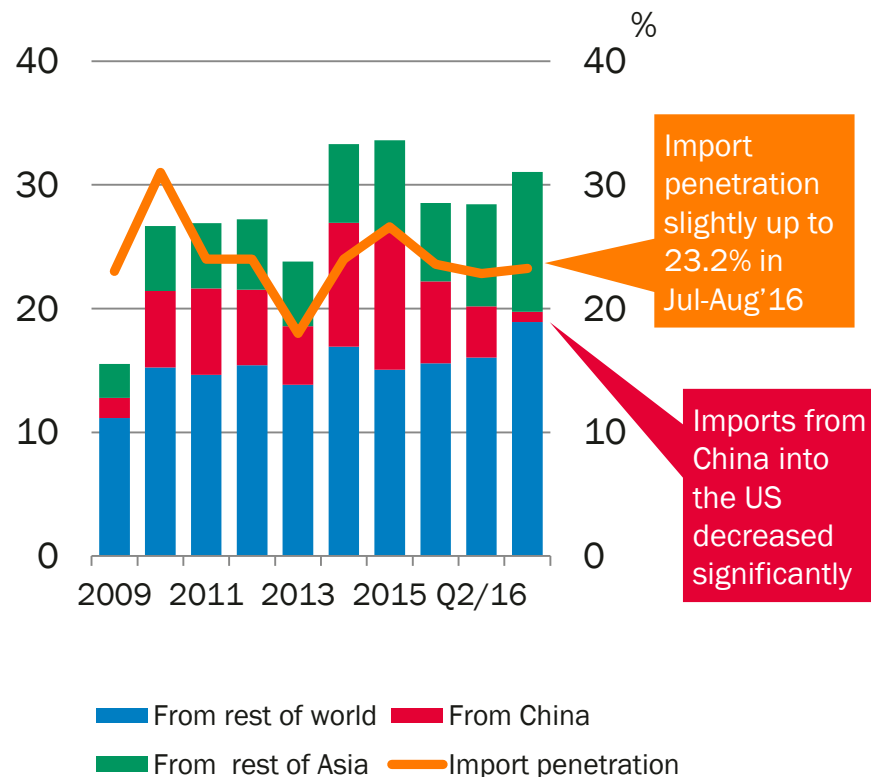


Substantial increases in US base prices year-to-date

US base prices¹, USD/tonne



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



Q3 key financials

Deliveries declined driven by seasonality in Europe and in Long Products

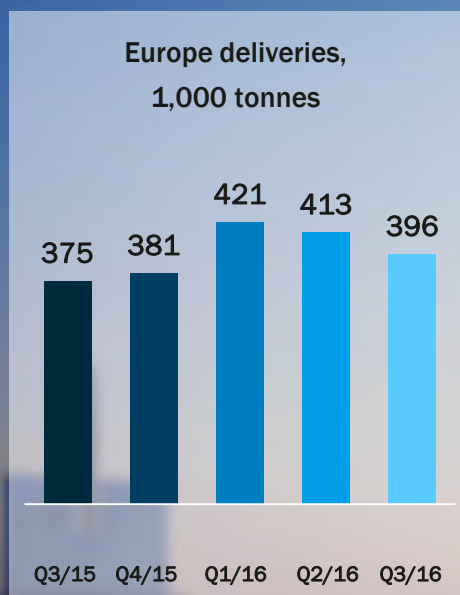
Sales increased by 2.9% driven mainly by higher deliveries and prices in Americas

Underlying EBIT improved driven by improved performance in the Americas, and steady progress in Europe

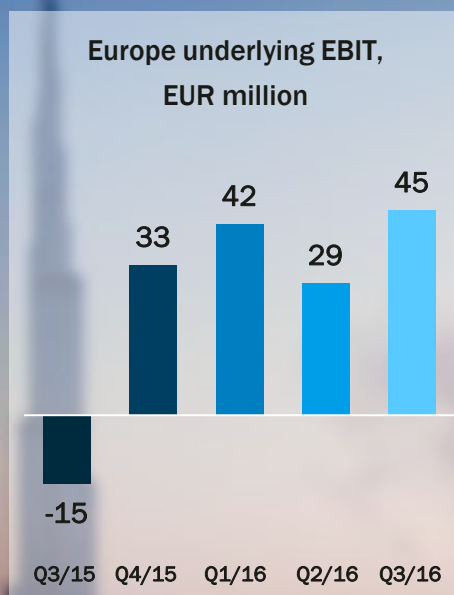
Positive operating cash flow of EUR 61 million

Key figures	Q3/16	Q2/16	2015
Stainless steel deliveries, 1,000 tonnes	608	629	2,381
Sales, EUR million	1,419	1,379	6,384
Underlying EBITDA, EUR million	110	51	196
Underlying EBIT, EUR million	32	-5	-101
EBIT, EUR million	40	6	228
Net result, EUR million	13	-20	86
Operating cash flow, EUR million	61	54	-34
Net debt, EUR million	1,396	1,485	1,610
Capital expenditure, EUR million	43	28	154
Personnel at the end of the period	10,785	10,645	11,002

Europe's profitability improved



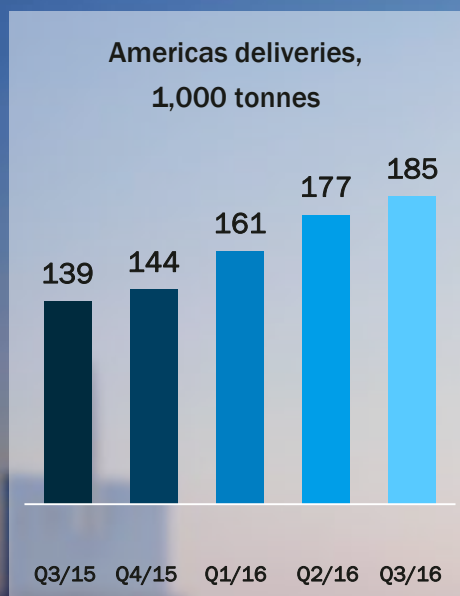
Deliveries decreased by 4.1% driven by seasonally slower demand, but smaller delivery dip due to phased maintenance



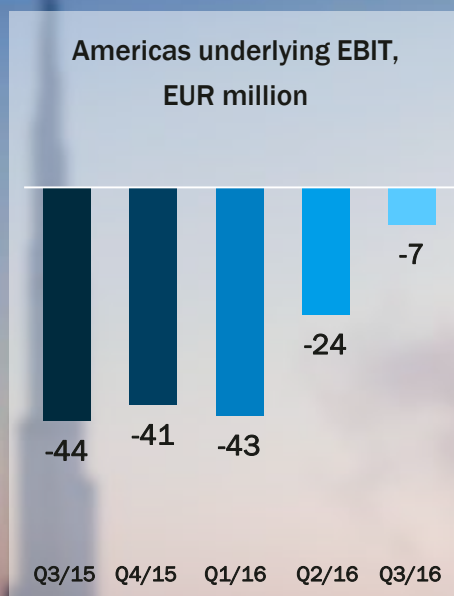
Underlying EBIT increased mainly due to higher ferrochrome and base prices and further improvement in cost efficiency

- Overall stainless steel demand healthy
- Market impacted by seasonality
- Inventories declined slightly, thus keeping inventory levels below long-term averages
- Base price in deliveries increased by EUR 20/tonne
- Ferrochrome production at 93,000 tonnes impacted by major maintenance work
- Adjustments:
 - EUR 4 million reversal of redundancy provisions
 - EUR -1 million net effect of raw material-related inventory and metal derivative gains/losses

Americas achieved another record-high quarter



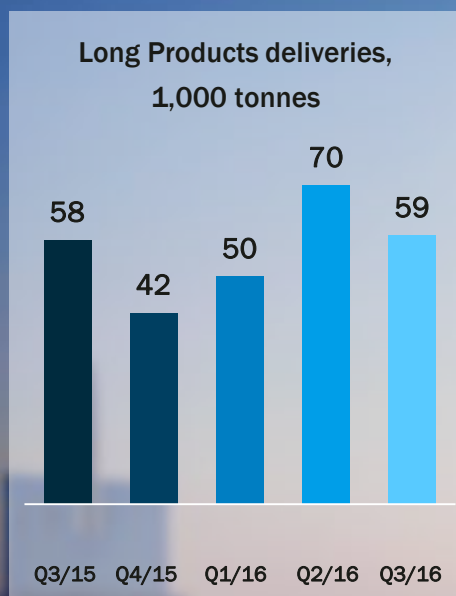
Deliveries increased by 4.5% to record-high 185,000 tonnes



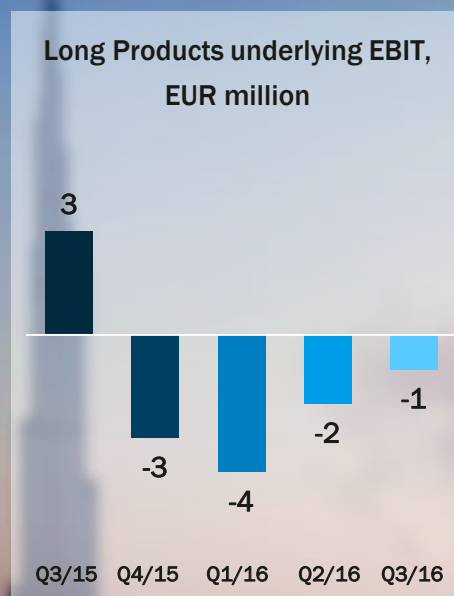
Underlying EBIT improved as a result of higher deliveries, increased base prices, and continued actions to improve efficiency in Calvert mill

- Positive momentum in the American stainless steel market continued
- In September, the US Commerce Department set preliminary antidumping duties against Chinese imports
- Inventories in the US stable, slightly below long-term average levels
- Base price in deliveries increased by USD 80/tonne vs Q2
- Adjustments:
 - EUR 5 million net effect of raw material-related inventory and metal derivative gains/losses

Long Products' earnings impacted by seasonality



Deliveries decreased driven by seasonally lower external customer deliveries



Underlying EBIT amounted to EUR -1 million as positive impact from weaker GBP was largely offset by lower external deliveries and weaker product mix

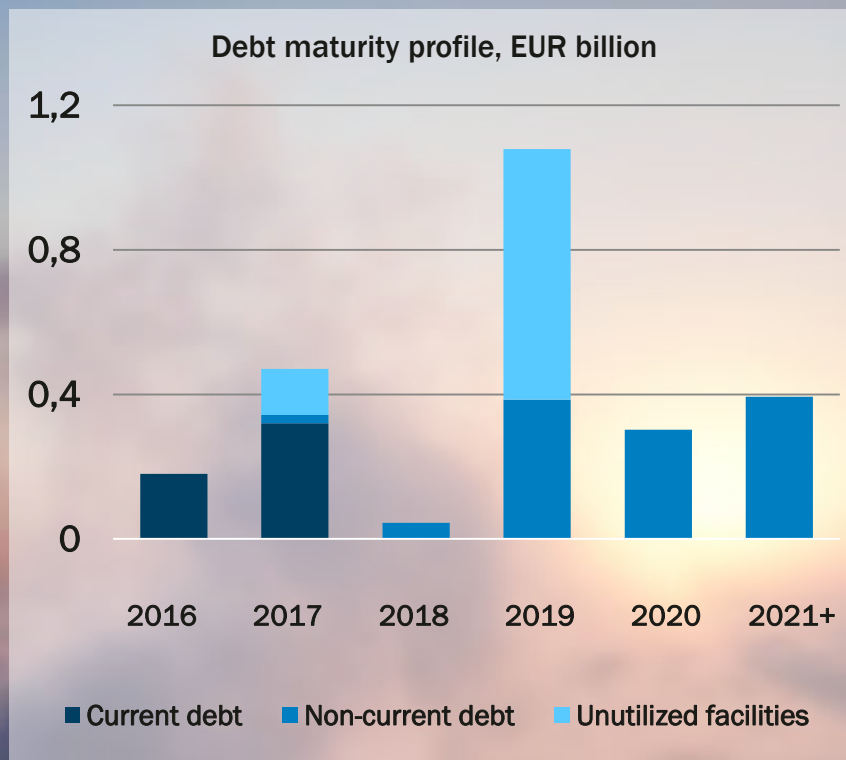
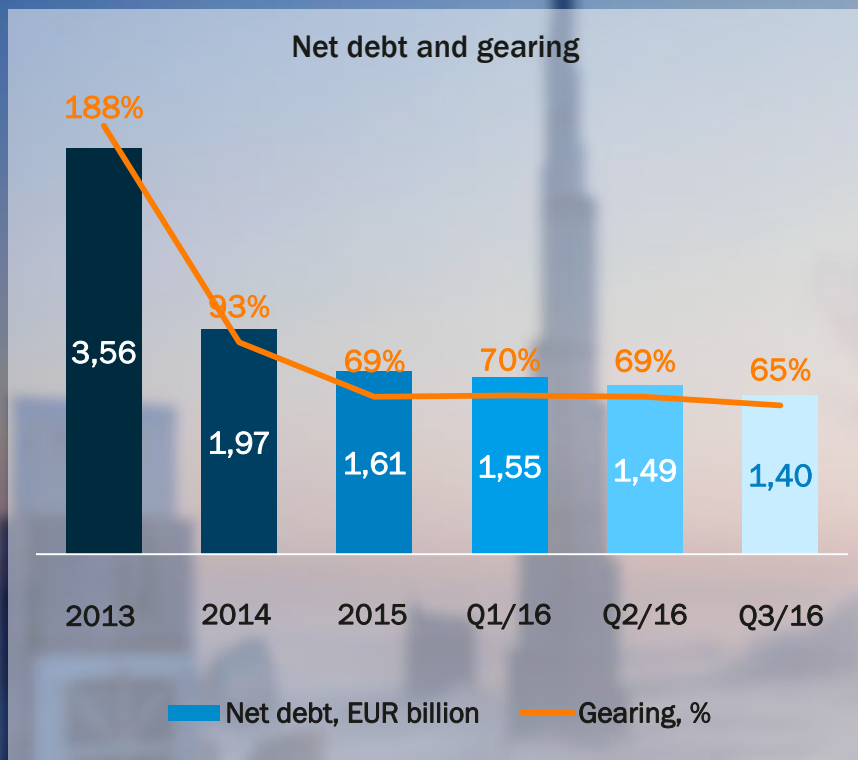
- Markets remained relatively stable
- Oil & Gas related project activity remained subdued
- Base prices remained flat in both Europe and the US
- Adjustments:
 - EUR 1 million net effect of raw material-related inventory and metal derivative gains/losses

Positive operating cash flow

EUR million	Q3/16	Q2/16	2015
Net cash from operating activities	61	54	-34
Net cash from investing activities	26	-22	239
Cash flow before financing activities	87	32	205
Cash and cash equivalents	213	156	186

- Net working capital release of EUR 149 million during 9M/16 (excluding provisions and pension obligations)
- Net cash from investing activities was positively impacted in Q3 by EUR 49 million proceeds from the SKS divestment
- Financing costs of EUR 29 million
- Overall liquidity reserves at EUR 900 million
- Net debt decreased by EUR 89 million

Net debt decreased to below EUR 1.4 billion



Business and financial outlook for Q4/2016

Market commentary

Underlying stainless steel demand is expected to remain healthy in both Europe and the US

Typical softening of distributor demand expected towards the end of the year, particularly in the US, due to the holiday season



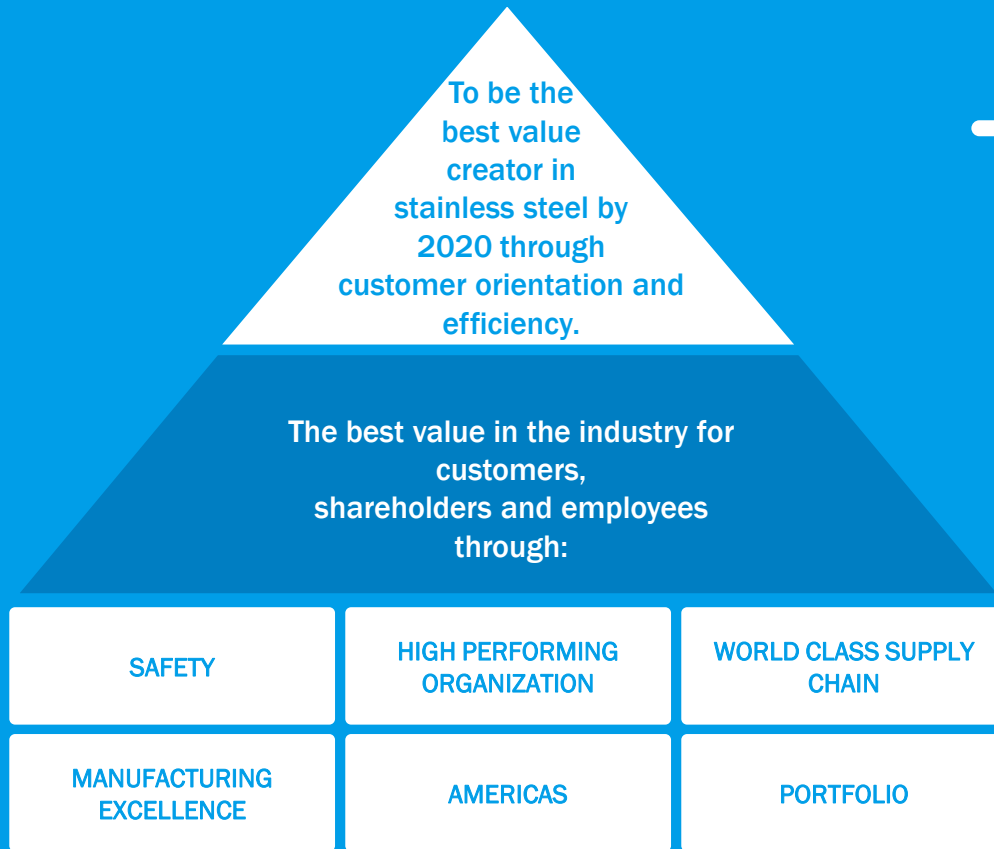
Outokumpu estimates for Q4

With the seasonal slowdown in the US, Q4 stainless steel deliveries of business area Americas are expected to be significantly lower compared to Q3. In Europe, stainless steel deliveries are expected to remain flat.

Outokumpu expects the base price improvements to have a slight positive impact on Q4 profitability. However, with the delay in ferrochrome production ramp-up, lower deliveries in the Americas, and annual maintenance work at the Tornio mill in Europe, **Outokumpu expects its Q4 underlying EBIT to remain at a similar level to Q3.** Consequently, underlying EBIT for the full year 2016 is expected to be clearly positive.

Appendix

Improving competitiveness and financial performance



Financial targets for 2020

1

EBIT
EUR 500 million

2

ROCE
12%

3

Gearing
<35%

Or ongoing 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

Income statement

(MEUR)	July-Sept 2016	Apr-June 2016
Sales	1,419	1,379
Cost of sales	-1,301	-1,287
Gross margin	117	92
Other operating income	4	36
SG&A costs	-56	-112
Other operating expenses	-26	-10
EBIT	40	6
Share of results in associated companies and joint ventures	2	1
Financial income and expenses		
Interest expenses	-27	-25
Net other financial expenses	-3	-3
Result before taxes	13	-22
Income taxes	0	1
Net result for the period	13	-20

Balance sheet

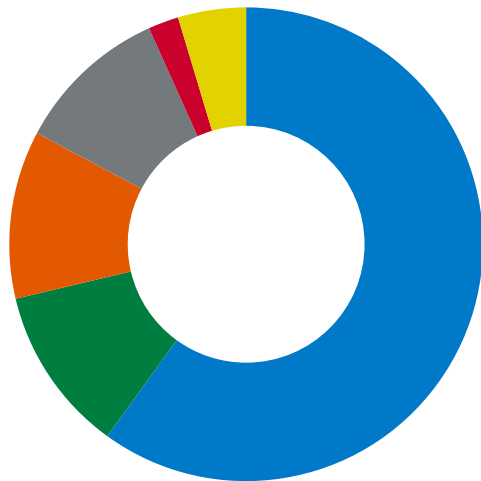
Assets (MEUR)	Sept 30, 2016	June 30, 2016
Non-current assets		
Intangible assets	494	495
Property, plant and equipment	2,890	2,911
Investments in associated companies and joint ventures	64	62
Other financial assets	48	46
Deferred tax assets	25	21
Defined benefit plan assets	20	23
Trade and other receivables	6	6
Total non-current assets	3,546	3,565
Current assets		
Inventories	1,180	1,153
Other financial assets	37	27
Trade and other receivables	686	773
Cash and cash equivalents	213	156
Total current assets	2,116	2,109
Total assets	5,662	5,674

Balance sheet

Equity and liabilities (MEUR)	Sept 30, 2016	June 30, 2016
Total equity	2,137	2,148
Non-current liabilities		
Non-current debt	1,109	1,162
Other financial liabilities	4	7
Deferred tax liabilities	9	9
Defined benefit and other long-term employee benefit obligations	424	413
Provisions	126	114
Trade and other payables	37	47
Total non-current liabilities	1,709	1,752
Current liabilities		
Current debt	500	478
Other financial liabilities	32	47
Provisions	23	34
Trade and other payables	1,261	1,215
Total current liabilities	1,816	1,774
Total equity and liabilities	5,662	5,674

Cost analysis

Operative cost components in 2015



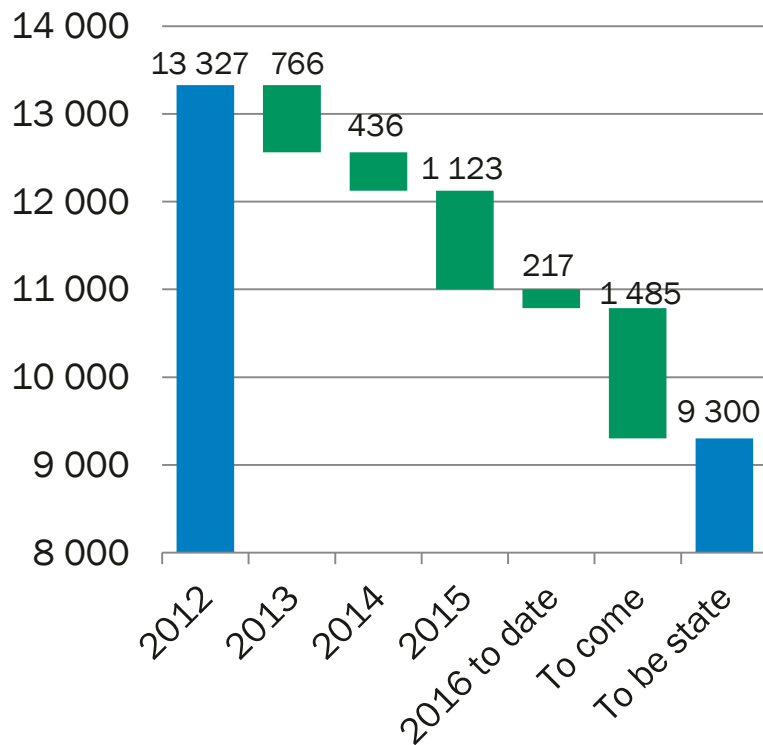
- Raw materials
- Personnel
- Energy and consumables
- Other cost of sales
- SG&A (excl. personnel and D&A)
- D&A total

Comments

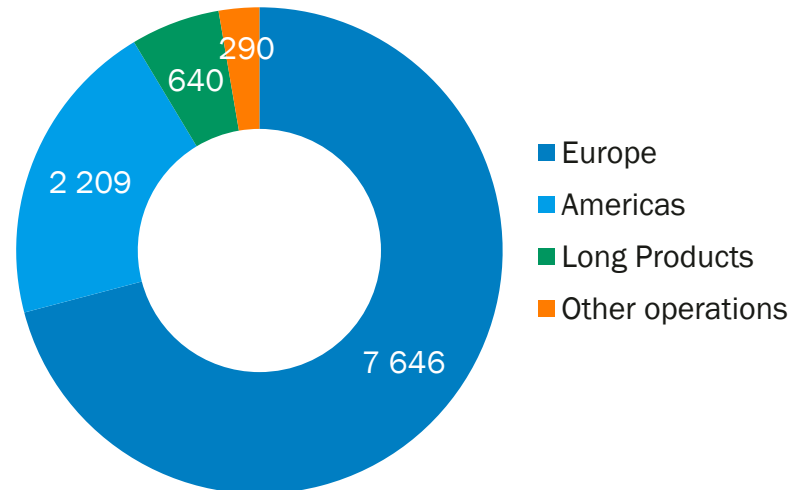
- Raw materials account for around 60% of the total operative costs of the Group
- Energy and other consumables account for 10-15% of the total operative costs
- Personnel expenses 10-15% of the total operative costs
- Other cost of sales includes e.g. freight, maintenance and rents and leases

Headcount reductions

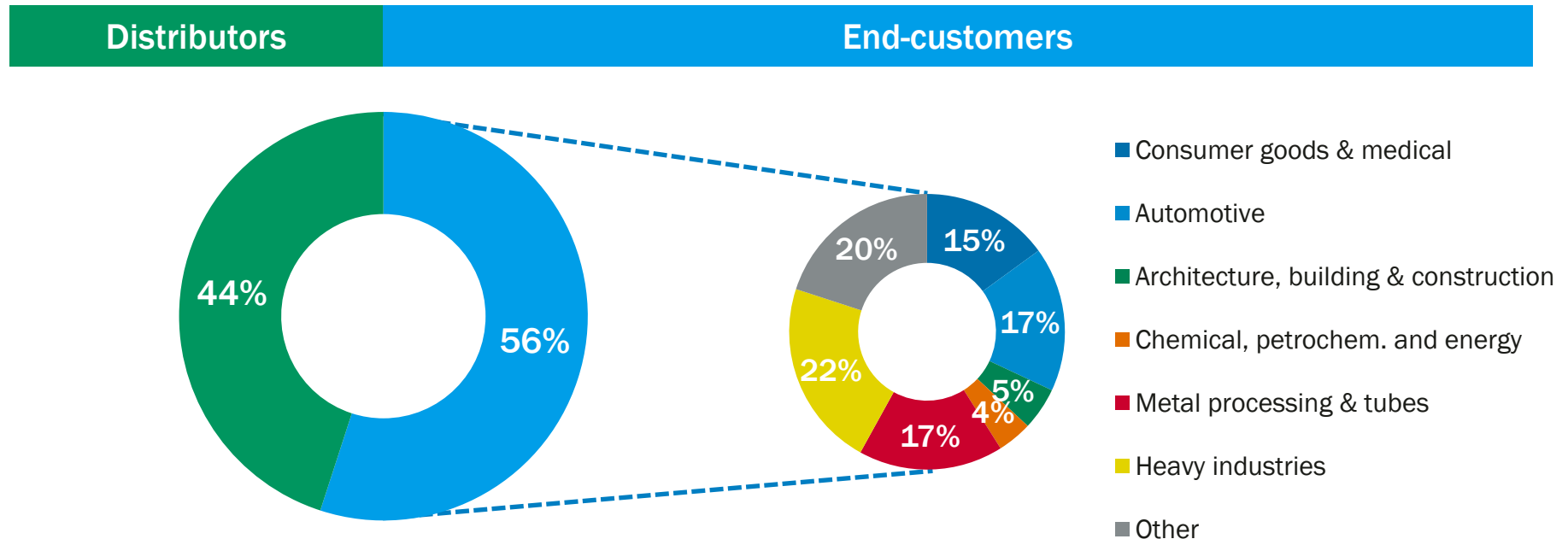
Total headcount reduction



Personnel per business area at the end Q3/16

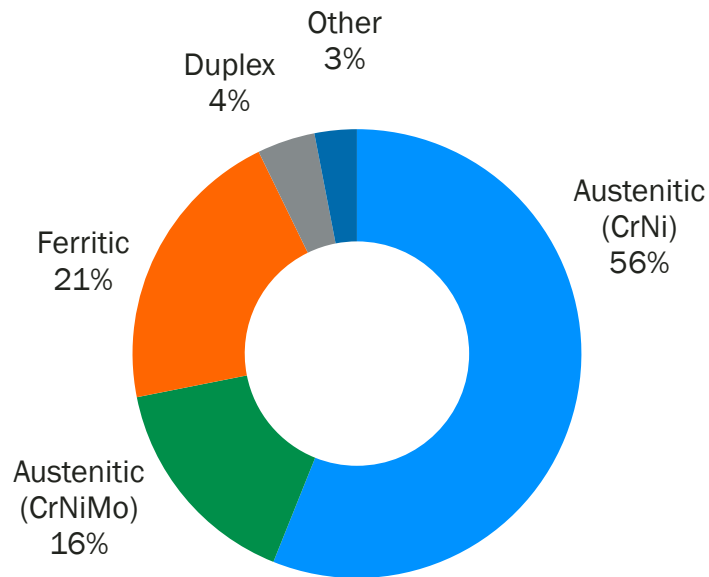


Balanced customer base across industries

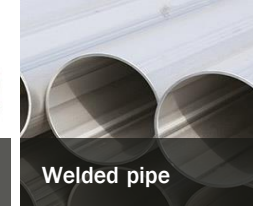
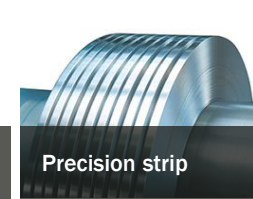
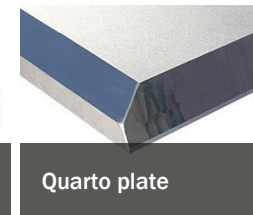


Broadest product portfolio across stainless steel

Deliveries by product grade in 2015



Outokumpu product forms



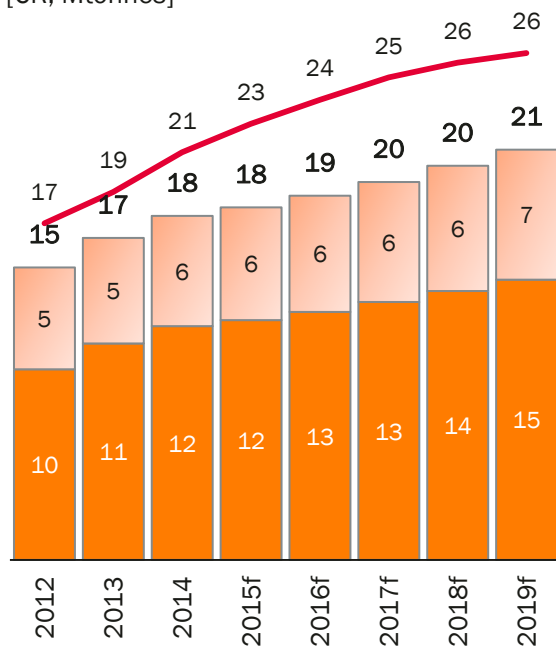
Fully integrated production asset base

	Europe				Americas			Long Products				Total
	Tornio Finland	Avesta + Nyby Sweden	Krefeld + Dillenburg 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	750	130	500		350	250						
- HWB	150	120			150							
- Quarto plate				150			60					
- Long products								25	40	40	20	
												2,735

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

Asia

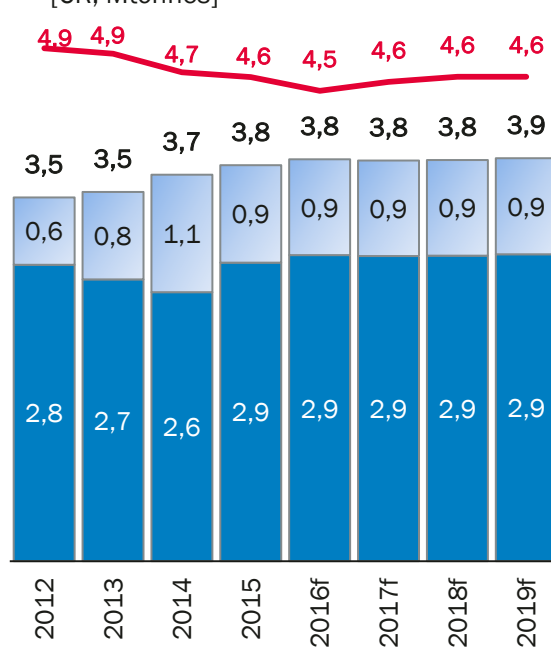
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■ Demand covered by Rest Asia
■ Demand covered by China
— CRU Capacity

Europe

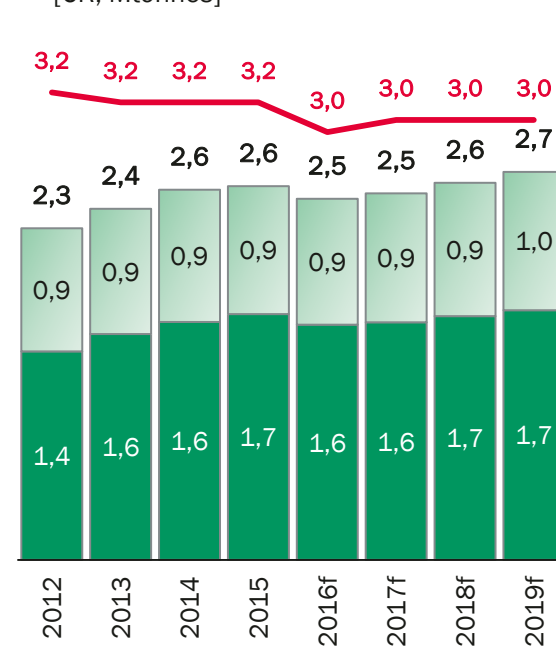
[CR, Mtonnes]



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

Americas

[CR, Mtonnes]

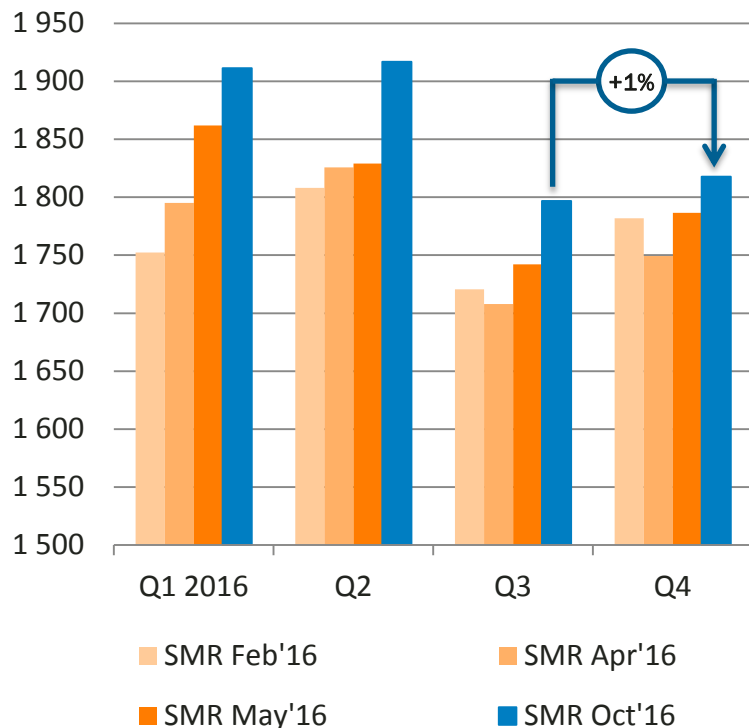


■ Demand covered by USA
■ Demand covered by Rest Americas
— CRU Capacity

Real demand grows only moderately in Q4 in EMEA and Americas

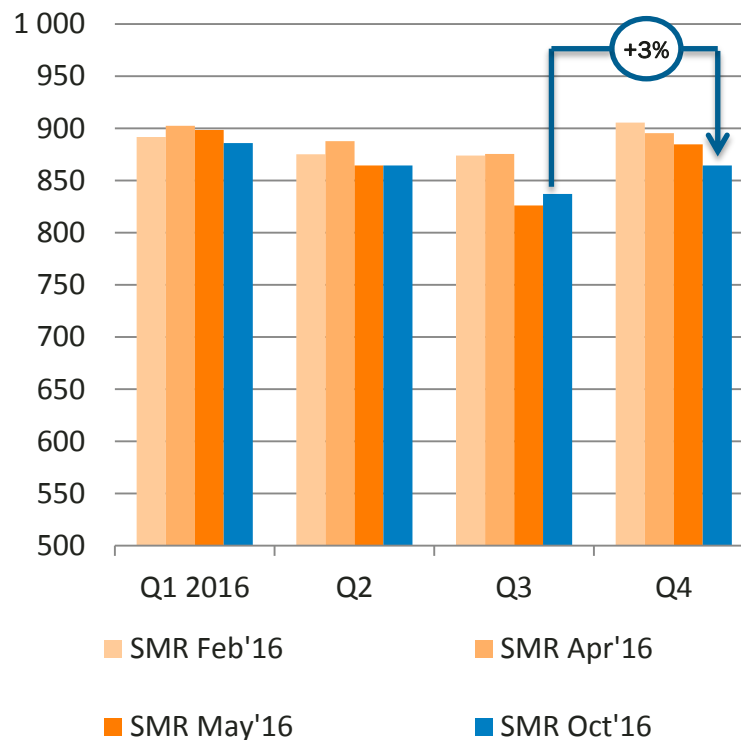
EMEA total stainless steel real demand¹

1,000 tonnes



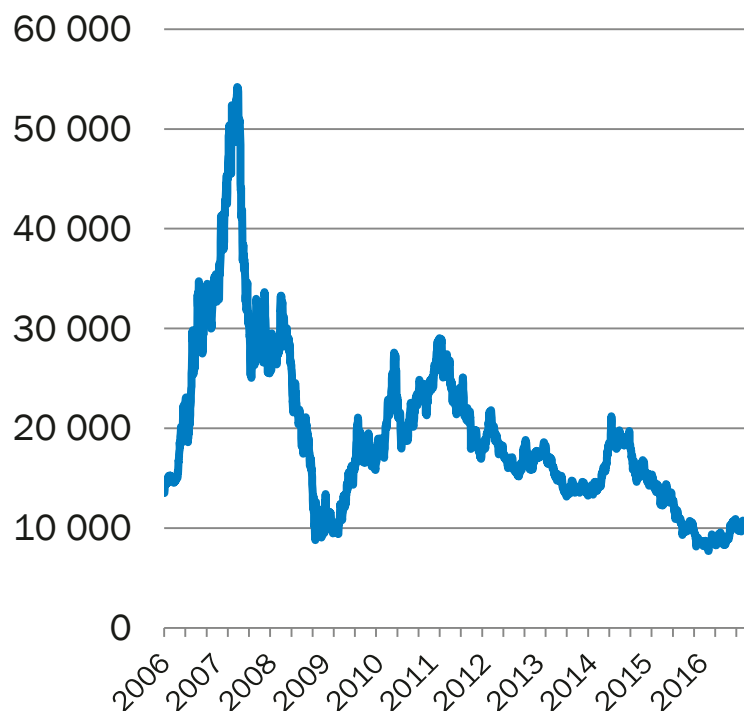
Americas total stainless steel real demand¹

1,000 tonnes

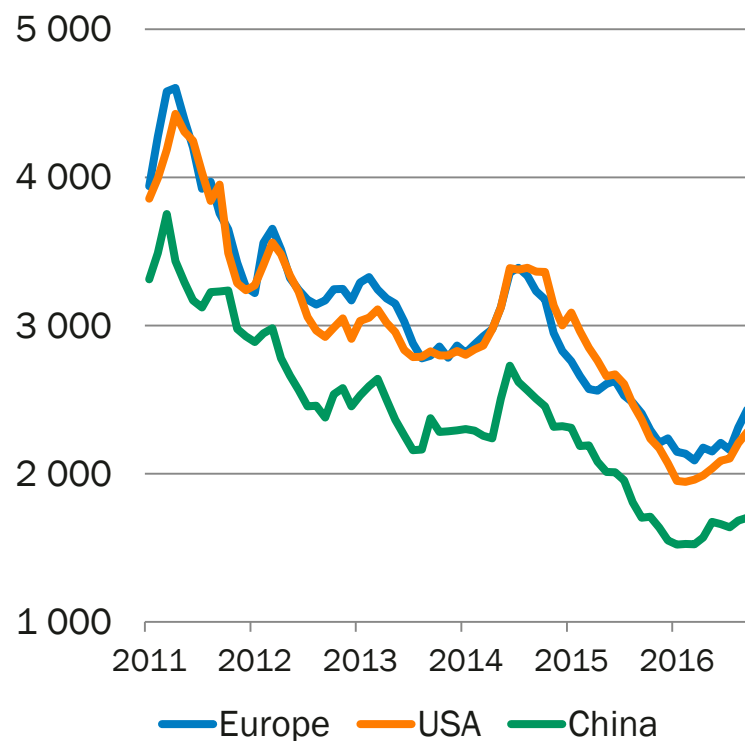


Stainless prices rising on the back of higher nickel prices

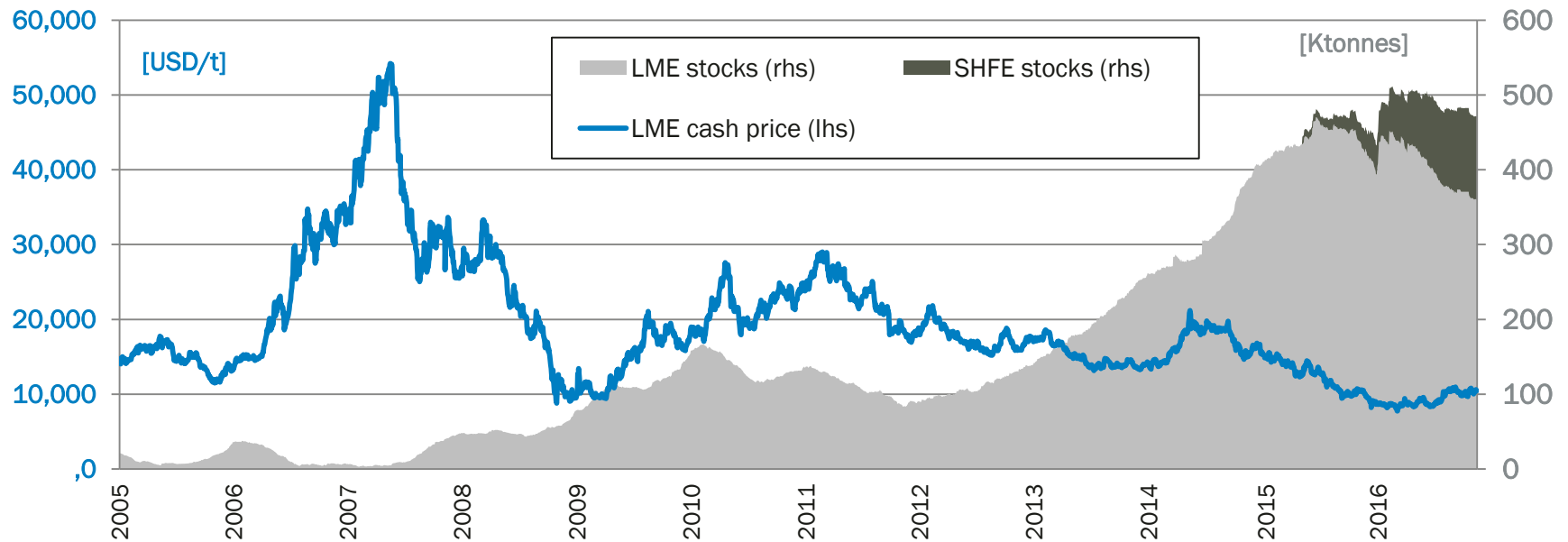
Nickel price, USD/tonne



Transaction prices 304 stainless, USD/tonne



Nickel price development



- Nickel prices were rallying in the beginning of the quarter on worries over possible disruption to nickel ore supplies from The Philippines and strong stainless steel production in China, and reached the highest level of the quarter of 10,795 USD/tonne in early August.
- Subsequently prices slightly retreated and were trading range-bound on the both sides of the 10,000 USD/t levels, before rising again to close the quarter at 10,460 USD/tonne as concerns over The Philippines supply resurfaced.
- The average price of the quarter of 10,258 USD/tonne, was 16.2% higher than 8,826 USD/tonne in the second quarter of 2016.

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

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