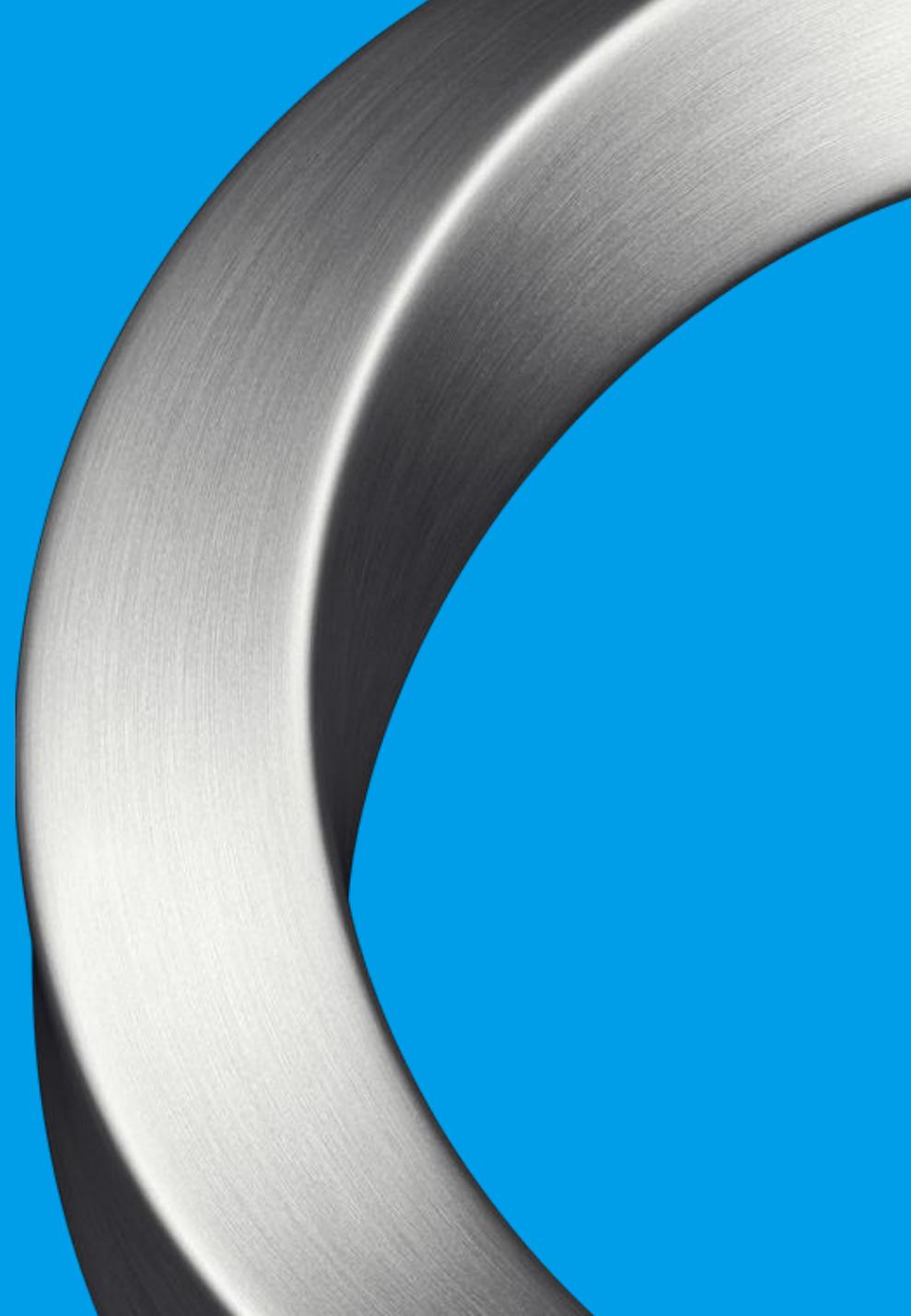


# Interim report Q2/2017

CEO Roeland Baan  
CFO Chris de la Camp

July 25, 2017



# Today's attendees from Outokumpu



**Roeland Baan**  
CEO



**Chris de la Camp**  
CFO



**Tommi Järvenpää**  
Director  
Investor Relations

# 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.

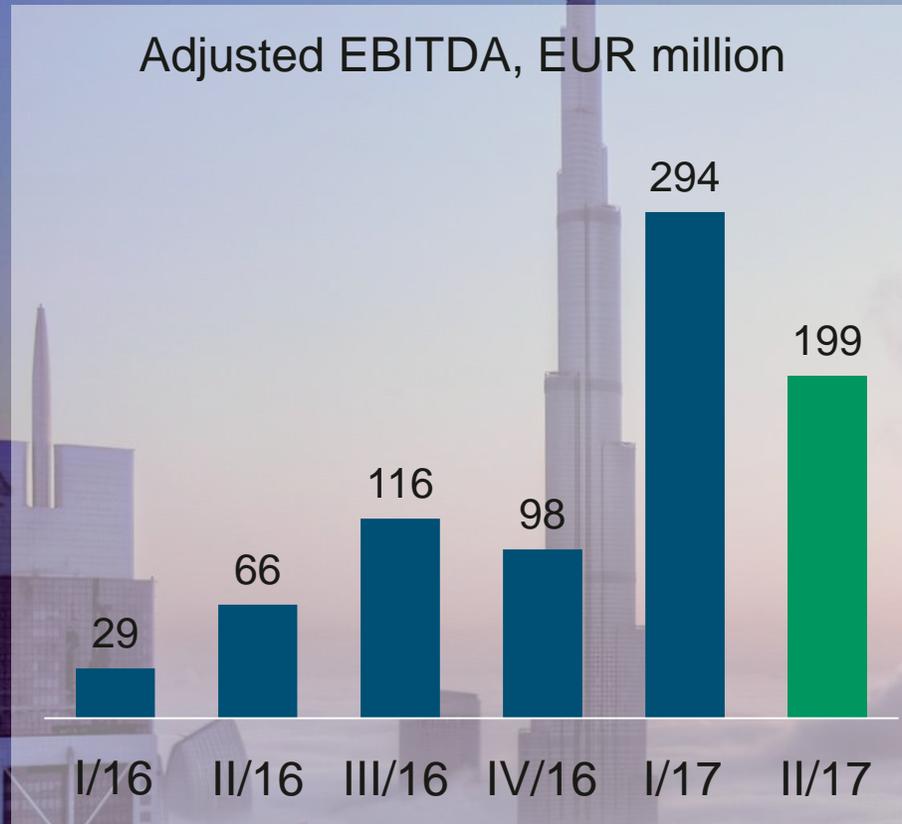
Best **value creator**  
in stainless steel  
**by 2020** through  
**customer orientation**  
**and efficiency**

1. Customers
2. Shareholders
3. Employees

Time bound:  
sense of urgency

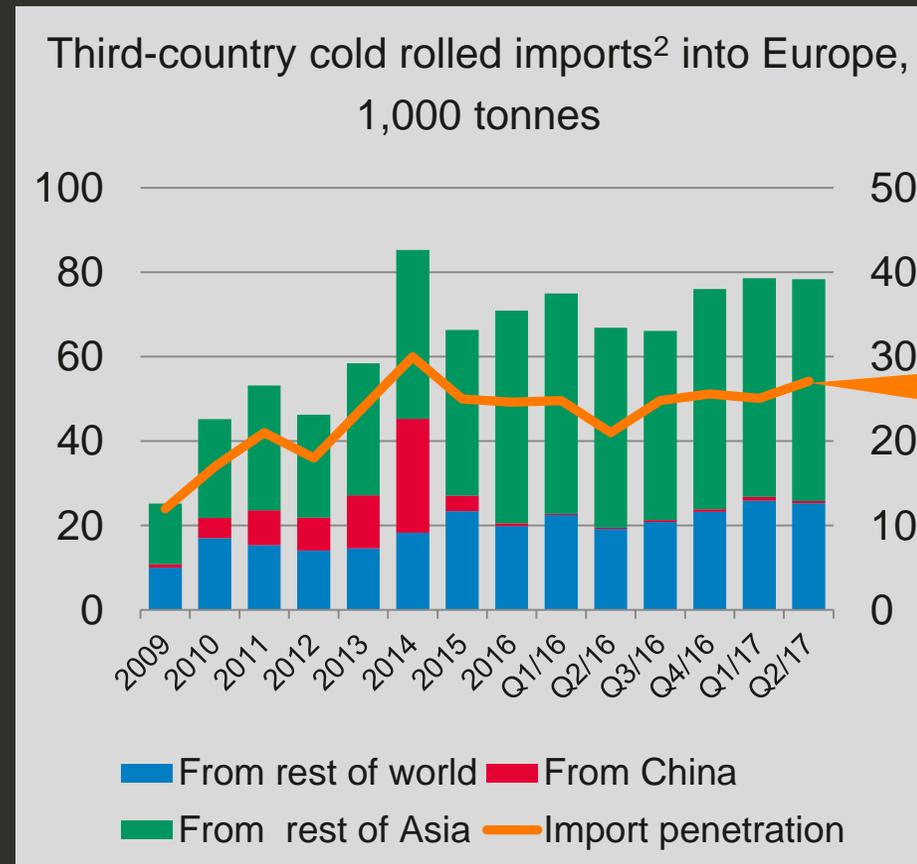
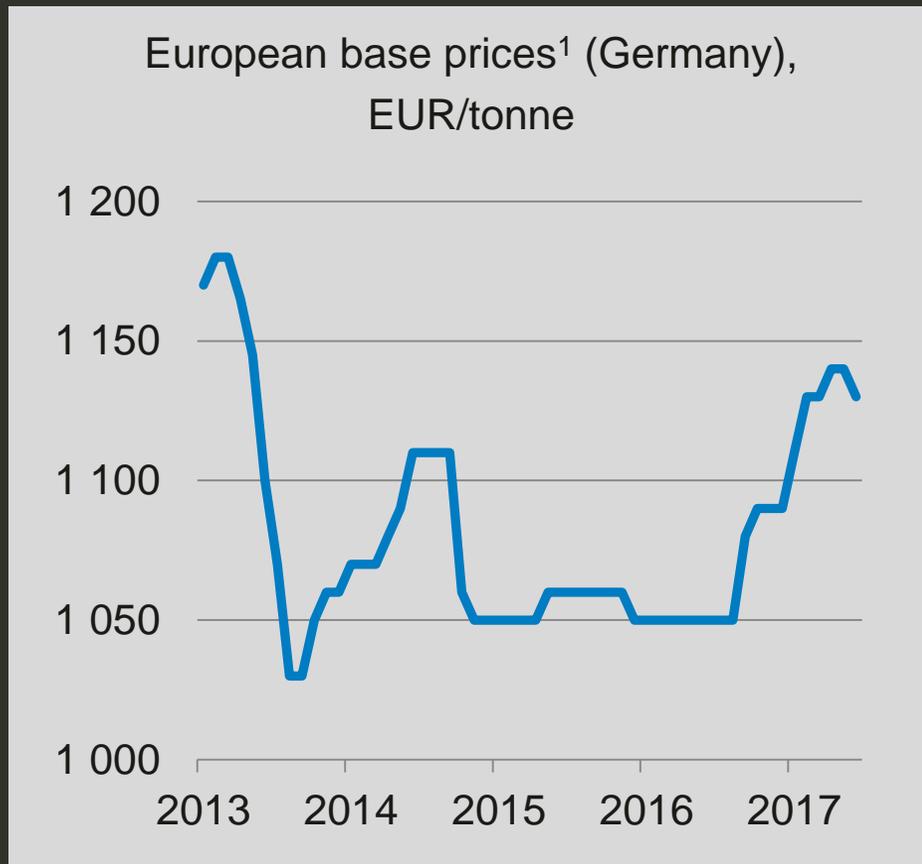
Back to basics

# Solid Q2 result despite FeCr production challenges



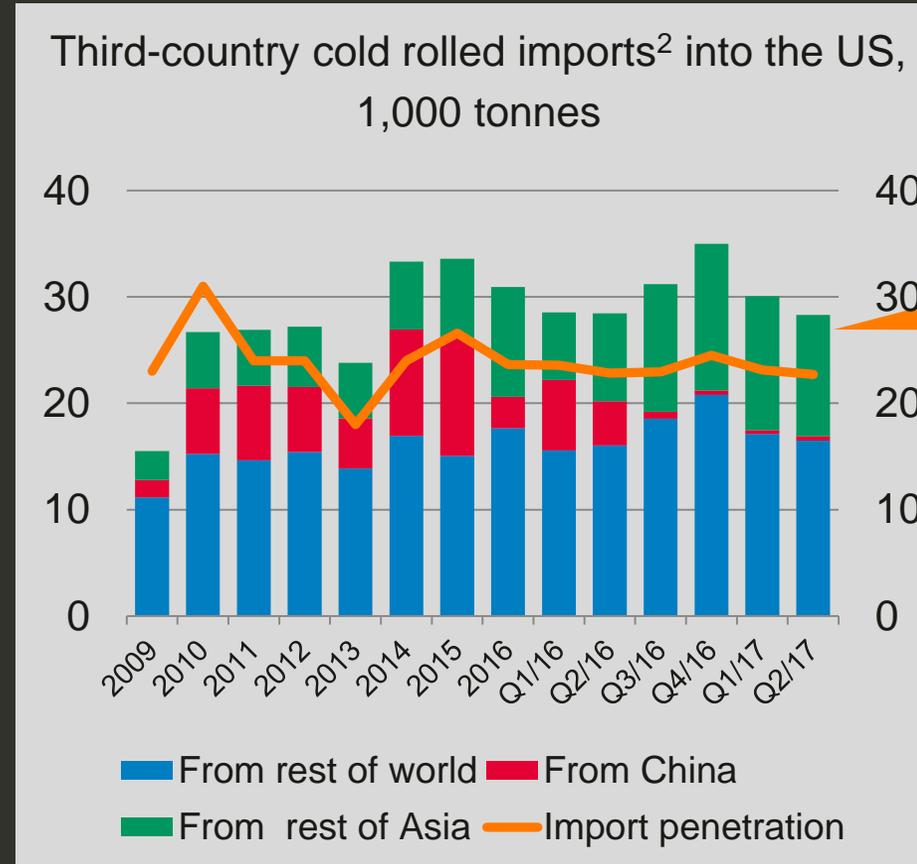
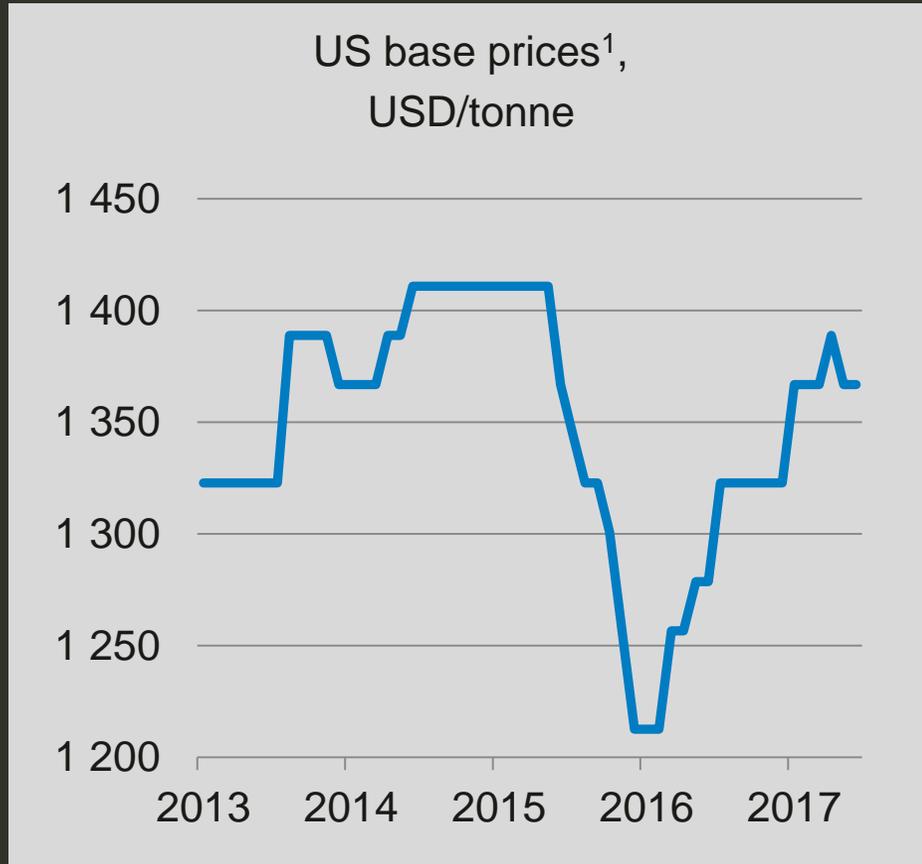
- Safety: a fatal accident occurred in Degerfors
- Significant year-on-year improvement with ~EUR 500 million adjusted EBITDA in H1/17
- Productivity and efficiency improvements continued to yield solid results
- Robust market with higher ferrochrome and stainless steel base prices
- Low ferrochrome production
- Negative timing impact due to lower raw material prices
- Cash flow of EUR 150 million
- Net debt decreased to 1,239 million

# European base prices under pressure due to declining distributor demand



Import penetration up to 27.1% in Q2

# US base prices stable



Import penetration of 22.7% in Q2

# Key financials

Increased deliveries in the Americas were offset by decreased deliveries in Europe and Long Products

Q2/17 sales increased by 20% as a result of higher prices

Net debt decreased by EUR 137 million

Key figures	II/17	II/16	2016
Stainless steel deliveries, 1,000 tonnes	625	629	2,444
Sales, EUR million	1,659	1,379	5,690
Adjusted EBITDA, EUR million	199	66	309
Net result, EUR million	109	-20	144
Operating cash flow, EUR million	150	54	389
Net debt, EUR million	1,239	1,485	1,242
Capital expenditure, EUR million	31	28	164
Personnel at the end of the period	10,254	10,645	10,600

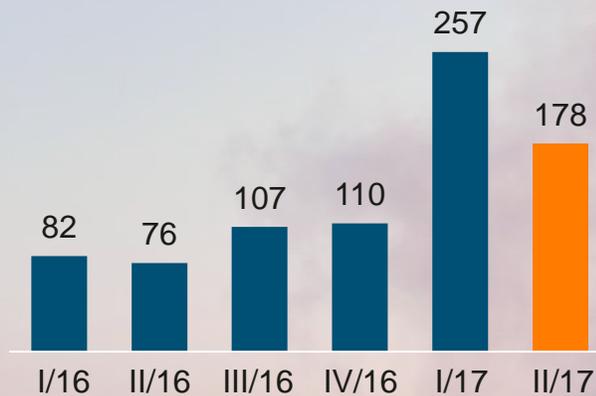
# Europe continued its strong performance

Deliveries, 1,000 tonnes



Deliveries decreased by 3.6% compared to Q2/16, smaller decline compared to Eurofer-reported market average of 8%

Adjusted EBITDA, EUR million



EBITDA increased by >130% y-o-y driven by higher base and FeCr prices, improved product mix, and continued reductions in variable costs per tonne and SG&A costs

- Strong underlying demand in Q2/17 in all customer segments
- Q2/17 average base price increased by EUR 120/tonne compared to Q2/16
- Distributor inventories above historical average levels
- Ferrochrome operations
  - Positively impacted by increased FeCr price compared to Q2/16
  - Low production volumes (-36% yoy) due to postponed maintenance related to previously announced technical issues

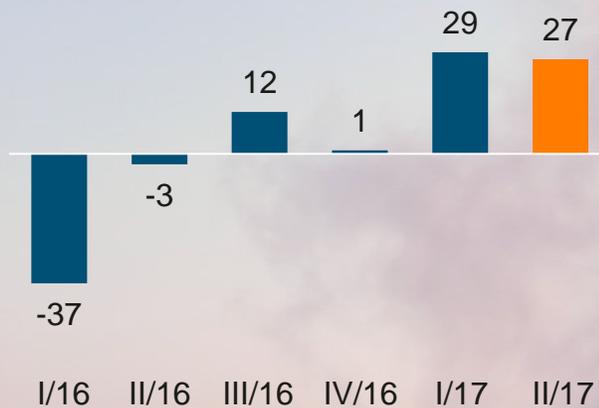
# Americas' performance stable

Deliveries, 1,000 tonnes



Deliveries increased by 5.1% compared to Q2/16

Adjusted EBITDA, EUR million

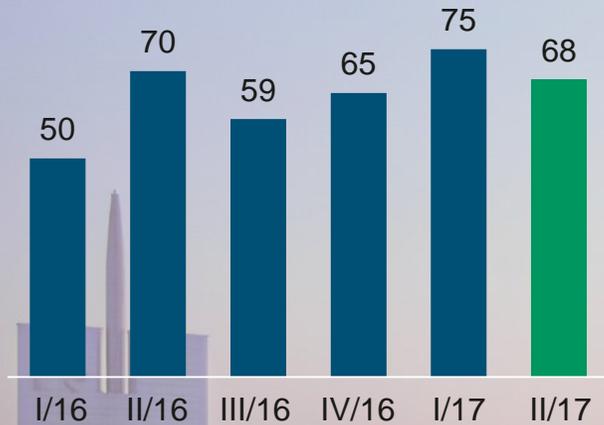


Adj. EBITDA driven by higher deliveries and prices, reduction in variable costs per tonne and SG&A costs, as well as an improved product mix

- Robust demand in Q2/17
- Distributor demand was negatively impacted by declining raw material prices
- Distributor inventories decreased to below long-term average levels
- Q2/17 average base price increased by USD 105/tonne compared to Q2/16
- Adjusted EBITDA includes positive one-off effects of EUR 6 million

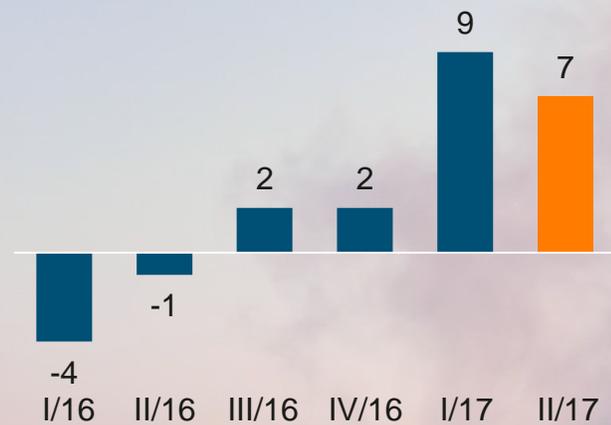
# Long Products solidly profitable

Deliveries, 1,000 tonnes



Q2/17 deliveries decreased slightly y-o-y due to lower internal slab deliveries to business area Europe

Adjusted EBITDA, EUR million



Improved adj. EBITDA driven by higher base prices and improved cost competitiveness

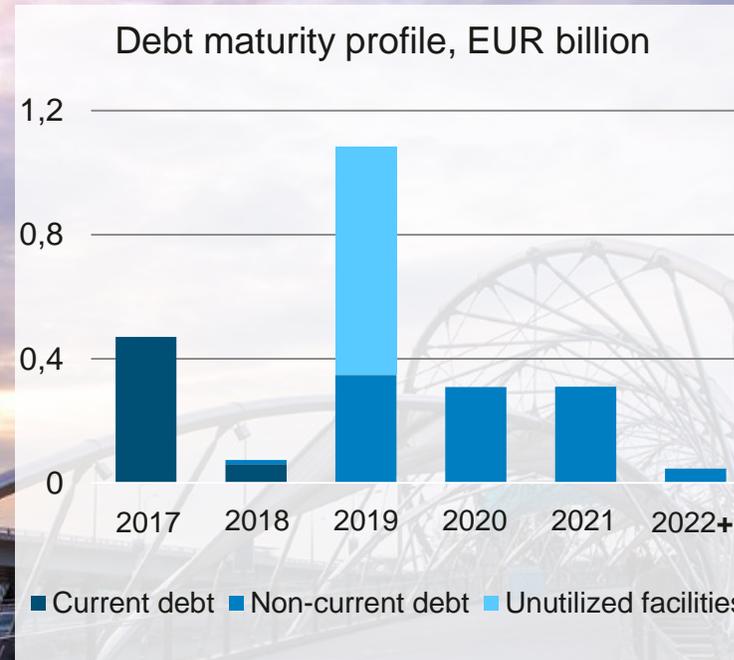
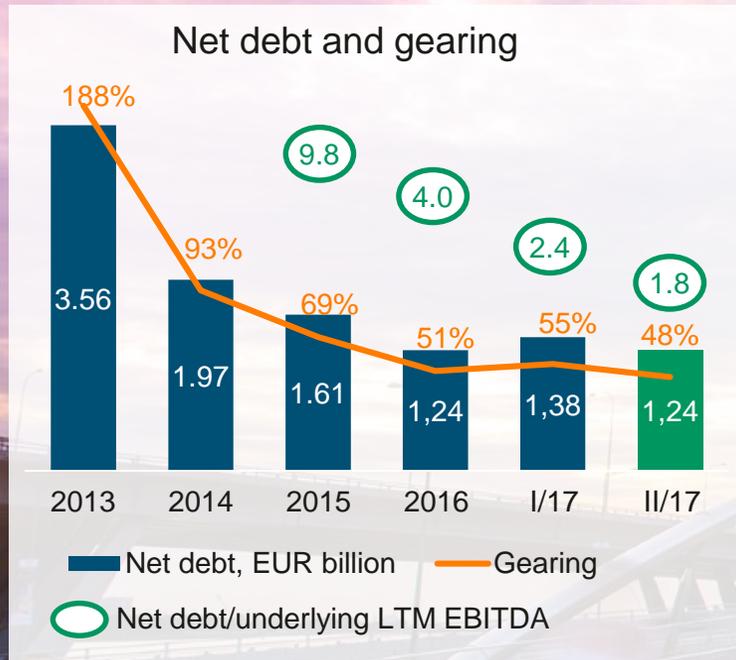
- Underlying demand remained solid during Q2/17
- Decline in distributor demand towards the end of the quarter
- Higher base prices in Europe and the US compared to Q2/16
- Q2/16 EBITDA was negatively impacted by GBP derivative losses of approx. EUR 5 million
- Raw material-related inventories and metal derivatives had positive net impact on the result

# Cash position strengthened further

EUR million	II/17	II/16	2016
Net cash from operating activities	<b>150</b>	54	389
Net cash from investing activities	<b>-9</b>	-22	-81
Cashflow before financing activities	<b>141</b>	32	308
Net cash from financing activities	<b>69</b>	-42	-291
Cash and cash equivalents	<b>289</b>	156	204

- Net working capital increased by EUR 29 million during Q2 driven by
  - Reduction in inventory tonnes
  - Trade and other receivables decreased by EUR 85 million
  - Trade and other payables decreased by EUR 126 million due to lower purchases of raw materials to support inventory management
- Q2/17 financing costs of EUR 31 million, interest expenses at EUR 24 million
- Overall liquidity reserves of EUR 1.0 billion
- Net debt decreased by EUR 137 million to EUR 1,239 million

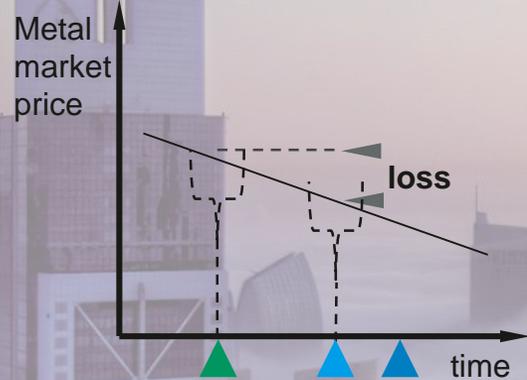
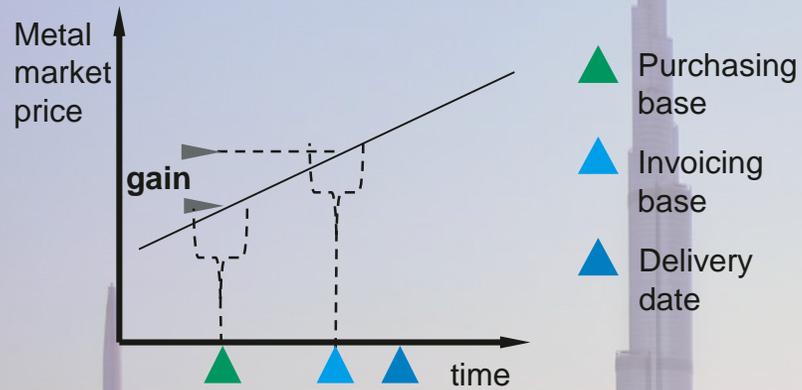
# Leverage reduced to below 2.0



- Voluntary redemption of EUR 25 million of the outstanding EUR 250 million senior secured notes due 2021 in June
- Moody's rating update:
  - Issuer corporate family rating upgraded to B2 from B3 and probability default rating to B2-PD from the previous B3-PD
  - Senior secured notes, due 2019 and 2021 upgraded to B1 from the previous rating of B2
  - The outlook on the ratings is positive

# Timing impact on EBITDA

Timing impact on metals



- Timing gains or losses arise from the difference between purchase price and invoice price of metal components
- Purchasing base = period which determines alloy purchase price for scrap or prime material supplies
- Invoicing base = period which determines alloy surcharge for stainless steel customer
- Timing gains and losses arise from all alloys, but are significant usually in Ni, Cr, Mo and Fe
- Hedging in place to mitigate timing impact related to Nickel price changes. However, FeCr and Moly can not be hedged due to lacking market

Case:  
FeCr price change



**Q1/17 vs. Q4/16:**  
**+0.55 USD/lb**



**Q3/17 vs. Q2/17:**  
**-0.44 USD/lb**

# Business and financial outlook for Q3/2017

- Typical seasonal slowdown
- Market pressure towards decreasing base prices in both Europe and the US
- Stainless steel deliveries in Europe and Long Products to decrease, relatively flat in the Americas
- Ferrochrome
  - Lower ferrochrome contract price
  - Low delivery volumes due to maintenance
- Sizeable negative impact from raw material-related inventory and metal derivative losses as alloy surcharges have decreased faster than raw material input costs

**However,**

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

**Outokumpu expects significantly lower Q3 adjusted EBITDA compared to the previous quarter**

# We are solidly on track

We have improved our profitability through self-help

We are driving topline growth and efficiency through our must-win battles

The EUR 500 million by 2020 EBIT target is firmly within our reach

# Appendix

# Income statement

(MEUR)	April-June 2017	April-June 2016
<b>Sales</b>	<b>1,659</b>	<b>1,379</b>
Cost of sales	-1,432	-1,287
<b>Gross margin</b>	<b>226</b>	<b>92</b>
Other operating income	19	36
SG&A costs	-84	-112
Other operating expenses	-7	-10
<b>EBIT</b>	<b>154</b>	<b>6</b>
Share of results in associated companies and joint ventures	4	1
Financial income and expenses		
Interest expenses	-24	-25
Net other financial expenses	-8	-3
<b>Result before taxes</b>	<b>127</b>	<b>-22</b>
Income taxes	-19	1
<b>Net result for the period</b>	<b>109</b>	<b>-20</b>

# Balance sheet

<b>Assets (MEUR)</b>	<b>June 30, 2017</b>	<b>Dec 31, 2016</b>
<b>Non-current assets</b>		
Intangible assets	489	504
Property, plant and equipment	2,730	2,874
Investments in associated companies and joint ventures	73	67
Other financial assets	56	54
Deferred tax assets	159	204
Defined benefit plan assets	14	45
Trade and other receivables	2	2
<b>Total non-current assets</b>	<b>3,523</b>	<b>3,750</b>
<b>Current assets</b>		
Inventories	1,282	1,232
Other financial assets	73	50
Trade and other receivables	839	687
Cash and cash equivalents	289	204
<b>Total current assets</b>	<b>2,483</b>	<b>2,173</b>
Assets held for sale	-	67
<b>Total assets</b>	<b>6,006</b>	<b>5,990</b>

<b>Equity and liabilities (MEUR)</b>	<b>June 30, 2017</b>	<b>Dec 31, 2016</b>
<b>Total equity</b>	<b>2,561</b>	<b>2,416</b>
<b>Non-current liabilities</b>		
Non-current debt	996	987
Other financial liabilities	4	4
Deferred tax liabilities	22	22
Defined benefit and other long-term employee benefit obligations	344	356
Provisions	101	118
Trade and other payables	35	37
<b>Total non-current liabilities</b>	<b>1,502</b>	<b>1,525</b>
<b>Current liabilities</b>		
Current debt	532	458
Other financial liabilities	22	63
Provisions	12	15
Trade and other payables	1,376	1,471
<b>Total current liabilities</b>	<b>1,942</b>	<b>2,007</b>
Liabilities directly attributable to assets held for sale	-	43
<b>Total equity and liabilities</b>	<b>6,006</b>	<b>5,990</b>

# Our strategic plan

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

The best value in the industry for customers,  
shareholders and employees through:

Safety

High  
Performing  
Organization

World Class  
Supply Chain

Manufacturing  
Excellence

Americas

Commercial  
Excellence

# Improving performance

Financial targets for 2020

**EBIT**  
EUR 500 million

**ROCE**  
12%

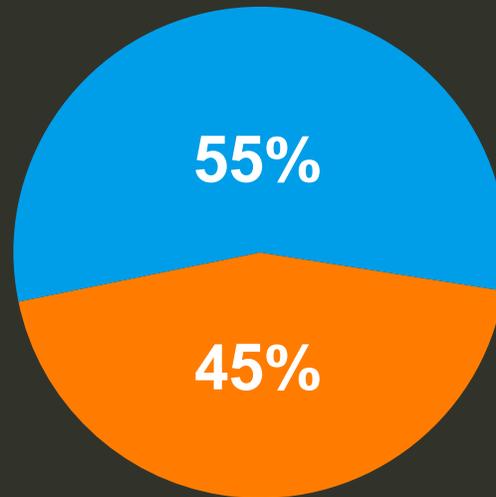
**Gearing**  
<35%

# Our must-win battles deliver EUR 500 million in 2020

Topline growth and cost efficiency based on self-help

## TOP LINE GROWTH

- Increase volume through efficiency and debottlenecking
- Richer mix through improved capability and selective sales strategy
- Value based selling

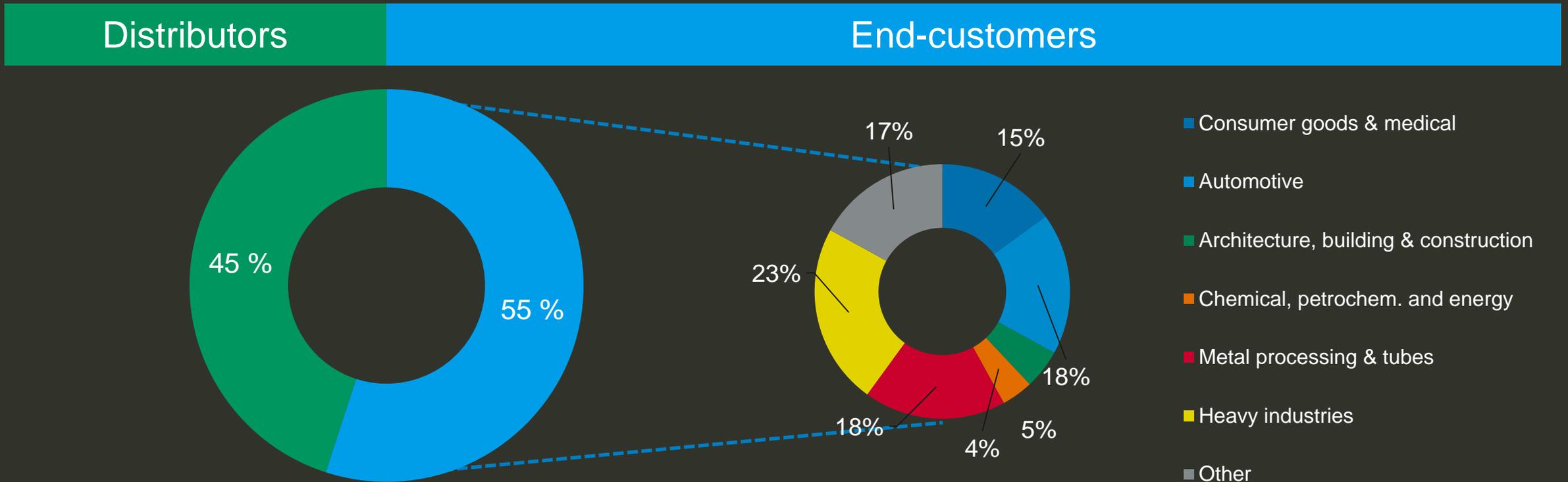


## COST REDUCTION

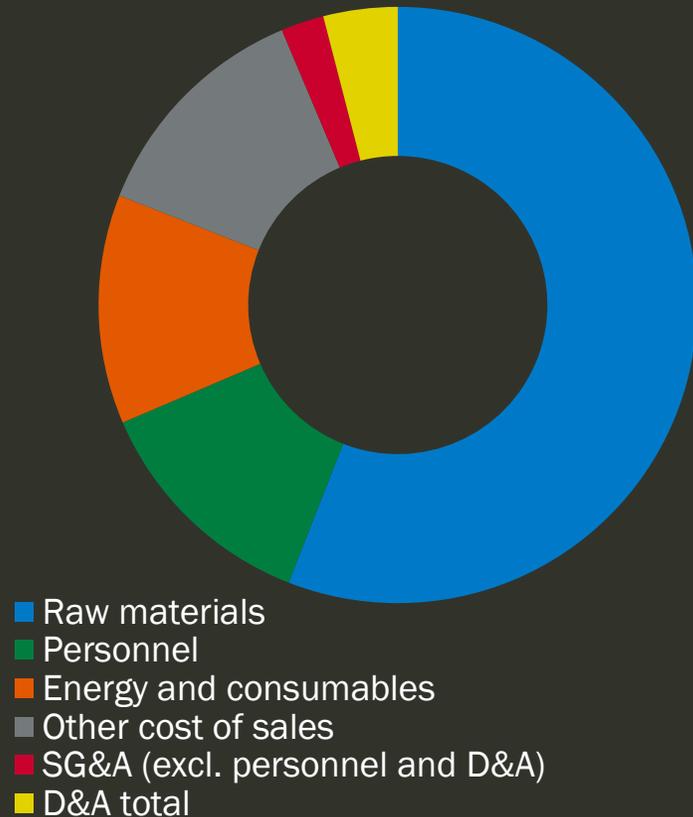
- Achieve 2-3% annual productivity improvement
- Achieve 15% savings in procurement
- Reduce variable and fixed cost
- Reduce SG&A cost by EUR 100 million

# We focus on growth segments

Consumer goods, automotive, architecture, building and construction



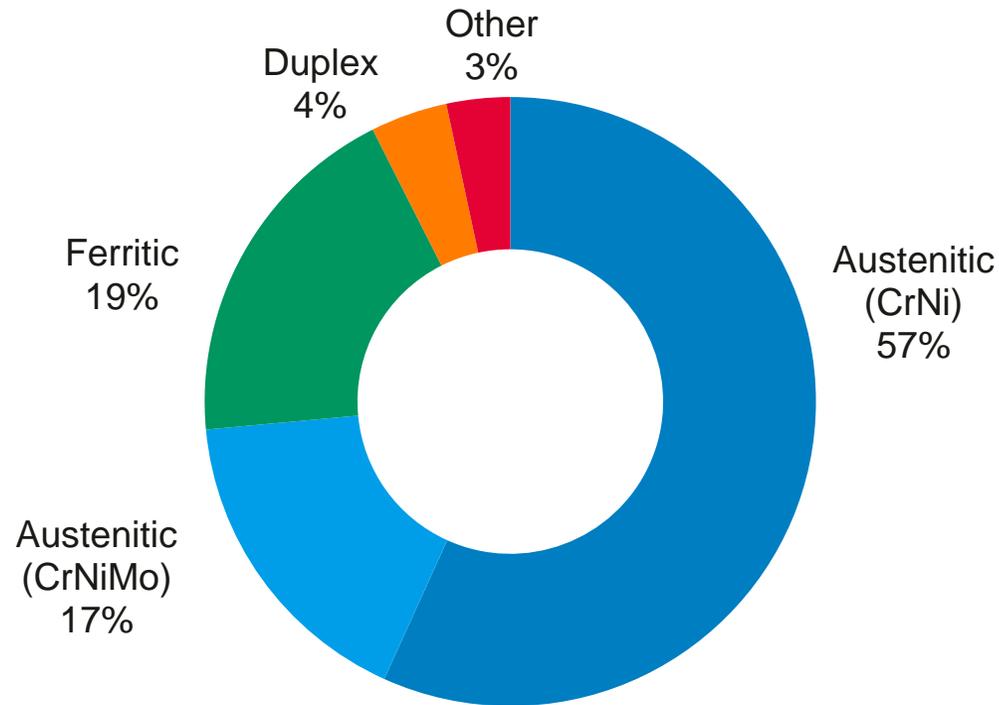
# Operative cost components



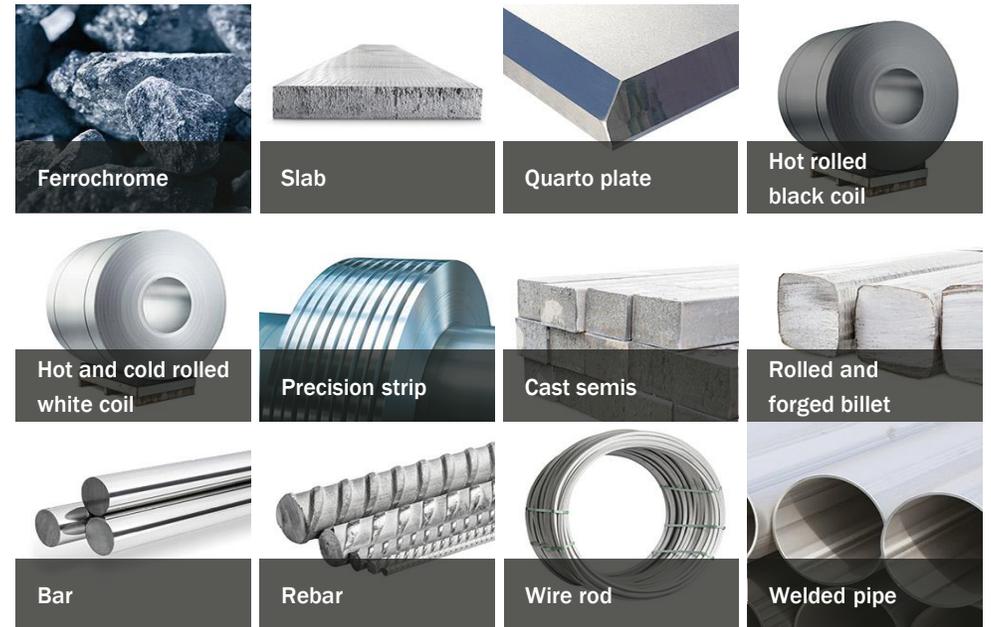
- Raw materials account for around 60% of the total operative costs of the Group
- Energy and other consumables account for 10-15% of the total operative costs
- Personnel expenses 10-15% of the total operative costs
- Other cost of sales includes e.g. freight, maintenance and rents and leases

# Broadest product portfolio across stainless steel

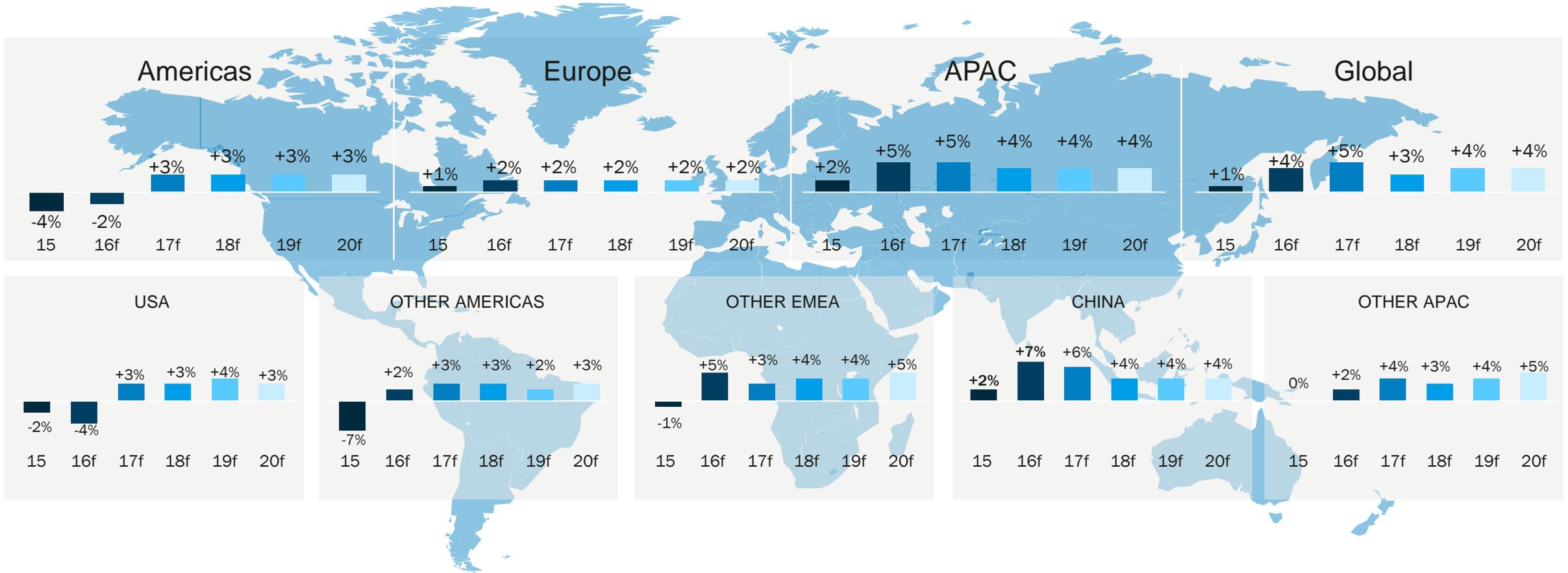
## Deliveries by product grade in 2016



## Outokumpu product forms

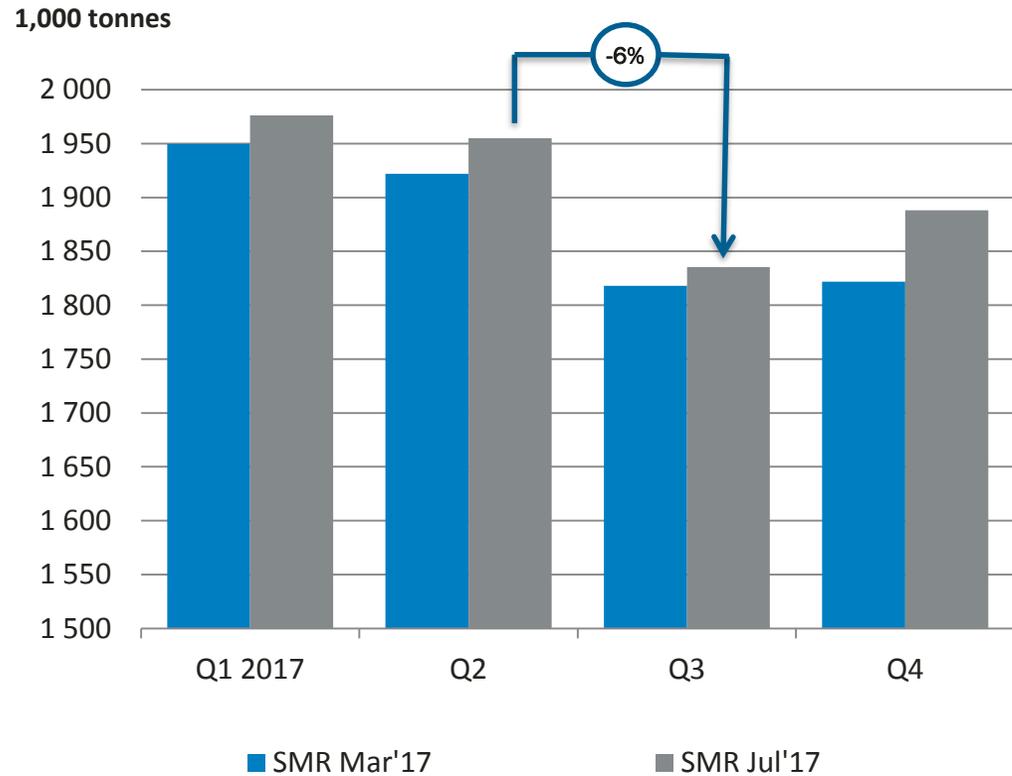


# ~4-5% demand growth expected for 2017

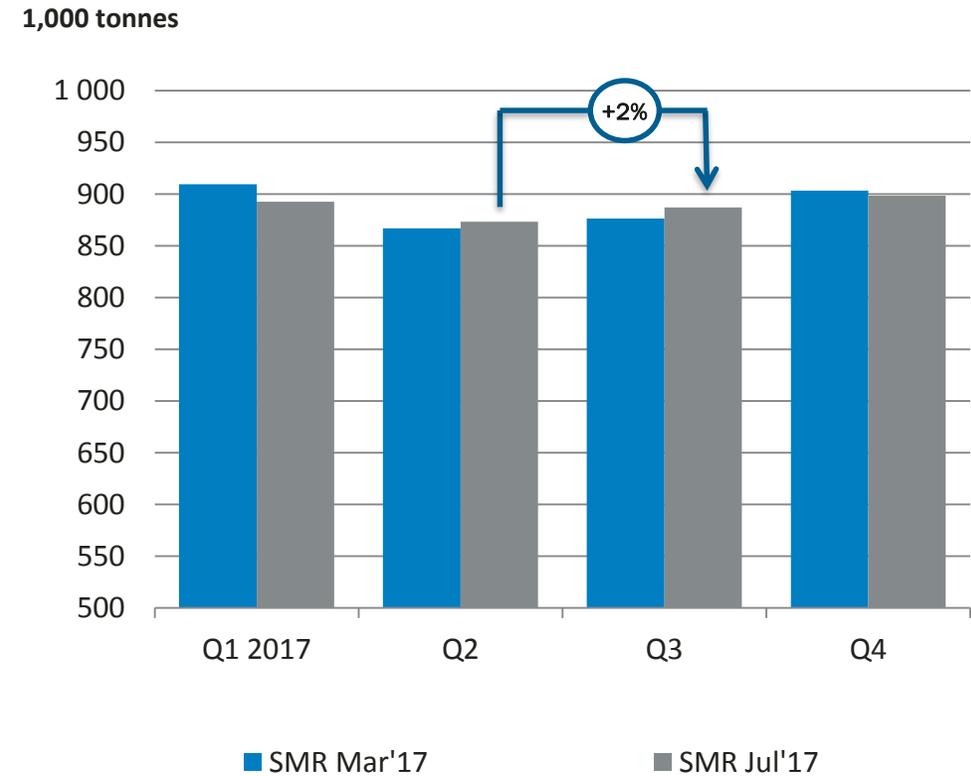


# Q3'17 real demand expected to decrease 6% q/q in EMEA and increase 2% q/q in Americas

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



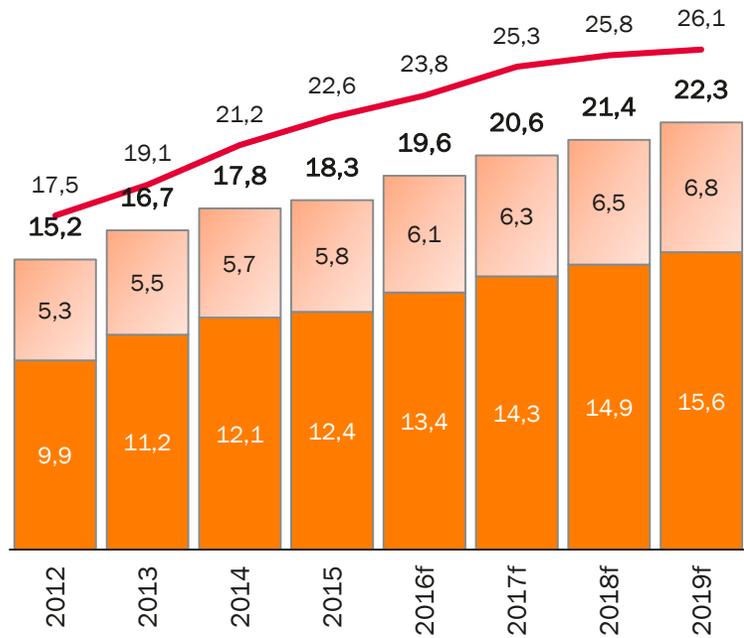
Americas total stainless steel real demand<sup>1</sup>



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

## Asia

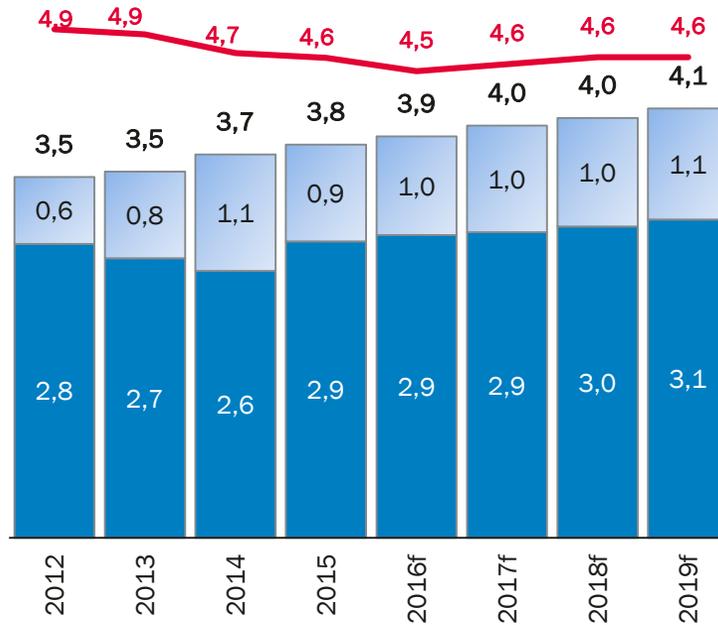
[CR, Mtonnes]



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

## Europe

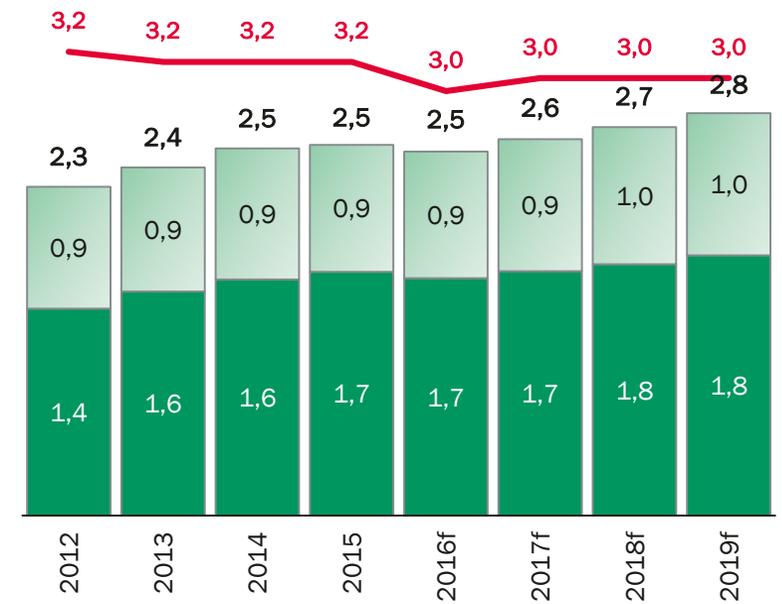
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■ Demand covered by Imports\*  
■ Demand covered by EU Mills  
— CRU Capacity

## Americas

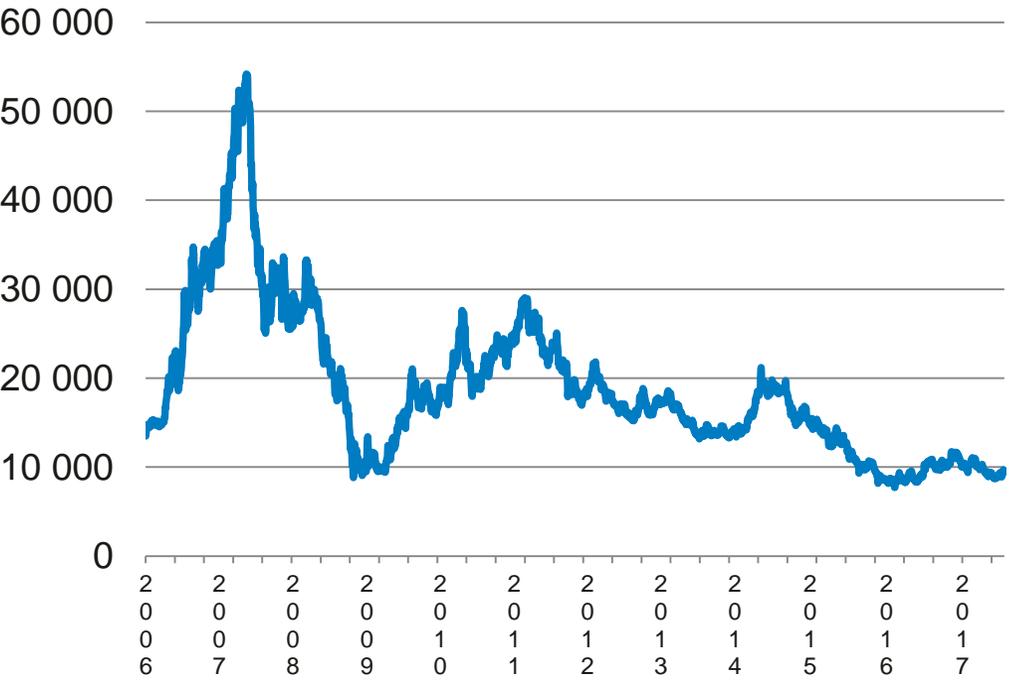
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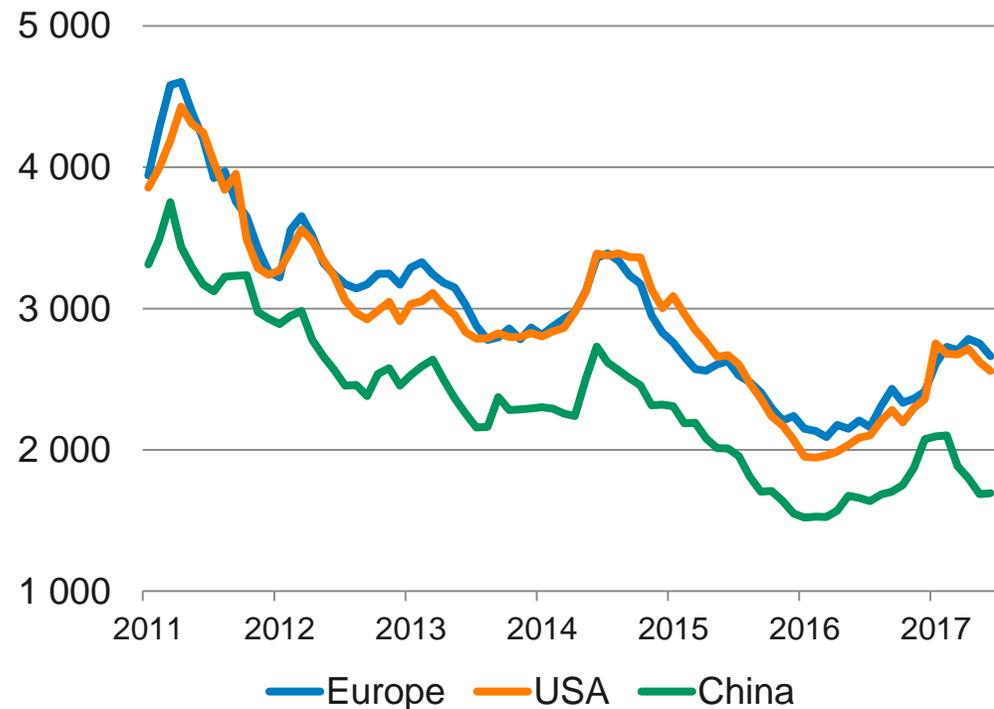
■ Demand covered by Rest Americas  
■ Demand covered by USA  
— CRU Capacity

# Transaction prices trending down on the back of weakening alloy prices

Nickel price, USD/tonne

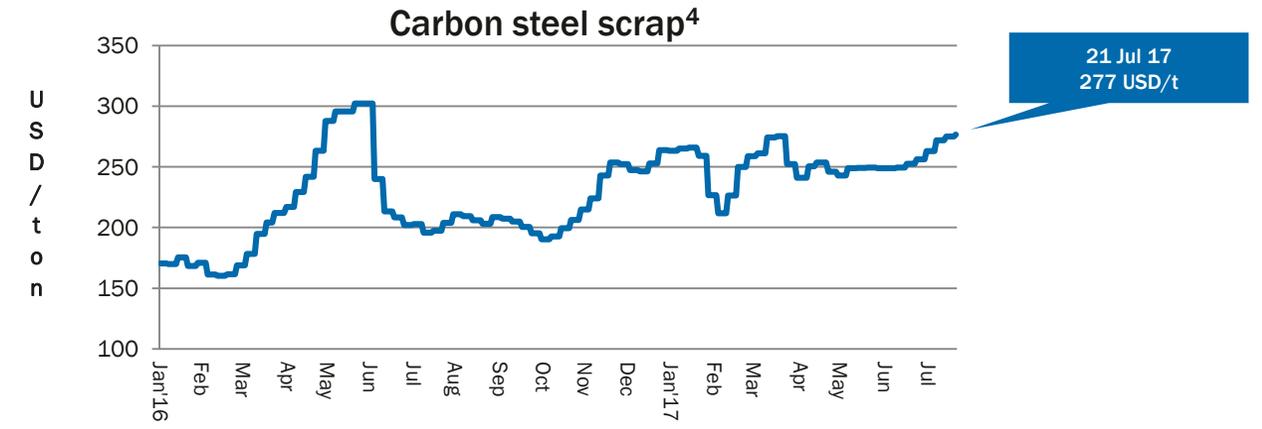
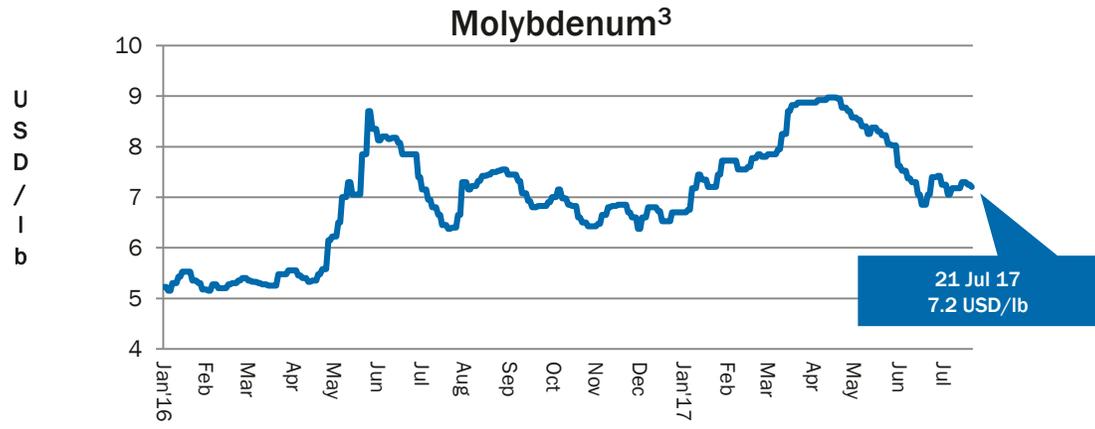
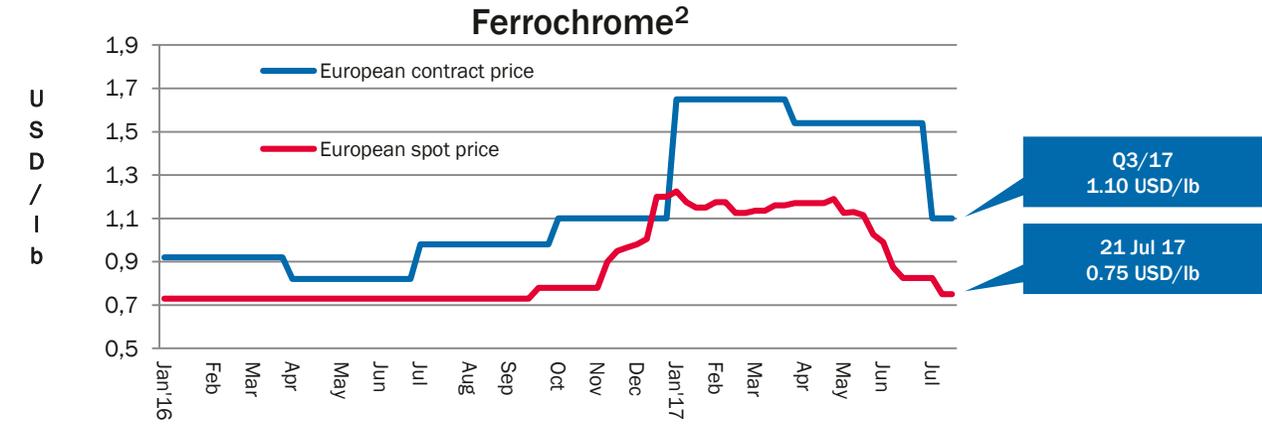
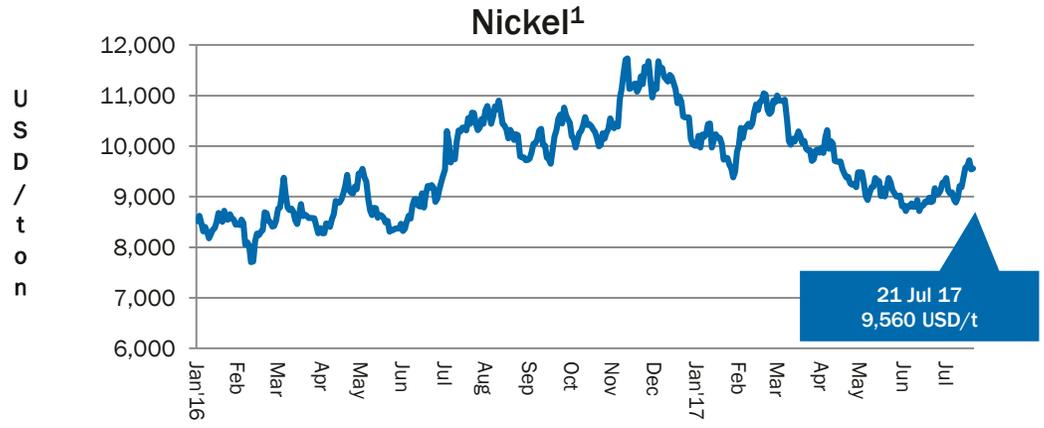


Transaction prices 304 stainless, USD/tonne



1. LME daily cash settlement  
 2. 2mm sheet cold rolled 304 grade. CRU July 2017

# Raw materials - price development



Data source: 1) Nickel Cash LME Daily Official 2) Contract - MetalBulletin - Ferro-chrome Lumpy CR charge basis 52% & Cr quarterly major European destinations Cr ; Spot: Platts Charge Chrome 52% DDP Europe  
 3) MetalBulletin - Molybdenum Drummed molybdic oxide Free market Mo in warehouse; 4 Ferrous Scrap Index HMS 1&2 (80:20 mix) \$ per tonne fob Rotterdam

# Fully integrated production asset base

	Europe				Americas		Long Products				Total
	Tornio Finland	Avesta + Nyby Sweden	Krefeld + Dillenburg Germany	Degerfors Sweden	Calvert USA	Mexinox Mexico	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							
- Long products							25	40	40	20	
											2,675

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

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