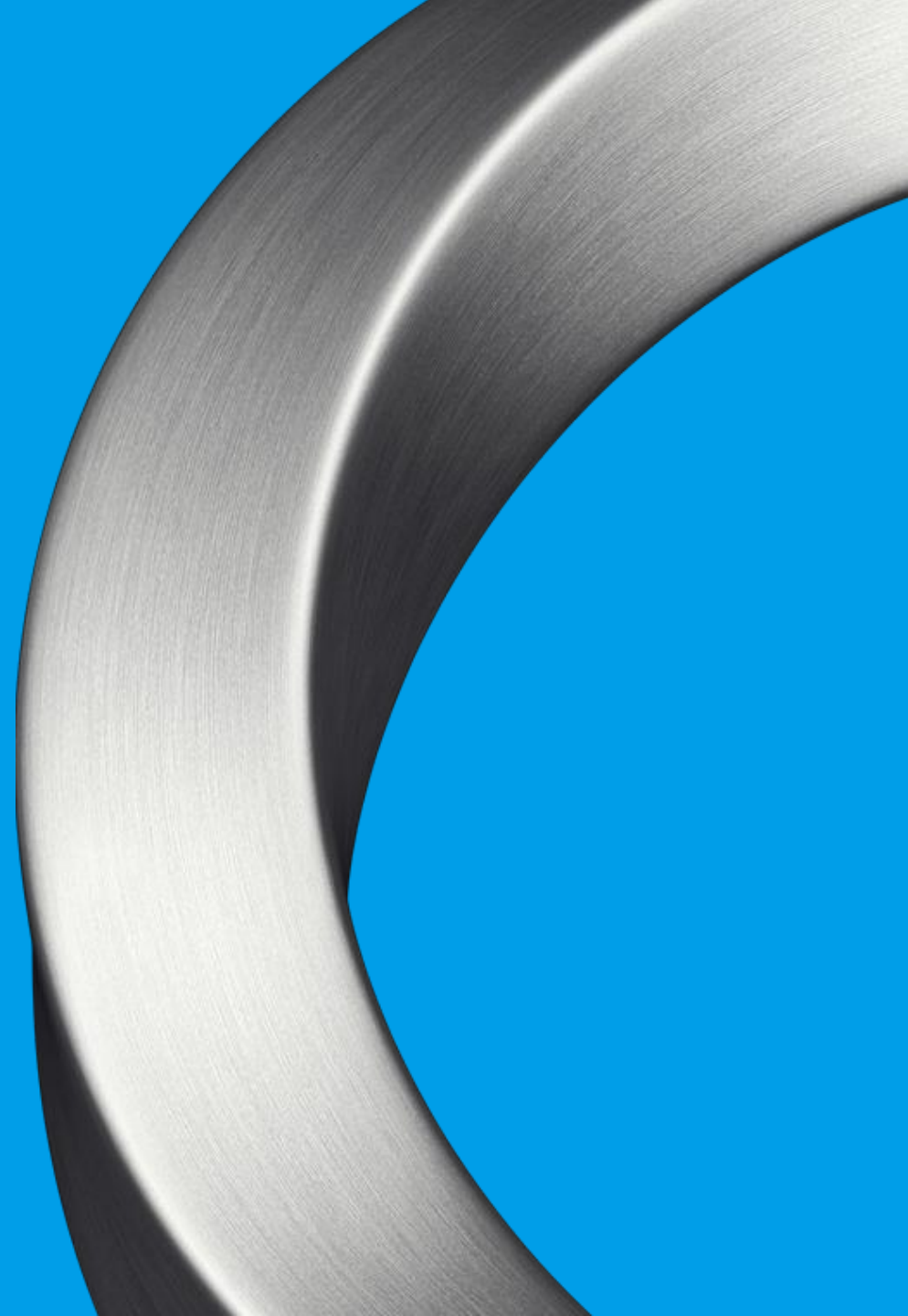


# Interim report Q3/2017

CEO Roeland Baan  
CFO Chris de la Camp

October 26, 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**

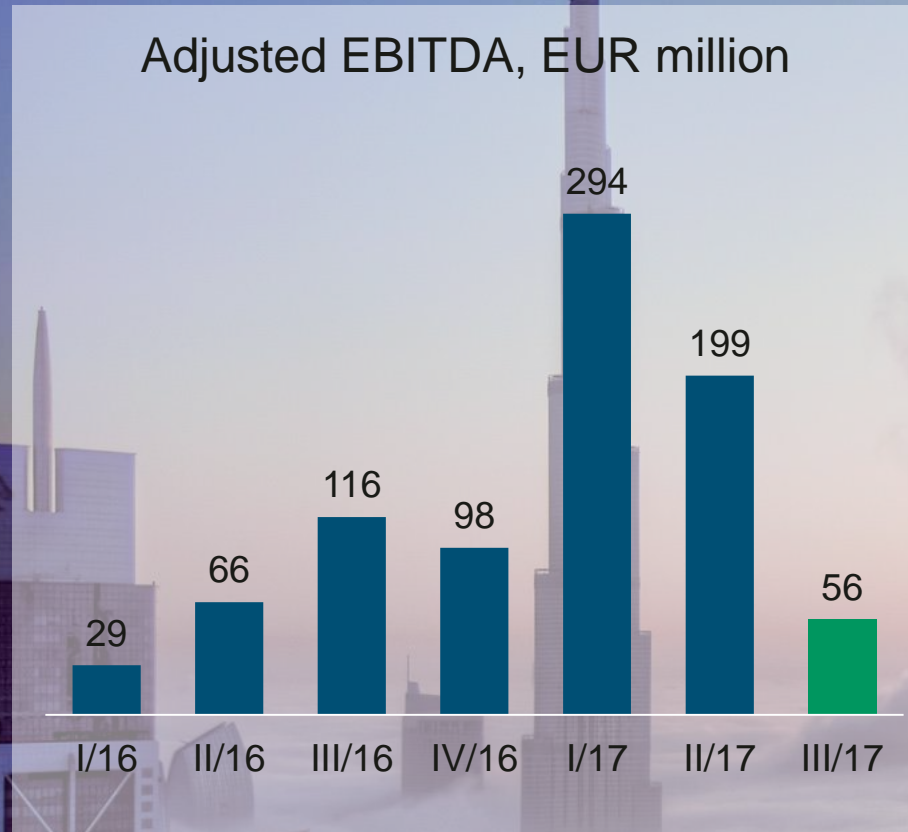
1. Customers
2. Shareholders
3. Employees

Time bound:  
sense of urgency

Back to basics

# Q3 earnings burdened by raw material-related losses

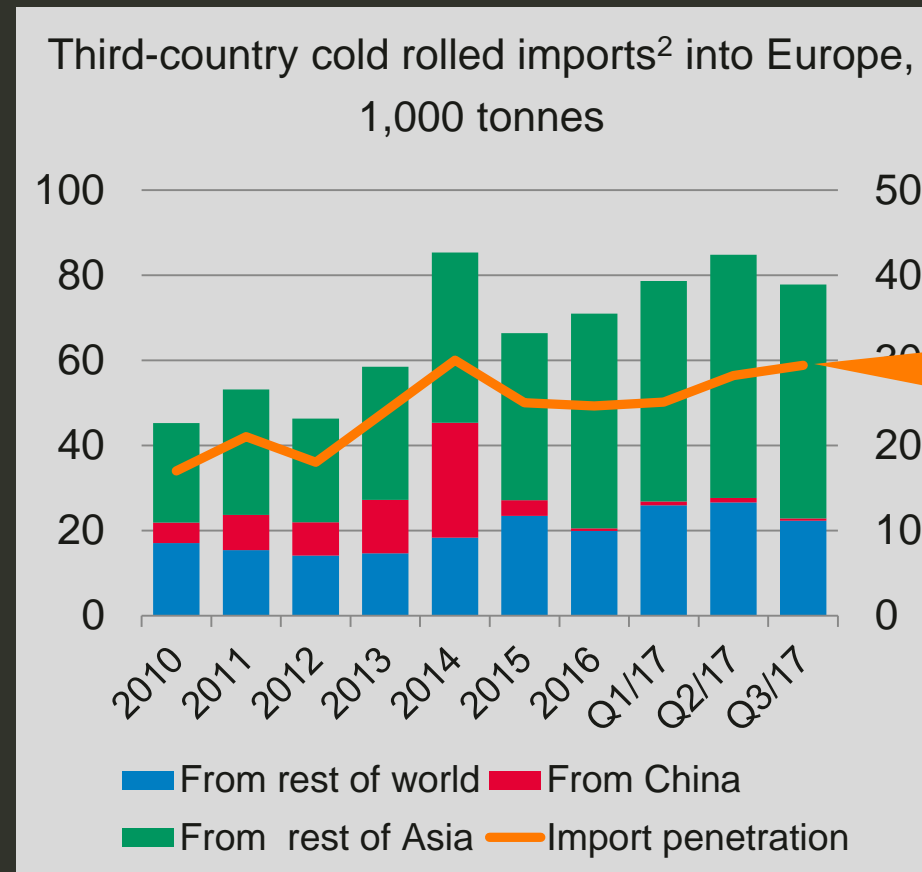
Adjusted EBITDA, EUR million



- Safety: TRIFR further improved to 4.8 (9M/17)
- Significant y-o-y improvement with ~EUR 550 million adjusted EBITDA in 9M/17
- Successful cost reductions continued in Q3
- Europe's profitability improved y-o-y
- Healthy market with higher ferrochrome and stainless steel base prices y-o-y
- Operating cash flow of EUR 126 million in Q3
- Net debt decreased to EUR 1,130 million

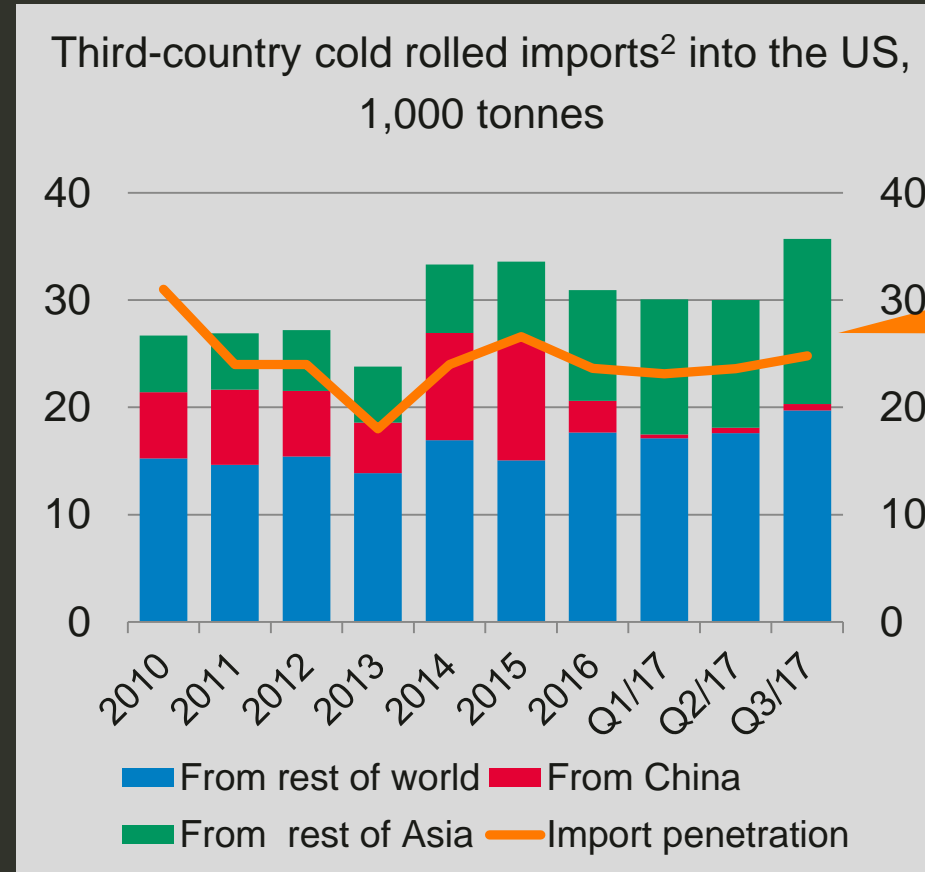
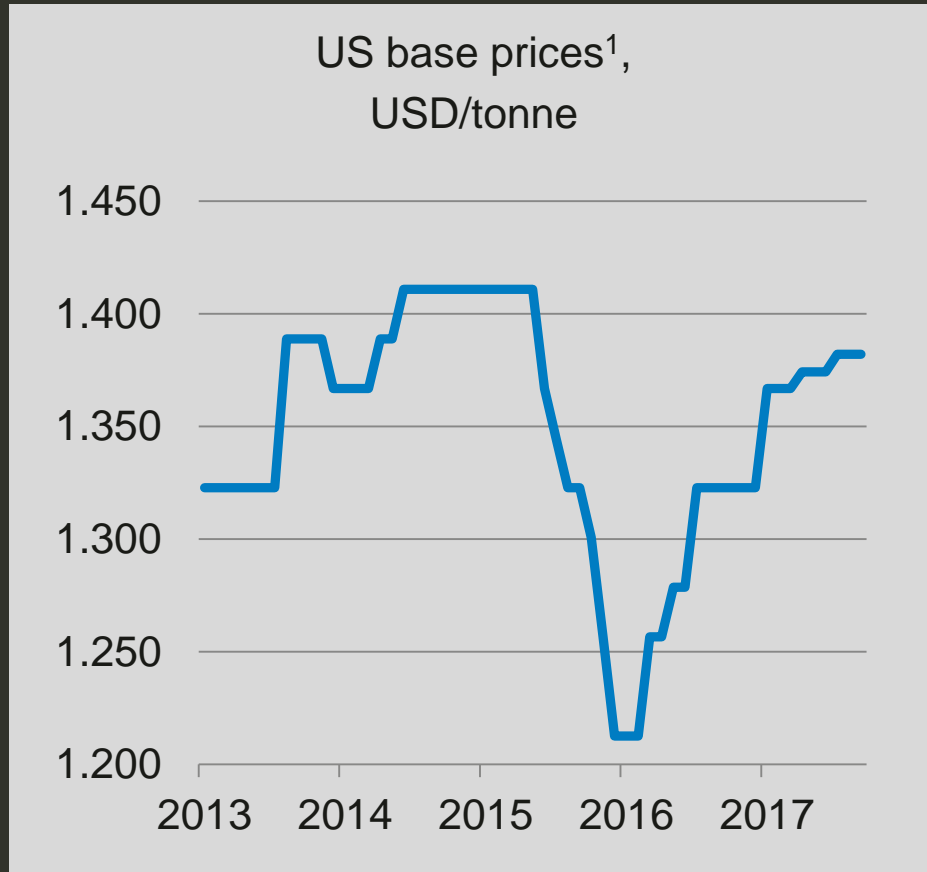
- Net of timing and hedging impact of EUR -41 million in Q3
- Low ferrochrome production volumes due to planned maintenance
- Americas' earnings impacted by one-offs

# European base prices were trending down



Import penetration slightly up to 29.4% in Q3

# Imports to the US increased



Import penetration of 24.8% in Q3

# Key financials

Increase mainly driven by record-high deliveries in the Americas

- Includes net of timing & hedging of EUR -41 million
- Q3/16 includes a positive impact from a reversal of credit loss allowances of EUR 22 million

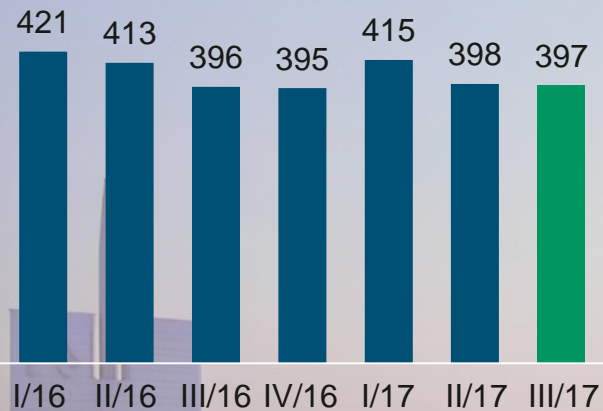
Net debt target of below EUR 1.1 billion by year-end is firmly in reach

Key figures	III/17	III/16	2016
Stainless steel deliveries, 1,000 tonnes	623	608	2,444
Sales, EUR million	1,482	1,419	5,690
Adjusted EBITDA, EUR million	56	116	309
Net result, EUR million	-27	13	144
Operating cash flow, EUR million	126	61	389
Net debt, EUR million	1,130	1,396	1,242
Capital expenditure, EUR million	40	43	164
Personnel at the end of the period	10,276	10,785	10,600



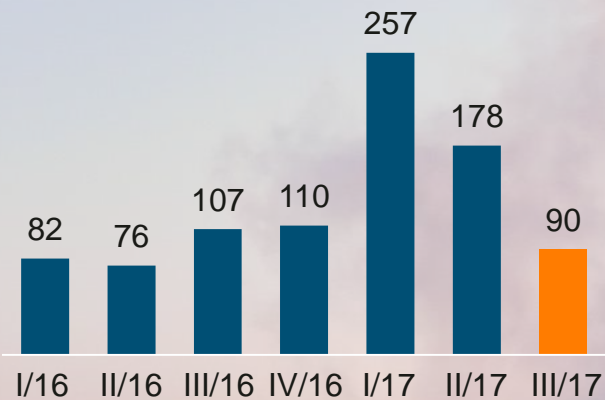
# Europe – good results despite seasonality

Deliveries, 1,000 tonnes



Flat deliveries despite seasonal slowdown

Adjusted EBITDA, EUR million

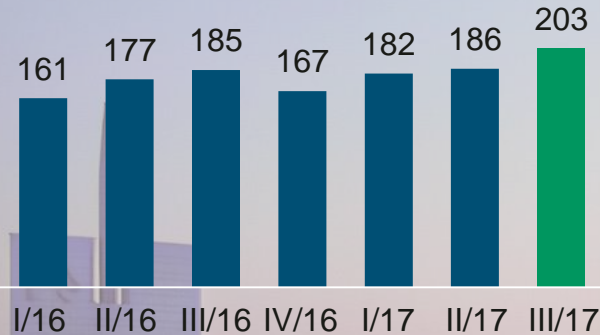


- Negative net of timing and hedging impact of EUR 23 million in Q3
- Q3/16 includes a reversal of credit loss allowances of EUR 22 million

- Underlying demand remained strong
- Base prices under pressure due to distributor destocking
- Q3/17 average base price increased by EUR 35/tonne compared to Q3/16
- Distributor inventories slightly above historical average levels
- Ferrochrome operations
  - Low production volumes due to planned maintenance
  - FeCr price increased, largely offset by weaker US dollar y-o-y

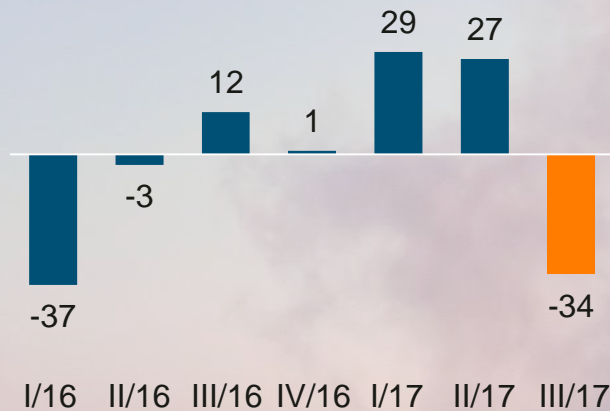
# Americas' earnings burdened by one-offs

Deliveries, 1,000 tonnes



Record-high deliveries: up by 9.2% compared to Q3/16

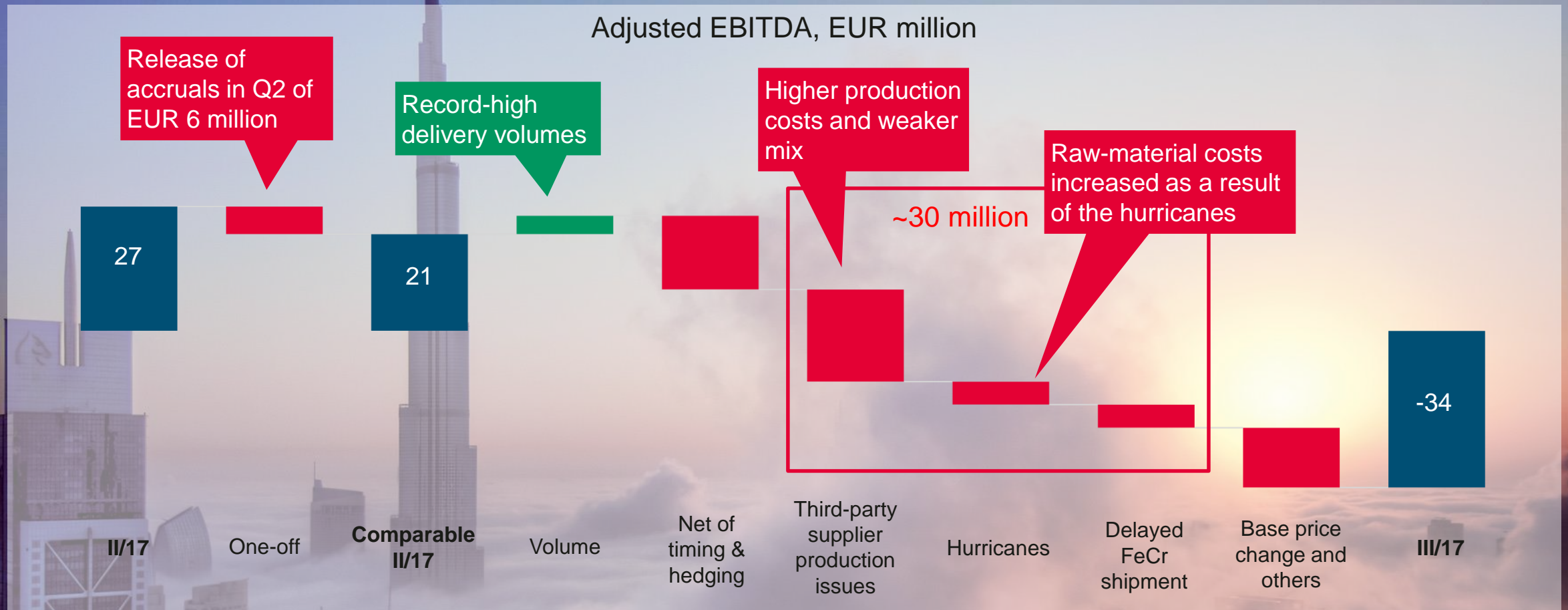
Adjusted EBITDA, EUR million



Negative net of timing and hedging, weaker mix and additional costs

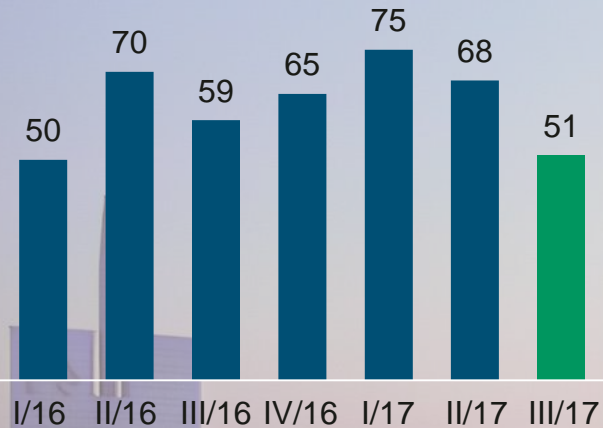
- Healthy underlying demand in Q3/17
- Distributor demand was negatively impacted by low raw material prices
- Distributor inventories remained at long-term average levels
- Q3/17 average base price decreased by USD 30/tonne compared to Q3/16

# Americas' earnings burdened by ~EUR 30 million one-offs



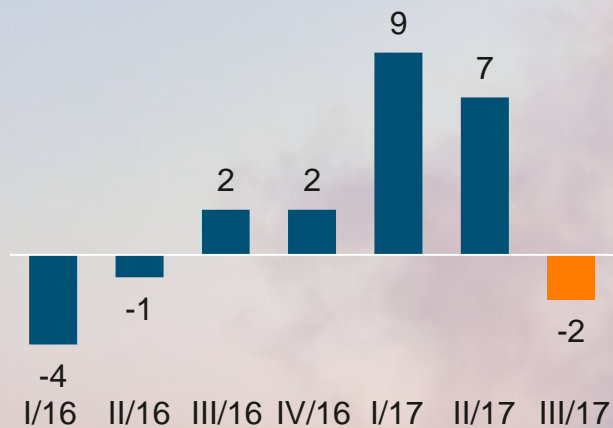
# Long Products was impacted by typical seasonality

Deliveries, 1,000 tonnes



Q3/17 deliveries decreased y-o-y primarily due to lower internal slab deliveries to business area Europe

Adjusted EBITDA, EUR million



Adj. EBITDA driven by lower deliveries, partly offset by improved product mix

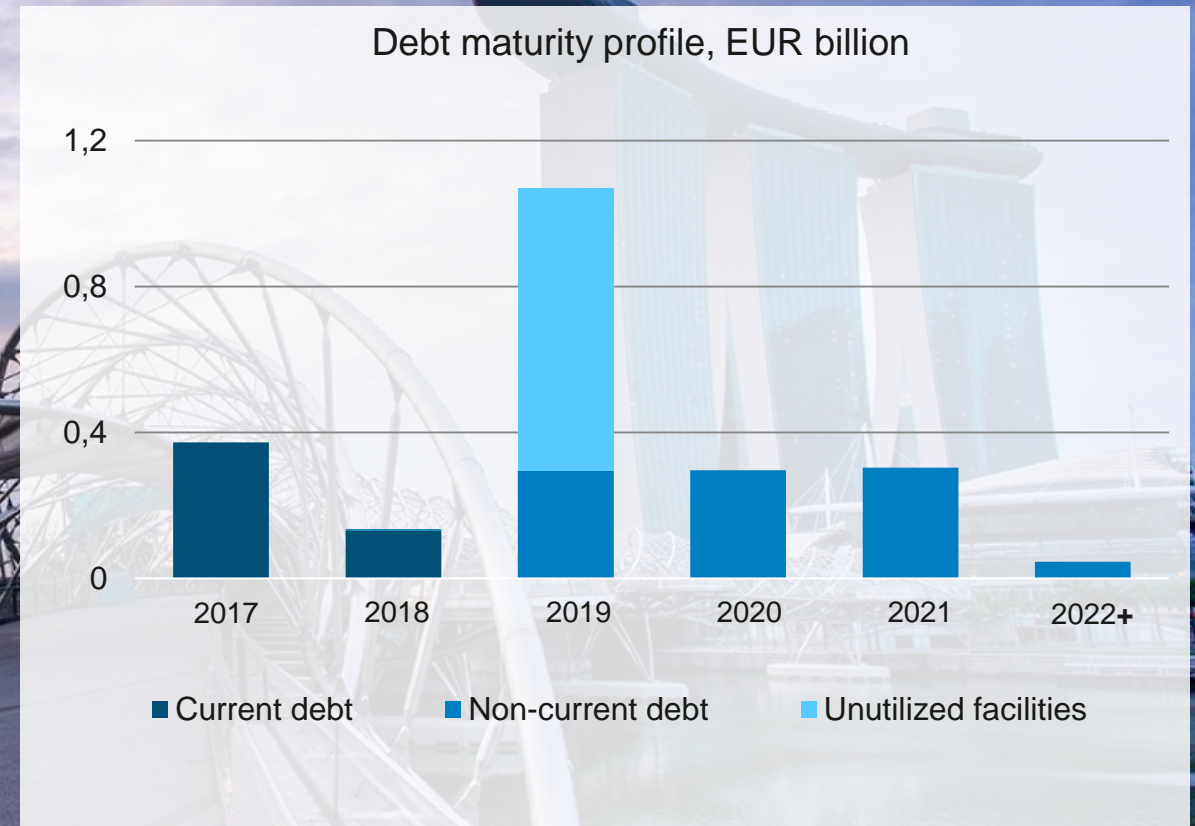
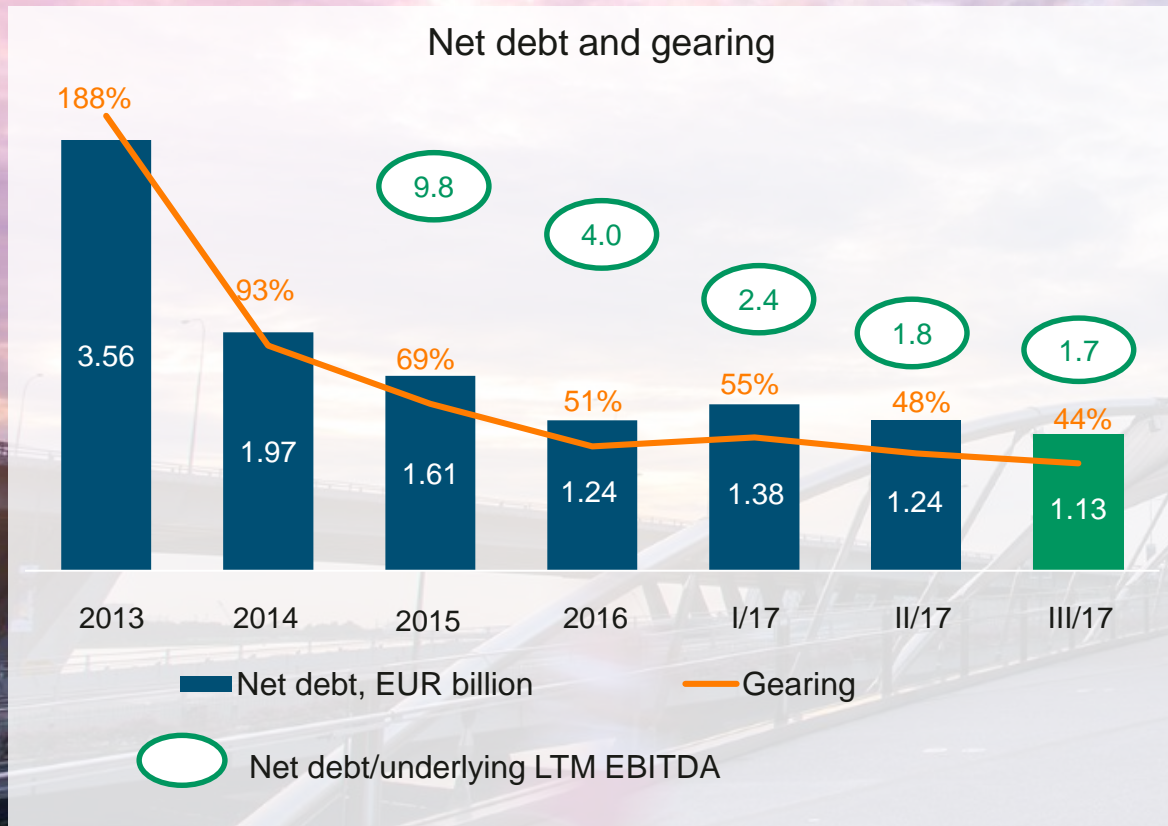
- Underlying demand remained strong during Q3/17
- Base prices relatively stable in Europe and the US compared to Q3/16
- Negative net of timing and hedging impact of EUR 2 million

# Strong cash generation

EUR million	III/17	III/16	2016
Net cash from operating activities	126	61	389
Net cash from investing activities	-13	26	-81
Cash flow before financing activities	113	87	308
Net cash from financing activities	-107	-29	-291
Cash and cash equivalents	295	213	204

- Net working capital decreased by EUR 81 million during Q3 mainly driven by an increase in trade and other payables
- Q3/17 financing costs of EUR 32 million of which interest expenses EUR 23 million
- Overall liquidity reserves of approx. EUR 1.1 billion
- Net debt decreased by EUR 109 million to EUR 1,130 million

# Net debt target of <EUR 1.1 bn firmly in reach



# Business and financial outlook for Q4/2017

- Underlying stainless steel demand is expected to remain healthy in both Europe and the US in Q4
- Typical seasonal slowdown in the US market is expected to have a negative impact on Americas' deliveries in Q4
- Europe's deliveries are expected to remain relatively flat compared to Q3
- Ferrochrome production is expected to be at normal levels
- Planned maintenance work in European stainless steel mills is expected to have a negative impact on Q4 profitability with additional maintenance costs of approximately EUR 30 million
- Net of timing and hedging is expected to be slightly positive in Q4

**Outokumpu expects higher Q4 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)	July-Sept 2017	July-Sept 2016
<b>Sales</b>	<b>1,482</b>	<b>1,419</b>
Cost of sales	-1,406	-1,301
<b>Gross margin</b>	<b>76</b>	<b>117</b>
Other operating income	9	4
SG&A costs	-69	-56
Other operating expenses	-6	-26
<b>EBIT</b>	<b>9</b>	<b>40</b>
Share of results in associated companies and joint ventures	-1	2
Financial income and expenses		
Interest expenses	-23	-27
Net other financial expenses	-9	-3
<b>Result before taxes</b>	<b>-24</b>	<b>13</b>
Income taxes	-3	0
<b>Net result for the period</b>	<b>-27</b>	<b>13</b>

# Balance sheet

<b>Assets (MEUR)</b>	<b>Sept 30, 2017</b>	<b>Dec 31, 2016</b>
<b>Non-current assets</b>		
Intangible assets	489	504
Property, plant and equipment	2,675	2,874
Investments in associated companies and joint ventures	72	67
Other financial assets	62	54
Deferred tax assets	146	204
Defined benefit plan assets	37	45
Trade and other receivables	2	2
<b>Total non-current assets</b>	<b>3,483</b>	<b>3,750</b>
<b>Current assets</b>		
Inventories	1,289	1,232
Other financial assets	63	50
Trade and other receivables	819	687
Cash and cash equivalents	294	204
<b>Total current assets</b>	<b>2,466</b>	<b>2,173</b>
Assets held for sale	-	67
<b>Total assets</b>	<b>5,948</b>	<b>5,990</b>

<b>Equity and liabilities (MEUR)</b>	<b>Sept 30, 2017</b>	<b>Dec 31, 2016</b>
<b>Total equity</b>	<b>2,543</b>	<b>2,416</b>
<b>Non-current liabilities</b>		
Non-current debt	919	987
Other financial liabilities	3	4
Deferred tax liabilities	21	22
Defined benefit and other long-term employee benefit obligations	326	356
Provisions	67	118
Trade and other payables	39	37
<b>Total non-current liabilities</b>	<b>1,375</b>	<b>1,525</b>
<b>Current liabilities</b>		
Current debt	505	458
Other financial liabilities	33	63
Provisions	36	15
Trade and other payables	1,456	1,471
<b>Total current liabilities</b>	<b>2,031</b>	<b>2,007</b>
Liabilities directly attributable to assets held for sale	-	43
<b>Total equity and liabilities</b>	<b>5,948</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%

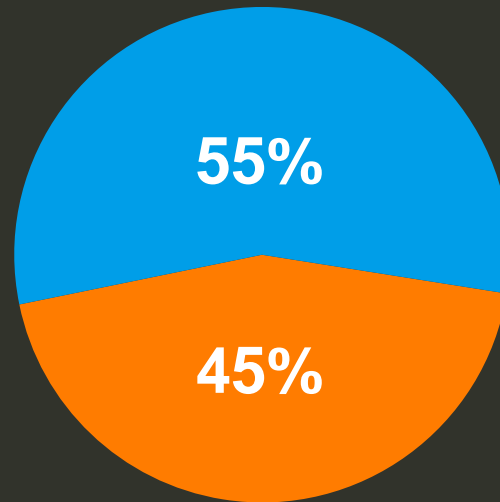
**Gearing**  
<35%

# 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

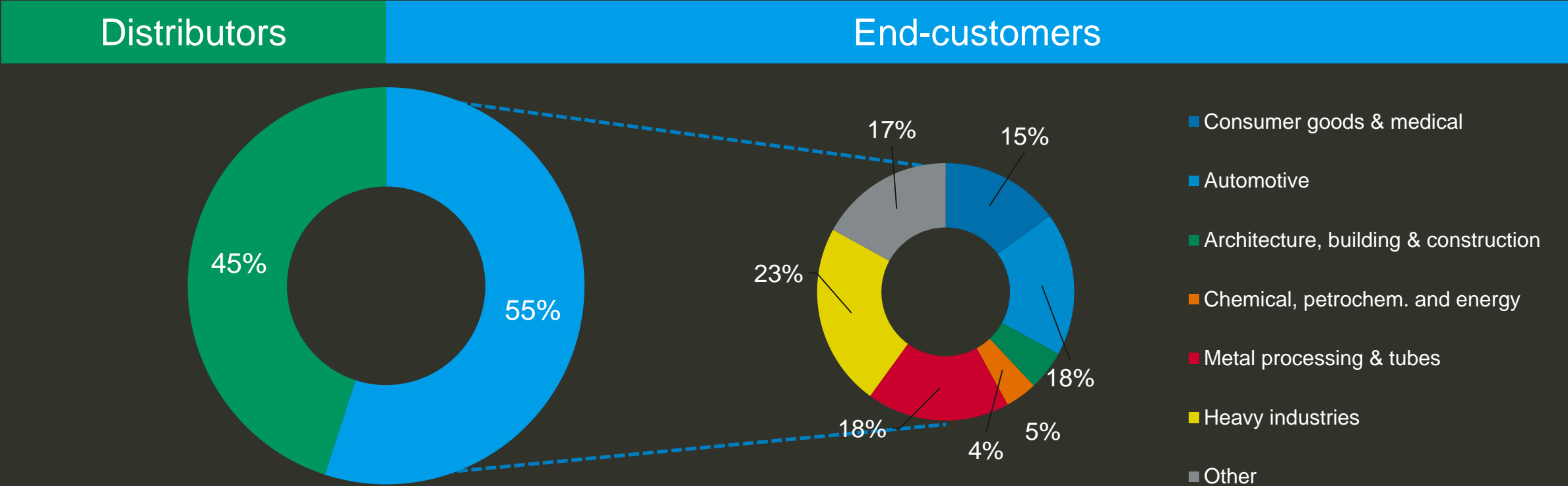


## COST REDUCTION

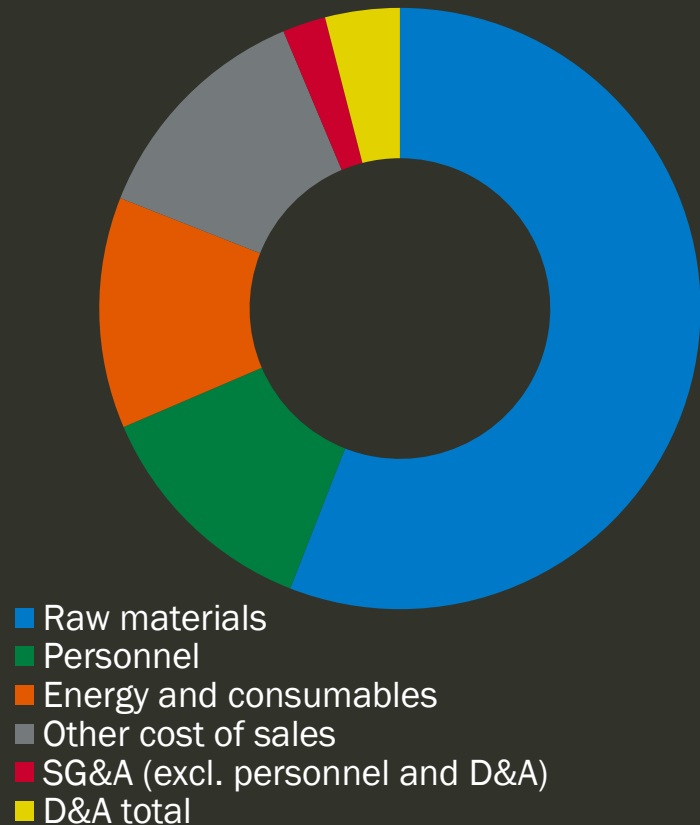
- Achieve 2-3% annual productivity improvement
- Achieve 15% savings in procurement
- Reduce variable and fixed cost
- Reduce SG&A cost by EUR 100 million

# We focus on growth segments

Consumer goods, automotive, architecture, building and construction



# Operative cost components

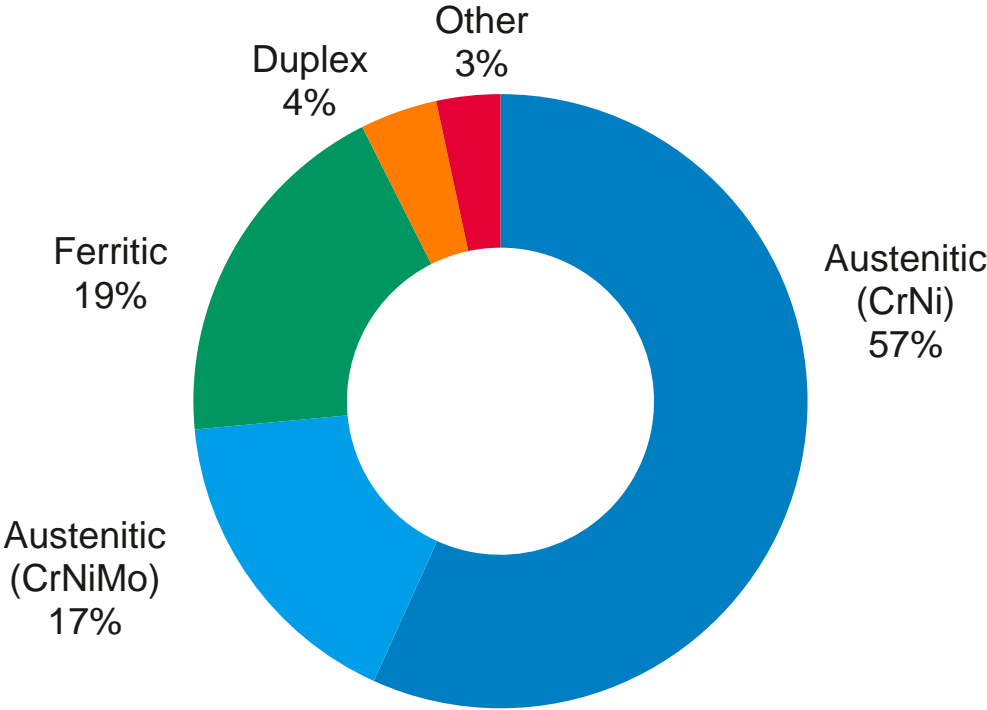


- Raw materials account for around 60% of the total operative costs of the Group
- Energy and other consumables account for 10-15% of the total operative costs
- Personnel expenses 10-15% of the total operative costs
- Other cost of sales includes e.g. freight, maintenance and rents and leases

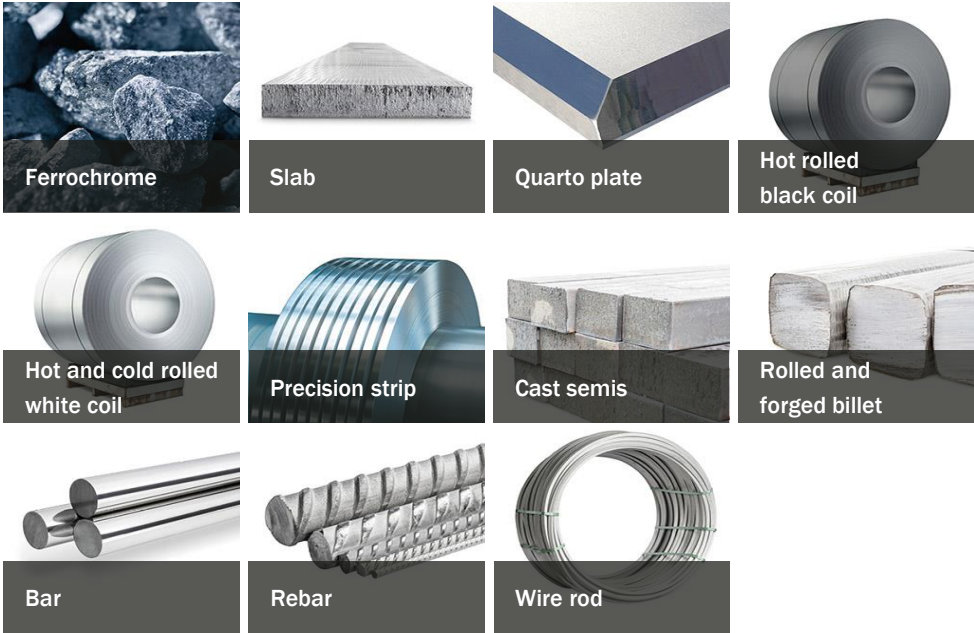


# Broadest product portfolio across stainless steel

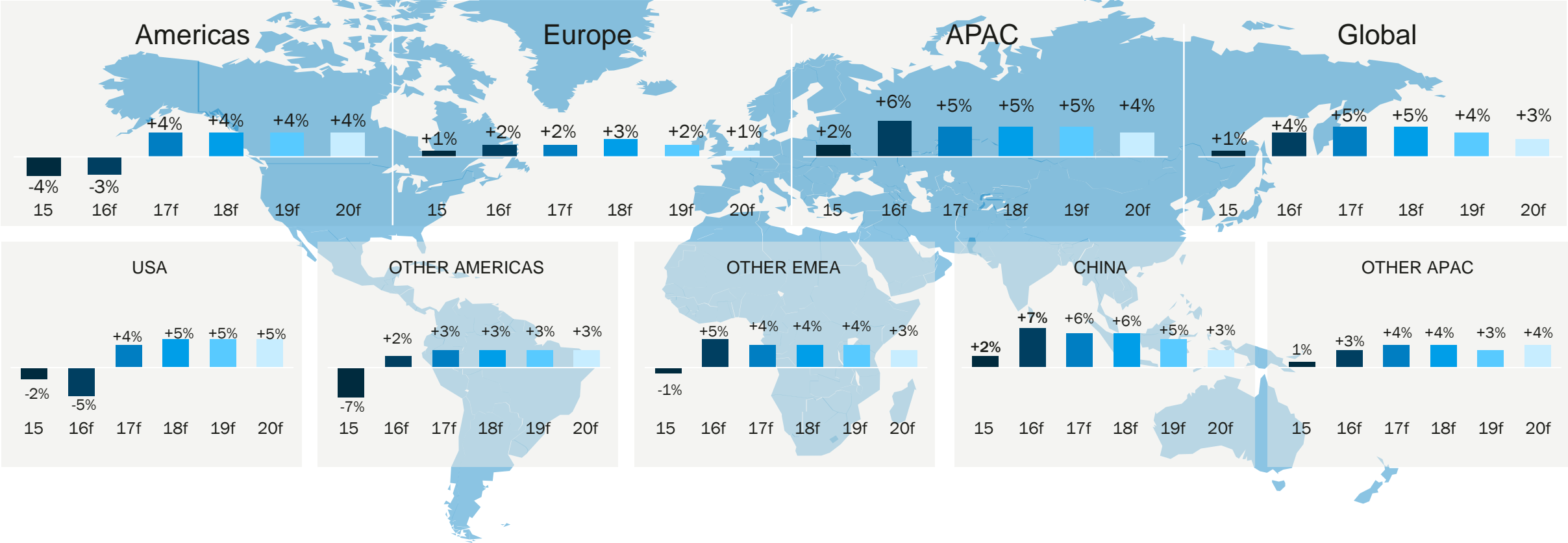
Deliveries by product grade in 2016



Outokumpu product forms



# 5% demand growth expected for 2017

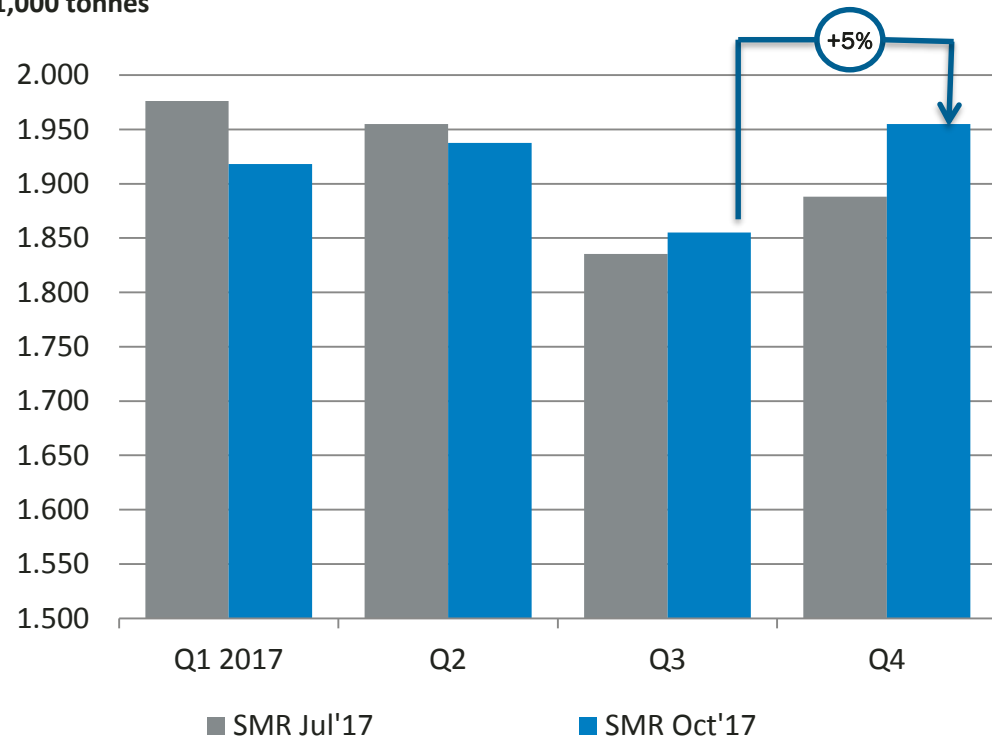


Data source: SMR, October 2017  
 Real demand for total stainless steel (rolled & forged products, excl. 13Cr tubes, profiles)

# Q4'17 real demand expected to increase by 5% q/q in EMEA and by 1% q/q in Americas

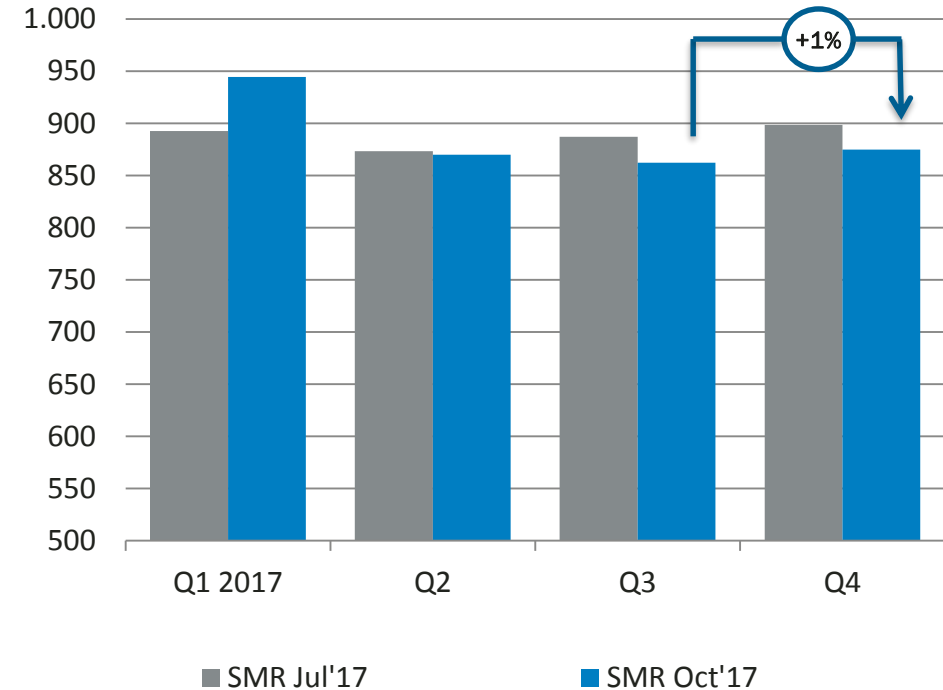
EMEA total stainless steel real demand<sup>1</sup>

1,000 tonnes



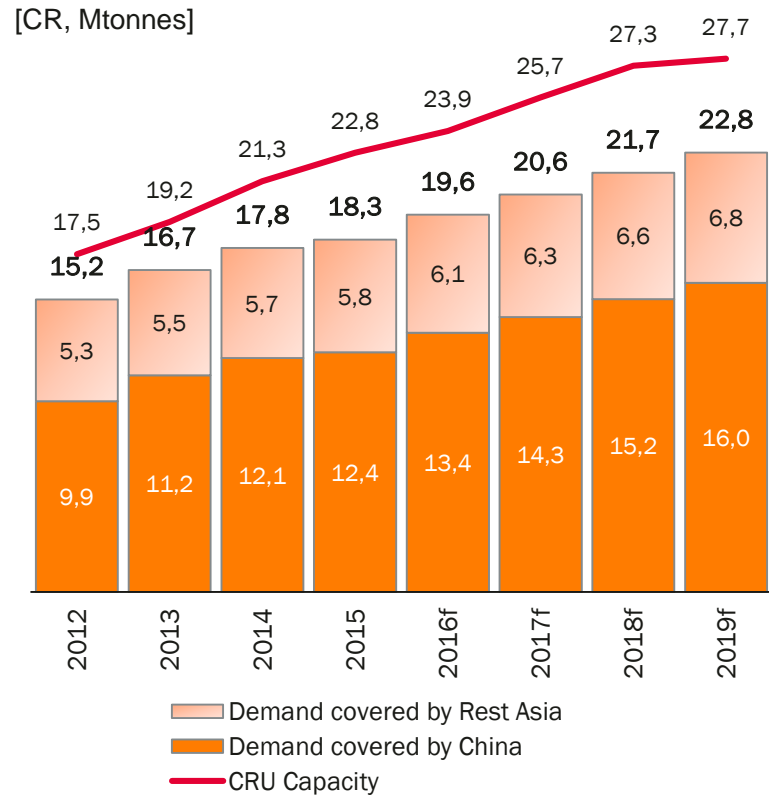
Americas total stainless steel real demand<sup>1</sup>

1,000 tonnes

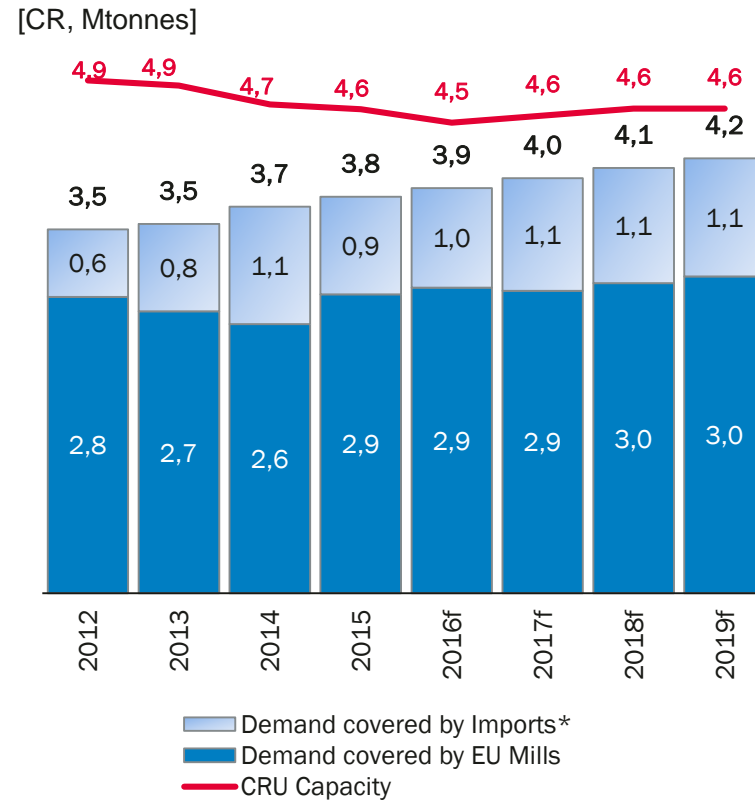


# Low capacity utilization in China, on healthier level in Europe and Americas

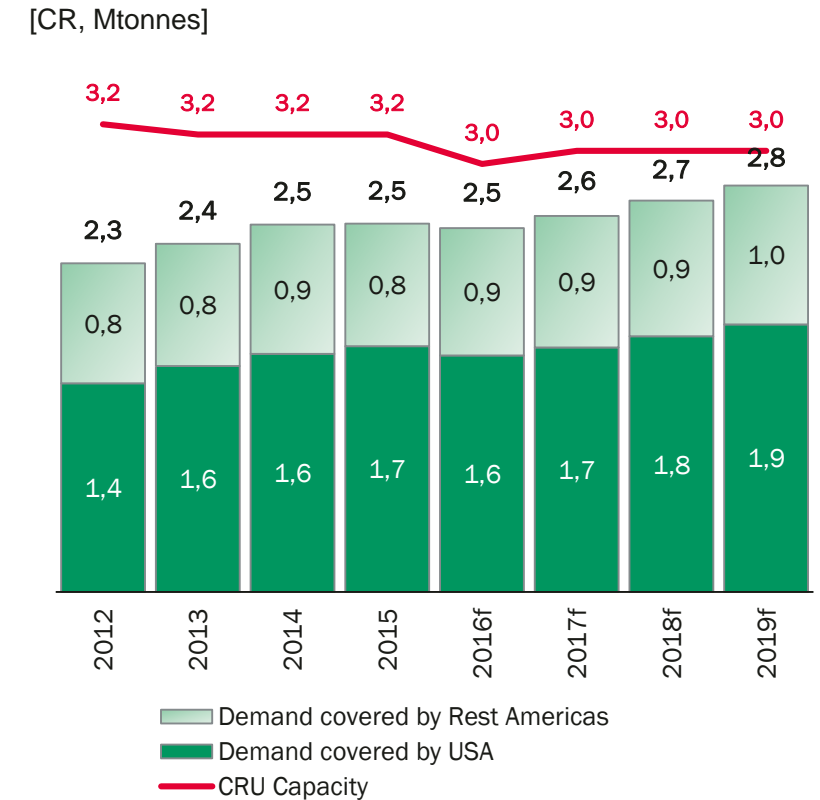
## Asia



## Europe

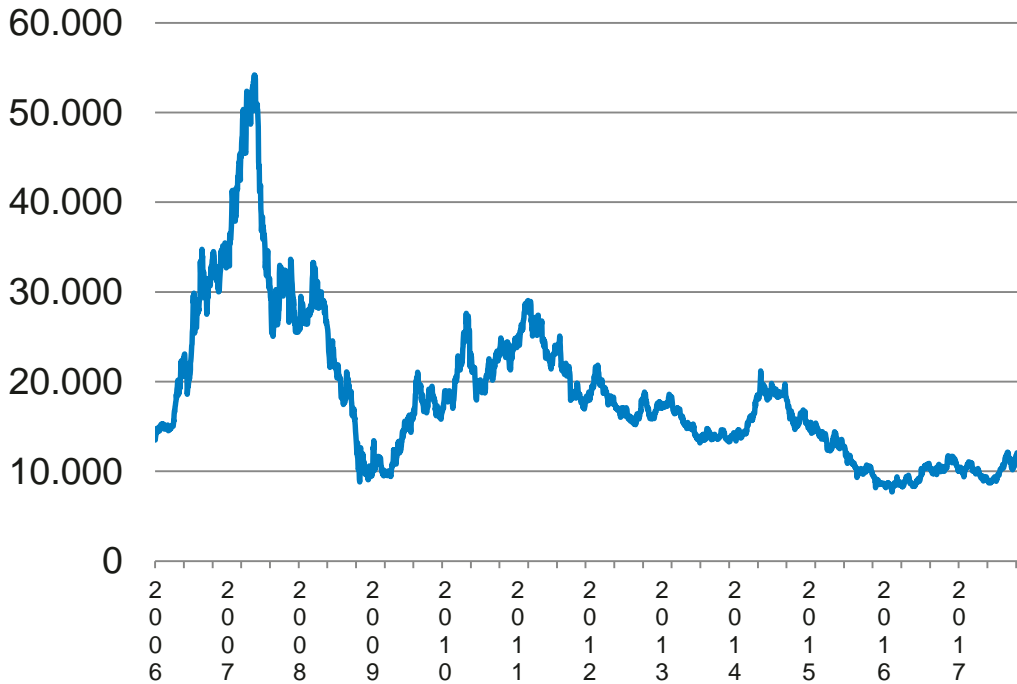


## Americas

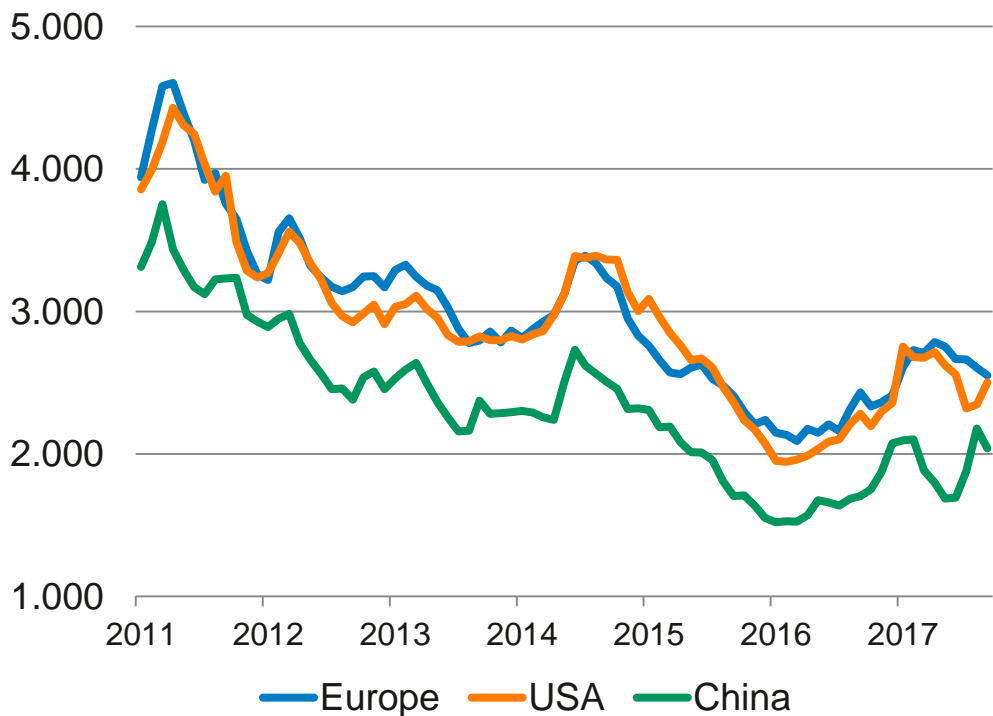


# Transaction price development

Nickel price, USD/tonne

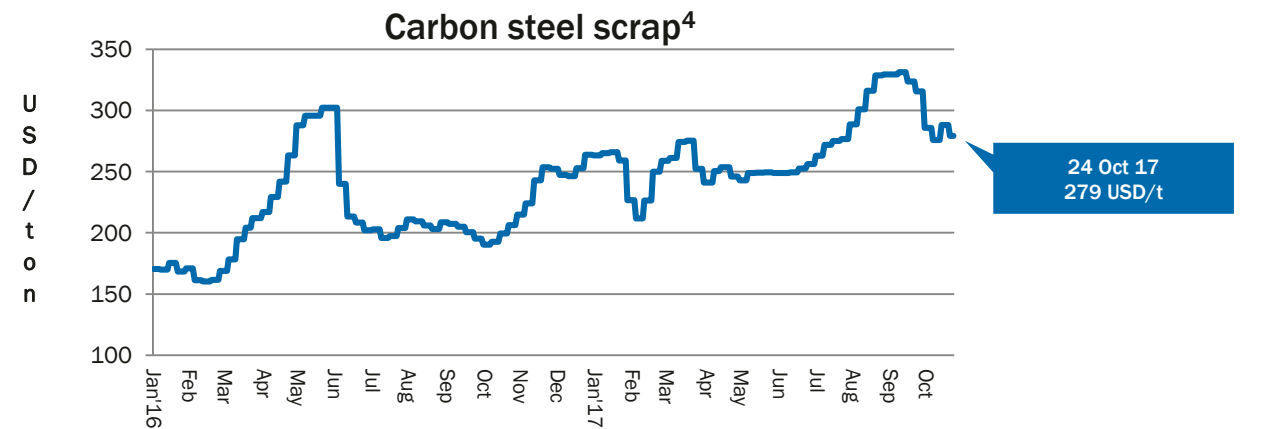
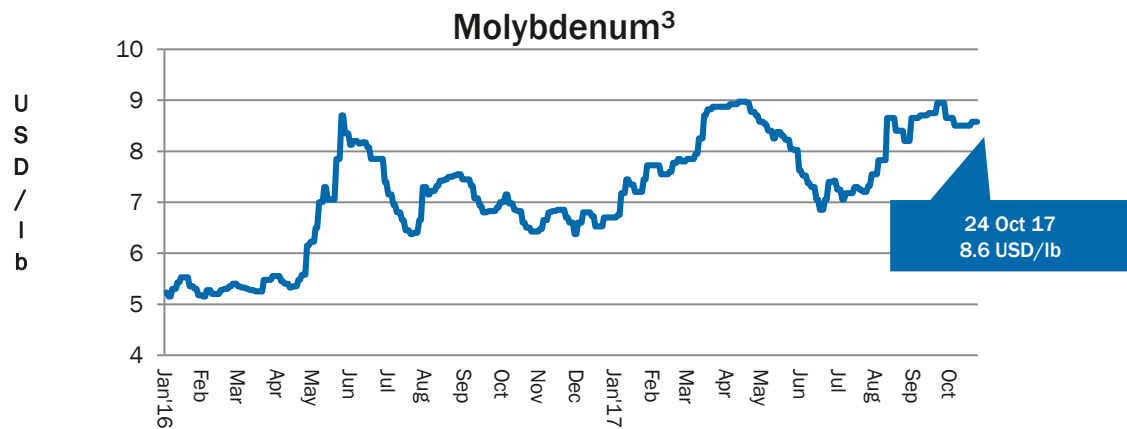
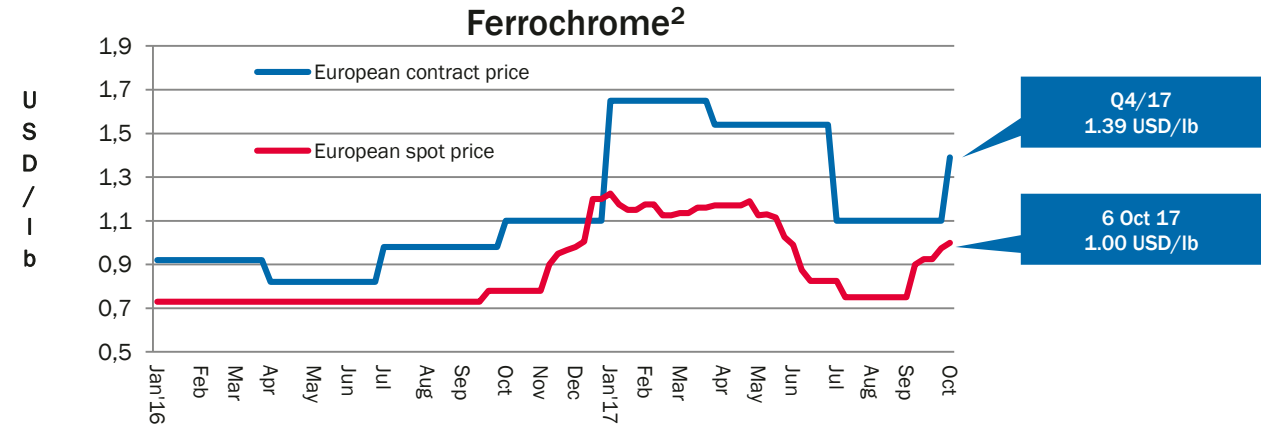
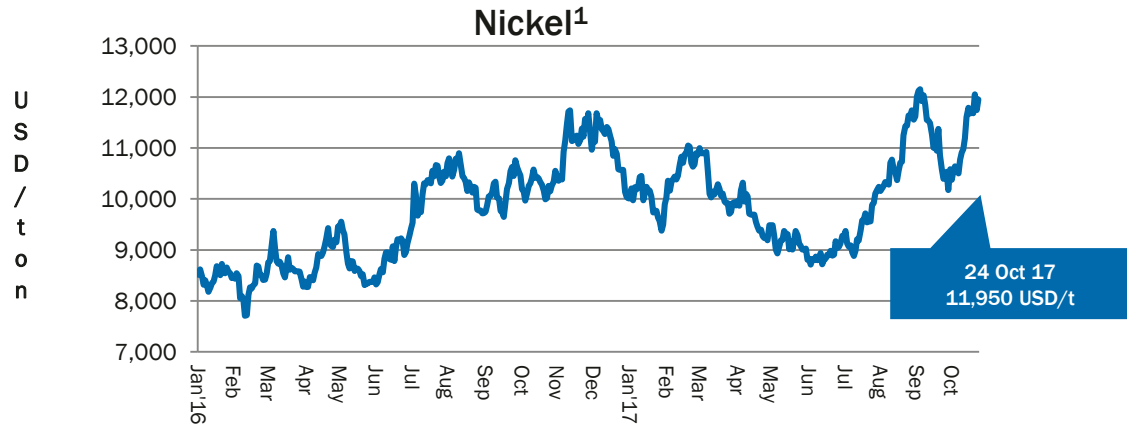


Transaction prices 304 stainless, USD/tonne



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

# Raw materials - price development



# Fully integrated production asset base

	Europe				Americas		Long Products				Total
1,000 tonnes	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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