

Q2 2018 results

CEO Roeland Baan
CFO Chris de la Camp

July 24, 2018

outokumpu 



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.

Speakers



Roeland Baan
President & CEO



Chris de la Camp
CFO



Tommi Järvenpää
Vice President
Investor Relations

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

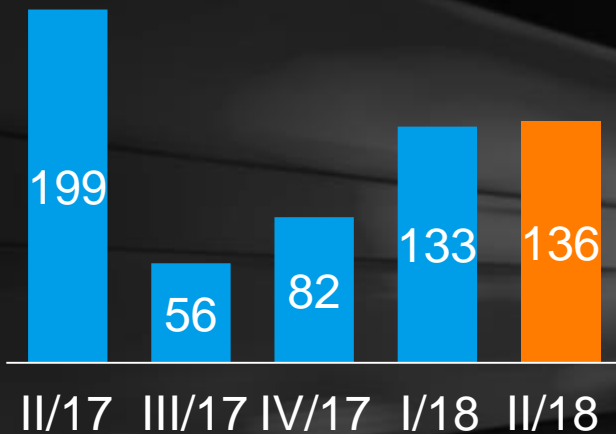
1. Customers
2. Shareholders
3. Employees

Time bound:
sense of urgency

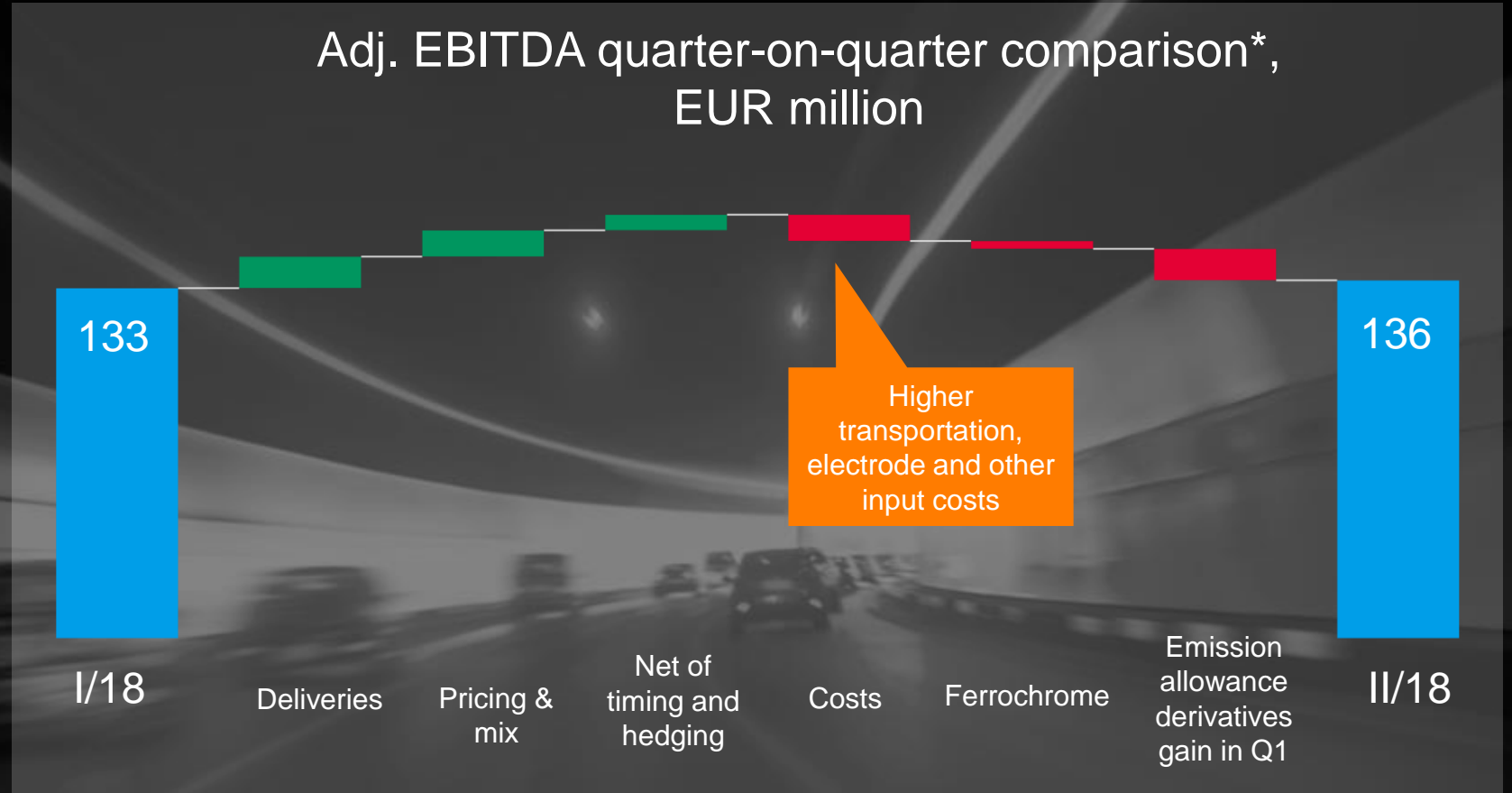
Back to basics

Good performance in an adverse environment

Group, adjusted EBITDA, EUR million

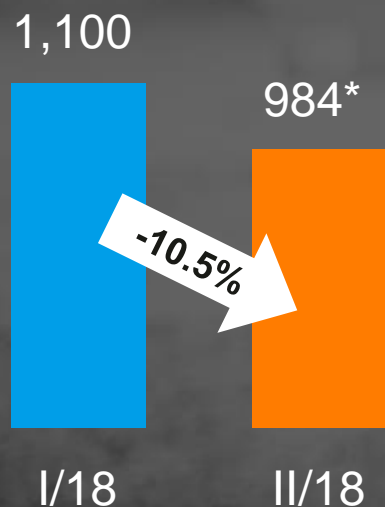


Adj. EBITDA quarter-on-quarter comparison*, EUR million

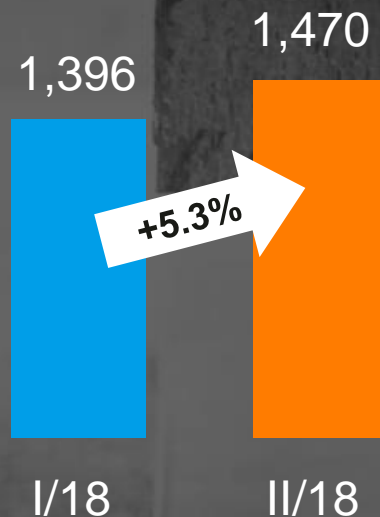


European base prices under pressure, US base prices increasing

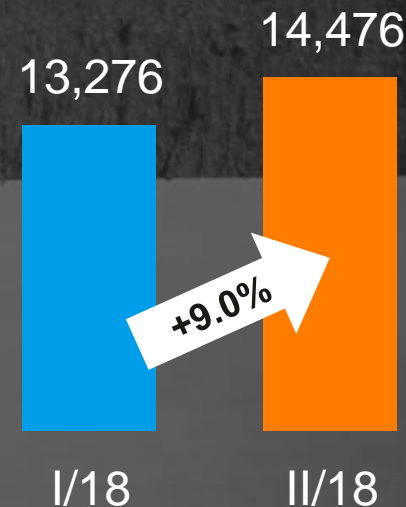
European
average base price,
EUR/tonne



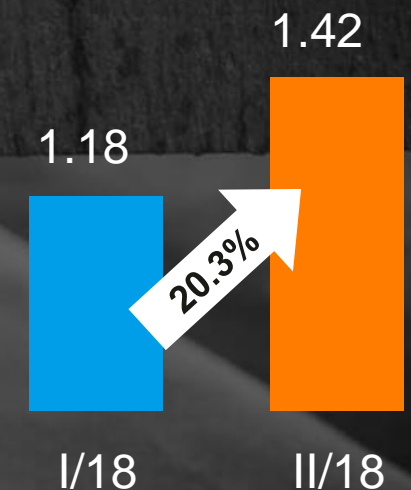
US
average base price,
USD/tonne



Nickel price,
USD/tonne



Ferrochrome price,
USD/lb



Sources:

Base prices: CRU, July 2018, 2mm cold rolled 304 stainless steel sheet

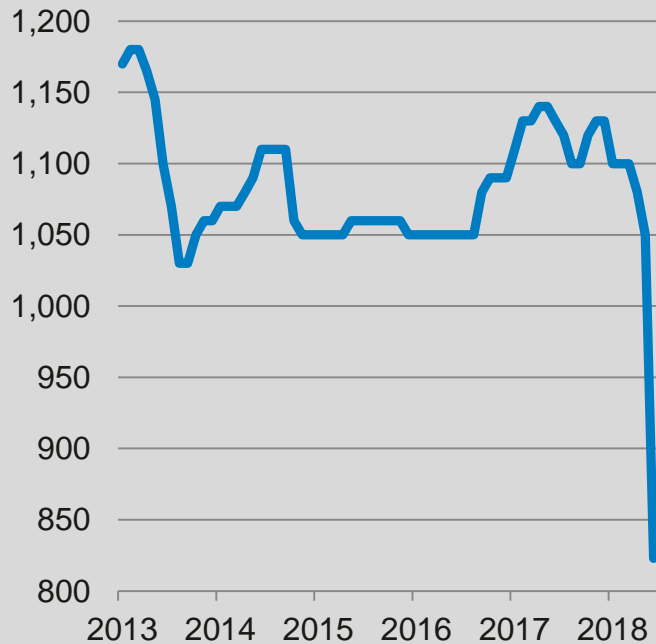
Nickel: LME settlement quotation

Ferrochrome (Cr-content): Metal Bulletin, quarterly contract price

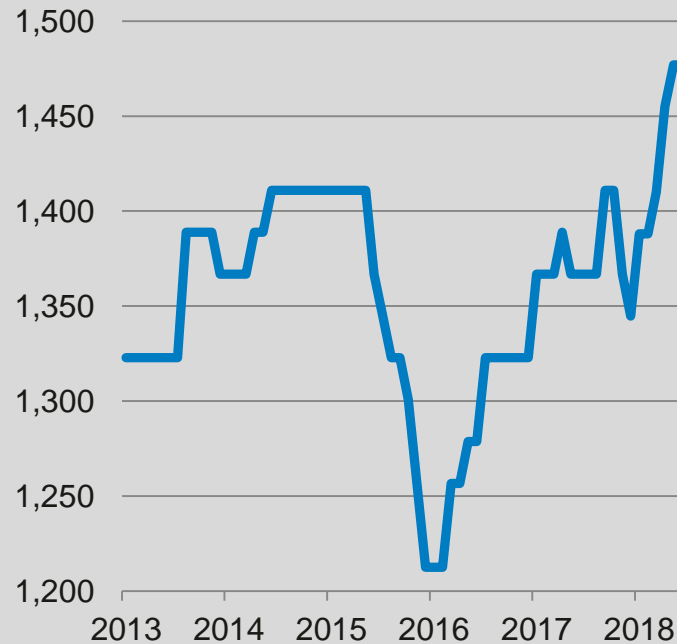
* According to the CRU, they are no longer able to accurately assess base prices from June onwards. Subsequently, the reported base price value in is now derived from effective prices and the published alloy surcharges.

Significant drop in European base prices...

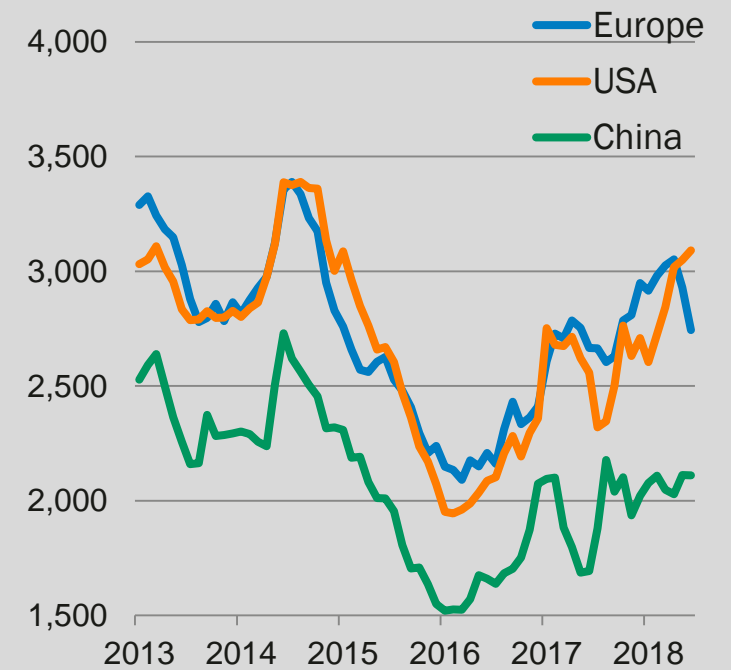
European base prices¹ (Germany)*, EUR/tonne



US base prices¹, USD/tonne



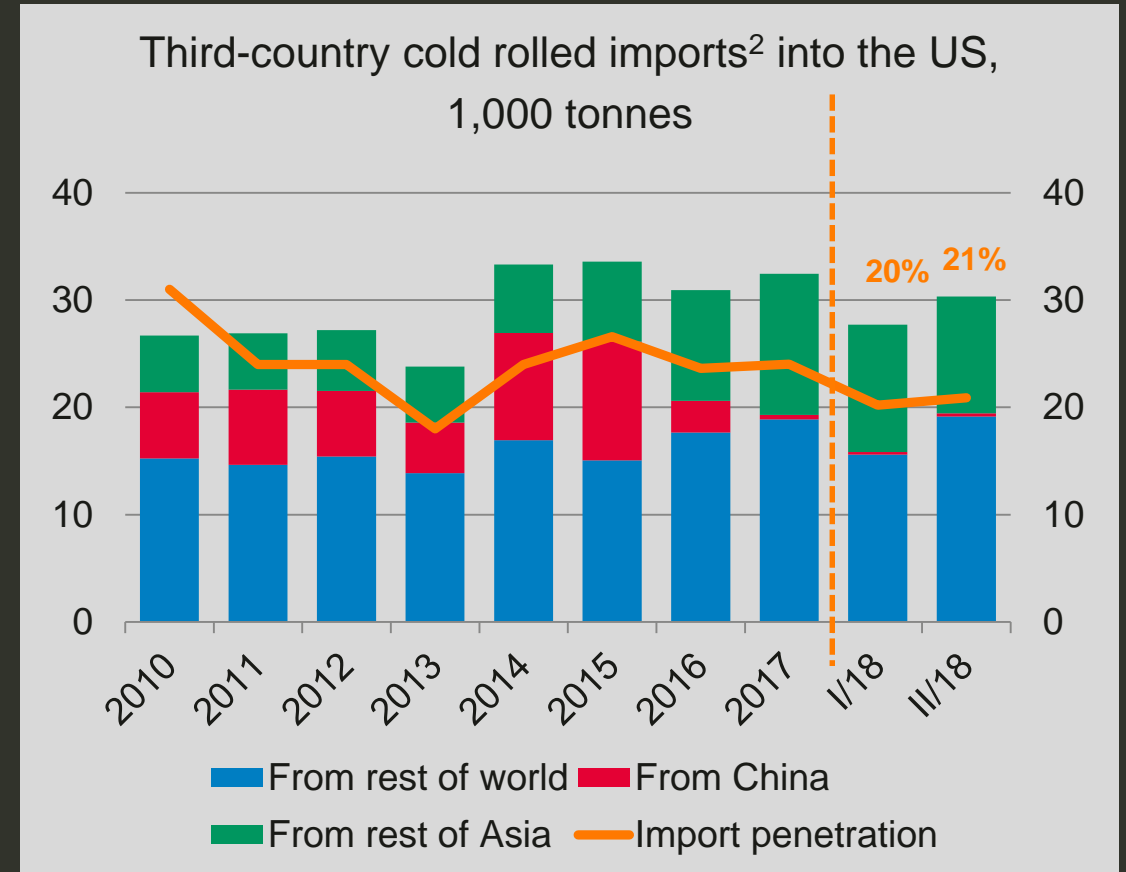
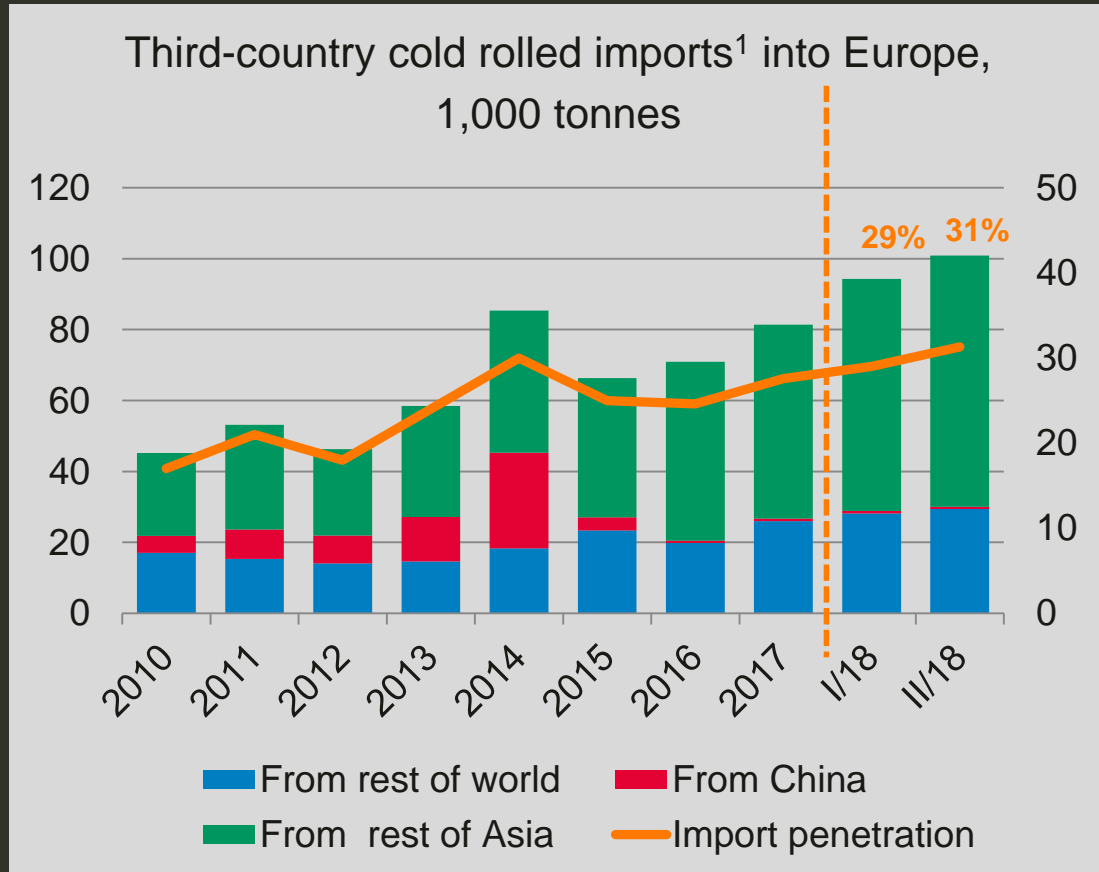
Transaction prices 304 stainless, USD/tonne



1. 2mm sheet cold rolled 304 grade. CRU June 2018

* According to the CRU, they are no longer able to accurately assess base prices from June onwards. Subsequently, the reported base price value is now derived from effective prices and the published alloy surcharges.

...as imports into Europe continue to rise

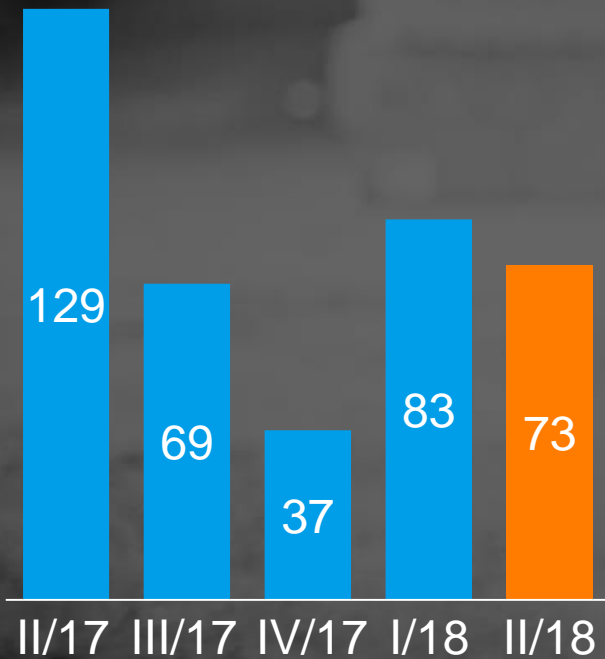


Group key financials

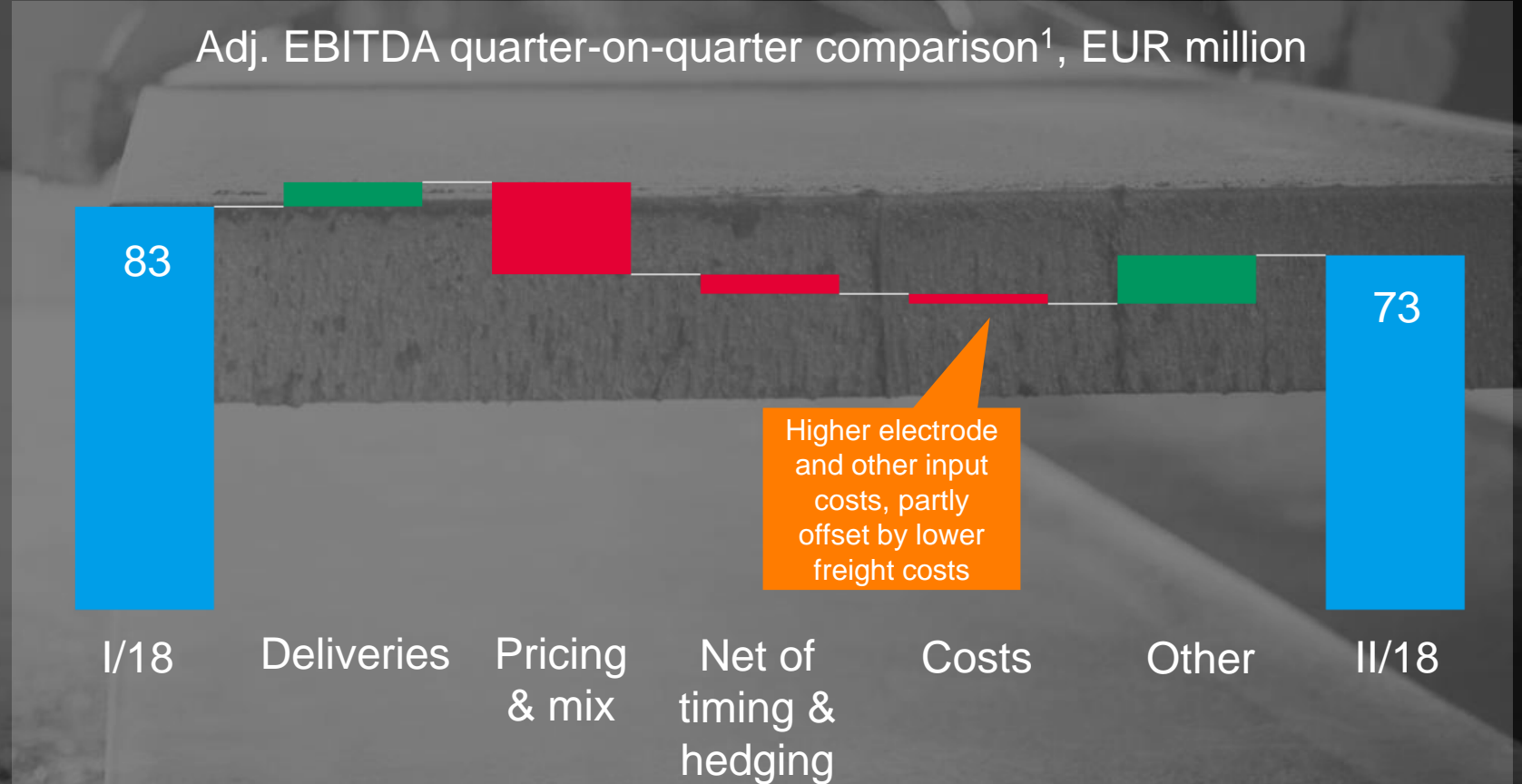
Key figures	II/18	II/17	I/18
Stainless steel deliveries, 1,000 tonnes	668	625	644
Sales, EUR million	1,883	1,657	1,671
Adjusted EBITDA, EUR million	136	199	133
Net result, EUR million	25	109	49
Earnings per share, EUR	0.06	0.26	0.12
Operating cash flow, EUR million	71	150	39
Net debt, EUR million	1,211	1,239	1,086
Capital expenditure, EUR million	63	31	37
Personnel at the end of the period	10,419	10,254	10,111

Europe – good result in challenging market

Adjusted EBITDA, EUR million

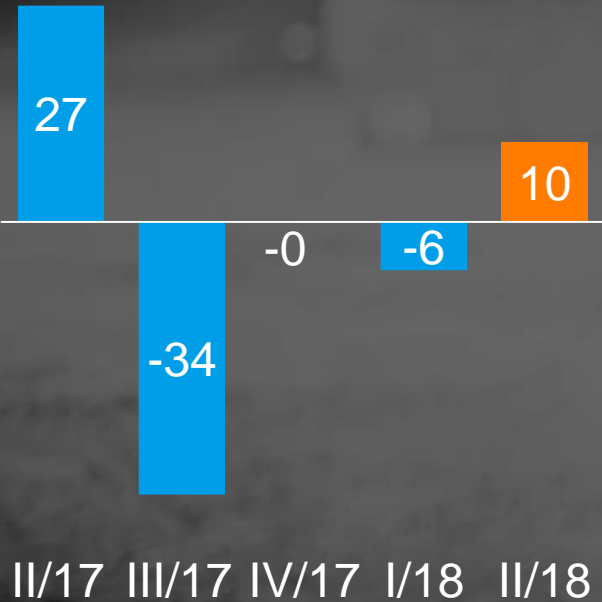


Adj. EBITDA quarter-on-quarter comparison¹, EUR million

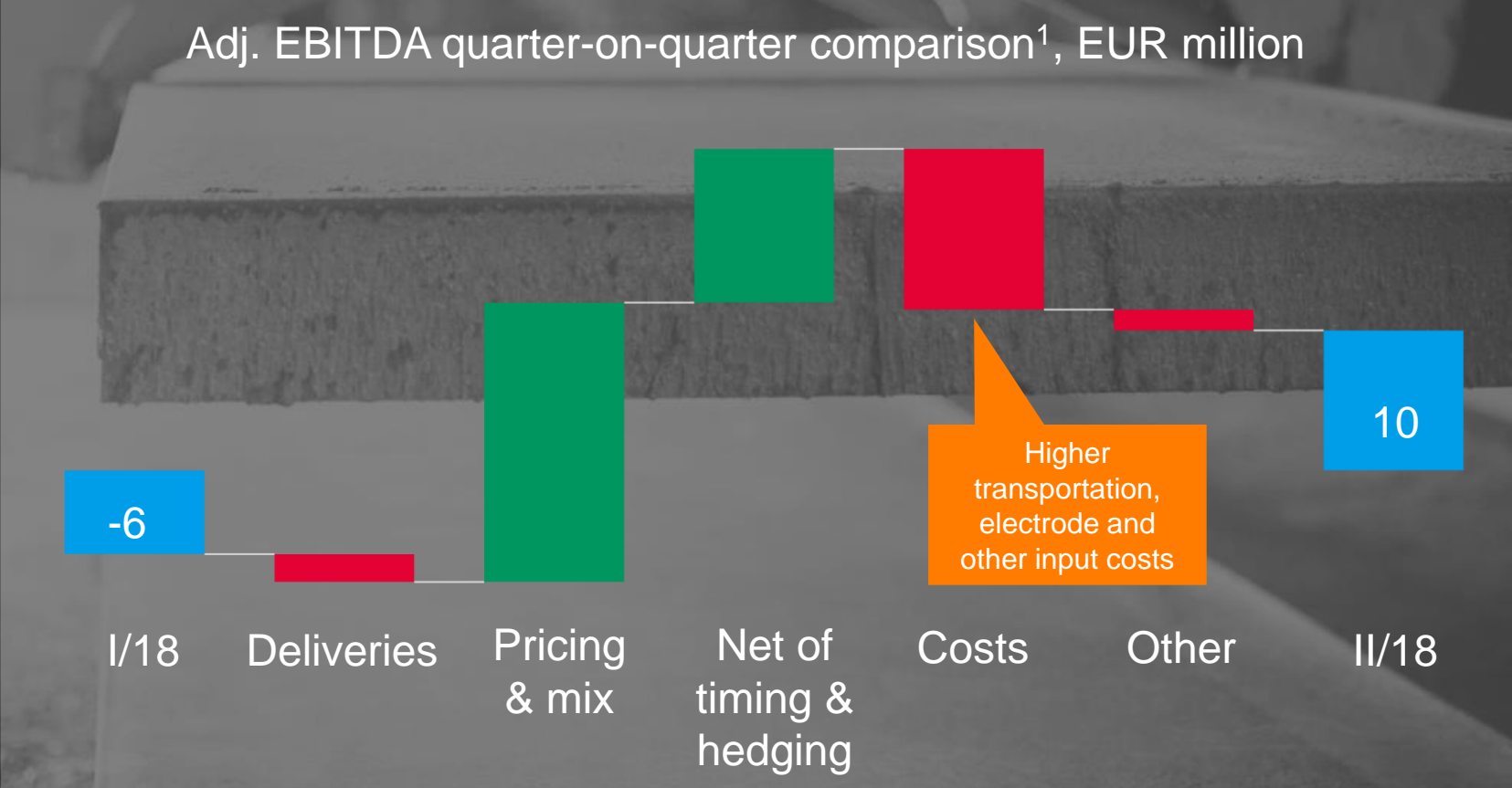


Americas started to benefit from higher base prices

Adjusted EBITDA, EUR million



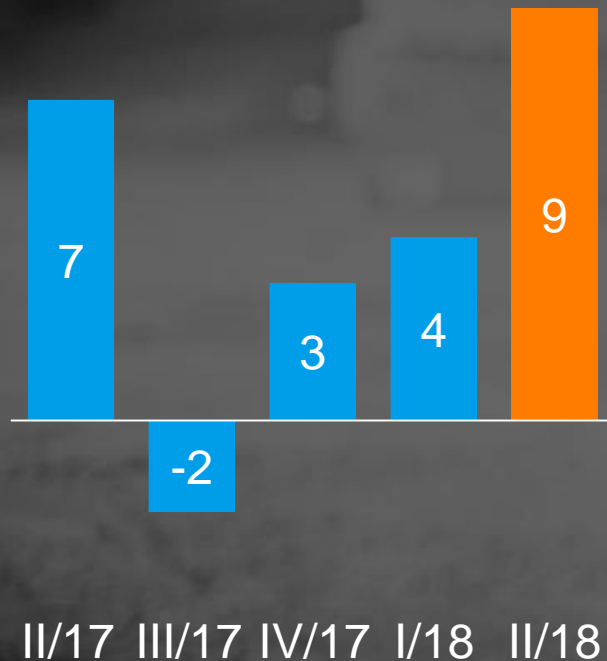
Adj. EBITDA quarter-on-quarter comparison¹, EUR million



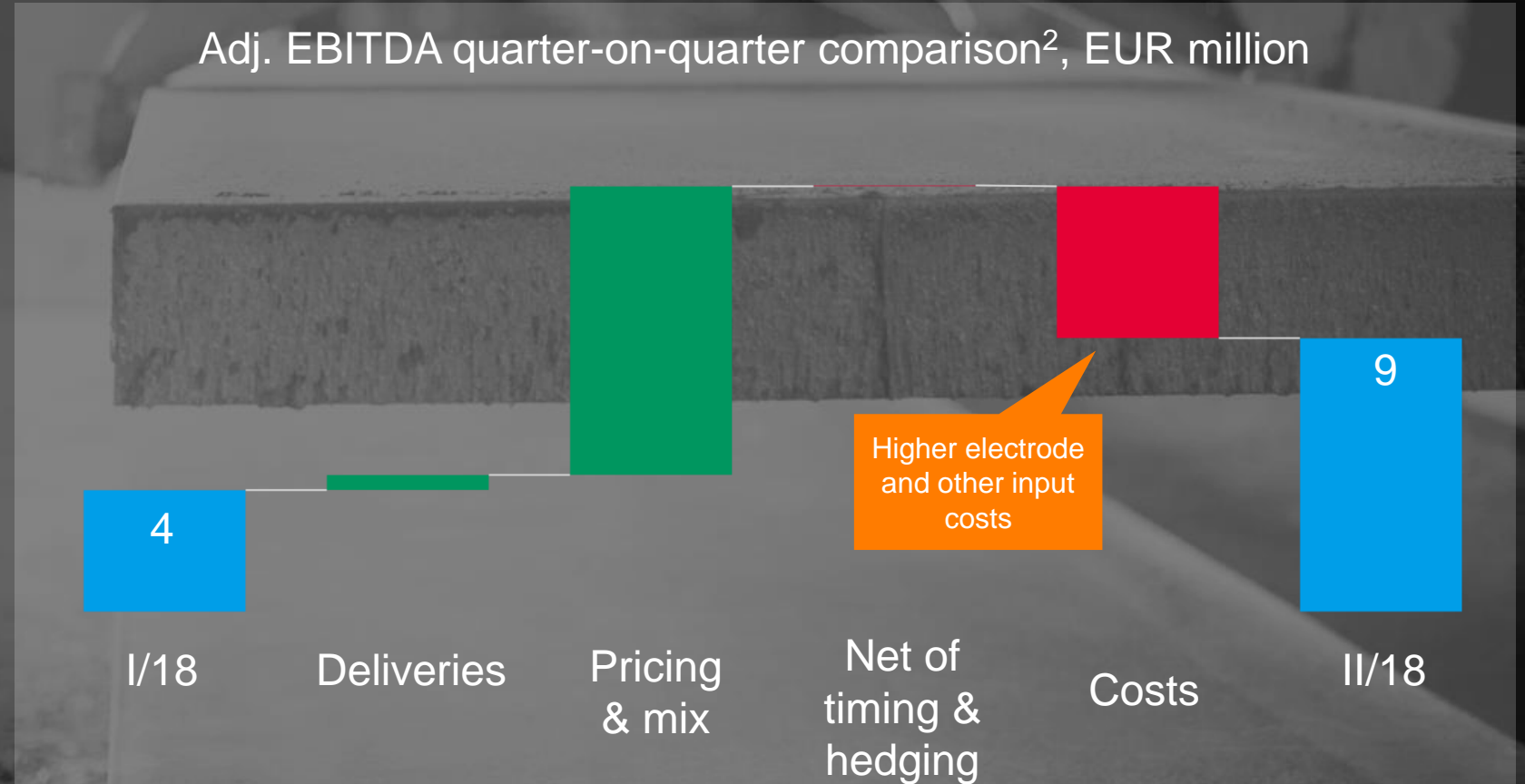
1) Indicative columns based on management estimates

Long Products solidly improving profitability

Adjusted EBITDA¹, EUR million

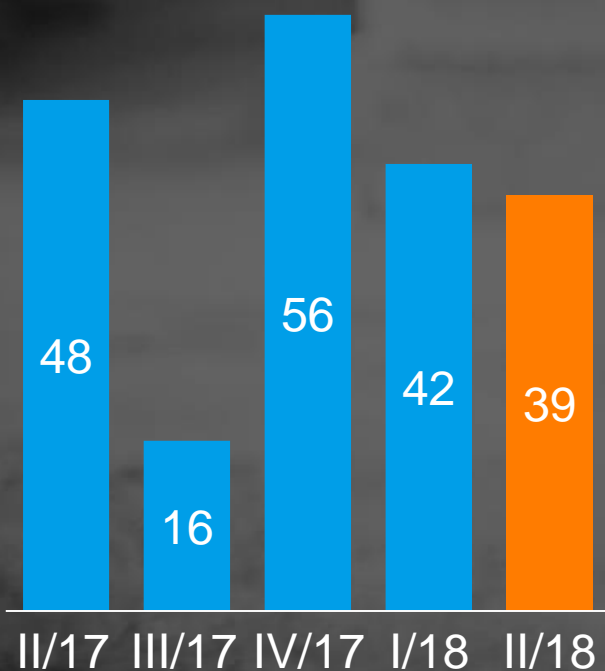


Adj. EBITDA quarter-on-quarter comparison², EUR million

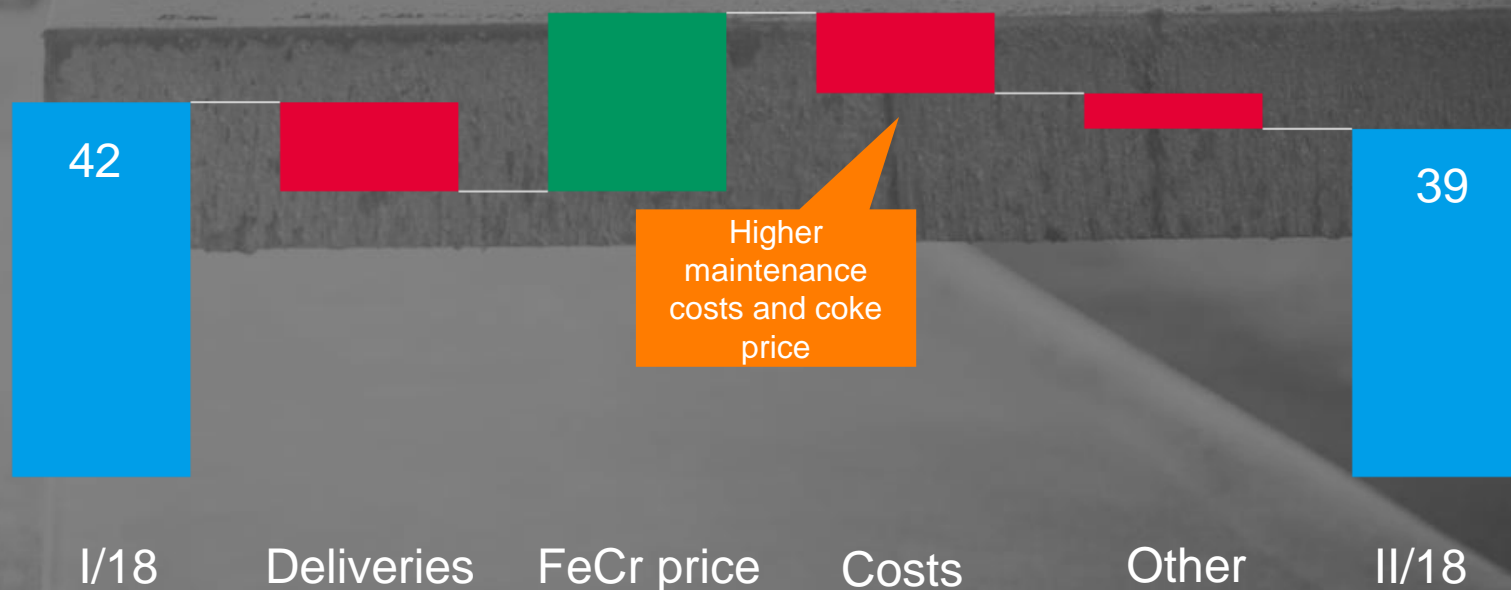


Ferrochrome impacted by planned maintenance

Adjusted EBITDA, EUR million

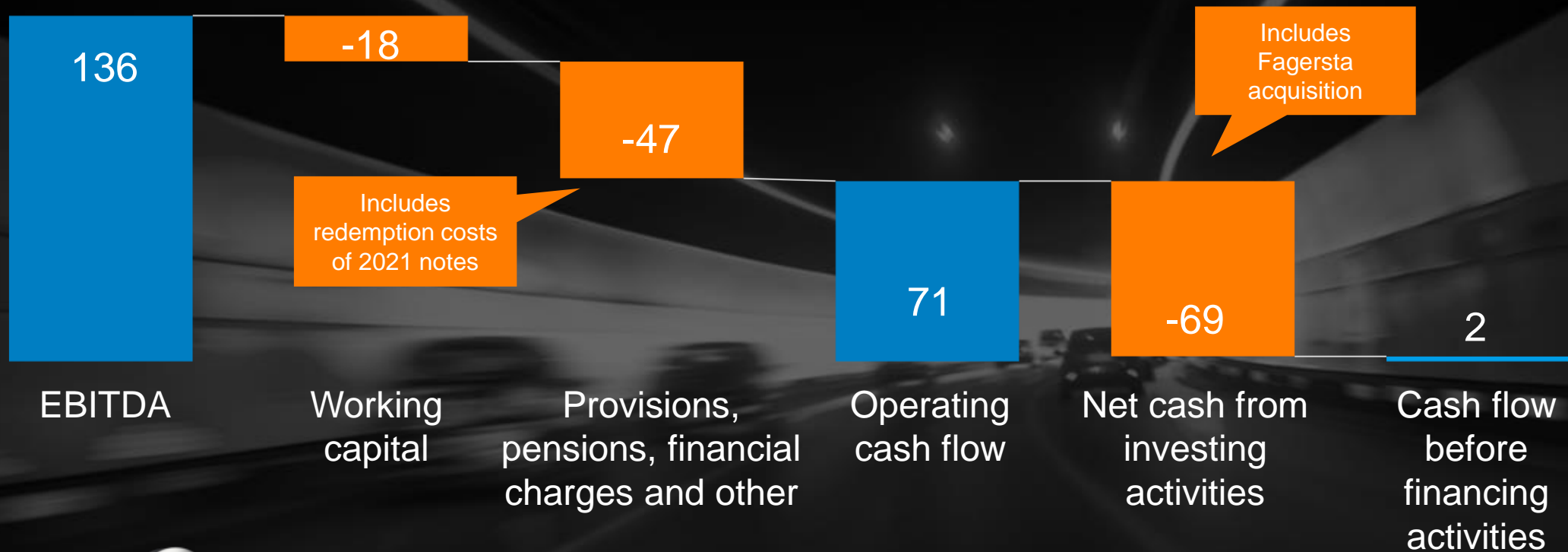


Adj. EBITDA quarter-on-quarter comparison¹, EUR million



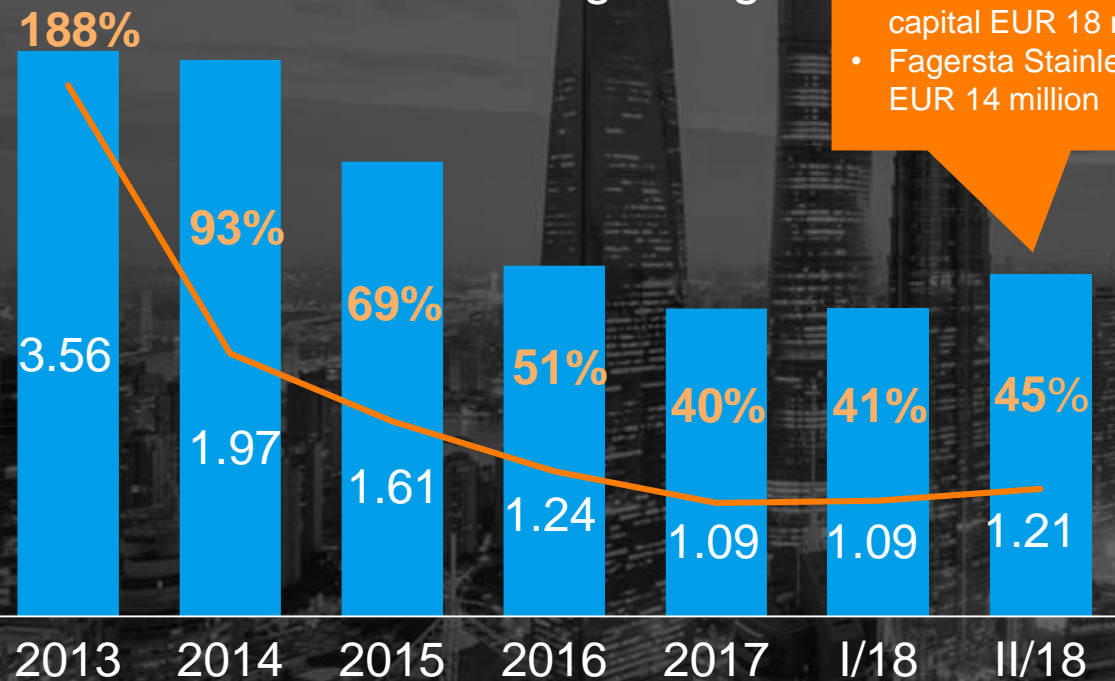
Solid operating cash flow

Cash flow, EUR million



Net debt increased driven by dividend payment

Net debt and gearing



- Dividend: EUR 103 million
- Share repurchases: EUR 17 million
- Seasonal increase in net working capital EUR 18 million
- Fagersta Stainless acquisition: EUR 14 million

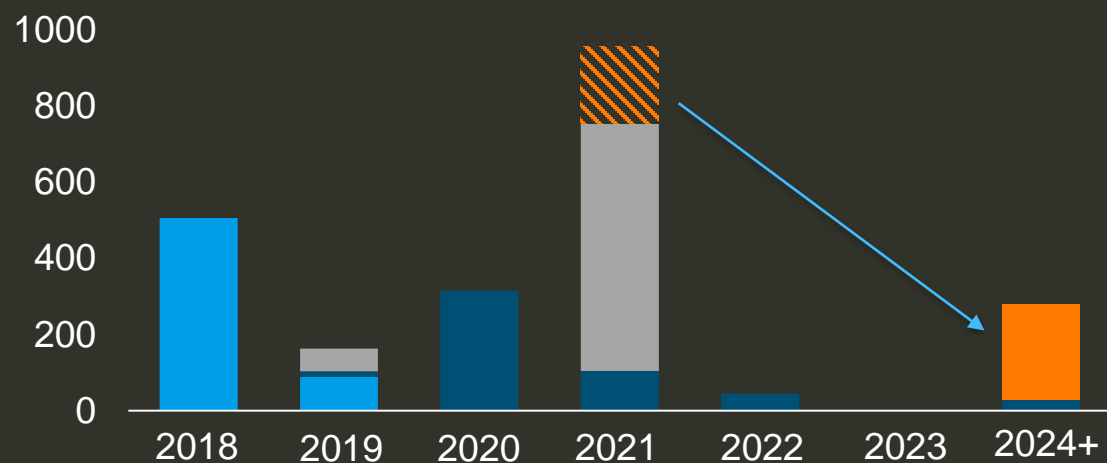
Net debt/LTM adj. EBITDA



Net debt, EUR billion Gearing

Successful re-financing of 2021 notes

Debt maturity profile, EUR million



- Current debt
- Non-current debt
- Unused facilities
- Called 7.250 % 2021 Notes
- New 4.125 % 2024 Notes

- In June 2018, Outokumpu issued EUR 250 million 4.125% secured notes due June 2024
- Proceeds used primarily to call 7.250% June 2021 notes
- Significant step pushing interest cost towards EUR 50 million target
- Longer weighted average maturity profile of debt

Outlook for Q3 2018

- In line with the market, stainless steel deliveries are expected to be seasonally lower in business area Europe and to remain stable in the Americas.
- Base price pressure continues in Europe but the negative impact of this is partly offset by higher base prices in the US supported by steel import tariffs.
- Normalized ferrochrome production expected.

Adjusted EBITDA expected to be lower than in Q2/18 but significantly higher than in Q3/17

Appendix

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

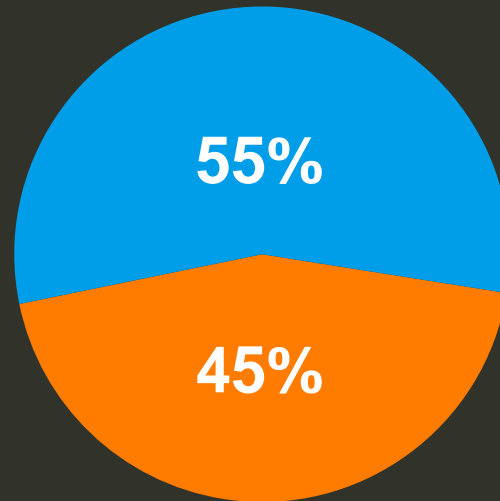
Americas

Commercial
Excellence

Topline growth and cost reductions will deliver EBITDA of EUR 750 million

TOP LINE GROWTH

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



COST REDUCTION

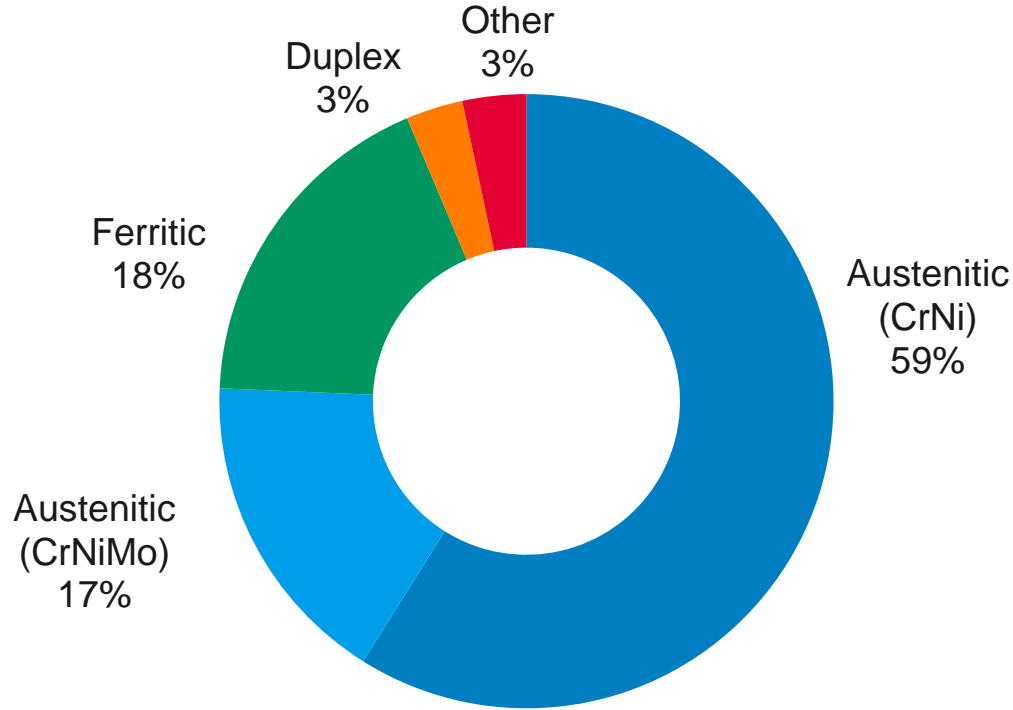
- Achieve 3% annual productivity improvement
- Achieve 15% savings in procurement
- Reduce variable and fixed cost
- Reduce SG&A cost by EUR 100 million

Fully integrated production asset base

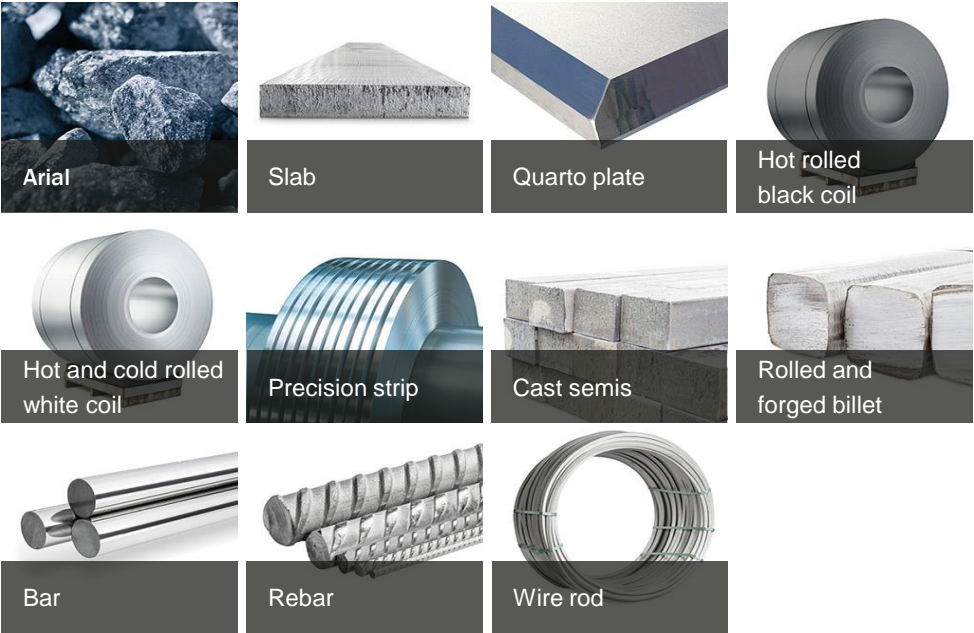
	Europe				Americas		Long Products				Total
1,000 tonnes	Tornio Finland	Avesta + Nyby Sweden	Krefeld + Dillenburg Germany	Degerfors Sweden	Calvert USA	Mexinox Mexico	Sheffield UK	Richburg USA	Degerfors Sweden	Fagersta Sweden	
Melting	1,450	450			900		450				3,250
Hot rolling	1,450	900			870						3,220
Finishing - Cold rolling - HWB - Quarto plate - Long products	750 150	130 120	500	150	350 150	250	25	40	40	65	2,720

Broadest product portfolio across stainless steel

Deliveries by product grade in 2017

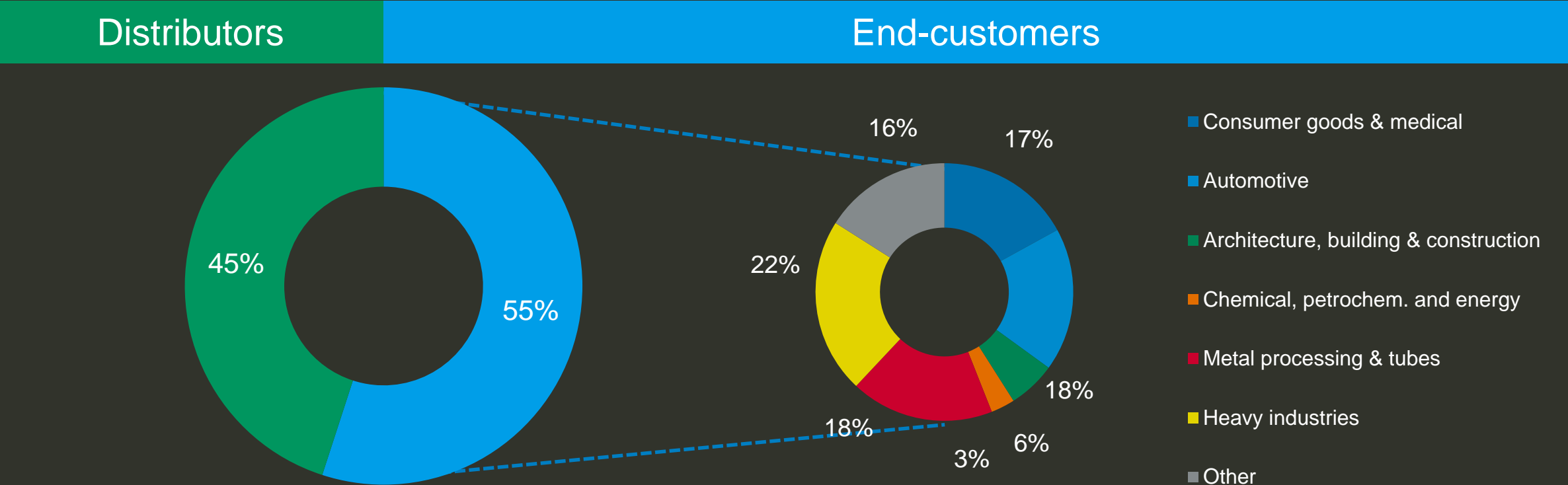


Outokumpu product forms

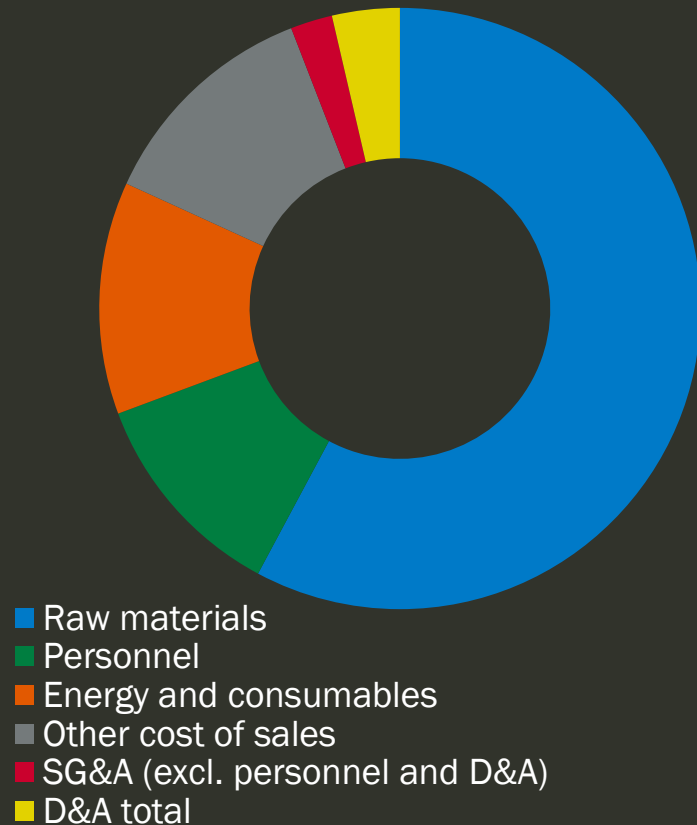


We focus on growth segments

Consumer goods, automotive, architecture, building and construction



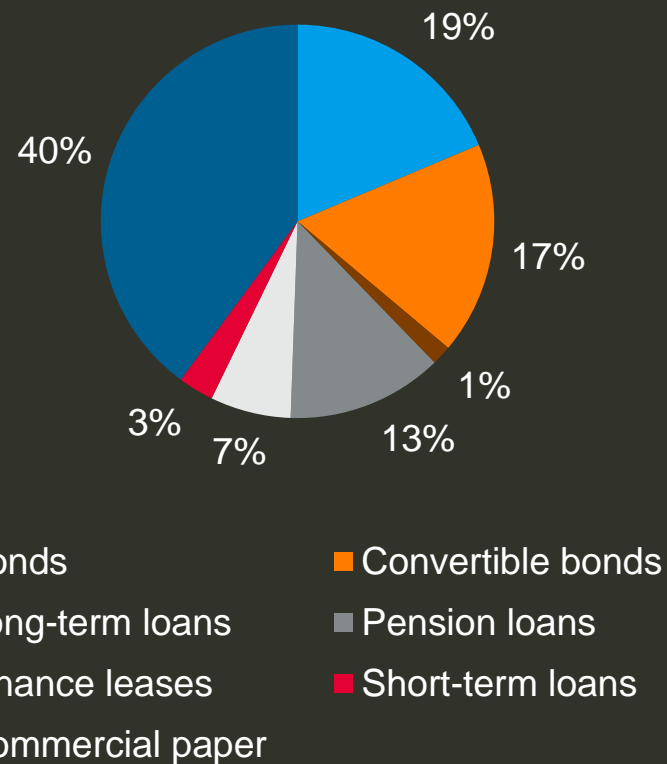
Operative cost components



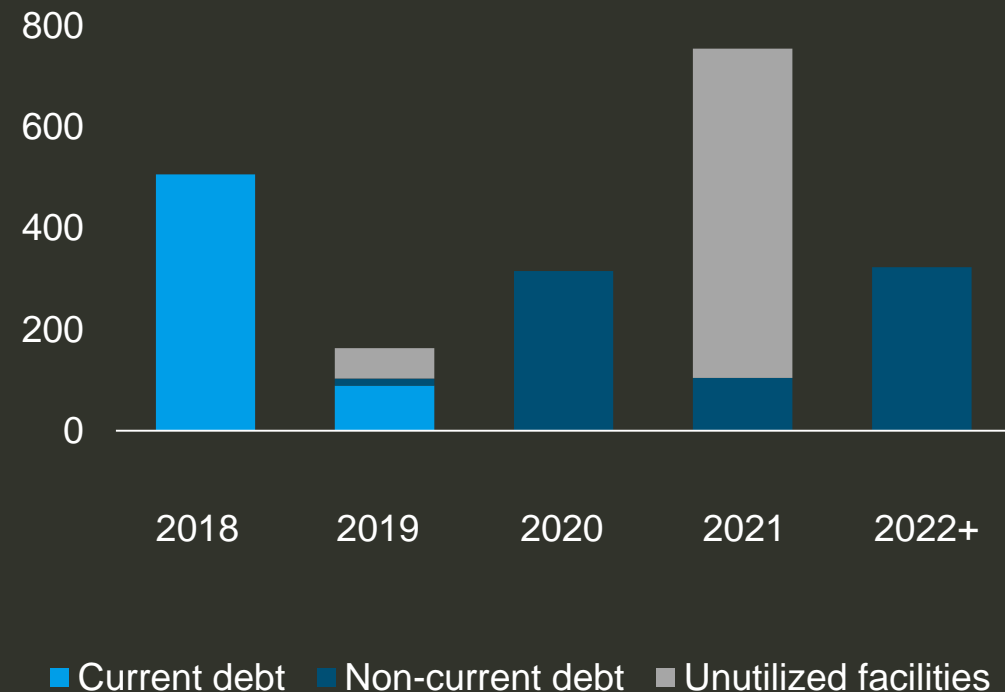
- Raw materials account for around 60% of the total operative costs of the Group
- Energy and other consumables account for 10-15% of the total operative costs
- Personnel expenses 10-15% of the total operative costs
- Other cost of sales includes e.g. freight, maintenance and rents and leases

Debt structure and maturity profile

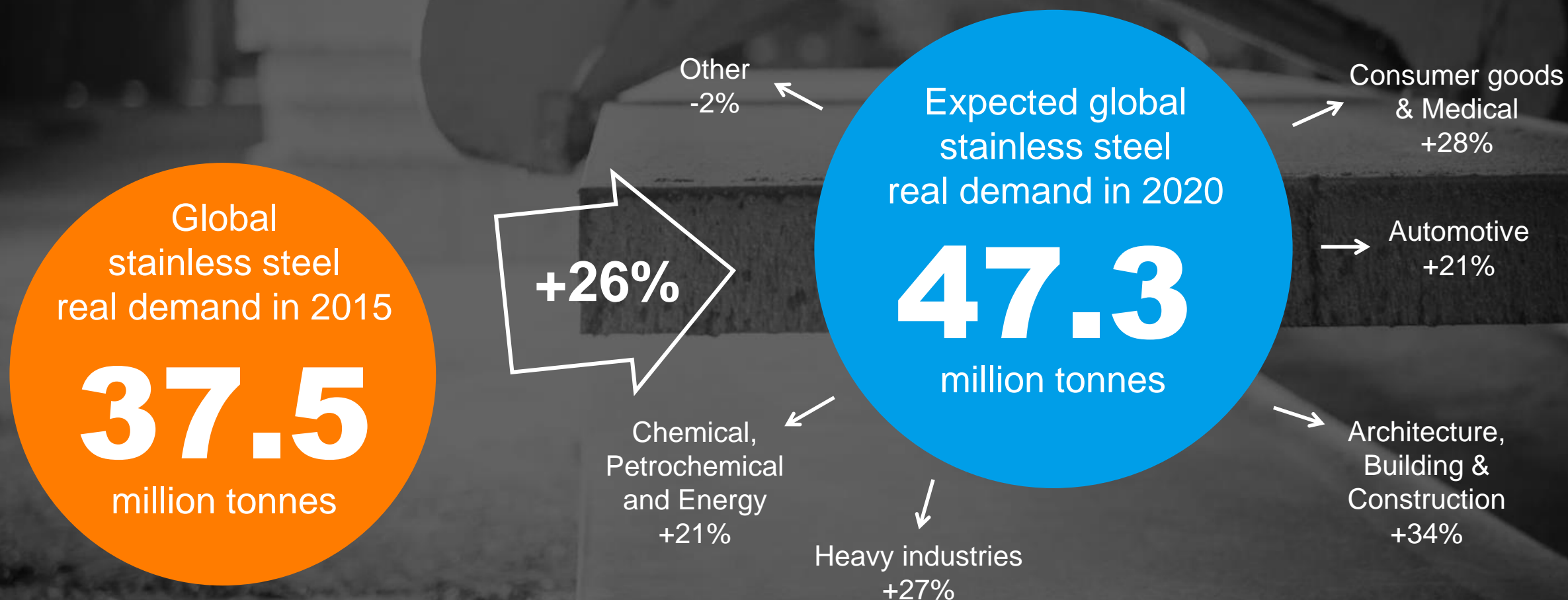
Debt structure*, %



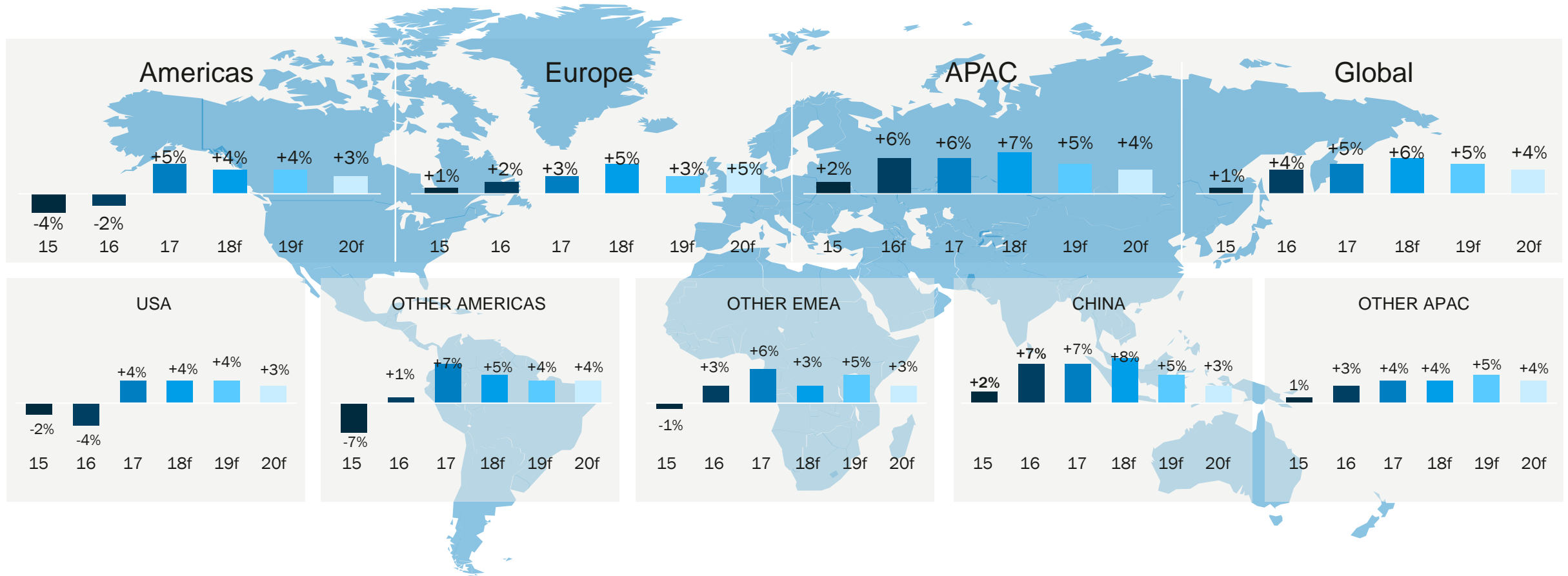
Debt maturity profile, EUR million



Stainless steel demand continues to grow

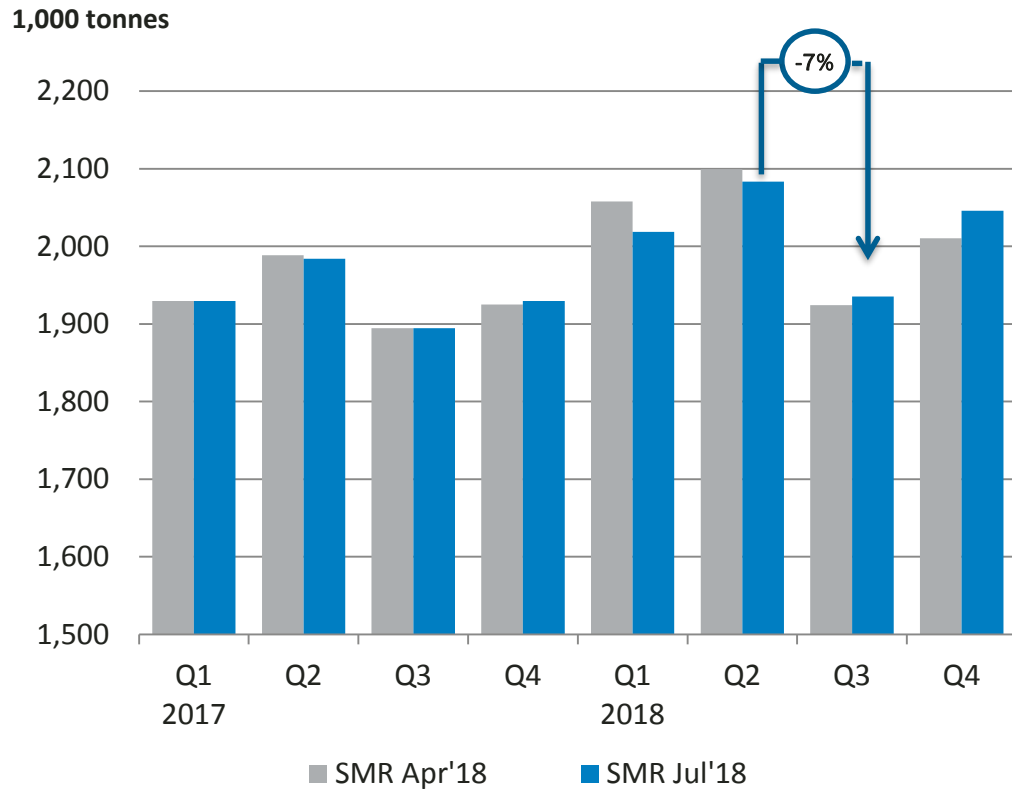


6% demand growth expected for 2018

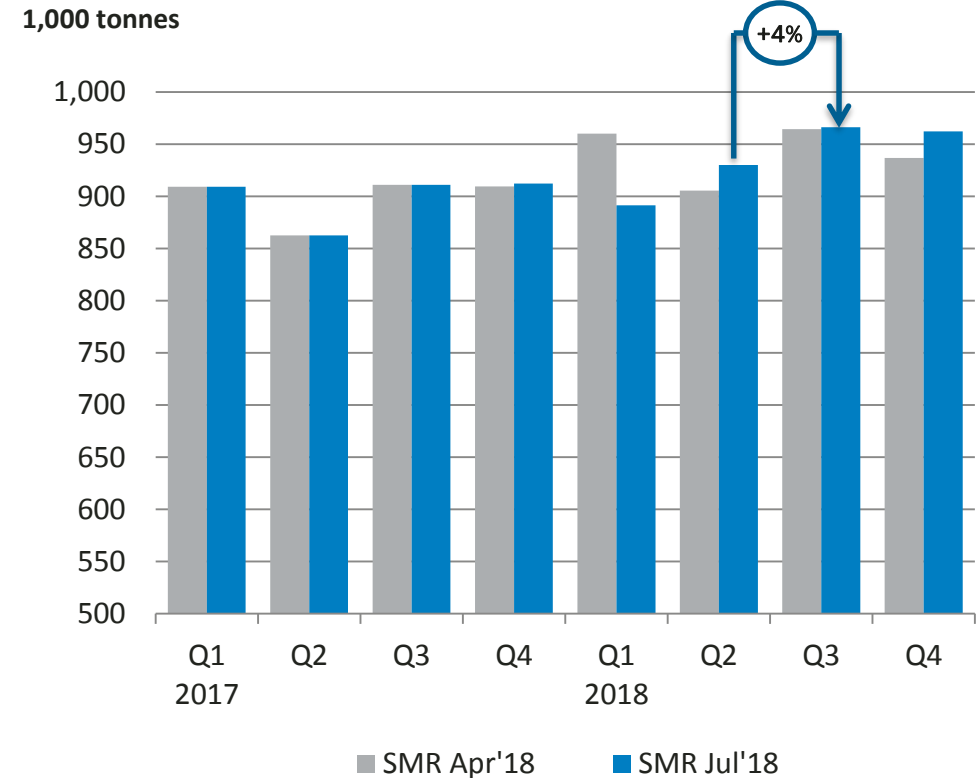


Demand down in Q3 in Europe in line with typical seasonality, in Americas growth of 4% from Q2

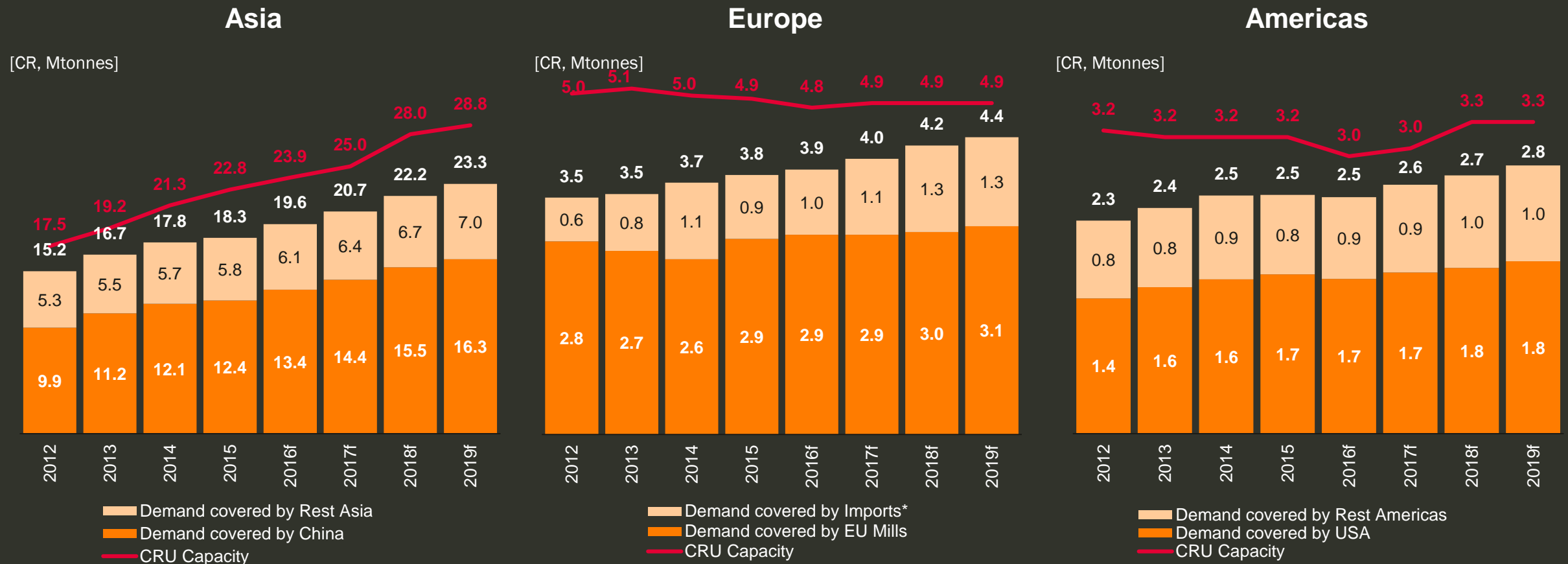
EMEA total stainless steel real demand¹



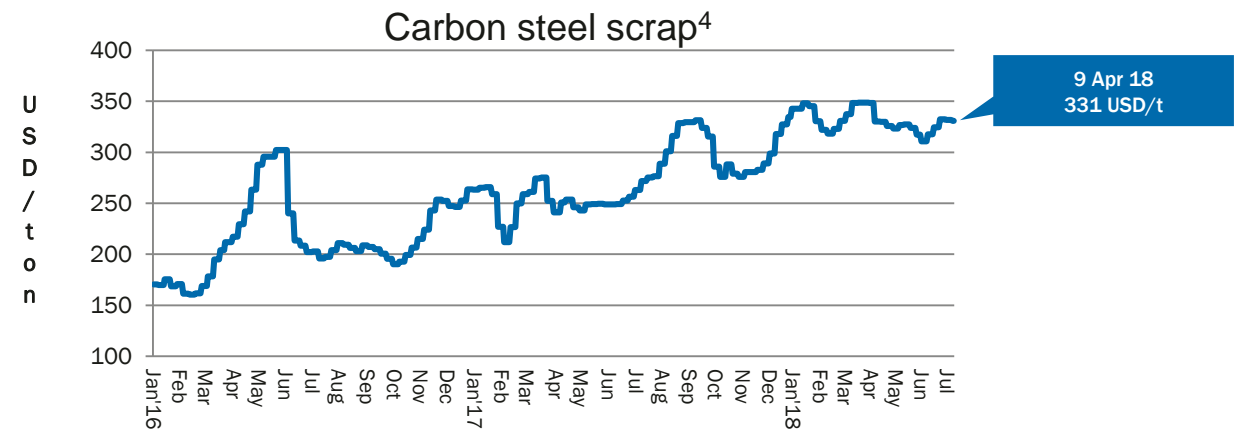
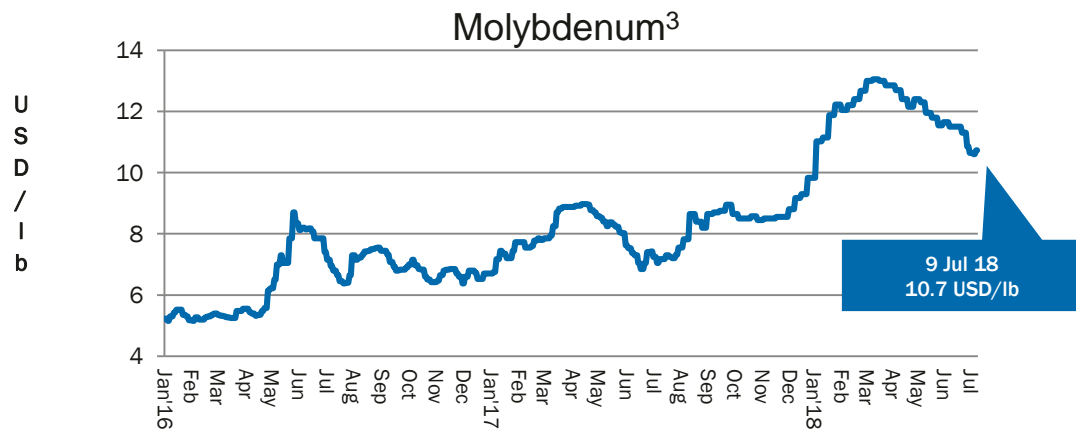
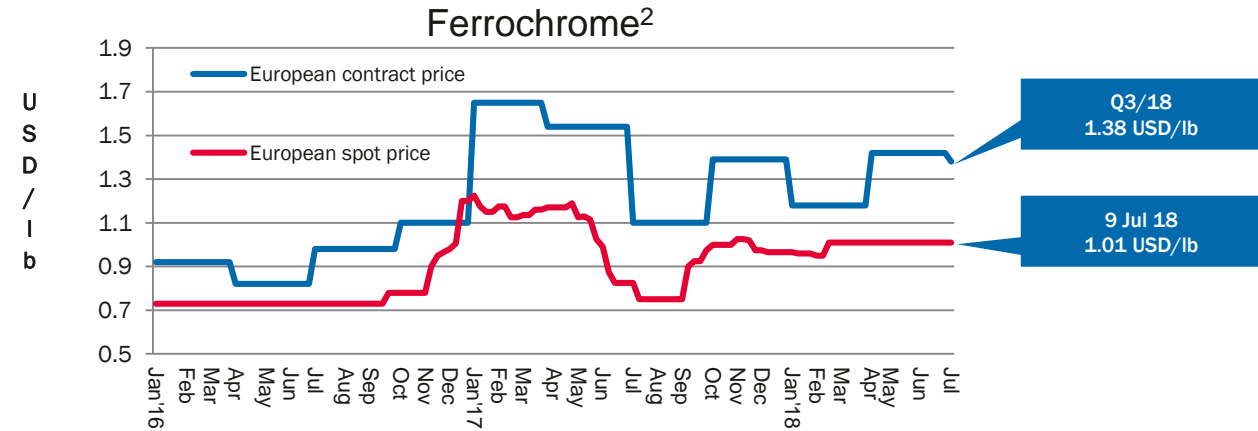
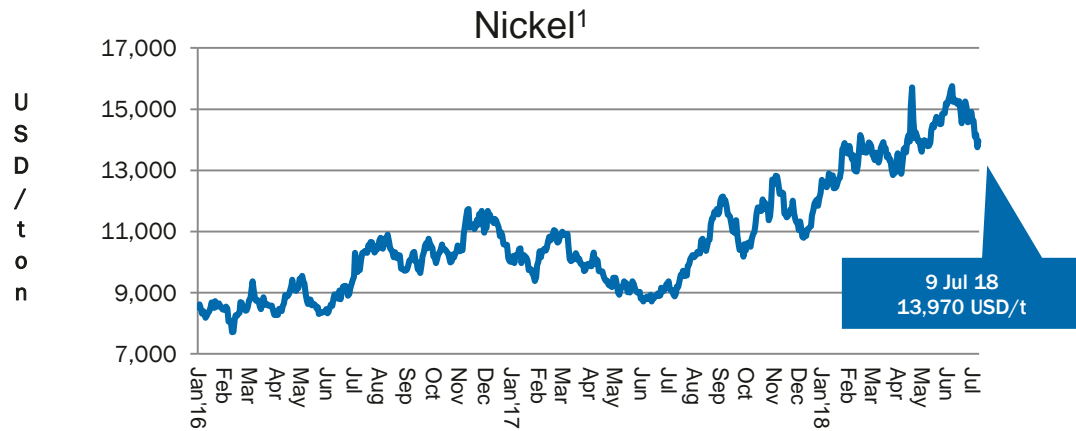
Americas total stainless steel real demand¹



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



Raw materials - price development



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

Tommi Järvenpää

Vice President – Investor Relations

Phone +358 9 421 3466

Mobile +358 40 576 0288

E-mail: tommi.jarvenpaa@outokumpu.com

Aki Vesikallio

Investor Relations Manager

Mobile: +358 50 544 8925

E-mail: aki.vesikallio@outokumpu.com

Päivi Laajaranta

Executive Assistant

Phone +358 9 421 4070

Mobile +358 400 607 424

E-mail: paivi.laajaranta@outokumpu.com

Next IR events

*Q3 results
October 26, 2018*

*Capital Markets Day
November 20, 2018*