

Q3 2019 results

CEO Roeland Baan
CFO Pia Aaltonen-Forsell

October 31, 2019

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Speakers



Roeland Baan
President & CEO



Pia Aaltonen-Forsell
CFO



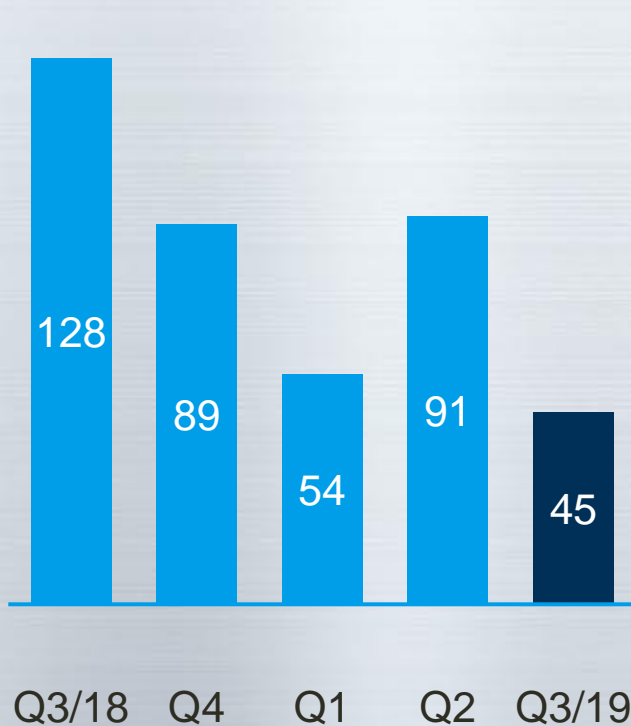
Tommi Järvenpää
Vice President, Investor Relations

OUR VISION

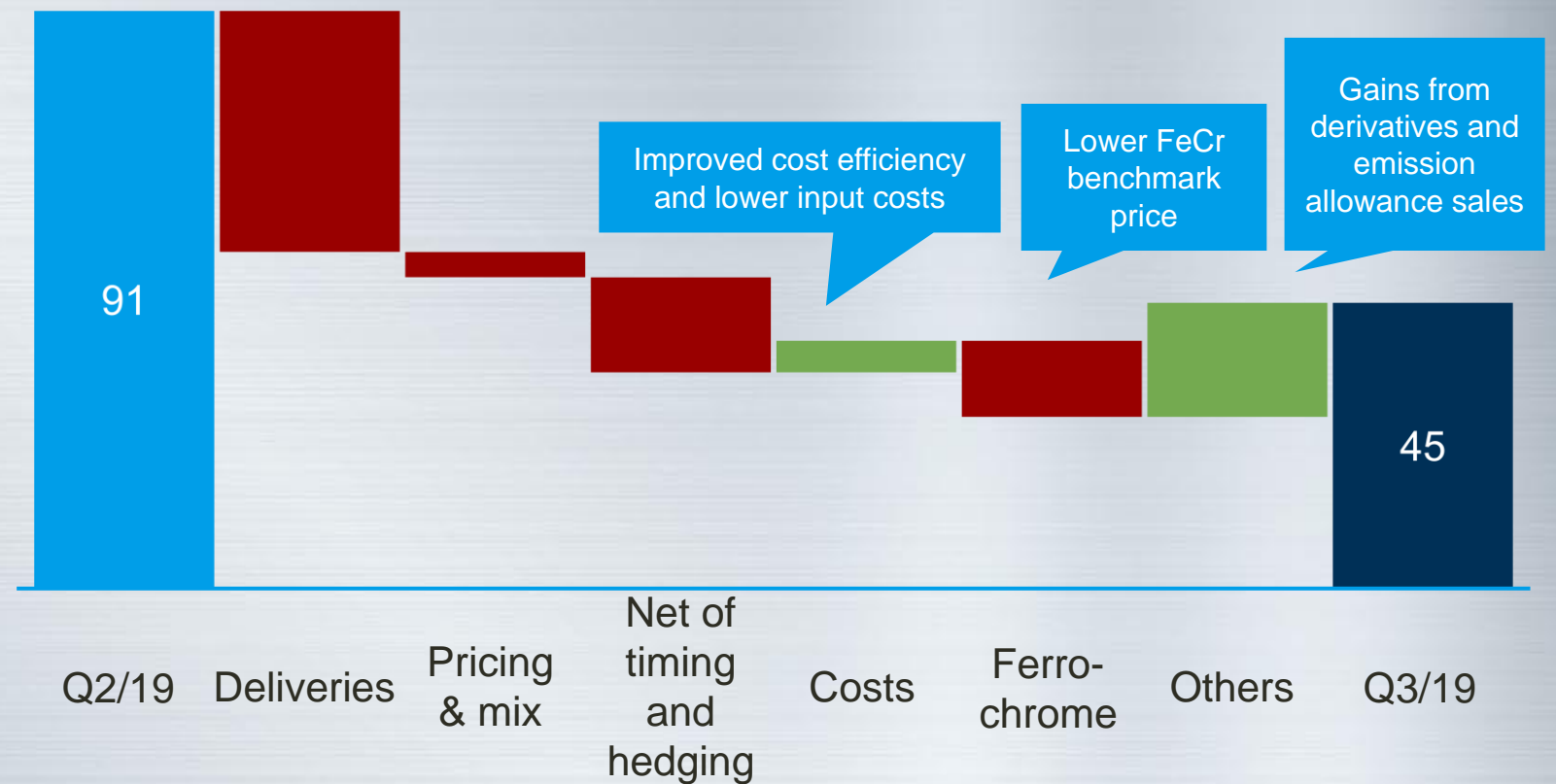
**Best value creator
in stainless steel
by 2020 through
customer orientation
and efficiency**

Challenging quarter due to a weak market and a sharp increase in the nickel price

Group adjusted EBITDA, EUR million

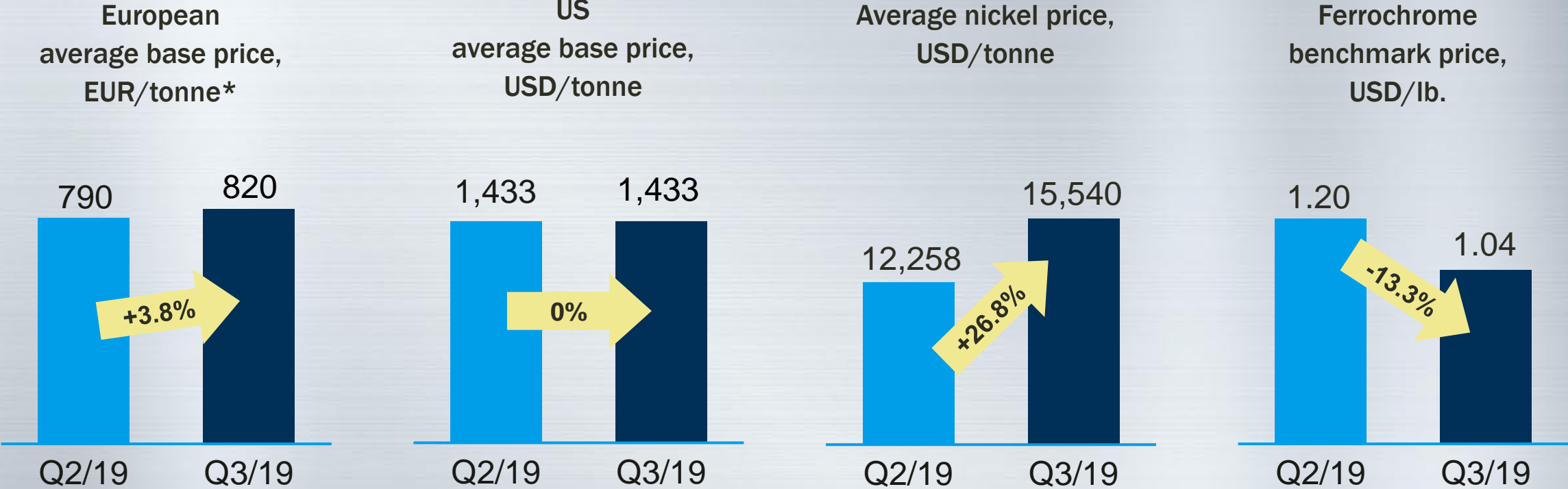


Adjusted EBITDA quarter-on-quarter comparison¹, EUR million



1) Indicative columns based on management estimates

Unfavorable raw material price development...



* According to the CRU, they have been no longer able to accurately assess base prices from June 2018 onwards. Subsequently, the reported base price value is derived from effective prices and the published alloy surcharges.

...led to margin squeeze

European base prices¹ (Germany)*, EUR/tonne



US base prices¹, USD/tonne



Transaction prices 304 stainless, USD/tonne



● Europe ● USA ● China

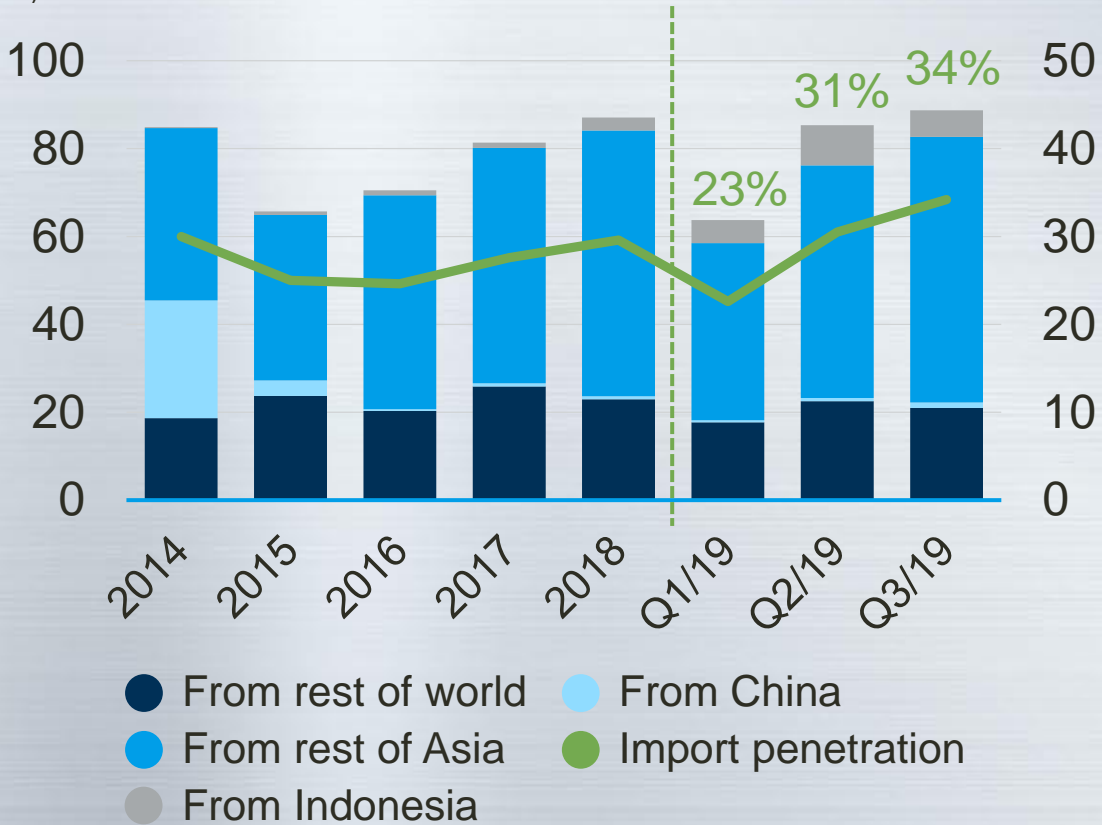
1. 2mm sheet cold rolled 304 grade. CRU October 2019 (including forecast for October)

* According to the CRU, they have been no longer able to accurately assess base prices from June 2018 onwards. Subsequently, the reported base price value is derived from effective prices and the published alloy surcharges.

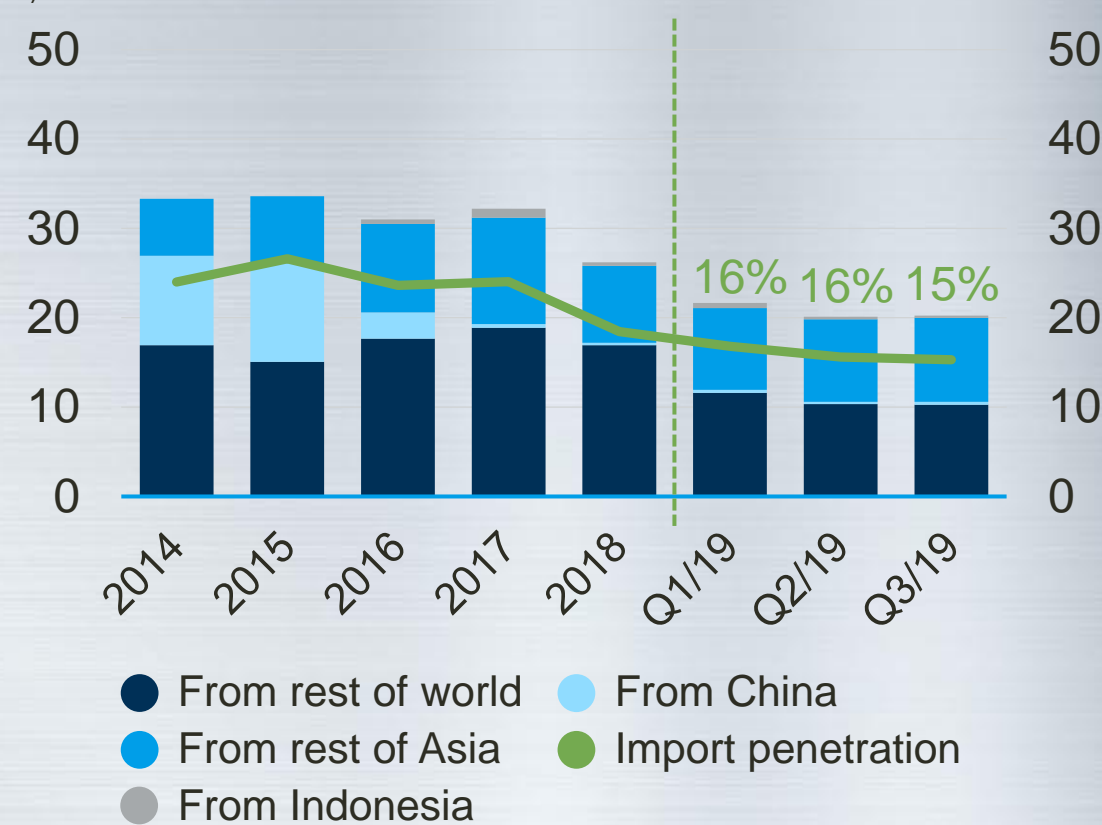


Imports to Europe continued to surge

Third-country cold rolled imports¹ into Europe, 1,000 tonnes



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



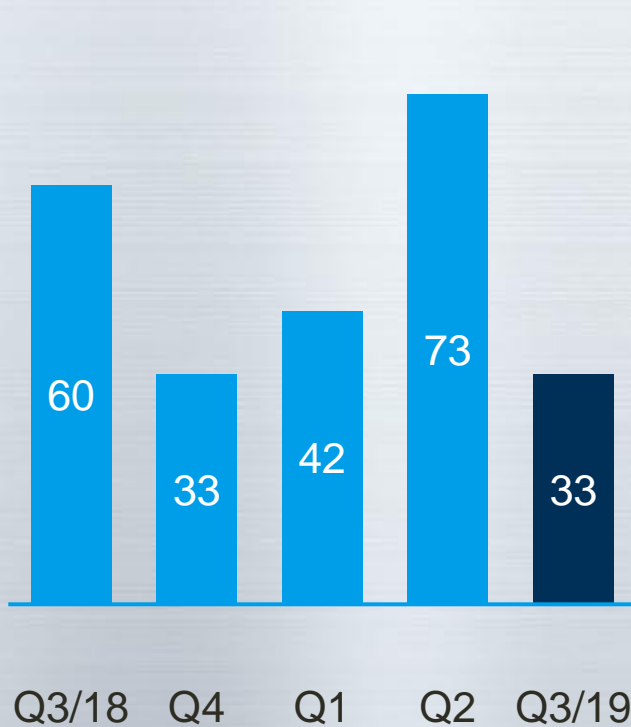
1. Cold rolled, monthly average. Source: Eurofer, October 2019 (Q3'19 based on Jul-Aug)
 2. Cold rolled, monthly average. Source: Foreign Trade Statistics, American Iron & Steel Institute, October 2019 (Q3'19 based on Jul-Aug)



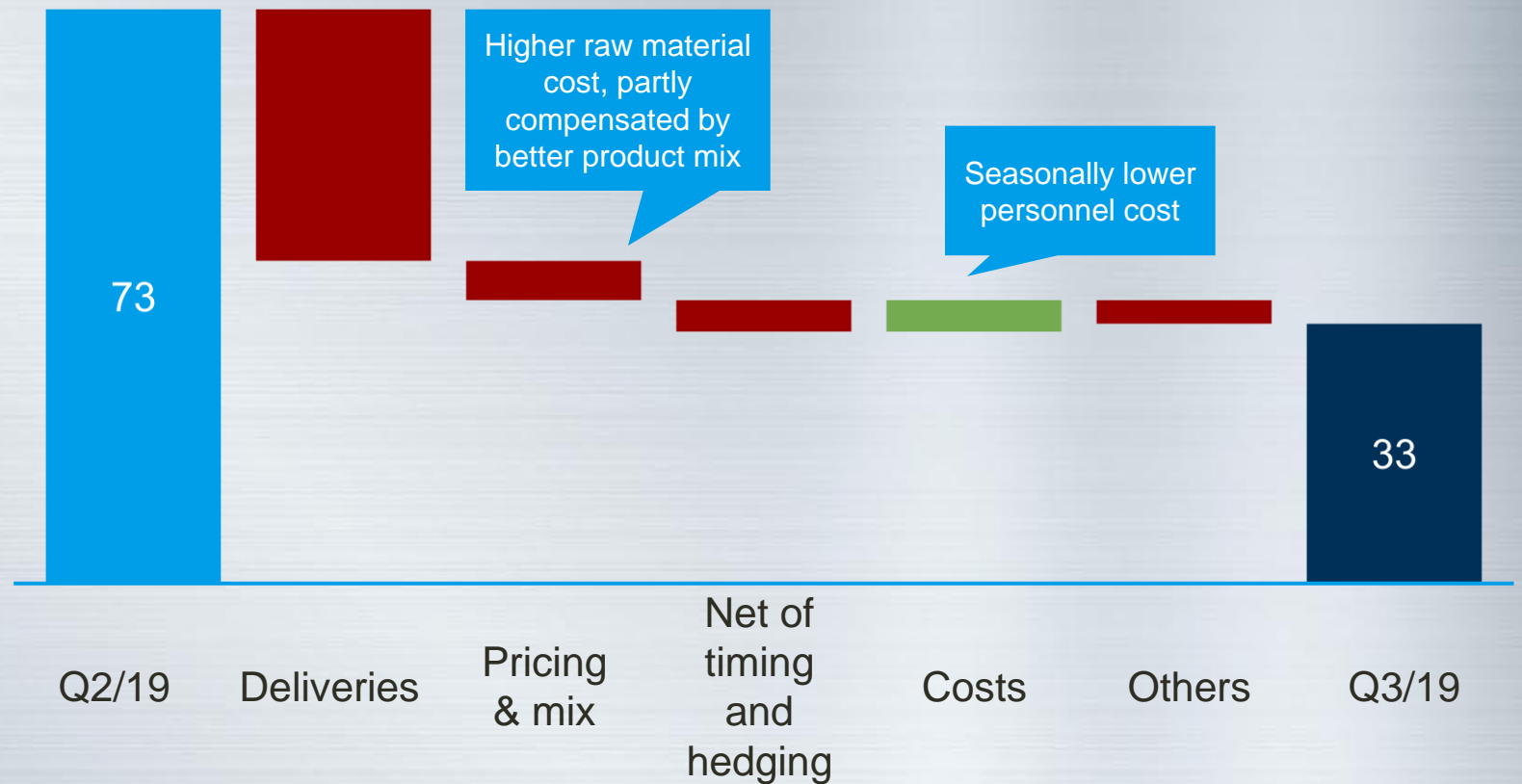
Key figures		Q3/19	Q3/18	Q2/19
Stainless steel deliveries	1,000 tonnes	533	582	584
Sales	EUR million	1,590	1,733	1,701
Adjusted EBITDA	EUR million	45	128	91
EBITDA	EUR million	45	128	91
Net result	EUR million	-27	29	6
Earnings per share	EUR	-0.06	0.07	0.01
Operating cash flow	EUR million	12	61	177
Net debt	EUR million	1,336	1,205	1,307
Gearing	%	51.4	44.5	49.8
Capital expenditure	EUR million	56	56	49
Return on capital employed, ROCE	%	1.0	6.9	2.9
Personnel at the end of the period		10,507	10,459	10,483

Weak demand and increased imports led to low deliveries in Europe

Europe adjusted EBITDA, EUR million



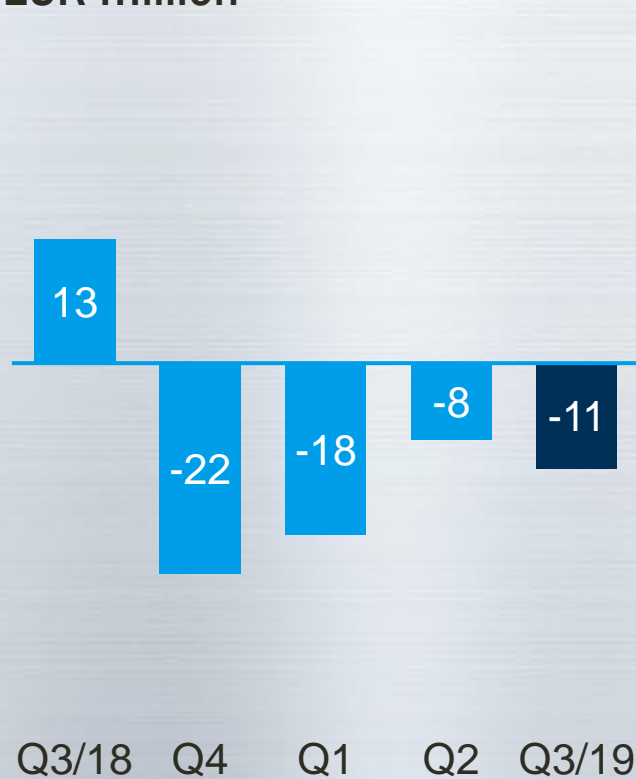
Adjusted EBITDA quarter-on-quarter comparison¹, EUR million



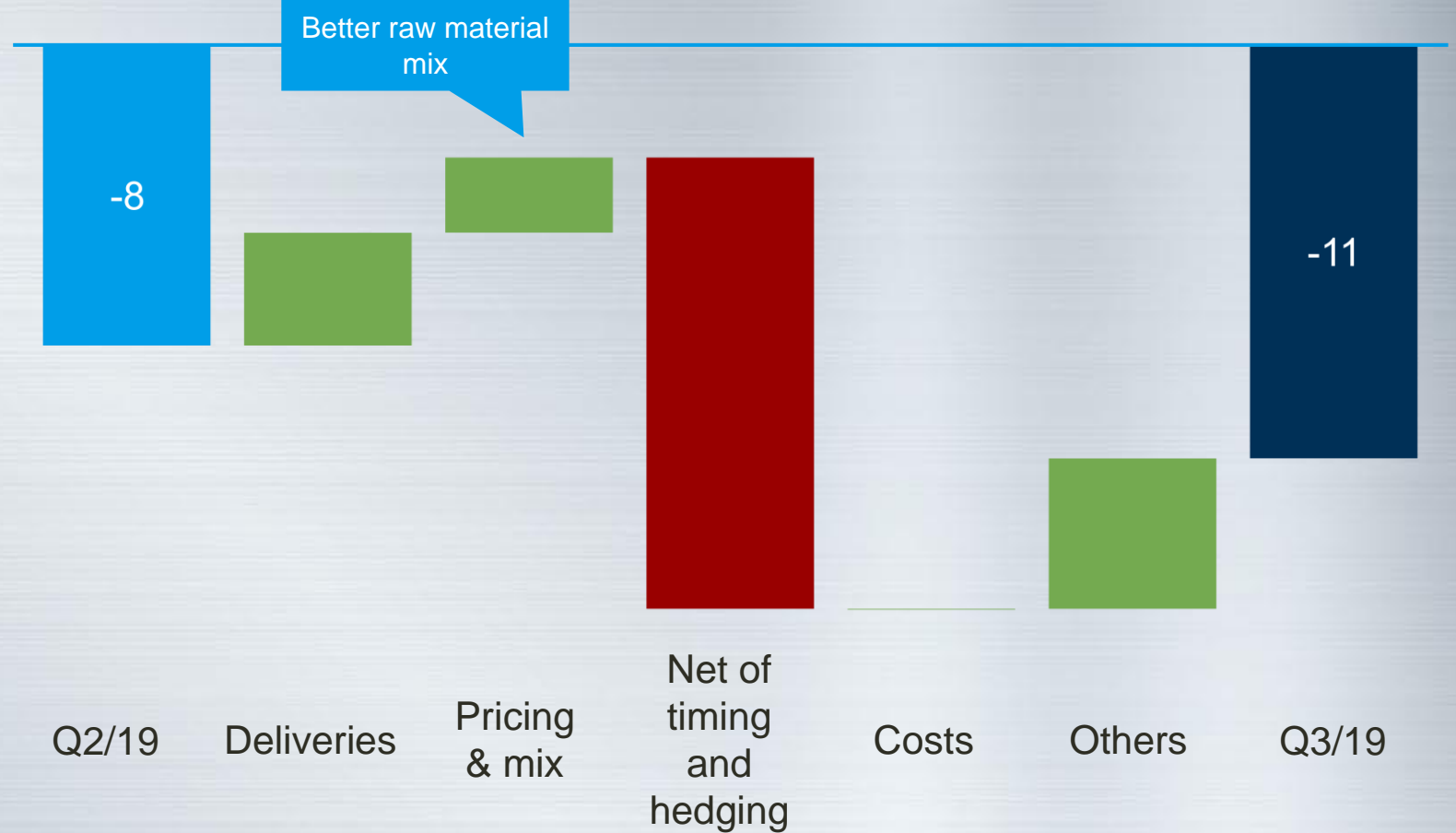
1) Indicative columns based on management estimates

Americas' renewed commercial strategy started to show benefits

Americas adjusted EBITDA, EUR million

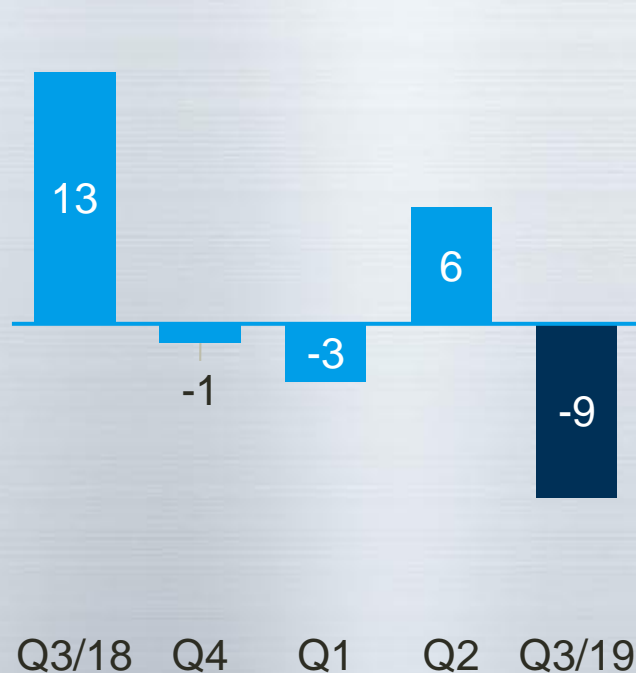


Adjusted EBITDA quarter-on-quarter comparison¹, EUR million

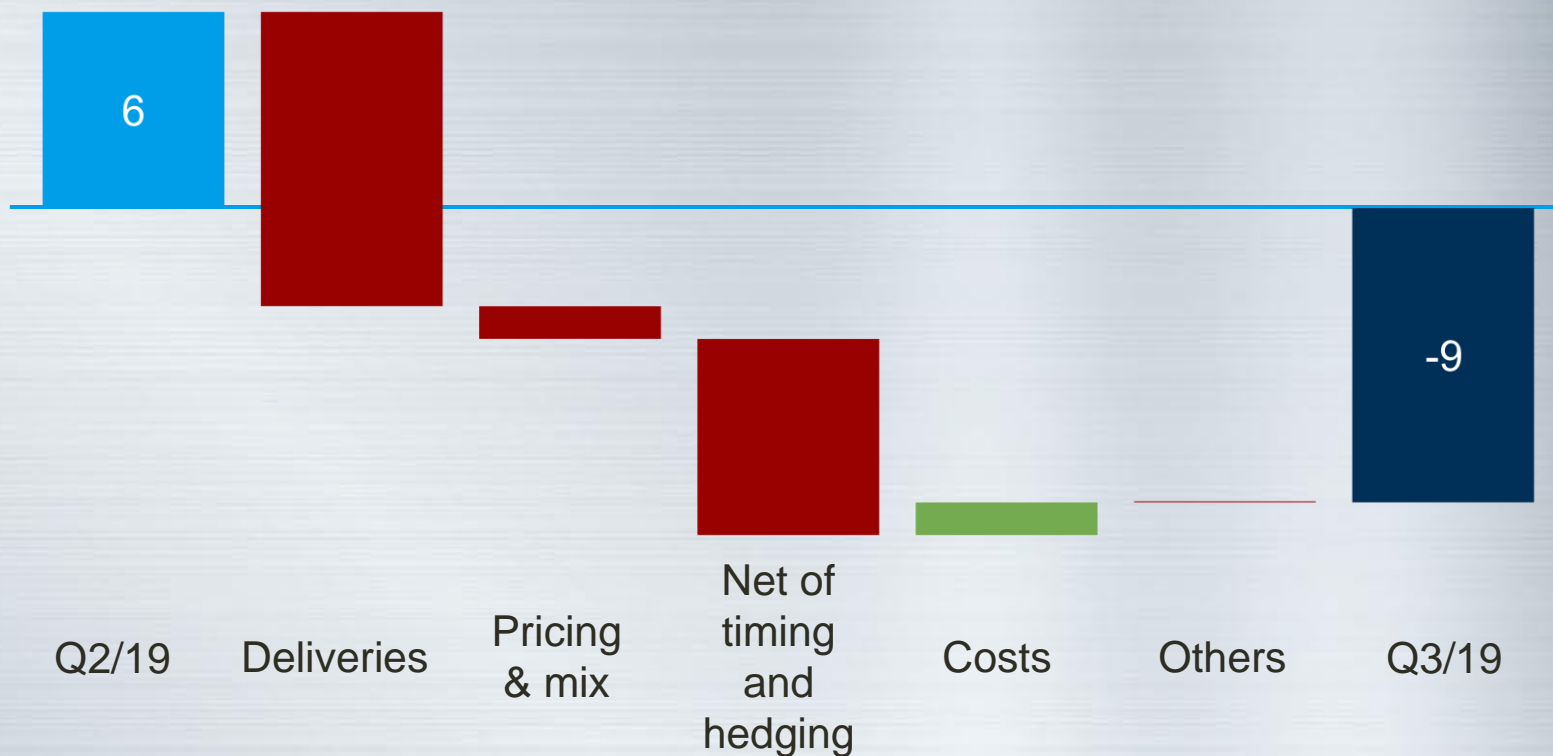


Long products affected by inventory destocking and decrease in end-user demand

Long Products adjusted EBITDA, EUR million



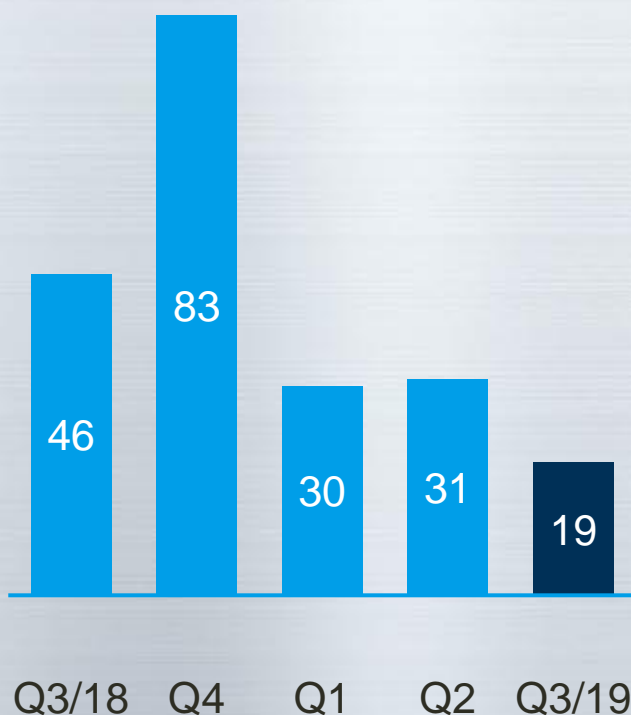
Adjusted EBITDA quarter-on-quarter comparison¹, EUR million



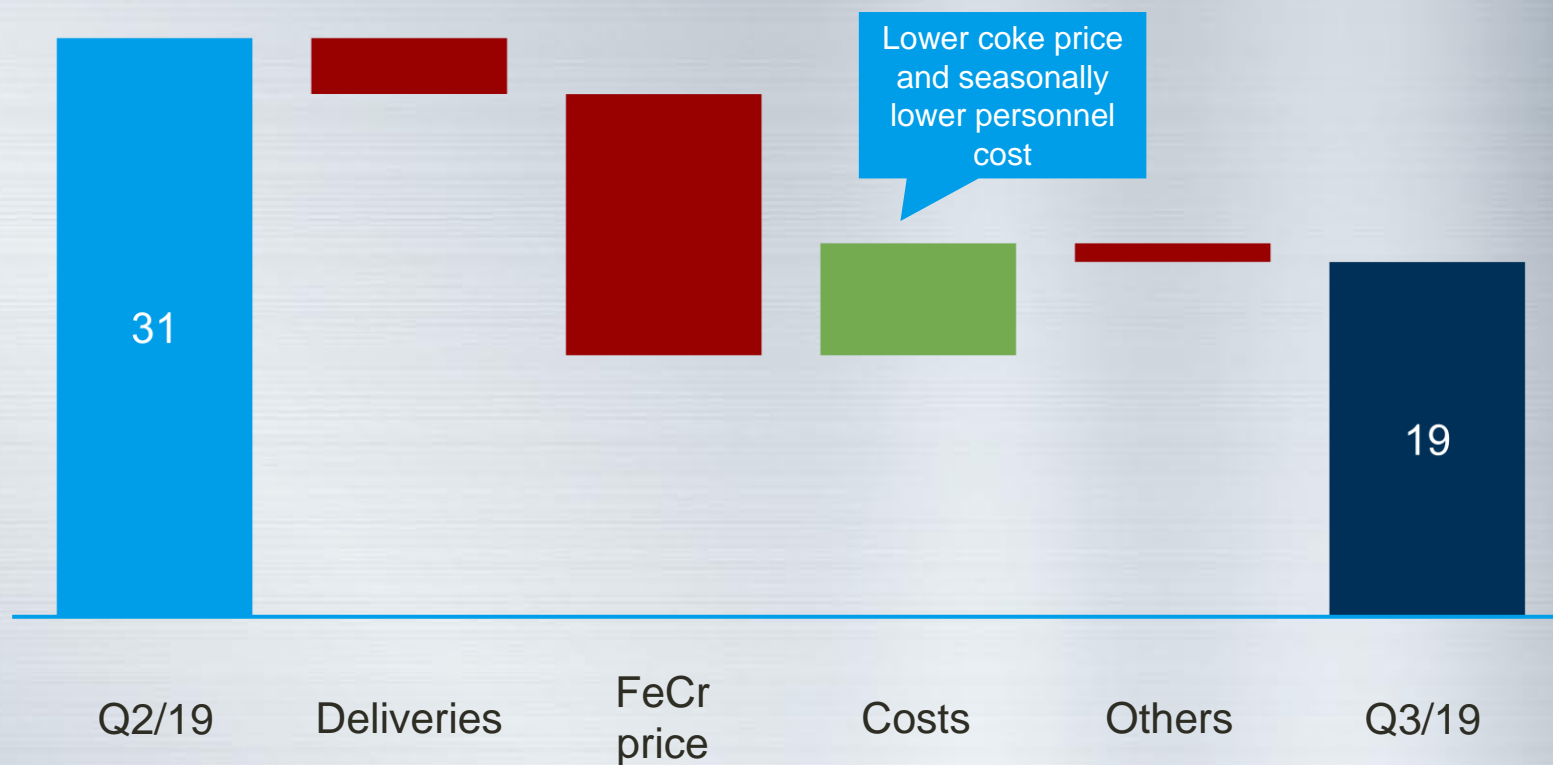
1) Indicative columns based on management estimates

Ferrochrome's excellent operational performance continued

Ferrochrome adjusted EBITDA, EUR million



Adjusted EBITDA quarter-on-quarter comparison¹, EUR million



1) Indicative columns based on management estimates

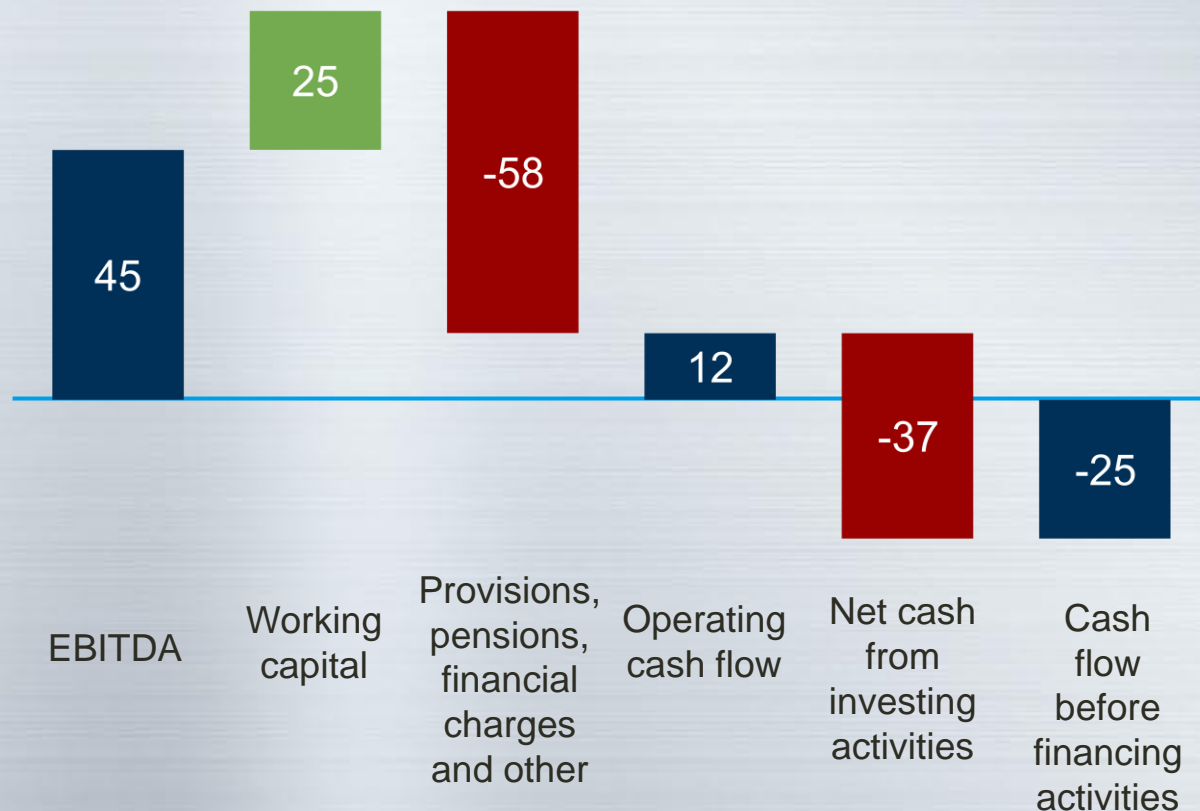
Abruptly spiking nickel price created a negative hedging result

Underlying position	Exposure	Hedging
Committed ¹ sales	Short	100%
Committed ² purchases	Long	100%
Base stock	Long	Balance between managing earnings and cash flow volatility
Excess stock	Long	100%

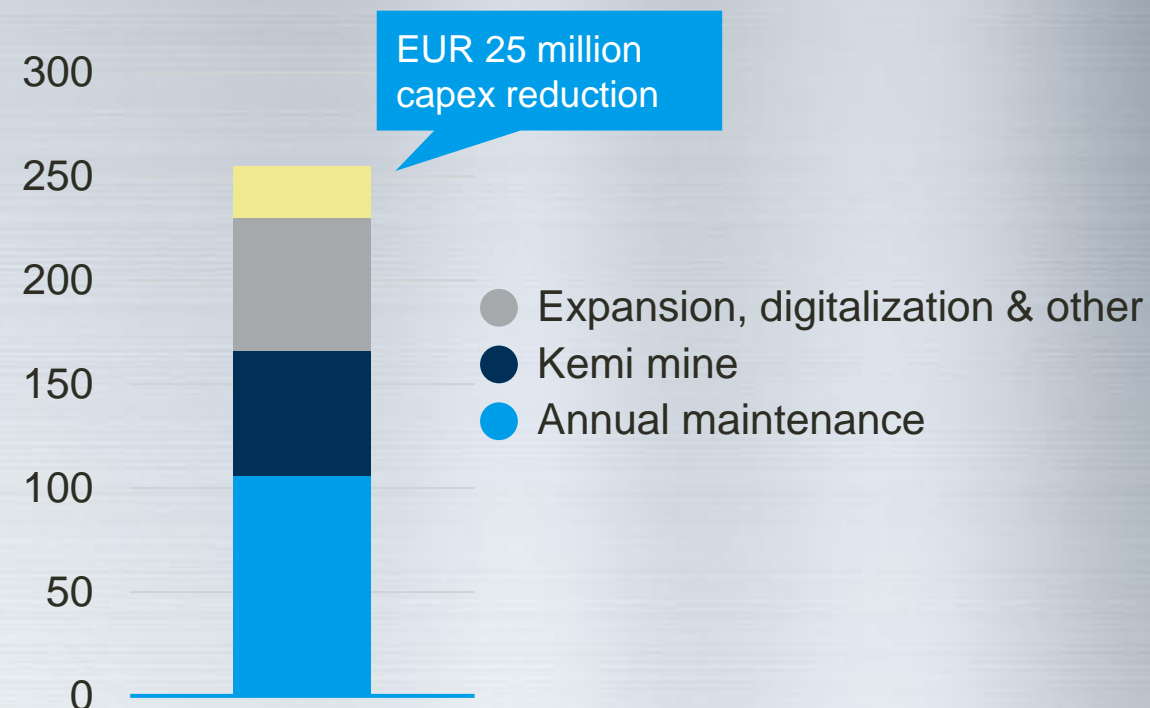
- Exposure to nickel price changes
 - Volume and timing mismatch
 - Changes in pricing mechanisms of sales and purchases
- Base stock was partly hedged in Q3
- Short derivatives position in Q3
- Hedge accounting applied to parts of outstanding nickel derivatives

Net working capital reduction target of €150 million reached ahead of plan

Q3/19 cash flow¹, EUR million

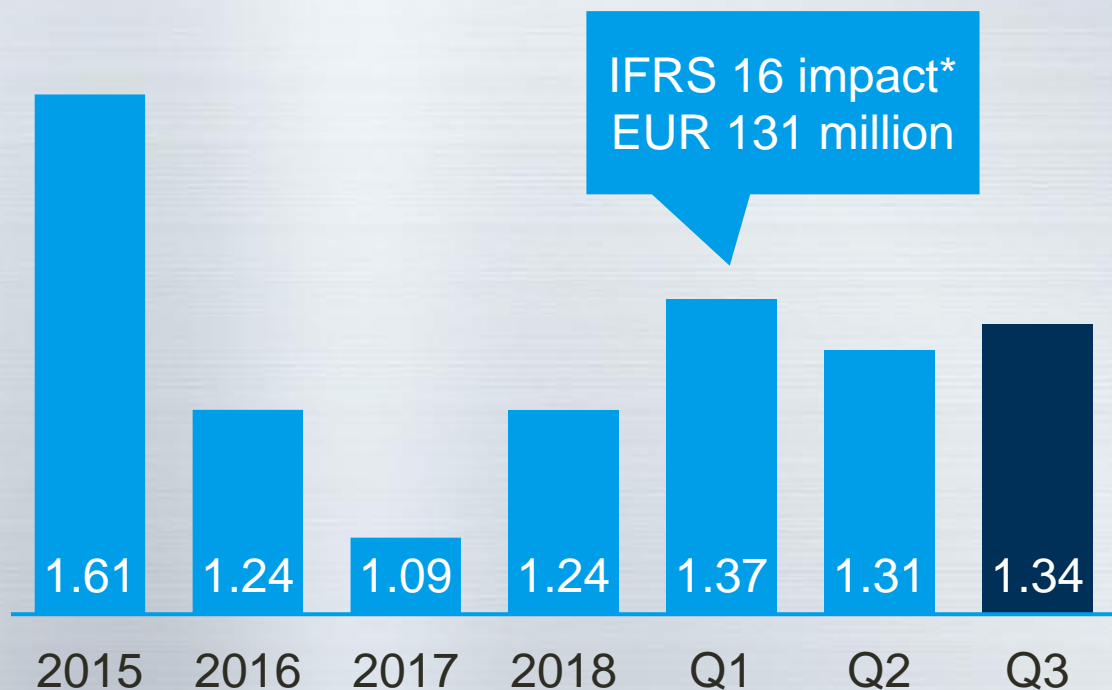


CAPEX estimate 2019, EUR million



Focus on net debt reduction remains unwavering

Net debt, EUR billion

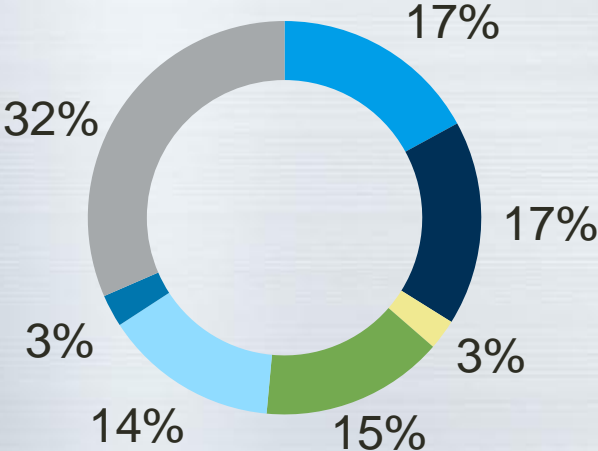


Net debt/LTM adjusted EBITDA



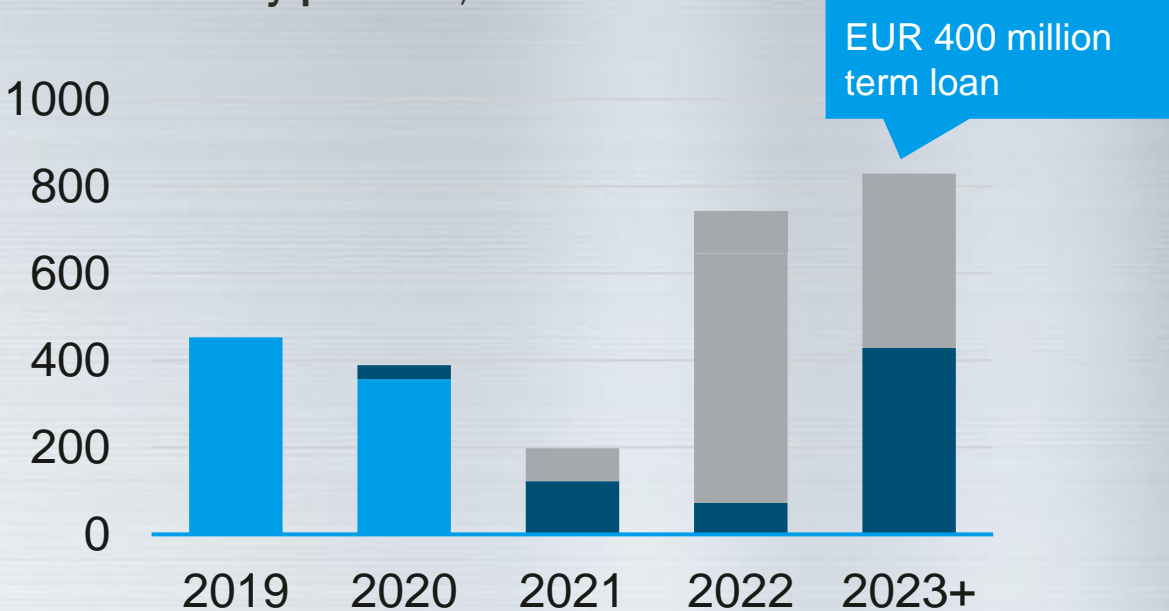
New term loan drawn in October

Debt structure*, %



- Bonds
- Convertible bonds
- Long-term loans
- Pension loans
- Finance leases
- Short-term loans
- Commercial papers

Debt maturity profile*, EUR million



- Current debt
- Non-current debt
- Unused facilities

Outlook for Q4 2019

- The stainless steel market is expected to be subdued
- Deliveries are expected to be lower than in Q3/19
- The planned annual maintenance work at the Tornio stainless steel mill is expected to have up to €15 million negative impact on BA Europe's profitability
- Assuming the current raw material prices, the losses from raw material-related inventories and metal derivatives from Q3/19 are not expected to be repeated

Adjusted EBITDA is expected to be at a similar level to Q3/19 (€45 million)

We continue our rigorous efficiency actions

Over
10%
reduction in
variable costs

Productivity
improvement of
>3%

Additional actions to keep our competitive position in all market circumstances include:

Capacity

- Melting limitation
- Maintenance optimization

Cash flow

- Further inventory reduction
- Capex reduction of over €25 million in 2019
- Non-core divestments of €40 million in 2020

Personnel

- Germany: negotiations expected to be concluded by end of 2019, might affect approx. 350 jobs
- Long Products: headcount to be reduced by 30 people

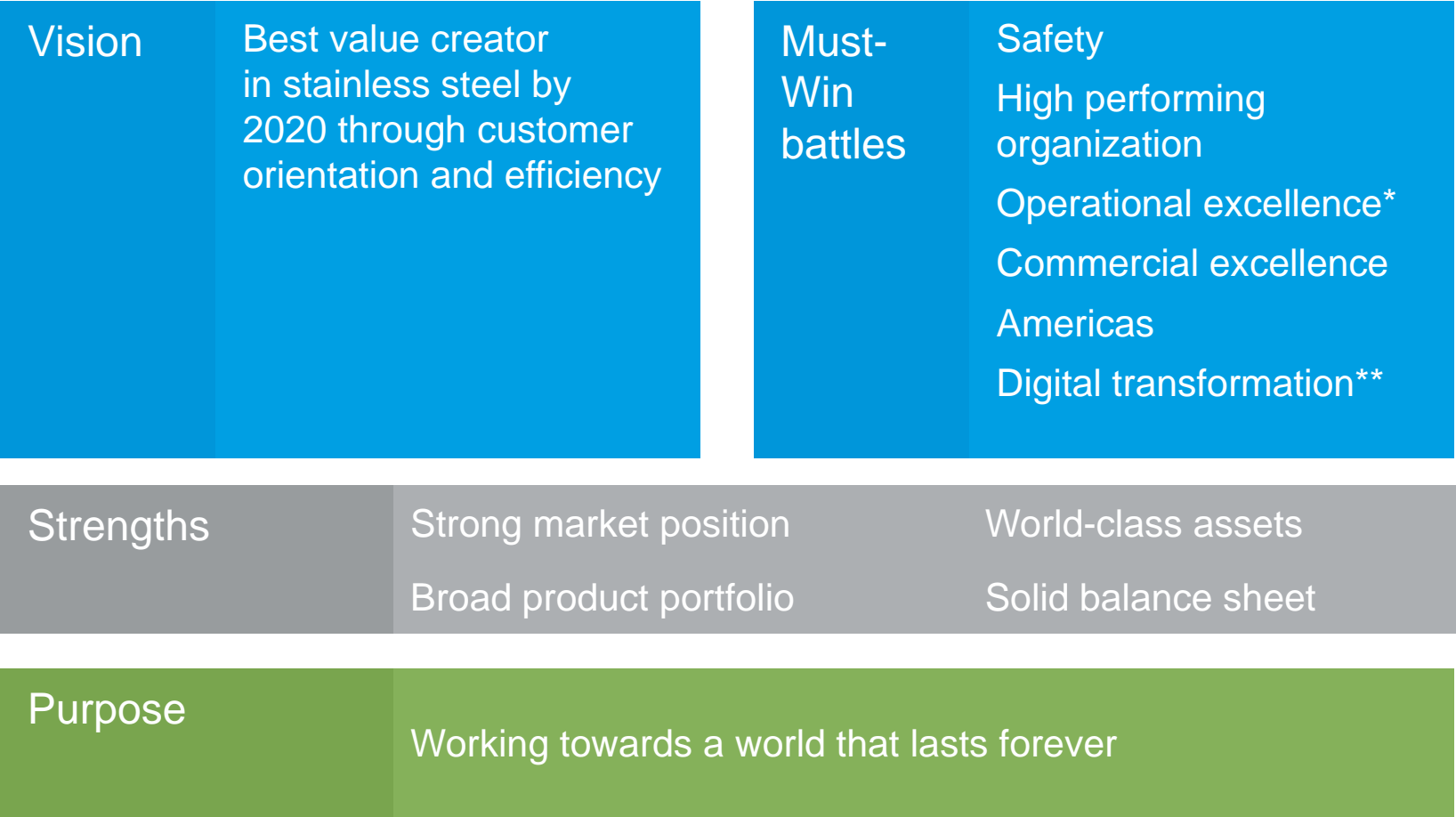
OUTOKUMPU CMD 2020

March 18
London



Appendix

Becoming the best value creator



* Includes previous must-win battles of World-class supply chain and manufacturing excellence as of 2019
 ** New must-win battle as of 2019

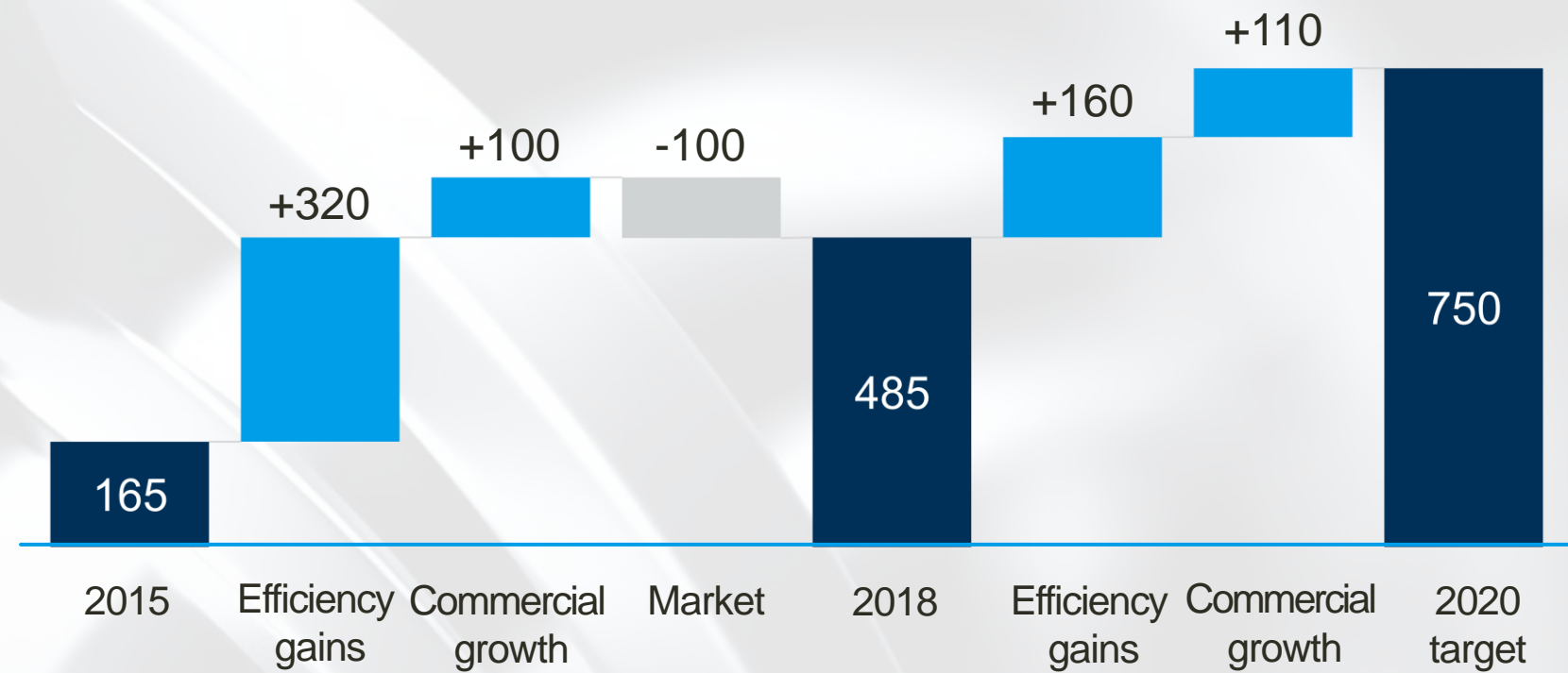


Our path to deliver an adjusted EBITDA of

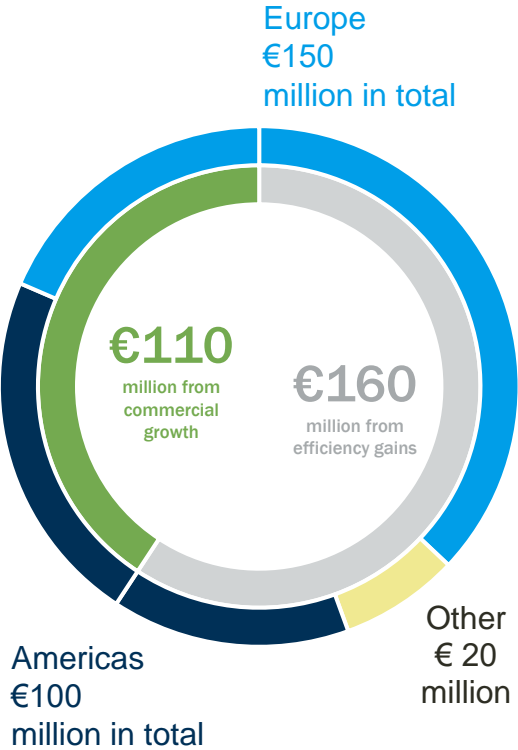
€750

million in 2020

Adjusted EBITDA, € million



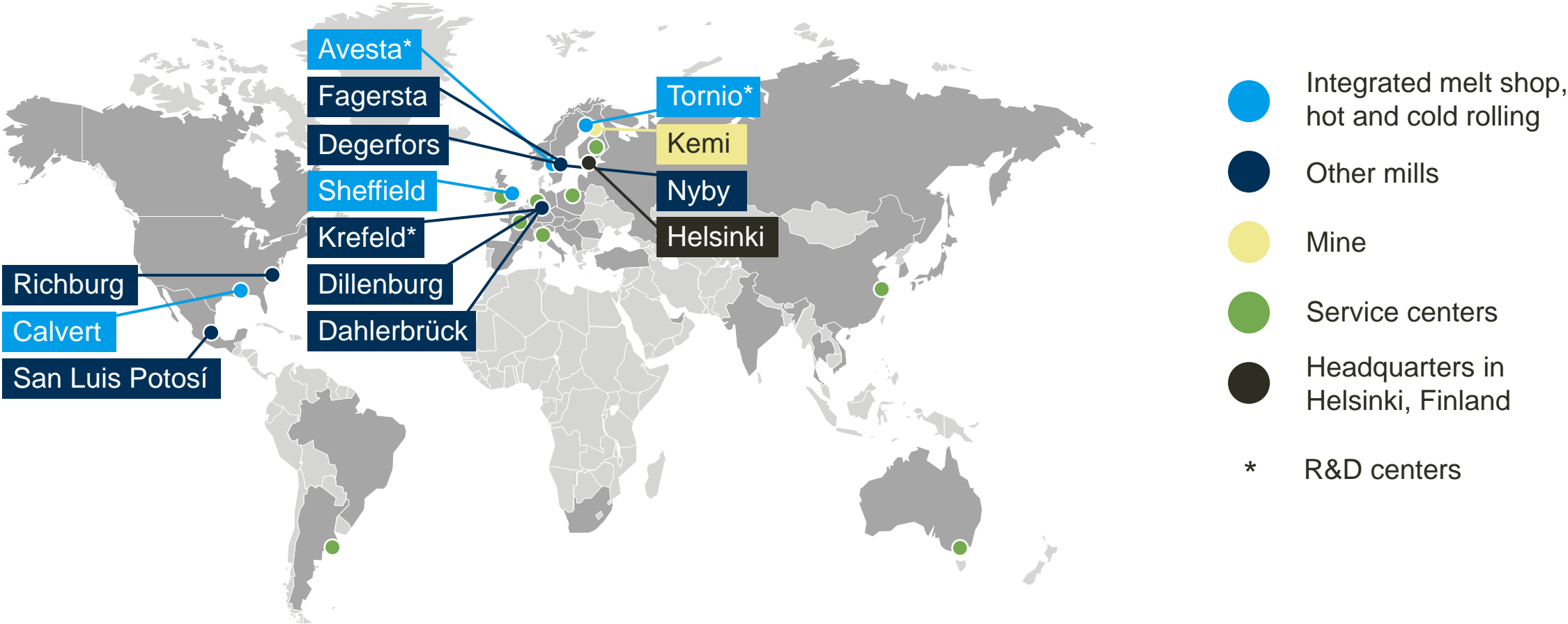
How to close the gap to €750 million by 2020



	● Europe	● Americas	● Other
Gains by 2020¹			
Commercial growth	€50	€60	
€110 million	<ul style="list-style-type: none"> Higher deliveries Value-added products Service solutions 	<ul style="list-style-type: none"> Customer & product mix Market share in Mexico New products 	
Efficiency gains	€100	€40	€20
€160 million	<ul style="list-style-type: none"> Raw material optimization General procurement 3% annual productivity increase Digital manufacturing 	<ul style="list-style-type: none"> Mexinox restructuring Logistics costs reduction Raw material optimization Delivery reliability 	
Total gains	€150	€100	€20
€270 million			

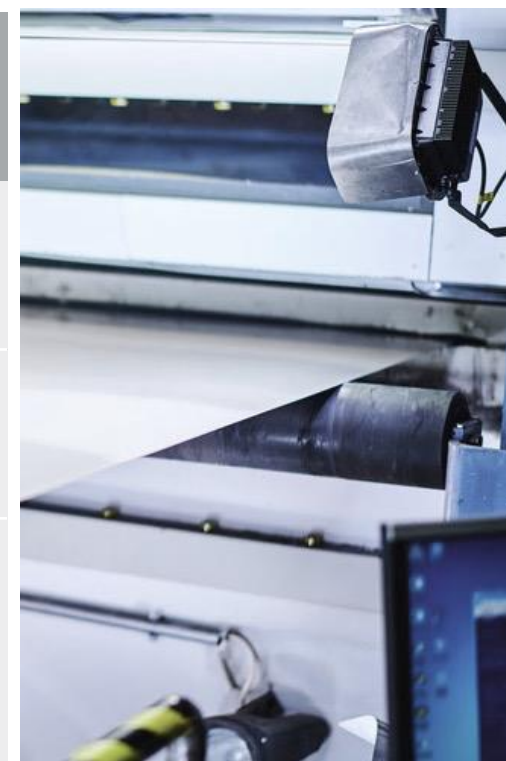
¹Approximate figures, based on management estimates. Benchmark year 2018

We have a solid presence in key regions



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	750	130	500		350	250					
- HWB	150	120			150						
- Quarto plate				150							
- Long products							25	40	40	65	
											2,720

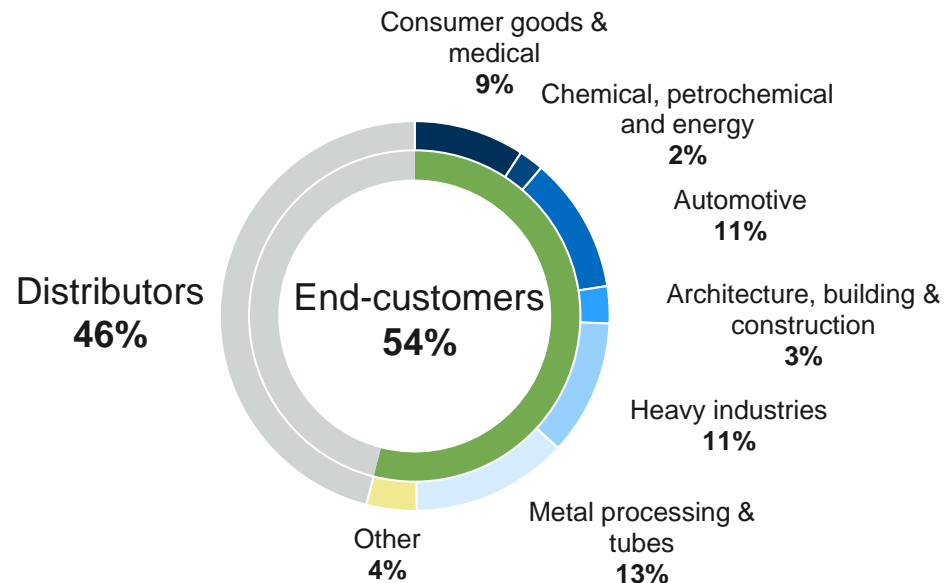


We focus on growth segments

Consumer goods, automotive, architecture, building and construction

Distributors

- Spot contracts
- Standard products and grades
- Austenitic cold rolled and tubular products
- Speculative behavior
- Value added services

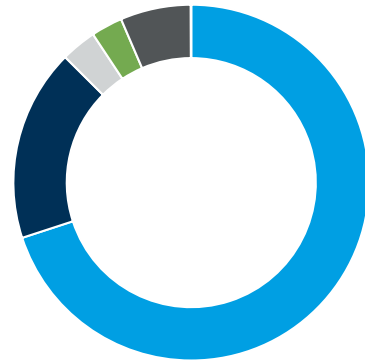


End-customers

- Long term contracts
- Large quantities
- Special grades
- Ferritics and duplex
- Technical advice
- Develop relationships and receive volume discounts

Broadest product portfolio globally

Outokumpu stainless steel deliveries by product form



- Cold rolled **70%**
- Hot rolled white coil **17%**
- Quarto plate **3%**
- Long products **3%**
- Semi finished stainless steel products **6%**

Stainless steel is not a single product and there are thousands of different grades and product forms. They can be divided to flat and long products or semi-finished products, rolled products and products finished by additional operations. Outokumpu has the broadest product portfolio globally and use of our steels reduces the carbon footprint of our customers' products.

Chrome is the most important raw material used in stainless steel production. Outokumpu has its own chrome mine and ferrochrome works and this makes us uniquely self-sufficient. Ferrochrome contains 50-54% of chrome. Most of our ferrochrome is used in our own melt shops and approximately 25% is sold to other producers. Outokumpu is the only producer of Ferrochrome in Europe.

Flat products



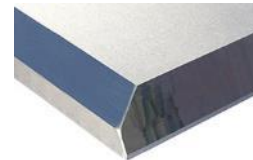
Slab



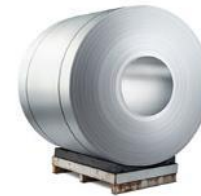
Hot rolled black coil



Hot rolled white coil



Quarto plate



Cold rolled white coil



Precision strip coil

Long products



Cast semis



Rolled and forged billet



Bar



Rebar



Wire rod



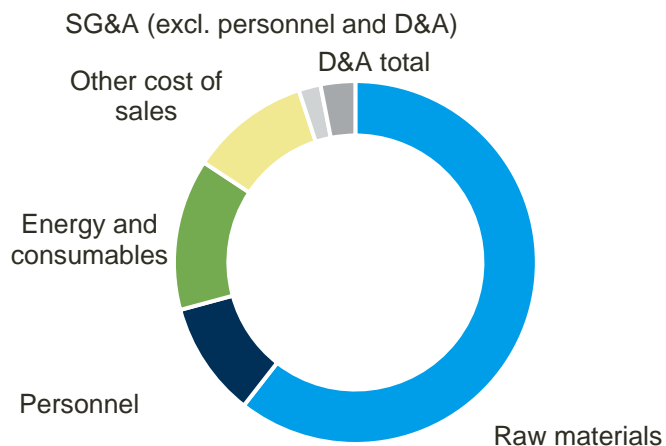
Wire



Ferrochrome

Continued cost efficiency improvements

Operative cost components*



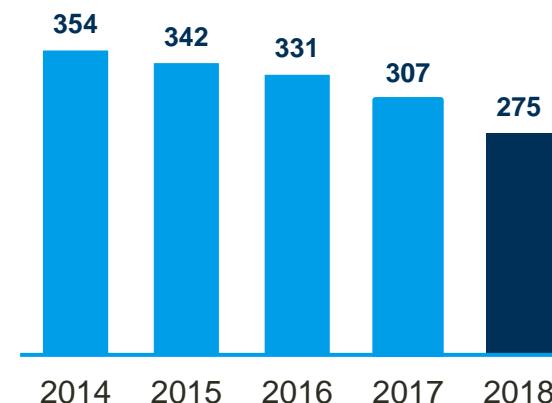
Our target is to achieve further

€160

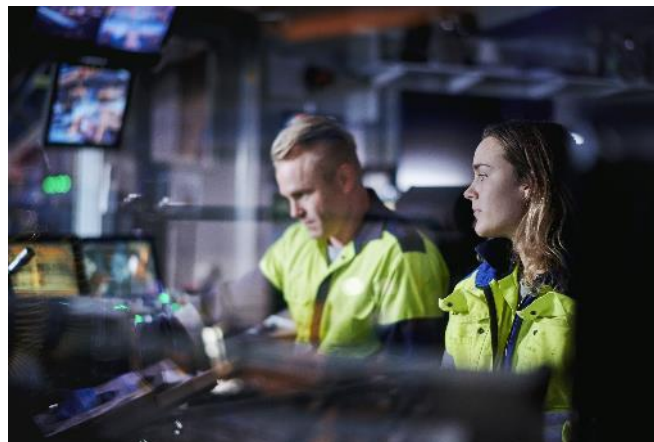
million

from efficiency gains by 2020

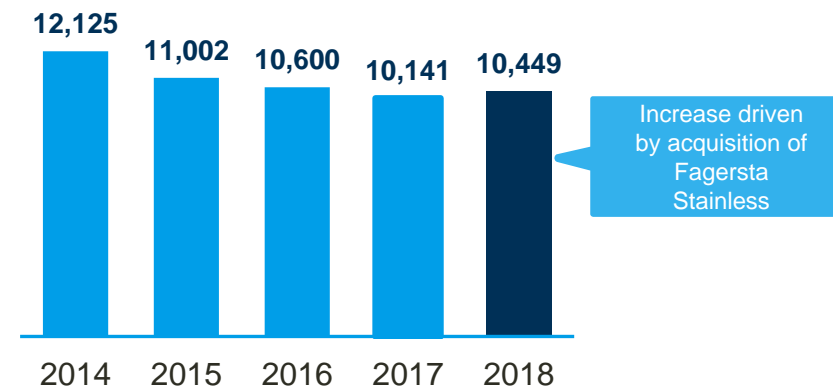
SG&A costs, € million



- 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



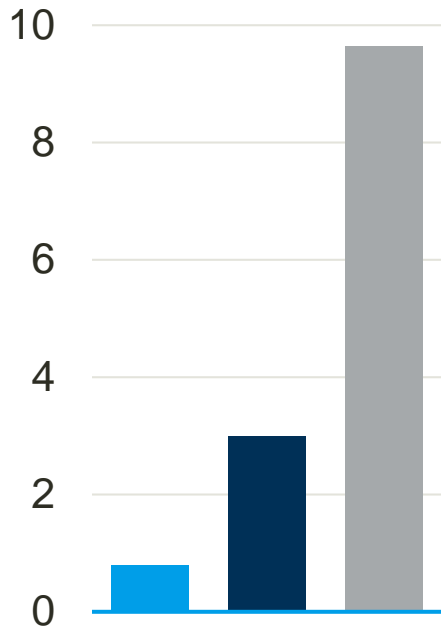
Personnel at the end of period



*Jan-Dec 2018

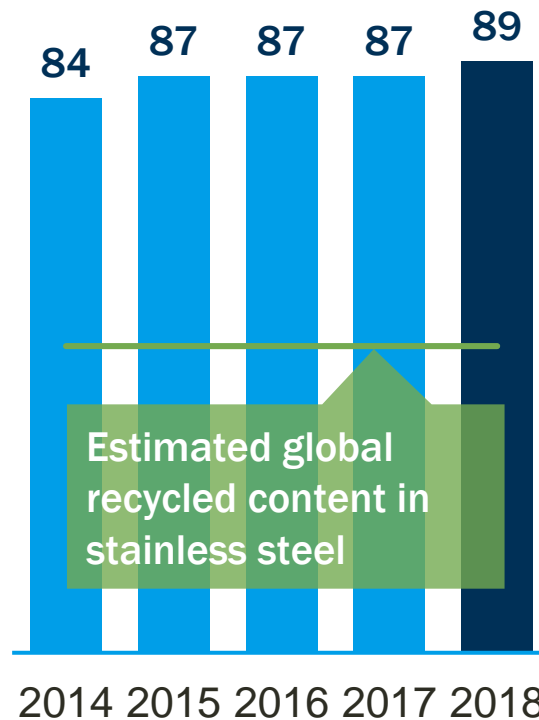
We are the world leader in sustainable steel production...

Tonnes of CO₂ per tonne crude steel



- Outokumpu
- Europe average
- Indonesia

Recycled content, %



Our ferrochrome operations' CO₂ footprint is only

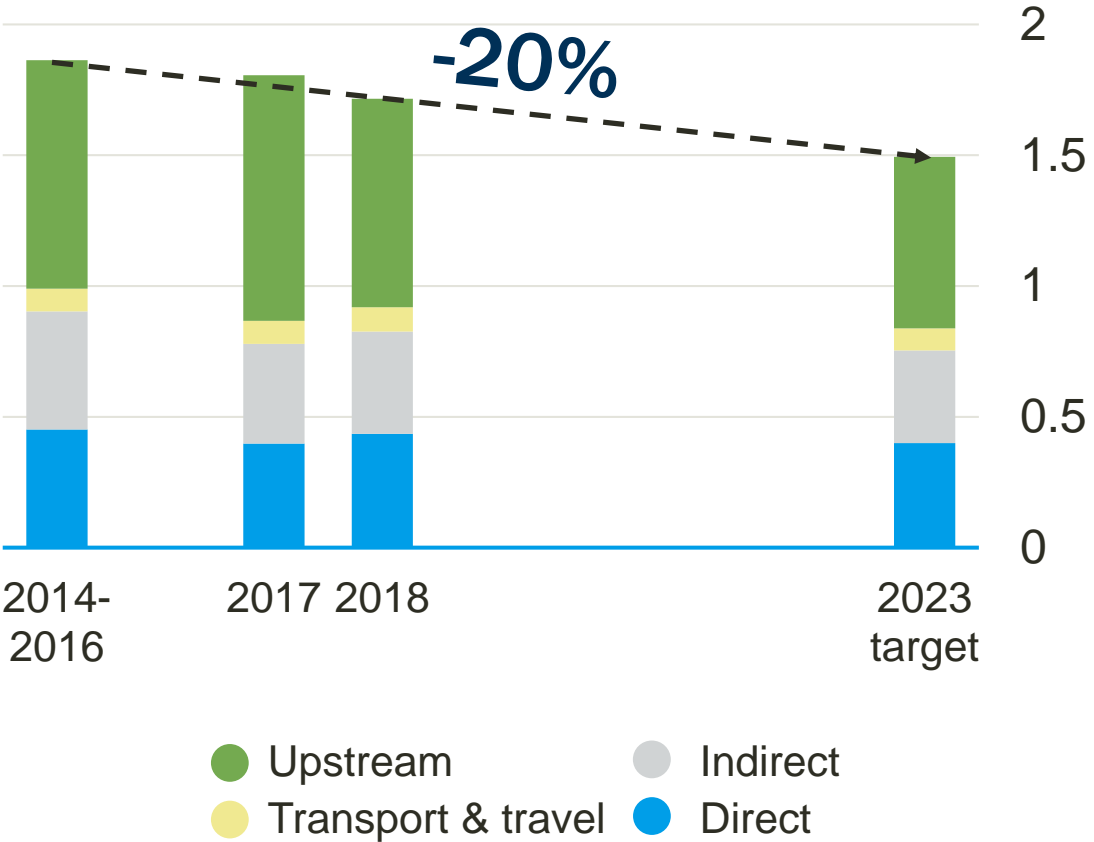
42%

of industry average

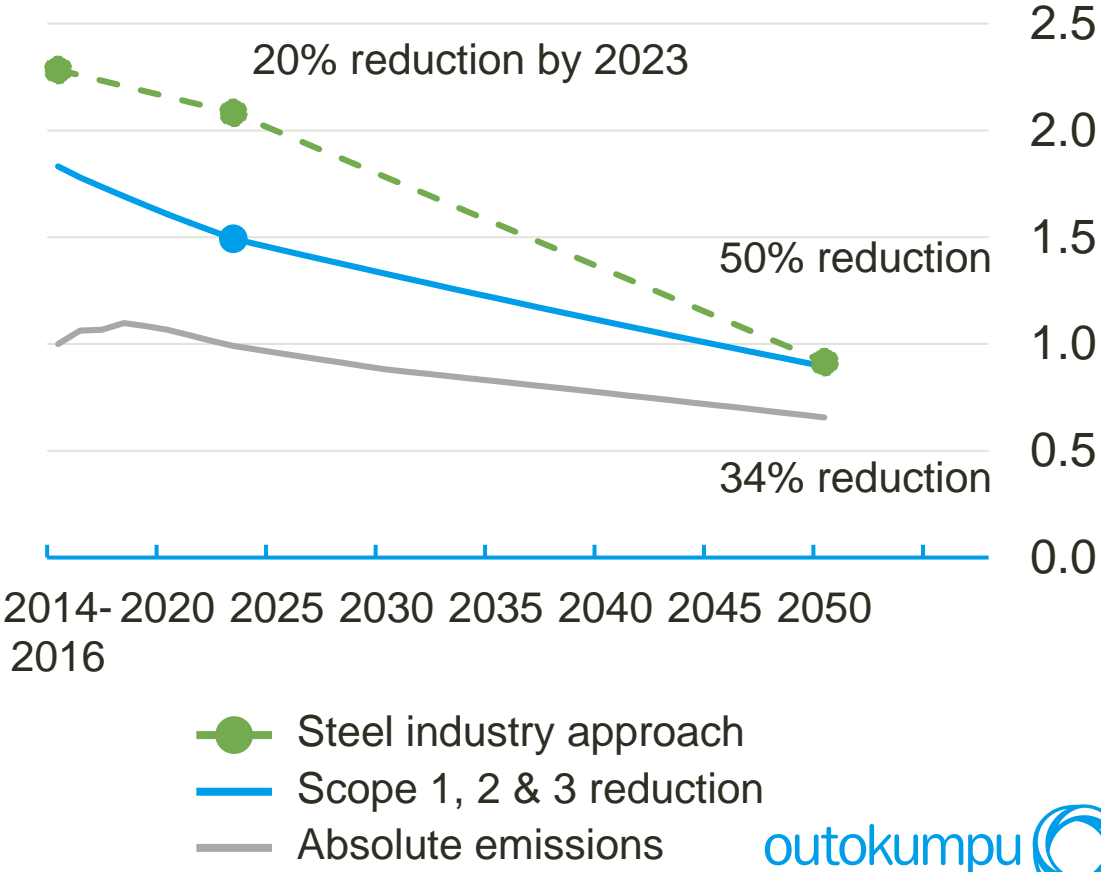
Outokumpu - Tornio works, meltshop 2
 Europe average - source:ISSF (2017)
 Indonesia - Stainless steel production in Indonesia using NPI
 Ferrochrome - source: ICDA LCI

...and we have ambitious targets

CO₂ emissions intensity, tonnes per stainless steel



Outokumpu's emissions forecast under SBT conditions, tonnes of CO₂ per tonne steel ¹⁾



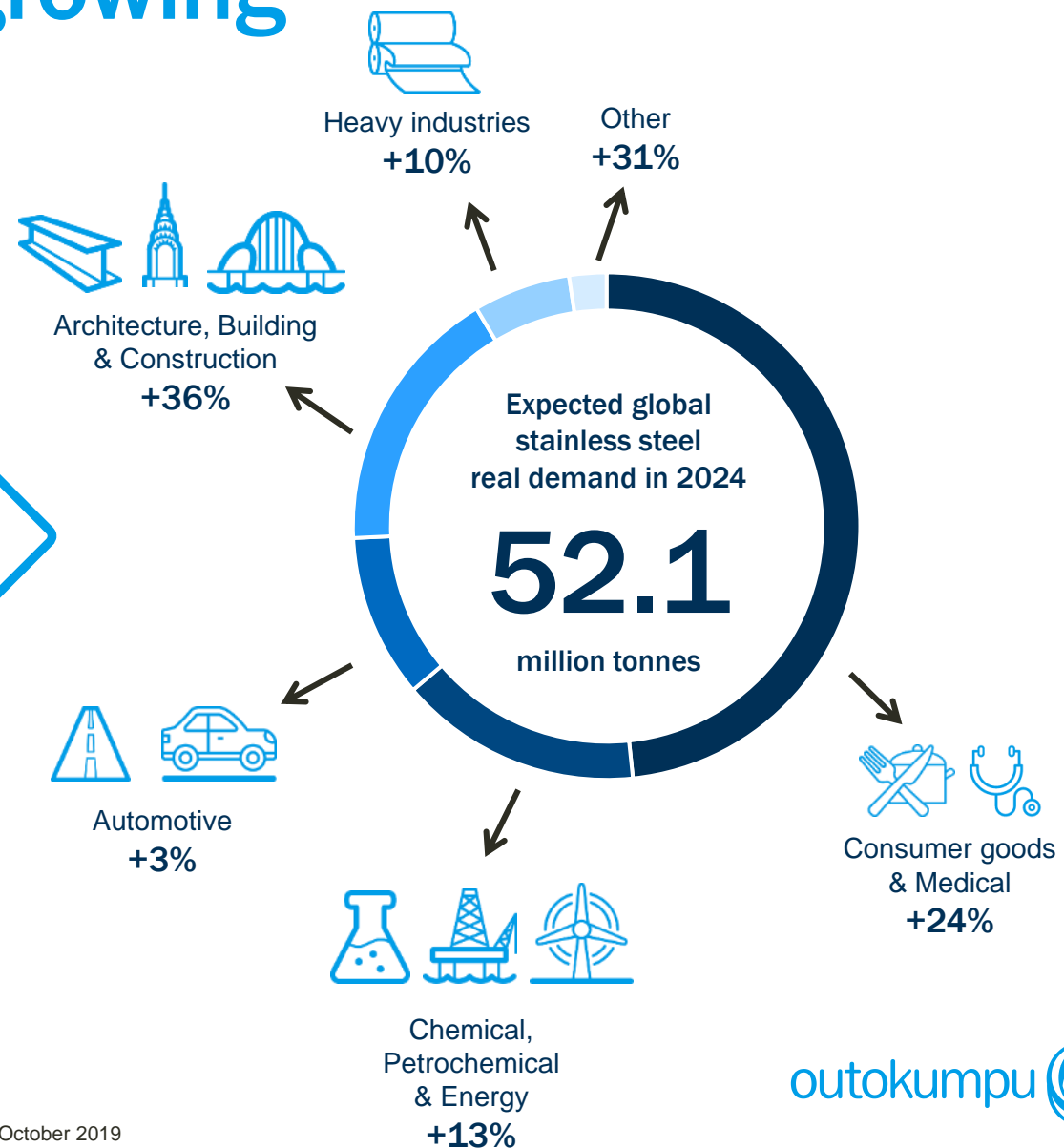
1) Restated according to the target approved by SBT initiative



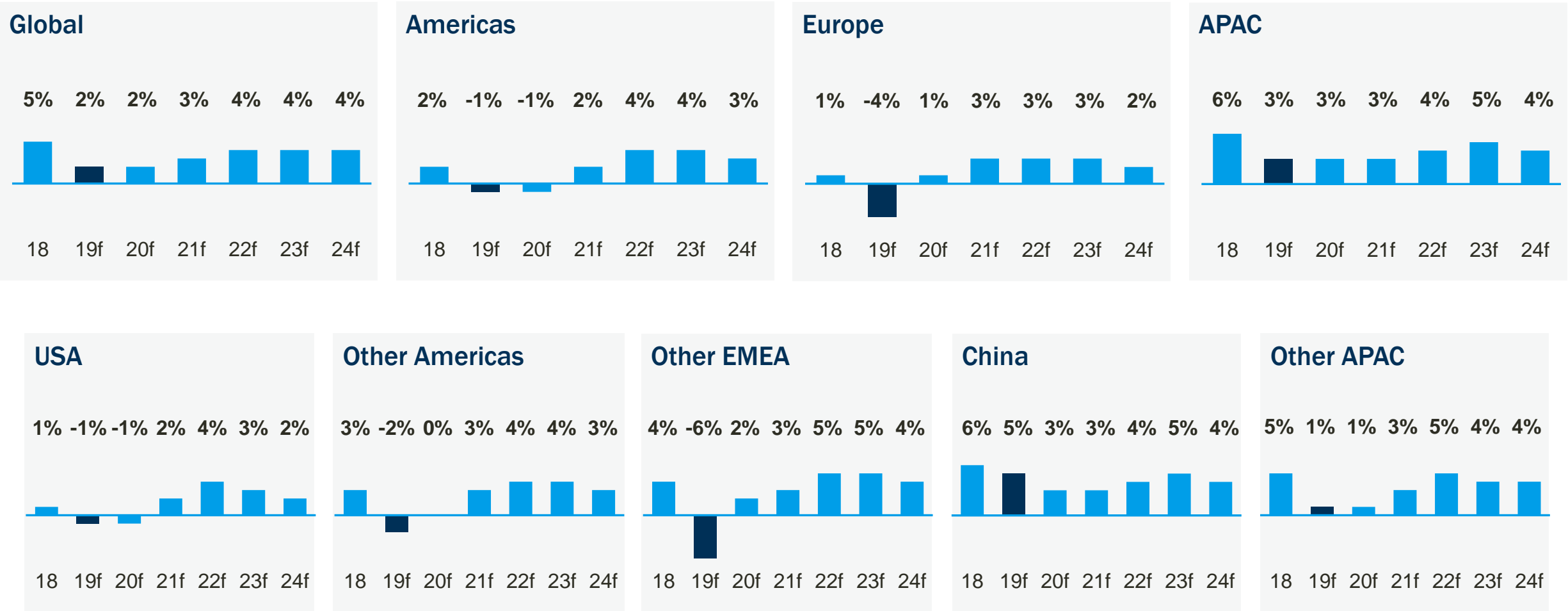
Stainless steel demand is growing



+21%



2% demand growth expected for 2019



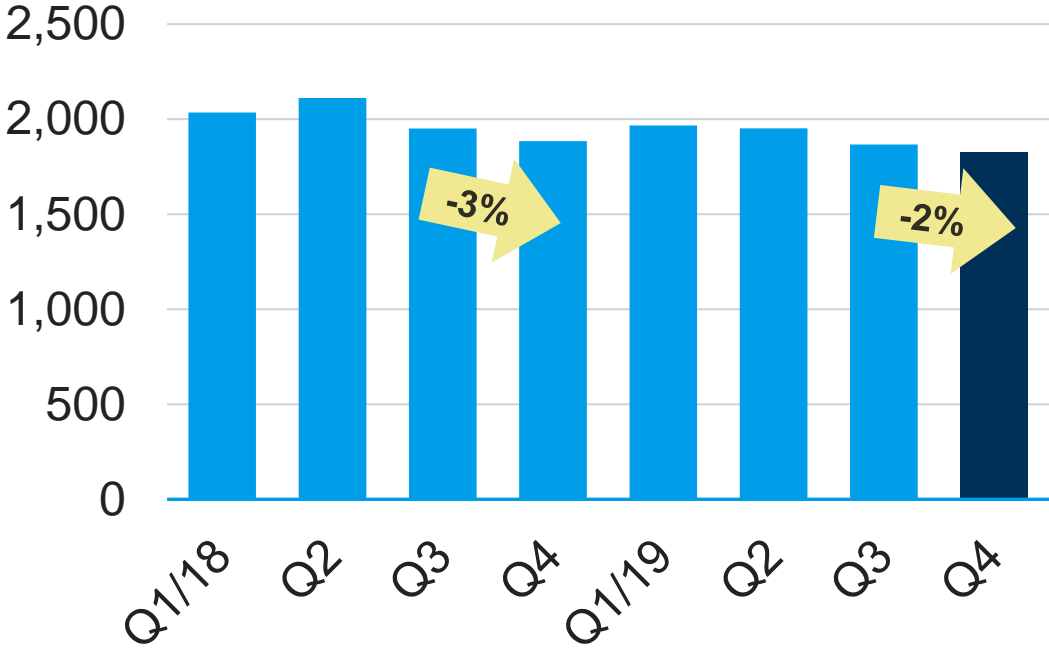
Data source: SMR, October 2019

Real demand for total stainless steel (rolled & forged products, excl. 13Cr tubes, profiles)

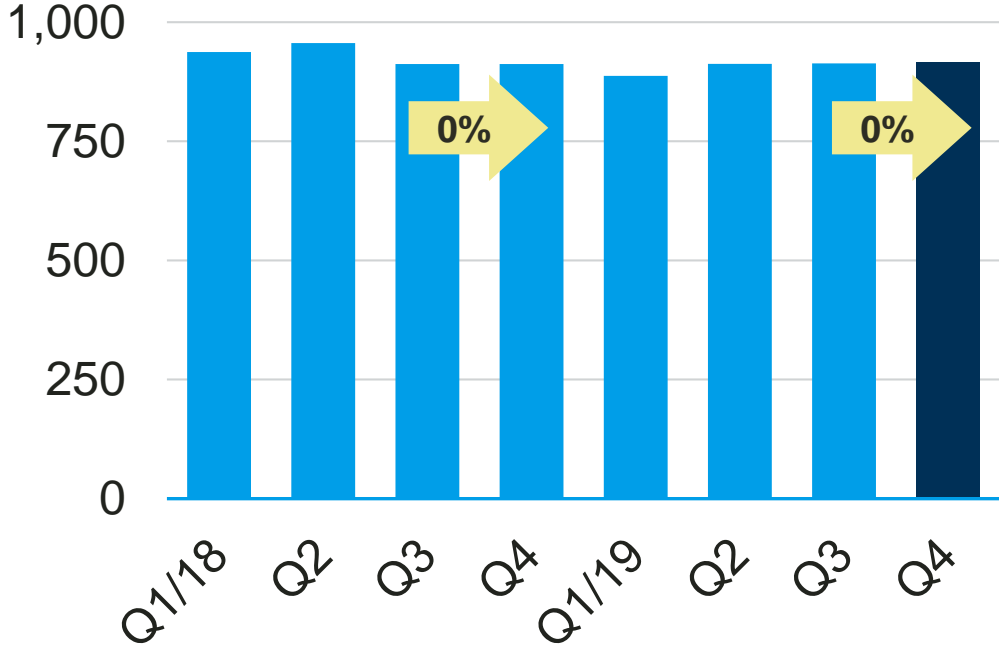


Real demand is expected to continue to decrease in Europe

EMEA total stainless steel real demand¹



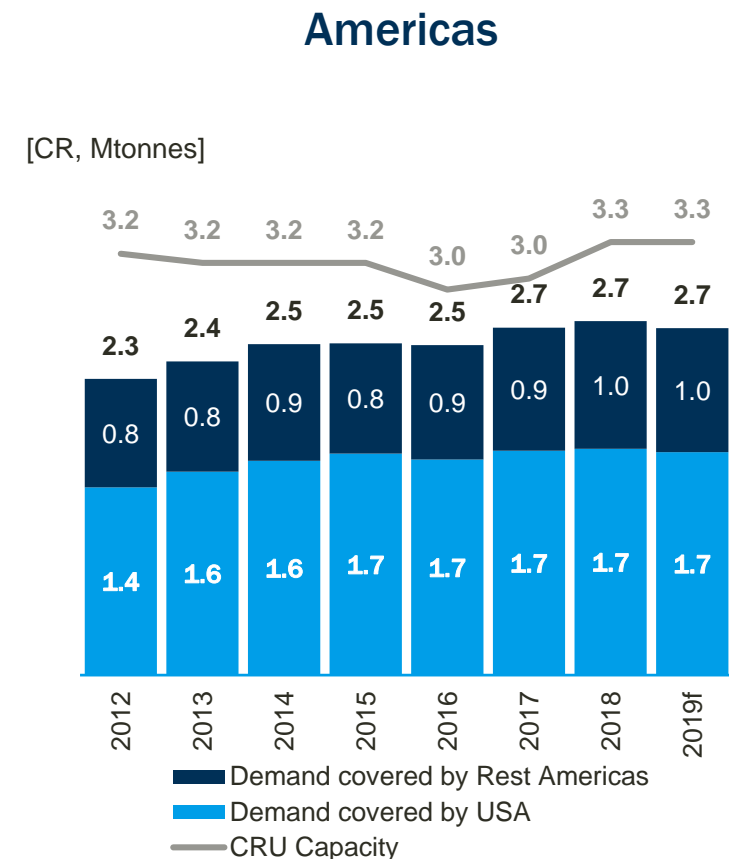
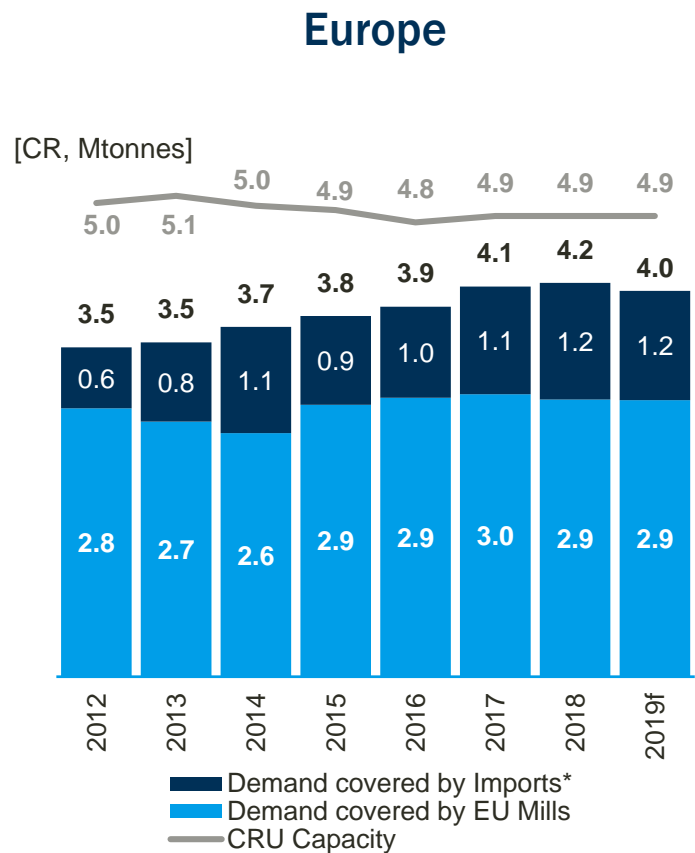
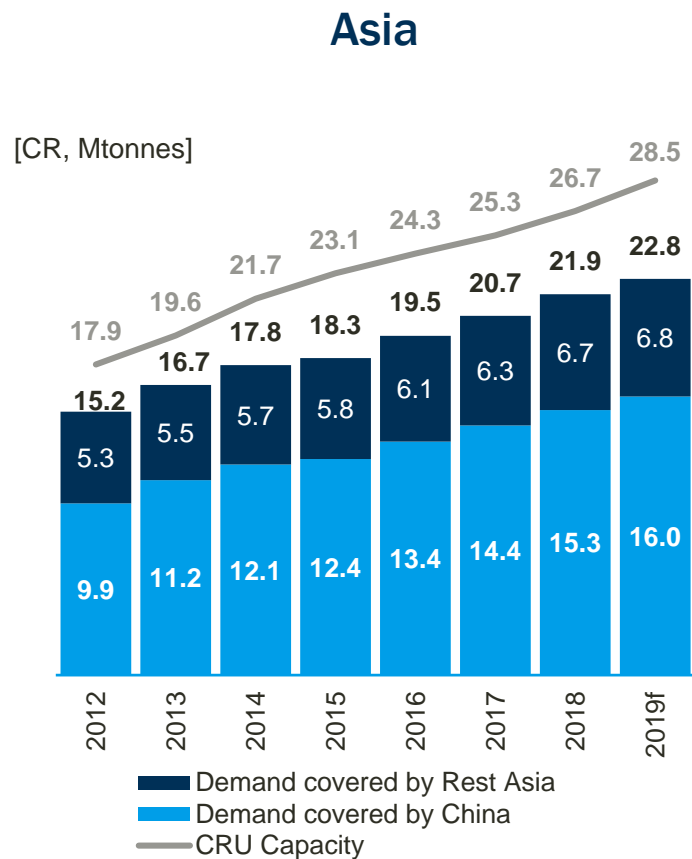
Americas total stainless steel real demand¹



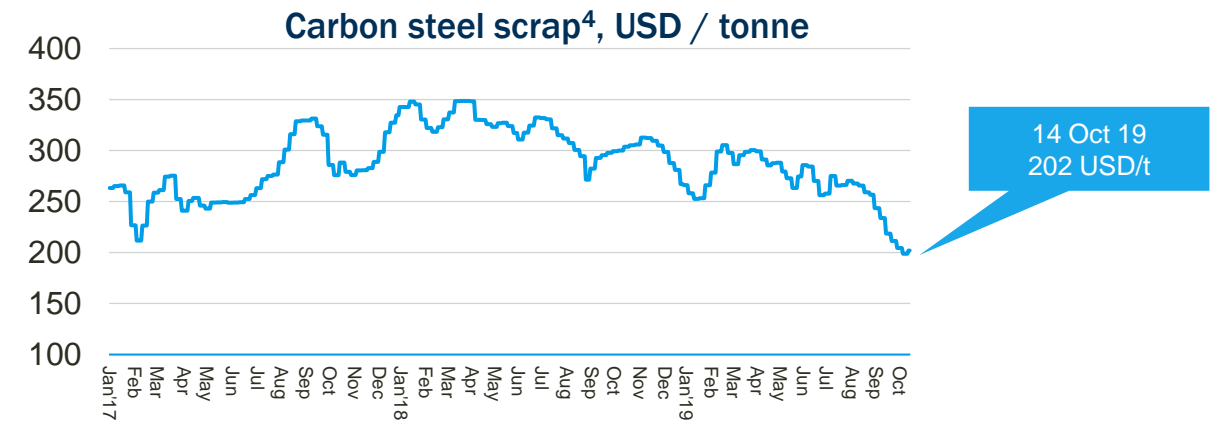
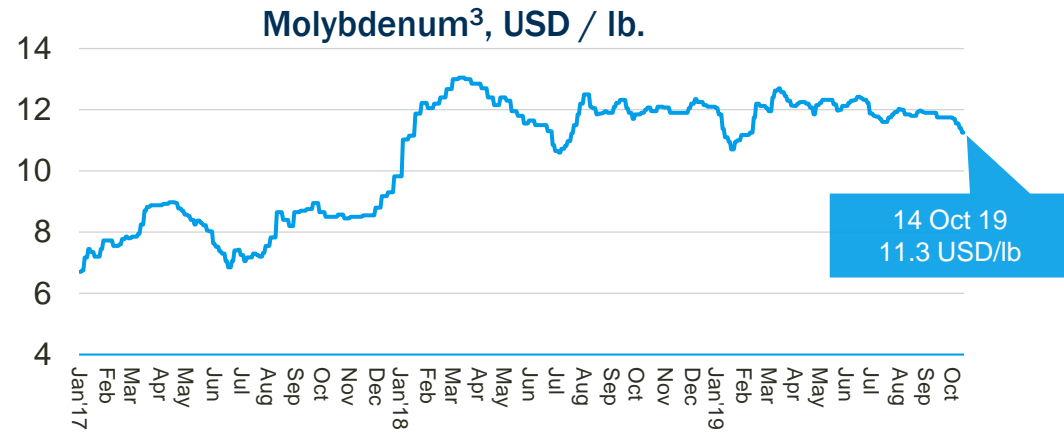
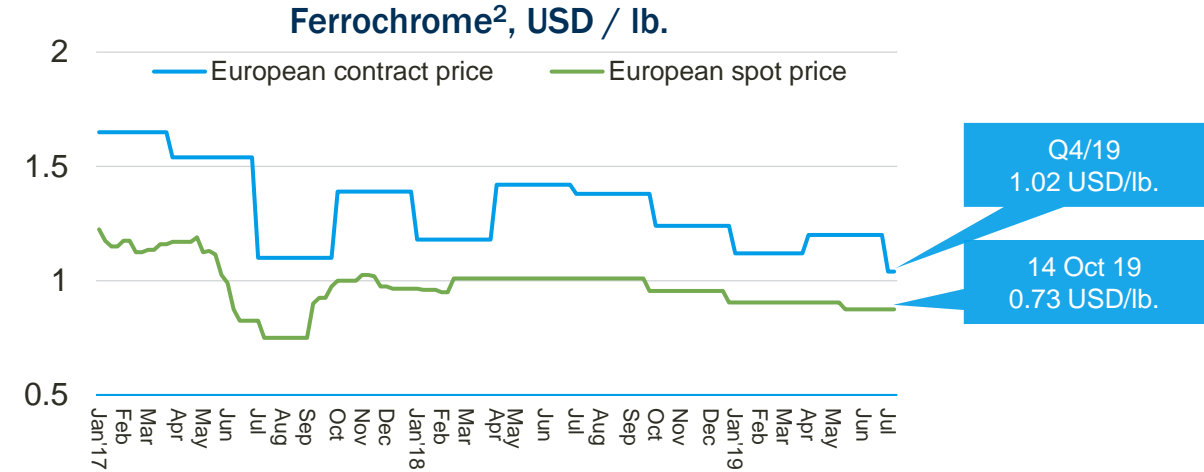
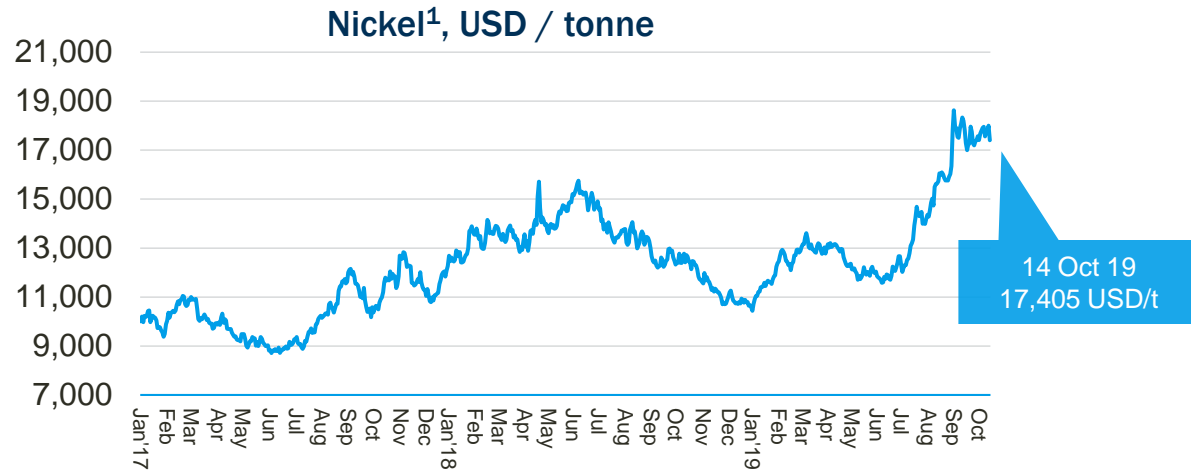
1) Total stainless = rolled & forged products, excl. 13Cr tubes, profiles
Source: SMR October 2019



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



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

Balance sheet

Assets (EUR million)	Q3/19	Q2/19
Non-current assets		
Intangible assets	595	595
Property, plant and equipment	2,790	2,754
Investments in associated companies and joint ventures	41	41
Other financial assets	42	77
Deferred tax assets	249	243
Defined benefit plan assets	83	79
Trade and other receivables	2	2
Total non-current assets	3,802	3,790
Current assets		
Inventories	1,362	1,428
Other financial assets	55	25
Trade and other receivables	687	739
Cash and cash equivalents	123	190
Total current assets	2,227	2,381
Assets held for sale	19	19
TOTAL ASSETS	6,048	6,190

Equities and liabilities (EUR million)	Q3/19	Q2/19
Equity attributable to the equity holders of the Company	2,602	2,624
Non-current liabilities		
Non-current debt	653	710
Other financial liabilities	0	0
Deferred tax liabilities	12	12
Defined benefit and other long-term employee benefit obligations	348	338
Provisions	54	62
Trade and other payables	33	34
Total non-current liabilities	1,100	1,156
Current liabilities		
Current debt	807	787
Other financial liabilities	27	21
Provisions	5	4
Trade and other payables	1,507	1,598
Total current liabilities	2,346	2,410
TOTAL EQUITY AND LIABILITIES	6,048	6,190

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

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Next IR events

**CMD in London
March 18, 2020**

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