

Outokumpu Q1 2020 results

CEO Roeland Baan
CFO Pia Aaltonen-Forsell

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Speakers



Roeland Baan

President & CEO



Pia Aaltonen-Forsell

CFO



Reeta Kaukiainen

EVP, Communications & IR

Vision 2020

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

Responding to COVID-19

Securing health and safety of employees and business continuity

Safety

- Social distancing ensured for all shifts at production sites
- Suspending all travel and face-to-face meetings and gatherings
- Visitor access to the sites limited to business critical support
- Remote work encouraged whenever feasible
- Imposing quarantine for affected people

Operations

- Shorter working time, temporary shutdowns and co-determination negotiations implemented if needed
- Tight inventory management
- Government support available to cover 50% of personnel costs to avoid layoffs

Sales

- Stainless steel volumes expected to decrease by 10-20% in Q2 compared to Q1
- Order intake started slowing down in April, but still supports expected volumes
- Automotive, appliances and Oil & Gas hit hardest: restart of automotive production in sight
- Strict credit control

Responding to COVID-19

Sufficient liquidity and contingency plans will take us through the COVID-19 crisis

Solid balance sheet

Total liquidity
€0.9 billion

Cash balance
€411 million

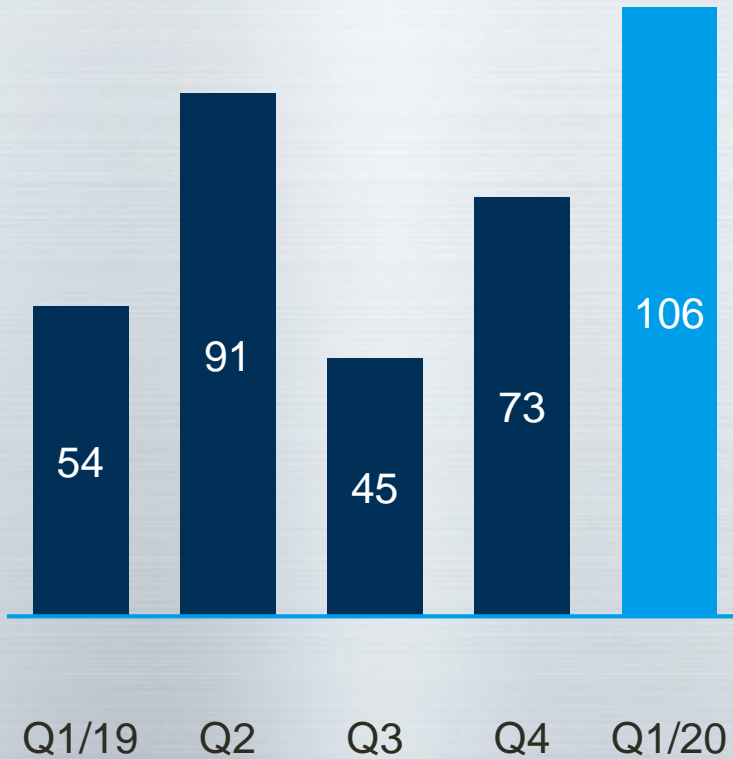
No significant debt
maturities before 2022

Actions

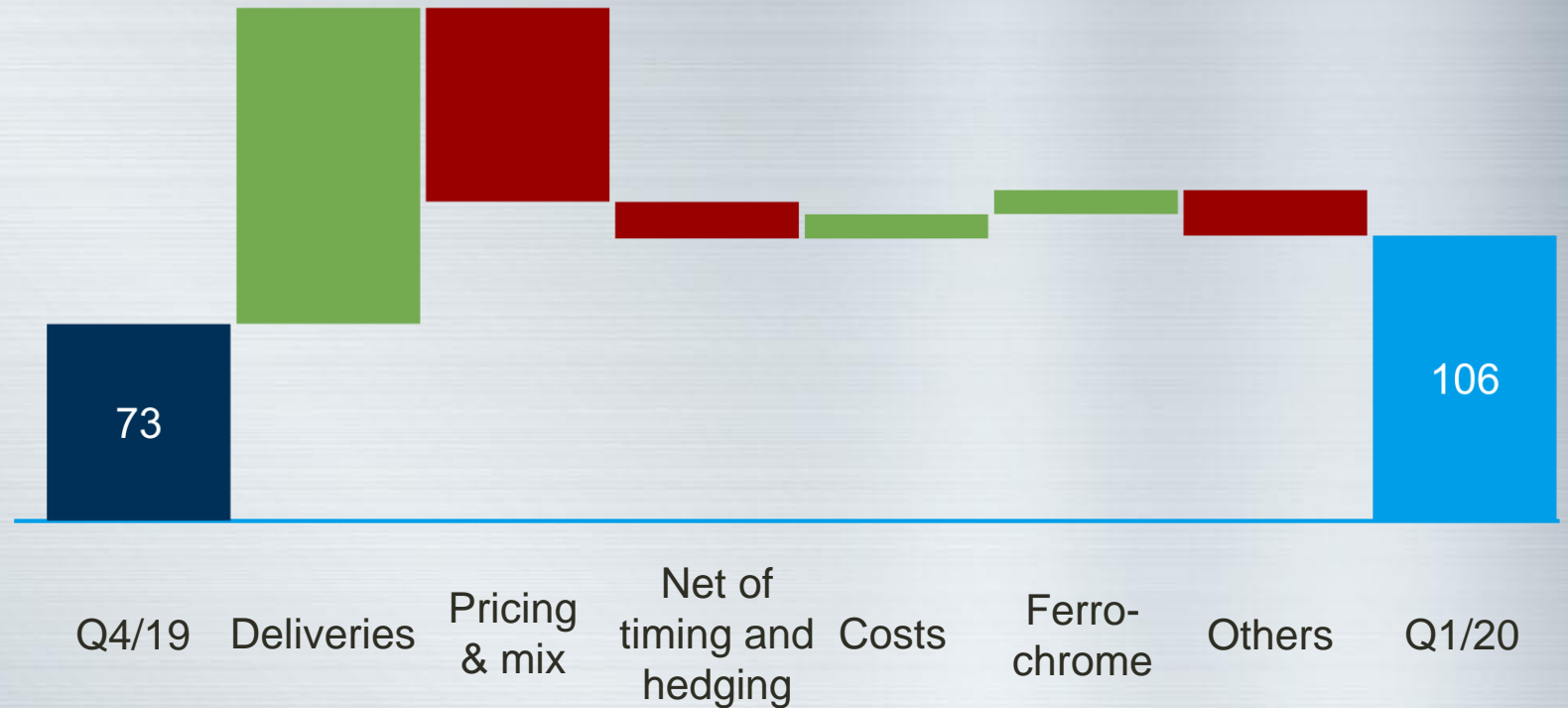
- Scenario-based financial planning implemented
 - Sufficient liquidity in all tested scenarios
- Overall cost reduction
- Eligible for government supports
- Strong focus on cash preservation
- Annual Capex cut by EUR 40 million to EUR 180 million
 - Possibility to reduce further if needed
- EUR 100 million reduction of net working capital in 2020
- EUR 40 million proceeds from non-core asset sales in 2020

Result was driven by seasonally higher volumes and improved productivity

Group adjusted EBITDA,
EUR million



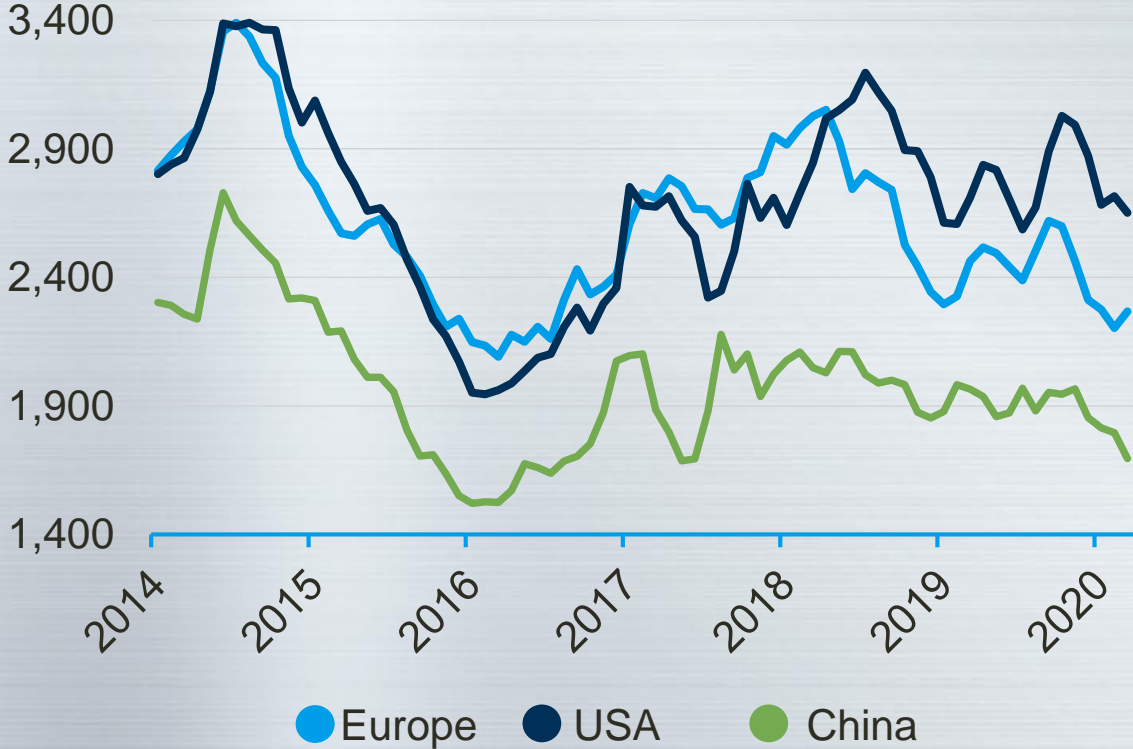
Adjusted EBITDA quarter-on-quarter comparison¹,
EUR million



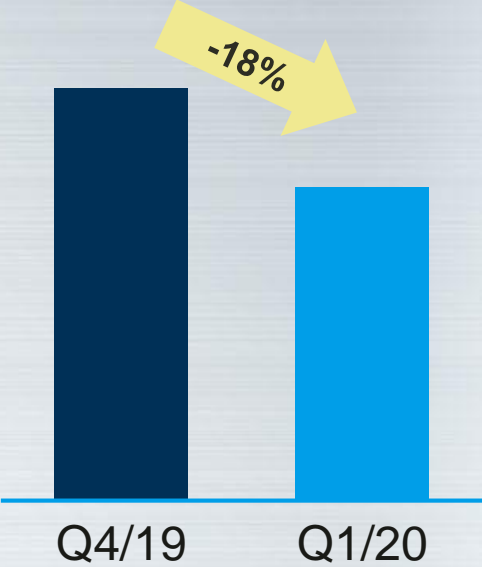
1) Indicative columns based on management estimates

Nickel price declined during the first quarter

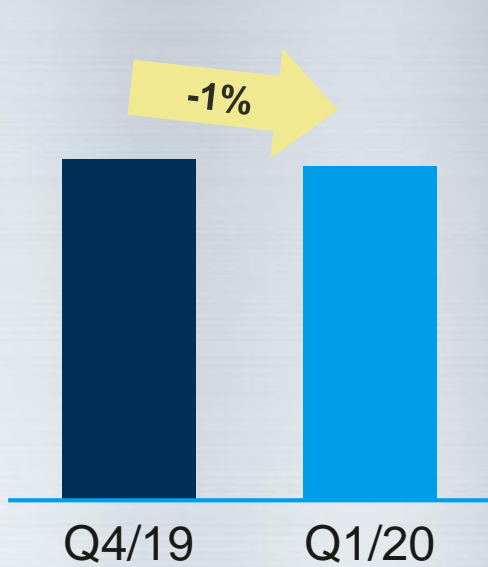
Transaction prices 304 stainless, USD/tonne



Average nickel price, USD/tonne



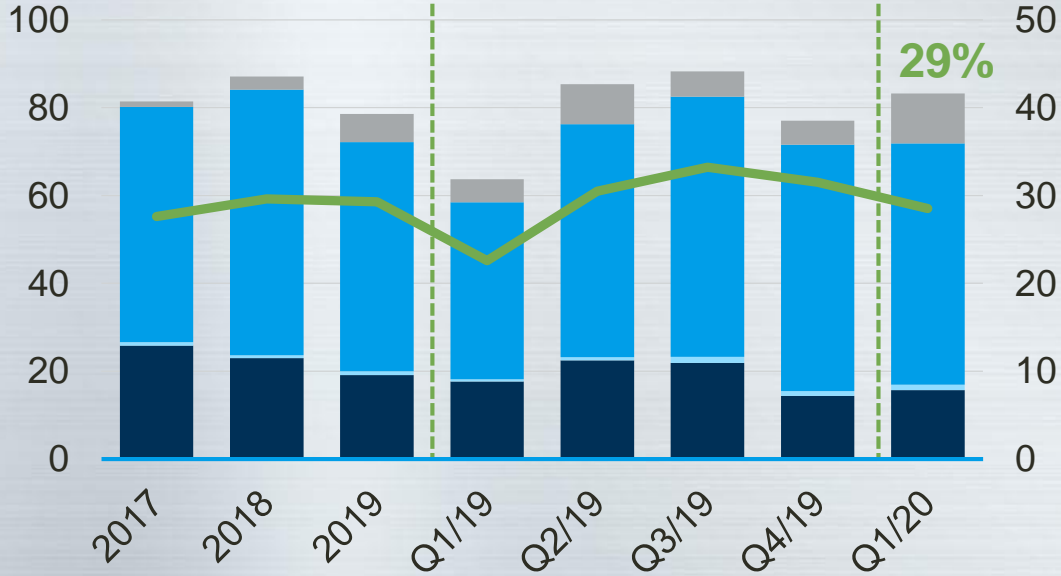
Ferrochrome benchmark price, USD/lb



Source: CRU

Import pressure in Europe remained high

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



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



- From rest of world
- From rest of Asia
- From Indonesia
- From China
- Import penetration

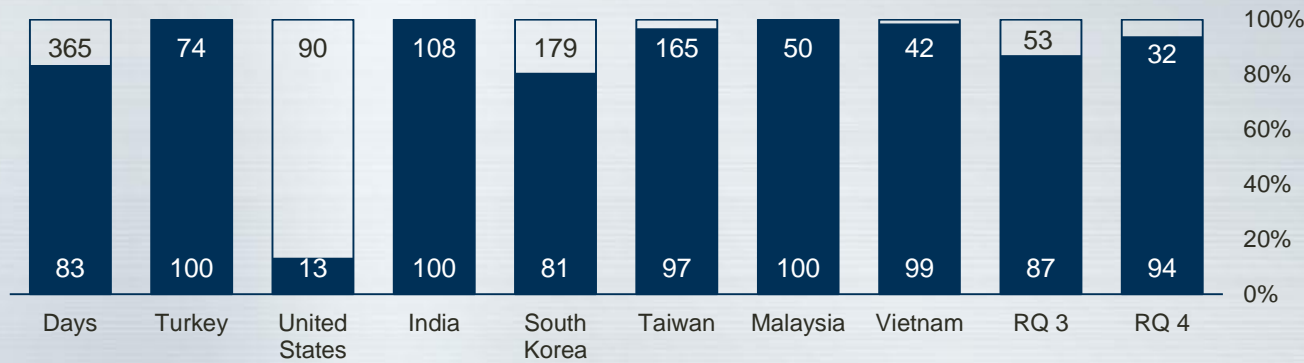
- From rest of world
- From rest of Asia
- From Indonesia
- From China
- Import penetration

1. Cold rolled, monthly average. Source: Eurofer, April 2020 (Q1'20 based on Jan-Feb actuals and forecast for March)
 2. Cold rolled, monthly average. Source: Foreign Trade Statistics, American Iron & Steel Institute, April 2020 (Q1'20 based on Jan-Feb)

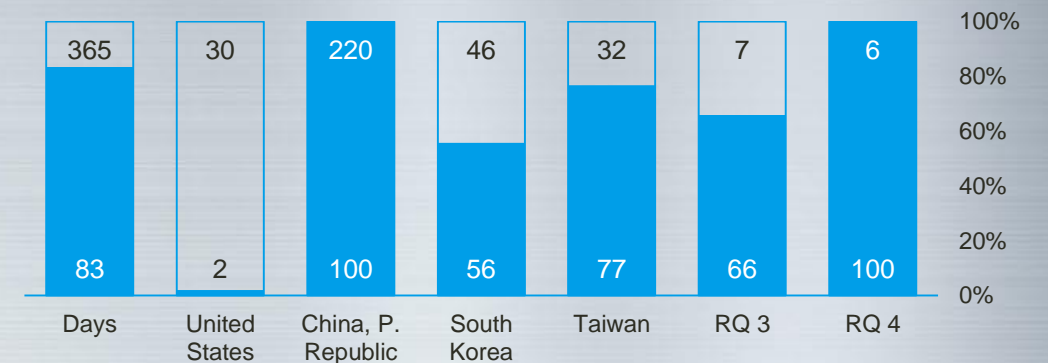


The current import quotas must be reduced to reflect the new market reality

EU cold-rolled quota utilization*



EU hot-rolled quota utilization*



European safeguards

- Valid 7/18 – 6/21, solution needed also beyond this period
- Currently advocating EU to align the quotas with the new market reality amidst COVID-19 crisis

Carbon Border Adjustment

- Part of the European Green Deal to prevent carbon leakage

Anti-dumping & anti-subsidy investigation on stainless hot-rolled from Indonesia, China & Taiwan

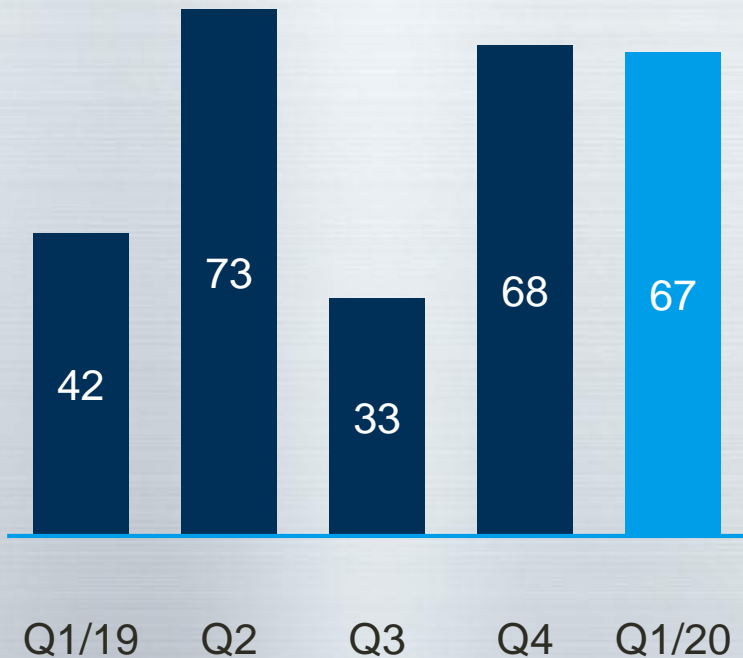
- Provisional anti-dumping duties imposed, definitive measures expected 10/20
- Potential provisional anti-subsidy duties in 7/20

Key figures		Q1/20	Q1/19	Q4/19	2019
Stainless steel deliveries	1,000 tonnes	588	621	458	2,196
Sales	EUR million	1,615	1,715	1,398	6,403
Adjusted EBITDA	EUR million	106	54	73	263
EBITDA	EUR million	106	40	90	266
Net result	EUR million	22	-39	-15	-75
Earnings per share	EUR	0.05	-0.09	-0.04	-0.18
Operating cash flow	EUR million	-32	39	143	371
Net debt	EUR million	1,249	1,370	1,155	1,155
Gearing	%	48.0	51.6	45.1	45.1
Capital expenditure*	EUR million	57	41	58	194
Return on capital employed, ROCE	%	2.3	4.3	0.8	0.8
Personnel at the end of the period		10,315	10,449	10,390	10,390

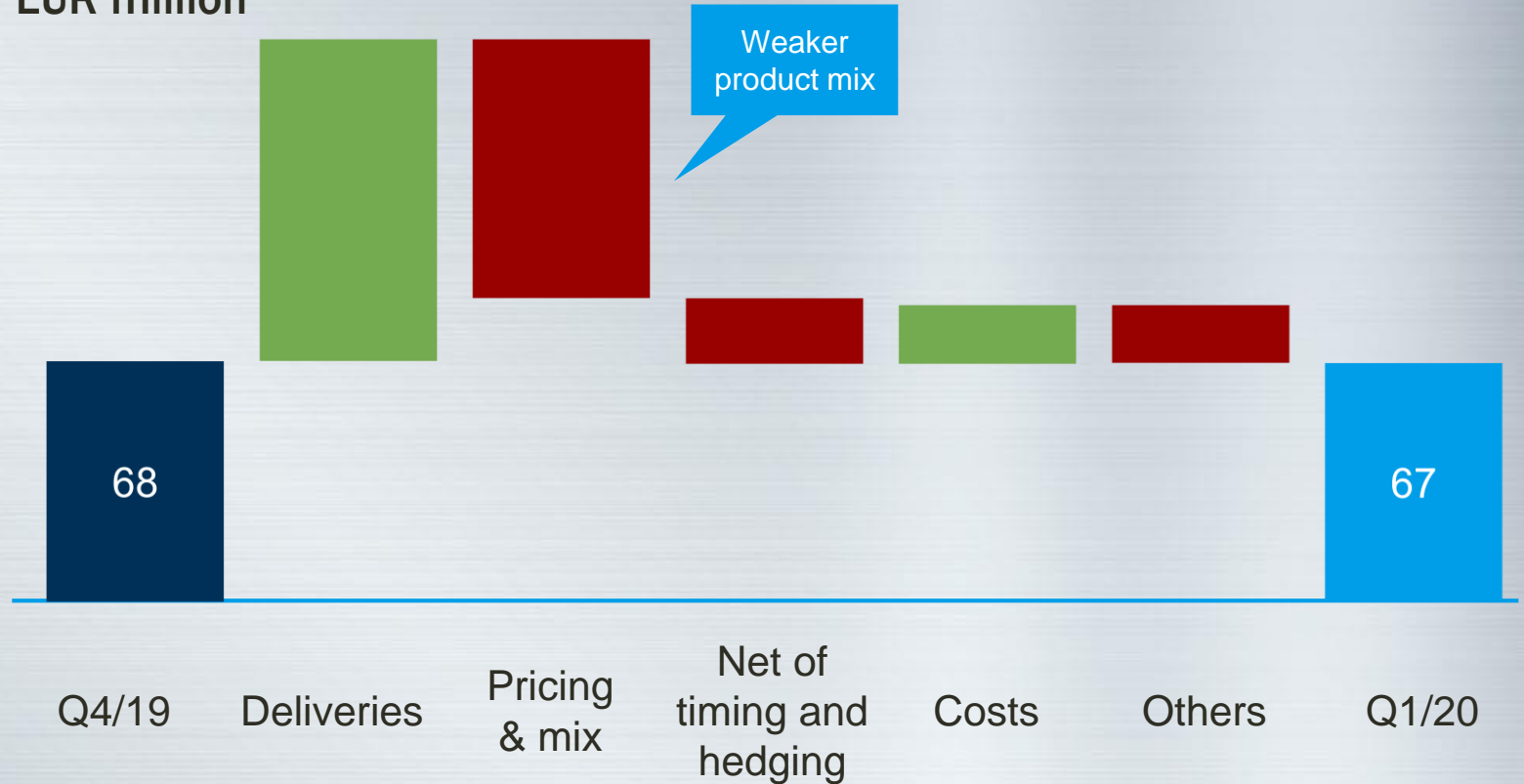
*Capex cash flow

BA Europe – positive volume impact was offset by weaker product mix

Europe adjusted EBITDA,
EUR million



Adjusted EBITDA quarter-on-quarter comparison¹,
EUR million



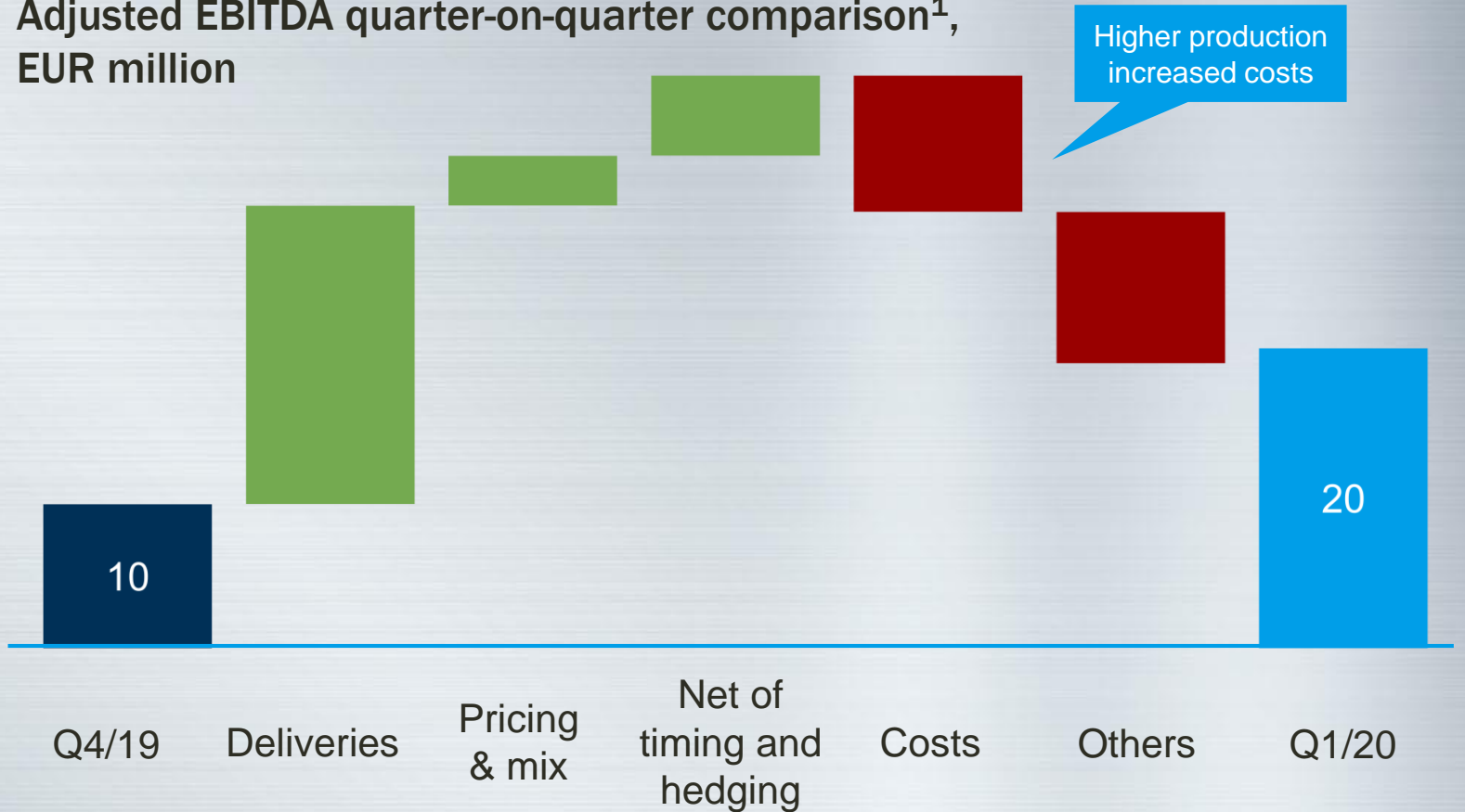
1) Indicative columns based on management estimates

BA Americas – best quarterly result since 2017

Americas adjusted EBITDA,
EUR million



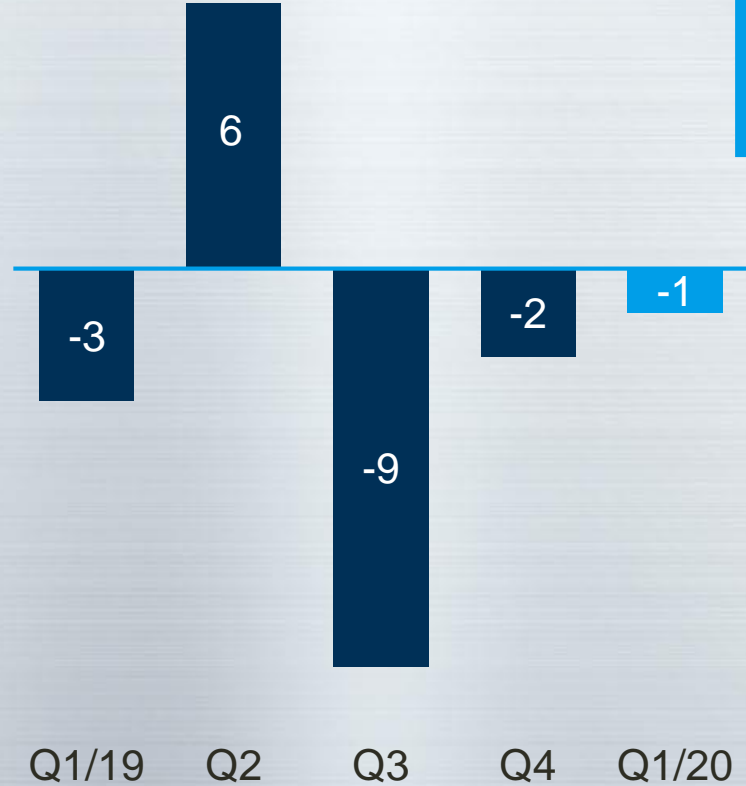
Adjusted EBITDA quarter-on-quarter comparison¹,
EUR million



1) Indicative columns based on management estimates

BA Long Products – seasonally higher volumes

Long Products adjusted EBITDA, EUR million



Adjusted EBITDA quarter-on-quarter comparison¹, EUR million



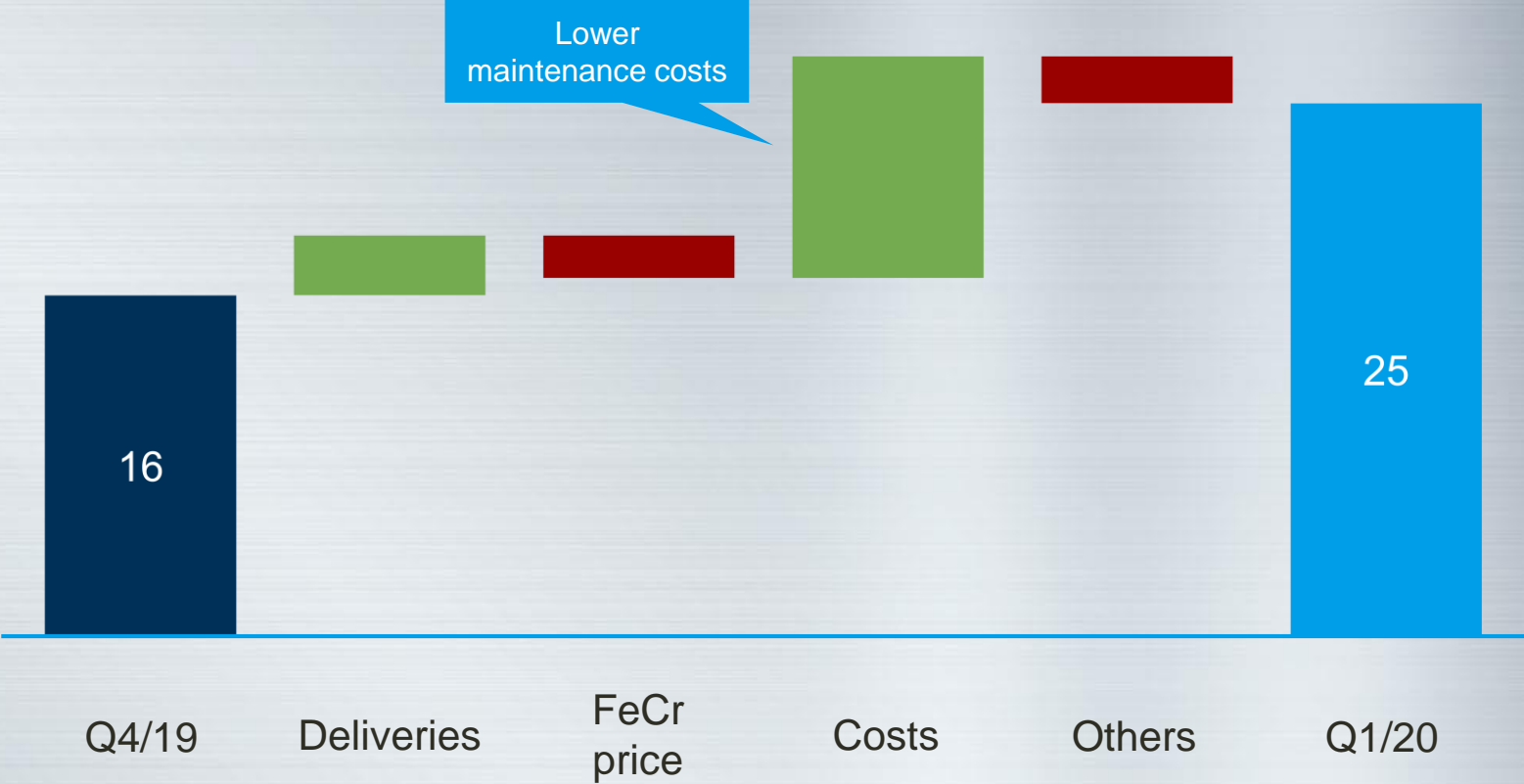
1) Indicative columns based on management estimates

Ferrochrome's result supported by lower costs

Ferrochrome adjusted EBITDA, EUR million



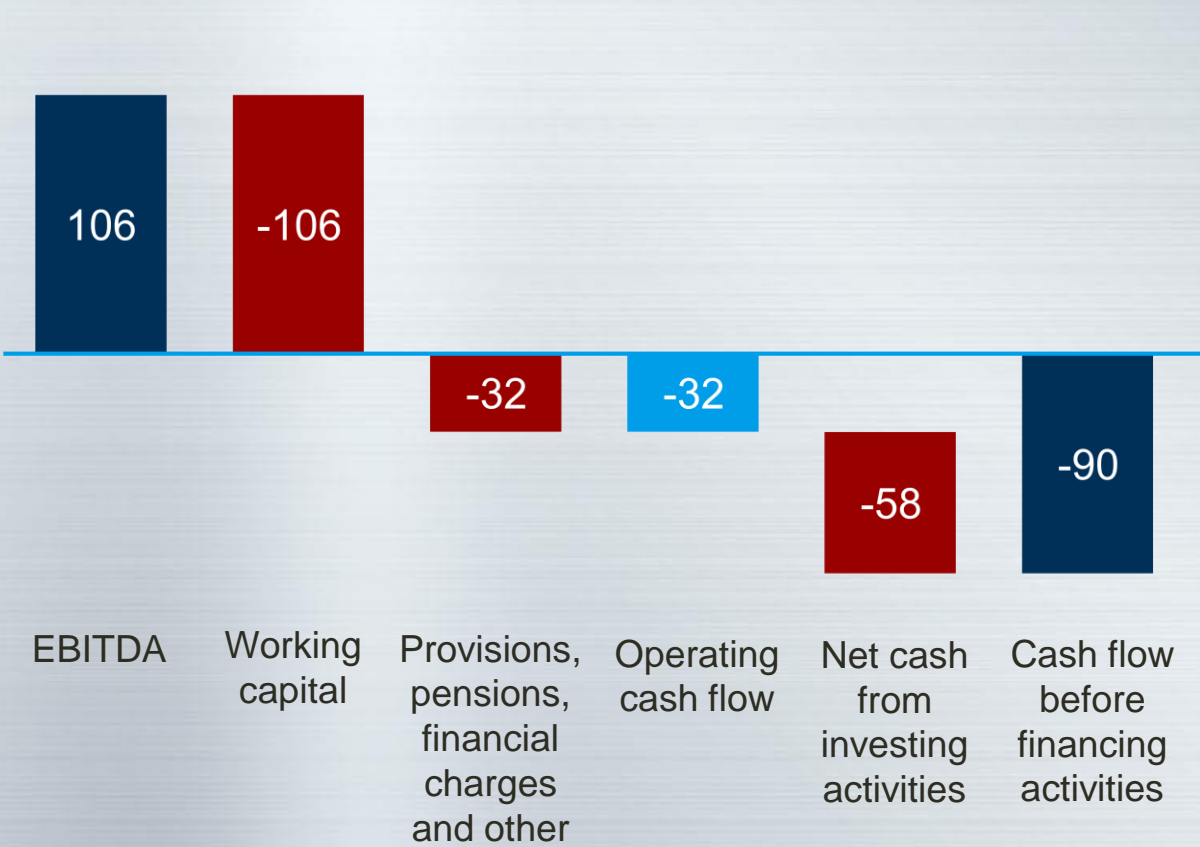
Adjusted EBITDA quarter-on-quarter comparison¹, EUR million



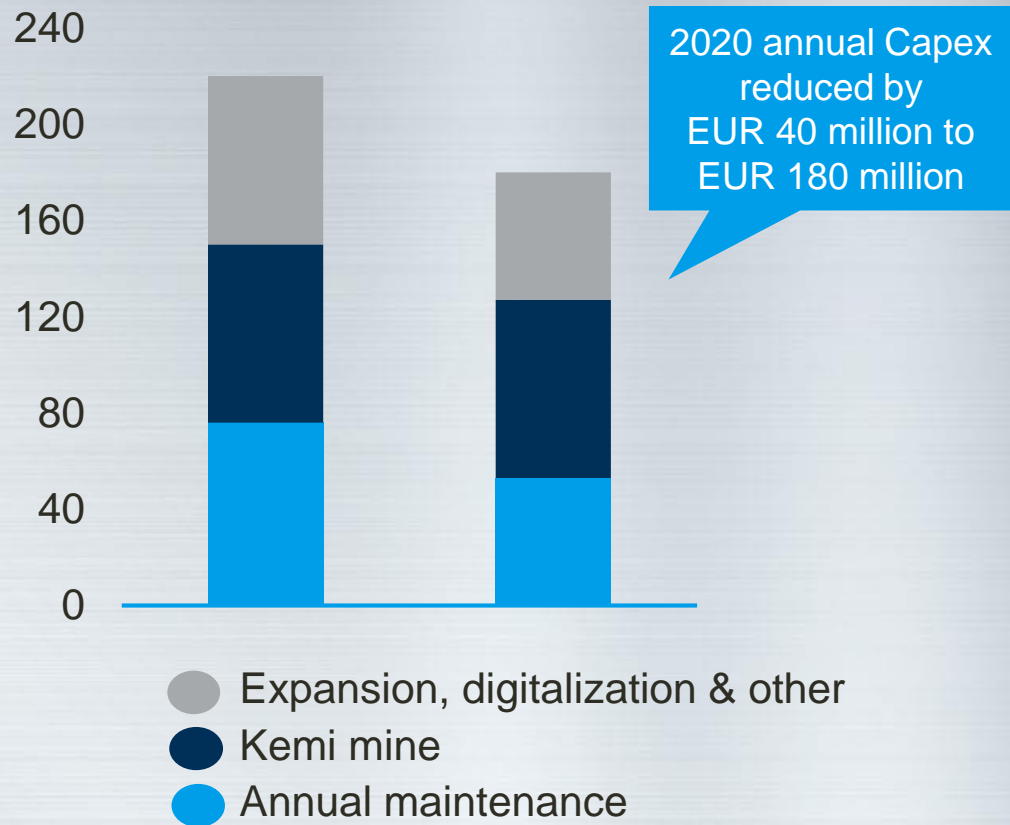
1) Indicative columns based on management estimates

First-quarter cash flow followed the seasonal pattern

Cash flow, EUR million

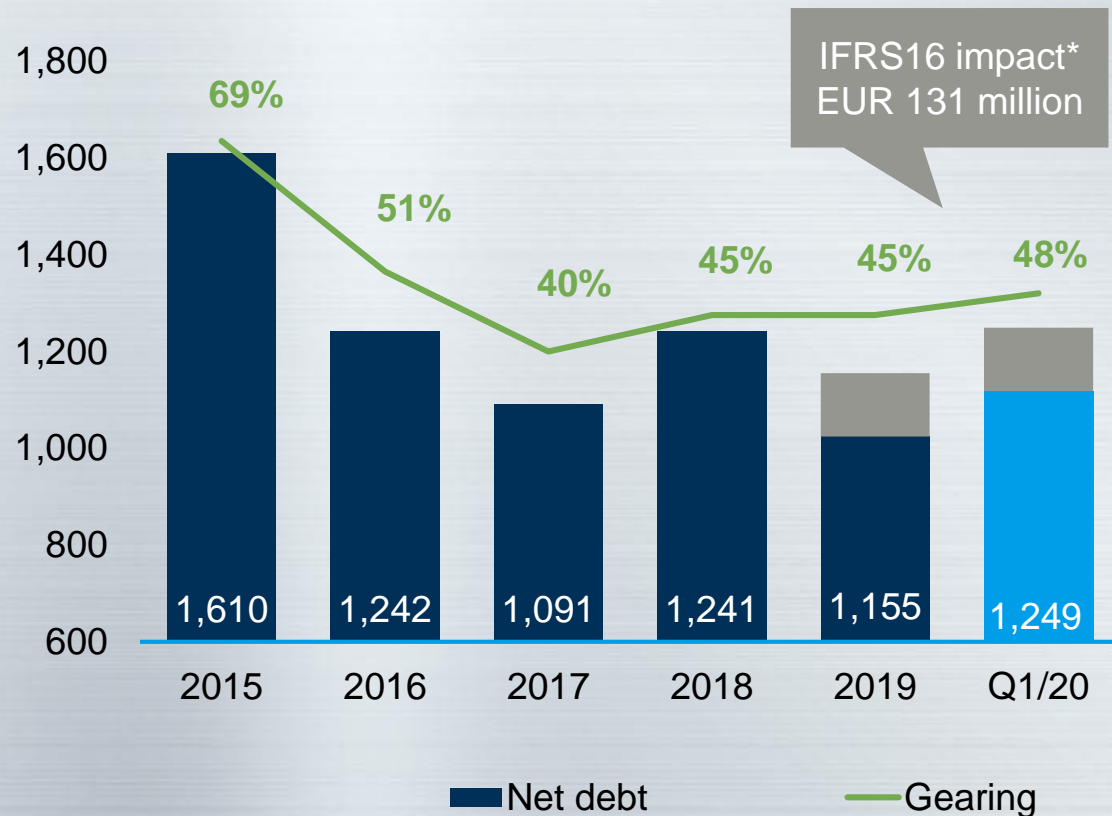


Capex estimate 2020, EUR million



Net debt reduction continues in 2020

Net debt, EUR million

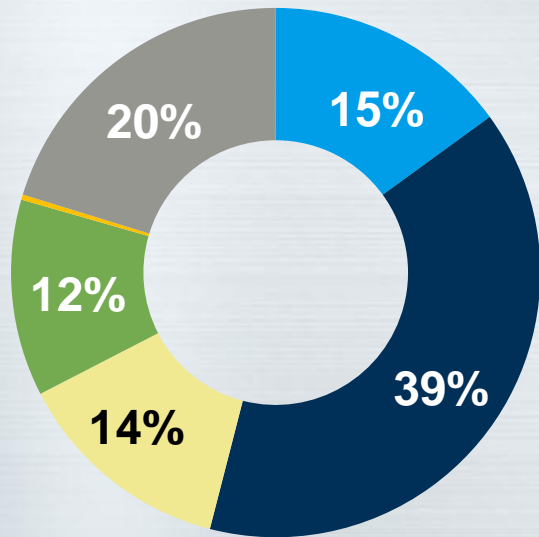


Net debt/LTM adjusted EBITDA



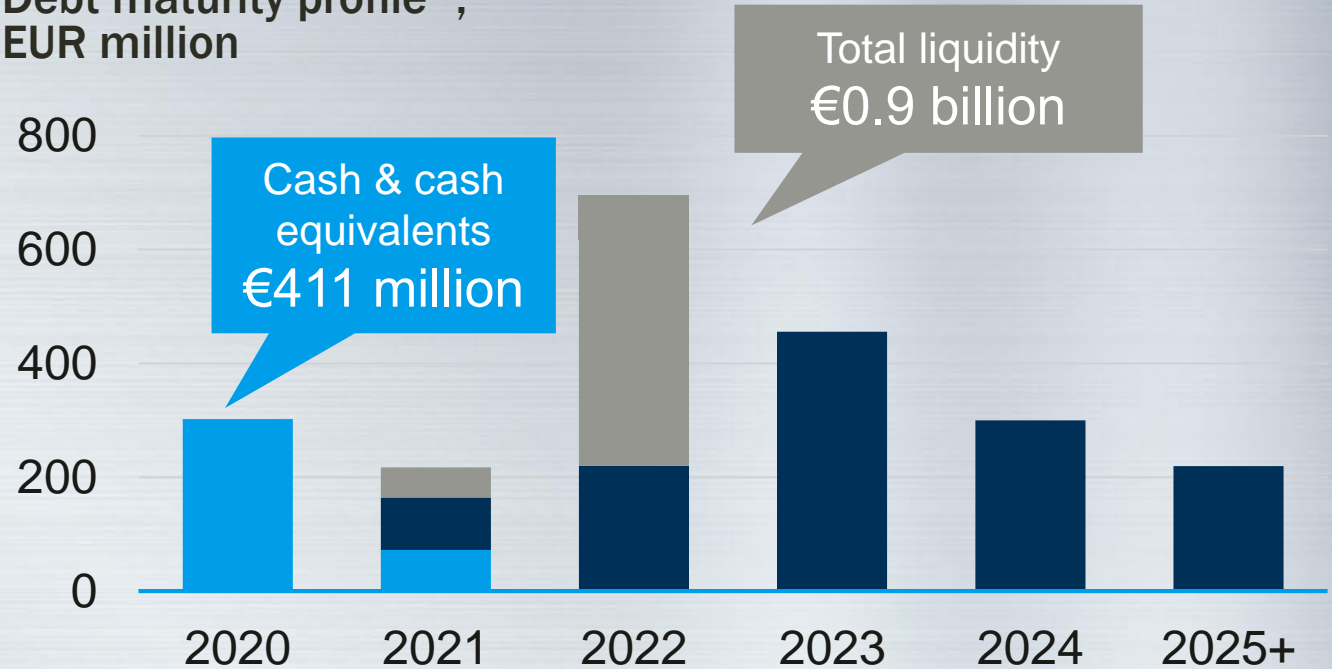
EUR 250 million convertible bond repaid in February

Debt structure*



- Bonds
- Pension loans
- Short term loans
- Long term loans
- Financial leases
- Commercial papers

Debt maturity profile*, EUR million



- Current debt
- Non-current debt
- Unutilized facilities

Outlook for Q2 2020

The preventative measures and lockdowns related to the COVID-19 pandemic are expected to have a significant impact on the stainless steel industry during 2020.

As a result of lower industrial production and diminishing consumer spending, the demand for stainless steel is expected to decline from the first quarter.

Outokumpu expects its stainless steel deliveries to decrease in all business areas by 10-20% compared to the first quarter of 2020.

Due to the global economic uncertainty caused by the COVID-19 pandemic, Outokumpu will not give quarterly guidance on adjusted EBITDA until further notice.

Appendix

Stainless steel is the future for sustainable modern society with its unbeatable features



Corrosion resistant

Sustainable

Heat resistant

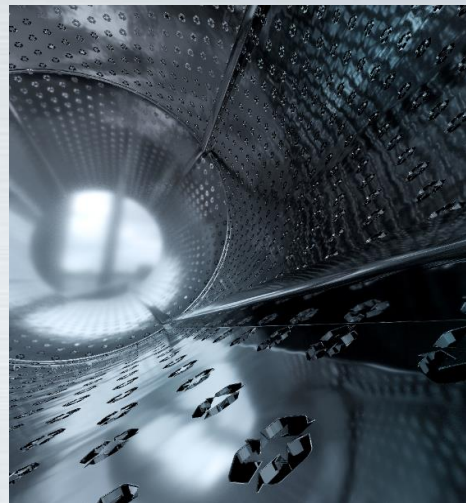
Hygienic

High strength

Aesthetic

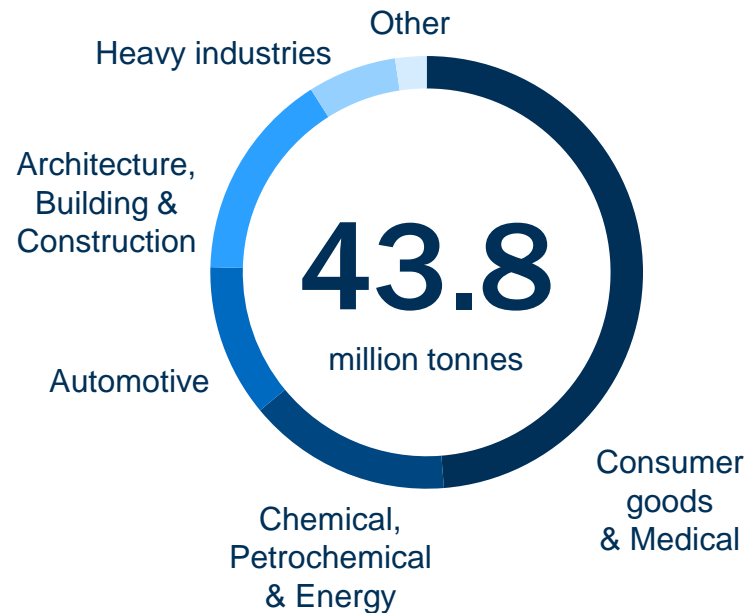
Durable

Cost efficient



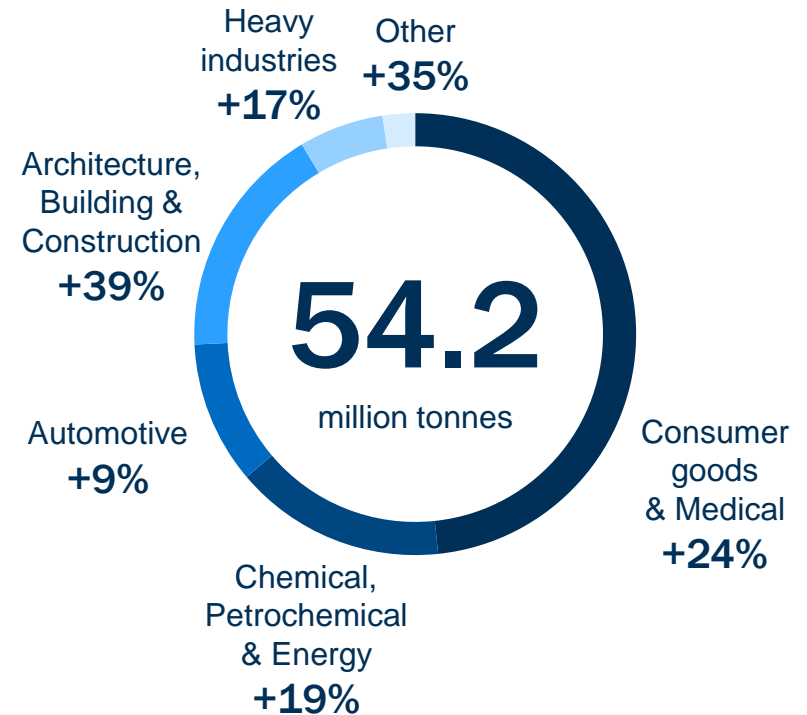
The demand for stainless steel keeps on growing

Global stainless steel real demand in 2019



+24%

Expected stainless steel real demand in 2025



We have the lowest carbon footprint in the stainless steel industry

Industry leading recycled content globally

90%

Low ferrochrome carbon footprint:

42%

of industry average

High usage of carbon neutral electricity in Europe

+80%

Energy and material efficiency

We are committed to reaching carbon neutrality by 2050 in-line with EU Green Deal targets

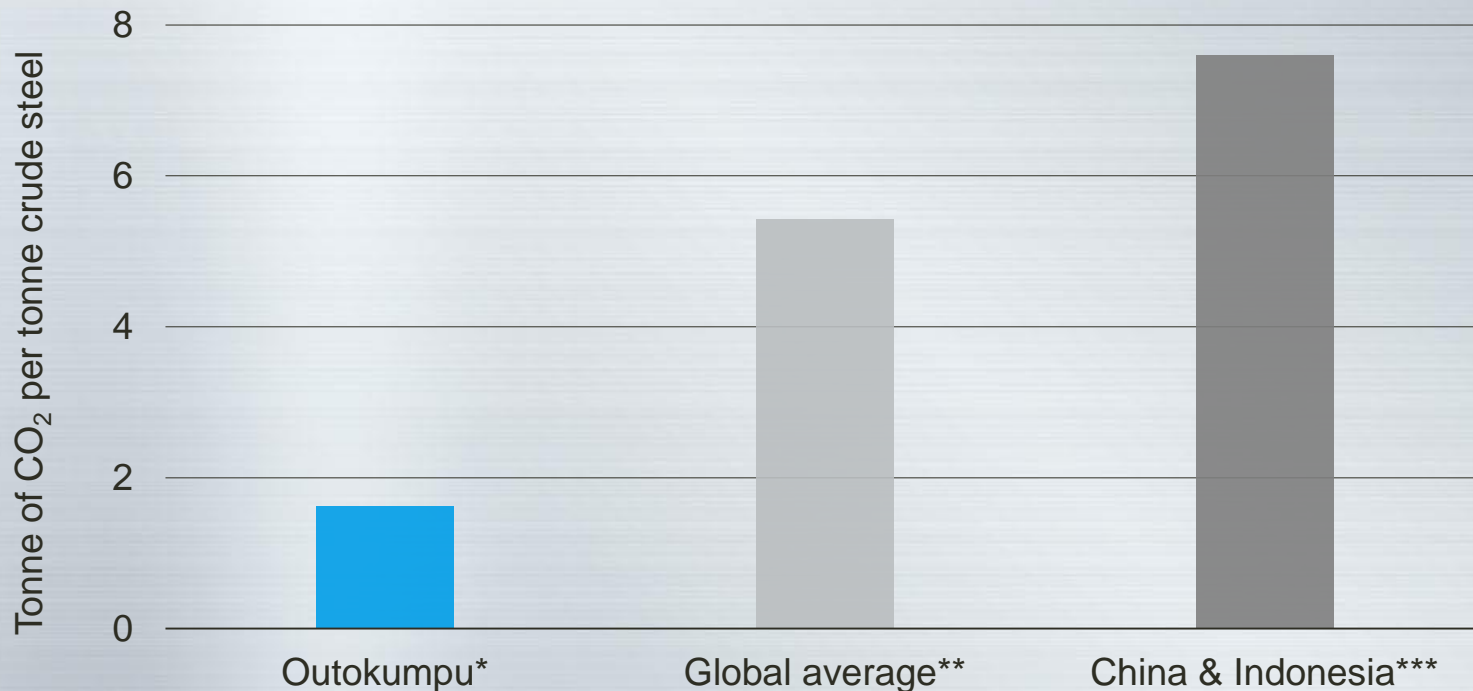
20% lower
carbon footprint
by 2023

Carbon neutral by
2050¹

1) Our carbon neutrality commitment relates to scope 1+2.
Regarding scope 3, we're working closely with our RM suppliers
to ensure that they identify opportunities to reach carbon neutrality by 2050

Stainless steel from China and Indonesia has up-to five times higher carbon footprint

CO₂ emissions of stainless steel producers



Drivers of high carbon footprint for Chinese and Indonesian stainless steel

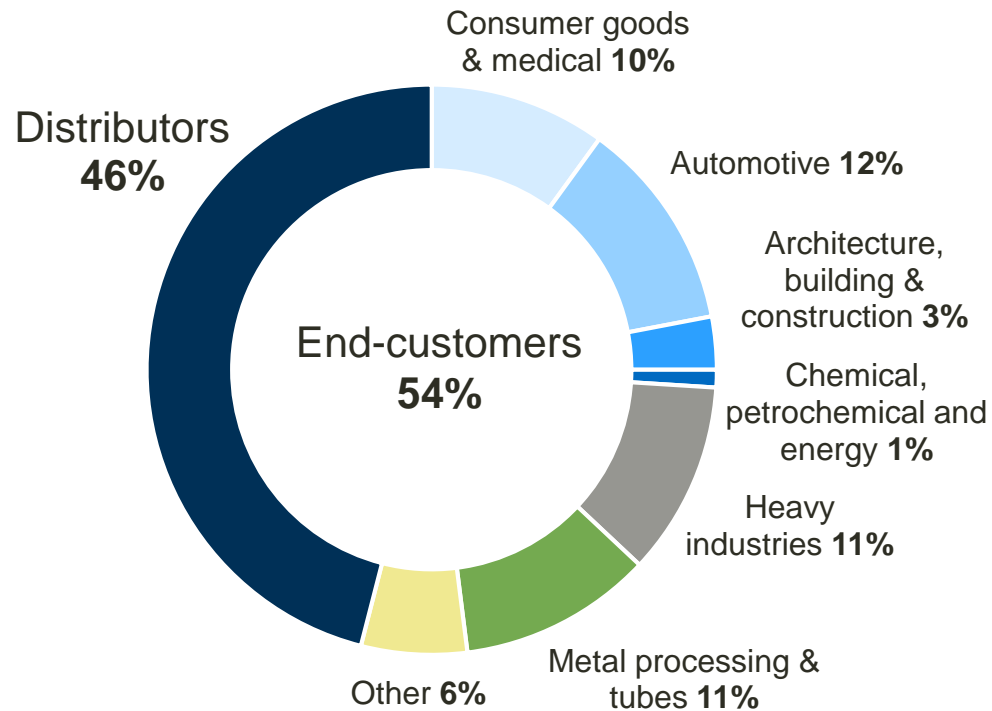
1. Low utilization of recycled material
2. Low nickel content ore and high emissions from blast furnaces
3. Use of coal as main electricity source

*) Source: Outokumpu January 2020

**) Average of ISSF study 2018 and China and Indonesia

***) Outokumpu estimates for China and Indonesia

We have a balanced customer portfolio



End-customers

54%

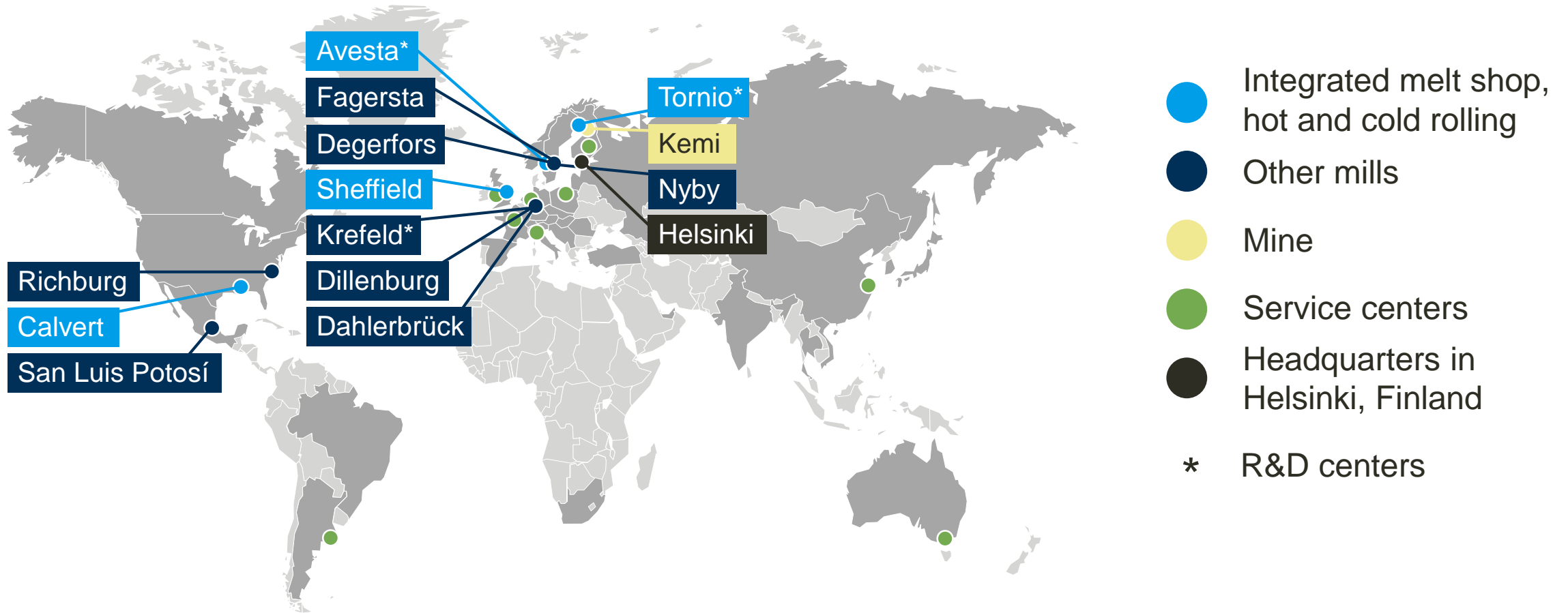
- Long-term contracts
- Large quantities
- Special grades
- Ferritics and duplex
- Technical advice
- Develop relationships & receive volume discounts

Distributors

46%

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

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

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

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Q2 result

August 7, 2020