

Outokumpu Q3 2020 results

Heikki Malinen, President & CEO
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Business & market update

Heikki Malinen, President & CEO

Highlights during Q3

- Result negatively impacted by lower demand due to COVID-19 and typical seasonality in Europe
- Safety performance remained strong
- Strong performance in Americas
- Import penetration spiked in Europe
- Long Products' strategic review concluded, accelerated turnaround program initiated by the new management team

Rigorous safety measures in place; focus on cash preservation and tight cost control continues in order to mitigate the COVID-19 impacts

Safety

- Protecting the health and safety of employees
- Almost all office workers working remotely, social distancing and travel restrictions in place
- 191 people infected with COVID-19

Operations & sales

- Operations ensured and continuously adjusted during the pandemic to meet the changing loading, no shutdowns needed
- Availability for customers 24/7

Financials

- Financial position stable, liquidity improved in Q3
- EUR 125 million convertible bond issued in July
- New SEK 1,000 million revolving credit facility guaranteed by the Swedish export credit agency, signed in October
- Significant cost compressions initiated during Q2 to mitigate the COVID-19 impacts continued in Q3
- Cumulative NWC reduction of EUR 175 million
- Annual CAPEX cut to EUR 180 million to support cash flow
- Only limited amount of government support received

Planned restructuring measures to improve cost competitiveness in order to de-risk the company

- Planned headcount reduction of approx. 1,000
- The employee negotiations will start immediately

- The planned personnel reductions are expected to generate total annual savings of approximately EUR 70 million, thereof EUR 60 million direct personnel cost.
- The costs of the planned restructuring, subject to consultations, are expected to amount to approximately EUR 75-80 million.
- Such costs would be adjusted for and are expected to be booked in Q4/2020, whereas cash-out is expected predominantly during 2021.

The planned employee reductions include:

270 in Finland

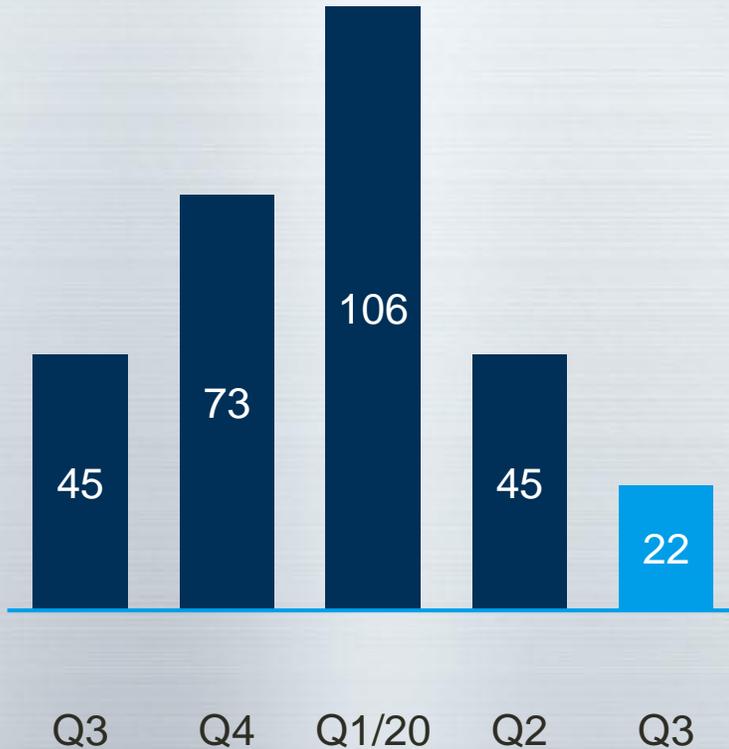
250 in Germany

190 in Sweden

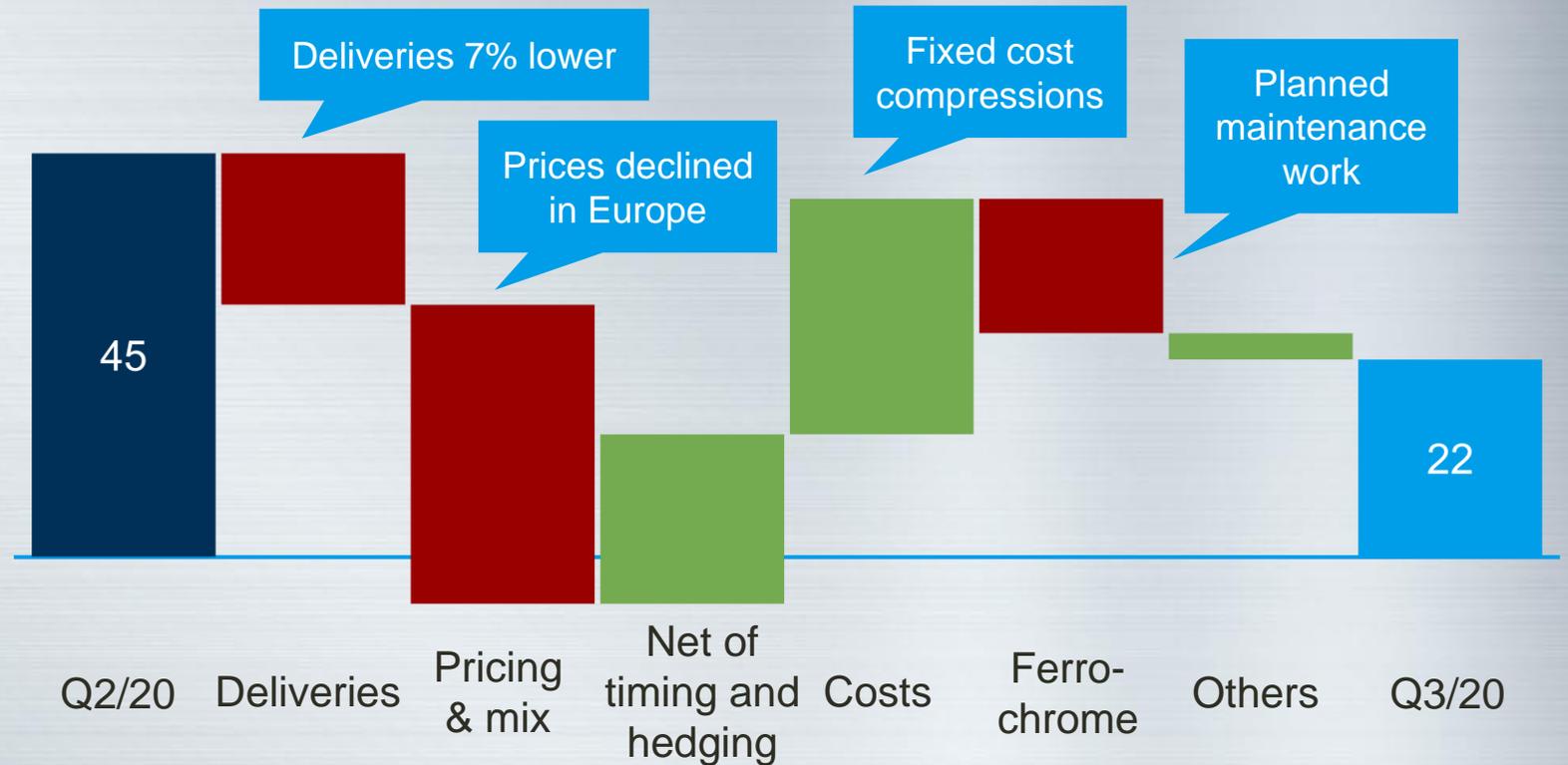
with further reductions across the European and Americas based operations

Strong cost mitigation actions in the third quarter

Group adjusted EBITDA,
EUR million



Adjusted EBITDA quarter-on-quarter comparison¹,
EUR million



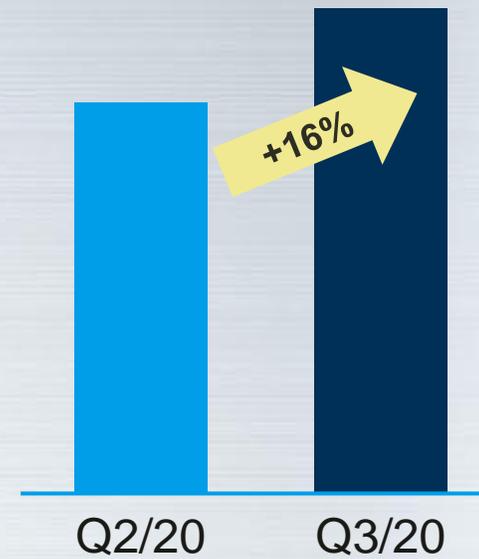
1) Indicative columns based on management estimates

Nickel price climbed higher during the third quarter

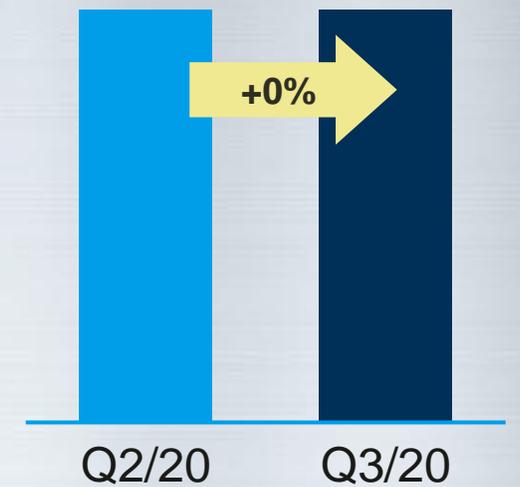
Transaction prices 304 stainless, USD/tonne



Average nickel price, USD/tonne

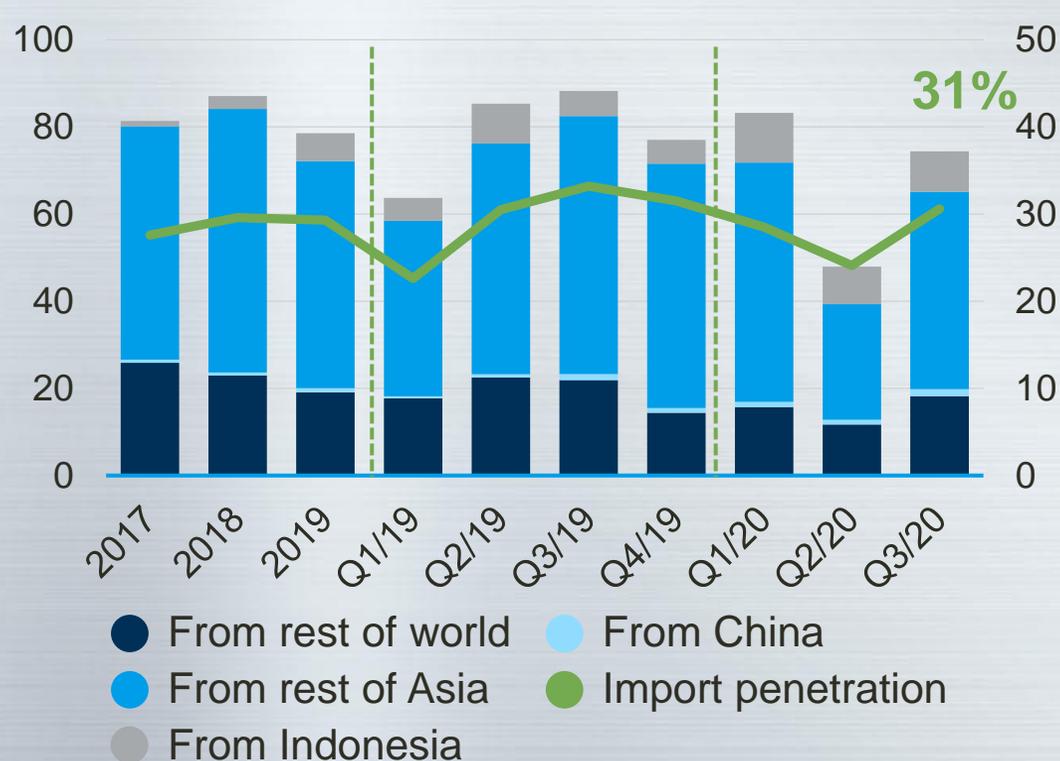


Ferrochrome benchmark price, USD/lb.

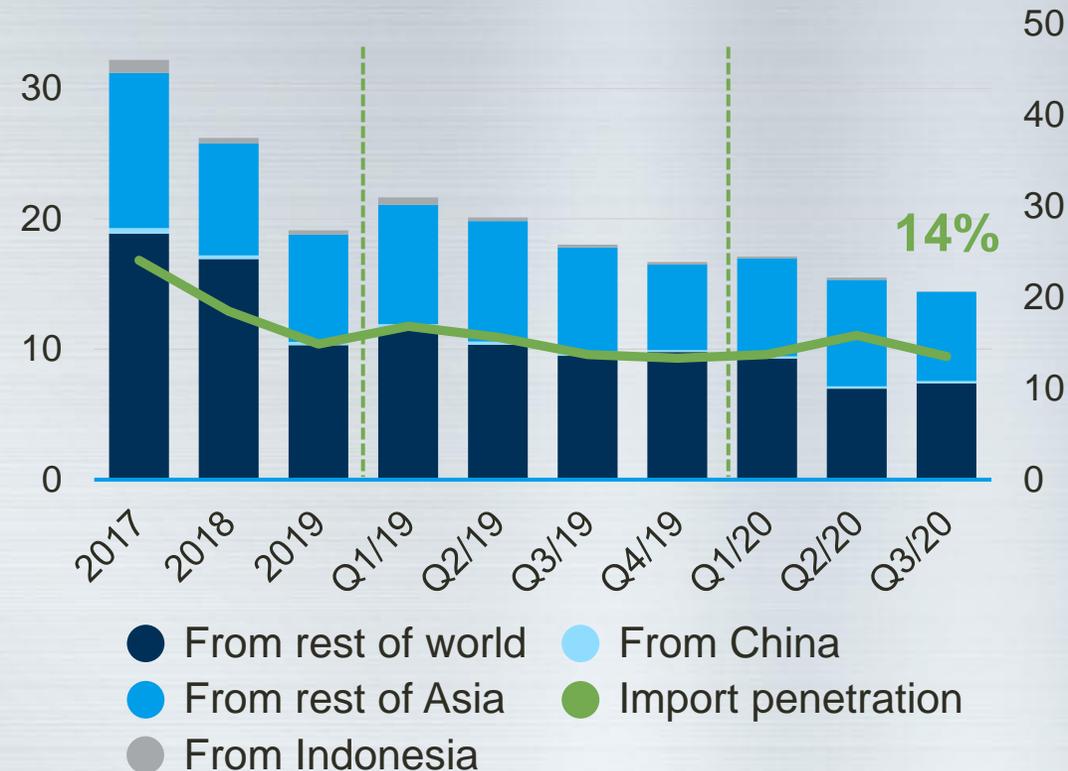


Imports into Europe spiked in July as the new quarterly import quota period started

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



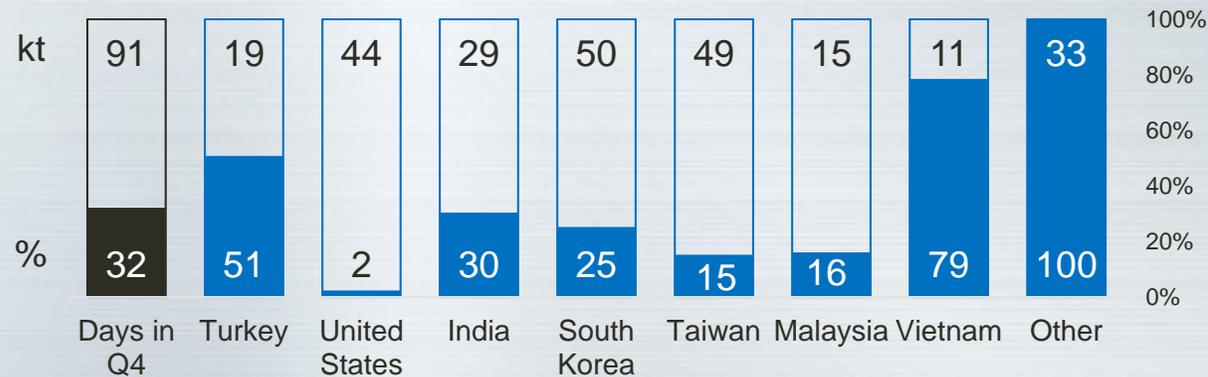
Third-country cold rolled imports² into the US, 1,000 tonnes



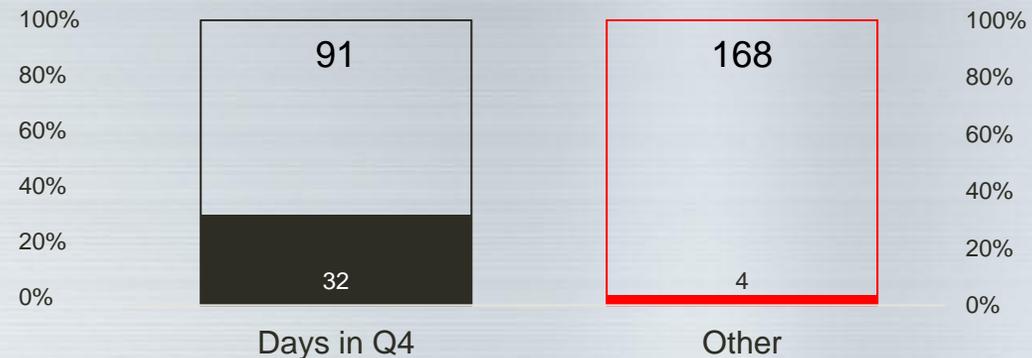
1. Cold rolled, monthly average. Source: Eurofer, October 2020 (Q3'20 based on Jul-Aug actuals and forecast for September)
 2. Cold rolled, monthly average. Source: Foreign Trade Statistics, American Iron & Steel Institute, Oct 2020 (Q3'20 based on Jul-Aug)

New import quota period started in October, quota for other countries already fully utilized

EU cold-rolled quota utilization*



EU hot-rolled quota utilization*



European safeguards

- Current safeguards will expire in June 2021
- Safeguards need to be renewed and improved

Carbon Border Adjustment

- Part of the European Green Deal

Anti-dumping & anti-subsidy investigation

- In August, expiry review of the current anti-dumping duties on cold-rolled stainless steel from China and Taiwan (imposed in 2015) was initiated
- In September, anti-dumping investigation on cold-rolled stainless steel from India and Indonesia started
- In October, definitive anti-dumping duties on hot-rolled stainless steel from Indonesia, China and Taiwan was imposed for five years

Financial update

Pia Aaltonen-Forsell, CFO

Key figures		Q3/20	Q3/19	Q2/20
Stainless steel deliveries	1,000 tonnes	488	533	523
Sales	EUR million	1,254	1,590	1,420
Adjusted EBITDA	EUR million	22	45	45
Net result	EUR million	-63	-27	-37
Earnings per share	EUR	-0.15	-0.06	-0.09
Operating cash flow	EUR million	170	12	72
Net debt	EUR million	1,105	1,336	1,243
Gearing	%	45.1	51.4	49.2
Capital expenditure*	EUR million	35	48	52
Return on capital employed, ROCE	%	0.2	1.0	1.1
Personnel at the end of the period		10,118	10,507	10,213

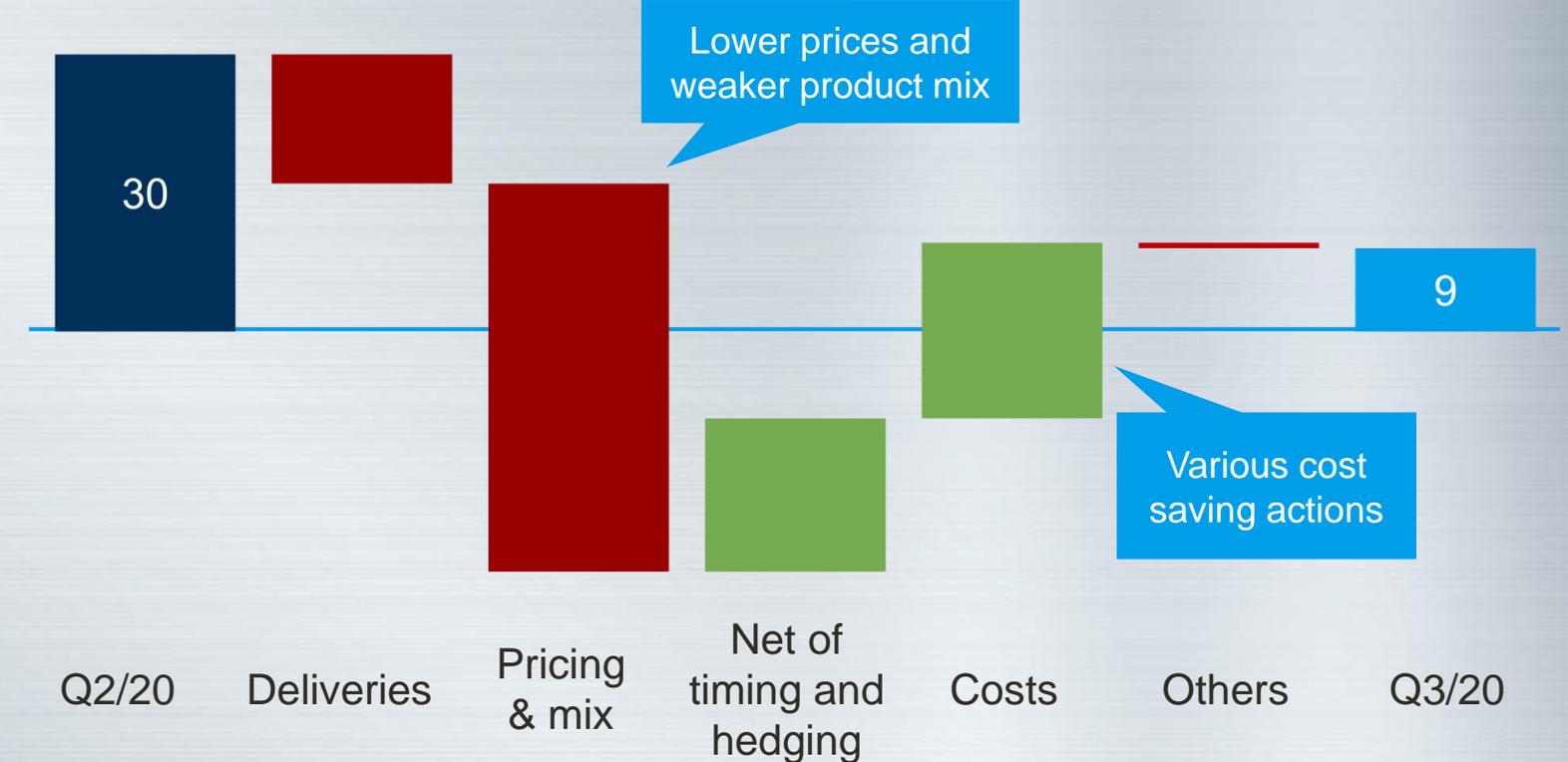
*Capex cash flow

BA Europe – high import pressure, typical seasonality and lower prices resulted in a challenging quarter

Europe adjusted EBITDA, EUR million



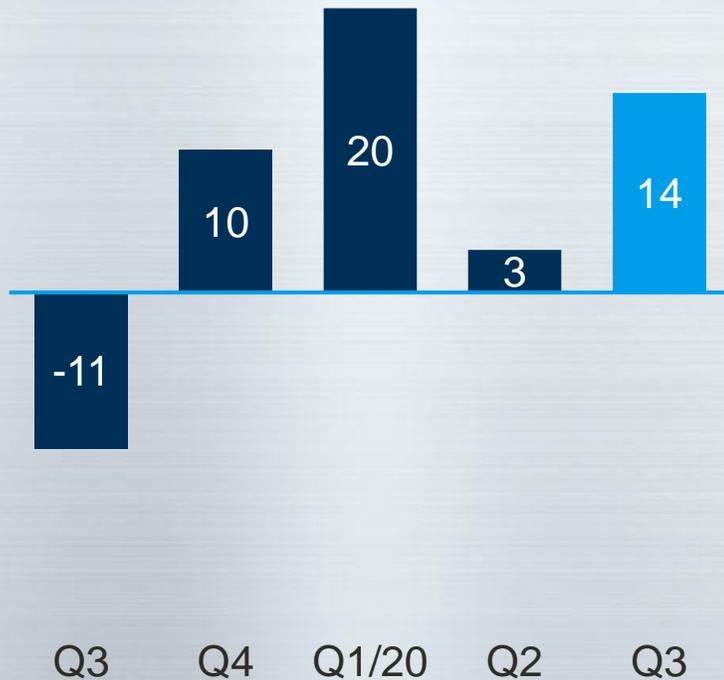
Adjusted EBITDA quarter-on-quarter comparison¹, EUR million



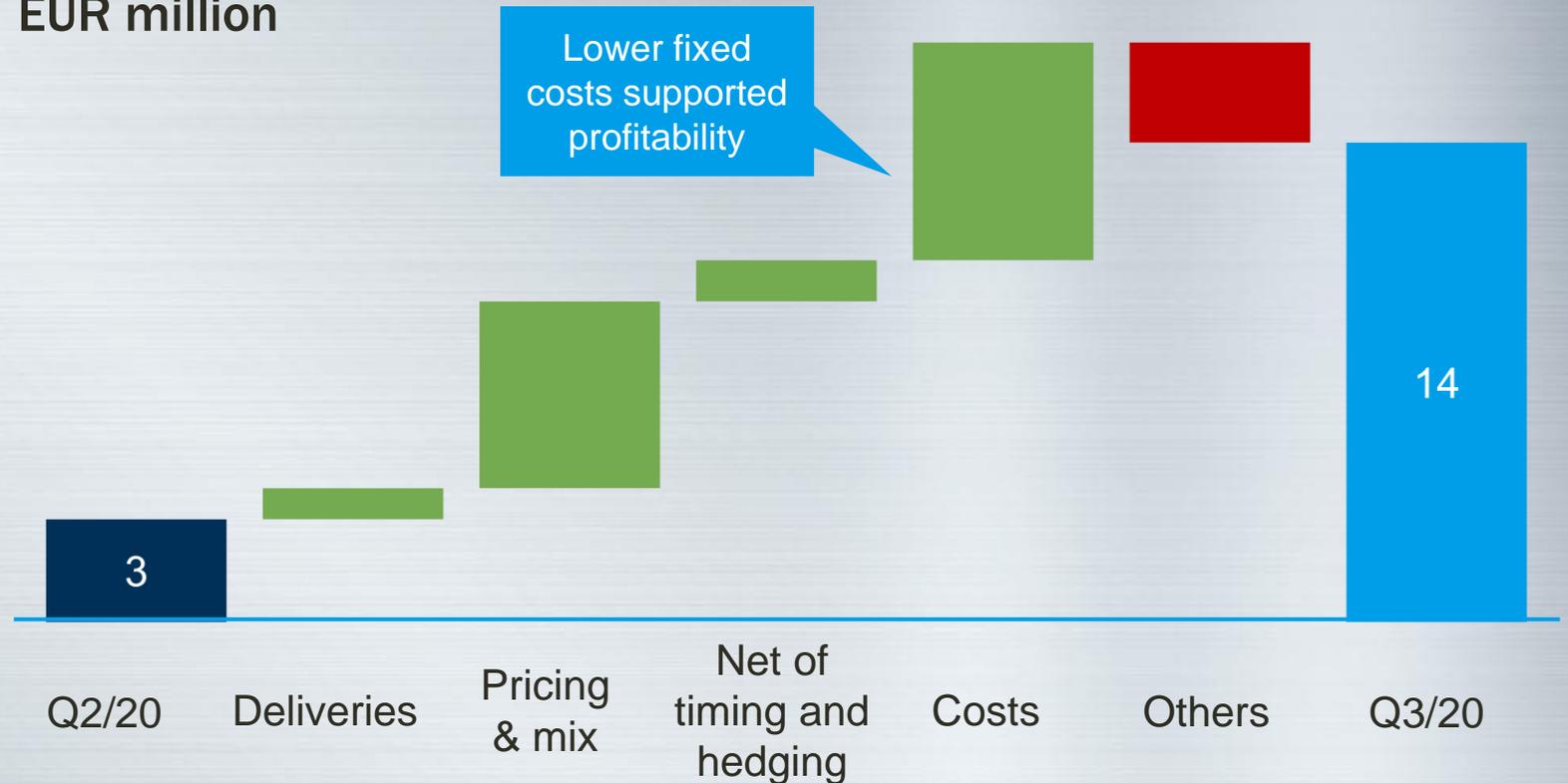
1) Indicative columns based on management estimates

BA Americas – solid performance and cost compression actions improved the result

Americas adjusted EBITDA, EUR million



Adjusted EBITDA quarter-on-quarter comparison¹, EUR million

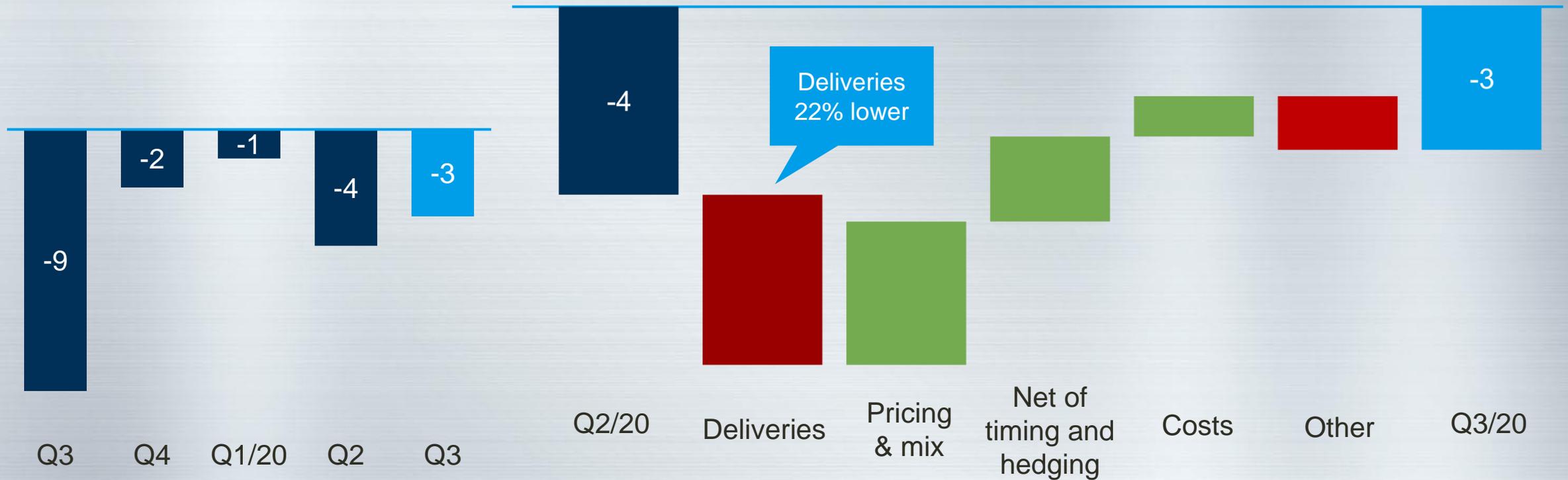


1) Indicative columns based on management estimates

BA Long Products – weak performance continued, accelerated turnaround program starts

Long Products adjusted EBITDA, EUR million

Adjusted EBITDA quarter-on-quarter comparison¹, EUR million



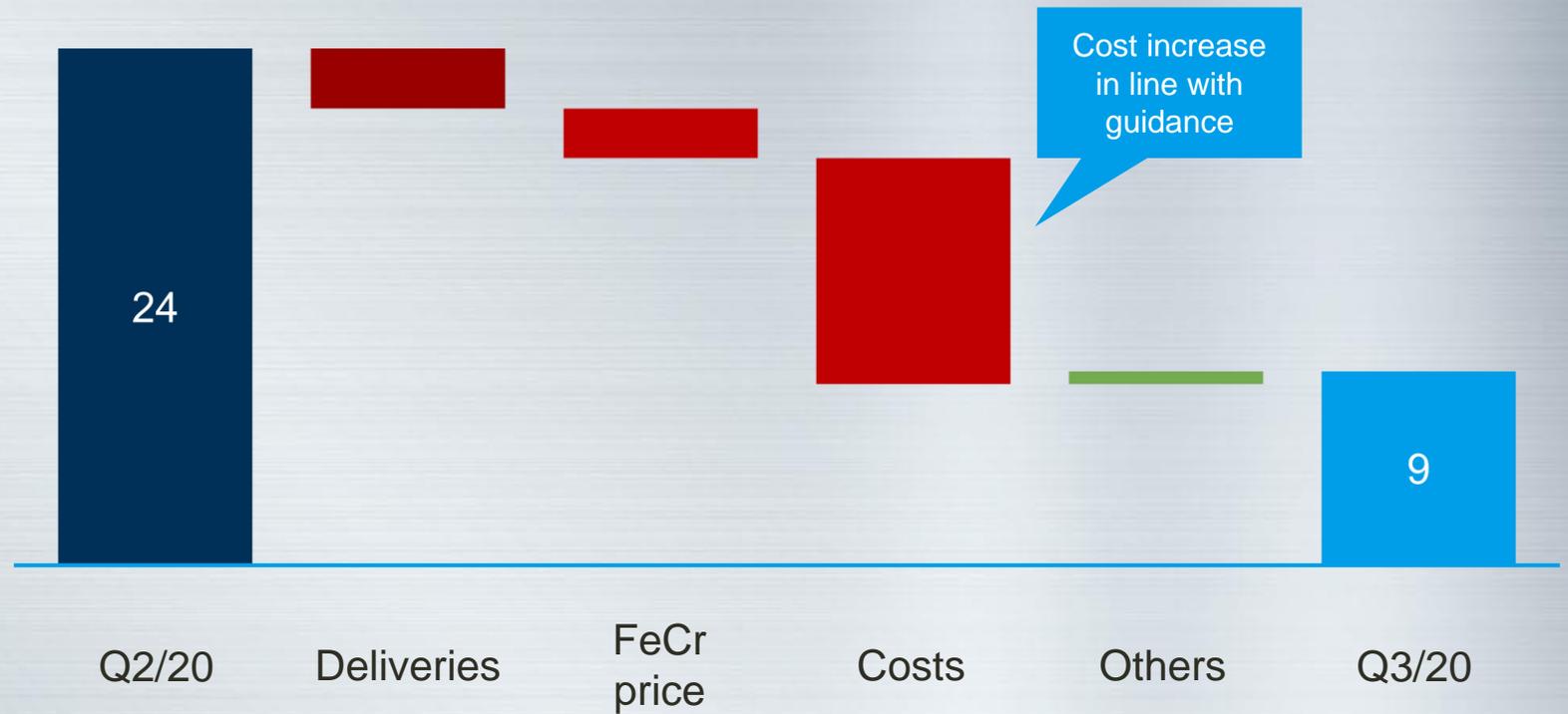
1) Indicative columns based on management estimates

BA Ferrochrome – planned maintenance work completed, start-up successful

Ferrochrome adjusted EBITDA, EUR million



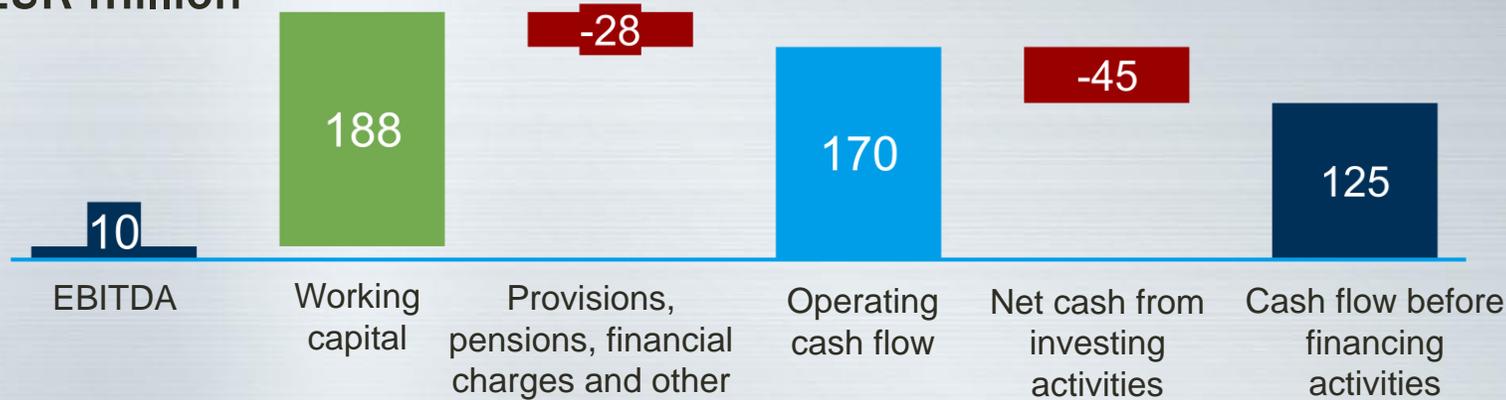
Adjusted EBITDA quarter-on-quarter comparison¹, EUR million



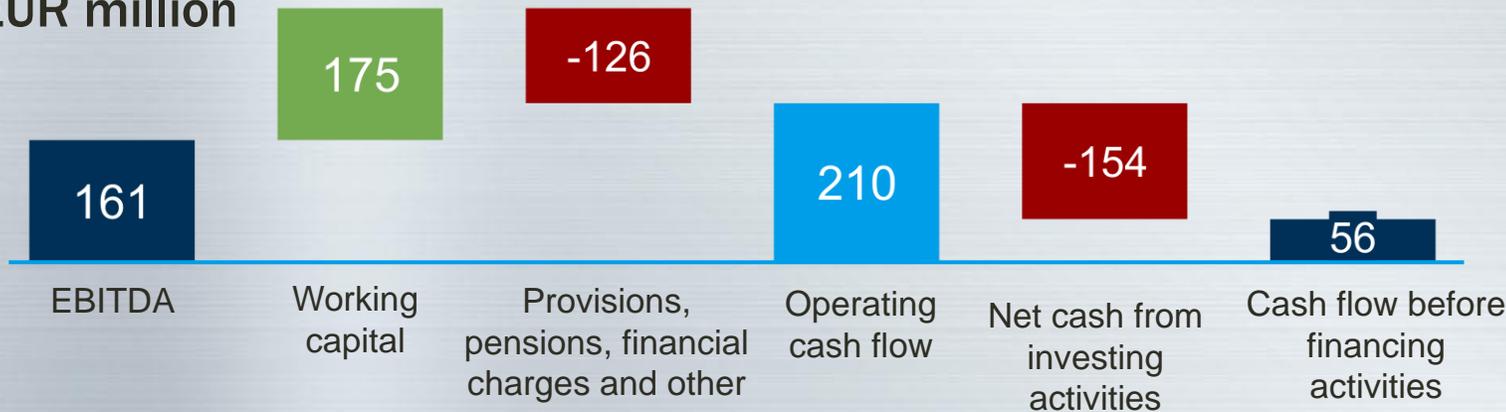
1) Indicative columns based on management estimates

Decisive working capital management and EUR 72 million VAT deferral boosted cash flow

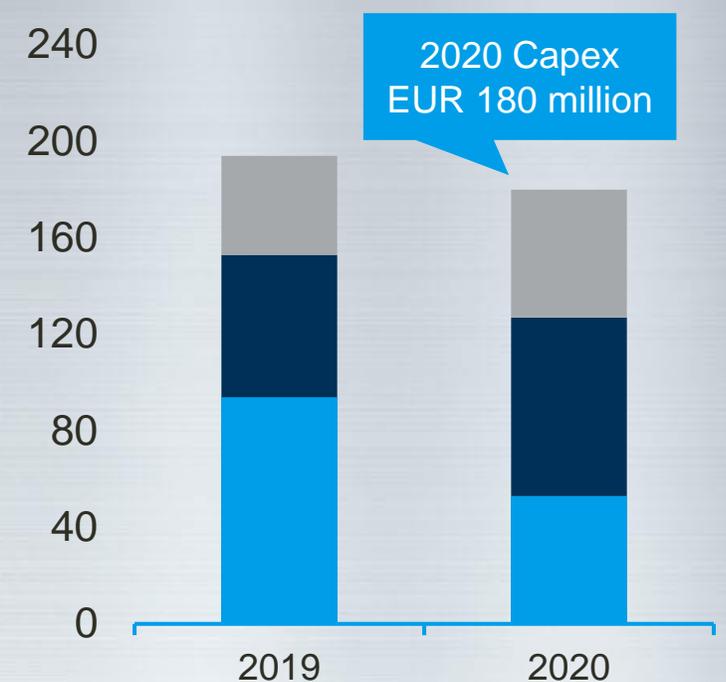
Q3/20 cash flow, EUR million



2020 cumulative cash flow, EUR million



Annual Capex, EUR million



- Expansion, digitalization & other
- Kemi mine
- Annual maintenance

Net debt reduced to EUR 1.1 billion, gearing at 45%

Net debt, EUR million



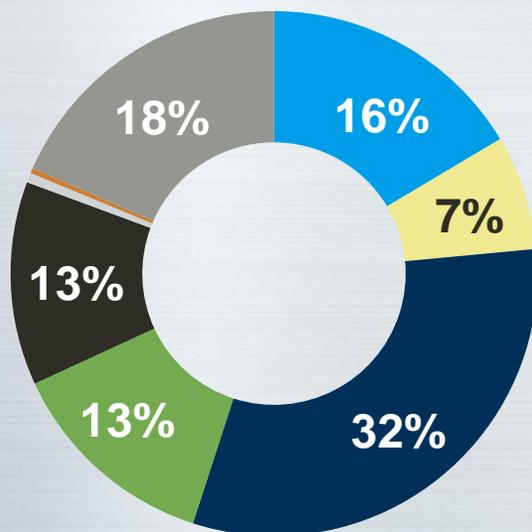
Net debt/LTM adjusted EBITDA



* Implementation impact on Jan 1, 2019

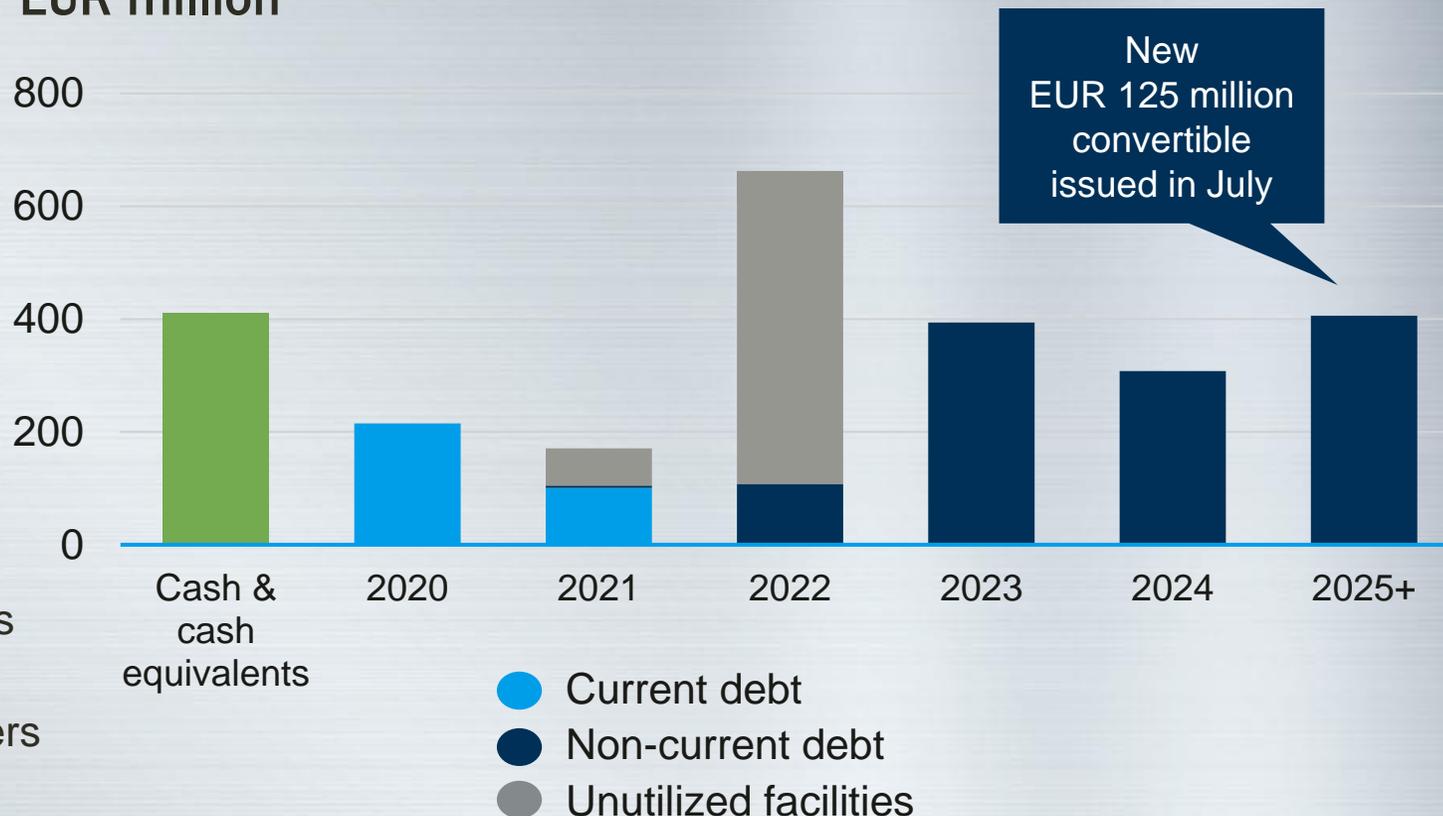
Total liquidity reserves amounted to EUR 0.9 billion at the end of September

Debt structure*



- Bonds
- Long-term loans from financial institutions
- Lease liabilities
- Other long-term loans
- Convertible bonds
- Pension loans
- Commercial papers
- Short-term loans

Debt maturity profile*, EUR million



Outlook

Heikki Malinen, President & CEO

Outlook for Q4 2020

As communicated previously, the COVID-19 pandemic is expected to have a significant impact on the stainless steel industry throughout 2020, and increases uncertainty.

Outokumpu expects its stainless steel deliveries for the whole Group to remain stable in the fourth quarter compared to the third quarter.

The seasonal year-end maintenance work in Tornio, Finland is expected to have an approximately EUR 10 million negative impact on the fourth quarter result compared to the third quarter.

Adjusted EBITDA is expected to remain at the same level during the fourth quarter compared to the third quarter.

Thank you!

**Questions
& answers**