

# Outokumpu Q2 2021 results

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# Business & market update

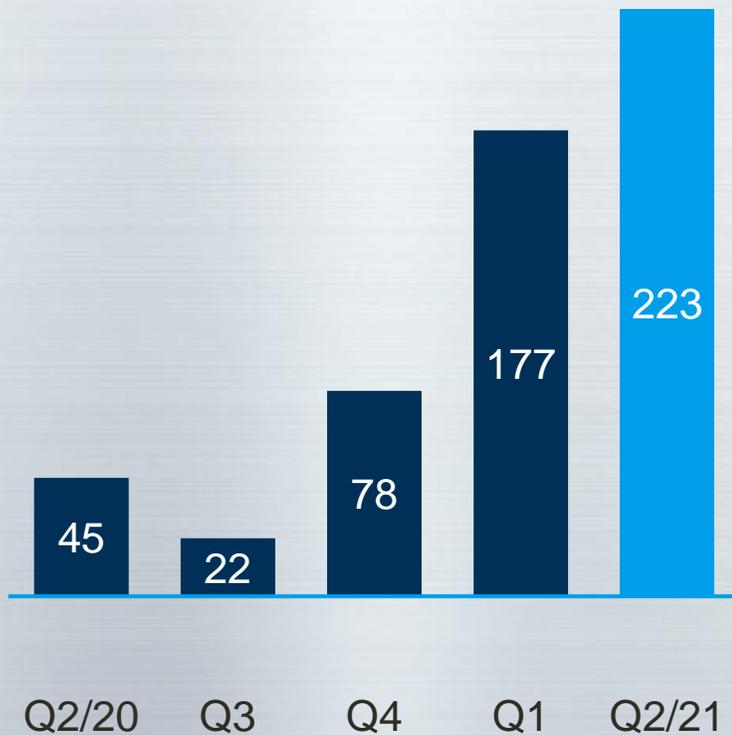
Heikki Malinen, President & CEO

Adjusted EBITDA  
reached  
**€223 million**  
in a strong market  
environment

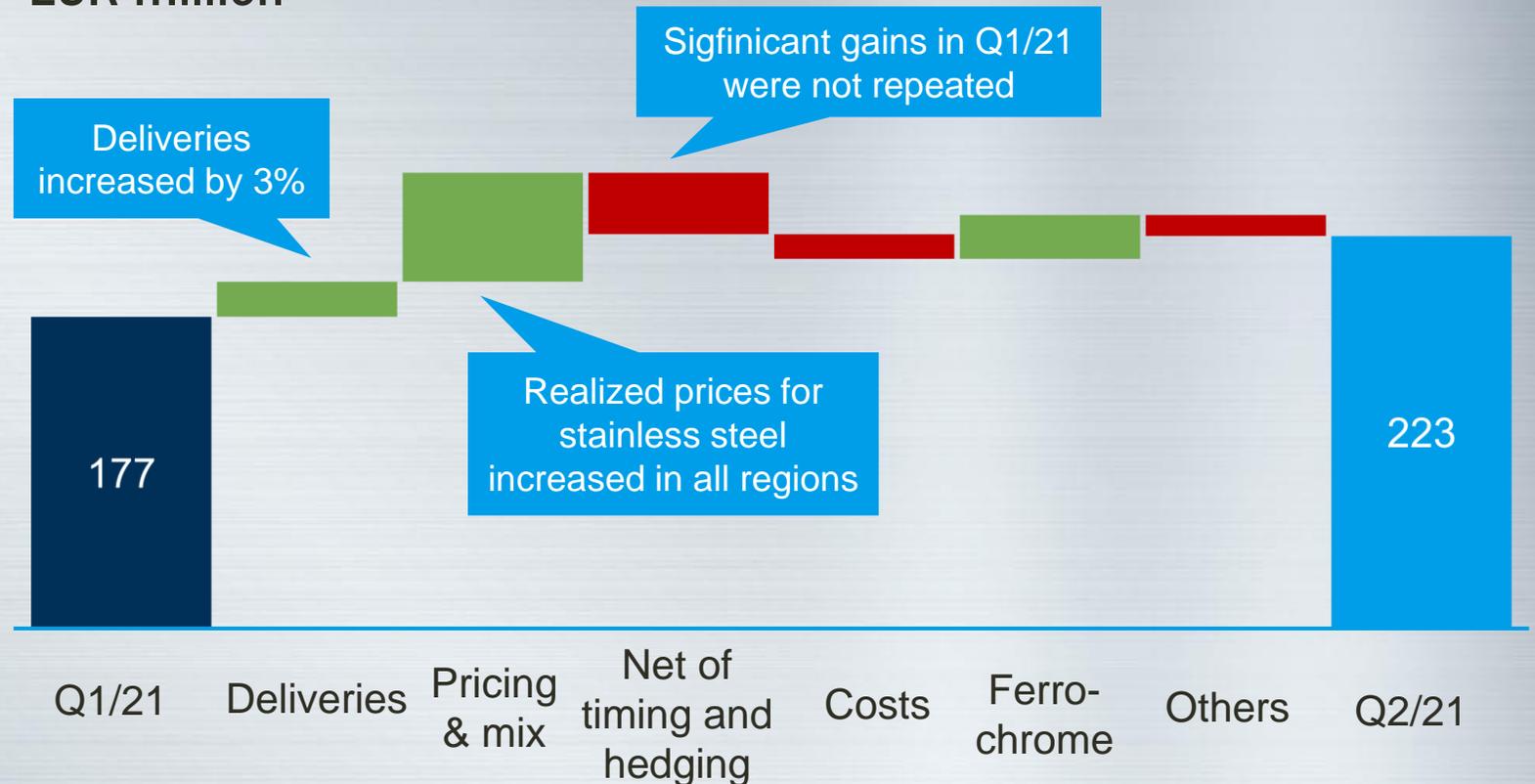
- Improved demand for stainless steel
- Realized prices increased in all regions
- Strategy execution well on track, clear benefits extracted in the first half of 2021
- Safety performance remained strong
- In the process of setting emission reduction target by 2030 with SBTi

# Strong market environment boosted profitability

Group adjusted EBITDA,  
EUR million



Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>,  
EUR million



1) Indicative columns based on management estimates

Well on track to reach  
EUR 200 million EBITDA  
run-rate improvement  
by the end of 2022

**Lean & agile organization stream** has been the main contributor, 80% of initiatives now completed

One of the successes in **Cost & capital discipline stream** has been the improvement in **raw material efficiency**

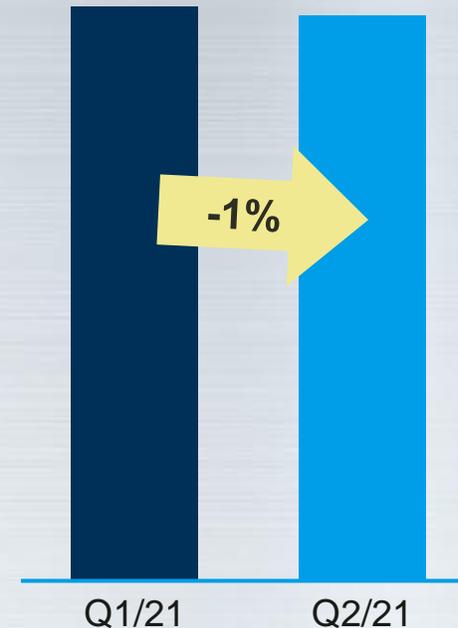
**Strong focus on strategy execution continues** notwithstanding favourable market tailwind

# Long lead times, consumers' priority to secure supply and high raw material costs have increased global stainless steel prices

## Transaction prices 304 stainless, USD/tonne



## Average nickel price, USD/tonne

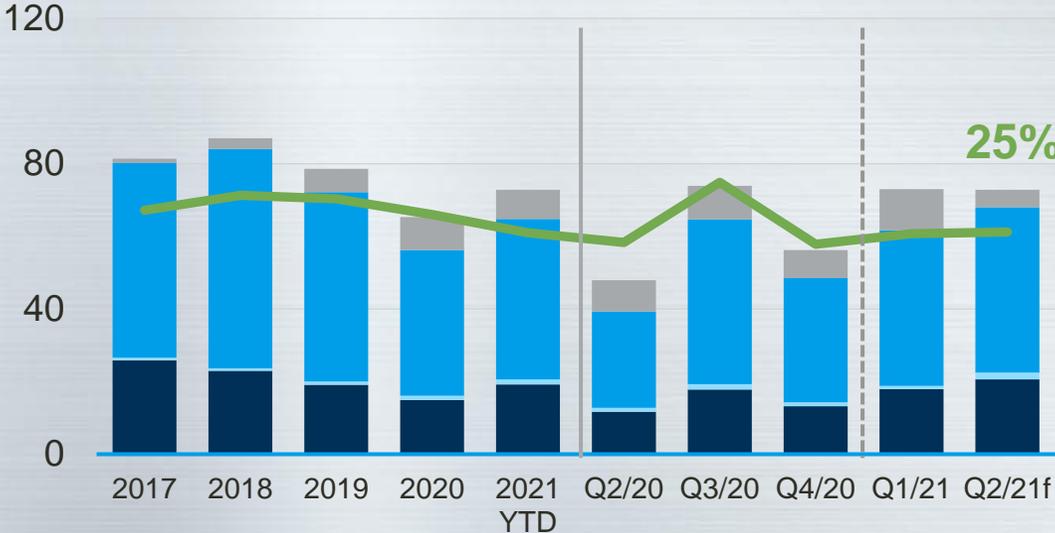


## Ferrochrome benchmark price, USD/lb.

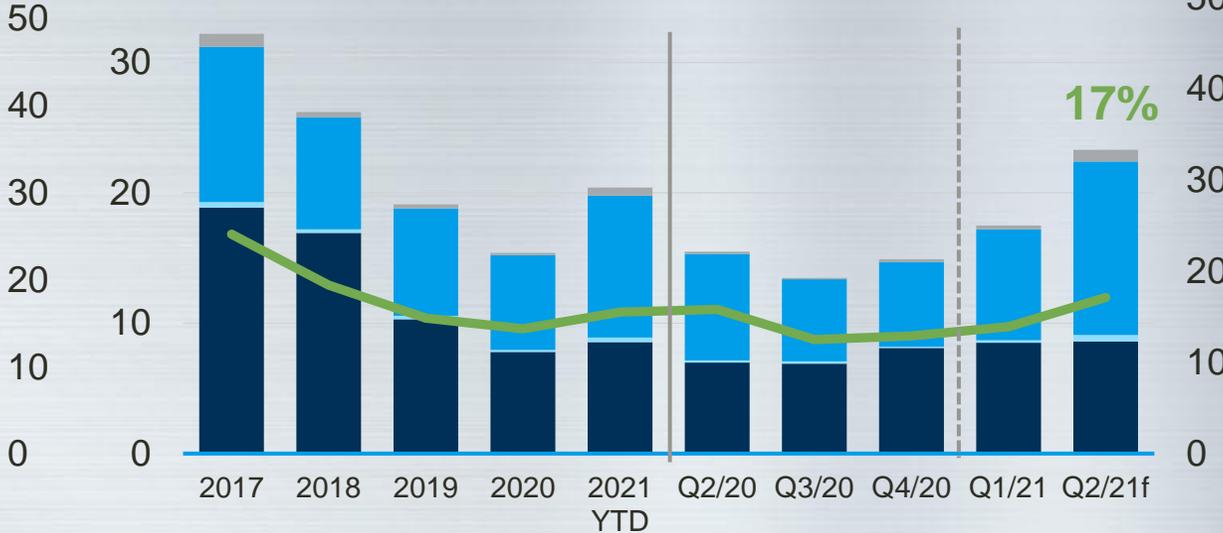


# Import penetration into Europe remained at Q1/21 level, but imports from Indonesia reduced

Third-country cold rolled imports<sup>1</sup> into Europe, 1,000 tonnes



Third-country cold rolled imports<sup>2</sup> into the US, 1,000 tonnes



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

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● From rest of Asia    ● Import penetration  
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1. Cold rolled, monthly average. Source: Eurofer, July 2021 (Q2'21 based on Apr-May actuals & preliminary figures for June based on SURV2)  
 2. Cold rolled, monthly average (also considers Outokumpu material from Europe/ Mexico as imports). Source: Foreign Trade Statistics, American Iron & Steel Institute, July 2021 (Q2'21 based on Apr-May)



# The EU is now moving to protect the region from unfair trading practices

## European Safeguards

- Extended with the same product scope & structure until June 2024
- Expiry review before the end of June 2023

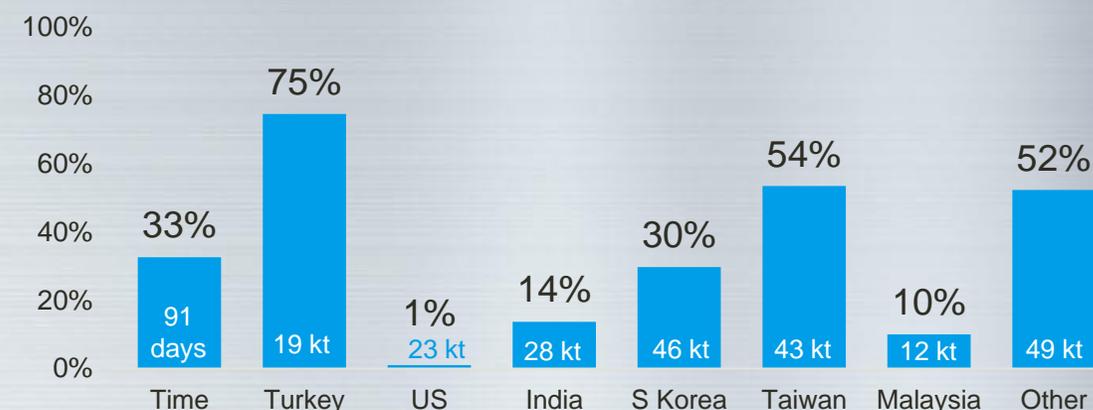
## Anti-Dumping & Anti-Subsidy investigations

- Provisional anti-dumping duties on cold rolled from Indonesia at ~20% and India at ~14-35% imposed in May. In place for maximum of 6 months after which they can be renewed for 5 years.
- Anti-subsidy investigation on cold-rolled from India and Indonesia initiated in February
- Expiry review of anti-dumping on cold-rolled from China and Taiwan on-going

## Carbon Border Adjustment Mechanism (CBAM)

- Included in EU's Fit for 55 proposal, which will be negotiated with member states
- Stainless steel included; ferrochrome excluded
- Currently includes only scope 1, inclusion of scope 2 and 3 would be critical
- Linked to ETS 2025 onwards

After one month of a new quota period, EU cold-rolled quota utilization is at 37%\*



EU hot-rolled quota utilization at is 34%\*

\*Source: European Commission's website for tariff quota consultation, situation on July 30, 2021

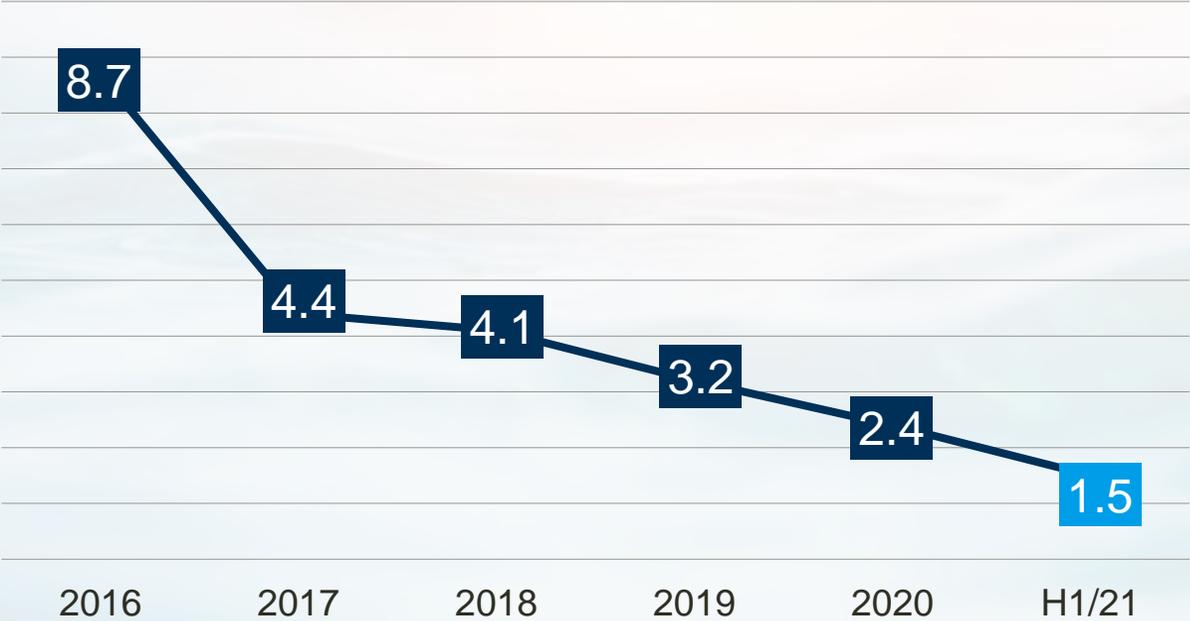


# The sustainability leader in stainless steel

Heikki Malinen, President & CEO

# Safety is our unwavering priority and we aim to continuously improve our performance

Safety performance (TRIFR)



TRIFR = Number of total recordable incidents per million working hours



# SBTi is the highest CO<sub>2</sub> standard and Outokumpu is the only stainless steel company with an approved target

Previous target of SBTi 2.0 °C was upgraded with a commitment to SBTi 1.5 °C



Outokumpu's value chain emissions  
tCO<sub>2</sub>-eq/t stainless steel

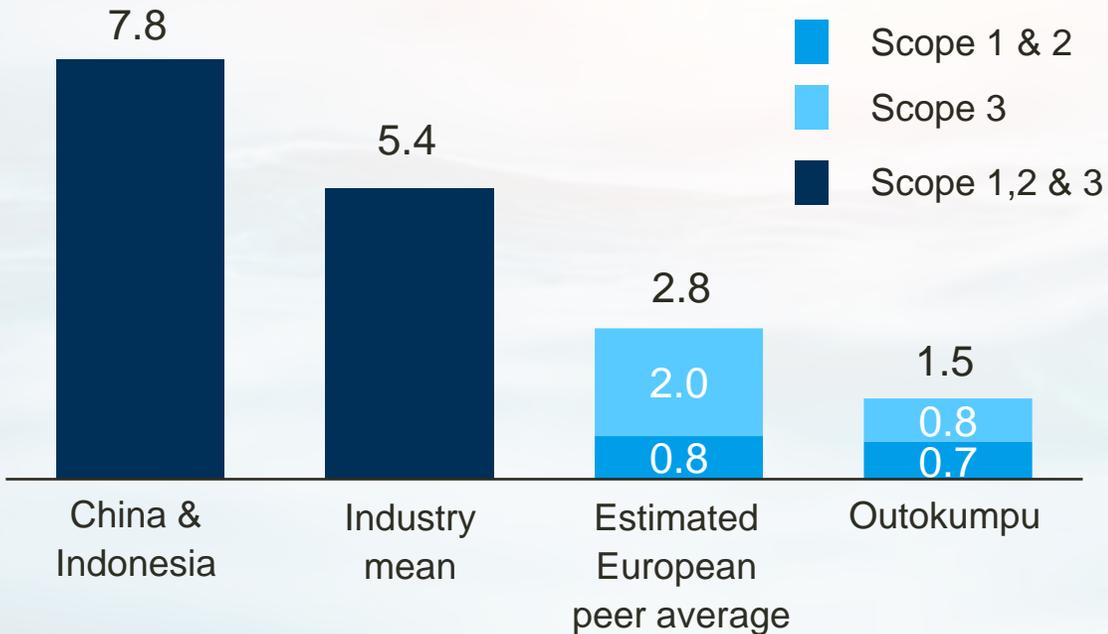


SBTi = Science-Based Target initiative; network for corporate climate targets in line with climate science



# Outokumpu is the only stainless steel company reporting its emissions from all three scopes

Value chain emissions, tCO<sub>2</sub>-eq/t of stainless steel



- With all three scopes included, Outokumpu has the lowest CO<sub>2</sub> footprint; only 1.5 tonnes of CO<sub>2</sub> per tonne of stainless steel
- Ferrochrome is included in Outokumpu's scope 1 & 2 emissions unlike peers
- Emissions from Outokumpu's ferrochrome production are 58% lower than industry average

Source: ISSF for stainless steel industry mean emissions, companies' annual reports, 3<sup>rd</sup> party estimate of European peer average emissions in Scope 3

# Our efforts on sustainability have been globally recognized



# Financial update

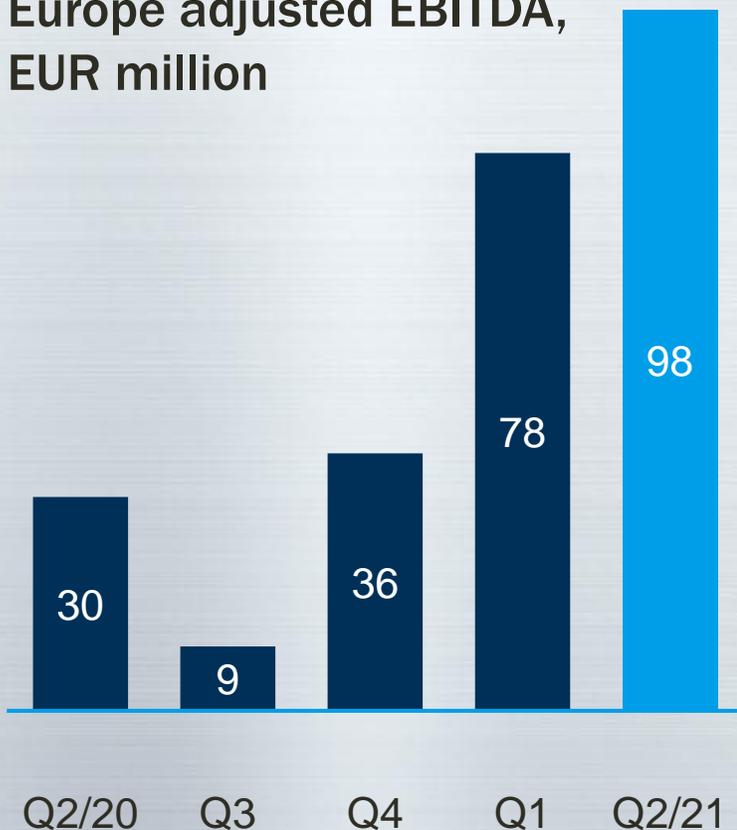
Pia Aaltonen-Forsell, CFO

Key figures		Q2/21	Q2/20	Q1/21	2020
Stainless steel deliveries	1,000 tonnes	626	523	608	2,121
Sales	EUR million	1,873	1,420	1,673	5,639
Adjusted EBITDA	EUR million	223	45	177	250
Net result	EUR million	129	-37	82	-116
Earnings per share	EUR	0.30	-0.09	0.20	-0.28
Operating cash flow	EUR million	6	72	27	322
Net debt	EUR million	897	1,243	1,073	1,028
Net debt to adjusted EBITDA		1.8	4.6	3.3	4.1
Capital expenditure	EUR million	37	52	47	180
Return on capital employed, ROCE	%	5.2	1.1	0.5	-1.4
Personnel at the end of period, full-time equivalent *		9,088	9,903	9,256	9,602

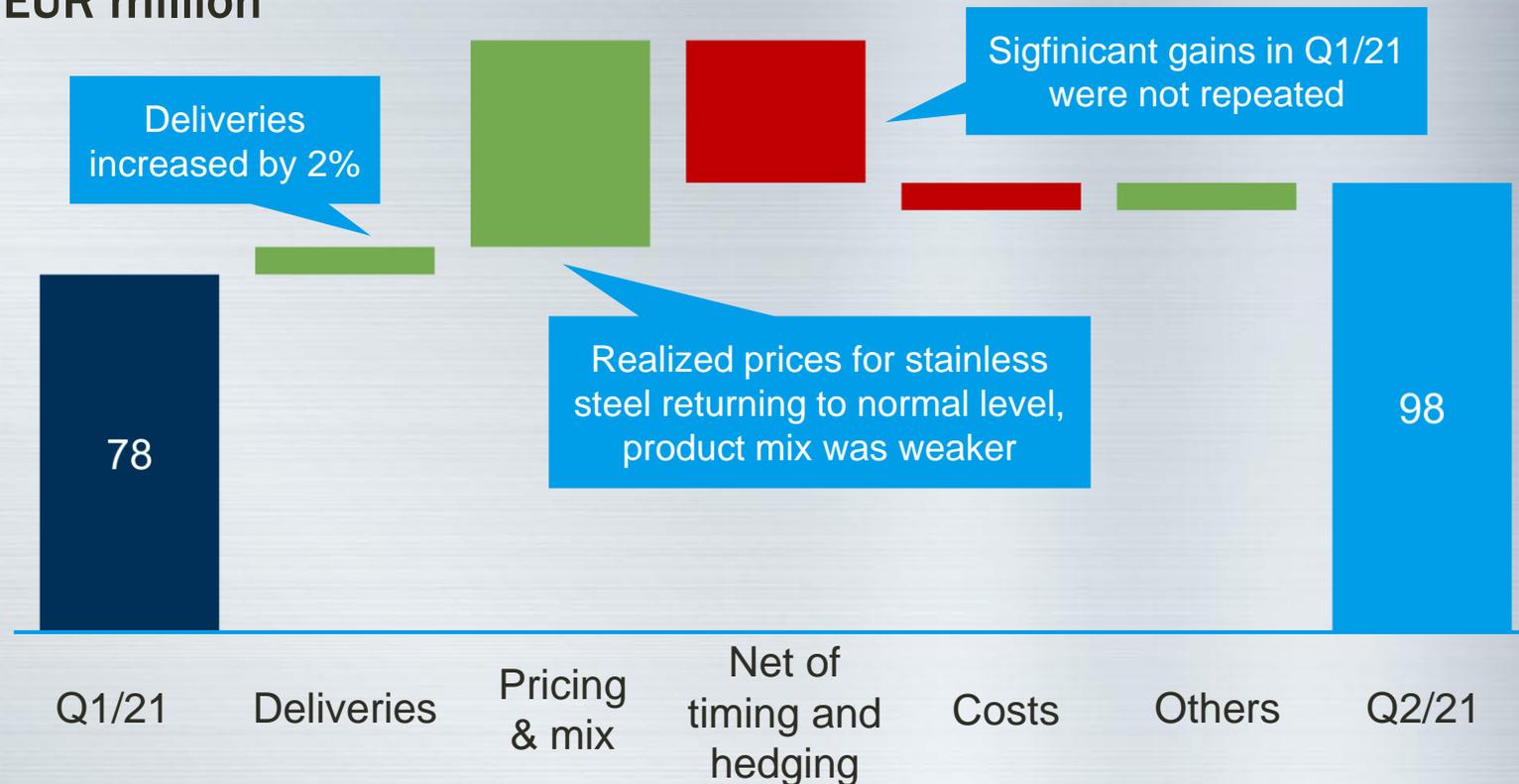
\* In Q1/2021, Outokumpu changed its main personnel amount measure from headcount to full-time equivalent personnel.

# BA Europe – demand driven price increases boost profitability

Europe adjusted EBITDA, EUR million



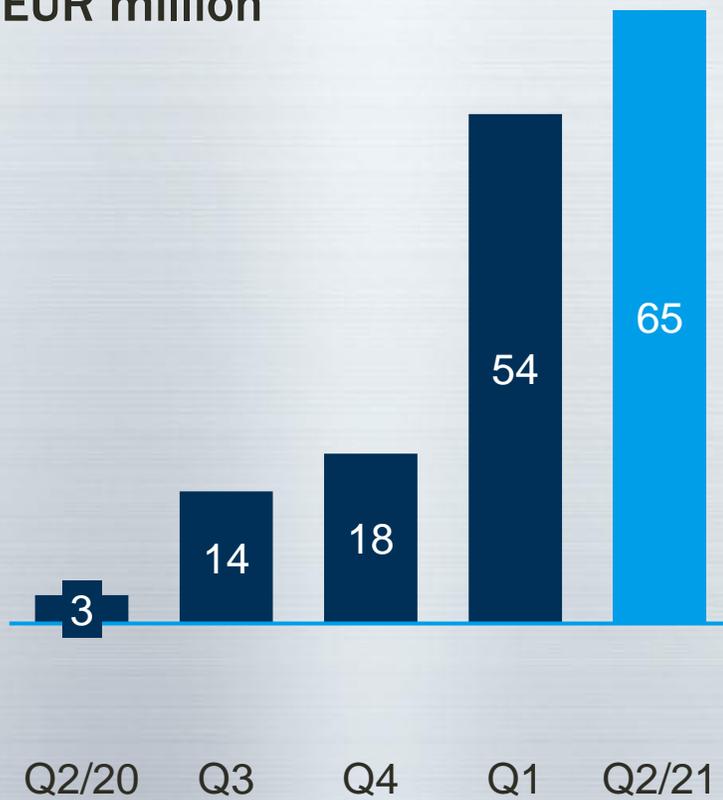
Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



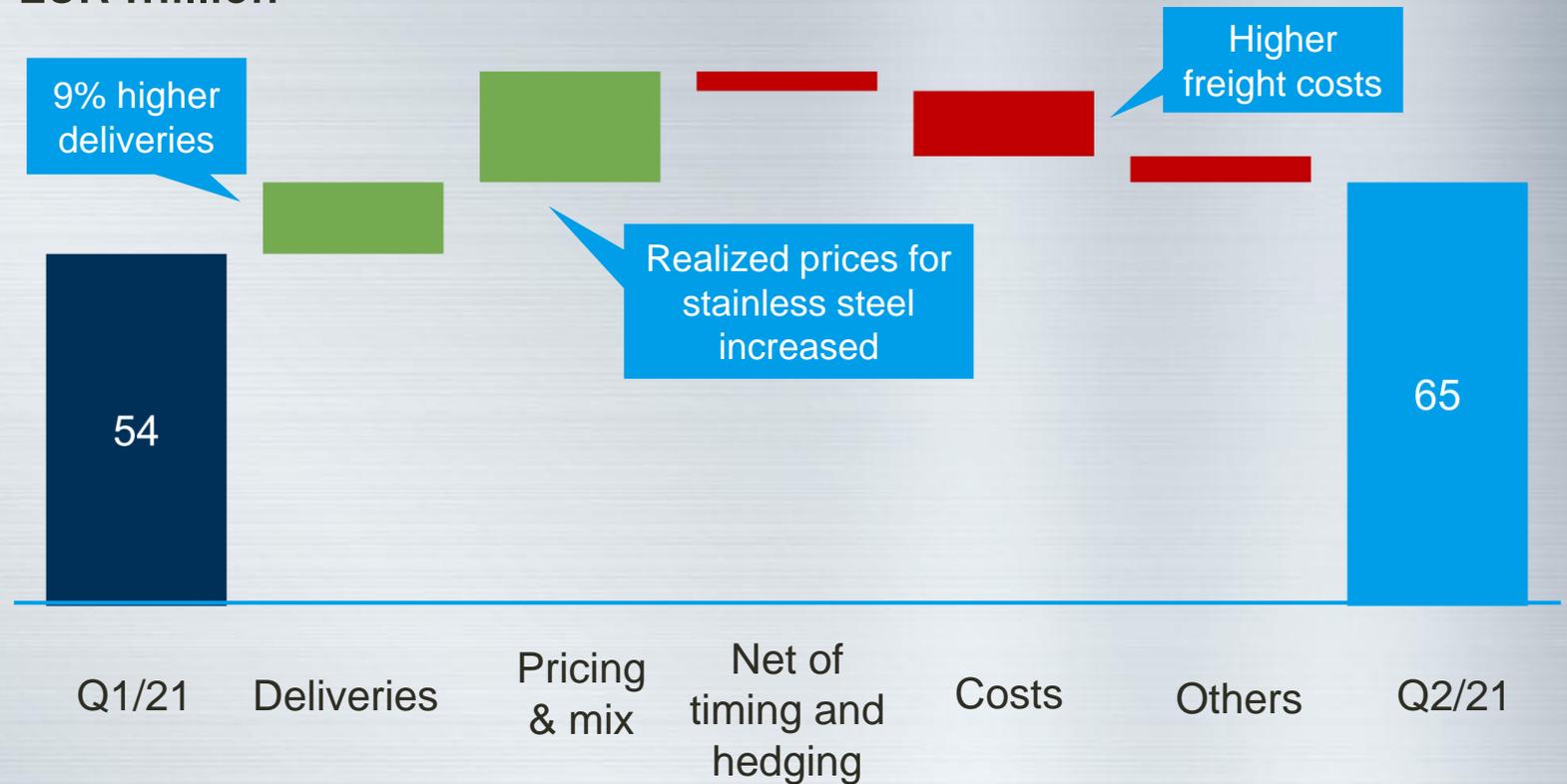
1) Indicative columns based on management estimates

# BA Americas – continued upward trend in a strong market, showcasing sustainable improvement measures

Americas adjusted EBITDA, EUR million



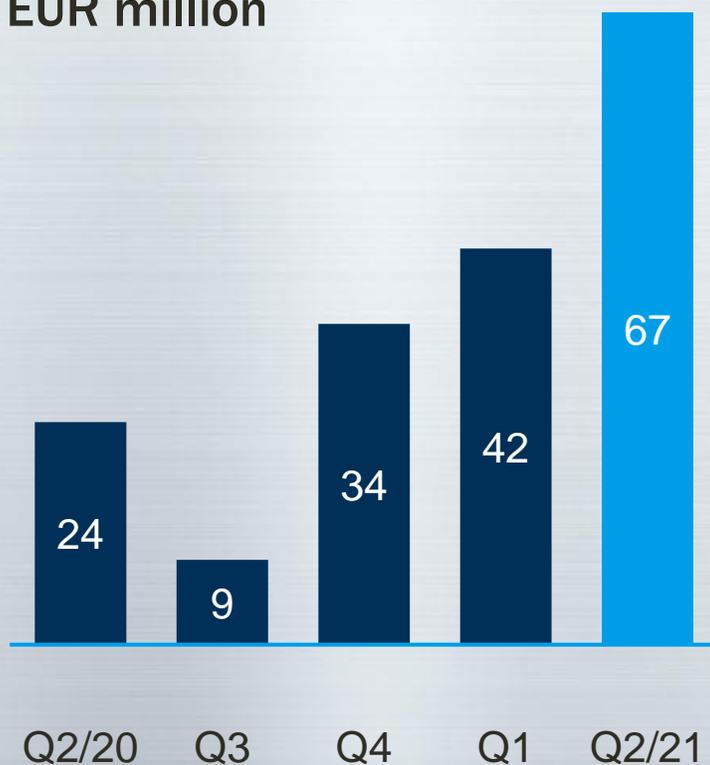
Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



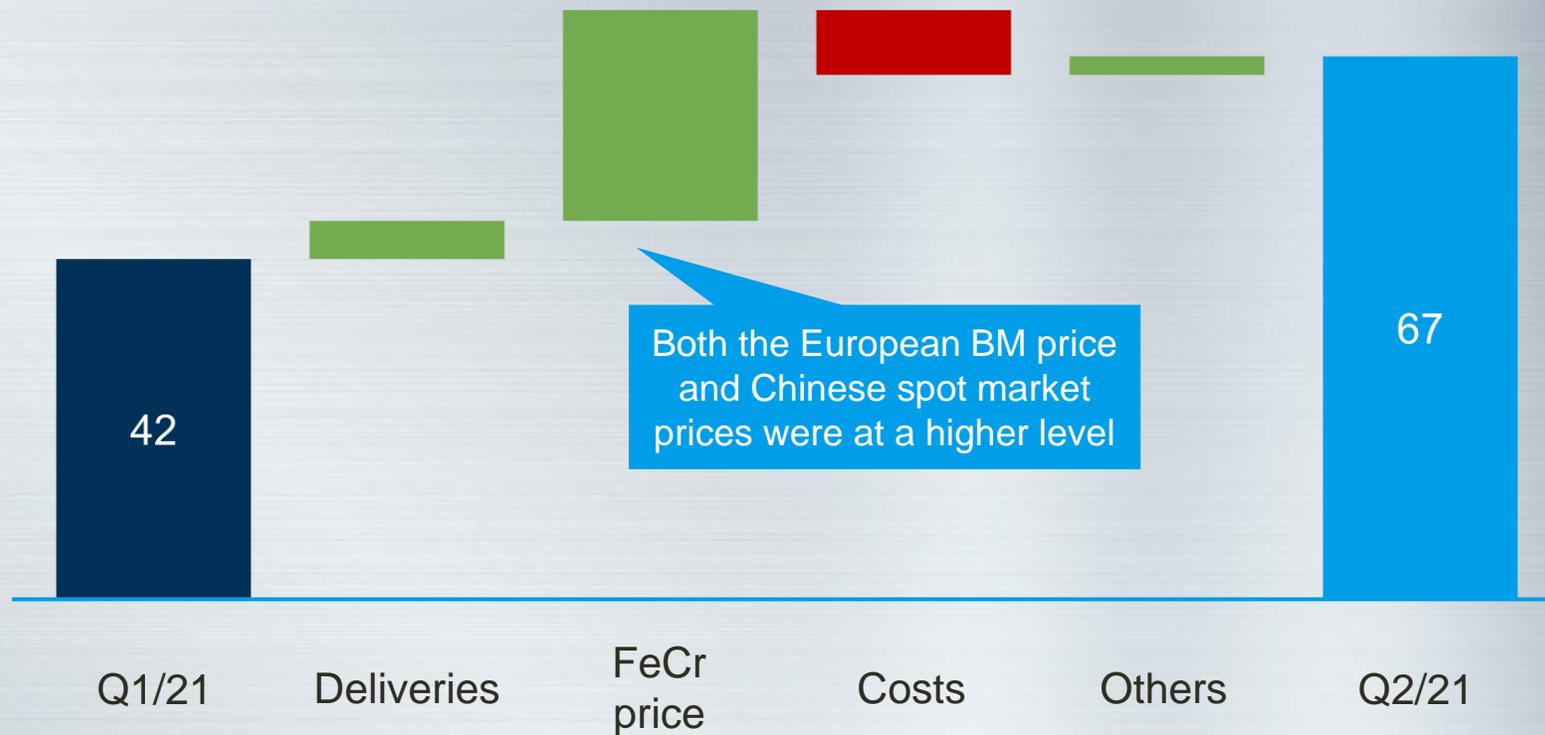
1) Indicative columns based on management estimates

# BA Ferrochrome – Profitability improved in a tight ferrochrome market

Ferrochrome adjusted EBITDA, EUR million



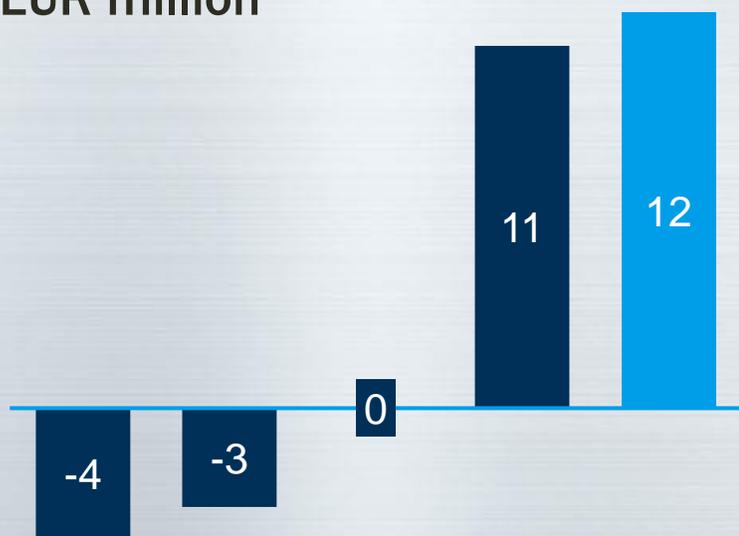
Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



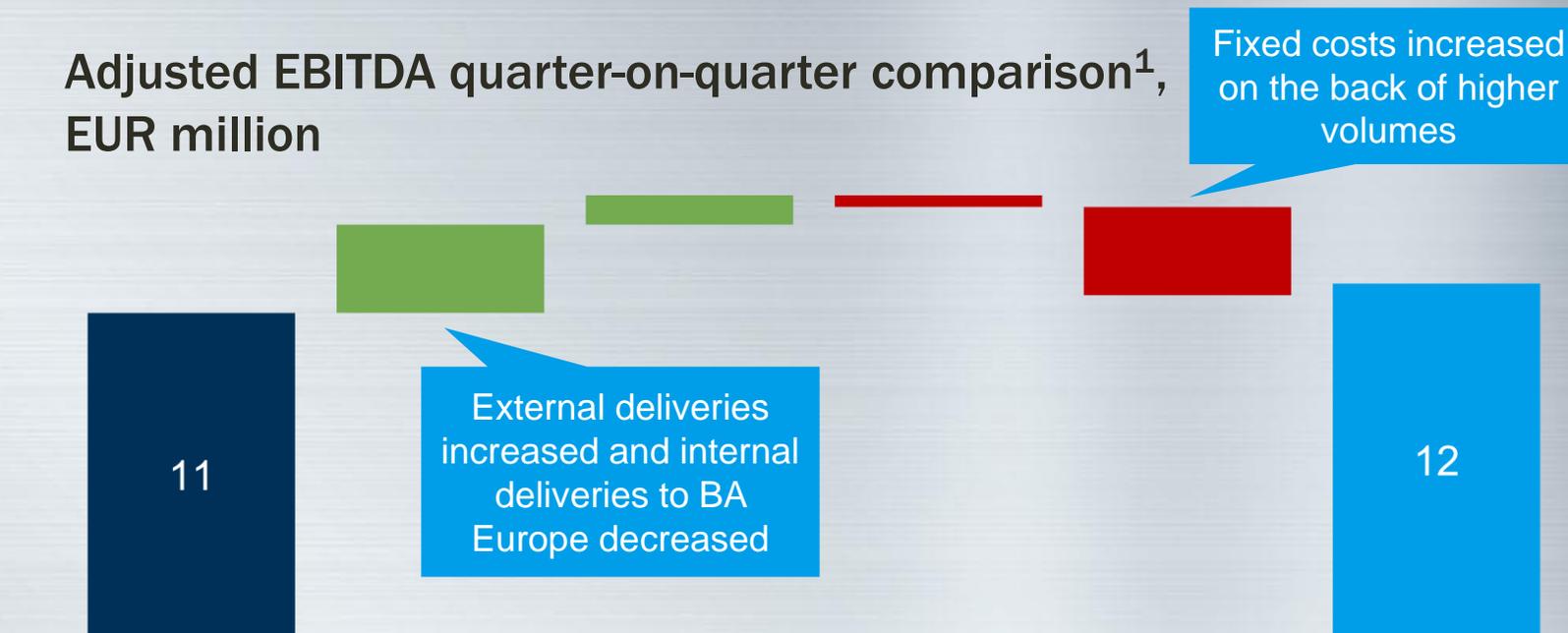
1) Indicative columns based on management estimates

# BA Long Products – profitability improved through self-help and better capacity utilization

Long Products adjusted EBITDA, EUR million



Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million

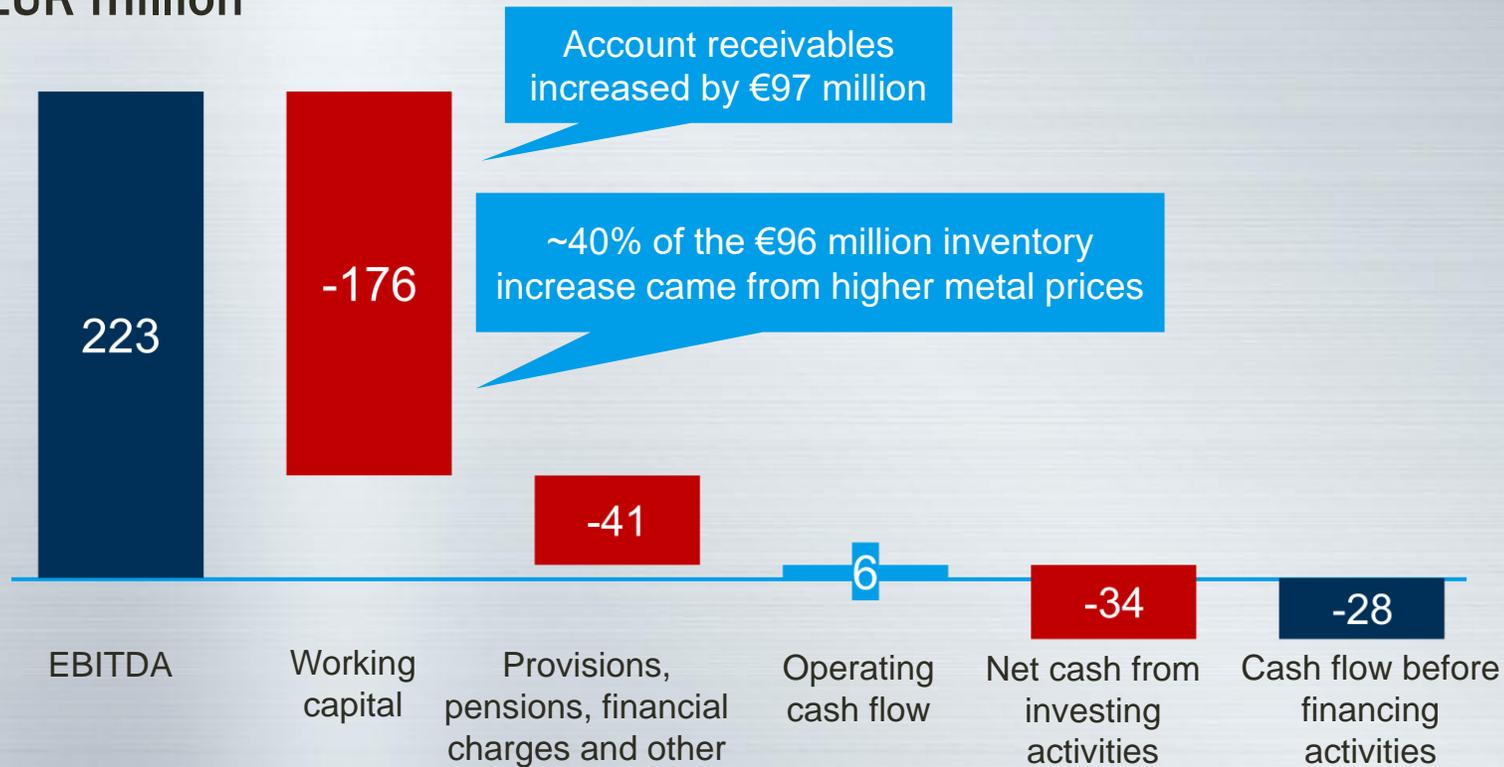


Q2/20    Q3    Q4    Q1    Q2/21    Q1/21    Deliveries    Pricing & mix    Net of timing and hedging    Costs    Q2/21

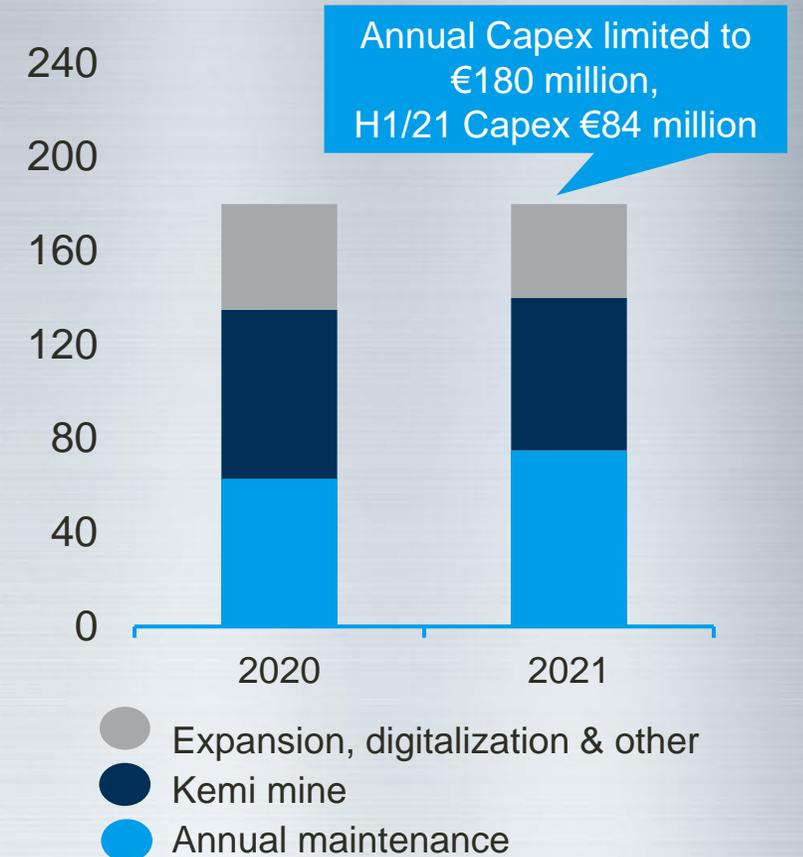
1) Indicative columns based on management estimates

# Strong profitability contributed to positive operating cash flow despite seasonal increase in net working capital

Q2/21 cash flow, EUR million

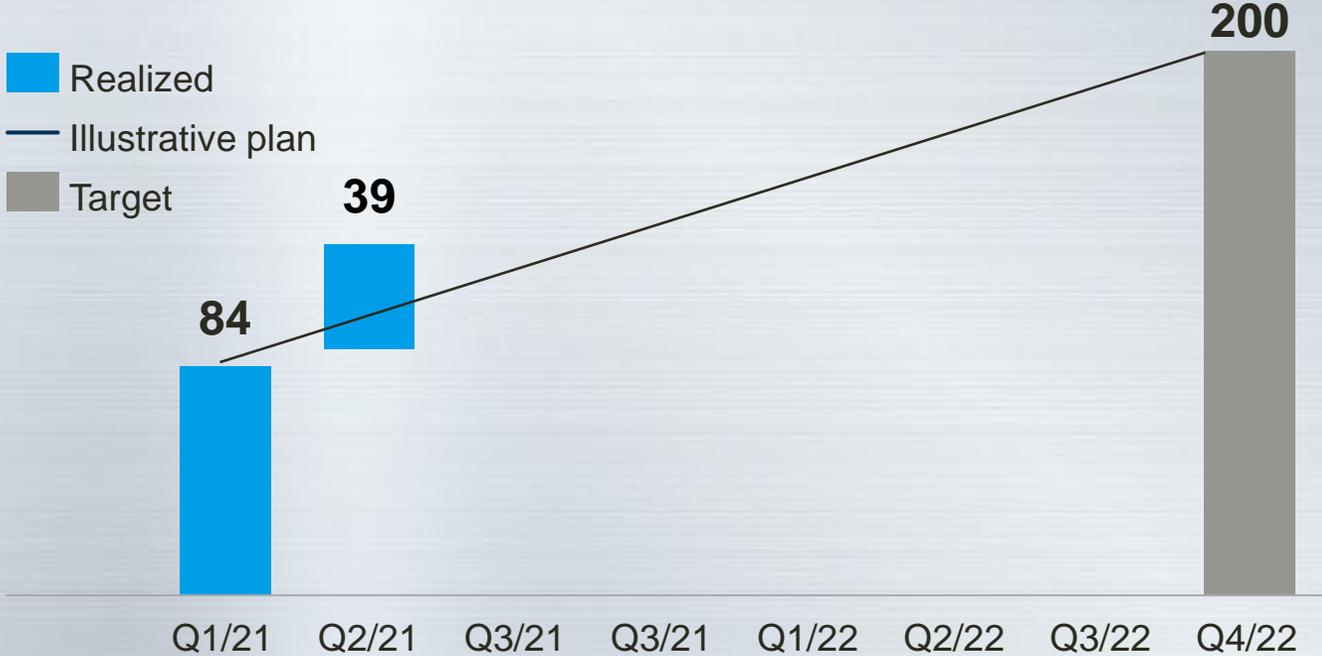


Annual Capex, EUR million

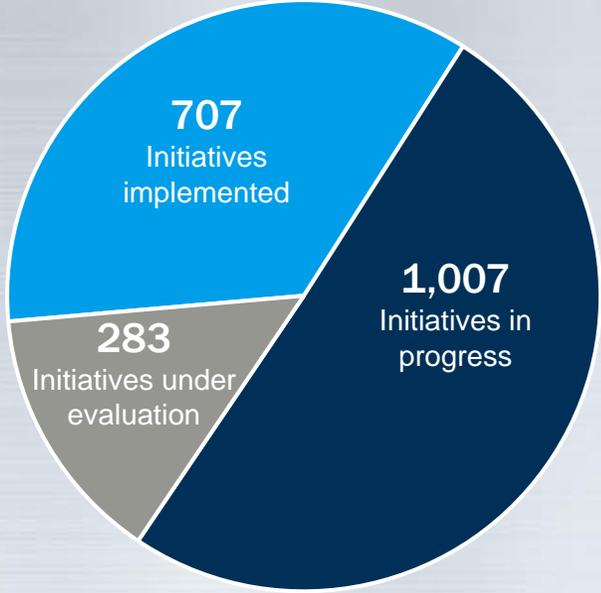


# Update on strategy step 1: cumulative €123 million realized EBITDA run-rate impact achieved, on track to meet target

Gross run-rate EBITDA improvement (€ million)



Solid implementation pipeline



Note: Based on gross run-rate program impacts operationally implemented during the period; HC reductions will improve cost vs 2019 baseline as 2020 was abnormally low due to COVID related furloughs

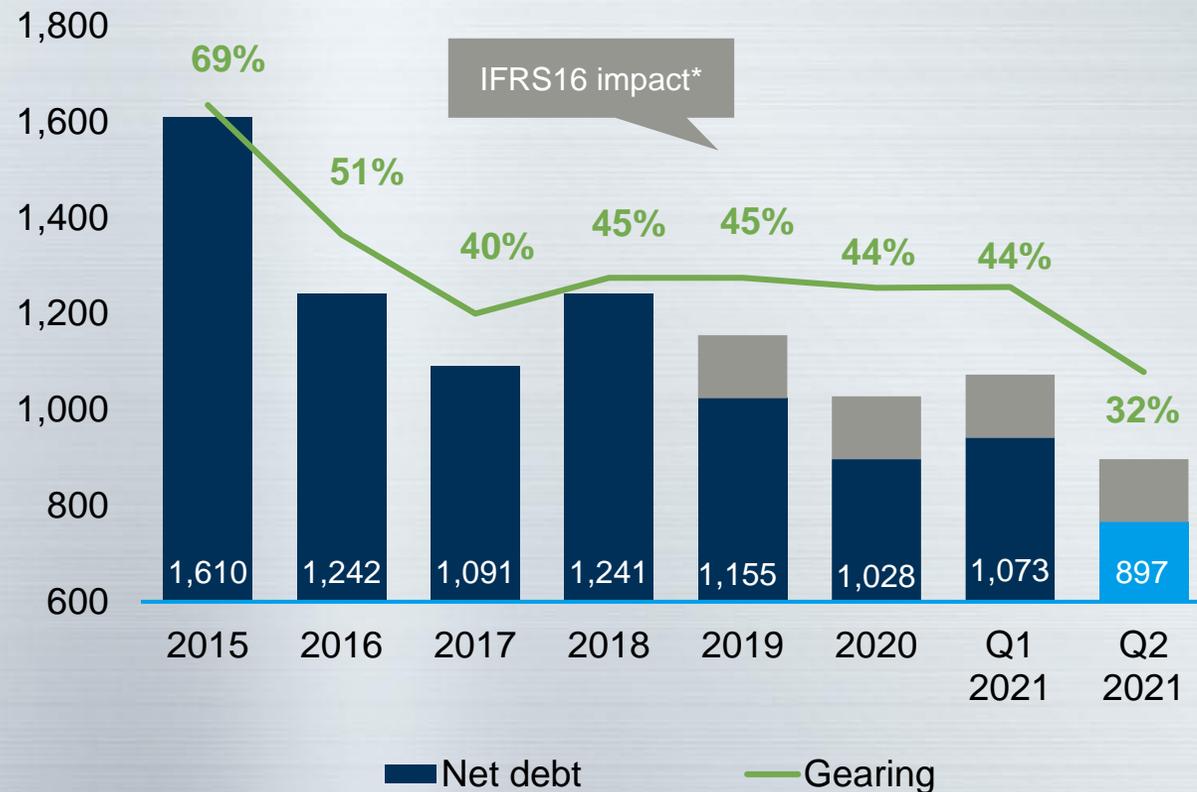


# Outokumpu raised EUR 209 million with a directed share issue

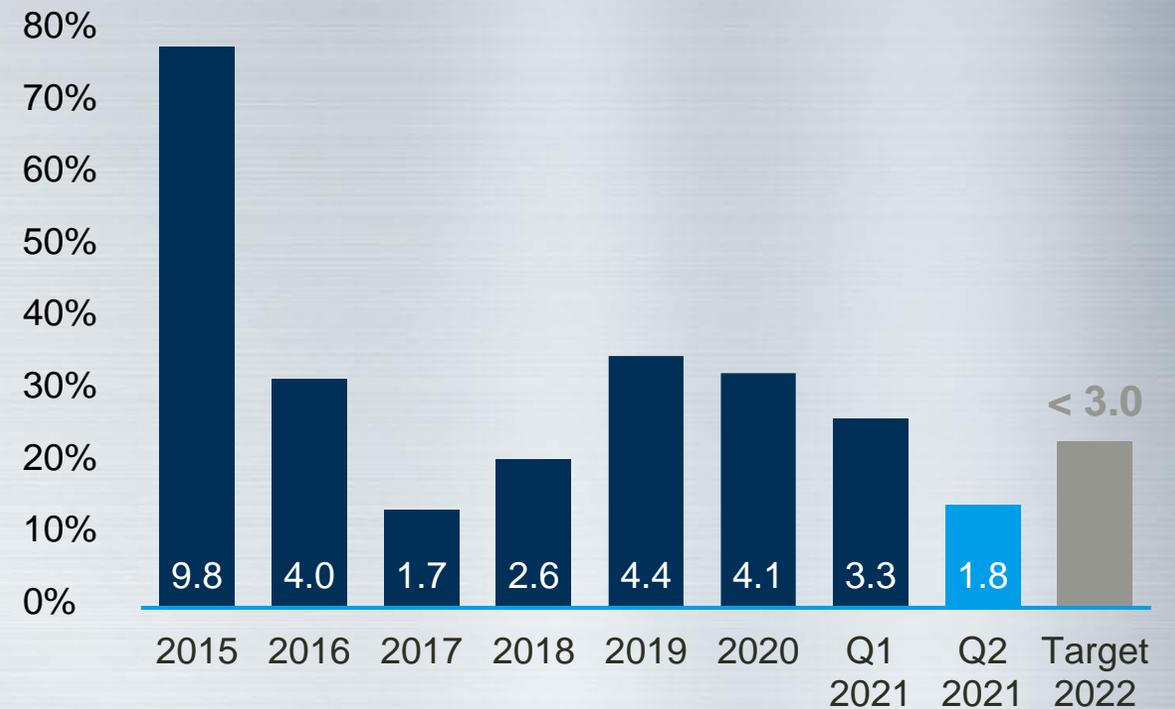
- Main purpose was to accelerate de-leveraging
- With the proceeds Outokumpu prepaid EUR 210 million of its EUR 330 million term loan
- Interest costs decreased on an annual run-rate by EUR 18 million
- Subsequently, Moody's upgraded Outokumpu's issuer corporate family rating to B2 with a change in outlook to positive

# Net debt was reduced to EUR 897 million with the proceeds of the directed share issue

Net debt, EUR million



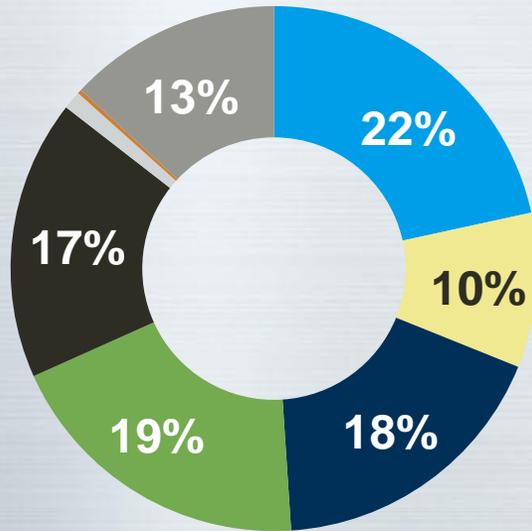
Net debt/LTM adjusted EBITDA



\* Implementation impact on Jan 1, 2019, at EUR 131 million

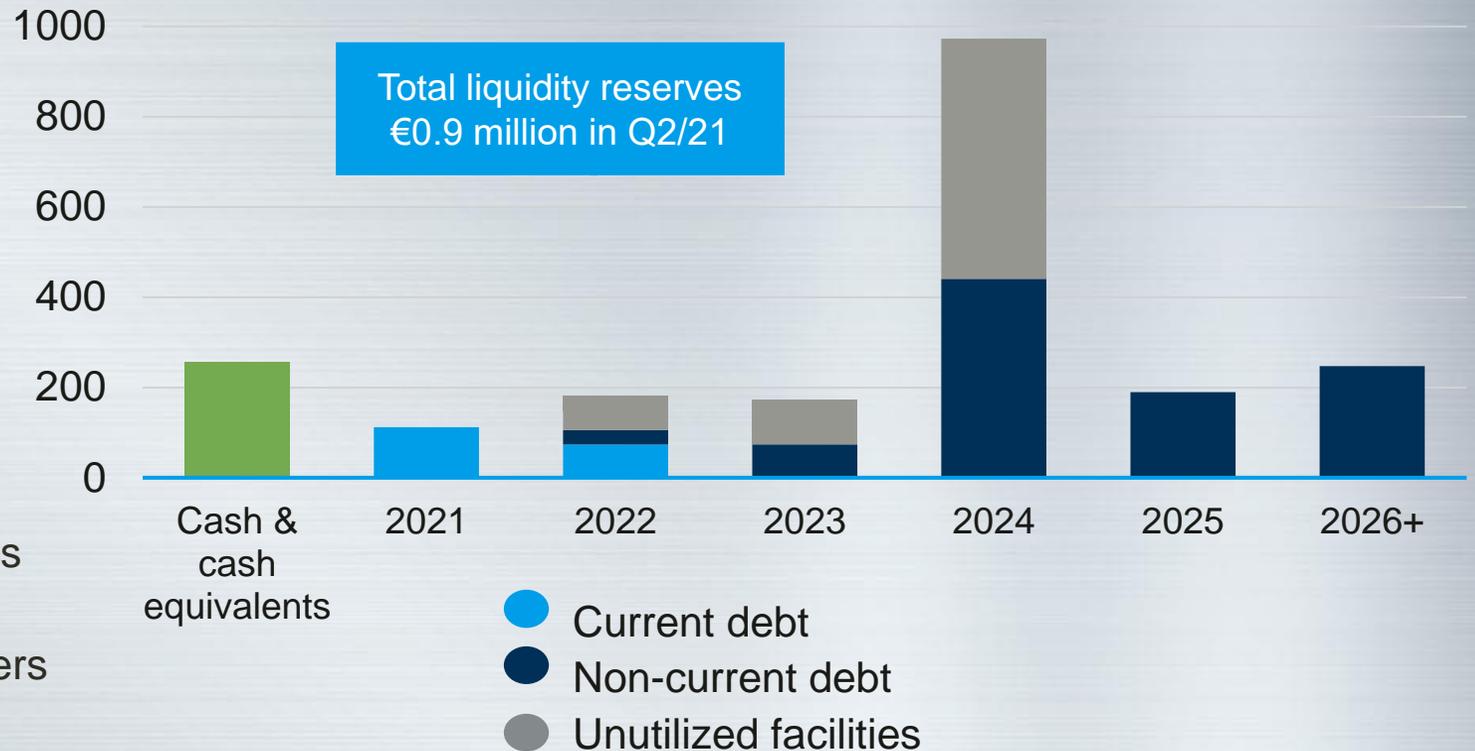
# Outokumpu successfully extended maturities of its revolving credit facilities

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 Q3 2021

Group stainless steel deliveries in the third quarter are expected to decrease by 0–10% compared to the second quarter, in line with the seasonal pattern.

The European ferrochrome benchmark price remained stable at USD 1.56/lb for the third quarter.

Planned maintenance costs in the third quarter are expected to increase by approximately EUR 10 million compared to the second quarter.

With current raw material prices and exchange rates, significant raw material-related inventory and metal derivative gains or losses are not expected in the third quarter.

Adjusted EBITDA in the third quarter of 2021 is expected to be at a similar level compared to the second quarter.

**Thank you!**

**Questions  
& answers**

# More ambitious ESG strategy was launched in May

## Environment

Reduce emissions and provide solutions for a sustainable future



### GHG emissions

Scopes 1-3



### Metals used in production

Recycled steel, recovered metals, alloys slag formers, chromite ore



### Energy & electricity sources

Energy used by source



### Byproducts and waste

In steel production and mining  
Hazardous and non-hazardous



### Emissions to air and water

Dust, nitrogen oxides and sulfur dioxide, metals and nitrates



### Water used and water discharges

By source and discharge destination



### Biodiversity

Sites close to high biodiversity areas

## Social

Health and safety of our people in everything we do



### Safety

Fatalities, LTIFR, restricted work injuries, medically treated injuries, first-aid treated injuries, TRIFR, proactive safety action frequency



### Direct economic value generated and distributed

Value distributed to society (employee benefits & taxes), value retained in business



### Workforce, Diversity & Talent

By gender, age, color, years of service, contract type and region, hires and leavers



### Employee wellbeing

Organizational health, employee engagement, sick rates, worktime management



### Continuous performance development

Share of employees with regular development discussion

## Governance

Ensure transparency and compliant processes



### Share of local suppliers

Share of suppliers in countries with significant production sites



### Number of raw material suppliers in countries with ESG risk

Out of top 20 suppliers



### Number of female BoD members



### Number of independent BoD members



### Executive compensation



### Share of employees Code of Conduct training



### ESG Advisory Council