



Peak in quarterly earnings, well positioned  
to face increasing uncertainty

## Outokumpu Q2 2022 results

Heikki Malinen, President & CEO  
Pia Aaltonen-Forsell, CFO

August 4, 2022

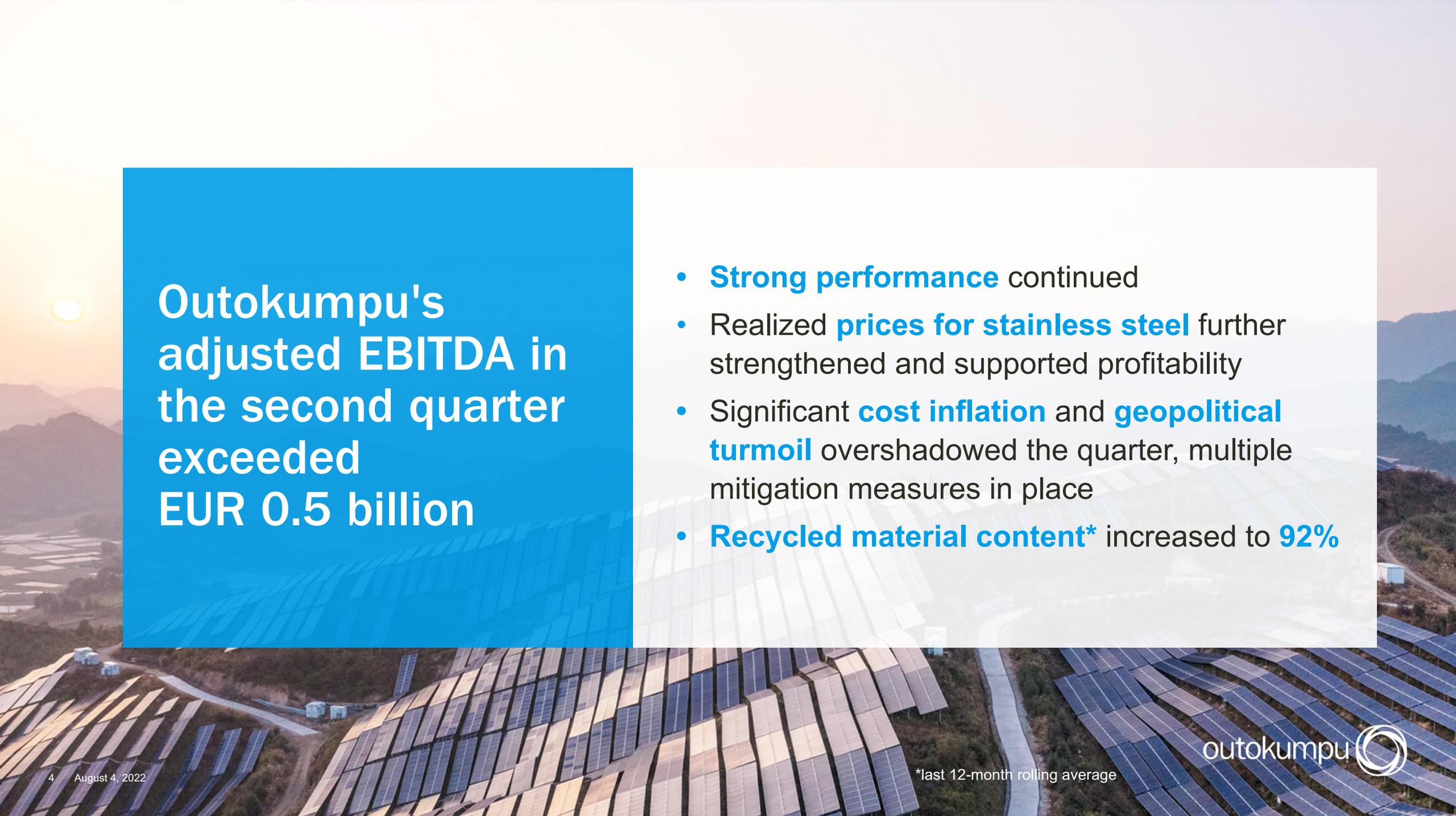
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# Record-level adjusted EBITDA despite significant cost inflation and geopolitical turmoil

Heikki Malinen, President & CEO



## Outokumpu's adjusted EBITDA in the second quarter exceeded EUR 0.5 billion

- **Strong performance** continued
- Realized **prices for stainless steel** further strengthened and supported profitability
- Significant **cost inflation** and **geopolitical turmoil** overshadowed the quarter, multiple mitigation measures in place
- **Recycled material content\*** increased to **92%**

# Strategy phase 1 concluded ahead of time – both financial targets achieved

- Aim to **de-risk the company** achieved: **EBITDA run-rate** improved, **leverage** down
- Sustained improvements in **ways of working** provide a solid foundation for the latter phases
- Successfully signed deal to divest majority of **Long Products**
- Outokumpu is **more resilient** than ever to withstand changing circumstances

# Our three-phase strategy framework now enables a strong focus on shareholder returns

## Phase 1:

Strengthen the balance sheet  
2021–2022

Margin improvement  
and de-leveraging the  
balance sheet

## Phase 2:

Strengthen the core  
2023–2025

Targeted productivity  
investments to improve  
margins. Additional  
investment to improve  
sustainability

## Phase 3:

Strong sustained performance  
2026–

Investing in growth and  
sustainability

Capital discipline and strong shareholder returns

Sustainability

## OUR VISION

Customer's  
first choice in  
sustainable  
stainless steel

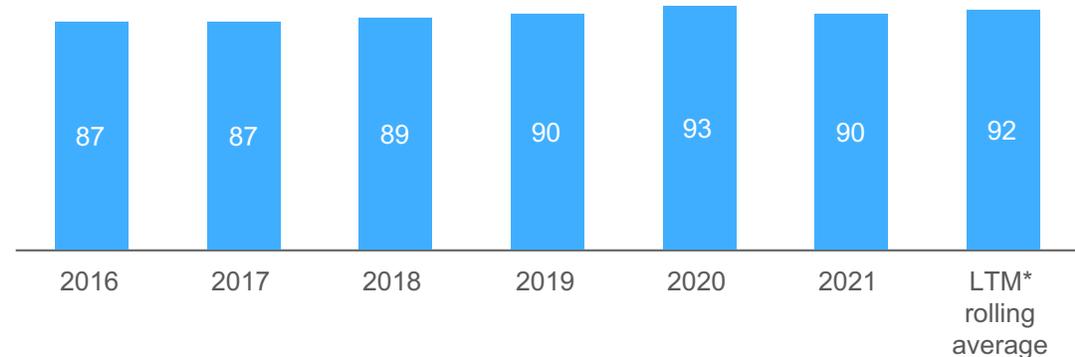
# Another strong quarter in terms of sustainability

- Strong safety performance, **TRIFR improved** to 1.8 in the first half of 2022
- **High material efficiency**: recycled material content increased to 92%, energy-efficiency remained strong
- **Circle Green**, new product line with the **lowest possible CO<sub>2</sub> footprint** was introduced to the market
- Aim to achieve **carbon neutrality** at Kemi mine by 2025

Safety performance, TRIFR



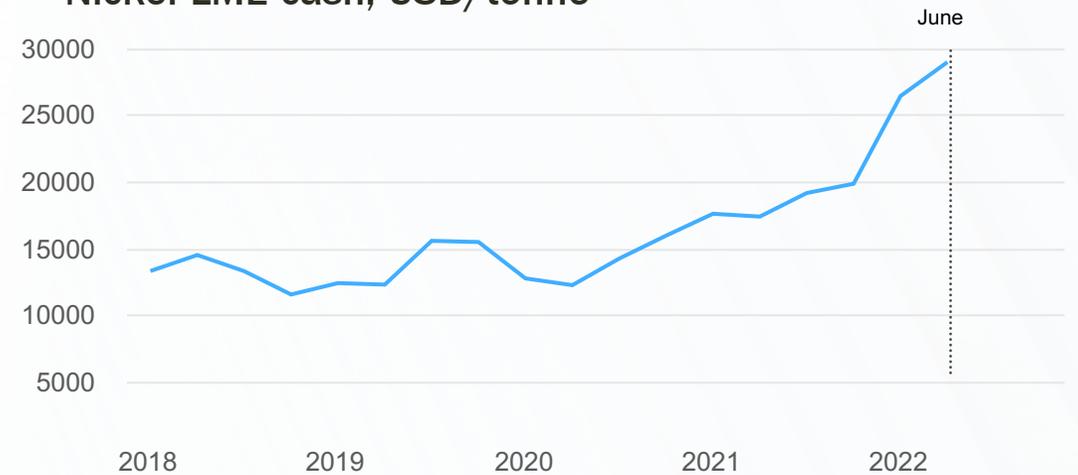
Recycled materials, %



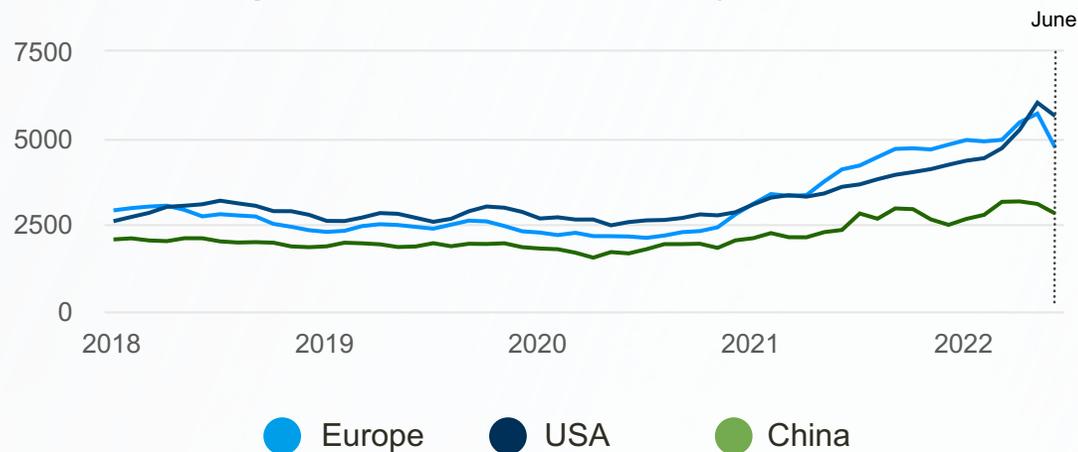
TRIFR = Number of total recordable incidents per million working hours  
\*last 12-month rolling average

# European and US stainless steel prices peaked in the second quarter

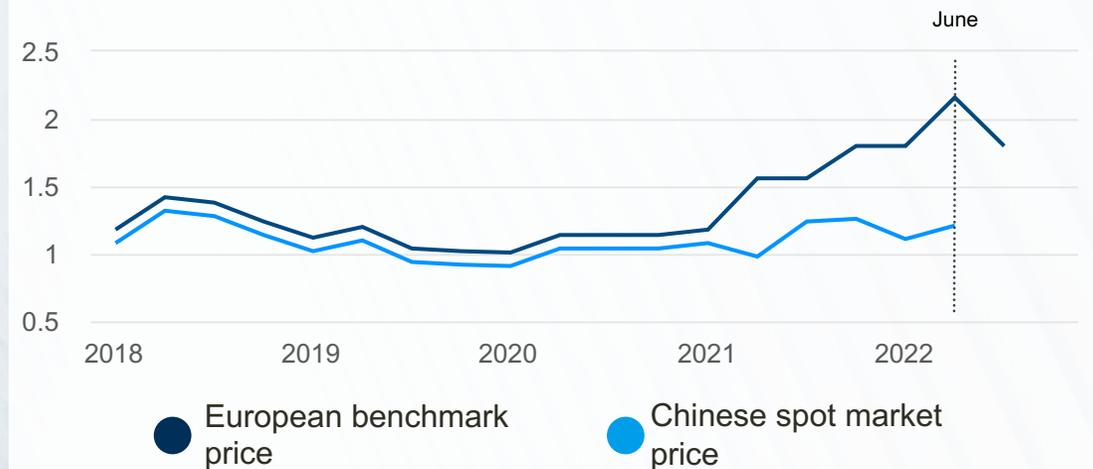
Nickel LME cash, USD/tonne



Transaction prices 304 stainless, USD/tonne\*



Ferrochrome, USD/lb

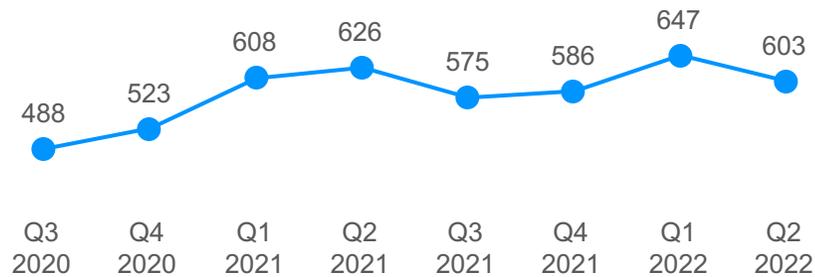


Source: CRU, July 2022; Fastmarkets/ Metal Bulletin, July 2022  
 Stainless transaction prices 304 monthly figures, nickel and ferrochrome quarterly figures

\*EUR/USD FX rate significantly weakened recently, impacting USD transaction prices

# In Q2, adjusted EBITDA increased to EUR 547 million due to strengthened stainless steel prices and positive timing impacts

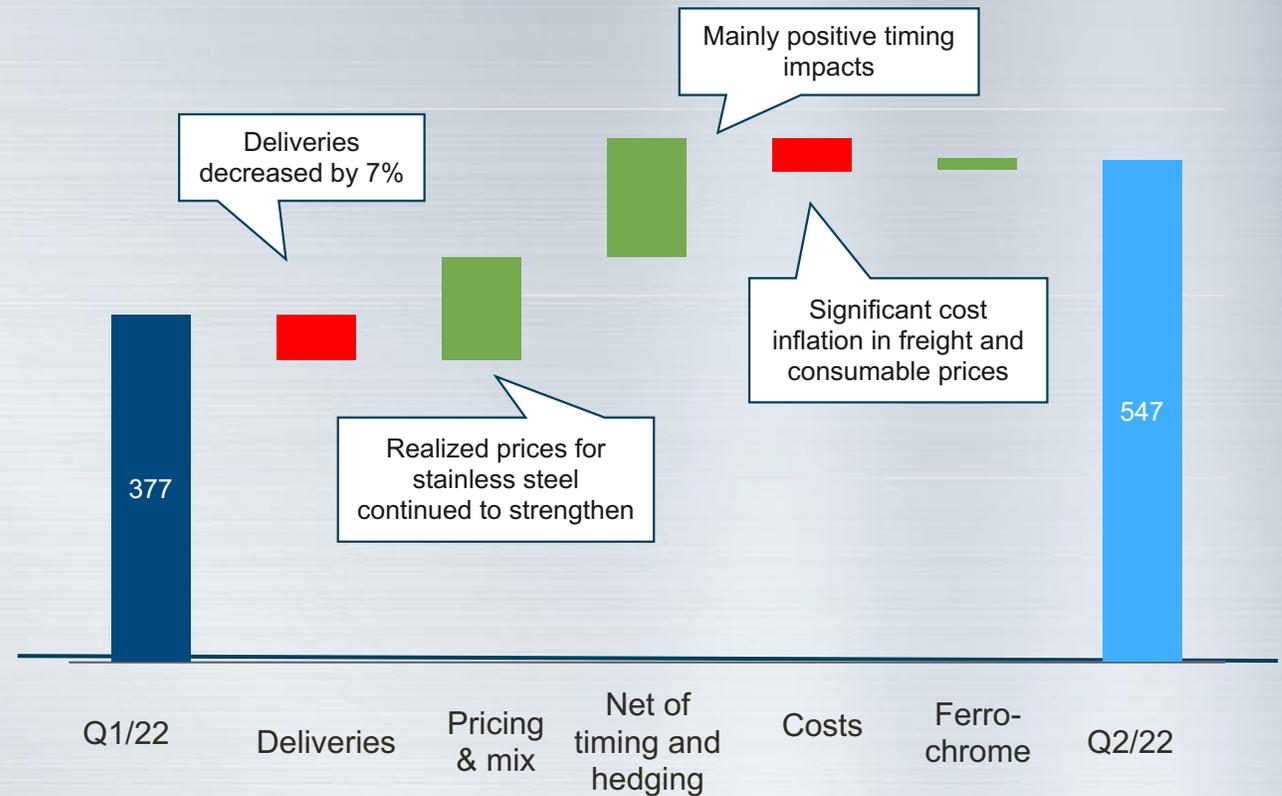
Deliveries, kt



Group adjusted EBITDA, EUR million



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



1) Indicative columns based on management estimates

A photograph of two women with curly hair, wearing light blue button-down shirts, standing on an escalator in a modern office building. The woman in the foreground is looking upwards and to the right, holding a smartphone. The background shows a glass-walled office space with circular ceiling lights.

**As a result of successful de-risking in strategy phase 1,  
Outokumpu is now financially stronger than ever**

**Pia Aaltonen-Forsell, CFO**



## Net debt reduced to all-time low level of EUR 289 million

- New EUR 700 million sustainability linked unsecured **revolving credit facility** signed
- **Liquidity** improved to EUR 1.3 billion
- In July, Outokumpu announced the **divestment of Long Products** with EV of EUR 228 million, closing of the deal expected by end of year
- **Dividend payout** of EUR 68 million in April

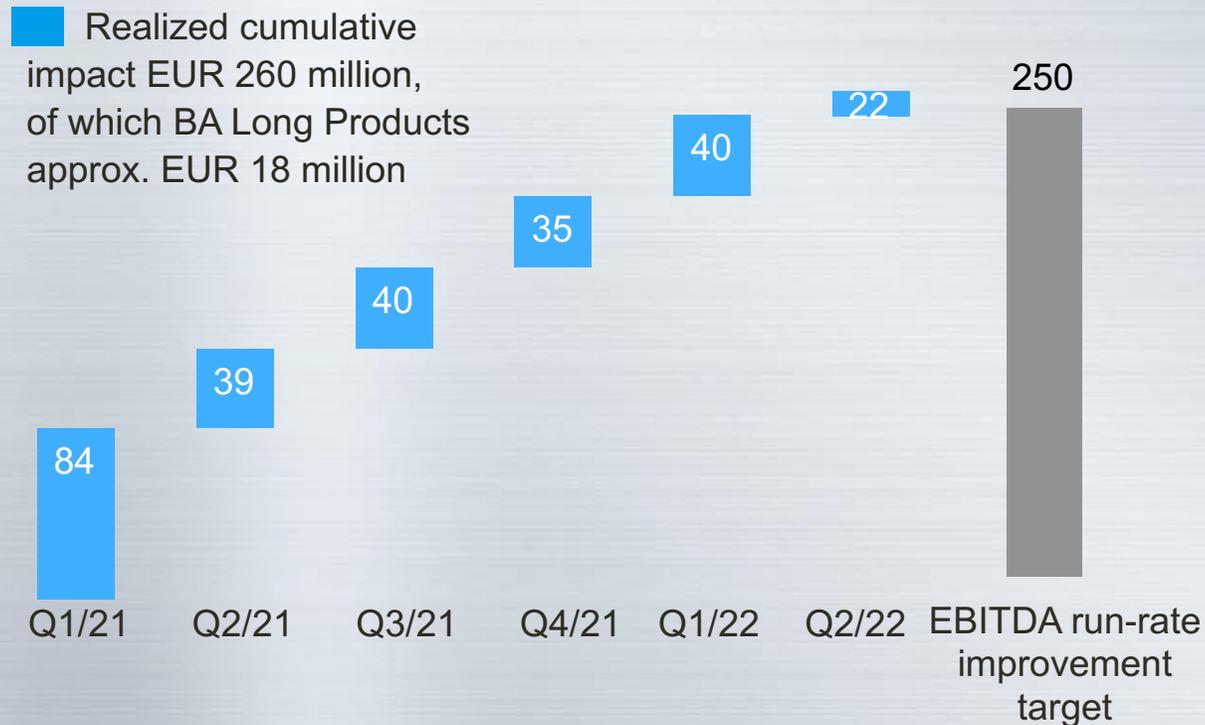
# Another record quarter in financial terms

- Net result reached a level of EUR 385 million
- Net debt to EBITDA 0.2x
- As a result of strong profitability, ROCE increased to 29.9%

Key figures		Q2 2022	Q2 2021	Q1 2022	2021
Stainless steel deliveries	1,000 tonnes	603	626	647	2,395
Sales	EUR million	2,951	1,873	2,760	7,709
<b>Adjusted EBITDA</b>	EUR million	<b>547</b>	223	377	1,021
Net result	EUR million	<b>385</b>	129	251	553
<b>Earnings per share</b>	EUR	<b>0.85</b>	0.30	0.55	1.26
<b>Operating cash flow</b>	EUR million	<b>104</b>	6	147	597
Net debt	EUR million	<b>289</b>	897	294	408
<b>Net debt to adjusted EBITDA</b>	x	<b>0.2</b>	1.8	0.2	0.4
Capital expenditure	EUR million	<b>32</b>	37	31	175
Return on capital employed, ROCE	%	<b>29.9</b>	5.2	23.0	18.4
Personnel at the end of period, full time equivalent		<b>9,173</b>	9,088	9,197	9,096

# Strategy phase 1 completed: EBITDA run-rate improvement target achieved, and exceeded ahead of time

## Gross annualized EBITDA run-rate improvement, EUR million



## Cumulative impact from different streams



# BA Europe – eighth consecutive quarter of improved adjusted EBITDA

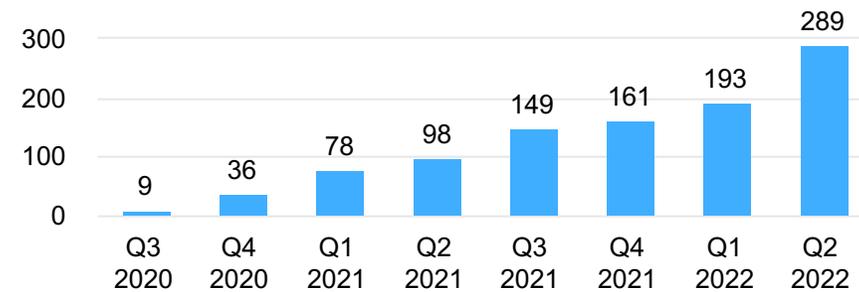
## Key points in Q2 2022

- Favorable market environment remained with strong realized prices for stainless steel
- Higher share of pro grades
- Increased imports from Asia

Europe's stainless steel deliveries, 1,000 tonnes



Europe's adjusted EBITDA, EUR million



# BA Americas – another record level of adjusted EBITDA

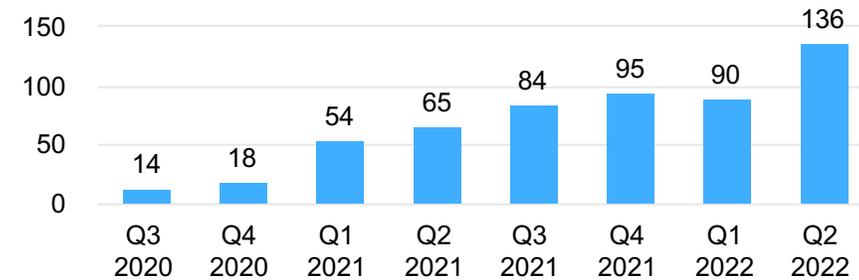
## Key points in Q2 2022

- Improved product mix and strong realized prices for stainless steel
- Market share was maintained despite increased imports
- Underlying demand remains strong

Americas' stainless steel deliveries, 1,000 tonnes



Americas adjusted EBITDA, EUR million



# BA Ferrochrome – exceptionally high ferrochrome sales price boosted profitability

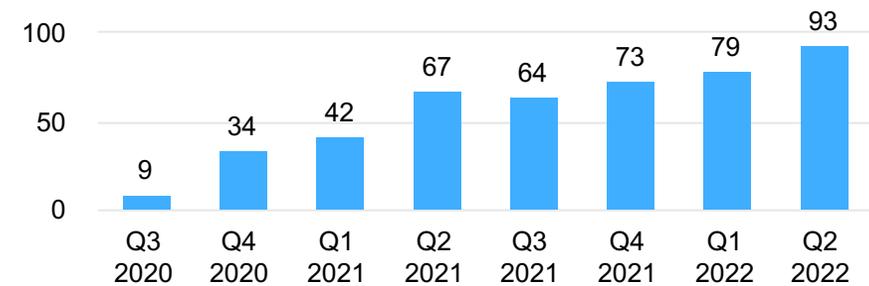
## Key points in Q2 2022

- Increased maintenance work
- Cost inflation in consumables
- Deep Mine project to be finalized by the end of 2022

Ferrochrome production, 1,000 tonnes



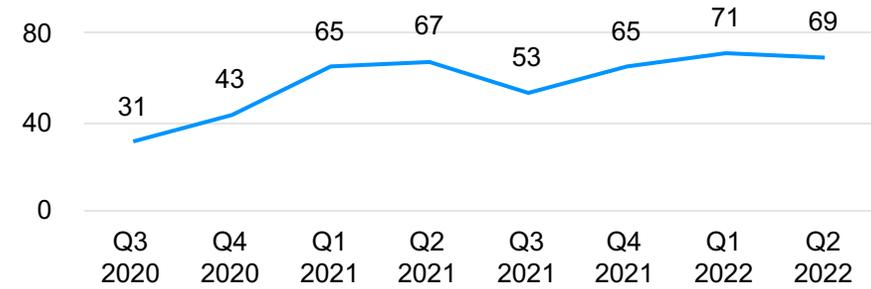
Ferrochrome's adjusted EBITDA, EUR million



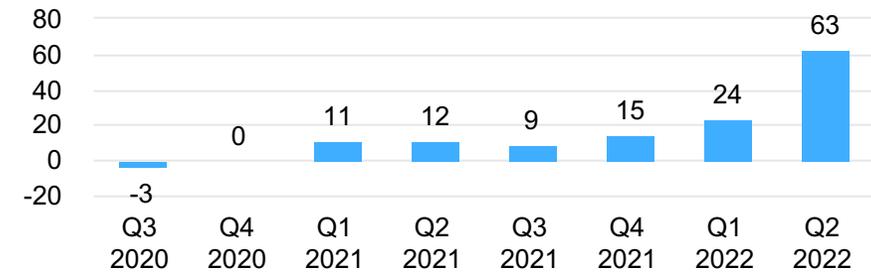
# BA Long Products – divestment represents a successful closing of the turnaround program

- Majority of BA Long Products will be divested
- Exceptional adjusted EBITDA for BA Long Products in Q2, raw material-related inventory and metal derivative gains amounted to EUR 34 million

Long Products' stainless steel deliveries, 1,000 tonnes

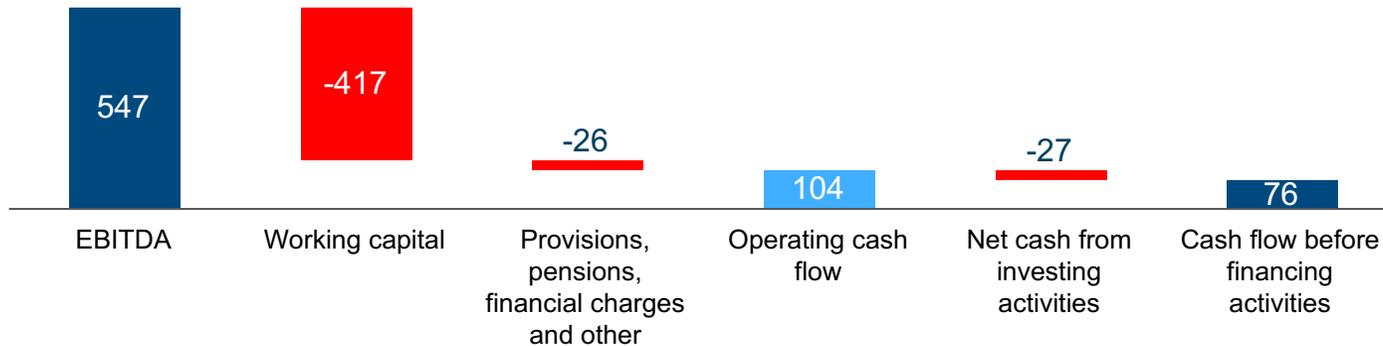


Long Products' adjusted EBITDA, EUR million

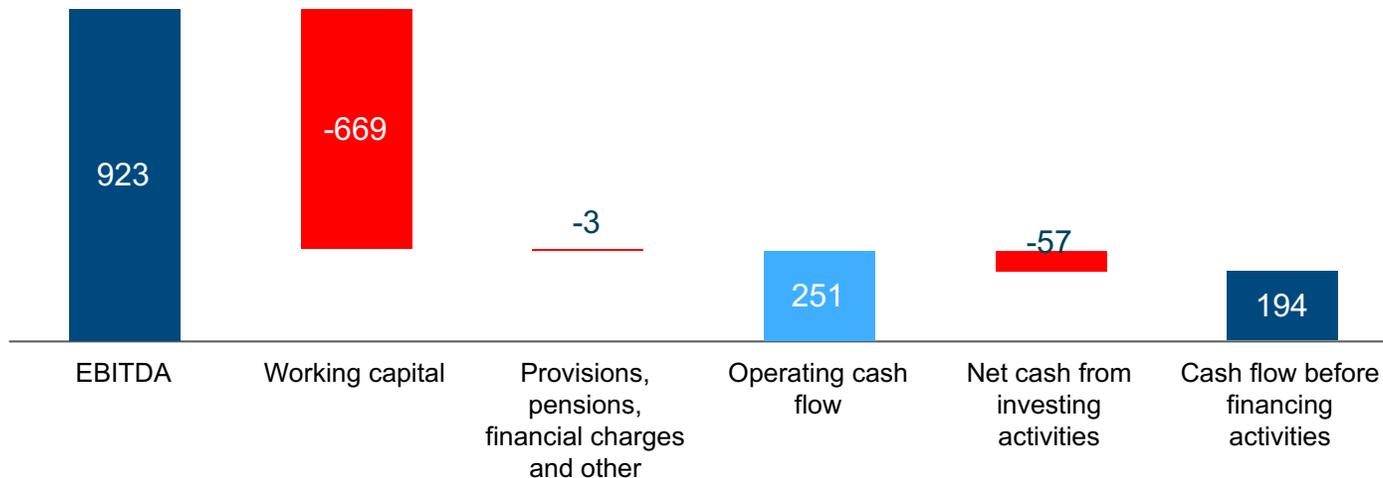


# Positive operational cash flow despite increased NWC as a result of higher prices and contingency measures due to geopolitical situation

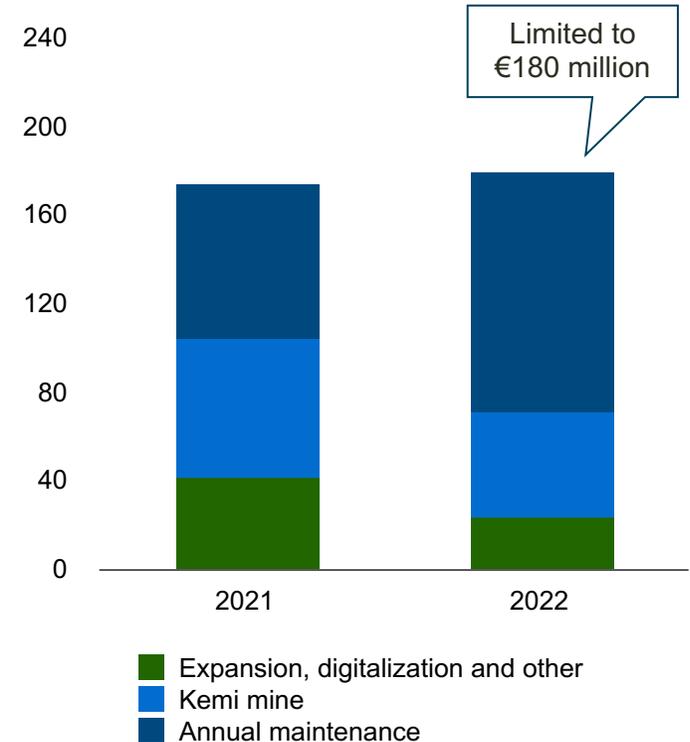
Q2/22 cash flow, EUR million



H1/2022 cash flow, EUR million

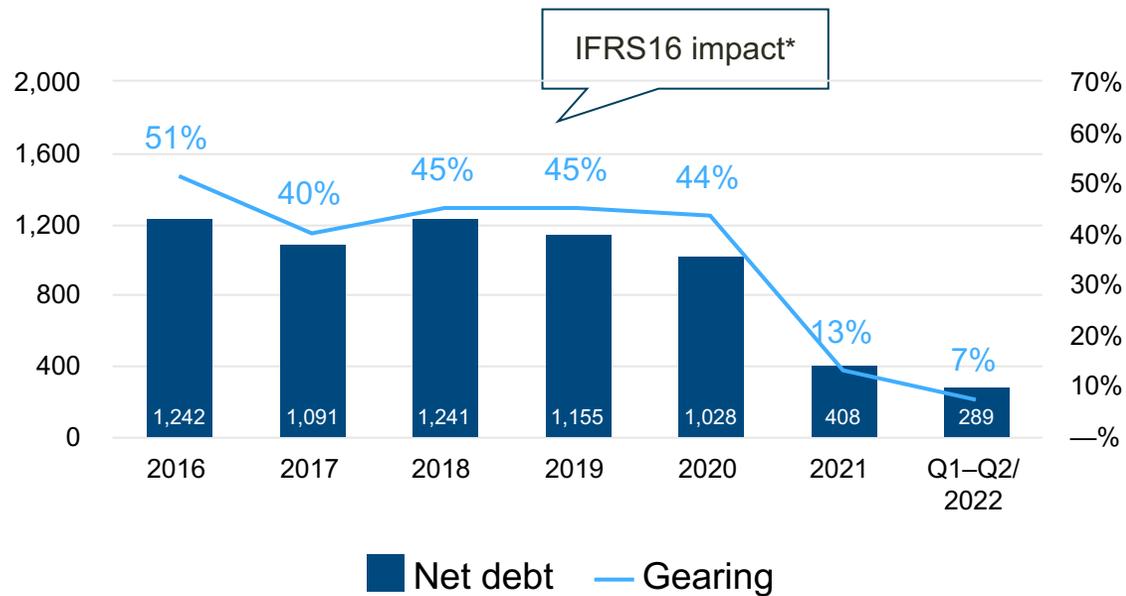


Annual capex, EUR million

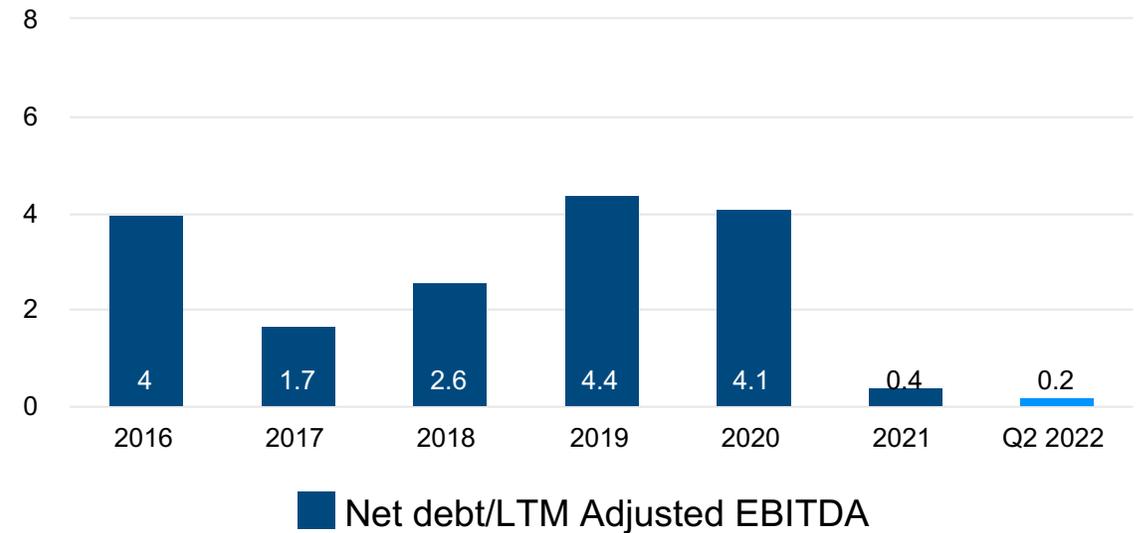


# We have significantly strengthened our balance sheet and improved our resilience for all market conditions

Net debt, EUR million

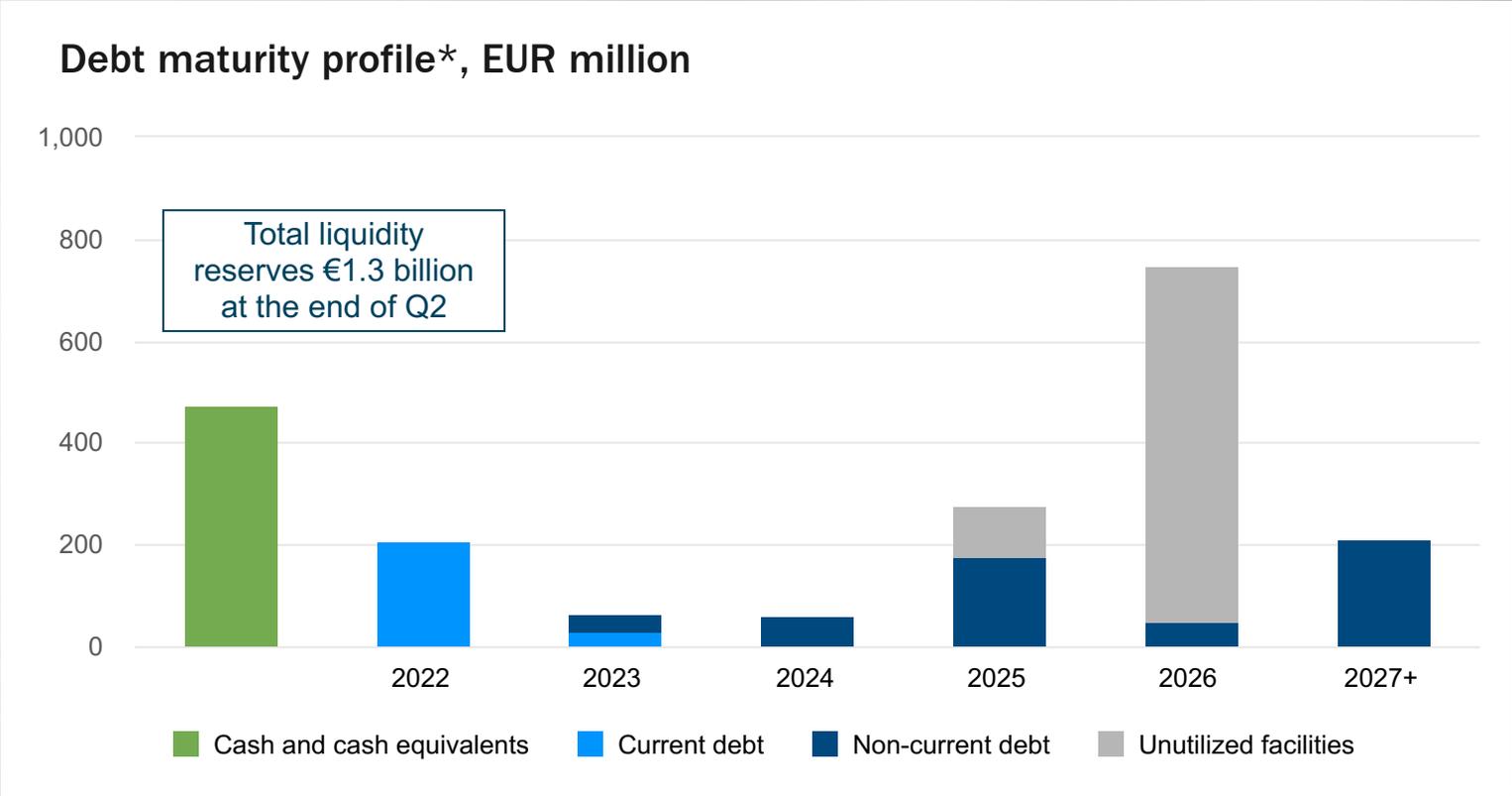
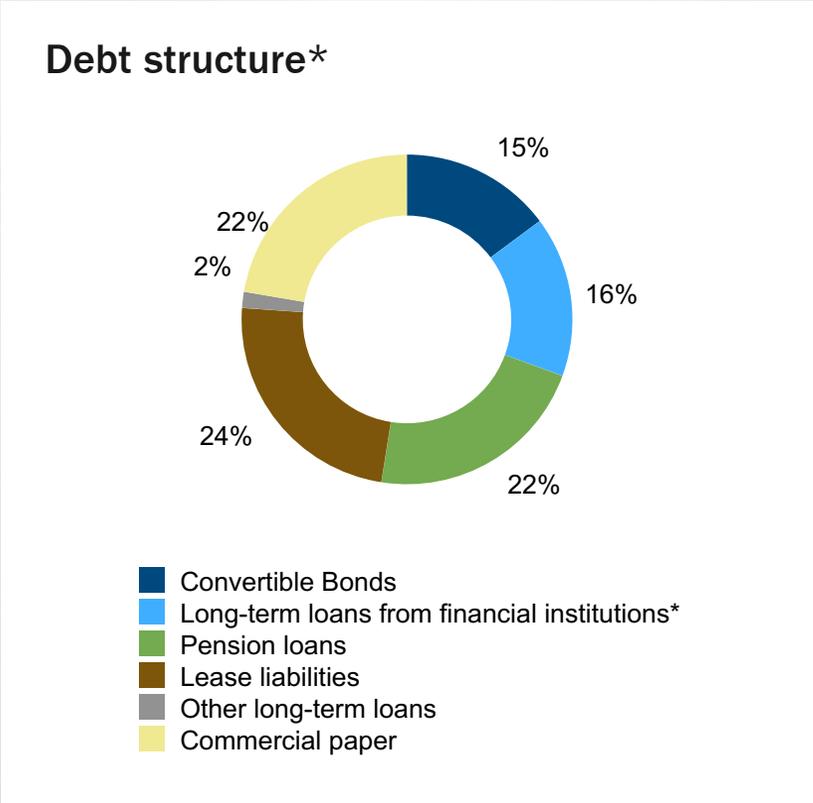


Net debt/LTM adjusted EBITDA



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

# In June, we signed a new EUR 700 million sustainability linked unsecured revolving credit facility



\*June 30, 2022





# We are living in exceptionally uncertain times

Heikki Malinen, President & CEO

August 4, 2022

outokumpu 

# Outlook for Q3 2022 for continuing operations\*

Group stainless steel deliveries for continuing operations\* in the third quarter are expected to decrease by 10–20% compared to the second quarter.

Prices for stainless steel in the already received orders have remained at a high level. The European ferrochrome benchmark price decreased to USD 1.80/lb for the third quarter.

Energy costs are expected to increase in the third quarter and impact especially negatively business area Ferrochrome.

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, significant raw material-related inventory and metal derivative losses are expected to be realized in the third quarter.

## **Guidance for Q3 2022:**

Adjusted EBITDA for continuing operations\* in the third quarter of 2022 is expected to be lower compared to the second quarter.

\*Continuing operations is excluding the Long Products business units to be divested, which will be classified as assets held for sale, reported and restated as discontinued operations in Q3/2022. Continuing operations represents approximately 90% of Group second-quarter adjusted EBITDA.



Thank you!

Questions  
& answers

Our efforts  
in sustainability  
have been  
globally  
recognized



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

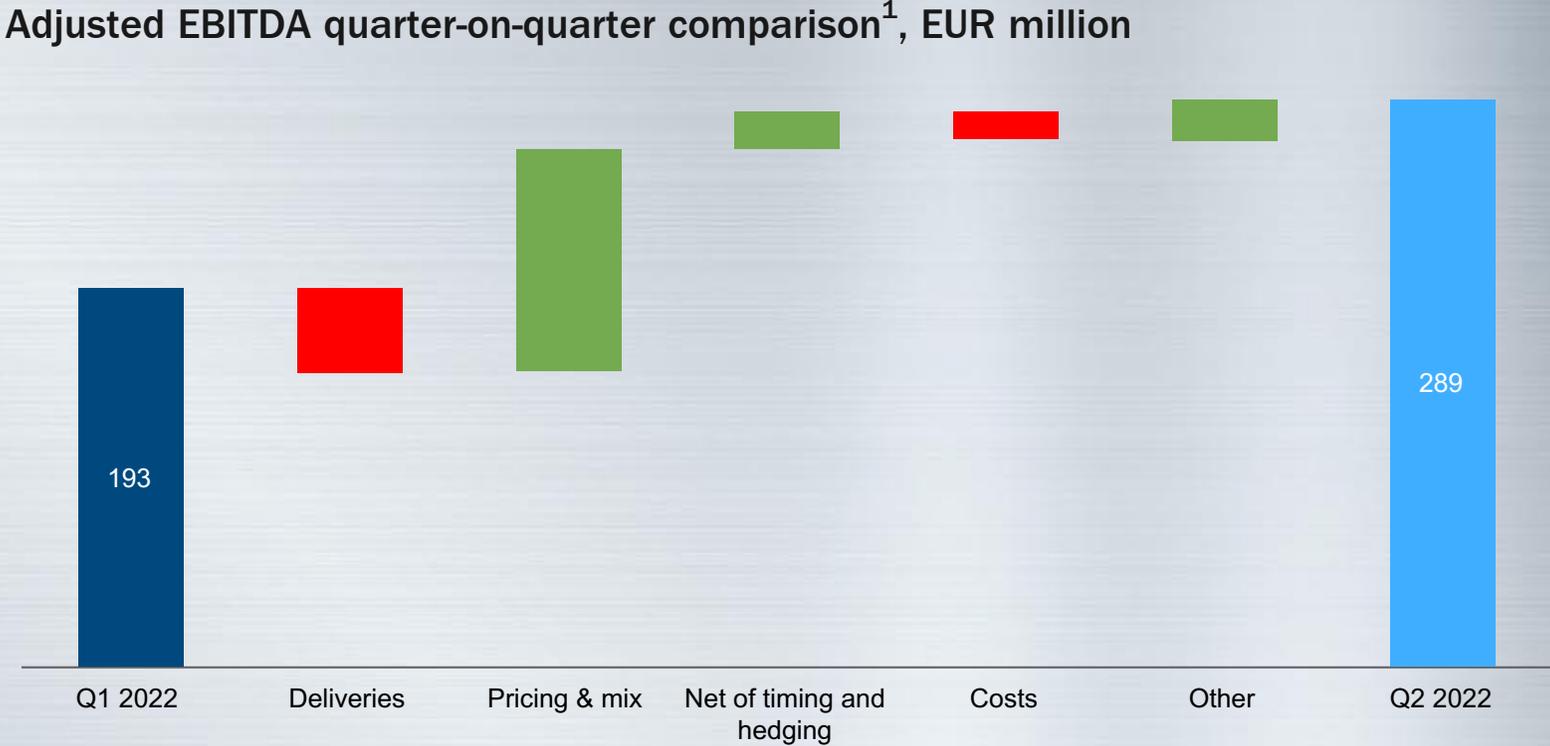
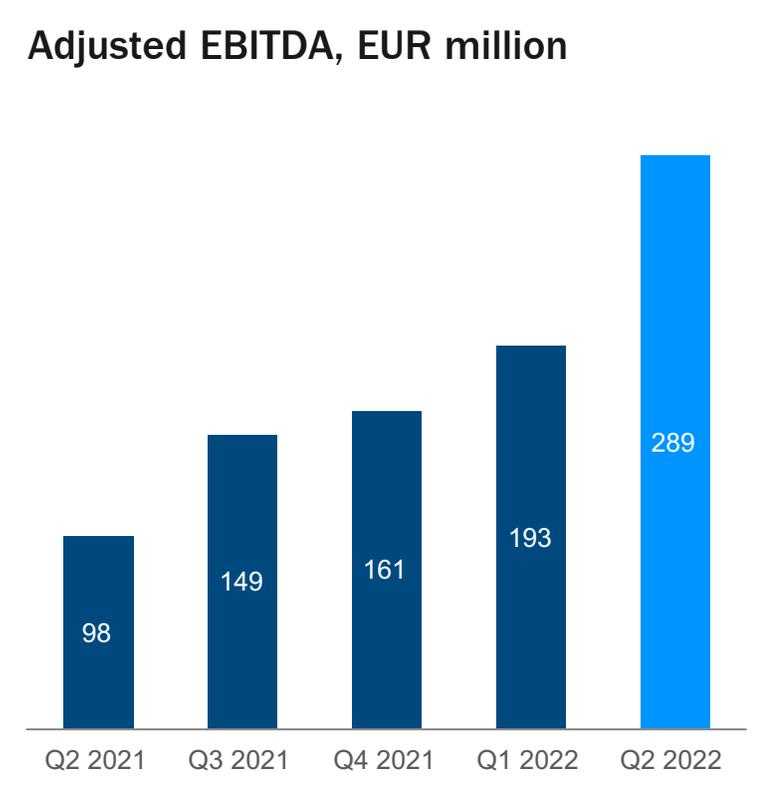


Sustainability Yearbook  
Member 2022

S&P Global

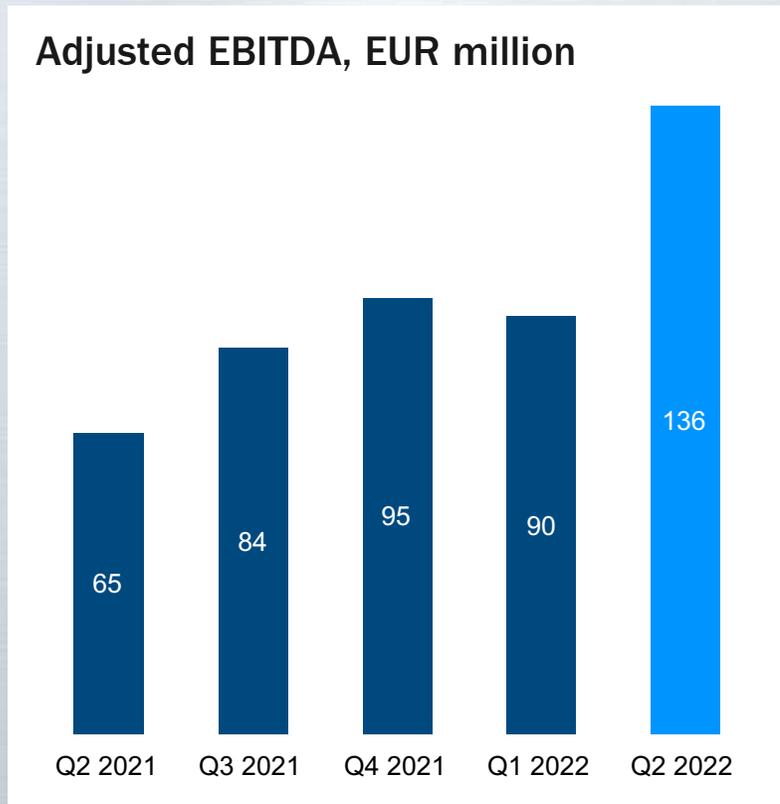


# BA Europe's adjusted EBITDA was EUR 289 million in Q2

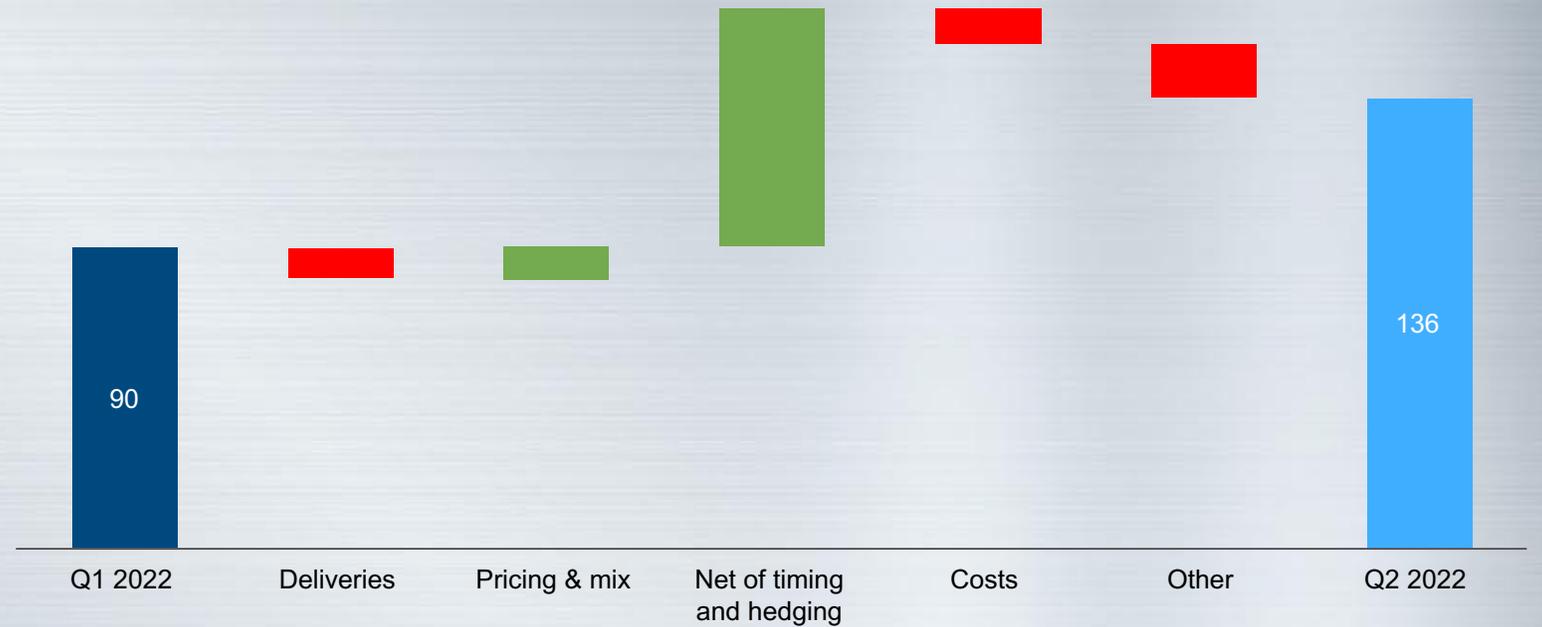


1) Indicative columns based on management estimates

# BA Americas' adjusted EBITDA was EUR 136 million in Q2

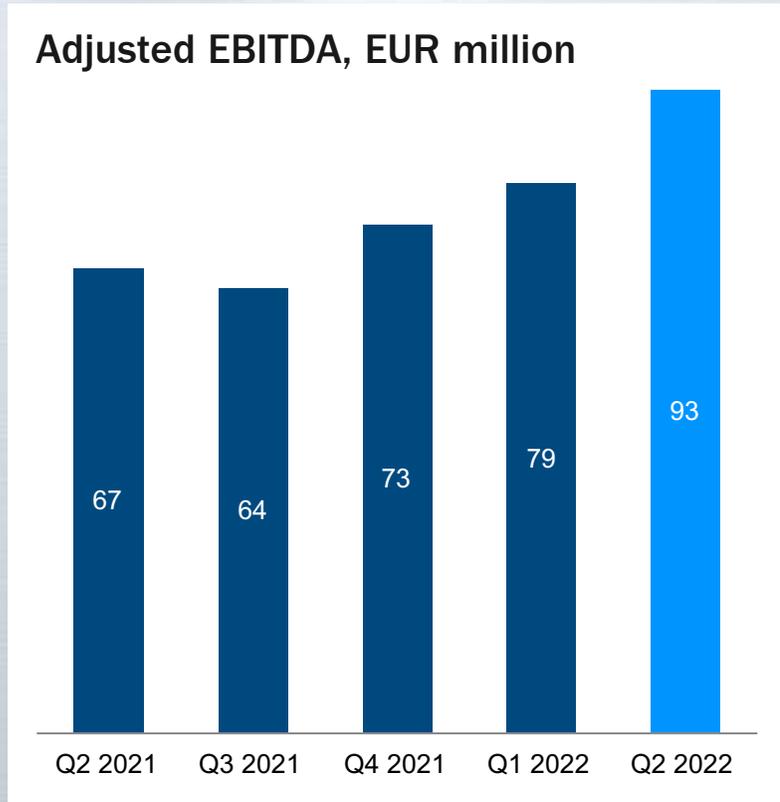


Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



1) Indicative columns based on management estimates

# BA Ferrochrome's adjusted EBITDA was EUR 93 million in Q2

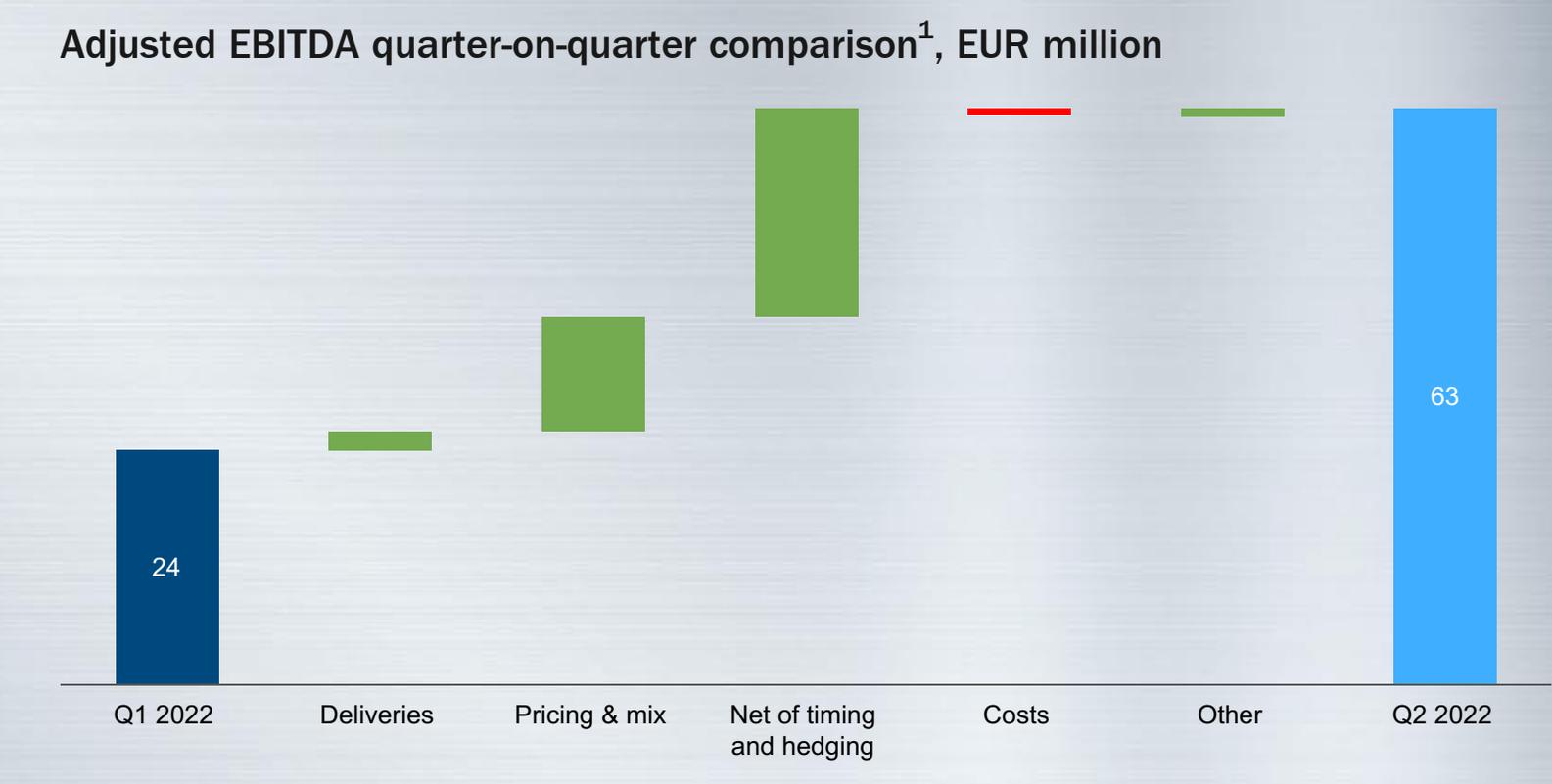
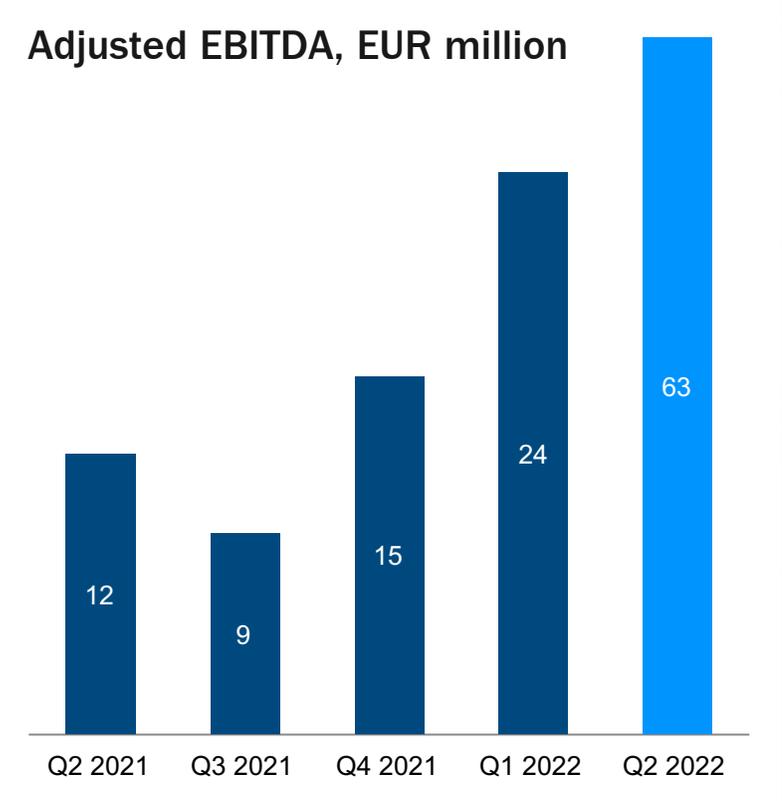


Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



1) Indicative columns based on management estimates

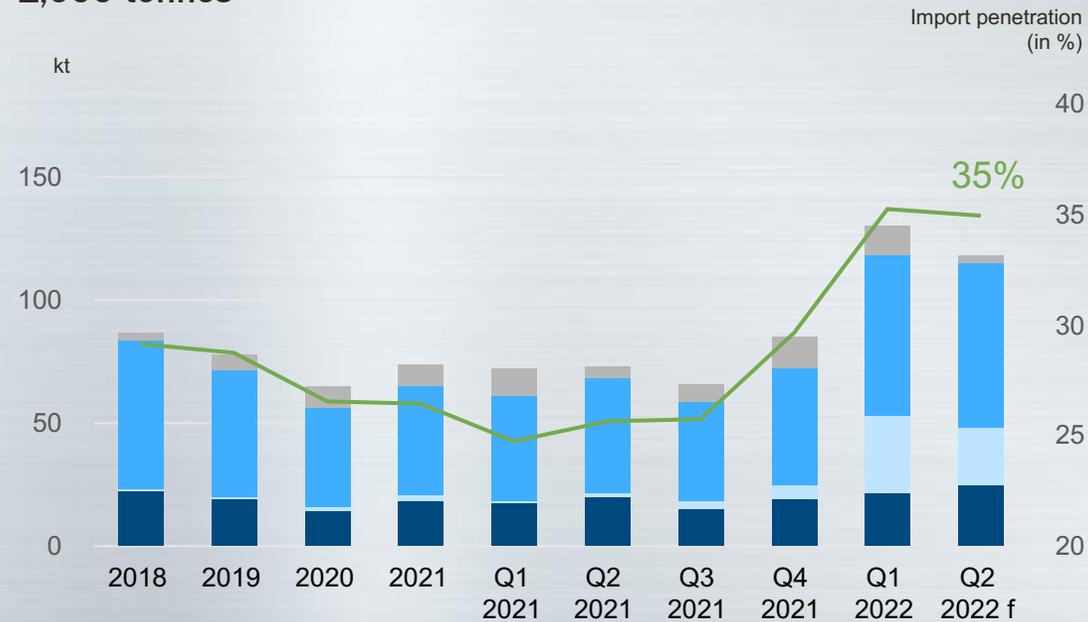
# BA Long products' adjusted EBITDA was EUR 63 million in Q2



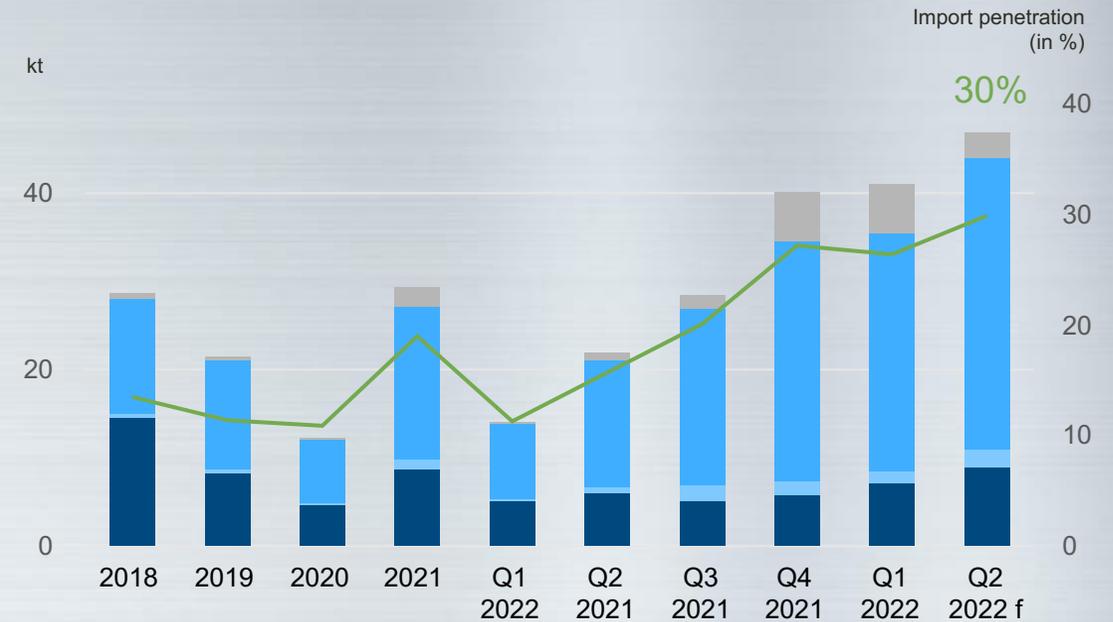
1) Indicative columns based on management estimates

# In 2022, imports into Europe and US have increased

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 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, July 2022

2. Cold rolled, monthly average. Source: Foreign Trade Statistics, American Iron & Steel Institute, July 2022 (Q2'22 based on April-May).