

A historic year for Outokumpu - record earnings and a net debt free balance sheet

Outokumpu Q4 2022 and full year 2022 results

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

February 9, 2023



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A large industrial crane is lifting a white cylindrical component, likely a wind turbine nacelle, at a construction site. The crane is yellow and white, with a glass-enclosed operator's cab. The background shows a clear blue sky and other industrial structures. A semi-transparent blue banner is overlaid on the image, containing white text.

Strong market environment combined with prompt strategy execution resulted in record earnings in 2022

Heikki Malinen, President & CEO

In 2022, we delivered the best result in our history, adjusted EBITDA increased to EUR 1.3 billion

- **Strong market environment** in the first half of 2022
- **Stainless operations** successfully ran throughout the year despite energy-related challenges
- **Ferrochrome operations** suffered from very high electricity prices
- High cost inflation, but **successful mitigation actions**
- Exceptional volatility in **nickel price**
- **Record high recycled material content*** of 94%
- CO₂ emissions reduced in line with **SBTi target**

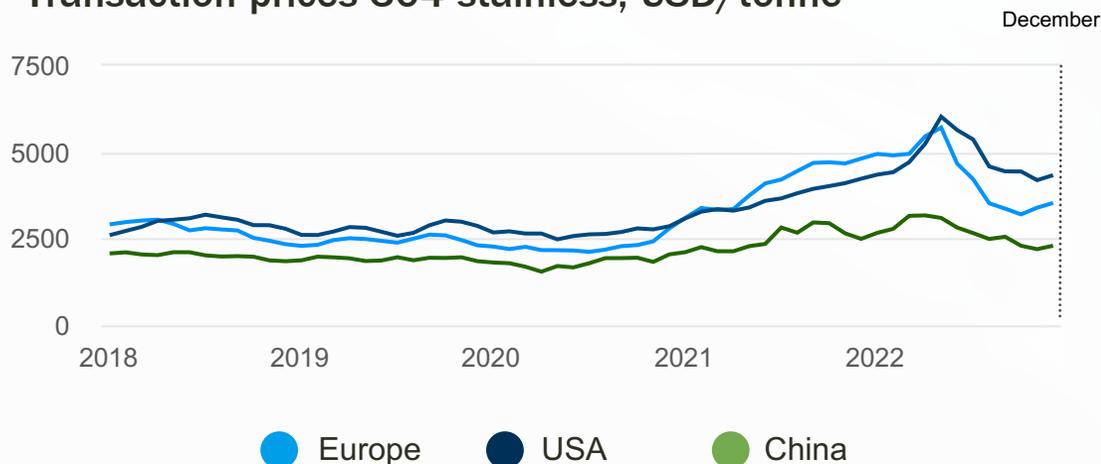
*last 12-month rolling average

Stainless steel prices reached their peak in mid-2022 and have normalized since

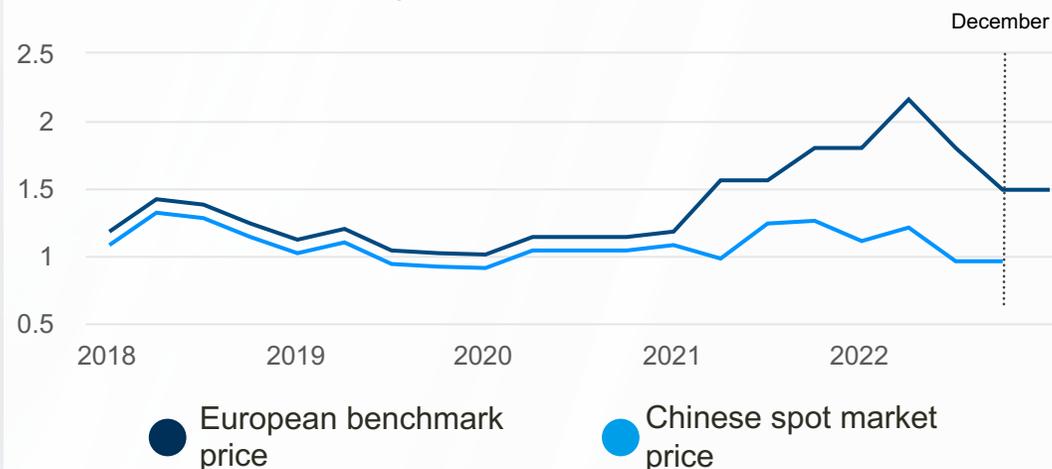
Nickel LME cash, USD/tonne



Transaction prices 304 stainless, USD/tonne*



Ferrochrome, USD/lb



Source: CRU, February 2022; Fastmarkets, January 2023
Stainless transaction prices 304 monthly figures, nickel and ferrochrome quarterly figures

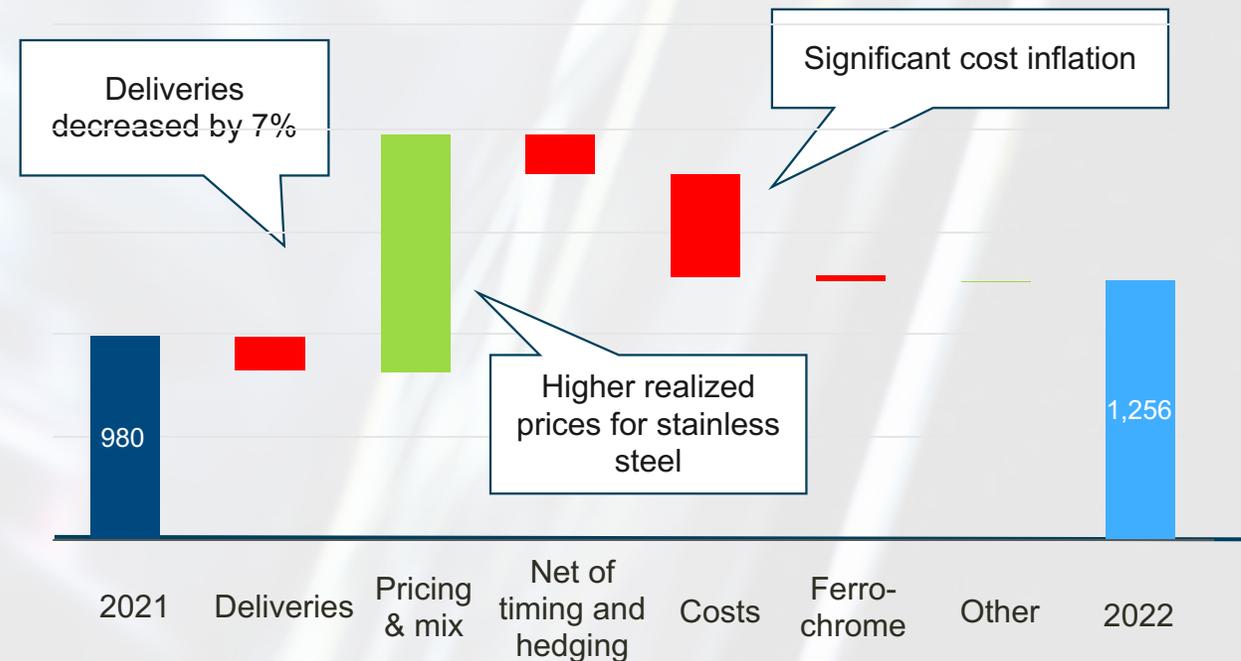
*EUR/USD FX rate impacting USD transaction prices



In 2022, adjusted EBITDA reached EUR 1,256 million in a strong but exceptionally volatile operating environment

- **Robust market environment** in the first half of 2022, clear weakening in the second half
- **High realized prices** for stainless steel supported profitability
- **Significant cost inflation** in energy and various consumable prices
- Both **stainless business areas** delivered their best results in history
- Successful electricity optimization in **business area Ferrochrome**

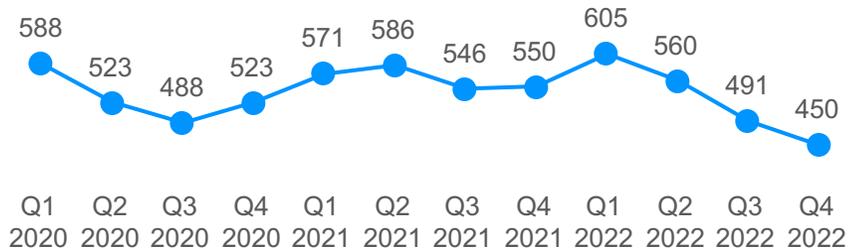
Adjusted EBITDA year-on-year comparison¹, EUR million



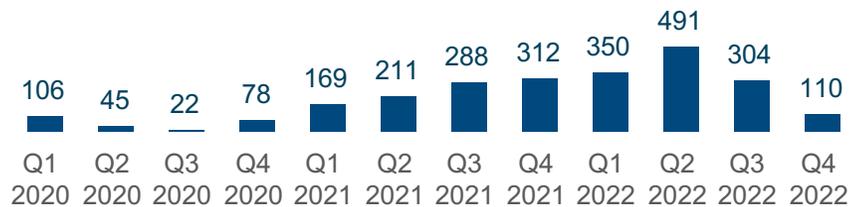
1) Indicative columns based on management estimates, continuing operations only

In Q4, adjusted EBITDA amounted to EUR 110 million in a weakening market with significant distributor de-stocking

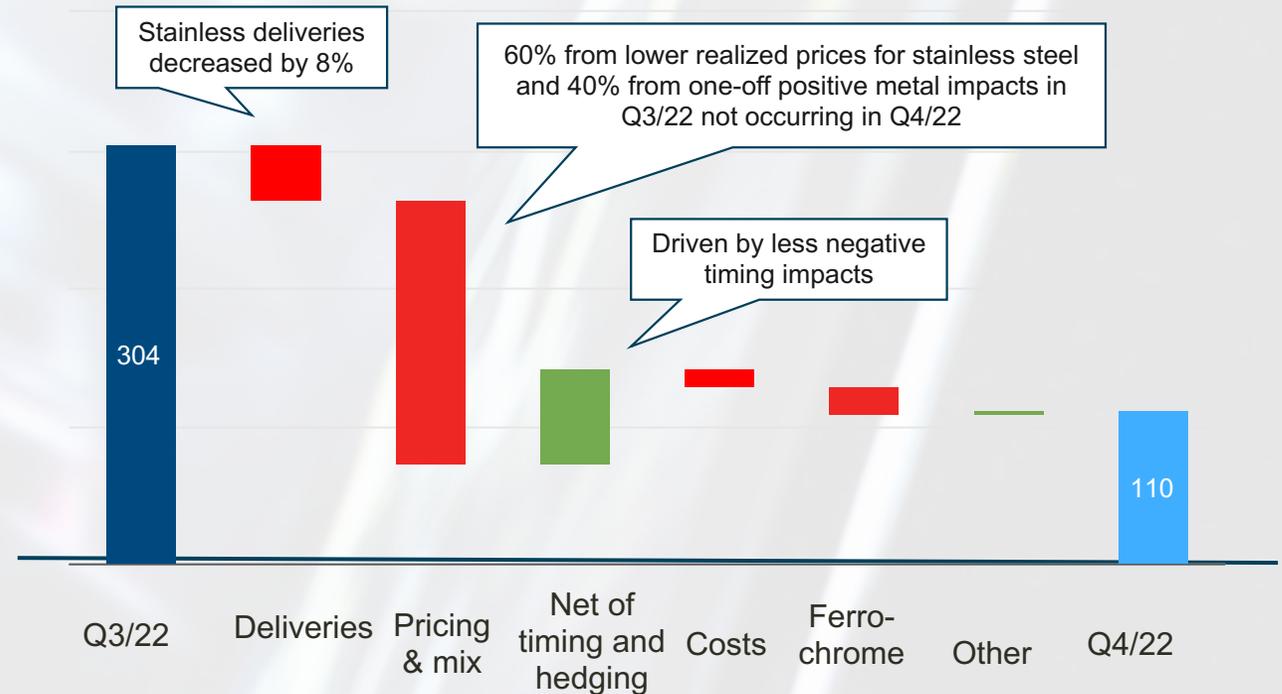
Deliveries, kt



Group adjusted EBITDA, EUR million



Adjusted EBITDA quarter-on-quarter comparison¹, EUR million



Note: figures for adjusted EBITDA and deliveries have been restated from Q1 2021 onward to reflect the divestment of majority of the Long Products business.

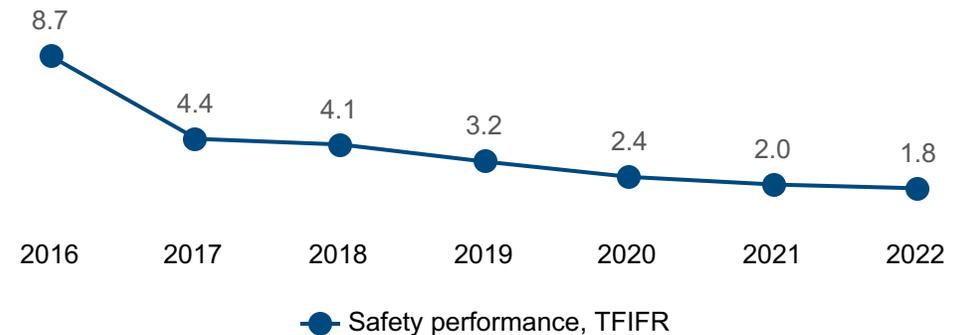
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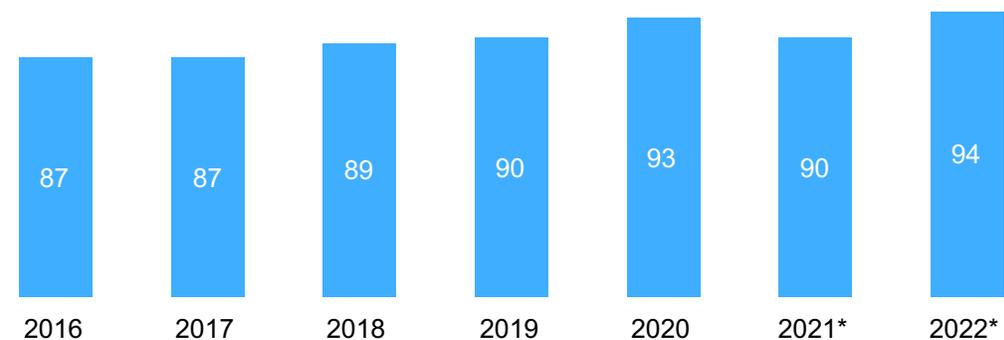
Record high recycled content and best safety performance ever strengthened our sustainability leadership further

- **Safety performance** further improved in 2022 from already a strong level
- All-time high **recycled material content** of 94% was reached
- **Energy-efficiency** in 2022 was negatively affected by lower volumes and energy usage optimization
- **Emission intensity** target was reached
- **91%** of Outokumpu's sales in 2022 is both **eligible and aligned with the EU taxonomy**

Safety performance, TRIFR

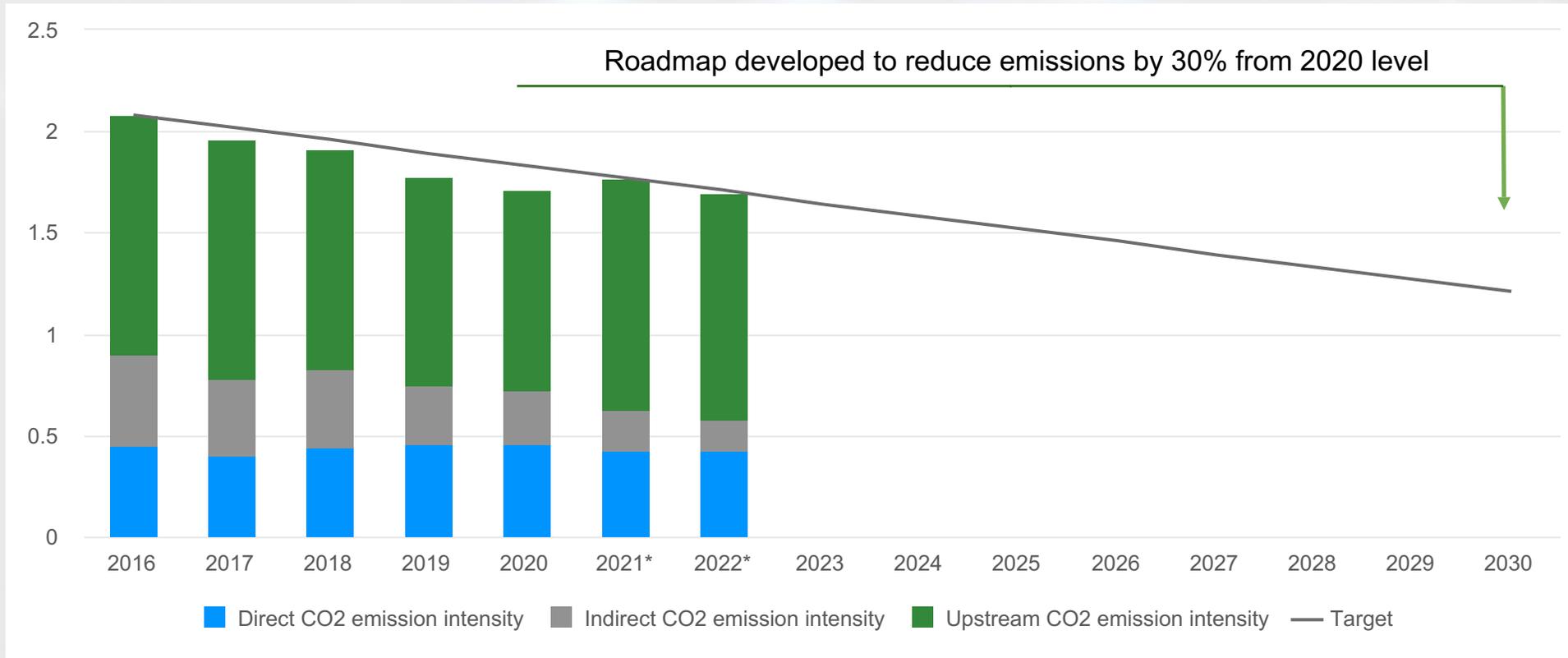


Recycled materials, %



TRIFR = Number of total recordable incidents per million working hours
*2021 and 2022 numbers include only continuing operations

Strong sustainability performance continued, CO₂ emissions reduced in line with SBTi 1.5 °C target



*continuing operations

- Upstream CO₂ emission intensity
- Indirect CO₂ emission intensity
- Direct CO₂ emission intensity

Divestment of the Long Products' business successfully completed - strategic focus reached

- Transaction completed on **January 3rd, 2023**
- The total consideration of the transaction on a debt and cash free basis **EUR 228 million**
- Estimated **net debt impact EUR 100 million**
- Outokumpu will now focus fully on its core business of low-carbon **flat stainless steel** and **ferrochrome**



Outokumpu is now net debt free and financially stronger than ever before

Pia Aaltonen-Forsell, CFO

Strongest balance sheet in the industry

- Outokumpu's **net debt was negative** by EUR 10 million at year-end
- **Liquidity** at EUR 1.4 billion
- EUR 800 million of **committed credit facilities** fully unutilized
- No **commercial paper** funding at year-end
- Maximum of EUR 100 million **share buyback program** launched in November

Note: Numbers include both continuing and discontinuing operations

Strong financial performance

- Net result over EUR 1.0 billion
- Record level earnings per share at EUR 2.40; including a positive impact of EUR 0.67 from deferred tax asset recognition
- ROCE 22.6%
- Net debt to adjusted EBITDA ratio at 0.0

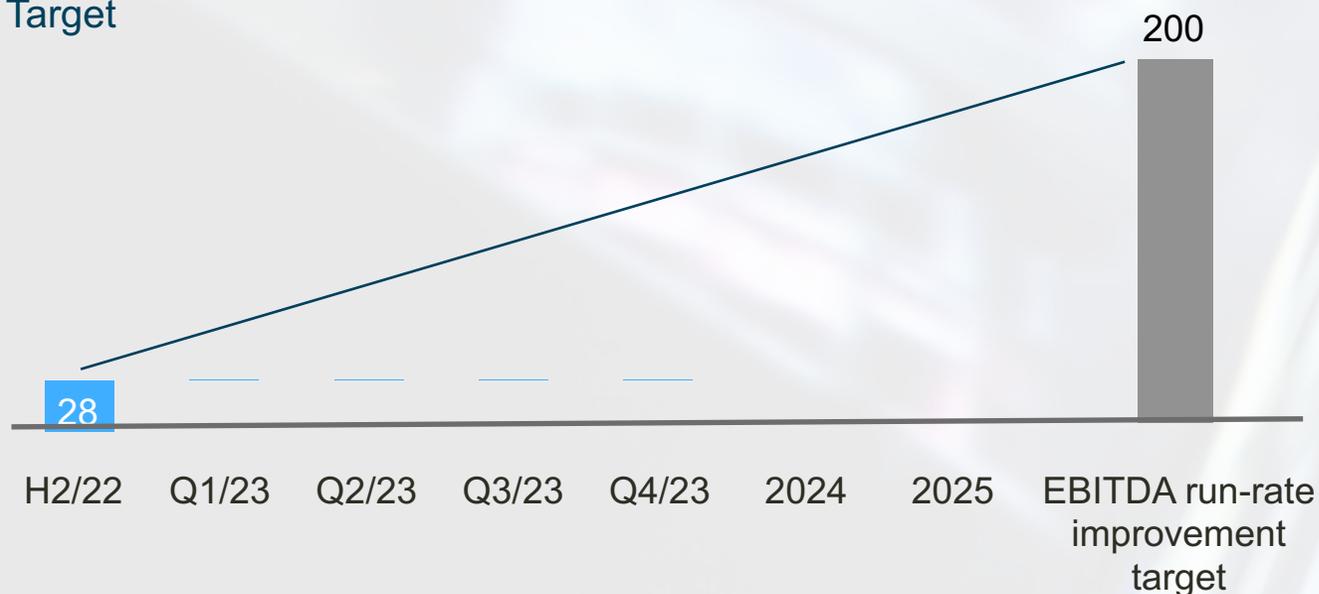
Key figures		Q4 2022	Q4 2021	Q3 2022	2022	2021
Continuing operations						
Stainless steel deliveries	1,000 tonnes	450	550	491	2,106	2,254
Sales	EUR million	1,895	2,083	2,339	9,494	7,243
Adjusted EBITDA	EUR million	110	312	304	1,256	980
Net result	EUR million	312	150	207	1,086	526
Earnings per share	EUR	0.69	0.34	0.46	2.40	1.21
Capital expenditure	EUR million	60	58	37	158	171
Personnel at the end of period	FTE	8,357	8,439	8,602	8,357	8,439
Return on capital employed, ROCE	%	22.6	17.6	26.8	22.6	17.6
Including discontinued operations						
Operating cash flow	EUR million	289	384	238	778	597
Net debt	EUR million	-10	408	90	-10	408
Net debt to adjusted EBITDA	x	0.0	0.4	0.1	0.0	0.4
Return on capital employed, ROCE	%	24.5	18.4	28.7	24.5	18.4

Note: Recognition of the EUR 297 million deferred tax asset in Q4/2022 impacted positively net income and earnings per share, negatively return on capital employed.

Phase 2 strategy execution: EUR 28 million EBITDA run-rate improvement achieved in H2 2022

Gross annualized EBITDA run-rate improvement, EUR million

- Realized
- Illustrative plan
- Target



In the second phase, we will further improve our EBITDA run-rate through:

- Growth from productivity
- Customer-focused steering
- Sustainability

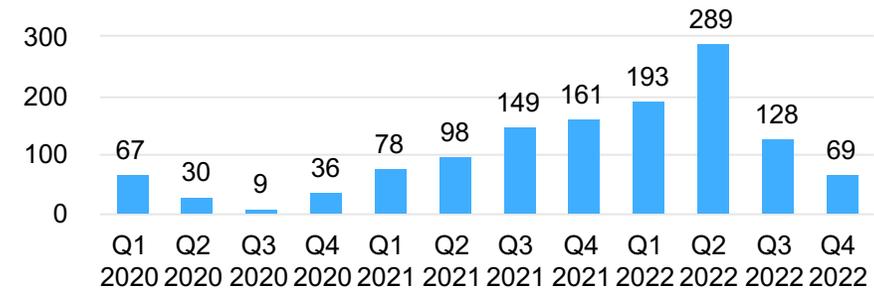
BA Europe – Profitability impacted by higher energy costs and stainless steel prices returning to normalized levels

- Solid operational performance throughout the year
- Import pressure eased towards the end of the year as the price gap narrowed between European and Asian stainless steel
- Distributor replenishment gradually starting

Europe's stainless steel deliveries, 1,000 tonnes



Europe's adjusted EBITDA, EUR million



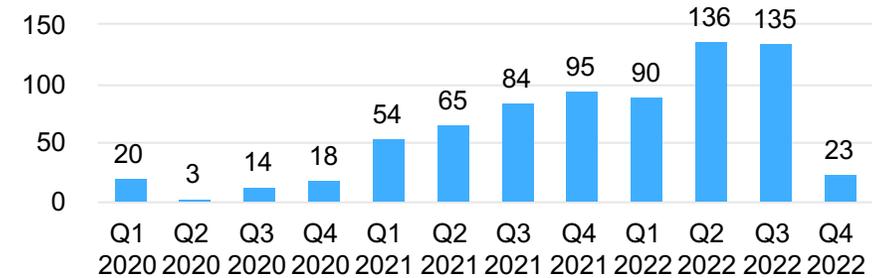
BA Americas – De-stocking and seasonally low quarter led to decreased volumes

- Distributor de-stocking continues even through Q1 2023
- Net of timing & hedging was EUR -29 million in Q4
- Strong operational performance and record earnings in 2022

Americas' stainless steel deliveries, 1,000 tonnes



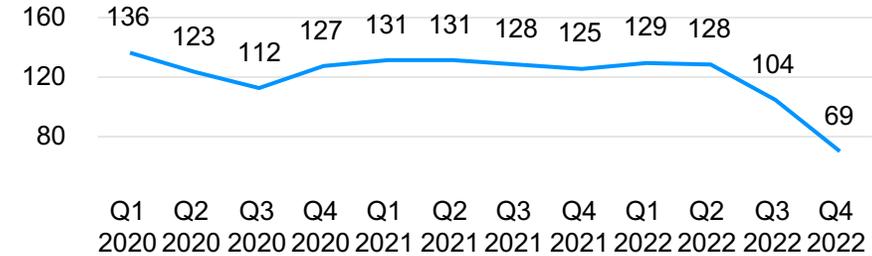
Americas adjusted EBITDA, EUR million



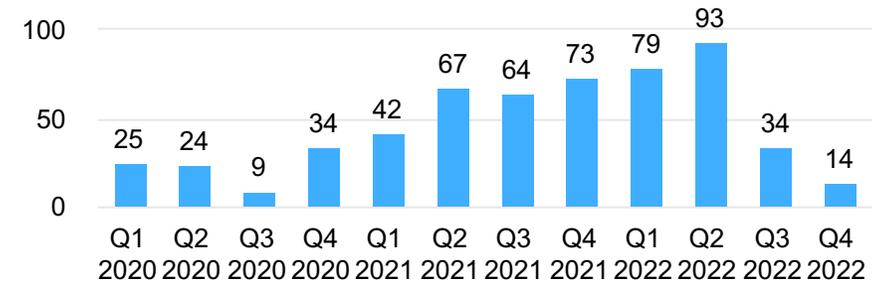
BA Ferrochrome – High electricity prices led to a furnace shutdown and production optimization

- Ferrochrome production continues at 50-60% of its full capacity
- Temporarily shut ferrochrome furnace will be restarted on February 15, 2023
- Recent disruption in one of the other ferrochrome furnaces is likely to require a maintenance break in Q2 2023

Ferrochrome production, 1,000 tonnes

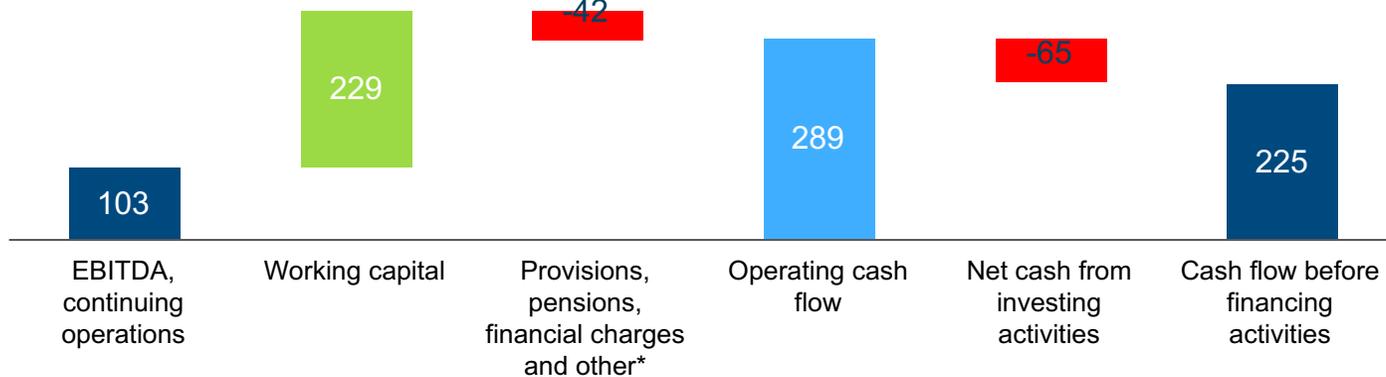


Ferrochrome's adjusted EBITDA, EUR million

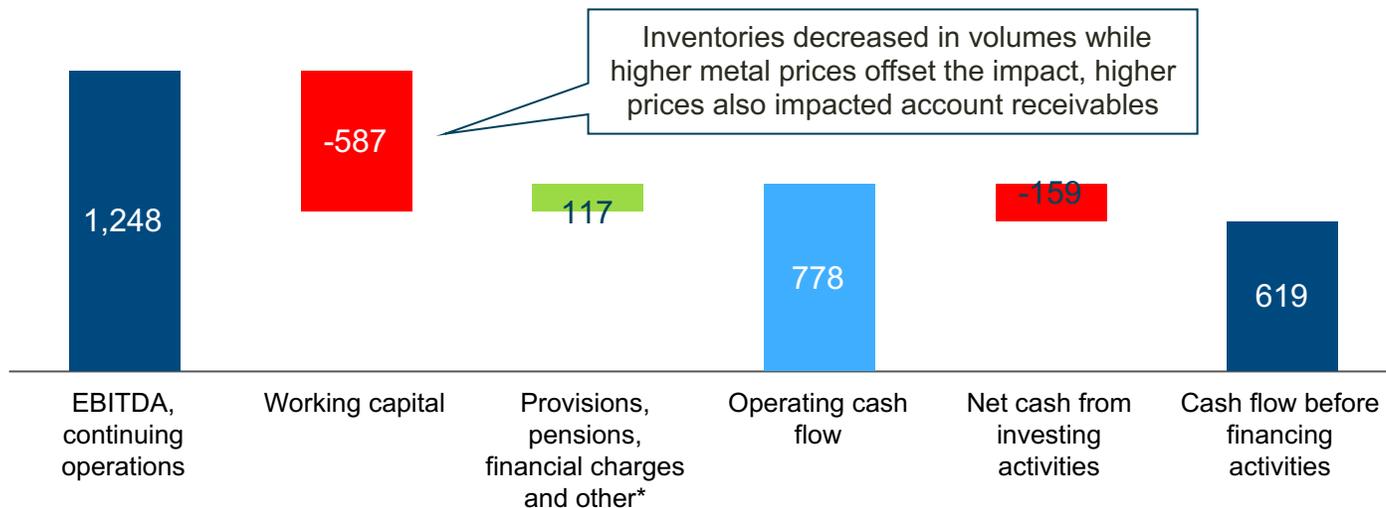


Strong cash flow resulted in negative net debt

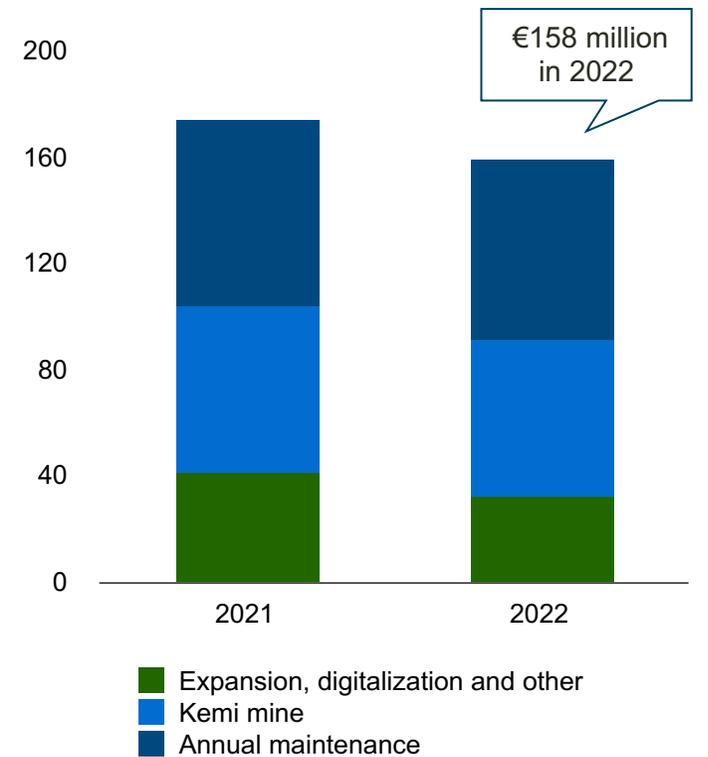
Q4/22 cash flow, EUR million



2022 cash flow, EUR million

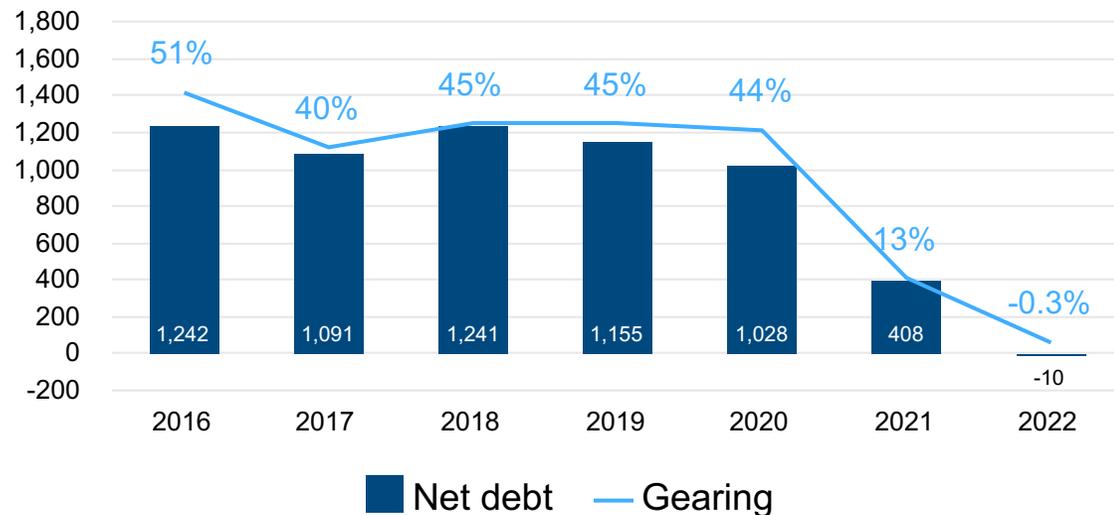


Annual capex, EUR million

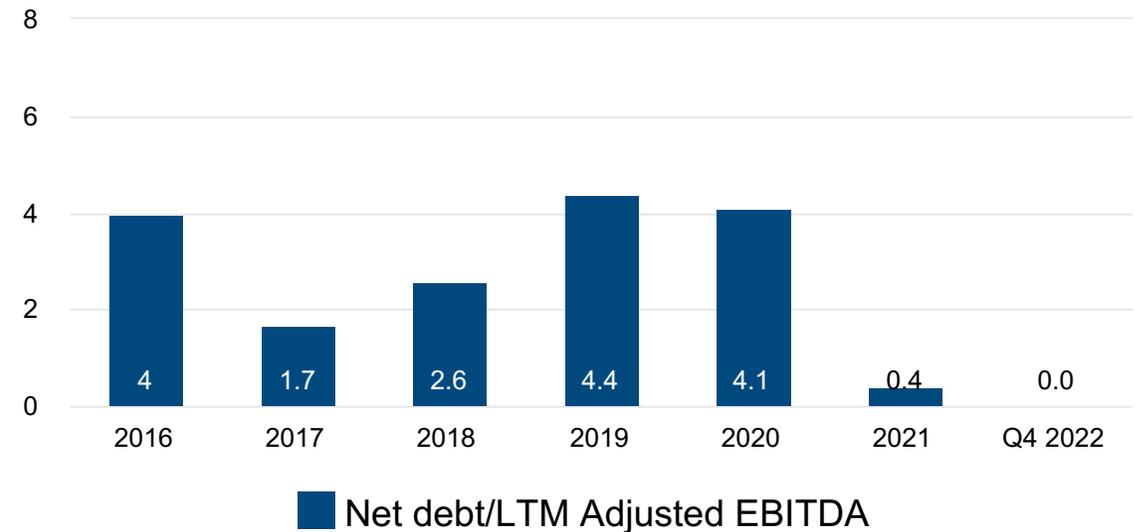


Net debt to adjusted EBITDA ratio declined to 0.0, aim to keep at below 1.0 in normal market conditions

Net debt, EUR million



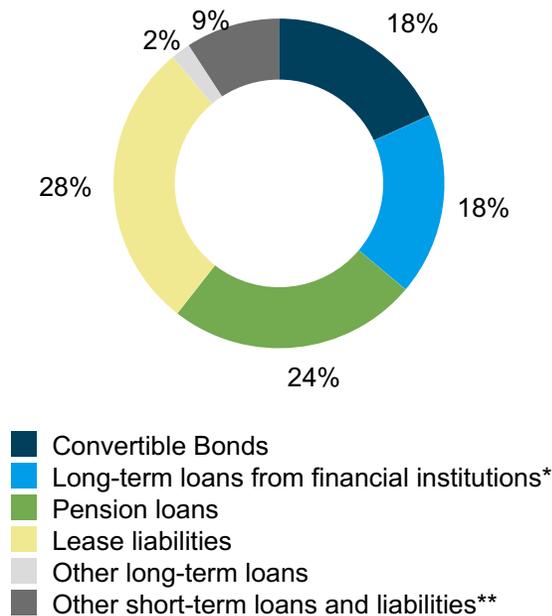
Net debt/adjusted EBITDA



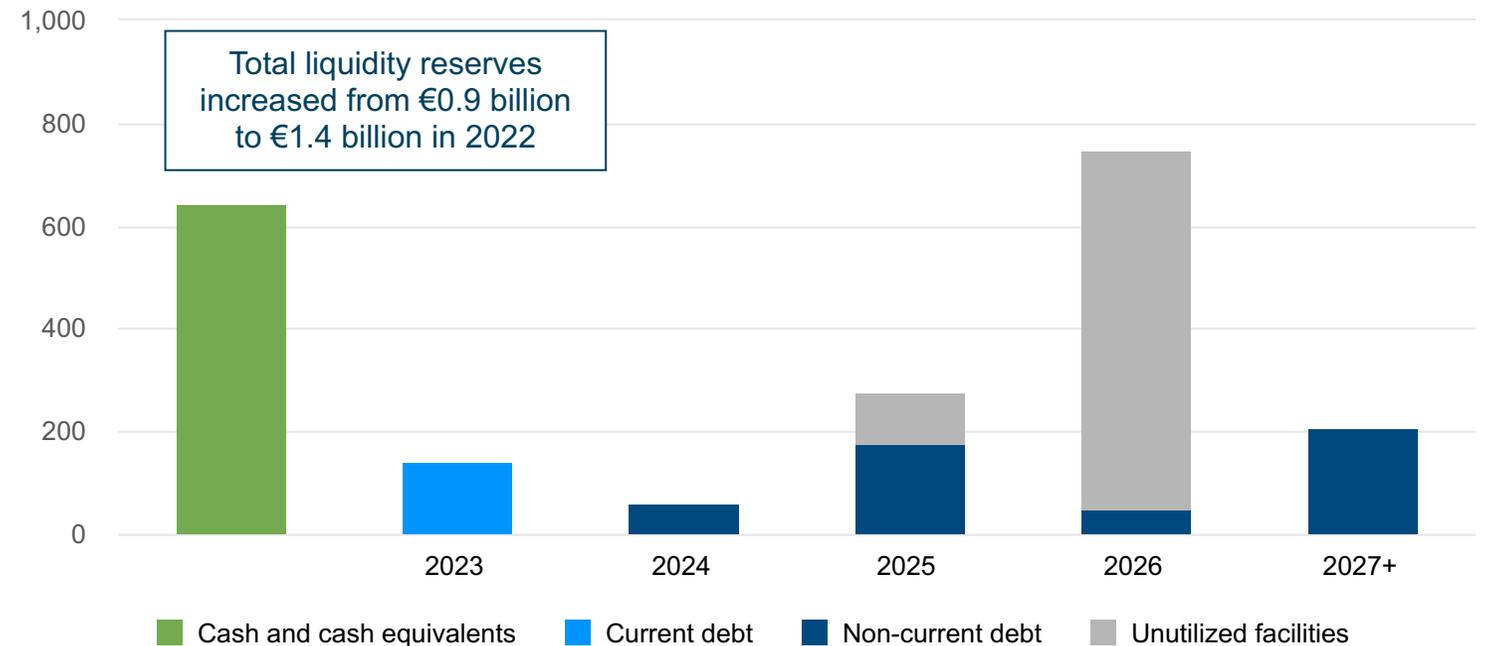
Note: Net debt figures consist of total group figures, including also the discontinued operations.

Successful refinancing in 2022, strong liquidity at year-end and all commercial papers repaid

Debt structure*



Debt maturity profile*, EUR million



*December 31, 2022

**Includes liability relating to share buyback agreement

Note: Cash and liquidity figures consist of total group figures, including also the discontinued operations.



With significantly improved resilience, Outokumpu is able to create value in changing conditions

Heikki Malinen, President & CEO

Strong strategy execution to strengthen the core, working towards our vision to be the customer's first choice in low-carbon stainless steel

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

Outokumpu has an increased focus on shareholder returns - approx. EUR 250 million is returned to shareholders

Outokumpu's Board of Directors proposes that

- **a base dividend of EUR 0.25 per share** will be paid according to dividend policy, plus
- **an extra dividend of EUR 0.10 per share** will be paid due to exceptionally strong financial results

A total of **EUR 0.35 per share** will be paid for year 2022

- **Total dividend amount** of approx. EUR 150 million
- **Share buyback program** of max. EUR 100 million

Market environment has changed for 2023 - various factors might impact EBITDA development

Possible positive impact



- Distributor stock replenishment to begin
- Increased demand for ferrochrome
- Strong demand for advanced materials
- Increased demand for low carbon stainless steel (Circle Green)

Uncertainty



- Timing and impact of China re-opening
- Likelihood of soft vs. hard landing?
- War in Ukraine and its impact on inflation
- Energy market in winter 2023/2024

Outlook for Q1 2023

Group stainless steel deliveries in the first quarter are expected to increase by 10-20% compared to the fourth quarter.

Ferrochrome production continues at 50-60% of its full capacity as a result of the planned optimization due to high electricity prices and recent disruptions in one of the three furnaces.

Inflation in energy and consumable prices is expected to continue in the first quarter.

With current raw material prices, no significant raw material-related inventory and metal derivative impacts are expected to be realized in the first quarter.

Guidance for Q1 2023:

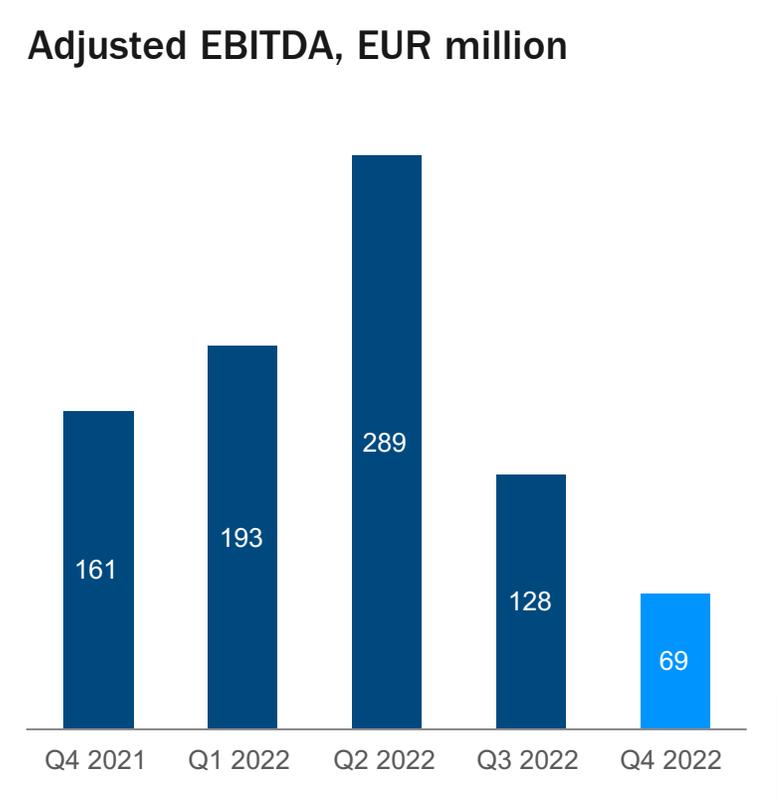
Adjusted EBITDA in the first quarter of 2023 is expected to be higher compared to the fourth quarter.



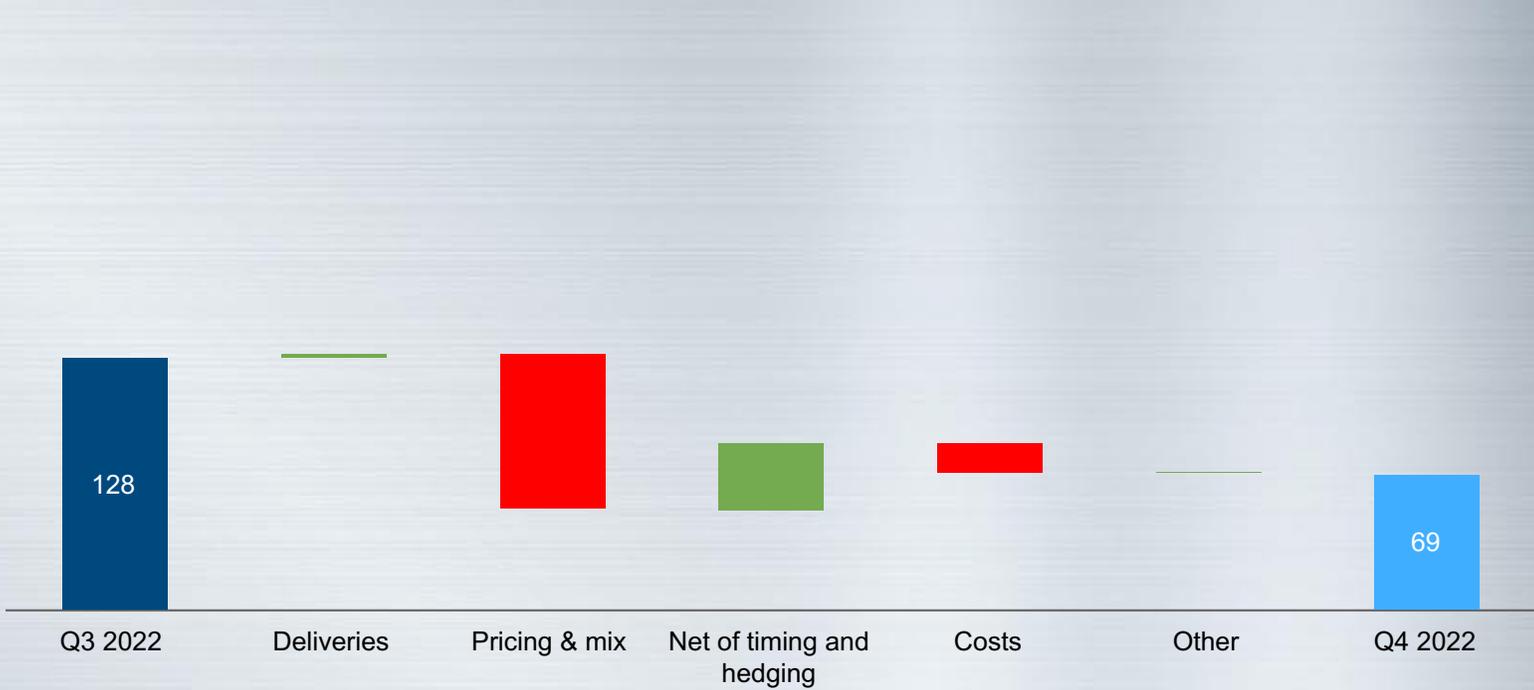
Thank you!

Questions
& answers

BA Europe's adjusted EBITDA was EUR 69 million in Q4

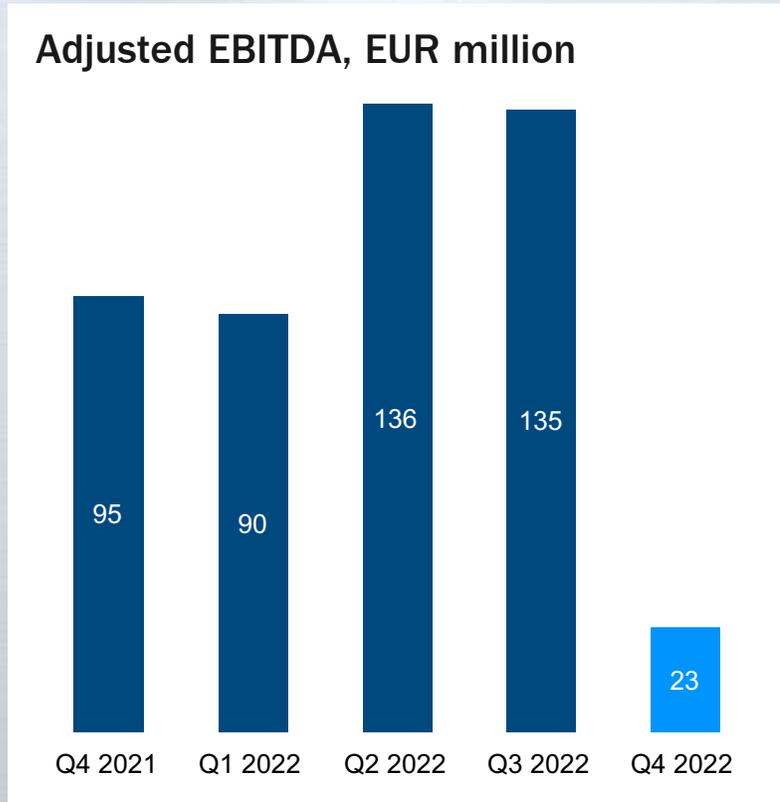


Adjusted EBITDA quarter-on-quarter comparison¹, EUR million

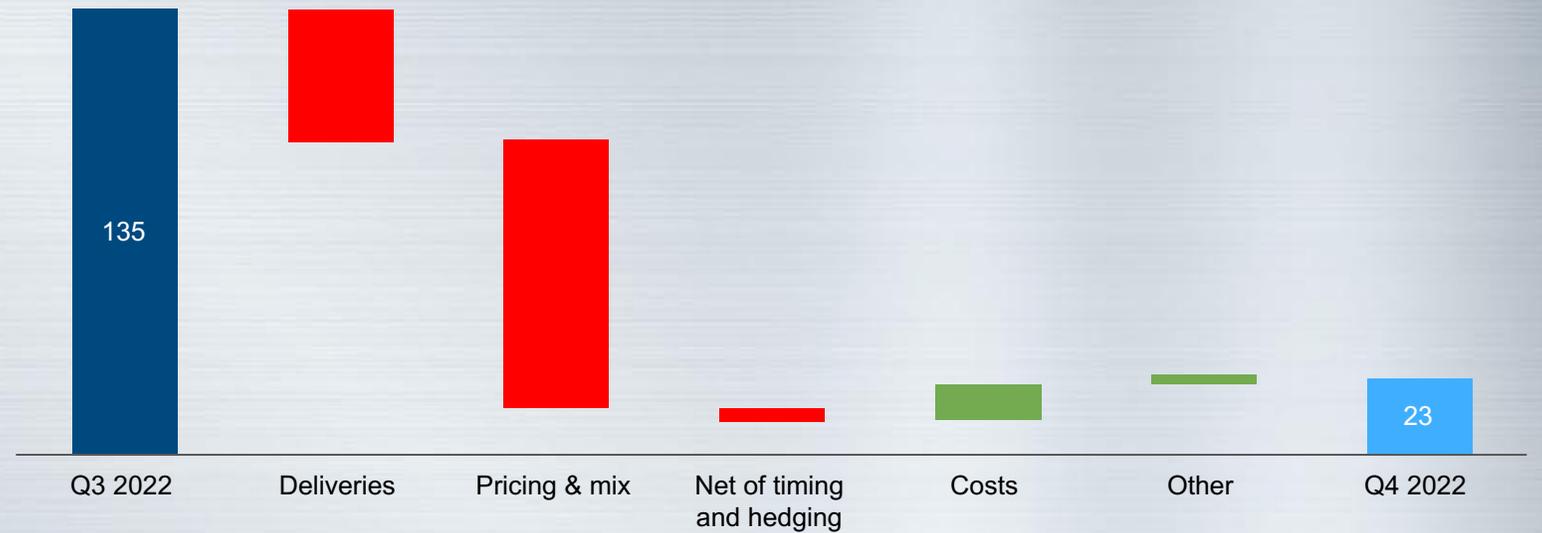


1) Indicative columns based on management estimates

BA Americas' adjusted EBITDA was EUR 23 million in Q4

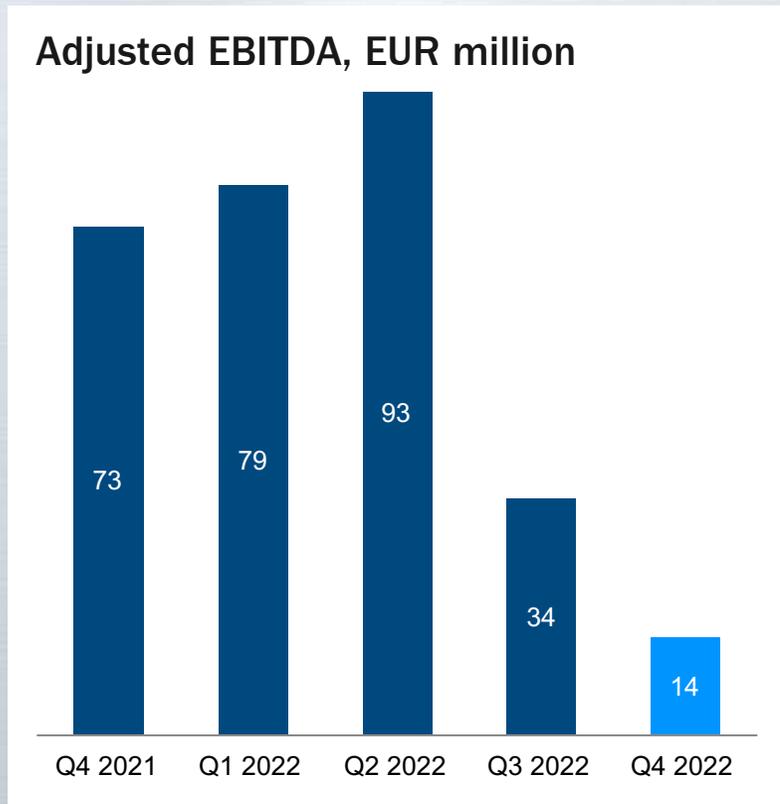


Adjusted EBITDA quarter-on-quarter comparison¹, EUR million



1) Indicative columns based on management estimates

BA Ferrochrome's adjusted EBITDA was EUR 14 million in Q4



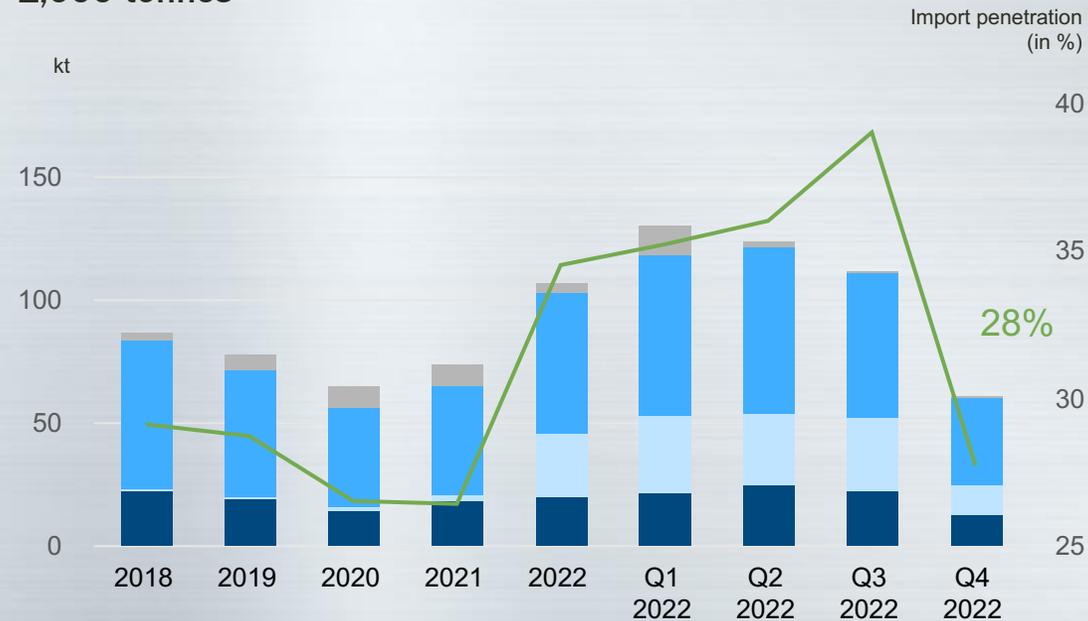
Adjusted EBITDA quarter-on-quarter comparison¹, EUR million



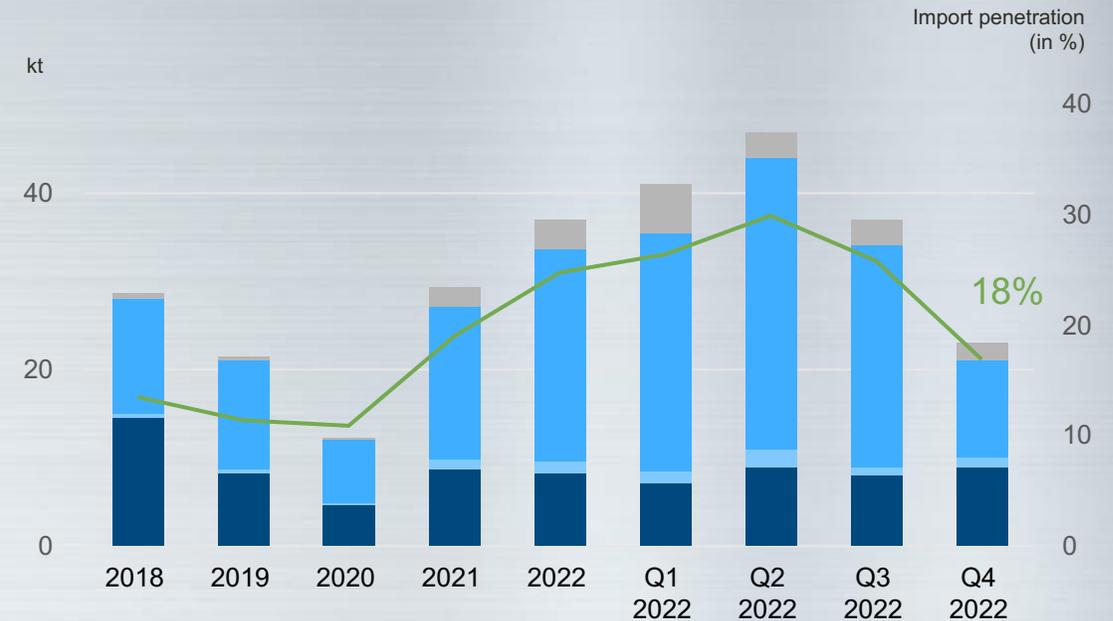
1) Indicative columns based on management estimates

In 2022, imports into Europe and US increased

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, January 2023
 2. Cold rolled, monthly average. Source: AISI, January 2023