

## IR Newsletter

Dear recipient,

Here you have the latest IR newsletter from Outokumpu's Investor Relations including all the main points and highlights of the stainless steel market during the second quarter of 2020.

We will be stepping into silent period on July 8 until the H1 financial results are released on August 7.

Outokumpu's IR team wants to wish you a nice summer time!

## Q2 highlights:

- **Stainless steel markets & deliveries:** COVID-19 pandemic has impacted our customers and the demand for stainless steel declined during the second quarter. Our order load hit the bottom in the beginning of May. We remain aligned with our guidance and deliveries are expected to decrease in all business areas by 10-20% compared to the first quarter of 2020.
- **COVID-19:** We continue to monitor the situation closely and follow the instructions given by the local authorities. We have contingency plans in place if the situation changes.
- **Ferrochrome:** European benchmark price increased by 13 cents from USD 1.01/lb in Q1/20 to USD 1.14/lb in Q2/20. Our sensitivity is ~€10 million impact on quarterly adjusted EBITDA for every USD 0.10/lb change in ferrochrome price. European benchmark price for Q3/20 has not been published yet.
- **Balance sheet:** Our focus remains on cash preservation and tight cost and capex control. In the current low demand environment, our various cost mitigation actions and efficient net working capital management are crucial. Securing a sufficient level of liquidity is also considered as a top priority. With our continuous efforts and rapid actions during the second quarter, we have been able to lower the break-even point for both Americas and Long Products.
- **Safeguards:** In the second review of the safeguard quotas and as published in the EU Official Journal on June 30, The European Commission (EC) decided not to decrease the size of the import quotas despite heavily shrinking market and intensive lobbying by the EU steel producers. To our disappointment the 3% liberalization of the quotas remained in place on July 1. There is now also a quarterly administration of all the country-specific quotas, but no elimination of the unused quarterly quota carry-over. The current 3-year safeguard quota period will end next year, but solution is needed also beyond that as there are no changes in the US import tariffs, nor in the pressure by some Asian countries to export their overcapacities to Europe.
- **Anti-subsidy & anti-dumping:** The European Commission decided not to implement provisional measures into an anti-subsidy case on hot-rolled flat stainless steel originating from China and Indonesia. The provisional measures were supposed to be announced by July 10, but EC now plans to continue the investigation and introduce the potential definitive measures by November 7, 2020.

## The new convertible bond

Outokumpu issued a new five-year senior unsecured convertible bond on July 2, 2020. The new convertible bond was issued in an aggregate principal amount of EUR 125 million and is due in July 2025. It carries a coupon of 5.00% per annum and the initial conversion price was set at EUR 3.273. The shares underlying represent 9.3% of the total number of Outokumpu's issued and outstanding shares immediately prior to the offering.

This issuance of the new convertible bond takes advantage of the current attractive financing environment and is part of Outokumpu's strategy to optimise the company's capital structure and extend its debt maturity profile. Proceeds will be used for general corporate purposes and prepayment of debt.

[Link to the announcement](#)

## Guidance for Q2/20:

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

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.

Our pre-silent period starts on July 8, 2020 and continues until the H1 financial results are published on August 7, 2020.

The recording of our Q2 pre-silent conference call can be found from our website: <https://www.outokumpu.com/en/investors/financial-calendar/webcasts>

January-September 2020 results are published November 5, 2020.

More information can be found on our website [www.outokumpu.com/investors](http://www.outokumpu.com/investors)

Best regards,

Outokumpu IR team

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