

Outokumpu

Q2 2020 results

CEO Heikki Malinen
CFO Pia Aaltonen-Forsell

August 7, 2020

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Speakers



Heikki Malinen

President & CEO



Pia Aaltonen-Forsell

CFO



Marja Mäkinen

VP – Investor Relations

Business & market update

Heikki Malinen, President & CEO

Highlights during Q2

- Result impacted by weak global demand caused by COVID-19 pandemic
- Safety performance continued to improve
- Improved break-even level for the Americas
- Import pressure combined with weak demand continued to damage the European steel market
- Order book started to improve towards the end of the quarter
- Long Products' strategic review accelerated with new management

Solid response to COVID-19

Focus on cost reduction, cash preservation and securing health & safety

Safety

- Following the instructions by the local governments
- Social distancing for all shifts at production sites
- Suspending all travel and face-to-face meetings
- Visitor access to the sites limited to business critical
- Remote work encouraged

Financials

- Solid balance sheet and sufficient liquidity, EUR 125 million convertible bond issued in July
- Scenario-based financial planning implemented
- EUR 20 million of cost reductions in Q2
- Capex cut to EUR 180 million for 2020
- EUR 100 million net working capital reduction in 2020

Operations

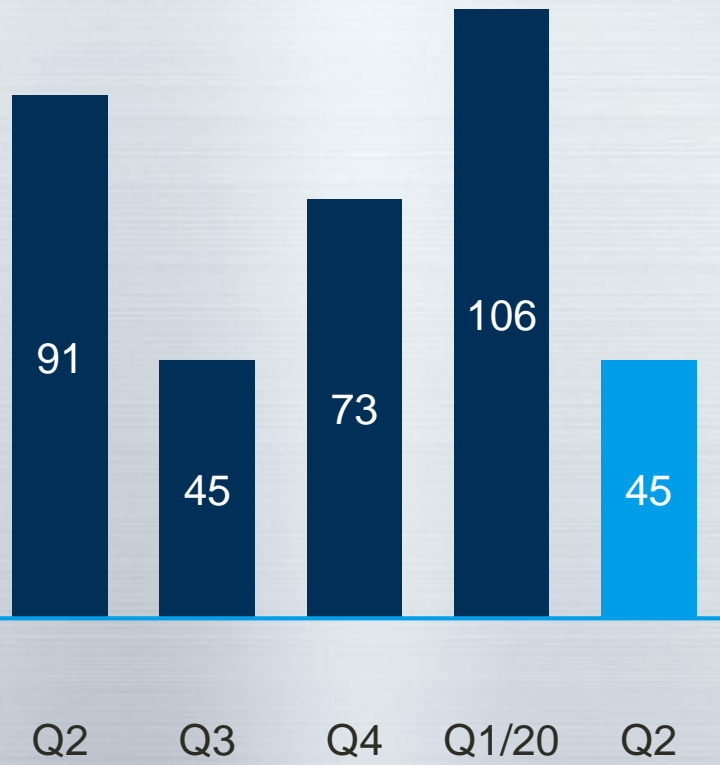
- Shorter working time, temporary shutdowns and co-determination negotiations if needed
- Efficient inventory management
- EUR 3 million received from government support schemes in Q2 to compensate personnel expenses

Sales

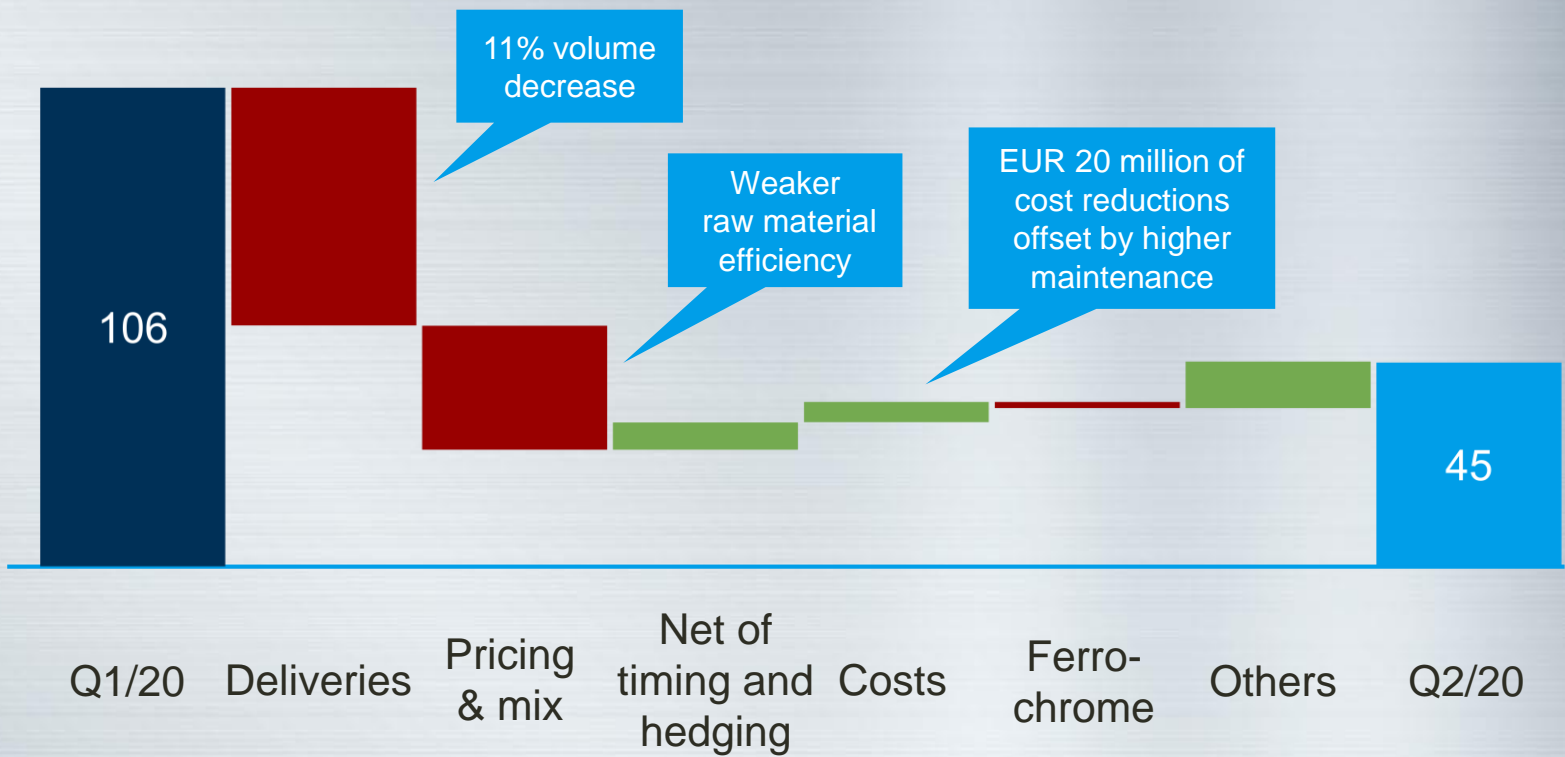
- European steel market remains challenging
- Some signs of recovery in end-user markets
- Stainless steel deliveries expected to decrease by approximately 10% in Q3 from Q2
- Order book started to recover towards the end of Q2

Second-quarter EBITDA burdened by weak global demand caused by COVID-19 pandemic

Group adjusted EBITDA,
EUR million



Adjusted EBITDA quarter-on-quarter comparison¹,
EUR million



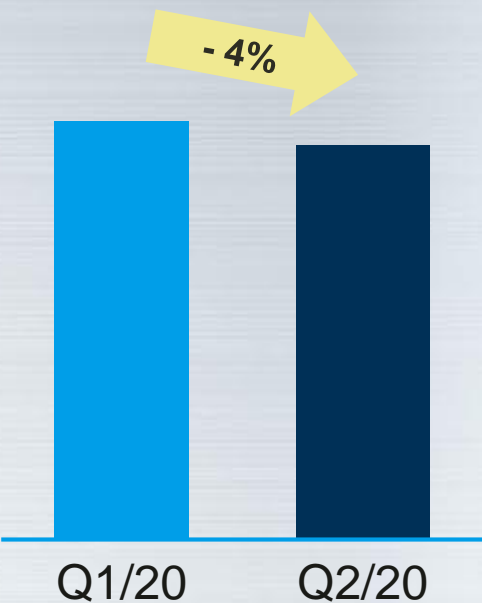
1) Indicative columns based on management estimates

Stainless prices remain under pressure in 2020

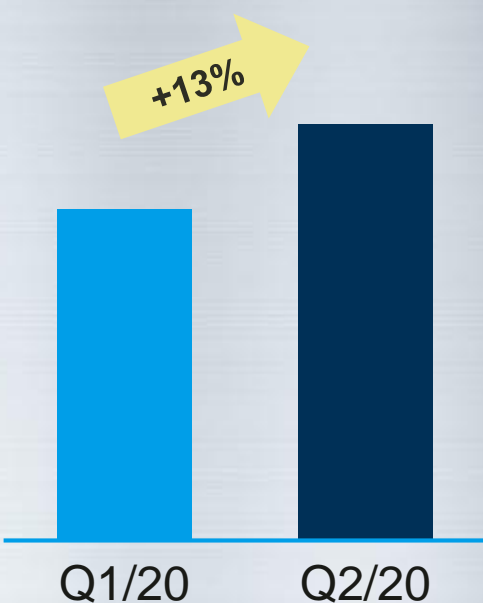
Transaction prices 304 stainless, USD/tonne



Average nickel price, USD/tonne



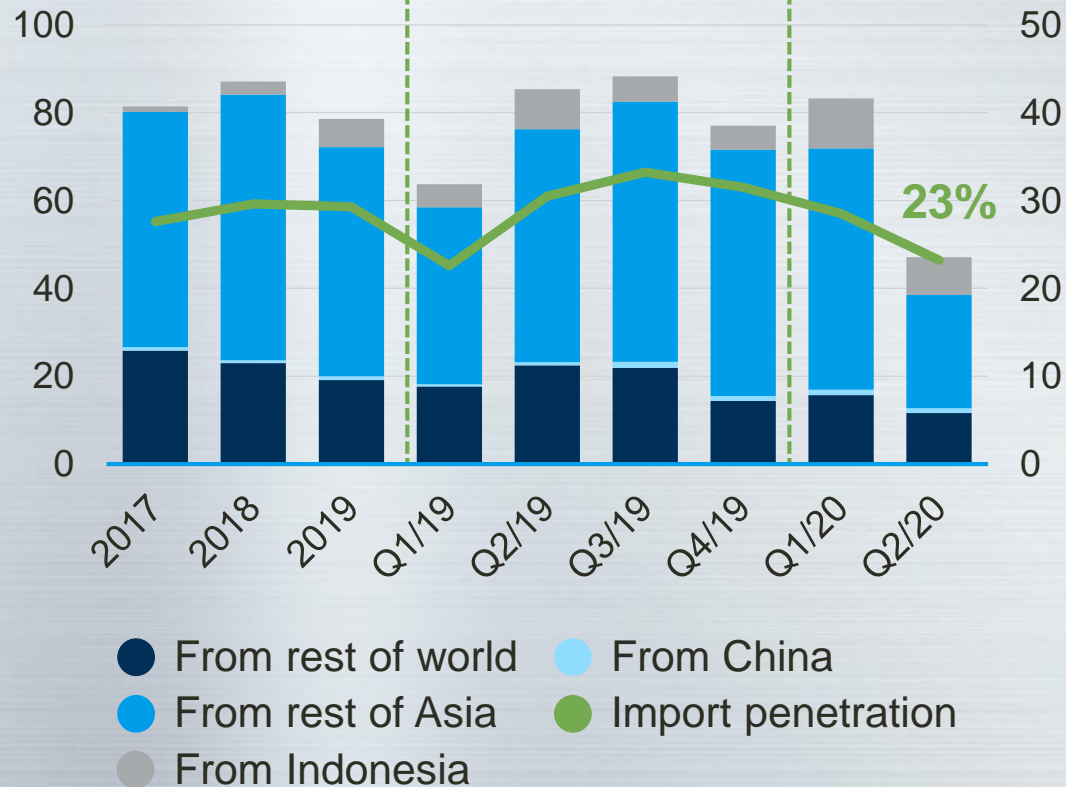
Ferrochrome benchmark price, USD/lb.



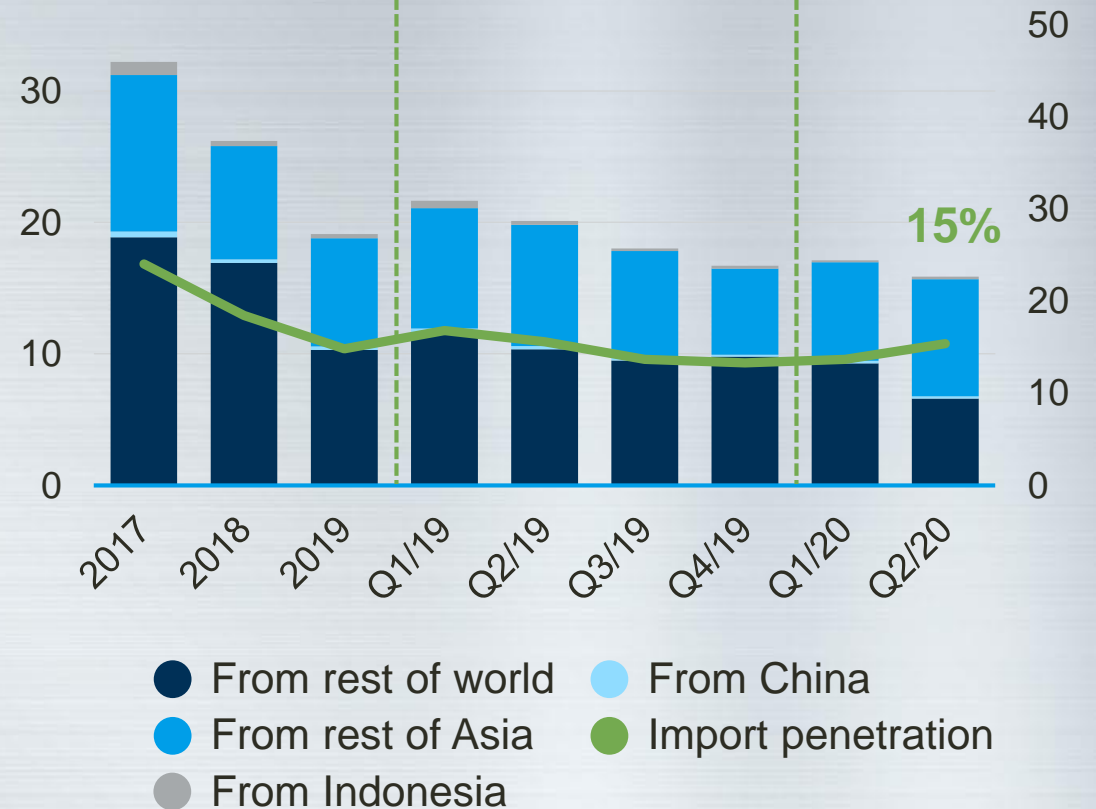
Source: CRU

Import pressure combined with weak demand continue to damage the European steel market

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

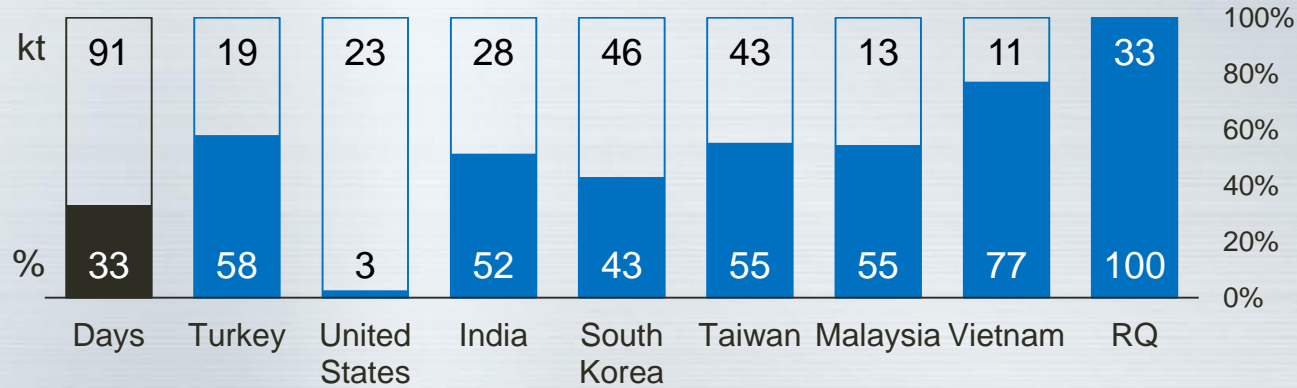


Third-country cold rolled imports² into the US,
1,000 tonnes



New import quota period started in July, quarterly quotas filling fast

EU cold-rolled quota utilization*



EU hot-rolled quota utilization*



European safeguards

- In July, the EU increased import quotas by 3%
- Country-specific quotas now quarterly instead of annual
- Safeguards will expire in June 2021 – solution to protect European steel needed

Carbon Border Adjustment

- Part of the European Green Deal to prevent carbon leakage
- Will take few years before agreed and implemented

Anti-dumping & anti-subsidy investigation on stainless hot-rolled from Indonesia, China and Taiwan

- Anti-dumping duties imposed provisionally in 04/20 and potentially definitively by 10/20
- EU decided not to impose provisional anti-subsidy duties in 06/20, potential definitive duties by 11/20

Financial update

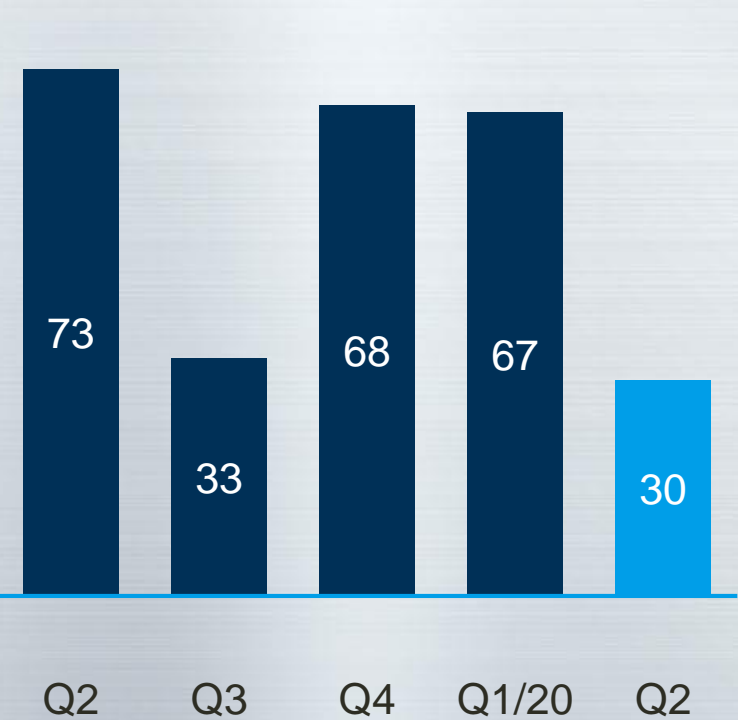
Pia Aaltonen-Forsell, CFO

Key figures		Q2/20	Q2/19	Q1/20
Stainless steel deliveries	1,000 tonnes	523	584	588
Sales	EUR million	1,420	1,701	1,615
Adjusted EBITDA	EUR million	45	91	106
Net result	EUR million	-37	6	22
Earnings per share	EUR	-0.09	0.01	0.05
Operating cash flow	EUR million	72	177	-32
Net debt	EUR million	1,243	1,307	1,249
Gearing	%	49.2	49.8	48.0
Capital expenditure*	EUR million	52	46	58
Return on capital employed, ROCE	%	1.1	2.9	2.3
Personnel at the end of the period		10,213	10,483	10,315

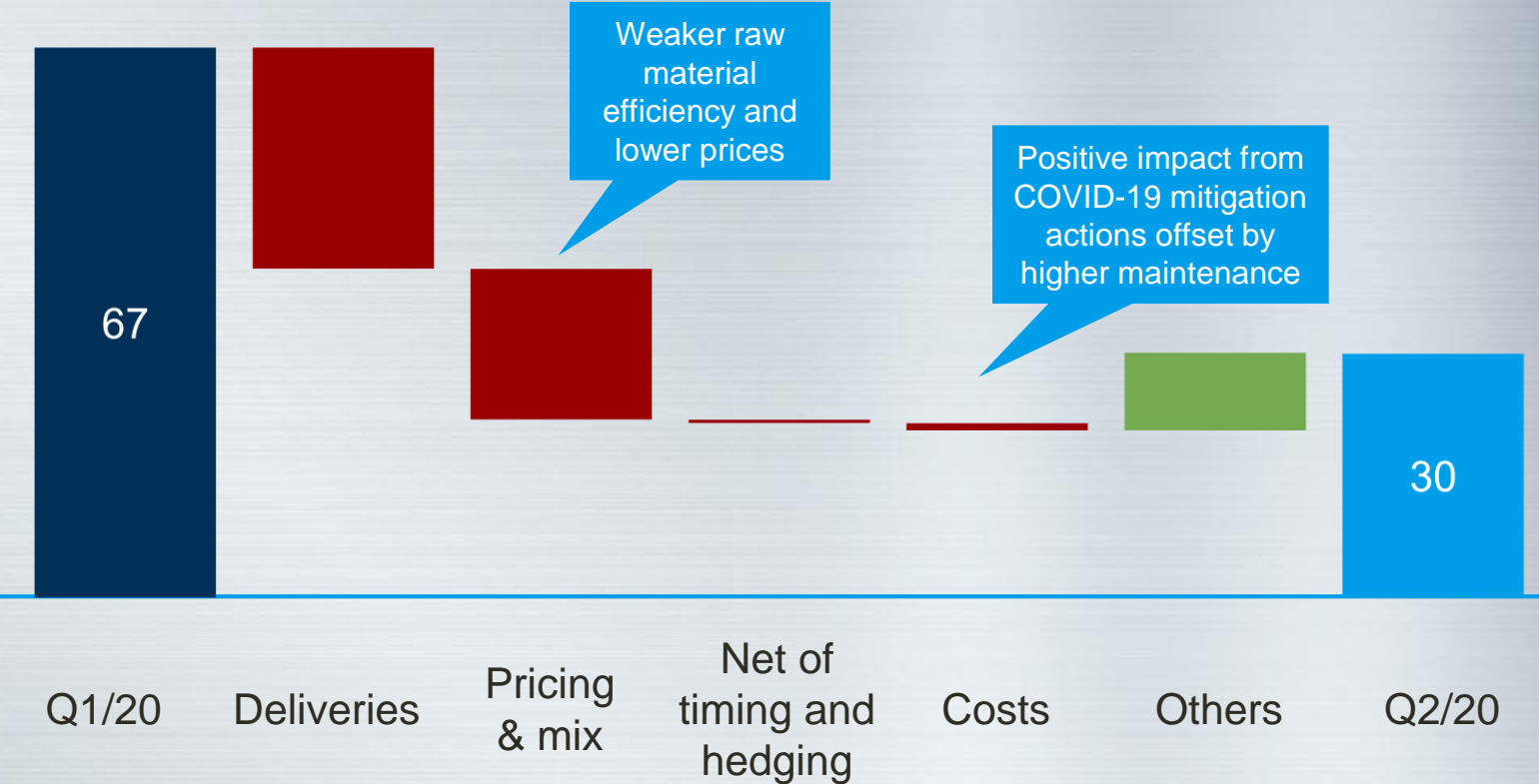
*Capex cash flow

BA Europe – challenging quarter with low volumes and weaker raw material efficiency

Europe adjusted EBITDA,
EUR million



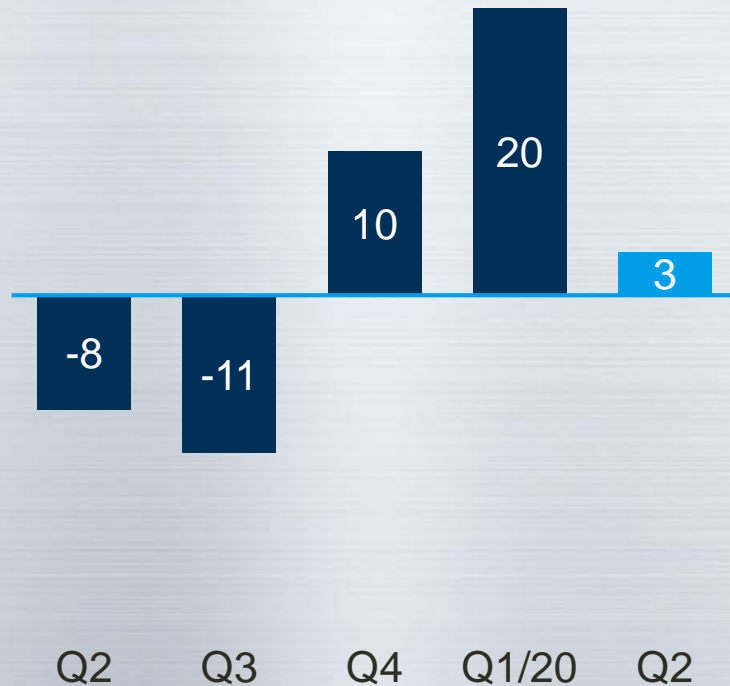
Adjusted EBITDA quarter-on-quarter comparison¹,
EUR million



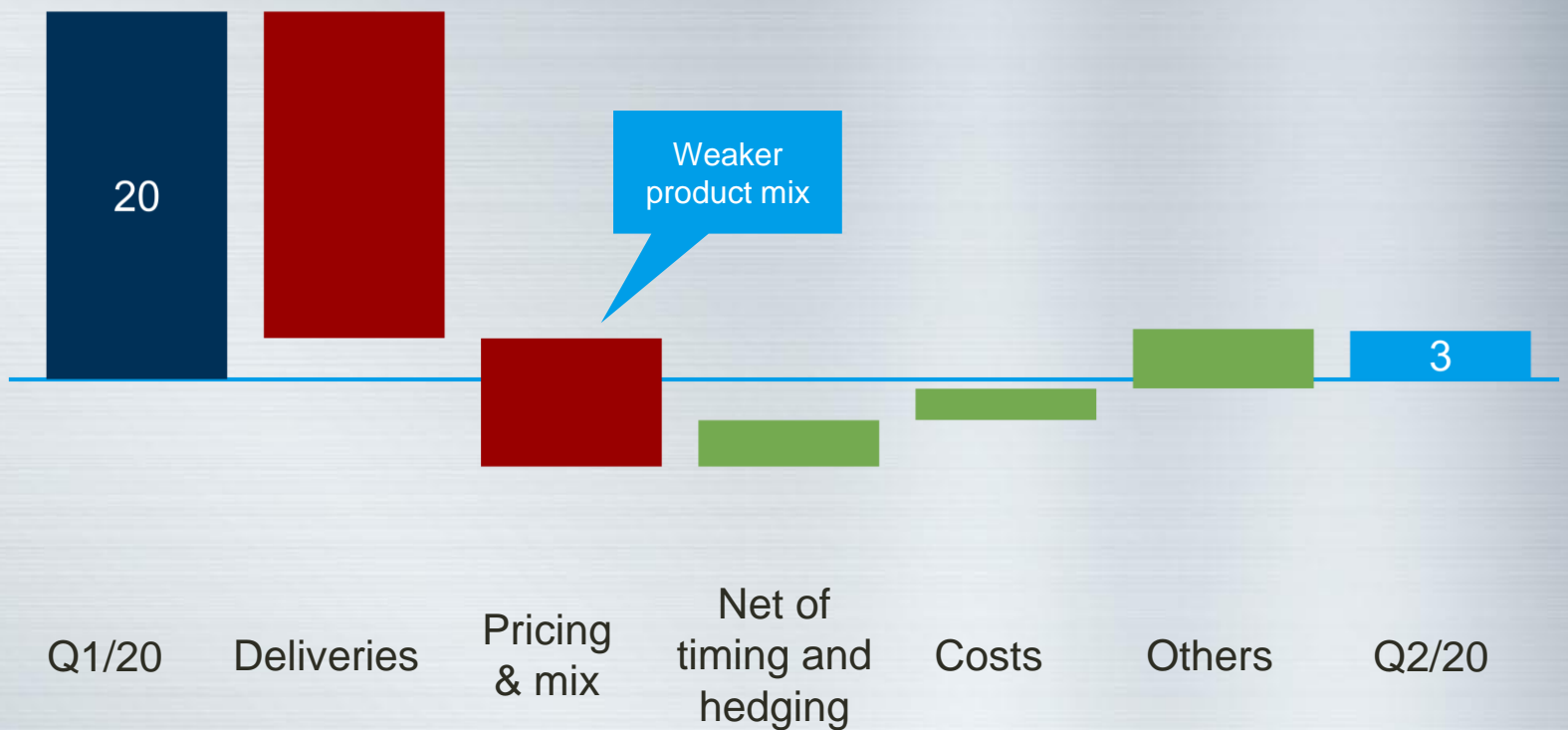
1) Indicative columns based on management estimates

BA Americas – major volume drop but significantly improved break-even level

Americas adjusted EBITDA,
EUR million

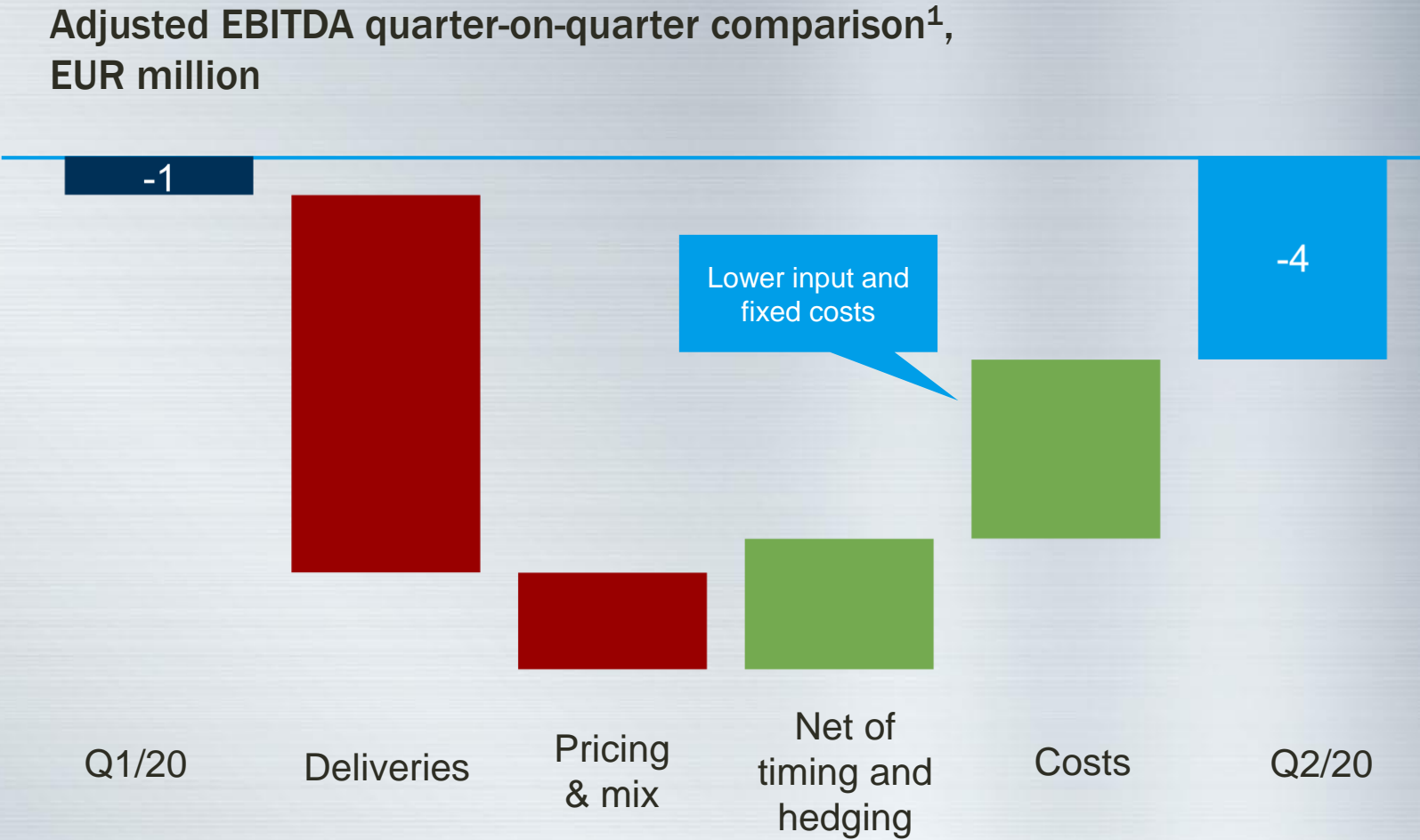


Adjusted EBITDA quarter-on-quarter comparison¹,
EUR million



1) Indicative columns based on management estimates

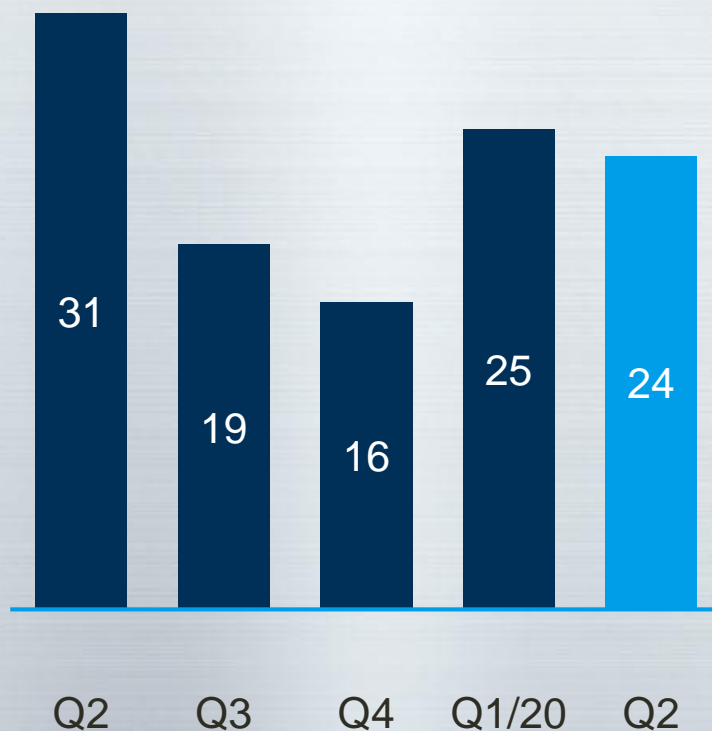
BA Long Products – result driven by weak demand



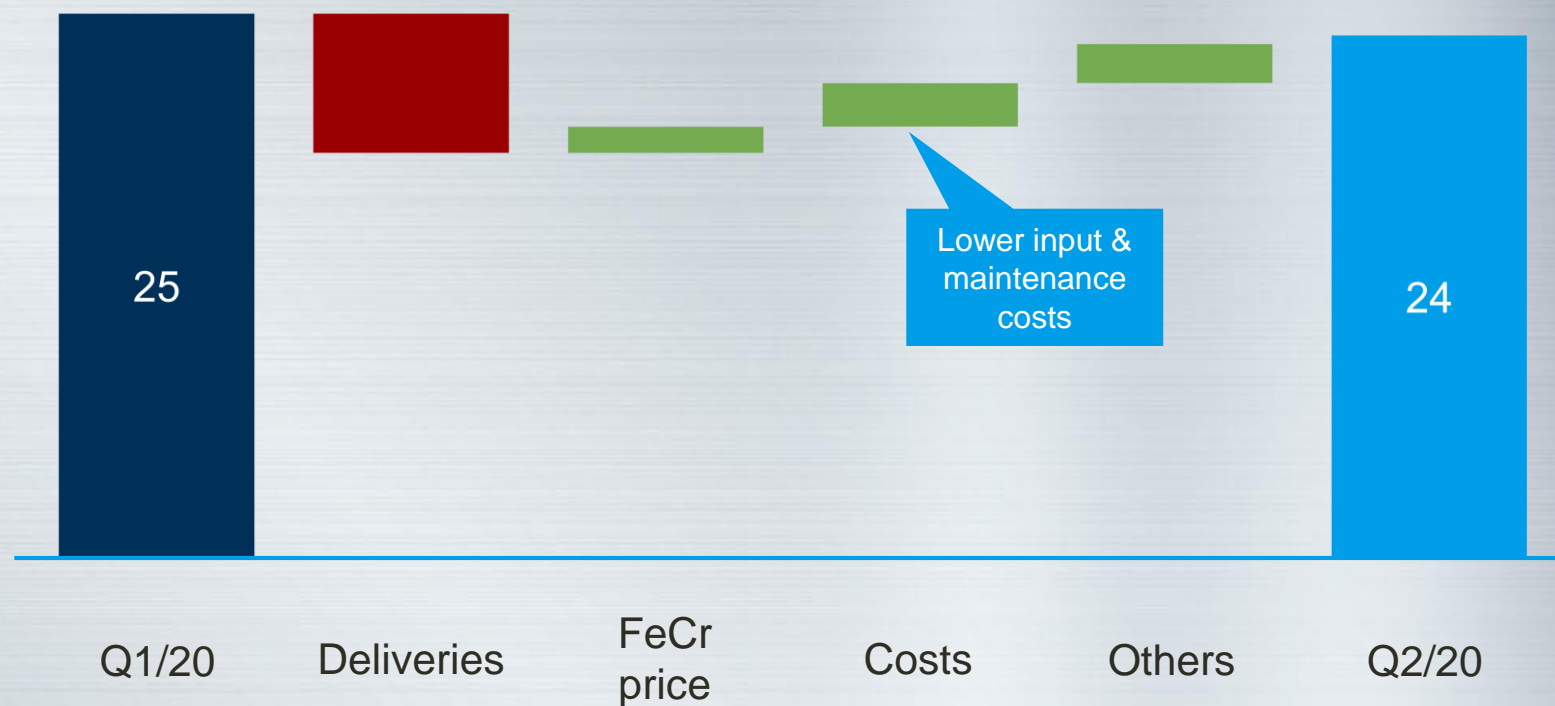
1) Indicative columns based on management estimates

BA Ferrochrome – impact from higher benchmark price partly offset by bigger share of spot sales

Ferrochrome adjusted EBITDA,
EUR million



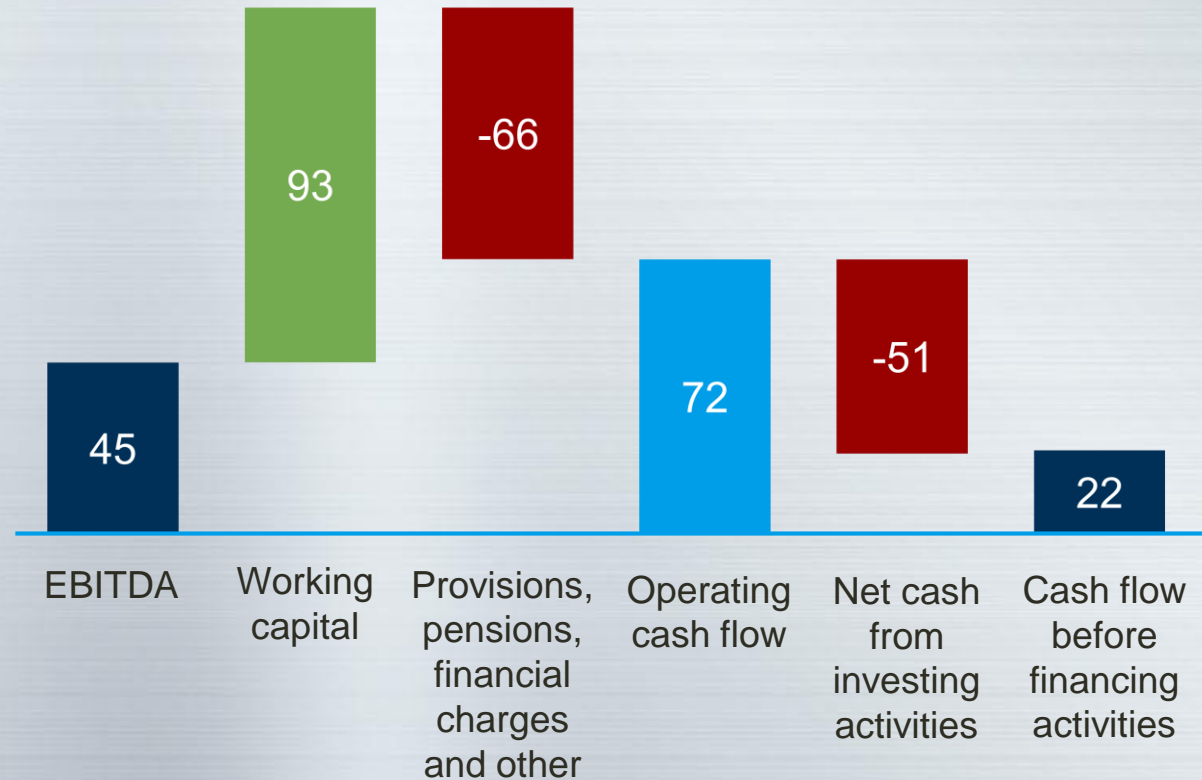
Adjusted EBITDA quarter-on-quarter comparison¹,
EUR million



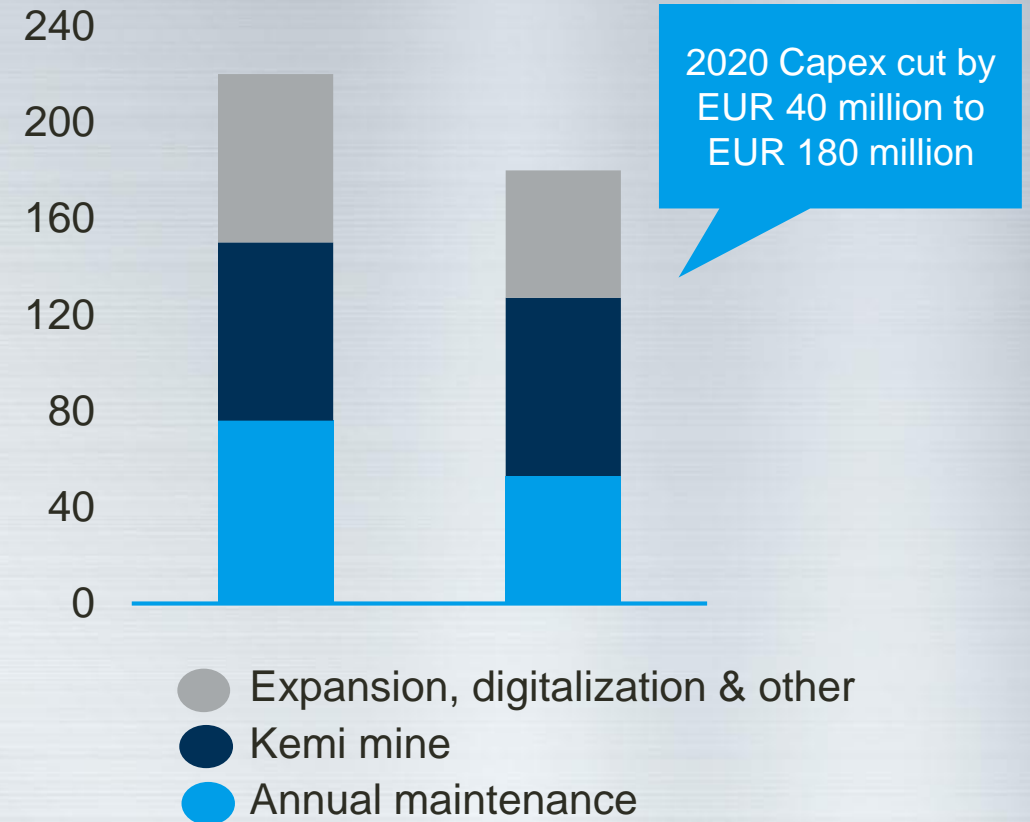
1) Indicative columns based on management estimates

Efficient net working capital management supported cash flow in the second quarter

Q2 cash flow, EUR million

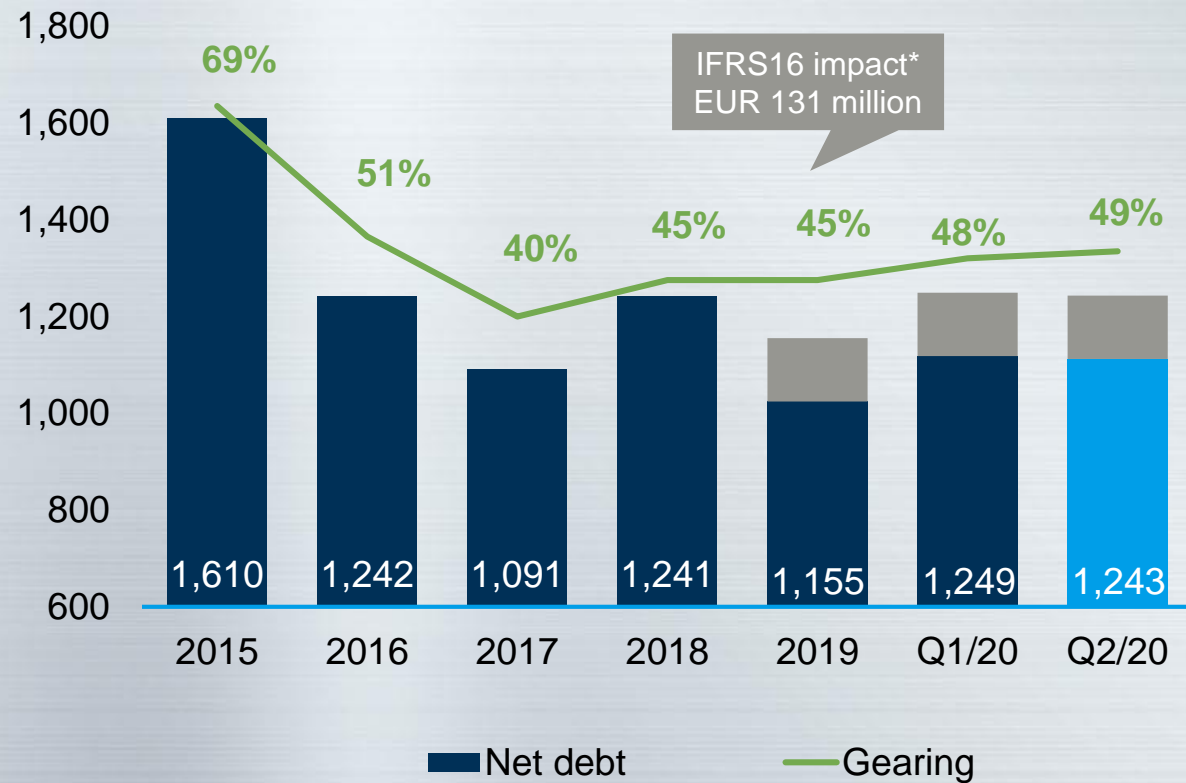


Capex estimate 2020, EUR million



COVID-19 related issues delayed net debt reduction

Net debt, EUR million

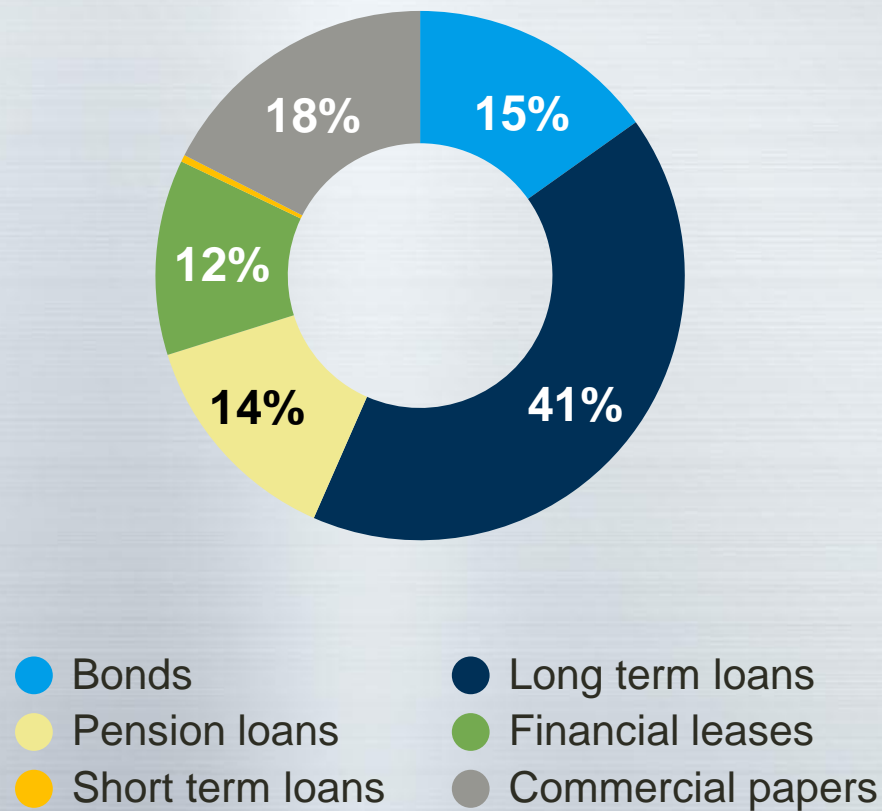


Net debt/LTM adjusted EBITDA

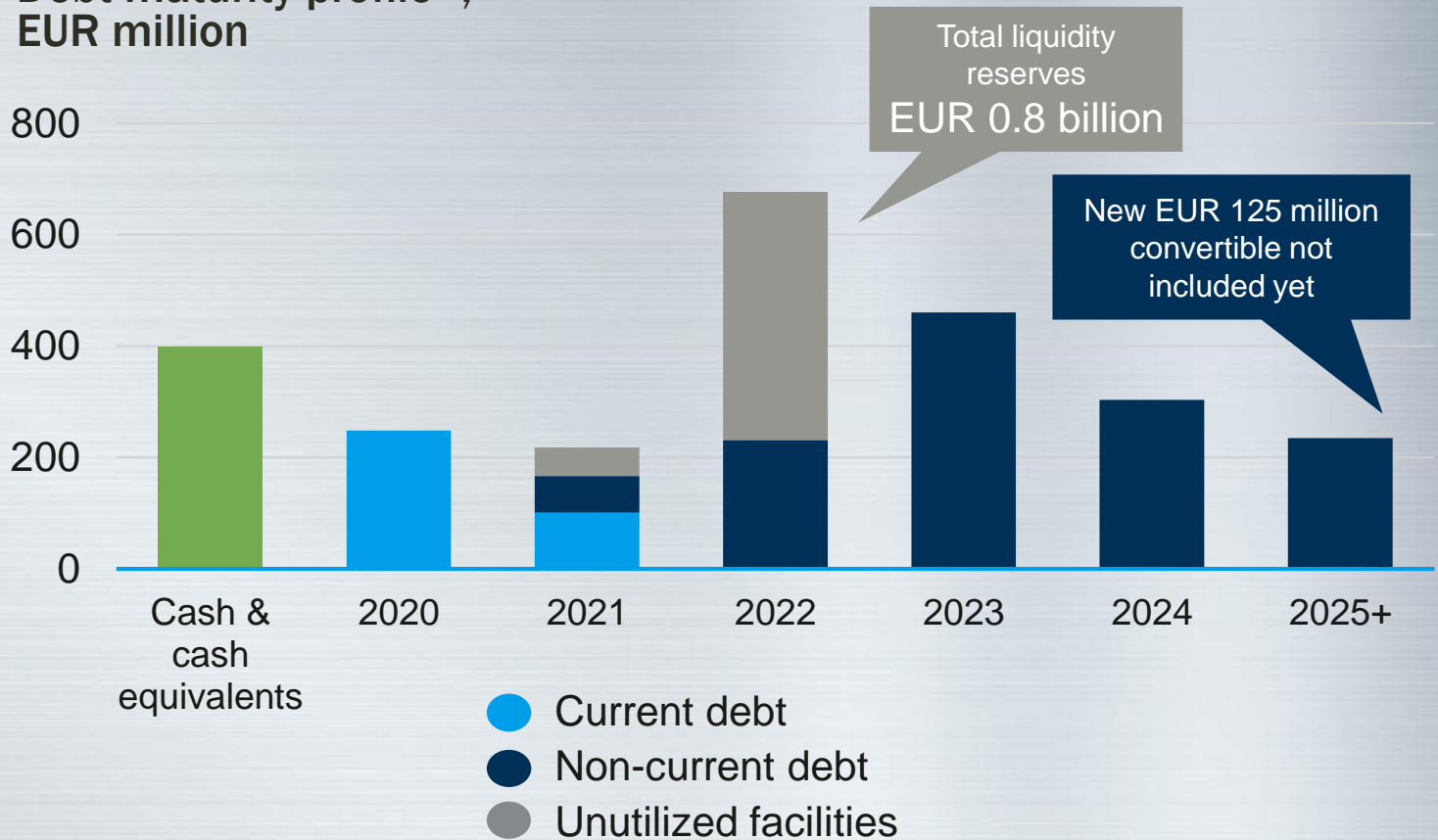


New EUR 125 million convertible bond issued in July

Debt structure*



Debt maturity profile*, EUR million



Outlook for Q3

Heikki Malinen, President & CEO

Outlook for Q3 2020

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 COVID-19 pandemic and related measures are expected to have a significant impact on the stainless steel industry throughout 2020.

Due to seasonally low quarter, especially in Europe, combined with the continuing COVID-19 situation, Outokumpu expects its stainless steel deliveries to decrease in the third quarter for the whole Group by approximately 10% compared to the second quarter. The European stainless steel market remains challenging as a result of continuing import and price pressure.

The planned maintenance work at the Ferrochrome mill in Tornio, Finland is expected to have approximately EUR 15 million negative impact on the third-quarter result.

Outokumpu strategy review

- The current Vision 2020 expires this year
- Company-wide assessment of strategy, performance and structures was initiated in June
- New vision, strategy and targets for Outokumpu will be communicated before the announcement of the third quarter results



Thank you!

Questions
& answers

For more information, call Outokumpu Investor Relations or visit www.outokumpu.com/investors

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Q3 result

November 5, 2020

Appendix

Stainless steel is the future for sustainable modern society with its unbeatable features



Corrosion
resistant

Sustainable

Heat
resistant

Hygienic

High
strength

Aesthetic

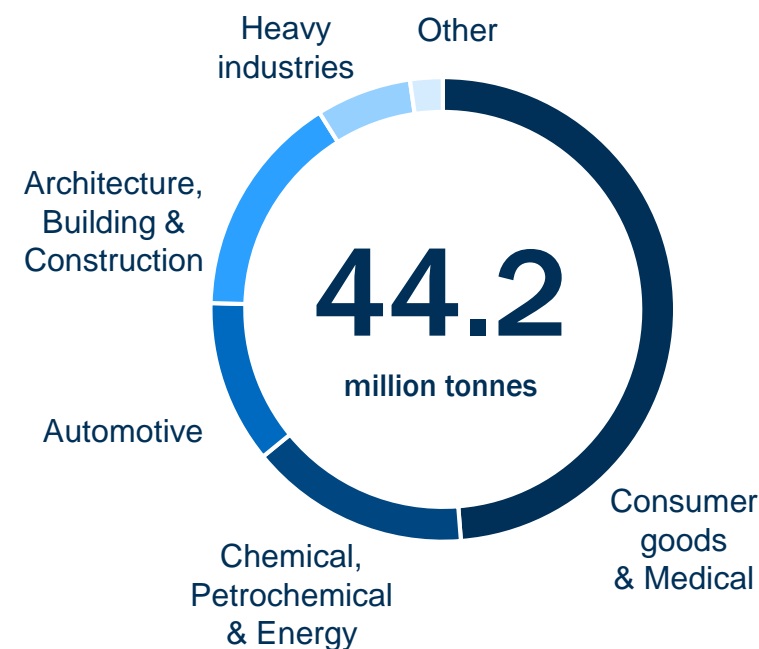
Durable

Cost
efficient



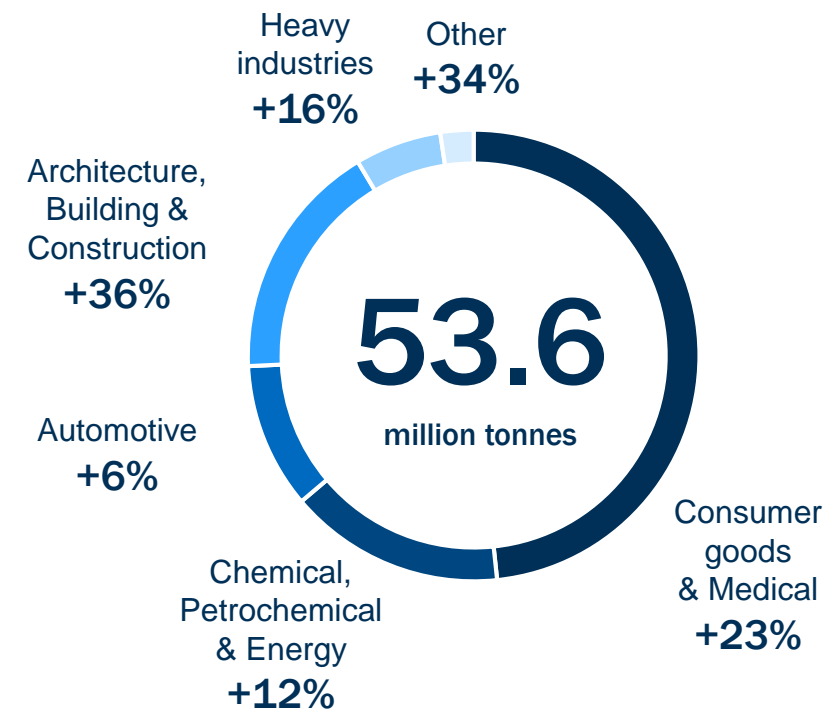
Expectations for real demand growth lowering

Global stainless steel real demand in 2019



+21%

Expected stainless steel real demand in 2025



We have the lowest carbon footprint in the stainless steel industry

Industry leading recycled content globally

90%

Low ferrochrome carbon footprint:

42%

of industry average

High usage of carbon neutral electricity in Europe

+80%

Energy and material efficiency

We are committed to reaching carbon neutrality by 2050 in-line with EU Green Deal targets

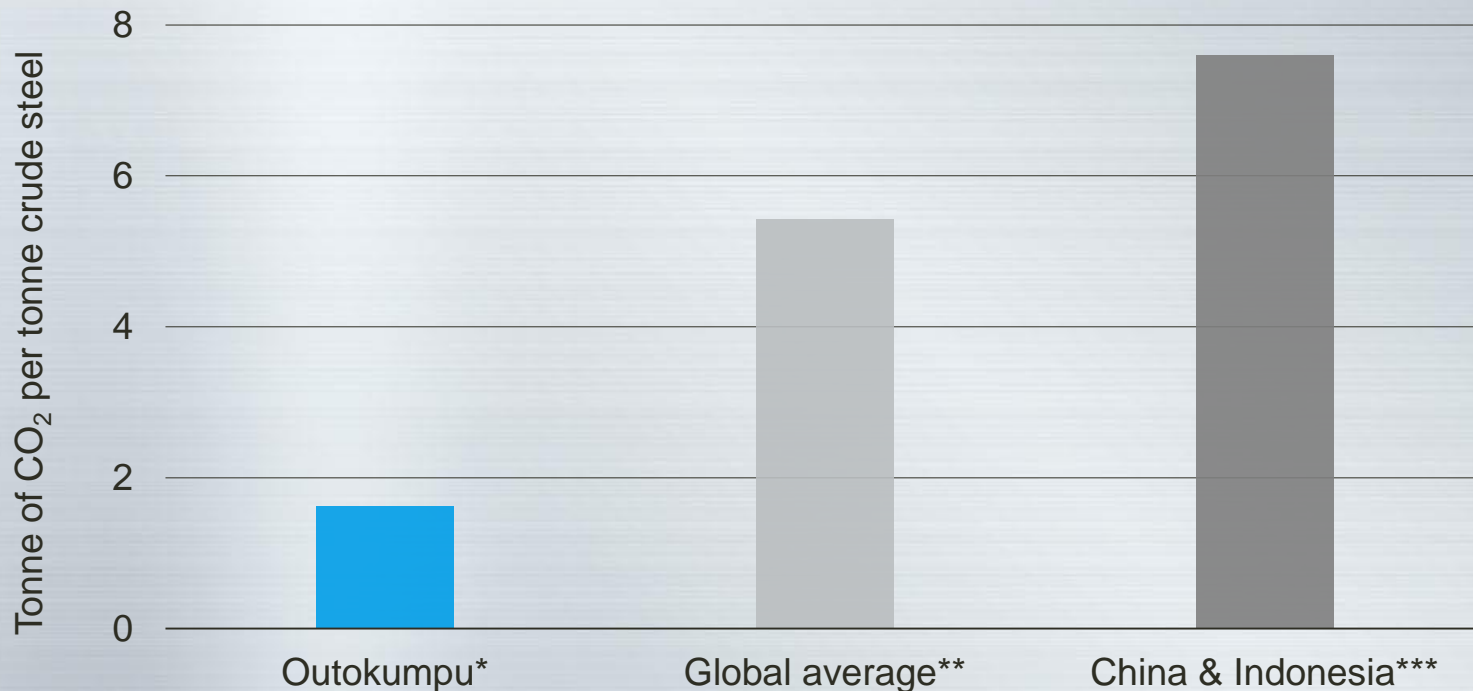
20% lower
carbon footprint
by 2023

Carbon neutral by
2050¹

1) Our carbon neutrality commitment relates to scope 1+2.
Regarding scope 3, we're working closely with our RM suppliers
to ensure that they identify opportunities to reach carbon neutrality by 2050

Stainless steel from China and Indonesia has up-to five times higher carbon footprint

CO₂ emissions of stainless steel producers



Drivers of high carbon footprint for Chinese and Indonesian stainless steel

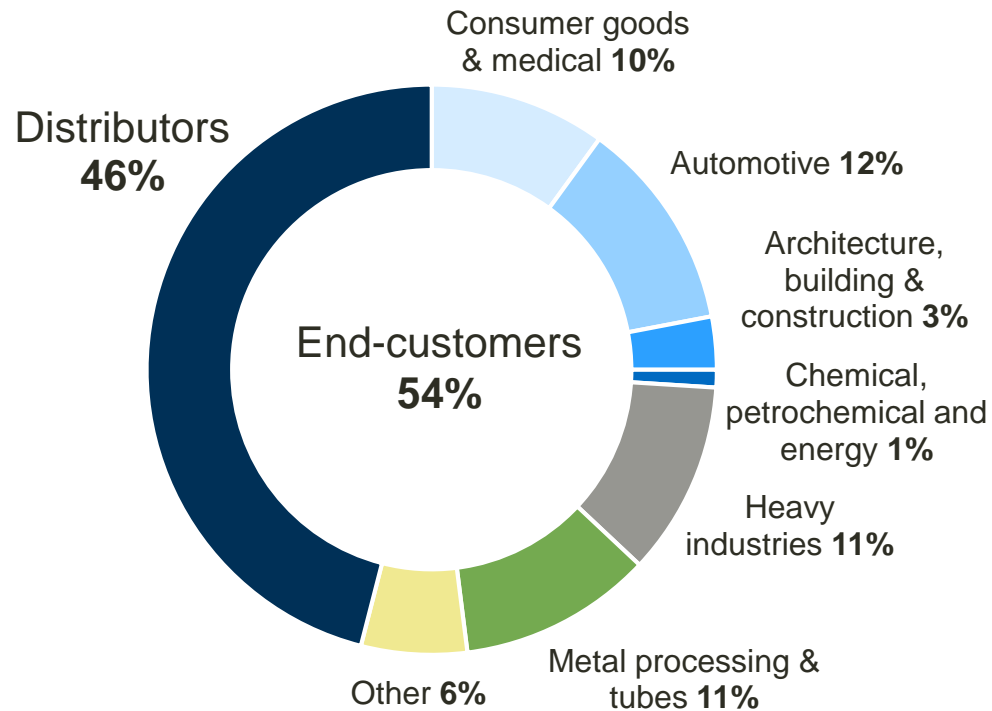
1. Low utilization of recycled material
2. Low nickel content ore and high emissions from blast furnaces
3. Use of coal as main electricity source

*) Source: Outokumpu January 2020

**) Average of ISSF study 2018 and China and Indonesia

***) Outokumpu estimates for China and Indonesia

We have a balanced customer portfolio



End-customers

54%

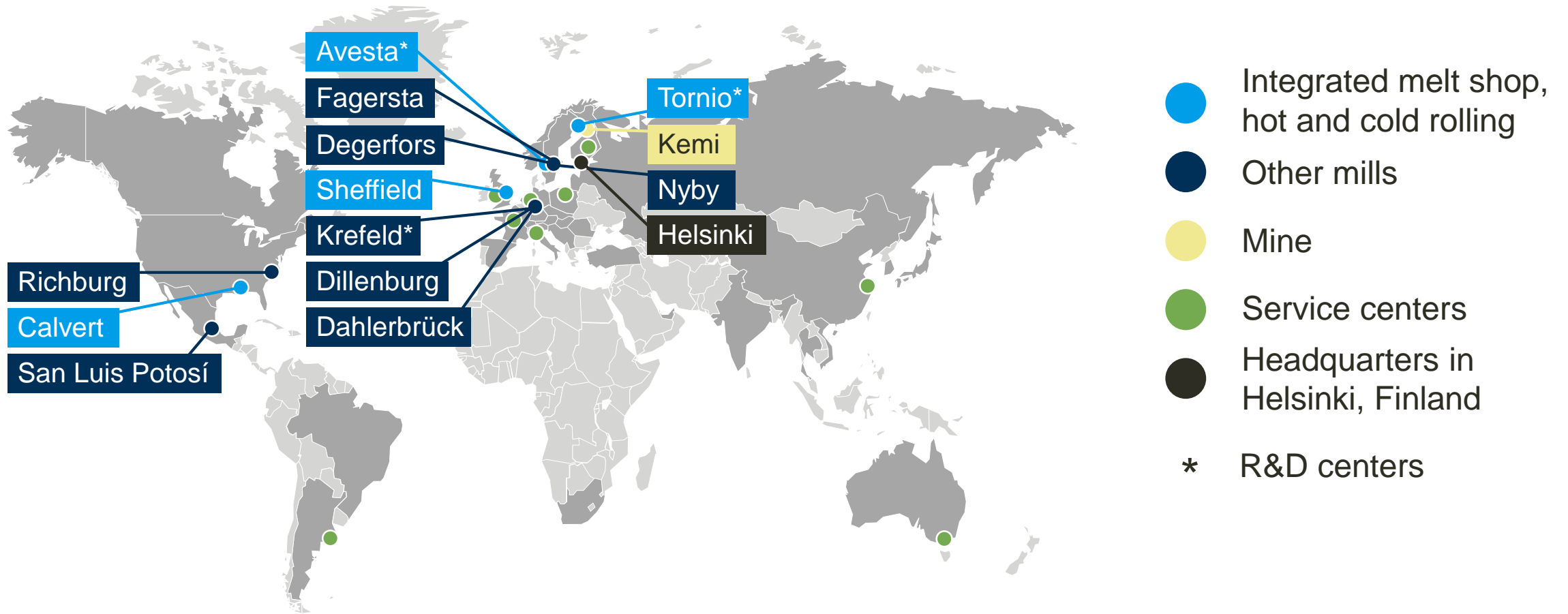
- Long-term contracts
- Large quantities
- Special grades
- Ferritics and duplex
- Technical advice
- Develop relationships & receive volume discounts

Distributors

46%

- Spot contracts
- Standard products and grades
- Austenitic cold rolled and tubular products
- Speculative behaviour
- Value added services

We have a solid presence in key regions



Fully integrated production asset base

	Europe				Americas		Long Products				Total
1,000 tonnes	Tornio Finland	Avesta + Nyby Sweden	Krefeld + Dillenburg Germany	Degerfors Sweden	Calvert USA	Mexinox Mexico	Sheffield UK	Richburg USA	Degerfors Sweden	Fagersta Sweden	
Melting	1,450	450			900		450				3,250
Hot rolling	1,450	900			870						3,220
Finishing											
Cold rolling	750	130	500		350	250					2,720
HWB	150	120			150						
Quarto plate				150							
Long products							25	40	40	65	