Q2 2018 results

CEO Roeland Baan
CFO Chris de la Camp

July 24, 2018
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Speakers

Roeland Baan
President & CEO

Chris de la Camp
CFO

Tommi Järvenpää
Vice President
Investor Relations
Best **value creator** in stainless steel by **2020** through **customer orientation** and **efficiency**

1. Customers
2. Shareholders
3. Employees

Time bound: **sense of urgency**

Back to basics
Good performance in an adverse environment

Group, adjusted EBITDA, EUR million

<table>
<thead>
<tr>
<th></th>
<th>II/17</th>
<th>III/17</th>
<th>IV/17</th>
<th>I/18</th>
<th>II/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>199</td>
<td>56</td>
<td>82</td>
<td>133</td>
<td>136</td>
<td></td>
</tr>
</tbody>
</table>

Adj. EBITDA quarter-on-quarter comparison*, EUR million

<table>
<thead>
<tr>
<th>I/18</th>
<th>Deliveries</th>
<th>Pricing &amp; mix</th>
<th>Net of timing and hedging</th>
<th>Costs</th>
<th>Ferrochrome</th>
<th>Emission allowance derivatives gain in Q1</th>
<th>II/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>133</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>136</td>
</tr>
</tbody>
</table>

*Indicative columns based on management estimates

Higher transportation, electrode and other input costs
European base prices under pressure, US base prices increasing

According to the CRU, they are no longer able to accurately assess base prices from June onwards. Subsequently, the reported base price value is now derived from effective prices and the published alloy surcharges.

<table>
<thead>
<tr>
<th></th>
<th>I/18</th>
<th>II/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>European average base price, EUR/tonne</td>
<td>1,100</td>
<td>984*</td>
</tr>
<tr>
<td>US average base price, USD/tonne</td>
<td>1,396</td>
<td>1,470</td>
</tr>
<tr>
<td>Nickel price, USD/tonne</td>
<td>13,276</td>
<td>14,476</td>
</tr>
<tr>
<td>Ferrochrome price, USD/lb</td>
<td>1.18</td>
<td>1.42</td>
</tr>
</tbody>
</table>

Sources:
Base prices: CRU, July 2018, 2mm cold rolled 304 stainless steel sheet
Nickel LME settlement quotation
Ferrochrome (Cr-content): Metal Bulletin, quarterly contract price

* According to the CRU, they are no longer able to accurately assess base prices from June onwards. Subsequently, the reported base price value is now derived from effective prices and the published alloy surcharges.
Significant drop in European base prices...

According to the CRU, they are no longer able to accurately assess base prices from June onwards. Subsequently, the reported base price value is now derived from effective prices and the published alloy surcharges.

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1. 2mm sheet cold rolled 304 grade. CRU June 2018

* According to the CRU, they are no longer able to accurately assess base prices from June onwards. Subsequently, the reported base price value in is now derived from effective prices and the published alloy surcharges.
...as imports into Europe continue to rise

![Graph: Third-country cold rolled imports into Europe, 1,000 tonnes](chart1.png)

![Graph: Third-country cold rolled imports into the US, 1,000 tonnes](chart2.png)

1. Cold rolled, monthly average. Source: Eurofer, July 2018 (Q2’18 based on April actual & May forecast)
2. Cold rolled, monthly average. Source: Foreign Trade Statistics, American Iron & Steel Institute, June 2018 (Q2’18 based on Apr - May actual figures, June forecast)
## Group key financials

<table>
<thead>
<tr>
<th>Key figures</th>
<th>II/18</th>
<th>II/17</th>
<th>I/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stainless steel deliveries, 1,000 tonnes</td>
<td>668</td>
<td>625</td>
<td>644</td>
</tr>
<tr>
<td>Sales, EUR million</td>
<td>1,883</td>
<td>1,657</td>
<td>1,671</td>
</tr>
<tr>
<td>Adjusted EBITDA, EUR million</td>
<td>136</td>
<td>199</td>
<td>133</td>
</tr>
<tr>
<td>Net result, EUR million</td>
<td>25</td>
<td>109</td>
<td>49</td>
</tr>
<tr>
<td>Earnings per share, EUR</td>
<td>0.06</td>
<td>0.26</td>
<td>0.12</td>
</tr>
<tr>
<td>Operating cash flow, EUR million</td>
<td>71</td>
<td>150</td>
<td>39</td>
</tr>
<tr>
<td>Net debt, EUR million</td>
<td>1,211</td>
<td>1,239</td>
<td>1,086</td>
</tr>
<tr>
<td>Capital expenditure, EUR million</td>
<td>63</td>
<td>31</td>
<td>37</td>
</tr>
<tr>
<td>Personnel at the end of the period</td>
<td>10,419</td>
<td>10,254</td>
<td>10,111</td>
</tr>
</tbody>
</table>
Europe – good result in challenging market

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Adjusted EBITDA, EUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>II/17</td>
<td>129</td>
</tr>
<tr>
<td>III/17</td>
<td>69</td>
</tr>
<tr>
<td>IV/17</td>
<td>37</td>
</tr>
<tr>
<td>I/18</td>
<td>83</td>
</tr>
<tr>
<td>II/18</td>
<td>73</td>
</tr>
</tbody>
</table>

Adjusted EBITDA quarter-on-quarter comparison¹, EUR million

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Deliveries</th>
<th>Pricing &amp; mix</th>
<th>Net of timing &amp; hedging</th>
<th>Costs</th>
<th>Other</th>
<th>II/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>I/18</td>
<td>83</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>II/18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>73</td>
</tr>
</tbody>
</table>

¹ Indicative columns based on management estimates

- Higher electrode and other input costs, partly offset by lower freight costs
Americas started to benefit from higher base prices

Adjusted EBITDA, EUR million

<table>
<thead>
<tr>
<th>Quarter</th>
<th>II/17</th>
<th>III/17</th>
<th>IV/17</th>
<th>I/18</th>
<th>II/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj. EBITDA</td>
<td>-34</td>
<td>27</td>
<td>-6</td>
<td>10</td>
<td></td>
</tr>
</tbody>
</table>

Adj. EBITDA quarter-on-quarter comparison¹, EUR million

- Deliveries: -6
- Pricing & mix: -6
- Net of timing & hedging: -6
- Costs: 10
- Other: 10

Higher transportation, electrode and other input costs

¹) Indicative columns based on management estimates
Long Productssolidly improving profitability

Adjusted EBITDA\(^1\), EUR million

<table>
<thead>
<tr>
<th>Quarter</th>
<th>I/17</th>
<th>II/17</th>
<th>III/17</th>
<th>IV/17</th>
<th>I/18</th>
<th>II/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj. EBITDA</td>
<td>7</td>
<td>3</td>
<td>4</td>
<td>9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Adj. EBITDA quarter-on-quarter comparison\(^2\), EUR million

<table>
<thead>
<tr>
<th>Quarter</th>
<th>I/18</th>
<th>II/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliveries</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Pricing &amp; mix</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net of timing &amp; hedging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Higher electrode and other input costs

1) Fagersta Stainless not included
2) Indicative columns based on management estimates
Ferrochrome impacted by planned maintenance

Adjusted EBITDA, EUR million

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Adj. EBITDA</th>
<th>EUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>II/17</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>III/17</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>IV/17</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>I/18</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>II/18</td>
<td>39</td>
<td></td>
</tr>
</tbody>
</table>

Adj. EBITDA quarter-on-quarter comparison\(^1\), EUR million

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Deliveries</th>
<th>FeCr price</th>
<th>Costs</th>
<th>Other</th>
<th>II/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>I/18</td>
<td>42</td>
<td></td>
<td></td>
<td></td>
<td>39</td>
</tr>
</tbody>
</table>

1) Indicative columns based on management estimates

Higher maintenance costs and coke price
Solid operating cash flow

Cash flow, EUR million

- EBITDA: 136
- Working capital: -18
- Provisions, pensions, financial charges and other: -47
- Operating cash flow: 71
- Net cash from investing activities: -69
- Cash flow before financing activities: 2

Includes Fagersta acquisition
Includes redemption costs of 2021 notes
Net debt increased driven by dividend payment

- Dividend: EUR 103 million
- Share repurchases: EUR 17 million
- Seasonal increase in net working capital EUR 18 million
- Fagersta Stainless acquisition: EUR 14 million

### Net debt and gearing

<table>
<thead>
<tr>
<th>Year</th>
<th>Net debt/LTM adj. EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>9.8</td>
</tr>
<tr>
<td>2016</td>
<td>4.0</td>
</tr>
<tr>
<td>2017</td>
<td>1.7</td>
</tr>
<tr>
<td>I/18</td>
<td>2.3</td>
</tr>
<tr>
<td>II/18</td>
<td>3.0</td>
</tr>
<tr>
<td>2020</td>
<td>&lt;1.0</td>
</tr>
</tbody>
</table>

### Net debt/LTM adj. EBITDA
Successful re-financing of 2021 notes

- In June 2018, Outokumpu issued EUR 250 million 4.125% secured notes due June 2024
- Proceeds used primarily to call 7.250% June 2021 notes
- Significant step pushing interest cost towards EUR 50 million target
- Longer weighted average maturity profile of debt
Outlook for Q3 2018

• In line with the market, stainless steel deliveries are expected to be seasonally lower in business area Europe and to remain stable in the Americas.
• Base price pressure continues in Europe but the negative impact of this is partly offset by higher base prices in the US supported by steel import tariffs.
• Normalized ferrochrome production expected.

Adjusted EBITDA expected to be lower than in Q2/18 but significantly higher than in Q3/17
Appendix
Our strategic plan

VISION 2020:
To be the best value creator in stainless steel by 2020 through customer orientation and efficiency.

The best value in the industry for customers, shareholders and employees through:

- Safety
- High Performing Organization
- World Class Supply Chain
- Manufacturing Excellence
- Americas
- Commercial Excellence
Topline growth and cost reductions will deliver EBITDA of EUR 750 million

**TOP LINE GROWTH**
- Increase volume through efficiency and debottlenecking
- Richer mix through improved capability and selective sales strategy
- Value based selling

**COST REDUCTION**
- Achieve 3% annual productivity improvement
- Achieve 15% savings in procurement
- Reduce variable and fixed cost
- Reduce SG&A cost by EUR 100 million

### Fully integrated production asset base

<table>
<thead>
<tr>
<th></th>
<th>Europe</th>
<th>Americas</th>
<th>Long Products</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000 tonnes</td>
<td>Tornio Finland</td>
<td>Avesta + Nyby Sweden</td>
<td>Degerfors Sweden</td>
<td>Total</td>
</tr>
<tr>
<td>Melting</td>
<td>1,450 450</td>
<td>900</td>
<td>450</td>
<td>3,250</td>
</tr>
<tr>
<td>Hot rolling</td>
<td>1,450 900</td>
<td>870</td>
<td></td>
<td>3,220</td>
</tr>
<tr>
<td>Finishing</td>
<td>750 150 130 120 500</td>
<td>350 150</td>
<td>25 40 40 65</td>
<td>2,720</td>
</tr>
<tr>
<td></td>
<td>150</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Broadest product portfolio across stainless steel

Deliveries by product grade in 2017

- Austenitic (CrNi) 59%
- Austenitic (CrNiMo) 17%
- Ferritic 18%
- Duplex 3%
- Other 3%

Outokumpu product forms

- Arial
- Slab
- Quarto plate
- Hot rolled black coil
- Hot and cold rolled white coil
- Precision strip
- Cast semis
- Rolled and forged billet
- Bar
- Rebar
- Wire rod

Jan-Dec 2017
We focus on growth segments
Consumer goods, automotive, architecture, building and construction

Distributors
- 45%
- 55%

End-customers
- 16%
- 17%
- 22%
- 18%
- 18%
- 3%
- 6%

- Consumer goods & medical
- Automotive
- Architecture, building & construction
- Chemical, petrochem. and energy
- Metal processing & tubes
- Heavy industries
- Other

Sales 2017
Operative cost components

- Raw materials account for around 60% of the total operative costs of the Group
- Energy and other consumables account for 10-15% of the total operative costs
- Personnel expenses 10-15% of the total operative costs
- Other cost of sales includes e.g. freight, maintenance and rents and leases
Debt structure and maturity profile

Debt structure*, %

- Bonds: 40%
- Convertible bonds: 19%
- Long-term loans: 13%
- Pension loans: 7%
- Finance leases: 3%
- Short-term loans: 1%
- Commercial paper: 17%

* June 30, 2018

Debt maturity profile, EUR million

- Current debt
- Non-current debt
- Unutilized facilities

* June 30, 2018
Stainless steel demand continues to grow

Global stainless steel real demand in 2015

37.5 million tonnes

Expected global stainless steel real demand in 2020

47.3 million tonnes

- Consumer goods & Medical +28%
- Automotive +21%
- Architecture, Building & Construction +34%
- Heavy industries +27%
- Chemical, Petrochemical and Energy +21%
- Other -2%

Source: SMR, July 2018
6% demand growth expected for 2018

Data source: SMR, July 2018
Real demand for total stainless steel (rolled & forged products, excl. 13Cr tubes, profiles)
Demand down in Q3 in Europe in line with typical seasonality, in Americas growth of 4% from Q2

EMEA total stainless steel real demand

1,000 tonnes

1,500 1,600 1,700 1,800 1,900 2,000 2,100 2,200

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4

-7%

1,000 tonnes

1,500 1,600 1,700 1,800 1,900 2,000 2,100 2,200

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4

Americas total stainless steel real demand

1,000 tonnes

1,500 1,600 1,700 1,800 1,900 2,000 2,100 2,200

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4

+4%

1) Total stainless = rolled & forged products, excl. 13Cr tubes, profiles
Low capacity utilization in China, on healthier level in Europe and Americas

Source: SMR Real Demand July 2018; CRU Capacity May 2018
* Using Jan-May'18 imports share as forecast for 2018-2019
Raw materials - price development

Data source: 1) Nickel Cash LME Daily Official 2) Contract - MetalBulletin - Ferro-chrome Lumpy CR charge basis 52% & Cr quarterly major European destinations Cr ; Spot: Platts Charge Chrome 52% DDP Europe
3) MetalBulletin - Molybdenum Drummed molybdic oxide Free market Mo in warehouse; 4 Ferrous Scrap Index HMS 1&2 (80:20 mix) $ per tonne fob Rotterdam
For more information, call Outokumpu Investor Relations or visit www.outokumpu.com/investors

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Next IR events
Q3 results
October 26, 2018
Capital Markets Day
November 20, 2018