

Interim statement Q1/2016

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CFO Reinhard Florey

April 27, 2016

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Today's attendees of Outokumpu



Roeland Baan
CEO

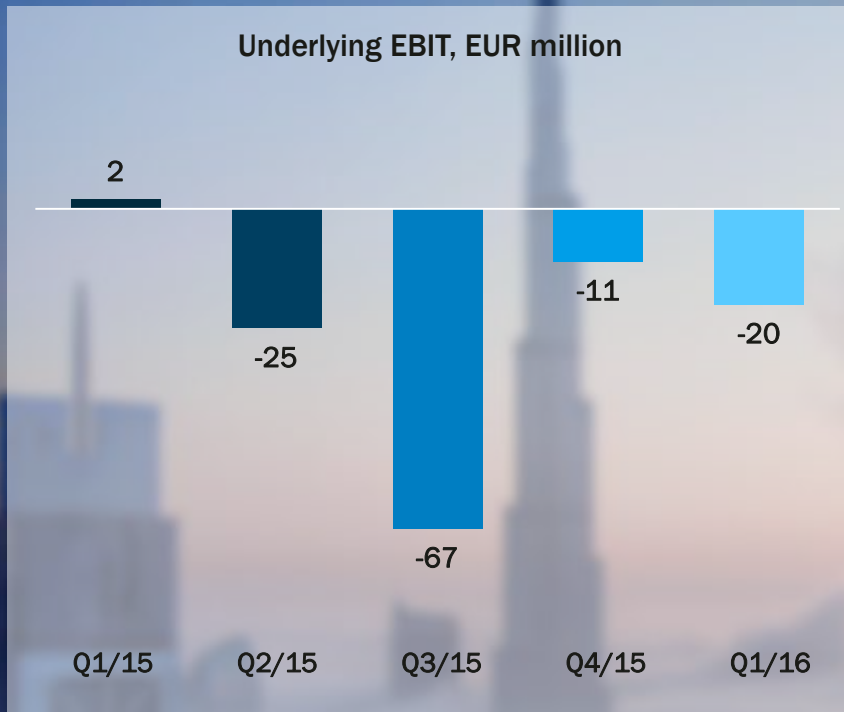


Reinhard Florey
CFO



Johanna Henttonen
SVP
Investor Relations

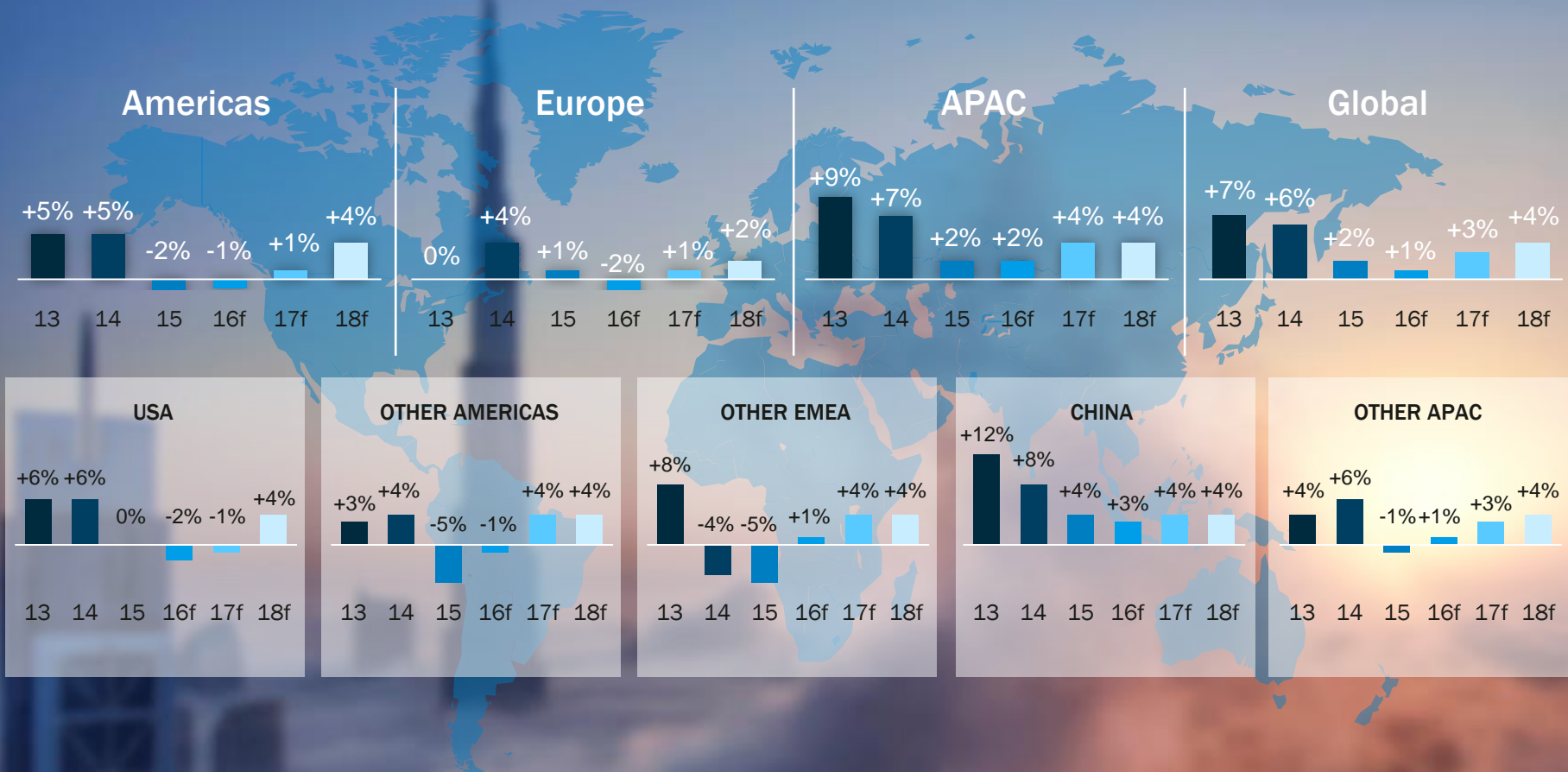
Q1 in line with our expectations



- Delivery volumes up by 6%
- Operating cash flow EUR 74 million
- Net debt to below 1.6 billion

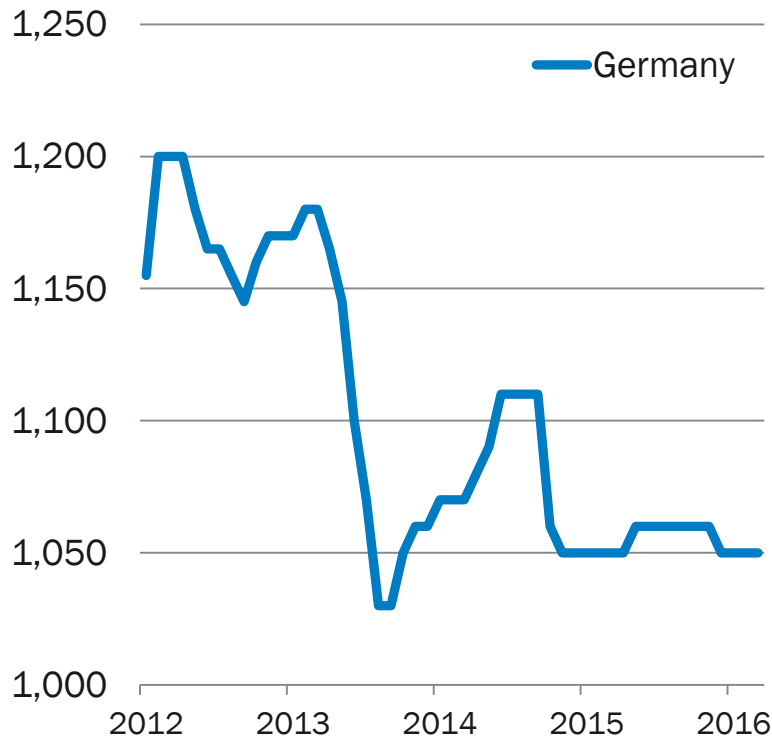
- Lower base prices
- Scrap costs increased
- Total of EUR 15 million write-downs of trade receivables in Europe and aged inventories in Americas
- Lower ferrochrome price

~1% demand growth expected for 2016

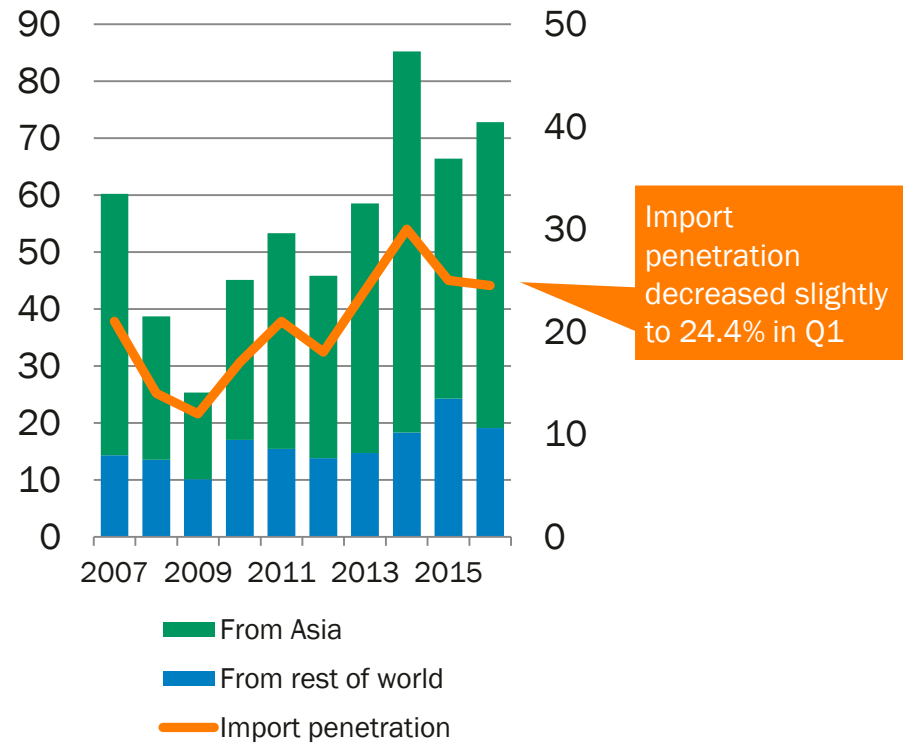


European base prices resilient

European base prices¹, EUR/tonne

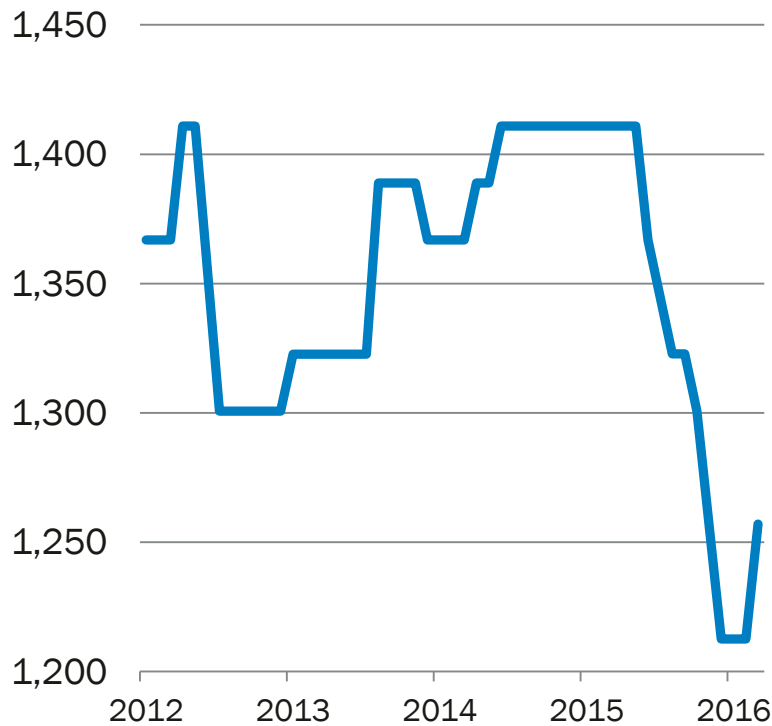


Third-country imports² into Europe, 1,000 tonnes

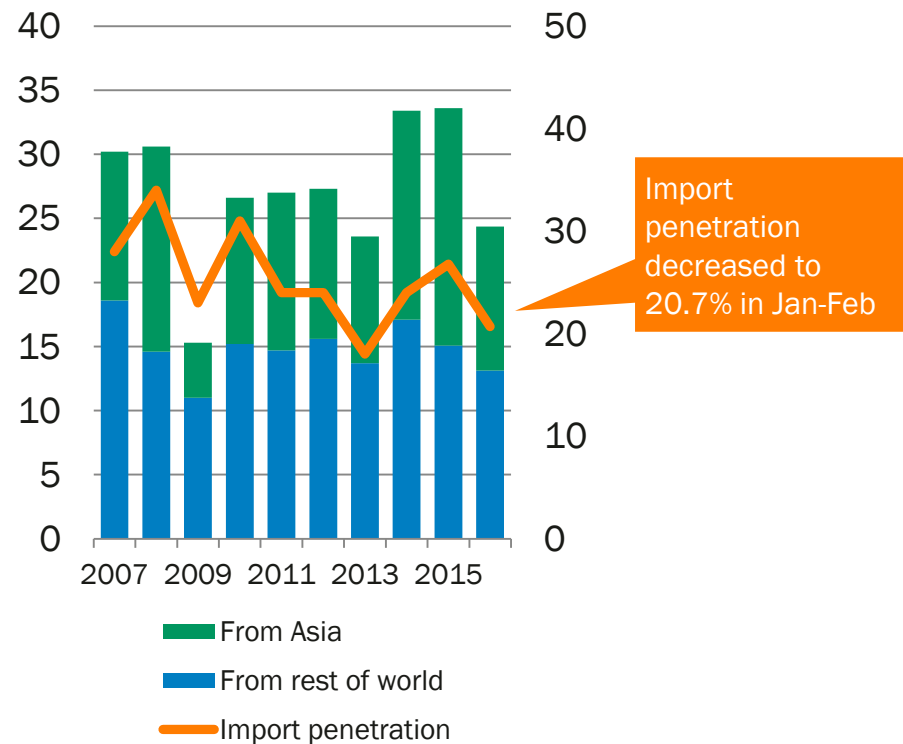


American base prices turning the corner

US base prices¹, USD/tonne



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

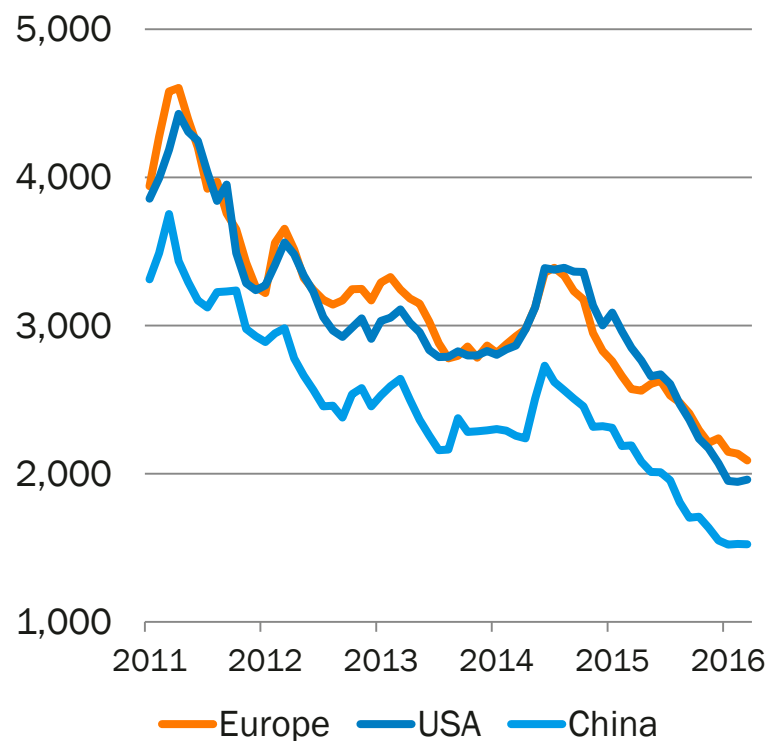


13-year low in nickel price reflected in stainless transaction prices

Nickel price, USD/tonne



Transaction prices 304 stainless, USD/tonne



Q1 key financials

Deliveries grew in both Europe and Americas

Sales down by 3.4% driven by lower prices

Positives from higher deliveries offset by downward pressure on prices, increase in scrap costs and write-downs

Positive operating cash flow of EUR 74 million

Key figures	Q1/16	Q4/15	2015
Stainless steel deliveries, 1,000 tonnes	610	574	2,381
Sales, EUR million	1,386	1,435	6,384
Underlying EBITDA, EUR million	38	50	196
Underlying EBIT, EUR million	-20	-11	-101
EBIT, EUR million	-12	341	228
Net result, EUR million	-41	308	86
Operating cash flow, EUR million	74	2	-34
Net debt, EUR million	1,551	1,610	1,610
Capital expenditure, EUR million	32	65	154
Personnel at the end of the period	10,920	11,002	11,002

Updates in Outokumpu financial reporting

Reporting practices

- Interim statements in Q1 and Q3
- Q2 and Q4/FY reports continue to follow IAS 34 format

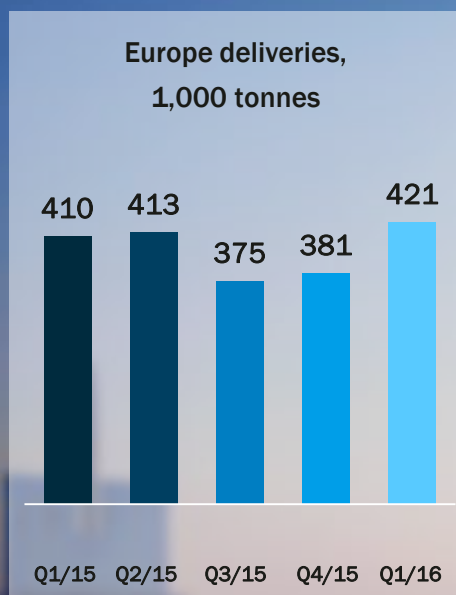
Underlying EBIT as main profitability measure

- Shows best underlying profit drivers and operational performance
- Adjustments to IFRS EBIT:
 - Material income and expense items earlier labelled as non-recurring items
 - Raw material related inventory gains/losses and metal derivative gains/losses

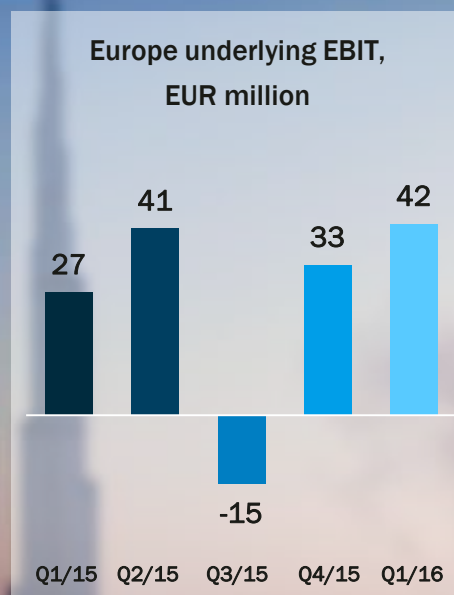
New business areas

- Q1 reported according to new BA structure:
 - Europe
 - Americas
 - Long Products
- Restated quarterly data available for past two years

Europe's performance stronger



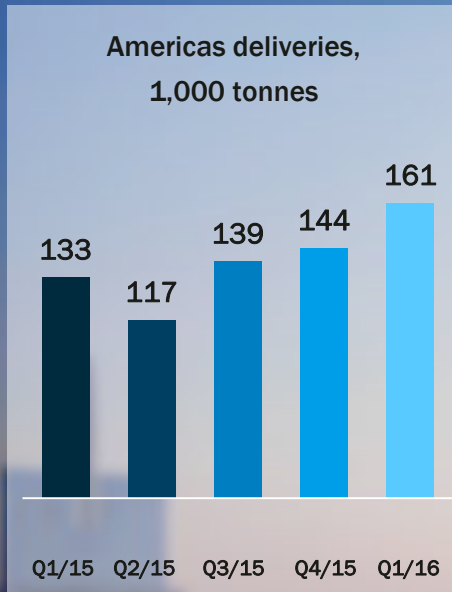
Deliveries up by 10.5%
reflecting seasonal pick-up



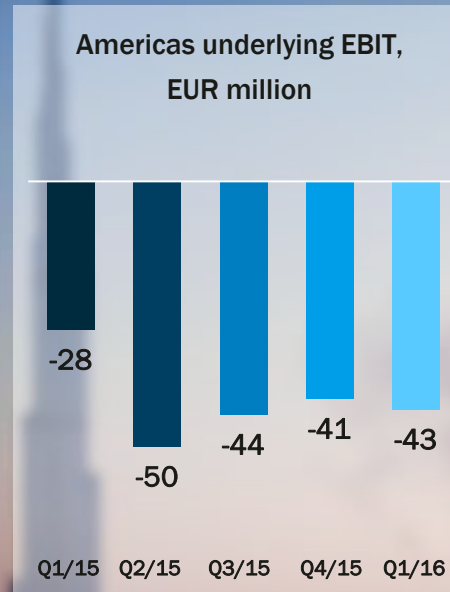
Stronger performance as a
result of higher deliveries and
lower costs, partly offset by
lower base prices and one-offs

- End-demand stable, distributor demand subdued
- Prices under pressure
- Operating environment for plate products subdued
- Ferrochrome production 132,000 tonnes
- EMEA restructuring program savings of EUR 15 million
- Adjustments:
 - EUR -8 million related to earlier site closures
 - EUR -2 million net effect of raw material-related inventory and metal derivative gains/losses
- Write-down of EUR 12 million trade receivable

Americas' market dynamic started to improve



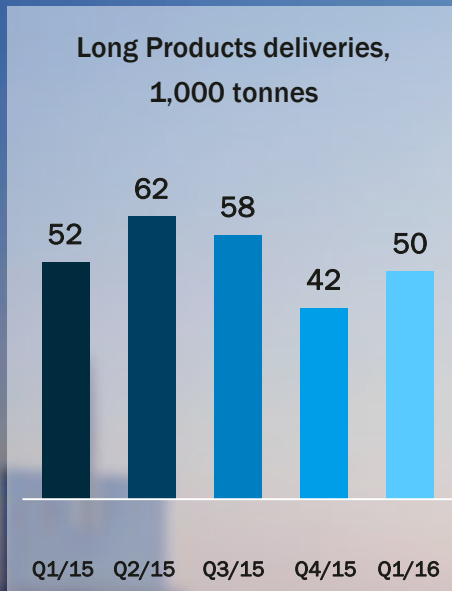
Deliveries increased by 11.8% to all-time quarterly record



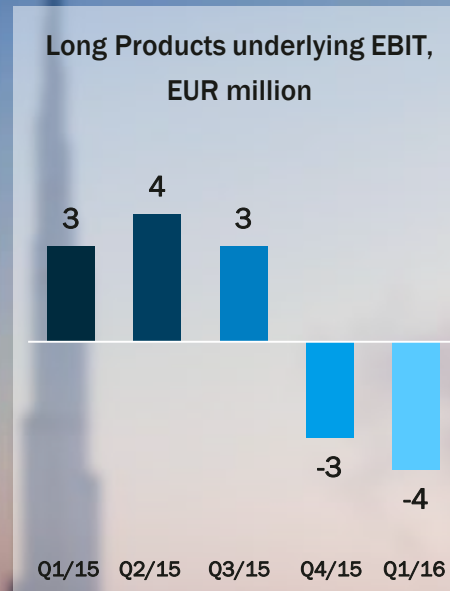
Underlying EBIT still at heavy loss. Benefits from higher volumes and better utilization as well as implemented cost improvements were offset by price pressure

- Apparent consumption up by 4.8%
- Antidumping and countervailing duty petitions against Chinese importers filed in February
- Announced price increases expected to have a gradual positive impact from April onwards
- Base prices in deliveries stable vs Q4
- Adjustments:
 - EUR 25 million insurance compensation
 - EUR -8 million net effect of raw material-related inventory and metal derivative gains/losses
- EUR 3 million aged inventory write down at Calvert

Long Products' prices still under pressure



Deliveries up by 19% due to higher internal slab deliveries



Weaker underlying EBIT as a result of low prices and a weak product mix

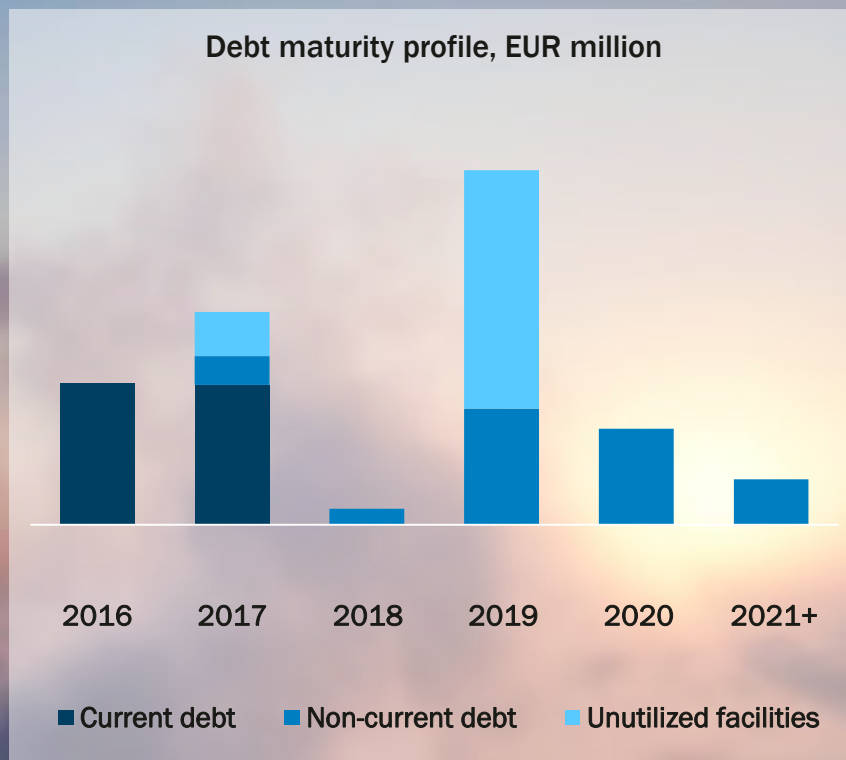
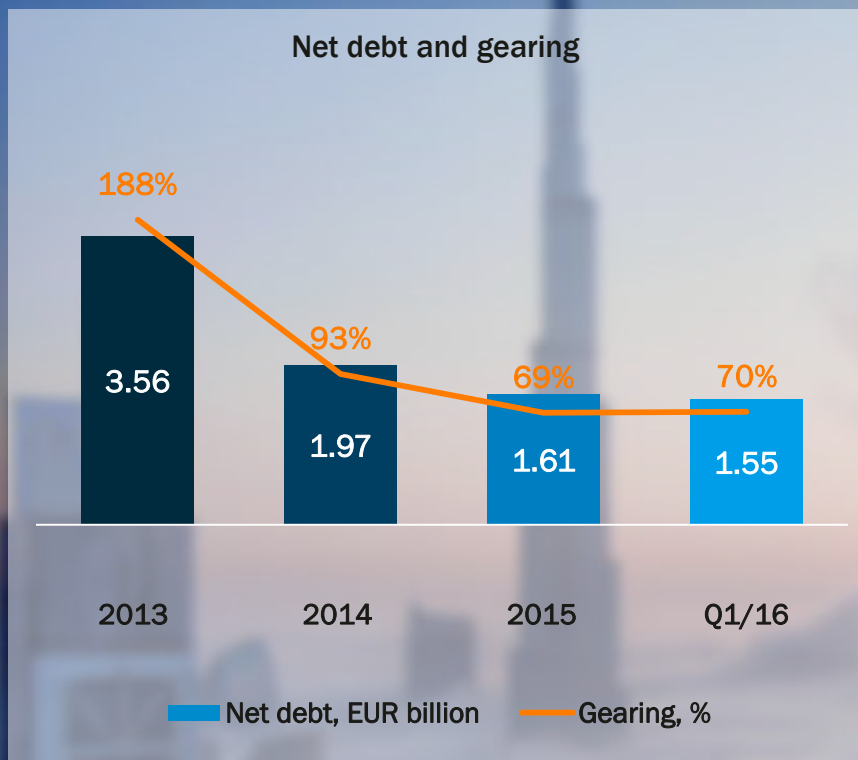
- Operating environment overall weak particularly in the US
- Prices under pressure in both Europe and the US
 - low nickel prices
 - subdued Oil & Gas -related project activity
 - import pressure
 - tight competition
- Gradual pick up in order intake
- Net effect of raw material-related inventory and metal derivative gains/losses was EUR -3 million

Positive operating cash flow

EUR million	Q1/16	Q4/15	2015
Net cash from operating activities	74	2	-34
Net cash from investing activities	-17	319	239
Free cash flow	57	321	205
Cash and cash equivalents	166	186	186

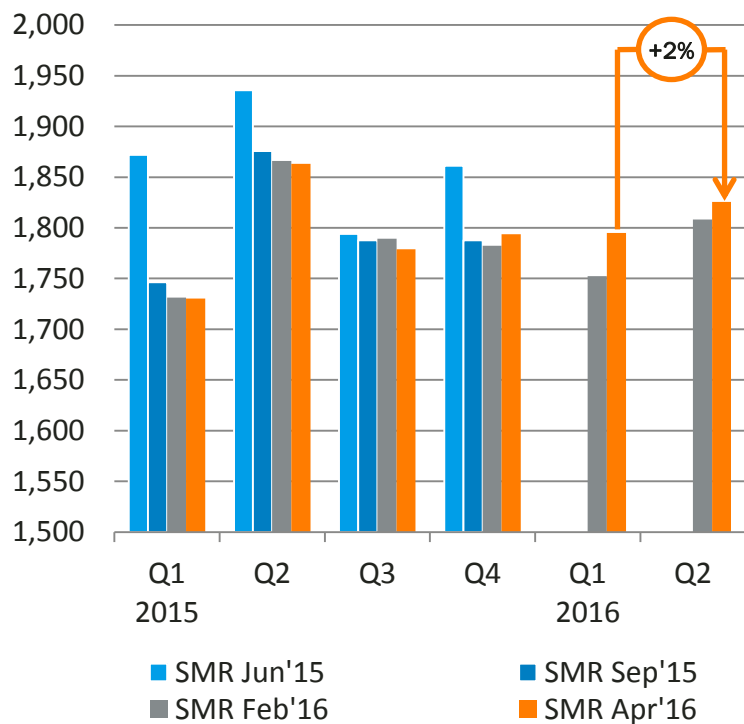
- Change in working capital of EUR 58 million
- Financing costs EUR 34 million
- Overall liquidity reserves EUR 900 million
- Net debt decreased by EUR 59 million

Net debt decreased to below EUR 1.6 billion

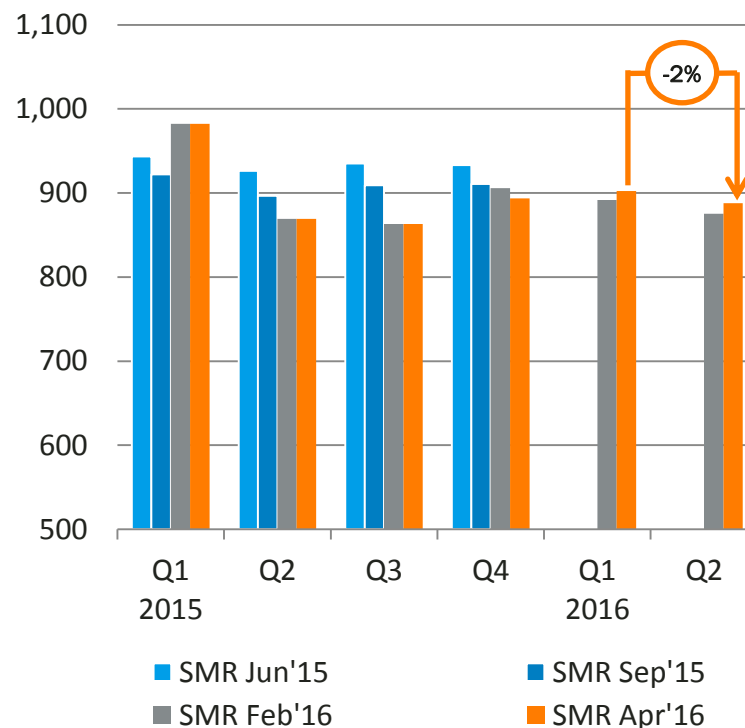


Real demand expected to remain sequentially flat in Q2

EMEA total stainless steel real demand, 1,000 tonnes



Americas total stainless steel real demand, 1,000 tonnes



Business and financial outlook for Q2/2016

Market commentary

In Europe

- Underlying demand in key sectors outside of Oil & Gas expected to continue healthy
- Stock levels among distributors above historical averages

In Americas

- Stock levels among distributors below historical averages
- Price increases have been announced
- Chinese imports are being addressed with antidumping investigation

Outokumpu estimates for Q2



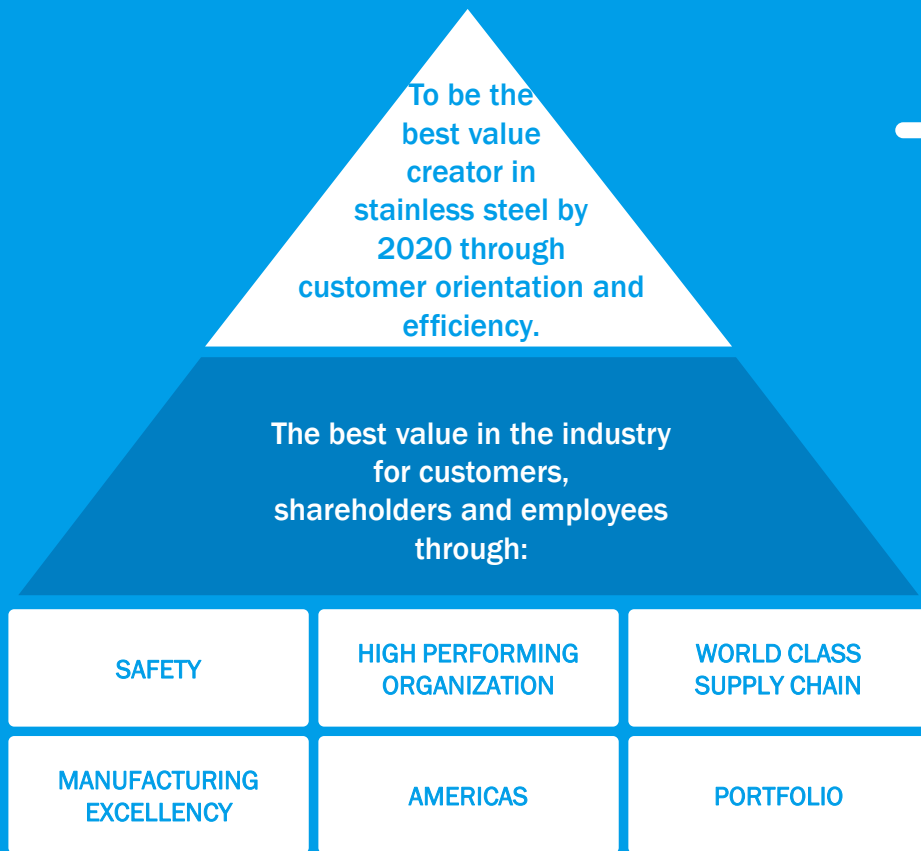
Delivery volumes to be sequentially flat

Underlying EBIT to remain at a similar level as in Q1

Results will be burdened by weaker performance of the ferrochrome business driven by low ferrochrome price and US dollar

With current prices, net impact of raw material-related inventory and metal derivative gains/losses on profitability is expected to be marginal, if any.

Improving competitiveness and financial performance



Financial targets for 2020

1

EBIT
EUR 500 million

2

ROCE
12%

3

Gearing
<35%

Immediate actions for a step change in cost and competitive position

1

New organizational set-up

2

SG&A cost reduction
EUR 100 million by
the end of 2017

3

NWC reduction
At least EUR 200
million by end of 2016



Net debt
EUR 1.2 billion
by the end of
2017

Our new vision

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

Appendix

Balance sheet

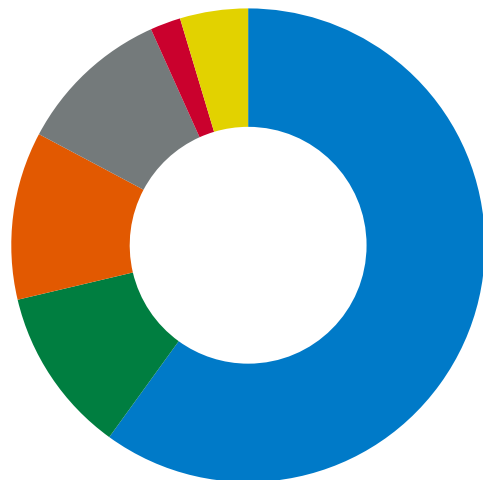
Assets (MEUR)	31.3.16	31.12.15
Non-current assets		
Intangible assets	496	498
Property, plant and equipment	2,924	3,005
Investments in associated companies and joint ventures	62	63
Other financial assets	45	41
Deferred tax assets	22	16
Defined benefit plan assets	47	35
Trade and other receivables	36	40
Total non-current assets	3,632	3,698
Current assets		
Inventories	1,147	1,251
Other financial assets	45	53
Trade and other receivables	694	686
Cash and cash equivalents	166	186
Total current assets	2,052	2,177
Total assets	5,684	5,874

Balance sheet

Equity and liabilities (MEUR)	31.3.16	31.12.15
Total equity	2,229	2,329
Non-current liabilities		
Non-current debt	870	1,249
Other financial liabilities	9	9
Deferred tax liabilities	16	16
Defined benefit and other long-term employee benefit obligations	388	369
Provisions	111	113
Trade and other payables	48	48
Total non-current liabilities	1,442	1,805
Current liabilities		
Current debt	848	547
Other financial liabilities	38	50
Provisions	17	23
Trade and other payables	1,111	1,121
Total current liabilities	2,014	1,741
Total equity and liabilities	5,684	5,874

Cost analysis

Operative cost components in 2015



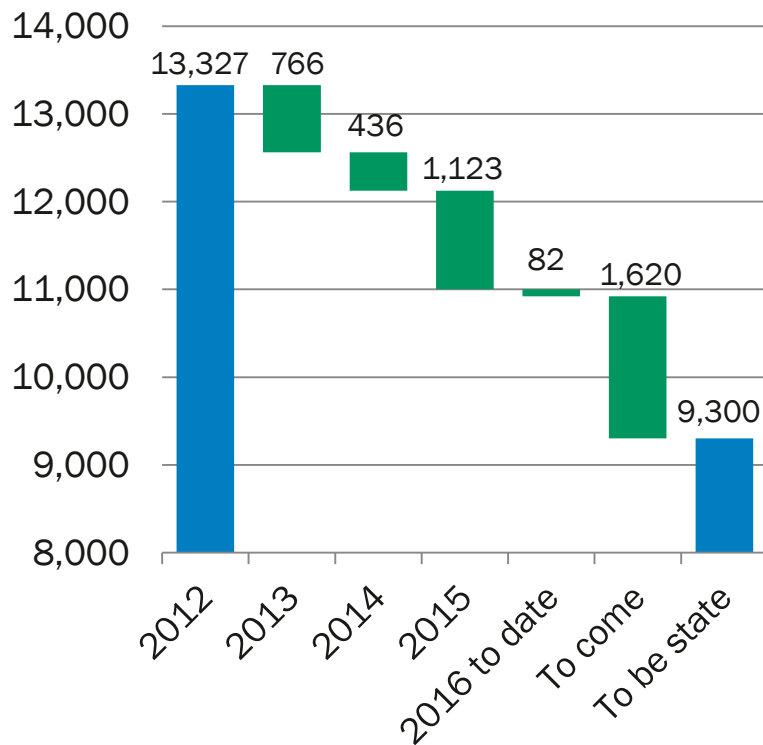
- Raw materials
- Personnel
- Energy and consumables
- Other cost of sales
- SG&A (excl. personnel and D&A)
- D&A total

Comments

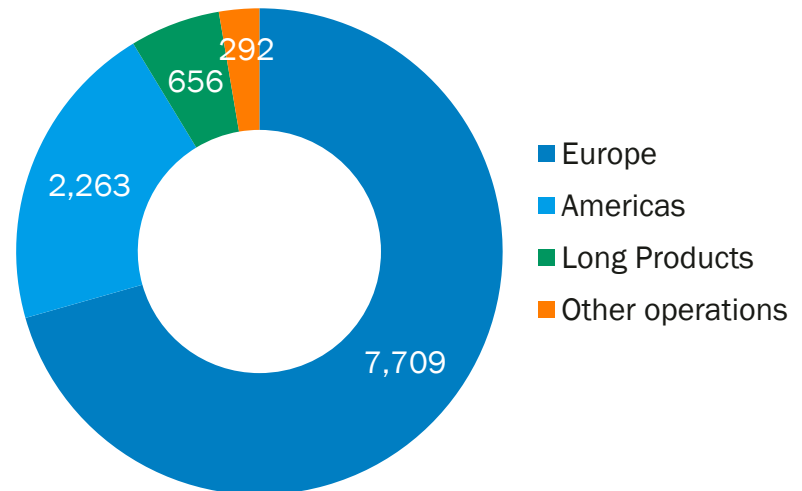
- Raw materials account for around 60% of the total operative costs of the Group
- Energy and other consumables account for 10-15% of the total operative costs
- Personnel expenses 10-15% of the total operative costs
- Other cost of sales includes e.g. freight, maintenance and rents and leases

Headcount reductions

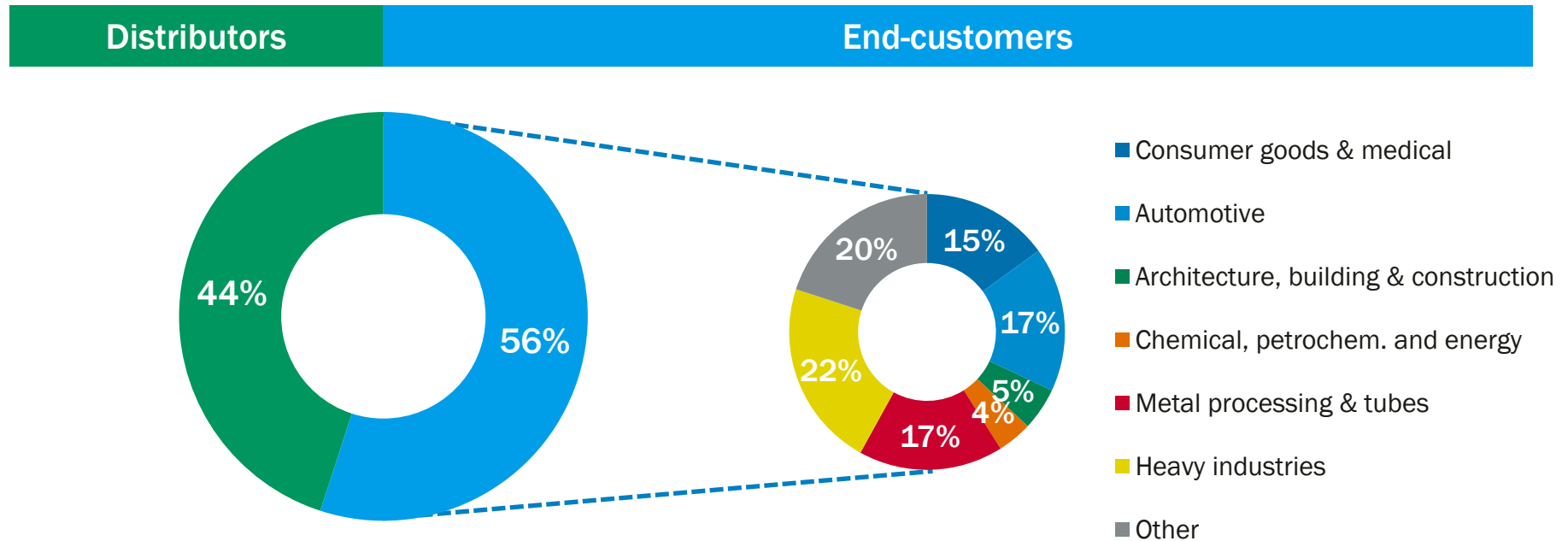
Total headcount reduction



Personnel per business area at the end Q1/16

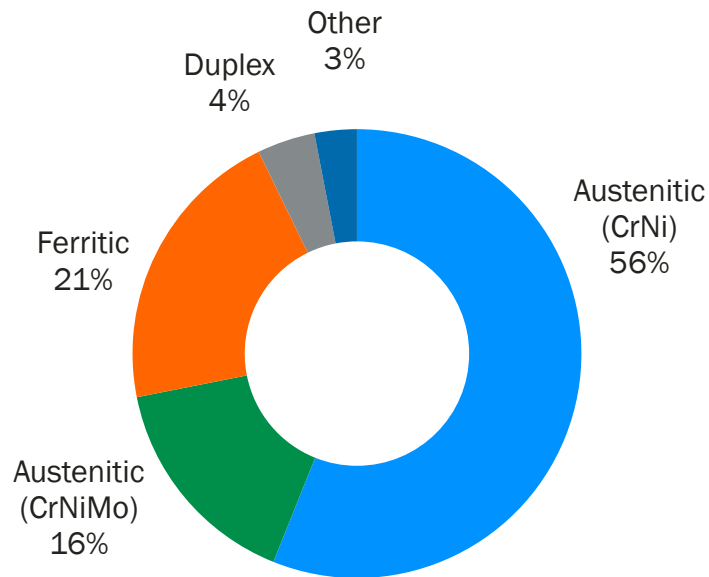


Balanced customer base across industries

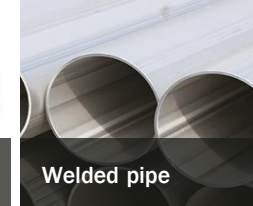
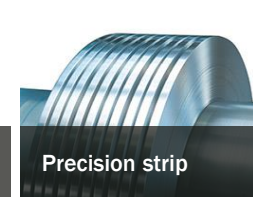
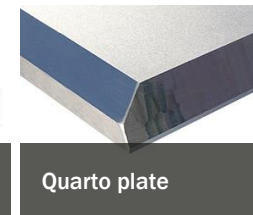


Broadest product portfolio across stainless steel

Deliveries by product grade in 2015



Outokumpu product forms



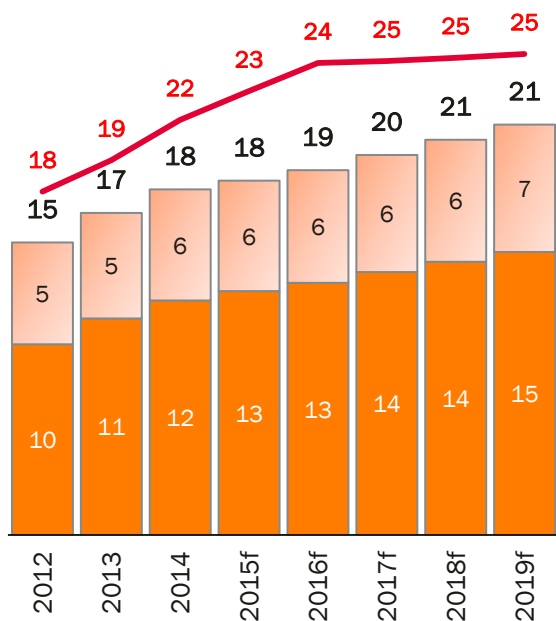
Fully integrated production asset base

	Europe				Americas			Long Products				Total
	Tornio Finland	Avesta Sweden	Krefeld Germany	Degerfors Sweden	Calvert USA	Mexinox Mexico	New Castle USA	Sheffield UK	Richburg USA	Degerfors Sweden	Wildwood USA	
Melting	1,450	450			900			450				3,250
Hot rolling	1,450	900			870							3,220
Cold rolling	900	250	500	150	500	250	60	25	40	40	20	2,735

Low capacity utilization in China, on healthier level in Europe and Americas

Asia

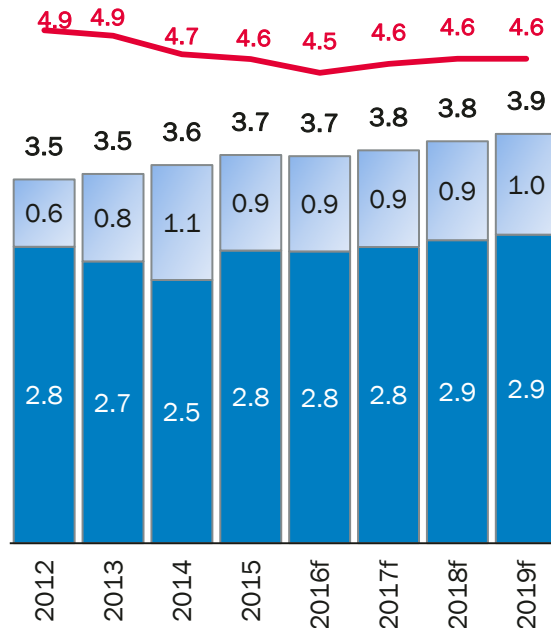
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■ Demand covered by Rest Asia
■ Demand covered by China
— CRU Capacity

Europe

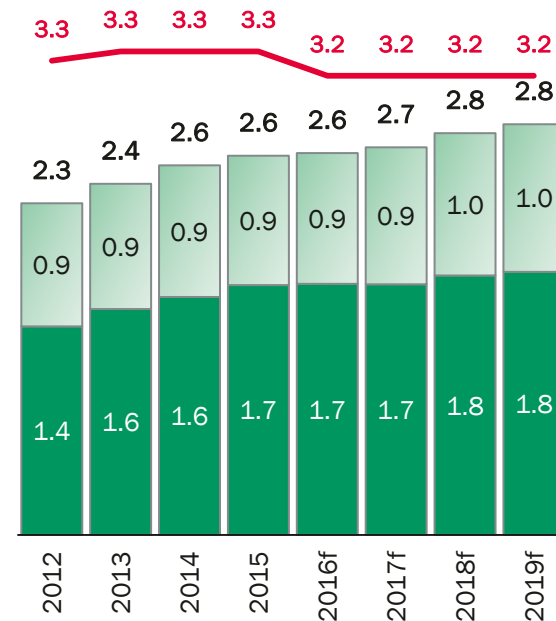
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■ Demand covered by Imports*
■ Demand covered by EU Mills
— CRU Capacity

Americas

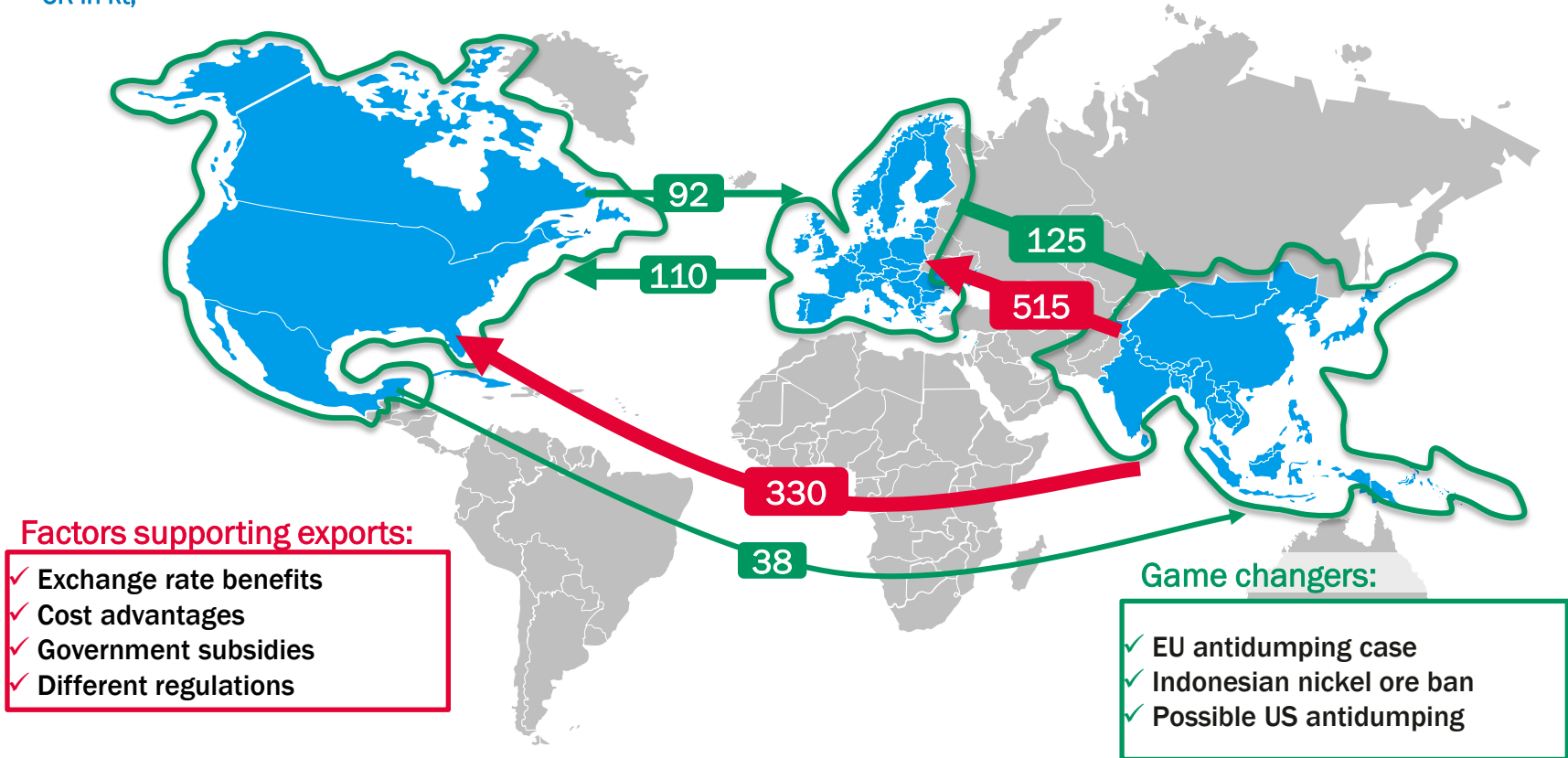
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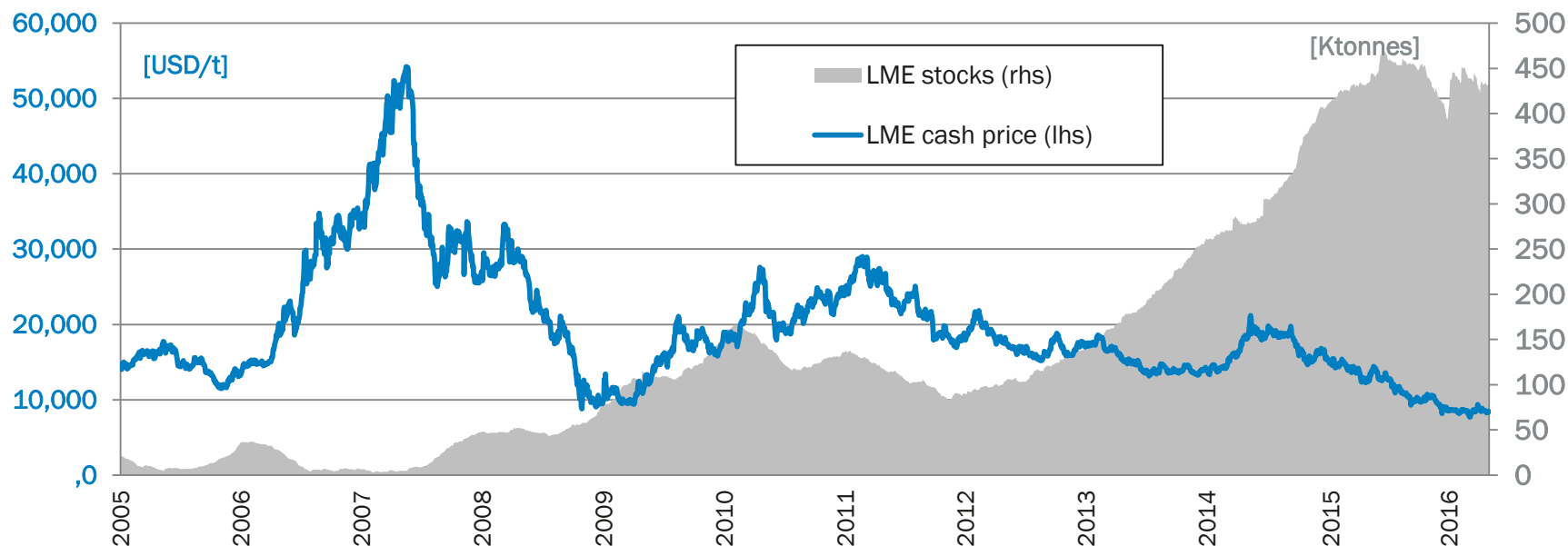
■ Demand covered by Rest Americas
■ Demand covered by USA
— CRU Capacity

Unbalanced trade flows

CR in kt,



Nickel price development



- Nickel prices slumped to 13-year lows below 8,000 USD/tonne in early February on the back of increasing fears over global economy and subdued demand.
- In early March prices recovered to around 9,400 USD/tonne on improving sentiment among commodities general, but lost most of the gains and ended the quarter at 8,280 USD/tonne, 4.4% lower than in the beginning of the quarter.
- The average price of the quarter of 8,504 USD/tonne, was 9.6% lower than 9,412 USD/tonne in the fourth quarter of 2015.

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

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