

Financial Statements Release 2017

CEO Roeland Baan

CFO Chris de la Camp

January 31, 2018

outokumpu 

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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

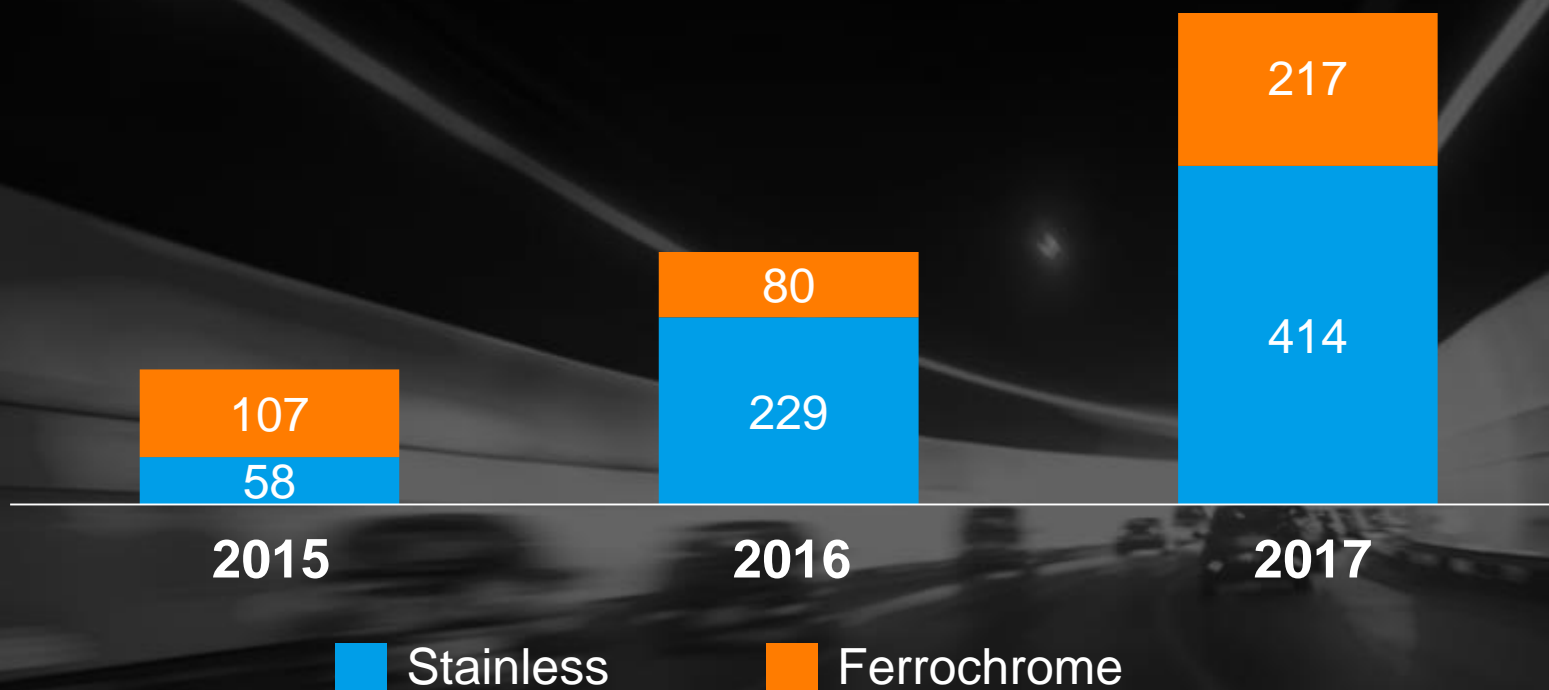
Back to basics

2017 delivered significant improvements

	2016	2017	2017 target	2020 target	
Safety (TRIFR)	8.7	4.4	<8.0 ✓	<3.5	Target update
Adj. EBITDA (million EUR)	309	631		750	Well on track
SG&A (quarterly run-rate, million EUR)	80	67	75 ✓		
ROCE (%)	2.6	11.3		12	Well on track
Gearing (%)	51	40		<35	Well on track
Net debt (million EUR)	1,242	1,091	1,100 ✓		

Stainless profitability has improved as a result of self-help and better market

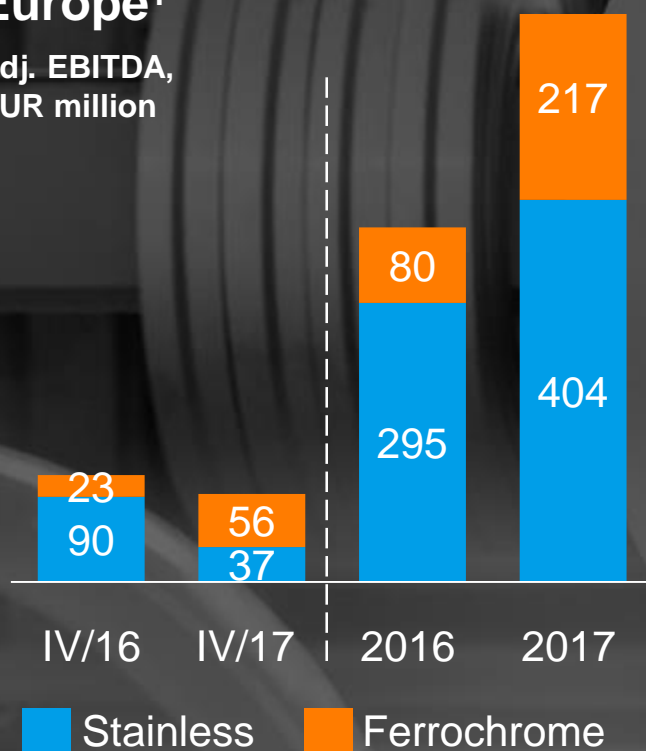
Group, adjusted EBITDA, EUR million



Step-change in earnings in all business areas

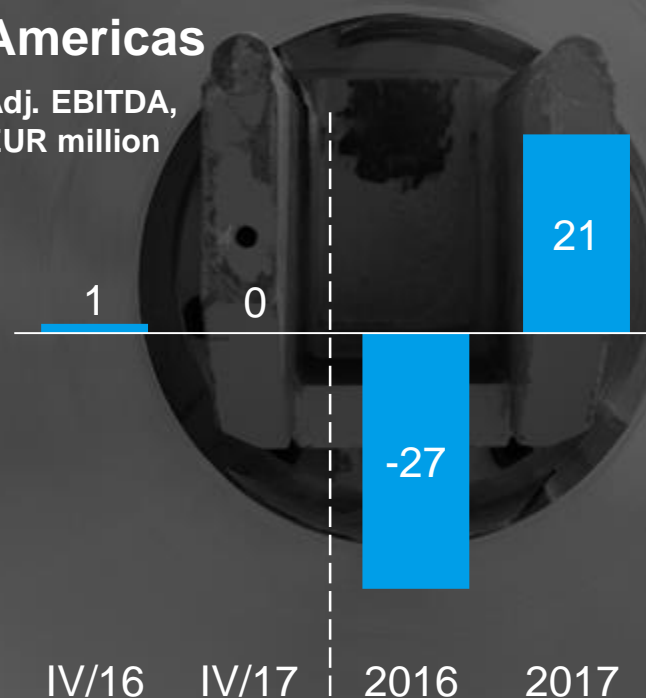
Europe¹

Adj. EBITDA,
EUR million



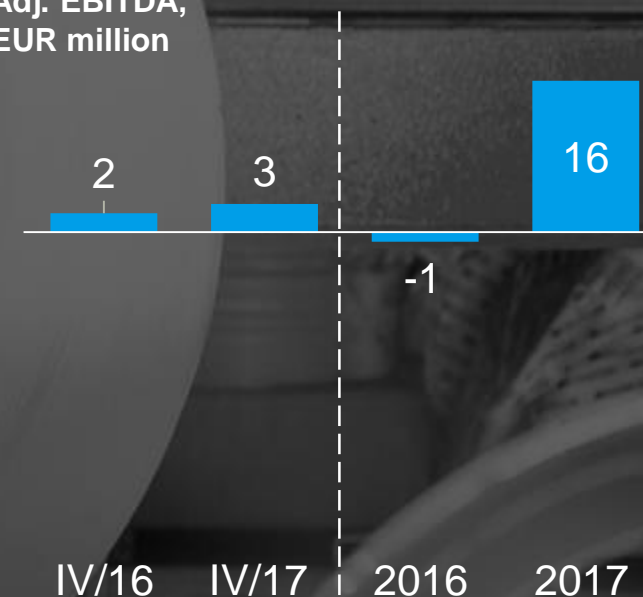
Americas

Adj. EBITDA,
EUR million

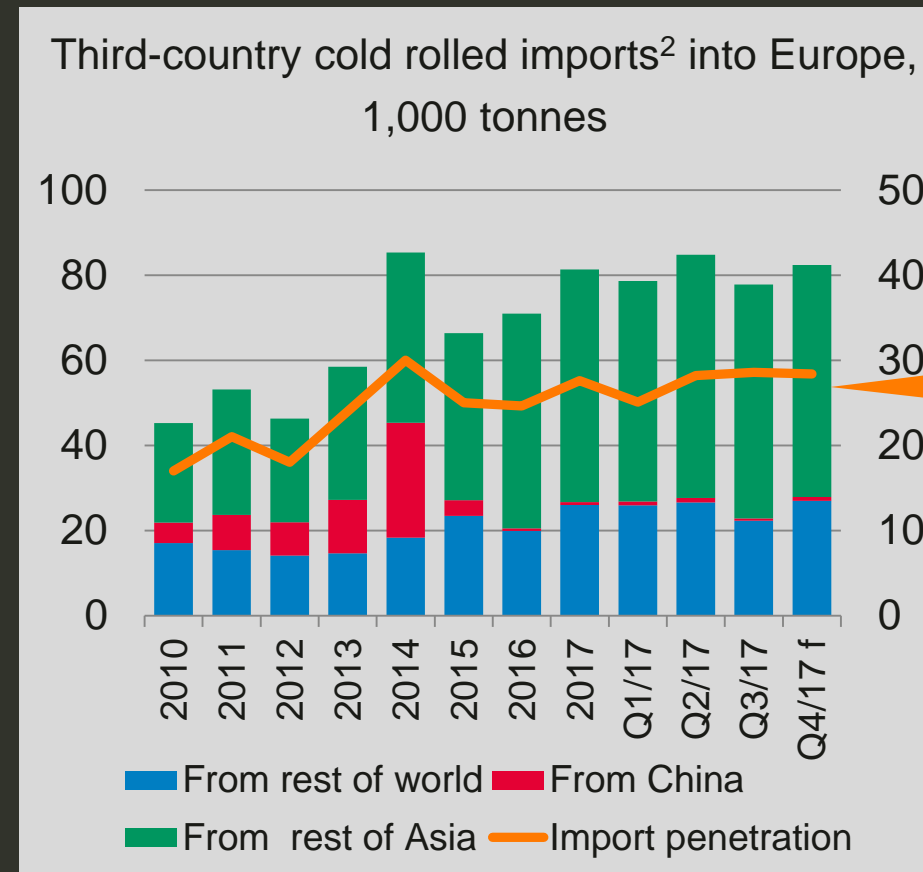
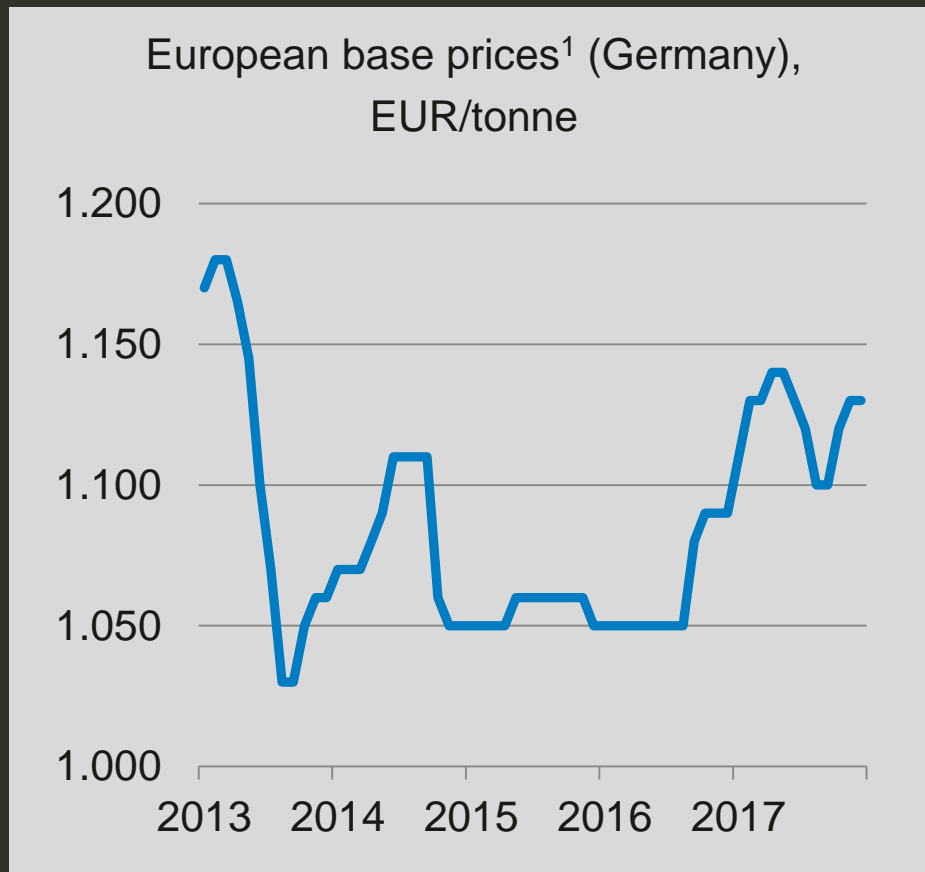


Long Products

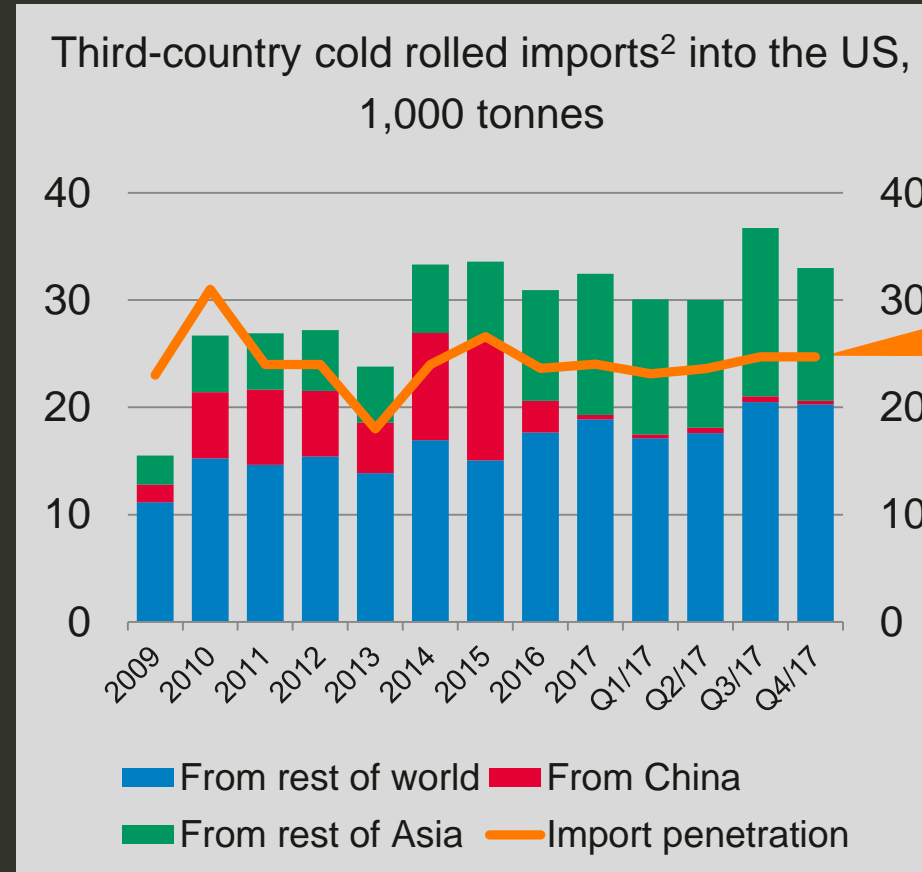
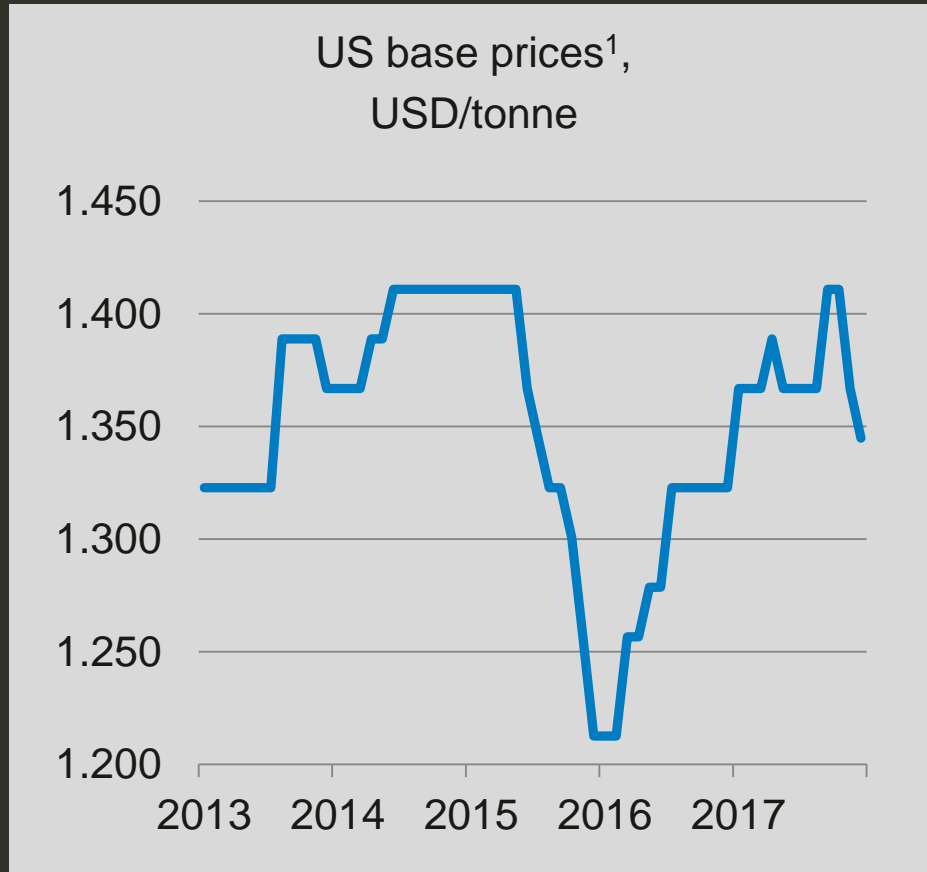
Adj. EBITDA,
EUR million



European prices recovered towards year-end



US base prices under pressure at year-end



Import penetration of 25% in Q4

Key financials

Q4 increased deliveries in the Americas and Long Products offset by lower deliveries in Europe

Q4 adj. EBITDA includes net of timing & hedging of EUR 6 million

FY17 net result includes EUR 125 million deferred tax income

Board of Directors proposes a dividend of EUR 0.25 per share for 2017

Key figures	IV/17	IV/16	2017	2016
Stainless steel deliveries, 1,000 tonnes	561	596	2,448	2,444
Sales, EUR million	1,465	1,506	6,363	5,690
Adjusted EBITDA, EUR million	82	98	631	309
Net result, EUR million	128	192	392	144
Earnings per share, EUR	0.31	0.46	0.95	0.35
Operating cash flow, EUR million	104	199	328	389
Net debt, EUR million	1,091	1,242	1,091	1,242
Capital expenditure, EUR million	84	61	174	164
Personnel at the end of the period	10,141	10,600	10,141	10,600

Q4 impacted by lower deliveries and higher costs

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

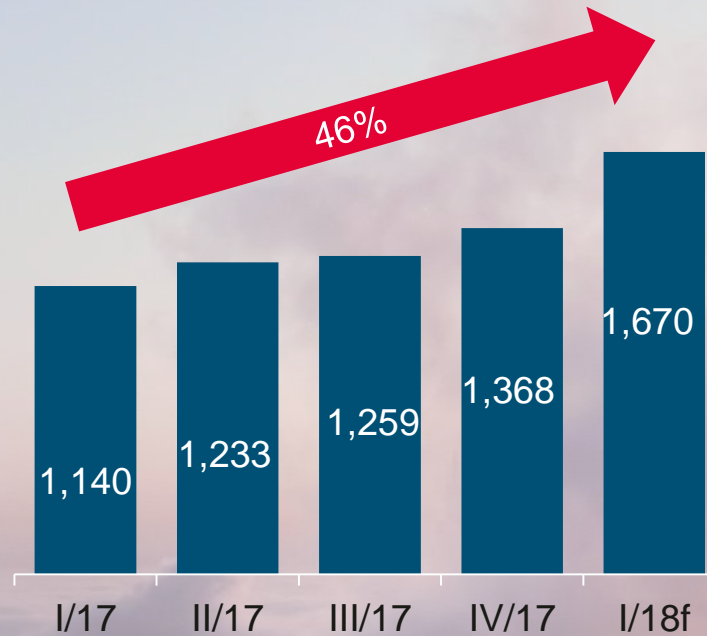


Input costs continue to increase

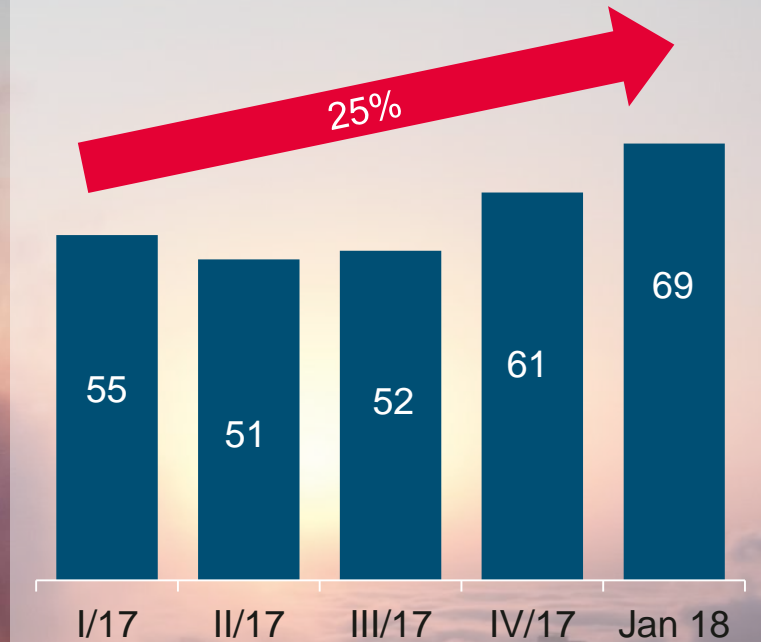
Average costs for graphite electrodes (EUR/t)



Ferrosilicon¹ (EUR/t)



Brent oil (USD/barrel)



Europe's results impacted by higher costs

Deliveries, 1,000 tonnes

2016: 1,625

2017: 1,582

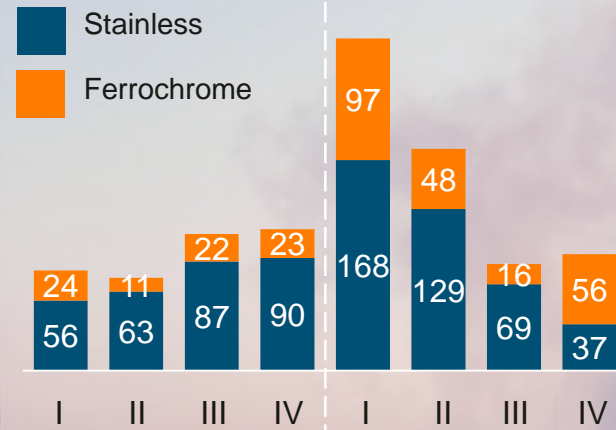


Lower deliveries due to planned maintenance

Adjusted EBITDA¹, EUR million

2016: 374

2017: 615



Negatively impacted by planned maintenance, lower deliveries and increased input costs

- Q4 base price up by EUR 10/tonne vs. Q4/16
- Net of timing and hedging EUR -4 million in Q4/17
- Ferrochrome operations' result improved
 - increased ferrochrome prices
 - higher production of 121,000 tonnes (109,000 tonnes)
 - partially offset by weaker USD

Americas' result influenced by seasonality

Deliveries, 1,000 tonnes

2016: 690

2017: 742



Seasonally low deliveries in Q4

Adjusted EBITDA, EUR million

2016: -27

2017: 21



Negatively impacted by higher costs and weaker mix due to third-party supplier maintenance work

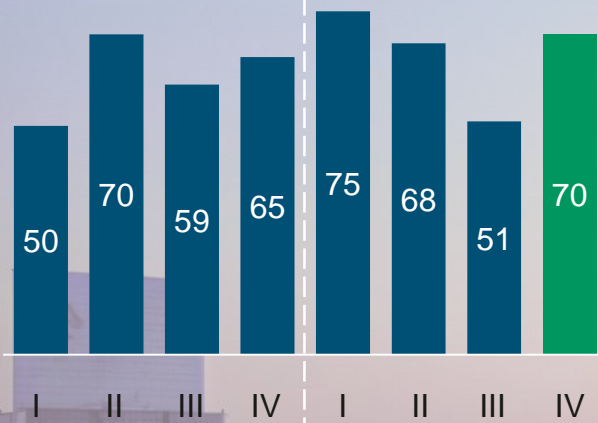
- Seasonally slow market in Q4/17 due to distributor destocking
- Q4 base price USD 10/tonne lower compared to Q4/16 mainly due to weaker product mix
- Net of timing and hedging EUR 9 million in Q4/17

Long Products recovered from mid-year dip

Deliveries, 1,000 tonnes

2016: 245

2017: 264

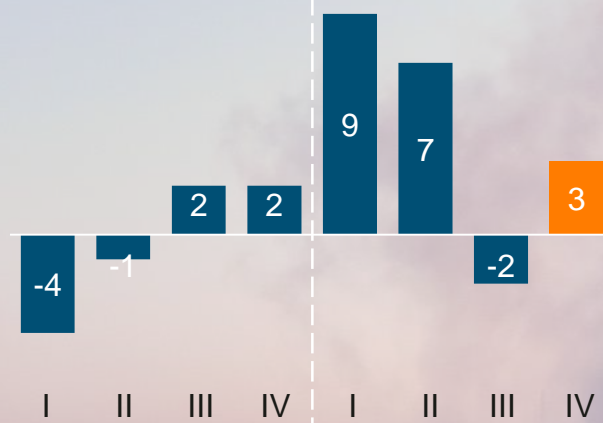


Deliveries increased y-o-y primarily due to higher demand in Europe

Adjusted EBITDA, EUR million

2016: -1

2017: 16



Adj. EBITDA driven by higher deliveries, reduced costs and improved long product prices

- Strong demand in both Europe and the US and increasing prices in Q4
- Net of timing and hedging EUR 0 million in Q4/17

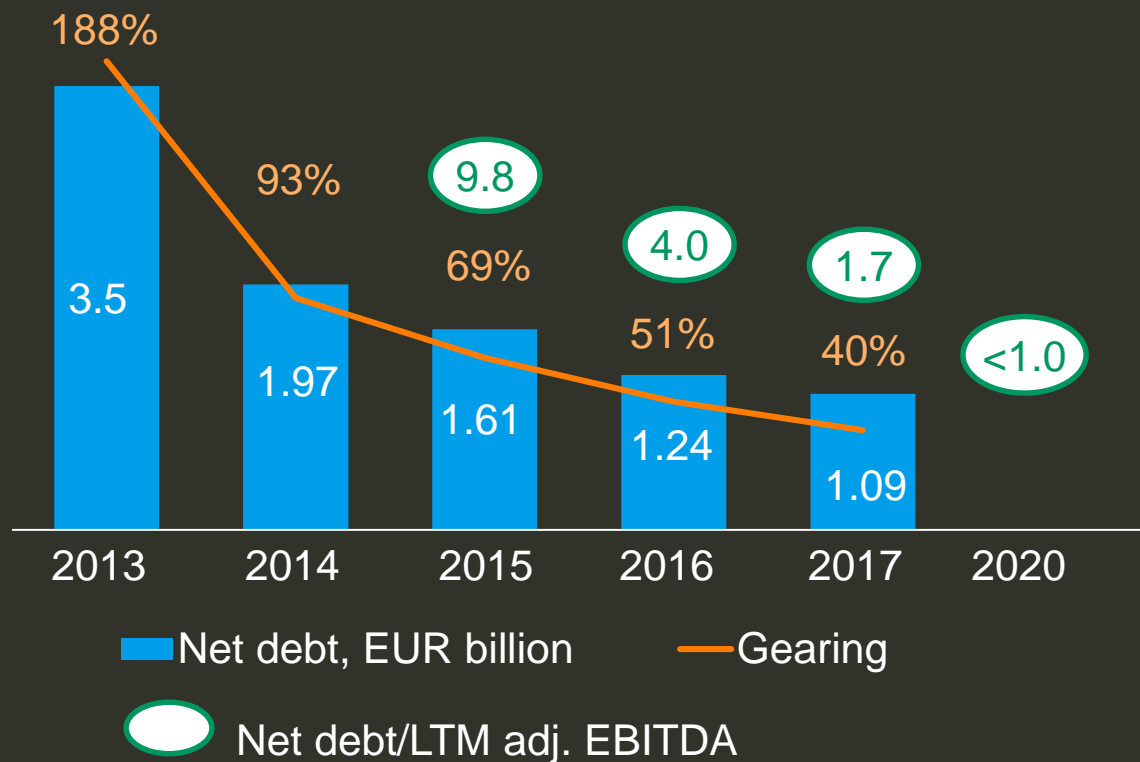
Solid cash generation in 2017

EUR million	2017	2016
Net cash from operating activities	328	389
Net cash from investing activities	-63	-81
Cash flow before financing activities	264	308
Net cash from financing activities	-353	-291
Cash and cash equivalents	112	204

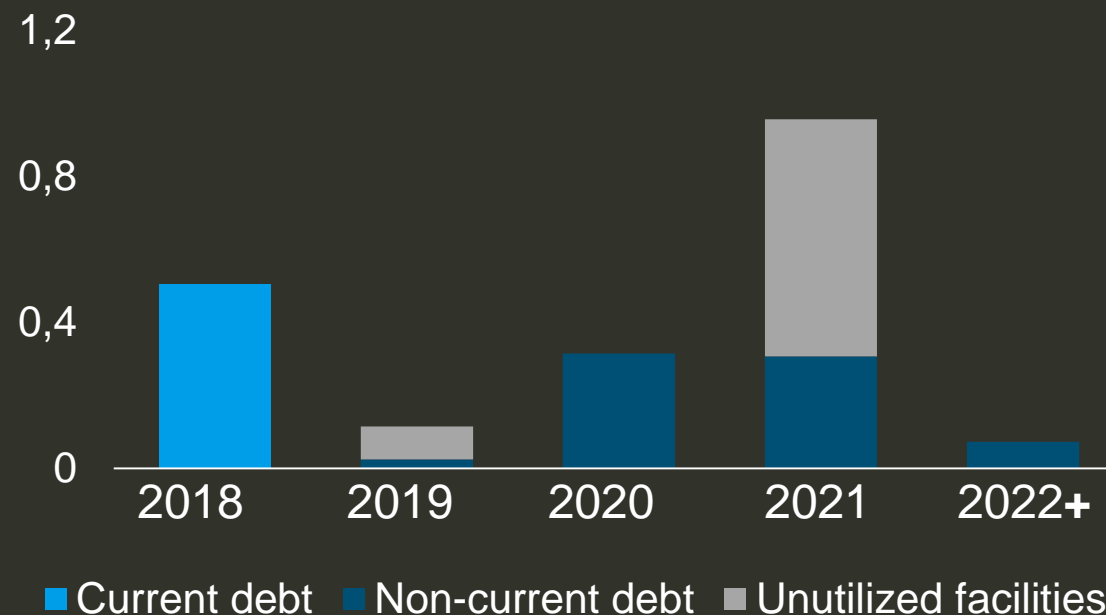
- Net working capital up by EUR 180 million
- Financing costs of EUR 127 including interest expenses of EUR 92 million
- Overall liquidity reserves at approx. EUR 0.8 billion
- Net debt decreased by EUR 151 million

Aiming to reduce leverage to below 1.0

Net debt and gearing

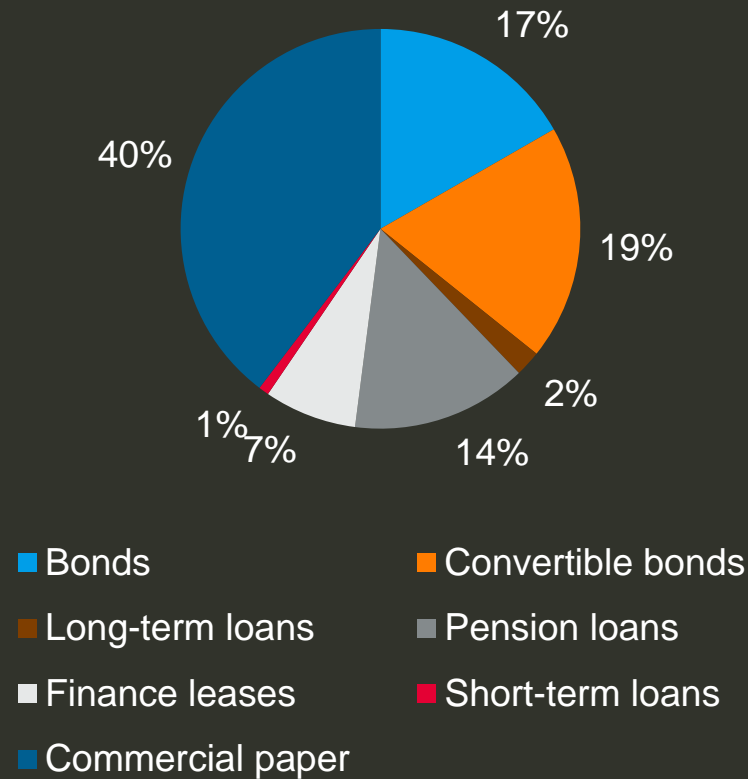


Debt maturity profile, EUR billion

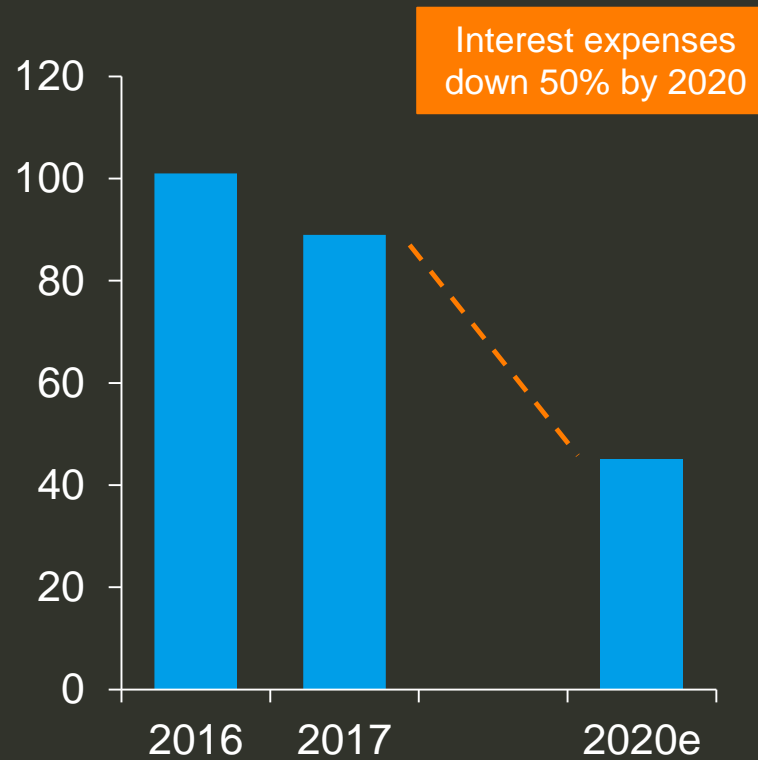


Halving interest expenses by 2020

Debt structure*, %



Net interest expenses, EUR million



- **2017 achievements:**
 - 2019 bond called in full
 - 2021 bond: two partial calls
 - Restructuring of pension loan portfolio
 - Reduction of financial leases
 - Amendment and extension of revolving credit facility
- Reduction of interest cost run rate by more than EUR 35 million, most of which will be visible in 2018 financials

Business and financial outlook for Q1/2018

- Healthy underlying stainless steel demand both in Europe and the US
- Seasonally strong market
- Outokumpu expects higher stainless steel deliveries in Q1 compared to Q4/17
- Increased graphite electrode, ferrosilicon and energy costs, as well as weakening US dollar and lower ferrochrome price are expected to have a significant negative impact on profitability

Outokumpu expects higher Q1/18 adjusted EBITDA compared to the previous quarter

We are solidly on track

We have improved our profitability through self-help

We are driving topline growth and efficiency through our must-win battles

The EUR 750 million by 2020 EBITDA target is firmly within our reach

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

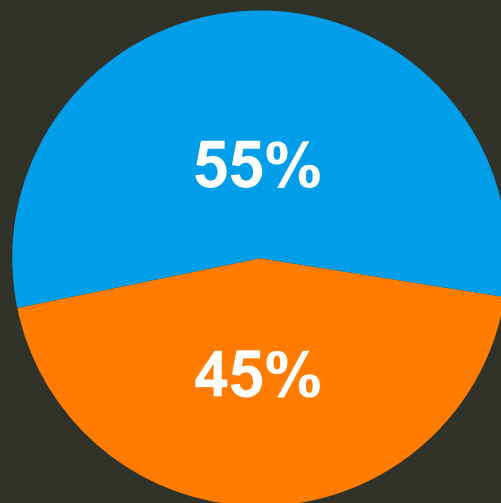
Americas

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

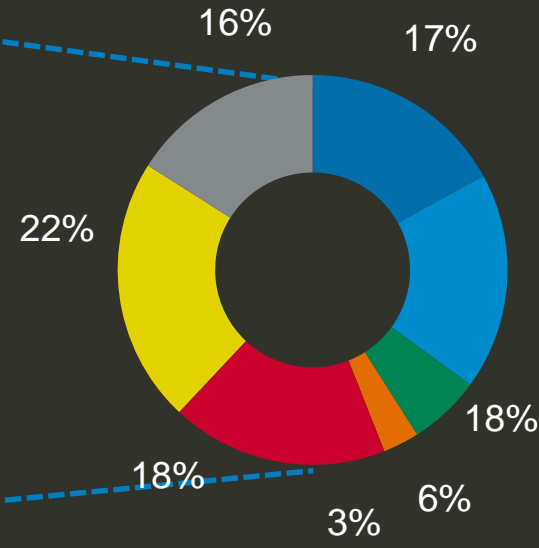
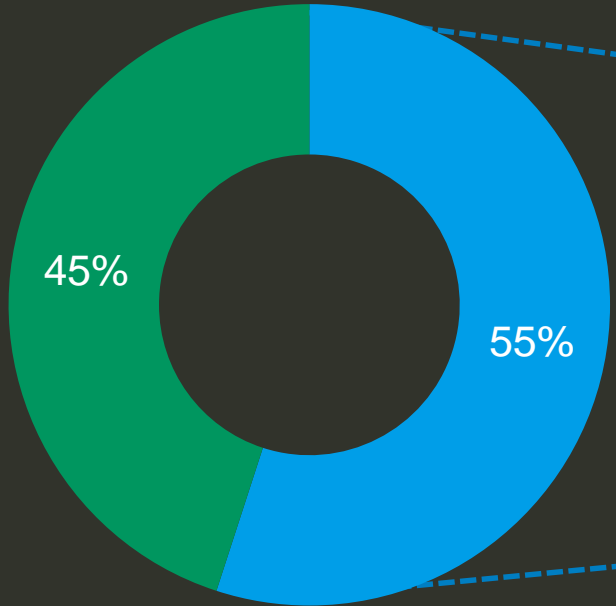


COST REDUCTION

- Achieve 2-3% annual productivity improvement
- Achieve 15% savings in procurement
- Reduce variable and fixed cost
- Reduce SG&A cost by EUR 100 million

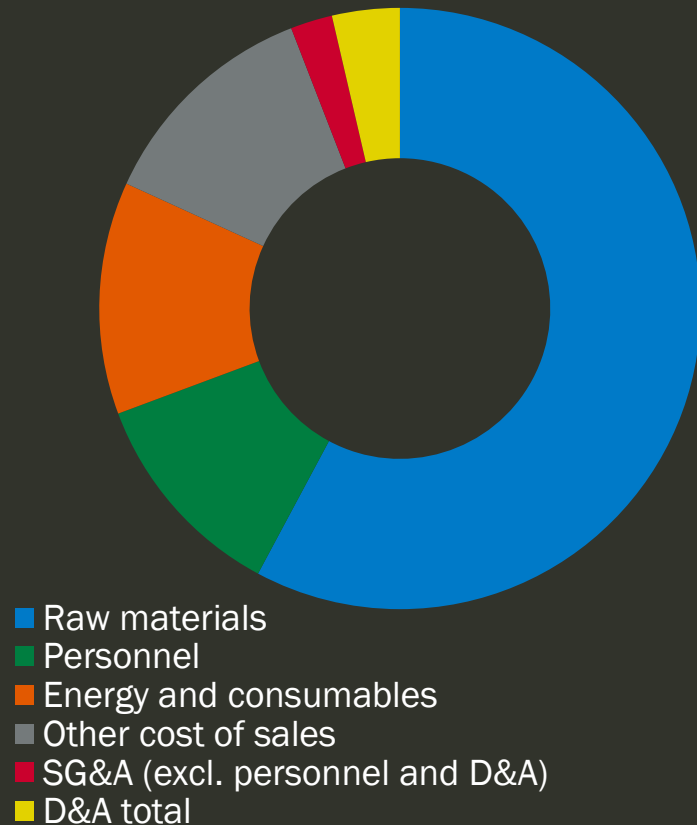
We focus on growth segments

Consumer goods, automotive, architecture, building and construction



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

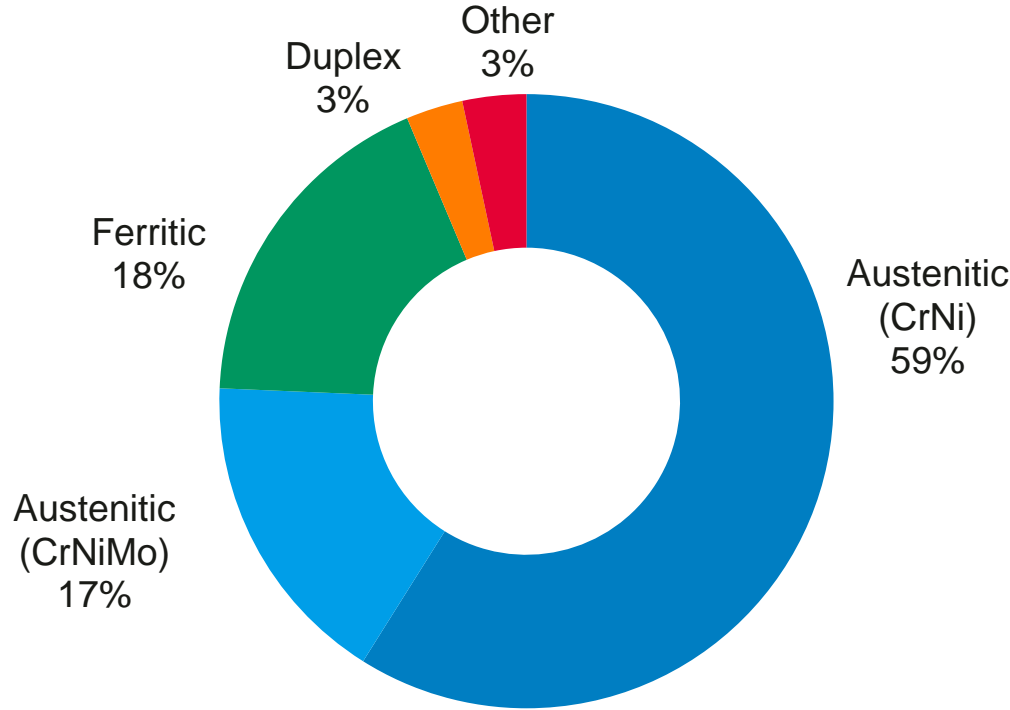
Operative cost components



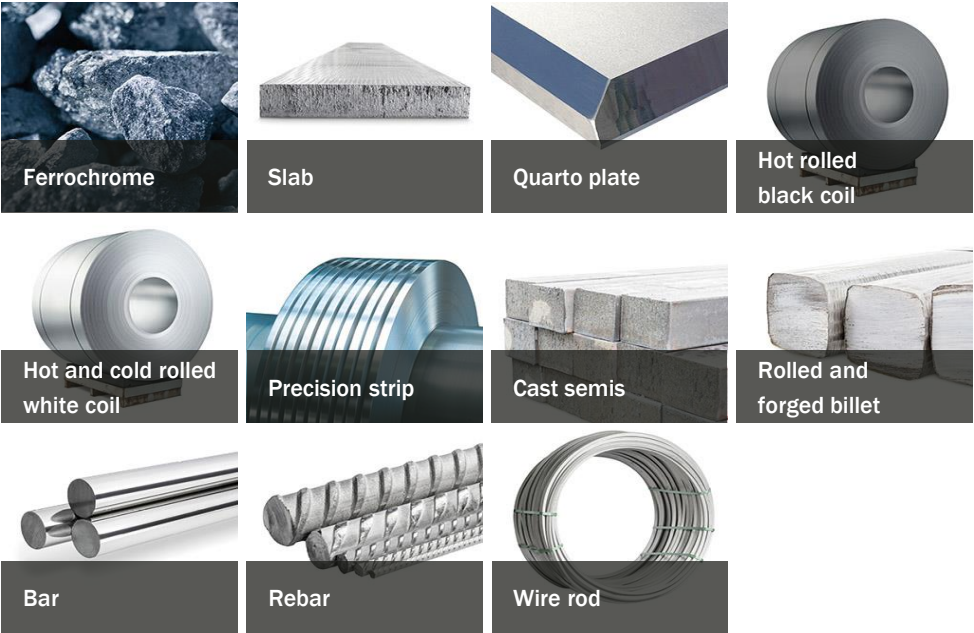
- Raw materials account for around 60% of the total operative costs of the Group
- Energy and other consumables account for 10-15% of the total operative costs
- Personnel expenses 10-15% of the total operative costs
- Other cost of sales includes e.g. freight, maintenance and rents and leases

Broadest product portfolio across stainless steel

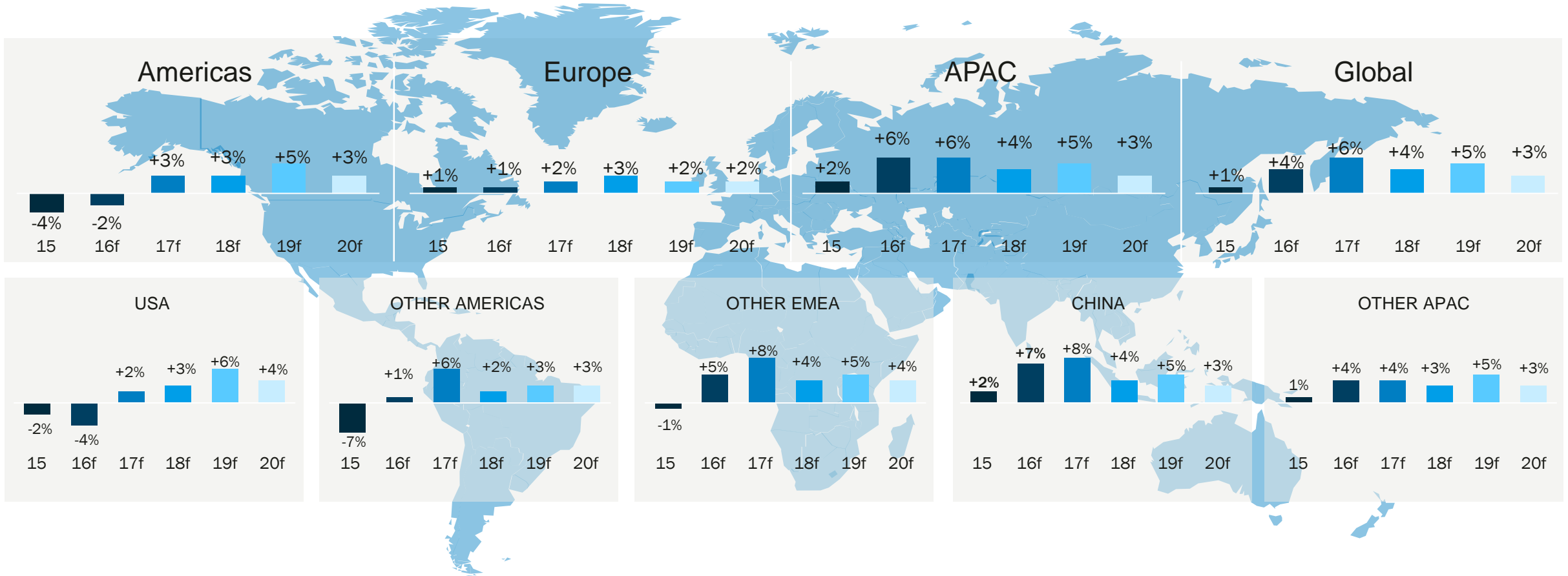
Deliveries by product grade in 2017



Outokumpu product forms



4% demand growth expected for 2018

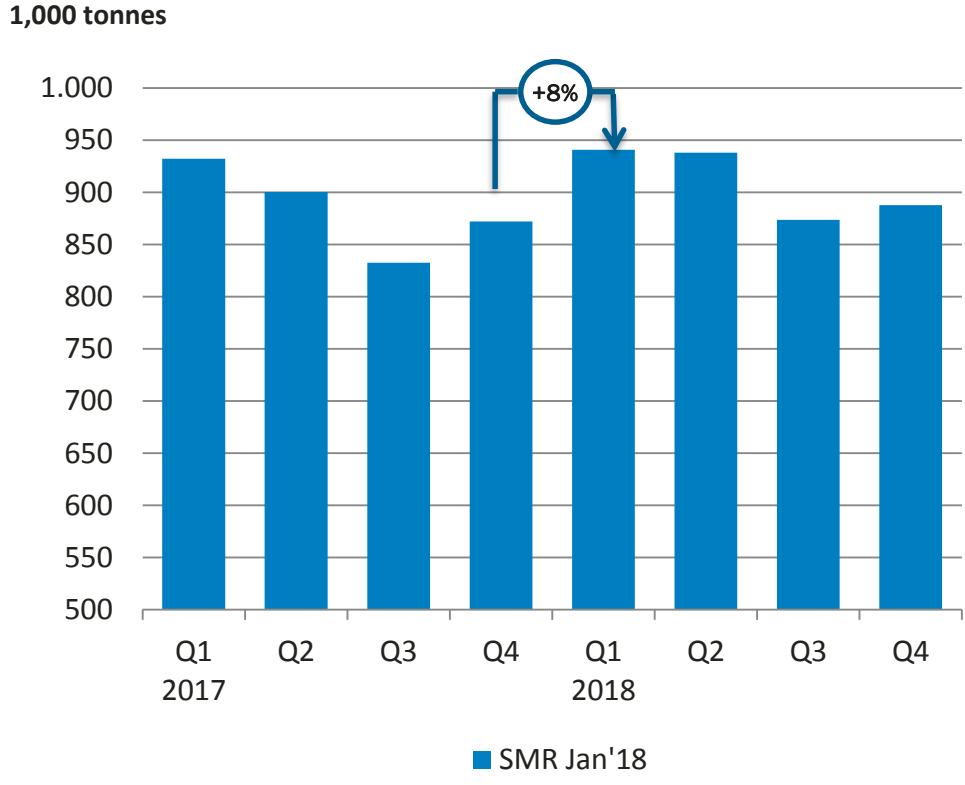


Strong start to 2018 expected both in EMEA and Americas

EMEA total stainless steel real demand¹



Americas total stainless steel real demand¹

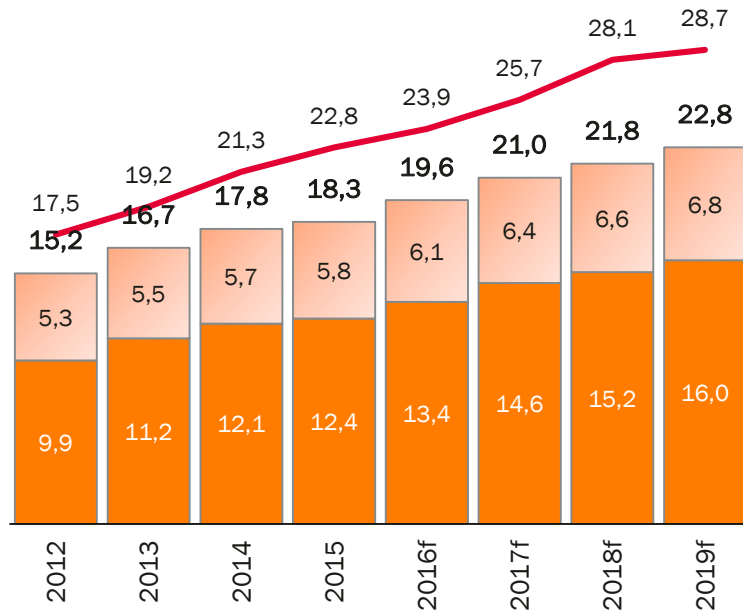


1) Total stainless = rolled & forged products, excl. 13Cr tubes, profiles

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

Asia

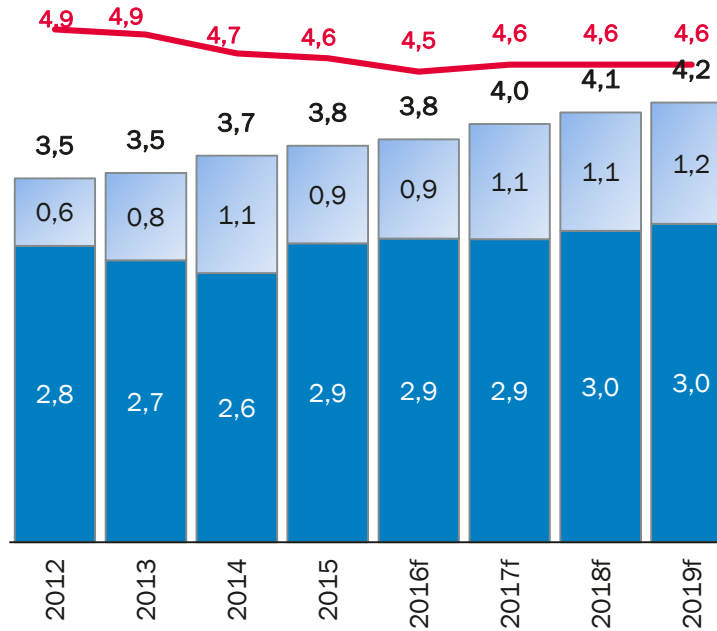
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■ Demand covered by Rest Asia
■ Demand covered by China
— CRU Capacity

Europe

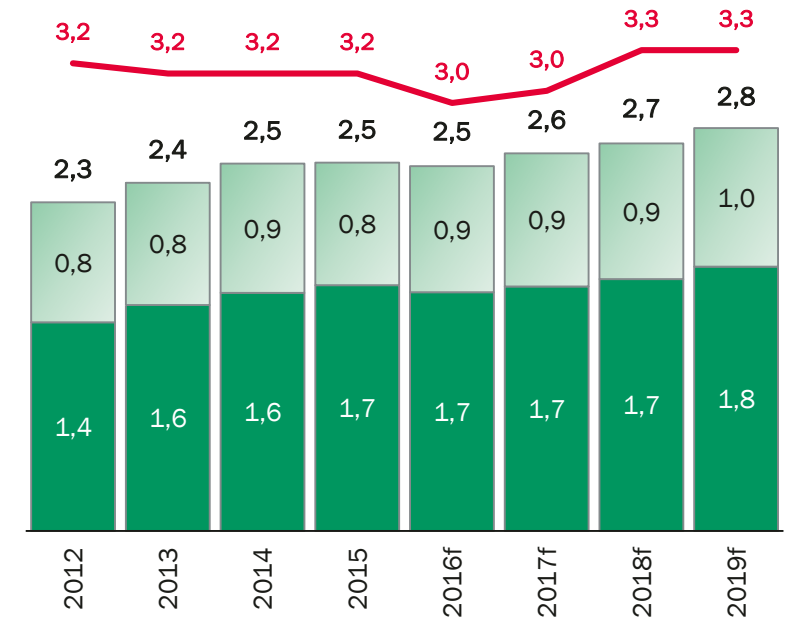
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■ Demand covered by Imports*
■ Demand covered by EU Mills
— CRU Capacity

Americas

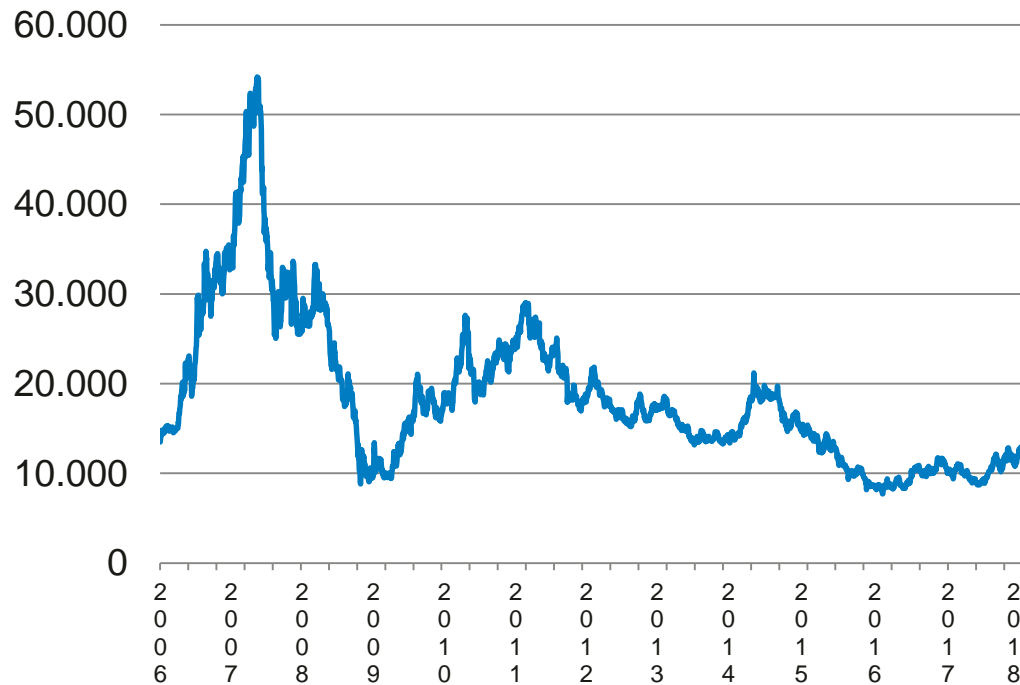
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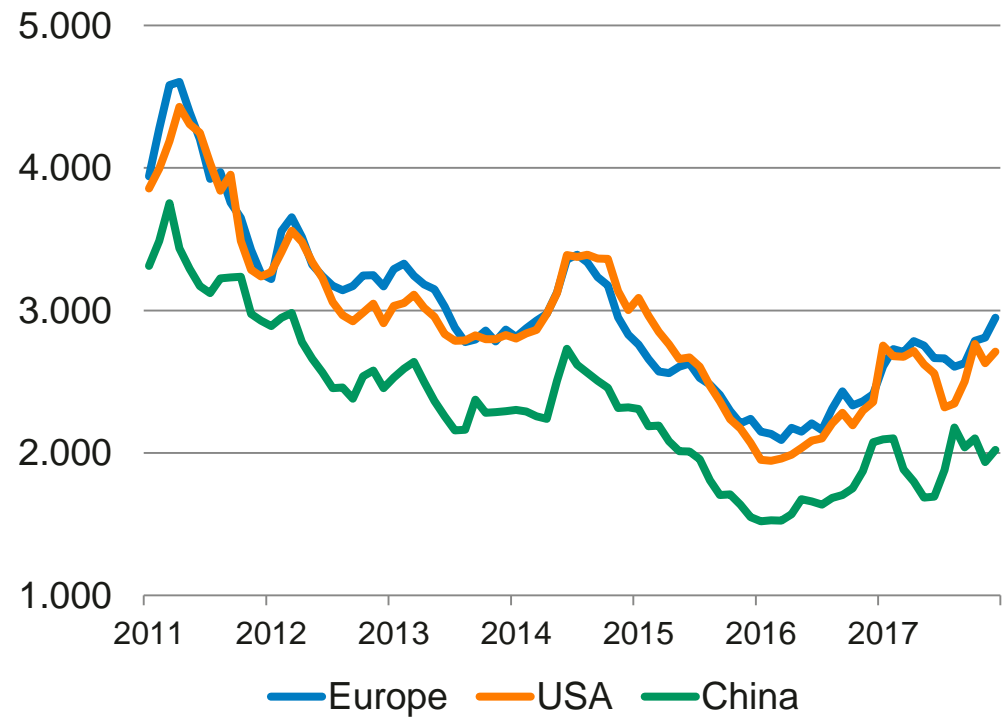
■ Demand covered by Rest Americas
■ Demand covered by USA
— CRU Capacity

Nickel & stainless price development

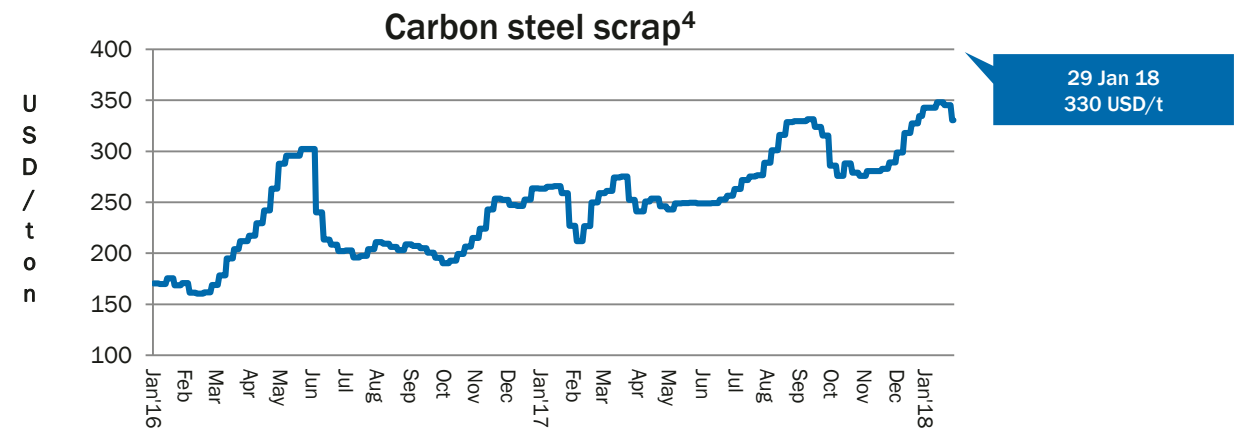
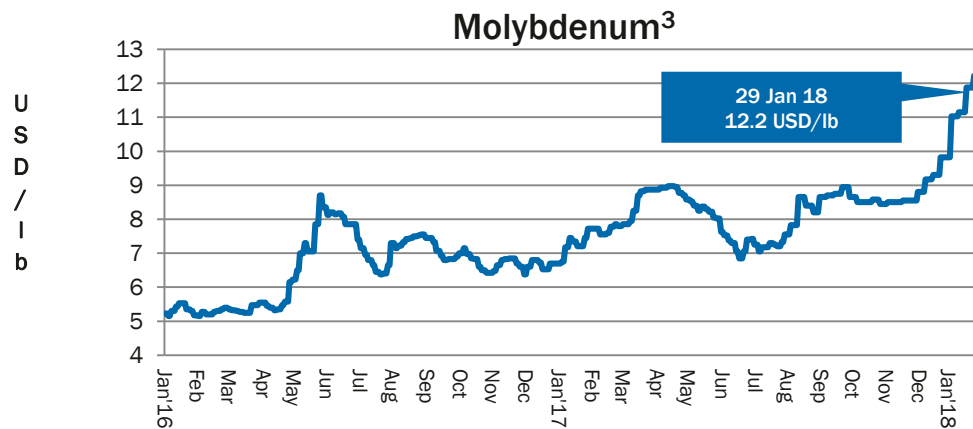
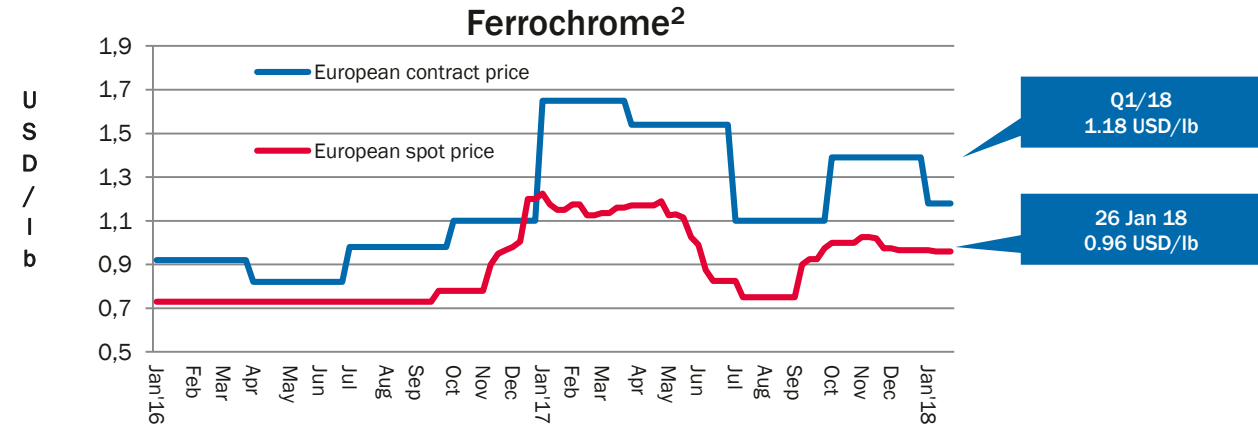
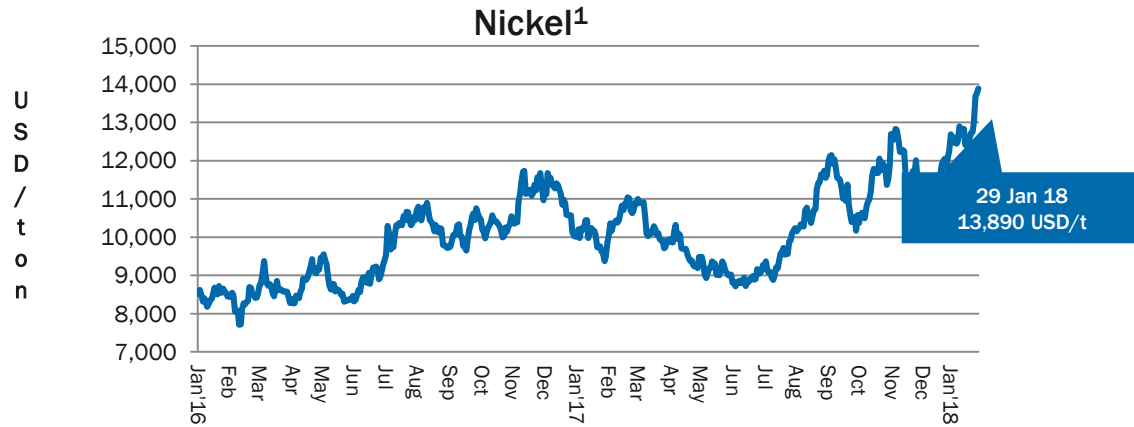
Nickel price, USD/tonne



Transaction prices 304 stainless, USD/tonne



Raw materials - price development



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	
Melting	1,450	450			900		450			3,250
Hot rolling	1,450	900			870					3,220
Finishing										
- Cold rolling	750	130	500		350	250				
- HWB	150	120			150					
- Quarto plate				150						
- Long products							25	40	40	
										2,655

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

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Next IR events

*AGM
March 22, 2018*

*Q1 results
April 26, 2018*