Interim Report Q2 2013

CEO Mika Seitovirta

July 24, 2013

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Today's attendees of Outokumpu

Mika Seitovirta
CEO

Esa Lager
CFO

Kari Parvento
President – BA Americas

Kari Tuutti
EVP – Marketing, Communications and IR

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H1 2013 overview

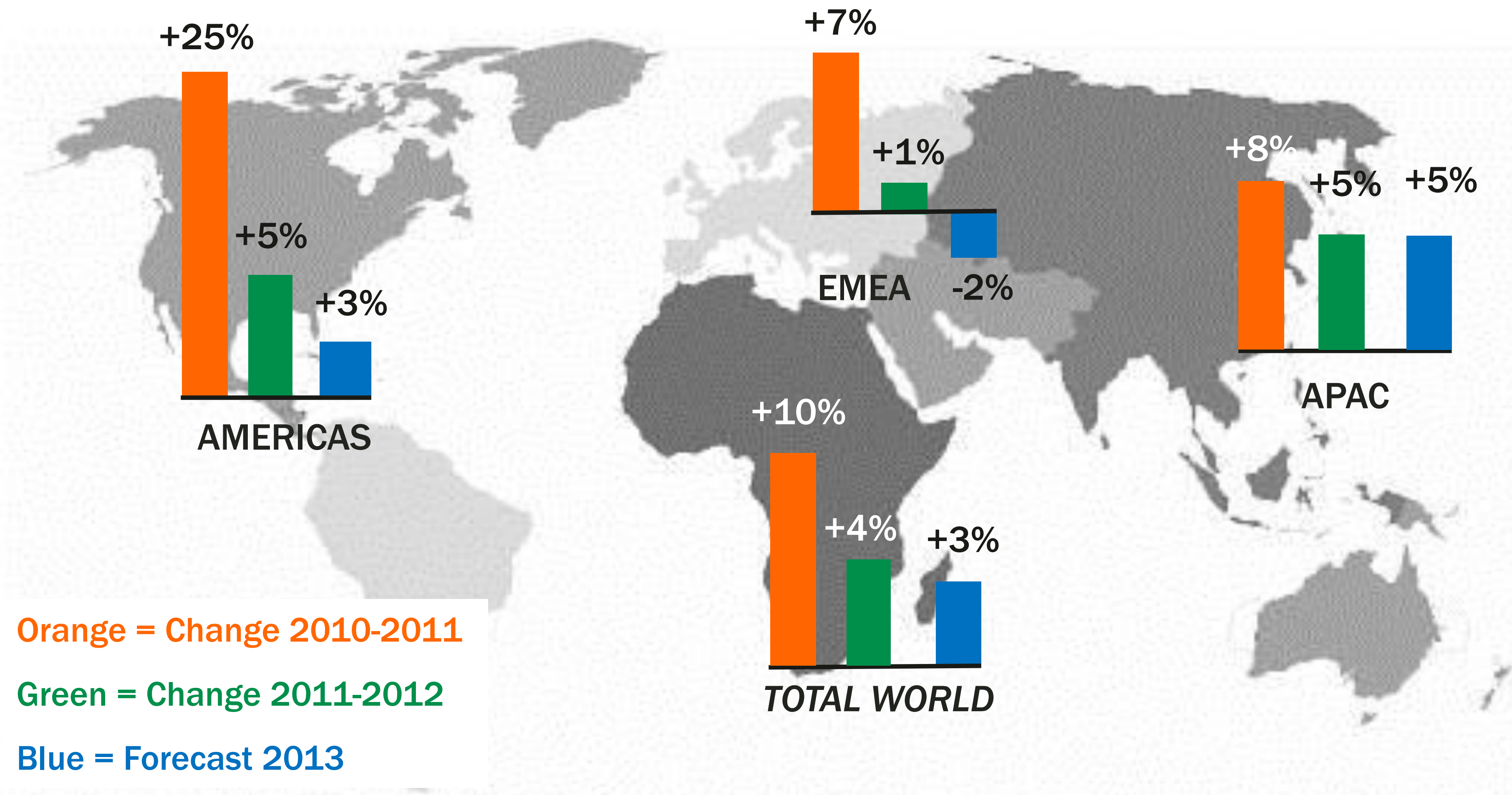
Headwinds

- Weak economy and stainless steel demand
- 20% decline in nickel price
- Inventory related issues with the Americas business

Tailwinds

- Ferrochrome ramp-up
- Synergy and P150 related savings
- Tornio performance

Continued growth for stainless steel globally– Europe will decline in 2013



Orange = Change 2010-2011

Green = Change 2011-2012

Blue = Forecast 2013

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Data source: SMR, July 2013
Real demand for total stainless (rolled & forged, excl. 13Cr Tubes)

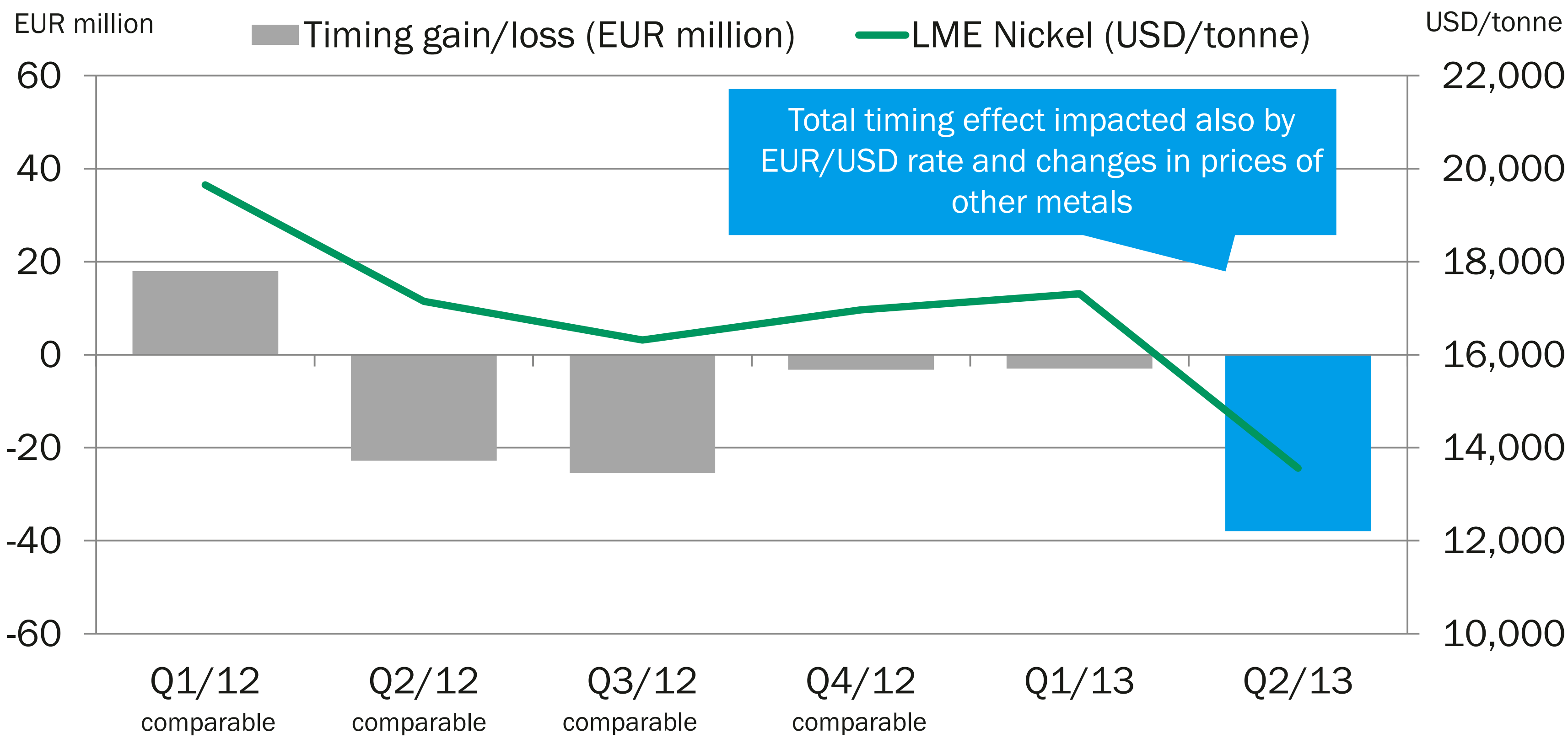
Q2 overview

- Q2 2013 stainless steel deliveries declined by 7% to 656,000 tonnes compared to Q1 2013
- Q2 underlying EBIT was EUR -80 million; in line with expectations
- Q2 EBIT includes EUR -46 million non-recurring items and EUR -38 million raw material-related inventory effects
- Synergy savings of EUR 39 million achieved in H1 2013
- Ferrochrome ramp-up has progressed as planned with production of 112,000 tonnes in Q2 2013
- Operating cash flow was EUR -160 million mainly driven by the negative operating result and increased working capital

EUR million	Q2/13	Q1/13	Q2/12 comparable
Stainless steel deliveries 1)	656	703	720
Sales	2,064	2,221	2,551
Underlying EBITDA 2)	12	17	17
Underlying EBIT 3)	-80	-77	-72
EBIT	-164	-82	-190
Operating cash flow, continuing operations 4)	-160	-46	n. a.
Capex, continuing operations 4)	42	82	168

1) External deliveries, 1,000 tonnes, excl. ferrochrome deliveries, incl. high performance alloy deliveries
2) EBITDA excl. non-recurring items, other than impairments; and inventory gains/losses, unaudited
3) EBIT excl. non-recurring items and inventory gains/losses, unaudited
4) Terni (remedy assets) is reported as a discontinued operation

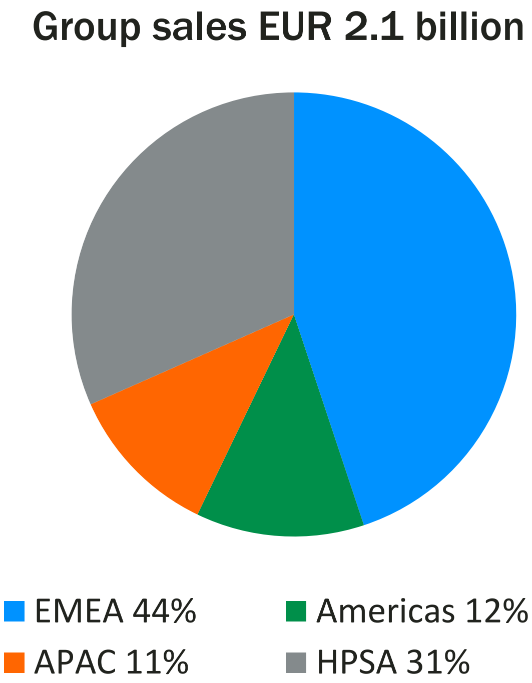
LME nickel prices and net timing impacts



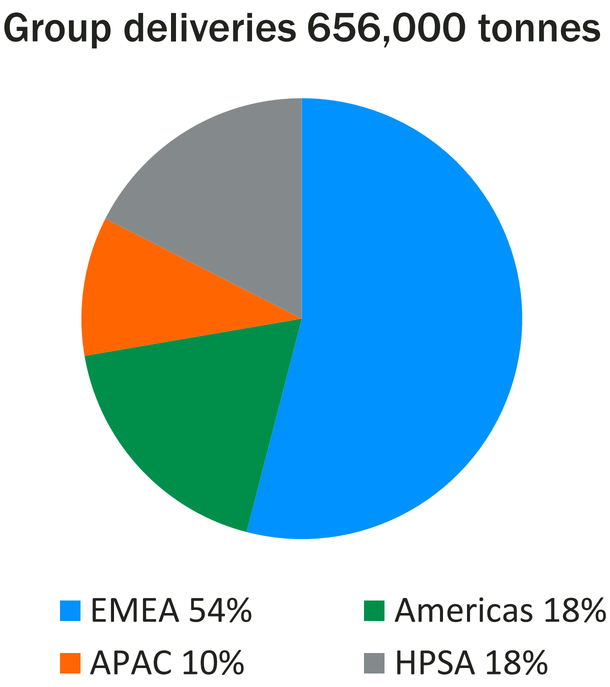
The realized timing gain or loss per tonne of stainless steel is estimated based on the difference between the purchase price and invoice price of each metal in EUR per tonne times the average metal content in stainless steel. The unrealized timing impact consists of the change in net realizable value — NRV during each quarter. If there is a significant negative change in metal prices during the quarter, inventories are written down to NRV at the end of the period to reflect lower expected transaction prices for stainless steel in the future. As this timing impact is expected to be realized in the cash flow of Outokumpu only after the raw material has been sold, it is referred to as being unrealized at the time of the booking.

Sales and deliveries by Business Areas

Q2 2013 external sales by BA [1)]



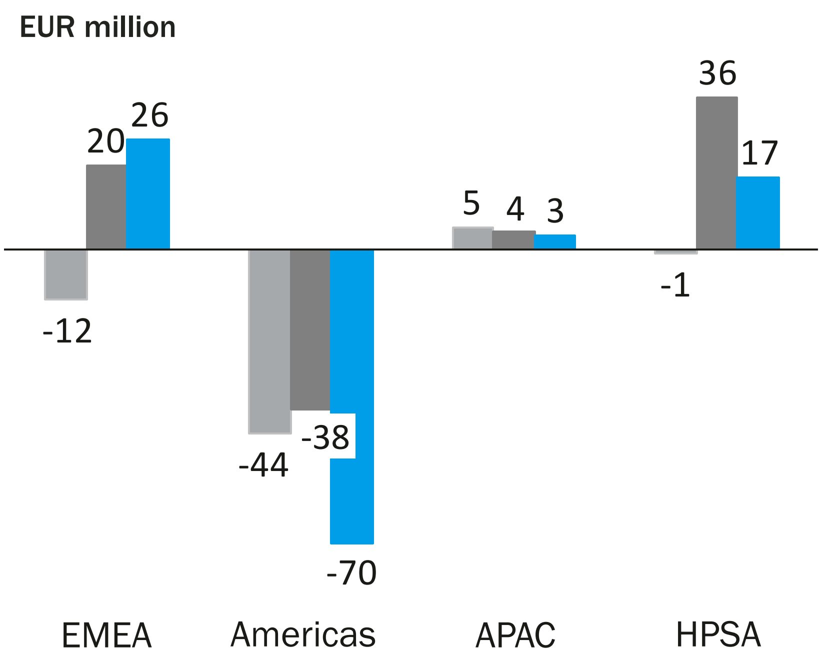
Q2 2013 external stainless deliveries by BA [1,2)]



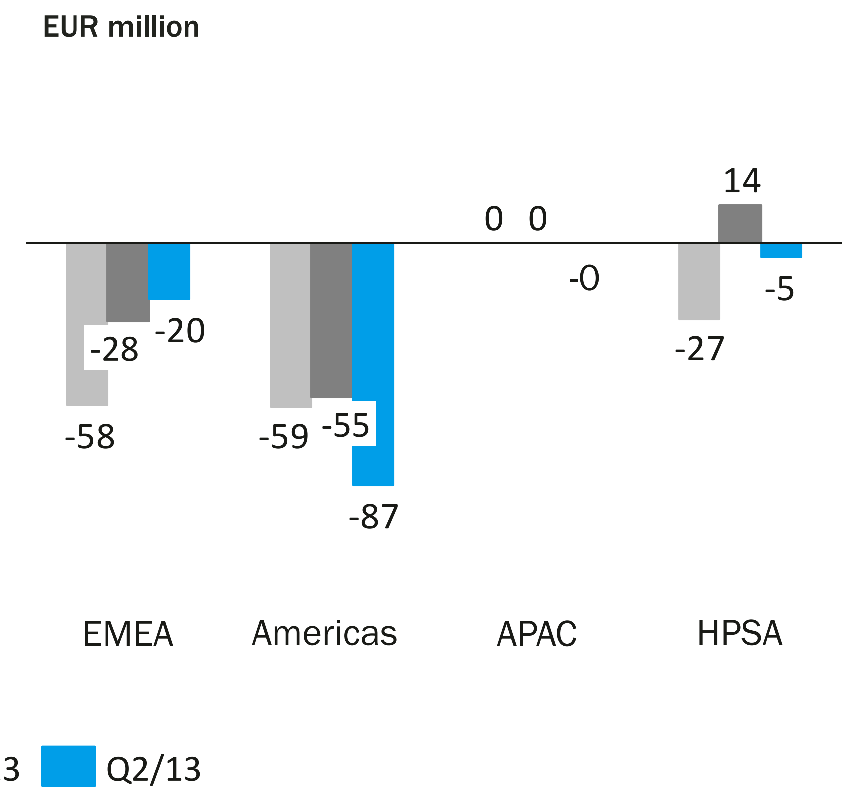
1) Split by BA are based on management estimates. APAC figures include also direct sales and deliveries from other BAs to the region.
2) Incl. high performance alloy deliveries, excl. ferrochrome deliveries.

EBITDA and EBIT by Business Areas

EBITDA excl. NRI [1] per Business Area



EBIT excl. NRI [1] per Business Area



1) NRI= Non-recurring items

Operating cash flow impacted by Calvert ramp-up and BA EMEA

EUR million	Q2/13	Q1/13
Net cash from operating activities	-160	-46
Net cash from investing activities	-54	-186
Net cash from financing activities	256	295
Net change in cash and cash equivalents	42	63

- Negative operating cash flow of EUR 160 million mainly driven by the negative operating result and increased working capital of EUR 91 million
- The working capital increase was caused by EMEA and the ramp-up in the US

Capital structure

EUR million	Q2/13	Q1/13
Net interest-bearing debt	3,041	2,891
Equity	2,522	2,799
Equity-to-assets ratio, %	26.2	28.0
Debt-to-equity ratio (gearing), %	120.6	103.3

- Net interest-bearing debt increased to EUR 3,041 million leading to a gearing of 120.6%. Increase was driven by the losses of the second quarter as well as the negative cash flow due to working capital changes
- Liquidity reserves in excess of EUR 800 million taking into account the successful refinancing of the revolving credit facilities
- Refinancing of syndicated loans completed by mid of July by signing a EUR 900 million committed revolving credit facility

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New Outokumpu Strategy Roadmap

Restructuring				+ Growth				= Perfor-mance
Deliver on synergies	New efficiency projects	Transform company structure	Ensure financial stability	Ramp-up US presence	Expand Ferrochrome	Leverage HPSA	Develop APAC	Full integration and new culture
Mill closures Loading efficiency Procurement & raw materials Streamlining overlapping activities	P150 project (€150 million savings) P300 project Working capital management Cold rolling ferritic optimization	New leadership Market oriented Business Areas Customer orientation Global Group functions	Minimize capex Optimize working capital management Pricing and hedging strategy Refinancing	Ramp-up of Calvert mill Increase US market share Focus on quality and profitability Integrate Calvert and Mexinox	Double production Achieve self-sufficiency Optimize efficiency	Strategic review of VDM Strengthen profitability of specialty stainless Strengthen operations in the US	Grow sales of specialty stainless Leverage production at SKS 1) Grow business in China, India and other South East Asia	Advanced financial perfor-mance Pursue market leader strategy

2013 / 2014 → 2015 →

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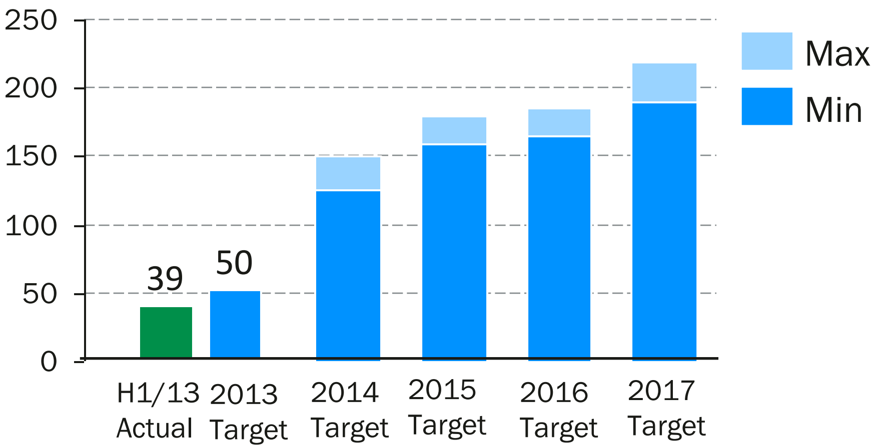
1) SKS: Shanghai Krupp Stainless, Outokumpu's cold rolling mill in China.

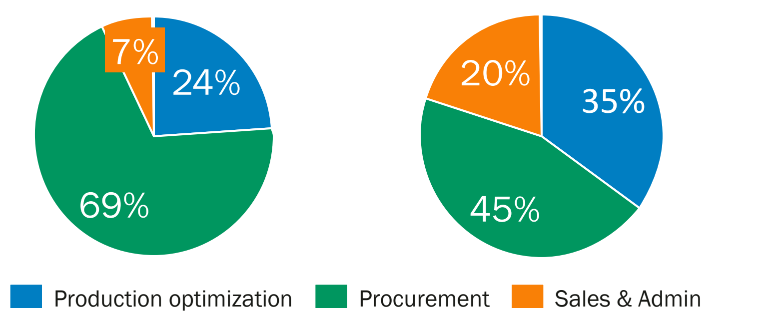
Deliver on synergies

Update synergy savings – EUR 39 million achieved in H1 2013

Synergy savings over time (cumulative)



H1/2013: EUR 39 million **Target 2013: EUR 50 million**

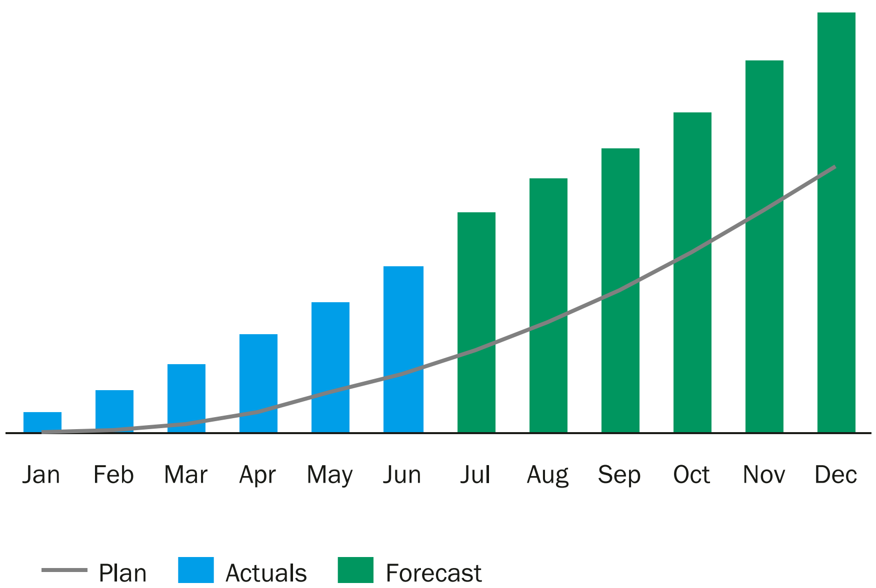


- EUR 39 million synergy savings achieved in H1 2013
- Annual synergy savings expected to exceed EUR 50 million in 2013
- Contributions by raw material procurement, accelerated Krefeld melt shop ramp-down, cross selling and optimization of the combined sales network
- Up to EUR 150 million of the annual savings expected to be achieved during the first 2 years

Note: synergy saving target of EUR 200 million includes closures of Krefeld and Bochum melt shops but excludes possible savings from closures in Sweden. Total expected implementation and non-recurring cumulative cash costs of up to EUR 160 million incurred in 2013-2017.

Ramp-down of Krefeld melt shop is on plan

Krefeld melting swaps – cumulative ktonnes per month

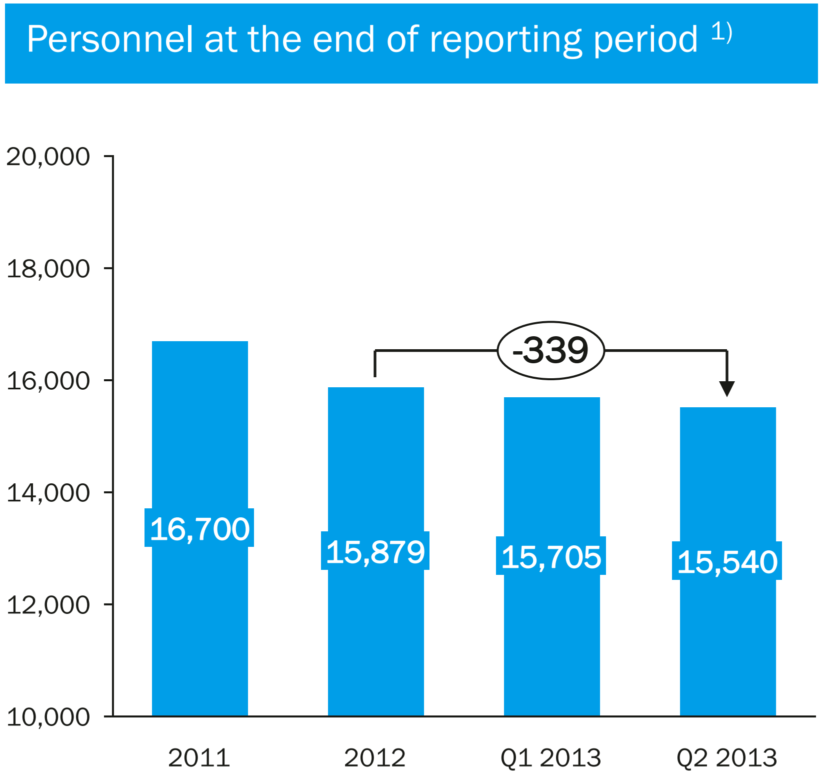


Financial performance of Tornio operations clearly improved due to the restructuring and integration efforts implemented during the past 18 months.

- Significant volumes successfully transferred to Bochum melt shop
- Transfers to Tornio progressing according to plan and to reach 130kt during 2013
- Shift reductions: October 2012 from 3 to 2 shifts, July 2013 from 2 to 1 shift
- Total cost savings during 2013 expected to be around EUR 8 million higher than original plan
- Synergy savings:
  - EUR 18 million in 2013
  - EUR 50 million in 2014 and beyond

Headcount reduction progresses according to plan

Deliver on synergies



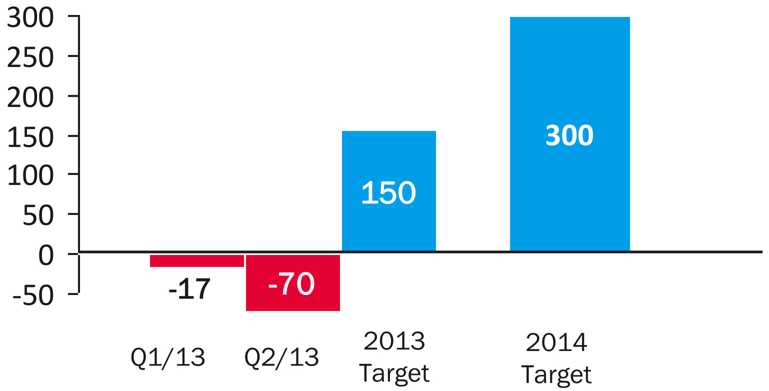
- Target is to reduce headcount by 2,500 between 2013-2017
- H1 2013 headcount reduction: 339 positions
- Target to reduce headcount by 770 in 2013

1) 2011 and 2012: Total Group excl. remedy assets and OSTP (~770 people)
Q2/13 excl. some 700 summer trainees

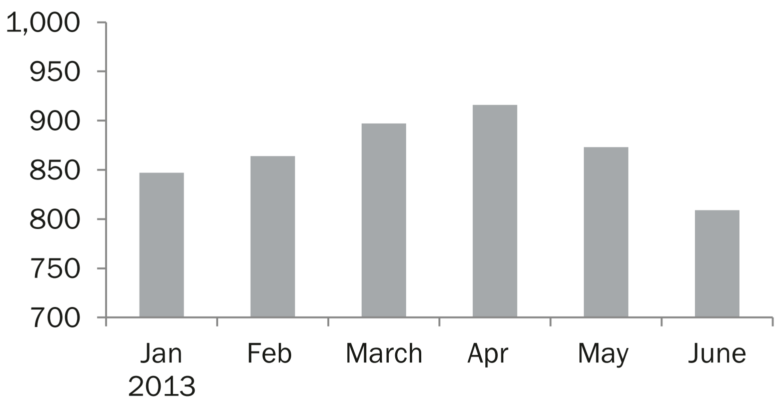
New efficiency programs

P300: Target to reduce net working capital of EUR 300 million by the end of 2014

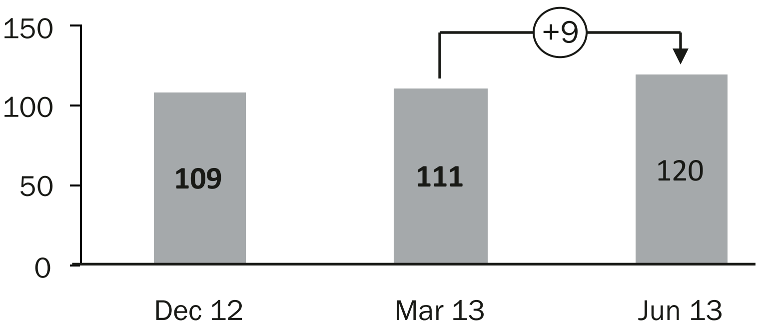
Cash flow from working capital change [1)]



Inventory development (1,000 tonnes)



Inventory days development



- Inventory tones and value have been reduced significantly during Q2
- Inventory days increased by 9 due to lower sales volumes
- Target to reach working capital reduction of EUR 150 million for 2013 is unchanged

1) Change in working capital of EUR -91 million for Q2 2013 includes EUR -21 million provisions

Update: Remedy divestment process and VDM strategic review

Ensure financial stability

Terni remedy process

- The Terni divestiture continues with an extended time frame that the European Commission has granted
- Discussions continue with a number of interested parties. In addition, Terni has instigated both cost saving and working capital management programs, each in the range of EUR 70 million, to improve Terni's financial standing
- Outokumpu is working intensively to complete the divestment and targets to sign a transaction during the second half of the year

VDM strategic review

- The strategic review of VDM operations continues as planned
- As part of this review process the company is assessing divestment options, and thereby engaged in discussions with several potential buyer candidates
- The review is still ongoing and thus all options are open; no decisions have yet been made

Update: US ramp-up

- The ramp-up of the Calvert mill missed profitability targets mainly due to large inventory write-offs related to the weakening of nickel price
- The ramp-up of the cold rolling mill is proceeding, but production reliability issues are having a negative impact on the financial performance
- The melt shop ramp-up continues to proceed ahead of plans. Target to largely ramp-down hot band imports from Europe by end of 2013

We expect continued progress in the Calvert operational ramp-up in H2, but estimate no clear improvement in the Calvert profitability in 2013 mainly due to the high inventories leading to significant inventory related losses at current metal prices.

Key profitability levers for Americas business

1. Expanding product portfolio and customer base
2. Increasing capacity utilization
3. Discontinuation of hot band supply from Europe
4. Increasing yields to reduce costs

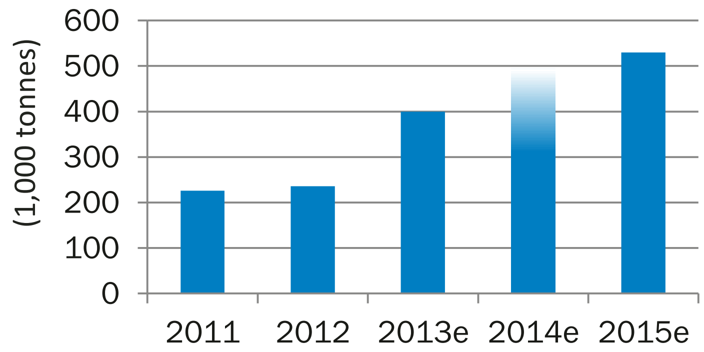
Key figures, BA AMERICAS EUR million	Q2/13	Q1/13	Q2/12 comparable
Deliveries (1,000 tonnes)	**116**	**102**	90
Sales	**231**	**202**	246
EBITDA	**-70**	**-38**	-39
EBIT	**-87**	**-55**	-51

Update: Ferrochrome operations

Expand Ferrochrome

- Unique low cost position as Europe's only ferrochrome producer with access to the only known chromite reserves in the EU
- Ferrochrome production of at least 400,000 tonnes expected for 2013 (2012: 230,000 tonnes)
- The performance and profitability of the ferrochrome operations continued on a strong level:
  - Production volume of 209,000 tonnes reached for H1 2013 – ahead of plan
- The Q3 2013 benchmark price for ferrochrome settled at 1.125 USD/lb (Q1 2013: 1.27 USD/lb)

Outokumpu ferrochrome production



Ore reserves: 33 million tonnes and additional mineral resources of 105 million tonnes

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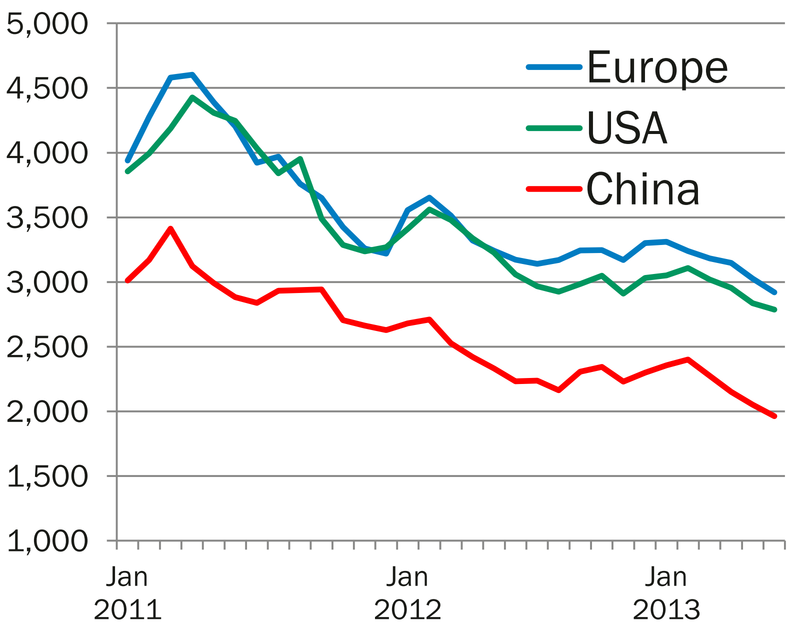
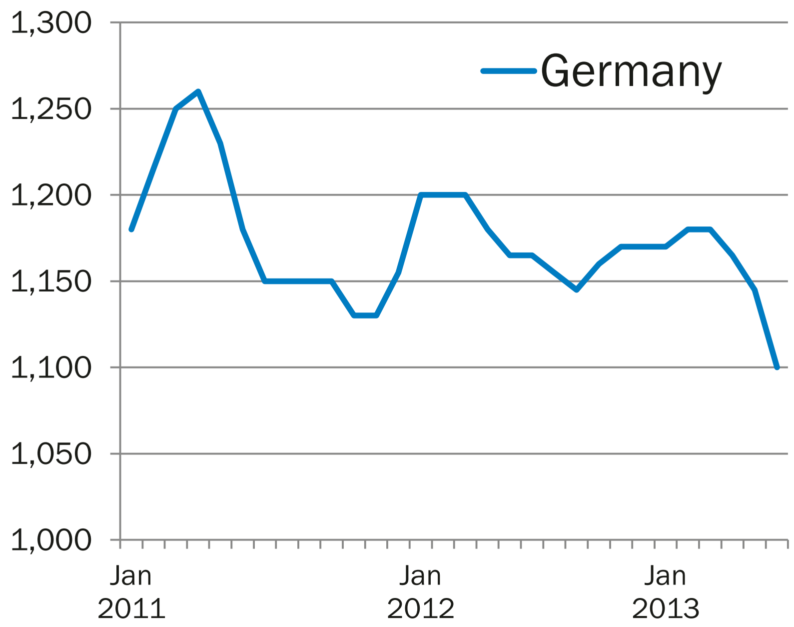
Further decrease in transaction and base prices

Transaction prices 304 stainless steel (USD) [1]



Base prices 304 stainless steel (EUR) [1]



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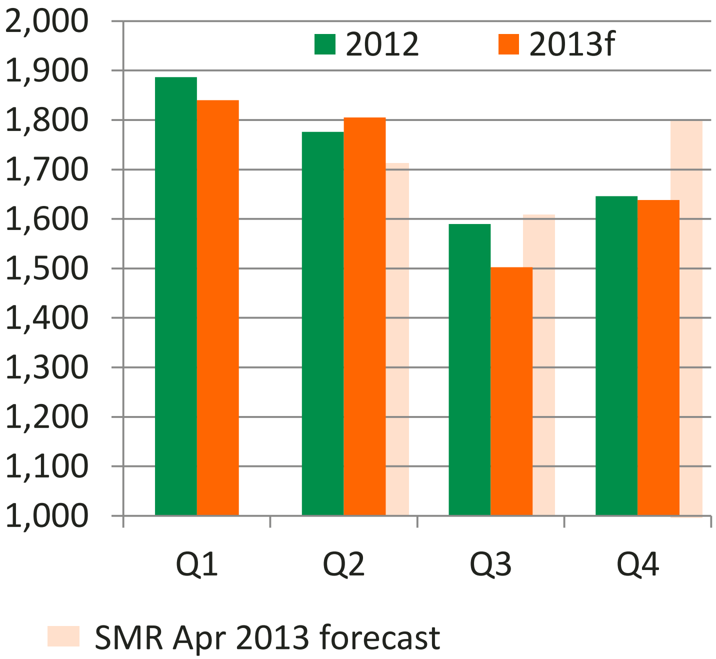
Source: CRU July 2013
1) 2mm sheet cold rolled 304 grade

Market to remain weak in Q3 2013

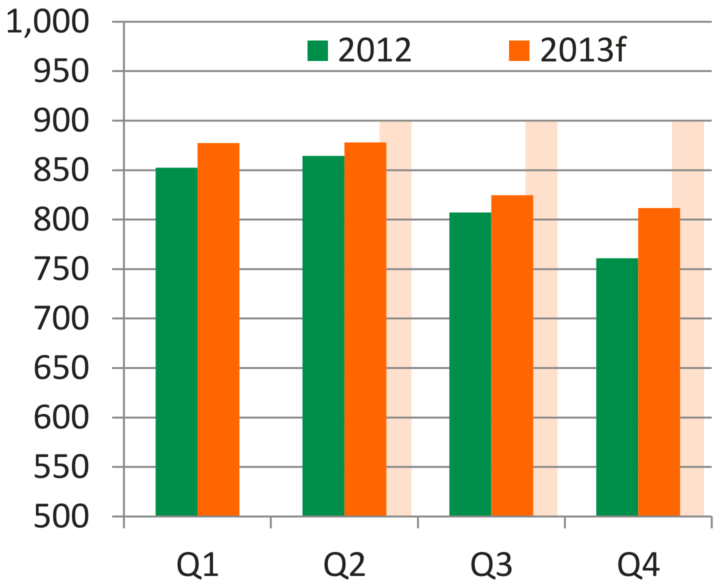
EMEA total stainless steel real demand[1)]

1,000 tonnes



Americas total stainless steel real demand[1)]

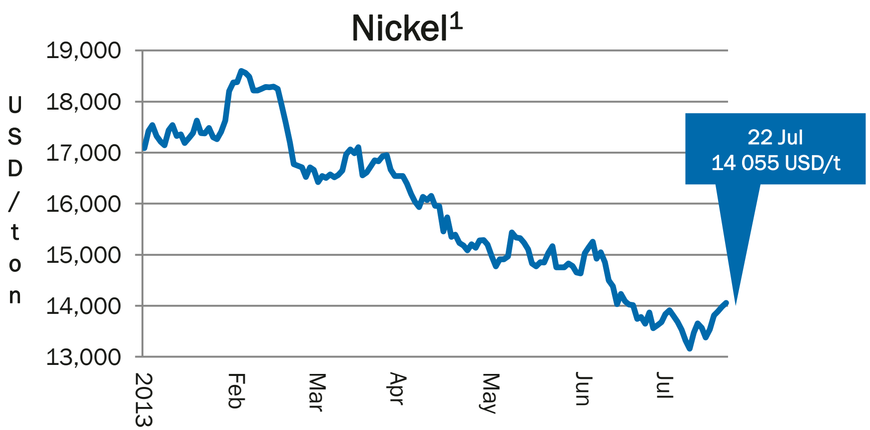
1,000 tonnes

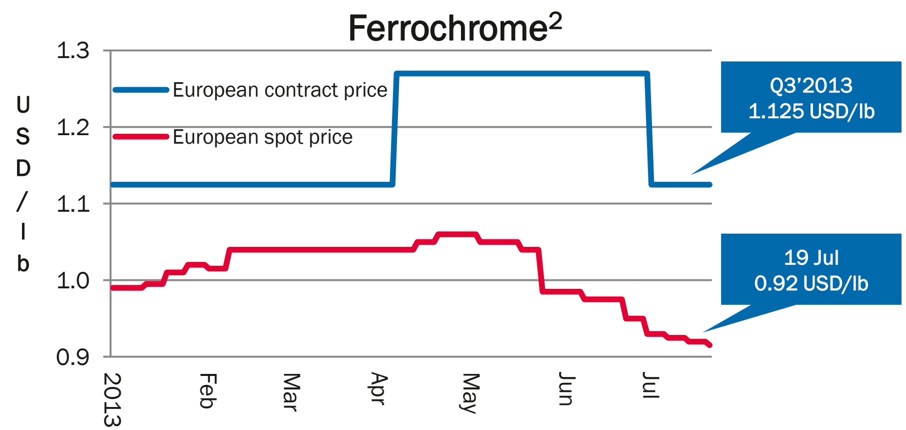


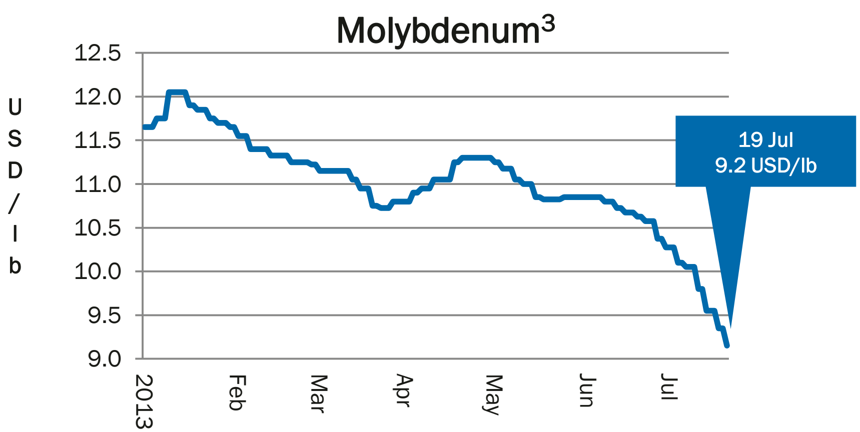
Source: SMR July 2013

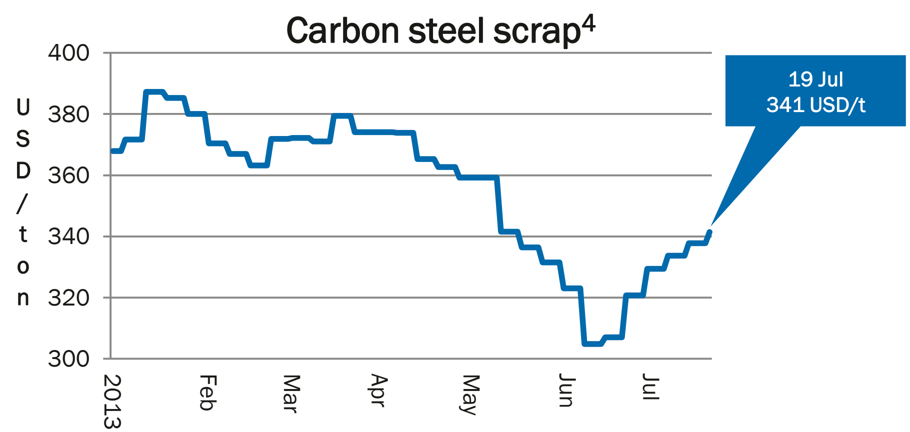
1) Total stainless = rolled & forged, excl. 13Cr Tubes

Raw materials – last 6 months









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Data source: METAL BULLETIN – 1) Nickel Cash LME Daily Official ; 2) Contract - MetalBulletin - Ferro-chrome Lumpy CR charge basis 52% & Cr quarterly major European destinations Cr ; Spot: MetalBulletin - Ferro-chrome 6-8% C basis 60% Cr max. 1.5% Si major European destinations $ per lb Cr; 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

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1. Q2 overview
2. 2013 priorities
3. Market environment
4. Q3 outlook

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Business outlook – Third quarter 2013

- Outokumpu lowers its expectation of improvements in underlying EBIT during the second half of 2013. This is due to the continued deterioration of the nickel price, the weak market demand, especially in Europe, in a seasonally sluggish quarter and weaker performance of the Americas business.
- For the third quarter, company expects the EBIT to be on approximately the same level as in the second quarter. This includes, at current metal prices, further raw material related timing losses and further non-recurring items associated with Group's ongoing restructuring programs. The underlying EBIT is expected to be worse than in the second quarter.

Key targets updated

Unchanged	Capex	Capital expenditure is expected to decline to approximately EUR 350 million in 2013 (FY 2012: EUR 821[1] million).
	Ferrochrome	Ferrochrome production targeted to grow to approximately 400,000 tonnes in 2013 (FY 2012: 230,000 tonnes).
Updated	Costs	Synergy savings connected with the Inoxum integration expected to exceed EUR 50 million during 2013. Savings from P100 to reach the full EUR 100 million in 2013. Savings from the P150 program expected to exceed EUR 50 million in 2013; and to reach the full targeted EUR 150 million for full year 2015.
	BA Americas	We expect continued progress in the Calvert operational ramp-up in H2, but estimate no clear improvement in the Calvert profitability in 2013 mainly due to the high inventories leading to significant inventory related losses at current metal prices.
	Overall	Continued weak performance expected during the second half of 2013, driven by weak markets, low nickel price as well as continued ramp-up at Calvert. The positive effect of the ferrochrome ramp-up will mitigate this to some effect but not to the extent to offset the negative factors mentioned above.

1) Includes EUR 79 million asset purchase and finance lease done in 2012 by former Inoxum entities, excludes Inoxum acquisition of EUR 2,720 million.

Transformation of Outokumpu – good progress but more work to be done

On solid path

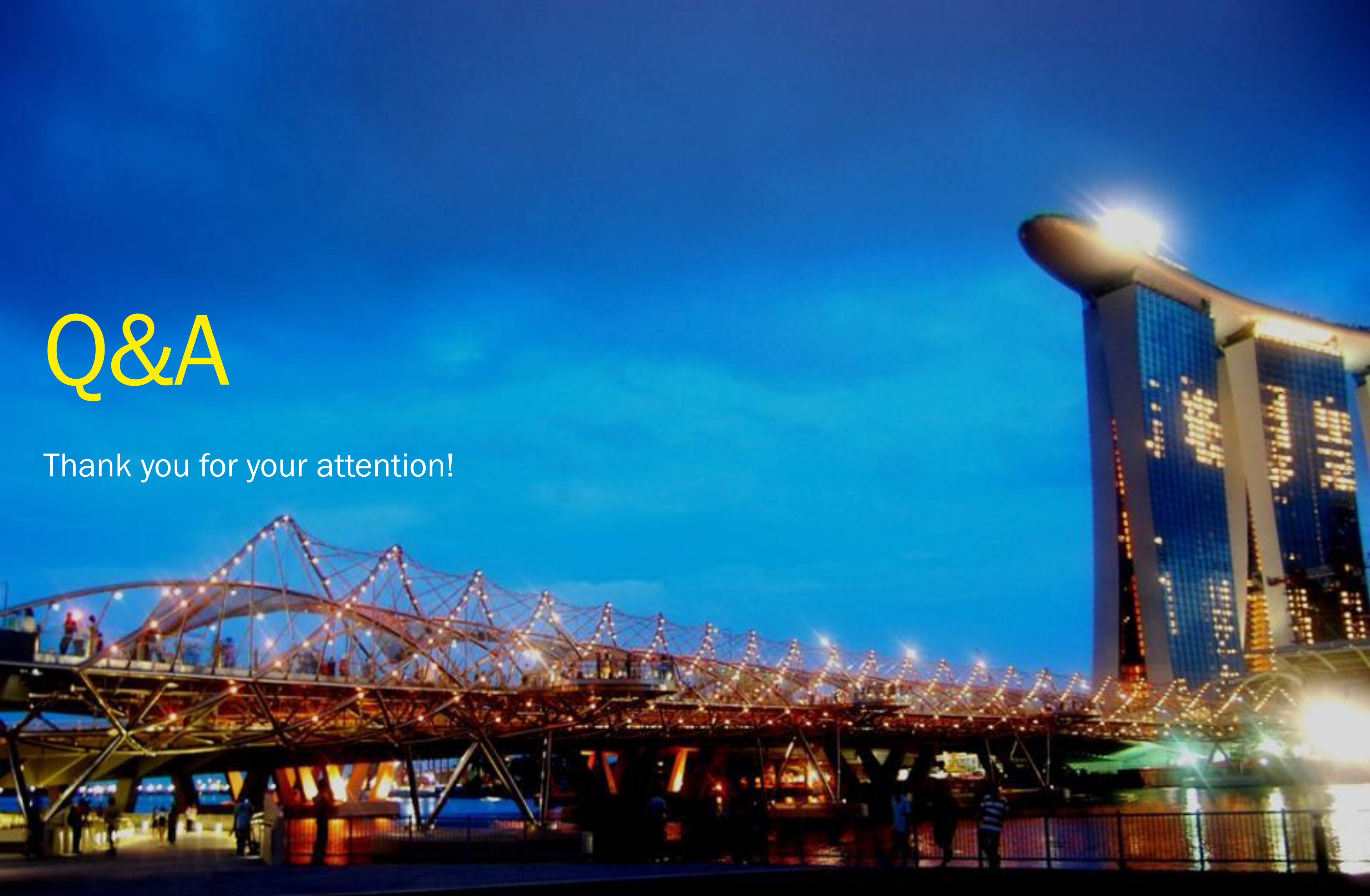
- Synergy savings (EUR 150 million in 2014 and EUR 200 million by 2017)
  - Restructuring of European production and sales network
- P150 program (cost savings of EUR 150 million by end of 2014)
- Ferrochrome ramp-up
- Introduction of daily alloy surcharge pricing model

Further work to be done

- Americas financial performance
- P300 program (working capital reduction)
- Further cost savings in Europe
- Business model to be less dependent on nickel volatility

Q&A

Thank you for your attention!



Appendix

Outokumpu balance sheet

Assets (MEUR)	**30.6.13**	**31.12.12**
Non-current assets		
Intangible assets	623	629
Property, plant and equipment	3,605	3,697
Interest bearing assets	257	234
Other receivables	23	8
Deferred tax assets	90	89
Total non-current assets	**4,599**	**4,658**
Current assets		
Inventories	2,162	2,308
Interest bearing assets	91	121
Trade and other receivables	1,122	1,037
Cash and cash equivalents	327	222
Total current assets	**3,702**	**3,687**
Assets held for sale	**1,335**	**1,326**
Total assets	**9,636**	**9,671**

- Goodwill is at EUR 479 million (including the Inoxum transaction goodwill of EUR 7 million).
- Assets held for sale and liabilities related to the assets held for sale, containing the remedy assets and related liabilities are EUR 1,335 million and EUR 764 million, respectively. The net value of Terni and Willich on the balance sheet is EUR 571 million.

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Outokumpu balance sheet

Equity and liabilities (MEUR)	30.6.13	31.12.12
Total equity	2,522	2,952
Non-current liabilities		
IB[1] liabilities	2,786	2,974
Deferred tax liabilities	85	90
Provisions[2]	511	542
Payables and other non IB[1] liabilities	7	5
Total non-current liabilities	3,389	3,611
Current liabilities		
IB[1] liabilities	1,501	763
Provisions	51	36
Trade payables and other non IB[1] liabilities	1,409	1,522
Total current liabilities	2,961	2,321
Liabilities directly attributable to assets held for sale	764	786
Total equity and liabilities	9,636	9,671

- The total non-current interest bearing liabilities of EUR 2,786 million include the ThyssenKrupp loan note of EUR 1,256 million.
- The increase of EUR 13 million compared to March 31, 2013 is capitalized interest.

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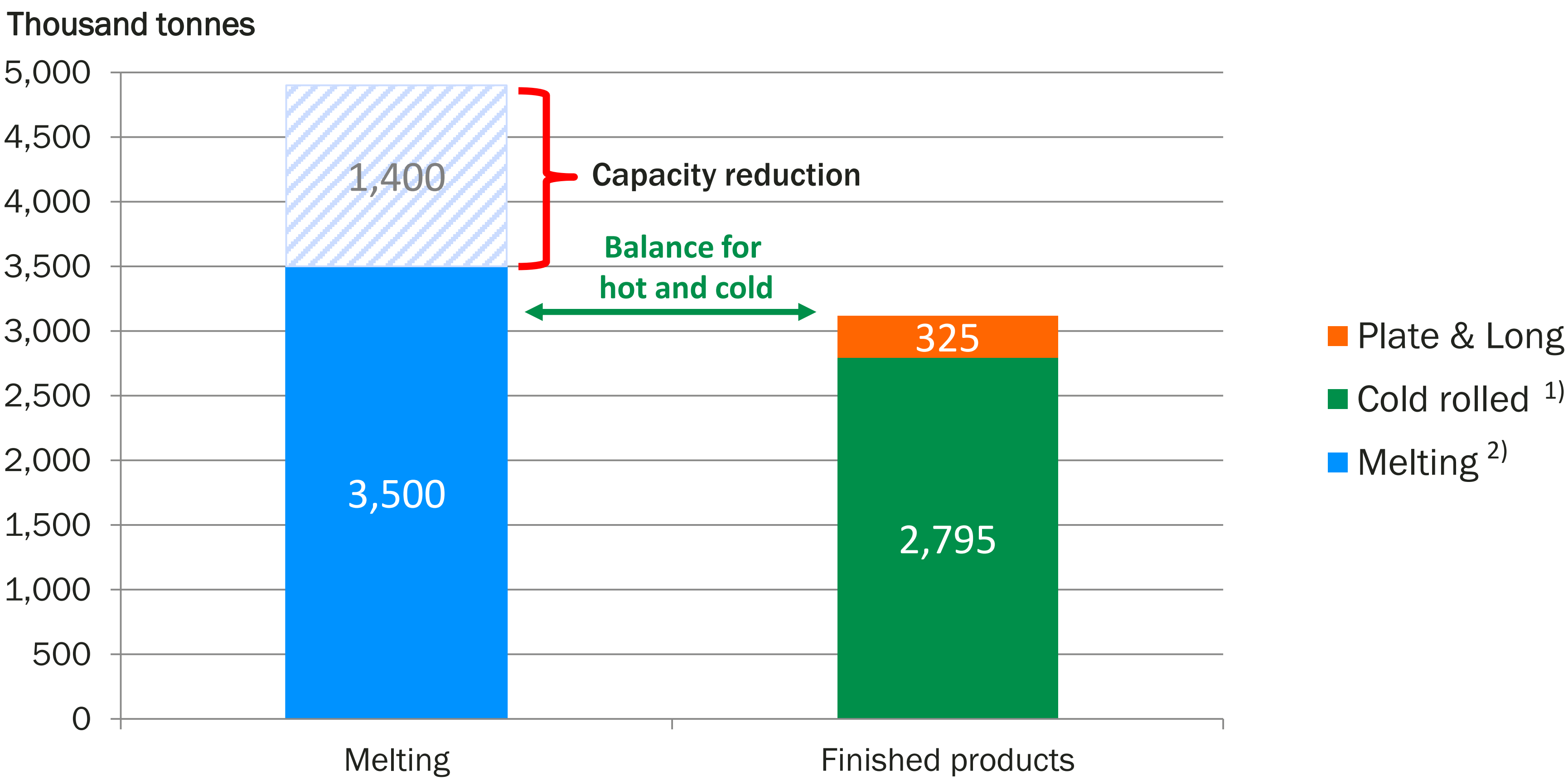
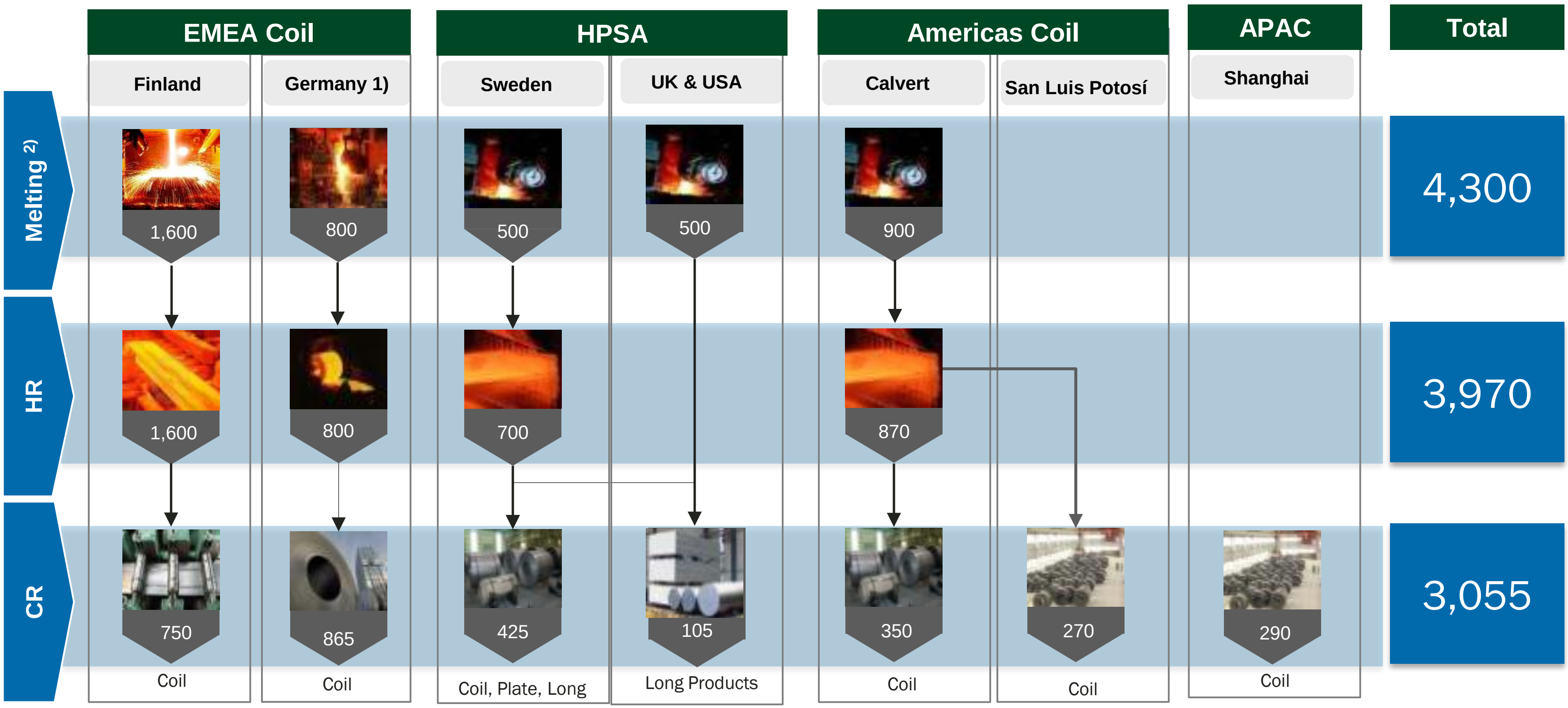
1) IB = interest bearing
2) Includes defined benefit and other long term employee benefit obligations

Outokumpu global production overview Dec. 31, 2012 - healthy balance between hot and cold with planned closures



1) Sales of least profitable finished products to be potentially scaled down if capacity constrains emerge.
2) Melting capacity shown after Krefeld and Bochum meltshop closures in 2013 and 2016 and after full ramp-up of Calvert meltshop. Outokumpu management will conduct a final review and decision on Bochum meltshop closure in 2015.

Overcapacity of melting capacity in stainless production – prior to planned Bochum melt shop closure (July 2013)



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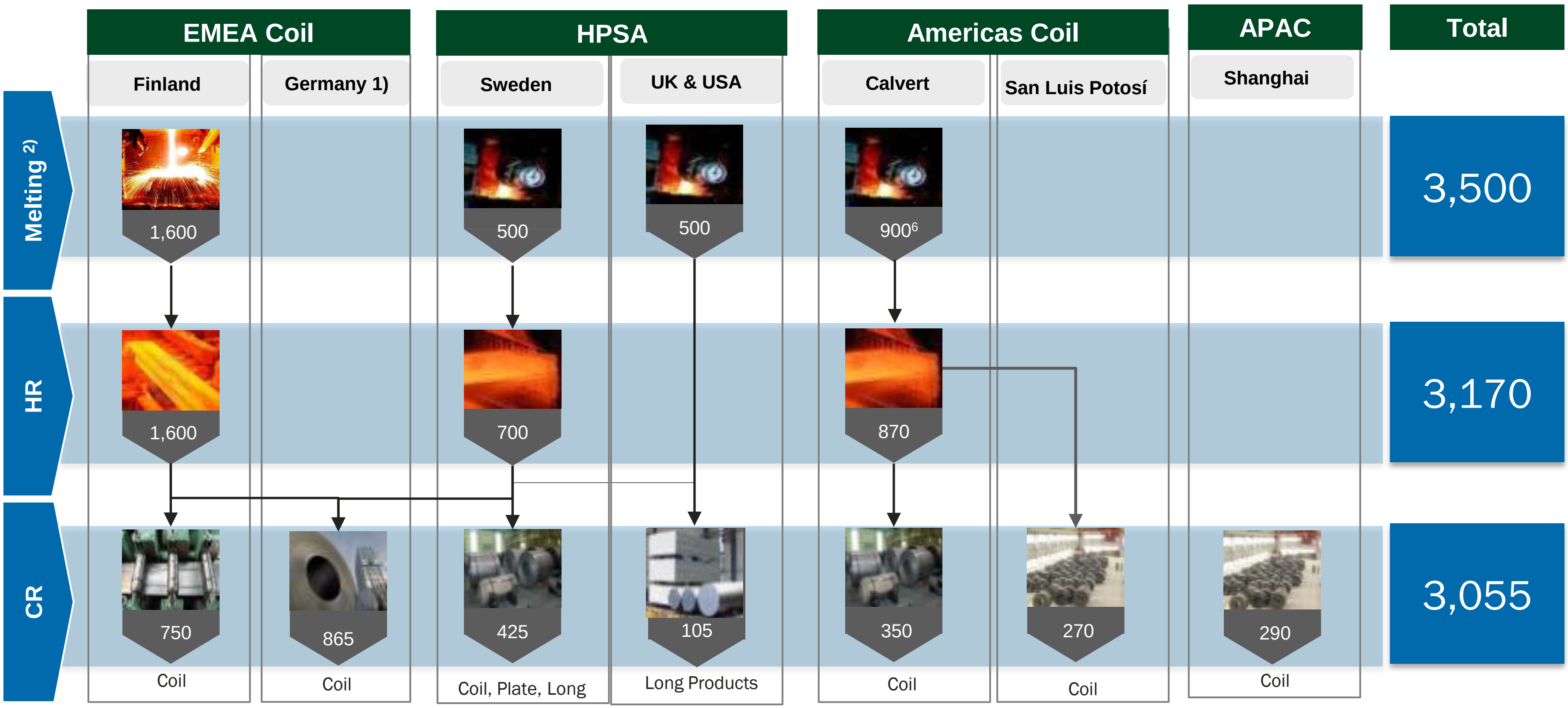
1) After Krefeld melt shop closure in 2013,
Actual capacities will vary according to product mix and manning.

Balanced stainless production structure – after the planned Bochum melt shop closure (July 2013)

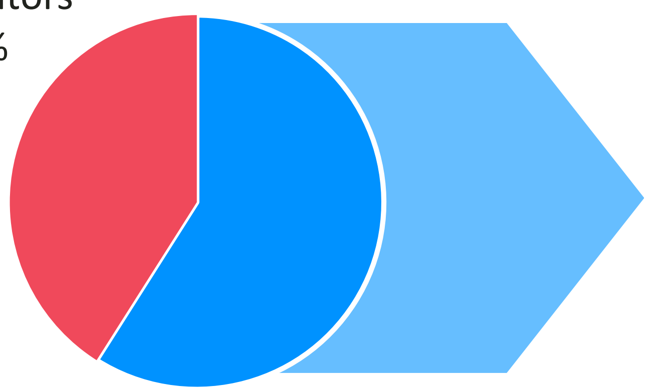


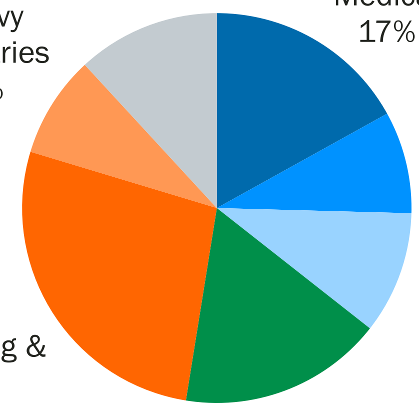
1) Outokumpu management will conduct a final review and decision on Bochum melt shop closure in 2015,
Actual capacities will vary according to product mix and manning.

Balanced customer base across industries

Sales by customer segment | **Sales by end-customer segment**

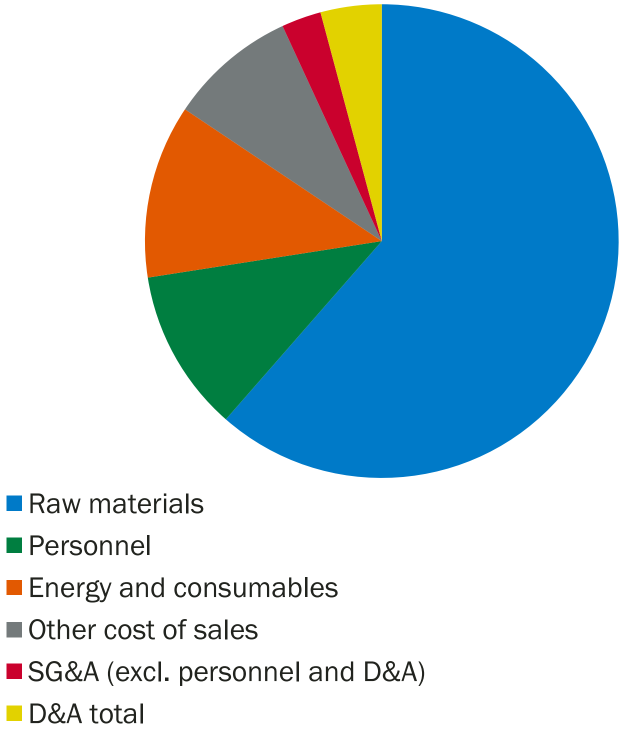
Healthy balance between end-customer segments across both investment and consumer driven industries





Cost analysis Q2 2013

Operative cost components 1) 2)



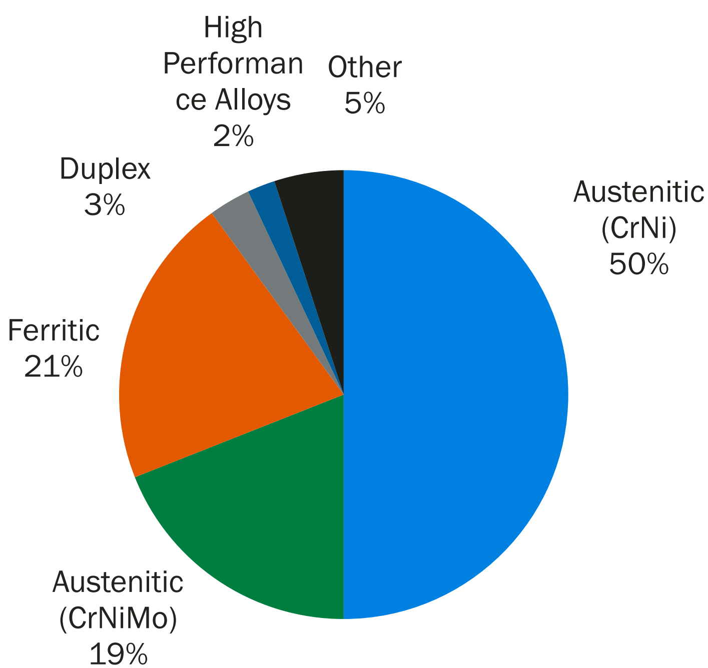
Comments

- Raw materials account for around 60-65% of the total operative costs of the Group
- Share of Ni from total raw material cost is around 60%
- Share of Cr from total stainless raw material cost is around 15-20%, but due to the captive supply, the share of Cr from the Group's raw material cost is now around 10-15%
- Energy and other consumables account for some 10% of the total operative costs
- Personnel expenses also some 10% of the total operative costs
- Other cost of sales includes e.g. freight, maintenance and rents and leases

1) Operative costs = Sales – EBIT (excl. non-recurring items)
2) Management estimates

Broadest product portfolio across stainless steel

Deliveries by product grade [1)]



- New Outokumpu has a broad product portfolio to serve all customers [2)]
- Significantly higher share of ferritic grades leads into reduced sensitivity to Nickel price volatility
- Outokumpu product mix closely resembles the overall market mix by grade

All product forms offered

1) Management estimates Q2 2013, excl. Terni
2) Standalone Outokumpu had only a 5% share of ferritics vs. 22% for the combined entity.

Continued strong Ferritics capabilities for new Outokumpu in EMEA

Ferritic competence today	Ferritic options for the future

Possible bottlenecks from closure of Bochum can be counterbalanced by Tornio and Krefeld/Benrath

Melting today done at Terni, Tornio, Bochum and Krefeld (580kt of Ferritic melting in 2011)

- Melting will continue at Bochum.
- Tornio will increase its ferritic load: its liquid ferrochrome feed in Line 1 is very well suited for ferritic melting. Capacity of 500-600kt.

Hot rolling today done at Terni, Tornio, and Bochum.

- Hot rolling options being reviewed.
- Expand Tornio's existing hot rolling to include Bright Annealed products.
- Other options are Calvert or toll rolling.
- The combined group has 4 years before Bochum is closed and excellent ferritic know how.

Cold rolling centers of competence today are Benrath, Terni and Tornio.

- Cold rolling will continue in Benrath and Tornio.
- Benrath is planned to be relocated to the Krefeld site.

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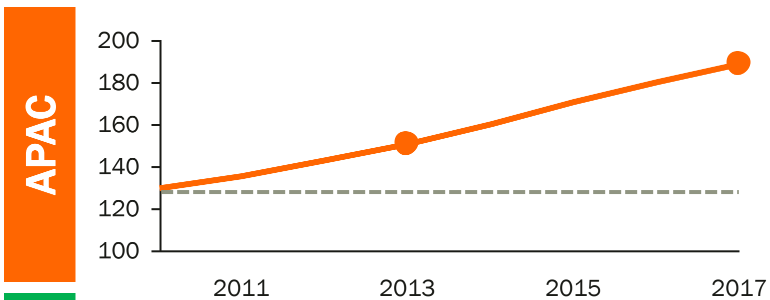
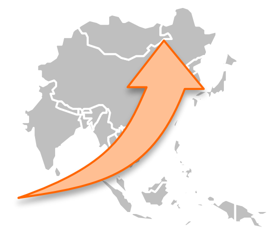
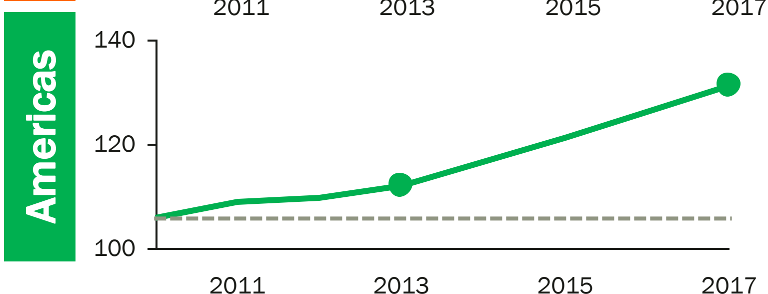
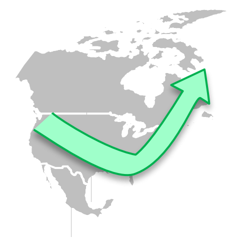
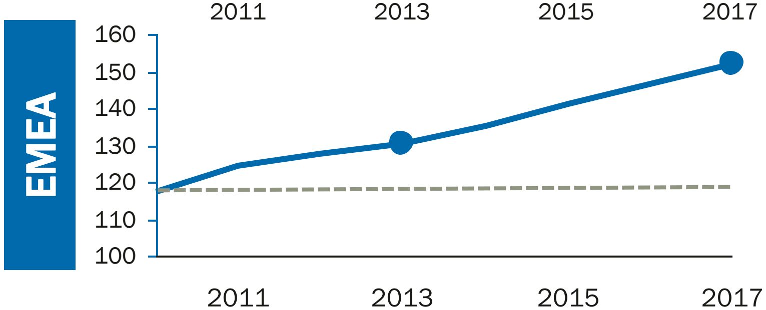
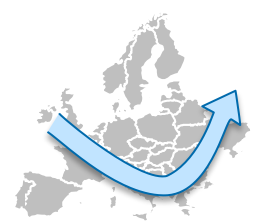
Industrial production as the major driver for stainless growth…

Index 2005=100

Industrial Production	Growth p.a. 2013 - 2017		Economic Growth Prospects
	+6%		Fundamental growth
	+4%		Recovery from economic crisis and continued growth
	+4%		Recovery from economic crisis

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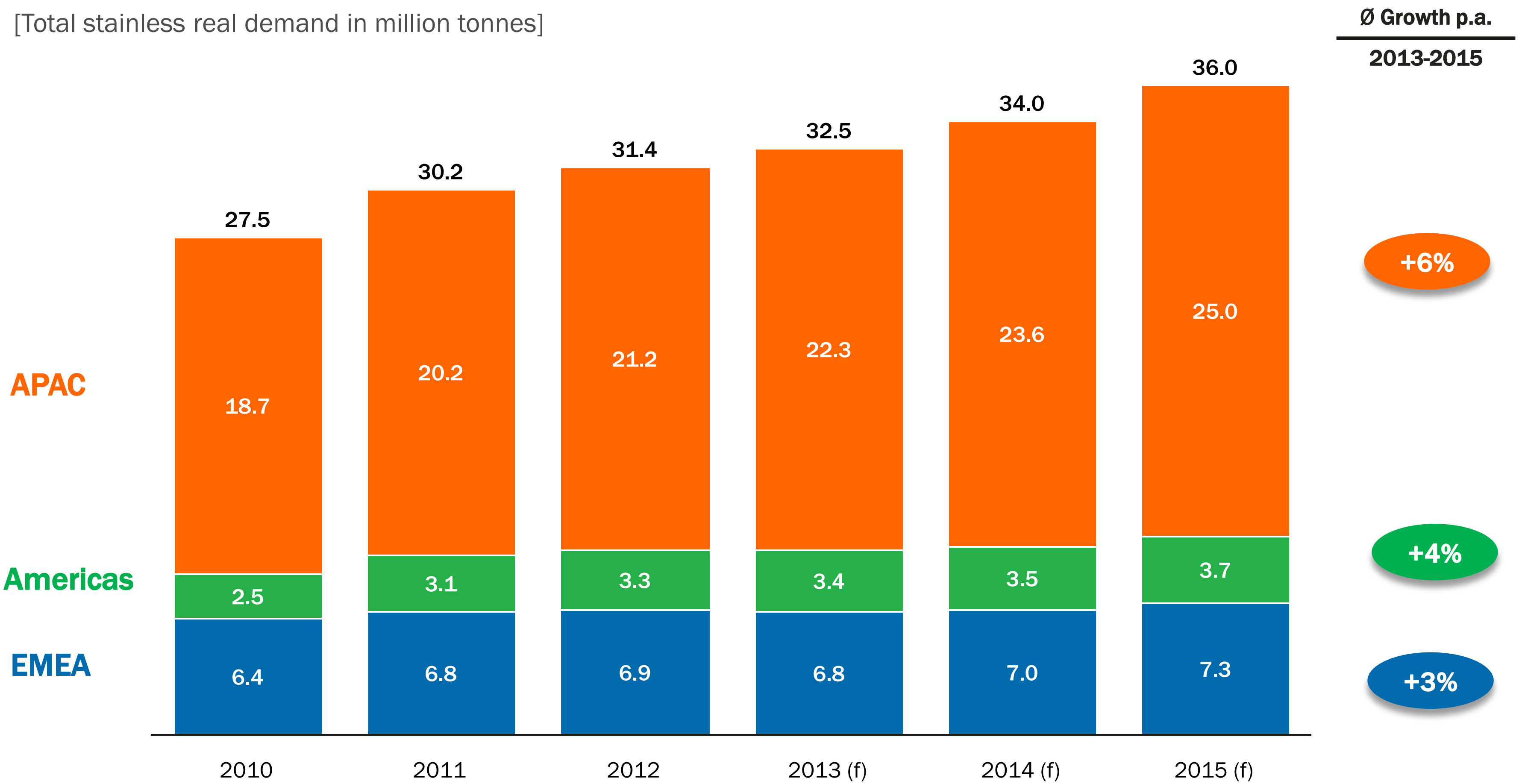
Source: ISSF June 2013

… leads to growing stainless consumption mainly in APAC, and to some extent in Americas and EMEA



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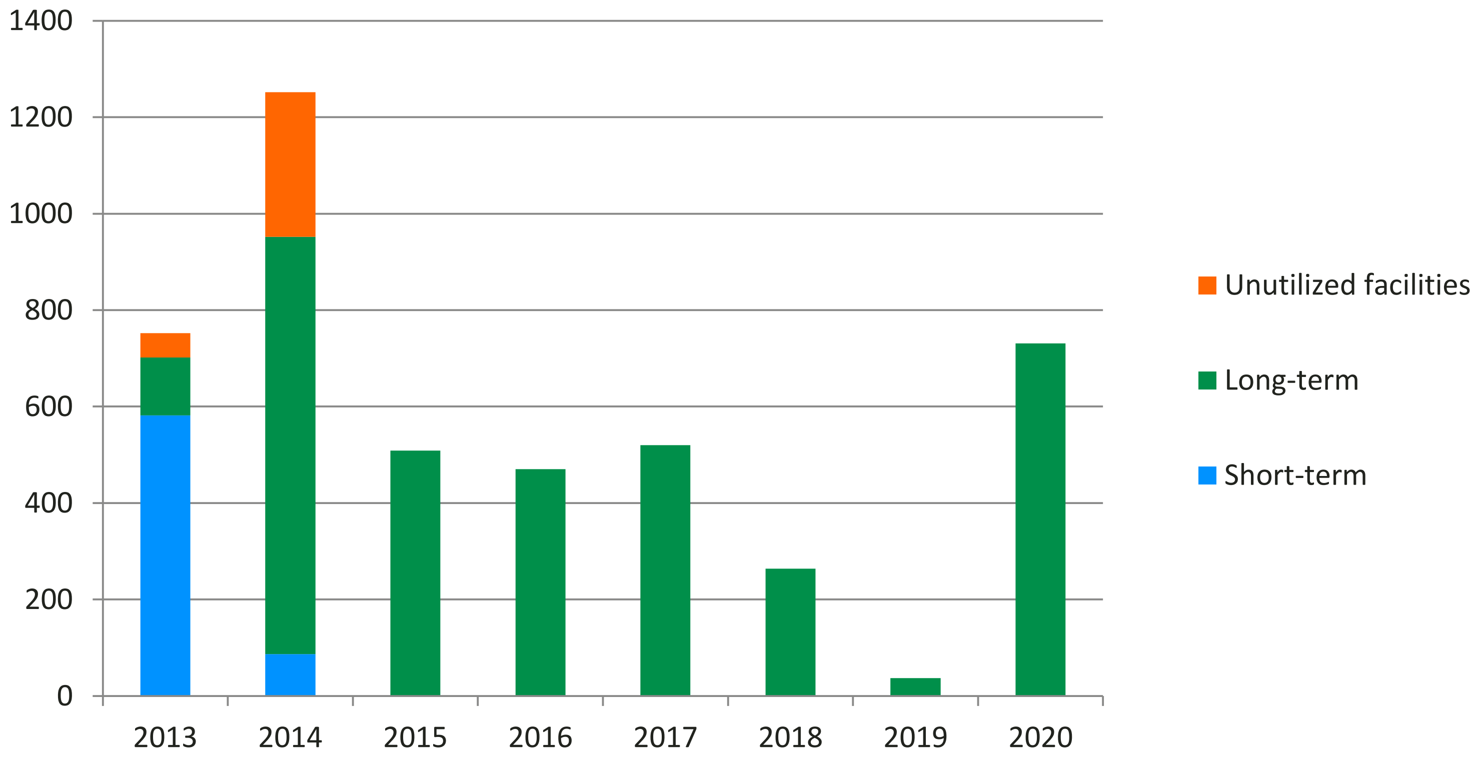
Source: SMR July 2013
Total stainless = rolled & forged, excl. 13Cr Tubes

Liquidity and maturity profile of debt

Debt maturities June 30, 2013, MEUR



Liquidity reserves

Definition

Cash and cash equivalents

+ Available long term syndicated credit facilities

+ Available short term credit facilities → Change vs. previous definition

+ Available Finnish pension loans

+ Other agreed and undrawn loans

= Total liquidity reserves