



# Strong cash flow and balance sheet in a subdued market, solid performance in the Americas

## Outokumpu 2023 results

Heikki Malinen, President & CEO

Pia Aaltonen-Forsell, CFO

February 8, 2024

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# Solid adjusted EBITDA in 2023 in a weaker stainless steel market

Heikki Malinen, President & CEO

## Strong and immediate profitability improvement measures resulted in solid results in a challenging market environment

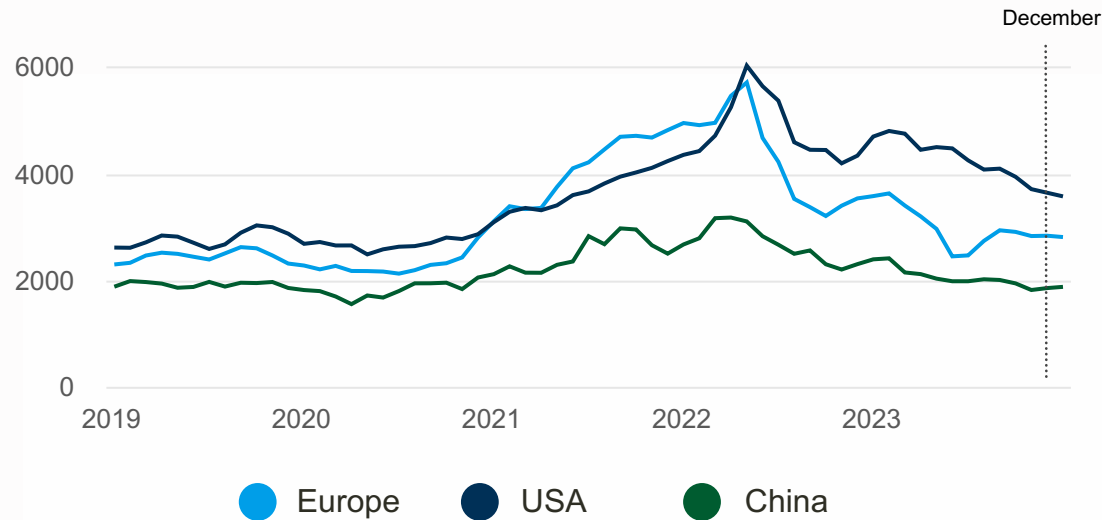
**Adjusted EBITDA totaled  
EUR 517 million  
in 2023**

- Market in the first half of 2023 was solid in both regions, second half challenging in Europe
- Strong actions taken to strengthen competitiveness
- Negative net debt remains as a result of solid cash flow
  
- World-class safety performance: TRIFR 1.5
- Recycled content reached a record high level of 95%
- CO<sub>2</sub> emissions successfully reduced in line with SBTi climate target, strong focus on energy efficiency

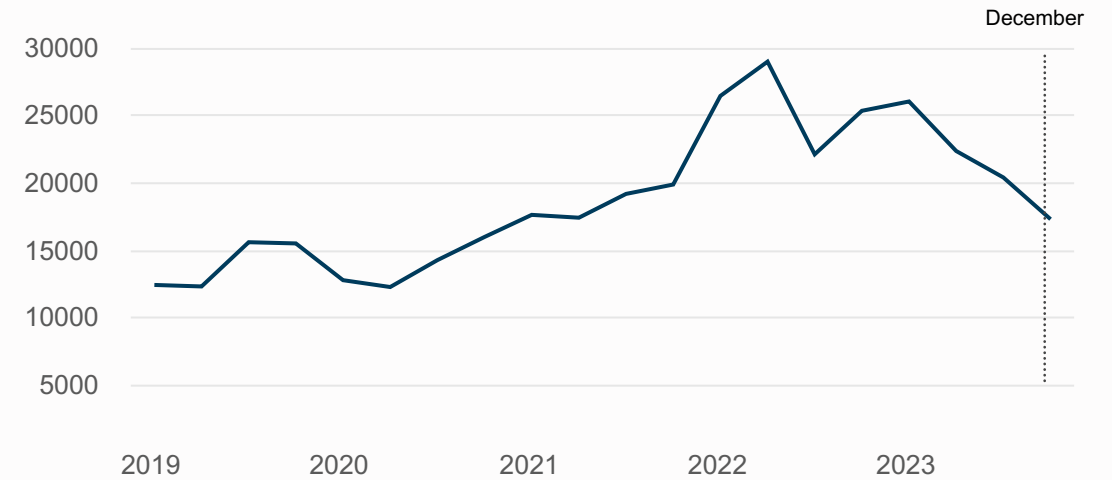


# European stainless steel prices have been slowly recovering since their lowest point in the summer, prices in the U.S. softening

Transaction prices 304 stainless, USD/tonne\*



Nickel LME cash, USD/tonne



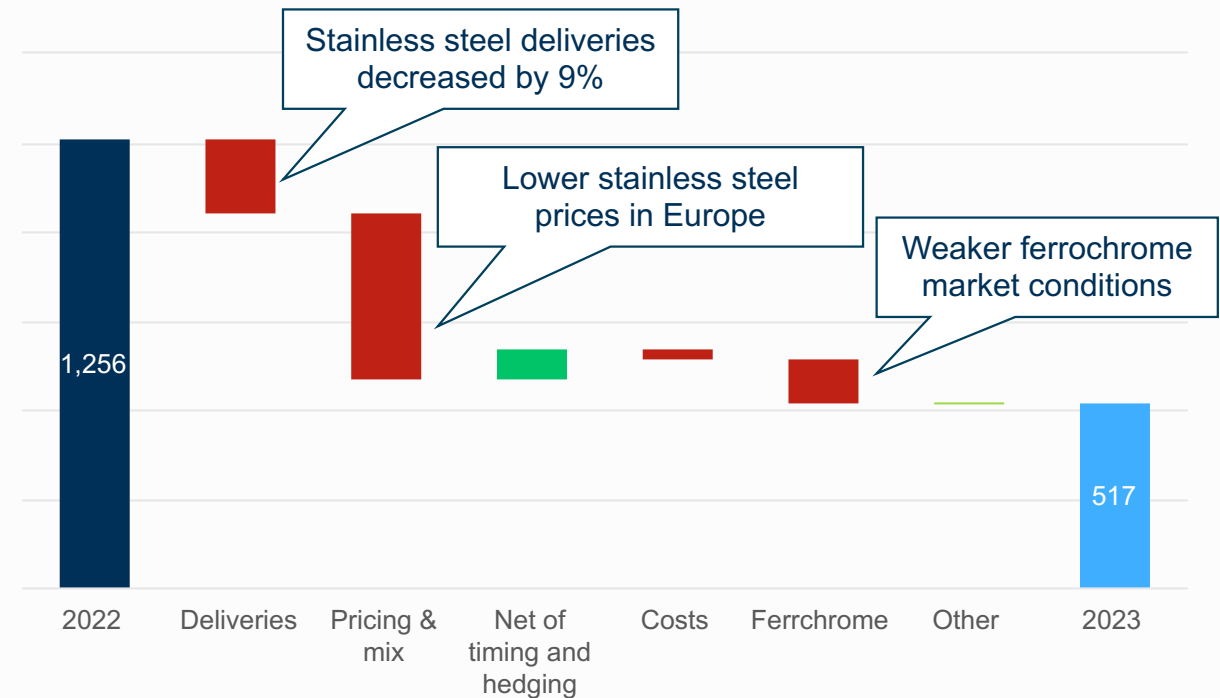
Source: CRU Stainless Steel Flat Products Monitor February 2024  
 Nickel: London Metal Exchange (LME) Nickel Cash Official  
 Stainless transaction prices 304 monthly figures, nickel quarterly figures

\*EUR/USD FX rate impacting USD transaction prices

## In 2023, we saw a significant shift in the market environment and profitability was burdened by lower stainless steel prices in Europe

- Distributor de-stocking came close to its end in the second quarter, but market remained muted, resulting in lower stainless steel deliveries
- The lowest point for business area Europe was in Q3/23
- Solid year for business area Americas
- Successful measures to restore profitability and manage costs efficiently across the group

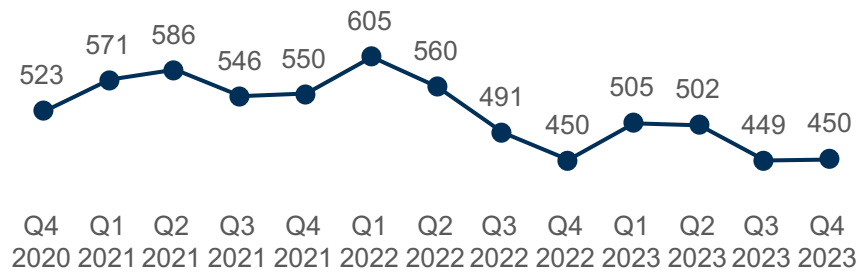
Adjusted EBITDA year-on-year comparison<sup>1</sup>, EUR million



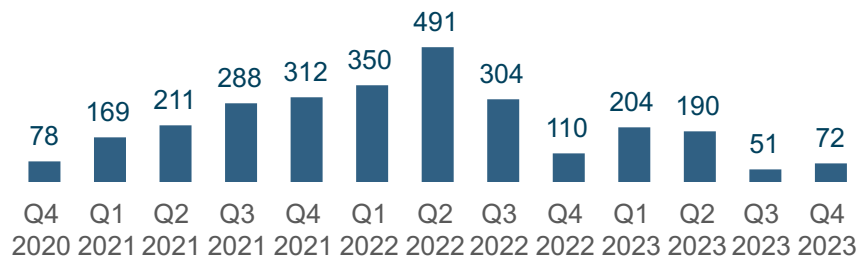
1) Indicative columns based on management estimates, continuing operations only

# Q4/23 results reflect slow market recovery in Europe, and was negatively impacted by higher maintenance and other one-off costs

Deliveries, kt

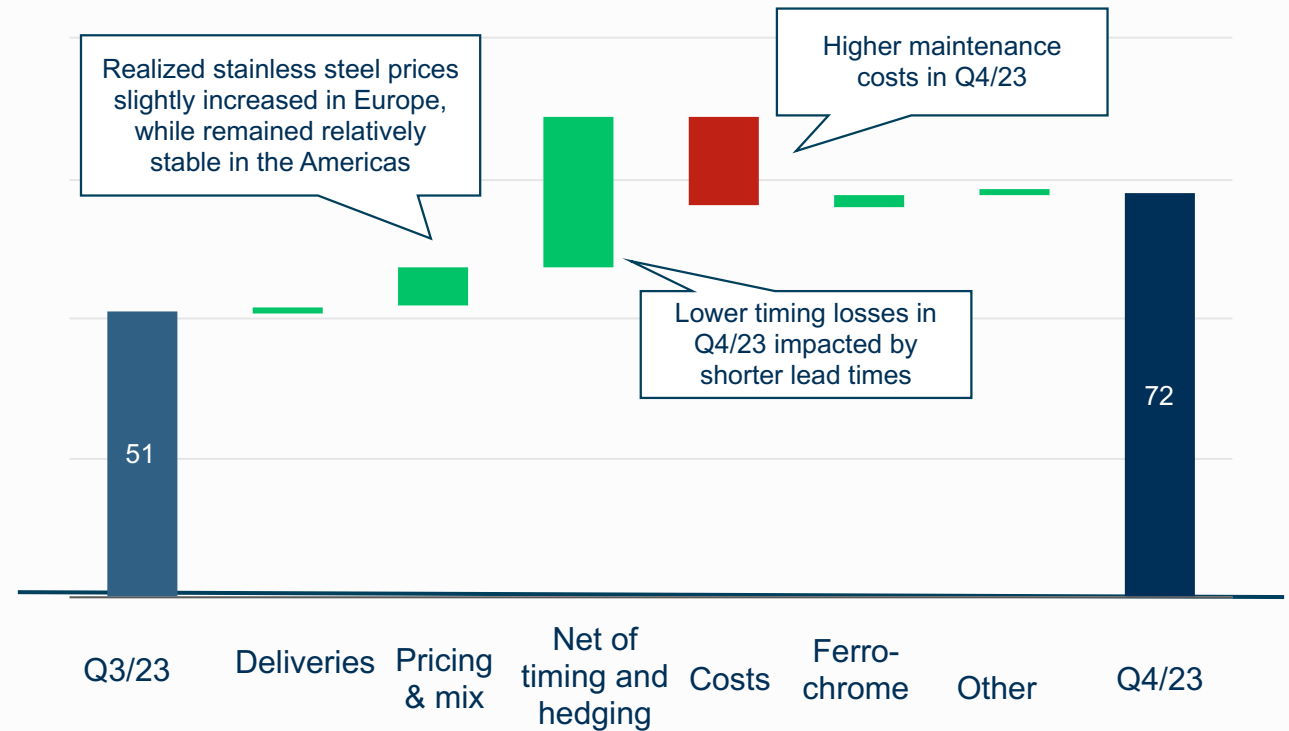


Group adjusted EBITDA, EUR million



Note: figures for adjusted EBITDA and deliveries have been restated from Q1 2021 onward to reflect the divestment of majority of the Long Products business.

Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



1) Indicative columns based on management estimates

# Outokumpu continues to lead the green transition in stainless steel industry

## Highlights 2023



### Targeting zero incidents

World-class safety performance, TRIFR 1.5



### Climate & circularity

Record high recycled material content of 95%  
Reduced emission intensity by 27% from 2016 baseline



### Avoided emissions beyond our industry

Reducing customers emissions by 12 million tonnes\*  
- Circle Green attracting market interest

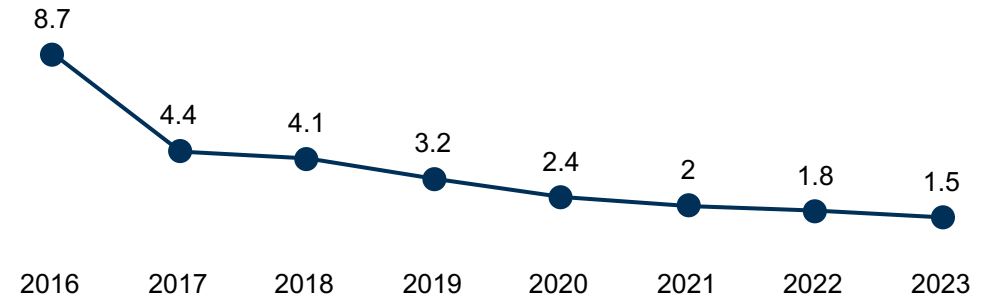


### Leader in sustainability

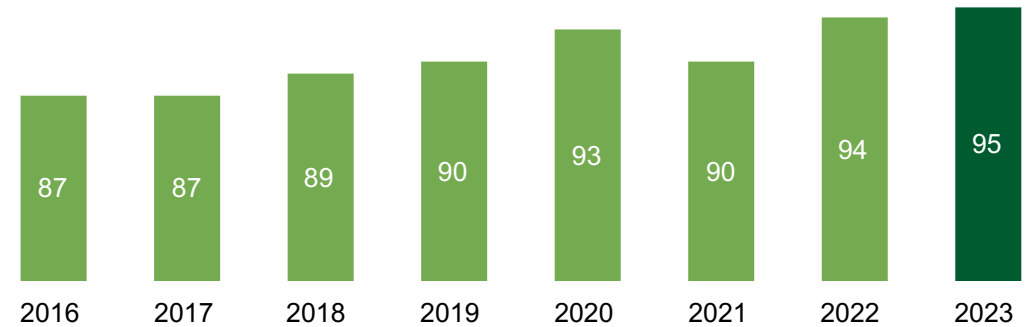
Platinum ranking by Ecovadis and a recognized Climate Leader by Financial Times

\*compared to global average of stainless steel (2023): 7 kilos of CO<sub>2</sub>e per kg of stainless steel based on Outokumpu's calculation from data provided by CRU and worldstainless.

## Safety performance, TRIFR



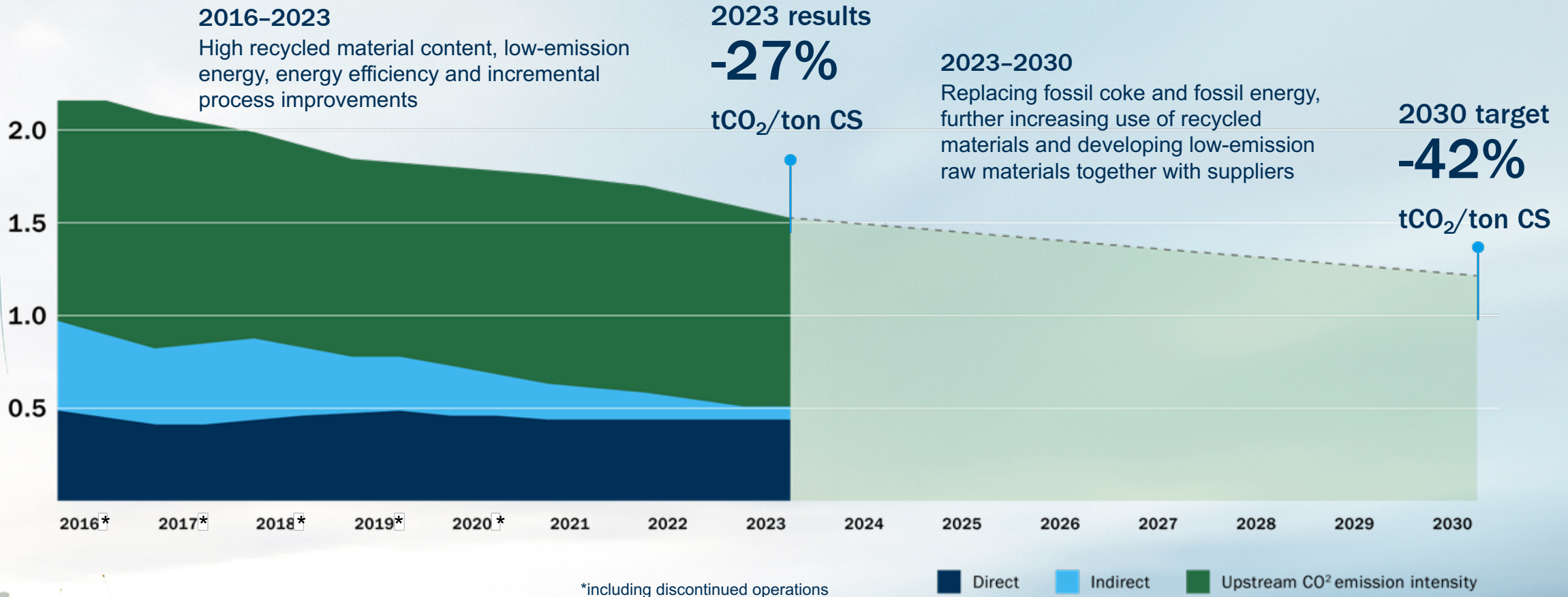
## Recycled materials, %



TRIFR = Number of total recordable incidents per million working hours  
2021 and 2022 numbers include only continuing operations



# Outokumpu committed in the decarbonization strategy aligned with 1.5 degrees – circularity and innovation at the core





# Strong partnerships with customers to drive the green transition forward in stainless steel industry

FISKARS  
EST. GROUP 1649



thyssenkrupp

klöckner & co

PUREM  
by Eberspächer

BOYSEN  
INNOVATIONEN ABGASTECHNOLOGIE

SVERDRUP  
STEEL

NORDIC STEEL  
part of great solutions

Fissler



STALA  
TUBE

ALFA  
LAVAT

STAHLKREB  
our steel. YOUR BUSINESS.

SIEMENS



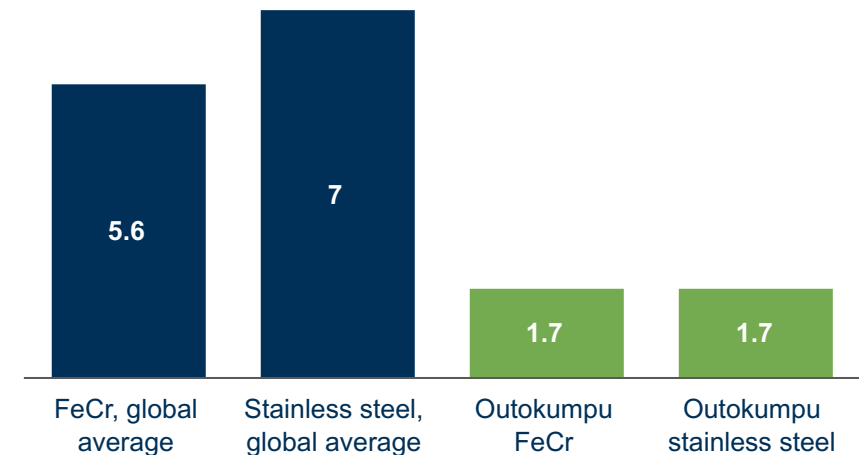
## Up to 93% lower carbon footprint compared to the industry average\*

\*Global average CO<sub>2</sub> emissions (2023): 7 kilos of CO<sub>2</sub>e per kg of stainless steel (based on data provided by CRU and worldstainless). Outokumpu Circle Green CO<sub>2</sub> emissions: down to 0.5 kilos of CO<sub>2</sub>e per kg of stainless steel.

# Outokumpu uniquely positioned to capture value from Carbon Border Adjustment Mechanism – low carbon ferrochrome production a competitive asset for Outokumpu

- The EU's Carbon Border Adjustment Mechanism (CBAM) approved in April 2023 aiming to reduce carbon leakage and encourage greener production
- Iron and steel sector – including stainless steel – main sectors to be impacted by CBAM
- Outokumpu's position strong due to own ferrochrome production in Finland and low carbon footprint - assumption based on EY's position paper\* made in January 2024
- End-products not included which might impact on production being transferred outside Europe

Outokumpu's CO2 emissions (scopes 1, 2, 3) per tonne



Sources: based on Outokumpu's 2022 Sustainability Review; data collected from worldstainless; 3rd party estimate of European peer average emissions in scope 3 for 2019; ICDA calculation for global ferrochrome carbon footprint 2021; Environmental Product declaration Ferrochrome

\* [www.outokumpu.com/en/CBAM](http://www.outokumpu.com/en/CBAM)

## New partnerships formed in 2023 to ensure a sufficient future supply of critical raw materials with a low carbon footprint

- **Scrap:** 10% share acquired of CRONIMET North-East GmbH in Europe to strengthen partnership and accelerate circularity
- **Nickel:** 9.9% share acquired in FPX Nickel junior mine
- **Biocarbon:** 20% share will be acquired of Envigas AB, a leading European producer of biocarbon
- **Wind power:** ownership of Rajakiiri wind farm in Tornio, Finland increased to 19.9% and 9MWh
- **Molybdenum:** Letter of intent signed with Greenland Resources Inc.
- Feasibility studies ongoing for emerging nuclear technology and for a biocoke investment



*"This partnership is another step to achieve the sustainable development goals: low CO<sub>2</sub> footprint for stainless production with locally sourced stainless scrap."*

*Jürgen Pilarsky, CEO of CRONIMET Holding GmbH*





## Assessment of the cold rolling capacity expansion in the U.S. ongoing – decisions foreseen within a year

- Long-term hot rolling agreement signed with AM/NS
- Aim to strengthen Outokumpu's position in North America
- Cold rolling capacity expansion would allow us to grow directly in the attractive market
- Intense work ongoing to evaluate value creating growth options





## Increased focus on shareholder returns remains – strong cash flow enables dividend payments

Outokumpu's Board of Directors proposes that a dividend of **EUR 0.26 per share** be paid for year 2023, with current share price\* dividend yield 6.6%

- **Total dividend amount** for year 2023 approx. EUR 110 million
- **Share buyback program** ongoing
- Total of EUR 70 million returned to shareholders through share repurchases during 2023

\*Closing price on February 5, 2024



**In the midst of changing market conditions, we kept our balance sheet net debt free**

Pia Aaltonen-Forsell, CFO





## Continuous focus on efficient cost and capital management to ensure profitability and keep our balance sheet strong

- Net debt improved to EUR -60 million
- Cash and cash equivalents EUR 502 million
- Liquidity reserves at EUR 1.3 billion
- EUR 800 million of outstanding committed credit facilities, fully unutilized at year-end
- Annual capex EUR 170 million
- Shareholder returns are a high priority, strong commitment to paying stable and growing dividend

# Solid operating cash flow and a tight cost control in 2023

## 2023 financials

- EUR -264 million impairment booking related to the renegotiated hot rolling agreement in business area Americas, resulting in lower depreciation going forward
- Net result EUR -111 million
- Earnings per share EUR -0.26
- ROCE -2.1%

Key figures		Q4 2023	Q4 2022	Q3 2023	2023	2022
<b>Continuing operations</b>						
Stainless steel deliveries	1,000 tonnes	<b>450</b>	450	449	<b>1,906</b>	2,106
Sales	EUR million	<b>1,513</b>	1,895	1,531	<b>6,961</b>	9,494
Adjusted EBITDA	EUR million	<b>72</b>	110	51	<b>517</b>	1,256
Adjustments to EBITDA	EUR million	<b>-58</b>	-7	-33	<b>-102</b>	-7
Net result	EUR million	<b>-242</b>	312	-55	<b>-111</b>	1,086
Earnings per share	EUR	<b>-0.56</b>	0.69	-0.13	<b>-0.26</b>	2.40
Capital expenditure	EUR million	<b>86</b>	60	31	<b>170</b>	158
Personnel at the end of period	FTE	<b>8,469</b>	8,357	8,512	<b>8,469</b>	8,357
Return on capital employed, ROCE	%	<b>-2.1</b>	22.6	5.3	<b>-2.1</b>	22.6
<b>Including discontinued operations</b>						
Operating cash flow	EUR million	<b>236</b>	289	-11	<b>325</b>	778
Net debt	EUR million	<b>-60</b>	-10	29	<b>-60</b>	-10
Net debt to adjusted EBITDA	Ratio	<b>-0.1</b>	0.0	0.1	<b>-0.1</b>	0.0
Return on capital employed, ROCE	%	<b>-2.0</b>	24.5	5.8	<b>-2.0</b>	24.5



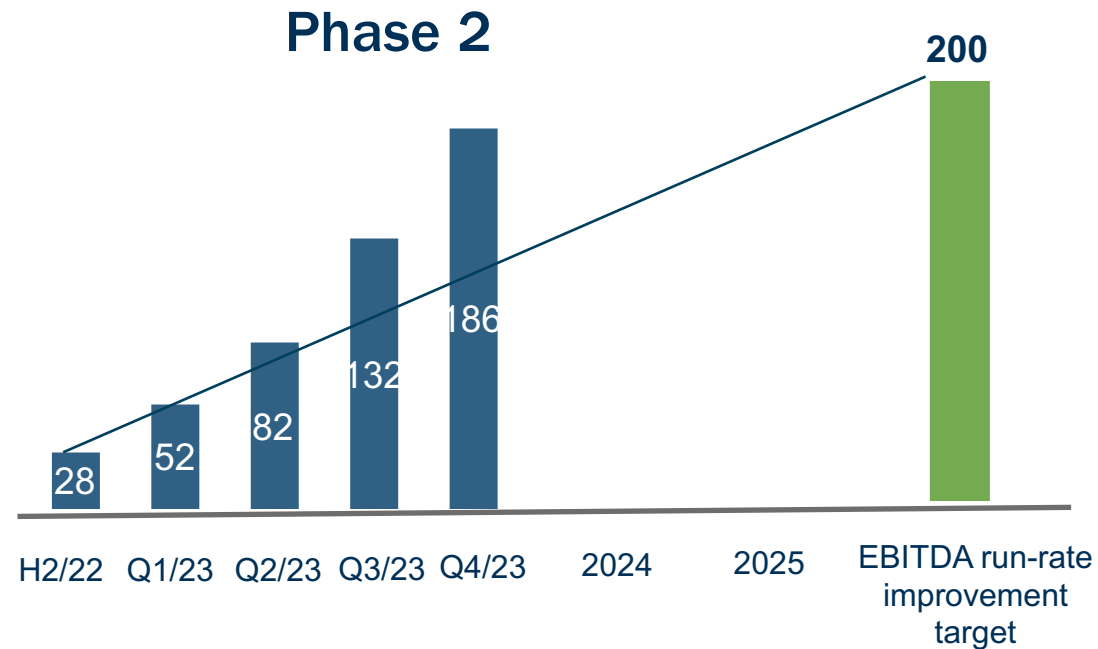
# Strategy phase 2 proceeding beyond expectations: EBITDA run-rate improvement target almost reached at the end of 2023

## Transformation journey

### Phase 1

EBITDA run-rate improvement target:  
EUR 250 million

Actual improvement:  
EUR 260 million



Gross annualized EBITDA run-rate improvement, EUR million

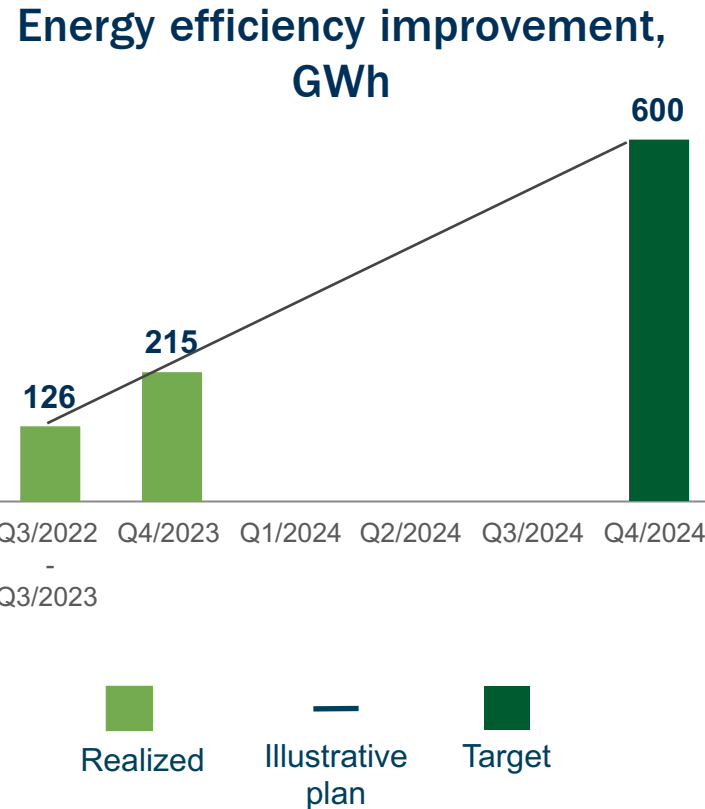
■ Realized — Illustrative plan ■ Target

- 475 projects towards the EBITDA run-rate improvement completed in 2023
- In business area Europe, in the middle of the challenging market conditions, the focus was on improving profitability and competitiveness
- Cold rolling capacity increased by 55 kilotons in business area Americas since the start of the second phase, commercial benefits pending

# Ambitious energy efficiency improvement program progressing well

## Ambitious aim to improve energy efficiency by 8% until end of 2024\*

- It is clear that we will exceed our 8% energy efficiency improvement target over time, but not yet in 2024.
- Activities resulted in EUR 10 million savings at the end of 2023



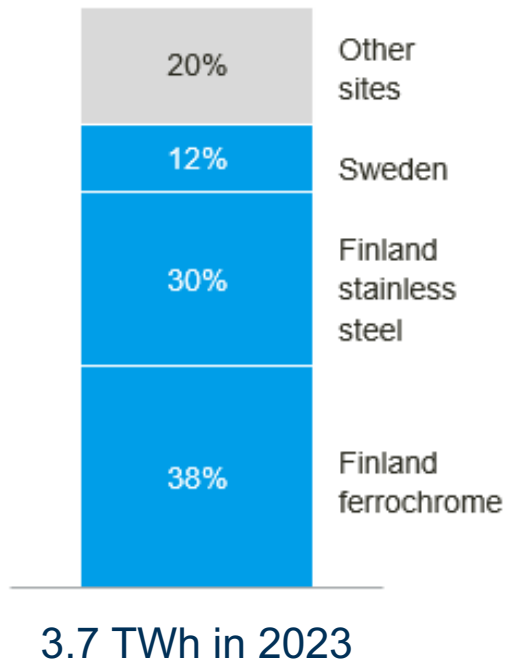
\*across the group compared to January-September 2022 level



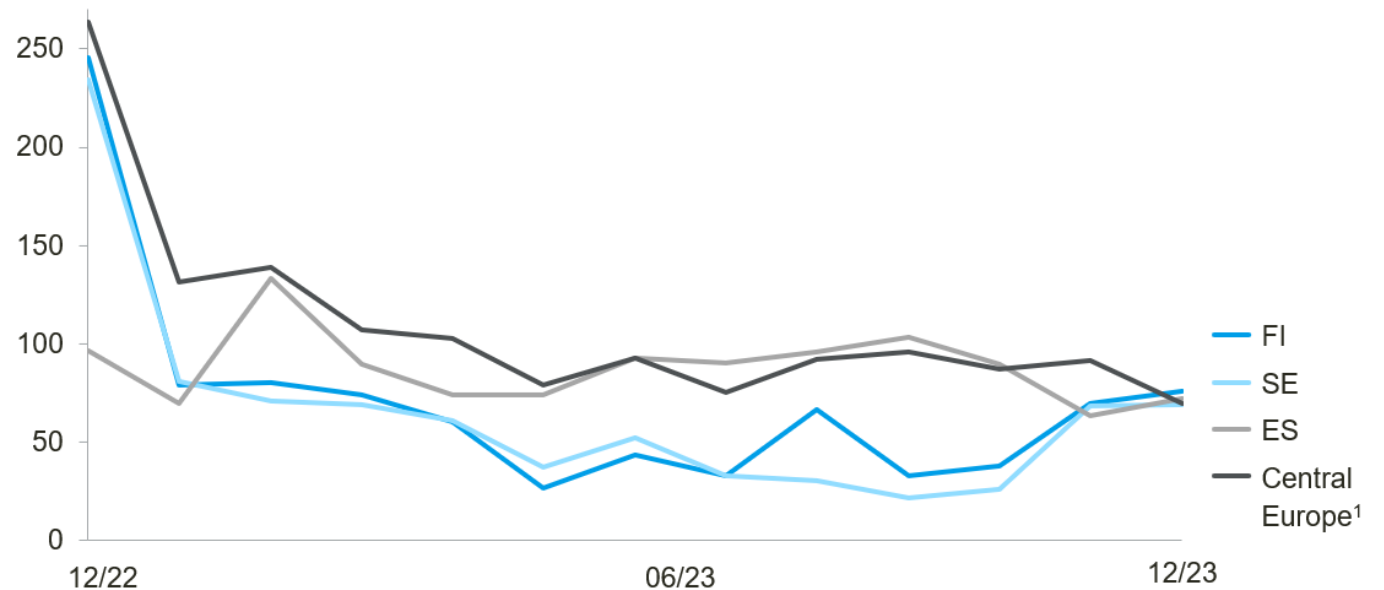


# Long-term structural cost advantage within electricity price in the Nordics

### Outokumpu electricity usage



### Electricity price per region €/MWh



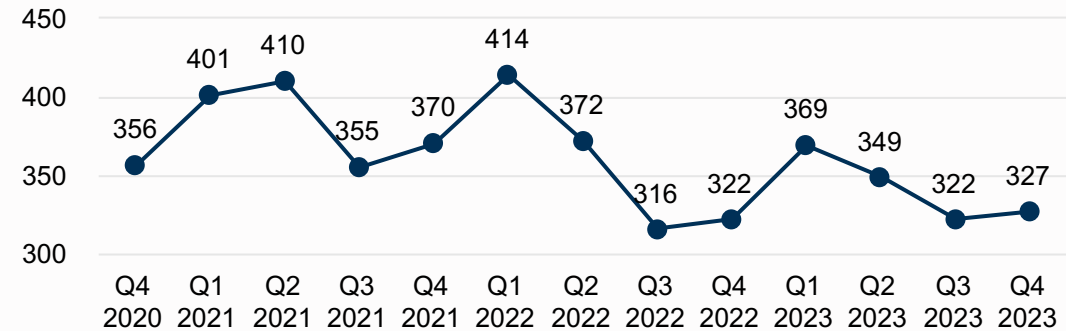
1. Central Europe average of DE, NL, BE, FR prices

## BA Europe

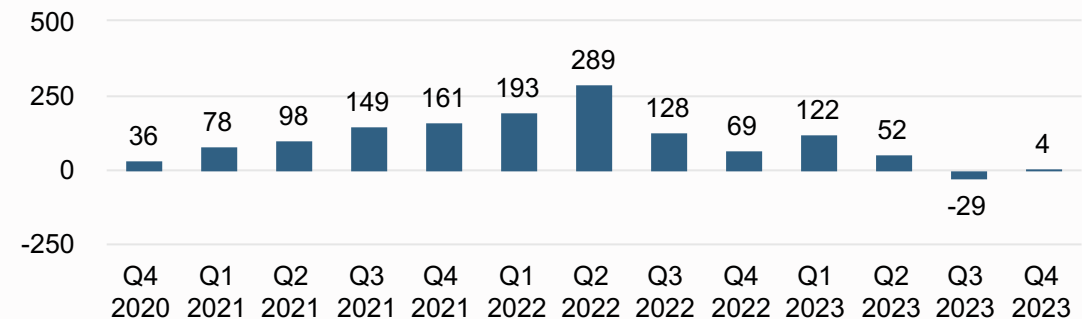
Slow market recovery since the low point in Q3/23

- Strong cost reductions and decisive actions to strengthen competitiveness in a weaker market environment
- Efficient working capital management
- Restructuring in Germany ongoing
- Improving order book for advanced materials

### Europe's stainless steel deliveries, 1,000 tonnes



### Europe's adjusted EBITDA, EUR million

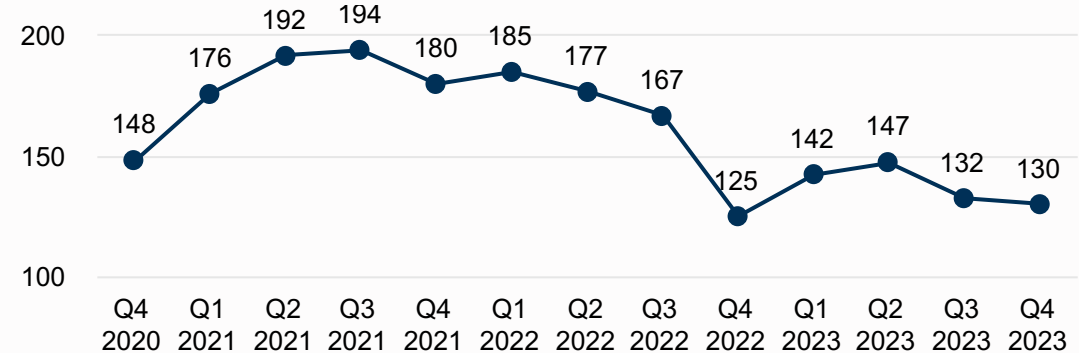


## BA Americas

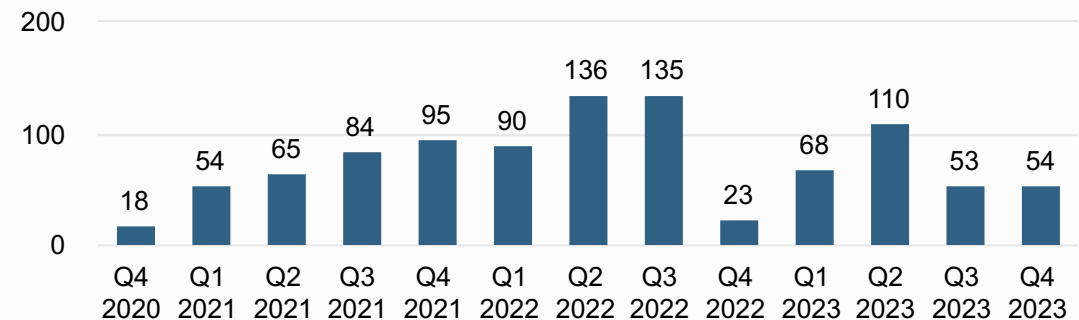
Solid result delivered in 2023, market softened at the end of the year

- Market conditions remained relatively solid throughout the year
- Hot rolling agreement concluded, partnership with AM/NS extended until 2051
- Assessment of the cold rolling capacity expansion ongoing, decisions foreseen within a year

### Americas' stainless steel deliveries, 1,000 tonnes



### Americas adjusted EBITDA, EUR million

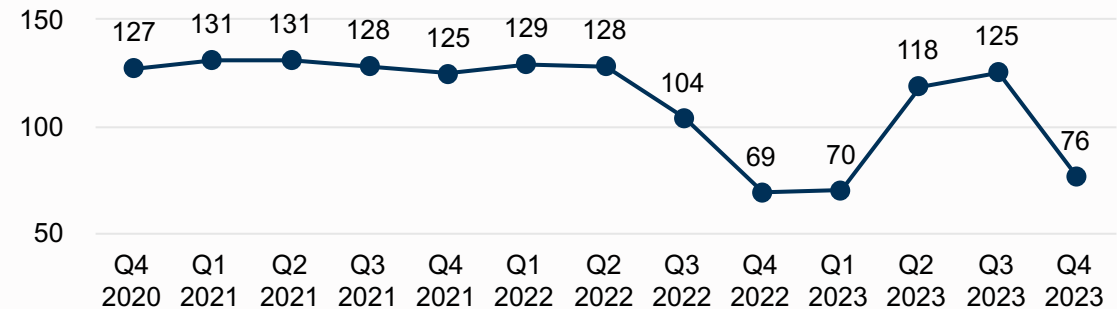


## BA Ferrochrome

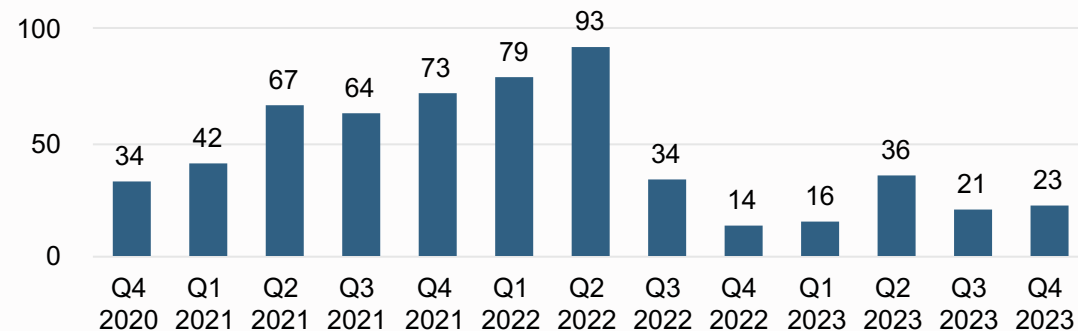
Weaker market conditions and higher maintenance work resulted in lower profitability in 2023

- Ferrochrome market weakened in the second half of the year, resulting in increased inventories
- Major maintenance break completed successfully in Q4/23
- One of the three ferrochrome furnaces was temporarily closed in January 2024 to meet with lower demand
- One third of Kemi mine carbon neutrality target achieved

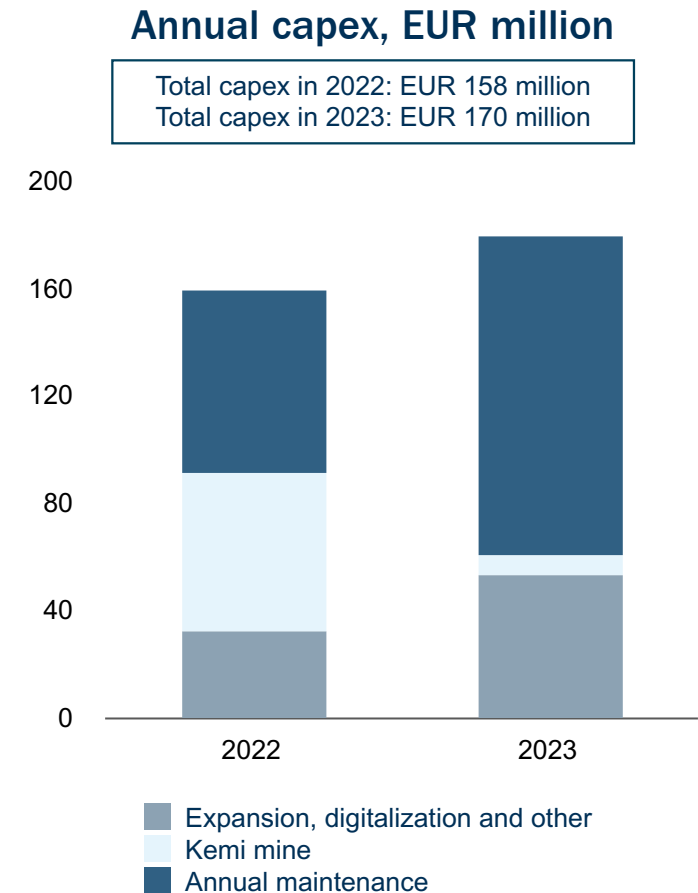
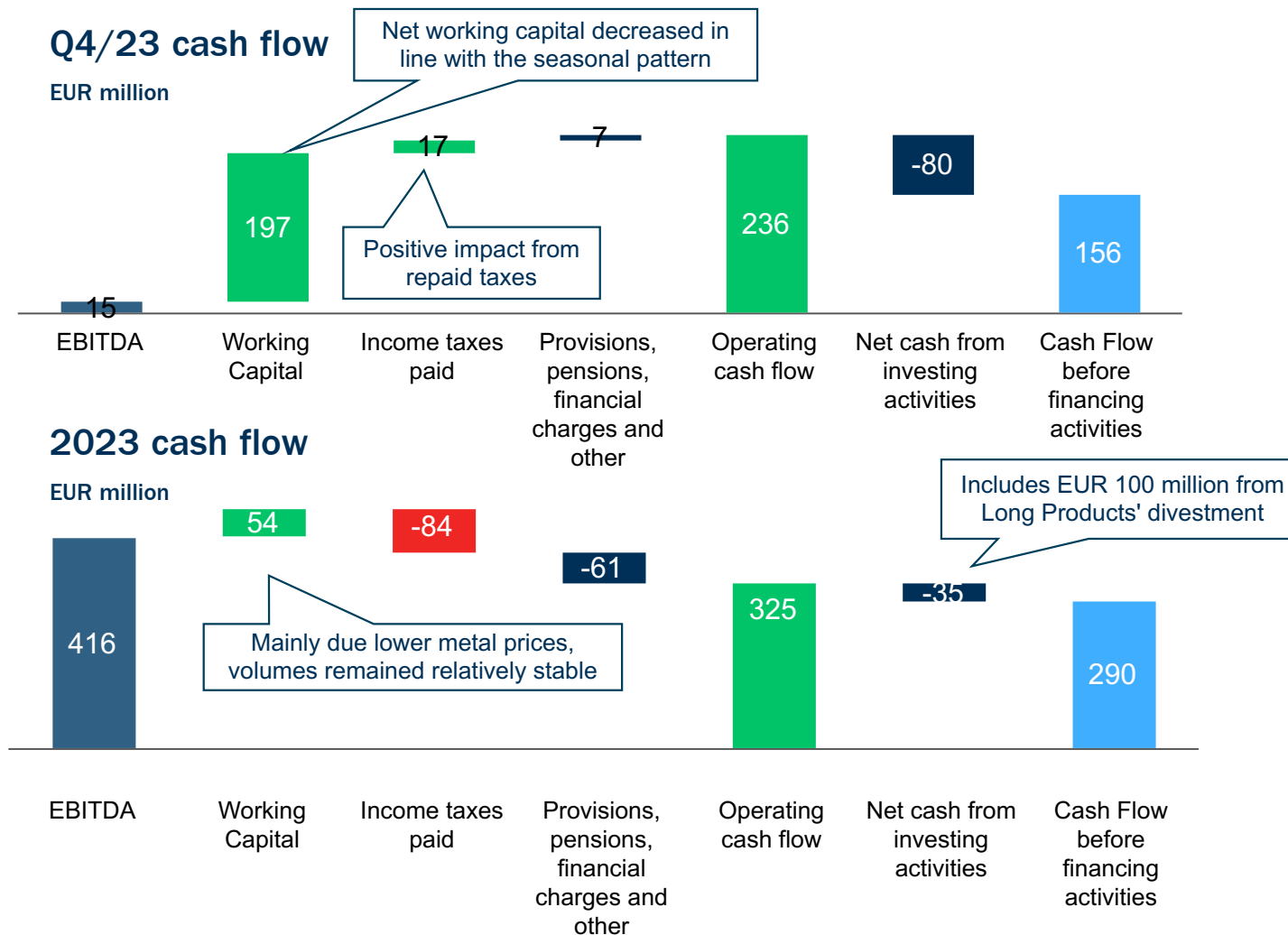
Ferrochrome production, 1,000 tonnes



Ferrochrome's adjusted EBITDA, EUR million



# Capex discipline continued throughout the year, efficient net working capital management and solid cash flow resulted in a negative net debt





**With our strong financial position, we are preparing for the next upturn**

Heikki Malinen, President & CEO



# Risk and opportunity outlook

## Positives

- Peak rates in U.S., China and Europe
- Macrocycle will start to improve in 2024
- Global trade should accelerate in 2024
- Inventories in the whole supply chain are low
- Structural advantage in electricity prices in the Nordics

## Uncertainties

- Situation at Red Sea
- Speed and magnitude of U.S. rate cuts
- China stimulus measures
- CBAM benefits





## Outlook for Q1 2024

Group stainless steel deliveries in the first quarter are expected to increase by 5–15% compared to the fourth quarter.

Market environment started to weaken at the end of the fourth quarter for business area Americas, and in Europe, a slow recovery is expected to continue. Also, scrap market has recently tightened.

Ferrochrome production is running at 80% of its full capacity as one of the three ferrochrome furnaces and one of the two sintering plants were closed in January 2024 due to weak ferrochrome market conditions.

Maintenance costs in the first quarter are expected to decrease by approximately EUR 20 million compared to the fourth quarter.

With current raw material prices, some raw material related inventory and metal derivative losses are expected to be realized in the first quarter

### **Guidance for Q1 2024:**

Adjusted EBITDA in the first quarter of 2024 is expected to be at a similar level compared to the fourth quarter.





# Thank you! Questions & answers



Our ambition in sustainability has been globally recognized

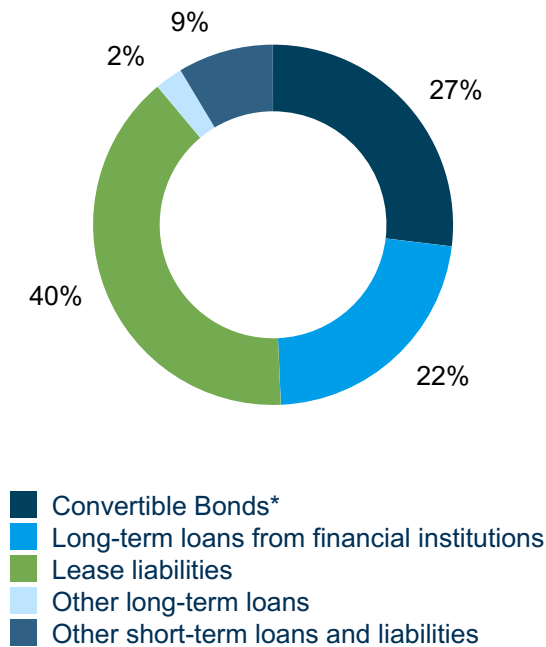
**S&P Global**

**Sustainability  
Yearbook Member**  
S&P Global ESG Score 2022



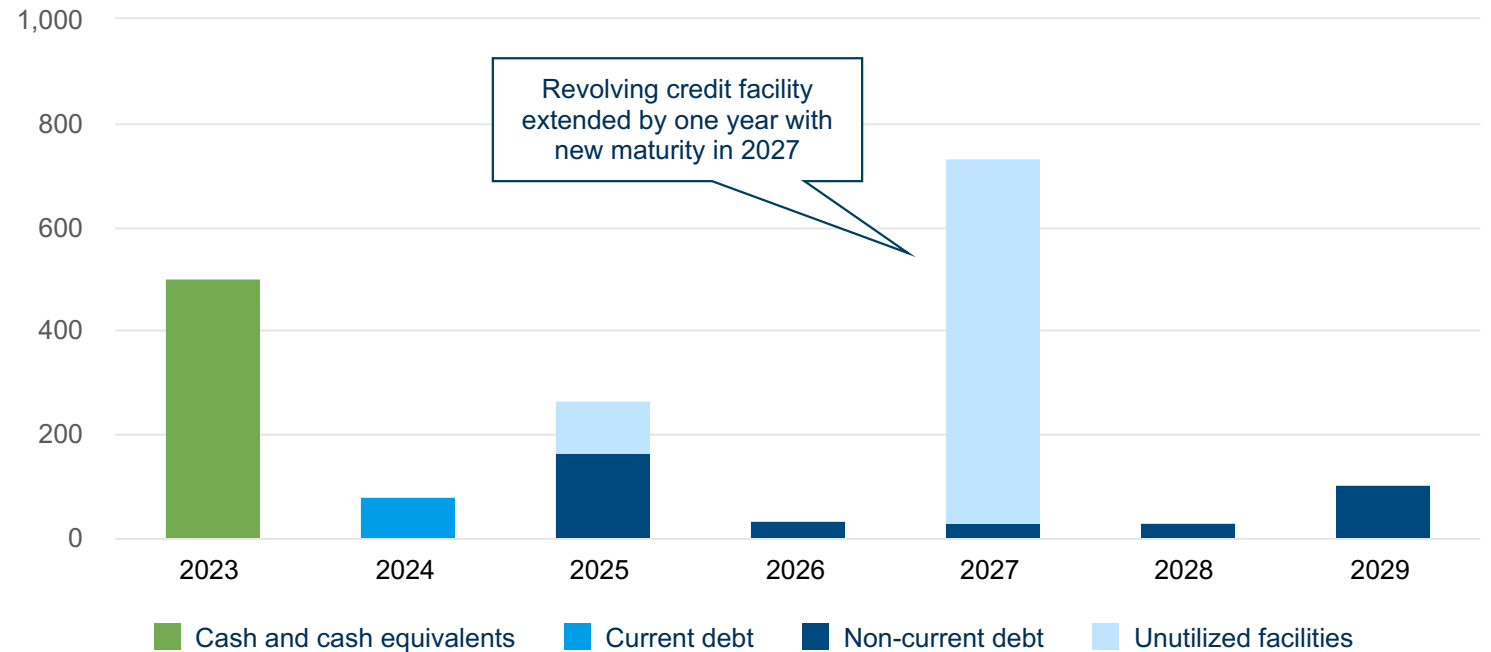
# Strong liquidity position and limited debt maturities in the following years

Debt structure at the end of 2023



\*Part of the Convertible Bonds reported as equity

Debt maturity profile at the end of 2023, EUR million

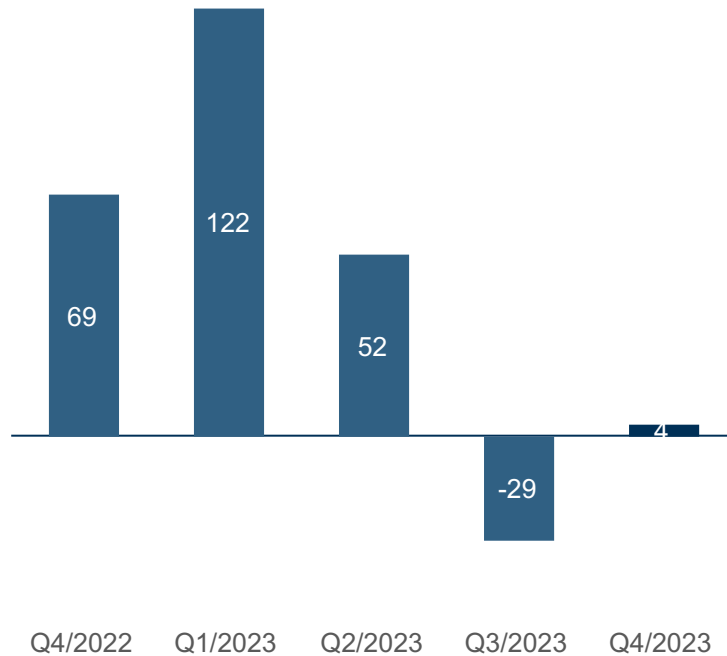


Total liquidity reserves decreased from €1.4 billion to €1.3 billion in 2023

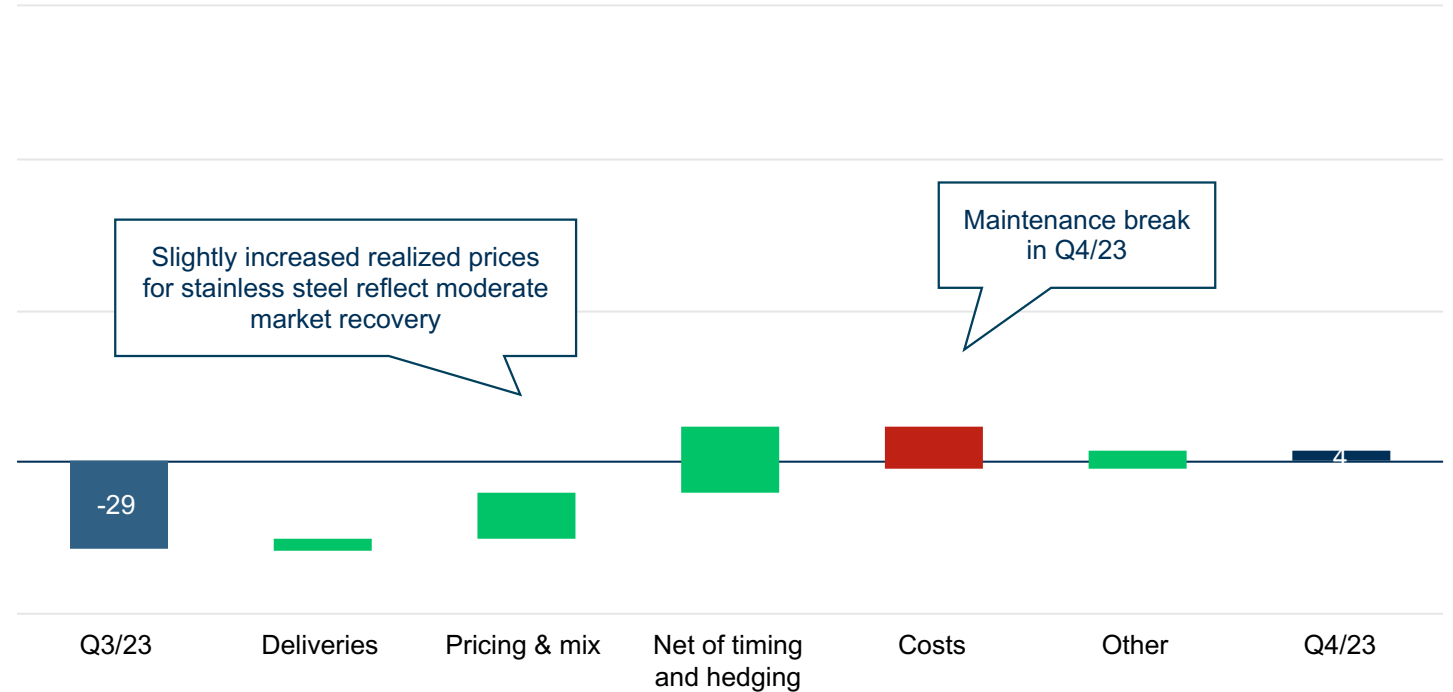
Revolving credit facility extended by one year with new maturity in 2027

# BA Europe's adjusted EBITDA was EUR 4 million in Q4

Adjusted EBITDA, EUR million



Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million

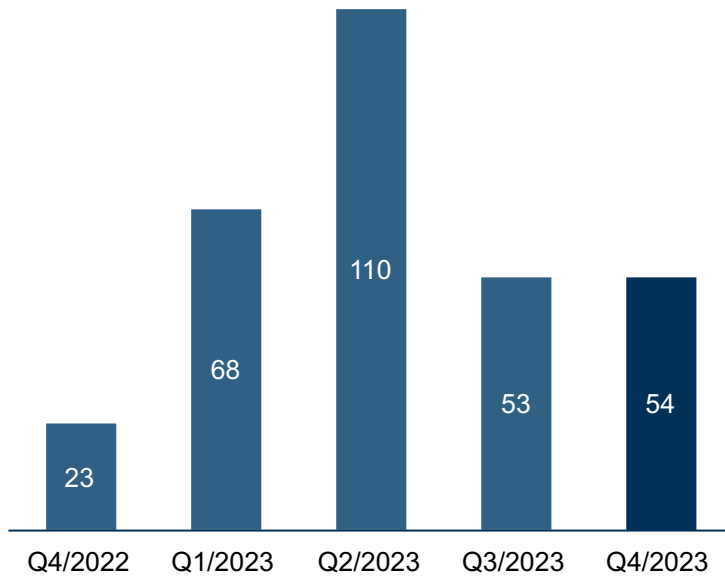


1) Indicative columns based on management estimates

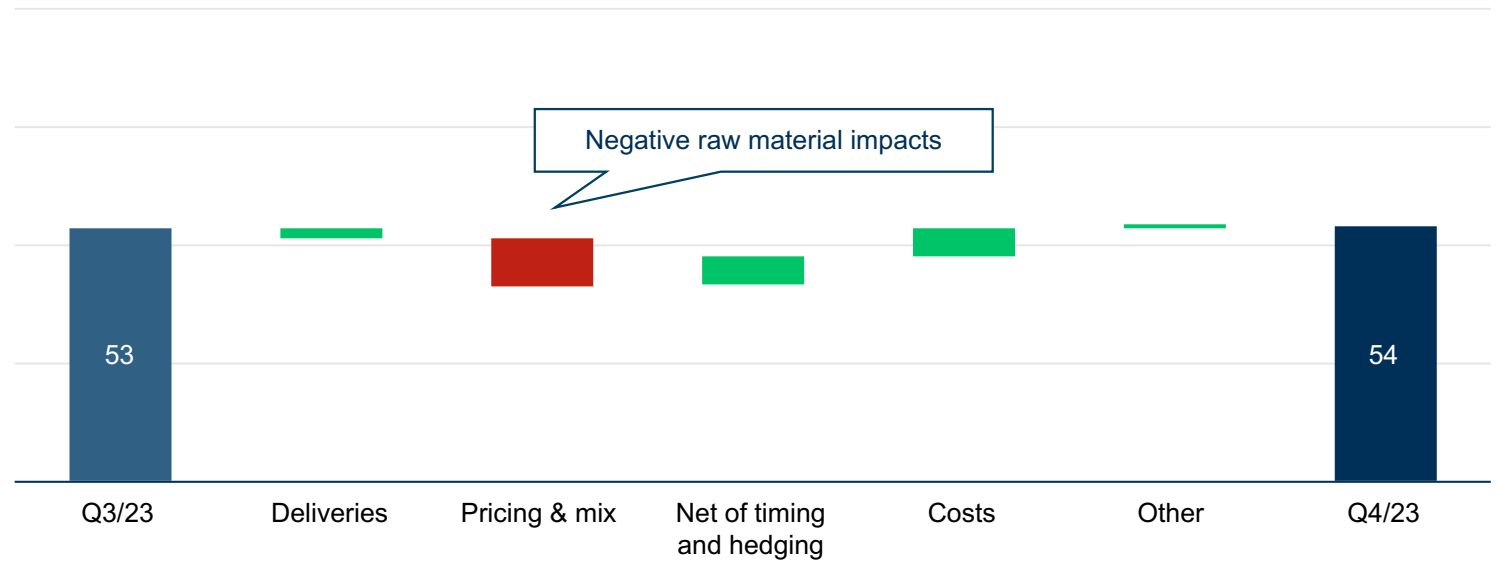


# BA Americas' adjusted EBITDA was EUR 54 million in Q4

Adjusted EBITDA, EUR million



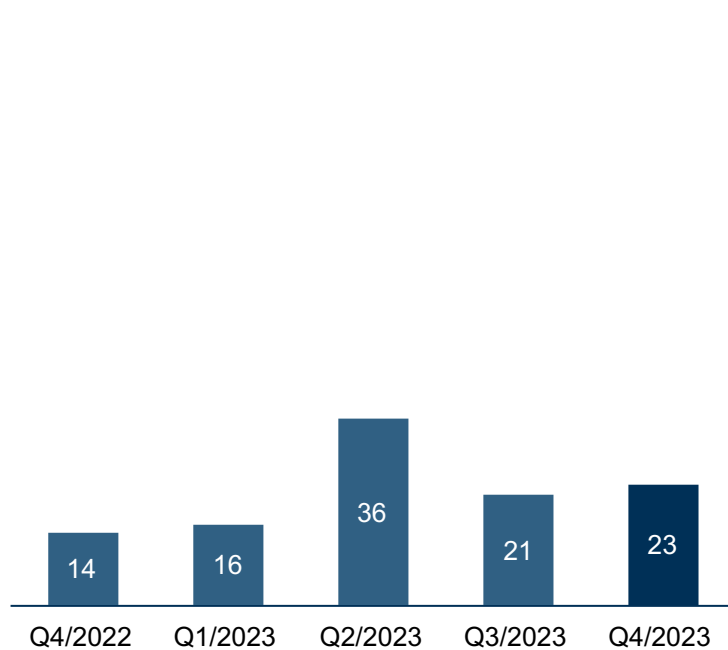
Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



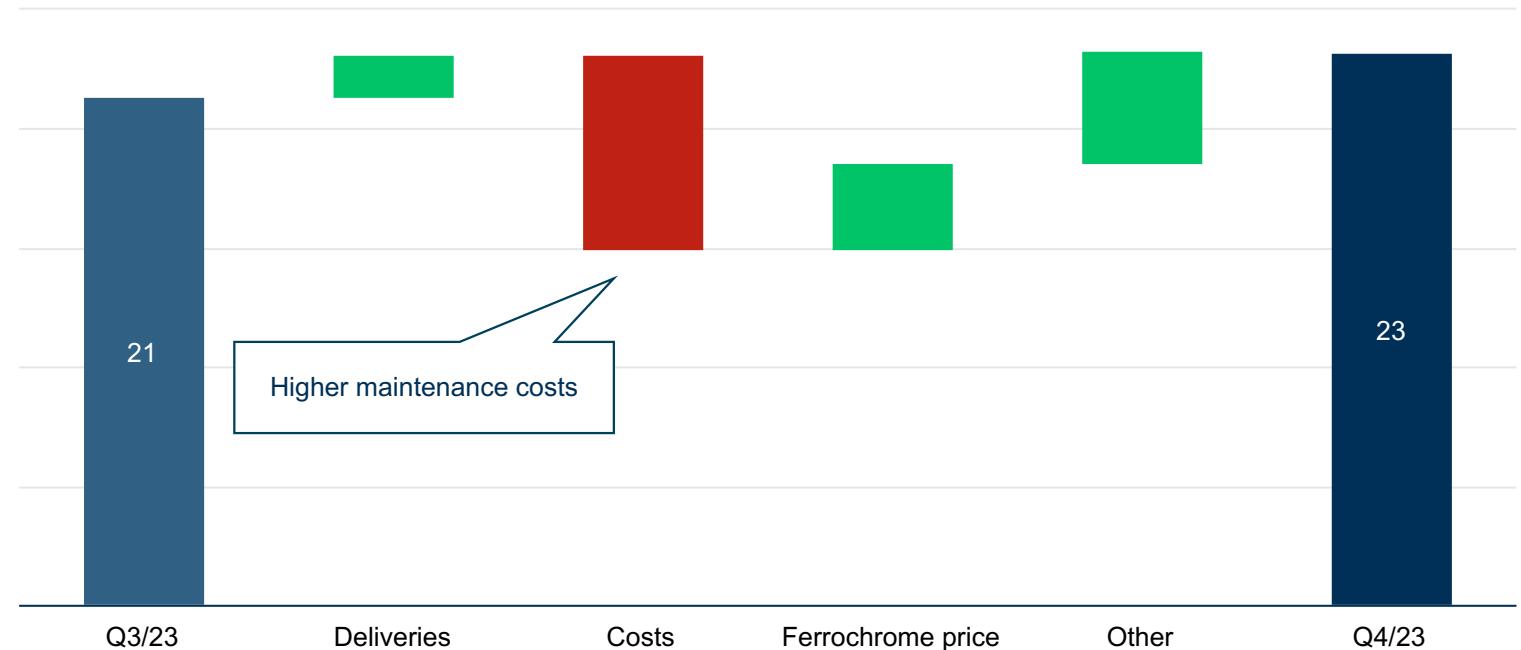
1) Indicative columns based on management estimates

# BA Ferrochrome's adjusted EBITDA was EUR 23 million in Q4

Adjusted EBITDA, EUR million



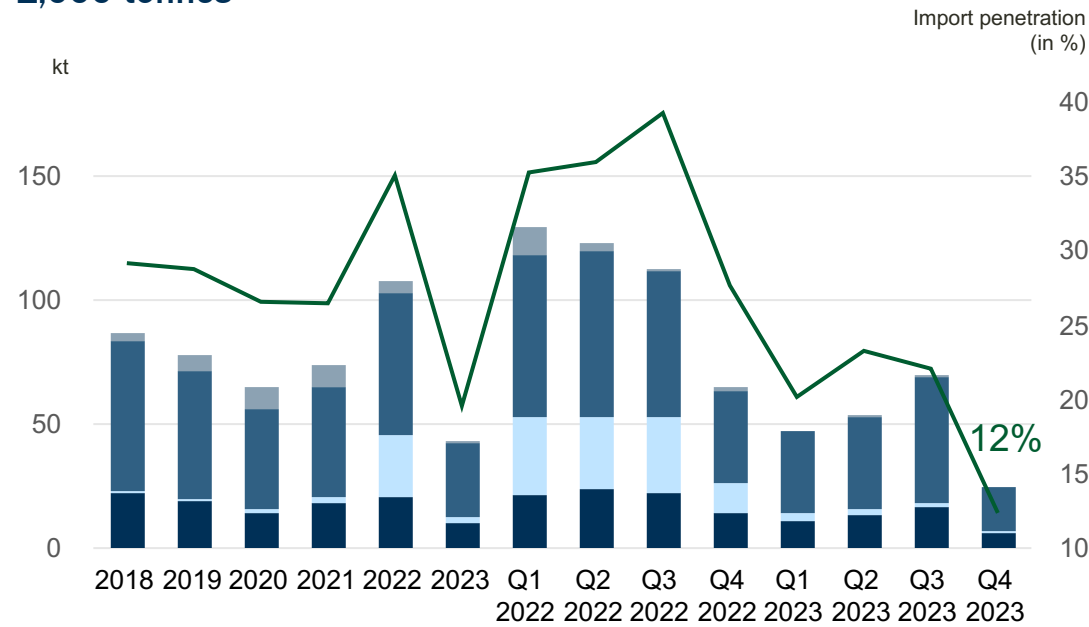
Adjusted EBITDA quarter-on-quarter comparison<sup>1</sup>, EUR million



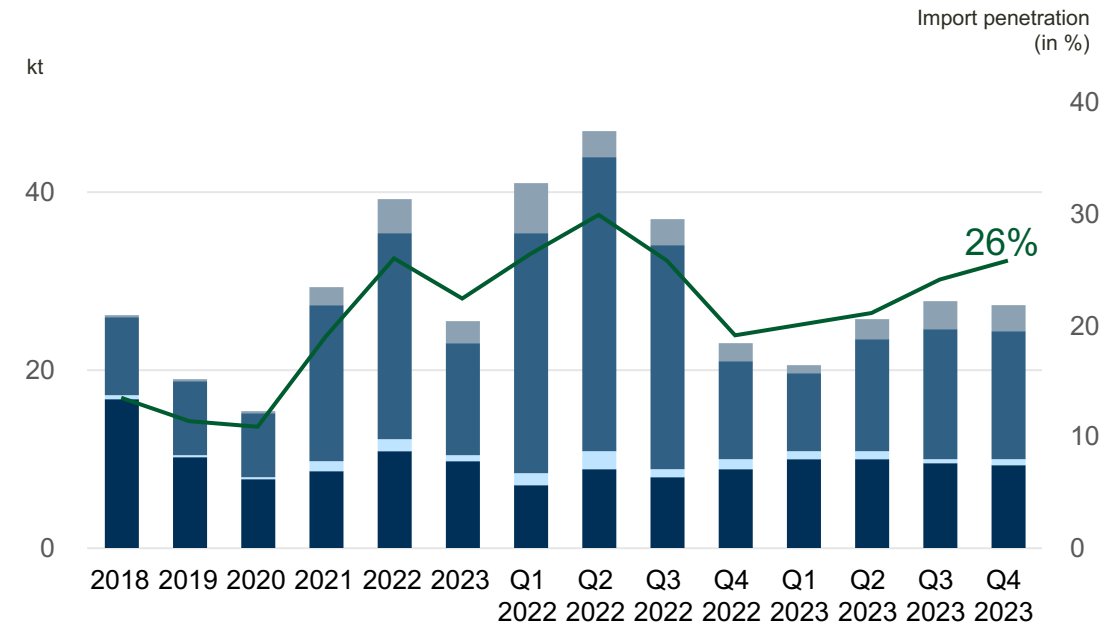
1) Indicative columns based on management estimates

# In 2023, imports into Europe and the U.S. decreased from 2022

Third-country cold rolled imports<sup>1</sup> into Europe, 1,000 tonnes



Third-country cold rolled imports<sup>2</sup> into the US, 1,000 tonnes



- From rest of world
- From rest of Asia
- From Indonesia
- From China
- Import penetration

- From rest of world
- From rest of Asia
- From Indonesia
- From China
- Import penetration

1. Cold rolled, monthly average. Source: Eurofer, January 2024  
 2. Cold rolled, monthly average. Source: AISI, January 2024