

# Outokumpu Oyj Annual General Meeting 2019

March 27, 2019

# Opening of the Annual General Meeting Item 1 on the agenda

Kari Jordan,  
Chairman of the Board of Directors

# Calling the Meeting to order

## Item 2 on the agenda

**Election of persons to  
scrutinize the minutes and  
to supervise the counting of votes**  
**Item 3 on the agenda**



**Recording the legality  
of the meeting**  
**Item 4 on the agenda**

# Notice to the AGM 2019

- Notice published as a stock exchange release on February 7, 2019
- Notice published on Outokumpu's website from February 7, 2019

**Recording the attendance at  
the meeting and adoption of  
the list of votes**

**Item 5 on the agenda**

**Presentation of the annual accounts,  
the review of the Board of Directors  
and the auditor's report  
for the year 2018**

**Item 6 on the agenda**



# Presentation of the annual accounts, the review of the Board of Directors and the auditor's report for the year 2018

- Review by the Chief Executive Officer, Roeland Baan
- Presentation of the auditor's report, Janne Rajalahti, Authorised Public Accountant (KHT), PricewaterhouseCoopers Oy

**Review by  
CEO Roeland Baan**

## OUR VISION

Best value creator  
in stainless steel  
by 2020 through  
customer orientation  
and efficiency

Adjusted  
EBITDA of **€750**  
million

ROCE of **12%**

Gearing of **<35%**

# We have delivered on all targets we set in 2016...

^ 70%

**SAFETY**

reduction on incidents since 2015

^ 2

**ORGANIZATION HEALTH**

quartiles since 2016

^ 30%

**CUSTOMER SATISFACTION**

Net Promoter Score since 2015

∨ €400m

**NET DEBT**

since 2015

∨ 30%

**SG&A COSTS**

since 2015

€1.3bn

**ADJUSTED EBITDA**

last 10 quarters cumulative

...and are progressing well towards  
our 2020 EBITDA target

€165

million  
in 2015



€485

million  
in 2018



€750

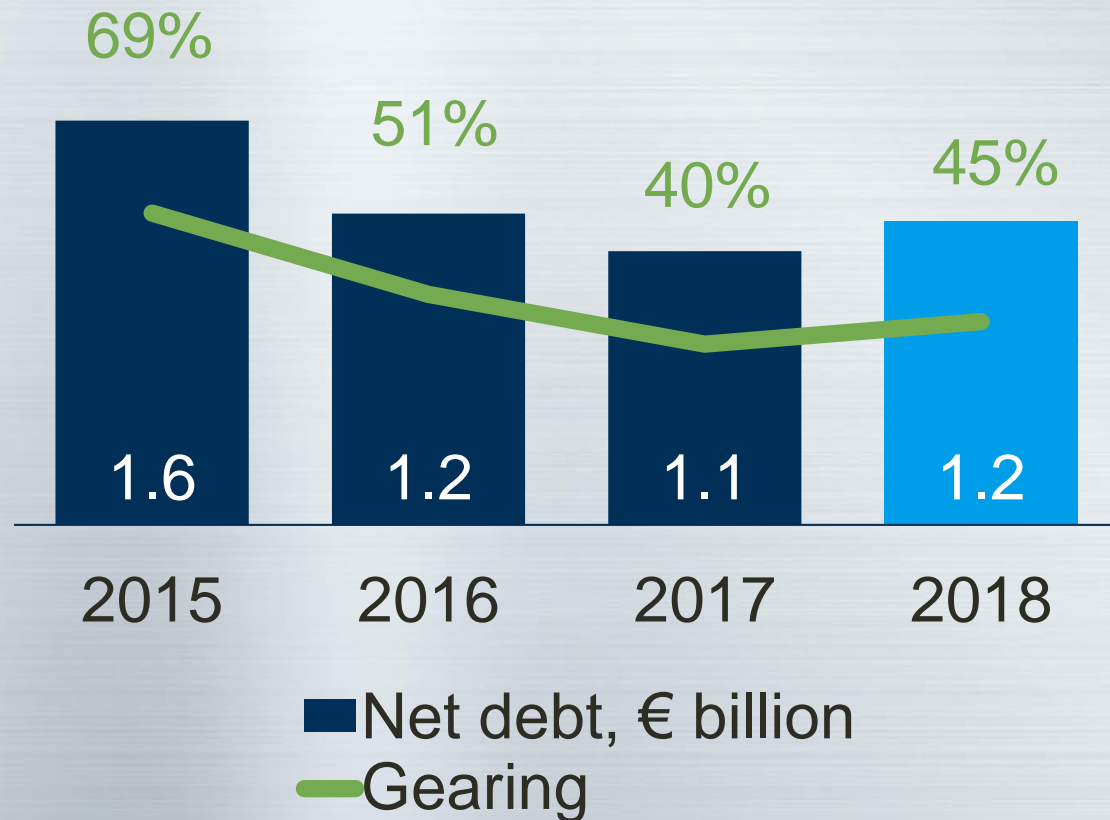
million  
in 2020

## Key figures

	2018	2017
Stainless steel deliveries, 1,000 tonnes	2,428	2,448
Sales, EUR million	6,872	6,363
Adjusted EBITDA, EUR million	485	631
Net result, EUR million	130	392
Earnings per share, EUR	0.32	0.95
Operating cash flow, EUR million	214	328
Net debt, EUR million	1,241	1,091

# We continue to strengthen our balance sheet

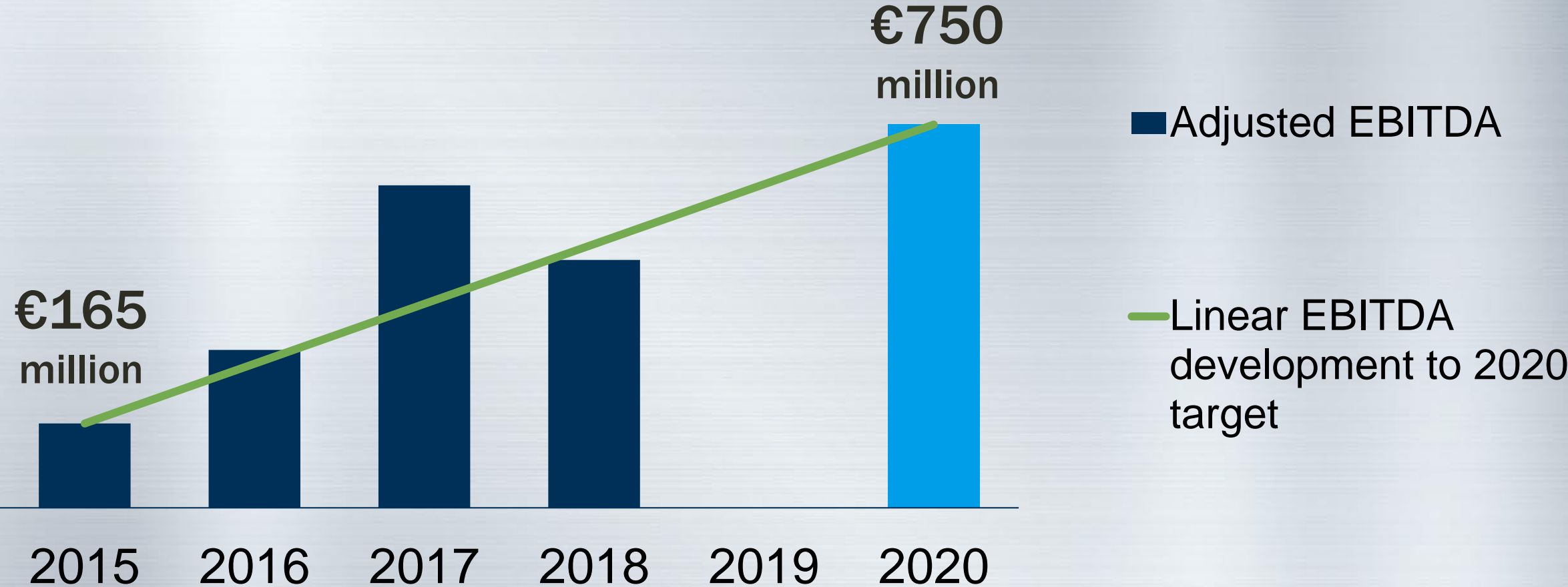
## Net debt and gearing



## Net debt / adjusted EBITDA



# Market volatility is visible in our earnings





# Changes in main assumptions created significant headwind in 2018

## Headwinds

Graphite  
electrode prices

**10**  
times higher

Truck freight  
prices in the US

**15%**  
higher

Ferrosilicon prices

**30%**  
higher

Europe base price

**€153**  
/tonne lower

## Tailwinds

Ferrochrome  
price

**\$0.24**  
/lb higher

US base price

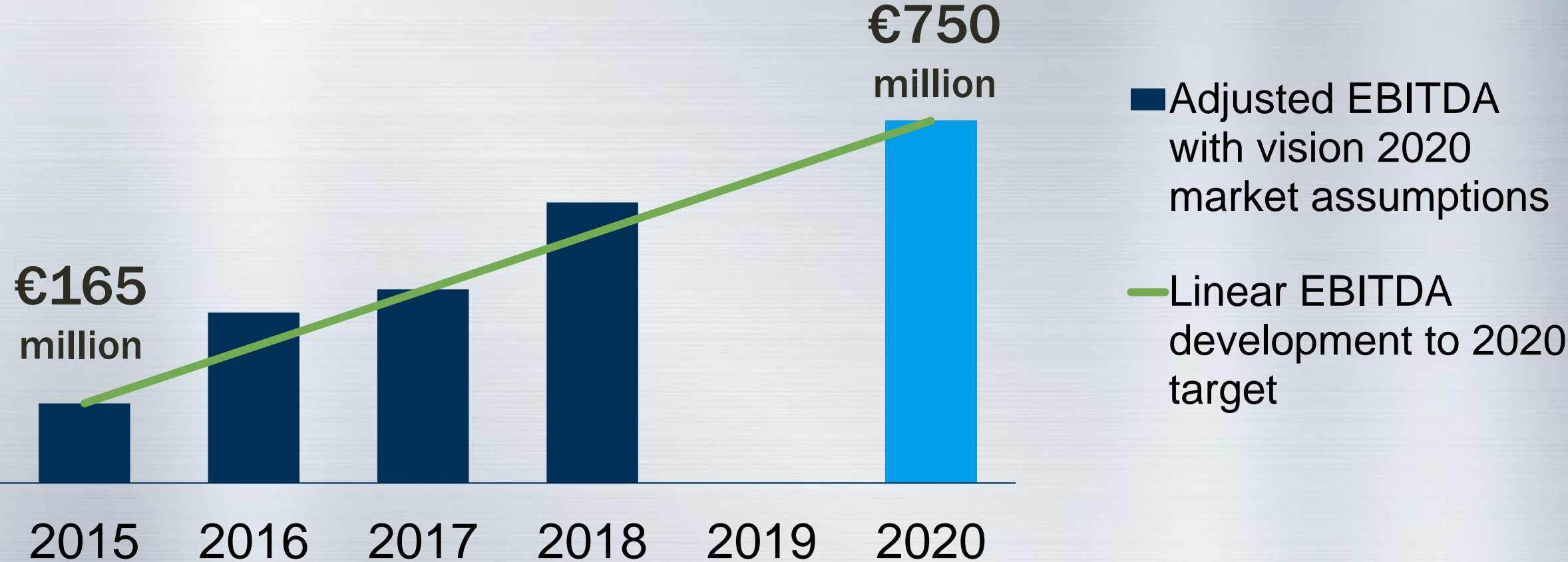
**\$116**  
/tonne higher

Over

**€100**

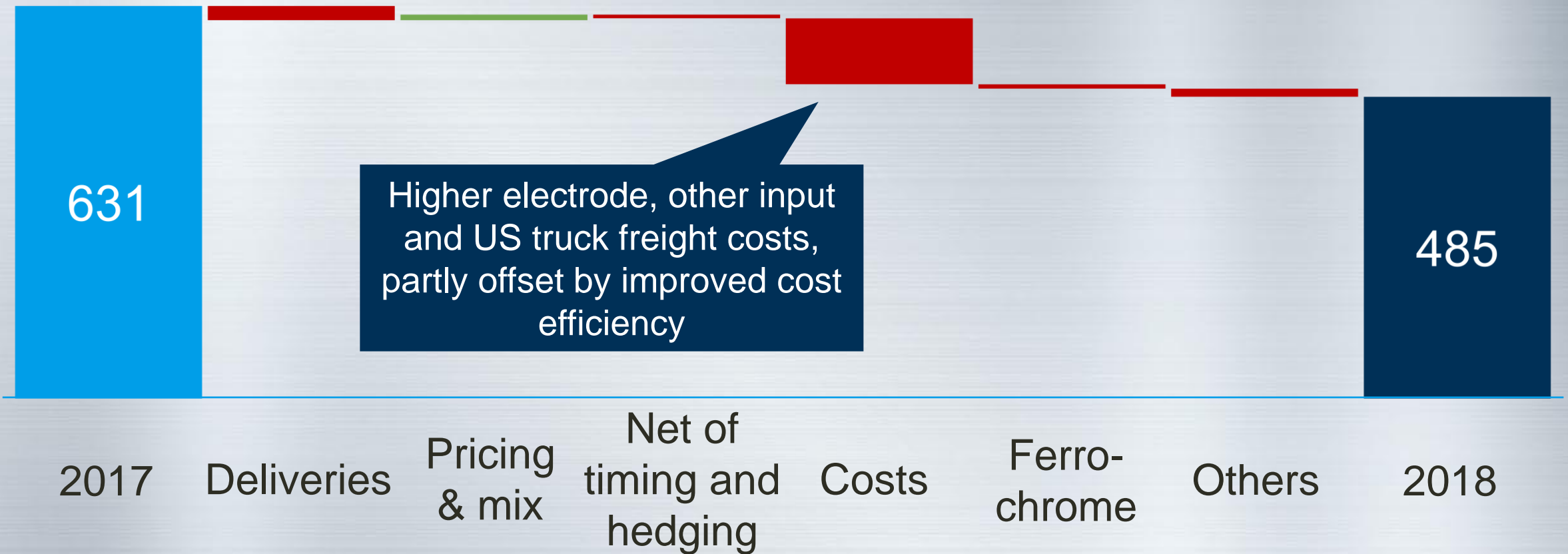
million  
net market  
headwind in 2018

# Underlying progress is very clear



# 2018 results were overshadowed by exceptional market environment

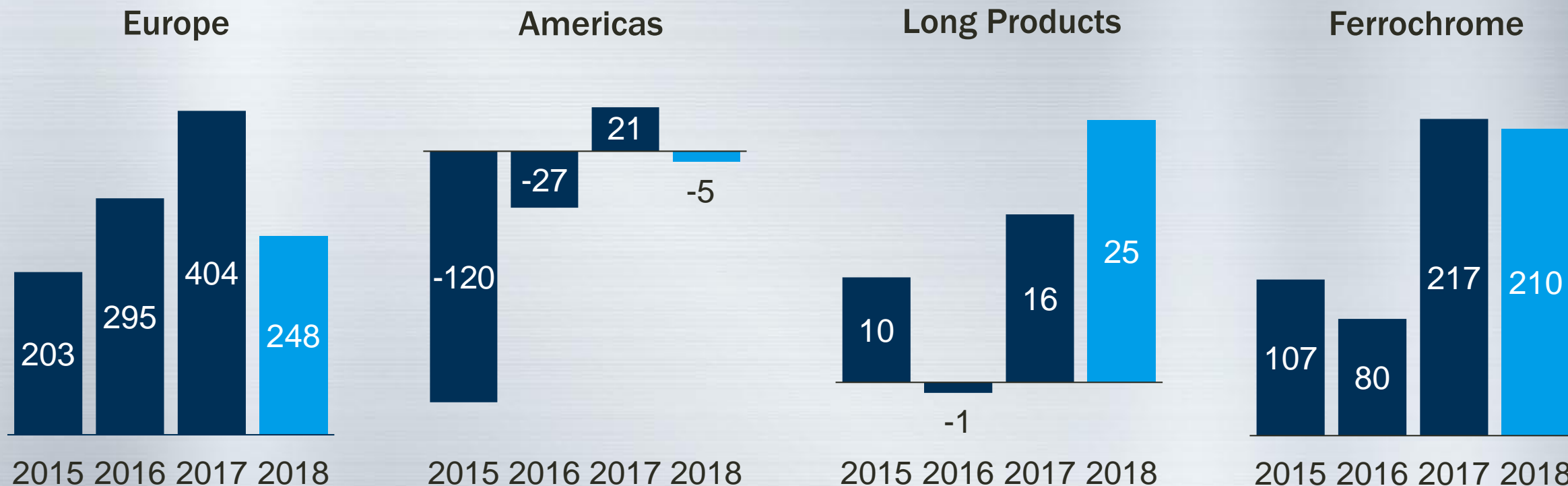
Adjusted EBITDA year-on-year comparison<sup>1</sup>, EUR million



1) Indicative columns based on management estimates

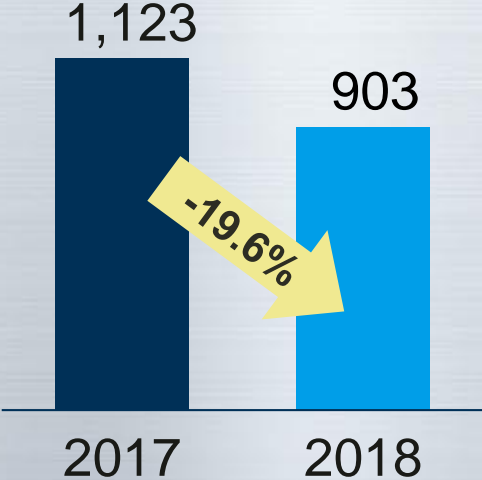
# Individual business areas affected differently by various market elements

Adjusted EBITDA, € million

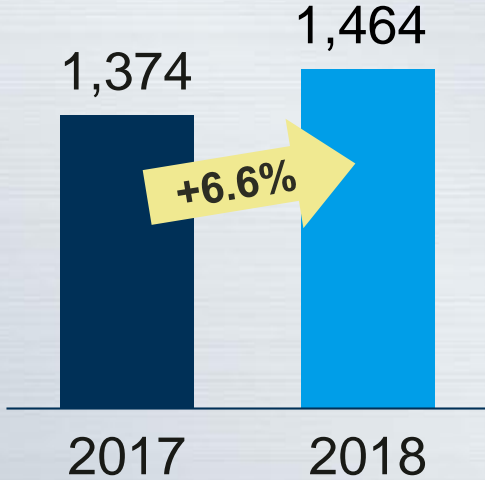


# Base prices reached historical lows in Europe

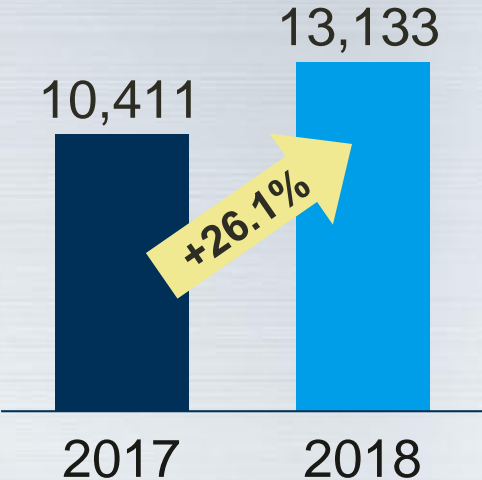
European average base price, EUR/tonne



US average base price, USD/tonne



Nickel price, USD/tonne



Ferrochrome price, USD/lb



# We expect markets to stabilize...

Input cost levels are remaining relatively high



Safeguards are expected to restore market balance in Europe



Ferrochrome market is becoming tighter



...and keep our 2020 financial targets unchanged

Adjusted EBITDA

€750

million

ROCE

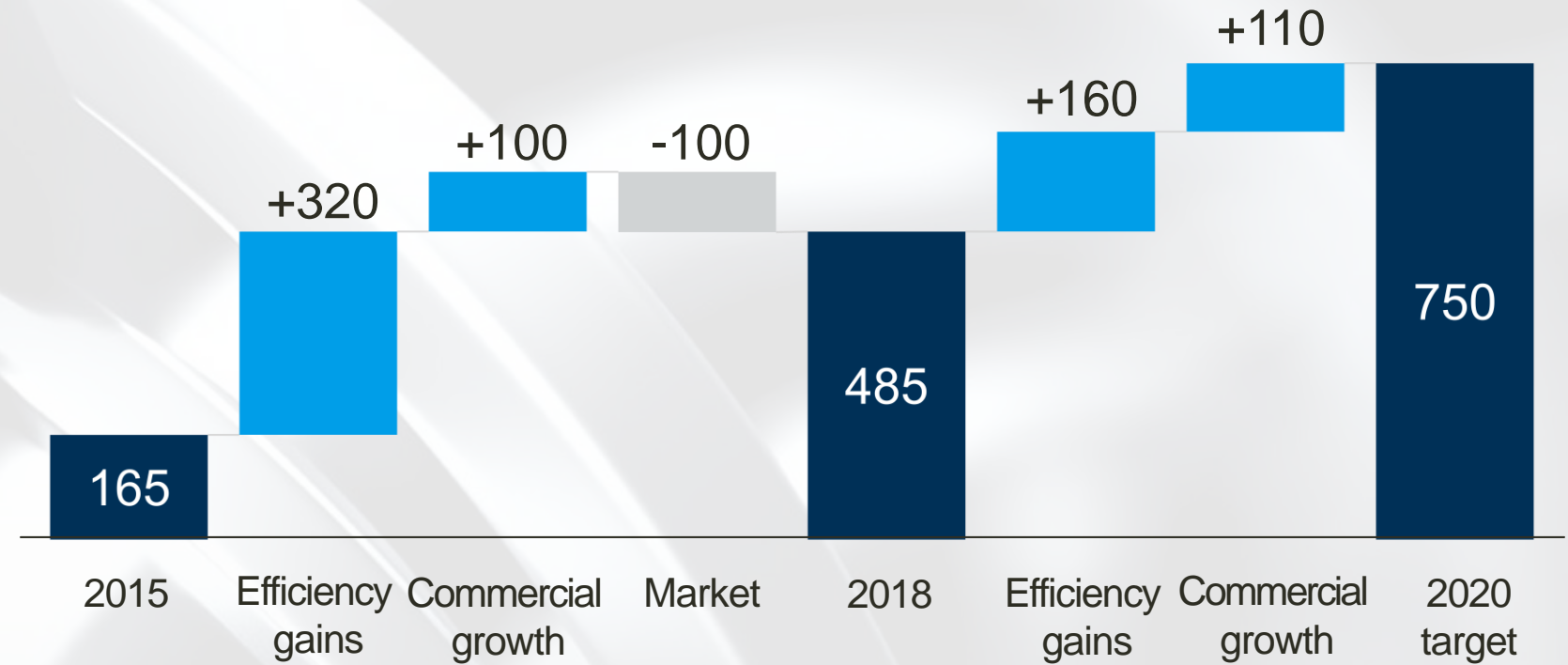
12%

Gearing

<35%

Our path to  
deliver an  
adjusted  
EBITDA of  
**€750**  
million in 2020

Adjusted EBITDA, € million



Approximate figures, based on management estimates



# The world needs long lasting and sustainable solutions

**Economic  
and population  
growth**



**Mobility  
and  
urbanization**



**Climate  
change and  
limited  
resources**



**Sustainable  
solutions**



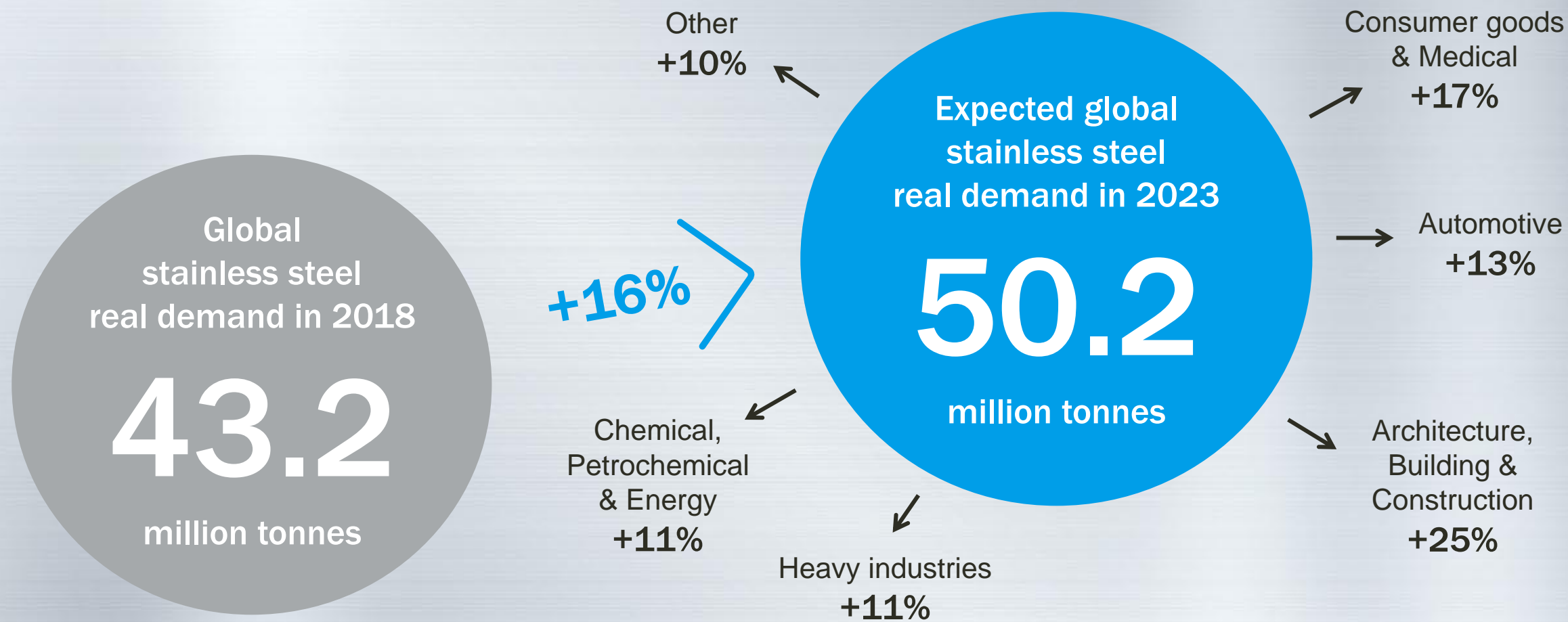
# We are operating in a growing industry...

- Global cost pressure persists
- Intensifying competition from low-cost producers
- Volatility increasing due to heightened political risks



- Rising middle-class
- Infrastructure investments
- Industrial production growth
- Climate change driving need for sustainable solutions

# ...and this growth is supporting stainless steel demand



Source: SMR, February 2019

# Our competitive advantages will secure our long-term growth

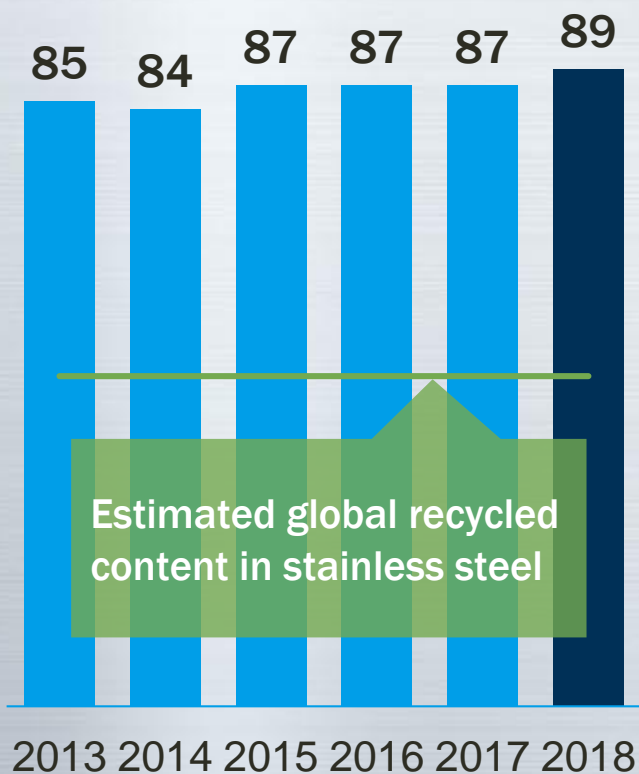
**Sustainable  
solutions**

**Digitalization**

**Customer  
satisfaction**

# We are the world leader in sustainable steel production...

Recycled content, %



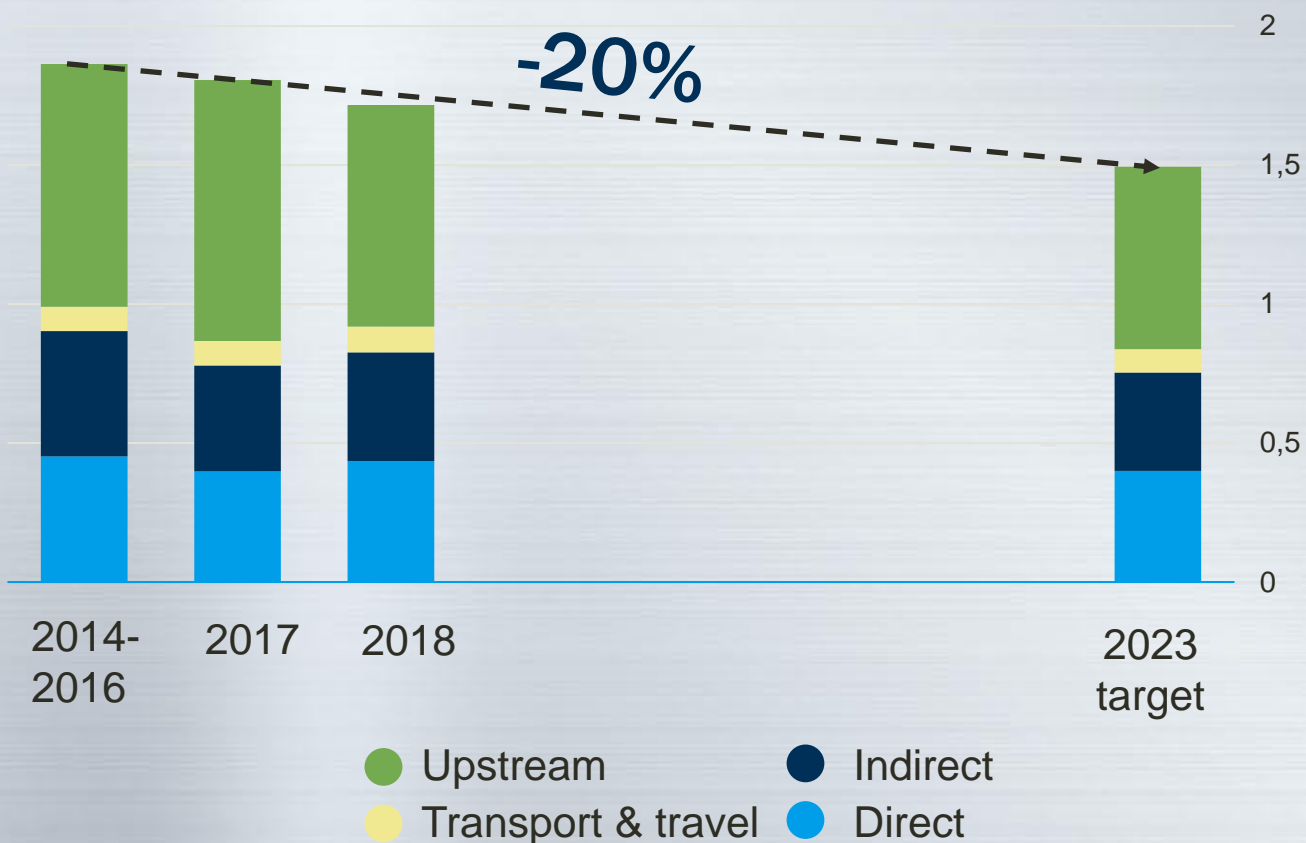
Our ferrochrome operations' CO<sub>2</sub> footprint is only

**42%**

of industry average

# ...and have ambitious targets to improve further

CO<sub>2</sub> emissions intensity, tonnes per stainless steel



Windmills in Tornio



# We are leading in the the digitalization of stainless industry

AI and  
robotics

Digital  
processes  
and services

Safety and  
cybersecurity

Electric  
vehicles and  
other new  
applications

# Tornio to become most digitized and cost-competitive stainless steel mill by the end of 2020

100,000  
tonnes more  
capacity

Higher  
efficiency  
and  
reliability

Improved quality

Lower  
inventories  
and  
shorter  
lead times



# We are the best value creator to our customers and we are aiming higher

Percentage of absolutely or very satisfied customers\*

Outokumpu

63%

Competitors

58%

\* Outokumpu customer satisfaction survey 2018

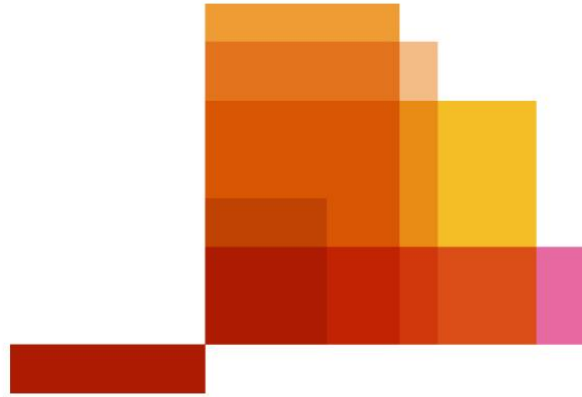
**We are on track to achieve our vision to be the best value creator in stainless steel by 2020 through customer orientation and efficiency**

**Our progress in 2018 was overshadowed by exceptional market environment**

**Our competitive advantages will secure our long-term market position**

# Presentation of the annual accounts, the review of the Board of Directors and the auditor's report for the year 2018

- Review by the Chief Executive Officer, Roeland Baan
- Presentation of the auditor's report, Janne Rajalahti, Authorised Public Accountant (KHT), PricewaterhouseCoopers Oy



**pwc**

**Auditor's Report 2018**  
Annual General Meeting of  
Outokumpu Oyj

PricewaterhouseCoopers Oy  
Authorised Public Accountants

**Janne Rajalahti**  
Partner, Global Lead Partner



## What we have audited

- Group financial statements
- Parent company financial statements

## Group financial statements audit scope

- 9 group companies in 7 countries, globally approx. 75 PwC's specialists participated in the audit
- Covers the great majority of the Group's turnover, assets and liabilities

## Key Audit Matters

- Valuation of goodwill
- Valuation of Property, Plant and Equipment
- Valuation of inventories
- System environment and internal controls
- Valuation of subsidiary shares in the parent company's financial statements

# Annual General Meeting of Outokumpu Oyj



## Opinion - In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

## Other statements based on the decision by the Annual General Meeting

- The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act
- We support that the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

# Adoption of the annual accounts

## Item 7 on the agenda

**Resolution on the use of the profit  
shown on the balance sheet and  
the payment of dividend  
Item 8 on the agenda**



# Proposal by the Board of Directors for a dividend

- The Board proposes a dividend of EUR 0.15 per share based on the balance sheet adopted for the account period ending December 31, 2018
- The dividend will be paid to shareholders registered in the shareholders' register held by Euroclear Finland Oy on the dividend record date of March 29, 2019
- The Board proposes that the dividend will be paid on April 5, 2019

**Resolution on the discharge of the  
members of the Board of Directors  
and the CEO from liability**  
**Item 9 on the agenda**

# Resolution on the discharge of the members of the Board of Directors and the CEO from liability

- Board of Directors
  - Kari Jordan, Chairman of the Board from March 22, 2018
  - Jorma Ollila, Chairman of the Board until March 22, 2018
  - Olli Vaartimo, Vice Chairman of the Board
  - Markus Akermann, Board member until March 22, 2018
  - Roberto Gualdoni, Board member until March 22, 2018
  - Kati ter Horst, Board member
  - Heikki Malinen, Board member
  - Eeva Sipilä, Board member
  - Pierre Vareille, Board member from March 22, 2018
- Chief Executive Officer
  - Roeland Baan

# Review by the Chairman of the Board on the remuneration policy of the Company

## Item 10 on the agenda

Kari Jordan,  
Chairman of the Board of Directors

# The key principles of Outokumpu's remuneration philosophy

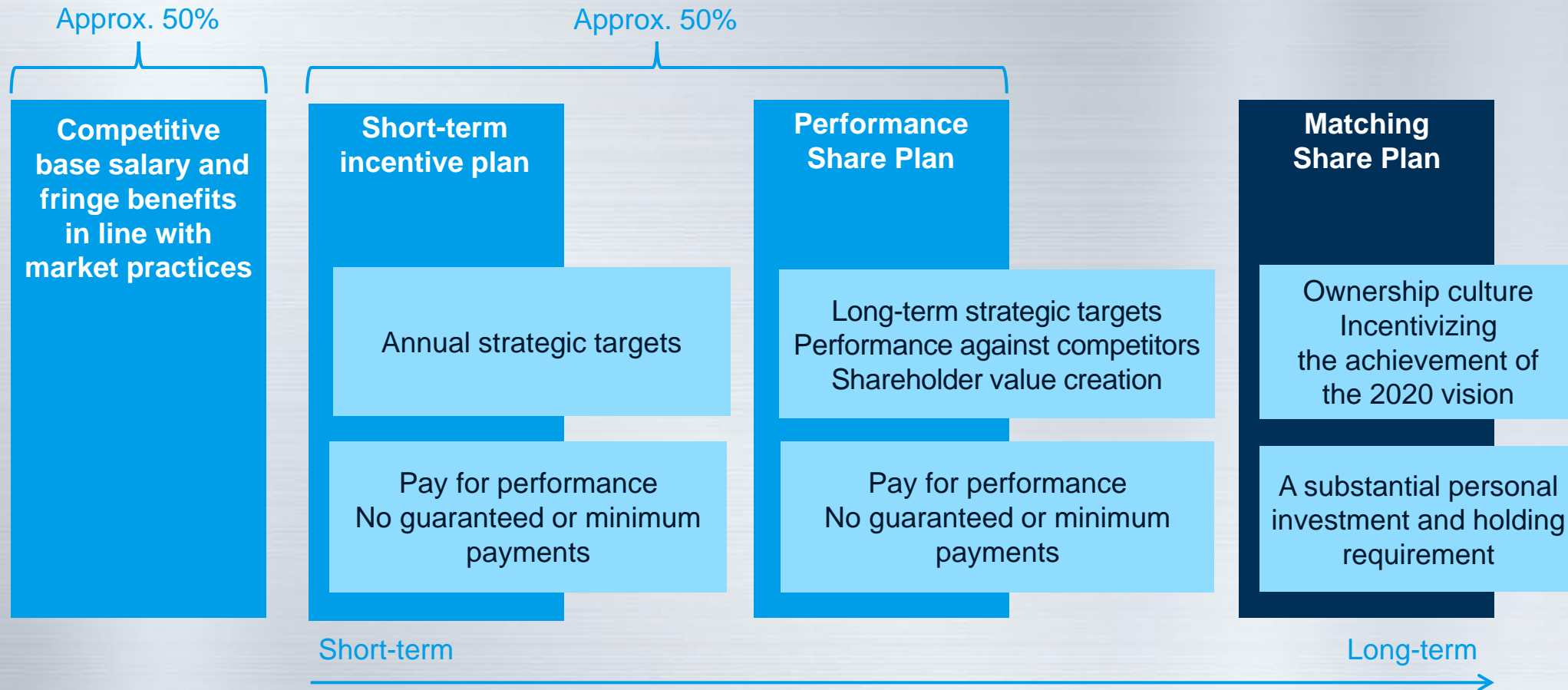
Shareholder value

Competitive  
compensation

Incentives  
in line with  
the business  
strategy

Pay for  
performance

# The components of management compensation



# Focus of the 2019 incentive plans

## Short-term incentive:

- Targets: safety, profitability and costs
- If profitability level is not reached, no short term incentives are paid
- For the CEO, the targets are profitability and key development projects

## Performance Share Plan:

- Focus on return on capital employed compared to competitors



# Compensation paid to the CEO in 2018

Component	Amount paid, EUR	Note
Base salary and benefits	1,075,835	Base salary of EUR 997,504 + taxable benefits including housing, car, phone, health and life insurance, compensation for schooling costs in Finland
Short-term incentive 2017	700,997	Short-term incentive based on targets set for 2017: Safety, EBITDA and Costs (payment in March 2018) Target level exceeded
Share-based incentives	929,081	3rd reward tranche from Matching Share plan, gross value of the reward shares and taxes
<b>Total paid in 2018</b>	<b>2,705,913</b>	Total paid in 2017 was EUR 4,104,317
Short-term incentive 2018	347,782	Targets set for 2018: Safety, EBITDA and delivery reliability (payment in March 2019) Targets partially achieved



# Resolution on the remuneration of the members of the Board of Directors

## Item 11 on the agenda

The Chairman of the Nomination Board  
Antti Mäkinen introduces the work of the  
Nomination Board and presents the proposals by  
the Nomination Board for the items 11, 12 and 13  
on the agenda

# Shareholders' Nomination Board in 2018

- Antti Mäkinen, Managing Director, Solidium Oy
- Pekka Pajamo, CFO, Varma Mutual Pension Insurance Company
- Jouko Pölönen, President and CEO, Ilmarinen Mutual Pension Insurance Company
- Tuula Korhonen, Investment Manager, Social Insurance Institution of Finland
  
- Antti Mäkinen has acted as Chairman of the Nomination Board and Kari Jordan, Chairman of the Outokumpu Board of Directors, has served as an expert member
- The Nomination Board convened twice for a formal meeting, and the attendance rate was 100%

# Proposal by the Nomination Board for the remuneration of the Board of Directors

- The Shareholders' Nomination Board proposes that the annual remuneration and meetings fees of the Board of Directors would be kept at the same level as during the previous term:
  - Chairman EUR 160,000 annual fee
  - Vice Chairman and Chairman of the Board Audit Committee EUR 90,000 annual fee
  - Board members EUR 70,000 annual fee
- 40% of the annual remuneration would be paid in the Company's own shares using treasury shares or shares to be purchased from the market at a price formed in public trading and in accordance with the applicable insider regulations
- Meeting fee EUR 600 per meeting, also for the Board Committee meetings, and EUR 1,200 when travelling to a meeting held outside the Board member's country of residence

**Election of Chairman,  
Vice Chairman and the members  
of the Board of Directors**  
**Item 12 on the agenda**

# Changes to the number of Board members and the Board composition

The Nomination Board proposes:

- Seven (7) members to be elected
- Vesa-Pekka Takala and Julia Woodhouse to be elected as new members
- Olli Vaartimo has informed the Nomination Board that he is no longer available for re-election to the Board of Directors

# Proposed Board members



**Kari Jordan**

b. 1956, M.Sc. (Economy),  
Vuorineuvos (Finnish honorary title)

Outokumpu Board member 2018–  
Chairman of the Board 2018–  
Chairman of the Remuneration  
Committee



**Heikki Malinen**

b. 1962, M.Sc. (Econ.), MBA (Harvard)

Outokumpu Board member 2012–  
Member of the Remuneration  
Committee



**Kati ter Horst**

b. 1968, M.Sc. (Marketing),  
MBA (International Business)

Outokumpu Board member 2016–  
Member of the Audit Committee



**Eeva Sipilä**

b. 1973, M.Sc. (Econ.),  
CEFA (Svenska Handelshögskolan)

Outokumpu Board member 2017–  
Member of the Audit Committee



**Pierre Vareille**

b. 1957, M.Sc. (Ecole Centrale Paris),  
BA (Econ.) (Sorbonne University),  
Degree in Controlling and Finance  
(Institut de Contrôle de Gestion)

Outokumpu Board member 2018–  
Member of the Remuneration  
Committee

# Proposed new Board members



**Vesa-Pekka Takala**

b. 1966, Master of Science (Econ),  
Vaasa

## Work experience:

- Deputy Managing Director: Metsäliitto Cooperative 2017–
- Chief Financial Officer (CFO): Metsä Group 2010–
- Chief Financial Officer (CFO) and Substitute to CEO, Member of the Group Executive Committee: Outotec Oyj 2009–2010
- Chief Financial Officer (CFO), Member of the Group Executive Committee: Outotec Oyj 2006–2009
- Executive Vice President, Corporate Controller, Member of the Group Executive Committee: Outokumpu Oyj 2005–2006
- Senior Vice President, Corporate Controller: Outokumpu Oyj 2001–2005
- Vice President, Corporate Controller: Outokumpu Oyj 1998–2001

## Positions of trust:

- Board member, Metsä Tissue Oy 2018–
- Board member, Metsä Spring Oy 2018–
- Chairman of the Board: Metsä Group Treasury Oy 2013–
- Member of the Board, the Economy and Tax Committee: Finnish Forest Industries 2017–
- Member of the Delegation: the Helsinki School of Economics Foundation 2014–
- Member of the Board, the Economy and Tax Committee: Confederation of Finnish Industries EK 2013–2016



**Julia Woodhouse**

b. 1958, BA (hons) History,  
University of Southampton

## Work experience:

- Director, Global Chassis Purchasing: Ford Motor Company 2016–2018
- Director, Global Power Train Components Purchasing: Ford Motor Company 2012–2016
- Director, Ford of Europe Program Purchasing: Ford Motor Company 2005–2011
- Director, Implementation Team: Ford Motor Company 2004–2005
- Director, Team Value Management, Strategy & Business Development: Ford Motor Company 2002–2003

## Positions of trust:

- Member of the Strategic Advisory Board: Ford/Michelin 2016–2018
- Committee member: Ford Motor Company Global Purchasing, Personnel Development Committee 2016–2018
- Committee member: Ford Motor Company North America Purchasing, Diversity Committee 2012–2015
- Member: Ford/Ford Otosan Joint Venture Sourcing Governance Forum 2007–2011

# Proposal for the election of Chairman and Vice Chairman of the Board

- Mr. Kari Jordan to be elected as Chairman of the Board
- Mr. Heikki Malinen to be elected as Vice Chairman of the Board





**Revised Charter of  
the Shareholders'  
Nomination Board**  
**Item 13 on the agenda**

# Revised Charter of the Shareholders' Nomination Board

The Shareholders' Nomination Board proposes that its Charter would be revised. The proposed main changes are:

- The term of office of the members of the Shareholders' Nomination Board to be one full year instead of the current approximately six (6) months;
- The composition of the Shareholders' Nomination Board to be based on the ownership situation at the end of August, each year, instead of a month later; and
- When considering the composition of the Board of Directors, the Shareholders' Nomination Board would take into account the Company's Diversity Principles

In addition, the Shareholders' Nomination Board proposes some technical adjustments to the Charter



**Resolution on the remuneration  
of the auditor**  
**Item 14 on the agenda**

# Remuneration of the auditor

- The Board proposes on the recommendation of the Audit Committee that the elected auditor be reimbursed in accordance with the auditor's invoice approved by the Board of Directors



**Election of auditor**  
**Item 15 on the agenda**

# Election of auditor

- The Board proposes on the recommendation of the Audit Committee that accounting firm PricewaterhouseCoopers Oy be elected as the auditor for the term of office ending at the end of the next Annual General Meeting
- The auditor's assignment also includes giving the auditor's statement on the discharge of the members of the Board of Directors and the CEO from liability and on the proposal of the Board of Directors for distribution of profit

**Authorizing the Board of Directors  
to decide on the repurchase of  
the company's own shares**  
**Item 16 on the agenda**

# Authorizing the Board of Directors to decide on the repurchase of the company's own shares

- The Board of Directors proposes that the Board of Directors be authorized to resolve to repurchase a maximum of 40,000,000 of Outokumpu's own shares, currently representing approximately 9.6% of Outokumpu's total number of registered shares. The own shares may be repurchased pursuant to the authorization only by using unrestricted equity. The price payable for the shares shall be based on the price of the company's shares on the day of repurchase in public trading or otherwise at the price prevailing on the market
- The Board of Directors is authorized to decide how the own shares will be repurchased. The own shares may be repurchased in deviation from the proportional shareholdings of the shareholders (directed repurchase). Shares may also be acquired outside public trading. In connection with the acquisition of the company's shares, derivative, share lending, or other agreements that are normal within the framework of capital markets may take place in accordance with legislative and regulatory requirements. The aggregate number of Outokumpu's own shares held by the company and its subsidiaries may not, however, exceed 10% of the total number of registered shares. The authorization will be in force until the end of the next Annual General Meeting, however expiring at the latest on May 31, 2020
- At the time of the Annual General Meeting Outokumpu holds 5,148,433 own shares



**Authorizing the Board of Directors  
to decide on the issuance of shares  
as well as other special rights  
entitling to shares**

**Item 17 on the agenda**

# Authorizing the Board of Directors to decide on the issuance of shares as well as special rights entitling to shares

- Authorization to issue new shares and transfer treasury shares (share issue) and grant special rights entitling to shares (excl. option rights to the company's management and personnel under an incentive plan)
- On the basis of the authorization
  - a maximum of 40,000,000 new shares may be issued
  - a maximum of 40,000,000 treasury shares may be transferred
  - 40,000,000 shares represent 9.6% of the total number of registered shares
- Through one or several share issues and/or by granting of special rights entitling to shares the maximum number of shares is thus 80,000,000
- The Board is authorized to resolve upon all other terms and conditions
- The Board has the authority to decide on the issue of shares and granting of special rights in deviation of the pre-emptive subscription right of the shareholders (directed share issue)
- The authorization is valid until the end of the next Annual General Meeting
  - Expiring at the latest on May 31, 2020



**Closing of the meeting**  
**Item 18 on the agenda**

# Thank you!

Stay tuned and  
follow us on



[www.outokumpu.com](http://www.outokumpu.com)