

# Welcome to Outokumpu Americas

March 7, 2017

Michael S. Williams – Head of Americas

Timothy J. Lynch – Head of Americas Operations



# Speakers



**Michael S. Williams**  
Head of Americas

Michael Williams heads the Americas business area of Outokumpu.

Michael joined the company in 2015 with over 30 years of experience in aluminum and carbon steel in the United States. He holds a Bachelor of Science degree in Information Science.



**Timothy J. Lynch**  
Head of Americas  
Operations

Timothy Lynch heads Operations for the Americas business area of Outokumpu.

Timothy joined the company in 2015 with over 20 years of experience in the global metals industry. He holds a bachelor's degree in Business Administration.

# Disclaimer

This presentation contains, or may be deemed to contain, statements that are not historical facts but forward-looking statements. Such forward-looking statements are based on the current plans, estimates and expectations of Outokumpu's management based on information available to it on the date of this presentation. By their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. Future results of Outokumpu may vary from the results expressed in, or implied by, the forward-looking statements, possibly to a material degree. Factors that could cause such differences include, but are not limited to, the risks described in the "Risk factors" section of Outokumpu's latest Annual Report and the risks detailed in Outokumpu's most recent financial results announcement. Outokumpu undertakes no obligation to update this presentation after the date hereof.

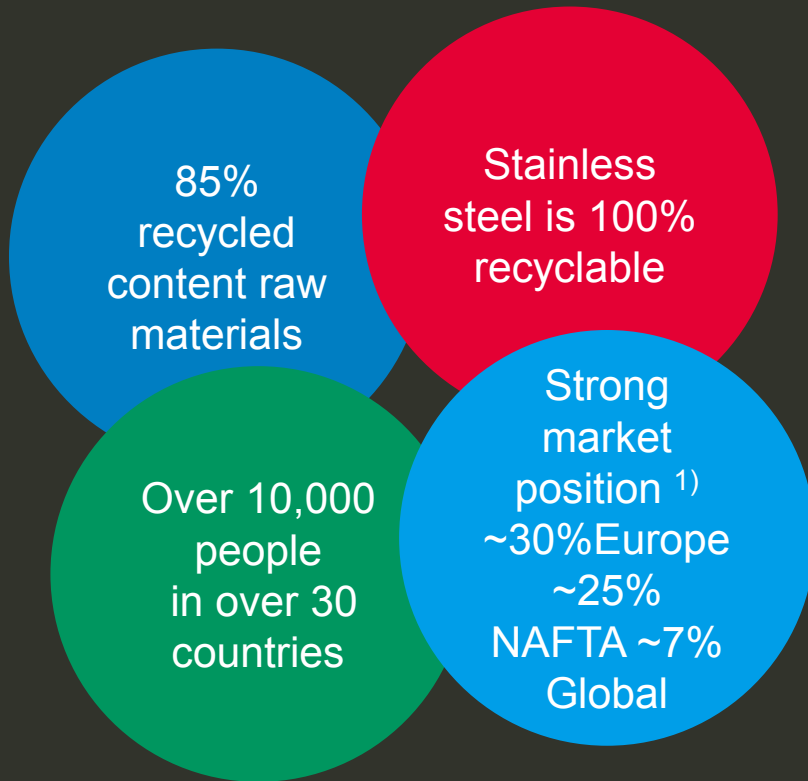
Best **value creator**  
in stainless steel  
**by 2020** through  
**customer orientation**  
and **efficiency**

1. Customers
2. Shareholders
3. Employees

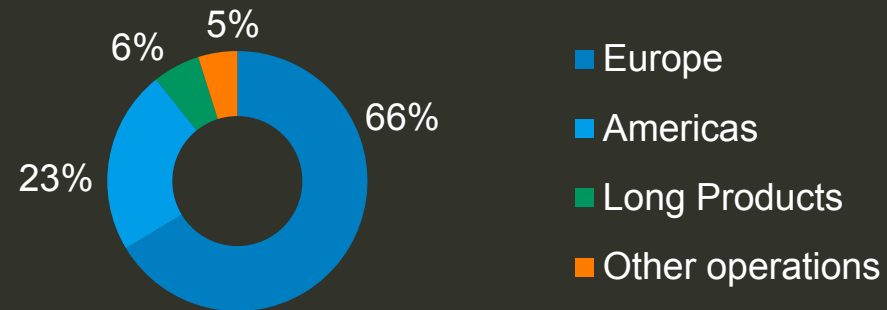
Time bound:  
sense of urgency

Back to basics

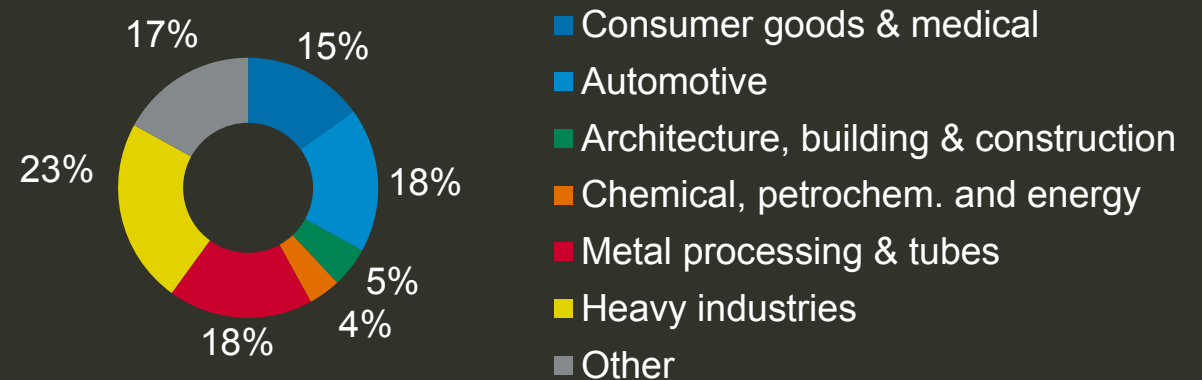
# Outokumpu – global leader in stainless steel



Sales of EUR 5.7 billion in 2016



~55% of sales is direct sales to end-customers



1) Market shares 2016 are calculated based on cold rolled deliveries. Source: Eurofer February 2017, AISI February 2017, SMR February 2017

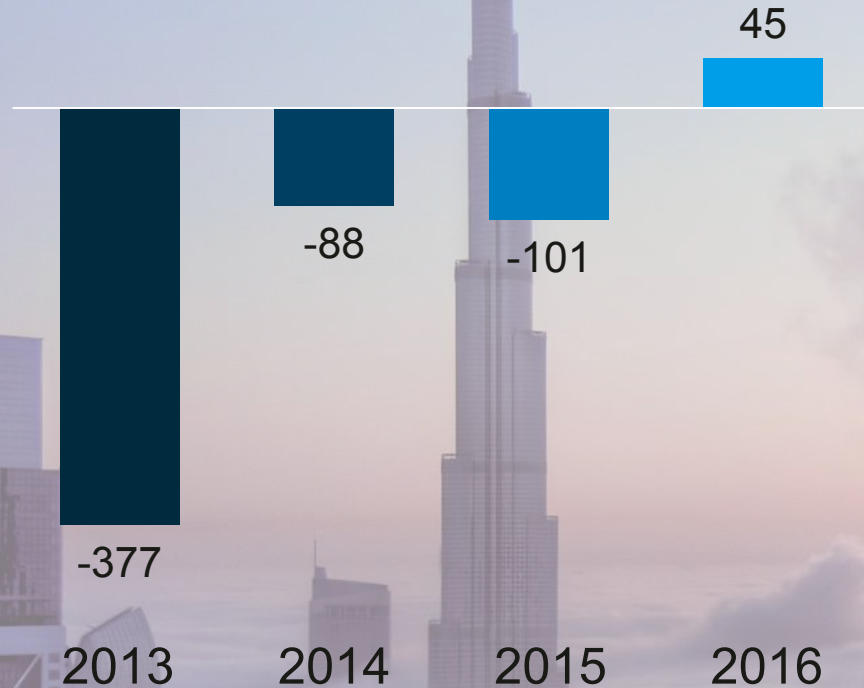
# We have a strong presence in key regions



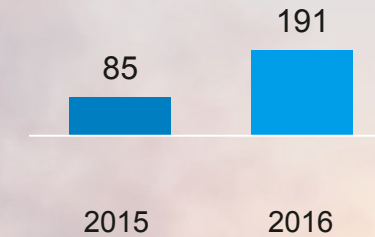


# Outokumpu returned to profitability in 2016

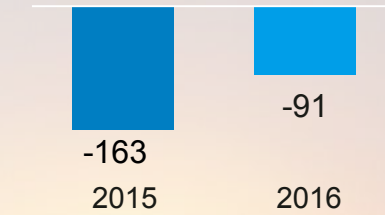
Underlying EBIT, EUR million



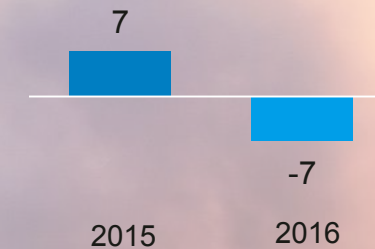
Europe



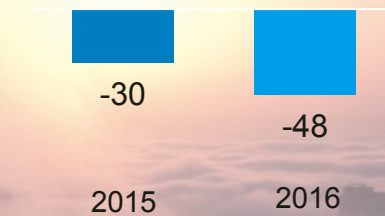
Americas



Long Products



Other operations



# 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

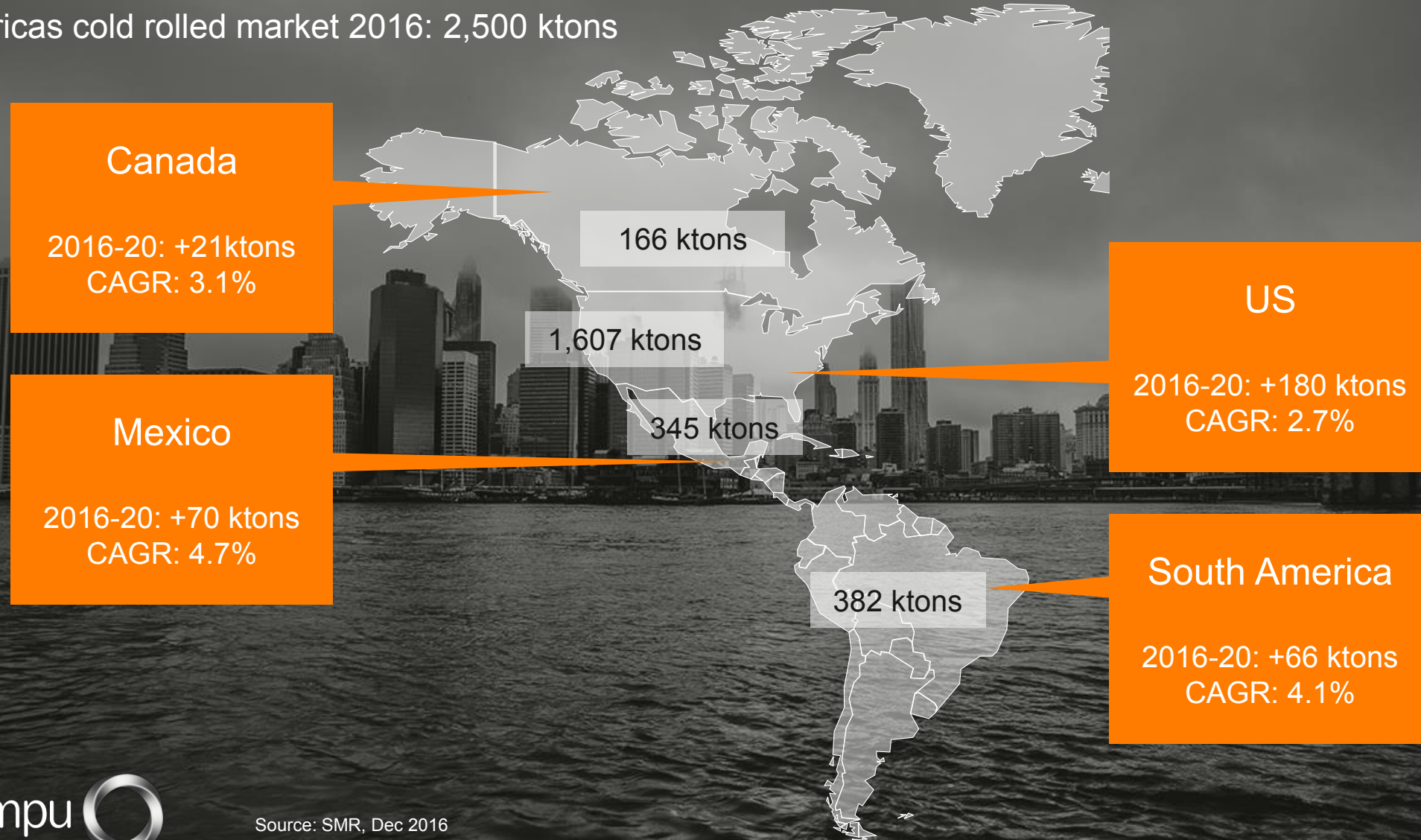
Americas

Commercial  
Excellence



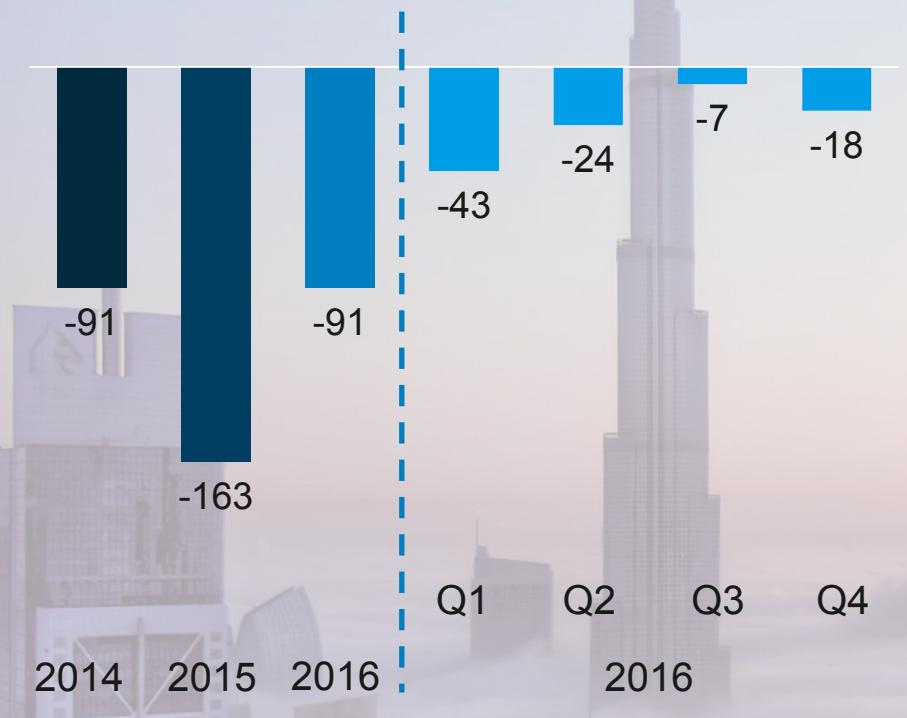
# America's stainless market is growing

Total Americas cold rolled market 2016: 2,500 ktons



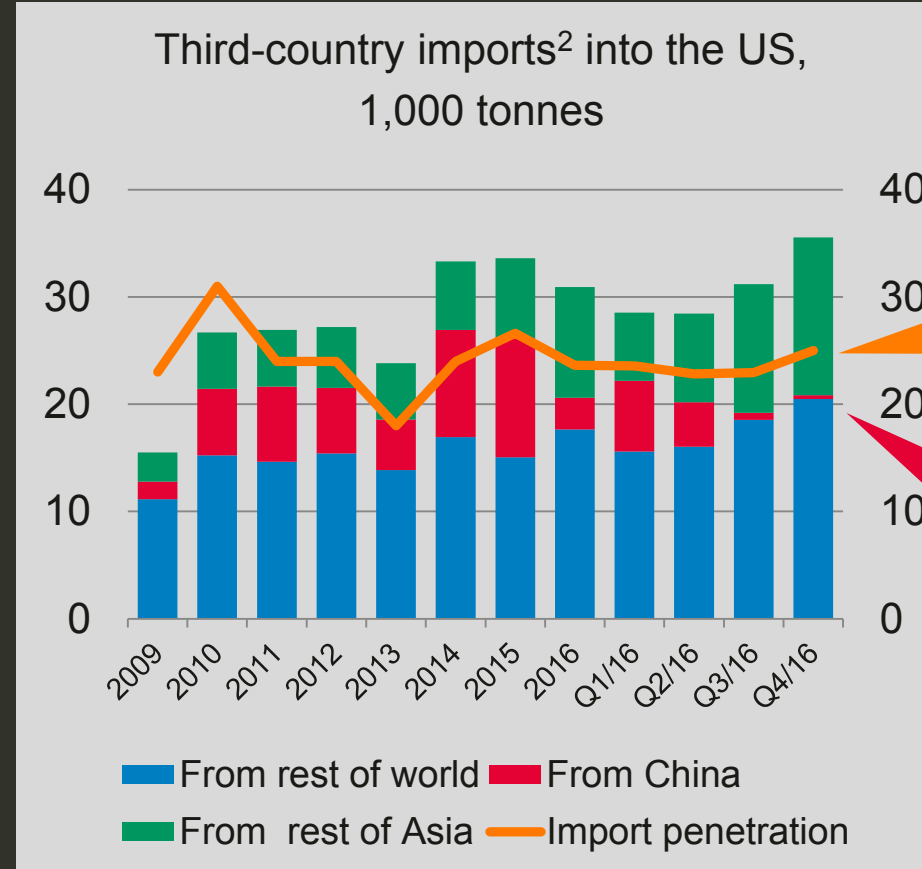
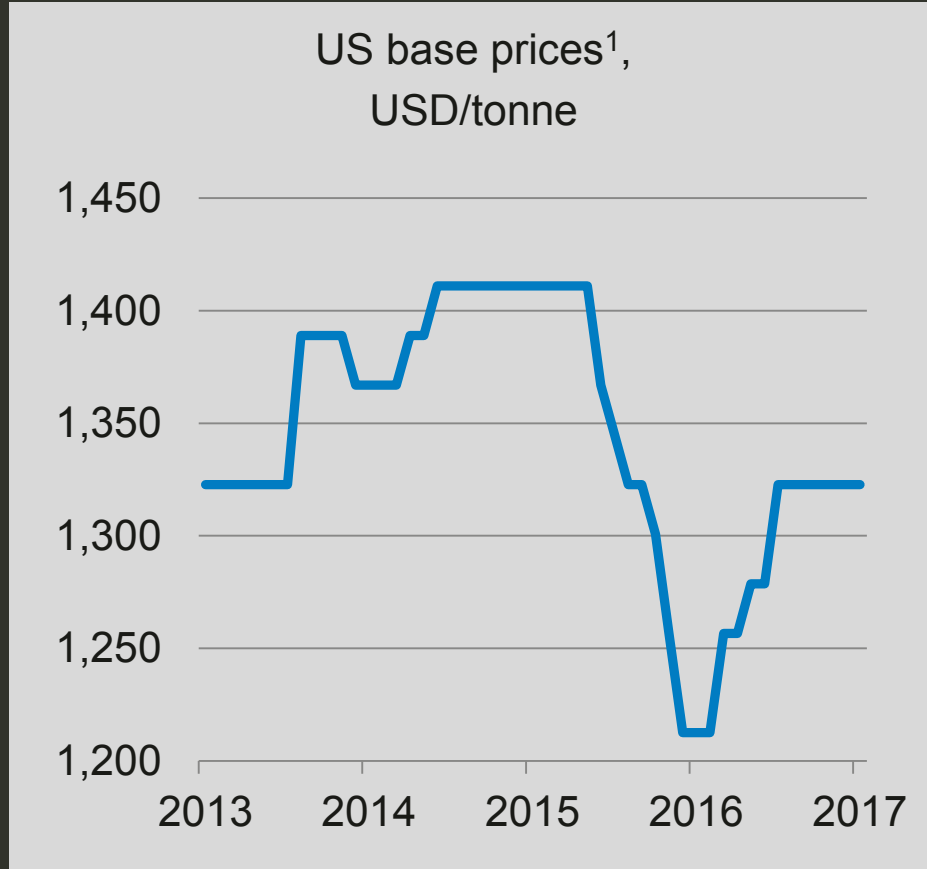
# We are firmly established in the market

Americas' underlying EBIT, EUR million



- Strong #2 in the US
- 25% market share in NAFTA in 2016
- Full commercial capability in place in 2018

# Antidumping action lead to recovering base prices in the US

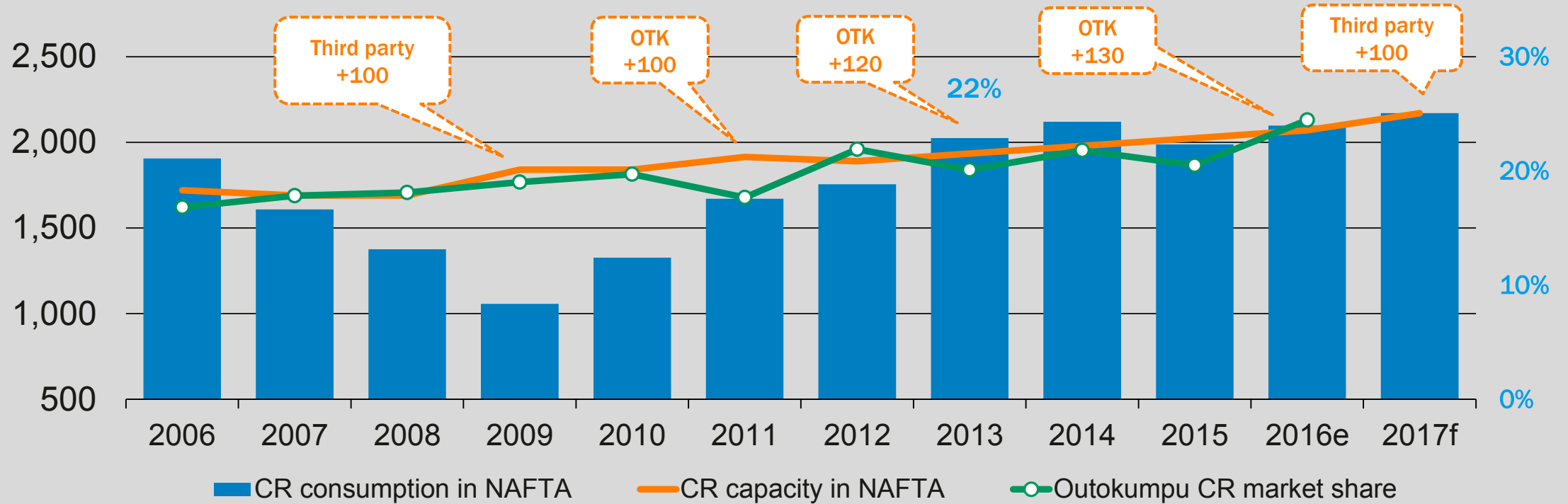


Import penetration increased to 25.0% in Q4

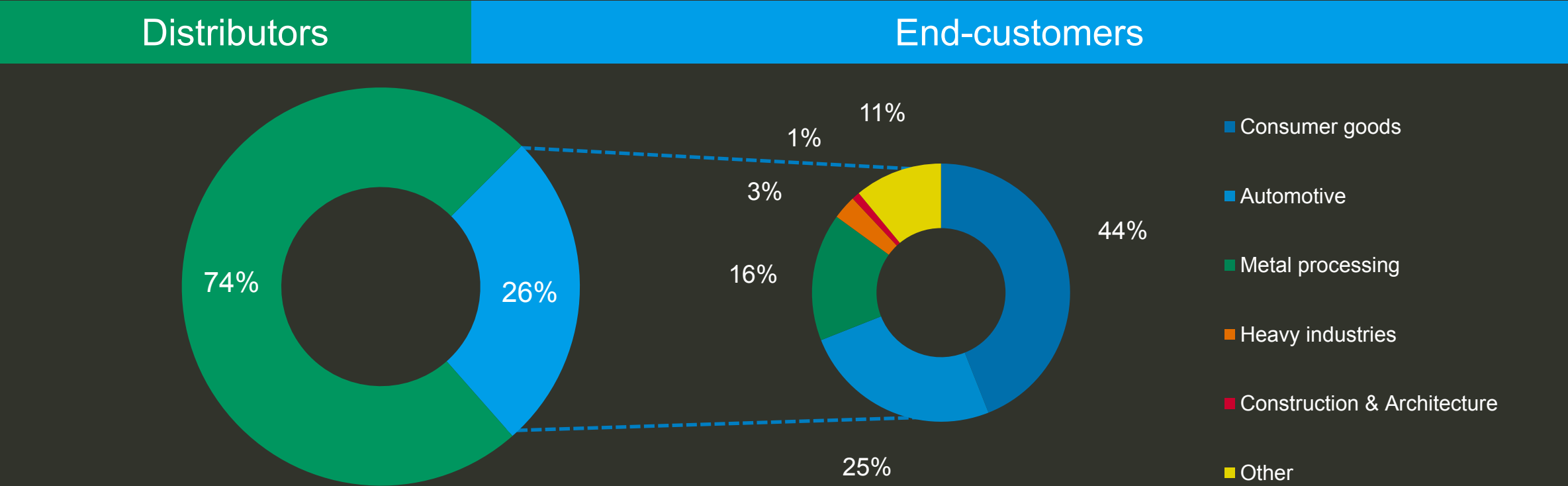
Imports from China into the US decreased significantly

# Demand and supply in balance

NAFTA cold rolled market size (1,000 tonnes) and Outokumpu market share



# Distributors and service centers are the predominant route-to-market in the US



# On track to profitability with Americas must-win battles

## AMERICAS

SAFETY

HIGH  
PERFORMING  
ORGANIZATION

MANUFACTURING  
EXCELLENCE

WORLD CLASS  
SUPPLY CHAIN

COMMERCIAL  
EXCELLENCE



# We have actions in place to achieve best-in-class safety

## Background

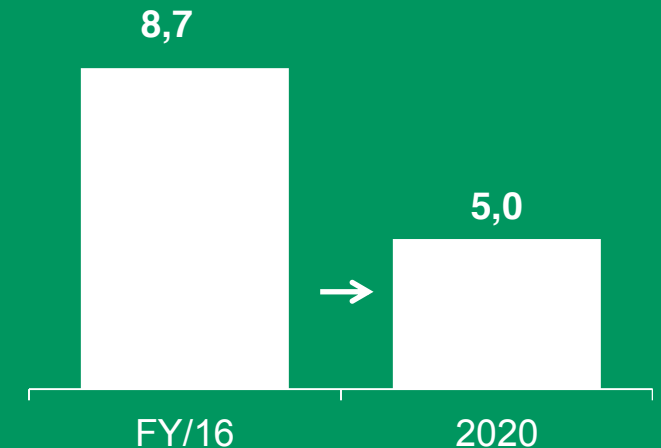
Top performers in any process industry are the ones which have top safety performance too. We have been clearly behind best-in-class level.

## Our target

Standardized and disciplined approach to safety that correlates with improved quality and operational efficiency, leading to a top decile position in the industry.

- **Safety audits completed in 2016**
- **Implementation of Safe Start program**
- **Increasing data-driven intelligence – piloting data analytics program**
- **Mandatory Safety Behavior Observations**

Total recordable incident frequency, TRIFR (Group level)



# New leaders shaping the team into a High Performing Organization

New organization,  
new top leaders

Upskilled talent in  
commercial and  
operations teams

SG&A  
cost reduction  
on track

Business  
service center in  
San Luis Potosi,  
Mexico

Continued  
investment in  
training and  
development

Energized  
and engaged team:  
96% OHI  
response rate – 2<sup>nd</sup>  
quartile results

# World Class Supply Chain efforts yielding results

## Immediate logistics optimization and spend reduction

- Integrated supply chain organization
- Transportation Management System implemented, transportation contracts rationalized: 12-18% savings in freight in US

## Ongoing development

- On-time delivery
- Transportation Management System implementation in Mexinox
- Strengthening regional sources of raw materials
- Raw material optimization
- Supplier rationalization

# Manufacturing Excellence has a big profitability impact, with proven results

Overall Equipment Effectiveness:  
increasing volume beyond nameplate capacity

- 22% throughput achievement at CAPL
- Melt shop heat sequencing improvement of 15%
- 25% variable cost per tonne improvement
- Yield improvement greater than 8%
- Overall quality claims decreased to less than 1%

Every 1% of yield improvement = approximately 5 M USD

# Cost competitive operations in Calvert

## Cost components



■ Raw materials ■ Energy ■ Labor ■ Others

### Raw materials

- Scrap ratio of 80-85%
- Annual austenitic scrap usage of ~400 kt

### Energy

- Long-term contracts with Alabama Power and Sempra Gas

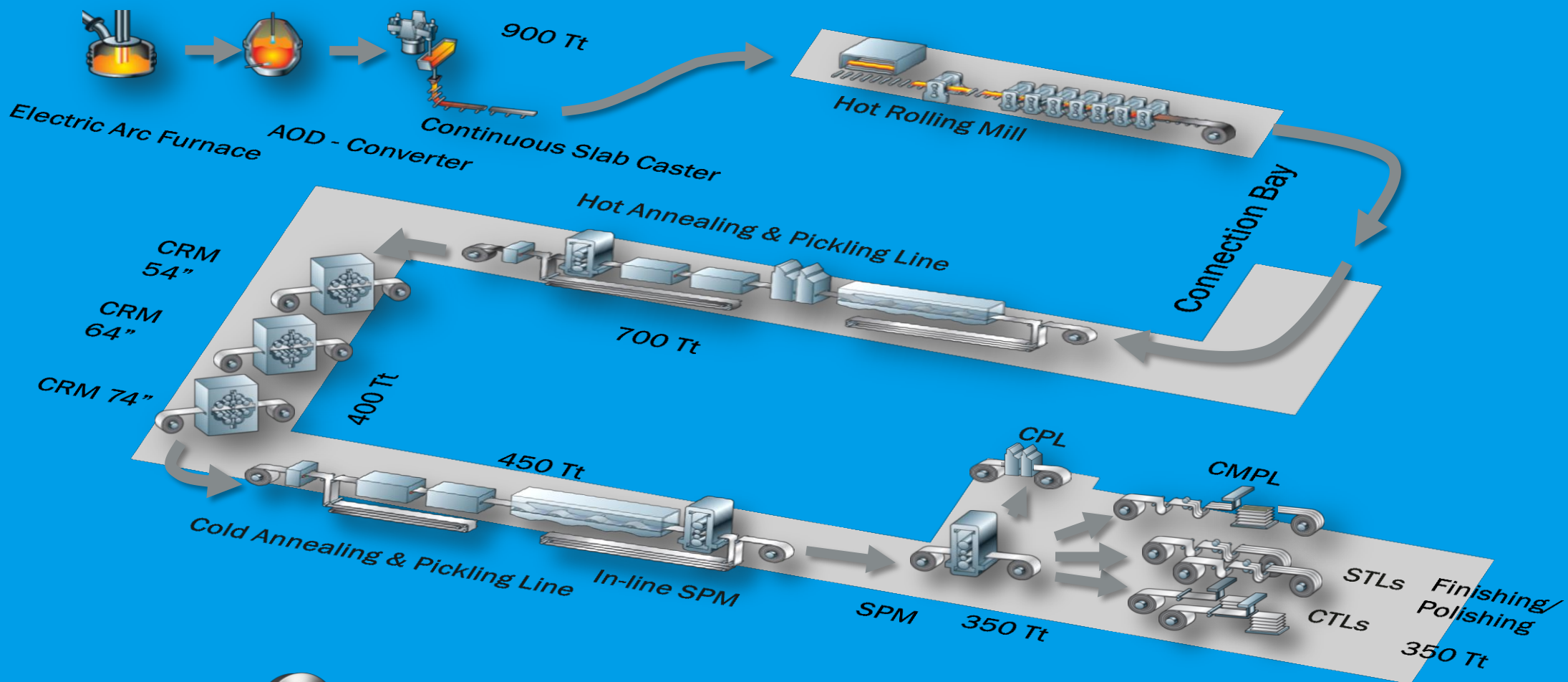
### Labor

- Highly competitive labor costs
- Workforce flexibility

### Others

- Logistics
- Maintenance and reliability
- Rents and leases

# Calvert's production flow





# Synergies through optimized work-share with Mexinox

## Mexinox

### Regional

- Main focus on Mexico (~70%) cross regional supply
- Limited capabilities of Mexinox mill
- Production cost advantages

### Specialization

- Ferritics
- Medium & light gauges
- Bright Annealed/Rolled-On/Polished
- Tailored Solutions

## Calvert

### Regional

- Main focus on the US (~70%)

### Specialization

- Austenitics
- 72" wide
- Polished
- Growing portfolio
- Continuous mill plate



# Commercial Excellence builds further inroads into the market, with a lot of runway

## Market share growth

### – earning our fair share

- Increased production capability
- Broader portfolio
- Building confidence and trust – solution-based selling
- Focused approach to segments, customers, gauges & grades

## Becoming the preferred partner of choice

- Outperforming the market in quality - as volumes increase
- Recognized customer orientation
- Unmatched technical expertise and support
- One-stop shop: leveraging Outokumpu's global capabilities

# We have significant improvement potential

## Cost improvement is the biggest lever

- 25% improvement in variable costs per tonne achieved in 2016
- 10% of SG&A cost reduced

Further efficiency gains underway in operations, supply chain and SG&A

## Topline growth

- Volume increase
- Market share growth
- Profitable sales growth through increased production capability and broader portfolio

# We are on our way to solid profitability

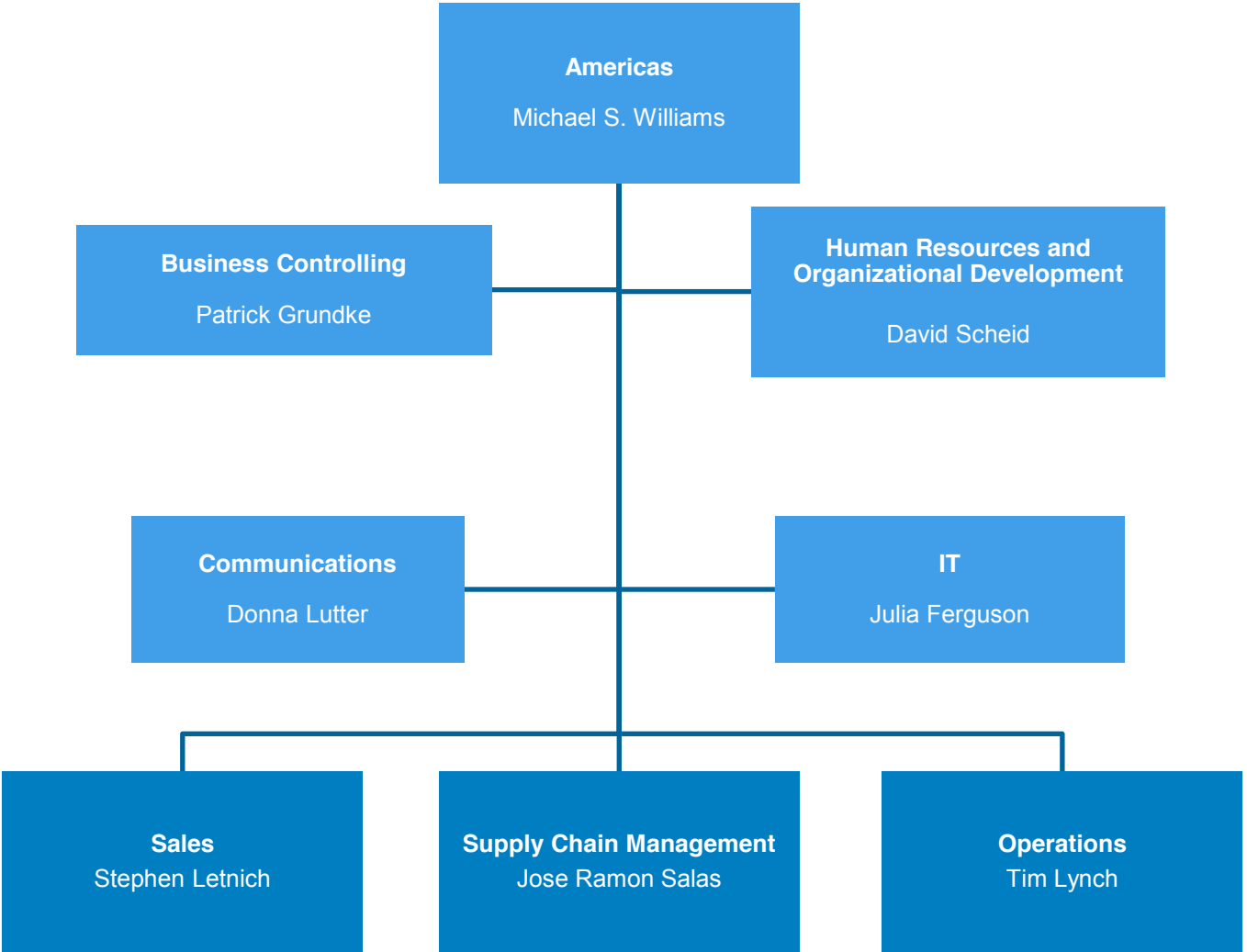
Strong foothold  
and good position  
in the Americas

Significant further  
improvement  
potential in costs  
and topline growth

Clear focus and  
strong execution  
drive

# Apendix

# Outokumpu Americas leadership team





# Mexinox, Stainless Steel Finishing Mill



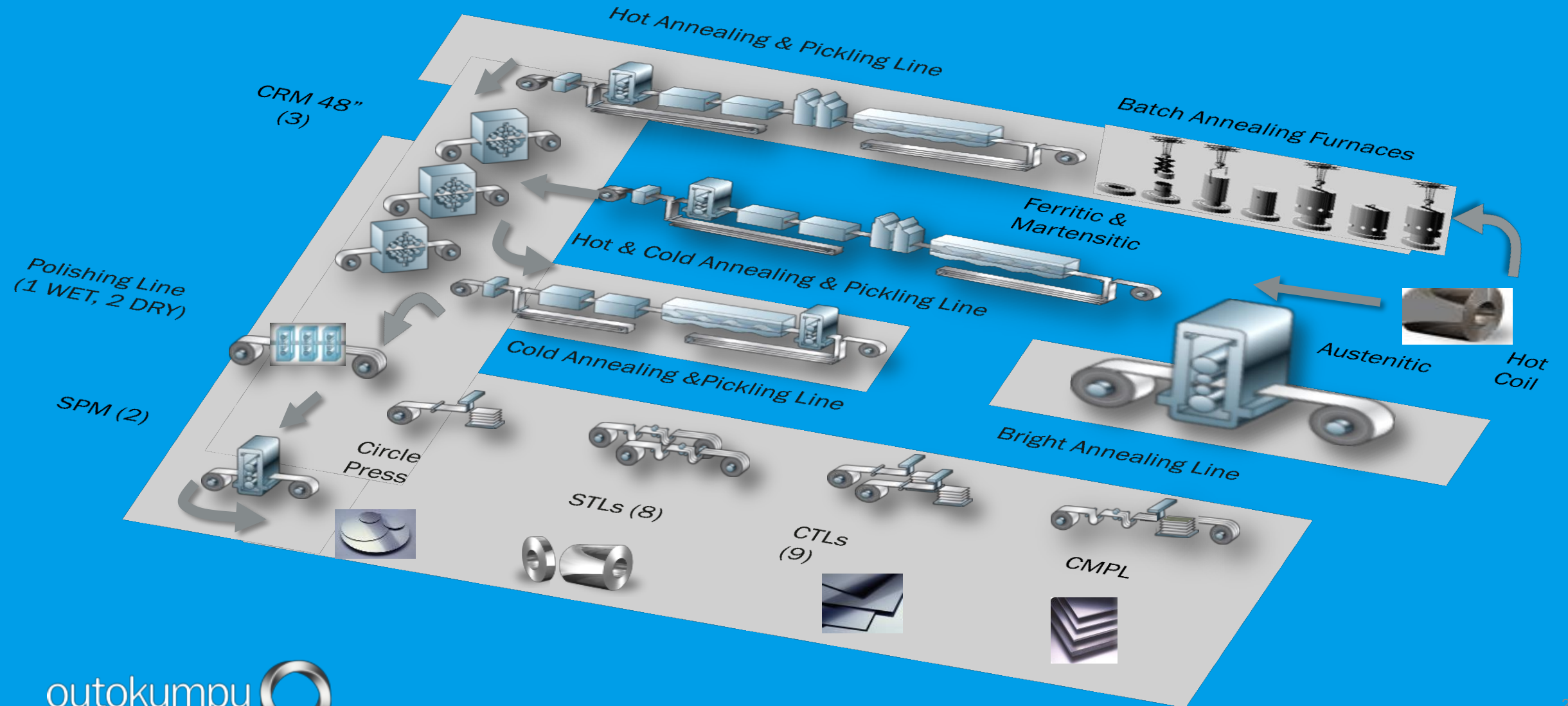


# Mexinox – excellence in tailored solutions

- Founded in 1976
- Capacity to cold roll 250K MT
- Expertise in austenitic and ferritic grades
- Tailored finishing solutions: slitting, cut-to-length, blanks, circles
- Winner of 2016 ISSF Sustainability Award



# Mexinox's production flow





Fortinox – service center excellence





# Value-added services at Fortinox



CTL Lines



Blanking



Slitting Lines



Grinding & Polishing  
Lines



Grinding & Polishing  
Lines



Grinding & Polishing  
Lines



# The US market demand is recovering

Prices still below historical averages

Demand is recovering:  
+ 2% in  
2017\*

Stock levels  
slightly  
below  
historical  
averages

Preliminary  
antidumping  
duties  
dampening  
Chinese  
imports

Prices  
increasing,  
but below  
historical  
averages



# Global megatrends call for long lasting and sustainable solutions

Economic and population growth

Medical engineering  
Sea water desalination related investments  
Chemical and pharmaceutical growth  
Energy investments  
Commercial catering and household goods  
..and many more

Climate change and limited resources



Mobility and urbanization

Buildings  
Elevators  
Automotive  
Aerospace  
Train  
Transportation  
..and many more