

Calvert site visit

Calvert investor site visit, April 2, 2019

Program

Time	Topic	Presenter	Page
10:30 am	Opening remarks	Tommi Järvenpää, VP – Investor Relations	
10:35 am	Decisive actions taken in the Americas	Roeland Baan, President & CEO	4
11:05 am	Solid operational foundation enabling commercial growth	Michael S. Williams, President – BA Americas	9
11:35 am	Efficient and reliable operations established	Tim Lynch, VP – Operations, BA Americas	24
12:00 pm	Lunch		
12:30 pm	Mill tour		
3:00 pm	Transportation to the Battle House Hotel		
5:40 pm	Transportation to the Bluegill from the Battle House Hotel		
6:00 pm	Dinner at the Bluegill		

Disclaimer

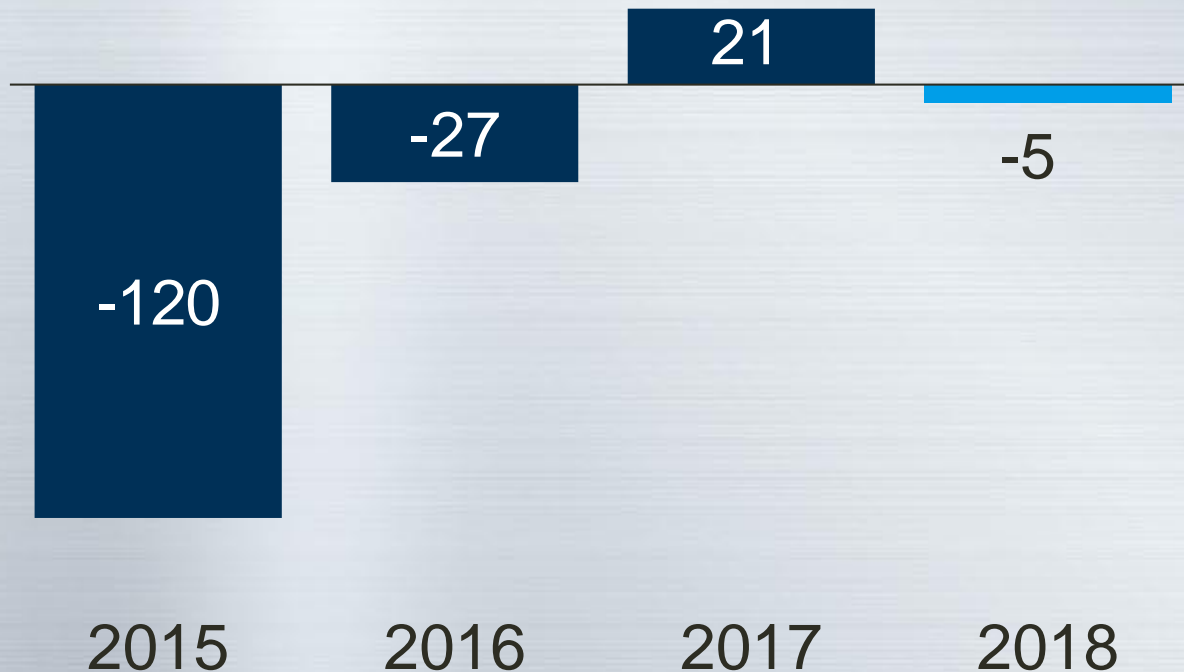
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Decisive actions taken in the Americas

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Roeland Baan – President & CEO

Our development stagnated in 2018

BA Americas' adjusted EBITDA, € million



Positive development continues...

- Cost-efficient operations
- Delivery reliability
- Product quality

...but was overshadowed in 2018

- Input and freight cost headwinds of over €40 million
- Weaknesses in commercial and supply chain management

We have been slow to react to changes in the market

Disconnected sales and supply chain processes

Untimely market and sales intelligence

Under-developed sales organization

Misalignment between business targets and incentives

Work has started in all areas, results expected as the year progresses

Finalized

- CCO Olli-Matti Saksi took over commercial responsibility
- Commercial organization structure
- New target setting and performance management process
- Renewed reporting and forecasting tools and practices

Ongoing

- Recruitment to strengthen the sales team
- Implementing best-in-class S&OP process
- Adaptation of the Group's best working capital management practices
- New incentivization principles

Unique assets with further growth potential

US cold-rolled
demand
increasing

Most modern
assets in
North America
with growth
potential

Widening
product
portfolio

Solid operational foundation enabling commercial growth

Calvert investor site visit, April 2, 2019
Michael S. Williams – President, BA Americas

Leading safety and employee satisfaction performance in the Group

Safety

20%

reduction on incidents since 2015

Organizational health

2nd

quartile

Calvert has established its market share

Stable operational performance

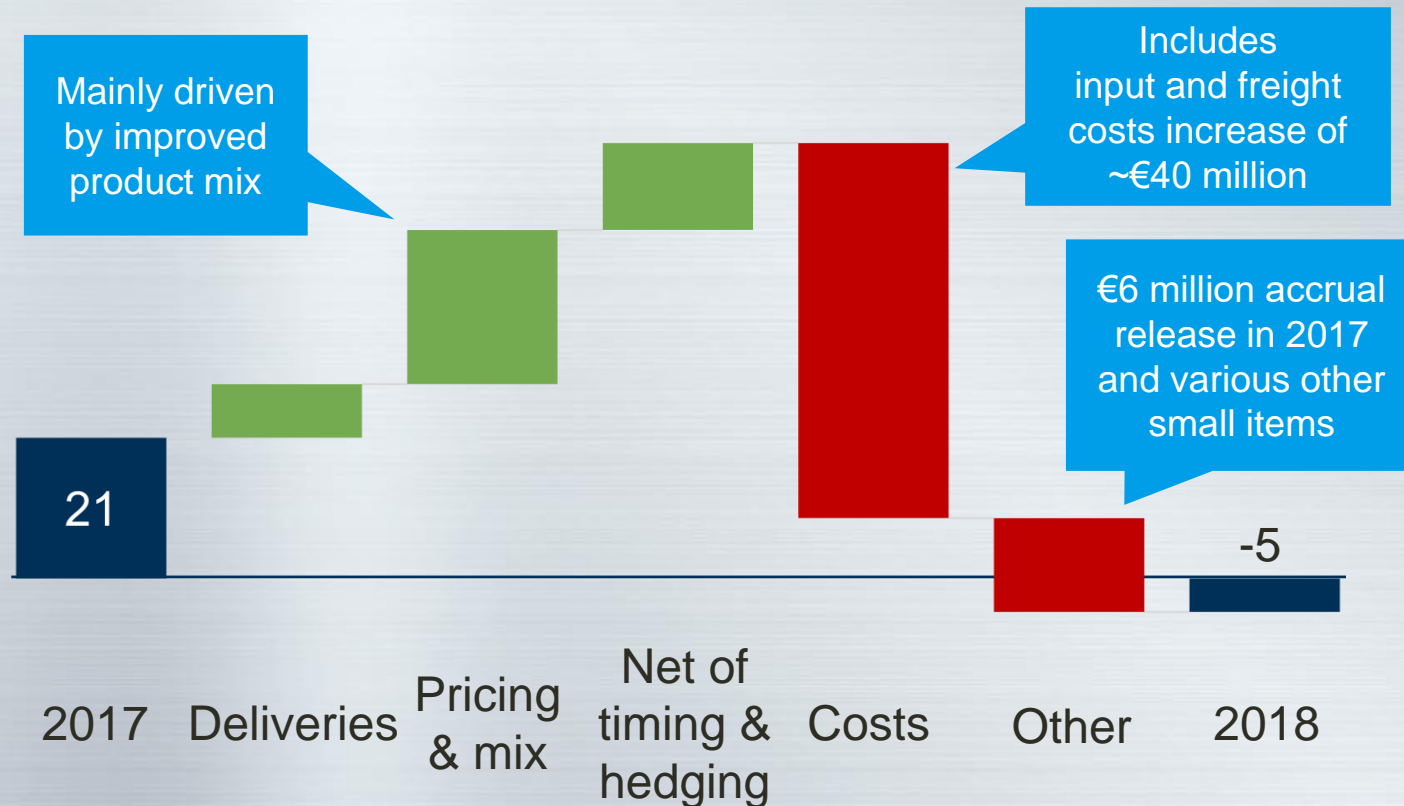
>20% market share gained

Calvert as the most efficient mill in the Group

Improved regional and product mix

Year 2018 was disappointing for the Americas

Adjusted EBITDA year-on-year comparison¹, EUR million



1. Strong operational performance continues and our reliability has improved significantly
2. Result was heavily impacted by higher input and freight costs
3. We were unable to capture strong base prices

Solid operational foundation enables profitability improvement of €100 million

Commercial growth

€60m

- Customer & product mix
- Market share in Mexico
- New products

Efficiency gains

€40m

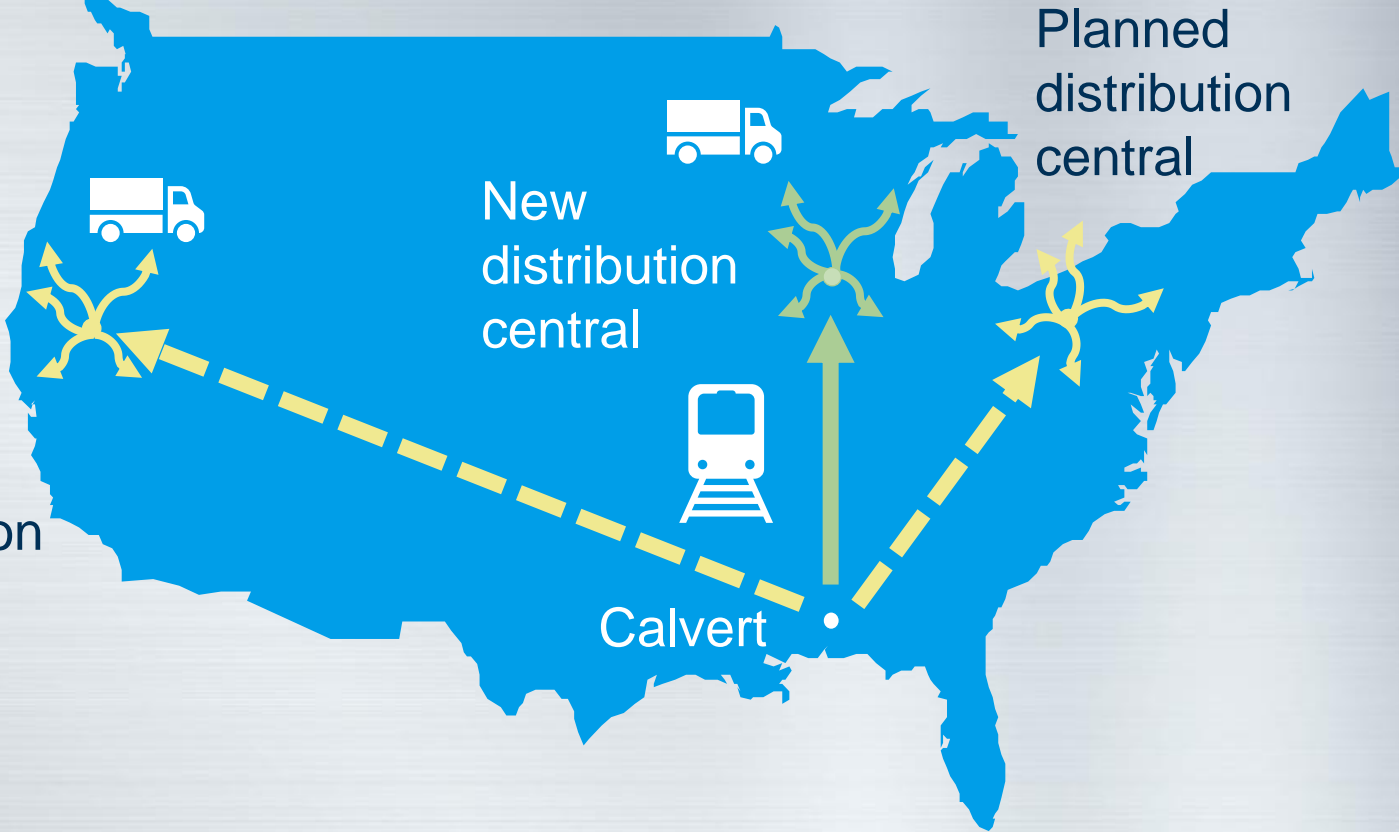
- Mexinox restructuring
- Logistics cost reduction
- Raw material optimization
- Delivery reliability

New distribution strategy implemented to offset part of increased truck transport costs

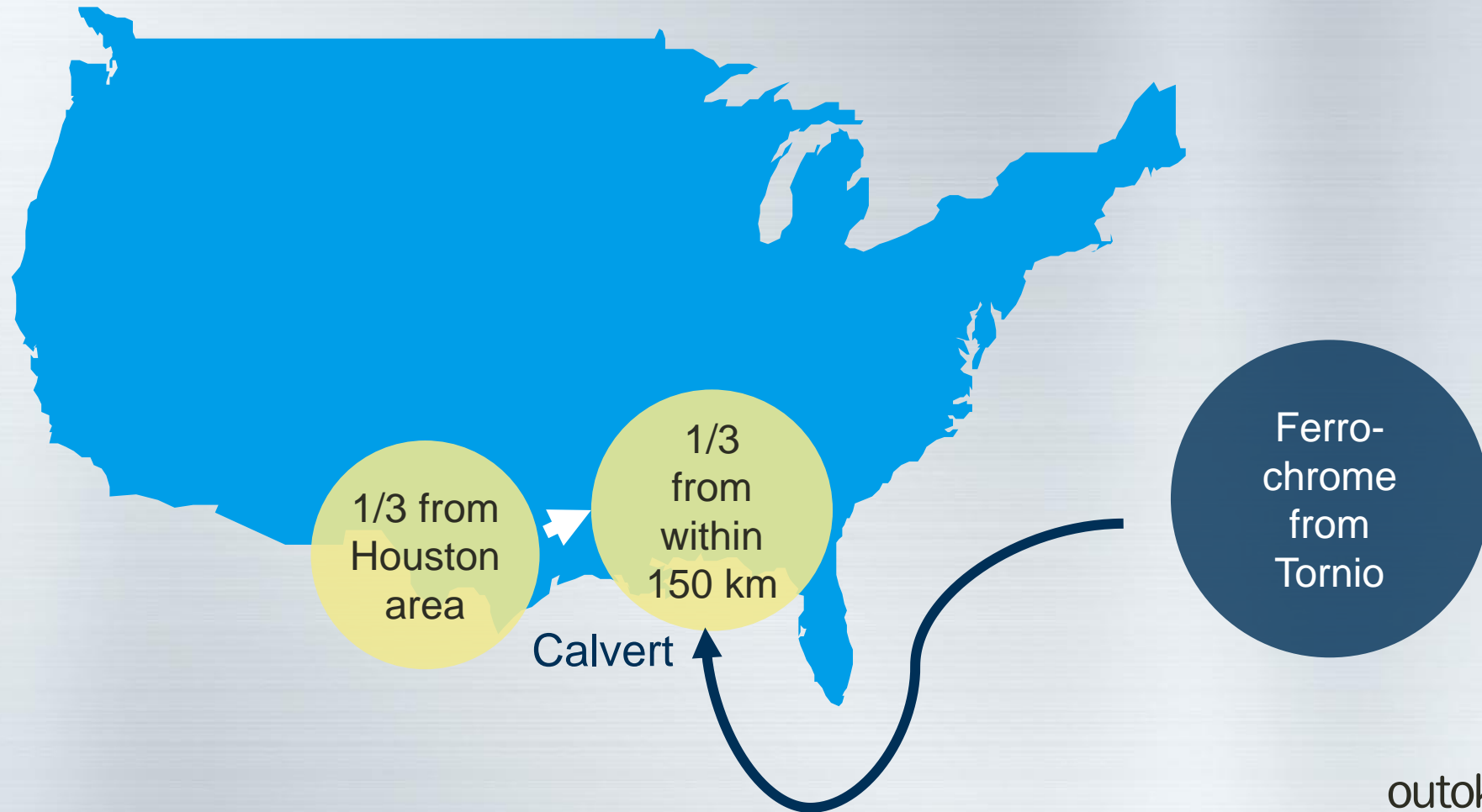
>€15
million negative
impact in 2018
vs 2017



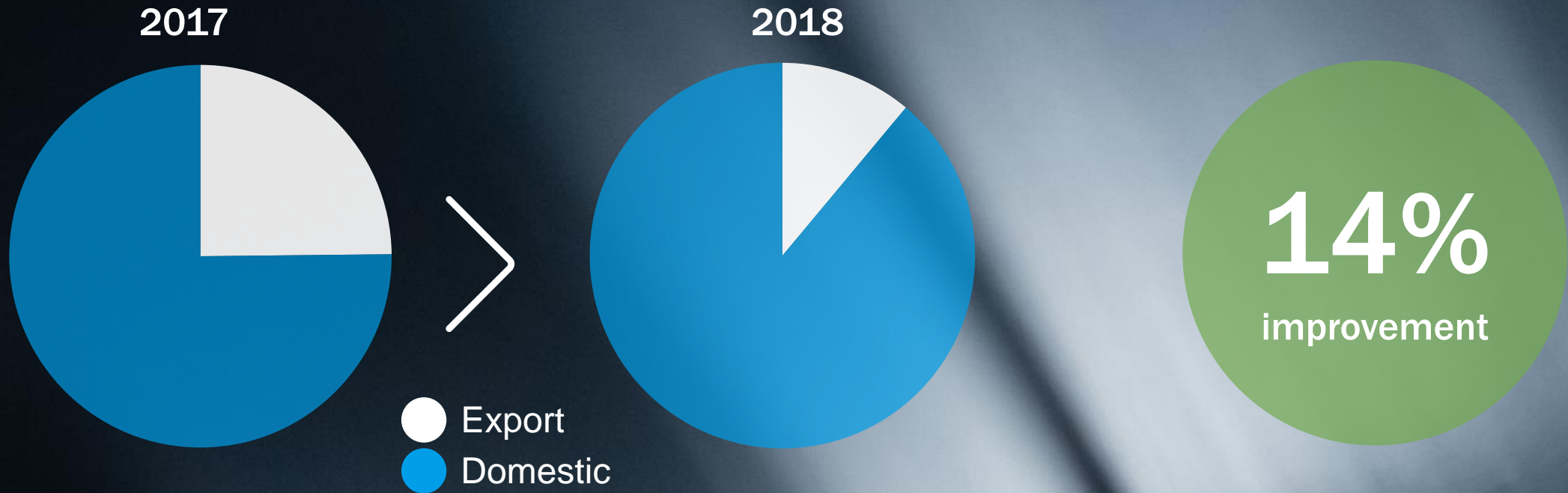
Planned
distribution
central



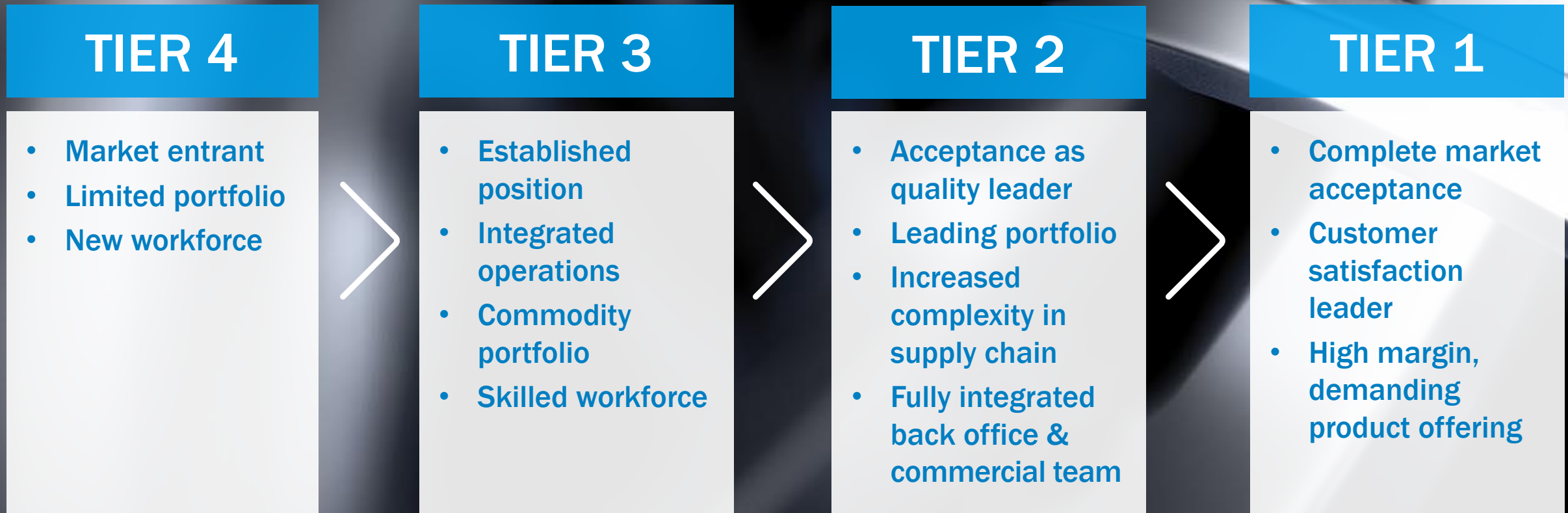
Our raw material sourcing is efficient



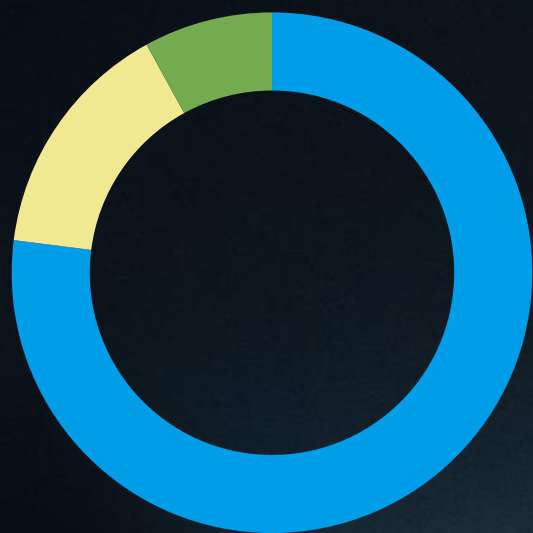
Our regional mix is developing according to plans...



...and our customer mix continues to improve gradually



NAFTA cold-rolled market is approx. 220,000 tonnes per month



98%

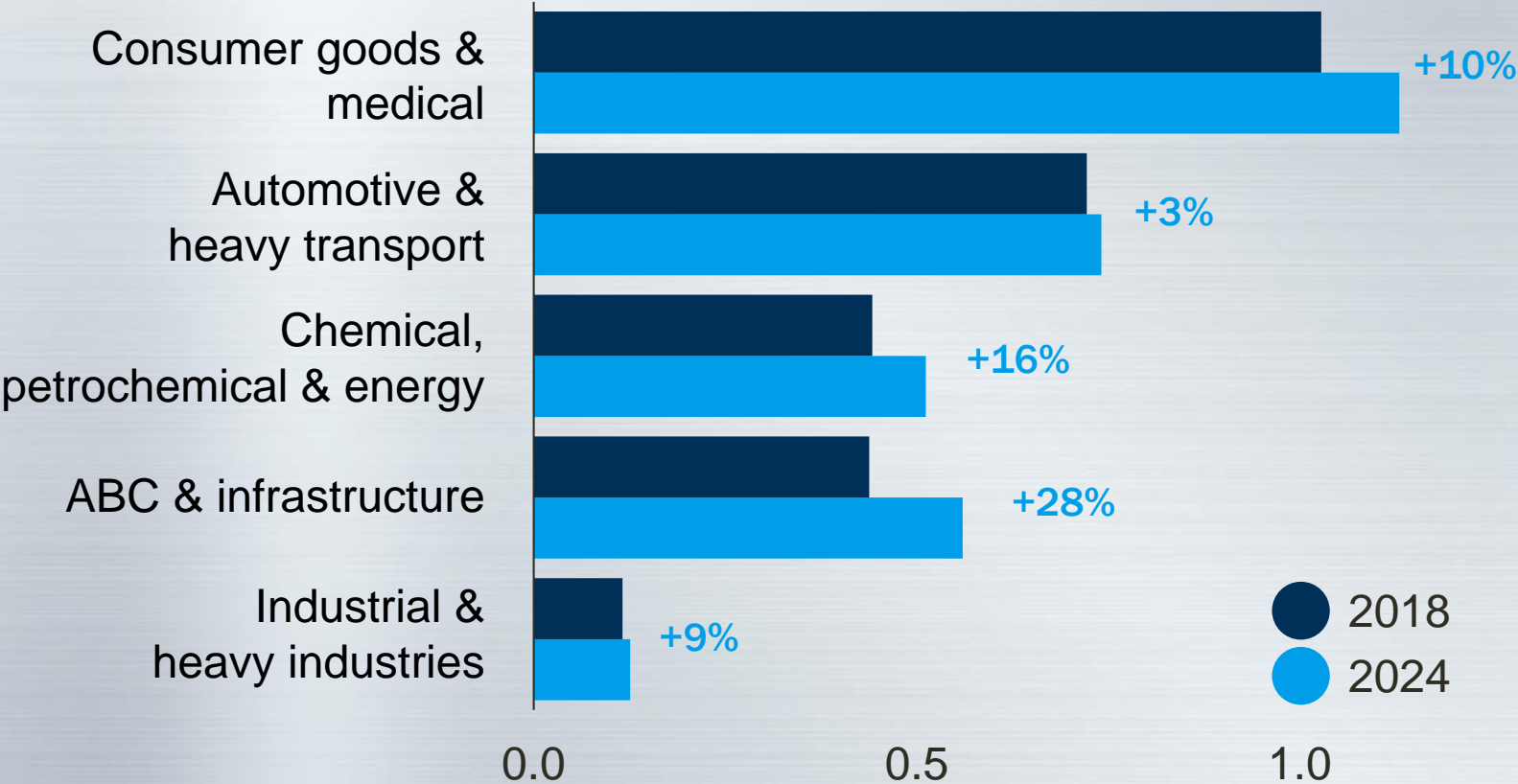
of NAFTA CR consumption is commodity grade (200, 300, 400 series)

85%

of the market is owned by TOP10 distributors

Demand growth prospects remain healthy

NAFTA flat product demand by segment*, million tonnes

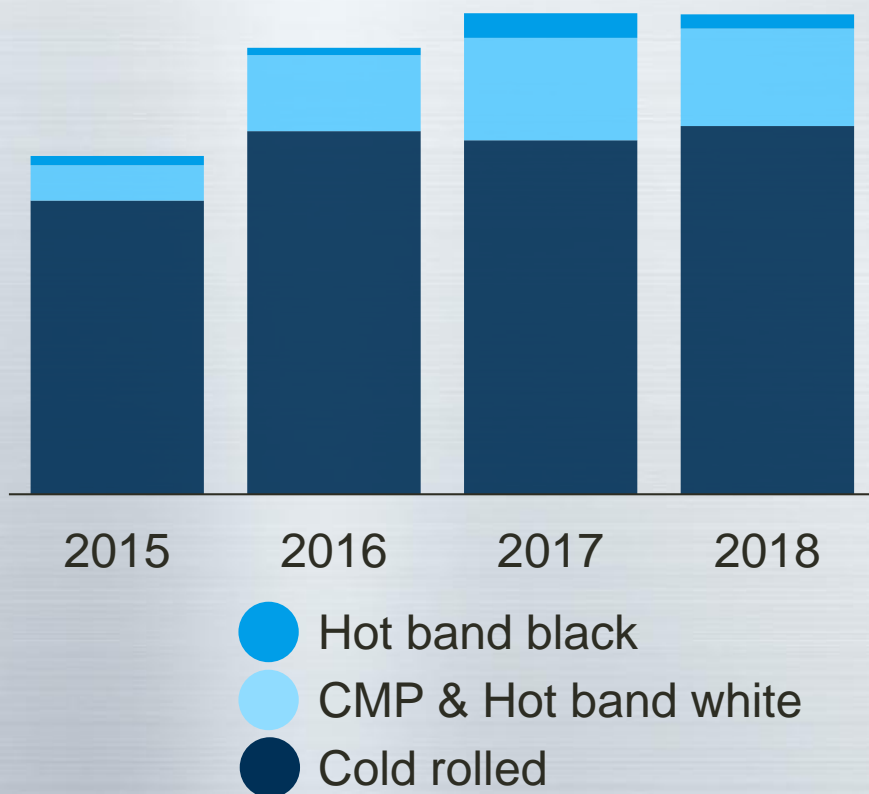


12%
total demand growth by 2024

* SMR February 2019

Improving product mix provides substantial potential

Americas product mix split¹



43%

cold rolled prime
volume
improvement
since 2015

€60

million
further profitability
improvement
potential²

Investment in ferritic capabilities in Calvert enables further product mix improvement

Strengthen position in US ferritic segments

Expand current product portfolio offerings

Improve production efficiencies and capacities

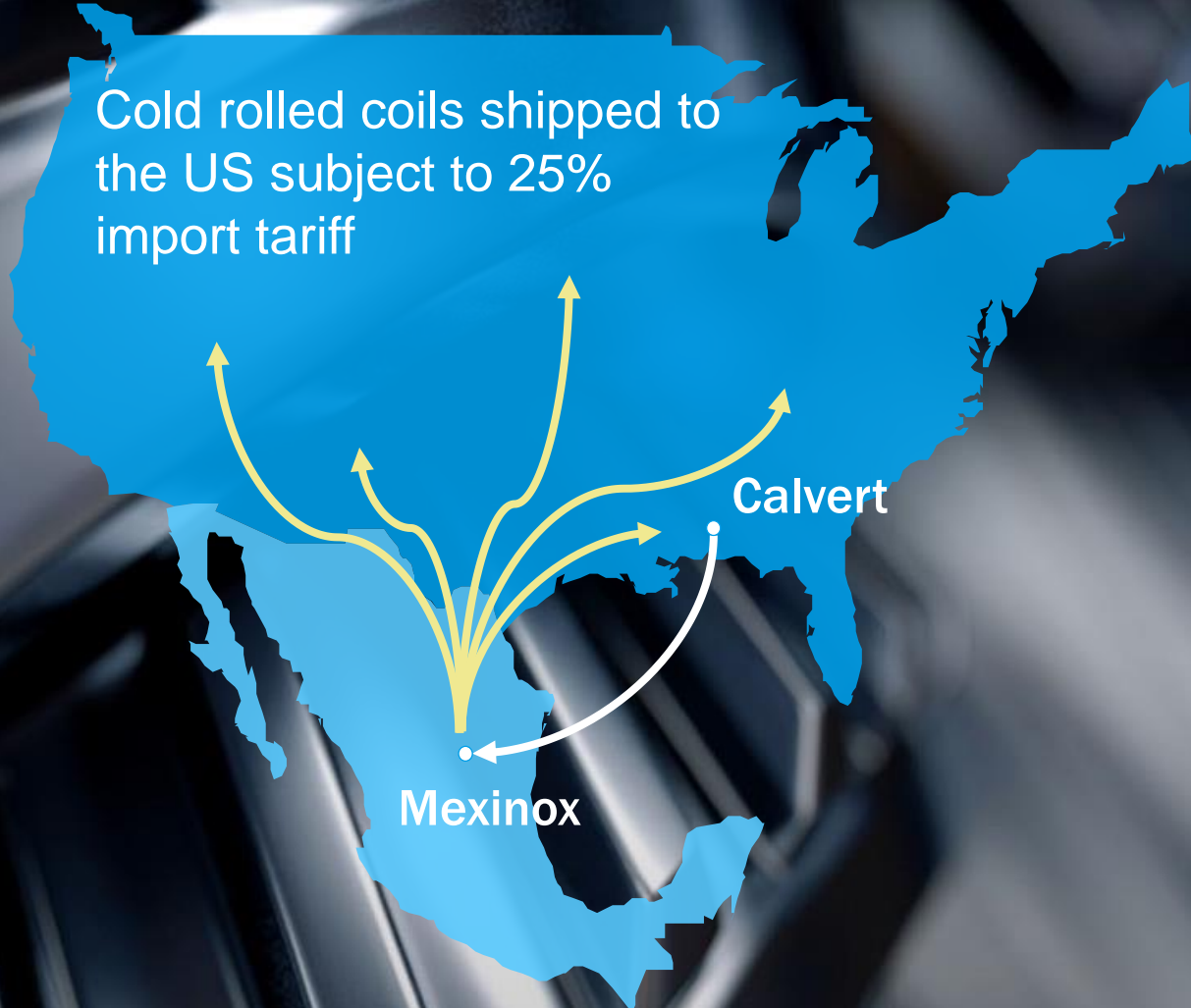
Improve the route-to-market strategy

Annual profitability impact of

€40 million

from 2021 onwards

We are optimizing our production setup



Cold rolled coils shipped to the US subject to 25% import tariff

Hot rolled coils shipped from Calvert to Mexinox are not subject to tariff

Ferritic capabilities in Calvert will help us increase share of domestic deliveries in both countries

Solid operational foundation enabling commercial growth

We have
established
efficient and
reliable
operations

Demand
growth
prospects
remain
healthy

Improving
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substantial
potential

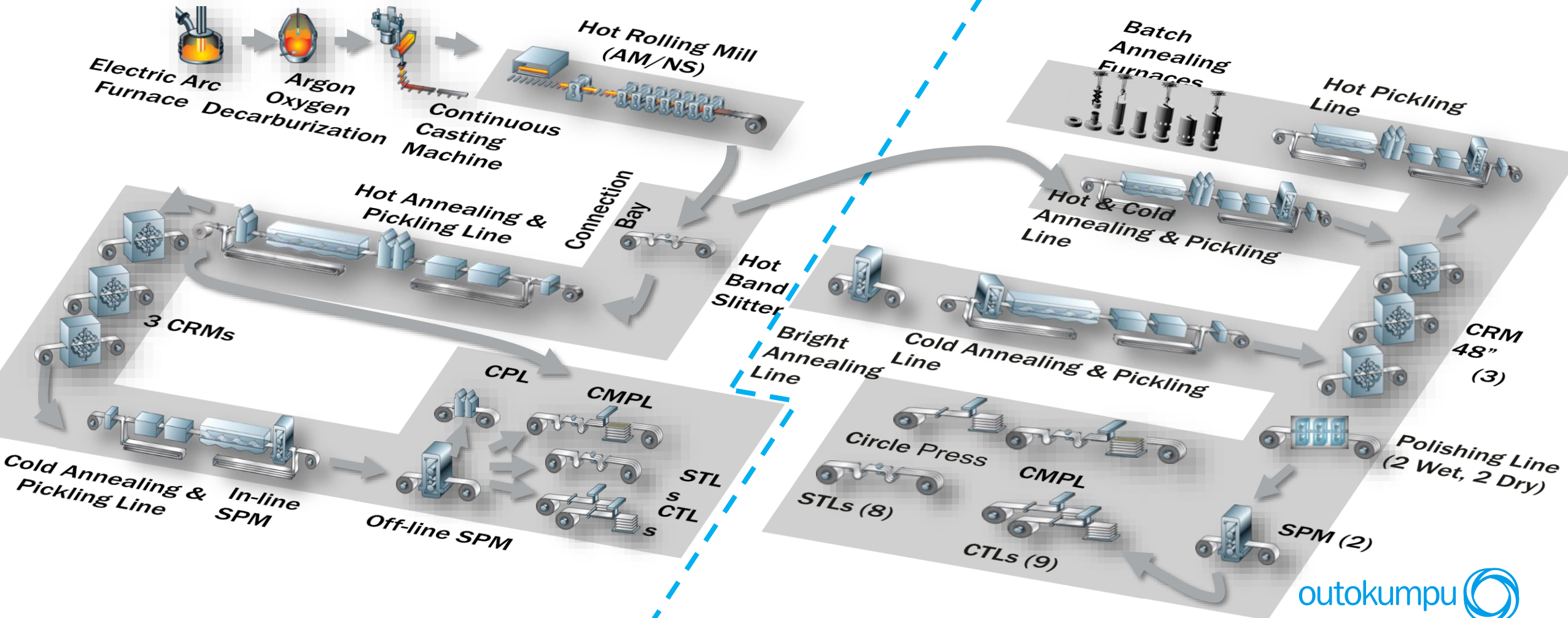
Efficient and reliable operations established

Calvert investor site visit, April 2, 2019
Tim Lynch – Vice President Operations, BA Americas

Americas' operational platform

Calvert

Mexinox



We achieved a step change in reliability in 2018...

Average asset availability improved to

96.4%

Mean-time-between-failures on bottleneck units improved

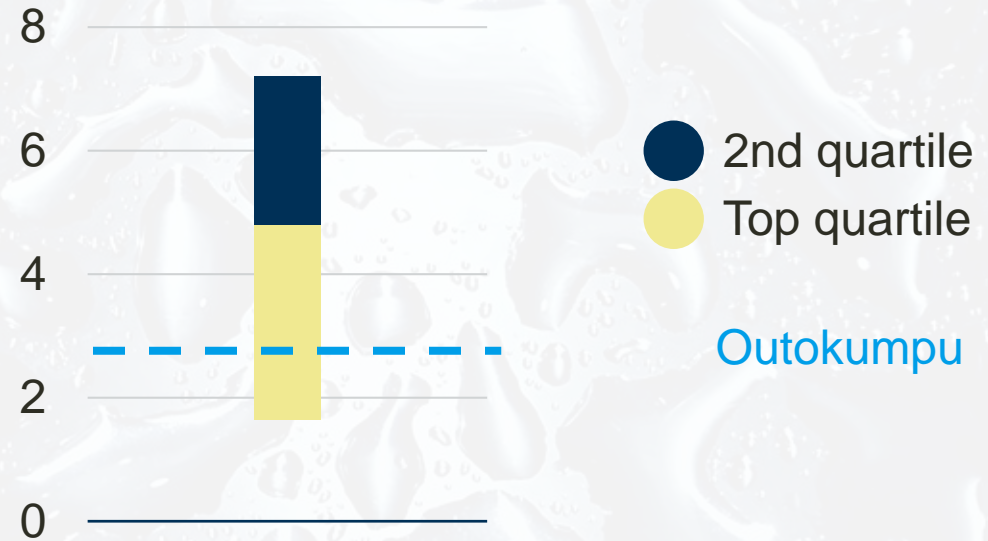
30%

External services reduced by

>40%

- Velocity
- Quality
- On-time delivery

Total maintenance spend as % replacement asset value (RAV)



...and we are aiming higher

<70%

SOTIF*
in 2017



82%

SOTIF
in Q4 2018



85%

SOTIF
target

* Shipped on-time in full uses the weighted average deliveries multiplied by the SOTIF of each business line, business area Americas

Mexinox restructuring unlocks further potential

Mexinox
FTE

13%
reduction

CCC¹

10%
reduction

Yield
improvement

2.6%
points

Contractor
FTE

40%
reduction

OEE² Daily
capacity

17%
increase

SOTIF³

8%
improvement

Key investments

- Automated Vision Systems
- STL 10 tooling
- Wet Polish Line

Majority of ferritic investment enhances capabilities of annealing and pickling processes



30%

Hot
Annealing &
Pickling
Line

60%

Cold
Annealing &
Pickling
Line

State-of-the-art operational platform

Continuous improvement mindset

Highly skilled workforce

Capacity increases of **17%**

CCC reductions of **20%**

Rejects improvement of **5%**

Reworks improvement of **22%**

SOTIF improvement of **17%**



Thank you!

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