

Outokumpu Capital Markets Day 2018

November 20, 2018
London, UK

Program

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16:30	Cocktails		

Speakers



Roeland Baan
President & CEO

Roeland joined the company in 2016 as the President & CEO. Roeland is the head of the Outokumpu Leadership Team.



Christoph de la Camp
CFO

Chris is the Chief Financial Officer and a member of the Outokumpu Leadership Team. He joined the company in 2016.



Maciej Gwozdz
President – Europe

Maciej joined Outokumpu as the head of Operations Europe and a member of the Outokumpu Leadership Team in 2016. He has been the Head of business area Europe since the beginning of 2018.



Michael S. Williams
President – Americas

Michael joined the company in 2015 as the Head of business area Americas and a member of the Outokumpu Leadership Team.

Speakers



Jan Hofmann

EVP – Business Transformation & IT

Jan has been working for Outokumpu since 2005 in different positions including several strategy and financial roles. Jan has been a member of the Outokumpu Leadership Team since 2015. He took over the Head of Business Transformation & IT responsibility in 2016.



Martin Mikiewicz

VP – Manufacturing Excellence Global

Martin joined the company in 2018 as the Head of Global Manufacturing Excellence.



Moderator:

Tommi Järvenpää

VP – Investor Relations

Tommi joined Outokumpu in 2014 and he has been the Head of Investor Relations since 2016.



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#OutokumpuCMD18

Disclaimer

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Delivering on our promises for 2020

Capital Markets Day 2018
Roeland Baan
President & CEO

outokumpu 



OUR VISION

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

We introduced our vision in April, 2016. Connected to the vision, we announced our financial targets for 2020:

Adjusted EBITDA of **€750** million

ROCE of **12%**

Gearing of **<35%**

We also announced several other targets to force an immediate step change in our cost and competitive position

April, 2016:

**”We will reduce
our total
recordable injury
frequency rate
from 15.0 to
< 5.0 by 2020”**

**In 2017,
our TRIFR* was**

4.4

April, 2016:

**”We will bring
Organizational
Health Index*
from the bottom
to the top
quartile by
2020”**

**In 2018,
we are at**

2nd

quartile

April, 2016:

**”We will be
the best value
creator to
our customers
by 2020”**

**We have improved
Net Promotor Score
by over**

30%

April, 2016:

”We will reduce our net debt from €1.6 billion to <€1.2 billion by the end of 2017”

At the end of 2017, our net debt was

€1.1

billion

April, 2016:

”We will reduce our SG&A costs by 25% to €300 million by the end of 2017”

Our SG&A costs were reduced by

33%

Since the launch of the targets,
we have achieved cumulative
adjusted EBITDA of over

€1.2 billion

over the past 9 quarters

**We have delivered
on all of our promises....**

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

€165

million
in 2015



€482

million
LTM*



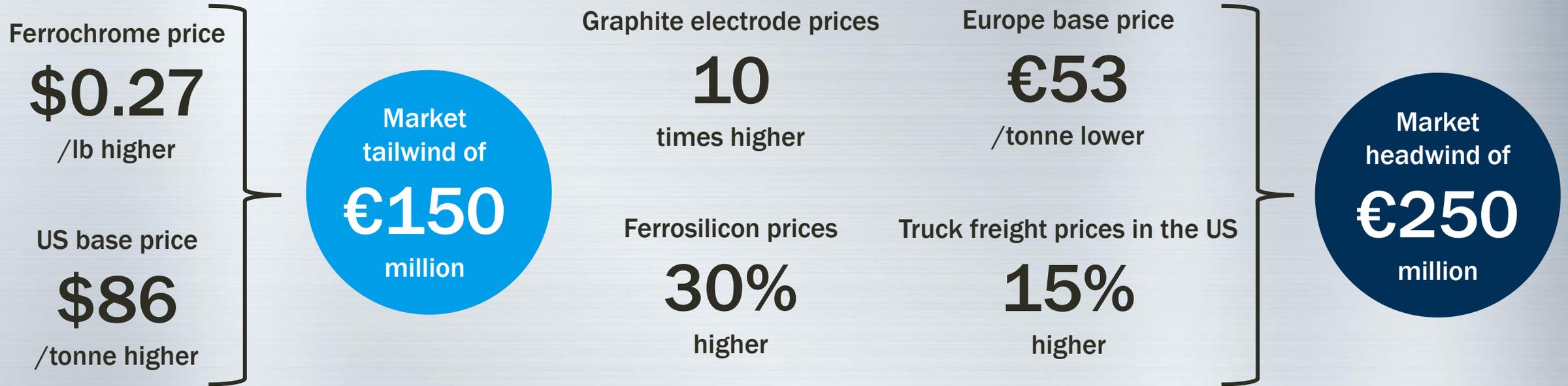
€750

million
in 2020

Market volatility is visible in our earnings...



...and we have had €100 million market headwind this year



Q4/17-Q3/18 average compared to FY2015 average
Sources: Metal Bulletin, CRU, Outokumpu

By excluding market noise, we see the real underlying progress in our performance



We expect markets to stabilize

Input cost levels are remaining relatively high



Safeguards are expected to restore the market balance in Europe



Ferrochrome market is becoming tighter



Our 2020 financial targets remain unchanged

Adjusted EBITDA

€750

million

ROCE

12%

Leverage

<35%

€110

million from
commercial
growth

How to
close
the gap?

€160

million from
efficiency gains

€110

million from
commercial
growth



Europe

€50 million

- Higher deliveries
- Value-added products
- Service solutions

Americas

€60 million

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

Europe

€100 million

- Raw material optimization
- General procurement
- 3% annual productivity increase
- Digital manufacturing

Americas

€40 million

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

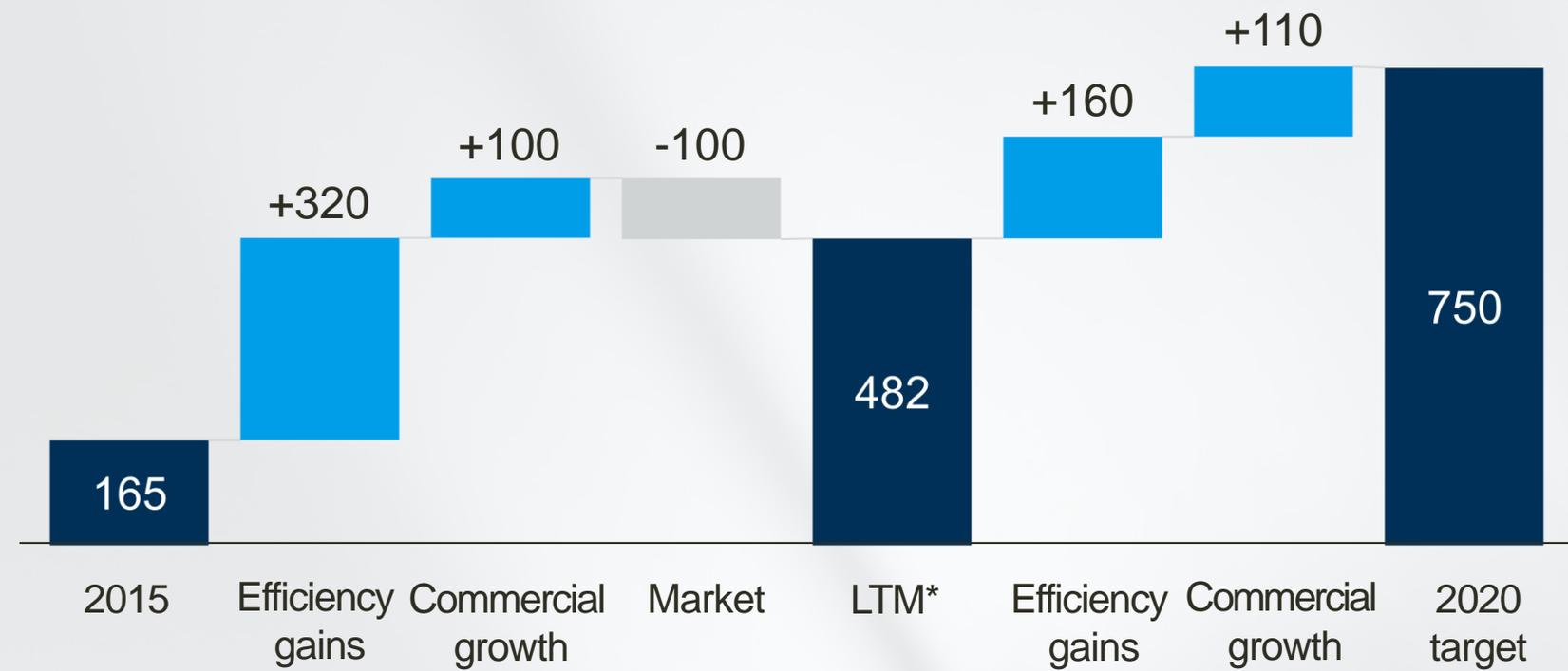


€160

million from
efficiency gains

We will deliver
an adjusted
EBITDA of
€750
million in 2020

Adjusted EBITDA, € million

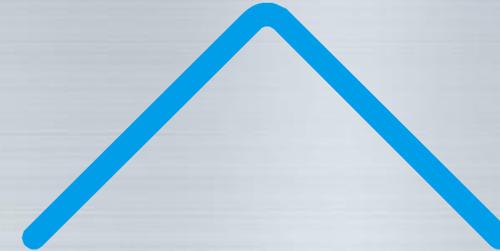


* Q4/17-Q3/18

Approximate figures, based on management estimates

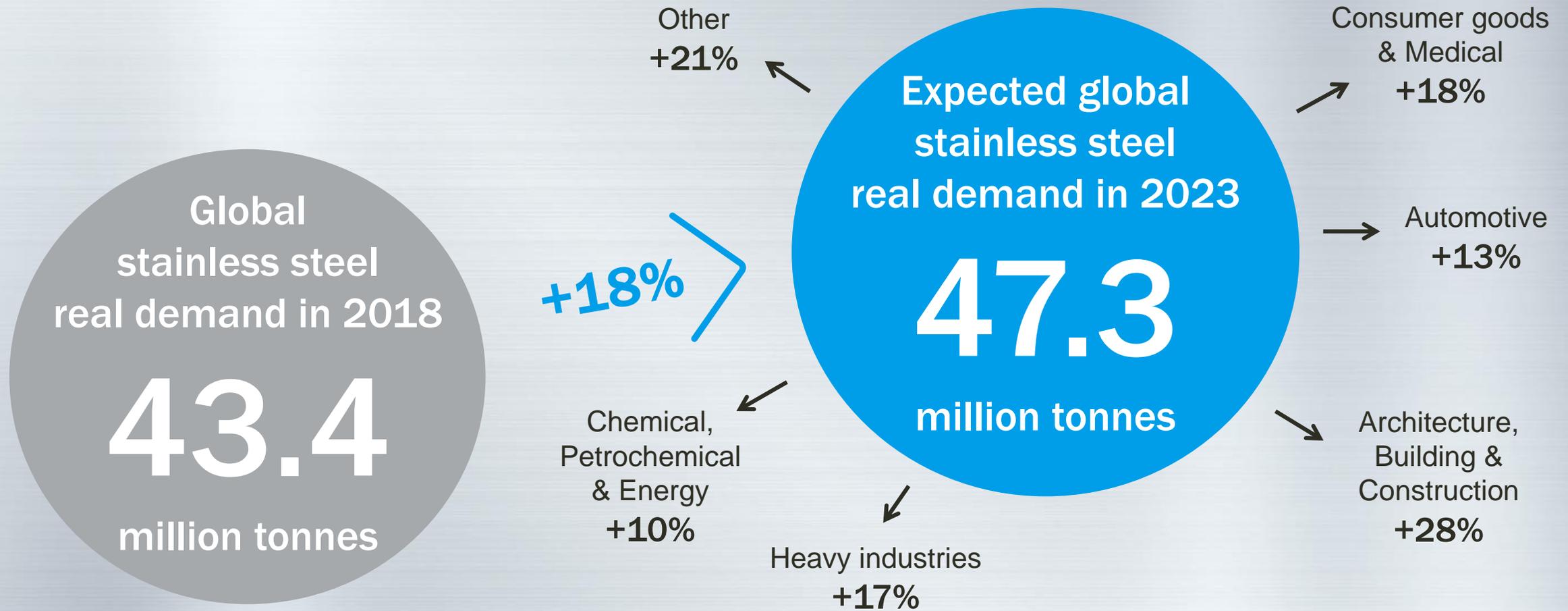
We are operating in a growing industry...

- 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



Our competitive advantages will secure our long-term growth

**Sustainable
solutions**

Digitalization

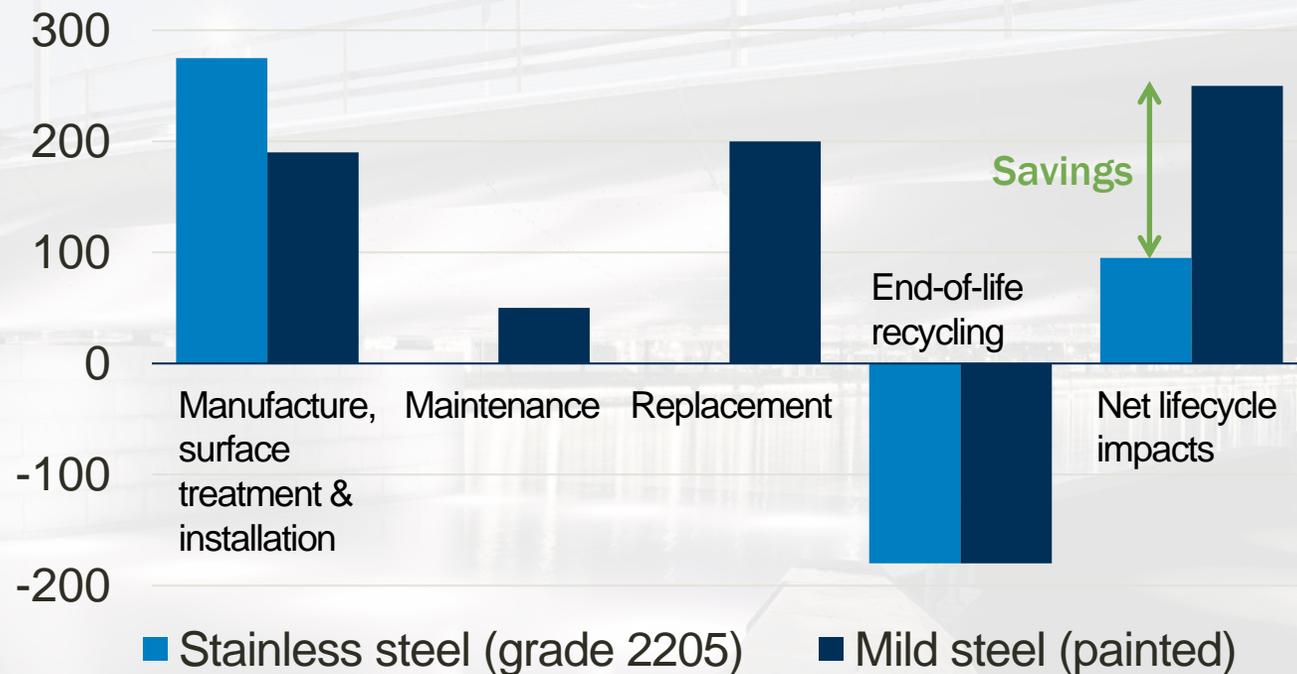
**Customer
satisfaction**

Case: Myllysilta – a collapsed bridge re-built with stainless steel cladding

>60%
lower lifecycle
carbon footprint



Lifecycle carbon footprint*, tonnes



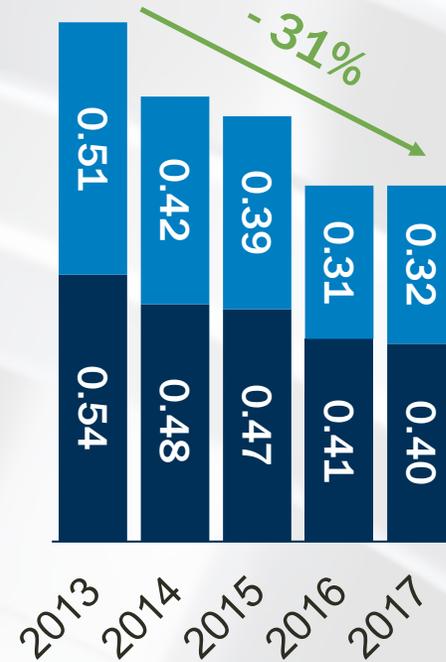
We are the world leader in sustainable steel production



Energy intensity¹



CO₂ emissions intensity²,



Recycled content, %



* Q1/18-Q3/18

1. GJ per tonnes crude steel
2. Direct and indirect, tonnes per tonne steel

We have the
lowest carbon
footprint
ferrochrome
in the world



Our
ferrochrome
operations' CO₂
footprint is only

42%

of industry
average*

We are leading in the digitalization of stainless industry

AI and robotics

Digital processes and services

Safety and cybersecurity

Electric vehicles and other new applications

Over the next 5 years, digitalization will unlock significant potential...

Free up over
100,000
tonnes
of capacity

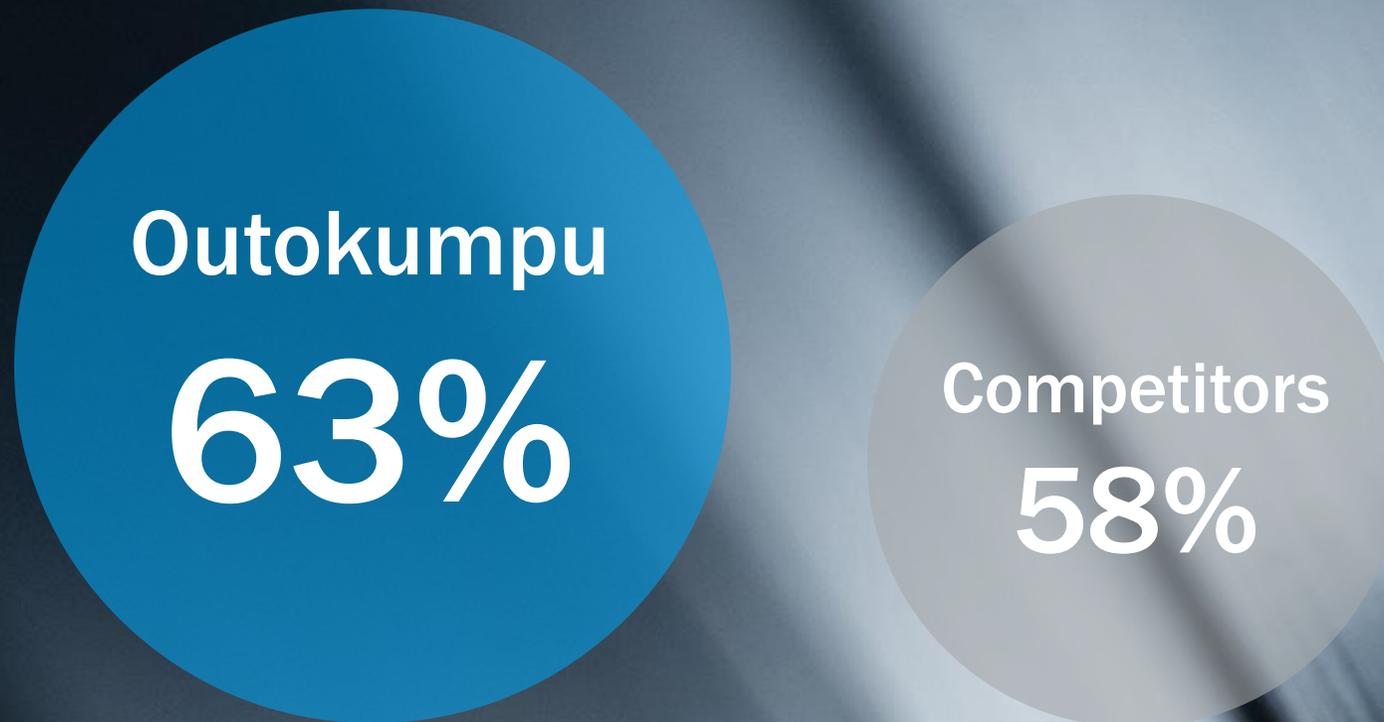
Release
days of inventories
by over
20
days

...and ensure superior customer experience



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

Percentage of absolutely or very satisfied customers*



We are the best value creator to our employees



We are the best value creator to our shareholders

Total shareholder return since beginning of 2016*

Aperam
-13%

Outokumpu
+42%

Acerinox
+9%

We have delivered on all of our promises...

^ 70%

SAFETY

^ 2

ORGANIZATION HEALTH

^ 30%

CUSTOMER SATISFACTION

∨ €500m

NET DEBT

∨ 30%

SG&A COSTS

€1.2b

ADJUSTED EBITDA

€110

million from
commercial
growth

...and by
determined
execution...

€160

million from
efficiency gains



**...we will achieve
an adjusted EBITDA of**

€750

million in 2020

We deliver

We continue to unlock significant value

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Maciej Gwozdz
President – BA Europe

outokumpu 

Underlying business performance has improved

Balance in the European stainless steel market is expected to be restored

We are on our way to deliver €150 million annual EBITDA improvement

We have delivered on our promises

Safety

>50%

reduction on incidents* since 2015

Organization
health to

2nd

quartile

Scrap ratio of

89%

Production
cost
savings**

>€90

million since 2015

* Lost time injury frequency rate
** fixed and variable cost savings

We have had tough market this year...

Import
penetration
up to over
30%

Base prices
down by over
€160
/tonne

Graphite
electrode
prices
10
times higher

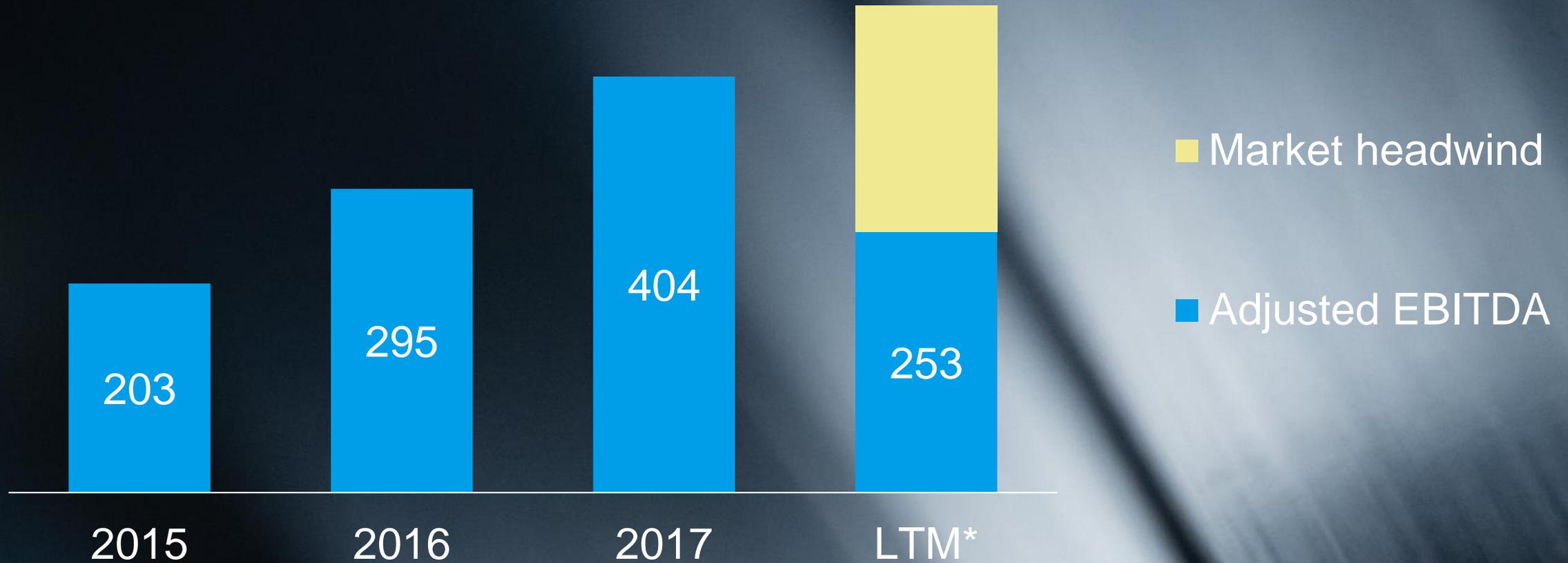
Ferrosilicon
prices up by
over
20%

In 2018, we have had market
headwind of over

€200

million compared to 2017

...but our underlying performance has improved

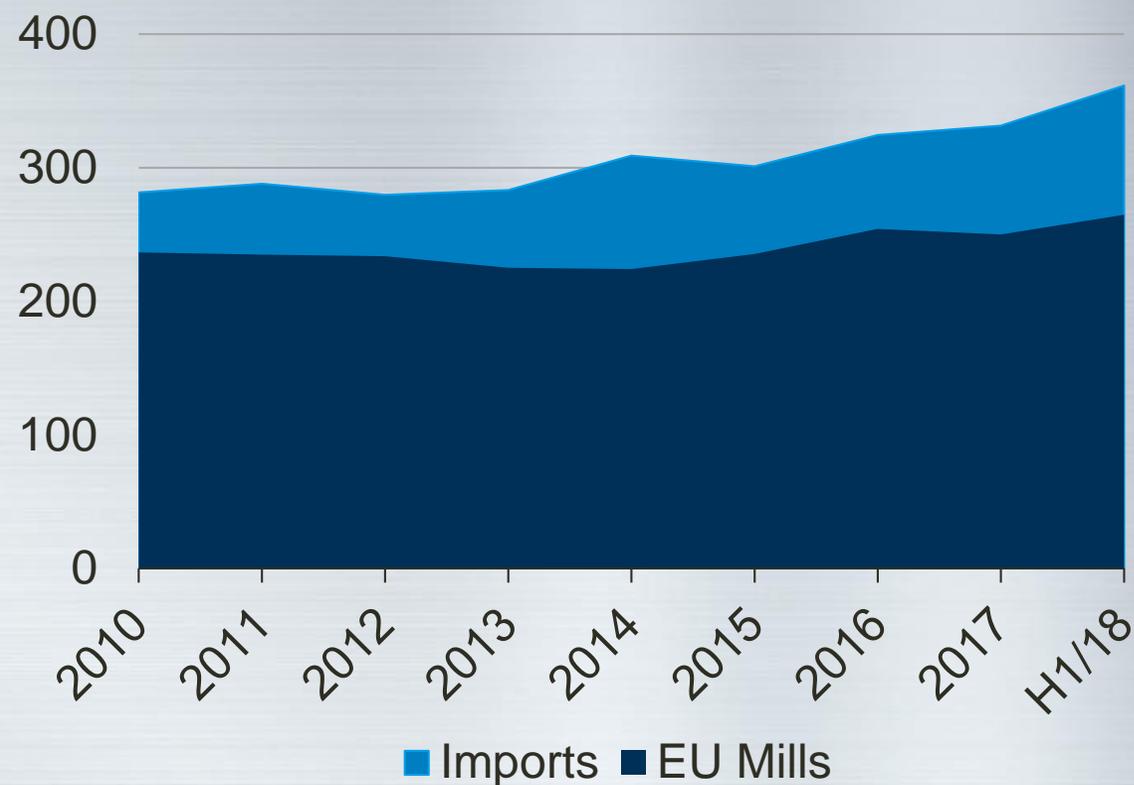


We expect cost pressure to continue but safeguards to restore balance in Europe

Average monthly stainless steel imports into the EU, kt



Stainless steel deliveries into the EU, kt

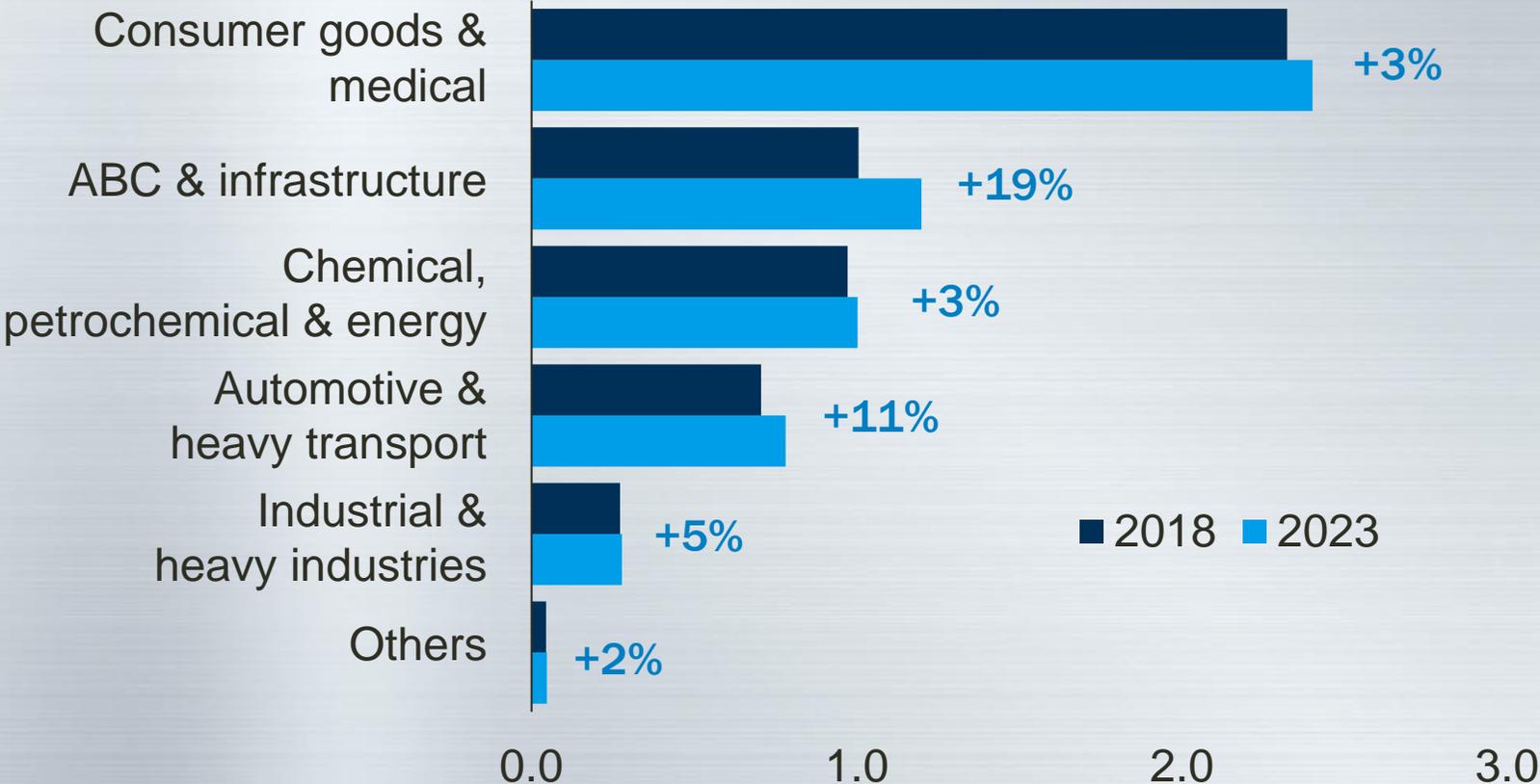


— EC preliminary quota level

■ Imports ■ EU Mills

European market is expected to grow

Europe flat product demand by segment, million tonnes



7%
total demand improvement by 2023

We are on our way to deliver

€150 million

annual EBITDA improvement
by 2020

**Commercial
growth**

€50 million

Efficiency gains

€100 million

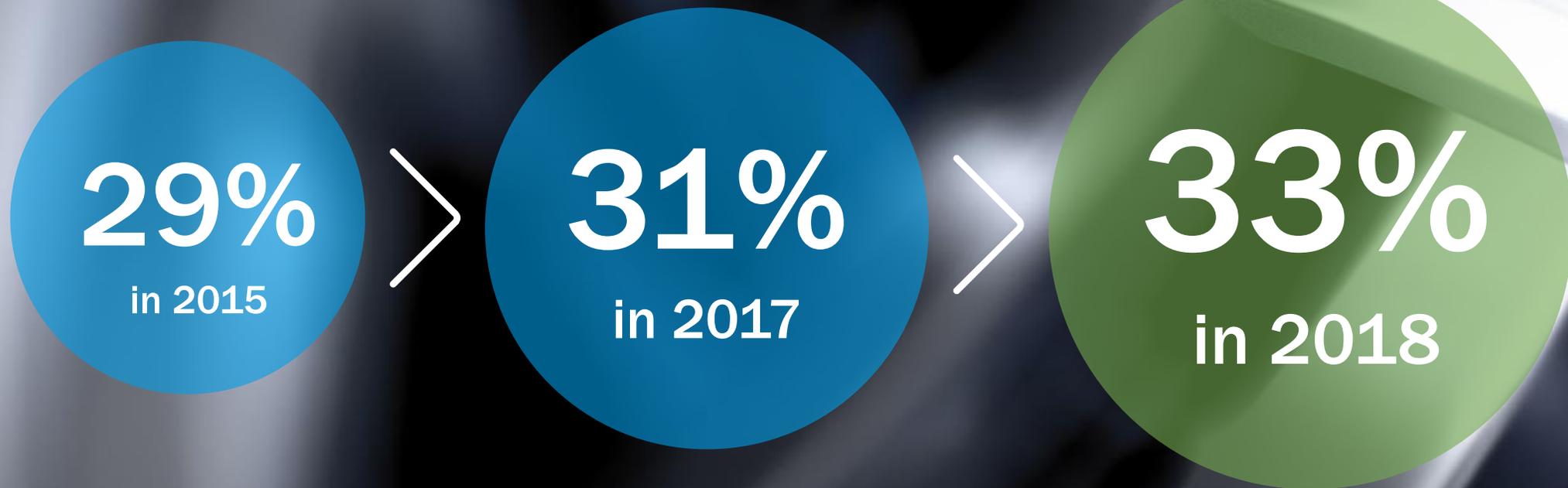
We are increasing the sales of value-added products

**Excellent
steel solutions
know-how**

**State of art
facilities**

**Long-term
commercial
efforts**

The share of premium pro and supra grades has increased



The benefit from improved mix does not come only from higher margins but...

...our **service solutions** are delivering additional value.

Future growth has dual path

Premium

- Technical expertise
- Supporting customers in extreme environments
- R&D involvement in customers' product development

Commodity

- Cost competitiveness
- Leverage of local footprint
- Superior quality and delivery performance
- Lowest carbon footprint



Our efficiency gains are based on

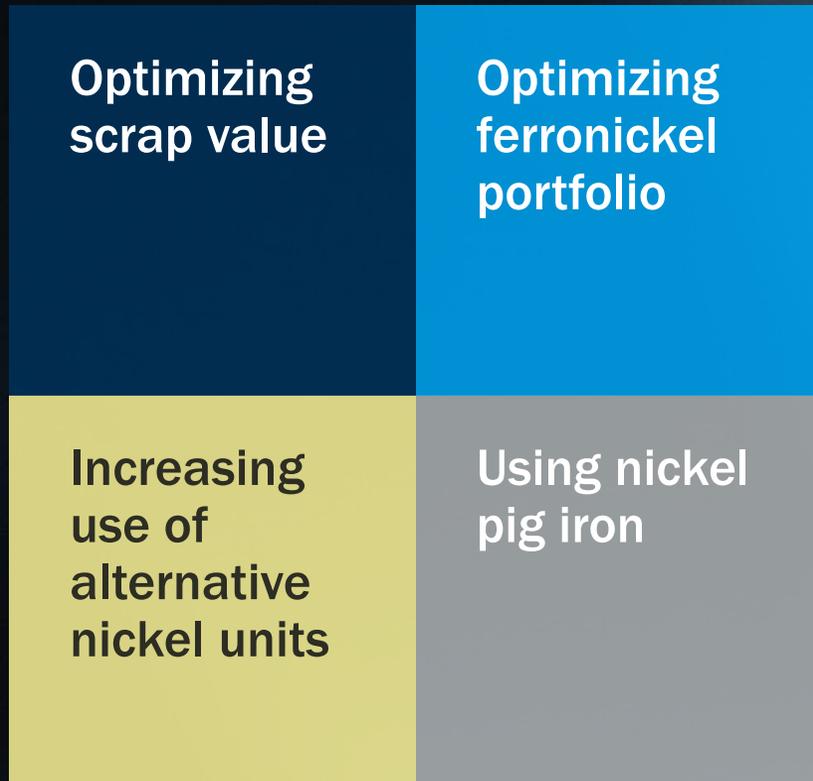
**Raw material
optimization**

**General
procurement
savings**

**3% annual
productivity
increase**

**Digital
manufacturing
and sales**

Optimizing raw material usage brings €40 million cost savings opportunities



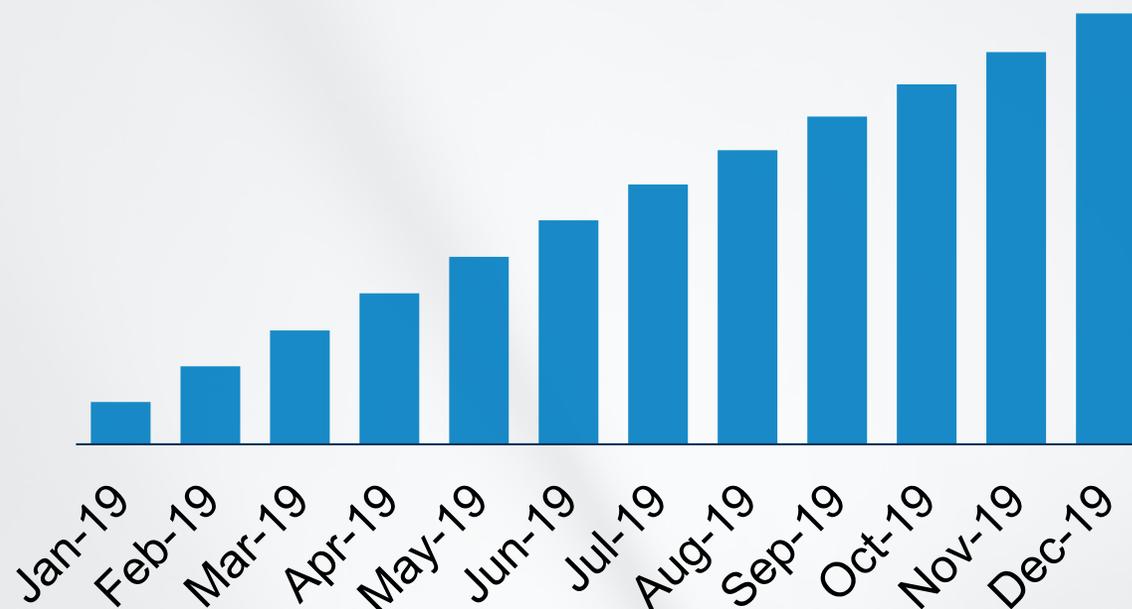
We are aiming to reduce our general procurement costs by another €50 million

- Leveraging our global presence
- Supplier consolidation
- Joint effort between procurement and operations
- Standardization of consumables
- Discretionary spend control

3% annual productivity increase is based on numerous local projects

Continuous debottlenecking of key equipment	Net working capital reduction
Single operating system implementation	Reliability

Benefit outlook 2019, € million



**Case: Increasing
Tornio meltshop #2
capacity by over
100,000
tonnes/year**

- Higher scrap utilization allowed
- Raw material and product mix improved

**Annual financial
impact of over
€10 million**

Tornio is targeted to become the most cost competitive stainless steel mill globally by 2020

Digitalization of the entire production system in Tornio



Tornio to become the first fully digitalized stainless steel mill in the world



Concept will be implemented in all Outokumpu mills by 2023



Increased efficiencies by higher throughput and lower costs

← 2020

2020 →

We are evaluating further opportunities to improve our cost and environmental position

Improving metal recovery from our own waste

- **A roadmap to maximize process recycling**
- **Customer cooperation and logistics**
- **EU workstream on carbon footprint**

We continue to unlock significant value

Commercial growth

€50m

- Higher deliveries
- Value-added products
- Service solutions

Efficiency gains

€100m

- Raw material optimization
- General procurement
- 3% annual productivity increase
- Digital manufacturing

Solid operational foundation enabling commercial growth

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Michael S. Williams
President – BA Americas

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**Solid and efficient
operational foundation
established**

**Streamlining of our
operations continue**

**Commercial
development unlocks
substantial value
potential**

We have delivered on our promises

Safety

20%

reduction on incidents since 2015

Organizational
health to

2nd

quartile

Production
cost
savings *

> €60

million since 2015

Adjusted
EBITDA

^ €140

million since 2015

We have
increased our
deliveries by

65%

vs. 2015

While

- reducing headcount by 38%
- improving talent
- reducing exposure to low profitability products

Despite significant cost pressure in 2018...

Graphite
electrodes

- €15

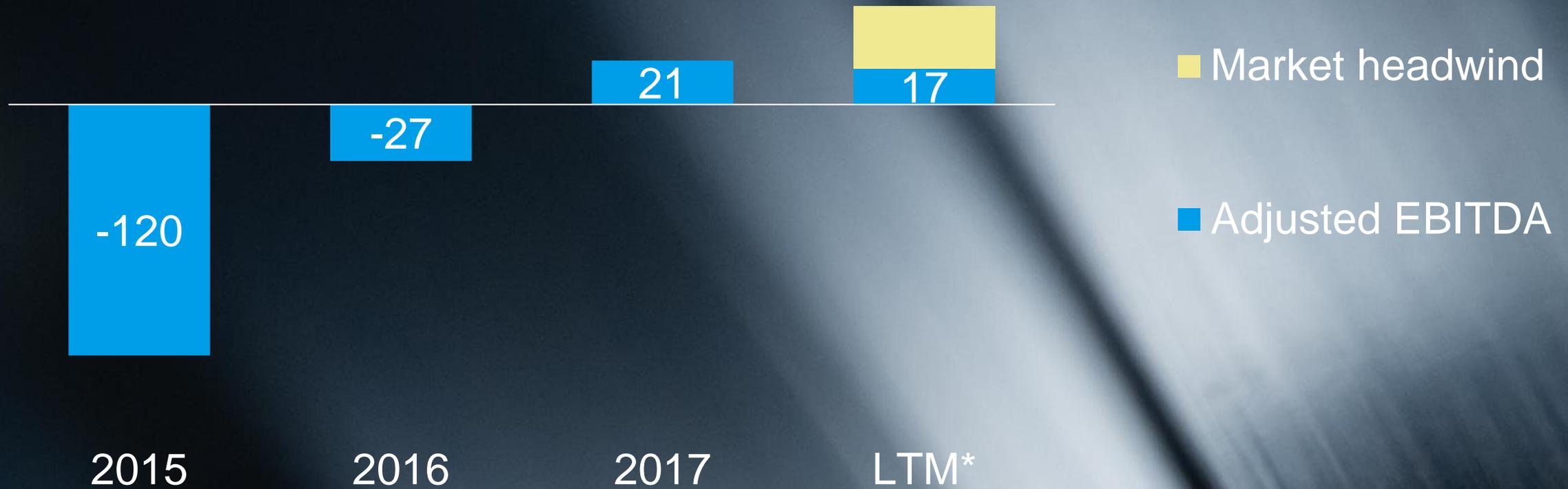
million

Truck
transport costs

- €15

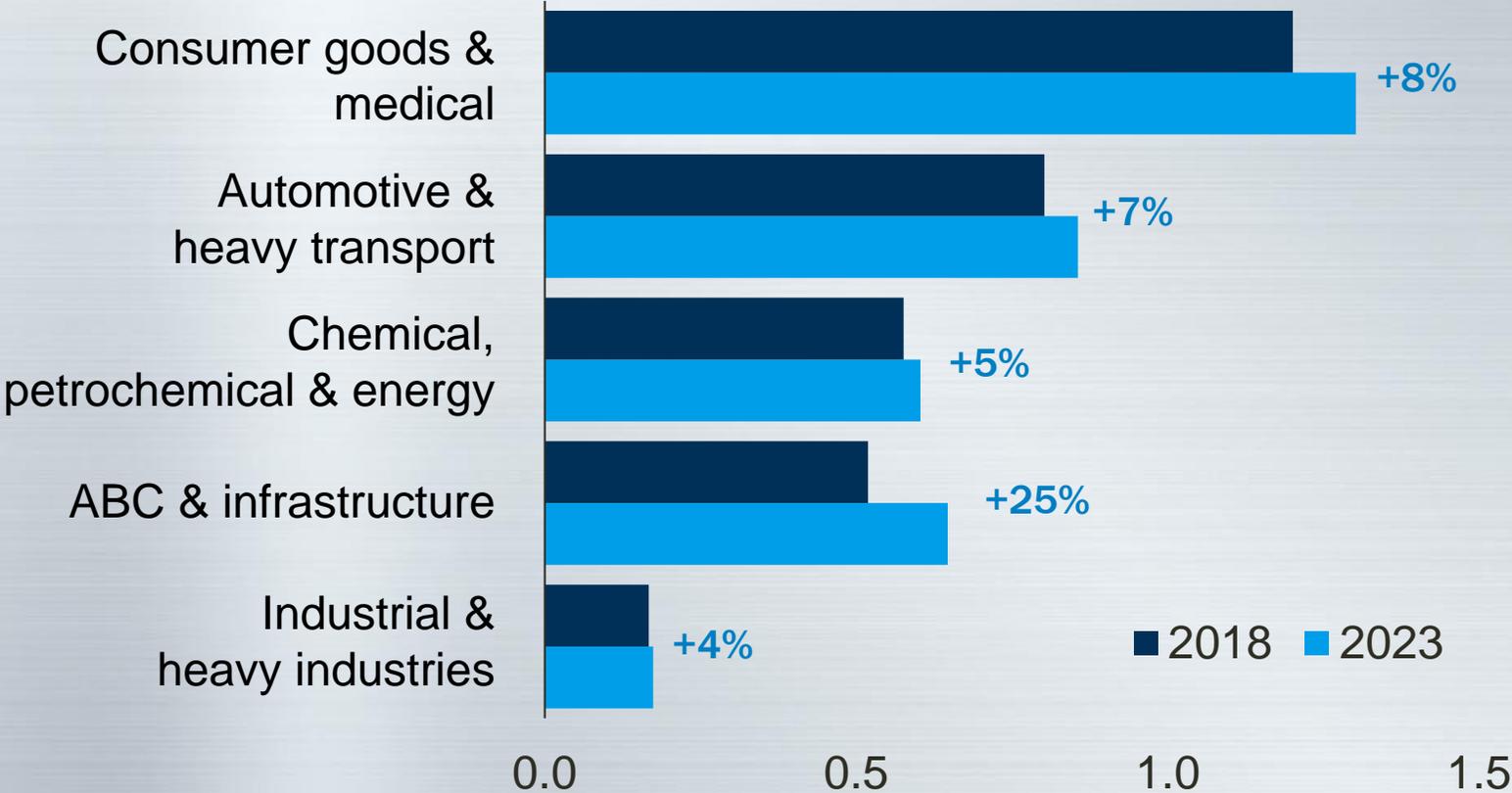
million

...we have continued to improve our performance



Demand growth prospects remain healthy

Americas flat product demand by segment*, tonnes



10%
total demand improvement by 2023

* SMR October 2018

**Section 232
brings
short-term
advantages
in the US**

Stainless steel
imports have
decreased by over

7

percentage points

Base price in the
US has increased
by over

\$100

/tonne

Healthy market together with
efficient operations form
foundation for

€100 million

EBITDA improvement
by 2020

**Commercial
growth**

€60 million

Efficiency gains

€40 million

Streamlining of our operations continue

**Utilize the full
benefit of
Mexinox
restructuring**

**Reduce
logistics
costs**

**Optimize raw
material
usage**

**Improve
reliability**

Sustainable gains in Mexinox restructuring

Phase 1 completed

- No supply chain impairments
- Culturally no impact
- Conversion costs reduced by over

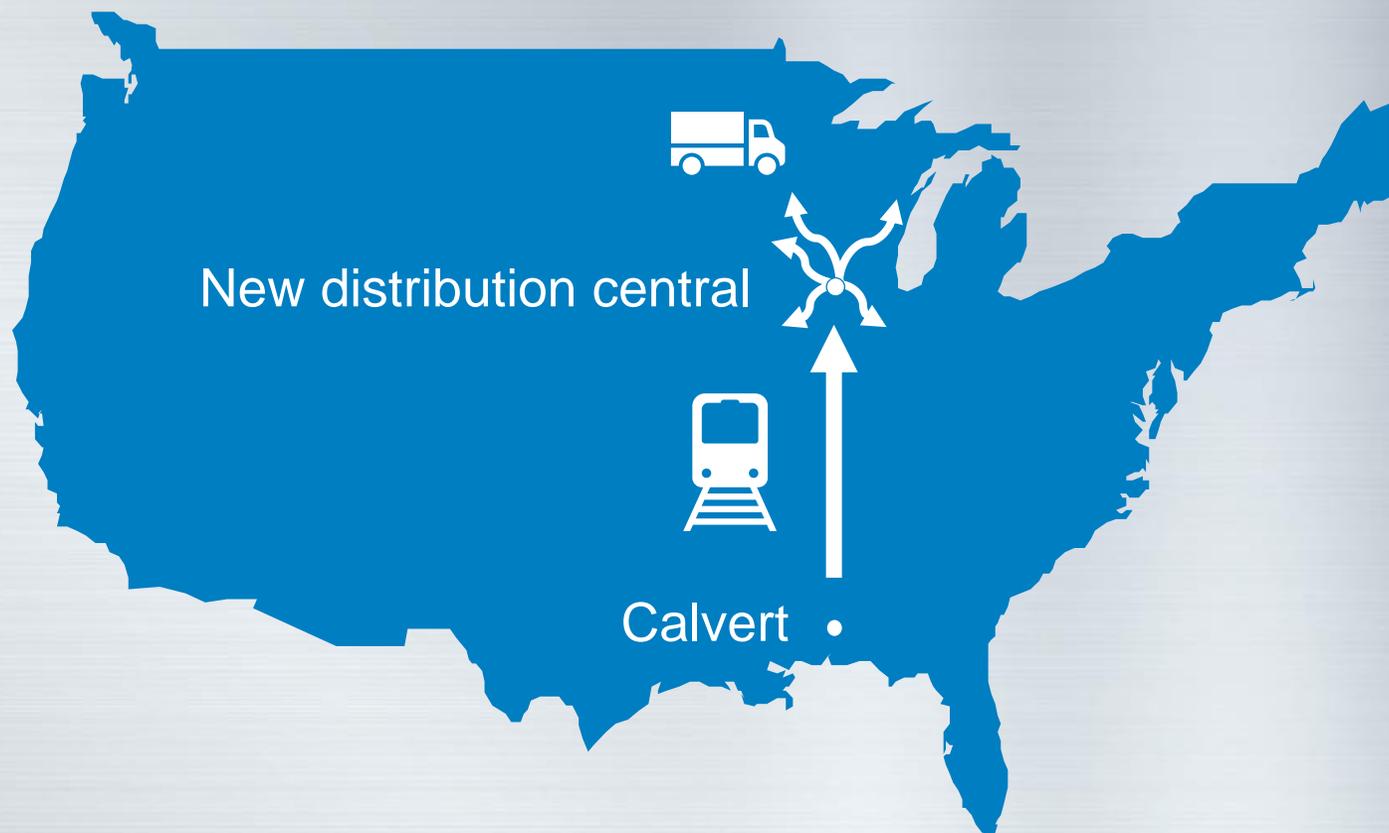
15%

Phase 2 underway

- Increase reliability and throughput on bottleneck units
- Focus on advanced maintenance strategies and operational excellence

New distribution strategy to be implemented in Q1/19 to offset large part of increased truck transport costs

- €15
million negative
impact YTD



Securing scrap availability brings significant savings potential



Delivery reliability is the key to improve mix

< 70%

SOTIF*
in 2017



80%

SOTIF
in Q3/18



85%

SOTIF
target

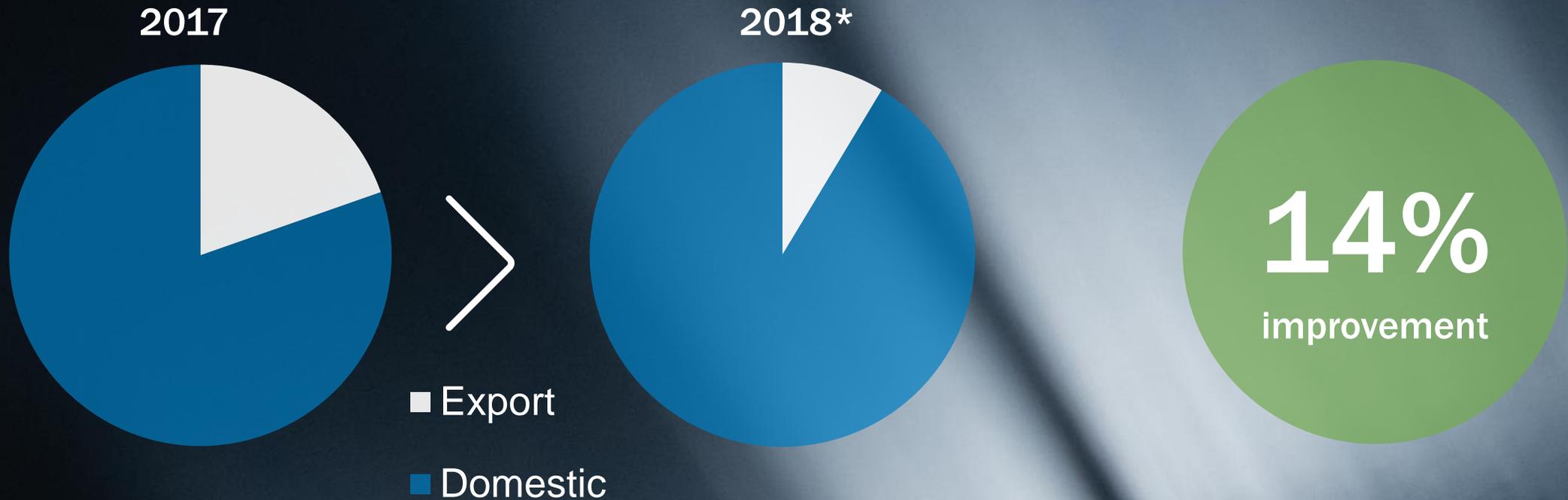
Our commercial efforts focus on

**Enhancing
customer and
product mix**

**Regaining
market share
in Mexico**

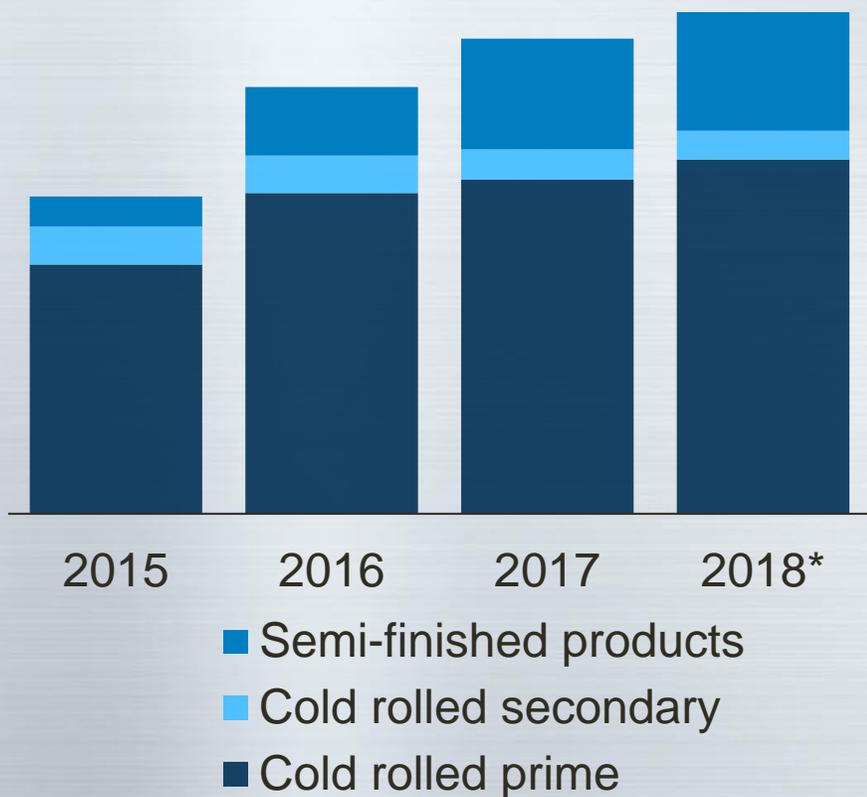
**Introducing
new products**

Our regional mix is developing according to plans...



...and improving product mix provides substantial further potential

Americas production mix split¹



42%
cold rolled prime
volume
improvement
since 2015

€60
million
further profitability
improvement
potential²

1. Calvert & Mexinox
2. Full capacity utilization

* FY2018 based on Q1-Q3 actuals, Q4 management estimate

**We are
regainining
our market
share in
Mexico**

**Automotive is
the fastest
growing
market with
three
manufacturers**

**Import pricing
is below
domestic
pricing**

**We are
targeting:**

- **Distribution**
- **Appliances**
- **Coins/
Industrial**

Product development is strengthening our commercial effectiveness...

We are introducing **duplex grade 2205** in Calvert

We are NAFTA market leader with **painted stainless**

We are offering product substitutions utilizing our **technical services and R&D**

We are introducing **new polish surface** to expand our portfolio

...and to ensure continuous portfolio expansion, we are increasing ferritic capabilities in Calvert

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

Solid operational foundation enabling commercial growth

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



**We remain committed to
our financial targets**

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Christoph de la Camp
CFO

outokumpu 

adj. EBITDA

€750

million

ROCE

12%

Gearing

<35%

We have delivered on our promises

Adjusted
EBITDA

^ €300

million since 2015

SG&A
costs

∨ €130

million since 2015

Cash flow*

> €550

million cumulative since 2015

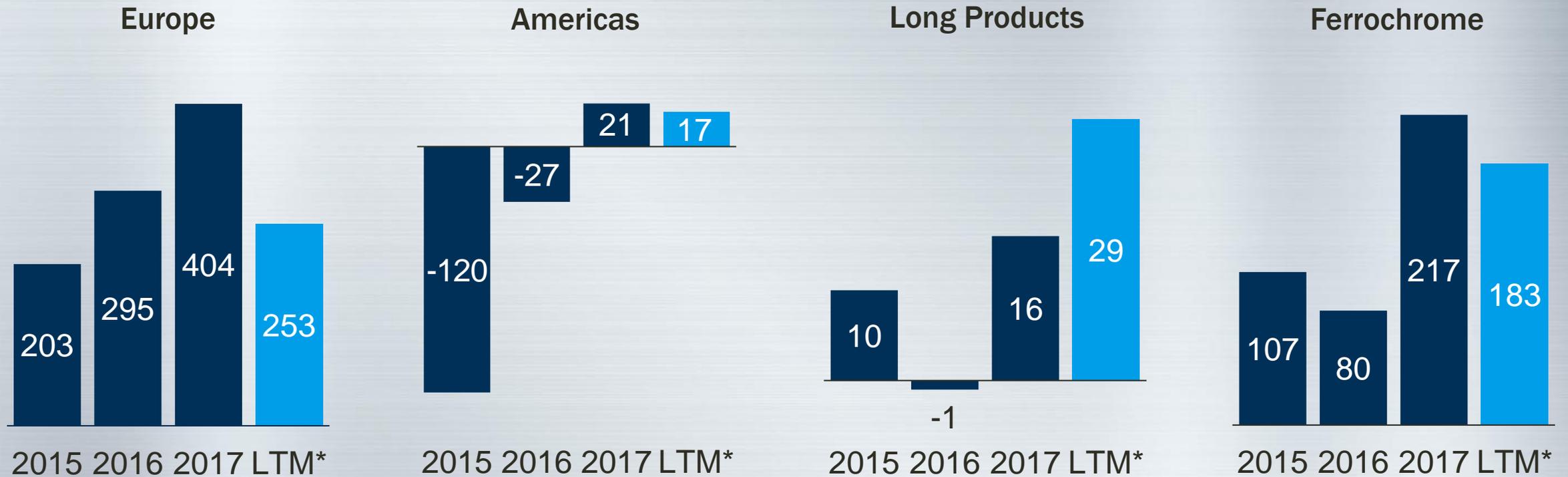
Gearing

∨ 25

percentage points since 2015

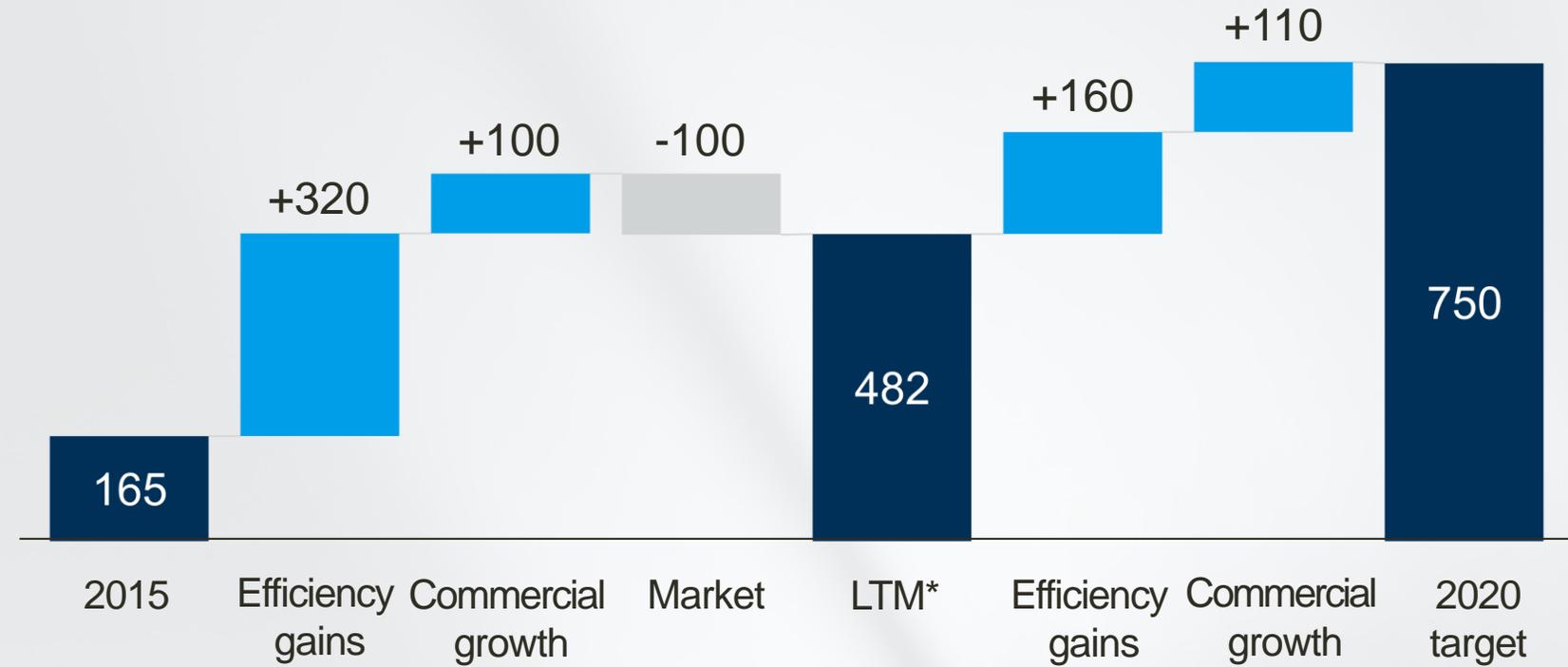
We have made clear progress in all business areas...

Adjusted EBITDA, € million



...and reduced our costs significantly through self-help

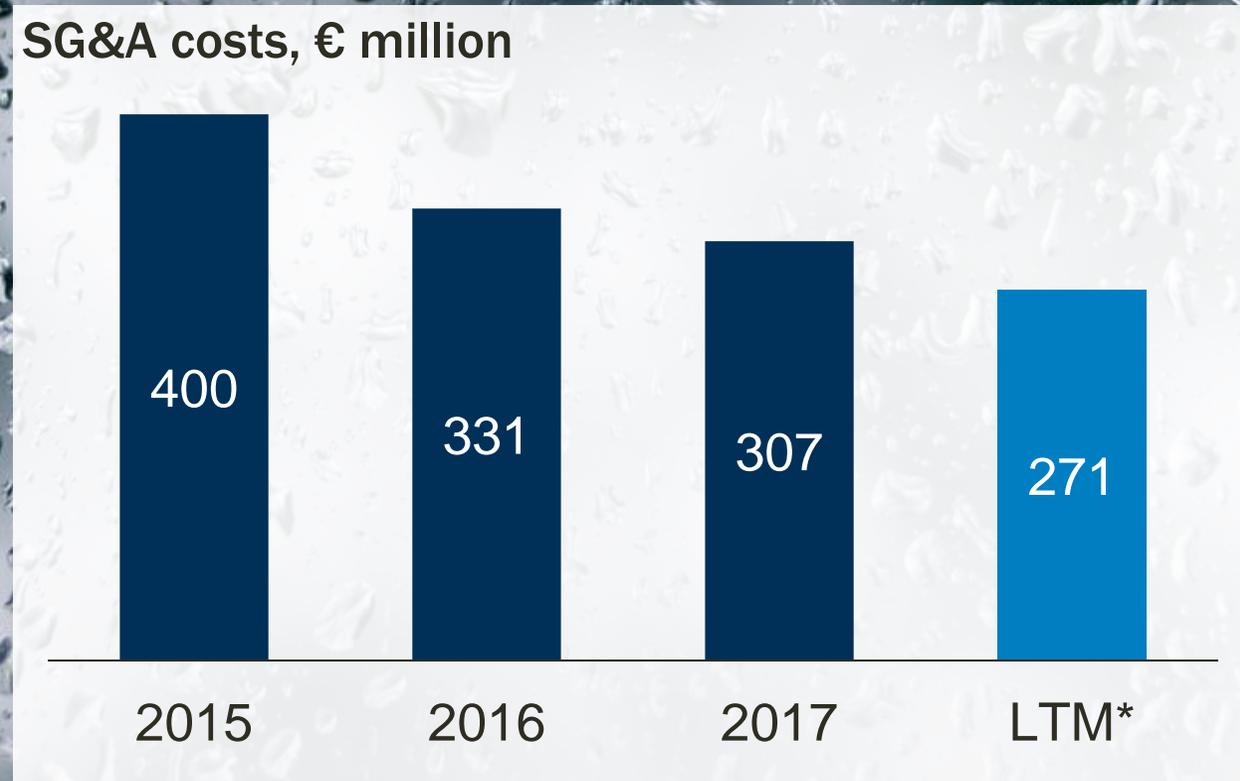
Adjusted EBITDA, € million



* Q4/17-Q3/18

Approximate figures, based on management estimates

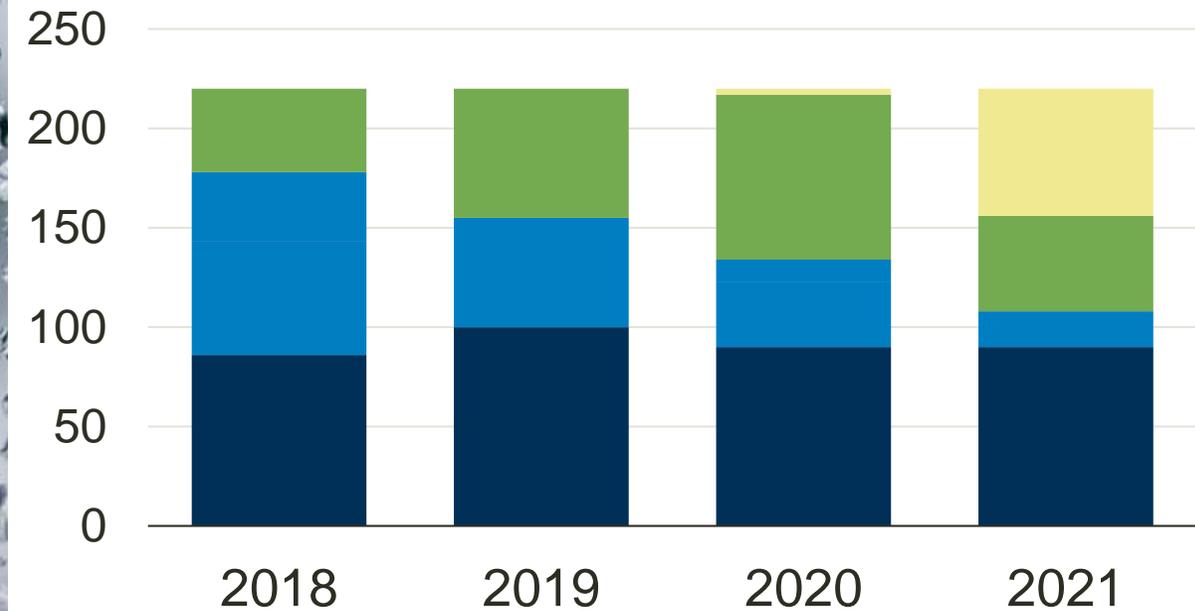
SG&A costs continue to decline



Our capex remains conservative



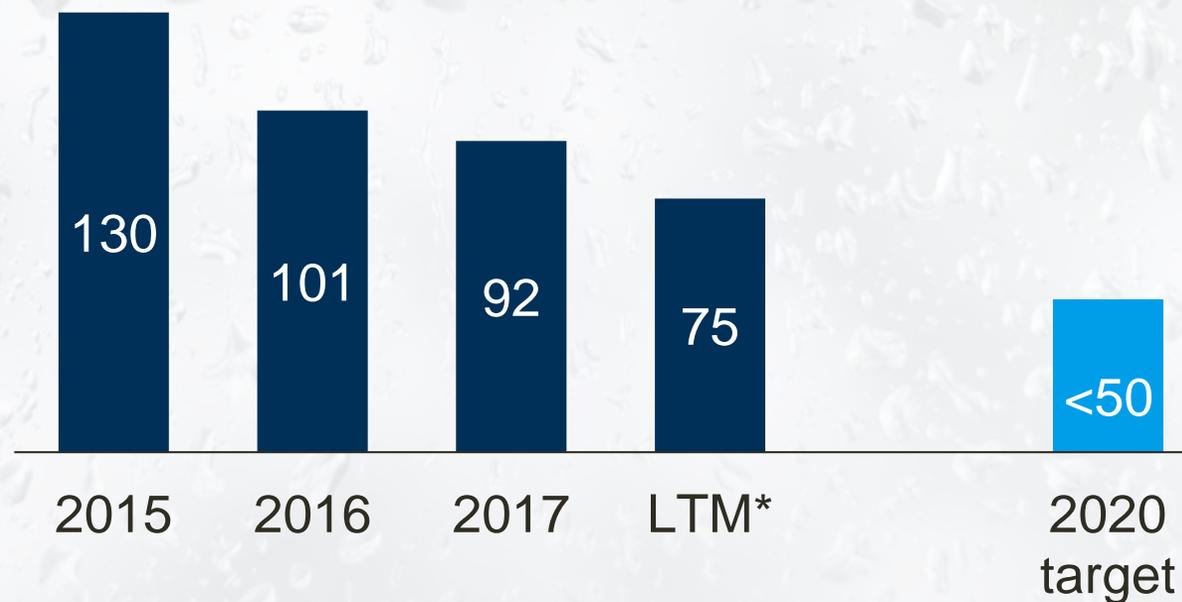
Capex cash flow estimated to stay at the level of €220 million



We continue to reduce interest expenses...

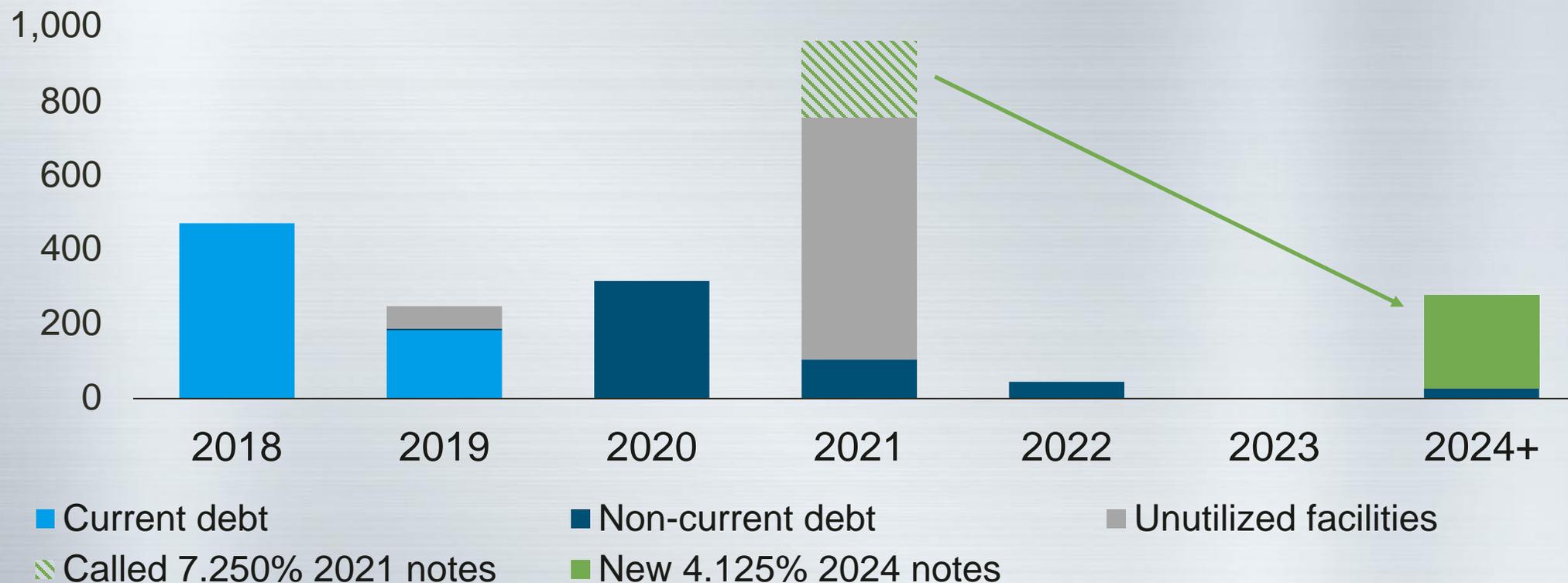
Revolving credit facility refinanced	Convertible notes due February 2020
2019 notes prepaid	2021 notes refinanced

Interest expenses, € million



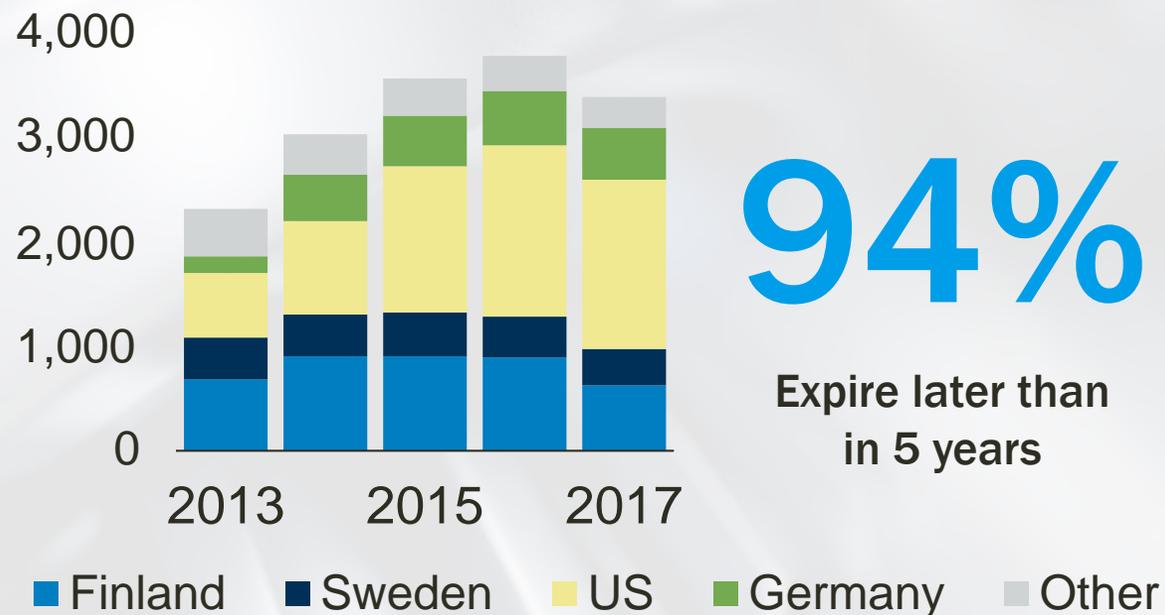
...and to extend our debt maturities

Debt maturity profile*, € million



Tax loss carry forwards will keep cash taxes moderate

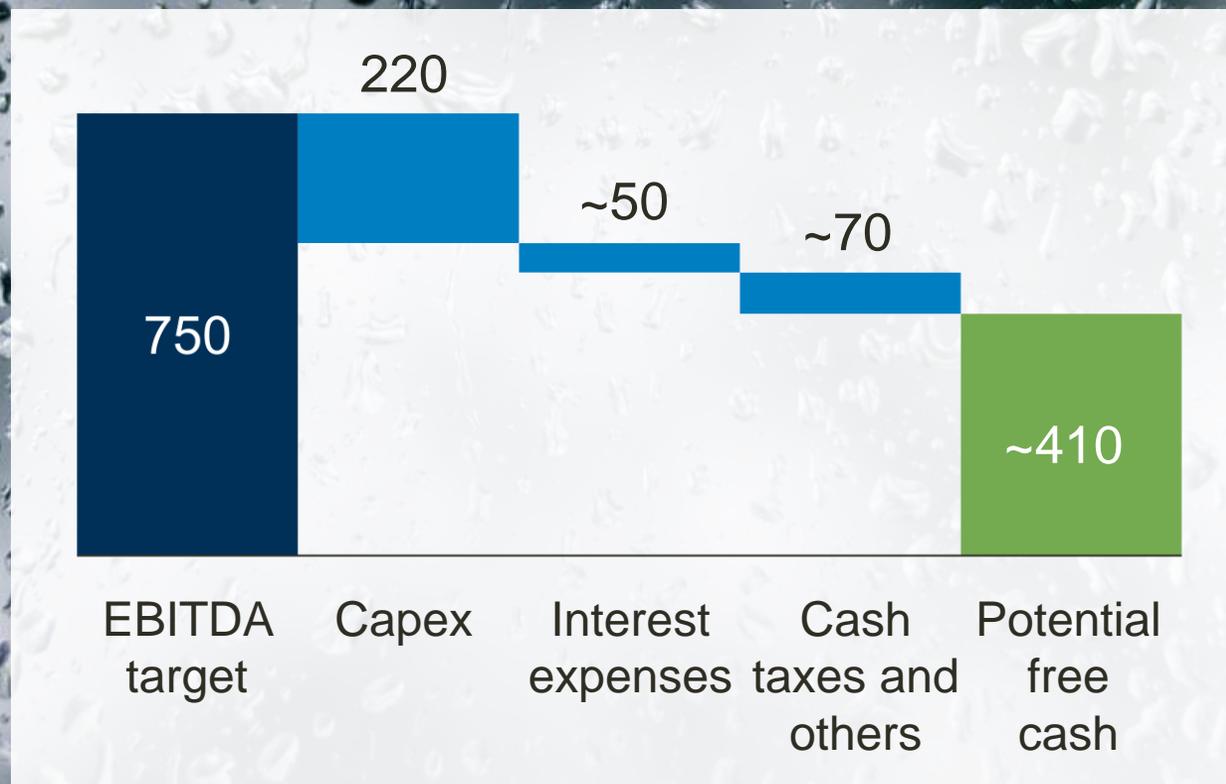
Tax loss carry forwards, € million



In Finland, we start paying cash taxes in 2019

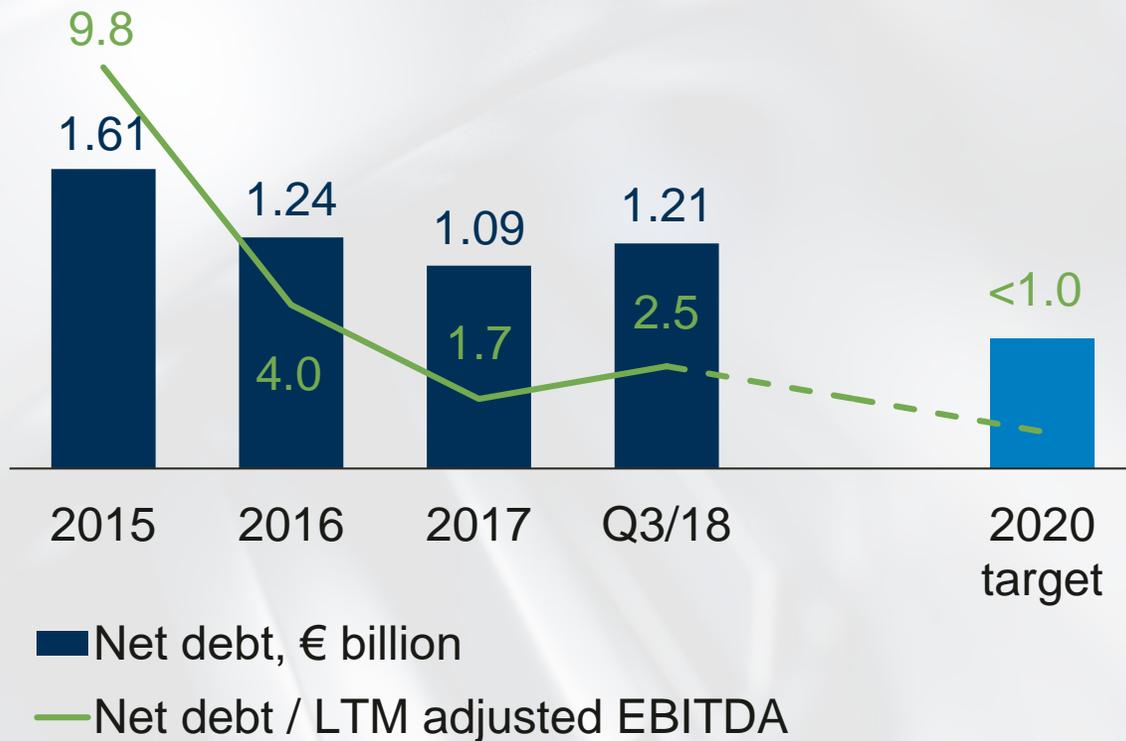
Deferred tax assets still to be recognized on the tax losses in the US and the UK

Resilient cash flow will continue to strengthen our balance sheet



Reducing net debt further remains a key priority

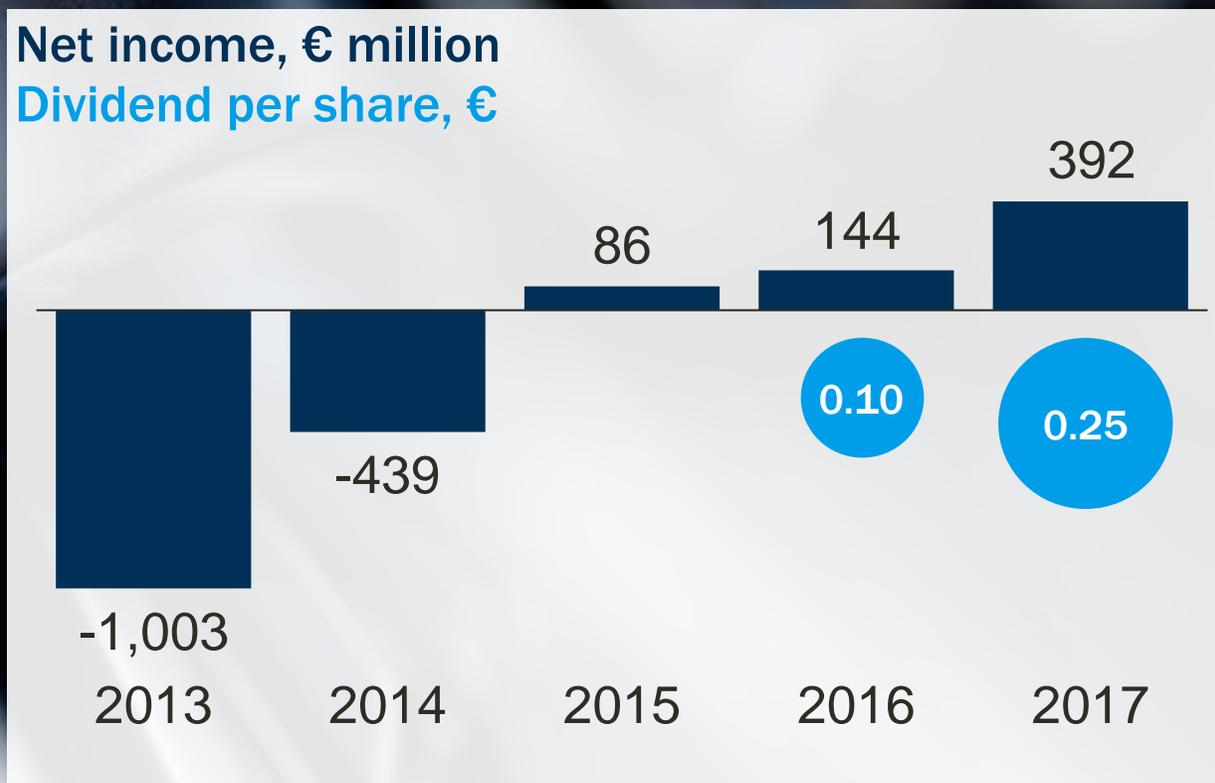
Net debt / LTM adjusted EBITDA



Short-term fluctuations in working capital remain

- Nickel prices
- Ferrochrome prices
- Seasonality

Dividend pay-out ratio throughout a business cycle will be approximately 30-50% of net income



adj. EBITDA

€750

million

ROCE

12%

Gearing

<35%

**We are ready to capture
significant potential
from commercial growth**

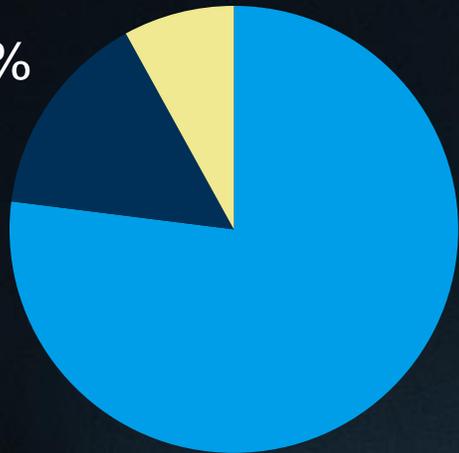
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Michael S. Williams
President – BA Americas

outokumpu 

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

Canada; 8%

Mexico; 15%



USA; 77%

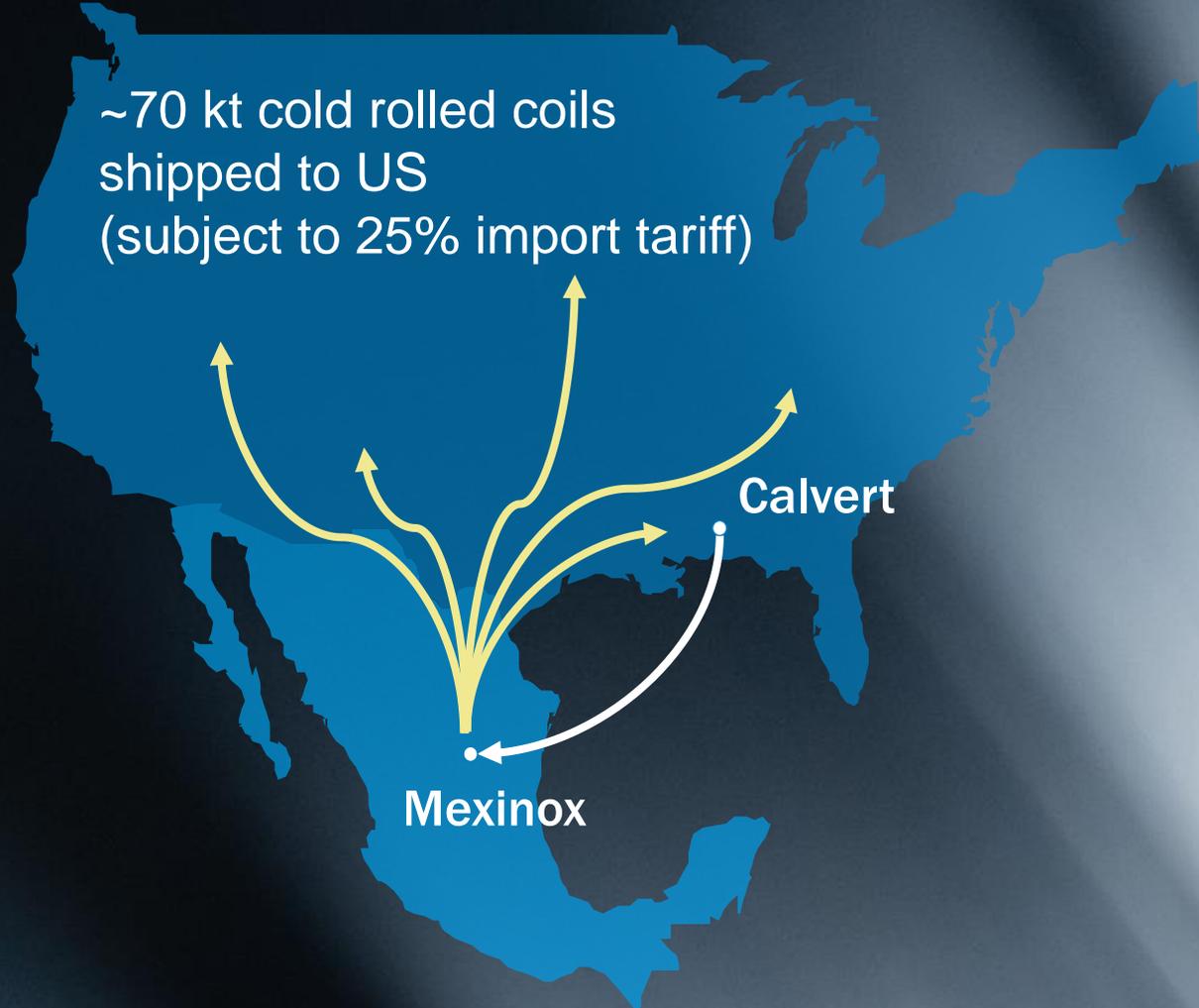
98%

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

85%

of the market is owned by TOP10 distributors

We have an efficient production setup



Hot rolled coils
shipped from
Calvert to Mexinox
(not subject
to tariff)

Drivers for our commercial growth

**Enhancing
customer and
product mix**

**Improving
customer
service**

**Expanding
product
portfolio**

Our customer mix continues to improve gradually

TIER 4

- Market entrant
- Limited portfolio
- New workforce



TIER 3

- Established position
- Integrated operations
- Commodity portfolio
- Skilled workforce



TIER 2

- Acceptance as quality leader
- Leading portfolio
- Increased complexity in supply chain
- Fully integrated back office & commercial team



TIER 1

- Complete market acceptance
- Customer satisfaction leader
- High margin, demanding product offering

We continue to improve our customer service

- New staff located to Calvert with direct contact with the producing mill
- Geographic structure in place
- Market owners aligned with key segments

SOTIF*
improvement is
the key to increase
customer
satisfaction

Our product portfolio is expanding

Ferritics

2205 duplex

**Painted
stainless**

**Polish
surface**

We are ready to capture significant potential from commercial growth

**Enhancing customer
and product mix**

**Improving customer
service**

**Expanding product
portfolio**

Digitalization will boost our competitive position

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Jan Hofmann
EVP – Business Transformation & IT

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Digitalization – Next step in our business transformation

2012

Acquisition
of Innoxum

2013 – 2015

Restructuring
Transform the
industrial platform

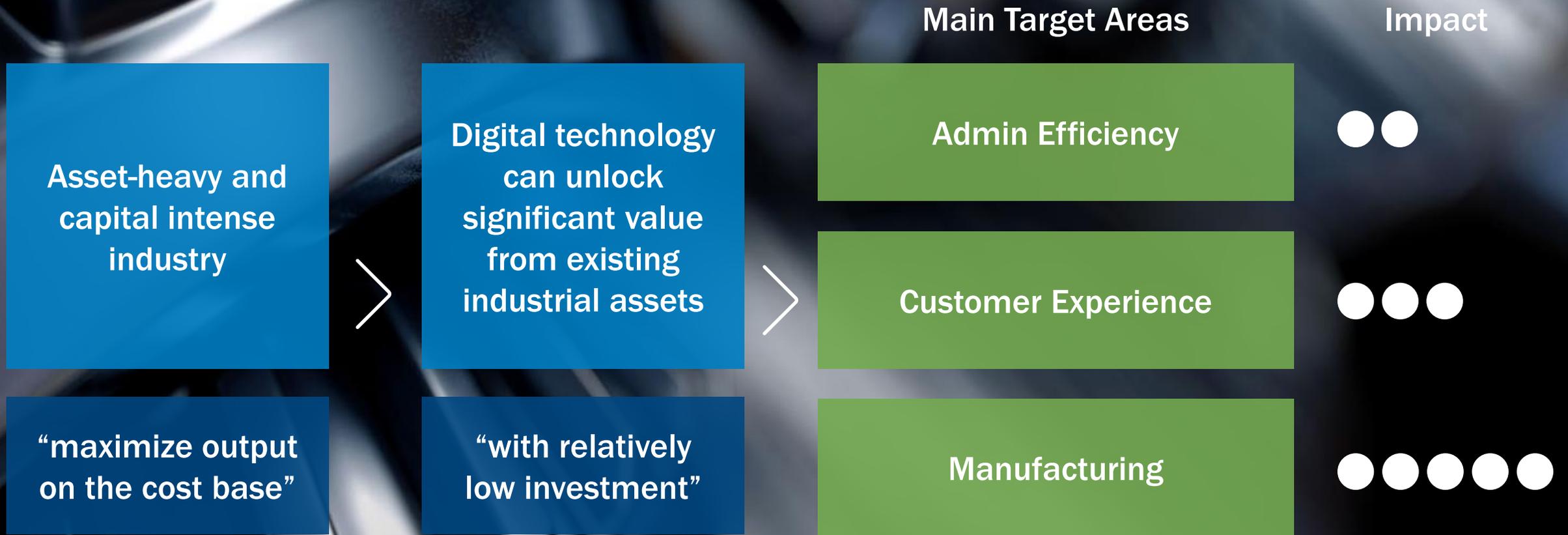
2016 – 2020

Must-Win-Battles
Transform the
operating model

Digital transformation

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

The impact of digitalization on stainless steel industry is still widely underestimated



Manufacturing: Potential to free up over 100,000 tonnes of blocked capacity over the next 5 years

MAIN LEVERS

ASSET AVAILABILITY

Minimize standstills and maintenance shutdowns ...

... by predicting equipment failure and predictive maintenance

QUALITY ASSURANCE

Avoid quality defects ...

... by detecting them early in the process before adding further value

LEAD TIME

Minimize waiting times ...

... by advanced supply chain management and closed loop production

Case Study: AI stabilized FeCr smelter #3 performance with immediate financial benefits

**ELECTRODE
CONTROL
MODEL**

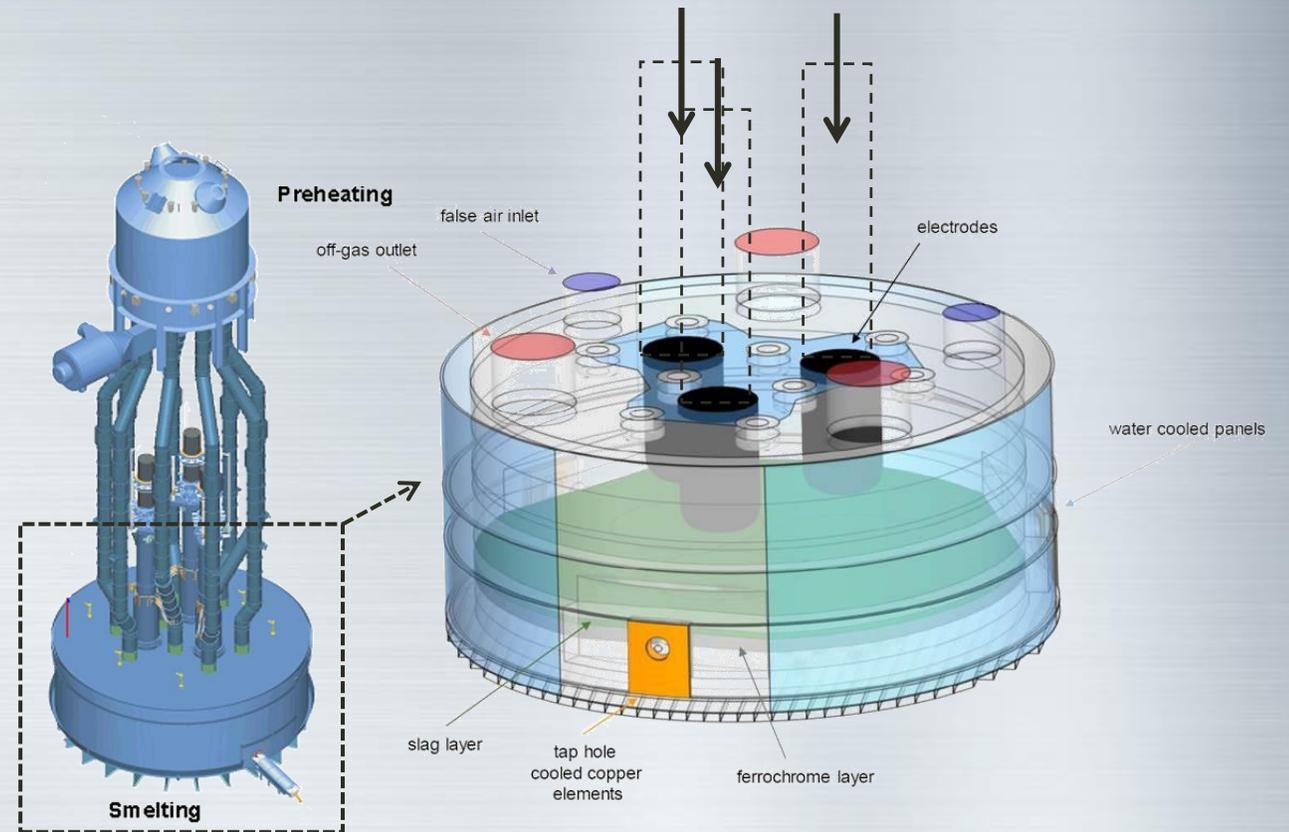
Boost resource
efficiency

4x
furnace lifetime

**STABILITY
MODEL**

Predict
failures

3.1%
throughput increase



We are joining forces with Microsoft to boost our digital transformation in manufacturing

Outokumpu and Microsoft establishing a new benchmark for the process industry. Together.



Microsoft

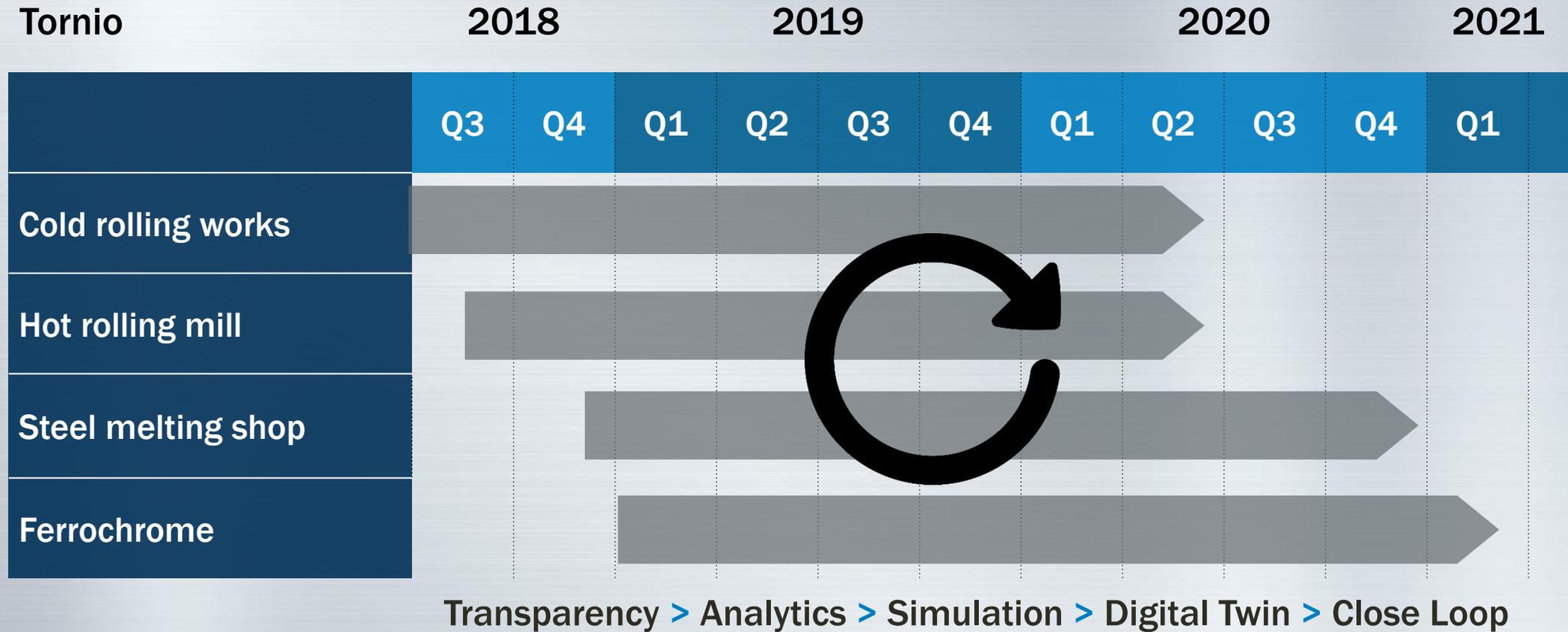
outokumpu 

Building a leading edge industrial digital platform

Multi-year strategic cooperation and co-investment

Combining digital expertise of Microsoft with transformation leadership of Outokumpu

Tornio to become most digitized and cost-competitive stainless mill by 2020, roll out to other mills by 2023



Digitalization will boost our competitive position

**We are taking the lead
in digital
transformation of the
stainless steel industry**

**Digital manufacturing
implemented at
all mills by 2023**

**Potential to free up
over 100,000 tonnes
of blocked capacity**

Manufacturing excellence delivering reliability

Capital Markets Day 2018
Martin Mikiewicz
VP – Manufacturing Excellence Global

outokumpu 

Trinity of excellence



**What is the most
unreliable kind of car?**

Why?

Why?

**No real
owner**

**Almost a
commodity**

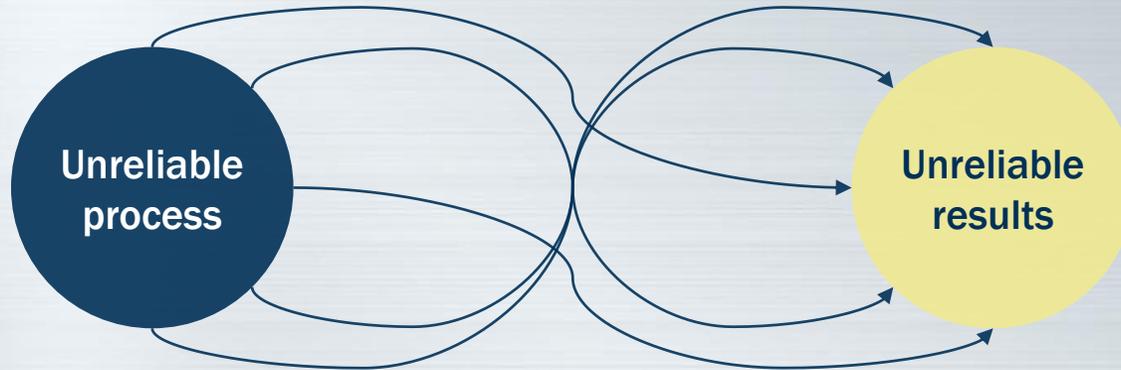
Don't care

**Drive it like
you stole it**

**No need for
maintenance**

**Refuel with
cheapest
fuel possible**

Reliable and stable processes deliver consistent results



Traditional
=
People doing whatever they can to get the results



Best Practice
=
People using standard processes to get the results

Journey towards reliability is a long one and has prerequisites

Leadership

Organizational alignment

All functions working together

Operational culture

What can we expect when we get it right?

OEE*

>80%

Delivery performance

>95%

SAFETY



PRODUCTION CAPACITY



COSTS



QUALITY



Our journey towards operational reliability

Preparation
Q1 & Q2 2018



Deployment
Q3 & Q4 2018



Implementation
2019 thru 2020

Deploying reliability contributes to our €750 million EBITDA target

Throughput

- More uptime
- Improved quality
- Better maintenance planning
- Less scrap

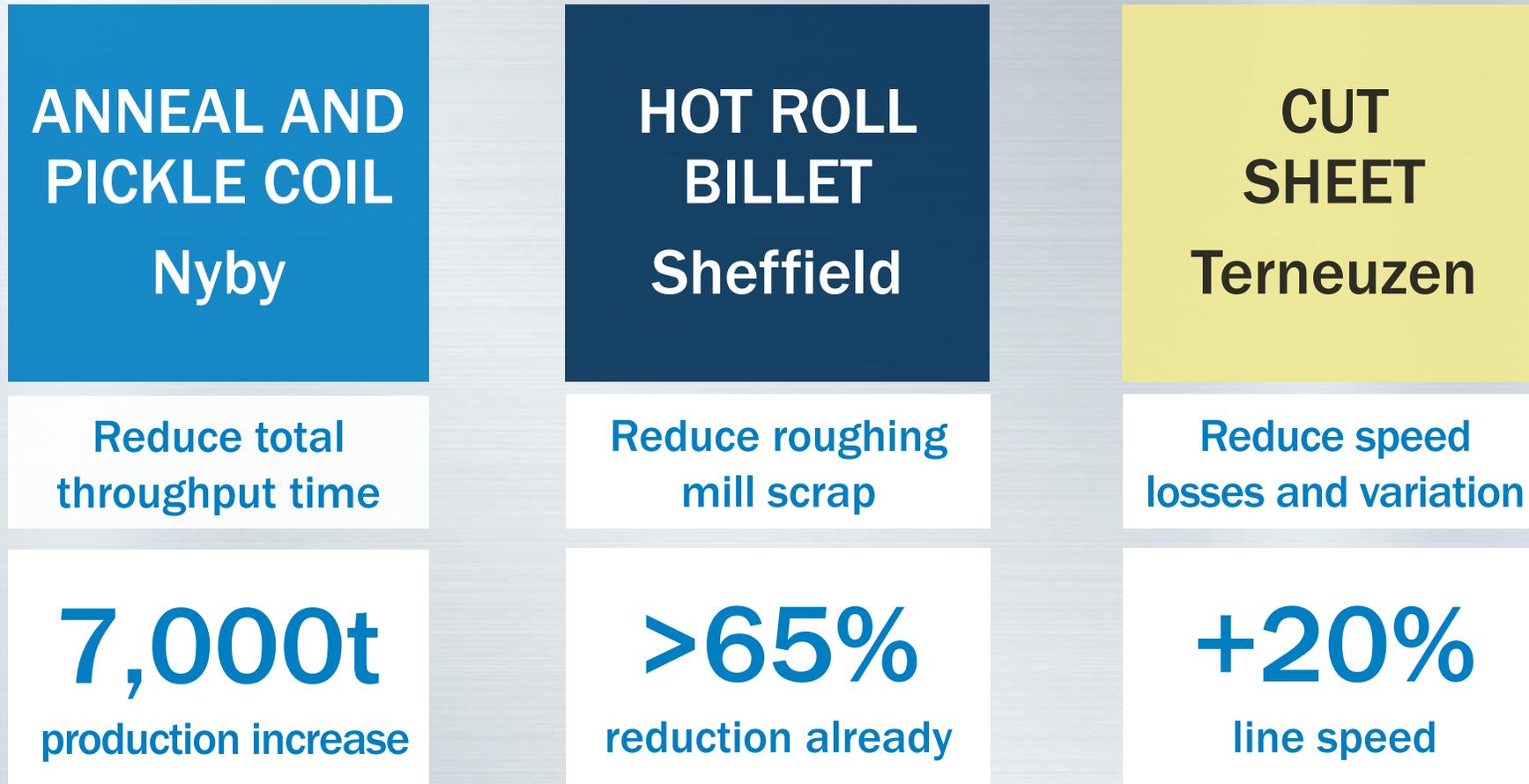
Costs

- Higher equipment utilization
- Spare part optimization



RELIABILITY

Reliability gains consist of numerous improvement projects at all sites



**Reliability
works but
implementing
is not easy**



Manufacturing excellence delivering reliability

**Solid plan for each
plant**

**Clear project pipeline
with allocated
responsibilities and
resources**

**Experienced people to
ensure success**

Stay tuned and
follow us on



www.outokumpu.com