

Outokumpu Capital Markets Day 2020

March 18, 2020

Program, UK time

- 12:30** **Opening remarks**
Reeta Kaukiainen, EVP, Communications and Investor Relations
- 12:35** **Shaping the future for stainless steel**
Roeland Baan, President &CEO
- Continuing to strengthen our competitiveness**
Maciej Gwozdz, Business Area Europe
- 13:35** Break (10 minutes)
- 13:45** **Well positioned for profitable growth**
Olli-Matti Saksi, President, Business Area Americas
- Focus on cash and cost to strengthen our balance sheet**
Pia Aaltonen-Forsell, CFO
- 14:45** **Closing remarks**
Reeta Kaukiainen, EVP, Communications and Investor Relations

Presenters



Roeland Baan
CEO



Maciej Gwozdz
President
Business area
Europe



**Pia Aaltonen-
Forsell**
CFO



Olli-Matti Saksi
President
Business area
Americas

Disclaimer

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Shaping the future for stainless steel

Capital Markets Day 2020

March 18, 2020
Roeland Baan
President & CEO

Vision 2020

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

Customers
Shareholders
Employees

Time bound:
sense of urgency

Back to basics

Our success depends on our employees

Targets for 2020

- Total recordable injury frequency rate (TRIFR) from 15.0 to <5.0
- Organizational Health Index* (OHI) from the 4th quartile to the 1st quartile

In 2019,
our TRIFR was

3.2

In 2019, our OHI
was securely on the
quartile

2nd

* McKinsey

Cultural shift from silos into one company with uniform processes and ways of working

Americas' financial and
operational step change

Commercial excellence
– enhanced mix and
margins

Improved cost
competitiveness and
productivity

Digitalization –
successful deployment
of Chorus

Our customer satisfaction is by far the highest in the industry

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

Share of
absolutely
or highly
satisfied
customers
in 2019*

72%

We are
ahead of our
competitors by

+14

%-points

* Customer satisfaction survey by Taloustutkimus in 2019

Financial development in 2016–2019

Net debt
below

€1.1

billion*

Adjusted
EBITDA

€1.7

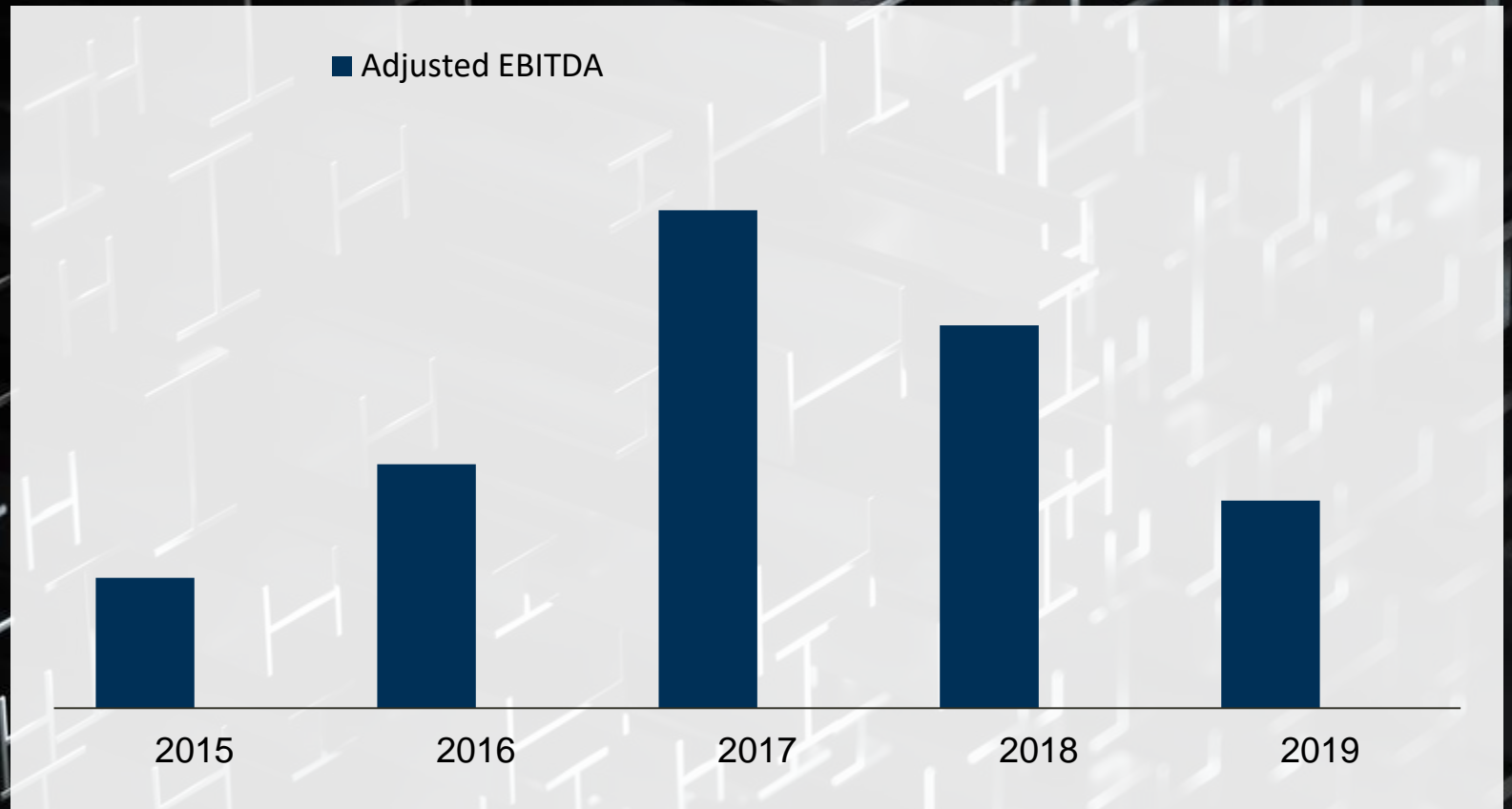
billion

Gearing
improved by

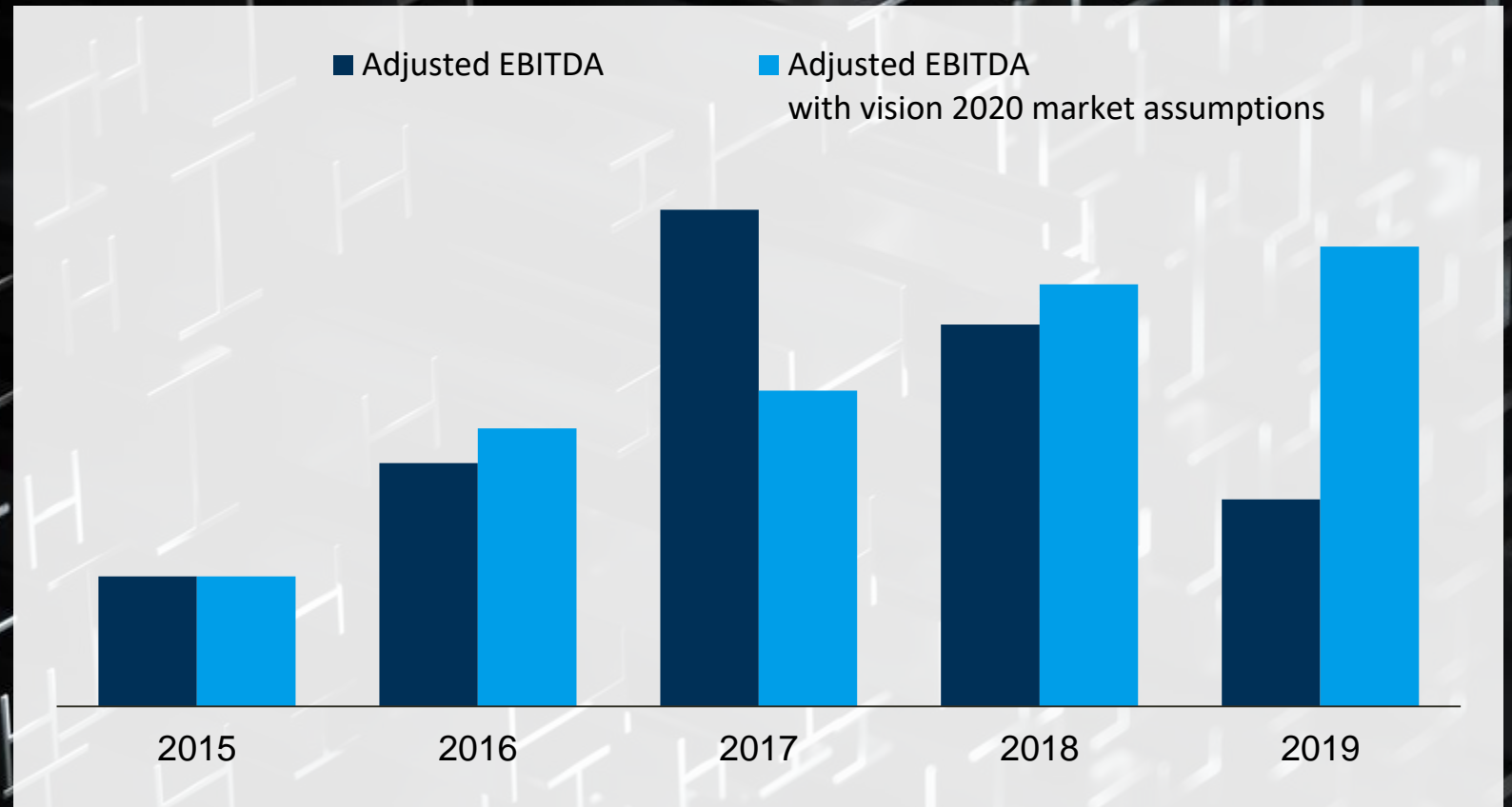
35%

* Excluding IFRS16 adjustment, implementation impact on January 1, 2019

Our market environment has changed significantly during the last five years...



...and the impact was especially negative in 2019



We faced significant market headwind in 2019

Market headwind

€400M

Ferrochrome price

\$0.21

/lb lower

Europe base price

€80

/tonne lower

Stainless deliveries

10%

lower

Timing & hedging losses

4

times higher

Market tailwind

€100M

Lower
input costs

55%

Lower
EUR/USD FX rate

45%

Stainless steel market realities...

Historically high import
penetration in Europe

Unprecedented price pressure
in Europe

Weak demand as a result
of challenging market
environment

... have changed the market dynamics

Unfair trade practices
and growing competition
from Asian producers

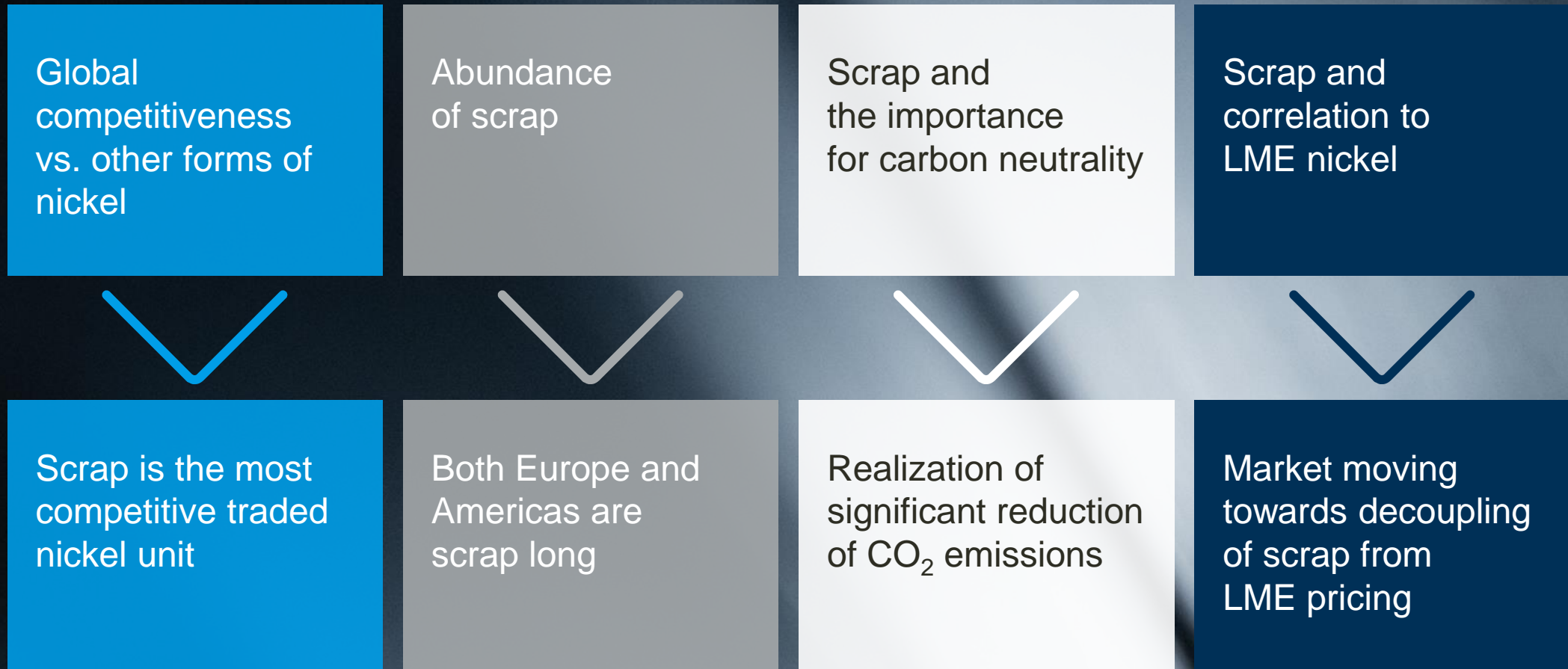
Trade wars have led
to market disruption

New pricing mechanisms:
from alloy surcharge
to transaction pricing

Shift towards NPI leads
to a change in scrap pricing



Scrap is a competitive advantage and driver for sustainability



Market balance must be restored by addressing unfair market practices

Stronger safeguards

needed in Europe
also beyond current
period

Trade defence tools

anti-dumping &
anti-subsidy
investigations

EU's WTO complaint

against Indonesia's
ore export ban and
preferential pricing

Carbon Border Adjustment

to prevent carbon
leakage

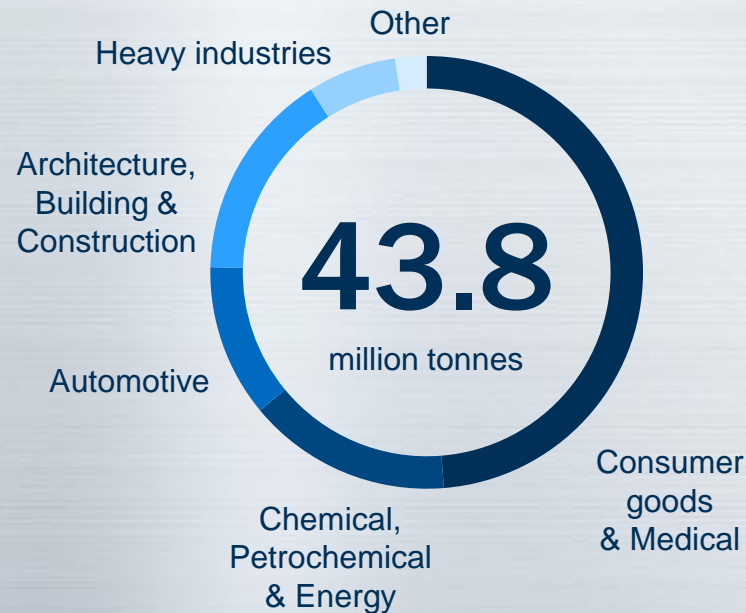
The market for stainless steel keeps on growing...

- Rising middle-class and urbanization
- Infrastructure investments
- Industrial production growth
- Climate change drives the need for sustainable solutions



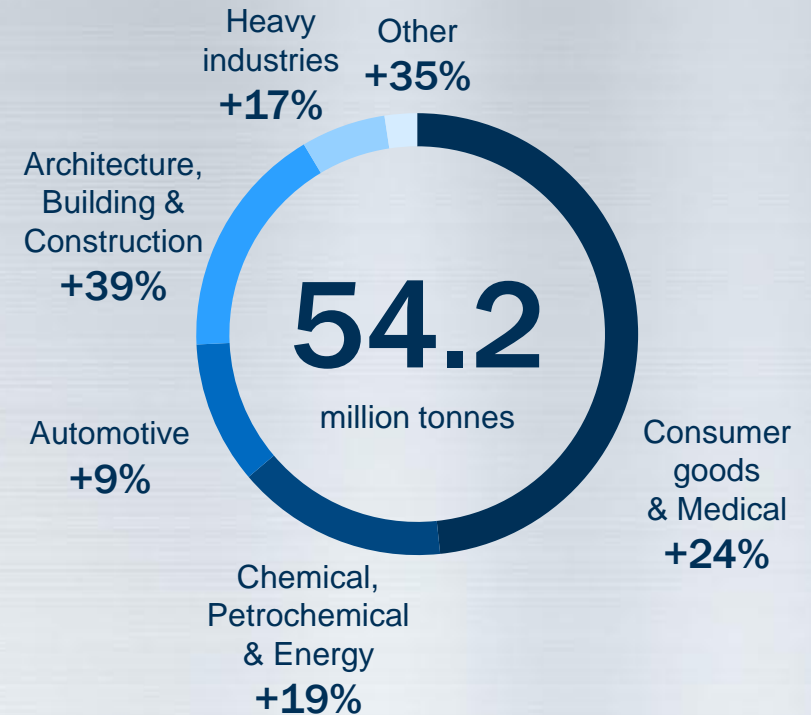
...with an increasing demand for sustainable stainless steel

Global stainless steel real demand in 2019



+24%

Expected stainless steel real demand in 2025



Sustainability is at heart of our strategy

VISION 2020:

To be the best value creator in stainless steel by 2020 through customer orientation and efficiency.

Safety

Operational
excellence

Sustainability

Commercial
excellence

Americas

Digital transformation

High-performing organization

We are the leading producer of sustainable stainless steel globally...

Our carbon footprint is **less than 30%** of the global industry average ¹



Our stainless steel helped customers reduce their carbon footprint by **8,000,000 tonnes** in 2019 ¹

1) Outokumpu average carbon footprint: 1.6 t/ton of crude steel vs global average of 5.4. Outokumpu stainless deliveries of 2.2m in 2019

... and we are committed to reaching carbon neutrality by 2050 in-line with EU Green Deal targets

20% lower
carbon footprint
by 2023

Carbon neutral by
2050¹

1) Our carbon neutrality commitment relates to scope 1+2.
Regarding scope 3, we're working closely with our RM suppliers
to ensure that they identify opportunities to reach carbon neutrality by 2050

We have a firm foundation for future growth

**Solid
operations
and
financials**

**Wide
product
range**

**Leadership in
sustainability**

**Digitally
enabled**

**Best
customer
service**

Continuing to strengthen our competitiveness

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March 18, 2020
Maciej Gwozdz
President – Business Area Europe

We have improved our safety record and delivered major cost savings

Safety

>50%

reduction on incidents*
since 2015

Organizational
health index to

2nd

quartile

Raw material
cost savings

>€60

million in 2019

Production
cost savings**

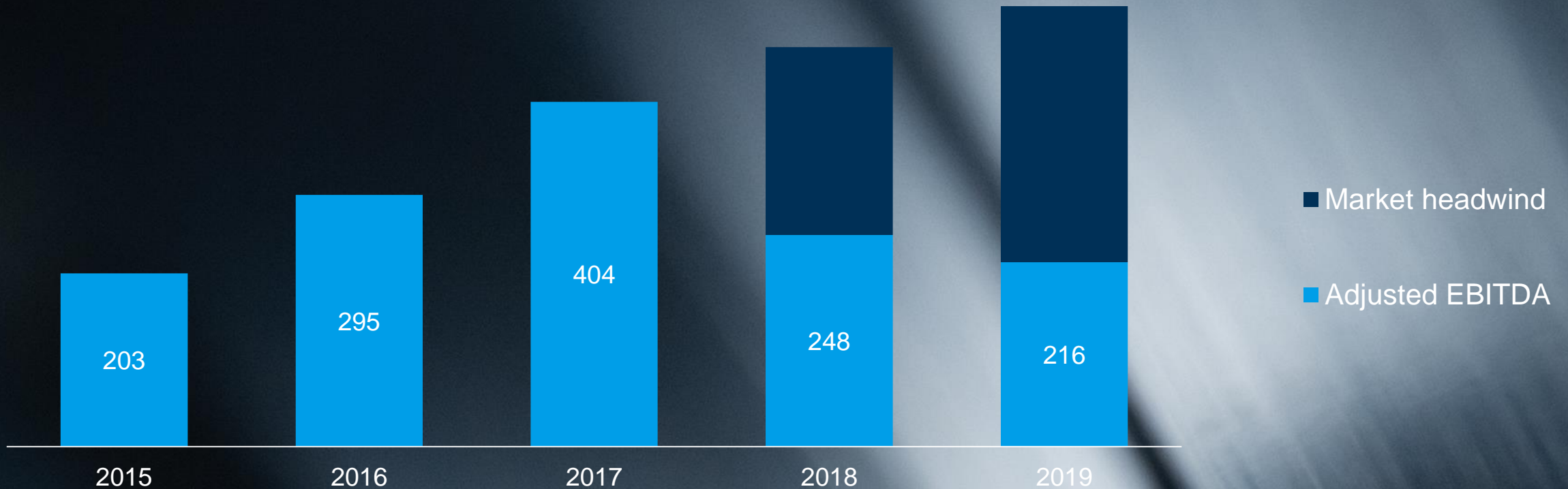
>€130

million since 2015

* Lost time injury frequency rate

** Fixed and variable cost savings

2019 was a tough year for us...



Note: Market headwind based on management estimates

...due to weak demand and high imports

Headwinds

6%

lower
deliveries

+30%

import
penetration

€80

/tonne
decrease in
base prices

Tailwinds

Richer
product
mix

Improved
raw material
efficiency

25%

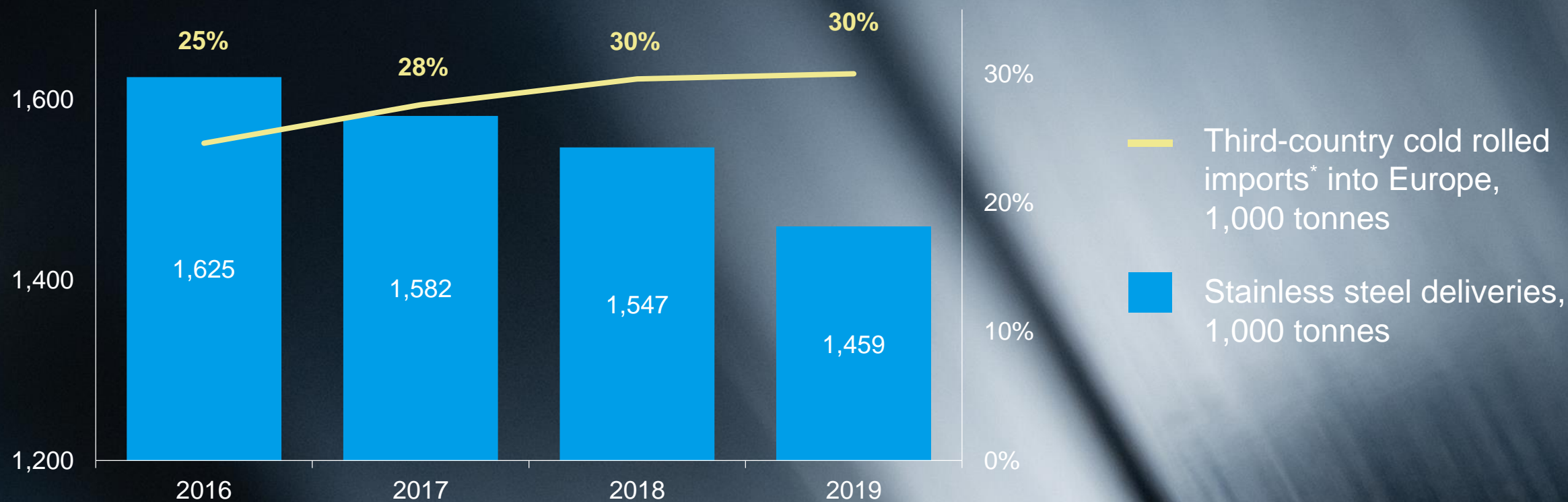
lower
ferrosilicon
price



€300

million
headwind in 2019

Our stainless steel deliveries were exceptionally low due to high import pressure from Asia



* Cold-rolled monthly average. Source: Eurofer, February 2020

We mitigate market headwinds through better operational efficiency

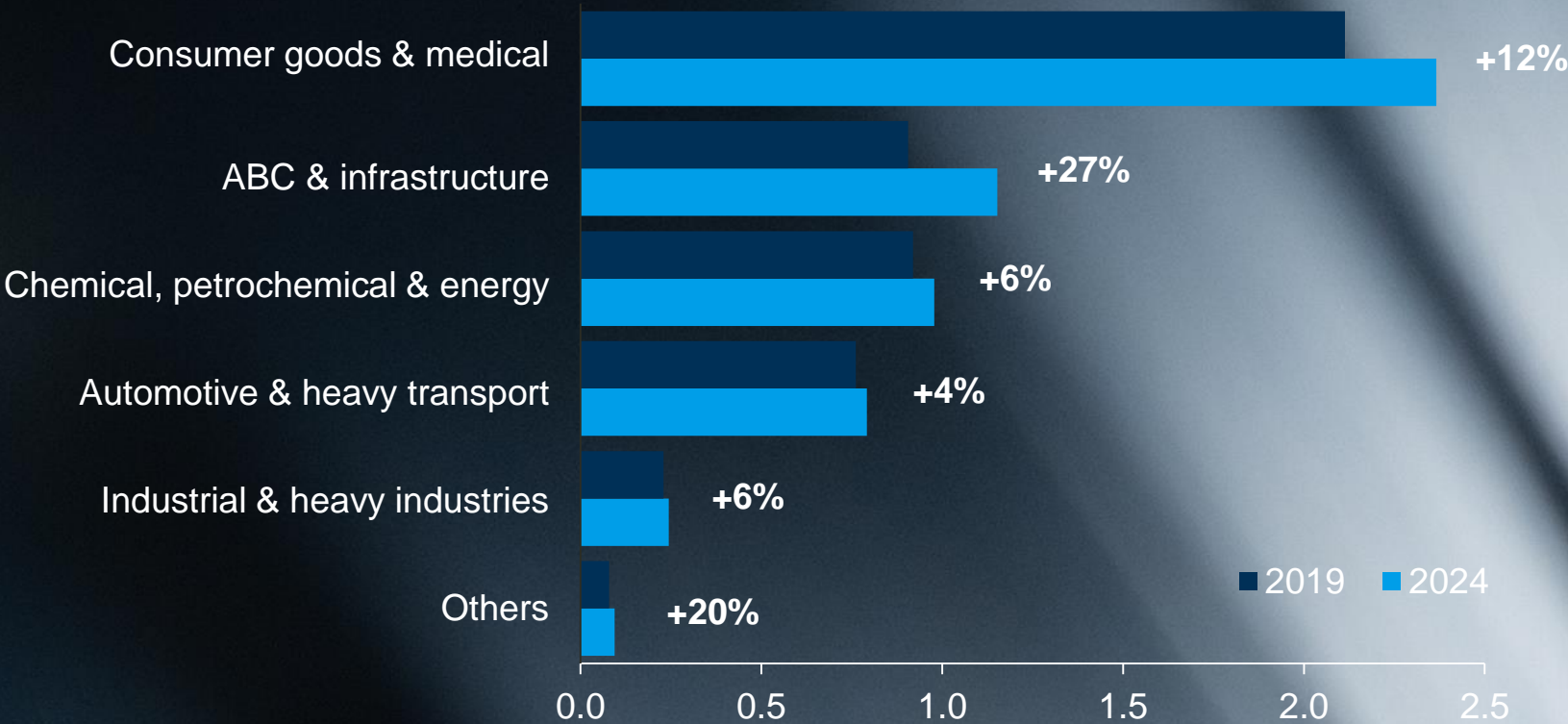
4.3%
productivity
improvement

Higher
share of
Pro grades

Efficient
working capital
management

European market is expected to grow

Europe flat product demand by segment, million tonnes



12%
total demand
growth by
2024

Source: SMR January 2020

Our efficiency gains come from four key areas

Continuous
productivity
improvements

General
procurement
savings

Raw material
optimization
and scrap
usage

Digitalization

Significant 4.3% productivity improvement in 2019 – more to come in 2020

- Raw material excellence
- Reduction of net working capital
- Procurement initiatives
- Continuous debottlenecking of key equipment
- Moving towards a single operating system
- Reliability

Benefit outlook for 2020, EUR million



Restructuring in Germany

- Target to increase our long-term competitiveness
- Affects approx. 370 jobs
- EUR 25 million annual savings target as of 2021

Own ferrochrome production is an important strategic asset for us

Positive outlook for 2020 despite low ferrochrome pricing

Deep mine project secures our ore availability for the future

Ferrochrome market expected to be short 2020–2021

Global capacity cuts and shutdowns will change the market

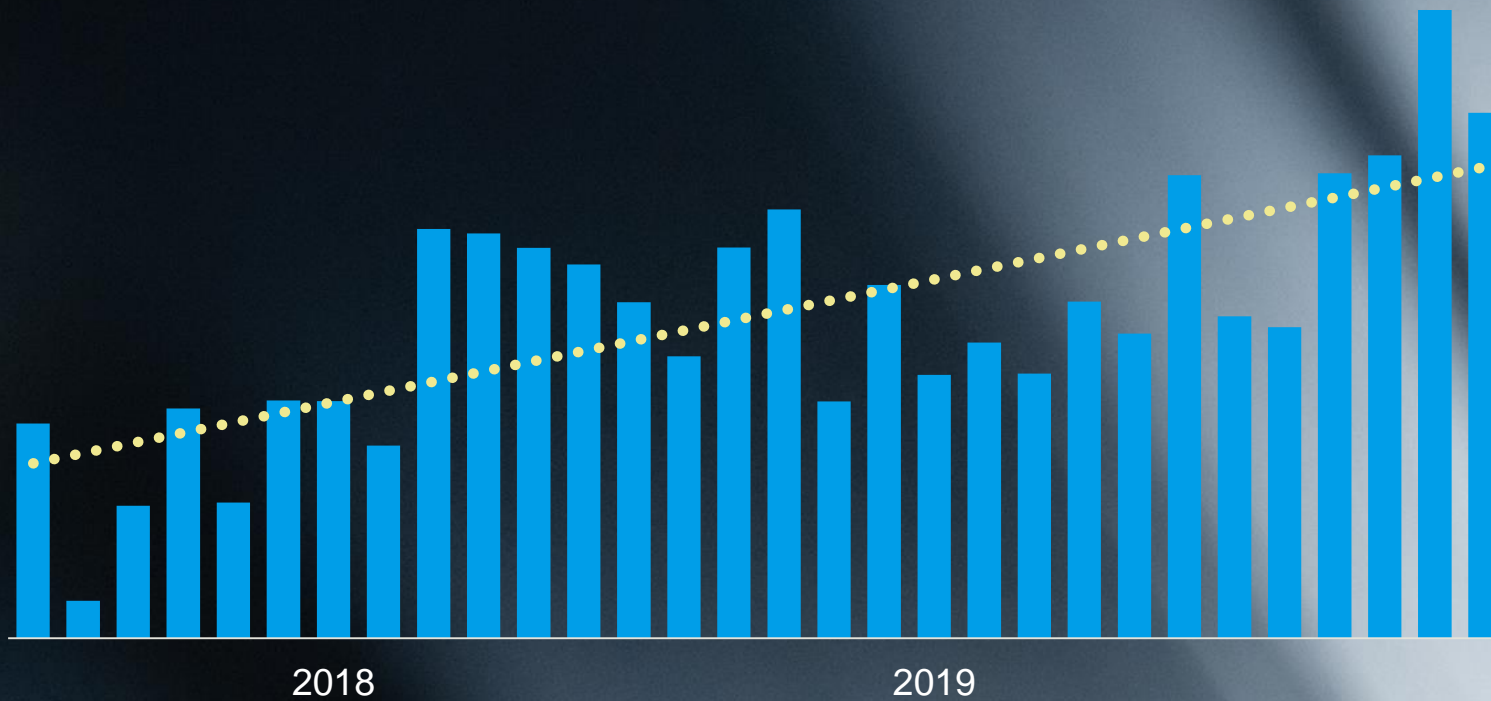
CO₂ footprint of our ferrochrome is only **42%** of the industry average

We have initiatives in place to reduce our carbon footprint

- Increased metal recovery from production side streams
- Higher scrap usage to lower our CO₂ emissions
- Co-operation with EU and industry organizations to lower carbon footprint

We have increased our recycled content

2019 scrap ratio development, % (Europe 304/316)



In 2020 additional savings from coke and scrap improvements

Best customer experience compared to peers

72%
customer
satisfaction

Strong R&D
with
customers

Best
products

Leading
expertise in
stainless
solutions

Unlocking customer value and efficiency through digitalization

Digital manufacturing

- Unified data platform
- Higher throughput and lower costs
- 100,000 tonne capacity increase



Shorter lead times

Next generation sales

- Digital lead generation
- eCommerce for easy access
- Webshop in Germany, more to come



Improved customer service

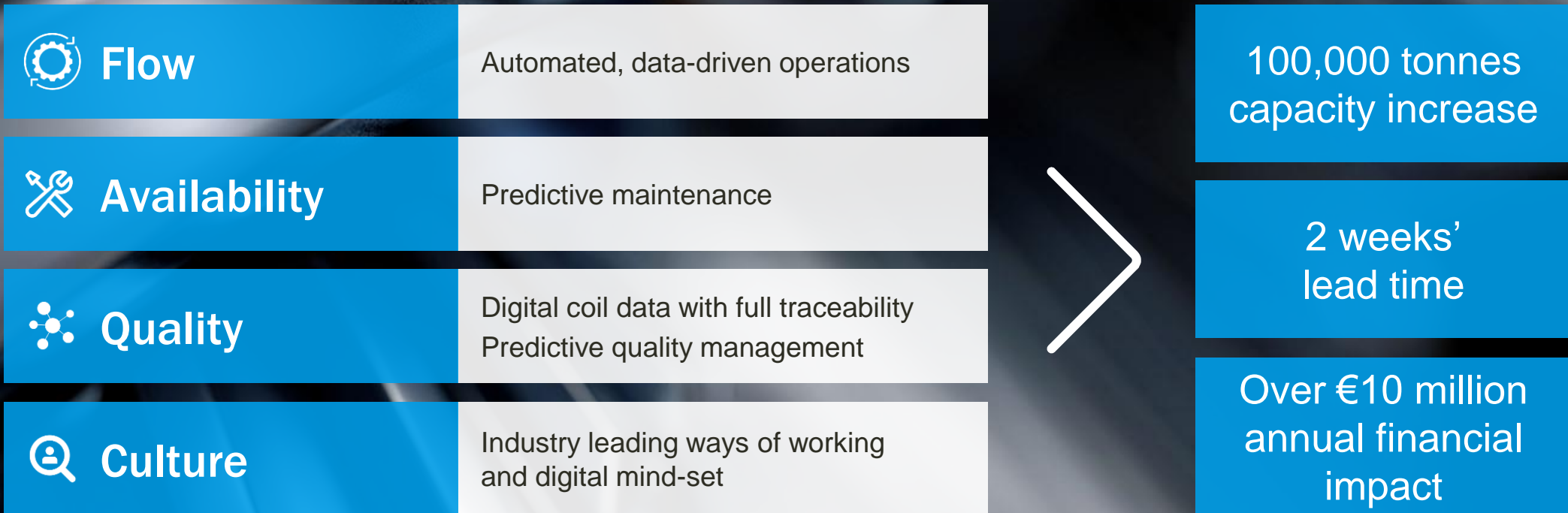
ERP renewal

- Unified tools and processes
- First roll-out in Germany in 2019



Increased efficiency

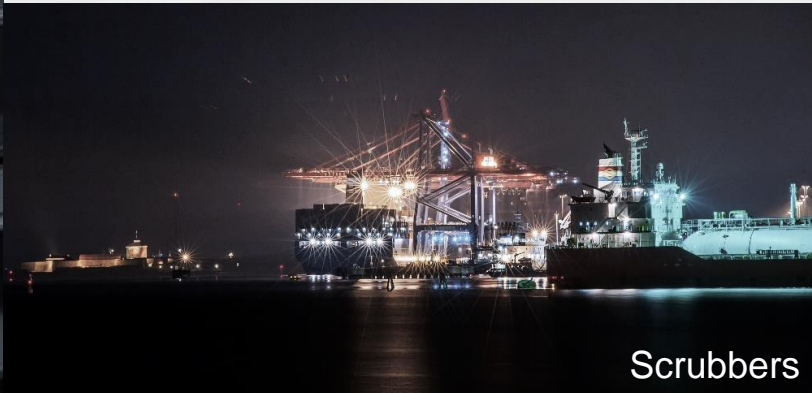
Tornio 2020 – global #1 digital stainless steel mill



The share of premium pro and supra grades is rising...

33%

of total sales in 2019



2.5x

higher margins
compared to commodities



...but commodities are crucial to support future growth

Premium

- Technical expertise
- Products for extreme environments
- Close R&D collaboration with customers

Commodity

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

Continuing to strengthen our competitiveness

**Enabling
our customers'
success**

**Productivity
improvements**

**Efficient
working capital
management**

Break 10 minutes



Well positioned towards profitable growth

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Olli-Matti Saksi

President – Business Area Americas

Key deliverables in 2019

Higher productivity through reliable and efficient operations

Foundation for commercial success established

Improved underlying financial performance

Enhanced raw material cost and efficiency

We have made solid progress during the last four years

Safety performance

>47%
less incidents*

Organizational health index in

2nd
quartile

Adj. EBITDA improvement

€90
million

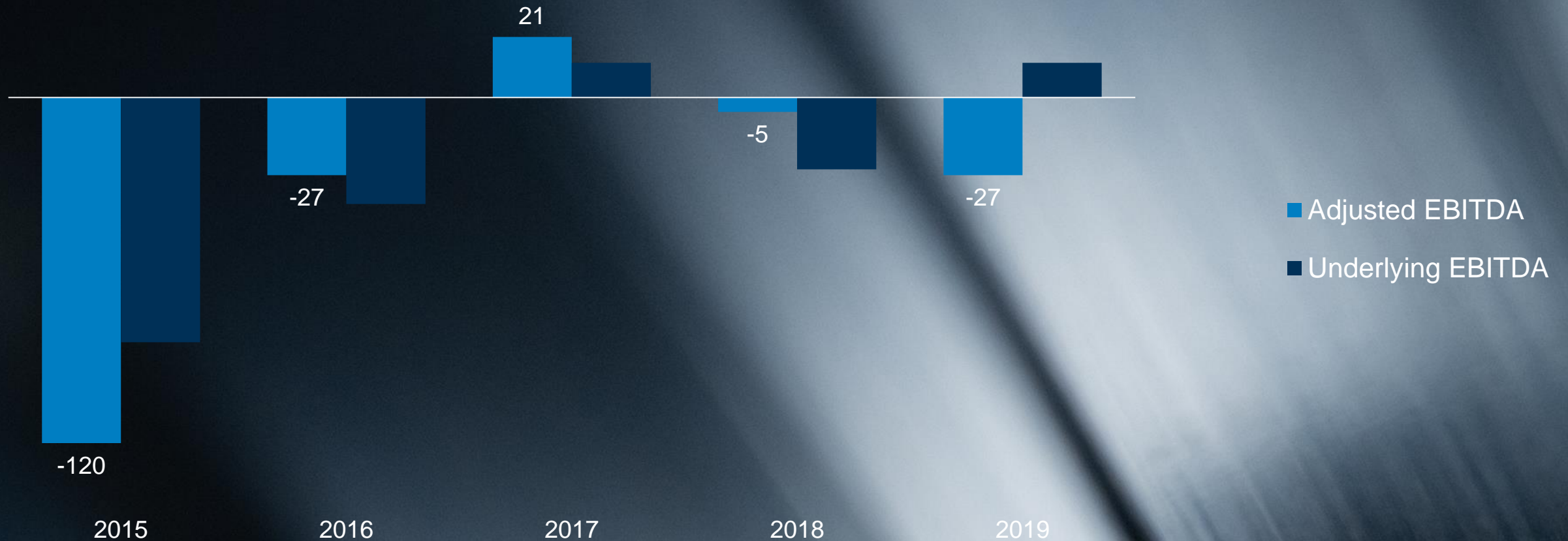
Production cost savings**

>€75
million

* Lost time injury frequency rate

** Fixed and variable cost savings

Our underlying performance has improved...



...but 2019 was still challenging

Headwinds

21%
lower
deliveries

9%
decrease in
market demand¹

Disruption of
Mexican
deliveries to
USA

Tailwinds

Lower
scrap
costs

Article 232
Lower imports



~€55
million
headwind in 2019

1) Source: AISI StatsCan, Cancero (January 2020)

We are mitigating market headwinds

4%
productivity
improvement
in 2019

Improved
raw material
efficiency

Improved
delivery mix

Diligent
working
capital
management

**Strong US
economy
provides
basis for
further
growth**

+2.3%

GDP growth in
2019

+1.8%

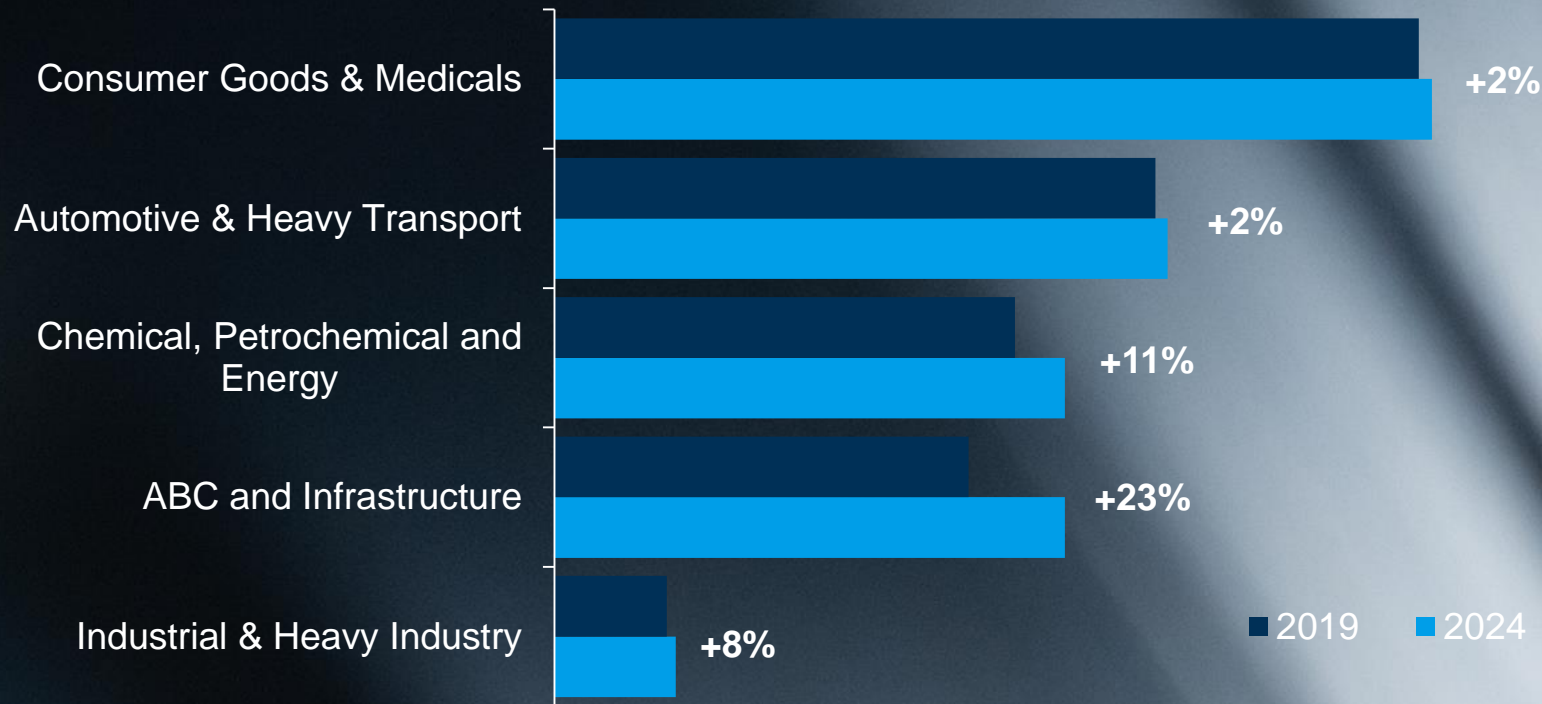
increase in real
personal
consumption in
Q4/2019

2020

Strong start to
the new year

USMCA* rules of origin are expected to boost growth

NAFTA flat product demand by segment, million tonnes



7%
total demand
growth by
2024

* United States-Mexico-Canada Agreement

Source: SMR, January 2020 incl. cold rolled coils, hot rolled coils and quarto plate

Our success is built on...

Strong commercial platform

New logistics set up and lower costs

Richer customer and product mix

Improved raw material efficiency

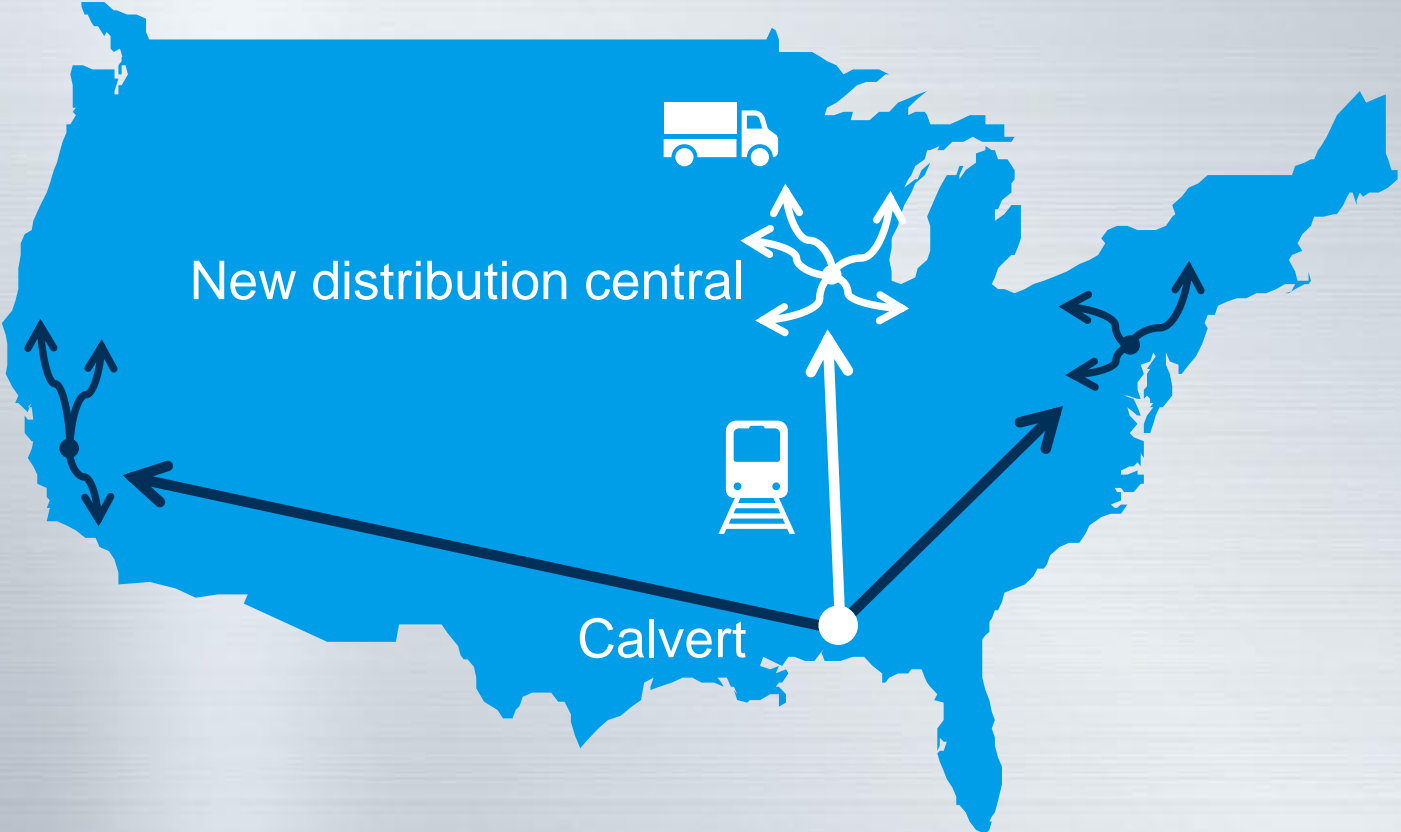
New commercial leadership is in place to drive sales

Enhance our
customer and
product mix

Improved
customer
experience

Introduce
new products

New distribution strategy increases efficiency and flexibility



14%
lower
transportation
costs in 2019

Ferritic capabilities in Calvert strengthen our position in the US ferritic market

€40M

investment on
time and under
budget

Q4/2020

production
ramp-up

20%

of our future
offering
in the US

Sustainably higher scrap ratio improves our cost position

Efficient procurement

Stable domestic supply



Scrap ratio in Calvert improved by

+11

%-points in 2019

We are well positioned for profitable growth

**Enhanced
capabilities and
new products**

**Balanced
market position
through
commercial
strategy**

**Tight focus on
cash and cost**

Focus on cash and cost to strengthen our balance sheet

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March 18, 2020
Pia Aaltonen-Forsell
CFO

Our financials reflect the continuous efforts during the past four years

Net debt
below

€1.1

billion*

Adjusted
EBITDA

€1.7

billion

Operating
cash flow

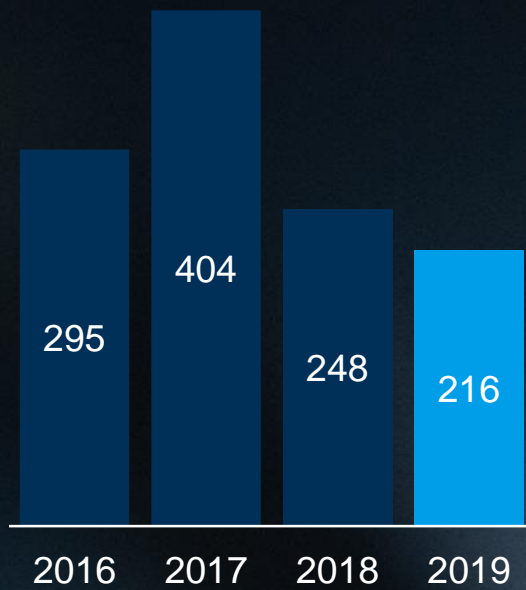
€1.3

billion

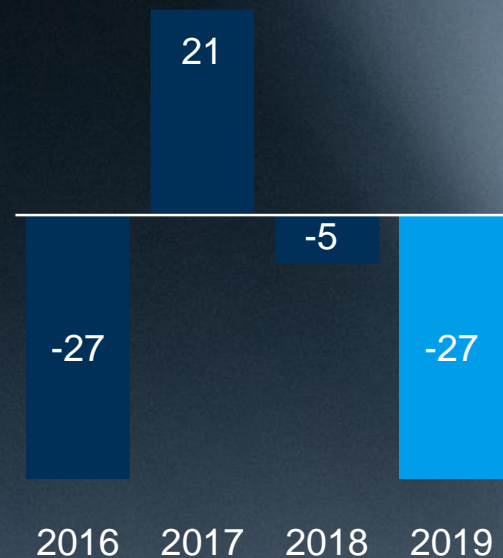
Harsh market conditions and low deliveries impacted profitability in 2019

Adjusted EBITDA, EUR million

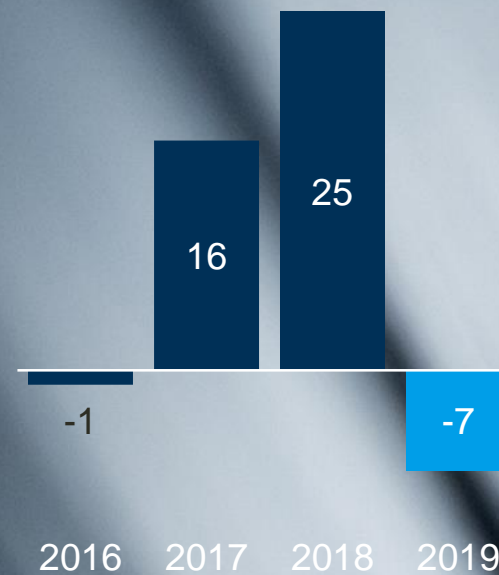
Europe



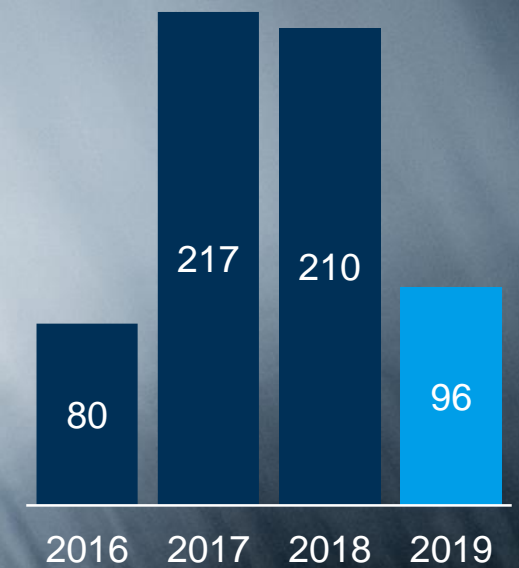
Americas



Long Products



Ferrochrome



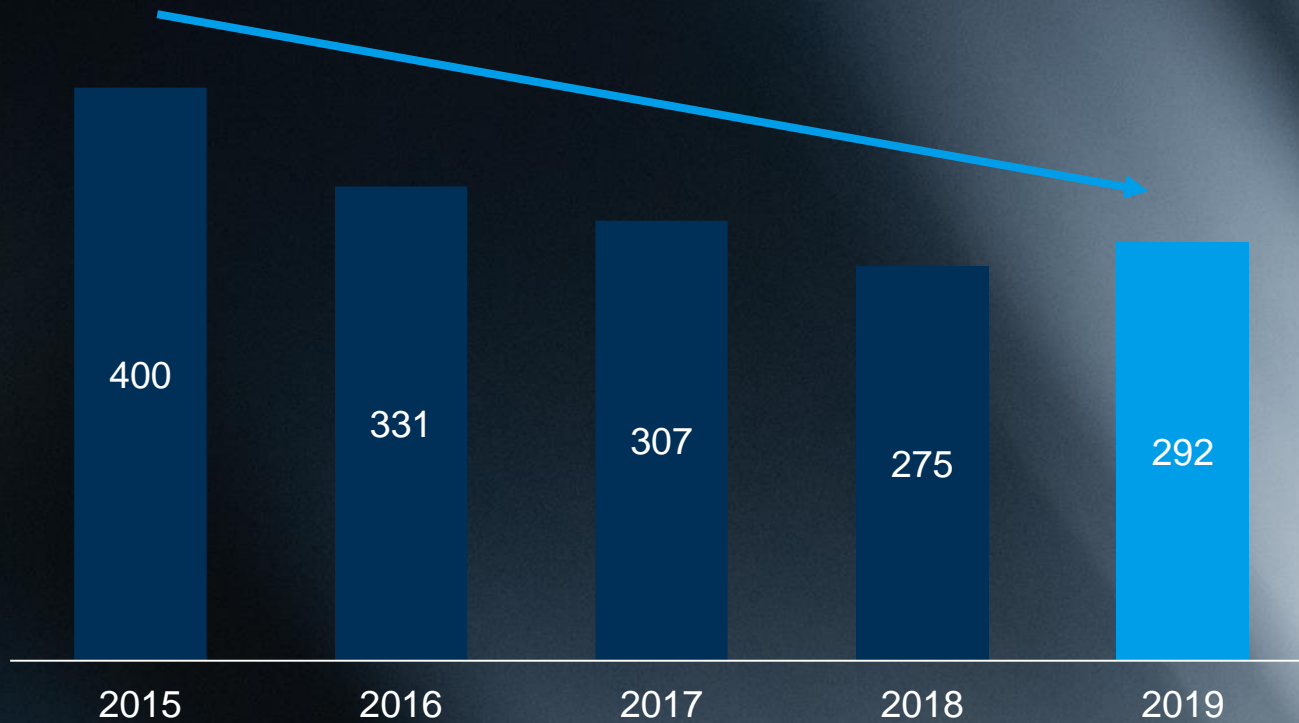
Net of timing & hedging losses also contributed to a lower result in 2019

Metal hedging	Underlying position	Exposure	Hedging
Net realizable value NRV, accounting principle	Committed* sales	Short	100%
	Committed** purchases	Long	100%
	Excess stock	Long	100%
	Base stock	Long	Balance between managing earnings & cash flow volatility
Timing Pricing in, pricing out			

* priced-out or pricing out
 ** priced-in or pricing in

SG&A costs are down by ~30% as a result of tight cost control

SG&A costs, EUR million



€100+
million reduction
in SG&A costs
since 2015

4%
Productivity
improvement
in 2019

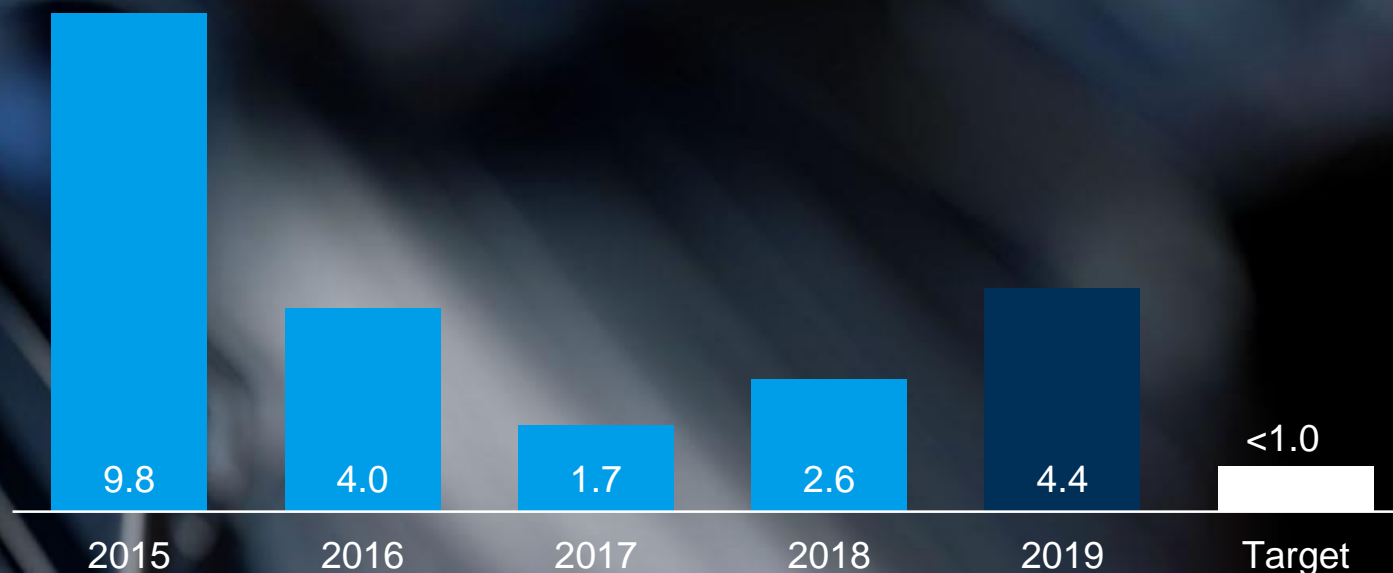
We continue to strengthen our balance sheet and reduce net debt

Strong focus on cash generation

Efficient net working capital management

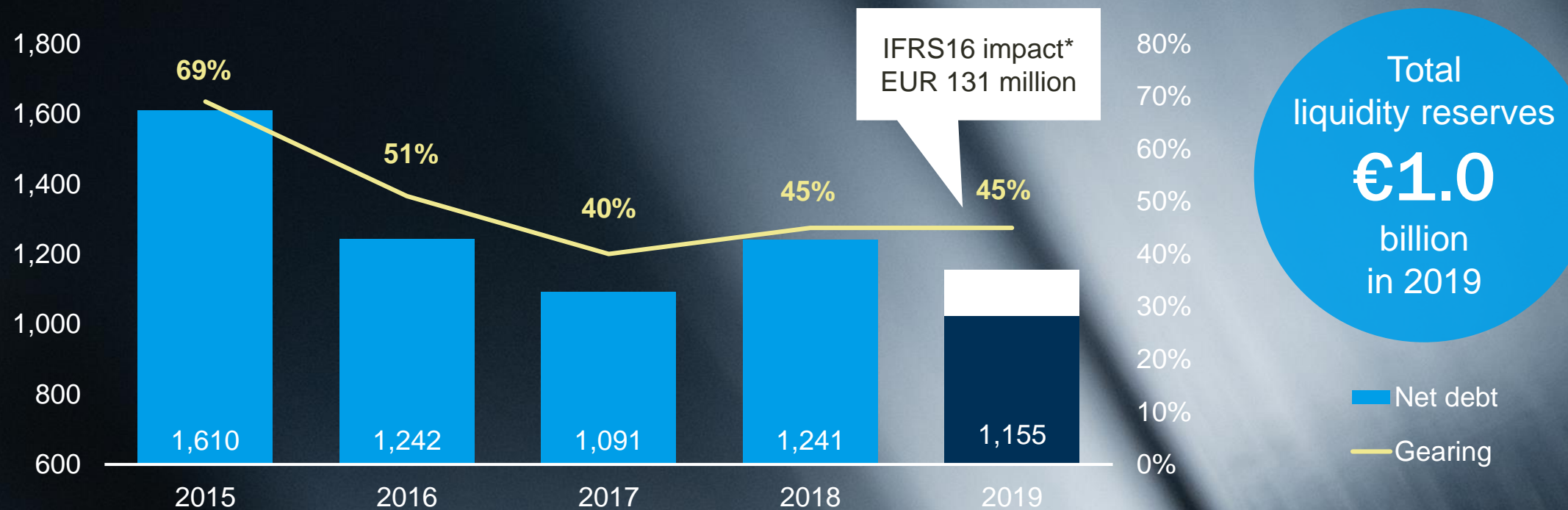
Divestment of non-core assets

Net debt/adjusted EBITDA



Our gearing has decreased by 35% during the past four years and liquidity is on a strong level

Net debt, EUR million



* Implementation impact on Jan 1, 2019

Efficient working capital management is crucial for net debt reduction

€218

million released from net working capital in 2019

€100+

million to be released in 2020

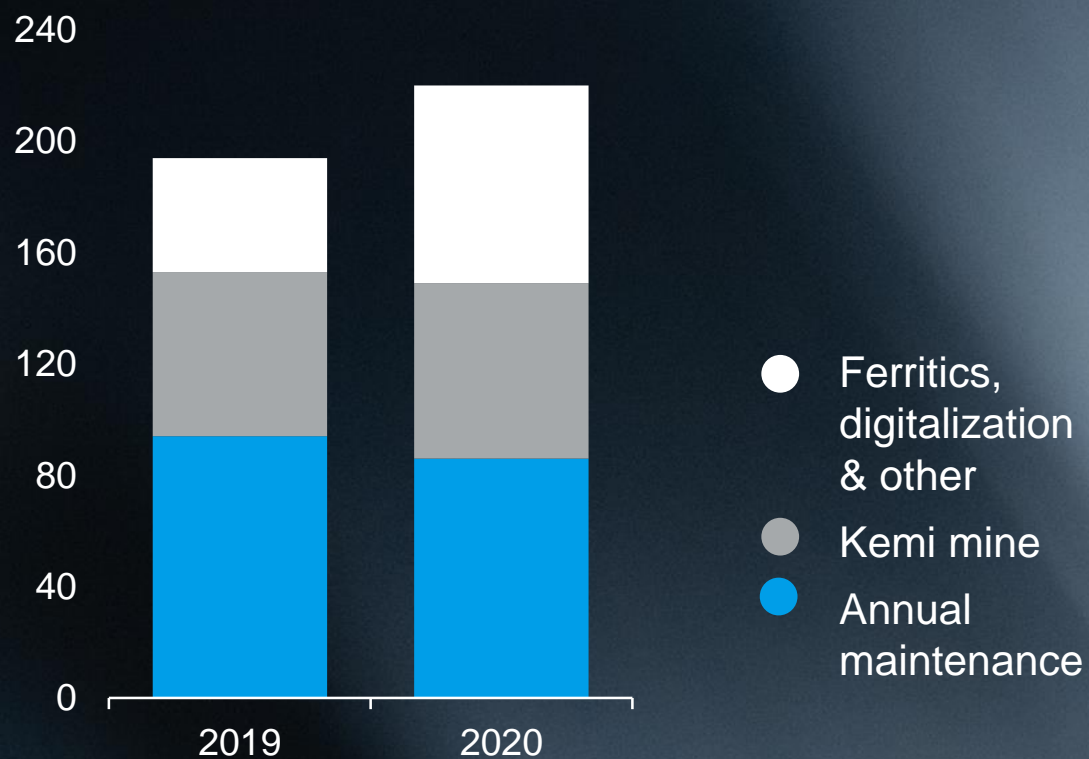
Fluctuations mainly due to

- Nickel prices
- Ferrochrome prices
- Seasonality

Inventory value EUR 1,424 million in end of 2019.

Capital expenditure is driven by strategic investments

Capex cash flow, EUR million



Total capex

€220

million
in 2020

Annual
maintenance

€100

million

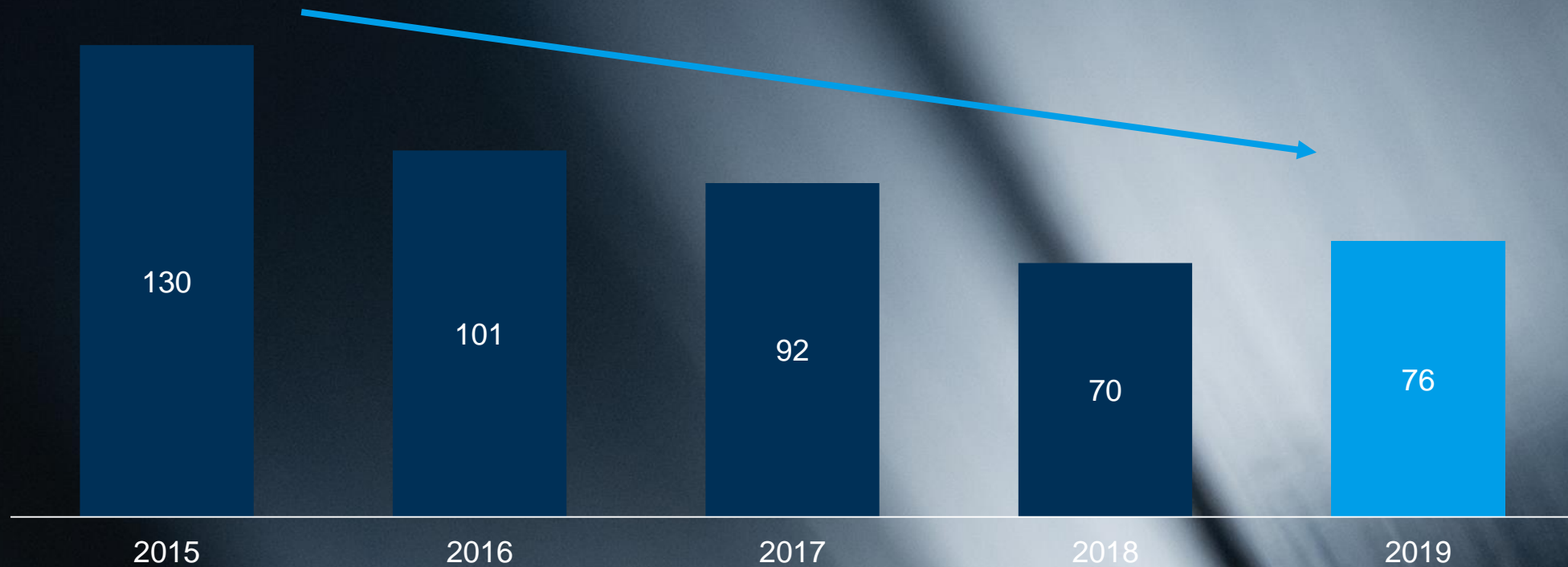
Kemi mine

€60

million
in 2020

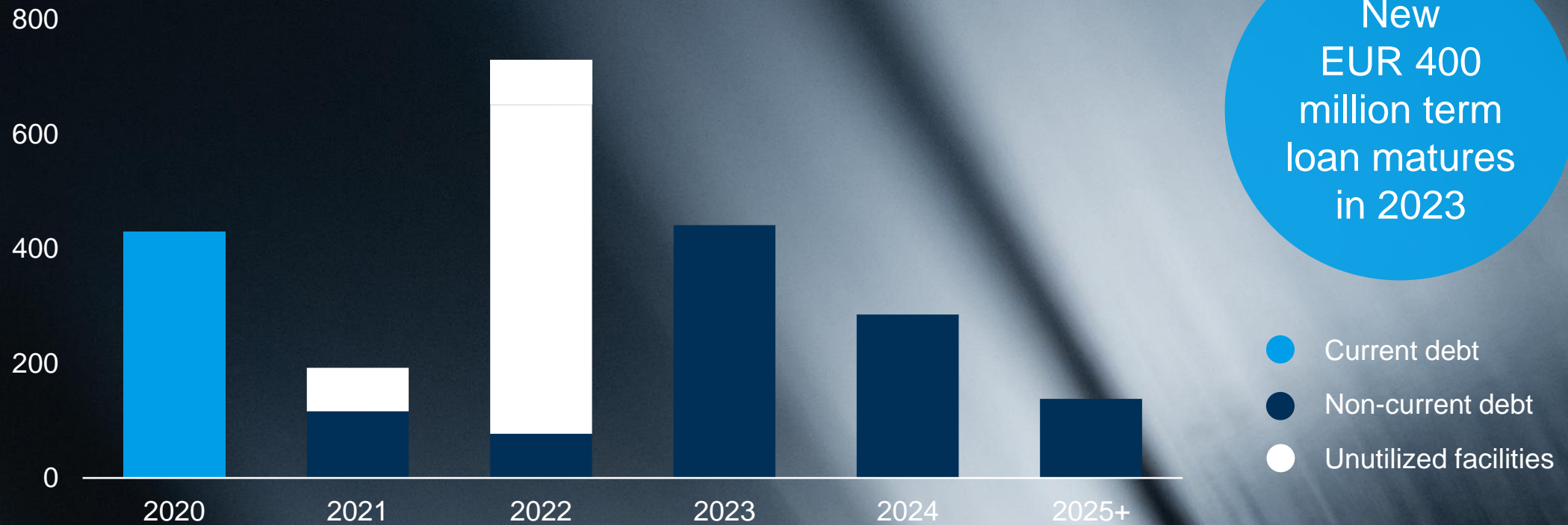
We have reduced our interest expenses by 40%

Interest expenses, EUR million



Improved maturity profile lowers our refinancing risk

Debt maturity profile*, EUR million

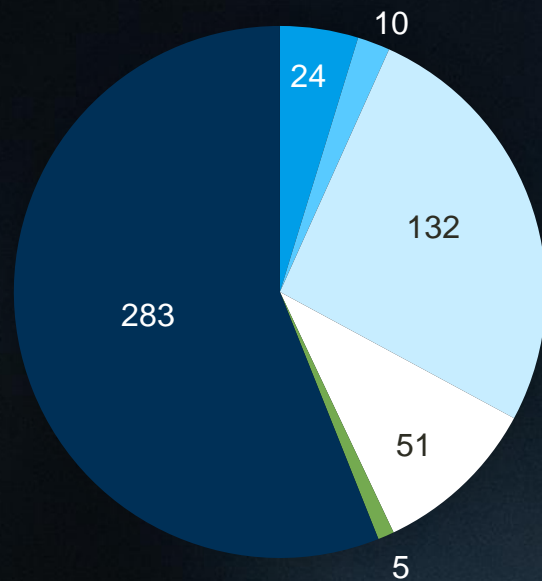


New
EUR 400
million term
loan matures
in 2023

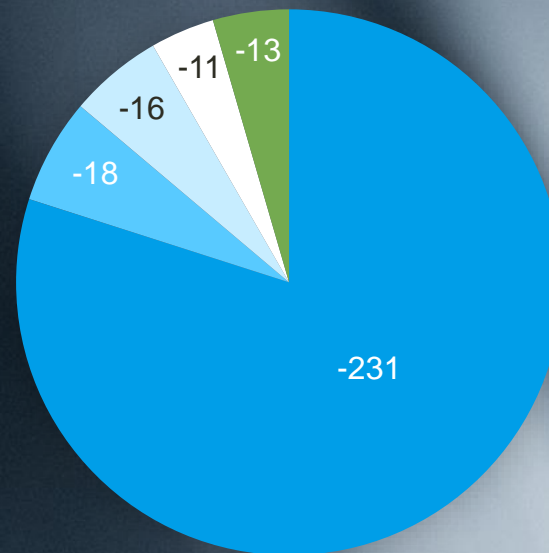
- Current debt
- Non-current debt
- Unutilized facilities

Our cash taxes remain on a low level

Deferred tax assets, EUR million*



Deferred tax liabilities, EUR million*



- Property, plant, equipment and intangible assets
- Inventories
- Net financial assets
- Defined benefit and other long-term employee benefit obligations
- Provisions
- Tax losses and tax credits

* December 31, 2019

Cash and costs are our top priorities

**We continue
to reduce
net debt**

**We focus on
strong cash
generation**

**We further
reduce our
net working
capital**