

Outokumpu Capital Markets Update 2021

Heikki Malinen PRESIDENT AND CEO

Pia Aaltonen-Forsell CFO

Tamara Weinert ACTING PRESIDENT, BUSINESS AREA AMERICAS

Stefan Erdmann CHIEF TECHNOLOGY OFFICER & GROUP SUSTAINABILITY

May 6, 2021

Speakers for today



Heikki Malinen

President and CEO



Pia Aaltonen-Forsell

CFO



Tamara Weinert

Acting president,
business area
Americas



Stefan Erdmann

Chief Technology
Officer & Group
Sustainability

Agenda for today

Strategy execution on track

Heikki Malinen, President & CEO

On track to meet financial targets

Pia Aaltonen-Forsell, CFO

From turnaround to full potential

Tamara Weinert, Acting president, business area Americas

Setting a new standard for sustainability

Stefan Erdmann, Chief Technology Officer, Group sustainability

Q&A session

Q&A information

- Questions can be submitted via webcast platform throughout the event
- Questions are only visible to the moderator, who will send them to the presenter
- Few questions will be taken after each presentation
- Open Q&A session via conference call lines at the close of the event

Conference call details

Finland: (09) 8171 0310

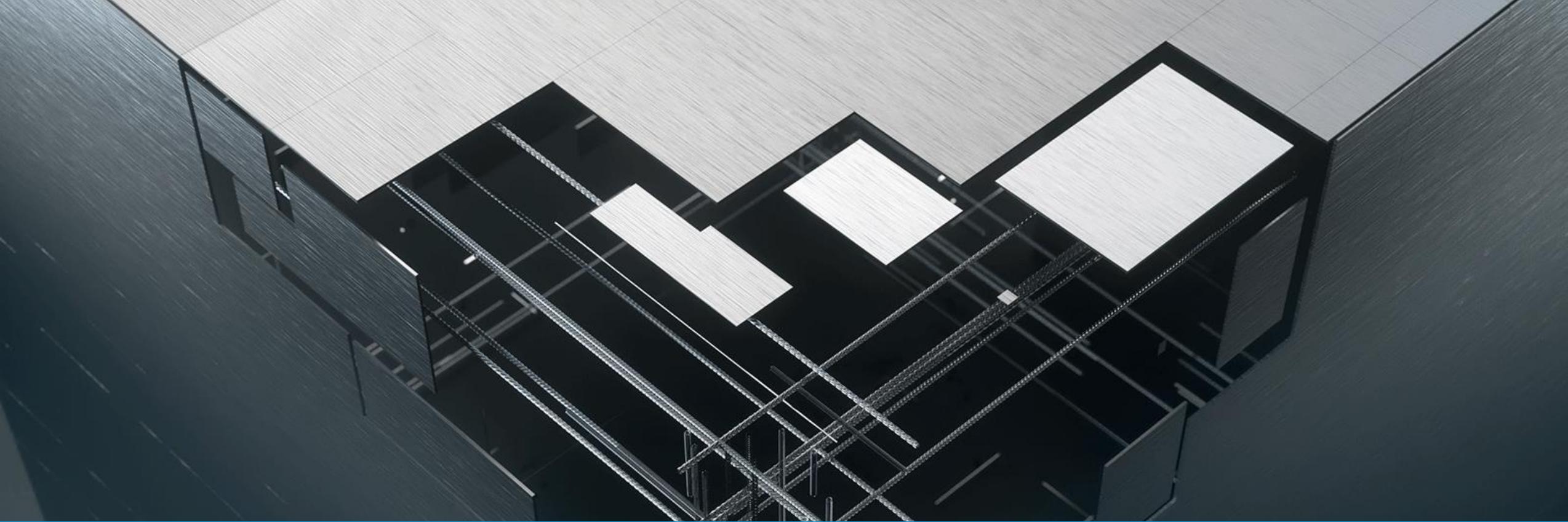
UK/Europe: +44 333 300 0804

US: +1 631 9131 422

Conference ID: 86287614#

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Strategy execution on track

Heikki Malinen
President & CEO

Key strategy highlights



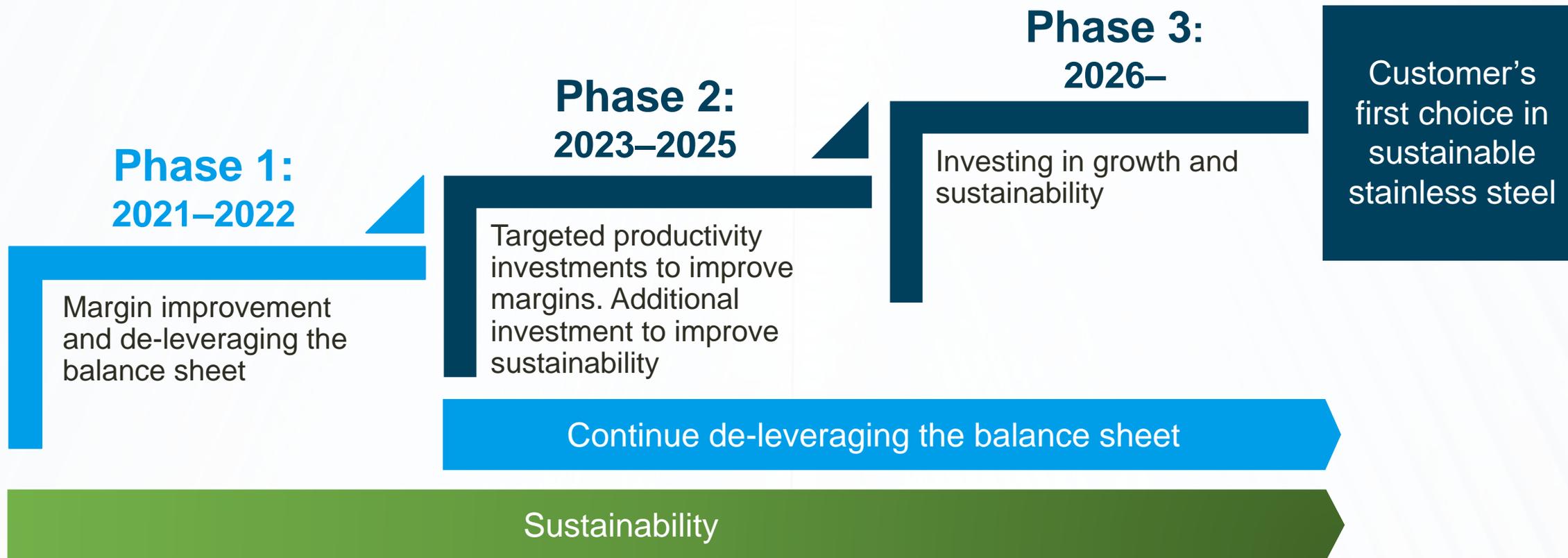
Strategy to de-risk the company launched 11/2020.
Good first outcomes.

Strong progress highlights the fundamental strength of our business: **people, customers, operations, ability to turnaround, sustainability.**

De-risking the company for strong returns is our priority for 2021 – 2022.

Our updated sustainability strategy will establish an industry benchmark in performance and ambition.

Our strategy framework: De-risking remains our priority



Clear step forward in strategy execution...

Decisive first steps taken across our strategy initiatives.

- Lean and Agile Organization
- Cost and Capital Discipline
- Commercial Excellence

Successful Q1'21; strategy execution supporting response to strong market.

Realistic program in place to support strategy delivery.

...with sustained progress across all businesses

Group-wide

- New organization with 479 lower headcount (1,000 headcount negotiated)
- Program for 2021 – 2022 to support strategy delivery

BA Europe

- Strong Q1 volumes and margins with record low fixed costs
- Enabled by commercial and manufacturing excellence

BA Americas

- Strong Q1 in favourable market
- Solid basis through successful turnaround

BA Ferrochrome

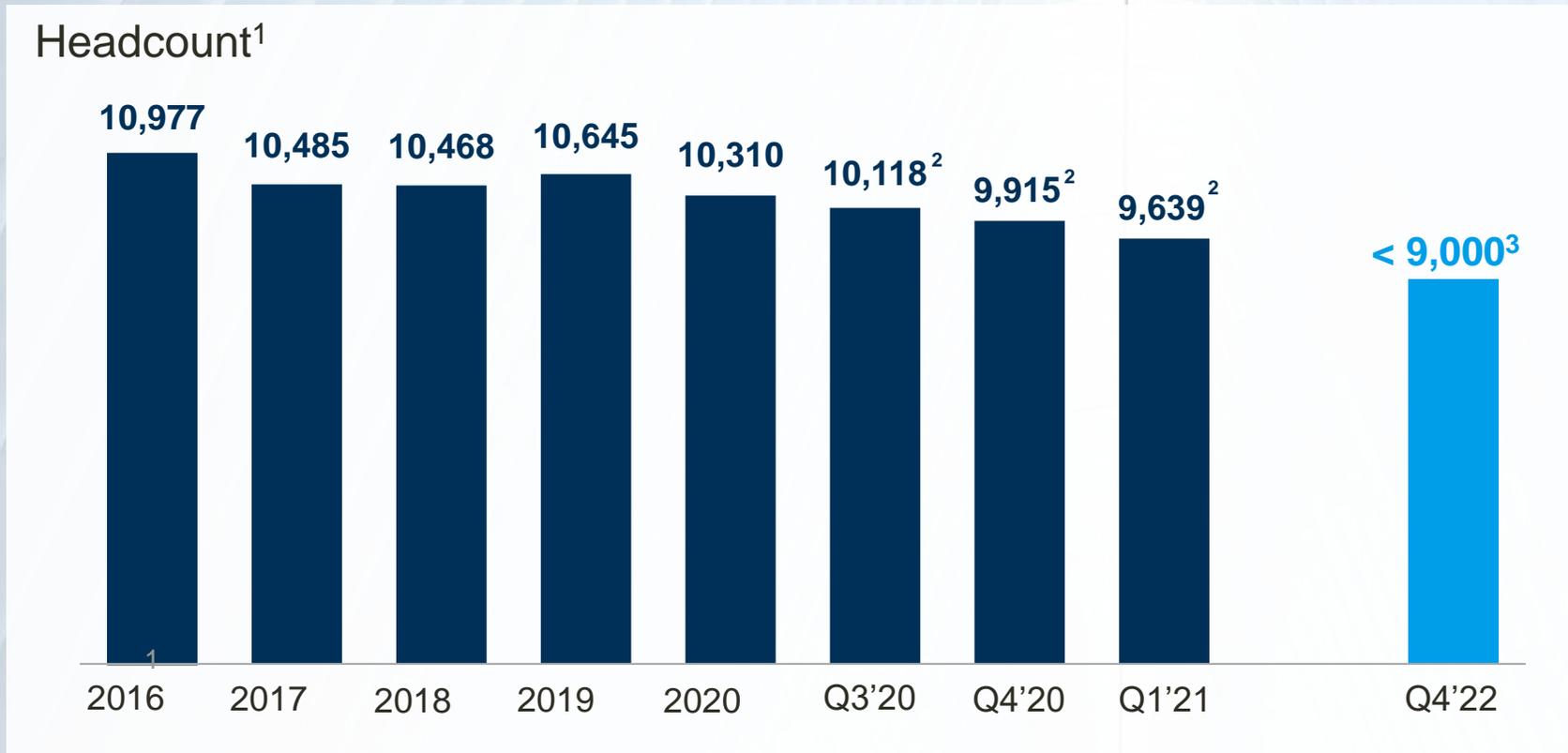
- Efficient mining and smelting operations in strong market
- Strategic plans on track to improve competitiveness

BA Long Products

- Turnaround execution progressing as planned

CORE BUSINESS

Lean & agile organization: Step change in competitiveness



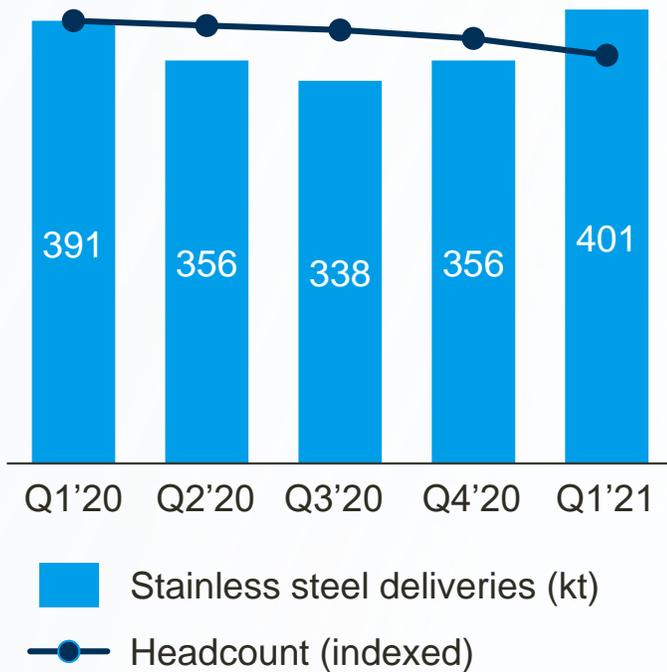
1,000 headcount reduction by the end of 2022 progressing as planned.

Legal headcount trailing due to notice periods.

Creating a **de-layered** and **more agile** organization.

- 1) Legal headcount, average for the period
- 2) Legal Headcount at the end of period
- 3) Planned headcount by end of Q'22

Business area Europe: Strategic initiatives contributing to a strong quarter



Commercial
excellence

- Focus on **mix optimization**
- Mix optimization **enables higher margins**

Cost and
capital
discipline

- **Manufacturing excellence & digitalization:** High Q1 deliveries with lower headcount
- **Maintenance:** Risk-based prioritization enabled significant spend reduction with same uptime
- **Sourcing:** Tighter collaboration with operations to reduce costs, raw material optimization

Business area Americas: Successful turnaround over last 2 years

Commercial excellence

- Profitability focused **commercial strategy** – **starting to deliver**
- Ferritics investment completed to **strengthen business** resilience

Cost and capital discipline

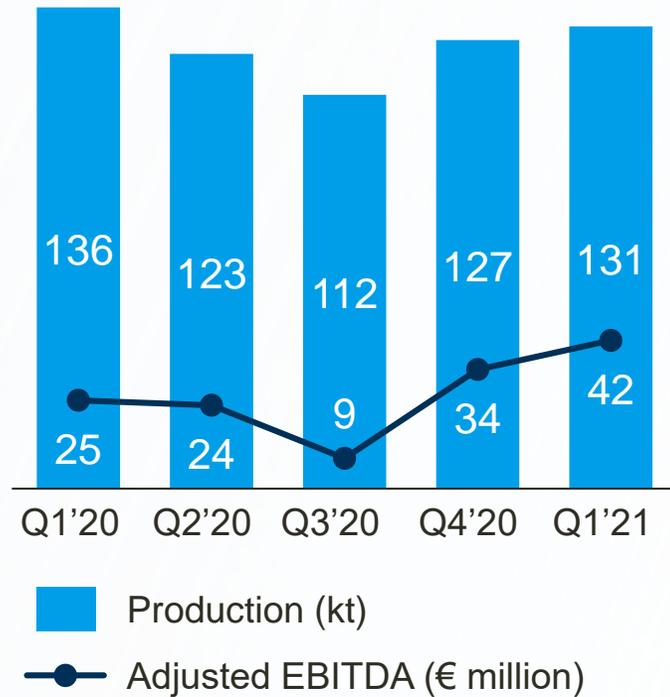
- **Holistic slab cost optimization**
- **Fixed costs** through HR cost variabilization, operational excellence, logistics

Full potential for
business area
Americas*:

\$150–200 million
adjusted EBITDA

*with current assets

Business area Ferrochrome: Invest for long-term competitiveness and sustainability



- Q1 focus on **maximizing value creation** in strong market
- Strategy implementation progressing with **commercial excellence** and **operational efficiency improvement**
- Strategic **investments for long-term competitiveness & sustainability** proceeding as planned
 - Deep Mine
 - Fine concentrating plant expansion

Business area Long Products: Turnaround program progressing as planned



- First step to **lower fixed costs**: Headcount reductions of 100 FTEs (~12%)
- **Manufacturing excellence**: Focus on improving availability & fixed cost reduction, shift models & maintenance optimization
- First steps taken to **expand bar range** to mid ranges and **strengthening distributor presence**

Strategy execution on track

Headcount reduced as planned

Significant progress in other **cost savings**

Strengthened customer relationships
rewarded with **strong volumes**



On track to meet financial targets

Pia Aaltonen-Forsell
CFO

Our strategy execution is delivering



On track to reach > **€200 million EBITDA run-rate improvement** by end of 2022.

Realistic program in place to support strategy delivery.

Lean & Agile Organization and Cost & Capital initiatives driving the impact.

In addition, strategy execution has supported extracting value during a **strong market environment**.

Recap: Target to deliver €200 million EBITDA run-rate improvement

Commercial excellence

- Enhanced product mix in all business areas
- Growth in selected segments
- Leverage specialty grades leadership

Cost and capital discipline

- Increased raw material efficiency
- Maintenance optimization
- Strict asset management
- Annual CAPEX €180 million in 2021 and 2022

Lean & agile organization

- Planned 10% reduction in Group headcount by end of 2022
- De-layered organization
- Strong performance management

> **€200 million**
EBITDA
improvement¹

1) Gross run-rate improvement from actions by year-end 2022

Realistic program in place to support strategy delivery

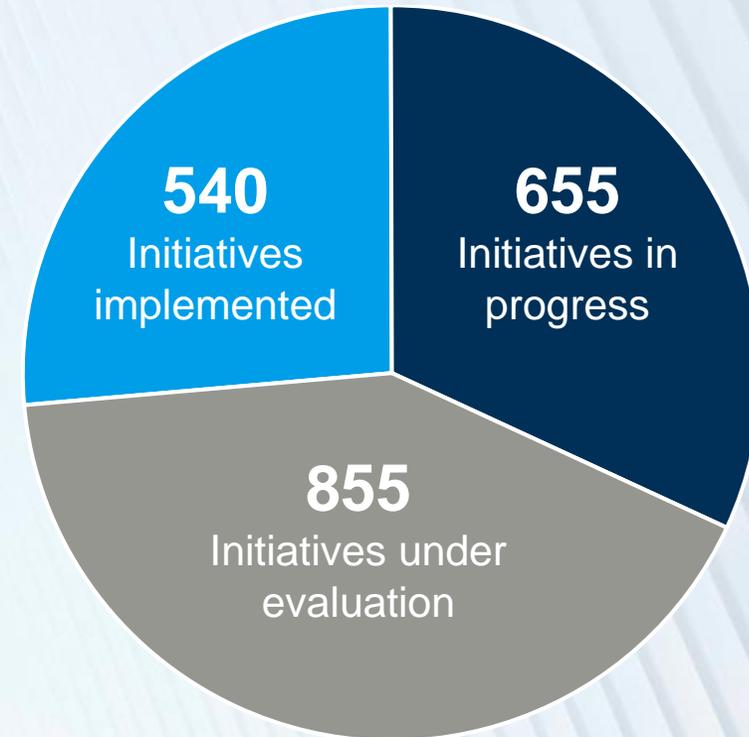
All business agendas focused on three key areas:

- Lean and Agile Organization
- Cost and Capital Discipline
- Commercial Excellence

Increased accountability and transparency through line led, supported by a Transformation Office

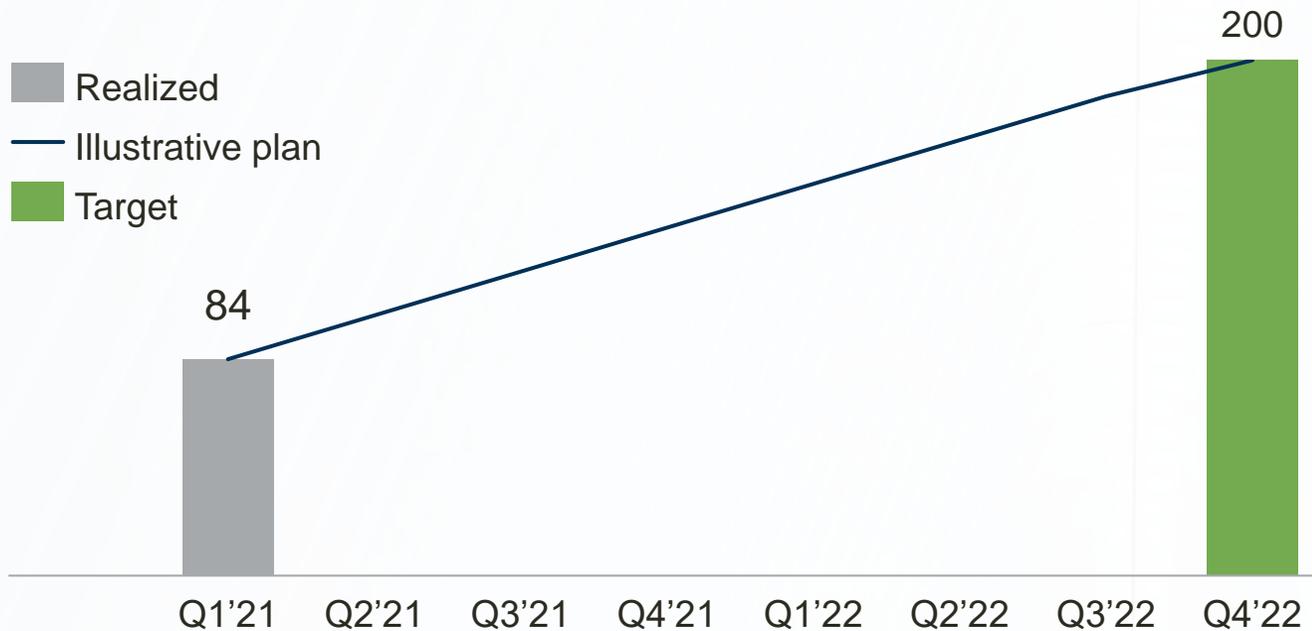
Best practice tracking of progress

2050 initiatives in 2021 – 2022



€84 million realized impact, on-track to meet target

Gross run-rate EBITDA improvement (€ million)



- **Strategy on track** to meet Q4'22 target of €200 million annualized run-rate impact.
- Majority of improvement from **Lean & agile organization** and **Cost & capital discipline** programs.
- **Fast ramp-up** supported by preparations started in 09/20.
- **Commercial excellence** about 15% of achieved run-rate impact, contributing more at a later stage.
- **Diverse pipeline of initiatives** secures delivery, not dependent on single initiatives.

Note: Based on gross run-rate program impacts operationally implemented during the period; HC reductions will improve cost vs 2019 baseline as 2020 was abnormally low due to COVID related furloughs

Program on track to meet our financial targets

Financial target

€200 million

EBITDA run-rate improvement

<3.0x

Net debt / EBITDA

Outcome after Q1

€84
million

- On track to meet target
- Measured as gross-run rate impacts from strategy implementation actions by end of 2022

3.3x

- Current net debt €1,073 million
- Capital discipline continues: CAPEX on track with €360 million target for 2021– 2022, including necessary investments to ESG
- Priority to decrease net debt to improve long-term ability to invest and pay dividends. Deleveraging will continue in Phase 2 of the strategy

On track to meet financial targets

Successful start to strategy implementation aiming at de-risking the company.

Reaching targets builds confidence on **execution success.**

Updated sustainability strategy important step to becoming customer's first choice.



Business area Americas – From turnaround to full potential

Tamara Weinert

Acting president, business area Americas

outokumpu 

Key messages – Business area Americas



Successful turnaround over the past two years and very strong Q1'21.

Positive outlook supported by executing our strategy in a healthy market.

Strategy execution supported by a pipeline of concrete actions for further profitable growth.

Calvert facility: Modern, fully integrated site now with upgraded ferritics capabilities

What is Calvert

Fully integrated, modern site with comprehensive product portfolio.

Most technically advanced mill in the USA¹

- Stainless melt shop capacity 900kt
- CR capacities 350kt in Calvert & 250kt Mexinox

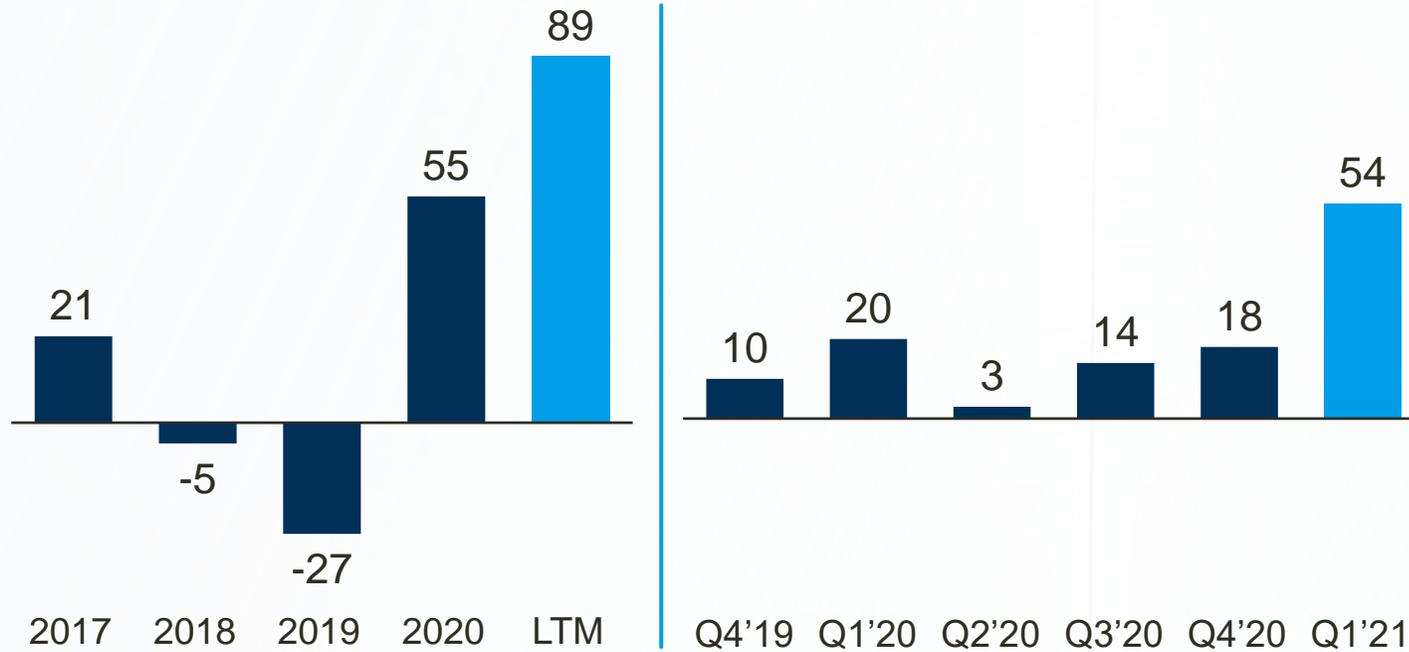
Unique location in Alabama, US.

After recent ferritics investment able to serve better the market.



Successful 2-year turnaround and strong Q1'21

Adjusted EBITDA, € million



Already 6 consecutive quarters of positive adjusted EBITDA.

Q1 profitability supported by high utilization & favorable grade mix.

Strong Q1 supported by our own **commercial push** and **improved cost levels**.

In addition, adjusted EBITDA supported by favorable changes in raw materials.

Turnaround actions undertaken since 2019

Commercial turnaround

Systematic work to improve raw material efficiency and lower fixed costs in operations.

Strengthening resilience with ferritic investment.

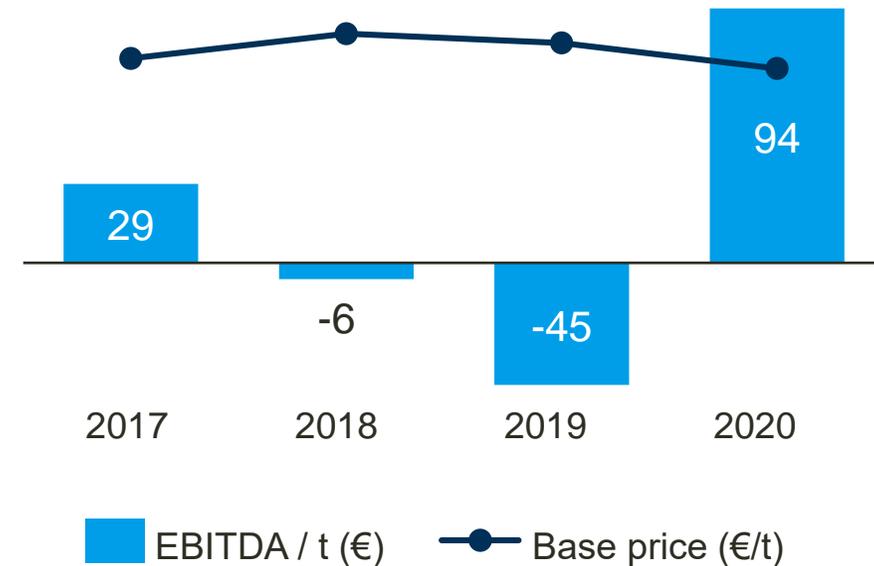
Commercial turnaround since 2019...

- **New commercial strategy**
- **Systematic improvement in organizational maturity:** targets, processes, steering and accountability
- **Increased market share** driven by appliance, pipe & tube and large distributors
- **Cold-rolled market share improved** from 21% in 2019 to 24%¹



...with significant turnaround in operational efficiency

- **Raising operational maturity:**
Organization, processes, steering, continuous improvement
- **Holistic slab cost optimization**
- **Fixed costs reduction and variabilization**
- **Improved planning and forecasting**
resulting in lower inventories



Investment in ferritic capabilities completed on time & on budget

Improving **business resilience** from broader presence and product portfolio.

More competitive cost position in ferritics in the US.

Stronger position especially in **appliances and automotive**.

Ferritics market is ~600kt, **long-term target fair share**.

Positive outlook: executing our strategy in a healthy market

Favorable market outlook

- Robust outlook driven by appliances and auto
- Short-term upside 6-7% economic growth, Biden stimulus, more focus on sustainability

Good position in a healthy market

- Section 232 still in force
- Strong relationships with key distributors
- Unique position for investments in South US

Strategy to drive profitable growth

- Commercial excellence: Improve service to key customers
- Cost & Capital Discipline: Slab cost, manufacturing excellence and logistics

Determined actions to reach full potential of \$150–200 million adjusted EBITDA

Commercial excellence

- Further **strengthen** and expand **customer relationships** by consistently improving service.
- **Drive growth** in selected segments distributors, appliances, auto, pipe & tube and in value added grades.

Cost and capital discipline

- **Slab cost:** Optimize melt shop operations and raw materials sourcing end-to-end.
- **Manufacturing excellence:** Improve quality, yield, availability and cost.

Lean & agile organization

- Shift focus from short-term cost reduction to **sustaining high performance**.



Setting a new standard for sustainability

Stefan Erdmann

Chief Technology Officer & Group Sustainability

Updated sustainability strategy reinforces our leadership position



Strong demand for sustainable stainless steel driven both by customers and stakeholders.

Outokumpu is **the sustainability leader** in stainless steel driven by our heritage, people and operations.

We will further **strengthen this leadership** with a more ambitious sustainability strategy.

Cornerstones for the updated sustainability strategy:

- Outokumpu will become the industry benchmark for sustainability
- Commitment to the Business Ambition for 1.5 °C campaign of SBTi and partners

Increasing demand for sustainable stainless steel



Customers

- **18x increase** in number of companies with SBTi targets in the past 4 years.
- 60% of consumer durable OEMs committed to **value chain decarbonization**.
- Large and increasing share of end-users **prefer sustainable** appliances¹.



Stakeholders

- **Regulators:** Outokumpu is well aligned with EU Taxonomy requirements for high alloy steel in EAF with >70% scrap.
- **Employees:** A clear commitment to ESG is important; majority prefers employers with strong environmental policies².

1) EY Nachhaltiger Konsum 2020 | EY – Deutschland;
2) "Employees want climate-positive action from companies" | Reuters Events | Sustainable business
SBTi Companies taking action: From 74 to 1366 between 2016-2021

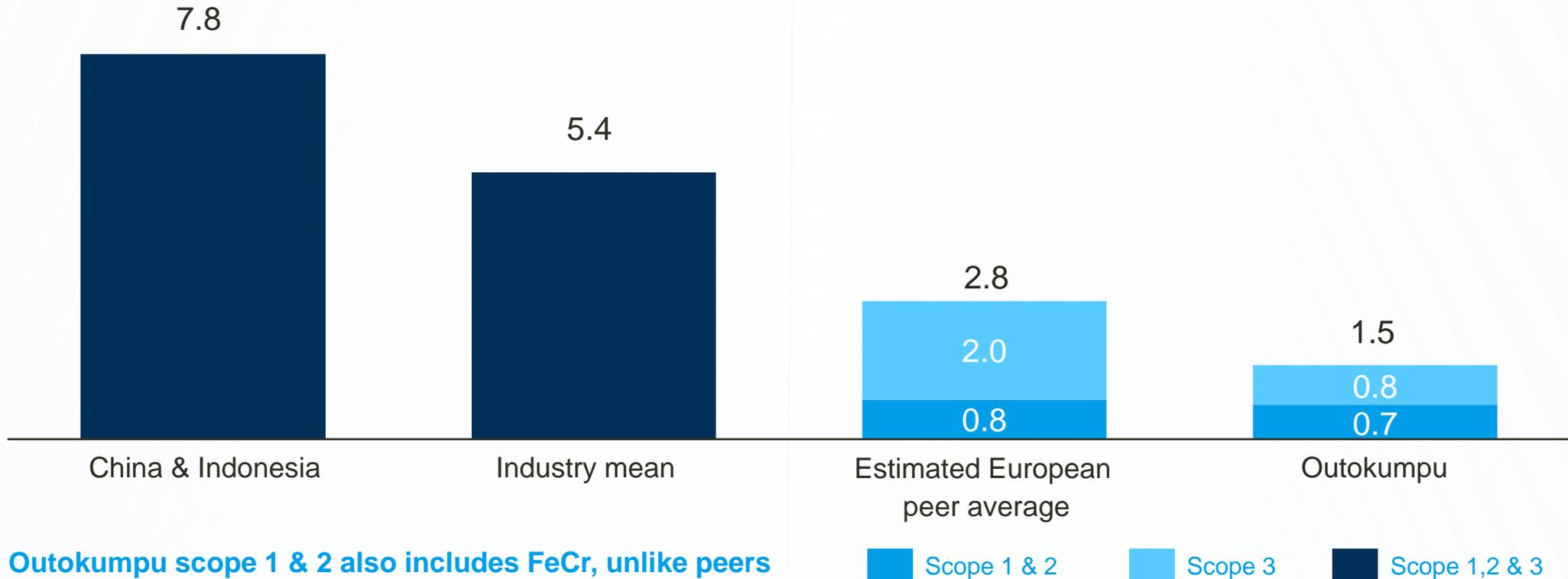
Strong current performance as a result of our heritage

	Our heritage	Our performance
Safety	Focus on employee safety and well-being	70% reduction in TRIFR since 2016 due to systematic improvements
Supply chain	Own FeCr supply chain integrated with Tornio stainless steel mill	58% lower emissions from FeCr production than industry average
Production	Highly electrified production technology, low fossil power mix	76% of electricity from low-carbon sources in 2020
Circular economy	Long history of using and producing recyclable materials	>90% production from recycled content

TRIFR=total recordable incident frequency

Outokumpu is the industry benchmark for stainless steel carbon footprint

Value chain emissions, tCO₂-eq/t of stainless steel



Source: ISSF for stainless steel industry mean emissions, companies' annual reports, 3rd party estimate of European peer average emissions in Scope 3

Our Environmental, Social and Governance foundation

Customer's first choice in sustainable stainless steel

Environment

Reduce emissions and provide solutions for a sustainable future

Social

Health and safety of our people in everything we do

Governance

Ensure transparency and compliant processes

Sustainability is integral to our strategy and implemented with programmatic approach

Core elements

Electrified production
Digitalization

Sustainable sourcing
Partnerships

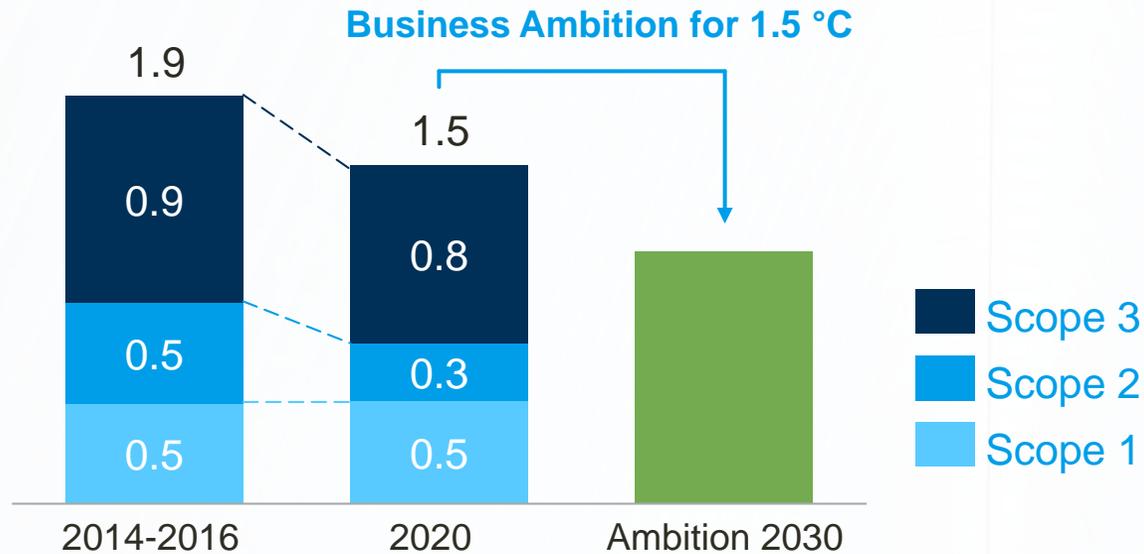
Inclusion and diversity
Outokumpu values

Leadership and culture
Group standards

Compliance
Zero corruption

Our SBTi ambition raises the bar in green stainless steel...

Outokumpu's value chain emissions,
tCO₂-eq/t stainless steel



- Commitment to the **Business Ambition for 1.5 °C** campaign of SBTi and partners
- Reporting emissions in **all scopes 1, 2 & 3**



...on our roadmap towards carbon neutrality

Outokumpu's greenhouse gas emission reduction roadmap

20% GHG reduction from 2014-2016 baseline will be achieved ahead of time

2014

Emission reduction with technologically proven and low CAPEX levers on short term

2021

Targeted investments to low emission production and emission reduction technologies

2023

Commitment to the Business Ambition for 1.5 °C Campaign by SBTi and partners

2030

Commitment towards carbon neutrality by 2050

2050

Key levers for emission reduction

Efficiency & yield improvements

Decarbonize fuel mix

Systematic sustainability evaluation

Investments within overall strategy

Tracking & transparency is a part of our ESG strategy

Environment



GHG emissions

Scopes 1-3



Metals used in production

Recycled steel, recovered metals, alloys slag formers, chromite ore



Energy & electricity sources

Energy used by source



Byproducts and waste

In steel production and mining
Hazardous and non-hazardous



Emissions to air and water

Dust, nitrogen oxides and sulfur dioxide, metals and nitrates



Water used and water discharges

By source and discharge destination



Biodiversity

Sites close to high biodiversity areas

Social



Safety

Fatalities, LTIFR, restricted work injuries, medically treated injuries, first-aid treated injuries, TIFR, proactive safety action frequency



Direct economic value generated and distributed

Value distributed to society (employee benefits & taxes), value retained in business



Workforce, Diversity & Talent

By gender, age, color, years of service, contract type and region, hires and leavers



Employee wellbeing

Organizational health, employee engagement, sick rates, worktime management



Continuous performance development

Share of employees with regular development discussion

Governance



Share of local suppliers

Share of suppliers in countries with significant production sites



Number of raw material suppliers in countries with ESG risk

Out of top 20 suppliers



Number of female BoD members



Number of independent BoD members



Executive compensation



Share of employees Code of Conduct training

Updated sustainability strategy launched

- **Our holistic sustainability strategy** will set a new benchmark for the industry.
- **Our commitment to the Business Ambition for 1.5°C** and we are ramping-up towards that.

**"Customer's first choice in
sustainable stainless steel"**

Outokumpu Capital Markets Update 2021

Questions & Answers

May 6, 2021

For more information, call Outokumpu Investor Relations or visit www.outokumpu.com/investors



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