

Outokumpu Capital Markets Day 2017

November 14, 2017

London, UK



Program

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15:30	Breakouts	Liam Bates, EVP – Supply Chain Management Europe Maciej Gwozdz, EVP – Operations Europe Olli Matti Saksi, EVP – Sales Europe	76 86 93
17:00	Cocktails		

Speakers



Roeland Baan
President & CEO

Roeland joined the company in 2016 as the President & CEO. He is also President of business area Europe and head of the Outokumpu Leadership Team.



Chris de la Camp
CFO

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



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.



Kari Tuutti
President, Long Products

Kari joined the company in 2011 and has been the head of business area Long Products since 2014. He has been a member of the Outokumpu Leadership Team since 2012.

Speakers



Liam Bates
EVP – Supply Chain Europe

Liam joined the company in 1993 and he has been the head of Supply Chain Europe since 2016. He has been a member of the Outokumpu Leadership Team since 2015.



Maciej Gwozdz
EVP – Operations Europe

Maciej joined Outokumpu as the head of Operations Europe and a member of the Outokumpu Leadership Team in 2016.



Olli-Matti Saksi
EVP – Sales Europe

Olli-Matti joined the company in 2013 and he has been the head of Sales Europe since 2016. He has been a member of the Outokumpu Leadership Team since 2014.



Moderator:
Tommi Järvenpää
VP – Investor Relations

Tommi joined the company in 2014 and he has been the head of Investor Relations since 2016.

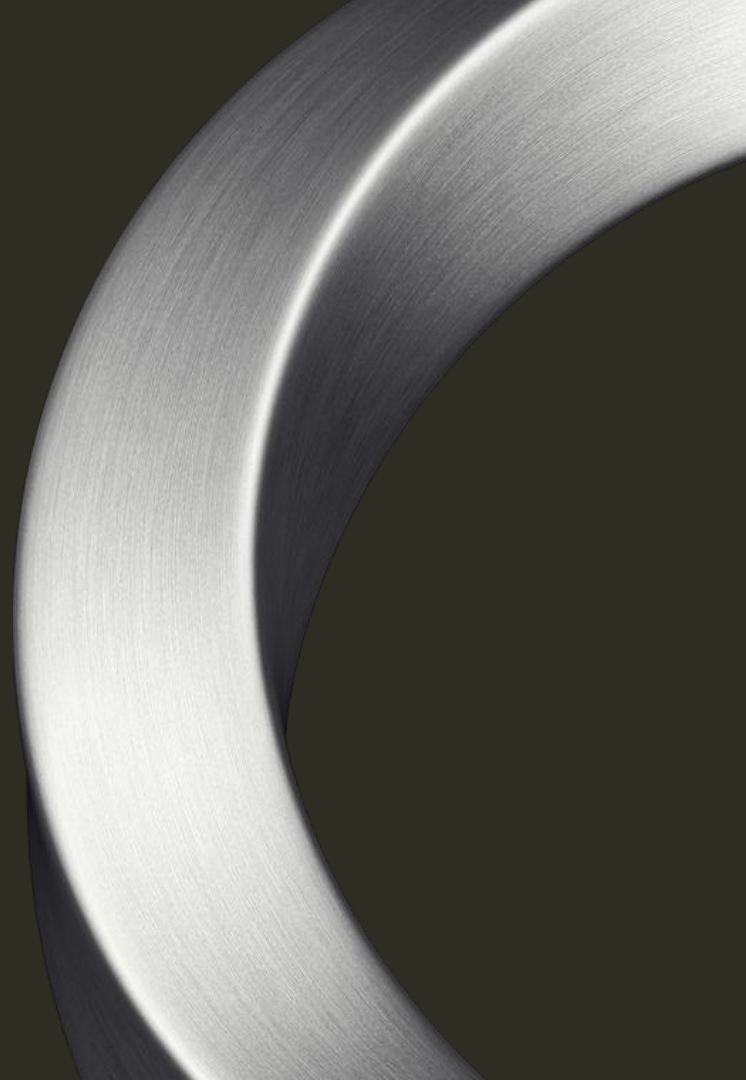
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Driving topline growth and efficiency

Roeland Baan
President & CEO

outokumpu 



Driving topline growth and efficiency

Our must-win
battles are yielding
tangible results

Our 2020 financial
targets are firmly
within our reach

Key investment
projects are
securing our
long-term
efficiency

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

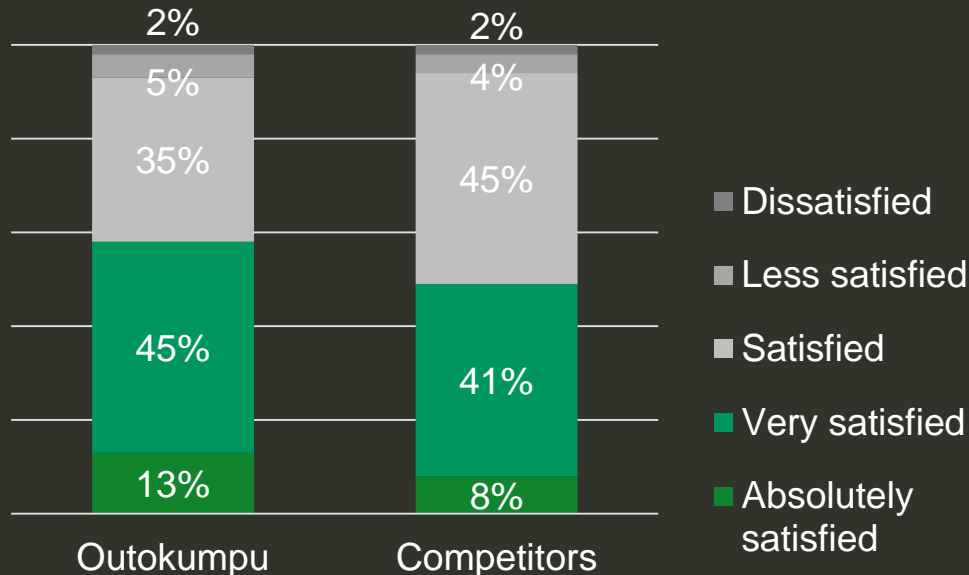
1. Customers
2. Shareholders
3. Employees

Time bound:
sense of urgency

Back to basics

Best value creator for our customers

Satisfaction among 1,222 of our customers
in 45 countries

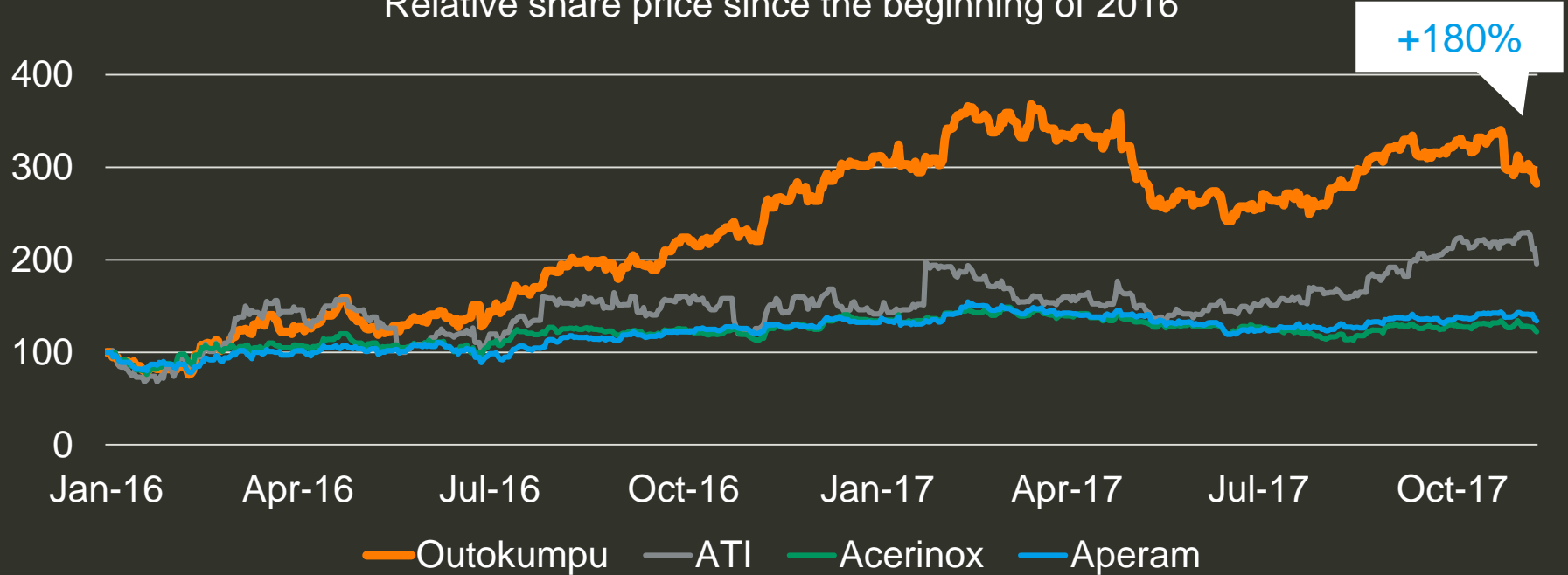


Tremendous potential
to improve and
differentiate from
competition

58% of our customers
are absolutely
or very satisfied

Best value creator for our shareholders

Relative share price since the beginning of 2016



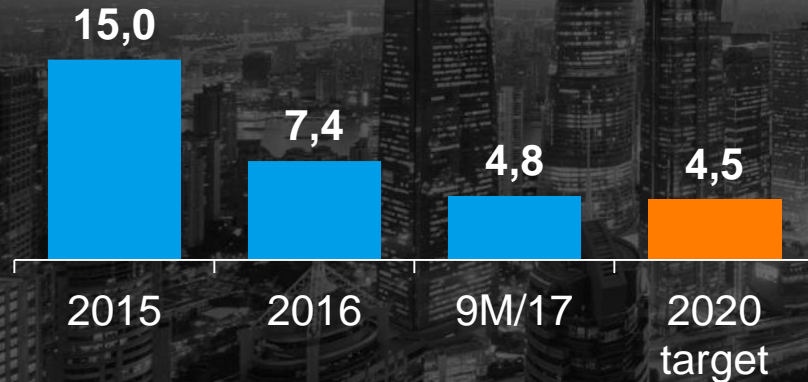
Best value creator for our employees

2017 OHI* completed:
Response rate at 80.4%
Scores improved in all practices



Best-in-class safety correlates with improved quality and operational efficiency

Total recordable incident frequency, TRIF

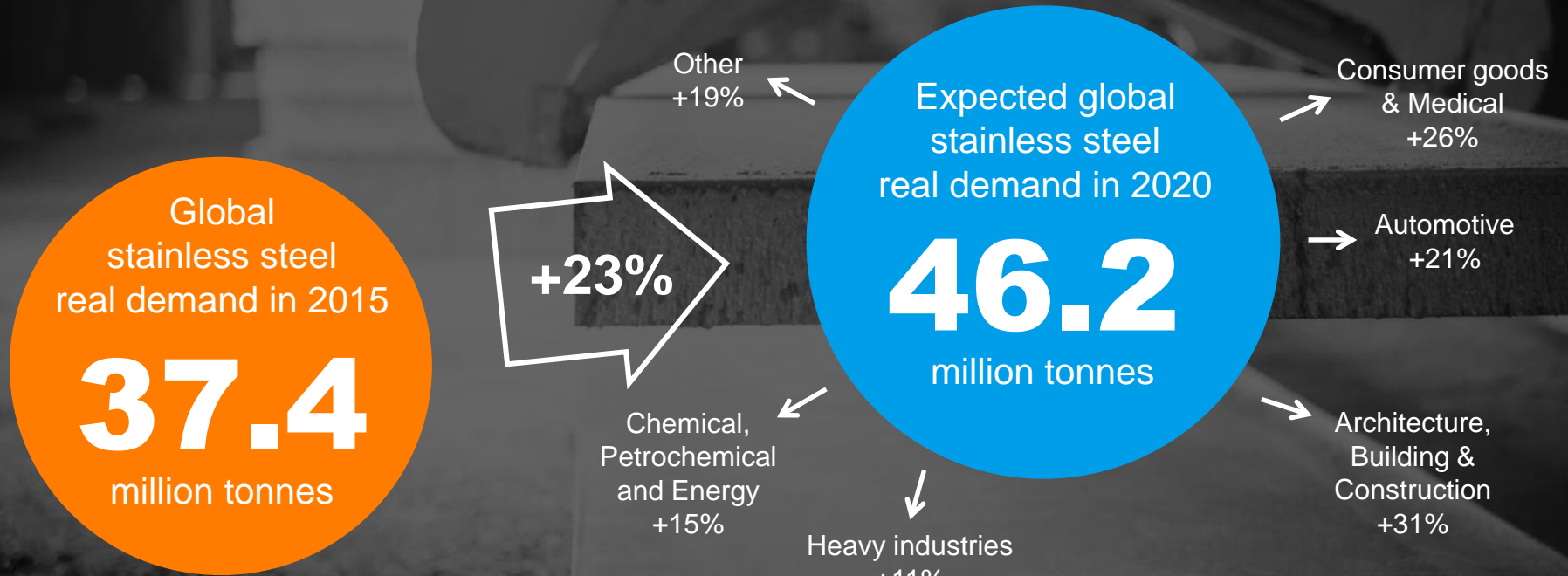


We have reduced the number of accidents

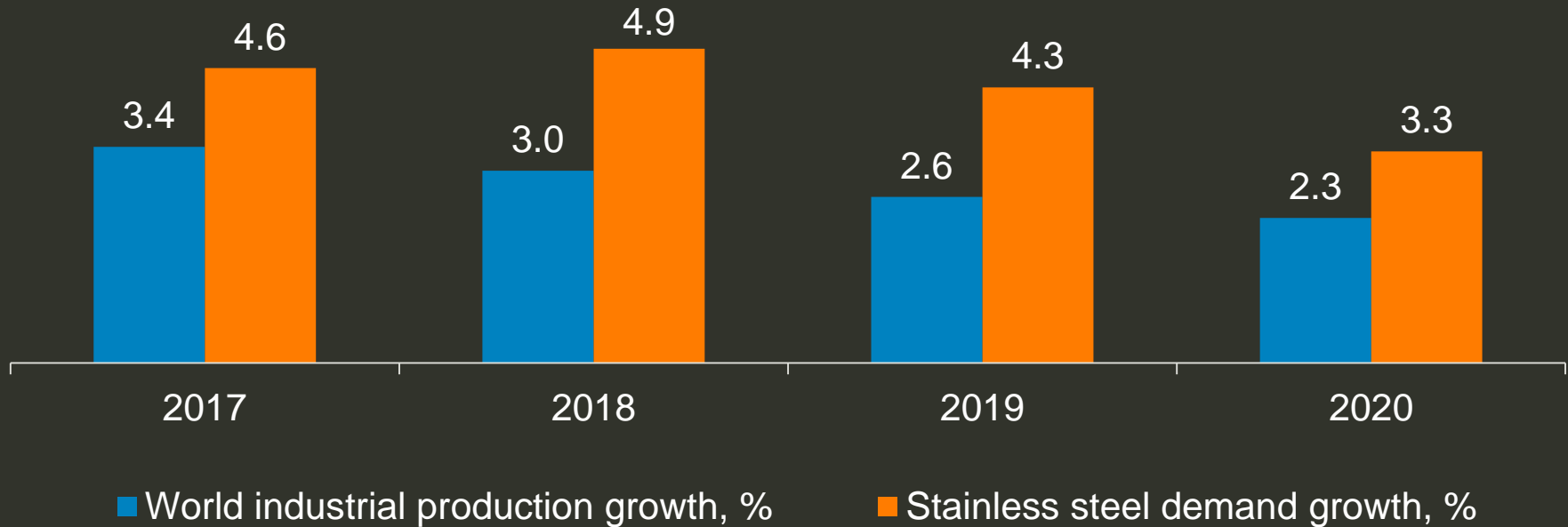
We are implementing Standardized Safety Processes

We are developing safety culture and consequence management

Stainless steel demand continues to grow

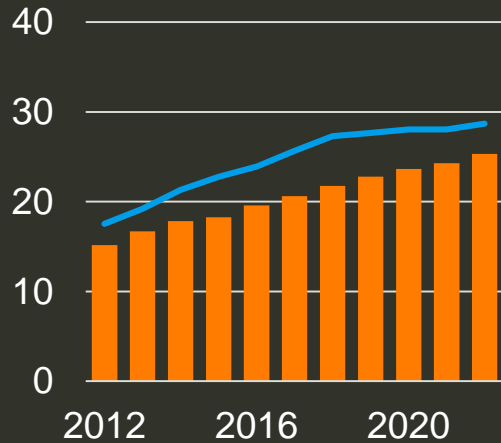


Stainless steel demand is growing faster than industrial production...

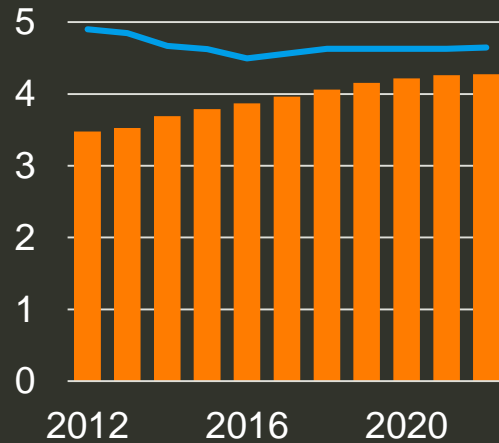


...and overcapacity is expected to diminish

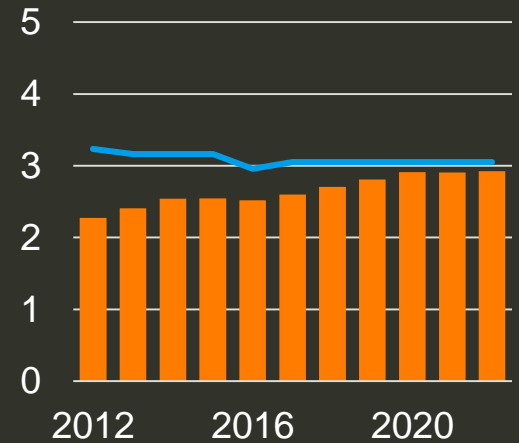
Asian cold rolling capacity & demand, million tonnes



European cold rolling capacity & demand, million tonnes



American cold rolling capacity & demand, million tonnes



■ Cold rolled demand ■ Cold rolled capacity

Our financial targets are based on conservative market assumptions

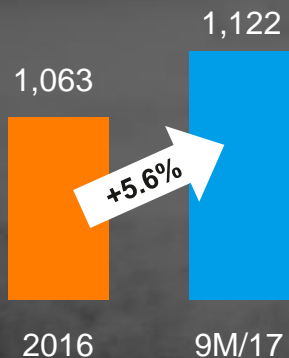
EBITDA
EUR 750 million

ROCE
12%

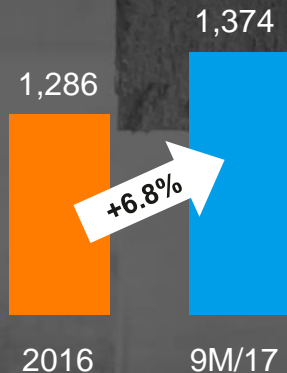
Gearing
<35%

Raw material prices have supported our earnings in 2017

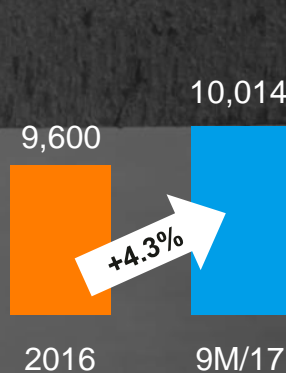
European average base price, EUR/tonne



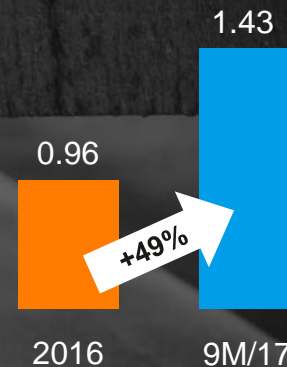
US average base price, USD/tonne



Nickel price, USD/tonne



Ferrochrome price, USD/lb



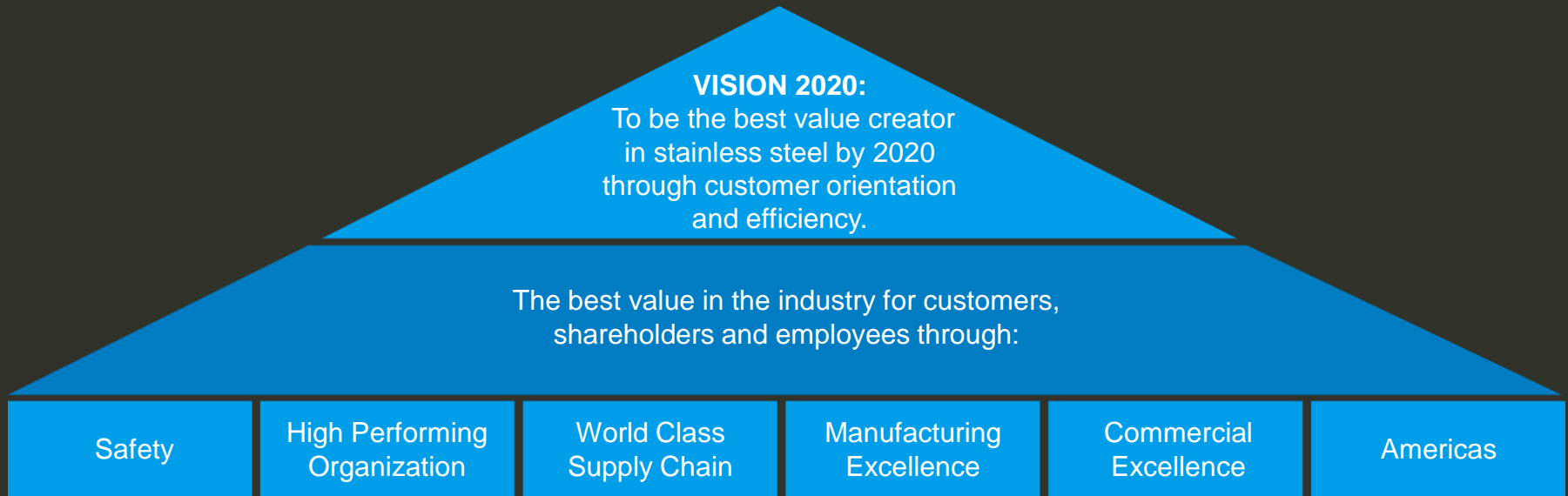
Sources:

Base prices: CRU, Oct 2017, 2mm cold rolled stainless steel sheet

Nickel: LME settlement quotation

Ferrochrome: Metal Bulletin, quarterly contract price

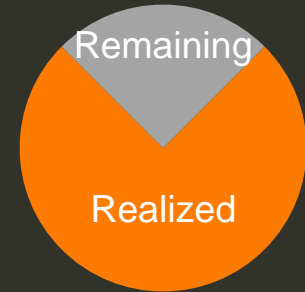
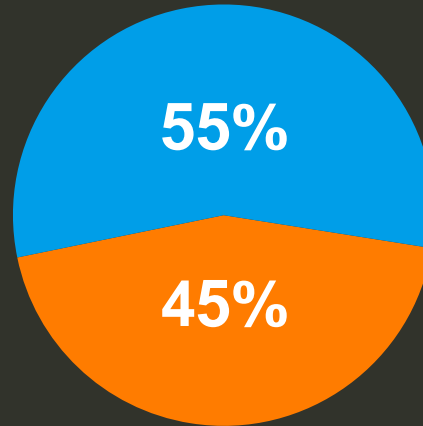
We continue to create value through our must-win battles



Topline growth and cost reductions will deliver EBITDA of EUR 750 million

TOP LINE GROWTH

COST REDUCTION



Rigorous cost management is yielding tangible results

SG&A costs
reduced by EUR
85 million

Variable costs
per tonne*
down by 4%

Procurement
costs reduced
by EUR 90
million

Ongoing

- Achieve 3% annual productivity improvement
- EUR 100 million lower SG&A cost run rate to be achieved by the end of 2017
- Further savings from procurement initiatives to realize in 2018

Commercial initiatives are progressing according to plan

Increased Americas' deliveries by 43%

Mix improvement and pricing excellence in Europe

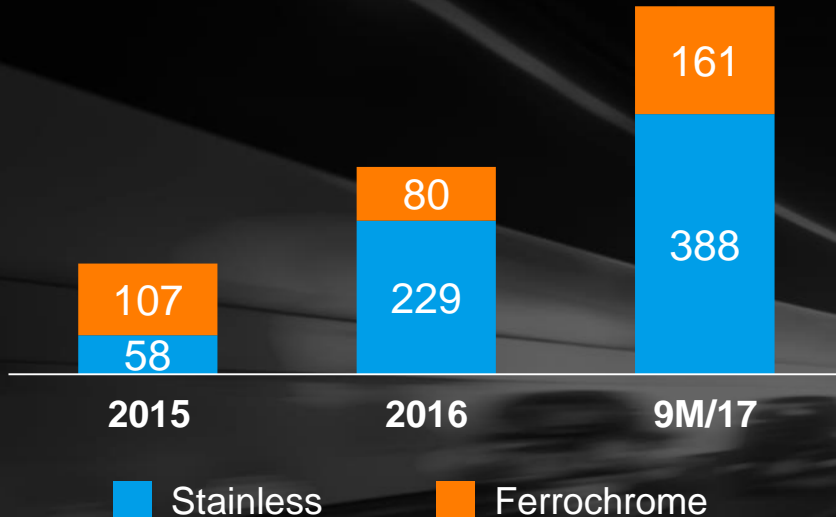
We have the best customer satisfaction in the industry

Ongoing

- Increase volume through efficiency and debottlenecking
- Richer mix through enhanced capability and selective sales strategy
- Value based selling
- Improve customer satisfaction to 75%

Stainless profitability has improved as a result of self-help

Adjusted EBITDA, EUR million



European
base price
+6.3%

US
base price
+1.9%

New business area structure improves visibility in stainless development

Europe

Ferrochrome

Americas

Long
Products

Integrated ferrochrome operations bring significant strategic advantages

Our ferrochrome operations rank in top 10 among major ferrochrome smelters

Production costs, USD/lb

Outokumpu



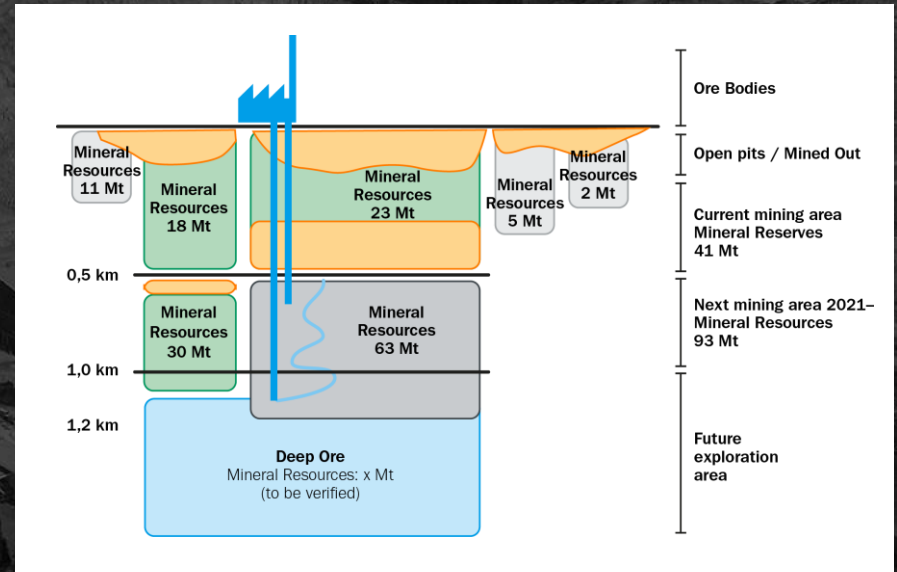
Profitability value from integrated mine and smelting operations

One of the most cost competitive ferrochrome producers globally

Strategic advantage and significant cost benefit for the company

Kemi mine expansion will secure ore supply for coming decades

- Current mining area to be exhausted early 2020's
- Expansion extends the underground mining activities to 1,000 meters
- Ensuring safe, profitable and long-term mining process chrome feed
- Supporting the continuation of the integrated operations in Kemi-Tornio sites beyond 2020



We are harmonizing our business and culture through project Chorus...



...which creates opportunities beyond 2020

Significantly
shorter
lead times

Higher share
of automation
and robotics

Integrated
systems with
customers and
suppliers

Driving topline growth and efficiency

Our must-win
battles are yielding
tangible results

Our 2020 financial
targets are firmly
within our reach

Key investment
projects are
securing our
long-term
efficiency

Delivering solid cash flow

Chris de la Camp
CFO

outokumpu 



Delivering solid cash flow

Significant
contribution from
self-help

Strengthening of
balance sheet
remains a key
priority

Solid cash flow
generation will
open options for
future

2020 financial targets are firmly within our reach

EBITDA
EUR 750m

9M/17:
EUR 549m

ROCE
12%

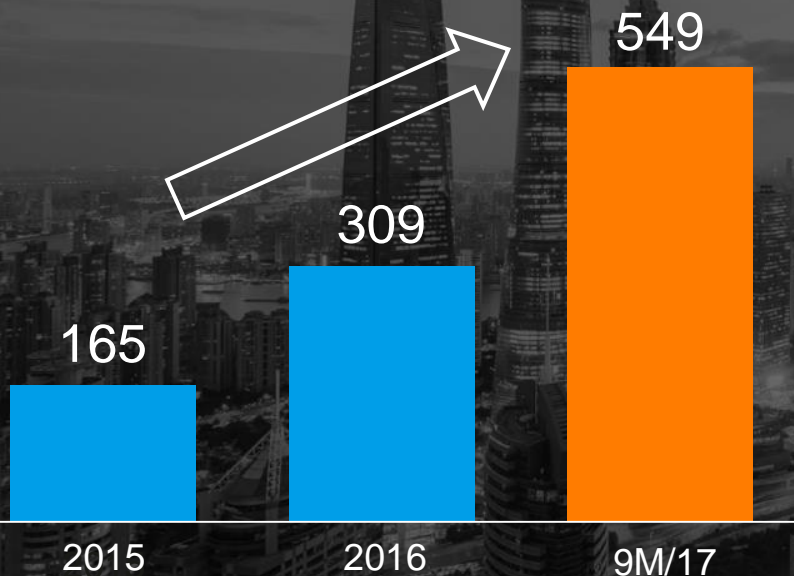
9M/17:
12.4%

Gearing
<35%

9M/17:
44.4%

Solid EBITDA development due to self-help measures and supportive market...

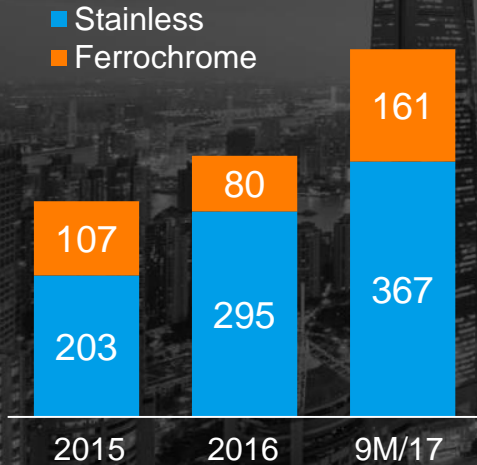
Adjusted EBITDA, EUR million



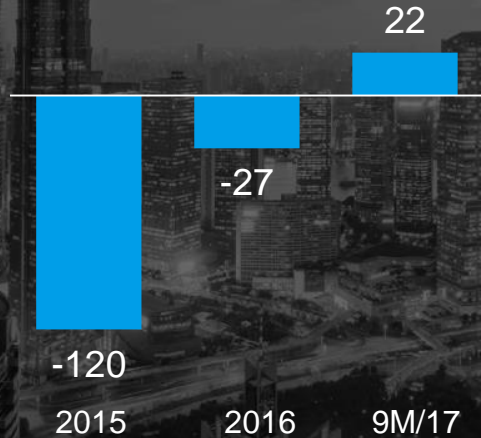
- Rigorous cost management
- Good progress with commercial initiatives
- Supportive market environment

... with all business areas improving significantly

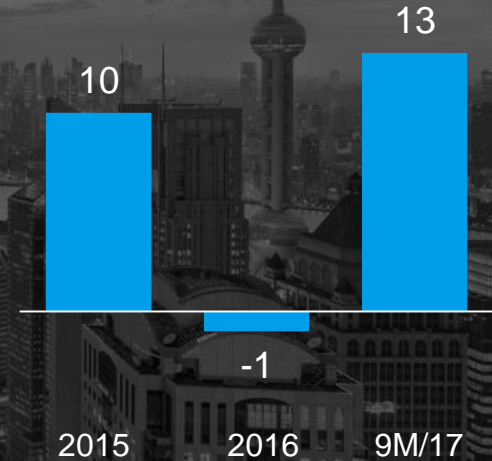
Europe adjusted EBITDA,
EUR million



Americas adjusted EBITDA,
EUR million

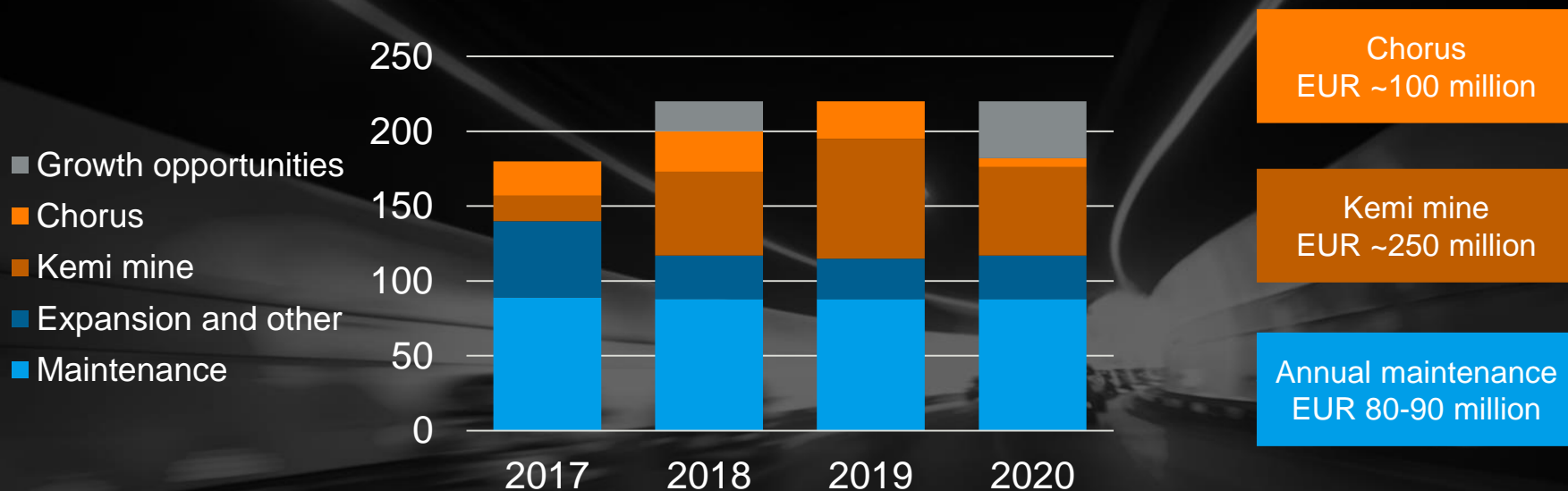


Long Products adjusted EBITDA,
EUR million



Annual capex stable at slightly above EUR 200 million

Capex cash flow estimates, EUR million



Chorus enables efficiency improvements throughout the organization

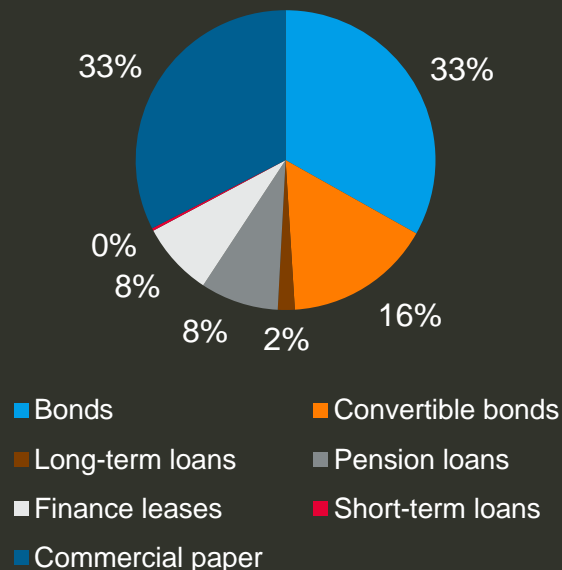
Reduced IT costs through simplification

Reduced SG&A costs through centralization of shared services

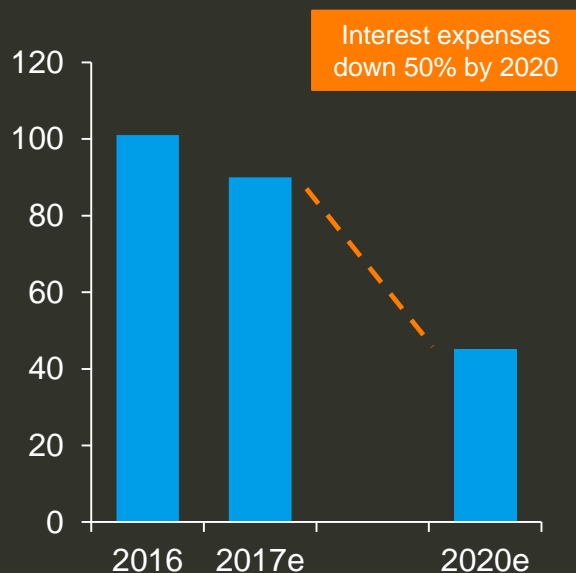
Creating platform for future digitalization

Halving interest expenses by 2020

Debt structure*, %



Net interest expenses, EUR million



- **2017:**
 - 2019 bond called
 - 2021 bond partly repaid
 - Reduction of factoring
 - Pension loan refinanced
 - Prepayment of debt by disposal proceeds
 - Further cost optimization of debt portfolio
- **Short-term:**
 - Revolving credit facility will be refinanced before February
- **Medium-term:**
 - Further improvement of debt structure

Tax-loss carry forwards will keep cash taxes moderate

Example:

Tax loss carry forwards of EUR 100 million in country A

→ Sufficient taxable income generated in country A

→ Tax loss carry forwards are recognized as further deferred tax income

→ Tax rate in country A of 35%

- Remaining unutilized tax loss carry forwards amount to EUR 2,546 million, mainly from Germany and the US
- Can be recognized as further deferred tax income when generating sufficient taxable income in these countries



Net result:

+ EUR 35 million

Equity:

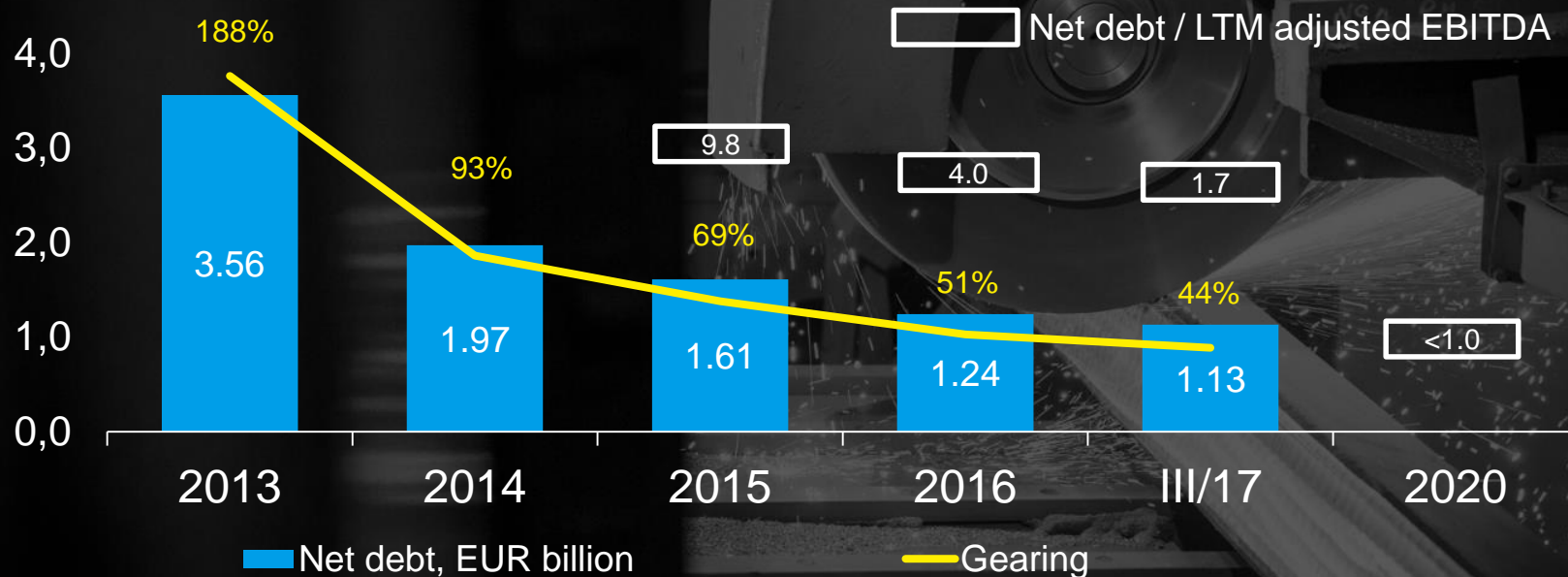
+ EUR 35 million

Gearing:

-0.6% ¹⁾

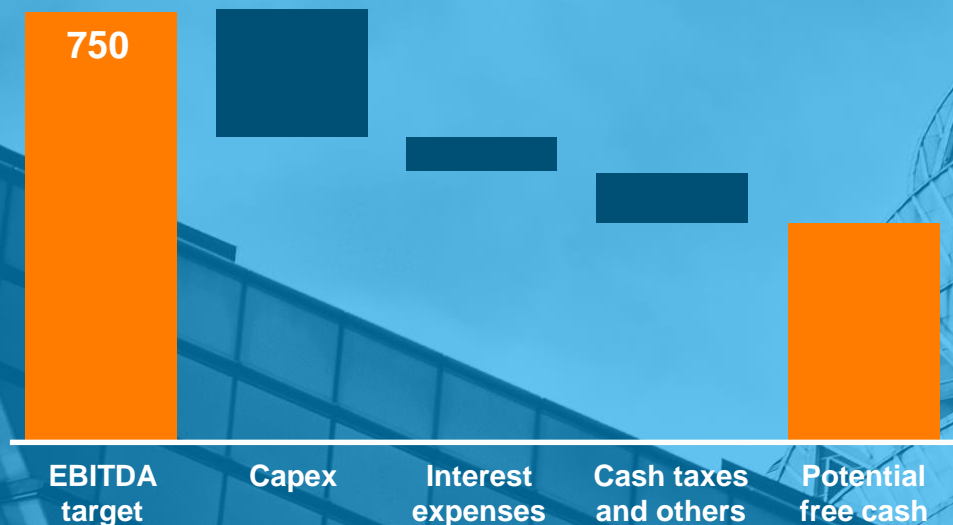
Aiming to reduce leverage to below 1.0

Net debt and gearing



Targeting solid cash flow generation by 2020

Potential free cash flow, EUR million



Cash utilization options:

1. Shareholder return
2. Investment projects

Dividend policy:

- 1/3 of net profit over a business cycle
- Aim of stable annual payments

Delivering solid cash flow

Significant contribution from self-help

Strengthening of balance sheet remains a key priority

Solid cash flow generation will open options for future

Tangible growth potential in Europe

Roeland Baan
President & CEO

outokumpu 



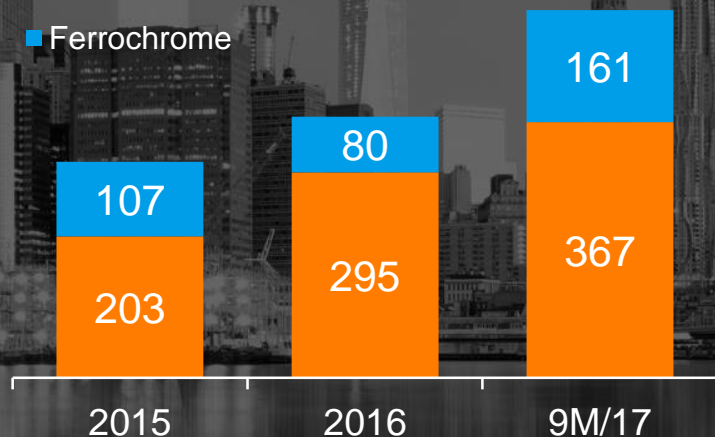
Our successful strategy execution paves the way for future growth



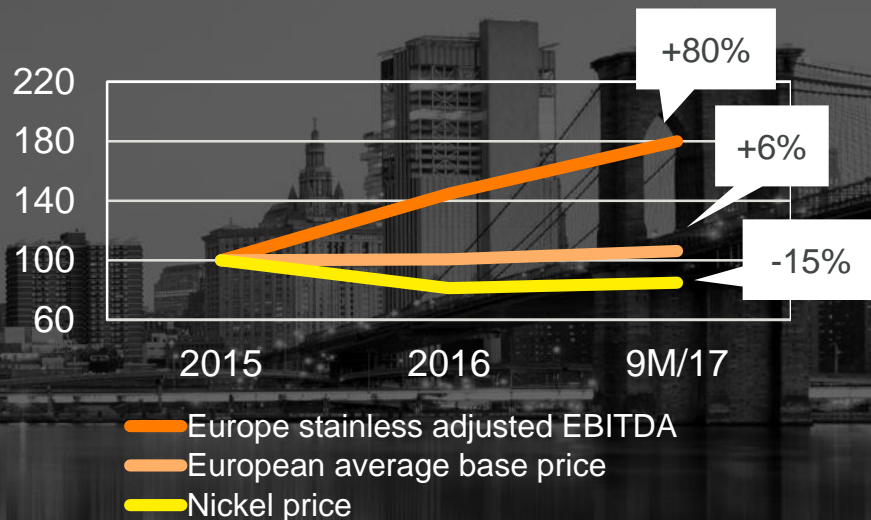
Stainless profitability has significantly outperformed the market

Europe adjusted EBITDA, EUR million

■ Stainless
■ Ferrochrome



Profitability boosted by self-help, index



Completed restructuring creates solid basis for Europe

We have kept stable market share despite the closure of Benrath mill in 2016

Ferritics optimization investment in Krefeld was completed successfully

Delivery performance of our German mills has increased from ~70% to >90%*

We have realized >EUR 50 million SG&A cost savings

Healthy market environment continues in Europe

Stock levels are at historical averages

Imports have increased particularly from Korea & Taiwan

Cold rolled market expected to grow by over 400,000 tonnes in 2015-2020

Our path to future growth

Markets

Strong market position secured through higher efficiency and debottlenecking

Operations

Global production standards in all mills & efficient inventory management

Innovation

Clear R&D focus on solutions and process technologies

Digitalization

Unified tools and processes through Chorus

Tangible growth potential in Europe

We have visible achievements from restructuring and efficiency improvements

We have become the best value creator in stainless steel in Europe

We are ready to leverage our capabilities to meet further growth opportunities

On track to solid profitability

Michael S. Williams
President, Americas

outokumpu 



We are on track to solid profitability

Our market
position
strengthens
further

We continue to
improve yield
and decrease
operating costs

Higher margin
product mix and
increased volume
boost topline
growth

Must win battles remain our core focus

AMERICAS

SAFETY

HIGH PERFORMING
ORGANIZATION

MANUFACTURING
EXCELLENCE

WORLD CLASS
SUPPLY CHAIN

COMMERCIAL
EXCELLENCE

High Performing Organization continues to improve efficiencies

Organization fully engaged with safety:
100% participation in SafeStart

Organizational Health Index response rate at 86%

New top sales leaders in place

Organizational restructuring underway in Mexico

Manufacturing Excellence continues to drive value growth

52% reduction in
Lost Time
Incidents

Sales volume up
by 10%

Variable costs
per tonne
reduced
significantly

Higher
demonstrated
capacity

Significant OEE*
improvement:
26% at melt
shop, 33% at
cold rolling

Prime yield
improvement of
1.1%



Operational efficiency leading to significant change and results

Melt shop
raw material
optimization

Hot line slitter
project to
decrease costs

Targeted yield
improvement to
decrease costs

OEE
improvement
to maximize
contribution per
bottleneck hour

Americas' stainless market is growing...

Total Americas cold rolled market 2017: **2,600,000 tonnes**



...and the US market demand is recovering

Average prices rose in September

Demand is recovering:
+2% in 2017

Stock levels
below historical
averages

Prices moved
above historical
average in
September

China imports
replaced by
other Asia &
Taiwan

Earning our fair share of the market in the Americas

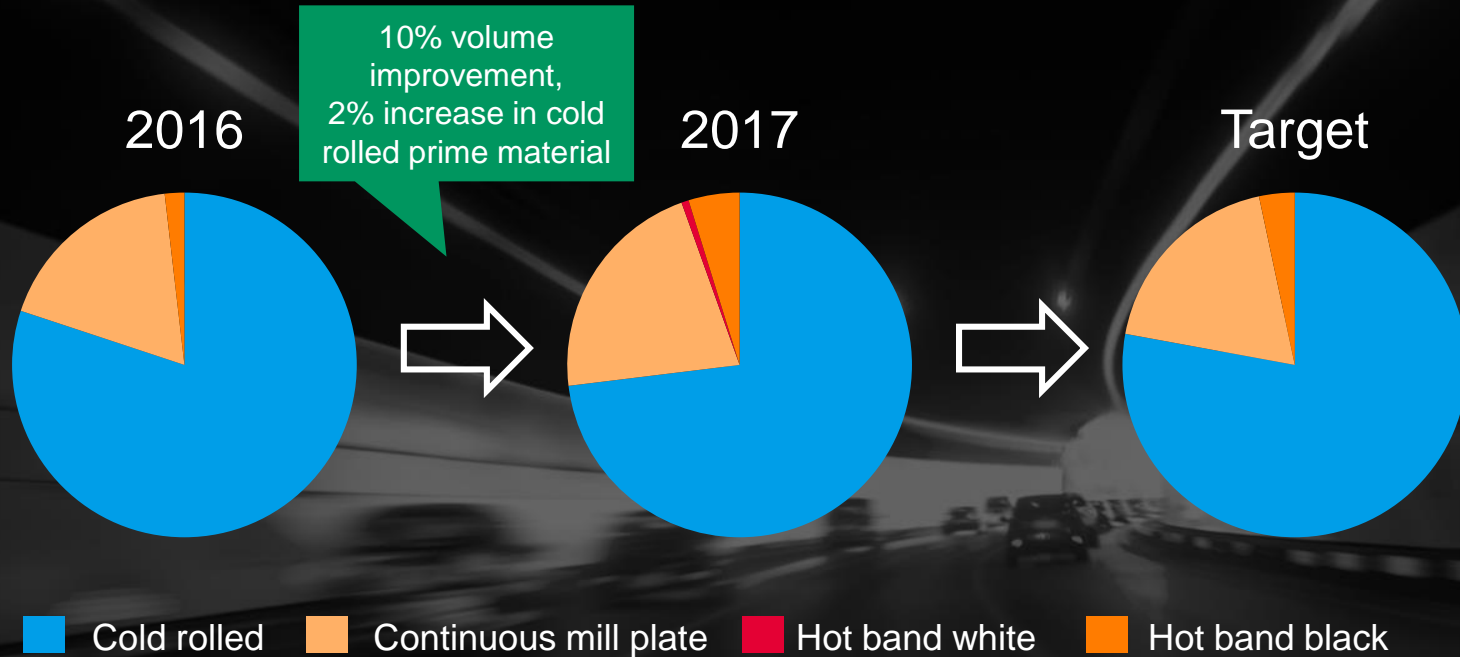
- Improving SOTIF*
- Key focus in appliance and automotive segments
- Leading customer quality performance
- New sales force dedicated to target growth areas
- Earning back market share in Mexico
- Leveraging our global capabilities

Improving
product
mix

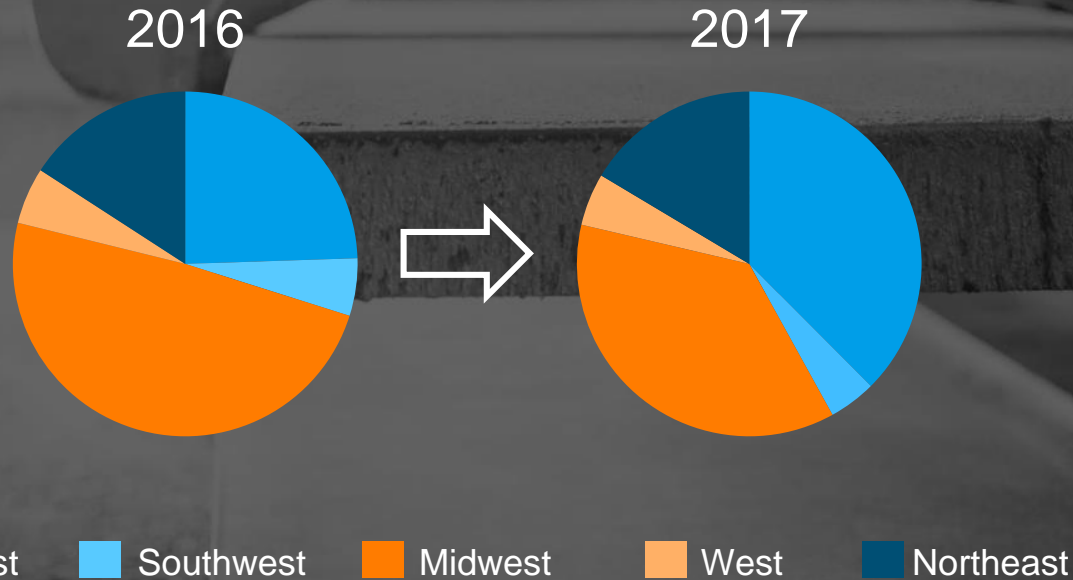
Improving
regional
mix

**IMPROVED MIX IS THE KEY
PROFITABILITY DRIVER**

Targeting for a more profitable mix



Higher market penetration in southeastern US adds to profitable growth



We have improved our EBITDA significantly...

New sales professionals dedicated to target growth areas

Improving customer satisfaction – sales back office transition

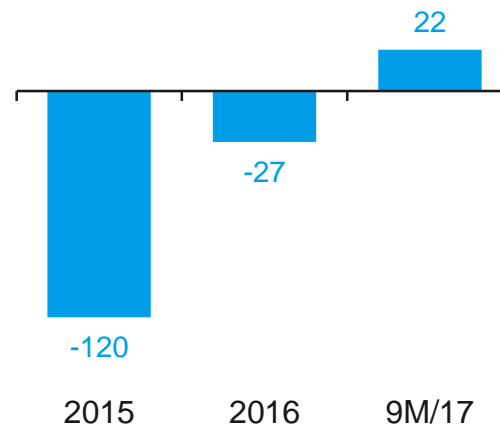
Lean manufacturing principles incorporated into onboarding process

All 26 operating units trained and measured consistently

Mexinox restructuring underway

Logistics optimization and procurement savings plans gaining traction

Americas adjusted EBITDA, EUR million



...but there is still runway left

COST IMPROVEMENTS WILL CONTINUE

- ~3% yield improvement in both Calvert and Mexinox
- Variable cost improvements continue
- Significant efficiency gain with Mexinox restructuring

TOPLINE GROWTH IS OUR BIGGEST LEVER

- Positive market share development
- Profitable sales development
 - Product mix
 - Production capability
 - Market penetration to gain richer product mix
 - New market segment participation

We are on track to solid profitability

Our market
position
strengthens
further

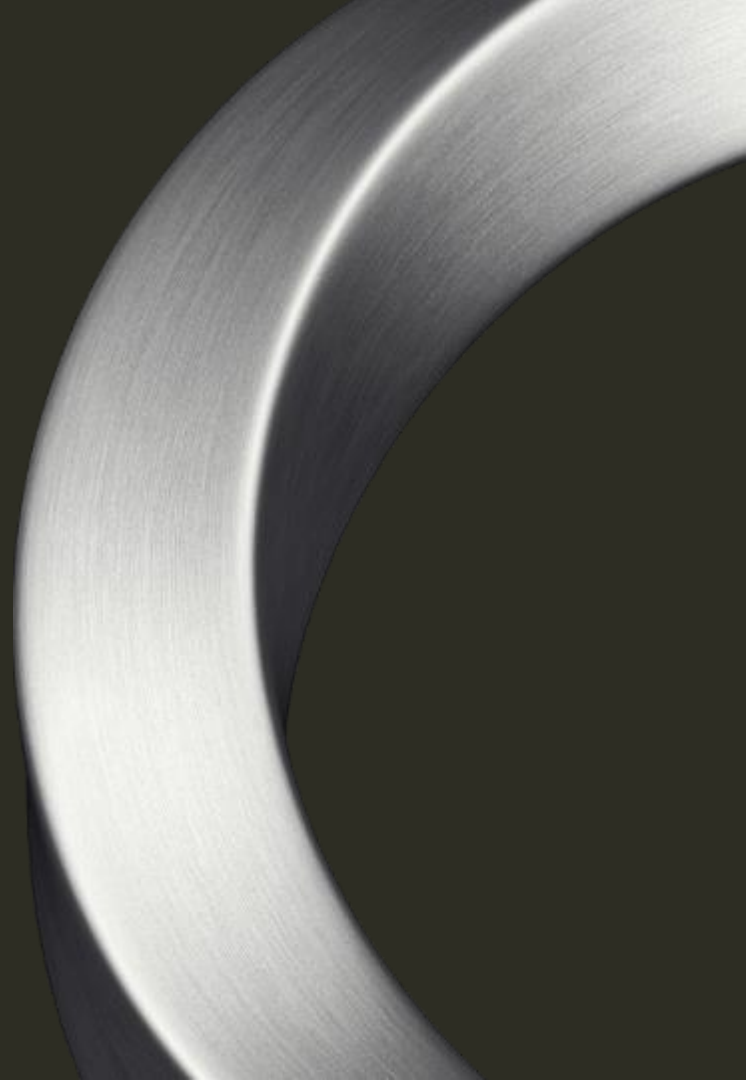
We continue to
improve yield
and decrease
operating costs

Higher margin
product mix and
increased volume
boost topline
growth

Capturing significant growth opportunities

Kari Tuutti

President – Long Products



Capturing significant growth opportunities

Targeting cost leadership

Continue to grow our US long products business

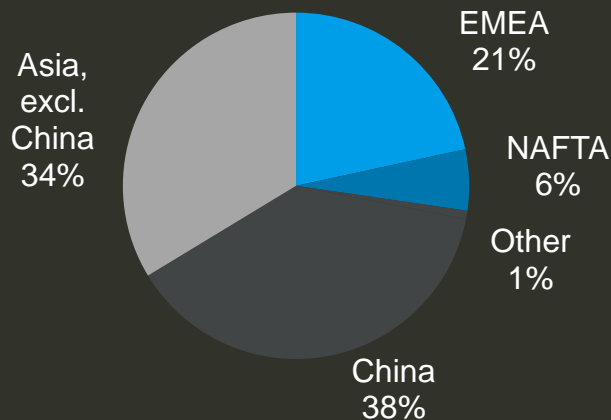
Grow in Europe – both in standard and special products

We have made great progress since 2016

- 1 Returned to healthy profitability in 2017
- 2 Divested Stainless Pipe in US with high valuation
- 3 Continued cost reduction
- 4 We have grown US bar volumes by 20% with 100% profit growth
- 5 We have grown special shapes bar volumes in Europe by 100% with excellent margins

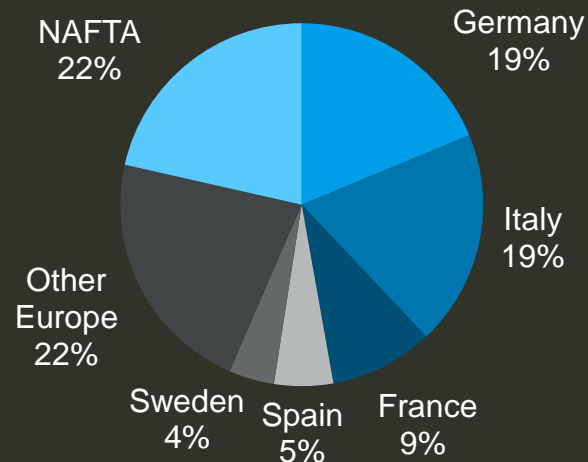
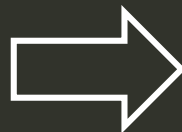
We have ~10% share in Europe and NAFTA

Stainless long products demand by region (2017)



TOTAL: 6.0 mtonnes

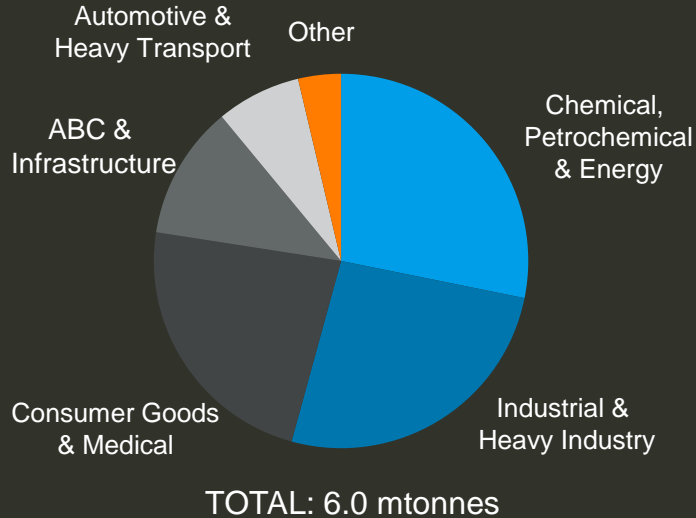
Core markets: Europe and NAFTA



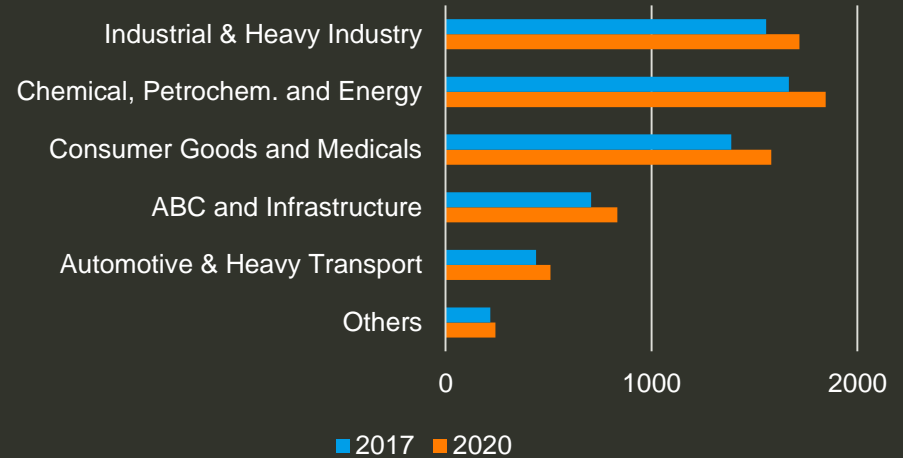
TOTAL: 1.6 mtonnes

Positive demand outlook in key segments: 4% growth during 2017-2020

End-customer industries

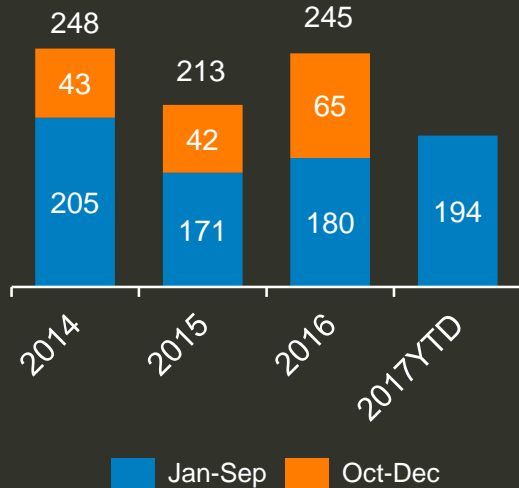


Growth by segment (2017-2020)

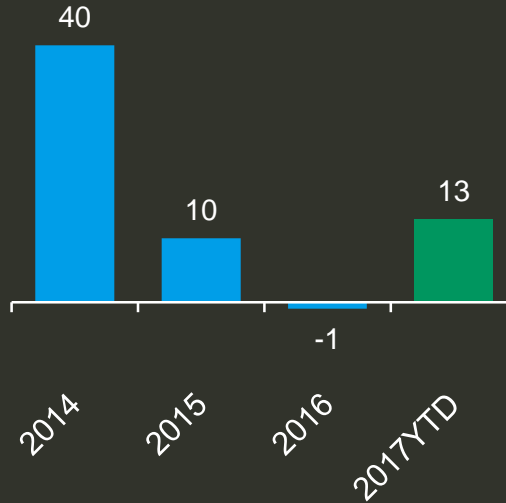


Solid profit growth in 2017...

Long Products
deliveries, 1,000 tonnes



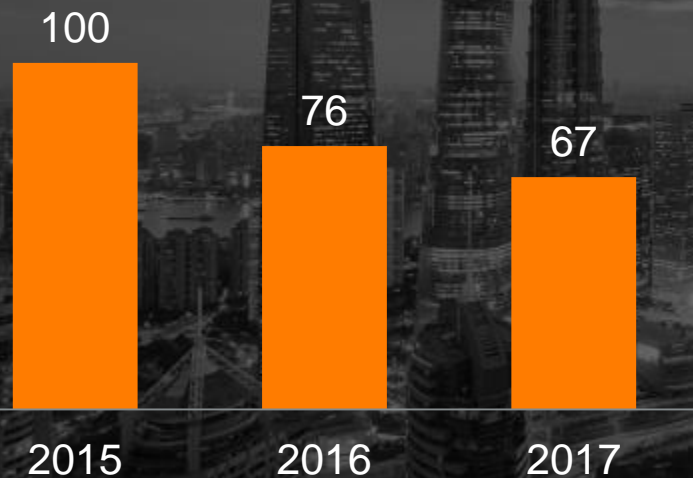
Long Products adjusted
EBITDA, EUR million



- Strong growth both in Europe and in the US
- Improved margins in all product categories
- Ramp-up of new special bar line in the US progressing as planned

...driven by significant improvements in cost competitiveness

Long Products fixed costs,
index (2015=100)



- Improved operational performance through manufacturing excellence
- Reduced SG&A costs
- Increased capacity utilization
- Weakening of GBP vs. EUR and USD

Long Products' contributing to must-win battles

SAFETY

HIGH PERFORMING ORGANIZATION

MANUFACTURING EXCELLENCE

WORLD CLASS SUPPLY CHAIN

AMERICAS

COMMERCIAL EXCELLENCE

Driving growth through World Class Supply Chain

Our SOTIF*
is at 90%

Our inventory
rotation is below
60 days

High customer
satisfaction at
79%

Ongoing

- Develop manufacturing excellence to increase production reliability and maintain low inventories
- Maintain SOTIF at >90%
- Develop inventory management and integration with customers to offer short lead times

Driving growth in Americas

We have grown
volumes by over
20% and profit
by 100%

New special bar
line is in full
production

Established
rebar go-to-
market
partnerships

Driving growth in Americas



Outokumpu Stainless Bar
selected as the supplier of
the year 2017 (stainless
category) by ThyssenKrupp
Materials NA Copper &
Brass

Driving growth in Americas

We have grown
volumes by over
20% and profit
by 100%

New special bar
line is in full
production

Established
rebar go-to-
market
partnerships

Ongoing

- Expand geographical reach with key service center partners
- Expand rebar business with key fabricator partners both in the US and in Canada
- Take market share from European imports

Driving growth through Commercial Excellence

We have grown special shapes bar volumes by over 100%

Increased Prodec high machinability bar sales

Expanded large bar capabilities and business

Ongoing

- Grow sales of high value added specialty products to most demanding customers
- Leverage reduced cost base to grow strategic semis customer base
- Further strengthen finished products business

Capturing significant growth opportunities

Targeting cost leadership

Continue to grow our US long products business

Grow in Europe – both in standard and special products

Establishing seamless, fully integrated processes

Liam Bates

EVP – Supply Chain Management Europe



World Class Supply Chain

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

Commercial
Excellence

Americas

Moving to fully integrated processes

Efficiency

- Optimize routings
 - with least resources (NWC)
 - and lowest cost



Establishing one seamless, fully integrated sales and operations planning process

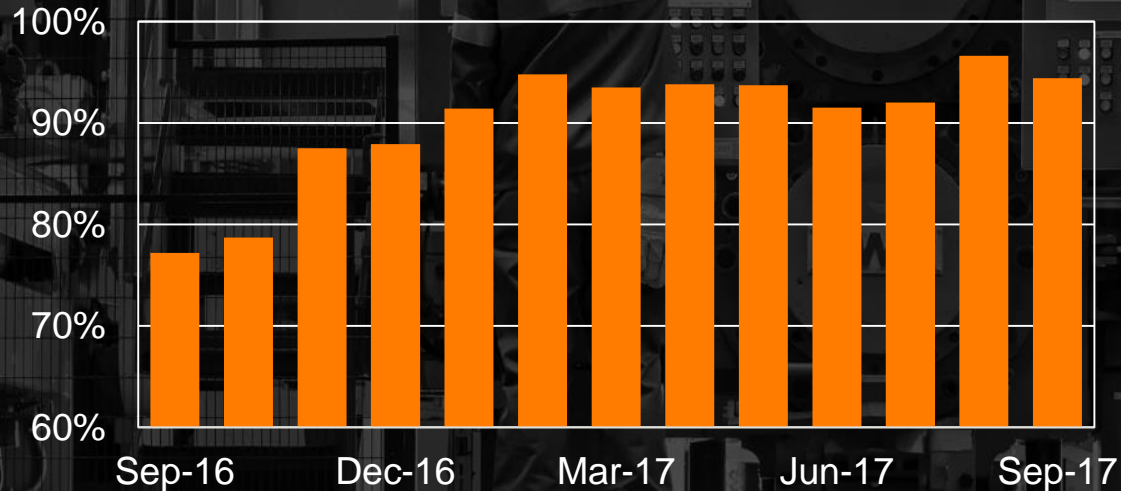


Key actions

- Understanding cost curves on through route costs
 - Ad hoc work assessing variations
 - Place NWC where it's needed. Cut elsewhere
-
- Significant NWC reduction of EUR 358 million in 2016

Case: Dillenburg delivery performance improvements are clearly visible

Dillenburg delivery performance, %



- Clear reduction of process complexity
- Higher flexibility to cover unplanned production losses
- Delivery performance in Dillenburg has increased clearly above 90%
- Order backlogs have declined

Targeting EUR 150 million in procurement cost savings

Direct efforts

- Raw material optimization (mix / production)
- Scrap buying
- Direct procurement



Establishing one seamless, fully integrated sales and operations planning process



Key actions

- Reorganization of procurement
- Focus on buying
 - matched pair concept
- Administration centralized
- Internal and external initiatives yielding savings of ~EUR 50 million

Case: Challenging the status quo saves money

Single biggest material handling contract renegotiated with should-cost model and renewal of 15-year contract

Bid included eight biggest service providers from Europe and Americas



13.5%
annual savings
with improved
payment terms

Case: We achieved significant savings from a supplier change

Bidding major Stevedoring agreement and changing 10+ year old incumbent supplier to a new supplier with better industry references



26%
annual savings
with improved
payment terms

Case: We renegotiated take-or-pay deal in energy

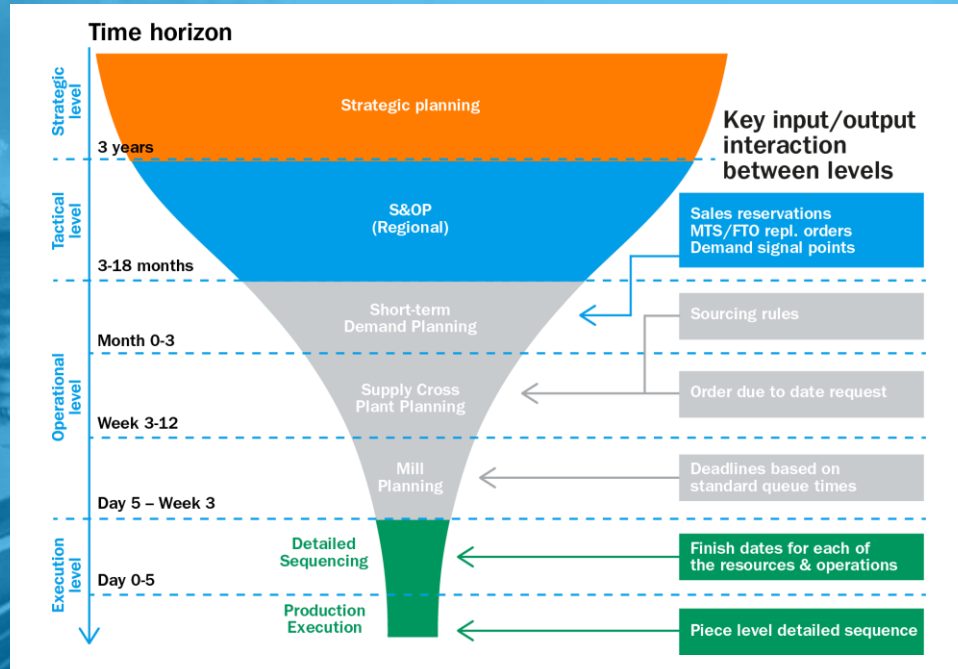
Long-term fixed contract for electricity became non-sustainable with current energy prices

With right partnership approach, we renegotiated the remaining deal



**~4%
savings**
with improved
payment terms

Chorus enables us to move from fragmented processes to integrated funnel



Opportunities:

- Eliminate suboptimization
- Reduce NWC
- Lowest cost per route

Establishing seamless, fully integrated processes

We are reducing lead time through streamlined planning

We are aiming to achieve industry leading delivery performance

Chorus enables integration of the supply chain management planning processes

Delivering 3% annual productivity improvement

Maciej Gwozdz

EVP – Operations Europe



This is our roadmap for global manufacturing

Outokumpu Production System

- Consistent manufacturing excellence blueprint to drive operational efficiency
- Based on Lean Six Sigma
- Outokumpu Production Index (OPI) measures Manufacturing Excellence



1. People
2. Culture
3. Tools & Methods
4. Processes
5. KPIs

We are on track to deliver 3% productivity improvement in 2017

Since the start of 2017, 92 projects closed, 172 projects are ongoing

Financial project tracker in place

All 11 manufacturing locations have completed the leadership training

Six-week Black Belt training delivered

Case: Reduce working capital in Germany

OPPORTUNITY

- Work in progress handling causes a disturbed production flow
- High inventories, increased lead time and poor delivery performance



ACTIONS

- Process mapping
- Target state definition
- Gap analysis
- Setting the metrics for sustainable performance



IMPACT

Inventories reduced
by 50%

Case: Eliminate processing speed loss in Sweden

OPPORTUNITY

- Scale formation on black hot band reduces processing speed (quality issue)



ACTIONS

- Six Sigma methodology to increase process stability
- Optimized furnace times and acid compositions



IMPACT

20% line speed increase
1,000 tonnes/month additional capacity

Case: Reduce idle time in Finland

OPPORTUNITY

- Improve Operating Equipment Efficiency (OEE) by reducing process idle time



ACTIONS

- Lean Tools applied through a set of workshops
- Standardized process in place for each product change



IMPACT

Idle time down by 30%

OEE up by 1.6 percentage points

Delivering 3% annual productivity improvement

We provide the roadmap for global manufacturing – Individual sites drive the transformation

Numerous local projects build up cost improvements

Sustainable financial impact

Creating value through customer orientation

Olli-Matti Saksi
Head of Sales Europe

outokumpu 



Creating value through customer orientation

VISION 2020

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

Commercial targets

Improve profitability by >EUR 200 million by the end of 2020

Customer satisfaction to reach 75% by 2020

Main KPI / drivers

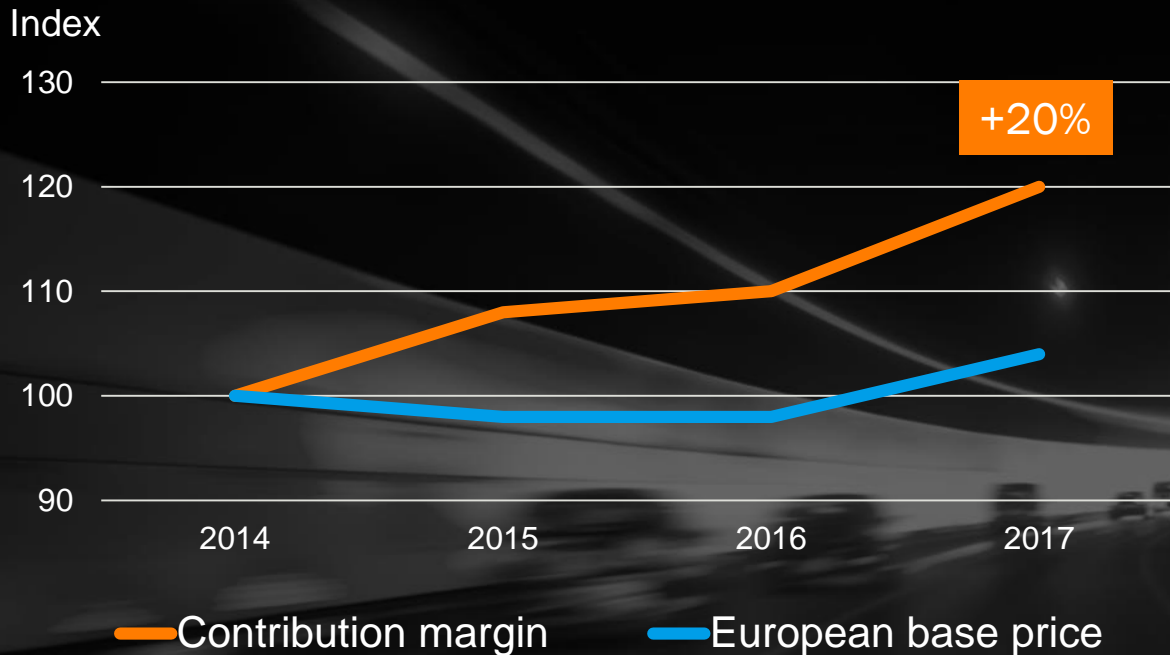
Volume

Product mix

Customer service excellence

Sales performance management

We have improved margins through self-help



Improvement in contribution margin driven by

- Value selling
- Pricing excellence and mix improvement
- Efficiency improvements
- New sales organization

We are improving customer satisfaction

Global account
management

One face to the customer
to make Outokumpu
preferred supplier

Start Nov 2017

Sales academy

To create best performing
sales force in stainless
steel industry

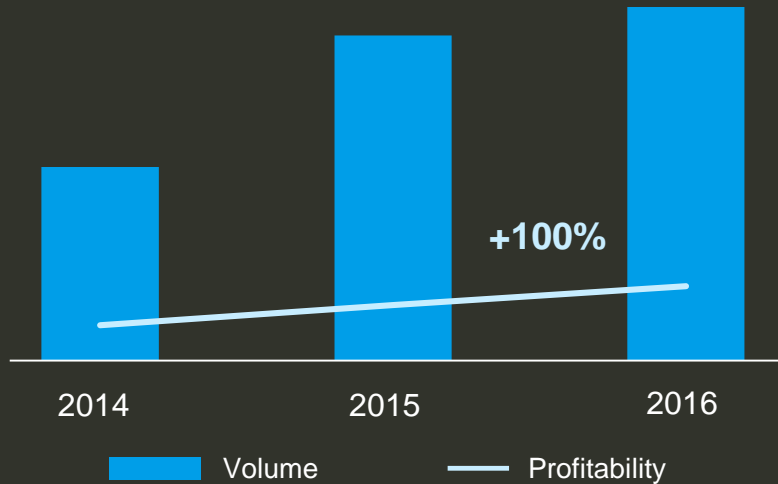
2017-2018

Chorus

Supporting tools to ensure
best in class customer
service

Rollout 2017-2020

Case: Focused customer support led to significant profitability improvement



Background:

Customer expansion into new products to become leading high-tech supplier

Actions:

Extensive global R&D and technical support and close cooperation with customer to achieve the right product mix

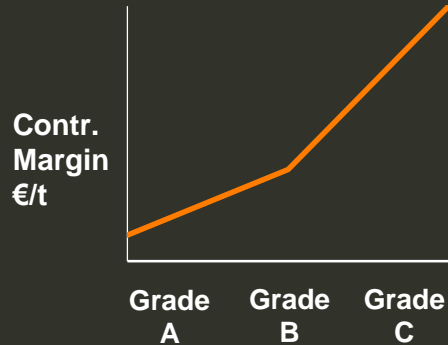
Outcome:

Provide customer with lean duplex grade for demanding applications

- Increased delivery share from 40% to 60%
- Improved profitability by over 100%

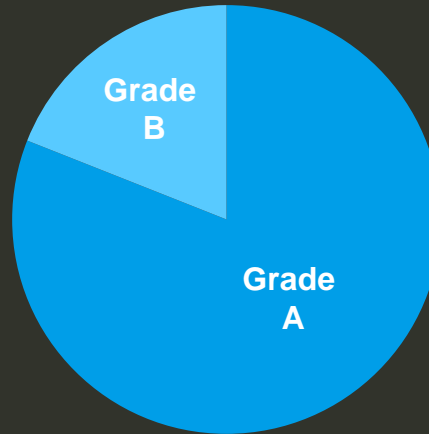
Case: We have increased our negotiation result by mix optimization

Analysis phase

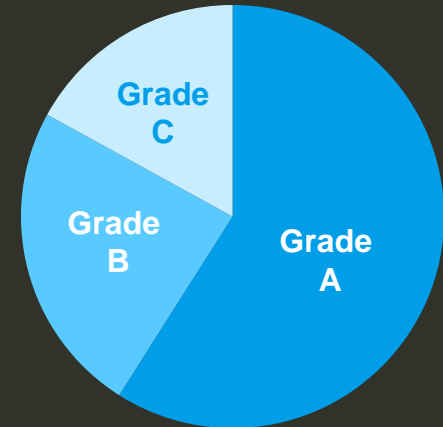


Grade C with highest profitability but 2016 volume was zero

Volume



Target setting 2017



Negotiation result
+ >100 EUR/t

Duplex delivers high value performance and differentiates us from competition

Oil Storage Tanks

Antwerp, Belgium

Forta
LDX
2101

“More and more duplex stainless steels are chosen because of the very good price-performance ratio. Duplexes have a similar corrosion resistance as the austenitic stainless steels which are normally used, but offer an advantage to optimize plate thickness due to higher strengths without diminishing the total tank integrity”

Jan Jochems

Chief Technical Officer, Ivens Construction

**Market
leader**

We provide state of the art knowhow of production and application

Ping An International Finance Center

Shenzhen, China

Supra
316L/
4404

“Outokumpu stood out for its rich global experience and highly efficient and customized products. Outokumpu’s vision, ‘a world that lasts forever’, and their mission of ‘creating long lasting and recyclable advanced materials’ is the perfect match to our vision of providing a sustainable testament to the pioneering spirit of Shenzhen.”

Spokesperson

Ping An Finance Center

Product differentiation

World leading product

Creating value through customer orientation

We are improving customer satisfaction

Our product portfolio and technical expertise translate into customer value

Improving profitability by more than EUR 200 million