

# Outokumpu new strategy

## De-risking the company for strong returns by the end of 2022

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# CEO's reflections

# CEO's perspective on current performance

## Decisively managing the new market normal



### My observations

Strong foundations, but performance has lagged

### Way forward

- Target to de-risk the company to benefit all stakeholders
- Strengthening accountability for performance: new Group operating model, active performance management, financial discipline
- Accelerate profitability improvement measures



# Strong foundations support strategy execution

Megatrends drive  
stainless steel  
demand growth

Leader in  
sustainability

High customer  
satisfaction  
72%

Great people and  
strong safety  
performance

Turnaround in the  
Americas

Stable operations  
and continuous  
improvement  
culture



# Successfully mitigating the COVID-19 impacts

## Safety

- Rigorous safety measures in place since March
- 191 people infected with COVID-19

## Sales & Operations

- Top management and sales people actively engaging with customers even remotely
- Continued operations ensured during the pandemic

## Financials

- Several measures taken to improve free cash flow
- Successfully managing liquidity and funding

# Flat stainless and ferrochrome core businesses, Long Products in accelerated turnaround

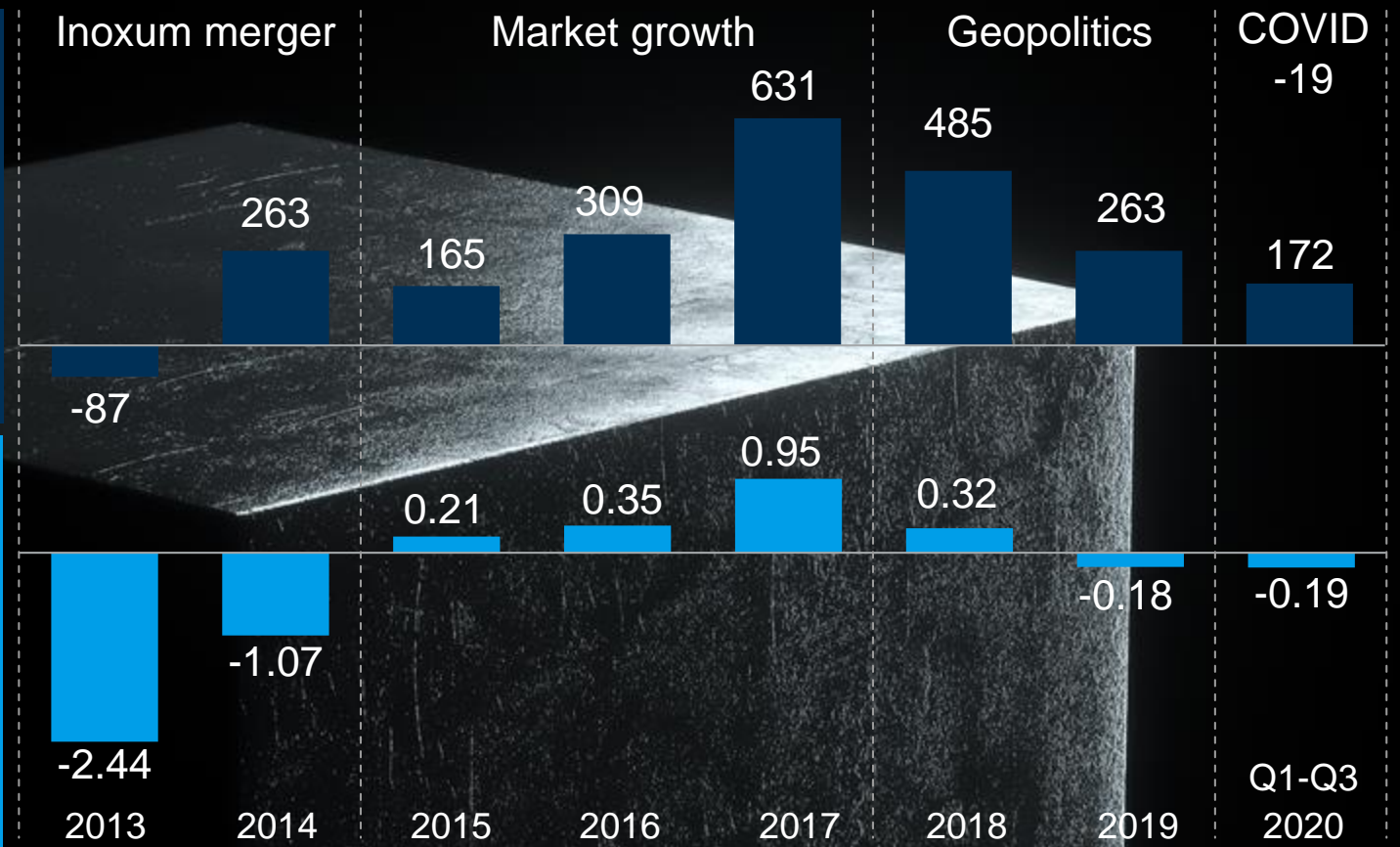
Core business			Turnaround
BA Europe	BA Americas	BA Ferrochrome	BA Long Products
<ul style="list-style-type: none"> <li>• <b>#1 in Europe</b> in terms of volume</li> <li>• <b>World-class mills</b> in Finland, Sweden and Germany</li> <li>• <b>Leading offering:</b> unique &amp; demanding specialties, best-in-class service capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• <b>#2 in the US</b> in terms of volume</li> <li>• Most modern stainless facility in the US, sole producer in Mexico</li> <li>• <b>Ferritics investment,</b> ramp-up starting in Q4</li> <li>• <b>Significant progress</b> in production, distribution and product range</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Unique integration</b> to stainless steel</li> <li>• First quartile in terms of cost competitiveness</li> <li>• <b>Kemi mine:</b> the only chrome mine in EU area</li> <li>• <b>CO<sub>2</sub> footprint</b> 42% of the industry average</li> <li>• <b>Deep Mine project</b> to secure ore availability</li> </ul>	<ul style="list-style-type: none"> <li>• Broad range of bars, wire rod, wire, rebar and semi-finished products</li> <li>• <b>Strategic review</b> finalized, accelerated turnaround program launched by the new management</li> <li>• Headcount reduction of approximately 100 people</li> </ul>



# Performance lagging: Low and volatile profits, recent decline

Adjusted EBITDA (million €)

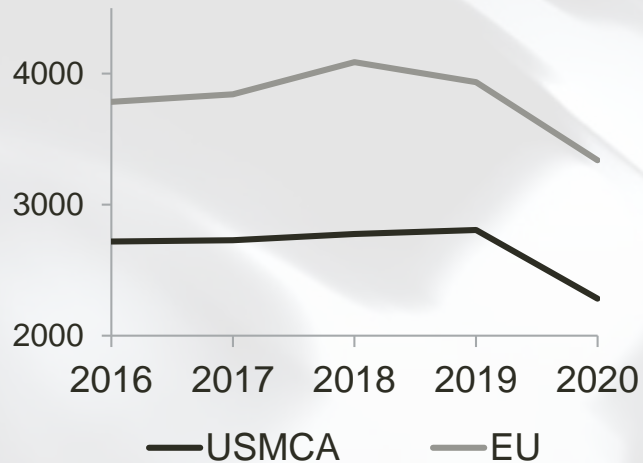
EPS (€)



# Current market requires decisive actions

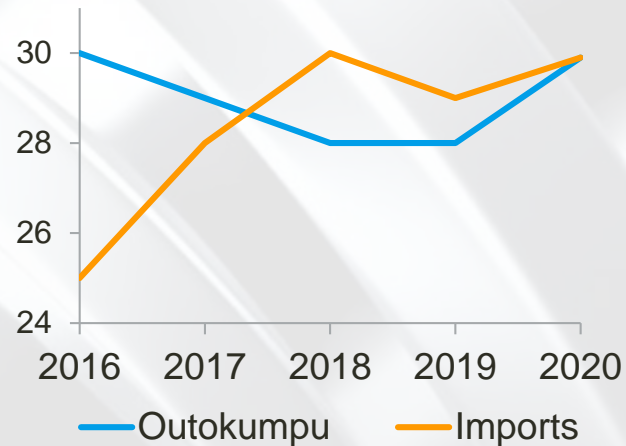
## COVID-19 impacting stainless demand

Stainless flat consumption, kt



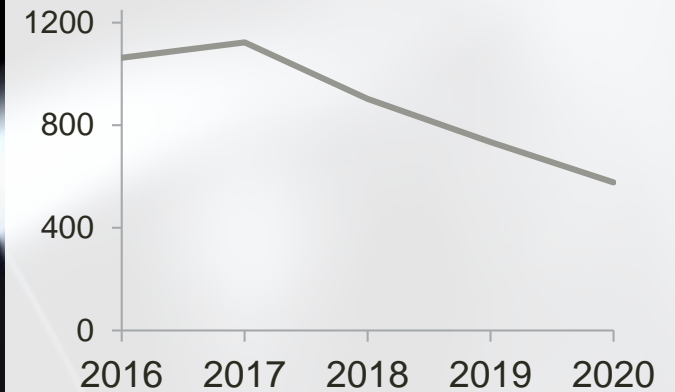
## Low priced imports take market share

Market shares in Europe, %  
Outokumpu vs. imports



## Prices historically low

EU base price development, €/t



Source: SMR, McKinsey, Eurofer, CRU



# My reflection on our performance – Stronger cost and capital discipline needed to improve competitiveness

**Unsatisfactory financial performance – margin, cash flow and debt**

## **BAs Europe and Ferrochrome**

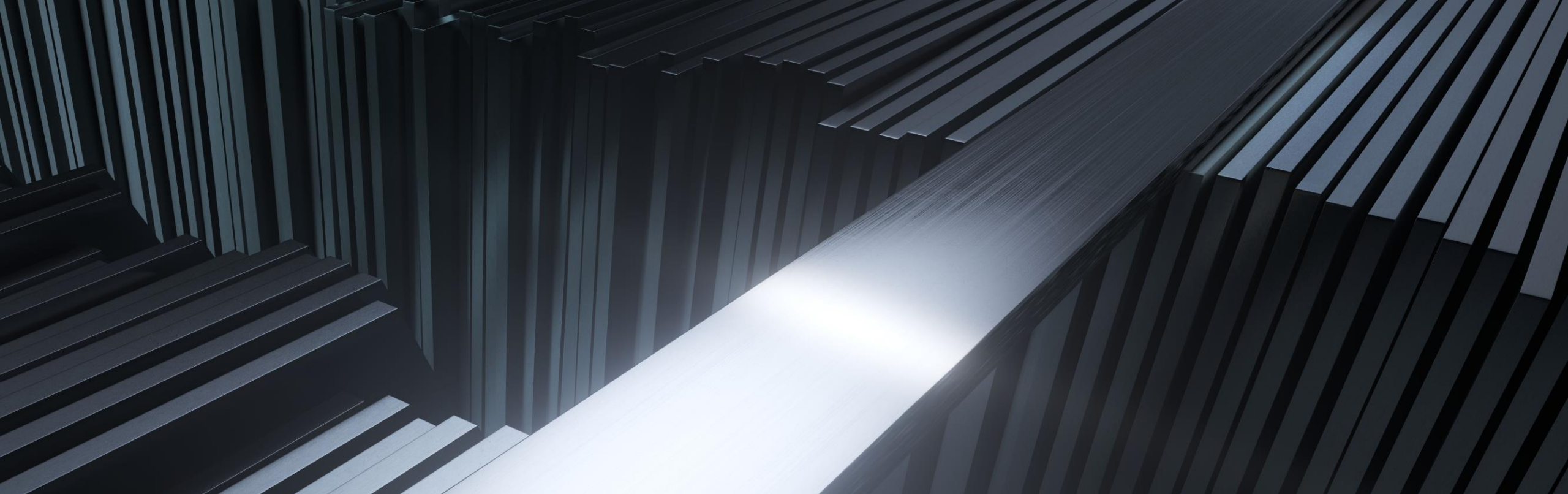
- significant operational improvements already achieved
- fixed cost base too high
- more engagement with customers needed

## **BA Americas**

- operational performance stabilized
- need to accelerate commercial turnaround

## **BA Long Products**

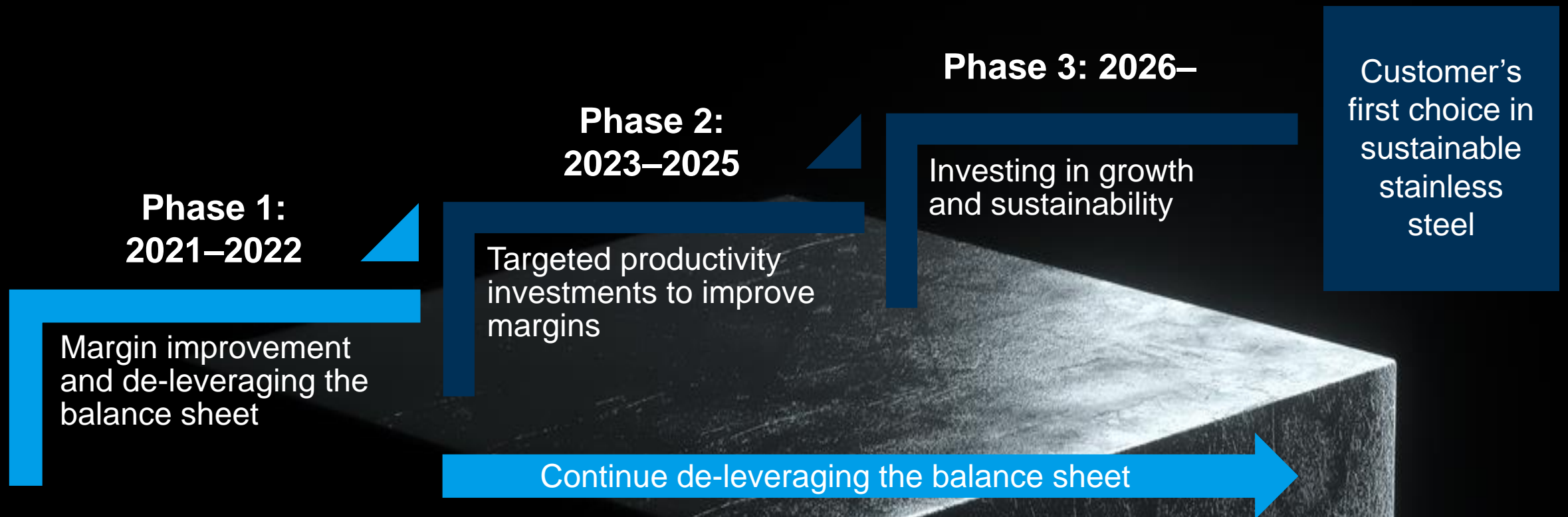
- holistic turnaround needed



# Way forward



# Margin improvement, cash flow and de-leveraging as main sources of value creation



# Our priority for 2021–2022: De-risking the company for strong returns

## Strengthen accountability for performance

Lean & agile  
organization

Active performance  
management

Financial  
discipline

## Profitability improvement

**Europe** Continue operations and commercial excellence

**Americas** Commercial turnaround, incl. ferritics investment

**Ferrochrome** Commercial optimization

**Long Products** Holistic operations and commercial turnaround

Strong returns;  
Reliable partner to stakeholders

**€200  
million  
EBITDA  
improvement\***

**<3.0x  
Net debt /  
EBITDA**

*\*run-rate improvement from  
actions by year-end 2022.*



# Strengthened accountability for performance

## Lean and agile organization

- Simplified structure
- De-layered organization
- New management team
- 1,000 planned reductions
- Stronger business orientation in decision making

## Active performance management

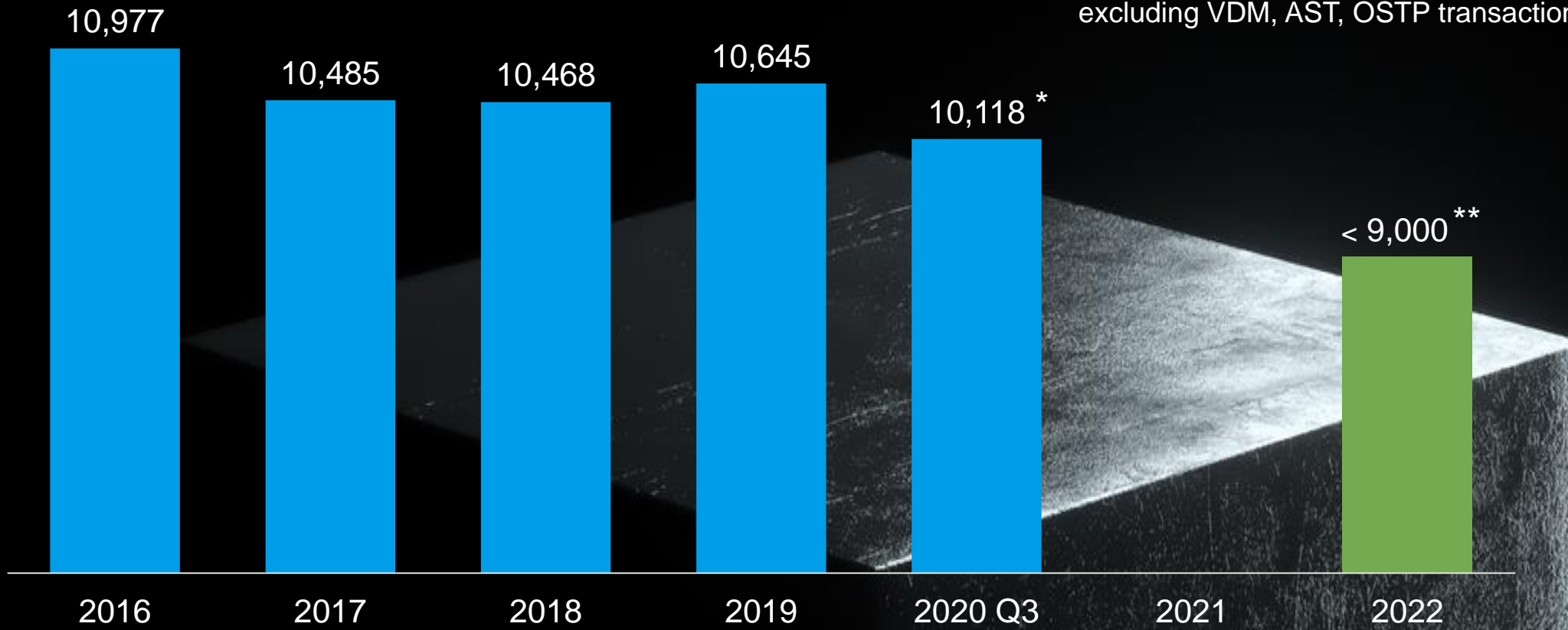
- Business Area Boards to manage performance
- Executional certainty through three-phase program
- Quarterly external reporting on progress with Q1 2021

## Financial discipline

- Priority to secure strong balance sheet
- Highly selected investments to improve cost position
- Improved asset management to reduce maintenance capital expenditure

# Planned headcount reductions will improve cost competitiveness


Legal headcount, average for the period excluding VDM, AST, OSTP transaction in 2013/14



\* At the end of the period  
\*\* Planned headcount



# Business area Europe: Customer engagement at the core of the new strategy

Commercial excellence		Cost & capital discipline		Lean & agile organization	
<b>Grow specialty grades sales</b> supported by new products and high quality technical sales	<b>Strengthen commodity grades sales</b> through improved cost competitiveness and stronger customer engagement	<b>Continue</b> raw material cost optimization	<b>Accelerate</b> manufacturing excellence program	<b>Personnel measures</b>	<b>De-layered structures</b>
		<b>Reduce</b> fixed costs	<b>Optimize</b> maintenance spend & drive procurement savings		

# Business area Americas: From turnaround to continuous improvement and growth

Commercial excellence		Cost & capital discipline		Lean & agile organization
<b>Strengthen</b> commercial footprint in the US and Mexico	<b>Grow</b> in automotive, appliances, and pipe & tube segments	<b>Continue</b> slab cost optimization	<b>Optimize</b> freight costs	<b>Personnel measures</b> in Mexico
<b>Ferritics investment</b> Capture full benefits from the €30 million investment made in ferritics offering, ramp-up starting		<b>Continue</b> manufacturing excellence program		



# Business area Ferrochrome: Strong potential for future value creation

**Increase**  
sales through  
new product  
development

**Reduce**  
reliance on spot  
market and  
logistics costs

**Improve**  
fine concentrating  
plant capabilities  
and mining  
efficiencies

## Deep Mine investment

Finalize the €283 million mine expansion investment to secure our ore availability until the beginning of the 2040s with current ferrochrome production.

- €123 million cash out Capex in 2021-2022





# Business area Long Products: Turnaround driven by operational improvements & commercial excellence



Accelerated turnaround program launched by the new management will deliver significant improvement in financial performance

**Reduce**  
headcount by approximately 100 people

**Roll-out**  
manufacturing excellence program

**Align**  
fixed costs to current volumes

**Extract**  
fair value from the unique offering, especially in semis

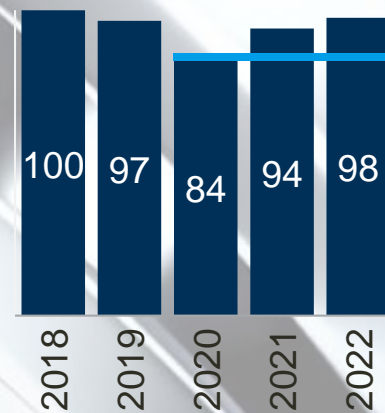
**Commercialize**  
investments made to Fagersta

**Expand**  
bar product range and distributor presence

# Improvement plans factor in potentially slow market recovery

Indexed market demand (Index, 2018 = 100)

Flat products Europe



Flat products NAFTA/USMCA



Long products<sup>1</sup>



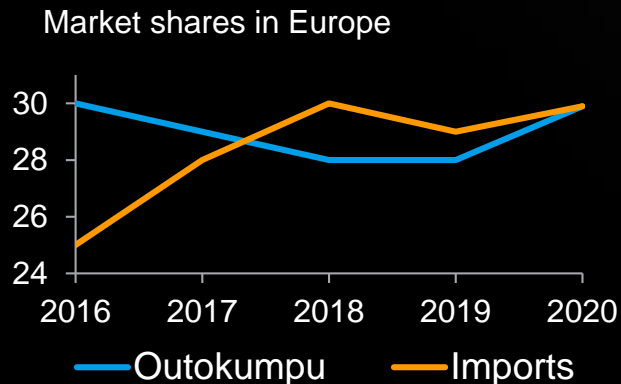
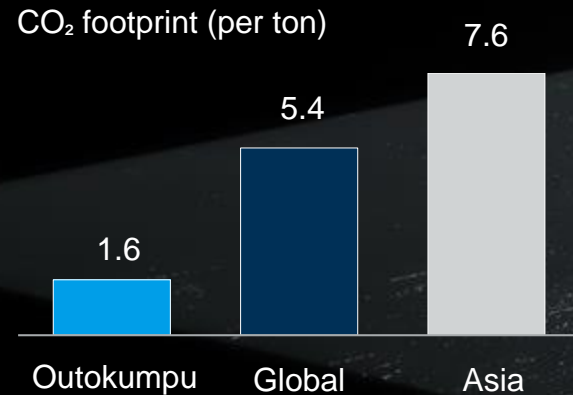
■ Market demand

— Outokumpu planning premise

# Trade defense actions by EU insufficient – Urgent need to address unfair market practices and carbon leakage

Imports have significantly higher carbon footprint

Despite this, the share of imports has grown



European **safeguards** need to be renewed and improved




Full potential of **trade defense measures** (anti-dumping & anti-subsidy) to be applied

**WTO dispute** against Indonesian export restriction on raw materials

Effective measures needed **to prevent carbon leakage**



# Actions to strengthen sustainability leadership

	Current sustainability performance	Targets
	<b>Safety and wellbeing</b> <ul style="list-style-type: none"><li>• &gt;50% reduction on incidents<sup>1</sup> since 2015</li><li>• Organizational health index (OHI) in 2<sup>nd</sup> quartile</li></ul>	<ul style="list-style-type: none"><li>• Ultimate goal zero accidents</li><li>• Ensure industry leader position</li></ul>
	<b>Circular economy</b> <ul style="list-style-type: none"><li>• &gt;85% recycled content, highest in the industry</li><li>• Energy efficient processes and reuse of side streams</li></ul>	<ul style="list-style-type: none"><li>• Increase the share of recycled content</li></ul>
	<b>CO<sub>2</sub> reduction</b> <ul style="list-style-type: none"><li>• &gt;75% lower carbon footprint than Asian producers<sup>2</sup></li><li>• 8MT reduction on customers' CO<sub>2</sub> footprint in 2019<sup>3</sup></li></ul>	<ul style="list-style-type: none"><li>• 20% lower carbon footprint by 2023</li><li>• Carbon neutral in 2050<sup>4</sup></li></ul>

1. Lost time injury frequency rate
2. Outokumpu average carbon footprint: 1.6 t/ton of crude steel vs. China and Indonesia estimate at 7.6.
3. Outokumpu average carbon footprint: 1.6 t/ton of crude steel vs vs global average of 5.4. Outokumpu stainless deliveries of 2.2m in 2019
4. 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



# Value creation plan



# €200 million EBITDA run-rate improvement delivered by end of 2022

<b>Customer excellence</b>	<ul style="list-style-type: none"><li>• Enhanced product mix in all business areas</li><li>• Growth in selected segments</li><li>• Leverage specialty grades leadership</li></ul>
<b>Cost &amp; capital discipline</b>	<ul style="list-style-type: none"><li>• Increased raw material efficiency</li><li>• Maintenance optimization</li><li>• Strict asset management</li><li>• Annual CAPEX €180 million in 2021 and 2022</li></ul>
<b>Lean &amp; agile organization</b>	<ul style="list-style-type: none"><li>• Planned 10% reduction in Group headcount by end of 2021</li><li>• De-layered organization</li><li>• Strong performance management</li></ul>



**€200 million EBITDA improvement\***

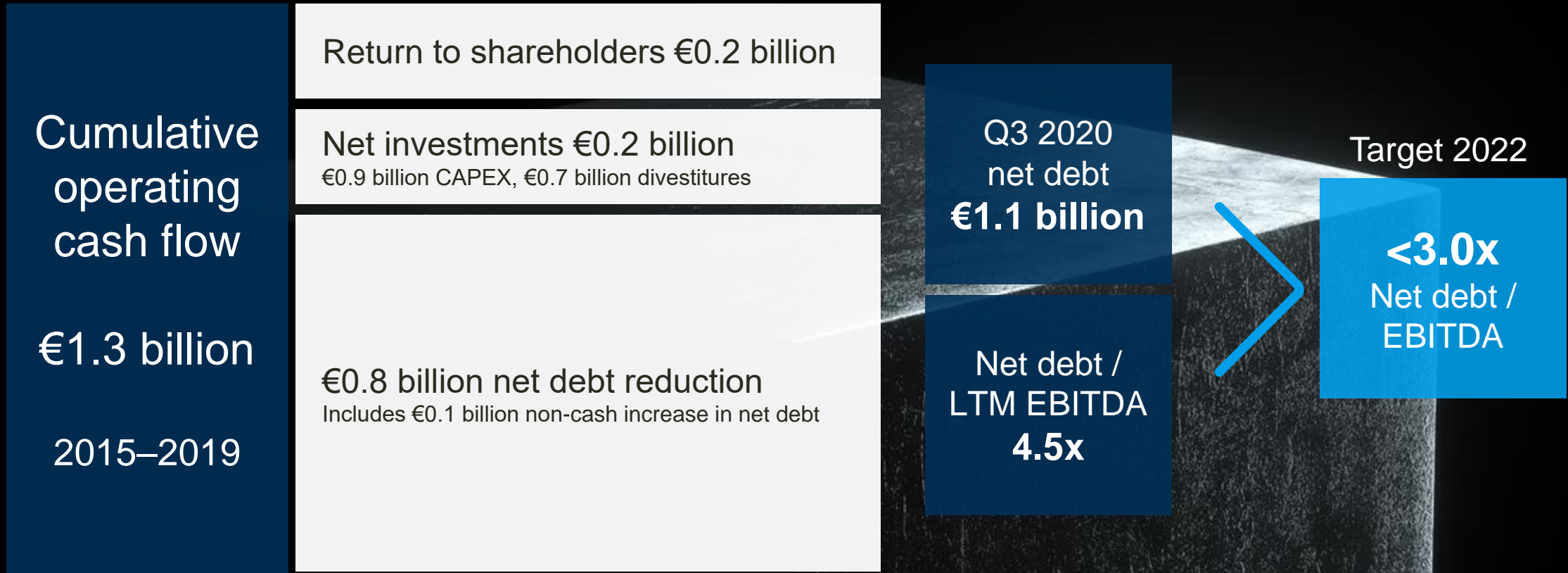
*\*run-rate improvement from actions by year-end 2022.*



# New steering model ensures diligent strategy execution

- Concrete initiatives in each business area to deliver bottom-line impact
- Disciplined weekly tracking of progress by Transformation Office led by CFO
- Monthly CEO chaired Business Area Boards to address potential deviations
- External commitment: quarterly reporting on progress, starting with Q1/21

# Significant progress to deleverage the company, but further improvement needed



# Priority to strengthen balance sheet to create shareholder value

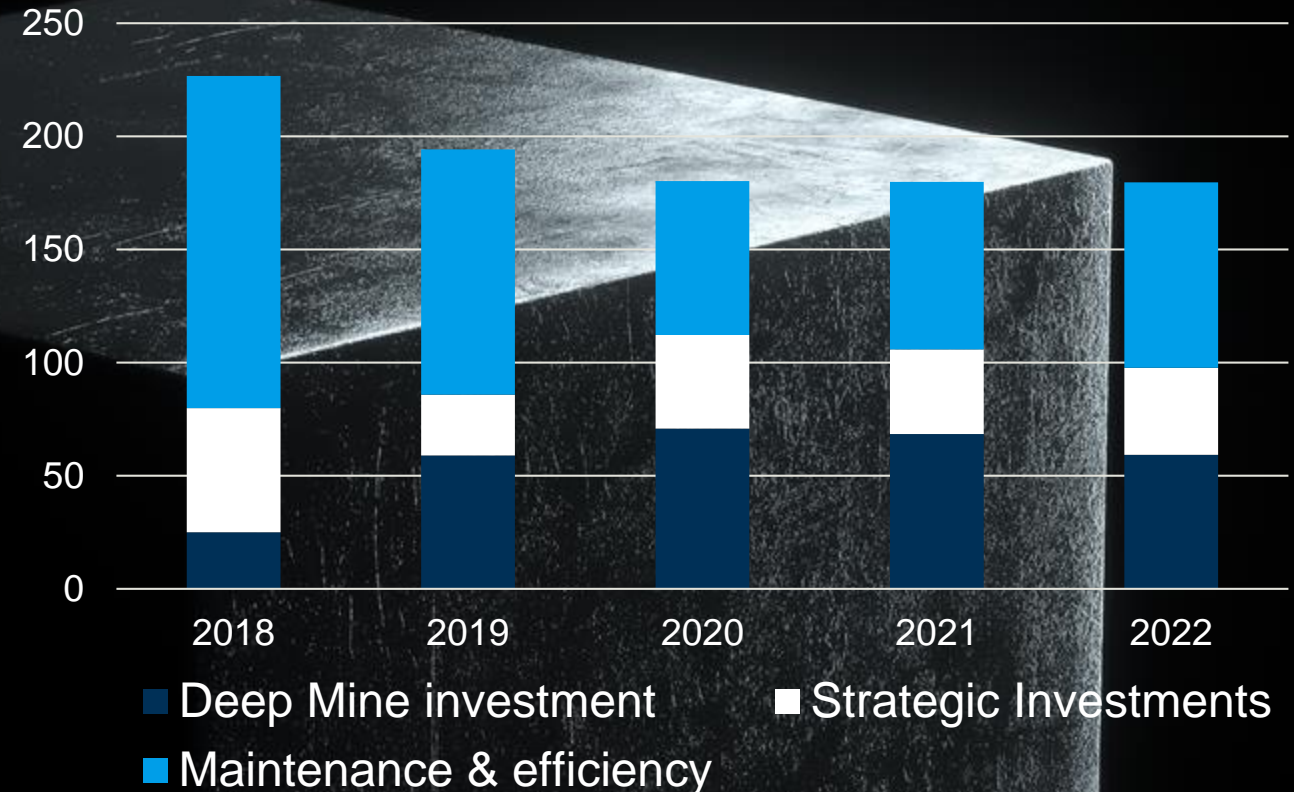
	<b>Phase 1: 2021–2022</b>	<b>Phase 2: 2023–2025</b>
<b>Operating cash flow</b>	Improved from low levels driven by €200 million EBITDA improvement	Continued focus, supported by higher and improving margins
<b>Return to shareholders</b>	<p>Following a review of the January-September 2020 financial results, Outokumpu's Board of Directors has decided that owing to the importance of strengthening the Company's balance sheet no dividend will be paid for the financial year 2019.</p> <p>The Board confirms that in the challenging market environment improving the Company's financial position will continue to be of highest priority.</p>	
<b>CAPEX</b>	€360 million of which €122 million to DeepMine	Continued capital discipline: High return investments to lower cost
<b>Net debt / EBITDA</b>	<3.0x by period end	De-leveraging continues



# Focused capital allocation – annual CAPEX €180 million in 2021-2022

- In 2021-2022 CAPEX focused on ongoing strategic investments and retaining maintenance on a sustainable level
- Maintenance CAPEX optimized to support the current operational level
- Deep Mine investment to be finalized in 2022
- After 2022 potential to invest in productivity, sustainability and growth

## Annual capital expenditure





# Closing remarks



# The new Outokumpu leadership team



Heikki Malinen  
President & CEO



Pia Aaltonen-Forsell  
CFO



Thomas Anstots  
EVP, Commercial,  
Business Area Europe



Niklas Wass  
EVP, Operations,  
Business Area Europe



Tamara Weinert  
Acting President,  
Business Area Americas



Martti Sassi  
President, Business  
Area Ferrochrome



Johann Steiner  
Chief Human  
Resources Officer



Jan Hofmann  
Chief Strategy Officer



Stefan Erdmann  
Chief Technology  
Officer

# The new strategy will take effect immediately

## The stainless steel industry remains under pressure

- Asian imports continue to harm the European stainless steel market
- The COVID-19 pandemic impacts the global demand

To unleash the full potential of the company a clear strategy and decisive execution is fundamental.

Key levers we are going to pull:

- Customer excellence
- Cost and capital discipline
- Lean & agile organization

We are externally committed to the financial targets, which will de-risk the company.

- EBITDA run-rate improved by €200 million by 2022
- Strict capex control
- No dividends paid for 2019
- De-leveraging as a priority