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## **OUTOKUMPU CAPITAL MARKETS DAY: UPDATE ON STRATEGY AND EXPANSION OF EFFICIENCY PROGRAMS**

At its Capital Market Days in Düsseldorf, Germany, Outokumpu shared today an update on its strategy, and announced the expansion of its efficiency programs as well as the achievement of the EUR 200 million synergy targets already in 2015, two years ahead of the original plan.

### **Outokumpu reconfirms its strategic direction**

Outokumpu is executing a large-scale transformation to return to sustainable profitability.

Mika Seitovirta, Outokumpu CEO: "Following the merger with Inoxum we have consolidated production capacity in Europe, established a strong foothold in the Americas, and decisively implemented efficiency and saving measures to lower our overall cost level. As a result, we today have a unique production set-up, number one position in Europe, a strong number two position in North America, and a clear improvement in our profitability during this year."

"While we still have work ahead of us, the progress we have made has been encouraging and gives us confidence to set the bar higher. Our strategy focuses on areas where we can increase our operational efficiency further to make the most of our assets, and where we can leverage our strengths to differentiate from our competitors," Seitovirta said.

To leverage its strong presence in the most attractive key markets, Outokumpu will build on its strong legacy in quality, innovation and technical expertise and systematically improve delivery performance and customer relationships management to provide the best customer experience in the industry.

Operational efficiency measures will drive further improvements in production and resource utilization, for example through minimizing yield losses. "We have efficient, well-invested production assets located right at the heart of the most important stainless markets. We will now systematically drive operational improvements to unleash the potential of these assets," commented Seitovirta.

Raw materials remain a key focus area: raw materials represent 60% of the costs, and thereby are a significant area for efficiency improvements. Outokumpu will maximize the potential of its own chrome mine and expanded ferrochrome operations that give Outokumpu a unique competitive advantage. Outokumpu will also further increase the utilization of recycled content: "Our average recycled content of 80% is already higher than the industry average of 60%. We want to increase the levels further, not just because of our sustainability agenda, but because it drives down the raw material costs," said Seitovirta.

### **Focused measures to strengthen financial position, efficiency programs expanded**

Strengthening the financial position will continue primarily through operative profitability improvements and working capital efficiency measures, with a clear target of reducing debt levels to enable strategic flexibility and growth. Given the large investments in recent years, Outokumpu expects its capital expenditure levels to remain relatively low over the coming years. Reduction of debt levels and gearing remains a key priority. Outokumpu aims to obtain company rating latest in 2016 and works actively to refinance its loan portfolio.

Following good progress, Outokumpu expects to achieve the EUR 200 million synergy savings of the Inoxum transaction already in 2015, two years ahead of the original schedule.

Furthermore, the company has identified further potential to streamline its cost base. The P150 program that originally targeted EUR 150 million savings by the end of 2014 has been expanded, aiming at EUR 250 million by the end of 2015. New measures relate mainly to efficiencies in production and general procurement. The EMEA restructuring plan remains intact, at its center the closure of Bochum melt shop in

2015. All in all, Outokumpu's total targeted savings are now expected to reach EUR 550 million by the end of 2017.

Outokumpu will also continue focused efforts to improve its cash flow. The target of reducing net working capital by EUR 300 million by the end of 2014 compared to 2012 remains. To raise the ambition level Outokumpu is targeting a further release of EUR 100 million in net working capital by the end of 2015.

Reinhard Florey, Outokumpu CFO: "With the expanded efficiency programs we set a new ambition level and standard for our cost level as well as working capital management. Furthermore, we accelerate the new measures to ensure a positive cash flow development for the rest of the year."

### **Business area updates**

Profitability improvement is driven to the largest extent by Coil Americas and Coil EMEA business areas.

"There is a robust demand for stainless steel in North America. The ramp up of the Calvert mill in Alabama and the strong position and reputation of our cold rolling mill in San Luis Potosí in Mexico position us very well in the growing NAFTA market," said Michael Wallis, Head of Coil Americas. "Calvert is among the most advanced stainless steel mills in the world, with an excellent cost position. The recent maintenance work carried out in Calvert is having some short term impact on inventory levels as well as deliveries, so we expect a temporary adverse cash flow effect for the third quarter. However, the ramp up of the melt shop is progressing well. We continue to gain market share and we are on track to reach an annual delivery volume of 530,000 tonnes as well as a breakeven EBITDA for this year for the Coil Americas business area."

"In Coil EMEA, we will tap into the growth in key customer segments such as architecture and construction, energy and automotive, where our technical expertise and strong R&D capability gives us a competitive advantage. Across all segments and sales channels, we will reinforce our strong market position in the region. After the restructuring we will have very competitive, efficient mills in Germany, Finland and Sweden, and an optimized service center and sales network right at the most attractive markets in Europe," said Olli-Matti Saksi, Head of Coil EMEA.

In Business Area APAC, the key focus remains on building a profitable position in the region through specialty products and key customer industries such as energy, chemical, architecture and construction.

Business Area Long Products focuses on ensuring continued return on capital through light, efficient production structure and seizing growth opportunities.

Business Area Quarto Plate aims at becoming the preferred partner for plate customers by ramping up and leveraging the expanded production in Sweden and United States.

### **Online webcast from Outokumpu Capital Markets Day today at 12.30 EET/11.30 pm CET**

Presentations at the Capital Markets Day in Düsseldorf, Germany and link to the online webcast are available at [www.outokumpu.com/en/investors/IR-events/capital-markets-day/](http://www.outokumpu.com/en/investors/IR-events/capital-markets-day/).

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### **Outokumpu Group**

Outokumpu is a global leader in stainless steel. We create advanced materials that are efficient, long lasting and recyclable – thus building a world that lasts forever. Stainless steel, invented a century ago, is an ideal material to

create lasting solutions in demanding applications from cutlery to bridges, energy and medical equipment: it is 100% recyclable, corrosion-resistant, maintenance-free, durable and hygienic. Outokumpu employs more than 12 000 professionals in more than 30 countries, with headquarters in Espoo, Finland and shares listed in the NASDAQ OMX Helsinki. [www.outokumpu.com](http://www.outokumpu.com)