

Outokumpu Oyj Extraordinary General Meeting 2014

February 14, 2014

Opening of the Extraordinary General Meeting

Item 1 on the agenda

Calling the Meeting to order

Item 2 on the agenda

Jorma Ollila, Chairman of the Board of Directors

**Election of persons to scrutinize the minutes and
to supervise the counting of the votes**

Item 3 on the agenda

Recording the legality of the Meeting

Item 4 on the agenda

**Recording the attendance at the Meeting and
adoption of the list of votes
Item 5 on the agenda**

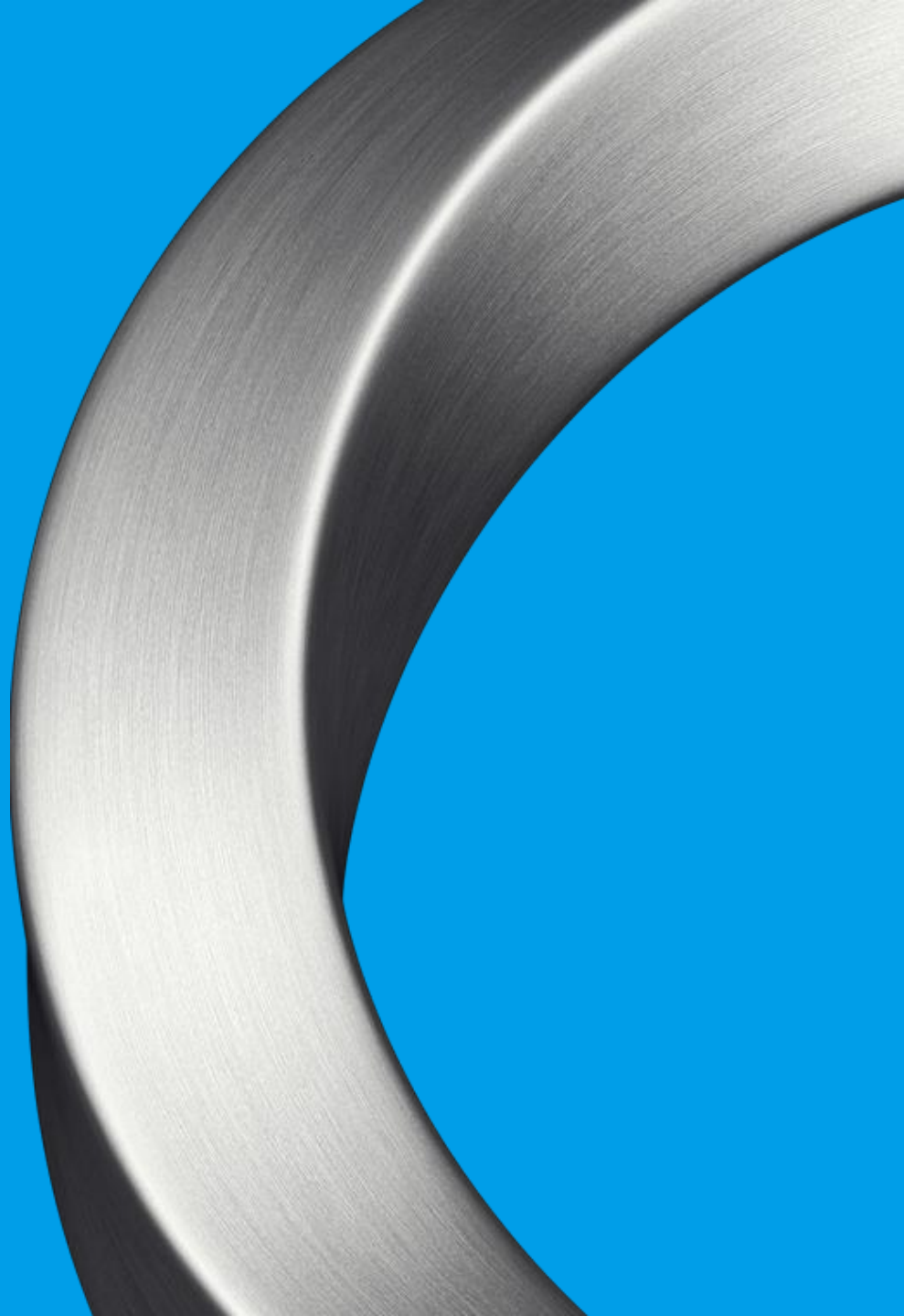
**Authorizing the Board of Directors
to decide on a share issue
Item 6 on the agenda**

Mika Seitovirta, CEO

Outokumpu strategy and measures to strengthen financial position

Mika Seitovirta
CEO

Extraordinary General Meeting
February 14, 2014



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Stainless steel is a key enabler of sustainable, modern society

Megatrends driving demand

- Economic and population growth
- Mobility and urbanization
- Climate change and limited resources

Key customer industries

- Consumer goods and catering
- Automotive and transportation
- Chemical and energy
- Architecture and buildings
- Heavy industries

Quarto Plate to Stolt Tankers

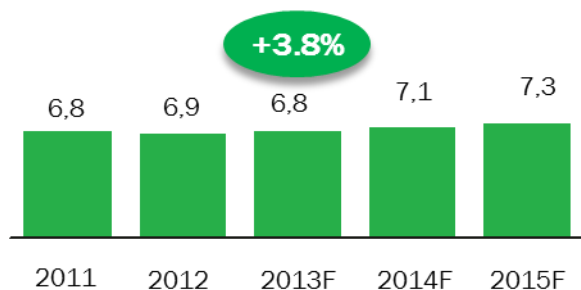


Laser surface to One World Trade Center

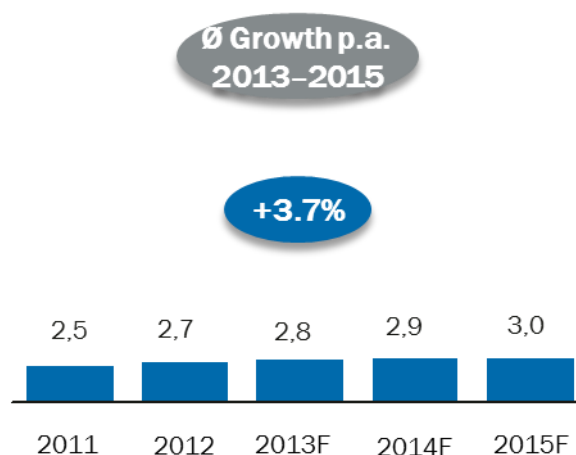


Continued growth

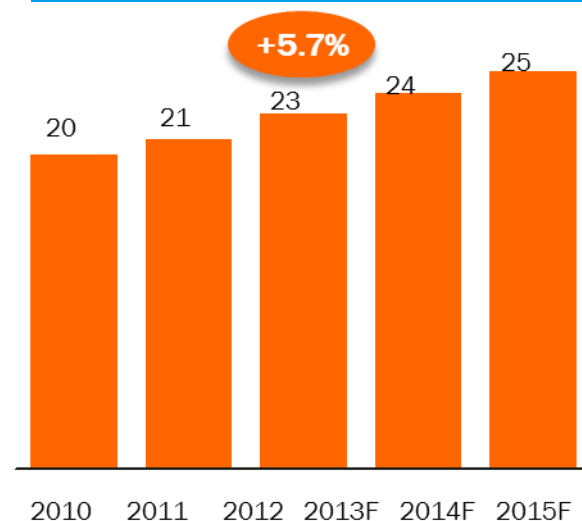
Europe, Middle East and Africa



NAFTA ¹⁾



Asia



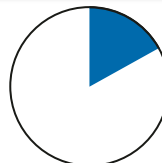
Outokumpu's market share

35%

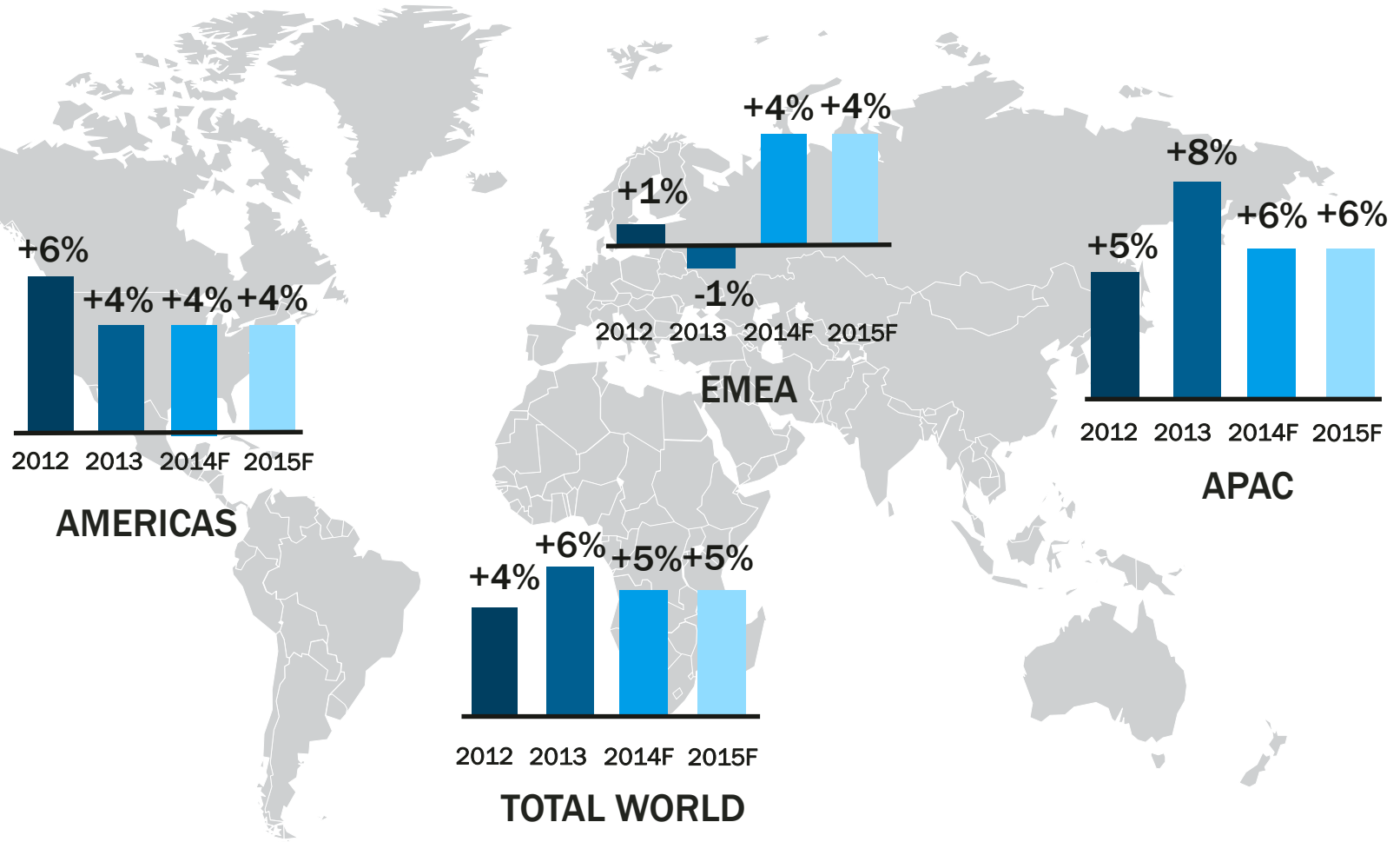
22%

1%

Share of net sales 2013 (estimate)

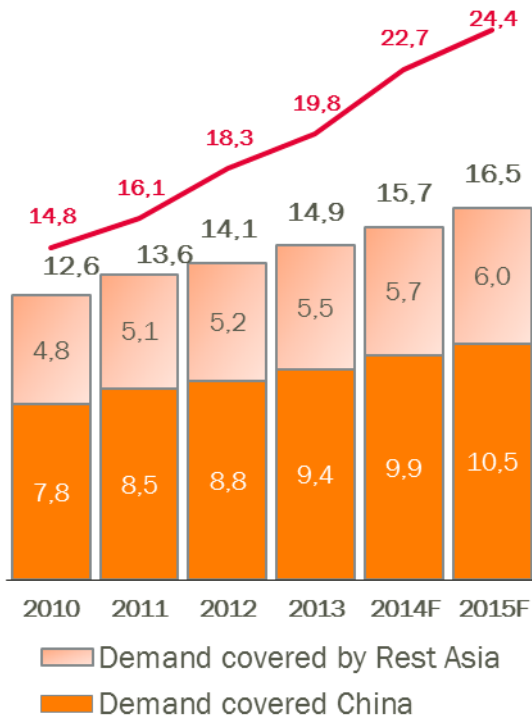


Demand of stainless steel



Challenge: overcapacity

Overcapacity in Asia

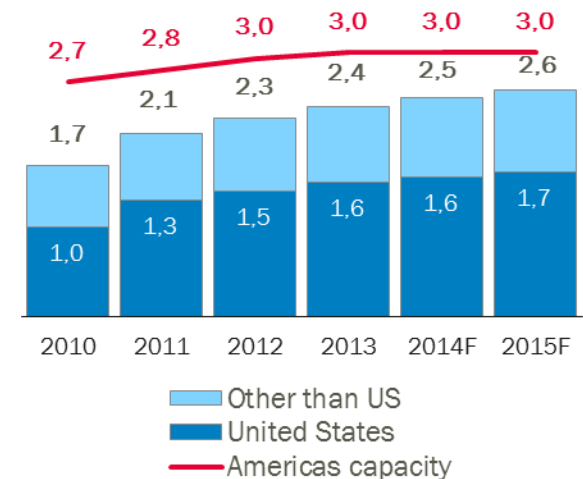


Capacity and imports in Europe



% Share of imports

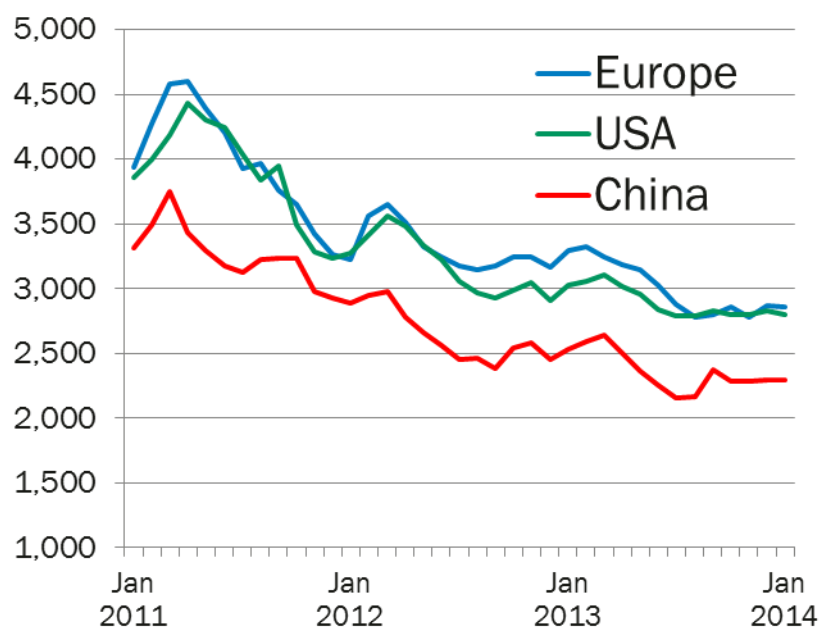
Healthy situation in Americas



Source: SMR Apparent Consumption 2005–13, SMR Real Demand 2014-15 February 2014; CRU Capacity November 2013; Eurofer Import share estimated for 2013, 2014, 2015 (average Jan-Oct 2013) December 2013

Challenge: declining prices

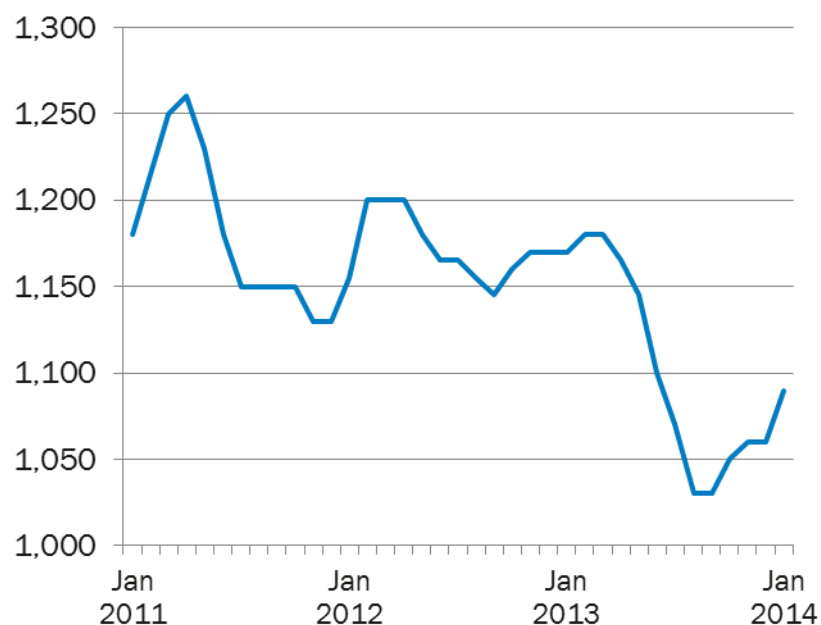
Transaction prices 304 stainless steel (USD) ¹



Source: CRU January 2014

¹ 2mm sheet cold rolled 304 grade

Base prices 304 stainless steel (EUR) ¹



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Outokumpu: global leader in stainless steel

USA

Cost efficient integrated mill (Calvert). High performance stainless plate, bar and pipe production units.

Sweden

Specialty stainless production units and an R&D center.

Finland

Modern fully integrated chrome mine, ferrochrome works and stainless steel production unit and R&D center. Group headquarters.

UK

Integrated specialty stainless production site, specializing in long products.

Germany

High quality stainless steel production and R&D units.



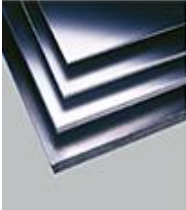







Mexico

Cold rolling mill in San Luis Potosí, Mexico. Focus on ferritics and tailored solutions.

China

Cold rolling and service centers.

Broadest product portfolio in the industry

Special grades	High temperature grades				All product forms	 
	High alloyed austenitic grades					
	Duplex grades					
Standard grades	Martensitic grades				 	
	Ferritic grades					
	Standard austenitic Cr-Ni grades					

Outokumpu strengths

Global leader in stainless steel	
Presence in key markets	Global leader in stainless steel with local presence in key markets. Balanced customer base across all key industry sectors.
Leading product portfolio	Broadest product portfolio including both specialty and commodities. Leading technical expertise and IPR portfolio.
Cost efficient production	Cost efficient and balanced global production platform enabling high utilization rates.
Upstream integration	Own chrome mine and ferrochrome expansion. Superior capabilities in managing raw materials related risks.
People and culture	2x100 years of experience in stainless steel. R&D innovation capabilities.

Focus areas

Restructuring

Deliver on synergies

Efficiency programs

Transform company

Ensure financial stability

Profitable growth

Ramp-up of Calvert

Expansion of ferrochrome

Develop Specialty Stainless

Develop APAC

2013/2014

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2013: key achievements

Synergies

- Krefeld meltshop closure in December 2013
- Synergy savings of over EUR 95 million in 2013
- Reduction of 766 jobs

Efficiency programs

- P150 program: Savings of more than EUR 104 million in 2013
- P300 program: Working capital reduction of EUR 351 million

Financial stability

- Capex reduction to below EUR 183 million in 2013
- Nov 30 announced measures to strengthen balance sheet

Ramp-ups

- Ramp-up of Ferro-chrome production reached 434,000 t., strong financial performance
- Ramp-up of Calvert mill progressing: broader product portfolio and higher utilization of melting capacity. Reduced losses in Stainless Americas

2013: major challenges

- 1 Weak economy especially in Europe
- 2 Stainless steel demand declined in Europe
- 3 Decline in nickel price stretching our margins
- 4 European Commission remedy requirement
- 5 Challenges with the Calvert ramp-up

2013: heavy losses

- Achieved savings almost doubled compared to original targets
- Positive cash flow
- Deliveries declined 5% and sales 15%
- Reduced losses, but result still at heavy loss

EUR million	2013	2012 comparable
Stainless steel deliveries ¹⁾	2,585	2,723
Sales	6,745	7,961
Underlying EBITDA ²⁾	-32	-66
EBIT	-510	-754
Underlying EBIT ³⁾	-377	-412
Operating cash flow	34	n.a.
Capex ⁴⁾	183	763

¹⁾ External deliveries, 1,000 tonnes

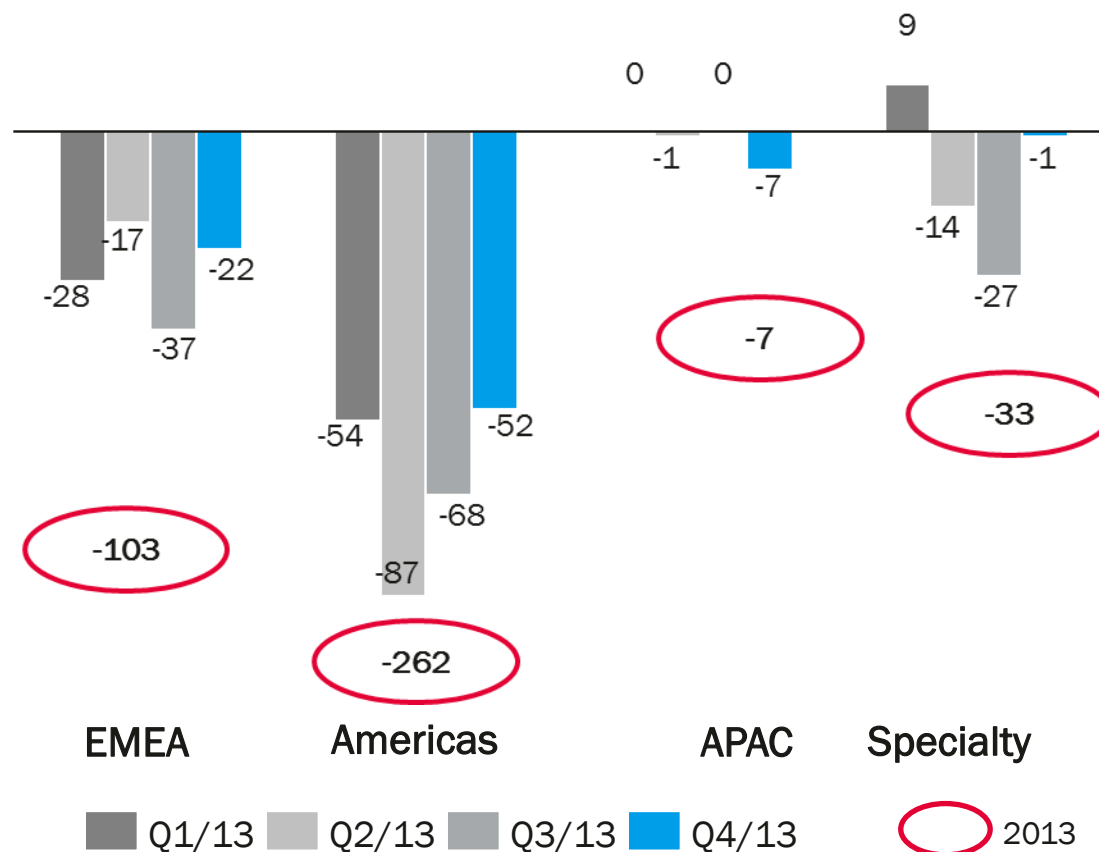
²⁾ EBITDA excl. non-recurring items, other than impairments; and inventory gains/losses, unaudited

³⁾ EBIT excl. non-recurring items and inventory gains/losses, unaudited

⁴⁾ Accounting capex

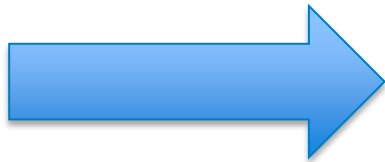
2013 by Business Areas

EBIT excluding non-recurring items, EUR million ¹⁾



Balance sheet at the end of 2013

EUR million	Q4/13	Q3/13
Net interest-bearing debt	3,556	3,861
Equity	1,891	2,262
Equity-to-assets ratio, %	21.5	25.0
Debt-to-equity ratio (gearing), %	188,0	170.7



Profitability to be improved

→ Clear plan already is in execution

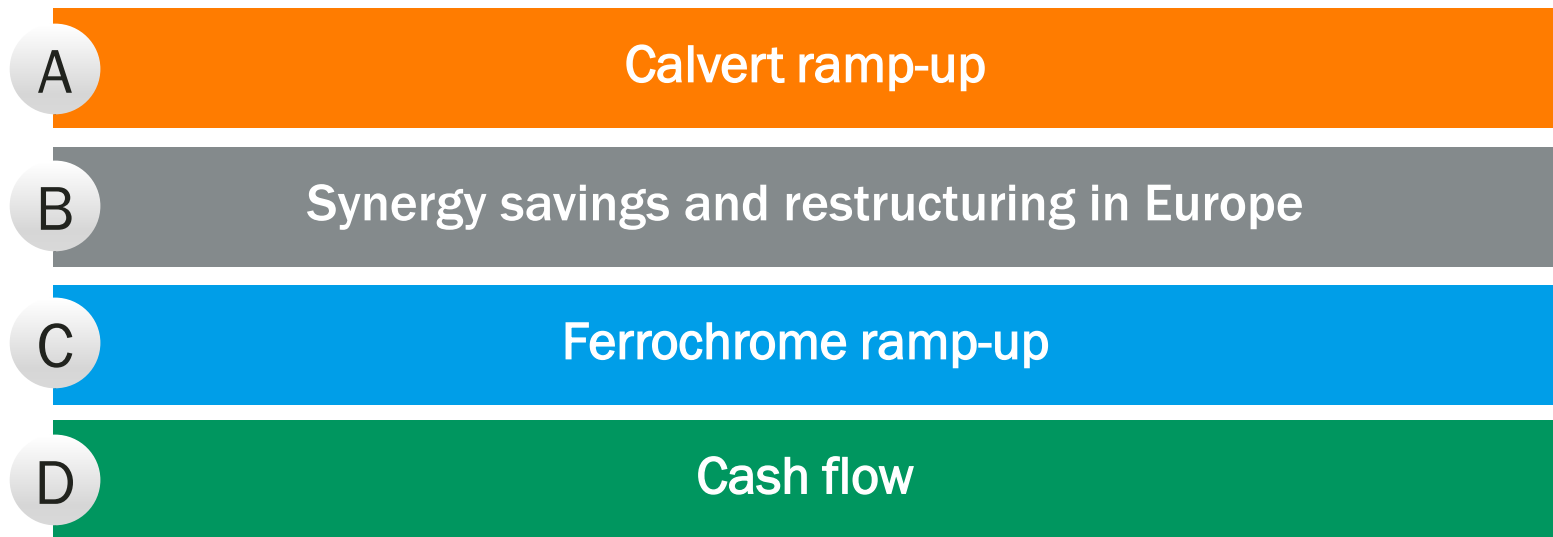
Balance sheet to be strengthened

→ Comprehensive measures in progress

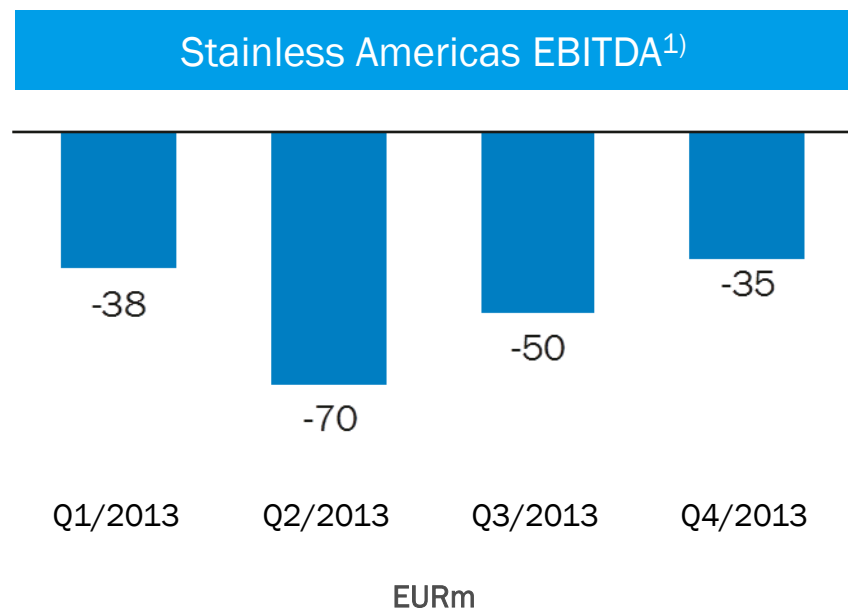
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Levers to improve profitability



Calvert ramp-up and Stainless Americas turnaround



Stainless Americas expected to reach break-even EBITDA in 2014

¹⁾ Excluding non-recurring items

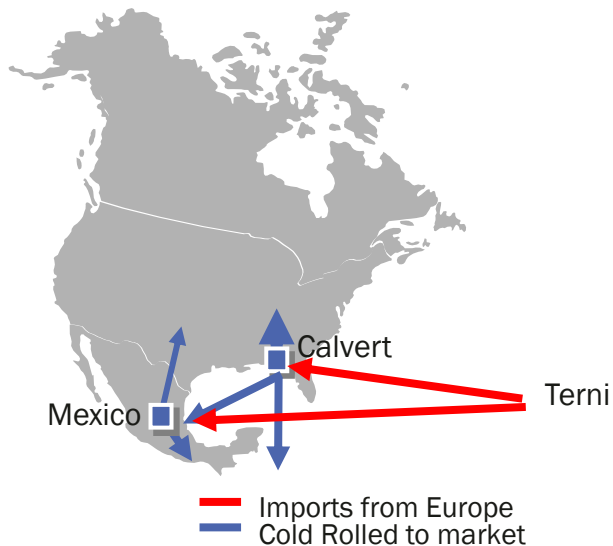
Comments

- **Challenges in 2013**
 - Import of hot band from Europe (Terni) due to remedy requirements
 - Technical quality issues due to new product rollouts – corrective actions in progress
- **Achievements in 2013**
 - Broader product portfolio, higher production volumes
 - Higher utilization of the meltshop towards the end of the year
 - Reduced losses

Calvert ramp-up and Stainless Americas turnaround

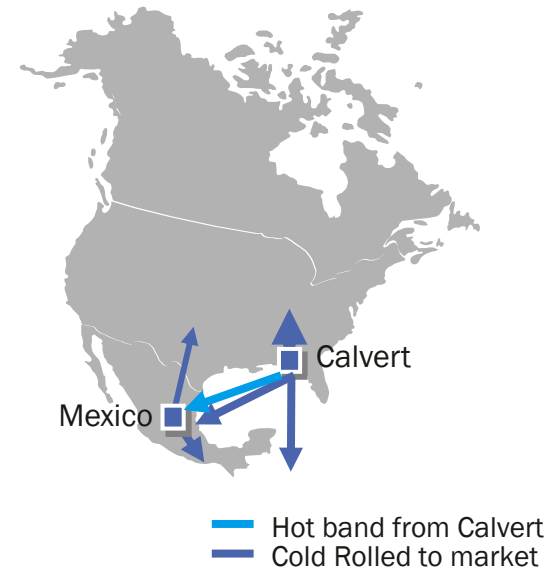


Stainless Americas material flow in 2013



Broad customer base but high costs due to deliveries from Europe

Stainless Americas material flow 2014

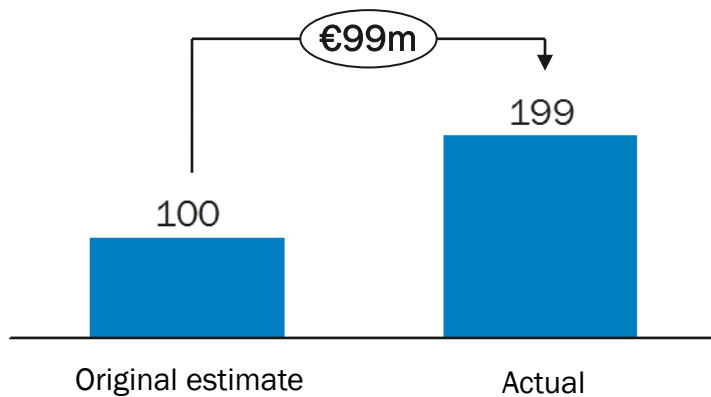


Business model after the ramp-up

Synergy and cost savings

2013 synergies and cost-efficiency measures

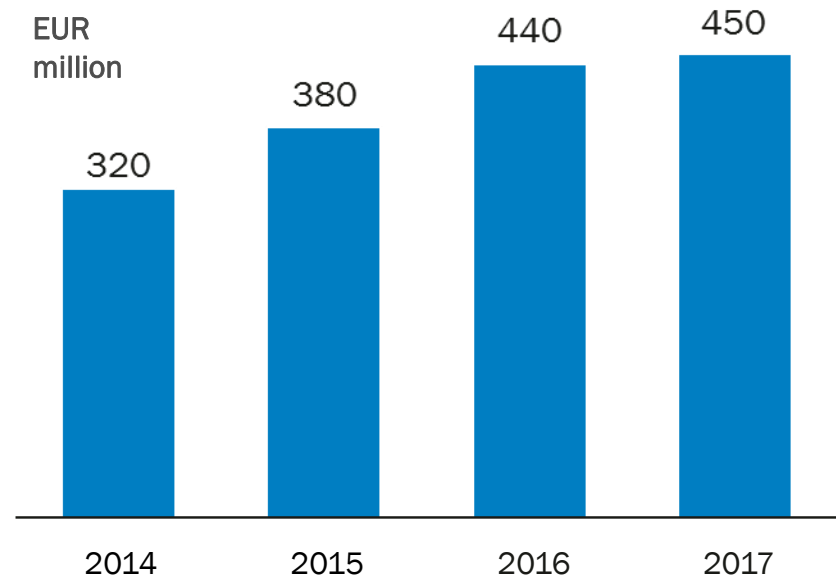
EUR
million



**Synergy savings targets
exceeded in 2013**

Total annual savings expected¹⁾

EUR
million

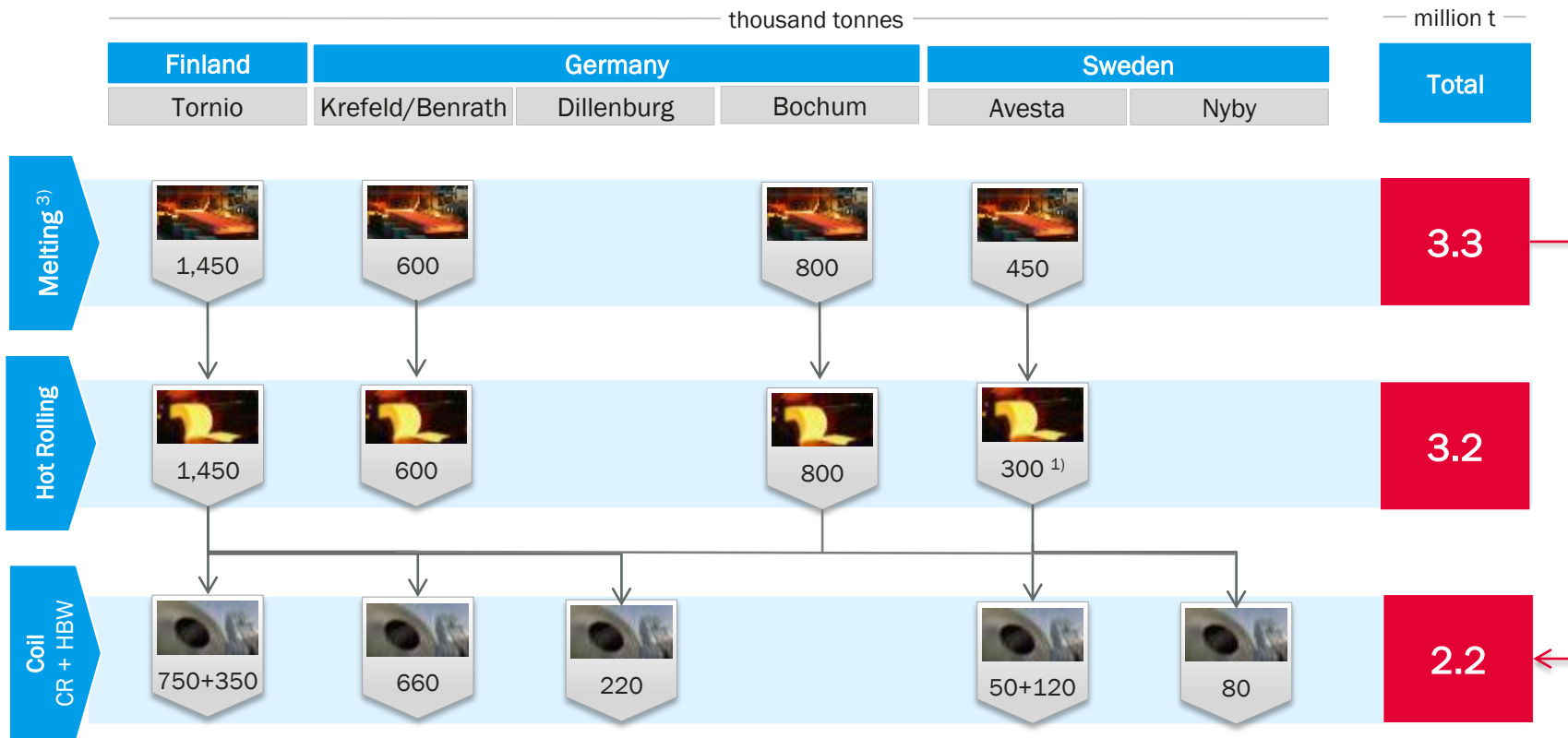


**Total targeted EUR 450 million cost-
efficiency savings by 2017**

In total, planned measures are expected to reduce 3,500 jobs by 2017

Restructuring the production in Europe

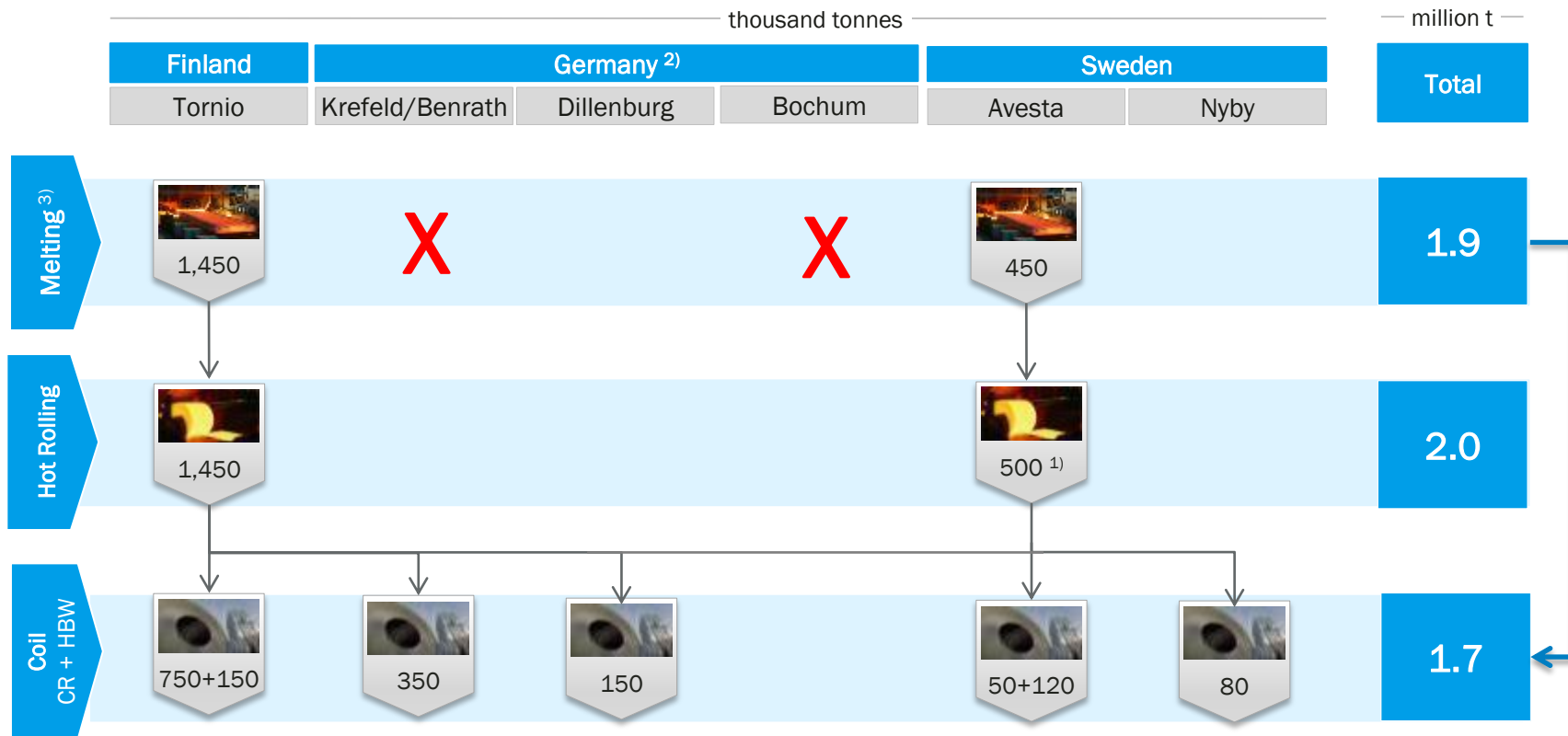
Status in January 2013



Low utilization rates and imbalance between melting and cold rolling capacities

Restructuring the production in Europe

Planned status in 2015

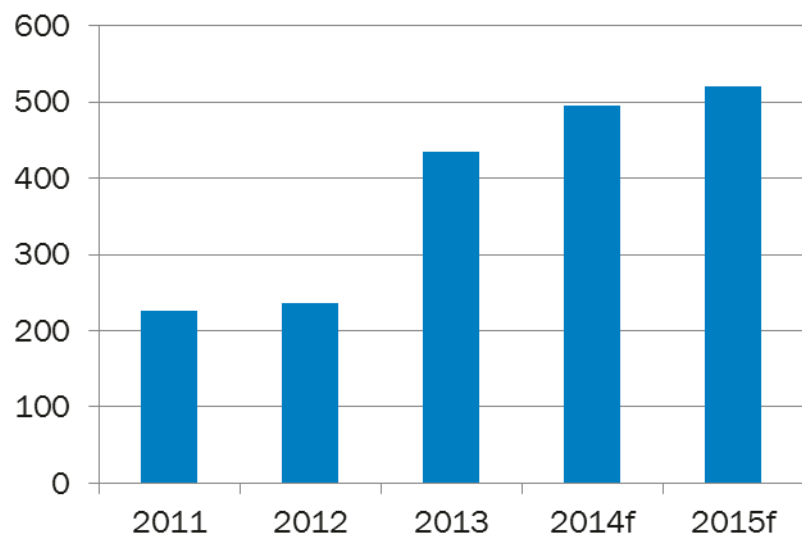


High utilization rates and healthy balance between melting and cold rolling capacities

Ferrochrome ramp-up proceeds, good profitability



Ferrochrome volumes (1,000 tonnes)



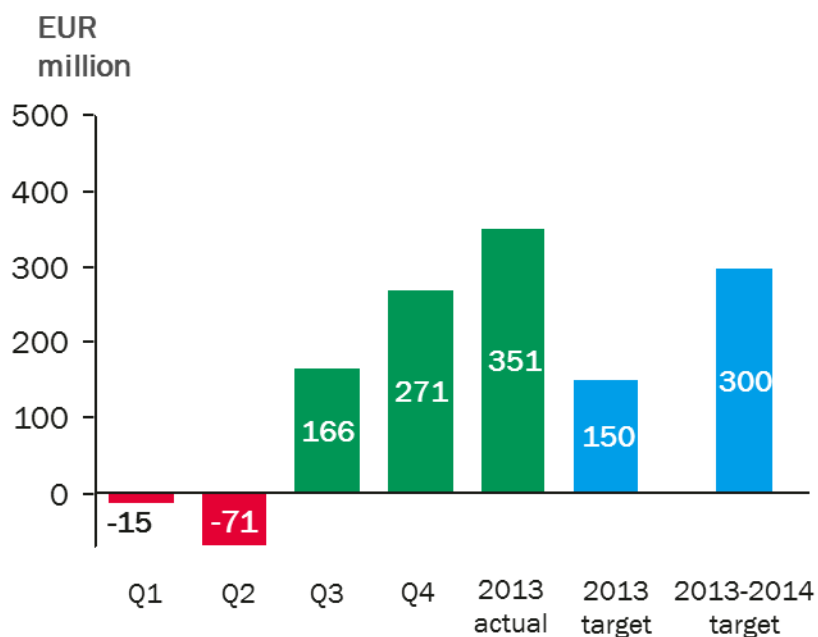
Ferrochrome deliveries, ktons

Comments

- The only ferrochrome producer in Europe with access to a chrome mine
- The proved chrome ore reserves amount to 50 million tonnes, enabling long term operations.
- Cost efficient production
- Ramp-up progressing according to plan: 2013 deliveries of 434,000 (2012: 230,000 tonnes)
- At full capacity, targeted production capacity 530,000 by 2015

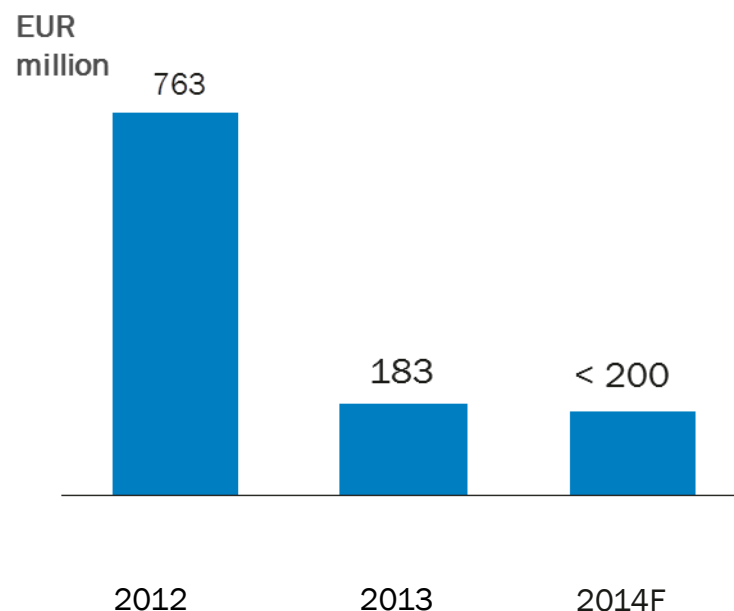
Improving cash flow

Cash flow from working capital change ^{1,2)}



In 2013 EUR 351 million released from working capital

Group capex per year



Significant capital expenditure decrease since 2012

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Strengthening the balance sheet

**Divestiture of Terni and VDM
to ThyssenKrupp**

**Measures to strengthen
capital structure**

Terni and VDM divestiture to ThyssenKrupp

– good solution in the current environment

Terni divestiture

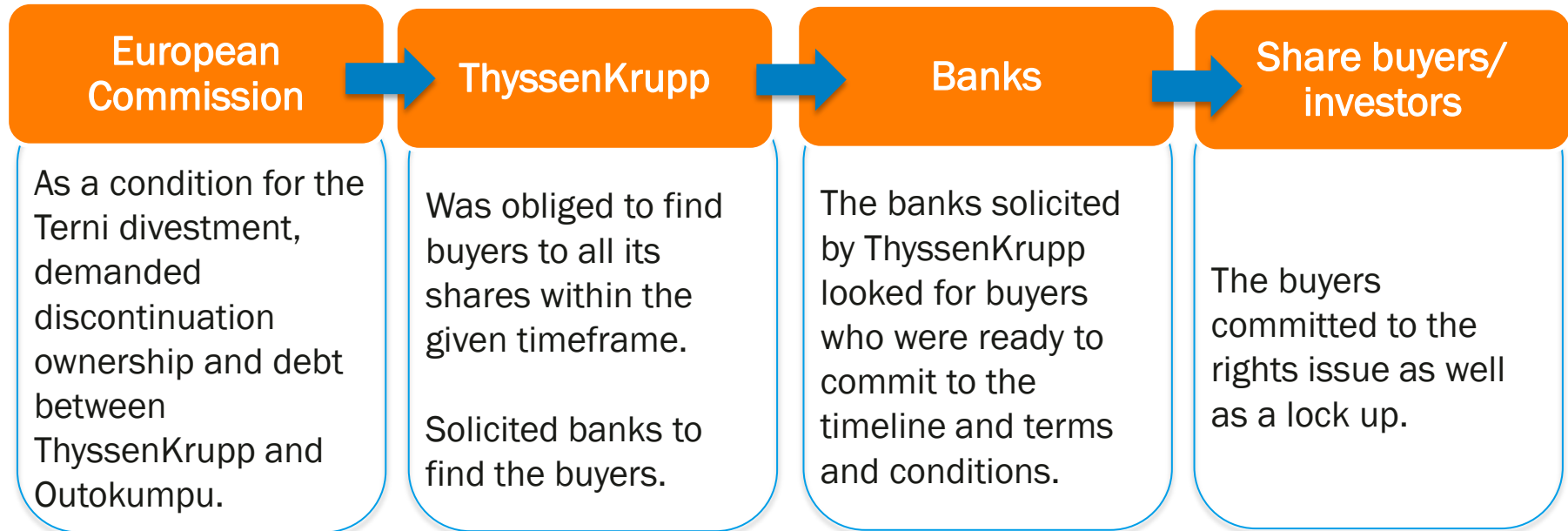
- Terni integrated mill in Italy and service centers in Germany, France, Italy, Spain and Turkey
- Operations have been clearly loss-making recently
- Terni has been for sale since the completion of Inoxum transaction and operated as an independent unit

VDM divestiture

- Limited synergies between VDM and Outokumpu's core stainless business
- Relatively high capital expenditure needs for VDM

Attractive total valuation for VDM and Terni (approx. EUR 1.3 billion) has a significant positive financial impact for Outokumpu

Why did ThyssenKrupp have to sell their Outokumpu shares?



Outokumpu was not a party in this share transaction.

Comprehensive financial plan to strengthen balance sheet and liquidity

- New EUR 500 million liquidity facility, maturity in 2017
- New revolving credit facility of EUR 900 million, maturity in 2017 (replaces the previous EUR 900 million facility)
- Extension and amendment of the bilateral loan portfolio of approximately EUR 600 million, maturity in 2017
- Planned EUR 650 million rights issue to further strengthen balance sheet and liquidity

Stronger financial position

1

Elimination of 1.3 billion euro debt

2

Longer debt maturities

3

Stronger balance sheet and better credit profile

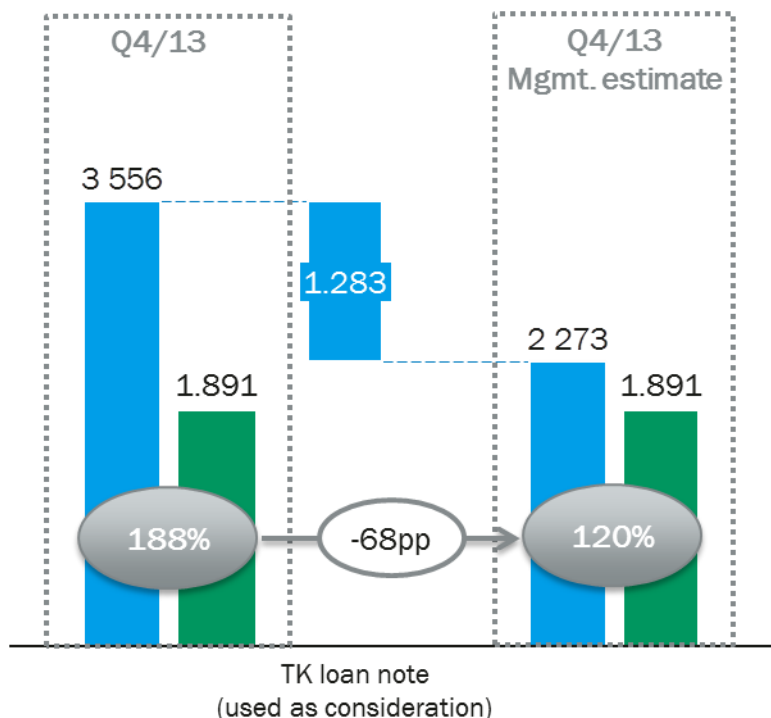
4

Significantly enhanced liquidity

➔ Financing and balance sheet that enable Outokumpu to execute its turnaround to profitability

Divestitures and planned rights issue to strengthen Outokumpu balance sheet

Illustrative gearing impact of Terni and VDM divestment:
EUR million



VDM and Terni divestment:

- Net debt expected to decrease by EUR 1.3 billion (the amount of the TK loan note)

Further influencing factors on gearing:

- Planned rights issue of approximately EUR 650 million: Net debt expected to decrease and equity expected to increase by approximately the same amount
- Impact from financial performance

■ Net debt ■ Equity ● Gearing

Note: Based on the restated Outokumpu figures published on Jan. 23, 2014: net debt and gearing definition changed. Divestment and rights issue impact on net debt will become visible in Outokumpu figures during H1 2014. Not accounting for any underlying operating development.

Proposed rights issue in brief

Size

- Approximately EUR 650 million

Transaction structure

- Issue of new ordinary shares with pre-emptive subscription rights for existing shareholders
- Existing shareholders and other investors may subscribe for shares without subscription rights (secondary subscription)

Subscription commitments

- Solidium and other shareholders (52.8% of the offering)
- Remaining 47.2% underwritten by the arrangers of the rights issue

Expected timing

- Q1/2014

Use of proceeds

- Outokumpu will use the proceeds to carry out the measures to return the company back to profitability

Rights issue process

- According to the Finnish Companies Act, a rights issue requires a decision by the shareholders
- The proposed amount of max. 65 billion shares has been set to ensure that the rights issue can be implemented in all circumstances
 - Thus, no conclusions to the subscription price can be drawn based on this
- As is customary, the terms and conditions of the rights issue are determined only after the shareholders have authorized the rights issue.

The rights issue and its terms and conditions, including the subscription price, will be determined and communicated before the launch of the rights issue.

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Summary

Outokumpu is a global leader in stainless steel
in an industry with good growth outlook

Current profitability and balance sheet are weak

Actions to improve profitability are ongoing

Measures to strengthen the balance sheet
enable the execution of the transformation

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Proposal by the Board of Directors to undertake a share issue

- The Board of Directors proposes that the Extraordinary General Meeting authorizes the Board of Directors to undertake a share issue for consideration in which shareholders have the right to subscribe for new shares in proportion to their existing holdings of the shares of the Company. The Board of Directors has the right to decide upon the offering to parties determined by the Board of Directors of any shares that may remain unsubscribed for pursuant to the shareholders' pre-emptive subscription right. A maximum number of 65 000 000 000 new shares may be issued in the share issue. The Board of Directors is authorized to determine the other terms and conditions of the share issue.
- The share issue authorization of the Board of Directors shall be in force until December 31, 2014 and it does not revoke the share issue authorization given by the Annual General Meeting on March 18, 2013.

**Authorizing the Board of Directors
to decide on a share issue
Item 6 on the agenda**

Closing of the Meeting

Item 7 on the agenda

Outokumpu Oyj Extraordinary General Meeting 2014

February 14, 2014