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## **OUTOKUMPU ANNOUNCES NEW VISION AND MEASURES TO IMPROVE COMPETITIVENESS AND FINANCIAL PERFORMANCE**

Outokumpu announced today its new vision and measures to drive competitiveness and further improve the financial performance of the company, and shared its long-term financial targets. The company also outlined changes to its organizational structure, including a new financial reporting structure.

Says Outokumpu CEO **Roeland Baan**: “In the past three years Outokumpu has reshaped its industrial footprint to build a strong presence in Europe and Americas with excellent assets, and made significant strides in deleveraging the company. While we now have a world-class industrial foundation and a robust financial position, the true profitability potential of the company is far higher than the current financial performance shows. To bridge that gap, we must significantly improve our competitiveness.”

### **New vision and long term financial targets**

Outokumpu’s new vision has been defined as: to be the best value creator in stainless steel by 2020 through customer orientation and efficiency.

Connected to this vision, defined measures of success focus on profitability and further deleveraging:

- EBIT of EUR 500 million
- ROCE of 12%
- Gearing of <35%

These group level targets are expected to be reached by the end of 2020 at the latest. While the global demand for stainless steel continues to grow, Outokumpu takes a conservative approach on the market growth and metal price assumptions, and expects the targeted profitability improvement to come primarily through efficiency and cost improvements in the current scope of business, supported by further strengthening of Outokumpu’s cost competitiveness and market position particularly in Americas.

Outokumpu considers gearing (debt-to-equity ratio) to be a relevant key indicator for the health of a company in the cyclical stainless steel sector, and thus targets gearing to be below 35%. As a first milestone, Outokumpu is targeting to reduce its net debt to EUR 1.2 billion by the end of 2017, driven mainly by the expected improvement in operational performance as well as a significant uplift in net working capital efficiency.

“Our vision captures the essential elements of our competitiveness – customer orientation and the efficiency of our operations – and focuses our efforts on the areas where we need to excel in order to create the best value for our customers, shareholders and employees”, Baan describes.

The six areas Outokumpu will focus on to reach its vision:

1. **Safety:** standardized and disciplined approach to safety that correlates with improved quality and operational efficiency, leading to a top decile position in the industry.
2. **High performing organization:** a lean, simple and flat organization that takes its lead from the market trends and requirements, and drives a high level of individual accountability that is enforced through vigorous performance management.
3. **World-class supply chain:** the role of supply chain function elevated to drive optimal matching of market demand and the manufacturing capabilities, managing manufacturing programming and planning, required resources and logistics. This will allow our production units to focus on achieving a benchmark level in cost efficiency.

4. **Manufacturing excellence:** implementing a standardized operating model to ensure continuous productivity gains in all the mills across the company, leading to industry benchmark competitiveness.
5. **Americas:** the single biggest profitability improvement lever for Outokumpu, with significant improvement potential in both cost and market position.
6. **Portfolio:** continuous review of product portfolio, assets and operations to maximize the profitability of the business and minimize complexity.

Says Baan: “These changes require a fundamental change in how we are organized, how we execute our business, interact with our customers and partners, and operate as a unified team. The work has started in all areas, and we expect benefits to start materializing from the start. However, reaching the full potential and run rate impact will take some years. This triggers the need for a set of immediate measures to force a step change in our cost and competitive position.”

#### Near term changes and efficiency measures

The immediate actions are additional to the ongoing efficiency and cost savings programs, and target the following areas:

- **Organizational set-up:** a simplified organizational set up with three business areas, less management layers and a lighter cost structure. In the new set-up, Outokumpu will have three business areas: Europe, Americas and Long Products. These will be market led, with strong focus on key customer segments and an efficient regional sales network, served by a highly effective supply chain and the world-class mills that concentrate on manufacturing excellence and cost competitiveness.

Europe and Americas will cover Outokumpu’s entire flat products offering in these two markets, including all coil and plate business. Outokumpu’s sales network in APAC region will be part of the business area Europe. Europe will be headed by Roeland Baan, Outokumpu CEO; Americas by Michael Williams, current Head of Coil Americas; and Long Products continues to be led by Kari Tuutti. The planned organization is to be effective as of June 1, 2016, current organization and responsibilities remain valid until then.

- **EUR 100 million reduction in sales, general and administrative costs (SG&A)** by the end of 2017 against the baseline of EUR 400 million at the end of 2015. The EUR 400 million baseline for the EUR 100 million SG&A cost reduction target includes EUR 58 million of costs that were reported as cost of sales in 2015. The corresponding costs for 2016 will be reported as SG&A costs.
- **At least a EUR 200 million cash release from net working capital by the end of 2016**, particularly through reduction of inventory carry (stainless operations only, excluding ferrochrome operations, and assuming current metal prices).

Outokumpu will commence consultations with employee representatives in full accordance with local legislation and practices regarding the planned changes that are expected to lead to a reduction of up to 600 jobs. The expected job reductions will be global, and proceed in line with the local practices in each country. At this stage, Outokumpu will now start the consultation process in Finland regarding a reduction of up to 140 jobs, and in Sweden for a reduction of up to 90 jobs. In addition, Outokumpu plans to outsource certain manufacturing support operations in Tornio that would impact approximately 100 employees.

All in all, the plans announced today, with the efficiency measures that are already ongoing particularly in EMEA are expected to reduce Outokumpu’s personnel from the 11,000 at the end of 2015 to a level of 9,300 in the coming years.

### **New reporting structure as of the first quarter of 2016**

Outokumpu will report its financial results according to the new segment structure already as of the first quarter 2016, and expects to publish the restated historical financials of the new segments for the past two years prior to the first quarter reporting. Outokumpu will have three reportable segments: Europe, Americas and Long Products. The current European Quarto Plate business and APAC business will be reported as part of Europe, and the US Quarto Plate business under Americas.

### **Conference call today at 3.00 pm EET (2.00 pm CET)**

Outokumpu will host a conference call and webcast for analysts, investors and media today, April 5, 2016 at 3.00 pm EET (2.00 pm CET). To participate the conference call, please dial in 5–10 minutes before the beginning of the event: UK/Europe: +44 20 3427 1912, US: +1 212 444 0481 using access code 4118528. The webcast can be followed [online](#). A recording of the webcast will be available at [www.outokumpu.com/en/investors/IR-events/webcasts](http://www.outokumpu.com/en/investors/IR-events/webcasts) after the event.

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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 11,000 professionals in more than 30 countries, with headquarters in Espoo, Finland and shares listed in Nasdaq Helsinki.

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