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Presenter: Roeland Baan, CEO; Christoph de la Camp, CFO; Tommi Järvenpää, Head of IR
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Operator: Good day, ladies and gentlemen, and welcome to the Interim Report Second Quarter 2016 conference call. For your information, today's conference is being recorded. At this time, I would like to turn the conference over to Mr Tommi Järvenpää, Head of Investor Relations. Please go ahead, sir.

Tommi Järvenpää: Thank you. Good afternoon, ladies and gentlemen, and welcome to Outokumpu's second quarter earnings webcast. My name is Tommi Järvenpää, I am head of Outokumpu's Investor Relations. With me here today are also our CEO Roeland Baan, and our new CFO Chris de la Camp, who joined the company in the beginning of July. We will be referring to the presentation that can be found on our website. As always, please pay attention to the disclaimer on page 3 in the presentation, as we will be making forward-looking statements. With these remarks, I am pleased to hand over to CEO Roeland Baan. Roeland please go ahead.

Roeland Baan: Thank you, Tommi. Thank you for joining us. I am pleased to start the presentation on our Q2 results. I will address some of the more general issues and at the end, our forecasts for Q3 and when we get to the more deeper financials, Chris will have his baptism by fire on the results.

So if we can, in the disclaimer we talked about, just bring to mind again our vision which is to be the best value creator in stainless steel by 2020 through customer orientation and efficiency. I will come back to that and talk a little bit about the progress we have made on the action points that we have underlying this vision, but first turn to the next page.

And I'm pleased to say that we are clearly gaining momentum in Q2. I said in the last webcast that if you look over the last few quarters, we have had operationally already improvements in both volumes and financial performance, and that actually has accelerated into the second

quarter. Just to mention a few of the highlights, first of all, of course our €5 million – minus €5 million EBIT, underlying EBIT, which is a clear improvement over the first quarter of this year, and this is mainly driven by, I would say, internal operational performance, start with the record high deliveries in the Americas, which is a reflection of the increased trust that our customers have in our delivery performance and our quality. From a financial point of view as well, we had great strides in reducing costs. In Europe, as you know, we had the continued E100 cost savings programme which is still on track, and another of our main drivers, net working capital, we have been able to further release working capital, resulting into further cash flow and a reduction of net debt.

On the flip side of the coin, as we already guided in Q1, the ferrochrome prices for Q2 were significantly lower, impacting the profitability in Europe, and we had slightly lower on a Q-on-Q basis, slightly lower deliveries in Europe, and I'll get to more detail.

If you get to the next slide, just to set that into the more macro picture, the expected demand growth for 2016 in the stainless market according to SMR is estimated to be around 1%, so fairly flat, with some fluctuations. The Americas are expected to contract by about 3%, Europe about flat and then the main growth will be in APAC. If you look at the apparent demand growth, these figures are slightly different. We do see a reflection of the flat numbers in Europe but in the ES, we see on the apparent demand a slight increase over last year.

Moving to the next page, where we can see that the stability that came into the European market after the antidumping measures were announced in 2014, that stability in the market is continuing. Prices were very stable and at the same level as in Q1, whereas imports have further reduced to a level of 21% now, and as well, what you see is that the Chinese imports are still a very small part of the total import penetration and we see a reduction in imports from what we call rest of the world, which is mainly South Africa and India.

If you go to the Americas, you're all aware of the increase that we have announced, price increases we have announced in already January, followed by a few more, and we always said this will take time to work its way through, and you can see that in the numbers. But the good news is that we see an increase of around \$50 Q-on-Q. If you look at the import side, fairly

unchanged Q-on-Q. The only change is slightly lower imports from China, the rest is basically stable. With the announcement of the preliminary duties, we expect that the Chinese imports will actually diminish going forward.

Then before we get to the financials, just the last one is on nickel price. It stays pretty volatile, however, I think that we see a bottoming-out of that nickel price. We have been trading between the 8,000-9,000 range for a while, we are now breaking out of that on healthy demand for nickel and melt rates in China, and currently we are trading as high as about 10,500 on the basis of the noises from the Philippines. But for the quarter, we have been trading at around 9,500 and again, as I said, it looks like we have more or less bottomed out. You see that reflected in the transaction prices with the base price increases in the US, stability in Europe and then the improvement in nickel prices, the transaction prices have turned pointing upwards.

So all in all, the environment still not overly exciting in the sense of great activity but relatively solid with some good points actually. With that, Chris, I would like to hand over to you.

Christoph de la Camp: Okay, well, thank you, Roeland and good afternoon and good morning, ladies and gentlemen. I'm very happy to be here at a time of significant change for Outokumpu and to be giving my first investor presentation on our Q2 interim results.

So if you look at slide number 10, I'll point you to some of our key financials there. As Roeland has already mentioned, Q2 was a quarter where we had significant improvements in our deliveries, 19,000 tons more than in Q1, and that was driven by very strong performance out of the Americas and out of our Long Products business area, to some extent set off a little bit by weaker delivery performance in Europe. If you then look at the sales, that also explains why we saw a very small drop of around 0.5% in our sales levels in the second quarter. But overall, the effects were very positive and as you can see on this chart, our underlying EBIT improved from a result of -20 in the first quarter to a result of -5 in the second quarter of this year.

Going down the chart a little further, you can see that operating cash was also positive for the second quarter in a row. After a negative result in 2015, we've now delivered nearly €130 million in the first half of this year in operating cash and that was obviously good progress there.

That has also led to us being able to reduce our net debt a little further, which has now come down €66 million further between the two quarters and quite a bit more if you look at the progress since the beginning of this year. So net debt reduction, which is obviously one of our key priorities as well, is on the right track here.

If we then look at the personnel, you could see that it has also reduced somewhat. It's come down a little bit further, and that's reflective of the ongoing efficiency and costs improvement measures that Roeland has already talked about.

I'd like to move on to slide number 11 and delve a little bit more closely into our European performance, and here you can see that our profitability in the second quarter was actually down on the profitability in the first quarter. We saw deliveries fall by 8,000 tons from 421,000 tons to 413,000 tons, and that had an impact, amongst other things, on our quarterly EBIT which fell by €13 million to €29 million. That result was driven partly by lower deliveries but also by lower ferrochrome prices and also somewhat higher raw material prices. However, offsetting some of that were ongoing cost measures that we continued to deliver, as outlined by Roeland earlier, and our restructuring programme delivered a further €15 million quarter-on-quarter. The market remains relatively healthy in Europe, although we are seeing some uncertainties in the general investment climate impacting our plate products, which are now part of this business area. Base prices remained flat during the quarter and ferrochrome production was solid at 135,000 tons during the quarter.

We did make some adjustment to our reported results, most prominently €29 million of redundancy costs resulting from the SG&A cost reduction measures that were announced previously, and we also had a €7 million positive impact from raw material-related inventory and net derivative gains/losses.

Moving on to the Americas, here the story is extremely positive for the second quarter. We achieved record high deliveries and further improved the efficiency. If you look at the chart on the left-hand side on slide number 12, you'll see that we saw a jump in our deliveries from 161,000 tons to 177,000 tons, nearly 10% improvement there, and for the first time, a really significant improvement in our underlying EBIT, which historically has been bouncing around

between –40 and –50, and actually improved to –24 during the quarter. This was due not just to the improved deliveries but also to significant cost reductions, particularly in the variable area. We achieved a 14% improvement. But we also saw apparent consumption grow a little bit by 2.1%. We also have positive market effects beginning to come through from the antidumping investigation which curbed dumping from particularly Chinese imports. We're beginning to see an initial restocking by some of our distributors and announced further price increases during the quarter. The overall base price in deliveries was up by \$70 a ton versus the first quarter so that also contributed. And in terms of the adjustments we made to underlying EBIT from reported EBIT, these are somewhat smaller than in Europe and there was €2 million provision for redundancy costs, again related to SG&A, the SG&A reduction programme, a small adjustment to insurance payments we were expecting, and then timing issues or timing effect of €8 million on the total, was the total impact for timing, inventory related valuation and derivatives.

Finally moving to our third business area, the Long Products business, again, this showed improvements, although the earnings were impacted by some derivative losses which are included here. You can see on the left-hand side that there was very strong improvement in deliveries of 40% from 50,000 to 70,000 kilotons. And the financial result improved a little bit from –€4 million to –€2 million. We saw growing demand across all of our markets in Europe, although the activities in the oil and gas sector, into which some of these products go, remain somewhat subdued. Base prices remained at Quarter 1 levels in both the Americas and in Europe – we sell these products in both regions – but overall order intake improved during the quarter. The smaller adjustments of €1 million to the reported EBITDA to provide for redundancy costs again related to the SG&A cost reduction programme, but no adjustments here to raw material, timing effects or hedges. There is one item that did flow into these results which pushed it below the waterline, if you like. We did hedge in the UK, that's the impact of sterling and the decision for Brexit did impact sterling negatively. So we took a loss in our hedge there of €5 million but we're expecting to see that recover and come back through the results over the next quarters. Without that, the result in Long Products would also have been positive.

If we then move to slide number 14 to the positive operating cash flow, you can see here on the left-hand side that the cash from operating activities, as I mentioned before was again positive.

A little bit lower than on Q1, where we had very, very strong positive impacts from working capital reductions. Those were smaller in the second quarter. The cash impact of investments was broadly on a level, a little higher than on the first quarter, which led us to a cash flow of €32 million before financing activities but after investment activities. Cash in the bank and cash equivalents remained very robust at €156 million, down slightly versus the first quarter, but we used the cash to further reduce our net debt, as I mentioned earlier. Net working capital efforts continue to be broadly on track. We have now released €117 million during the first half of the year and our liquidity reserves are also very adequate at just over €800 million.

Move to the next slide, slide number 15, you can see here on the left-hand side the evolution of our net debt which obviously has come down significantly over the last two years and the improvements continue, albeit at a slower rate. You can see that we're beginning to – we're continuing to push the net debt levels down. However, this is not reflected in the gearing, which remained broadly at the same at 69%, and that is a result of a reduction in equity as well. The equity reduction came – it was still at a net income level, making losses. There were currency translation effects from the devaluation of sterling and some pension valuation effects as well.

On the right-hand side, you can see our debt maturity profile over the next five years. I think the key point to note here is that during the second quarter, we raised a or we issued €250 million senior secured bond with a coupon at 7.25% which matures in 2021, and we also extended a Finnish pension loan around €37 million during the quarter. Looking at the maturity profile going forward, you can see that in 2016 now, we still have just over €250 million there but that is actually all commercial paper so it rolls. This will not be a cash-out effect in this year and does not need major addressing during 2016. Looking ahead into 2017, here we see approximately €400 million, although some of that is unutilised facilities. And in terms of the remainder, it's a combination mainly bilateral loans, some leasing obligations and then a smaller amount of commercial paper that we need to address during the course of this year or early next year, and then we have a relatively low maturity profile for 2018 and then start addressing the bigger profile maturities in 2019.

With that, I'm going to hand back to Roeland to discuss some further developments and progress on our vision.

Roeland Baan: Thank you, Chris. So if you go to page 16, again just to put things into perspective, taking the cue from SMR, we see that as far as real demand is concerned, there was typical Q3 dip both in Europe as well as in the Americas. As seen, there's about a 5% reduction in Europe and a 4% reduction in the Americas.

However, if you then go to the next page, what we see is that those top-level distributors in Europe are about historical levels. In the Americas, they are still the low historical levels. And the underlying demand in the key sectors, and especially as goes for automotive and industrial and consumer goods, is expected to stay pretty healthy, as well distributors at the mine. In the Americas, we see that price increases are gaining traction – we already alluded to that – and we got the antidumping ruling, which is expected to curb unfair competition. So we do expect that there will be less imports coming into that market.

And putting all these things together, we guide for delivery volumes into Q3 to be sequentially flat, where meanwhile the pace of our efficiency improvements will continue and the Group's EBIT will turn positive for, I think it's for the second time since the merger with Inoxum. So pretty big milestones, but as well not something that is a one-off. It is clearly in the dynamics and in the range of what we are been doing and where we are going.

I know that there has been a lot to do about the ferrochrome prices that went down significantly in Q2 and now went back up significantly. I do have to warn that we are undertaking some maintenance on our largest furnace in our ferrochrome operations which will reduce the volume by about 30%, which will partially offset positive effect from the pricing.

With that to the next slide. Again, when we announced our new vision, we with that as well announced a number of must-win battles and long-term targets as well as shorter-term targets.

And if I just very shortly go past the must-win battles – safety, we set ourselves for this year an improvement target measured in terms of recordable incidents on improving target of 25%. We are running at the moment better than that. So we are making good progress on our safety promise, although that's just the first step in getting where we ultimately want to go.

The high-performing organisation, we implemented the new organisation as from 1 June. We have concluded consultations in Finland and in Sweden. We are still in consultations in Germany, expected to conclude that in August.

In the meantime, the organisation, as we said, where we went from the multitude of profit centres to basically a functional organisation with three clear functions, has been implemented and is working well, especially – and that’s the third must-win battle – if you look at the world-class supply chain, where we have made great progress, which you can see back into specifically the progress we made on working capital improvement, which is now in the hands of our supply chain.

Manufacturing excellence, already mentioned in the US, we have made improvement of 14% in our variable conversion costs per ton. In Europe, although not as spectacular as in the US, we have achieved about 3.5% as well on the variable conversion costs, so making tracks. And then the turnaround of Americas, I think the momentum of the last four or five quarters is very, very clear and continuing.

On the portfolio side, Chris already alluded to it, we concluded the SKS divestment and got somewhat the cash in Q2 already and more to come in Q3 and Q4, and we sold off a service centre in China towards the goal of getting our portfolio to where we want it.

All this of course to support our financial targets – and just put it back into the memory for 2020 – and we will not deviate from these targets, EBIT of €500 million, return on capital employed of 12%, and gearing below 35%.

If you look at the immediate actions and the next step, and I have basically talked about them to a large extent, the new organisation setup is implemented and is functioning. Our SG&A cost reduction of €100 million is linked partially to the new organisation where we have the 600 reductions that we talked about where we said we have concluded our negotiations in Finland and Sweden. We have implemented the reductions in the Americas and actually will announce as well in August what’s happening there. On top of that, if you look into the numbers that we

have supplied and you take the SG&A numbers for Q1 and Q2 corrected for, for instance the provision for redundancy, etc., we are currently running at a run rate that is below last year's run rate, even before the real SG&A programmes, the €100 million, is in that. So the non-staff-related SG&A we have already started to implement and see clear traction there as well.

Now last but not least, the net working capital reduction target of €200 million. We realised €170 million, so we're very well on track there and well-positioned to get to our goal of €1.2 billion by the end of 2017.

So with those remarks, I hand back to Tommi.

Tommi Järvenpää: Thank you, Roeland. Operator, we are now ready for questions.

Operator: Thank you. Ladies and gentlemen, if you'd like to ask a question at this time, please press the star or asterisk key followed by the digit 1 on your telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has already been answered, you may remove yourself from the queue by pressing *2. Once again, please press *1 to ask a question. Our first question today comes from Seth Rosenfeld of Jefferies. Please go ahead, sir.

Seth Rosenfeld: Good afternoon, Seth Rosenfeld at Jefferies. A couple of questions starting on the US business. After hitting record volumes in Q3, can you please speak a bit more about the status of the ramp-up of Calvert, and perhaps you can talk about what's driving that volume gain, be it via share gain versus imports or versus some of your domestic peers and how competitive you need to be on price in order to grow those volumes? Are you able to achieve the entirety of the price hikes being announced or are there discounts being applied as routine in years past? And the last, if you could just confirm what the current utilisation rates are at the US both in terms of melt shop and the rolling lines. Thank you.

Roeland Baan: Okay, so we have said always that the – from a commercial point of view, it will take to about 2018 at latest to really get the full traction on Calvert. We are doing extremely well at the moment. And no, we're not discounting. We actually were the first ones to announce price

increases, so we have been leading in that sense the pack in driving for better pricing. And our volume gain is really on the back of the extremely good performance of the mill, good delivery performance, very good quality. We haven't had a single claim. So we have great confidence from our customers in this case. We of course have done significant restructuring of our sales force and our sales, the way our sales strategy is being executed with new leadership, so that helps as well and is reflected in ultimately an increase in our market share.

Seth Rosenfeld: Thank you and can you confirm the utilisation rates right now both at melt shop and the rolling lines at Calvert?

Roeland Baan: No. As you know, we don't comment on individual plants and the utilisation rates.

Seth Rosenfeld: Okay, thank you very much.

Roeland Baan: You're welcome.

Operator: Thank you. Our next question comes from Philip Ngotho of ABN Amro. Please go ahead.

Philip Ngotho: Yes, good afternoon, thanks for taking my questions. First of all, on the guidance, and especially on the volume guidance, as you indicate yourself there is always a seasonal effect in Q3 so the fact that you're still guiding for flat volumes, can you indicate where you expect the majority of compensating volumes to come from division-wise, but also whether it's – what the split is between restocking and winning market share, for example in the US given the antisubsidy rulings that were implemented? Then the second question that I have is on the nickel price. We have seen a recovery of the nickel price recently and I was just wondering, maybe it's a bit early days, but have you seen already in this month, July, have you already seen some restocking impact also from the raw material supply, a better nickel scrap supply market? Those are the questions for now.

Roeland Baan: Okay so if you – as we guide with flat volumes Q-on-Q, part of the reason is that we do see continued demand and we have taken actions in Europe specifically, where we have moved our traditional summer shutdown for maintenance. We have moved that towards the end of the

year, when normally there is traditionally anyway a bigger downturn in the market. So the net effect is that we have freed up extra capacity for a market that is existing and available, and that we will now supply from our mills, where in the past that was to a large extent taken up by imports. So that's one part of the answer. The other part is on what you say, the restocking. We do see apparent demand being very healthy in the US. We do not see the sort of increase so from Q1, Q2, but we see healthy volumes going forward, as apparent demand is slightly low from what we think will be the underlying demand.

If you talk about the recovery of the nickel price, it is a very difficult question to answer. As I said, what we do now is that we ended the quarter with clearly better levels than we had for a while. You now see that on the back of the discussion about the nickel, regarding supplies from the mines, the ore supplies from the mines in the Philippines, that there is another uptick. We'll have to see how that works out. In principle, this has no effect on the scrap market.

Philip Ngotho: Okay. Okay, thank you.

Operator: Thank you. We now move to Artem Beletski of SEB. Please go ahead.

Artem Beletski: Yes, good afternoon, this is Artem Beletski from SEB. Actually, two questions from my side relating to America. The first one is relating to price situation and maybe you could provide us with some kind of guidelines relating to base price trajectory, what we should be expecting for Q3 in light of the fact it's a lot driven by contract structure what you are having, and should we basically assume similar trend quarter-on-quarter, what we have seen for example in Q2? And the other one is really relating to Americas capacity situation and very good progress in terms of volumes also in Q2. Could you maybe talk how much you would be able to increase volumes from current levels, so from Q2 levels, in order to hit basically full utilisation rates in Americas?

Roeland Baan: So I can't go into specifics on pricing. We have all in all, over the last five months, announced increases in steps amounted to a total \$280 a ton. You have seen that \$70 of those have come in Q2, which is indeed a result of the corporate structure, where the role of a quarterly contracts start working through. Then we will have new quarterly contracts coming on

stream in Q3 and we will have a rollout of the half-yearly contracts. As I said before, I cannot disclose what proportion of our business is in what kind of contract. It is sensitive competitive information that I would like to keep for ourselves. So it is very conceivable that you will see a further move up on the pricing but I can't guide you on exactly what that's going to be.

If you go to capacity, we have clearly said what is the nameplate capacity on our mill both on the melting side, as well as on the finishing side. It indicates there are still enough room and levery to still improve.

Artem Beletski: Okay. Great, thank you.

Operator: Thank you. Our next question comes from Michael Shillaker of Credit Suisse. Please go ahead.

Michael Shillaker: Yes, thanks a lot. A number of questions if I may, firstly, just on the European market, it just seems flat as a pancake out there right now. The inventory is normal, base prices have been stable for a long time, imports are lower, all is positive, but none of this really seems to be indicative of driving any further momentum upwards in the European market, very different to the US which clearly went through destocking and is now going through restocking. So can you sort of give us your vision for slightly longer than next quarter in terms of how you think Europe pans out? Are we going to remain very flat or do you think there is any impetus in there to get European volumes and also clearly base prices higher is question number one? Question number two, very quick on admin, can you quantify the impact of the ferrochrome maintenance outage? 30% loss in volume is pretty significant in Q3. So could you quantify that? And then, just on the Americas, I mean, looking at your numbers you're doing around 700,000 tons now annualised out of 900,000 capacity. You're still losing on annualised around a 100 million of EBIT a year on that run rate. Can you ultimately get this asset up to say a NAS standard in terms of profitability? And in doing so, can you help us at least build a bridge of how you get there in terms of how much of this should be price, how much of this should be volume and how much of it is cost so we can see in terms of your vision for what you really need to do on Calvert? It's not obviously just volume, it's going to be a combination of things, so a little bit of help on that would be useful.

Roeland Baan: All right, a series of relevant but difficult questions. The European market, yes, pretty flat but at the same time, what we do see is that the lead time in our mills is increasing. So we are now booking October, which is a big change from where we were earlier in the year or at the end of last year when we were literally booking six weeks ahead. So you see clearly in the underlying market, you see improvement. At the same time, you have to realise well that, although we have some measures in place on the antidumping side, those as well, of course, are priced in China local and that will always work as a sort of virtual cap. What that is and how that plays is something that is part of speculation and individual calculation. I would say we are happy with what has happened in Europe and we think that we, in the current environment, we are capable of getting to a very decent profitability as we have shown.

If you look at the impact of ferrochrome, we guided in Q1, what a 10-cent change in pricing more or less would mean to the bottom-line. We have guided that we will have a 30% drop in output for Q3 and I think you are probably capable of modelling that with those two pieces of input.

And then what do we have to do in Americas to get to a NAS type of profitability. Is interesting that you asked the question, because I would answer it in a way around, which is not our own analysis or research but external analysis and research basically states that we have potentially the mill with a better cost position. So the answer is we do not want to get to the NAS position. We are basically in charge of our own destiny. Of course, it's nice to have extra price and extra volume but we have shown the ability under the new management to significantly strip out cost. That will not stop. We see that continue and that is what will basically close the gap and which is, ultimately the way we're looking at it, will bring us to on a level like profitability, which is ahead of that.

Michael Shillaker: Okay, all right, thank you.

Operator: Thank you. Our next question comes from Alessandro Abate of Berenberg Bank. Please go ahead.

Alessandro Abate: Good afternoon, gentlemen, I just have two questions. The first one is related to your 2020 target of €500 million EBIT. I would like to get more or less an indication, how much is the base of improvement of price and demand and how much is really based on your internal efficiency. If you just can give us just roughly a percentage? Then if you basically been able to set such an ambitious target that I really hope you're going to be able to achieve, would it be possible, I mean, also to offer some kind of nearer-term target? For example, your guidance and all other things remaining in the same on the 12 months' basis, for example, 2016 or 2017 just basically an indication, because your performance can actually be more even better? And the second question is related to the long steel. I think that the volume has been quite strong into Q2 and I was wondering what segment has so far driven this upside. Thank you.

Roeland Baan: First of all, on the 2020 target, we have, when we launched it, we have said that that is basically based on internal improvements. Again, it's nice if we have some help from the market but we have said we should be able, given our market position, given our footprint and given our assets, to reach this by self-help, and this is what we maintain. And if you then say do we have a near target, we have a near target and we have clearly communicated as well as one of the most important things that we concentrate on and focus on, which is to bring down the net debt to a maximum of €1.2 billion by the end of 2017. As we are ramping our volume and we are taking out already significant working capital, by inference you could say that the rest has to come from improved performance.

On Long Products, strong volume. There are two parts, I would say, about 40% of the strong volume comes from internal slab delivery so our own internal, our own growth on the flat products has driven 40% of the growth in LP, because the slab comes from SMACC, which is part of the Long Products. And the other part too is probably the strongest segment that we look at, at the moment is automotive. So there is a lot that goes into automotive but our special bar is running pretty well as well in the US.

Alessandro Abate: Roeland, thank you very much. And just really a follow-up, my question was related in terms of EBIT guidance, I mean it is absolutely great that you're giving this kind of near-term

targets related mostly to the reduction level of debt but considering that 2020 is a bit far off at the moment, and €500 million EBIT is really ambitious and I really hope you're going to make it, but it would be very helpful also for a proper assessment of what actually is going on in Outokumpu, if for example you can actually give us a next 24-month target, just an idea, what the EBIT based on your self assumption can be. Would that be possible in the future? Thank you.

Roeland Baan: We haven't discussed this, Alessandro, so bear with us. We might somewhere in the future, but it has not been on the table up to now.

Alessandro Abate: Thank you very much. I understand it. Thank you.

Operator: Carsten Riek of UBS has our next question. Please go ahead.

Carsten Riek: Thank you. Most of my questions has been answered, two left. The first one is on the US business or the North American business. You show the improvement in the base price but if you look at the sales per ton, you showed in the second quarter, we have seen actually a decline, which makes me believe there was no kind of base price effect in the second quarter. Could you confirm that? And if this statement is not correct, how much of the base price increase did you already capture in the second quarter? The second question is on your gearing target 2020. It seems quite punchy and you have to pretty much half your net debt by then. Do you intend to actually achieve that gearing target operationally only, or do you also have other measures in mind?

Roeland Baan: So can you be more specific about your sales per ton decrease, because I'm struggling...?

Carsten Riek: At first quarter 2016, we had €1,870 per ton in the Americas business and we had €1,757 in the second quarter, which is a decline of around, give or take, €100 which might be a function of when you book and when you sell those, predominantly a function of how you actually lock in the base price and how much negative nickel impact you still got in to the second quarter numbers. But it pretty much looks like there was no kind of positive base price effect in there?

Roeland Baan: I'm just looking at the numbers and I see what you mean. The only – what this comes from is that the alloy surcharge in Q2 significantly dropped in US. So although you have positive effects from the base price, you have the negative effect coming from the alloy surcharge and that's the balancing thing, but actually alloy surcharge basically is passed through on the commodity. That doesn't then really affect the profitability.

Carsten Riek: So how much of the base price – if you captured the \$70 in terms of volumes we have seen. Your improvements must have been stronger. It just doesn't add up. So for me I don't believe that you actually captured the whole \$70. That's pretty much the question.

Roeland Baan: Yes, well, it is there. So it's very difficult, because I don't have the numbers here in front of me, to do the bridge for you.

Carsten Riek: Okay.

Roeland Baan: So let me come back to you separately on this and present you with the various moving parts.

Carsten Riek: Perfect, thank you, and on the gearing target?

Roeland Baan: The gearing, I assume that you are alluding to are we planning to do any further disposables in order to get to the gearing. The answer is no.

Carsten Riek: Okay, thank you very much.

Operator: From Deutsche Bank, we have Bastian Synagowitz. Please go ahead.

Bastian Synagowitz: Yes. Good afternoon, gentlemen. I've got two questions left. Firstly, on your earnings outlook, that does not mention nickel. But if we basically – as we basically speak today, I think nickel prices are quoting more than 25% above the trust levels which we've seen in the second quarter, and surely this must have supported this impact in the third quarter just besides of volumes and restocking. So if prices remain where they are today, what would be the positive

impact from nickel and also relatively cheaper scrap prices as it does seem to me like the scrap market has not yet fully reflected the full increase of the rising LME nickel prices? And then secondly on the European market and also antidumping, you said that you are quite happy with the situation in the European market. But I guess in reality, in a market which went through down cycle of the type we've seen throughout the last couple of years and then also capacity scale-down to which you obviously contributed a major part, we should at some point see a base price increase coming through as well. And we currently see a lot of momentum and also acceptance in the European commission for antidumping cases in various steel products, so stainless has obviously been the first. If you feel that there is – that this is really as good as it gets in terms of pricing, at the end of the day, because at the end of the day imports from other countries are still blocking any price cycle on the upside, shouldn't you be pushing the EEZ to broaden the antidumping case and also go against other countries like Korea, Vietnam, etc.?
Thank you.

Roeland Baan: Let me just start with the pricing question. We typically do not comment on pricing. And I fully understand where you come from, where you say, well, why this has happened. We don't want to speculate on it. We know we are booking. We, in some cases, we have achieved price increases that probably will filter through in Q3 but at the same time, as I said before, you have to be mindful of the fact that the antidumping duty is not that large that you can just price at will. So there is, I would say there is still a natural cap. But I do not want to speculate on where the pricing actually is going.

When you talk about nickel, yes, sure, if it stays here then nickel, looking at all the moving parts, the higher nickel price would have an effect on both profitability and as well the cash move due to timing differences. We, for now, are looking at what the various analysts are saying, see that there is a clear lack of consensus on where it's going. So we prefer to stick to what we know and where we were at the end of the last quarter.

Bastian Synagowitz: Okay, fair enough. Thank you.

Operator: Thank you. Johannes Grasberger of Nordea has our next question. Please go ahead.

Johannes Grasberger: Yes, gentlemen, it's Johannes from Nordea. There's a few questions still I've got left and first of all on the European maintenance break, that you said is pushed out until end of the year. I guess you wouldn't have done that unless you're seeing a better demand in the market and my question is have you seen improved activity in Europe through continuously declining import levels and as the nickel price are spiking as well? That's the first question and the second question, in which grades and products in the US are you actually gaining market share and is it a more of a broad-based improvement, where you are perhaps seeing that customers are entirely switching their core supplier to you or is this kind of business that you have won from the import markets? And then a couple of admin questions. I think you mentioned there will be more cash coming in from best case deal in the second half. How much would that be please and will you be looking at more working capital release as well? Fourth question, the derivative loses in British pound of £5 million negative, can I get a clarification if these are included in the underlying EBIT as a negative effect? So taking this out, the underlying EBIT had been actually at zero. And the last question is that, I think maybe it was already asked, but the ferrochrome maintenance break in third quarter, what will be a nominal impact of that in EBIT line? Thank you.

Roeland Baan: Okay, I'll take the first two and then Chris will take the others. The postponement of the maintenance break, this is not so much due to the stronger market we see but it is due to another fact that we have seen repeating almost every year, which is that in the Nordic countries specifically, we tend to take advantage of the holiday period to do maintenance. And that has every year actually resulted in a slight dip in the market share which we then get back as soon as we get back up running, rather than what we should be doing which is keep on running as much as we can to mirror what the market does and have your maintenance shutdowns towards end of the year when due to the – in Europe, due to the Christmas period and the holiday period, anyway demand is lower. So it's just that we have modelled our own operations closer to where the market is running it. We are trying to get the same profile.

To the US, I can say that our gains are across the board. You saw that the imports in Q2 or actually the import penetration was still pretty much the same as in Q1. So it has definitely not been a replacement of the import volumes. It has really – as I said before, it is the continuing

confidence that we are getting from our customers, who basically see a very solid major capable supplier next to NAS, and that has helped us. Chris, cash.

Christoph de la Camp: Cash, okay. So the answer to your question on how much we can expect to see coming in from the remaining payments of SKS is approximately €60 million, spread evenly across the next two quarters.

Then on the Brexit hedge, if you like, what we did is we anticipated, actually I think as a lot of people did, that the UK would virtually remain within Europe and that sterling would appreciate. In the end, that did not happen and sterling depreciated. So that hedge we took to cover our cost base in the UK ended up turning into a loss, and the total impact of that was €5 million. So that is included in the underlying EBIT. If we'd not done that hedge, then indeed the result in the Long Products business would have been positive of €2 million to €3 million. Having said that, what we will also see going forward and that is why we booked it into underlying EBIT is a benefit of lower sterling, because we obviously have manufacturing facilities there that, our cost base in sterling. A lot of the receipts are in non-sterling currencies so we're expecting that loss to be offset over the next six months until that hedge expires by a better cost base and the benefits coming through from that.

I think you also asked the question on ferrochrome in the third quarter. I think, without giving specific numbers, we've given in the past, guidance on the impact of the decline in – what the impact of price on ferrochrome is. So I think you can do the maths on that. And the expectation is that the unit will be down for approximately 30% of the third quarter. So again, perhaps you can do some math around what the impact of that will be in terms of the financials for the third quarter.

Johannes Grasberger: All right, thanks for those and I guess, kind of a follow-up question for Roeland, just thinking what will be Outokumpu's share of the global supply in ferrochrome right now, because if the production is dropping 30% into Q3 could that have had an impact on the spike in ferrochrome prices the recent quarter? Just a short follow-up question, thank you.

Roeland Baan: Yes. So the answer is no, because basically what – the volume that we put on to the open market is about 20-25% of our production. So it's a fairly small amount that does not move the market, because 80% is going through our own system. So it really does not have a significant impact on the market and it's not driving the pricing.

Johannes Grasberger: Yes, okay. That's fair enough. Thank you, those were my questions.

Roeland Baan: All right, thank you, Johannes.

Operator: Thank you. We now move to Hjalmar Ahlberg of Kepler. Please go ahead.

Hjalmar Ahlberg: Thank you. Just one last try maybe on the US pricing cases, you realised \$70 this quarter. Could you say how much will go through the full dollars per ton increase in terms of your – I mean, have you seen the major of it or will it be half of it left or less than half or anything, help around that?

Roeland Baan: Sure. So again, I'm actually, I'm looking here at our internal reporting at the base price realised in North America and we clearly realised the full \$70 in Q2. It's here in front, I have it in by month, so we did. What we still have to go back to is indeed so why do you do not see that in the raw numbers. So again, I assume this is part of the alloy surcharge. But the base price increase I can be unequivocal. I'm looking at it here. We realised that \$70. There is no two ways about that.

Hjalmar Ahlberg: Okay, and then, just looking at remaining, I mean if you have the run rate in dollars hike from the low point, how much do you think will filter through in the next two or three quarters? Will it be another 200 or will it be less than that in realised prices, I mean?

Roeland Baan: Again, that would mean, I would have to give you a breakdown of how our contract profile is and how much is on quarter and how much is half yearly and we don't want to do that.

Hjalmar Ahlberg: Okay, and then just the last one on demand/ I mean you are saying that demand will be down a bit in both Europe and US in Q3, but you will be able to have flat deliveries. So how

confident are you and do you have it in the order books or it's generally expected it would be lower than this in Q3?

Roeland Baan: We have a high degree of confidence.

Hjalmar Ahlberg: Okay, thank you very much.

Roeland Baan: You're welcome.

Operator: Thank you. We now move to Johannes Grunselius of Handelsbanken. Please go ahead.

Johannes Grunselius: Yes, hi, everyone. Two questions from my side. One is on the balance sheet and FX risks. Am I right that you have all your loans in Europe, in other words you have an equity value in dollar in the US, but you have all loans in Europe?

Christoph de la Camp: No, there are some loans in other currencies as well in dollars.

Johannes Grunselius: How much is that, is that significant?

Christoph de la Camp: It's relatively small part but some of them are in other currencies.

Johannes Grunselius: Okay, but rather insignificant. Basically what I'm after is the FX impact here on the equity side and the net interest bearing debt side? So if we should see another, for instance 10% uplift on the dollar versus the euro, just because it's easy to relate to, then obviously you will book a high equity value because of the US operations but how should I see the net interest bearing debt developing by that?

Christoph de la Camp: Yes, but I think in a net position, we still have a positive equity position in US dollars if take the assets minus the loans so if you see appreciation of the US dollar, you will also see appreciation on our equity basis.

Johannes Grunselius: Okay, then I just want to check with you if I understood it correctly, you have the new explicit target for reducing SG&A with €100 million on a 12-month rolling basis. Am I right that this has not yet started to be seen in your books? The lowering SG&A was due to other stuff or can you help me with that?

Roeland Baan: So there are two parts to it. We are releasing 600 people, white-collar people, as part of that SG&A programme and that represents probably around 55-60% of that €100 million. That is phasing out. So it's not – you don't have everyone out at the same time. We have people who actually will not leave until next year. We have people who have left immediately. We have people who will leave during this year. So again, that's why we say the run rate is not achieved until the end of next year then we have the full rate basically down. What I said is on the other hand on the non-headcount part, so on the headcount part you have a small negligible impact basically only because of June, because we effectively have with the new organisation for 1 June. So you will have a very small effect of few of those people that are leaving already in June, but most of it is coming later.

Johannes Grunselius: Okay.

Roeland Baan: On top of that, what you have is the non-headcount related, and there we're making progress. And we are actually, as a result, at a run rate now for the first half below the run rate of last year for total SG&A.

Johannes Grunselius: Okay, then I know you have the programme that was launched long time ago, the EMEA restructuring programme. Is it possible to give some numbers on how much there is still left there to be realised for the coming quarters or let's say for the next six months and then for 2017, is that possible to help us with those numbers?

Roeland Baan: Yes. So we – this is something that we have from I think in a previous presentation as was shown – we realised about €20 million of that in 2015. There is about €60 million in total to hit 2016. And of course when ultimately then now factor the facility cost is down, that when the big chunk is going to be realised. Again, it will take time, because not everyone is leaving at the same time. And then we have now €20 million left into 2017.

Johannes Grunselius: Okay, okay, that's very helpful. Thank you very much.

Roeland Baan: You're welcome.

Operator: Thank you. We now move to Luc Pez of Exane.

Luc Pez: Hi, gentlemen. Two follow-up questions if I may, one related to capital question with regards to your sales pattern figure. I was checking at the same time with the CRU numbers on alloys. And actually the alloy surcharge has been increasing Q2 versus Q1 based on the number, so like Carsten, I'm a bit puzzled by the fact that your final price, if you do a simple arithmetic of sales divided by shipments, is going down. So if you could maybe elaborate that to whether you resorted to discount pricing to push up volumes or mix deterioration, I don't know.

Roeland Baan: No. No, absolutely not.

Luc Pez: Okay.

Roeland Baan: So I can say absolutely not and again Luc, we have to come back on the question, because I am looking here at the real data and I can confirm that the price increase is there. So we need to come back.

Luc Pez: Okay, perfect. And second, maybe partly related, when I was looking at the monthly imports coming from China, these have already dropped to more or less zero if you take the last month of May, which would suggest that whatever the outcome on the antidumping, there is already not so much coming into the US. And I am quite surprised to see you push so hard on the volume and I'm wondering to what extent this is partly explaining why the price traction so far in the US has been so slow. Are you aggressive, too aggressive maybe?

Roeland Baan: Sorry, come again, Luc, I didn't understand that acoustically.

Luc Pez: Meaning that as you're foreseeing so many volumes into the US and at the same time I think, lots of people were surprised by the slow traction into US pricing, and recent data were already showing that Chinese imports there are nearly zero, if you take the month of May in particular, I'm wondering to what extent you're too aggressive on volumes and therefore that this has a negative influence on your ability to raise prices.

Roeland Baan: No because again, we have raised prices as the first in the market, and we have clearly communicated every single price increase. The reason that you don't see it filter through, again, is because of the contract makeup. Just over spot, you would get all in one go. If over a one-year contract, you will not see any improvement until next year. If you have a mix, then you see it filter in. There's nothing to do with the sales volumes.

Luc Pez: Okay. and looking at your target to beat NAS profitability per ton, will you agree that you probably need to increase your EBITDA per ton at Americas business by a range close to €200 to get there?

Roeland Baan: I won't comment on that but I'll go back to my earlier remark. We have the potentially most competitive mill in the Americas and we just need to bring it – and we will bring it – to that state. So again, if you look at our long-term target and must-win battles, the turnaround in the Americas is a clear story there. It's one of the six must-win battles. And the progress, we are making sure that we are actually getting there.

Luc Pez: Okay, thank you.

Roeland Baan: Thanks, Luc.

Operator: We have no further questions at this time.

Tommi Järvenpää: Okay, thank you very much for your attention and active participation. I would like to remind everyone that we will host the Capital Markets Day in Helsinki on November 29, so please pencil this into your calendars. We will be sending formal invitations within few weeks.

Outokumpu's third quarter results will be published on November 3. Until then, thank you and goodbye.

Operator: Thank you. Ladies and gentlemen, that will conclude today's conference call. Thank you for your participation. You may now disconnect.