# OUTOKUMPU OYI

**Moderator: Johanna Henttonen**
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OPERATOR: This is Conference #: 18543407

Thank you for standing by and welcome to the audio webcast and conference call for Outokumpu's third quarter 2015 financial results.

At this time, all participants are in a listen-only mode. During the presentation, we will have a question-and-answer session. At this time if you wish to ask a question, you will need to press star and one on your telephone keypad. Alternatively, you can submit questions at any time via the webcast. To submit a question, click the Q&A icon on the lower left-hand corner of your screen, type your question in the open area and click send to submit.

I must advise you that this webcast is being recorded today, Thursday the 5th of November, 2015.

I would now like to hand the conference over to your presenter today, Johanna Henttonen. Please go ahead.

Johanna Henttonen: Thank you so much. Good afternoon, everyone, and good morning. Welcome to Outokumpu's webcast on our third quarter 2015 financial results. My name is Johanna Henttonen and I'm heading Outokumpu's investor relations.

Together we will have – today we will have a presentation by Reinhard Florey, our interim CEO and CFO. And after the presentation, we'll be ready to have a question-and-answer session. With this, I would like to welcome Reinhard to start the presentation.

Reinhard Florey: Thank you, Johanna. And very good afternoon to all of you.

Outokumpu is operating currently in a very challenging market environment. We have suffered in Q3 a significant loss and the profitability was clearly disappointing. But still, we were progressing on our restructuring efforts and we have reached a positive cash flow and we have reached a clearly lower net debt compared to Q2.

But consequently through the latest challenges, Outokumpu is also in a period of change and looking with strong efforts and new leadership into the future. If we are reviewing the third quarter in some detail, we have been experiencing on the market very strongly declining nickel price to a very low level. We have seen in our customer base, specifically in the distribution segment, strong destocking and we have seen price pressure, specifically also caused by rising imports in the core market.

If you are looking at the results, our underlying EBIT has come to a loss of 67 million euro. Our EBIT excluding NRIs is at minus 74 million. The reasons for this result mainly are from three business areas and that has been already anticipated in the warning that we have given out in September.

Coil EMEA was falling behind the target due to lower volumes, weaker market environment and the respective low commodity prices. In Coil Americas, we have reduced the losses; we have increased the volumes. But however, the challenging market conditions, specifically with rising imports, had a negative impact on the pricing level. So therefore, the situation still leaves room for improvement. And in Quarto Plate, we have clearly missed some of our targets regarding the turnaround and the pace of the profitability improvement.

On top of those three areas, of course Asia remains very difficult environment for us to compete. We are seeing that ultimately the comparison of the transaction price is where we have seen falling overall prices in Europe as well as in the U.S. The prices specifically in China are even lower by a significant increment and that also lowered our results in our APAC region. We have, of course, also reacted to this situation with the sale of 55 percent of our stake in the joint venture in China.

On the positive side, what we can see is that we ended this quarter with a strong operating cash flow of 67 million, free cash flow of 52 million and we have reduced our net debt by 104 million to a level of 2 billion now. And the gearing level has stayed at the level of Q2 now with 96.5 percent.

The liquidity is strong at a level of 1.3 billion and we have taken additional very strong measures to ensure the financial stability going forward and also pave the way for reaching our ultimate goal to reduce net financial debt to below 1.5 billion even earlier than the anticipated end of 2017. Those measures include the sale of our stake in the joint venture Fischer Mexicana in Mexico with proceeds of more than 60 million U.S. dollars as well as the divestment as said of 55 percent of our 60 percent stake in the joint venture SKS in China where we will see proceeds of 370 million.

We have also proceeded well in the cost savings and efficiency programs. We have reached the savings targets that we have set ourselves there and regarding the markets while the order intakes and the general volume have been decreasing through the destocking situation. The end-user demand, the underlying demand remains healthy and steady.

If we are looking at the stainless steel industry from a macroeconomic view, we can see that the demand growth in 2015 now is expected to slow down overall to only 2 percent. The longer term demand, however, stays favorable at a level of roughly 4 percent. If we are looking more into detail, we are seeing that Europe and Americas have been at a close to zero growth rate – Europe at about 1 percent, Americas at about zero growth. But also the growth rates in APAC that we have seen are significantly lower than what we have experienced in the past years for 2015, estimated to be at only 2 percent, that recovering to 4 and 5 percent respectively in the years 2016 and 2017.

Still, overcapacities remain in those markets, especially in Asia. And while we have seen some capacities idled and output reduced in China, the pace of this restructuring is still slow.

This has led specifically also in this last quarter to negative impacts regarding the pricing environment. Not only that, alloy surcharges have gone down significantly through the lower commodity prices, but also the base prices have taken adverse development than maybe originally anticipated. We have seen in Europe base prices staying flat with only very small increments and positive development throughout the year in spite of the positive anti-dumping measures that we have seen from (you). In the U.S., we have seen while there is still the absence of anti-dumping measures, that prices have come down significantly and are reaching more or less a bottom now in Q3, Q4.

If we are looking at the import situation specifically, what we can see that it is that in Europe, after the implementation of anti-dumping duties, initially imports have come down and specifically the import volumes from China as well as from Taiwan have decreased significantly. In the meantime, we have seen sort of rebound of these imports to a level between 25 and 30 percent again, specifically by other countries like South Korea, India, Japan but also South Africa.

In Americas, situation is a little bit different. We have seen strong increase of import, specifically also as a reaction on the European situation but also on some supply bottlenecks at the end of last year at very high level. These levels have come down a little bit in Q3, but they are still remaining at a significantly high level, having negative impact on the pricing volumes.

If we're looking into the consequence of all that environment on the Q3 key financials, we can see the that deliveries specifically have been down compared to 2015 quarter two and that is what we have anticipated already earlier. So, we have come out at (delivery) volume of only 570,000 tons, which is 46,000 tons less than Q2. This means that our deliveries are down by 7 percent; main parts are there that EMEA was down 10 percent and Quarto Plate was down even 23 percent while Coil Americas was up 21 percent. So, we were on a good continuation of the ramp up on – also on the commercial side there but still at a lower pace. While the deliveries have come down by 7 percent, the sales have declined by 12 percent and that is specifically due to the lower price levels as well as due to the lower level of alloy surcharges.

The underlying EBIT have declined from minus 25 to minus 67 million, with specifically the weaker performance in Coil EMEA, Quarto Plate and APAC that I will explain later on in more detail.

We have also seen that there has been an about 8 million impact of the net of the timing impact and the hedging impact that takes in our total EBIT together with 2 million of nonrecurring item to a level of minus 77 million.

The cash flow as indicated have been strong with 67 million operating cash flow. We have seen from CapEx, an accounting CapEx, of 29 million while the CapEx cash flow was only 15 million, which led to the free cash flow of 52 million. We have also seen that the level of nonrecurring items has been clearly decreasing compared to last year, so the total of the first three quarters of 2015 has been only 21 million.

Regarding our savings programs, efficiency programs, we have been progressing as anticipated. We have been exactly on the target line and we are anticipating that the target is level of a total of 470 million in cost savings from our (three) programs will be achieved by the end of 2015. So, after third quarter, we have already achieved 245 out of 250 million of the P250 program; we have achieved almost the full 200 million from the synergies and we have seen the first positive impact on our EMEA restructuring program with 10 million savings coming from the closure of Bochum and we will see the same amount in quarter four so that there is an estimate of 20 million for that from this program.

Regarding the provisions that we have taken for the one time efforts that we need, we are at 2 million in 2015. So, this means that we will have only 26 million still to come to reach the anticipated 220 million. Of course, this could also stay a little bit below that.

Regarding the cash out, we have seen quite significant cash out of these provisions in 2015, however, mainly in the first and second quarter. The cash out in third quarter was only 5 million. So, we are expecting for the rest of 2015 about the same level in quarter four and then in 2016, about 50 million again there.

If we are looking into the second part of our efficiency program, not on the cost savings but on the networking capital, according to the positive cash development also here achievement, if not to say overachievement, of our targets here. The level that we have achieved in reducing the networking capital since the beginning of 2013 has now reached 500 million compared to the overall target of 400 million. So, we think we are on a good way there.

On the inventory developments, we have seen a reduction compared to Q2. However, this is still clearly above the targets that we have set to ourselves and we are clearly targeting to reduce that still in Q4. However, with the current situations and the current lower deliveries, we will not see probably the target level of 86 days at the end of the year.

If we are looking into the details of the business areas and starting with EMEA, there we can see that we had not only a seasonally lower Q3 with continued destocking with low nickel affecting the order intake, but there have been also so internal performance topics, as well as external impact like the strike in Finland that happened in September that needed us to ramp down operations for one day fully, which actually resulted in a three-day loss of production.

We also had the planned maintenance breaks successfully completed in the summer break so we have our operations into our production facilities in best shape again. And we have also seen that the Bochum melt shop closure has worked very well. There have been certainly some impacts from the change of the supply chain after the closure now that the German units being fully supplied from Tornio and Avesta, but this is swinging in now so we are expecting some stabilization and some positive on that certainly. If we are looking at the numbers, there is some 4,000 tons lower deliveries and the underlying EBIT has decreased compared to 2Q by about 40 million.

In Coil Americas, we are seeing a little bit of a different picture. Still significant loss with 44 million in quarter three. This is an improvement of Q2, however it is still suffering from the situation of prices being under pressure and also the destocking in the market. We can see that our specific deliveries have climbed up clearly to a level comparable to last year, but still our ambition of course is higher than that.

We are seeing that the base prices have been down compared to last quarter by more than 100 U.S. dollar per ton; in fact, $135 per ton. We made up for this loss by some improvements in the performance. We are seeing better utilization rates now; we are seeing impacts from the cost improvement and this is also making us I would say optimistic that the path of coming back to a normal ramp up period can be continued.

If we are looking at the three other business areas, Asia Pacific, Quarto Plate and long product, we can see that we have some reduced volumes also in APAC due to the very difficult market situation. And that has resulted together with very thin margins between cold rolled and hot rolled material to a loss of 9 million. Almost all of that is related to our SKS operation. So, this is something that with reducing our exposure to SKS will certainly be mitigated for the period to come.

Looking at Quarto Plate, certainly a disappointment with a level of minus 16 million on underlying EBIT. There is a one-time effect of 4 million for a customer claim provision in there, however still this is not ideal effect here and we would have expected certainly also the improvements from our turnaround to go faster. You may have noticed that also in this area, there has been a change in management announced today. So, we will have Liam Bates as a new leader here and of course the expectation that the acceleration and the speed of the turnaround will go on now quite fast.

In Long Product, we have seen a quite stable situation. And given the difficult environment that (also) Long Products is operating in with specifically oil and gas industry being quite slow, this is a good performance and this is something where we feel that this business area is also operating quite on our target. The competition in standard grade is certainly also tightening there, but we have a very good portfolio of specialties for which we can make up for some of that pressure.

If we are looking then into the cash flow side, as said this is more of the positive side of the development. The overall cash and cash equivalent have risen to a level of 225 million but the overall level of free cash flow with 52 million has contributed to an ability to lower our net debt by more than 100 million.

We had a change in working capital of more than 90 million. We had some 16 million of cash outflow related to provisions and pension obligation and we had a capital contribution of 41 million from Baosteel into SKS, which has happened also in Q3.

The overall liquidity now is at again a very comfortable level of 1.3 billion. So, financial stability of the company is good. And we are also seeing that if we are looking at the net debt and gearing development as our net debt has come down to 2 billion, our gearing has stayed at the level of 96.5 percent now and we are also seeing that the maturity profile is unchanged with the major part of the maturities in 2017. And the maturities that you see in 2015 are actually more of a theoretical nature because specifically all the short-term debt we are classifying here as maturing, but of course this is something that is revolving and can be renewed specifically if we would look also into cash market that we have been tapping here.

Looking at the net debt situation, what will have a major impact of course going forward and we are anticipating that the transactions to close still in Q4 2015 are the transactions in Mexico as well as in China. We are expecting that together, they will have a positive impact on the net result of 360 million euro. They will contribute to another debt reduction of 480 million and this will result in a gearing reduction of up to 37 percentage points.

So, the content of the – of the transaction, just to repeat, we have been publishing those transactions prior to this in more detail. But the content is that in the Mexican transaction, we are disposing of our 50 percent stake in

Fischer Mexicana, which actually is a joint venture in tube making, specifically also for the local automotive industry. We are remaining also a supplier of Fischer and Fischer is certainly one of our clearly esteemed and appreciated customers.

SKS, we have been holding a 60 percent share of which we are divesting 55 percent. We will stay with a 5 percent share and we will have the operating responsibility for this company. So, this is a very good transaction also in the term that we still have a good footprint in Asia.

And last but not least, more of a technical news and message on the financial side, it is the change in the useful life assumption. IFRS requires the companies to regularly evaluate the useful life of its assets and we have performed this evaluation now. It refers to the useful life of property, plant and equipment and we have seen that specifically the useful life for heavy machinery and equipment where we had some 15 to 20 years earlier are not in line with expected real lifetime which we expect to be clearly higher. So, that has been changed now to a level between 15 and 30 years. This new accounting estimate will be applied as of October 1st, 2015 onwards; this will also impact only quarter four in 2015.

And there were – there are still some counter effects when changing that because you will still have inventories coming into our P&L sales in the fourth quarter that have the higher depreciation rate in Q3 and therefore the impact estimated for Q4 will be only about 7 million for the underlying EBIT. Whereas the anticipation for 2016 full-year is 75 million, so close to 18 million per quarter impact. We are seeing that the impacts are mainly coming from where the heavy machinery and the big equipment is in EMEA and in Americas with 35 million each and only small changes in Quarto Plate and long product with 3 million, respectively 1 million change there.

We are coming to the outlook and the guidance. Looking at the macroeconomic environment, the expectations for Q4 is on real demand flat development. We are seeing that in the European region in the same way as in Americas and that is also supported by the SMR forecast that we have received as the latest updates here.

This leads to a situation that we are giving the following outlook and guidance. The current subdued stainless steel market situation is to continue for the rest of 2015. The end user demand outside the oil and gas sector is expected to remain healthy. While stocks are expected to gradually decrease, no significant rebound in buying activity is expected in Q4. Import pressure in both Europe and U.S. is likely to persist.

Outokumpu estimates as an outlook that Q4 delivery volumes to be at a similar level as in Q3. The group's underlying EBIT for Q4 is estimated to be still at a loss with current prices net impact of the raw material related inventory and metal derivative gains and losses on profitability is expected to be approximately between 40 and 50 million negative. And the divestments of Fischer Mexicana joint venture stake and the 55 percent share in SKS is planned to be completed in Q4 with one-time positive impact of about 360 million the group's net result.

With that, we are coming to our business priorities and the way ahead. The business priorities clearly remain on first a Coil Americas turnaround and second further progress in Coil EMEA. Then of course in addition to that, we are seeing that the commercial and the operational programs and improvement effort will be going on in all business areas and we have high expectations there. We have been of course setting ourselves improvement targets also beyond 2015 but this will be discussed and opened up in more detail to you when we have Roeland Baan, the new CEO, on board and when we will go for the communication of our full-year results.

Then of course the focus remains on the networking capital management and the cash flows and making sure that we have the timely closing of our M&A transaction with the respective debt reduction.

That brings me to the end of my presentation and then we would move into Q&A if there are questions.

Johanna Henttonen: Yes, indeed. Thank you, Reinhard, very much.

Operator, we are now ready to take the questions from the conference call lines.  Please go ahead.

Operator: Thank you.  We will now begin the question-and-answer session.  If you wish to ask a question over the telephone, please press star and one.  If you wish to cancel your request, please press the hash key.  To submit a question via the webcast, click the Q&A icon on the lower left-hand corner of your screen, type your question in the open area and click send to submit.

We have several questions coming through the telephone lines.  And the first question comes from the line of Michael Shillaker from Credit Suisse.  Your line is open.

Michael Shillaker: Yes, thanks very much.  A number of questions, if I may.  Firstly, just on the – looking at your cost reductions, 454 million to-date as of Q3 looks very impressive.  But this is all getting completely lost in the cycle and even the cost reductions and the – and the changes that you thought would make Q3 better than Q2 have obviously reversed and they've got lost in the cycle.  So, there's obviously not enough being done to take out costs.  You can't run a business on the hope that the cycle gets better.

So, can you give us, A, a little bit more comfort in terms of the magnitude of restructuring cost that you still think you can take out?  What is the risk that with the new CEO not coming on board until January and therefore probably not even making any major decisions until three, six months down the line, that we've got six to nine months of paralysis which probably you can't afford?  And Reinhard, can you – could you give us your advice to him when he comes on board in terms of what you think should be done?  Because I think there is a degree of urgency here and I think investors and shareholders would really appreciate it if we could – if we could get more detail on what you intend to do, given what we've done so far isn't just enough.

The second question on the 40 to 50 raw material hedging loss in Q4 just seems massively abnormally large relative to history, especially given that commodity prices have been relatively flat.  So, could you explain that one to us in just a little bit more detail as to why it is so large?

And third question, I'm getting consistent and very healthy skepticism that the deal in China with SKS goes ahead. Is the contract you signed binding and are there any break clauses and fees to be paid to you should, in fact, the deal not be completed at the end of November? That's it for now. Thank you.

Reinhard Florey: Thank you, Michael, for your questions. Regarding the cost reductions, I think first of all, it is important that we have been delivering on these cost reductions and we are on track there. It is true that the cycle, and specifically the individual impacts from the combination of a destocking period as well as falling commodity prices is weighing heavily on us. This is something where we have of course doubled our efforts to make sure that we are counter-steering here.

You can see that, first of all, from the management point of view with a new CEO having been appointed with a new CEO of the Americas business being in place as of beginning of July and now a new person over in Quarto Plate. But it's not only about these kind of changes; it's about – very much about the content of our restructuring and the content of where we are saving cost. It's both structural cost, it's operational cost on the variable side as well as on the fixed cost. We are looking into overheads, we are looking into the procurement, both on the raw material side as well as on the general procurement side and all this is going clearly beyond the levels of what we have indicated until 2015.

You will have certainly some understanding that we will come out with the programs and the details to that only in full alignment with Roeland. But also there, I can assure that even today, we are already in full alignment and going ahead together at defining how the things have to be accelerated, how the topics have to be put in place. There is not a minute that we are losing here with lack of decision making with a lack of pushing the business area ahead. This is also that phase of strong effort going on to already bring Roeland Baan into this business upfront so that we has a flying start which was his explicit wish and he is extremely eager and dynamic in this respect. So, we are all very much looking forward to having him onboard.

But there will not be a fixed nine months paralysis; there's not even one month of paralysis. And that is also the reason why I'm here in the interim position.

Regarding your second question about the 40 to 50 million net of timing and hedging, this is actually not a hedging loss. This is the timing effect that we are expecting coming from the development in quarter three where we have seen throughout quarter three a massive decline still in not only nickel but molybdenum and iron. And all these things have a timing effect, whereas the hedging cannot help in the single period of Q4 there because that always comes in with the certain delay and therefore we are trying to anticipate as much as we can. And bear with us, this is certainly in all prudency an expectation, but this is what we are clearly anticipating that there is a negative effect from the raw materials in that.

To your third question regarding the SKS deal, we have a binding agreement. We have all the details to that. I'm not going into any kind of contractual details, but it is very clear that there is a high interest from all three parties involved that this deal goes through. And we are actually in a situation where there might be only minor administrative topics that we still have to do in China but no execution risk on this 55 percent share.

Michael Shillaker: OK, all right. Thank you.

Operator: The next question comes from the line of Luc Pez from Exane BNP. Your line is open.

Luc Pez: Hi, gentlemen. I have a couple of question, as well, as I am very surprised by the – not surprised maybe but disappointed, to say the least, by the EMEA performance. You're reporting progress on synergies, you're pointing to rising prices and the profitability is dropping massively. So, maybe you could quantify or share with us the impact of the one-offs during the quarter to help us sort this out and therefore that also relates to Michael's own question there, to what extent are you forced to give some of your cost-cuttings on to your clients?

Second question is with regards to the U.S., your competitor Acerinox has been pointing to your aggressive price policy which looks demonstrated in the massive drop we've seen in your base price, realized base price relative to CRU Index. Can you elaborate maybe on what is your strategy in U.S. going forward? Is it a new plan to ramp up faster Calvert?

And another question maybe with regards to working capital requirement, if you could walk us through some kind of guidance for Q4, that would be appreciated. Thank you.

Reinhard Florey: Yes, thanks, Luc, for your questions. Regarding, EMEA, we have seen quite massive impact from lower deliveries there. And the lower deliveries have come through a market where there is clearly the stocks being reduced in specifically the distributor, but also in some of other customer areas. So, the major part of the difference between Q2 and Q3 attributes to this volume.

But then there is specifically also the impact of the metal side and there are two reasons. First of all, the alloy surcharges is lower, but then secondly, it is the scrap prices that have not come in the same pace as the nickel prices and the commodities prices have gone down. So, there is a price pressure for us from the scrapping side that has also resulted in some temporary load that we have.

We have also seen that in the context of the closure of Bochum, there have been some maintenance efforts, some extra maintenance efforts to make sure that the new supply chain is established, that the shutdown of this plant in the aftermath is working well. Another impact from that is that also we had sold in the third quarter and that is true for EMEA, as well as for Americas, some aged inventories. And these aged inventories of course come with a cost base which still higher raw material prices in there and then have a specific negative impact in there, as well. So, it is not only a single reason; it is a couple of reasons in there that have led to this situation.

Regarding to your second question on the U.S., I will not comment on any kind of references of our competitors making comments on pricing policy. It is certainly clear that the price has been under pressure in the U.S. because of the import and the imports have been on the rise and we are there to compete. So, we are certainly not backing up and then taking the utilization rates of our plant at risk. So, we don't like that low price level, but we are there to compete and that is what we will do. And whether the competition likes that or not, this is not for me to comment here.

Working capital requirements for Q4, what we are seeing is that on the working capital side as we are anticipating, volumes staying at about the same level as in Q3. We are not anticipating that there are major shift there. We still have room for improvement in our inventory but we will certainly also put at stake a possible uptick that we would have in Q1 by just tripping ourselves from inventories. So, we will be very considerate in that respect.

Luc Pez: Thank you. If I may add one follow-up, sorry for that, would it be possible for you to share with us the level of inventories both in Europe and U.S. at distributors' levels? As I am quite surprised to see you talk – continue to talk about destocking in Q4 while nickel prices have already stabilized.

Reinhard Florey: We are seeing that the stock level at the distributors in U.S. are still clearly above the average. We are seeing them come down, so that is the destocking. And in Europe, we are seeing that the level has come to a level that is close to the – to the average. But with low prices, there's still the possibility, and this is what we are seeing also, that stocks are being taken below the average. And therefore, our hopes for Q4 from that dynamic is rather low.

Luc Pez: Thank you.

Operator: The next question comes from the line of Johannes Grasberger from Nordea. Your line is open.

Johannes Grasberger: Hi, it's Johannes Grasberger from Nordea Markets. I've got five questions here. First of all, I've seen that the cold rolling plants in Americas are running at 70 percent utilization rate and the question is that this 10 percentage point utilization increase from second quarter, where have you taken the market share from? Is it purely an effect of reduced imports or have you possibly increased market share on the domestic mills? That's the first question.

Second question regarding the anti-dumping talks in the U.S., can you tell us anything more about that now? Specifically, that you have exited your assets in China, you probably are now more interested in pursuing for a trade case there given that you don't have the joint steel plan with Baosteel anymore; that is probably one of the players who is actually undercutting prices to the U.S. market. That's the second question.

Third question is regarding the scrap cost squeeze seen in the third quarter is an assumption for around 50 million negative impact from that into quarter close to the truth which would then wind out towards the first quarter as the scrap supply is, as I understand, again improving into European markets.

Fourth question would be regarding the upgraded key targets. You're mentioned quite significant additional savings potential there and you probably have something already planned out, given the messages this strong. So, maybe if you could talk us through some of the new saving targets that have been planned.

And the final question is regarding just checking on the accounting change and the depreciation levels. So, this guidance basically says that the 2016 depreciation will be somewhere around 240 million euros. And has this accounting change also been approved externally? Those are my questions. Thanks.

Reinhard Florey: Thank you, Johannes, for your questions. To your first question on the cold running mills in the U.S., first of all, I can confirm that they are running very well. So, we have overcome these kind of technical issues that have cost us quite dearly, both in volumes as in market share earlier.

That we have now come up from 60 to 70 percent is actually to our ability to compete in the markets with competitors in the customer base that we have in the way that we should. So, we have always said that there is very good opportunities for us in the North American market to find customers and find a fair share on where are needs coming from Calvert. Because Calvert has very broad product spectrum; it has excellent quality. And we have been just marred by the situation that our delivery performance was not good enough.

So, therefore we have not given – been given the share that actually was anticipated from the customer because they saw that there was some unreliabilities. This is now resolved with operational performance improvement – improving and the cold rolling mills technically working fine. So, there is not surprise from our side in that. On the contrary, we think there is still some way to go there and our ambition is higher.

Where do those market shares come from? Well, they are coming from everywhere, but we are also seeing that the level of imports have come down to a certain level so it's both domestic players, it's imports from other countries but specifically also imports from Asia.

To your second question regarding anti-dumping discussion in the U.S., there is nothing more specific and you will have understanding for that that I can comment on. I have in the past hinted to the fact that of course we are seeing that is a very difficult situation with some unfair practices being applied and that we are also pursuing efforts that could eventually lead to such anti-dumping claim with the U.S. authorities. We do not anticipate that still this year this is a view on that, but again, this is certainly something that we are following on our agenda.

To your question regarding the scrap cost squeeze, and your question could that be in the range of 50 million, we are actually not giving too much details there. But I can tell so much that is – that is not far from where it is. So, I think you have quite good model on that.

Your fourth question regarding the key targets and where we will go with cost savings, I think I should leave it maybe where I have said it so far. I think it is very clear that there is additional potential and it's also very clear that there is additional need and there is also additional need for speed there. This all will be taken into account by Roeland when he will come on board. We'll discuss that thoroughly and come with news accordingly when – as soon as the plans are ready.

And then regarding your last question regarding the accounting change and the range of that being a depreciation level of about 240 million euro, that is correct. That is anticipated to be in the years 2016 and ongoing. And of course this has been monitored externally and this has been taken in absolute coordination with our external audit of KPMG.

Johannes Grasberger: All right. Thanks for the answers. That's all for me.

Operator: The next question comes from the line of Seth Rosenfeld from Jefferies.

Seth Rosenfeld: Good afternoon. This is Seth Rosenfeld at Jefferies. Just two questions. First, within Coil EMEA, it appears that you've achieved pretty good improvement in price realizations on the quarter despite stability in the benchmark price outlook. Can you just walk us through what drove that improvement? Are you being a bit more picky on new orders to improve mix or is it just an issue of timing with your order wins?

And then separately, can you just comment on CapEx? You reiterated your target for full-year CapEx at 160, but you're running well below that. Should we expect to see an increase in that in the fourth quarter or are we ultimately looking at potentially delaying or not going forward with that CapEx spend and so as to protect your cash flows? Thank you.

Reinhard Florey: Yes, thanks, Seth, for your – for the questions. Regarding EMEA, I think in EMEA, we had a situation where on the one hand side, the restructuring is going on and that also has an impact on the way how we see the mix returning, new orders coming in. So, we of course are also in the negotiation of the long-term contract during this period between end of October and the end of the year. So, we are expecting that to come in.

We are expecting the mix to get even richer with all the qualities that can be provided from our very good integrated facilities in Sweden as well as in Finland from the upstream side. And then with modernization and transfer of equipment from Benrath to Krefeld which will happen in 2016. So, we are also expecting there to have an uptick, both in quality as well as in efficiency in EMEA in the coming year.

Regarding the CapEx, anticipated CapEx level of 160 is still actually the level. There will be some CapEx coming in from Q4, but it is also clear that with some of these projects, we have been a little bit slower than originally planned. So, it is not – would not be surprising if CapEx level overall would stay below this level at the end of this year. We will certainly also see in 2016 a situation where some of the CapEx will then happen but no change of the original plans in that respect, as well.

Seth Rosenfeld: So, just to confirm, from a CapEx side, would then we expect perhaps a higher level for 2016, assuming that your operations were doing a bit better at that time? Or would we still see a directional move back towards more maintenance level CapEx spend?

Reinhard Florey: We are not having a specific guidance on that yet. You can – you can stay in what we have said so far.

Seth Rosenfeld: Great. Thank you very much.

Reinhard Florey: Thank you.

Operator: The next question comes from the line of Stephen Benson from Goldman Sachs. Your line is open.

Stephen Benson: Hi, there. I just wanted to first start on the trade cases because it's a little surprising to hear that, you know, on the European market, despite the duties being put in place, you know, less than three months down the line, we're back to, you know, high levels of imports and you seem reasonably concerned about it again. And, you know, just reading that across to the U.S., just to confirm, did you say earlier that you don't expect a trade case this year? And, I mean, even if it did come along, given what's happening in Europe, I mean, how much of a difference do you think it's going to make to the overall market anyway?

And then secondly, you know, one of your competitors has peeked over the horizon into 2016 and see some signs of optimism in the North American market. And I wondered, you know, without giving it away any 2016 guidance, I wondered whether you could just talk a little bit about Europe and the U.S. as you look into 2016. And given the low exit rate that we're going to be at for Q4, you know, what are the bright spots or not that you would – you would highlight for the start of next year?

Reinhard Florey: OK, Steve, thanks for the questions. Regarding the trade case, the fact that in Europe, imports have been rising again is maybe disappointing but it also is the situation where I certainly would see that the purpose of the trade case is fully in line still. Because it is – the trade case is not against imports; it's against imports with unfair practices. So, where we are seeing not a level playing field, we have to put up our hands and raise that to the authorities.

If we are seeing imports rising, this can be a temporary nature because of seasonalities. This can be of situations where there is specific demand in distributors restocking. But I have to say, I see still a huge benefit in these trade cases being there and they should also be leveraged in the time going forward. And therefore, also in the U.S., while not knowing any kind of outcome how things will develop there, we think that currently some of the volumes we are seeing in the U.S. are coming again with prices in – that are below competitive levels and levels that sound reasonable. So, in that sense, it stays a concern and we are certainly following up on that.

Regarding 2016, yes, we are not giving a guidance on 2016. There is one thing that you can be sure of; Outokumpu is going to improve. So, we are continuing our journey on – to reach profitability and not only just profitability, but decent profitability. And that will go on in 2016 and 2017 and this is also what Roeland Baan will drive forward quite significantly.

If you're looking for bright spots, well, everything stocking is followed by restocking. So, markets at some stage have to normalize. And as we are saying and seeing that the underlying demand is healthy, we think that there is a good opportunity in the market to normalize from that point of view.

Stephen Benson: OK, thank you very much.

Operator: The next question comes from the line of Artem Beletski from SEB. Your line is open.

Artem Beletski: Yes, really two questions from my side. And the first one relates to Americas and the base price outlook going forward. So, in light of quite steep declines when it comes to your base price, both in Q2 and Q3, and in light of somewhat reduced imports on the market, should we assume that the Q3 has been sort of say a trough when it comes to your base price development in Americas? It would be my first question.

And the other one would relate to scrap situation and scrap pressure and what we have seen so far this year. Could you maybe update us on what kind of raw material mix you are using right now at your mills what comes to nickel, basically?

Reinhard Florey: Yes, of course. Thank you. Regarding the base price outlook in Americas, we are not giving pricing guidance, so this is certainly something that we cannot do and that we will not do. But what we have clearly pointed to is that we are not expecting on the short term which means in Q4 that there is a major change in the current market environment, in the current situation there. So, we are more prudent here and see it more from the conservative side.

Regarding the scrap ratio, you're right; we have been working on our scrap ratio quite significantly. Scrap ratios have been on a very high level, very satisfying level in the mills. However, we have to see that with the scrap prices being in some stages quite expensive and even on the same level as some of the opportunistic ferrochrome and ferronickel purchases that we can have, we are also optimizing ourselves certainly in that mix. And this is something which is temporarily as long as we are seeing the scrap prices being on higher level than we have alternatives where we can optimize ourselves. But on the longer term, we stay very much dedicated to using scrap as the main resource for our raw material and seeing that also as a competitive advantage towards other regions in the area.

Artem Beletski: OK, good. Thank you.

Reinhard Florey: Thanks.

Operator: We have two further questions. And the first question comes from the line of Hjalmar Ahlberg from Kepler. Your line is open.

Hjalmar Ahlberg: Yes, thanks. Just one more question on the Coil EMEA. I mean, if you have compared to Q4 last year, I think you had volumes at the same level, not that you had quite better profitability. And now you're at the better melt shop, higher prices, ferrochrome is up, much is better. You talked about scrap squeeze being one thing that is worse. If anything else, if Bochum or the new raw material supply to Germany working out as plan, or any difficulties there? Thank you.

Reinhard Florey: Yes, thanks for that question. Of course in the first month after closure, you first have to swing in and smoothen the new way of supply. So, this is something that needs to develop and I think we are in a very good way there. We have experienced some issues earlier this quarter with the hot rolling mill in Tornio simply from the new load and everything. That has been fixed, so we are in a good way here.

But in general, I would say that these things are not under specific uncertainty. We are seeing that there is cost pressure and we are seeing that the raw materials have an additional negative impact. But that is more or less the situation.

Hjalmar Ahlberg: Yes, thanks. And just on U.S. again, you talked about how you're trying to gain volumes and where you're getting volumes. Could you say anything about is it more on distributors or is it more on the end customers? Or is it a mix of both?

Reinhard Florey: It is actually a mix of both but clear overweight on the distributor side. This is on the one hand side because the market situation in the U.S. has a very high share of distributors; it's a little bit different in Europe. But it is also that in the stage of our commercial ramp up, distributors are very attractive customers to us and we have very good relations to them.

Hjalmar Ahlberg: OK. And Quarto Plate was a disappoint, as you said. You had some one-off of your 4 million. Are there anything else that impact this quarter specifically, or would you say a lot of on this kind of level going forward?

Reinhard Florey: I think the biggest impact that weighs on Quarto Plate is that as an oil and gas industry and the project industry, which is certainly also in the customer range of Quarto Plate, is currently very weak. We are seeing very low new products coming in. And while, for instance, the tank and shipbuilding business that we are quite well engaged in is good, other areas in plant engineering and chemical industry are currently very bearish. So, that is the situation that weighs on Quarto Plate.

Hjalmar Ahlberg: And then just a question on the APAC divestment, will there be any cash tax on this? Or when will that come, in that case?

Reinhard Florey: Yes. First of all, I want to emphasize, it's not APAC that we are divesting. Our business area APAC stays and we are using our Asian presence, not only with the remaining 5 percent, but specifically with our specialty business, to make a good profitable business in there.

Regarding your other question, I think there is – there is nothing more to add there.

Hjalmar Ahlberg: And as you said, you will remain in Asia. What kind of volumes will the business there deliver going forward?

Reinhard Florey: We have not specified that in detail, so we will see when there is a deconsolidation from the accounting side of SKS, there will be more information about that.

Hjalmar Ahlberg: OK, thank you.

Operator: There is one last question and it comes from the line of Bastian Synagowitz from Deutsche Bank. Your line is open.

Bastian Synagowitz: Yes, good afternoon, gentlemen. I've got three questions left. And so, first on following up on cash flow, I understand you do not expect a major working capital reduction in Q4 despite the low volumes and nickel price. Is it fair to assume that your free cash before divestments in Q4 will be negative? This is my first one.

Secondly then on EMEA, which I guess you agree performed extremely poorly in the last quarter here, could you give us any sense whether you feel that part of your volume weakness is rather structural than cyclical? And you again lost additional market share to your European peers after you closed

Bochum. It seems to me a little bit like the rise in imports was mostly driven by Acerinox South African operations which I guess have become a bit more competitive here from an FX point of view.

And then lastly on plate where you have invested more than a hundred million into the business over the recent part, but it has really only been a cash burner in any of the last three years. You know, changed the management, but isn't the actual question whether or not this business is viable on your balance sheet at all, or whether you should possibly sell it? And even if not today, would this be an option? Thank you.

Reinhard Florey: Thanks, Bastian. On the – on the cash flow side, the anticipation for cash flow is not negative. So, we are expecting that cash flow will be – will be positive in Q4.

Regarding the EMEA, we are not seeing that we have suffered structurally. So, the market shares in EMEA, they are around 30 percent and this is the target where we are seeing ourselves between 30 and 33 percent. So, we feel that there is a stability as such in there. However, of course, Q3 had both seasonality as well as some impacts from operational topics on our EMEA structure.

And then plate competiveness, I think we have with this investment very much contributed to the competiveness. And we have to make sure that this comes back also in profitability. There are no comments from my side about any kind of exit plans; that's not on the agenda.

Bastian Synagowitz: OK. Just following up on the cash flow comment, which I guess sounds quite – I think quite positive, then, I guess if you are positive on cash flow and you get the cash in from the divestments, essentially means you're going to hit your 1.5 billion at that target by the end of the year. Could you just briefly confirm that?

And then also, one follow-up on APAC. On a pro forma basis stripping out your stake in SKS, could you give us any hint on whether this would have been in positive EBITDA territory or not? Thank you.

Reinhard Florey: Regarding the deleveraging effect, yes, this will be a significant deleveraging effect, and I have already indicated that we want to reach our 1.5 billion target earlier than the 2017. There is not a specific guidance whether this will be at the end of 2015. But (the levers) that we can make happen are very big.

Regarding APAC, we can say that for the Asian business that we have on the specialties side is a profitable business for us throughout the group and this is something that we will continue and we will further pursue.

Bastian Synagowitz: OK, so, effectively once SKS goes off your balance sheet, your APAC line will turn positive on EBITDA?

Reinhard Florey: First of all, that's not what I have said. I have said that it is positive for us in the group, which means that there is a positive result, whether this is shown in one or the other business area, this is matter of different ways.

Bastian Synagowitz: OK, very helpful. Thank you.

Operator: There are no further questions coming through the telephone lines.

Johanna Henttonen: If so, I think we would then be concluding the call today. Many thanks for participating. Next time, we'll have a call regarding our full-year numbers on February 11, 2016. And before that, we do have the Calvert site visit on December of the 3rd. Many thanks for participating today. Thank you.

Operator: So, that does conclude our webcast for today. Thank you all for participating. You may now disconnect.

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