



Event: Outokumpu Year-End report 2013

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Speakers: Johanna Henttonen, Mika Seitovirta, Reinhard Florey

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Thursday, 13 February 2014

JOHANNA HENTTONEN: Good afternoon, ladies and gentlemen, and welcome to Outokumpu's fourth-quarter and full-year 2013 financial results meeting. Today we will have a presentation by our CEO, Mika Seitovirta, as well as our CFO, Reinhard Florey. Mika will first discuss a bit the year as a whole as well as our current situation. Reinhard will dig into numbers and Mika will then conclude the presentation. At the end, as always, we will have a Q&A session, and we'll start the questions from Helsinki and then continue with the conference call lines. With this, I will ask Mika to come and start the presentation.

MIKA SEITOVIRTA: Thank you, Johanna. Welcome everybody. Today we have the pleasure of presenting to you our annual accounts from last year and also the Q4 results of Outokumpu. 2013 was the first year of the new Outokumpu. It was a very tough year, but it was also a year when the company really started to change. I hope I can give you, in our presentation, the highlights: what were the challenges, why the result as such was a disappointed, but, on the other hand, what are the things that are now moving forward exactly as we have announced before. If we start from an overview of last year, if we take first the headwinds that we had and then look at the tailwinds as well. First of all, it was a tough market environment, especially in Europe. The overall situation in Europe when it comes to

European competitiveness was not there, industrial investments were not there, and that had an influence, of course, also in demand of stainless steel.

Another thing was that there was an unfavourable development of nickel. Nickel prices went down 18% during 2013. On top of that, as we all know, we got the remedy demand from the European Commission, which has then taken a lot of focus, time, all kinds of resources of the company. Now during the first quarter of this year we are happy to leave that phase in the backyard and we are able, with full resources and energy to look again forward.

The good things are that when it comes to our cost-saving efforts, when it comes to our synergies, we did indeed progress last year. We also started our first big industrial change, and the first milestone was that the Krefeld melt shop was closed on 6 December last year. This is exactly as we have announced earlier and we are going to follow that path further as well. It is 600,000 tonnes of capacity which we will reallocate, and, of course, that cost and that benefit is going to be for our overall financial benefit this year.

We also announced a new EMEA industrial plan. The core of the plan is that we will save €100 million additionally, and actually that is coming from two elements there: from an additional headcount reduction of 1,000 people and the possibility to close Bochum melt shop earlier than planned.

Calvert was not an easy challenge last year. However, if we look at quarter by quarter we can see a small positive development and we were reducing losses. Q2 was minus €70 million EBITDA, Q3 was minus €50 million and Q4 was more or less minus €35 million, so indeed we are moving although we had a lot of challenges, especially with the oversized inventories and deliveries from Terni.

Ferrochrome production ramp-up has been a success story, so that has really gone well. We reached the volume targets in production that we had in our plans and that is going to continue in a favourable way this year as well. P300 - that's our working capital programme where we have set the target that we will come down to 93 inventory days at the end of last year. We were spot on there and that meant also that we freed cash, €351 million, out of that exercise. The number would have been even bigger if we would have included all the units including VDM and so forth. Then it would be closer to €500 million. However, here we have now what we are presenting, only the continuing operations in these numbers.

Then, of course, how to strengthen the balance sheet. We had the arrangement where we sell VDM and Terni to ThyssenKrupp. In that connection the complete refinancing package was renewed and then the planned rights issue of €650 million. We are still confident that all of these things will materialise during the first quarter. That means also the closing of the original deal will happen during the first quarter this year. As you might have seen, one of the milestones was again yesterday when the European Commission announced that the merger control is okay with this transaction.

If you look at the EBITDA numbers there you can see a slight improvement between quarter 3 last year and between quarter 4. It was very much in line with our guidance as well, and the good news is really that the cash flow was, the second consequent quarter, positive, which made the whole-year cash flow for Outokumpu last year positive for €34 million.

A couple of words about the market. The stainless steel industry, we have a positive growth outlook. If you look at the global numbers here provided by SMR

you can see that for this year there is a 5% growth forecast and actually for the year after as well. This is, of course, the good news. However, if you look at where the growth is coming, last year it was troublesome when it comes to Europe. We have negative end-demand development in Europe. It's actually minus 1%, as you can see, and our market share, of course, our core and the heart of our business is in Europe, so we suffered during the first year from that. But we have a good picture and a better picture for this year. In USA, in North America, where we have the Calvert ramp-up, it's forecasted that there would be 4% growth, not only for the total Americas but also is you take out the North American numbers. That is a good sign, together with the re-shoring, low-energy prices, you will have a positive end demand for stainless steel in USA, and that's a good thing.

In Europe SMR is forecasting plus 4% for this year. We don't really share that positive picture. We think it's too early to say and make that conclusion that the change could be that big. However, what we clearly see is that it's going to be better this year even in Europe than it was last year. China continues, and Asia. Actually the whole APAC continues with strong growth numbers, and our specialty strategy is going to benefit, of course, from that fact.

You have seen our strategy roadmap many times. You have seen we had the restructuring; we had the profitable growth there. We want to be extremely consequent in implementing this. When it comes to restructuring, when it comes to synergies, efficiency programmes, transformation of the culture and the way of working and also strengthening the balance sheet, we managed last year to tick all the boxes. That extremely important because that is the foundation of getting Outokumpu back to profitability - to get the right cost levels through the synergies

and other savings that we can do and on the other hand to get the balance sheet now through these arrangements so that we can finance the further restructuring which is still ahead of us.

On the growth side, it goes without saying that the key lever is the Calvert ramp-up. That is the number one thing for us this year. Then we will continue, of course, with ferrochrome and then further developing our specialty strategy and on top of that, as I mentioned, the APAC. This is very much valid for us still, and the way forward. On synergies maybe just one thing. Originally we promised to deliver €50 million. We gave an outlook in connection with the Q3 reporting that we would deliver €75 million. At the end of today the number was €95 million, which is a very good number. The headcount reduction - we said that our plan is to reduce 770 people last year. We reduced indeed pretty close to that number - 766 jobs.

The same positive development on the cost side goes for the P150 project. Originally €50 million, outlook in connection with Q3 €75 million and actually we exceeded that as well, so it's €104 million when we calculate all the measures now together, because this programme is going to continue still this year until we are there up to €150 million, so we don't have any cap between the measures and the final numbers, so this is going to be delivered this year.

P300 - we have exceeded the targets, we will exceed the targets all in all. The original target was €300 million, you can see that we are now already at €354 million there. Then, as I mentioned, the EMEA plan, as announced before. We stick to that number of €100 million.

The balance sheet - maybe the one which I didn't mention here was the Capex. We took very forceful measures in order to reduce our Capex spending, because if you

remember 2012 it was some €760 million. Now we were down, for the continuous operations, €183 million. If you would include VDM here it would be around €250 million here. This year we will also be under €200 million. So the big projects are now behind, we will capitalise on those investments so that we get return out of it, and we will concentrate on the maintenance investments and of course on the announced investments, like the investment in Krefeld, so that we can close the Benrath site and move that operation to Krefeld.

We also announced, and it's good to remember here, two disposals of non-core assets, namely the Tornio electricity grid and then the Luvata loan receivables, so that is done. I will still come back a little bit to ramp-up of ferrochrome here and ramp-up of Calvert later on.

What we also announced today was the outcome of the strategic reviews of our thin and precision-strip operations in Sweden and Germany. If we go a couple of years back, actually, the first time that we announced about Kloster was 2011 when we said that if we can't fix it we need to sell it or we need to close it. We have been trying for several years to do different improvement programmes there but we never reached the profitability and now it's time for the final conclusion here, so we have decided to discontinue with the Kloster operation. At the same time we have said here that we'll continue with the Nyby operation and we'll continue with the Dahlerbrück operation.

It is sad news for Kloster but, business-wise, we don't have the means to make it profitable. That's why we're aiming towards the planned saved costs, fixed costs, of €15 million. We have done the major part of the impairments there, so this will be a very small cash cost at the end of the day, and we try to save as many of the

profitable products, of course, that we can and supply them from an alternative supply route to our customers. All this will happen this year.

Strengthening of the balance sheet - I will not go into details here. You know the contents here and you can later on ask questions if you want to. I just want to highlight we are very confident this is going to happen now. The deal is going to close during this quarter still. And, as mentioned, tomorrow it's the extraordinary shareholders meeting and in that meeting the board is seeking for the authorisation in order to do the approximately €650 million rights issue.

This picture is very important for us as well because it's very much about costs in the form of synergies, in the form of fixed and variable costs and in the form of EMEA restructuring plan. €380 million, 2015, and then by 2017 we will have, all in all, €450 million of savings for Outokumpu.

We were able to reduce the losses in Calvert, because obviously the major part of the losses here is coming from Calvert, and that is not a secret. It's a typical ramp-up picture, where until you go over certain levels of volumes you will have losses. And, as you remember, we also had an over-delivery from Terni, which we couldn't control because of the European Commission, and that meant that we couldn't use our own efficient melt shop as much as possible. Out of that problem I would say 90% is really solved now. We still have some deliveries during the first quarter; second quarter, no deliveries. Then we are on our own, which is a very good thing. At the same time we can see that in Calvert operations our yields are improving there, which means that we get it more and more often right first time. We are able to improve our delivery precision towards our customers. When this continues it means that we can increase the volumes and it also means that we don't have to

rework as much as in the beginning of the ramp-up. So we believe that we are going to have breakeven EBITDA for the full year 2014.

Ferrochrome business - we reached a production level of 434,000 tonnes. As you remember, the fully ramped-up ferrochrome production is going to be 530,000 tonnes, that's 2015, and this year's target is 490,000 tonnes. I don't see any obstacles here, I think the ramp-up is really going well also for this year and this is already now a very profitable operation. Also there was a slight increase in the ferrochrome contract price for the first quarter, 5%, but it was in the right direction. In this connection let's drill down to numbers, and I would like to invite my colleague Reinhard here, our CFO, who will tell you about the financial performance of the company.

REINHARD FLOREY: Thank you, Mika. Welcome from my side. I would like to lead you through our financial results for quarter 4, 2013 and the full year 2013.

If we have a look at the quarter 4 first, what we can see is that the operational numbers have been further decreasing from Q3 in terms of deliveries. We have had a reduction from 635,000 to 620,000 tonnes in deliveries and over all our sales dropped from €1.6 billion to €1.5 billion in the respective quarter. However, if you look at the financial performance, both in the underlying EBITDA, EBIT, but specifically in the operating cash flow, we were able to show clearly better numbers. Looking at the EBIT number first, we have to see that there are two extraordinary effects in quarter 4. The first is the reimbursement of the renewable energy charge in Germany with an amount of €20 million. That was, I would say, finally paid to Outokumpu in the fourth quarter. And there is an extraordinary positive result from

the sale of the Tornio grid in the value of some €5 million in there. All in all what we can say is that we are quite up to what we have predicted, that it is about the same level of quarter 3, but of course will all that we can show better numbers.

Most important for us is that the operating cash flow, with an overall value of €223 million, has been tremendously positive, and also the Capex level with €45 million has been in the range of the reduced Capex that we have applied all over the year. If we compare quarter 4, 2012 to quarter 4, 2013, we see that again on the operating side deliveries were lower, sales were lower. However all the profitability numbers have been improving so I think that underlines the effort that this company has undertaken over the year to improve on this side.

Looking at the full-year numbers 2013, we see first of all that we have, compared to 2012, some 150,000 tonnes of lower deliveries and some €200 million of lower sales. But then again, regarding all the profitability numbers, it's on the improving side. But specifically what is important is that all over the year we had a positive operating cash flow of €34 million, which helped us also deleverage this company. I will show that also on the net debt side we had an improvement from quarter 3 to quarter 4

Capex, as Mika has already indicated - significantly lower than last year where we had some €760 million of Capex, in this only €183 million. All of these numbers - and you have seen that we have in quarter 3 restated numbers now on a comparable basis so that all these numbers do not include VDM any more, they do not include, of course, Terni - that has been out before - and all the service centres that are in the remedy package.

Let's have a quick look to our business areas, the performance in the business areas and the development over the year. What we can see on the left-hand side one the EBITDA level is that there has been an overall performance of more than €80 million EBITDA from the EMEA side, and the last quarter contributed with €27 million. However, please bear in mind that there are these extraordinary effects, specifically here in EMEA. This clearly shows that the first half of 2013 from the business environment has been clearly better than the second half. Mika has already taken his remarks on the outlook regarding 2014.

On the Americas, most important to note is that as of quarter 2 there has been a constant improvement in terms of the profitability - still at a loss. This is due to the ramp-up phase but it is clear that we had, by the beginning of the second quarter 2013, overcome the situation where you add more losses the more you produce. Now we are improving the profitability the more we produce. This is important on our road to the breakeven EBITDA that we have promised in 2014.

In APAC we see a moderately positive level all over the year, a slight negative number in Q4 due to some devaluations from stocks. Then on speciality stainless we see in quarter 4 clearly an improvement compared to quarter 3 with a positive EBITDA of €13 million. On the EBIT side, we still see - and this is all excluding our non-recurring items -that our business areas are on a negative level. There Mika already emphasised that these are our two focus areas for 2014 to bring EMEA back on a profitability level and improve also in our Americas side.

Let us look a little bit on one specific influencing factor, both regarding the prices as well as some non-recurring items. The nickel price, as you can see, has during 2013 decreased from a level of close to \$18,000 to a level down to \$13,000 then

recovering a little bit back to \$14,000. This has over all resulted in a negative effect from timing in some €56 million in 2013. You can also see that there have been in 2012 some similar developments in the beginning of the year but with some improvement later on so that the loss in 2012 from timing effects was only a little bit north of €30 million, so we had a stronger negative effect from the nickel price in timing impact in 2013.

If we look at the operating cash flow, this clearly has been, I would say, the focus on the management in order to stabilise the financial situation and also deleverage the company. This certainly had a clear success in the last quarters. We had already a small positive operating cash flow in the third quarter, but then in the fourth quarter with €223 million all the measures specifically from our P300 programmes came into action and most of that really comes from inventory reduction. This leads to a situation that over all we have a free cash flow for 2013 of only minus €74 million. We had a net cash from financing activities, which means drawing into our credit lines, of €459 million, but that was balanced through an increase on the cash and cash-equivalent side of €385 million plus. I think this is also the good news where you can see that the stabilisation of the financial position clearly has taken place. In total we see that we also had a positive impact from the sale of the Luvata receivable as well as from the Tornio electricity network, some €114 million from the Luvata receivable and some €63 million from the Tornio network. In total some €297 million of net working capital has been released in 2013.

In the last bullet point you see that we anticipate that in Q1, due to the reviving industrial environment and also the expectation of higher deliveries, we will also see

some increase in our net working capital, which will probably lead to a negative cash flow from that side, so that should be taken into account.

Regarding our capital structure, I already indicated in the beginning we have been able to reduce from the end of the third quarter to the end of the fourth quarter our net interest-bearing debt. This clearly has been reduced by more than €300 million. If we look at the total equity side, the total equity has been reduced and all over the year there has been a reduction of the equity side of about €1 billion, coming to an equity value of €1.9 billion that we have in our balance sheet right now.

We have, regarding our gearing ratio, which is now at 188%, changed the way of calculating that. We have adjusted it more to the way the market is used to calculate gearing ratios. We see that from end of quarter 3 to quarter 4 this has increased by some 17 percentage points to 188%, and I will come to the impact from our financial restructuring package, including the transaction, a little bit later on. What is important to note is that our liquidity reserves are slightly above €1 billion. Within these liquidity reserves there is more than €600 million of cash and cash equivalent and the rest is available lines that we have in our credit lines as well as in our pension-related lines.

If we now look at the situation of the divesture impact, we will see the divesture impact and the cancellation of the loan note against TK of almost €1.3 billion. This will, of course, have an extremely positive impact on our gearing and on our net financial debt. The impact will be some 68 percentage points of improvement, from 188% to 120%. That is only coming from the transaction, from the €1.28 billion of loan note going away. With the other actions, specifically the rights issue, there will be additional positive impacts that will influence the gearing in Q4. Of course, there

will be a slight negative impact from our anticipated negative free cash flow, but a much bigger positive impact from the planned rights issue which will strengthen our equity side.

The third part of our financial restructuring efforts that have been the focus specifically in the second half of 2013 was the shift of maturities in our credit lines. Here you can see the situation of the current maturity profile before the conclusion of the Terni and VDM sale to TK and the transaction to the debt maturity profile that is estimated after that. What you can see is that there is a tremendous shift into 2017 - three years ahead - which will allow us to do all the necessary measures of restructuring, ramping up and optimising our profitability basis. You can see that there are some maturities in 2014, clearly lower than in the original plans and that more or less in 2015 and 2016 there is the main part in our bond facilities - €250 million in 2015 and €150 million in 2016 - that have to be applied.

Over all, the situation is that we will have, after the closing of the transaction, a new €900 million revolving credit facility maturing in 2017. We will have a new liquidity facility in the magnitude of €500 million and we will also have the ability to shift the majority of our bilateral lines with their maturities also in 2017.

Regarding the synergies and regarding the work on improvements from this programme, we have clearly exceeded the targets that we have put to ourselves at the beginning of the year. We had anticipated that it would be €50 million. We have increased that target to €75 million and we have been successful in delivering some €95 million out of the €200 million of the synergies. We have also said that the forecast for 2014 we have put ourselves now a target to deliver in total more than €170 million of the synergies.

There are many contributions from procurement in there, specifically also on the raw material side, but then a large and continuously increasing share of the production optimisation of all the industrial synergies that we have in this concept of the merger. Of course, while there will be not a lot of increasing of the procurement synergies in 2014, the major part of the increase of another €75 million or more will come from this industrial side now that the melt shop in Krefeld is closed and all the other industrial synergies are being addressed as well.

One of the consequences from these industrial synergies, of course, is also the headcount reductions. We have been successful in reducing the headcount on a comparable basis to 766 people on the lower side and our target is that this will be reduced further by another 750 people. So the headcount in total for these 2 years will decrease by 1,500 out of the 3,500 that we have anticipated until 2017.

The second impact from our improvement project specifically is in the area of net working capital and cash extraction from our net working capital. What you can see here is that we have exceeded our target of €150 million by far. We have come out with a net working capital reduction of €351 million in 2013. This is more than the original complete target for 2014 but we have already anticipated that we will further increase on these savings.

What has happened, you can see on the right-hand side graph, is we have reduced specifically the tonnes in our inventories by 27% over the year. While there was still a slight increase in the first and beginning of the second quarter, this has been reduced in the third and specifically fourth quarter of 2013 successfully, so that in total the inventory days could be reduced to a level of 88 on a continued operations basis. This is a number that does not include our ferrochrome operations.

With that, I will give back to Mika for our outlook and guidance.

MIKA SEITOVIRTA: Thank you, Reinhard. Again a couple of words about the market, how we see it in quarters. Again we rely on SMR, which we feel has normally given the best and most reliable outlooks.

It's important to notice that I think we will have in the stainless steel market as well a new reality here and we are not able always to look for the old seasonalities any longer. It has to do also with the nickel price. If we look at 2012 and we look at the end of that year, we clearly saw an increase in nickel price, followed by restocking. Then when the nickel came down, also the end demand consequently went down, and the volumes.

Actually in this year and 2013 the nickel has been pretty stable. It has been between \$13,500 and \$14,500 all the time. Whatever that means, it could be that the bottom there has been reached. However, despite the fact, we and also the outlooks and forecasts show that there would be a modest increase in the underlying demand this time. I think this is really interesting and we need to live this year a little bit further down so we can see how much it is really going to be.

As you can see, this is how SMR is spiting the 4% in EMEA. If you look at the Americas the pattern is a bit clearer and even growth numbers in demand right from the beginning of the year. So it's 4% and it's 4% all in all that is included in this forecast.

Our guidance based on that - as I told you, we are expecting modest improvement in the underlying market demand. Yes, we are doing that. We are also expecting sequentially higher delivery volumes and some improvement in base prices. The

progress in the cost-efficiency initiatives and synergies will be steady, and that's why we estimate that our underlying EBIT is to be better than in Q4 2013 but still at a loss, and our operating cash flow to be negative during Q1, mainly driven by an increase in inventories related to anticipated higher deliveries. At current metal prices, marginal raw material-related timing gains, if any. Operating result in Q1 could be impacted by non-recurring items, which of course are associated with the Group's ongoing restructuring programmes. This outlook reflects the current scope of continuing operations of Outokumpu.

Key targets and the updated targets - we have mentioned most of them but this is just to summarise that, for instance, Capex will be under €200 million this year as well. Ferrochrome production 490,000 tonnes, 2015 still 530,000 tonnes is valid. The savings coming from the P150 synergies and EMEA restructuring programme, all together €450 million by 2017, €380 million by 2015. Then business area Americas where we see the losses to be reduced gradually and EBITDA break even for the full year 2014 and the delivery volumes of about 530,000 tonnes.

Our priorities for this year are very clear. Once more the number one thing is the ramp-up of Calvert. It's the biggest lever in our profitability for this year. Number two is taking care of EMEA restructuring but also taking care of the German market. Last year was the year of integration. This year we can focus all our energy outside the organisation, and that means towards the customer. Yes, we lost some market share last year. However, we were already improving towards the end of the year and we believe that this year is going to be very different from that point of view. We have, in the biggest European market, which is Germany, 50% market share and we're going to stick to that.

The implementation, flawless execution of all the savings programmes, no changes whatsoever against the previous and then delivery reliability. This is where we want to be the best in the industry and really show that we get it right in the delivery and we get it right in the quality and first time right in the production. Last year was a tough year. This year will still include a lot of restructuring but we are still moving in the right direction.

Thank you.

JOHANNA HENTTONEN: Thank you both, Mika and Reinhard. I believe we are now ready to start the Q&A session. We will start the questions from the Helsinki audience and then continue with the conference call participants. Just practical advice - if you do have a question please raise your hand and my colleagues will bring the mic to you. Kindly state your own name and company name before the question. I think we're ready.

MIKAEL DOEPEL: Thank you, Mikael Doepel from Handelsbanken. A few questions, first of all on the net working capital which you mentioned. How big of a tie-up would you expect in Q1, and, if you would assume that the SMR demand forecast is correct, what would you expect the total change in net working capital will be for this year?

REINHARD FLOREY: This is a very good question, and the anticipation of what will happen is that we are a little bit more cautious that SMR, so we are not taking into account in our view that there will be a 4% growth already visible in the first quarter. Therefore, we would see that there is negative impact from restocking our inventory, due to the

deliveries. There is overall the dynamic that there is a restocking exercise going on throughout the industry, so we have, by delivering some more volumes, also to improve in our inventories and get that right.

The second is that we are still in the US on a ramp-up which requires also some additional net working capital. We have not disclosed exactly what the volume would be, but it is clear that the exercise and the efforts that we are having to improve the efficiency and reduce the days of inventory will go on. So there is an operational trend that increases our net working capital but there are also some countermeasures. So there will be, in our view, a negative differential that will lead to an improvement, but an increase in the net working capital - we do not give a number but you can then see it is not in that magnitude that maybe just the volumes would imply.

MIKAEL DOEPEL: Okay, thank you. Then in terms of your interest expenses, you gave, some time last year, a guidance for 2013 for what they would be, roughly, on a full-year basis. Can you give that guidance for 2014 as well?

REINHARD FLOREY: Yes, let me give you here a precise answer. In 2013 we had some interest expenses of €210 million. We are expecting that our interest expenses for 2014 will be in the range of €120 million to €130 million. So they will be lower simply due to the fact that our overall net debt will be significantly lower, and specifically also the interest that we have to pay on the loan note to ThyssenKrupp will fall away.

MIKAEL DOEPEL: That's clear, thank you. Just one final question. In terms of the rights issue, will you come out with the details straight away after the EGM or what is your timetable in terms of that?

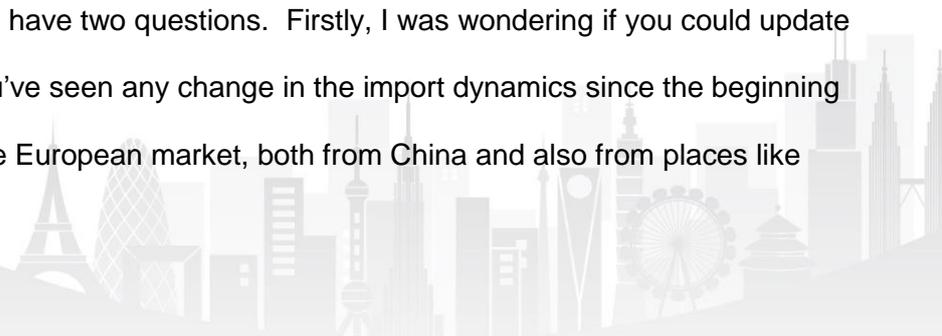
MIKA SEITOVIRTA: Concerning the rights issue, I said we have the EGM tomorrow. Then some time after that the board of Outokumpu will have a meeting and in connection with that meeting the board of Outokumpu will also come out with the terms and conditions. We haven't given any specific date for that yet. We expect that to happen during the first quarter.

MIKAEL DOEPEL: Okay, thank you.

JOHANNA HENTTONEN: Further questions from Helsinki? If not, at this point in time I think we could take some of the questions from the conference call lines. Operator, please, we are ready.

OPERATOR: Ladies and gentlemen, if you have a question, please press 01 on your telephone keypad and you will enter a queue. That's 01 to ask a question. Our first question comes from Mr Neil Sampat from Nomura. Please go ahead, sir.

NEIL SAMPAT: Good afternoon. I have two questions. Firstly, I was wondering if you could update us on whether you've seen any change in the import dynamics since the beginning of the year into the European market, both from China and also from places like Turkey as well.



Secondly, a question on market share. Your shipments are down 3.5% in Q4 and you've probably seen Aperam shipments were up 15%. Could you maybe try to reconcile these two figures and maybe discuss what you're seeing in terms of your market share within Europe?

MIKA SEITOVIRTA: Yes, thank you for your questions. First of all to the imports. The imports have arrived during last year, as they typically do quite a lot, so I think we have seen all the numbers between 20% and 27%, the average being somewhere around 24% for last year.

Out of that 100% of imports, 70% is coming from Asia. From that 70% the two biggest ones are China and Thailand followed by then Korea. There are no major shifts between those three countries and their shares, it has been pretty stable, of course bearing in mind that there is this variation between 20% to 27%. We believe that that will stay there and that will be about the same level, still depending very much on exchange rates, on the nickel price developments against nickel pig iron and so forth. From Turkey we don't see any changes towards Europe, so no major changes on that one.

Concerning our market share, if you just look at 2012 and you look at our continuous operations and Europe, it has been around 40%. Last year it has been between 33% and 38%. That is the variation. We don't have the final numbers yet for the whole year. As I mentioned earlier, last year was very much about integration, taking the headwinds and then getting the new organisation to move.

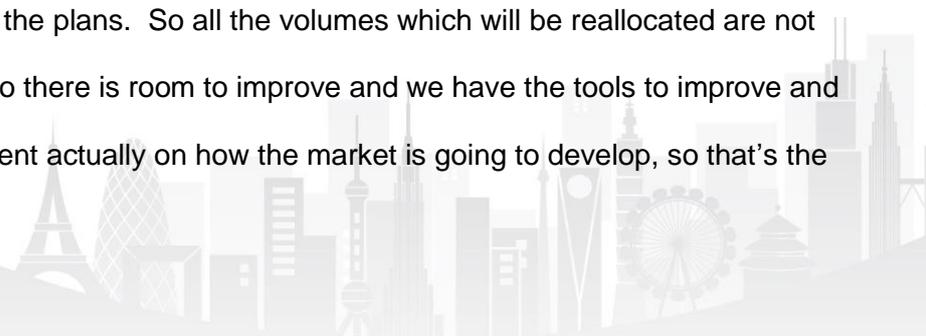
This year we are clearly working a lot with that energy also towards our customers and gradually gaining some feedback as well.

NEIL SAMPAT: Okay, thank you.

OPERATOR: Our next question comes from Mr Bastian Synagowitz from Deutsche Bank. Please go ahead, sir.

BASTIAN SYNAGOWITZ: Yes, good afternoon, it's Bastian from Deutsche. My first question is on Tornio. What is your current utilisation rate and could you please give us any sense for what your contribution margin is on a per-tonne basis for any additional tonne you sell? I guess it varies across product, but your operational leverage should be pretty strong, so any corridor you could provide us with would be very helpful. Maybe I'll stop here before taking my next ones.

MIKA SEITOVIRTA: Thank you for your question. As you might know, unfortunately we are not giving the utilisation rates by mill. We are giving them only on a Group level where we have been more or less still last year between 70% to 75% and of course this year, with the volume allocations and the capacity taken out only at the very end of the year concerning the melt shop of Krefeld, so we will have a different picture for this year. I could tell you, though, that at Tornio there has been a good improvement in the utilisation rates already now. However, there is still space to increase that and that is also part of the plans. So all the volumes which will be reallocated are not yet reallocated. So there is room to improve and we have the tools to improve and that is not dependent actually on how the market is going to develop, so that's the good thing.



The contribution margin per tonne, we are not giving that number either out to the outside world, because we believe that it would be too sensitive information. I have to say that I'm sorry that I can't help you on that one. Unfortunately not.

BASTIAN SYNAGOWITZ: No problems. Maybe my next point is basically whether you could give us some guidance on the positive effect which we should expect in Q1 and Q2 from the fact that you no longer buy at Terni. Obviously some residual volumes were in the first quarter but not any more in Q2. Basically, does the guidance for breakeven EBITDA -- also you were referring to earlier when it comes to Calvert, does that refer to the full year or do you refer to being break even on a quarterly run-rate basis?

REINHARD FLOREY: We have clearly the full year in our guidance. This means that even in the average of 2014 we will be EBITDA break even or positive. It is clear that we will not see the full effect in the first quarter, and then, of course, in the second quarter we will have the benefits of these shipments from Terni discontinuing. This also will not be the full effect that we will see in quarter 2 but then probably in quarter 3 because you have some of the lead times in between. But that clearly is one of the key influencing factors. The other, of course, is the ramp-up, where we are improving really day by day, as we can say, not only in volume but specifically in our way of producing, which means the yield rate will be improved, the scrap rate will be decreased, the way we can live up to the total portfolio of our grades and qualities will be improved, so all that contributes very much to the improvement that we see in 2014.

BASTIAN SYNAGOWITZ: Thank you. Basically if you just take only the technical effect of putting the capacity over from Terni to Calvert and if we now take quarter 4 and then just go further on to quarter 3 this year, assuming all other parameters remain stable, shall we think about this as a €15 million per quarter impact just basically from the fact that you no longer buy at Terni, or how much would that be roughly?

REINHARD FLOREY: I think the calculations you are making are certainly not far from reality. You can see that if we say that we are coming to a breakeven and then we see that we will have some significant €30 million to €40 million loss at the last quarter - and of course not all the contributions come just from the effect of Terni falling away - we cannot give a specific number but I can certainly say if you take that account your calculations go in the right direction.

BASTIAN SYNAGOWITZ: Okay, thank you. My last question is on cash flow again, and I guess this is really what is key for you. If you clean up your expected Q1 operating cash-flow fall for the working capital change which we will have, would you already be profitable on an operating cash-flow basis, obviously before Capex?

REINHARD FLOREY: I may not have understood the question exactly. You mean on a positive operating cash flow?

BASTIAN SYNAGOWITZ: Yes, exactly. So if you take your operating cash flow which you expect in Q1, with all the improvements, obviously you work back working capital -- I mean, would

you already reach a profitable level there on an operating cash-flow basis, back adjusting for working capital changes?

REINHARD FLOREY: No. We anticipate that there will be an operating cash flow that might still be slightly negative.

BASTIAN SYNAGOWITZ: Is there basically a quarter in the course of the year where you think you will reach a point where, at least taking current market conditions as a given, you think that you would be sustainably breakeven on the operating cash flow already?

REINHARD FLOREY: Most certainly that is always the task for a company like ours. It is very clear that there is, of course, some seasonal effects that you would have. If you have effects from restocking in the market you have to live up to that, you have to live to the opportunities that you have in market. Then you are at a new level and then you will stabilise that. I have already mentioned that of course our strong efforts in optimising specifically on the days of inventories are going on and we will see an improvement on that specific value as a target for Outokumpu still in 2014.

BASTIAN SYNAGOWITZ: Okay, thank you, and thanks for taking my questions.

OPERATOR: Our next question comes from Ms Elsie Middleby from Steel First. Please go ahead.



ELSIE MIDDLEBY: Hi. Considering negative effects from nickel on Outokumpu's earnings, I was wondering what you are doing to avoid future falls in nickel affecting the company's financial results.

MIKA SEITOVIRTA: Thank you for the question. There are several things, of course, how we try to improve our business model and be less connected to volatility of nickel. Maybe I start from the product portfolio, because one of the key things in the transaction is obviously that we not so dependent on our stainless steel products only, which was the case with the standalone Outokumpu, which are containing nickel. Now we have a much more balanced portfolio including ferritics, to give you an example. The big thing for last year was that we introduced a new pricing model, a daily alloy surcharge. That has been effectively in use already from the beginning of this year. We have three different models there where the first model is that you can pick up any day between the order or the delivery for the nickel value, or you pick up the order date, it's the second variant, and then the third variant is kind of a flex model which we are introducing as from May, where you can take any average period between the order and the delivery of our products. Of course, this is a tool providing to our customers better ways, more stable ways to work with the real demand instead of speculation. For us it means also that we can manage better the timing change there and we can also get a more stable order flow. Maybe, Reinhard, would you like to comment about the hedging policies in this connection as well?

REINHARD FLOREY: Yes. We have, in order to stabilise this situation, also introduced, in the context of the daily alloy surcharge, an ability of our company to hedge the exposure of our raw materials to a much larger degree than has happened in the past. We are able by systems, by collectively netting our short and long positions within the company, to have an active hedging role that we are doing at LME. We have established a metal desk in our procurement department, and of course this is directly linked into our risk-management system in the risk department in our financial area. This gives us the opportunity to leverage the opportunities that we create by this new pricing system but specifically also by our new awareness about our exposure regarding nickel, and that will mitigate the negative effects that we will have seen in 2012 and 2013 from the nickel movement.

ELSIE MIDDLEBY: Okay, thank you. In your outlook you say that you expect some improvement in base prices for the first quarter of 2014. I was wondering if that's also the case in your expectations for Europe alone and how much you're expecting it to improve by.

MIKA SEITOVIRTA: Regarding the base prices, there is indeed an expectation that specifically in Europe we would see an improvement of the base prices. We should not forget that base prices have seen quite a significant decrease throughout 2013 compared to 2012, so there is room for improvement, specifically also with the situation that we are taking out significant capacity, not only in the hot side with melting and hot rolling but also some capacity on the cold-rolling side, which should contribute to a stabilisation of the market and give us the opportunity to serve our customers with our best products through adequate prices.

ELSIE MIDDLEBY: Okay. And is this the case for both flats and longs or is there more a case for an improvement in flats prices but not so much for longs?

MIKA SEITOVIRTA: Thank you for the question. What we see, of course, is very much targeted also regarding the forecasts that we see in SMR on the flat side. The long product is a very interesting business for us and there is, in contrast to the flat business, not such a thing like a standard grade as such that you would price and that you would follow up the pricing. But we have very different dimensions, qualities and ways of processing the product. So of course we are using this tool also to improve our profitability in the long product and in the quarto-plate side.

ELSIE MIDDLEBY: Okay, thank you.

OPERATOR: Our next question comes from Julie-Anna Needham from Dealreporter. Please go ahead.

JULIE-ANNA NEEDHAM: Hi. I just wanted to talk about the rights issue. Are you able to say what kind of level of support you're hearing from investors outside the 52% you've already committed? Also on the timing of that, you're going to have to move quite quickly if you're going to do it within the first quarter because there'll only be six weeks left after this weekend.

MIKA SEITOVIRTA: Yes, thank you very much for the comment. First of all, what we are seeing is that there is a very positive attitude about this rights issue in context with the total measure package that we have put up to stabilise the financials and the balance-sheet position of Outokumpu. You can see clearly the difference of what we have achieved in terms of net financial debt, in terms of the equity side with that, in terms of the maturities. That is clearly a package, including the rights issue, where we are seeing very positive reactions down there.

Of course, until this is not done, we cannot exactly see how this works out, but please bear in mind that this is fully underwritten, that we have the 47% that is not yet in the hands of commitments of investors, fully underwritten by our banks that are mandated for performing this rights issue, so in that respect we are extremely confident, but specifically also with the sentiment in the markets towards our efforts here we are optimistic.

In terms of timing you are right, but it is exactly as you hear from us, that we will be in the market with this rights issue still in quarter 1 2014.

JULIE-ANNA NEEDHAM: Okay, thanks very much.

OPERATOR: Our next question comes from Mr Stephen Benson from Goldman Sachs. Please go ahead, sir.

STEPHEN BENSON: Hi there. Just three questions from me. The first is on antidumping duties. We've seen a few other countries in recent months put antidumping measures in place on

Asian imports. Is there any discussion about doing this for Europe, and, if so, where are we in those discussions?

MIKA SEITOVIRTA: Thank you for the question, concerning the antidumping, it is of course for our stainless and our steel organisations in general. It's their task to follow up the development, and indeed if needed also to react on those. So it's a continuous process what we are doing to our central organisations and having the contacts also with the different authorities. There are no specific projects going on on that, it's an ongoing process. If we need to react, of course, then we'll react.

STEPHEN BENSON: Okay. The second thing was just on the first-quarter and the full-year outlook. What could we expect in terms of impairment charges or restructuring charges in the first quarter or the full year, and if you could quantify, that would be helpful?

REINHARD FLOREY: We have not been giving a statement on the full year. However, what we have stated in the very beginning already when we came up with the concept of our €200 million of synergies is that we anticipated that there will be about €160 million of one-time effects, out of which a certain percentage has been taken in 2013 already and the rest would be in 2014, 2015 and only a smaller part of that in 2016. That is the best guidance I can give you on that.

STEPHEN BENSON: Okay. There's no way we can get a split on what's left for 2014 and 2015?



MIKA SEITOVIRTA: Even more complex matter than that, because as you know the EMEA restructuring plan that we announced, the €100 million savings plan, the one-off related to that are not included in the original €160 million which was announced in the connection of the transaction. What we said already last time, and we are slightly delayed off that timetable, what we thought at that time that would be possible is that after we have finalised the negotiations with the unions and we know the full package, how it's going to be materialised and what does it mean, then we are in a position to give a possible delta number and the timing of that. That is still open and we are not speculating yet on that one. It's the outcome from the negotiations.

STEVE BENSON: Okay. My last question was on --

REINHARD FLOREY: You can have a certain lead-in to that in you just look at the headcount reductions that we have anticipated. Without the EMEA restructuring, which is another 1,000, we have anticipated 2,500 of headcount reduction. We have said 766 has taken place in 2013, 750 will take place in 2014 and the rest in 2015 and 2016. That might help you a little bit.

STEPHEN BENSON: Okay, thank you very much. The last question was are there any additional asset sales that we could see this year and if you had a number in mind? I recall a number being talked about, a further €120 million possibly of asset sales this year.

MIKA SEITOVIRTA: I don't think that we have given out any number for asset sales for this year and we are definitely not going to do it this time either. But what I would like to say is that

we are, of course, all the time going through where we are against what we have promised. We can only make a general statement in this connection that nothing is excluded, nothing is off the table in that respect either, but there is no number for that.

STEPHEN BENSON: Okay, thank you very much.

OPERATOR: I remind you that if you want to ask a question you will have to press 01 on your telephone keypad.

There are no further questions registered on the telephone. Please go ahead, speakers.

JOHANNA HENTTONEN: Thank you. Any more questions from Helsinki audience? All clear. Excellent. Many thanks for participating in this conference. We come back with our Q1 results on 29 April. Thank you so much.

REINHARD FLOREY: Thank you very much.

MIKA SEITOVIRTA: Thank you.

