

Event: Outokumpu's First Quarter 2015 Financial Results**Date: April 29, 2015, 2:00 p.m. GMT****Outokumpu speakers:****Johanna Henttonen - SVP - Investor Relations****Mika Seitovirta - CEO****Reinhard Florey - CFO**

Operator: Thank you for standing by, and welcome to the audio webcast and conference call for Outokumpu's First Quarter 2015 Financial Results.

At this time, all participants are in a listen only mode. There'll be a presentation, followed a question and answer session, at which time, if you wish to ask a question via the phone line, you'll need to press star 1 on your telephone. You can also register a question at anytime during the presentation using the Q&A tab on the web. I must advise you this conference is being recorded today, Wednesday the 29th of April 2015.

Now I'll turn the conference over to your speaker today, Johanna Henttonen. Please go ahead.

Johanna Henttonen: Good afternoon, ladies and gentlemen. Welcome to Outokumpu's First Quarter 2015 audio cast recording.

Today, we will start with a presentation by management, continued with a question and answer session. First, our CEO Mika Seitovirta will go through the highlights of first quarter. After that, our CFO Reinhard Florey will discuss the numbers in more detail. And then at the end, Mika will again do the concluding remarks. After that, we'll be ready for the questions and answers.

But with this, I will hand over to Mika, please.

Mika Seitovirta: Thank you Johanna.

Dear participants, thank you for joining this conference call. And now, to Q1 2015 numbers and market conditions. First of all Outokumpu achieved, as the

new combined entity, for the first time positive underlying EBIT of 2 million during quarter 1. This was very much driven by strong development of the restructuring in EMEA, but also because of strong volume development from Q4 to Q1.

The highlights during this quarter was that we managed to be breakeven also with Quarto Plate now, which has been in challenging environment and suffering from supply chain problems, so we are getting those problems very well under control now. And the first quarter was a good proof of that.

It's also worth mentioning that our gearing developed positively and was 91 percent at the end of the first quarter. However, we were not without problems and challenges during quarter 1. First of all, in Americas, it is clear that after the technical challenges we had with the cold rolling lines, it has been much more challenging to make the recovery and come back to the changed market and changed market conditions during Q1.

Secondly, now it has also become evident that the market change is more dramatic than earlier expected and also probably more permanent than we have expected earlier. So, this is, of course, very disappointing, and it means, in practical terms that Calvert ramp up is delayed between 6 to 12 months against our earlier plans. This is also what we communicated last week—where we changed the earlier guidance for Coil Americas' delivery volumes this year from 620,000 tonnes to around 540,000 tonnes.

Cash flow was slightly less negative than what we expected, however, negative 62 million, despite of the net working capital release of 75 million. It was negatively impacted very much because of the redundancy payment that were planned for the Q1.

Talking about markets, and here you can see what we have traditionally shown to you SMR view on stainless steel demand developments in different markets, first the good news – the good news is that Europe has a positive end demand and seems to be more or less the bright spot now when it comes to stainless steel markets.

However, as mentioned, a big change in US, although Americas' number is still positive, so the US number is 0 instead of forecasted growth only just a few weeks ago still. It is clear that the overall economy is also softening there. It's related to oil price development. It's related to US dollar's strong development which is impacting the overall economy and of course, it's also clear that the very low nickel value for the time being, is also impacting demand, and we need to understand that the imports to US have increased a lot, especially from China.

Looking in the base price development, it has been very flat, and we have seen softening now, both in Germany, meaning Europe and in US. Nickel price, it's really low for a longer period already, and this is clearly impacting demand in US, where the inventory levels of the distributors are high, and it's also impacting steel a bit in Europe, when it comes to Q1 numbers, especially the beginning of the year, the start was very slow.

Here you can see the imports development. As we expected, you're going to see a declining trend in Europe, because of the European Commission announcing the anti-dumping temporary tariffs. The last year's level of more than 30 percent of imports have now come down during the first months to a level of roughly 20 percent, and we expect that still going down to – during the coming months.

In US, if we take a look backwards, so 2013 there was 4 percent of Chinese imports. Last year, total number was 8 percent of Chinese imports. But at the end of last year, quarter 4, it was on the level of 15 percent. Now, the first two months are more or less the same level, meaning double digit numbers for Chinese imports.

And this is a big change, and of course, one of the triggering points on top of the US dollar could be the European anti-dumping decision. Also, I think what has been impacting on that was our inability in the fourth quarter last year to deliver in US according to the expectations. Just to say, we have recovered from the technical problems, however we have been yet able to be part of the market in the way that we planned.

Looking into the different underlying EBIT developments next. So we have a solid development in EMEA, where the first quarter underlying EBIT was 28 million positive. This development is very much according to our expectations and plans, and we can see that it's on a very firm track, when it comes to actions and the market environment is favorable.

Of course, about the market environment, we can see that underlying demand is now pretty healthy. In Europe, this is going to be seen in our future development and in our current development already, and as we have communicated earlier, we will see the anti-dumping possible impact only during the second half of the year. And this is important because at the time of the announcement of the anti-dumping, we had almost sold our second quarter volumes already. So, that's the reasoning why those possible impacts are going to be seen only during H2, and we are going to comment then, of course, in that connection.

Coil Americas, so after last year, this first quarter clear disappointment and the minus 28 is now the underlying EBIT for the first quarter and that's clearly below our expectation. In APAC stable development, there is a small loss and that's very much related to local market conditions for the time being. As you know, the in demand of stainless in China, especially, which is the major part of our operations in (APAC), so it has come down from double digit numbers to a level of 7 percent – is the latest forecast for the whole year.

And that is impacting volumes and that is impacting price levels and also raw material prices, for the time being. Quarto Plate last year, clearly loss making operation because of the supply chain problems and due to ramp up of the new investment in Degerfors, Sweden. However, with the new management, with the new task force that we have put in place there – so you can see a steady development to a break even. We are by no means satisfied with the breakeven result, but this means that we start to get the volumes out from there in the planned way, and our delivery performance has encouragingly improved during the last months and weeks.

Long Products, EBIT of 3 million positive first quarter, market hasn't been easy and in comparison with the fourth quarter you need to remember that

there was a 6 million one off from Wildwood unit, which was improving the number against last year's fourth quarter – first quarter we are still more or less on a – on a same level. Challenging market environment, but very efficient business area and business for us.

Now, once more, concerning Americas, we have already gone through the main reasons, but it's probably worth repeating them once more, so the first one being the more challenging recovery from the technical breakdown of our cold rolling mill, so that technically, they are fixed now. They are all firing, all three lines in a good way, however we haven't been able to get the new orders what we expected and planned that we would get. And we haven't been able to get either on the right and planned mix for our mill.

So, Asian imports are clearly higher. I mentioned to you already the numbers, so we are still on a high level, more than 10 percent in the beginning of the year, and then of course, low nickel impacting the distributors, because they have high inventory levels for the time being. And this is also something that is going to impact very much our Q2, which you have seen in our guidance for the Q2.

And we have a new Business Area head– interim head there, Jose Ramon Salas. He has been the Managing Director of Mexinox, and he's now running the business area after Mick Wallis decided to leave the company. We have also moved engineering skills. We have moved other resources there and we are forming task forces to tackle the problems. And we are very confident that we will tackle them, however we need to be realistic as well. We are delayed 6 to 12 months because of the dramatic market change and how that is impacting our numbers.

And now, I will give over to Reinhard Florey.

So, Reinhard, please.

Reinhard Florey: Thank you, Mika.

Good afternoon, from my side.

Let me briefly go through the key financials in an overview. We can see that regarding our delivery volumes, we have been up some 52,000 tonnes compared to the last quarter of last year, however still some 56,000 tonnes less if we compare it on a year on year basis, which means that our deliveries grew by 9.2 percent quarter on quarter, but were still significantly lower due to the overall more cautious demand side that we have seen in the market, specifically in the US.

If we are looking at the profitability, Mika has mentioned that our underlying EBIT for the first time has come up with a positive value of 2 million. This is 11 million better than in the fourth quarter and significantly better than the first quarter of 2014 by 47 million. Regarding the reported EBIT, our result is 26 million better than in the last quarter, at the level of minus 10 million euros.

Our operating cash flow is negative, as expected and also commented earlier, however it has rather been better than our expectations, taking into account that we had significant cash outflow from both the one time effects from redundancy payments, due to our restructuring payments and 56 million, as well as cash relevant bookings from our derivatives in the level higher than 80 million.

CAPEX has stayed at a rather modest level of 26 million, and we can see that in total, we also have a 7 million net effect from raw material related inventory and derivative gain in total here.

If we look at the one time effects between our underlying EBIT and the total reported EBIT. As I've explained, there is 7 million from the net hedging and timing effects, and then we have a 19 million euro booking of non-recurring items in our Coil Americas business that still relates back to the issues that we have with the cold rolling lines in the second half of 2014, reflecting some impact on our abilities to deliver still in Q1.

Regarding this, we do not anticipate that there will be further non-recurring items in the coming quarters from this effect, so this more or less reflects the impact for 2015.

If we go to our savings programs and our efficiency programs, we have continued our improvements here. In the first quarter, we have improved by 35 million euros, 25 million coming from our P250 program and 10 million from more or less completing our synergy program, now close to the anticipated 200 million with 195 million.

Still 50 million are anticipated to be captured during the rest of the year and we are very confident that this will be the case, if not overachieved. In terms of one time effects, we have now in total, provisions taken of almost 200 million, only level of 28 million in maximum to come in the coming quarters, so the total level of 220 million of one time effects stays unchanged, even if we are making very good progress on the cost saving programs.

Regarding the cash out, I have already mentioned that some 56 million in first quarter have been recorded from redundancy payments. We're expecting that roughly about 40 million still to come in the rest of the year for 2015 and then in 2016 there is an anticipation of cash out of some 50 million.

Coming to the specific detailed result of our business areas, starting with business areas Coil EMEA. EMEA has clearly a positive trend, mainly resulting from the restructuring, the synergies and from solid market conditions. We have seen also that, as a consequence, partly as anticipation, partly as direct reaction of the anti-dumping measures imposed from the EU, the imports from China and Taiwan have been decreasing. But in general, we have seen that Q1 order intake has started slow due to the high stock levels, however picked up quite well at the end of Q1, so that we are confident about Q2.

The deliveries are up by more than 11 percent. That is some 40,000 tonnes, compared to last quarter, however – and as said regarding this cautious market conditions still at the beginning of Q1, clearly below the comparable quarter from 2014.

Specifically, the restructuring effect and the effects from the higher utilization rates in Tornio and Avesta have contributed to a good profitability, so our underlying EBIT has risen to 28 million. We also had a positive effect from

our hedging and timing effect of almost 20 million in there, so that our EBIT, excluding (NRI) has risen to a level of 48 million for EMEA.

Within EMEA, in our Ferrochrome business, we have experienced some technical issues that led to unplanned maintenance outages, so that in general, our delivery volumes, also from the external side has decreased now to a level of 22,000 tonnes, but even more so, we have adjusted our production target for 2015 to a total of 470,000 tonnes. And as anticipated already, the last time we are expecting to have a maintenance period – a planned maintenance period in Q2, which specifically in this quarter will lower our output of ferrochrome.

We are seeing that in general, if we are looking at the development of the underlying EBIT, that this quarter has been the best in a row – also comparing our total 2014 performance, so you can clearly see the positive trend that our EMEA business area is taking here.

Coming to Coil Americas, as mentioned, Americas came out with disappointing profitability in this quarter. The commercial ramp up has slowed down and the volumes stayed flat. Even more so, we have to say that the flat deliveries have been mainly due to a low order intake. And this low order intake has continued throughout the Q1, which will also then impact our second quarter.

The market conditions have clearly turned out to be more difficult than in the last quarter, mainly due to the high pressure from the rising imports, specifically, the imports from China have reached a record high and in combination to the low nickel price, which in the US dollar environment is not mitigated like in Europe by the exchange rate, we are also seeing an impact on profitability from that.

The disappointing earnings have specifically also been impact by a lower margin from the product mix – so our product mix according to the lower utilization level has not materialized in the way that we have anticipated, and accordingly also, some higher operative costs than anticipated, due to lower

utilization have materialized, none of technical nature, more of functional nature in correspondence with our lower utilization rate.

And then of course, if you look at the euro rate, the translation of the stronger US dollar versus the weaker euro at a loss, gives also a negative translation impact in the euro number. As mentioned, we have this booking of 19 million NRI, which brings our EBIT, excluding NRI to minus 30 and reported EBIT to minus 49.

Moving to our Asian business area, Asia Pacific, quite solid performance in a difficult market environment, so compared to first quarter 2014, clear improvement, however compare to the last quarter, a slightly weaker performance, but this is mainly driven also by the fact that Chinese New Year reduced the market demand in first quarter, also quite significantly, but we cannot overlook that also the general market conditions in China have not been easier. There is slightly reduced GDP growth, as well as also some effects from the anti-dumping situation of exports to Europe.

Our profitability, certainly also in Asia, has been impacted negatively by the nickel price and to overall price pressure, but if we see that the deliveries still have been more or less stable, we think that this a quite stable and good performance still.

In our Quarto Plate business, and Mika has already indicated that we are really making progress there, our break even number for the underlying EBIT is a clear progress if you compare to all the quarterly results in last year that have been entirely negative, so we are seeing that both are operative programs of debottlenecking and ramping up are showing progress as well as some better order intake that we are now able to take helps us in that. However, overall market environment still continues to be weak, and we are seeing that specifically also the project sector is still quite sluggish, both in Europe as well as in Asia.

Our Long Products business still on a solid positive EBIT, plus 3 million compared to plus 2 in the same quarter last year. It's a slow start in the market, which is relatively weak, little bit comparable to the market of the – of

the Quarto Plate, we are seeing that the low nickel price has some negative impact here as well, as well as the weakness of the oil and gas sector.

In the US, situation is relatively stable, specifically from the price, we are seeing that this is moving sideways, whereas we are seeing in Europe some weakening trends. But we are still confident also regarding the profitability development of our Long Products business.

With that, with would come to our operating cash flow data. Here we can say that while the operating cash flow's negative with 62 million, this digests some specific cash out situations, most pronounced 61 million cash out from redundancy payments, from our restructuring programs in Europe, specifically Germany, but then also change in derivatives of 82 million. We managed to offset that by a positive number regarding our net working capital development, some 75 million improvement in our net working capital.

The CAPEX has been kept as a quite low level, 26 million as accounting CAPEX, 31 million as CAPEX cash out. And then this all leads to a situation with all the financing activities that we have, and, cash and cash equivalents, which is roughly 100 million higher than last quarter at a level of close to 300 million. Our overall liquidity reserves are at 1.3 billion, just about 100 million lower than at the end of the year 2014.

Looking at our situation regarding debt and refinancing and to financing maturities, we have seen that there was a positive development of our gearing number from 93 percent to 91 percent, not so much due to reduction of the net debt. The net debt has risen by 60 million to slightly above 2 billion now, but our equity has been strengthened by mainly two effects. The first is the equity effect that we have from our convertible bonds and also some translation effect from our US based assets that are of course, coming in at a higher value from the translation.

If we are looking at the debt maturity profile, the successful placement of the 250 million convertible bond in February has now added to a longer term maturity, some 289 million in 2020. Our bond in end of 2014 that is maturing

in 2019 has given us maturities of close to 300 million in 2019. The rest of bulk number of the maturities actually is in 2017.

You can see that the utilized level of the facilities of 815 million in 2017, and if we are talking about earlier maturities, of course short term debt, this is not entirely maturing in the narrow sense, because there is a lot of pension, lease as well as commercial papers included there, so only smaller amount really maturing. This is the rest of the bond that we have out there maturing in June 2015 and the main part in 2016 is also our bond that we have here placed.

Then looking into the development of the P400 program and our net working capital side, here, as said, 75 million positive development in the first quarter 2015, brings us now to a level of 426, slightly above our total yearly target. Of course, we have to take into account that with specifically EMEA business is bound to pick up further in this year, there will be some net working capital effect, but still we are more than confident that we will keep at a level of 400 or higher in the total improvements in the end of 2012 in cash extraction from our net working capital.

The development of the inventory days has been to the positive. We took the level of 100 days of inventory from last quarter down to 97, however this is still a good part from our target of 86, so a significant effort being applied in this area. It is to be mentioned that the numbers of days of inventory have little bit changed definition in that context, compared to last year. And this is very much because we have changed in order to have a better management impact from this key performance indicator for our business area in taking into account the forward looking business so that order intake and deliveries one quarter in advance, which is much more in accordance to the actual inventory level at the end of a quarter, so that it is much easier and much more efficient to steer from the business area, with this key performance indicator that we are giving you in this definition also.

This concludes my detailed explanation of the numbers for Q1, and I would give back to Mika for the outlook and the guidance.

Mika Seitovirta: Thank you, Reinhard.

If we look at the market for the second quarter, so the key markets are obviously EMEA and US. Here you can see EMEA numbers provided by research institute SMR in April, and I think when it comes to Europe and the growth that they are forecasted here, is a very right one. We share the view that there is growth, however when it comes to Americas, and especially now of course US being softer. So as you remember the whole year was forecasted now by SMR to be 0 in the US. We think that this is a slightly positive view between the quarters as well, because the market situation is completely different than before, so it's imports, it's nickel, it's the overall economy, which is softening and it's the very high inventory levels that currently exist.

Here is our business and financial outlook for Q2 2015, market outlook for stainless steel by region. In Europe, order intake improving and underlying demand remaining relatively healthy. In the Americas, pressure from Asian imports continues and low nickel prices puts constraints on this sector. Market pressure in the APAC continues.

Outokumpu estimates flat delivery volumes quarter on quarter. Deliveries re expected to increase somewhat in Europe and decrease in Americas. We are estimating slightly negative underlying EBIT in Q2 for the group, driven by weaker profitability in Coil Americas. The net impact of raw material-related inventory and metal hedging gains/losses on profitability expected to be marginal, if any.

So, here we need to remember Europe, we see strong performance to continue, Americas weaker profitability, and then for the second quarter, we need to remember as well the Ferrochrome maintenance break, which is having a negative profit impact during the second quarter.

Looking ahead, our priorities are clear, turning Coil Americas back on track, I mentioned already about the changes we are making and I mentioned already about the resources we are putting there, and we are absolutely confident we will get back on track with this development and we will get adjusted to the new market conditions that we are facing there.

Of course, we are continuing the profitability improvement programs that we have on the other business areas. Those will for sure continue and give us positive improvement. Savings programs, we have over achieved, and our aim is to over achieve, even during the coming quarter and the coming year as a whole. And what we have said of our target 2017 to get to a level of 1.5 billion in net debt, so that's very high priority for management, so we are taking all the efforts already now, in order to be able to get there.

And then we see further potential in net working capital management. We have been able to perform well when it comes to P400, and we can further develop our capabilities there and have a direct impact and also in our cash flow.

Johanna, that was it. I think it's time to move to Q&A.

Johanna Henttonen: Yes. Thank you, Mika. Thank you, Reinhard.

Operator, we are now ready to take the questions.

Operator: Thank you.

As a reminder, if – you can submit a question via the Q&A tab on the web at any time. Alternatively, if you wish to use the telephone line, please press star 1 on your telephone and wait for your name to be announced.

Your first question on the phone line comes from Michael Shillaker of Credit Suisse. Please go ahead.

Michael Shillaker: Hi. Thanks very much for taking my questions. So, my first question if I may, Quarto Plate, which has been a sort of annoying little loss making business. It's not been devastating, but it's just not been profitable, that seems to be potentially turning around. Is that – is this a trend that you think – obviously you had the volume increase in Degerfors but is this something you can continue and we can actually see a profitable number out of this business this year or are we just seeing a bit of a seasonal uptick and actually into the summer we're going to decline again like last year? So, Quarto Plate is the first question.

Second question I'd like to dig a little more into what's going on in the Americas, if I may. When the release came out last week, it looked like a lot of what was going on was A) the technical issues from last year and B), clearly the market, the destock and the nickel, but you've also obviously had a management change.

So, can you tell us really what is going on? How much of this is market? How much of this is management? And how on top of you – on top of this are you, in terms of your roadmap regardless of the market to ramping this facility up? Because you're now talking about a 6 to 12 month delay, but when we look back at peers in other similar businesses, like Thyssen and Valorec who've tried to ramp up new assets into tough markets, you know, frankly they've taken potentially years and they're still not profitable.

So, how on top of you are this? How much is it market? How much is it management? And how clear are you that this really is only a 6 to 12 month delay that we've got on the profitability and that it's not something that's just an awful lot more difficult to ramp up than we all first thought? Thank you.

Mika Seitovirta: Thank you very much for your question. If we first start with the Quarto Plate, last year, was a big disappointment and you are right, if you – if you look to years back, so it hasn't been a profitable business. However, after last year's bad performance – so we clearly took different action there and changed management there, and we put awfully lot resources on developing the bottlenecks that we have there. Now, this is bringing clearly results.

And we have a different kind of thinking about the market, about the production, about pricing, about the products we should produce, and although the market is not brilliant for the time being, so it's still okay, and we have a good global market share and a good platform and knowledge and the engineering skills for the projects that we can capitalize over there.

So, last year, every quarter was clearly negative, so we were loss making each and every quarter. And we have absolutely no plans to fall back from this. We tried to develop this now week by week, month by month, quarter by

quarter. So, we are very ambitious there and a lot of good energy by the – by the new management there.

Americas, yes the technical issues – this is really the starting point, because it is important to understand that when we were off the market – so the customers were – during the last year, forced to buy from somewhere, which obviously increased the imports, together with the fact that when you have strengthening dollars, so it was more attractive for imports to come, because of that reason as well.

Now, we fixed the technical problems. And they are firmly fixed. We have found the root causes and that's not an issue. However, we misread our ability and the market – how fast we can come back in this kind of a new market situation that was created. So, clearly we thought that we would have a much stronger mix and order intake during the first quarter already, after we have announced that we are back there.

We haven't lost the customer confidence. We believe that when the inventory levels are back to normal – so of course, we can improve but we also think that because of the economy there, impact in the market, so that is maybe a more permanent change for some time in the market than what we believed a couple of months ago.

Mick Wallis has decided to leave the company, and we have now a new interim management. We are in the middle of the search process. And I would say that we had technical issues. We have had a lot of technical ramp up issues, which are normal. We have had abnormal things like the cold rolling break – breakage, but now we are more on the market side. As we told you earlier, we have finalized the technical ramp up and that means that we can produce all the products that we have promised to our customers.

And that is a valid statement still, but the market environment is much different and that is now really hitting us, because we were not having the recovery from the technical problems yet and then the market has changed. So, it will be a longer time before we are on a normal utilization levels. And

if you are not on a normal utilization levels, you have quite clearly higher costs, so that is – that is the reason behind the challenge we have.

Michael Shillaker: Okay, I understand the profitability implications, but I just – I still not – don't fully understand – because it sounds like you're in control of the technical issue, and the market is just out of your hands. The market is what the market is. So, why does a management change basically change anything? What – why was it so important to change management when really it's the market that's been the problem? Is it – are you looking for someone to go more marketing orientated now as opposed to technical?

And the second question really to help us out even further, given that your starting point, even though it's a tough market for profitability in the Americas, is still better this year than last, even though it's going to be a tough year and volume's going to be the same, would you expect profitability to be the same or would you expect, given the starting point is better, profitability for the year to be better than last year?

Mika Seitovirta: First of all, I need to be clear on this one, Mick Wallis has decided to leave. So, it was his decision. I can see this is important to you– we really mean what we write down, so this is how it was.

Secondly, what I could add here, because we are not giving a guidance other than the deliveries estimate, which is about 540,000 tonnes. So, we are not giving a profitability guidance for the business area. And we stick to this way because it's a very unpredictable market. It's very unpredictable pricing. And things can sometimes turn faster the better and sometimes they are more permanent. And when we don't have the exact knowledge how this is going to develop so we stick to the volume guidance only.

Because you were talking about the ramp up, it is important to clarify as well. So we have been using the terminology of commercial ramp up which means that we are in the market position and in the full utilization. That is something that we had never planned for this year, but we are ideally ready, so it's the two to three years' project to get to the full utilization.

Michael Shillaker: Okay. All right. Thanks a lot.

Mika Seitovirta: Thank you.

Operator: Your next question comes from the line of Seth Rosenfeld of Jefferies: Please go ahead.

Seth Rosenfeld: Good afternoon. This is Seth Rosenfeld at Jefferies. A couple of questions looking at the outlook for European business. You mentioned on the call, the imports have already fallen from about 33 percent demand in Q4 down to 23 in Q1. Do you expect the imports to fall further throughout the course of this year? Just questioning what makes you confident that imports will continue to weaken, given they're already well off the peak seen back in the third quarter of last year?

And then the follow up for that, obviously, we've seen in the past imports and volumes being priced at a significant discount to domestic European sales, perhaps dragging down those benchmark prices, are you seeing still the imports coming into that discount or perhaps has a spread in price of imports from domestic sales started to close. I'll leave it there for the first.

Mika Seitovirta: Thank you for the questions. Yes, you are right, our market feeling for the time being is that the imports are going to go further down. Of course, if the imports have been more than 30 percent, so I suppose no one is expecting that that 30 percent is going to disappear, that's also important to understand, because there are also there imports than Chinese or Taiwanese imports. You have imports from Korea. You have imports from India, and so forth. However, clearly the level – what we see today, we still expect that from that level, it would – it would go down.

Now, it's a bit early days to say that what kind of a discount levels there would be. We need to remember that the fact is that we are still in April. We have seen one quarter. We have seen only part of the quarter after the announcement, and the real impact – and this is important, the real impact will come only H2, and the reason being what we mentioned earlier that really on the time of the announcement, we had already sold our Q2 volumes. So, clearly whatever impact it will be – so the major part is only H2, Q3 and Q4.

Hopefully that answered to your question.

Seth Rosenfeld: Just a follow up on that with regards to the timeline and when this actually benefit pricing and perhaps benefiting your P&L, when you think about the potentials for sometimes price hikes across the European region, to what extent are you keeping in mind the risk of what the following European commission decisions it will be, thinking about the anti-subsidy measures in May and the continuation or extension of the dumping duties in September, is there a policy for when you think about price hikes? Or is this really just an issue of your volumes and the fact you've already fully locked in Q2?

Mike Seitovirta: I think that – as we mentioned earlier, I think the overall impact it's of course about volumes and it's of course about prices, as always and that overall impact for the second half will be positive. And we have said that we are welcoming this commission decision. At the same time, we need to remember that it's a temporary tariff we are talking about today. And only in September we will get the final decisions from the commission that whether they are permanent or not and also, the commission will take in the meantime, the standpoint on the anti-subsidy things, where we have no further information that we could report to you.

You are asking that whether we think that our behaviour in the market would pose some kind of a risk for the final decision. That is not impacting. We are, under current circumstances, we are working exactly according to our plans, which we have prepared for different scenarios, and there's no such thinking at all.

Seth Rosenfeld: Okay. Thank you very much.

Mika Seitovirta: Thank you.

Operator: Your next question comes from Luc Pez from Exane BNP Paribas. Please go ahead.

Luc Pez: Hi, gentlemen, two questions if I may, first of all on Europe and effective base price you're talking about with regards to Q1, which is showing some

continued price pressure, whereas volume were quite good on the one hand. And secondly, see how your base prices are fairly steady, could you elaborate a bit more as to whether we are discussing discount pricing in order to save your volumes or not? That will be my first question.

And the second one, with regards to working capital requirement, looks to me that you are ahead of your guidance of cash release on that front, by end '15. Is it to say that we should expect some build up, going forward? Thank you.

Mike Seitovirta: Concerning your first question about pricing. Your analysis of the pricing what we have also communicated and disclosed here is correct, first of all, but there is absolutely no discount pricing in order to get the volume. That's not our strategy at all. We are always going for value. It's always a question about mix and market conditions. And there was no change in the market conditions concerning the first quarter, so – but definitely no discount pricing to get to volumes.

And Reinhard, maybe you take the other question.

Reinhard Florey: Yes, thank you.

Regarding the cash release, of course we are feeling very positive about the ability to already overachieve our target in first quarter. Still, we have to keep in mind that development of the market, development of nickel always has to be taken into account over the full year, and therefore, we are having, of course, a very balanced view on the way going forward. We wouldn't exclude to continue a positive trend here.

It is a clear management focus to further look at the extraction of net working capital. And if we see that in our days of inventory, there is still room for improvement, we also have to take this as a positive signal here. However, as said, we have to see about the market conditions if demand picks up quite significantly we have also to carry a higher absolute volume there, and if also some changes in nickel prices, which we currently do not foresee, but there is not a long term ability to foresee nickel prices, we also have to take that into account.

Luc Pez: Thank you.

Operator: Your next question comes from the line of Cedar Ekblom of Bank of America. Please go ahead.

Cedar Ekblom: Thanks very much.

Hi, gentlemen.

I've got a couple of questions, I need to go back to the US please because I don't actually understand 100 percent the dynamic that's going on there. You're saying that from an operational perspective, there's no reason why the facility shouldn't be ramping up and why shipments shouldn't be improving, so just a few questions on the market then. Destocking, where are we in terms of stocks in the US at distributors? How much more destocking do you think needs to happen in order to get to levels where maybe distributors start looking at buying again?

And secondly, you're talking about flat demand in the US market and then you're talking about flat volumes at Calvert. Does this mean that Calvert is not competitive against imports? Because you know, the way that Calvert has been sold in the past, is that this is a very competitive asset, producing appealing product, and so the idea is that Calvert would be displacing import volumes out of the US market. So, I just don't understand why, if there's no technical issues, why you are choosing – I mean is it a situation of you're actually choosing to limit volumes in the US market rather than trying to ramp up and take market share from imports?

Then, in the European market, you've obviously had this marketing approach of price over volume, so looking to target the higher value products, and that's obviously been a – probably a good decision in an over supplied market. Are you using the same marketing strategy in the US and is that the reason why you're not pushing more volumes? And is that an appropriate strategy for an asset that is in ramp up where you should be targeting the market share in the near term and then in the long term maybe looking at you know, pricing? I just – I – the US situation just doesn't really square for me, unfortunately and

I don't feel like the questions that have been asked adequately answer us, unfortunately.

And then, the last point on the European business, I see that you're restarting the annealing line at Tornio, can you just discuss why you're doing that and as it was part of the restructuring program, in terms of your cost savings, does turning that asset back online do anything to your cost saving targets?

Thanks, sorry to go back on the US, it's just it's not clear to me what's really going on there.

Mika Seitovirta: Thank you for the questions. And you can come back to US questions as many times as you wish, no problem with that.

Really, the thing in the US is that when we got the cold rolling problematics and the breakages, it meant that actually we were forced to close last year's order in take and the year earlier than we normally do, because we couldn't tell to our customers that – at what time point we can again deliver to you, before the problems were fixed. And that meant that we were really a long period away from the market and we couldn't build a normal order book what we would normally have at the year end and in the beginning of the year.

However, when we were ready, the customers had bought already. So, they took imports because imports could deliver and we couldn't say what our delivery time was. Then the market worsened. And when the market worsened, it meant that suddenly, they had all their steel in their inventories. And now when we say that we are ready to deliver, they believe that they would probably have a better inventory level that could restock again maybe Q3, but not before that.

So, it's really a commercial problem. It's not related to our strategy. I fully agree what you say. We want to get utilization for Calvert. We want to gain share in US with the right product. And we still need to add one more thing, of course, the volumes we've got have been of different mix than what we expected. And all these together make that we have such a high impact now, in our profitability that it's difficult to catch it up. And therefore, we are saying that we are delayed because of that reason.

So, we believe fully, and we are confident that we will be competitive against imports when we get the right utilization and the right mix back now and we get rid of the last waves of the technical problems that we had. So, this is really the thing...

Cedar Ekblom: Okay, that makes perfect sense, can I just follow up before you go on to the European point? In terms of stock levels at customers, do you have a sense of where they are now? Are customers coming to you yet to order for Q2, Q3, or are you still out of the market?

Mika Seitovirta: Well, we are still, actually, out of the markets. There are very few customers who order at all. And I think it's an – it's an industry wide problem for the time being. It's not only us. And as I mentioned, so we can see that we have very short delivery times now there, so we are competitive when somebody is needing something, so we can do it in four weeks for the time being. And of course, that's a good starting point.

But we believe that general volume wise bigger, major restocking that could only happen maybe Q3.

Cedar Ekblom: Okay, that makes perfect sense. And then just on the European annealing line?

Mika Seitovirta: Yes. In Europe, clearly when the anti-dumping decision came – so we saw an opportunity here to maximize profits. And we decided that we start that line and it's going to be in use very soon, and we can also then earn more money. So, it's a very rational decision in the new market situation.

Cedar Ekblom: Does it affect your cost cutting targets?

Mika Seitovirta: No. We can match with the original targets even with this line coming back on stream

Cedar Ekblom: Okay, very helpful. Thank you.

Mika Seitovirta: Thank you.

Operator: Your next question comes from the line of Bastian Synagowitz of Deutsche Bank. Please go ahead.

Bastian Synagowitz: Yes, good afternoon, gentlemen. I have just a couple of questions left, firstly can you please give us a bit more colour on the long products business, where we – and whether we can expect a similar growth in profitability like last year. You had some pretty strong views on the Quarto Plate on this front, so maybe you can share your views on long products as well.

And then secondly, you mentioned some problems with the ferrochrome smelter again, and maybe you can please quantify how much negative impact you baked into your guidance for underlying EBIT in the second quarter?
Thank you.

Mika Seitovirta: Thank you for the questions. First about Long Products, of course we are – we are again – and sorry for that, we are not disclosing any profitability outlook for the full year here, it is, from the nickel point of view, a different market this year for long products than last year. Also, we have customers in Asia. And in Asia, we have a different market situation than last year. So, market is for them, not as strong as last year. And this we can say based already on the first quarter. Still, we are having a solid business and especially in the US, so it's going still very well.

Concerning the impact of the Ferrochrome maintenance break. The profitability impact is more than 10 million for second quarter.

Bastian Synagowitz: Okay. Thank you.

Mika Seitovirta: You're welcome.

Operator: Your next question comes from Steven Benson of Goldman Sachs. Please go ahead.

Steven Benson: Hi. Thanks. I had a couple of questions related to the Americas. Could you just let us know roughly how much of your volumes are going through distributors there and how much goes through the master distributors versus the tier two?

And secondly, just on the timeframe, you had full year results on February the 12th, I would have thought you would have had pretty good visibility on your order book through till the end of the first quarter, then. But we haven't heard about – you know, these order issues until last week. What happened in between? Was this a case of you had the orders, nickel fell, all the orders got canceled? Or was there something else going on? Because I would – I would feel that you probably get updates on these orders almost weekly?

Mika Seitovirta: Okay, first of all, it has been a very rapid change, in a situation where you have a very low order book, if I start from your second question here. And what we knew in February was clearly what's going to happen in – during the first quarter. And when you start from a low order book, so of course, you need to sell to that particular quarter instead of selling long three times like we did last year when we had six months lead times, and now we have only couple of weeks. So, that made it unfortunately possible that before we understood that there is much bigger change.

Of course we follow these things daily and weekly, and then we just realized that no, we are unable to catch the volumes there. So, it has been a very rapid change in a situation where you don't have order book that you could live with for a – for a long time. So, that is the reason actually.

Concerning the distributors, so it's two thirds roughly on the volumes that are – that is going to distributors and of course, that is a given fact. We want to have it that way as well, because in order to get the volumes, what we need in US especially, so these are the customers that we need to take good care of. It is very much concentrated to the bigger tier one and less tier two customers. So – and that will probably be broadened as we can increase the utilization and get the growth into the ordering (take) as well.

Steven Benson: Okay. And your comment earlier about the mix, was a – was an issue for Q1, so what – is it mix of customers that you're selling to or is this like the products? Like what are – what are – what do you mean or can you give us a bit more colour on that?

Mika Seitovirta: Well, I would say it's more about the product than about the customers.

Steven Benson: Okay, and a couple of your – or one of your larger US competitors has commented that inventory levels at distributors are now more normal levels now, about three months, and then underlying real demand is actually pretty good in the US. So, are you – it's just unusual that you see – you see a very different picture to them.

Mika Seitovirta: Well, if we – if we talk about the real end demand to start with, so we believe that that 0% growth rate that we saw in the SMR statistics is a very real for this year when it comes to growth. The underlying demand hasn't, of course, not completely disappeared, but the stock levels are high currently, and this is what the customers are clearly telling us. This is our understanding.

And as we mentioned earlier, so we see that maybe third quarter there might be a change, because they can – they can deliver still from their own stocks.

Steve Benson: Okay. Thank you.

Mika Seitovirta: Thank you.

Operator: Your next question comes from Johannes Grasberger of Nordea. Please go ahead.

Johannes Grasberger: Hi, gentlemen. It's Johannes Grasberger of Nordea. Just about the ferrochrome situation, again maybe you could explain a bit where that break is actually coming from because if I understood it correctly it's an unplanned maintenance break, so maybe a few words on that please.

Mika Seitovirta: Yes, thank you for the question.

Firstly, as we are growing like we did last year and we will do this year as well, so it's about ramping up the new furnace, but it's also keeping the tempo with the old furnaces that we have and the smelters especially. So, we have had some technical things there, which have impacted that we haven't been able to have as high volumes as planned there.

Now, we need to fix it in a proper way and that's why we take the five weeks maintenance break, because we don't want to – we don't want to take the risk

for the rest of the year's volume. So, the normal maintenance break would have been four weeks, so there's one week more, and we believe that then through that, we can increase the volumes exactly to the level of 470,000 – but because of this extra maintenance and that we were not able to take the volumes as high as planned in Q1, so it means that we have production estimated below the original 500,000 tonnes for this year.

But this is nothing that we wouldn't have seen before. So, we know exactly how we – how we do that maintenance work and how that technical capability that has to be there is going to be there, so nothing which is – which is sort of new here.

Johannes Grasberger: Will there be any material CAPEX impact from this maintenance...

Mika Seitovirta: No, nothing.

Johannes Grasberger: Okay. All right. And on the volume side, well, what's a fair number on about a drop of let's say 30 to 40,000 tonnes in the – in Q2?

Mika Seitovirta: Thirty thousand.

Johannes Grasberger: Okay. All right. Then the Quarto Plate, that was discussed pretty well as well, but just thinking about this comment of plans to do a step change in Quarto Plate profitability, can you give further light on that? Are we talking about break even on EBIT line for Quarto Plate already this year?

Mika Seitovirta: We are not giving the guidance for the – for the full year, but I can assure you that we are not happy with breakeven. We need to get it profitable ASAP, and really are gradually working up the volumes, but it's along way of course, because the capacities that we are having at hand is 150,000 tonnes per year. We are still below 100,000 volumes here. But we are doing it in a gradual way so that we don't create more problems. We learned also something last year, so no really fast changes, but the improvements are there, and we have done a lot in the cost side as well, so we believe that on a longer term we can create a good business of that.

Johannes Grasberger: Okay, and then the Quarto Plates' volumes. I see that those are guided at 95,000 tons this year, what was the number for Degerfors first last year?

Mika Seitovirta: We will check the number for you. The capacity I was referring to, the 150,000 that's the Degerfors capacity, what we now have there after the investment.

Johannes Grasberger: Okay, okay. And the final question then, assuming that you didn't have this maintenance break in the second quarter, would the guidance – EBIT guidance have been different?

Mika Seitovirta: Well, we gave an estimate about the impact. I can only repeat what I said, so it's more than 10 million.

Johannes Grasberger: Okay, thanks very much.

Mika Seitovirta: Thank you.

Operator: Your next question comes from the line of Hjalmar Ahlberg of Kepler Cheuvreux. Please go ahead.

Hjalmar Ahlberg: Thank – hello. Just a last question on the Americas, could you say something on how we are looking on the volumes quarterly, I mean next quarter will be down and that would imply that in order to get to the 540,000 tonnes of deliveries you would need to be higher in the second half, how will you achieve that?

Mika Seitovirta: Yes, you are right that the volumes hit of course, we believe mostly during Q2. And of course, with all the efforts that we are doing currently in the market, so we believe that we can then catch up part of that. Knowing the outlook for Q2, so still on a whole year basis, we believe that we will stay flat against last year.

Hjalmar Ahlberg: And if you take your previous guidance of 620 tonnes, how does your profile within year compare to that? Or was that more first half or was that on the second half as well?

Mika Seitovirta: Was that what? Excuse me?

Hjalmar Ahlberg: I mean of the previous guidance, but that's also quite heavy on the second half of the year or was it more evenly spread.

Mika Seitovirta: It was more evenly spread, you know, because we had an increase in the volume 15 percent, according to our plans 2014 against 2013 and we were planning another 15 percent. And of course, we saw the market development in a very different way, and also we saw our recovery from the technical breakage in a very different way, so it was much more even.

Hjalmar Ahlberg: Thanks. And just one on Europe as well, your annealing completely restored with the potential from the anti-dumping tariffs, what kind of volume and price improvements do you see in the second half, anything you can – that you can elaborate more on? Thanks.

Mika Seitovirta: Unfortunately, and I'm sorry for that, we are not in a position to give anything specific. And we have reasons for that, first of all, and we are not yet living the second half of the year, and we don't know the final level of antidumping tariffs either, so we can only say that we believe that that is positive and we are preparing different scenarios.

Hjalmar Ahlberg: Okay. Thanks.

Mika Seitovirta: Thank you.

Operator: Your next question comes from Luc Pez from Exane BNP Paribas, please go ahead.

Luc Pez: Hi, gentlemen, one follow up question if I may, with regards to the insurance claims that you were discussing in the previous quarterly results related to technical issues you face in the US, there is no mention whatsoever on this and is this something that is never going to happen, or shall we still factor in some 15 million euro or so positive contribution over the course of '15?

Reinhard Florey: Well, thanks for the question. Regarding the insurance, first of all, we always said, it's insurance as well as claims, so it is something which is not just in one dimension. The other thing is that of course, in a insurance case, there is

certain time lag of payments from the insurance and it is also not entirely predictable what amount are there. That is why we are not guiding in more detail there. But we have said that the nonrecurring item bookings, the one off are in the equivalent of the damage that we have been suffering. And that is exactly the basis on which we discussed on the legal as well as on the insurance front.

Luc Pez: Thank you.

Operator: And there are no further questions at this time. Please continue.

Johanna Henttonen: All right. Many thanks, operator.

So, we'll do the closing remarks from this end then.

Thank you all for participating in this call today. And we look forward to seeing you soon again. Our next event will be our Capital Markets Day in Berlin on 27th of May and then our second quarter report will be out on the 23rd of July.

Thank you.

Bye, bye.

Operator: Thank you.

That does conclude our conference for today. Thank you for participating. You may all disconnect.

END