Johanna Henttonen: Thank you. Good afternoon, ladies and gentlemen, and welcome to Outokumpu's second quarter 2015 audio call for results. My name is Johanna Henttonen, I'm Head of Investor Relations.

Today we will start with the presentation by our CEO, Mika Seitovirta. After that our Chief Financial Officer, Reinhard Florey, will talk about our Q2 numbers in more detail. And then at the end, Mika will do the closing remarks. After that we will continue with a Q&A session.

With this, Mika, please go ahead.

Mika Seitovirta: Thanks, Johanna. It's Mika Seitovirta, CEO for Outokumpu, thank you for joining.

As anticipated, Q2 was a challenging quarter for us due to business conditions in Americas. However, our message from Q2 is two-folded. Yes, Americas was disappointing and it was as bad as we forecasted, but at the same time EMEA continued to improve and was very much according to our plans and expectations from the side of the management.

Let me just briefly go through a couple of highlights and couple of positive things and a couple of challenges that we had during Q2.

Of course, when it comes to EMEA, so the Q2 showed us further declining imports from Asia, and at this point especially of course, from China, imports
are down, and we also saw small base price increases in Europe at the same time.

We could progress with restructuring, Bochum melt shop was closed according to our plans and the last melt was at the end of June. Savings programs all-in-all the group reached 433 million of savings and we confirmed our forecast for this year which is 470, which is also the target, so it's still valid.

Knowing the challenges we have in US, we also got Mike Williams into the team now as from July 1st, so he is fully operative and as a new Head of business area, Coil Americas, strengthening and most welcome to continue the turnaround in US.

On the challenges side, clearly there were also uncertainties in the market. First of all, I would like to say that it's especially low level of nickel already for long time, if we look at the historical values of the nickel, that is impacting our industry and the market behavior, maybe the last thing we could already see during second quarter that it’s going to impact also scrap prices in the future.

Also, the market conditions varied a lot, so if we look at the Asian markets, and especially China, we will know that the economy was very uncertain there, impacting also the global economy. You could see the imports channeling from, to coming to Europe because of the temporary anti-dumping tariffs, so they went to US instead, and at the same time the growth was much less in China than it has been previously. In these conditions, our EBIT was a loss at 25 million, and clearly unsatisfactory but very much according to those expectations what we had when we gave our guidance.

As a result of this development during Q2, and especially of course the US development, it was not only a deviation in our profitability but it was of course a deviation impacting our cash flow. And all these together meant that our net debt rose to 2.1 billion, it's still one of our pre-priorities for management to get this down.
Let's have a look at EMEA. As I mentioned, it was very much as we expected, so there are already several consecutive quarters that we are able to improve our underlying EBIT. It's very much based on the restructuring, so first the Krefeld melt shop, then the Bochum melt shop, higher utilization in our more efficient mills, and that combination is now generating and giving us benefits on the cost side, and giving us the opportunity to be much more effective than earlier.

This development is going to be continued on the restructuring side or at the same time we are going to put more and more focus that we are also commercially agile and putting the focus on the cost.

Looking forward now, so Q3, we are entering now of course the seasonally weakest quarter, and we are going to have our maintenance break there as planned. We feel that so far we are going to have very moderate impact from the possible antidumping and we wait until we have from the commission the official and final decision on the duties, what the levels will be and how long possibly the antidumping is going to be and whether it's positive or negative. So this we still don't know, and we expect to get it latest in September.

Americas, Coil Americas minus 50 million underlying EBIT, we believe this is the lowest point for business area Americas and Calvert. Few words about the market because we know the backgrounds how we ended up to this situation. Last year long delivery times, we had our technical brakeage in the cold rolling mill, those problems were fixed, they are fixed, so our operations are running well.

However, we had a very low order book when entering this year and at the same time imports were rapidly increasing, especially from China. So our challenge has been and the lowest point has been really the Q2 here which you can see in the very bad result, the challenge has been volume and the utilization of especially Calvert mill.

How we react to this now? We think that first of all the market development is in a way good because it is still clear that there is underlying demand. The problem is that there is an inventory bubble and most of the distributors are
still having excess inventories. How long will it take to come to normal levels and the customers would then again place orders, remains to be seen, but we feel that because of the underlying demand that is still there, the development will be better.

I mentioned already Mike Williams as the new Head. We have a lot of work; we have been doing it now since the beginning of second quarter where we have sharpened our commercial strategy there. We have strengthened also our sales team to be more active in the market now.

And we are developing also our operations in Calvert, it's running well, I mentioned already that the utilization has been too low, it needs to be higher, and we have a large potential even to improve the operational efficiency. All these programs are ongoing, also including cost streamlining to offset the lack of volumes for the time being.

After Americas let's look the global view of SMR latest forecast year, and maybe just to highlight the changes against the previous one. You can see as we start from USA here, you can see that it was earlier zero end-demand growth for this year, now it's plus two, and this confirms only our own view here that the underlying demand is there and that's definitely good news.

The US economy overall we feel is very strong, of course everything related to oil & gas is not that strong that we know as well but our exposure to oil and gas is not that big.

Europe showing good numbers plus 4 percent for this year and this is of course very much welcome because we still remember the years ’12 and ’13 which were really low here, and we would hope that this, despite of the uncertainties we have – so this really gave us new opportunities in the European market.

You can see the Chinese number now, it's only 5 percent there and of course that's a heavy decline, and now those volumes are currently not coming to Europe, so the big question is of course, where will the volumes go because the local demand is that low. We don't have yet signs during Q2 that the imports from China to US would be lower, so this is of course something that
we can see only later on. However, we are there back in game and our delivery times are very slow. So we can serve customers there.

Globally, again, we still feel we are in the right industry, its 4 percent growth globally, that SMR is forecasting, we believe that that is very much the case.

Let's look at the pricing. If you look at the European base price and the development, you can see that there is very little improvement; actually we are on a lower level than last year. If we look at US, it's more or less the same situation and in US the pricing development – also the alloy surcharge development has gone downward, so in practical terms, we are pretty much on a 2013 level currently. And last year's positive improvement, this is not there now.

Then let's take couple of comments about nickel, as you know, we are not giving any official disclosure where the nickel is heading. We can just conclude all of us here that it's on a very low level, of course it's impacting the market, it's – especially relevant to be seen in US where distributors, wholesalers are digesting their inventories for the time being, and looking and following also where the nickel is going to go.

Maybe it's worth mentioning that now during the last four weeks, we can see that for the first time now from a very long time the LME stocks have been going slightly downwards. And as I mentioned, this has an impact also to scrap prices, and there is a high pressure that scrap prices are going to go up.

Couple of slides still here, one slide actually about the European and then about the US imports development. What you can see here if we start from Europe is that 21.3 percent has been the current level now of imports, and you remember that last year it was more than 30 percent, so it's clearly coming down. Out of that you can also see the China share in the red box over there, so from almost 10 percent to almost zero, under 1 percent right now.

A similar logic is there for the US imports but different numbers, so all-in-all the imports are 32.2 percent, of course including also the European imports, this has to be remembered. And that was a clearly lower number which you can see below there in the same box last year and again you can see that the
Chinese share has been the one which has been increasing, so 13.3 percent against year before, 7.3 percent. And if you would go to 2013, so the percentage would be around 4 percent only. So that is the trend in US and Europe when it comes to imports.

And now it's time to go and have a look and drill down to our numbers. So Reinhard, please.

Reinhard Florey: Thank you, Mika, this is Reinhard Florey, CFO of Outokumpu speaking. To start with the key financials overview, we can see that the underlying EBIT has reached a level of minus 25 million. It certainly was driven by the weak performance we have seen in Coil Americas.

Regarding the reported EBIT, which is at the same level as the EBIT excluding NRI, we see just a small difference of 1 million as the net effect from the raw materials related inventory and metal derivatives gains and losses. So compared to last quarter where this was plus 7 million, attributable to the falling nickel price.

The operating cash flow in this quarter has been as much minus 41 million compared to minus 62 million in last quarter. And the sales level has been come down according to the slightly lower stainless steel deliveries, some 4,000 tons less than the first quarter, but specifically lower nickel and other raw material prices, especially also molybdenum, to a level of close to 1.7 billion.

In this result of minus 25 million, there is no FX from any nonrecurring items in there. So while in first quarter we had still minus 19 million non-recurring items as a consequence from the cold rolling breakage in Americas, there is not such an effect in Q2 numbers.

And the personnel at the end of the period has been reduced by another 160 people to a level of level of about 11,660, so overall reduction is following very closely at the path that we have anticipated in reduction of our headcount.
As a next step we look at the progress in our cost savings program and as Mika has already mentioned, we are making good progress here, according to our plans we have reached a level of 433 million by the end of the second quarter 2015, and are exactly on the trajectory as foreseen for delivering on the target of 470 million for the full year.

There are also more changes regarding the expectations of one-time effects there, maximum effect for the full effect of 550 million would be 220 million of that of which provisions have been taken already at a magnitude of 192 million, and only this increment of 28 million to come in the next quarters.

Regarding the cash out from the provisions taken after a sizeable cash out in first quarter, 56 million, we are seeing now at half value of 27 million in Q2 2015 and we are expecting roughly about 10 million for the rest of the year to come.

If we go to the individual business areas and have a closer look there, starting with business area Coil EMEA, there we can see the development of the underlying EBIT shows a clear positive trend, we have exceeded already after the first two quarters the total underlying EBIT from last year and the 42 million EBIT and EBIT excluding NRI of 56 million are continuing this positive development of Coil EMEA.

Overall we can see this demand has been healthy, the pressure from the imports from Asia specifically where the antidumping duties, provisional antidumping duties are effective regarding China and Taiwan, has gone down.

Overall we have seen that import pressure has gone down from some 30 percent to 20 percent which means that some other Asian countries have increased their share of the imports.

The deliveries in EMEA have stayed more or less at the same level, slightly up to 415,000 tons. Ferrochrome deliveries in spite of the maintenance break that we had in this quarter have been on stable level, some 23,000 tons there.

We can on the other hand see that the falling nickel prices has taken its toll on the sales, so we are little bit above 1 billion in terms of sales, and we are
seeing that this also has an impact on the general way how we can proceed further, but it has not negatively effected our profitability. We can also see that we are on a stable level regarding the operating capital more or less on the same level here.

The ferrochrome maintenance break as mentioned has been completed, there has been an overall production level of some 90,000 tons in Q2 and the forecast for the production for the full year is now at 460,000 tons.

Looking ahead, we see that Q3 certainly will be seasonally slow as always in the third quarter, so we are expecting in Europe some lower volumes and also the pressure on the scrap prices as Mika has already described will certainly be visible in Coil EMEA.

Regarding Coil Americas, we have already mentioned that this has been a disappointing development and certainly not a satisfactory profitability here. We see it as certainly the low point in the development with expectation that this will clearly be better in the quarters to come.

The deliveries have come to a low point of 111 million, however, we also see that in general, demand in US is healthy, and soon as the elevated levels of stocks in our customers – our customers will be eased out, which we expect to happen within the next month, we will see an upward trend of delivery as well as order intake in our Americas operation.

The weak profitability clearly can be attributed to the low volumes, to declining prices that we are seeing regarding or as a consequence of the overall reduced demand and order intake and then of course, some increased operating cost due to lower utilization level. From the production side, the issues with the cold rolling mills have been overcome, and the cold rolling mills are working as planned.

Regarding the second half deliveries, we are targeting to increase them, however after this quarter two we expect the total deliveries to remain below the 540,000 tons of last year.
And Mika has already mentioned it but I think it is important also from a financial point of view to point at the special programs, as the special measures under the new leadership of Mike Williams, that we are expect to take some effect in the second half of this year.

Coming to the business area, Asia Pacific, we see that Asia Pacific at EBIT level underlying of minus 4 million, has still a positive underlying EBITDA, which is not easy to achieve in the difficult market conditions we are seeing in Asia. We are seeing rather weak market development in terms of the growth rate and we are seeing the capacity still coming onstream in this year, so that is quite some tension in the cold rolled and hot rolled market in Asia Pacific area.

The higher volumes that we were successful to book have not been though enough to make up for the falling prices and for the decreased spreads that we are seeing the underlying EBIT has declined, however, still EBIT is positive.

The same is actually true for Quarto Plate with a level of minus 4 million EBIT, we are still also there on the positive EBITDA level, and it is a clear difference to last year's performance, so in order to follow the path of turnaround here, we have been able to debottleneck the production side, it is expected that we will have the production up from some 75,000 tons in Degerfors forge to 95,000 tons this year.

Still, the EBIT was certainly impacted by low margin and product mix. We are seeing that there is some price pressure and in the US the demand from oil and gas industry has been on the decline, which also has a negative impact on the Quarto Plate operations.

The long products operations are in the positive range, 4 million positive after 3 million in quarter one, now 4 million in quarter two. The sales have gone up slightly from 150 million to 160 million, and the deliveries have come up from 52,000 tons to 62,000 tons.

A positive impact of the higher volumes regarding the profitability was limited certainly because there have been some lower margin volumes included in there and also the impact from oil and gas business is certainly
visible in the long product. But in general, we are very positive on this to be a profitable business area, further developing positively, also in terms of profitability and cash flow.

Regarding the operating cash flow for the group, as anticipated in our guidance, we have been at negative operating cash flow, this time 41 million after 62 million last year. The cash flow from capex has been at a modest level of 34 million, accounting capex at 35 million, and overall free cash flow of 75 million has led on the one hand side to a higher net debt, and on the other hand also to the decrease of our cash and cash equivalents which though are still on the solid and stable level at above 200 million here. Overall liquidity reserves remained very healthy at the level of above 1.2 billion for the quarter.

If we are looking at the development of our net debt and the gearing, as mentioned, we have seen a slight uptick of net financial debt to 2.1 billion, however, still lower than the target of 1.5 million, stays upright, there is no change in our ambition to be at the end of 2017 at a level of below 1.5 billion, specifically with anticipation that the cash flows from our operative business, not only in the second half of this year but in the coming two years, 2016 and 2017, will significantly contribute to this reduction.

Regarding the gearing, it has gone up to 96 percent but still stayed below the 100 percent which were certainly important but is far away from the covenants, so nothing to do with the covenant here. Regarding the debt maturity profile, no change to the situation in Q1, we have this first shift from 2017 into 2019 and 2020. Maybe the only thing to mention is that the bond in 2016 has now become current debt, so from non-current to current debt, no change there was no significance regarding our ability to refinance this as well.

Last but not least, a look at our corporate program regarding net working capital optimization, we can see that even with a slightly negative impact of some 28 million in second quarter, here we are at the level of our target for the full year, so we are also confident that 400 million improvement level against the beginning of 2013 will be achieved in 2015. And we can also see that there is quite some room for improvement regarding the inventory days
development that we foresee here from the end of quarter towards the year end.

Mika, that brings me to the end of the financial performance. Back to you to outlook and guidance.

Mika Seitovirta: Thank you, Reinhard. To start with, let’s look at the SMR forecast just to give you an understanding of how they view the continent here when it comes to volumes and demand. You can see the very clear difference between second and third quarters here in Europe, and that’s the maintenance break and seasonality that we have in the market.

And then the positive thing in Americas is that SMR is forecasting and we share the forecast that the demand would be on a similar health level as it has been during the beginning of the year. So no changes between the quarters here.

So let's go through guidance, Outokumpu estimates somewhat lower delivery volumes quarter-on-quarter, seasonal decline in Europe, and gradual increase in Americas. Underlying EBIT for Q3 to improve from Q2 but to remain negative, mostly due to seasonal impacts. In addition to the ongoing savings programs, special measures are taken to improve profitability in Coil Americas. With current prices, net impact of raw material related inventory and metal derivative gains, such losses on profitability is expected to be 10 to 15 million euros negative.

Let me then summarize our priorities here. It's clear that to get Coil Americas back on track is the number one thing. We are very confident that we will get to the right track and we can turn around the Americas operations, we can finalize although delay the commercial ramp up of the activities there, we have a good team there, we have most modern mill on the continent and there is no doubt that we couldn't match with the efficiencies of our peers over there.

The second thing is that we will further capitalize on the good progress of Coil EMEA, the restructuring continues, we will also take new steps towards
commercial excellence there and we believe that in the current market conditions that's a good development which we can see even in the future.

Savings programs, we have gone through, but we're also saying that whenever we see the opportunities, or identify further opportunities, then of course we will use on them.

Networking capital management, you saw that Q2 was not world-class on that one but I mentioned already that despite we are all in all in target, so of course the challenges in Americas impacted as well the net working capital development. So, now we are operating there as well ourselves back on track. It's very high priority, and then of course point number six here, debt reduction.

We stick to our targets, long term targets here, concerning the 2017 and to be below 1.5 billion. In order to reach that so for us is management nothing is off the table there, we look also operative developments very carefully, but also possible divestments are not excluded from our toolbox here.

I propose, Johanna, it's time to move over to questions.

Johanna Henttonen: Very good, thank you Mika; thank you, Reinhard. And this would be the time when we are ready to start the Q&A session. So operator, please – I think you can go forward with the instructions.

Operator: Thank you. As a reminder, if you’d like to ask a question you can press star 1 on your telephone, or you can submit your questions via the webcast. That’s star one on the telephone.

OK, we’ve had a few questions come from the phone lines.

The first one comes from the line of Cedar Ekblom from Bank of America. Please go ahead.

Cedar Ekblom: Thanks very much, hi everyone, two questions. Firstly, in the US market, you have mentioned that you are taking some measures to try and address profitability compete with imports, can you just talk to what the strategy is at
the moment on volume versus price. And I'm getting the sense that there is a
push here to fill the mill, and focusing on volumes and I just wonder to what
extent that is helpful in a materially oversupplied market right now, in other
words, are you perpetuating the cycle on prices moving lower? That's question
one.

And question two, there are a number of divisions within Outokumpu that are
not making much money at the moment, long product, APAC in particular,
while net debt is rising, and obviously there is little room for error really on
the Outokumpu story right now because with gearing so high, we really do
do need to see some real cash generation coming through in a pretty short period
of time, would you consider divesting in higher divisions like APAC or long
products which could potentially be worth more if they were monetized in
terms of the balance sheet stress at the moment? Thank you.

Mika Seitovirta: Thanks for the questions. First of all, if we start from US, just to summarize
again on a high level that we have several programs going on there now which
are partly related to our commercial strategy, partly related to our operational
excellence programs that are going on there. And that means that we develop
our approach to different industries, to different customer segments, we are
building up the partnership now because we know that we can deliver there.

To your question volume against price, that's an interesting question, we have
always said and we haven't changed our view on that, that we always go for
profitability. So we haven't changed our approach there.

Then you need to remember as well that most of the production is
commodities there, of course we have mixing of (sandwiches) which is a
separate story, and in commodities there is always a market price.

So we need to be efficient there. And of course, we need to meet as well the
market price in a profitable way. When there are products like – which have
special features like the 72 inch wide or similar products where we can really
give customers added value, so we take always a premium on that.

To your second question about possible divestments, as you know we haven't
disclosed any specific units or assets or BIs whatever, as we would divest, and
we are not going to do it today either. However, we have already a long time looked into the different opportunities that we have knowing how important for us is to take the net debt downward. So it's really a high priority and we have really looked into all, and when it comes to divestments, so nothing is off the table from that respect either, but we are not going to disclose any specific unit or assets.

Cedar Ekblom:  Perfect, thank you.

Mika Seitovirta:  You're welcome. Thanks.

Operator:  Thank you. And I have another question on the phone line from the line of Bastian Synagowitz from Deutsche Bank. Please go ahead.

Bastian Synagowitz:  Good afternoon, I've got a couple of questions and my first one is again on the US. So if I look at your shipments which have been down, 22 percent, even taking into comp the import trends I guess this is much more than the market.

Post Q1 you explained that I guess the pretty optimistic guidance at that point of 540 kilotons was basically based on customer discussions and now you're missing this target as well and you probably missed it by a margin.

What exactly has happened here and what were you missing in Q1, and half of these customers you were talking to there really just walked away and said we go for imports rather than ordering domestic, or why are you really completely ground on the market footprint because if I look at your volumes, they are basically back to the time before the melt shop ramp up.

And so we saw operational performance and it really should not be – maybe you can give us bit more color on what has happened and maybe also tell us a little bit what your conclusions are after having been to the US for the last couple of weeks. That would be my first question.

Mika Seitovirta:  Thank you for the question. You are right about the volume levels when you were saying that we are back at the levels actually which are actually history
in our ramp up as such but it's true that the commercial ramp up is delayed because of reasons we know.

Now why do we see differently than at the end of Q1, I think that the biggest reason is really that when you buy imports as a customer, you have very long delivery times, it's 4 to 6 months and depending on what you have bought you might have been little bit bullish as a customer as well as ordering at the end of last year when everything looked quite different.

So I think that created higher inventory levels and it wasn't to be seen that it might take the customer companies little bit longer time to get rid of the over-inventory and then to start place orders in the normal way.

As I'd been really asked from actually May, I've been having my office there, and now I'm back to Europe. But I've been talking to customers and there was not a single customer who would have said that we have changed you to imports, they are happy with our quality, we have able to include the delivery performance a lot.

The price gap against import pricing is much less than it was last year and we have a delivery time currently which is three to four weeks. So I'm rather convinced that the customers are preferring made-in-US delivery for many reasons against imports, and they will of course, I just want to remind you partly also forced to go for the imports because you were off the game for a certain period. So hopefully this gives you some more background to that.

Bastian Synagowitz: Thank you. Now just following up on that one and I think Cedar already made the point, if I look at the US business, basically target an annualized on the 130 million EBITDA, it's a loss making business which means cash drain is probably even higher than that and your balance sheet cannot really afford it.

You were already talking about a few measures but are there any quick wins if it basically do and implement to basically get the performance at least closer to EBITDA breakeven in the course of say the next two or three quarters?
Mika Seivetvirta: Yes, of course we are not giving any guidance for those quarters now or this year specifically but I can say that yes, there are measures, and we have been depending on those measures in details and you have even quick wins.

Of course nothing can compensate volumes at the end of the day, but when it comes to for instance yield improvements there, so we have been moving already in the beginning of the year engineering skills to Calvert, from Tornio, from other units, from Avesta in order to really take care that the best knowledge that we have within the group and we have a lot of knowledge is there to help.

We start to see results there as well, so there are ways to turn around that profitability development.

Again, it's two different cases, when Europe is slowly restructuring and growth case, so this has been a Greenfield, and it takes time but the good news are that the production is running, we don't have the cold rolling problems we had, and we are improving gradually there.

Bastian Synagowitz: Perfect.

Just moving on to the second point which is EMEA, again I think here your operational performance is actually quite strong, yet you mentioned we had some problems in the hot rolling mill, so how much was the impact in the second quarter and will that be fully fixed in Q3 or will there still be some spillover?

Mika Seivetvirta: First of all, yes, it's true that we had those challenges and I think this is really also a kind of learning curve, because those efforts have probably not so often been run at that high level. We can see we have been doing the stress test, already Q1, those have gone well, and now those challenges that we had in the hot rolling, those bottlenecks we have solved, and we are pretty confident that we are able to deliver in the future much more reliably at the higher volumes that we now have. I don't think we have disclosed and quantified any amount on that problem that we had, so there is no euro amount for that.
Bastian Synagowitz: And I guess, just to variance, is it rather single digit, is it rather double digit million, I suspect it is less than that.

Mika Seitovirta: Well, I would say that it single, that much I can say.

Bastian Synagowitz: OK, thank you. Then, also on the plate business, I remember after Q1, in the conference call you said that you wouldn't really expect to fall back even if you seems like the performance has worsened again a little versus the first quarter. What has happened here and are the measures which you were mentioning in the Q1 call, just taking a little bit longer or what can we expect actually in the next few quarters?

Mika Seitovirta: I'm not happy with the Q2 Quarto Plate results, you were right, I was expecting more. I would say that the main impact has been still – if we look at the ramp up of our Degerfors unit, in that unit we have had quite some complicated projects, that's first point. The second point is that although the deliveries went up, so the price levels have had not been as we have forecasted. So, yes, we were deviating from our own expectations Q2 in Quarto plate.

Bastian Synagowitz: You think that you will kind of get back on track in the third quarter or…

Mika Seitovirta: Yes, sure we will get back on track, however, we need to get also the utilization levels right and that is again dependent on the market development. Market is rather difficult for the time being, we are still aiming for the 95,000 tons as we have said, and that's what we are targeting, and of course, continuous improvement and not only on the production side, operation side but also we need to develop there our commercial activity. So this has been the order that now we can deliver more, produce more, the next thing is that we can sell more, so it has to be this order so that we are not risking our customers.

Bastian Synagowitz: Those were all my questions, thanks for taking the time.

Mika Seitovirta: Thanks a lot.
Operator: Thank you. We have another question on the phone line from Artem Beletski from SCB. Please go ahead.

Artem Beletski: Yes, Artem Beletski from SCB, a couple of questions from my side. And the first one is really related to inventory situation, so how confident are you in reducing your inventories from slightly more than 100 days currently to the targeted 86 days by the year end and what are basically key elements contributing to this kind of inventory reduction?

Mika Seitovirta: Thank you for that question, extremely good question, it's very clear now that it's a very, very challenging target, the 86, knowing what we had as development in business area, Americas, and especially Calvert.

So obviously that target was set before we had this situation.

However, we have decided that we still try to get there with all the possible means, and I think we have learned almost from last year as well that we have been faster this year to react to the situation that we are lacking volumes, and we couldn't make our volumes forecast. It's of course also heavily dependent on how the market really H2 is going to look like.

Now EMEA inventory development, I'm very confident, I don't see any particular risks on that, so they will keep up the good pace they have, they had already good cash flows and developments, in Q2 as well, but the question is really how the H2 and how the very ambitious action done that we haven't done going to succeed. But really, 86 was there before we knew about those troubles, so that I need to really particularly say as well.

Artem Beletski: OK. And the other one is really relating to European situation and the current trading, so could you maybe comment on lead times what you are having right now and also new orders, so basically are you taking orders beyond September, when this point of antidumping duties will be in place presently?

Mika Seitovirta: Currently we are selling October in EMEA, and which tells you that actually the order intake situation has been good.
Artem Beletski: And do we see some kind of impact in terms of base price due to potential issues regarding antidumping in Europe?

Mika Seitovirta: Well, we are not guiding prices forward; we are only telling what happens behind. I think really we need to see the decision and the market needs to see, but that problem is going to take some time, even if you would get a positive decision which we don't know today so you probably have quite a long lead before the market sort of demand and supply is in a new position and you can say that whether that will then impact on prices and volumes and imports then from other places. So it's a complicated puzzle. So so far, I can say and we have said it clearly that so far the impacts are very moderate.

Artem Beletski: Alright, thank you, that's all from my side.

Mika Seitovirta: Thank you.

Operator: Thank you. And another question on the phone line from the Jean Devevey from Exane. Please go ahead.

Jean Devevey: Two questions, if I may. So first of all, if you could help me better understand what you're talking in terms of cost improvement when it comes to your US operation because I understand you're saying your Q2 is going to be the lowest point but at the same time you are saying volumes are going to improve in H2 and I understand not so materially given the full year guidance you are talking in a context where prices are still dropping and maybe have further to go.

That would still suggest to me that there is maybe downside to this assumption. So maybe if you could quantify a bit more, what you're doing there and how much cost improvements you would gain, that would be my first question.

Second question would be related to your EMEA, if I look at the transaction price from CRU, Q2 versus Q1, I end up with a drop off something like 30 euro per ton, when you got your realized sales pricing in euro per ton, in that with 110 or so, drop Q2 versus Q1, which suggests to me that either you are dumping or the mix is deteriorating, so if you could elaborate a bit more and
to what extent this is offsetting some of your cost improvement yes. Thank you.

Mika Seitovirta: Thanks for the questions, if we start from the US, indeed we have a special cost improvement program there and in some – on top of the program that we have had so far, so we have during Q2 really looked all the possible measures how we can improve our position, because we are suffering so much from the lack of the volumes.

And your comments about declining prices are okay, however, the underlying demand is there and then if you say, yes, we have a cost improvement program, we haven't disclosed any number for the program and I'm sorry that I can't give you this number now, but we are ambitious on that one, and I think it's very credible actions that the new management is doing there right now, so maybe just those comments briefly on the cost improvement gain in US.

Reinhard, maybe you can comment just the pricing and the comments.

Reinhard Florey: Yes, I understood your question in that way that you say the transaction prices that you see on the official statistics with our transaction prices there are different. Please do not miss the point that of course there are always mix effects regarding (austenitic and ferritic) and that of course is in the transaction price per to a big difference, and you can see it in our profitability that we have not lost on profitability, rather we have gained on profitability. So we think that the suggestion of us dumping in the market is very far-fetched and it's certainly not appropriate.

Operator: Thank you. We have another question on the phone line from the line of Cedar Ekblom from Bank of America. Please go ahead.

Cedar Ekblom: I'm sorry, one follow-up question from me, no one asked as yet. Obviously, the topic du jour, US trade cases, there are number of steel companies in the US in stainless steel that have seen their profits decimated by very high levels of imports and yet when you ask companies what they are doing on the import side of things, they all seem to be pretty sanguine on the issue.
Now I understand that this is a legal problem and you guys don't have enough clarity on when we might or might not get a trade case launched, could you talk a little bit more about this in detail, what your perception is off the problem, how aggressively you are pursuing it?

I understand you can’t say whether you think you will get a decision or not in favor, that’s a separate issue. But I feel like investors are a bit concerned by what appears to be apathy from the steel companies on the level of imports into the US and what it's done to profitability, so I just want to ask the question straight out, what is happening there? Thank you.

Mika Seitovirta: Yes, this apathy you don't find in this company. The case of course depends a lot, can you file it with appropriate data and do you see the injury happening instead of the injury coming, we are working on that as we have disclosed earlier, we are of course taking always fair trade issues in a very serious way.

I think we have however, enough data to make the right conclusions that whether we can file something or not, so there is not much more that we can comment on that. But I promise you that as soon as we have those conclusions available, we will immediately tell what is our position to what effect.

Cedar Ekblom: OK. I mean, just to frame the question, is there any way you can give timeframes on that, so how long you need to get this additional information, is it all in your hands or are you required to get responses from other parties?

Mika Seitovirta: It's not all in this, let’s put it this way, it's not all in our hands and therefore we are unable to give you a timeline. And it's also depending on the authorities and so forth, it's a legal thing as well. And I think the best thing would be that you would look at some of the carbon steel cases earlier whether you get an understanding how soon that kind of a process could come if there is a case.

Cedar Ekblom: OK, that's very helpful, thank you.

Mika Seitovirta: You're welcome, thanks.

Operator: Thank you. We have another question from the line of Jean Devevey from (Exane). Please go ahead.
Jean Devevey: Gentlemen, I may add a follow-up, just to be sure I completely understood some of Reinhard’s comments on the EMEA profitability during Q3. You were talking Q3 and telling profitability to be down versus Q2 level on the lower volumes and negative price pressure. I would just like to clarify whether we are talking in EBITDA ex-non recurring or ex NRI effect which was quite positive in the Q2? Thank you.

Reinhard Florey: Thanks for the question. We are not expecting NRI except in Q3, and what we are seeing is that there is as always the case a seasonal impact in Q3 and the seasonal impact is certainly more pronounced in Europe than it is in Americas whether it is not such a thing as (summer break) in the narrow sense.

But I think what we are saying is that we are expecting the volumes in Europe to be lower in terms of the deliveries and also in terms of the production as we have these maintenance breaks in order to be there with the full strength of production capabilities back after summer.

So those are the reasons, and that is not different from the years before that so in that sense there is nothing to worry about, there’s no operational topic that is no negative look on the market, we still think that the market is strong, but we have a seasonal effect.

Operator: Thank you. Our next question comes from the line of Antti Koskivuori from Danske Bank. Please go ahead.

Antti Koskivuori: Well, most of all my questions have already been answered, maybe one on your other operations. Now in Q2, minus 40 million on EBIT, pretty high number, or low, how you put it. Could you specify what is actually in that number and what we should expect going into Q3/Q4, I know it's difficult to predict but any kind of help would be appreciated. Thanks.

Reinhard Florey: Yes, thanks for the question. Of course in other operations what you see is all the impacts from derivatives. And, so these are derivatives on the metal side, on the currency side, in that sense, specific into currency derivatives that we see from the U.S. Dollar and other currency effects are included in there.
And then there are topics of special initiatives that we take in other operations if there are any minor costs that is added in there as well. But clearly the main reason here is the currency derivative and if you take it from the EBIT excluding NRI, it’s also the metal derivatives there.

Antti Koskivuori: All right, and for Q3 do you have any estimate for that?

Mika Seitovirta: No, I have to say, it's always very difficult to anticipate the movement of derivatives. Of course, there are some macroeconomic views that we have on currencies developing but we have seen that devaluation of the Euro has come to a certain fall now, but if you take all the uncertainties about Greece, about Ukraine, it is not easy to predict, therefore we are not giving a guidance on that.

Antti Koskivuori: All right, maybe one question still on the base price levels and the potential increase in Europe. If you could share us your view about the timing and the potential price increases in Europe, should if – assuming that the decision on September would be positive from your perspective, would the timing of the price increases be then in September or do we need to wait out it longer, what's your view on that?

Mika Seitovirta: First of all, just to repeat that we only know when the commission comes out, what the final levels of tariffs if the positive decision comes and what is the length and everything. And this is a market which takes a long time to change, to start, and everything that you are asking is actually basically a result in the future of supply and demand balance in this market.

So we are not giving any guidance on pricing, we are not giving any estimate, we wait for the decisions to come and then we will be part of the market and see how it looks like. And the only thing I can say, whatever happens I think they are longer term changes.

Antti Koskivuori: OK. How would you describe the market balance today, I mean you've been talking about the demand going or improving as well as import levels coming off, how is the market balance today, how do you see that?
Mika Seitovirta: Of course, given now the capacity utilizations of our competition and we don't comment those numbers, we should do that if – in order to be able to answer in a proper way to your question but what we can say is that again, more than 40 percent imports we have come down to a level of 20 something.

We have seen some imports from other countries increasing net impact here; actually we are back to the levels where we were before 2014 because the imports have always been around 20 percent. And whatever happens if the commission decision, it's clear that the imports will not be severe.

There is capacity in our mills, and as I said, I don't know what is the situation of the competition but I believe as we are able to serve whatever decisions come and whatever implications it will then have. The market currently as we said is rather healthy on those demands, so that is slightly improving now in Europe.

Antti Koskivuori: All right, thank you.

Mika Seitovirta: You're welcome, thank you.

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

Michael Shillaker: Yes, I guess a lot of my questions have been answered but just a couple and if I may, first of all on Q3, given obviously Europe is generally very seasonally weak and the US looks like it's still in de-stock, and therefore probably worse, not better.

How much comfort do you actually have over your guidance for the third quarter? I know that you've got tailwind from the lack of the ferrochrome outage and I know that you've got, obviously the Bochum closes should start to feed through but it does feels like normally in this kind of cycle, Q3 would – if anything probably be worse than the second quarter. This is my first question.

Second question on the net debt target for 2017 which currently given you're still bleeding cash, does look like quite a tall order. Can you give us a little bit
more clarity on – you must have a budget somewhere for this, on how much is market, how much is pure cycle, how much is bottom up from what you expect out of Calvert and restructuring and how much is coming from asset sales? You're not going to give me every single number, I understand that, but at least give us a feeling how you get to that target in what is still a very tricky market.

And my third question is, look, I guess you're about 80 percent of the way through the cost reductions right now, you're 500 odd plan for cost reductions and synergies, and obviously the group is still a bit loss making. I know you are working around the edges to try and get improvements in the US but at what stage do you actually say look, we actually need to go for something a little more major here and we actually need another major overhaul of the group because frankly, just tweaking around the edges in the US won't get us in the position we need to be. And those are my questions, thank you.

Reinhard Florey: Thanks Michael, very good questions. First, on the Q3 results, I think it's fair to say that of course in the guidance there is a confidence of the management. And you have already triggered the right point there which I would like to confirm. First of all, yes, we expect a positive impact from the Bochum closure, and yes, there will be better profitability clearly visible also from the ferrochrome within the EMEA results.

We have another topic and we have been pointing last year also to the burden from the propane topic that now in third quarter we will also have specifically in Tornio some positive effect that will help us also to reach our targets there.

And if it comes to the US, yes, you are pointing to a market which still has to digest the full stocks there but also there we are confident that during Q3 we are seeing an improvement of this situation there and our order intake and deliveries would improve. So in that sense while we are still I would say realistic enough to say there is a chance that it is still negative, we think that Q2 should have been the low point here.

To your second question regarding the cash, I think it is very clear that always the majority of the deleveraging effect will come from operational
improvements. So if we are confirming our 1.5 billion target, then it is also very clear that we trust also in our ability to create cash and extract cash from our operative business.

And there is as we have mentioned, also the optionality to look into some M&A activities, not to be specified at the moment but it is clearly to be emphasized, we are not shifting all the effects for deleverage on M&A side, this is clearly our ambition in the improvement of the operational side to deliver on that.

And to your third question about cost reductions, I think I can only very much agree with what you said. Of course, the programs that we have now in place are not the limit and are not the end, as we have already now taken the programs in the US which clearly come on top of the improvement programs that we have under the features of P250 and the EMEA restructuring.

I think we have demonstrated the synergies, we have kept our promises, we have even anticipated the point of time when we would be ready. I think on the P250 we are absolutely confident that we will deliver on time there and the same is true for the EMEA 100. So is the next starting with Americas programs coming up, and it will be certainly some more details in the quarters to come.

Michael Shillaker: That's great. And just as a follow-up on the cash flow over the next two years, are you using current market conditions or you're actually assuming an improvement in the underlying market conditions in terms of your effective budget?

Reinhard Florey: No, we are not really speculative in that, we have always emphasized that our ability to improve our profitability mainly comes from inside, and that's, there we still have I think many opportunities to improve there. So it is not if you imply that any speculation that nickel would go up significantly or something like that, that's not the basis of our calculations here.

Michael Shillaker: OK. And I know you're reticent so far to give a target for the US cost reductions but is that something you feel free to do in the quarter or so’s time?
Reinhard Florey: We will comment certainly in more detail in the coming quarter.

Michael Shillaker: OK. Very good, thanks a lot.

Mika Seitovirta: Thank you.

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

Seth Rosenfeld: This is Seth Rosenfeld with Jefferies. The majority of the questions were already asked and there’s just two areas to follow-up. First, with outlook for stainless scrap prices, can you just give us a bit more color on how will be clinical the amount of scarp supplied and how significant the squeeze up in scrap prices that you're seeing that you can quantify, what the impact could be on the coming quarters of earnings?

And then secondly, within EMEA, obviously with Bochum recently closed and you commented that your capacity utilization rates at Tornio an invest or towards 90 percent, can you just try to give us a bit more color on how it's impacting your cost base primarily from a variable cost side?

I know there was a 20 million euro target you gave from the Bochum closure. I imagine the fixed cost side, how is that impacting your operation in the variable cost at those two remaining plants? Thank you.

Reinhard Florey: Thanks for the questions. Regarding the scrap prices, you will understand that of course regarding our procurement conditions we are not giving any kind of concrete number.

But it is true that of course and the ability, even for the big scrap suppliers is seeing much difficult to source according to the demand if individual collection gets more difficult because there is an expectation that the current level is lower than what we could see in the future.

This is the main driver from this situation that currently although the nickel price is low, the scrap price is – or the cost of scrap currently is getting more of a burden for us. I think that is something that everybody feels in the market,
however it's not influencing negatively the availability of scrap for us, as such so there is not a shortage that we would see at the moment.

Regarding your question of EMEA, I think we have summarized overall the impact regarding fixed and variable cost in our EMEA restructuring improvement that we have – that would be at a level of 100 million when fully implemented and this comprises the Bochum closure and the trends that are off the cold rolling assets in production into Krefeld and optimization in our sales structure and distribution structure that we have in Europe.

So all of that is certainly something in which we have seen fixed and variable cost included in there. But to confirm what you are saying besides the fixed cost that is a variable improvement because on the one hand side production moves from energy expenses to a much more reasonable energy priced market in the Nordics.

And secondly, if you increase the utilization rate on your line, this also has a positive effect on the variable cost due to the ability to have optimized runs in your production program, but that's more or less all I can say to this topic.

Seth Rosenfeld:  Great, thank you very much.

Operator:  Thank you. Our next question comes from the line of Luc Pez from Exane. Please go ahead.

Luc Pez:  Hi guys, sorry, most of my questions have been answered. Thank you. Cheers.

Mika Seitovirta:  Thank you.

Operator:  Thank you. And the next question comes from the line of Johannes Grasberger from Nordea. Please go ahead.

Johannes Grasberger:  Hi, gentlemen. Likewise, most of the questions were asked but regarding Americas, I mean it seems like you're quite clearly seeing in that second quarter would be the low point. Will this be true even assuming volumes would remain at Q2 level for the remainder of the year or do you need higher output to improve from here?
Reinhard Florey: First of all, we have indicated that we expect volumes to go up in Q3 versus Q2 but it is also clear that the implementation of the improvement measures, of the operational improvement measures that we have there would nourish our expectations that even then Q2 would be the low point.

Johannes Grasberger: OK, thanks for that. My second question is on EMEA, when are you starting your annual price discussions in the European market and I suppose you cannot give any clear indications on the price levels where they’re heading at the moment?

Mika Seitovirta: Thanks for the question, it's Mika here. Concerning the price negotiations for the part which is mainly then by yearly contracts with the end customers. So that's about one-third of the volumes, and they start late August/September, then they are valid for next year, and of course it's extremely sensitive area. So we cannot give you any details about what we are expecting from that, so that is our process, it starts pretty soon and of course we will take them extremely seriously.

Johannes Grasberger: Continuing on the EMEA side, I think Reinhard shortly touched on the electricity price which is in the Nordic has been falling quite heavily, any indications on what your hedging policy is right now on electricity?

Reinhard Florey: No, actually we are not publicly commenting on the energy hedging policies that we have.

Johannes Grasberger: Can you say whether you will benefit at all on the lower electricity prices this year or would that benefit rather come next year regardless of what, how big that benefit is but if you could give us any kind of feeling on that one?

Reinhard Florey: Yes, it's a very, very specific question regarding our purchasing conditions which I would not like to go into detail yet.

Johannes Grasberger: OK, very good. Then, the final 40 million cost savings for this year, is that going to be at year end weighted effect or evenly split between third quarter and fourth quarter?
Reinhard Florey: We are expecting that rather to be on an evenly distributed effect. So this is a constant process of improvement measures going into effectiveness and that is not a timed effect in there, this is rather a steady flow of improvement.

Johannes Grasberger: OK, thanks for that. And my last question is on the debt reduction, I see that you're highlighting as well as the second half priorities to reduce debt, and does this now mean that you're implicitly guiding for positive free cash flow for the second half of this year, I think I heard Reinhard also commenting the same thing in his presentation, please correct me if I'm wrong here. Thanks.

Reinhard Florey: If we take it for the second half I would tend to be in agreement.

Johannes Grasberger: OK, those were all my questions. Thanks.

Mika Seitovirta: Thank you.

Operator: Thank you. Our next question comes from the line of Alan Spence from Jefferies. Please go ahead.

Alan Spence: Thank you. But all my questions have already been answered.

Mika Seitovirta: Thank you.

Operator: Thank you. We have no further questions on the phone line. Please continue.

Johanna Henttonen: Thank you. I believe this concludes our session of today. We do have still some questions which came through online; we would be answering those individually by email from others. We will answer those questions. Thank you for your participating today.

Thank you, Mika, thank you, Reinhard. And may I use this opportunity to tell you that our next field trip is on October 7th at Kemi and Tornio. So there is still available seats for that trip. And then the third quarter report will be out on November 5th. Thank you.

Mika Seitovirta: Goodbye.
Operator: Thank you. That does conclude our conference for today. Thank you all for participating. You may now disconnect.

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