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JOHANNA HENTTONEN: Good afternoon, ladies and gentlemen, and welcome to the Outokumpu webcast of our second quarter financial results. My name is Johanna Henttonen. I'm Head of Investor Relations at Outokumpu. Today we will start with a presentation by our CEO, Mika Seitzovirta, and then also our CFO, Reinhard Florey, will take a deep dive on the numbers. Mika will then conclude the presentation with a summary. After that official presentation we will be ready for the Q&A. We start the Q&A from the Helsinki audience and then continue with the conference call participants. But without further ado I will ask Mika to join the podium and start the presentation. Mika, please.

MIKA SEITOVIRTA: Thank you. Good afternoon, everybody. Ladies and gentlemen, today is the second quarter announcement of Outokumpu. Thank you for your participation and you are welcome to join.

First of all, about the markets. If we look at the second quarter, the market continued in a relatively healthy mode. We could see growing prices and demand, both in Europe and in the US and of course also in APAC. If we look at it where it comes from, it is partly underlying demand. We can see good development in some of our customer industries globally, quarter on quarter, for instance, architecture, construction and building a 4 per cent increase. We can see good development also in petrochemical and chemical oil and gas and the energy sector overall, but also in automotive and consumer goods.

The other part is of course very much characterised by the nickel price increase, 26 per cent on average higher than in quarter one. So partly underlying demand, partly
restocking could be seen, and we believe that this relatively healthy market situation will as well continue.

We were able to deliver very much according to management expectation during the second quarter, very much based on mix improvements, price improvements, the continuing of the cost efficiency programmes and, on top of that, we were moving forward in our ramp-ups, especially in Calvert but also in Quarto Plate.

The good thing in the result development was that all the business areas except Americas contributed during the second quarter positively to our EBIT. And also the business area Americas reached the EBITDA break even for the first time during the second quarter.

If you look at the challenges we have seen a high share of imports to Europe, mainly from China, Taiwan, Korea, so actually the month of May reached a level of 30 per cent. We believe that this will come down somewhat during the year but during the second quarter it was definitely a high share there.

We need to work further with our cash flow. Our negative cash flow, as anticipated for the second quarter, was very much driven not only by the nickel value as such but also by preparation for the third quarter, which is normally the seasonally weaker quarter. A lot of our inventory increased during that period, second quarter against first quarter. It can be mentioned that 40 per cent is because the nickel price increased because of the value, and 60 per cent respectively is coming from the volume increase there. Due to the cash flow and due to the increase of the net debt our gearing went up as anticipated, so we were on a level of 92.5 per cent.

During the second quarter we had some operational issues as well. They are now fixed as we talk and discuss here today but, just to give you a couple of examples, you probably remember during the first quarter we had in our ferrochrome operations the transformer breakdown. That is now fixed and corrected, but obviously that had an impact and of course, because of the lower production during...
quarter two, it will have some impact on quarter three as well. We had a storm in Germany where the railways and transport didn't work for two to three weeks, and some of the deliveries were moved from the second quarter forward. We also had a maintenance break in Calvert and we had a couple of ramp-up issues in our Quarto Plate mill in Degerfors, Sweden. Those are now solved and we will move forward quite normally.

The demand is going to continue positively. If we look at the global demand here forecasted by SMR we can see that the SMR is giving us a 7 per cent growth number for 2014. That's a good number especially for us because it's giving for Europe a 3 per cent growth and actually it's giving for the US a higher number than last time, which is now 5 per cent growth. So obviously the US growth is very important for us so that it can support our ramp-up of Calvert, and as well the European growth is important because last year it has been negative and now that is obviously as well supporting our restructuring activities.

Pricing: we were able to get €20 to €30 per tonne better prices during the second quarter. We believe on a good pricing environment. It has been not only in Europe it has also been in the US. Here you can see the trend. We need to remember that although it's improving it is still historically at a very low level, but clearly we can see that there is a turnaround and maybe when it comes to Europe the reference price - base price 304 stainless steel - is a good indicator on that one.

We stick to our agenda based on the four profit levers for Outokumpu. Maybe just a few comments on each of them. We continue to work on all of these areas, here first in Americas. In Americas not only the market is positive but also we feel that our customers have taken us in a very positive manner. We have been able to enter new segments now when we have the full product portfolio which we are currently ramping up. We are improving in our quality. We are also improving our delivery capabilities, and that means that we have been able to increase our market
share in the US and also in the NAFTA area as a whole. It is not only improvement in Calvert; we have also been able to integrate the Mexinox operation to the Calvert operation. Now the whole feed for Mexinox is coming from Calvert and Mexinox has been doing extremely well this year, quality-wise, commercially but also - which is the most important thing - profit-wise as well. As I said, we stick to our guidance for the whole year for the business area Americas, which means EBITDA break even for the full year 2014.

EMEA: after we got the contracts with the unions during quarter one. In quarter two we have now started the ramp down of Bochum. So we are testing the products not only in Tornio but also in Avesta, and we have had good results quality-wise. And that process where we have been saying that it takes more or less 12 months before we can do that, so that period has now started. So by mid-summer next year we will have closed the Bochum operation completely.

Investment: we are also investing in our most important market in Germany. That project is called NIFO - Nirosta Ferritic Optimization. We have started that investment now. So that was that 108 million project for the coming three years, this being the first year. That also means that later on then as earlier announced we will close the Benrath site. We are also reducing our headcount according to the plans. In the beginning of the year we were somewhat late because the union agreement came a little bit later than we anticipated, but now we have it so we can also accelerate on that side. 2,500 out of the announced group level headcount reduction of 3,500 is to come from EMEA, and we have already exceeded the number of 1,200, which is an accumulated number. We also have a new head for EMEA, so we are very prepared for a commercially-driven rest of the year and coming years here now.

Synergy and cost savings programmes: we have already exceeded our targets here when it comes to P150 and also the synergy savings plan for this period. So H1 all
in all ends up at €316 million. We have not changed our overall numbers here, so €470 million by 2017 is still valid. However, during the coming months, because of the over-achievement so far, we will go through what we can do more here, and then of course announce and inform you respectively. Our ambition is higher, what you can see here.

Cash flow: as mentioned already, we are working a lot with that and obviously the key area is the inventory management at a time where the nickel price has been increasing. We were in the inventory days at the level of 85 during quarter one. Quarter 2, 96. And our target for the whole year on average is 91. That target is still valid. There is some living between the quarters, of course following the demand, but our target of 91 days in inventories for this year is definitely valid.

CAPEX: we have been telling you so far that it is going to be under €200 million this year. Last year it was €183 million. Just to remind you, we believe now that we will be below €160 million. We have now lived through the first half of the year and now we can very well plan the rest of the year as well. So there is a new slightly lower guidance on that one.

As mentioned, we have also announced in Q2 a new organization very much because we want to be more customer oriented, simpler, leaner, more performance oriented and, as you can see here, actually four out of the five business area heads that we have here are new. So part of them are taking over their jobs on 1 September and part of them have already taken the new responsibilities. So this is how we prepare ourselves to shift gears, on top of the restructuring, to be much more market oriented, performance oriented and capture our opportunities in a better way.

And here, Reinhard, I would like to invite you to drill down a little bit into the financial numbers, please.
REINHARD FLOREY: Thank you very much, Mika. Ladies and gentlemen, a very warm welcome from my side as well. I would like to introduce the numbers and some details about the performances in the individual business areas to you. Starting at the key financials from Q2, if we look at the sales level it is clearly up from Q1. When we compare that to the deliveries that have been staying flat, from Q1 to Q2, we clearly can see that there is a positive impact from both mix and price that we could leverage for higher sales. But on the other hand, if you compare it still to the second quarter of last year, we can see that the price level that we have is still only at about the level that we have seen last year. So there is still room to improve and there is still ways that we see also with further price improvements in the market.

The EBIT has developed as forecasted. We have guided for a still negative EBIT in that quarter. This is exactly what we have. It is with an underlying EBIT of -6, very close to EBIT break even which is really good news. On the EBITDA level we can see that we have doubled, more or less, the result from the last quarter. We can also see that overall the trend over the years is significant and also reflects the impact from our improvements and efficiency measures and programmes that we have in place.

On the operating cash flow, as Mika has already explained, this is a negative number more or less coming from a little bit of a catch up situation we had. The last time I commented on the numbers for Q1 I said that it was better than expected, so part of that has of course been shifted into Q2. Then we had some inventory increases, mainly driven by the situation that we had some maintenance breaks during the summer and we, of course, will not want to let our customers down and will be able to deliver. Then we also had, of course, the impact of the higher raw material prices. And let's be clear, it is all the raw materials. It is not only nickel. For instance, molybdenum has gone up more than 33 per cent from quarter to quarter, and we have also seen a slight improvement on the chrome side.
CAPEX is still at a fairly decent level with some €33 million for the second quarter, and Mika has anticipated that we have taken down our overall communicated target for the CAPEX from 200 to 160 for the full year 2014.

If we have a look at the non-recurring items that we see included in our reported figures, we have a relatively small number, a provision of €7 million in Q2, which has been provided for the upcoming further restructuring effort and taking down of our headcount. If we are looking at these one-time effects in the context of our improvement projects a little bit closer then on the one hand side we can see that the improvement projects and those are - just to remind you about that - our synergies with €200 million positive impact, our P150 programme where we have now an anticipation that this will give us more than €170 million of positive impact, and then our EMEA restructuring programme which will have an impact of larger than €100 million. So in total we have been raising the expectation of positive impact from those programmes for the year 2014 from a previously announced level of 320 to now €340 million, and we are overall expecting that this is giving us a higher level of €470 million until 2017.

The one-time impacts that I have been talking about previously will be for all those programmes at a level of about €200 million, out of which we have now provided for some €175 million, so only a small residual value of €25 million still to come during the next quarters, be it still in this fiscal year or the beginning of the next fiscal year. So you can see that all the anticipated effects on the P&L from these programmes have more or less been digested.

Then some comments on the individual business areas, starting with Stainless EMEA. There you can see - both from the sales and from the deliveries - we have been about at the level of Q1, a little bit lower even. That certainly has to do with some adverse conditions that we had specifically in June with the storm conditions that Mika has been talking about in Germany and some of the supply chain topics
that we are currently optimising. Then on the other hand, if we are looking at the EBIT and EBITDA figures, there is a very positive development there as well continuing a positive increase and an EBITDA of now €53 million for the business area EMEA EBITDA, excluding non-recurring items. The non-recurring items of €7 million are actually irrelevant for EMEA. So this is all reflecting the headcount reduction to come in our European assets.

If we are looking at a comparison of the EBITDA to last year, we can say that in this first half of the year 2014 we have already exceeded the level of the EBITDA from last year. And there we have to say within all these numbers also the ferrochrome operations, as an integrated part of our operations, are included and are contributing certainly positively. On the ferrochrome side, the deliveries have been quite satisfactory. However, on the production side, due to the transformer issue, we had reduced the production to only roughly 100,000 tonnes, which means that we are going to lose over the year about 20,000 tonnes of production. We will have some impact from that in Q3 but this will also not be a major impact. If we are looking at the estimated production volume, we will have then about 470,000 tonnes for this year in ferrochrome compared to the formerly announced 490,000, so this is the change.

On the CAPEX side, again, a very modest development. As anticipated, we are fully in our plans there and in the operating capital you can see reflected that we have for the upcoming summer breaks - specifically in Tornio and in Avesta - some elevated level of the inventories in there.

Looking at Americas, we have already seen the very stringent and consequent positive development there. The good news is that for the first quarter we had a positive EBITDA here, which of course gives us the confidence that we can continue with the positive trend there. The EBIT, excluding non-recurring items, at a level of -17. So there you can see that also the level of depreciation is quite
modest still. CAPEX is very low and, as anticipated because we are brand new invested here, we have a very well running plant in Mexico and a brand new plant in Calvert, so this is going very well. We can say that certainly also for the increase in sales and the increase in deliveries, it is not only the volumes that help us but also the price increases that we were able to successfully put in the US market and also in the Mexican market, so this is going quite well and, overall, we can say that the ramp-up in Calvert is progressing very positively and according to our plans. Of course, in ramp-up situations you have some technical issues, you have some working capital issues, so these are all things that we continue working on. We have a very high focus on that and we clearly have to see that also these, I would say, early failures that you have during a ramp-up are being corrected throughout the full year and we said that the technical ramp-up will be more or less completed during the year 2014.

In APAC we also concluded this business area with a positive result, both in EBITDA as well as in EBIT. We clearly see that the market conditions in Asia are currently very turbulent. We have seen price rises and price decreases with the enormous extent of some 50 per cent up, 50 per cent down, so this is quite a dynamic market at the moment. Certainly also an impact from the situation with Indonesia and the Nickel ore ban but also with the overall fluctuations in the China growth rate that we are seeing, but in general this is still a positively contributing business for us and we are proud that we can develop this business here. Speciality stainless is a very interesting business, as we talked about, and from the numbers we can see that both in the deliveries and in the sales we have picked up against quarter one. This is a business that has a little bit of a different dynamic than our coil business, our flat business, it is very much project oriented and project business is a little bit later cyclical than the normal business, which means that it starts picking up right now and of course we have expectations that this continues.
We also see there on the operating capital level we have increased from quarter one but still at a level lower than Q2 2013. One thing certainly to be mentioned is the upcoming closure of the plant in Kloster, in Sweden, on our thin strip business. This is going to be still in 2014, which means we are starting ramping down this plant already in Q3 2014.

On the operating cash flow you can see the net cash from the operating activities at -257. This is of course mainly driven by the developments in the inventory, both by the value and the volumes. About two-thirds or 60 per cent of that is driven by volumes and 40 per cent by the value, which means increased raw material prices. We of course will have a very strong focus on the net working capital management further on, and we are expecting that this will be very much as anticipated also for the full year and continuing with full steam in all our business areas. Regarding the net cash from investing activities, we see in quarter two some -€70 million there, which overall gives us a free cash flow of -€327 million. We have also repaid some of our long-term debt. €400 million of that has been paid down, so that overall we have a change in our cash and cash equivalent of a little more than -€700 million.

In Q3 the operating cash flow is expected still to be negative but clearly less than in Q2 because then the summer break will be over and we will enter into a more dynamic market situation again.

This is the key programme with which we manage and continuously monitor our networking capital development, our programme called P300, with the target to have achieved by the end of 2014 an improvement of €300 million cash relevant improvement of our net working capital against the level at the end of 2012. At the end of Q1 we have already clearly surpassed this target but of course the impact from the rising raw material prices, and also the inventory effects, have had a negative effect on that in the second quarter, but we are still more than €150 million better than the level of 2012, but we have not changed our ambition to still reach
€300 million by the end of the year. This is also very well visible with the targets of the inventory days. We have been at 85 in the first quarter. We have a target average over the year of 91 days; now we are a bit elevated at 96 days and we will go down to reach this target of an average of 91 over the year.

Last but not least, capital structure. What you can see on the one hand side we have paid down the outstanding debt by €400 million. On the other hand, of course, we have increased our net debt by the working capital specifically. We now have an interest bearing net debt of €2.07 billion and our gearing went up from 76 per cent to 92.5 per cent at the end of Q2. Our liquidity reserves are still at a level of more than €1.4 billion at the end of Q2, which is of course a very good buffer far away from any covenants that we have so a very good and stable situation. Also the equity development, there we see that our equity to asset ratio has risen from 33 per cent to 34 per cent. We have only a small reduction of our equity of some €48 million from Q1 to Q2, due to the net result that we had. This is the overall financial situation. Back to you Mika, for the outlook and guidance.

MIKA SEITOVIRTA: Let us first have a look how SMR is seeing the end demand development in Europe and in US, in this case, for the coming quarters. If you start from Europe, which is on the left-hand side, you can see from the chart that there is a seasonal decline. However, we can say that it is not as it has been before. We share that view fully this time. If we look at US we can see that there is only a very small drop. The summer season seems to be very strong and continues strong, as well as the whole H2, according to this forecast. We also share this view of the healthy market development to be continued. Yes, seasonality impact in Europe, but less than, for instance, last year.

If you then look at our financial outlook and guidance for the third quarter. So, Outokumpu estimates overall stainless steel demand and pricing environment to
remain relatively healthy in the third quarter, with the seasonal slowdown in the European market, somewhat lower delivery volumes, some improvement in stainless steel base prices, continued progress in cost-efficiency initiatives and synergies, although at a slower rate. Outokumpu estimates sequentially slightly worse underlying EBIT primarily due to seasonal impact.

Net impact of raw material relative inventory and metal hedging gains/losses on profitability expected to be €10 million to €20 million positive. The Outokumpu operating result may be impacted by non-recurring items associated with the ongoing restructuring programme. This outlook reflects the current scope of continuing operations of Outokumpu. Once more the key targets, we stick to the target with business area Americas, break even EBITDA for the full year. 2014. Ferrochrome, the challenge in Q2 are solved, so for the full year now 470,000 instead of the 490,000 tonnes’ production.

Savings programmes, we have overachieved. That is why the rate is now a little bit slower also for the third quarter. However, we have also announced our ambition that we will look for further savings during the coming months. Of course, then announce them accordingly. That working capital, the target of the P300 project remains intact. So, this is valid. We have the 91 inventory days as target. This is where we are going to go. Then finally on CAPEX we can see that we have taken it down to below 160 for this year. We are very confident on that one at this point of the year.

We have a new team now organised which is moving forward and full of energy to implement and execute our restructuring our growth plans as well. We are having ramp-ups, we are having ramp-downs and we are having restructuring. But, we are also convinced we are moving in the right direction now in order to be able to deliver decent shareholder returns longer term. The agenda is clear and our team is very much committed to that. Thank you.
JOHANNA HENTTONEN: Excellent. Many thanks for both Mika and Reinhard. I will kindly ask for Mika and Reinhard to join us here for the Q&A. We will now start the Q&A session. We will first go to Helsinki audience and then continue with the conference call participants. Let's do it that way. If you do have a question, please raise your hand and I will bring a microphone to you. Then kindly state your own name and company name before the question. In Helsinki, please, anyone?

MALE SPEAKER: I would like to ask about your super-duplex demand. How much are you expecting to sell in 2015, and who are your main competitors in that market for this sulphur directive?

MIKA SEITOVIRTA: Do you mean the whole Duplex family or …?

MALE SPEAKER: Yes.

MIKA SEITOVIRTA: I don't have a number that we would have been disclosing for 2015. But, of course, we are continuously bringing new grades to the Duplex family and new products to the Duplex family, like the formable Duplex that we presented only a bit more than year ago. We still believe that that overall segment in the market is a growing segment. Our share is about roughly half of that market. We believe also that we can grow our share when it comes to Duplex. The volumes going forward, we are unfortunately not disclosing what our ambition is there. But, yes, it is growing. Yes, we see market niches. We are doing a lot of product research on those products.

MALE SPEAKER: Your competitors there are they from in Europe or are they in Asia-Pacific or America?
Mika Seiotvirta: Both. They are very much European and Asian producers are also increasing their products in Duplex. You are right.

Male Speaker: My question on the ferrochrome ramp-up, what proportion of total sales is going externally and what proportion used internally? What sort of price do you get relative to the European contract benchmark price for the external sales?

Mika Seiotvirta: First of all it, of course, varies a little bit between the quarters. But, if we take an estimate for a yearly number, so we are no far away from the split 80:20; 80 being the internal usage and 20 being the external deliveries. Then, of course, it varies a little bit with the contract price and the spot prices. The contract price for the second quarter has been 1.22. It was increase from quarter one. For the quarter three we do not have the contract price yet. Book prices have gone slightly downwards. Mainly because of the competitive environment in China.

Male Speaker: (Speaking off mic)

Mika Seiotvirta: We have not disclosed that exactly where we are, but typically we are in between. It is a mixture. It is only a 20 per cent share of the total.

Male Speaker: (Speaking off mic)

Mika Seiotvirta: This is how we are going to continue as well. So, we see more or less the same picture, even with the peak volumes, 2015, 530,000 tonnes.
JOHANNA HENTTONEN: Very good. Any additional questions from Helsinki at this point of time? All right. We have received these online questions and will go through them before moving to the conference call. We have one question regarding our product mix. Could you please expand a little the product mix improved that we referred to? How has the product mix really changed during the second quarter?

MIKA SEITOVIRTA: Actually the first thing is very much related to our EMEA restructuring. As you know, the idea of our restructuring is to bring the capacity between the hot and the cold side to a balance. So that we can achieve the utilisation in melting, which is more than ninety and in cold rolling, which is 80 per cent plus. Now, to start of this project we are also improving and developing our commercial strategy. So, we will clearly concentrate on the more profitable deliveries, because we will not have that overcapacity any more. We will leave out less profitable products that have only been covering our costs earlier.

Now, we are in the middle of this process. That is why we can say that we have been able to improve our mix towards products with more margin. This work will continue; we are now in the beginning of that process.

JOHANNA HENTTONEN: Many thanks, Mika. If there are no more questions at this point of time in Helsinki, maybe one small question here still in Helsinki then we move over to the conference call.

MALE SPEAKER: Hi. One other question, you talked about the global market growth or stainless steel demand. How does that compare to global growth in capacity for stainless steel production, both forecast and recent history?
JOHANNA HENTTONEN: Thanks for the question. That is an extremely important question. We should look at that very much continent by continent as well. If we look at US, for instance, so clearly we see that that is a market where the demand and supply is best in balance. Europe, we are working on that. We are moving towards a more balanced structure. Not only us, but we can see that also from the recent announcement of competition. So, even they are moving towards taking down some capacities. That is a good sign.

In China, although the numbers for the end demand growth are high, so actually still the capacity is growing more than the demand. China is now very turbulent and there are a lot of things happening. In this connection it is also good to remember in North America we have four players, in Europe we have four players and in China we have fifty players. If we go down the years, we need to remember that even in Europe we had almost 30 players during 70s. So, there has been a consolidation process when the overcapacities is big enough. But, this is the situation continent by continent.

JOHANNA HENTTONEN: Very good. We will now move to the questions from the conference calls for a few seconds. So, please operator, we are ready here.

OPERATOR: Ladies and gentlemen, if you have a question please press 01 and you'll enter a queue. We have our first question from Mr Michael Shillaker from Credit Suisse. Please go ahead, sir.

MICHAEL SHILLAKER: Yeah, thank you very much for taking my questions. Just as a follow up to the last question, I guess, regarding China. Capacity is only any good if it is utilisable. What are you thinking and what are you seeing? We have spoken about it before, but I would like your updated view on what you think about utilisable capacity given
the shortage of Indonesian nickel ore, which is clearly impacting the production of nickel pig iron in China. How long do you think it will take for that actually to work through? One thing clearly is what you are saying on import it sees like the negative is taking a reasonable amount of time to work through because exports out of China and imports into Europe are actually picking up.

But, in the longer term, do you think capacity in China, utilisable versus available, is going to be the same thing, given the Indonesian ban? I have a couple more questions, if I may. First of all on your pricing structure for stainless steel shipments, if I remember you have a fairly long term pricing structure, a significant quantity of 12 months contract business? Can you remind us how much that is as a percentage basis, when that is renewable - I guess it is 1 January - and are you looking to change your pricing structure if you believe the structure of the industry is getting better and maybe the cycle is getting better maybe it is your interest to go more shorter term contract.

Just on inventories, how much do you think your inventory situation is due purely to the cycle, which could be fairly bullish if you read it that way, and part of it how much you think it is due to underlying control or a weakening in control in inventories? I guess what you are telling us is what we think that the cycle is improving for the rest of the year and perhaps nickel even rallies further. How easy it really going to be for you to cut 150 million or so of inventory? Because, it is generally historically and typically business is very, very difficult to cut inventory and working capital and improving cycle environment. Thank you.

MIKA SEITOVIRTA: Thank you for the questions. To start from the China, obviously it is very difficult to give a view on the question that you put on the table. It is hugely complicated. If we start from the nickel pig iron, yes, we know there is the ban going on now. Yes, we understand also that Indonesia is trying to attract investment there for the local
employment purposes and so forth. We also know that there are a couple of investments going on there, which means that, of course, the ban now impacting his year and next year probably.

It doesn't mean nickel pig iron is going to disappear, but of course it increases to turbulence a lot this year and next year, because it must be that some of the manufactures are going to be without it and some of the guys are going to have it. We don't have a view more concrete than that, because we don't know. So, we don't want to make any other statements on this topic.

Concerning the pricing structure, yes, we had disclosed earlier that especially in Europe, this is a European typical thing for the end customers. We have a big share yearly contract. Right now is the period for the negotiation here to the beginning of autumn, where we negotiate the next year’s deliver contract and also the pricing here. It is roughly slightly more than a half of our volumes that we can relate this yearly end customer contracts here.

Then to your question of inventories, we obviously know more than about this first consolidation question which is important but we cannot give you any specific details or exact, because nobody knows what's going to happen. But, inventories, so your question was how much is -- because of seasonality, how much is just because inventories went up. There is no one reason here, to start with. First of all, if we look at US ramp-up. So, clearly, of course, we know that inventories go up in this kind of period. However, there were still inventory days were pretty close to their target.

The other thing if we look at the ramp-up, for instance, in our Quarto Plate operations. That is also tying up working capital, because of the growing volumes and before the volumes are out. As we mentioned, they had also shipping challenges there. So, part of the deliveries was moved from second quarter to third quarter. Then we have, of course, all the preparations for the third quarter, like in
EMEA, is a typical case. We are having maintenance for Tornio for four weeks. We are having a similar break for Avesta for four weeks. This is also because we want to keep the equipment in a good shape so they can sweat when we get the high utilisation. Also we do the preparatory work, so that we can deal with all the volumes and grade that are coming to reallocate there. So, there are different reasons. It hasn't disappeared from our management focus at all. We are very strict on that. The 91 day target for this year is valid for the whole year.

MICHAEL SHILLAKER: Thank you very much.

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

STEPHEN BENSON: Thank you. My first question was just on China as well. The import data that we have seen is quite backward looking. I think the latest data is May. In these annual contract negotiations that you are having over the summer, are you and the distributors that you are speaking with perhaps as well, noticing any change in behaviour from the Chinese? Has the nickel pig iron ban and then this anti-dumping case in Europe had any impact, do you think? Do you expect we will see lower imports in the second half?

MIKA SEITOVIRTA: Thank you for the question. Obviously, if we look at the market behaviour and look at the distribution and who do we meet there. So, we are meeting still heavy competition. Also, from our Asian, Reed(?), Chinese, Korean competitors. So, we cannot say for the time being that there would have been a change in behaviour because of the anti-dumping case now looked at by the commission. Was there another question from you?
STEPHEN BENSON: Yes, whether you thought there would expect lower imports in the second half. As to if you are not seeing any change in behaviour, why? Why will imports be lower?

MIKA SEITOVIRTA: It is also a complicated picture. As you said, the deliveries we see now is, of course, coming already from the orders already put in some time ago. Our view hasn't changed, because of one month being very high. We wanted to bring it up, because May was indeed very high. June numbers we do not have. We believe that overall this year and maybe even next year the general level will stay somewhere 24 - 25 per cent. Just under 25 per cent somewhere.

STEPHEN BENSON: Okay. My second question was just on the guidance on cash flow. I was wondering if you could perhaps be a little bit more specific or help us out with this sequential -- so we are going to have negative cash flow again from operations in the third quarter. But, is there any way you could get a bit more specific on the magnitude of that? Was it a big number or negative number in the second quarter? Are we talking tens of millions negative in the third quarter or is it still well north of a hundred million?

MIKA SEITOVIRTA: I think we have been relatively explicit in our guidance, which is that it will be clearly lower. This is also, if you follow the situation that we will have from our operational improvement in Q3. We see that in months like July and August it is not that easy to bring down inventory, because you have rather lower demand, you have your standstill in the plant. But, then there is September and September should be business back to normal. This leaves us room to manoeuvre and will certainly have a different dynamic.
Overall this is how the guidance needs to be understood. You see that also from the business's dynamic from the result side will not be dramatically different, slightly lower in EBIT as we have guided. So, this is the way how it should be understood. So, therefore, as we said lower than Q2.

STEPHEN BENSON: We will see a big capital release in the fourth quarter here?

MIKA SEITOVIRTA: We have not changed our target and that is the conclusion that you can have from this. This also means that we are able to work on the working capital during this kind of period. If you are back to seasonality from September to end of the year, we will see a dynamic market. We will see the stainless demand being there, where our improvements in the efficiency of our processes in the utilisation levels go up. The opportunity is there to clearly work on this. We have clearly said we stick to the target of the 91 days or lower, in terms of inventories. Let us not forget we are not only working on the inventories but also on the accounts payable, accounts receivable side.

STEPHEN BENSON: My last question is: I take it then the end of September at the Capital Markets Day we will see the increased cost targets? Is that when we should expect that announcement?

MIKA SEITOVIRTA: The Capital Markets Day is scheduled there and we will announce the agenda for it in due time.

STEPHEN BENSON: Okay. Thank you very much.

OPERATOR: Next question comes from Luc Pez from Exane. Please go ahead, sir.
LUC PEZ: Hi, gentlemen. A few questions, if I may. First of all on the EMEA business, when I look at the realised prices it seems when you extrapolate the base price component that your own premium, let's put it this way, has been under pressure over Q2. Could you maybe emphasise a bit as to how mix and underlying discounting has been developing for your business in Europe? Second question on the speciality business, you were pointing to the fact that this business was benefitting from project recovering. So, maybe if you could elaborate a bit more on the outlook and what kind of project you have seen there. That would be my questions, thank you.

MIKA SEITOVIRTA: Thank you very much for your questions. As part of the commercial strategy, yes, it is true that our discounting policies have been changing as well as we've got these price increases. It goes along the side of the base price increase this year. Also we focus on certain industries and customer here more than we have been doing before. So, that is continuing here. So, as we said, also that we think the healthy market continues. Of course, our work towards that continues, so pricing is going to be an extremely important component in our overall development here. We are not giving the mix of the different categories of product, because of competitive reasons. I am sorry for that. We are not giving, of course, any precise price discount information either, because we just can't do that. Concerning the specialities, yes, that has been an important thing from the beginning of the year where we couldn't clearly see if that will happen also in industrial investments and in projects, the underlying demand, will it improve or not. Now we can say that, yes, it has been improved. We see actually very strongly in areas like long products for the time being, where it is globally really growing well. We also see it in Quarto Plate, in Asia, Europe, maybe less in US. We see it also in our special coil. Many of these projects -- and we can't go too deeply in what
projects they are, because it's depending on the customers as well whether we can announce where we are working mostly, but it is the growing industries, let's put it this way, which I mentioned earlier. Then later on we come only to deliveries here. The order book has been developing rather good.

LUC PEZ: Could you maybe give us a bit more colour, even in qualitative terms, as to how your other book area is compared to, I don't know, beginning of last year, one year ago.

MIKA SEITOVIRTA: It's better.

LUC PEZ: Thank you.

MIKA SEITOVIRTA: You're welcome.

OPERATOR: Next question comes from Bastian Synagowitz from Deutsche Bank. Please go ahead, sir.

BASTIAN SYNAGOWITZ: Good afternoon, gentlemen. I've got a couple of questions. Firstly, could you quantify the total effect of the production issues in maintenance and the transformer breakdown in the second quarter, please? Secondly, on Americas, I guess the target for break even for the full year; you had been putting together at a point in time when the market was clearly still a little bit weaker. I guess that was at the beginning of the year. Now, things have obviously developed a little bit better. Is it fair to assume that there is a chance you might be coming out at a higher level than just say barely breaking even? Or will the operation issues persist in the second half? Maybe I will stop here before I continue.
MIKA SEITOVIRTA: Thank you for the questions. First of all, the maintenance breaks we are having at EMEA, for instance, they are really normal maintenance breaks. But, in this year we need to do them, because we want to prepare ourselves for the Bochum volumes, both in Avesta and Tornio. That is the reason why we are doing them. For instance in Quarto Plate we are shortening it from four weeks to two weeks so that we can catch up the volumes we couldn't deliver during the second quarter, during the coming months.

Ferrochrome, that was the transformer breakdown once more. We had it during the second quarter. It took some time before we found a solution there. We have found the solution. Actually now towards the rest of the year we will produce according to plans on a high level and with the normal ramp-up. The impact we were referring to is because we couldn't produce exactly what we were planning during the second quarter, so that has an impact on the deliveries and on the third quarter.

Concerning Americas, yes, the market has been somewhat stronger than what we had in our mind when we made out guidance EBITDA break, even for the business area America. But, we stick to that guidance because, as you could see as well, in a ramp-up situation you always have some issues you need to deal with. It is very hard to quantify them in beforehand, because you face them when you need to do something. We are now working a lot with our raw material things, so that we get the right changes, we get the right mix between the primary and secondary metals. All these things include in the maintenance breaks where we had some of them unexpectedly. But, they are now fixed and we are moving forwards. These are a couple of the reasons why we don't change anything here. It's a complicated thing. It's a very challenging thing to do the ramp-up and we still to our original guidance.
BASTIAN SYNAGOWITZ: Okay, thank you. Maybe just to follow up on exactly this and you mentioned some of the, as I say, outages you had have a very natural corrector, the others possibly have not. So, if you would put this into an EBIT number. I mean, was this a 10 million -- was it a 15 million negative effect, comparing this to a slightly better/worse scenario where these outages haven't happened?

MIKA SEITOVIRTA: I'm not sure whether you understood the question. Did you get the point, Reinhard?

REINHARD FLOREY: Your question was for a number.

BASTIAN SYNAGOWITZ: Correct.

REINHARD FLOREY: We are not giving that number, for a very clear reason. You can understand that if it would have been a very big number we would have brought that much more explicitly, so you can see that it is not a too big number. However, it also clearly says we are in our ramp-up, in our reorganisation, still away from an optimum, which leaves us room for improvement, which is also in our plans and in our ambitions for the future. Yes, we had some issues there in Q2. We will have a little something of that also in Q3. But, there is continuous progress that we are making there, which will help us even get our profitability higher.

BASTIAN SYNAGOWITZ: Got it, thank you. Maybe my last question is again on working capital. Sorry to get back on this. As Michael said earlier, the increase which you had very naturally in the environment of rising volumes and the clear rise in prices and you said you remained committed to the 300 million working capital target for the year end. But, will this then also be a sustainable level or basically just a Q4 relief or reduction before inventory is rising back in the first and second quarter?
Is basically this target of a net reduction of 300 million still valid in the new price or inflated price environment? This is my question. Thank you.

MIKA SEITOVIRTA: Thank you for the question. That target is valid with the current metal prices and with the current environment we are having now, the level of the target, what is sustainable or what is not sustainable. We have done a step change, because this company started one and a half years ago on a level of 116 on the inventory days. Now, we are on a completely different level. So, we have really taken action and worked differently. We work differently with the finished goods; we work differently with the raw materials and also work in progress.

For the long term future, I will also say that we will not give up here; we will also have other ambitions here. However, of course, that demands then harmonised processes for all entities, that demand then joint tools. So, it will take somewhat longer. But, that is a continuous effort that we have there. It is a key in this industry and we want to be the leading one on that.

BASTIAN SYNAGOWITZ: Thank you and thanks for taking my question.

MIKA SEITOVIRTA: Thank you.

OPERATOR: Next question comes from Mr Johannes Grasberger from Nordea Markets. Please go ahead, sir.

JOHANNES GRASBERGER: Yes, good afternoon gentlemen. It’s Johannes from Nordea. I’ve got a few questions left. First of all, follow up from Stephen’s question about cash flow for the third quarter. Did I actually understand correctly, we should expect better operating cash flow for the third quarter versus second quarter, because the big volume
increase in inventories took place already in Q2, which are I suppose decreased then during this quarter? Was this correct or maybe you can specify?

MIKA SEITOVIRTA: I think we have been relatively explicit in our guidance, which means we will have still negative operating cash flow in Q3, but clearly better than in Q2.

JOHANNES GRASBERGER: Yes, I see, exactly. Then, I still have to ask about the cash flow further. Basically, can you specify how much of the inventory increase is actually coming from EMEA and how much is related to Calvert ramp-up? Basically, assuming current prices and my calculating is correct the true volumes that we are talking about the magnitude of maybe €150 million in net working capital released for the second half.

MIKA SEITOVIRTA: First of all, to your last question I think your calculation is very right. We currently have an improvement of €151 million regarding our P300 programme. If we want to reach 300 then it is a delta of 150. So, I think from that perspective I can verify your calculation there. In terms of the inventory increase it is, I think, very, very clear and understandable that we have the inventory increase more or less in the three business areas, specialty, EMEA and Americas. That's for different reasons actually.

The reasons in EMEA are very much regarding the summer break in Tornio. Also some maintenance breaks that we have in summer in the Nirosta areas. So, this is something where to keep up the continuous flow of material to our customers, to our supply chain. There is some build-up of material there. This is something which is certainly not sustainable. This is a seasonal impact and this is something which would be reversed. This is also true for specialities. Still to remind you in the
current structure that we are reporting Avesta is still in our speciality structure. We have about the same situation also in Avesta. We had also some technical situations around our Quarto Plate, our special plate business, so part of that is also referring to this area. In Calvert situation it is different. There we are in a ramp-up situation. I have shown in the numbers that our deliveries have gone up, our sales have gone up. So, this is the situation where you really care for in a dynamic market that you would be able to capture the opportunities if you yourself are growing here.

JOHANNES GRASBERGER: Okay. Thank you. Basically, the next question will be on Calvert. Basically I'm just interested in whether you have to actually give any discounts to customers from material coming out of the plant at the moment, due to perhaps quality still being below the normal standard.

REINHARD FLOREY: I would say that we are on a very normal competitive situation there and our discounts are not deviating from the market discounts. Our quality in many of our mainstream products is very good there actually now. So, we cannot say that we would have worse quality in general there than the competition. No. No, in certain products we are already at least on par with the competition.

JOHANNES GRASBERGER: Okay. Similarly a question for the European pricing contract, basically I'm just wondering whether you are then selling some apparel(?!) at discount compared to market prices, because of the fixed prices that you caught in the second half last year and whether by renegotiating these contracts you would actually achieve better prices towards the end of this year, despite spot prices being stable from here on?

REINHARD FLOREY: Our ambition is clear and that goes for better prices as we have indicated.
JOHANNES GRASBERGER: Okay, thank you. The final question then, maybe you can say what kind of order book length you have now. How far are you booked into the year?

REINHARD FLOREY: Well, currently in EMEA we are selling September. We have a sufficient flexibility there. In US we are more or less October.

JOHANNES GRASBERGER: Okay. Thank you very much.

REINHARD FLOREY: You're welcome. Thank you.

OPERATOR: Next question comes from Mikael Doepel from Handelsbanken. Please go ahead, sir.

MIKAEL DOEPEL: Great. Thank you. Good afternoon ladies and gentlemen. A couple of questions, firstly, with regards to the Q3 guidance, I'm perhaps a bit puzzled about it being perhaps somewhat cautious. Perhaps, yes, there is some seasonality there, but as you said, there will be better ferrochrome production. You have a better base price; they'll be somewhat lower volumes and continue progress in terms of synergy and cost take-outs. My question is essentially why will earnings decline sequentially? Is there any mix change or something else happening in the third quarter? That's my first question.

REINHARD FLOREY: Yeah, thank you for that question. I'm more than happy to clarify here. What you call cautious we call it always conservative, because that is the nature of our company. Guidance is because of good reasons. That is that we have this seasonal dip in the business. We have seen also in the chart that Mika has shown,
also in the anticipation of the forecasting institutes we see that here - free from the
deliveries - it should be somewhat lower than Q2. That certainly also has an
impact.
The second is when we are talking about ferrochrome we have a little bit of a delay
with a production situation and the impact on the results. So, while our production
in Q2 was low our results have not suffered that much. There will be a small impact
from that in Q3. That is certainly also something that we have to take into account.
But, mainly it's the seasonal impact that we have that makes us realistic in the way
how we are guiding here.

MIKAEL DOEPEL: Okay. Then secondly, given the higher surcharges that we see right now, do you
expect to improve your raw material margin or is stainless steel scrap pricing just as
much?

REINHARD FLOREY: Well, first of all these are market conditions that improve. So, we clearly will have
the opportunity to also take a positive advantage from that. We have also indicated
that we will have a positive impact simply from the timing effect that we would have
here between 10 and 20 million anticipated, beyond an underlying result that we are
guiding.

MIKAEL DOEPEL: Okay. Thank you.

OPERATOR: The next question comes from Mr Johannes Grunselius from ABG. Please go
ahead, sir.

JOHANNES GRUNSELIUS: Yes. Hello everyone. This is Johannes Grunselius, ABG. I also have a
question about what's going on in China. You mentioned here how volatile Chinese
prices have been recently. But, in the end, over the last weeks we have seen prices coming off a lot. To me, I get the feeling it's more than just the falling nickel price here. Could you perhaps give some colour? What are your thoughts? Why is the price coming down so much? Do you think that will have an impact on the price discipline in Europe here in the second half?

REINHARD FLOREY: You’re right it’s more than the nickel pig iron. Maybe just a quick overview of what’s going on in China. So, there are many things. First of all the whole nation is taking down their growth numbers. There are still quite high growth numbers, but they are going downwards with the GDP forecasts. That’s one thing. The second thing is that the stainless steel industry as part of that in many cases in China is getting heavy pressure from the government. They need to do environment investments. They are demanding to be profitable, according to our sources and knowledge. On top of that they have the nickel pig iron challenge. They have also reform going on with the state-owned enterprises there. So, there are quite some things happening. My reading is very much that when you put all this together this is creating the current turbulence. I don’t think that would have a special impact with the knowledge we have today for the rest of the year enterprising environment we currently see.

MIKAEL DOEPEL: Okay. Thanks for that. I also have more of a detailed company-specific question. That is on what type of interest rate we should anticipate in our modelling going forward here. Could you help us with that, please?

REINHARD FLOREY: We are not guiding specifically on the interest rates. But, you can read about our level of -- of the indebtedness. What we are guiding is to say how the development of our interest cost for the year is. What we say is that while we had last year a
level of €170 million on interest costs for the year is and what we said is that while we had last year a level of €170 million on interest costs, we will reduce that to a level of €120 million to €130 million in this year.

MIKAEL DOEPEL: Okay. Okay. Yes. All my other questions have already been discussed so thanks very much from me.

MIKA SEITOVIRTA: Thank you.

REINHARD FLOREY: Thank you.

OPERATOR: Our next question comes from Mr Carl Frejberg from Carnegie. Please go ahead, sir.

CARL FREJBERG: Yes. Hello. Thank you very much for taking my question. I would like to come back to your sort of nickel and scrap situation. So we have a situation in China where you have the nickel pig iron sort of possibly being reduced. You are ramping up Calvert. You need more scrap. So actually I would like to have a comment from you, what do you see about scrap availability in EMEA, in North America and about the pricing?

MIKA SEITOVIRTA: Thank you for the question. We have currently a good scrap availability, both in Europe and in US. To dig a little bit into details here, so in the beginning of the year, we had some challenges in Alabama to get scrap but that was very much because of the extreme winter conditions that they had. We need to remember there has never been snow before; this year there was and that was the reason in the beginning of the year that we didn’t have access to scrap as much as we
wanted. Later on, actually our ramp-up has been developing with higher volumes because of the market and also because of the small successes we have had in the production than anticipated, and we have been lacking scrap because of planning reasons.

Now the situation is stabilised so we can't say that we wouldn’t find scrap. It's partly been the external conditions. It's partly been our own internal planning against what we are achieving for the time which has made it worse than what we would like to see. Now that is stabilised. Of course, scrap prices are mainly monthly prices and they are moving along the market prices as well. However, we believe that we have a good competitive position there because of our volumes and our size and our good partnerships with our suppliers there.

CARL FREJBERG: Okay. Thank you.

MIKA SEITOVIRTA: Thank you very much.

OPERATOR: Next question comes from Mr Alessandro Abbate from JP Morgan. Please go ahead, sir.

ALESSANDRO ABATTE: Good afternoon everybody. I just have two questions left. The first one is really to this trend of the nickel price. If you are seeing across your customer base, specifically from those who use both austenitic and ferritic, if you see any kind of tentative shift that would be more to ferritic? This is the first thing. And if so, what's your expectation across your product mix, for example, for the next -- until year-end or maybe 2015 if this trend remains as it is without considering the political issue in Indonesia?
The second one is a little bit related to the daily alloy surcharge that are actually implying -- I was a bit surprised to see that your gain from Asia was just €3 million for the quarter. Have you analysed a little bit what the gain you would have got if you were using the old methodology for the application of the surcharge mechanism? Thank you.

MIKA SEITOVIRTA: Okay. Maybe I take the first one and then Reinhard will take the second one. We all remember when nickel was really high and having the levels of 50,000 there was a big shift in many applications where you could shift from austenitic towards ferritic so ... and after that shift, that never came back, so it has been -- actually the structure has been rather stable since that. What I mean by this is that no big change overall to my mind is not possible because they have different properties, and all the applications in -- they are just not changeable. There are still overlapping products, where you could see a shift, of course. First comment on that is that I don't think we are there, at least I don't hear it from customers yet that they would like to find another product instead of austenitic product. I think that the triggering price -- nickel price is probably higher than what we see today. Secondly, we are, of course, as a company, in a position to deliver both products on those overlapping areas which, I think I repeat myself, are not too big. They have been big but the big change has happened already.

REINHARD FLOREY: Yes. To your second question regarding the connection between a daily alloy surcharge and our net position between hedging and timing effects. The overall net position of hedging effects and timing effects has been plus three and if you compare that, yes, of course, the timing effect has been higher positively and there is a negative effect from hedging in there. But why is that? First of all this is a strategy that we are following to protect ourselves much more against the risk of the
volatility in the raw materials and we do not want to be in a speculative situation there. The daily alloy surcharge helps us to determine this risk and to determine a situation to also have a tool that we can apply to find out how the hedging policy can be rightly applied.

It has nothing to do actually with the profitability in one or the other way. It doesn’t negatively or positively impact the profitability and also not the timing effects that we would have. It just allows us to be much more transparent internally on where our net position regarding metals is and apply the hedging strategy on that. So this is how the situation is and, yes, you are right. This number of €3 million is a net position between hedging and timing effect.

ALESSANDRO ABATTE: Thank you very much. Just if I can come back to just basically make a -- you think and you believe that even though the nickel can actually go to $24,000 for next year, $25,000 whatever number you want to put in, it would be very difficult to see a migration of end users towards a cheaper product?

MIKA SEITOVIRTA: Well, I didn't give you a level of nickel where the change starts to happen. I was just anticipating that I think that the current level where we are now, just below $20,000, is not enough to trigger that kind of a change and it's very difficult to anticipate whether the level is $25,000 or $30,000. I think it's clearly higher than what we have today because it's not an easy thing to shift products and standards and tests and audit them. That's one thing. And then really honestly I don't think that it's a huge area where you can just change because the big change has happened.

ALESSANDRO ABATTE: Okay. Thank you very much for the clarity.

MIKA SEITOVIRTA: Thank you.
OPERATOR: The final question comes from Mr Cedar Ekblom from Bank of America. Please go ahead.

CEDAR EKBLAM: All my questions have been answered, gentlemen, thanks very much.

MIKA SEITOVIRTA: Thank you.

JOHANNA HENTTONEN: Very good. Many thanks. Any additional questions from Helsinki? If not, many thanks for participating today. Many thanks, Mika, Reinhard as well. We will meet again. If you happen to participate in our capital markets day on 25 September in Germany, there is still space available. Otherwise we'll meet at our Q3 report, which is on 5 November. Thank you.