

OUTOKUMPU'S ANNUAL ACCOUNTS 2008 – LOSS-MAKING YEAR, STAINLESS MARKETS DIFFICULT

Year 2008 highlights

- Operating profit EUR –63 million, underlying operational result positive some EUR 305 million
- Strong operating cash flow EUR 656 million, gearing 38%
- Dividend proposal EUR 0.50 per share (2007: EUR 1.20)

Fourth quarter 2008 highlights

- Operating profit EUR –271 million, underlying operational result some EUR –69 million
- Good operating cash flow at EUR 205 million
- Actions taken to improve profitability and cash flow

Group key figures, EUR million	IV/08	IV/07	2008	2007
Sales	966	1 465	5 474	6 913
Operating profit	-271	15	-63	589
Profit before taxes	-298	7	-134	798
Net profit for the period	-233	-16	-189	641
Earnings per share, EUR	-1.30	-0.09	-1.05	3.52
Net cash generated from operating activities	205	299	656	676
Stainless steel deliveries, 1000 tons	261	352	1 423	1 419
Stainless steel base price, EUR/t ¹⁾	1 045	1 058	1 185	1 304
Stainless steel transaction price, EUR/t	2 338	2 997	2 801	3 828

¹⁾ CRU: German base price (2mm cold rolled 304 sheet)

2008 was a year of two extremes in the stainless steel industry. The year started with healthy demand in the first half of the year. In early summer most raw material prices, especially the nickel price, started to decline. Consequently, the stainless steel markets became softer as steel distributors started to postpone their purchases. During the autumn the global economic crisis reduced the demand of stainless steel at an accelerated pace and raw material prices continued to slide. Towards the end of the year the market conditions turned very difficult and all stainless suppliers cut production heavily. Demand was lower in all end-use segments of stainless steel as construction and investment activity slowed down. Credit constraints affected both end-use customers and distributors.

Outokumpu's deliveries of stainless steel in 2008 were at the same level as in 2007 at about 1.4 million tons. Base prices declined on average by 9% and transaction prices, which also include raw material costs, dropped by 27%, mainly due to the 43% fall in nickel price during 2008. As a result, Outokumpu's sales declined by 21% to EUR 5 474 million in 2008. Outokumpu's profits turned to a loss in 2008 due to clearly lower base prices and somewhat higher costs in 2008. Operating loss totaled EUR 63 million whereas in 2007 Outokumpu recorded an operating profit

of EUR 589 million. The underlying operational result, which excludes raw material-related inventory losses and non-recurring costs was some EUR 305 million positive (2007: some EUR 800 million positive). In 2007 Outokumpu's profit before taxes was boosted by non-recurring gains from the sale of shares in Outotec Oyj (EUR 142 million) and from the Talvivaara transaction (EUR 110 million).

Outokumpu's fourth quarter 2008 was clearly weaker than the year before. Deliveries fell by 26% and transaction prices by 22% resulting in 34% decline in Group sales. Operating profit turned to a substantial loss of EUR 271 million, which includes raw material related inventory losses of about EUR 185 million. Underlying operational result was EUR 69 million negative (2007: EUR 115 million positive).

Outokumpu's cash flow from operations was strong at EUR 656 million in 2008, almost at the same level as in 2007 (EUR 676 million). Despite lower profitability strong cash generation was achieved as the decline in metal prices released cash from working capital. Outokumpu's balance sheet remains strong with gearing of 38%. The Board of Directors proposes a dividend of EUR 0.50 per share for 2008 (2007: EUR 1.20 per share).

Outokumpu expects the stainless steel markets to remain very weak in the first quarter of 2009. Current order intake represents about 50 percent of the Group's full production capacity. In the first quarter, Outokumpu's operating profit continues to be significantly negative due to low base price level, low delivery volumes and raw material-related inventory losses. However, Outokumpu's financial and liquidity position remains strong.

Outokumpu has taken a number of actions to respond to the difficult market conditions. The actions include cost-saving initiatives, personnel adjustments, working capital reduction and postponement of investments.

CEO Juha Rantanen:

"In late 2008, the global financial crisis hit the stainless steel markets with speed and power. As we did not reach our profitability target, we cannot be satisfied with our financial performance in 2008. Actions have been taken to decrease working capital, postpone investments and reduce costs. Unfortunately, this also means that personnel adjustments are necessary. A challenging year lies ahead, but we are prepared to take decisive action and move quickly, when this is called for. Maximizing cash flow remains high on our agenda."

This press release is a summary of Outokumpu's Annual Accounts 2008 statement.

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News conference and live webcast today

A combined news conference, conference call and live webcast concerning the annual accounts 2008 will be held on February 3, 2009 at 3.00 pm Finnish time (8.00 am US EST, 1.00 pm UK time, 2.00 pm CET) at Hotel Kämp, conference room Akseli Gallen-Kallela, Pohjoisesplanadi 29, 00100 Helsinki, Finland.

To participate via a conference call, please dial in 5-10 minutes before the beginning of the event:

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