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OUTOKUMPU TAKES FURTHER ACTIONS IN RESPONSE TO THE WEAK STAINLESS STEEL MARKET

Due to the very weak stainless steel demand Outokumpu continues to cut production and starts negotiations with personnel regarding temporary and permanent layoffs in several of its operating countries. The planned actions are expected to result in temporary layoffs for over 2000 people and reduction of about 250 jobs. This combined with the planned 450 job reductions in Sweden announced in December 2008 would result in reduction of 700 jobs in total.

The order intake has continued to be very low in early 2009 and the company is taking adjustment actions to reflect the difficult market situation. In order to secure cost efficiency and to improve profitability Outokumpu will continue to cut production and address both fixed and variable costs. The total fixed cost-savings from all announced actions are estimated to be in the range of EUR 100 million in 2009.

CEO Juha Rantanen: "The past weeks have shown that there is no marked improvement in stainless steel demand. Unfortunately it is now evident that the measures we announced in December are not sufficient in this situation. We regret that these cost-saving actions affect our employees heavily. Our responsibility is to ensure our cost-efficiency and financial strength in this extremely challenging market environment."

Planned adjustment actions in different units

A number of short-term measures to save costs and to adjust to lower production volumes were agreed at Tornio Works in December for a period that ends in mid-March 2009. As the order load of Tornio Works continues to be low these cost-savings are not sufficient. Outokumpu plans to temporarily cease its ferrochrome production (the Kemi mine and Ferrochrome Works), temporarily idle one of its melt-shops and reduce shifts at almost all steel production lines. Due to these production cuts the company will start new statutory negotiations on temporary layoffs at Tornio Works in Finland. The negotiations concern about 2000 people, also office and maintenance employees. The layoffs would be either full or part-time depending on the production line and duties and they would continue until the stainless steel market improves. The statutory negotiations are expected to take six weeks. Tornio Works in Finland employs 2 300 people.

Outokumpu Stainless Tubular Products (OSTP) produces welded stainless steel tubes, pipes and fittings, and employs currently 1 100 persons. Due to the difficult market situation the total of 150 job reductions are planned in Sweden (Nyby, Örnköldsvik, Storfors and Molkom), Finland (Jakobstad, Tuusula and Veteli), Estonia and Canada. In Finland the negotiations concern both temporary and permanent layoffs.

In Outokumpu Group Sales & Marketing organization the adjustment actions are planned to result in job reductions in most of the sales companies and service centers in different countries. The target is to reduce approximately 50 jobs with layoffs and voluntary arrangements. Additionally about 80 employees are planned to be temporarily laid-off. The negotiations will proceed according to local legislation in different countries. Approximately 1 400 people are currently employed by Group Sales & Marketing.

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In the UK approximately 90 jobs are planned to be reduced in the coming months as a result of reduced shifts in the Sheffield melt-shop, the cost-saving measures in Outokumpu's Alloy Steel Rods (ASR) and the sales company's integration of the former SoGePar activities into its Sheffield based operation. These reductions in the UK together with the previously announced closure of the Sheffield Special Strip plant will take the number of Outokumpu employees to approximately 600 people in the country.

In December Outokumpu started negotiations with personnel representatives with the aim to reduce about 450 jobs in the company's Swedish production sites. These negotiations are still ongoing. In Outokumpu's head office in Finland the negotiations have finished and resulted in two weeks' temporary layoff of all employees. Additionally some 20 positions will be reduced.

If the market situation continues to be difficult, Outokumpu is prepared to take additional action to improve its profitability.

Outokumpu operates in some 30 countries and employs more than 8000 people.

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