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OUTOKUMPU STREAMLINES ITS ORGANISATION, APPOINTS NEW EXECUTIVE COMMITTEE AND PLANS UP TO 1 300 JOB REDUCTIONS

Outokumpu is taking further steps in its transition towards sustainable profitability, improved cash generation and building a solid platform for future growth. The company's target is to reduce costs by EUR 100 million by the end of 2012 and working capital by EUR 250 million by mid-2013.

Planned measures include:

- cutting costs and restructuring in all Outokumpu units and functions, improving cost efficiency in Tornio, reducing the number of production shifts at Avesta, Nyby, and Kloster as well as outsourcing of some support functions,
- centralising and consolidating the Group's European distribution network, and
- streamlining Outokumpu's organisation and reducing the number of organisational layers.

CEO Mika Seitovirta: "European market fundamentals have changed substantially in recent years. Demand has not yet fully recovered following the previous financial crisis, and now we are facing growing uncertainty on the European market. The stainless industry is facing significant overcapacity, and imports into Europe have increased. In this situation, to compete successfully in the global market, we need to reduce costs drastically, simplify the way we manage the company and establish clear accountabilities. Reducing complexity and cutting the number of organisational layers will bring us closer to our customers."

Cost reductions and negotiations on planned job reductions

To achieve sustainable profitability, Outokumpu plans to initiate a cost-reduction programme aimed at achieving savings of EUR 100 million by the end of 2012. Planned measures include reducing the number of production shifts, restructuring the organisation, and outsourcing of some support functions as well as improvements in overall efficiency.

The planned measures correspond to a reduction of up to 1 300 jobs in global terms, with most of the reductions taking place in Finland (up to 300) and in Sweden (up to 600).

"We value our employees' commitment to Outokumpu," says Seitovirta. "To achieve a fundamental change in our competitiveness, cost-cutting measures which include planned job reductions will, unfortunately, be necessary. We will carry out the planned changes in a responsible manner in line with local legislation and practices."

Negotiations with personnel representatives will begin as soon as possible in all the affected units and functions, and the results will be communicated in phases in accordance with the progress in the negotiation process. The outcome of the planned employee negotiations and consultation processes may result in negative financial impact on Outokumpu's operating profit in the coming quarters, with some impacts already in the fourth quarter 2011.

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Corporate Management

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Reduction of EUR 250 million in working capital includes rationalisation of the Group's European distribution network

To reduce Outokumpu's working capital by EUR 250 million, the inventory turnover in the Group's entire supply chain needs to be improved. Compared to the number of inventory days of approximately 110 during the second quarter 2011, Outokumpu intends to bring inventory days closer to 90 days by mid-2013.

Streamlining and consolidating the Group's captive distribution network in Europe will contribute to this inventory reduction target and facilitate identification of the most cost-efficient routes to market which match customer needs. Outokumpu plans to consolidate stocking operations into a smaller number of locations in Europe, serve the markets from these key locations, and utilise its existing processing capacity in the markets efficiently. Outokumpu currently maintains stocks in more than 20 European countries and has coil-processing capability at six locations. The Group also has six plate service centres in Europe.

In parallel with the Group's own network, Outokumpu relies on independent distributors whose role is of growing importance in delivering Group products to end customers. Streamlining captive stocking operations may generate opportunities for deepening cooperation with independent distributors in some markets.

New organisation

Outokumpu's business is based on the unique nature of the Group's integrated stainless steel operations. The aims of the new organisation are simplicity, clarity, accountability, and cost efficiency. Outokumpu's planned business model will be based on three Business Areas, each with full accountability for sales, profit and assets, improving the ability to respond to customer needs rapidly. The three Business Areas will be:

- **General Stainless:** stainless steel operations in Tornio and the finishing plant in Terneuzen,
- **Specialty Stainless:** Special Coil, Special Plate, Kloster and Long Products including the Sheffield meltshop, and
- **Ferrochrome:** the Kemi Chrome Mine and ferrochrome production in Tornio.

According to plan, Business Areas will be responsible for their own sales as well as production and supply chain operations. By planned reductions in the number of organisational layers, Outokumpu will enhance cost-efficiency and bring management closer to daily operations and customers. Outokumpu's customers will also benefit from being able to deal with sales staff who have both mill and product-specific expertise, and who are supported by a global sales network.

In addition to the Business Areas, Outokumpu has specified APAC (Asia Pacific) as a Focus Area in order to strengthen the Group's presence and improve its business in markets with the highest growth potential for stainless steel.

According to plan, Business Areas and Focus Area will be supported by Group-wide functions when such centralisation or coordination yields synergies.

The new organisation is planned to become effective as of 1 January 2012.

As further changes within the Group's organisation may take place during 2012, Outokumpu is currently considering changing its segment-based reporting in the Group's annual and interim statements. Related plans will be communicated in due course.

New Executive Committee

With effect from 1 January 2012, the composition of Outokumpu's Executive Committee and the areas reporting will be:

Mika Seitovirta, CEO and Chairman of the Executive Committee: in addition to Executive Committee members; APAC; and certain Group Functions

Hannu Hautala, Executive Vice President – General Stainless

Jarmo Tonteri, Executive Vice President – Specialty Stainless

Kari Parvento, Executive Vice President – Ferrochrome, Group Research & Development

Esa Lager, Executive Vice President and CFO; certain Group Functions

Pii Kotilainen, Executive Vice President – Human Resources

Hannu Hautala, currently the head of the Tornio Works business unit, will become a member of the Executive Committee as of 1 November 2011. Mr Hautala has been in charge of the Outokumpu Tornio Works since April 2010. He is a Finnish citizen, born 1965, and holds a Master of Science in Engineering and Industrial Economics from the University of Oulu. Mr Hautala has previously held management positions in Elcoteq, Flextronics, and Rautaruukki.

Jamie Allan, Executive Vice President – Supply Chain Management, will leave his position on the Group Executive Committee on 31 December 2011. He will act as Senior Advisor and report to the CEO until the end of 2012.

Karri Kaitue, Deputy CEO and Outokumpu have jointly agreed that Mr Kaitue will leave his position in the Group Executive Committee as of 1 November 2011. His employment by Outokumpu will end on 30 June 2012.

As of 1 November 2011, the Group's CFO will act as the deputy to the CEO.

Outokumpu will also be appointing **Mr Austin Lu** as Senior Vice President, APAC Focus Area. He will join Outokumpu on 1 January 2012 at the latest. Mr Lu is a Chinese (People's Republic) citizen, born 1971 and holds a Bachelor of Economics from the University of Guangxi, China and a MBA from the University of Western Ontario, Richard Ivey Business School, Canada. During his career Mr Lu has held various management and commercial positions within General Electric, latest as Vice President GE China and General Manager, South China.

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Attachments: Organizational chart
 Hannu Hautala, CV and picture
 Austin Lu, CV and picture

Outokumpu is a global leader in stainless steel with the vision to be the undisputed number one. Customers in a wide range of industries use our stainless steel and services worldwide. Being fully recyclable, maintenance-free, as well as very strong and durable material, stainless steel is one of the key building blocks for sustainable future. Outokumpu employs some 8 000 people in more than 30 countries. The Group's head office is located in Espoo, Finland. Outokumpu is listed on the NASDAQ OMX Helsinki. www.outokumpu.com