OUTOKUMPU'S SECOND QUARTER 2011 – HEAVY RESTRUCTURING ACTIONS TAKEN, STAINLESS MARKET WEAKER

Highlights

- Underlying operational result some EUR -5 million
- Non-recurring costs EUR -138 million
- Operating loss EUR -169 million
- Capital gains EUR 242 million
- Profit before taxes and earnings per share positive at EUR 21 million and EUR 0.28 per share
- Customers destocking due to declining nickel price, third-quarter operating profit expected to be clearly negative

Group key figures, EUR million	**II/11**	II/10	I/11
Sales	**1 281**	1 125	1 371
Operating profit	**-169**	72	33
Profit before taxes	**21**	64	17
Net profit for the period	**50**	44	16
Earnings per share, EUR	**0.28**	0.24	0.09
Net cash generated from operating activities	**-66**	-317	-10
Stainless steel deliveries, 1000 tonnes	**348**	339	380
Stainless steel base price, EUR/t [1)]	**1 223**	1 317	1 215
Stainless steel transaction price, EUR/t [2)]	**3 063**	3 018	3 115

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

[2)] CRU: German transaction price (2mm cold rolled 304 sheet)

Demand for standard grades of stainless steel slowed down in Europe towards the summer as the nickel price started to decline and led to destocking among customers. The normal seasonality resulting from the holiday season in Europe has been impacting the distributors' buying behaviour. Underlying demand however continues to be relatively stable globally.

Outokumpu's second-quarter deliveries totalled 348 000 tonnes. Deliveries went down from the first quarter but increased by 3% compared to the second quarter 2010. Base prices declined by 7%. Transaction prices, which also include raw material costs, increased by 1.5% from the second quarter 2010.This was driven by the nickel price as the average nickel price was 8% higher than a year ago. The ferrochrome price was practically unchanged. Outokumpu's sales grew 14% to EUR 1 281 million in the second quarter.

The higher delivery volume was not sufficient to compensate for the impact from lower base prices and thus the underlying operational result was marginally negative at EUR -5 million compared to a small profit of EUR 16 million in the second quarter 2010. The operating loss for the quarter, EUR -169 million, was burdened by raw material-related inventory losses of EUR 26 million and non-recurring impairment and restructuring costs of EUR 138 million. The second quarter 2010 included EUR 55 million of raw-material related inventory gains, which took operating profit to EUR 72 million. The impairment and restructuring costs are related to

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Outokumpu’s short-term agenda, which focuses on improving the Group's cash flow, improving balance sheet flexibility and restoring profitability.

The short-term agenda includes turnaround plans for two of Outokumpu’s units: the tubular products business (OSTP) and the Kloster thin strip mill in Sweden. Based on the plans, Outokumpu booked EUR 125 million of asset impairments for these units. Additionally, there was EUR 13 million of provisions from the functional efficiency improvement, which will reduce a total of 350 jobs in Europe.

As part of the short-term agenda, Outokumpu sold its holding in Tibnor AB and the listed Talvivaara Mining Company Plc as well as one fifth of its 20% holding in the unlisted Talvivaara Sotkamo Ltd. In total, these divestments resulted in EUR 242 million of capital gains and EUR 162 million of cash inflow for the quarter. The substantial capital gains brought Outokumpu’s profit before taxes to EUR 21 million and earnings per share to EUR 0.28.

In the third quarter, Outokumpu expects delivery volumes and average base prices to be lower than in the second quarter, which is expected to lead to negative underlying operational result. Additionally, declined metal prices are expected to result in raw material-related inventory losses (at current metal prices). Thus, Outokumpu estimates its third-quarter operating profit to be clearly negative.

CEO Mika Seitovirta:

“During my first months much of our attention has been on the Group’s short-term agenda, and this has provided us with quick sources of cash and helped attack the most critical factors burdening Outokumpu’s profitability. In the stainless business, improving sales, generating cash and reducing costs are part of a never-ending race. Current market circumstances mean that the pressure to move even faster with this work and related actions is higher.”

This press release is a summary of Outokumpu’s official second quarter 2011 report.

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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 7 500 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