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OUTOKUMPU'S SECOND QUARTER 2009 – DIFFICULT MARKET WITH SOME SIGNS OF IMPROVEMENT, OPERATING LOSS DECLINING

Highlights

- Operating loss EUR 94 million
- Deliveries and prices low but higher than in the first quarter
- Cost saving programmes progressing ahead of schedule

Group key figures, EUR million	II/09	I/09	II/08
Sales	617	679	1 549
Operating profit	-94	-249	174
Profit before taxes	-105	-252	166
Net profit for the period	-87	-187	56
Earnings per share, EUR	-0.48	-1.04	0.31
Net cash generated from operating activities	23	301	103
Stainless steel deliveries, 1000 tons	268	247	391
Stainless steel base price, EUR/t ¹⁾	1 117	925	1 307
Stainless steel transaction price, EUR/t	1 751	1 818	3 195

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

Stainless steel demand continued to be low during the second quarter of 2009 reflecting the global economic downturn. There was, however, a slight improvement compared to the first quarter of the year. It seems that the reduction of inventories by distributors and end-users has ended. Also the recent increase in the price of nickel has triggered some purchasing activity. However, there is no major improvement in the underlying demand for stainless steel.

Similarly to other producers of stainless steel, Outokumpu continued to cut back production at all of the Group's production units. Capacity utilization during the second quarter was approximately 60%. Outokumpu's deliveries were 268 000 tons, 31% lower than in the second quarter of 2008. Compared with the first quarter of this year deliveries increased by 9%. Also base prices improved from the first quarter. Compared with a year-ago they were down by 15%. Transaction prices, which also include raw material costs, dropped even more by 45% compared with the second quarter of 2008. Raw material prices have risen strongly from the beginning of this year but are far from the levels in 2008. The second-quarter average price for nickel was 50% lower and for ferrochrome 64% lower than the previous year. Consequently, Outokumpu's sales in the quarter totalled EUR 617 million, which is as much as 60% lower than in 2008.

Outokumpu's operating profit was negative at EUR 94 million mainly due to the very low delivery volumes. The operating loss was, however, clearly smaller than the first quarter loss of EUR 249 million. The improving price and volume trends as well as the benefits from the cost saving programmes had a positive impact on the underlying profitability.

Additionally, there were no major raw-material related inventory losses, which burdened the first quarter operating profit by some EUR 110 million. Operating cash flow remained positive despite continued losses as the decrease in inventory levels in Outokumpu's supply chain released cash from working capital. Balance sheet remained strong: gearing stood at 37% at the end of June.

Outokumpu's cost saving programmes are proceeding ahead of schedule. The total fixed cost savings are estimated to be EUR 150 million in 2009. To reflect the somewhat increased order intake Outokumpu will increase its production capability after the summer vacation period. Temporary layoffs for some 700 employees at the Tornio plant in Finland will be adjusted accordingly.

Due to temporary production constraints, maintenance breaks and seasonality of demand, delivery volumes in the third quarter are estimated to be somewhat below the level of the first quarter (247 000 tons). Outokumpu's underlying operational result in the third quarter is estimated to be at the same level or somewhat better than in the second quarter.

CEO Juha Rantanen:

"Despite the continued rather heavy operating loss, the second quarter brought some signs of improvement. During the quarter we saw a slight increase in the order intake for stainless steel and we were able to increase base prices. The recovery in demand is a function of destocking coming to an end and there is no major improvement in the underlying demand for stainless steel from end-users. Outokumpu's management will continue to maintain a tight focus on cash flow, sales and cost-saving actions. This will have an increasing impact in late 2009. It is our ambition to reach a break-even operating profit towards the end of the year."

This press release is a summary of Outokumpu's official second quarter 2009 report.

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