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OUTOKUMPU'S ANNUAL ACCOUNTS 2009 – EXCEPTIONAL YEAR WITH HEAVY LOSSES BUT STRONG CASH FLOW

Year 2009 highlights

- Operating loss EUR 438 million, underlying operational result some EUR -340 million
- Delivery volumes down 28%, cost savings totalled EUR 185 million
- Operative cash flow EUR 198 million
- Dividend proposal EUR 0.35 per share (2008: EUR 0.50)

Fourth quarter highlights

- Operating loss EUR 29 million
- Recovery of prices and deliveries

Group key figures, EUR million	IV/09	IV/08	2009	2008
Sales	728	966	2 611	5 474
Operating profit	-29	-271	-438	-63
Profit before taxes	-36	-298	-474	-134
Net profit for the period	-6	-233	-336	-189
Earnings per share, EUR	-0,04	-1,30	-1,86	-1,05
Net cash generated from operating activities ¹⁾	-108	205	198	664
Stainless steel deliveries, 1000 tons	277	261	1 030	1 423
Stainless steel base price, EUR/t ²⁾	1 297	1 045	1 161	1 185
Stainless steel transaction price, EUR/t ³⁾	2 346	2 338	2 036	2 801

¹⁾ Cash flow presented for continuing operations

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

³⁾ CRU: German transaction price (2mm cold rolled 304 sheet)

2009 was a historically difficult year for the stainless steel producers. The global recession had a significant impact on the industry, especially in Europe. During the first part of 2009, demand was extremely weak and markets were characterized by heavy reduction of inventories in the whole value chain. Some recovery occurred in the summer but markets softened again towards the end of the year.

Outokumpu Oyj
Corporate Management

Riihitontuntie 7 B, P.O. Box 140, FIN-02201 Espoo, Finland
Tel. +358 9 4211, Fax +358 9 421 3888, www.outokumpu.com
Domicile Espoo, Finland, Business ID 0215254-2, VAT FI02152542

To adjust to the weak demand, Outokumpu implemented heavy production cuts, the average capacity utilization was very low at about 60% in 2009. Stainless steel deliveries totalled 1.03 million tons, 28% down from 2008. Average reference base prices were slightly down but transaction prices, which also include raw material costs dropped 27%. The average nickel price went down by 31% and the ferrochrome price by 52%. Due to heavy decline in both volumes and prices, Outokumpu's sales totalled only EUR 2.6 billion, down 52%.

Outokumpu's cost-saving actions during the year delivered good results with about EUR 185 million of savings. The negative impact from the historically low delivery volumes was, however, clearly bigger, resulting in heavy losses for 2009. Operating loss totalled EUR 438 million. The underlying operational result, which excludes raw material-related inventory losses and non-recurring costs, was negative at EUR 340 million. In 2008 the operating loss was clearly smaller at EUR 63 million though heavily burdened by massive raw-material related inventory losses and higher non-recurring costs. The underlying operational result was still positive at EUR 305 million in 2008.

In the fourth quarter of 2009, Outokumpu recorded the first profit improvement compared with the previous year. Operating loss was EUR 29 million compared with a loss of EUR 271 million in the fourth quarter of 2008. The underlying operational loss improved to EUR 29 million from the EUR 69 million in the fourth quarter of 2008. The 2008 underlying loss excludes EUR 185 million of raw-material related inventory losses. Deliveries were 6% higher at 277 000 tons but due to poorer product-mix, sales declined to EUR 728 million.

Despite the losses, Outokumpu continued to generate positive cash flow in 2009. Cash flow from operations totalled EUR 198 million as working capital was reduced as a result of lower inventory levels and metal prices. The company's balance sheet remained relatively healthy with gearing at 48%. The Board of Directors proposes a dividend of EUR 0.35 per share for 2009 (2008: EUR 0.50).

No major improvement in the underlying demand for stainless steel is yet visible. Steel distributors' cautious buying behaviour continued over the year-end. During the past few weeks, order intake has however been more encouraging. Outokumpu's underlying operational result in the first quarter of 2010 is expected to be at the same level or somewhat weaker than in the fourth quarter of 2009.

CEO Juha Rantanen:

“Year 2009 was a very difficult one for the stainless steel industry. Dramatic drop of end demand, representing an estimated 26% decline in Europe, had a major negative impact on Outokumpu. We were successful in reducing our costs, however, this effort was not sufficient to compensate for the volume decline. In spite of external uncertainties, we stay firm with our plans. Priorities for 2010 are clear; restoring profitability, continued safety improvement, strategy implementation and delivering of the Excellence Programmes. These longer term initiatives build the foundation for our future results.”

This press release is a summary of Outokumpu's official annual accounts bulletin 2009.

For further information, please contact:

Päivi Lindqvist, SVP – Communications and IR
tel. +358 9 421 2432, mobile +358 40 708 5351
paivi.lindqvist@outokumpu.com

Ingela Ulfves, VP – Investor Relations and Financial Communications
tel. +358 9 421 2438, mobile +358 40 515 1531
ingela.ulfves@outokumpu.com

Esa Lager, CFO
tel +358 9 421 2516
esa.lager@outokumpu.com

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***Outokumpu** is a global leader in stainless steel. Our vision is to be the undisputed number one in stainless, with success based on operational excellence. 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 operates in some 30 countries and employs some 8 000 people. The Group's head office is located in Espoo, Finland. Outokumpu has been listed on the NASDAQ OMX Helsinki since 1988.*

www.outokumpu.com