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## OUTOKUMPU'S SECOND QUARTER 2010 – RETURN TO PROFITS IN IMPROVED MARKETS

### Highlights

- Operating profit EUR 71 million, underlying operational result some EUR 16 million
- Deliveries and prices improved clearly from the second quarter of 2009
- Third-quarter underlying operational result expected to be somewhat negative due to seasonality, underlying demand continues to recover
- Investments in ferrochrome and quarto plate production decided

Group key figures, EUR million	II/10	II/09	I/10
Sales	1110	617	916
Operating profit	71	-94	-22
Profit before taxes	63	-105	-33
Net profit for the period	44	-87	-21
Earnings per share, EUR	0.24	-0.48	-0.12
Net cash generated from operating activities	-314	21	-86
Stainless steel deliveries, 1000 tonnes	339	268	333
Stainless steel base price, EUR/t <sup>1)</sup>	1 317	1 117	1 235
Stainless steel transaction price, EUR/t	3 018	1 751	2 329

<sup>1)</sup> CRU: German base price (2mm cold rolled 304 sheet)

Underlying demand for standard grades continues to recover and this is expected to continue also after the holiday season. Demand for special grades is still lagging. However, commercial activity in the investment-driven customer segments continues and is expected to generate orders within the next 6-12 months. Currently the holiday season and the declined nickel price are causing some hesitance among the stainless distributors to place orders.

Outokumpu's deliveries of stainless steel increased by 26% to 339 000 tonnes in the second quarter compared to the same quarter in 2009. Base prices improved by 18%. Transaction prices, which also include raw material costs, were as much as 72% higher than a year ago. Out of the raw material prices, the average nickel price was 74% higher and ferrochrome 97% higher than in 2009. As a result, Outokumpu's sales grew as much as 80% to EUR 1 110 million in the second quarter.

Compared to the first quarter of 2010 Outokumpu's second-quarter deliveries were at about the same level and the Group's capacity utilisation remained around 75%. This combined with the positive price development, however enabled Outokumpu to return to profit after seven loss-making quarters. The underlying operational result was positive at EUR 16 million compared with a loss of EUR 32 million in the first quarter of 2010 and a loss of EUR 94 million a year ago. Additionally, Outokumpu recorded some EUR 55 million of raw material-related inventory gains increasing the operating profit to EUR 71 million (EUR -94 million in 2009). The increase in working capital due to higher inventory levels and raw material prices resulted in strongly negative cash flow for the quarter.

The slow-down in demand during the holiday season and annual maintenance breaks at the Group's mills will result in stainless delivery volumes for the third quarter to be 10-20% lower than in the second quarter. The underlying operational result in the third quarter is expected to be somewhat negative. Operative cash flow in the quarter is expected to turn positive subject to metal price development.

In June, Outokumpu decided on two strategic investments amounting to EUR 550 million. The production capacity of ferrochrome in Tornio, Finland will be doubled and the production capability of quarto plates will be improved in Degerfors, Sweden. In July, the Finnish Parliament gave Fennovoima a permit to build a nuclear power plant in Finland. Fennovoima is a Finnish energy company that was established in 2007 with an aim to construct a new nuclear power plant in the country. Outokumpu owns about 10% of Fennovoima.

### **CEO Juha Rantanen:**

"After several loss-making quarters it is gratifying to present Outokumpu's return to profits in the second quarter. A clear recovery in the standard grades business and improved prices have been the main factors, while business in capital investment-driven special grades is still lagging. As always, the third quarter is expected to be seasonally weak. We are confident that underlying demand continues to improve and we are making preparations to take full advantage of a recovery in demand after the holiday season.

Outokumpu made some major news announcements during the second quarter. The market recovery and our financial performance enabled us to embark on two important strategic investments. The expansion in ferrochrome production is not only about raw material self-sufficiency but also about growth. The investment in quarto plate production solidifies our leading position in the tailor-made plate business, strongly supporting our special grades strategy."

This press release is a summary of Outokumpu's official second quarter 2010 report.

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**OUTOKUMPU OYJ**

*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](http://www.outokumpu.com)*