

December 2, 2008.

AHMSA IMPLEMENTS ACTIONS FACING WORLD CRISIS

Facing the complex situation that prevails in the global economic environment that have generated a drastic contraction in the demand of steel in the domestic and international markets, Altos Hornos de México (AHMSA) is implementing a severe savings program with strategies to face the impact of this period of instability to guarantee the operation of the company and trying to maintain its labor force.

In previous situations of internal market contraction, AHMSA had the capacity of exporting up to 60% of its production. Those conditions were completely opposite to today's, when there is no demand for products at world-wide level.

Although AHMSA has paid the totality of the equipment included in the modernization program –called Fénix Project-, a determination has been taken to redefine the construction schedules of civil works and installation of equipments. These actions will help to adapt the times of the project with the performance of the global steel market.

This measure represents the cancellation of around 8, 500 employees that worked in companies in charge of the construction works.

In the same way, it was determined to advance the mayor maintenance program of the Blast Furnace No. 4, originally scheduled for the second half of 2009 when the new Blast Furnace No. 6 and an Electric Arc Furnace would be in operation. This action will reduce 35% of the liquid steel production during the six months of the maintenance program that will be developed by AHMSA workers.

With the shut down of the Blast Furnace No. 4 and other related production units around 3,500 additional jobs from contractors and services companies will be lost, mainly from the mining area.

These decisions are similar to the ones taken by other steel companies in the world facing the drastic fall in demand and the lack of credits for infrastructure and development of projects, in an economic recession more severe than any other crisis faced before.

As one of the smaller cost steel companies in the world, AHMSA has the opportunity to face in better shape these difficulties, thus the labor force of 18,000 workers in its two steelworks and its subsidiaries companies producers of iron ore and coal will be maintained without any changes.

If the present situation continues, other production units that do not obtain the necessary profitability will be shut down, resulting in new job losses for the companies.

Even though, Altos Hornos de México works jointly with state and federal authorities in search of options that allow to revert at least partially these cuts and to reactivate the activities that demand more jobs, specially the “Fénix Project”.

Before the crisis in the capital markets, the final application of the restructure has enter in a standby period, and the company trusts that once the credit system is reactivated the process could be concluded.

These decisions do not affect the lifting of the suspension of payments of its subsidiaries Minera Carbonifera Río Escondido, S.A. de C.V., Minera del Norte S.A. de C.V., Minerales Monclova S.A. de C.V. and Cerro de Mercado S.A. de C.V.
