



Press release

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Outokumpu and Avesta Sheffield form new leading stainless steel company

Outokumpu and Avesta Sheffield announce the creation of AvestaPolarit, a world class international independent stainless steel company by merging Outokumpu Steel and Avesta Sheffield. AvestaPolarit will be the second largest stainless steel producer in the world.

AvestaPolarit will offer investors a new opportunity to focus on the attractive stainless steel segment.

The proposed Combination will take place via an exchange offer in which Avesta Sheffield shareholders will be offered one share of Outokumpu Steel in exchange for one Avesta Sheffield share. Outokumpu Steel will subsequently be renamed AvestaPolarit and will be listed on the OM Stockholm Stock Exchange. The offer is conditional upon regulatory approvals and a minimum 90 per cent acceptance by Avesta Sheffield shareholders.

Following the exchange offer, Outokumpu will own 55 per cent of AvestaPolarit and Avesta Sheffield shareholders 45 per cent, assuming full acceptance by Avesta Sheffield shareholders. The proposed merger has the support of Avesta Sheffield's principal shareholder Corus Group, which holds 51 per cent of the Avesta Sheffield shares. Outokumpu has agreed to reduce its ownership to no more than 40 per cent within three years in order to allow for improved liquidity in AvestaPolarit shares.

Outokumpu Steel and Avesta Sheffield together employ some 8,700 people. Their main production facilities are in Finland, Sweden, the UK and the USA, and have a combined stainless steel slab capacity of about 1.7 million tonnes. The companies' combined sales amount to over EUR 3 billion.

"The strategic and synergistic fit of the two companies is excellent, and our intention is to deliver to our shareholders the inherent value in a focused stainless steel company", says Dr. Jyrki Juusela, CEO of Outokumpu.

"The merger combines the cost leadership position of Outokumpu Steel with the wide product range and extensive distribution network of Avesta Sheffield to create further opportunities in the fast growing stainless steel markets," says Mr. Stuart I. Pettifor, CEO of Avesta Sheffield.

In Tornio, Outokumpu Steel has the only fully integrated production process in the world, from captive chromium mineral resources to finished stainless steel

products. Outokumpu Steel is best known in the market by its brand name, Polarit.

Avesta Sheffield has several production sites, a wide product range including value added processing and a worldwide distribution network.

Both companies have ongoing investment programmes totalling EUR 660 million for additional steel melting and coil processing capacity in Tornio, Avesta, Nyby and Sheffield, which will form the core of AvestaPolarit. These will be upgraded with an additional EUR 110 million in the Tornio melt shop and cold-rolling mill.

In addition to coil products, AvestaPolarit also has a number of other special product lines, including ferrochrome, hot-rolled plate, long products, precision strip, tubes and tube fittings.

Synergies of over EUR 100 million per annum, approximately 3.5 per cent of net sales, have been identified and are expected to be fully realised by year 2005.

The underlying profitability of coil production will improve significantly as a result of increased sales and a major reduction in conversion costs.

AvestaPolarit's planned development programme creates the further opportunity to utilise melting and rolling assets as the foundation for future expansion both in Europe and globally.

AvestaPolarit will be incorporated in Finland. The main head office will be in Stockholm with a CEO's office in Espoo, Finland. Mr. Ossi Virolainen, Outokumpu, will be the CEO of AvestaPolarit and Mr. Stuart I. Pettifor, Avesta Sheffield, deputy CEO. Chairman of the Board of Directors will be Dr. Jyrki Juusela, Outokumpu and Vice Chairman of the Board of Directors will be Mr. Tony Pedder, Corus Group.

"By establishing AvestaPolarit as a separately listed company, investors will have the opportunity to participate in a world scale, highly focused, integrated stainless steel producer" says Mr. Ossi Virolainen, CEO of AvestaPolarit. "Given the attractive prospects for this business we feel investors will appreciate the investment opportunity presented by AvestaPolarit".

"The formation of AvestaPolarit is a very natural progression in developing our current holdings in Avesta Sheffield. We took the first step when we merged the previous British Steel stainless business with Avesta AB and formed Avesta Sheffield eight years ago," says Mr. John Bryant Joint CEO of Corus Group.

The Finnish State, which owns 40 per cent of Outokumpu, has also expressed its full support for the Outokumpu Steel and Avesta Sheffield Combination, which will give AvestaPolarit and its shareholders a new strong platform for profitable growth.

Invitation to press conference

Jyrki Juusela, Tony Pedder, Stuart I. Pettifor and Ossi Virolainen will be presenting the proposed merger between Outokumpu Steel and Avesta Sheffield at a press conferences today, September 28 at 9:30 hours (local Finnish time) in Helsinki at Hotel Kämp, Peilisali, Eteläesplanadi 29 in Helsinki and at 12.00 hours (local time) in Stockholm Grand Hotel, Bolinderska palatset, våning 2, Carl Larsson rummet, Blasieholmskajen. Presentations will be given in Finnish in Helsinki and English in Stockholm. Representatives of the media, financial market analysts, banks and shareholders are welcome.

Presentation graphics used in the presentations can be found on www.aboutmerge.com as of 9.30 hours local Finnish time (8.30 Swedish time).

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Encl. Proposed Combination of Outokumpu Steel and Avesta Sheffield (in extenso, 15 pages)

Proposed Combination of Outokumpu Steel and Avesta Sheffield

The Boards of Outokumpu, Outokumpu Steel, Corus Group and Avesta Sheffield have signed an agreement under which they have agreed to combine Outokumpu Steel and Avesta Sheffield. Under the terms of the Combination Agreement Avesta Sheffield shareholders will be offered to exchange their shares in Avesta Sheffield for shares in Outokumpu Steel which is to be listed on the OM Stockholm Stock Exchange, and renamed AvestaPolarit.

According to the agreement, Outokumpu, Outokumpu Steel and Avesta Sheffield are entitled to conduct a confirmatory due diligence review and is under certain conditions entitled to terminate the Combination agreement.

After the Combination the principal owners of AvestaPolarit will be Outokumpu with 55 per cent of the share capital and Corus Group 23 per cent of share capital. Initially AvestaPolarit will be consolidated financially into the Outokumpu Group. However, Outokumpu has agreed to decrease its shareholding to no more than 40 per cent within three years.

Outokumpu and Corus Group have also separately signed a Shareholders' Agreement, where the most important corporate governance principles for the first years of AvestaPolarit have been agreed upon, with the aim to ensure the realisation of synergies and successful completion of the Combination. In the Shareholders' Agreement the parties have agreed i.a. on the composition of the Board and material issues on which the parties are in agreement. The parties also agree not to sell or otherwise dispose of the shares in AvestaPolarit during a period of six months from the closing of the Combination.

Background and reasons for the proposed Combination

The key rationale for the Combination is the excellent strategic fit between Outokumpu Steel and Avesta Sheffield with complementary production, distribution and marketing capabilities. It combines the production and marketing resources of Outokumpu Steel and Avesta Sheffield and creates further opportunities for the combined entity in the growing stainless steel markets.

A combined Business Plan has been prepared for AvestaPolarit.

Both companies have ongoing previously announced investment programmes which will be carried out according to the original plans, with some adjustment where the original plan can be improved as a result of the Combination.

Outokumpu Steel has decided to double its capacity during the coming years building on the integrated mine to mill concept. The Tornio investment plan consists of expansion in the steel melting shop, hot rolling mill and cold rolling mill. The planned capital expenditure is EUR 570 million. This previously announced project will be upgraded in the new joint Business Plan by EUR 110 million, further increasing melting and cold-rolling capacities.

The investment decisions already taken by Avesta Sheffield are based on incremental development of company assets in line with growth in market demand. The running investments are coil capacity increases in Avesta, Nyby and Sheffield as well as capacity increases in the Avesta steel melting shop. The capital expenditure on these investments amounts to EUR 90 million. The Business Plan below outlines the further development plans for AvestaPolarit, which will be implemented by the AvestaPolarit Board in due course. AvestaPolarit will have a very strong balance sheet, enabling an efficient execution of the investment programme and strong future growth.

The Company's financial targets will be a minimum return on capital employed of 15 per cent over the business cycle and a maximum gearing of 40 per cent. AvestaPolarit's dividend pay-out ratio shall be at least 30 per cent of net profit over the cycle. In addition to the financial result, the annual dividend pay-out will depend on the Company's investment and development needs.

Avesta Sheffield and Outokumpu Steel will end their respective financial years on December 31, 2000. This will be a nine month year for Avesta Sheffield. AvestaPolarit will distribute a dividend to its shareholders during the spring of 2001. The dividend will be based upon the performance of the combined companies during their respective financial reporting periods ending December 31, 2000.

The accounting principles to be applied by AvestaPolarit from its formation are based on Finnish Accounting Standards, and will comply with International Accounting Standards (IAS) in all material respects.

Business Plan

The central objective of the AvestaPolarit Business Plan is to secure a significant and sustained increase in value for AvestaPolarit shareholders by creating an independent, world class, focused, profitable and growth oriented stainless steel company. The aim is, as it relates to investors, to create a clear and credible position as a leading stainless steel stock, attractive to private and institutional investors alike.

The key drivers in creating value will be:

- An effective Combination of two innovative companies with already strong brands; Outokumpu Steel noted for cost/price competitiveness and reliability of quality and service; Avesta Sheffield for a wide product range, product development and added value from an extensive distribution/service centre network.
- Economies of scale in production, sales and distribution, R&D, purchasing and administration.
- The opportunities offered by the Combination for specialisation at the production units and for improved logistics.
- The efficient use of capital, to deliver higher returns on investment and lower levels of business risk.
- The ability to unite and motivate all employees in pursuit of common goals, and to attract and retain within the Company bright and committed people of many disciplines and nationalities.

AvestaPolarit will project a single brand image in all its markets. The new brand will project, internally and externally, the values which the new company stands for and its identity. The Company will brand itself as a focused international stainless steel company offering its customers:

- Competitive value and excellent service in all products.
- A wide range of products and added value services.
- Partnerships in design and product selection.
- Fast and inexpensive transactions using modern Information technology.

The operations of AvestaPolarit will be organised into Coil Products, Special Products and North America.

Coil Products

The core of AvestaPolarit will be the merged assets of the steel melting and coil processing systems (Tornio, Avesta, Nyby, Långshyttan, Sheffield). The Company will integrate and develop the coil facilities in order to create a world best manufacturing system. The key features of the plan are:

- The development of the Tornio melt shop, to create by far the lowest cost stainless steel melt unit in the world.
- The leveraging of existing hot rolling assets, through the incremental development of both the Avesta and Tornio Steckel mills, to a world best operating scale.

- The investment in new integrated rolling, annealing and pickling technology in Tornio to create a world best scale cold rolling facility.
- The leveraging of existing coil processing facilities in Avesta, through incremental investment, to create a large scale, low cost, process route for continuously produced plate products.
- The development of Nyby and Långshyttan into a specialised thin strip business.
- The continued development of Sheffield to maintain its position as the major domestic cold roller with a close to market coil processing service.

Following the development programme, the production structure will fully satisfy customer needs and will improve AvestaPolarit's position as a cost leader in stainless steel. Furthermore, the development plan will create the opportunity to utilise existing melting and rolling assets as the foundation for future expansion both in Europe and globally.

The underlying profitability of Coil Products is expected to improve significantly as a result of both increased sales and a major reduction in conversion costs. A key factor in the successful implementation of the plan will be the marketing and sales of the combined AvestaPolarit product range, utilising existing and enhanced market based stock and processing channels to add value.

Special Products

AvestaPolarit Special Products includes both up- and down-stream value adding operations: Ferrochrome, Hot Rolled Plate, Long Products, Precision Strip, Tubes and Tube Fittings.

The Special Products businesses will contribute to the creation of shareholder value by:

- Leveraging shared value with the Coil Products, maximising the value of integrated processes, common process technology, shared distribution channels and an integrated marketing approach to common customer groups.
- Generating targeted returns on investment through the execution of appropriate growth strategies, which may include organic investment and mergers/acquisitions.

In all cases within the AvestaPolarit Special Products portfolio, the business will be managed to create shareholder value by focusing on these two key elements.

North America

AvestaPolarit's North American operations include hot rolled plate, bar, tube and welding products. Avesta Sheffield is currently investigating the sale of the tube business. The operations also include a sales and distribution business marketing European produced products within the large NAFTA market area.

The focus of the North American operations is to create value by generating targeted returns on investments made in local manufacturing and through the leverage of shared value with the European production systems, for example rolling European produced slab to plate or European produced billets to bar.

Synergies

In the Business Plan, total synergies of over EUR 100 million per annum (approximately 3.5 per cent of AvestaPolarit net sales) have been identified and are expected to accrue as integration and investment plans are carried out. Synergies are expected to be realised in full by year 2005.

The main factors contributing to projected synergies are:

- Economies of scale in the production of both Coil and Special Products and revenue improvements within the sales and distribution operations.
- Purchasing economies of scale.
- Enhanced efficiency in marketing, research and development and administration.
- Specialisation and improved logistics.

AvestaPolarit can, through restructuring and further expansion investments, realise significant improvements in productivity which could not be realised by the individual companies.

Marketing

One of the most important reasons for the Combination is the ability to combine the global sales and distribution network of Avesta Sheffield with the low cost production facilities of Outokumpu Steel. AvestaPolarit will offer an even more competitive package of a wide product range, integrated processing and service center facilities and experienced sales personnel to give its customers the full benefit.

Until the closing of the Combination, business will be as usual with all personal customer contacts remaining unchanged.

After the closing, it is the intention to combine both parties' marketing resources into one organisation in order to draw on the expertise and experience from both companies.

A common brand will be launched and the intention is to combine the marketing strategies into one strategy for AvestaPolarit. This strategy will focus on using the best of both, with the stated strategy to improve performance and relations with existing and new customers.

Market outlook

Consumption trends for stainless steel are extremely positive. Western world demand has risen by an average of about 5.5 per cent per annum over the last 20 years, and world apparent consumption of cold rolled stainless has risen by an average of more than 7.5 per cent per annum since 1994. These strong rates of growth are much higher than those of carbon steel and almost all other metals, and reflect the particular advantages of stainless steel.

The material has clear life-cycle cost benefits in many applications, but also continues to enjoy increasing usage because of tightening environmental regulations and wherever the issues of health and hygiene are important. Stainless steel also benefits from the fact that its consumption is strongly correlated with standard of living, so that consumers tend to buy more stainless-containing goods as their disposable incomes rise.

All these factors suggest that the outlook for future growth in stainless steel consumption is very encouraging. World apparent consumption of cold rolled products is expected to rise by 8-10 per cent this year, and future growth is forecast to average about 5 per cent per annum.

The exceptionally strong rise in stainless steel demand during the last 18 months, coupled with limited new investments in slab melting capacity, has also contributed to significant improvements in market conditions for stainless steel producers. Average utilisation rates in slab and hot rolling capacity across the industry have risen sharply during 2000, and this in turn has underpinned a marked rise in base prices and margins. Little new slab capacity is due on stream over the next year, while demand is expected to continue rising firmly. These trends imply that slab utilisation rates will remain at historically high levels over the near term, providing an encouraging background for producers.

Looking further ahead, a number of major new projects and expansions have been announced, and the extra capacity from these projects will begin to come on stream during 2002-2003. So far, however, the identified growth in new slab capacity does not look excessive, following as it does three years (1999-2001)

when worldwide capacity is likely to have risen very little. If demand continues to rise at its trend rate of about 5 per cent per annum, average slab utilisation rates therefore look likely to remain at a high level for a sustained period.

AvestaPolarit, just as Outokumpu Steel and Avesta Sheffield today, will have its main customers in the Building & Architecture, Food & Beverages, Pulp & Paper, Offshore, Chemicals, Transportation and Household goods, industrial segments.

Board of Directors, and Executive and operative management

The parties will be proposing the following **Board of Directors** to be elected for AvestaPolarit:

- Jyrki Juusela, Chairman
born 1943, Chief Executive Officer of Outokumpu Oyj and Chairman of the Group Executive Committee; Member of the Outokumpu Board of Directors. Also current Chairman of the Board of the Confederation of Finnish Industry and Employers.
- Tony Pedder, Vice Chairman
born 1949, Chairman of the Board of Avesta Sheffield AB, Executive Director of Corus Group plc. Also Member of the Board of Delta plc.
- Bernt Magnusson, b. 1941, Vice Chairman of the Board of Avesta Sheffield AB
- Jacob Palmstierna, b. 1934, Board Member of Avesta Sheffield AB
- John Rennocks, b. 1945, Board Member of Avesta Sheffield AB, Finance Director of Corus Group plc.
- Timo Peltola, b. 1946 , Chief Executive Officer of Huhtamaki Van Leer Oyj
- Juha Rantanen, b. 1952, Chief Executive of A. Ahlstrom Corporation
- Risto Virrankoski, b. 1946, Executive Vice President of Outokumpu Oyj
- Ossi Virolainen, b. 1944, Deputy CEO & Chief Financial Officer of Outokumpu Oyj, proposed Chief Executive Officer of AvestaPolarit
- Stuart I. Pettifor, b. 1945, President & CEO of Avesta Sheffield AB, proposed Deputy CEO of AvestaPolarit.

This Board's term of office is proposed to last until the Annual General Meeting of Shareholders in 2003. The parties have agreed then to propose that the number of Board members be reduced to eight (8).

The AvestaPolarit **Executive Committee** is proposed to consist of the following members:

- Chief Executive Officer Ossi Virolainen
- Deputy CEO & President of Coil Products Stuart I. Pettifor
- President of Special Products Antti Närhi, b. 1944
- VP - Business Development and Technology Pekka Erkkilä, b. 1958
- VP - Chief Financial Officer Ian Cooper, b. 1947
- VP - Human Resources Leif Helgman, b. 1961
- VP - Sales & Marketing Barrie Cheetham, b. 1943
- VP - M&A and Legal Karri Kaitue, b. 1964

The operational organisation, which is split into Coil Products, Special Products and North America, will be headed by the following general managers:

Coil Products (Stuart I. Pettifor)

- Tornio integrated mill Niilo Suutala,
deputy of S Pettifor
- Sheffield Melting, Avesta Melting & Steckel mill Sean Lyons
- Sheffield Cold Rolled John Newborn
- Nyby/Långshyttan Cold Rolled Lars-Göran Jöbo
- Avesta KBR Peter Gossas

Special Products (Antti Närhi)

- Ferrochrome Harri Natunen
- Precision Strip Edgar Williams
- Tubular Products
 - Jaro Christer Asp
 - Avesta Sandvik Tube Christer Bäck
 - ABE Group Bengt Blomberg
- Hot Rolled Plate Leif Rosen
- Long Products Peter Holes

North America Mike Rinker

Refinancing of loan facilities

In connection with this Combination, certain loan facilities of Avesta Sheffield will be refinanced and discussions are underway with banks in connection with this refinancing.

Domicile and listing

AvestaPolarit will be incorporated and domiciled in Finland. It will be listed on the OM Stockholm Stock Exchange. AvestaPolarit may later seek a listing also on the Helsinki Exchanges, if found desirable in order to improve liquidity of the shares. AvestaPolarit will have its main headquarters in Stockholm and a CEO office in Espoo, Finland.

Details of the proposed Combination

The proposed Combination will take place via an exchange offer in which Avesta Sheffield shareholders will be offered one Outokumpu Steel share in exchange for each Avesta Sheffield share.

The Exchange Offer

Outokumpu Steel is likely to commence the Exchange Offer in December 2000, taking into account the approvals by relevant authorities.

Pursuant to the Exchange Offer, Outokumpu Steel will offer to exchange, subject to the conditions set forth below, one (1) Outokumpu Steel Share for each Avesta Sheffield Share. The obligation of Outokumpu Steel to accept for payment and pay Avesta Sheffield Shares tendered pursuant to the Exchange Offer will be subject only to the Combination Agreement not having been terminated and the satisfaction or waiver (by both Parties) of, the following conditions:

- that the Outokumpu Steel Shares have been approved for listing on the OM Stockholm Stock Exchange;
- that at least 90 per cent by number and voting rights of the issued Avesta Sheffield Shares will have been tendered in accordance with the Exchange Offer provided that Outokumpu Steel and Avesta Sheffield may jointly waive this condition and complete the Exchange Offer at a lower level of acceptance;
- that all relevant approvals from authorities including competition authorities have been received.

Compulsory Acquisition

As soon as practicable after the Closing Date, assuming that shareholders representing at least 90 per cent of the shares of Avesta Sheffield have accepted the offer, Outokumpu Steel will, subject to the applicable procedure, take the necessary action to acquire all the remaining issued and outstanding Avesta Sheffield shares under Section 14:31 of the Swedish Companies Act.

Information on Outokumpu Steel

Outokumpu Steel is a 100 per cent owned subsidiary of Outokumpu, a public corporation listed on the Helsinki Exchanges. Outokumpu is a versatile metals group operating world-wide. In its business, Outokumpu focuses on stainless steel, copper products, base metals production and technology.

Outokumpu Steel's integrated production chain includes a chromium mine at Kemi, Finland and in the nearby town of Tornio a ferrochrome smelter and stainless steel production plants, comprising a melt shop, a hot rolling mill and a cold rolling mill. The main products are ferrochrome and stainless and acid-resistant steel strips and sheets. A part of the coil production is cut to customer specifications at a processing plant in Terneuzen, the Netherlands. Outokumpu Steel also processes stainless steel into tubes and tube fittings at Pietarsaari and Veteli, Finland. Outokumpu Steel utilises the international marketing network of Outokumpu.

Outokumpu Steel's share of the stainless steel coil products market in Europe is 10 per cent and globally 5 per cent. Europe is Outokumpu Steel's largest market with an 82 per cent share of total net sales, Asia accounts for 10 per cent and the Americas 7 per cent.

In December 1998, a decision was made to switch to underground mining at the Kemi chromium mine. Apart from improving profitability this allows for a doubling of the capacity of the mine. A decision was taken in December 1999 to commence an EUR 570 million investment program in Tornio, designed to double the production of stainless steel slabs to more than a million tonnes per year. The capacity of the hot and cold rolling mills will also be increased. This investment is scheduled to start in 2002 and to be in full use by 2004.

Outokumpu Steel financial information

		1997	1998	1999	H1/2000
Net sales	EUR mill.	832	795	778	620
Operating profit	EUR mill.	93	46	40	107
Equity-to-assets ratio	%	57	62	58	63
Gearing	%	26	22	24	12
Personnel at end of period		2 391	2 391	2 397	2 876 *)

* Includes temporary holiday season employees.

Financial information is presented as reported in accordance with Outokumpu's accounting principles, which are based on Finnish GAAP. Purchased metals and metal raw materials are valued according to the LIFO (last in, first out) principle.

Outokumpu Steel production figures

Tonnes, '000	1997	1998	1999	H1/2000
Ferrochrome	237	231	256	129
Steel production	544	575	598	327
Hot rolled coil	519	559	592	320
Cold rolled coil	303	344	403	221
Tubes and tube fittings	30	27	28	20

Information on Avesta Sheffield

Avesta Sheffield has one of the widest product ranges of any stainless steel producer and in 1999/2000 delivered almost one million tonnes of material. Avesta Sheffield is Europe's third largest and the world's 4th largest producer. Avesta Sheffield markets and sells its product range through a global network of sales companies in 23 countries and service centres in its key markets. Sales into Europe account for almost 76 per cent of total invoiced sales. The Nordic region (18 per cent), North America (15 per cent) and the UK (13 per cent) are the largest single markets.

With a head office based in Stockholm, Avesta Sheffield's production units are organised into nine product line focused Business Areas. Production operations are centred at a number of locations in Sweden, UK and North America.

Avesta Sheffield manufactures stainless steel by melting scrap and ferro alloys and converting feedstock material cast at the company's melting shops at Avesta and Degerfors in Sweden and at Sheffield, UK, into a product range including sheet and coil, plate, precision strip, tube and pipe, bar and rod and a series of attendant product ranges. The product range is enhanced through a number of added value operations undertaken in the Group's service centres and downstream business units.

The Group is taking advantage of the growth in stainless steel consumption via a series of quick payback investment schemes, predominantly in coil and sheet production. These schemes will not only raise capacity but also enhance the added value element of the Group's product profile.

Avesta Sheffield pro-forma financial information

		1997	1998	1999	H1/2000
Net sales	EUR mill.	2 105	1 920	1 645	1 273
Operating profit	EUR mill.	12	-118	12	191
Earnings per share	EUR	0.07	-0.72	0.02	0.91
Equity-to-assets ratio	%	55	56	51	51
Gearing	%	19	18	31	28
Personnel at end of period		7 696	7 018	6 311	6 447 *)

* Includes temporary holiday season employees.

Proforma financial information is presented in accordance with Avesta Sheffield's accounting principles, which are based on Swedish GAAP. Avesta Sheffield's accounting period has been restated to calendar year. Purchased metals and metal raw materials are valued according to the FIFO (first in, first out) principle.

Avesta Sheffield production figures

Tonnes, '000	1997	1998	1999	H1/2000
Steel production	1 017	950	941	593
Coil Products	625	596	606	348
Hot Rolled Plate	112	131	109	71
Long products	156	102	163	86
Precision strip	34	32	32	28
Tubes	73	67	62	36

Pro-forma information on AvestaPolarit

The combined current stainless steel slab production capacity of Outokumpu Steel and Avesta Sheffield is about 1.7 million tonnes. Their combined coil production capacity is about 1.2 million tonnes. With these figures, AvestaPolarit ranks second in comparison to its main global competitors. The expansions coming on stream within the next few years from on-going investments will consolidate this position.

AvestaPolarit pro-forma financial information

		1997	1998	1999	H1/2000
Net sales	EUR mill.	2 903	2 691	2 403	1 872
Operating profit	EUR mill.	101	-67	66	313
Earnings per share	EUR	0.23	-0.21	0.15	0.69
Equity-to-assets ratio	%	45	45	48	47
Gearing	%	31	28	34	28
Personnel at end of period		10 087	9 409	8 708	9 323 *)

* Includes temporary holiday season employees.

The pro-forma figures presented above are preliminary and unaudited. Financial information has been consolidated without applying uniform accounting principles. However, Outokumpu Steel's inventories are valued by FIFO method

instead of the previously reported LIFO. Earnings per share is calculated using the number of outstanding shares at Closing, assuming full acceptance by Avesta Sheffield shareholders.

Current trading and listing of Avesta Sheffield

Avesta Sheffield shares have been listed on the OM Stockholm Stock Exchange since 1987. Avesta Sheffield's share capital consists of 158 million shares, each with a nominal value of SEK 10. All shares carry equal voting rights and represent an equal share of the company's share capital. The Avesta Sheffield share price on September 26, 2000 was SEK 37.00 and the market value of the company was SEK 5,846 million (EUR 690 million).

Employees

AvestaPolarit will employ approximately 8,700 people.

The Combination will as such have no immediate impact on employment. The employees in Outokumpu Steel and Avesta Sheffield will start to work for the new AvestaPolarit Group on the day that the Combination closes. All employees will maintain employment under current contracts, except for some managers appointed for new positions in AvestaPolarit.

The new management will be in charge of finalising the Combination and building up the new Group. Eventual changes in the new organisation will take place as soon as they have been clearly identified, duly negotiated and finally decided upon. Management is committed to keeping all AvestaPolarit employees well informed and involved in the change process.

The previously decided and announced investment programmes will be carried out with only minor adjustments and some additions.

Every effort will be made by the merging parties to keep the employees and their representatives informed about ongoing developments leading up to the final closing of the Combination and the start of AvestaPolarit.

It is apparent that the business development plans imply changes, which call for flexibility and commitment from all employees to the objectives of AvestaPolarit, but the changes also offer opportunities for the employees to advance with a new strongly growth-oriented world class Group

The purpose of forming AvestaPolarit is to create a leading stainless steel company with a strong focus on growth. AvestaPolarit's strategies envisage further enhancement of the productivity, competitiveness and profitability of its current operations.

Coil Products will form the core. The coil facilities will be integrated and developed to create a world best manufacturing system. In Special Products focus will be on leveraging shared value with Coil Products as well as on generating targeted returns. There will also be efforts to increase the degree of specialisation among the units and to improve logistics. These call for an even greater ability to handle change.

The future roles of individual operations will be influenced by the overall development of AvestaPolarit's business as well as by the evolution of the global stainless steel market. The best guarantee of job security and job creation is a growing successful business.

Approvals by the Boards of Directors

The Boards of Directors of Outokumpu and Outokumpu Steel, who have been so advised by Mandatum Bank, consider the terms of the proposed Combination to be fair and reasonable and have approved the agreements giving rise to the Combination. In providing advice to the Directors of Outokumpu and Outokumpu Steel, Mandatum has taken into account the commercial assessments of the Directors of Outokumpu and Outokumpu Steel.

The Board of Directors of Avesta Sheffield, who have been so advised by Deutsche Bank, considers the terms of the proposed Combination to be fair and reasonable and has approved the agreements giving rise to the Combination. In providing advice to the Directors of Avesta Sheffield, Deutsche Bank has taken into account the commercial assessments of the Directors of Avesta Sheffield.

The Corus Group has undertaken to accept the offer in respect of its own holding in Avesta Sheffield subject to the final positive recommendation of the Avesta Sheffield Board to its shareholders and the fulfilment or waiver of the conditions of the Exchange Offer.

Advisors

Outokumpu and Outokumpu Steel have been advised in the Combination by Mandatum Bank Oyj.

Avesta Sheffield has been advised in the Combination by Deutsche Bank AG.

Corus Group has been advised in the Combination by Goldman Sachs International.

Indicative timetable

Signing the Combination Agreement	Sep. 27, 2000
Filing of merger control	October 2000
Exchange Offer period	December 2000
Closing	January 2001
Listing of AvestaPolarit on the OM Stockholm Stock Exchange	January 2001

These dates are preliminary and subject to decisions by the parties to the Combination agreement and to regulatory authorities' approval processes.

Information to Avesta Sheffield shareholders

Avesta Sheffield shareholders will be offered an opportunity to exchange their shares in Avesta Sheffield for newly issued shares in Outokumpu Steel. Following the completion of the Combination, Outokumpu Steel will be renamed AvestaPolarit. AvestaPolarit will be listed on the OM Stockholm Stock Exchange. Avesta Sheffield shareholders will receive one (1) share in AvestaPolarit for each share in Avesta Sheffield. In order to receive newly issued AvestaPolarit shares in exchange for Avesta Sheffield shares, each shareholder must accept the exchange offer in accordance with the terms of the offer.

The exchange offer period will commence on or about December 2000. Prior to the commencement of the Exchange Offer a Prospectus concerning the Exchange Offer and AvestaPolarit will be published. Further information concerning, i.a., the Combination, the terms of the exchange offer and acceptance procedures will be sent to each Avesta Sheffield shareholder (excluding shareholders resident in the United States and certain other shareholders) prior to the commencement of the exchange offer.

Avesta Sheffield shares will be listed on the OM Stockholm Stock Exchange during the exchange offer period. As soon as is practicable after the completion of the Combination, AvestaPolarit will initiate a compulsory redemption procedure pursuant to the Swedish Company Act to acquire all the remaining Avesta Sheffield shares and apply for de-listing of Avesta Sheffield shares from the OM Stockholm Stock Exchange.

This material is being provided for purposes of your assessment of the transactions described herein. It does not constitute an offer to sell or a solicitation of an offer to buy any securities. This is not for release, publication or distribution in or into the United States, Canada, Australia or Japan.