

## Outokumpu to acquire full ownership of AvestaPolarit

Outokumpu Oyj, the parent company (52.4% of shares and votes) of the stainless steel producer AvestaPolarit Oyj Abp, has agreed with the other principal owner Corus Group plc (23.2%) that Outokumpu will acquire all AvestaPolarit shares owned by Corus at a price of EUR 6.55 per share, conditional upon clearance by the European Commission. Upon completion of the acquisition, Outokumpu will make a mandatory cash offer to the other shareholders in AvestaPolarit to acquire the remaining AvestaPolarit shares at the same price. The mandatory offer is expected to be made in the first half of August and the acceptance period will start shortly thereafter. The total transaction value is EUR 1.1 billion and Outokumpu has secured debt financing to execute the transaction. Part of the debt will be refinanced through an EUR 300 million rights issue planned for the fourth quarter of 2002 and divestments of EUR 200 million. This transaction significantly reinforces Outokumpu's growth strategy as a leading metals and technology Group.

The price agreed with Corus represents a premium of 24.8% compared to the closing price of the AvestaPolarit share on the Helsinki Exchanges on June 28, 2002 and a premium of 45.3% compared to the last 12 month trading volume weighted average share price.

"I am very pleased that we have this opportunity to go for the full ownership of AvestaPolarit. The development and integration within AvestaPolarit has been carried out in a very professional and successful way – the company is certainly going to be the best in stainless. As one of the core business areas within the Outokumpu Group, AvestaPolarit will continue to pursue its business as usual. It will under its current management continue to operate in the market and will also retain its own brand name. I am convinced that this deal will be earnings enhancing compared with the alternative to reduce our majority ownership in AvestaPolarit down to 40% as would have been required according to the Shareholders' Agreement. As a leading metals and technology Group, Outokumpu will actively seek profitable growth within both stainless steel and the non-ferrous businesses and will continue to seize the best business opportunities. Our strategy of growth and transformation to make higher returns is based on the continuous development of our portfolio. Focused investments and acquisitions will be carried out in high value added products and services as well as in new market areas", says Dr. Jyrki Juusela, Outokumpu CEO.

"This transaction continues Corus' move to focus its business more clearly for the future and at the same time gives good value for Corus shareholders. We are pleased that AvestaPolarit will be able to continue to develop as a leading stainless steel company within the Outokumpu Group", comments Tony Pedder, Corus CEO.

Following the acquisition of the full ownership in AvestaPolarit, Outokumpu's corporate structure will become more straightforward, with equally strong interests in both stainless steel and the non-ferrous business. Approximately half of Outokumpu's net sales will be generated by stainless steel and the other half by the non-ferrous businesses i.e. fabrication of copper products, zinc and copper metals production and technology sales. The Group's pro forma net sales in 2001 were EUR 5.5 billion and it had over 19 000 employees in more than 40 countries.

With the acquisition, Outokumpu's growth will also be accelerated, in view of the significant investment program underway within AvestaPolarit. The bulk of the investments, totaling about EUR 1 billion, are being made to expand production at the Tornio works in Finland. The recent investments and systematic development measures within Outokumpu's non-ferrous businesses also contribute to the creation of a solid foundation for future growth and improved profitability.

Outokumpu has secured bridge financing to execute the transaction. In order to refinance the transaction Outokumpu will proceed with the program to exit base metals mining business as well as divesting other non-

core assets generating proceeds of at least EUR 200 million in total. In the fourth quarter of this year, Outokumpu will arrange an EUR 300 million preferential rights issue in which new shares will be offered to Outokumpu's shareholders. The main shareholder of Outokumpu, the State of Finland (39.7% of shares and votes) has expressed its full support for the integration of the two companies and to participation in the proposed rights issue. The Finnish Social Insurance Institution (12.2% of shares and votes) has also expressed its support for the transactions.

"Our key objective for this and the next year is to strengthen the Group's capital structure and to efficiently utilize the profit making and cash flow capacity that already has been or currently is being built. When the acquisition of the full ownership of AvestaPolarit and related financing arrangements have been completed, Outokumpu will have a higher market capitalization and increased free float", concludes Jyrki Juusela, Outokumpu CEO.

#### **Invitation to press conferences and conference call**

##### **Espoo, Finland**

Dr. Jyrki Juusela, CEO of Outokumpu, will be presenting the transaction at a press conference today, July 1, 2002 at 10.30 am (Helsinki time) at Outokumpu's head office in Espoo, Finland. Address: Riihitontuntie 7 B, 02201 Espoo. The presentation will be delivered in Finnish.

##### **Stockholm, Sweden**

Mr. Risto Virrankoski, Deputy CEO of Outokumpu, will be presenting the transaction at a press conference today, July 1, 2002 at 13.00 pm (Stockholm time) at Carnegie Hall in Stockholm, Sweden. Address: Gustav Adolfs Torg 18, 4 ½ floor, Stockholm, Sweden. The presentation will be delivered in English.

##### **Conference call**

Later today there will be an open conference call in English hosted by Outokumpu CEO Dr. Jyrki Juusela. The conference call starts at 4.00 pm (Helsinki time). Those wanting to participate are kindly asked to call in the numbers +44 20 8401 1043 (Europe) or +1 800 513 7968 (the US and Canada) 10 minutes before the opening of the conference call. The password for the conference call is "Outokumpu".

For those who are not able to participate, there will be an instant reply service available for two working days until July 3, 2002. The numbers for instant reply are +44 20 8288 4459 (Europe), +1 703 736 7336 (the US and Canada). The access code for both is 671 832.

Representatives of the media, analysts, banks and shareholders are welcome to join all events.

For further information, please contact:

Risto Virrankoski, Deputy CEO, tel. +358 9 421 2121, [risto.virrankoski@outokumpu.com](mailto:risto.virrankoski@outokumpu.com)

Kari Lassila, SVP - Investor Relations & Corporate Development, tel. +358 9 421 2555, [kari.lassila@outokumpu.com](mailto:kari.lassila@outokumpu.com)

Eero Mustala, SVP - Corporate Communications, tel. +358 9 421 2435, [eero.mustala@outokumpu.com](mailto:eero.mustala@outokumpu.com)

OUTOKUMPU OYJ

Corporate Management



Johanna Sintonen

Manager - Investor and Media Relations

tel. +358 9 421 2438, mobile +358 40 530 0778, fax +358 9 421 2429

e-mail: [johanna.sintonen@outokumpu.com](mailto:johanna.sintonen@outokumpu.com)

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

**The following represents the highlights of the transaction and pro forma figures****Early termination of the Shareholders' Agreement**

As a step in the implementation of its strategy relating to stainless steel, Outokumpu Oyj has on June 30, 2002 entered into an agreement with Corus Group plc providing for the early termination of the Shareholders' Agreement dated September 27, 2000 relating to the parties' shareholding in AvestaPolarit Oyj Abp.

Under the agreement on early termination of the Shareholders' Agreement, Corus has agreed, against a one-time compensation of EUR 25 million, to waive all its rights under the Shareholders' Agreement, including the requirement that Outokumpu decreases its shareholding in AvestaPolarit to 40%. The early termination of the Shareholders' Agreement also relieves Outokumpu of certain restrictions regarding the exercise of its shareholder rights, which would have continued to apply following the decrease of its shareholding interest. A decrease of Outokumpu's shareholding from the present 52.4% to 40% would have resulted in a tax cost of estimated EUR 50 million to Outokumpu.

**Purchase of AvestaPolarit shares from Corus**

Outokumpu Oyj has on June 30, 2002 entered into a share purchase agreement with Corus Group plc pursuant to which Outokumpu will acquire all 80 882 090 AvestaPolarit Oyj Abp shares held by Corus, which shareholding represents approximately 23.2% of the share capital and votes in AvestaPolarit. The purchase price is EUR 6.55 per share, making the total purchase price for the shares approximately EUR 530 million. The transaction is conditional upon obtaining clearance by the European Commission. Following the transaction Outokumpu's ownership will increase to 75.6% and, as a result, Outokumpu is required under Finnish law to launch a mandatory public tender offer to the other shareholders in AvestaPolarit Oyj Abp in Finland. The public tender offer will simultaneously be launched in Sweden.

**Public offer to the shareholders in AvestaPolarit Oyj Abp**

Upon completion of the acquisition of AvestaPolarit shares from Corus, Outokumpu Oyj will make a mandatory tender offer to purchase all of the outstanding shares of AvestaPolarit Oyj Abp where the offer price will be EUR 6.55 in cash per each AvestaPolarit share which is equal to the consideration paid per share in the transaction between Outokumpu and Corus. Based on the SEK/EUR exchange rate of June 28, 2002, the offer equals SEK 59.61 for each AvestaPolarit share. The total value of the offer equals approximately EUR 558 million.

Outokumpu presently holds 182 827 934 shares in AvestaPolarit, which corresponds to 52.4% of the share capital and votes in AvestaPolarit. Together with the shares in AvestaPolarit acquired from Corus, Outokumpu will hold 263 710 024 shares in AvestaPolarit, corresponding to 75.6% of the share capital and votes in AvestaPolarit.

Based on the closing price of the AvestaPolarit share on the Helsinki Exchanges on June 28, 2002 the forthcoming mandatory offer would represent a premium of 24.8% and a premium of 45.3% compared to the last 12 month trading volume weighted average share price on the Helsinki Exchanges. The forthcoming offer would represent a premium of 25.7% compared to the last 20 trading days' average closing price on the Stockholm Stock Exchange.

**Planned rights issue of Outokumpu and other sources of refinancing**

Outokumpu has negotiated with Nordea Bank Finland plc bridge financing of EUR 1 billion for the acquisition of the AvestaPolarit shares.

Outokumpu plans to refinance part of the acquisition of AvestaPolarit shares through a preferential rights issue. The terms and conditions of the preferential rights issue will be determined at a later stage. The rights issue is planned to take place in the fourth quarter of 2002. The size of the planned rights issue will be EUR 300 million. The main shareholder of Outokumpu, the State of Finland (39.7% of share capital and votes) has informed Outokumpu that it will support and participate in such a rights issue. The Finnish Social Insurance Institution (12.2% of share capital and votes) has also expressed its support for the rights issue.

Outokumpu's divestment program, including base metals mines and other non-core assets, is planned to generate proceeds of at least EUR 200 million by the end of 2003.

As a result of the acquisition of all AvestaPolarit shares and the related debt financing, Outokumpu's debt-to-equity ratio will increase from 55% to 140%. Outokumpu's aim is, with the actions described above, to reduce the debt-to-equity ratio to below 100% during this year and further down to 75% in 2004 at the latest.

**Merits of the transaction**

- The acquisition of AvestaPolarit shares will enable Outokumpu to reinforce its strategy where stainless steel is an integral part of the Group's value creation.
- The acquisition of AvestaPolarit shares secures the continuation of Outokumpu's strategic financial target to have net income trend growth of at least 15% per annum and operating profit margin of at least 10%.
- The growth to be obtained from acquiring full ownership in AvestaPolarit is evaluated to be faster and include lower risk compared to the alternative to decrease ownership down to 40% as originally intended and provided for in the Shareholders' Agreement and to seek growth through expansion into new areas of businesses. With the transactions described above Outokumpu will reach a sufficient size to become the leading metals and technology Group. Outokumpu's management is convinced that the transaction is favorable to Outokumpu's shareholders and also constitutes a fair deal for current AvestaPolarit shareholders.
- AvestaPolarit is one of the world's largest and most cost-efficient stainless steel producers with a proven track record. The significant investment program now underway at AvestaPolarit will increase both production and profit making capacity from 2003 onwards.
- As a result of the full acquisition of AvestaPolarit, the near future growth strategy will be more geared to organic measures. Strategic acquisitions supporting the core operations will, however, be continued on a selective basis.
- The acquisition of AvestaPolarit shares will make it possible to exploit the business synergies between Outokumpu and AvestaPolarit. Cost synergies can be identified mainly in administration and finance.
- After the completion of the transactions described above and related financing arrangements the Outokumpu Group will be a company with a higher market capitalization and increased free float.

**Preliminary timetable**

Competition authority approval  
Completion of share purchase from Corus  
Offer document to be published  
EGM of Outokumpu regarding  
the preferential rights issue  
The preferential rights issue of Outokumpu

By mid-August, 2002  
On receipt of competition authority approval  
In or about mid-August, 2002

October, 2002  
Subject to EGM authorization,  
during the last quarter of 2002

**Advisors**

Carnegie and J.P. Morgan have been acting as financial advisors to Outokumpu in relation to Corus transaction. Carnegie is also acting as financial advisor in relation to the public offer.

**Facts about Outokumpu**

Outokumpu is a leading metals and technology company. It specializes both in stainless steel and non-ferrous metals i.e. fabricated copper products, copper and zinc metals production and related technology. Outokumpu serves the international market with more than 90% of its net sales generated outside Finland. The Group's net sales are EUR 5.5 billion and it employs over 19 000 people in more than 40 countries. The Group's head office is located in Espoo, Finland and the parent company, Outokumpu Oyj, is listed on the Helsinki Exchanges.

Operations are organized into three strategic entities – Copper Products, Metallurgy and Stainless Steel. The stainless steel operations are the responsibility of AvestaPolarit Oyj Abp of which Outokumpu currently holds a 52.4% share.

The Group accounts for some 10% of the world's fabricated copper products in its served market. Copper Products has 18 units in all the three main regions: the US, Europe and Asia. Metallurgy engages in zinc and copper metals production and technology sales. Outokumpu's market share of zinc in Europe is some 15% and some 5% of the world's production. Today Outokumpu is the world's largest supplier of copper and zinc plants, a significant supplier of aluminum technology and a key supplier of innovative technologies for the ferrous and ferroalloys industries.

The basic elements of Outokumpu's strategy are growth and transformation with the aim to double the volumes and profits of the operations by 2004–2005 and to transform from a capital-intensive into a knowledge-driven company – to become the leading metals and technology Group.

See also [www.outokumpu.com](http://www.outokumpu.com).

**Facts about AvestaPolarit**

AvestaPolarit is one of the world's leading stainless steel producers. It was formed in January 2001 by the merger of Avesta Sheffield AB (publ) and Outokumpu Steel Oy. AvestaPolarit had net sales of EUR 3 billion in 2001 and it employs around 9 000 people. AvestaPolarit Oyj Abp is domiciled in Finland and its shares are listed both in Helsinki and Stockholm.

The Group has production facilities in Finland, Sweden, the UK and the US. These operations are supported by a worldwide network of sales companies and agents, as well as by service centers in all key markets.

AvestaPolarit offers the most comprehensive range of steel grades and product forms of any single stainless steel supplier and its wide range of value-added products is complemented by extensive customer support and services. AvestaPolarit accounts for about 25% of the market for cold-rolled stainless steel in Europe and about 8% world-wide.

The Group is divided into three business areas – Coil Products, Special Products and North America. Coil Products is the Group's core business and consists of steel melting and coil processing systems in Finland, Sweden and the UK. The Special Products business area consist of business units with operations that complement the core coil production chain: Ferrochrome, Hot Rolled Plate, Long Products, Tubes, Fittings, and Precision Strip. AvestaPolarit's North America business area includes both local manufacturing and regional sales.

AvestaPolarit's vision has been defined to become the global leader in the stainless steel industry. The strategy has focused on strengthening the core businesses, through a major investment and re-structuring program for the period 2000 to 2004. The majority of the investments are being made to expand production at the Tornio works in Finland. The program will increase the Group's slab capacity from 1.75 to 2.75 million tonnes and the coil rolling capacity from 1.2 to 1.9 million tonnes.

See also [www.avestapolarit.com](http://www.avestapolarit.com).

### Pro forma figures

The first quarter 2002 balance sheet have been used as a basis to demonstrate the effect of the acquisition of minority at AvestaPolarit and the rights issue.

EUR million	Mar. 31, 2002, as reported	Acquisition of minority in AvestaPolarit	Rights issue	Pro forma
<b>ASSETS</b>				
<b>Fixed assets and other long-term investments</b>				
Intangible assets	75	294		369
Property, plant and equipment	2 683			2 683
Long-term financial assets	257			257
<b>Total fixed assets and long-term investments</b>	<b>3 015</b>	<b>294</b>	<b>0</b>	<b>3 309</b>
<b>Current assets</b>				
Inventories	1 139			1 139
Receivables	1 191			1 191
Marketable securities	14			14
Cash and bank	199			199
<b>Total current assets</b>	<b>2 543</b>	<b>0</b>	<b>0</b>	<b>2 543</b>
<b>TOTAL ASSETS</b>	<b>5 558</b>	<b>294</b>	<b>0</b>	<b>5 852</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>	1 617		300	1 917
<b>Minority interest</b>	568	(551)		17
<b>Negative goodwill on consolidation</b>	276	(276)		0
<b>Liabilities</b>				
Long-term				
Interest-bearing	879	1 121	(300)	1 700
Non interest-bearing	448			448
Current				
Interest-bearing	719			719
Non interest-bearing	1 051			1 051
<b>Total liabilities</b>	<b>3 097</b>	<b>1 121</b>	<b>(300)</b>	<b>3 918</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>5 558</b>	<b>294</b>	<b>0</b>	<b>5 852</b>
<b>Key figures</b>				
Capital employed at the end of period, EUR million	3 383			3 953
Net interest bearing debt at the end of period, EUR million	1 197			2 018
Equity-to-assets ratio at end of period, %	42.2			34.0
Debt-to-equity ratio at end of period, %	54.8			104.0
Cost of acquisition	1 121			
Acquired minority	551			
Goodwill on consolidation and surplus values (as estimated at Mar. 31, 2002)	570			
Negative consolidation goodwill at AvestaPolarit as reported <sup>1)</sup>	(389)			
Positive consolidation goodwill at non-ferrous Outokumpu as reported	113			
Negative consolidation goodwill at Outokumpu Group as reported	(276)			
Estimated positive consolidation goodwill and surplus values arising from the acquisition	570			
Net positive consolidation goodwill included in intangible assets	294			
of which allocated to Stainless Steel	181			
of which allocated to non-ferrous Outokumpu	113			

1) After amortization of negative consolidation goodwill in prior periods amounting to EUR 11million in 1-3/2002 and EUR 46 million in 2001.

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