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## **OUTOKUMPU AND THYSSENKRUPP TO COMBINE THEIR STAINLESS STEEL BUSINESSES TO CREATE A NEW GLOBAL LEADER IN STAINLESS STEEL**

- Outokumpu Board of Directors has today approved the proposed combination of Outokumpu with Inoxum, the stainless steel unit of ThyssenKrupp
- Transformational deal structured to unlock significant value through a step-change in the combined entity's operational efficiency
- The combination is structured to create significant annual cost synergies of €225-250 million, on an annual basis by 2017, at the latest, of which 45% are expected to be achieved by end of 2014 and 70% by end of 2015
- The transaction values Inoxum at an enterprise value of €2.7bn
- Consideration for Inoxum will comprise cash, shares in Outokumpu, a loan note to be issued to ThyssenKrupp and the assumption by Outokumpu of certain liabilities of Inoxum
- Outokumpu will conduct a rights issue of €1 billion which is fully underwritten through a combination of irrevocable subscription commitments from Solidium, KELA and Ilmarinen, representing 37% of the rights issue, and underwriting commitments from J.P. Morgan and Nordea
- ThyssenKrupp will hold 29.9% of Outokumpu following a directed share issue at closing of the transaction
- The combined entity will operate under the name of Outokumpu, which will continue to be headquartered in Espoo, Finland and listed on NASDAQ OMX Helsinki. Mika Seitovirta will continue as CEO of the combined entity
- The transaction has also been approved by the Supervisory Board of ThyssenKrupp

The Board of Directors of Outokumpu has today approved the proposed combination of Outokumpu and Inoxum, the stainless steel unit of ThyssenKrupp. The transaction is designed to create a new global leader in stainless steel under the operational leadership of Outokumpu. The transaction values Inoxum at an enterprise value of €2.7 billion based on Outokumpu's share price of €7.36 as of close on 30 January 2012. Consideration for Inoxum will comprise a cash payment of €1 billion, new Outokumpu shares issued to ThyssenKrupp, a loan note of €235 million to be issued to ThyssenKrupp and the assumption by Outokumpu of certain liabilities of Inoxum of €422 million.

In connection with the transaction, Outokumpu will conduct a fully underwritten rights issue of €1 billion. Solidium, a Finnish government-owned investment company holding approximately 31% of Outokumpu's share capital, KELA and Ilmarinen have irrevocably committed to subscribe to 37% of the rights issue. The remainder has been underwritten by J.P. Morgan and Nordea, subject to customary terms and conditions. ThyssenKrupp will hold a 29.9% interest in Outokumpu, following a directed share issue at closing of the transaction. The transaction has been approved by the Board of Directors of Outokumpu and the Supervisory Board of ThyssenKrupp, and is expected to be completed during 2012. The completion of the transaction is subject to certain closing conditions, including regulatory approvals. In addition, shareholders of Outokumpu will have to authorise the Board of Directors of Outokumpu to issue new shares in the rights issue and in the directed issue to ThyssenKrupp at closing of the transaction.

"This is a truly transformational deal," said Mika Seitovirta, CEO of Outokumpu. "We are forming a new global leader in stainless steel, and are creating added value for our customers and shareholders. Outokumpu and Inoxum are an excellent fit – we are combining two highly complementary businesses to create tremendous synergy potential that neither company could realise on its own," explained the

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Corporate Management

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Outokumpu CEO. “Outokumpu will be an efficient, innovative and reliable partner for its customers, and will offer enhanced stability and attractive development prospects to its employees,” Seitovirta continued.

“The combination of Inoxum and Outokumpu is an important milestone in the implementation of our strategic way forward,” said Dr. Heinrich Hiesinger, CEO of ThyssenKrupp. “The transaction is based on a compelling industrial rationale that is expected to enable the combined entity to compete more effectively in the global marketplace. We believe that the transaction opens up a promising perspective and is therefore also in the best interest of Inoxum’s employees. ThyssenKrupp will improve its financial flexibility thanks to this transaction and further sharpen its profile, bringing us one step closer to our target of a diversified industrial group.” commented Heinrich Hiesinger, CEO of ThyssenKrupp.

“I am very pleased with this strategic transaction as it unlocks significant shareholder value. I have full confidence in the management team of the combined business to drive Outokumpu’s growth in the global stainless steel industry,” said Ole Johansson, Chairman of the Board of Outokumpu.

Headquartered in Espoo, Finland and listed on NASDAQ OMX Helsinki, the combined entity, under the name Outokumpu, will continue to be led by Outokumpu CEO, Mika Seitovirta. Following completion of the transaction, ThyssenKrupp will seek one seat on Outokumpu’s Board of directors and nomination committee, which Solidium has agreed to support.

### **Creating a new global leader in stainless steel**

The combination of Outokumpu and Inoxum will create a new global leader in stainless steel<sup>i</sup> with a complementary and innovative product offering across key customer segments. As of 30 September 2011, the combined entity would have had annualised sales of €11.8 billion<sup>ii</sup>, approximately 19,000 employees, global market share of approximately 14%<sup>iii</sup> and annual cold rolling capacity of approximately 3.5 million tons.

The transaction is expected to create significant cost synergy benefits that are estimated to reach € 225-250 million on an annual basis by 2017, at the latest, with 45% expected to be achieved by end of 2014 and 70% by end of 2015. Following completion of the transaction, Outokumpu is expected to have the scale and financial strength to take advantage of a range of global growth opportunities.

These opportunities include an expansion in the Americas enabled by the state-of-the-art and cost-effective Calvert, US production facility that is scheduled to be fully commissioned in December 2012 with a 1Mt meltshop and a 350kt cold rolling mill. The transaction will also allow Outokumpu to expand its existing presence in China, one of the fastest-growing regions in the stainless steel industry. At the same time, Outokumpu will continue the upstream integration at Tornio, Finland, doubling its in-house production of ferrochrome by 2015, which is expected to provide a considerable profit opportunity for the combined business.

### **Optimising global production efficiency and capacity utilisation leading to increased profitability**

The transaction is designed to enable a strategic optimisation of production capacities, production locations and supply routes, which would permit higher utilisation rates at the two highly integrated and cost-efficient mills in Tornio, Finland and Terni, Italy. In addition, the combined entity is planning to expand cold rolling capacity in Krefeld, Germany, to ensure high quality and short lead times for deliveries in Europe. This balanced set-up of integrated mills and cold rolling capacity in close proximity to customers is designed to provide a highly cost-efficient and responsive production network for high volume stainless steel grades in Europe.

In order to achieve the targeted efficiency increases, the combined entity plans to reduce its melting capacity by approximately 1.4Mt. Outokumpu, ThyssenKrupp and the German labour representatives have reached an agreement over the production facilities and employment protection in Germany. According to the agreement, the Krefeld meltshop will be shut down by end of 2013 and it is envisaged that the meltshop in Bochum<sup>iv</sup> will be closed by end of 2016. The agreement also states that there will be no compulsory redundancies in the German production sites of Inoxum until the end of 2015. ThyssenKrupp has committed to offer alternative jobs within ThyssenKrupp for up to 600 of the current Inoxum employees in Germany.

Furthermore, the combined entity plans to reduce thin cold rolling capacity in Sweden from 2014 onwards. Additional synergy benefits will be sought in the sales, service centres, sourcing, logistics and support functions of the combined group.

The overall global restructuring efforts are expected to result in a reduction of approximately 1,500 jobs between 2013 and 2016, out of which up to 850 jobs would be in Germany. These measures will strengthen the combined entity's financial profile, in turn, providing greater job security for the remaining combined workforce. The above mentioned planned changes will be conducted in a socially responsible manner whilst limiting impact on existing customers.

### **Complementary product offering**

Outokumpu and Innoxum are highly complementary in terms of product offering. Outokumpu is a leader in high value added austenitic and duplex grades. In addition to austenitic grades, Innoxum is a leader in ferritic grades and a leading supplier of sophisticated high performance alloy products. This, coupled with its extensive network of local service centres, will enable the combined entity to supply a broad product offering with shorter delivery times and customised solutions for its customers globally. In addition, it will provide a strong diversification across different grades reducing volatility from any temporary shifts in demand between grades.

Following completion of the transaction, Outokumpu will also have a global and well-balanced customer base, covering key end-user segments. Outokumpu is an established supplier to capital goods industries, while Innoxum is a leading supplier to more consumer-driven segments such as the white goods, catering and automotive industries. This well-balanced customer base provides the combined entity with reduced exposure to volatility of individual industries going forward.

The combined entity also expects to have greater stability as a result of long-term contracts with end-user customers while short-term contracts with its distributor customers will provide higher volumes.

### **Unique range of growth opportunities driving long-term value creation**

The transaction is also designed to enable the combined entity to take advantage of multiple growth opportunities.

First, Outokumpu is committed to continue its on-going €440 million investment to double its ferrochrome production to 530,000 tons by 2015 at the Tornio mill. This unique upstream integration to the Kemi chromite mine and own ferrochrome production provides Outokumpu with a significant competitive advantage and profit potential.

Second, the combined entity is expected to benefit from the nearly completed €1.2 billion investment in the highly integrated and cost competitive Calvert facility in the US (approximately €300 million remaining in 2012). This state-of-the art plant, complemented by the Mexinox facility in Mexico, is expected to enable the combined entity to further expand its presence in the attractive Americas region.

Third, the combined entity plans to continue the on-going €240 million investment programme in Krefeld, Germany, with a view to making it the centre of excellence for cold rolling and high quality ferritic grades in Europe. The combined entity also plans to continue the on-going €90 million investment programme in high performance alloys (HPA) in Germany, to take advantage of this high-potential growth segment.

Fourth, the ongoing expansion of quarto plate capacity and capability in Degerfors in Sweden will broaden the combined entity's offering in high-margin special grades. The total annual production capacity is expected to increase to 220 000 tonnes by 2014.

Finally, through the combined entity's existing presence in Asia, including a cold rolling mill and a service centre in China, Outokumpu expects to be able to take part in growth opportunities in the region through a differentiated high quality special grades offering.

### **Strengthening the financial profile of Outokumpu**

The transaction is expected to create significant run-rate cost synergies for the combined entity. Cost synergy benefits are estimated to reach €225-250 million annually by 2017, at the latest, of which 45% are expected to be achieved by end of 2014 at the latest. The transaction is expected to result in cumulative non-recurring cash costs of €160 million spread over 2013 to 2016.

The EBITDA impact from synergies, together with the benefits of current restructuring and investment programmes at Outokumpu and Inoxum, and issuance of new shares by way of the rights issue and the directed issue to ThyssenKrupp, are expected to lead to an improvement in the future gearing ratio for Outokumpu. The gearing of the combined entity is expected to fall below the Outokumpu target level of 75% compared to the current Outokumpu stand-alone gearing of above 80%.

### **Transaction details and financing**

The total consideration for Inoxum is comprised of a cash payment of €1 billion, new Outokumpu shares to be issued to ThyssenKrupp at the closing of the transaction, a loan note of €235 million to be issued to ThyssenKrupp based on Inoxum's balance sheet as of 30 September 2011 which will be adjusted for Inoxum's cash flow (from 30 September 2011 to closing), the assumption of Inoxum's pension obligations of €271 million and of Inoxum's net external financial debt of €151 million. Following completion of the transaction, ThyssenKrupp will hold 29.9% of Outokumpu's issued share capital. ThyssenKrupp has agreed to a lock-up period of 12 months for 100% of its holding post closing of the transaction and for another 12 months after that for 50% of its total holding, in addition to a standstill of 36 months from the day the transaction closes.

Based on Outokumpu's closing share price of €7.36 on 30 January 2012 and a rights issue of €1 billion, the implied value of shares being issued to ThyssenKrupp would be €998 million and the implied value of the total consideration for Inoxum would be approximately €2.7 billion. These consideration calculations do not take into account the value of the estimated synergies.

In connection with the transaction, Outokumpu will conduct a fully underwritten rights issue of €1 billion. Solidium, holding approximately 31% of Outokumpu's share capital, KELA and Ilmarinen have irrevocably committed to subscribe to 37% of the rights issue. The remainder has been underwritten by J.P. Morgan and Nordea, subject to customary terms and conditions. The loan note to be issued by Outokumpu to ThyssenKrupp as part of the consideration has a maturity of 9 years and will be subordinated to certain other existing forms of indebtedness at Outokumpu. The loan note will be adjusted with Inoxum's cash flow (from 30 September 2011 to closing), which will be driven by Inoxum's operational performance including capex spending and working capital changes. The structure of the loan note and its long-term tenor are designed to provide Outokumpu with significant financial flexibility over the coming years.

Outokumpu's committed liquidity facilities and other existing funding programme (as of year end 2011) in total are approximately €1.3 billion.

### **Transaction conditions and timeline**

The closing of the transaction is subject to certain closing conditions, including regulatory approvals.

Shareholders of Outokumpu will have to authorise the Board of Directors of Outokumpu to effect the issue of new shares in the rights issue and in the directed issue to ThyssenKrupp. These authorisations will be sought at Outokumpu's Extraordinary General Meeting ('EGM') scheduled to be held on 1 March 2012.

The board of directors of Outokumpu is expected to decide on the timing, terms and conditions of the rights issue based on the authorisation to be sought by the EGM. The rights issue is expected to be completed during the first half of the year 2012.

The directed share issue of Outokumpu to ThyssenKrupp will take place as part of the consideration at closing, expected to take place by end of 2012.

The financial advisers of Outokumpu are Perella Weinberg Partners, J.P. Morgan and Nordea. Skadden Arps and White & Case act as legal advisers.

### Overview of Inoxum

Inoxum is a leading European stainless steel producer employing approximately 11,500 people globally. Inoxum comprises of two segments: the Stainless Steel segment produces and distributes stainless steel flat products. The High Performance Alloys segment brings together the production and distribution of high-performance materials such as nickel alloys, titanium and zirconium

### Inoxum key financials (fiscal year ending Sep 30th)

	2009/2010	2010/2011
Sales** (million €)	5,901	6,739
Adj. EBITDA* (million €)	97.4	176.5
Adj. EBIT** (million €)	(63.1)	(287.4)
Deliveries (million tons)	2.1	2.0
Total Assets** (million €)	5,396	6,722

\*Adj. EBITDA equals adj. EBIT plus amortization / depreciation plus impairment minus depreciation of capitalised borrowing costs eliminated in EBIT

\*\* As presented in the Combined Financial Statements of Inoxum Group

### Investor and analyst call today

Outokumpu will host an investor and analyst conference call and live webcast concerning the transaction and the Outokumpu 2011 annual accounts on 1 February 2012 at 9:00 am CET (8:00 am GMT, 10:00am EET). To participate, see further details at [www.outokumpu.com/Investors](http://www.outokumpu.com/Investors).

To participate via conference call, please dial in 5-10 minutes before the beginning of the event:

Finland	+358 (0)9 2310 1619
Germany	+49 (0)69 2999 3285
UK	+44 (0)20 3106 7162
Sweden	+46 (0)8 5593 6763

Participant code: 9353419

Password Outokumpu

### Outokumpu and ThyssenKrupp joint press conference and live webcast tomorrow at 11:00am CET

Outokumpu and ThyssenKrupp will hold a joint press conference, conference call and live webcast on 1 February 2012 at 11:00am CET (5:00am EST, 10:00am GMT, 12noon EET) at the Hilton Dusseldorf Hotel, address: Georg-Glock-Strasse 20, 40474 Düsseldorf, Germany.

To participate via conference call, please dial in 5-10 minutes before the beginning of the event:

Finland	+358 (0)9 2310 1618
Germany	+49 (0)30 3001 90531
UK	+44 (0)20 7660 0009
Sweden	+46 (0)8 5065 3933

Password: Outokumpu

If you wish to listen to the conference in English, please use the following confirmation code: 6345244

If you wish to listen to simultaneous translation in German, please use the following code: 4654948.



The press conference can be viewed live via Internet at [www.outokumpu.com/media](http://www.outokumpu.com/media) or [www.thyssenkrupp.com](http://www.thyssenkrupp.com). An on-demand webcast of the press conference will be made available as of 1 February 2012 at [www.outokumpu.com/inoxum](http://www.outokumpu.com/inoxum)

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## About Outokumpu

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 over 8, 000 people in more than 30 countries. The Group's head office is located in Espoo, Finland. Outokumpu is listed on NASDAQ OMX Helsinki

For further details please visit [www.outokumpu.com](http://www.outokumpu.com)

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communication relates will only be available to and will only be engaged with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

This communication includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this communication, including, without limitation, those regarding Outokumpu's and the combined entity's strategy, plans, objectives, goals and targets, future developments in the markets in which Inoxum and Outokumpu participate or are seeking to participate. By their nature, forward looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Outokumpu cautions you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that its actual results of operations, including their financial condition and liquidity and the development of the industries in which it and Inoxum and the members of their group operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this communication. In particular, this communication includes forward-looking statements relating to synergy benefits estimates expected to arise from the transaction discussed herein. Such estimates are based on a number of assumptions that are based on currently available information and judgments based on such information. These assumptions present the expected course of action and the estimated future impact of the transaction and the integration of Inoxum into Outokumpu on the combined entity's business, financial condition and results of operations. However, these assumptions are inherently uncertain and subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to materially differ from those contained in the synergy benefit estimates. Further, there can be no certainty that the transaction will be completed in the manner described in this presentation, or at all.

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i Based on 2011 annual cold rolling capacity according to CRU as of November 2011, giving full effect to new Calvert mill which is expected to start operation in Q4 2012.

ii Combined for the 12 months ended September 30, 2011

iii Based on 2010 calendar year shipments of Inoxum of CR incl. precision strip, on unconsolidated General and Specialty Stainless segment shipments of Outokumpu for calendar year 2010 and on global CR stainless steel consumption in 2010 estimated by CRU in their November 2011 report

iv Bochum meltshop economic viability will be reviewed prior to final decisions on closure.