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OUTOKUMPU TO DOUBLE FERROCHROME PRODUCTION CAPACITY IN FINLAND

Outokumpu's Board of Directors has approved plans to expand the Group's ferrochrome production capacity in Tornio, Finland. The EUR 420 million investment will double the plant's annual capacity to 530 000 tons. The investment project starts immediately and the new capacity is scheduled to be available during the first quarter of 2011.

The market price of ferrochrome has increased substantially during the recent years due to the increased demand by the stainless steel industry, and more recently, due to production constraints relating mainly to the availability of electricity in the main ferrochrome producing country, South Africa. The expanded ferrochrome capacity will make Outokumpu comfortably self-sufficient in its primary chromium needs. The ferrochrome smelter is supplied by the Group's adjacent chromium mine in Kemi. The main benefit for Outokumpu is its ability to source the material at cost while selling it at prevailing market prices. The pricing mechanism of stainless steel allows stainless steel producers to charge for all raw materials at market prices. Additionally, the ferrochrome smelter is located at the same site as the integrated stainless steel mill in Tornio, and thus ferrochrome can be transferred to the stainless steel melt shop in liquid form, giving an exceptional cost advantage as the material does not need to be re-melted. Furthermore, the carbon monoxide emanating from the ferrochrome process is used as fuel in the stainless steel mill, thus reducing the need for external energy.

It is estimated that when the expanded ferrochrome capacity is in use, the positive effect of a 5 US\$/lb increase in the contract price of ferrochrome on the Group's operating profit will increase from the current EUR 10 million to some EUR 20 million annually.

CEO **Juha Rantanen** is pleased with the ferrochrome expansion project: "After a thorough evaluation, we are ready to proceed with our investment plans. Doubling the ferrochrome production is an exceptionally attractive and profitable project. Already today, Outokumpu Tornio Works is the most integrated stainless steel mill in the world. The investment will support Outokumpu's strategy realization, maintain cost leadership, secure raw materials and capitalize on our own chromium asset. We have estimated that with current prices the expansion will bring additional annual operating profits in the order of EUR 200 million." As a result of the expansion, Outokumpu's electricity consumption will increase considerably. "I trust that decisions related to reliable electricity supply will be made in due course to secure the competitiveness of the energy-intensive industry in Finland", adds Rantanen referring to the Fennovoima nuclear power plant initiative.

When the new ferrochrome capacity is in use the electricity consumption of the Tornio Works will increase to some 3.3 TWh annually. Outokumpu has a significant stake in the Fennovoima nuclear power plant initiative in Finland. The at-cost, reliable and emission free electricity supply from Fennovoima, proposed to start in 2018 – 2020, would strengthen Outokumpu's cost competitiveness in producing ferrochrome and stainless steel for years to come. Outokumpu is for the interim, in addition to its existing long-term electricity contracts and investments in energy supply, currently finalizing a ten-year, one TWh per year, electricity supply contract with a major European utility company.

The ferrochrome expansion will increase the Group's annual CO₂ emissions by some 270 000 tons, because of the use of coke which cannot be substituted in the ferrochrome

process. However, to produce ferrochrome in Tornio using the in-house developed state-of-the-art technology will significantly reduce the otherwise produced global carbon dioxide emissions. In addition to the energy efficiency of the plant, the electricity for the Tornio site is sourced from hydro and nuclear power plants. It is calculated that expanding capacity in Tornio will reduce the global carbon dioxide emissions by some one million tons as opposed to sourcing the raw material from South Africa or Kazakhstan, where mainly fossil based energy is used.

Today, the Group's ferrochrome smelter satisfies the primary chromium needs of Tornio Works only, while the melt shops in Avesta and Sheffield are supplied from the market. Outokumpu is currently in the process of expanding the ferritic grades output (stainless steel containing no nickel) in Tornio, as well as expanding the output of the Avesta and Sheffield melt shops. This necessitates an increased reliable source of primary ferrochrome.

Background information, including CEO Juha Rantanen's comments on a video, are available in the Internet at www.outokumpu.com.

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