



Outokumpu is a versatile metals group operating worldwide. In its business, Outokumpu focuses on base metals production, stainless steel, copper products and technology.

In its traditional areas of core competence, Outokumpu is recognized as one of the industry leaders. This position is also the one from which the Group derives its mission: Our task and mission is to put our expertise as both a producer and technology supplier to use in responsible metals production and thus to contribute to meeting the world's need for metals. In all business operations, Outokumpu underscores the crucial importance of its customers, good profitability and responsibility for the environment. The Group's core values also emphasize continuous improvement of competence as an essential prerequisite to securing competitiveness.



The Outokumpu Group

Financial year 1996



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Cover: Prof. Eero Hiironen, 1980.
Wave and Reeds. Detail. Sculpted from Outokumpu Polarit AISI 316 acid-proof steel.

Year 1996 in brief

The market conditions, especially for stainless steel, weakened significantly and consequently 1996 earnings were clearly lower than in the previous year. Profit before extraordinary items and taxes was FIM 229 million.

The Group's financial position remains healthy; the year-end equity-to-assets ratio was 43.4 %.

The expansion of copper and nickel production capacities were still partly in start-up phase. Improvement in profitability from these investments should be seen in full in the 1997 and 1998 accounts.

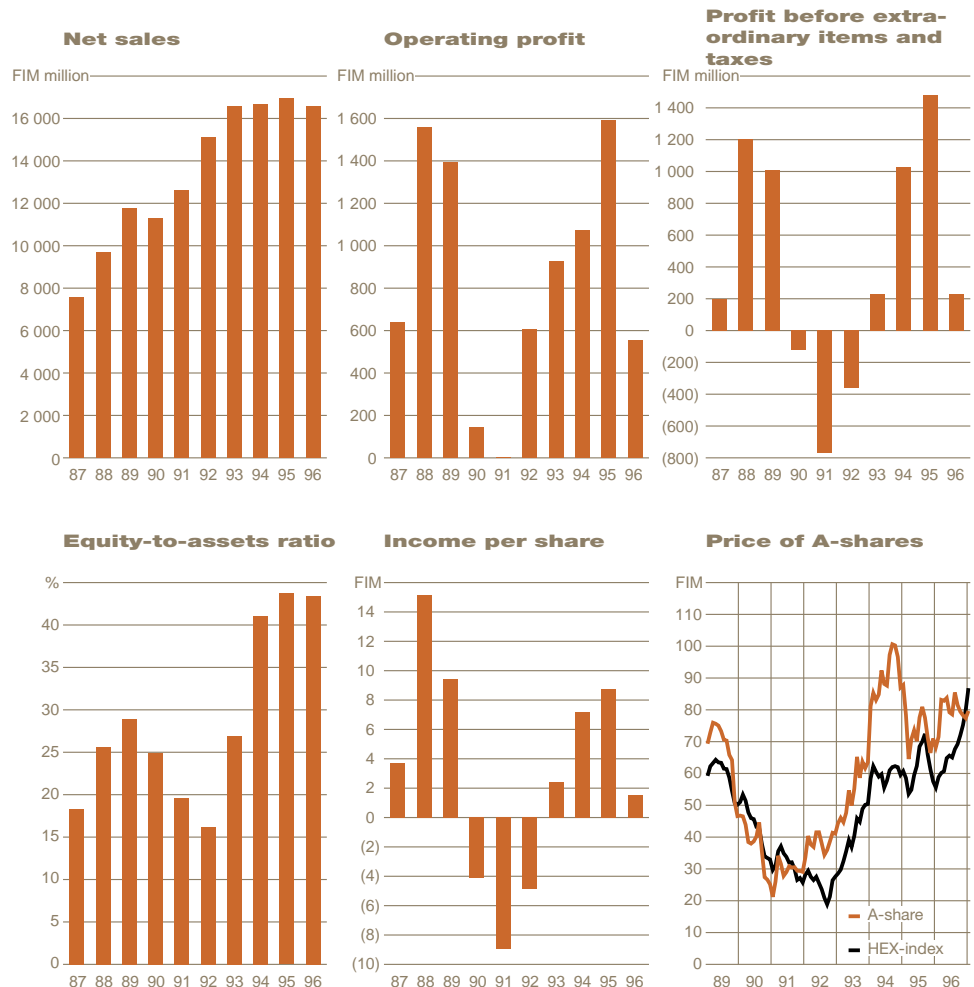
The stainless steel cold rolling mill expansion to 400 000 tonnes per year is proceeding as planned and due for completion by the end of 1997.

Market conditions are forecast to gradually improve during 1997. The strengthening of the US dollar will add further support to profitability. Earnings in the early part of the year are, nevertheless, likely to remain modest.

Key figures

		1996	1995
Net sales	FIM million	16 549	16 952
– change from previous year	%	(2.4)	1.6
Operating profit	FIM million	552	1 589
Operating profit margin	%	3.3	9.4
Profit before extraordinary items and taxes	FIM million	229	1 481
Return on capital employed	%	5.3	15.1
Cash provided by operating activities	FIM million	1 299	2 465
Net interest-bearing debt	FIM million	4 621	4 380
– in relation to net sales	%	27.9	25.8
Equity-to-assets ratio	%	43.4	43.7
Debt-to-equity ratio	%	64.8	61.6
Income per share (excluding extraordinary items)	FIM	1.51	8.72
Net income per share	FIM	1.51	8.33
Shareholders' equity per share	FIM	57.01	56.83
Dividend per share	FIM	1.00 ¹⁾	1.80
Share price on Dec. 31	FIM	78.50	69.00
Market capitalization on Dec. 31	FIM million	9 776	8 593
Investments	FIM million	1 663	2 630
Personnel on Dec. 31		13 622	13 458

¹⁾ Executive Board's proposal to the Annual General Meeting



Business organization

The Outokumpu Group is organized into four sub-groups called business areas. The parent companies of all sub-groups are fully owned by Outokumpu Oy. In addition to Corporate Management and Corporate Services, Outokumpu's other operations comprise a number of companies involved in business activities that support or complement the Group's core operations.

Base Metals

Outokumpu's base metals production involves the mining, smelting and refining of copper, nickel and zinc.

Outokumpu engages in mining in several countries; the metallurgical plants are located in Finland.

Net sales	FIM 4 766 million
Capital employed	FIM 5 148 million
Personnel	3 427

Stainless Steel

Outokumpu's stainless steel operations encompass a complete production chain from chromium mining to finished stainless steel products. The main units of the integrated chain – the chromite mine, ferrochrome plant and stainless steel mill – are located in the Kemi-Tornio area in northern Finland.

Net sales	FIM 4 486 million
Capital employed	FIM 3 735 million
Personnel	2 355

Copper Products

Outokumpu is one of the world's leading fabricators of wrought copper and copper alloy products. The production plants are located in a number of European countries and in the United States. Production started in Asia. The operations are organized by core products, which comprise tube, drawn products, strip and rolled products. The main customers operate in the automotive, construction, electrical and electronics industries.

Net sales	FIM 7 495 million
Capital employed	FIM 3 498 million
Personnel	5 485

Technology

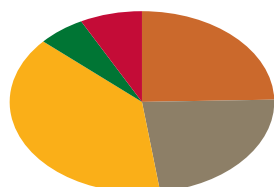
Outokumpu is one of the leading suppliers of technology for the mining and metallurgical industry. The products are typically machines and equipment, plants and processes, as well as engineering services and project management. Many of the products have been developed by Outokumpu.

Net sales	FIM 1 113 million
Capital employed	FIM 370 million
Personnel	1 651

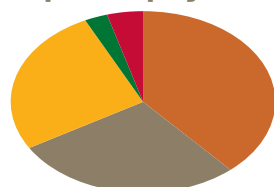
Outokumpu is a versatile and highly integrated metals group. To complement its traditional business in the production of copper, nickel and zinc, the Group has systematically during its history built up a strong and fully integrated stainless steel production chain based on in-house chromium production, developed extensive copper products operations and secured a position at the forefront of the industry in the sales of mining and metallurgical technology. Material flows, technology and a broad range of skills that typically pertain to the metals business offer opportunities for many natural synergies in Outokumpu's business concept. Extensive and efficient utilization of these synergies is emphasized in all Group units.

Net sales, capital employed and personnel by business area in 1996

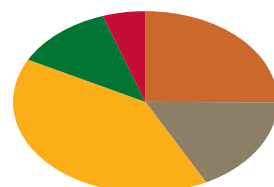
Net sales



Capital employed



Personnel



Base Metals	24.6 %
Stainless Steel	23.2 %
Copper Products	38.8 %
Technology	5.8 %
Other operations	7.6 %

Base Metals	38.6 %
Stainless Steel	28.0 %
Copper Products	26.2 %
Technology	2.8 %
Other operations	4.4 %

Base Metals	25.1 %
Stainless Steel	17.3 %
Copper Products	40.3 %
Technology	12.1 %
Other operations	5.2 %

Chief Executive's statement

Dear shareholder

The past year turned out to be markedly weaker for Outokumpu than we expected at the beginning of the year. The reasons were a rapid weakening of the markets as well as some setbacks in our own operations. However, the development of the Outokumpu Group continues with firmly set targets, and our competitiveness is clearly improving.

Our Base Metals business area faced many difficulties, both externally, due to metal price movements, and internally. The start-up of expansion projects did not proceed fully as planned. Furthermore, a number of one-time special charges had to be made in mining operations. Consequently, the business area ran up a substantial loss. Definite improvement in profitability can, however, be expected during the current year stemming from full capacity utilization and improved cost efficiency. There is also the possibility of a long-awaited zinc price increase.

Because of a quick turnaround of the stainless steel markets and subsequent deterioration of market conditions, Stainless Steel's financial result declined significantly – by more than one billion Finnish marks. Thanks to its cost-efficient production, however, the business area still posted a good result, with the return on capital employed at 17 %. This reflects Outokumpu's strong position as a stainless steel producer, to be further exploited by the on-going investment program scheduled for completion by the end of 1997.

Copper Products has established its role in the Group as a profit maker, even if the business area's profitability has not yet reached target levels. Efficiency enhancement efforts continue. Outokumpu has a strong position in both the European and North American copper products markets. We are also set to become an active player in the rapidly growing Asian markets. An air-conditioning tube mill went on-line in southern China in late 1996, and a mill focusing mostly on special drawn products will go into production in Malaysia at the beginning of 1998.

Technology enjoyed a successful year. The business area's profitability improved, and its order backlog expanded appreciably.

Our activities to enhance Group operations and an extensive investment program in our core businesses will contribute to improvement in profitability and efficiency during 1997 and 1998. We are convinced that we have good opportunities, also for the longer-term, to achieve profitable growth in all our main business areas, especially in Stainless Steel where we can expect to see strong progress. As we further sharpen our vision and strategies, we place an increasingly heavy emphasis in all operations on clear focus and accurate assessment of our core competences. Our leadership practices underscore common objectives and the need to produce added value for metals. Personally, I want to stress openness and interaction. These are the values that I



believe will enable us to effectively harness all the Group's resources. These will also be our foremost challenges in training and organizational development.

In this connection, I wish to extend my gratitude to the Group's customers and partners. It has always been of utmost importance for Outokumpu to ensure high quality in all our undertakings. Quality involves responsibility, which is the prerequisite for long-term and reliable cooperation. We want quality to be manifest in all joint operations and in, for example, our environmental activities. Evidence of quality is also provided by the several dozens of quality certificates, many of them the first ever awarded in their specific areas. Naturally, there is always room to improve, and we will continue to emphasize quality in the continuous improvement of all our operations.

One of Corporate Management's key objectives is to ensure shareholder value, primarily by means of good results and profitable growth. Furthermore, we make every effort to fulfill our owners' expectations for our dividend policy. We believe that these expectations largely reflect our views: In addition to annual profits, the dividend must also reflect the company's future plans and outlook. The substantial deterioration of our result in 1996 and our on-going, extensive investment program are the two clear reasons why Outokumpu's Executive Board recommends to the Annual General Meeting that the dividend be reduced to FIM 1.00. I trust that we have every opportunity in the coming years to improve our financial result and again raise our dividends. Another area where we are doing our utmost to fulfill shareholders' expectations and gain their trust is communication – open and to the point. This is also the best way to interest potential investors in Outokumpu.

Finally, I wish to express my sincere thanks to our entire personnel for their efforts in 1996. Outokumpu is today a highly multinational company. Despite our differing cultural backgrounds, however, we have managed to create solid, common Outokumpu values and goals. These provide a clear beacon for us on our path of profitable growth, aimed at securing success for our owners, customers and partners. Only by so doing can we guarantee success for our personnel, too.



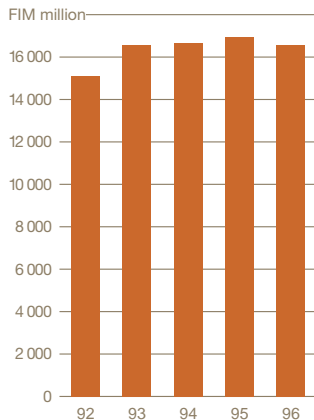
Dr. Jyrki Juusela

President, CEO

Chairman of the Executive Board

Corporate review of the year

Net sales



Finnish 10-mark bimetallic coins. Outokumpu's blanking mill in Pori, Finland, manufactures coin blanks for mints in many countries.



Outokumpu's financial performance in 1996 was clearly weaker than in 1995. This was mostly due to a substantial decline in the prices of metals, particularly in that of stainless steel. The Group's operating profit amounted to FIM 552 million and profit before extraordinary items and taxes to FIM 229 million. Despite its weaker performance, the Stainless Steel business area showed a good financial result. Technology's result was also good, and the business area's profitability improved markedly. Inventory losses, caused by a decrease in the price of copper raw material, brought Copper Products' result down below the 1995 level. Base Metals remained clearly in loss; in addition to the low metal prices, this was due to certain special charges.

The Executive Board proposes to the Annual General Meeting a dividend of FIM 1.00 per share, down from FIM 1.80 per share in 1995. However, because of the weakened financial result, this will constitute a dividend increase to 66.2 % of net income per share.

Market conditions

Overall, world economic growth remained strong during 1996. The development varied, however, between regions. The United States experienced vigorous growth, but growth in Europe slowed from 1995 mainly because of a weak early part of the year. The outlook in Europe improved, however, in late 1996. Growth remained strong in Southeast Asia, as well as in China. Economic growth resumed in Japan but has slowed considerably during recent months.

The Finnish economy also developed positively. Economic growth picked up markedly in the autumn after slow growth in early 1996. Industrial production has increased, and the investment activity is high. Nevertheless, Finland's rate of unemployment has been reduced slower than expected. The Finnish mark was attached to the European Union's Exchange Rate Mechanism (ERM) in October.

Despite the economic growth, the development in the world metal markets was markedly weaker than in 1995. The consumption of many Outokumpu-produced metals and metal products decreased in 1996. A noteworthy exception was copper consumption, which grew by more than 3 %. The inventories of copper, zinc and stainless steel were reduced during the year. Copper inventories were at very low levels at year-end, and stainless steel inventories had returned to almost normal levels in Europe. The inventories of zinc and of nickel, in particular, were still very high. The outlook in the main markets for the near future is overshadowed by global over capacity in both copper and stainless steel production.

The market prices of the Outokumpu-produced metals declined clearly from 1995. The decline was sharpest in stainless steel, ferrochrome and copper. The average market price of stainless steel was 34 % lower than in 1995; the price of ferrochrome was 20 % and that of copper 22 % lower. The stainless steel and copper prices reached their lowest levels in August-September and the ferrochrome price in late 1996. The average prices of both nickel and zinc also declined, by 9 % and nearly 1 % respectively. The conversion prices of copper products remained at 1995 levels.

The strengthening of the US dollar mitigated the effect of the declining prices on Outokumpu's profitability. The average dollar exchange rate rose by 5 % against the Finnish mark. The German mark did not move against the Finnish mark during 1996.

Net sales by business area

FIM million	1996	1995	Change %
Base Metals	4 766	3 869	23.2
Stainless Steel	4 486	5 655	(20.7)
Copper Products	7 495	7 291	2.8
Technology	1 113	1 074	3.6
Other operations	1 475	1 520	(3.0)
Intra-group sales	(2 786)	(2 457)	
The Group	16 549	16 952	(2.4)

Net sales

Consolidated net sales were FIM 16 549 million, more than a 2 % reduction from 1995. This was due to product price decreases. Deliveries grew in all business areas, clearly the most in Base Metals.

Europe remains the Group's most important market area, although its share was reduced to 59 % of net sales (1995: 64 %). The share of the Americas rose to 28 % (1995: 23 %) and that of Asia to 11 % (1995: 10 %).

Exports from Finland totalled FIM 7 248 million (1995: FIM 7 632 million).

Financial development

Outokumpu's result for 1996 was markedly weaker than for 1995. After the second tertial, for which the Group posted a loss, financial performance began to improve and the result for the third tertial was a profit.

The change in Outokumpu's financial development was due to weaker metal market conditions than in 1995 and certain setbacks in operations, particularly in Base Metals. At the same time, the strengthening of the US dollar offset some of the impact of the price decreases on Outokumpu's profitability.

The Group's operating profit was FIM 552 million (1995: FIM 1 589 million). The result was aggravated by considerably larger inventory losses than in 1995, due to price decreases of purchased metal raw materials, totalling FIM 192 million (1995: FIM 33 million). Operating profit also includes some special components, which are itemized below.

Special charges and income

FIM million	1996	1995
Restructuring of operations	(65)	(45)
Write-downs on fixed assets	(144)	(223)
Write-backs and write-downs on shares	16	(89)
Gains and losses on sales of business operations and shares	73	50
Total	(120)	(307)

The corresponding costs in 1995 related to Copper Products' restructuring program in Spain and some structural rearrangements in the Group's business organization.

A write-down of FIM 144 million was made on the Forrestania nickel mine property in Australia because of a reduced ore reserve estimate. The 1995 write-downs included a FIM 159 million write-down at Forrestania.

Net sales by country

	1996		1995	
	FIM million	%	FIM million	%
Europe				
Germany	1 701	10.3	1 945	11.5
Finland	1 439	8.7	1 802	10.6
United Kingdom	1 264	7.6	1 229	7.3
Sweden	1 066	6.4	1 184	7.0
Italy	1 011	6.1	1 155	6.8
Spain	671	4.1	778	4.6
France	656	4.0	641	3.8
Belgium	390	2.3	271	1.6
The Netherlands	384	2.3	428	2.5
Switzerland	272	1.6	285	1.7
Denmark	243	1.5	343	2.0
Norway	196	1.2	245	1.4
Eastern Europe	298	1.8	277	1.6
Other	248	1.5	320	1.9
	9 839	59.4	10 903	64.3

North and South America

United States	3 654	22.1	3 240	19.1
Canada	271	1.6	274	1.6
Chile	215	1.3	249	1.5
Mexico	197	1.2	44	0.3
Other	208	1.3	158	0.9
	4 545	27.5	3 965	23.4

Asia

South Korea	248	1.5	183	1.1
Japan	224	1.4	282	1.7
Hong Kong	196	1.2	273	1.6
India	170	1.0	75	0.4
China	158	1.0	142	0.8
Taiwan	152	0.9	88	0.5
Thailand	142	0.8	116	0.7
Turkey	132	0.8	127	0.7
Other	392	2.4	349	2.1
	1 814	11.0	1 635	9.6

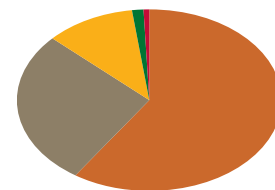
Australia

	210	1.3	248	1.5
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Other countries	141	0.8	201	1.2
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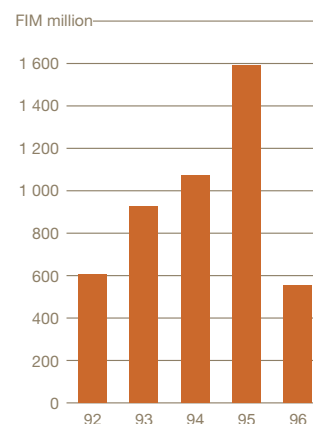
Total	16 549	100.0	16 952	100.0
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Net sales by market area 1996



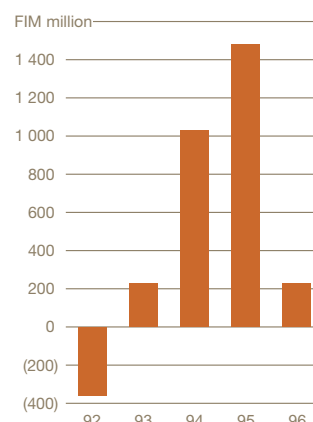
Europe (Finland 9 %)	59 %
North and South America	28 %
Asia	11 %
Australia and Oceania	1 %
Other countries	1 %

Operating profit

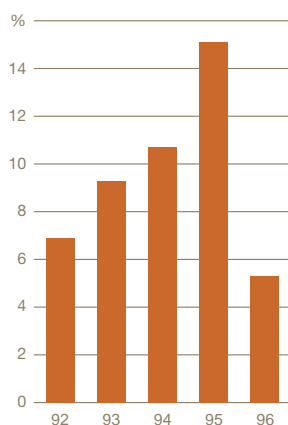


As of 1996, equity earnings in associated companies are reported after Operating profit. The comparative figures for prior years have been restated accordingly.

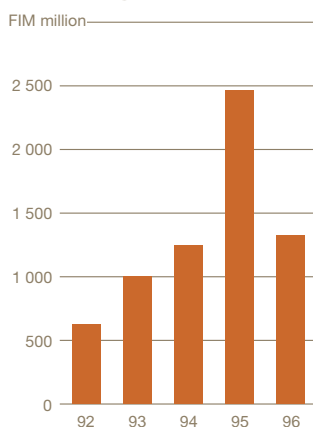
Profit before extraordinary items and taxes



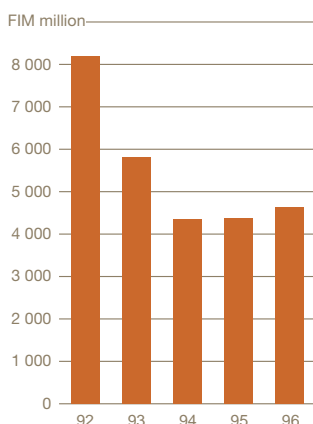
Return on capital employed



Cash provided by operating activities



Net interest-bearing debt



A write-back of FIM 16 million was made on current shareholdings as a result of increased trading prices. In 1995, write-downs on shares totalled FIM 89 million.

The largest gains on the sales of business operations were earned from the shares in Oy Tampella Ab and in two mining companies in Ireland – FIM 38 million and FIM 29 million respectively. In 1995, the largest gains were earned from the sales of the Rammer and Roxon companies.

The special items are explained in greater detail in the business area reviews and in Note 4 to the consolidated financial statements.

The Group's most profitable business area was again Stainless Steel. The business area posted a good result despite a weakening of operating profit down to almost one-third from the peak result in 1995 due to adverse market conditions. Technology also showed a good result and improved its operating profit by 50 %. Copper Products' profitability weakened somewhat from 1995, mostly due to inventory losses.

Base Metals' profitability remained poor, and the business area still posted a clear loss. The business area's weak financial development was largely due to decreases in metal prices. In addition, Base Metals' result was aggravated by FIM 207 million of write-downs on mining operations (1995: FIM 218 million) as well as by interruptions and high costs in production at both Harjavalta and Pori caused by the start-up of expansion investments.

Equity earnings in associated companies amounted to a loss of FIM 124 million (1995: loss of FIM 41 million). The main associated companies are Base Metals' Zaldívar mine in Chile and Copper Products' rolling mill in Spain. The financial development of these companies is explained in more detail in the reviews of the business areas and in Note 10 to the consolidated financial statements.

The Group's profit before extraordinary items and taxes was FIM 229 million (1995: FIM 1 481 million). Income per share was FIM 1.51 (1995: FIM 8.72).

Return on capital employed declined to 5.3 % and return on shareholders' equity to 2.6 % (1995: 15.1 % and 16.3 %). Return on capital employed by business area was: Stainless Steel 17 % (1995: 52 %), Copper Products 9 % (1995: 12 %) and Technology 39 % (1995: 30 %). Base Metals' return on capital employed was negative in both 1996 and 1995.

Income taxes amounted to FIM 42 million (1995: FIM 392 million). The Group's effective tax rate was 18 % (1995: 27 %).

The Group's net income for the year was FIM 188 million (1995: FIM 1 037 million).

Financing and financial position

The Group's financial position remained stable during 1996. The equity-to-assets ratio was 43.4 % at year-end, that is, at the level of the year before.

There was a modest increase in net interest-bearing debt, which totalled FIM 4 621 million at year-end. Outokumpu's liquidity reserves were increased by

Operating profit by business area

FIM million	1996	1995	Change
Base Metals	(386)	(442)	56
Stainless Steel	616	1 756	(1 140)
Copper Products	273	388	(115)
Technology	114	76	38
Other operations	(46)	(180)	134
Intra-group items	(19)	(9)	(10)
The Group	552	1 589	(1 037)

Operating profit excluding the effect of inventory gains and losses (using the LIFO method)

FIM million	1996	1995	Change
Base Metals	(345)	(423)	78
Stainless Steel	646	1 745	(1 099)
Copper Products	394	413	(19)
Technology	114	76	38
Other operations	(46)	(180)	134
Intra-group items	(19)	(9)	(10)
The Group	744	1 622	(878)

establishing a syndicated USD 320 million, seven-year revolving credit facility. This replaced a corresponding previous credit facility worth USD 260 million. At year-end, committed long-term credit facilities available to the Group amounted to about FIM 2.2 billion.

Net interest and other financial expenses increased by FIM 25 million from 1995. Although total debt grew somewhat, interest expenses were reduced due to a decrease in market interest rates and interest margins. However, interest expenses on forward foreign exchange contracts grew from 1995, particularly as a result of an increase in the interest rate differential between the Finnish mark and the US dollar. Capitalized interest expenses, related to investments under construction, amounted to FIM 52 million (1995: FIM 60 million).

The exchange rate movement with the most significant impact on Outokumpu was the strengthening of the US dollar by 5 % against the Finnish mark. Net financial expenses include exchange losses of FIM 36 million (1995: exchange gains of FIM 71 million). These losses were mainly caused by foreign currency loans and forward foreign exchange contracts used to hedge currency risks.

The Group's liquidity remained good. At year-end, cash and marketable securities totalled FIM 601 million (1995: FIM 692 million).

Investments

The Group's investments totalled FIM 1 663 million, or 10 % of net sales. Maintenance investments represented about FIM 750 million of the amount. The total amount was somewhat smaller than expected, because some of the expenditure, projected for late 1996, was postponed until 1997.

The main ongoing investment project comprises an expansion of Stainless Steel's cold rolling production in Tornio, Finland. The project, which will raise cold rolling capacity from the current 270 000 tonnes to 400 000 tonnes per year, is progressing according to plan. The expansion, worth about one billion Finnish marks, will go on-line in late 1997. The project also involves a modernization of the plant's oldest cold rolling mill in the spring of 1998. The cost estimate for its modernization is FIM 150 million.

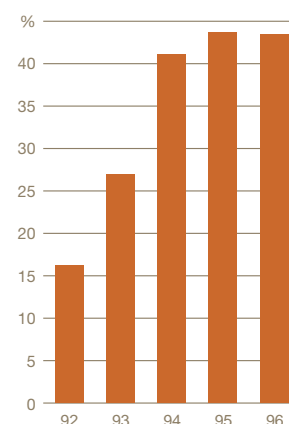
An Environmental Impact Assessment procedure is being carried out in Tornio and nearby areas to investigate possibilities for future production expansions.

Base Metals' main investment projects in 1996 included the completion of copper and nickel production expansions at Harjavalta and Pori, Finland, and the Zaldívar copper mine in Chile. Two new significant

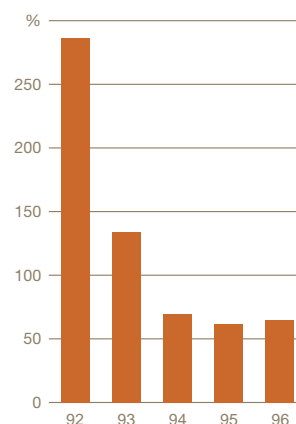
Key indicators to illustrate changes in the financial position

FIM million	1996	1995
Net interest-bearing debt		
Long-term debt	3 306	3 502
Current debt	1 916	1 570
Total debt	5 222	5 072
Cash and marketable securities	(601)	(692)
Net debt	4 621	4 380
Net debt, in relation to net sales (%)	27.9	25.8
Shareholders' equity	7 099	7 077
Debt-to-equity ratio (%)	64.8	61.6
Equity-to-assets ratio (%)	43.4	43.7
Cash provided by operating activities	1 299	2 465
Net financial expenses		
Net interest and other financial expenses	(163)	(138)
Exchange gains (losses)	(36)	71
Net financial expenses	(199)	(67)
Net financial expenses, in relation to net sales (%)	1.2	0.4

Equity-to-assets ratio

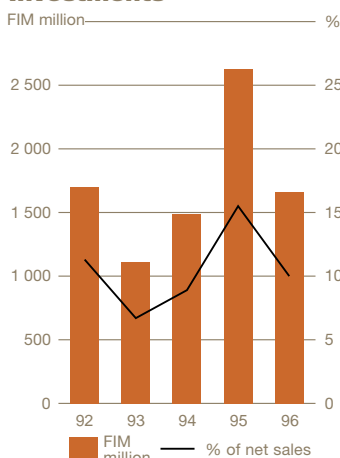


Debt-to-equity ratio



Copper cathodes. The expansion of copper and nickel production in Harjavalta and Pori, Finland, was completed in 1996.

Investments



Investments by business area

FIM million	1996	1995
Base Metals	555	1 620
Stainless Steel	643	545
Copper Products	383	387
Technology	28	58
Other operations	54	52
Intra-group items	-	(32)
The Group	1 663	2 630

investment projects were launched during the year, involving the construction of the Silver Swan nickel mine in Australia and an expansion of the Kokkola zinc plant in Finland. The cost estimates for these projects are FIM 165 million and FIM 500 million respectively.

Outokumpu holds a 50 % share in the Silver Swan nickel deposit and, in addition, a 34 % share in Silver Swan's other owner, Mining Project Investors Pty. Ltd. of Australia. The nickel grade of the deposit is exceptionally high. The annual output of the mine, which will go into production in mid-1997, will be 12 000 tonnes of nickel in concentrates. Estimated mine life is five years.

The Kokkola zinc plant's capacity will be raised by about one-third, to 225 000 tonnes per year. The investment will be completed by the end of 1998.

A new air-conditioning tube mill of Copper Products went into production in southern China in late 1996. The investment cost was about FIM 150 million. The mill capacity will rise to 10 000 tonnes per year. The business area will expand its operations in Asia further when a mill specializing in drawn copper products and welded air-conditioning tubes goes on-stream in Malaysia at the beginning of 1998. The cost estimate for this mill is about FIM 120 million, and the planned capacity during the first production phase is 12 000 tonnes per year.

A new strip casting line will go on-stream at Copper Products' Zutphen mill in the Netherlands in the latter half of 1997. The cost estimate is about FIM 200 million.

According to the Group's investment plan, annual investments in the next few years will total about two billion Finnish marks. The scope of the investments will, however, depend on the development of cash provided by operating activities.

Exploration and R&D

The Group's exploration and R&D expenditure in 1996 was at 1995 levels. The exploration expenditure totalled FIM 182 million, or 1.1 % of net sales, and the R&D expenditure FIM 155 million, or 0.9 % of consolidated net sales (1995: exploration FIM 165 million, 1.0 % of net sales, and R&D expenditure FIM 156 million, 0.9 % of net sales).

Changes in Group structure

Outokumpu's Group structure was simplified further during 1996. A number of subsidiaries were either merged or dissolved.

The main disposals in 1996 involved Oy Galvatek Ab of Finland, specializing in galvanizing and water treatment plants, and Swift Levick Magnets Limited of the United Kingdom, specializing in permanent magnets. The main acquisition involved a service center for rolled copper products in Italy, purchased at the beginning of 1997. Outokumpu's shareholding in Okmetec Oy, a silicon wafer manufacturer in Finland, was reduced from 85 % to 49 % through a directed share offering in August.

As a result of internal Group restructuring in the autumn, the ownership and administration of the Group's metal marketing subsidiaries were transferred from the business areas to the Parent Company. The Group's metallurgical research center, Outokumpu Research Oy, was also transferred to the Parent Company's ownership in late 1996.

The changes in the Group structure are presented in detail in the list of subsidiaries on pages 57-59.

Personnel

Total personnel in the Group's employ numbered 13 622 at year-end. Personnel grew by 164 during the year. Technology's project staff in Chile grew by 461. At

Personnel by business area

Dec. 31	1996	1995
Base Metals	3 427	3 879
Stainless Steel	2 355	2 346
Copper Products	5 485	5 368
Technology	1 651	1 171
Other operations	704	694
The Group	13 622	13 458

the same time, sales of business operations reduced personnel by 408. The average number of personnel in 1996 was 13 808 (1995: 14 253). The Parent Company employed 157 persons at year-end (1995: 126), and the average for the year was 154 (1995: 127).

Outlook for the near future

The market outlook for metals and metal products has improved with the predictions of a favorable development of the world economy. Growth in metals consumption is estimated to resume during 1997. Prevailing global overcapacity will, however, hold back price increases in many metals.

Base Metals' profitability is expected to improve during 1997 when the business area achieves its targeted cost-efficiency levels in the expanded copper and nickel production. The new investment projects – the expansion of the Kokkola zinc plant and the construction of the Silver Swan nickel mine – will, together with ongoing cost-cutting programs, create the basis for further improvements in the business area's profitability in the years ahead.

Despite uncertainty, the outlook in the stainless steel market is carefully optimistic. After the market regains balance, world production is estimated to grow and prices to rise somewhat from their low levels at the beginning of 1997. The Stainless Steel business area's financial performance will remain good, and its competitiveness will improve further after the new capacity will come on-stream in late 1997.

Demand for copper products is estimated to remain good in the United States. Market conditions in Europe, on the other hand, are predicted to remain fairly weak in early 1997. In order to improve its competitiveness and profitability, Copper Products will strengthen its strategically important product groups in Europe and North America as well as in Asia.

The high investment activity within the mining and metallurgical industry and Technology's good order backlog provide a firm foundation for the business area's operations in 1997.

The Outokumpu Group's outlook for 1997 has improved during the past few months, although a great deal of uncertainty prevails. The market conditions are expected to improve gradually, and the cost efficiency of Outokumpu's production plants will increase during the year. Preconditions for improving profitability are also enhanced by the significant strengthening of the US dollar, although the positive impact of this will not be immediately reflected in earnings due to hedging of foreign currency risks. Earnings in the early part of the year are, nevertheless, likely to remain modest.

Executive Board's proposal for the distribution of profit

According to the financial statements of December 31, 1996, the distributable funds of the Group were FIM 1 202.9 million and those of the Parent Company FIM 579.5 million.

The Executive Board recommends to the Annual General Meeting that a dividend of FIM 1.00 per share be distributed and that the remaining distributable funds be carried forward as retained earnings.

Espoo, February 24, 1997

Jyrki Juusela

Ossi Virolainen

Veikko Lehtinen

Risto Virrankoski

Juho Mäkinen



Helsinki Cathedral under renovation. Outokumpu has developed the Nordic Green™ method for artificial patination of copper roofing on site. Shiny copper sheets acquire a classic green patina in days.

Financial statements

The consolidated and Parent Company financial statements are presented on pages 45-67. The 1996 reviews of the business areas and certain other operations and activities, presented on pages 15-44, form appendices to the Group's financial statements.

Auditors' report

To the shareholders of Outokumpu Oy,

We have audited the bookkeeping, the financial statements and the administration of Outokumpu Oy for the financial year 1996. The financial statements prepared by the Executive Board comprise a review of operations, and both the consolidated and the Parent Company income statement, balance sheet and notes to the financial statements. Based on our audit, we express an opinion on these financial statements and on administration.

We have conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our audit of administration included examining whether the Supervisory Board, the Executive Board and the President have legally complied with the regulations of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and all other rules and regulations in force. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of both the consolidated and the Parent Company result of operations and financial position. The financial statements can be approved, and the members of the Supervisory Board and the Executive Board as well as the President be discharged from liability for the financial year audited by us. The Executive Board's proposal for the distribution of profit is in compliance with the Finnish Companies Act.

We have reviewed the interim reports published during the financial year. In our view, these have been prepared in accordance with pertinent regulations.

Espoo, February 27, 1997

SVH Coopers & Lybrand Oy
Authorized Public Accountants
Pekka Nikula, APA

Statement by the Supervisory Board

The Supervisory Board of Outokumpu Oy has at its meeting today reviewed the consolidated and the Parent Company financial statements for 1996 as well as the auditors' report.

In its statement to the Annual General Meeting of 1997, the Supervisory Board recommends that the consolidated and the Parent Company financial statements for 1996 be approved.

The Supervisory Board concurs with the Executive Board's proposal for the distribution of profit.

Espoo, February 27, 1997

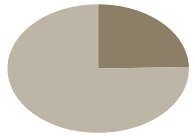
Matti Puhakka

Ben Zyskowicz
Ritva Hainari
Juha Korkeaaja
Raimo Matikainen

Marja-Liisa Falin
Tauno Härkälä
Kari Laitinen
Juho Savo

Pekka Tuomisto

Base Metals



The Forrester nickel mine in Australia was opened in 1992.

The base metals markets weakened markedly from 1995 to 1996. Despite an increase in industrial production and investment activity, copper was the only Outokumpu-produced base metal that showed growth, and the consumption of both nickel and zinc was reduced from 1995. Metal market prices declined during 1996, with copper representing the sharpest decline. The strengthening of the US dollar, however, mitigated the effect of reduced prices on Base Metals' financial performance.

Total ore excavated at Outokumpu's base metals mines grew slightly. Metal in concentrates, however, remained below 1995 levels with the exception of nickel. Outokumpu's copper and nickel production output increased considerably as a result of completed expansion projects.

Base Metals' net sales grew 23 % mainly due to increased copper and nickel deliveries. Profitability remained weak, however, and the business area posted an operating loss of FIM 386 million. In addition to the lower metal prices, the weak performance was a result of extra costs related to the start-up of expansions as well as special charges in certain mining operations.

A decision on the Silver Swan mine construction was made in 1996, and construction work has been commenced at this exceptionally high-grade but fairly small deposit. The mine will go into production in mid-1997.



An expansion project was commenced at the Kokkola zinc plant in Finland. Production at the expanded capacity level of 225 000 tonnes per year will begin by the end of 1998.

Outokumpu's base metals production involves the mining, smelting and refining of copper, nickel and zinc. Outokumpu produces approximately 2 % of the world's copper, 4 % of nickel and 3 % of zinc.

The Base Metals business area is organized into four units which incorporate the mining operations and the production and marketing of each of the three metals.

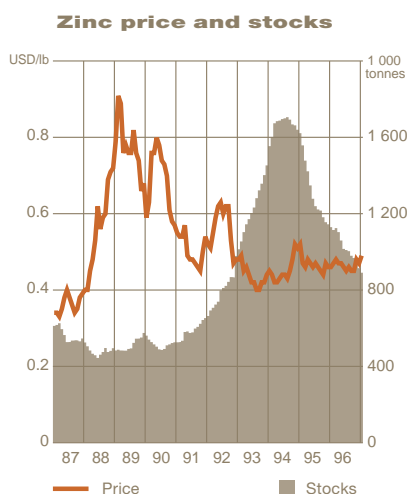
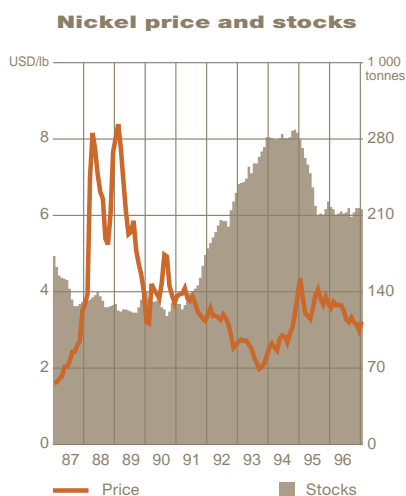
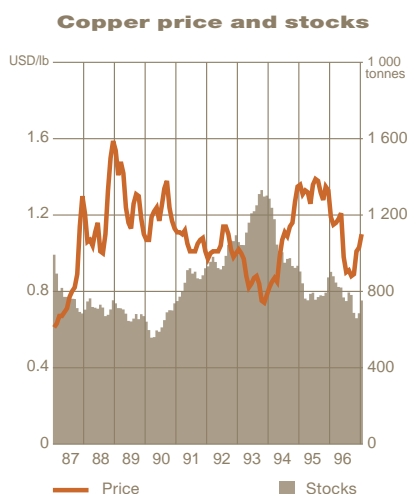
- Mining operations are located in Australia, Chile, Ireland, Norway, Sweden and Finland. In addition to these countries, exploration is carried out in Spain, Canada and Russia.

- Copper is produced at the Harjavalta smelter and the Pori refinery in Finland as well as at Outokumpu's 50-percent owned Zaldívar mine in Chile.

- Nickel is produced at the Harjavalta smelter and nickel plant.

- Zinc is produced at the Kokkola zinc plant in Finland.

The business area's parent company is Outokumpu Base Metals Oy.



London Metal Exchange cash quotations converted into USD/lb.
Estimated total stocks (CRU, Outokumpu).
Figures include January 1997.

Another major investment decision taken was to expand the Kokkola zinc plant. Production at expanded capacity will begin by the end of 1998.

Market conditions

Global copper consumption grew by over 3 % in 1996. The main growth markets were in North America and Asia, fuelled in particular by increased activity in the construction and electronics industries. European copper demand decreased marginally.

Copper production grew rapidly. However, the market supply failed to move into an expected surplus and remained in moderate deficit throughout the year. In late 1996, the growth of global consumption and increased copper purchases by China reduced inventories to critical levels and tightened the market considerably. As a result, the copper price strengthened appreciably from the low levels that followed a sharp decline in May-June.

Nickel consumption declined by approximately 3 %. The decline was partially due to overly high stainless steel inventories, resulting in cuts in stainless steel production. Demand for primary nickel was also reduced by the increased use of scrap as raw material for stainless steel. Global nickel production grew by approximately 6 %. The increased supply and weakened demand moved the market into a surplus in mid-1996. Inventories began to grow, and the nickel price fell sharply.

Zinc consumption was reduced by approximately 1 %. Market developments were unsatisfactory in all areas of use. The main reason for the weak consumption was low construction activity, especially in Europe. Reduction of inventories by zinc users decreased demand further. Supply remained stable. Growth in mine production was lower than expected, and metal production was at 1995 levels. Demand exceeded supply throughout the year, but the zinc price remained depressed due to high, albeit decreasing, inventories. Towards the year-end, prices started to climb slowly as a result of increased demand and a continued decline in inventories.

The average 1996 market price of copper was 22 % and that of nickel 9 % lower in US dollars than in 1995. The price of zinc also declined to some extent.

As a result of the abundant supply of copper and zinc concentrates, treatment and refining charges rose during 1996. However, the availability of zinc concentrates weakened late in the year because of zinc mine closures; this will in

Annual average metal market prices

		1996	1995	Change %
Copper	USD/lb	1.04	1.33	(21.8)
	FIM/kg	10.51	12.82	(18.0)
Nickel	USD/lb	3.40	3.73	(8.8)
	FIM/kg	34.41	35.95	(4.3)
Zinc	USD/lb	0.46	0.47	(0.4)
	FIM/kg	4.70	4.50	4.4

London Metal Exchange cash quotations converted into USD/lb and FIM/kg.

Key figures

FIM million	1992	1993	1994	1995	1996
Net sales	4 701	4 644	3 935	3 869	4 766
Share of the Group's net sales (%)	28	26	21	20	25
Operating profit	183	190	45	(442)	(386)
Operating profit margin (%)	4	4	1	neg.	neg.
Profit before extraordinary items and taxes	404	145	164	(528)	(700)
Return on capital employed (%)	15	7	4	neg.	neg.
Capital employed Dec. 31	4 912	4 582	4 249	5 115	5 148
Investments	912	522	904	1 620	555
Depreciation and amortization	427	431	362	375	416
Personnel Dec. 31	4 596	4 140	4 082	3 879	3 427

turn create pressure on treatment and refining charges.

Financial development

Base Metals' net sales for 1996 were FIM 4 766 million (1995: FIM 3 869 million). The 23 % growth from the previous year was due to increased copper and nickel deliveries, following production expansions. At the same time, average metal prices declined from 1995. The adverse effect of the price decreases on the business area's financial performance was mitigated by the strengthening of the US dollar by 5 % against the Finnish mark.

Base Metals' profitability was weak. The operating result was a loss of FIM 386 million (1995: loss of FIM 442 million). The result included FIM 41 million of inventory losses (1995: FIM 19 million of losses). In addition to lower metal prices, the weak profitability was due to a low capacity utilization rate at Harjavalta as well as to high production costs during the start-up phase of this investment. Profitability was also aggravated by special charges in mine operations as well as by exploration and development costs which were high in relation to net sales.

An additional write-down of FIM 144 million was made on the fixed assets of the Forrestania nickel mine in Australia after studies caused the mine's ore reserve estimate to be lowered. A plan for a profitability improvement program at the mine commenced, and will be completed in early 1997.

The financial result also includes FIM 63 million of costs and provisions for a program to increase profitability at the Tara zinc-lead mine in Ireland.

The result was improved by a gain of FIM 29 million from the sale of Outokumpu's shares in Ivernia West and ARCON International Resources. The two companies are partners in the Lisheen and Galmoy zinc-lead deposits in Ireland.

The Zaldívar copper mine in Chile, jointly owned by Outokumpu and Placer Dome Inc. of Canada (50/50 %), did not yet run at full capacity. The mining company posted an operating profit of FIM 94 million, but the result after financial items remained a clear loss.

The business area's loss before extraordinary items and taxes was FIM 700 million (1995: loss of FIM 528 million).

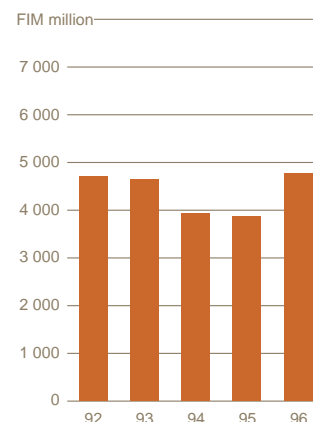
Mining operations

Base Metals' total ore excavated, excluding the Zaldívar mine, grew 2 % from 1995 and was 7.4 million tonnes. However, metal in concentrates was reduced with the exception of nickel in concentrates, which

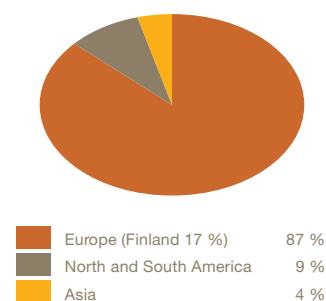
Net sales by business unit

FIM million	1996	1995
Mining operations	1 157	1 296
Metal production		
Copper	1 872	1 360
Nickel	1 221	826
Zinc	1 429	1 456
Other business units	273	207
Sales within the business area	(1 186)	(1 276)
Total	4 766	3 869

Net sales

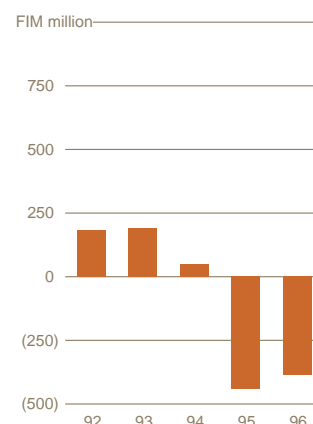


Net sales by market area 1996



Nickel in concentrates produced by the Forrestania mine was 25 % higher than in 1995. Pictured is Steve Eggard, a shift supervisor at Forrestania's underground excavation.

Operating profit



Mine production

Tonnes 1996 1995

Ore excavated (million tonnes)

Forrestania	0.7	0.7
Hitura	0.6	0.6
Mullikkoräme	0.1	–
Orivesi	0.2	0.1
Pyhäsalmi	1.4	1.3
Saattopora	–	0.2
Vammala	–	0.2
Tara	2.5	2.6
Grong	0.5	0.6
Nikkel og Olivin 70 %	0.7	–
Viscaria	0.7	1.0
Total	7.4	7.3

Copper in concentrates

Pyhäsalmi	9 300	9 100
Saattopora	–	400
Grong	7 400	6 800
Viscaria	11 400	14 800
Total	28 100	31 100

Nickel in concentrates

Forrestania	9 500	7 600
Hitura	3 100	3 100
Vammala	–	500
Nikkel og Olivin 70 %	2 800	–
Total	15 400	11 200

Zinc in concentrates

Pyhäsalmi	25 700	16 600
Tara	163 400	183 500
Grong	4 600	7 300
Total	193 700	207 400

Lead in concentrates

Pyhäsalmi	1 200	–
Tara	45 400	46 100
Total	46 600	46 100

Gold in concentrates (kg)

Orivesi	1 340	1 050
Pampalo	330	–
Saattopora	–	410
Viscaria	100	230
Total	1 770	1 690

Pyrite concentrate

Pyhäsalmi	869 000	829 000
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ASSOCIATED COMPANIES:

Zaldívar 50 %

Ore excavated (million tonnes)	7.2	3.9
Cathode copper	38 700	11 200

Outokumpu's ownership interest in the mine is 100 % unless otherwise indicated. For the associated company, the table presents only that share of production which corresponds to the Group's ownership interest.



The expansion of the copper and nickel production in Harjavalta and Pori was completed. Pictured are the Harjavalta smelter, concentrate unloading at Harjavalta with dust screens, and the smelter's new nickel leaching plant.



increased 38 %. This significant rise was caused by the purchase of the Nikkel og Olivin nickel mine in Norway in late 1995 and by increased concentrate production at the Forrestania mine.

Zinc in concentrates produced by the Tara zinc-lead mine remained 20 000 tonnes below the 1995 output because of lower zinc grades and the lower tonnage of ore excavated. The mine embarked upon an efficiency enhancement program aimed at raising productivity by 25 % during 1997. The program will significantly improve Tara's competitive strength.

The Mullikkoräme zinc mine in Finland went into production in May. The mine's 0.7-million-tonne ore reserves give the mine a life of three years. The ore will be concentrated at the nearby Pyhäsalmi mine.

Test mining and concentration of the Pampalo gold deposit in eastern Finland gave promising results.

Total ore excavated at the Zaldívar mine was 14.4 million tonnes. Cathode copper production rose to 77 500 tonnes. The mine is scheduled to reach full production capacity, 125 000 tonnes per year, during the latter half of 1997. A decision was made in late 1996 to build a concentrator worth about USD 15 million at the mine site. After the completion of this investment in late 1997, the mine can also process the fines of crushed ore and so improve its overall copper recovery rate. The total amount of copper in concentrates produced for



the world market during the next few years is estimated to be 5 000-10 000 tonnes per year on average.

Production will end at the Viscaria copper mine in Sweden in the first few months of 1997. The mine will close because of depletion of ore reserves. During its mine life from 1982 to 1997, Viscaria produced approximately 298 000 tonnes of copper in concentrates.

Metal production

Outokumpu's competitive position in nickel production will improve significantly now that the Harjavalta investment program has been fully completed. The smelter's 1996 nickel output totalled 29 300 tonnes, which was 60 % higher than in 1995. Operations still continued to suffer from equipment failures and alteration work related to the investment. The smelter plans to raise its annual production capacity to 40 000 tonnes during 1997.

The start-up of the Harjavalta expansions have also enhanced Outokumpu's competitiveness in copper production. Problems still occurred in production in early 1996 but, after these were overcome, operations proceeded as planned for the rest of the year. Expansion work, however, caused production costs to be higher than normal. Harjavalta's blister copper production rose by 70 % to a total of 150 300 tonnes, and cathode copper production at Pori by 50 % to 110 700 tonnes.

Zinc production ran well at Kokkola, and output remained at 1995 levels.

Investments and R&D

Base Metals' 1996 investments totalled FIM 555 million (1995: FIM 1 620 million). The main projects comprised the completion of the copper and nickel production expansions at Harjavalta and Pori, the Zaldívar copper mine, an expansion of the Kokkola zinc plant and the construction of the Silver Swan nickel mine.

The zinc plant expansion, started during late 1996, has progressed as planned. Utilizing a new, Outokumpu-developed method for direct leaching of zinc concentrates, the expansion will raise annual production capacity from 170 000 tonnes to 225 000 tonnes. The estimated cost of the project, scheduled for completion by the end of 1998, is FIM 500 million. The expansion will improve the plant's productivity and ensure its competitiveness.

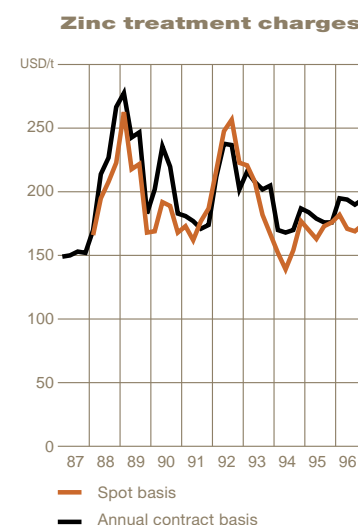
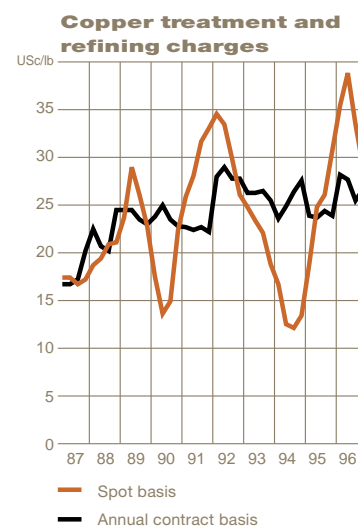
The construction of the Silver Swan nickel mine is proceeding on target. The project's cost estimate is FIM 165 million. Mining will begin in mid-1997 and continue for five years. Ore reserves are about 640 000 tonnes, grading exceptionally high at 9.5 % nickel. Annual production output is planned to be 12 000 tonnes of nickel in concentrates, which will all be shipped to the Harjavalta smelter. Silver Swan is jointly owned by Outokumpu and Mining Project Investors Pty. Ltd. (MPI) of Australia (50/50 %). In addition, Outokumpu holds a 34 % share in MPI.

The business area's research and development expenditure for 1996 was FIM 60 million (1995: FIM 63 million), which represents 1.3 % of net sales.

Metal production

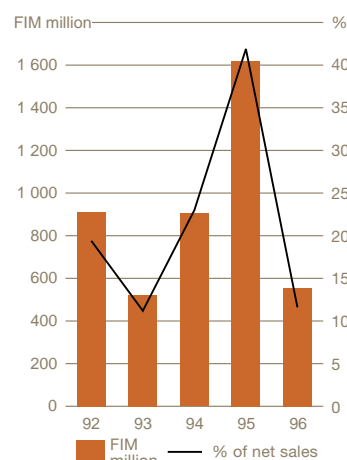
Tonnes	1996	1995
Harjavalta		
Blister copper	150 300	88 300
Nickel	29 300	18 400
Pori		
Cathode copper	110 700	73 700
Gold (kg)	3 070	2 060
Silver (kg)	33 800	27 100
Kokkola		
Zinc	176 000	177 000

In addition, the Zaldívar associated company produced cathode copper, as presented in the table on mine production.



Source: CRU

Investments





The construction of the Silver Swan nickel mine in Australia was started. The mine will go into production in mid-1997. The entire mine output will be shipped to the Harjavalta smelter in Finland.



Exploration

Base Metals' total 1996 exploration expenditure was FIM 182 million (1995: FIM 165 million). Early-stage exploration represented FIM 104 million (1995: FIM 122 million) and advanced-stage exploration FIM 78 million (1995: FIM 43 million) of the sum. Exploration represented 3.8 % of net sales.

The business area's total mineral resources and ore reserves decreased somewhat during 1996. In addition to ore excavation, this was due to the sale of Outokumpu's holdings related to the Lisheen and Galmoy zinc-lead deposits.

Exploration activities focused mainly on further studies at previously identified mineral resources. Nickel exploration continued in Australia and Canada, copper exploration mainly in Chile. Zinc exploration focused on Australia, Spain and Ireland. The main emphasis in Sweden, Finland and Russia was on nickel.

In Australia, feasibility studies were underway at the Honeymoon Well nickel deposit, owned by RTZ-CRA and Outokumpu (65/35 %). Studies also continued on the Cliffs Mt Keith nickel deposit. Outokumpu and MPI have continued exploration efforts in the vicinity of the Silver Swan mine, which is under construction. In addition to the previously discovered Black Swan deposit, a new deposit named Cygnet was identified. Feasibility studies on Cygnet are almost complete. A new mineralization named White Swan was also identified, but no further assessment of it has yet been made.

The Australian exploration activity also included continued studies on the Panorama zinc-copper project, where the Kangaroo Caves deposit produced good results. Outokumpu's shareholding in Sipa Resources International NL, the owner of Panorama, was diluted from 18.4 % to 12.8 % during the year.

The construction of a decline was started at the Montcalm nickel mineralization in Canada, and underground inventory drilling began in late 1996.

In northern Chile, further drilling and geophysical studies were conducted at the Relincho copper deposit, and feasibility studies were continued at the Santa Catalina copper-molybdenum deposit.

Inventory drilling was continued at a zinc-lead deposit 1.5 km southwest of the Tara mine in Ireland. The deposit increases the mine's total mineral resources and improves its ore quality.

A three-year exploration project was commenced at the Kevitsa nickel deposit in northern Finland.

Outlook for the near future

Against the background of a favorable economic outlook, global metals demand is expected to grow in 1997. Metal price development is, however, overshadowed by increased production capacity in especially copper and nickel. The outlook for zinc is more positive.

Copper inventories are presently at very low levels, and the market is tight. Consumption is forecast to grow 2-3 % in 1997. Although production output is growing rapidly, increased copper purchases by China may tighten the market further in the next few months.

The outlook for the nickel market in 1997 is difficult. Nickel inventories are high and the price is low. However, the main consumer of nickel, the stainless steel industry, is slowly recovering. As a result, demand for nickel is expected to grow and the market to improve in 1997.

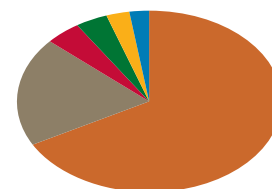
The zinc market has developed favorably during the past few months. Demand exceeds supply, and inventories have been reduced. Production growth is predicted to remain modest. The outlook in the important sectors for zinc use, namely in the construction and automotive industries, is better than in 1996, and zinc consumption is expected to increase.

Base Metals' main objective in 1997 is to achieve a significant improvement in profitability. Both the expanded Harjavalta smelter and the Zaldívar mine will reach full production capacity during the year, which will improve these units' cost efficiency. Efficiency enhancement programs at the Tara and Forrestania mines will markedly improve their productivity. By focusing efforts on key projects, exploration and R&D costs will be reduced by approximately FIM 100 million. In addition, the business area's organizational structure will be streamlined and overhead expenses cut.

Base Metals' main investment projects in 1997 comprise the expansion of the Kokkola zinc plant and the construction of the Silver Swan nickel mine. These projects, together with the expanded copper and nickel capacities, provide the platform for considerable improvement in the business area's financial performance.



Personnel by country 1996



Finland	2 299
Ireland	666
Norway	149
Australia	134
Sweden	97
Other countries	82

Personnel by business unit

Dec. 31	1996	1995
Mining operations	1 597	1 689
Metal production		
Copper	544	539
Nickel	465	454
Zinc	754	767
Development and service companies	10	311
Parent company	57	119
Total	3 427	3 879

The leading metal price setter, the London Metal Exchange, registered Harjavalta's new nickel briquettes in the autumn of 1996.

Ore reserves and mineral resources on December 31, 1996

	ORE RESERVES		MINERAL RESOURCES		
	Proven	Probable	Measured	Indicated	Inferred
MINES					
Australia					
Forrestania	0.5 Mt 1.8 % Ni	0.6 Mt 2.0 % Ni	0.5 Mt 1.4 % Ni	3.5 Mt 1.7 % Ni	1.2 Mt 1.8 % Ni
Chile					
Zaldívar 50 %	281 Mt ^{1) 3)} 1.0 % Cu		152 Mt ^{2) 3)} 0.4 % Cu		88.5 Mt ³⁾ 0.6 % Cu
Finland					
Hitura	0.6 Mt 0.7 % Ni		2.0 Mt 0.8 % Ni	0.4 Mt 0.9 % Ni	3.7 Mt 0.8 % Ni
Mullikkoräme	0.6 Mt 7.7 % Zn 0.4 % Cu 1.2 % Pb 18 % S 1.0 g/t Au		0.1 Mt 5.2 % Zn 0.3 % Cu 0.2 % Pb 31 % S 0.3 g/t Au		0.2 Mt 7.9 % Zn 0.5 % Cu 0.8 % Pb 23 % S 0.7 g/t Au
Orivesi	0.2 Mt 8.4 g/t Au	0.1 Mt 11.3 g/t Au			0.1 Mt 9.7 g/t Au
Pyhäsalmi	3.9 Mt 0.9 % Cu 2.0 % Zn 38.4 % S	0.3 Mt 1.3 % Cu 1.2 % Zn 41.5 % S	0.6 Mt 0.9 % Cu 0.6 % Zn 40.7 % S		
Ireland					
Tara	6.0 Mt 9.6 % Zn 2.3 % Pb	11.1 Mt 7.5 % Zn 2.5 % Pb	1.3 Mt 5.8 % Zn 2.3 % Pb	2.7 Mt 5.3 % Zn 1.7 % Pb	14.6 Mt 7.6 % Zn 2.5 % Pb
Norway					
Grong	0.7 Mt 1.8 % Cu 1.1 % Zn				
Nikkel og Olivin 70 %	1.0 Mt 0.6 % Ni	1.2 Mt 0.5 % Ni	0.3 Mt 0.5 % Ni	0.1 Mt 0.5 % Ni	0.2 Mt 0.5 % Ni
MINE PROJECTS					
Australia					
Silver Swan 67 %		0.6 Mt ¹⁾³⁾ 9.5 % Ni			
Cygnets 67 %			1.0 Mt ³⁾ 2.5 % Ni		
Black Swan 67 %				7.0 Mt ³⁾ 0.8 % Ni	

MINERAL RESOURCES		
	Indicated	Inferred
MAIN EXPLORATION TARGETS		
Australia		
Cliffs Mt Keith		5.5 Mt 2.3 % Ni
Honeymoon Well 35 %	118 Mt ^{3) 5)} 0.8 % Ni	10 Mt ^{3) 5)} 0.7 % Ni
Panorama 65.1 % ⁴⁾ Copper deposit	1.6 Mt ³⁾ 4.3 % Cu 1.2 % Zn	1.3 Mt ³⁾ 4.0 % Cu 1.0 % Zn
Zinc deposit	1.7 Mt ³⁾ 11 % Zn 40 g/t Ag	1.6 Mt ³⁾ 11 % Zn 40 g/t Ag
Canada		
Montcalm	6.9 Mt 1.6 % Ni 0.7 % Cu	
Chile		
Relincho	133 Mt 0.7 % Cu 0.03 % Mo	
Santa Catalina	110 Mt ⁶⁾ 0.6 % Cu 0.1 % Mo	
Finland		
Kylylahti	2.5 Mt 2.5 % Cu 0.4 % Co 0.8 g/t Au	2.5 Mt 0.6 % Cu 0.2 % Co 1.2 g/t Au
Pampalo	0.3 Mt 8.6 g/t Au	0.3 Mt 6.2 g/t Au

1) Comprises proven and probable ore reserves.

2) Comprises measured and indicated mineral resources.

3) Reported by the operator.

4) Outokumpu interest including options.

5) Cut-off 0.5 % Ni.

6) The mining rights for some of the mineral resources are under arbitration.

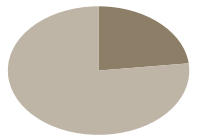
The information has been prepared in accordance with the "Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, July 1996". A mineral resource is a deposit the extent and grades of which have been assessed by geological methods. Ore reserves are the economically exploitable part of the mineral resources defined on the basis of feasibility studies.

The table presents the total tonnes of the deposit. Ore reserves are not included in mineral resources. Outokumpu's share of the mine, mine project or exploration target is 100 % unless otherwise indicated.

The extent of ore reserves and mineral resources is presented in millions of tonnes (Mt) and the grades as percentages (%) or grams per tonne (g/t).

Cu = copper, Ni = nickel, Zn = zinc, Pb = lead, S = sulphur, Mo = molybdenum, Co = cobalt, Au = gold, Ag = silver

Stainless Steel



The ferrochrome converter enables the steel melting shop in Tornio to charge almost all ferrochrome in liquid form. Scrap, an important stainless steel raw material besides ferrochrome and nickel, is being charged into the converter.



The most spectacular phase of stainless steel production is hot rolling. A steel slab is rolled down to 8 mm's thickness, after which it moves to the down coiler.

The weakening of stainless steel demand that began in late 1995 continued until the early autumn of 1996. In the late summer of 1996, prices in Europe reached record low levels. The main reasons for the depressed prices were the reduction of inflated inventories built up during 1995 and new production capacity that came on-line, especially in Asia and South Africa. Most European producers reduced production during early 1996. This, however, failed to halt the price declines.

Although Stainless Steel's financial performance in 1996 was markedly weaker than in the peak year of 1995, the business area posted a good result.

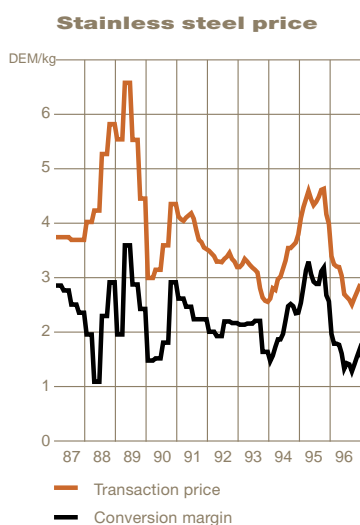
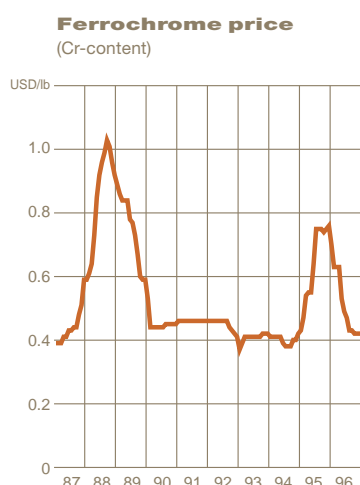
Outokumpu has a strong position as a quality stainless steel producer in the international market. The Group's Stainless Steel business area encompasses a complete production chain from chromite mining to finished stainless steel products. All units of the integrated chain are located close to each other in the Kemi-Tornio area in northern Finland. This geographic proximity brings considerable advantages in production efficiency.

The Stainless Steel business area comprises the following units:

- Outokumpu Chrome mines chromite in Kemi and produces ferrochrome in Tornio.
- Outokumpu Polarit produces stainless steel in Tornio. Part of the cold rolled production is further processed in Terneuzen, the Netherlands.
- Ja-Ro processes stainless steel into tubes and tube fittings at plants in Pietarsaari and Veteli, Finland, as well as in Terneuzen.

Outokumpu's own marketing companies cover all main stainless steel markets.

The business area's parent company is Outokumpu Steel Oy.



Figures include January 1997

Annual average metal market prices

	1996	1995	Change %
Ferrochrome (Cr content)			
USD/lb	0.51	0.64	(20.3)
FIM/kg	5.20	6.14	(15.3)
Stainless steel			
DEM/kg	2.90	4.38	(33.8)
FIM/kg	8.85	13.35	(33.7)

Sources:

Ferrochrome: Metal Bulletin – lumpy Cr charge, basis 52 % Cr, free market

Stainless steel: CRU – German market price (2 mm cold rolled 304 sheet)

Operating profit was FIM 616 million and return on capital employed 17 %. Despite the weak market conditions and some production problems early in the year, production records were broken in the main product groups, partly aided by a market recovery in late 1996.

Outokumpu continued to develop its stainless steel operations further. An expansion of the cold rolling mill proceeded as planned, and the investment will be completed during 1997.

Production

Tonnes	1996	1995
Outokumpu Chrome		
Ore excavated (million tonnes)	1.1	1.2
Ferrochrome	236 000	232 000
Outokumpu Polarit		
Steel slabs	472 000	431 000
Cold rolling mill production:		
Cold rolled products	274 000	272 000
White hot strip	110 900	99 900
Ja-Ro		
Tubes and tube fittings	26 400	24 600

Market conditions

The vigorous growth in Western stainless steel production during 1994-95 was halted in 1996, and the year's output remained at 1995 levels, that is, below 15 million tonnes. New producers entered the market in both Asia and South Africa, and some traditional producers raised production. The total increase in output was largely offset by production cuts made by a number of European, North American and Japanese mills. Furthermore, producers and distributors reduced their inflated inventories built up during 1995.

The consequent oversupply resulted in rapid price declines in all markets. The prices reached their lowest levels during late summer, when they had fallen to just about one-half of the peak 1995 prices. Demand recovered towards the year-end and, as a result, the prices started to climb slowly in Europe. Other markets did not experience a similar upturn. The average 1996 market price in Germany, which is Outokumpu's main stainless steel market, was one-third lower than in 1995.

The market price of ferrochrome started to decline sharply in early 1996 and was about US\$/lb 40 in the last quarter. The trend was caused by the halt in stainless steel production growth and by new production capacity, which totalled almost 700 000 tonnes per year. This capacity has been built mostly in South Africa. The average 1996 ferrochrome market price was US\$/lb 51 (1995: US\$/lb 64).

The demand and prices of stainless steel tubes followed the general stainless steel market trends. Inventories were reduced early in the year, but demand recovered towards the year-end and prices started to rise moderately.

Key figures

	1992	1993	1994	1995	1996
FIM million					
Net sales	3 039	3 808	4 398	5 655	4 486
Share of the Group's net sales (%)	18	21	23	29	23
Operating profit	607	844	909	1 756	616
Operating profit margin (%)	20	22	21	31	14
Profit before extraordinary items and taxes	349	720	954	1 776	616
Return on capital employed (%)	21	28	29	52	17
Capital employed Dec. 31	3 273	3 321	3 126	3 837	3 735
Investments	396	213	235	545	643
Depreciation and amortization	182	205	214	221	241
Personnel Dec. 31	2 230	2 259	2 283	2 346	2 355

Financial development

Stainless Steel's net sales declined 21 %, mostly due to the reduced price levels, and totalled FIM 4 486 million (1995: FIM 5 655 million). Deliveries of stainless steel and tube grew by about 9 %. The steel melting shop's newly expanded capacity was not in full use because of equipment failures early in the year and the weak market conditions.

The business area's financial result weakened from 1995 but was still good. Operating profit was FIM 616 million (1995: FIM 1 756 million), which includes FIM 30 million of inventory losses due to raw material price decreases (1995: FIM 11 million of inventory gains). Profit before extraordinary items and taxes was FIM 616 million (1995: FIM 1 776 million) and return on capital employed 17 % (1995: 52 %).

Both Outokumpu Chrome and Outokumpu Polarit posted good results. Ja-Ro's result was weak.

Investments and R&D

Stainless Steel's 1996 investments totalled FIM 643 million. They comprised projects to maintain current production capacity as well as significant expansions and further improvements in operations.

The capacity and operating costs of the steel melting shop's ferrochrome converter have fulfilled expectations. The converter, which is based on Outokumpu-developed technology, went into production on schedule in late 1995. Steel melting capacity has grown from 440 000 to 540 000 tonnes per year, and electricity consumption per tonne of steel has fallen by more than 10 %.

The stainless steel works' third cold rolling mill has been in production since March 1996. A decision was made at the end of the year to modernize the first cold rolling mill, which has been in continuous operation since 1976. This FIM 150 million investment will be carried out in the spring of 1998.

The cold rolling plant's expansion project, worth approximately one

Outokumpu's annual production of stainless steel tubes and tube fittings rose to 26 400 tonnes in 1996.

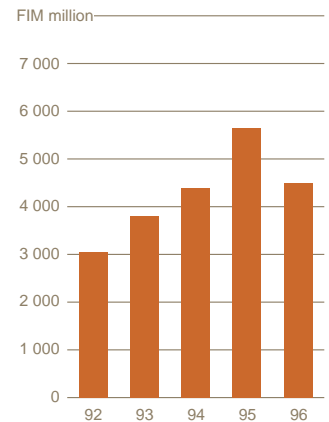


Ja-Ro's tube plant in Pietarsaari, Finland, started up a new, fast and accurate laser welding and cutting line in late 1996.

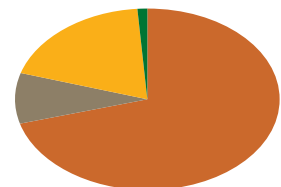
Net sales by business unit

FIM million	1996	1995
Outokumpu Chrome	580	759
Outokumpu Polarit	3 948	4 927
Ja-Ro	462	517
Other business units	359	599
Sales within the business area	(863)	(1 147)
Total	4 486	5 655

Net sales

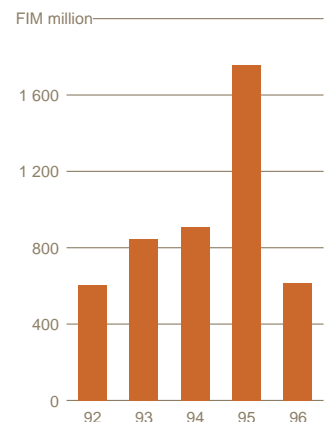


Net sales by market area 1996



Europe (Finland 12 %)	71 %
North and South America	9 %
Asia	19 %
Australia and Oceania	1 %

Operating profit



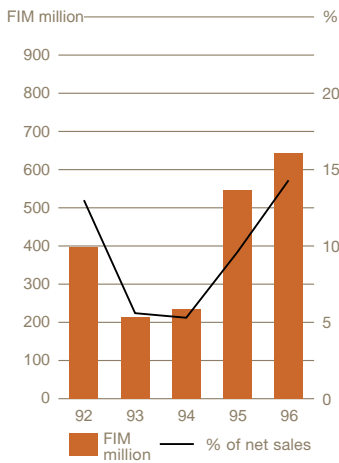
Chromium ore reserves

The Kemi mine possesses one of the world's foremost chromium deposits with abundant ore reserves to last far into the future. Proven and probable ore reserves are about 70 million tonnes. Additional mineral resources amount to nearly 150 million tonnes.



Studies and preparations for underground operations after the turn of the century have begun at the Kemi open-cut mine.

Investments



billion Finnish marks, is proceeding on target. The buildings and the equipment foundations were finished by the beginning of 1997 and equipment installations have been started. The commissioning of the new plant will begin in the autumn. After project completion, cold rolling capacity in Tornio will grow from the current 270 000 tonnes to 400 000 tonnes per year. Hot rolled deliveries will remain at the level of 100 000 tonnes per year.

The largest investment in ferrochrome production in 1996, worth FIM 10 million, involved raising concentrating capacity from 350 000 to 400 000 tonnes per year at the Kemi mine. The investment ensures sufficient raw material supply for the ferrochrome plant. The mine is investigating options for future underground operations. A decline has been completed and diamond drilling started. A decision was made in the spring to renovate the ferrochrome plant's wet grinding unit. The investment, worth approximately FIM 30 million, will be completed during 1997.

The main emphasis in stainless steel tube investments was on rationalization projects.

In April 1996, Outokumpu commenced an Environmental Impact Assessment procedure in Tornio and neighboring areas to investigate possibilities for further expansions in ferrochrome and stainless steel production in the future.

The business area's research and development expenditure for 1996 was FIM 40 million (1995: FIM 29 million), which represents 0.9 % of net sales.

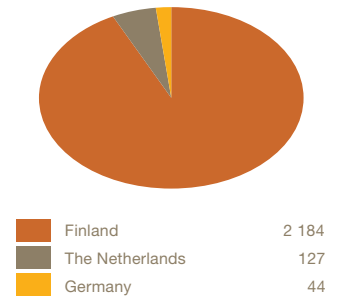
Outlook for the near future

Global stainless steel consumption in 1997 is expected to follow the long-term trend of 4-6 % annual growth. As the inflated stainless steel inventories were reduced to normal levels during 1996, deliveries from producers are expected to increase at the same rate as consumption growth. After the market regained balance, stainless steel prices in Europe rose to some extent in late 1996, and this trend is expected to continue.



Outokumpu processes stainless steel into sheets, strip and tubes in Terneuzen, the Netherlands. Stainless steel coils are shipped from Tornio directly to Outokumpu's own dock in Terneuzen.

**Personnel by country
1996**



Major new capacity expansions especially in South Africa and Asia will, however, increase uncertainty related to market developments.

Ferrochrome demand is on the increase and the market is regaining balance, but at the beginning of 1997 the ferrochrome price still remained at low levels. Overcapacity will prevail during the current year, which will restrict opportunities for price increases. South Africa's competitive position in ferrochrome production has benefited from the considerable weakening of the local currency, the rand.

Demand for stainless steel tubes and tube fittings gained strength during the autumn, and price levels are rising modestly. As with other stainless steel products, the market is troubled by oversupply, and hence the price development is expected to remain moderate.

Demand for stainless steel is good. The material also has good competitive strength compared with other materials. Coupled with optimism about general economic trends, these facts reinforce views on improving market conditions, despite current overcapacity in global production. The competitive advantages of Outokumpu's integrated production chain and the growing capacities provide a firm basis for the Stainless Steel business area to achieve a good financial result in 1997 and beyond.

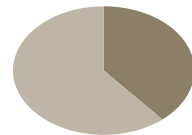


Esa Isometsä is checking the roundness of a Sendzimir mill's support bearing at the Tornio cold rolling plant.

**Personnel by
business unit**

Dec. 31	1996	1995
Outokumpu Chrome	308	300
Outokumpu Polarit	1 639	1 544
Ja-Ro	357	353
Marketing and service units	44	142
Parent company	7	7
Total	2 355	2 346

Copper Products



Outokumpu is one of the world's leading fabricators of wrought copper and copper alloy products. The main customers of the Copper Products business area operate in the automotive, construction, electrical and electronics industries.

Copper Products is organized by core products into the following business sectors:

- Tube Products – Copper tubes for air-conditioning and refrigeration, plumbing and other industrial applications.
- Drawn Products – Copper and copper-alloy profiles, bars and wire; machined copper products; welding electrodes.
- Strip Products – Copper and copper-alloy strip for heat exchangers as well as electrical and electronics connectors.
- Rolled Products – Copper and copper-alloy sheet and strip; oxygen-free copper strip; coin blanks and other blanking mill products.
- Other business operations include brass rod and specialty products.

Outokumpu's copper products plants are located in the United States, Finland, Sweden, Spain, the Netherlands, China, Austria and the United Kingdom. The Group marketing subsidiaries serve the business area's customers in all main markets.

The business area's parent company is Outokumpu Copper Products Oy.



Outokumpu produces demanding tubes for the air-conditioning industry in Franklin, Kentucky, the United States. The tubes' heat transfer area is increased by sophisticated enhancements on the interior surface. This technology has been developed by Outokumpu. Doug Holder is operating a level winder.

Overall, activity in the global copper products markets was satisfactory in 1996. Demand was weak in Europe in the first half of the year but strengthened somewhat towards the year-end. In North America, demand remained good throughout the year. Consumption in Asia continued to grow despite a modest slowdown in economic growth. Conversion prices – the price charged for fabricating copper metal into wrought copper products – remained at 1995 levels.

The business area's profitability weakened slightly from 1995, and operating profit was FIM 273 million. The weakening was mainly due to inventory losses of FIM 121 million caused by a decline in the price of copper. Excluding inventory gains and losses operating profit was FIM 394 million (1995: FIM 413 million). Deliveries grew by 4 %.

Copper Products continued to strengthen its core businesses. In line with this strategy, the geographical scope of the operations was expanded, with special emphasis on the Asian market. An air-conditioning tube mill went into production in southern China in late 1996. The business area also decided to

build a drawn-products and air-conditioning tube mill in Malaysia, which will employ Outokumpu-developed technology.

Market conditions

Demand for copper products varied significantly between markets in 1996. In the main product groups, demand declined approximately 8 % in Europe but grew 5 % in North America. Asian markets with the exception of Japan showed substantial growth, in many countries up to 10 %. Construction activity in Europe suffered from an unusually harsh winter and, as a result, European markets were quite weak in early 1996. After the summer, European demand picked up somewhat. The U.S. markets, for special products in particular, remained good. Demand for copper and brass radiator strip in Japan moved into a sharp decline as a major automotive manufacturer abandoned copper strip in heat exchangers in favor of other materials. The Asian copper products markets strengthened further.

The sales of air-conditioning and refrigeration tubes remained strong in both the United States and Asia, but European sales declined, particularly in Italy. Demand for plumbing tubes strengthened in Europe towards the year-end, but oversupply kept the prices at low levels.

The markets for special drawn products remained good worldwide.

The automotive radiator strip markets weakened in late 1996 throughout the world, and price competition became considerably more severe. Demand for connector strip by the electronics and automotive industries remained good.

Rolled products sales remained good in the United States. The European markets were weak in early 1996 but regained strength towards the year-end. The markets for oxygen-free copper strip were weak early in the year because of customers' high inventories, but the markets recovered somewhat late in the year. Coin blank demand in Europe weakened markedly as mints were preparing for the possible European Monetary Union and consequent replacement of all coinage in member countries.

Capacity utilization rates were high at all of Outokumpu's copper products plants throughout 1996. In some product groups, capacity limitations restricted growth in deliveries. The total order backlog declined towards the year-end.

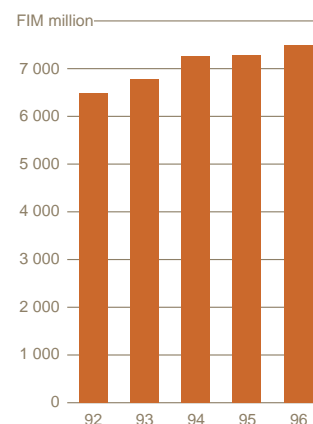
Financial development

Copper Products' net sales for 1996 were FIM 7 495 million (1995: FIM 7 291 million). The increase from 1995 was modest although deliveries grew 4 %, because the average copper raw material price declined by more than 20 % during the year. Average conversion prices remained at 1995 levels.

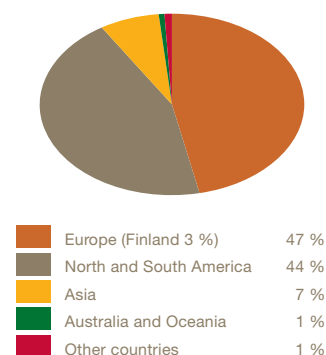
Key figures

FIM million	1992	1993	1994	1995	1996
Net sales	6 475	6 768	7 257	7 291	7 495
Share of the Group's net sales (%)	39	37	39	38	39
Operating profit	11	(166)	378	388	273
Operating profit margin (%)	0	neg.	5	5	4
Profit before extraordinary items and taxes	(614)	(517)	117	164	74
Return on capital employed (%)	neg.	neg.	12	12	9
Capital employed Dec. 31	3 794	3 163	3 327	3 509	3 498
Investments	312	284	219	387	383
Depreciation and amortization	253	229	201	174	195
Personnel Dec. 31	6 662	6 234	5 268	5 368	5 485

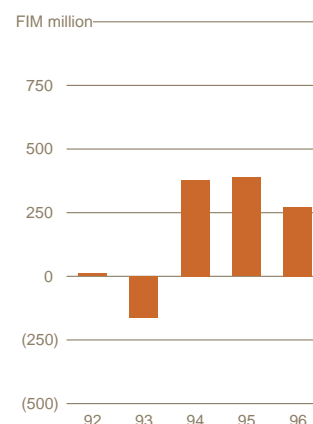
Net sales



Net sales by market area 1996



Operating profit





The focus in Outokumpu's strip production is shifting to various copper, brass and bronze strip for electrical, electronics and telecommunications applications.

Outokumpu's first production plant in Asia is a copper tube mill in Zhongshan, the province of Guangdong in China. The mill specializes in smooth and enhanced air-conditioning tubes. Pictured is Chen Yong.



The business area's profitability weakened slightly. Operating profit was FIM 273 million (1995: FIM 388 million). The 1996 figure includes FIM 121 million of inventory losses due to the substantial decline in the copper price (1995: FIM 25 million of inventory losses). Profit before extraordinary items and taxes was FIM 74 million (1995: FIM 164 million).

Most business units continued to show good profitability. The largest improvements in profitability were recorded by Drawn Products in Pori, Finland, and Special Alloy Wire in the United States. Profitability weakened at the units serving the European standard product markets.

Activities to improve profitability were continued especially at the weakest units. The Zaratamo tube plant in Spain made further improvements in both productivity and profitability. The Kenosha strip plant in the United States continued to implement a product and quality improvement program, and profitability improved as a consequence. The associated company Laminados Oviedo-Córdoba S.A. in Spain (Outokumpu ownership 50 %) continued its productivity enhancement program. Deliveries remained at 1995 levels. Despite improvement, all three companies posted losses.

Investments and R&D

Copper Products' investments totalled FIM 383 million.

The business area continued to systematically implement its strategy aimed at improved global customer service and increasing the share of special products in its product range.

Production

Tonnes	1996	1995
Tube	117 500	114 000
Drawn Products	57 500	56 100
Strip	103 600	100 400
Rolled Products	196 900	175 300
Other business units	17 700	20 200
Deliveries within the business area	(71 200)	(59 400)
Total	422 000	406 600

Associated companies:

Rolled Products *)	12 800	14 200
(Laminados Oviedo-Córdoba 50 %)		

*) The Group's share of production in relation to ownership



A modernization of the brass strip production in Zutphen, the Netherlands, will be completed in late 1997. The investment encompasses melting, casting and prerolling. The process is based on Outokumpu-developed technology.

An air-conditioning tube mill went into production in the Guangdong province in southern China in late 1996. The investment cost was FIM 150 million. Mill capacity will gradually rise to about 10 000 tonnes per year. The construction of a new foundry at the Zutphen strip rolling mill in the Netherlands has proceeded on schedule, and the modernized production line will go on-stream in the latter half of 1997. The estimated investment cost is about FIM 200 million. A new casting line at the Buffalo rolling mill in the United States went on-stream in late 1996.

A service center for rolled products was purchased in northern Italy at the beginning of 1997 to improve service to local industrial customers.

A decision was made at the end of 1996 to build a mill for drawn products and welded air-conditioning tubes in Johor Bahru in Malaysia. The mill will apply Outokumpu-developed technology. The cost estimate for the first investment phase is about FIM 120 million. The mill is scheduled to go into production at the beginning of 1998. Production capacity will initially be about 12 000 tonnes. After a projected expansion within the next few years, capacity will exceed 20 000 tonnes per year.

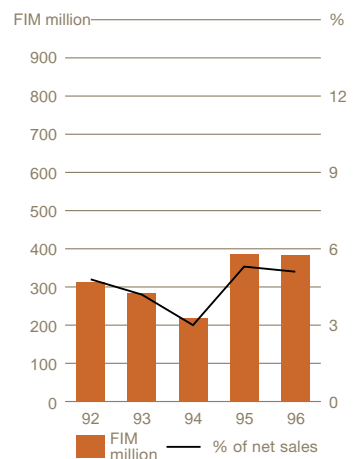
A decision was also made to commence production of welded, cross-hatched air-conditioning tubes in Europe. Production lines to be installed at the Pori and Zaratamo tube mills will go on-stream in late 1997 and add a total of about 4 000 tonnes per year to Copper Products' worldwide capacity for this special product.

Copper Products' other scheduled investment projects are aimed at improving product quality, raising productivity and removing capacity bottlenecks.

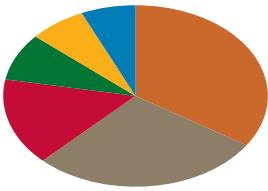
Net sales by business unit

FIM million	1996	1995
Tube	2 248	2 237
Drawn Products	1 223	1 258
Strip	1 778	1 825
Rolled Products	2 351	2 328
Other business units	628	440
Sales within the business area	(733)	(797)
Total	7 495	7 291

Investments



**Personnel by country
1996**



United States	1 874
Finland	1 546
Sweden	854
Spain	463
The Netherlands	383
Other countries	365

**Personnel by
business unit**

Dec. 31	1996	1995
Tube	1 482	1 369
Drawn Products	883	822
Strip	1 002	1 025
Rolled Products	1 161	1 127
Other business units	931	1 001
Parent company	26	24
Total	5 485	5 368

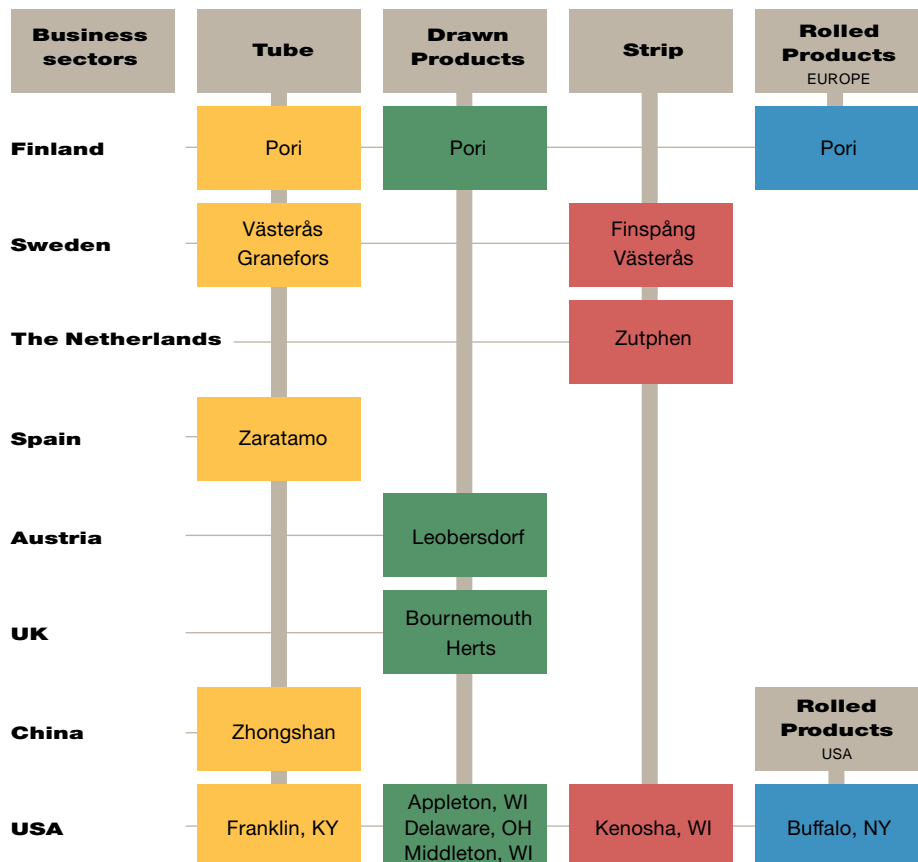
The business area's research and development expenditure for 1996 was FIM 26 million (1995: FIM 29 million), which represents 0.3 % of net sales.

Outlook for the near future

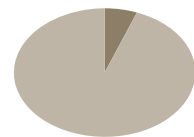
Demand for copper products is expected to remain stable in North America. European demand has strengthened to some extent, but the market outlook is uncertain. Price levels are also adversely affected by overcapacity in Europe. With the exception of Japan, Asian copper products markets are expected to expand further along with the region's fairly strong economic growth.

Copper Products will continue to implement programs aimed at raising productivity and lowering costs in order to improve the business area's profitability. At the same time, the strategically important product groups will be strengthened and their geographic reach expanded to improve service to customers in Europe, North America as well as Asia.

Business sectors and production plants of Copper Products



Other business operations: Superconductors and Plating (Pori), Brass Rod (Västerås) and a Service Center (Mortara, Italy).



Outokumpu is the market leader in flotation technology. A record number of Outokumpu flotation cells were sold in 1996, most of them to South America. Pictured are thirty-two OK-100-TC tank cells waiting for installation at Codelco's Andina mine (above) and the Escondida mine's concentrator (below), both in Chile.

The technology markets for the mining and metallurgical industry were fairly active throughout 1996. The Technology business area's relatively strong order backlog at the beginning of 1996, coupled with major new orders obtained during the year, resulted in marked improvement in the business area's profitability. Operating profit increased to FIM 114 million.

Oy Galvatek Ab, a subsidiary specializing in galvanizing and water treatment plants, was sold during the year.



Market conditions

The weakening of the metal markets from 1995 and the declining trend in metal prices during 1996 did not have a major adverse effect on the investment activity of the mining and metallurgical industry. In fact, demand for equipment grew in late 1996 owing to metal producers' efficiency enhancement efforts, environmental investments and capacity expansion plans. In addition to a number of copper smelters and leaching plants under implementation, many nickel projects were in the planning and feasibility-study phases.

The number of new orders obtained by Technology increased from 1995. The order backlog amounted to FIM 917 million at year-end (1995: FIM 720 million).

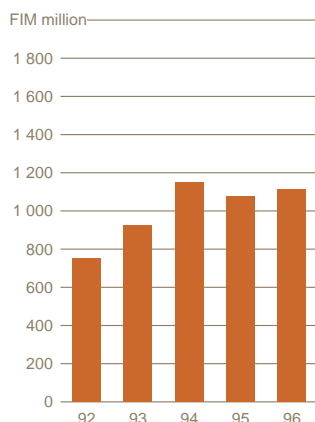
Major new orders included a solvent extraction plant for the Radomiro Tomic project and flotation cells for Andina in Chile; the engineering and key equipment of a flash smelting furnace for the Fortaleza nickel smelter in Brazil; the modernization of a ferrochrome plant for Samancor in South Africa; an

Outokumpu is one of the leading suppliers of technology for the mining and metallurgical industry. The products are typically machines and equipment, plants and processes, as well as engineering services and project management. Many of the products have been developed by Outokumpu.

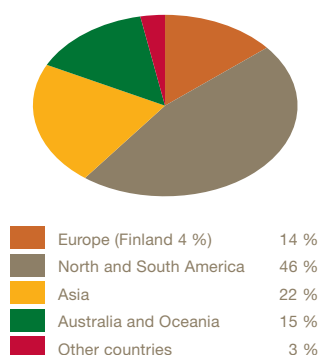
The Technology business area comprises the following units:

- Outokumpu Mintec – Mineral processing equipment and plants, analyzers and automation.
 - Outokumpu Engineering Contractors – Metallurgical equipment and plants, engineering services and project management.
 - Outokumpu Wenmec – Casting shop and tankhouse equipment.
 - Outokumpu Castform – Casting and metalworking equipment and plants, materials handling systems and equipment for metallurgical plants, as well as wire and strip galvanizing.
 - Other business units – Outokumpu Engineering Services and Outokumpu Turula operate mainly as internal subcontractors, which supply engineering services and equipment for Group companies.
- The business area's parent company is Outokumpu Technology Oy.

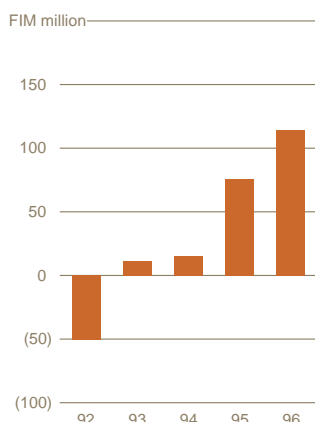
Net sales



Net sales by market area 1996



Operating profit



anode casting shop and tankhouse equipment for Swil Ltd in India; a tube mill, an anode casting shop and tankhouse equipment for LG Metals in South Korea; a copper smelter expansion for Western Mining in Australia; filters for Norilsk Nickel in Russia; and an anode casting shop for Kennecott in the United States.

In December 1996, Outokumpu Technology and Endesa S.A. of Chile signed an agreement on cooperation which will at first involve a joint feasibility study on a possible copper smelter-refinery in Chile. The study will be completed in late 1997, after which the parties to the agreement will decide on further steps.

The main markets for Technology in 1996 were North and South America, Asia, Australia and South Africa.

Financial development

Technology's net sales were FIM 1 113 million, up from the previous year (1995: FIM 1 074 million) despite the disposal of the galvanizing business through the sale of Oy Galvatek Ab. Galvatek's net sales were FIM 53 million for 1995 and FIM 6 million in 1996 until the effective date of the sale at the beginning of October. Outokumpu Mintec and Outokumpu Wenmec increased their net sales significantly, whereas Outokumpu Engineering Contractors' net sales remained below the 1995 amount due to the timing of project deliveries.

The business area's operating profit improved from 1995 and totalled FIM 114 million (1995: FIM 76 million). Profit before extraordinary items and taxes was FIM 118 million (1995: FIM 76 million). The improvement was a result of both the fairly favorable market conditions and increased cost efficiency. Furthermore, an expansion at the Outokumpu-owned machine shop, Outokumpu Turula, went on-line at an opportune time in terms of project deliveries. Outokumpu Castform posted the best financial result of all Technology business units.

The business area's personnel numbered 1 651 at year-end, up by 480 from year-end 1995. The increase included 461 persons on project staff in Chile.

The organizational structure was streamlined by merging the Canadian operations into one company named AISCO Systems Inc. In connection with the sale of Oy Galvatek Ab, its Swedish subsidiary Outokumpu WTT AB, specializing in wire and strip galvanizing, was transferred to Outokumpu Castform.

Key figures

FIM million	1992	1993	1994	1995	1996
Net sales	753	926	1 149	1 074	1 113
Share of the Group's net sales (%)	5	5	6	6	6
Operating profit	(51)	11	15	76	114
Operating profit margin (%)	neg.	1	1	7	10
Profit before extraordinary items and taxes	(92)	(41)	15	76	118
Return on capital employed (%)	neg.	10	9	30	39
Capital employed Dec. 31	460	451	339	281	370
Investments	26	18	25	58	28
Depreciation and amortization	26	28	28	21	22
Personnel Dec. 31	1 718	1 524	1 670	1 171	1 651

The business area was reorganized at the beginning of 1995. The comparative figures for 1992-94 have been restated to reflect the new organizational structure.

Net sales by business unit

FIM million	1996	1995
Outokumpu Mintec	391	301
Outokumpu Engineering Contractors	239	296
Outokumpu Wenmec	154	116
Outokumpu Castform	270	242
Other business units	165	225
Sales within the business area	(106)	(106)
Total	1 113	1 074

Net sales of Oy Galvatek Ab, sold in October 1996, is included in other business units until the effective date of the sale.

Project deliveries

Outokumpu's technology played key roles in the following production plants that went on-stream in 1996: the Zhongshan and Taicang tube plants in China as well as the anode casting shops of Mexicana de Cobre, Refimet and Dzhezkazgan in Mexico, Chile and Kazakhstan respectively. Outokumpu completed its share of the Kennecott copper smelter project in the United States in June.



Technology's largest implementation project in 1996, the construction of a copper smelter for Indo Gulf in India, proceeded on schedule. Start-up will begin in late 1997. Pictured in Harjavalta are K.C.D. Khandelwal, the Indo Gulf smelter's managing director, and Kirsi Kaasinen, a process metallurgist in charge of customer training.

The main projects under implementation included a copper smelter and refinery for Indo Gulf in India, a copper solvent-extraction plant for the Radomiro Tomic project in Chile, a ferrochrome plant for Samancor in South Africa, a nickel smelter for Fortaleza in Brazil and a tube mill for Bangkok Metal in Thailand.

Outokumpu Engineering Services was actively involved in a number of the Outokumpu Group's investment projects. The business unit set up project offices at both Harjavalta and Kokkola, Finland, to enhance operations and improve customer service.

Research and development

Technology's research and development expenditure was at the previous years' levels, totalling FIM 32 million (1995: FIM 42 million) or 2.9 % of net sales.

Technology's business objective is to develop and strengthen products and services in all areas of Outokumpu's key technological competence. The work is carried out in close cooperation with other Outokumpu business areas and Outokumpu Research Oy. The main projects in 1996 focused on further development of mineral processing analyzers and filters, casting shop technology, tankhouse equipment, the flash smelting and flash converting processes as well as leaching processes and equipment.

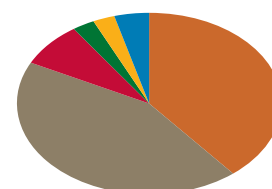
Outlook for the near future

On the basis of improved economic outlooks in each of Technology's main market areas, investment activity in the mining and metallurgical industry is estimated to strengthen somewhat during 1997.

Technology's competitiveness will be enhanced by a clear focus on developing the business area's core businesses further. This approach, combined with the strong order backlog at the beginning of 1997, creates a good foundation for improved profitability.



Personnel by country 1996



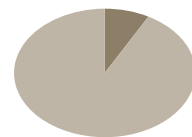
Finland	645
Chile	716
Canada	131
Sweden	45
Australia	44
Other countries	70

Personnel by business unit

Dec. 31	1996	1995
Outokumpu Mintec	284	268
Outokumpu Engineering Contractors	785	317
Outokumpu Wenmec	103	101
Outokumpu Castform	179	148
Other business units	300	337
Total	1 651	1 171

The Zhongshan tube mill that went into production in late 1996 utilizes the Cast & Roll™ technology. Zhang Ping is operating a tube rolling mill.

Other operations



The Outokumpu Group's other operations comprise Corporate Management, Corporate Services and a number of companies involved in business activities that support or complement the Group's main operations. Corporate Services provide assistance to other Group units in the areas of real estate, training, legal affairs, patents, financing, utilities, information technology, occupational health and insurance.

- Outokumpu's marketing companies operate in 25 countries and serve all Group business areas.
- Outokumpu Rossija comprises a group of companies specializing in CIS trade – in both the marketing of the Group products and procurement of raw materials for Outokumpu's production plants.
- Outokumpu Research Oy is a research center which develops processes, equipment and products for the Group business units.
- Outokumpu manufactures electronic measurement and analyzing equipment in the United States through Princeton Gamma-Tech, Inc. and engages in rock processing operations in Finland through SKT-Granit Oy.
- A former Outokumpu subsidiary, Okmetic Oy specializing in silicon wafer manufacture in Finland, was transformed into an associated company when its ownership base was expanded.

Outokumpu withdrew from permanent magnet manufacture in 1996 and sold its minority shareholding in Oy Tampella Ab.

Outokumpu's Corporate Management was complemented by a new Corporate Commercial Services unit in 1996. The unit is responsible for the management and development of Outokumpu's worldwide metals and metal products marketing company network in accordance with the needs of the business areas and their customers. The marketing companies were transferred to the direct ownership by Outokumpu Oy.

The Group's CIS trade operations were developed and the organization was strengthened. The company name Finenco Oy was changed to Outokumpu Rossija Oy. The 1996 operations mainly focused on raw materials procurement. In addition, Rossija was active in technology marketing, and its sales of fabricated metal products in Russia increased. Outokumpu Rossija has a subsidiary in both Moscow (ZAO Outokumpu Moskva) and St. Petersburg (ZAO Outokumpu Skt Peterburg).

Outokumpu Research Oy's activities in 1996 focused on the recovery of metals from ores and minerals. The largest projects involved research and development work for the expansions and new processes of the Harjavalta smelter and Kokkola zinc plant in Finland.

SKT-Granit's net sales grew from 1995 fuelled by increased exports, but the company posted a loss. Princeton Gamma-Tech's net sales remained at the 1995 level as demand for microanalyzers used in metals analyses remained unchanged. The development in Europe was positive but, overall, the company posted a loss.

The silicon wafer markets were active in early 1996, but demand weakened towards the year-end. Okmetic Oy's operative result was good. A decision was made in June on a major expansion that will double the company's production capacity. The estimated investment cost is FIM 340 million. The expansion will go into production at the beginning of 1998. A decision was also made to expand Okmetic's ownership base through a directed share offering. Outokumpu's ownership in the company decreased from 85 % to 49 %.

Outokumpu withdrew completely from the permanent magnet business in 1996 through the sale of both Swift Levick Magnets Limited in the United Kingdom and Sura Magnets AB in Sweden. The sales produced a minor gain.

Outokumpu sold its shareholding in Oy Tampella Ab to Sandvik Invest AB at the end of May. The gain from the sale was FIM 38 million.

Net sales by unit			Personnel by unit		
FIM million	1996	1995	Dec. 31	1996	1995
Marketing companies	140	-	Marketing companies	167	-
Outokumpu Rossija	567	647	Outokumpu Rossija	29	20
Outokumpu Research	-	-	Outokumpu Research	198	-
Princeton Gamma-Tech	51	51	Princeton Gamma-Tech	98	101
SKT-Granit	15	-	SKT-Granit	40	42
Okmetic	103	120	Okmetic	-	211
Swift Levick Magnets	47	89	Swift Levick Magnets	-	159
Corporate Services	476	490	Corporate Services	100	75
Corporate Management	78	73	Corporate Management	71	66
Other units	0	59	Other units	1	20
Sales between units	(2)	(9)			
Total	1 475	1 520	Total	704	694

The figures include Okmetic's net sales until the end of August 1996 and Swift Levick Magnet's net sales until the end of June 1996. The ownership of the Group marketing companies was transferred to Corporate Management on September 1, 1996 and that of Outokumpu Research on December 31, 1996.

Research and development

In order to ensure full and systematic utilization of Outokumpu's technological opportunities, Corporate Management and the business areas have drafted technology strategies which define technological needs, sources of new technologies, Outokumpu's own core technologies as well as the emphases and objectives of development activities.

At year-end, the number of R&D personnel was 610 (1995: 670). The decline was the result of sales of subsidiaries and business operations. The Group's R&D expenditure for 1996 was FIM 155 million, or 0.9 % of net sales (1995: FIM 156 million, 0.9 %).

The customer occupies a crucial role also in Outokumpu's R&D efforts. Examples of product development conducted in cooperation with the customer include a new type of automotive radiator utilizing copper and brass strip, a copper tube with superior heat-exchange properties for air-conditioners, and copper alloys which are free of materials hazardous to health or the environment.

One of Outokumpu's main technology development projects in 1996 was the expansion of the Kokkola zinc plant. The plant's new zinc process is based on an Outokumpu-developed direct leaching method. Other significant development projects involved direct smelting of nickel, which was first introduced for the expansion of the Harjavalta smelter, new extraction technology in the area of hydrometallurgy, and a new anode casting process for high production volumes. Some of this technology has been sold to other producers.

An extensive joint Finnish "Intelligent Mine" project to improve mining operations with the help of information technology was brought to the field testing phase. The tests will be conducted at the Kemi chromite mine, where studies were also commenced on a shift from open-cut to underground operations.

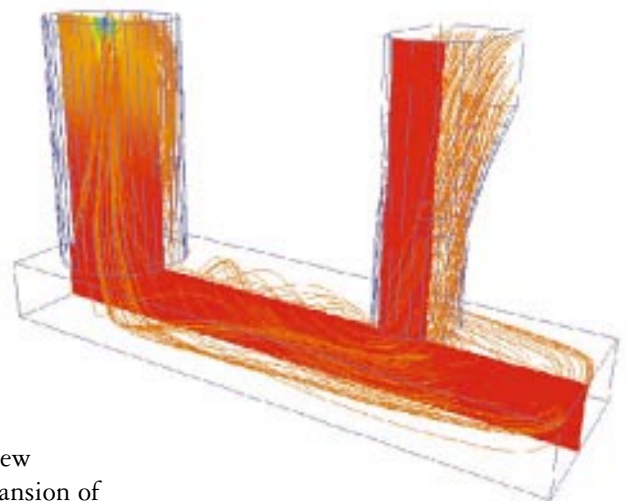
The Tornio stainless steel mill successfully integrated its new ferrochrome converter into stainless steel production. An expansion of the local research laboratory was commenced with a view to serving expanding stainless steel production.

In casting and fabrication technology, considerable efforts were made in the development of copper extrusion technology. The technology development is closely connected with product development. An ongoing investment project at the Zutphen brass strip mill in the Netherlands is based on an Outokumpu-developed strip casting method.



A pyrometallurgical test is being carried out at a high temperature. Outokumpu's technology development aims at raising production efficiency both in-house and for technology customers.

Technology and a strong emphasis on research and development activities are some of the cornerstones on which the Outokumpu Group builds its success. Research – often in cooperation with universities – raises Outokumpu's competence levels. Development activities improve the profitability and productivity of production plants and produce new technologies, equipment and products for both customers and in-house use. R&D is aimed at securing Outokumpu's future competitiveness.



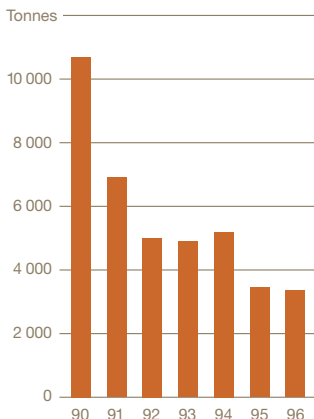
A computer model of the flow pattern and pressure profile of a flash smelting furnace. Outokumpu's flash smelting technology has been under constant development throughout its 50-year history.

Environmental protection

Responsible operations are key core values of Outokumpu's corporate culture. A firm belief that only those producers who operate responsibly are and will be successful in the metals business has made environmental protection an integral part of Outokumpu's everyday operations. The emphasis in environmental protection has already been clearly shifted from clean-up of emissions to emission prevention – environmental solutions are built into production methods and technology.

Concern for environmental matters and environmentally safe products are considered to bring appreciable added value and success for both the Group and its customers.

SO₂ emissions



The figure presents the SO₂ emissions of the Group's production plants in Finland.

Environmental considerations play key roles in Outokumpu's operations as well as personnel training, external communications and cooperation with the Group's various interest groups. Environmental Impact Assessment (EIA) procedures, concerning the projected expansion of both stainless steel and zinc production, will be completed during the first half of 1997. The development of environmental management systems was continued, and the Tornio stainless steel works completed a system in accordance with the ISO 14001 standard.

Outokumpu published an environmental review in December 1996. This review describes the environmental management systems, working methods and the environmental impact of the Group's operations.

Increased energy efficiency is an important objective for Outokumpu as production capacities grow. As a major Finnish electricity user, Outokumpu has been actively involved in national campaigns to save energy. Considerable energy savings were achieved at the Tornio stainless steel works with the introduction of a new ferrochrome converter. Outokumpu has also participated in development programs aimed at better utilization of process waste and been involved in both national and international metal life-cycle studies.

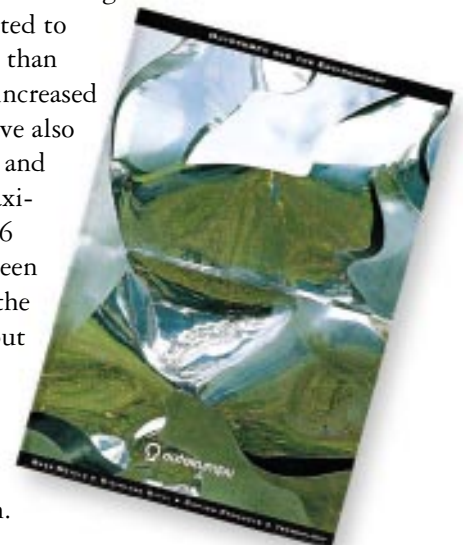
Research programs are maintained to continue to improve waste-water treatment and storage of subproducts at mines. Reclamation has been completed at the former Enonkoski mine in Finland, and work has been started at the Viscaria mine site in Sweden to prepare for mine closure. A recommendation has been made to the authorities for the protection of the headframe and maintenance building of the former Keretti mine in Finland.

Emissions to air and water from Outokumpu's production plants have been in constant decline in recent years, and the plants are among the cleanest of their kind in the world. The amounts of most metals emitted to water from the Kokkola zinc plant are only less than 10 % of maximum permissible levels. Despite increased production output, environmental standards have also continued to improve at the Harjavalta smelter and the Tornio works. A modest violation of the maximum dust emission limits at Harjavalta in 1996 was due to faulty equipment, which has since been repaired. The nitrogen emission to water from the Tornio works has exceeded permissible levels, but a process alteration during 1997 will remove this problem.

Corporate Management is not aware of any environmental liabilities or risks with a material effect on the Group's financial position.



A tailings containment area at the old Outokumpu mine – before and after landscaping. Landscaping is a key part of reclamation at abandoned mine sites.



Human resource development



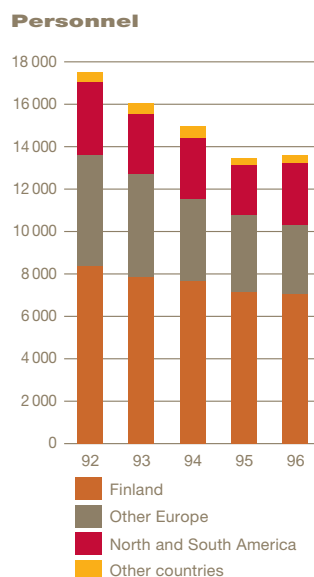
The Outokumpu Junior Program, begun in 1995, has established itself as a permanent part of the Group's training activities. Pictured are the participants of the first Junior Program seminar with Jyrki Juusela.

Human resource development programs organized by various Group units during 1996 emphasized customer orientation, the quality of operations, cost efficiency, entrepreneurship and team work. Training and communication efforts coordinated from the Group level continued to focus on the implementation of Outokumpu's core values and business principles as well as on internal cooperation within the Group. Internal management training continued and included modules of the Outokumpu Executive Development Program as well as individual Competence Development Workshops.

Pioneering efforts over the past few years to develop cooperation between the Group's European employees and Management led to an important agreement at the third joint European meeting. A cooperative body, the Outokumpu Personnel Forum, was established as a permanent forum for annual information exchange.

Outokumpu has long traditions in occupational safety training and in the development of safe working practices. Work to create a new monitoring system was commenced in order to improve Group-wide assessment and comparison of occupational safety efforts. In 1996, Base Metals commenced a special campaign with the aim of a further reduction in the number of work-related accidents by one-third per year.

One example of significant results achieved within Outokumpu's occupational health care is provided by an extensive study completed in 1996 on occupational exposure to chromium. The study focused on stainless steel workers exposed to low chromium concentrations for an average period of 18 years. The study concluded that exposure had not caused respiratory diseases or increased symptoms thereof. The study was also published in a leading British medical journal.



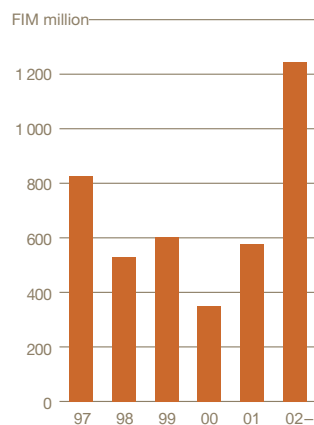
Outokumpu's core values emphasize responsibility for people and the significance of everyone's input for the Group's success. The importance of people and human resource development is stated clearly in Outokumpu's business principles: "Our success depends on people's competence. Thus it is important that we all apply and develop our competence in our jobs."

Personnel by country

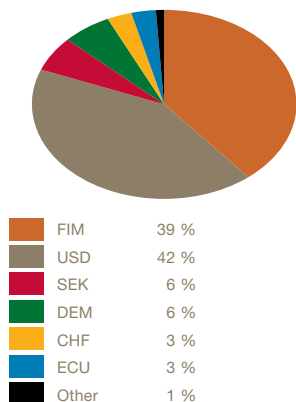
	Dec. 31	1996	1995
Europe			
Finland	7 083	7 167	
Sweden	1 020	1 072	
Ireland	666	755	
Spain	527	526	
The Netherlands	477	530	
Austria	157	136	
Germany	120	73	
Norway	101	179	
United Kingdom	78	255	
Russia	47	42	
France	18	19	
Italy	17	14	
Denmark	10	10	
Other	16	18	
		10 337	10 796
North and South America			
United States	1 999	1 927	
Chile	752	304	
Canada	143	123	
Peru	10	10	
Mexico	7	7	
		2 911	2 371
Asia			
China	153	31	
Singapore	14	12	
Japan	10	10	
Other	11	10	
		188	63
Australia			
	178	221	
Africa			
	8	7	
Total		13 622	13 458

Financing and management of financial risks

Repayment schedule for long-term debt Dec. 31, 1996



Breakdown of long-term debt by currency Dec. 31, 1996



THE GROUP'S FINANCIAL POSITION

The Group's financial position is described on pages 10-11 of the Corporate Review of the Year.

On December 31, 1996, floating-rate loans represented 68 % of the FIM-denominated long-term debt and 56 % of all long-term debt. The FIM-denominated floating-rate loans include pension loans and loans attached to the base rate of the Bank of Finland. The average interest rate on all long-term debt was 6.2 % on December 31, 1996.

At year-end, cash and marketable securities totalled FIM 601 million (1995: FIM 692 million). In addition, committed long-term credit facilities available to the Group amounted to about FIM 2.2 billion. The Group has about FIM 1.7 billion worth of both domestic and Euro Commercial Paper programmes for short-term financing needs.

MANAGEMENT OF FINANCIAL RISKS

The Outokumpu Group's business operations involve many financial risks including exchange rate, interest rate, credit and refinancing risks. According to the financial risk management policy determined by Outokumpu's Executive Board and Corporate Finance Management, the Group seeks to hedge all significant financial risks.

Outokumpu's financial and risk management activities are mainly centralized in the Group's Finance Function.

Exchange rate risks

The majority of the Group's cash flows, receivables and loans are denominated in currencies other than the Finnish mark. Exports from Finland represent a significant share of the Group's business, and approximately one-half of the business is transacted by Group companies outside Finland. In addition, products are largely priced in currencies other than that of the country of production. Consequently, exchange rate movements have a significant impact on Outokumpu's financial development and competitiveness.



Coin blanks manufactured at Pori blanking mill.

The most important currencies for Outokumpu's business and financing are the US dollar and the Finnish mark. A 10 % movement of the dollar against other currencies has an impact of roughly FIM 350 million on the Group's annual operating profit. The corresponding impact of a 10 % movement of the Finnish mark against other currencies is roughly FIM 450 million. These amounts do not take into account the effect of hedging of exchange rate risks.

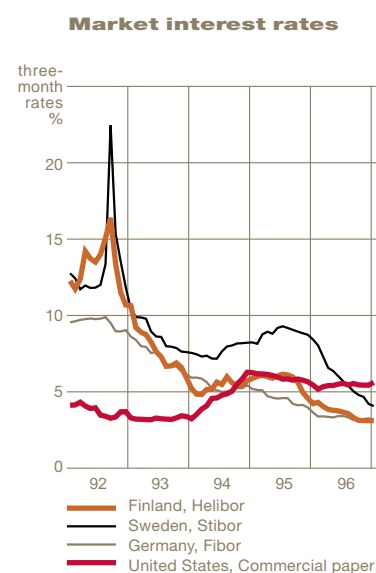
The Group's foreign currency exposure primarily consists of receivables, loans and other contractual commercial items (transaction exposure), added with anticipated cash flows in other currencies (economic exposure), so that, as a rule, the foreign currency exposure covers the cash flows during the following 6-12 months. The Group's exchange rate risk management policy is to hedge the transaction exposure in its entirety and the economic exposure to a significant extent. The degree of hedging the economic exposure varies between business operations.

In addition, the Group hedges the main tender risks as well as the significant equity exposures of its foreign subsidiaries and associated companies.

The foreign currency exposure is hedged mainly with forward foreign exchange contracts, foreign currency loans and currency swaps. The Group's Finance Function manages a considerable part of the foreign exchange risks. Speculation is against Outokumpu's risk management policy.

Receivables, loans and derivative instruments in foreign currencies are translated into Finnish marks at the exchange rates on the balance sheet date, and exchange gains and losses are recognized in income within "Financial income and expenses". The exchange gains and losses of derivative contracts made to hedge off-balance sheet items are recognized in income on the date of the hedged cash flow. On December 31, 1996, FIM 213 million of exchange gains from such derivative contracts were deferred (1995: FIM 219 million of exchange gains).

The total foreign-currency denominated shareholders' equity of the Group's foreign subsidiaries and associated companies was FIM 2 104 million on December 31, 1996 (1995: FIM 2 384 million). Of this equity exposure, 41 % was hedged (1995: 67 %). The loans and derivative contracts used to hedge the shareholders' equity produced FIM 85 million of exchange losses in 1996 (1995: FIM 55 million of exchange gains). In the consolidated financial statements the exchange gains and losses on the hedging are recorded in non-restricted equity against the translation differences arising from the translation of the foreign-currency denominated shareholders' equity into Finnish marks.



Exchange rates

	Closing rates					Average rates	
	1992	1993	1994	1995	1996	1995	1996
USD	5.245	5.7845	4.7432	4.3586	4.6439	4.3658	4.5905
CAD	4.135	4.354	3.378	3.196	3.390	3.181	3.367
GBP	7.957	8.554	7.409	6.741	7.869	6.891	7.164
IEP	8.540	8.158	7.325	6.956	7.788	6.999	7.345
SEK	0.7436	0.6945	0.6358	0.6546	0.6748	0.6123	0.6847
NOK	0.7602	0.7701	0.7014	0.6899	0.7209	0.6889	0.7111
DEM	3.2485	3.3350	3.0615	3.0435	2.9880	3.0471	3.0530
NLG	2.8928	2.9812	2.7337	2.7185	2.6624	2.7202	2.7247
ESP	0.0459	0.0407	0.0360	0.0359	0.0354	0.0350	0.0363
AUD	3.609	3.920	3.680	3.247	3.698	3.238	3.593
ECU	6.340	6.459	5.815	5.597	5.770	5.644	5.751

The Bank of Finland's exchange rates

The increased interest rate differential between the Finnish mark and the US dollar in particular increased the cost of hedging during 1996. As a result, the net interest income produced by derivative contracts was reduced significantly and totalled FIM 3 million (1995: FIM 45 million).

Interest rate risks

Outokumpu's policy is to hedge all significant interest rate risks. In order to effectively manage interest rate risks the Group's loans and investments are dispersed in fixed and floating rate instruments. In addition, interest rate swaps and forward rate agreements are used actively.

Other financial risks

Credit risks are mostly related to investments or counterparty risks with derivative contracts. The Group seeks to minimize these risks by making transactions only with financial institutions with a high credit rating. The majority of the investments are made in liquid instruments with short maturity and low risk. Credit risks did not produce bad debts during 1996.

The Group's sales receivable are generated by a large number of customers in various industries in many parts of the world.

The Group seeks to minimize refinancing risks with a proper maturity profile and sufficient financial reserves.

Derivative contracts

The Group's open derivative financial instruments to hedge financial risks were as follows on December 31, 1996:

	Maturity months	Contract amounts on Dec. 31 (FIM million)	
		1996	1995
Forward foreign exchange sales and purchases	1-29	8 100	9 800
Currency swaps	9-48	560	640
Bought and sold currency options	1-3	120	-
Interest rate swaps	8-59	930	860
Forward rate agreements	3-15	1 620	120

The contract amounts presented in the above table illustrate the scope of the Group's hedging activities. Sold currency options are used with bought options. Note 14 to the consolidated financial statements presents the balance-sheet and fair values of derivative contracts on December 31, 1996.

Management of metal price risks

Metal prices can fluctuate significantly depending on world economic trends, supply and demand for metals and, occasionally, metal speculation. Metal price movements have a major impact on Outokumpu's financial results.

The table presents the estimated impact of metal price movements on Outokumpu's annual operating profit and equity earnings in associated companies. The figures are suggestive only. They are based on the 1996 average prices and exchange rates as well as the projected 1997 production. Neither inventory gains or losses caused by price movements nor the effect of hedging have been taken into account in these figures.

Sustained 10 % change in price	Effect on result (FIM million)
Copper price	80
Nickel price	75
Zinc price	95
Ferrochrome price	65
Conversion price of stainless steel	210
Conversion price of wrought copper products	300

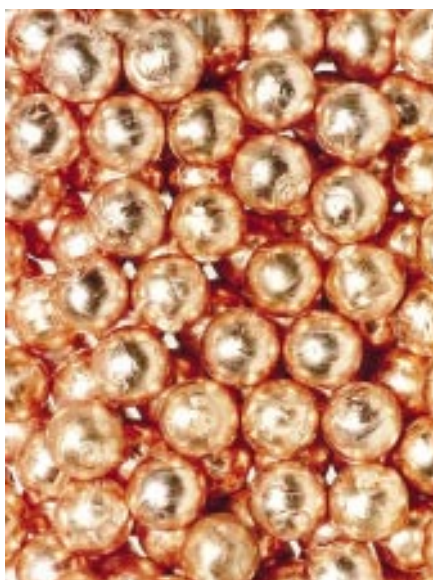
The profitability of mining operations is directly dependent on metal prices. Price levels for mine production are secured with the help of forward sale contracts and/or option contracts (price fixing) on metal exchanges. These are intended to mitigate the impact of price decreases on the profitability of mines. The treatment and refining charges of smelters and refineries are partly dependent on metal prices (price participation); the related risk can also be reduced by forward sale contracts and/or option contracts.

In addition, metal production and fabrication units are affected by risks arising from the time difference between raw material purchase and product sale. These risks are hedged through forward contracts on metal exchanges (offset hedging). The basic inventory permanently tied up in the production of these units is not hedged. Together with the FIFO valuation of inventories, this produces inventory gains or losses in the financial statements when metal prices change.

The gains and losses on derivative contracts hedging against metal price risks are recognized in income as adjustments to sales revenue and raw material costs in the period in which the underlying sales and raw material purchases take place. On December 31, 1996, deferred gains on such derivative contracts totalled FIM 84 million (1995: gains of FIM 9 million).

The Group's Executive Board has given authority to make a limited number of strategic derivative contracts. The gains and losses arising from the valuation of these contracts are always entered into income. A gain of FIM 8 million was recognized from these transactions in 1996 (1995: -). No strategic derivative contracts were open on December 31, 1996 (1995: -).

The counterparty risks related to derivative contracts are minimized by making transactions only through brokers with a high credit rating.



Copper anodes for electroplating.

Outokumpu's business with metal exchanges is centralized in Base Metals' Exchange Trading department and Copper Products' raw materials company in London.

Annual average metal market prices

		1992	1993	1994	1995	1996
Copper	USD/lb	1.03	0.87	1.05	1.33	1.04
	FIM/kg	10.21	10.95	12.07	12.82	10.51
Nickel	USD/lb	3.17	2.40	2.88	3.73	3.40
	FIM/kg	31.37	30.20	33.09	35.95	34.41
Zinc	USD/lb	0.56	0.44	0.45	0.47	0.46
	FIM/kg	5.56	5.49	5.21	4.50	4.70
Ferrochrome (Cr-content)	USD/lb	0.45	0.41	0.40	0.64	0.51
	FIM/kg	4.43	5.10	4.59	6.14	5.20
Stainless steel	DEM/kg	3.36	3.03	3.24	4.38	2.90
	FIM/kg	9.66	10.48	10.42	13.35	8.85

Copper, nickel and zinc: London Metal Exchange (LME) cash quotations

Ferrochrome: Metal Bulletin – lumpy Cr charge, basis 52 % Cr, free market

Stainless steel: CRU – German transaction price (2 mm cold rolled 304 sheet)

Derivative contracts

The Group's open derivative financial instruments to hedge metal price risks were as follows on December 31, 1996:

	Maturity months	Contract amounts on December 31 (FIM million)	
		1996	1995
Price fixing of mine production			
Copper forward sale contracts			
19 550 t for average price of 1.11 USD/lb (1995: 43 925 t)	2-12	220	480
Nickel forward sale contracts			
No open contracts (1995: 720 t)	–	–	30
Bought copper put option contracts			
20 000 t for average price of 0.95 USD/lb (1995: 64 975 t)	7-12	200	610
Forward metal sales and purchases relating to offset hedging of metal production and fabrication	1-25	1 160	700

The contract amounts presented in the above table illustrate the scope of the Group's hedging activities. Note 14 to the consolidated financial statements presents the balance-sheet and fair values of derivative contracts on December 31, 1996.

Financial statements

Consolidated income statement

FIM million		1996	1995
Net sales	[1]	16 549	16 952
Cost of sales	[2]	(14 399)	(13 515)
Gross margin		2 150	3 437
Selling and marketing expenses		(445)	(431)
Administrative expenses		(754)	(738)
Exploration, research and development expenses		(308)	(301)
Other operating income and expenses	[4]	(89)	(365)
Amortization of goodwill on consolidation		(2)	(13)
Operating profit	[3-5, 9]	552	1 589
Equity earnings in associated companies	[10]	(124)	(41)
Financial income and expenses	[6]		
Net interest and other financial expenses		(163)	(138)
Exchange gains (losses)		(36)	71
		(199)	(67)
Profit before extraordinary items and taxes		229	1 481
Extraordinary income and expenses	[7]	-	(50)
Profit before taxes		229	1 431
Income taxes	[8]		
Current taxes		(55)	(238)
Deferred taxes		13	(154)
		(42)	(392)
Minority interest in earnings		1	(2)
Net income		188	1 037
Income per share			
(excluding extraordinary items)	FIM	1.51	8.72
Net income per share	FIM	1.51	8.33
Average number of shares		124 529 605	124 529 548

Figures in brackets refer to notes to the consolidated financial statements on pages 51-56.

Consolidated balance sheet

FIM million	1996	1995
ASSETS		
Fixed assets and other long-term investments	[9]	
Intangible assets		
Intangible rights	15	11
Goodwill	5	7
Goodwill on consolidation	11	15
Other long-term expenses	135	173
	166	206
Property, plant and equipment		
Land	184	107
Mine properties	294	312
Buildings	1 590	1 354
Machinery and equipment	5 452	4 889
Construction in progress	592	791
Advances paid for fixed assets	215	159
Other fixed assets	111	81
	8 438	7 693
Long-term financial assets		
Investments in associated companies	[10] 343	360
Other long-term equity investments	130	178
Long-term loans receivable	993	1 221
Deferred tax asset	[8] 103	82
Other long-term financial assets	31	45
	1 600	1 886
Total fixed assets and other long-term investments	10 204	9 785
Current assets		
Inventories		
Raw materials	723	892
Fuels and supplies	229	206
Work in process	1 123	923
Finished goods and merchandise	921	863
Advances paid for inventories	7	9
	3 003	2 893
Receivables	[11]	
Accounts receivable	2 159	2 475
Loans receivable	10	53
Prepaid expenses and accrued income	520	423
Deferred tax asset	[8] 29	-
Other receivables	154	167
	2 872	3 118
Cash and marketable securities		
Deposits and debt securities	62	126
Cash and cash equivalents	539	566
	601	692
Total current assets	6 476	6 703
TOTAL ASSETS	16 680	16 488

FIM million		1996	1995
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	[12]		
Restricted equity			
Share capital		1 245	1 245
Reserve fund		2 508	2 471
Other restricted equity		-	6
		3 753	3 722
Non-restricted equity			
Retained earnings		3 158	2 318
Net income for the year		188	1 037
		3 346	3 355
Total shareholders' equity		7 099	7 077
Minority interest		33	35
Long-term liabilities			
Long-term debt	[13]		
Bonds and debentures		388	667
Loans from financial institutions		2 403	2 246
Pension loans		450	504
Other long-term loans		65	85
		3 306	3 502
Other long-term liabilities			
Accounts payable		1	4
Deferred exchange gains		167	-
Deferred tax liability	[8]	972	953
Other long-term liabilities		212	156
		1 352	1 113
Current liabilities			
Current debt			
Loans from financial institutions		602	528
Bills payable		13	6
Other current loans		475	177
Current portion of long-term debt	[13]	826	859
		1 916	1 570
Other current liabilities			
Advances received		233	197
Accounts payable		1 307	1 391
Accrued expenses and prepaid income		1 172	1 375
Deferred exchange gains		46	-
Deferred tax liability	[8]	34	21
Other current liabilities		182	207
		2 974	3 191
Total liabilities		9 548	9 376
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		16 680	16 488

Consolidated statement of cash flows

FIM million	1996	1995
Operating activities		
Income financing		
Net income	188	1 037
Depreciation and amortization	889	826
Write-downs on fixed assets and other long-term investments	144	312
Undistributed earnings in associated companies	124	41
Deferred taxes	(13)	154
Other items ¹⁾	(131)	252
	1 201	2 622
Change in working capital		
(Increase) decrease in inventories	(149)	(417)
(Increase) decrease in receivables	416	46
Increase (decrease) in current non-interest-bearing liabilities	(225)	236
	42	(135)
Other adjustments to cash ²⁾	56	(22)
	1 299	2 465
Cash provided by operating activities		
Investing activities		
Investments in fixed assets and other long-term investments	(1 663)	(2 630)
Proceeds from sales of business operations and fixed assets ³⁾	226	23
(Increase) decrease in other long-term financial assets	208	19
(Increase) decrease in working capital related to fixed assets	(64)	76
	(1 293)	(2 512)
Cash used in investing activities		
Cash flow before financing activities		
	6	(47)
Financing activities		
Borrowings of long-term debt	833	143
Repayments of long-term debt	(1 138)	(703)
Increase (decrease) in current debt	369	324
Dividends paid	(224)	(125)
Other financial items	27	21
	(133)	(340)
Cash used in financing activities		
Decrease in cash and marketable securities		
	(127)	(387)
Adjustments ⁴⁾	36	(17)
Decrease in cash and marketable securities in the consolidated balance sheet		
	(91)	(404)

¹⁾ Includes gains and losses on sales of business operations and fixed assets, provisions, exchange gains and losses, the cumulative effect of accounting changes, and minority interest in earnings.

²⁾ Includes change in non-interest-bearing long-term liabilities.

³⁾ Proceeds from sales of business operations are reported net of cash and marketable securities in the balance sheets of subsidiaries sold.

⁴⁾ Includes the effect of exchange rates on cash and marketable securities in the consolidated balance sheet.

Principles applied in the financial statements

As of January 1, 1994, all Group companies have applied uniform accounting standards based on the Finnish accounting legislation. The consolidation and valuation principles set out in these accounting standards comply with the United States Generally Accepted Accounting Principles (US GAAP) in all material respects. However, pension and postretirement benefits are treated in accordance with the local accounting principles of each individual Group company. Management estimates that future implementation of a uniform accounting standard for pension and postretirement benefits will not have a significant effect on the Group's financial position.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company Outokumpu Oy and those companies in which Outokumpu Oy directly or indirectly holds more than 50 % of the shares' voting rights, or in which it otherwise has control.

The results of subsidiaries acquired or disposed of during the year are included from the date of their acquisition or up to the date of their disposal.

The consolidated financial statements are a compilation of the Parent Company's and subsidiaries' income statements, balance sheets and notes to the financial statements. The statutory accounts of individual Group companies have, for the purposes of inclusion in the consolidated accounts, been restated where necessary to comply with Outokumpu's uniform accounting standards.

Inter-company transactions and balances, inter-company profits, and internal dividends have been eliminated in consolidation.

In applying the purchase method in accounting for acquisitions, the cost of acquiring shares in subsidiaries is allocated to the fair values of the underlying assets and liabilities, and the remaining difference is carried as goodwill on consolidation and amortized over its useful life, generally not exceeding 5 years. Allocations to fixed assets are amortized according to the depreciation plan of the underlying asset.

Translation differences arising from the elimination of foreign shareholdings have been credited or charged to non-restricted equity.

Minority interests in earnings and shareholders' equity are reported separately in the income statement and balance sheet.

Earnings in associated companies in which Outokumpu holds 20-50 % of the shares and voting rights are included in the consolidated accounts on the equity method. The Group's share of earnings in such companies, less amortization of goodwill arising from acquisition, is presented in the consolidated income statement, and dividends received from associated companies are eliminated. In the consolidated balance sheet, investments in associated companies and non-restricted equity have been adjusted with the Group's share of earnings after the time of acquisition, less accumulated amortization of goodwill. Where significant differences exist, the results and shareholders' equities of associated companies are restated to comply with Outokumpu's uniform accounting standards.

Foreign currency items and derivative financial instruments

Foreign currency transactions during the year are recorded in the accounts at the exchange rate in effect at the time of transaction. Receivables and liabilities in foreign currencies are translated

into the accounting currency at the closing rate on the balance sheet date. Advances paid and received appear in the balance sheet at the exchange rate in effect on the date on which they were paid or received.

Unrealized exchange gains and losses on receivables and liabilities are recognized in income within financial income and expenses.

Derivative financial instruments hedging against exchange and interest rate risks are valued at the exchange rate or market rate on the balance sheet date, and changes in value are recognized in income. The interest component inherent is accrued as interest income or expense, and exchange gains and losses are reported within financial income and expenses. Exchange gains and losses on derivative financial instruments hedging off-balance sheet foreign currency cash flows are, however, deferred until the underlying cash flow is recognized in income (hedge accounting). Deferred exchange gains and losses are presented in the balance sheet.

The income statements of foreign subsidiaries are translated at the average exchange rate for the accounting period, and the balance sheets at the closing rate on the balance sheet date. The Bank of Finland's exchange rates used in the consolidation of subsidiaries' financial statements are presented on page 41.

Foreign currency denominated long-term loans as well as forward and swap contracts have been used to hedge the shareholders' equity of foreign subsidiaries and associated companies against exchange rate risks. The exchange gains and losses on such loans and derivative financial instruments have been credited or charged against translation differences arising from the translation of the shareholders' equity of subsidiaries and associated companies.

Fixed assets and other long-term investments

The balance sheet values of fixed assets are based on historical cost. Interest is capitalized on major investment projects.

Assets held under capital leases are accounted for as purchase of the asset and incurrence of an interest-bearing liability. Assets held under operating leases are not recognized on the balance sheet, and the lease payments are charged to income as incurred.

Depreciation and amortization is based on historical cost and the estimated useful life of investments. Depreciation and amortization is calculated on a straight-line or declining-balance basis over the useful lives, which vary between subsidiaries according to the nature of their operations. Estimated useful lives for various fixed assets are:

- intangible rights	5-10 years
- goodwill and goodwill on consolidation	5 years
- other long-term expenses	5-10 years
- buildings	25-40 years
- machinery and equipment	5-20 years
- other fixed assets	4-40 years

Mine properties are amortized using the unit of production method based on depletion of ore reserves.

Long-term financial assets include financial investments which are intended to be held for over one year. Marketable securities are stated at the lower of cost or market.

Inventories

Inventories are valued by using the FIFO method, and at the lower of cost or market. The cost of inventories includes a proportionate share of overhead costs arising from the purchase and production of goods.

Cash and marketable securities

Cash and cash equivalents include cash, funds held on call accounts and in deposits with a maturity under three months, and other funds equivalent to cash.

Marketable securities include equity securities as well as deposits and debt securities which are intended to be held for under one year. Marketable securities are stated at the lower of cost or market.

Net sales

Net sales include revenue from goods sold less discounts and sales-related taxes.

Revenue on goods sold is recognized at the time of exchange except for revenue on significant long-term construction contracts, which is recognized on the percentage-of-completion method.

Metal price hedging

The gains and losses on derivative financial instruments hedging against metal price risks are deferred until the recognition of the underlying transaction, and reported as adjustments to the underlying sales and raw material purchases.

Exploration and mining activities

Exploration and evaluation costs are charged against income when incurred. When the commercial viability of a mineral deposit has been reasonably assured through feasibility studies or otherwise, subsequent exploration and development costs relating to the area of interest are capitalized.

Mine closure and reclamation costs are accrued as part of operating expenses over the life of the mine.

Research and development

Research and development costs are expensed as incurred.

Other operating income and expenses

Other operating income and expenses include income and expenses from business activities outside ordinary production, such as gains and losses on sales of mineral deposits and mining projects, gains and losses on sales of fixed assets and other long-term investments, write-offs, write-downs and write-backs on shares, as well as rental income. Furthermore, incremental income, expenses and provisions for the sale, restructuring or discontinuation of business operations are accounted for as other operating income and expenses.

Extraordinary income and expenses

Extraordinary income and expenses include unusual and significant transactions outside the scope of the Group's actual business activities.

Extraordinary items in the separate financial statements of the Group companies also include group contributions paid or received.

Contingent losses

Provisions are made for any contingent losses the future realization of which is known with reasonable certainty and of which the amount can be reasonably estimated. Provisions are presented as non-interest bearing liabilities in the balance sheet.

Pension plans

Costs for pension and postretirement benefits are treated in accordance with the local accounting principles of each individual Group company.

Pension insurance has been organized for the Group's personnel in Finland. Additional pension benefits for the personnel of some Finnish Group companies have been organized through Outokumpu Oy's pension trusts, which were closed in 1985. When the assets of the pension trusts are assessed at current market values, the value of these assets exceeds the existing pension liability.

Pensions in subsidiaries outside Finland have been arranged according to the local practice. The pension liabilities of foreign subsidiaries are also covered.

Untaxed reserves

The tax legislation in Finland and in some other countries allows companies to transfer, as a premature expense, a part of pretax income into untaxed reserves in the balance sheet.

All allocations to untaxed reserves, including accumulated depreciation difference, in the accounts of individual Group companies are reversed on consolidation, and deferred tax is provided for.

The Finnish Companies Act stipulates that untaxed reserves included in the consolidated non-restricted equity can not be distributed as dividends to the shareholders.

Income taxes

Income taxes presented in the income statement consist of current and deferred taxes. Current taxes include estimated taxes corresponding to the results for the financial year of the Group companies and adjustments of taxes for previous years.

A deferred tax liability or asset has been determined for all temporary differences between the tax bases of assets and liabilities and their financial reporting amounts, using the enacted tax rates effective for future years. Deferred tax liabilities are recognized in the balance sheet in full, and deferred tax assets at their estimated realizable amounts.

Notes to the consolidated financial statements

FIM million **1996** 1995

1. Net sales

Effect of sales of business operations on the consolidated net sales:

	Sold		
Okmetic Oy	Aug. 16, 1996 *)	103	120
Swift Levick Magnets Limited	July 3, 1996	47	89
Oy Galvatek Ab	Oct. 1, 1996	6	53
Other sold business operations, total		0	22
		156	284

*) The subsidiary became an associated company through a directed share issue.

Net sales include FIM 197 million (1995: FIM 206 million) of revenue recognized on the percentage-of-completion method for long-term construction contracts in the Technology business area.

2. Cost of sales

Raw materials and merchandise	(7 385)	(7 504)
Fuels and supplies	(1 377)	(1 230)
Wages and salaries	(1 959)	(1 854)
Other personnel expenses	(504)	(520)
Rents and leases	(50)	(41)
Energy expenses	(878)	(817)
Depreciation and amortization	(817)	(747)
Other cost of sales	(1 606)	(1 403)
Production for own use	84	118
Change in inventories	93	483
	(14 399)	(13 515)

The change in inventories includes an inventory loss of FIM 192 million (1995: loss of FIM 33 million). Inventory gain or loss is calculated by comparing the change in inventories according to the FIFO method (first in – first out) used in the financial statements with the change in inventories according to the LIFO method (last in – first out).

3. Personnel expenses

Supervisory Board's, boards of directors' and managing directors' fees and salaries *)	59	51
Other wages and salaries	2 448	2 326
Pension contributions	250	240
Other personnel expenses **)	412	445
Personnel expenses in the income statement	3 169	3 062
Taxable value of fringe benefits	13	12

*) Includes bonuses of FIM 7.3 million (1995: FIM 5.6 million).

***) Includes FIM 1 million (1995: FIM 32 million) of profit-sharing bonuses based on the Finnish Personnel Funds Act.

FIM million **1996** 1995

4. Other operating income and expenses

Other operating income		
Gains on sales of shares	43	2
Gains on sales of interests in mineral deposits and mining projects	33	–
Write-backs on shares	16	–
Gains on sales of fixed assets	12	8
Gains on sales of business operations *)	4	58
Other income items	49	17
	157	85
Other operating expenses		
Write-downs on fixed assets	(144)	(160)
Restructuring expenses and provisions	(65)	(23)
Losses on disposals of fixed assets	(9)	(23)
Losses on sales of business operations *)	(7)	(8)
Write-downs on shares	–	(89)
Write-offs of capitalized exploration projects	–	(63)
Project losses on disposed business operations	–	(49)
Other expense items	(21)	(35)
	(246)	(450)
Other operating income and expenses, total	(89)	(365)

*) Operating profit from sold business operations included in the consolidated income statement was FIM 11 million (1995: operating loss of FIM 7 million).

5. Provisions for restructuring measures

Provisions on Jan. 1	41	61
Translation differences	2	(1)
Restructuring costs charged against provisions	(11)	(32)
New provisions recorded	35	13
Provisions on Dec. 31	67	41

The new provisions in 1996 mainly refer to the productivity enhancement program at Tara Mines Limited.

FIM million **1996** 1995

6. Financial income and expenses

Dividends received	2	3
Interest income		
On long-term financial assets	77	85
Other interest income	139	164
Other financial income	6	5
Interest expenses	(366)	(380)
Other financial expenses	(21)	(15)
Exchange gains (losses)	(36)	71
	(199)	(67)

Interest capitalized on investment projects during the year was FIM 52 million (1995: FIM 60 million). The accrued interest component of derivative financial instruments consists of FIM 63 million (1995: FIM 88 million) in other interest income, and of FIM 60 million (1995: FIM 43 million) in interest expenses.

Exchange gains (losses) on derivative financial instruments		
Realized	(82)	233
Unrealized	(27)	(70)
	(109)	163
Other exchange gains (losses)		
Realized	12	(229)
Unrealized	61	137
	73	(92)
Total exchange gains (losses)	(36)	71

At the balance sheet date, FIM 213 million of exchange gains on derivative financial instruments were deferred (1995: FIM 219 million). As of January 1, 1996, deferred exchange gains and losses have been presented in the balance sheet.

7. Extraordinary income and expenses

Cumulative effect of accounting changes		
Adoption of uniform accounting principles on income taxes	-	(56)
Change in reporting currency of some subsidiaries	-	6
	-	(50)

8. Income taxes

Current taxes		
Accrued taxes for the year		
Finnish Group companies	(16)	(189)
Group companies outside Finland	(38)	(51)
Tax adjustments for prior years		
Finnish Group companies	0	(4)
Group companies outside Finland	(1)	6
	(55)	(238)
Deferred taxes		
Finnish Group companies	(7)	(201)
Group companies outside Finland	20	47
	13	(154)
Total income taxes	(42)	(392)

FIM million **1996** 1995

The difference between income taxes calculated at the statutory tax rate in Finland (28 %) and income taxes reported in the consolidated income statement is reconciled as follows:

Income taxes		
at Finnish tax rate	(64)	(358)
Effect of different tax rates outside Finland	25	44
Non-deductible expenses and tax-exempt income	(3)	(1)
Losses incurred for which no deferred tax benefit is recognized	(158)	(200)
Effects of consolidation	61	212
Changes in recorded amounts of deferred tax assets from prior years	103	(13)
Change in Finnish tax rate as of Jan. 1, 1996	-	(77)
Other items	(6)	1
Income taxes in the consolidated income statement	(42)	(392)

Deferred taxes in the balance sheet consist of the following tax consequences from temporary differences between the tax bases of assets and liabilities and their amounts in financial reporting:

Deferred tax assets		
Tax losses carried forward	248	203
Provisions for future expenses	94	69
Other items	101	65
	443	337
Deferred tax liabilities		
Depreciation and amortization of fixed assets	(1 000)	(919)
Untaxed reserves	(116)	(99)
Valuation of inventories	(56)	(46)
Other items	(145)	(165)
	(1 317)	(1 229)
Net deferred tax liability	(874)	(892)

Deferred taxes in the balance sheet:

Long-term assets	103	82
Current assets	29	-
Long-term liabilities	(972)	(953)
Current liabilities	(34)	(21)
	(874)	(892)

Both long-term and current deferred taxes are reported as a net balance for Group companies who file a consolidated tax return, or may otherwise be consolidated for tax purposes.

9. Fixed assets and other long-term investments

FIM million	Historical cost on Jan. 1, 1996	Translation difference	Additions	Disposals	Accumulated depreciation	Carrying value on Dec. 31, 1996	FIM million	1996	1995
Intangible assets							Depreciation and amortization by group of assets		
Intangible rights	41	0	9	(4)	(31)	15	Intangible rights		
Goodwill	29	1	-	-	(25)	5	Goodwill	2	3
Goodwill on consolidation	337	4	-	(3)	(327)	11	Goodwill on consolidation	2	13
Other long-term expenses	391	6	16	(10)	(268)	135	Other long-term expenses	61	61
	798	11	25	(17)	(651)	166	Mine properties	70	85
Property, plant and equipment							Buildings	104	77
Land	107	3	90	(16)	-	184	Machinery and equipment	643	580
Mine properties	822	49	37	-	(614)	294	Other fixed assets	5	5
Buildings	2 204	19	416	(74)	(975)	1 590		889	826
Machinery and equipment	8 955	149	1 351	(228)	(4 775)	5 452	Depreciation and amortization by group of expenses		
Construction in progress	791	10	446	(655)	-	592	Cost of sales	817	747
Advances paid for fixed assets	159	0	185	(129)	-	215	Selling and marketing expenses	9	7
Other fixed assets	137	1	32	(0)	(59)	111	Administrative expenses	44	42
	13 175	231	2 557	(1 102)	(6 423)	8 438	Exploration, research and development expenses	17	17
Long-term financial assets							Amortization of goodwill on consolidation	2	13
Investments in associated companies *)	360	2	152	(171)	-	343		889	826
Other long-term equity investments *)	178	2	20	(70)	-	130			
Long-term loans receivable	1 221	47	246	(521)	-	993			
Deferred tax asset	82	11	23	(13)	-	103			
Other long-term financial assets	45	1	17	(32)	-	31			
	1 886	63	458	(807)	-	1 600			
Total fixed assets and other long-term investments	15 859	305	3 040	(1 926)	(7 074)	10 204			

*) Shares and stock held by the Group on December 31, 1996 are listed on page 60.

FIM million	1996	1995	FIM million	1996	1995
10. Associated companies					
Investments in associated companies at cost					
Historical cost on Jan. 1	512	471	Significant associated companies		
Translation difference	1	(2)	Compañía Minera Zaldívar		
Additions	79	50	Net sales (100 %)	752	150
Disposals	(43)	(7)	Operating profit (100 %)	94	42
Historical cost on Dec. 31	549	512	Profit before extraordinary items and taxes (100 %)	(206)	(10)
Equity adjustment to investments in associated companies					
Jan. 1	(152)	(116)	Outokumpu's share of net income (50 %)	(103)	(13)
Change in translation difference	1	(1)	Effects of hedging	13	(4)
Conversion of a subsidiary into an associated company	73	-	Presented in the consolidated income statement	(90)	(17)
Disposals and other changes	(4)	6	Laminados Oviedo-Córdoba S.A.		
Equity earnings in associated companies	(124)	(41)	Net sales (100 %)	348	420
Dec. 31	(206)	(152)	Operating profit (100 %)	(39)	(8)
Carrying value of investments in associated companies					
	343	360	Profit before extraordinary items and taxes (100 %)	(65)	(42)
Receivables from and payables to associated companies					
Long-term loans receivable	780	601	Outokumpu's share of net income (50 %)	(32)	(21)
Current loans receivable	-	9	11. Receivables		
Accounts receivable	0	7	No loans have been given to subsidiaries' or the Parent Company's management (1995: -).		
Other receivables	9	11	Receivables include non-current receivables of FIM 2 million (1995: FIM 9 million).		
Current payables	2	16			

The Group's result includes interest income of FIM 51 million (1995: FIM 39 million) on loans receivable.

FIM million	1996	1995
12. Shareholders' equity		
Restricted equity		
Share capital on Jan. 1 and Dec. 31	1 245.3	1 245.3
Reserve fund		
Jan. 1	2 470.8	2 466.1
Transfers from retained earnings	1.6	5.2
Directed share issue of a subsidiary and its conversion into an associated company	34.3	-
Other changes	1.3	(0.5)
Dec. 31	2 508.0	2 470.8
Other restricted equity		
Jan. 1	5.9	9.5
Transfers to retained earnings	(6.1)	(3.3)
Other changes	0.2	(0.3)
Dec. 31	-	5.9
Total restricted equity on Dec. 31	3 753.3	3 722.0

13. Long-term debt

Repayment schedule of long-term debt on Dec. 31, 1996:

FIM million	1997	1998	1999	2000	2001	2002-	Total
Bonds and debentures	275	38	125	125	100	-	663
Loans from financial institutions	502	444	435	191	444	889	2 905
Pension loans	26	28	26	24	25	347	476
Other long-term loans	23	19	18	9	9	10	88
	826	529	604	349	578	1 246	4 132

Bonds and debentures (FIM million)	Interest rate %	1996	1995
Bonds with warrants			
1994-96	FIM	- ¹⁾	2
Other bonds			
1986-96	ECU	8.00	92
1991-96	FIM	12.85	50
1991-96	FIM	²⁾	70
1991-01	FIM	11.75	100
1993-96	DEM	³⁾	61
1993-97	FIM	10.60	100
1993-97	DEM	³⁾	107
1993-98	FIM	²⁾	125
1993-00	FIM	²⁾	250
		663	957

All bonds are issued by the Parent Company. The interest rates do not take into account the effects of interest rate swap contracts.

¹⁾ Conditions for bonds with warrants are presented on page 70.

²⁾ Floating rate, based on Helibor.

³⁾ Floating rate, based on DEM-Libor.

FIM million	1996	1995
Non-restricted equity		
Jan. 1	3 355.3	2 526.2
Dividends paid	(224.2)	(124.5)
Transfers (to) from restricted equity	4.5	(1.9)
Change in translation difference	41.6	(81.6)
Directed share issue of a subsidiary and its conversion into an associated company	(18.4)	-
Other changes	(0.6)	0.1
Net income for the year	187.9	1 037.0
Dec. 31	3 346.1	3 355.3
Total shareholders' equity on Dec. 31	7 099.4	7 077.3
Distributable funds		
Non-restricted equity	3 346.1	3 355.3
Less untaxed reserves in non-restricted equity	(2 142.6)	(1 949.4)
Less amounts to be transferred according to local regulations to restricted equity of subsidiaries	(0.6)	(6.5)
Distributable funds on Dec. 31	1 202.9	1 399.4
Untaxed reserves on Dec. 31		
Accumulated depreciation difference	2 706.0	2 404.0
Transitional reserve in Finland	262.0	320.5
Other untaxed reserves	30.5	16.1
	2 998.5	2 740.6
Deferred tax liability on untaxed reserves	(855.9)	(791.2)
Untaxed reserves in non-restricted equity on Dec. 31	2 142.6	1 949.4

14. Fair value of financial instruments

FIM million	Carrying value on Dec. 31, 1996	Fair value on Dec. 31, 1996
Investments and receivables		
Other long-term equity investments	130	143
Long-term loans receivable	993	972
Current loans receivable	10	10
Cash and marketable securities	601	601
Debt		
Long-term debt	4 132	4 190
Current debt	1 090	1 090
Derivative financial instruments		
Forward foreign exchange contracts	176	186
Currency swaps	10	31
Currency options	0	0
Interest rate swaps	3	6
Forward rate agreements	–	1
Forward metal contracts	–	81
Metal option contracts	10	18

The fair value of marketable equity investments is based on quoted market prices. For other equity investments, the carrying value approximates fair value. The fair value of long-term loans receivable is estimated using discounted cash flow analyses, based on current market interest rates. The carrying value of current loans receivable approximates fair value due to the relatively short period to maturity. The carrying value of cash and cash equivalents approximates fair value. The fair value of marketable securities is based on quoted market prices.

The fair value of long-term debt is estimated using discounted cash flow analyses, based on current market interest rates. The carrying value of non-market floating rate loans approximates fair value. The carrying value of current debt approximates fair value due to the relatively short period to maturity.

The fair values of currency options, forward rate agreements, forward metal contracts and metal options are based on quoted market prices. The fair values of other derivative financial instruments are estimated using discounted cash flow analyses, based on current market interest rates.

FIM million

15. Commitments and contingent liabilities

	1996	1995
Pledges on Dec. 31		
Mortgages to secure own borrowings	892	1 138
Other pledges		
To secure own borrowings	–	191
To secure borrowings of associated companies	231	217
	1 123	1 546
Guarantees on Dec. 31		
On behalf of associated companies for financing	69	71
On behalf of other parties		
For financing	0	8
For other commitments	42	13
	111	92
Minimum future lease payments on operating leases on Dec. 31		
Next year	53	87
Thereafter	112	461
	165	548

The Group has also issued guarantees for the fulfillment of its own commitments. Management expects that the pledges and guarantees given will not have a material adverse effect on the Group's result and financial position.

The additional pensions of employees of some Finnish subsidiaries have been arranged through Outokumpu Oy's pension trusts, which operate as mutual pension trusts. According to the contributory payment agreement made between the Company and the pension trusts, the Company is responsible for ensuring that the pension liabilities are sufficiently funded at all times. The total pension liabilities of Outokumpu Oy's pension trusts on December 31, 1996 were FIM 606 million (1995: FIM 646 million). When the assets of the pension trusts are assessed at current market values, the value of these assets exceeds the existing pension liability.

16. Disputes and litigations

Tara Mines Limited ("Tara Mines"), an indirectly owned Irish subsidiary of Outokumpu Oy, is involved in Irish litigation relating to an adjoining zinc-lead ore deposit.

Tara Mines has an Irish State mining lease over that part of the zinc-lead ore body which is located on the south side of the River Blackwater in Co Meath, Ireland. Bula Limited (in receivership) ("Bula") is the owner of the other part of the same zinc-lead ore body on the north side of the river. In November 1986, Bula (without any participation by the receiver) and certain directors and indirect and direct shareholders of Bula, began proceedings against Tara Mines, Outokumpu Oy, twelve current or former directors of Tara Mines (including three Irish government nominated directors), the Irish Minister for Energy and a former government nominated director of Bula.

The allegations against the Tara Mines/Outokumpu Oy -related defendants can be divided into three broad categories:

- 1) that Tara Mines had trespassed into the Bula orebody beneath the River Blackwater and had stolen ore from the Bula orebody;
- 2) that Tara Mines had acted in breach of its State mining lease with the Irish Minister of Energy in a manner prejudicial to Bula as an alleged constructive non-party beneficiary; and
- 3) that Tara Mines, Outokumpu Oy and the Irish Minister for Energy took part in a civil conspiracy against Bula in order to prevent Bula from independently developing its part of the orebody and in order to seek to force Bula to sell its orebody to Tara Mines at a price below the market value.

Bula's claim was for an amount between IEP 139 million and IEP 327 million (depending on the way in which the Bula orebody might have been developed).

The hearing of the case commenced before the Irish High Court in December 1993. In October 1994, two of the four personal plaintiffs withdrew their claim which was then dismissed by the court. The trial in the High Court ended on November 29, 1996, and the judgment was delivered on February 6, 1997 in which the court dismissed all claims against all plaintiffs. The judgment can be appealed to the Irish Supreme Court.

Princeton Gamma-Tech, Inc. ("PGT"), a U.S. subsidiary acquired in 1985, has been designated, together with certain other parties, a potentially responsible party for groundwater contamination at and around its production facilities in Princeton, New Jersey, by the United States Environmental Protection Agency ("USEPA"). USEPA has subsequently sued PGT to compensate for the costs of investigation and clean-up of the site. The alleged contamination relates to a time prior to the acquisition of PGT by Outokumpu. PGT is discussing with USEPA the suitable clean-up method. Outokumpu has received partial compensation for the costs incurred from prior owners, and PGT has made claims to others who, it is believed, have contributed to the contamination.

PGT has also made claims to and has initiated litigation against its insurance carriers under insurance policies in effect during the

relevant period to recover the above costs. Some of the carriers settled the claims against them before commencement of the trial in October 1996.

It is not anticipated that the costs of the clean-up or any other contingent matters will have a material adverse impact on the Group's financial position.

In addition to the litigations described above, some Group companies are involved in disputes incidental to their business. Management believes that the outcome of such disputes will not have a material effect on the Group's financial position.

Subsidiaries by business area on December 31, 1996

	Country	Nature of activity	Group holding %	Book value FIM million	Net sales FIM million	Personnel Dec. 31	Group's share of result FIM million	shareholders' equity FIM million
Base Metals								
Outokumpu Base Metals Oy	1)	Finland	■	1 265	99	57	(700)	2 081
•Nikkel og Olivin A/S		Norway	▲	0	80	59	(5)	(3)
•Norsulfid A/S		Norway	▲	6	67	90	1	26
•Outokumpu Mining Oy	1)	Finland	▲	360	387	487	(27)	378
•Outokumpu Mining Australia Pty. Ltd.		Australia	▲	487	161	134	(250)	271
•Tara Mines Limited		Ireland	▲	187	440	666	(103)	195
•Viscaria AB		Sweden	▲	10	103	97	(7)	76
•Outokumpu Harjavalta Metals Oy		Finland	▲	416	3 093	1 009	(118)	968
•Outokumpu Zinc Oy		Finland	▲	375	423	739	44	455
•A/O Kivijärvi	2)	Russia	◆	4	0	5		
•AOZT Kola-Mining		Russia	◆	83	1	2		
•Outokumpu Copper Resources B.V.		Netherlands	●	100	86	4	3	
••Minera Outokumpu Chile S.A.		Chile	◆	100	7	0	36	
••Minera Relincho S.A.		Chile	◆	100	72	0	–	
••Minera Santa Catalina S.A.		Chile	◆	100	133	0	–	
••Outokumpu Exploraciones S.A.		Chile	◆	100	15	0	–	
•Outokumpu Minera Española S.A.		Spain	◆	100	4	3	8	
•Outokumpu Mines Ltd.		Canada	◆	100	135	0	13	
•Outokumpu Transport Oy		Finland	▶	100	15	21	7	
•Outokumpu Zinc Australia Pty. Ltd.		Australia	◆	100	44	0	–	
•Outokumpu Zinc Commercial B.V.		Netherlands	●	100	0	1 386	15	
•Tara Prospecting Limited		Ireland	◆	100	1	0	–	
Stainless Steel								
Outokumpu Steel Oy		Finland	■	1 550	23	7	616	2 888
•Outokumpu Chrome Oy		Finland	▲	257	580	308	69	418
•Outokumpu Polarit Oy		Finland	▲	1 210	3 940	1 536	491	2 359
••Kandelinin Seuraajat Oy		Finland	▶	100	1	11	16	
••Outokumpu Steel Processing B.V.		Netherlands	▲	100	0	81	87	
•Oy JA-RO Ab		Finland	▲	100	69	410	317	(13)
••Finero B.V.		Netherlands	▲	100	6	59	40	
•Outokumpu Holding GmbH		Germany	■	100	19	0	–	(20)
••Outokumpu Grundstücks GmbH & Co KG		Germany	▶	100	13	0	–	
••RTC Rostfrei-Technik-Center GmbH		Germany	▲	100	4	151	44	
Copper Products								
Outokumpu Copper Products Oy	1)	Finland	■	400	55	26	74	1 217
•Outokumpu Poricopper Oy		Finland	▲	150	2 051	1 460	8	340
•Outokumpu Copper AB		Sweden	■	100	54	5	17	78
••Outokumpu Copper Brass Rod AB		Sweden	▲	100	12	187	136	
••Outokumpu Copper Partner AB		Sweden	▶	100	9	82	86	
••Outokumpu Copper Radiator Strip AB		Sweden	▲	100	231	855	366	
••Outokumpu Copper Tubes AB		Sweden	▲	100	64	344	249	
•Outokumpu Copper B.V.		Netherlands	■	100	87	5	1	38
••Neumayer GmbH		Austria	▲	50	15	70	120	
••Outokumpu Copper Strip B.V.		Netherlands	▲	100	96	656	382	
••Outokumpu Rawmet (Switzerland) Ltd.		Switzerland	●	100	14	1 151	2	
••Outokumpu Superconductors B.V.		Netherlands	■	100	8	0	–	

	Country	Nature of activity	Group holding %	Book value FIM million	Net sales FIM million	Personnel Dec. 31	Group's share of result shareholders' equity FIM million	
•Outokumpu Copper Limited	UK	■	100	32	7	16	9	35
••Outokumpu Rawmet (UK) Limited	UK	▸	100	35	1 170	9		
••Outokumpu (U.K.) Limited	UK	●	100	5	15	18		
••Thatcher Alloys Limited	UK	●	100	2	17	7		
•Outokumpu Copper, S.A.	Spain	▸	100	14	9	4	5	14
•Outokumpu Copper Tubes, S.A.	Spain	▲	100	46	527	459	(16)	19
•Outokumpu Copper, Inc.	USA	■	100	484	12	5	50	507
••Outokumpu Drawn Products, Inc. 1)	USA	■	100	56	9	10		
•••Neuhold Inc.	USA	■	100	9	0	–		
••••The Neumayer Company	USA	▲	50	5	9	12		
•••Valleycast Inc.	USA	▲	100	46	233	126		
••Outokumpu American Brass, Inc.	USA	▲	100	302	1 429	873		
••Outokumpu Copper (U.S.A.), Inc.	USA	●	100	41	0	12		
••Outokumpu Copper Franklin, Inc.	USA	▲	100	23	648	302		
••Outokumpu Copper Kenosha, Inc.	USA	▲	100	208	327	242		
••The Nippert Company	USA	▲	100	20	247	292		
•••Nippert-Dawson Ltd.	UK	▲	51	1	18	23		
•Holton Machinery Limited	UK	▲	100	13	19	19	0	(7)
•Outokumpu Centro Servizi S.p.A. 3)	Italy	▸	100	1	0	–	(0)	1
•Outokumpu Copper Tube (Zhongshan) Ltd.	China P.R.	▲	85	111	0	151	(11)	96
•Outokumpu Plating Oy	Finland	▲	100	2	14	31	1	5
•Outokumpu Superconductors Oy	Finland	▲	100	12	16	29	(2)	13
Technology								
Outokumpu Technology Oy 1)	Finland	■	100	158	26	38	118	171
•Outokumpu Mintec Oy	Finland	▲	100	47	213	155	9	57
••A/O Mineral Processing Engineers	Russia	▸	60	0	2	20		
••MPE Service Oy	Finland	▸	96	0	1	1		
••Outokumpu Mexicana, S.A. de C.V.	Mexico	●	100	1	1	6		
••Outokumpu Mintec Australia Pty. Ltd.	Australia	●	100	0	5	2		
••Outokumpu Mintec South Africa (Pty) Ltd.	South Africa	●	100	1	14	8		
••Outokumpu Mintec U.S.A. Inc.	USA	●	100	26	68	18		
••Outokumpu Técnica-Chile Ltda.	Chile	●	100	0	38	19		
••Supaflo Technologies Pty Ltd.	Australia	▲	51	4	124	42		
•Outokumpu Engineering Contractors Oy	Finland	▲	100	25	157	90	38	43
••International Project Services Ltd. Oy	Finland	▸	100	0	0	–		
••Kumpu Engineering, Inc.	USA	▸	100	0	7	–		
••OEC Inversiones Limitada	Chile	■	100	13	0	–		
•••Indepro S.A.	Chile	■	100	0	0	–		
••••Indepro Ingeniería Limitada	Chile	▸	100	34	83	695		
•••Outokumpu Ingeniería Limitada	Chile	●	100	0	0	–		
••Outokumpu Processos, Engenharia é Comercio Ltda	Brazil	●	100	0	0	–		
•Outokumpu Wenmec Oy 1)	Finland	▲	100	14	112	63	16	14
••Wenmec Systems AB	Sweden	▲	100	15	43	35		
••Wenmec Systems, Inc.	USA	●	100	0	8	5		
•Outokumpu Castform Oy	Finland	▲	100	23	145	50	61	31
••AISCO Systems Inc.	Canada	▲	100	4	145	132		
••Outokumpu WTT AB 1)	Sweden	▲	100	7	29	10		
•Outokumpu Engineering Services Oy	Finland	▸	100	2	58	126	3	4
•Outokumpu Turula Oy 1)	Finland	▲	100	18	64	136	1	22

	Country	Nature of activity	Group holding %	Book value FIM million	Net sales FIM million	Personnel Dec. 31	Group's share of result shareholders' equity	
							FIM million	FIM million
Other operations								
Outokumpu Benelux B.V.	Netherlands	●	100	1	3	5		
Outokumpu Copper España, S.A.	Spain	●	100	1	4	6		
Outokumpu Copper (Portugal) Ltda.	Portugal	●	100	0	1	2		
Outokumpu Danmark A/S	Denmark	●	100	1	11	10		
Outokumpu Deutschland GmbH	Germany	●	100	15	64	35		
Outokumpu France S.A.	France	●	100	1	14	18		
Outokumpu Istanbul Dis Ticaret Limited Sirketi	Turkey	●	98	0	0	2		
Outokumpu Italia S.r.l.	Italy	●	100	2	71	16		
Outokumpu Japan K.K.	Japan	●	100	0	86	10		
Outokumpu Metals (U.S.A.), Inc.	USA	●	100	1	8	11		
Outokumpu Norge A/S	Norway	●	100	1	5	8		
Outokumpu Poland Sp. z o.o.	Poland	●	100	1	2	6		
Outokumpu (S.E.A.) Pte Ltd	Singapore	●	100	4	53	20		
Outokumpu Stål & Metall AB	Sweden	●	100	7	97	18		
Outokumpu Rossija Oy	1) Finland	▶	100	8	567	7	(2)	7
•ZAO Outokumpu Moskva	1) Russia	▶	100	0	1	11		
•ZAO Outokumpu Skt Peterburg	1) Russia	▶	100	1	1	11		
•Finenco Limited	UK	▶	100	0	0	–		
Outokumpu Research Oy	Finland	◆	100	10	67	198		
Outokumpu Invest (U.K.) Ltd.	UK	■	100	75	0	–		
Princeton Gamma-Tech, Inc.	USA	▲	100	11	48	91	(25)	(81)
•Princeton Gamma-Tech U.K. Ltd.	UK	●	99	0	6	7		
SKT-Granit Oy	Finland	▲	100	11	15	40	0	12
Kopparlunden AB	Sweden	▶	100	33	13	–		
Orijärvi Oy	Finland	▶	100	0	0	–		
Outokumpu Finance B.V.	Netherlands	▶	100	1	0	–		
Outokumpu Financial Services AB	Sweden	▶	100	3	0	5		
Outokumpu Metals Treasury	Ireland	▶	100	35	0	–		
Outokumpu Työterveyspalvelut Oy	Finland	▶	100	1	3	9		
Pancarelian Ltd.	Bermuda	▶	100	5	11	–		
Outokumpu Granefors Oy	1) Finland	■	100	146	0	–		
•Ecoboilers Oy	1) Finland	▶	100	6	0	–		
•Granefors Bruk AB	1) Sweden	■	100	179	14	–		
•Outokumpu Engineering Enterprises, Inc.	USA	■	100	0	0	–		
Outokumpu Semitronic AB	Sweden	▲	100	1	0	1		

Nature of activity

- ▲ Production
- Marketing
- ◆ Exploration or research
- ▶ Service
- Management or holding

Explanation of references

- 1) Name change
- 2) Change in share of ownership
- 3) Founded

Changes in Group structure in 1996:

Companies merged

- TECHNOLOGY Outokumpu Mintec Canada Ltd.
- OTHER OPERATIONS Outokumpu Invest Oy
Outokumpu Magnets Oy

Companies disposed

- TECHNOLOGY Oy Galvatek Ab
- OTHER OPERATIONS Okmetic Oy (conversion into an associated company)
Sura Magnets AB
Swift Levick Magnets Limited

Companies dissolved

- COPPER PRODUCTS Outokumpu Copper Benelux S.A./N.V.

This list does not include dormant companies or all holding companies. The indentation follows the business organization. However, the organization of Copper Products is presented by geographical ownership. The Group holding corresponds to the Group's share of voting rights.

The Group's share of the result (profit before extraordinary items and taxes) and shareholders' equity refer to the most significant production companies, or sub-groups when the corresponding figures refer to the sub-group's consolidated result and shareholders' equity. Net sales and personnel always refer to the specific company. All figures conform to the Outokumpu Group's uniform accounting principles.

Associated companies and other shares and stock on December 31, 1996

Company or enterprise	Country	Outokumpu holding %	Number of shares	Nominal value of shares		Book value of shares	Group's share of profit (loss) shareholders' equity	
				1 000 units	FIM 1 000	FIM million	FIM million	
Shares and stock in associated companies								
A/O "JV Energy Ecology Engineering"	Russia	23	294	RUR	294	0	0.0	0.0
AOZT Arctic Nickel	Russia	40	200	RUR	20 000	19	0.0	0.0
Compañía Minera Zaldívar	Chile	50	59 898 901	USD	-	291 765	(89.8)	183.6
Constructora Indepro Cosapi Ltda	Chile	50	-	CLP	-	110	0.1	0.1
CT Shipping AG	Switzerland	30	15	CHF	15	44	0.1	2.5
DIARC-Technology Oy	*) Finland	25	700	FIM	70	314	0.0	0.3
Folldal Industrielektro A/S	Norway	40	100	NOK	100	72	(0.0)	0.3
Laattapörssi Oy	*) Finland	34	23 200	FIM	2 320	1 586	0.0	0.0
Laminados Oviedo-Córdoba S.A.	Spain	50	2 000 000	ESP	2 000 000	34 451	(32.5)	30.6
Metalliyhtymä Oy	*) Finland	34	6 018	FIM	6 018	7 259	(0.4)	7.3
Mining Project Investors Pty. Ltd.	Australia	34	7 500 000	AUD	7 500	27 735	3.1	36.2
MPI Gold (USA) Ltd.	USA	33	15 995	USD	16	7 497	(3.1)	3.0
Okmetic Oy	*) Finland	49	12 027	FIM	12 027	4 304	(2.1)	74.9
Okphil Inc.	The Philippines	30	44 399	PHP	444	220	(0.0)	0.0
Oretec Resources Plc.	Ireland	34	1 999 999	IEP	40	2 875	0.0	1.9
Outokumpu (Thailand) Co., Ltd.	Thailand	49	14 698	THB	1 470	73	0.1	0.4
Placer Outokumpu Exploration Ltd.	UK	50	50	USD	50	200	0.0	1.2
Tepa-Mestarit Oy	Finland	50	500	FIM	50	50	0.5	0.7
Other shares and stock in associated companies						0	(0.2)	0.1
Total shares and stock in associated companies						378 574	(124.2)	343.1

Other shares and stock

Ekokem Oy	*)	0.9	160	FIM	320	320		
Golfsarfvik Oy	*)	0.7	2	FIM	50	176		
Greenstone Resources NL		4.0	750 000	AUD	0	485		
Hambro International Venture Fund' 85	*)	20.0	1	USD	196	847		
Helsinki Stock Exchange Ltd.	*)	0.6	2 000	FIM	20	150		
Incap Oy		3.4	7 892	FIM	789	3 000		
Innopoli Oy	*)	2.1	20 000	FIM	2 000	2 300		
Merita Bank Ltd.	*)	0.2	1 797 153	FIM	17 972	25 695		
Mikkelin Arkistotalo Oy	*)	2.4	1	FIM	100	100		
Neorem Magnets Oy	*)	19.9	199	FIM	995	995		
Oy Liikkeenjohdon Koulutuskeskus Ab	*)	1.3	2	FIM	100	100		
Oy Nordgolf Ab	*)	0.3	6	FIM	150	117		
Oy Palace Hotel Ab	*)	0.8	101	FIM	10	147		
Sipa Resources International NL		12.8	18 421 230	AUD	4 605	18 065		
Central Share Register of Finland Co-operative	*)	2.4	15	FIM	1 050	1 050		
Talon Resources NL		4.6	1 146 990	AUD	287	1 060		
Tornion Golf Oy		1.9	6	FIM	6	150		
Sampo Insurance Company Limited	*)	1.2	175 783	FIM	3 516	50 524		
Housing and real estate company shares						15 558		
Housing and real estate company shares	*)					6 575		
Other shares and stock						1 608		
Other shares and stock	*)					597		
Total other shares and stock						129 619		

*) Shares and stock held by the Parent Company.

Key financial indicators and share-related data

Key financial indicators

		1992	1993 ¹⁾	1994	1995	1996
Scope of activity						
Net sales	FIM million	15 125	16 566	16 683	16 952	16 549
– change in net sales	%	19.9	4.6	0.7	1.6	(2.4)
– exports from and sales outside Finland, of total net sales	%	92.3	92.2	91.4	89.4	91.3
Capital employed on Dec. 31	FIM million	13 869	12 319	11 719	12 184	12 354
Investments	FIM million	1 703	1 110	1 488	2 630	1 663
– in relation to net sales	%	11.3	6.7	8.9	15.5	10.0
Depreciation and amortization	FIM million	996	968	872	826	889
Exploration costs	FIM million	138	203	193	165	182
Research and development costs ²⁾	FIM million	252	154	193	156	155
– in relation to net sales	%	1.7	0.9	1.2	0.9	0.9
Personnel on Dec. 31		17 524	16 073	14 959	13 458	13 622
– average for the year		18 048	17 167	15 920	14 253	13 808
Profitability						
Operating profit ³⁾	FIM million	604	926	1 073	1 589	552
– in relation to net sales	%	4.0	5.6	6.4	9.4	3.3
– inventory gains (losses) included in operating profit	FIM million	77	(77)	320	(33)	(192)
Equity earnings in associated companies ³⁾	FIM million	0	(74)	(22)	(41)	(124)
Profit before extraordinary items and taxes	FIM million	(360)	228	1 028	1 481	229
– in relation to net sales	%	(2.4)	1.4	6.2	8.7	1.4
Profit before taxes	FIM million	(191)	509	1 022	1 431	229
– in relation to net sales	%	(1.3)	3.1	6.1	8.4	1.4
Net income	FIM million	(249)	505	831	1 037	188
– in relation to net sales	%	(1.6)	3.0	5.0	6.1	1.1
Return on shareholders' equity	%	(14.5)	6.0	15.8	16.3	2.6
Return on capital employed	%	6.9	9.3	10.7	15.1	5.3
Financing and financial position						
Liabilities	FIM million	15 348	12 050	9 195	9 376	9 548
Net interest-bearing debt	FIM million	8 187	5 815	4 352	4 380	4 621
– in relation to net sales	%	54.1	35.1	26.1	25.8	27.9
Net financial expenses	FIM million	1 058	624	23	67	199
– in relation to net sales	%	7.0	3.8	0.1	0.4	1.2
Net interest expenses	FIM million	698	593	281	131	150
– in relation to net sales	%	4.6	3.6	1.7	0.8	0.9
Interest cover		0.5	1.4	4.7	12.3	2.5
Share capital	FIM million	799	1 098	1 245	1 245	1 245
Other shareholders' equity and minority interest ⁴⁾	FIM million	2 058	3 243	5 026	5 867	5 887
Equity-to-assets ratio	%	16.2	26.9	41.1	43.7	43.4
Debt-to-equity ratio	%	286.6	134.0	69.4	61.6	64.8
Cash provided by operating activities ⁵⁾	FIM million	625	1 002	1 246	2 465	1 299
Equity issues	FIM million	87 ⁶⁾	1 344	1 180	0	0
Dividends	FIM million	–	–	124.5	224.2	124.5 ⁷⁾

¹⁾ The figures for 1993 have been restated to comply with the accounting principles adopted at the beginning of 1994. The figures for 1992 are based on published statutory annual accounts and have not been restated.

²⁾ The figures for 1992-95 include also development costs capitalized on investments. The figure for 1992 includes also costs closely linked to production, which according to the current accounting principles are presented in "Cost of sales".

³⁾ As of 1996, equity earnings in associated companies are reported after "Operating profit". Previously they were reported within "Operating profit". The comparative figures for 1992-95 have been restated to reflect this reclassification.

⁴⁾ "Shareholders' equity" in 1992 includes untaxed reserves without any provision for deferred tax liability.

⁵⁾ The figure for 1992 includes also the effects of sales of business operations and fixed assets, which according to the current accounting principles are presented as part of "Investing activities".

⁶⁾ Conversion of B-shares into A-shares.

⁷⁾ Executive Board's proposal to the Annual General Meeting.

Share-related data ¹⁾

		1992	1993 ²⁾	1994	1995	1996
Income per share (excluding extraordinary items)	FIM	(4.87)	2.45	7.17	8.72	1.51
Net income per share	FIM	(2.90)	5.55	7.12	8.33	1.51
Cash flow per share	FIM	7.27	11.01	10.68	19.79	10.43
Shareholders' equity per share	FIM	32.68	39.35	50.16	56.83	57.01
Dividend per share						
A-shares	FIM	–	–	1.00	1.80	1.00 ³⁾
Dividend/earnings ratio	%	–	–	14.9	20.6	66.2
Dividend yield						
A-shares	%	–	–	1.1	2.6	1.3
Price/earnings ratio						
A-shares		–	27.9	12.3	7.9	52.0
Development of share price						
A-shares						
Average trading price	FIM	38.98	57.43	88.80	74.47	78.77
Lowest trading price	FIM	28.35	39.50	69.00	59.50	62.50
Highest trading price	FIM	43.69	70.00	108.00	92.70	90.00
Trading price at end of period	FIM	40.90	68.40	88.00	69.00	78.50
Market capitalization at end of period						
A-shares	FIM million	3 514	7 512	10 959	8 593	9 776
Trading volume ⁴⁾						
A-shares	1 000 shares	2 729	17 121	32 832	24 433	22 502
In relation to weighted average number of shares	%	4.3	19.5	28.1	19.6	18.1
Average number of shares ⁵⁾						
A-shares		67 941 331	91 052 242	116 710 246	124 529 548	124 529 605 ⁶⁾
B-shares		17 974 374				
Number of shares at end of period						
A-shares		85 915 705	109 829 055	124 529 543	124 529 554	124 529 660
Warrants ⁷⁾						
Price development						
Average trading price	FIM			4.41	1.52	0.24
Lowest trading price	FIM			2.50	0.17	0.09
Highest trading price	FIM			5.50	4.30	0.70
Trading price at end of period	FIM			4.10	0.17	–
Trading volume	1 000 warrants			9 055	8 443	16 869
Number of warrants at end of period				20 717 472	20 717 406	–

¹⁾ The share-related data for 1992-93 have been adjusted to reflect the rights issue in 1993.

²⁾ The figures for 1993 have been restated to comply with the accounting principles adopted at the beginning of 1994. The figures for 1992 are based on published statutory annual accounts and have not been restated.

³⁾ Executive Board's proposal to the Annual General Meeting.

⁴⁾ Trading volume on the Helsinki Stock Exchange.

⁵⁾ Conversion of B-shares into A-shares in 1992.

⁶⁾ The average number of shares for 1996, diluted with the warrants held by the Group's top management, was 124 869 605. The warrants had no dilutive effect on the Income per share amounts for 1996.

⁷⁾ Warrants issued in connection with the share offering in 1994. Six warrants entitled the holder to subscribe for one new A-share for FIM 92 until June 28, 1996.

Definitions of key financial indicators and share-related data are presented on page 63.

Definitions of key financial indicators

Capital employed	=	Total assets – non-interest-bearing liabilities	
Research and development costs	=	Research and development expenses in the income statement (including expenses covered by grants received)	
Return on shareholders' equity	=	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest (average for period)}} \times 100$	
Return on capital employed	=	$\frac{\text{Profit before extraordinary items and taxes} + \text{interest expenses} + \text{other financial expenses} \pm \text{exchange losses/gains}}{\text{Capital employed (average for period)}} \times 100$	
Net interest-bearing debt	=	Total debt – cash and marketable securities	
Interest cover	=	$\frac{\text{Profit before extraordinary items and taxes} + \text{net interest expenses}}{\text{Net interest expenses}}$	
Equity-to-assets ratio	=	$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Total assets} - \text{advances received}} \times 100$	
Debt-to-equity ratio	=	$\frac{\text{Net interest-bearing debt}}{\text{Shareholders' equity} + \text{minority interest}} \times 100$	
Income per share (excluding extraordinary items)	=	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} - \text{minority interest in earnings}}{\text{Adjusted average number of shares during the period}}$	
Net income per share	=	$\frac{\text{Net income}}{\text{Adjusted average number of shares during the period}}$	
Cash flow per share	=	$\frac{\text{Cash provided by operating activities}}{\text{Adjusted average number of shares during the period}}$	
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at end of period}}$	
Dividend per share	=	$\frac{\text{Dividend for the financial period}}{\text{Adjusted number of shares at end of period}}$	
Dividend/earnings ratio	=	$\frac{\text{Dividend for the financial period}}{\text{Profit before extraordinary items and taxes} - \text{income taxes} - \text{minority interest in earnings}} \times 100$	
Dividend yield	=	$\frac{\text{Dividend per share}}{\text{Adjusted trading price at end of period}} \times 100$	
Price/earnings ratio	=	$\frac{\text{Adjusted trading price at end of period}}{\text{Income per share (excluding extraordinary items)}}$	
Average trading price	=	$\frac{\text{FIM amount traded during the period}}{\text{Adjusted number of shares traded during the period}}$	
Market capitalization	=	Number of shares at end of period × trading price at end of period	
Trading volume	=	Number of shares traded during the period, and in relation to the weighted average number of shares during the period	

Parent Company financial statements

Income statement

FIM million	1996	1995
Net sales	537	550
Cost of sales	(545)	(512)
Gross margin	(8)	38
Administrative expenses	(129)	(118)
Other operating income and expenses	[3] 44	(27)
Operating loss	[1, 2] (93)	(107)
Financial income and expenses	[4] 246	234
Profit before extraordinary items and taxes	153	127
Extraordinary income and expenses	[5] (255)	86
(Loss) profit before appropriations and taxes	(102)	213
(Increase) decrease in depreciation difference	(3)	(1)
Accrued taxes for the year	(2)	(181)
(Loss) profit for the year	(107)	31

According to Finnish regulations, the separate financial statements of the parent company also have to be presented. The items included in the Parent Company financial statements may not directly reflect their nature or significance from the Group's point of view. Net sales of the Parent Company are mainly internal within the Group.

Figures in brackets refer to notes to the Parent Company financial statements on pages 66-67.

Balance sheet

FIM million	1996	1995
ASSETS		
Fixed assets and other long-term investments	[10]	
Intangible assets		
Other long-term expenses	2	4
Property and equipment		
Land	95	5
Buildings	180	16
Machinery and equipment	22	14
Other fixed assets	12	2
	309	37
Long-term financial assets		
Investments in subsidiaries	3 505	2 771
Other long-term equity investments	102	84
Long-term loans receivable	[7, 8] 4 825	5 927
Other long-term financial assets	-	22
	8 432	8 804
Total fixed assets and other long-term investments	8 743	8 845
Current assets		
Receivables	[7, 8]	
Accounts receivable	29	56
Loans receivable	1 238	590
Prepaid expenses and accrued income	355	228
Other receivables	279	1 852
	1 901	2 726
Cash and marketable securities		
Deposits and debt securities	50	106
Cash and cash equivalents	247	254
	297	360
Total current assets	2 198	3 086
TOTAL ASSETS	10 941	11 931

FIM million	1996	1995
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	[6]	
Restricted equity		
Share capital	1 245	1 245
Reserve fund	2 435	2 435
	3 680	3 680
Non-restricted equity		
Retained earnings	687	880
(Loss) profit for the year	(107)	31
	580	911
Total shareholders' equity	4 260	4 591
Untaxed reserves		
Accumulated depreciation difference	9	1
Transitional reserve	8	8
	17	9
Long-term liabilities		
Long-term debt	[7]	
Bonds and debentures	388	667
Loans from financial institutions	1 838	1 475
Pension loans	74	81
Other long-term loans	-	62
	2 300	2 285
Other long-term liabilities		
Deferred exchange gains	167	-
Current liabilities		
Current debt	[7]	
Loans from financial institutions	516	444
Other current loans	1 655	1 908
Current portion of long-term debt	756	639
	2 927	2 991
Other current liabilities	[7]	
Accounts payable	74	100
Accrued expenses and prepaid income	195	352
Deferred exchange gains	55	-
Other current liabilities	946	1 603
	1 270	2 055
Total liabilities	6 664	7 331
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	10 941	11 931

Statement of cash flows

FIM million	1996	1995
Operating activities		
Income financing		
(Loss) profit for the year	(107)	31
Depreciation and amortization	5	7
Increase (decrease) in depreciation difference	3	1
	(99)	39
Change in working capital		
(Increase) decrease in receivables	1 499	(1 056)
Increase (decrease) in current non-interest-bearing liabilities	(796)	1 514
	703	458
Other adjustments to cash *)	450	416
Cash provided by operating activities	1 054	913
Investing activities		
Investments in fixed assets and other long-term investments	(714)	(509)
Proceeds from sales of fixed assets	27	48
Group contributions	(554)	(383)
(Increase) decrease in long-term financial assets	792	-
Cash used in investing activities	(449)	(844)
Cash flow before financing activities	605	69
Financing activities		
Borrowings of long-term debt	935	375
Repayments of long-term debt	(870)	(742)
Increase (decrease) in current debt	(181)	1 004
Dividends paid	(224)	(125)
Other financial items	(328)	(861)
Cash used in financing activities	(668)	(349)
Decrease in cash and marketable securities in the balance sheet	(63)	(280)

*) Includes write-downs and write-backs on shares, gains and losses on sales of fixed assets, merger gains and losses, exchange gains and losses, and group contributions.

Notes to the Parent Company financial statements

FIM million

	1996	1995
1. Personnel expenses		
Supervisory Board's, Executive Board's and President's fees and salaries *)	5	4
Other salaries	32	27
Pension contributions	6	4
Other personnel expenses	5	4
Personnel expenses in the income statement	48	39
Taxable value of fringe benefits	1	1

*) Includes bonuses of FIM 0.5 million (1995: FIM 0.4 million).

2. Depreciation and amortization

Depreciation and amortization by group of assets		
Other long-term expenses	1	3
Buildings	0	1
Machinery and equipment	4	3
	5	7
Depreciation and amortization by group of expenses		
Cost of sales	1	1
Administrative expenses	4	6
	5	7

3. Other operating income and expenses

Other operating income		
Rental income	22	22
Write-backs on shares	16	-
Gains on sales of fixed assets and shares	6	1
Other income items	3	1
	47	24
Other operating expenses		
Losses on sales of fixed assets and shares	(1)	(43)
Write-downs on shares	-	(8)
Other expense items	(2)	(0)
	(3)	(51)
Other operating income and expenses, total	44	(27)

4. Financial income and expenses

Dividends received	28	22
Interest income on		
Long-term financial assets	366	399
Current assets	203	198
Other financial income	21	44
Interest expenses	(427)	(433)
Other financial expenses	(9)	(9)
Exchange gains (losses)	64	13
	246	234
Financial income from and expenses to subsidiaries		
Dividends received	26	19
Interest income on		
Long-term financial assets	348	365
Current assets	129	93
Other financial income	21	43
Interest expenses	(120)	(144)
Other financial expenses	(0)	(2)

FIM million

1996 1995

5. Extraordinary income and expenses		
Group contributions	(255)	86

6. Shareholders' equity

Restricted equity		
Share capital on Jan. 1 and Dec. 31	1 245.3	1 245.3
Reserve fund on Jan. 1 and Dec. 31	2 434.9	2 434.9
Total restricted equity on Dec. 31	3 680.2	3 680.2
Non-restricted equity		
Jan. 1	910.9	1 004.1
Dividends paid	(224.2)	(124.5)
(Loss) profit for the year	(107.2)	31.3
Dec. 31	579.5	910.9
Total shareholders' equity on Dec. 31	4 259.7	4 591.1

7. Receivables from and payables to subsidiaries

Long-term loans receivable	4 744	5 469
Current loans receivable	1 238	575
Accounts receivable	19	48
Prepaid expenses and accrued income	146	182
Other receivables	278	1 843
Long-term loans	-	48
Current loans	1 314	1 816
Accounts payable	4	5
Accrued expenses and prepaid income	25	53
Other current liabilities	929	1 590

8. Receivables from associated companies

Long-term loans receivable	21	0
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9. Commitments and contingent liabilities

Pledges on Dec. 31		
Mortgages to secure own borrowings	310	112
Other pledges to secure own borrowings	-	161
	310	273
Guarantees on Dec. 31		
On behalf of subsidiaries		
For financing	989	1 191
For other commitments	490	482
On behalf of associated companies for financing	27	27
On behalf of other parties		
For financing	0	8
For other commitments	-	3
	1 506	1 711

Minimum future lease payments on operating leases on Dec. 31		
Next year	4	32
Thereafter	-	348
	4	380

The Parent Company's share of the total pension liabilities of Outokumpu Oy's pension trusts on December 31, 1996 was FIM 521 million (1995: FIM 555 million). When the assets of the pension trusts are assessed at current market values, the value of these assets exceeds the existing pension liability.

10. Fixed assets and other long-term investments

FIM million	Historical cost on Jan. 1, 1996	Additions	Disposals	Accumulated depreciation	Carrying value on Dec. 31, 1996
Intangible assets	22	1	(2)	(19)	2
Property, plant and equipment					
Land	5	90	(0)	-	95
Buildings	23	185	(9)	(19)	180
Machinery and equipment	29	14	(3)	(18)	22
Other fixed assets	3	10	-	(1)	12
	60	299	(12)	(38)	309
Long-term financial assets					
Shareholdings in subsidiaries	2 771	734	-	-	3 505
Other long-term equity investments	84	18	-	-	102
Long-term loans receivable	5 927	-	(1 102)	-	4 825
Other long-term financial assets	22	-	(22)	-	-
	8 804	752	(1 124)	-	8 432
Total fixed assets and other long-term investments	8 886	1 052	(1 138)	(57)	8 743

FIM million	1996	1995	
Taxable values of real estate and shares			Book value has been used where a confirmed taxable value was not available.
Land	43	27	
Buildings	75	19	
Shares in Finnish subsidiaries	2 086	1 254	
Equity investments in other Finnish entities	125	65	

Shareholdings in subsidiaries on December 31, 1996

Company or enterprise	Parent company holding %	Number of shares	Nominal value of shares		Book value of shares FIM 1 000
				1 000 units	
Orijärvi Oy	100	70 500	FIM	71	140
Outokumpu Base Metals Oy	100	49 000 000	FIM	490 000	1 265 000
Outokumpu Benelux B.V.	100	370	NLG	370	730
Outokumpu Commercial A/S	100	11 300	DKK	11 300	3 123
Outokumpu Copper España S.A.	100	1 000	ESP	10 000	600
Outokumpu Copper (Portugal) Ltda.	65	260 000	PTE	260	20
Outokumpu Copper Products Oy	100	55 230 000	FIM	552 300	400 000
Outokumpu Danmark A/S	100	300	DKK	300	641
Outokumpu Finance B.V.	100	41	NLG	41	722
Outokumpu Financial Services AB	10	99	SEK	99	323
Outokumpu France S.A.	100	4 009	FRF	401	840
Outokumpu Granefors Oy	100	10 000 000	FIM	100 000	146 000
Outokumpu Holding GmbH	100	3	DEM	1 000	19 206
Outokumpu Invest (U.K.) Ltd.	100	8 346 564	GBP	8 347	74 618
Outokumpu Istanbul Dis Ticaret Limited Sirketi	98	45	TRL	1 125 000	40
Outokumpu Italia S.r.l.	100	1	ITL	299 000	1 807
Outokumpu Japan K.K.	100	400	JPY	20 000	0
Outokumpu Metals Treasury	4	300 003	USD	300	1 238
Outokumpu Metals Treasury Oy	100	15	FIM	15	15
Outokumpu Norge A/S	100	50	NOK	500	870
Outokumpu Poland Sp. z o.o.	100	3 900	PLZ	390	582
Outokumpu Rossija Oy	100	20 000	FIM	2 000	8 412
Outokumpu (S.E.A.) Pte Ltd	100	800 000	SGD	800	3 568
Outokumpu Semitronic AB	100	4 000	SEK	400	1 000
Outokumpu Steel Oy	100	58 000 000	FIM	580 000	1 550 373
Outokumpu Stål & Metall AB	100	50 000	SEK	5 000	7 086
Outokumpu Työterveyspalvelut Oy	100	6 500	FIM	65	500
Outokumpu Wafers Oy	100	9 860	FIM	99	254
Pancarelian Ltd.	100	120 000	USD	120	4 866
SKT-Granit Oy	100	20 000	FIM	200	11 270
Housing and real estate company shares					941
Total shares in subsidiaries					3 504 785

Outokumpu Oy's shares and shareholders

Shares and share capital

Outokumpu Oy has issued a total of 124 529 660 A-shares. According to the Company's Articles of Association, Outokumpu may also issue C-shares. All shares have a nominal value of FIM 10. A-shares carry ten votes and C-shares one vote per share.

According to the Company's Articles of Association, Outokumpu Oy's minimum share capital is FIM 750 million and maximum share capital FIM 3 000 million. The share capital can be increased or decreased within these limits without amending the Company's Articles of Association. The Company's fully paid share capital registered with the Finnish Trade Register on December 31, 1996 was FIM 1 245 296 600.

The Company's shares have been transferred into the Finnish book-entry securities system.

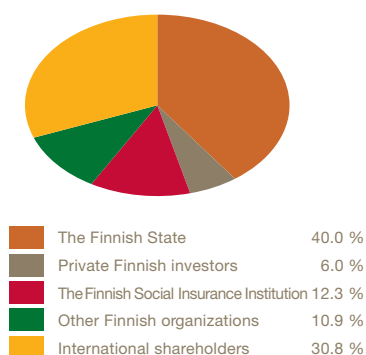
State ownership

The Finnish State holds 40.0 % of the Company's shares and voting rights. According to a resolution by Finnish Parliament in 1993, the Government can reduce the State shareholding in the Company. The State must, however, retain more than one-third of all shares and voting rights. Reductions below these limits can only be made on the authority of a new Parliament resolution.

Purchase obligation

The Company's Articles of Association include a paragraph on an obligation to purchase other shareholders' shares. The paragraph provides that a shareholder whose shareholding or aggregate voting rights reach or exceed 33 1/3 or 50 percent, as the case may be, shall, upon demand, acquire the shares held by other shareholders at a price calculated in the manner specified in the Articles of Association. This obligation does not apply to a shareholder whose ownership interest or voting rights had reached or exceeded the said threshold limits before this amendment was registered with the Finnish Trade Register on May 18, 1994, as long as the shareholder's ownership interest or voting rights remain above the said threshold limit.

**Shareholders by group
December 31, 1996**



Principal shareholders on December 31, 1996

Shareholder	A-shares	%
The Finnish State	49 774 981	40.0
The Finnish Social Insurance Institution	15 295 455	12.3
Pension Insurance Company Ilmarinen Limited	2 240 000	1.8
Pension Varma Insurance Company	1 867 392	1.5
Outokumpu Oy's Workers' Pension Foundation	1 426 652	1.1
The Local Government Pensions Institution	1 322 648	1.1
Outokumpu Oy's Office Personnel Pension Foundation	1 083 404	0.9
Suomi Mutual Life Assurance Company	558 000	0.4
Salama Life Assurance Company Ltd.	504 000	0.4
Sampo Pension Insurance Company Ltd.	284 100	0.2
Nominee accounts held by custodian banks	38 330 339	30.8
Other shareholders	11 842 689	9.5
Total	124 529 660	100.0

Members of Outokumpu Oy's Supervisory Board hold a total of 1 636 shares, corresponding to 0.00 % of the Company's share capital and voting rights. Members of the Executive Board (including the President and his Deputies) hold a total of 12 892 shares, corresponding to 0.01 % of the voting rights. In addition, members of the Executive Board hold FIM 250 000 worth of debt with warrants to subscribe for shares offered to management. The warrants entitle the holders to subscribe for a total of 250 000 new A-shares, corresponding to 0.2 % of the voting rights.

Shareholders by group on December 31, 1996

Shareholder group	A-shares	%
Privately held companies	1 149 219	0.9
Publicly held companies	659	0.0
Financial and insurance institutions	3 116 411	2.5
The public sector and public organizations		
The Finnish State	49 774 981	40.0
The Finnish Social Insurance Institution	15 295 455	12.3
Occupational pension schemes	8 936 186	7.2
Nonprofit organizations	381 767	0.3
Households	7 505 499	6.0
International shareholders	38 339 332	30.8
Shares not transferred into the book-entry securities system	30 151	0.0
Total	124 529 660	100.0

Distribution of shareholdings on December 31, 1996

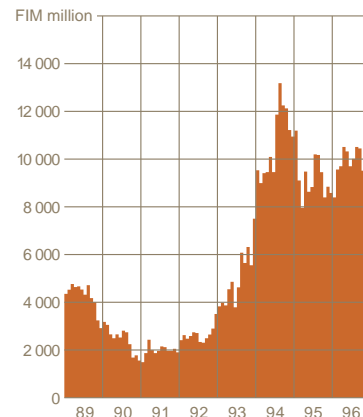
Number of shares	Number of share-holders	% of share-holders	Total shares	% of share capital	Average share-holding
1 – 100	1 760	21.6	93 963	0.1	53
101 – 500	3 049	37.3	748 446	0.6	245
501 – 1 000	999	12.2	778 707	0.6	779
1 001 – 10 000	2 268	27.8	6 247 142	5.0	2 754
10 001 – 100 000	67	0.8	1 691 816	1.4	25 251
100 001 – 1 000 000	14	0.2	3 598 564	2.9	257 040
Over 1 000 000	7	0.1	73 010 532	58.6	10 430 076
	8 164	100.0	86 169 170	69.2	10 555

Nominee accounts held by custodian banks	38 330 339	30.8
Shares not transferred into the book-entry securities system	30 151	0.0
Total	124 529 660	100.0

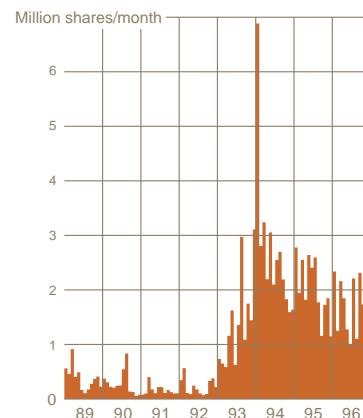
Increase in share capital and share conversion 1992-96

	A-shares	B-shares	Share capital FIM
Share capital Dec. 31, 1991	62 384 661	17 472 885	798 575 460
Conversion of shares Nov. 26-Dec. 15, 1992	17 472 885	(17 472 885)	798 575 460
Rights issue June 7-July 9, 1993	15 971 509	-	958 290 550
Directed issue Dec. 15 and 17, 1993	14 000 000	-	1 098 290 550
Directed issue July 6 and 20, 1994	14 700 000	-	1 245 290 550
Exercise of warrants July 13-Dec. 31, 1994 (2 928 warrants)	488	-	1 245 295 430
Exercise of warrants Jan. 1-Dec. 31, 1995 (66 warrants)	11	-	1 245 295 540
Exercise of warrants Jan. 1-June 28, 1996 (636 warrants)	106	-	1 245 296 600
Share capital Dec. 31, 1996	124 529 660	-	1 245 296 600

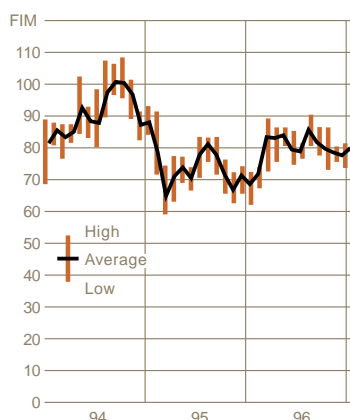
Market capitalization



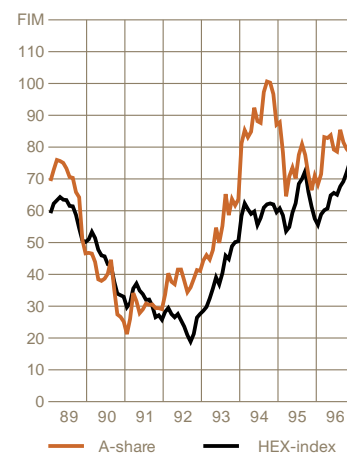
Trading volume of A-shares



A-share price fluctuation

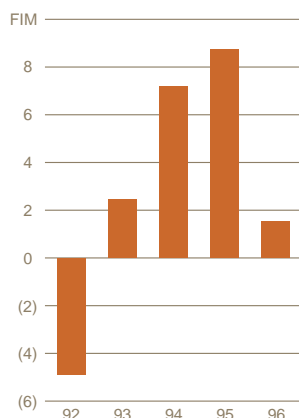


Price of A-shares

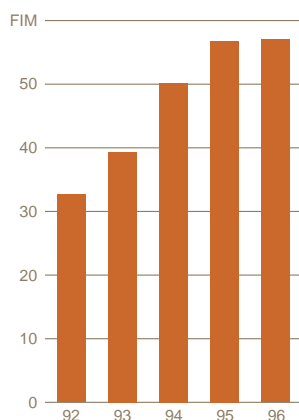


Price development and trading volume on the Helsinki Stock Exchange. Figures include January 1997.

Income per share



Shareholders' equity per share



Executive Board's authority to increase share capital

Outokumpu Oy's Executive Board has no valid authorization to increase the Company's share capital.

Debt with warrants of 1994

In connection with a directed share issue in 1994, the Company also issued a total of 20 720 400 warrant bonds which entitled their holders to subscribe for a total of 3 453 400 new A-shares at a price of FIM 92 (one share against six warrants jointly) by June 28, 1996. The number of A-shares subscribed against warrants by this date was 605.

Each warrant bond had a nominal value of FIM 0.10. The bond element fell due for repayment on July 1, 1996.

Subscribed new shares entitle their holders to the same rights as previously issued shares.

Debt with warrants for members of management

The members of Outokumpu Oy's Executive Board and the presidents of the four business areas subscribed for a directed debt issue with warrants worth FIM 340 000 in 1994. The term of the debt is five years and the annual interest rate is 6 %. The warrants entitle the holders to subscribe for a total of 340 000 new A-shares at a price of FIM 92 per share between December 1, 1998 and January 31, 2001.

Listing of shares

Outokumpu Oy's A-share is listed on the Helsinki Stock Exchange and traded in the London Stock Exchange's SEAQ International quotation system.

Price development and trading volume of shares and warrants

The trading price of Outokumpu's share rose by 14 % during 1996. The Helsinki Stock Exchange HEX general index rose by 46 % during the year.

The share price finished the year at FIM 78.50 (1995: FIM 69.00). The year's highest price was FIM 90.00 and the lowest FIM 62.50. The average trading price during the year was FIM 78.77 (1995: FIM 74.47).

The number of Outokumpu shares traded on the Helsinki Stock Exchange during 1996 was 8 % smaller than in 1995; a total of 22.5 million (1995: 24.4 million) shares were traded at a total trading value of FIM 1 772 million (1995: FIM 1 819 million).

The market capitalization of all shares was FIM 9 776 million at year-end (1995: FIM 8 593 million). Income per share was FIM 1.51 (1995: FIM 8.72) and shareholders' equity per share FIM 57.01 (1995: FIM 56.83).

Trading in Outokumpu's warrant on the Helsinki Stock Exchange ended on June 20, 1996. The price on the last day of trading was FIM 0.09 (December 31, 1995: FIM 0.17). The highest trading price in 1996 was FIM 0.70 and the lowest FIM 0.09. The average trading price was FIM 0.24 (1995: FIM 1.52). The number of warrants traded on the Helsinki Stock Exchange was 16.9 million (1995: 8.4 million), and their total trading value was FIM 4 million (1995: FIM 13 million).

Information about the price development of the share and warrant as well as other share-related data for the past five years are presented on page 62.

Annual General Meeting

The Annual General Meeting of Shareholders of Outokumpu Oy will be held in the Tapiola Hall at the Espoo Cultural Centre, Tapiolan Kulttuurikeskus, Espoo, Finland at 2.00 p.m. on Thursday, April 3, 1997.

In order to take part in the Annual General Meeting, shareholders must be registered in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. (Suomen Arvopaperikeskus Oy) not later than March 24, 1997. Shareholders who have placed their shares in trust must temporarily re-register the shares in their own names to allow them to participate in the Meeting. Such re-registration must be made not later than March 24, 1997.

Shareholders who wish to attend the Annual General Meeting must notify the company of their intention to do so, by telephone (Tel. +358 9 421 2425) or by letter addressed to Outokumpu Oy, Share Register, P.O. Box 280, Länsituulentie 7, FIN-02101 Espoo, Finland by no later than April 1, 1997. The letter must be received by the Company on or before April 1, 1997.

A shareholder may attend and vote at the Meeting in person or by proxy. However, in accordance with Finnish practice the Company does not send forms of proxy to its shareholders. Shareholders wishing to vote by proxy should submit their own forms of proxy to the Company by no later than April 1, 1997.

Dividend

The Executive Board proposes a dividend of FIM 1.00 per share. The dividends will be paid to the shareholders that are registered as shareholders by the Finnish Central Securities Depository Ltd. on April 8, 1997. It is proposed that the dividends are paid on April 11, 1997.



<http://www.outokumpu.com>

The Outokumpu Group Home Page, established on the world wide web during 1996, aims to offer a rapid and efficient means of communication to anyone interested in the activities and developments within the Outokumpu Group of companies, especially those in the financial community.

Since the creation of the home page other services have been added, such as the ability to have press releases sent by E-mail. More recently, the Internet was used to deliver a short presentation to an international audience.

Over the coming months and years Outokumpu hopes to increase the use of the new technologies becoming available in order to offer more open and timely information about the Group to its own personnel, its stakeholders and to its customers.

For further information please E-mail:
corporate.comms@outokumpu.com

Outokumpu Oy's administration

Supervisory Board

Matti Puhakka, b. 1945
Chairman
Director, Finnish Social Insurance Institution

Ben Zyskowitz, b. 1954
Vice Chairman
Member of Parliament

Marja-Liisa Falin, b. 1943
Trainer
Outokumpu Poricopper Oy

Ritva Hainari, b. 1948
Industrial Councillor
Ministry of Trade and Industry

Tauno Härkölä, b. 1949
Mechanic, Outokumpu Harjavalta Metals Oy

Juha Korkeaoja, b. 1950
Member of Parliament

Kari Laitinen, b. 1950
General Secretary
Finnish Social Democratic Party

Raimo Matikainen, b. 1938
Professor
Helsinki University of Technology

Juho Savo, b. 1949
General Manager
Varsinais-Suomen Kokoomus r.y.

Pekka Tuomisto, b. 1940
Director General of the Finnish Social Insurance Institution

The Annual General Meeting elects the members of the Supervisory Board. Its main duty is to supervise the Company's management, for which the Executive Board and the President are responsible. Furthermore, it decides on matters involving any considerable reduction or expansion of the Company's operations or any substantial changes in the Company's organization. The Supervisory Board can also give instructions to the Executive Board in matters of broad concern or principal importance. The Supervisory Board appoints the President, the Deputy Presidents and the members of the Executive Board as well as decides on their mutual responsibilities, pay and benefits.



Executive Board members from the left: Ossi Virolainen, Veikko Lehtinen, Jyrki Juusela, Risto Virrankoski and Juho Mäkinen.

Executive Board

Jyrki Juusela, b. 1943
D.Tech., Mining Counsellor
Chief Executive
Chairman of the Executive Board and President since 1992, Executive Board member since 1988

Ossi Virolainen, b. 1944
B.Sc. (Econ.), LL.M.
Deputy Chief Executive
Vice Chairman of the Executive Board and Deputy President since 1992, Executive Board member since 1983
Financing, economic affairs and energy

Veikko Lehtinen, b. 1936
LL.M.
Deputy President since 1993, Executive Board member since 1977
Legal affairs, administration, human resources and corporate communications

Risto Virrankoski, b. 1946
B.Sc. (Econ.)
Deputy President since 1993, Executive Board member since 1986
Business development

Juho Mäkinen, b. 1945
D.Tech.
Executive Vice President and Executive Board member since 1996
Technology and environmental affairs

Executive staff

Jaakko Ahotupa, Vice President
– Corporate Administration

Jussi Asteljoki, Vice President
– Corporate Research and Development

Petri Fernström, Vice President
– Corporate General Counsel

Seppo Isoherranen, Senior Vice President
– Corporate Commercial Affairs

Matti Koponen, Vice President
– Corporate Environmental Affairs

Esa Lager, Vice President
– Corporate Treasurer

Kari Lassila, Vice President
– Corporate Controller

Katarina Lybeck, Vice President
– Corporate Communications

Markku Toivanen, Senior Vice President
– Corporate Strategic Development

Seppo Turunen, Vice President
– Corporate Human Resources

Business area management



Business area Presidents from the left: Asko Ojanen, Antti Närhi, Seppo Kreula and Kalevi Nikkilä.

Outokumpu Base Metals Oy

Asko Ojanen
President

Eero Laatio
Deputy President
– Mining Projects

Jukka Järvinen
Senior Vice President
– Finance and
Administration

Esko Pääkkönen
Vice President
– Business
Development

Pentti Vanninen
President,
Outokumpu
Mining Oy

Markku Isohanni
Senior Vice President
– Exploration,
Outokumpu
Mining Oy

Asko Parviainen
President,
Outokumpu
Harjavalta Metals Oy

Ville Sipilä
President,
Outokumpu Zinc Oy

Outokumpu Steel Oy

Antti Närhi
President

Vesa Hopia
Vice President
– Finance

Jorma Kempainen
Vice President
– Research and
Development

Pekka Erkkilä
President,
Outokumpu
Chrome Oy

Matti Rantamäula
President,
Outokumpu
Polarit Oy

Christer Asp
President,
Oy JA-RO Ab

Outokumpu Copper Products Oy

Seppo Kreula
President

Ari Ingman
Deputy President

Helena Keskinen
Vice President
– Controller (until
February 28, 1997)

Erkki Ström
Senior Vice President
– Technology

Jyrki Vesaluoma
Vice President
– Controller (from
March 1, 1997)

Pentti Ruusunen
Vice President
– Tube Products

Geoffrey Palmer
Vice President
– Drawn Products

Staffan Anger
Vice President
– Strip Products

Tero Tiitola, Vice
President – Rolled
Products, Europe

Warren Bartel, Vice
President – Rolled
Products, USA

Outokumpu Technology Oy

Kalevi Nikkilä
President

Markku Kytö
Vice President
– Technology

Outi Lampela
Vice President
– Finance and
Administration

Erkki Ryyänen
Vice President
– Business
Development

Jukka Sulanto
Vice President
– Marketing

Ilkka Virtanen
Vice President
– Project &
Trade Finance

Pekka Hynnen
President,
Outokumpu
Mintec Oy

Juhani Vahtola
President,
Outokumpu
Engineering
Contractors Oy

Heikki Kandolin
President,
Outokumpu
Wenmec Oy

Seppo Rantakari
President,
Outokumpu
Castform Oy

Matti Maukola
President,
Outokumpu
Engineering
Services Oy

Matti Tanskanen
President,
Outokumpu
Turula Oy

The board of directors of each business area parent company comprises the members of Outokumpu Oy's Executive Board and one or two members of the business area management.

Addresses in Finland

Corporate Management

OUTOKUMPU OY
Corporate Management
PO Box 280
Länsituulentie 7 A
FIN-02101 ESPOO
Tel. +358 9 4211
Fax +358 9 421 3888

Corporate Services

CIS Business Development Unit
Finance
Information Management
Insurance Services
Legal Services
Occupational Health Services
Patent Services
Power Supply Services
Training Centre

Base Metals

OUTOKUMPU BASE METALS OY
Business Area Management
PO Box 143
Riihitontutie 7 A
FIN-02201 ESPOO
Tel. +358 9 4211
Fax +358 9 452 2273

OUTOKUMPU HARJAVALTA METALS OY
FIN-29200 HARJAVALTA
Tel. +358 2 535 8111
Fax +358 2 535 8239

OUTOKUMPU HARJAVALTA METALS OY
Sales and Purchase
PO Box 89
FIN-02201 ESPOO
Tel. +358 9 4211
Fax +358 9 421 2520

OUTOKUMPU MINING OY
PO Box 143
FIN-02101 ESPOO
Tel. +358 9 4211
Fax +358 9 421 4279

OUTOKUMPU MINING OY
Exploration
Tehtaankatu 2
FIN-83500 OUTOKUMPU
Tel. +358 13 5561
Fax +358 13 556 310

OUTOKUMPU MINING OY
Exploration, Lapin Malmi
PO Box 8033
FIN-96101 ROVANIEMI
Tel. +358 16 342 3831
Fax +358 16 342 3839

OUTOKUMPU MINING OY
Hitura Mine
Kummuntie 8
FIN-85560 AINASTALO
Tel. +358 8 44 991
Fax +358 8 449 9230

OUTOKUMPU MINING OY
Orivesi Mine
Management
FIN-38200 VAMMALA
Tel. +358 3 5184 212
Fax +358 3 5184 333

OUTOKUMPU MINING OY
Pyhäsalmi Mine
PO Box 51
FIN-86801 PYHÄSALMI
Tel. +358 8 769 6111
Fax +358 8 780 404

OUTOKUMPU TRANSPORT OY
PO Box 87
FIN-02201 ESPOO
Tel. +358 9 4211
Fax +358 9 421 2228

OUTOKUMPU ZINC OY
PO Box 26
FIN-67101 KOKKOLA
Tel. +358 6 828 6111
Fax +358 6 828 6005

Stainless Steel

OUTOKUMPU STEEL OY
Business Area Management
PO Box 82
FIN-95401 TORNIO
Tel. +358 16 4521
Fax +358 16 453 190

OUTOKUMPU CHROME OY
FIN-95400 TORNIO
Tel. +358 16 4521
Fax +358 16 452 703

OUTOKUMPU CHROME OY
Kemi Mine
PO Box 172
FIN-94101 KEMI
Tel. +358 16 4521
Fax +358 16 453 566

OUTOKUMPU POLARIT OY
FIN-95400 TORNIO
Tel. +358 16 4521
Fax +358 16 452 620

OY JA-RO AB
PO Box 15
FIN-68601 PIETARSAARI
Tel. +358 6 786 5111
Fax +358 6 786 5222

KANDELININ SEURAAJAT OY
Jääkärintie 4
FIN-95400 TORNIO
Tel. +358 16 431 402
Fax +358 16 430 414

Copper Products

OUTOKUMPU COPPER PRODUCTS OY
Business Area Management
PO Box 144
Riihitontuntie 7 A
FIN-02201 ESPOO
Tel. +358 9 4211
Fax +358 9 452 2140

OUTOKUMPU PORICOPPER OY
Machined Copper Products
Blanking Mill
Tube Mill
Rawmet Scandinavia
Wire operations
R&D
Foundries
Rolling mill
Drawing operations
PO Box 60
FIN-28101 PORI
Tel. +358 2 626 6111
Fax +358 2 626 5300

OUTOKUMPU PLATING OY
PO Box 60
FIN-28101 PORI
Tel. +358 2 626 6111
Fax +358 2 626 5321

OUTOKUMPU SUPERCONDUCTORS OY
PO Box 60
FIN-28101 PORI
Tel. +358 2 626 6111
Fax +358 2 626 5316

Technology

OUTOKUMPU TECHNOLOGY OY
Business Area Management
PO Box 86
Riihitontuntie 7 E
FIN-02201 ESPOO
Tel. +358 9 4211
Fax +358 9 421 2858

OUTOKUMPU CASTFORM OY
PO Box 146
FIN-02201 ESPOO
Tel. +358 9 4211
Fax +358 9 421 4200

OUTOKUMPU CASTFORM OY
Continuous Casting
PO Box 60
FIN-28101 PORI
Tel. +358 2 626 6111
Fax +358 2 626 7313

OUTOKUMPU ENGINEERING
CONTRACTORS OY
PO Box 862
FIN-02201 ESPOO
Tel. +358 9 4211
Fax +358 9 421 3973

OUTOKUMPU ENGINEERING
SERVICES OY
PO Box 863
FIN-02201 ESPOO
Tel. +358 9 4211
Fax +358 9 421 2735

OUTOKUMPU MINTEC OY
PO Box 84
FIN-02201 ESPOO
Tel. +358 9 4211
Fax +358 9 421 2614

OUTOKUMPU MINTEC OY
Filters
Mustionkatu 2
FIN-20750 TURKU
Tel. +358 2 468 8800
Fax +358 2 468 8801

OUTOKUMPU TURULA OY
PO Box 22
FIN-83501 OUTOKUMPU
Tel. +358 13 551 441
Fax +358 13 554 261

OUTOKUMPU WENMEC OY
PO Box 103
FIN-02201 ESPOO
Tel. +358 9 4211
Fax +358 9 421 2434

Other operations

OKMETIC OY
PO Box 44
FIN-02631 ESPOO
Tel. +358 9 502 800
Fax +358 9 5028 0300

OUTOKUMPU RESEARCH OY
PO Box 60
FIN-28101 PORI
Tel. +358 2 626 6111
Fax +358 2 626 5310

OUTOKUMPU RESEARCH OY
Geoanalytical Laboratory
PO Box 74
FIN-83501 OUTOKUMPU
Tel. +358 13 5561
Fax +358 13 556 610

OUTOKUMPU ROSSIJA OY
PO Box 280
FIN-02201 ESPOO
Tel. +358 9 4211
Fax +358 9 421 4212

SKT-GRANIT OY
Sinikalliontie 10
FIN-02630 ESPOO
Tel. +358 9 455 4511
Fax +358 9 455 4522

Addresses by country

Australia

OUTOKUMPU MINING
AUSTRALIA PTY. LTD.
1st Floor Burswood Court, 141
Burswood Road
BURSWOOD
WESTERN AUSTRALIA 6100
Tel. +61 9 334 7333
Fax +61 9 472 3168

OUTOKUMPU MINING
AUSTRALIA PTY. LTD.
Forrestania Nickel Mines
Post Office Varley
VARLEY
WESTERN AUSTRALIA 6355
Tel. +61 90 807 555
Fax +61 90 807 577

OUTOKUMPU MINTEC
AUSTRALIA PTY. LTD.
Automation
1/25 Frenchs Forest Road
FRENCHS FOREST
NEW SOUTH WALES 2086
Tel. +61 2 9975 6026
Fax +61 2 9975 6002

SUPAFLO TECHNOLOGIES
PTY., LTD.
Ground Floor, 7 Kintail Road
APPLECROSS
WESTERN AUSTRALIA 6153
Tel. +61 9 316 1966
Fax +61 9 316 1952

SUPAFLO TECHNOLOGIES
PTY., LTD.
1/25, Frenchs Forest Road
FRENCHS FOREST
NEW SOUTH WALES 2086
Tel. +61 2 9975 6060
Fax +61 2 9975 6070

Austria

NEUMAYER GMBH
Guenselsdorferstrasse 2
A-2544 LEOBERSDORF
Tel. +43 2256 626 460
Fax +43 2256 646 69

Canada

AISCO SYSTEMS INC.
PO Box 655
BURLINGTON,
ONTARIO L7R 3Y5
Tel. +1 905 335 0002
Fax +1 905 335 9643

OUTOKUMPU MINES LTD.
PO Box 360
TORONTO,
ONTARIO M5X 1E1
Tel. +1 416 364 3110
Fax +1 416 364 1692

OUTOKUMPU MINTEC
CANADA
6495 Northam Drive
MISSISSAUGA,
ONTARIO L4V 1J2
Tel. +1 905 671 3304
Fax +1 905 671 8413

Chile

COMPAÑÍA MINERA
ZALDÍVAR S.A.
Av. El Bosque N. 130, Piso 6
Las Condes
SANTIAGO
Tel. +56 2 240 8800
Fax +56 2 240 8888

COMPAÑÍA MINERA
ZALDÍVAR S.A.
Antofagasta Office
Balmaceda # 2536, Office 403
Don Guillermo Building,
II Region
ANTOFAGASTA
Tel. +56 55 205 400
Fax +56 55 205 444
Mine Site
Tel. +56 55 205 000
Fax +56 55 205 091

INDEPRO INGENIERÍA
LTDA.
PO Box 13255, Correo 21
SANTIAGO
Tel. +56 2 274 5512
Fax +56 2 274 5989

MINERA OUTOKUMPU
CHILE S.A.
PO Box 52970, Correo Central
SANTIAGO 1
Tel. +56 2 231 0762
Fax +56 2 231 0743

OUTOKUMPU TÉCNICA-
CHILE LTDA.
Seminario 90, Providencia
SANTIAGO
Tel. +56 2 274 4201
Fax +56 2 223 4989

China P.R.

OUTOKUMPU CHINA OY
Beijing Representative Office
Citic Building 18B
Jianguomenwai Dajie 19
100004 BEIJING
Tel. +86 10 6506 5951
Fax +86 10 6500 6512

OUTOKUMPU COPPER TUBE
(ZHONGSHAN) LTD.
HuangPu Town, ZhongShan City
Guangdong Province
CHINA 528429
Tel. +86 760 322 0811/3833
Fax +86 760 322 2909

Denmark

OUTOKUMPU DANMARK A/S
Vallensbækvej 45
DK-2605 BRØNDBY
Tel. +45 43 966 442
Fax +45 43 962 696

OUTOKUMPU DANMARK A/S
Copper Marketing
Vallensbækvej 6
DK-2605 BRØNDBY
Tel. +45 42 458 077
Fax +45 43 430 520

England

HOLTEN MACHINERY
LIMITED
Albany House
Elliott Road, West Howe
BOURNEMOUTH BH11 8JH
Tel. +44 1202 581 881
Fax +44 1202 581 789

NIPPERT-DAWSON LIMITED
Unit 21,
Cranborne Industrial Estate
Cranborne Road, Porters Bar
HERTS EN6 3JN
Tel. +44 1707 660 500
Fax +44 1707 665 866

OUTOKUMPU (U.K.) LTD.
Outokumpu House
10 Hammersmith Broadway
LONDON W6 7AL
Tel. +44 181 748 6555
Fax +44 181 748 6894

OUTOKUMPU COPPER LTD.
Outokumpu House
10 Hammersmith Broadway
LONDON W6 7AL
Tel. +44 181 748 6555
Fax +44 181 748 6883

OUTOKUMPU OY
Economic Research Team
Outokumpu House
10 Hammersmith Broadway
LONDON W6 7AL
Tel. +44 181 748 6555
Fax +44 181 563 8533

OUTOKUMPU RAWMET
(U.K.) LTD.
Outokumpu House
10 Hammersmith Broadway
LONDON W6 7AL
Tel. +44 181 748 6555
Fax +44 181 748 6894

PRINCETON GAMMA-TECH
U.K. LTD.
2, The Metro Centre
Welbeck Way, Woodston
PETERBOROUGH PE2 7UH
Tel. +44 1733 391 811
Fax +44 1733 394 020

THATCHER ALLOYS LTD.
Unit 49,
Wombourne Enterprise Park
Bridgnorth Road, Wombourne
WOLVERHAMPTON WV5 0AL
Tel. +44 1902 324 747
Fax +44 1902 324 501

Finland

see pages 74-75

France

OUTOKUMPU FRANCE S.A.
131 avenue Charles de Gaulle
F-92200 NEUILLY SUR SEINE
Tel. +33 1 4745 6868
Fax +33 1 4745 5361

Germany

OUTOKUMPU
DEUTSCHLAND GMBH
PO Box 104063
D-40031 DÜSSELDORF
Tel. +49 211 991 450
Fax +49 211 991 4517

OUTOKUMPU
DEUTSCHLAND GMBH
PO Box 101765
D-60017 FRANKFURT AM MAIN
Tel. +49 69 288 854
Fax +49 69 292 000

OUTOKUMPU
DEUTSCHLAND GMBH
PO Box 5303
D-79020 FREIBURG
Tel. +49 761 452 030
Fax +49 761 452 0350

RTC ROSTFREI-TECHNIK-
CENTER GMBH
Rudolf-Diesel-Strasse 10
D-59199 BÖNEN
Tel. +49 238 3640
Fax +49 238 33288

Hong Kong

OUTOKUMPU CHINA OY
Hong Kong Branch Office
Unit 3111, Level 31,
Metroplaza Tower 2
223 Hing Fong Road,
Kwai Chung
NEW TERRITORIES
Tel. +852 2420 2833
Fax +852 2489 8535

Ireland

TARA MINES LIMITED
Knockumber House, Knockumber
Road
NAVAN, CO. MEATH
Tel. +353 46 21 927
Fax +353 46 21 118

Italy

OUTOKUMPU CENTRO
SERVIZI S.P.A.
PO Box 72
27036 MORTARA (PV)
Tel. +39 384 90156
Fax +39 384 90952

OUTOKUMPU ITALIA S.R.L.
Via Cesare Cantù N. 19
20092 Cinisello Balsamo
MILAN
Tel. +39 2 612 90031
Fax +39 2 612 90587

Japan

OUTOKUMPU JAPAN K.K.
Izumi Ningyo-cho Building 4th Fl.
33-8, Nihonbashi Ningyo-cho
2-Chome
CHUO-KU
TOKYO 103
Tel. +81 3 3661 6401
Fax +81 3 3661 6421

Malaysia

OUTOKUMPU COPPER
PRODUCTS (MALAYSIA)
SDN. BHD.
Suite 1-5 A, 16th Fl.
Kompleks Tun Abd Razah
Jalan Wong ah Fook
80000 JOHOR BAHRU
Tel. +60 7 222 1009
Fax +60 7 222 7077

Mexico

OUTOKUMPU COPPER
KENOSHA, INC.
Goethe No. 72, Col. Anzures
11590 MEXICO D.F.
Tel. +52 5 203 5968
Fax +52 5 203 1018

OUTOKUMPU MEXICANA,
S.A. DE C.V.
Goethe No. 72, Col. Anzures
11590 MEXICO, D.F.
Tel. +52 5 2035968/2509639
Fax +52 5 203 1018

Morocco

OUTOKUMPU (ESPAÑA) S.A.
Representative Office Casablanca
Inmeuble Grey D'Albion
5, Rue AIN HARROUDA 4-8
CASABLANCA
Tel. +212 2 940 499
Fax +212 2 941 454

The Netherlands

FINERO B.V.
PO Box 52
NL-4550 AB SAS VAN GENT
Tel. +31 115 474 600
Fax +31 115 474 605

OUTOKUMPU BENELUX B.V.
Maaskade 119
NL-3071 NK ROTTERDAM
Tel. +31 10 413 4820
Fax +31 10 433 1646

OUTOKUMPU COPPER B.V.
PO Box 2
NL-7200 AA ZUTPHEN
Tel. +31 575 594 594
Fax +31 575 512 448

OUTOKUMPU COPPER
RESOURCES B.V.
Terwenakker 42/44
NL-3011 XS ROTTERDAM
Tel. +31 10 413 3911
Fax +31 10 213 0265

OUTOKUMPU
COPPER STRIP B.V.
PO Box 2
NL-7200 AA ZUTPHEN
Tel. +31 575 594 594
Fax +31 575 512 488

OUTOKUMPU STEEL
PROCESSING B.V.
PO Box 52
NL-4550 AB SAS VAN GENT
Tel. +31 115 474 700
Fax +31 115 474 705

OUTOKUMPU ZINC
COMMERCIAL B.V.
Terwenakker 42/44
NL-3011 XS ROTTERDAM
Tel. +31 10 412 7144
Fax +31 10 412 4439

Norway

NIKKEL OG OLIVIN A/S
Arnesfjellet
N-8540 BALLANGEN
Tel. +47 7692 8800
Fax +47 7692 8177

NORSULFID A/S
Grong Gruber
N-7894 LIMINGEN
Tel. +47 74 335 200
Fax +47 74 335 845

OUTOKUMPU NORGE A/S,
NORSULFID A/S
Baerumsveien 373
N-1346 GJETTUM
Tel. +47 67 547 800
Fax +47 67 549 125

Peru

OUTOKUMPU SUCURSAL
DEL PERU
PO Box 2946
LIMA 100
Tel. +51 1 221 0833
Fax +51 1 221 2633

Poland

OUTOKUMPU POLAND SP.
Z.O.O.
Ul. Filtrowa 59/2
02-056 WARSAW
Tel. +48 22 258 252
Fax +48 22 251 961

Portugal

OUTOKUMPU
(PORTUGAL) LTDA.
Rua Caldas Xavier
38-2 Dto
P-4150 PORTO
Tel. +351 2 600 9297
Fax +351 2 600 9299

Russia

A/O MINERAL PROCESSING
ENGINEERS
21 Line, 8a
199026 ST. PETERSBURG
Mailing address:
HH-Kuriiri/MPE
PL 76
FIN-53501 LAPPEENRANTA
FINLAND
Tel. +7 812 213 9986
Fax +7 812 350 2024

AOZT KIVIJARVI
Uritsky Ul. 65
185030 PETROZAVODSK
Tel. +7 81422 51758
Fax 049 166 090

AOZT KOLA MINING
Murmansk region
Komsomolskaja Str. 23
184280 MONCHEGORSK
Mailing address:
Lenin Str. 75
183033 MURMANSK
Tel. +7 81536 23436
Fax 049 166 060

ZAO OUTOKUMPU MOSKVA
Ul. Arhitektora Vlasova
Dom. 51, 6th floor
117393 MOSCOW
Tel. +7 095 330 0511
Fax +7 502 224 8150

ZAO OUTOKUMPU SANKT
PETERBURG
18 Line 47
199178 ST. PETERSBURG
Mailing address:
c/o SAUTI OY
Arinatie 4
FIN-01510 VANTAA
FINLAND
Tel. +7 812 119 8544
Fax +7 812 119 8546

Singapore

OUTOKUMPU (S.E.A.) PTE
LTD.
10 Anson Road # 33-10
International Plaza
SINGAPORE 079903
Tel. +65 224 6415
Fax +65 225 0600

South Africa

OUTOKUMPU MINTEC
SOUTH AFRICA (PTY) LTD.
PO Box 4197
HALFWAY HOUSE 1685
Tel. +27 11 315 3727
Fax +27 11 315 4139

Spain

OUTOKUMPU (ESPAÑA), S.A.
C/Jazmin, 66 - Piso 4 I
E-28033 MADRID
Tel. +34 1 383 2439
Fax +34 1 383 3218

OUTOKUMPU COPPER
TUBES, S.A.
PO Box 107,
E-48480 BILBAO
Tel. +34 4 457 9100
Fax +34 4 457 9113

OUTOKUMPU MINERA
ESPAÑOLA S.A.
Agustín de Foxá, 25 - Piso 6 B
E-28036 MADRID
Tel. +34 1 315 0295
Fax +34 1 315 3255

OUTOKUMPU RAWMET, S.A.
C/Gran Vía de Carlos III, 86,
Piso 2-I
E-88028 BARCELONA
Tel. +34 3 491 1312
Fax +34 3 491 1340

OUTOKUMPU RAWMET, S.A.
C/Jazmin, 66 - Piso 4 izquidera
E-28033 MADRID
Tel. +34 1 383 3226
Fax +34 1 383 3016

Sweden

OUTOKUMPU COPPER AB,
OUTOKUMPU COPPER
BRASS ROD AB,
OUTOKUMPU COPPER
PARTNER AB,
OUTOKUMPU COPPER
STRIP AB,
Business Sector Management
OUTOKUMPU COPPER
TUBES AB,
OUTOKUMPU FINANCIAL
SERVICES AB
Kopparbergsvägen 28
S-721 88 VÄSTERÅS
Tel. +46 21 198 000
Fax
+46 21 198 113 (Outokumpu
Copper AB)
+46 21 198 252 (Brass Rod)
+46 21 198 130 (Partner)
+46 21 198 737 (Tube)
+46 21 198 041 (Strip)
+46 21 198 120 (Financial
Services)

OUTOKUMPU COPPER
STRIP AB
Finspång Works
S-612 81 FINSPÅNG
Tel. +46 122 83 700
Fax +46 122 17 839

OUTOKUMPU COPPER
TUBES AB
Granefors Works
S-374 91 ASARUM
Tel. +46 454 87 800
Fax +46 454 87 815

OUTOKUMPU
STÅL & METALL AB
Exportgatan 81
S-422 46 HISINGS BACKA
Tel. +46 31 52 0330
Fax +46 31 524 467

OUTOKUMPU
STÅL & METALL AB
Terminalvägen 9
S-861 36 TIMRÅ
Tel. +46 60 571 065
Fax +46 60 571 204

OUTOKUMPU
STÅL & METALL AB
PO Box 2068
S-151 02 SÖDERTÄLJE
Tel. +46 8 550 61440
Fax +46 8 550 10799

OUTOKUMPU WENMEC AB
PO Box 175
S-665 25 KIL
Tel. +46 554 33 200
Fax +46 554 12 828

OUTOKUMPU WTT AB
PO Box 946
S-601 19 NORRKRÖPING
Tel. +46 11 217 500
Fax +46 11 217 570

VISCARIA AB
PO Box 841
S-981 28 KIRUNA
Tel. +46 980 71 000
Fax +46 980 71 695

Switzerland

OUTOKUMPU RAWMET
(SWITZERLAND) LTD.
PO Box 665
CH-8401 WINTERTHUR
Tel. +41 52 212 1721
Fax +41 52 212 1720

OUTOKUMPU ZINC
COMMERCIAL B.V.
Winterthur Branch
PO Box 665
CH-8401 WINTERTHUR
Tel. +41 52 212 1722
Fax +41 52 212 8397

Thailand

OUTOKUMPU (THAILAND)
CO., LTD.
22nd Floor, Silom Complex
Building
191 Silom Road, Silom, Bangrak
BANGKOK 10500
Tel. +66 2 231 3657
Fax +66 2 231 3659

Turkey

OUTOKUMPU ISTANBUL DIS
TICARET LIMITED SIRKETI
Barbaros Bulvar No 28-8
Balmumcu-Besiktas
ISTANBUL
Tel. +90 1 274 6555
Fax +90 1 275 9888

USA

OUTOKUMPU AMERICAN
BRASS, INC.
Rolled Products – USA,
Business Sector Management
70 Sayre Street
PO Box 981
BUFFALO, NEW YORK 14240
Tel. +1 716 879 6700
Fax +1 716 879 6961

OUTOKUMPU COPPER
(USA), INC.
129 Fairfield Way
BLOOMINGDALE
ILLINOIS 60108
Tel. +1 630 980 8400
Fax +1 630 980 8891

OUTOKUMPU DRAWN
PRODUCTS, INC.
129 Fairfield Way
BLOOMINGDALE
ILLINOIS 60108
Tel. +1 630 980 5441
Fax +1 630 980 4870

OUTOKUMPU COPPER
FRANKLIN, INC.
4720 Bowling Green Road
FRANKLIN,
KENTUCKY 42135
Tel. +1 502 586 8201
Fax +1 502 586 7103

OUTOKUMPU COPPER
KENOSHA, INC.
1420, 63rd Street
KENOSHA,
WISCONSIN 53143
Tel. +1 414 657 5111
Fax +1 414 657 2399

OUTOKUMPU COPPER, INC.
129 Fairfield Way
BLOOMINGDALE
ILLINOIS 60108
Tel. +1 630 980 8015
Fax +1 630 980 8611

OUTOKUMPU GROUP LEGAL
AFFAIRS – (USA)
129 Fairfield Way
BLOOMINGDALE
ILLINOIS 60108
Tel. +1 630 582 2096
Fax +1 630 980 8671

OUTOKUMPU METALS
(U.S.A.), INC.
129 Fairfield Way, Suite 308
BLOOMINGDALE
ILLINOIS 60108
Tel. +1 630 307 1300
Fax +1 630 980 4290

OUTOKUMPU MINTEC
U.S.A., INC.
109 Inverness Drive East, Suite F
ENGLEWOOD,
COLORADO 80112
Tel. +1 303 792 3110
Fax +1 303 799 6892

OUTOKUMPU
WENMEC, INC.
351 Thornton Road, Suite 115
LITHIA SPRINGS,
GEORGIA 30057
Tel. +1 770 944 2127
Fax +1 770 944 2236

PRINCETON
GAMMA-TECH, INC.
1200 State Road
PRINCETON,
NEW JERSEY 08540
Tel. +1 609 924 7310
Fax +1 609 924 1729

THE NEUMAYER CO.
PO Box 620236
MIDDLETON,
WISCONSIN 53562-0236
Tel. +1 608 836 6664
Fax +1 608 836 9266

THE NIPPERT COMPANY
801 Pittsburgh Drive
DELAWARE, OHIO 43015
Tel. +1 614 363 1981
Fax +1 614 363 3847

VALLEYCAST, INC.
PO Box 1714
APPLETON,
WISCONSIN 54913-1714
Tel. +1 414 749 3820
Fax +1 414 749 3830

Annual Report and interim reports

This Annual Report is available in Finnish and English.

The Outokumpu Group will publish two interim reports in 1997. The January-April report is scheduled for publication on June 5, 1997, and the January-August report on October 6, 1997. Both reports are printed in Finnish and English. All reports can be obtained from: Outokumpu Oy / Corporate Communications, Länsituulentie 7, P.O. Box 280, FIN-02101 Espoo, Finland. Telephone +358 9 421 2416 and telefax +358 9 421 2429.

The Annual Report and interim reports are also available at the Group's Internet home page www.outokumpu.com.



OUTOKUMPU OY
Corporate Management
Länsituulentie 7 A
PO Box 280
FIN-02101 ESPOO, Finland
Tel. +358 9 4211
Fax +358 9 421 3888
www.outokumpu.com