Annual Report 1999

stainless steel
copper products
zinc copper nickel chrome
gold silver lead
cobalt

Ingenium Necesse Est

outokumpu

Contents

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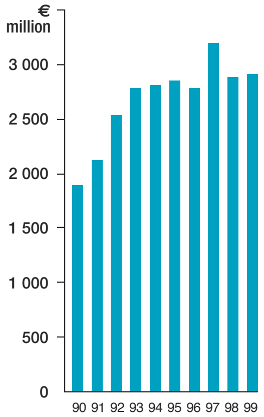
Year 1999 in brief

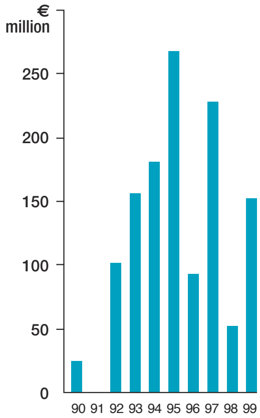
		1999	1998
Net sales	€ million	**2 909**	2 889
– change from previous year	%	**0.7**	(9.9)
Operating profit	€ million	**152**	51
– in relation to net sales	%	**5.2**	1.8
Profit before extraordinary items and taxes	€ million	**98**	(4)
Return on capital employed	%	**7.3**	2.5
Cash flow from operating activities	€ million	**102**	298
Net interest-bearing debt	€ million	**834**	929
– in relation to net sales	%	**28.7**	32.2
Equity-to-assets ratio	%	**43.5**	42.9
Debt-to-equity ratio	%	**62.2**	74.0
Income per share (excluding extraordinary items)	€	**0.65**	0.02
Net income per share	€	**0.65**	0.02
Shareholders' equity per share	€	**10.74**	10.04
Dividend per share	€	**0.25** [1]	0.08
Share price on Dec. 31	€	**14.05**	7.87
Market capitalization on Dec. 31	€ million	**1 750**	980
Capital expenditure	€ million	**153**	249
Number of personnel on December 31		**11 972**	13 179

[1] The Board of Directors' proposal to the Annual General Meeting

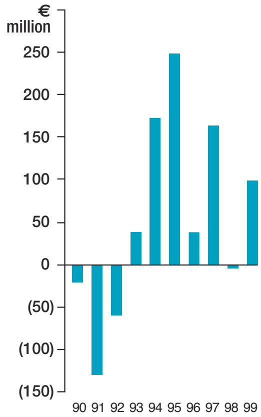
Net sales



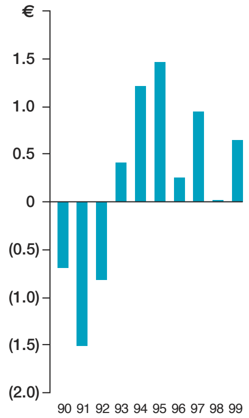
Operating profit



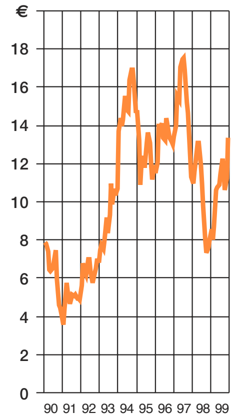
Profit before extraordinary items and taxes



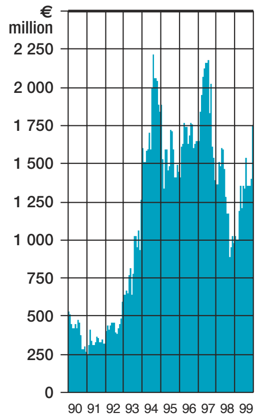
Income per share



Share price



Market capitalization



Metals market takes a positive turn

On the metals market, the early part of the year was difficult and metal prices at a historically low level. Growth in industrial production and increased investment activity was reflected in increasing demand for metals and rising prices. The rise in metal prices began with base metals and extended to stainless steel at the end of the year.

Distinct improvement in result

Exceptionally low metal prices, during the first half of the year in particular, offset the impact of the increased delivery volumes and stronger dollar almost entirely, and the growth in net sales remained modest. Net sales totaled EUR 2 909 million.

Outokumpu's result improved markedly. Operating profit rose to EUR 152 million and profit before extraordinary items and taxes to EUR 98 million. Income per share was EUR 0.65 and return on capital employed 7.3%. The Group's equity-to-assets ratio improved to 43.5% as a consequence of the sale of Zaldívar.

The Board of Directors proposes a dividend of EUR 0.25 per share.

Investments on the increase

The Group's capital expenditure declined to EUR 153 million. The most significant investments were the move to underground mining at the Kemi chromium mine and the deepening of the Pyhäsalmi copper-zinc-pyrite mine.

In December, a decision was taken about an EUR 570 million investment, whereby the stainless steel production at Tornio will almost double. In addition, a decision was made concerning an EUR 31 million expansion investment at the Kokkola zinc plant.

With the present investment decisions and plans, capital expenditure in 2000 is estimated to rise to some EUR 400 million.

Short-term outlook f0avorable

The short-term economic outlook is favorable and large-scale global economic growth is expected for 2000. The strengthening demand for metals and the rise in prices which began last year create a solid base for boosting the Group's earnings development in the coming months.

If the current market outlook materializes, it is estimated that the Group's result for 2000 will be a distinct improvement on the previous year. Current investments, new investment decisions made and the numerous measures designed to promote operational efficiency coupled with continuous competence development will strengthen the Group's earnings potential also over the longer term.

The world needs metals

At Outokumpu our primary task and mission is to put our expertise to use in responsible metals production and thus contribute to meeting this need.

Pictured clock-wise from top left: Power transmission sub-station in Vantaa, Finland, designed by Jorma Valkama, Antti Nurmesniemi and Björn Selenius. METOS professional kitchen (Hackman). The automotive industry uses metals produced by Outokumpu. Drilling rig on Heidrun oil field in Norway (Fortum, who's a partner in the operation). Beer fermentation vessel (Lapin Kulta, Hartwall). In the center cutlery (Hackman).

1

Outokumpu 1999

Experts at the metal industry forefront – also in the new millennium

- Our business focus is on metals and metals technology.
- We develop products and services that offer clear added value to our customers by exploiting our expertise in the industry.
- Our objective is to achieve profitable growth, which also creates shareholder value.
- We continuously develop our competencies – especially leading-edge technology related to metals production – in order to strengthen our own competitive position and earnings capabilities.

Dear Shareholder

The new millennium has brought with it a new, encouraging and much more upbeat mood in Outokumpu. Sentiment in our business environment has shown a clear improvement, demand for metals and metal products remains strong, and prices have been rising. During the past few years our profitability has been hard pressed by exceptionally low price levels, but evidence that the tide is turning can already be seen in the improved results that we achieved in the final quarter of 1999.

Our strategy to secure profitable growth is clearly reflected in both investment and divestment activities. The sale of our share in the Zaldívar mine, a brighter market outlook and increased operational efficiency are all contributing to the firm development of our businesses without jeopardizing solvency. I am convinced that the emphasis that we have placed on our core activities will soon feed through to enhance profitability and earnings growth.

Over the last couple of years, we have made it clear that stainless steel is now Outokumpu's main growth area. The decision taken in December to start a major expansion program at Tornio was therefore good news that came as no surprise to the market. We have consistently emphasized that our main objective is to maximise the potential inherent in our efficient, integrated stainless steel production chain in Kemi-Tornio. The investment decision now made, stretching over 2000-2002, will double slab capacity at the smelter to over 1 000 000 tonnes. This will further improve Outokumpu's standing as one of the world's most cost-efficient stainless steel producers. It will also strengthen our market position in Europe, an important factor in the event of further possible industry restructuring. Projections for future demand suggest that the market will readily absorb this additional volume, and we can expect the capital investment in the expansion program to yield good returns.

In the other business areas we will mainly focus on exploiting investments already made to achieve an improvement in profitability. Our strategic thrust remains on production units and products that represent the strongest Outokumpu competences in metallurgy and metalworking, areas in which we can best and most profitably add value for our customers. We may also continue to narrow down the strategic scope of our business portfolio, in order to be able to add momentum to growth in the strongest core businesses.

At our Kokkola zinc plant, already one of the world's lowest-cost producers, we are starting a two-year project to raise capacity to 260 000 tonnes; the focus is on process bottlenecks which can be removed with a relatively small investment. At the Harjavalta copper and nickel plant, most of the support functions were smoothly outsourced to networking partners last year, and it is now time to concentrate on fine-tuning operational efficiency. In mining, the main objective is to ensure profitability, competitiveness and reliability as a raw material supplier to our own metals production. In copper products our primary near-term target is to improve results and raise earnings to a sustainably higher level. Volume growth is only a secondary objective and is targeted mainly at strengthening our market position in special products and in Asia. Technology sales should benefit as investment by our customers in the metals industry accelerates in line with the cyclical upturn.

Our vision is not to become the biggest in the world in our businesses. Rather, I want to see us aspire to become industry leaders measured by indicators such as customer satisfaction, profitability and shareholder value, attraction as an employer, and total quality in general in all our activities.

Last year we got off to an early start in celebrating the turn of the century with an Outokumpu technology jubilee, simultaneously emphasising our strong commitment to maintain our position as experts at the forefront of our industry in the new millennium. Technology and innovation are our core strengths, and it is essential that we maintain our focus on them in the true Outokumpu tradition.

We are actively trying to increase efficiency in all activities in order to improve our competitiveness and earnings potential. We will continue to streamline our administrative structures and processes, and put emphasis on the responsibilities of the business units. At the same time, this should instill a deeper understanding of the key role that the customers need to be given in our corporate culture; our success is dependent first and foremost on our capability to offer them added value.

Our personnel have shown admirable support for the on-going changes, and I want to express my gratitude for their open-mindedness and continuing valuable contribution. In a fast-changing world, however, it is important that basic core values are not overlooked. That is one reason why we have made safety a special campaign theme in the year 2000. Every accident is one too many, and our target in all units must be a zero-level.

The Board proposes that we raise the dividend to EUR 0.25 per share, which is in line with the policy to maintain a payout-ratio of at least one third of net income over the business cycle. Despite the new investment program, we have chosen not to cut dividends. The improved market situation, our own efficiency-enhancement measures and the fruits of our new investments are all contributing to a much brighter outlook, and we are confident of our capability to significantly increase the returns on shareholders' investments in our company from the low levels of the past couple of years. Every shareholder has the right to expect this, and I will do everything in my power to ensure that this promise is kept.

Jyrki Juusela
Chief Executive

Group strategy to seek profitable growth and add value

At Outokumpu,
we focus our business on metals and metals technology.

In the next few years, the Group's strategic focus is on stainless steel and our integrated, logistically efficient production chain at Tornio, which offers the best potential for enhancing shareholder value. The investment decisions made in December 1999 support the principal strategy adopted.

Investments in the Group's other business operations over the next few years will be more modest, whilst maintaining the flexibility to exploit any emerging business opportunities. The Group may also divest some non-core business units.

Our strategy is based on customer-orientation, a high level of technological expertise, efficient business processes and responsibility for the operating environment, in keeping with the principle of sustainable development.

To ensure our continuing operational effectiveness, competitiveness and growth, we place special emphasis on the long-term continuous development of our personnel.

Financial objectives

Outokumpu's main financial objectives are two-fold: to generate as much added value as possible on the capital invested by its owners and to maintain a sound capital structure. A strong balance sheet will help us withstand business risks and cyclical market volatility. It will also facilitate a controlled expansion and development of our operations as well as the exploitation of new business opportunities.

– Our profitability target is to achieve a minimum average return of 15% on capital employed over the business cycle.

– Our solvency goal is to maintain a minimum equity-to-assets ratio of 40%.

In accordance with the dividend policy set by the Board of Directors, the pay-out ratio over a business cycle should be at least one-third of the period's net income. In its annual dividend proposal, the Board will, in addition to the financial result, take into consideration the Group's investment and development needs.

Corporate Management

Stainless Steel

OUTOKUMPU CHROME
OUTOKUMPU POLARIT
JA-RO

Copper Products

GLOBAL BUSINESS LINES
REGIONAL BUSINESS LINES

Metals Production

OUTOKUMPU ZINC
OUTOKUMPU HARJAVALTA METALS

Mining

OUTOKUMPU MINING
TARA MINES
BLACK SWAN NICKEL

Technology

OUTOKUMPU MINTEC
OUTOKUMPU ENGINEERING CONTRACTORS
OUTOKUMPU WENMEC
AISCO

Other operations

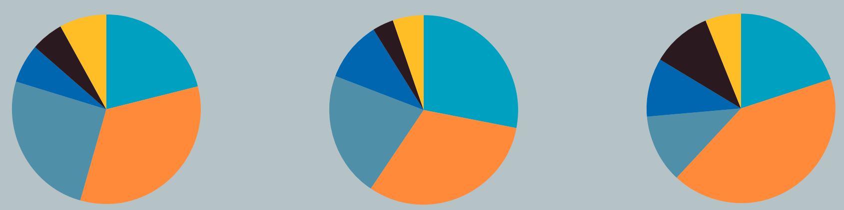
CORPORATE SERVICES
INDUSTRIAL HOLDINGS

GROUP BY BUSINESS AREA

Net sales
EUR 2 909 million

Capital employed
EUR 2 319 million

Personnel
11 972



	Net sales	Capital employed	Personnel
Stainless Steel	21.2%	28.1%	20.0%
Copper Products	33.2%	31.3%	42.0%
Metals Production	25.4%	21.3%	11.6%
Mining	6.6%	10.3%	10.1%
Technology	5.5%	3.7%	10.1%
Others	8.1%	5.3%	6.2%

Business organization

New organizational model in spring 2000

Outokumpu Oyj's Board of Directors decided at its meeting on February 4, 2000, to restructure the Group's top management and administration with one goal being to streamline the organization. The new model emphasizes the role of 10-15 main Business Units, which will report directly to Corporate Management. The Business Area term will remain in use within the Group to denote the strategic entities formed by the business units:

- Stainless Steel
- Copper Products
- Metallurgy, formed by combining the Metals Production, Technology and Outokumpu Research business units.

Other business operations, beyond the above three main business areas, include the Mining business unit and the Group's other Industrial holdings.

The Outokumpu Group operated in 1999 organized into five business areas. The Group's Other operations comprise Corporate Management and Corporate Services as well as Outokumpu's industrial holdings.

Stainless Steel

The latest investment decisions strengthen Outokumpu's competitive position as one of the world's most efficient producers of stainless steel and ferrochrome. Outokumpu's share of the stainless steel flat products market in Europe is 10% and globally 5%.

The integrated production chain comprises Outokumpu Chrome's chromium mine at Kemi and ferrochrome smelter in Tornio, and Outokumpu Polarit's stainless steel production plants in Tornio. The main products are stainless and acid-resistant steel strips and sheets. Some of the ferrochrome is also sold to external customers. A part of Polarit's rolled production is cut to customer specifications at Terneuzen, the Netherlands. Ja-Ro processes stainless steel into tubes and tube fittings at Pietarsaari and Veteli, Finland.

Copper Products

Outokumpu has a strong position as one of the leading producers of fabricated copper products in the world, owing to its technological expertise and worldwide customer-focused production and service network. Copper Products is the only supplier in its field that can serve its globally operating customers with locally fabricated products in all three main regions: the United States, Europe and Asia. Outokumpu's global market share in fabricated copper products is about 10%. The Copper Products organization is divided into global and regional business lines. Its plants are located in the United States, Finland, Sweden, Spain, the Netherlands, China, Malaysia, Austria and Britain.

Metals Production

Metals Production includes Outokumpu Zinc's Kokkola zinc plant in Finland and Outokumpu Zinc Commercial in the Netherlands as well as Outokumpu Harjavalta Metals' copper and nickel production plants at Harjavalta and Pori, Finland. Outokumpu's share of world zinc production is 3%, of copper 1%, and nickel 5%.

Mining

Mining includes all of Outokumpu's mines except the Kemi chromium mine. The mines produce zinc, copper, nickel, lead, sulfur and gold concentrates, which are sold either to the Group's own metallurgical plants or to external customers for further processing. The mines in operation are situated in Australia, Ireland, Norway and Finland. Outokumpu is also engaged in mineral exploration and mine projects in a number of countries. Outokumpu sold its share of the Zaldívar associated mine in Chile at the end of 1999.

Technology

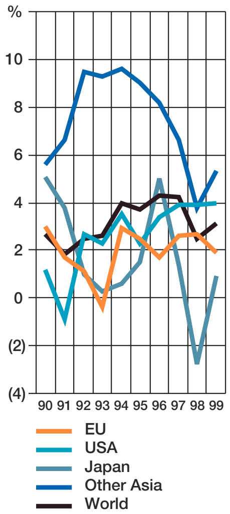
The range of technology marketed by Outokumpu comprises plants, processes, machinery, equipment, and planning and project services mainly for the mining and metallurgical industries. The Group enjoys high market shares in many product areas. Outokumpu Mintec sells technology for mineral processing and some equipment applicable also to other process industries. Outokumpu Engineering Contractors supplies metallurgical process technology and Outokumpu Wenmec casting and tankhouse equipment. Aisco sells material handling systems for copper, aluminum and zinc processing. At the beginning of 1999, Outokumpu Castform, focused on up-casting and metalworking plants, was transferred from Technology to Copper Products.

2 Business environment

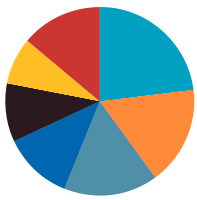
- Synchronized economic growth in prospect
- Output rising in the automotive and construction industries
- Positive trend in metals consumption
- Prices began to recover from all-time lows
- Stainless steel prices rose rapidly towards year-end
- Spectacular recovery in nickel prices
- Difficult year for copper products in Europe
- Technology business depressed by poor industry profitability
- Group results are highly sensitive to the level of metals prices – especially stainless steel
- The Group benefited from the strong US dollar in 1999
- Low level of short-term interest rates was supportive

Market review

Gross Domestic Product
(change year-on-year)



Group sales by end-use market



Construction	23%
Industrial machinery and equipment	17%
Transportation	16%
Domestic appliances and general products	12%
Electric, electronics and communications	10%
Process industry	8%
Other	14%

Synchronized economic growth in prospect

Prospects for the world economy have improved dramatically during the past 12 months. In early 1999, the global financial and economic crisis of 1997-98 still dominated the headlines, and the mood was extremely gloomy. Little improvement in world growth was foreseen in the short term. In practice, a widespread and coordinated easing of monetary policy contributed to better-than-expected growth in all regions. Activity in the United States remained strong, contrary to most forecasts, Japan finally started to recover, the downturn in Europe bottomed out, and activity in parts of developing Asia bounced back sharply from depressed year-before levels. Growth in world GDP in 1999 is estimated to have been 3.1%, markedly above the 1998 figure.

Short-term economic prospects now look very encouraging. A modest slow-down in growth is expected in the United States, but activity is strengthening in Europe and seems likely to improve slowly in Japan. At the same time, the remarkable recovery in developing Asia shows no sign of abating. The signs are therefore that 2000 will be a year of synchronized growth in all the major regions.

Output rising in the automotive and construction industries

Not only has general economic activity been rising, but output in the key metals-intensive automotive and construction sectors has also been improving. Worldwide auto production bounced back strongly in 1999, increasing by about 4% compared with the depressed 1998 level. Prospects for 2000 look positive. In construction, output remained strong in the United States, though housing starts slowed towards year-end in response to higher mortgage rates, while activity in Japan finally began to pick up. The European market was mixed: housing starts rose strongly in France and Spain, but activity in the German construction industry remained sluggish. However, the European Commission's monthly survey of the EU construction industry shows both confidence and orders in the region at their highest level for more than nine years, suggesting that firm growth is likely over the next few months.

Positive trend in metals consumption

The improving economic background, and in particular a stronger performance in the key end-use sectors, had a clear and positive impact on metals consumption during 1999. Consumption continued to grow strongly in North America, and there was a spectacular bounce-back in demand in developing Asia. In Europe, demand was weak early in the year but gathered pace in the third and fourth quarters. The main exception to the healthy trend was Japan, where demand for most metals remained weak.

While rising physical usage of metal was the key factor behind higher demand in 1999, consumption also benefited from inventory rebuilding right through the distribution chain: a classic pattern during an upswing of the economic cycle. This certainly helped stainless steel, where apparent world consumption of cold rolled flat products is estimated to have risen by around 10%. Apparent consumption rose particularly strongly in developing Asia, soaring by almost 20% compared with the depressed 1998 level. A positive feature for stainless steel is that its usage continues to rise in many areas, notably in construction, consumer goods, and in domestic and catering applications. As a result, the underlying growth in worldwide stainless consumption is now believed to be at least 4.5% per annum. World output of melted stainless steel also rose strongly in 1999, and this in turn contributed to consumption of the key alloying elements, nickel and ferrochrome, rising by more than 5%. In the case of copper, primary cathode was to some extent substituted by a plentiful supply of inexpensive scrap, but world refined consumption still rose by about 3.5%. Zinc demand was boosted both by the upturn in global auto production and by the start-up of substantial new galvanizing capacity in Asia, and world consumption rose by just over 3%.

Prices began to recover from all-time lows

Prices for most metals began 1999 at exceptionally low levels in historical terms. Sentiment was very depressed, and many analysts believed the metals markets were either already in surplus or heading in that direction. However, these forecasts had failed to foresee the widespread cutbacks that producers would make in response to poor profitability. These cutbacks prompted some recovery in prices, a recovery that was then given further impetus as the demand outlook began to improve. By year-end the fundamentals in most markets were looking very promising.

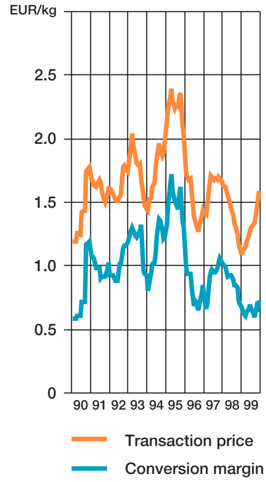
Although these trends were clearly positive, and prices had improved by the end of 1999, it is important to note that on a full-year basis 1999 was still a very poor year. In the case of stainless steel, copper and ferrochrome, average prices during 1999 in real inflation-adjusted terms are believed to have been their lowest ever.

Stainless steel prices rose rapidly towards year-end

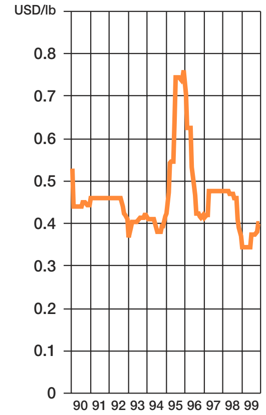
Conditions in the stainless steel market improved remarkably during 1999. European base prices (transaction price minus alloy surcharge) for 2 mm grade 304 began the year at the exceptionally low level of about 1.10 EUR/kg and improved only slowly until the third quarter. However, base prices then accelerated in the final quarter, supported by strengthening global demand, and had reached 1.28 EUR/kg by year-end. Conversion margins (transaction price of grade 304 stainless steel minus the cost of nickel and chrome raw material) also changed little for most of the year and rose significantly only at the very end of the period. The average conversion margin during 1999 was only 0.66 EUR/kg, more than 20% below its previous lowest level in real terms.

The main reason for such low prices was global over-capacity in stainless steel production, reflecting heavy worldwide investment in new facilities in recent years. European mills were also hit by the loss of traditional export markets in Asia and by the imposition of anti-dumping tariffs in the United States. However, the stainless industry has responded to an extended period of very low profitability by cutting

Stainless steel price



Ferrochrome price
(Cr-content)

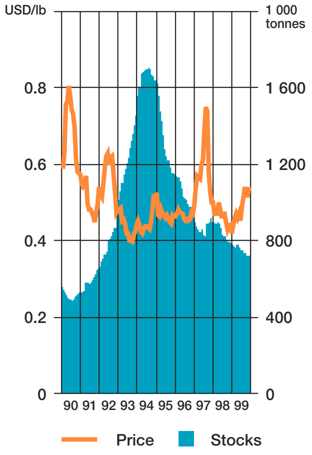


Average metal market prices

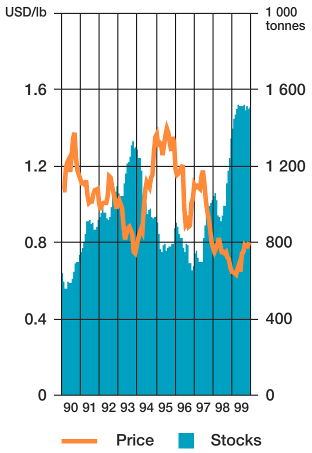
		1995	1996	1997	1998	**1999**	Change % 1999/1998
Stainless steel Transaction price	EUR/kg	2.24	1.48	1.64	1.41	**1.30**	(7.8)
Stainless steel Base price	EUR/kg	1.98	1.23	1.40	1.28	**1.18**	(7.8)
Stainless steel Conversion margin	EUR/kg	1.50	0.81	0.93	0.88	**0.66**	(25.0)
Ferrochrome	USD/lb	0.64	0.51	0.46	0.45	**0.36**	(20.0)
(Cr-content)	EUR/kg	1.03	0.87	0.88	0.89	**0.75**	(15.7)
Zinc	USD/lb	0.47	0.46	0.60	0.46	**0.49**	6.5
	EUR/kg	0.76	0.79	1.15	0.92	**1.01**	9.8
Copper	USD/lb	1.33	1.04	1.03	0.75	**0.71**	(5.3)
	EUR/kg	2.16	1.77	1.99	1.48	**1.48**	0.0
Nickel	USD/lb	3.73	3.40	3.14	2.09	**2.73**	30.6
	EUR/kg	6.05	5.79	6.04	4.15	**5.65**	36.1

Sources:
Stainless steel: CRU – German transaction and base price and conversion margin (2 mm cold rolled 304 sheet). CRU estimate of prices for orders received in Germany during the period. Prices for deliveries during the same period differ from the prices of orders.
Ferrochrome: Metal Bulletin – lumpy Cr charge, basis 52% Cr, free market.
Zinc, copper and nickel: London Metal Exchange cash quotations converted into USD/lb.

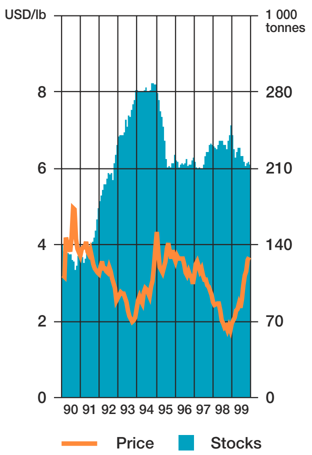
Zinc price and stocks



Copper price and stocks



Nickel price and stocks



back investment, particularly in melting and hot rolling. Global melting capacity rose very slowly in 1999 and little new capacity is in prospect over the next two years. Given that demand continues to rise strongly, the implication is that average utilization rates in the industry will rise firmly over the near term; indeed, localized shortages of slab and hot coil were already reported in late 1999. This trend suggests that prices will increase, possibly significantly, over the next 12 months.

The first half of 1999 was very difficult for stainless steel tubes. Orders fell to their lowest level for many years and margins were under severe pressure. Demand picked up after the summer and remained at a reasonable level for the rest of the year, though an improvement in prices and margins was not seen until the fourth quarter. Further modest increases in prices and margins are expected in 2000, though continuing over-capacity in the tubes business suggests that competition will remain severe.

In high-carbon ferrochrome, prices held at only 34.5 USc/lb during the first half of 1999, an extraordinarily low level by historical standards. Prices did improve towards year-end, mainly due to strengthening demand from the stainless steel industry. Even so, the 1999 average price of 36 USc/lb was, by a considerable margin, the lowest ever in real terms. Market prospects for 2000 look a little more encouraging, but much will depend on the behavior of the South African producers, who now account for almost 65% of Western world output.

Spectacular recovery in nickel prices

Among the base metals, the star performer during 1999 was clearly nickel. Cash prices, which were less than 2.00 USD/lb in January, rose steadily through the year and averaged more than 3.60 USD/lb in November and December. The average price for the year of 2.73 USD/lb was 31% above the 1998 level. This spectacular recovery was mainly attributable to improved fundamentals. The general expectation had been that the nickel market would be in significant surplus during 1999. But in practice a combination of production cutbacks, a slow start-up at the new Australian lateritic projects and strong demand resulted in a clear market deficit. The stock-consumption ratio is already low, and many observers foresee a further market deficit in 2000. With such a background, prices could rise further in the short term.

The fundamentals in the zinc market also improved during 1999. Demand rose strongly, while production was restricted by slow growth in concentrate availability. The resulting market deficit contributed to a steady rise in prices, though the average for the year of 49 USc/lb was only modestly above the 1998 level. The general expectation is that average prices will rise substantially in 2000, but much will depend on Chinese metal exports. These rose sharply in 1999, and remain highly unpredictable.

In the case of copper, average prices in 1999 fell to 71 USc/lb, their lowest level ever in real terms. Prices were especially low in the first half of the year when the market was heavily in surplus, but then rose sharply in the third and fourth

quarters as healthy demand growth and cutbacks in production moved the market back towards balance. The market is forecast to remain close to balance in 2000, and average prices are likely to be well above last year's depressed level.

Treatment and refining charges (TC/RCs) for copper concentrate also fell sharply during 1999. Average spot market terms slumped to more than 30% below the 1998 level and almost 64% below the 1997 level; average contract terms (including price participation) were 33% below the 1998 level and nearly 48% below the 1997 level. To some extent, TC/RCs are correlated with copper prices, but charges have also fallen because smelting capacity has been growing more quickly than concentrate availability. Contract terms in 2000 are likely to remain very low, little changed from those in 1999.

In the zinc concentrate market, average treatment charges on contract during 1999 rose slightly compared with year-before levels, mainly a reflection of the higher zinc price. Charges are expected to improve further over the next year.

Difficult year for copper products in Europe

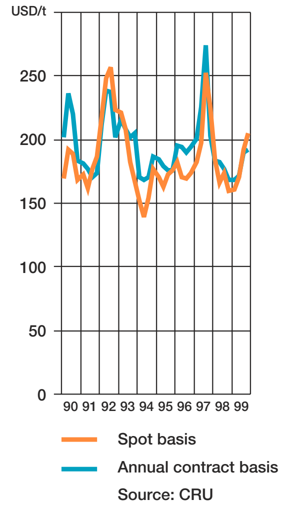
The differing regional economic conditions in 1999 meant that the demand picture for copper products showed marked variations between major regions. The strongest market was the United States, where firm growth continued across all sectors, and some recovery was evident in Asia. However, demand in Europe was disappointing, especially in the first half, and over-capacity in many products made it a difficult year for domestic fabricators. In total, Outokumpu's deliveries and order intake remained roughly at the previous year's level. Average conversion prices also changed little from those in 1998.

The performance of the building and construction sector, the biggest end-use for copper products, had a crucial influence on sales. In the United States, strong construction output underpinned firm demand for ACR tubes throughout the year. Demand for ACR tubes was volatile in China, and remained soft in South East Asia, reflecting the continuing weakness of building activity. In Europe, weak construction activity during early 1999 resulted in poor sales of sanitary tubes, roofing sheet and strip, and rods, bars and profiles, and correspondingly softer prices. However, European construction output picked up in the second half, notably in the Mediterranean region, and this contributed to a significant improvement in demand towards year-end, and a slight improvement in prices for some building-related products. A further improvement in European construction activity is foreseen during 2000, implying a positive outlook for product demand.

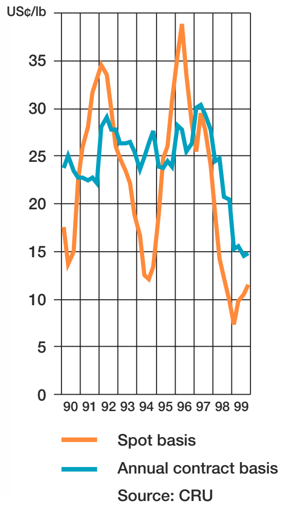
The sharp improvement in world vehicle production during 1999 resulted in markedly improved demand for copper products from that sector. Auto production rose particularly strongly in the United States, and this supported good demand for welding electrodes and for copper, brass and bronze strip for radiators and connectors. Auto markets throughout Asia also improved, though in this region it was the electronics industry that was the main driving force for higher demand, underpinning growing sales of connector strip.

Demand prospects for copper products over the next year look encouraging, though competition is likely to remain tough. The general outlook for speciality products is, however, better than for standard building and construction products.

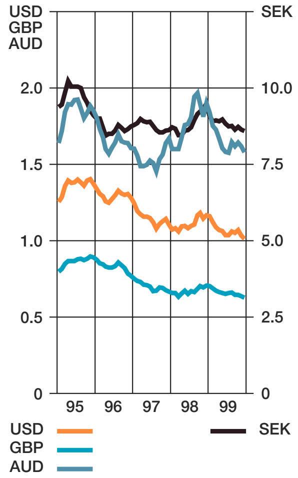
Zinc treatment charges



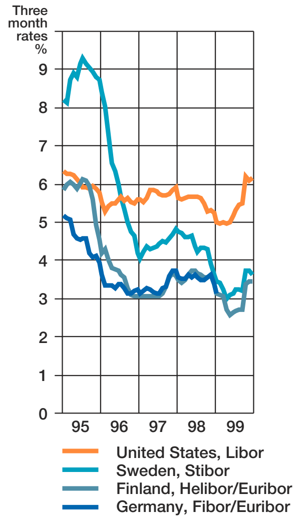
Copper treatment and refining charges



Euro exchange rates



Market interest rates



The Group's sensitivity to metal prices

Sustained 10% change in price	Effect on result € million
Conversion margin of stainless steel	36
Ferrochrome price	11
Conversion price of wrought copper products	56
Zinc price	25
Copper price	4
Nickel price	20

Technology business depressed by poor industry profitability

Low metals prices continued to depress sales of technology during 1999. As profitability in the metals industry deteriorated, companies cut back on investment spending in both the mining and metallurgical sectors. A number of proposed greenfield or expansion projects have been delayed or cancelled. Higher prices and the more positive mood in the industry worldwide had already brought an increase in enquiries in the second half of 1999, and the outlook for 2000 is more encouraging. It is, however, likely to be some time before financing for the bigger projects is arranged and the order backlog is further strengthened.

Group results are highly sensitive to the level of metals prices – especially stainless steel

The level of metals prices, treatment charges and conversion margins has a major influence on Outokumpu's financial results. The impact of a 10% change in these variables on Outokumpu's annual operating profit is shown in the adjacent table. The figures, which are indicative only, are based on average prices and margins in 1999 and on projected 2000 production. They do not take into account price changes in inventories, nor do they allow for the effect of hedging.

As the table shows, Outokumpu is in theory most sensitive to changes in the conversion price of wrought copper products. However, the conversion price of these products is relatively stable and seldom changes by as much as 10% in the short term. In practice the Group is therefore most sensitive to changes in the stainless steel conversion margin. This is highly volatile, as illustrated by its 25% fall between 1998 and 1999. The Group is also sensitive to changes in zinc, nickel and ferrochrome prices, all of which are also very volatile. The annual average price of nickel rose by 31% between 1998 and 1999, for example, while the average ferrochrome price fell by 20% over the same period. The Group's sensitivity to the copper price declined following the sale of Zaldívar.

The Outokumpu Group hedges the risk resulting from fluctuating metal prices through forward and/or option contracts. The hedging policy as well as the Group's open derivative instruments to hedge metal price risks and the related contract amounts, carrying values and fair market values on December 31, 1999 are presented in detail in section 18 of the Notes to the consolidated financial statements.

The Group benefited from the strong US dollar in 1999

Internationally traded metals such as zinc, copper, nickel and ferrochrome, as well as treatment charges for copper and zinc concentrates, are all specified in US dollars. In contrast, stainless steel and copper products are mostly priced individually in each market: in local currencies in Europe, mainly euros, and in US dollars in the United States and Asia. Price levels may vary considerably between the European, US, and Asian markets. Of the Group's total invoicing, about 50% is in US dollars and 46% is in European currencies.

Most of the Group's production is based in the European single currency area and the United States, so that the bulk of production costs is incurred in these currencies. About 20% of the Group's debt is now in euros, the base currency of the company, but some 80% is in other currencies, mainly in US dollars.

Exchange rate movements thus have a major impact on Outokumpu as they affect not only the Group's results but also its competitive position. And given the US dollar's dominant role as the metals pricing currency, the most significant currency risk for Outokumpu to manage is movement between the US dollar and the euro. A 10% movement of the US dollar against the euro would today have an impact of roughly EUR 60 million on the Group's annual operating profit. This amount does not take into account the effect of hedging exchange rate risks.

The Group's exchange rate risk management policy is presented in more detail in section 18 of the Notes to the consolidated financial statements.

Low level of short-term interest rates was supportive

Although short-term interest rates rose towards the end of the year in both the United States and the Eurozone, average short-term rates during 1999 were lower than they had been in recent years. This was slightly advantageous for Outokumpu, as a one-percentage point reduction in the US dollar short-term interest rate is estimated to result in a fall of about EUR 5 million in the Group's annual net interest expenses, albeit with a slight delay.

The Group's exchange rate risk management policy is presented in more detail in section 18 of the Notes to the consolidated financial statements.

Euro exchange rates

				Closing rates		Average rates	
	1995	1996	1997	1998	**1999**	1998	**1999**
USD	1.364	1.280	1.097	1.167	**1.005**	1.113	**1.066**
GBP	0.882	0.756	0.661	0.705	**0.622**	0.672	**0.659**
SEK	9.083	8.811	8.664	9.487	**8.563**	8.847	**8.808**
AUD	1.831	1.608	1.675	1.900	**1.542**	1.769	**1.652**

The exchange rates of 1999 are quoted by the European Central Bank. Exchange rates of 1995–1998 are based on corresponding Finnish markka rates converted into euro rates at the fixed conversion rate 5.94573.
€ = EUR = euro

Fixed conversion rates to euro

ATS	13.7603
BEF	40.3399
DEM	1.95583
ESP	166.386
FIM	5.94573
FRF	6.55957
IEP	0.787564
ITL	1936.27
LUF	40.3399
NLG	2.20371
PTE	200.482

Development of business operations 3

- Stainless Steel is the Group's strategic focus
- Copper Products seeks to improve profitability
- Metals Production invests in zinc
- Mining benefits from the rise of base metal prices
- Technology continues to invest in product development
- Other Group operations support and facilitate core business activities
- Human resource development aimed at promoting competitiveness
- Firm commitment to maintain benchmark technological expertise
- Environmental responsibility grows in significance

Stainless Steel is the Group's strategic focus

The stainless steel expansion project started at the end of 1999 will create some 150 new jobs in Tornio. Instructor Kalevi Taivaloja is among the people who will train the new "steel men".

YEAR 1999

The investments in stainless steel completed earlier were put to effective use, and production records were achieved in all principal products. The stainless steel and ferrochrome market was difficult, but improved towards year-end. The average price level of stainless steel (conversion margins) finished 25% lower and that of ferrochrome 20% lower than in the previous year. The 6% growth in delivery volumes was not sufficient to compensate for the effect of the low prices. Stainless Steel's net sales finished slightly lower than in the previous year, and operating profit was EUR 40 million. At the end of the year a decision was taken to almost double the stainless steel production with an EUR 570 million investment.

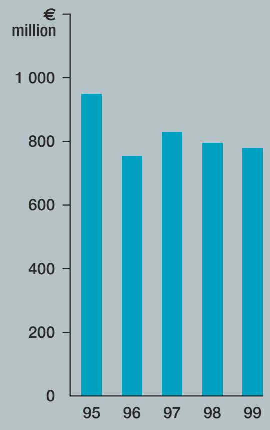
In the future, over one million tonnes of steel slabs annually

A decision was taken in December to start up an investment program in Tornio, designed virtually to double the production of stainless steel slabs to more than a million tonnes per year. The capacity of the hot and cold rolling mills will also be raised. The investment project totaling some EUR 570 million will last for three years. The undertaking will further strengthen Outokumpu's position as one of the world's most cost-effective manufacturers of stainless steel.

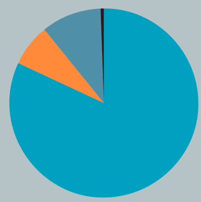
The investment will comprise an entirely new melting shop, consisting of an electric arc furnace, AOD converter and continuous casting machine, and a

STAINLESS STEEL

Net sales

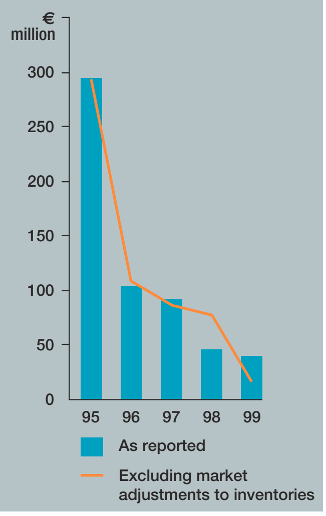


Net sales by market area 1999



Europe (Finland 8.9%)	81.9%
North and South America	7.4%
Asia	10.1%
Australia and Oceania	0.5%
Other countries	0.1%

Operating profit



Key figures

€ million	1999	1998
Net Sales		
Outokumpu Chrome	**95**	101
Outokumpu Polarit	**713**	730
Ja-Ro	**67**	69
Other units	**47**	40
Sales within the business area	**(144)**	(145)
Total	**778**	795
Share of Group's net sales (%)	**21**	23
Operating profit	**40**	46
Operating profit margin (%)	**5**	6
Operating profit excluding market adjustments to inventories	**16**	78
Return on capital employed (%)	**6**	7
Capital employed Dec. 31	**698**	684
Capital expenditure	**36**	51
Depreciation and amortization	**59**	55

Production

Tonnes	1999	1998
Outokumpu Chrome Ferrochrome	**256 300**	231 000
Outokumpu Polarit Steel slabs	**597 900**	575 000
Cold rolling mill production:		
Cold rolled products	**403 300**	344 000
White hot strip	**128 300**	133 000
Ja-Ro		
Tubes and tube fittings	**28 400**	26 900

Personnel

Dec. 31	1999	1998
Outokumpu Chrome	**315**	303
Outokumpu Polarit	**1 701**	1 697
Ja-Ro	**333**	338
Other units	**48**	53
Total	**2 397**	2 391

1999 Press releases

www.outokumpu.com

28.6.	Slag explosion in the ferrochrome plant
9.12.	Gas leak at Tornio works
17.12.	Outokumpu invests in stainless steel in Tornio
31.12.	Kemi Mine's tunnelling contract to NCC Finland Oy

new walking beam furnace for the hot rolling mill, and an increase in rolling and annealing capacity at the cold rolling mill. The million tonnes of slabs per year will be turned into some 550 000 tonnes of cold-rolled and 320 000 tonnes of hot-rolled products a year (corresponding current figures 600 000, 400 000 and 120 000 tonnes). The new production will start up gradually from 2002 and a full annual capacity utilization can be reached by 2004. The employment effect of the project during the construction period will be approx. 700 man-years, and about 150 new permanent jobs will be created in Tornio after project completion.

The automated storage facility built in connection with the expansion completed in 1998 can hold up to 11 000 steel pallets ready for loading and delivery to clients.

Best potential for profitable growth

Stainless Steel's expansion program, completed in 1998, has proved to be a success. The logistically efficient, highly integrated business process with its very competitive unit costs in the Kemi-Tornio area provides the most promising opportunities for profitable growth.

During the 1990s, the consumption of stainless steel products has grown by an average of 5% a year, clearly faster than that of base metals. The increase in consumption is predicted to remain just as intense. The over-capacity within the sector is gradually vanishing and according to forecasts there will be a shortage of melting capacity in the next few years. The prices of stainless steel have also begun to rise quickly during the fall. There is a ready market to absorb the extra production created by the new investment project mainly in Europe, but also in Asia and in the United States.

At present, Outokumpu has a 10% share of the European market in rolled stainless steel and a 5% share of the world market.

Unbeatable material

The most important applications for stainless steel are in the food stuff and process industries, households, transportation and construction. The capacity of stainless steel to resist corrosion and strong chemicals makes it an ideal option for many demanding applications.

Outokumpu's customers can select the steel grade out of a current range of twenty that best suits their particular requirements. In addition to the composition, other criteria are the finishing and surface quality requirements depending on the end-use. Working with its customers, Outokumpu has also developed modifications of standard grades for specific applications and special steels for highly demanding end-uses.

Stainless steel is still a nascent "prosperity metal", whose use increases with a rising standard of living and the increasingly stringent hygiene and environmental requirements. New applications are constantly being discovered thanks to the improvement in the relative price competitiveness of stainless steel, since many lifecycle-studies have shown significant savings in the total costs for different applications compared to many alternative materials.

Copper Products seeks to improve profitability

Outokumpu's technological expertise has been transferred close to customers, e.g. to the Chinese copper tube plant, that manufactures demanding, inner-grooved air-conditioning tubes. Pictured are Chen Young (right) and Liang Laian coiling tube.

YEAR 1999

Copper Products' production volumes declined slightly due to the consolidation of electrostrip production in the United States and tube production in Europe and the disposal of brass rod production in 1998. Delivery volumes also fell slightly. The conversion prices of copper products were at the previous year's level. The business area's net sales were reduced slightly but operating profit rose to EUR 53 million owing to a reversal of market adjustments to inventory. The operating profit excluding inventory price changes and unusual items also improved to some extent. In October, Outokumpu and Hitachi Cable concluded an agreement to establish a joint venture to manufacture copper air-conditioning tubes in Thailand.

Added value through understanding the customer industry

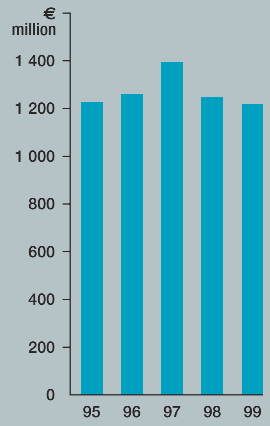
At the beginning of 1999, Copper Products introduced a renewed organization based on client industries. The significance in today's society of manufactured copper products is above all explained by the metal's special properties – excellent heat and electrical conductivity – which will be also essential for the future development of telecommunications, energy management, heat transfer and construction.

Outokumpu manufactures copper products using proprietary technologies. In order to guarantee the best possible service for its customers, Copper Products' new organization has been divided into global and regional business lines. The global business lines serve internationally operating customers as close as possible to their production sites, offering technically advanced special products with high demanding quality requirements. The clientele of regional business lines operates exclusively on regional markets or uses products whose price structure is the decisive demand factor.

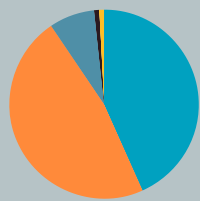
Outokumpu operates in all important market areas for fabricated copper products. Copper Products has a particularly strong competitive position in its principal market

COPPER PRODUCTS

Net sales

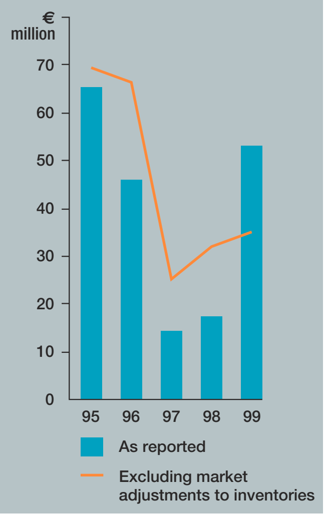


Net sales by market area 1999



Europe (Finland 2.8%)	43.5%
North and South America	47.2%
Asia	7.8%
Australia and Oceania	0.7%
Other countries	0.8%

Operating profit



Key figures

€ million	1999	1998
Net sales		
Automotive Heat Exchangers	**251**	249
Appliance Heat Exchangers	**176**	167
Connectors	**62**	97
Telecommunications	**58**	48
Electrical Power	**92**	97
Formed Parts	**28**	25
Alloy Wire	**55**	55
Regional Products – Americas	**151**	153
Regional Products – Europe	**237**	286
Forming Equipment	**31**	14
Other units	**119**	124
Sales within the business area	**(40)**	(70)
Total	**1 220**	1 245
Share of the Group's net sales (%)	**33**	35
Operating profit	**53**	18
Operating profit margin (%)	**4**	1
Operating profit excluding market adjustments to inventories	**35**	32
Return on capital employed (%)	**8**	3
Capital employed Dec. 31	**777**	634
Capital expenditure	**49**	73
Depreciation and amortization	**48**	45

Production

Tonnes	1999	1998
Automotive Heat Exchangers	**95 500**	101 500
Appliance Heat Exchangers	**60 600**	55 000
Connectors	**19 600**	22 600
Telecommunications	**21 500**	20 200
Electrical Power	**43 000**	41 600
Formed Parts	**700**	1 500
Alloy Wire	**14 200**	13 600
Regional Products – Americas	**64 900**	69 100
Regional Products – Europe	**90 600**	98 400
Other units	**176 900**	193 200
Deliveries within the business area	**(169 700)**	(180 400)
Total	**417 800**	436 300
Associated companies:		
Rolled products *)	**17 300**	16 300
(Laminados Oviedo-Córdoba 50%)		

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

Personnel

Dec. 31	1999	1998
Automotive Heat Exchangers	**768**	747
Appliance Heat Exchangers	**843**	867
Connectors	**278**	460
Telecommunications	**130**	144
Electrical Power	**398**	440
Formed Parts	**121**	125
Alloy Wire	**252**	277
Regional Products – Americas	**388**	366
Regional Products – Europe	**821**	1 005
Forming Equipment	**132**	56
Other units	**895**	925
Total	**5 026**	5 412

areas of the United States and Europe. Copper Products accounts for 10% of the total world production of fabricated copper products.

The Outokumpu developed, Nordic Green pre-patination method was used in the re-roofing of Covent Garden in London in 1999.

Enhanced profitability targeted

The closures and transfers of operations at Kenosha in the United States and Granefors, Sweden have been completed according to plan. The Pori works have continued to systematically streamline their operations and cut their costs.

In order to serve the Asian market, Outokumpu has in recent years built new plants in China and Malaysia and, at the end of 1999, founded a joint venture with the Japanese company Hitachi Cable, Ltd. in Thailand. The teething troubles associated with production and marketing in China have been resolved and the operation is already becoming profitable. In Malaysia, it will probably take one or two years before production and sales volumes are brought above the break-even point.

Enhancing the efficiency of the business operations will be a key objective of Copper Products' strategy over the next few years. Profitability can only be improved if there is closer co-operation with the client industries so that the focus can be shifted to higher value-added products and applications and to services generating more added value. Copper Products' investments will be kept at a fairly moderate level in the near future, but to continuously reinforce its competitive advantage, it should be in a position to exploit emerging business opportunities.

Proprietary technology – a unique advantage

Over the years, Outokumpu has developed proprietary technology for fabricating copper metal. New business activities are also developed with the focus on various technological applications. The guiding principle is to create an operating model based on confidential cooperation with the customer, which can be used to develop increasingly better products and solutions that optimally match customer requirements. Many of Outokumpu's special products have captured a leading position on their market, which is a concrete sign of successful solutions based on in-house technological expertise. Many of the production methods developed by Outokumpu are ideally suited, for example, to the low-volume, low-capital-cost minimill concept.

Copper – superior material for numerous applications

Copper's superb heat and electrical conductivity and formability underscore its superiority in numerous electronics, telecommunications, automotive and construction industry applications. Outokumpu has a leading share, for example, in the world market for radiator strips used for heat exchangers in the automotive industry. Outokumpu's market share is also considerable in the copper strips supplied to the telecommunications industry for such applications as mobile telephone base station networks and underwater cables.

1999 Press releases

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25.5.	Busbar manufacturing of ABB Transmit acquired
27.5.	Pori works strengthens its operations and reduces work force
23.9.	Outokumpu high-technology to the new CERN particle accelerator
18.10.	Outokumpu and Hitachi Cable establish joint venture in Thailand

Metals Production invests in zinc

The Kokkola expansion project was completed at the end of 1998. During 1999 production ran at full capacity, 225 200 tonnes. Janne Marttila (left), Juhani Taivassalo and Veikko Erikkilä oversee the process in the new central control room.

YEAR 1999

The expansion of the Kokkola zinc plant, completed in 1998, led to a 13% increase in zinc production. Nickel production at Harjavalta rose by 22%, while copper production declined by 5%. The treatment charges for zinc rose slightly and the copper treatment and refining charges declined by a third. Due to increased delivery volumes, the business area's net sales grew by 18%, but operating profit was only EUR 32 million. The result was adversely affected by the sharp fall in copper treatment and refining charges, as well as by the high nickel stock levels and the rapid increase in nickel prices, when using the LIFO valuation on metal inventories. The zinc unit's operating profit improved from the previous year and it showed a good result. In December, a decision was made concerning an EUR 31 million expansion investment at Kokkola.

Kokkola increases zinc production further

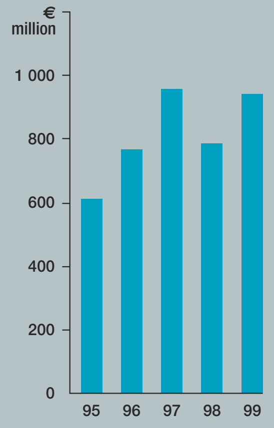
Outokumpu Zinc manufactures 225 000 tonnes of zinc per year, equivalent to approx. 10% of zinc production in Europe and 3% in the world. The December investment decisions worth EUR 31 million will raise zinc production at the Kokkola plant to 260 000 tonnes a year. The investment will further improve the good profitability and competitive position of Outokumpu's zinc operations. The investment project will last two years.

The Kokkola plant is one of the world's most modern zinc plants, which, with its current production capacity, ranks among the six biggest zinc producers in the world. The previous expansion at Kokkola was completed in 1998 and the capacity is fully utilized. Kokkola is one of the most efficient in the world.

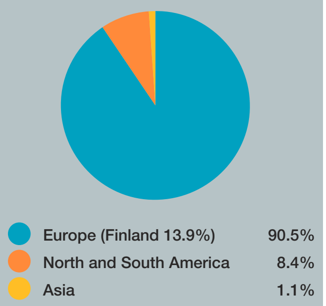
The focus of Outokumpu's zinc raw material procurement is on the international concentrate market. The only remaining Finnish supplier is the Pyhäsalmi mine. The key raw material suppliers are located in Sweden, Ireland and North America.

METALS PRODUCTION

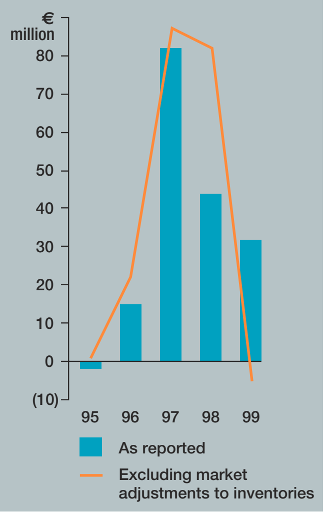
Net sales



Net sales by market area 1999



Operating profit



Key figures

€ million	1999	1998
Net sales		
Outokumpu Zinc	**325**	274
Outokumpu Harjavalta Metals	**610**	515
Sales within the business area	**(2)**	(1)
Total	**933**	788
Share of the Group's net sales (%)	**25**	22
Operating profit	**32**	44
Operating profit margin (%)	**3**	6
Operating profit excluding market adjustments to inventories	**(6)**	82
Return on capital employed (%)	**7**	9
Capital employed Dec. 31	**530**	510
Capital expenditure	**17**	64
Depreciation and amortization	**45**	45

Production

Tonnes	1999	1998
Outokumpu Zinc		
Zinc	**225 200**	199 000
Outokumpu Harjavalta Metals		
Blister copper	**149 600**	156 000
Cathode copper	**114 700**	123 000
Nickel	**52 800**	43 400
Gold (kg)	**6 110**	4 980
Silver (kg)	**30 700**	29 700

Personnel

Dec. 31	1999	1998
Outokumpu Zinc	**756**	762
Outokumpu Harjavalta Metals	**634**	1 003
Total	**1 390**	1 765

Press releases 1999

www.outokumpu.com

8.2.	Harjavalta networking proceeds
12.2.	Kokkola zinc: record production 1998
9.4.	Environmental assessment of Harjavalta tailings dams begins
12.4.	New organization for Outokumpu Base Metals
26.4.	Harjavalta networking agreements signed
30.6.	Harjavalta reaches 3 million tonnes of copper produced
18.9.	30 years of zinc production in Kokkola
13.10.	Illegal strike at Harjavalta smelters
14.10.	Strike at Harjavalta ends
9.12.	Networking completed in Harjavalta
17.12.	Outokumpu invests in Kokkola zinc

Pyhäsalmi and Tara Mines in Ireland are Kokkola's internal suppliers. About 85% of the end-products are marketed outside Finland.

Zinc is employed mainly as an anti-corrosion coating for carbon steel. Zinc is the fourth most used metal in the world and its consumption is expected to grow by an annual average of 2-3%.

Harjavalta produces blister copper with a copper content of 99.2%. In the picture copper is cast into anodes to be delivered mainly to the Pori tankhouse for electrolytic refining.

Harjavalta Metals gets networked and promotes operational efficiency

Copper and nickel base metal producer Outokumpu Harjavalta Metals thoroughly re-engineered its business model last year. In the wake of this change, the company is focusing on its core expertise, copper and nickel production, while operations supporting metal production were outsourced into independent cooperation networks based on partnership. The program launched in 1998 was swiftly implemented during 1999. The networking undertaking covered gas production, maintenance, planning, energy management, industrial and property cleaning, security and transport operations, and it involved the transfer of over 300 employees to the partnership companies. The new operating model was designed to render the operations more efficient, boost competitiveness and at the same time efficiently develop the networked services with experts in their respective fields.

The reform and expansion program carried out at Harjavalta between 1993 and 1996 has led to a marked increase in copper and nickel production capacities and to a distinct improvement in cost-effectiveness. It is expected that networking will lead to even greater efficiency. Since the expansion program, nickel production has been increased and unit costs have continued to decline. The Harjavalta production capacities are 165 000 tonnes of primary copper, 125 000 tonnes of cathode copper and 55 0000 tonnes of nickel.

Currently, the bulk of the nickel raw materials is obtained from Australia and Brazil under long-term agreements. The copper concentrates are procured under long-term purchasing agreements from all over the world. Of the mines of Outokumpu Mining, Black Swan in Australia, Hitura in Finland and Nikkel og Olivin in Norway supply nickel concentrates and Pyhäsalmi in Finland copper concentrates to Harjavalta. Copper and nickel production also uses scrap and other secondary raw materials. The copper produced by Outokumpu is supplied as a raw material to the copper products industry and the nickel is supplied mainly as alloy material for stainless steel. Outokumpu's share of world copper production is 1% and of nickel 5%. The consumption of copper is expected to grow by an annual average of 2.5-3% and that of nickel by 3%.

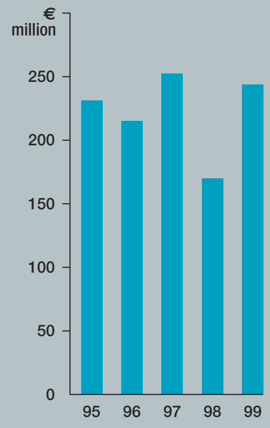
In the Harjavalta networking project transport services were transferred to Valtasiirto Oy. Pictured are vehicle maintenance manager Allan Koivula (right) and mechanic Kari Kilpeläinen.

Mining benefits from the rise of base metal prices

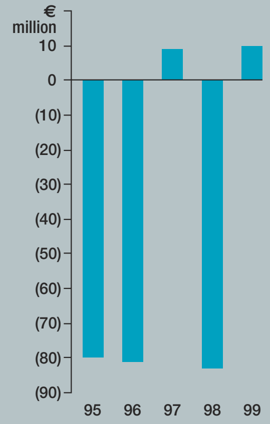
The use of remote-controlled machinery has improved working conditions in mining. Pictured is production face drilling in the Tara zinc mine in Ireland.

MINING

Net sales



Operating profit



YEAR 1999

Nickel mine production rose slightly thanks to Black Swan, even though the Forrestania nickel mine in Australia was shut down in August. Zinc mine production decreased by 9% mainly as a consequence of poor productivity at Tara and the depletion of the Mullikkoräme ore reserves. The closure of the Grong mine in 1998 reduced copper mine production by 14%. The rise in base metal prices, nickel in particular, increased Mining's net sales by 44%, and operating profit grew to EUR 10 million. In December, Outokumpu sold its 50% share in the Zaldívar copper mine to Placer Dome Inc.

Australian mining activity has developed positively

The operation of the Black Swan nickel mine in Western Australia has proved extremely successful and profitable. The mine has started to exploit the Cygnet ore body on schedule in February 2000, after which Black Swan's annual production will be approx. 23 000 tonnes of nickel in concentrate. The nickel concentrate will be transported to Outokumpu's Harjavalta smelter. Currently, the life of the mine is estimated to last until the first quarter of 2002 and exploration in the area continues.

Outokumpu's Forrestania nickel mines in Australia, closed down on August 30, 1999, due to ore depletion. During its seven-year lifecycle, 3.8 million tonnes of ore were mined, yielding almost 55 000 tonnes of nickel in concentrate. The nickel concentrate obtained was shipped to Finland to be used as raw material in the Harjavalta nickel smelter. Forrestania's final year was highly profitable. After its closure, Forrestania's concentrator was relocated to Black Swan.

Key figures

€ million	1999	1998
Net sales		
Forrestania	**41**	13
Black Swan	**50**	8
Pyhäsalmi	**43**	44
Tara	**75**	65
Other mines and units	**44**	51
Sales within the business area	**(9)**	(11)
Total	**244**	170
Share of the Group's net sales (%)	**7**	5
Operating profit	**10**	(83)
Operating profit margin (%)	**4**	neg.
Return on capital employed (%)	**4**	neg.
Capital employed Dec. 31	**255**	437
Capital expenditure	**36**	38
Depreciation and amortization	**30**	34

Production

Tonnes	1999	1998
Zinc in concentrates	**157 100**	172 800
Copper in concentrates	**10 500**	12 200
Nickel in concentrates [1]	**23 100**	22 400
Lead in concentrates	**33 700**	36 500
Cathode copper/ Zaldívar 50% [2]	**67 000**	65 800

[1] Figures for 1998 include Outokumpu's share of Mining Project Investors Pty. Ltd's production (Silver Swan) up to Oct. 31, 1998.

[2] Share of production in accordance with Outokumpu's ownership interest up to Nov. 30, 1999.

Mine production figures as well as ore reserves and mineral resources are reported on pages 62 and 63.

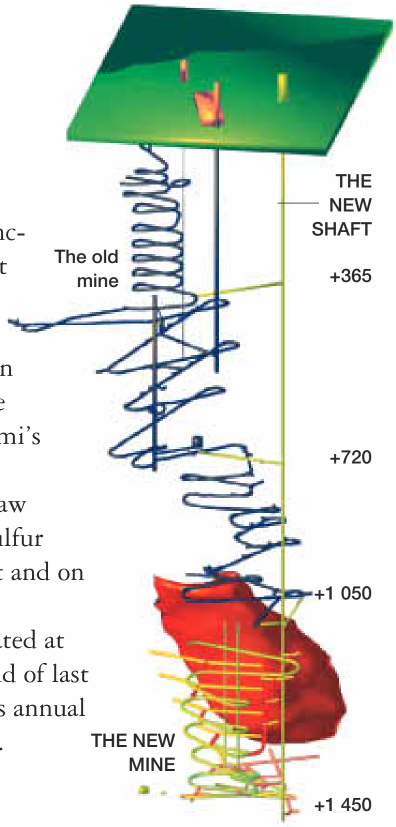
Personnel

Dec. 31	1999	1998
Forrestania	**4**	105
Black Swan	**33**	36
Pyhäsalmi	**256**	275
Tara	**602**	626
Other mines and units	**312**	363
Total	**1 207**	1 405

New lease on life for Pyhäsalmi, Hitura started up once more

The program to deepen the Pyhäsalmi copper-zinc-pyrite mine is proceeding according to plan. Last year's decision to exploit the deep parts of the mine will extend its life by more than ten years. All in all, the deepening of the mine represents an investment of EUR 50 million, which will secure more than 200 jobs well into the 2010s. Pyhäsalmi's zinc concentrates are delivered to Outokumpu's Kokkola zinc plant and copper concentrates for raw material to the Harjavalta copper smelter. The sulfur concentrates are sold to Kemira's Siilinjärvi plant and on the world market.

The operation of the Hitura nickel mine, situated at the town of Nivala was started up again at the end of last year due to the improved price of nickel. Hitura's annual production is 3 500 tons of nickel in concentrate.



The exploitation project of the "deep ore" (the red area) in Pyhäsalmi includes driving a new 1.5 km hoisting shaft.

Mining enhances operational efficiency

The deepening of the Pyhäsalmi mine will improve its profitability. A program to improve the productivity of the Tara zinc-lead mine in Ireland is underway. The aim is to clearly reduce the total costs of mining production per tonne of zinc.

Mining is also enhancing its operational efficiency by continuing to reduce fixed costs. Exploration activities will be further focused.

Zaldívar divested

At the end of last year, the Canadian Placer Dome Inc. purchased Outokumpu's 50% share of the Zaldívar copper mine at a cash price of EUR 249 million. Placer Dome has informed that it would exercise its option related to the sale of Zaldívar to purchase all of Outokumpu's exploration companies in Chile.

The sale of Zaldívar follows Outokumpu's strategy to focus on the Group's core competencies. The sale has had no significant impact on the Group's result for last year. As a whole, the Zaldívar project was profitable for Outokumpu.

1999 Press releases

www.outokumpu.com

11.1.	Sale of 50% stake in Zaldívar proceeds – partner not using right of first refusal
15.1.	Outokumpu and Tara acquitted in Bula trial
1.2.	Preliminary agreement on sale of Zaldívar stake falls through
10.3.	Ten more years for Pyhäsalmi mine
12.4.	New organization for Outokumpu Base Metals
5.7.	Decision to close Tara postponed until July 19 to facilitate further negotiations
7.7.	Production of Cygnet ore in Black Swan nickel mine begins
18.7.	Proposals to improve Tara's profitability approved
1.9.	Production ends at Forrestania mine in Australia
20.9.	Fire in Pyhäsalmi concentrator
12.11.	Place Dome to buy Outokumpu's stake in Zaldívar
15.11.	Hitura mine production to restart
14.12.	Zaldívar stake sold to Placer Dome

Technology continues to invest in product development

Outokumpu delivers the fourth production line to Codelco's Radomiro Tomic hydrometallurgical plant in Chile. The project personnel of a corresponding previous delivery included Juhani Lyyra, Petri Taipale, Bror Nyman and Mario Gutierrez.

YEAR 1999

The market outlook for Technology improved during the year. The backlog of orders also grew and was EUR 166 million at the end of the year. However, this did not have time to impact delivery volumes and result trends. Net sales decreased by 14%, and operating profit was only EUR 8 million. In September, Technology purchased the German company Eberhard Hoesch & Söhne GmbH, which is one of the leading suppliers of filters to process industries.

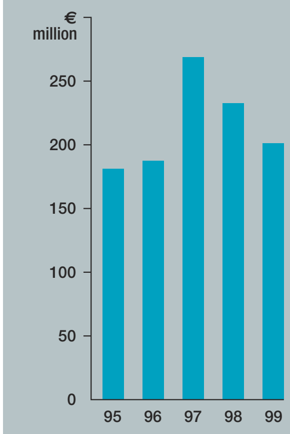
Focus on mining and metallurgical industries

With over fifty years' experience behind it, Outokumpu is one of the world's leading designers and suppliers of technology for the mining and metallurgical industries. As we roll over into the new millennium, the flash smelting method developed by the company half a century ago is used to manufacture nearly half of the world's primary copper. In addition, the Kennecott-Outokumpu flash converting method has consolidated the position of traditional flash smelting as a superb, ecological and energy-saving process. Flash smelting continues to be developed and will retain its position as a leading technology.

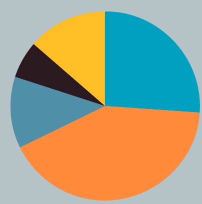
Outokumpu has high market shares in many other special products and processes, too. Technology offers advanced solutions for copper, zinc, nickel and ferroalloy production as well as special machinery for the aluminum industry. Outokumpu's strength lies in its solid experience in the functionality of its product offering.

TECHNOLOGY

Net sales

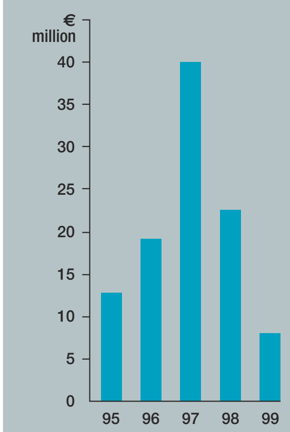


Net sales by market area 1999



Europe (Finland 2.3%)	26.2%
North and South America	41.6%
Asia	12.2%
Australia and Oceania	6.3%
Other countries	13.7%

Operating profit



Key figures

€ million	1999	1998
Net sales		
Outokumpu Mintec	**92**	84
Outokumpu Engineering Contractors	**71**	71
Outokumpu Wenmec	**15**	29
Aisco	**18**	22
Other units	**29**	50
Sales within the business area	**(24)**	(23)
Total	**201**	233
Share of the Group's net sales (%)	**6**	7
Operating profit	**8**	23
Operating profit margin (%)	**4**	10
Return on capital employed (%)	**11**	32
Capital employed Dec. 31	**92**	82
Capital expenditure	**11**	16
Depreciation and amortization	**6**	4

Personnel

Dec. 31	1999	1998
Outokumpu Mintec	**451**	362
Outokumpu Engineering Contractors	**205**	478
Outokumpu Wenmec	**105**	113
Aisco	**120**	128
Other units	**325**	369
Total	**1 206**	1 450

1999 Press releases

www.outokumpu.com

21.1.	Flash smelting and flash converting technology to Southern Peru Copper Corporation
1.2.	New filtration R&D laboratory in Espoo
29.4.	Harjavalta's planning and project management duties assumed by Outokumpu Engineering Services
20.8.	Water treatment and distribution project to Sri Lanka
8.9.	German filter producer Eberhard Hoesch & Söhne acquired
20.9.	Magnetic separation technology acquired in the US

Product range expands

Numerous examples show how customers have been found for Outokumpu's technologies and products from non-traditional markets. Outokumpu is constantly on the lookout for new sectors of industry where its proprietary technology could be effectively applied. We actively develop the range by exploiting our own long-term experience and the special expertise provided by cutting-edge technologies within the sector.

During the year under review, new products have been acquired for the range. These include Eberhard Hoesch & Söhne GmbH filters and Advanced Cryo Magnetics, Inc.'s magnetic separation systems purchased at the beginning of September. Over the next few years, Technology endeavors to develop its operations through continued significant investments in product development and possibly also through acquisition of synergy-enhancing technologies and products from outside the Group to complement the range. At the beginning of 1999, Outokumpu Castform, which focuses on up-casting and metalworking plants, was transferred from Technology to Copper Products.

Outokumpu's core technology, the Flash Smelting Process, had its 50th anniversary in 1999. Direct Outokumpu Nickel Process, a new application of flash smelting without the separate converting, is successfully used at the Fortaleza Smelter in Brazil.

New marketing organization

During 1999, Technology's marketing network was reorganized. The offices located around the world provide their customers with a comprehensive range, which now covers all of Outokumpu's technology products and services.

Growth is sought by targeting marketing efforts at new customer groups, which can gain added value from Technology's products; e.g. in the industrial minerals, hydrometallurgical and chemical industries.

Outokumpu Technology's product range was broadened by acquiring Carpco Inc.'s magnetic separation systems. Pictured is Cryofilter which is based on super-conducting magnetic separation.

Other Group operations support and facilitate core business activities

Outokumpu's other operations comprise Corporate Management and Corporate Services as well as the Group's industrial holdings. These other activities are primarily intended to support and serve the Group's core business.

Corporate Services

Outokumpu's metal marketing companies operate in more than twenty countries. They serve customers with all the metals and metal products produced by the business areas.

The largest Group company under Corporate Services in terms of net sales is Outokumpu Rossija, which specializes in Russian trade, marketing the Group's products and procuring metal raw materials for its production plants. Rossija posted net sales of EUR 127 million for 1999.

Outokumpu Research Oy is a research center that develops processes, equipment and products primarily for the Group's business units. The company celebrated its fiftieth year of operation in 1999.

The other corporate service units provide the Group's subsidiaries and units with real-estate, training, legal affairs, patenting, financing, energy supply, information technology, occupational health and insurance services.

Industrial holdings

US-based Princeton Gamma-Tech, Inc., in which Outokumpu is an 80% majority owner, manufactures electronic measurement and analyzing equipment. The company's net sales rose slightly from the previous year, but the result remained unsatisfactory. The market situation of SKT-Granit Oy, engaged in rock processing, deteriorated and the company's result turned into a slight loss. The net sales of Outokumpu's (49% stake) associated company Okmetic Oy, which produces silicon wafers, grew decidedly from the previous year thanks to the improved market situation, but the result still remained slightly negative.

Net sales by business unit

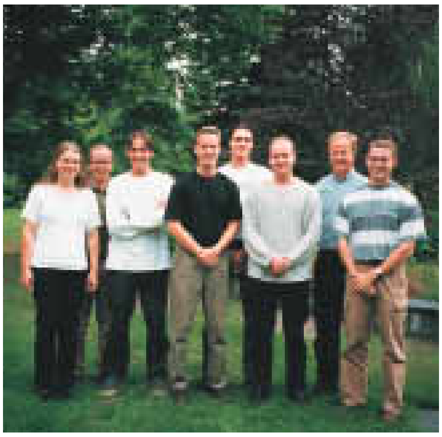
€ million	1999	1998
Corporate Management	**18**	17
Marketing companies	**59**	54
Outokumpu Rossija	**127**	124
Outokumpu Research	**9**	11
Other service units	**73**	67
Princeton Gamma-Tech	**9**	9
SKT-Granit	**4**	4
Intra-group sales	**(3)**	(3)
Total	**296**	283

Personnel by business unit

Dec. 31	1999	1998
Corporate Management	**94**	84
Marketing companies	**210**	214
Outokumpu Rossija	**35**	38
Outokumpu Research	**169**	171
Other service units	**112**	124
Princeton Gamma-Tech	**88**	85
SKT-Granit	**38**	40
Total	**746**	756

Human resource development aimed at promoting competitiveness

Outokumpu's strategy to seek profitable growth calls for a pool of competitive personnel. Developing and securing competencies lies at the core of the Group's personnel strategy, which emphasizes professionalism as well as efficient work methods and a deep understanding of customer needs.



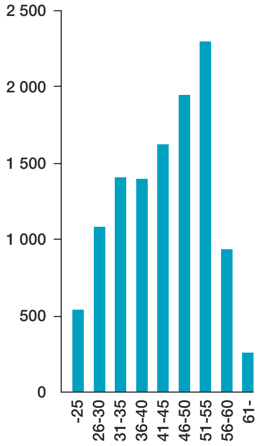
Outokumpu has a tradition of offering lots of summer jobs for students. In 1999 a total of 1 826 summer trainees were employed by the Group. The summer trainees of Outokumpu Research are pictured here with research engineer Petteri Pesonen (second from right). The trainees from left: Leena Nolvi, Veli Matti Härmä, Gabriel Mora, Jussi Kaksonen, Heikki Aaltonen, Sami Luoto and Jyri Jokinen (far right).

Young people as a strategic target group

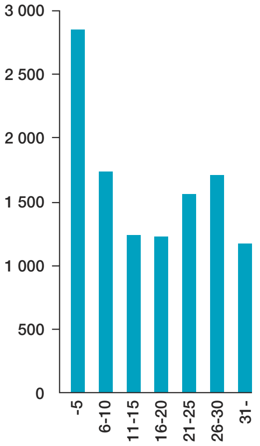
In many Outokumpu business units, the employee service records and age structure carry evidence of solid experience. The challenge today is to use this expertise effectively and pass it on to younger and future Outokumpu employees. The development of young Outokumpu employees is particularly important in the next few years.

The age structure of the personnel and the strategic plans of the various units make the recruitment of young people one of the most important tasks of personnel planning. During the review period, the Group hired a total of 508 new people,

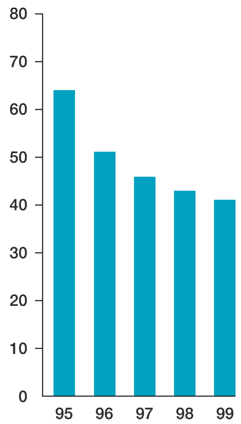
Personnel profile
(permanent employees, 1999)



Personnel by years of service
(permanent employees, 1999)



Accident rate, production
(accidents/million hours worked)



divided according to their educational background level as follows: primary education 28%, secondary and lower tertiary education ("5A programs") 60% and higher tertiary education ("5B programs") 12%.

1999 saw the introduction of a new channel for personnel recruitment, an Open Vacancies database, where applications can be submitted via the Group's website. This makes it easier to reach especially the younger target groups and it also improves administrative efficiency. The total turnover of personnel in the review period was 7.7% (1998: 6.3%).

Investment in human resources development

During the year, Outokumpu employees attended an average of 3.0 training days (1998: 3.6 days) and training costs accounted for approx. 2.3% of total remuneration costs (1998: 3.0%).

The continuous maintenance of the personnel's expertise is now buttressed in Finland for example by government-backed training and further education schemes, such as apprenticeship and vocational education programs. The interest shown by Outokumpu employees in continuing studies and reaching graduation diplomas is clearly on the rise.

Management development has been furthered in recent years by means of both internal (e.g. Outokumpu Executive Development Program) and external programs. Experience gained from a new Key Manager Development Program targeted at operative management, which was launched last year in the United States, will be used more broadly in further management development activities throughout the Group.

Efficient operating methods and personnel participation key to competitiveness

Continuous development of efficient operating models plays a key role in ensuring Outokumpu's competitiveness. The special project launched last year to increase administrative efficiency is leading to several enhancement programs.

The needs to improve efficiency and focus on core operations have been met at e.g. Harjavalta by applying a networking model.

1999 was celebrated as an Outokumpu technology jubilee. Advancing technology and personnel was also the main theme of the annual Outokumpu Personnel Forum, where management and European employee representatives congregate. During the review period, preparations have been made to ensure smooth labor relations as the two categories of white-collar employees, the technical and industrial salaried staff, are merging in Finland.

Incentive systems back up business strategies

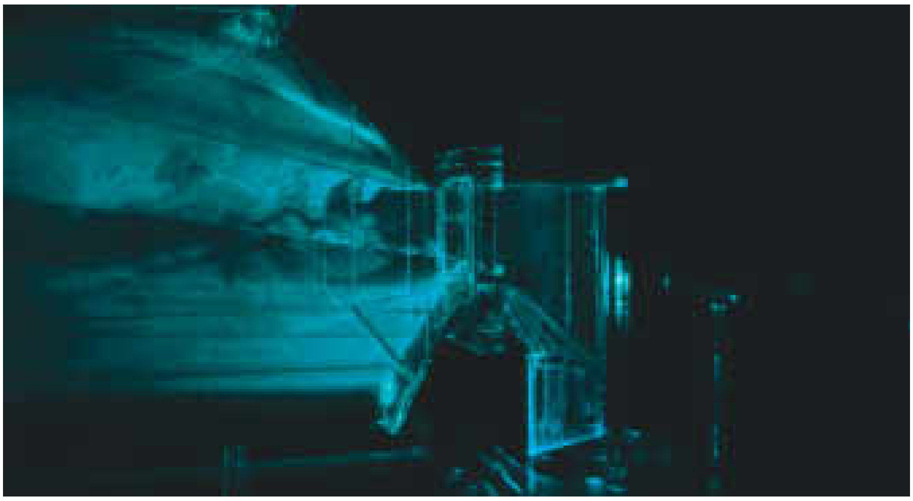
Incentive systems are being developed within the Group to support the business strategies and build-up a strong profitability and goal orientation in all operations. A variety of profit and productivity-based or similar remuneration systems are used in units throughout the Group. In 1999, 5.5% of total salaries were paid out in some incentive form (1998: 5.9%). The entire Finnish personnel also had the opportunity to take part in a convertible bond issue in the spring.

Safety as a special theme for the year 2000

A new Outokumpu group-wide safety policy was issued during the review period and 2000 was designated a theme year to promote safety at work. The campaign aims at cutting both on and off-the-job accidents considerably.

The monitoring of occupational safety at Outokumpu will improve as of the beginning of 2000, when a new information system that covers most of the Group's operational sites will be rolled out.

Firm commitment to maintain benchmark technological expertise



Outokumpu has made a firm commitment to continuously maintain an investment level above the industry average in research and development and in the utilization of best available technologies, regardless of industry cycles and fluctuations in the global economy. The aim is to safeguard Outokumpu's benchmark position at the forefront of its field in the world.

Outokumpu, indeed, enjoys respect worldwide for its expertise and innovativeness in technology related to mining, metallurgy and metalworking, for its high-quality metal products, and for the most advanced technologies in the sector in the world. Our strategic objective is to effectively harness technology to provide considerable added value for our customers as well as to improve the competitiveness of our own operations.

The Group technology strategy points the way for R&D investments

Outokumpu's strategy is to proceed with a significant thrust on investments in technology and product development. The objectives and focuses are defined in the technology strategy, which forms an integral part of the Group's business strategy. The core features of the technology strategy are: Customer orientation, focus on core competencies, and determined efforts to harness new technologies.

Customer orientation

Customer orientation in the technology strategy implies a focus on customized, high-quality products, which can be manufactured in short series to meet customer needs. This concerns copper and stainless steel products in particular. Other key issues are fast and precise deliveries. We are investing in a fundamental reduction of lead times, and in this area we are also participating actively in a national technology program aimed at halving lead times by 2005 within the Finnish metallurgical industry.

Special emphasis is placed on development work that we do in collaboration with our customers. Examples include heat transfer tubes and radiator strips, stainless steel bus frames and special steel sheet for flexible manufacturing units, zinc alloys used in galvanization, and many technologies, which we have supplied to customers and will continue to develop in close cooperation with them.

Focus on core competencies

The technology strategy calls for focus on core technologies critical to the customers and to Outokumpu's own business strategies, and on bringing together the special competencies into effective, powerful centers of excellence in technology. This includes networking with companies, research institutes and universities offering

Outokumpu breakthrough technologies

Mining & mineral processing

Flotation cells
Capillary filters
High rate thickeners

Smelting and refining

PYROMETALLURGY
Flash smelting
Flash converting
Direct blister smelting
DON – Direct oxygen nickel process
Belt sintering
Ferrochrome smelting
Ferrochrome converting

HYDROMETALLURGY
Solvent extraction – VSF-SX cell
Direct leaching of zinc concentrate
Tankhouse mechanization and automation

Casting

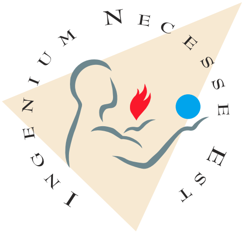
Copper anode weighing and casting
Upcast – casting technology
Strip casting for copper and copper alloys

Metalworking

Rodex – metals extrusion technology
Cast&Roll – seamless tube manufacturing technology
ACR tube manufacturing technology

Process control, Energy saving, Environmental protection, Recycling, Waste treatment

Courier X-ray analyzers
Process control systems
Gas scrubbers



The Outokumpu technology jubilee in 1999 was celebrated in many different ways. The year marked the 50th anniversary of Outokumpu Research, as an organized separate function and unit, and of the introduction of the flash smelting process. Both of these past events laid the foundation for the subsequent development of a strong and successful R&D culture within the Group. This culture still prevails and drives Outokumpu to maintain its forefront position as a developer and adopter of leading edge technology, which permeates all of our business operations.

complementary technology and expertise. The objective is to improve the utilization of the Group's extensive expertise and ensure effective knowledge management.

Harnessing new technologies

From the metallurgical industry's perspective, the most intense technology development is taking place within the so-called enabling technologies, which include electronics, information and communication technology, process and production control, remote diagnostics, modeling, new materials, biotechnology, etc. The monitoring and exploitation of these technologies are new targets of intense development efforts in Outokumpu's technology strategy.

Intellectual property rights and expertise gain significance

At Outokumpu, intellectual property rights are important and concern not only today's products and our current technological competitiveness but also the provisions for future success. Outokumpu has issued a new intellectual property rights policy, which is designed to spur innovativeness, to integrate these rights into everyday business management practices, and to ensure competitiveness in the future as well. During the review period, approximately twice as many patent applications within a total of 43 patent families were submitted as in the previous year.

Competent personnel and critical competence identification are important preconditions for success in managing any business operation. At Outokumpu, we are paying increasing attention to the development of both the quality and composition of our technical personnel to better match existing core skills and future competence requirements.

Year 1999

Outokumpu's investments in research and development in 1999 amounted to EUR 37 million, which equals about 1.3% of net sales (1998: EUR 39 million and 1.3%).

Listed below is a summary of new technologies and products developed, acquired, commercialized or introduced during the year:

- First results from the Intelligent Mine program adopted at both the Kemi and the Pyhäsalmi mines
- New super-conducting magnetic separation technology purchased to complement previous expertise in separation technology
- Filtration technology complemented through the purchase of the Eberhard Hoesch & Söhne GmbH
- New Courier 3SL X-ray analyzer launched on the market
- Ceramic capillary filtration technology developed and applied to iron ore and hydrometallurgical processes
- The expanded Kokkola zinc plant ran at full capacity in its first year of operation
- Significant increase in nickel production at Harjavalta, following successful process and equipment development over the past two years
- New machinery developed for automatic aluminum and zinc casting
- Manufacture of copper strip started in Malaysia
- New strip and casting capacity built at Nippert in Delaware, Ohio in the United States
- New technology developed for bronze strip manufacturing
- Speeds significantly increased in casting of copper alloys
- Cost-effective process developed for narrow copper strip fabrication
- New charging technology for the arc-furnace in stainless steel production
- Direct charging of cast stainless stell slabs into walking beam furnaces
- New slag treatment to reduce the environmental load in stainless steel production

Full-time R&D personnel

	1999	1998
Doctors and licentiates	43	43
University or college degree	139	138
Polytechnic or equivalent degree	53	64
Other vocational training	46	47
Undergraduates	3	8
Others	126	127
Total	410	427

R&D expenditure

€ million	1999	1998
Stainless Steel	8	8
Copper Products	13	8
Metals Production	5	4
Mining	1	7
Technology	6	9
Other operations	12	12
Intra-Group items	(8)	(9)
The Group	37	39

Environmental responsibility grows in significance

Petri Kulha taking seawater samples outside the Kokkola zinc plant.

Outokumpu seeks to promote, both in its own production and in the technological solutions marketed, the use of environmentally friendly, closed processes with optimal energy efficiency. Environmental protection has traditionally been an essential core function in every Outokumpu operation. One example of this long-term commitment was last year's 30th anniversary of the foundation of Outokumpu's first environmental protection committee.

During the review period, in keeping with the Group's environmental policy, particular attention was paid to environmental responsibilities and environmental management systems. Continuous internal reporting has been developed considerably, and the Group's environmental management aims to fully integrate environmental protection practices and objectives of sustainable development into all business operations.

Emissions well under control

The emissions and discharges into the environment from Outokumpu's production plants remained at last year's levels. Most plants have managed to continuously improve their operations. The ongoing programs are aimed at minimizing emissions.

The Group's sulfur dioxide emissions totaled some 3 700 tonnes, of which the Harjavalta smelter accounted for 3 400 tonnes. That is equivalent to about 3% of the total emissions in Finland. Still, the Harjavalta smelter is one of the cleanest smelters in the world and its sulfur recovery rate is excellent, in excess of 99%.

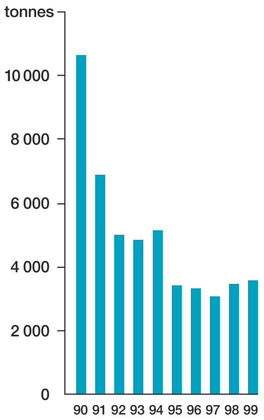
No major environmental accidents occurred during the review period. In January, there was a leak at the Harjavalta nickel plant caused by a frozen pipe. Around 2 tonnes of nickel was released into the waterways, which caused the nickel emissions to exceed the annual limit. The zinc and chrome emissions at the Tornio steel mill exceeded the allowed limits, that have proved to be exceptionally demanding. Less stringent norms for a fixed period were granted in order to give the company time to find and install new cleaner technology.

In recent years, Harjavalta has had problems with dust removal equipment. The equipment, upgraded in 1998, has functioned well and in 1999 an all-time low dust emission volume of 48 tonnes was achieved. Dust emissions have been reduced by 95% since 1990 and by 86% since 1997.

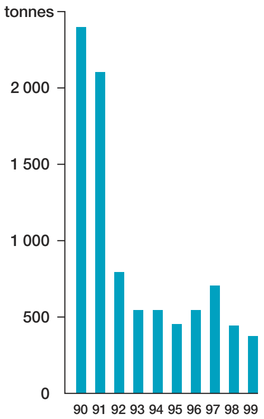
Mining areas restored at end of exploitation

Successful tests for bacterial purification of water with an elevated metal content were continued at the closed-down Ruostesuo, Hammaslahti and Kotalahti mines in Finland. The rehabilitation work at the Viscaria and Pahtohavare mines in Sweden was completed in August. All the existing structures were demolished, the areas

Sulfur dioxide emissions

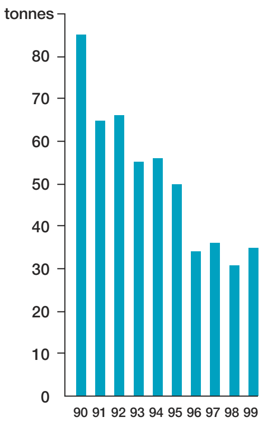


Particle emissions to air



Metal emissions to water

(zinc, copper, nickel, chrome, lead, arsenic)



landscaped and the mine tailings area re-vegetated. Surveillance of the waterways continues.

The Forrestania mine in Australia was shut down in August. Some of the restoration tasks were already carried out while it was still in operation. Most of the rehabilitation efforts, agreed with the public authorities, will be completed during 2000. As much of the area as possible will be restored to its natural state.

The 3.1 km long underground insulation wall being built around the Kokkola zinc plant waste area is due for completion in 2000.

Environmental protection an integral part of production

Environmental protection expenditure forms an integral part of production costs. Major environmental investments include e.g. the insulation wall around the Kokkola waste storage area (EUR 2.6 million), the regeneration sediment neutralization plant at Tornio (EUR 0.8 million), improved water treatment at Harjavalta (EUR 0.5 million) and the drainage system at Pori (EUR 0.5 million). Environmental investments totaled about EUR 7.8 million.

There were no significant environmental incidents reported by the overseas business units.

Harjavalta introduced rainwater storage basins at the plant site; this helps to regulate the water flows into the water treatment plant and consequently to enhance treatment efficiency.

The environmental management system at Outokumpu Polarit Oy's and Outokumpu Chrome Oy's Tornio plants was certified in accordance with the ISO 14001 standard. The goal is for the systems at the Harjavalta and Kokkola plants and at the Kemi mine to be certified in 2000.

Several events to promote environmental issues were held during the year. One such was a seminar in the spring to celebrate the 30th anniversary of the foundation of the environmental protection committee. Personnel have been given environmental training at local events. At the end of the year, a sustainable development training and information program targeted at management and key personnel of the Finnish companies was launched; it includes half-day seminars that will be held in each locality.

The Outokumpu's Espoo office premises won the Finnish national 1999 Environmental Construction competition for its merits as a distinct, stylish complex that blends in superbly with its surroundings.

No major environmental liabilities

There are no environment-related compensation or other legal proceedings pending, with the exception of the ongoing Princeton Gamma-Tech ground water case in the United States, reported in section 20 of the Notes to the consolidated financial statements. The Group is unaware of any significant environmental risks that might have a major influence on its financial position.

Outokumpu published a detailed environmental report in the spring of 1999. Updated information for 1999 will be distributed in March 2000, whereas the next full environmental report covering the entire Group will be published in 2001.

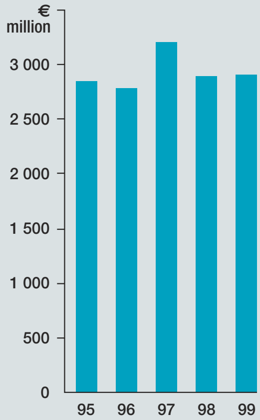
Outokumpu's experts took part in writing the European Union's "Best available technology" (BAT) descriptions. We produced documents on the manufacture of copper, nickel, zinc and ferrochrome, which were published as part of a series of publications by the Finnish Environment Center.

4 Financial statements

- Corporate review of the year
- Auditors' report
- Consolidated financial statements
- Parent Company financial statements
- Shares and shareholders
- Administration

Corporate review of the year

Net sales



Despite a weak start to the year, Outokumpu achieved a satisfactory financial result in 1999. The capital investments of recent years were exploited effectively and production records were attained in several units. At the beginning of the year, metal prices were at all-time lows but began to climb toward the end of the year. The rise in prices meant that EUR 76 million of earlier market adjustment to inventories was reversed and the consolidated operating profit rose to EUR 152 million. The profit before extraordinary items and taxes was EUR 98 million.

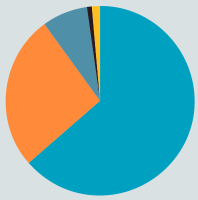
The Board of Directors recommends to the Annual General Meeting that a dividend of EUR 0.25 per share be paid out for 1999.

Metals market takes a positive turn

The growth in the world economy during 1999 was greater than expected. The recovery subsequent to the Asian economic crisis was quick in the region's industrializing countries, and in Japan, too, there were signs of accelerating economic growth toward the end of the year. Economic growth in the United States continued strongly throughout the year and it also strengthened in Europe toward year's end.

On the metals market, the early part of the year was difficult and metal prices at a historically low level. Growth in industrial production and increased investment activity was reflected in increasing demand for metals and rising prices. The rise in metal prices began with base metals and extended at the end of the year to stainless steel. The greatest increase in prices occurred in nickel, whose average market price rose by 31% from the previous year. The price of zinc rose by 7%. The price of copper also recovered toward the end of 1999, but the weak price level in the first few months meant that the average price for the year dropped by 5% from 1998.

Net sales by market area 1999



Europe (Finland 7.8%)	63.6%
North and South America	26.5%
Asia	7.8%
Australia	0.8%
Other countries	1.3%

Despite positive development in the final quarter, the average price level of stainless steel (conversion margins) finished 25% lower than in the previous year. The price of ferrochrome also strengthened at the end of the year, but the average market price for the year fell by 20% from 1998. The conversion prices for copper products remained at the level of the previous year. The treatment charges for zinc rose slightly during the reporting period, whereas the low price of copper and oversupply of smelter capacity meant that copper treatment and refining charges declined by a third.

Net sales at previous year's level

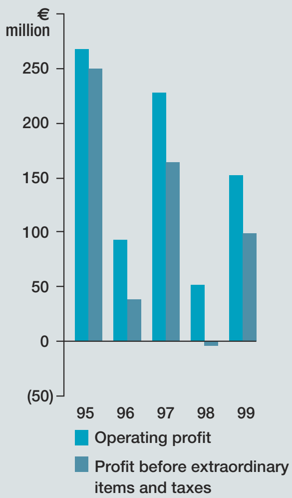
The Group's net sales grew by 0.7% from the previous year to EUR 2 909 million. The delivery volumes of stainless steel, ferrochrome, zinc and nickel rose appreciably. Deliveries by Copper Products and Technology were slightly lower than in the previous year. The strengthening of the US dollar by an average of 4% against the euro also enhanced net sales. Exceptionally low metal prices during the first half of the year in particular offset the impact of the increased delivery volumes and stronger dollar almost entirely, and the growth in net sales remained modest.

There were no fundamental changes in the geo-graphical breakdown of sales. Europe's share was 64% and America's 27%. Asian trade picked up toward the end of the year, and the region's share of sales rose to 8%. A more detailed account of the geographical breakdown of net sales is given in section 2 of the Notes to the Consolidated Financial Statements.

Net sales by business area

€ million	1999	1998	Change %
Stainless Steel	778	795	(2)
Copper Products	1 220	1 245	(2)
Metals Production	933	788	18
Mining	244	170	44
Technology	201	233	(14)
Other operations	296	283	5
Intra-group sales	(763)	(625)	22
Group total	2 909	2 889	1

Profit



The investments in stainless steel completed earlier were put to effective use. Production volumes rose clearly from the previous year, and production records were achieved in all principal products. The production volumes of fabricated copper products fell slightly as a consequence of the consolidation of electrostrip production in the United States and tube production in Europe as well as the disposal of brass rod production in 1998. The expansion of the Kokkola zinc plant, completed in 1998, led to a 13% increase in zinc production. Nickel production at Harjavalta rose by 22%, while copper production declined by 5%.

Zinc mine production decreased by 9% mainly as a consequence of poor productivity at Tara and the depletion of the Mullikkoräme ore reserves at the Pyhäsalmi mine. The closure of the Grong mine in 1998 reduced copper mine production by 14%. Nickel mine production rose slightly thanks to Black Swan, even though the Forrestania nickel mine in Australia was shut down in August owing to the depletion of the ore reserves. In November, a decision was taken to re-open the Hitura nickel mine, and production started in December. The mine's production was interrupted in June 1998 when the price of nickel had fallen below the breakeven point. More detailed output information is given on pages 15, 17, 19, 21 and 62.

Distinct improvement in result

Outokumpu's result for 1999 was markedly better than in the previous year.

The consolidated operating profit was EUR 152 million (1998: EUR 51 million). The operating profit was improved in particular by the reversal of the market adjustment to inventories of EUR 76 million resulting from increased metal prices (1998: market adjustment to inventories of EUR 81 million). The operating profit also includes a EUR 14 million unusual item, corresponding to a refund of excess funding related to the transfer of the Outokumpu Pension Foundations' pension liabilities (1998: unusual income of EUR 4 million).

The result for the final quarter of the year was the best, with an operating profit of EUR 52 million generated in October-December. Mining and Copper Products were the business areas that improved their result the most.

The 6% growth in the stainless steel delivery volumes was not sufficient to compensate for the effect of the low stainless steel and ferrochrome prices, and the operating profit of Stainless Steel finished lower than in the previous year.

Copper Products' operating profit rose clearly from the previous year. The operative result excluding inventory price changes and unusual items also improved to some extent.

Metals Production's operating profit declined from the previous year as Harjavalta Metals' result fell markedly due to the sharp fall in copper treatment and refining charges. In addition, high nickel stock levels and the rapid increase in nickel prices had a negative effect on Harjavalta Metals' result, when using the LIFO valuation on metal inventories. Increased delivery volumes and higher treatment charges improved the zinc unit's operating profit from the previous year and it showed a good result.

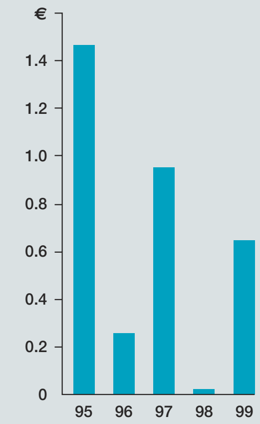
The rise in metal prices strengthened the results of the nickel mines in particular, and Mining's operating profit clearly improved from the previous year. The positive result trend was hampered by the continued productivity problems at the Tara zinc mine. The agreement concluded with the Tara personnel in July has not led to the desired results, and the utilization rate of mine capacity has stayed at 60% as a consequence of the frequent absenteeism in recent months. Talks with personnel are underway to resolve the problem.

The growth in Technology's backlog of orders did not have time to impact delivery volumes and result trends. The decline in net sales meant that the business

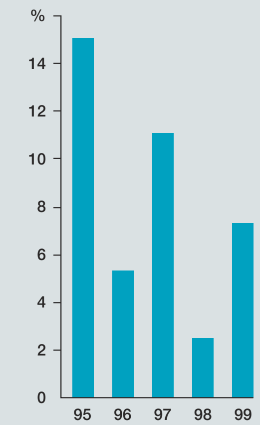
Operating profit by business area

€ million	1999	1998	Change
Stainless Steel	40	46	(6)
Copper Products	53	18	35
Metals Production	32	44	(12)
Mining	10	(83)	93
Technology	8	23	(15)
Other operations	10	(2)	12
Intra-group items	(1)	5	(6)
Group	152	51	101

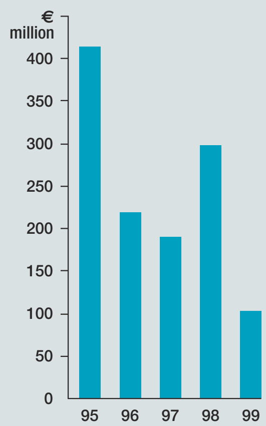
Income per share



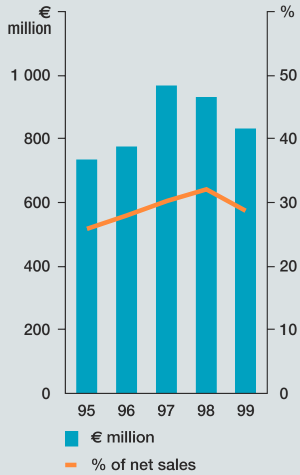
Return on capital employed



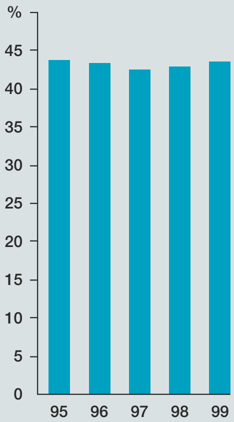
Cash provided by operating activities



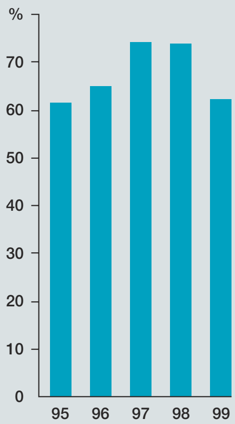
Net interest-bearing debt



Equity-to-assets ratio



Debt-to-equity ratio



area's operating profit fell clearly short of the previous year in the difficult market situation.

Outokumpu's share of the results of associated companies totaled a loss-making EUR 13 million (1998: loss of EUR 24 million). The Group's 50% share of the result of the Chilean Zaldívar associated mine, sold in December, represented up until the sale date a loss of EUR 14 million. Outokumpu's ownership share of the mine was sold to Canadian Placer Dome Inc., already a 50% shareholder in the mine. The transaction price was EUR 249 million and it generated a capital loss of EUR 1 million. Of the associated companies, the Spanish Laminados Oviedo-Córdoba S.A. yielded a profit in 1999. The result trends of the major associated companies are covered in greater detail in section 12 of the Notes to the Consolidated Financial Statements.

The consolidated profit before extraordinary items and taxes was EUR 98 million (1998: loss of EUR 4 million). Tax refunds lowered the income tax posted for the accounting period to EUR 19 million (1998: EUR 7 million positive) and the effective tax rate was 19%. The consolidated net income was EUR 80 million (1998: EUR 3 million). The income per share was EUR 0.65 (1998: EUR 0.02). The return on capital employed was 7.3% (1998: 2.5%).

Financial position stronger

The Group's financial position improved in the reporting period mainly as a consequence of the divestiture of Zaldívar.

Despite the improvement in income financing, the cash flow from operating activities clearly declined from the previous year, EUR 223 million being tied up in working capital.

The equity-to-assets ratio improved by 0.6 per- centage points over the previous year to 43.5%.

The net interest-bearing debt grew until December, but fell after the December sale of Zaldívar to EUR 834 million at year's end. Net interest and other financial expenses rose by EUR 4 million, as the average net interest-bearing debt was higher than in the previous year.

The Group's liquidity was good throughout the year. Cash and marketable securities totaled EUR 144 million at the end of the year. There were also committed credit facilities of approximately EUR 420 million available to the Group.

Investments on the increase

The consolidated capital expenditure declined clearly from the previous year and totaled EUR 153 million, i.e., 5.3% of net sales. Maintenance investments accounted for almost EUR 108 million of this.

The most significant investments in 1999 were the move to underground mining at the Kemi chromium mine and the deepening of the Pyhäsalmi copper-zinc-pyrite mine. The switch to underground mining at Kemi will cost some

Key indicators to illustrate changes in the financial position

€ million	1999	1998
Net interest-bearing debt		
Long-term debt	622	670
Current debt	356	350
Total debt	978	1 020
Cash and marketable securities	(144)	(91)
Net debt	834	929
Net debt in relation to net sales (%)	28.7	32.2
Shareholders' equity	1 337	1 251
Debt-to-equity ratio (%)	62.2	74.0
Equity-to-assets ratio (%)	43.5	42.9
Cash provided by operating activities	102	298
Net financial expenses		
Net interest and other financial expenses	(41)	(37)
Exchange gains (losses)	0	6
Net financial expenses	(41)	(31)
Net financial expenses in relation to net sales (%)	1.4	1.1

Capital expenditure by business area

€ million	1999	1998
Stainless Steel	36	51
Copper Products	49	73
Metals Production	17	64
Mining	36	38
Technology	11	16
Other operations	4	7
Group total	153	249

EUR 70 million and will occur between 1999 and 2004. The investment will improve the mine's profitability and permit a doubling of mine production. The total cost of the deepening of the Pyhäsalmi mine will be some EUR 50 million, and it will increase the mine's life by more than ten years. The investment will be completed in 2001.

In September, Technology purchased the German company Eberhard Hoesch & Söhne GmbH, which is one of the leading suppliers of filters to the process industry.

In October, Outokumpu and Hitachi Cable concluded an agreement to establish a joint venture to manufacture copper air-conditioning tubes in Thailand. During the early part of 2000, the company will acquire the business operation of Bangkok Metals Industry Co. Ltd. The value of the total investment, including working capital, is some EUR 31 million, and the plant's planned annual production will rise to 11 000 tonnes in a few years. Outokumpu has a 64% stake in the new company.

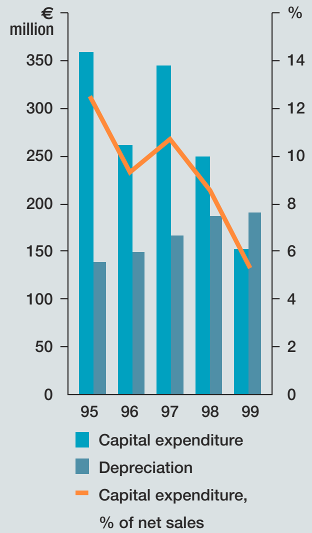
In December, a decision was taken about expansion investments within Stainless Steel, whereby the stainless steel slab production at Tornio will almost double to more than one million tonnes a year. The investment, totaling some EUR 570 million, will also raise the capacity of the hot-rolling and cold-rolling mills. The production of cold-rolled products will rise to 550 000 tonnes and of hot-rolled products to 320 000 tonnes a year. The new production will start up in stages from 2002, and it will be possible to reach the full capacity utilization rate at an annual level in 2004. The investment will strengthen Outokumpu's position as one of the most cost-effective manufacturers of stainless steel.

In December, a decision was also made concerning a EUR 31 million investment in Metals Production's Kokkola zinc plant, whose production capacity will increase from 225 000 tonnes to 260 000 tonnes a year. The augmented capacity will be brought into productive use gradually during 2002. The investment will further improve the competitiveness of the already efficient zinc production.

Despite the major new investments, it is estimated that the Group's equity-to-assets ratio will remain above the target level of 40%.

With the present investment decisions and plans, capital expenditure in 2000 is estimated to rise to some EUR 400 million.

Capital expenditure



Research and development more focused

Taken as a whole, R&D and exploration expenditure was slightly lower than in the previous year.

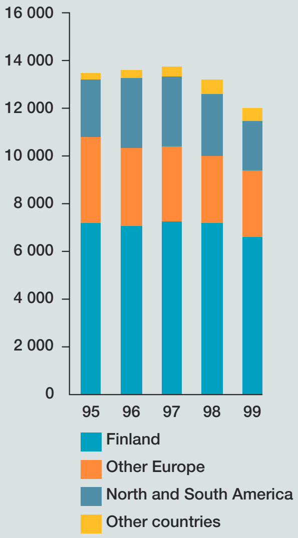
During 1999, expenditure on research and development totaled EUR 37 million, i.e., 1.3% of net sales (1998: EUR 39 million and 1.3%). Particular attention was paid to targeting research and development resources, with a focus on customized solutions, concentration on core competencies and utilization of new technologies. The results of the Group's own R&D were utilized successfully during the period at many of Outokumpu's production plants as well as in technology sales.

Exploration expenditure totaled EUR 15 million, i.e., 0.5% of consolidated net sales (1998: EUR 17 million and 0.6%). In Ireland, investigations of the southwestern extension of the Tara zinc mine were continued and yielded promising results. The volume and grade of ore reserves and the quantity of mineral resources at Pyhäsalmi grew during the reporting period. In Australia, the drillings at the Black Swan nickel mine intersected a massive nickel orebody below the current deposit. In January 2000, Canadian Placer Dome Inc. declared that it would exercise its option relating to the sale of Zaldívar to purchase all of Outokumpu's exploration companies in Chile.

Environmental management systems under development

In keeping with its core values and approved environmental policy, Outokumpu and

Personnel



Personnel by business area

Dec. 31	1999	1998
Stainless Steel	2 397	2 391
Copper Products	5 026	5 412
Metals Production	1 390	1 765
Mining	1 207	1 405
Technology	1 206	1 450
Other operations	746	756
Group total	11 972	13 179

its personnel must work constantly to reduce the impact of the Group's activities on the environment. Outokumpu has indeed succeeded in this, even though production volumes have continued to increase.

During the reporting period, the environmental management systems of the largest units were developed with the aim of completing a certification process in 2000. Certification has already been carried out at some production plants. In addition, the Group committed itself to a number of Finnish and international environmental protection projects intended to promote sustainable development.

Management is not aware of any particular environmental risks or liabilities, which could have a major impact on the Group's financial position.

Commitment to competence development

Competence development, especially of young recruits, will be one of the crucial tasks of Outokumpu's personnel strategy over the next few years. Customer expertise and efficient operating models have a key role to play in developing personnel.

During 1999, Outokumpu's occupational safety policy was approved and the decision was taken to devote the year 2000 to the safety theme, with the aim of reducing the number of on-the-job accidents considerably.

Management and personnel incentive schemes were further developed in order to increase goal-orientation, enhance results and support the implementation of business strategies. As part of the development of incentives, last spring Outokumpu offered its Finnish personnel a convertible bond loan, which was oversubscribed. On April 6, 1999, the Board of Directors approved the subscriptions and their allocations. A more detailed account of the terms of the convertible loan is given on page 72.

The Group's personnel decreased during the year by over 1 200, and at the end of the year there were 11 972 people on the payroll. The reduction in personnel was greatest at Harjavalta Metals, which at year-end employed 369 fewer people than a year earlier, mainly as a consequence of networking. Copper Products' personnel fell by a total of 386 essentially as a consequence of the consolidation of electrostrip production in the United States and of tube production in Europe as well as of efficiency-promoting measures at the Pori works.

An account of the geographical breakdown of personnel is given in section 2 of the Notes to the Consolidated Financial Statements.

No problems with euro and Y2K

The adoption of the euro at the beginning of 1999 passed off smoothly at Outokumpu. The total costs of the transition to the euro were just under EUR 2 million, most of which was already expensed in 1998. The introduction of the euro has promoted liquidity management efficiency in particular and reduced the costs associated with financing activities and risk management.

Preparations for the year 2000 went well, and the roll-over did not cause any hitches. The total costs associated with the preparations came to some EUR 5 million, of which EUR 3 million has burdened the 1999 result.

Base Metals divided into two business areas

On July 1, the Base Metals business area was divided into Metals Production and Mining, and the two have since been reported as separate business areas.

Short-term outlook favorable

The short-term economic outlook is favorable and large-scale global economic growth is expected for 2000. The strengthening demand for metals and the rise in prices which began last year create a solid base for boosting the Group's earnings development in the coming months.

The rise in the price level of stainless steel at the end of the year, production running at full capacity and the improving ferrochrome market all place Stainless Steel in a good position to improve its result considerably over last year.

The demand prospects for fabricated copper products for 2000 have improved, but the competitive situation is expected to remain tough. In the face of fierce competition, Copper Products should nonetheless be able to improve its result.

The strengthening metals market is expected to lead to higher treatment charges for base metals. Despite the rise, copper treatment and refining charges will probably remain low over yet the next few months, which will place a strain on the profitability of Metals Production's copper production.

The increased demand for base metals and the positive price trend will improve the profitability of the mining operations. However, until resolved, the productivity problems at the Tara zinc mine will slow down the improvement in Mining's result.

The increase in investment activity has also improved Technology's outlook for 2000. The business area's order backlog at the end of the year was 34% higher than in the previous year, but the effects on the business area's result will be manifest only after some time.

In 1999, Outokumpu launched an extensive project aimed at improving competitiveness, designed to render administration more efficient and reduce administrative costs. On the basis of reports completed at the end of the year, Corporate Management took decisions concerning the strategies and guidelines for reforms in administration, and the first development programs have already been launched.

If the current market outlook materializes, it is estimated that the Group's result for 2000 will be a distinct improvement on the previous year. Current investments, new investment decisions made and the numerous measures designed to promote operational efficiency coupled with continuous competence development will strengthen the Group's earnings potential also over the longer term.

Board of Directors' proposal for profit distribution

In keeping with the approved dividend policy, the Board of Directors considers in its annual proposal for profit distribution to owners both the financial result and the Group's investment and development needs. The objective of the Board of Directors is to maintain a dividend pay-out ratio of at least a third of the net income over a business cycle.

The financial statements of December 31, 1999 show that the Group's distributable funds total EUR 287 million and those of the Parent Company EUR 98 million.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.25 per share be distributed and that the remaining distributable funds be allocated to retained earnings.

Espoo, February 4, 2000

Gerhard Wendt

Matti Puhakka — Arto Honkaniemi

Heimo Karinen — Paavo Leppänen

Ilkka Suominen — Pekka Tuomisto

Jyrki Juusela
President

Auditors' report

To the shareholders of Outokumpu Oyj

We have audited the bookkeeping, the financial statements and the administration of Outokumpu Oyj for the financial year 1999. The financial statements prepared by the Board of Directors 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 Board of Directors 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 Board of Directors and the President be discharged from liability for the financial year audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Finnish Companies Act.

Espoo, February 7, 2000

SVH Pricewaterhouse Coopers Oy
Authorized Public Accountants

Pekka Nikula, APA

Consolidated income statement

€ million		1999	1998
Net sales	[2, 3]	**2 909**	2 889
Cost of sales	[4]	**(2 505)**	(2 582)
Gross margin		**404**	307
Selling and marketing expenses		**(86)**	(86)
Administrative expenses		**(129)**	(122)
Exploration, research and development expenses		**(52)**	(53)
Unusual items	[6]	**14**	4
Other operating income and expenses	[7]	**2**	2
Amortization of goodwill on consolidation		**(1)**	(1)
Operating profit	[3-8, 11]	**152**	51
Equity earnings in associated companies	[12]	**(13)**	(24)
Financial income and expenses	[9]		
Net interests and other financial expenses		**(41)**	(37)
Exchange gains (losses)		**0**	6
		(41)	(31)
Profit before extraordinary items and taxes		**98**	(4)
Extraordinary income and expenses		**–**	–
Profit before taxes		**98**	(4)
Income taxes	[10]		
Current taxes		**(5)**	(16)
Deferred taxes		**(14)**	23
		(19)	7
Minority interest in earnings		**1**	(0)
Net income		**80**	3
Income per share (excluding extraordinary items)	€	**0.65**	0.02
Net income per share	€	**0.65**	0.02
Average number of shares		**124 529 660**	124 529 660

Figures in brackets refer to the Notes to the consolidated financial statements on pages 45-63.

The figures of year 1998 are converted to euros by using the fixed conversion rate, EUR 1 = FIM 5.94573.

Consolidated statement of cash flows

€ million	1999	1998
Operating activities		
Income financing		
Net income	**80**	3
Depreciation and amortization	**190**	186
Write-downs on fixed assets and other long-term investments	**0**	5
Undistributed earnings in associated companies	**13**	24
Deferred taxes	**14**	(23)
Other items [1]	**33**	21
	330	216
Change in working capital		
(Increase) decrease in inventories	**(155)**	36
(Increase) decrease in receivables	**(181)**	117
Increase (decrease) in current non-interest-bearing liabilities	**113**	(76)
	(223)	77
Other adjustments to cash [2]	**(5)**	5
Cash provided by operating activities	102	298
Investing activities		
Capital expenditure for purchase of fixed assets	**(153)**	(249)
Investments in associated companies and other equity investments	**(2)**	(35)
Proceeds from sales of business operations and fixed assets [3]	**0**	44
Decrease in other long-term financial assets	**205**	6
Increase in working capital related to fixed assets	**(8)**	(12)
Cash used in investing activities	**42**	(246)
Cash flow before financing activities	**144**	52
Financing activities		
Borrowings of long-term debt	**29**	184
Repayments of long-term debt	**(89)**	(225)
Increase in current debt	**6**	41
Dividends paid	**(10)**	(42)
Other financial items	**0**	(3)
Cash used in financing activities	**(64)**	(45)
Increase in cash and marketable securities [4]	**80**	7
Adjustments [5]	**(27)**	(7)
Increase (decrease) in cash and marketable securities in the consolidated balance sheet	**53**	(0)

[1] Includes gains and losses on sales of business operations and fixed assets, provisions, exchange gains and losses 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] Liquid assets include cash and marketable securities.
[5] Includes the effect of exchange rates on cash and marketable securities in the consolidated balance sheet.

Consolidated balance sheet

€ million		1999	1998
ASSETS			
Fixed assets and other long-term investments	[11]		
Intangible assets			
Intangible rights		**5**	5
Goodwill		**3**	4
Goodwill on consolidation		**5**	5
Other long-term expenses		**38**	32
		51	46
Property, plant and equipment			
Land		**33**	34
Mine properties	[11]	**62**	54
Buildings		**328**	330
Machinery and equipment		**1 086**	1 097
Construction in progress		**46**	41
Advances paid for fixed assets		**2**	7
Other fixed assets		**31**	26
		1 588	1 589
Long-term financial assets			
Investments in associated companies	[12]	**25**	23
Other equity investments		**20**	20
Long-term loans receivable		**42**	245
Deferred exchange losses		**2**	10
Deferred tax asset	[10]	**36**	18
Other financial assets		**3**	5
		128	321
Total fixed assets and other long-term investments		**1 767**	1 956
Current assets			
Inventories	[13]		
Raw materials		**147**	97
Fuels and supplies		**43**	42
Work in process		**196**	158
Finished goods and merchandise		**163**	155
Advances paid for inventories		**3**	2
		552	454
Receivables	[14]		
Accounts receivable		**473**	324
Loans receivable		**1**	1
Prepaid expenses and accrued income		**86**	61
Deferred tax asset	[10]	**36**	23
Other receivables		**62**	36
		658	445
Cash and marketable securities			
Deposits and debt securities		**1**	9
Cash and cash equivalents		**143**	82
		144	91
Total current assets		**1 354**	990
TOTAL ASSETS		**3 121**	2 946

€ million		**1999**	1998
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	[15]		
Share capital		**212**	209
Premium fund		**407**	410
Other funds		**13**	10
Retained earnings		**625**	619
Net income for the year		**80**	3
		1 337	1 251
Minority interest		**4**	4
Long-term liabilities			
Long-term debt	[16]		
Bonds and debentures		**17**	17
Convertible bond		**18**	–
Loans from financial institutions		**538**	584
Pension loans		**44**	64
Other long-term loans		**5**	5
		622	670
Other long-term liabilities			
Accounts payable		**1**	1
Deferred exchange gains		**1**	–
Deferred tax liability	[10]	**222**	191
Other long-term liabilities		**46**	51
		270	243
Current liabilities			
Current debt			
Bonds and debentures	[16]	**–**	0
Convertible bond		**0**	–
Loans from financial institutions		**162**	154
Pension loans		**5**	5
Bills payable		**0**	0
Other current loans		**189**	191
		356	350
Other current liabilities			
Advances received		**38**	21
Accounts payable		**241**	165
Accrued expenses and prepaid income	[17]	**212**	198
Deferred exchange gains		**7**	13
Deferred tax liability	[10]	**9**	0
Other current liabilities		**25**	31
		532	428
Total liabilities		**1 780**	1 691
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3 121**	2 946

Key financial indicators

Key financial indicators of the Group [1]

		1995	1996	1997	1998	**1999**
SCOPE OF ACTIVITY						
Net sales	€ million	2 851	2 783	3 205	2 889	**2 909**
– change in net sales	%	1.6	(2.4)	15.1	(9.9)	**0.7**
– exports from and sales outside Finland, of total net sales	%	89.4	91.3	91.7	91.4	**92.2**
Capital employed on Dec. 31	€ million	2 049	2 078	2 362	2 275	**2 319**
Capital expenditure	€ million	358	261	344	249	**153**
– in relation to net sales	%	12.6	9.4	10.7	8.6	**5.3**
Depreciation and amortization	€ million	139	150	166	186	**190**
Exploration costs	€ million	28	31	23	17	**15**
Research and development costs [2]	€ million	26	26	35	39	**37**
– in relation to net sales	%	0.9	0.9	1.1	1.3	**1.3**
Personnel on Dec. 31		13 458	13 622	13 734	13 179	**11 972**
– average for the year		14 253	13 808	14 016	14 027	**12 724**
PROFITABILITY						
Operating profit [3]	€ million	267	93	228	51	**152**
– in relation to net sales	%	9.4	3.3	7.1	1.8	**5.2**
Operating profit excluding inventory price changes	€ million	273	125	237	132	**76**
Equity earnings in associated companies [3]	€ million	(7)	(21)	(11)	(24)	**(13)**
Profit before extraordinary items and taxes	€ million	249	39	164	(4)	**98**
– in relation to net sales	%	8.7	1.4	5.1	(0.2)	**3.4**
Profit before taxes	€ million	241	39	164	(4)	**98**
– in relation to net sales	%	8.4	1.4	5.1	(0.2)	**3.4**
Net income	€ million	174	32	118	3	**80**
– in relation to net sales	%	6.1	1.1	3.7	0.1	**2.8**
Return on shareholders' equity	%	16.3	2.6	9.5	0.3	**6.1**
Return on capital employed	%	15.1	5.3	11.1	2.5	**7.3**
FINANCING AND FINANCIAL POSITION						
Liabilities	€ million	1 577	1 606	1 791	1 691	**1 780**
Net interest-bearing debt	€ million	737	777	967	929	**834**
– in relation to net sales	%	25.8	27.9	30.2	32.2	**28.7**
Net financial expenses	€ million	11	33	52	31	**41**
– in relation to net sales	%	0.4	1.2	1.6	1.1	**1.4**
Net interest expenses	€ million	22	25	37	36	**41**
– in relation to net sales	%	0.8	0.9	1.1	1.2	**1.4**
Interest cover		12.3	2.5	5.5	0.9	**3.4**
Share capital	€ million	209	209	209	209	**212**
Other shareholders' equity and minority interest	€ million	987	990	1 094	1 046	**1 129**
Equity-to-assets ratio	%	43.7	43.4	42.5	42.9	**43.5**
Debt-to-equity ratio	%	61.6	64.8	74.2	74.0	**62.2**
Cash provided by operating activities	€ million	415	218	191	298	**102**
Equity issues	€ million	0	0	–	–	**–**
Dividends	€ million	37.7	20.9	41.9	10.5	**31.1** [4]

[1] The figures for 1995-98 are converted to euros by using the fixed conversion rate, EUR 1 = FIM 5.94573.

[2] The figures for 1995 include also development costs capitalized on investments.

[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 1995 have been restated to reflect this reclassification.

[4] The Board of Directors' proposal to the Annual General Meeting.

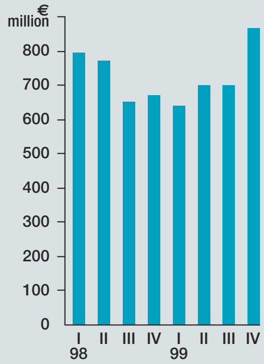
Key financial indicators by business area

		1995	1996	1997	1998	**1999**
STAINLESS STEEL						
Net sales	€ million	951	754	832	795	**778**
Share of the Group's net sales	%	28	22	20	23	**21**
Operating profit	€ million	295	104	93	46	**40**
Operating profit margin	%	31	14	11	6	**5**
Operating profit excluding inventory price changes	€ million	293	109	86	78	**16**
Return on capital employed	%	52	17	14	7	**6**
Capital employed Dec. 31	€ million	645	628	737	684	**698**
Capital expenditure	€ million	92	108	138	51	**36**
Depreciation	€ million	37	41	46	55	**59**
Personnel Dec. 31		2 346	2 355	2 391	2 391	**2 397**
COPPER PRODUCTS						
Net sales	€ million	1 226	1 261	1 391	1 245	**1 220**
Share of the Group's net sales	%	35	37	34	35	**33**
Operating profit	€ million	65	46	14	18	**53**
Operating profit margin	%	5	4	1	1	**4**
Operating profit excluding inventory price changes	€ million	69	66	25	32	**35**
Return on capital employed	%	12	9	3	3	**8**
Capital employed Dec. 31	€ million	590	588	672	634	**777**
Capital expenditure	€ million	65	64	77	73	**49**
Depreciation	€ million	29	33	37	45	**48**
Personnel Dec. 31		5 368	5 485	5 525	5 412	**5 026**
METALS PRODUCTION						
Net sales	€ million	611	767	956	788	**933**
Share of the Group's net sales	%	18	22	24	22	**25**
Operating profit	€ million	(2)	15	82	44	**32**
Operating profit margin	%	neg.	2	9	6	**3**
Operating profit excluding inventory price changes	€ million	1	22	87	82	**(6)**
Return on capital employed	%	5	4	17	9	**7**
Capital employed Dec. 31	€ million	516	545	503	510	**530**
Capital expenditure	€ million	164	44	77	64	**17**
Depreciation	€ million	28	36	43	45	**45**
Personnel Dec. 31		1 979	1 763	1 797	1 765	**1 390**
MINING						
Net sales	€ million	231	215	253	170	**244**
Share of the Group's net sales	%	7	6	6	5	**7**
Operating profit	€ million	(80)	(81)	9	(83)	**10**
Operating profit margin	%	neg.	neg.	4	neg.	**4**
Return on capital employed	%	neg.	neg.	6	neg.	**4**
Capital employed Dec. 31	€ million	360	392	406	437	**255**
Capital expenditure	€ million	25	31	33	38	**36**
Depreciation	€ million	35	34	31	34	**30**
Personnel Dec. 31		1 900	1 664	1 494	1 405	**1 207**
TECHNOLOGY						
Net sales	€ million	181	187	269	233	**201**
Share of the Group's net sales	%	5	6	7	7	**6**
Operating profit	€ million	13	19	40	23	**8**
Operating profit margin	%	7	10	15	10	**4**
Return on capital employed	%	30	39	62	32	**11**
Capital employed Dec. 31	€ million	47	62	73	82	**92**
Capital expenditure	€ million	10	5	7	16	**11**
Depreciation	€ million	4	4	4	4	**6**
Personnel Dec. 31		1 171	1 651	1 763	1 450	**1 206**

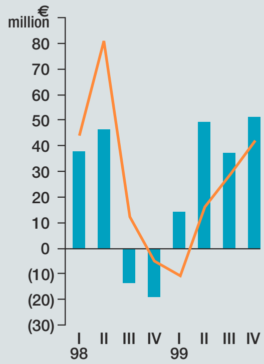
Financial development by quarter

€ million	I/98	II/98	III/98	IV/98	I/99	II/99	III/99	IV/99
Net sales								
Stainless Steel	230	227	176	162	183	191	182	222
Copper Products	346	329	288	282	287	304	290	339
Metals Production	219	207	180	182	189	210	239	295
Mining	46	49	39	36	47	56	61	80
Technology	47	58	47	81	29	45	39	88
Other operations	91	67	59	66	60	67	77	92
Intra-group sales	(186)	(164)	(136)	(139)	(155)	(171)	(186)	(251)
The Group	793	773	653	670	640	702	702	865
Operating profit								
Stainless Steel	22	23	(1)	3	10	13	5	12
Copper Products	15	7	6	(9)	7	22	5	19
Metals Production	13	24	4	3	8	23	3	(2)
Mining	(17)	(17)	(22)	(27)	(10)	(6)	12	14
Technology	3	5	3	12	(2)	2	0	8
Other operations	2	1	(3)	(2)	1	(1)	11	(1)
Intra-group items	0	3	(1)	1	0	(4)	1	2
The Group	38	46	(14)	(19)	14	49	37	52
Equity earnings in associated companies	(5)	(6)	(8)	(5)	(7)	(3)	(2)	(1)
Net interest and other financial expenses	(10)	(9)	(8)	(10)	(9)	(10)	(10)	(12)
Exchange gains (losses)	(8)	7	10	(3)	1	2	(3)	0
Profit before extraordinary items and taxes	15	38	(20)	(37)	(1)	38	22	39
Net income per share, €	0.08	0.22	(0.13)	(0.15)	0.02	0.16	0.15	0.32
Capital employed at end of quarter	2 419	2 351	2 258	2 275	2 343	2 422	2 434	2 319
Net interest-bearing debt at end of quarter	988	990	919	929	1 010	1 059	1 032	834
Equity-to-assets ratio at end of quarter, %	41.7	42.3	43.9	42.9	41.7	41.1	41.2	43.5
Debt-to-equity ratio at end of quarter, %	75.1	76.3	72.2	74.0	80.8	82.9	80.2	62.2
Operating profit excluding market adjustments to inventories and unusual items								
Stainless Steel	25	37	9	7	0	8	0	9
Copper Products	15	19	2	(3)	7	9	0	18
Metals Production	15	41	18	7	(7)	5	4	(7)
Mining	(17)	(17)	(22)	(27)	(10)	(6)	11	14
Technology	3	5	3	12	(2)	2	0	8
Other operations	2	(4)	(3)	(1)	1	(1)	(1)	(2)
Intra-group items	0	1	0	1	0	(1)	1	2
The Group	43	82	7	(4)	(11)	16	15	42
Market adjustments to inventories								
Stainless Steel	(3)	(14)	(10)	(4)	10	5	5	3
Copper Products	(1)	(6)	(2)	(5)	0	13	4	1
Metals Production	(2)	(17)	(14)	(4)	15	18	(2)	6
Intra-group items	0	2	0	(1)	0	(3)	1	0
The Group	(6)	(35)	(26)	(14)	25	33	8	10

Net sales

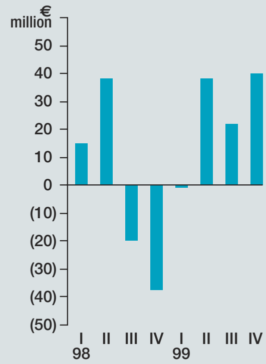


Operating profit



As reported
Excluding market adjustments to inventories

Profit before extraordinary items and taxes



Notes to the consolidated financial statements

1. Principles applied in the financial statements

All Group companies apply uniform accounting standards based on the new Finnish accounting legislation (December 31, 1997). 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 post-retirement benefits are treated in accordance with the local accounting principles of each individual group company.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements cover the Parent Company Outokumpu Oyj, and its subsidiaries, i.e. companies in which Outokumpu Oyj directly or indirectly holds more than 50% of the voting rights, or over which it otherwise exerts significant influence.

Real estate companies and condominiums, which Group employees use for accommodation or recreation, are consolidated. Their impact on the Group's earnings and shareholders' equity is insignificant.

The financial results of subsidiaries acquired or divested during the year are included in the consolidated statements from their acquisition up to their divestiture date. The figures for companies in which controlling interest is relinquished through stock alienation or other transfers during the accounting period are included in the consolidated statements until the date they lose their subsidiary status.

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

Inter-company transactions and balances, inter-company profits, as well as 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 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 the goodwill recorded on acquisition, is presented in the consolidated income statement, and dividends received from associated companies are eliminated. In the consolidated balance sheet, the investment in associated companies and the Group's equity have been adjusted with the Group's share in associated companies' increased net worth after their 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.

A share proportionate to Outokumpu's shareholding of the income statement and balance sheet figures of jointly-owned, non-incorporated mining enterprises managed by Outokumpu together with the other co-owners are included in the consolidated financial statements line by line.

TRANSITION TO THE EURO

Outokumpu has adopted the euro as its accounting currency in all EMU countries and as its new corporate base currency starting from January 1, 1999. The fixed conversion rates between the national currencies in the Eurozone ratified by the EU Council realized foreign exchange gains and losses between the EMU currencies as of December 31, 1998 and were thus entered in the income statement for 1998. Exchange gains and losses on derivative financial instruments and foreign currency loans hedging off-balance-sheet foreign currency cash flows have, however, been deferred and recorded in income when the underlying cash flow is recognized in income. All prior years' figures are converted to euros by using the fixed conversion rate.

FOREIGN CURRENCY ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS

Foreign currency transactions during the year are recorded in the accounts at the exchange rate effective at the time of transaction. Receivables and liabilities in foreign, other than euro currencies are translated into accounting currency at the closing rate on the balance sheet date. Advances paid and received appear in the balance sheet at the exchange rate effective on the day on which they were paid or received.

Since 1999, the Group has applied a new principle in income statement presentation of exchange gains and losses. All exchange gains and losses attributable to transaction risk (currency receivables, loans and other contractual commercial items) as well as hedging against transaction risk, and exchange gains and losses arising from hedging economic exposure (anticipated currency cash flows), are recorded as adjustments to net sales, costs and expenses. Only exchange gains and losses relating to financing are still recorded under financial income and expenses. Prior years' financial statements are not restated to conform to the new income statement presentation principle.

Derivative financial instruments used as hedges against exchange and interest rate risks are valued at the exchange rate or market rate on the balance sheet date. The interest component inherent is accrued as interest income or expense, and exchange gains and losses are posted under net sales, costs, expenses, financial income and expenses. Exchange gains and losses on loans and derivative financial instruments used as hedges for 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 European Central Bank's exchange rates and fixed conversion rates for the euro used in the consolidation of subsidiaries' financial statements are presented on page 12.

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 purchased assets coupled with an interest-bearing liability. Assets held under operating leases are not recorded on the balance sheet, and the lease rentals 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 varying useful lives of assets depending on the nature of the subsidiary's operations. Estimated useful lives for various fixed asset classes are:

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

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

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

INVENTORIES

As of 1998 purchased metals and metal raw materials are valued according to the LIFO (last in, first out) principle at the lower of cost or market. The change from FIFO method to LIFO method was made in accordance with the US GAAP. Since no cumulative effect on the change was determinable, the closing FIFO inventory on December 31, 1997 was used as the opening LIFO inventory on January 1, 1998. The figures for prior years have therefore not been restated. Other inventories are valued using the FIFO (first in, first out) method at the lower of cost or market. The cost of inventories include a proportionate share of overhead arising from the purchase and production of goods.

CASH AND MARKETABLE SECURITIES

Cash and cash equivalents include cash, funds held on call accounts and on deposit up to three months, as well as other funds equivalent to cash.

Marketable securities include equity securities, deposits with a maturity exceeding three months and debt securities intended for resale in under one year's time. 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 indirect 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

Gains and losses on derivative financial instruments hedging against price risks are recognized simultaneously with the underlying transaction and reported as an adjustment to the underlying sales and raw material purchases.

EXPLORATION AND MINING ACTIVITIES

Exploration and evaluation costs are charged against income when incurred. The acquisition costs of exploration projects are capitalized whereas all exploration costs following the acquisition are charged against income when incurred. If the economic value of the acquired exploration project turns out to be less than the original acquisition cost, the carrying value of the exploration project is written down to its impairment test value.

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 restoration 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.

YEAR 2000

The costs relating to Year 2000 have been mainly expensed when incurred. However, costs relating to new computer software and equipment have been capitalized according to the Group's normal accounting policy.

UNUSUAL ITEMS

Non-recurring unusual items include material and exceptional transactions not relating to the normal course of business, such as the non-recurring income, expenses and provisions for sale, restructuring or discontinuation of business operations.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include income and expenses generated in other than normal business activities, such as capital gains and losses on fixed assets, scrapping and rental income.

EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income and expenses include highly exceptional and significant transactions outside the scope of the Group's core business activities.

The extraordinary items of associated company financial statements also include group contributions paid or received.

CONTINGENT LOSSES

Provision is made for contingent losses which are almost certain to materialize in the future and the amount of which can be estimated with reasonable assurance. Depending on their nature, provisions are presented under long- or short-term liabilities in the balance sheet.

PENSION PLANS

Costs for pension and post-retirement 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 Oyj'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 local practice. The pension liabilities of foreign subsidiaries are also covered.

UNTAXED RESERVES

The tax legislation of Finland and 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, are reversed on consolidation and deferred tax is provided for. In the income statement, changes occurring in untaxed reserves during the fiscal year have correspondingly been divided into the accounting period result and the change in deferred tax liability.

The Finnish Companies Act prescribes that untaxed reserves included under consolidated equity cannot be distributed as dividends to the shareholders.

INCOME TAXES

Income taxes presented in the income statement consist of current and deferred taxes.

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 tax rates effective for future periods. Deferred tax liabilities are recognized in the balance sheet in full, and deferred tax assets at their estimated realizable amounts.

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	=	$\frac{\text{Profit before extraordinary items and taxes – income taxes}}{\text{Shareholders' equity + minority interest (average for period)}} \times 100$
Return on capital employed	=	$\frac{\text{Profit before extraordinary items and taxes + interest expenses + other financial expenses +/– exchange losses/gains}}{\text{Capital employed (average for period)}} \times 100$
Net interest-bearing debt	=	Total debt – cash and marketable securities
Interest cover	=	$\frac{\text{Profit before extraordinary items and taxes + net interest expenses}}{\text{Net interest expenses}}$
Equity-to-assets ratio	=	$\frac{\text{Shareholders' equity + minority interest}}{\text{Total assets – advances received}} \times 100$
Debt-to-equity ratio	=	$\frac{\text{Net interest-bearing debt}}{\text{Shareholders' equity + minority interest}} \times 100$
Income per share (excluding extraordinary items)	=	$\frac{\text{Profit before extraordinary items and taxes – income taxes – minority interest in earnings}}{\text{Adjusted average number of shares during the period}}$
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	=	$\frac{\text{Dividend for the financial period}}{\text{Profit before extraordinary items and taxes – income taxes – minority interest in earnings}} \times 100$
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	=	$\frac{\text{EUR amount traded during the period}}{\text{Adjusted number of shares traded during the period}}$
Market capitalization	=	Number of shares at end of period x 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

2. Geographic information

Net sales, operating profit, total assets by geographic areas [1)]

€ million	Finland	Other Europe	North America	Asia	Australia	Other countries	Inter-area	Group total
Net sales								
1999	**1 880**	**854**	**512**	**51**	**118**	**25**	**(531)**	**2 909**
1998	1 876	1 016	521	29	47	46	(646)	2 889
Operating profit								
1999 [2)]	**139**	**(32)**	**24**	**(10)**	**34**	**(3)**	**–**	**152**
1998 [3)]	82	(3)	17	(9)	(31)	(5)	–	51
Total assets								
1999	**1 990**	**509**	**380**	**104**	**99**	**39**	**–**	**3 121**
1998	1 812	428	322	78	83	223	–	2 946

Net sales by country [4)], € million	1999	%	1998	%
EUROPE				
Germany	**320**	**11.0**	314	10.8
Finland	**228**	**7.8**	247	8.6
Britain	**204**	**7.0**	230	8.0
Italy	**201**	**6.9**	239	8.3
Sweden	**188**	**6.5**	169	5.9
France	**126**	**4.3**	126	4.3
Spain	**118**	**4.1**	124	4.3
Belgium	**99**	**3.4**	71	2.5
The Netherlands	**99**	**3.4**	90	3.1
Switzerland	**61**	**2.1**	30	1.0
Russia	**39**	**1.3**	24	0.8
Denmark	**36**	**1.2**	49	1.7
Norway	**28**	**1.0**	35	1.2
Poland	**22**	**0.8**	20	0.7
Austria	**19**	**0.6**	20	0.7
Other Europe	**63**	**2.2**	62	2.1
	1 851	**63.6**	1 850	64.0
NORTH AND SOUTH AMERICA				
United States	**610**	**21.0**	596	20.7
Canada	**65**	**2.2**	52	1.8
Brazil	**24**	**0.8**	10	0.4
Peru	**24**	**0.8**	11	0.4
Mexico	**19**	**0.7**	24	0.8
Chile	**17**	**0.6**	41	1.4
Other America	**11**	**0.4**	20	0.6
	770	**26.5**	754	26.1
ASIA				
Turkey	**32**	**1.1**	32	1.1
China	**26**	**0.9**	19	0.7
Japan	**23**	**0.8**	24	0.8
Hong Kong	**20**	**0.7**	6	0.2
Rep. of Korea	**19**	**0.7**	11	0.4
Thailand	**15**	**0.5**	12	0.4
Taiwan	**15**	**0.5**	14	0.5
Sri Lanka	**14**	**0.5**	–	–
Malaysia	**13**	**0.5**	8	0.3
Other Asia	**49**	**1.6**	60	2.0
	226	**7.8**	186	6.4
Australia	**22**	**0.8**	45	1.6
South Africa	**12**	**0.4**	27	1.0
Zaire	**12**	**0.4**	9	0.3
Other countries	**16**	**0.5**	18	0.6
Group total	**2 909**	**100.0**	2 889	100.0

1) Net sales, operating profit and total assets are presented by the locations of the Group or associated companies.
2) Finland includes a refund of actuarial surplus of EUR 14 million.
3) Other Europe includes restructuring expenses of tube operations of EUR 10 million.
4) Net sales are presented by destination.

Personnel by country Dec. 31	**1999**	1998
EUROPE		
Finland	**6 607**	7 174
Sweden	**608**	724
Ireland	**602**	626
The Netherlands	**497**	490
Spain	**452**	465
Germany	**172**	83
Britain	**130**	123
Austria	**124**	148
Norway	**57**	57
Russia	**57**	56
Italy	**31**	33
France	**18**	19
Other Europe	**21**	21
	9 376	10 019
NORTH AND SOUTH AMERICA		
United States	**1 730**	1 963
Chile	**177**	448
Canada	**132**	148
Peru	**18**	14
Other America	**10**	10
	2 067	2 583
ASIA		
China	**202**	172
Malaysia	**174**	141
Singapore	**14**	16
Other Asia	**14**	13
	404	342
Australia	**99**	214
Africa	**26**	21
Total	**11 972**	13 179

3. Percentage of completion method

Net sales include EUR 54 million (1998: EUR 49 million) of revenue recognized on the percentage of completion method for long-term construction contracts in the Technology business area.

4. Cost of sales

€ million	**1999**	1998
Raw materials and merchandise	**(1 295)**	(1 268)
Fuels and supplies	**(236)**	(251)
Wages and salaries	**(331)**	(354)
Other personnel expenses	**(93)**	(95)
Rents and leases	**(8)**	(11)
Energy expenses	**(167)**	(148)
Depreciation and amortization	**(175)**	(172)
Other cost of sales	**(299)**	(285)
Production for own use	**25**	30
Change in inventories	**74**	(28)
	(2 505)	(2 582)

€ million	1999	1998

5. Personnel expenses

Board of Directors' and Managing Directors' fees and salaries [1)]	**11**	11
Other wages and salaries	**425**	444
Pension contributions	**47**	47
Other personnel expenses [2)]	**73**	77
Personnel expenses in the income statement	**556**	579

[1)] Includes bonuses of EUR 0.8 million (1998: EUR 1.2 million).

[2)] Includes EUR 0.2 million (1998: EUR 0.5 million) of profit-sharing bonuses based on the Finnish Personnel Funds Act.

Average number of personnel	**12 724**	14 027
Personnel on Dec. 31	**11 972**	13 179

6. Unusual items

Refund of actuarial surplus (Copper Products 1, Mining 1, Other operations 12)	**14**	–
Electricity cogeneration settlement in Copper Products USA	**–**	6
Gain on sale of shares in Merita Oyj	**–**	5
Gain on sale of Outokumpu Copper Brass Rod AB	**–**	3
Restructuring costs of Copper Products' tube operations	**–**	(10)
	14	4

7. Other operating income and expenses

Other operating income		
Gains on sales of fixed assets	**4**	10
Other income items	**9**	7
	13	17
Other operating expenses		
Losses on dispositions of fixed assets	**(3)**	(6)
Other expense items	**(8)**	(9)
	(11)	(15)
Other operating income and expenses, total	**2**	2

8. Provisions for restructuring measures

Provisions on Jan. 1	**22**	20
Translation differences	**3**	(1)
Restructuring costs charged against provisions	**(23)**	(3)
New provisions recorded	**5**	6
Provisions on Dec. 31	**7**	22

The new provisions in 1999 refer mainly to the restructuring of Copper Products' tube operations in Spain and to the rationalization of Tara Mines Ltd.'s operations.

9. Financial income and expenses

Dividends received	**1**	1
Interest income on long-term financial assets	**18**	17
Other interest income	**10**	12
Other financial income	**0**	1
Interest expenses	**(69)**	(65)
Other financial expenses	**(1)**	(3)
Exchange gains (losses)	**0**	6
	(41)	(31)

No interest was capitalized on investment projects during the year (1998: EUR 3.1 million). Total interest capitalized on investment projects on Dec. 31, 1999 was EUR 23.8 million (Dec 31, 1998: EUR 25.9 million).

The interest component of derivative financial instruments consists of EUR 5.0 million (1998: EUR 4.5 million) in other interest income, and of EUR 11.4 million (1998: EUR 8.9 million) in interest expenses.

€ million	1999	1998

As of January 1, 1999 the Group has applied a new principle in income statement presentation of exchange gains and losses. All exchange gains and losses arising from transaction risk as well as hedging transaction risk, and exchange gains and losses arising from hedging the economic exposure, are recorded as adjustments to net sales, costs and expenses. Only exchange gains and losses relating to financing are still recorded under financial income and expenses. The change will lead to a better view of the Group's operating profit. Prior year's financial statements are not restated to conform to the new income statement presentation principle.

Exchange gains (losses) on derivative financial instruments		
Realized	**(29)**	23
Unrealized	**(9)**	(4)
	(38)	19
Other exchange gains (losses)		
Realized	**34**	10
Unrealized	**(15)**	(23)
	19	(13)
Total exchange gains (losses)	**(19)**	6
To net sales	**(36)**	–
To purchases and other expenses	**17**	–
To financial income and expenses	**0**	6

At the balance sheet date, EUR 13 million of net exchange losses on financial instruments were deferred (1998: net gain of EUR 3 million). The adoption of the euro has not caused any abnormal exchange gains and losses for the Group.

10. Income taxes

Current taxes		
Accrued taxes for the year		
Finnish Group companies	**(10)**	(13)
Group companies outside Finland	**(5)**	(4)
Tax adjustments for past years		
Finnish Group companies	**7**	(1)
Group companies outside Finland	**3**	2
	(5)	(16)
Deferred taxes		
Deferred taxes in Group companies		
Finnish Group companies	**(27)**	21
Group companies outside Finland	**22**	4
Deferred taxes on untaxed reserves		
Finnish Group companies	**(1)**	(4)
Group companies outside Finland	**(10)**	2
Deferred taxes on consolidation		
Finnish Group companies	**1**	(2)
Group companies outside Finland	**1**	2
	(14)	23
Total income taxes	**(19)**	7

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

Hypothetical income taxes at Finnish tax rate	**(28)**	1
Effect of different tax rates outside Finland	**(4)**	6
Non-deductible expenses and tax exempt income	**1**	0
Losses incurred at Group companies outside Finland for which no deferred tax benefit is recognized	**(5)**	(18)
Taxable items with no effect on the Group's result	**(5)**	1
Write-downs on subsidiary shares	**0**	13
Changes in carrying amounts of deferred tax assets on Jan. 1	**16**	3
Taxes from previous years	**10**	1
Expected change in tax rate	**(5)**	1
Other items	**1**	(1)
Income taxes in the consolidated income statement	**(19)**	7

10. continued

€ million	1999	1998
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	**38**	58
Provisions for future expenses	**16**	19
Valuation of inventory	**9**	–
Effect of consolidation	**7**	7
Other items	**10**	10
	80	94
Deferred tax liabilities		
Depreciation and amortization of fixed assets	**(210)**	(205)
Effect of consolidation	**(6)**	(6)
Valuation of inventories	**–**	(8)
Untaxed reserves	**(7)**	(6)
Capitalized interest	**–**	(9)
Other items	**(16)**	(10)
	(239)	(244)
Net deferred tax liability	**(159)**	(150)
Deferred taxes in the balance sheet:		
Long-term assets	**36**	18
Current assets	**36**	23
Long-term liabilities	**(222)**	(191)
Current liabilities	**(9)**	(0)
	(159)	(150)

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

Valuation allowances on deferred tax assets amount to EUR 156 million (1998: EUR 138 million).

11. Fixed assets

€ million	Historical cost on Jan. 1, 1999	Translation difference	Additions	Dispositions	Accumulated depreciation Dec. 31, 1999	Carrying value on Dec. 31, 1999
Intangible assets						
Intangible rights	12	(1)	4	(1)	(9)	5
Goodwill	7	1	0	(0)	(5)	3
Goodwill on consolidation	68	2	1	(0)	(66)	5
Other long-term expenses	67	7	8	(2)	(42)	38
	154	9	13	(3)	(122)	51
Property, plant and equipment						
Land	34	1	0	(2)	–	33
Mine properties	190	9	31	(9)	(159)	62
Buildings	512	10	16	(1)	(209)	328
Machinery and equipment	2 104	66	120	(46)	(1 158)	1 086
Construction in progress	41	3	66	(64)	–	46
Advances paid for fixed assets	7	1	3	(9)	–	2
Other fixed assets	36	1	6	(0)	(12)	31
	2 924	91	242	(131)	(1 538)	1 588

11. continued

€ million	Historical cost on Jan. 1, 1999	Translation difference	Additions	Dispositions	Accumulated depreciation Dec. 31, 1999	Carrying value on Dec. 31, 1999
Long-term financial assets						
Investments in associated companies [1)]	23	0	7	(5)	–	25
Other long-term equity investments	20	0	0	(0)	–	20
Long-term loans receivable	245	33	47	(283)	–	42
Deferred exchange losses	10	–	0	(8)	–	2
Deferred tax asset	18	3	22	(7)	–	36
Other financial assets	5	0	0	(2)	–	3
	321	36	76	(305)	–	128
Total fixed assets	3 399	136	331	(439)	(1 660)	1 767

[1)] Associated companies on December 31, 1999, are listed on page 61.

Depreciation

€ million	Accumulated depreciation Jan. 1, 1999	Translation difference	Accumulated depreciation of dispositions	Depreciation during period	Accumulated depreciation Dec. 31, 1999
Intangible assets					
Intangible rights	(7)	0	(1)	(1)	(9)
Goodwill	(4)	0	0	(1)	(5)
Goodwill on consolidation	(63)	(5)	3	(1)	(66)
Other long-term expenses	(36)	(2)	2	(6)	(42)
	(110)	(7)	4	(9)	(122)
Property, plant and equipment					
Land	–	–	–	–	–
Mine properties	(135)	(4)	(6)	(14)	(159)
Buildings	(182)	(4)	0	(23)	(209)
Machinery and equipment	(1 007)	(37)	28	(142)	(1 158)
Construction in progress	–	–	–	–	–
Advances paid for fixed assets	–	–	–	–	–
Other fixed assets	(10)	0	0	(2)	(12)
	(1 334)	(45)	22	(181)	(1 538)
Long-term financial assets	–	–	–	–	–
Total	(1 444)	(52)	26	(190)	(1 660)

€ million	**1999**	1998
Depreciation and amortization by group of expenses		
Cost of sales	**175**	172
Selling and marketing expenses	**2**	2
Administrative expenses	**9**	8
Exploration, research and development expenses	**3**	3
Amortization of goodwill on consolidation	**1**	1
	190	186

12. Associated companies

Investments in associated companies at cost		
Historical cost on Jan. 1	**99**	96
Translation difference	**0**	(0)
Additions	**4**	7
Dispositions	**(56)**	(4)
Historical cost on Dec. 31	**47**	99

12. continued

€ million	1999	1998
Equity adjustment to investments in associated companies		
Jan. 1	**(76)**	(49)
Change in translation difference	**0**	(2)
Dividends received during the year	**–**	–
Dispositions and other changes	**67**	(1)
Equity earnings in associated companies	**(13)**	(24)
Dec. 31	**(22)**	(76)
Carrying value of investments in associated companies	**25**	23

Receivables from and payables to associated companies		
Long-term		
Long-term loans receivable	**9**	214
Short-term		
Loans receivable	**0**	1
Accounts receivable	**0**	0
Prepaid expenses and accrued income	**0**	1
Other receivables	**–**	0
Accounts payable	**0**	0

The Group's result includes interest income of EUR 17.6 million (1998: EUR 16.4 million) on loans receivable.

Significant associated companies		
Laminados Oviedo-Córdoba S.A.		
Net sales	**72**	73
Operating profit	**6**	(3)
Profit before extraordinary items and taxes	**4**	(5)
Net income	**4**	(5)
Outokumpu's share of net income (50%)	**2**	(3)
Compañía Minera Zaldívar [1]		
Net sales	**191**	203
Operating profit	**24**	25
Profit before extraordinary items and taxes	**(25)**	(38)
Net income	**(25)**	(38)
Outokumpu's share of net income (50%)	**(14)**	(20)
Effects of hedging	**–**	1
Presented in the consolidated income statement	**(14)**	(19)
Okmetic Oy		
Net sales	**46**	35
Operating profit	**1**	(3)
Profit before extraordinary items and taxes	**(3)**	(5)
Net income	**(3)**	(3)
Outokumpu's share of net income (49%)	**(1)**	(2)

[1] Outokumpu's share of Compañia Minera Zaldivar's net income is consolidated up to November 30, 1999. All figures in 1999 are presented up to November 30, 1999.

13. Inventories

	December 31, 1999	
€ million	Balance sheet value	Replacement cost
Raw materials	147	183
Fuels and supplies	43	43
Work in process	196	216
Finished goods and merchandise	163	171
Advances paid for inventories	3	3
	552	616

Inventory costs have been determined using the LIFO method for approximately 63% of the inventories, amounting to EUR 345 million. The replacement cost (without market value reserve) exceeded the balance sheet value of the inventories based upon LIFO method on December 31, 1999 by EUR 64 million.

€ million	1999	1998

14. Receivables

On Dec. 31, 1999 the Group companies had EUR 0.04 million short-term loans to the Parent Company's or subsidiaries' management (1998: EUR 0.03 million).

Receivables include non-current receivables of EUR 0.5 million in 1999 (1998: EUR 0.05 million).

Prepaid expenses and accrued income		
Value added taxes receivable	**40**	24
Accrued income related to long-term contracts	**8**	8
Prepaid interest expenses and accrued interest income	**8**	4
Accrued exchange gains	**4**	1
Other items	**26**	24
	86	61

15. Shareholders' equity

Share capital		
Share capital on Jan. 1	**209.4**	209.4
Bonus issue	**2.3**	–
Share capital on Dec. 31	**211.7**	209.4
Premium fund		
Premium fund on Jan. 1	**409.5**	409.5
Bonus issue	**(2.3)**	–
Other changes	**0.1**	–
Premium fund on Dec. 31	**407.3**	409.5
Other funds		
Reserve fund on Jan. 1	**9.9**	11.7
Transfers from (to) retained earnings	**2.1**	(1.3)
Other changes	**0.4**	(0.5)
Reserve fund on Dec. 31	**12.4**	9.9
Retained earnings on Jan. 1	**619.0**	548.4
Prior year's net income	**2.9**	118.3
Dividends paid	**(10.5)**	(41.9)
Transfers (to) from reserve fund	**(2.1)**	1.3
Change in translation difference	**15.7**	(6.4)
Other changes	**0.3**	(0.7)
Retained earnings on Dec. 31	**625.3**	619.0
Net income for the year	**80.5**	2.9
Total shareholders' equity on Dec. 31	**1 337.2**	1 250.7
Distributable funds		
Retained earnings	**625.3**	619.0
Net income for the year	**80.5**	2.9
Less untaxed reserves in shareholders' equity	**(418.3)**	(438.0)
Less amounts to be transferred according to local regulations to non-distributable equity of subsidiaries	**–**	(0.3)
Distributable funds on Dec. 31	**287.5**	183.6
Untaxed reserves on Dec. 31		
Accumulated depreciation difference	**577.8**	598.9
Other untaxed reserves	**12.2**	10.2
	590.0	609.1
Deferred tax liability on untaxed reserves	**(171.7)**	(171.1)
Untaxed reserves in non-restricted equity on Dec. 31	**418.3**	438.0

16. Long-term debt

Repayment schedule of long-term debt on Dec. 31, 1999

€ million		Repayments 2000	2001	2002	2003	2004	2005-	Total
Bonds and debentures	EUR		17			18		35
Loans from financial institutions	EUR	3	18	9	26	8	18	82
	USD	83	51	141	53	62	133	523
	SEK	4	20					24
Pension loans	EUR	5	4	5	4	4	17	39
	SEK						9	9
Other long-term loans	EUR	1	1	1	1	1	1	6
		96	111	156	84	93	178	718

Average maturity for long-term debt in 1999 was 3 years and 10 months, and the average interest rate was 5.79%.

Bonds and debentures	Interest rate %	€ **1999**	1998
Bonds with warrants			
1994-99	6.00 [1]	**–**	57 183.89
Other bonds			
1991-01	11.75	**16 818 792.65**	16 818 792.65
Convertible bond			
1999-04	3.75 [2]	**17 959 000.00**	–
		34 777 792.65	16 875 976.54

The convertible bond is denominated in EUR and all other bonds are denominated in FIM.
All bonds are issued by the Parent Company.

[1] The conditions for the bond with warrants are presented on page 71.

[2] The conditions for the convertible bond are presented on page 72.

17. Accrued expenses and prepaid income

€ million	**1999**	1998
Accrued employee related expenses	**85**	92
Income taxes payable	**16**	29
Accrued interest expenses and prepaid interest income	**20**	12
Other	**91**	65
	212	198

18. Management of financial and market price risks

The Group's business operations involve many market price, credit and liquidity risks. According to the approved financial risk management policy Outokumpu seeks to minimize negative effects caused by fluctuations in the financial markets. This will be achieved by identifying, analyzing and hedging financial risks. The policy provides principles for overall financial risk management in the Group. The specific areas such as the use of derivative instruments, investing excess liquidity and risk limits are covered by operative instructions.

The business areas are responsible for the identification of their risks, which are mainly hedged through intra-group transactions. The Outokumpu Group's Finance function operates as an internal bank and manages the net financial risk position aiming to hedge a significant part of the identified exposures. Metal price risk management is centralized in Group's Finance function and in Copper Products' raw materials company in London. Electricity risk is managed by the Group's Power Supply Services unit in Kokkola. The Group's risk management practices are monitored internally by relevant controllers and risk positions are reported frequently to Corporate Management.

MARKET PRICE RISKS

Exchange rate risks

A major part of the Group's revenue is generated from US dollar and euro-based sales. A significant part of the expenses arise in euros, US dollars, Swedish crowns and Australian dollars.

The Group's foreign exchange exposure primarily consists of receivables, payables and other contractual commercial items (transaction exposure), together with anticipated currency cash flows (economic exposure), so that, as a main rule, the foreign exchange exposure covers the cash flows for the following 6-12 months. The Group's exchange risk management policy is to hedge the transaction exposure in full and the economic exposure to a great extent. The degree of hedging the economic exposure varies between business operations. In addition, the

Group hedges some of the main tender risks as well as some equity exposures of its foreign subsidiaries and associated companies. The foreign exchange exposure is hedged mainly with forward contracts, options, loans and currency swaps.

The total non-euro denominated shareholders' equity of the Group's foreign subsidiaries and associated companies was EUR 240 million on December 31, 1999 (1998: EUR 241 million). Of this equity exposure 48% was hedged (1998: 41%). In the consolidated financial statements, the exchange gains and losses on the hedging are recorded in retained earnings against the translation differences arising from the translation of the foreign-currency denominated shareholders' equity into euros.

At December 31, 1999 the Group had the following outstanding foreign exchange derivative contracts amounts (the notional amounts do not represent the amounts exchanged between the parties; those amounts include also positions, which have been closed off):

€ million	**Dec. 31, 1999**	Dec. 31, 1998
Forward contracts	**750**	1080
Currency options bought	**170**	140
Currency options written	**150**	140
Currency swaps	**140**	160

At December 31, 1999 average maturity for currency forwards and options was 4 months and for swaps 29 months.

The interest rate differential between the euro and the US dollar causes the Group significant hedging costs. In 1999, net interest expenses of EUR 6.3 million from derivative contracts were recognised (1998: EUR 4.4 million). The negative interest rate differential of the currency loans in US dollars against the euro rates was approximately EUR 11 million in 1999 (1998: EUR 8 million).

Interest rate risks

The Group's interest rate exposure consists of forecasted, currency specific net cash flows of balance sheet and off-balance sheet financial items as well as certain long-term commercial contracts. Exposure is monitored through interest flow risks (the effect of changes in interest rates on estimated net interest income/expenses during the next 12 months) and price risks (changes in the value of discounted cash flows as interest rates change).

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, forward rate agreements and futures are used for hedging purposes. In the management of interest rate risks the most important currencies are the US dollar, euro and Swedish crown. The Group's net interest-bearing debt including derivatives is mostly in US dollars. This net interest-bearing debt has an average interest period of less than one year. The flow risk of a one percentage point change in interest rates for next 12 months was EUR 5 million. Average maturity for interest rate hedges was 8 months.

The Group had interest rate derivative contracts in the following notional amounts:

€ million	**Dec. 31, 1999**	Dec. 31, 1998
Forward rate agreements	**190**	100
Interest rate swaps	**80**	80

Metal price risks

The profitability of mining operations is directly dependent on metals prices. Price levels for mine production can be secured with forward sale contracts and option contracts (price fixing) on metal exchanges. These hedges are intended to mitigate the impact of price decreases on the profitability of mines. There were no significant price fixing contracts open on December 31,1999.

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 using forwards and options. 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 and futures contracts on metal exchanges (offset hedging). The base inventory permanently tied up in the production of these units is not hedged.

The Group Executive Board has given authority to make a limited number of strategic derivative contracts. The losses arising from the valuation of these contracts are always immediately entered into income. A gain of EUR 0.4 million was recognized from strategic derivatives in 1999 (1998: a loss of EUR 0.2 million). On December 31, 1999 the Group had open stategic hedges of insignificant amounts.

At December 31, 1999 and 1998, the Group had metal derivative contracts in the following notional amounts (the contract amounts do not represent amounts exchanged between the parties; those amounts illustrate the scope of the Group's hedging activities and include also positions, which have been closed off):

Tonnes	**Dec. 31, 1999**	Dec. 31, 1998
Copper forwards and futures	**102 000**	78 740
Copper options bought	**160**	–
Nickel forwards and futures	**6 860**	8 860
Nickel options bought	**20**	–
Zinc forwards and futures	**58 100**	54 920
Zinc options bought	**–**	12 000
Zinc options written	**–**	12 000
Gold forwards and futures (tr.oz.)	**118 790**	60 860
Silver forwards and futures (tr.oz.)	**547 400**	427 800

Energy risks

Changes in energy prices cause the Group's production plants an energy price risk. Purchasing the electricity and all actions thereon for the Finnish production plants are carried out by the Power Supply Services unit. Energy purchases for foreign production plants are carried out locally.

The portfolio of Power Supply Services consists of derivative contracts and agreements with physical delivery. Derivative contracts are made on Nord Pool electricity exchange and with approved counterparties. Electricity derivatives are used only for price hedging. On December 31, 1999 the Group had electricity forwards and futures 0.4 TWh (1998: 0.1 TWh) and other financial agreements 3.3 TWh (1998: 0.2 TWh). The consumption of the Finnish plants was 3.2 TWh in 1999 (1998: 3.2 TWh), which accounts for 4% of the total consumption in Finland.

CREDIT RISKS

The Outokumpu Group's Finance function manages majority of the credit risks related to derivatives and financial balance sheet instruments. The Group seeks to minimize these risks by limiting the counterparties to major banks, other financial institutions, brokers and suppliers of electrical power, which have a good credit quality. The fixed income and money market investments are made in liquid instruments with low credit risk. Credit risks did not produce bad debts during 1999.

The Group's sales receivables are generated by a large number of customers in various industries in many parts of the world. Credit risks on commercial flows are managed by business operations.

LIQUIDITY RISKS

The Group seeks to minimize liquidity and refinancing risks with a balanced maturity profile of loans as well as by keeping committed and uncommitted credit lines available. This objective calls for efficient cash and liquidity management.

The existing main funding programs and standby credit facilities include:

- Domestic Commercial Paper Program totaling EUR 200 million
- Euro Commercial Paper Program totaling USD 250 million
- Revolving Credit Facility of USD 520 million with final maturity year 2004

In addition, the Group has several uncommitted credit lines with domestic and international banks.

FAIR VALUE OF FINANCIAL INSTRUMENTS AND COMMODITY DERIVATIVES

The carrying values and fair values of the Group's financial instruments and commodity derivatives on December 31, 1999 are presented in the following table. Fair values were estimated based on market prices, where available, or dealer quotes. The fair values of other instruments are based on discounted cash flow analysis, and, in respect of options, on evaluation models.

€ million	**1999** Carrying value	**1999** Fair value	1998 Carrying value	1998 Fair value
Investments and receivables				
Other long-term equity investments	**20**	**37**	20	35
Long-term loans receivable	**42**	**35**	245	241
Current loans receivable	**1**	**1**	1	1
Cash and marketable securities	**144**	**144**	91	91
Debt				
Long-term debt	**622**	**623**	670	676
Current debt	**356**	**356**	350	350
Financial derivatives				
Forward foreign exchange contracts	**(17)**	**(16)**	(5)	(5)
Currency options				
Purchased	**2**	**2**	0	0
Written	**(3)**	**(3)**	0	0
Currency swaps	**4**	**5**	(12)	(11)
Interest rate swaps	**0**	**0**	(1)	(2)
Forward rate agreements	**0**	**0**	0	0
Metal derivatives				
Forward and futures copper contracts	**0**	**2**	0	(5)
Copper options				
Purchased	**0**	**0**	–	–
Forward and futures nickel contracts	**0**	**4**	0	(2)
Nickel options				
Purchased	**0**	**0**	–	–
Forward and futures zinc contracts	**0**	**1**	0	0
Zinc options				
Purchased	**–**	**–**	0	0
Written	**–**	**–**	0	0
Forward and futures gold contracts	**0**	**(1)**	0	1
Forward and futures silver contracts	**0**	**0**	0	0
Electricity derivatives				
Forward and futures contracts	**0**	**0**	–	–
Other financial contracts	**0**	**(8)**	0	0

19. Commitments and contingent liabilities

€ million	**1999**	1998
Pledges on Dec. 31		
Mortgages to secure own borrowings	**41**	53
Other pledges to secure borrowings of an associated company	**–**	43
	41	96
Guarantees on Dec. 31		
On behalf of associated companies for financing	**11**	11
On behalf of other parties		
For financing	**0**	0
For other commitments	**8**	6
	19	17

The mortgages are given to secure loans of EUR 33 million, mostly being pension loans.

The Group has also issued guarantees for the fulfillment of its own commitments.

Management expects that the pledges and guarantees given on behalf of the Group's own commitments and on behalf of other parties will not have a material adverse effect on the Group's result or financial position.

Minimum future lease payments on operating leases on Dec. 31		
In 2000	**10**	8
Thereafter	**23**	19
	33	27

PENSION LIABILITIES

The additional pensions of employees of some Finnish subsidiaries have been arranged through Outokumpu Oyj's pension trusts, which operate as mutual pension trusts. Outokumpu Oyj's pension trusts have signed an agreement in May, 1999 to transfer the additional pension liabilities from the pension trusts to Sampo Life Insurance. The transfer is made when the approval of the controlling government authority is official. The assets of the pension trusts exceed the existing pension liability. The total pension liabilities of Outokumpu Oyj's pension trusts on December 31, 1999 were EUR 80 million (1998: EUR 88 million). The pension liabilities of foreign subsidiaries are also sufficiently funded.

20. Disputes and litigations

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 ground water 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 recover costs of investigation and clean-up of the site. The alleged cause of the 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.

The trial court issued a partial decision on June 5, 1997. At that time, the court determined that all but one of the insurance carriers have a legal obligation to defend PGT against the claims made by USEPA, and also must indemnify PGT for the costs of addressing this contamination. The court may allocate a portion of the costs of clean-up to PGT rather than the insurance carriers based upon recent developments in New Jersey insurance law. The court also ruled that three of the insurance carriers committed bad faith with respect to the manner in which they considered the PGT insurance claim. The final phases of the trial court proceedings are yet to be completed and a final judgement to be entered. The final judgement can be appealed to the Appellate Division of the New Jersey Superior Court.

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

In addition to the litigation 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.

21. Subsidiaries by business area on December 31, 1999

Stainless Steel

		Country	Nature of activity	Group holding %
Outokumpu Steel Oy	*)	Finland	■	100
Outokumpu Holding GmbH	*)	Germany	■	100
Outokumpu Chrome Oy		Finland	✖▲	100
Outokumpu Polarit Oy		Finland	▲	100
Outokumpu Service Center GmbH		Germany	▲	100
Outokumpu Steel Processing B.V.		The Netherlands	▲	100
Oy JA-RO Ab		Finland	▲	100
Kandelinin Seuraajat Oy		Finland	◗	100
Outokumpu Grundstücks GmbH & Co KG		Germany	◗	100

Copper Products

		Country	Nature of activity	Group holding %
Outokumpu Copper Products Oy	*)	Finland	■	100
Outokumpu Copper AB		Sweden	■	100
Outokumpu Copper B.V.		The Netherlands	■	100
Outokumpu Copper Limited		UK	■	100
Outokumpu Copper, Inc.		United States	■	100
Holton Machinery Limited		UK	▲	100
Neumayer GmbH		Austria	▲	50
Nippert-Dawson Ltd.		UK	▲	51
Outokumpu American Brass, Inc.		United States	▲	100
Outokumpu Castform Oy		Finland	▲	100
Outokumpu Centro Servizi S.p.A.		Italy	▲	100
Outokumpu Copper Franklin, Inc.		United States	▲	100
Outokumpu Copper Kenosha, Inc.		United States	▲	100
Outokumpu Copper Strip AB		Sweden	▲	100
Outokumpu Copper Strip B.V.		The Netherlands	▲	100
Outokumpu Copper Products (Malaysia) Sdn. Bhd.		Malaysia	▲	100
Outokumpu Copper Tube (Zhongshan) Ltd.		China	▲	85
Outokumpu Copper Tubes AB		Sweden	▲	100
Outokumpu Copper Tubes, S.A.		Spain	▲	100
Outokumpu Hitachi Copper Tube (Thailand) Ltd.	3)	Thailand	▲	64
Outokumpu Plating Oy		Finland	▲	100
Outokumpu Poricopper Oy		Finland	▲	100
Outokumpu Wasacopper Oy	1)	Finland	▲	100
Outokumpu WTT AB		Sweden	▲	100
The Nippert Company		United States	▲	100
Valleycast Inc.		United States	▲	100
Neumayer Corporation		United States	●	50
Thatcher Alloys Limited		UK	●	100
Outokumpu Copper Partner AB		Sweden	◗	100
Outokumpu Rawmet (UK) Limited		UK	◗	100
Outokumpu Rawmet, S.A.		Spain	◗	100
Outokumpu Superconductors Oy		Finland	✱	100

Metals Production

		Country	Nature of activity	Group holding %
Outokumpu Harjavalta Metals Oy		Finland	▲	100
Outokumpu Zinc Oy		Finland	▲	100
Outokumpu Zinc Commercial B.V.		The Netherlands	●	100

Mining

		Country	Nature of activity	Group holding %
Outokumpu Base Metals Oy	*)	Finland	■	100
Nikkel og Olivin A/S		Norway	✖	70
Norsulfid A/S		Norway	✖	100
Outokumpu Exploration Ventures Pty. Ltd.		Australia	✖	100
Outokumpu Mining Australia Pty. Ltd.		Australia	✖	100
Outokumpu Mining Oy		Finland	✖	100
Tara Mines Limited		Ireland	✖	100
Viscaria AB		Sweden	✖	100
Minera Outokumpu Chile S.A.		Chile	◆	100
Minera Relincho S.A.		Chile	◆	100
Minera Santa Catalina S.A.		Chile	◆	100
OAO Kivijärvi		Russia	◆	85
OAO Kola-Mining		Russia	◆	96
Outokumpu Exploraciones S.A.		Chile	◆	100
Outokumpu Minera Española S.A.		Spain	◆	100
Outokumpu Mines, Inc.		Canada	◆	100
Outokumpu Zinc Australia Pty. Ltd.		Australia	◆	100
Polar Mining Oy		Finland	◆	100
Outokumpu Copper Resources B.V.		The Netherlands	●	100
Black Swan Nickel Pty. Ltd		Australia	◗	100
Tara Prospecting Limited		Ireland	✱	100

Technology

		Country	Nature of activity	Group holding %
Outokumpu Technology Oy	*)	Finland	■	100
Outokumpu Indepro S.A.		Chile	■	100
AISCO Systems Inc.		Canada	▲	100
Eberhard Hoesch & Söhne GmbH	2)	Germany	▲	100
Outokumpu Engineering Contractors Oy		Finland	▲	100
Outokumpu Indepro Ingeniería Limitada		Chile	▲	100
Outokumpu Mintec Oy		Finland	▲	100
Outokumpu Technology Pty Ltd.	1)	Australia	▲	100
Outokumpu Turula Oy		Finland	▲	100
Outokumpu Wenmec AB		Sweden	▲	100
Outokumpu Wenmec Oy		Finland	▲	100
Outokumpu Mexicana, S.A. de C.V.		Mexico	●	100
Outokumpu Mintec Australia Pty. Ltd.		Australia	●	100
Outokumpu Processos, Engenharia é Comercio Ltda		Brazil	●	100
Outokumpu Technology Ltd.	1)	UK	●	100
Outokumpu Technology (Pty) Ltd.	1)	South Africa	●	100
Outokumpu Técnica-Chile Ltda.		Chile	●	100
Outokumpu Técnica Perú S.A.		Peru	●	100
Aisco Systems Inc. Chile y Compañia Limitada		Chile	◗	100
MPE Service Oy		Finland	◗	96
Outokumpu Engineering Services Oy		Finland	◗	100
ZAO Mineral Processing Engineers		Russia	◗	60
International Project Services Ltd. Oy		Finland	✱	100
Kumpu Engineering, Inc.		United States	✱	100

Other operations

Company		Country	Nature of activity	Group holding %
Corporate services				
Granefors Bruk AB	*)	Sweden	■	100
Outokumpu Research Oy	*)	Finland	◆	100
Outokumpu Benelux B.V.	*)	The Netherlands	●	100
Outokumpu China Oy	*)	Finland	●	100
Outokumpu Portugal Ltda.	***)	Portugal	●	100
Outokumpu Copper (U.S.A.), Inc.		United States	●	100
Outokumpu Deutschland GmbH		Germany	●	100
Outokumpu España, S.A.	*)	Spain	●	100
Outokumpu France S.A.	*)	France	●	100
Outokumpu Istanbul Dis Ticaret Limited Sirketi	*)	Turkey	●	98
Outokumpu Italia S.r.l.	*)	Italy	●	100
Outokumpu Japan K.K.	*)	Japan	●	100
Outokumpu Metall GmbH	*)	Austria	●	100
Outokumpu Metals (U.S.A.), Inc.		United States	●	100
Outokumpu Poland Sp. z o.o.	*)	Poland	●	100
Outokumpu Scandinavia AB	1) *)	Sweden	●	100
Outokumpu (S.E.A.) Pte Ltd	*)	Singapore	●	100
Outokumpu (U.K.) Limited	*)	UK	●	100
Finero B.V.	*)	The Netherlands	◗	100
Kopparlunden AB	*)	Sweden	◗	100
Orijärvi Oy	*)	Finland	◗	100
Outokumpu Alueverkko Oy	*)	Finland	◗	100
Outokumpu Finance B.V.		The Netherlands	◗	100
Outokumpu Metals Treasury	**)	Ireland	◗	100
Outokumpu Rossija Oy	*)	Finland	◗	100
Outokumpu Työterveyspalvelut Oy	*)	Finland	◗	100
Pancarelian Ltd.	*)	Bermuda	◗	100
ZAO Outokumpu Moskva		Russia	◗	100
ZAO Outokumpu St. Petersburg		Russia	◗	100
Finenco Limited		UK	✱	100
Nokian Tuotek Oy	*)	Finland	✱	100
Outokumpu Commercial A/S	*)	Denmark	✱	100
Outokumpu Danmark A/S	*)	Denmark	✱	100
Outokumpu Engineering Enterprises, Inc.	*)	United States	✱	100
Outokumpu Invest (U.K.) Ltd.	*)	UK	✱	100
Outokumpu Norge A/S	*)	Norway	✱	100
Outokumpu Rawmet (Switzerland) Ltd.		Switzerland	✱	100
Outokumpu Smelters B.V.	*)	The Netherlands	✱	100
Industrial holdings				
Princeton Gamma-Tech, Inc.		United States	▲	80
SKT-Granit Oy	*)	Finland	▲	100
Princeton Gamma-Tech U.K. Ltd.		UK	●	79

Legend

■ Management or holding
✖ Mining
▲ Production
● Marketing
◆ Exploration or research
◗ Service
✱ Dormant

1) Name change
2) Acquired
3) Founded
*) Shares and stock held by the Parent Company
**) Parent Company's ownership 4%
***) Parent Company's ownership 65%

22. Associated companies and other shares and stock on December 31, 1999

Company		Country	Nature of activity	Group holding %
Shares and stock in associated companies				
Constructora Indepro Cosapi Ltda		Chile	▲	50
DIARC-Technology Oy	*)	Finland	▲	25
Folldal Industrielektro A/S		Norway	▲	40
Laminados Oviedo-Córdoba S.A.		Spain	▲	50
Okmetic Oy	*)	Finland	▲	49
Okphil Inc.		The Philippines	▲	30
Placer Outokumpu Exploration Ltd.		UK	◆	50
Oretec Resources Plc.		Ireland	◆	34
Tepa-Mestarit Oy		Finland	◆	50
ZAO Arctic Nickel		Russia	◆	40
Outokumpu (Thailand) Co., Ltd.		Thailand	●	49
Kopparlunden Development AB		Sweden	◗	50

Other shares and stock

The market value of the shares in publicly listed companies included in other shares and stock exceeds the balance sheet value of EUR 9 million by EUR 16 million.

Foreign branches

Outokumpu China Oy Hong Kong Branch Office, China
Outokumpu Danmark, Filial af Outokumpu Scandinavia AB, Sverige, Denmark
Outokumpu Metall GmbH, Winterthur Branch, Switzerland
Outokumpu Mining Oy, Sucursal en España, Spain
Outokumpu Mining Oy, Sucursal em Portugal, Portugal
Outokumpu Norge, (Branch office of Outokumpu Scandinavia AB) Norway
Outokumpu Zinc Commercial B.V. Winterthur Branch, Switzerland

23. Changes in Group structure in 1999

Companies merged and dissolved

Technology	Outokumpu Mintec U.S.A. Inc.
	Outokumpu Wenmec, Inc.

Companies sold

Mining	Compañía Minera Zaldívar (associated company)

Effect of sales of business operations on the consolidated net sales

€ million	1999	1998
Outokumpu Copper Brass Rod AB (sold on May 6, 1998)	–	14

This list does not include dormant companies or all holding companies. However, all companies owned by the Parent Company are included. The Group holding corresponds to the Group's share of voting rights.

24. Group mine production and ore reserves and mineral resources

MINE PRODUCTION

tonnes	**1999**	1998
Ore excavated (million tonnes)		
Forrestania	**0.4**	0.4
Black Swan (50% until Oct. 31, 1998)	**0.2**	0.08
Hitura	**0.02**	0.3
Kemi	**1.2**	1.0
Mullikkoräme	**0.1**	0.2
Orivesi	**0.2**	0.2
Pyhäsalmi	**1.2**	1.3
Tara	**2.0**	2.1
Grong	**–**	0.2
Nikkel og Olivin 70%	**0.7**	0.7
Total	**6.0**	6.5
Chromite concentrates		
Kemi	**597 400**	498 100
Zinc in concentrates		
Pyhäsalmi	**19 600**	30 700
Tara	**137 500**	141 100
Grong	**–**	1 000
Total	**157 100**	172 800
Copper in concentrates		
Pyhäsalmi	**10 500**	9 500
Grong	**–**	2 700
Total	**10 500**	12 200
Nickel in concentrates		
Forrestania	**7 400**	9 200
Black Swan (50% until Oct. 31, 1998)	**12 930**	7 300
Hitura	**70**	1 200
Nikkel og Olivin 70%	**2 700**	3 000
Total	**23 100**	20 700
Lead in concentrates		
Pyhäsalmi	**130**	1 800
Tara	**33 570**	34 700
Total	**33 700**	36 500
Gold in concentrates (kg)		
Orivesi	**1 760**	1 500
Pampalo	**760**	520
Pyhäsalmi	**250**	350
Total	**2 770**	2 370
Sulfur concentrate		
Pyhäsalmi	**840 400**	770 200

ASSOCIATED COMPANIES

tonnes	**1999**	1998
Zaldívar 50%, until Nov. 30, 1999		
Ore excavated (million tonnes)	**6.6**	6.8
Copper in concentrates	**1 700**	1 900
Cathode copper	**67 000**	65 800
Mining Project Investors 34%		
(Silver Swan) until Oct. 31, 1998		
Ore excavated (million tonnes)	**–**	0.03
Nickel in concentrates	**–**	1 700

Outokumpu's ownership in the mine is 100% unless otherwise indicated.
For Black Swan, Zaldívar and Mining Project Investors, the table presents the share of production in accordance with Outokumpu Group's ownership interest.

ORE RESERVES AND MINERAL RESOURCES DECEMBER 31, 1999

	ORE RESERVES		MINERAL RESOURCES		
	Proved	Probable	Measured	Indicated	Inferred
MINES					
Australia					
Black Swan					
Silver & White Swan	0.2 Mt	0.1 Mt			0.1 Mt
	9.7% Ni	8.4% Ni			10.0% Ni
Cygnet	0.2 Mt	0.5 Mt		2.4 Mt	
	2.2% Ni	2.4% Ni		1.0% Ni	
Black Swan					30 Mt
					0.8% Ni
Finland					
Hitura	0.8 Mt	0.3 Mt	0.7 Mt	0.9 Mt	3.3 Mt
	0.7% Ni	0.7% Ni	0.8% Ni	0.7% Ni	0.7% Ni
Kemi	43 Mt	19 Mt	9 Mt	25 Mt	91 Mt
	25% Cr_2O_3	26% Cr_2O_3	21% Cr_2O_3	28% Cr_2O_3	29% Cr_2O_3
Orivesi	0.4 Mt	0.1 Mt			0.1 Mt
	8.8 g/t Au	8.3 g/t Au			6.5 g/t Au
Pyhäsalmi	5.3 Mt	14.4 Mt		4 Mt	7 Mt
	1.1% Cu	1.2% Cu		1.3% Cu	0.3% Cu
	1.5% Zn	2.5% Zn		2.1% Zn	
	39% S	37% S		42% S	45% S
	0.4 g/t Au	0.4 g/t Au		0.4 g/t Au	
Mullikkoräme	0.1 Mt				0.1 Mt
	6.3% Zn				5.4% Zn
	0.3% Cu				0.7% Cu
	18% S				18% S
	0.4 g/t Au				0.6 g/t Au
Ireland					
Tara	4.8 Mt	8.9 Mt	1.8 Mt	6.2 Mt	8.6 Mt
	9.8% Zn	9.3% Zn	5.1% Zn	4.9% Zn	7.6% Zn
	2.3% Pb	2.4% Pb	1.8% Pb	2.6% Pb	1.8% Pb
Norway					
Nikkel og Olivin 70%	0.6 Mt	0.1 Mt	0.2 Mt		0.2 Mt
	0.5% Ni	0.5% Ni	0.5% Ni		0.5% Ni

	MINERAL RESOURCES	
	Indicated	Inferred
MAIN EXPLORATION TARGETS		
Australia		
Cliffs Mt Keith		5.5 Mt
		2.3% Ni [1]
Honeymoon Well		
Sulfide resource	118 Mt [2]	10 Mt [2]
	0.8% Ni	0.7% Ni
Laterite resource		250 Mt [3]
		0.9% Ni
		0.06% Co
Panorama 64%		
Copper resource	2.4 Mt [4]	0.1 Mt [4]
	4.1% Cu	3.5% Cu
	1.1% Zn	0.5% Zn
Zinc resource	3.4 Mt [4]	1.7 Mt [4]
	10.5% Zn	9.1% Zn
	30 g/t Ag	40 g/t Ag
Canada		
Montcalm	6.6 Mt	0.6 Mt
	1.7% Ni	2.0% Ni
	0.8% Cu	1.0% Cu
Chile		
Relincho		
Sulfide resource	133 Mt [5]	
	0.7% Cu	
	0.03% Mo	
Oxide resource	175 Mt [5]	
	0.5% Cu	
Santa Catalina	110 Mt [5]	
	0.6% Cu	
	0.1% Mo	
Finland		
Pampalo	0.7 Mt	0.2 Mt
	6.8 g/t Au	7.2 g/t Au

The information has been prepared in accordance with the “Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, September 1999”. 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. In case no percentage is given, Outokumpu’s ownership interest is 100%.

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 = sulfur, Mo = molybdenum, Co = cobalt, Au = gold, Ag = silver and Cr_2O_3 = chromium oxide.

[1] WMC Resources Ltd has an option to buy
[2] Cut-off 0.5% Ni
[3] Cut-off 0.7% Ni
[4] Reported by the operator
[5] Placer Dome Inc. has informed that it will exercise its option to purchase all of Outokumpu’s exploration companies in Chile.

Parent Company financial statements

Income statement

€ million		1999	1998
Net sales		**83**	75
Cost of sales		**(69)**	(70)
Gross margin		**14**	5
Administrative expenses		**(20)**	(22)
Research and development expenses		**(3)**	(3)
Unusual items	[3]	**13**	(3)
Other operating income and expenses	[4]	**4**	6
Operating profit	[1, 2]	**8**	(17)
Financial income and expenses	[5]	**27**	52
Profit before extraordinary items and taxes		**35**	35
Extraordinary income and expenses	[6]	**(32)**	28
Profit before appropriations and taxes		**3**	63
Decrease in untaxed reserves			
Depreciation difference		**–**	1
Income taxes	[7]	**0**	(14)
Profit for the year		**3**	50

According to the 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. The 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 66-68.

Statement of cash flows

€ million	1999	1998
Operating activities		
Income financing		
Profit for the year	**3**	50
Depreciation and amortization	**3**	3
Decrease in depreciation difference	**–**	(1)
	6	52
Change in working capital		
(Increase) decrease in receivables	**(31)**	54
Decrease in current non-interest-bearing liabilities	**(128)**	(3)
	(159)	51
Other adjustments to cash [1)]	**117**	50
Cash provided by operating activities	**(36)**	153
Investing activities		
Capital expenditures for purchase of fixed assets	**(4)**	(3)
Investments in associated companies and other equity investments	**(21)**	(47)
Proceeds from sales of fixed assets	**0**	12
Decrease (increase) in long-term financial assets	**201**	(56)
Cash used in investing activities	**176**	(94)
Cash flow before financing activities	**140**	59
Financing activities		
Increase in long-term debt	**18**	181
Repayments of long-term debt	**(76)**	(200)
(Decrease) increase in current debt	**(52)**	23
Dividends paid	**(10)**	(42)
Other financial items	**20**	(8)
Cash used in financing activities	**(100)**	(46)
Other adjustments to cash	**0**	0
Increase in cash and marketable securities in the balance sheet	**40**	13

1) 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.

Balance sheet

€ million		1999	1998
ASSETS			
Fixed assets and other long-term investments	[8]		
Intangible assets			
Other long-term expenses		**2**	1
Property and equipment			
Land		**16**	16
Buildings		**33**	33
Machinery and equipment		**5**	5
Other fixed assets		**2**	2
		56	56
Long-term financial assets			
Investments in subsidiaries		**683**	672
Other long-term equity investments		**16**	13
Long-term loans receivable	[10]	**858**	1 048
Deferred exchange losses		**–**	10
		1 557	1 743
Total fixed assets and other long-term investments		**1 615**	1 800
Current assets			
Receivables	[10]		
Accounts receivable		**13**	8
Loans receivable		**162**	116
Prepaid expenses and accrued income		**39**	22
Other receivables		**101**	28
		315	174
Cash and marketable securities			
Deposits and debt securities		**–**	9
Cash and cash equivalents		**93**	44
		93	53
Total current assets		**408**	227
TOTAL ASSETS		**2 023**	2 027

€ million		1999	1998
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	[9]		
Share capital		**212**	209
Premium fund		**407**	409
Retained earnings		**95**	56
Profit for the year		**3**	50
		717	724
Untaxed reserves			
Accumulated depreciation difference		**6**	6
Long-term liabilities			
Long-term debt	[10]		
Bonds and debentures		**17**	17
Convertible bonds		**18**	–
Loans from financial institutions		**427**	486
Pension loans		**7**	24
Other long-term loans		**0**	0
		469	527
Other long-term liabilities			
Deferred exchange gains		**1**	–
Other long-term liabilities		**0**	0
		1	0
Current liabilities			
Current debt	[10]		
Bonds and debentures		**0**	–
Loans from financial institutions		**107**	112
Pension loans		**1**	1
Other current loans		**327**	308
		435	421
Other current liabilities	[10]		
Accounts payable		**10**	9
Accrued expenses and prepaid income		**40**	45
Deferred exchange gains		**6**	9
Other current liabilities		**339**	286
		395	349
Total liabilities		**1 300**	1 297
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2 023**	2 027

Notes to the Parent Company financial statements

€ million	1999	1998
1. Personnel expenses		
Executive Board's and Managing Director's and his deputy's fees and salaries [1]	**1**	1
Other salaries	**8**	7
Pension contributions	**0**	1
Other personnel expenses	**1**	1
Personnel expenses in the income statement	**10**	10

[1] Includes paid bonuses EUR 0.00 million in 1999 (1998: EUR 0.03 million).

€ million	1999	1998
Average number of personnel	**206**	199
Personnel on Dec. 31	**199**	197

2. Depreciation and amortization

€ million	1999	1998
Depreciation and amortization by group of assets		
Intangible rights	**0**	0
Other long-term expenses	**0**	0
Buildings	**2**	3
Machinery and equipment	**1**	1
Other fixed assets	**0**	0
	3	4
Depreciation and amortization by group of expenses		
Cost of sales	**0**	0
Administrative expenses	**3**	4
	3	4

3. Unusual items

€ million	1999	1998
Refund of actuarial surplus	**12**	–
Write-backs on shares	**1**	–
Gains on sales of shares (Merita Oyj)	**–**	5
Write-downs of shares	**–**	(8)
	13	(3)

4. Other operating income and expenses

€ million	1999	1998
Other operating income		
Rental income	**3**	4
Gains on sales of fixed assets	**0**	0
Other income items	**1**	3
	4	7
Other operating expenses		
Losses on sales of shares	**(0)**	(0)
Other expense items	**(0)**	(1)
	(0)	(1)
Other operating income and expenses, total	**4**	6

5. Financial income and expenses

€ million	1999	1998
Dividends received	**6**	17
Interest income on		
Long-term financial assets	**65**	62
Current assets	**20**	22
Other financial income	**2**	2
Interest expenses	**(62)**	(61)
Other financial expenses	**(0)**	(1)
Exchange gains (losses)	**(4)**	11
	27	52
Financial income from and expenses to subsidiaries		
Dividends received	**5**	16
Interest income on		
Long-term financial assets	**65**	61
Current assets	**13**	14
Other financial income	**2**	2
Interest expenses	**(7)**	(7)

6. Extraordinary income and expenses

€ million	1999	1998
Group contributions	**(32)**	28

7. Income taxes

€ million	1999	1998
Income taxes		
Accrued taxes for the year	**(7)**	(13)
Tax adjustments for prior years	**7**	(1)
Total	**0**	(14)
Hypothetical deferred taxes in the balance sheet on December 31, 1998		
Deferred tax liabilities	**(6)**	(2)
Deferred tax assets	**8**	3
Net deferred tax asset	**2**	1

8. Fixed assets

€ million	Historical cost on Jan. 1, 1999	Additions	Dispositions	Accumulated depreciation Jan. 1, 1999	Accumulated depreciation of dispositions	Depreciation during period	Accumulated depreciation Dec 31, 1999	Carrying value on Dec. 31, 1999
Intangible assets	2	1	(0)	(1)	0	(0)	(1)	2
Property, plant and equipment								
Land	16	–	(0)	–	–	–	–	16
Buildings	40	2	(0)	(7)	–	(2)	(9)	33
Machinery and equipment	9	1	(0)	(4)	0	(1)	(5)	5
Other fixed assets	2	0	–	(0)	–	(0)	(0)	2
	67	3	(0)	(11)	0	(3)	(14)	56
Long-term financial assets								
Shareholdings in subsidiaries	671	19	(7)	–	–	–	–	683
Other long-term equity investments	13	4	(1)	–	–	–	–	16
Long-term loans receivable	1 059	4	(205)	–	–	–	–	858
	1 743	27	(213)	–	–	–	–	1 557
Total fixed assets	1 812	31	(213)	(12)	0	(3)	(15)	1 615

€ million	1999	1998
9. Shareholders' equity		
Share capital on Jan. 1	**209.4**	209.4
Bonus issue	**2.3**	–
Share capital on Dec. 31	**211.7**	209.4
Premium fund on Jan. 1	**409.5**	409.5
Bonus issue	**(2.3)**	–
Premium fund on Dec. 31	**407.2**	409.5
Retained earnings Jan. 1	**55.8**	76.5
Prior year's net income	**49.7**	21.2
Dividends paid	**(10.5)**	(41.9)
Retained earnings Dec. 31	**95.0**	55.8
Net income for the year	**2.9**	49.7
Total shareholders' equity on Dec. 31	**716.8**	724.4
Distributable funds on Dec. 31		
Retained earnings Dec. 31	**95.0**	55.8
Net income for the year	**2.9**	49.7
	97.9	105.5

10. Receivables and payables

Receivables from and payables to subsidiaries		
Long-term		
Long-term loans receivable	**852**	1 041
Short-term		
Current loans receivable	**162**	115
Accounts receivable	**13**	7
Prepaid expenses and accrued income	**24**	17
Other receivables	**83**	16
Long-term		
Long-term loans	**–**	0
Short-term		
Current loans	**188**	141
Accounts payable	**1**	1
Accrued expenses and prepaid income	**7**	7
Other current liabilities	**333**	282
Receivables from associated companies		
Long-term		
Long-term loans receivable	**4**	3
Short-term		
Current loans receivable	**–**	1
Prepaid expenses and accrued income	**0**	0
Other receivables	**–**	0
Prepaid expenses and accrued income		
Accrued exchange gains	**14**	2
Prepaid interest expenses and accrued interest income	**16**	16
Prepaid income taxes and income tax refunds receivable	**7**	0
Other	**2**	4
Total	**39**	22

10. continued

€ million	1999	1998
Accrued expenses and prepaid income		
Accrued employee related expenses	**2**	1
Income taxes payable	**0**	9
Accrued exchange losses	**19**	18
Accrued interest expenses and prepaid interest income	**17**	13
Other	**2**	4
Total	**40**	45

11. Commitments and contingent liabilities

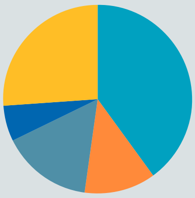
Pledges on Dec. 31		
Mortgages to secure own borrowings	**12**	20
Guarantees on Dec. 31		
On behalf of subsidiaries		
For financing	**218**	185
For other commitments	**22**	55
On behalf of an associated company		
For financing	**4**	4
On behalf of other parties		
For financing	**0**	0
	244	244

Mortgages are given mostly to secure pension loans.

On December 31, 1999, the Parent Company's share of the total pension liabilities of Outokumpu Oyj's pension foundations was EUR 67 million (1998: EUR 74 million). The assets of the pension foundations cover the pension liabilities in full. The pension liabilities of the pension foundations will be transferred to an insurance company, after the approval by the controlling government authority has become law.

Outokumpu Oyj's shares and shareholders

Shareholders by group December 31, 1999



The Finnish State	40.0%
The Finnish Social Insurance Institution	12.3%
Other Finnish organizations	15.6%
Private Finnish investors	5.9%
International shareholders	26.2%

Shares and share capital

Outokumpu Oyj has issued a total of 124 529 660 shares. The Annual General Meeting of Shareholders of Outokumpu Oyj, held on March 16, 1999 decided to delete the possibility of issuing Class C shares and all references to Class A or C shares from the Articles of Association. Following the amendment, Outokumpu Oyj has only one class of shares. The Annual General Meeting of Shareholders also decided to redenominate the Company's shares to have no nominal value, following the conversion of the Company's share capital into the euro. The account equivalent value of the shares is EUR 1.70. The amendment was implemented through a bonus issue of EUR 2 256 569.02. After the amendments, each of the Company's shares entitle to one vote at general meetings of shareholders. Previously, Class A shares entitled to ten votes and Class C shares to one vote each.

The Annual General Meeting of Shareholders also decided to amend the Company's Articles of Association to provide for a minimum authorized and issued share capital of EUR 150 000 000 and a maximum authorized and issued share capital of EUR 600 000 000. The Company's issued share capital may be increased or decreased within these limits without amendment to the Articles of Association. The Company's fully paid share capital registered with the Finnish Trade Register on December 31, 1999 was EUR 211 700 422.

The Company's shares are incorporated in the Finnish book-entry securities system.

Listing of shares

Outokumpu Oyj's shares are listed on the Helsinki Exchanges.

State ownership

The Finnish State holds 40.0% of the Company's shares and voting rights. In accordance with a resolution passed by the Finnish Parliament in 1993, the Finnish Council of State can reduce the State's shareholding in the Company. The State must, however, retain more than one-third of all shares and voting rights of the Company. Reduction of the State's ownership below these limits would require a new resolution by the Finnish Parliament.

Purchase obligation

The Company's Articles of Association provide for a purchase obligation. According to the Articles of Association, a shareholder whose shareholding or aggregate voting rights reach or exceed 33 $^{1}/_{3}$ or 50% shall upon request by other shareholders purchase their shares in the manner and at a price specified in the Articles of Association. The purchase obligation does not apply to a shareholder whose shareholding or voting rights had equalled or exceeded the said thresholds giving rise to the purchase obligation prior to the registration of the provision with the Finnish Trade Register on May 18, 1994, as long as the shareholding and voting rights remain above the said thresholds.

Authorization regarding the increase of the Company's share capital

The Board of Directors of Outokumpu Oyj does not currently have a valid authorization to increase the Company's share capital.

The Investor Relations section on Outokumpu's Internet homepage displays the trading volume and price development (30 min delayed information) of the company's share in relation to the sector and general HEX indices. The pages offer also other useful information to investors, e.g. the Metal Monitor that presents price information on Outokumpu produced metals, as well as the world stock situation of zinc, copper and nickel.

Principal shareholders on December 31, 1999

Shareholder	Shares	%
The Finnish State	49 774 981	40.0
The Finnish Social Insurance Institution	15 295 455	12.3
Pension Insurance Company Ilmarinen Ltd.	3 218 000	2.6
Varma-Sampo Mutual Pension Insurance Company	2 287 967	1.8
Sampo Life Insurance Company Limited	1 818 556	1.5
The Finnish Local Governments' Pension Foundation	1 478 648	1.2
Pohjola Life Assurance Company Ltd.	1 000 000	0.8
Suomi Mutual Life Assusance Company	630 000	0.5
Pension Fennia – Mutual Insurance Company	407 125	0.3
Sampo Enterprise Insurance Company Limited	400 000	0.3
Nominee accounts held by custodian banks	32 541 058	26.1
Other shareholders	15 677 870	12.6
Total number of shares	124 529 660	100.0

Shareholders by group on December 31, 1999

Shareholder group	Shares	%
Privately held companies	1 160 304	0.9
Publicly held companies	612	0.0
Financial and insurance institutions	8 182 604	6.6
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	9 196 279	7.4
Other	49 300	0.0
Non-profit organizations	785 158	0.6
Households/private persons	7 402 797	6.0
International shareholders	32 668 007	26.2
Shares not transferred to book-entry securities system	14 163	0.0
Total	124 529 660	100.0

Distribution of shareholdings on December 31, 1999

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital	Average shareholding
1–100	1 718	19.4	96 151	0.1	56
101–500	3 456	39.1	901 471	0.7	261
501–1 000	1 353	15.3	1 084 789	0.9	802
1 001–10 000	2 190	24.8	5 902 388	4.7	2 695
10 001–100 000	91	1.0	2 690 505	2.2	29 566
100 001–1 000 000	29	0.3	7 425 528	6.0	256 053
over 1 000 000	6	0.1	73 873 607	59.3	12 312 268
	8 843	100.0	91 974 439	73.9	10 401
Nominee accounts held at custodian banks			32 541 058	26.1	
Shares not transferred to book-entry securities system			14 163	0.0	
Total			124 529 660	100.0	

Increase in share capital 1995-1999

		Number of shares	Share capital €
Share capital Jan. 1, 1995		124 529 543	209 443 656.20
Exercise of 66 warrants Jan. 1-Dec. 31, 1995	+	11	209 443 674.70
Exercise of 636 warrants Jan. 1-Jun. 28, 1996	+	106	209 443 852.98
Bonus issue Apr. 28, 1999		–	211 700 422.00
Share capital Dec. 31, 1999		124 529 660	211 700 422.00

1994 debt with warrants for members of management

The members of Outokumpu Oyj's Group Executive Board and the presidents of business areas subscribed in 1994 for a debt with warrants, the amount of which was FIM 340 000 (EUR 57 183.89). The term of the loan was five years and the annual interest rate was 6%. The debt was paid back in full on May 10, 1999. The warrants relating to the debt entitle their holders to subscribe for an aggregate maximum number of 340 000 new shares of the Company. The subscription price is FIM 92 (EUR 15.47) per share and the subscription period is between December 1, 1998 and January 31, 2001. The shares subscribed to on the basis of the warrants will account for up to 0.3% of the Company's shares and votes. As of December 31, 1999, no shares had been subscribed for pursuant to the debt with warrants.

1998 management option program

The Annual General Meeting of 1998 decided to offer option warrants for subscription to employees in management positions in Outokumpu Oyj and its subsidiaries, and to Orijärvi Oy, a wholly-owned subsidiary of Outokumpu Oyj. The option warrants were offered in deviation from the pre-emptive subscription right of shareholders. The option warrants form a part of a management incentive program of the Group.

A total of 2 600 option warrants were issued free of charge, entitling to subscribe for an aggregate maximum number of 2 600 000 shares in Outokumpu Oyj. In June 1998, the Company's Board of Directors approved the option subscriptions. Currently, 87 members of the management and Orijärvi Oy, a wholly-owned subsidiary of Outokumpu Oyj, hold option warrants. The share subscription period will be May 2, 2001 - March 31, 2004. The subscriptions may result in an increase in the Company's share capital by a maximum of EUR 4 420 000. The shares subscribed pursuant to the option warrants will account for up to 2.0% of the Company's shares and votes.

The subscription price for the shares will be equal to the average price quoted for the shares of Outokumpu Oyj at the Helsinki Exchanges between October 1, 2000 and March 31, 2001, weighted by the volume of trade in the same shares during the same period. From the subscription price will be deducted two times the percentage equalling the amount by which the index reflecting the average increase of the share price quoted for the Company's share at the Helsinki Exchanges during the periods between October 1, 1997 and March 31, 1998 and October 1, 2000 to March 31, 2001, respectively, both weighted by the volume of trade of the same shares during the period in question, exceeds the index reflecting the average increase of share prices of a reference group of international metal companies during the same calculation periods. The amount of cash dividends paid by the Company per share after October 1, 2000 will also be deducted from the subscription price. However, the subscription price may not be less than the average price quoted for the Company's share at the Helsinki Exchanges between March 16, 1998 and March 27, 1998, weighted by the volume of trading in the same shares during the same period, less the amount of cash dividends paid by the Company per share after March 27, 1998.

The right to subscribe for shares pursuant to the option warrants is subject to the condition that the average change in the Company's share price equals or exceeds the average change in the share prices of the reference group of international metal companies measured by comparing changes in an index reflecting average changes in the share price for Outokumpu Oyj's share price during the periods between October 1, 1997 and March 31, 1998 and October 1, 2000 and March 31, 2001, to changes in a reference index calculated in the same manner and for the same periods of time, both weighted by the volume of trade of the same shares during the period in question. The result of this comparison must show that the index reflecting the average change in the price of Outokumpu Oyj's share must equal or exceed the index reflecting development in the average share price of the reference group. Another condition for the right to subscribe shares is that the development of earnings per share of Outokumpu must equal or exceed the average development of earnings per share in the reference group of international metal companies. When measuring the development of the earnings per share, the average earnings per share of Outokumpu and that of the reference group during the years 1995 and 1997 is to be compared to the average earnings per share of the same during the years 1998-2000. The result of this comparison must show that the development in Outokumpu Oyj's earnings per share has been equal or better than that of the reference group.

1999 convertible bonds to the personnel

The Annual General Meeting of 1998 authorized the Board of Directors to issue convertible bonds to the personnel of Outokumpu Oyj and its subsidiaries in one or several tranches in deviation from the shareholders' pre-emptive subscription right. The convertible bonds form a part of the incentive program for the personnel of the Group. The authorization was in force one year from the decision of the Annual General Meeting.

Pursuant to the authorization, the Board was entitled to decide all terms and conditions of the bonds, their subscription and conversion, as well as to decide who would be invited to subscribe bonds. The maximum number of shares which could be issued as a result of conversion was 2 000 000 shares, corresponding to an increase in the Company's share capital by up to EUR 3 400 000.

Pursuant to the authorization, the Board of Directors decided on February 12, 1999 to issue a fixed maximum number of convertible bonds. The subscription period for the bonds was between March 17, 1999 and March 31, 1999. The bonds were issued on April 7, 1999. The loan period is five years and the conversion period is between April 9, 2001 and April 5, 2004. The bonds were primarily offered for subscription to the employees having a permanent employment with Outokumpu Oyj or its subsidiaries in Finland as per December 31, 1998 and at the end of the subscription period on March 31, 1999. The loan was secondarily offered to the Personnel Fund of the Outokumpu Group in Finland. The Board of Directors decided on March 12, 1999 the interest rate of the bonds to be 3.75%. According to the terms of the convertible bonds, one convertible bond of EUR 1 000 can be converted to 110 shares in Outokumpu Oyj.

The loan was 2.3 times oversubscribed and a total of 742 employees of the Outokumpu Group subscribed for the loan. The Board approved the subscriptions and allocation principles in a meeting held on April 6, 1999. The aggregate amount of the convertible bond was EUR 18 180 000, entitling the holders of the bonds to subscribe for an aggregate maximum number of 1 999 800 shares in Outokumpu Oyj. In accordance with the allocation principles, subscriptions of up to EUR 10 000 were approved in full, in addition to which 32% of subscriptions exceeding EUR 10 000 were approved.

Following the effected prepayments under the terms of the convertible bonds, the loan amount as of December 31, 1999 was EUR 17 959 000. This amount entitles the holders of the bonds to subscribe for an aggregate maximum number of 1 975 490 shares of the Company corresponding to 1.6% of the Company's shares and votes.

Management shareholding

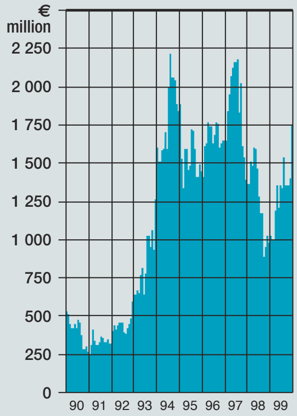
At the end of the year 1999, the members of the Board of Directors of Outokumpu Oyj, the Company President and the Deputy President held a total of 19 356 shares, corresponding to 0.02% of the Company's share capital and voting rights. In addition, the President and Deputy President had subscribed to convertible bonds offered to the personnel in 1999 with EUR 142 000 and are entitled to subscribe for up to 160 000 shares in Outokumpu Oyj pursuant to the debt with warrants offered to the management in 1994 and up to 260 000 shares pursuant the option warrants offered to the management in 1998. The convertible bonds offered to the personnel in 1999 entitle the above mentioned persons to subscribe a total of 15 620 shares in Outokumpu Oyj. If the subscription rights are exercised in full, the shares and voting rights accounted for the said persons will increase by 0.1% pursuant to the debt with warrants, by 0.2% pursuant to the option warrants and by less than 0.1% pursuant to the convertible bonds.

Management shareholding is presented in greater detail on pages 77-78.

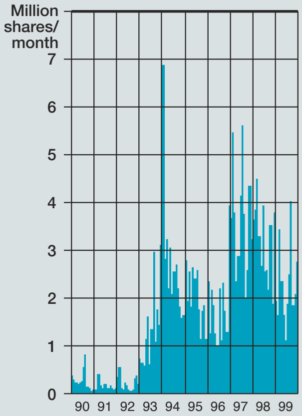
Price development and trading volume of shares

The trading price of Outokumpu Oyj's share increased by 79% during 1999. The development of the share price and trading volume together with the key figures per share for the past five years are presented in the table on the adjacent page.

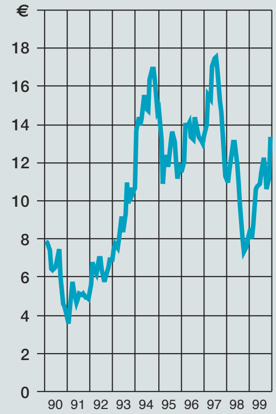
Market capitalization



Trading volume of shares



Share price



Share-related data

		1995	1996	1997	1998	**1999**
Income per share (excluding extraordinary items)	€	1.47	0.25	0.95	0.02	**0.65**
Net income per share	€	1.40	0.25	0.95	0.02	**0.65**
Cash flow per share	€	3.33	1.75	1.53	2.39	**0.82**
Shareholders' equity per share	€	9.56	9.59	10.42	10.04	**10.74**
Dividend per share	€	0.30	0.17	0.34	0.08	**0.25** [1]
Dividend/earnings ratio	%	20.6	66.2	35.4	357.4	**38.7**
Dividend yield	%	2.6	1.3	3.0	1.1	**1.8**
Price/earnings ratio		7.9	52.0	11.8	334.3	**21.6**
Development of share price						
Average trading price	€	12.52	13.25	15.13	10.54	**10.77**
Lowest trading price	€	10.01	10.51	10.43	6.27	**7.25**
Highest trading price	€	15.59	15.14	18.16	14.30	**15.00**
Trading price at end of period	€	11.60	13.20	11.18	7.87	**14.05**
Market capitalization at end of period	€ million	1 445	1 644	1 393	980	**1 750**
Development in trading volume [2]						
Trading volume	1 000 shares	24 433	22 502	43 942	38 456	**27 204**
In relation to weighted average number of shares	%	19.6	18.1	35.3	30.9	**21.8**
Average number of shares		124 529 548	124 529 605	124 529 660	124 529 660	**124 529 660** [3]
Number of shares at end of period		124 529 554	124 529 660	124 529 660	124 529 660	**124 529 660**
Warrants [4]						
Price development						
Average trading price	€	0.26	0.04			
Lowest trading price	€	0.03	0.02			
Highest trading price	€	0.72	0.12			
Trading price at end of period	€	0.03	–			
Trading volume	1 000 warrants	8 443	16 869			
Number of warrants at end of period		20 717 406	–			

[1] The Board of Directors' proposal to the Annual General Meeting.
[2] Trading volume on the Helsinki Exchanges.
[3] The average number of shares for 1999, diluted with the warrants held by the Group's top management and convertible bond for the personnel, was 125 988 770. The outstanding options and the convertible bond have a dilutive effect of EUR –0.01 on income per share for 1999.
[4] Warrants issued in connection with the share offering in 1994. Six warrants entitled the holder to subscribe for one new share for EUR 15.47 until June 28, 1996.

Definitions of key financial indicators and share-related data are presented on page 47.

Outokumpu Oyj's administration

Finnish guidelines on corporate governance

Helsinki Exchanges recommends that the publicly listed companies comply with the corporate governance guidelines prepared jointly by the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers in 1997. Outokumpu Oyj complies with this recommendation as well as with OECD's Principles on Corporate Governance. Moreover, the Board of Directors of the Company is committed to further develop corporate governance practices in the best interests of the Company's shareholders in a manner that results in the maximum increase in shareholder value.

Organizational restructuring in spring 2000

Outokumpu Oyj's Board of Directors decided at it meeting on February 4, 2000, to restructure the Group's top management and administration with the goal to streamline the organization, sharpen focus on business objectives and increase managerial efficiency.

The new organizational model is presented on page 5.

During the spring, work to finalize the new business organization structure and to establish appropriate corresponding corporate governance procedures will be done at Corporate Management.

The Outokumpu Oyj's administration presented on pages 74-79 in this Annual report corresponds to the review year's corporate governance system and management.

Structure of the Outokumpu Group

The legal and operational structure of the Group has a major impact on corporate governance.

Operationally, Group activities are organized into five business areas: Stainless Steel, Copper Products, Metals Production, Mining and Technology. In addition, there are several separate business and service units operating under the exclusive control of the parent company of the entire Group, Outokumpu Oyj. In legal terms, the business areas and their subsidiaries are exclusively controlled by Outokumpu Oyj. Stainless Steel, Copper Products and Technology business areas have their own administrative parent companies. The Boards of Directors of these companies consist of representatives of the Outokumpu Group Executive Board and of the relevant business area management. The Metals Production and Mining business areas report directly to the Group Executive Board of Outokumpu Oyj. The other Group companies report directly to Outokumpu Oyj. This structural division facilitates segmental accounting and reporting and allows efficient operational planning.

The ultimate responsibility for the Group's management and operations lies with the governing bodies of Outokumpu Oyj, namely the General Meeting of Shareholders, the Board of Directors, the President (Chief Executive) and the Group Executive Board.

As the parent company of the entire Group, Outokumpu Oyj is responsible for the management, corporate planning, accounting and finance function of the Group and also provides the business areas with services related to group staff functions.

Tasks and duties of the Board of Directors

The Board of Directors of Outokumpu Oyj (the Board) acts within the powers and responsibilities provided under the Finnish Companies Act and other applicable legislation. The General Meeting of Shareholders is the supreme decision-making body of the Company, and normally convenes once a year. The Companies Act provides that certain critical decisions, such as amendments to the Articles of Association, approval of the financial statements, determination of dividends and election of the Board of Directors and the auditors, are the exclusive domain of the General Meeting of Shareholders.

The Board has general authority to decide and act in all matters not reserved by law or under the provisions of the Articles of Association to other corporate governing bodies. The Board is responsible for organizing and supervising the management of the Company and its business. The Board shall at all times act in the best interests of the Company.

The Board's general policy is to direct the Company's business and strategies in a manner that results in the maximum increase in shareholder value. The principal duties of the Board include:

- setting the business strategies of the Group;
- approving business plans and targets and controlling their implementation;
- approving the aggregate amount of capital spending within the Group and deciding on major and strategically important investments, acquisitions and disposals of assets;
- setting the Company's dividend policy and preparing a proposal to the Annual General Meeting of Shareholders on the yearly dividend;
- setting the organizational structure of the Group;
- appointing the President, his deputy and the members of the Group Executive Board and determining their responsibilities and remuneration;

– deciding on issues relating to risk management and internal controls; and
– setting the ethical standards of the Company.

The Board reviews its procedures and practices regularly.

Election of the Board

The Annual General Meeting of Shareholders elects the Directors of the Board for a term expiring at the close of the following Annual General Meeting of Shareholders. Accordingly, the entire Board is elected at each Annual General Meeting of Shareholders. The Annual General Meeting of Shareholders, held on March 16, 1999, decided that the Chairman and Vice Chairman of the Board of Directors, both of whom shall be members of the Board, are elected by the Board of Directors. Previously the election was made by the Annual General Meeting. A Director may at any time be removed from office by a majority vote at a General Meeting of the Shareholders of the Company. The names of the proposed board members made known to the Board of Directors prior to a General Meeting shall be published if the proposal is supported by shareholders holding a minimum of 20% of all votes in the Company and if the proposed person has consented to the nomination.

Current composition of the Board

The Company's Articles of Association provide that the Board consists of no less than five and no more than eight Directors. The current Board comprises eight Directors; one of whom has been elected on the proposal of Company employees based on their shareholdings. The Corporate President is also a Director. The Board adheres to the practice of electing the majority of Directors from outside the Company.

Board Meetings

The Board normally meets six to ten times a year. Most meetings are held at the Company's head office in Espoo, although a number of Board meetings take place at other offices of the Group when the Directors are visiting the Group's operations.

President and Group Executive Board

The President is responsible for managing and controlling the Company's business in accordance with the instructions and decisions issued by the Board. He is supported in his work by the Group Executive Board, appointed pursuant to a special clause in the Company's Articles of Association.

The Board approves the terms of reference for the Group Executive Board. Under the current terms of reference, the members of the Group Executive Board are responsible for organizing and monitoring the management and operations of the business areas and other business units. The Group Executive Board is also in charge of:

– supporting the Board and the President in the management of the Company;
– preparing matters to be discussed at Board meetings; and
– preparing strategic and business plans for approval by the Board.

In addition, the Board has designated a particular functional responsibility area to each member of the Group Executive Board.

The President and the members of the Group Executive Board are appointed by the Board of Directors. According to the Company's Articles of Association, the President acts as the Chairman of the Group Executive Board, which is currently composed of five members.

The Group Executive Board meets some 20 times a year.

Remuneration of Directors, the President and the members of the Group Executive Board

The fees, salaries and employee benefits paid to the Directors and members of the Group Executive Board in 1999 were as follows:

€	Salaries and fees, incl. employee benefits	Performance-related bonuses	Total
Directors [1]	118 236	–	118 236
President and Deputy President	495 661	3 193	498 854
Other Group Executive Board Members	514 959	4 435	519 394

[1] excluding President's salary and bonuses

No other fee than the fee decided by the Annual General Meeting is paid to Board members, excluding the President. In 1999, the performance-related bonus paid to the President and members of the Group Executive Board in addition to their salary and employee benefits depends on the return on capital employed and on solidity. The maximum bonus is 30% of the annual salary. In 2000, the maximum bonus is 40% of the annual salary. The bonus depends on The Economic Value Added created by the Company.

No separate remuneration is paid for membership of the Group Executive Board or the Board of Directors of the business area parent companies.

The Company has not given any guarantees or other similar commitments on behalf of the Members of the Board of Directors or the Group Executive Board. The said persons or any other persons or entities within their sphere of influence as defined under Section 1(4) of the Finnish Companies Act (734/78) have no significant business relationships with the Company.

The retirement age of the President and the Group Executive Board Members is 65 years. The Board of Directors can separately approve an earlier retirement age for the above-mentioned persons.

Stock ownership and options

The number of Outokumpu Oyj shares held by the Directors and Members of the Group Executive Board on December 31, 1999, and the number of new shares subscribable on their option warrants and convertible bonds are shown in the following table.

	Number of shares	Option warrants based on 1994 debt with warrants	1998 option program	1999 convertible bond to personnel
Directors [1]	9 356	–	–	1 100
President and Deputy President	10 000	160 000	260 000	15 620
Other Group Executive Board Members	1 200	75 000	240 000	19 250

[1] excluding President's share ownership and options

The terms and conditions of the 1994 debt with warrants for Management, the 1998 option program and 1999 convertible bonds for personnel are described in greater detail on pages 71-72.

The holdings and option warrants and the amount of convertible bonds owned by each Director and Member of the Group Executive Board on December 31, 1999 are shown with their personal particulars on pages 77-78.

Control systems

The operational direction and control within the Group are ensured by the management and administration system described above. The Company has the necessary reporting systems in place for operational business control and effective monitoring of the Group's assets and interests.

The Board of Directors has the ultimate responsibility for accounting and internal controls within the Company. The President is responsible for the practical organization of the accounting and control mechanisms.

The structural division of the Group into business areas and related operating subsidiaries facilitates operational control and management of the various Group entities. It enables clear lines of financial accountability within the Group. In addition, the Group has a well-functioning operational reporting system to facilitate financial planning and business control.

The President, the members of the Group Executive Board and the executives responsible for the Corporate staff functions (Executive Staff) are responsible for ensuring that the day-to-day operations of the Group are carried out in compliance with existing laws and regulations, the operating principles of the Company and the decisions by the Board. The Company has adopted internal insider trading rules, which correspond to the existing insider regulations of the Helsinki Exchanges.

PricewaterhouseCoopers is responsible for the audit of the Group companies worldwide. Outokumpu Oyj is audited by SVH Pricewaterhouse Coopers Oy. The auditor in charge of auditing Outokumpu Oyj is Mr. Pekka Nikula, APA, who is also responsible for instructing and coordinating the audit of all Group companies. Each year the auditor in charge and the Company's management jointly prepare an auditing program for the Company. The fact that the Company does not maintain a separate internal audit function is reflected in the scope and content of the external audit. The auditors of the Company issue an audit report on the annual financial statements of the Company to the Shareholders, as required by law. In addition, the auditors report their findings to the Board at least twice a year.

Board of Directors

From the left: Gerhard Wendt, Heimo Karinen, Jyrki Juusela, Paavo Leppänen, Ilkka Suominen, Arto Honkaniemi, Pekka Tuomisto and Matti Puhakka.

Chairman

Gerhard Wendt, b. 1934, Ph.D.
Divisional General Manager 1972-88, President 1989-94:
Kone Corporation
Chairman of the Board of Directors: Instrumentarium Corporation, Algol Oy
Member of the Board of Directors: A. Ahlstrom Corporation, Assa Abloy AB (publ), Kone Corporation, Kyro Corporation, Vaisala Corporation, Wärtsilä NSD Corporation
Owns no Outokumpu shares

Vice Chairman

Matti Puhakka, b. 1945, technician
Member of the Board of Directors and Deputy Director-General 1996-: Finnish Social Insurance Institution
Member of Parliament 1975-91 and 1995-96
Executive Director 1993-95: The Regional Council of North Karelia
Project Manager 1991-93: Enso Oyj
Member of the Council of State of Finland 1983-91
Member of the Board: Civil Aviation Administration
Owns no Outokumpu shares

Members

Arto Honkaniemi, b. 1946, LL.M., B.Sc. (Econ.)
Industrial Counsellor 1998-: Ministry of Trade and Industry
Member of the Board: Partek Corporation
Owns no Outokumpu shares

Jyrki Juusela, see: Group Executive Board

Heimo Karinen, b. 1939, M.Sc. (Eng.)
Chairman and Chief Executive Officer of Kemira Oyj 1991-1999
Member of the Supervisory Board: Teollisuuden Voima Oy, Merita Bank Plc, Sampo Insurance Company plc
Vice Chairman of the Board: Chemical Industry Federation of Finland
Member of the Board: Confederation of Finnish Industry and Employers, Pohjolan Voima Oy, Industrial Insurance Co. Ltd., Danisco A/S
Owns 750 Outokumpu shares

Paavo Leppänen, b. 1941, M.Sc. (Eng.)
Manager of Sales Planning 1984-: Outokumpu Polarit Oy, in the employ of the Outokumpu Group since 1972
Member of the Supervisory Board: Pohjolan Sanomat
Owns 5 856 Outokumpu shares, owns on the basis of the 1999 convertible bonds for the personnel creditor's rights worth 10 000 euros entitling to subscribe 1 100 shares in the company.

Ilkka Suominen, b. 1939, Minister h.c.,
Member of the European Parliament 1999-
President and CEO 1994-1999: Alko Group Ltd, Altia Group Ltd 1999
Speaker of the Parliament of Finland 1991-94
Minister of Trade and Industry 1987-91
Member of the Supervisory Board: Merita Bank Plc
Member of the Board of Directors: Altia Group Oy, Scandic AB
Owns 2 750 Outokumpu shares

Pekka Tuomisto, b. 1940, LL.M., M.Pol.Sc.
Director-General 1993- : Finnish Social Insurance Institution
Minister of Trade and Industry 1992-93
Secretary of State 1991-92: The Prime Minister's Office
Member of the Supervisory Board: Fortum Corporation, Merita Bank Plc
Owns no Outokumpu shares

Group Executive Board

From the left: Juho Mäkinen, Ossi Virolainen, Jyrki Juusela, Risto Virrankoski and Antti Närhi.

Jyrki Juusela, b. 1943, D.Tech.
CEO and President 1992-
Chairman of the Group Executive Board 1997-
Member of the Board of Directors (former Executive Board) 1988-, in the employ of the Outokumpu Group since 1971
Chairman of the Board: The Confederation of Finnish Industry and Employers, Association of Finnish Steel and Metal Producers
Member of the Board and Executive Committee: Federation of Finnish Metal, Engineering and Electrotechnical Industries
Chairman of the Supervisory Board: Sampo Insurance Company plc
Member of the Supervisory Board: Varma-Sampo Mutual Pension Insurance Company, Merita Bank Plc
Owns 10 000 Outokumpu shares, entitled to subscribe 90 000 shares on the basis of the 1994 debt with warrants and 160 000 shares on the basis of the 1998 option program, owns on the basis of the 1999 convertible bonds for the personnel creditor's rights worth EUR 71 000 entitling to subscribe 7 810 shares in the company.

Ossi Virolainen, b. 1944, B.Sc. (Econ.), LL.M
Deputy Chief Executive, Deputy President 1992-
Vice Chairman of the Group Executive Board 1997-
Functional responsibilities: Finance and economic affairs, information management, economic research, corporate communications and investor relations, legal affairs and M&A
Member of the Executive Board 1983-97, in the employ of the Outokumpu Group since 1967
Vice Chairman of the Board of Directors: Helsinki Telephone Corporation
Member of the Board of Directors: Leonia plc
Owns no Outokumpu shares, entitled to subscribe 70 000 shares on the basis of the 1994 debt with warrants and 100 000 shares on the basis of the 1998 option program, owns on the basis of the 1999 convertible bonds for the personnel creditor's rights worth EUR 71 000 entitling to subscribe 7 810 shares in the company.

Risto Virrankoski, b. 1946, B.Sc. (Econ.)
Member of the Group Executive Board 1997-
Functional responsibilities: Business development, commercial affairs, industrial investments, pension foundations, real estate
Member of the Executive Board 1986-97, in the employ of the Outokumpu Group since 1969
Member of the Board: International Copper Association, Ltd
Vice Chairman of the Board of Directors: Partek Oyj Abp
Member of the Board of Directors: VR Ltd (Finnish Railways)
Owns no Outokumpu shares, entitled to subscribe 45 000 shares on the basis of the 1994 debt with warrants and 80 000 shares on the basis of the 1998 option program, owns on the basis of the 1999 convertible bonds for the personnel creditor's rights worth EUR 71 000 entitling to subscribe 7 810 shares in the company.

Juho Mäkinen, b. 1945, D.Tech.
Member of the Group Executive Board 1997-
Functional responsibilities: Technology, research & development, quality management, environment, health and safety, insurance
Member of the Executive Board 1996-97, in the employ of the Outokumpu Group since 1975
Chairman: The Finnish Association of Mining and Metallurgical Engineers
Board Member: International Council on Metals and the Environment
Member of the Executive Committee: Eurometaux
Member of the Board of Directors: Espoo Chamber of Commerce
Owns 1 200 Outokumpu shares, entitled to subscribe 80 000 shares on the basis of the 1998 option program, owns on the basis of the 1999 convertible bonds for the personnel creditor's rights worth EUR 71 000 entitling to subscribe 7 810 shares in the company.

Antti Närhi, b. 1944, M.Sc. (Eng.)
Member of the Group Executive Board 1998-,
in the employ of the Outokumpu Group since 1971
Functional responsibilities: Administrative affairs and labor relations, human resources, energy affairs
Member of the Supervisory Board: Sampo Life Insurance Company Limited
Owns no Outokumpu shares, entitled to subscribe 30 000 shares on the basis of the 1994 debt with warrants and 80 000 shares on the basis of the 1998 option program, owns on the basis of the 1999 convertible bonds for the personnel creditor's rights worth EUR 33 000 entitling to subscribe 3 630 shares in the company.

Business area management

Outokumpu Steel Oy

Matti Rantamaula, President
Vesa Hopia, Vice President – Finance
Jorma Kemppainen, Vice President – Research and Development
Pekka Erkkilä, President, Outokumpu Chrome Oy
Niilo Suutala, President, Outokumpu Polarit Oy
Christer Asp, President, Oy JA-RO Ab

Outokumpu Copper Products Oy

Seppo Kreula, President
Ari Ingman, Deputy President – Metals & Raw Materials
Geoffrey Palmer, Deputy President – Global Business Lines
Warren E. Bartel, Senior Vice President – Regional Products, Americas
Martin Degerth, Senior Vice President – Regional Products, Europe
Hans Carlsson, Senior Vice President – Production
Erkki Ström, Senior Vice President – Technology
Jyrki Vesaluoma, Senior Vice President – Business Control & Finance

Metals Production

Asko Ojanen, President – Metals Production, Outokumpu Oyj
Jukka Järvinen, President – Outokumpu Harjavalta Metals Oy
Ville Sipilä, President – Outokumpu Zinc Oy

Mining

Eero Laatio, President – Mining, Outokumpu Oyj
Markku Isohanni, Senior Vice President – Exploration
Markku Mansikka, Vice President – Finance and Administration

Outokumpu Technology Oy

Kalevi Nikkilä, President
Kauko Laukkanen, Vice President – Finance and Administration
Matti Karjanlahti, President, Outokumpu Mintec Oy
Juhani Vahtola, President, Outokumpu Engineering Contractors Oy
Heikki Kandolin, President, Outokumpu Wenmec Oy

Executive staff – Senior Vice Presidents

Jaakko Ahotupa, Corporate Administration
Jussi Asteljoki, Corporate Research and Development
Petri Fernström, Corporate Marketing
Karri Kaitue, Corporate General Counsel
Matti Koponen, Corporate Environmental Affairs
Esa Lager, Corporate Treasurer
Kari Lassila, Corporate Controller
Katarina Lybeck, Corporate Communications
Asko Parviainen, Industry Associations
Markku Toivanen, Corporate Strategic Development
Seppo Turunen, Corporate Human Resources

The Boards of Directors of the Stainless Steel, Copper Products and Technology business areas, comprise the members of the Group Executive Board and two to four members of the business area management. CEO Jyrki Juusela acts as Chairman of the Boards. Antti Närhi acts as Vice Chairman for Outokumpu Steel Oy, Risto Virrankoski for Outokumpu Copper Oy and Juho Mäkinen for Outokumpu Technology Oy. The Metals Production and the Mining business areas are directly under the supervision and management of the Group Executive Board.

Organizational restructuring in spring 2000

The decision on the Group restructuring made by Outokumpu Oyj's Board of Directors on February 4, 2000, and presented briefly on page 5, also included some changes and managerial reassignments in the top administration which took immediate effect.

Group Executive Board replaced by an 8-member Executive Committee

A new Group Executive Committee was established to replace the previous Executive Board as of February 4, 2000. The Executive Committee consists of the five previous Executive Board members (presented on the adjacent page) and the Presidents of the three main business areas: Mr. Matti Rantamaula, who continues as President of Stainless Steel, Dr. Kalevi Nikkilä, who was appointed new President of Copper Products, and Mr. Tapani Järvinen, who was appointed President of the new Metallurgy business area which combines the Metals Production and Technology organizations.

Chief Executive Jyrki Juusela serves as Chairman of the Executive Committee and Deputy CEO Ossi Virolainen as its Vice Chairman. The functional responsibility areas of the Executive Board members will remain unchanged in the Group Executive Committee.

Annual General Meeting and dividend

Annual General Meeting

The Annual General Meeting of Shareholders of Outokumpu Oyj will be held at Dipoli Congress Center in Espoo, Finland at 2 p.m. on Thursday, March 16, 2000.

In order to attend the Annual General Meeting, shareholders must be registered in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. (Suomen Arvopaperikeskus Oy) no later than March 10, 2000. Shareholders who have placed their shares in trust must temporarily re-register the shares under their own name to allow them to attend the Meeting. Such re-registration must be made no later than March 10, 2000.

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 2813) or by letter addressed to Outokumpu Oyj, Share Register, P.O.Box 140, Riihitontuntie 7, FIN-02201 Espoo, Finland by no later than March 13, 2000. The letter must be received by the company on or before March 13, 2000.

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 proxy forms to its shareholders. Shareholders wishing to vote by proxy should submit their own proxy forms to the Company no later than March 13, 2000.

Dividend

The Board of Directors proposes a dividend of EUR 0.25 per share. The dividend will be paid to the shareholders that are registered as owners by the Finnish Central Securities Depository Ltd. on March 21, 2000. It is proposed that the dividend will be paid on March 28, 2000.

Annual report and interim reports

The Outokumpu Group will publish three interim reports during 2000, as follows:

1st quarter	April 27, 2000, at 1 p.m. (Finnish time)
2nd quarter	July 24, 2000, at 1 p.m. (Finnish time)
3rd quarter	October 23, 2000, at 1 p.m. (Finnish time)

The annual reports, interim reports and all major press releases are published in Finnish and English. All these are available on the Group's Internet home page (www.outokumpu.com). On the home page you can also subscribe to interim and other major press release e-mailing lists as well as to the mailing list of annual reports.

Annual reports and photocopies of interim report press releases can be obtained from Outokumpu Oyj/Corporate Communications, Riihitontuntie 7 B, PO Box 140, 02201 Espoo, Finland. Telephone + 358 9 421 2416, fax + 358 9 421 2429 and e-mail corporate.comms@outokumpu.com.

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OTHER ADDRESSES

Up-to-date contact information about all Outokumpu subsidiaries and sites is available on the Group's Internet home page (www.outokumpu.com). Contact information can also be requested by telephone (+358 9 4211), fax (+358 9 421 2429) or e-mail (corporate.comms@outokumpu.com).

Outokumpu Oyj
Domicile: Espoo, Finland
Trade register number: 70.759

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