Annual Report 2001

outokumpu

Living the future of metals today

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Vision, strategy and values

We want to become a benchmark in metals and technology

Strategy

The basic elements of Outokumpu's strategy are growth and transformation.

Formed in January 2001, AvestaPolarit ensures faster growth in stainless steel at lower risk. Stainless steel is an integral part of Outokumpu's value creation, even after the structural change.

Outokumpu has shifted its strategic focus to the development and expansion of its non-ferrous metals businesses. Our aim is to double the volumes and profits of these operations by 2004–2005 and to transform from a capital-intensive into a knowledge-driven company – to become the leading metals and technology Group.

We have now successfully implemented this strategy for one year and the growth targets in many business operations have almost been reached. The greatest challenges in the near future will be related to transformation.

Our core competence is in metals, metals production and fabrication, and related customer applications. Our key customers operate in the fields of heat transfer, communication and telecommunication technology, electrical power, surface treatment, metal alloys, and mining and metals industry. It is our aim that our customers in both new and established growth areas will make Outokumpu their principal supplier and obtain real value added by working with us.

Our growth target and goal of becoming the leading metals and technology Group set a clear course for us:

- We will continue to shift to higher value added products.
- We will renew and improve our customer interface.
- We will increase our efforts in product and service development and application engineering.
- We will acquire companies, undertake joint ventures and effect mergers that increase the value of our company and fit our strategy.
- We will continue our efforts to increase the profitability of Copper Products. Increased operational efficiency, recent development investments, and company acquisitions will raise operating profit target for the coming years to the level of EUR 130–150 million.
- We will further develop and expand our metallurgical plants. We will also introduce new business concepts that combine Outokumpu's brand technologies and services related to project implementation and commercialization.
- We will exit base metals mining.

As principal owner, we will also take part in the work of the Board of Directors of AvestaPolarit to ensure that the synergies from the merger are realized and that the extensive investment program is carried out as planned.

Our vision

Outokumpu is a leading metals and technology Group that creates real value added both to its customers and shareholders.

Values

Our strategy is based on customer orientation, a high level of technological expertise, efficient business processes and responsibility for our operating environment based on sustainable development. To ensure our continuing operational effectiveness, competitiveness and growth, we will pay special attention to the long-term continuous development of our personnel. In 2001, we launched an identity project in which every Outokumpu employee can take part in defining the joint values that support our strategy of growth and transformation.

Financial objectives

Outokumpu's main financial objectives are to generate maximum economic value added on the capital invested by its shareholders and to maintain a sound capital structure. A sufficiently strong balance sheet will help Outokumpu withstand business risks and cyclical market volatility. Based on the growth and transformation strategy, the Group level objectives set for the business operations, have been defined in terms of the following financial indicators:

Growth

– Net income trend growth at least 15% per annum.

Transformation

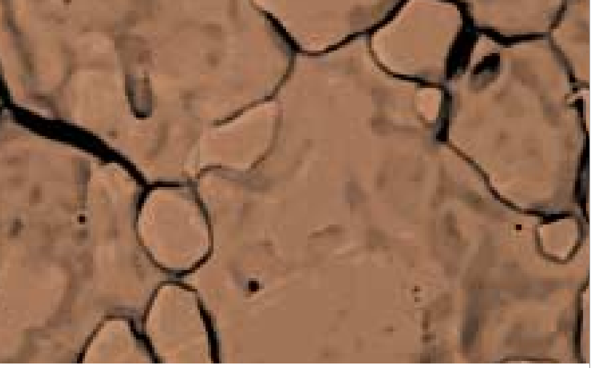
– Conversion margins/sales to grow significantly.
– Capital turnover ratio to grow significantly.
– Operating profit margin to be at least 10%.

Minimum requirements for profitability and balance sheet structure

– At least 15% return on capital employed as a three-year average.
– A minimum equity-to-assets ratio of 40% and gearing below 75%.

Dividend policy

The dividend policy of Outokumpu has temporarily been changed until Outokumpu's shareholding in AvestaPolarit has decreased to 40%. Some half and at the maximum all of the period's profit can be distributed as dividends to shareholders. Cash dividend will be at least 20% of profit for the financial year. The balance will, after a separate consideration, be paid out as AvestaPolarit shares. In its annual dividend proposal, the Board will, in addition to financial results, take into consideration the Group's investment and development needs.



Business operations

Living the future of metals today

Expertise in metals and technology, the strength common to the Outokumpu Group's business operations, provides synergies in the coordinated development of the businesses and the creation of economic value added.

Outokumpu's operations are organized into three strategic entities – Copper Products, Metallurgy and Stainless Steel. The Group's Stainless Steel operations are the responsibility of the independent Outokumpu subsidiary AvestaPolarit Oyj Abp. Other operations include non-core business units and industrial holdings. The Outokumpu management model emphasizes operative business units that report directly to Corporate Management.

Copper Products

Outokumpu is firmly positioned as one of the world's leading manufacturers of fabricated copper products due to its technological expertise and worldwide customer-focused production and service network. Copper Products is the only supplier in its field that can serve globally operating customers with locally fabricated products in all three main regions: the US, Europe and Asia. The Group accounts for some 10% of the world's fabricated copper products in its served market.

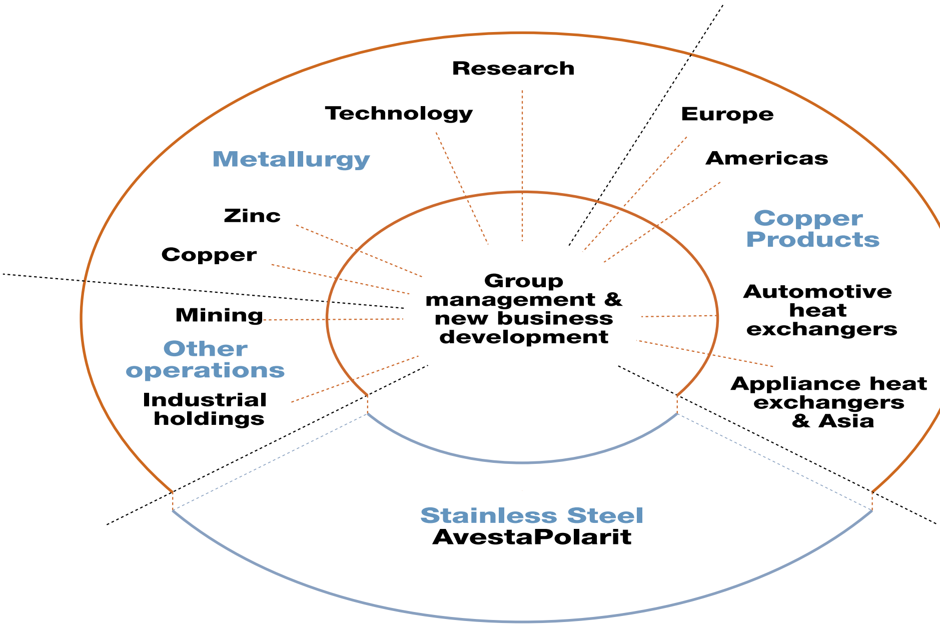
Copper Products is organized into four units, each with their own business lines and manufacturing units. Its plants are located in the United States, Finland, Sweden, Spain, the Netherlands, China, Malaysia, Thailand, Austria and Britain.

Metallurgy

Metallurgy engages in zinc and copper metals production and technology sales and also operates Outokumpu Research, a research center located in Pori, Finland.

The zinc business comprises the zinc plants in Kokkola, Finland and Odda, Norway. Outokumpu Zinc Commercial in the Netherlands handles raw material procurement and product marketing. Outokumpu is the third largest producer of zinc in Europe with an approximately 15% share. It accounts for around 5% of the world's zinc production.

The copper business comprises the Outokumpu Harjavalta Metals copper production plants at Harjavalta and Pori, Finland. The Group's share of world copper production is some 1%.



The product range of Technology mainly comprises plants, processes, machinery and equipment, as well as planning and project services for the mining and metallurgical industries. Following the acquisitions of 2001, the Group is the world's largest supplier of copper and zinc plants, a significant supplier of aluminum technology and a key supplier of innovative technologies to the ferrous and ferroalloys industry. Customers are offered comprehensive processes, including production plants on a turnkey basis. Technology operates in 16 countries and its market shares are high in a number of products.

Stainless Steel

Outokumpu Steel Oy and Avesta Sheffield AB combined in January 2001 to form AvestaPolarit Oyj Abp, which is one of the world's largest producers of stainless steel. AvestaPolarit is listed on Stockholm and Helsinki stock exchanges and at end of 2001 Outokumpu had a 55.3% holding of the company. To increase the liquidity of AvestaPolarit share, Outokumpu has committed itself to reduce its ownership to 40% or less by 2004.

AvestaPolarit is one of the world's most efficient producers of stainless steel and it operates in more than 30 countries. It accounts for 28% of the market for cold-rolled stainless steel in Europe and for 8% worldwide.

Other operations

Units and industrial holdings not belonging to core operations are organized under Other operations. It also includes business operations, such as Mining, that are to be divested to release capital. Other operations also include Corporate Management and Services, which support the Group's core businesses.

Chief Executive's statement

New strategy successfully implemented

The year 2001 was a time for strategic change at Outokumpu. The Group's target is to double its profit making capacity by 2004–2005 and to visibly transform itself from an asset-driven metals producer into a knowledge-driven company. Thus we will strengthen our position as a leading metals and technology Group providing expertise and added value to customers. This is a new strategy for us, one of growth and transformation.

We have made considerable progress towards our goals. The formation in January last year of AvestaPolarit has created an entirely new foundation for the stainless steel business to grow and transform into the leading company in its field. Integration has proceeded as planned, and investments in additional efficient capacity are on schedule.

The formation of AvestaPolarit has also enabled strong growth in the non-ferrous metals business, and here we have made a truly fast start. Thanks to selected acquisitions and other investments, we have implemented our new strategy rapidly and our performance potential has been increased significantly.

The acquisition of Norzink increased our profitable zinc production capacity and the acquisition of Lurgi Metallurgie and other technology companies expanded our range of technology and services. Investments in special copper tube production are shifting the focus to products providing more added value, and the acquisition of the superconductor manufacturer IGC-AS is a clear move towards high technology products. Our decision to exit base metals mining will free up capital, and thereby supporting our goal of becoming a leading metals and technology Group.

The Group's performance potential was improved during the year with several company acquisitions, investments and systematic measures to improve profitability. Due to rapid deterioration of the market, however, prices fell and delivery volumes of some products decreased. As a result, our financial result for 2001 lagged substantially behind that of the previous year. We are hopeful that there may be an upturn in the market by around mid-2002.

Outokumpu has decided to change its dividend policy temporar-

ily. In the coming years, the dividend payout ratio will range between 50 and 100% and a significant part of the dividend will be paid out in AvestaPolarit shares. In this way our holding in AvestaPolarit will be reduced to the level of 40% as provided in the shareholders' agreement. The Board of Directors proposes that the entire profit for 2001 be paid out in dividends to shareholders. The total dividend amounts to EUR 0.61 per share.

We are also pleased with the decision of the Finnish Parliament, which will allow our principal owner, the Finnish State, to reduce its stake in Outokumpu to as low as 10%. When realized, the reduction in the State's ownership will improve the liquidity of Outokumpu shares and facilitate fair valuation of the Company on the capital markets.

Realization of our new strategy will not be possible without motivated personnel. Outokumpu employees are skilled and capable of meeting new challenges, and have demonstrated their ability and desire to get behind the Group's new strategy. Likewise, all those who have joined Outokumpu through acquisitions have enthusiastically subscribed to our demanding goals. I would like to thank each and every Outokumpu employee for this commitment.

A concerted effort to develop the organization at all levels has continued. We believe in a lean organization, in which expertise and responsible decision-making are emphasized.

Since our current operating environment is extremely challenging, we will consider our growth plans very carefully. As an active player, however, we do not intend to pass up any good business opportunities. In the near future, we will focus on the implementation of transformation and work will proceed on many projects already underway.

I am convinced that our strategies serve the interests of shareholders and will also substantially increase shareholder value in the long term.

Jyrki Juusela

Jyrki Juusela
Chief Executive

Management analysis on the financial results

Profits contracted in the weak market

Growth in the world economy in 2001 was at its lowest level in twenty years. The global recession resulted in a clear fall in demand for copper products, base metals and stainless steel. Due to oversupplied markets, metals prices declined sharply and were well below long-term averages. Short-term market outlook continues to be bleak. Although it is estimated that the bottom of the metal price cycle has been passed, conversion margins of fabricated copper products continue to be under downward pressure. The essential factors for the Group's financial performance in 2002 will be the improved demand for stainless steel and copper products, a recovery of the metals and concentrate market, and a halt of further losses in mining. Outokumpu aims to achieve considerably better result and profitability in 2002.

Result for 2001 was weak

The Group's net sales rose 44% from the previous year and totaled EUR 5 324 million. The growth is mostly explained by the formation of AvestaPolarit and several acquisitions. Growth in net sales was hampered by lower deliveries of copper products and the sharp fall in stainless steel and base metal prices. The Group's operating profit declined to EUR 183 million. This was mainly due to the weak market situation for stainless steel, the massive loss of Mining as well as negative price adjustments relating to metal inventory valuation. Profit for the financial year stood at EUR 76 million and earnings per share at EUR 0.61. Return on capital employed was 6.7%.

The Board of Directors proposes to the Annual General Meeting that the whole 2001 profit be distributed as dividend to shareholders in line with the temporary change in the dividend policy; comprising a cash dividend of EUR 0.18 per share and shares in AvestaPolarit Oyj Abp with a counter value of EUR 0.43 each.

Financial position above target

The Group's financial position remained above the target level, although it weakened as a result of the significant acquisitions and expansion investments. The value of the Group's holding in AvestaPolarit increased appreciably in 2001 and was at the year-end EUR 821 million.

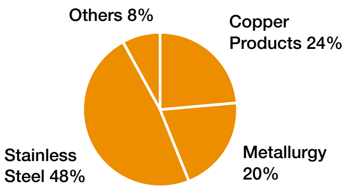
Despite the poor market situation, cash flow from operating activities was good. Cash flow rose to EUR 346 million as a result of significant reduction in working capital. On the other hand, income financing decreased on the previous year. The Group's equity-to-assets ratio declined to 41.6% and debt-to-equity

Group key figures

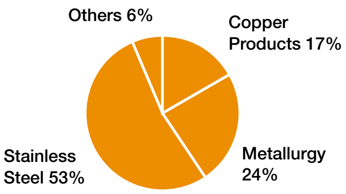
		2001	2000
Net sales	€ million	5 324	3 693
– change from previous year	%	44.2	27.0
Operating profit	€ million	183	427
– in relation to net sales	%	3.4	11.6
Profit before extraordinary items	€ million	147	372
Return on capital employed [1]	%	6.7	19.8
Cash flow from operating activities	€ million	346	248
Net interest-bearing debt [1]	€ million	1 175	582
– in relation to net sales	%	22.1	15.7
Equity-to-assets ratio [1]	%	41.6	50.6
Debt-to-equity ratio [1]	%	56.2	36.0
Earnings per share (excl. extraordinary items)	€	0.61	2.38
Earnings per share	€	0.61	2.53
Shareholders' equity per share	€	12.57	12.93
Dividend per share	€	0.61 [2]	0.80
Share price on Dec. 31	€	11.85	8.05
Market capitalization on Dec. 31	€ million	1 478	1 002
Capital expenditure	€ million	914	242
Personnel on Dec. 31		19 428	11 932

[1] Definitions of financial figures have been changed, see page 63 for details.
[2] The Board of Directors' proposal to the Annual General Meeting.

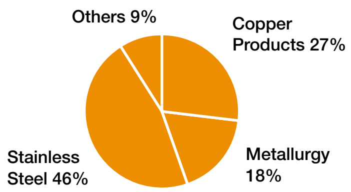
Net sales
5 324 € million

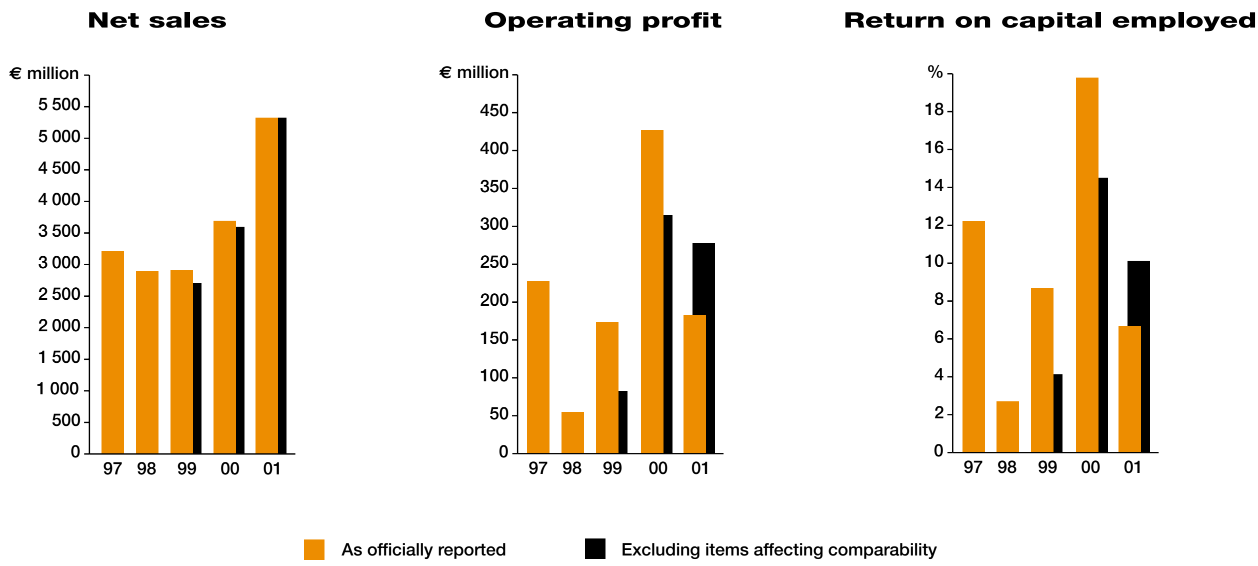


Capital employed
3 266 € million



Personnel
19 428





ratio rose to 56.2%, though the Group's capital structure remained above the target level.

With implementation of the growth strategy, capital expenditure rose to EUR 914 million. Because of large investments, the Group's net interest-bearing debt increased to EUR 1 175 million. Net financial expenses grew slower, however, due to lower interest rates. The Group's liquidity remained good. At the year-end cash and marketable securities totaled EUR 285 million. In addition the Group had access to total of around EUR 886 million in committed credit facilities.

Result from the continuing operations excluding items affecting comparability declined only slightly

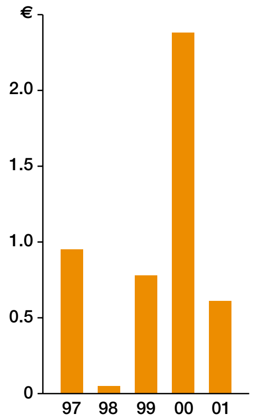
The adjacent table presents the operating profits of the businesses excluding the inventory gains and losses relating to metal inventory valuation, the effect of the Harjavalta nickel refinery sale as well as one-time items.

The Group's comparable result of the continuing operations i.e. operating profit excluding items affecting comparability was EUR 277 million. Despite the difficult market situation comparable operating profit declined

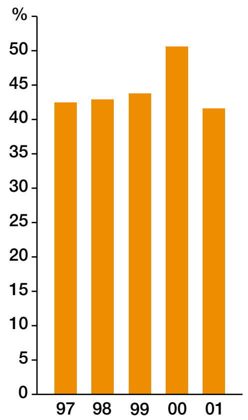
Financial development excluding items affecting comparability

	Net sales			Operating profit		
€ million	1999	2000	**2001**	1999	2000	**2001**
Copper Products						
Americas	329	443	**344**	18	32	**7**
Europe	405	524	**527**	15	22	**34**
Automotive heat exchangers	251	292	**267**	13	16	**20**
Appliance heat exchangers & Asia	189	268	**281**	(10)	(3)	**6**
Others	46	5	**(16)**	(1)	(2)	**0**
Copper Products total	1 220	1 532	**1 403**	35	65	**67**
Metallurgy						
Zinc	325	385	**453**	31	46	**35**
Harjavalta Metals	295	398	**428**	(29)	2	**15**
Technology	201	242	**328**	8	10	**5**
Others	(1)	(3)	**(2)**	2	0	**0**
Metallurgy total	820	1 022	**1 207**	12	58	**55**
Stainless Steel	778	1 177	**2 851**	29	203	**233**
Other operations	522	579	**472**	6	(6)	**(76)**
Intra-group items	(643)	(714)	**(609)**	0	(6)	**(2)**
The Group total, excluding items affecting comparability	2 697	3 596	**5 324**	82	314	**277**
Market adjustments to inventories of the non-ferrous businesses				53	(2)	**(15)**
Stainless Steel's inventory valuation gains and losses				23	43	**(94)**
Effect of the sale of Harjavalta nickel refinery	212	97	**–**	2	58	**1**
Gain on the sale of Sampo Oyj shares				–	–	**22**
Gain on Okmetic Oyj's listing/directed share issue				–	8	**1**
Pension provision (the US)				–	–	**(9)**
Refund of pension surplus (Sweden)				–	6	**–**
Refund of actuarial surplus from pension foundations (Finland)				14	–	**–**
The Group total, as reported	2 909	3 693	**5 324**	174	427	**183**

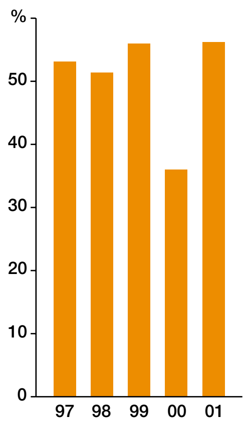
Earnings per share



Equity-to-assets ratio



Debt-to-equity ratio



only 12% on the previous year – clearly less than the reported operating profit. Comparable return on capital employed was 10.1%.

Copper Product's deliveries fell 10% but the increase in the average conversion margin kept the operating profit level unchanged. All the business units, except Americas, improved their profits on 2000. The main reason for Copper Products not achieving the EUR 100 million operating profit target was the slackened economic growth in the US. The overcapacity and severe competition in the market have generated growing pressures on pricing, and prospects for higher conversion margins do not look encouraging. In spite of the current bleak market outlook, the operating profit target for Copper Products for the next few years has been upgraded to the level of EUR 130–150 million.

Operating profit of the zinc business was hampered by a clear fall in the average zinc treatment charges, even though the Norzink acquisition was completed in April and the Kokkola expansion was commissioned in the fall. The situation in the zinc concentrate market became more difficult as a result of mine production cuts, and the treatment charges received by the smelters continued to decline. The zinc metals market is gradually regaining balance following the marked oversupply in 2001. The tight supply of zinc concentrates, low treatment charges and low premiums caused by the oversupplied market, all indicate difficult times for the zinc business in the near future.

Copper business in Harjavalta improved its operating profit considerably due to higher treatment and refining charges and smooth-running production. Availability of copper concentrates, essential for copper production at Harjavalta, became more difficult at the end of 2001 and cathode premiums were declining.

During 2001, Technology made several acquisitions to supplement its product range. However, profitability remained unsatisfactory due to low investment activity of the mining and metallurgical industry in the weak world economy. Low volume of equipment sales and additional costs from the acquisitions also contributed to the weak profitability. When the economy starts to recover Technology aims for substantially better profitability.

Stainless Steel's net sales grew markedly because Avesta Sheffield was included in the figures as of January 23, 2001. However, the full profit making capacity of AvestaPolarit failed to materialize as demand for stainless steel was weak and average conversion margin fell 20%.

Under Other operations, Mining posted an operating loss of EUR 65 million due to declining metal prices and productivity problems. Outokumpu has decided to exit base metals mining due to the capital-intensive nature of the mining business and its sensitivity to economic cycles. The fourth quarter result includes an EUR 3 million provision for the redundancy payments to personnel in Mining's administrative and exploration functions. In November, the Tara Mines in Ireland was put on care and maintenance due to low zinc price. An agreement to sell Pyhäsalmi mine to Inmet Mining Corporation of Canada was signed in December and it is estimated that the deal will be finalized during the first quarter of 2002.

Financial objectives adjusted

Outokumpu's main financial objectives are to generate maximum economic value added on the capital invested by its shareholders and to maintain a sound capital structure. A solid balance sheet will help Outokumpu withstand business risks and cyclical market volatility. Based on the growth and transformation strategy, the objectives set for the business operations, have at the Group level been defined in terms of the adjacent financial indicators:

Growth

– Net income trend growth at least 15% per annum.

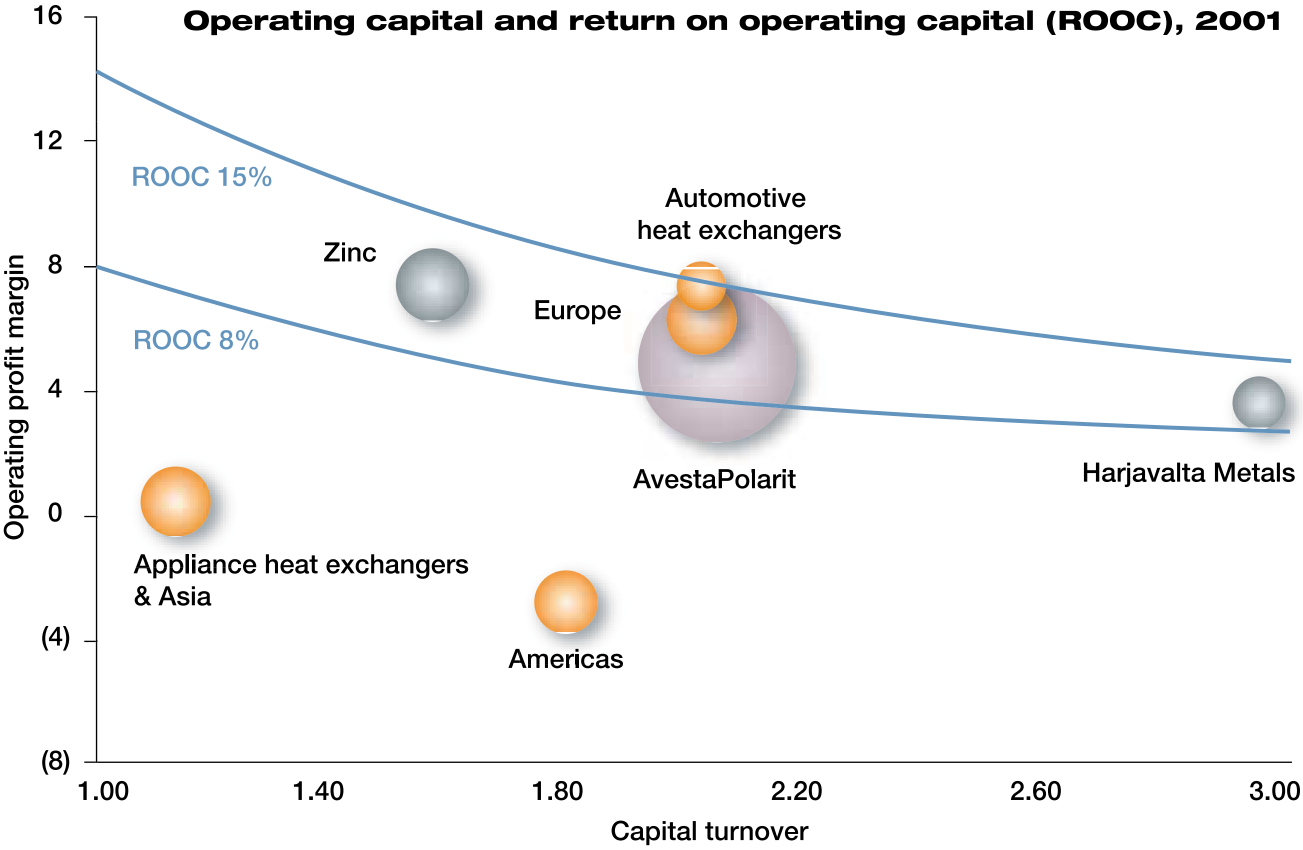
Transformation

– Conversion margins/sales to grow significantly.
– Capital turnover ratio to grow significantly.
– Operating profit margin to be at least 10%.

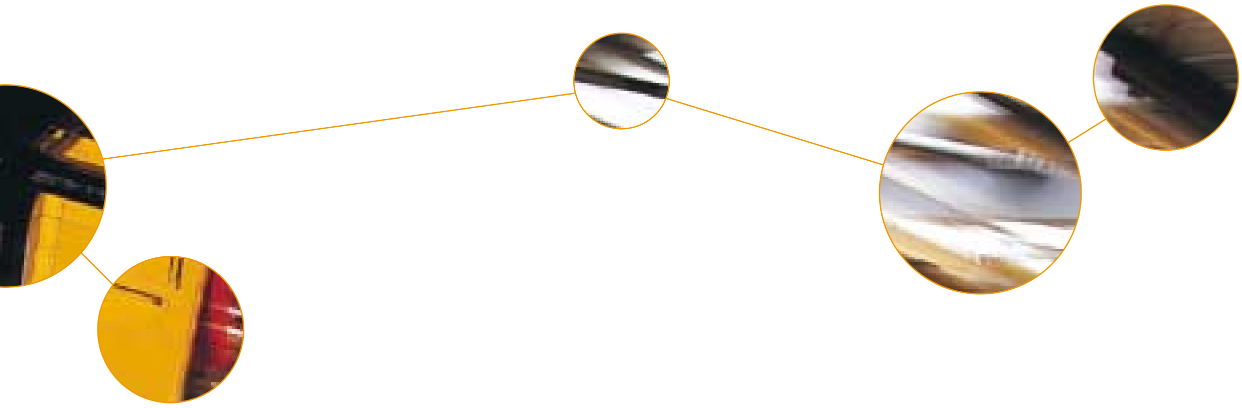
Profitability and balance sheet structure

– At least 15% return on capital employed as a three-year average.
– A minimum equity-to-assets ratio of 40% and gearing below 75%.

Operating capital and return on operating capital (ROOC), 2001



The return on operating capital (ROOC) presented on the above picture comprises two components: operating profit margin and capital turnover ratio. There are two curves for the ROOC. Each point of the upper curve gives 15% target yield to the operating capital and correspondingly the lower curve indicates the Group's weighted average cost of capital (WACC 8%). If a business unit does not cover the weighted average cost of capital it will produce negative economic value added. The higher the capital turnover ratio, the smaller change in the operating profit margin will impact the ROOC. The size of the circle is presented in relation to the operating capital tied into a business. Two Outokumpu business units are out of the scale of this picture; Mining (capital turnover ratio 1.2 and operating profit margin negative 31) and Technology (capital turnover ratio 8.1 and operating profit margin 1.7).



The Group's business units are well positioned in relation to their objectives. The zinc business unit and Automotive heat exchangers unit have long been very profitable operations. Profitability of the Harjavalta copper business has improved on the previous year and the capital turnover ratio has been increased i.a. by outsourcing the support functions. AvestaPolarit's profitability is connected to the economic cycles; in the top of the cycle the business is extremely profitable. However, AvestaPolarit's operations are highly capital intensive. Among the business units, Technology is the least capital intensive and its capital turnover ratio is likewise much higher than that of the other businesses. Much higher profit expectations have been set for Technology following the acquisitions completed to improve its profit making capacity. Decline in metals prices depressed Mining and the US slowdown affected Copper Products' Americas unit, in particular. Mining's capital turnover ratio was 1.2 and operating profit margin negative 31 – this illustrates very well the capital intensity and risks related to mining operations. Only a strong bounce back in metals prices would lift Mining's profitability to acceptable level.

By implementing the growth and transformation strategy Outokumpu is aiming to improve the position of its business units. Expertise in metals and technology, the strength common to the Outokumpu Group's business operations, provides synergies in the coordinated development of the businesses and the creation of economic value added.

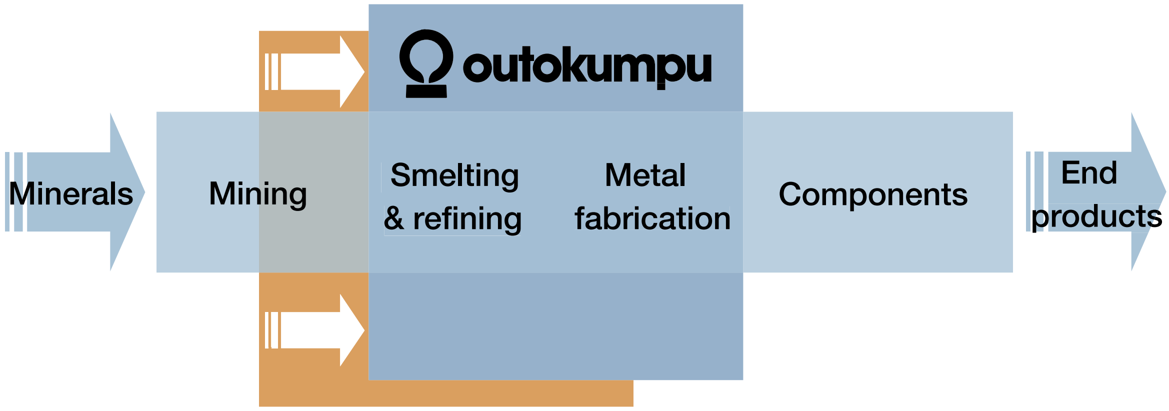
The Group comprises non-ferrous metals businesses and AvestaPolarit

AvestaPolarit is consolidated as a subsidiary to Outokumpu Group. AvestaPolarit's minority interest in the profit for the financial year and the shareholders' equity in the balance sheet are disclosed separately in the income statement and the balance sheet as a minority interest. Outokumpu receives a dividend of the AvestaPolarit's profit according to its ownership in the company. Outokumpu Group figures of 2001 comprise the non-ferrous businesses and AvestaPolarit as follows:

A significant part of the Outokumpu Group's result is generated by AvestaPolarit. Of the AvestaPolarit's EUR 52 million dividend AvestaPolarit's minority received EUR 23 million and EUR 29 million remained at the Outokumpu Group. The Group receives income tax credit from the AvestaPolarit dividend, which is recognized as taxes. The minority interest of the AvestaPolarit's result amounted to EUR 50 million. AvestaPolarit takes care of its financing and decides on its investments independently. The total account carrying value of the AvestaPolarit shares in the Outokumpu Group is EUR 316 million. The market value of the AvestaPolarit shares held by Outokumpu, EUR 821 million at the end of 2001, exceeds the EUR 726 million interest-bearing debt of the Outokumpu's non-ferrous businesses.

€ million	Non-ferrous businesses	AvestaPolarit	Eliminations	Outokumpu Group
Net sales	2644	2851	(171)	5324
Operating profit	45	139		183
Profit before extraordinary items	47	129	(29)	147
Taxes	(15)	(16)	12	(19)
Minority interest	(1)	(1)	(50)	(52)
Profit for the financial year	31	112	(67)	76
Capital employed on Dec. 31, 2001	1918	1664	(316)	3266
Net interest-bearing debt on Dec. 31, 2001	726	449		1175

Metals' value chain



Margin from operations

- Mining: LME price – TC/RC

- Smelting & refining: TC/RC
- Metal fabrication: conversion margin

The price of metal is a flow-through item, which is hedged.

The open risk position of the income statements of mines is greater than that of smelters or metal fabrication units. The financial result of a mine consists largely of the metal prices quoted on the London Metal Exchange (LME) deducted with the treatment charges payable to smelters. On the other hand, the profit of copper and zinc smelters and steel producers consists of treatment charges they receive and metal prices mainly act as flow-through items. The copper products mills receive a conversion margin on top of the price of the copper. In accordance with Outokumpu's risk management policy, metal purchases and sales by the copper and zinc smelters and copper products mills are systematically hedged and the margins for the hedging period are secured in advance. In mining operations, the metal price risks have normally not been hedged at all and thus the performance of the Mining unit has been extremely sensitive to economic cycles. Following the successful exiting of the base metals mining Outokumpu will only be dependent on metal price risks indirectly, through treatment charges and conversion margins. Outokumpu has not hedged the base inventory of metals in its operations. In the short-term gains and losses relating to inventory valuation can be quite significant, but in the longer-term the gains and losses balance out as the amount of base inventory remains unchanged.

Treatment charges and conversion margins have a major impact on Outokumpu's result

The table shows how a 10% change in prices affect Outokumpu's annual operating profit. The figures are indicative and do not take into account the impact of hedging. The figures are calculated on the basis of average prices and margins in 2001 and on projected 2002 production. The impact of changes in the conversion margin of stainless steel is calculated on the basis of the entire AvestaPolarit production.

Impact of conversion margins, treatment charges and US dollar on the Group's operating profit in 2002

10% sustained change	€ million
Conversion margin of fabricated copper products	67
Zinc TC	11
Copper TC/RC	6
Conversion margin of stainless steel	150
USD/EUR	43

Non-ferrous businesses 1996–2001

€ million	1996	1997	1998	1999	2000	2001
Net sales	2 206	2 612	2 286	2 371	2 791	2 644
Operating profit	(11)	135	5	124	181	45
Operating capital	1 176	1 292	1 331	1 396	1 474	1 550
ROOC, %	(1)	10	0	9	12	3

Mining has depressed the operating profit of the non-ferrous businesses especially in 1996, 1998 and 2001. Excluding Mining, the non-ferrous businesses have yielded solid financial results.

Non-ferrous businesses excluding Mining 1996–2001

€ million	1996	1997	1998	1999	2000	2001
Net sales	2 181	2 593	2 274	2 365	2 741	2 588
Operating profit	70	126	88	114	177	110
Operating capital	549	1 171	1 210	1 261	1 313	1 372
ROOC, %	13	11	7	9	13	8

The prices of Outokumpu products are determined on the international market. Financial performance is most sensitive to changes in the volatile conversion margin of stainless steel. Changes in nickel price also affect AvestaPolarit's result significantly through inventory valuation. Changes in the treatment charges for zinc and copper affect Outokumpu performance more than changes in the price of metals, since metal is only a flow-through item for a smelter. The conversion margins for copper products are relatively stable and seldom change by as much as 10% in the short-term.

Zinc and copper prices are specified in US dollars, as are the treatment charges. The prices of stainless steel and fabricated copper products are generally specified by market area: euros in Europe, US dollars in the US and Asia. Price levels in Europe, the US and Asia may vary considerably. Most of Outokumpu's production is based in the euro zone and the US, and the bulk of its production costs are incurred in these currencies. At the end of the financial year some 39% of Outokumpu's debt, with the exception of AvestaPolarit, were denominated in euros, the Company's base currency, and some 61% in other currencies, mainly US dollars.

Exchange rates have a significant impact on Outokumpu's financial performance and competitive position. Since metals are quoted in US dollars, movement between the US dollar and the euro is important to Outokumpu. If hedging is not taken into account, a 10% movement of the US dollar against the euro in 2002 would have an impact of about EUR 43 million on operating profit.

Short-term interest rates fell in both the US and the euro zone in 2001. In 2001 the slackening of the economy led the US Federal Reserve to lower its rates 11 times. At the end of 2001, rates were lower than at the beginning of 2000. Economic recovery will most likely turn the short-term rates to increase in 2002. An increase of one percentage point in the US dollar interest rate would raise Outokumpu's net financial expenses by EUR 9 million in 2002.

The Group's risk management policy is explained in more detail in note 19 of the consolidated financial statements.

Positive development in shareholder value

At the end of 2001 the market capitalization of Outokumpu Oyj was EUR 1 478 million. Market capitalization increased by EUR 475 million during 2001. Outokumpu distributed EUR 99.6 million as dividends in 2001.

Outokumpu's dividend payout ratio has temporarily been raised until the ownership in AvestaPolarit has decreased to 40%. In the coming few years the dividend payout ratio will be 50–100%. The total annual dividend will be based on the Outokumpu's financial performance and it comprises a cash dividend and shares in AvestaPolarit. Cash dividends should account for a minimum of 20% of the profit for the financial year. The proportion of total dividend exceeding this is paid out in AvestaPolarit shares according to a separate decision. Outokumpu will return to its set dividend policy once its ownership in AvestaPolarit has been reduced to 40%. The set dividend policy states that the Board's objective is to maintain a dividend payout ratio of at least one third of the profit for the financial year over a business cycle.

Outokumpu's key financial objective is to generate as much added value as possible on the capital invested by shareholders. Outokumpu makes use of the weighted average cost of capital (WACC) in defining the capital charge when accounting for economic value added and uses it for purposes such as assessing viability of investments and to define the economic and commercial value of the corporate business operations.

WACC is defined as the weighted average cost of debt and equity. These are determined on the basis of common economic and company-specific factors. Common economic factors comprise the general interest rate level and market risk as priced by capital markets. Company-specific factors include capital structure and uncertainty related to company's business operations, which are taken into account when determining the risk factor of a company.

Outokumpu's WACC was 8% in 2001. The figure was obtained using a targeted capital structure in which the weight of equity cost was 60% and the weight of debt 40%. The cost of equity was 10% and the after-tax cost of debt 4.5% correspondingly. The Group's profitability target is a minimum return of 15% on capital employed over a cycle. The targeted level clearly exceeds the current 8% WACC.

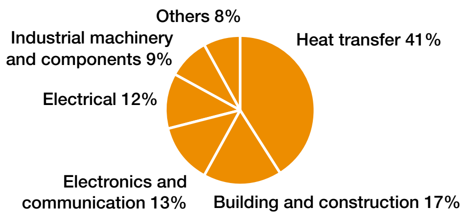
In 2001, Outokumpu generated EUR 108 million of negative economic value added with 8% WACC.

Outokumpu market position

Fabricated copper products

- 18 production units in 10 countries – in Europe, the US and Asia.
- Main products include ACR tubes, radiator strip, connectors, oxygen free copper, superconducting wire, architectural products, sanitary tubes, welding electrodes, coin blanks, and copper fabrication technology, such as Cast & Roll and UPCAST.
- Raw materials from world markets and Pori copper refinery. Recycled copper also important as raw material.
- Global sales network and close cooperation with customers to develop new products and applications.

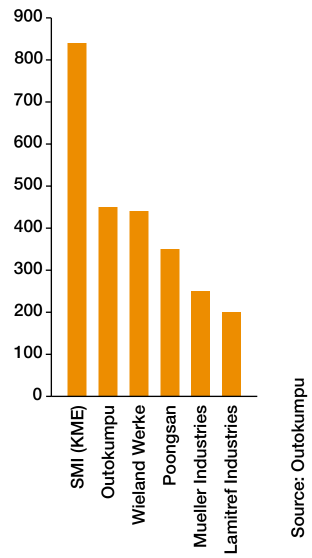
Outokumpu customer groups



Markets

- World fabricated copper products market totals 19 million tonnes, of which Outokumpu's served market 4.5 million tonnes.
- Outokumpu global market share 10%.
- Annual average demand growth 2–3%, in special products 5–10% or even higher.

Major producers Deliveries 2000 (1 000 t)



Copper metal

- Production units: Harjavalta copper smelter and Pori copper refinery both in Finland.
- Main products: cathode copper and blister copper.
- Majority of raw materials from international concentrate market under long-term purchase agreements.

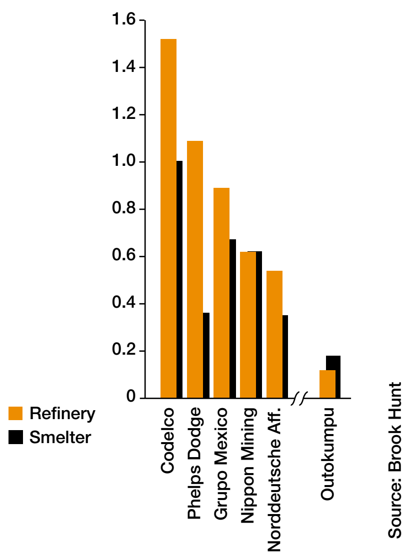
Outokumpu customer groups

- Cathode copper from Pori refinery to Outokumpu's copper products fabrication mills.
- Some 20% of Harjavalta production to international customers as blister copper.

Markets

- World market totals some 15 million tonnes.
- Outokumpu share 1%.
- Annual average demand growth some 3%.

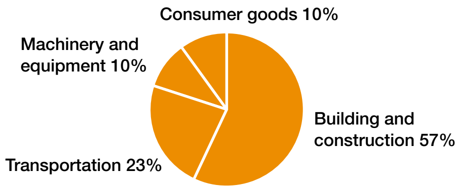
Major producers Capacity 2001 (million t)



Zinc metal

- Production units: zinc plants in Kokkola, Finland and Odda, Norway.
- Main product: zinc ingots.
- Majority of raw materials from international concentrate market under long-term purchase agreements.
- Outokumpu Zinc Commercial in the Netherlands responsible for raw material procurement and metal marketing and sales. Main customer base in Europe.

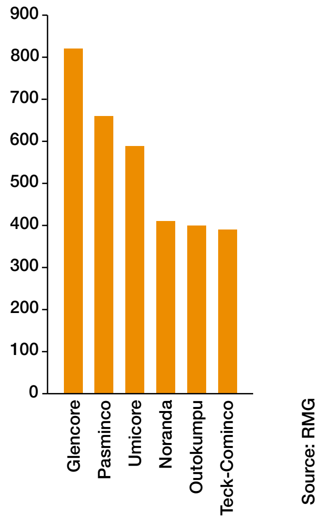
Outokumpu customer groups



Markets

- World market some 9 million tonnes.
- Outokumpu share of global zinc production 5%, in Europe 15%.
- Annual average demand growth 2–3 %.

Major producers
Capacity 2001 (1 000 t)



Technology sales

- Engineering and production in Finland, Germany, the Netherlands, North and South America, Australia and Russia.
- Main products: plants and processes, machinery and equipment, engineering and project services for the mining and metallurgical industries.
- Global sales and service network.

Customer groups

- Copper, zinc, nickel, aluminium, ferro and ferroalloys industries, industrial mineral producers, chemical and other process industry.

Markets

- High market shares in many niche products.
- Technologies also used in Outokumpu's production units.

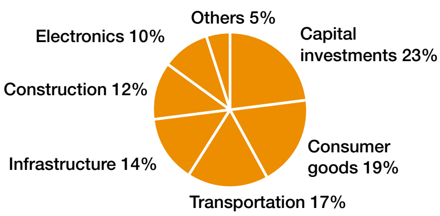
Competition

- Fragmented market: engineering companies, equipment manufacturers.

Stainless steel

- AvestaPolarit's production units in Finland, Sweden, Britain and the US.
- Main products: cold rolled stainless steel coil. Also hot rolled coil, long products and tubes.
- Global sales and distribution network.

Main end-uses of stainless steel

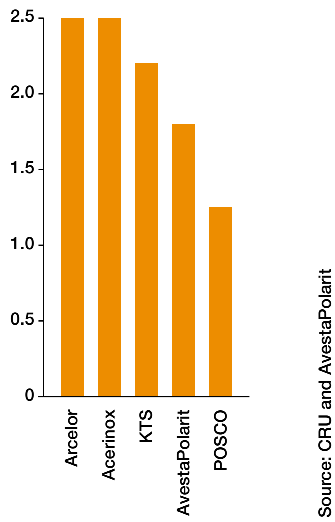


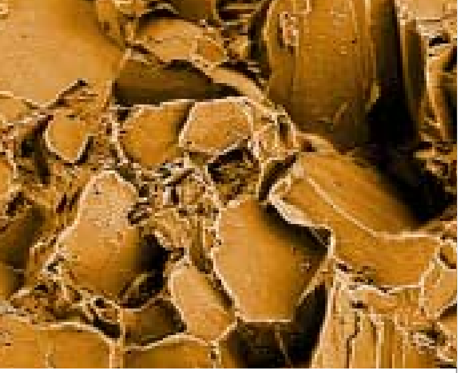
Source: Brook Hunt

Markets

- World market some 19 million tonnes.
- AvestaPolarit share of global production 8%, in Europe 28%.
- Annual average demand growth some 5%.

Major producers
Slab capacity 2002 (million t)





Photograph courtesy of Johnson Matthey Plc.

Market review

Difficult year in the metals market

The global slowdown had its origin in a number of interlinked factors, including falling corporate profitability, the slump in equity prices, and tighter monetary policy in the United States and the euro area. As activity weakened, so business and consumer confidence also began to turn down, starting in North America but then spreading to Europe. This trend was exacerbated by the terrorist attacks in the United States on September 11, and increased risk aversion resulted in both firms and households postponing spending decisions. Weak demand in the industrialized countries in turn depressed exports from developing countries, notably in Asia, which also moved into recession. Only in China has growth been sustained at a high level.

The United States Federal Reserve has responded aggressively to the slowdown with an unprecedented series of cuts in interest rates. Central banks in the rest of the world have followed, albeit at a slower pace. These cuts, together with a massive fiscal stimulus in the United States and more modest budget measures in Euroland and Japan, offer the prospect of a bounce-back in world economic activity during 2002. But a significant recovery looks unlikely before mid-year, and there remain considerable risks on the downside.

Big fall in key end-use markets

The main end-uses for metals have inevitably been badly hit by the economic slowdown. In the transportation sector, worldwide vehicle production fell by an estimated 3.5% in 2001. Not only were sales weak in Europe and Asia, but manufacturers were also forced to cut output to reduce inventories. Demand in the United States held up surprisingly well, though there were signs towards end-year that the market was softening. Weak consumer confidence suggests that global prospects for the first half of 2002 are poor. Aircraft orders are also being cut sharply in response to the crisis in the aviation industry.

Demand from the process industries and from the industrial machinery and equipment sector has also fallen sharply as companies have cut back investment in response to weak demand and deteriorating profitability. Investment intentions for 2002 in the major Western economies have been strongly scaled back. Nowhere has the impact been more dramatic than in the communications sector, where investment in areas such as submarine cable has collapsed.

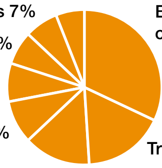
The scale of the slump in the electric, electronics and communications sector is illustrated by the fact that overall sales in the North American connector market fell by an estimated 27% year-on-year in 2001. Any im-

The economic background started to deteriorate towards the end of 2000 and conditions worsened during 2001. Growth in world GDP in 2001 is estimated to have been only about one percent, its lowest for 20 years. Activity in the three major regions – the United States, Western Europe and Japan – stagnated during the second half.

provement looks likely to be slow over the next few months.

The performance of the construction industry has not been as bad as might have been expected given the poor economic background, though overall activity certainly softened towards the end of 2001. In the United States, total construction spending rose year-on-year in 2001 but looks likely to slow in early 2002 as business investment is cut back. Housing starts have been helped by lower interest rates, but are still on a weakening trend. In Japan the picture is gloomy, with both housing starts and commercial construction spending very depressed and with no sign of recovery in the short-term. In Europe, activity has been very weak in Germany, and is softening in France, Italy and Britain. The European Commission's survey of the EU construction industry shows that confidence and orders are both falling, suggesting that activity in the region is unlikely to be very strong in the first half of 2002.

Sales by end-use market



Non-ferrous Outokumpu.

Slump in metals demand exacerbated by de-stocking

Growth in metals demand has been extremely strong in recent years, but the picture turned sharply negative in 2001. Weakness of the main end-use sectors was the main problem, but the downturn in demand was also exacerbated by de-stocking at consumers and stockists. This is a classic pattern in the metals industry, with stocks always tending to be run down as consumption slows; this in turn tends to depress prices, prompting further de-stocking as customers anticipate further price falls in the near future.

The result was that world consumption of all the major metals showed a clear fall during 2001. In the case of copper, consumption declined by about 3%, while global demand for zinc fell by just under 2%. The market for cold rolled stainless steel was particularly affected by destocking, and apparent consumption fell by about 3%. World output of stainless steel on a melt basis also fell by about 3%, and this would normally have resulted in a similar fall in consumption of the main alloying elements, nickel and ferrochrome. However, sharply lower availability of scrap meant that stainless mills were forced to increase the share of primary metal in their feed. As a result, world consumption of nickel fell by only some 2%, while consumption of ferrochrome declined by about 1.5%.

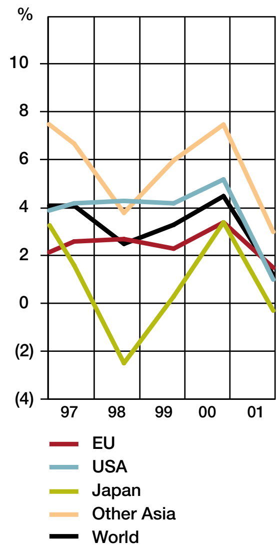
What is clear is that the world picture would have been very much worse had it not been for China. Consumption of most major metals in China has continued to grow at double-digit rates, and the country is now the world's biggest consumer of zinc and cold-rolled stainless steel, and the second biggest consumer of copper. Demand also continued to grow firmly in Eastern Europe and Russia, though from a low base. In contrast, consumption in the United States suffered a massive slump: down by nearly 10% in the case of zinc, and by more than 15% in the case of copper. This was partly attributable to the severity of the economic downturn, and partly a downward correction after several years of extremely strong growth.

Prices hit by weak demand and poor sentiment

Metals prices had started declining in late 2000, and the downward trend continued through most of 2001. The main culprit was weak demand, which resulted in rapidly rising stock levels as the markets moved into surplus. But the price decline was certainly exacerbated by deteriorating sentiment as the seriousness of the economic slowdown gradually became apparent. During the fourth quarter, prices of metals such as zinc and ferrochrome were estimated to be at their lowest-ever levels in real (inflation adjusted) terms. For 2001 as a whole, average prices for all the metals fell sharply year-on-year, and conversion margins on copper products, and spot treatment and refining charges for copper and zinc, also came under increasing pressure towards year-end.

Prospects during the first few months of 2002 will remain very difficult, and fabrication and conversion margins are likely to remain under pressure. Despite the current gloomy mood however, it appears that the low-point in the metals price-cycle has now been passed. This is mainly because of widespread cutbacks in production, rather than any reflection of improving consumption. Nevertheless, past experience indicates that when economic growth does start to recover, metals demand tends to rise very strongly as re-stocking resumes right along the consumption chain. The implication is that when the markets start to strengthen, which most analysts foresee by around the middle of 2002, the bounce-back in prices could be significant.

GDP annual growth

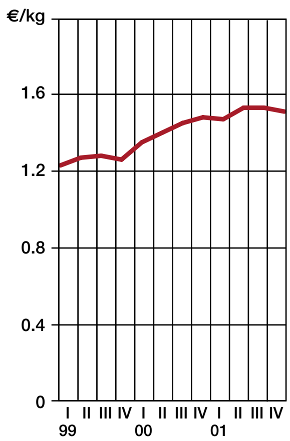


Demand for copper products fell sharply; conversion margins under pressure

Consumption of copper and copper alloy products deteriorated during 2001, and total deliveries and order intake fell sharply. Excess capacity in the market has resulted in increasing pricing pressure, and prospects for conversion margins during 2002 are not encouraging.

In Copper Products' Europe unit, sales and prices were firm in the early months of the year, but market conditions slackened during the summer and were clearly weaker by the fourth quarter. Among the main business lines, there were markedly divergent trends. Demand for sanitary tube was reasonably good during 2001, but consumption of industrial copper tube clearly weakened. Rolled products for industrial applications enjoyed a strong market throughout the year, but demand for architectural rolled products turned down during the fourth quarter. Demand for coin blanks was also buoyant during 2001, and the continuing euro-coin program suggests that prospects for

Conversion margin of copper products



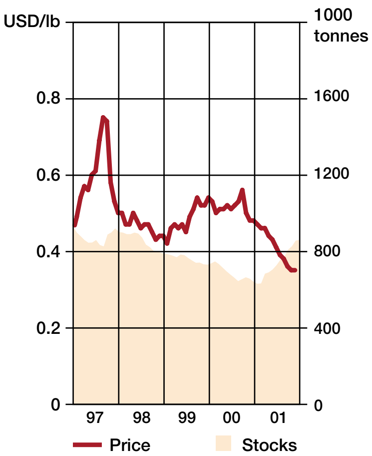
Average conversion margin for Outokumpu's copper products. Includes changes in product mix and exchange rates.

2002 remain reasonable. Deliveries of superconductive wire also continue to grow strongly. The weakest end-use over the last 12 months has been the telecom sector, especially submarine cables, where investment has been savagely cut back. As a result, telecom market sales have been badly hit, and a major improvement in this area is not expected before 2003. Conversion margins for standard products are being slightly eroded, and these are likely to remain under pressure in 2002. However, margins for industrial and special application products are expected to remain reasonable over the next 12 months.

The Automotive heat exchangers unit performed well in 2001. Outokumpu dominates the world market for copper and brass radiator strip, though use of this material is now mainly limited to the replacement market and heavy vehicles rather than in automotive original equipment. World production of heavy vehicles fell by close to 10% during 2001, with US production collapsing by about a third. Despite this, conversion margins for radiator strip were on a firm rising trend for most of the year, though order intake slowed in the final quarter. Prospects for 2002 have weakened, mainly as a result of falling business investment. European production of heavy vehicles is forecast to fall sharply, while overall world output is expected to be little changed from last year's depressed level.

Sales in the Americas unit have grown strongly in recent years, but a combination of weak economic conditions, especially in the manufacturing sector, and heavy de-stocking contributed to a major contraction in deliveries during 2001. Independent estimates suggest that total United States consumption of copper and copper alloy products fell by 15–20% year-on-year. The strategy of the unit is to move towards higher value added products, notably connector and telecom strip, where underlying long term growth in demand is estimated to be about 5% per annum and 10% per annum respectively. However, not even these high growth products

Zinc price and stocks

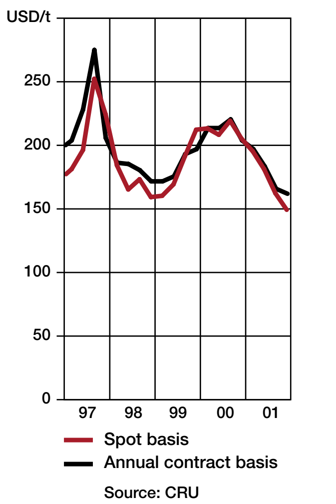


Average annual metal market prices

		1997	1998	1999	2000	**2001**	Change, % 2001/2000
Copper	USD/lb	1.03	0.75	0.71	0.82	**0.72**	(12.2)
	EUR/kg	1.99	1.48	1.48	1.96	**1.76**	(10.2)
Zinc	USD/lb	0.60	0.46	0.49	0.51	**0.40**	(21.6)
	EUR/kg	1.15	0.92	1.01	1.22	**0.99**	(18.9)
Nickel	USD/lb	3.14	2.09	2.73	3.92	**2.70**	(31.1)
	EUR/kg	6.04	4.15	5.65	9.35	**6.64**	(29.0)
Stainless steel, conversion margin	EUR/kg	0.93	0.83	0.74	1.08	**0.86**	(20.4)

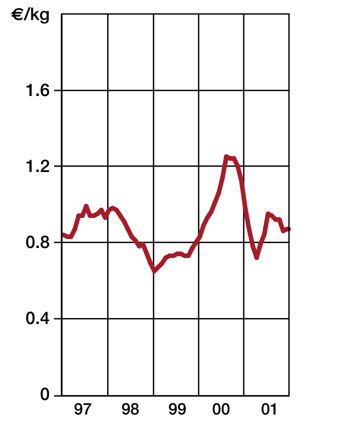
Sources:
Copper, zinc and nickel: London Metal Exchange cash quotations converted into USD/lb and EUR/kg.
Stainless steel: CRU - German conversion margin (2 mm cold rolled 304 sheet), estimate for delivery prices during the period.

Zinc treatment charges



Copper treatment and refining charges

Stainless steel conversion margin



could avoid the slump in the manufacturing industry during 2001. Even so, market share has been maintained, and is estimated to have grown in telecom. Although demand was still very poor at year-end, the worst of the de-stocking cycle seems to be over, and there are indications that orders for some products will improve modestly in the first quarter of 2002. Nevertheless, competition remains intense and pricing will remain under heavy pressure over the next few months.

Market conditions facing the Appliance heat exchangers & Asia unit are also tough. Although underlying long-term growth in world demand for level wound coil in the ACR industry is very healthy – around 5% per annum – consumption in 2001 fell by some 5–10%. This was partly the result of weak economic growth in the United States and the export-driven Asian economies, and partly due to slower activity in Europe in the second half of the year. Cooler than expected weather in the United States and China also impacted demand. Despite the poor background for sales however, Outokumpu has managed to increase its market share following the successful ramp up of businesses in Thailand and China. Competition in heat transfer tube is currently fierce and numerous capacity increases in the business are underway. Oversupply in Japan, which has resulted from the continuing migration of Japanese manufacturing industry to China and Thailand, is exacerbating the problem. As a result, conversion prices, which deteriorated in the latter part of 2001, will remain under severe pressure while demand remains low.

Big cutbacks in zinc mine output will impact treatment charges

The performance of zinc during 2001 was disastrous; far worse than anyone had foreseen. Prices showed a relentless decline during the year, bottoming out in October at what is estimated to have been the lowest ever level in inflation-adjusted terms. The average for the year, at only 40 c/lb (886 USD/tonne), was nearly 22% below the average in 2000. Poor demand was a key factor behind the slump, but the situation was exacerbated by strong growth in Western world production and a continuing high level of exports out of China. Substantial mine cutbacks in response to low prices helped to stabilize prices towards the end of the year, and are expected to bring the market back close to balance during 2002. Short-term prospects look unexciting, though prices would seem to have definite upside potential once demand starts to improve again. One positive aspect is that despite the heavy market surplus experienced during 2001, the absolute level of stocks is not excessive by historical standards.

The mine cutbacks will also have a clear impact on the zinc concentrates market. In 2001 typical average treatment charges on a contract basis fell by 17% from the year-earlier level (in US dollar terms), with terms deteriorating markedly in the second half of the year. Zinc treatment charges actually received by Outokumpu fell nearly 15% compared to 2000 level. Latest estimates suggest that early closure of mines in the Western world due to low prices will reduce planned mine production in 2002 by about 450 000 tonnes contained zinc, while closures in China might account for another 100 000 tonnes. These closures will reduce concentrate availability to smelters, suggesting that treatment charges will remain under downward pressure.

In the copper concentrates market, total copper treatment and refining charges (TC/RCs) actually received by Outokumpu increased 10% from 2000. However, typical average TC/RCs (including price participation) on the contracts negotiated in 2001 fell by 5% compared with the previous year's levels. Moreover, the spot market began to show a clear move against custom smelters in the final quarter. Again the key influence is the closure of mines in response to low prices. Latest estimates suggest that closures removed around 200 000 tonnes of copper in concentrate from the market in 2001, and could reduce world output in 2002 by more than 500 000 tonnes. That is an uncomfortable background for custom smelters.

Technology orders suffer from low investment activity

Low metals prices depressed technology sales as companies responded to the downturn by cutting back spending. The market weakened from the summer onwards, with the impact being felt particularly in sales of equipment.

Both the order intake and the backlog of orders improved significantly mainly due to acquisitions. There was a big difference in market conditions between different geographical areas. Sales to Russia were strong, and activity in South America and South Africa was encouraging, but the North American market was very quiet.

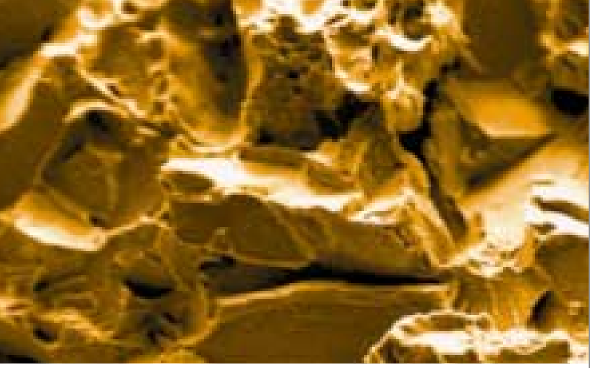
Continuing poor profitability in the metals industry suggests that conditions for the technology business will remain difficult for at least the first half of 2002. However, looking a little further ahead, it is clear that new capacity is needed in both the mining and metallurgical sectors, and investment spending by the industry is expected to rise over the next few years.

Producer cutbacks restricted the fall in stainless prices

The stainless steel market had enjoyed a remarkably strong year in 2000, but conditions weakened significantly in 2001. Average conversion margins in Europe (transaction price of grade 304 stainless steel minus the cost of nickel and chrome raw material) fell by 20% below the year-before level, while average base prices were about 16% lower.

Prices and margins were on an improving trend in the first half of 2001, supported by a series of unexpected production losses at the major producers in Europe, and sharp cutbacks in response to weak demand in North America and Asia. Base prices for 2 mm grade 304 peaked at 1.35 EUR/kg in the summer, though this was still one-fifth lower than the figure 12 months earlier. Thereafter however, prices started to come under increasing pressure. End-use demand in Europe was softening, and at the same time the prices of nickel and ferrochrome were falling. This meant that the future alloy surcharge would be reduced, giving consumers good reason to continue deferring purchases and further run down inventories. As a result base prices had fallen to around the 1.30 EUR/kg level by end-year, though the fall would have been much worse had not European mills responded to the downturn by restraining production and making extended holiday shutdowns.

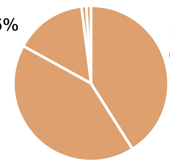
However, it now appears that prices are close to the trough in the current cycle, and an improvement looks likely as demand starts to improve and re-stocking gets underway. This could be as early as in the second quarter. The key factor will be the behavior of the major stainless steel producers. Following recent consolidation, there are now only four producers in Europe, and the indications are that the industry is behaving more responsibly than in the past to prevent any serious build-up of inventories.



Copper Products

Profitable growth in cooperation with customers

Net sales by market area



Copper Products will improve its profitability by continuing to shift to products offering more value added and providing greater margins, by investing in product development and by systematically increasing the efficiency of its business operations.

The business is based primarily on the superior properties of copper, heat and electrical conductivity, which are needed increasingly to enhance communication, heat transfer, energy service and construction. Today, two-thirds of Copper Products' net sales are generated by products based on the heat and electrical conductivity of copper. The objective of Copper Products is to develop new products and applications in close cooperation with demanding customers in growth sectors and to benefit from its diverse technological expertise and knowledge in metallurgy in the development of innovative customer applications.

The profitability of Copper Products has not been satisfactory. In 2001, profitability was especially affected by the difficult market situation in the US. In contrast, the trend in profitability on the European and Asian markets was encouraging, although this did not entirely offset the effect of the downturn in the US.

A strong, worldwide market position

The competitive position of Copper Products is especially strong in the traditional markets of the US and Europe. In recent years operations have also been expanded steadily in the growing Asian market. Copper Products has a large market share in many products, for example in the radiator strips used in heat exchangers for the automotive industry, in tubes used in air-conditioning and refrigeration equipment as well as in welding electrodes. Recent product area is superconducting wire, which

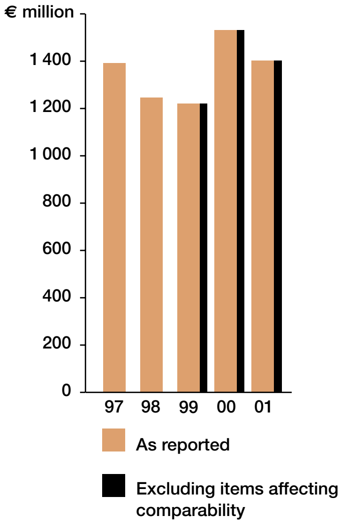
Copper Products targets profitable growth by shifting into products with higher value added and by focusing its operations on the superior properties of copper – heat and electrical conductivity. Copper Products continues to improve efficiency of its business operations. Operating profit target for the next few years has been upgraded to the level of EUR 130–150 million.

represent extremely high technology. Acquisition of IGC-AS in the US at the end of 2001 made Outokumpu the world's largest supplier of superconducting wire. In addition, Outokumpu is one of the largest manufacturers of the copper cable strips used in submarine cables and mobile telephone networks. Copper Products accounts for some 10% of the world's fabricated copper products in its served market.

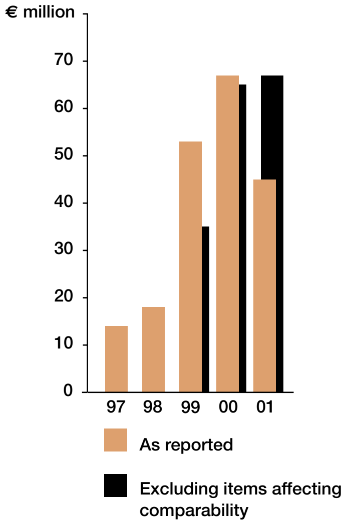
Focus shifted to rapidly growing industries and to products yielding more value added

The growth potential of the information, communication and telecommunications market remains significant, although economic growth overall has in fact declined. At present, telecommunications is the most rapidly growing sector that uses copper. Annual demand growth in many of the copper products needed by the

Net sales



Operating profit



sector has exceeded even 20%. Copper Products is concentrating on known applications of copper in the telecommunications and data transfer sectors and is developing new applications in cooperation with leading companies in the sector.

In the manufacture of copper products, Outokumpu makes use of its comprehensive technological expertise. For example, it manufactures high-quality thin-walled tubes for air-conditioning and refrigeration equipment manufacturers for the US and European markets and increasingly for China and Southeast Asia as well.

Investments and acquisitions focus on products with higher value added

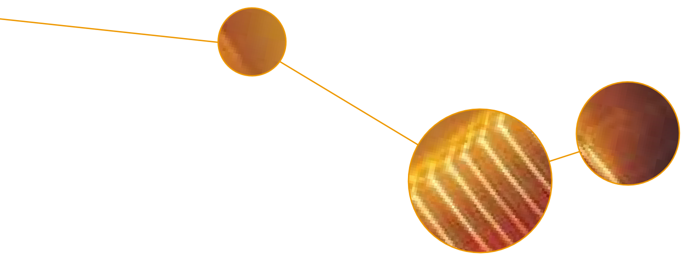
Acquisitions and expansion investments in the tube production made in 2001 have shifted focus to products with higher value added. The strategy of growth and transformation will be further advanced by exploiting existing capacity more efficiently and by allocating it into products with more added value.

In October, the division of the US company Intermagnetics General Corporation manufacturing superconducting wire was acquired by Outokumpu with USD 30 million (EUR 34 million). This acquisition made Copper Products the largest supplier of superconducting wire for industrially produced, medical magnetic scanning equipment and scientific projects. Outokumpu also produces oxygen free copper needed in the manufacture of superconducting wire.

In the beginning of October, the metal component manufacturing business of ABB Tools was acquired by Outokumpu Wasacopper. The acquisition will strengthen Outokumpu's position as a supplier of demanding components, and also in expanding services to the electrotechnical industry.

A decision was made to expand the Zaratamo tube plant in Spain with a product line based on Outokumpu's own Cast & Roll™ technology. The new tube production line, which costs EUR 15 million, will improve productivity at Zaratamo, expand the product range, and improve product quality and service standard. The line will become operational this year and will also help the company in shifting to higher value added products. Cast & Roll™ technology, with attractive capex, has previously been introduced in Outokumpu's Asian units.

Outokumpu's strategic decisions to develop business operations in the Asian market have begun to yield results. Especially in China, growth is expected to remain strong over the long term. An EUR 35 million investment to double the capacity of the Zhongshan Cast & Roll™ tube plant has proceeded according to plan and will be completed during 2002.



6.3.2002 Outokumpu receives eminent recognition from CERN of the manufacture of superconducting wire

24.10.2001 Outokumpu's acquisition of superconductor business in the US concluded

7.9.2001 Outokumpu invests in a new Cast&Roll tube production line in Zaratamo, Spain

30.8.2001 Outokumpu buys the metal parts activities of ABB Tools and expands its services to the electrical industry

16.8.2001 Outokumpu to participate in a joint maintenance and technical services company in Sweden

22.3.2001 European Commission investigates copper tube manufacturers

22.1.2001 Outokumpu to double its ACR tube production in China

15.1.2001 Outokumpu's Superconductors unit receive a significant order from CERN

KEY FIGURES

€ million	**2001**	2000
Net sales		
Americas	**344**	443
Europe	**527**	524
Automotive heat exchangers	**267**	292
Appliance heat exchangers & Asia	**281**	268
Other units	**51**	331
Sales within the business area	**(67)**	(326)
Total	**1 403**	1 532
Operating profit		
Americas	**(10)**	31
Europe	**33**	23
Automotive heat exchangers	**20**	18
Appliance heat exchangers & Asia	**2**	(4)
Other units	**0**	(1)
Total	**45**	67
Share of the Group's net sales (%)	**24**	34
Operating profit margin (%)	**3**	4
Return on operating capital (%)	**5**	8
Operating capital Dec. 31	**837**	851
Capital expenditure	**110**	62
Depreciation	**56**	53

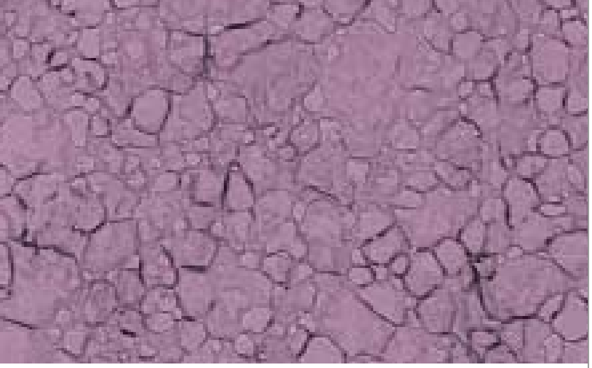
Production

Tonnes	**2001**	2000
Americas	**94 900**	133 100
Europe	**158 500**	162 700
Automotive heat exchangers	**89 800**	96 000
Appliance heat exchangers & Asia	**83 300**	79 300
Deliveries within the business area	**(20 200)**	(21 400)
Total	**406 300**	449 700
Associated companies:		
Rolled products [1]	**17 900**	18 300
(Laminados Oviedo–Córdoba 50%)		

[1] The Group's share of production in relation to ownership.

Personnel

Dec. 31	**2001**	2000
Americas	**1 036**	1 181
Europe	**1 983**	1 796
Automotive heat exchangers	**684**	679
Appliance heat exchangers & Asia	**1 321**	1 269
Other units	**205**	214
Total	**5 229**	5 139



Metallurgy

Realization of the growth strategy proceeding apace

The zinc and copper business and Technology will make use of new business opportunities by combining Outokumpu's brand technologies with services related to implementation and commercialization of projects. In connection with technology deliveries, Outokumpu also has an opportunity to make long-term concentrate off-take contracts to its smelters. Outokumpu Research, the company's inhouse research centre, engages in the development of metallurgical processes, equipment and products.

The strategic cornerstone of the production plants is maximum operating efficiency; cost-effeciency, short lead times and excellent quality in both products and services. In addition, Outokumpu's role as a responsible metal supplier calls for a greater market orientation and flexibility to respond to fluctuations in demand.

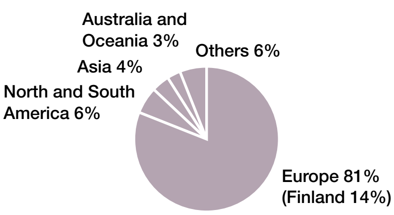
Norzink to Outokumpu, Kokkola zinc plant expansion commissioned

In April 2001, the Norwegian Norzink AS was acquired by Outokumpu at a price of USD 180 million (EUR 204 million). Norzink's annual production capacity is 150 000 tonnes of zinc, and it is one of the world's most profitable zinc producers. Integration of Norzink with Outokumpu's zinc business has proceeded smoothly. Norzink's good logistical location and low-cost energy supply will provide an opportunity for further development and expansion.

The expansion of the Kokkola zinc plant from 225 000 tonnes to 260 000 tonnes was completed in October 2001 and the planned production was achieved during the first month of operation. The expansion is based on direct leaching of concentrates, a process developed by Outokumpu. Its main advantages are environmental soundness and more efficient use of raw materials. The Kokkola plant is now one of the world's most modern sites, and it is the second largest unit in Europe. Also, it ranks to the best quartile in cost-efficiency.

Zinc production has long been a profitable operation for Outokumpu. Nevertheless, during 2001, profit-

Net sales by market area



In Zinc and Technology the growth strategy has been implemented to large extent and the plans to expand copper production have taken shape. The main short-term objective of Technology is to take over the acquisitions and integrate them effectively and to significantly improve operating profit.

ability was unsatisfactory in the oversupplied market, since falling zinc prices reduced treatment charges.

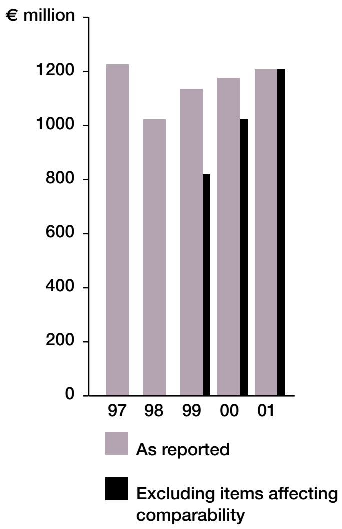
Following the acquisition of Norzink and the Kokkola expansion, Outokumpu is the third largest producer of zinc in Europe, with a 15% market share. Outokumpu accounts for 5% of the world's zinc production. Raw materials are acquired primarily from the global zinc concentrate market and end products are sold on the international metal market.

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

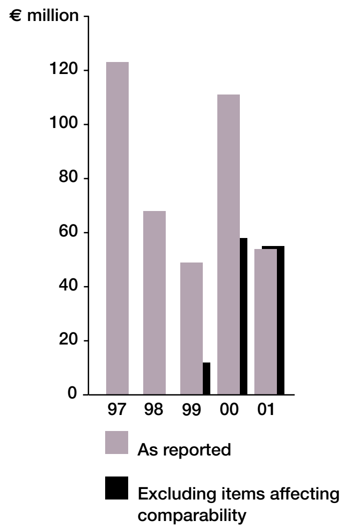
Growth plans for Harjavalta Metals take shape

Plans to expand copper production at Harjavalta Metals have reached the stage at which future capacity has been set and the technologies chosen.

Net sales



Operating profit



Metallurgy

The plans also provide for refining platinum group metal concentrates from Arctic Platinum Partnership's possible mine at the Harjavalta nickel smelter, where nickel smelting will end in 2004. The final decision on the expansion will be made in 2002.

According to the plan, capacity of the Harjavalta smelter will rise from 170 000 tonnes of blister copper to 250 000 tonnes and the capacity of the Pori copper refinery from 125 000 tonnes of cathode copper to 250 000 tonnes. The latest state-of-the-art technology, developed by Outokumpu, will be used, such as flash smelting and converting, anode casting and tankhouse technology. Expanded production will be used mainly as raw material for Outokumpu's fabricated copper products in Europe.

Copper production has long been profitable. Profitability of Harjavalta Metals in 2001 was satisfactory, although the treatment and refining charges were fairly low.

The copper concentrates used as raw material for copper production are acquired worldwide with long-term contracts. The copper produced by Harjavalta Metals is delivered to the copper products industry as raw material. Outokumpu accounts for some 1% of the world's copper production. Copper consumption is expected to grow at an annual average rate of 3%.

Technology concentrates on integration of acquisitions and on improving operating profit

In 2001, Outokumpu completed several acquisitions that supplement its range of technologies. The acquisitions are: Inprosys Inc., which concentrates on magnetic separation technology; KHD Aluminium Technology GmbH, which supplies anode technology for aluminum smelters; Royal Pannevis B.V. which supplies filters to the process industry; Metso's grinding mill business; Lurgi Metallugie GmbH, which specializes in the metallurgical technology business.

These acquisitions made Outokumpu the world's largest supplier of copper and zinc plants, a significant supplier of aluminum technology, and a key supplier of innovative technologies to the ferrous and ferroalloys industry. Customers will be offered comprehensive process packages and also complete plants on a turnkey basis. The acquisitions will also contribute to Outokumpu's objective of becoming the world's leading provider of start-up, maintenance, spare part and project services to the metallurgical industry. The short-term goal of Technology is to efficiently integrate the acquisitions of 2001 and raise operating profit substantially above the present level. The target for annual net sales in the near future is set to some EUR 600 million.

The most important technology order received in 2001 comprises the reconstruction of the production lines at the Nadezhda smelter for EUR 64 million. An USD 230–250 million preliminary agreement was also signed with Norilsk Nikel of Russia for construction of a new nickel concentrator at Norilsk and for expansion of the existing concentrator at Talnakh. The final agreements are to be signed in mid-2002.

The profitability of Technology has long been inadequate considering its potential. In 2001 it weakened on previous year.

Technology operates globally and its market shares are high in several products. Prospects for technology sales during 2002 have declined from 2001 because of low metal prices and reduced investment activity.

19.12.2001	Harjavalta copper production expansion planned at 250 000 tonnes per annum
24.10.2001	Outokumpu to secure raw material feed to its copper smelter by acquiring minority share in Neves Corvo
16.10.2001	Environmental management system certificate for Outokumpu Harjavalta Metals
12.10.2001	Kokkola zinc plant expansion commissioned
28.9.2001	Acquisition of Lurgi's metallurgical business completed
20.9.2001	Outokumpu acquires Metso grinding mills business
3.9.2001	Outokumpu signs preliminary agreements to deliver two concentrators for Norilsk Nikel
28.8.2001	Pannevis belt filters to Outokumpu
9.5.2001	Outokumpu's copper refinery 60 years in Pori
26.4.2001	Outokumpu's acquisition of KHD Aluminium Technology finalized
19.4.2001	Environmental Impact Assessment started at the Pori copper refinery
23.4.2001	Outokumpu completed study on the growth of forests surrounding the Harjavalta smelter area
17.4.2001	Norzink acquisition strengthens Outokumpu's zinc business
5.4.2001	Outokumpu and Norilsk Nikel agreed on reconstruction of Nadezhda flash smelter
15.3.2001	Outokumpu's technology selected for SA Chrome & Alloys' greenfield ferrochrome plant in South Africa
28.2.2001	Outokumpu acquired Inprosys rare-earth magnetic separation business
7.2.2001	Norilsk Mining and Outokumpu to develop cooperation
22.1.2001	Environmental Impact Assessment report completed at Outokumpu Harjavalta Metals

KEY FIGURES

€ million	**2001**	2000
Net sales		
Zinc	**453**	385
Harjavalta Metals	**428**	552
Technology	**328**	242
Other units	**10**	10
Sales within the business area	**(12)**	(13)
Total	**1 207**	1 176
Operating profit		
Zinc	**33**	46
Harjavalta Metals	**15**	21
Technology	**5**	10
Other units	**1**	34
Total	**54**	111
Share of the Group's net sales (%)	**20**	26
Operating profit margin (%)	**4**	9
Return on operating capital (%)	**11**	24
Operating capital Dec. 31	**587**	390
Capital expenditure	**325**	38
Depreciation	**49**	42

Production

Tonnes	**2001**	2000
Zinc		
Zinc [1]	**357 200**	222 900
Harjavalta Metals		
Blister copper	**169 300**	155 400
Cathode copper	**115 500**	114 000
Nickel [2]	**–**	15 300
Gold (kg)	**5 600**	5 000
Silver (kg)	**22 800**	23 600

[1] Includes Norzink's production as of April 9, 2001.

[2] Nickel refinery sold on April 4, 2000.

Personnel

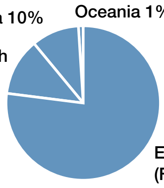
Dec. 31	**2001**	2000
Zinc	**1 183**	762
Harjavalta Metals	**440**	449
Technology	**1 646**	1 197
Outokumpu Research	**176**	163
Total	**3 445**	2 571

Stainless Steel

AvestaPolarit is an independent listed Outokumpu subsidiary

The fact that AvestaPolarit consentrates on stainless steel, ensures Outokumpu faster growth in stainless and paves the way for significant increase in value. The investment now underway at AvestaPolarit Tornio plant amounts to EUR 790 million, and when completed at the end of 2002 slab capacity will increase from 1.75 million tonnes to some 2.75 million. The synergies from the combination are estimated at more than EUR 100 million annually. All the synergies will be realized by 2005, most, however, already by 2003.

Net sales by market area



Due to weaker demand and lower prices, AvestaPolarit's profitability in 2001 was substantially below that of the previous year.

AvestaPolarit is one of the world's most efficient producers of stainless steel and it operates in more than 30 countries. It accounts for 28% of the stainless steel coil market in Europe and 8% worldwide.

AvestaPolarit takes care of its financing and decides on its investments independently. Outokumpu Oyj receives a dividend from AvestaPolarit in proportion to its holding in the company. AvestaPolarit is consolidated as a subsidiary with the Outokumpu Group. Its income statements, balance sheets, cash flow statements and notes to financial statements are consolidated to the Outokumpu Group. AvestaPolarit's minority interest in the profit for the financial year and of shareholders' equity in the balance sheet appear in the income statement and the balance sheet on separate lines, as a minority interest. When Outokumpu's holding in AvestaPolarit decreases below 50%, it will be consolidated as an associated company to the Outokumpu Group using the equity method.

To improve the liquidity of the AvestaPolarit share, Outokumpu has committed itself to reduce its ownership to 40% or less by 2004. Once Outokumpu's holding has decreased to 40%, Outokumpu can either increase or decrease its ownership in AvestaPolarit. Outokumpu will assess its holding in AvestaPolarit as a long-term investment by comparing the estimated return with alternative investments.

Favorable long-term market outlook

Growth prospects for stainless steel consumption are very positive. Worldwide demand for cold-rolled stainless steel has increased on average at an annual rate of 5.5% over the past 20 years. Since 1994, consumption has risen on average by 7.5%

Outokumpu Steel Oyj and Avesta Sheffield AB combined in January 2001 to form AvestaPolarit Oyj Abp, which is one of the world's largest producers of stainless steel. At the end of 2001, Outokumpu had a holding of 55.3% in AvestaPolarit.

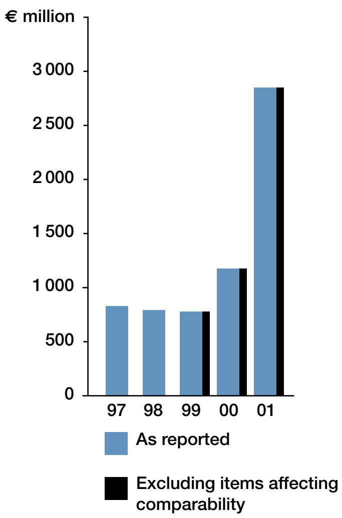
annually. However, in 2001 consumption decreased by 3%. The research institute CRU International forecasts also future growth of stainless steel consumption to be 5% on average annually. Short-term prospects are clouded by uncertainty concerning the timing of recovery.

Stainless steel is a constantly developing material and its applications will increase as environmental regulations and health and hygiene requirements become more stringent. Consumption is also closely linked with rising standard of living. Several lifecycle studies show that the total cost of stainless steel is lower than those of competing materials.

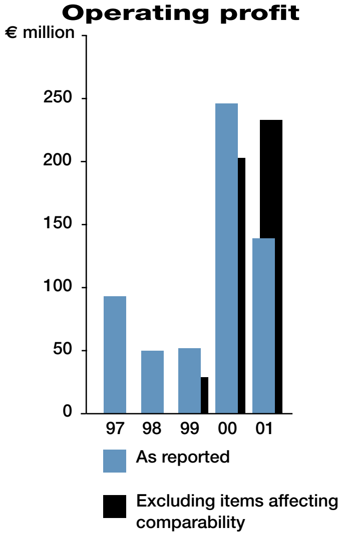
Construction, architecture, food production and catering, pulp and paper, offshore oil drilling, chemicals, transport and home appliances and equipment are the principal uses for stainless steel.

For more information see www.avestapolarit.com

Net sales



Operating profit



KEY FIGURES [1)]

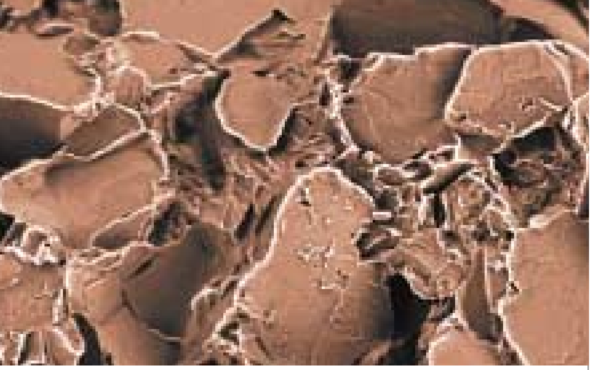
€ million	2001	2000
Net sales	**2 851**	1 177
Share of the Group's net sales (%)	**48**	27
Operating profit	**139**	246
Operating profit margin (%)	**5**	21
Return on operating capital (%)	**10**	30
Operating capital Dec. 31	**1 857**	843
Capital expenditure	**405**	84
Depreciation	**120**	60

Production

Tonnes	2001	2000
Steel slabs	**1 404 800**	636 300

Personnel	2001	2000
Dec. 31	**9 004**	2 438

1) Includes Avesta Sheffield as of January 23, 2001.



Other operations

Services for core businesses

Mining

Outokumpu has decided to exit base metals mining along with its strategy.

An agreement for the sale of the Pyhäsalmi mine to the Canadian company Inmet Mining was made in December 2001. Alternatives for releasing capital tied up in the Black Swan nickel mine in Australia and the Tara zinc mine in Ireland are under consideration. Exploration and development not related to operating mines will be discontinued.

Mining is a very capital-intensive and cyclical business, which has shown a loss over the long term. In the future, Outokumpu may hold minority stakes in mining operations to secure raw material supply to its smelters and to maintain its mineral processing expertise for product development supporting its technology sales.

Production at the Tara mine was discontinued in November 2001 due to low zinc price. It will be re-opened when conditions for profitable operation are in place. Before production is resumed, the necessary maintenance and production development work will be carried out.

Apart from its base metal mines, Outokumpu also has precious metals operations. These include the Orivesi gold mine in Finland, where the ore is expected to deplete in 2003, and the stake in Arctic Platinum Partnership (APP), which is investigating the exploitation of platinum and palladium deposits in Northern Finland. APP's estimated platinum group metals content is at the moment more than 11 million ounces (ca. 350 000 kg). A more extensive feasibility study concerning exploitation of the APP deposits will be completed in fall 2002. Outokumpu's stake in APP is 49% and Gold Fields' 51%.

Corporate Services

Outokumpu's metal marketing companies operate in 15 countries and market Outokumpu metals and metal products. Outokumpu Rossija specializes in Russian trade, marketing Outokumpu products and acquiring raw materials for Outokumpu production plants. The Group's other service units provide subsidiaries and units, apart from AvestaPolarit, with real-estate, legal, financial, patenting, financing, power supply, information technology, occupational health and insurance services.

Other operations include units not considered as core businesses as well as industrial holdings. The unit also includes business operations that are to be divested in the future in order to release capital. Furthermore, other operations include Corporate Management and Corporate Services, which support core business operations.

11.2.2002	Gold Fields and Outokumpu announce increase to 11 million ounces at Arctic Platinum Partnership
24.1.2002	Update on the Tara care and maintenance
16.1.2002	Outokumpu sold its stake in SIPA Resources International
19.12.2001	Outokumpu and Inmet establish alliance, including sale of Pyhäsalmi mine to Inmet
21.11.2001	Mining continues at Hitura – Outokumpu secures deal with customer
1.11.2001	Outokumpu to exit base metals mining
25.9.2001	Talks to start with employees at Outokumpu's Hitura mine about possible closing of the mine
23.7.2001	Gold Fields and Outokumpu announce upgraded and increased PGM resources of 6.0 million ounces at Arctic Platinum Partnership
25.5.2001	Falconbridge purchases Montcalm from Outokumpu
11.5.2001	Tara to acquire Bula orebody
29.3.2001	Outokumpu rationalizes its mining organization

KEY FIGURES

€ million	2001	2000
Net sales		
Mining	**211**	235
Marketing companies	**54**	81
Outokumpu Rossija	**130**	165
Other service units	**85**	85
Princeton Gamma-Tech	**8**	9
Corporate Management	**16**	21
Intra-group sales	**(32)**	(17)
Total	**472**	579

Personnel

Dec. 31	2001	2000
Mining	**1 294**	1 264
Marketing companies	**125**	203
Outokumpu Rossija	**30**	37
Other service units	**137**	107
Princeton Gamma-Tech	**72**	80
Corporate Management	**92**	93
Total	**1 750**	1 784

Mine production figures as well as ore reserves and mineral resources are presented on pages 78–79.

This section discusses human resources aspects of the non-ferrous businesses.

Human resources

Commitment and participation in realizing growth and transformation

Outokumpu's human resource management emphasizes strategy-driven approach, an active steering of change processes, quality and efficiency in administrative functions and participation by individuals and work teams in the development of operations of the company. Realization of the strategy of growth and transformation is strongly reflected in Group-level human resource management. On the other hand, a task for the business units is to integrate human resource management into their competitive strategy and to take into account the development phase, personnel structure, cultural features and other characteristics of each unit.

Investment in expertise building

In 2001, Outokumpu continued its concerted effort to develop expertise. Business units carried out a number of long-term programs to develop professional competence. The Finnish units, in particular, benefited from training that lead to vocational or specialist vocational qualifications. A Group-wide program of management development was implemented in full and several management training programs were carried out during the year.

The overall appeal of the company and the whole industry as an employer was increased through cooperation with local educational institutions and schools. Outokumpu also took part in the image project of the Association of Finnish Steel and Metal Producers, which was aimed at young Finnish people between the ages of 13 and 25. To promote education and research in the industry, Outokumpu Oyj Foundation paid some EUR 260 000 in grants and thesis prizes to university students and researchers.

In the beginning of 2002, Metallurgy launched an extensive Talent Flow program, which aims to bring young people into technical management and expert functions and to secure expertise for the future. Systematic recruitment and vocational training, in particular, are the cornerstones of this program.

Building a new identity involves the entire personnel

During 2001, the Identity project, which aims to define new basic values for Outokumpu by June 2002, was launched. The starting point for the project is the Group strategy emphasizing change. The project is one way of bringing change closer to each and every Outokumpu employee. The Group previously defined its values in 1993.

Shaping Outokumpu's new corporate identity involves the clarification and reconciliation of three vantage points: the company's goals for the future, history and expectations of indi-

Outokumpu's units owe their success to skilled employees who are motivated and committed to the goals of their organization and who strike a proper balance between work and other aspects of life. Modern human resource management makes an important contribution here.

viduals. To determine the values appreciated by Outokumpu employees, the company conducted a survey, with questionnaires available both electronically and in print. The new set of values will be implemented for example through human resource management practises, active collaboration with stakeholders, and value processes at unit level. Some thirty mentors, Godparents, representing different business units, national cultures and professional fields will play a key role in steering the Identity project.

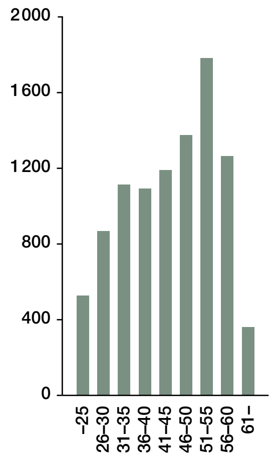
Human resource management engaged in corporate growth

Strategic goals concerning growth and transformation affect human resource management through acquisitions, for example. As a result of the mergers and acquisitions carried out in 2001, the number of employees in the Group increased by 8 090. A significant number of the companies acquired are highly specialized in their field, and must therefore have expert staff to succeed.

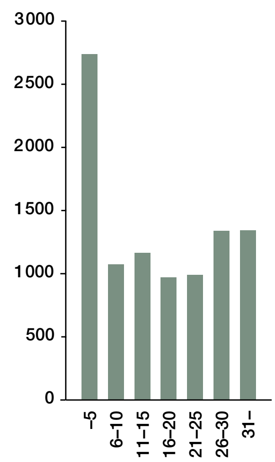
Human resource management is involved in both the due diligence phase of acquisition and in the subsequent integration as well. Outokumpu has developed an HR Audit procedure, which covers all the main aspects of personnel in the context of mergers and acquisitions.

The direction and content of the development of management are also more clearly based on the Group's strategy to grow and transform. 'Making the Double,' a program targeted to top management, utilized an action learning approach and dealt with themes relating directly to growth and transformation at Outokumpu. The themes were applied to both entirely new operations and to existing business operations.

Personnel age profile (permanent employees)



Personnel by years of service (permanent employees)



Administrative efficiency and personnel participation

Improved management and administration are an integral part of the Group's growth and transformation strategy. Harmonization of administrative information systems through introduction of SAP R/3 and exploitation of the service center model in the production of financial and payroll services are examples of current development projects. The first experience with a service center as a producer of financial services was received from the unit that began operations in Espoo, Finland.

What is typical of Outokumpu's units is that they develop their incentive systems based on their own needs. Flexible salary items that are based on profitability, improvement of productivity and individual and group-specific objectives are used to promote business operations and motivate personnel to make the best of their abilities.

The application and development of personnel participation schemes at both the local and the Group level are typical for Outokumpu as well. Personnel have long been represented on the Boards of operative Finnish subsidiaries and since 1997 on the Board of Directors of Outokumpu Oyj, based on personnel share ownership. An important channel for participation is the Outokumpu Personnel Forum involving both top Group executives and European employees. In 2001, it was held in Bilbao, Spain. Well-being at work was one of the topics discussed.

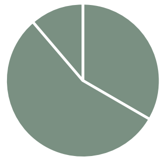
Challenges for the future

As more employees leave through retirement and labor markets become tighter, age-structure management will be a critical factor. This will require efforts in recruitment, in development of expertise and in incentive systems. The Talent Flow program, which concentrates on these factors, will be expanded and developed.

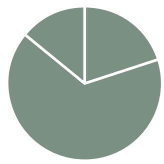
One requirement for a successful growth strategy is the integration of acquired companies with the Group. This involves learning on both sides, and here human resource management will have a significant part to play. Integration will be supported with training and expert exchange programs.

The Identity Project will move into the implementation phase in 2002. The goal is to create an Outokumpu model for value management - one that will respect the natural differences between units but also unify the entire group on the basis of a new corporate identity.

Educational background of permanent employees, 10 424



New permanent employees, 571



KEY FIGURES

	2001	2000
Net sales/person, million €	0.3	0.3
Incentives of total remuneration costs, %	5.8	5.4
Training costs of total remuneration costs, %	1.1	1.3
Training days/person	3.1	3.1
Days lost due to strikes	134	3 409
Turnover, %	8.6	8.7

Figures for 2001 relate to Outokumpu's non-ferrous businesses.

This section discusses environment, health and safety aspects of the non-ferrous businesses.

Environment, health, and safety

Metals, metal products, and metals technology – responsibly, in keeping with sustainable development

Both in its own production and its technological solutions for customers Outokumpu seeks to promote processes that are as environmentally sound and energy-efficient as possible. The Group's environmental and occupational safety policies provide guidelines for more detailed policies, practical goals and measures implemented by the business units.

Culture of continuous improvement in environmental work

The environmental impacts of Outokumpu operations are primarily related to the operations of its metallurgical process plants, i.e. the production of zinc and copper. The manufacture of fabricated copper products has a minor impact on the environment. The key environmental challenge is to reduce water and energy consumption in the production processes. The environmental impacts of Outokumpu operations have been decreasing continuously as a result of systematic environmental protection.

Programs aiming to reduce water consumption and increase recycling continued in Harjavalta and Kokkola. The sewage system at the Pori plant has been modernized and process waters are now re-circulated and purified. This will substantially reduce metal emissions into waterways.

Outokumpu's Harjavalta and Kokkola units have been involved in voluntary agreements to conserve energy, and in 2001 the Pori plant followed suit. The program has implemented measures that have led to savings of several percent in energy consumption. In 2001 Outokumpu and AvestaPolarit units in Finland consumed 3.0 TWh of electricity, which accounts for some 8% of total Finnish industry consumption.

The environmental systems at the Harjavalta plants received ISO 14001 certificate in the fall and the Pori plant has updated its environmental system according to revised EMAS regulation. The Norzink zinc plant acquired by Outokumpu in April has the ISO 9001 quality system and is currently building an ISO 14001 environmental management system. Certified environmental systems are now in place at Pori, Harjavalta, Kokkola and Vaasa, all in Finland as well as Finspång, Sweden, and Zutphen, the Netherlands. Outokumpu's target is that the production sites with significant environmental impacts will have certified environmental systems.

Environmental impact assessment (EIA) procedures of both the Harjavalta smelter and the Pori copper refinery relating to the plans to expand copper production were completed in

2001. In Harjavalta, the EIA procedure focused, in addition to increased production, on various alternatives for the storage of waste, and in Pori the focus was on general impacts and the handling of contaminated soil to be removed from the plant construction area.

Emission levels unchanged

There were no problems with emissions at Outokumpu sites during 2001. The trend was particularly favorable in Kokkola, where metal emissions into waterways were cut by 66% on 2000. Harjavalta succeeded in reducing water consumption by increasing recycling, and dust and sulfur dioxide emissions into the air were at the 2000 level. Limits set for copper and nickel emissions into waterways were exceeded in Harjavalta during two quarters, since there were two major leaks in the nickel production processes of the OM Group's operations on the same industrial area. No other accidents took place, and there were no problems with gas or dust emissions at any of the production plants. Some other units exceeded limit values slightly a few times.

Permits

All Outokumpu units have valid environmental permits. Some of Outokumpu mines have applied to have their water permits renewed and Harjavalta due to the expansion plans. Permits are applied according to new Finnish Environmental Protection Act in case the sites plan for significant changes in their operations or by the end of 2004 at the latest.

In Finland, an appeal has been made to the Supreme Administrative Court concerning the waste interpretations in decisions issued concerning mines under the old Waste Act. The Supreme Administrative Court has referred to the European Court of Justice for a preliminary ruling on the interpretation of the EU Directive on Waste.

Environmental investments and expenditure

Environmental investments came to some EUR 10 million and operating expenses around EUR 14 million. The most significant environmental investments in 2001 were the Norzink water treatment program, oil separation technique at the Pori sewage system, and water recycling system at Harjavalta.

A total of EUR 0.1 million was paid in environmental compensations.

Environmental liabilities

The Princeton Gamma-Tech groundwater treatment plans and court processes continue in the US. The issue is explained in more detail in note 21 to the consolidated financial statements.

The Group is not aware of any environmental risks that could have a significant impact on its financial position.

Health and safety

Well-being at work was the key theme for 2001. One of the areas focusing on this theme was health-related training. Units developed indicators for well-being as part of their quality systems. Scientific analysis of the health impacts of Outokumpu's metal production processes continued.

Safety at workplaces continued to develop favorably. In 2001, the focus was on effective use of personal protective devices, and accident rates fell by about a quarter compared with the previous five-year average. The target of halving the accident rate was not yet reached, however, and work will continue to achieve the goal of 'zero accidents'. In 2002 focus will be on preventive actions.

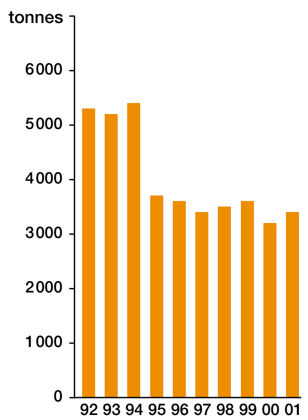
Stakeholder relations

The Group's experts took an active part in preparation of and commenting in issues such as the Mining Act, soil issues, the Water Act, and air pollution control legislation in Finland and other countries as well. At the EU level, experts participated in working groups preparing for example indicators for sustainable development and technical descriptions.

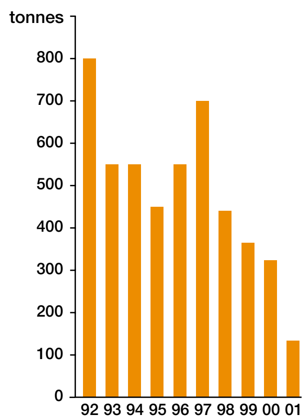
The units in Pori, Kokkola, and Tara have been engaged in successful cooperation with local educational institutions on vocational and environmental training. In 2001, Outokumpu translated into Finnish and published the ICME publication 'The World of Metals' and the publication was distributed to key stakeholders in Finland.

A separate Group environmental review will be published in April.

Sulfur dioxide emissions

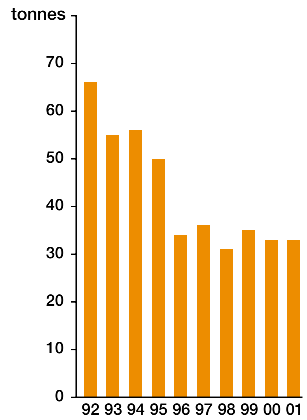


Particle emissions to air



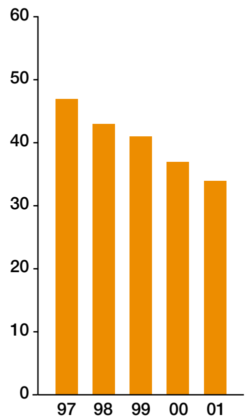
Metal emissions to water

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



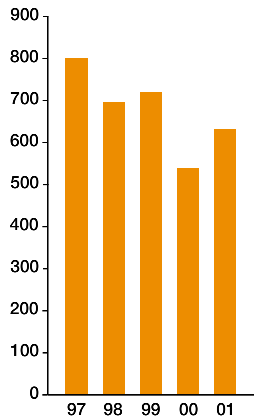
Accident rate, production

(accidents/million hours worked)



Sick leave days

(per million hours worked)



Figures for 2001 relate to Outokumpu's non-ferrous businesses.

Financial statements

Outokumpu profits declined from the previous year's record level because of a sharp fall in stainless steel conversion margins and metals prices and lower deliveries of copper products in a weak market. Profit for the year fell to EUR 76 million (2000: EUR 315 million) and earnings per share to EUR 0.61 (2000: EUR 2.38). Despite the difficult market situation, however, cash flow from operating activities was good.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.61 per share be distributed for 2001 in line with the temporary change in the dividend policy.

Demand for metal products contracted

Growth in the world economy in 2001 was at its lowest level in twenty years. Amid global recession, economic growth was merely one per cent, and in the second half of the year there was simultaneous stagnation in all three major regions: the US, Europe and Japan. Growth in China continued strong, though the export industry's position deteriorated somewhat towards the year-end. The effects of the global recession were felt primarily in the industrial sector, where business activity slowed down substantially during the year. Industrial investments decreased compared with 2000 and industrial production contracted globally, especially in the second half.

Extensive monetary and fiscal policy measures were taken in attempts to stem the slowdown. Central banks cut key interest rates several times to encourage consumption. Over the year, rates in Europe were reduced four, and in the US as many as 11, times. Many countries also decided on tax cuts and public spending was stepped up. In response to these measures, indicators of business and consumer confidence started to pick up slightly in the US and Europe at year end, though in Japan, the outlook remained bleak, as the level of economic activity continued to be extremely low.

Corporate review of the year

The global recession resulted in a clear fall in demand for copper products, base metals and stainless steel. Because markets were in surplus, metals prices plunged to record lows, well below long-term averages. Producers started to reduce their supply of metals in the second half, however, and the market situation started to slowly regain better balance. Base metal prices fell continuously up to November but then began to recover gradually. Market situation for copper and zinc concentrates became more difficult towards the year-end due to the cuts in mine production. Consequently treatment and refining charges for smelters started to fall. Overall demand for fabricated copper products contracted significantly on the previous year, mainly because of the recession in the US, but with considerable differences between countries and products. Stainless steel production was cut back all year, but nonetheless the recovery in demand expected towards year-end never materialized and price pressures continued.

Despite the decline in demand, average prices for Outokumpu's fabricated copper products (conversion margin) rose 6% from the previous year owing to the better product mix and price increases. Global consumption of copper metal decreased nearly 3% while output continued to grow, and the average price dropped 12%. Zinc consumption decreased nearly 2%. Even so, production of zinc kept on rising and the price consequently fell 22%. Nickel consumption declined 2% because of poor demand in the stainless steel industry, and the price fell 31%. According to market research done by CRU, treatment and refining charges on annual contracts basis fell 17% for zinc concentrates and 5% for copper concentrates. Consumption of stainless steel contracted 3%, and the average price (conversion margin) declined by 20%.

Net sales boosted by acquisitions

The Group's net sales rose 44% from the previous year to EUR 5 324 million. This was mostly because of the formation of AvestaPolarit, several acquisitions and an average rise of 3% in the US dollar against the euro. Growth in net sales was hampered by lower deliveries of copper products and the sharp fall in stainless steel and base metal prices.

Net sales

€ million	2001	2000	Change, %
Copper Products	**1 403**	1 532	(8)
Metallurgy	**1 207**	1 176	3
Stainless Steel	**2 851**	1 177	142
Other operations	**472**	579	(18)
Intra-group sales	**(609)**	(771)	21
The Group	**5 324**	3 693	44

Copper Products' net sales declined on 2000 because of a 10% decrease in deliveries and the 12% fall in the price of copper. Deliveries decreased, mainly because of declining demand in the US. In Metallurgy, net sales of the zinc business rose following the acquisition of Norzink and completion of the Kokkola zinc plant expansion. Net sales of the Harjavalta copper business increased, thanks to smooth-running production. Technology's net sales rose as a result of acquisitions, but remained at the previous year level if the impact of the acquisitions is eliminated. Metallurgy's net sales for the comparison year include net sales of the nickel refinery sold to OM Group Inc. up to April 2000. Despite the falling prices of stainless steel products, Stainless Steel's net sales rose appreciably following the inclusion of Avesta Sheffield into the Group as of January 23, 2001. Under Other operations, Mining's net sales fell clearly because of the collapse in metals prices as well as productivity problems.

The breakdown of Group sales into market areas changed somewhat due to the acquisitions and declining US market. Europe's share of the Group's net sales rose to 68%, while the Americas' fell to 19% and Asia's remained almost unchanged, at just over 10%. See note 2 to the consolidated financial statements for details.

Production of fabricated copper products ran smoothly, but volumes fell 10% from 2000, mainly because of poorer demand in the US. Production of zinc and copper metal also went well. Zinc production rose 60% because of the Norzink acquisition and completion of the Kokkola expansion. Production of blister copper rose 9% in Harjavalta, breaking the annual record, and production of cathode copper also increased somewhat.

Production of stainless steel went well for most of the year, and the Group's stainless steel output figures rose substantially as Avesta Sheffield was included in the Group as of January 23, 2001. The Avesta and Tornio plants encountered some production problems during the summer.

Because production at the Tara mine in Ireland was temporarily suspended in November due to low zinc price, zinc mine production declined somewhat on the previous year. Mine production of copper was at the 2000 level. Nickel mine production rose 22% because of the increased production at Black Swan in Australia.

For more detailed production figures see pages 27, 31, 33 and 78.

Profits substantially below last year's record level

Outokumpu's result for 2001 was well below 2000's record level, even though the Group's business operations expanded substantially. Profit for the financial year stood at EUR 76 million and earnings per share at EUR 0.61 (2000: EUR 315 million and EUR 2.38).

The Group's operating profit decreased to EUR 183 million (2000: EUR 427 million). The decline in operating profit was mainly due to the weak market situation for stainless steel and the massive loss of Mining. Negative price adjustments relating to metal inventory valuation, totaling EUR 109 million also burden the operating profit (2000: EUR 41 million positive market adjustment). The result includes an unusual gain of EUR 22 million from the sale of Sampo Oyj shares and an EUR 9 million provision to cover pension liability accrued in the US. Unusual items also include EUR 29 million of restructuring provision of the AvestaPolarit Group, and a corresponding additional amortization of negative goodwill. In 2000 unusual items included: a gain of EUR 39 million from the sale of the Harjavalta nickel refinery, an EUR 8 million gain from the Okmetic Oyj listing, and pension surplus refund of EUR 6 million in Sweden (Sveriges privatanställdas pensionsförsäkring, SPP).

Despite the difficult market situation, comparable operating profit from the Group's continuing operations was only 12% down from 2000, at EUR 277 million (2000: EUR 314 million). The main strategic business entities, Copper Products, Metallurgy and Stainless Steel, managed to keep their operating profit roughly at the previous year's level. Under Other operations, Mining's result slumped.

Fourth quarter result improved appreciably on the third quarter loss, while failing to reach the level for the fourth quarter in 2000. Operating profit of EUR 34 million was generated in October-December (III/2001: loss of EUR 5 million and IV/2000: profit of EUR 86 million).

Operating profit

€ million	2001	2000	Change
Copper Products	45	67	(22)
Metallurgy	54	111	(57)
Stainless Steel	139	246	(107)
Other operations	(53)	9	(62)
Intra-group items	(2)	(6)	4
The Group	183	427	(244)

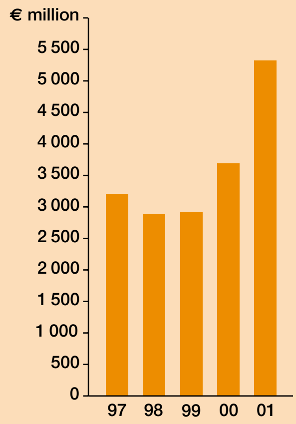
Copper Products' reported operating profit for the whole year declined from 2000, mainly because of the 10% drop in delivery volumes and an EUR 13 million negative market adjustment to inventories as well as an EUR 9 million pension provision in the US. Excluding such items, however, operating profit remained at the 2000 level, thanks to the better product mix, price increases in the early part of the year, and more efficient operations. Overall, market demand for copper products was distinctly weaker than in 2000, and the order intake shrank 17%. This can mostly be put down to the recession in the US and its effects elsewhere. The collapse of demand in the US in the early part of the year greatly reduced the profitability of the Americas business unit. All the other Copper Products' business units showed higher profits than in 2000.

Metallurgy's operating profit declined on the previous year, mainly because of the plunge in both zinc price and zinc treatment charges, and the fact that in 2000 the figure included both the operative result of the sold nickel refinery and a gain from its sale. On the other hand, the profitability of copper business in Harjavalta, improved because of higher treatment and refining charges received, and well-running production. Technology's operating profit decreased somewhat from 2000, despite several acquisitions. Low volume of equipment sales and additional costs from acquisitions caused the weaker profitability.

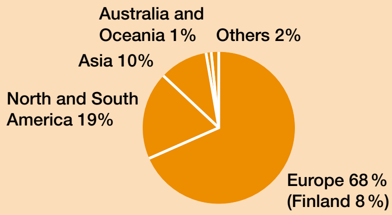
Stainless Steel operating profit fell sharply from 2000 because of the drop in stainless steel prices, low delivery volumes and the decline in the price of nickel, which resulted in EUR 94 million of inventory losses.

Under Other operations, Mining showed a massive loss, also in the final quarter. In the fourth quarter, average prices for nickel, zinc and copper were all far lower than in the

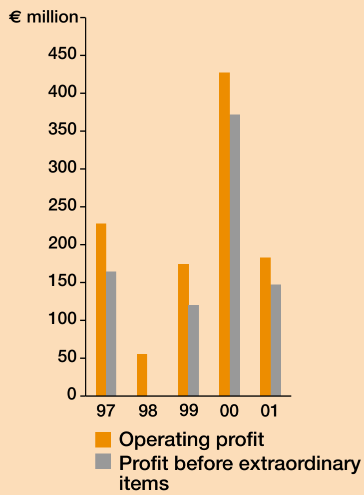
Net sales



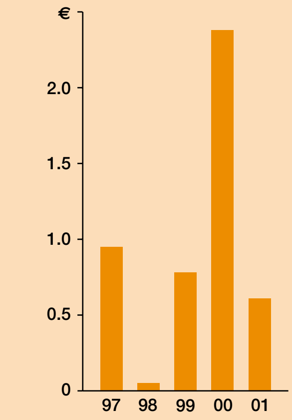
Net sales by market area



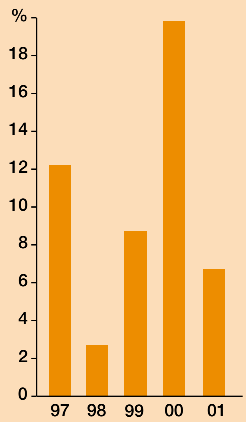
Profit



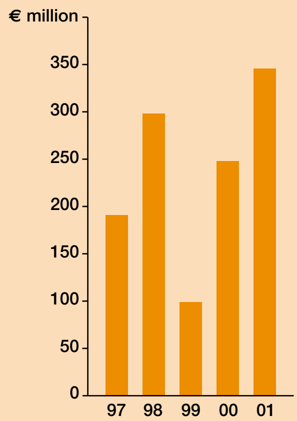
Earnings per share



Return on capital employed



Cash provided by operating activities



same period of 2000. Inflation-adjusted, real price of zinc reached an all-time low in October. Production at the Tara Mines was suspended temporarily in November due to low zinc price. Several other zinc mines also decided on production cuts because they were running at a loss. Mining's operating loss in the last quarter was EUR 35 million, and the operating loss for the whole year EUR 65 million. In accordance with its strategy, Outokumpu decided to exit base metal mining because of the capital-intensive nature of the mining business and its sensitivity to economical cycles. The fourth quarter result includes an EUR 3 million provision for this exiting process.

The Group's profit before extraordinary items stood at EUR 147 million (2000: EUR 372 million). In 2000, EUR 19 million relating to changes and adjustments to inventory valuation method was recorded under extraordinary income.

Return on capital employed was 6.7% and return on shareholder's equity 6.9% (2000: 19.8% and 19.8%).

Financial position above target

Despite the poor market situation, cash flow from operating activities was good. Cash flow rose to EUR 346 million (2000: EUR 248 million) as a result of significant reduction in working capital.

Because of large investments, the Group's net interest-bearing debt increased substantially on the previous year, standing at EUR 1 175 million at year-end. Net financial expenses declined, however, thanks to exchange rate differences, lower interest rates, and the interest rate difference between the euro and the US dollar, which turned beneficial for the Group. The market value of the Group's holding in AvestaPolarit increased appreciably, and was EUR 821 million at the end of the year.

The Group's equity-to-assets ratio decreased to 41.6% and debt-to-equity ratio rose to 56.2%, though the Group's capital structure remained above the target level.

Key financial indicators on financial position

€ million	2001	2000
Net interest-bearing debt		
Long-term debt	**837**	495
Current debt	**788**	278
Total interest-bearing debt	**1 625**	773
Interest-bearing assets	**(450)**	(191)
Net interest-bearing debt	**1 175**	582
Net interest-bearing debt in relation to net sales, %	**22.1**	15.7
Shareholders' equity	**1 550**	1 610
Debt-to-equity ratio, %	**56.2**	36.0
Equity-to-assets ratio, %	**41.6**	50.6
Cash provided by operating activities	**346**	248
Net financial expenses	**38**	57
Net financial expenses in relation to net sales, %	**0.7**	1.5

The Group's liquidity remained good throughout the year. At the year-end cash and marketable securities stood at EUR 285 million. The Parent Company had access to some EUR 533 million in committed credit facilities; in addition, AvestaPolarit had access to EUR 353 million in committed credit facilities.

Strong pace of investments continued according to growth strategy

With implementation of the growth strategy, total investments in fixed assets rose significantly compared with 2000. The Group's total capital expenditure came to EUR 914 million (2000: EUR 242 million), i.e. 17.2% of net sales. AvestaPolarit's share of this was EUR 405 million. Outokumpu is not contributing to financing of AvestaPolarit investments. Major ongoing investment projects have proceeded according to plans.

Capital expenditure		
€ million	**2001**	2000
Copper Products	**110**	62
Metallurgy	**325**	38
Stainless Steel	**405**	84
Other operations	**74**	58
The Group	**914**	242

The most significant ongoing investment project is the expansion of the AvestaPolarit's Tornio stainless steel plant. This should be completed to schedule by the end of 2002, and full capacity utilization should be reached in 2004. The estimated total investment cost is some EUR 790 million.

In October, Copper Products acquired the assets and business operations of Advanced Superconductors (IGC-AS), a division of the US company Intermagnetics General Corporation, for USD 30 million. The acquisition enhances Outokumpu's business in higher value-added products and makes Outokumpu the leading supplier of superconductors in the world. In 2001, IGC-AS generated net sales of some USD 25 million.

In January 2001, Outokumpu decided to expand its copper tube production at the Zhongshan plant in China. The expansion costs EUR 35 million, and comprises a production line and buildings for high-quality smooth and inner-grooved air-conditioning tubes. The investment will double current output and further strengthen Outokumpu's position in the growing Chinese market. The new plant is scheduled to start production in mid 2002.

At the Zaratamo plant in northern Spain, Outokumpu is building a tube production line based on Cast & Roll technology with some EUR 15 million. The new production line should be ready for operation by October 2002. It will boost Zaratamo's productivity and diversify its product mix, while also improving product quality and service offering. The investment will also help the company to change over to more value-added products.

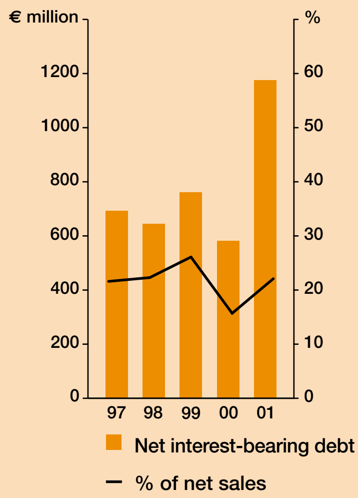
During 2001, Copper Products acquired ABB Tools' metal parts and surface plating activities. The deal strengthens Outokumpu's position as a supplier of demanding components while at the same time extending services to the electro-technical industry.

Outokumpu acquired the Norwegian zinc producer Norzink AS on April 17, 2001 at USD 180 million (EUR 204 million). Integration work has progressed well, and the industrial synergies are expected to materialize as planned. The Kokkola zinc plant expansion to increase production capacity from 225 000 to 260 000 tonnes annually, was commissioned in October following completion of the EUR 31 million investment, and production reached the target level within the first month. Following the Norzink acquisition and Kokkola expansion Outokumpu's market share of zinc production rose to some 15% in Europe and 5% worldwide.

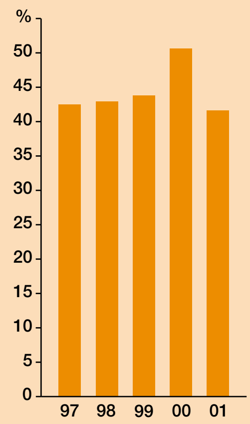
In September, Outokumpu Technology finalized the acquisition of Lurgi AG's worldwide metallurgical technology business from the German mg technologies ag, at a price of some EUR 52 million. The acquisition of Lurgi Metallurgie substantially strengthens Outokumpu's technology business. Lurgi Metallurgie generates annual net sales of some EUR 150 million. The deal made Outokumpu the world's biggest supplier of copper and zinc plants, a major supplier of aluminium technology, and a key supplier of innovative technologies to the ferrous and ferroalloys industries.

Technology supplemented its product range in 2001 by also acquiring

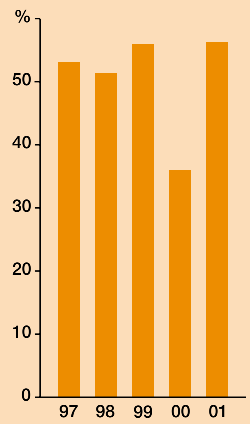
Net interest-bearing debt



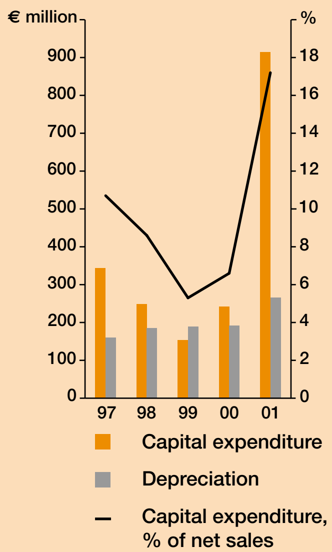
Equity-to-assets ratio



Debt-to-equity ratio



Capital expenditure



Inprosys Inc's rare-earth magnetic separation business, KHD Aluminium Technology GmbH, which supplies anode technology to aluminium smelters, the Dutch company Royal Pannevis B.V., which supplies demanding liquid/solid separation systems to process industry, and the Metso Group's grinding mill business (formerly Nordberg mills).

At the Tara mine in Ireland, the ongoing investment program to exploit a new ore body to the southwest of the present mine was suspended temporarily as the Tara mine was put to care and maintenance due to low zinc price. An offer of 27.5 million Irish punts (EUR 35 million) put in during 2001 for the Bula ore reserves was extended up to the end of March.

The EUR 50 million program to deepen the Pyhäsalmi copper-zinc-pyrite mine was completed on schedule on July 1, 2001. In December, Outokumpu made and agreement to sell the Pyhäsalmi mine to the Canadian Inmet Mining Corporation at a total price of some EUR 70 million. The deal will be entered in for the first quarter of 2002. In May, the Group also sold the Montcalm nickel-copper deposit in Canada to Falconbridge Limited for some EUR 11 million, and in January 2002 its 9.5% stake in the Australian SIPA Resources International for some EUR 3 million.

Repurchase of own shares

By December 31, 2001, Outokumpu Oyj had repurchased 1 406 000 of its own shares at an average price of EUR 9.64 per share and a total cost of EUR 13.6 million, under the authorization by the Annual General Meeting of March 21, 2001.

The repurchase of the Company's own shares is explained in greater detail on page 87.

Research and development focused on serving immediate business needs

R&D expenditure rose on the previous year, and was EUR 41 million or 0.8% of net sales (2000: EUR 35 million and 0.9%). R&D activities focused on the Group's immediate business needs and the search for new business opportunities. A great deal of development work was also done in connection with the major investment projects. Numerous innovations emerged from R&D efforts and 50 new patent applications were submitted during the year. The patent portfolio also grew substantially as a result of the acquisitions. The number of university graduate R&D personnel was increased during the year.

Exploration expenditure rose to EUR 16 million, or 0.3% of the Group's net sales (2000: EUR 12 million and 0.3%). The most important results were achieved in Arctic Platinum Partnership, a joint venture of Outokumpu and Gold Fields, which continued to investigate platinum and palladium deposits and their exploitation in northern Finland. The total metal content of mineral resources has exceeded 11 million ounces (ca. 350 000 kg) of palladium, platinum and gold. An extensive feasibility study has begun on the deposits, which should be completed in fall 2002. Gold Fields owns 51% of the joint venture and Outokumpu 49%. Known ore reserves also increased appreciably at the Tara zinc mine in Ireland and the Black Swan nickel mine in Australia.

Culture of continuous improvement in environmental work and safety

Occupational safety continued to develop favorably at Outokumpu sites. In 2001 the number of accidents declined by some one-fourth on the previous 5-year average.

Both in its own production and its technological solutions for customers Outokumpu seeks to promote processes that are as environmentally sound and energy-efficient as possible. The Group's environmental and occupational safety policies provide guidelines for more detailed policies, practical goals and measures implemented in the business units.

There were no problems with emissions or discharges at any of the production plants. The trend was particularly favorable in Kokkola, where metal emissions into waterways were cut by 66% on 2000. All Outokumpu units have valid environmental permits.

The Group is not aware of any environmental risks that could have a significant impact on its financial position.

Further investment in expertise building

During 2001 Outokumpu continued its concerted efforts to increase expertise. The business units carried out several long-term programs to improve professional competence. A Group-wide program of management development was implemented in full and several management-level training programs were carried out during the year. A significant number of the companies acquired for the non-ferrous businesses are by nature expert organizations where the role of competent personnel is crucial.

Outokumpu's human resource management emphasizes strategy-driven approach, an active steering of change processes, quality and efficiency in administrative functions and participation by individuals and work teams in the Group operations. In developing their human resources management, business units are expected to take into account their own development phase, personnel structure and cultural as well as other special features of the unit. As an independent listed company, AvestaPolarit follows human resources management principles laid down by its Board of Directors.

Personnel

Dec. 31	2001	2000
Copper Products	5229	5139
Metallurgy	3445	2571
Stainless Steel	9004	2438
Other operations	1750	1784
The Group	19428	11932

The number of Group's personnel rose substantially as a result of the acquisitions and mergers during 2001. At year-end, the Group employed 19 428 people in nearly 40 countries.

For an account of the geographical distribution of personnel, see note 2 to the consolidated financial statements.

Reform of management and administrative structures continues

The Group Executive Committee has made a decision in principle to renew Corporate Management and to establish a unit to support business operations. The new model is based on a smaller corporate management, operative business units reporting to it and a new Business Support Unit (BSU) that supports business operations. The new BSU will be tasked to manage the business support processes better and more efficiently, as well as to provide value adding group services.

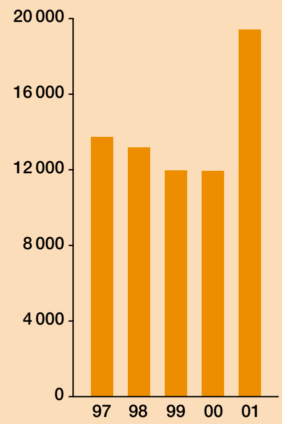
The new management model is continuation to the organization adopted two years ago that emphasizes the role of operative business units. Grouping business support expertise in a separate unit will ensure more efficient operations, cost savings as well as better potential for coordinated development. At the same time business units will be able to concentrate on actual business.

The ongoing SAP R/3 and shared service center projects set up to harmonize and rationalize the administration and boost the Group's competitiveness are progressing according to plans.

Competition law issues

In March 2001 the European Commission launched investigations into the company's role in a suspected market sharing and price cartel between European copper tube and tube fittings producers. The company has cooperated fully with the Commission, which is presently studying material supplied by the companies concerned. Because the process is still in progress, no provision for this purpose has been raised in the accounts.

Personnel



Short-term prospects include expectations of economic recovery

The global economy is expected to start recover in 2002. Low interest rate levels combined with massive monetary and fiscal policy measures offer considerable growth potential, especially in the US, where firmer steps towards recovery have been taken than in Europe or Japan. Expectations of an upward trend in industrial output and investments have grown somewhat during the past few months. However, no worldwide acceleration in economic growth seems likely in the early part of the year, and the recession could even continue for longer than currently expected.

Consumption of fabricated copper products declined in 2001 and order intake fell sharply compared with the good level of 2000. The overcapacity and severe competition in the market have generated growing pressures on pricing, and prospects for higher conversion margins do not look encouraging. In the US, the worst de-stocking phase seems to be over and order intake for certain products may even pick up slightly during the first quarter. In Europe, there are pressures on prices of standard products, but those of industrial and special products should remain reasonable. In Asia, price levels are subject to severe pressure because of continuing soft demand. Even so, Copper Products aims to raise its profitability above year 2001 level even though the market situation early in 2002 is worse than in 2001.

The metals market is gradually regaining balance following the marked oversupply in 2001. The tight supply of zinc concentrates, low treatment charges and low premiums caused by the oversupplied market, all indicate difficult times for the zinc business in the early part of the year. Therefore Outokumpu is planning a one-month summer shutdown of zinc production at Kokkola plant. Supply of the copper concentrates essential for copper production at Harjavalta also became more difficult at the end of 2001 and cathode premiums are falling. Combined with the weaker market for sulphur acid, this makes for a challenging situation in the copper business. Low profitability among world mining and metal producers creates poor market prospects for technology sales early in the year. However, in the longer term Technology has good potential once producers again start to invest in new capacity. Technology's challenge in the immediate future is to efficiently integrate acquired companies into the Group and achieve the targeted synergy benefits. Despite the difficult market, Metallurgy, backed by its competitive units, aims for a reasonably good result in 2002 and for better profitability than in 2001.

The stainless steel market is also affected by the uncertainties of the economic outlook. European stock levels are normal, which indicates that short-term demand should reflect underlying consumption. Apparent consumption is expected to improve in 2002. AvestaPolarit expects to see an improvement in its profitability for the first quarter of 2002 compared to the last quarter of 2001. To achieve its full earnings potential in 2002, the key success factors for Stainless Steel, apart from improved market conditions, will be continuation of the integration process to realize all available synergy benefits, to build on the initiatives already taken to enhance internal efficiency, and to complete the investment project in Tornio according to plan.

The risks related to mining operations have decreased thanks to recent divestments. However, exiting base metals mining remains one of the Group's key tasks for the immediate future. Key components for Mining's result development will be the bounce-back of zinc and nickel prices and finding a sustainable overall solution for the Tara zinc mine, which is presently on care and maintenance.

The most important factors in terms of financial performance of the whole Outokumpu Group in 2002 are the development of demand for stainless steel and copper products, a recovery of the metal and concentrate market, and a halt of further losses in mining.

It is expected that Outokumpu's result for the first quarter of 2002 will improve on the fourth quarter of 2001. The Group also aims to achieve considerably better profitability in 2002.

Board of Directors' proposal for profit distribution

In accordance with the approved dividend policy, the Board of Directors shall, when considering its annual dividend proposal, take into account both the financial performance and the Group's investment and development needs. The Board's long-term objective is to maintain a dividend payout ratio of at least one-third of profit for the financial year over a business cycle.

Under the terms of the Shareholders' Agreement entered into in connection with the AvestaPolarit merger, Outokumpu Oyj is to reduce its holding in AvestaPolarit to 40% within three years. Outokumpu has chosen to gradually reduce its shareholding primarily by distributing shares in AvestaPolarit Oyj Abp as dividend to its shareholders. The Board of Directors has decided to change the dividend policy temporarily to the effect that a cash dividend will be no less than 20% of the profit for the financial year and the total dividend payout ratio will be raised to 50-100%.

The financial statements of December 31, 2001 show that the Group's distributable funds total EUR 577 million and those of the Parent Company EUR 160 million.

The Board of Directors proposes to the Annual General Meeting that a dividend be paid from the profits of the financial year ended on December 31, 2001, comprising a cash dividend of EUR 0.18 per share and shares in AvestaPolarit Oyj Abp with a counter value of EUR 0.43 each, and that any remaining distributable funds be allocated to retained earnings. The aggregate counter value of the dividend will be EUR 75 209 370.50, i.e. EUR 0.61 per share. The Group's earnings per share for the financial year 2001 amounted to EUR 0.61, thus yielding a 100% payout ratio.

For the purposes of this dividend proposal, the shares of AvestaPolarit Oyj Abp have been initially valued at EUR 4.88 per share, which equals the average price quoted for the said shares on the Helsinki Exchanges on February 19, 2002 weighted by the volume of trade in the same shares during the same day, less the dividend proposed by the Board of Directors of AvestaPolarit Oyj Abp to be paid for the financial year 2001. On the basis of this valuation, the dividend of the Company is estimated to require a distribution of aproximately 10.5 million shares of AvestaPolarit Oyj Abp, which represents approximately 3% of the total number of shares issued by AvestaPolarit Oyj Abp. The actual number of shares to be distributed will be determined on the basis of the average price quoted for the AvestaPolarit Oyj Abp shares on the Helsinki Exchanges on April 25, 2002, subject to the limitation that no more than 18 000 000 AvestaPolarit Oyj Abp shares can be distributed in payment of this particular dividend. In the event that this aggregate number of shares does not suffice for the payment of the dividend, the remaining portion shall be paid in cash.

Each shareholder, who as at the dividend record date holds 2 000 or more Outokumpu Oyj shares on his/her book-entry account, will receive one (1) AvestaPolarit Oyj Abp share per approximately 11.35 Outokumpu Oyj shares that he/she holds. The actual number of AvestaPolarit Oyj Abp shares to be distributed will be determined on the basis of the average price quoted for the said shares on the Helsinki Exchanges on April 25, 2002. If the average price quoted for the AvestaPolarit Oyj Abp shares on the Helsinki Exchanges on April 25, 2002 is more (less) than the initial valuation of EUR 4.88 as at the date of this dividend proposal, the number of shares to be distributed will be decreased (increased) accordingly. The aggregate counter value of the dividend will remain unchanged. However, as mentioned above, no more than 18 000 000 shares in AvestaPolarit Oyj Abp can be distributed in payment of the dividend.

To the extent that the number of shares held and registered in a book-entry account by a shareholder cannot be divided evenly by the number of shares that entitles a shareholder to receive one AvestaPolarit Oyj Abp share, the fraction shall be paid in cash. If a shareholder has more than one book-entry account, the fraction will be determined separately in respect of each book-entry account.

The dividend adjustment referred to in section II.3 of the Terms and Conditions for the 1998 Outokumpu Oyj Option Warrants shall be effected by deducting the total counter value of the dividend (EUR 0.61 per share) from the subscription price of the shares subscribed pursuant to the option warrants.

Those shareholders, who as at the dividend record date hold 1 999 or fewer Outokumpu Oyj shares on their book-entry accounts, shall be paid their entire dividend in cash. If a shareholder has more than one book-entry account, the number of Outokumpu Oyj shares held by such a shareholder will be determined separately in respect of each book-entry account.

The Board of Directors proposes that Outokumpu Oyj will pay the transfer tax levied in connection with the dividend. The Board shall be authorized to make such other decisions and amendments as are required for the technical implementation of the dividend distribution.

Those shareholders, who have not transferred their shares into the book-entry system, will receive their dividend after they transfer their shares to the book-entry system. Those shareholders, who will have not transferred their shares into the book-entry system by the dividend record date, will receive their entire dividend in cash.

The dividend record date shall be April 11, 2002 and the dividend shall be paid on April 25, 2002. For purposes of technical confirmation, the dividend will be entered onto the shareholders' accounts on April 26, 2002.

Espoo, February 21, 2002

Gerhard Wendt

Matti Puhakka

Arto Honkaniemi

Jorma Huuhtanen

Liisa Joronen

Heimo Karinen

Osmo Lehti

Jyrki Juusela
CEO and President

Auditor's report

To the shareholders of Outokumpu Oyj

We have audited the accounting, the financial statements and the corporate governance of Outokumpu Oyj for the financial year 2001. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the CEO and President. Based on our audit we express an opinion on these financial statements and on the parent company's corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we 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, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the CEO and President have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the CEO and President of the parent company can 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 Companies' Act.

Espoo, February 22, 2002

SVH Pricewaterhouse Coopers Oy
Authorized Public Accountants

Pekka Nikula
Authorized Public Accountant

Consolidated income statement

€ million		2001	2000
Net sales	[2, 3]	5324	3693
Cost of sales	[4]	(4734)	(3027)
Gross margin		590	666
Selling and marketing expenses		(206)	(99)
Administrative expenses		(218)	(145)
Exploration, research and development expenses		(57)	(47)
Unusual items	[6]	23	53
Other operating income and expenses	[7]	14	0
Amortization of positive and negative goodwill on consolidation		37	(1)
Operating profit	[2–8, 12]	183	427
Equity earnings in associated companies	[13]	2	2
Financial income and expenses	[9]	(38)	(57)
Profit before extraordinary items		147	372
Extraordinary items	[10]	–	19
Profit before taxes		147	391
Income taxes	[11]	(19)	(77)
Minority interest in earnings		(52)	1
Profit for the financial year		76	315
Earnings per share (excluding extraordinary items)	€	0.61	2.38
Earnings per share	€	0.61	2.53
Average number of shares		124062869	124529660

Figures in square brackets refer to the Notes to the consolidated financial statements on pages 60–80.

Consolidated statement of cash flows

€ million	2001	2000
Operating activities		
Profit for the financial year	76	315
Depreciation and amortization	229	193
Equity earnings in associated companies	(1)	(2)
Deferred taxes	(45)	(26)
Other adjustments [1]	56	(101)
	315	379
Change in working capital		
Decrease (increase) in current non interest-bearing receivables	238	(148)
Decrease (increase) in inventories	109	(118)
(Decrease) increase in current and long-term non interest-bearing liabilities	(315)	134
	32	(132)
Other adjustments	(1)	1
Cash provided by operating activities	346	248
Investing activities		
Capital expenditure for purchase of fixed assets	(914)	(242)
Investments in associated companies and other equity investments	–	(5)
Proceeds from sales of business operations and fixed assets [2]	7	196
Decrease (increase) in other long-term financial assets	40	(3)
(Increase) decrease in working capital related to fixed assets	(26)	11
Cash used in investing activities	(893)	(43)
Cash flow before financing activities	(547)	205
Financing activities		
Borrowings of long-term debt	662	60
Repayments of long-term debt	(319)	(245)
Increase (decrease) in current debt	510	(26)
Dividends paid	(123)	(31)
Other financial items	(8)	(4)
Cash used in financing activities	722	(246)
Increase (decrease) in cash and marketable securities	175	(41)
Adjustments [3]	6	2
Increase (decrease) in cash and marketable securities in the consolidated balance sheet	181	(39)

[1] Includes i.a. gains and losses on sales of business operations and fixed assets, provisions, exchange gains and losses and minority interest in earnings.

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

[3] Includes i.a. the effect of exchange rates on cash and marketable securities in the consolidated balance sheet.

Consolidated balance sheet

€ million		2001	2000
ASSETS			
Fixed assets and other long-term investments	[12, 13]		
Intangible assets		77	44
Property, plant and equipment		2 648	1 559
Long-term financial assets		235	143
Total fixed assets and other long-term investments		2 960	1 746
Current assets			
Inventories	[14]	1 099	642
Receivables	[11, 13, 15]	1 057	729
Marketable securities		55	1
Cash and bank		230	104
Total current assets		2 441	1 476
TOTAL ASSETS		5 401	3 222

€ million		2001	2000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	[16]		
Share capital		212	212
Premium fund		409	407
Other funds		12	12
Retained earnings		841	664
Profit for the financial year		76	315
		1 550	1 610
Minority interest		541	7
Negative goodwill on consolidation	[17]	301	–
Liabilities			
Long-term	[11, 18]		
Interest-bearing		837	495
Non interest-bearing		448	231
Current	[11, 18]		
Interest-bearing		788	278
Non interest-bearing		936	601
Total liabilities		3 009	1 605
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5 401	3 222

Key financial figures

Key financial figures of the Group

		1997	1998	1999	2000	**2001**
SCOPE OF ACTIVITY						
Net sales	€ million	3 205	2 889	2 909	3 693	**5 324**
– change in net sales	%	15.1	(9.9)	0.7	27.0	**44.2**
– exports from and sales outside Finland, of total net sales	%	91.7	91.4	92.2	90.7	**91.8**
Capital employed on Dec. 31 [1]	€ million	1 996	1 900	2 121	2 199	**3 266**
Operating capital on Dec. 31 [2]	€ million	2 168	2 051	2 286	2 331	**3 507**
Capital expenditure	€ million	344	249	153	242	**914**
– in relation to net sales	%	10.7	8.6	5.3	6.6	**17.2**
Depreciation and amortization [3]	€ million	160	185	189	192	**266**
Exploration costs	€ million	23	17	15	12	**16**
Research and development costs	€ million	35	39	37	35	**41**
– in relation to net sales	%	1.1	1.3	1.3	0.9	**0.8**
Personnel on Dec. 31		13 734	13 179	11 972	11 932	**19 428**
– average for the year		14 016	14 027	12 724	12 193	**19 010**
PROFITABILITY						
Operating profit	€ million	228	55	174	427	**183**
– in relation to net sales	%	7.1	1.9	6.0	11.6	**3.4**
Equity earnings in associated companies	€ million	(11)	(24)	(13)	2	**2**
Profit before extraordinary items	€ million	164	0	120	372	**147**
– in relation to net sales	%	5.1	0.0	4.1	10.1	**2.8**
Profit before taxes	€ million	164	0	120	391	**147**
– in relation to net sales	%	5.1	0.0	4.1	10.6	**2.8**
Profit for the financial year	€ million	118	6	97	315	**76**
– in relation to net sales	%	3.7	0.2	3.3	8.5	**1.4**
Return on shareholders' equity	%	9.5	0.5	7.3	19.8	**6.9**
Return on capital employed [1]	%	12.2	2.7	8.7	19.8	**6.7**
Return on operating capital [2]	%	11.3	2.4	8.0	18.5	**6.3**
FINANCING AND FINANCIAL POSITION						
Liabilities	€ million	1 791	1 668	1 787	1 605	**3 009**
Net interest-bearing debt [1]	€ million	692	645	761	582	**1 175**
– in relation to net sales	%	21.6	22.3	26.1	15.7	**22.1**
Net financial expenses	€ million	52	31	41	57	**38**
– in relation to net sales	%	1.6	1.1	1.4	1.5	**0.7**
Net interest expenses	€ million	37	36	41	54	**56**
– in relation to net sales	%	1.1	1.2	1.4	1.4	**1.1**
Interest cover		5.5	1.0	4.0	7.9	**3.6**
Share capital	€ million	209	209	212	212	**212**
Other shareholders' equity and minority interest	€ million	1 094	1 049	1 148	1 405	**1 879**
Equity-to-assets ratio [1]	%	42.5	42.9	43.8	50.6	**41.6**
Debt-to-equity ratio [1]	%	53.1	51.4	56.0	36.0	**56.2**
Cash provided by operating activities	€ million	191	298	99	248	**346**
Dividends	€ million	41.9	10.5	31.1	99.6	**75.2** [4]

[1] Definitions for capital employed, return on capital employed, net interest-bearing debt, equity-to-assets ratio as well as debt-to-equity ratio have been revised in 2001. The figures for 1997–2000 have been restated to reflect the change. New definitions are presented on page 63.

[2] New key figures have been implemented in 2001. Return on operating capital indicates profitability especially at business area and unit levels.

[3] Figures exclude amortization of positive and negative goodwill on consolidation.

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

Key financial figures by business area

		1997	1998	1999	2000	**2001**
COPPER PRODUCTS						
Net sales	€ million	1 391	1 245	1 220	1 532	**1 403**
Share of the Group's net sales	%	34	35	33	34	**24**
Operating profit	€ million	14	18	53	67	**45**
Operating profit margin	%	1	1	4	4	**3**
Return on operating capital	%	2	3	8	8	**5**
Operating capital on Dec. 31	€ million	632	591	722	851	**837**
Capital expenditure	€ million	77	73	49	62	**110**
Depreciation	€ million	37	45	48	53	**56**
Personnel on Dec. 31		5 525	5 412	5 026	5 139	**5 229**
METALLURGY						
Net sales	€ million	1 226	1 022	1 135	1 176	**1 207**
Share of the Group's net sales	%	31	29	31	26	**20**
Operating profit	€ million	123	68	49	111	**54**
Operating profit margin	%	10	7	4	9	**4**
Return on operating capital	%	22	12	9	24	**11**
Operating capital on Dec. 31	€ million	581	551	528	390	**587**
Capital expenditure	€ million	84	80	28	38	**325**
Depreciation	€ million	47	49	51	42	**49**
Personnel on Dec. 31		3 740	3 386	2 765	2 571	**3 445**
STAINLESS STEEL						
Net sales	€ million	832	795	778	1 177	**2 851**
Share of the Group's net sales	%	20	23	21	27	**48**
Operating profit	€ million	93	50	52	246	**139**
Operating profit margin	%	11	6	7	21	**5**
Return on operating capital	%	12	6	7	30	**10**
Operating capital on Dec. 31	€ million	791	760	779	843	**1 857**
Capital expenditure	€ million	138	51	36	84	**405**
Depreciation	€ million	46	55	59	60	**120**
Personnel on Dec. 31		2 391	2 391	2 397	2 438	**9 004**
OTHER OPERATIONS						
Net sales	€ million	601	434	522	579	**472**
Share of the Group's net sales	%	19	15	18	13	**8**
Operating profit	€ million	3	(86)	20	9	**(53)**
Operating profit margin	%	1	neg.	4	2	**neg.**
Return on operating capital	%	2	neg.	9	3	**neg.**
Operating capital on Dec. 31	€ million	234	171	287	281	**253**
Capital expenditure	€ million	77	45	40	58	**74**
Depreciation	€ million	34	39	34	39	**42**
Personnel on Dec. 31		2 258	2 161	1 953	1 784	**1 750**

Financial development by quarter

€ million	I/00	II/00	III/00	IV/00	I/01	II/01	III/01	IV/01
Net sales								
Copper Products								
Americas	97	110	111	125	100	89	80	75
Europe	125	135	117	147	153	138	117	119
Automotive heat exchangers	74	76	63	79	73	70	58	65
Appliance heat exchangers & Asia	59	75	63	71	79	90	62	50
Others	4	1	(3)	3	(12)	3	(5)	(1)
Copper Products total	359	397	351	425	393	390	312	308
Metallurgy								
Zinc	90	99	105	91	100	131	112	110
Harjavalta Metals	241	109	92	110	110	110	108	100
Technology	35	62	42	103	35	72	67	154
Others	(1)	(1)	(2)	1	(1)	0	0	(1)
Metallurgy total	365	269	237	305	244	313	287	363
Stainless Steel								
Coil products	–	–	–	–	536	629	453	525
Special products	–	–	–	–	203	247	186	223
North America	–	–	–	–	62	74	70	63
Other	–	–	–	–	(97)	(113)	(78)	(132)
Stainless Steel total	300	320	264	293	704	837	631	679
Other operations	140	147	136	156	138	138	93	103
Intra-group sales	(251)	(169)	(163)	(188)	(176)	(161)	(143)	(129)
The Group	913	964	825	991	1 303	1 517	1 180	1 324
Operating profit								
Copper Products								
Americas	3	10	10	8	0	(1)	0	(9)
Europe	3	6	3	11	15	7	1	10
Automotive heat exchangers	5	5	2	6	6	5	2	7
Appliance heat exchangers & Asia	(2)	3	(1)	(4)	0	6	(2)	(2)
Others	0	(3)	6	(4)	(1)	3	(1)	(1)
Copper Products total	9	21	20	17	20	20	0	5
Metallurgy								
Zinc	7	12	15	12	11	8	6	8
Harjavalta Metals	17	1	(5)	8	5	1	8	1
Technology	(5)	4	0	11	(7)	0	1	11
Others	0	34	2	(2)	0	0	0	1
Metallurgy total	19	51	12	29	9	9	15	21
Stainless Steel								
Coil products	–	–	–	–	10	42	(2)	21
Special products	–	–	–	–	10	15	9	(12)
North America	–	–	–	–	(1)	0	(1)	(3)
Others	–	–	–	–	13	23	(2)	17
Stainless Steel total	59	83	50	54	32	80	4	23
Other operations	8	21	(6)	(14)	(3)	(10)	(26)	(14)
Intra-group items	(6)	3	(3)	0	(4)	1	2	(1)
The Group	89	179	73	86	54	100	(5)	34
Equity earnings in associated companies	1	1	0	0	1	1	0	0
Financial income and expenses	(17)	(13)	(13)	(14)	(15)	(11)	(3)	(9)
Profit (loss) before extraordinary items	73	167	60	72	40	90	(8)	25
Earnings per share (excl. extraordinary items), €	0.42	1.17	0.26	0.53	0.14	0.31	(0.04)	0.20

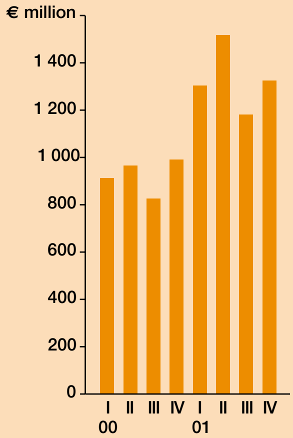
Euro exchange rates

				Closing rates		Average rates	
	1997	1998	1999	2000	**2001**	2000	**2001**
USD	1.097	1.167	1.005	0.931	**0.881**	0.924	**0.896**
GBP	0.661	0.705	0.622	0.624	**0.609**	0.610	**0.622**
SEK	8.664	9.487	8.563	8.831	**9.301**	8.445	**9.255**
AUD	1.675	1.900	1.542	1.677	**1.728**	1.589	**1.732**

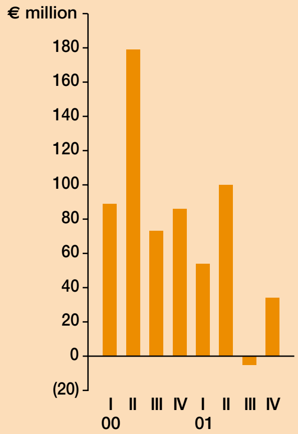
The European Central Bank's euro exchange rates.

Fixed conversion rates to euro	
ATS	13.7603
BEF	40.3399
DEM	1.95583
ESP	166.386
FIM	5.94573
FRF	6.55957
GRD	340.75
IEP	0.787564
ITL	1936.27
LUF	40.3399
NLG	2.20371
PTE	200.482

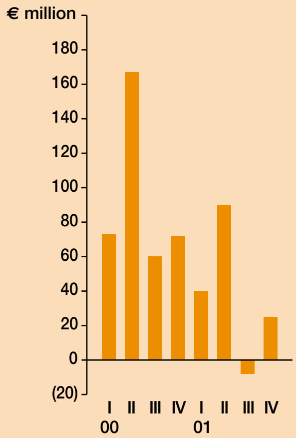
Net sales



Operating profit



Profit before extraordinary items



Notes to the consolidated financial statements

1. Principles applied in the financial statements

All Group companies apply a uniform accounting policy based on the Finnish accounting legislation. The financial statements of Outokumpu Oyj and the Group have been prepared using this policy.

Consolidated financial statements

The consolidated financial statements include Outokumpu Oyj (the Parent Company), and its subsidiaries, 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 housing companies, which are used for the accommodation or recreation of Group employees, are not consolidated. The effect of the unconsolidated subsidiaries on the Group's earnings and shareholders' equity is insignificant.

The subsidiaries acquired during the year are included in the consolidated income statements from the date of acquisition. The companies in which controlling interest is relinquished through stock alienation or other transfers during the year are included in the consolidated income statements until the date they lose subsidiary status.

The consolidated financial statements include the Parent Company's and subsidiaries' income statements, balance sheets and notes to the financial statements. The Group companies' statutory financial statements have been restated to comply with the Group's uniform accounting policy.

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

Inter-company shareholdings are eliminated using the purchase method. The acquisition cost of subsidiary shares is allocated primarily on ground of 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. Allocations to intangible and tangible assets are amortized/depreciated according to the useful life of the underlying asset.

Translation differences arising from the elimination of foreign shareholdings have been entered into equity. Minority interest of the profit for the period and shareholders' equity are disclosed separately in the income statement and balance sheet.

Associated companies, in which Outokumpu holds 20–50% of the shares and voting rights are consolidated using the equity method. The Group's share of earnings in associated companies, less amortization of the goodwill recognised on acquisition, is recorded in the consolidated income statement. Dividends received from associated companies are eliminated. In the consolidated balance sheet, the interest in the associated companies and the Group's equity have been adjusted with the Group's share in associated companies' 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 policy.

Transition to the euro

Outokumpu adopted the euro as its accounting and new corporate base currency as of the beginning of 1999. The exchange gains and losses arising from the transition were entered in the income statement already in 1998. All prior years' figures have been restated into euros using the fixed conversion rate.

Foreign currency items and derivative financial instrments

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 the 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 have not been restated to conform to this new 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 entered under net sales, costs, expenses, financial income and expenses. Exchange gains and losses on loans and on 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 as short or long-term receivables or debts (as applicable).

The income statements of foreign subsidiaries are translated using 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 59.

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. As of 2000, the tax effect related to the hedging has also been transferred from the income statement to the translation difference in equity. The tax effect from prior years has not been restated.

Fixed assets and other long-term investments

The carrying values of fixed assets are stated at historical cost less amortization and depreciation. Interest is capitalized on major investment projects.

Assets held under capital leases are accounted for as purchased assets and the corresponding rental obligation as an interest-bearing liability. Assets held under operating leases are not carried in the balance sheet, and the lease rental payments are expensed on a straight-line basis over the period of the lease.

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	5–10 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

As a main rule, the estimated useful life of goodwill on consolidation is five years. Based on separate consideration it has been decided to apply a useful life of ten years regarding certain acquisitions.

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 within the Metallurgy and Copper Products business areas. 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. The LIFO valuation method applied within Metallurgy's copper and zinc production was redefined in 2000 so that the non-priced metal raw materials are revalued when priced. The comparison figures for 1998 and 1999 presented in the financial information have been restated to reflect this change.

The inventory valuation methods regarding purchased metals and metal raw materials applied within the Stainless Steel business area have been changed retrospectively to the FIFO method as of the beginning of 2000. The comparison figures for 1998 and 1999 presented in the financial information and originally valued according to the LIFO method have been restated to reflect this change.

With the exception of purchased metals and metal raw materials, the inventory is valued applying the FIFO method at the lower of cost or market.

The cost of inventory includes a proportionate share of overhead costs arising from the purchase and production of goods.

Cash and marketable securities

Cash and cash equivalents include cash, funds held on call accounts and on deposit up to three months, as well as other funds equivalent to cash. Marketable securities include shares, deposits with a maturity exceeding three months and debt securities intended for resale in under a 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 upon delivery, except for revenue on significant long-term construction contracts, which is recognized using 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 expensed as incurred. The acquisition costs of exploration projects are capitalized whereas all exploration costs following the acquisition are expensed as 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 impaired 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.

Unusual items

Unusual items include material and exceptional transactions not relating to the normal business activities, 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 gains and losses on the sale of fixed assets, retirements of fixed assets and rental income.

Extraordinary items

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

Also material cumulative effects arising from changes in accounting principles are entered in extraordinary items.

The Group companies enter group contributions paid or received as extraordinary items in their financial statements.

Provisions

Provisions are recognized for obligations, which are not matched with corresponding revenue in the future and for obligations that are very likely to materialize and where a reliable estimate can be made. Depending on their nature, provisions are presented under long-term or current liabilities in the balance sheet.

Pension plans

Costs for pension and post-retirement benefits are accounted for in accordance with the local accounting principles of each Group company.

Pension insurance has been obtained for the Group's personnel in Finland. The supplementary pension benefits previously insured by Outokumpu Oyj's pension foundations were transferred to an external company in 1999. The assets of the pension foundations exceeded the existing pension liabilities.

Subsidiaries outside Finland have arranged their pension schemes. The pension liabilities of these subsidiaries have also been covered.

Untaxed reserves

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

All untaxed reserves, including accumulated depreciation difference, are recorded in shareholders' equity and deferred tax liability in the consolidated balance sheet. In the income statement, change in the untaxed reserves during the accounting period has been divided into the profit for the period and the change in deferred tax liability.

According to the Finnish Companies Act the untaxed reserves recorded in the consolidated equity are excluded from the distributable funds.

Income taxes

Income tax expense includes taxes of the Group companies based on the taxable profit for the period together with adjustments for previous periods and the change in deferred income taxes.

A deferred tax liability or asset has been measured for all temporary differences between the financial reporting and the tax bases of assets and liabilities, 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 recoverable amounts.

Definitions of key financial figures

Capital employed [1]	=	Equity + minority interest + net interest-bearing debt	
Operating capital [2]	=	Capital employed + net tax liability	
Research and development costs	=	Research and development expenses in the income statement (including expenses covered by grants received)	
Return on shareholders' equity	=	$\frac{\text{Profit before extraordinary items – taxes}}{\text{Shareholders' equity + minority interest (averages for period)}}$	× 100
Return on capital employed (ROCE) [1]	=	$\frac{\text{Operating profit}}{\text{Capital employed (average for period)}}$	× 100
Return on operating capital (ROOC) [2]	=	$\frac{\text{Operating profit}}{\text{Operating capital (average for period)}}$	× 100
Net interest-bearing debt [1]	=	Total interest-bearing debt – total interest-bearing assets	
Interest cover	=	$\frac{\text{Profit before extraordinary items + net interest expenses}}{\text{Net interest expenses}}$	
Equity-to-assets ratio [1]	=	$\frac{\text{Shareholders' equity + minority interest}}{\text{Total assets – advances received – negative goodwill on consolidation}}$	× 100
Debt-to-equity ratio [1]	=	$\frac{\text{Net interest-bearing debt}}{\text{Shareholders' equity + minority interest}}$	× 100
Earnings per share (excluding extraordinary items)	=	$\frac{\text{Profit before extraordinary items – taxes – minority interest in earnings}}{\text{Adjusted average number of shares during the period}}$	
Earnings per share	=	$\frac{\text{Profit for the financial year}}{\text{Adjusted average number of shares during the period}}$	
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	=	$\frac{\text{Dividend for the financial period}}{\text{Profit before extraordinary items – taxes – minority interest in earnings}}$	× 100
Dividend yield	=	$\frac{\text{Dividend per share}}{\text{Adjusted trading price at end of period}}$	× 100
Price/earnings ratio	=	$\frac{\text{Adjusted trading price at end of period}}{\text{Earnings per share (excluding extraordinary items)}}$	
Average trading price	=	$\frac{\text{EUR amount traded during the period}}{\text{Adjusted number of shares traded during the period}}$	
Market capitalization at end of period	=	Number of shares at end of period × trading price at end of period	
Trading volume	=	Number of shares traded during the period, and in relation to the weighted average number of shares during the period	

[1] Definitions for capital employed, return on capital employed, net interest-bearing debt, equity-to-assets ratio as well as debt-to-equity ratio have been revised in 2001.

[2] New key figures have been implemented in 2001. Return on operating capital indicates profitability especially at business area and unit levels.

2. Geographic information

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

€ million	Finland	Other Europe	North America	Asia	Australia	Other countries	Inter-area	Group total
Net sales								
2001	**2 013**	**3 725**	**787**	**177**	**111**	**47**	**(1 536)**	**5 324**
2000	2 285	1 180	660	115	99	41	(687)	3 693
Operating profit								
2001 [2]	**158**	**61**	**(33)**	**6**	**(10)**	**1**	**–**	**183**
2000 [3]	331	52	28	(2)	15	3	–	427
Total assets								
2001	**2 028**	**2 469**	**564**	**218**	**95**	**28**	**–**	**5 401**
2000	1 952	557	418	165	110	20	–	3 222

Net sales by country [4], € million	2001	%	2000	%
EUROPE				
Germany	**707**	**13.3**	433	11.7
Finland	**437**	**8.2**	342	9.3
Britain	**424**	**8.0**	217	5.9
Italy	**410**	**7.7**	232	6.3
Sweden	**319**	**6.0**	182	4.9
France	**204**	**3.8**	148	4.0
Spain	**185**	**3.5**	141	3.8
Belgium	**146**	**2.7**	116	3.1
Denmark	**118**	**2.2**	50	1.4
The Netherlands	**114**	**2.1**	95	2.6
Norway	**102**	**1.9**	34	0.9
Switzerland	**89**	**1.7**	66	1.8
Russia	**84**	**1.6**	47	1.3
Austria	**75**	**1.4**	38	1.0
Poland	**40**	**0.8**	37	1.0
Other Europe	**186**	**3.5**	86	2.3
	3 640	**68.4**	2 264	61.3
NORTH AND SOUTH AMERICA				
The United States	**830**	**15.6**	727	19.7
Canada	**81**	**1.5**	78	2.1
Mexico	**26**	**0.5**	29	0.8
Chile	**20**	**0.4**	47	1.3
Brazil	**16**	**0.3**	15	0.4
Peru	**6**	**0.1**	15	0.4
Other America	**12**	**0.2**	25	0.7
	991	**18.6**	936	25.4
ASIA				
China	**126**	**2.4**	79	2.1
Taiwan	**72**	**1.4**	21	0.6
Hong Kong	**43**	**0.8**	56	1.5
Thailand	**38**	**0.7**	25	0.7
Japan	**36**	**0.7**	32	0.9
Malaysia	**34**	**0.6**	33	0.9
Rep. of Korea	**29**	**0.5**	25	0.7
Turkey	**28**	**0.5**	43	1.2
India	**17**	**0.3**	5	0.1
Other Asia	**124**	**2.4**	97	2.6
	547	**10.3**	416	11.3
Australia	**60**	**1.1**	30	0.8
South Africa	**60**	**1.1**	20	0.5
Algeria	**9**	**0.2**	8	0.2
New Zealand	**1**	**0.0**	6	0.2
Other countries	**16**	**0.3**	13	0.3
Group total	**5 324**	**100.0**	3 693	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 gain of EUR 22 million from the sale of Sampo Oyj shares and a gain of EUR 1 million from a directed share issue of Okmetic Oyj.

3) Finland includes a gain of EUR 8 million from the listing of Okmetic Oyj. Europe includes a gain of EUR 39 million from the sale of the Harjavalta nickel refinery and a pension surplus refund of EUR 6 million (SPP).

4) Net sales are presented by destination.

Personnel by country on Dec. 31	2001	2000
EUROPE		
Finland	**6701**	6314
Sweden	**3889**	602
Britain	**1796**	109
Ireland	**714**	636
The Netherlands	**678**	490
Germany	**601**	176
Norway	**496**	55
Spain	**478**	464
Austria	**183**	132
Italy	**121**	32
France	**102**	19
Belgium	**76**	–
Estonia	**69**	–
Russia	**68**	59
Other countries	**112**	19
	16084	9107
NORTH AND SOUTH AMERICA		
The United States	**2007**	1706
Canada	**142**	124
Chile	**126**	130
Mexico	**32**	9
Other countries	**16**	15
	2323	1984
ASIA		
China	**269**	229
Thailand	**251**	248
Malaysia	**247**	209
Indonesia	**20**	–
Other countries	**41**	30
	828	716
Australia	**159**	102
Africa	**34**	23
Group total	**19428**	11932

3. Percentage of completion method

Net sales include EUR 92 million (2000: EUR 25 million) of income recognized according to the percentage of completion method for long-term construction contracts in Metallurgy business area.

4. Cost of sales

€ million	2001	2000
Raw materials and merchandise	**(2420)**	(1755)
Fuels and supplies	**(314)**	(234)
Wages and salaries	**(527)**	(344)
Other personnel expenses	**(158)**	(105)
Rents and leases	**(16)**	(9)
Energy expenses	**(218)**	(176)
Depreciation and amortization	**(245)**	(177)
Other cost of sales	**(767)**	(346)
Production for own use	**42**	25
Change in inventories	**(111)**	94
	(4734)	(3027)

€ million	2001	2000

5. Personnel expenses

Board of Directors' and Managing Directors' fees and salaries [1)]	**16**	10
Other wages and salaries	**694**	444
Pension contributions	**80**	46
Other personnel expenses [2)]	**140**	92
Personnel expenses in the income statement	**930**	592

[1)] Includes bonuses of EUR 3 million (2000: EUR 1 million).
[2)] Includes EUR 0 million (2000: EUR 7 million) of profit-sharing bonuses based on the Finnish Personnel Funds Act.

Average number of personnel	**19 010**	12 193
Personnel on Dec. 31	**19 428**	11 932

6. Unusual items

Gain on sale of Sampo Oyj shares	**22**	–
Restructuring provisions of AvestaPolarit	**(29)**	–
Additional amortization of negative goodwill	**29**	–
Gain on Okmetic Oyj's directed share issue/listing	**1**	8
Gain on sale of Harjavalta nickel refinery	**–**	39
Refund of pension surplus (SPP)		
Copper Products	**–**	4
Metallurgy	**–**	1
Other operations	**–**	1
	23	53

7. Other operating income and expenses

Other operating income		
Gains on sales of fixed assets	**4**	2
Other income items	**26**	11
	30	13
Other operating expenses		
Losses on disposals of fixed assets and scrapping	**(5)**	(4)
Other expense items	**(11)**	(9)
	(16)	(13)
Other operating income and expenses, total	**14**	0

8. Provisions for restructuring measures

Provisions on Jan. 1	**9**	7
Translation differences	**0**	0
Restructuring costs charged against provisions	**(12)**	(4)
New provisions recorded	**36**	6
Provisions on Dec. 31	**33**	9

The new provisions in 2001 relate mainly to the restructuring of AvestaPolarit's activities and to personnel restructuring of Copper Products' mill in Kenosha, the US.

9. Financial income and expenses

Dividends received	**12**	3
Interest income on long-term financial assets	**2**	1
Other interest income	**14**	11
Other financial income	**2**	0
Interest expenses	**(73)**	(66)
Other financial expenses	**(4)**	(3)
Exchange gains (losses)	**9**	(3)
	(38)	(57)

Interest capitalized on investment projects during the year was EUR 34 million (2000: EUR 0 million). Total interest capitalized on investment projects on Dec. 31, 2001 was EUR 54 million (Dec. 31, 2000: EUR 20 million). Increase is mainly due to the inclusion of Avesta Sheffield from Jan. 23, 2001 onwards.
The interest component of derivative financial instruments consists of EUR 2 million (2000: EUR 3 million) in other interest income, and of EUR 5 million (2000: EUR 13 million) in interest expenses.

€ million	**2001**	2000
Exchange gains and losses in the income statement		
In net sales	**(42)**	(75)
In purchases and other expenses	**11**	18
In financial income and expenses	**9**	(3)

At the balance sheet date, EUR 19 million of net exchange loss on financial instruments were deferred (Dec. 31, 2000: net gain of EUR 11 million).

10. Extraordinary items

Extraordinary income		
Change in the acconting principle		
Metallurgy	**–**	10
Deferred taxes		(2)
Stainless Steel	**–**	15
Deferred taxes		(4)
	–	19
Total extraordinary items	**–**	19

11. Income taxes

Current taxes		
Accrued taxes for the year		
Finnish Group companies	**(66)**	(92)
Group companies outside Finland	**3**	(9)
Tax adjustments for prior year		
Finnish Group companies	**0**	(2)
Group companies outside Finland	**(1)**	0
	(64)	(103)
Deferred taxes		
Deferred taxes in Group companies		
Finnish Group companies	**45**	23
Group companies outside Finland	**3**	(12)
Deferred taxes on untaxed reserves		
Finnish Group companies	**12**	5
Group companies outside Finland	**0**	10
Deferred taxes on consolidation		
Finnish Group companies	**(12)**	0
Group companies outside Finland	**(3)**	0
	45	26
Total income taxes	**(19)**	(77)

The difference between income taxes computed at the statutory tax rate in Finland (29%) and income taxes reported in the consolidated income statement is reconciled as follows:

Hypothetical income taxes at Finnish tax rate	**(43)**	(113)
Effect of different tax rates outside Finland	**8**	2
Non-deductible expenses and tax exempt income	**(2)**	1
Losses incurred at Group companies outside Finland for which no deferred tax benefit is recognized	**(7)**	(1)
Taxable items with no effect on the Group's result	**17**	9
Write-downs and write-backs on subsidiary shares	**–**	4
Changes in carrying amounts of deferred tax assets on Jan. 1	**6**	21
Taxes from prior years	**2**	(3)
Expected change in tax rate	**0**	(4)
Other items	**0**	7
Income taxes in the consolidated income statement	**(19)**	(77)

€ million	**2001**	2000
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	**65**	49
Provisions for future expenses	**59**	29
Valuation of inventory	**(8)**	5
Effect of consolidation	**6**	–
Other items	**2**	11
	124	94
Deferred tax liabilities		
Depreciation and amortization of fixed assets	**(284)**	(196)
Untaxed reserves	**(17)**	(9)
Valuation of inventories	**0**	(9)
Capitalized interest	**(16)**	(4)
Norzink's allocated fair value	**(31)**	–
Effect of consolidation	**(1)**	(4)
Other items	**(16)**	(5)
	(365)	(227)
Net deferred tax liability	**(241)**	(133)
Deferred taxes in the balance sheet		
Long-term assets	**41**	35
Current assets	**15**	16
Long-term liabilities	**(288)**	(184)
Current liabilities	**(9)**	0
	(241)	(133)

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 asset amount to EUR 156 million (2000: EUR 128 million).

12. Fixed assets

€ million	Historical cost on Jan. 1, 2001	Translation difference	Additions	Dispositions	Netting of negative goodwill on consolidation	Accumulated depreciation on Dec. 31, 2001	Carrying value on Dec. 31, 2001
Intangible assets							
Intangible rights	16	0	10	(1)	–	(12)	12
Goodwill	8	0	24	(6)	–	(7)	19
Goodwill on consolidation	81	1	116	(6)	(192)	–	0
Other long-term expenses	73	2	22	(1)	–	(50)	46
	178	3	172	(14)	(192)	(69)	77
Property, plant and equipment							
Land	35	0	36	(6)	–	–	65
Mine properties	227	(29)	9	–	–	(150)	57
Buildings	504	2	350	(8)	–	(406)	443
Machinery and equipment	2156	0	1622	(97)	–	(2084)	1597
Other fixed assets	46	0	47	(1)	–	(37)	55
Advances paid for fixed assets and construction in progress	106	(1)	468	(141)	–	–	431
	3074	(28)	2532	(253)	–	(2677)	2648
Long-term financial assets							
Investments in associated companies [1]	36	0	42	(2)	–	–	76
Other long-term equity investments	24	(1)	32	(16)	–	–	39
Long-term loans receivable	43	(0)	12	(14)	–	–	40
Deferred tax asset	35	2	5	(2)	–	–	41
Other financial assets	5	0	40	(7)	–	–	39
	143	1	131	(41)	–	–	235
Total fixed assets	3395	(24)	2835	(308)	(192)	(2746)	2960

[1] Associated companies on December 31, 2001 are listed on page 77.

Depreciation

€ million	Accumulated depreciation on Jan. 1, 2001	Translation difference	Accumulated depreciation of dispositions	Netting of negative goodwill on consolidation	Depreciation during period	Accumulated depreciation on Dec. 31, 2001
Intangible assets						
Intangible rights	(11)	0	1	–	(2)	(12)
Goodwill	(6)	0	0	–	(1)	(7)
Goodwill on consolidation	(75)	(1)	9	76	(9)	0
Other long-term expenses	(42)	(1)	0	–	(7)	(50)
	(134)	(2)	10	76	(19)	(69)
Property, plant and equipment						
Land	–	–	–	–	–	–
Mine properties	(154)	0	18	–	(14)	(150)
Buildings	(203)	(1)	(174)	–	(30)	(406)
Machinery and equipment	(1 145)	(4)	(729)	–	(206)	(2 084)
Other fixed assets	(14)	(0)	(19)	–	(5)	(37)
Advances paid for fixed assets and construction in progress	–	–	–	–	–	–
	(1 515)	(5)	(903)	–	(255)	(2 677)
Long-term financial assets	–	–	–	–	–	–
Total fixed assets	(1 649)	(7)	(893)	76	(274)	(2 746)

€ million	**2001**	2000
Depreciation and amortization by group of expenses		
Cost of sales	**245**	177
Selling and marketing expenses	**5**	2
Administrative expenses	**13**	10
Exploration, research and development expenses	**3**	3
Amortization of negative and positive goodwill on consolidation [1)]	**(37)**	1
	229	193

1) Includes amortization of AvestaPolarit's negative goodwill.

13. Associated companies

	2001	2000
Investments in associated companies at cost		
Historical cost on Jan. 1	**48**	47
Translation difference	**0**	1
Additions	**7**	0
Dispositions	**(1)**	0
Historical cost on Dec. 31	**54**	48
Equity adjustment to investments in associated companies		
On Jan. 1	**(12)**	(22)
Change in translation difference	**0**	0
Dividends received	**(1)**	–
Dispositions and other changes	**33**	8
Equity earnings in associated companies	**2**	2
On Dec. 31	**22**	(12)
Carrying value of investments in associated companies	**76**	36
Receivables from and liabilities to associated companies		
Long-term receivables		
Loans receivable	**2**	7
Current receivables		
Loans receivable	**6**	–
Accounts receivable	**3**	0
Current liabilities		
Accounts payable	**3**	–

The Group's result includes interest income of EUR 0 million (2000: EUR 1 million) on loans receivable.

€ million	2001	2000
Significant associated companies		
Laminados Oviedo-Córdoba S.A.		
Net sales	**94**	95
Operating profit	**7**	11
Profit before extraordinary items	**5**	6
Profit for the financial year	**2**	3
Outokumpu's share of the profit (50%)	**1**	2
Okmetic Oyj [1]		
Net sales	**46**	69
Operating profit	**2**	11
Profit before extraordinary items	**1**	7
Profit for the financial year	**1**	4
Outokumpu's share of the profit (27%), (2000: 28%)	**1**	0

[1] Outokumpu's share of Okmetic Oyj's profit for the financial year is consolidated up to September 30, 2001 according to the information that Okmetic Oyj has published. The figures for 2000 include the whole year.

14. Inventories

	Balance sheet value		Replacement cost
€ million	**2001**	2000	**2001**
Raw materials	**191**	137	**194**
Fuels and supplies	**66**	47	**66**
Work in process	**449**	204	**448**
Finished goods and merchandise	**390**	241	**391**
Advances paid for inventories	**3**	13	**3**
	1 099	642	**1 102**

Inventory costs have been determined using the LIFO method for approximately 20% of the inventories, amounting to EUR 220 million. The replacement cost (without market value reserve) is EUR 3 million lower than the balance sheet value of the inventories based on LIFO method on December 31, 2001.

15. Receivables

Receivables in the balance sheet, € million	2001	2000
Accounts receivable	**840**	560
Loans receivable	**11**	3
Prepaid expenses and accrued income	**105**	103
Deferred tax asset	**15**	16
Other receivables	**86**	47
	1 057	729
Prepaid expenses and accrued income		
Value added taxes receivable	**44**	40
Accrued exchange gains	**2**	26
Prepaid interest expenses and accrued interest income	**4**	5
Accrued income related to long-term contracts	**3**	3
Other items	**52**	29
	105	103

On Dec. 31, 2001 the Group companies had EUR 0 million current loans to the Parent Company's or subsidiaries' management (2000: EUR 0 million).
Receivables include non-current receivables of EUR 1 million in 2001 (2000: EUR 1 million).

€ million	2001	2000

16. Shareholders' equity

Share capital		
Share capital on Jan. 1	**211.7**	211.7
Converted bonds	**0.3**	–
Share capital on Dec. 31	**212.0**	211.7
Premium fund		
Premiun fund on Jan. 1	**407.3**	407.3
Converted bonds	**1.3**	–
Other changes	**0.1**	–
Premiun fund on Dec. 31	**408.7**	407.3
Other funds		
Reserve fund on Jan. 1	**12.4**	12.4
Transfers from retained earnings	**–**	0.1
Other changes	**0.1**	(0.1)
Reserve fund on Dec. 31	**12.5**	12.4
Retained earnings on Jan. 1	**663.7**	625.3
Prior year's profit	**315.2**	80.5
Dividends paid	**(99.6)**	(31.1)
Dividends to minority shareholders	**(22.8)**	–
Transfers to reserve fund	**–**	(0.1)
Acquisition of treasury shares	**(13.6)**	–
Change in translation difference	**3.2**	(10.5)
Other changes	**(5.3)**	(0.4)
Retained earnings on Dec. 31	**840.8**	663.7
Profit for the financial year	**76.0**	315.2
Total shareholders' equity on Dec. 31	**1 550.0**	1 610.3
Distributable funds		
Retained earnings	**840.8**	663.7
Profit for the financial year	**76.0**	315.2
Less untaxed reserves in shareholders' equity	**(330.7)**	(399.2)
Undistributable equity	**(9.3)**	(8.0)
Distributable funds on Dec. 31	**576.8**	571.7
Untaxed reserves		
Accumulated depreciation difference	**529.3**	550.2
Other untaxed reserves	**7.6**	13.2
Untaxed reserves on Dec. 31	**536.9**	563.4
Deferred tax liability on untaxed reserves	**(206.2)**	(164.2)
Untaxed reserves in equity on Dec. 31	**330.7**	399.2

17. Negative goodwill

Negative goodwill on consolidation on Jan. 1	**6.2**	–
Change in translation difference	**0.1**	–
Additions	**491.8**	–
Negative goodwill on consolidation on Dec. 31	**498.1**	–
Accumulated amortization on Jan. 1	**(6.2)**	–
Change in translation difference	**(0.1)**	–
Amortization during period	**(46.1)**	–
Additional amortization	**(29.0)**	–
Accumulated amortization on Dec. 31	**(81.4)**	–
Positive goodwill on consolidation on Dec. 31		
Positive goodwill on consolidation	**(191.7)**	–
Accumulated amortization	**76.1**	–
	(115.6)	–
Negative goodwill on consolidation in the balance sheet on Dec. 31	**301.1**	–

€ million	2001	2000

18. Liabilities

Liabilities in the balance sheet

	2001	2000
Long-term liabilities		
Interest-bearing		
Bonds and debentures	**2**	–
Convertible bonds	**15**	18
Loans from financial institutions	**674**	433
Pension loans	**132**	34
Other long-term loans	**14**	10
	837	495
Non interest-bearing		
Accounts payable	**0**	0
Deferred tax liablitity	**288**	184
Other long-term liabilities	**160**	47
	448	231
Current liabilites		
Interest-bearing		
Bonds and debentures	**–**	17
Convertible bonds	**3**	0
Loans from financial institutions	**192**	136
Pension loans	**9**	4
Bills payable	**1**	3
Other current loans	**583**	118
	788	278
Non interest-bearing		
Advances received	**73**	25
Accounts payable	**410**	247
Accrued expenses and prepaid income	**362**	289
Deferred exchange gains	**–**	12
Deferred tax liablitity	**8**	0
Other current liabilities	**83**	28
	936	601
Total liabilities	**3 009**	1 605

Repayment schedule of long-term debt on Dec. 31, 2001

€ million		Repayments 2002	2003	2004	2005	2006	2007–	Total
Bonds and debentures	USD	2	2					4
Convertible bonds	EUR			15				15
Loans from financial	EUR	7	26	8	8	17	145	211
institutions	USD	88	31	128	26	24	150	447
	SEK	1		1	112	1	4	119
Pension loans	EUR	15	15	15	15	15	61	136
	SEK						9	9
Other long-term loans	EUR		2					2
	SEK		1	1		1	4	7
		113	77	168	161	58	373	950

Average maturity for long-term debt was 4 years and 6 months, and the average interest rate was 3.51%.

Bonds and debentures	Interest rate %	€ million 2001	2000
Other bonds			
1991–2001	11.75	**–**	17
Convertible bond			
1999–2004	3.75 [1]	**15**	18
		15	35

The convertible bond is denominated in EUR and all other bonds are denominated in USD.
The effects of interest rate swaps have not been taken into account in the interest expenses of the debt.

[1] The terms and conditions for the convertible bond are presented on page 88.

Accrued expenses and prepaid income	2001	2000
Accrued employee related expenses	**133**	110
Income taxes payable	**56**	66
Accrued interest expenses and prepaid interest income	**27**	34
Other	**146**	79
	362	289

19. Management of financial risks

The Group's business operations involve several market, credit and liquidity risks. According to the financial risk management policy the Group seeks to reduce negative effects caused by price fluctuations and other uncertainties in the financial markets. All this requires proper processes for risk identification, mapping, analyzing, hedging and controls. The policy provides principles for overall financial risk management in the Group. Specific areas such as the use of derivative instruments, investing excess liquidity and risk limits are covered by operative instructions. AvestaPolarit has its own similar type of risk management policy and operative guidelines in place.

Business units are responsible for identification of their financial risks. Identified market risks are hedged against either Outokumpu's or AvestaPolarit's treasury. These functions execute most of the Group's financial contracts with banks and other financial institutions. Both Outokumpu and AvestaPolarit have specific organizations to manage electricity risks.

The controllers in business units monitor the risk management practices of their units. Group's treasury reports the main exposures and risks regularly to Corporate Management.

MARKET RISK

Exchange rate risk

Major part of the Group's revenue is generated from US dollar and euro based sales. A significant part of expenses arise in euros, US dollars, Swedish crowns, Norwegian crowns and English pounds. In relation to the Group's Asian businesses there are notable local currency risks, all of which cannot be effectively hedged.

The Group hedges most of its fair value risk. Cash flow risk related to firm commitments is hedged to large extent. As a main rule forecasted and probable cash flows are hedged up to 12 months. In AvestaPolarit forecasted cash flows are hedged in certain businesses only.

The total non-euro denominated shareholders' equity of the Group's subsidiaries and associated companies, excluding AvestaPolarit, was EUR 377 million on December 31, 2001 (2000: EUR 216 million). Of this net investment exposure 28% (2000: 56%) was hedged.

On December 31, 2001 the Group had the following outstanding foreign exchange derivative contract amounts (the notional amounts do not represent the amounts exchanged by the parties; those amounts may include also positions, which have been closed off):

€ million	Dec. 31, 2001	Dec. 31, 2000
Forward contracts	**1 230**	890
Currency options bought	**110**	170
Currency options written	**110**	170
Currency swaps	**70**	80

The interest rate differential between euro and the US dollar, in particular, may have a significant impact on the Group's income. As of the second quarter in 2001 the interest rate differential has been beneficial for the Group.

Interest rate risk

The Group's interest rate risk is monitored as fair value and cash flow risks. These exposures consist mainly of financial instruments and certain major long-term commercial contracts. In order to efficiently manage both fair value and cash flow risk, the Group's loans and investments are kept mainly in floating rate instruments. In addition, interest rate swaps, forward rate agreements and bond futures may be used for hedging purposes.

The most important currencies contributing to interest rate risk are US dollar, euro, English pound, Swedish crown and Norwegian crown. Currently most financial instruments have interest period of less than one year.

On December 31, 2001 the Group had interest rate derivative contracts in the following notional amounts (the notional amounts do not represent the amounts exchanged by the parties; those amounts may include also positions, which have been closed off):

€ million	Dec. 31, 2001	Dec. 31, 2000
Forward rate agreements	**–**	20
Interest rate swaps	**30**	30

Metal price risk

The profitability of mining operations is directly dependent on metals prices. Price levels can be secured with forward sale and option contracts on metals exchanges and OTC markets. There were no such cash flow hedges open on December 31, 2001.

Net income of zinc smelters and refineries are partly dependent on zinc price. On December 31, 2001 the Group had no cash flow hedges in place to reduce this metal price risk.

Metals production and fabrication units are affected by risks arising from the time difference between raw material purchase and product sale. These risks are hedged to large extent in Outokumpu and partly in AvestaPolarit. The base inventory, which is permanently tied up in the production, is not hedged in the Group.

In addition to cash flow hedges the Group's treasury may enter into strategic derivative contracts. All gains and losses of this type of contracts are immediately entered into the income statement. A gain of EUR 1 million was recognized in 2001 (2000: a gain of EUR 1 million).

On December 31, 2001 the Group had metal derivative contracts in the following notional amounts (the notional amounts do not represent the amounts exchanged by the parties; those amounts may include also positions, which have been closed off):

Tonnes	Dec. 31, 2001	Dec. 31, 2000
Copper forwards and futures	**62 200**	67 200
Nickel forwards and futures	**5 600**	6 530
Nickel options bought	**–**	110
Nickel options written	**–**	110
Zinc forwards and futures	**116 000**	154 300
Zinc options bought	**6 000**	–
Zinc options written	**6 000**	–
Gold forwards and futures (tr. oz.)	**48 900**	35 800
Silver forwards and futures (tr. oz.)	**880 300**	720 100

Securities price risk

Outokumpu has a relatively large portfolio of publicly listed equity securities. Occasionally the portfolio may also include fixed income securities. Most of these holdings are long-term and, as a main rule, are not hedged with derivative contracts.

Energy price risk

The Group has energy intensive production processes utilizing mainly electrical energy but also liquefied natural gas, liquefied petroleum gas and some other fuels. Spot prices of most energy products are volatile, especially in electricity.

Most electrical energy consumed in the Nordic region and in Britain is purchased and managed centrally by both Outokumpu and AvestaPolarit. In other locations energy price risks are managed locally. Energy price risks are managed with commercial as well as financial contracts. The Group does not hedge risks related to fuel products with financial contracts.

On December 31, 2001 the Group had exchange traded electricity forwards and futures 0 TWh (2000: 4.0 TWh) and other financial agreements 3.5 TWh (2000: 2.2 TWh). The electricity consumption of the Finnish plants was 3.0 TWh (2000: 3.2 TWh).

CREDIT RISK

Outokumpu's and AvestaPolarit's treasuries manage a major part of the credit risks related to financial instruments. The Group seeks to reduce these risks by limiting the counter-parties to major banks, other financial institutions, brokers and suppliers of electrical power, which have a good credit quality. All investments related to liquidity management are made in liquid instruments with low credit risk.

The Group's accounts receivables are generated by a large number of customers in various industries in many parts of the world. Business units manage credit risks on commercial flows.

LIQUIDITY RISK

As a main rule Group's debt is raised centrally by Outokumpu's and AvestaPolarit's treasuries. The Group seeks to reduce 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 also for efficient cash and liquidity management.

The main funding programs and standby credit facilities for Outokumpu Oyj include a Finnish Commercial Paper Program totaling EUR 200 million, Euro Commercial Paper Program totaling USD 250 million and Revolving Credit Facility of USD 520 million with installment beginning in 2002 and final maturity in 2004. For AvestaPolarit the main such facilities are: a Finnish commercial paper program totaling EUR 350 million, two committed credit facilities, each of EUR 150 million, available from February 2002 and expiring in February 2003, committed credit facility from the Nordic Investment Bank of EUR 35 million and committed credit facility of EUR 300 million, expiring in 2005.

In addition, the Group has several uncommitted credit facilities with major financial institutions.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values and fair values of the Group's financial instruments on December 31, 2001 are presented in the following table. Fair values are estimated based on market prices, dealer quotes, discounted cash flow analyses and, in respect of options, on valuation models.

	2001		2000	
€ million	**Carrying value**	**Fair value**	Carrying value	Fair value
Investments and receivables				
Other long-term equity investments	**39**	**39**	24	56
Long-term loans receivable	**40**	**37**	43	35
Current loans receivable	**11**	**11**	3	3
Cash and marketable securities	**285**	**286**	105	105
Debt				
Long-term debt	**837**	**838**	495	501
Current debt	**788**	**788**	278	280
Financial derivatives [1)]				
Forward foreign exchange contracts	**(13)**	**(15)**	21	20
Currency options				
Purchased	**1**	**1**	9	9
Written	**(2)**	**(2)**	(1)	(1)
Currency swaps	**(7)**	**(7)**	(3)	(2)
Interest rate swaps	**0**	**0**	0	0
Forward rate agreements	**–**	**–**	0	0
Metal derivatives [1)]				
Forward and futures copper contracts	**(1)**	**(1)**	0	(1)
Forward and futures nickel contracts	**(1)**	**(1)**	0	1
Nickel options				
Purchased	**–**	**–**	0	0
Written	**–**	**–**	0	0
Forward and futures zinc contracts	**0**	**0**	0	1
Forward and futures gold contracts	**0**	**0**	0	0
Forward and futures silver contracts	**0**	**0**	0	0
Electricity derivatives [1)]				
Forward and futures contracts	**–**	**–**	–	0
Other financial contracts	**–**	**(8)**	–	(13)

[1)] The derivative transactions have been made for hedging purposes. The market value of derivatives indicates the result of those transactions if the deals were closed at the date of the balance sheet. The realized gains and losses of derivative instruments are booked in the income statement according to the hedge accounting principle i.e. against the underlying transaction. The carrying amount of forward foreign exchange contracts, currency options and currency swaps include unrealized gains and losses relating to hedges of firm and anticipated commitments which have been deferred.

€ million	2001	2000

20. Commitments and contingent liabilities

Pledges on Dec. 31		
Mortgages to secure own borrowings	**105**	32
Guarantees on Dec. 31		
On behalf of associated companies		
For financing	**7**	7
On behalf of other parties		
For financing	**73**	0
For other commitments	**16**	7
	96	14

The mortgages are mainly given to secure 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 impact on the Group's result or financial position.

Minimum future lease payments on operating leases on Dec. 31		
In 2002	**15**	10
Thereafter	**116**	22
	131	32

PENSION LIABILITIES

The additional pensions of Outokumpu Oyj's pension foundations have been transferred to Sampo Life Insurance in 1999. The assets of the pension foundations' exceeded the pension liability. The assets relating to the transfer included some 2 million Outokumpu Oyj shares. The value of the shares will be defined by September 30, 2002. The net gain of the difference between the shares' transfer and market value as well as the pension foundations' returnable assets to the group companies was EUR 4 million on Dec. 31, 2001 (2000: net loss EUR 2 million).

21. 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 judgment to be entered. The final judgment 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.

The wholly owned Irish subsidiary of Outokumpu Group, Tara Mines Limited, has claimed Export Sales Relief (ESR) for the years 1978-88. The claim has been challenged by the Irish Tax Authorities. An appeal process is currently ongoing, because the High Court has ruled on the case in an unfavorable way for Tara Mines Ltd. Tara has appealed the High Court ruling to the Supreme Court, which will issue the final ruling in this matter. A successful ESR claim entitles a company to 0% corporate tax on profits from goods exported from Ireland in the years to March 1990. The standard rate of corporation tax in Ireland today is 16%. All Tara's due taxes have been paid and booked in the company's accounts in full according to standard tax rates.

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

In March 2001, the European Commission has initiated an investigation concerning alleged participation by the company in a price and market-sharing cartel with respect to copper tubes and fittings in the European Union. The company has cooperated with the European Commission in connection with this investigation and presently the European Commission is reviewing the material it has obtained from various companies subjected to the investigation. Net sales of copper tubes manufactured by the company in Europe account for some 4% of the Group's total net sales in 2001.

22. Subsidiaries by business area on December 31, 2001

Copper Products

Company	Note	Country	Nature of activity	Group holding, %
Outokumpu Copper Products Oy	*)	Finland	■	100
Outokumpu Copper B.V.		The Netherlands	■	100
Outokumpu Copper Limited		Britain	■	100
Outokumpu Copper, Inc.		The United States	■	100
Holton Machinery Limited		Britain	▲	100
Neumayer GmbH		Austria	▲	50
Nippert-Dawson Ltd.		Britain	▲	100
Outokumpu Advanced Superconductors Inc.		The United States	▲	100
Outokumpu American Brass, Inc.		The United States	▲	100
Outokumpu Castform Oy		Finland	▲	100
Outokumpu Centro Servizi S.p.A.		Italy	▲	100
Outokumpu Copper Franklin, Inc.		The United States	▲	100
Outokumpu Copper Kenosha, Inc.		The 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	▲	90
Outokumpu Copper Products AB	1)	Sweden	▲	100
Outokumpu Copper Tubes, S.A.		Spain	▲	100
Outokumpu Hitachi Copper Tube (Thailand) Ltd.		Thailand	▲	64
Outokumpu Plating Oy		Finland	▲	100
Outokumpu Poricopper Oy		Finland	▲	100
Outokumpu Wasacopper Oy		Finland	▲	90
Outokumpu WTT AB		Sweden	▲	100
The Nippert Company		The United States	▲	100
Valleycast Inc.		The United States	▲	100
Neumayer Corporation		The United States	●	50
Thatcher Alloys Limited		Britain	●	100
Outokumpu Copper Partner AB		Sweden	◗	100
Outokumpu Rawmet (UK) Limited		Britain	◗	100
Outokumpu Rawmet, S.A.		Spain	◗	100
Outokumpu Superconductors Oy		Finland	✲	100

Metallurgy

Company	Note	Country	Nature of activity	Group holding, %
Outokumpu Technology Oy	*)	Finland	■	100
Outokumpu Indepro S.A.		Chile	■	100
AISCO Systems Inc.		Canada	▲	100
KHD Aluminium Technology GmbH	2)	Germany	▲	100
Lurgi Metallurgie GmbH	2)	Germany	▲	100
Outokumpu Engineering Contractors Oy		Finland	▲	100
Outokumpu Harjavalta Metals Oy		Finland	▲	100
Outokumpu Indepro Ingeniería Limitada		Chile	▲	100
Outokumpu Lurgi-Australia Pty. Ltd.	1)	Australia	▲	100
Outokumpu Mintec Oy		Finland	▲	100
Outokumpu Norzink A/S	2)	Norway	▲	100
Outokumpu Technology A/S	2)	Norway	▲	100
Outokumpu Technology GmbH		Germany	▲	100
Outokumpu Technology Inc.		The United States	▲	100
Outokumpu Technology Ltd.		Britain	▲	100
Outokumpu Technology Pty Ltd.		Australia	▲	100
Outokumpu Turula Oy		Finland	▲	100
Outokumpu Wenmec AB		Sweden	▲	100
Outokumpu Wenmec Oy		Finland	▲	100
Outokumpu Zinc Oy		Finland	▲	100
Royal Pannevis B.V.	2)	The Netherlands	▲	100
SepTor Tehnologies B.V.	2)	The Netherlands	▲	100
Outokumpu Research Oy	*)	Finland	◆	100
Aisco Systems Inc. Chile y Compañia Limitada		Chile	●	100
Outokumpu Zinc Commercial B.V.		The Netherlands	●	100
Outokumpu Mexicana, S.A. de C.V.		Mexico	●	100
Outokumpu Processos, Engenharia é Comercio Ltda		Brazil	●	100
Outokumpu Technology (Pty) Ltd.		South Africa	●	100
Outokumpu Técnica Chile Ltda.		Chile	●	100
Outokumpu Técnica Perú S.A.C.		Peru	●	100
Pannevis Inc.	2)	The United States	●	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.		The United States	✲	100
VIGO Zehnte Vermögensverwaltungs		Germany	✲	100

Stainless Steel

Company	Note	Country	Nature of activity	Group holding, %
AvestaPolarit Oyj Abp	1), 4), *)	Finland	■	55
AvestaPolarit Holding B.V.	1), 2)	The Netherlands	■	100
AvestaPolarit Holdings Ltd	1), 2)	Britain	■	100
AvestaPolarit Holding GmbH	1), 2)	Germany	■	100
AvestaPolarit, Inc.	1), 2)	The United States	■	100
AvestaPolarit Chrome Oy	1)	Finland	×▲	100
AvestaPolarit Plate Service Centre Benelux B.V.	1), 2)	The Netherlands	▲	100
AvestaPolarit Processing B.V.	1), 2)	The Netherlands	▲	100
Avesta Sandvik Tube B.V.	2)	The Netherlands	▲	75
Hertecant N.V.	2)	Belgium	▲	100
PT AvestaPolarit Welding Products	1), 2)	Indonesia	▲	100
AvestaPolarit Ltd	1), 2)	Britain	▲	100
AvestaPolarit ABE, S.A. de C.V.	1), 2)	Mexico	▲	100
AB Örnsköldsviks Mekaniska Verkstad (ÖMV)	2)	Sweden	▲	100
Avesta Sandvik Tube AB	2)	Sweden	▲	75
AvestaPolarit AB (publ.)	1), 2)	Sweden	▲	99
AvestaPolarit ABE AB	1), 2)	Sweden	▲	100
AvestaPolarit Plate Service Centre Nordic AB	1), 2)	Sweden	▲	100
AvestaPolarit Prefab AB	1), 2)	Sweden	▲	100
AvestaPolarit Press Plate AB	1), 2)	Sweden	▲	100
AvestaPolarit Welding AB	1), 2)	Sweden	▲	100
Billing Metal Trading AB	2)	Sweden	▲	100
Calamo Nords AB	2)	Sweden	▲	100
Husqvarna Elektrolytpolering AB	2)	Sweden	▲	100
AvestaPolarit Plate Service Centre Germany	1), 2)	Germany	▲	100
AvestaPolarit Stainless Oy	2)	Finland	▲	100
Finbend Oy	1), 2)	Finland	▲	100
Finpipe Oy	2)	Finland	▲	75
Oy JA-RO Ab		Finland	▲	100
AS Avesta Polarit Ratas Oü	1), 2)	Estonia	▲	92
AvestaPolarit Bar Company	1), 2)	The United States	▲	100
AvestaPolarit East, Inc.	1), 2)	The United States	▲	100
AvestaPolarit Pipe, Inc.	1), 2)	The United States	▲	100
AvestaPolarit Plate, Inc.	1), 2)	The United States	▲	100
AvestaPolarit S.p.A.	1), 2)	Italy	●▲	100
AvestaPolarit A/S	1), 2)	Norway	●▲	100
AvestaPolarit Service Center Bönen GmbH	1)	Germany	●▲	100
AvestaPolarit B.V.	1), 2)	The Netherlands	●	100
AvestaPolarit Pty Ltd	1), 2)	Australia	●	100
AvestaPolarit N.V.	1), 2)	Belgium	●	100
AvestaPolarit S.A.	1), 2)	Spain	●	100
AvestaPolarit (Pty) Ltd	1), 2)	South Africa	●	100
AvestaPolarit Asia Pacific Ltd	1), 2)	Hongkong	●	100
AvestaPolarit Ireland Ltd	1), 2)	Ireland	●	100
AvestaPolarit Ges.m.b.H	1), 2)	Austria	●	100
AvestaPolarit Japan K.K.	1), 2)	Japan	●	100
AvestaPolarit UAB	1), 2)	Lithuania	●	100
AvestaPolarit Sp z o.o.	1), 2)	Poland	●	100
AvestaPolarit ABE SARL	1), 2)	France	●	100
AvestaPolarit SA	1), 2)	France	●	100
E.L.F.E. SA	2)	France	●	100
AvestaPolarit Nordic AB	1), 2)	Sweden	●	100
AvestaPolarit GmbH	2)	Germany	●	100
AvestaPolarit (SEA) Pte Ltd	1), 2)	Singapore	●	100
AvestaPolarit Finland Oy	1), 2)	Finland	●	100
SH-Trade Oy	2)	Finland	●	100
AvestaPolarit A/S	1), 2)	Denmark	●	100
AvestaPolarit s.r.o.	1), 2)	Czech Republic	●	100

		Country	Nature of activity	Group holding, %
AvestaPolarit Kft	1), 2)	Hungary	●	100
ZAO AvestaPolarit	1), 2)	Russia	●	100
AvestaPolarit Baltic Oü	1), 2)	Estonia	●	100
AvestaPolarit Coil, Inc.	1), 2)	The United States	●	100
AvestaPolarit Welding, Inc.	1), 2)	The United States	●	100
AvestaPolarit Finance B.V.	1), 2)	The Netherlands	◗	100
AvestaPolarit Gebouwen B.V.	1), 2)	The Netherlands	◗	100
AvestaPolarit Pension Trustees Ltd	3), 2)	Britain	◗	100
2843617 Canada Inc.	2)	Canada	◗	100
AvestaPolarit Information Systems AB	1), 2)	Sweden	◗	100
Visent Invest AB	2)	Sweden	◗	100
Visenta Försäkrings AB	2)	Sweden	◗	100
AvestaPolarit Stainless Oy & Co. KG	1), 2)	Germany	◗	100
Kandelinin Seuraajat Oy		Finland	◗	100

Other operations

Mining

Outokumpu Base Metals Oy	*)	Finland	■	100
Nikkel og Olivin A/S	4)	Norway	✕	100
Norsulfid A/S		Norway	✕	100
Outokumpu Exploration Ventures Pty. Ltd.		Australia	✕	100
Outokumpu Mining Australia Pty. Ltd.		Australia	✕	100
Outokumpu Mining Oy		Finland	✕	100
Pyhäsalmi Mine Oy		Finland	✕	100
Tara Mines Limited		Ireland	✕	100
Viscaria AB		Sweden	✕	100
OAO Kivijärvi		Russia	◆	85
OAO Kola-Mining		Russia	◆	96
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
Outokumpu Resources & Exploration Pty. Ltd.		Australia	❊	100
Tara Prospecting Limited		Ireland	❊	100
Outokumpu Nickel Resources B.V.		The Netherlands	❊	100

Legend

■ Management or holding
✕ Mining
▲ Production
● Marketing
◆ Exploration or research
◗ Service
❊ Dormant

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 the voting rights.

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

Corporate services

		Country	Nature of activity	Group holding, %
Granefors Bruk AB	*)	Sweden	■	100
Outokumpu Sales Oy	*)	Finland	●	100
Outokumpu Portugal Ltda.	**)	Portugal	●	100
Outokumpu Copper (U.S.A.), Inc.		The United States	●	100
Outokumpu Deutschland GmbH		Germany	●	100
Outokumpu Istanbul Dis Ticaret Limited Sirketi	*)	Turkey	●	98
Outokumpu Japan K.K.	*)	Japan	●	100
Outokumpu Poland Sp. z o.o.	*)	Poland	●	100
Outokumpu Scandinavia AB	*)	Sweden	●	100
Outokumpu (S.E.A.) Pte Ltd	*)	Singapore	●	100
Finero B.V.	*)	The Netherlands	◗	100
Kopparlunden AB	*)	Sweden	◗	100
Orijärvi Oy	*)	Finland	◗	100
Outokumpu Alueverkko Oy	*)	Finland	◗	100
Outokumpu Rossija Oy	*)	Finland	◗	100
Pancarelian Ltd.	*)	Bermuda	◗	100
ZAO Outokumpu Moskva		Russia	◗	100
ZAO Outokumpu St. Petersburg		Russia	◗	100
OOO Outokumpu Norilsk	3)	Russia	◗	100
Outokumpu Metals Treasury	*)	Ireland	❊	100
Outokumpu Engineering Enterprises, Inc.	*)	The United States	❊	100
Outokumpu Invest (U.K.) Ltd.	*)	Britain	❊	100
Outokumpu Ecomills Oy	*)	Finland	❊	100
Outokumpu Työterveyspalvelut Oy	*)	Finland	❊	100

Industrial holdings

Princeton Gamma-Tech, Inc.		The United States	▲	82
Princeton Gamma-Tech U.K. Ltd.		Britain	●	79

23. Associated companies and other shares and stock on December 31, 2001

Shares and stock in associated companies

Folldal Industrielektro A/S		Norway	▲	40
Laminados Oviedo-Córdoba S.A.		Spain	▲	50
Okmetic Oyj	*) 4)	Finland	▲	27
Thyssefaldene A/S	2)	Norway	▲	40
Placer Outokumpu Exploration Ltd.		Britain	◆	50
Oretec Resources Plc.		Ireland	◆	34
ZAO Arctic Nickel		Russia	◆	40
Okphil Inc.		The Philippines	●	30
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 equals the balance sheet value of EUR 40 million.

Foreign branches

AvestaPolarit Asia Pacific Ltd., branch office in Rep. of Korea
AvestaPolarit Asia Pacific Ltd., agencies in China and Taiwan
AvestaPolarit Baltic Oü, branch office in Latvia
AvestaPolarit S.A., branch office in Portugal
Outokumpu Mining Oy, branch office in Spain
Outokumpu Mining Oy, branch office in Portugal
Outokumpu Sales Oy, branch office in China
Outokumpu Sales Oy, branch office in Denmark
Outokumpu Sales Oy, branch office in France
Outokumpu Sales Oy, branch office in Italy
Outokumpu Sales Oy, branch office in Norway
Outokumpu Sales Oy, branch office in Britain
Outokumpu Zinc Commercial B.V., branch office in Switzerland

24. Changes in Group structure in 2001

Companies acquired and established

See notes 22 and 23.

Companies merged and dissolved

Avesta Chemicals AB
Avesta Lining AB
Avesta Sheffield Precision Strip AB
Billing Edelstahl GmbH
Handlesmj Roestvrij B.V.
Outokumpu Copper AB
Visenta AB
Visenta Holding AB
Visenta Trading AB
Visentfrakt AB

Companies sold

AvestaPolarit Asia Pacific Ltd (BVI)
DIARC-Technology Oy

Effect of sales of business operations on the consolidated net sales

€ million	**2001**	2000
	–	97

25. Group mine production and ore reserves and mineral resources

MINE PRODUCTION

Tonnes	**2001**	2000
Ore excavated (million tonnes)		
Black Swan	**0.5**	0.4
Hitura	**0.5**	0.5
Kemi	**1.2**	1.3
Mullikkoräme	**–**	0.0
Nikkel og Olivin	**0.7**	0.7
Orivesi	**0.2**	0.2
Pyhäsalmi	**1.1**	1.2
Tara [1)]	**2.0**	2.0
Total	**6.2**	6.3
Chromite concentrates		
Kemi	**575 100**	628 400
Zinc in concentrates		
Pyhäsalmi	**20 100**	16 100
Tara [1)]	**146 200**	152 000
Total	**166 300**	168 100
Copper in concentrates		
Pyhäsalmi	**11 600**	11 500
Nickel in concentrates		
Black Swan	**21 800**	16 600
Hitura	**2 000**	2 600
Nikkel og Olivin	**2 500**	2 300
Total	**26 300**	21 500
Lead in concentrates		
Pyhäsalmi	**–**	380
Tara [1)]	**27 400**	35 120
Total	**27 400**	35 500
Gold in concentrates (kg)		
Orivesi	**1 500**	1 350
Pyhäsalmi	**200**	250
Total	**1 700**	1 600
Sulfur in concentrates		
Pyhäsalmi	**583 300**	823 800

[1)] Tara put on care and maintenance until further notice on November 1, 2001.

ORE RESERVES AND MINERAL RESOURCES ON DEC. 31, 2001

	ORE RESERVES		MINERAL RESOURCES		
	Proved	Probable	Measured	Indicated	Inferred
MINES					
Australia					
Black Swan					
Silver & White Swan and Gosling	0.1 Mt 7.1% Ni	0.2 Mt 6.6% Ni		0.2 Mt 10% Ni	0.1 Mt 9.9% Ni
Cygnet	0.2 Mt 2.8% Ni				
Black Swan disseminated				7.4 Mt 0.8% Ni	

	ORE RESERVES		MINERAL RESOURCES		
	Proved	Probable	Measured	Indicated	Inferred
Finland					
Hitura	0.2 Mt 0.7% Ni	0.7 Mt 0.7% Ni	0.7 Mt 0.7% Ni	2.3 Mt 0.7% Ni	1.8 Mt 0.8% Ni
Kemi 55%	54 Mt 25% Cr_2O_3	3.3 Mt 26% Cr_2O_3	13 Mt 22% Cr_2O_3	20 Mt 28% Cr_2O_3	72 Mt 29% Cr_2O_3
Orivesi	0.3 Mt 8.2 g/t Au	0.1 Mt 7.7 g/t Au			0.1 Mt 7.5 g/t Au
Pyhäsalmi [1]	8.1 Mt 1.2% Cu 2.2% Zn 40% S 0.4 g/t Au	9.2 Mt 1.0% Cu 3.3% Zn 37% S 0.4 g/t Au	10.6 Mt 0.7% Cu 0.3% Zn 44% S	5.2 Mt 0.7% Cu 0.2% Zn 44% S	2.2 Mt 0.7% Cu 1.0% Zn 44% S
Ireland					
Tara	3.1 Mt 9.4% Zn 2.3% Pb	9.7 Mt 8.8% Zn 2.0% Pb	1.7 Mt 6.0% Zn 2.5% Pb	6.2 Mt 4.8% Zn 2.6% Pb	9.3 Mt 8.8% Zn 2.0% Pb
Norway					
Nikkel og Olivin	0.2 Mt 0.5% Ni	0.1 Mt 0.5% Ni			
MAIN EXPLORATION TARGETS					
Australia					
Cliffs Mt Keith					5.7 Mt [2] 2.3% Ni
Honeymoon Well					
Sulphide resource				131 Mt [3] 0.8% Ni	3.7 Mt [3] 0.8% Ni
Laterite resource					339 Mt [3] 0.9% Ni 0.05% Co
Panorama 64%				4.6 Mt [4] 2.1% Cu 7.5% Zn	1.6 Mt [4] 0.5% Cu 8.8% Zn
Finland					
Ahmavaara 51% [5]			11.8 Mt [6, 7] 0.2% Cu 0.1% Ni 0.1 g/t Au 0.2 g/t Pt 1.0 g/t Pd	21 Mt [6, 7] 0.2% Cu 0.1% Ni 0.1 g/t Au 0.2 g/t Pt 1.2 g/t Pd	42 Mt [6, 7] 0.2% Cu 0.1% Ni 0.1 g/t Au 0.2 g/t Pt 1.0 g/t Pd
Konttijärvi 51% [5]			11.9 Mt [6, 7] 0.2% Cu 0.1% Ni 0.1 g/t Au 0.4 g/t Pt 1.6 g/t Pd	12.7 Mt [6, 7] 0.1% Cu 0.1% Ni 0.1 g/t Au 0.4 g/t Pt 1.4 g/t Pd	19 Mt [6, 7] 0.2% Cu 0.1% Ni 0.1 g/t Au 0.4 g/t Pt 1.3 g/t Pd
Pampalo				0.7 Mt 6.8 g/t Au	0.2 Mt 7.2 g/t Au

The information has been prepared in accordance with the "Australasian Code for Reporting of Mineral Resources and Ore Reserves, September 1999". A mineral resource is a concentration or occurrence of material, 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 percentage figure after the name of the deposit indicates Outokumpu's ownership interest in the mine, mine project or exploration target. In the case no percentage is given, Outokumpu's ownership interest is 100%. The table presents the total tonnes of the deposits, including those that are not wholly owned by Outokumpu.

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

Cu = copper, Ni = nickel, Zn = zinc, Pb = lead, S = sulphur, Co=cobalt, Au = gold, Pt = platinum, Pd = palladium and Cr_2O_3 = chromium oxide.

[1] In December 2001 an agreement to sell the mine to Inmet Mining Corporation.
[2] Western Mining Corporation has a call option.
[3] Cut-off 0,5% Ni.
[4] Includes Sulphur Springs, Kangaroo Caves and Bernts deposits.
[5] Gold Field Limited completed its 51% earn-in acquisition in the partnership on January 17, 2002.
[6] Reported by the operator.
[7] Cut-off 0,5 g/t Pt+Pd+Au.

26. Consolidated financial statements, pro forma (unaudited)

The formation of AvestaPolarit as a result of Outokumpu Steel Oyj and Avesta Sheffield AB combination in January 2001 affects markedly the key financial figures of Outokumpu Group, The most significant pro forma figures according to the new group structure are presented in the following.

In the official income statements the figures of Avesta Sheffield have been consolidated as of January 23, 2001. In the pro forma figures Avesta Sheffiels has been consolidated as of the beginning of the comparision year 2000. In the income statements the figures of AvestaPolarit have been consolidated at 100% up to the line profit after taxes. The minority's interest (45%) of AvestaPolarit's profit is presented on the line minority interest. Therefore the profit for the financial period only presents the profit according to Outokumpu's ownership interest (55%). In the balance sheet the minority interest on the acquisition date consists of EUR 474 million share issue directed to the shareholders of Avesta Sheffield in January 2001.

The group contributions received and granted by Outokumpu Steel have been eliminated from the pro forma income statements and the respective tax effect (29%) added to current taxes.

The pro forma balance sheet for December 2001 and December 2000 have been prepared using the final amount of negative goodwill on January 22, 2001. No amortization of negative goodwill has been included in the pro forma income statements for the year 2000.

Consolidated income statement, pro forma

€ million	2001	2000
Net sales	**5 450**	6 107
Cost of sales	**(5 339)**	(5 546)
Unusual items [1]	**23**	95
Other operating income and expenses	**14**	5
Amortization of negative and positive goodwill on consolidation	**37**	(1)
Operating profit	**185**	660
Equity earnings in associated companies	**2**	4
Financial income and expenses	**(38)**	(73)
Profit before extraordinary items	**149**	591
Extraordinary items [2]	**–**	8
Income taxes	**(21)**	(122)
Minority interest in earnings	**(52)**	(155)
Profit for the financial year	**76**	322
Earnings per share (excluding extraordinary items), €	**0.61**	2.52
Earnings per share, €	**0.61**	2.59
Average number of shares	**124 062 869**	124 529 660

1) 2000 includes Avesta Sheffield's EUR 42 million refund of pension surplus (SPP).
2) Change in the inventory valuation principle within Metallurgy business area.

Consolidated balance sheet, pro forma

€ million	2001	2000
ASSETS		
Fixed assets and other long-term investments		
Intangible assets	**77**	47
Property, plant and equipment	**2 648**	2 237
Long-term financial assets	**235**	190
Total fixed assets and other long-term investments	**2 960**	2 474
Current assets		
Inventories	**1 099**	1 174
Receivables	**1 057**	1 200
Marketable securities	**55**	7
Cash and bank	**230**	139
Total current assets	**2 441**	2 520
TOTAL ASSETS	**5 401**	4 994
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	**1 550**	1 480
Minority interest	**541**	634
Negative goodwill on consolidation	**301**	479
Liabilities		
Long-term		
Interest-bearing	**837**	743
Non interest-bearing	**448**	386
Current		
Interest-bearing	**788**	340
Non interest-bearing	**936**	932
Total liabilities	**3 009**	2 401
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**5 401**	4 994

Key figures, pro forma

		2001	2000
Operating profit margin	%	**3.4**	10.8
Return on capital employed	%	**5.9**	21.2
Capital employed at end of period	€ million	**3 266**	2 964
Net interest-bearing debt at end of period	€ million	**1 175**	851
Equity-to-assets ratio at end of period	%	**41.6**	47.1
Debt-to-equity ratio at end of period	%	**56.2**	40.2
Capital expenditure	€ million	**917**	318
Depreciation	€ million	**269**	254
Average personnel		**19 158**	18 593

Production figures, pro forma

Tonnes	2001	2000
Steel slabs	**1 455 900**	1 536 400

Key financial figures by quarter, pro forma

€ million	I/00	II/00	III/00	IV/00	I/01	II/01	III/01	IV/01
Net sales								
Copper Products	359	397	351	425	393	390	312	308
Metallurgy	365	269	237	305	244	313	287	363
Stainless Steel	927	981	809	875	830	837	631	679
Other operations	140	147	136	156	138	138	93	103
Intra-group sales	(251)	(169)	(163)	(189)	(176)	(161)	(143)	(129)
The Group	1 540	1 625	1 370	1 572	1 429	1 517	1 180	1 324
Operating profit								
Copper Products	9	21	20	17	20	20	0	5
Metallurgy	19	51	12	29	9	9	15	21
Stainless Steel	179	152	94	54	34	80	4	23
Other operations	8	21	(6)	(14)	(3)	(10)	(26)	(14)
Intra-group items	(6)	3	(3)	0	(4)	1	2	(1)
The Group	209	248	117	86	56	100	(5)	34

Parent Company financial statements

INCOME STATEMENT

€ million		2001	2000
Net sales		93	98
Cost of sales		(75)	(75)
Gross margin		18	23
Administrative expenses		(32)	(29)
Research and development expenses		(3)	(3)
Unusual items	[3]	22	–
Other operating income and expenses	[4]	4	4
Operating profit, (loss)	[1–4]	9	(5)
Financial income and expenses	[5]	97	19
Profit before extraordinary items		106	14
Extraordinary items	[6]	36	122
Profit before appropriations and taxes		142	136
Appropriations			
Change in depreciation difference		0	1
Income taxes	[7]	(28)	(44)
Profit for the financial year		114	93

According to the Finnish regulations, also the separate financial statements of the parent company 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 square brackets refer to notes to the Parent Company financial statements on pages 83–84.

STATEMENT OF CASH FLOWS

€ million	2001	2000
Operating activities		
Profit for the financial year	114	93
Depreciation and amortization	3	3
Change in depreciation difference	0	(1)
	117	95
Change in working capital		
Decrease in current non interest-bearing receivables	59	66
Decrease in current non interest-bearing liabilities	(40)	(50)
	19	16
Other adjustments [1)]	(16)	(14)
Cash provided by operating activities	120	97
Investing activities		
Capital expenditures for purchase of fixed assets	(29)	(5)
Investments in group companies and other equity investments	(220)	(37)
Proceeds from sales of fixed assets	31	1
(Increase) decrease in long-term financial assets	(52)	164
Cash used in investing activities	(270)	123
Cash flow before financing activities	(150)	220
Financing activities		
Borrowings of long-term debt	303	35
Repayments of long-term debt	(134)	(159)
Increase (decrease) in current debt	111	(49)
Dividends paid	(100)	(31)
Other financial items	16	(53)
Cash used in financing activities	196	(257)
Increase (decrease) in cash and marketable securities	46	(37)
Adjustments	0	0
Increase (decrease) in cash and marketable securities in the balance sheet	46	(37)

[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		2001	2000
ASSETS			
Fixed assets and other long-term investments	[8]		
Intangible assets		7	2
Property and equipment		64	58
Long-term financial assets		1 707	1 430
Total fixed assets and other long-term investments		1 778	1 490
Current assets			
Receivables	[10]	344	379
Cash and bank		103	57
Total current assets		447	436
TOTAL ASSETS		2 225	1 926

€ million		2001	2000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	[9]		
Share capital		212	212
Premium fund		408	407
Treasury shares		14	–
Retained earnings		46	67
Profit for the financial year		114	93
		794	779
Untaxed reserves			
Accumulated depreciation difference		6	5
Liabilities			
Long-term	[10]		
Interest-bearing		580	375
Non interest-bearing		0	0
Current	[10]		
Interest-bearing		474	386
Non interest-bearing		371	381
Total liabilities		1 425	1 142
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2 225	1 926

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

€ million	2001	2000

1. Personnel expenses

€ million	2001	2000
Board of Directors' and Managing Director's and his deputy's fees and salaries [1]	**1**	1
Other salaries	**10**	9
Pension contributions	**2**	1
Other personnel expenses [2]	**1**	1
Personnel expenses in the income statement	**14**	12

[1] Includes paid bonuses EUR 0 million (2000: EUR 0 million).
[2] No profit-sharing bonuses based on the Finnish Personnel Funds Act were paid in 2001 (2000: EUR 0 million).

	2001	2000
Average number of personnel	**227**	200
Personnel on Dec. 31	**233**	187

2. Depreciation and amortization

€ million	2001	2000
Depreciation and amortization by group of assets		
Intangible assets	**0**	0
Other long-term expenses	**1**	0
Buildings	**1**	2
Machinery and equipment	**1**	1
Other fixed assets	**0**	0
	3	3
Depreciation and amortization by group of expenses		
Cost of sales	**0**	0
Administrative expenses	**3**	3
	3	3

3. Unusual items

€ million	2001	2000
Gain on sale of the Sampo Oyj shares	**22**	–

4. Other operating income and expenses

€ million	2001	2000
Other operating income		
Rental income	**3**	3
Gains on sales of fixed assets	**1**	0
Other income items	**1**	1
	5	4

continues

€ million	2001	2000
Other operating expenses		
Losses on disposal of fixed assets and sales of shares	**(1)**	0
Other expense items	**0**	0
	(1)	0
Other operating income and expenses, total	**4**	4

5. Financial income and expenses

€ million	2001	2000
Dividends received	**81**	4
Interest income on		
Long-term financial assets	**42**	50
Current assets	**21**	30
Other financial income	**2**	2
Interest expenses	**(50)**	(60)
Other financial expenses	**(1)**	(1)
Exchange gains (losses)	**2**	(6)
	97	19
Financial income from and expenses to subsidiaries		
Dividends received	**73**	2
Interest income on		
Long-term financial assets	**42**	49
Current assets	**17**	24
Other financial income	**2**	1
Interest expenses	**(9)**	(12)
	125	64

6. Extraordinary items

€ million	2001	2000
Group contributions	**36**	122

7. Income taxes

€ million	2001	2000
Income taxes		
Accrued taxes for the year	**(28)**	(42)
Tax adjustments for prior years	**0**	(2)
	(28)	(44)
Hypothetical deferred taxes in the balance sheet		
Deferred tax liabilities	**0**	(2)
Deferred tax assets	**5**	8
Net deferred tax asset	**5**	6

8. Fixed assets

€ million	Historical cost on Jan. 1, 2001	Additions	Dispositions	Accumulated depreciation on Jan. 1, 2001	Accumulated depreciation of dispositions	Depreciation during period	Accumulated depreciation on Dec. 31, 2001	Carrying value on Dec. 31, 2001
Intangible assets	4	6	0	(2)	0	(1)	(3)	7
Property and equipment								
Land	16	–	0	–	–	–	–	16
Buildings	41	2	0	(10)	0	(1)	(11)	32
Machinery and equipment	9	0	(1)	(5)	1	(1)	(5)	3
Other fixed assets	3	11	0	(1)	0	0	(1)	13
	69	13	(1)	(16)	1	(2)	(17)	64
Long-term financial assets								
Shareholdings in subsidiaries	718	220	(0)	–	–	–	–	938
Treasury shares	–	14	–	–	–	–	–	14
Other long-term equity investments	18	–	(9)	–	–	–	–	9
Long-term loans receivables	694	58	(6)	–	–	–	–	746
	1 430	292	(15)	–	–	–	–	1 707
Total fixed assets	1 503	311	(16)	(18)	1	(3)	(20)	1 778

€ million	2001	2000
9. Shareholders' equity		
Share capital on Jan. 1	**211.7**	211.7
Converted bonds	**0.3**	–
Share capital on Dec. 31	**212.0**	211.7
Premium fund on Jan. 1	**407.3**	407.3
Converted bonds	**1.2**	–
Premium fund on Dec. 31	**408.5**	407.3
Treasury shares	**13.6**	–
Retained earnings on Jan. 1	**66.8**	95.0
Prior year's profit	**93.0**	2.9
Dividends paid	**(99.6)**	(31.1)
Acquisition of treasury shares	**(13.6)**	–
Change in accounting principles	**(0.7)**	–
Retained earnings on Dec. 31	**45.9**	66.8
Profit for the financial year	**113.8**	93.0
Total shareholders' equity on Dec. 31	**793.8**	778.8
Distributable funds		
Retained earnings on Dec. 31	**45.9**	66.8
Profit for the financial year	**113.8**	93.0
Distributable funds on Dec. 31	**159.7**	159.8
10. Receivables and liabilities		
Receivables		
Accounts receivable	**12**	14
Loans receivable	**247**	269
Prepaid expenses and accrued income	**23**	63
Other receivables	**62**	33
	344	379
Long-term liabilities		
Interest-bearing		
Convertible bonds	**15**	18
Loans from financial institutions	**491**	352
Pension loans	**74**	5
Other long-term loans	**0**	0
	580	375
Non interest-bearing		
Other long-term liabilities	**0**	0
Current liabilites		
Interest-bearing		
Bonds and debentures	**–**	17
Convertible bonds	**–**	0
Loans from financial institutions	**80**	59
Pension loans	**8**	1
Other current loans	**386**	309
	474	386
Non interest-bearing		
Accounts payable	**11**	11
Accrued expenses and prepaid income	**37**	50
Deferred exchange gains	**–**	1
Other current liabilities	**323**	319
	371	381
Total liabilities	**1 425**	1 142

€ million	2001	2000
Receivables from and liabilities to subsidiaries		
Long-term receivables		
Loans receivable	**735**	682
Current receivables		
Loans receivable	**242**	268
Accounts receivable	**12**	14
Prepaid expenses and accrued income	**20**	22
Other receivables	**56**	27
	330	331
Current liabilities		
Current loans	**230**	242
Accounts payable	**1**	1
Accrued expenses and prepaid income	**5**	25
Other current liabilities	**316**	305
	552	573
Receivables from associated companies		
Long-term		
Loans receivable	**7**	7
Current		
Prepaid expenses and accrued income	**0**	0
Prepaid expenses and accrued income		
Accrued exchange gains	**7**	37
Prepaid interest expenses and accrued interest income	**11**	17
Prepaid income taxes and income tax refunds receivable	**0**	4
Other	**5**	5
	23	63
Accrued expenses and prepaid income		
Accrued employee related expenses	**2**	2
Accrued exchange losses	**19**	27
Accrued interest expenses and prepaid interest income	**7**	13
Other	**9**	8
	37	50

11. Commitments and contingent liabilities

Pledges on Dec. 31		
Mortgages to secure own borrowings	**59**	5
Guarantees on Dec. 31		
On behalf of subsidiaries		
For financing	**168**	211
For other commitments	**109**	52
On behalf of other parties		
For financing	**0**	0
	277	263

Mortgages are given mostly to secure pension loans.

The pensions of employees have been arranged by pension insurance. The additional pensions have also been arranged through life insurance company and the pension liabilities are sufficiently funded. The system for the additional pensions was closed in 1985.

Outokumpu Oyj's shares and shareholders

Shares and share capital

Outokumpu Oyj has issued a total of 124 700 050 shares. The account equivalent value of a share is EUR 1.70. Each of the Company's shares entitles to one vote at general meetings of shareholders.

Outokumpu Oyj's minimum authorized and issued share capital is EUR 150 000 000 and the maximum authorized and issued share capital is EUR 600 000 000. The issued share capital may be increased or decreased within these limits without amending the Articles of Association. The Company's fully paid share capital registered with the Finnish Trade Register on December 31, 2001 was EUR 211 990 085.

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 39.9% of the Company's shares and voting rights. In accordance with a decision taken by the Finnish Parliament in June 2001, the Finnish Government can reduce the State's shareholding to 10%. Reduction below this limit would require a new resolution by the Finnish Parliament.

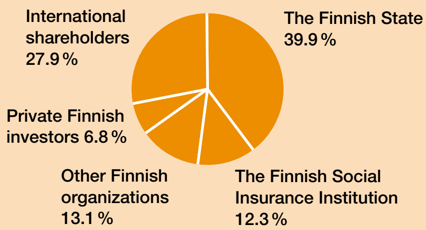
Purchase obligation

The Company's Articles of Association provide for a purchase obligation according to which 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 equaled 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 threshold.

Authorization to increase the Company's share capital

The Board of Directors of Outokumpu Oyj does not currently have a

Shareholders by group December 31, 2001



Principal shareholders on December 31, 2001

Shareholder	Shares	%
The Finnish State	49 774 981	39.9
The Finnish Social Insurance Institution	15 295 455	12.3
Pension Insurance Company Ilmarinen Ltd.	2 278 900	1.8
Varma-Sampo Mutual Pension Insurance Company	2 170 077	1.7
Sampo Life Insurance Company Limited	1 643 556	1.3
Outokumpu Oyj	1 406 000	1.1
The Finnish Local Governments' Pension Foundation	684 448	0.6
Kaleva Mutual Insurance Company	472 200	0.4
Suomi Mutual Life Assurance Company	405 000	0.3
Merita Life Assurance Ltd.	350 980	0.3
Nomicee accounts held by custodian banks [1)]	34 686 765	27.8
Other shareholders total	15 531 688	12.5
Total number of shares	124 700 050	100.0

[1)] Companies belonging to the Capital Group Companies Inc. own 5.3% of Outokumpu shares (notified July 14, 2000) and Fidelity Limited International owns 5.0% of the Company shares (notified January 17, 2002).

Shareholders by group on December 31, 2001

Shareholder group	Shares	%
Privately held companies	2 715 490	2.2
Publicly held companies	6 412	0.0
Financial and insurance instituitions	5 498 930	4.4
The public sector and public organizations		
The Finnish State	49 774 981	39.9
The Finnish Social Insurance Institution	15 295 455	12.3
Occupational pension schemes	6 988 383	5.6
Other	93 500	0.1
Non-profit organizations	1 030 359	0.8
Households/private persons	8 533 266	6.8
International shareholders	34 752 899	27.9
Shares not transferred to book-entry securities system	10 375	0.0
Total	124 700 050	100.0

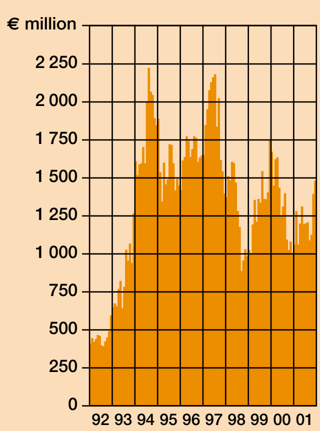
Distribution of shareholding on December 31, 2001

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital	Average shareholding
1–100	2 007	18.9	116 987	0.1	58
101–500	4 415	41.6	1 165 191	0.9	264
501–1 000	1 655	15.6	1 315 150	1.1	795
1 001–10 000	2 402	22.7	6 560 021	5.3	2 731
10 001–100 000	98	0.9	2 896 927	2.3	29 560
100 001–1 000 000	24	0.2	5 379 665	4.3	224 153
over 1 000 000	6	0.1	72 568 969	58.2	12 094 828
	10 607	100.0	90 002 910	72.2	8 485
Nominee accounts held at custodian banks			34 686 765	27.8	
Shares not transferred to book-entry securities system			10 375	0.0	
Total			124 700 050	100.0	

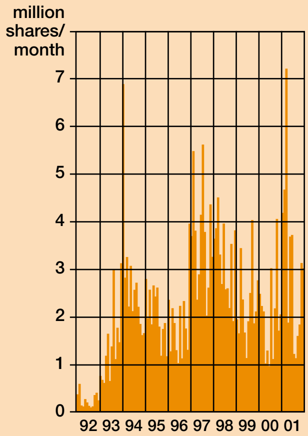
Increase in share capital 1997–2001

	Number of shares	Share capital €
Share capital on Jan. 1, 1997	124 529 660	209 443 852.98
Bonus issue on Apr. 28, 1999	–	211 700 422.00
Share subscriptions under the 1999 convertible bond Apr. 9 – Nov. 30, 2001	+170 390	211 990 085.00
Share capital on Dec. 31, 2001	124 700 050	211 990 085.00

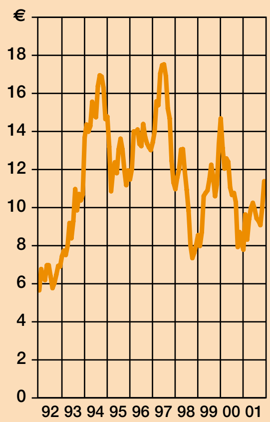
Market capitalization



Trading volume of shares



Share price



valid authorization to increase the Company's share capital.

Authorization to repurchase or transfer Company shares

The Annual General Meeting of shareholders held on March 21, 2001 authorized the Board of Directors to decide on the repurchase and transfer of the Company's own shares on the following terms:

– Shares are repurchased for improvement of the Company's equity structure or for use as consideration when the Company acquires assets for its operations or as consideration in corporate acquisitions in the manner and to the extent decided by the Board of Directors. The Board of Directors is also entitled to decide on the sale of Company shares to acquire funds for the Company to finance investments or acquisitions. Shares can also be used as part of incentive and remuneration schemes targeted to Company personnel.
– A maximum of 6 226 483 shares can be acquired. This represented 5% of the total registered number of shares on the authorization date.
– Shares are repurchased in accordance with a decision by the Board of Directors in public trading on the Helsinki Exchanges at the market price prevailing at the time of purchase and transferred at a price not lower than the current value at the time of transfer.
– The repurchase of shares does not have a significant effect on the proportion of share ownership or voting rights between shareholders of the Company.
– Shares are repurchased with distributable funds.
– The authorization to repurchase and transfer shares is valid until the Annual General Meeting of shareholders of 2002, however, for at most one year after the decision of Annual General Meeting.

Under the authorization a total of 1 406 000 Company shares had been repurchased by December 31, 2001. This represents 1.1% of the total number of the Company's shares. The shares were repurchased between April 9 and November 27, 2001. The total price of the shares repurchased was EUR 13.6 million and the average price was EUR 9.64 per share.

1998 management option program

In 1998, option warrants were offered for subscription to employees in management positions in Outokumpu Oyj and its subsidiaries. The pre-emptive subscription right of shareholders was waived. In the beginning of the subscription period, 94 members of the management held option warrants.

In the option program company's performance is measured against a reference index. A total of 2 600 option warrants were issued free of charge; each option warrant entitles the holder to subscribe for 1 000 Outokumpu shares. Sixteen option warrants returned to the Company in accordance with the option terms were annulled on October 30, 2001, so that a maximum of 2 584 000 Outokumpu Oyj shares can be subscribed with the option warrants. Following the subscriptions, the Company's share capital may increase by a maximum of EUR 4 392 800 and the shares available for subscription may account for a maximum of 2.0% of the Company's shares and voting rights.

On May 9, 2001, the Board of Directors of Outokumpu Oyj confirmed that the right to subscribe shares conformed to the option program terms and that the subscription price was EUR 10.45 per share. The subscription price for the shares equals the average price quoted for an Outokumpu Oyj share on the Helsinki Exchanges between October 1, 2000 and March 31, 2001, weighted by the trading volume of the same shares during the same period. Dividends paid annually will be deducted from the subscription price. The share subscription period will end on March 31, 2004. At the end of 2001 no shares were subscribed with option warrants.

The 1998 option warrants were applied and approved for listing on the main list of the Helsinki Exchanges as of June 21, 2001.

1999 convertible bonds to personnel

In February 1999, the Board of Directors decided, pursuant to authorization granted earlier by the Annual General Meeting, to issue convertible bonds to the personnel of Outokumpu Oyj and its subsidiaries. The shareholders' pre-emptive subscription right was waived. The convertible bonds form a part of the incentive program for Group personnel. The bonds were issued on April 7, 1999. The loan period is five years and the interest rate is 3.75%. The conversion period is from April 9, 2001 to April 5, 2004. The bonds were primarily offered for subscription to those permanently employed at Outokumpu Oyj or its subsidiaries in Finland. The loan was offered secondarily to the Personnel Fund of the Outokumpu Group in Finland. According to the terms of the convertible bonds, one convertible bond of EUR 1 000 can be converted to 110 shares in Outokumpu Oyj at a conversion price of EUR 9.09.

A total of 742 employees of the Outokumpu Group subscribed for the loan. The aggregate amount of the convertible bond was confirmed at 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. The maximum allowed increase in the Company's share capital is EUR 3 399 660.

A total of 170 390 Company shares were subscribed under the convertible bond between April 4 and November 30, 2001. The outstanding loan on December 31, 2001 following the subscriptions and the effected prepayments under the loan terms was EUR 14 666 000, entitling holders to subscribe for a maximum of 1 613 260 shares or 1.3% of the Company's shares and voting rights.

2000 and 2001 share remuneration schemes for management

By decision of the 2000 Annual General Meeting, the Outokumpu Group adopted a share remuneration scheme by which management and other key personnel will be rewarded for good performance compared with general trends in the industry. The scheme is intended to encourage management to work to increase the Company's shareholder value. The main goals also include fostering of long-term ownership and commitment of management and key personnel to the Company. Main features of the share remuneration scheme are:

- There are three separate remuneration periods, each with a term of three years. The first period commenced on January 1, 2000 and the second on January 1, 2001.
- In the beginning of the first period the scheme included 165 persons

in the Group management and other key personnel and of the second 172 such persons. The Board of Directors will determine who is entitled to participate in each period.

– Remuneration will be based on the relative performance of the Company's share price. The trend will be assessed on the basis of a combination of two indices, the DJ World Mining index and the DJ Europe Steel Index, with respective weights of 40% and 60%.
– Remuneration will be subject to the condition that the average change in Outokumpu Oyj's share price shall equal or exceed the average trend in the reference index. Maximum remuneration shall be subject to the condition that the average change in the Company's share price exceeds the average trend in the reference index by at least 15%.
– The number of shares that determines the maximum amount of remuneration will be calculated by dividing the six months' salary of the person in question prior to the beginning of the remuneration period by the average price of a Company share during the same six-month period. The maximum amount of remuneration will equal the product of the number of shares so calculated and the average price of the Company's share over the last six months preceding the end of the remuneration period.
– 60% of remuneration will be paid in cash and 40% in Outokumpu Oyj shares.
– Persons receiving remuneration agree to hold the shares they have received under the scheme for at least one year.

If participants in the share remuneration scheme receive Company shares equivalent to the maximum remuneration for the first two incentive periods, their shareholding obtained via share remuneration would amount to 0.4% of the Company's shares and voting rights.

Management shareholding

At the end of the year 2001, the members of the Board of Directors of Outokumpu Oyj, the President and the Deputy President held a total of 16 150 shares, corresponding to 0.01% of the Company's shares and voting rights. In addition, the President and the Deputy President were entitled pursuant to the 1998 option warrants to subscribe a total of 240 000 shares, pursuant to the 1999 convertible bonds to personnel to a total of 15 620 shares as well as based on the maximum remuneration of the 2000 share remuneration scheme to 18 700 shares and of the 2001 share remuneration scheme to 29 150 shares. If the subscription rights were exercised in full and the share remuneration scheme yielded the maximum number of shares, the shares and voting rights accounted for the said persons would be 0.2% pursuant to the option warrants, 0.01% pursuant to the convertible bond, and 0.02% pursuant to the share remuneration scheme.

Management shareholding is presented in greater detail on pages 93, 95 and 97.

Price development and trading volume of shares and option warrants

Prices and trading volumes for shares and option warrants over the last five years as well as key figures per share are presented on the next page.

Share-related data

		1997	1998	1999	2000	**2001**
Earnings per share (excluding extraordinary items)	€	0.95	0.05	0.78	2.38	**0.61**
Earnings per share	€	0.95	0.05	0.78	2.53	**0.61**
Cash flow per share	€	1.53	2.39	0.79	2.00	**2.79**
Shareholders' equity per share	€	10.42	10.07	10.89	12.93	**12.57**
Dividend per share	€	0.34	0.08	0.25	0.80	**0.61** [1]
Dividend/earnings ratio	%	35.4	186.7	32.2	33.7	**100.0**
Dividend yield	%	3.0	1.1	1.8	9.9	**5.1**
Price/earnings ratio		11.8	174.7	18.0	3.4	**19.4**
Development of share price						
Average trading price	€	15.13	10.54	10.77	10.77	**9.39**
Lowest trading price	€	10.43	6.27	7.25	7.25	**7.10**
Highest trading price	€	18.16	14.30	15.00	15.80	**11.95**
Trading price at end of period	€	11.18	7.87	14.05	8.05	**11.85**
Change during the period	%	(15.3)	(29.6)	78.5	(42.7)	**47.2**
Change in HEX-index during the period	%	32.3	68.5	162.0	(10.6)	**(32.4)**
Market capitalization at end of period	€ million	1 393	980	1 750	1 002	**1 478**
Development in trading volume [2]						
Trading volume	1 000 shares	43 942	38 456	27 204	24 028	**37 155**
In relation to weighted average number of shares	%	35.3	30.9	21.8	19.3	**29.8**
Average number of shares		124 529 660	124 529 660	124 529 660	124 529 660	**124 062 869** [3), 4)]
Number of shares at end of period		124 529 660	124 529 660	124 529 660	124 529 660	**123 294 050** [4]
1998 option warrants [5]						
Price development						
Average trading price	€					**2 500**
Lowest trading price	€					**2 500**
Highest trading price	€					**2 500**
Trading price at end of period	€					**2 500**
Trading volume	pcs.					**40**
Number at end of period						**2 584**

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 2001, diluted with the warrants held by the Group's top management and convertible bond for the personnel, was 125 257 214. The items have a dilutive negative effect of EUR 0.0058 on earnings per share figures for 2001.

4) Excluding repurchased own shares.

5) 1998 option warrants are listed on the Helsinki Exchanges as of June 21, 2001. An option entitles its holder to subscribe for 1 000 shares in Outokumpu Oyj by March 31, 2004. The subscription price is EUR 10.45 per share, less the amount of annual dividends paid by the Company. More specific information on 1998 management option program on pages 87–88.

Definitions of financial key figures are presented on page 63.

Outokumpu Oyj's corporate governance

Finnish guidelines on corporate governance

In its corporate governance, Outokumpu Oyj complies with, in addition to current legislation, the jointly prepared guidelines of the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers, which are recommended by the Helsinki Exchanges as well as the OECD Principles on Corporate Governance. The Company also applies guidelines for insiders similar in content to those of the Helsinki Exchanges.

Structure of the Outokumpu Group

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

The Outokumpu Group activities are organized into strategic business entities or business areas. These business areas are Copper Products, Metallurgy and Stainless Steel, which comprises AvestaPolarit Oyj Abp. AvestaPolarit is listed on Stockholm and Helsinki stock exchanges and Outokumpu has a holding of 55.3% in it. In addition, there are business and service units that operate under the Parent Company, Outokumpu Oyj. Copper Products and Metallurgy consist of operative business units that report to the Group Executive Committee members in charge of the Group's business areas. All business units subject to the direct control and supervision of the Group have been given specific financial and other operational targets. In contrast to the situation vis-à-vis the operative business units, Outokumpu is involved in the management of AvestaPolarit solely through that company's Board of Directors.

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 and the President. The Group Executive Committee, whose members are proposed by the President and appointed by the Board, assists the President.

Most operative business units are legally part of the Outokumpu Group and are wholly owned subsidiaries of the Parent Company. The Boards of these subsidiaries comprise persons in the senior management of the Group and the company concerned and, in some companies, of personnel representatives.

As the Parent Company of the Group, Outokumpu Oyj is responsible for the administrative, corporate strategic planning, accounting, finance and investor relations functions of the Group and also provides the business and other Group units with corporate services.

Tasks and duties of the Board of Directors

The Board of Directors of Outokumpu Oyj 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 important decisions, such as amendments to the Articles of Association, approval of the financial statements, decisions on the amount 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 operations. 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 maximum return on capital employed. The principal duties of the Board include

– establishing the basic strategies of the Group;
– approving business plans and targets and controlling their implementation;
– approving the aggregate amount of capital spending of the Group and its broad allocation by businesses, and deciding on major and strategically important investments, acquisitions and disposals of assets;
– establishing the Company's dividend policy and preparing a proposal for the Annual General Meeting of Shareholders on yearly dividends;
– establishing the organizational structure;
– appointing the President and his deputy and establishing the terms of their employment based on a proposal from the Board Chairman and Vice Chairman;
– appointing the members of the Group Executive Committee based on the President's proposal;
– issues pertaining to risk management and internal control;
– defining the Company's ethical standards; and
– reviewing and approving interim reports, financial statements and corporate reviews.

The Board may appoint permanent committees consisting of Board members and establish their working procedures; these committees report to the Board. The Board may also appoint temporary committees consisting of Board members to carry out specific tasks. The Board also handles their reports.

The Board reviews its procedures and practices regularly.

Election of the Board

The Annual General Meeting of Shareholders elects the members of the Board of Directors 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. Under the Articles of Association, the Board of Directors chooses a Chairman and Vice Chairman from among its members. A Board member may at any time be removed from office by majority vote at a General Meeting of Shareholders. The names of proposed Board members made known to the Board of Directors prior to a General Meeting must be made public if the proposal is supported by shareholders holding a minimum of 20% of all shares and votes in the Company and if the proposed person has consented to the nomination.

President and Group Executive Committee

The President is responsible for managing and controlling the Company's business in accordance with the Finnish Companies Act and instructions and decisions issued by the Board. The Group Executive Committee, appointed by the Board, supports him in this work.

The Board of Directors appoints the President and, based on the President's proposal, the members of the Group Executive Committee. There were six members on the Committee in 2001.

Remuneration and pension benefits of Directors, the President and members of the Group Executive Committee

The fees, salaries and employee benefits paid to the members of the Board of Directors and the Group Executive Committee in 2001 are presented on the above table.

€	Salaries and fees with employee benefits	Performance-related bonuses	Total
Directors [1]	144 305	–	144 305
President	461 766	150 301	612 067
Other Group Executive Committee members	820 523	226 140	1 046 663

[1] Excluding President's salary and bonuses.

No fee other than that decided by the Annual General Meeting will be paid to Board members, excluding the President. The performance-related bonus paid to the President and members of the Group Executive Committee in addition to their salary and employee benefits depends on the economic value added generated by the Company. The maximum bonus is 40% of annual salary based on basic monthly earnings.

No separate remuneration is paid to the President or members of the Group Executive Committee for membership on the Committee or the governing bodies of operative business units.

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 members. The current Board comprises eight members, one of whom has been elected following a proposal by Company employees based on their shareholdings. The President is also a Board member.

Board meetings

The Board normally convenes six to ten times a year. Most Board meetings are held at the Company's head office in Espoo, Finland, although some take place at other Group offices in conjunction with visits by members to operating units.

When persons are appointed to Group senior management and their remunerations and other benefits are decided on, the superior of the person in question proposes the appointment and remuneration to his own superior, who then decides the matter.

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 Committee. The said persons or any other persons or entities within their sphere of influence have no significant business relationships with the Company.

The pension benefits of the President and the members of the Group Executive Committee are based on the Employees' Pensions Act (TEL). However, the Board of Directors may decide to allow the President and Group Executive Committee members to retire at the age of 60 to 65.

Share ownership and options

The number of Outokumpu Oyj shares held by the Directors and members of the Group Executive Committee on December 31, 2001, and the number of new shares subscribable under option warrants and convertible bonds as well as the number of shares that determines the maximum remuneration in the share remuneration scheme, should the terms of it to be fulfilled, are shown in the following table:

	Number of shares	1998 option program	1999 convertible bond to personnel	2000 share remuneration scheme [2]	2001 share remuneration scheme [2]
Directors [1]	6150	–	–	–	–
Group Executive Committee members	18570	520000	31240	40330	58640

[1] Excluding President's share ownership and options.

[2] Number of shares that determines the maximum remuneration.

The holding of shares and option warrants of each member of the Board of Directors and of the Group Executive Committee is presented on pages 95 and 97.

The terms of management's option warrants and the share remuneration scheme and of the convertible bonds issued to personnel are explained in more detail on pages 87–89.

Control systems

Operational steering and control within the Group are ensured by the management and administrative systems described above. The Company has the necessary reporting systems for operational business control and effective monitoring of the Group's assets and interests.

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

The structural division of the Group into separate subsidiaries operating as business units clearly channels financial responsibility within the Group and facilitates operational control and management of the various Group entities. Nevertheless, the status of AvestaPolarit as an independent listed company means that it is controlled mainly through the work of the company's Board of Directors. Control does not take place comprehensively, through the Group's operative steering and control systems.

The Group has an operational reporting system to facilitate financial planning and business control. It is used to monitor the attainment of targets on a monthly basis. In addition to actual data, the system comprises up-to-date forecasts and plans for the current year and for the following 12 months.

The accumulation of economic value added is monitored in internal quarterly reports and the information is published in the annual report.

Apart from AvestaPolarit, corporate financial and metal price risks are administered centrally by the Group's finance function. Uniform risk management principles have been established for the entire Group, under which the business units define and identify their financial and metal price risks in collaboration with the finance function. Risks are transferred to the internal bank operated by the finance function, which covers external risks according to agreed principles. Regular reports on these risks are given to the Group Executive Committee.

Risks related to property, loss of profits, and liability losses are covered with the appropriate insurance.

The President, the members of the Group Executive Committee and the Corporate Executive Staff are responsible for ensuring that the day-to-day operations of the Group are in compliance with existing laws and regulations, the operating principles of the Company, and decisions made by the Board.

PricewaterhouseCoopers is responsible for Group company audits worldwide. Outokumpu Oyj is audited by SVH Pricewaterhouse Coopers Oy, the auditor in charge being Mr. Pekka Nikula, Authorized Public Accountant, who is also responsible for overseeing and coordinating the audit of all Group companies.

Each year the auditor in charge and the Outokumpu Oyj 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 for shareholders in conjunction with the annual financial statements of the Company, as required by law. In addition, the auditors report their findings to the Board at least twice a year.

Board of Directors

Chairman

1 **Gerhard Wendt,** b. 1934, Ph.D.
Outokumpu Board Member and Chairman 1997–
Divisional General Manager 1972–88, President 1989–94: Kone Corporation
Chairman of the Board of Directors: Instrumentarium Corporation, Algol Oy, Helvar Merca Oy Ab
Board Member: Kone Corporation, Kyro Corporation, Vaisala Corporation
Owns no Outokumpu shares.

Vice Chairman

2 **Matti Puhakka,** b. 1945, technician
Outokumpu Board Member and Vice Chairman 1997–
Outokumpu Supervisory Board Member 1978–89, Supervisory Board Member and Chairman 1992–96
Board Member and Deputy Director-General 1996–: Finnish Social Insurance Institution
Member of Parliament 1975–91 and 1995–96
Executive Director 1993–95: Regional Council of North Karelia
Project Manager 1991–93: Enso Oyj
Member of the Council of State of Finland 1983–91
Board Member: Civil Aviation Administration
Owns no Outokumpu shares.

Members

3 **Arto Honkaniemi,** b. 1946, LL.M., B.Sc.(Econ.)
Outokumpu Board Member 1999–
Industrial Counsellor 1998–: Ministry of Trade and Industry
Board Member: Partek Corporation
Owns no Outokumpu shares.

4 **Jorma Huuhtanen,** b. 1945, Licentiate (Med.)
Outokumpu Board Member 2001–
Director-General 2000–: Finnish Social Insurance Institution
Member of Parliament 1987–2000
Minister of Social Affairs and Health 1992–95
Senior Physician 1973–74, Chief Physician 1975–99: Eno, Nilsiä and Rautavaara Municipal Health Centers
Supervisory Board Member: Fortum Corporation
Owns no Outokumpu shares.

5 **Liisa Joronen,** b. 1944, D.Ed., B.Sc.(Econ.)
Outokumpu Board Member 2000–
Chairman of the Board of Directors 1992–: SOL Palvelut Oy
President 1980–91: Lindström Oy
Supervisory Board Member: Ilmarinen Insurance Company
Owns 5 400 Outokumpu shares.

6 **Jyrki Juusela,** see Group Executive Committee

7 **Heimo Karinen,** b. 1939, M.Sc.(Eng.)
Outokumpu Board Member 1999–
Chairman and Chief Executive Officer: Kemira Oyj 1991–99
Board Member: Danisco A/S
Owns 750 Outokumpu shares.

8 **Osmo Lehti,** b. 1952, repairman
Outokumpu Board Member 2001–
Chief shop steward at Outokumpu Poricopper Oy 1996–,
employed by the Outokumpu Group since 1983
Owns no Outokumpu shares.

Group Executive Committee

Jyrki Juusela

Risto Virrankoski

Tapani Järvinen

Esa Lager

Juho Mäkinen

Kalevi Nikkilä

Jyrki Juusela, b. 1943, D.Tech.
CEO and President 1992–
Chairman of the Group Executive Committee 2000–
Responsibilities: Group management, investor relations, economic affairs
Board Member 1988–, Chairman of the Executive Board 1997–2000, employed by the Outokumpu Group since 1971

Chairman of the Board of Directors: AvestaPolarit Oyj Abp
Vice Chairman of the Board of Directors: Sampo plc
Board Member: Confederation of Finnish Industry and Employers, Federation of Finnish Metal, Engineering and Electrotechnical Industries, Association of Finnish Steel and Metal Producers
Supervisory Board Member: Varma-Sampo Mutual Pension Insurance Company

Risto Virrankoski, b. 1946, B.Sc.(Econ.)
Deputy Chief Executive, Deputy President 2001–
Member of the Group Executive Committee 2000–,
Vice Chairman of the Group Executive Committee 2001–
Responsibilities: business development, development of management resources and systems, corporate communications, information management, economic research, mining
Board Member 1986–97, member of the Executive Board 1997–2000, employed by the Outokumpu Group since 1969

Vice Chairman of the Board of Directors: Partek Corporation
Board Member: AvestaPolarit Oyj Abp, VR Ltd (Finnish Railways)

Tapani Järvinen, b. 1946, Lic.Tech.
Executive Vice President – Metallurgy
Member of the Group Executive Committee 2000–
Responsibilities: metallurgy, energy affairs, employed by the Outokumpu Group since 1985

Board Member: International Copper Association, Ltd.

Esa Lager, b. 1959, M.Sc.(Econ.), LL.M.
Executive Vice President – Finance and Administration
Member of the Group Executive Committee 2001–
Responsibilities: financing, administration and industrial relations, risk management, legal affairs, real estate, employed by the Outokumpu Group since 1990

Supervisory Board Member: Sampo Life Insurance Company Limited

Juho Mäkinen, b. 1945, D.Tech.
Executive Vice President – Technology
Member of the Group Executive Committee 2000–
Responsibilities: technology and intellectual property management, environment, health and safety, quality issues, insurance services, technology investments
Board Member 1996–97, Member of the Group Executive Board 1997–2000, employed by the Outokumpu Group since 1975

Chairman: The Finnish Association of Mining and Metallurgical Engineers
Vice Chairman of the Board of Directors: Okmetic Oyj
Board Member: Espoo Chamber of Commerce, Eurometaux (European Association of Metals), Neorem Magnets Oy

Kalevi Nikkilä, b. 1945, D.Tech.
Executive Vice President – Copper Products, President of Outokumpu Copper Products Oy
Member of the Group Executive Committee 2000–
Responsibilities: copper products, commercial affairs, employed by the Outokumpu Group since 1991

Board Member: International Copper Association, Ltd., International Wrought Copper Council

Shares and options of the Group Executive Committee members

Outokumpu Oyj shares held by the Group Executive Committee members, and new shares they can subscribe pursuant to the option warrants and the convertible bond, as well as the number of shares that determines the maximum remuneration in the share remuneration scheme were as follows on December 31, 2001:

Executive staff – Senior Vice Presidents

Jaakko Ahotupa, Corporate Administration and Industrial Relations
Petri Fernström, Corporate Commercial Affairs
Pekka Hynynen, Corporate Business Development
Matti Koponen, Corporate Environmental Affairs
Kari Lassila, Investor Relations, Corporate Development
Eero Mustala, Corporate Communications
Raimo Rantanen, Corporate Research and Development
Vesa-Pekka Takala, Corporate Controller
Seppo Turunen, Corporate Human Resources

AvestaPolarit Oyj Abp

Ossi Virolainen, CEO and President

Business unit management

Copper Products

Warren Bartel, Americas
Ari Ingman, Europe
Staffan Anger, Automotive heat exchangers
Hannu Wahlroos, Appliance heat exchangers & Asia

Metallurgy

Ville Sipilä, Zinc
Jukka Järvinen, Harjavalta Metals
Pekka Heikkonen, Technology
Kari Knuutila, Metallurgical research

Other operations

Eero Laatio, Base Metals Mines
Tuomo Mäkelä, Precious Metals Mines

	Shares	1998 option program	1999 convertible bond to personnel	2000 share remuneration scheme [1]	2001 share remuneration scheme [1]
Jyrki Juusela	10 000	160 000	7 810	11 820	19 170
Risto Virrankoski	–	80 000	7 810	6 880	9 980
Tapani Järvinen	1 870	60 000	–	5 980	8 150
Esa Lager	–	60 000	7 810	3 880	4 840
Juho Mäkinen	5 000	80 000	–	6 590	8 480
Kalevi Nikkilä	1 700	80 000	7 810	5 180	8 020

[1] Number of shares that determines the maximum remuneration.

Analysts covering Outokumpu

The following banks and brokers prepare investment analysis on Outokumpu.

Bank/Broker Analyst	Tel.	E-mail
BNP Paribas		
Metals & Mining Team	+44 20 7595 2000	richard.chase@bnpparibas.com
Canaccord Capital (Europe) Limited		
Roger Chaplin	+44 20 7518 7364	roger_chaplin@canaccordeurope.com
D. Carnegie AB		
Johan Sjöberg	+46 8 676 8800	johsjo@carnegie.se
Commerzbank Securities		
Hayden Bairstow	+44 20 7653 7124	hayden.bairstow@CommerzbankIB.com
Conventum Securities Limited		
Tuomas Hirvonen	+358 9 2312 3322	tuomas.hirvonen@conventum.fi
Credit Lyonnais Securities		
Ken Hughes	+44 20 7214 5581	ken.hughes@clse.com
Danske Securities		
Christofer Sjögren	+46 8 5688 1533	christofer.sjogren@danskesecurities.com
Deutsche Bank AG		
Klaus Soer	+49 69 910 31917	klaus.soer@db.com
Enskilda Securities AB		
Johan Lindh	+358 9 616 28726	johan.lindh@enskilda.fi
Evli Bank Plc		
Pekka Spolander	+358 9 4766 9201	pekka.spolander@evli.com
Handelsbanken Securities		
Gustav Lucander	+358 10 444 2409	gustav.lucander@handelsbanken.fi
Mandatum Stockbrokers		
Eeva Mäkelä	+358 10 236 4851	eeva.makela@mandatum.fi
Merrill Lynch		
Russell Skirrow	+44 20 7996 4723	russell_skirrow@ml.com
Nordea Securities Limited		
Ville Kivelä	+358 9 3694 9435	ville.kivela@nordeasecurities.com
RBC Capital Markets		
Cliff Hale-Sanders	+1 416 842 7892	clifford.hale-sanders@rbccm.com

Annual General Meeting and dividend

Annual General Meeting

The Annual General Meeting of Shareholders of Outokumpu Oyj will be held at Espoo Cultural Center in Espoo, Finland at 1.00 p.m. on Monday, April 8, 2002.

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 27, 2002.

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 27, 2002.

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), by e-mail agm@outokumpu.com or by letter addressed to Outokumpu Oyj, Share Register, P.O. Box 140, FIN-02201 Espoo, Finland by no later than April 4, 2002. The letter must be received by the Company on or before April 4, 2002.

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 April 4, 2002.

Dividend

The Board of Directors' dividend proposal for 2001 is presented in the Corporate review of the year on pages 49–50.

Annual report and interim reports

The Outokumpu Group will publish three interim reports during 2002 as follows:

1st quarter April 29, 2002 at 1 p.m. (Finnish time)
2nd quarter July 26, 2002 at 1 p.m. (Finnish time)
3rd quarter October 25, 2002 at 1 p.m. (Finnish time)

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

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

Contact information

Corporate Management

Outokumpu Oyj
P.O. Box 140
Riihitontuntie 7 B
FIN-02201 ESPOO
Finland
Tel. +358 9 4211
Fax +358 9 421 3888
E-mail: corporate.comms@outokumpu.com
www.outokumpu.com

Other addresses

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

Outokumpu Oyj
Domicile: Espoo, Finland
Business ID: 0215254-2

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