

The Outokumpu Group

Financial year 1994

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Annual General Meeting

The Annual General Meeting of Outokumpu Oy will be held on Monday, April 24, 1995 in Espoo, Finland.

Interim report publication schedule

The Outokumpu Group will publish two interim reports during 1995. The January-April report is scheduled for publication on June 7, 1995, and the January-August report on October 5, 1995. Both reports will be printed in Finnish and English and can be obtained from: Outokumpu Oy/Corporate Communications, P.O. Box 280, FIN-02101 Espoo, Finland. Telephone +358 0 421 2416, telefax +358 0 421 2429.

The year in brief

Overall, Outokumpu's business operations developed favorably and on target in 1994.

The Group's profitability improved markedly. Profit before extraordinary items and taxes was FIM 1 028 million, an increase of FIM 800 million compared with the previous year.

The financial position also strengthened considerably. The equity-to-assets ratio rose to 41.1 %. Net debt was reduced by FIM 1 463 million.

The Executive Board proposes a dividend of FIM 1.00 per share.

Stainless Steel remained clearly the most profitable business segment, showing an excellent financial result. Copper Products improved its operating profit significantly, which was particularly positive. Base Metals' profitability remained unsatisfactory. Technology posted a loss mainly due to completion costs related to two unfinished energy-technology projects.

The Group's large investment projects at Harjavalta, Zaldívar and Tornio have progressed well. These investments, parts of which will be completed in 1995, will considerably increase the Group's copper, nickel and stainless steel output.

KEY FIGURES		1994	1993 ¹⁾
Net sales	FIM million	16 683	16 566
– change from previous year	%	0.7	4.6
Operating profit	FIM million	1 051	852
Profit before extraordinary items and taxes	FIM million	1 028	228
Return on capital employed	%	10.7	9.3
Net interest-bearing debt	FIM million	4 352	5 815
– in relation to net sales	%	26.1	35.1
Equity-to-assets ratio	%	41.1	26.9
Cash provided by operating activities	FIM million	1 246	1 002
Income per share	FIM	7.17	2.45
Shareholders' equity per share	FIM	50.16	39.35
Dividend per share	FIM	1.00²⁾	–
Share price on Dec. 31	FIM	88.00	68.40
Market capitalization on Dec. 31	FIM million	10 959	7 512
Investments	FIM million	1 488	1 110
Personnel on Dec. 31		14 959	16 073

²⁾ Executive Board's proposal to the Annual General Meeting

¹⁾ Comparative figures restated to comply with new accounting principles

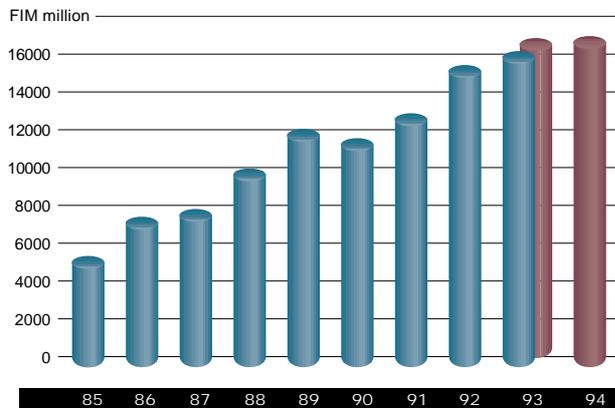
At the beginning of 1994, the Outokumpu Group adopted new accounting principles, which are based on the revised Finnish Accounting Act and comply in all material respects with the United States Generally Accepted Accounting Principles (US GAAP). The comparative figures for 1993 have been restated to comply with the new principles. Changes in the accounting principles are presented on pages 41-44.

The column charts of this annual report that are affected by the changes in accounting principles present the years before the changes in blue; red is used for the restated 1993 figures and for 1994, when the new principles were applied. The column charts not affected by the changes present all figures in red.

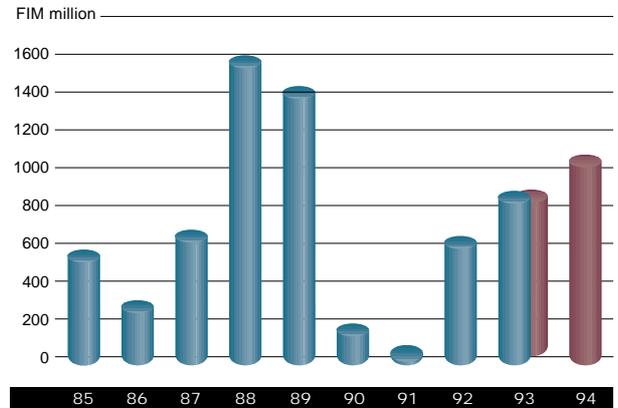
 According to previous accounting principles

 According to new accounting principles

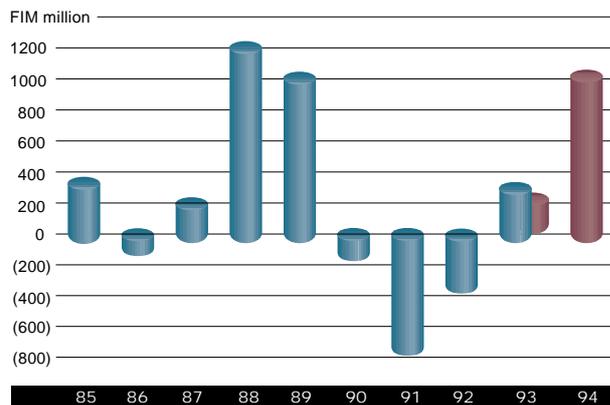
NET SALES



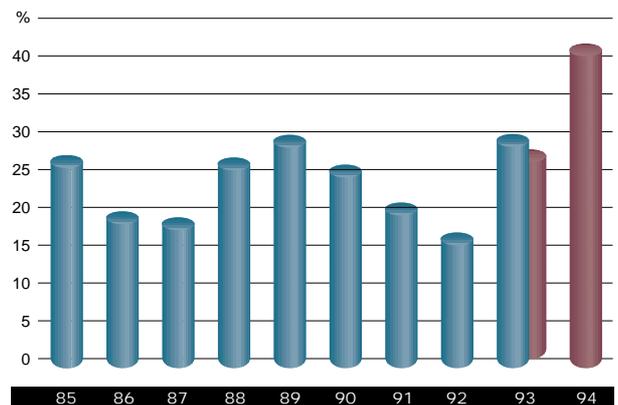
OPERATING PROFIT



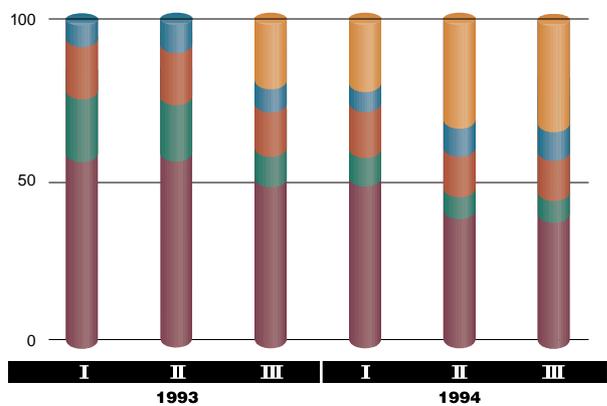
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES



EQUITY-TO-ASSETS RATIO

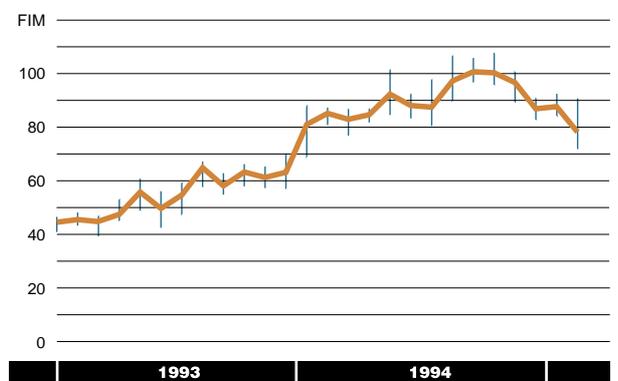


DEVELOPMENT OF OWNERSHIP STRUCTURE BY TERTIAL, %



- International shareholders
- Other Finnish organizations
- The Finnish Social Insurance Institution
- Private Finnish investors
- The Finnish State

PRICE DEVELOPMENT OF A-SHARES



- High
- Average
- Low

Chief Executive's statement

Dear Shareholder,

I am pleased to report that 1994 marked a clear and positive turning point in Outokumpu's profitability. The improved situation is largely the result of our own extensive business restructuring efforts over the past few years, but also reflects increased production volumes, considerably reduced financial expenses and a recovery that began in the all-important metal markets towards the end of the year. Although the full impact of higher metal prices on our results has not yet been felt, the combination of our own measures and a favorable market trend gives us every reason to believe that the near-future outlook for Outokumpu is bright.

Our share issue in July, our improved profitability and a series of business dispositions all contributed to a significant strengthening of our balance sheet and debt reduction. Streamlining of the organization has continued relentlessly with one overriding strategic objective: to further enhance the efficiency and competitiveness of our core businesses. Here we are putting special emphasis on effective tapping of integration benefits and synergies inherent in our overall business portfolio. Our big investment projects at Tornio, Harjavalta and Zaldívar are progressing well and are on schedule for start-ups in 1995-96.

Looking at our performance by business segment, Stainless Steel again excelled with a very good result. It has a firm competitive position in the market, one that we are determined to maintain through prioritized investment. Copper Products' strong return to profitability after a difficult period of restructuring was also very encouraging; we can now turn from rationalizations to business development with a focus on the strongest product lines. In our Base Metals segment, profitability was modest, mainly due to low zinc prices. The suppressed zinc price should not, however, overshadow that our competitive position in zinc remains strong as is best seen in results: our zinc production ran at a profit last year, too. In addition, our competitiveness and profitability in both copper and nickel production will improve notably as our current significant investments are put into production. A clear disappointment was the unacceptably large losses in our Technology segment. There is some consolation in knowing that these losses accumulated specifically from project completion commitments in energy technology, a non-core business from which we began to withdraw already in 1993. This poor result has prompted us to speed up our program of streamlining the segment to focus more strictly on Outokumpu's traditional core competence areas in mining, metallurgy and metal working. In many of these product or service categories, we have the advantage of a strong market position.

1994 brought with it significant changes in our ownership structure. The Finnish State's shareholding fell to 40 % and foreign ownership increased to almost one third. Interest in Outokumpu and our activities has increased markedly, reflected also in higher share trading volumes.

Also extremely important is the fact that our ability to pay



dividends has been restored, thanks to our significantly improved financial position. In the future, in order to live up to the expectations of our current owners and also to attract new shareholders, it is essential for us to prove competitive in our dividend policy.

Our business prospects in the near future are quite favorable. Increasing demand for stainless steel, base metals and copper products should lead to higher prices and margins. Industrial investment growth should benefit our technology sales. With our own pending capacity increases and an organization streamlined for greater efficiency, we are well poised for continued improvements in our results.

We also look with confidence further into the future. We have clear strategies and goals, and we have good opportunities and the resources necessary to continue developing our businesses.

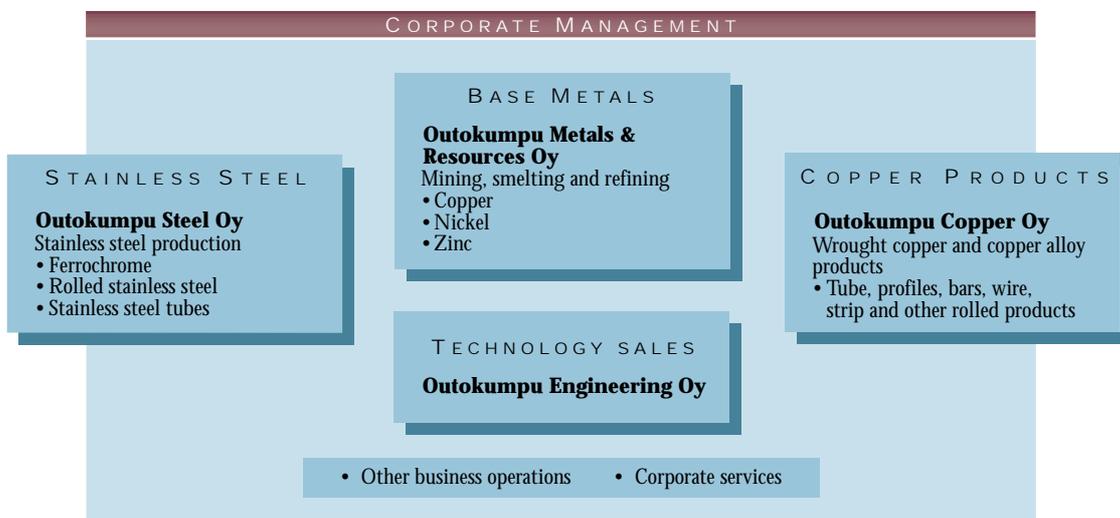
During the past couple of years, Outokumpu has gone through a difficult process of change. In the toughest of market conditions, we have struggled hard to improve our competitiveness and have done so. For success in this process, our employees deserve all the credit; they have performed admirably. I thank each of them for their efforts. With this same spirit, we should be well equipped to meet the challenges in the years ahead. We aim to be a successful and growing company, anxious and ambitious to earn the respect and trust of our customers and shareholders alike.

Jyrki Juusela

President, CEO

Chairman of the Executive Board

Business organization



The Outokumpu Group is organized into four sub-groups called business segments. The parent companies of all four business segments are fully owned by Outokumpu Oy.

Other business operations comprise a number of companies either fully or partially owned by

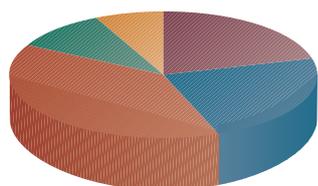
Outokumpu Oy and involved in business activities that support or complement the Group's main operations.

The Technology segment was dissolved and parts of it formed a new Technology Sales business segment at the end of 1994. Most of the equip-

ment manufacture, comprising the Rammer and Roxon companies, was sold at the beginning of 1995. However, the 1994 financial statements have been prepared on the basis of the former Technology business segment organization.

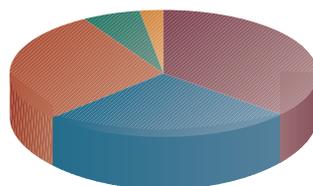
NET SALES, CAPITAL EMPLOYED AND PERSONNEL BY BUSINESS SEGMENT 1994

NET SALES



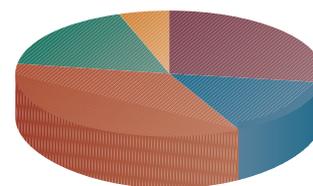
Base Metals	20.9 %
Stainless Steel	23.4 %
Copper Products	38.6 %
Technology	10.2 %
Other operations	6.9 %

CAPITAL EMPLOYED



Base Metals	36.3 %
Stainless Steel	26.7 %
Copper Products	28.4 %
Technology	6.2 %
Other operations	2.4 %

PERSONNEL



Base Metals	27.3 %
Stainless Steel	15.3 %
Copper Products	35.2 %
Technology	17.2 %
Other operations	5.0 %

Outokumpu - We and our corporate culture

The Outokumpu Group

Outokumpu is a versatile metals group operating worldwide.

In our business, we focus on base metals production, stainless steel, copper products and technology.

We continuously strive to ensure our position as experts at the forefront of our industry.

Our mission

The world needs metals.

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

In all our business operations, we must recognize the crucial importance of our customers, good profitability and responsibility for our environment.

To secure our competitiveness, we must continuously improve our competence.

Our core values

In all our activities around the world we must conduct ourselves in such a way that we are regarded as a sound, trustworthy and responsible company.

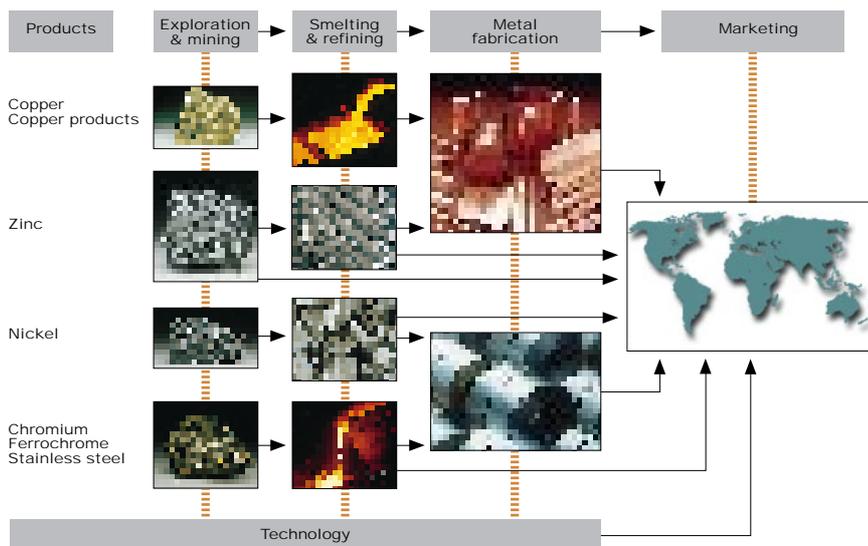
The customer is of crucial importance to us. We must take this into account in everything we do. We want to be a good partner.

Only through good profitability and a strong financial position can we ensure the continuity and development of our operations, as well as Outokumpu's attractiveness as an investment.

Our competence determines our success. Thus, the contribution of each and every Outokumpu employee is critical. Success depends on every one of us.

We must constantly work towards reducing the impact of our operations on the environment.

It is vitally important that we continuously improve our competence and develop our operations.



Long production chains in many metals are characteristic of Outokumpu. The chart illustrates how all of the Group's core businesses are interlinked by material flows, technology and a variety of competences in the overall business. The main strategic objective is to secure broad and efficient utilization of the competences and natural synergies that exist between the operations.

Business segment reviews



◀ Last year the Group's exploration efforts were quite successful; mineral resources grew considerably compared with 1993. Outokumpu identified significant new nickel deposits in Canada and Australia, and a copper deposit in Chile. Mineral resources also grew in Outokumpu's other exploration projects.



▲ Demand for copper products grew strongly in the United States for a third consecutive year. After the completion of a new brass wire mill, Valleycast, Inc. is one of the most efficient copper alloy wire producers in the world. The company's products are engineered to customer needs. Pictured are Bill Mody and Steve Hoover.

▶ Outokumpu is one of the world's most efficient stainless steel producers. The unique, integrated production chain creates the basis for cost-efficient operation and high-quality products. In the next few years an extensive investment program will further increase stainless steel production. Pictured, Kalevi Taivaloja supervises the skin-pass mill.



▶ A part of the three-year modernization and expansion program at the Harjavalta smelters and nickel plant in Finland will be completed already in 1995. The modernization will nearly double production output and decrease the operating cost per unit by 20 % in nickel production and almost 30 % in copper production. Emissions will also be further reduced; an example is dust emissions, which will fall to only one third of the 1993 level.



▲ Technology's most significant ongoing project in 1994 was a new flash smelter for Kennecott Corporation in the United States. The smelter is the first to employ the flash converting process, which represents the newest and most environmentally-friendly copper technology available. The smelter will go into production in 1995.

Base Metals

OUTOKUMPU METALS & RESOURCES OY





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

Outokumpu produces about 1 % of the world's copper and about 3 % of the nickel and zinc respectively.

In 1994, the business operations of the Outokumpu Metals & Resources group were organized as follows:

Copper and nickel operations comprise mining in Finland, Sweden, Norway and Australia; copper and nickel production at the Harjavalta smelters and nickel plant as well as at the Pori copper refinery, all in Finland.

Zinc operations comprise the majority of Outokumpu's zinc production chain, encompassing the Tara mine in Ireland, which is Europe's largest zinc-lead mine, and the Kokkola zinc plant in Finland.

The recovery of the world economy increased the demand for metals and also raised metal prices toward year-end.

Outokumpu's base metals production proceeded as planned at both the mines and metallurgical plants. The business segment's operating profit was FIM 49 million.

The expansion and modernization of the nickel and copper production at Harjavalta and Pori in Finland advanced on schedule. The modernized nickel line will start up in June 1995 and the copper line incrementally during 1995-96. The estimated total cost of the investment has been reduced from the previous FIM 1.7 billion to FIM 1.6 billion.

The construction of the Zaldívar copper mine in Northern Chile continued according to plan. The mine, half owned by Outokumpu, will start production in mid-1995. The total capital cost is expected to remain USD 600 million, which was the original cost estimate.

The Outokumpu Metals & Resources group has revised its organizational structure. In the new organization introduced at the beginning of February 1995, the basic structure of the business segment was simplified and intermediate levels were abolished. The new organization is divided between mining operations and metal production, the latter being further organized by metal into three units. The new organization also enhances the existing strong technical development capabilities and exploration units.

Market conditions

The recovery of the world economy had a positive impact on the metals market. Increased consumption and industrial investments, especially in the United States and Asia, as well as the recovery of the world automotive industry enhanced metals demand

significantly. Nevertheless, the construction sector, which has an important influence on metals demand, was still at recession levels in many Western countries.

World copper consumption grew at the strong rate of over 6 %. Due to production losses in Africa and Japan, copper production, however, remained at the previous year's level. With demand clearly exceeding supply, copper inventories were reduced and the price of metal rose sharply, reaching a three-year high at the end of 1994.

Nickel consumption also grew by over 6 %, mainly due to vigorous growth in stainless steel production. The consumption growth was, however, met with a sharp increase in nickel production, and the market was in surplus for most of the year. Nickel inventories remained high, and the price of metal was depressed until the last quarter, when vigorous demand and news about production problems in Russia resulted in sharp price increases.

A surplus in the zinc market early in the year was replaced by a shortage towards year-end. Economic recovery increased zinc consumption by about 3 %. A decrease in zinc mine production was followed by a shortage of concentrate, which reduced metal production. Zinc supply was also

NET SALES BY BUSINESS UNIT

FIM million	1994	1993
Copper and nickel operations	2 298	2 324
Zinc operations	1 648	1 545
OM Group	—	874
Other business units	201	141
Sales within the segment	(212)	(240)
Total	3 935	4 644

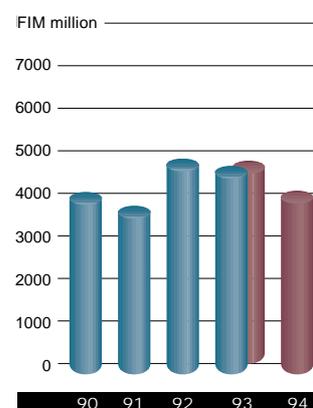
reduced by a decrease in the amount of metal exported by Eastern European countries. Although the reduction of inventories raised the zinc price late in the year, the price was still depressed because of exceptionally high inventories.

The average copper and nickel prices in US dollars rose approximately 20 % compared with the previous year. The zinc price increase was markedly smaller at 2 %. Price development, when translated into Finnish marks, was more modest due to the strengthening of the currency.

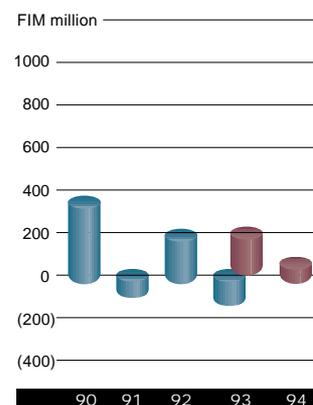
Financial development

Net sales of the group were FIM 3 935 million, a decrease of 15 % from the previous year. The decrease was mainly due to the sale of the chemicals business, OM Group Inc., in October 1993. Excluding copper, metal deliveries were at the previous year's level. Higher metal prices increased net sales, but the effect was partially offset by the weakening of the US dollar against the currencies of the main production countries and by

NET SALES



OPERATING PROFIT



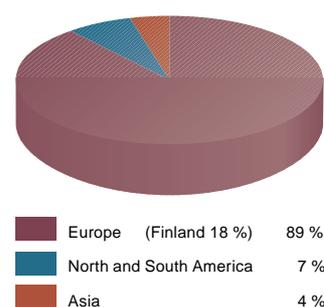
■ Previous accounting principles
■ New accounting principles

KEY FIGURES

FIM million	1990	1991	1992	1993	Restated ¹⁾ 1993	1994
Net sales	3 917	3 587	4 701	4 422	4 644	3 935
Share of Group's net sales (%)	30	25	28	25	26	21
Operating profit	341	(60)	183	(96)	191	49
Profit before extraordinary items and taxes	312	(120)	404	152	145	164
Return on capital employed (%)	14	2	15	7	7	4
Capital employed Dec. 31	3 567	3 585	4 912	4 678	4 582	4 249
Investments	562	465	912	522	522	904
Personnel Dec. 31	4 737	4 443	4 596	4 140	4 140	4 082

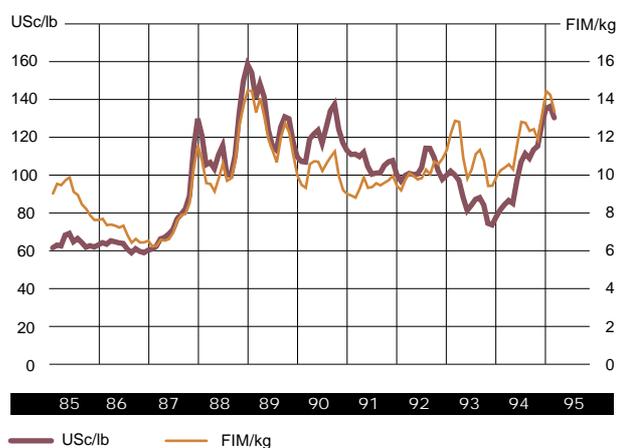
¹⁾ In accordance with new accounting principles. Changes in the accounting principles are presented on pages 41-44.

NET SALES BY MARKET AREA 1994

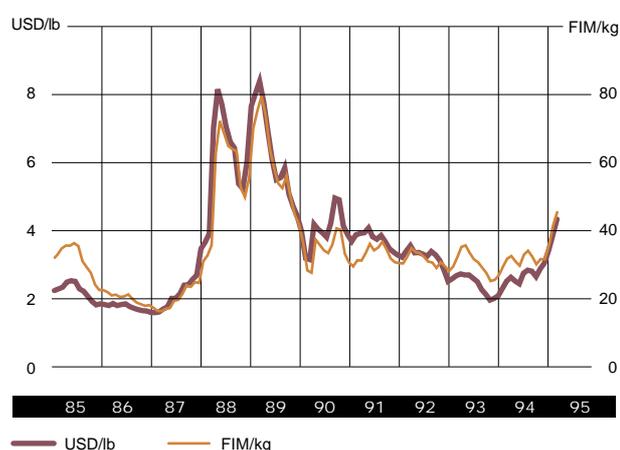


METAL MARKET PRICES

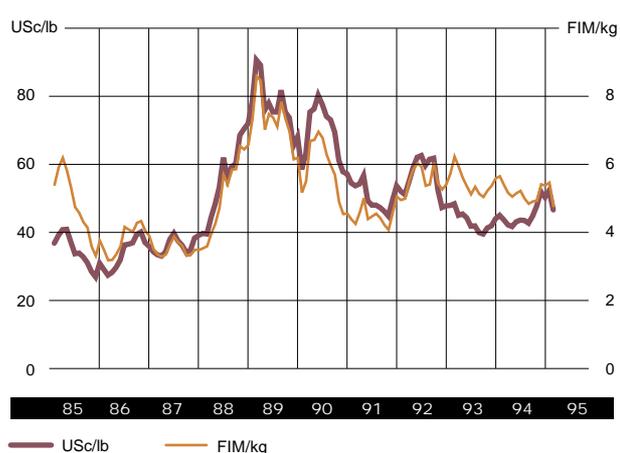
COPPER



NICKEL



ZINC



ANNUAL AVERAGE METAL MARKET PRICES

		1994	1993	Change %
Copper	US\$/lb	105	87	20.7
	FIM/kg	12.07	10.95	10.2
Nickel	USD/lb	2.88	2.40	20.0
	FIM/kg	33.09	30.20	9.6
Zinc	US\$/lb	45	44	2.3
	FIM/kg	5.21	5.49	(5.1)

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

the strengthening of the Finnish mark.

Operating profit was FIM 49 million (1993: FIM 191 million), including FIM 81 million of inventory gains due to raw material price increases (1993: FIM 24 million of inventory losses). Sales of business operations had a minor impact on operating profit in the year in review. The 1993 operating profit was improved by a FIM 293 million gain due to the sale of OM Group Inc.

Outokumpu's minority interests in the Thalanga zinc-lead-copper mine, the Lady Loretta mining project and the Mt Windsor exploration project, all in Australia, were sold. Also sold were the holdings in the Transamine companies, focusing on concentrate trading. These dispositions diminish the business segment's annual net sales by about FIM 80 million and the personnel by eight.

Profit before extraordinary items and taxes was FIM 164 million (1993: FIM 145 million). The improvement was partially due to exchange gains on financing.

Both the copper-nickel and zinc operations showed profits. However, the overall profitability of the business segment remained unsatisfactory.

Mining operations

The total amount of ore excavated decreased slightly from the previous year, mainly due to the sale of the 25 % interest in the Thalanga mine during the year in review and due to mine closures during 1993. With the exception of lead and gold, the total output of metal in concentrates was also reduced from the previous year.

Despite production difficulties early in the year at the Tara zinc-lead mine, total output reached the previous year's level. The Forrestania nickel mine in Australia achieved the planned level of production after

MINE PRODUCTION

	Ore excavated (million tonnes)		Metal in concentrates (tonnes)				Zinc		Lead		Gold (kg)	
	1994	1993	Copper 1994	Copper 1993	Nickel 1994	Nickel 1993	1994	1993	1994	1993	1994	1993
Finland												
Enonkoski	1.0	1.1			2 400	3 300						
Hitura	0.6	0.5			2 700	2 600						
Orivesi	0.1	–									480	–
Pyhäsalmi	1.1	1.1	8 700	8 300			16 900	22 000				
Saattopora	0.3	0.5	800	2 800							800	450
Vammala	0.4	0.6			1 700	2 300						
Sweden												
Viscaria	0.9	0.7	16 700	19 100							200	50
Norway												
Grong	0.6	0.5	7 400	6 400			9 100	9 100				
Folldal	–	0.2	–	2 400			–	1 600				
Australia												
Forrestania	0.6	0.5			7 500	5 600						
Thalanga 25 %	0.1	0.2	900	2 300			5 800	12 600	1 300	3 500		
Ireland												
Tara	2.7	2.6					194 000	194 100	53 600	44 600		
Canada												
Namew Lake 40 %	–	0.2	–	700	–	3 000						
Total	8.4	8.7	34 500	42 000	14 300	16 800	225 800	239 400	54 900	48 100	1 480	500

The Pyhäsalmi mine also produced 710 000 tonnes of pyrite concentrates (1993: Pyhäsalmi 675 000 tonnes and Folldal 89 000 tonnes). Outokumpu's ownership is 100 % unless otherwise stated. Tonnage is presented on the basis of Outokumpu's beneficial interest.

difficulties with start-up in 1993.

The life spans of Outokumpu's Nordic copper, nickel and zinc mines have been prolonged to some extent by efficient operations and successful exploration in the vicinity of the mines. Nevertheless, the Enonkoski nickel mine was closed in December 1994 and the Vammala nickel mine at the beginning of 1995 after their ore reserves were exhausted. According to the current estimate, production at the Saattopora gold mine will end during 1995.

Some personnel of the closed mines have been relocated to the Orivesi gold mine, which started production in October 1994, and to the Vammala concentrator, used for concentrating the Orivesi ore since the closure of the Vammala mine. The estimated life span of Orivesi is two years and total output of gold in concentrates 2 100 kg.

Mine projects

The construction of the Zaldívar copper mine in Northern Chile advanced on schedule. The mine is

owned jointly by Outokumpu (50 %) and Placer Dome, Inc. of Canada (50 %). Production will start in mid-1995, and mining will continue for about 17 years. Annual production capacity will be 125 000 tonnes of cathode copper. Outokumpu will undertake marketing of the entire production. In terms of production costs, the mine will be among the best copper producers in the world. The average direct operating cost is estimated at USD 0.49/lb.

As originally estimated, the capital cost of the Zaldívar project is about USD 600 million. Both owners provide USD 100 million either through an equity investment or a subordinated loan. Placer Dome has provided project financing of USD 400 million.

Metal production

Metal production proceeded according to plan at all plants. Nickel production increased 7 % and zinc production 1 % from the previous year. Blister copper production decreased 8 % and cathode copper

METAL PRODUCTION

Tonnes	1994	1993
Harjavalta		
Blister copper	98 200	107 000
Nickel	15 900	14 800
Pori		
Cathode copper	69 200	73 400
Gold (kg)	1 370	1 370
Silver (kg)	26 100	29 300
Kokkola		
Zinc	173 000	171 000
Chemicals, OM Group		
Cobalt in cobalt products	–	2 150
Nickel in nickel products	–	2 690

production 6 % because of the ongoing expansion at Harjavalta and Pori in Finland.

The Harjavalta expansion and modernization will raise nickel production capacity to 32 000 tonnes and blister copper capacity to 160 000 tonnes per year. At the same time, cathode copper capacity at the Pori electrolytic refinery will rise to 125 000 tonnes per year. The nickel raw material will come mostly from Australia – from Outokumpu's Forrestania mine and from Western Mining's Mt Keith mine under a long-term concentrate purchase agreement. The copper raw material will be supplied both by Outokumpu mines and by other producers under long-term purchase agreements.

The FIM 1.6 billion investment program, to be completed incrementally during 1995-96, will significantly enhance Outokumpu's competitiveness. The average direct operating cost will decrease 20 % in nickel production and almost 30 % in copper production. The investment will also bring considerable improvements in environmental protection. Emissions at Harjavalta will be reduced although production volumes will nearly double.

Investments

The group's 1994 investments totalled FIM 904 million. The main investment targets were the expansion and modernization of the nickel and copper production lines at Harjavalta and Pori in Finland, the Zaldívar copper mine project in Chile, and the Forrestania nickel mine in Australia.

Research and development

Research and development (R&D) expenditures totalled FIM 302 million (1993: FIM 243 million), which represents 8 % of net sales. Exploration accounted for FIM 193 million (1993: FIM 203 million) of

the total. Expenditures in early-stage exploration were FIM 129 million and in advanced-stage exploration FIM 64 million.

Metallurgical R&D efforts focused primarily on a new energy-efficient and environmentally-friendly zinc production process. Process development has now entered the pilot-testing phase. Other R&D efforts included optimization of the new Harjavalta nickel process and various research programs relating to mine projects and environmental protection.

Exploration and mineral resources

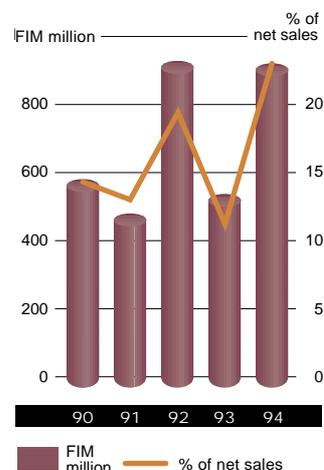
Outokumpu's mineral resources grew considerably during 1994 owing to successful exploration efforts. The company identified significant new nickel deposits in Canada and Australia, and a copper deposit in Chile. The main locations of zinc exploration were Australia, Ireland and Spain. Nordic exploration activities focused mainly on the vicinity of operating mines.

In 1993, Outokumpu entered into an option agreement to acquire a 100 % interest in the Montcalm nickel-copper deposit in Ontario, Canada. A drilling program was completed at the deposit by mid-1994. Indicated and inferred resources were outlined at 7.4 million tonnes grading 1.6 % nickel and 0.7 % copper, which represents a marked increase in resources since Outokumpu acquired the option. At present, a preliminary feasibility study is underway, and a drilling program is ongoing to further outline the deposit.

Outokumpu acquired the Cliffs Mt Keith nickel deposit in Western Australia in 1992. Based on two years of exploration work, indicated and inferred mineral resources are 5.8 million tonnes grading 2.6 % nickel.

Mineral resources have also

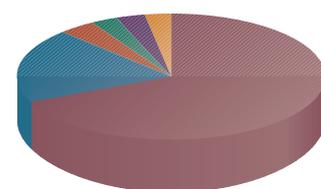
INVESTMENTS



PERSONNEL BY BUSINESS UNIT

	1994	1993
Copper and nickel operations	1 987	2 016
Zinc operations	1 674	1 724
Development and service companies	288	344
Parent company	133	56
Total	4 082	4 140

PERSONNEL BY COUNTRY 1994



Finland	2 793
Ireland	784
Australia	154
Norway	122
Sweden	118
Other countries	111

ORE RESERVES AND MINERAL RESOURCES ON DEC. 31, 1994

MINES	Ore reserves		Mineral resources		
	Proven	Probable	Measured	Indicated	Inferred
Australia Forrestania	0.5 Mt 1.6 % Ni	3.7 Mt 2.0 % Ni		3.4 Mt 1.9 % Ni	3.2 Mt 2.0 % Ni
Finland Hitura	1.1 Mt 0.7 % Ni		3.2 Mt 0.7 % Ni	0.4 Mt 0.9 % Ni	0.9 Mt 0.8 % Ni
Orivesi	140 000 t 7 g/t Au	150 000 t 7 g/t Au		21 000 t 8 g/t Au	68 000 t 11 g/t Au
Pyhäsalmi	5.4 Mt 0.9 % Cu 2.1 % Zn 38.4 % S	0.6 Mt 1.0 % Cu 1.8 % Zn 39.9 % S			
Saattopora		120 000 t 2.4 g/t Au			
Ireland Tara	7.4 Mt 9.4 % Zn 2.3 % Pb	15.3 Mt 8.1 % Zn 2.6 % Pb	0.8 Mt 4.3 % Zn 3.3 % Pb	2.1 Mt 4.8 % Zn 1.8 % Pb	11.9 Mt 5.7 % Zn 2.6 % Pb
Norway Grong	1.1 Mt 1.5 % Cu 1.5 % Zn	0.1 Mt 1.9 % Cu 0.5 % Zn		1.2 Mt 1.4 % Cu 1.2 % Zn	0.7 Mt 2.0 % Cu 1.4 % Zn
Sweden Viscaria	0.9 Mt 2.1 % Cu 0.3 g/t Au	0.6 Mt 1.7 % Cu	0.2 Mt 2.3 % Cu	1.1 Mt 2.5 % Cu	1.0 Mt 2.1 % Cu

MINE PROJECTS

Chile Zaldivar 50 %	316 Mt ¹⁾ 0.9 % Cu			109 Mt ²⁾ 0.5 % Cu	50 Mt 0.6 % Cu
Ireland Galmoy 21.3 %		6.3 Mt ^{1) 3)} 11.5 % Zn 1.1 % Pb			
Lisheen 12.25 %		19 Mt ^{1) 3)} 11.5 % Zn 1.9 % Pb 27 g/t Ag			

NOTES TO THE TABLES

The information has been prepared in accordance with the "Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, September 1992". A mineral resource is a deposit the extent and grades of which have been assessed by geological methods. Ore reserves are the economically exploitable part of the mineral resources defined on the basis of feasibility studies.

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

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

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

¹⁾ Comprises proven and probable ore reserves

²⁾ Comprises measured and indicated mineral resources

³⁾ Reported by the operator

⁴⁾ Outokumpu interest including options

MAIN EXPLORATION TARGETS	Mineral resources		
	Measured	Indicated	Inferred
Australia Cliffs Mt Keith		1.5 Mt 2.8 % Ni	4.3 Mt 2.5 % Ni
Honeymoon Well 35 % Disseminated deposit		75 Mt 0.8 % Ni	35 Mt 0.7 % Ni
Massive deposit			2.5 Mt 3.4 % Ni
Panorama 67.4 % ⁴⁾ Copper deposit		1.6 Mt 4.3 % Cu 1.2 % Zn	1.3 Mt 4.0 % Cu 1.0 % Zn
Zinc deposit		1.7 Mt 11 % Zn 40 g/t Ag	1.6 Mt 11 % Zn 40 g/t Ag
Canada Montcalm ⁴⁾		6 Mt 1.5 % Ni 0.7 % Cu	1.4 Mt 1.8 % Ni 0.8 % Cu

	Mineral resources		
	Measured	Indicated	Inferred
Chile Relincho		100 Mt 0.8 % Cu 0.03 % Mo	30 Mt 0.8 % Cu 0.03 % Mo
Santa Catalina		109 Mt 0.7 % Cu 0.1 % Mo	
Finland Kyylylahti			2.6 Mt 2.5 % Cu 0.4 % Co 0.8 g/t Au
Mullikkoräme	0.6 Mt 0.5 % Cu 9.5 % Zn		0.1 Mt 0.5 % Cu 7.0 % Zn 20.5 % S
	0.9 g/t Au 80 g/t Ag		0.8 g/t Au 60 g/t Ag

grown from the previous year in Outokumpu's other exploration projects. Significant thicknesses of nickel mineralization were identified at the Honeymoon Well nickel deposit in Australia (ownership: CRA Exploration 65 % and Outokumpu 35 %) at the end of the year. Current indicated and inferred mineral resources are 112 million tonnes grading 0.8 % nickel. Preliminary feasibility studies and exploration drilling are continuing. The first preliminary feasibility study is expected to be completed in spring 1995.

In 1994, Outokumpu identified an important copper mineralization called Relincho near the town of Vallenar in Chile. Indicated and inferred mineral resources are 130 million tonnes containing 0.8 % copper, some molybdenum and silver. Exploration work continues.

Preliminary feasibility study work was underway on the Santa Catalina copper project in Northern Chile. Indicated and inferred mineral resources are 109 million tonnes grading 0.7 % copper and 0.1 % molybdenum. The project's first preliminary feasibility study, prepared on the Catalina copper deposit, is expected by mid-1995.

In Australia, the first estimate of mineral resources was completed at one of the mineralizations of the Panorama exploration project of Sipa Resources International NL. Indicated and inferred resources are 6.2 million tonnes composed of two deposits: 3.3 million tonnes grading 11 % zinc, and 2.9 million tonnes grading 4 % copper. Outokumpu currently holds an 18.4 % share in Sipa Resources International and has a 60 % option on the Panorama project.

Exploration continued on a zinc mineralization near the Tara mine in Ireland. The work reveals promising potential. Other exploration targets

in Ireland are the zinc-lead deposits of Galmoy (Outokumpu ownership 21.3 %) and Lisheen (12.25 %). Galmoy received planning permission from local authorities in 1994. A mining license was granted in February 1995. Alternatives for financing the project are being investigated. Planning permission for the Lisheen project will be applied for in the first half of 1995.

During the year in review, Outokumpu intensified exploration activities in Russia by establishing an exploration company, AOZT Kola Mining, on the Kola Peninsula. Outokumpu holds an 83 % share in the company. The previously established associated company A/O Kivijärvi opened an exploration office in Petrozavodsk in Russian Karelia.

Environmental protection

The Harjavalta and Kokkola metallurgical plants in Finland continued to work on their air and water pollution control programs in 1994. Harjavalta's dust emissions were reduced by 24 % from the 1993 level and will be further reduced to only one third of that level with the help of a third offgas treatment unit commissioned at the end of August.

The mines and metallurgical plants made systematic progress in a waste recycling and utilization program. Training for internal environmental auditing was continued. Necessary data were gathered in preparation for joining the European Union's ECO Management and Audit Scheme. A report was published on the environmental protection at Outokumpu's Finnish mines and metallurgical plants.

Mostly landscaping-related activities were continued at the mines closed in recent years.

Outlook for the near future
Demand for metals is expected to

remain strong throughout 1995.

Copper consumption is forecasted to grow, albeit at a slower rate than in 1994, and inventories are expected to be further reduced early in the current year. However, it is expected that the market will move into a surplus stage in the second half of the year when new mines currently under construction start production.

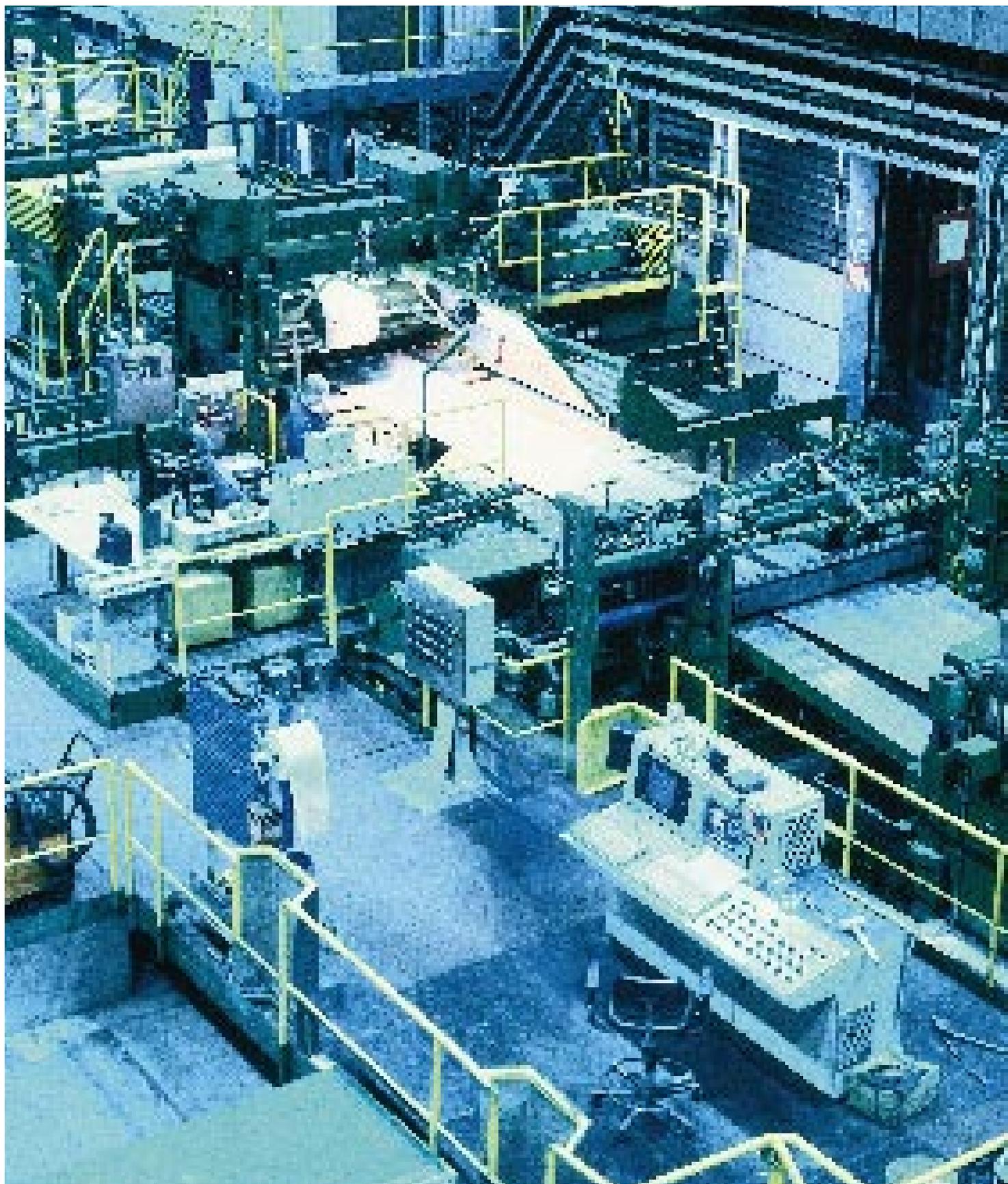
Nickel demand will also be strong. At the same time, nickel production in the Western countries will increase sharply. It appears that supply and demand will be in balance in 1995.

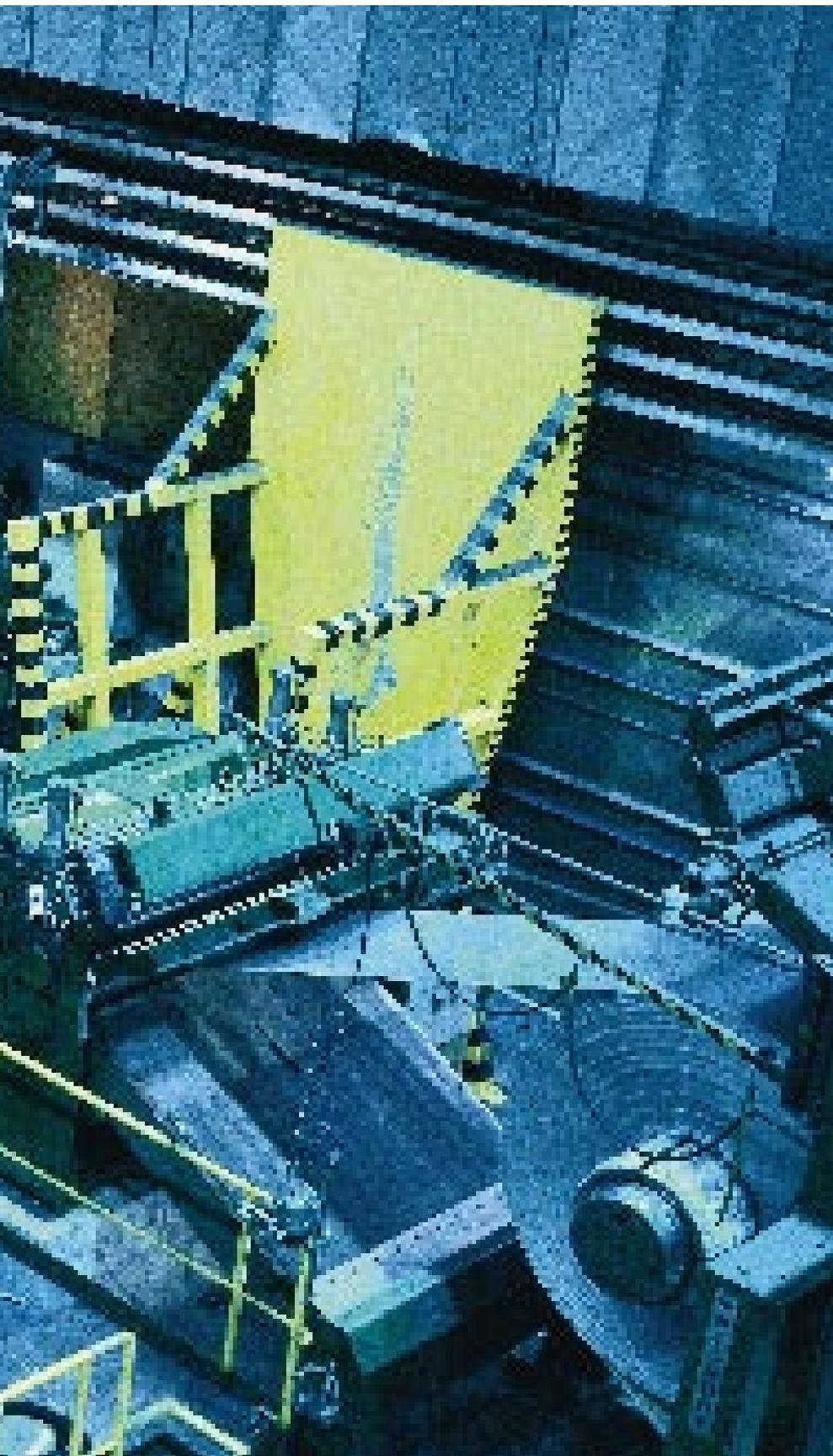
Demand is expected to exceed supply in the zinc market. High inventories will, however, restrain price increases.

The main objectives of the Base Metals business segment for 1995 comprise successful start-up of the large investments which are now nearing completion: the Zaldívar copper mine, the modernization of nickel production at Harjavalta, and the expansion of the copper refinery at Pori. These investments will enhance the competitiveness of Outokumpu's copper and nickel production lines. They will, together with the currently competitive zinc production units, strengthen Outokumpu's position in base metals production.

Stainless Steel

OUTOKUMPU STEEL OY





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

The business operations of the Outokumpu Steel group are organized as follows:

Outokumpu Chrome mines chromite at the Kemi mine and produces ferrochrome in Tornio.

Outokumpu Polarit produces stainless steel in Tornio. Part of the rolled production is further processed in Terneuzen, the Netherlands.

Ja-Ro processes stainless steel into tubes and tube fittings at plants in Pietarsaari and Veteli, Finland, as well as in Terneuzen, the Netherlands.

Outokumpu Steel also has an extensive network of marketing subsidiaries to cover the main markets.

Stainless steel production in the Western world grew about 11 % in 1994 compared with the previous year. In Europe, the growth exceeded 16 %. Weak demand that prevailed in late 1993 was followed by rapid growth in early 1994, after which demand remained healthy throughout the year. The strength of this market allowed for stainless steel price increases, and made it possible to transfer raw material price increases into product prices.

Outokumpu's Stainless Steel production units ran smoothly in 1994. This, coupled with a favorably developing stainless market, meant that the business segment could again achieve a good result. Capacity utilization was high with all main product groups breaking production records. Net sales grew 15 % above 1993 levels, and operating profit amounted to FIM 909 million.

The main new investments comprise construction of a new ferrochrome converter and a tension levelling line in Tornio. A decision to construct a third cold-rolling mill was made in late 1993, and the mill will go onstream in autumn 1995.

Market conditions

World stainless steel consumption increased about 10 % causing

NET SALES BY BUSINESS UNIT

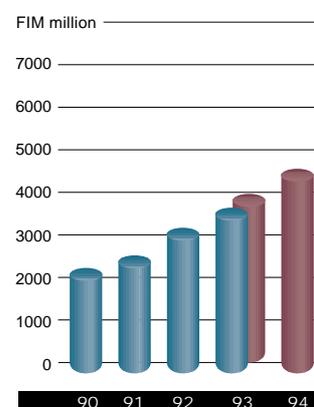
FIM million	1994	1993
Outokumpu Chrome	607	530
Outokumpu Polarit	3 765	3 314
Ja-Ro	375	292
Other business units	547	562
Sales within the segment	(896)	(890)
Total	4 398	3 808

stainless steel demand to strengthen in all main markets.

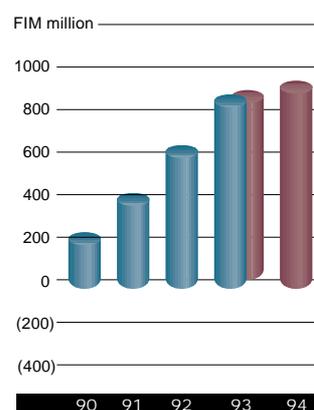
Deliveries by European producers grew by an estimated 14 % compared with 1993. European demand was enhanced by exceptionally low inventories, which have since returned to normal levels. Stainless steel prices rose sharply from a low level at the beginning of the year, and average annual prices were slightly higher in Outokumpu's main markets in Europe than in the previous year. Sharp price increases of the main raw materials, especially nickel and molybdenum, and difficulties in predicting price movements caused confusion in the markets. The outcome was the introduction of alloy surcharges in the pricing of stainless steel products both in Europe and other markets.

Because of excess capacity in the European stainless steel tube industry, market competition is severe. However, there has been some favorable market development since spring

NET SALES



OPERATING PROFIT



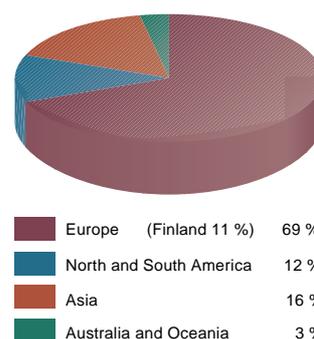
Legend:
■ New accounting principles
■ Previous accounting principles

KEY FIGURES

FIM million	1990	1991	1992	1993	Restated ¹⁾ 1993	1994
Net sales	2 074	2 369	3 039	3 503	3 808	4 398
Share of Group's net sales (%)	16	16	18	20	21	23
Operating profit	197	384	607	847	844	909
Profit before extraordinary items and taxes	95	201	349	708	720	954
Return on capital employed (%)	7	14	21	25	28	29
Capital employed Dec. 31	2 648	2 846	3 273	3 556	3 321	3 126
Investments	300	419	396	213	213	235
Personnel Dec. 31	1 971	2 015	2 230	2 259	2 259	2 283

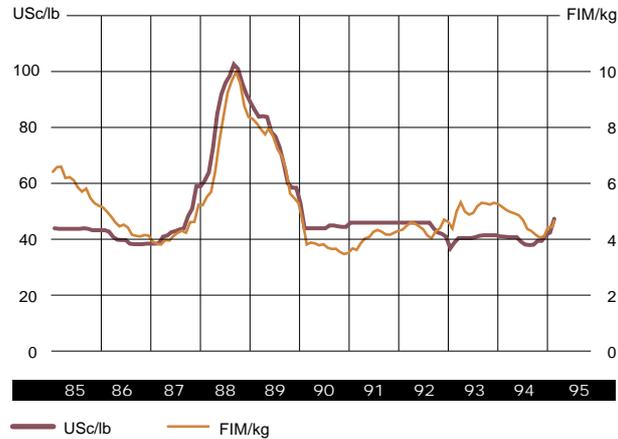
¹⁾ In accordance with new accounting principles. Changes in the accounting principles are presented on pages 41-44.

NET SALES BY MARKET AREA 1994

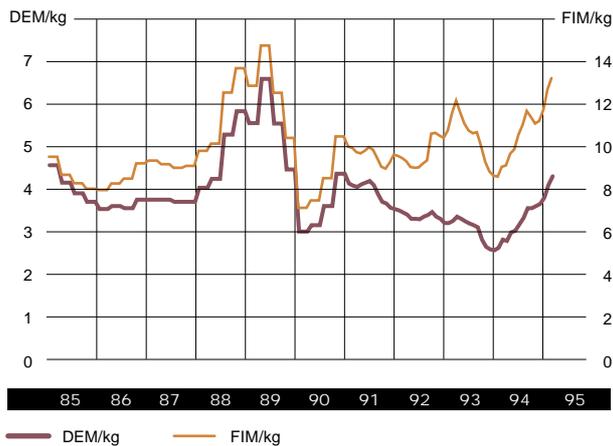


METAL MARKET PRICES

FERROCHROME (Cr-content)



STAINLESS STEEL



ANNUAL AVERAGE METAL MARKET PRICES

		1994	1993	Change %
Ferrocchrome (Cr-content)	US\$/lb	40	41	(2.4)
	FIM/kg	4.59	5.10	(10.0)
Stainless steel	DEM/kg	3.24	3.03	6.9
	FIM/kg	10.42	10.48	(0.6)

Sources:

Ferrocchrome: Metal Bulletin – lumpy Cr charge, basis 52 % Cr, free market
Stainless steel: CRU – German transaction price (2 mm cold rolled 304 sheet)

1994, which should continue to enhance the profitability in this product group.

In 1994, ferrocchrome consumption grew with the increased stainless steel production. Ferrocchrome supplies from Russia, Kazakhstan and China have been reduced since their peak in 1993. The effect of this reduction on the market has, however, been offset by South African producers, who have increased production and market share. So far, supply has met the increased demand. Ferrocchrome market prices fell to a record low level early in the year but have since risen.

Financial development

The group's net sales increased to FIM 4 398 million from the 1993 amount as deliveries grew approximately 20 % over the previous year. Price increases had a minimal effect on net sales because of the strengthened Finnish mark.

Cost-efficiencies resulting from the fully integrated production configuration contributed to the good result. Operating profit was FIM 909 million (1993: FIM 844 million), including FIM 51 million of inventory gains (1993: FIM 19 million) due to raw material price increases. Profit before extraordinary items and taxes was FIM 954 million (1993: FIM 720 million), and return on capital employed was an impressive 29 %.

The Outokumpu Chrome and Outokumpu Polarit business sectors posted good results. Ja-Ro also returned to profitability.

Investments

The group's investments totalled FIM 235 million. In addition to certain minor replacements, the majority of the investments focused on important expansions and improvements in operations.

The construction of a third cold-

rolling mill in Tornio, started in late 1993, advanced according to plan. The FIM 300 million investment will be completed in the latter half of 1995. The new mill will replace the first cold-rolling mill installed, which has been in production for 20 years. The proposed investment program for the near future includes plans to modernize the original mill.

A decision was made in the summer of 1994 to construct a new FIM 190 million ferrochrome converter at the steel melting shop. With the converter, the melting shop can take full advantage of liquid ferrochrome. The new unique melting process is a product of in-house development. Besides saving energy, the process will raise the melting shop capacity by 100 000 tonnes to about 540 000 tonnes per year and enable the hot-rolling mill to achieve a higher capacity utilization rate. The ferrochrome converter is expected to be completed ahead of schedule in late 1995.

A new FIM 70 million tension levelling line will be acquired for the cold-rolling mill. The investment will improve product quality especially in applications with demanding flatness requirements. This investment will be completed in early 1996.

Research and development
The objective of the Stainless Steel group's R&D efforts is to guarantee consistent product quality as well as the best possible applicability of products for the customers' uses. The business segment has pursued this objective together with customers and end-users through projects which test products in actual fabrication processes and in application environments.

Stainless steel usage in the load-bearing structures of buildings and vehicles is increasing. Questions related to these new applications have been studied and solved in coopera-

tion with customers and research institutions both in domestic and international projects. This work contributed to the inclusion of stainless steel in the European Union's steel structure directive (Eurocode 3, ENV).

Quality improvement is a continuous pursuit in all operations. All Stainless Steel production units have quality systems, certified according to SFS-EN29002. A new quality assurance project has been initiated to cover the entire business segment. This project will broaden the scope of quality assurance to also include the sales companies.

The importance of quality assurance training was emphasized at all levels of the organization. As part of the quality improvement process, the business segment has initiated a program for continuous monitoring of customer satisfaction.

General stainless steel R&D is conducted in cooperation with leading domestic and international research institutes and universities. Finland's membership in the European Union opened new opportunities to expand Outokumpu's role in joint research projects within the European Coal and Steel Community.

Environmental protection
Responsible environmental policies and practices are an integral part of the business segment's operations.

Particle emissions into the air at the Tornio Works have been minimized to about 120 tonnes per year. This is less than one tenth of the early 1980s level. Emissions into the air by international industry comparison are low.

Effluent discharges into the sea have remained unchanged. Discharges into water from Tornio are low in general, and their limited effect is restricted to the immediate surroundings of the plants.

All production units have intensi-

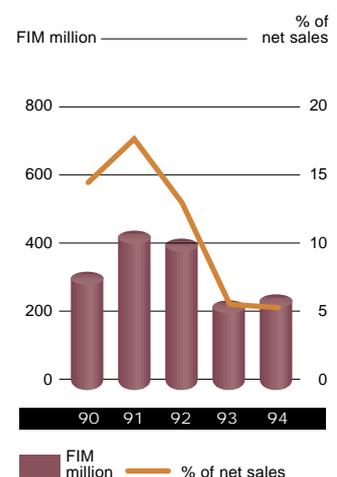
PRODUCTION

Tonnes	1994	1993
Outokumpu Chrome Ore excavated (million tonnes)	1.1	1.0
Ferrochrome	229 000	218 000
Outokumpu Polarit Steel slabs	426 000	371 000
Cold-rolling mill production:		
Cold-rolled products	267 000	228 000
White hot strip	91 900	80 600
Ja-Ro Tubes and tube fittings	20 900	19 000

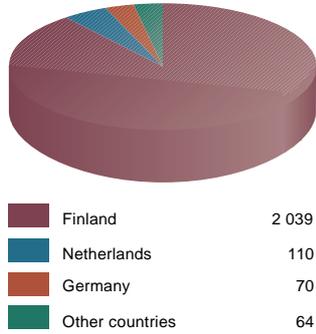
CHROMIUM ORE RESERVES

The Kemi mine is one of the world's foremost chromium deposits with abundant reserves to last far into the future. Proven and probable ore reserves are about 70 million tonnes. Additional mineral resources amount to nearly 150 million tonnes. Roughly 20 million tonnes of the deposit can be excavated by the open-pit method.

INVESTMENTS



PERSONNEL BY COUNTRY
1994



PERSONNEL BY BUSINESS UNIT

	1994	1993
Outokumpu Chrome	301	304
Outokumpu Polarit	1 498	1 466
Ja-Ro	338	364
Marketing and service units	139	119
Parent company	7	6
Total	2 283	2 259

fied recycling and utilization of waste as raw materials.

Outlook for the near future
Stainless steel consumption is estimated to grow about 6 % during 1995, and the market conditions are expected to remain strong. Supply and demand should stay in fairly good balance, although new capacity will come onstream during the year.

Stainless steel raw materials have gone through steep price fluctuations recently, which has complicated price forecasting. Greater price stability would benefit both producers and consumers.

Increased stainless steel consumption has boosted ferrochrome demand. As world ferrochrome capacity is nearing maximum utilization, price increases can be expected in 1995.

In the stainless steel tube industry, excess capacity coupled with weak economic growth has caused poor profitability for many years. Nevertheless, improvement was noted in 1994, and this is expected to continue. The supply and price conditions are more favorable than in recent history.

Encouraging forecasts of growth in the world economy, good market conditions, and the group's systematically developed, integrated production chain create a firm basis for a good result also in 1995.

Copper Products

OUTOKUMPU COPPER OY





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

The business operations of the Outokumpu Copper group are organized by core products as follows:

Tube – Copper tubes for plumbing, air-conditioning, refrigeration and other industrial applications.

Drawn Products – Copper and copper alloy profiles, bars and wire; machined copper products; welding electrodes.

Strip – Copper, copper alloy, brass and bronze strip for heat exchangers as well as for electrical and electronics connectors.

Rolled Products – Copper, copper alloy and brass sheet and strip; oxygen-free copper strip for special applications; copper-alloy coin blanks and other blanking mill products.

Other business operations include brass rod and some specialty product groups.

Production plants are located in the United States, Finland, Sweden, Spain, the Netherlands and Austria. All main markets are served by local Outokumpu marketing companies.

Demand for copper products strengthened in all main markets in 1994 with rapid growth continuing in the United States. The European markets also began to recover, although copper products' conversion prices still remained low. The strengthened Finnish mark weakened the competitiveness of Outokumpu's copper products to some extent.

The business segment's profitability improved significantly. The improvement was forecasted based upon the extensive restructuring and streamlining measures implemented previously especially in Spain. In addition, increased demand in all markets was experienced in 1994.

Net sales grew 7 % compared with 1993 as a result of increased deliveries and higher copper prices. Operating profit was FIM 354 million. This result includes FIM 54 million of restructuring charges related to the Spanish operations and FIM 188 million of inventory gains due to copper metal price increases.

Outokumpu concentrates its efforts in Copper Products on strengthening the main business operations. In accordance with this strategy, the Swedish Johnson Metall group and Outokumpu Copper Brass Rod S.A. in Spain were disposed of. The business restructuring process that had continued for several years in Spain was practically completed. The emphasis in business development has shifted to building up core operations. The current focus is on utilizing new, in-house developed technology and implementation of group-wide business control systems.

Market conditions

All the main markets for copper products improved. Strong consumption growth continued for the third consecutive year in the United States. Annual growth in the core product groups was 12 %. As a result

of strong growth, producers' delivery times were clearly extended and conversion prices – the fees charged for fabricating copper metal into wrought copper products – were increased.

Demand for copper products began to recover in Europe and strengthened particularly towards year-end, when the Spanish markets were also becoming more active. Conversion prices increased slightly in industrial special product groups, but pressure still remains in other products because of severe competition.

As a result of rapid economic growth in Asia, copper products consumption grew significantly in China and Southeast Asia. Demand for many product groups also showed signs of recovery in Japan after a prolonged recession.

Demand for air-conditioning and refrigeration (ACR) tubes grew sharply especially in the United States. Because of this, there were occasional shortages of tube supply in the market. In Europe, consumption of sanitary tubes increased; their conversion prices, however, remained low.

Drawn copper products consumption was strong. The strength of the automotive industry in the United States boosted the consumption of

NET SALES BY BUSINESS UNIT

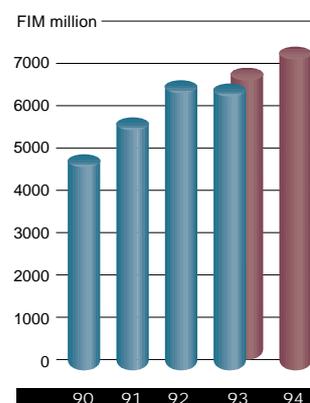
FIM million	1994	1993
Tube	1 906	1 745
Drawn Products	1 247	1 118
Strip	1 685	1 536
Rolled Products	2 363	2 107
Other business units	759	840
Sales within the segment	(703)	(578)
Total	7 257	6 768

special copper products and welding electrodes. The markets for copper alloy wire strengthened; however, increased production capacity intensified competition in the United States.

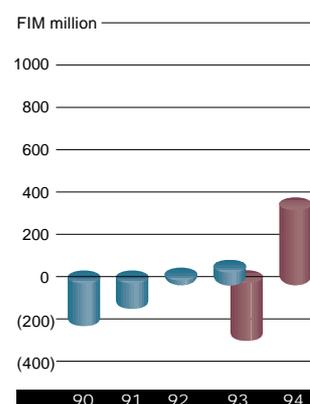
Demand for radiator strip grew in Europe and remained very strong in the United States and Asia. Production levels at or near capacity restrained deliveries and extended delivery times. Demand for connector strip used in the electronics industry also began to increase.

Rolled products consumption increased sharply in the automotive, electronics and construction industries of the United States. Conversion price increases from the previous year were achieved, and delivery times were extended. Construction activity slowed somewhat late in the year, and

NET SALES



OPERATING PROFIT



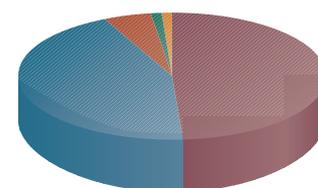
■ New accounting principles
■ Previous accounting principles

KEY FIGURES

FIM million	1990	1991	1992	1993	Restated ¹⁾ 1993	1994
Net sales	4 725	5 597	6 475	6 390	6 768	7 257
Share of Group's net sales (%)	36	38	39	37	37	39
Operating profit	(199)	(116)	11	54	(240)	354
Profit before extraordinary items and taxes	(452)	(497)	(614)	(502)	(517)	117
Return on capital employed (%)	neg.	neg.	neg.	neg.	neg.	12
Capital employed Dec. 31	3 396	3 265	3 794	3 192	3 163	3 327
Investments	1 051	246	312	284	284	219
Personnel Dec. 31	7 718	7 108	6 662	6 234	6 234	5 268

¹⁾ In accordance with new accounting principles. Changes in the accounting principles are presented on pages 41-44.

NET SALES BY MARKET AREA 1994



■ Europe (Finland 4%) 49 %
■ North and South America 44 %
■ Asia 5 %
■ Australia and Oceania 1 %
■ Other countries 1 %

OUTOKUMPU COPPER'S BUSINESS SECTORS AND PRODUCTION PLANTS

Business sectors	Tube	Drawn Products	Strip	Rolled Products Europe	Rolled Products USA
Finland	Pori	Pori		Pori	
Sweden	Västerås, Granefors		Finspång		
Netherlands			Zutphen		
Spain	Zaratamo				
Austria		Leobersdorf			
USA	Franklin	Appleton, Delaware, Evergreen	Kenosha		Buffalo

Other business operations: Superconductors and Plating (Pori), Brass Rod (Västerås).
 Marketing companies: Belgium, France, Hong Kong, Italy, Mexico, Morocco, Portugal, Russia, Singapore, Spain, Switzerland, Thailand, Turkey, the United Kingdom and the United States.

demand declined slightly. In Europe, demand for rolled products increased, which nonetheless had an insignificant effect on the general level of conversion prices.

At year-end, production capacity was in full utilization in most product groups, which began to extend delivery schedules.

Outokumpu enhanced its presence in new market areas. A company was established in St. Petersburg, Russia, to reinforce the Outokumpu Copper group's position both in raw material procurement and the Russian copper products markets. The Thailand representative office was incorporated as a sales company.

Financial development

The group's net sales were FIM 7 257 million (1993: FIM 6 768 million). The growth was the result of an approximately 10 % increase in deliveries and a 20 % increase in the price of copper metal. Nevertheless, growth in net sales was partially offset by the strengthening of the Finnish mark. Conversion prices rose slightly in the United States, while in Europe, conversion prices rose only in special product groups.

The completed streamlining measures and favorable market development contributed to a significant improvement in the business segment's profitability. Operating profit amounted to FIM 354 million (1993: operating loss of FIM 240 million). The result includes FIM 188 million of inventory gains (1993: FIM 72 million of inventory losses) due to copper metal price increases, and FIM 54 million (1993: FIM 234 million) of restructuring charges related to the streamlining of the Spanish operations. Dispositions of business operations in 1994 produced a loss of FIM 24 million.

Profit before extraordinary items and taxes was FIM 117 million (1993: loss of FIM 517 million).

Most business units showed either good or satisfactory results. The biggest improvements were recorded by radiator strip, air-conditioning tubes, drawn and rolled products in the United States, and the brass rod unit in Sweden. Capacity utilization rates were high at almost all plants.

In Spain, the streamlining program progressed as planned. The Cordoba wire mill and the shared business service unit were closed.

PRODUCTION

Tonnes	1994	1993
Tube	103 900	92 600
Drawn Products	58 600	50 400
Strip	95 000	85 600
Rolled Products	177 200	153 300
Other business units	47 500	40 800
Deliveries within the segment	(50 400)	(37 900)
Total	431 800	384 800

Outokumpu discontinued its brass rod operations in Spain by selling all shares in Outokumpu Copper Brass Rod S.A. at the end of 1994. Total 1994 net sales of the brass rod company were FIM 199 million and the number of personnel was 165 at year-end. The Zaratamo tube mill commissioned a new industrial tube production line and reduced its personnel by 135.

A restructuring process at Laminados Oviedo-Cordoba S.A., a 50 % associated company, progressed according to plan. The company's profitability improved significantly. However, the company still completed 1994 with a loss.

A program to increase efficiency and improve quality was continued at the Kenosha strip mill in the United States. Deliveries increased over 20 % and personnel were reduced almost 20 %. The quality of products and operations was improved through investments and adjustments to working methods. The financial performance of this unit improved significantly in 1994, but the company still posted a loss. The improvement programs currently underway will continue in 1995.

All shares in the Johnson Metall group which manufactures machined bronze products, were sold in October 1994. Johnson Metall's annual net sales were approximately FIM 250 million in 1994, and the company employed 470 persons.

The business segment's personnel numbered 5 268 at year-end. This represents a decrease of 966 from the previous year; the Spanish operations accounted for 435 and dispositions for 649 persons.

Investments

The business segment's investments totalled FIM 219 million and were mainly targeted at raising productivity and product quality.

The Tube business sector commissioned important investments to expand the product range and to improve productivity. A new tube production line was commissioned at the Zaratamo mill in Spain at the end of the year. The line will extend the mill's product range in the industrial tube market. The Franklin tube mill in the United States continued to implement an investment program involving inner-grooved ACR tube fabrication based on Outokumpu technology. The Pori tube mill in Finland commenced an investment program for the expansion of the production of half-hard sanitary tubes.

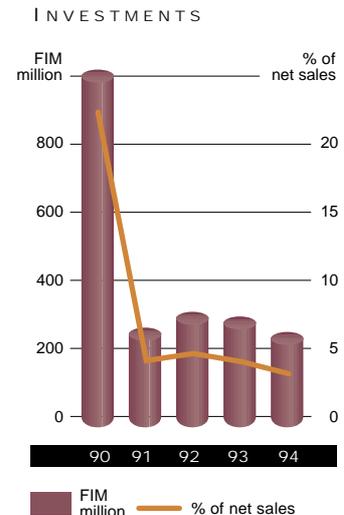
In the Drawn Products business sector in the United States, a new copper alloy wire line was commissioned at Valleycast, Inc.'s Kimberly mill in the summer. The Nippert Company started a drawn products investment project based on new technology.

The Strip business sector's Kenosha mill in the United States commissioned a tension leveller line and modernized a strip tinning line to improve quality and raise productivity. The Finspång mill in Sweden upgraded equipment to boost productivity and to expand capacity further.

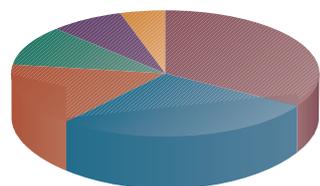
The Rolled Products business sector's Pori mill focused on finishing and commissioning new production lines installed at the end of 1993. The Buffalo mill in the United States expanded its production control system and interfaced many major customers to this system in order to shorten delivery times and to improve customer service.

Research and development

The Copper Products business sectors conduct continuous R&D in their fields to improve products and processes for customer needs.



PERSONNEL BY COUNTRY
1994



United States	1 773
Finland	1 456
Sweden	853
Spain	541
Netherlands	403
Other countries	242

PERSONNEL BY BUSINESS UNIT

	1994	1993
Tube	1 290	1 342
Drawn Products	815	793
Strip	1 021	1 114
Rolled Products	1 123	1 145
Other business units	995	1 818
Parent company	24	22
Total	5 268	6 234

The R&D units in Pori, Finland, and Västerås, Sweden, focus on joint projects between business sectors to cover their mutual needs and on the development of totally new copper products and production methods.

Casting methods continue to be an important area of R&D. Active cooperation with the automotive industry was continued to develop new generation automotive radiator components. Prototypes are currently being field tested by some major automotive manufacturers. Another target of the continuous R&D program is ultrapure oxygen-free copper products. Copper alloy development continues in certain alloying element replacements such as cadmium, lead and nickel.

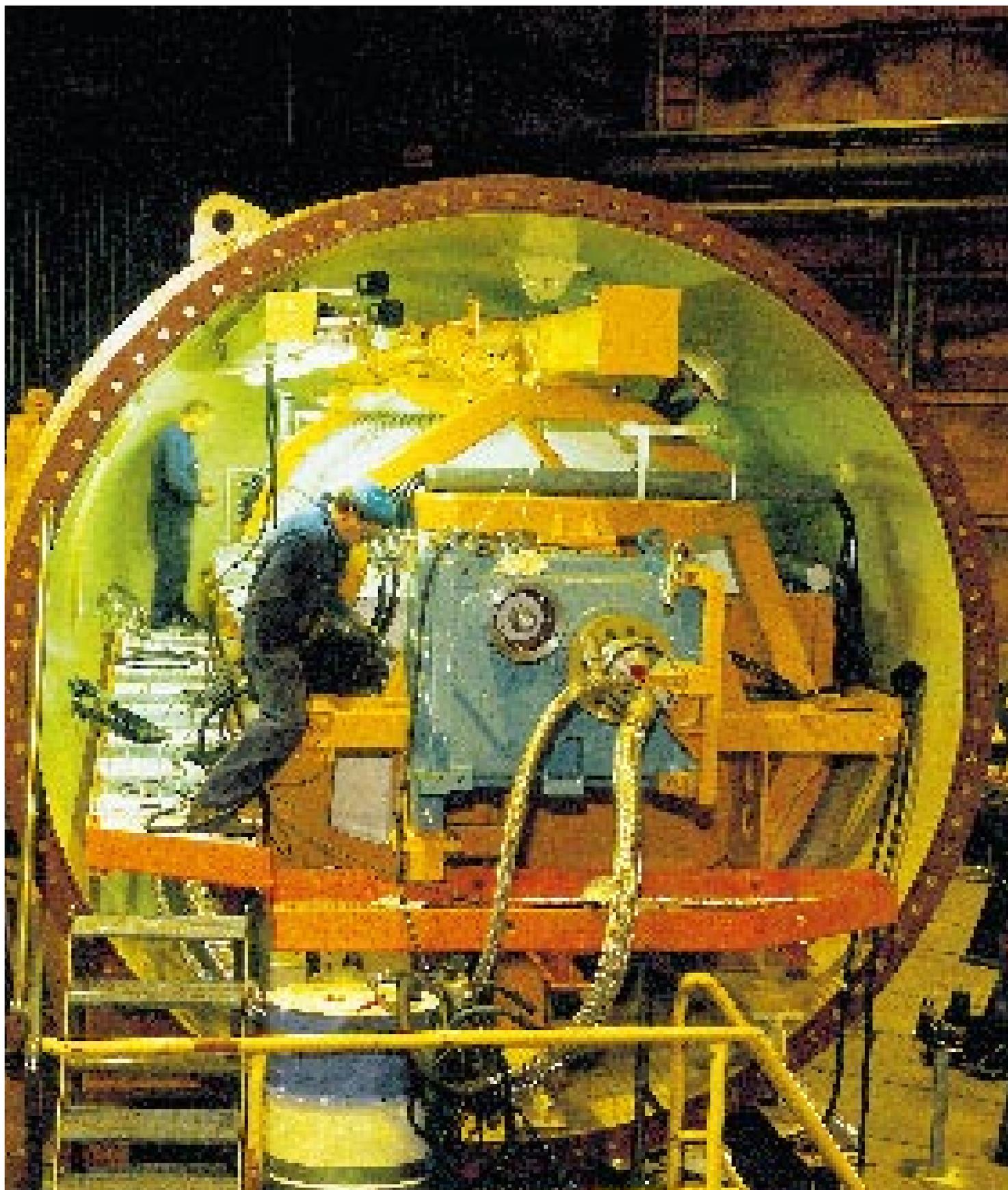
Outlook for the near future
Demand for copper products has strengthened, and the order backlog at the beginning of 1995 was

significantly higher than a year before. Consumption growth in the United States is expected to level off in 1995 when economic growth slows as predicted. Strong consumption growth is expected to continue in Europe and Asia. Conversion prices are expected to increase further in these areas because of this healthy demand.

Outokumpu Copper's profitability is expected to improve further in 1995. At the same time, the business segment will have opportunities to strengthen its core businesses, continue to increase business development efforts, and shift emphasis to the products and markets of the future.

Technology

OUTOKUMPU TECHNOLOGY OY



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

The Group's technology operations were reorganized in late 1994. The new Technology Sales organization, managed by Outokumpu Engineering Oy, includes three business units:

Outokumpu Mintec – Mineral processing equipment and plants, analyzers and automation.

Outokumpu Engineering – Metallurgical and metalworking equipment and plants, engineering services and project management.

Galvatek – Surface treatment plants and equipment for galvanizing applications.

In 1994, the Technology business segment also included the Rammer and Roxon companies. Rammer specializes in hydraulic hammers and breaker boom systems, and Roxon in conveyor components and bulk materials handling equipment.

The Technology business segment's Other business units comprise businesses sold in 1993-94.

The Outokumpu Technology group's financial performance declined steeply in 1994. Its operating loss amounted to FIM 139 million compared with an operating profit of FIM 50 million in 1993. The loss was mainly due to unfinished projects of already disposed energy technology businesses. In the business transfer agreements, Outokumpu retained completion responsibility for these projects.

The group's core operations were benefitted by the global recovery of mining and metallurgical investments. This resulted in the newly-formed Technology Sales organization showing a profit in 1994.

In accordance with its strategy, Outokumpu has continued to focus on core businesses in technology sales. In 1994, Outokumpu sold its energy technology subsidiary Outokumpu EcoEnergy, Inc. in the United States, part of Outokumpu Instruments Oy's businesses, Outokumpu Ecoenergy Oy's environmental businesses, Candor Sweden AB specializing in surface treatment chemicals and its subsidiaries, as well as Linnhoff GmbH of Germany manufacturing surface treatment drums. These businesses represented combined annual net sales of approximately FIM 350 million in 1994 and employed approximately 290 persons.

Market conditions

Metal price increases in 1994 stimulated investment activity in the mining and metallurgical industry after a slow beginning of the year. This upward trend benefitted the operations of both Outokumpu Mintec and Outokumpu Engineering in particular. Metallurgical companies in various parts of the world are contemplating large new smelter investments and planning to expand the capacities of existing smelters.

Investments also increased in other industries important for the business segment, including the construction and earth moving industries of many countries. Demand for equipment and components grew in the main markets during the year.

China, the Middle East and Southeast Asia remained very important markets for Technology Sales. Trade potential with the CIS countries, however, became increasingly complicated in the struggling market.

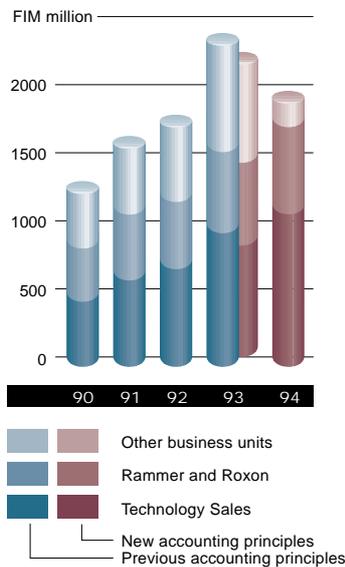
Major new orders secured during the year included a large equipment delivery for the concentrator expansion at the Escondida mine in Chile, a Cast & Roll plant for Zhongshan, China, and tankhouse equipment for Boliden of Sweden. In addition, a number of contracts were signed during the year with effective start dates in 1995. The largest of these is

KEY FIGURES

FIM million	1990	1991	1992	1993	Restated ¹⁾ 1993	1994
Net sales	1 247	1 585	1 744	2 346	2 204	1 913
Share of Group's net sales (%)	9	11	10	14	12	10
Operating profit	(63)	(123)	(151)	37	50	(139)
Profit before extraordinary items and taxes	(103)	(212)	(319)	(6)	(73)	(206)
Return on capital employed (%)	neg.	neg.	neg.	15	10	neg.
Capital employed Dec. 31	843	885	1 098	1 017	1 020	726
Investments	205	93	74	41	41	43
Personnel Dec. 31	3 187	2 989	3 367	2 818	2 818	2 579

¹⁾ In accordance with new accounting principles. Changes in the accounting principles are presented on pages 41-44.

NET SALES BY BUSINESS UNIT

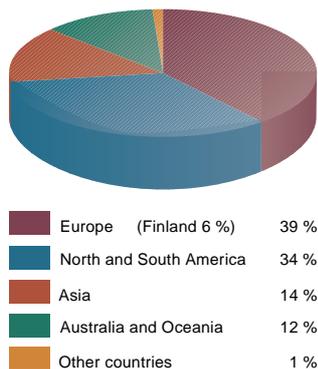


NET SALES BY BUSINESS UNIT

FIM million	1994	1993
Technology Sales ¹⁾	1 149	926
Rammer	235	204
Roxon	429	423
Other business units	146	713
Sales within the segment	(46)	(62)
Total	1 913	2 204

¹⁾ In the new organization, Technology Sales includes Outokumpu Engineering, Outokumpu Mintec and Galvatek. All businesses disposed of in 1993-94 are included in "Other business units".

NET SALES BY MARKET AREA 1994



the Indo Gulf copper smelter project in India.

Financial development

The Outokumpu Technology group's net sales fell 13 % from the previous year due to sales of businesses in 1993 and 1994 and, to some extent, to the strengthening of the Finnish mark. Net sales were FIM 1 913 million. Outokumpu Engineering, Rammer and Roxon increased net sales from the previous year, whereas net sales of Outokumpu Mintec, Galvatek and the energy technology businesses were reduced because of dispositions.

The main ongoing projects during the year were: the Kennecott copper smelter project in the United States, the Chagres smelter project in Chile, Outokumpu's own Harjavalta smelter project in Finland, Cast & Roll plant projects in China and the United States, and the power plant projects in Nyköping, Sweden, and Whitecourt, Canada. Work continues in all these projects during 1995. The Escondida concentrator project was also started during 1994.

The business segment's profitability development in 1994 was disappointing. Operating loss amounted to FIM 139 million (1993: operating profit of FIM 50 million). The result includes a FIM 4 million loss from sales of business operations (1993: a profit of FIM 65 million). The poor financial development was mostly caused by the energy-technology projects in Sweden and Canada. A total loss of FIM 156 million was recorded for these projects, including provisions for project completion. A low volume of project sales by Outokumpu Mintec, Galvatek and Roxon negatively impacted the business segment's profitability. As in previous years, Outokumpu Engineering and Rammer posted good operating profits.

Profit before extraordinary items

and taxes was a loss of FIM 206 million (1993: loss of FIM 73 million).

Mostly due to sales of business operations, personnel were reduced by 239 during the year and numbered 2 579 at year-end.

Research and development

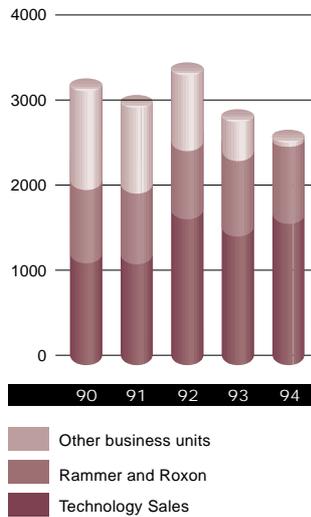
The business segment's R&D activities included continued development of a hydrometallurgical copper production method and a pyrometallurgical zinc method in cooperation with other Outokumpu business segments. Outokumpu Mintec continued the development of analyzers and pressurized ceramic filters. Outokumpu Engineering made advances in programs for the treatment of flash smelter furnace dust and direct production of blister copper by flash smelting. Another target was improvements in product quality and raising equipment capacities in casting.

Reorganization of business operations

Outokumpu's technology operations were reorganized in October 1994. The core technology businesses are now organized under the new Technology Sales business segment, which comprises Outokumpu Engineering, Outokumpu Mintec and Galvatek. The business segment's parent company is Outokumpu Engineering Oy. The new organization will focus on the sales of processes, machinery and equipment for the mining, metallurgical and metalworking industries. The majority of the marketed technology thus consists of traditional "Outokumpu technology".

The businesses of both Rammer and Roxon were sold to Oy Tampella Ab at the beginning of 1995. As part of the transaction, Outokumpu was provided a 7 % ownership interest in

PERSONNEL BY BUSINESS UNIT



the Tampella Group in a directed share offering. Tampella is known in the mining industry for its strong Tamrock product family. Combined 1994 net sales of Rammer and Roxon were FIM 664 million and the number of personnel was 882 at year-end.

As part of the dissolution of the former Outokumpu Technology group, the responsibility for the completion of unfinished energy technology projects and some other smaller business operations were transferred to the Other business operations organization directly under Outokumpu's Corporate Management.

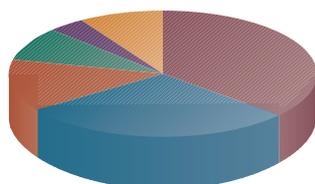
Outlook for the near future
The reorganization of business operations, completed restructuring measures, increased investment activity, and a strong order backlog of almost FIM 700 million create optimism for a good profitability development for the Outokumpu Engineering group, now in charge of Technology Sales. The group will focus on its strongest core businesses with products and services in which Outokumpu has long enjoyed leading market positions.

PERSONNEL BY BUSINESS UNIT

	1994	1993
Technology Sales ¹⁾	1 670	1 524
Rammer	221	206
Roxon	661	679
Other business units	27	409
Total	2 579	2 818

¹⁾ According to the new organization.

PERSONNEL BY COUNTRY 1994



Finland	943
Chile	743
Australia	346
Germany	219
Canada	104
Other countries	224

Other business operations

The Outokumpu Group's other business operations are comprised of a number of companies involved in business activities that support or complement the Group's main operations.

Finenco specializes in trade between the CIS countries and the Outokumpu Group. The company mainly focuses on metal scrap and raw materials procurement for Outokumpu's production plants.

Suomen Kiviteollisuus quarries granite at several locations in Finland. Most of the production is exported.

Outokumpu also develops business in metal-based materials focusing on semiconducting materials and permanent magnets.

Finenco's trade continued to develop favorably. Net sales amounted to nearly FIM 500 million and profitability was satisfactory. Finenco expanded its operation base by opening an office at Almaty, Kazakhstan, jointly with Technology Sales.

Suomen Kiviteollisuus Oy suffered from the low construction activity. The company showed a modest profit. Operations were restructured by selling an Australian quarrying business to a local entrepreneur. At the end of the year, Outokumpu commenced negotiations on the sale of Suomen Kiviteollisuus to the Italian quarrying company R.E.D. Graniti Group. These discussions were concluded and the sale was completed in February 1995.

In semiconducting materials, Outokumpu decided to concentrate all efforts on building up Okmetec Oy, a unit in Finland specializing in silicon wafers used in the semiconductor industry. The decision entailed the closing of Outokumpu Semitronic AB, manufacturing gallium arsenide

wafers in Sweden. Okmetec showed a modest profit in 1994. The company has already established itself in the European and Southeast Asian markets. Production capacity will grow in early 1995 with the completion of an ongoing expansion.

Investments to modernize production were completed at Swift Levick Magnets Limited, which manufactures permanent magnets in the United Kingdom. The company still posted a loss; however, prospects for 1995 are promising. Outokumpu Magnets Oy of Finland, which manufactures neomagnets in pilot scale, also posted a loss. The company's future potential is currently under assessment.

In connection with the reorganization of Outokumpu's technology business, Princeton Gamma-Tech, Inc. of the United States and its subsidiary, specializing in electronic measurement and analyzing equipment, were transferred to constitute a unit in the Group's Other business operations category. The company posted a loss in 1994.

NET SALES

FIM million	1994	1993
Finenco	491	11
Suomen Kiviteollisuus	83	85
Semiconducting materials	84	72
Permanent magnets	94	80
Princeton Gamma-Tech	54	—
Other business units	—	44

PERSONNEL

	1994	1993
Finenco	18	16
Suomen Kiviteollisuus	107	110
Semiconducting materials	171	136
Permanent magnets	199	213
Princeton Gamma-Tech	106	—

Annual report and financial statements

Corporate review of the year

World economic development in 1994 was favorable. Strong growth continued in the United States, Southeast Asia and the United Kingdom. In continental Europe, growth clearly accelerated in the latter half of the year, and Japan also seems to have begun its recovery.

Increased investment activity in the Western industrialized countries had a major positive impact on metals consumption. The strongest growth was recorded in the United States and the United Kingdom, but investment activity was also on the increase in other European countries.

Finnish economic growth was strong. Increased exports moved the balance of trade and the national current account into a surplus. Consumption is growing, and investments have recovered despite a high real interest rate. Finland joined the European Union at the beginning of 1995.

The acceleration of economic growth increased demand for metals. Growth in the consumption of nearly all Outokumpu-produced metals and metal products exceeded the long-term trend. Metal production, however, failed to grow at the same rate with consumption, which resulted in declining metal inventories. The decline was greatest at the end of the year. The world copper and zinc production problems mitigated any growth in metal output. Output of nickel, ferrochrome, stainless steel and wrought copper products followed the consumption trend more closely.

Strong demand was followed by increases in metal prices. The trend was modest early in the year, but accelerated in the autumn and especially towards year-end. This price development was partially affected by increased investor interest in metals. The average market prices of Outokumpu's main metals excluding ferrochrome were higher than in 1993. Copper and nickel accounted for the sharpest price rise, about 20 % each. Nevertheless, the average price

of zinc, which has an important influence on Outokumpu's results, rose only 2 % in US dollars, and was 5 % lower in Finnish marks than in the previous year. Stainless steel prices grew rapidly from a low level at the beginning of the year. The conversion prices of copper products rose slightly.

Developments in the currency market – weakening of the US dollar and strengthening of the Finnish mark – limited the positive impact of the market and price trends on Outokumpu's profitability.

Overall, Outokumpu's business operations developed positively and on target during 1994. The Group's profitability improved. Operating profit totalled FIM 1 051 million and profit before extraordinary items and taxes FIM 1 028 million. The three large business segments – Base Metals, Stainless Steel and Copper Products – improved their financial performance during 1994. The profitability of Technology's core businesses also improved, but because of some energy technology projects, the segment as a whole posted a loss.

The Group's equity-to-assets ratio improved considerably during the year and was 41.1 % at year-end.

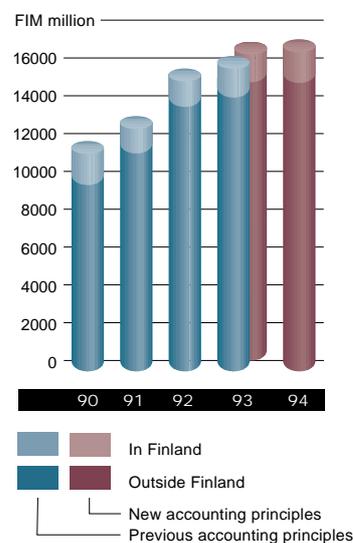
The Executive Board proposes a dividend of FIM 1.00 per share, or 10 % of the nominal value, on all shares of Outokumpu Oy.

Net sales

Consolidated net sales were FIM 16 683 million, an increase of less than one percent from the previous year. The businesses disposed of in 1993-94 represented FIM 481 million of 1994 net sales and FIM 1 685 million of 1993 net sales. Excluding the effect of the disposed businesses, consolidated net sales grew 9 %.

Delivery volumes grew in Stainless Steel and Copper Products. Metal price increases further increased net sales.

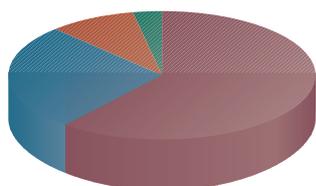
NET SALES



NET SALES BY COUNTRY

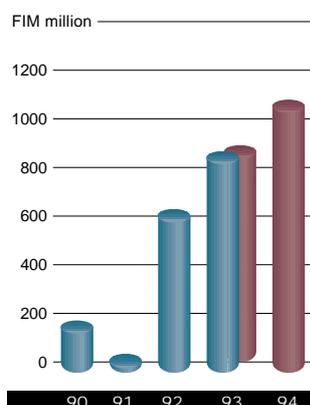
	1994		1993	
	FIM million	%	FIM million	%
Europe				
Germany	1 950	11.7	1 677	10.1
Finland	1 429	8.6	1 293	7.8
United Kingdom	1 135	6.8	1 252	7.6
Sweden	1 087	6.5	989	6.0
Italy	1 029	6.2	1 022	6.2
Spain	849	5.1	857	5.2
France	656	3.9	567	3.4
Netherlands	387	2.3	356	2.1
Denmark	281	1.7	310	1.9
Switzerland	249	1.5	249	1.5
Norway	221	1.3	209	1.2
Belgium	198	1.2	267	1.6
Eastern Europe	308	1.8	212	1.3
Other	321	1.9	311	1.9
	10 100	60.5	9 571	57.8
North and South America				
United States	3 846	23.1	4 071	24.6
Canada	357	2.1	380	2.3
Chile	172	1.0	165	1.0
Other	203	1.2	158	0.9
	4 578	27.4	4 774	28.8
Asia				
Japan	284	1.7	321	1.9
South Korea	273	1.6	189	1.1
Thailand	123	0.8	87	0.5
Hong Kong	119	0.7	192	1.2
Taiwan	118	0.7	133	0.8
Turkey	100	0.6	184	1.1
Indonesia	75	0.5	132	0.8
Other	386	2.3	426	2.6
	1 478	8.9	1 664	10.0
Australia	414	2.5	425	2.6
Other countries	113	0.7	132	0.8
Total	16 683	100.0	16 566	100.0

NET SALES BY MARKET AREA 1994

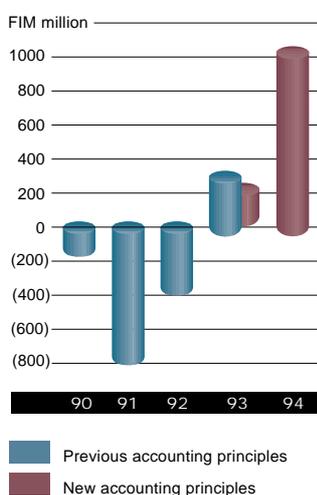


Europe (Finland 9%)	61 %
North and South America	27 %
Asia	9 %
Australia and Oceania	3 %

OPERATING PROFIT



PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES



Net sales by business segment:

FIM million	1994	1993	Change %
Base Metals	3 395	4 644	(15.3)
Stainless Steel	4 398	3 808	15.5
Copper Products	7 257	6 768	7.2
Technology	1 913	2 204	(13.2)
Other operations	1 310	789	66.0
Intra-group sales	(2 130)	(1 647)	
The Group	16 683	16 566	0.7

Europe and the United States are the Group's primary market areas. European countries accounted for 61 % and the United States 23 % of net sales. New market areas, especially in Asia, have grown in importance in recent years. Nonetheless, the share of Asian countries was reduced somewhat in 1994. Exports and operations outside Finland represented FIM 15 254 million, or 91 %, of total net sales. Exports from Finland amounted to FIM 7 062 million (1993: FIM 7 244 million).

Financial development

Many factors contributed to the Group's positive financial development in 1994: completed restructuring measures, a clear focus on core businesses through dispositions and the closing of unprofitable, non-core operations, as well as strengthened capital structure due to improved profitability and new equity raised in a share offering.

Increased demand for metals and higher metal prices enhanced the positive financial development, whereas exchange rate movements, specifically the strengthening of the Finnish mark, contributed negatively to the Group's operating profit.

Operating profit showed a marked improvement, totalling FIM 1 051 million (1993: FIM 852 million). The 1994 result includes FIM 320 million of inventory gains due to price increases of purchased metal raw materials, while operating profit for 1993 included FIM 77 million of inventory losses due to corresponding price decreases. When assessing the profitability development, the following items included in operating profit should be taken into account:

FIM million	1994	1993
Costs for closing and restructuring of operations	(78)	(235)
Gains (losses) on sales of business operations	(43)	361
Operating profit of business operations sold in 1993-94	5	3

Costs for closing and restructuring of operations mainly comprise the restructuring of Copper Products' Spanish operations. The 1994 amount also includes write-offs related to semiconductor and permanent magnet production. The gain on sales of business operations in 1993 was mostly accrued from the sale of OM Group Inc.

Operating profits and losses of disposed businesses are included in consolidated operating profit until the effective date of the disposition. These profits and losses and the above-mentioned write-offs are explained in more detail in note 4 of the Notes to the consolidated financial statements.

Operating profit by business segment:

FIM million	1994	1993
Base Metals	49	191
Stainless Steel	909	844
Copper Products	354	(240)
Technology	(139)	50
Other operations and intra-group	(122)	7
The Group	1 051	852

Stainless Steel was still clearly the Group's most profitable business segment, showing an excellent result. Copper Products improved its operating profit, which was very positive for the entire Group's financial development. A large component of this improvement was the inventory gains from copper raw material price increases. In recent years, the business segment has undergone an extensive restructuring program affecting several operations, and the results are beginning to reflect in the segment's profitability. Base Metals' profitability still remained unsatisfactory mostly because of the low zinc price.

Technology's financial performance was a disappointment. The business segment's operating loss was largely due to two unfinished energy technology projects, which produced a total

loss of FIM 156 million including provisions for project completion. Nevertheless, the segment's core units, which now form the new Technology Sales organization, posted an operating profit. Outokumpu sold its energy technology operations in 1993-94 but retained completion responsibility for certain unfinished projects.

The Group's profit before extraordinary items and taxes exceeded the previous year's total by FIM 800 million and amounted to FIM 1 028 million. In addition to improved operating profit, the growth was fuelled by a significant reduction in financial expenses due to decreased debt, lower interest rates and exchange gains.

Return on capital employed was 10.7 % (1993: 9.3 %) and return on shareholders' equity 15.8 % (1993: 6.0 %). Income per share was FIM 7.17 (1993: FIM 2.45).

Profit before extraordinary items and taxes by business segment:

FIM million	1994	1993
Base Metals	164	145
Stainless Steel	954	720
Copper Products	117	(517)
Technology	(206)	(73)
Other operations and intra-group	(1)	(47)
The Group	1 028	228

Return on capital employed by segment was: Base Metals 4 % (1993: 7 %), Stainless Steel 29 % (1993: 28 %), Copper Products 12 % (1993: neg.) and Technology neg. (1993: 10 %).

The improved financial performance contributed to an increase in income taxes to FIM 189 million, the majority of which accumulated in Finland and Ireland. A large share of the taxes consisted of a FIM 87 million growth in deferred tax liability.

The Group's net income for the year was FIM 831 million (1993: FIM 505 million).

At the beginning of 1994, the Group adopted new accounting principles, which are based on the revised Finnish Accounting Act and comply in all material respects with the United States Generally Accepted Accounting Principles (US GAAP). The comparative figures for 1993 have

been restated to comply with the new principles, presented on pages 41-44.

Financing and financial position

The Group's financial position continued to strengthen considerably during the year. The equity-to-assets ratio was 41.1 % at year-end, an increase of 14 percentage points from the previous year. The positive development was attributable to improved profitability and a global share offering consummated in June-July. In the offering, directed to international institutional investors and Finnish retail investors, Outokumpu Oy offered for subscription 14.7 million new A-shares and raised FIM 1 180 million of new equity. The Finnish State sold 5.3 million of its Outokumpu A-shares in connection with the offering.

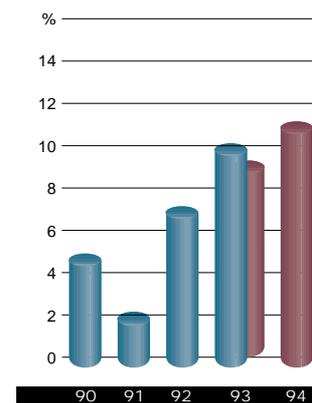
Key indicators to illustrate changes in the financial position:

FIM million	1994	1993
Net interest-bearing debt		
Long-term debt	4 493	7 228
Current debt	955	750
Total debt	5 448	7 978
Cash and marketable securities	(1 096)	(2 163)
Net debt	4 352	5 815
Net debt, in relation to net sales (%)	26	35
Shareholders' equity	6 247	4 322
Debt-to-equity ratio (%)	69.4	134.0
Equity-to-assets ratio (%)	41.1	26.9
Cash provided by operating activities	1 246	1 002
Net financial expenses		
Exchange gains (losses)	285	(20)
Other financial income and expenses	(308)	(604)
Net financial expenses	(23)	(624)
Net financial expenses, in relation to net sales (%)	0.1	3.8

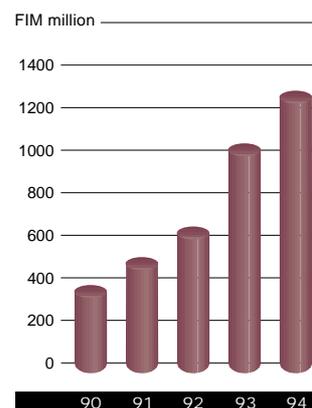
Net interest-bearing debt was reduced by FIM 1 463 million during the year in review. This decrease relates to the early repayment of several long-term loans. The largest early repayments were the syndicated loans of USD 170 million and ECU 110 million.

Net financial expenses were reduced by a total of FIM 601 million. The reduction was due to both lower net interest rates, lower borrowing

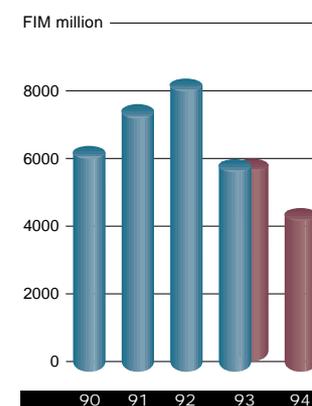
RETURN ON CAPITAL EMPLOYED



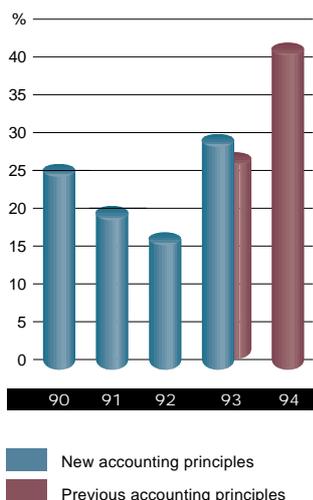
CASH PROVIDED BY OPERATING ACTIVITIES



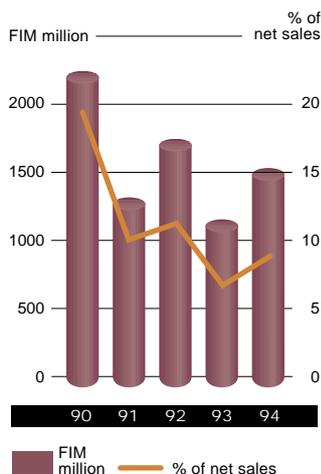
NET INTEREST-BEARING DEBT



EQUITY-TO-ASSETS RATIO



INVESTMENTS



INVESTMENTS BY BUSINESS SEGMENT

FIM million	1994	1993
Base Metals	904	522
Stainless Steel	235	213
Copper Products	219	284
Technology	43	41
Other operations	119	50
Internal transfers	(32)	-
The Group	1 488	1 110

and, above all, large exchange gains.

Net interest expenses decreased to one half of the 1993 levels and totalled FIM 281 million, or 1.7 % of net sales (1993: 3.6 %). In addition to repayments in 1994, a decrease in total debt in late 1993 also contributed to the reduction. Nevertheless, interest expenses were increased by a significant rise in US dollar interest rates during the year in review. This effect was partially offset by interest rate swaps; early in the year a large share of the long-term US dollar loan portfolio was converted into fixed-interest rate loans.

Exchange gains amounted to FIM 285 million, whereas the result for the previous year included exchange losses of FIM 20 million. The Finnish mark strengthened considerably during 1994 against the main currencies. The most important exchange rate movements for Outokumpu were the weakening of the US dollar by 18 % and the German mark by 8 % against the Finnish mark.

The Group's liquidity was good throughout all of 1994. At year-end, cash and marketable securities totalled FIM 1 096 million (1993: FIM 2 163 million).

Investments

Total investments amounted to FIM 1 488 million, or 9 % of net sales. About half of the sum was spent on expansions.

The most significant ongoing projects are within Base Metals; the objectives of the investments are both to expand capacities and improve cost-efficiencies. Outokumpu's 50 % owned Zaldívar copper mine in Chile will go into production in mid-1995. In Finland, the modernized nickel production line in Harjavalta will go onstream in June 1995, and the modernized copper production line in Harjavalta and Pori incrementally during 1995-96.

The estimated capital cost of Zaldívar during 1993-95 is still USD 600 million, the original estimate. The Harjavalta and Pori expansion and modernization program during 1993-96 is expected to end up about

FIM 100 million below the original estimate; the total capital cost is currently estimated to be FIM 1.6 billion.

Stainless Steel's investments focused in Tornio, Finland. The main ongoing projects involve a third cold-rolling mill and a new tension levelling line for the cold-rolling plant (in 1993-96 at a total cost of FIM 370 million), as well as a ferrochrome converter for the steel melting shop (1994-95, FIM 190 million). The ferrochrome converter investment will raise steel melting capacity by about 100 000 tonnes to 540 000 tonnes per year. The cold-rolling mill and the ferrochrome converter will be completed in late 1995, and the tension levelling line in early 1996.

Copper Products' investments are mainly aimed at raising productivity and improving product quality.

The overriding principle in the allocation of investments continues to be careful prioritization of targets. Total investments in 1995 will, however, exceed two billion Finnish marks because of the large ongoing projects and investment costs postponed from 1994 to the current year.

Research and development Technology and related R&D efforts have a crucial role in Outokumpu's business operations. The Group's technology management was reorganized during the year in review to maximize the benefits of R&D efforts and internal Group synergies. Important R&D objectives include utilization of the integration potential between metal production chains, reduction of energy use, better recoveries, and minimization of environmental hazards.

Outokumpu's total R&D investment remained high in 1994. The Group's R&D expenditures totalled FIM 386 million, or 2.3 % of net sales (1993: FIM 357 million, 2.2 % of net sales). Exploration accounted for FIM 193 million (1993: FIM 203 million).

About 620 persons were employed in R&D tasks in the Group's research units and operating companies.

Results of R&D have been utilized

effectively within the Group. The Harjavalta modernization and expansion project is largely based on in-house R&D efforts, as well as the innovative new ferrochrome converter under construction in Tornio and the solvent extraction technology employed at the Zaldívar copper mine. The new casting and processing lines for copper alloy wire and drawn products commissioned by the Copper Products business segment in the United States and Finland also utilize Outokumpu's own R&D efforts.

Environmental protection
Outokumpu's core values call for the Group to constantly work towards reducing the impact of all operations on the environment. The standards of the Group's implemented environmental protection policies are high and fare well in an international comparison.

In accordance with the Group's management principles, responsibilities for environmental affairs are decentralized to production units. Nevertheless, the importance of environmental protection has notably increased Group management involvement in recent years. International contacts in environmental protection have been extended and diversified. Environmental affairs at Corporate Management are coordinated and supervised by a Staff Executive.

Outokumpu's main production units have made preparations for joining the European Union's voluntary ECO Management and Audit Scheme. The Group has made good progress in environmental affairs, and emissions have been constantly reduced despite expansion of capacities. Process development strives to reduce emissions further with the help of various environmental techniques and closed-circuit systems.

Changes in business organization and Group structure
Base Metals and Technology have been reorganized with the objectives of streamlining operative activities and simplifying structures through

reduction of certain organizational levels.

The revised organization of Base Metals was introduced at the beginning of February 1995. The operative activities of the Outokumpu Metals & Resources group are now divided between mining operations and metal production, the latter being further organized by metal into business units. The business segment also maintains strong technical development and exploration units. In connection with the reorganization, a separate London office, which has been in charge of international mining development, will be closed.

In October, the Group's technology operations were restructured. The responsibility for technology development and sales now lies with a new Technology Management function at the Group level. The structure of the technology business operations was also revised. A new Technology Sales organization will focus on processes, machinery and equipment for the mining, metallurgical and metal-working industries. Thus sales will more clearly than before carry a traditional "Outokumpu technology" label. Of the former Technology segment's other units, the Rammer and Roxon companies were sold at the beginning of 1995 and the remaining activities transferred to operate directly under Outokumpu's Corporate Management.

Outokumpu and Oy Tampella AB of Finland agreed in December on closer cooperation in mining technology. As part of the agreement, the Outokumpu-owned Rammer companies, specializing in hydraulic hammers and breaker boom systems, and the Roxon companies, specializing in conveyor components and bulk materials handling equipment and systems, were sold to Tampella on January 1, 1995. Combined net sales of the two companies were FIM 664 million in 1994 and the number of personnel was 882 at year-end. Tampella paid the FIM 126 million sales price by directing a share offering to Outokumpu, making Outokumpu a 7 % shareholder in Tampella.

Other business operations sold

during the year were: the Transamine companies and some mining interests in Australia within Base Metals; Johnson Metall AB and Outokumpu Copper Brass Rod S.A. within Copper Products; and some of Outokumpu Instruments Oy's business operations, Outokumpu EcoEnergy, Inc., Candor Sweden AB and Linnhoff GmbH within Technology.

Other changes in the Group structure are presented in detail in the list of Outokumpu Oy's subsidiaries on pages 59-61.

Personnel

During the year, special attention was paid to personnel development and training. An example is a broad project carried out throughout the Group to clarify Outokumpu's corporate objectives, business principles and core values to all employees. A revised management training program (Outokumpu Executive Development Program) was also commenced during the year.

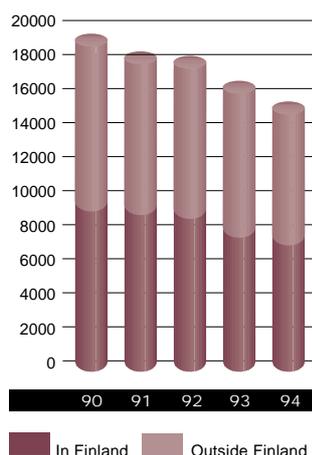
A comprehensive personnel training program was organized and is being implemented in connection with the Harjavalta investment project. The objective of the program is to ensure a smooth start-up of the large investment and efficient utilization of the new, highly automated production process.

Extensive recruiting and training of personnel has also been organized at Outokumpu's jointly-owned Zaldívar copper mine in Chile, which will employ about 650 persons once production starts.

The Group's first international Outokumpu Personnel Forum was held in May and was attended by representatives of Outokumpu's European companies. The forum offers a new venue for contacts between personnel and the Group's management.

Group personnel was reduced by 1 114 during the year. Dispositions of businesses contributed to about 950 of this reduction. Total personnel numbered 14 959 at year-end, while the average for the year was 15 920 (1993: 17 167). Outokumpu Oy's personnel numbered 129 (1993: 130)

PERSONNEL



PERSONNEL BY BUSINESS SEGMENT

	1994	1993
Base Metals	4 082	4 140
Stainless Steel	2 283	2 259
Copper Products	5 268	6 234
Technology	2 579	2 818
Other business operations	601	475
Service units	82	85
Corporate Management	64	62
The Group	14 959	16 073

PERSONNEL BY COUNTRY

	1994	1993
Europe		
Finland	7 689	7 894
Sweden	1 088	1 406
Ireland	784	797
Spain	555	988
Netherlands	522	526
Germany	289	327
United Kingdom	269	277
Norway	135	261
Austria	126	109
Russia	34	33
France	22	42
Italy	16	16
Denmark	10	25
Other	19	14
	11 558	12 715
North and South America		
United States	1 934	2 101
Chile	799	631
Canada	110	104
Other	17	11
	2 860	2 847
Australia	500	475
Other countries	41	36
Total	14 959	16 073

at year-end, and the average for the year was 130 (1993: 133).

The Stainless Steel business segment increased its personnel, while the other three business segments reduced their personnel during the year. Copper Products represented the largest reduction.

Outlook and goals for the near future

Outokumpu's foremost short-term objectives are to take full advantage of the expected positive market development and to start up its ongoing investments as fast and successfully as possible.

At the beginning of 1995, the Group's operating environment appears favorable. Preconditions for further improvements in the financial results are created by increased investment activity in Europe and continuing strong, worldwide demand for metals and metal products. On the other hand, recent exchange rate movements – weakening US dollar and strengthening Finnish mark – have had an adverse effect on the Group's financial expectations.

Base Metals' market situation is positive in many ways, but the low zinc price causes caution. In addition, it is difficult to predict investor behavior in the metal markets, as was seen in February. In that month, investment funds sold part of their metal holdings, which resulted in decreases of metal prices from the high levels at the beginning of the year. Since then, prices have recovered to some extent. Outokumpu's competitiveness and profitability in base metals production will be considerably improved once the Zaldivar mine and the Harjalta and Pori expansions are put into production.

Stainless Steel's strong market conditions persist. Cost-efficient production creates a good basis for continuing excellent financial development within this group.

Demand for copper products is still on the increase especially in Europe and Asia, and conversion prices are expected to rise. The Copper Products group has good

opportunities to improve its profitability, especially now that its completed restructuring measures have begun to reflect in financial performance.

Technology Sales' financial development is enhanced by a good order backlog at the beginning of 1995 and growth in industrial investment activities.

Executive Board's proposal for the distribution of profit
The Group's non-restricted equity in the consolidated balance sheet on December 31, 1994 was FIM 2 526 157 499.07, of which distributable funds were FIM 669 023 338.46. The Parent Company's distributable funds are FIM 1 004 141 800.49.

The total number of the Company's A-shares was 124 529 543 on December 31, 1994. Shares which are subscribed for before the Annual General Meeting against warrants issued by Outokumpu Oy in 1994 are also entitled to dividend for the financial year 1994.

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

Espoo, March 9, 1995

Jyrki Juusela

Ossi Virolainen Veikko Lehtinen

Risto Virrankoski

Financial statements

The principles applied in the financial statements, and the consolidated and Parent Company financial statements are presented on pages 41-66. The reviews of the business segments for 1994, presented on pages 9-34, form appendices to the Group's financial statements.

Principles applied in the financial statements

Changes in accounting principles as of January 1, 1994

As of January 1, 1994, Outokumpu adopted the provisions of the revised Finnish Accounting Act and the revised Generally Accepted Accounting Principles issued by the Finnish Accounting Board.

To this effect, Outokumpu has adopted uniform accounting standards which are applied by all its subsidiaries in Group reporting. The consolidation and valuation principles set out in these accounting standards comply with the United States Generally Accepted Accounting Principles (US GAAP) in all material respects.

Income taxes and costs for pension and postretirement benefits are treated in accordance with local accounting principles of each individual Group company. Uniform Group accounting standards on accounting for income taxes and pension and postretirement benefits are currently being finalized. Management estimates that future implementation of these standards will not have a significant effect on the Group's financial position.

Comparative figures for 1993 have been restated to reflect in all material respects the newly adopted accounting principles. The cumulative effect of the accounting changes as of December 31, 1992 is shown as a separate component of net income for 1993, and the effect for the year 1993 is reflected on a line-by-line basis in the 1993 pro forma income statement.

The major changes in accounting principles compared to the previous accounting practice relate to the presenting of untaxed reserves, valuation of inventories, long-term contract accounting, provisions for contingent losses, and consolidation of associated companies.

In addition to changes in account-

ing principles, both the income statement and balance sheet presentation has been revised. Some reclassifications have also been made within the income statement, affecting the 1993 net sales and operating profit, but not net income.

The cumulative effect on net income for 1993 relating to accounting changes as of December 31, 1992 is presented on page 44.

Consolidated financial statements

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

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

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

Previously, the inclusion in the consolidated accounts of the accounts of individual Group companies on the basis of local accounting principles was acceptable.

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

In applying the purchase method in accounting for acquisitions, the cost of acquiring shares in subsidiaries is allocated to the fair values of the underlying assets and liabilities, and the remaining difference is carried as

goodwill on consolidation and amortized over its useful life, generally not exceeding 5 years. Allocations to fixed assets are amortized according to the depreciation plan of the underlying asset.

Previously, differences between the cost of acquiring shares in subsidiaries and shareholders' equity at the time of acquisition were as a rule reported as goodwill on consolidation and amortized generally over 10 years. Goodwill on consolidation related to mining companies was amortized over the estimated life of the mine.

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

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

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

Previously, investments in associated companies owned by Finnish Group companies were carried at cost or written down value, and only dividends received were recognized in net income.

Foreign currency items and derivative financial instruments

Foreign currency transactions during the year are recorded in the financial statements at the exchange rate in effect at the time of transaction. Receivables and liabilities in foreign currencies are translated to the accounting currency at the closing rate on the balance sheet date. Advances paid and received appear in the balance sheet at the exchange rate in effect on the date on which they were paid or received.

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

Previously, exchange gains and losses on trade receivables and payables were presented as adjustments to sales or purchases, respectively.

Derivative financial instruments hedging against exchange and interest-rate risks are valued at the exchange rate or market rate on the balance sheet date, and the changes in value are recognized in income. The interest component inherent is accrued as interest income or expense, and exchange gains and losses are reported within financial income and expenses. Exchange gains and losses on separate derivative financial instruments hedging specific off-balance sheet commitments are, however, deferred until recognition in income of the underlying commitment. Movements in values of options are reported within other financial income and expenses.

The income statements of foreign subsidiaries are translated at the average exchange rate for the accounting period, and the balance sheets at the closing rate on the balance sheet date.

Previously, the income statements were also translated at the exchange rate on the balance sheet date.

The Bank of Finland's exchange rates used in the consolidation of subsidiaries' financial statements are presented on page 65.

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

Fixed assets and other long-term investments

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

Previously, some land areas and buildings included revaluations permitted under local accounting laws. These revaluations were reversed in 1994. Interest was previously capitalized only on some investment projects outside Finland.

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

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

Mine properties are amortized using the unit of production method based on the depletion of the economically recoverable mineral resources.

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

Inventories

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

Previously, inventory accounting was based on local practice in each country, which in Finland involved valuation on the basis of direct costs only.

Cash and marketable securities

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

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

Net sales

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

Previously, net sales were stated after the cost of bad debts, freight, insurance and other forwarding costs, and after exchange gains or losses on trade receivables.

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

Previously, local practice was used. In Finland, revenue on long-term construction contracts was recognized on completion of the contract.

Metal price hedging

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

Exploration and mining activities

Exploration and evaluation costs are charged against income when incurred. To this effect, a full provision is raised against exploration and evaluation expenses capitalized for each area of interest. The provision is reversed when recoupment of exploration and evaluation costs out of revenue, either by extracting or by sale of the asset, is reasonably assured through feasibility studies or otherwise.

Mine closure and restoration costs are accrued as part of operating expenses over the life of the mine. *Previously, mine closure and restoration costs were in some cases disclosed as off-balance sheet liabilities.*

Research and development

Research and development costs are expensed as incurred. Development costs of substantial investment projects, arising after the investment decision, have been capitalized as part of the historical cost.

Other operating income and expenses

Other operating income and expenses include income and expenses from business activities outside ordinary production, such as gains and losses on sales of mineral deposits and mining projects, gains and losses on sales of fixed assets and other long-

term investments, write-offs, and the write-down of shares as well as rent received. Furthermore, incremental income, expenses and provisions for the sale, restructuring or discontinuation of business operations are accounted for as other operating income and expenses.

Extraordinary income and expenses

Extraordinary income and expenses include unusual and significant transactions outside the scope of the Group's actual business activities. The Parent Company's extraordinary items also include Group contributions paid or received.

Contingent losses

Provisions are made for any contingent losses, the future realization of which is known with reasonable certainty, and of which the amount can be reasonably estimated. Provisions are presented as non-interest-bearing liabilities in the balance sheet. *Previously, such contingencies were in some cases disclosed as off-balance sheet liabilities until realized.*

Pension plans

Costs for pension and postretirement benefits are treated in accordance with local accounting principles of each individual Group company. Management estimates that future implementation of a uniform accounting standard for pension and postretirement benefits will not have a significant effect on the Group's financial position.

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

the value of these assets adequately covers the existing pension liability.

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

Untaxed reserves

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

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

Previously, untaxed reserves were reported as a separate component between shareholders' equity and liabilities in the consolidated balance sheet, and no provision was made for deferred tax.

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

Income taxes

Income taxes are consolidated on the basis of local accounting principles of each individual Group company. Management estimates that future implementation of a uniform accounting standard for income taxes will not have a significant effect on the deferred tax liability in the consolidated balance sheet.

Estimated taxes corresponding to the results for the financial year of the Group companies and adjustments of taxes for previous years, as well as change in deferred tax on untaxed reserves, are presented in the income statement. Taxes of certain non-Finnish subsidiaries are also affected by the movement of their deferred tax liabilities based on local practice.

Effect of accounting changes on 1993 net income
The revised definition of net sales and adoption of the new accounting principles have the effect of increasing pro

forma net sales for 1993 by FIM 739 million.

The inclusion of other income and expenses in the operating profit has an effect of increasing pro forma

operating profit for 1993 by FIM 95 million. Previously, other income and expenses were reported after financial items as part of income before extraordinary items.

The effect of the accounting changes on operating income, analyzed by business segment, for the 1993 pro forma income statement, is as follows:

FIM million	Base Metals	Stainless Steel	Copper Products	Technology	Other operations and intra-group	The Group
Operating income, as reported in the 1993 consolidated audited accounts	(96)	847	54	37	4	846
Effect of accounting changes						
Inclusion of overhead costs in value of inventories	(26)	14	0	5	7	0
Long-term contract accounting	-	-	-	(68)	-	(68)
Translation differences	18	(2)	(35)	7	3	(9)
Equity consolidation	1	-	8	0	(1)	8
Other	11	-	-	(3)	3	11
Total	4	12	(27)	(59)	12	(58)
Reclassifications within the income statement						
Exchange gains and losses on trade receivables and payables	(15)	2	(23)	5	0	(31)
Other income and expenses	298	(17)	(244)	67	(9)	95
Total	283	(15)	(267)	72	(9)	64
Operating profit, as restated in the 1993 pro forma accounts	191	844	(240)	50	7	852

The effect of the accounting changes on income before extraordinary items for the 1993 pro forma income statement is as follows:

FIM million	The Group
Income before extraordinary items, as reported in the 1993 consolidated audited accounts	297
Effect of accounting changes	
Effect on operating income	(58)
Translation differences	(11)
Profit before extraordinary items and taxes, as restated in the 1993 pro forma accounts	228

The cumulative effect as of December 31, 1992 of implementing the new accounting standards, reported as a separate component within the 1993 pro forma income statement, is as follows:

FIM million	The Group
Reversal of untaxed reserves, less deferred tax	1 350
Inclusion of overhead costs in value of inventories	200
Long-term contract accounting	83
Equity consolidation	12
Provision for exploration, mine closure and restoration expenses	(70)
Write-off of capitalized research and development costs	(7)
Other	(14)
Total cumulative effect	1 554

Consolidated income statement

FIM million		1994	1993
Net sales		16 683	16 566
Cost of sales	[1]	<u>(13 532)</u>	<u>(13 781)</u>
Gross margin		3 151	2 785
Selling and marketing expenses		(564)	(593)
Administrative expenses		(897)	(1 016)
Exploration, research and development expenses		(355)	(328)
Other operating expenses	[4]	(270)	(307)
Other operating income	[4]	28	412
Amortization of goodwill on consolidation		(20)	(27)
Equity earnings in associated companies		<u>(22)</u>	<u>(74)</u>
Operating profit	[2] [3]	1 051	852
Financial income and expenses	[5]		
Exchange gains (losses)		285	(20)
Other financial income and expenses		<u>(308)</u>	<u>(604)</u>
		(23)	(624)
Profit before extraordinary items and taxes		1 028	228
Extraordinary income and expenses	[6]	<u>(6)</u>	<u>281</u>
Profit before taxes		1 022	509
Income taxes	[7]		
Current taxes		(102)	(20)
Change in deferred tax		<u>(87)</u>	<u>10</u>
		(189)	(10)
Minority interest in earnings		<u>(2)</u>	<u>6</u>
Net income		<u>831</u>	<u>505</u>
Cumulative effect of accounting changes	[8]		<u>1 554</u>
Net income after accounting changes			<u><u>2 059</u></u>
Income per share (excluding extraordinary items)	FIM	7.17	2.45
Net income per share	FIM	7.12	5.55

Figures in brackets refer to notes to the consolidated financial statements on pages 49-52.

Consolidated balance sheet

FIM million	1994	1993
A s s e t s		
Fixed assets and other long-term investments		
	[9]	
Intangible assets		
Intangible rights	15	24
Goodwill	14	20
Goodwill on consolidation	57	92
Exploration and evaluation expenses	71	86
Other long-term expenses	220	138
	377	360
Property, plant and equipment		
Land	122	153
Mine development properties	29	13
Mine properties	532	671
Buildings	1 125	1 261
Machinery and equipment	4 216	4 725
Construction in progress	573	368
Advances paid for fixed assets	181	38
Other fixed assets	89	98
	6 867	7 327
Long-term financial assets		
Investments in associated companies	355	396
Other long-term equity investments	173	180
Long-term loans receivable	557	353
Other long-term financial assets	106	25
	1 191	954
Total fixed assets and other long-term investments	8 435	8 641
Current assets		
Inventories		
Raw materials	662	458
Fuels and supplies	186	206
Work in process	1 018	805
Finished goods and merchandise	710	874
Advances paid for inventories	25	20
	2 601	2 363
Receivables	[10]	
Accounts receivable	2 528	2 505
Loans receivable	74	14
Prepaid expenses and accrued income	468	253
Other receivables	264	452
	3 334	3 224
Cash and marketable securities		
Deposits and debt securities	150	1 150
Cash and cash equivalents	946	1 013
	1 096	2 163
Total current assets	7 031	7 750
Total assets	15 466	16 391

FIM million	1994	1993
Shareholders' equity and liabilities		
Shareholders' equity [11]		
Restricted equity		
Share capital	1 245	1 098
Reserve fund	2 466	1 430
Revaluation fund	–	48
Other restricted equity	10	14
	3 721	2 590
Non-restricted equity		
Retained earnings	1 695	(327)
Net income for the year	831	2 059
	2 526	1 732
Total shareholders' equity	6 247	4 322
Minority interest	24	19
Long-term liabilities		
Long-term debt [12]		
Bonds and debentures	972	1 369
Loans from financial institutions	2 751	4 898
Pension loans	530	626
Other long-term loans	240	335
	4 493	7 228
Other long-term liabilities		
Accounts payable	16	–
Deferred tax liability [13]	730	634
Other long-term liabilities	163	194
	909	828
Current liabilities		
Current debt		
Loans from financial institutions	161	93
Bills payable	37	38
Other current loans	136	215
Current portion of long-term debt	621	404
	955	750
Other current liabilities		
Advances received	196	240
Accounts payable	1 204	1 059
Accrued expenses and prepaid income	1 246	1 514
Other current liabilities	192	431
	2 838	3 244
Total liabilities	9 195	12 050
Total shareholders' equity and liabilities	15 466	16 391

Consolidated statement of cash flows

FIM million	1994	1993
Operating activities		
Income financing		
Net income	831	505
Depreciation and amortization	872	968
(Gains) losses on sales of business operations and fixed assets	59	(374)
Undistributed earnings in associated companies	24	74
Other items ¹⁾	107	(182)
	1 893	991
Change in working capital		
(Increase) decrease in inventories	(333)	214
(Increase) decrease in receivables	(168)	280
Increase (decrease) in current non-interest-bearing liabilities	(333)	(727)
	(834)	(233)
Other adjustments to cash ²⁾	187	244
Cash provided by operating activities	1 246	1 002
Investing activities		
Investments in fixed assets and other long-term investments	(1 488)	(1 110)
Proceeds from sales of business operations and fixed assets ³⁾	128	899
(Increase) decrease in other long-term financial assets	(194)	(184)
(Increase) decrease in working capital related to fixed assets	41	83
Cash used in investing activities	(1 513)	(312)
Cash flow before financing activities	(267)	690
Financing activities		
Borrowings of long-term debt	537	1 135
Repayments of long-term debt	(2 489)	(2 882)
Increase (decrease) in current debt	131	(1 136)
Equity issues	1 180	1 344
Other financial items	(63)	(1)
Cash used in financing activities	(704)	(1 540)
Decrease in cash and marketable securities	(971)	(850)
Adjustments ⁴⁾	(96)	188
Decrease in cash and marketable securities in the consolidated balance sheet	(1 067)	(662)

1) Includes exchange gains/losses, write-downs of shares, change in deferred tax, and minority interest in earnings. In addition, in the 1993 figures the result of debt restructuring reported within "Extraordinary items" is included.

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

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

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

Notes to the consolidated financial statements

FIM million	1994	1993
NOTES TO THE INCOME STATEMENT		
1. Cost of sales		
Raw materials and merchandise	(7 202)	(6 578)
Fuels and supplies	(1 199)	(1 164)
Wages and salaries	(2 033)	(2 091)
Other personnel expenses	(575)	(645)
Rents and leases	(46)	(55)
Energy expenses	(776)	(788)
Depreciation and amortization	(779)	(840)
Other cost of sales	(1 508)	(1 652)
Production for own use	108	56
Change in inventories	478	(24)
	(13 532)	(13 781)
Value of inventories		
+ According to the FIFO method	2 601	2 363
- According to the LIFO method	2 281	2 440
Inventory gain (loss)	320	(77)

The inventory gain or loss arising from movements in raw material prices is calculated by comparing the value of inventories according to the FIFO method (first in - first out) used in the financial statements with the value calculated by the LIFO method (last in - first out). If the value of inventories assessed according to FIFO is higher than the LIFO assessment, the difference is an inventory gain; if lower, an inventory loss. In the income statement the inventory gains and losses are included in "Change in inventories".

2. Personnel expenses

Supervisory Board's, Executive Boards' and Managing Directors' fees and salaries *)	66	72
Other wages and salaries	2 598	2 696
Pension contributions	259	204
Other personnel expenses **)	518	651
Personnel expenses in the income statement	3 441	3 623
Taxable value of fringe benefits	13	12

*) Includes bonuses of FIM 6.3 million (1993: FIM 4.4 million).

**) Includes FIM 34 million (1993: FIM 47 million) of profit-sharing bonuses based on the Finnish Personnel Funds Act.

3. Depreciation and amortization

Depreciation and amortization by group of assets		
Intangible rights	4	5
Goodwill	5	7
Goodwill on consolidation	20	27
Other long-term expenses	59	43
Mine properties	94	129
Buildings	78	110
Machinery and equipment	601	635
Other fixed assets	11	12
	872	968

FIM million	1994	1993
Depreciation and amortization by group of expenses		
Cost of sales	779	840
Selling and marketing expenses	13	15
Administrative expenses	42	68
Exploration, research and development expenses	18	18
Amortization of goodwill on consolidation	20	27
	872	968

4. Other operating expenses and income

Other operating expenses		
Restructuring expenses and provisions	78	235
Project losses in disposed subsidiary	71	-
Losses on sales of business operations	35	2
Losses on sales of interests in mineral deposits and mining projects	12	-
Write-downs of shares	31	4
Losses on dispositions of fixed assets	29	22
Other expense items	14	44
	270	307

Provisions for restructuring measures in the balance sheet:

Provisions on Jan. 1	318	312
Translation differences	(39)	6
Restructuring costs charged against provisions	(240)	(178)
New provisions recorded	22	178
Provisions on Dec. 31	61	318

The new provisions in 1994 mainly refer to the restructuring of semiconductor and permanent magnet production.

Other operating income		
Gains on sales of business operations	4	358
Gains on sales of interests in mineral deposits and mining projects	-	5
Gains on sales of fixed assets	13	25
Other income items	11	24
	28	412

Effect of sales of business operations on the consolidated income statement:

Effect on consolidated net sales:		Sold	
OM Group Inc.	Oct. 10, 1993	-	874
Outokumpu EcoEnergy, Inc.	Feb. 28, 1994	12	161
Outokumpu Instruments	Apr. 7, 1994	-	84
Candor Sweden AB	Aug. 24, 1994	38	61
Johnson Metall AB	Sep. 30, 1994	171	212
Interest in Thalanga mine	Dec. 13, 1994	34	63
Outokumpu Copper			
Brass Rod S.A.	Dec. 30, 1994	199	174
Other sold business operations, total		27	56
		481	1 685
Total operating profit of sold business operations			
		5	3
Total gains (losses) on sales of business operations			
		(43)	361

FIM million	1994	1993
5. Financial income and expenses		
Dividends received	1	0
Interest income on		
Long-term financial assets	31	29
Current assets	186	273
Other financial income	14	59
Interest expenses	(498)	(895)
Other financial expenses	(40)	(70)
Value adjustments on marketable securities	(2)	-
Exchange gains (losses)	285	(20)
	(23)	(624)
Interest capitalized on investment projects during the year was FIM 21 million (1993: FIM 3 million).		
Exchange gains (losses) on derivative financial instruments		
Realized	359	25
Unrealized	105	33
	464	58
Other exchange gains (losses)		
Realized	(240)	(100)
Unrealized	61	22
	(179)	(78)
Total exchange gains (losses)	285	(20)
6. Extraordinary income and expenses		
Debt restructuring of Spanish subsidiary	-	271
Adjustment to sales price of power plant	-	10
Cumulative effect of change in reporting currency of some subsidiaries	(6)	-
	(6)	281
7. Income taxes		
Current taxes		
Accrued taxes for the year	(84)	(24)
Tax adjustments for past years	(18)	4
	(102)	(20)
Change in deferred tax		
On untaxed reserves	(142)	(23)
Change in other deferred tax	55	33
	(87)	10
Total income taxes	(189)	(10)
8. Cumulative effect of accounting changes		

The cumulative effect of the new accounting principles, adopted at the beginning of 1994, as of December 31, 1992 is presented on page 44.

FIM million	1994	1993
NOTES TO THE BALANCE SHEET		
9. Fixed assets and other long-term investments		
Intangible rights		
Historical cost on Jan. 1	54	58
Translation differences	(1)	1
Additions	3	4
Dispositions	(11)	(9)
Accumulated amortization	(30)	(30)
Carrying value on Dec. 31	15	24
Goodwill		
Historical cost on Jan. 1	54	53
Translation differences	(3)	1
Additions	1	0
Accumulated amortization	(38)	(34)
Carrying value on Dec. 31	14	20
Goodwill on consolidation		
Historical cost on Jan. 1	436	566
Translation differences	(19)	6
Additions	-	4
Dispositions	(8)	(140)
Accumulated amortization	(352)	(344)
Carrying value on Dec. 31	57	92
Exploration and evaluation expenses		
Carrying value on Jan. 1	86	60
Translation differences	(7)	5
Additions	4	21
Dispositions	(12)	-
Carrying value on Dec. 31	71	86
Other long-term expenses		
Historical cost on Jan. 1	323	307
Translation differences	(29)	10
Additions	157	50
Dispositions	(13)	(44)
Accumulated amortization	(218)	(185)
Carrying value on Dec. 31	220	138
Land		
Carrying value on Jan. 1	153	181
Translation differences	(15)	(3)
Additions	4	1
Dispositions	(20)	(26)
Carrying value on Dec. 31	122	153
Mine development properties		
Carrying value on Jan. 1	13	13
Additions	16	-
Carrying value on Dec. 31	29	13
Mine properties		
Historical cost on Jan. 1	1 484	1 160
Translation differences	(200)	92
Additions	84	251
Dispositions	(174)	(19)
Accumulated depreciation	(662)	(813)
Carrying value on Dec. 31	532	671

FIM million	1994	1993
Buildings		
Historical cost on Jan. 1	2 191	2 234
Translation differences	(113)	(1)
Additions	106	112
Dispositions	(158)	(154)
Accumulated depreciation	(901)	(930)
Carrying value on Dec. 31	1 125	1 261
Machinery and equipment		
Historical cost on Jan. 1	8 965	8 400
Translation differences	(570)	128
Additions	542	991
Dispositions	(496)	(554)
Accumulated depreciation	(4 225)	(4 240)
Carrying value on Dec. 31 ^{*)}	4 216	4 725
^{*)} Of which production machinery and equipment	4 083	4 592
Construction in progress		
Carrying value on Jan. 1	368	678
Translation differences	(16)	59
Additions	415	162
Dispositions	(194)	(531)
Carrying value on Dec. 31	573	368
Advances paid for fixed assets		
Carrying value on Jan. 1	38	56
Translation differences	(0)	3
Additions	148	22
Dispositions	(5)	(43)
Carrying value on Dec. 31	181	38
Other fixed assets		
Historical cost on Jan. 1	193	196
Translation differences	(6)	(2)
Additions	9	12
Dispositions	(6)	(13)
Accumulated depreciation	(101)	(95)
Carrying value on Dec. 31	89	98
Total intangible assets, property, plant and equipment		
Historical cost on Jan. 1	14 358	13 962
Translation differences	(979)	299
Additions	1 489	1 630
Dispositions	(1 097)	(1 533)
Accumulated depreciation and amortization	(6 527)	(6 671)
Carrying value on Dec. 31	7 244	7 687
Investments in associated companies at cost		
Historical cost on Jan. 1	482	441
Translation differences	(64)	25
Additions	71	41
Dispositions	(18)	(25)
Historical cost on Dec. 31	471	482

FIM million	1994	1993
Equity adjustment to investments in associated companies		
Jan. 1	(86)	12
Change in translation difference	(6)	(18)
Dividends received during the year	(2)	(0)
Equity earnings in associated companies	(22)	(74)
Other changes	-	(6)
Dec. 31	(116)	(86)
Carrying value of investments in associated companies	355	396
Total taxable values of real estate and shares in Finnish Group companies		
Land	68	67
Buildings	647	640
Shares in Finnish subsidiaries	2 423	2 619
Equity investments in other Finnish entities	138	114
Book value has been used where a confirmed taxable value was not available.		
Long-term loans receivable include a subordinated loan of FIM 111 million (1993: -) to an associated company, and FIM 275 million (1993: FIM 287 million) of interest-bearing loans granted to the purchaser in connection with sales of business operations and real estate.		
10. Receivables		
Loans receivable include loans to subsidiaries' management totalling FIM 0.1 million (1993: FIM 0.1 million).		
Other receivables include non-current receivables of FIM 37 million (1993: FIM 49 million).		
11. Shareholders' equity		
Restricted equity		
Share capital		
Jan. 1	1 098.3	798.6
Equity issues	147.0	299.7
Dec. 31	1 245.3	1 098.3
Reserve fund		
Jan. 1	1 430.1	389.5
Premiums on equity issues	1 033.5	1 043.9
Transfer from retained earnings	4.8	14.2
Changes in Group structure	-	(19.1)
Other changes	(2.3)	1.6
Dec. 31	2 466.1	1 430.1
Revaluation fund		
Jan. 1	47.6	47.6
Reversal of revaluations	(47.6)	-
Dec. 31	-	47.6
Other restricted equity		
Jan. 1	13.9	2.5
Transfer (to) from retained earnings	(3.3)	10.9
Other changes	(1.1)	0.5
Dec. 31	9.5	13.9
Total restricted equity on Dec. 31	3 720.9	2 589.9

FIM million	1994	1993
Non-restricted equity		
Jan. 1	1 732.0	(251.4)
Transfer to restricted equity	(1.5)	(25.1)
Change in translation difference	(11.2)	(59.5)
Reversal of revaluations	(23.1)	-
Other changes	(1.5)	8.8
Net income for the year	831.5	2 059.2
Dec. 31	2 526.2	1 732.0
Total shareholders' equity on Dec. 31	6 247.1	4 321.9
Distributable funds		
Non-restricted equity	2 526.2	1 732.0
Less untaxed reserves in non-restricted equity	(1 857.2)	(1 438.4)
Distributable funds on Dec. 31	669.0	293.6
Untaxed reserves on Dec. 31		
Accumulated depreciation difference	2 003.7	1 405.8
Transitional reserve in Finland	484.0	482.9
Operational reserve in Finland	-	22.7
Other untaxed reserves	16.0	42.1
	2 503.7	1 953.5
Deferred tax liability on untaxed reserves	(646.5)	(515.1)
Untaxed reserves in non-restricted equity on Dec. 31	1 857.2	1 438.4

12. Long-term debt

Breakdown of long-term debt by currency on Dec. 31		
FIM	39 %	28 %
USD	34 %	31 %
DEM	9 %	11 %
ECU	7 %	16 %
SEK	5 %	4 %
CHF	4 %	3 %
Other	2 %	7 %

Share of floating rate loans of long-term debt on Dec. 31		
FIM-denominated loans	74 %	75 %
USD-denominated loans	51 %	72 %
Loans denominated in other currencies	80 %	83 %
All loans	68 %	77 %

FIM-denominated floating rate loans also include pension loans and loans tied to the base rate of the Bank of Finland.

Repayment schedule of long-term debt on Dec. 31, 1994:

FIM million	Repayments 1995	1996	1997	1998	1999	2000 -	Total
Bonds and debentures	219	303	277	38	125	229	1 191
Loans from financial institutions	306	492	749	885	431	194	3 057
Pension loans	37	34	32	30	28	406	567
Other long-term loans	59	145	37	20	17	21	299
	621	974	1 095	973	601	850	5 114

FIM million	1994	1993
Bonds and debentures		
	Interest rate %	
Ordinary bonds		
1984 - 94 USD	¹⁾ ²⁾	- 5
Bonds with warrants		
1994 - 96 FIM	- ³⁾	2 -
Other bonds		
1986 - 96 ECU	8.00	101 188
1986 - 96 FIM	9.00 ²⁾	3 4
1986 - 96 FIM	9.00 ²⁾	5 7
1987 - 94 FIM	10.50	- 28
1988 - 95 ECU	8.00	215 293
1989 - 95 FIM	2.50 ²⁾	2 2
1991 - 96 FIM	12.85	50 50
1991 - 96 FIM	⁴⁾	70 70
1991 - 01 FIM	11.75	100 100
1993 - 96 DEM	⁵⁾	61 66
1993 - 97 FIM	10.60	100 100
1993 - 97 DEM	⁵⁾	107 117
1993 - 98 FIM	⁴⁾	125 125
1993 - 00 FIM	⁴⁾	250 250
		1 191 1 405

¹⁾ 70 % of U.S. Prime rate.

²⁾ Issued by subsidiaries; all other bonds issued by the Parent Company.

³⁾ Conditions for bonds with warrants are presented on page 68.

⁴⁾ Floating rate, based on Helibor.

⁵⁾ Floating rate, based on DEM-Libor.

13. Deferred tax liability

On untaxed reserves	647	515
Other deferred tax liability	83	119
	730	634

Untaxed reserves mainly consist of depreciation difference in Finnish Group companies. A full provision for deferred tax liability has been made on untaxed reserves using the local tax rate, in Finland 25 %. No deferred tax asset has been established for tax loss carryforwards in Finland.

Other deferred tax liability relates to the local practice of some non-Finnish subsidiaries. In addition, other long-term financial assets include deferred tax assets of FIM 41 million (1993: FIM 12 million) in certain non-Finnish subsidiaries.

FIM million **1994** 1993

O T H E R N O T E S

Receivables from and payables to associated companies

Long-term loans receivable	179	36
Accounts receivable	29	39
Other receivables	20	83
Current payables	2	2

Commitments and contingent liabilities

Pledges on Dec. 31		
Mortgages to secure own borrowings	1 299	1 946
Other pledges		
To secure own borrowings	161	174
To secure borrowings of an associated company	236	-
	1 696	2 120

Guarantees on Dec. 31		
On behalf of associated companies for financing	62	6
On behalf of other parties		
For financing	7	-
For other commitments	11	2
	80	8

Minimum future lease payments on off-balance sheet leases on Dec. 31		
Next year	90	103
Thereafter	549	633
	639	736

The additional pensions of employees of some Finnish subsidiaries have been arranged through Outokumpu Oy's pension trusts, which operate as mutual pension trusts. According to the contributory payment agreement made between the Company and the pension trusts, the Company is responsible for ensuring that the pension liabilities are sufficiently funded at all times. The total pension liabilities of Outokumpu Oy's pension trusts on December 31, 1994 were FIM 687 million (1993: FIM 739 million). When the assets of the pension trusts are assessed at current market values, the value of these assets adequately covers the existing pension liability.

Disputes and litigations

On September 30, 1992, the Helsinki Court of Appeals dismissed a suit filed by an Outokumpu pensioner against Outokumpu Oy with respect to the pension settlement made in 1988. The Court upheld the dismissal handed down by the City Court of Helsinki on April 11, 1991. The plaintiff sought additional compensation to his pension amount, as well as restoration of his family pension rights provided in the former pension regulations. The plaintiff has appealed the decision by the Helsinki Court of Appeals to the Supreme Court, which has not yet rendered its decision.

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

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

The hearing of the case commenced on December 14, 1993 but after 11 days of hearing was adjourned on January 25, 1994 pending the final outcome of related proceedings which did not involve the Tara Mines/Outokumpu Oy -related defendants. Following the conclusion on June 21, 1994 of the related proceedings, the hearing of the case resumed on October 4, 1994 before the Irish High Court. On that date, two of the four personal plaintiffs withdrew their claim which was then dismissed by the court. The hearing continues of the claim brought by the other two personal plaintiffs and by Bula.

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

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

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

Outokumpu Oy has been advised by its Irish solicitors that Bula's claim is without legal merit and will not be successful and that, even if any part of Bula's claim were successful, the amount of damages awarded (if any) would not be material.

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 future results.

Parent Company financial statements

INCOME STATEMENT

FIM million	1994	1993
Net sales	484	478
Cost of sales	(420)	(384)
Gross margin	64	94
Administrative expenses	(118)	(107)
Other operating expenses	[3] (19)	(5)
Other operating income	[3] 29	26
Operating (loss) profit	[1][2] (44)	8
Financial income and expenses	[4] 128	(23)
Profit (loss) before extraordinary items and taxes	84	(15)
Extraordinary income and expenses	[5] 452	103
Profit before appropriations and taxes	536	88
(Increase) decrease in untaxed reserves	[6]	
Depreciation difference	1	(1)
Other untaxed reserves	-	2
Income taxes		
Accrued taxes for the year	(9)	(4)
Tax adjustments for past years	(7)	5
Profit for the year	521	90

BALANCE SHEET

FIM million	1994	1993
Assets		
Fixed assets and other long-term investments	[7]	
Intangible assets		
Intangible rights	0	1
Other long-term expenses	7	7
	7	8
Property and equipment		
Land	3	5
Buildings	7	11
Machinery and equipment	12	11
Other fixed assets	2	2
	24	29
Long-term financial assets		
Investments in subsidiaries	2 368	2 230
Other long-term equity investments	93	58
Long-term loans receivable	4 739	3 948
Other long-term financial assets	24	-
	7 224	6 236
Total fixed assets and other long-term investments	7 255	6 273
Current assets	[8]	
Receivables		
Accounts receivable	49	48
Loans receivable	1 012	1 481
Prepaid expenses and accrued income	254	302
Other receivables	777	802
	2 092	2 633
Cash and marketable securities		
Deposits and debt securities	110	927
Cash and cash equivalents	530	419
	640	1 346
Total current assets	2 732	3 979
Total assets	9 987	10 252

Figures in brackets refer to notes to the Parent Company financial statements on pages 56 - 57.

FIM million	1994	1993
Shareholders' equity and liabilities		
Shareholders' equity [9]		
Restricted equity		
Share capital	1 245	1 098
Reserve fund	2 435	1 402
Revaluation fund	-	5
	3 680	2 505
Non-restricted equity		
Retained earnings	483	393
Profit for the year	521	90
	1 004	483
Total shareholders' equity	4 684	2 988
Untaxed reserves [6]		
Accumulated depreciation difference	0	1
Transitional reserve	8	8
	8	9
Long-term liabilities		
Long-term debt		
Bonds and debentures	966	1 359
Loans from financial institutions	1 564	1 235
Pension loans	87	97
Other long-term loans	118	1 025
	2 735	3 716
Current liabilities		
Current debt		
Loans from financial institutions	69	-
Other current loans	1 279	2 485
Current portion of long-term debt	671	174
	2 019	2 659
Other current liabilities		
Accounts payable	47	50
Accrued expenses and prepaid income	262	348
Other current liabilities	232	482
	541	880
Total liabilities	5 295	7 256
Total shareholders' equity and liabilities	9 987	10 252

STATEMENT OF CASH FLOWS

FIM million	1994	1993
Operating activities		
Income financing		
Profit for the year	521	90
Depreciation and amortization	7	6
Increase (decrease) in untaxed reserves	(1)	(1)
	527	95
Change in working capital		
(Increase) decrease in receivables	72	(48)
Increase (decrease) in current non-interest-bearing liabilities	(339)	93
	(267)	45
Other adjustments to cash ^{*)}	476	222
Cash provided by operating activities	736	362
Investing activities		
Investments in fixed assets and other long-term investments	(270)	(368)
Proceeds from sales of fixed assets	3	2
Group contributions	(380)	(347)
(Increase) decrease in other long-term financial assets	(24)	-
Cash used in investing activities	(671)	(713)
Cash flow before financing activities	65	(351)
Financing activities		
Increase in long-term debt	1 047	869
Repayments of long-term debt	(1 189)	(2 156)
Increase (decrease) in current debt	(1 137)	247
Equity issues	1 180	1 344
Other financial items	(672)	185
Cash (used in) provided by financing activities	(771)	489
(Decrease) increase in cash and marketable securities in the balance sheet	(706)	138

^{*)} Includes exchange gains/losses, group contributions and write-downs of shares.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FIM million	1994	1993
1. Personnel expenses		
Supervisory Board's, Executive Board's and Managing Director's fees and salaries	3	4
Other salaries	25	23
Pension contributions	4	1
Other personnel expenses	5	3
Personnel expenses in the income statement	37	31
Taxable value of fringe benefits	1	1
2. Depreciation and amortization		
Depreciation and amortization by group of assets		
Intangible rights	1	1
Other long-term expenses	3	3
Machinery and equipment	3	2
	7	6
Depreciation and amortization by group of expenses		
Cost of sales	1	1
Administrative expenses	6	5
	7	6
3. Other operating expenses and income		
Other operating expenses		
Write-downs of shares	18	0
Other expense items	1	5
	19	5
Other operating income		
Rental income	20	24
Merger profit	7	-
Other income items	2	2
	29	26
4. Financial income and expenses		
Dividends received	0	1
Interest income on		
Long-term financial assets	301	353
Current assets	296	370
Other financial income	53	26
Interest expenses	(491)	(781)
Other financial expenses	(23)	(15)
Value adjustments on marketable securities	(2)	-
Exchange gains (losses)	(6)	23
	128	(23)
Financial income from and expenses to subsidiaries		
Dividends received	0	1
Interest income on		
Long-term financial assets	285	339
Current assets	148	199
Other financial income	53	26
Interest expenses	(221)	(333)
Other financial expenses	(6)	(1)
5. Extraordinary income and expenses		
Group contributions	452	103

FIM million	1994	1993
6. Untaxed reserves		
Depreciation difference relates to machinery and equipment.		
(Increase) decrease in other untaxed reserves		
Transitional reserve	-	(8)
Operational reserve	-	8
Reserve for bad debts	-	2
	-	2
7. Fixed assets and other long-term investments		
Intangible rights		
Historical cost on Jan. 1	6	6
Accumulated amortization	(6)	(5)
Carrying value on Dec. 31	0	1
Other long-term expenses		
Historical cost on Jan. 1	19	18
Additions	3	1
Accumulated amortization	(15)	(12)
Carrying value on Dec. 31	7	7
Land		
Carrying value on Jan. 1	5	5
Dispositions	(2)	(0)
Carrying value on Dec. 31	3	5
Buildings		
Historical cost on Jan. 1	16	16
Dispositions	(3)	(0)
Accumulated depreciation	(6)	(5)
Carrying value on Dec. 31	7	11
Machinery and equipment		
Historical cost on Jan. 1	24	25
Additions	5	2
Dispositions	(2)	(3)
Accumulated depreciation	(15)	(13)
Carrying value on Dec. 31	12	11
Other fixed assets		
Historical cost on Jan. 1	3	3
Accumulated depreciation	(1)	(1)
Carrying value on Dec. 31	2	2
Total intangible assets, property and equipment		
Historical cost on Jan. 1	73	73
Additions	8	3
Dispositions	(7)	(3)
Accumulated depreciation and amortization	(43)	(36)
Carrying value on Dec. 31	31	37
Taxable values of real estate and shares		
Land	27	26
Buildings	10	10
Shares in Finnish subsidiaries	822	1 546
Equity investments in other Finnish entities	66	48
Book value has been used where a confirmed taxable value was not available.		

FIM million	1994	1993
8. Receivables		
Other receivables include non-current receivables of FIM 36 million (1993: FIM 48 million).		
9. Shareholders' equity		
Restricted equity		
Share capital		
Jan. 1	1 098.3	798.6
Equity issues	147.0	299.7
Dec. 31	1 245.3	1 098.3
Reserve fund		
Jan. 1	1 401.4	357.5
Premiums on equity issues	1 033.5	1 043.9
Dec. 31	2 434.9	1 401.4
Revaluation fund		
Jan. 1	5.0	5.0
Reversal of revaluations	(5.0)	-
Dec. 31	-	5.0
Total restricted equity on Dec. 31	3 680.2	2 504.7
Non-restricted equity		
Jan. 1	483.3	393.6
Profit for the year	520.8	89.7
Dec. 31	1 004.1	483.3
Total shareholders' equity on Dec. 31	4 684.3	2 988.0

FIM million	1994	1993
Receivables from and payables to subsidiaries		
Long-term loans receivable	4 535	3 787
Current loans receivable	1 012	1 473
Accounts receivable	44	44
Prepaid expenses and accrued income	121	284
Other receivables	725	729
Long-term loans	74	948
Current loans	1 357	2 459
Accounts payable	3	4
Accrued expenses and prepaid income	160	140
Other current liabilities	230	480
Commitments and contingent liabilities		
Pledges on Dec. 31		
Mortgages to secure own borrowings	112	156
Other pledges to secure own borrowings	161	161
	273	317
Guarantees on Dec. 31		
On behalf of subsidiaries		
For financing	1 663	4 383
For other commitments	534	683
On behalf of an associated company for financing	13	-
On behalf of other parties for financing	5	-
	2 215	5 066
Minimum future lease payments on off-balance sheet leases on Dec. 31		
Next year	31	31
Thereafter	380	402
	411	433

The Parent Company's share of the total pension liabilities of Outokumpu Oy's pension trusts on December 31, 1994 was FIM 597 million (1993: FIM 647 million). When the assets of the pension trusts are assessed at current market values, the value of these assets adequately covers the existing pension liability.

PARENT COMPANY SHAREHOLDINGS IN SUBSIDIARIES ON DECEMBER 31, 1994

Company or enterprise	Parent Company holding %	Number of shares	Nominal value of shares 1 000 units	Book value of shares FIM 1000
Finenco Oy	100	4 000	FIM 400	402
Orijärvi Oy	100	70 500	FIM 71	140
Outokumpu Commercial A/S	100	7 300	DKK 7 300	0
Outokumpu Commercial Sweden AB	100	2 000	SEK 200	961
Outokumpu Copper Oy	100	55 230 000	FIM 552 300	400 000
Outokumpu Finance B.V.	100	41	NLG 41	722
Outokumpu Financial Services AB	10	99	SEK 99	323
Outokumpu Invest Oy	100	301 500	FIM 3 015	30 000
Outokumpu (Lady Loretta) Pty. Ltd.	100	2	AUD 0	0
Outokumpu Metals Treasury	4	300 003	USD 300	1 238
Outokumpu Metals & Resources Oy	100	47 000 000	FIM 470 000	1 065 000
Outokumpu Semitronic AB	100	4 000	SEK 400	1 000
Outokumpu Steel Oy	100	35 000 000	FIM 350 000	631 873
Outokumpu Technology Oy	100	10 000 000	FIM 100 000	146 000
Outokumpu Työterveyspalvelut Oy	100	6 500	FIM 65	500
Outokumpu Wafers Oy	100	9 860	FIM 99	254
Pancarelian Ltd.	100	120 000	USD 120	4 866
Suomen Kiviteollisuus Oy - Finska Stenindustri Ab	100	214 995	FIM 21 500	82 771
Sura Magnets AB	100	300	SEK 300	1 000
Housing and real estate company shares				941
Dormant companies				15
Total shares in subsidiaries				2 368 006

SHARES AND STOCK IN ASSOCIATED COMPANIES ON DECEMBER 31, 1994

Company or enterprise	Country	Outokumpu holding %	Number of shares	Nominal value of shares 1 000 units	Book value of shares FIM 1 000	Group's share of profit (loss) FIM million	shareholders' equity FIM million
Shares and stock held by subsidiaries							
AOR Industries Oy	Finland	33	100	FIM 100	100	0.0	0.1
A.W. Liljeberg Oy	Finland	34	23 200	FIM 2 320	5 900	(1.2)	1.6
A/O Kivijärvi	Russia	49	147 490	RUR 14 749	71	0.0	0.1
A/O "JV Energy Ecology Engineering"	Russia	23	294	RUR 294	2 040	(0.2)	0.8
Compañía Minera Zaldívar S.A.	Chile	50	44 267 908	USD 44 268	235 101	0.0	235.1
CT Shipping AG	Switzerland	30	15	CHF 15	44	0.4	2.4
Folldal Industrielektro A/S	Norway	40	100	NOK 100	70	0.4	0.4
Ivernia West Plc.	Ireland	24	12 321 393	IEP 1 232	43 818	0.0	40.0
Laminados Oviedo-Córdoba S.A.	Spain	50	2 000 000	ESP 2 000 000	34 168	(24.1)	30.7
Mining Project Investors Pty. Ltd.	Australia	34	10 000 000	AUD 10 000	27 600	2.8	31.3
Okphil Inc.	The Philippines	30	44 399	PHP 444	220	(0.1)	0.0
Oretec Resources Plc.	Ireland	37	1 333 333	IEP 27	2 836	(0.4)	1.8
Phelps Dodge Outokumpu Copper Oy International Corporation	USA	33	22 833	USD 228	0	(0.2)	1.0
Placer Outokumpu Exploration Ltd.	UK	50	50 000	USD 50	200	0.4	0.9
Tepa-Mestarit Oy	Finland	50	500	FIM 50	50	0.2	0.2
Wolnitzky Indepro é Compañía	Chile	50	500 000	CLP 500	16	0.0	0.0
Other shares and stock in associated companies					64	0.0	0.1
					352 298	(22.0)	346.5
Shares and stock held by the Parent Company							
DIARC-Technology Oy	Finland	50	200	FIM 20	64	0.0	0.1
Metalliyhtymä Oy	Finland	34	6 018	FIM 6 018	7 259	0.4	8.2
					7 323	0.4	8.3
Total shares and stock in associated companies					359 621	(21.6)	354.8

OTHER SHARES AND STOCK ON DECEMBER 31, 1994

Company or enterprise	Outokumpu holding %	Number of shares	Nominal value of shares 1 000 units	Book value of shares FIM 1 000
Other shares and stock held by subsidiaries				
ARCON International Resources Plc.	21	12 436 767	IEP 622	40 317
Hambro International Venture Fund '85	20	1	USD 572	2 002
Hidet Kapital AB		33 324	SEK 231	462
Incap Oy	3.4	7 892	FIM 789	3 000
Sífida Investment Company Ltd.	0.3	110	USD 55	300
Sipa Resources International NL	18	18 421 230	AUD 4 605	18 065
Tomion Golf Oy	1.9	6	FIM 36	150
UHAB Industrigumming AB	19	1 140	SEK 114	72
Housing and real estate company shares				21 293
Other shares and stock				2 159
				87 820
Other shares and stock held by the Parent Company				
Ekokem Oy	0.9	160	FIM 320	320
Golfsarfvik Oy	0.7	2	FIM 50	176
The Helsinki Stock Exchange	0.6	1	FIM 150	150
Innopoli Oy	2.1	20 000	FIM 2 000	2 300
Oy Investa Ab	2.6	187 500	FIM 2 500	5 000
Kansallis-Osake-Pankki	0.5	5 387 500	FIM 26 938	29 793
Kiinteistö Oy Noretch	19.9	199	FIM 199	1 990
Oy Liikkeenjohdon Koulutuskeskus Ab	1.3	2	FIM 100	100
Lökken Gruber A/S	50	1 000	NOK 1 000	0
Lökken Gruber A/S & Co.	48		NOK 22 667	0
Mikkelin Arkistotalo Oy	2.4	1	FIM 100	100
Oy Palace Hotel Ab	0.8	101	FIM 10	147
Central Share Register of Finland Co-operative	2.4	15	FIM 1 050	1 050
Sampo Insurance Company	1.2	175 782	FIM 3 516	37 793
Housing and real estate company shares				5 938
Other shares and stock				509
				85 366
Total other shares and stock				173 186

Outokumpu Oy's subsidiaries by business segment on December 31, 1994

	Country	Nature of activity	Group holding %	Book value FIM million	Net sales FIM million	Personnel Dec. 31	Group's share of result FIM million	shareholders' equity FIM million
Base Metals								
Outokumpu Metals & Resources Oy	Finland	■	100	1 065	63	133	164	1 846
Outokumpu Mining Oy	Finland	■	100	486	0	-	-	-
•Norsulfid A/S	Norway	▲	100	6	89	122	(6)	43
•Outokumpu Finnmines Oy	Finland	▲	100	360	489	588	31	353
•Outokumpu Harjavalta Metals Oy	Finland	▲	100	446	1 972	1 005	220	662
•Outokumpu Mining Australia Pty. Ltd.	Australia	■	100	772	0	-	(32)	506
••Outokumpu Resources Australia Pty. Ltd.	Australia	■	100	668	0	-	-	-
•••Outokumpu Australia Pty. Ltd.	Australia	■	100	264	128	-	-	-
•••Outokumpu Exploration Australia Pty. Ltd.	Australia	◆	100	99	0	-	-	-
•••Outokumpu Mt Keith Pty. Ltd.	Australia	■	100	244	0	-	-	-
•••Outokumpu Western Australia Pty. Ltd.	Australia	▲	100	303	94	154	-	-
•Viscaria AB	Sweden	▲	100	10	143	118	33	86
•Outokumpu Mining B.V.	Netherlands	■	100	189	0	-	-	-
Outokumpu Resources & Exploration Pty. Ltd.	Australia	■	100	37	0	-	-	-
•Outokumpu Exploration Ventures Pty. Ltd.	Australia	◆	100	0	0	-	-	-
Outokumpu Resources Inc.	Canada	■	100	1	0	-	-	-
•Outokumpu Mines Ltd.	Canada	◆	100	143	0	7	-	-
Outokumpu Zinc Oy	Finland	■	100	376	30	17	-	-
•Outokumpu Kokkola Zinc Oy	Finland	▲	100	375	639	844	96	509
•Outokumpu Minera Española S.A.	Spain	◆	100	31	3	14	-	-
•Outokumpu Zinc B.V.	Netherlands	■	100	388	0	-	-	-
••Outokumpu Zinc Australia B.V.	Netherlands	■	100	0	0	-	-	-
••Outokumpu Zinc Australia Pty. Ltd.	Australia	◆	100	28	0	-	-	-
•••Outokumpu Zinc Commercial B.V.	Netherlands	●	100	0	53	9	-	-
•••Outokumpu Zinc Commercial AG	Switzerland	●	100	0	1 357	6	-	-
••Tara Mines Holdings Limited	Ireland	■	100	126	0	-	27	364
•••Tara Exploration & Development Company Limited	Canada	■	100	34	0	-	-	-
•••Tara Mines Limited	Ireland	▲	100	16	564	772	-	-
•••Tara Prospecting Limited	Ireland	◆	100	1	0	12	-	-
Outokumpu Copper Resources B.V.	Netherlands	■	100	87	1	2	(3)	285
•Minera Outokumpu Chile S.A.	Chile	◆	100	6	0	54	-	-
•Minera Santa Catalina S.A.	Chile	◆	100	93	0	-	-	-
•Outokumpu Copper Resources Chile B.V.	Netherlands	■	100	172	0	-	-	-
•Outokumpu Copper Resources N.V.	Netherlands Antilles	■	100	0	0	-	-	-
•Outokumpu Exploraciones S.A.	Chile	◆	100	23	0	-	-	-
•Outokumpu Zaldivar B.V.	Netherlands	■	100	3	0	-	-	-
AOZT Kola-Mining	1) Russia	◆	83	0	0	-	-	-
OMR Chemicals B.V.	Netherlands	■	100	0	0	-	-	-
Outokumpu Research Oy	Finland	◆	100	10	67	207	-	-
Outokumpu Resources Holding B.V.	Netherlands	■	100	427	0	-	-	-
Outokumpu Resources (Jersey) Ltd.	UK	■	100	70	0	-	-	-
Outokumpu Trading B.V.	Netherlands	■	100	4	0	-	-	-
Outokumpu Transport Oy	Finland	●	100	15	21	7	-	-
Tietokumpu Oy	2) Finland	●	100	1	4	11	-	-
Stainless Steel								
Outokumpu Steel Oy	Finland	■	100	632	17	7	954	1 901
Outokumpu Chrome Oy	Finland	▲	100	116	607	301	102	293
Outokumpu Polarit Oy	Finland	▲	100	445	3 758	1 408	812	1 582
•Kandelinin Seuraajat Oy	Finland	●	100	1	11	17	-	-
•Outokumpu Steel Processing B.V.	Netherlands	▲	100	0	65	73	-	-
Oy JA-RO Ab	Finland	▲	100	64	337	306	9	47
•Finero B.V.	Netherlands	▲	100	21	42	32	-	-
Outokumpu Holding GmbH	Germany	■	100	3	0	-	5	26
•Outokumpu Deutschland GmbH	3) Germany	●	100	0	0	-	-	-
•Outokumpu Deutschland GmbH & Co.	Germany	●	100	15	150	33	-	-
•Outokumpu Grundstücks GmbH & Co KG	1) Germany	●	100	13	0	-	-	-
•Outokumpu Verwaltungs GmbH	Germany	■	100	0	0	-	-	-
•RTC Rostfrei-Technik-Center GmbH	Germany	▲	100	3	118	37	-	-
Outokumpu Benelux B.V.	Netherlands	●	100	1	4	5	-	-
Outokumpu Danmark A/S	Denmark	●	100	0	17	10	-	-
Outokumpu Japan K.K.	Japan	●	100	1	149	10	-	-
Outokumpu Metals (U.S.A.), Inc.	USA	●	100	1	10	13	-	-
Outokumpu Norge A/S	Norway	●	100	2	5	9	-	-
Outokumpu Poland Sp. z o.o.	1) Poland	●	100	1	1	6	-	-
Outokumpu Stål & Metall AB	Sweden	●	100	1	76	16	-	-

	Country	Nature of activity	Group holding %	Book value FIM million	Net sales FIM million	Personnel Dec. 31	Group's result FIM million	shareholders' equity FIM million
Copper Products								
Outokumpu Copper Oy	Finland	■	100	400	31	24	117	450
Outokumpu Copper AB	Sweden	■	100	177	13	18	97	167
•Outokumpu Copper Brass Rod AB	Sweden	▲	100	10	178	137		
•Outokumpu Copper Partner AB	Sweden	●	100	31	63	83		
•Outokumpu Copper Radiator Strip AB	Sweden	▲	100	83	803	371		
•Outokumpu Copper Rawmet AB	Sweden	●	100	0	0	-		
•Outokumpu Copper Tubes AB	Sweden	▲	100	32	345	244		
Outokumpu Copper B.V.	Netherlands	■	100	87	5	1	26	132
•Neumayer GmbH	Austria	▲	50	16	78	126		
•Outokumpu Copper Limited	UK	■	100	0	1	-		
••Outokumpu (U.K.) Limited	UK	●	100	5	11	18		
••Outokumpu Rawmet (UK) Limited	UK	●	100	0	12	19		
••Thatcher Alloys Limited	UK	●	100	2	13	5		
•Outokumpu Copper Strip B.V.	Netherlands	▲	100	98	682	402		
•Outokumpu Rawmet (Switzerland) Ltd.	Switzerland	●	100	15	2 080	2		
•Outokumpu Superconductors B.V.	Netherlands	■	100	8	0	-		
••Outokumpu Superconductors Oy	Finland	▲	100	8	7	30		
Outokumpu Copper, Inc.	USA	■	100	255	9	2	133	233
•Outokumpu Alloy Wire Inc.	USA	■	100	57	6	5		
••Neuhold Inc.	USA	■	100	9	0	-		
•••The Neumayer Company	USA	▲	50	5	10	3		
••Valleycast, Inc.	USA	▲	100	47	245	137		
•Outokumpu American Brass, Inc.	USA	▲	100	308	1 517	870		
•Outokumpu Copper (U.S.A.), Inc.	USA	●	100	42	0	-		
•Outokumpu Copper Franklin, Inc.	USA	▲	100	24	336	226		
•Outokumpu Copper Kenosha, Inc.	USA	▲	100	212	272	248		
•The Nippert Company	USA	▲	100	21	268	282		
••Nippert-Dawson Ltd.	UK	▲	51	1	7	13		
Outokumpu Poricopper Oy	Finland	▲	100	150	1 998	1 374	144	312
Outokumpu Copper, S.A.	Spain	▲	100	50	92	18	(185)	0
•Outokumpu Copper Tubes, S.A.	Spain	▲	100	0	494	517		
Outokumpu Plating Oy	Finland	▲	100	2	10	28	0	3
A/O Outokumpu Copper St. Petersburg Kumpuprodukt Maden Sanayi Ve Ticaret Ltd. Sti.	Russia	●	100	0	0	-		
Outokumpu Copper Benelux S.A./N.V.	Turkey	●	99	0	0	3		
Outokumpu Copper España, S.A.	Belgium	●	100	0	2	2		
Outokumpu Copper (Portugal) Ltda.	Spain	●	100	0	4	6		
Outokumpu France S.A.	Portugal	●	100	0	1	4		
Outokumpu Italia S.r.l.	France	●	100	0	19	20		
Outokumpu (S.E.A.) Pte Ltd	Italy	●	100	1	25	14		
•Outokumpu (Thailand) Co., Ltd.	Singapore	●	100	0	28	16		
	Thailand	●	100	2	0	-		
Technology								
Outokumpu Technology Oy	Finland	■	100	146	28	-	(206)	(260)
Outokumpu Mintec Group Oy	Finland	■	100	48	0	-	(16)	44
•Outokumpu Mintec Oy	Finland	▲	100	14	157	154		
••A/O Mineral Processing Engineers	Russia	●	60	0	2	22		
••MPE Service Oy	Finland	●	96	0	2	2		
••Outokumpu Mintec Australia Pty. Ltd.	Australia	●	100	0	5	7		
••Outokumpu Mintec Canada Ltd.	Canada	●	100	0	19	13		
••Outokumpu Mintec Mexico, S.A. de C.V.	Mexico	●	100	1	1	7		
••Outokumpu Mintec South Africa (Pty) Ltd.	South Africa	●	100	1	7	6		
••Outokumpu Mintec U.S.A., Inc.	USA	●	100	12	28	15		
••Outokumpu Técnica-Chile Ltda.	Chile	●	100	0	12	12		
••Supaflo Technologies Pty Ltd.	Australia	▲	51	4	77	29		
•Turulan Konepaja Oy	Finland	▲	100	8	49	120		
Outokumpu Engineering Oy	Finland	■	100	111	2	14	52	60
•Outokumpu Castform Oy	Finland	▲	100	23	97	47		
••Aisco Systems Inc.	Canada	▲	100	3	85	85		
••Holton Machinery Limited	UK	▲	100	24	47	36		
•Outokumpu Engineering Contractors Oy	Finland	●	100	25	241	74		
••International Project Services Ltd. Oy	Finland	●	100	0	0	-		
••Kumpu Engineering, Inc.	USA	●	100	0	8	3		
••OEC Inversiones Limitada	Chile	■	100	13	0	2		
•••Indepro S.A.	Chile	●	100	0	4	-		
•••Sociedad Ingeniería de Proyectos Limitada	Chile	●	100	0	0	-		
•••Sociedad Ingeniería de Proyectos y Montajes Limitada	Chile	●	100	34	66	706		
•••Soluciones Computacionales S.A.	Chile	●	85	0	2	15		
•••Outokumpu Ingeniería Limitada	Chile	●	100	1	1	8		
••Outokumpu Processos, Engenharia é Comercio Ltda	Brazil	●	100	0	0	-		
•Outokumpu Engineering Services Oy	Finland	●	100	2	60	150		
•Wenmec Systems Oy	Finland	▲	100	14	125	56		
••Outokumpu Technology AB	Sweden	■	100	3	0	-		
••Wenmec Systems AB	Sweden	▲	100	10	68	35		
••Wenmec Systems, Inc.	USA	●	100	0	9	6		

		Country	Nature of activity	Group holding %	Book value FIM million	Net sales FIM million	Personnel Dec. 31	Group's share of result FIM million	shareholders' equity FIM million
Detec International Oy (Rammer group)	3)	Finland	■	100	1	5	8	24	26
•Bretec Oy		Finland	▲	100	31	167	143		
••Bretec Inc.		USA	●	100	0	3	4		
•Rammer Oy		Finland	●	100	1	138	20		
••Rammer Deutschland GmbH		Germany	●	100	1	49	20		
••Rammer Inc.		USA	●	100	0	55	18		
••Rammer Norge A/S		Norway	●	100	0	10	4		
••Rammer Svenska AB		Sweden	●	100	0	9	4		
Roxon Companies Oy		Finland	■	100	15	2	5	(16)	(2)
•Mecakone Oy		Finland	▲	100	4	19	27		
•Roxon AB		Sweden	●	100	0	10	5		
•Roxon GmbH		Germany	■	100	10	0	-		
•Gurtec GmbH	3)	Germany	▲	100	52	106	193		
••Joba Kunststofftechnik KG	1)	Germany	●	100	12	1	-		
•Roxon Komponentit Oy		Finland	▲	100	5	21	19		
••KOPO AB		Sweden	▲	90	2	20	25		
•Roxon Oy		Finland	▲	100	5	84	69		
•Roxon Pty Ltd.		Australia	■	100	18	0	-		
••Prok Group Ltd.		Australia	▲	100	21	174	309		
•••Prok International (U.S.A.), Inc.		USA	●	100	0	10	2		
•••Prok International Canada Inc.		Canada	●	100	0	10	7		
Galvatek Group Oy	3)	Finland	■	100	5	0	-	(31)	(34)
•Galvatek GmbH		Germany	●	100	1	6	7		
•Galvatek WTT AB		Sweden	●	100	0	11	8		
•Oy Galvatek Ab		Finland	●	100	3	30	31		
Outokumpu Ecoenergy Oy		Finland	●	100	6	90	27	(115)	(14)
Outokumpu Engineering Enterprises, Inc.		USA	■	100	2	0	-	(86)	(80)
•HRI Holdings, Inc.		USA	■	100	0	0	-		
Outokumpu Instruments Oy		Finland	▲	100	24	14	-		
Outokumpu Technology Canada Inc.		Canada	■	100	4	0	-		
Outokumpu Technology Inc.		USA	■	100	2	0	-		
Other business operations									
Finenco Oy		Finland	●	100	0	458	7	6	1
•A/O Finenco		Russia	●	100	0	1	9		
•Finenco Limited		UK	●	100	0	42	2		
Suomen Kiviteollisuus Oy - Finska Stenindustri Ab		Finland	▲	100	83	83	107	2	26
Okmetic Oy	2)	Finland	▲	85	2	79	163	2	52
Outokumpu Invest (U.K.) Limited		UK	■	100	75	0	-	(8)	36
•Swift Levick Magnets Limited		UK	▲	100	44	76	147		
Outokumpu Magnets Oy		Finland	▲	100	1	14	44	(13)	1
Princeton Gamma-Tech, Inc.		USA	▲	100	18	54	99	(9)	(52)
•Princeton Gamma-Tech U.K. Ltd.		UK	●	99	0	4	7		
Outokumpu Semitronic AB		Sweden	▲	100	1	6	8	(12)	17
Sura Magnets AB		Sweden	▲	100	1	7	8	0	5
Outokumpu Invest Oy		Finland	■	100	30	0	-		
Corporate services									
Orijärvi Oy		Finland	●	100	0	0	-		
Outokumpu Finance B.V.		Netherlands	●	100	1	0	-		
Outokumpu Financial Services AB		Sweden	●	100	3	1	7		
Outokumpu Metals Treasury		Ireland	●	100	35	0	-		
Outokumpu Työterveyspalvelut Oy		Finland	●	100	1	3	10		
Pancarelian Ltd.		Bermuda	●	100	5	18	-		

This list excludes dormant companies. The indentation follows the business organization. However, the organization of Copper Products is presented by geographical ownership. The Group holding corresponds to the Group's share of voting rights. The Group's share of the result (profit before extraordinary items and taxes) and shareholders' equity refers to the most significant production companies, or sub-groups when the corresponding figures refer to the sub-group's result and shareholders' equity. Net sales and personnel always refer to the specific company. All figures conform to the Outokumpu Group's uniform accounting principles.

Changes in 1994:

Explanation of references
1) founded
2) change in share of ownership
3) name change

Merged companies
Base Metals
Norprosp A/S
OMG Holding Oy
Outokumpu Mining Services Oy

Other business operations
Outokumpu Commercial Oy
Outokumpu Granite Oy

Corporate Services
Kiinteistö Oy Olarinkumpu

Disposed companies

Base Metals
Transamine AG
Transamine Pacific Ltd.
Transamine S.A.
Transamine Overseas S.A.
Transamine Services Limited
Transamine Trading N.V.

Copper Products

Johnson Metall AB
Johnson Metall A/S
Johnson Metall A/S
JM Acquisition, Inc.
Johnson Metall, Inc.
Oy Johnson Metall Ab
Outokumpu Copper Brass Rod, S.A.

Technology

Outokumpu Electronics Inc.
Outokumpu Instruments S.A.R.L.
Outokumpu KM-Analytik GmbH
Stresstech Oy
American Stress Technologies, Inc.
Candor Sweden AB
Candor Kemiske A/S
Candor Norge A/S
Candor Oy
Linnhoff GmbH
Outokumpu EcoEnergy, Inc.

Other business operations
Finska Australia Pty Ltd.

Explanation of symbols:

Nature of activity

▲ Production
● Marketing
◆ Exploration or Research
● Service
■ Management or Holding

Key financial indicators and share-related data

KEY FINANCIAL INDICATORS

		1990	1991	1992	1993	Restated ¹⁾ 1993	1994
Scope of activity							
Net sales	FIM million	11 286	12 617	15 125	15 827	16 566	16 683
– change from previous year	%	(4.2)	11.8	19.9	4.6		0.7
– exports from and sales outside Finland, of total net sales	%	88.0	91.3	92.3	91.9	92.2	91.4
Capital employed on Dec. 31	FIM million	11 215	11 922	13 869	12 631	12 319	11 719
Investments	FIM million	2 199	1 272	1 703	1 110	1 110	1 488
– in relation to net sales	%	19.5	10.1	11.3	7.0	6.7	8.9
Research and development costs ²⁾	FIM million	350	380	390	450	357	386
– in relation to net sales	%	3.1	3.0	2.6	2.8	2.2	2.3
Personnel on Dec. 31		18 819	17 716	17 524	16 073	16 073	14 959
Profitability							
Operating profit	FIM million	146	3	604	846	852	1 051
– in relation to net sales	%	1.3	0.0	4.0	5.3	5.1	6.3
Inventory gains (losses) included in operating profit	FIM million	(151)	(79)	77	(77)	(77)	320
Profit before extraordinary items and taxes	FIM million	(124)	(768)	(360)	297	228	1 028
– in relation to net sales	%	(1.1)	(6.1)	(2.4)	1.9	1.4	6.2
Profit before taxes	FIM million	(79)	(543)	(191)	537	509	1 022
– in relation to net sales	%	(0.7)	(4.3)	(1.3)	3.4	3.1	6.1
Net income	FIM million	(307)	(546)	(249)	560	505	831
– in relation to net sales	%	(2.7)	(4.3)	(1.6)	3.5	3.0	5.0
Return on shareholders' equity	%	(9.5)	(24.6)	(14.5)	8.4	6.0	15.8
Return on capital employed	%	4.5	1.9	6.9	9.8	9.3	10.7
Financing and financial position							
Liabilities	FIM million	10 615	12 138	15 348	11 664	12 050	9 195
Net interest-bearing debt	FIM million	6 154	7 406	8 187	5 811	5 815	4 352
– in relation to net sales	%	54.5	58.7	54.1	36.7	35.1	26.1
Net financial expenses	FIM million	339	719	1 058	644	624	23
– in relation to net sales	%	3.0	5.7	7.0	4.1	3.8	0.1
Net interest expenses	FIM million	432	587	698	584	593	281
– in relation to net sales	%	3.8	4.7	4.6	3.7	3.6	1.7
Interest cover		0.7	(0.3)	0.5	1.5	1.4	4.7
Share capital	FIM million	799	799	799	1 098	1 098	1 245
Other shareholders' equity and minority interest ³⁾	FIM million	2 654	2 088	2 058	3 559	3 243	5 026
Equity-to-assets ratio	%	24.9	19.6	16.2	29.2	26.9	41.1
Debt-to-equity ratio	%	178.2	256.5	286.6	124.8	134.0	69.4
Cash provided by operating activities ⁴⁾	FIM million	352	461	625	1 719	1 002	1 246
Equity issues	FIM million	–	–	87 ⁵⁾	1 344	1 344	1 180
Dividends	FIM million	55.9	0.0	0.0	0.0	0.0	124.5 ⁶⁾

¹⁾ The figures for 1993 are restated to comply with the new accounting principles. Changes in the accounting principles are presented on pages 41-44. The figures for 1990-92 are based on published statutory annual accounts and have not been restated.

²⁾ In the new accounting principles, "Research and development costs" has been redefined by excluding development costs closely linked to production.

³⁾ "Shareholders' equity" in the 1990-93 figures according to published statutory annual accounts includes untaxed reserves without any provision for deferred tax liability.

⁴⁾ In the new accounting principles, "Cash provided by operating activities" excludes the effects of sales of business operations and fixed assets, which are presented as part of investing activities.

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

⁶⁾ Executive Board's proposal to the Annual General Meeting, based on the number of A-shares on Dec. 31, 1994.

SHARE-RELATED DATA

		1990	1991	1992	1993	Restated ¹⁾ 1993	1994
Income per share (excluding extraordinary items)	FIM	(4.10)	(8.97)	(4.87)	3.52	2.45	7.17 ²⁾
Net income per share	FIM	(3.57)	(6.35)	(2.90)	6.16	5.55	7.12 ²⁾
Shareholders' equity per share	FIM	39.82	33.37	32.68	42.24	39.35	50.16
Dividend per share ³⁾							
A-shares	FIM	0.65	0.00	0.00	0.00	0.00	1.00 ⁴⁾
B-shares	FIM	0.65	0.00				
Dividend/earnings ratio	%	(45.1)	0.0	0.0	0.0	0.0	12.1
Dividend yield							
A-shares	%	2.8	0.0	0.0	0.0	0.0	1.1
Price/earnings ratio							
A-shares		–	–	–	19.4	27.9	12.3
Development of share price							
A-shares							
Adjusted average trading price	FIM	41.14	30.12	38.98	57.43	57.43	88.80
Adjusted lowest trading price	FIM	21.38	19.15	28.35	39.50	39.50	69.00
Adjusted highest trading price	FIM	48.33	38.11	43.69	70.00	70.00	108.00
Adjusted trading price at the end of the period	FIM	23.24	28.35	40.90	68.40	68.40	88.00
Market capitalization at the end of the period							
A-shares	FIM million	1 560	1 903	3 514	7 512	7 512	10 959
Trading volume ⁵⁾							
A-shares	1 000 shares	3 387	1 911	2 729	17 121	17 121	32 832
In relation to weighted average number of shares	%	5.4	3.1	4.3	19.5	19.5	28.1
Adjusted average number of shares ³⁾							
A-shares		67 117 291	67 117 291	67 941 331	91 052 242	91 052 242	116 710 246
B-shares		18 798 414	18 798 414	17 974 374			
Adjusted number of shares at the end of the period ³⁾							
A-shares		67 117 291	67 117 291	85 915 705	109 829 055	109 829 055	124 529 543
B-shares		18 798 414	18 798 414				
Warrants ⁶⁾							
Price development							
Average trading price	FIM						4.41
Lowest trading price	FIM						2.50
Highest trading price	FIM						5.50
Trading price at the end of the period	FIM						4.10
Trading volume	1 000 warrants						9 055
Number of warrants at the end of the period							20 717 472

¹⁾ The figures for 1993 are restated to comply with the new accounting principles. Changes in the accounting principles are presented on pages 41-44. The figures for 1990-92 are based on published statutory annual accounts and have not been restated.

²⁾ The warrants outstanding, which entitle holders to subscribe for new shares, dilute the income per share amounts for 1994: Income per share (excluding extraordinary items) is diluted to FIM 7.12 and Net income per share to FIM 7.07.

³⁾ Conversion of B-shares into A-shares in 1992.

⁴⁾ Executive Board's proposal to the Annual General Meeting.

⁵⁾ Trading volume on the Helsinki Stock Exchange.

⁶⁾ Warrants issued in connection with the share offering in 1994. Six warrants entitle the holder to subscribe for one new A-share for FIM 92 until June 28, 1996.

Definitions of key financial indicators are presented on page 64.

DEFINITIONS OF KEY FINANCIAL INDICATORS

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

Hedging of foreign currency, interest rate and metal price risks

Foreign currency risks

The majority of the Group's cash flows, receivables and loans are denominated in currencies other than the Finnish mark. Approximately one half of the Group's business is transacted by subsidiaries outside Finland. Therefore exchange rate movements can have a significant impact on Outokumpu's financial development and competitiveness.

According to the Group's foreign currency policy, Outokumpu seeks to hedge all significant risks related to exchange rate movements. Besides receivables and loans in currencies other than the Finnish mark, the foreign currency exposure includes anticipated income and expenses in other currencies during the following few months. This exposure is hedged

through forward foreign exchange contracts and foreign currency loans.

Receivables, loans and most derivative instruments in foreign currencies are translated into Finnish marks at the exchange rates on the balance sheet date, and exchange gains and losses are recognized in income within "Financial income and expenses".

The Group's forward contract sales and purchases to hedge against currency risks totalled FIM 9.3 billion on December 31, 1994. The average remaining maturity of the contracts was three months. The number of currency options was minor.

Interest rate risks

The Group's loans and short-term investments are dispersed in fixed and

variable interest rate instruments to hedge against interest rate risks. In addition, interest rate swaps and forward rate agreements are actively utilized. The notional amount of the interest rate swaps valid on the balance sheet date was FIM 880 million and that of forward rate agreements FIM 730 million.

Metal price risks

In addition to production efficiency, the Group's financial results are impacted by metal price movements. Price fluctuations can be significant depending on world economic trends, demand for metals and, occasionally, metal speculation.

The profitability of mining operations is directly dependent on metal prices. However, the financial performance of metal production plants (smelters and refineries) and mills is not affected as significantly by metal price movements, because raw material prices can usually be transferred into product prices.

The price levels of mine production are secured with the help of forward sale contracts (price fixing) and/or option contracts. These are intended to mitigate the impact of possible price decreases on the profitability of the mines. Contracts open on Dec. 31, 1994, are presented in a separate table below.

Metal production and fabrication units actively hedge against price risks relating to metal purchases and sales (offset hedging) through forward contracts on the London Metal Exchange (LME) or the New York Commodity Exchange (COMEX). Open forward contracts totalled FIM 540 million on December 31, 1994.

The gains and losses on derivative contracts hedging against metal price risks are recognized in income as adjustments to sales revenue and raw material costs in the period in which the underlying sales and raw material purchases take place.

EXCHANGE RATES

	Closing rates					Average rates	
	1990	1991	1992	1993	1994	1993	1994
USD	3.626	4.125	5.245	5.7845	4.7432	5.7122	5.2235
CAD	3.124	3.565	4.135	4.354	3.378	4.437	3.828
GBP	6.954	7.718	7.957	8.554	7.409	8.576	7.986
IEP	6.405	7.212	8.540	8.158	7.325	8.376	7.801
SEK	0.642	0.7429	0.7436	0.6945	0.6358	0.7353	0.6761
NOK	0.6134	0.6894	0.7602	0.7701	0.7014	0.8058	0.7393
DEM	2.4107	2.7186	3.2485	3.3350	3.0615	3.4568	3.2163
NLG	2.1382	2.4124	2.8928	2.9812	2.7337	3.0773	2.8680
ESP	0.0376	0.0425	0.0459	0.0407	0.0360	0.0451	0.0390
AUD	2.778	3.118	3.609	3.920	3.680	3.881	3.817
ECU	4.938	5.523	6.340	6.459	5.815	6.684	6.175

The Bank of Finland's exchange rates

ANNUAL AVERAGE METAL MARKET PRICES

		1990	1991	1992	1993	1994
Copper	USD/lb	1.21	1.06	1.03	0.87	1.05
	FIM/kg	10.21	9.44	10.21	10.95	12.07
Nickel	USD/lb	4.03	3.70	3.17	2.40	2.88
	FIM/kg	34.02	33.07	31.37	30.20	33.09
Zinc	USD/lb	0.69	0.51	0.56	0.44	0.45
	FIM/kg	5.82	4.54	5.56	5.49	5.21
Ferrochrome (Cr-content)	USD/lb	0.45	0.46	0.45	0.41	0.40
	FIM/kg	3.81	4.11	4.43	5.10	4.59

Copper, nickel and zinc: London Metal Exchange cash quotations

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

FORWARD SALE AND OPTION CONTRACTS RELATING TO MINE PRODUCTION OPEN ON DECEMBER 31, 1994

	Period	Tonnes	Average price USD/lb
Forward sale contracts			
Copper	1995	20 450	1.02
Nickel	1995	3 564	4.08
Put option contracts			
Copper	1995	10 000	1.00
	1996	32 375	1.00

Auditors' report

We have examined the bookkeeping, financial accounts and administration of Outokumpu Oy for the financial year 1994. The accounts prepared by the Executive Board and the President comprise a review of operations, and both the consolidated and the Parent Company's income statement, balance sheet and notes to the financial statements. On the basis of our auditing, we hereby present our statement on the financial accounts and administration.

We have audited the bookkeeping and the principles, disclosure and presentation of the financial accounts in accordance with generally accepted auditing standards. In our review of the administration, we have examined the acts of the Supervisory Board, members of the Executive Board and the President for conformity to the Finnish Companies Act.

The financial accounts have been prepared in accordance with the Finnish Accounting Act and all other regulations in force. The accounts provide correct and adequate information about the financial performance and position of both the Group and the Parent Company as specified in the Finnish Accounting Act.

We recommend that the financial accounts, which show a profit of FIM 520 833 027.23 for the Parent Company, be approved and that the members of the Supervisory Board and the Executive Board as well as the President be discharged from liability for the financial year audited by us.

The Executive Board's proposal for the distribution of profit conforms to the Finnish Companies Act.

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

Espoo, March 16, 1995

Markku Mäkinen

Ritva Cavenius

Jarmo Leppiniemi

Tapio Leskinen

Salmi, Virkkunen & Helenius Oy
Authorized Public Accountants
Pekka Nikula, APA

Statement by the Supervisory Board

The Supervisory Board of Outokumpu Oy has at its meeting today reviewed the consolidated and the Parent Company's financial accounts for 1994 as well as the auditors' report.

In its statement to the Annual General Meeting of 1995, the Supervisory Board recommends that the consolidated and the Parent Company's financial accounts for 1994 be approved.

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

The terms of the following Supervisory Board members expire at the Annual General Meeting of 1995: Pauli Alaperä, Marja-Liisa Falin and Matti Puhakka.

Espoo, March 21, 1995

Matti Puhakka

Ben Zyskowicz

Pauli Alaperä

Marja-Liisa Falin

Tauno Härkälä

Juha Korkeaaja

Kalevi Lamminen

Ilkka Pitkänen

Juho Savo

Pekka Tuomisto

Outokumpu Oy's shares and shareholders

Shares and share capital

Outokumpu Oy has issued a total of 124 529 543 A-shares. According to the Company's Articles of Association, Outokumpu may also issue C-shares. All shares have a nominal value of FIM 10. A-shares carry ten votes per share, while C-shares carry one vote per share.

According to the Company's Articles of Association, Outokumpu Oy's minimum share capital is FIM 750 million and maximum share capital FIM 3 000 million. The share capital can be increased or decreased within these limits without amending the Company's Articles of Association. The Company's fully paid share capital registered with the Finnish Trade Register on December 31, 1994 was FIM 1 245 295 430 .

The Company's shares were transferred to the book-entry securities system at the beginning of 1994.

State ownership

The Finnish State holds 40.0 % of the Company's shares and voting rights. Based on an authorization granted it by Finnish Parliament, the Government can reduce the State shareholding in the Company to a level which must exceed one third of all issued shares and voting rights.

The Finnish State sold part of its shareholding in Outokumpu Oy in the global share offering in June-July 1994, and in conjunction with this offering, the State agreed not to sell or otherwise dispose of its remaining Outokumpu shares before April 12, 1995 without prior consent of the Manager of the offering.

Purchase obligation

Outokumpu Oy's Annual General Meeting on April 26, 1994 decided to add a new paragraph to the Company's Articles of Association concerning an obligation to purchase other shareholders' shares. The paragraph provides that a shareholder

PRINCIPAL SHAREHOLDERS ON DECEMBER 31, 1994

Shareholder	A-shares	%
The Finnish State	49 774 981	40.0
The Finnish Social Insurance Institution	15 295 455	12.3
Pension-Varma, Mutual Insurance Company	2 099 892	1.7
Outokumpu Oy's Workers' Pension Foundation	1 446 052	1.1
Outokumpu Oy's Office Personnel Pension Foundation	1 098 404	0.9
The Finnish Local Governments' Pensions Institutions	820 848	0.7
Pension Insurance Company Ilmarinen Ltd.	820 000	0.7
Insurance Company Sampo Pensions Ltd.	284 100	0.2
Alfred Berg Finland Unit Trust	274 400	0.2
Mutual Fund Evli Select	241 000	0.2
Nominee accounts held by custodian banks	40 229 654	32.3
Other shareholders	12 144 757	9.7
Total	124 529 543	100.0

Members of Outokumpu Oy's Supervisory Board hold a total of 2 636 shares, corresponding to 0.00 % of the Company's share capital and voting rights. Members of the Executive Board, the President and his Deputies hold a total of 15 816 shares, corresponding to 0.01 % of the Company's voting rights. In addition, members of the Executive Board hold FIM 250 000 worth of debt with warrants to subscribe for shares offered to management. The warrants entitle the holders to subscribe for a total of 250 000 new A-shares, corresponding to 0.2 % of the Company's voting rights.

DISTRIBUTION OF SHAREHOLDINGS ON DECEMBER 31, 1994

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital	Average shareholding
1 - 100	1 938	21.7	103 341	0.1	53
101 - 500	3 347	37.6	821 488	0.6	245
501 - 1 000	1 071	12.0	831 934	0.7	777
1 001 - 10 000	2 454	27.5	6 852 920	5.5	2 793
10 001 - 100 000	77	0.9	1 936 954	1.5	25 155
100 001 - 1 000 000	15	0.2	3 943 704	3.2	262 914
Over 1 000 000	5	0.1	69 714 784	56.0	13 942 957
	8 907	100.0	84 205 125	67.6	9 454
			Nominee accounts held by custodian banks	40 229 654	32.3
			Shares not transferred into the book-entry securities system	94 764	0.1
			Total	124 529 543	100.0

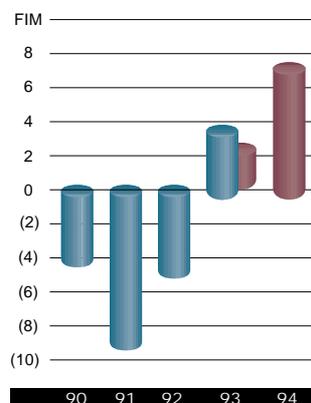
INCREASE IN SHARE CAPITAL AND SHARE CONVERSION 1990-94

	A-shares	B-shares	Share capital FIM
Share capital Dec. 31, 1989	62 384 661	17 472 885	798 575 460
Conversion of shares Nov. 26 - Dec. 15, 1992	17 472 885	(17 472 885)	798 575 460
Rights issue Jun. 7 - Jul. 9, 1993	15 971 509	—	958 290 550
Directed issue Dec. 15 and 17, 1993	14 000 000	—	1 098 290 550
Directed issue Jul. 6 and 20, 1994	14 700 000	—	1 245 290 550
Exercise of warrants Jul. 13 - Dec. 31, 1994 (2 928 warrants)	488	—	1 245 295 430
Share capital Dec. 31, 1994	124 529 543	—	1 245 295 430

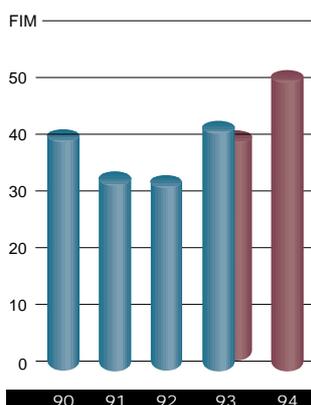
whose shareholding or aggregate voting rights reach or exceed 33 1/3 percent or 50 percent, as the case may be, shall, upon demand, acquire the shares held by other shareholders at a price calculated in the manner specified in the Articles of Association. This obligation does not apply

to a shareholder whose ownership interest or voting rights had reached or exceeded the said threshold limits before this amendment was registered with the Finnish Trade Register, as long as the shareholder's ownership interest or voting rights remain above the said threshold limit.

INCOME PER SHARE

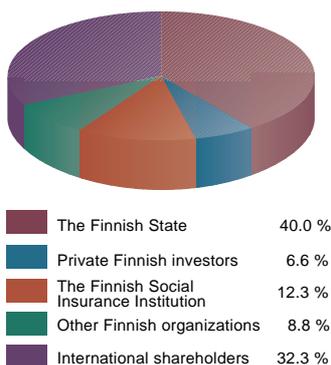


SHAREHOLDERS' EQUITY PER SHARE



Legend:
■ Previous accounting principles
■ New accounting principles

SHAREHOLDERS BY GROUP
DECEMBER 31, 1994



Executive Board's authority to increase share capital and the implemented global share offering

Outokumpu Oy's Executive Board was authorized by the Annual General Meeting on April 26, 1994 to decide by April 26, 1995 on an increase of the Company's share capital through an issue of new shares and/or of convertible debt or of debt with warrants to subscribe for shares, on terms and conditions established by the Executive Board.

The number of new shares issued and/or exchanged against convertible debt or subscribed against warrants could not exceed 30 000 000, with an aggregate nominal value of no more than FIM 300 million. Within these limits, the Executive Board was authorized to issue no more than 21 900 000 shares through an offering which would disapply current shareholders' pre-emption rights to subscribe for new shares, loans or debt, provided that such an issue was based on an important economic reason from the Company's perspective.

Based on the authorization, the Company's Executive Board decided in meetings on July 6 and July 20, 1994 to organize with the Finnish State a global share offering directed to international institutional investors and Finnish retail investors on the following terms:

- In the global offering, units were offered for subscription comprising one Outokumpu A-share and one warrant bond with a nominal value of FIM 0.10.
- Through the offering, the Company issued a total of 14 700 000 new A-shares and 20 720 400 warrant bonds, and the Finnish State sold 5 300 000 of its Outokumpu A-shares.
- The subscription price was FIM 82.50 per unit, payable on July 12 and 26, 1994.

- The warrants entitle the holders to subscribe for a total of 3 453 400 new A-shares at a price of FIM 92.00 (one share against six warrants jointly) by June 28, 1996. On December 31, 1994, the number of registered A-shares subscribed against warrants totalled 488.
- The bond element shall be repaid in one installment with no interest either through a subscription for shares or no later than July 1, 1996.
- The new shares entitle the holders to the same rights as previously issued shares.

The offering was well received by both international and Finnish investors. The Company raised FIM 1 180 million of new equity through the offering. The fully paid increase in share capital was registered with the Finnish Trade Register on July 26, 1994.

Debt with warrants for members of management

The 1994 Annual General Meeting approved an issue of a maximum of FIM 500 000 of debt with warrants to members of the Company's and its subsidiaries' management. The debt forms part of the management incentive plan. Members of Outokumpu Oy's Executive Board and the Presidents of the four business segments subscribed for a total of FIM 370 000 of the debt on May 10, 1994. The term of the debt is five years and the annual interest rate is 6 %. The warrants entitle the holders to subscribe for a total of 370 000 shares at a price of FIM 92.00 per share between December 1, 1998 and January 31, 2001.

The terms and conditions of the debt provide that the warrants cannot be transferred to other holders before December 1, 1998 without prior consent of the Supervisory Board. The Company is entitled to redeem either

all or part of the notes evidencing the debt and the warrants if the holder's employment in the Company is terminated.

Listing of shares and warrants

Outokumpu Oy's A-share has been listed on the Helsinki Stock Exchange since October 27, 1988 and traded in the London Stock Exchange's SEAQ International quotation system since June 11, 1993. The trading of Outokumpu warrants commenced on the Helsinki Stock Exchange on July 13, 1994.

Price development and trading volumes of shares and warrants

The trading price of Outokumpu's share continued to rise in 1994. The share price began 1994 at FIM 68.40 and finished the year at FIM 88.00, an increase of 29 % (1993: 67 %). This performance was clearly higher than the 17 % rise of the Helsinki Stock Exchange's HEX index. The year's highest price was FIM 108.00 and the lowest FIM 69.00. The average trading price during the year was FIM 88.80 (1993: FIM 57.43).

The number of Outokumpu shares traded on the Helsinki Stock Exchange during 1994 was nearly double that of the previous year; a total of 32.8 million shares (1993: 17.1 million) were traded at a total trading value of FIM 2 915 million (1993: FIM 1 014 million).

The number of shares traded on the SEAQ International in 1994 was 41.7 million (June-December 1993: 7.3 million).

The market capitalization of all shares was FIM 10 959 million at year-end (1993: FIM 7 512 million). Income per share was FIM 7.17 (1993: FIM 2.45). Shareholders' equity per share was FIM 50.16 (1993: FIM 39.35).

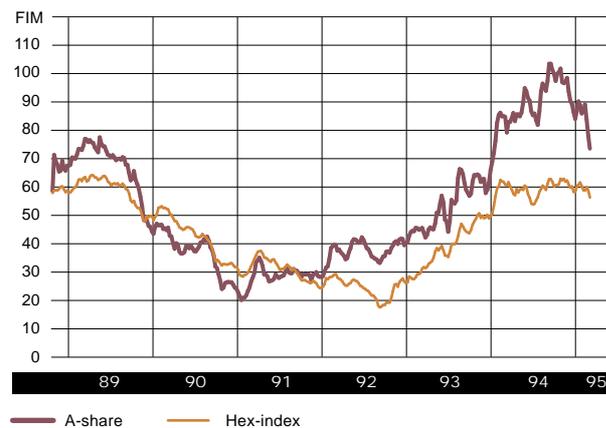
The price of Outokumpu's

warrant on the last day of the year was FIM 4.10. The highest trading price during July 13 - December 31, 1994 was FIM 5.50 and the lowest was FIM 2.50. The average trading price was FIM 4.41. The number of warrants traded on the Helsinki Stock Ex-

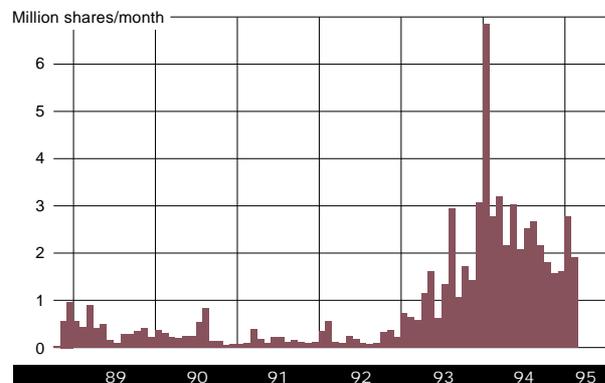
change was 9.1 million and their total trading value was FIM 40 million.

Information about the price development of the share and warrant, and other share-related data for the past five years are presented on page 63.

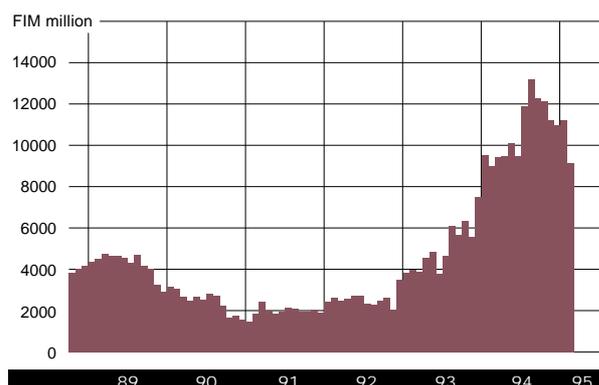
PRICE DEVELOPMENT OF A-SHARES
(Helsinki Stock Exchange)



TRADING VOLUME OF A-SHARES
(Helsinki Stock Exchange)



MARKET CAPITALIZATION OF ALL SHARES



Outokumpu Oy's administration

The provisions of the Finnish Companies Act and Outokumpu's Articles of Association divide the responsibility for the control and management of the Company among the shareholders in General Meeting, the Supervisory Board, the Board of Directors, which at Outokumpu is called the Executive Board, and the Managing Director (President, Chief Executive Officer).

The Annual General Meeting elects the members of the Supervisory Board.

The Supervisory Board appoints the Managing Director and the Members of the Executive Board, who constitute the top management of the Company.

The main duty of the Supervisory Board is to supervise the Company's management, for which the Executive Board and the Managing Director are responsible. Furthermore, it decides on matters involving any considerable reduction or expansion of the Company's operations or any substantial changes in the Company's organization. The Supervisory Board can also give instructions to the Executive Board in matters of broad concern or principal importance.

Supervisory Board

.....
Matti Puhakka

Executive Director of the Regional Council of North Karelia, Chairman of the Supervisory Board since 1992, Supervisory Board member in 1978-89 and again since 1992

Ben Zyskowicz

Member of Parliament, Vice Chairman of the Supervisory Board since 1992, Supervisory Board member since 1987

Pauli Alaperä

Municipal Counsellor, Supervisory Board member since 1992

Marja-Liisa Falin

Chief Shop Steward, Supervisory Board member in 1988-91 and again since 1992

Tauno Härkälä

Mechanic, Supervisory Board member since 1994

Juha Korkeaoja

Member of Parliament, Supervisory Board member since 1992

Kalevi Lamminen

Member of Parliament, Supervisory Board member since 1992

Ilkka Pitkänen

Chief Counsellor, Ministry of Trade and Industry, Supervisory Board member since 1994

Juho Savo

General Manager, Supervisory Board member since 1990

Pekka Tuomisto

Director General of the Finnish Social Insurance Institution, Supervisory Board member since 1994

Auditors

.....
Markku Mäkinen

Head of Department, Ministry of Trade and Industry

Ritva Cavenius

Corporate Analyst

Jarmo Leppiniemi

Professor

Tapio Leskinen

Director General, State Auditors' Office

Salmi, Virkkunen & Helenius Oy, Authorized Public Accountants, under the supervision of **Pekka Nikula**, APA, with deputy **Markku Marjomaa**, APA

Executive Board

.....



Jyrki Juusela, b. 1943

D.Tech.

Chief Executive

Chairman of the Executive Board and President since 1992, Executive Board member since 1988



Ossi Virolainen, b. 1944

B.Sc. (Econ.). LL.M.

Deputy Chief Executive

Vice Chairman and Deputy President since 1992, Executive Board member since 1983

Financing, economic affairs and energy



Veikko Lehtinen, b. 1936

LL.M.

Deputy President since 1993, Executive Board member since 1977

Legal affairs, administration, human resources and corporate communications



Risto Virrankoski, b. 1946

B.Sc. (Econ.)

Deputy President since 1993, Executive Board member since 1986

Business development

Executive staff

.....

Jaakko Ahotupa, Vice President - Administration

Petri Fernström, Vice President - General Counsel

Seppo Isoherranen, Vice President - Business Development

Matti Koponen, Chief Consultant - Environmental Affairs

Esa Lager, Vice President - Corporate Treasurer

Kari Lassila, Vice President - Corporate Controller

Katarina Lybeck, Vice President - Corporate Communications

Juho Mäkinen, Senior Vice President - Technology

Seppo Turunen, Vice President - Human Resources

Business segment management

Base Metals

Outokumpu Metals & Resources Oy

.....
Markku Toivanen, President

Board: Jyrki Juusela, Chairman
Risto Virrankoski, Vice Chairman
Veikko Lehtinen
Asko Ojanen
Markku Toivanen
Ossi Virolainen

Asko Ojanen, Executive Vice President - Operations

Eero Laatio, Executive Vice President - Technical Development

Markku Isohanni, Senior Vice President - Exploration

Jukka Järvinen, Senior Vice President - Finance and Administration

Erik Nyholm, Senior Vice President - Strategy

Pentti Vanninen, Vice President - Mining

Raimo Rantanen, President, Outokumpu Harjavalta Metals Oy

Aimo Kuivala, Vice President - Copper

Matti Mattelmäki, Vice President - Nickel

Ville Sipilä, Vice President - Zinc

Stainless Steel

Outokumpu Steel Oy

.....
Antti Närhi, President

Board: Jyrki Juusela, Chairman
Ossi Virolainen, Vice Chairman
Veikko Lehtinen
Antti Närhi
Matti Rantamaula
Risto Virrankoski

Jorma Kempainen, Director, Research and Development

Vesa Hopia, Financial Director

Juhani Vahtola, President, Outokumpu Chrome Oy

Matti Rantamaula, President, Outokumpu Polarit Oy

Christer Asp, President, Oy Ja-Ro Ab

Copper Products

Outokumpu Copper Oy

.....
Seppo Kreula, President

Board: Jyrki Juusela, Chairman
Ossi Virolainen, Vice Chairman
Seppo Kreula
Veikko Lehtinen
Risto Virrankoski

Ari Ingman, Executive Vice President

Erkki Ström, Senior Vice President

Pentti Ruusunen, Vice President and General Manager - Tube

Geoffrey Palmer, Vice President and General Manager - Drawn Products

Staffan Anger, Vice President and General Manager - Strip

Tero Tiitola, Vice President and General Manager - Rolled Products, Europe

Warren Bartel, Vice President and General Manager - Rolled Products, USA

Technology Sales

Outokumpu Engineering Oy

.....
Kalevi Nikkilä, President

Board: Jyrki Juusela, Chairman
Juho Mäkinen, Vice Chairman
Veikko Lehtinen
Kalevi Nikkilä
Ossi Virolainen
Risto Virrankoski

Raimo Monni, Executive Vice President

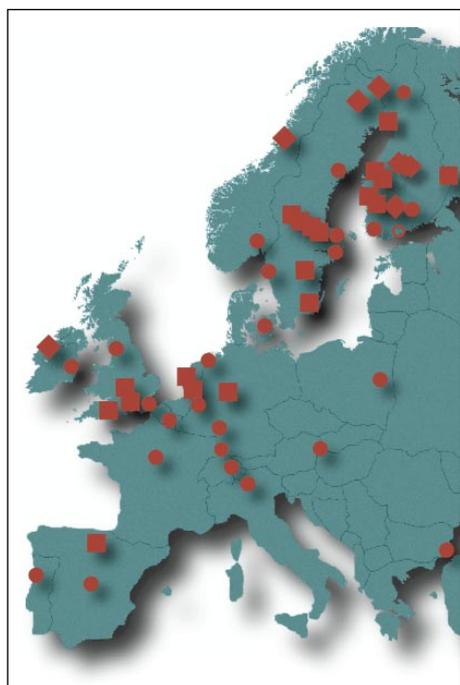
Markku Kytö, Vice President - Technology

Kauko Laukkanen, Vice President - Finance and Administration

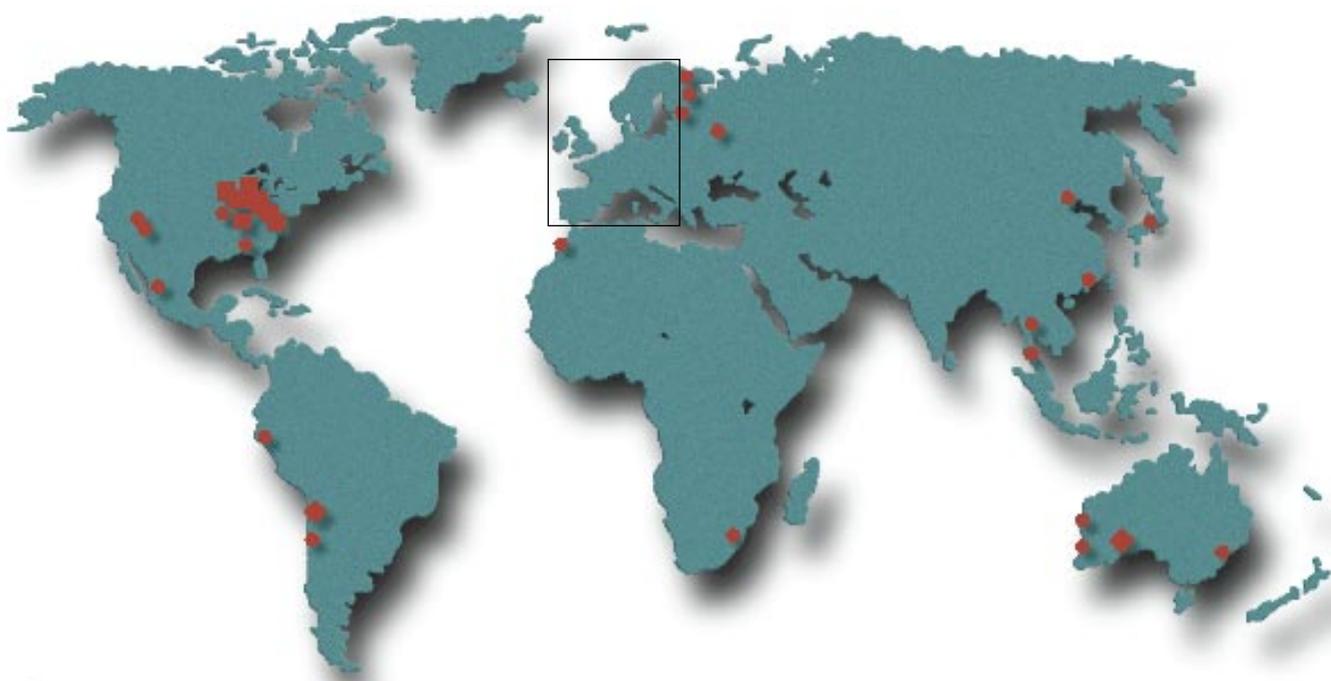
Erkki Rynänen, Vice President - Corporate Development

Ilkka Virtanen, Vice President - Project & Trade Finance

Outokumpu worldwide



- ◆ Mines and significant mine projects
- Metallurgical and manufacturing plants
- Offices
- Corporate Management



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Tlx 33443 okmdu

ENGLAND

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Fax +44 1202 684 379
Tlx 417199

NIPPERT-DAWSON LIMITED
Unit 21,
Cranborne Industrial Estate
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Tel +44 1707 660 500
Fax +44 1707 665 866

OUTOKUMPU (U.K.) LTD.,
OUTOKUMPU COPPER LTD.,
OUTOKUMPU RAWMET
(UK) LTD.,
OUTOKUMPU OY
Economic Research Team,
Outokumpu House
10 Hammersmith Broadway
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Fax +44 181 748 6894
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Fax +44 1246 812 314

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see pages 74-75

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