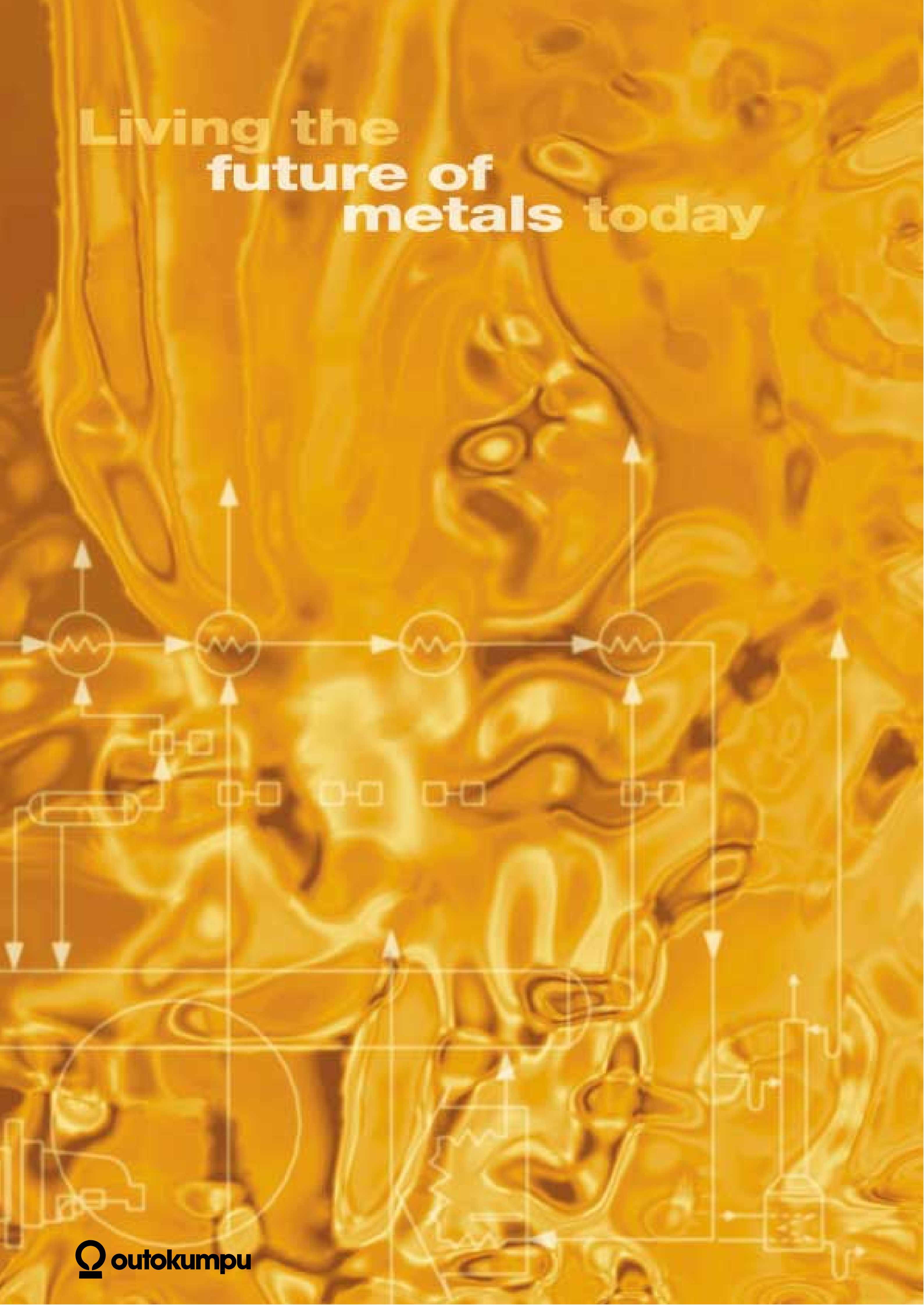
Annual Report 2000

outokumpu

Living the future of metals today



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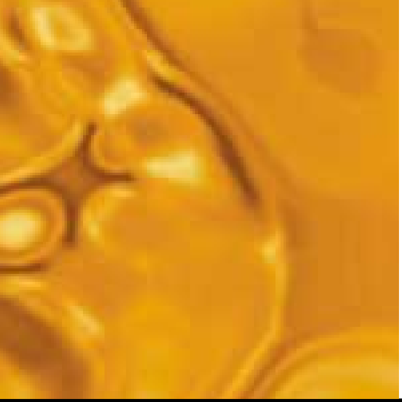


Vision, strategy and values

We want to become a benchmark in metals and technology

Our vision

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

Strategy

The combining of Outokumpu Steel and Avesta Sheffield into the independent and pure-play stainless steel producer AvestaPolarit secures faster growth in stainless steel and enables a strong value growth of this business. Outokumpu owns 55% of AvestaPolarit, which means that stainless steel is an integral part of Outokumpu's value creation.

The restructuring of stainless steel business provides Outokumpu with renewed strength for shifting its strategic focus to the development and expansion of its non-ferrous metals business. Our aim is to double these businesses and profits within 4–5 years and to actively exploit market opportunities.

More than ever before, Outokumpu's business operations are based on its core competencies – metals, metals production and fabrication, and customer applications. Our main customers operate in heat transfer, communication and telecommunication technology, electrical power, surface treatment, metal alloys, and mining and metals industries. It is our aim

that our customers both in new and established growth industries will make Outokumpu their principal supplier and get real value added working with us.

To secure growth and become the leading metals and technology Group, we have outlined the following strategies:

– We will continue to acquire companies, engage in joint ventures and mergers.
– We will complete the comprehensive performance improvement program at Copper Products, whose primary objective is to achieve an operating profit of EUR 100 million in 2001.
– We will further improve and expand our metallurgical plants. We will also introduce new business concepts, that combine Outokumpu's brand technologies and project implementation, commercialization and financing services.
– We will reduce our role in active mining operations.
– We will step up investment in product development, application design and service development.
– We will renew and improve our customer interface.

Values

Our strategy is based on customer-orientation, a high-level of technological expertise, efficient business processes and responsibility for our operating environment based on sustainable development. To ensure our continuing operational effectiveness, competitiveness and growth, we pay special attention to the long-term continuous development of our personnel.

Financial objectives

Outokumpu's main financial objectives are to generate maximum economic value added on the capital invested by its shareholders and to maintain a sound capital structure. A solid balance sheet will help Outokumpu withstand business risks and cyclical market volatility. It will also enable Outokumpu to implement its growth strategy.

– Targeted profitability is at least a 15% return on capital employed over the business cycle. This is clearly above the weighted average cost of capital (WACC).
– To ensure profitable growth and a sound capital structure, our solvency target is to maintain a minimum equity-to-assets ratio of 40%.

Dividend policy

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

Business operations

Living the future of metals today

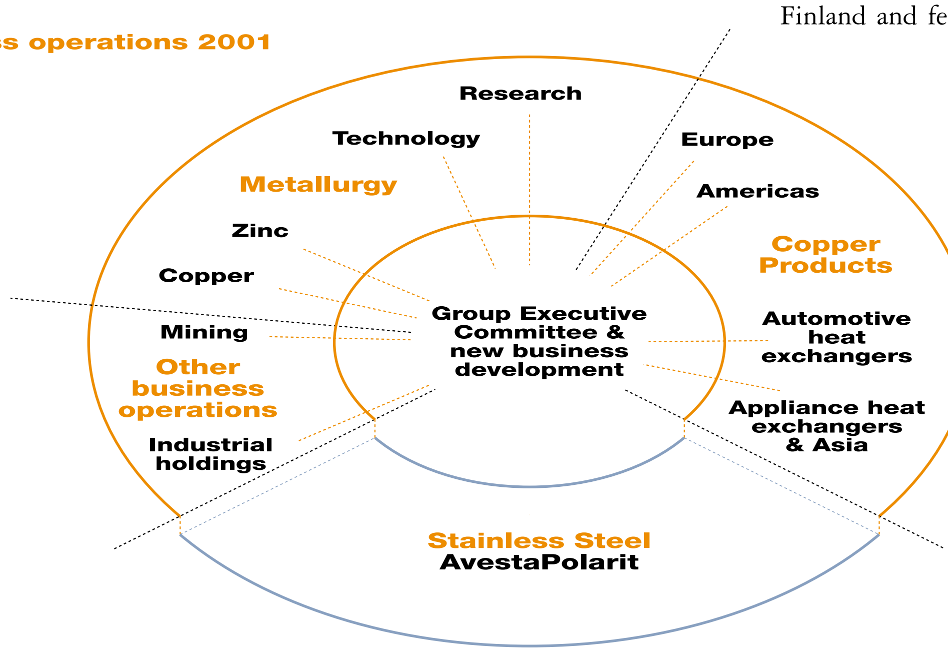
The Outokumpu Group's operations were organized into three strategic business entities in 2000: Stainless Steel, Copper Products and Metallurgy. Other operations, in addition to these three business areas, comprise the Mining business unit, other industrial holdings, Corporate Management and Corporate Services. Outokumpu's organization emphasizes operative business units, that report directly to Corporate Management.

Stainless Steel

Outokumpu is one of the world's most efficient stainless steel and ferrochrome producers. In 2000, its share of the stainless steel flat products market was 10% in Europe and 4% worldwide.

Its integrated production chain comprised in 2000 Outokumpu Chrome's chromium mine at Kemi, Finland and ferrochrome smelter in

Business operations 2001



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

Outokumpu's stainless steel business, Outokumpu Steel Oyj, and Avesta Sheffield AB were combined in late January 2001 to form world's second largest, independent, listed, stainless steel company. Outokumpu's holding in the new company AvestaPolarit Oyj is 55%. To increase the liquidity of the new company's share, Outokumpu has agreed to reduce its ownership to 40% or less within three years.

Copper Products

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

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

Metallurgy

Metallurgy is engaged in metals production and technology sales, and operates the research center Outokumpu Research in Pori, Finland.

Metals Production includes Outokumpu Zinc's Kokkola zinc plant in Finland and Outokumpu Zinc Commercial in the Netherlands as well as Outokumpu Harjavalta Metals' copper production plants at Harjavalta and Pori, Finland, and nickel smelter at Harjavalta. In April 2000, Outokumpu sold its Harjavalta nickel refinery to OM Group Inc, and in January 2001 it signed an agreement on the acquisition of the Norzink zinc plant in Norway. The Group's share of world zinc production was 3% and 1% of copper in 2000.

Technology's product range comprises plants, processes, machinery, equipment, and planning and project services mainly for the mining and metallurgical industries. The Group has high market shares in many product areas.

Mining

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

Chief Executive's statement

Record profit
Major changes
New strong growth ahead

Outokumpu made a record profit in 2000, an eventful year for us. All the main Group businesses contributed to this result, though the performance of stainless steel was especially strong during the first half of the year. Favorable markets, efficient operations and especially euro-denominated prices and treatment charges were all positive influences and helped to make 2000 an excellent year for the Group.

It has taken us several years to reach our current level of performance. However, I am convinced that we have the capacity to maintain a solid profit in the future, thanks to the Company's sound basic structure and good competitive position.

Naturally, our shareholders are entitled to their share of the profit, and the Board of Directors is proposing a dividend of EUR 0.80 per share for the year 2000.

Our aim is to become a benchmark for success in the world of metals and technology, a task that will require constant development and growth. After considering various options, we have chosen a route that will allow us to grow in stainless steel more rapidly than had been planned and with reduced risk. The solution was the combination of Outokumpu Steel and Avesta Sheffield to form AvestaPolarit, which took effect on January 22, 2001. The companies complement each other perfectly, and AvestaPolarit will be substantially more than the sum of the two parts. AvestaPolarit started as a listed company on the Stockholm OM Exchange and Helsinki Exchanges at the end of January.

This solution makes possible also a new profitable growth strategy in non-ferrous businesses, in which we are focusing on high value-added copper products, production of copper and zinc metals, and technology sales. Our goal is to double the volume of our businesses and profits within 4 to 5 years. This will be achieved through operative improvements, capital investment and corporate acquisitions, underpinned by our expertise in metals and their production and application to customer needs.

Transformation and growth are already happening. The acquisition of Norzink will reinforce our zinc business by increasing capacity, by improving raw-material procurement, and by enabling further efficiencies in process utilization to be achieved. A technological and financial study of the potential for expansion of copper production at Harjavalta and of copper smelting strategies is underway and will be completed before summer. Outokumpu's technology companies are also on a growth track. In copper products we will continue to invest in the fast-growing Asian markets, basing projects on our own proprietary technology. The joint venture in Thailand manufacturing air-conditioning tubes has begun operations and a decision has been made to build a new production line at our plant in China.

We are currently reviewing the strategic position of our mining business to establish how it should be developed. The role that mining plays in the Group has changed: assets have been sold and we are now

cooperating with various partners in exploration projects. However, it will be important to maintain good availability of raw materials and to ensure that we continue to possess technological know-how in mining and mineral processing.

Constant development of working methods in every sector of our business is an integral part of Outokumpu thinking and operating. In 2000, we placed special emphasis on developing management and administrative systems and promoting e-commerce. The year was also an occupational safety theme year, and we managed to reduce accidents by a quarter.

Development of the ownership base of both Outokumpu and AvestaPolarit is currently being considered.

In accordance with the shareholders' agreement, we will reduce our holding in AvestaPolarit from 55% to 40% within 3 years to improve the liquidity of the share. We will decide during 2001 how this will be effected. Our options include selling the shares, distributing them as dividends or a combination of these two. The decision will be made bearing in mind the shareholders' interest and without endangering the Group's long-term development.

Stainless steel is an important part of Outokumpu's value creation, and as a major shareholder we will play an active role on the AvestaPolarit Board of Directors. This will enable us to ensure that the target set for the combination is achieved.

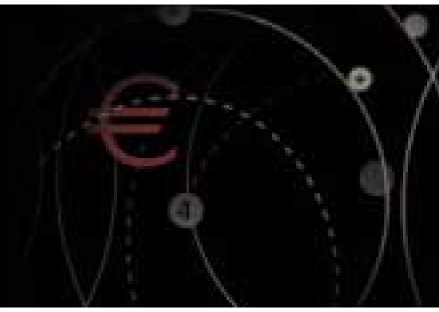
Last November, the Finnish Government submitted a bill to Parliament seeking authority to reduce the State's holding in Outokumpu from the present minimum of 33.4% to 10%. If realized, the reduction in the State's ownership will improve the liquidity of the Outokumpu share and the Company's position in the equity market.

I want to express my gratitude for our good performance and strong growth to everyone at Outokumpu, and to our numerous partners and customers. Yet, although the past year has been highly successful for the Company, more work remains to be done. These are exciting times for Outokumpu, and we are on the brink of a new, challenging stage in the process of change and continued growth.

Jyrki Juusela
Chief Executive

Financial summary

A record result



The growth rate of the world economy peaked in mid-2000 and then slowed down toward year-end. Demand and prices for metals rose markedly from the previous year and the overall metals market was better than average. Slower growth in the world economy toward year-end, however, had an adverse effect on the metals market, which had picked up during the first half of the year. Thus, metal prices began to decline.

A record result

Outokumpu's financial result for 2000 was record high. Boosted by a rise in metal prices, strengthening of the dollar and more efficient operations the Group's operating profit rose markedly from the previous year and totaled EUR 427 million. The profit before extraordinary items was EUR 372 million. The Group's net sales increased 27% from the previous year and amounted to EUR 3 693 million. Profit for the financial year amounted to EUR 315 million. Earnings per share were EUR 2.38 and return on capital employed 18.8%.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.80 per share be distributed and that the remaining distributable funds be allocated to retained earnings.

Strengthened financial position and capital structure

The Group's financial position improved substantially in the reporting period as a consequence of good financial performance and the sale of the Harjavalta nickel refinery.

The improvement of cash flow was hindered by the increase in working capital, especially in the final quarter. Equity ratio improved from previous year's 43.8% and was 50.6% at year-end. Gearing improved to 41.3% from 61.3% a year before. Also the net interest-bearing debt declined from the previous year and amounted to EUR 668 million at year-end.

A strong balance sheet will enable the implementation of Outokumpu's growth strategy and also help us withstand fluctuations typical to metals and technology business. Outokumpu has exceeded the targeted minimum 40% equity ratio during the past five years. This solvency target will facilitate a controlled expansion and development of our operations and maintain a sound capital structure. The Group's capital and balance sheet structure will be affected by the formation of AvestaPolarit at the end of January 2001 as well as by the acquisition of Norzink zinc plant in Norway. Following these structural arrangements the Group's solvency ratio will somewhat weaken from the current level, but will nevertheless remain clearly above the minimum target.

Investment projects proceed on schedule

Capital expenditure rose considerably from the previous year and amounted to EUR 242 million. The total amount represented 6.6% of net sales and exceeded the depreciation level of EUR 193 million. Maintenance investments accounted for around EUR 132 million of the total capital expenditure.

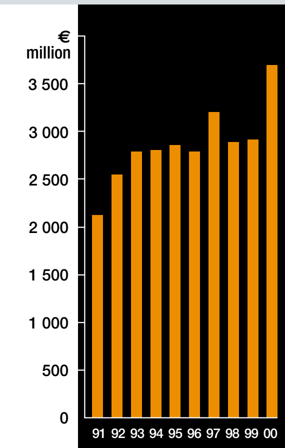
Group key figures

		2000	1999
Net sales	€ million	3 693	2 909
– change from previous year	%	27.0	0.7
Operating profit	€ million	427	174
– in relation to net sales	%	11.6	6.0
Profit before extraordinary items	€ million	372	120
Return on capital employed	%	18.8	8.3
Cash flow from operating activites	€ million	248	99
Net interest-bearing debt	€ million	668	834
– in relation to net sales	%	18.1	28.7
Equity-to-assets ratio	%	50.6	43.8
Debt-to-equity ratio	%	41.3	61.3
Earnings per share (excl. extraordinary items)	€	2.38	0.78
Earnings per share	€	2.53	0.78
Shareholders' equity per share	€	12.93	10.89
Dividend per share	€	0.80 [1]	0.25
Share price on Dec. 31	€	8.05	14.05
Market capitalization on Dec. 31	€ million	1 002	1 750
Capital expenditure	€ million	242	153
Personnel on Dec. 31		11 932	11 972

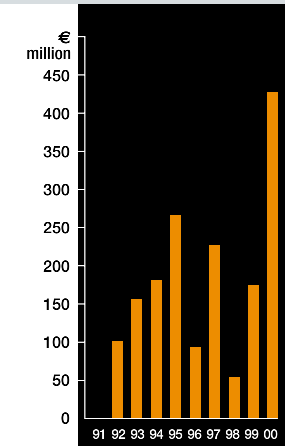
[1] The Board of Directors' proposal to the Annual General Meeting.

Figures for 1999 have been restated to conform the change in the inventory valuation principle.

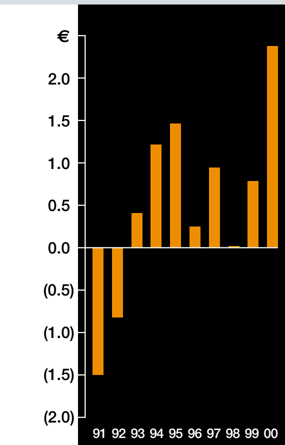
Net sales



Operating profit



Earnings per share



Profitability and outlook by business area

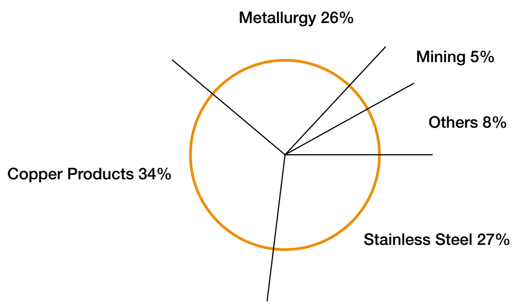
Stainless Steel's operating profit rose to EUR 246 million (1999: EUR 52 million) mainly as a result of higher prices for stainless steel and ferrochrome. As far as Stainless Steel's profit in the near future is concerned, the key factor is the demand and price development for stainless steel in the next few months. Over the longer term, successful implementation of the AvestaPolarit combination, rapid initiation of the measures required to achieve identified synergies, and efficient realization of decided investments will be key factors in its financial performance.

Copper Products' operating profit also rose from the previous year and was EUR 67 million (1999: EUR 53 million). Operating profit, excluding inventory price changes and unusual items, almost doubled. Improved profitability is a result of systematic efforts to increase efficiency, rising conversion prices and growing delivery volumes. The outlook concerning demand for fabricated copper products in 2001 is reasonably good, despite weakening markets. Strong growth areas are information and telecommunications technology. In contrast, the market for products supplied to the automotive industry will be difficult, particularly in the United States. Copper Products is aiming for an operating profit of EUR 100 million in 2001.

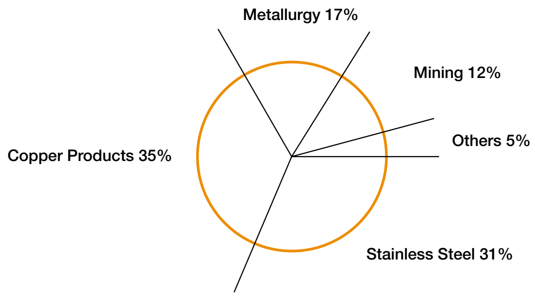
The rise in **Metallurgy's** operating profit to EUR 111 million (1999: EUR 49 million) was mainly due to the gain from sale of the Harjavalta nickel refinery and from rising zinc treatment charges. Technology's profitability also improved from the previous year. The present market situation for metals suggests that the recent decline in zinc treatment charges will not continue for long. Low levels of copper and zinc stocks, moderately good demand and increased production of concentrates may keep treatment charges at least on the present level. The order backlog at the beginning of the year and several ongoing contract negotiations will provide a good foundation for technology sales. If the

Group by business area

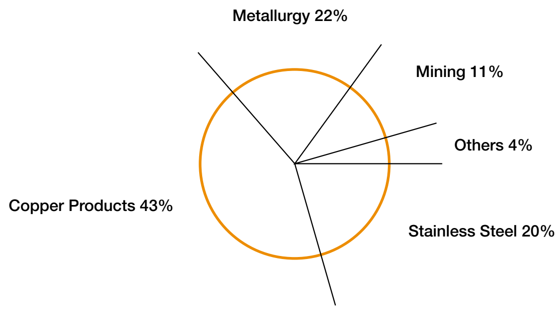
Net sales 3 693 € million



Capital employed 2 390 € million



Personnel 11 932



present market outlook is realized, Metallurgy has means for a good profit development during the current year.

Mining's final-quarter performance was disappointing. A miners' strike at the Tara mine in Ireland for almost three weeks in November and December, postponement of a large delivery of nickel concentrate from December to the beginning of 2001 and a decline in base metal prices during the last months of the year caused an operating loss to Mining during the final quarter. Operating profit for the entire year declined to less than half of that for the previous year and was EUR 4 million (1999: EUR 10 million). Present demand and prices for base metals will permit satisfactory financial performance in mining operations. For Mining, the key factors apart from metal prices are sharpening-up operational management and ensuring of profitable operations. The role of Mining in corporate strategy is currently under reassessment.

Group aims to good profit in 2001

A controlled slowdown in world economic growth is expected. Factors contributing to this trend are a more stringent monetary policy and declining share prices in the United States, which together will slow industrial production and reduce consumer demand. Economic development in the United States will affect the entire world economy. Economic growth in many Asian countries has already slowed down considerably. In Europe, the decline in growth is expected to be more moderate than in the United States and Asia.

For Outokumpu's earnings potential in 2001, the key factor will be the market situation for stainless steel and achievement of Copper Products' operating profit target. Exchange rates also play a major role in Outokumpu's profitability. The weak euro against the US dollar enhances the Company's financial result. Outokumpu has, however, hedged risks relating to currency exposure and therefore, should the foreign exchange rates turn unfavorable the Group's financial result in 2001 would be only slightly affected. Despite a weaker market and increased short-term uncertainty, the Company aims to achieve a good profit also in 2001.

Metals prices have a major impact on Group result

Outokumpu's financial results are sensitive to metals prices, treatment charges and conversion margins. The impact of a 10% change in these variables on Outokumpu's annual operating profit is shown in the adjacent table. The figures, which are indicative only, are calculated on the basis of average prices and margins in 2000 and on projected 2001 production. They do not take into account the effect of hedging.

The Group's sensitivity to metal prices in 2001

Sustained 10% change in prices	Effect on operating profit € million
Conversion margin of stainless steel	150
Ferrochrome price	15
Conversion price of fabricated copper products	65
Zinc price	35
Copper price	5
Nickel price	15

Outokumpu is most sensitive to changes in stainless steel conversion margin, which can be volatile. For instance, in 2000, stainless steel conversion margin rose 46% from the previous year. The 10% change in the table takes into account the entire AvestaPolarit production. At the moment Outokumpu owns 55% of AvestaPolarit. The Group is also sensitive to changes in zinc, nickel and ferrochrome prices, all of which are also very volatile. In addition, the changes in the conversion price of fabricated copper products affect significantly Group profitability. However, the conversion prices of these products are relatively stable and seldom change by as much as 10% over the short term.

The Group hedges the risk resulting from fluctuating metal prices through forward and option contracts. The hedging policy as well as the Group's open derivative instruments to hedge metal price risks and the related contract amounts, carrying values and fair market values on December 31, 2000 are presented in detail in section 18 of the Notes to the consolidated financial statements.

Outokumpu benefits from strong US dollar

Internationally traded metals such as zinc, copper, nickel and ferrochrome, as well as treatment charges for copper and zinc concentrates, are all specified in US dollars. In contrast, stainless steel and copper products are mostly priced individually in each market: in local currencies in Europe, though increasingly in euros, and in US dollars in the United States and Asia. Price levels can vary considerably between the European, North American and Asian markets. Of the Group's 2000 total invoicing, about 54% was in European currencies and 40% in US dollars.

Most of the Group's production is based in the European single currency area and the United States, so that the bulk of production costs is incurred in these currencies. At the end of 2000 about 25% of the Group's debt was in euros, the base currency of the Company, but some 75% was in other currencies, mainly US dollars.

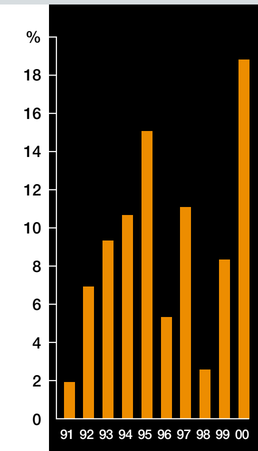
Exchange rate movements thus have a major impact on Outokumpu as they affect not only the Group's results but also its competitive position. And given the US dollar's dominant role as the currency in which metals are priced, the most significant currency risk for Outokumpu to manage is movement between the US dollar and the euro. A 10% movement of the US dollar against the euro in 2001 would have an impact of about EUR 70 million on the Group's operating profit. This amount does not take into account the effect of hedging exchange rate risks.

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

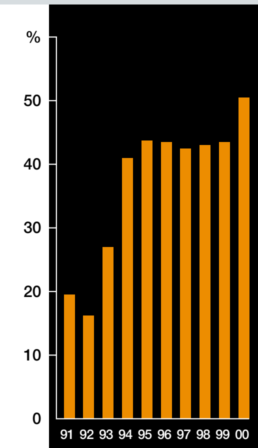
Rising interest rates increase net financial expenses

Short-term interest rates were on a rising trend during 2000 in both the United States and the Eurozone, and average short-term rates during the year were well above their level in 1999. Rising interest rates in gen-

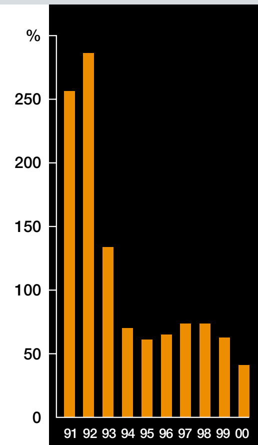
Return on capital employed



Equity-to-assets ratio



Debt-to-equity ratio



eral, and increasing interest rate differential between the US dollar and the euro, in particular, have a negative effect on Outokumpu. A one-percentage point increase in the US dollar interest rate level is estimated to result in a rise of about EUR 10 million in the Group's net interest expenses in 2001.

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

Weighted average cost of capital (WACC) and return on capital employed (ROCE)

Outokumpu's key financial objective is to generate as much added value as possible on the capital invested by the shareholders.

Outokumpu makes use of the weighted average cost of capital in defining the capital charge when accounting for economic value added. WACC is also utilized in assessing viability of investments and in definition of economic and commercial value of Group's business operations.

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

Outokumpu's WACC was about 8% in 2000. This was received by using a targeted capital structure wherein the weight of equity cost was 60% and the weight of debt 40%. The cost of equity was 10% and the after-tax cost of debt 4.5% correspondingly.

Outokumpu created EUR 113 million economic value added in 2000 at the cost of capital of 8%. Polarit, Zinc, Chrome and Copper Products Americas were the business units, which contributed most to the positive economic value added. Also the sale of Harjavalta nickel refinery had a favorable impact on the economic value added.

The profitability target of the Outokumpu Group is to achieve a minimum average 15% return on capital employed over the business cycle. The target level exceeds clearly the current weighted average cost of capital of 8%.

The profitability target is calculated by adding a risk premium to the WACC as assessed by the Management. The aim is to ensure that business operations generate economic value added to the capital invested. In order to generate economic value added Outokumpu's return on capital employed has to be almost double relative to the weighted average cost of capital. Outokumpu reached a return on capital employed of 18.8% in 2000, which surpassed the minimum target of 15%. The target level was last reached in 1995.

Dividend distribution

In keeping with the set dividend policy, the Board of Directors considers both financial performance and the Group's investment and development needs in its annual proposal for profit distribution to owners. The objective of the Board of Directors is to maintain a dividend pay-out ratio of at least one third of profit for the financial year over a business cycle. Outokumpu's average dividend pay-out ratio over the past five years has been approximately 37%, which clearly exceeds the target level set by the Board.

Market
review

A better than average year for the metals market

World economic activity was extremely strong during the first nine months of 2000. The boom was led by the continuing strength of the United States economy, but a robust upswing was underway in Europe, while Japan was maintaining a slow recovery. Growth in China was accelerating and activity in most of developing Asia was healthy. A firm recovery even seemed to be underway in Russia. Overall growth in world GDP in 2000 is estimated to have been about 4.5%, its highest level for more than a decade.

Economic confidence slumped towards the end of 2000, and short-term prospects for the world economy have shown a rapid and unexpected deterioration. Most growth forecasts for 2001 have been sharply reduced. The root of the problem lies in the United States, where a tighter monetary policy and a declining equity market is severely impacting both industrial output and consumer spending. Slower United States growth will inevitably feed through to weaker growth globally, including Europe, and Asia, where activity in a number of key economies is already decelerating sharply. Recent cuts in interest rates suggest that world growth in 2001 will slow down rather than collapse, but the downside risks have certainly increased.

Short-term weakness in the automotive industry

The downturn in activity is already apparent in some of the main end-uses for metals. In the automotive sector, worldwide auto production increased by a healthy 3.5% in 2000, but growth was concentrated in the first half of the year. Poor sales and rising inventories resulted in sharply reduced production towards year-end, and prospects for the early part of 2001 continue to look very weak, especially in the United States.

Global activity in construction was solid in 2000, but the outlook in this sector is now weakening as well. In the United States, housing starts are running well below year-before levels, and the current weakness of business construction contracts suggests that overall construction activity will slow in the coming months. Activity is also on a slowing trend in Japan. The picture in Europe is more positive: the European Commission's survey of the EU construction industry shows that both confidence and orders in the region are still at a high level, suggesting that firm growth is likely over the next few months. Even so, there are some key areas of weakness, notably in Germany, where building permits have been falling sharply.

Very strong growth in metals consumption

The positive economic background, and in particular a good performance in the key end-use sectors, contributed to strong growth in metals consumption during 2000. However, the trend in consumption growth mirrored that of world economic activity: extremely rapid in the first half of the year, but then slowing markedly by the final quarter. This pattern was exacerbated by a classic commodity stock cycle, with inventories being rebuilt during the early part of the year in line with the economic upswing, and then being run down in the second half as the pace of economic growth slackened.

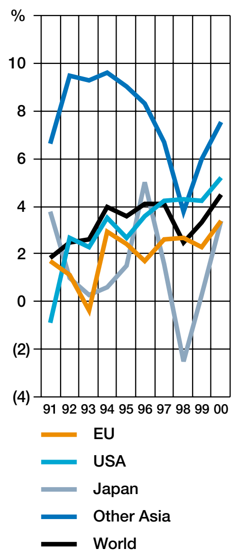
Nevertheless, the actual growth figures for the full year 2000 were very impressive. World demand for zinc is estimated to have risen by almost 5%, boosted by the start-up of substantial new galvanizing capacity, while consumption of refined copper rose by 5%. In the case of cold rolled stainless steel, there was a particularly large wave of de-stocking in the third and fourth quarters, but apparent consumption during the year still rose by 7%. World output of stainless steel on a melt basis rose by 8%. The strength of stainless production would normally have resulted in rapid growth in consumption of the key alloying elements, nickel and ferrochrome. However, a substantial increase in the availability of cheap scrap meant that consumers purchased less primary metal: as a result, world consumption of both metals rose by only 3–4%.

In geographical terms, the strongest market was China, where consumption of most metals continued to rise at a spectacular rate, but demand in the rest of developing Asia also maintained the rapid recovery that had begun the previous year. Demand rose strongly throughout Western and Eastern Europe, and there was also a rapid improvement in Russian consumption, though from a very low base. The biggest disappointment was the United States, where the increase in demand was surprisingly modest, possibly a reflection of the fact that demand had risen so strongly in recent years.

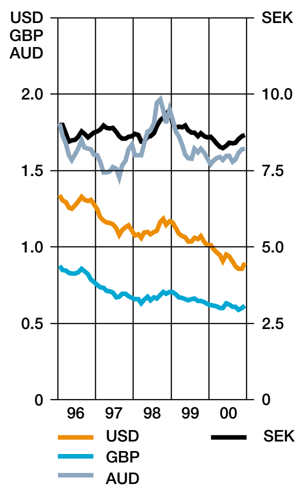
Prices rose, but current mood is pessimistic

Average prices for most metals showed a marked rise in 2000 compared with their depressed 1999 levels. The strength of demand was the main driving force during the first two quarters, and by mid-year prospects were looking very encourag-

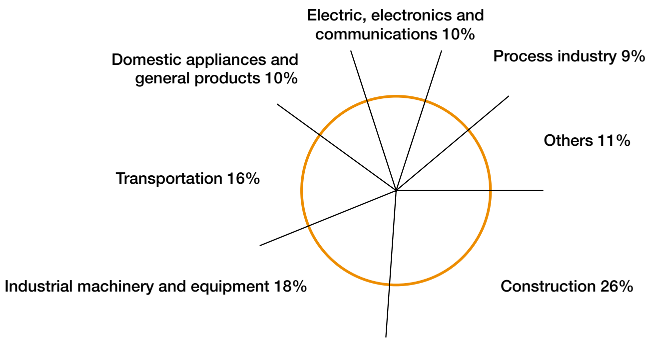
GDP annual growth



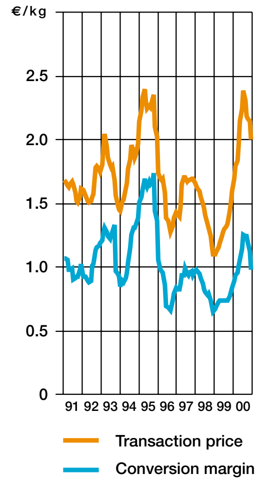
Euro exchange rates



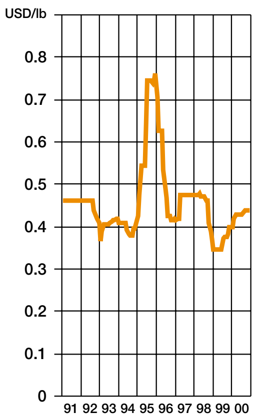
Group sales by end-use market



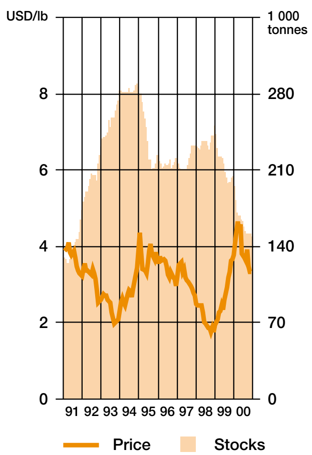
Stainless steel price



Ferrochrome price
(Cr-content)



Nickel price and stocks



ing. However, as the economic background deteriorated, so sentiment in the metals markets turned negative. By the end of the year, prices of metals were declining again, while forecasts for 2001 were being downgraded across the board.

Although pessimism on prices is understandable given the worries about the economic outlook, it needs to be stressed that the fundamentals of the metals markets remain broadly positive. Stocks are very low by historical standards, and growth in new capacity over the next 12 months will be relatively slow. Given this background, there continues to be the potential for higher prices in 2001, particularly in the second half.

A roller coaster ride for stainless steel prices

The stainless steel market experienced a remarkable roller coaster ride during 2000. In the early part of the year, demand was so strong that there were localized shortages of slab and hot coil, even though the industry was working at full capacity. Prices showed a correspondingly rapid increase, with European base prices for 2 mm grade 304 peaking in the third quarter at 1.68 EUR/kg compared to 1.28 EUR/kg at end-1999. Conversion margins (transaction price of grade 304 stainless steel minus the cost of nickel and chrome raw material) followed a similar pattern, also peaking in the third quarter at a level almost 70% higher than the year-before figure.

However, market conditions then began to deteriorate. The industry was over-producing, substantial inventories had built up, and end-use demand was slackening. At the same time, the price of nickel was falling, implying that the future alloy surcharge would be reduced, and thus giving consumers good reason to delay purchases. The result was a sustained period of de-stocking, which in turn contributed to a sharp downturn in both base prices and conversion margins. Despite the turnaround, average conversion margins during 2000 were almost 46% above the 1999 level, though the increase was from an exceptionally low level.

The early months of 2001 will remain difficult for stainless steel producers. There continues to be a stock overhang, and until this has been eliminated prices and margins will

Average annual metal market prices

		1996	1997	1998	1999	**2000**	Change, % 2000/1999
Stainless steel Transaction price	EUR/kg	1.48	1.64	1.41	1.30	**2.07**	59.2
Stainless steel Base price	EUR/kg	1.23	1.40	1.28	1.18	**1.52**	28.8
Stainless steel Conversion margin	EUR/kg	0.84	0.93	0.83	0.74	**1.08**	45.9
Ferrochrome (Cr-content)	USD/lb	0.51	0.46	0.45	0.36	**0.43**	19.4
	EUR/kg	0.87	0.88	0.89	0.75	**1.03**	37.3
Zinc	USD/lb	0.46	0.60	0.46	0.49	**0.51**	4.1
	EUR/kg	0.79	1.15	0.92	1.01	**1.22**	20.8
Copper	USD/lb	1.04	1.03	0.75	0.71	**0.82**	15.5
	EUR/kg	1.77	1.99	1.48	1.48	**1.96**	32.4
Nickel	USD/lb	3.40	3.14	2.09	2.73	**3.92**	43.6
	EUR/kg	5.79	6.04	4.15	5.65	**9.35**	65.5

Sources:
Stainless steel: CRU – German transaction and base price and conversion margin (2 mm cold rolled 304 sheet); estimate for delivery prices during the period. CRU has revised 1996–1999 conversion margins according to its new accounting practise.
Ferrochrome: Metal Bulletin – lumpy Cr charge, basis 52% Cr, free market.
Zinc, copper and nickel: London Metal Exchange cash quotations converted into USD/lb.

remain under pressure. Nevertheless, further ahead there are still grounds for optimism. A key factor is that global melting capacity continues to rise extremely slowly, suggesting that average utilization rates in the industry could rapidly return to a high level when consumers finally start to restock.

The market for stainless steel tubes has followed a similar pattern to that in flat products. Demand at the beginning of 2000 was excellent, contributing to a strong increase in prices and rising margins. But demand started to decline as the nickel price fell, and although there was a brief improvement in the autumn, prices and margins have again been on a declining trend. Stocks remain above normal, while consumers continue to de-stock in the belief that prices have still further to fall. Competition in the tubes business will therefore remain severe over the near-term.

In high-carbon ferrochrome, the 2000 average price of 43 USc/lb was 19% above the very depressed year-before level. The main improvement occurred during the first half of 2000, underpinned by strong demand from the stainless steel industry, but prices then stabilized. However, prospects for 2001 look weak. A number of the main producers have already announced production cuts, but stocks of ferrochrome are high, and consumers continue to substitute cheap and plentiful scrap supplies for primary material.

Short sharp boom in nickel prices

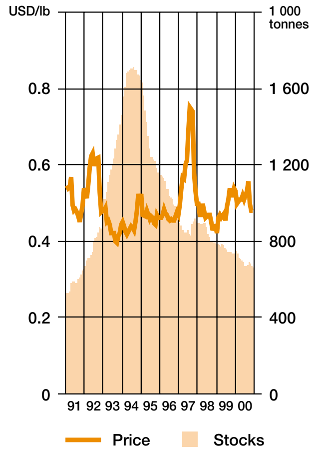
Among the base metals, the most spectacular performer during 2000 was nickel. The average price for the year of 3.92 USD/lb was the highest for ten years, and 44% above the 1999 level. However, the boom was short lived. Cash prices rose rapidly during early 2000, the monthly average peaking at 4.66 USD/lb in March. The increase was driven by strong demand, but there was also a widespread expectation of a strike at one of the major producers, Inco. In practice there was no strike, and the resulting slump in sentiment was exacerbated as demand from the stainless producers then began to slacken. Prices started to slide again. The stock-consumption ratio is still very low, but the market appears to be heading into surplus and sentiment is very negative. The outlook for prices is therefore not encouraging.

In the case of zinc, prices during 2000 were disappointing. The annual average rose by just over 4% to 51 USc/lb, but more might have been expected given the strength of demand and a decline in stocks to their lowest level for almost a decade. The main reason for the lack of excitement in the market was a further sharp increase in Chinese exports of metal to their highest ever level. Although Chinese shipments remain unpredictable, they do appear to be price-responsive, and therefore seem likely to restrict the upside potential on zinc prices over the near term.

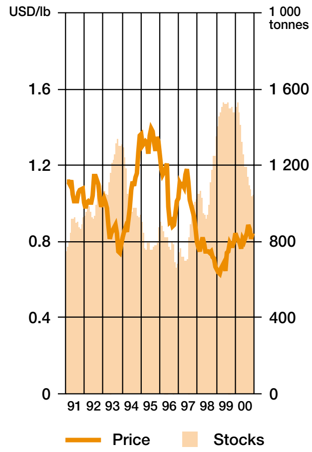
The fundamentals in the copper market also improved during 2000, though in this case there was a more positive price response: the average for the year rose to 82 USc/lb, some 15% above the year-before level. Buoyant demand and slow growth in production resulted in a sizeable market deficit, and although demand is now slackening, the market is forecast to remain in deficit during 2001. With stocks already low, this suggests that there is further upside for prices over the next year.

Treatment and refining charges (TC/RCs) for copper concentrate based on new contracts also rose sharply during 2000, though the increase was from their lowest level ever in real terms. Average spot terms rocketed by almost 85% compared with the 1999 level, while average contract terms (including price participation) improved by 23%. TC/RCs have been boosted by a fall in smelting capacity due to the closure of two plants in the United States, while concentrate availability has been increasing steadily. Average contract terms in 2001 are expected to be similar to those in 2000.

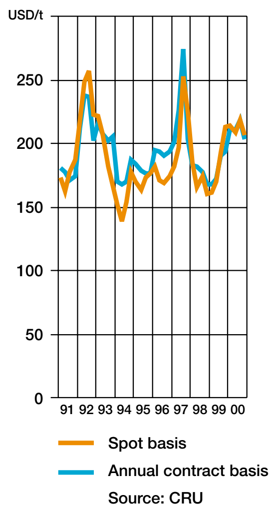
Zinc price and stocks



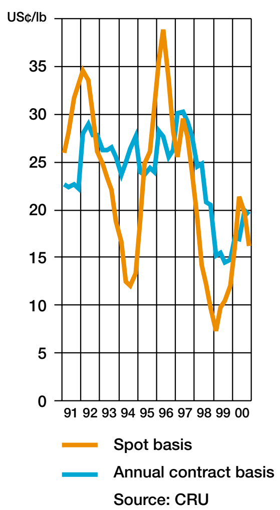
Copper price and stocks



Zinc treatment charges



Copper treatment and refining charges



In the zinc concentrate market, average treatment terms on contract basis during 2000 rose 16% compared with year-before levels, reflecting a sizeable surplus in concentrate availability. A further modest rise in charges is expected this year.

Demand for copper products rose strongly; healthy price increases

A year ago demand prospects for copper products during 2000 were looking encouraging, but the reality turned out to be even better than expected. Demand was good in all the main regions, and for European mills there was the added benefit of a weak euro, which underpinned strong exports of both copper and copper alloy products and copper-containing products from Outokumpu's customers. Total deliveries and order intake rose firmly compared with the previous year's level.

The healthy trend in consumption also provided a good opportunity for Outokumpu to focus on the markets where margins were rising strongly. The company enjoyed particular success in North America, where prices rose in alloy wires, connectors and other flat products. Prices for industrial flat and tube products also improved steadily in Europe, and exceptionally good increases were achieved for products and components related to electrical power. The combination of an active pricing policy and changes to the sales mix resulted in average prices for a number of product groups rising by 10% or more compared with the year-before level.

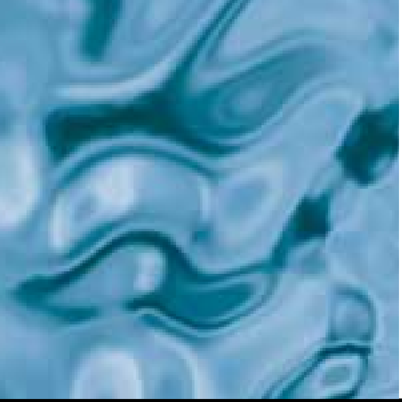
In terms of consumption, the strongest markets were those related to the new economy, an area which is becoming increasingly important for Outokumpu. Demand for telecom strip and tube rose by about 30%, while sales of connector strip into the IT sector increased by 15%. Demand for rods, bars and sections from the electrical power industry also rose by more than 10%. Coinage was another buoyant area, reflecting the impact of major coinage programs in both Europe and the United States. One result of these trends was that lead times at many mills, especially rolling mills, increased sharply, typically to 10–15 weeks.

In contrast, activity in the construction industry was disappointing in some of the key markets such as Germany and Japan. Activity in the United States housing market was also declining towards the end of the year, and this led to a marked slowdown in demand for plumbing tube. However, there continued to be good demand for ACR tube, an area which remains fast growing though highly competitive. In the automotive sector, strong growth in production in the early months of the year supported healthy demand for welding electrodes and for copper, brass and bronze strip for radiators and connectors. But demand from this sector softened markedly towards end-year as growth in car and truck production slowed down in the United States.

Demand and price prospects for copper products over the coming year look mixed. The strongest sectors are those related to information and communication technology, where the outlook remains very encouraging. But 2001 is likely to be a difficult year for automotive-related products, and competition will also continue to be tough in some building and construction products.

Technology sales rose strongly

Higher metals prices underpinned a strong increase in technology sales during 2000. The improvement was mainly in small-to-medium size plant projects and sales of equipment, and a number of bigger greenfield or expansion projects continued to be delayed. The order intake and the backlog of orders improved, and continuing improvement is foreseen in 2001. Although profitability in the metals industry is currently weakening again, new capacity is needed in both the mining and metallurgical sectors, and investment spending by the industry is expected to rise over the next few years.



Stainless Steel

Formation of AvestaPolarit will boost the value of stainless business

Outokumpu Steel and Avesta Sheffield combined in January 2001 to form the listed, independent and pure-play stainless steel company AvestaPolarit. This will enable quicker growth in stainless steel and allow for strong value growth of that business. Outokumpu owns 55% of the company, which means that stainless steel is an important part of Outokumpu's value creation. Outokumpu has agreed to reduce its holding to no more than 40% within the next three years in order to increase the liquidity of the AvestaPolarit share.

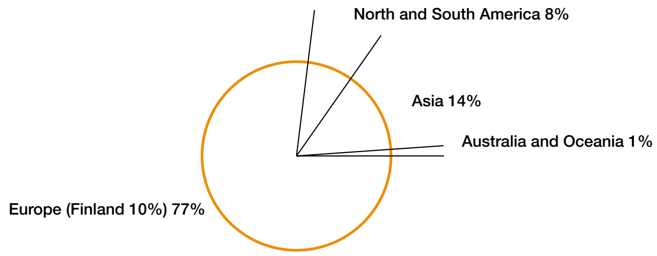
Outokumpu's steel business enjoyed exceptionally good profitability in the year under review, thanks to strong demand and higher prices in the first part of the year, extremely smooth production and good cost-efficiency.

The EUR 680 million investment program underway at the Tornio plant will substantially increase the production capacity of the steel melting shop and the hot and cold rolling mills, and reinforce the integrated production plant's leading position in cost-efficiency and quality among the world's stainless steel producers. The investment will be completed by the end of 2002. At the Kemi mine, an EUR 70 million investment program to enable a move to underground mining is proceeding as planned.

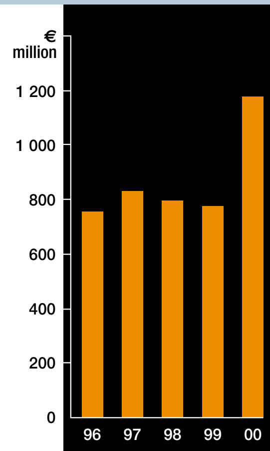
Outokumpu Steel has cost and quality leadership

The Tornio plant's cost and quality leadership is founded on the integrated production chain that extends from the chromium raw-material to

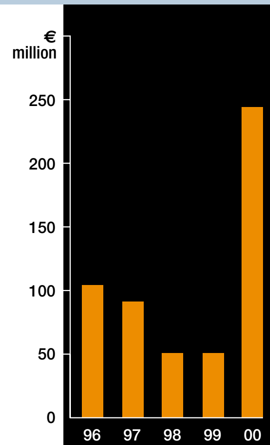
Net sales by market area



Net sales



Operating profit



melting, hot and cold rolling of stainless steel in the Kemi-Tornio area, investment in modern production technology, short lead times, as well as on-time deliveries.

Outokumpu Steel uses the best production technology available on the market and modifies it to suit its needs in collaboration with its suppliers. It is also committed to Best Available Technique (BAT) to minimize its environmental impact. Earlier environmental problems at Tornio have been solved and the plant's metal discharges into local waterways have remained within permitted levels.

AvestaPolarit founded on excellent strategic fit

The key rationale for the combination is the excellent strategic fit between Outokumpu Steel and Avesta Sheffield. AvestaPolarit brings together the complimentary strengths of the cost-efficient, integrated production of Outokumpu Steel and the broad product range and extensive distri-

bution network of Avesta Sheffield. The combined resources enhance the opportunities in the growing stainless steel market.

With AvestaPolarit's joint business plan, profitability can be improved substantially; alone, neither of the companies could have achieved the same. Economies of scale, specialization and better logistics generate substantial industrial synergy. The combination is estimated to bring synergies of over EUR 100 million per annum. These projected synergies are expected to be realized in full by 2005, with the greater part realized by 2003.

Outokumpu Steel had already made a decision to double its production capacity, while Avesta Sheffield's future investments were geared to gradually develop in line with market growth. These investment plans have been assessed with some revisions, as required by the joint business plan. AvestaPolarit's ongoing total investment in stainless steel production amounts to EUR 770 million and will raise combined slab capacity to about 2.75 million tonnes per year from the present 1.75 million tonnes. These investments will be completed by the end of 2002.

Positive long-term outlook

Strong growth is expected in stainless steel consumption. For the past 20 years, world cold rolled stainless steel demand has increased by an average of 5.5% annually, with the average yearly increase since 1994 at 7.5%. The CRU International research institute has forecasted that consumption will continue to grow by approximately 5% each year. At present, the outlook is slightly overcast with uncertainty about short-term markets.

Stainless steel is a constantly developing material, and demand for it is on the rise thanks to tightening environmental regulations and health and hygiene requirements. Stainless steel consumption is also closely linked to the standard of living: the higher the standard, the greater the consumption. Several life-cycle studies have shown that in many cases the total costs of using stainless steel are lower than those of competing materials.

The main consumers of stainless steel are construction and architecture, the food industry, the pulp and paper industry, offshore oil drilling, the chemicals industry, transportation and home appliance and equipment manufacturers. In 2000, Outokumpu held roughly 10% of the rolled stainless steel market in Europe and 4% worldwide. AvestaPolarit will initially hold respective shares of roughly 25% and 8%.

New water treatment program starting in Tornio
3.2.2000

Outokumpu and Avesta Sheffield to form a new leading stainless steel company
28.9.2000

European Commission approves Outokumpu Steel and Avesta Sheffield combination
4.12.2000

Prospectus for Outokumpu Steel and Avesta Sheffield combination published
19.12.2000

AvestaPolarit Exchange Offer acceptance level 94.7%
22.1.2001

AvestaPolarit is born
22.1.2001

AvestaPolarit accepted on Helsinki Exchanges, trading starts on OMSE and HEX
26.1.2001

KEY FIGURES

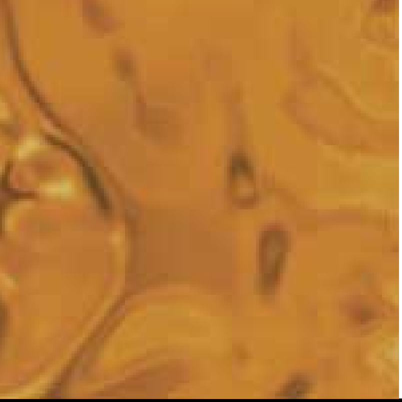
€ million	2000	1999
Net sales		
Outokumpu Chrome	**106**	95
Outokumpu Polarit	**1 128**	713
Ja-Ro	**92**	67
Other units	**5**	47
Sales within the business area	**(154)**	(144)
Total	**1 177**	778
Share of Group's net sales (%)	**27**	21
Operating profit	**246**	52
Operating profit margin (%)	**21**	7
Return on capital employed (%)	**33**	8
Capital employed Dec. 31	**815**	709
Capital expenditure	**84**	36
Depreciation and amortization	**60**	59

Production

Tonnes	2000	1999
Outokumpu Chrome		
Ferrochrome	**260 600**	256 300
Outokumpu Polarit		
Steel slabs	**636 300**	597 900
Cold rolling mill production:		
Cold rolled products	**421 700**	403 300
White hot strip	**135 000**	128 300
Ja-Ro		
Tubes and tube fittings	**32 100**	28 400

Personnel

Dec. 31	2000	1999
Outokumpu Chrome	**307**	315
Outokumpu Polarit	**1 816**	1 743
Ja-Ro	**311**	333
Other units	**4**	6
Total	**2 438**	2 397



Copper Products

Profitability enhancement is bringing results and creating scope for new strategies

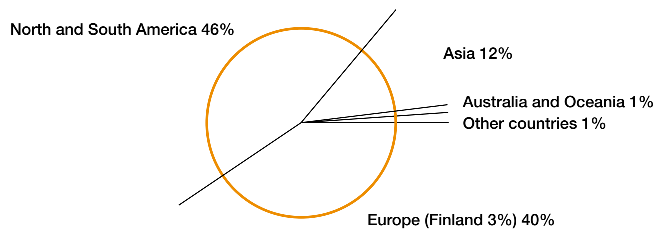
Copper Products is continuing its systematic program to enhance profitability. Its profitability improved as planned in 2000 and operating profit almost doubled from 1999. Copper Products' most important immediate goal is to generate an operating profit of EUR 100 million in 2001. The main aim of the growth strategy is to generate maximum economic value added in the long term on capital invested in business operations.

Copper Products is improving its profitability by further concentrating on the more value added and higher margin products and by investing in product development. It aims to develop new products and applications based on its metallurgical expertise and to exploit its extensive technological know-how, especially as a partner and principal supplier to customers operating in demanding growth industries. Copper Products has already developed several e-commerce customer applications.

A firm foothold in the global market

Outokumpu operates in all the important copper product markets. Its competitive position is especially strong in its traditional markets in the United States and in Europe, but in recent years it has also moved determinedly into the growing Asian market. It is a market leader in several products, for example in radiator strips used for heat exchangers by the automotive industry and in welding electrodes. More recent additions to

Net sales by market area

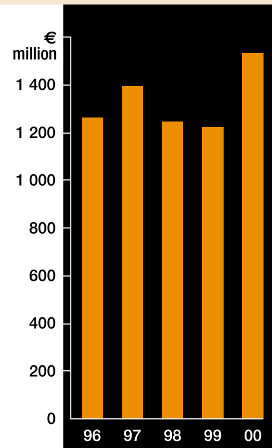


its product range include superconductors, which represent the extreme high-end of technology, and demanding hollow conductors, in which Outokumpu is a cut above other manufacturers. It is also one of the main manufacturers of cable strips, which are used for undersea and mobile phone network cables. Copper Products' share of the world fabricated copper products market is roughly 10%.

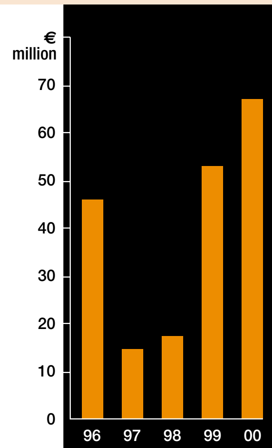
Shifting the focus to fast-growing industries and products with higher value-added

The information, communications and telecommunications markets have significant potential for growth thanks to the new economy and the emergence of the information society. At the moment, telecommunications is the fastest growing industry that uses copper; annual growth exceeds 20% for several of the copper products it uses. Because of its excellent

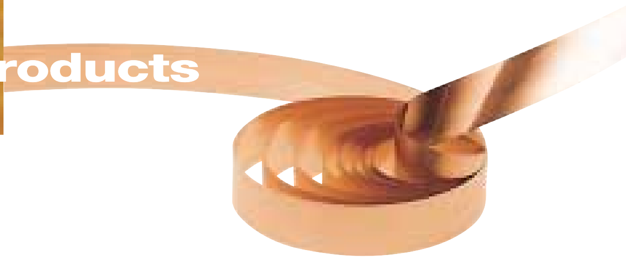
Net sales



Operating profit



Copper Products



electrical conductivity the metal is used in computers, mobile phones and their base-station networks and for undersea data communication cables. Copper Products is concentrating on known telecommunications applications within data transfer and processing, and also develops new ones in collaboration with leading companies in the sector.

Outokumpu makes use of its comprehensive technological expertise in the manufacture of copper products. It is in the process of refocusing on products with higher added value, which already represent over 50% of all its products. For example, Outokumpu makes high-quality thin-walled tubes based on its proprietary technology for air-conditioner and refrigeration (ACR) equipment manufacturers in the US and European markets and increasingly to the Chinese and Southeast Asian markets. New markets are expected to emerge also for connector strips.

Success for investments made in the Asian market

Earlier strategic decisions taken by Outokumpu to develop business activities in Asia have begun to bear fruit. The efficiency of Copper Products' new plants in this area is on the rise, and strong demand is expected to continue especially in the Chinese market.

Concerted efforts have substantially improved the competitiveness of the Zhongshan tube plant in China. Efficient production, high product quality and economic recovery in the region have put the plant in a good market position. It is Copper Products' aim to further solidify its position on the growing Chinese market. The Zhongshan plant is operating at full capacity and it has decided to start an EUR 35 million investment that will double its copper ACR tube capacity. The new plant will start production during 2002.

The Pasir Gudang plant in Malaysia has also increased its output and continues to improve operative efficiency.

The joint venture of Copper Products and the Japanese Hitachi Cable in Thailand that manufactures air-conditioning copper tubes was granted an operating license in September 2000, further strengthening Outokumpu's position in Southeast Asia. The venture, in which Outokumpu is a majority owner, is the first European–Japanese company in this area.

Copper is a superior material for many applications

Copper is a superior material for many applications in electronics, telecommunications, and the automotive and construction industries thanks to its superb heat and electrical conductivity, formability and resistance to corrosion. These features will also be in high demand in the future as communications, heat transfer, energy management and construction are developed.

Outokumpu joins MetalSpectrum

26.6.2000

Nippert-Dawson becomes wholly owned by Outokumpu

23.11.2000

Outokumpu and Hitachi Cable special tube joint venture inaugurated in Thailand

27.11.2000

Significant superconductor order from CERN

15.1.2001

Outokumpu doubles ACR tube production in China

22.1.2001

KEY FIGURES

€ million	2000	1999
Net sales		
Americas	**443**	329
Europe	**524**	387
Automotive heat exchangers	**292**	251
Appliance heat exchangers & Asia	**268**	189
Other units	**331**	414
Sales within the business area	**(326)**	(350)
Total	**1 532**	1 220
Share of the Group's net sales (%)	**34**	33
Operating profit	**67**	53
Operating profit margin (%)	**4**	4
Return on capital employed (%)	**8**	8
Capital employed Dec. 31	**927**	777
Capital expenditure	**62**	49
Depreciation and amortization	**53**	48

Production

Tonnes	2000	1999
Americas	**133 100**	123 500
Europe	**162 700**	152 800
Automotive heat exchangers	**96 000**	95 500
Appliance heat exchangers & Asia	**79 300**	66 500
Deliveries within the business area	**(21 400)**	(20 500)
Total	**449 700**	417 800
Associated companies:		
Rolled products *)	**18 300**	17 300
(Laminados Oviedo-Córdoba 50%)		

*) The Group's share of production according to ownership

Personnel

Dec. 31	2000	1999
Americas	**1 181**	1 140
Europe	**1 796**	1 915
Automotive heat exchangers	**679**	768
Appliance heat exchangers & Asia	**1 269**	941
Other units	**214**	262
Total	**5 139**	5 026

Metallurgy

Strong growth organically and from new business opportunities

Metallurgy's business operations are being developed by enhancing operative efficiency and by adopting a substantially more aggressive growth strategy in both metals production and technology sales. The main aim of the growth strategy is to generate maximum economic value added in the long term on capital invested in business operations.

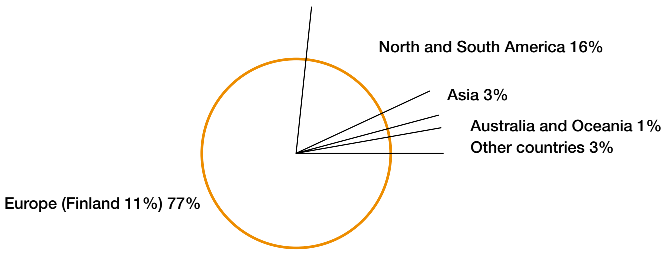
Metallurgy exploits new business opportunities by combining Outokumpu's brand technologies with project implementation, commercialization and financing services. In addition to organic growth, its growth strategy is based on strategic acquisitions and other forms of cooperation.

Metallurgy's existing operations form a firm foundation for strong growth. The strategic cornerstone of its production plants is maximum operative performance based on cost-efficiency, short lead times and excellent product and service quality.

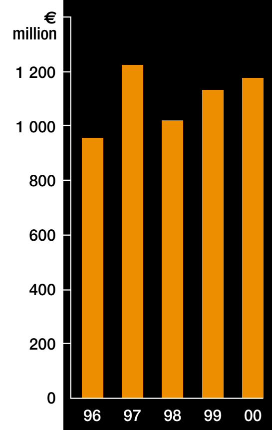
Expansion of zinc production in Kokkola proceeding apace

The expansion investment underway at Kokkola will increase annual production from 225 000 to 260 000 tonnes. The investment, worth some EUR 31 million, will be completed in the beginning of 2002, and will further improve the excellent profitability and competitiveness of Outokumpu's zinc business.

Net sales by market area



Net sales



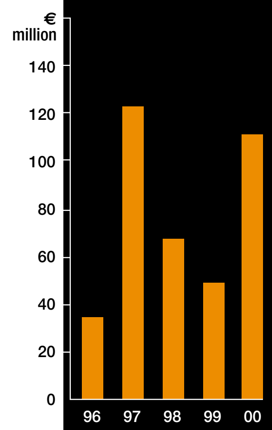
The Kokkola plant is one of the most modern zinc plants in the world. Its present production capacity puts it among the world's eight largest zinc producers. Outokumpu Zinc's current share of western European production is 10% and 3% worldwide. Some 80% of the end-products are marketed outside Finland. Most of the raw material is acquired on the international zinc concentrate market. The plant also ranks among the most cost-efficient plants in the world. In 2000, the zinc business' profitability was very good.

Zinc is the fourth most used metal in the world and its consumption is estimated to grow at an average of 2 to 3% per year. It is used mainly as an anti-corrosion coating for carbon steel.

An agreement to acquire the Norwegian Norzink

In January 2001, Outokumpu signed an agreement to acquire Norzink AS from Rio Tinto and Boliden at a purchase price of USD 180 million. The closing of the acquisition is pending regulatory approvals. The Norzink plant has an annual production capacity of 150 000 tonnes of zinc metal. It is one of the world's most profitable and cost-efficient zinc producers.

Operating profit



Following the acquisition, Outokumpu's market share will be roughly 17% of European and 4% of world zinc production.

Harjavalta Metals prepares for growth

The expansion program implemented in Harjavalta between 1993 and 1996 substantially increased copper production capacity and significantly improved cost-efficiency. The outsourcing of support operations has further improved Harjavalta Metals' operational efficiency. At present, the plant's capacity is 165 000 tonnes of blister copper and 125 000 tonnes of cathode copper. Profitability of the copper business was unsatisfactory in 2000 due to low treatment and refining charges.

In April 2000, the Harjavalta nickel refinery was sold to OM Group Inc. for EUR 180 million. The sale represented an important strategic move for Outokumpu, as it has enabled it to concentrate on strategic core businesses, which now have greater human and financial resources at their disposal. The nickel smelter was not included in the deal and Outokumpu will continue smelting concentrates for OM Group.

Harjavalta Metals is currently assessing growth opportunities based on the most advanced production technology to ensure its competitiveness in the future. Commercial, financial and technical studies will be ready in spring 2001.

The copper concentrates used as raw materials in copper production are procured on the global market under long-term purchase agreements. Copper produced at Harjavalta is sold as raw material to the copper products industry. Outokumpu's share of world copper production is roughly 1%. Copper consumption is estimated to grow at an average rate of 3% per annum.

Technology invests actively in developing new products

Outokumpu is one of the world's leading designers and suppliers of technology for the mining and metallurgical industries. It supplies its customers with advanced and tailored comprehensive solutions for copper, zinc, nickel and ferroalloy production and special machinery for the aluminum industry. It has high market shares in several special products and processes.

During the year under review Technology introduced several new products to the market, which are based on long-term research and development work and close cooperation with its customers. Technology and the Chilean company CODELCO, the world's biggest copper producer, have agreed to develop a new flash smelting application for copper production at CODELCO's Chuquicamata smelter in Chile, where the existing flash smelting furnace used to smelt concentrates will be modified to produce blister copper. The modified furnace will reduce the smelter's sulfur dioxide emissions and improve working conditions.

Outokumpu is also actively seeking new industries where its technologies could be effectively applied. In the next few years, Technology will continue to invest strongly in product development and maintenance and modernization services as well as procure technologies and products from outside the Group that will complement the existing product range and enhance synergy. Technology's profitability improved in 2000 on the preceding year and was satisfactory thanks to improved market conditions.

Outokumpu Research's operations are business driven

Outokumpu Research is a research center that develops processes, equipment and products for the metallurgical industry. The center's operations are business driven and it is located in Pori, Finland. The clientele of Outokumpu Research consists mainly of Group's other business units but the center is currently strongly increasing cooperation with external parties in developing existing and new products.

Outokumpu to sell Harjavalta nickel refinery to OM Group
23.2.2000

Sale of nickel refinery to OMG completed
5.4.2000

Harjavalta smelter gets quality certificate
11.4.2000

Outokumpu ferrochrome process chosen for Ferafurn project in South Africa
28.6.2000

Outokumpu expands zinc business by acquiring a zinc plant in Norway
5.10.2000

Outokumpu and CODELCO to jointly develop new flash smelting application
12.10.2000

Environmental certificate for Kokkola zinc plant
22.11.2000

Agreement on Norzink acquisition signed
31.1.2001

Outokumpu signed letter of intent to acquire filter manufacturer Pannevis B.V.
6.2.2001

Norilsk Mining and Outokumpu to develop cooperation
7.2.2001

KEY FIGURES

€ million	2000	1999
Net sales		
Outokumpu Zinc	**385**	325
Outokumpu Harjavalta Metals	**552**	610
Technology	**242**	201
Outokumpu Research	**10**	9
Sales within the business area	**(13)**	(10)
Total	**1 176**	1 135
Share of the Group's net sales (%)	**26**	31
Operating profit *)	**111**	49
Operating profit margin (%)	**9**	4
Return on capital employed (%)	**22**	9
Capital employed Dec. 31	**456**	630
Capital expenditure	**28**	28
Depreciation and amortization	**42**	51
*) of which Metals Production	**101**	41
of which Technology	**10**	8

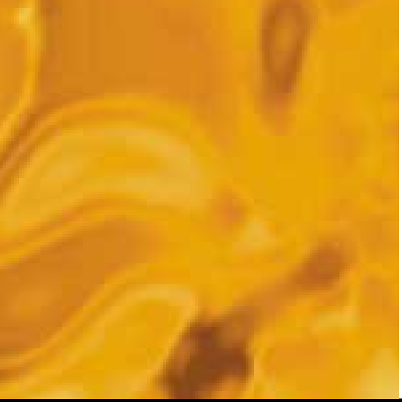
Production

Tonnes	2000	1999
Outokumpu Zinc		
Zinc	**222 900**	225 200
Outokumpu Harjavalta Metals		
Blister copper	**155 400**	149 600
Cathode copper	**114 000**	114 700
Nickel *)	**15 300**	52 800
Gold (kg)	**5 000**	6 110
Silver (kg)	**23 600**	30 700

*) Nickel refinery sold on April 4, 2000

Personnel

Dec. 31	2000	1999
Outokumpu Zinc	**762**	756
Outokumpu Harjavalta Metals	**449**	634
Technology	**1 197**	1 206
Outokumpu Research	**163**	169
Total	**2 571**	2 765



Mining

Strategic position under reassessment

Outokumpu aims to further reduce its role in active mining. The key strategic objective of Mining is to generate economic value added on capital invested in business operations. It is an important supplier of raw materials to the Group's metallurgical plants. Its role is also to secure cooperation opportunities in developing mining and mineral processing technologies.

The strategic position of Mining within the Group is currently being assessed and results are expected during 2001. Ongoing investments at the Tara and Pyhäsalmi mines and the encouraging results in exploration and joint projects will strengthen Mining's resource base in the assessment of its strategic position. Due to operational difficulties, the financial result in 2000 was unsatisfactory.

Outokumpu's exploration companies in Chile to Placer Dome

29.2.2000

Outokumpu and Gold Fields exploration partnership starts in Lapland, Finland

17.3.2000

Tara zinc mine in Ireland to be expanded

27.4.2000

Outokumpu and Falconbridge to study nickel-copper mineralization in Canada

25.10.2000

Strike at Tara mine in Ireland

17.11.2000

Tara miners accept facilitators' proposals

6.12.2000

Tara and Pyhäsalmi to exploit new ore bodies

The Tara zinc and lead mine in Ireland has launched an EUR 50 million investment to bring the ore body southwest of the existing mine into production. Mining will start in 2001 and it will keep Tara in operation to at least 2008. Annual production of the mine is over 200 000 tonnes of zinc in concentrate. Tara's zinc concentrates are delivered to the Kokkola zinc plant or sold on the world market.

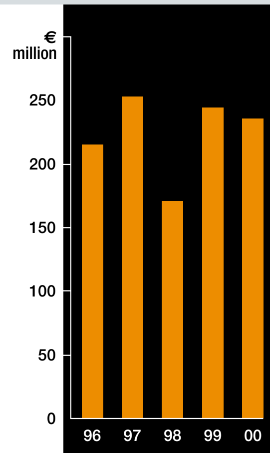
The EUR 50 million program to deepen the Pyhäsalmi copper-zinc-pyrite mine is proceeding as planned. The investment will prolong the mine's life well into the 2010's. The mine's zinc concentrate is delivered to the Kokkola zinc plant and copper concentrate to the Harjavalta copper smelter for raw material.

Encouraging results from focused exploration

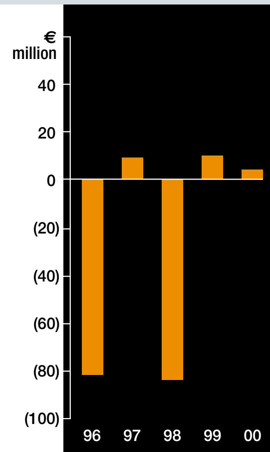
Mining's exploration in the Tara area and at the Black Swan mine in Australia resulted in encouraging results. Known ore reserves grew substantially at both locations. The new ore reserves will extend the life span of these mines well beyond current plans. Mining will continue to invest in focused exploration in the vicinity of existing mines and other carefully chosen targets.

The Arctic Platinum Partnership (APP) established jointly with Gold Fields to explore mineral deposits with platinum group metals in northern Finland has identified significant mineral resources. Based on preliminary studies, APP is planning to initiate a more extensive techno-economic feasibility study in 2001. Gold Fields has the opportunity to earn a 51% holding in APP by investing USD 13 million in the project.

Net sales



Operating profit



KEY FIGURES

€ million	2000	1999
Net sales		
Forrestania	**–**	41
Black Swan	**76**	50
Pyhäsalmi	**46**	43
Tara	**79**	75
Other mines and units	**39**	44
Sales within the business unit	**(5)**	(9)
Total	**235**	244
Share of the Group's net sales (%)	**5**	7
Operating profit	**4**	10
Operating profit margin (%)	**2**	4
Return on capital employed (%)	**3**	4
Capital employed Dec. 31	**320**	255
Capital expenditure	**50**	36
Depreciation and amortization	**34**	30

Tonnes	2000	1999
Production		
Zinc in concentrates	**168 100**	157 100
Copper in concentrates	**11 500**	10 500
Nickel in concentrates	**21 600**	23 100
Lead in concentrates	**35 500**	33 700
Cathode copper/ Zaldívar 50% *)	**–**	67 000

*) Share of production in accordance with Outokumpu's ownership interest. Outokumpu's interest in Zaldívar sold on November 30, 1999.

Mine production figures as well as ore reserves and mineral resources are reported on pages 74–75.

Dec. 31	2000	1999
Personnel		
Forrestania	**–**	4
Black Swan	**40**	33
Pyhäsalmi	**254**	256
Tara	**636**	602
Other mines and units	**334**	312
Total	**1 264**	1 207

Other operations

Supports and serves the Group's core businesses

The main task of other operations is to support and serve the Group's core businesses. The position of the company's industrial holdings within the Group is assessed on the basis of their value creation capacity.

Corporate Services

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

The largest Group company under Corporate Services in terms of net sales is Outokumpu Rossija, which specializes in the Russian trade, marketing the Group's products and procuring metal raw materials for its production plants. Rossija generated net sales of EUR 165 million in 2000.

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

Industrial holdings

The US-based Princeton Gamma-Tech, Inc., in which Outokumpu is an 82% majority owner, manufactures electronic measurement and analyzing equipment. The company's result remained unsatisfactory and its net sales amounted to EUR 9 million.

SKT-Granit Oy, engaged in rock processing, was sold in 2000 to Tulikivi Oyj, which manages natural stone deposits and engages in stone processing.

Outokumpu's associated company Okmetic Oyj, which produces silicon wafers, was listed on the Helsinki Exchanges in 2000. In the initial public offering that took place in June, Outokumpu's stake in the company was diluted from 49% to 28%.

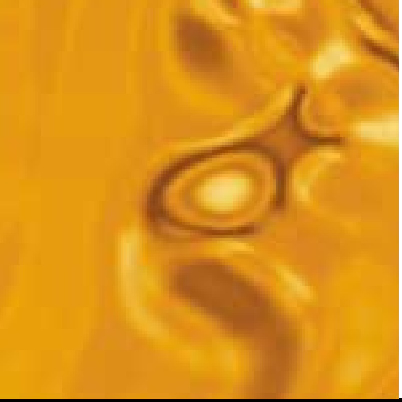
KEY FIGURES

Net sales

€ million	**2000**	1999
Corporate Management	**21**	18
Marketing companies	**81**	59
Outokumpu Rossija	**165**	127
Other service units	**85**	73
Princeton Gamma-Tech	**9**	9
SKT-Granit	**–**	4
Intra-group sales	**(1)**	(2)
Total	**360**	288

Personnel

Dec. 31	**2000**	1999
Corporate Management	**93**	94
Marketing companies	**203**	210
Outokumpu Rossija	**37**	35
Other service units	**107**	112
Princeton Gamma-Tech	**80**	88
SKT-Granit	**–**	38
Total	**520**	577



Human resources

Our aim is to create a motivating and safe work environment that encourages learning for every employee

Human resource management plays an important role in Outokumpu's businesses. Dozens of national cultures are represented at Outokumpu's units, and they encompass a rich selection of types of organization, which includes both labor-intensive production units that emphasize cost-efficiency, and knowledge-intensive expert organizations as well as project organizations that weave together expertise from a variety of fields. These combine into a unique work environment that is characterized by appreciation for individuals.

Human resource issues are integrated with the strategic management of businesses. Business units are expected to take human resources into account as a factor in their competitive strategy and to develop and maintain human resource management practices that transfer the strategy into the everyday activities of their personnel. Present-day human resource strategies particularly emphasize the renewal of personnel structure in response to the changing age structure, systematic competence development, application of incentive schemes and employees' participation in decision-making concerning their own units.

Group-wide projects

Occupational safety was a special group-wide theme in 2000. Following existing strategies, practices intended to improve the competence of young employees and to disseminate tacit, experience-based knowledge were reinforced. The Group-wide management development framework was also renewed.

The project to increase administrative efficiency introduced several human resource management reforms, including the establishing of a shared service unit in Espoo, fusing business area level human resource administration with Corporate Management and launching a project to develop human resource data systems.

Human resource management systems

Recruitment

Because of the age structure of Outokumpu's personnel and the increasing competition for labor, recruitment is playing an increasingly important role at Outokumpu. Systematic recruitment programs are underway at some locations – for example at the Tornio stainless steel plant – to ensure that the units' operations remain in competent hands. The Group hired 689 new persons on a permanent basis in 2000 (1999: 508).

Performance appraisal

Performance appraisals are conducted on units, teams and individual employees to provide information for the purposes of compensation, competence development and working ability maintenance, and to improve work climate. Mining business unit has had particular success in developing the appraisal of individual performance. Also, a work climate assessment, which has been designed to be a developmental and diagnostic tool in Outokumpu's organizations, in particular, has been used in connection with various unit-specific development programs.

Incentive systems

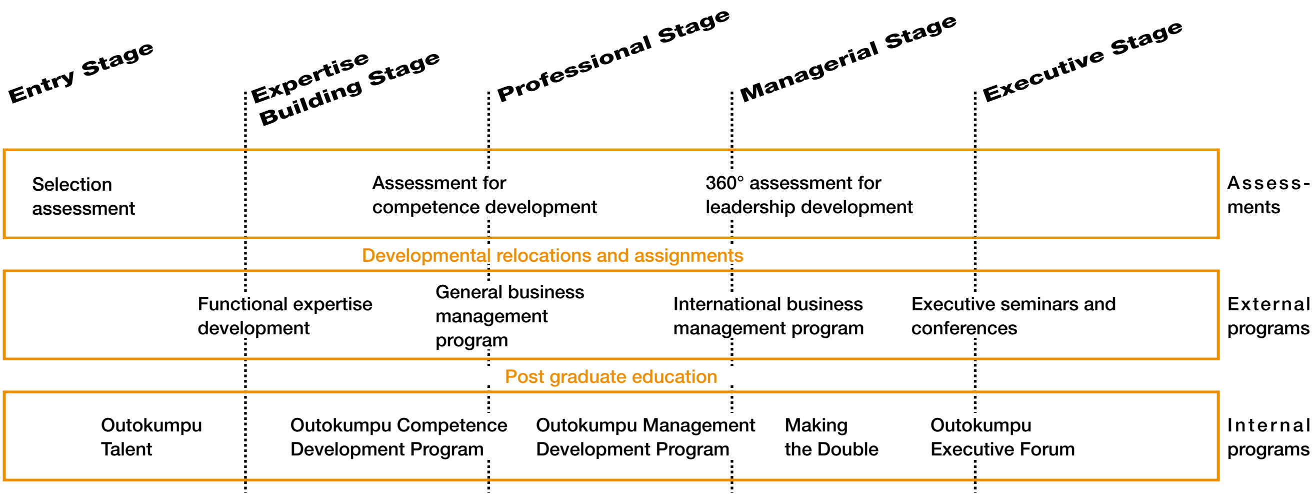
What is typical of Outokumpu's units is that they develop their incentive systems based on their own needs. Flexible salary items that are based on profitability, improvement of productivity and individual and group-specific objectives are used to promote business operations and motivate personnel to make the best of their abilities. A good example of this is the salary system implemented at the Kokkola zinc plant that encourages employees to develop competencies and work in teams. It differs substantially from the conventional systems applied within the industry. In 2000, 5.4% (1999: 5.5%) of total salaries in the Group was paid out in some incentive form.

A remuneration scheme based on shares was launched in 2000. It rewards members of key personnel when Outokumpu surpasses the general performance level of the industry. Performance is measured by comparing the trend of the Outokumpu share with a reference index. In the present stage, the system covers 165 employees. The scheme is presented in greater detail on pages 83–84.

Human resource development

Outokumpu's units organize training, provide on-the-job-learning in the form of expanding responsibilities, job rotation and project work, and self-motivated education as forms of competence development. Systematic exploitation of all of these is emphasized in human resource development.

Framework for executive development



The picture shows how Group-wide management development programs are linked with different stages of a person's career. Internal programs start off with Outokumpu Talent, which serves as an introduction program for new key employees and end with the Executive Forum directed at senior management. In addition to internal programs, competence development employs numerous external programs. Personal appraisal is used in recruitment and as part of internal programs. Exploiting internal mobility and promoting advanced studies supplement these measures.

Training that aims at a qualification in a national education system has gained an important role in Outokumpu's human resource management. In 2000, a total of 510 persons sought an official basic or advanced degree while working. The number of employees with academic postgraduate degree within the Group is 118.

The group-wide management development system serves the development of key personnel in all stages of their careers. Internal programs are connected to the strategic management of units and the Group. External programs and programs implemented in cooperation with other companies provide the Group with information on development taking place in other industries and of their management practices.

Personnel cooperation

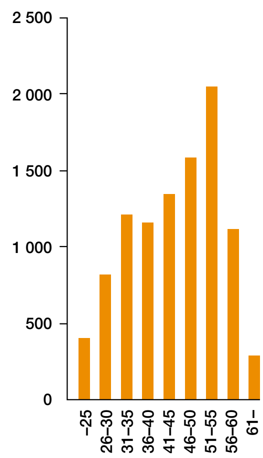
Europe-wide personnel cooperation between Outokumpu units has been systematic ever since 1994. The cooperation provides an excellent forum for dialogue between senior management and personnel representatives. In 2000, the Outokumpu Personnel Forum focused on occupational health and safety and was organized in Pori, Finland.

Future challenges

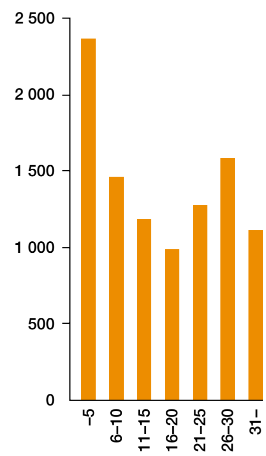
In the near future, human resource management will have to respond to a need to renew the company's personnel structure caused by the ageing of personnel. The company and the entire industry must be made more attractive because of the intensifying competition for labor. Investments in competence development and in securing a management resource for the future will be continued.

Outokumpu's growth orientation and transformation into a leading metals and technology company imply specific challenges also to human resource management. These challenges include the extensive participation by personnel in implementing changes, defining an identity for the reformed company and making better use of the natural learning opportunities and internal mobility provided by the Group's varied structure.

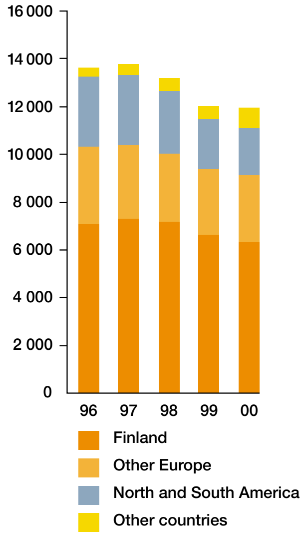
Personnel profile
(permanent employees)



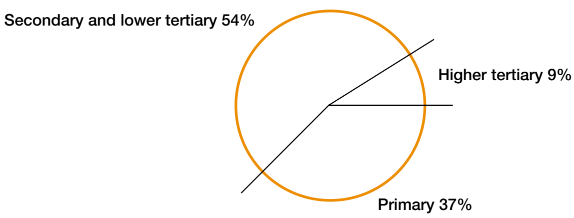
Personnel by years of service
(permanent employees)



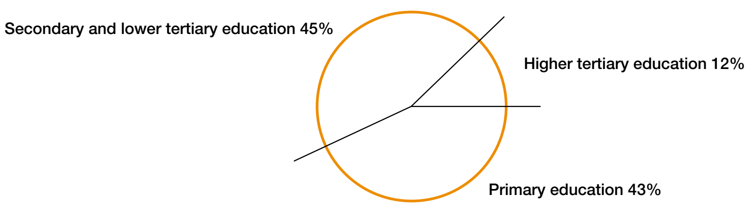
Personnel



Educational background of permanent employees

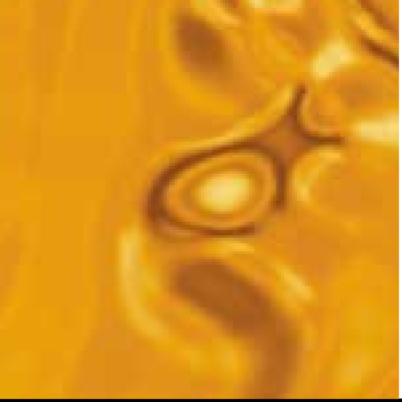


New, permanent employees, 689



KEY FIGURES

	2000	1999
Net sales/person, million €	**0.3**	0.2
Incentives of total remuneration costs, %	**5.4**	5.5
Training costs of total remuneration costs, %	**1.3**	1.3
Training days/person	**3.1**	3.0
Days lost due to strikes	**3 409**	228
Turnover, %	**8.7**	7.7



Environment, health and safety

Responsibility for the environment and a high level of occupational safety are ever more important to our success in tomorrow's society

Caring for the environment and people are core Outokumpu values and key tenets of responsible metals production that is committed to sustainable development. Our aim is to improve performance and take better care of the environment while doing our part in society. Both in our own production and in the technological solutions that we market, we seek to promote processes that are as environmentally friendly and energy-efficient as possible. The Group's environmental and occupational safety policies provide the guidelines for more detailed policies, practical goals and measures implemented by the business units.

In 2000, personnel received training on the Group's sustainable development objectives and programs at Outokumpu's Finnish units. The main event of the year was the Group-wide conference on sustainable development arranged in Espoo. The sustainable development program will continue in 2001. In September, Outokumpu was selected in the global Dow Jones Sustainability Group Index. The Company thereby received independent recognition for its actions to promote sustainable development.

2000 was also a theme year for occupational safety and no major accidents occurred. Campaigns and events on the topic were arranged worldwide at Outokumpu locations. Accidents were down by some 25% from previous 5-year average.

Positive development in environmental protection

A positive development continued in environmental protection, although permitted limits were exceeded on some occasions. The Kemi, Kokkola and Finspång environmental sys-

tems received ISO 14001 certification. The certification process is on the final stretch in Harjavalta and the process is expected to be complete during spring 2001. At present, six locations have a certified environmental system.

New environmental permits were granted to numerous Finnish sites in 2000. Tornio has submitted an environmental permit application for its expansion program and waste storage. An environmental impact assessment (EIA) procedure is underway at Harjavalta concerning possible expansion of production and slag storage areas. The procedure should be completed by summer 2001. A soil and bedrock study was completed at the Hitura mine to assess the reason of a leak from the mine tailings basin, and work is underway to find alternative insulation methods. A cut-off wall in the ground around the Kokkola waste area was completed in the fall. Work to cover the tailings basins at the oldest part of the Pyhäsalmi mine will start during winter 2001. Soil studies are being conducted at some sites and thorough closure and reclamation plans exist for operative mines.

Emissions

Emissions and discharges by Outokumpu plants continued to decrease. For example, the Harjavalta plant's dust emissions were at about 36 tonnes, a record low. This represents a reduction over 96% from 1990.

Harjavalta's copper and nickel emissions into waterways exceeded their annual limits. This was caused by accidents at the OM Group nickel plant and a malfunction at the water treatment plant. Outokumpu Harjavalta Metals and OMG share a treatment plant in the area and have a joint water permit. The authorities have been provided with reports and action plans have been made to prevent similar incidents in the future. Plans for increasing the efficiency of water treatment will be completed in 2001.

Limit values of the water permit were exceeded at Tornio in 1999. Investigation concerning a possible infringement of the Finnish-Swedish Frontier River Treaty is still underway. The new water treatment program implemented in 2000 has lowered emissions to levels clearly below those permitted and the new neutralization plant to be completed in 2001 will ensure that permit values will no longer be exceeded.

All production plants are making a constant effort to reduce emissions.

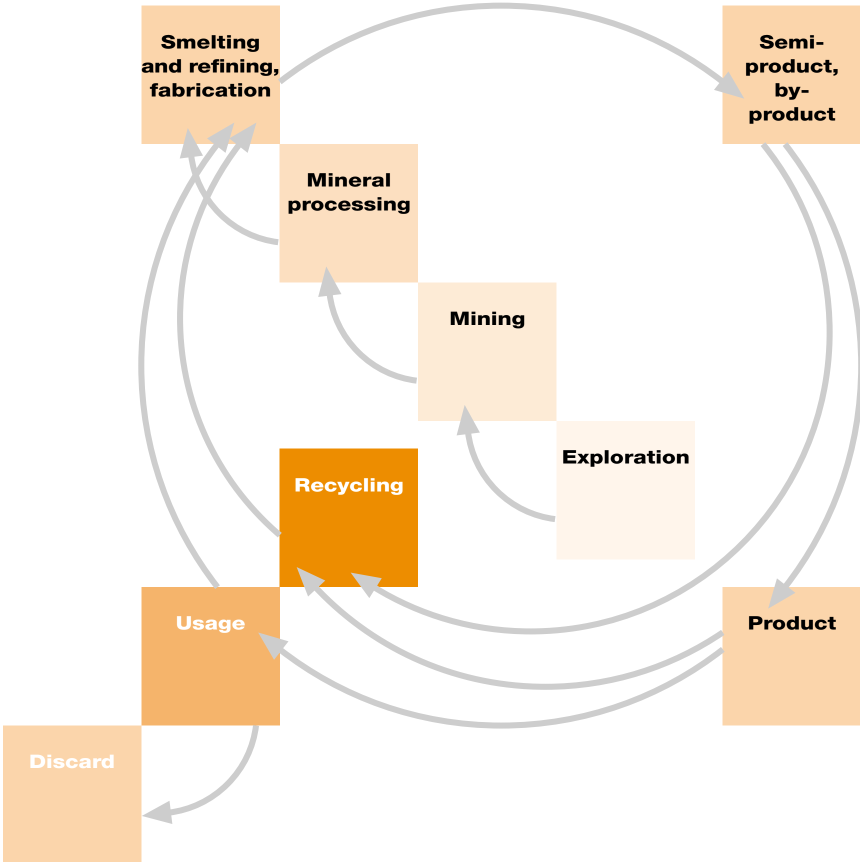
Environmental investments

Environmental expenditure forms an integral part of production costs. The major environmental investments made in 2000 include, for instance the Tornio water treatment program (EUR 5.7 million), isolation of the Kokkola waste area (EUR 1.1 million) and a heat recovery system for mine water and gas cleaning at Pyhäsalmi (EUR 0.7 million). Environmental investments totaled about EUR 11 million.

Energy issues

Outokumpu has traditionally invested in the development of environmentally friendly and energy-efficient processes and it is among the

The picture shows the life-cycle stages in metals production. The stages and their environmental effects concerning the metals Outokumpu engages with are presented in the Group's Environmental Report, which is published in March 2001.



most efficient companies of its kind in the world. Outokumpu companies in Finland consumed a total of 3.2 Twh of electric energy in 2000 (1999: 3.2 Twh), roughly 4% of total consumption in Finland and 8% of that of Finnish industry. Some half of the power used by Outokumpu is consumed in stainless steel production in Tornio. Tornio, Harjavalta and Kokkola have signed a voluntary agreement to conserve energy with the Ministry of Trade and Industry.

Environmental liabilities

The Princeton Gamma-Tech ground water case is still ongoing in the United States.

The Group is unaware of any environmental risks that could have a significant impact on its financial position.

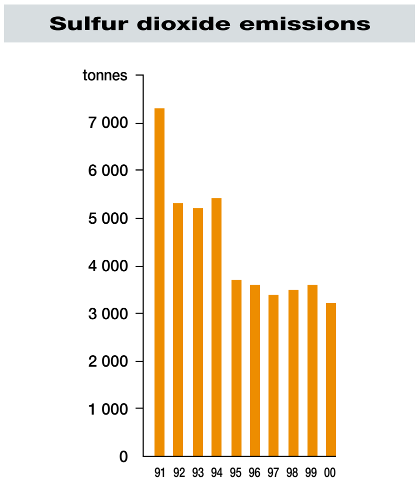
Health and safety

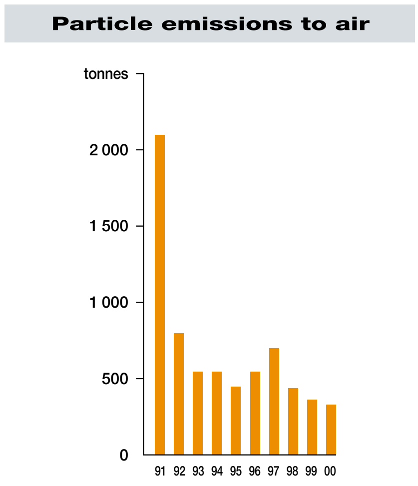
Monitoring and surveillance of working conditions were continued along established lines. Exposure to metals via inhalation has been a key topic for investigation. For example respiratory health effects caused by airborne impurities in zinc production and the long term health effects of chromium exposure have been studied. These kinds of studies on Outokumpu's metal production processes will continue. Occupational health care focuses on the comprehensive promotion of employees' health and well-being.

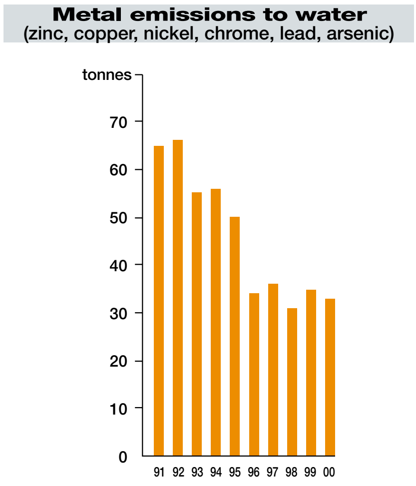
In conjunction with the occupational safety theme year in 2000, each operating site provided occupational safety training that focused on the special needs of the particular workplace. For example each employee's responsibility for his or her work environment was underlined. Numerous surveys were made concerning both the workplaces themselves and the work procedures to eliminate safety risks and improve procedures. The general goal of the theme year was to implement 'zero accidents' thinking at all workplaces and to halve the average accident rate of the previous five years. A reduction of roughly 25% was attained, which fell short of the target but can nevertheless be considered satisfactory since there were no serious accidents. Work to reduce accidents will be continued in 2001, with special emphasis on the effective use of personal protective devices, as will the safety surveys of workplaces and the development of safe work and management procedures. The aim is to halve the accident rate until it reaches zero.

Cooperation with stakeholders

Outokumpu is working in close cooperation with the authorities and its experts participate actively for example in preparation of legislation. The company is also well represented in international stakeholder organizations. It is the policy of Outokumpu







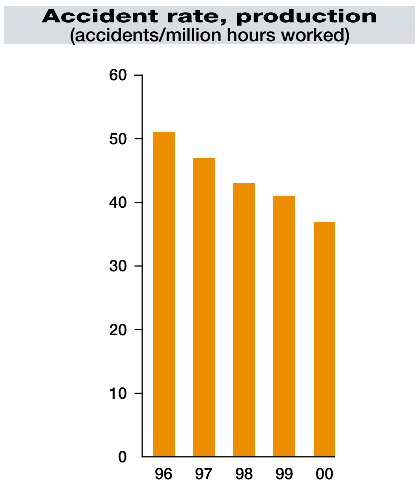
companies to ensure that their subcontractors have sufficient knowledge of their environmental policies and principles.

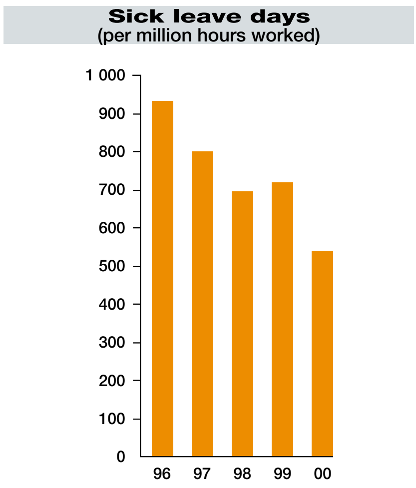
In 2000, Outokumpu took part in a life-cycle study conducted by the Finnish Environment Institute, Association of Finnish Steel and Metal Producers and the metals industry, and in an international nickel life-cycle project. Occupational health research on the health impact of metals production was continued in collaboration with universities and expert institutions. Outokumpu also took an active part in a project to build a database for public sector procurement.

Sustainable development programs and life-cycle analyses of Outokumpu's products will be continued.

Environmental report for 2000

Outokumpu will publish an environmental report for the entire Group in March 2001 in Finnish and English. It will also be available at the Company's web site.





Financial statements

Corporate review of the year

Outokumpu earned a record profit in 2000. Boosted by a rise in metal prices and more efficient operations, the Company's operating profit rose substantially from the previous year and amounted to EUR 427 million. The profit before extraordinary items was EUR 372 million.

The Board of Directors recommends to the Annual General Meeting that a dividend of EUR 0.80 per share be paid out for 2000.

A better than average year for the metals market

The growth rate of the world economy peaked in mid-2000 and then slowed down toward year-end. Economic growth for the entire year exceeded 4%. Both industrial production and industrial investment increased strongly. Slower growth began during the second half of the year in the United States, where more stringent monetary policy and rising oil prices curbed the robust growth that had continued for several years. Growth in Europe and Asia also slowed down during the second half of the year.

Demand and prices for metals rose markedly from the previous year and the overall metals market was better than average. Slower growth in the world economy toward year-end, however, had an adverse effect on the metals market, which had picked up during the first half of the year. Metal prices began to decline. The downturn was sharpest in stainless steel, ferrochrome and nickel. Demand for metals contracted most during the second half of the year in the United States.

Consumption of stainless steel rose from the previous year by around 7% and the average price level (conversion margins) rose 46% despite a decline at year-end. The price of ferrochrome increased by 19%. The conversion prices for copper products were up 5% on average from a year ago. Consumption of copper and zinc increased by approximately 5%. The price of copper rose 15% and that of zinc by 4%. The price of nickel rose by 44% despite a final-quarter decline. Treatment charges for zinc rose 16% during the year under review and those for copper a good 20%.

Net sales increased strongly

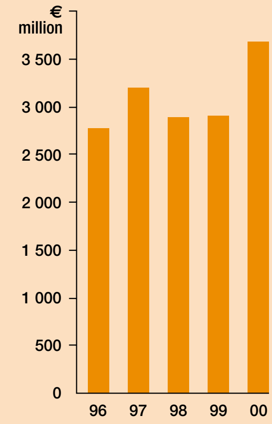
The Group's net sales increased 27% from the previous year and amounted to EUR 3 693 million. Growth was mainly due to higher metal prices and to an average rise of 14% in the US dollar against the euro. Deliveries by Copper Products and Technology increased substantially from the previous year. Technology sales concentrated on equipment. There was only a slight increase in zinc deliveries. The delivery volumes of stainless steel and ferrochrome lagged behind those of last year, but Stainless Steel's net sales increased markedly due to higher stainless steel prices. Growth in Metallurgy's net sales was slowed by the sale of the Harjavalta nickel refinery to OM Group Inc. of the United States at the beginning of April.

Net sales by business area

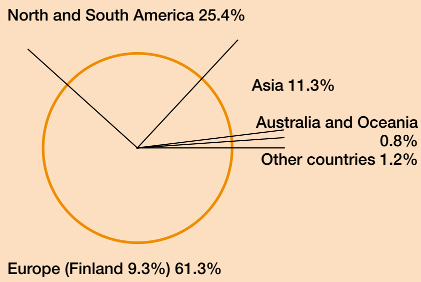
€ million	2000	1999	Change %
Stainless Steel	1 177	778	51
Copper Products	1 532	1 220	26
Metallurgy	1 176	1 135	4
Mining	235	244	(4)
Other operations	360	288	25
Intra-group sales	(787)	(756)	4
Group total	3 693	2 909	27

The Asian trade picked up during the year under review and the region's share of sales rose to 11%. Otherwise, no significant changes occurred in the distribution of sales by market area. Europe accounted for 61% and America for 25%. See section 2 of the Notes to the Con-

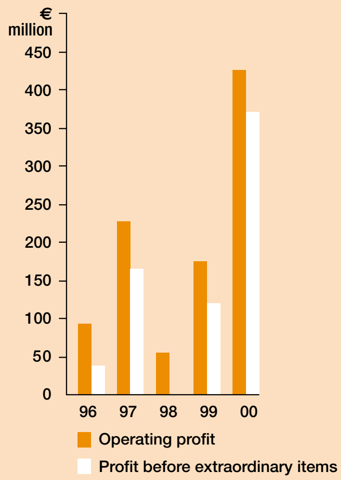
Net sales



Net sales by market area



Profit



solidated Financial Statements for details.

Stainless steel production ran smoothly and production volumes rose beyond the record level of the previous year. Production volumes of fabricated copper products rose from the previous year by 8%. Zinc production at Kokkola was around the same level as last year. Blister copper production at Harjavalta rose 4% from the previous year, while cathode production decreased somewhat. Outokumpu's nickel production ended at the beginning of April with the sale of the Harjavalta refinery.

Zinc mine production increased by 7%, largely due to higher productivity at Tara. Thanks to efficient production at Pyhäsalmi, copper mine production rose by 10%. Nickel mine production declined by 6% from the previous year following the closure in August 1999 of the Forrestania nickel mine in Australia. For more detailed production figures, see pages 21, 25, 29, 31 and 74.

A record result for 2000

Outokumpu's result for 2000 was substantially better than that of the previous year. The Group's operating profit more than doubled and amounted to EUR 427 million (1999: EUR 174 million). Operating profit was improved especially by the rise in metal prices and the strengthening of the dollar. It also includes three unusual items: a gain of EUR 39 million from the sale of the Harjavalta nickel refinery, EUR 8 million from the listing of the associated company Okmetic Oyj, and pension surplus refund of EUR 6 million in Sweden (Sveriges privatanställdas pensionsförsäkring, SPP). In 1999 the result included an unusual item, a refund of EUR 14 million actuarial surplus from Outokumpu's Pension Foundations.

Final-quarter profitability improved somewhat from the previous

Operating profit by business area

€ million	2000	1999	Change
Stainless Steel	246	52	194
Copper Products	67	53	14
Metallurgy	111	49	62
Mining	4	10	(6)
Other operations	5	10	(5)
Intra-group items	(6)	0	(6)
Group total	427	174	253

quarter and from the corresponding period of the previous year. Operating profit of EUR 86 million was generated in October–December. Metallurgy improved its fourth-quarter performance more than any other business area. Mining recorded an operating loss of EUR 9 million during the final quarter.

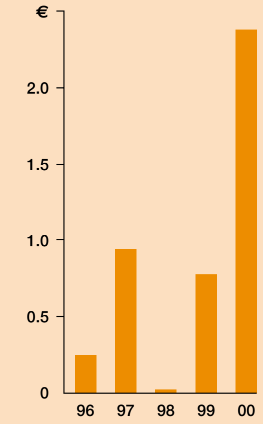
Stainless Steel's operating profit rose strongly, mainly as a result of higher prices for stainless steel and ferrochrome.

Copper Products' operating profit also rose from the previous year. Operating profit, excluding inventory price changes and unusual items, almost doubled. Improved profitability is a result of systematic efforts to increase efficiency, rising conversion prices and growing delivery volumes.

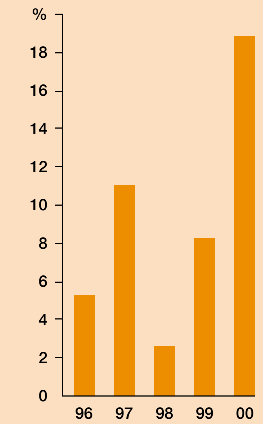
The rise in Metallurgy's operating profit was mainly due to the gain from sale of the Harjavalta nickel refinery and from rising zinc treatment charges. Technology's profitability also improved from the previous year.

Mining's final-quarter performance was disappointing. A miners' strike at the Tara mine in Ireland for almost three weeks in November and December, postponement of a large delivery of nickel concentrate from December to the beginning of 2001 and a decline in base metal prices during the last months of the year caused an operating loss of EUR 9 million to Mining during the final quarter. Operating profit for the entire year declined to less than half of that for the previous year.

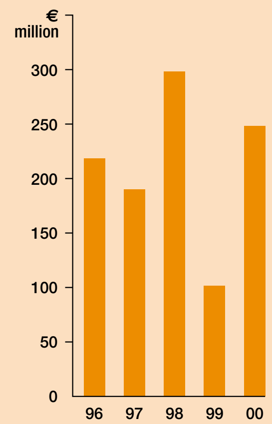
Earnings per share



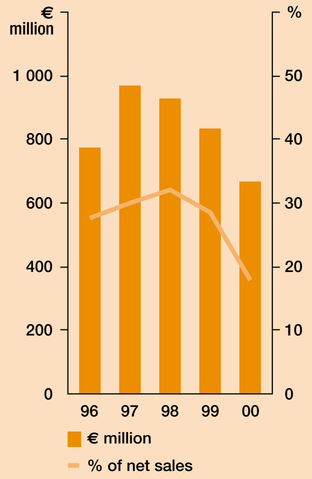
Return on capital employed



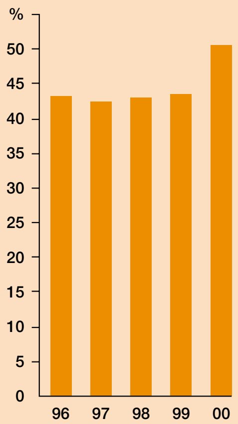
Cash provided by operating activities



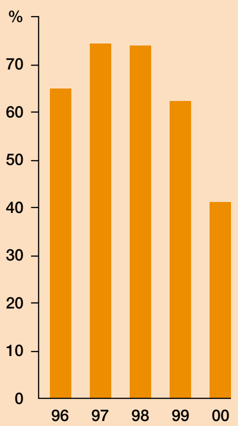
Net interest-bearing debt



Equity-to-assets ratio



Debt-to-equity ratio



Outokumpu's equity earnings in associated companies totaled EUR 2 million (1999: a loss of EUR 13 million). See section 13 in the Notes to the Consolidated Financial Statements for more details on the profits earned by key associated companies.

Profit before extraordinary items rose to EUR 372 million (1999: EUR 120 million). An income-impacting item of EUR 19 million caused by changes and adjustments to inventory valuation method was recorded under extraordinary income. The comparison figures in the Corporate Review of the Year have been restated to conform to the new accounting principle. The change is explained in more detail in section 1 of the Notes to the Consolidated Financial Statements.

Profit for the financial year amounted to EUR 315 million (1999: EUR 97 million). Earnings per share were EUR 2.38 (1999: EUR 0.78) and return on capital employed 18.8% (1999: 8.3%).

Financial position stronger

The Group's financial position improved substantially in the reporting period as a consequence of good financial performance and the sale of the Harjavalta nickel refinery.

Key indicators to illustrate changes in the financial position

€ million	2000	1999
Net interest-bearing debt		
Long-term debt	495	622
Current debt	278	356
Total debt	773	978
Cash and marketable securities	(105)	(144)
Net debt	668	834
Net debt in relation to net sales (%)	18.1	28.7
Shareholders' equity	1 610	1 356
Debt-to-equity ratio (%)	41.3	61.3
Equity-to-assets ratio (%)	50.6	43.8
Cash provided by operating activities	248	99
Net financial expenses	(57)	(41)
Net financial expenses in relation to net sales (%)	1.5	1.4

As a result of improved income financing, cash flow from operating activities clearly improved from the previous year and stood at EUR 248 million (1999: EUR 99 million). The improvement of cash flow was hindered by the increase in working capital, especially in the final quarter.

Equity-to-assets ratio improved further and was 50.6% at year-end.

Net interest-bearing debt declined from the previous year and amounted to EUR 668 million at year-end. Net interest and other financial expenses increased as financial income declined when significant loan receivables from the Zaldívar copper mine in Chile fell due to the sale of Outokumpu's holding in the mine at the end of 1999.

The Group's liquidity was good throughout the year. Cash and marketable securities amounted to EUR 105 million at year-end. There were also committed credit facilities of approximately EUR 560 million available to the Group.

Investment projects proceed on schedule

Capital expenditure rose considerably from the previous year, although fell short from the expected, and amounted to EUR 242 million i.e. 6.6% of net sales. Maintenance investments accounted for around EUR 132 million of this. Investments have proceeded according to plan.

Capital expenditure by business area

€ million	2000	1999
Stainless Steel	84	36
Copper Products	62	49
Metallurgy	38	28
Mining	50	36
Other operations	8	4
Group total	242	153

The most significant investment project in 2000 was the doubling of stainless steel melting capacity and expansion of the capacity of the hot and cold rolling mills in Tornio (total cost EUR 680 million). The new production will come on stream gradually from 2002, and full annual capacity can be achieved by 2004.

Other major investments in progress were the move to underground mining at Kemi chromium mine (EUR 70 million), the deepening of the Pyhäsalmi copper-zinc-pyrite mine (EUR 50 million), the expansion of the Kokkola zinc plant (EUR 31 million) and the establishment of a joint venture in Thailand by Outokumpu and Hitachi Cable (EUR 31 million).

In April, a decision was made to expand the Tara zinc mine in Ireland by bringing into production a new ore body located to the southwest of the present mine. The investment totals EUR 50 million and mining of the new ore body will begin during the current year.

E-commerce a focus of development

E-commerce applications were started during the year under review in various parts of the Group and in June Outokumpu joined MetalSpectrum, a new independent on-line marketplace for the specialty metals industry. E-commerce will for the time being only cover a fraction of the Group's net sales, although in some units its share is already significant.

Outokumpu expects that the significance of the Internet will increase in the trade of metal products and is therefore investing in the development of e-commerce applications with the aim of improving customer service, cutting costs, speeding-up deliveries and making production planning more efficient.

Good results from R&D and focused exploration

Total expenditure on R&D and exploration was down slightly from the previous year.

Expenditure on research and development during 2000 amounted to EUR 35 million i.e. 0.9% of net sales (1999: EUR 37 million and 1.3%). These activities stressed customer needs and enhancement of our own core competence as well as extensive exploitation of technologies in the Group's various business units. Close cooperation with universities continued. Numerous innovations emerged from our research efforts and 56 new patent applications were submitted during the year.

Exploration expenditure was EUR 12 million i.e. 0.3% of the Group's net sales (1999: EUR 15 million and 0.5%). Good results were achieved from exploration in the surroundings of both the Tara zinc mine in Ireland, and the Black Swan nickel mine in Australia. As a consequence, the ore reserves of the mines grew substantially. Exploration by Arctic Platinum Partnership, a joint venture of Outokumpu and Gold Fields in northern Finland, has led to a considerable increase in mineral resources containing platinum group metals.

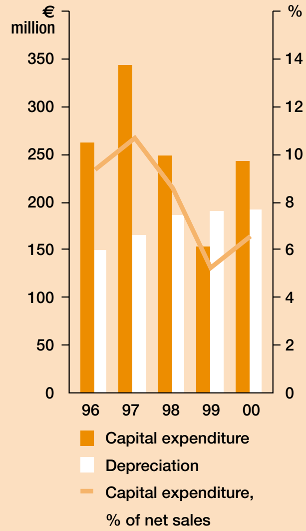
Occupational safety and sustainable development themes for 2000

During the occupational safety year 2000, various training sessions were held at different venues in the Group and safety risks connected with working habits and the working environment were identified and removed. The number of accidents declined by 25% from previous 5-year average.

The environmental systems of three production plants were certified during the year under review. There are now six certified units at Outokumpu. In September, Outokumpu was selected into the global Dow Jones sustainability index.

Reduction of emissions and discharges from Outokumpu's production plants continued during the year

Capital expenditure



under review despite the fact that permitted levels were exceeded on a few occasions. Emissions exceeding the limits established in the Tornio water permit in 1999 were clearly reduced below the permit terms with a new water treatment program. The neutralization plant scheduled for completion in 2001 will ensure compliance with the permit terms.

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

A commitment to competence development

Outokumpu's human resource strategies emphasize the renewal of the personnel structure in response to the changing age structure of the workforce, systematic competence development, application of incentive schemes, and participation of personnel in decision-making concerning their own units.

During 2000, priority was placed on development of occupational safety, the vocational expertise of young employees and experience-based learning. Furthermore, the approach to management development was renewed and practices of overall human resource management and personnel administration were rationalized. Incentive schemes for the management and other employees were also developed further.

The number of Group employees remained at the level of the previous year and 11 932 persons were on the payroll at year-end.

Personnel by business area

Dec. 31	2000	1999
Stainless Steel	2 438	2 397
Copper Products	5 139	5 026
Metallurgy	2 571	2 765
Mining	1 264	1 207
Other operations	520	577
Group total	11 932	11 972

For an account of the geographical distribution of personnel, see section 2 in the Notes to the Consolidated Financial Statements.

Outokumpu Steel and Avesta Sheffield join to form AvestaPolarit

Outokumpu Steel and Avesta Sheffield of Sweden joined forces in January 2001 and formed AvestaPolarit, a leading, growth-oriented company in stainless steel. The company is the world's second largest producer of stainless steel and has net sales of more than EUR 3 billion. It employs some 8 900 people and its key production plants are located in Finland, Sweden, Britain and the United States.

AvestaPolarit's share was listed on the OM Stockholm and Helsinki Exchanges on January 30, 2001. After the initial acceptance period for the Exchange Offer, Outokumpu owns 56.4% of the company. However, to increase the liquidity of the share, it has agreed to reduce its holding to 40% or less within three years.

The combination was carried out with an Exchange Offer valid from December 21, 2000 to January 19, 2001 in which shareholders of Avesta Sheffield were offered one Outokumpu Steel share for each Avesta Sheffield share. Shareholders representing 94.7% of the shares and voting rights approved the Exchange Offer during the initial acceptance period. This met the pre-condition set for the combination. The acceptance period was subsequently extended for the shares not tendered during the initial acceptance period until February 2, 2001. Outokumpu Steel Oyj was renamed AvestaPolarit Oyj Abp on January 24, 2001.

Outokumpu to double its non-ferrous metals business

The foundation of AvestaPolarit will provide Outokumpu with an opportunity to shift its strategic focus to the development and expansion of its non-ferrous metals operations. The company's goal is indeed to double its non-ferrous businesses in 4 to 5 years and to become a leading metals and technology group. The main customers for the non-ferrous business are in heat transfer, communication and telecommunications, electrical power, surface treatment, metal alloys, and mining & metals industries.

In keeping with its growth strategy, Outokumpu agreed on January 31, 2001 on the final terms concerning the acquisition of the Norwegian zinc producer Norzink AS from the British company Rio Tinto plc and the Canadian company Boliden Ltd. The price will be USD 180 million (EUR 204 million). Norzink's annual production capacity is some 150 000 tonnes.

In May, Outokumpu also undertook a study to determine the options for further development and expansion of blister and cathode copper production at Harjavalta and Pori.

In January 2001, Outokumpu decided to double the production of air-conditioning tubes in China to 20 000 tonnes. The expansion investment totals EUR 35 million and will consist of a production line for high-quality smooth and inner-grooved air-conditioning tubes, including new buildings. Construction will commence in the early months of 2001 and production is scheduled to start in mid-2002.

Reform of top management and administrative structures and increased administrative efficiency launched

A reform of Outokumpu's top management and administration began in February, when a new Group

Executive Committee replaced the Group Executive Board. At the same time, the Group's business operations were re-organized into three business areas: Stainless Steel, Copper Products and Metallurgy. The Group's other operations outside the three business areas include the Mining business unit, Group industrial holdings and Corporate Services. The new model emphasizes the role of the main operative business units and their efficient management. The Group's top management and administrative structures were further adjusted on January 23, 2001, when the establishment of Avesta-Polarit became a certainty.

A project aimed at increasing the efficiency of administration was continued during 2000. The aim is to streamline operating procedures and cut administrative costs, thereby improving the Company's competitive position. A decision to adopt SAP/R3 administrative applications throughout the Group was made during the year under review as part of the above project. It was also decided to set up a service center offering financial and payroll services to Group companies. The first service center operations were launched at the beginning of 2001.

Increasing uncertainty and risks in the near future

A controlled slowdown in world economic growth is expected. Factors contributing to this trend are a more stringent monetary policy and declining share prices in the United States, which together will slow industrial production and reduce consumer demand. Economic development in the United States will affect the entire world economy. Economic growth in many Asian countries has already slowed down considerably. In Europe, the decline in growth is expected to be more moderate than in the United States and Asia.

The price level for stainless steel fell substantially at year-end and a weak market is expected to continue during the first half of 2001. Over the long term, the situation looks brighter. The price of ferrochrome has also been on the decline. As far as Stainless Steel's profit in the near future is concerned, the key factor is the demand and price development for stainless steel in the next few months. Over the longer term, successful implementation of the AvestaPolarit combination, rapid initiation of the measures required to achieve identified synergies, and efficient realization of decided investments will be key factors in financial performance.

The outlook concerning demand for fabricated copper products in 2001 is reasonably good, despite a less favorable market. Strong growth areas are information and telecommunications technology. In contrast, the market for products supplied to the automotive industry will be difficult, particularly in the United States. Copper Products is aiming for an operating profit of EUR 100 million in 2001.

The present market situation for metals suggests that the recent decline in zinc treatment charges will not continue for long. Low levels of copper and zinc stocks, moderately good demand and increased production of concentrates may keep treatment charges at least on the present level. The order backlog at the beginning of the year and several ongoing contract negotiations will provide a good foundation for technology sales. If the present market outlook is realized, Metallurgy has means for a good profit development during the current year.

Present demand and prices for base metals will permit satisfactory financial performance in mining operations. For Mining, the key factors apart from metal prices are sharpening-up operational management and ensuring of profitable operations. The role of Mining in corporate strategy is currently under re-assessment.

For Outokumpu's earnings potential in 2001, the key factor will be the market situation for stainless steel and achievement of Copper Products' operating profit target. Despite a weaker market and increased short-term uncertainty, the Company aims to achieve a good profit also in 2001.

Board of Directors' proposal for profit distribution

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

The financial statements of December 31, 2000 show that the Group's distributable funds total EUR 572 million and those of the Parent Company of EUR 160 million.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.80 per share be distributed and that the remaining distributable funds be allocated to retained earnings.

Espoo, January 31, 2001

Gerhard Wendt

Matti Puhakka

Arto Honkaniemi

Liisa Joronen

Heimo Karinen

Paavo Leppänen

Pekka Tuomisto

Jyrki Juusela
President

Auditors' report

To the shareholders of Outokumpu Oyj

We have audited the accounting, the financial statements and the corporate governance of Outokumpu Oyj for the financial year 2000. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the President have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated an parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President of the parent company can be discharged from liability for the financial year audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Companies' Act.

Espoo, February 5, 2001

SVH Pricewaterhouse Coopers Oy
Authorized Public Accountants

Pekka Nikula,
Authorized Public Accountant

Consolidated income statement

€ million		2000	1999
Net sales	[2, 3]	3 693	2 909
Cost of sales	[4]	(3 027)	(2 505)
Gross margin		666	404
Selling and marketing expenses		(99)	(86)
Administrative expenses		(145)	(129)
Exploration, research and development expenses		(47)	(52)
Unusual items	[6]	53	14
Other operating income and expenses	[7]	0	2
Amortization of goodwill on consolidation		(1)	(1)
Operating profit	[2–8, 12]	427	152
Equity earnings in associated companies	[13]	2	(13)
Financial income and expenses	[9]	(57)	(41)
Profit before extraordinary items		372	98
Extraordinary items	[10]	19	–
Profit before taxes		391	98
Income taxes	[11]	(77)	(19)
Minority interest in earnings		1	1
Profit for the financial year		315	80
Earnings per share (excluding extraordinary items)	€	2.38	0.65
Earnings per share	€	2.53	0.65
Average number of shares		124 529 660	124 529 660

The comparison figures in the consolidated income statement, balance sheet, cash flow statement and notes to the financial statements are based on the official financial statements. The comparison figures in other financial information have been restated to conform the change in the inventory valuation principle.

Figures in square brackets refer to the Notes to the consolidated financial statements on pages 57–75.

Consolidated statement of cash flows

€ million	2000	1999
Operating activities		
Profit for the financial year	315	80
Depreciation and amortization	193	190
Equity earnings in associated companies	(2)	13
Deferred taxes	(26)	14
Other adjustments [1]	(101)	33
	379	330
Change in working capital		
Increase in current non interest-bearing receivables	(148)	(181)
Increase in inventories	(118)	(155)
Increase in current non interest-bearing liabilities	134	113
	(132)	(223)
Other adjustments [2]	1	(5)
Cash provided by operating activities	248	102
Investing activities		
Capital expenditure for purchase of fixed assets	(242)	(153)
Investments in associated companies and other equity investments	(5)	(2)
Proceeds from sales of business operations and fixed assets [3]	196	0
(Increase) decrease in other long-term financial assets	(3)	205
Decrease (increase) in working capital related to fixed assets	11	(8)
Cash used in investing activities	(43)	42
Cash flow before financing activities	205	144
Financing activities		
Borrowings of long-term debt	60	29
Repayments of long-term debt	(245)	(89)
(Decrease) increase in current debt	(26)	6
Dividends paid	(31)	(10)
Other financial items	(4)	0
Cash used in financing activities	(246)	(64)
(Decrease) increase in cash and marketable securities [4]	(41)	80
Adjustments [5]	2	(27)
(Decrease) increase in cash and marketable securities in the consolidated balance sheet	(39)	53

[1] Includes i.a. gains and losses on sales of business operations and fixed assets, provisions, exchange gains and losses and minority interest in earnings.
[2] Includes i.a. 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 cash and marketable securities.
[5] Includes i.a. the effect of exchange rates on cash and marketable securities in the consolidated balance sheet.

Consolidated balance sheet

€ million		2000	1999
ASSETS			
Fixed assets and other long-term investments	[12,13]		
Intangible assets		44	51
Property, plant and equipment		1 559	1 588
Long-term financial assets		143	128
Total fixed assets and other long-term investments		1 746	1 767
Current assets			
Inventories	[14]	642	552
Receivables	[11,13,15]	729	658
Marketable securities		1	1
Cash and bank		104	143
Total current assets		1 476	1 354
TOTAL ASSETS		3 222	3 121

€ million		2000	1999
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	[16]		
Share capital		212	212
Premium fund		407	407
Other funds		12	13
Retained earnings		664	625
Profit for the financial year		315	80
		1 610	1 337
Minority interest		7	4
Liabilities			
Long-term	[11,17]		
Interest-bearing		495	622
Non interest-bearing		231	270
Current	[11,17]		
Interest-bearing		278	356
Non interest-bearing		601	532
Total liabilities		1 605	1 780
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3 222	3 121

Key financial indicators

Key financial indicators of the Group [1]

		1996	1997	1988	1999	**2000**
SCOPE OF ACTIVITY						
Net sales	€ million	2 783	3 205	2 889	2 909	**3 693**
– change in net sales	%	(2.4)	15.1	(9.9)	0.7	**27.0**
– exports from and sales outside Finland, of total net sales	%	91.3	91.7	91.4	92.2	**90.7**
Capital employed on Dec. 31	€ million	2 078	2 362	2 279	2 338	**2 390**
Capital expenditure	€ million	261	344	249	153	**242**
– in relation to net sales	%	9.4	10.7	8.6	5.3	**6.6**
Depreciation and amortization	€ million	150	166	186	190	**193**
Exploration costs	€ million	31	23	17	15	**12**
Research and development costs	€ million	26	35	39	37	**35**
– in relation to net sales	%	0.9	1.1	1.3	1.3	**0.9**
Personnel on Dec. 31		13 622	13 734	13 179	11 972	**11 932**
– average for the year		13 808	14 016	14 027	12 724	**12 193**
PROFITABILITY						
Operating profit	€ million	93	228	55	174	**427**
– in relation to net sales	%	3.3	7.1	1.9	6.0	**11.6**
Equity earnings in associated companies	€ million	(21)	(11)	(24)	(13)	**2**
Profit before extraordinary items	€ million	39	164	0	120	**372**
– in relation to net sales	%	1.4	5.1	0.0	4.1	**10.1**
Profit before taxes	€ million	39	164	0	120	**391**
– in relation to net sales	%	1.4	5.1	0.0	4.1	**10.6**
Profit for the financial year	€ million	32	118	6	97	**315**
– in relation to net sales	%	1.1	3.7	0.2	3.3	**8.5**
Return on shareholders' equity	%	2.6	9.5	0.5	7.3	**19.8**
Return on capital employed	%	5.3	11.1	2.6	8.3	**18.8**
FINANCING AND FINANCIAL POSITION						
Liabilities	€ million	1 606	1 791	1 668	1 787	**1 605**
Net interest-bearing debt	€ million	777	967	929	834	**668**
– in relation to net sales	%	27.9	30.2	32.2	28.7	**18.1**
Net financial expenses	€ million	33	52	31	41	**57**
– in relation to net sales	%	1.2	1.6	1.1	1.4	**1.5**
Net interest expenses	€ million	25	37	36	41	**54**
– in relation to net sales	%	0.9	1.1	1.2	1.4	**1.4**
Interest cover		2.5	5.5	1.0	4.0	**7.9**
Share capital	€ million	209	209	209	212	**212**
Other shareholders' equity and minority interest	€ million	990	1 094	1 049	1 148	**1 405**
Equity-to-assets ratio	%	43.4	42.5	42.9	43.8	**50.6**
Debt-to-equity ratio	%	64.8	74.2	73.9	61.3	**41.3**
Cash provided by operating activities	€ million	218	191	298	99	**248**
Dividends	€ million	20.9	41.9	10.5	31.1	**99.6** [2]

[1] The figures for 1996–98 are converted to euros by using the fixed conversion rate, EUR 1 = FIM 5.94573. The figures for 1998–99 have been restated to reflect the change in the inventory valuation principle. More specific information in note 1 Principles applied in the financial statements.

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

Key financial indicators by business area

		1996	1997	1998	1999	**2000**
STAINLESS STEEL [1]						
Net sales	€ million	754	832	795	778	**1 177**
Share of the Group's net sales	%	22	20	23	21	**27**
Operating profit	€ million	104	93	50	52	**246**
Operating profit margin	%	14	11	6	7	**21**
Return on capital employed	%	17	14	7	8	**33**
Capital employed Dec. 31	€ million	628	737	688	709	**815**
Capital expenditure	€ million	108	138	51	36	**84**
Depreciation	€ million	41	46	55	59	**60**
Personnel Dec. 31		2 355	2 391	2 391	2 397	**2 438**
COPPER PRODUCTS						
Net sales	€ million	1 261	1 391	1 245	1 220	**1 532**
Share of the Group's net sales	%	37	34	35	33	**34**
Operating profit	€ million	46	14	18	53	**67**
Operating profit margin	%	4	1	1	4	**4**
Return on capital employed	%	9	3	3	8	**8**
Capital employed Dec. 31	€ million	588	672	634	777	**927**
Capital expenditure	€ million	64	77	73	49	**62**
Depreciation	€ million	33	37	45	48	**53**
Personnel Dec. 31		5 485	5 525	5 412	5 026	**5 139**
METALLURGY [1]						
Net sales [2]	€ million	955	1 226	1 022	1 135	**1 176**
Share of the Group's net sales	%	28	31	29	31	**26**
Operating profit [3]	€ million	35	123	68	49	**111**
Operating profit margin	%	4	10	7	4	**9**
Return on capital employed	%	7	22	13	9	**22**
Capital employed Dec. 31	€ million	612	581	597	630	**456**
Capital expenditure	€ million	49	84	80	28	**38**
Depreciation	€ million	40	47	49	51	**42**
Personnel Dec. 31		3 612	3 740	3 386	2 765	**2 571**
[2] of which Metals Production	€ million	767	956	788	933	**934**
of which Technology	€ million	187	269	233	201	**242**
[3] of which Metals Production	€ million	15	82	44	41	**101**
of which Technology	€ million	19	40	23	8	**10**
MINING						
Net sales	€ million	215	253	170	244	**235**
Share of the Group's net sales	%	6	6	5	7	**5**
Operating profit	€ million	(81)	9	(83)	10	**4**
Operating profit margin	%	neg.	4	neg.	4	**2**
Return on capital employed	%	neg.	6	neg.	4	**3**
Capital employed Dec. 31	€ million	392	406	437	255	**320**
Capital expenditure	€ million	31	33	38	36	**50**
Depreciation	€ million	34	31	34	30	**34**
Personnel Dec. 31		1 664	1 494	1 405	1 207	**1 264**

[1] The figures for 1998–99 have been restated to reflect the change in the inventory valuation principle. More specific information in note 1 Principles applied in the financial statements.

Euro exchange rates

				Closing rates		Average rates	
	1996	1997	1998	1999	**2000**	1999	**2000**
USD	1.280	1.097	1.167	1.005	**0.931**	1.066	**0.924**
GBP	0.756	0.661	0.705	0.622	**0.624**	0.659	**0.610**
SEK	8.811	8.664	9.487	8.563	**8.831**	8.808	**8.445**
AUD	1.608	1.675	1.900	1.542	**1.677**	1.652	**1.589**

The European Central Bank's euro exchange rates.

Fixed conversion rates to euro

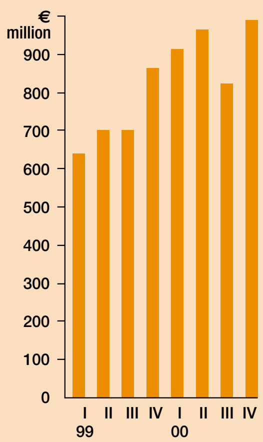
		FIM	5.94573
		FRF	6.55957
		IEP	0.787564
ATS	13.7603	ITL	1936.27
BEF	40.3399	LUF	40.3399
DEM	1.95583	NLG	2.20371
ESP	166.386	PTE	200.482

Financial development by quarter

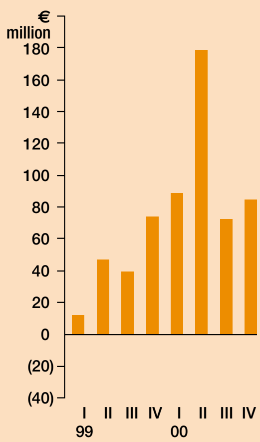
€ million	I/99	II/99	III/99	IV/99	I/00	II/00	III/00	IV/00
Net sales								
Stainless Steel	183	191	182	222	300	320	264	293
Copper Products	287	304	290	339	359	397	351	425
Metallurgy [2]	219	255	278	383	365	269	237	305
Mining	47	56	61	80	55	61	52	67
Other operations	59	65	75	89	87	88	86	99
Intra-group sales	(155)	(169)	(184)	(248)	(253)	(171)	(165)	(198)
The Group	640	702	702	865	913	964	825	991
Operating profit								
Stainless Steel [1]	3	15	8	26	59	83	50	54
Copper Products	7	22	5	19	9	21	20	17
Metallurgy [1] [3]	12	18	5	14	19	51	12	29
Mining	(10)	(6)	12	14	13	8	(8)	(9)
Other operations	1	(1)	11	(1)	(5)	13	2	(5)
Intra-group items	0	(1)	(1)	2	(6)	3	(3)	0
The Group	13	47	40	74	89	179	73	86
Equity earnings in associated companies	(7)	(3)	(2)	(1)	1	1	0	0
Financial income and expenses	(8)	(8)	(13)	(12)	(17)	(13)	(13)	(14)
Profit (loss) before extraordinary items	(2)	36	25	61	73	167	60	72
Earnings per share								
(excl. extraodinary items), €	(0.00)	0.16	0.15	0.47	0.42	1.17	0.26	0.53
[2] of which Metals Production	189	210	239	295	330	207	195	202
of which Technology	29	45	39	88	35	62	42	103
[3] of which Metals Production	14	16	5	6	24	47	10	20
of which Technology	(2)	2	0	8	(5)	4	0	11
Operating profit excluding market adjustments to LIFO inventories and unusual items								
Stainless Steel	3	15	8	26	59	83	50	54
Copper Products	7	9	0	18	12	20	11	22
Metallurgy	(3)	0	6	8	20	18	12	28
Mining	(10)	(6)	11	14	13	8	(8)	(9)
Other operations	1	(1)	(1)	(2)	(5)	5	0	(5)
Intra-group items	0	2	(1)	3	(6)	(3)	(3)	0
The Group	(2)	19	23	67	93	131	62	90
Market price adjustments to LIFO inventories								
Copper Products	0	13	4	1	(3)	1	4	(4)
Metallurgy	15	18	(2)	6	(1)	0	0	1
Intra-group items	0	(3)	1	0	0	0	0	0
The Group	15	28	3	7	(4)	1	4	(3)

[1] The figures for 1999 have been restated to reflect the change in the inventory valuation principle. More specific information in Note 1 Principles applied in the financial statements.

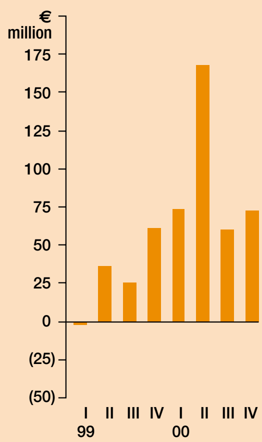
Net sales



Operating profit



Profit before extraordinary items



Notes to the consolidated financial statements

1. Principles applied in the financial statements

All Group companies apply uniform accounting standards based on the Finnish accounting legislation. The consolidation and valuation principles set out in these accounting standards comply with the United States Generally Accepted Accounting Principles (US GAAP) in all material respects. However, pension and postretirement benefits are treated in accordance with the local accounting principles of each individual group company.

Consolidated financial statements

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

Real estate companies and condominiums, which Group employees use for accommondation or recreation, are not consolidated. Their impact on the Group´s earnings and shareholders´equity is insignificant.

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

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

Intercompany transactions and balances, intercompany profits, as well as dividends have been eliminated in consolidation.

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

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

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

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

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

Transition to the euro

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

Foreign currency items and derivative financial instruments

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

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

Derivative financial instruments used as hedges against exchange and interest rate risks are valued at the exchange rate or market rate on the balance sheet date. The interest component inherent is accrued as interest income or expense, and exchange gains and losses are posted under net sales, costs, expenses, financial income and expenses. Exchange gains and losses on loans and on derivative financial instruments used as hedges for off-balance-sheet foreign currency cash flows are, however, deferred until the underlying cash flow is recognized in income (hedge accounting). Deferred exchange gains and losses are presented in the balance sheet.

The income statements of foreign subsidiaries are translated at the average exchange rate for the accounting period and the balance sheets at the closing rate on the balance sheet date. The European Central Bank's exchange rates and fixed conversion rates for the euro used in the consolidation of subsidiaries' financial statements are presented on page 55.

Foreign currency denominated long-term loans as well as forward and swap contracts have been used to hedge the shareholders' equity of foreign subsidiaries and associated companies against exchange rate risks. The exchange gains and losses on such loans and derivative financial instruments have been credited or charged against translation differences arising from the translation of the shareholders' equity of subsidiaries and associated companies. As of 2000, the tax effect related to the hedging has also been transferred from the income statement to the translation difference in equity. The tax effect from prior years has not been restated.

Fixed assets and other long-term investments

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

Assets held under capital leases are accounted for as purchased assets coupled with an interest-bearing liability. Assets held under operating leases are not recorded on the balance sheet, and the lease rentals are charged to income as incurred.

Depreciation and amortization is based on historical cost and the estimated useful life of investments. Depreciation and amortization is calculated on a straight-line or declining-balance basis over the varying useful lives of assets depending on the nature of the subsidiary's operations. Estimated useful lives for various fixed asset classes are:

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

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

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

Inventories

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

The inventory valuation methods applied within Stainless Steel and Metallurgy have been adjusted as of the beginning of 2000. The inventory valuation method of purchased metals and metal raw materials applied within Stainless Steel has been changed retrospectively to FIFO method. The LIFO valuation method applied within Metallurgy's zinc and copper metals production has been adjusted retrospectively so that the re-valuation of non-priced metal raw materials is done when priced. The comparison figures for 1998 and 1999 presented in financial information, except the income statement, balance sheet, cash flow statement and notes presented in the official Consolidated Financial Statements for 1999, have been restated to reflect this change.

Cash and marketable securities

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

Marketable securities include equity securities, deposits with a maturity exceeding three months and debt securities intended for resale in under a year's time. Marketable securities are stated at the lower of cost or market.

Net sales

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

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

Metal price hedging

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

Exploration and mining activities

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

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

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

Research and development

Research and development costs are expensed as incurred.

Unusual items

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

Other operating income and expenses

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

Extraordinary items

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

Material cumulative effects on income arising from changes in accounting principles are included in extraordinary items also.

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

Contingent losses

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

Pension plans

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

Pension insurance has been organized for the Group's personnel in Finland. The additional pension benefits organized before through Outokumpu Oyj's pension foundations were transferred to an insurance company in 1999. The assets of the pension foundations exceeded the existing pension liabilities.

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

Untaxed reserves

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

All allocations to untaxed reserves, including accumulated depreciation difference, are reversed on consolidation and deferred tax is provided for. In the income statement, changes occurring in untaxed reserves during the fiscal year have correspondingly been divided into the accounting period result and the change in deferred tax liability.

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

Income taxes

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

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

Definitions of key financial indicators

Capital employed = Total assets – non interest-bearing liabilities

Research and development costs = Research and development expenses in the income statement (including expenses covered by grants received)

Return on shareholders' equity =
$$\frac{\text{Profit before extraordinary items – taxes}}{\text{Shareholders' equity + minority interest (average for period)}} \times 100$$

Return on capital employed =
$$\frac{\text{Profit before extraordinary items + interest expenses and other financial expenses}}{\text{Capital employed (average for period)}} \times 100$$

Net interest-bearing debt = Total interest-bearing debt – cash and marketable securities

Interest cover =
$$\frac{\text{Profit before extraordinary items + net interest expenses}}{\text{Net interest expenses}}$$

Equity-to-assets ratio =
$$\frac{\text{Shareholders' equity + minority interest}}{\text{Total assets – advances received}} \times 100$$

Debt-to-equity ratio =
$$\frac{\text{Net interest-bearing debt}}{\text{Shareholders' equity + minority interest}} \times 100$$

Earnings per share (excluding extraordinary items) =
$$\frac{\text{Profit before extraordinary items – taxes – minority interest in earnings}}{\text{Adjusted average number of shares during the period}}$$

Earnings per share =
$$\frac{\text{Profit for the financial year}}{\text{Adjusted average number of shares during the period}}$$

Cash flow per share =
$$\frac{\text{Cash provided by operating activities}}{\text{Adjusted average number of shares during the period}}$$

Shareholders' equity per share =
$$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at end of period}}$$

Dividend per share =
$$\frac{\text{Dividend for the financial period}}{\text{Adjusted number of shares at end of period}}$$

Dividend/earnings ratio =
$$\frac{\text{Dividend for the financial period}}{\text{Profit before extraordinary item – taxes – minority interest in earnings}} \times 100$$

Dividend yield =
$$\frac{\text{Dividend per share}}{\text{Adjusted trading price at end of period}} \times 100$$

Price/earnings ratio =
$$\frac{\text{Adjusted trading price at end of period}}{\text{Earnings per share (excluding extraordinary items)}}$$

Average trading price =
$$\frac{\text{EUR amount traded during the period}}{\text{Adjusted number of shares traded during the period}}$$

Market capitalization at the end of period = Number of shares at end of period x trading price at end of period

Trading volume = Number of shares traded during the period, and in relation to the weighted average number of shares during the period

2. Geographic information

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

€ million	Finland	Other Europe	North America	Asia	Australia	Other countries	Inter-area	Group total
Net sales								
2000	**2 285**	**1 180**	**660**	**115**	**99**	**41**	**(687)**	**3 693**
1999	1 880	854	512	51	118	25	(531)	2 909
Operating profit								
2000 [2)]	**331**	**52**	**28**	**(2)**	**15**	**3**	**–**	**427**
1999 [3)]	139	(32)	24	(10)	34	(3)	–	152
Total assets								
2000	**1 952**	**557**	**418**	**165**	**110**	**20**	**–**	**3 222**
1999	1 990	509	380	104	99	39	–	3 121

Net sales by country [4)], € million	2000	%	1999	%
EUROPE				
Germany	**433**	**11.7**	320	11.0
Finland	**342**	**9.3**	228	7.8
Italy	**232**	**6.3**	201	6.9
Britain	**217**	**5.9**	204	7.0
Sweden	**182**	**4.9**	188	6.5
France	**148**	**4.0**	126	4.3
Spain	**141**	**3.8**	118	4.1
Belgium	**116**	**3.1**	99	3.4
The Netherlands	**95**	**2.6**	99	3.4
Switzerland	**66**	**1.8**	61	2.1
Denmark	**50**	**1.4**	36	1.2
Russia	**47**	**1.3**	39	1.3
Austria	**38**	**1.0**	19	0.6
Poland	**37**	**1.0**	22	0.8
Norway	**34**	**0.9**	28	1.0
Other Europe	**86**	**2.3**	63	2.2
	2 264	**61.3**	1 851	63.6
NORTH AND SOUTH AMERICA				
The United States	**727**	**19.7**	610	21.0
Canada	**78**	**2.1**	65	2.2
Chile	**47**	**1.3**	17	0.6
Mexico	**29**	**0.8**	19	0.7
Peru	**15**	**0.4**	24	0.8
Brazil	**15**	**0.4**	24	0.8
Other America	**25**	**0.7**	11	0.4
	936	**25.4**	770	26.5
ASIA				
China	**79**	**2.1**	26	0.9
Hong Kong	**56**	**1.5**	20	0.7
Turkey	**43**	**1.2**	32	1.1
Malaysia	**33**	**0.9**	13	0.5
Japan	**32**	**0.9**	23	0.8
Rep. of Korea	**25**	**0.7**	19	0.7
Thailand	**25**	**0.7**	15	0.5
Taiwan	**21**	**0.6**	15	0.5
Indonesia	**21**	**0.5**	7	0.3
Other Asia	**81**	**2.2**	56	1.8
	416	**11.3**	226	7.8
Australia	**30**	**0.8**	22	0.8
South Africa	**20**	**0.5**	12	0.4
Algeria	**8**	**0.2**	5	0.2
New Zealand	**6**	**0.2**	2	0.2
Other countries	**13**	**0.3**	21	0.7
Group total	**3 693**	**100.0**	2 909	100.0

1) Net sales, operating proft and total assets are presented by the locations of the Group or associated companies.
2) Finland includes a gain of EUR 8 million from the listing of associated company, Okmetic Oyj. Europe includes a gain of EUR 39 million from the sale of the Harjavalta nickel refinery and a pension surplus refund of EUR 6 million (SPP).
3) Finland includes a refund of actuarial surplus of EUR 14 million.
4) Net sales are presented by destination.

Personnel by country Dec. 31	2000	1999
EUROPE		
Finland	**6 314**	6 607
Ireland	**636**	602
Sweden	**602**	608
The Netherlands	**490**	497
Spain	**464**	452
Germany	**176**	172
Austria	**132**	124
Britain	**109**	130
Russia	**59**	57
Norway	**55**	57
Italy	**32**	31
France	**19**	18
Other countries	**19**	21
	9 107	9 376
NORTH AND SOUTH AMERICA		
The United States	**1 706**	1 730
Chile	**130**	177
Canada	**124**	132
Peru	**13**	18
Other countries	**11**	10
	1 984	2 067
ASIA		
Thailand	**248**	–
China	**229**	202
Malaysia	**209**	174
Japan	**14**	10
Singapore	**12**	14
Other countries	**4**	4
	716	404
Australia	**102**	99
Africa	**23**	26
Group total	**11 932**	11 972

3. Percentage of completion method

Net sales include EUR 25 million (1999: EUR 54 million) of revenue recognized on the percentage of completion method for long-term construction contracts in the Metallurgy business area.

4. Cost of sales

€ million	2000	1999
Raw materials and merchandise	**(1 755)**	(1 295)
Fuels and supplies	**(234)**	(236)
Wages and salaries	**(344)**	(331)
Other personnel expenses	**(105)**	(93)
Rents and leases	**(9)**	(8)
Energy expenses	**(176)**	(167)
Depreciation and amortization	**(177)**	(175)
Other cost of sales	**(346)**	(299)
Production for own use	**25**	25
Change in inventories	**94**	74
	(3 027)	(2 505)

€ million	2000	1999

5. Personnel expenses

Board of Directors' and Managing Directors' fees and salaries [1]	**10**	11
Other wages and salaries	**444**	425
Pension contributions	**46**	47
Other personnel expenses [2]	**92**	73
Personnel expenses in the income statement	**592**	556

[1] Includes bonuses of EUR 1 million (1999: EUR 1 million).

[2] Includes EUR 7 million (1999: EUR 0 million) of profit-sharing bonuses based on the Finnish Personnel Funds Act.

Average number of personnel	**12 193**	12 724
Personnel on Dec. 31	**11 932**	11 972

6. Unusual items

Gain on sale of Harjavalta Nickel refinery	**39**	–
Gain on Okmetic Oyj's share issue	**8**	–
Refund of pension surplus (SPP)		
Copper Products	**4**	–
Other operations	**1**	–
Metallurgy	**1**	–
Mining	**0**	–
Refund of actuarial surplus	**–**	14
	53	14

7. Other operating income and expenses

Other operating income		
Gains on sales of fixed assets	**2**	4
Other income items	**11**	9
	13	13
Other operating expenses		
Losses on disposals of fixed assets and scrapping	**(4)**	(3)
Other expense items	**(9)**	(8)
	(13)	(11)
Other operating income and expenses, total	**0**	2

8. Provisions for restructuring measures

Provisions on Jan. 1	**7**	22
Translation differences	**0**	3
Restructuring costs charged against provisions	**(4)**	(23)
New provisions recorded	**6**	5
Provisions on Dec. 31	**9**	7

The new provisions in 2000 refer mainly to the restructuring of Copper Products' factory in Kenosha, USA and to the redundancy of the lease agreement of Outokumpu (UK) Ltd.

9. Financial income and expenses

Dividends received	**3**	1
Interest income on long-term financial assets	**1**	18
Other interest income	**11**	10
Other financial income	**0**	0
Interest expenses	**(66)**	(69)
Other financial expenses	**(3)**	(1)
Exchange (losses) gains	**(3)**	0
	(57)	(41)

Interest capitalized on investment projects during the year was EUR 0 million (1999: –). Total interest capitalized on investment projects on Dec. 31, 2000 was EUR 20 million (Dec. 31, 1999: EUR 24 million).

The interest component of derivative financial instruments consists of EUR 3 million (1999: EUR 5 million) in other interest income, and of EUR 13 million (1999: EUR 11 million) in interest expenses.

€ million	**2000**	1999
Exchange gains and losses in the income statement		
In net sales	**(75)**	(36)
In purchases and other expenses	**18**	17
In financial income and expenses	**(3)**	0

At the balance sheet date, EUR 11 million of net exchange gains on financial instruments were deferred (Dec. 31, 1999: net loss of EUR 13 million).

10. Extraordinary items

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

11. Income taxes

Current taxes		
Accrued taxes for the year		
Finnish Group companies	**(92)**	(10)
Group companies outside Finland	**(9)**	(5)
Tax adjustments for prior years		
Finnish Group companies	**(2)**	7
Group companies outside Finland	**0**	3
	(103)	(5)
Deferred taxes		
Deferred taxes in Group companies		
Finnish Group companies	**23**	(27)
Group companies outside Finland	**(12)**	22
Deferred taxes on untaxed reserves		
Finnish Group companies	**5**	(1)
Group companies outside Finland	**10**	(10)
Deferred taxes on consolidation		
Finnish Group companies	**0**	1
Group companies outside Finland	**0**	1
	26	(14)
Total income taxes	**(77)**	(19)

The difference between income taxes computed at the statutory tax rate in Finland (2000: 29%; 1999: 28%) and income taxes reported in the consolidated income statement is reconciled as follows:

Hypothetical income taxes at Finnish tax rate	**(113)**	(28)
Effect of different tax rates outside Finland	**2**	(4)
Nondeductible expenses and tax exempt income	**1**	1
Losses incurred at Group companies outside Finland for which no deferred tax benefit is recognized	**(1)**	(5)
Taxable items with no effect on the Group's result	**9**	(5)
Write-downs and write-backs on subsidiary shares	**4**	0
Changes in carrying amounts of deferred tax assets on Jan. 1	**21**	16
Taxes from prior years	**(3)**	10
Expected change in tax rate	**(4)**	(5)
Other items	**7**	1
Income taxes in the consolidated income statement	**(77)**	(19)

€ million	2000	1999
Deferred taxes in the balance sheet consist of the following tax consequences from temporary differences between the tax bases of assets and liabilities and their amounts in financial reporting:		
Deferred tax assets		
Tax losses carried forward	**49**	38
Provisions for future expenses	**29**	16
Valuation of inventory	**5**	9
Effect of consolidation	**–**	7
Other items	**11**	10
	94	80
Deferred tax liabilities		
Depreciation and amortization of fixed assets	**(196)**	(210)
Untaxed reserves	**(9)**	(6)
Valuation of inventories	**(9)**	–
Capitalized interest	**(4)**	(7)
Effect of consolidation	**(4)**	–
Other items	**(5)**	(16)
	(227)	(239)
Net deferred tax liability	**(133)**	(159)
Deferred taxes in the balance sheet		
Long-term assets	**35**	36
Current assets	**16**	36
Long-term liabilities	**(184)**	(222)
Current liabilities	**0**	(9)
	(133)	(159)

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

Valuation allowances on deferred tax asset amount to EUR 128 million (1999: EUR 156 million).

12. Fixed assets

	Historical cost on Jan. 1, 2000	Translation difference	Additions	Dispositions	Accumulated depreciation Dec. 31, 2000	Carrying value on Dec. 31, 2000
Intangible assets						
Intangible rights	15	0	1	(0)	(11)	5
Goodwill	8	0	0	(0)	(6)	2
Goodwill on consolidation	71	1	3	–	(69)	6
Other long-term expenses	79	1	3	(9)	(43)	31
	173	2	7	(9)	(129)	44
Property, plant and equipment						
Land	33	0	2	(1)	–	34
Mine properties	200	(3)	30	–	(154)	73
Buildings	533	4	14	(46)	(203)	302
Machinery and equipment	2 197	25	130	(196)	(1 145)	1 011
Other fixed assets	42	0	4	(0)	(14)	32
Advances paid for fixed assets and construction in progress	48	1	103	(45)	–	107
	3 053	27	283	(288)	(1 516)	1 559
Long-term financial assets						
Investments in associated companies [1]	25	1	10	(0)	–	36
Other long-term equity investments	20	(1)	5	(0)	–	24
Long-term loans receivable	42	0	10	(9)	–	43
Deferred tax asset	36	1	2	(4)	–	35
Other financial assets	5	0	2	(2)	–	5
	128	1	29	(15)	–	143
Total fixed assets	3 354	30	319	(312)	(1 645)	1 746

[1] Associated companies on December 31, 2000, are listed on page 73.

Depreciation

€ million	Accumulated depreciation Jan. 1, 2000	Translation difference	Accumulated depreciation of dispositions	Depreciation during period	Accumulated depreciation Dec. 31, 2000
Intangible assets					
Intangible rights	(9)	(0)	0	(2)	(11)
Goodwill	(5)	(0)	0	(1)	(6)
Goodwill on consolidation	(66)	(2)	0	(1)	(69)
Other long-term expenses	(42)	(1)	5	(5)	(43)
	(122)	(3)	5	(9)	(129)
Property, plant and equipment					
Land	–	–	–	–	–
Mine properties	(138)	1	0	(17)	(154)
Buildings	(205)	(0)	22	(20)	(203)
Machinery and equipment	(1 110)	(12)	122	(145)	(1 145)
Other fixed assets	(12)	(0)	0	(2)	(14)
Advances paid for fixed assets and construction in progress	–	–	–	–	–
	(1 465)	(11)	144	(184)	(1 516)
Long-term financial assets	–	–	–	–	–
Total fixed assets	(1 587)	(14)	149	(193)	(1 645)

	2000	1999
Depreciation and amortization by group of expenses		
Cost of sales	**177**	175
Selling and marketing expenses	**2**	2
Administrative expenses	**10**	9
Exploration, research and development expenses	**3**	3
Amortization of goodwill on consolidation	**1**	1
	193	190

13. Associated companies

	2000	1999
Investments in associated companies at cost		
Historical cost on Jan. 1	**47**	99
Translation difference	**1**	0
Additions	**0**	4
Dispositions	**0**	(56)
Historical cost on Dec. 31	**48**	47
Equity adjustment to investments in associated companies		
Jan. 1	**(22)**	(76)
Change in translation difference	**0**	0
Dispositions and other changes	**8**	67
Equity earnings in associated companies	**2**	(13)
Dec. 31	**(12)**	(22)
Carrying value of investments in associated companies	**36**	25
Receivables from and liabilities to associated companies		
Long-term receivables		
Loans receivable	**7**	9
Current receivables		
Loans receivable	**–**	0
Accounts receivable	**0**	0
Prepaid expenses and accrued income	**–**	0
Current liabilities		
Accounts payable	**–**	0

The Group's result includes interest income of EUR 1 million (1999: EUR 18 million) on loans receivable.

€ million	2000	1999
Significant associated companies		
Laminados Oviedo-Córdoba S.A.		
Net sales	**95**	72
Operating profit	**11**	6
Profit before extraordinary items	**6**	4
Profit for the financial year	**3**	4
Outokumpu's share of the profit (50%)	**2**	2
Okmetic Oyj [1)]		
Net sales	**48**	46
Operating profit	**7**	1
Profit before extraordinary items	**5**	(3)
Profit (loss) for the financial year	**2**	(3)
Outokumpu's share of the profit (loss) (28%)	**0**	(1)
Compañía Minera Zaldívar [2)]		
Net sales	**–**	191
Operating profit	**–**	24
Profit before extraordinary items	**–**	(25)
Loss for the financial year	**–**	(25)
Outokumpu's share of the loss (50%)	**–**	(14)

[1)] Outokumpu's share of Okmetic Oyj's profit for the financial year is consolidated up to September 30, 2000 according to the information that Okmetic Oyj has published. The figures in 1999 are presented according to the ownership (49%) at the year end.

[2)] Outokumpu's share of Compañia Minera Zaldivar's loss is consolidated up to November 30, 1999.

14. Inventories

	Balance sheet value		Replacement cost
	2000	1999	**2000**
Raw materials	**137**	147	**135**
Fuels and supplies	**47**	43	**47**
Work in process	**204**	196	**217**
Finished goods and merchandise	**241**	163	**245**
Advances paid for inventories	**13**	3	**13**
	642	552	**657**

Inventory costs have been determined using the LIFO method for approximately 40% of the inventories, amounting to EUR 250 million. The replacement cost (without market value reserve) exceeded the balance sheet value of the inventories based upon LIFO method on December 31, 2000 by EUR 16 million.

15. Receivables

On Dec. 31, 2000 the Group companies had EUR 0 million current loans to the Parent Company's or subsidiaries' management (1999: EUR 0 million).

Receivables include non-current receivables of EUR 1 million in 2000 (1999: EUR 1 million).

Receivables in the balance sheet

	2000	1999
Accounts receivable	**560**	473
Loans receivable	**3**	1
Prepaid expenses and accrued income	**103**	86
Deferred tax asset	**16**	36
Other receivables	**47**	62
	729	658
Prepaid expenses and accrued income		
Value added taxes receivable	**40**	40
Accrued exchange gains	**26**	4
Prepaid interest expenses and accrued interest income	**5**	8
Accrued income related to long-term contracts	**3**	8
Other items	**29**	26
	103	86

€ million	2000	1999

16. Shareholders' equity

Share capital		
Share capital on Jan. 1	**211.7**	209.4
Bonus issue	**–**	2.3
Share capital on Dec. 31	**211.7**	211.7
Premium fund		
Premiun fund on Jan. 1	**407.3**	409.5
Bonus issue	**–**	(2.3)
Other changes	**–**	0.1
Premiun fund on Dec. 31	**407.3**	407.3
Other funds		
Reserve fund on Jan. 1	**12.4**	9.9
Transfers from retained earnings	**0.1**	2.1
Other changes	**(0.1)**	0.4
Reserve fund on Dec. 31	**12.4**	12.4
Retained earnings on Jan. 1	**625.3**	619.0
Prior year's profit	**80.5**	2.9
Dividends paid	**(31.1)**	(10.5)
Transfers to reserve fund	**(0.1)**	(2.1)
Change in translation difference	**(10.5)**	15.7
Other changes	**(0.4)**	0.3
Retained earnings on Dec. 31	**663.7**	625.3
Profit for the financial year	**315.2**	80.5
Total shareholders' equity on Dec. 31	**1 610.3**	1 337.2
Distributable funds		
Retained earnings	**663.7**	625.3
Profit for the financial year	**315.2**	80.5
Less untaxed reserves in shareholders' equity	**(399.2)**	(418.3)
Undistributable equity	**(8.0)**	–
Distributable funds on Dec. 31	**571.7**	287.5
Untaxed reserves		
Accumulated depreciation difference	**550.2**	577.8
Other untaxed reserves	**13.2**	12.2
Untaxed reserves on Dec. 31	**563.4**	590.0
Deferred tax liability on untaxed reserves	**(164.2)**	(171.7)
Untaxed reserves in equity on Dec. 31	**399.2**	418.3

17. Liabilities

Liabilities in the balance sheet		
Long-term liabilities		
Interest-bearing		
Bonds and debentures	**–**	17
Convertible bonds	**18**	18
Loans from financial institutions	**433**	538
Pension loans	**34**	44
Other long-term loans	**10**	5
	495	622
Non interest-bearing		
Accounts payable	**0**	1
Deferred exchange gains	**–**	1
Deferred tax liablitity	**184**	222
Other long-term liabilities	**47**	46
	231	270

€ million	2000	1999
Current liabilites		
Interest-bearing		
Bonds and debentures	**17**	–
Convertible bonds	**0**	0
Loans from financial institutions	**136**	162
Pension loans	**4**	5
Bills payable	**3**	0
Other current loans	**118**	189
	278	356
Non interest-bearing		
Advances received	**25**	38
Accounts payable	**247**	241
Accrued expenses and prepaid income	**289**	212
Deferred exchange gains	**12**	7
Deferred tax liablitity	**0**	9
Other current liabilities	**28**	25
	601	532
Total liabilities	**1 605**	1 780

Repayment schedule of long-term debt on Dec. 31, 2000

€ million		Repayments 2001	2002	2003	2004	2005	2006-	Total
Bonds and debentures	EUR	17			18			35
Loans from financial institutions	EUR	2	10	26	7	7	45	97
	USD	39	102	44	50	37	111	383
	SEK	17						17
Pension loans	EUR	3	4	4	4	4	9	28
	SEK						9	9
Other long-term loans	EUR	1	1	1	1	1		5
		79	117	75	80	49	174	574

Average maturity for long-term debt was 3 years and 2 months, and the average interest rate was 6.46%.

Bonds and debentures	Interest rate %	€ million	2000	1999
Other bonds				
1991–2001	11,75		**17**	17
Convertible bond				
1999–2004	3,75 [1)]		**18**	18
			35	35

The convertible bond is denominated in EUR and all other bonds are denominated in FIM. All bonds are issued by the Parent Company. The effects of interest rate swaps have not been taken into account in the interest expenses of the debt.

[1)] The conditions for convertible bond are presented on pages 82–83.

Accrued expenses and prepaid income	2000	1999
Accrued employee related expenses	**110**	85
Income taxes payable	**66**	16
Accrued interest expenses and prepaid interest income	**34**	20
Other	**79**	91
	289	212

18. Management of financial risks

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

The business units are responsible for the identification of their risks, which are mainly hedged through intra-group transactions. Outokumpu Group's Finance function operates as an internal bank and manages foreign exchange, metal and interest rate risks aiming to hedge significant part of the identified exposures. Finance function is also responsible for management of Group's liquidity risk and credit risks related to finance. Electricity risk is managed by Group's Power Supply Services unit. The controllers in business units monitor the risk management practices of their units. Risk positions are reported regularly to Corporate Management.

MARKET PRICE RISKS

Exchange rate risks

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

The Group's foreign exchange exposure primarily consists of receivables, payables and other contractual commercial items, together with anticipated currency cash flows, so that, as a main rule, the foreign exchange exposure covers the cash flows for the following 6–12 months.

The Group's exchange risk management policy is to hedge the transaction exposure in full. The economic exposure is hedged to a great extent and the hedge level varies between business units. In addition, the Group may hedge some of the main tender risks as well as some equity exposures of its foreign subsidiaries and associated companies. The foreign exchange exposure is hedged mainly with forward contracts, options, loans and currency swaps.

The total non-EUR denominated shareholders' equity of the Group's foreign subsidiaries and associated companies was EUR 216 million on December 31, 2000 (1999: EUR 240 million). Of this equity exposure 56% was hedged (1999: 48%). In the consolidated financial statements, the exchange gains and losses on the hedging are recorded in retained earnings against the translation differences arising from the translation of the foreign-currency denominated shareholders' equity into euros.

On December 31, 2000 the Group had the following outstanding foreign exchange derivative contracts amounts (the notional amounts do not represent the amounts exchanged by the parties; those amounts include also positions, which have been closed off):

€ million	**Dec. 31, 2000**	Dec. 31, 1999
Forward contracts	**890**	750
Currency options bought	**170**	170
Currency options written	**170**	150
Currency swaps	**80**	140

On December 31, 2000 average maturity for currency forwards and options was 5 months and for swaps 32 months.

The interest rate differential between the euro and the US dollar in particular causes the Group hedging costs. In 2000, net interest expenses of EUR 11 million arising from derivative contracts were recognised (1999: EUR 6 million). The negative interest rate differential of the currency loans in US dollars against the euro rates in 2000 was approximately EUR 8 million (1999: EUR 11 million).

Interest rate risks

The Group's interest rate exposure is monitored through interest flow risk and price risk. The price risk exposure consists of all Group's significant financial agreements including derivative contracts as well as certain major long-term commercial contracts.

In order to effectively manage interest rate risks, the Group's loans and investments are dispersed in fixed and floating rate instruments. In addition, interest rate swaps, forward rate agreements and futures are used for hedging purposes. In the management of interest rate risks the most important currencies are the US dollar, euro and Swedish crown. The Group's net interest-bearing debt including derivatives is mostly in US dollars. This net interest-bearing debt has an average interest period of less than one year. Flow risk of one percentage point raise in interest rates for next 12 months was EUR 4 million. Average maturity for interest rate hedges was 5 months.

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

€ million	**Dec. 31, 2000**	Dec. 31, 1999
Forward rate agreements	**20**	190
Interest rate swaps	**30**	80

Metal price risks

The profitability of mining operations is directly dependent on metals prices. Price levels for mine production can be secured with forward sale contracts and option contracts on metal exchanges and OTC markets. These hedges are intended to mitigate the impact of price decreases on the profitability of mines. There were no significant price fixing contracts open on December 31, 2000.

The treatment and refining charges of smelters and refineries are partly dependent on metal prices; the related risk can also be reduced by using forwards and options. In addition, metal production and fabrication units are affected by risks arising from the time difference between raw material purchase and product sale. These risks are hedged through forward and futures contracts. The base inventory permanently tied up in the production of these units is not hedged.

The Group Executive Committee has given authority to make a limited number of strategic derivative contracts. The losses arising from the valuation of these contracts are always immediately entered into income statement. A gain of EUR 1 million was recognized from strategic derivatives in 2000 (1999: a gain of EUR 0 million). On December 31, 2000 Group had no open stategic hedges.

On December 31, 2000 and 1999 the Group had metal derivative contracts in the following notional amounts (the contract amounts do not represent amounts exchanged between the parties; those amounts illustrate the scope of the Group's hedging activities and include also positions, which have been closed off):

Tonnes	**Dec. 31, 2000**	Dec. 31, 1999
Copper forwards and futures	**67 200**	102 000
Copper options bought	**–**	160
Nickel forwards and futures	**6 530**	6 860
Nickel options bought	**110**	20
Nickel options written	**110**	–
Zinc forwards and futures	**154 300**	58 100
Gold forwards and futures (tr.oz.)	**35 800**	118 790
Silver forwards and futures (tr.oz.)	**720 100**	547 400

Electricity risks

Changes in electricity prices and price differences of the Nordic spot market cause the Group's production plants a price risk. Purchasing the electricity and all actions thereon for the Finnish production plants are carried out by the Power Supply Services unit. Energy purchases for foreign poduction plants are carried out locally.

The portfolio of Power Supply Services consists of derivative contracts and agreements with physical delivery. Derivative contracts are made on Nord Pool electricity exchange and with counterparties approved by Corporate Management. Electricity derivatives are used only for price hedging.

On December 31, 2000 Group had electricity forwards and futures 0.2 TWh (1999: 0.4 TWh) and other financial agreements 2.2 TWh (1999: 3.3 TWh). The electricity consumption of the Finnish plants was 3.2 TWh in 2000 (1999: 3.2 TWh), which accounts for 4% of the total consumption in Finland.

CREDIT RISKS

Outokumpu Group's Finance function manages major part of the credit risks related to derivatives and financial balance sheet instruments. The Group seeks to minimize these risks by limiting the counterparties to major banks, other financial institutions, brokers and suppliers of electrical power, which have a good credit quality. The fixed income and money market investments are made in liquid instruments with low credit risk. Credit risks did not produce bad debts during 2000.

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

LIQUIDITY RISK

As s general rule Group's debt is raised through the Parent Company. The Group seeks to minimize liquidity and refinancing risks with a balanced maturity profile of loans as well as by keeping committed and uncommitted credit lines available. This objective calls for efficient cash and liquidity management. A new euro cash pool arrangement, which covers most important export countries in euro area, was introduced to manage euro liquidity.

The existing main funding programs and standby credit facilities include: Domestic Commercial Paper Program totaling EUR 200 million, Euro Commercial Paper Program totaling USD 250 million and Revolving Credit Facility of USD 520 million with final maturity year 2004. In addition, the Group has several uncommitted credit lines with domestic and international banks. Out of above mentioned programs and facilities only the domestic commercial paper program was partly in use on December 31, 2000.

FAIR VALUE OF FINANCIAL INSTRUMENTS AND COMMODITY DERAVATIVES

The carrying values and fair values of the Group's financial instruments and commodity derivatives on December 31, 2000 are presented in the following table. Fair values were estimated based on market prices, where available, or dealer quotes. The fair value of other instruments are based on discounted cash flow analysis, and, in respect of options, on evaluation models.

	2000		1999	
€ million	**Carrying value**	**Fair value**	Carrying value	Fair value
Investments and receivables				
Other long-term equity investments	**24**	**56**	20	37
Long-term loans receivable	**43**	**35**	42	35
Current loans receivable	**3**	**3**	1	1
Cash and marketable securities	**105**	**105**	144	144
Debt				
Long-term debt	**495**	**501**	622	623
Current debt	**278**	**280**	356	356
Financial derivatives [1]				
Forward foreign exchange contracts	**21**	**20**	(17)	(16)
Currency options				
Purchased	**9**	**9**	2	2
Written	**(1)**	**(1)**	(3)	(3)
Currency swaps	**(3)**	**(2)**	4	5
Interest rate swaps [2]	**0**	**0**	0	0
Forward rate agreements	**0**	**0**	0	0
Metal derivatives [1]				
Forward and futures copper contracts	**0**	**(1)**	0	2
Copper options				
Purchased	**–**	**–**	0	0
Forward and futures nickel contracts	**0**	**1**	0	4
Nickel options				
Purchased	**0**	**0**	0	0
Written	**0**	**0**	–	–
Forward and futures zinc contracts	**0**	**1**	0	1
Forward and futures gold contracts	**0**	**0**	0	(1)
Forward and futures silver contracts	**0**	**0**	0	0
Electricity derivatives [1]				
Forward and futures contracts	**–**	**(0)**	–	0
Other financial contracts	**–**	**(13)**	–	(8)

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

[2] The carrying amount of interest swaps includes accrued interest.

€ million	2000	1999

19. Commitments and contingent liabilities

Pledges on Dec. 31		
Mortgages to secure own borrowings	**32**	41
Guarantees on Dec. 31		
On behalf of associated companies for financing	**7**	11
On behalf of other parties		
For financing	**0**	0
For other commitments	**7**	8
	14	19

The mortgages are given to secure loans of EUR 24 million, mostly being pension loans.

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

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

Minimum future lease payments on operating leases on Dec. 31		
In 2001	**10**	10
Thereafter	**22**	23
	32	33

PENSION LIABILITIES

The additional pensions of Outokumpu Oyj's pension foundations have been transferred to Sampo Life Insurance in 1999. The assets of the pension foundations' exceeded the pension liability. The assets relating to the transfer include some 2 million Outokumpu Oyj's shares. The value of the shares will be defined by September 30, 2002. The net loss of the difference between the shares' transfer and market value as well as the pension foundations' returnable assets to the group companies was EUR 2 million. This liability is not booked in income statement nor balance sheet in 2000.

20. Disputes and litigations

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

PGT has also made claims to and has initiated litigation against its insurance carriers under insurance policies in effect during the relevant period to recover the above costs. Some of the carriers settled the claims against them before commencement of the trial in October, 1996.

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

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

The wholly owned Irish subsiadiary of Outokumpu Oyj, Tara Mines Limited, has claimed Export Sales Relief (ESR) for the years 1978–88. The claim has been challenged by the Irish Revenue Authorities. An appeal process is currently ongoing in the High Court. A successful ESR claim entitles a company to 0% corporate tax on profits from goods exported from Ireland in the years to March 1990. The standard rate of corporation tax in Ireland is today 24%. All Tara's due taxes have been paid and booked in full according to standard tax rates in the company's accounts.

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

21. Subsidiaries by business area on December 31, 2000

Stainless Steel

		Country	Nature of activity	Group holding, %
Outokumpu Steel Oyj	*) 1)	Finland	■	100
Outokumpu Holding GmbH	*)	Germany	■	100
Outokumpu Chrome Oy		Finland	✕△	100
Outokumpu Polarit Oy		Finland	△	100
Outokumpu Service Center GmbH		Germany	△	100
Outokumpu Steel Processing B.V.		The Netherlands	△	100
Oy JA-RO Ab		Finland	△	100
Kandelinin Seuraajat Oy		Finland	◗	100
Outokumpu Holding GmbH & Co. Grunstücks KG.		Germany	◗	100

Copper Products

		Country	Nature of activity	Group holding, %
Outokumpu Copper Products Oy	*)	Finland	■	100
Outokumpu Copper AB		Sweden	■	100
Outokumpu Copper B.V.		The Netherlands	■	100
Outokumpu Copper Limited		Britain	■	100
Outokumpu Copper, Inc.		The United States	■	100
Holton Machinery Limited		Britain	△	100
Neumayer GmbH		Austria	△	50
Nippert-Dawson Ltd.		Britain	△	100
Outokumpu American Brass, Inc.		The United States	△	100
Outokumpu Castform Oy		Finland	△	100
Outokumpu Centro Servizi S.p.A.		Italy	△	100
Outokumpu Copper Franklin, Inc.		The United States	△	100
Outokumpu Copper Kenosha, Inc.		The United States	△	100
Outokumpu Copper Strip AB		Sweden	△	100
Outokumpu Copper Strip B.V.		The Netherlands	△	100
Outokumpu Copper Products (Malaysia) Sdn. Bhd.		Malaysia	△	100
Outokumpu Copper Tube (Zhongshan) Ltd.		China	△	85
Outokumpu Copper Tubes AB		Sweden	△	100
Outokumpu Copper Tubes, S.A.		Spain	△	100
Outokumpu Hitachi Copper Tube (Thailand) Ltd.		Thailand	△	64
Outokumpu Plating Oy		Finland	△	100
Outokumpu Poricopper Oy		Finland	△	100
Outokumpu Wasacopper Oy		Finland	△	89
Outokumpu WTT AB		Sweden	△	100
The Nippert Company		The United States	△	100
Valleycast Inc.		The United States	△	100
Neumayer Corporation		The United States	●	50
Thatcher Alloys Limited		Britain	●	100
Outokumpu Copper Partner AB	1)	Sweden	◗	100
Outokumpu Rawmet (UK) Limited		Britain	◗	100
Outokumpu Rawmet, S.A.		Spain	◗	100
Outokumpu Superconductors Oy		Finland	✳	100

Metallurgy

		Country	Nature of activity	Group holding, %
Outokumpu Technology Oy	*)	Finland	■	100
Outokumpu Indepro S.A.		Chile	■	100
Outokumpu Harjavalta Metals Oy		Finland	△	100
Outokumpu Zinc Oy		Finland	△	100
Outokumpu Technology Ltd.		Britain	△	100
AISCO Systems Inc.		Canada	△	100
Outokumpu Technology GmbH	1)	Germany	△	100
Outokumpu Engineering Contractors Oy		Finland	△	100
Outokumpu Indepro Ingeniería Limitada		Chile	△	100
Outokumpu Mintec Oy		Finland	△	100
Outokumpu Technology Inc.		The United States	△	100
Outokumpu Technology Pty Ltd.		Australia	△	100
Outokumpu Turula Oy		Finland	△	100
Outokumpu Wenmec AB		Sweden	△	100
Outokumpu Wenmec Oy		Finland	△	100
Outokumpu Research Oy	*)	Finland	◆	100
Outokumpu Zinc Commercial B.V.		The Netherlands	●	100
Outokumpu Mexicana, S.A. de C.V.		Mexico	●	100
Outokumpu Processos, Engenharia é Comercio Ltda		Brazil	●	100
Outokumpu Technology (Pty) Ltd.		South Africa	●	100
Outokumpu Técnica-Chile Ltda.		Chile	●	100
Outokumpu Técnica Perú S.A.		Peru	●	100
Aisco Systems Inc. Chile y Compañia Limitada		Chile	●	100
MPE Service Oy		Finland	◗	96
Outokumpu Engineering Services Oy		Finland	◗	100
ZAO Mineral Processing Engineers		Russia	◗	60
International Project Services Ltd. Oy		Finland	✳	100
Kumpu Engineering, Inc.		The United States	✳	100
VIGO Zehnte Vermögensverwaltnungs	2)	Germany	✳	100
Outokumpu Mintec Australia Pty. Ltd.		Australia	✳	100

Mining

		Country	Nature of activity	Group holding, %
Outokumpu Base Metals Oy	*)	Finland	■	100
Nikkel og Olivin A/S		Norway	✕	70
Norsulfid A/S		Norway	✕	100
Outokumpu Exploration Ventures Pty. Ltd.		Australia	✕	100
Outokumpu Mining Australia Pty. Ltd.		Australia	✕	100
Outokumpu Mining Oy		Finland	✕	100
Tara Mines Limited		Ireland	✕	100
Viscaria AB		Sweden	✕	100
OAO Kivijärvi		Russia	◆	85
OAO Kola-Mining		Russia	◆	96
Outokumpu Minera Española S.A.		Spain	◆	100
Outokumpu Mines, Inc.		Canada	◆	100
Outokumpu Zinc Australia Pty. Ltd.		Australia	◆	100
Polar Mining Oy		Finland	◆	100
Outokumpu Copper Resources B.V.		The Netherlands	●	100
Outokumpu Resources & Exploration Pty. Ltd.		Australia	✳	100
Tara Prospecting Limited		Ireland	✳	100
Outokumpu Nickel Resources B.V.	1)	The Netherlands	✳	100

Other operations

Corporate services

		Country	Nature of activity	Group holding, %
Granefors Bruk AB	*)	Sweden	■	100
Outokumpu Benelux B.V.	*)	The Netherlands	●	100
Outokumpu Sales Oy	*) 1)	Finland	●	100
Outokumpu Portugal Ltda.	**)	Portugal	●	100
Outokumpu Copper (U.S.A.), Inc.		The United States	●	100
Outokumpu Deutschland GmbH		Germany	●	100
Outokumpu España, S.A.	*)	Spain	●	100
Outokumpu France S.A.	*)	France	●	100
Outokumpu Istanbul Dis Ticaret Limited Sirketi	*)	Turkey	●	98
Outokumpu Italia S.r.l.	*)	Italy	●	100
Outokumpu Japan K.K.	*)	Japan	●	100
Outokumpu Metals (U.S.A.), Inc.		The United States	●	100
Outokumpu Poland Sp. z o.o.	*)	Poland	●	100
Outokumpu Scandinavia AB	*)	Sweden	●	100
Outokumpu (S.E.A.) Pte Ltd	*)	Singapore	●	100
Outokumpu (U.K.) Limited	*)	Britain	●	100
Finero B.V.	*)	The Netherlands	◗	100
Kopparlunden AB	*)	Sweden	◗	100
Orijärvi Oy	*)	Finland	◗	100
Outokumpu Alueverkko Oy	*)	Finland	◗	100
Outokumpu Rossija Oy	*)	Finland	◗	100
Outokumpu Työterveyspalvelut Oy	*)	Finland	◗	100
Pancarelian Ltd.	*)	Bermuda	◗	100
ZAO Outokumpu Moskva		Russia	◗	100
ZAO Outokumpu St. Petersburg		Russia	◗	100
Outokumpu Metall GmbH	*)	Austria	✳	100
Outokumpu Metals Treasury	*)	Ireland	✳	100
Nokian Tuotek Oy	*)	Finland	✳	100
Outokumpu Commercial A/S	*)	Denmark	✳	100
Outokumpu Danmark A/S	*)	Denmark	✳	100
Outokumpu Engineering Enterprises, Inc.	*)	The United States	✳	100
Outokumpu Invest (U.K.) Ltd.	*)	Britain	✳	100
Outokumpu Ecomills Oy	*) 1)	Finland	✳	100

Industrial holdings

		Country	Nature of activity	Group holding, %
Princeton Gamma-Tech, Inc.		The United States	△	82
Princeton Gamma-Tech U.K. Ltd.		Britain	●	79

Legend

■ Management or Holding
✕ Mining
△ Production
● Marketing
◆ Exploration or Research
◗ Service
✳ Dormant

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

22. Associated companies and other shares and stock on December 31, 2000

Shares and stock in associated companies

		Country	Nature of activity	Group holding, %
DIARC-Technology Oy	*)	Finland	△	25
Folldal Industrielektro A/S		Norway	△	40
Laminados Oviedo-Córdoba S.A.		Spain	△	50
Okmetic Oyj	*) 1)	Finland	△	28
Placer Outokumpu Exploration Ltd.		Britain	◆	50
Oretec Resources Plc.		Ireland	◆	34
ZAO Arctic Nickel		Russia	◆	40
Okphil Inc.		The Philippines	●	30
Outokumpu (Thailand) Co., Ltd.		Thailand	●	49
Kopparlunden Development AB		Sweden	◗	50

The market value of the shares in publicly listed associated companies included in shares and stock in associated companies exceeds the balance sheet value of EUR 22 million by EUR 1 million.

Other shares and stock

The market value of the shares in publicly listed companies included in other shares and stock exceeds the balance sheet value of EUR 9 million by EUR 32 million.

Foreign branches

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

23. Changes in Group structure in 2000

Companies merged and dissolved

Other operations	Outokumpu Norge A/S
	Fintenco Limited
	Outokumpu Finance B.V.
	Outokumpu Rawmet (Switzerland) Ltd

Companies sold

Mining	Minera Outokumpu Chile SA
	Minera Relincho SA
	Minera Santa Catalina SA
	Outokumpu Exploraciones SA
Metallurgy	Outokumpu Nickel Oy
Copper Products	Tepa-Mestarit Oy

Effect of sales of business operations on the consolidated net sales, € million	2000	1999
	90	–

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

24. Group mine production and ore reserves and mineral resources

MINE PRODUCTION tonnes	2000	1999
Ore excavated (million tonnes)		
Forrestania	–	0.4
Black Swan	**0.4**	0.2
Hitura	**0.5**	0.02
Kemi	**1.3**	1.2
Mullikkoräme	**0.01**	0.1
Orivesi	**0.2**	0.2
Pyhäsalmi	**1.2**	1.2
Tara	**2.0**	2.0
Nikkel og Olivin 70%	**0.7**	0.7
Total	**6.3**	6.0
Chromite concentrates		
Kemi	**628 400**	597 400
Zinc in concentrates		
Pyhäsalmi	**16 100**	19 600
Tara	**152 000**	137 500
Total	**168 100**	157 100
Copper in concentrate		
Pyhäsalmi	**11 500**	10 500
Nickel in concentrates		
Forrestania	–	7 400
Black Swan	**16 600**	12 930
Hitura	**2 600**	70
Nikkel og Olivin 70 %	**2 300**	2 700
Total	**21 500**	23 100

MINE PRODUCTION tonnes	2000	1999
Lead in concentrates		
Pyhäsalmi	**380**	130
Tara	**35 120**	33 570
Total	**35 500**	33 700
Gold in concentrates (kg)		
Orivesi	**1 350**	1 760
Pampalo	–	760
Pyhäsalmi	**250**	250
Total	**1 600**	2 770
Sulfur concentrate		
Pyhäsalmi	**823 800**	840 400
ASSOCIATED COMPANIES:		
Zaldívar 50%, until Nov. 30, 1999		
Ore excavated (million tonnes)	–	6.6
Copper in concentrates	–	1 700
Cathode copper	–	67 000

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

ORE RESERVES AND MINERAL RESOURCES DECEMBER 31, 2000

	ORE RESERVES		MINERAL RESOURCES		
	Proved	Probable	Proved	Probable	Inferred
MINES					
Australia					
Black Swan					
Silver & White Swan and Gosling	0.1 Mt	0.2Mt			0.1 Mt
	8.8% Ni	6.3% Ni			11% Ni
Cygnet	0.2 Mt	0.3 Mt		2.4 Mt	
	2.6% Ni	2.3% Ni		1.0% Ni	
Black Swan					30 Mt
					0.8% Ni
Finland					
Hitura	0.4 Mt	1.5 Mt	0.8 Mt	0.4 Mt	2.2 Mt
	0.8% Ni	0.8% Ni	0.7% Ni	0.7% Ni	0.8% Ni
Kemi	57 Mt	3.3 Mt	11 Mt	21 Mt	91 Mt
	25% Cr_2O_3	26% Cr_2O_3	21% Cr_2O_3	29% Cr_2O_3	29% Cr_2O_3
Orivesi	0.4Mt	0.1 Mt			0.1 Mt
	8.3 g/t Au	7.8 g/t Au			9.9 g/t Au
Pyhäsalmi	9.1 Mt	11 Mt		0.7 Mt	13 Mt
	1.2% Cu	1.2% Cu		1.0% Cu	0.5% Cu
	1.9% Zn	2.5% Zn		2.6% Zn	
	39% S	38% S		42% S	44% S
	0.4 g/t Au	0.4 g/t Au		0.4 g/t Au	

24. continued

	ORE RESERVES		MINERAL RESOURCES		
	Proved	Probable	Proved	Probable	Inferred
Ireland					
Tara	3.6 Mt	8.5 Mt	1.9 Mt	5.5 Mt	9.3 Mt
	9.6% Zn	9.0% Zn	6.0% Zn	4.9% Zn	8.7% Zn
	2.3% Pb	2.2% Pb	2.2% Pb	2.8% Pb	1.9% Pb
Norway					
Nikkel og Olivin 70%	0.4 Mt	0.2 Mt	0.2 Mt		
	0.5% Ni	0.5% Ni	0.5% Ni		
MAIN EXPLORATION TARGETS					
Australia					
Cliffs Mt Keith					5.5Mt [1]
					2.3% Ni
Honeymoon Well					
Sulfide resource				118 Mt [2]	10 Mt [2]
				0.8% Ni	0.7% Ni
Laterite resource					250 Mt [3]
					0.9% Ni
					0.06% Co
Panorama 64%				8.2 Mt [4]	1.6 Mt [4]
				1.8% Cu	0.6% Cu
				6.0% Zn	8.5% Zn
				0.3% Pb	0.9% Pb [4]
Canada					
Montcalm				7.0 Mt	0.7 Mt
				1.5% Ni	1.7% Ni
				0.7% Cu	0.7% Cu
Finland					
Ahmavaara [5]					26 Mt
					0.2% Cu
					0.1% Ni
					0.1 g/t Au
					0.3 g/t Pt
					1.3 g/t Pd
Konttijärvi [5]			1.6 Mt	7.7 Mt	14 Mt
			0.2% Cu	0.1% Cu	0.1% Cu
			0.1% Ni	0.1% Ni	0.1% Ni
			0.2 g/t Au	0.1 g/t Au	0.1 g/t Au
			0.7 g/t Pt	0.4 g/t Pt	0.4 g/t Pt
			2.6 g/t Pd	1.6 g/t Pd	1.5 g/t Pd
Pampalo				0.7 Mt	0.2 Mt
				6.8 g/t Au	7.2 g/t Au

The information has been prepared in accordance with the "Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, September 1999".

A mineral resource is a deposit, the extent and grades of which have been assessed by geological methods. Ore reserves are the economically exploitable part of the mineral resources defined on the basis of feasibility studies.

The table presents the total tonnes of the deposit. Ore reserves are not included in mineral resources. In case no percentage is given, Outokumpu's ownership interest is 100%.

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

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

1) WMC Resources Ltd has an option to buy
2) Cut-off 0.5% Ni
3) Cut-off 0.7% Ni
4) Includes Sulphur Springs, Kangaroo Caves and Bernts deposits
5) Gold Fields Ltd has an option to earn 51% of the deposit

Parent company financial statements

Income statement

€ million		2000	1999
Net sales		98	83
Cost of sales		(75)	(69)
Gross margin		23	14
Administrative expenses		(29)	(20)
Research and development expenses		(3)	(3)
Unusual items	[3]	–	12
Other operating income and expenses	[4]	4	5
Operating (loss) profit	[1–4]	(5)	8
Financial income and expenses	[5]	19	27
Profit before extraordinary items		14	35
Extraordinary items	[6]	122	(32)
Profit before appropriations and taxes		136	3
Appropriations			
Change in depreciation difference		1	–
Income taxes	[7]	(44)	0
Profit for the financial year		93	3

According to the Finnish regulations, also the separate financial statements of the parent company have to be presented. The items included in the Parent Company financial statements may not directly reflect their nature or significance from the Group's point of view. The net sales of the Parent Company are mainly internal within the Group. Figures in brackets refer to notes to the Parent Company financial statements on pages 78–79.

Statement of cash flows

€ million	2000	1999
Operating activities		
Profit for the financial year	93	3
Depreciation and amortization	3	3
Change in depreciation difference	(1)	–
	95	6
Change in working capital		
Decrease (increase) in current non interest-bearing receivables	66	(31)
Decrease in current non interest-bearing liabilities	(50)	(128)
	16	(159)
Other adjustments *)	(14)	117
Cash provided by operating activities	97	(36)
Investing activities		
Capital expenditure for purchase of fixed assets	(5)	(4)
Investments in group companies and other equity investments	(37)	(21)
Proceeds from sales of fixed assets	1	0
Decrease in long-term financial assets	164	201
Cash used in investing activities	123	176
Cash flow before financing activities	220	140
Financing activities		
Borrowings of long-term debt	35	18
Repayments of long-term debt	(159)	(76)
Decrease in current debt	(49)	(52)
Dividends paid	(31)	(10)
Other financial items	(53)	20
Cash used in financing activities	(257)	(100)
(Decrease) increase in cash and marketable securities	(37)	40
Adjustments	(0)	0
(Decrease) increase in cash and marketable securities in the balance sheet	(37)	40

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

Balance sheet

€ million		2000	1999
ASSETS			
Fixed assets and other long-term investments	[8]		
Intangible assets		2	2
Property and equipment		58	56
Long-term financial assets		1 430	1 557
Total fixed assets and other long-term investments		1 490	1 615
Current assets			
Receivables	[10]	379	315
Cash and bank		57	93
Total current assets		436	408
TOTAL ASSETS		1 926	2 023

€ million		2000	1999
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Shareholders’ equity	[9]		
Share capital		212	212
Premium fund		407	407
Retained earnings		67	95
Profit for the financial year		93	3
		779	717
Untaxed reserves			
Accumulated depreciation difference		5	6
Liabilities			
Long-term	[10]		
Interest-bearing		375	469
Non interest-bearing		0	1
Current	[10]		
Interest-bearing		386	435
Non interest-bearing		381	395
Total liabilities		1 142	1 300
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		1 926	2 017

Notes to the Parent Company financial statements

€ million	2000	1999

1. Personnel expenses

Board of Directors' and Managing Director's and his deputy's fees and salaries [1]	**1**	1
Other salaries	**9**	8
Pension contributions	**1**	0
Other personnel expenses [2]	**1**	1
Personnel expenses in the income statement	**12**	10

[1] Includes paid bonuses EUR 0 million (1999: EUR 0 million).
[2] Includes EUR 0 million (1999: –) of profit-sharing bonuses based on the Finnish Personnel Funds Act.

Average number of personnel	**200**	206
Personnel on Dec. 31	**187**	199

2. Depreciation and amortization

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

3. Unusual items

Refund of actuarial surplus	**–**	12

4. Other operating income and expenses

Other operating income		
Rental income	**3**	3
Gains on sales of fixed assets	**0**	0
Other income items	**1**	2
	4	5

4. continued

€ million	2000	1999
Other operating expenses		
Losses on disposal of fixed assets and sales of shares	**(0)**	(0)
Other expense items	**(0)**	(0)
	(0)	(0)
Other operating income and expenses, total	**4**	5

5. Financial income and expenses

Dividends received	**4**	6
Interest income on		
Long-term financial assets	**50**	65
Current assets	**30**	20
Other financial income	**2**	2
Interest expenses	**(60)**	(62)
Other financial expenses	**(1)**	(0)
Exchange losses	**(6)**	(4)
	19	27
Financial income from and expenses to subsidiaries		
Dividends received	**2**	5
Interest income on		
Long-term financial assets	**49**	65
Current assets	**24**	13
Other financial income	**1**	2
Interest expenses	**(12)**	(7)
	64	78

6. Extraordinary items

Group contributions	**122**	(32)

7. Income taxes

Income taxes		
Accrued taxes for the year	**(42)**	(7)
Tax adjustments for prior years	**(2)**	7
	(44)	0
Hypothetical deferred taxes in the balance sheet		
Deferred tax liabilities	**(2)**	(6)
Deferred tax assets	**8**	8
Net deferred tax asset	**6**	2

8. Fixed assets

	Historical cost on Jan. 1, 2000	Additions	Dispositions	Accumulated depreciation Jan. 1, 2000	Accumulated depreciation of dispositions	Depreciation during period	Accumulated depreciation Dec. 31, 2000	Carrying value on Dec. 31, 2000
Intangible assets	3	1	(0)	(2)	–	(0)	(2)	2
Property and equipment								
Land	16	–	(0)	–	–	–	–	16
Buildings	41	0	–	(8)	–	(1)	(9)	32
Machinery and equipment	9	1	(1)	(4)	1	(2)	(5)	4
Other fixed assets	3	4	–	(1)	–	(0)	(1)	6
	69	5	(1)	(13)	1	(3)	(15)	58
Long-term financial assets								
Shareholdings in subsidiaries	683	36	(1)	–	–	–	–	718
Other long-term equity investments	17	1	(0)	–	–	–	–	18
Long-term loans receivable	861	5	(172)	–	–	–	–	694
	1 561	42	(173)	–	–	–	–	1 430
Total fixed assets	1 633	48	(174)	(15)	1	(3)	(17)	1 490

€ million	2000	1999

9. Shareholders' equity

Share capital on Jan. 1	**211.7**	209.4
Bonus issue	**–**	2.3
Share capital on Dec. 31	**211.7**	211.7
Premium fund on Jan. 1	**407.3**	409.6
Bonus issue	**–**	(2.3)
Premium fund on Dec. 31	**407.3**	407.3
Retained earnings on Jan. 1	**95.0**	55.8
Prior year's profit	**2.9**	49.7
Dividends paid	**(31.1)**	(10.5)
Retained earnings on Dec. 31	**66.8**	95.0
Profit for the financial year	**93.0**	2.9
Total shareholders' equity on Dec. 31	**778.8**	716.8
Distributable funds		
Retained earnings on Dec. 31	**66.8**	95.0
Profit for the financial year	**93.0**	2.9
Distributable funds on Dec. 31	**159.8**	97.9

10. Receivables and liabilities

Receivables		
Accounts receivable	**14**	13
Loans receivable	**269**	162
Prepaid expenses and accrued income	**63**	39
Other receivables	**33**	101
	379	315
Long-term liabilities		
Interest-bearing		
Bonds and debentures	**–**	17
Convertible bonds	**18**	18
Loans from financial institutions	**352**	427
Pension loans	**5**	7
Other long-term loans	**0**	0
	375	469
Non interest-bearing		
Deferred exchange gains	**–**	1
Other long-term liabilities	**0**	0
	0	1
Current liabilites		
Interest-bearing		
Bonds and debentures	**17**	–
Convertible bonds	**0**	0
Loans from financial institutions	**59**	107
Pension loans	**1**	1
Other current loans	**309**	327
	386	435
Non interest-bearing		
Accounts payable	**11**	10
Accrued expenses and prepaid income	**50**	40
Deferred exchange gains	**1**	6
Other current liabilities	**319**	339
	381	395
Total liabilities	**1 142**	1 300

€ million	2000	1999
Receivables from and liabilities to subsidiaries		
Long-term receivables		
Loans receivable	**682**	852
Current receivables		
Loans receivable	**268**	162
Accounts receivable	**14**	13
Prepaid expenses and accrued income	**22**	24
Other receivables	**27**	83
	331	282
Current liabilities		
Current loans	**242**	188
Accounts payable	**1**	1
Accrued expenses and prepaid income	**25**	7
Other current liabilities	**305**	333
	573	529
Receivables from associated companies		
Long-term		
Loans receivable	**7**	4
Current		
Prepaid expenses and accrued income	**0**	0
Prepaid expenses and accrued income		
Accrued exchange gains	**37**	14
Prepaid interest expenses and accrued interest income	**17**	16
Prepaid income taxes and income tax refunds receivable	**4**	7
Other	**5**	2
	63	39
Accrued expenses and prepaid income		
Accrued employee related expenses	**2**	2
Accrued exchange losses	**27**	19
Accrued interest expenses and prepaid interest income	**13**	17
Other	**8**	2
	50	40

11. Commitments and contingent liabilities

Pledges on Dec. 31		
Mortgages to secure own borrowings	**5**	12
Guarantees on Dec. 31		
On behalf of subsidiaries		
For financing	**211**	218
For other commitments	**29**	22
On behalf of associated companies		
For financing	**–**	4
On behalf of other parties		
For financing	**0**	0
	240	244

Mortgages are given mostly to secure pension loans.

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

Outokumpu Oyj's shares and shareholders

Shares and share capital

Outokumpu Oyj has issued a total of 124 529 660 shares. The account equivalent value of the shares is EUR 1.70. Each of the Company's shares entitles to one vote at general meetings of shareholders.

Outokumpu Oyj's minimum authorized and issued share capital is EUR 150 000 000 and the maximum authorized and issued share capital is EUR 600 000 000. The issued share capital may be increased or decreased within these limits without amending the Articles of Association. The Company's fully paid share capital registered with the Finnish Trade Register on December 31, 2000 was EUR 211 700 422.

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

Listing of shares

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

State ownership

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

In November 2000, the Finnish Government submitted a bill to Parliament under which the State's holding in Outokumpu Oyj could be reduced to 10%.

Purchase obligation

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

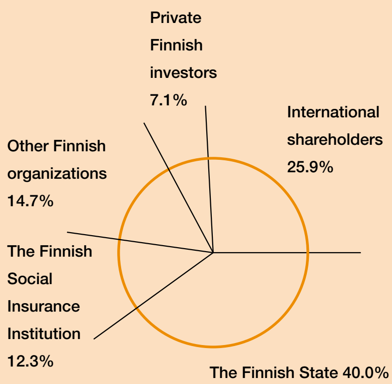
Authorization to increase the Company's share capital

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

1994 debt with warrants for members of management

In 1994 the members of Outokumpu Oyj's Group Executive Board and the presidents of business areas subscribed for a debt with warrants, the amount of which was FIM 340 000 (EUR 57 183.89). The term of the loan was five years and the annual interest rate was 6%. Warrants relating to the debt entitled their hold-

Shareholders by group December 31, 2000



Principal shareholders on December 31, 2000

Shareholder	Shares	%
The Finnish State	49 774 981	40.0
The Finnish Social Insurance Institution	15 295 455	12.3
Pension Insurance Company Ilmarinen Ltd.	3 265 100	2.6
Varma-Sampo Mutual Pension Insurance Company	2 324 077	1.9
Sampo Life Insurance Company Limited	1 708 556	1.4
The Finnish Local Governments' Pension Foundation	1 492 648	1.2
Suomi Mutual Life Assurance Company	630 000	0.5
Pohjola Life Assurance Company Ltd.	600 000	0.5
Pension Fennia - Mutual Insurance Company	407 125	0.3
Merita Life Assurance Ltd.	384 610	0.3
Nominee accounts held by custodian banks [1)]	32 085 685	25.8
Other shareholders	16 561 423	13.2
Total number of shares	124 529 660	100.0

[1)] On July 14, 2000 the Group was informed that the companies belonging to the Capital Group Companies Inc. owned 5.3% of Outokumpu shares.

Shareholders by group on December 31, 2000

Shareholder group	Shares	%
Privately held companies	1 879 335	1.5
Publicly held companies	6 412	0.0
Financial and insurance institutions	6 287 993	5.0
The public sector and public organizations		
The Finnish State	49 774 981	40.0
The Finnish Social Insurance Institution	15 295 455	12.3
Occupational pension schemes	9 099 423	7.3
Other	76 600	0.1
Non-profit organizations	1 023 565	0.8
Households/private persons	8 830 442	7.1
International shareholders	32 242 659	25.9
Shares not transferred to book-entry securities system	12 795	0.0
Total	124 529 660	100.0

Distribution of shareholdings on December 31, 2000

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital	Average shareholding
1–100	1 943	17.7	114 340	0.1	59
101–500	4 578	41.7	1 218 694	1.0	266
501–1 000	1 824	16.6	1 456 075	1.1	798
1 001–10 000	2 493	22.7	6 818 263	5.5	2 735
10 001–100 000	104	1.0	3 245 106	2.6	31 203
100 001–1 000 000	25	0.2	5 717 885	4.6	228 715
over 1 000 000	6	0.1	73 860 817	59.3	12 310 136
	10 973	100.0	92 431 180	74.2	8 424
Nominee accounts held at custodian banks			32 085 685	25.8	
Shares not transferred to book-entry securities system			12 795	0.0	
Total			124 529 660	100.0	

Increase in share capital 1996–2000

	Number of shares	Share capital €
Share capital on Jan. 1, 1996	124 529 554	209 443 674.70
Exercise of 636 warrants Jan. 1–June 28, 1996	+ 106	209 443 852.98
Bonus issue on Apr. 28, 1999	–	211 700 422.00
Share capital on Dec. 31, 2000	124 529 660	211 700 422.00

ers to subscribe an aggregate maximum number of 340 000 new shares of the Company at FIM 92 (EUR 15.47) per share between December 1, 1998 and January 31, 2001. No shares were subscribed pursuant to the debt with warrants during that period.

1998 management option program

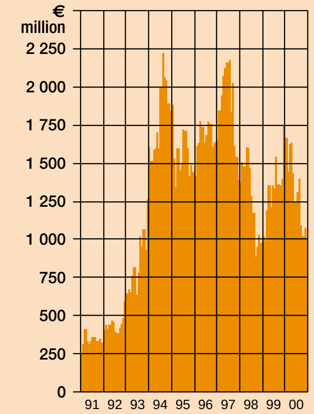
In 1998, option warrants were offered for subscription to employees in management positions in Outokumpu Oyj and its subsidiaries. The option warrants were offered in deviation from the pre-emptive subscription right of shareholders.

A total of 2 600 option warrants were issued free of charge, entitling their holders to subscribe for an aggregate maximum number of 2 600 000 shares in Outokumpu Oyj. Currently, 83 members of the management and Orijärvi Oy, a wholly-owned subsidiary of Outokumpu Oyj, hold option warrants. The share subscription period will be from May 2, 2001 to March 31, 2004. The subscriptions may not increase the Company's share capital by more than EUR 4 420 000. The shares subscribed pursuant to the option warrants may account for a maximum of 2.0% of the Company's shares and votes.

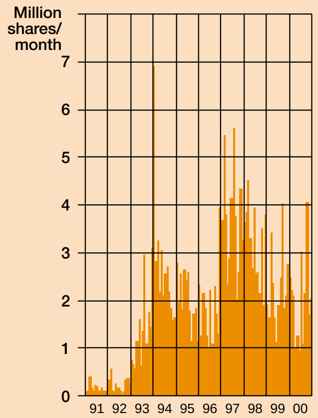
The subscription price for the shares will be equal to the average price quoted for the Outokumpu Oyj share on the Helsinki Exchanges between October 1, 2000 and March 31, 2001, weighted by the volume of trade in the same shares during the same period. The subscription price will be reduced by an amount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

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

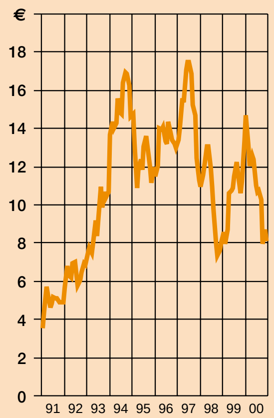
Market capitalization



Trading volume of shares



Share price



1998–2000. The result of this comparison must show that Outokumpu Oyj's earnings per share have been equal or better than those of the reference group.

1999 convertible bonds to personnel

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

A total of 742 employees of the Outokumpu Group subscribed for the loan. The aggregate amount of the convertible bond was confirmed at EUR 18 180 000, entitling the holders of the bonds to subscribe for an aggregate maximum number of 1 999 800 shares in Outokumpu Oyj. The maximum allowed increase in the Company's share capital is EUR 3 399 660.

Following the effected prepayments under the terms of the convertible bonds, the loan amount as of December 31, 2000 was EUR 17 666 000. This amount entitles the holders of the bonds to subscribe for an aggregate maximum number of 1 943 260 shares of the Company corresponding to 1.6% of the Company's shares and votes.

2000 share remuneration scheme

On March 16, 2000 the Annual General Meeting approved a remuneration scheme based on shares in the Outokumpu Group. The purpose of the scheme is the remuneration of the management and other key personnel of the Group for good performance compared with general trends in the industry. The scheme is intended to direct management's attention to the increase in the Company's shareholder value, to encourage long-term ownership in the Company, and to encourage management and key personnel to remain in its employ. The main contents of the scheme are presented in the following:

– There are three separate remuneration periods and the term of each period is three years. The first period commenced on January 1, 2000 and will end on December 31, 2002.
– The first scheme will comprise 165 persons of the Group management and other key personnel of the Group. The Board of Directors of Outokumpu Oyj will determine who shall have the right to participate in each scheme.
– The remuneration will be determined based on the Company's share price development. This trend will be assessed based on a combination of two indices, the DJ World Mining index and the DJ Europe Steel Index, with respective weights of 40% and 60%.
– The remuneration will be subject to the condition that the average change in Outokumpu Oyj's share price shall equal or exceed the average trend in the reference index. The maximum remuneration shall

be subject to the condition that the average change in the Company's share price exceeds the average trend in the reference index by at least 15%.
– The number of shares that determines the maximum amount of remuneration will be calculated by dividing the six months' salary of the relevant person prior to the beginning of the remuneration period by the average price of the Company share during the same six-month period. The maximum amount of remuneration will equal the product of the number of shares so calculated and the average price of the Company's share over the last six months preceding the end of the remuneration period.
– 60% of the remuneration will be payable in cash and 40% of the remuneration in Outokumpu Oyj shares.
– Remunerated persons agree to keep in their possession the shares they have received under the remuneration scheme for at least one year.

With regard to the first remuneration scheme, the Board of Directors will make a proposal on the acquisition and transfer of the Company's own shares to the Annual General Meeting of Shareholders of Outokumpu Oyj to be held in 2002. The proposal will include an authorization for the Board of Directors to acquire and transfer a maximum of 250 000 shares of Outokumpu Oyj.

Some of the persons participating in the scheme are insiders of the Company, as defined in the Finnish Companies Act. The shares and voting rights received by these persons for the first remuneration period may not increase beyond the maximum of 0.2%.

Management shareholding

At the end of the year 2000, the members of the Board of Directors of Outokumpu Oyj, the President and the Deputy President held a total of 16 606 shares, corresponding to 0.01% of the Company's share capital and voting rights. In addition, the President and Deputy President had subscribed to convertible bonds offered to the personnel in 1999 with a total of EUR 142 000. They are also entitled to subscribe for up to a total of 160 000 shares in Outokumpu Oyj pursuant to the debt with warrants offered to the management in 1994 and up to a total of 260 000 shares pursuant the option warrants offered to the management in 1998 and up to a total of 19 520 shares pursuant to the 2000 share remuneration scheme. The convertible bonds offered to the personnel in 1999 entitle the above-mentioned persons to subscribe a total of 15 620 shares in Outokumpu Oyj. If the subscription rights were exercised in full, the shares and voting rights accounted for the said persons would increase by 0.35% based on the option warrants and by 0.01% based on the convertible bonds.

Management shareholding is presented in greater detail on pages 87 and 89–91.

Share price development and trading volume

The trading price of Outokumpu Oyj's share fell by 43% during 2000.

The share price and trading volume together with the key figures per share for the past five years are presented in the table on the adjacent page.

Share-related data

		1996	1997	1998 [5]	1999 [5]	**2000**
Earnings per share (excluding extraordinary items)	€	0.25	0.95	0.05	0.78	**2.38**
Earnings per share	€	0.25	0.95	0.05	0.78	**2.53**
Cash flow per share	€	1.75	1.53	2.39	0.79	**2.00**
Shareholders' equity per share	€	9.59	10.42	10.07	10.89	**12.93**
Dividend per share	€	0.17	0.34	0.08	0.25	**0.80** [1]
Dividend/earnings ratio	%	66.2	35.4	186.7	32.2	**33.7**
Dividend yield	%	1.3	3.0	1.1	1.8	**9.9**
Price/earnings ratio		52.0	11.8	174.7	18.0	**3.4**
Development of share price						
Average trading price	€	13.25	15.13	10.54	10.77	**10.77**
Lowest trading price	€	10.51	10.43	6.27	7.25	**7.25**
Highest trading price	€	15.14	18.16	14.30	15.00	**15.80**
Trading price at end of period	€	13.20	11.18	7.87	14.05	**8.05**
Market capitalization at end of period	€ million	1 644	1 393	980	1 750	**1 002**
Development in trading volume [2]						
Trading volume	1 000 shares	22 502	43 942	38 456	27 204	**24 028**
In relation to weighted average number of shares	%	18.1	35.3	30.9	21.8	**19.3**
Average number of shares		124 529 605	124 529 660	124 529 660	124 529 660	**124 529 660** [3]
Number of shares at end of period		124 529 660	124 529 660	124 529 660	124 529 660	**124 529 660**
Warrants [4]						
Price development						
Average trading price	€	0.04				
Lowest trading price	€	0.02				
Highest trading price	€	0.12				
Trading price at end of period	€	–				
Trading volume	1 000 warrants	16 869				
Number of warrants at end of period		–				

[1] The Board of Directors' proposal to the Annual General Meeting.
[2] Trading volume on the Helsinki Exchanges.
[3] The average number of shares for 2000, diluted with the warrants held by the Group's top management and convertible bond for the personnel, was 126 122 944. The convertible bond has a dilutive negative effect of 0.03 EUR on earnings per share for 2000.
[4] Warrants issued in connection with the share offering in 1994. Six warrants entitled the holder to subscribe for one new share for EUR 15.47 until June 28, 1996.
[5] The figures for 1998-99 have been restated to reflect the change in inventory valuation principle. More specific information in note 1 Principles applied in the financial statements.

Definitions of key financial indicators are presented on page 59.

Outokumpu Oyj's corporate governance

Finnish guidelines on corporate governance

Helsinki Exchanges recommends that publicly listed companies comply with the corporate governance guidelines prepared jointly by the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers. Outokumpu Oyj complies with this recommendation as well as with the OECD's Principles on Corporate Governance.

Structure of the Outokumpu Group

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

Operationally, Group activities are organized into strategic business entities or business areas. In 2000, these were Stainless Steel, Copper Products and Metallurgy. In addition, there are several separate business and service units, which operate under the parent Company, Outokumpu Oyj. The strategic business entities comprise operative business units that report to the Executive Committee members in charge of the Group's business areas. The management system lays emphasis on the role of operative business units. All business areas and units have been given specific financial and other operational targets.

The ultimate responsibility for the Group's management and operations lies with the governing bodies of Outokumpu Oyj, namely the General Meeting of Shareholders, the Board of Directors and the President. The Group Executive Committee, whose members are proposed by the President and appointed by the Board, assists the President.

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

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

Tasks and duties of the Board of Directors

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

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

The Board's general policy is to direct the Company's business and strategies in a manner that results in maximum return on capital employed. The principal duties of the Board include:

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

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

The Board reviews its procedures and practices regularly.

Election of the Board

The Annual General Meeting of Shareholders elects the members of the Board of Directors for a term expiring at the close of the following Annual General Meeting of Shareholders. Accordingly, the entire Board is elected at each Annual General Meeting. Under the Articles of Association, the Board of Directors elects the Chairman and Vice Chairman of the Board of Directors, both of whom must be members of the Board. A Board member may at any time be removed from office by a majority vote at a General Meeting of Shareholders. The names of the proposed Board members made known to the Board of Directors prior to a General Meeting must be published if the proposal is supported by shareholders holding a minimum of 20% of all shares and votes in the Company and if the proposed person has consented to the nomination.

Current composition of the Board

The Company's Articles of Association provide that the Board consists of no less than five and no more than eight members. The current Board comprises eight members, one of whom has been elected following a proposal by Company employees based on their shareholdings. The President is also a Board member.

Board meetings

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

President and Group Executive Committee

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

The Board of Directors appoints the President and the members of the Group Executive Committee. There were seven members on the Committee in 2000.

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

The fees, salaries and employee benefits paid to the members of the Board of Directors and the Group Executive Committee in 2000 were as follows:

€	Salaries and fees with employee benefits	Performance-related bonuses	Total
Directors [1]	120 086	–	120 086
President and Deputy President	542 767	8 283	551 050
Other Group Executive Committee members	558 807	6 778	565 585

[1] excluding President's salary and bonuses

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

No separate remuneration is paid to the President or members of the Group Executive Committee for membership of the Committee or a Board of Directors of a business unit.

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

The Company has not given any guarantees or other similar commitments on behalf of the Members of the Board of Directors or the Group Executive Committee. The said persons or any other persons or entities within their sphere of influence have no significant business relationships with the Company.

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

Share ownership and options

The number of Outokumpu Oyj shares held by the Directors and Members of the Group Executive Committee on December 31, 2000, and the number of new shares subscribable under their option warrants, convertible bonds and the share remuneration scheme are shown in the following table.

shares	Number of shares	Option warrants based on 1994 debt with warrants	1998 option program	1999 convertible bond to personnel	2000 share remuneration scheme
Directors [1]	6 606	–	–	1 100	–
President and Deputy President	10 000	160 000	260 000	15 620	19 520
Other Group Executive Committee members	2 900	75 000	320 000	28 930	31 010

[1] excluding President's share ownership and share options

The holdings and option warrants owned by each member of the Board of Directors and of the Group Executive Committee are shown with their personal particulars on pages 89–91.

The terms of the management's option warrants and the share remuneration scheme and of the convertible bonds issued to personnel are explained in more detail on pages 80–84.

Control systems

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

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

The structural division of the Group into business areas and related operating subsidiaries facilitates operational control and management of the various Group entities. It establishes clear lines of financial accountability within the Group. In addition, the Group has an operational reporting system to facilitate financial planning and business control. It is used to monitor the attainment of targets on a monthly basis. In addition to actual data, the system comprises up-to-date forecasts and plans for the current year and for the following 12 months.

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

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

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

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

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

Each year the auditor in charge and the Company's management jointly prepare an auditing program for the Company. The fact that the Company does not maintain a separate internal audit function is reflected in the scope and content of the external audit.

The auditors of the Company issue an audit report for shareholders in conjunction with the annual financial statements of the Company, as required by law. In addition, the auditors report their findings to the Board at least twice a year.

Board of Directors

Chairman

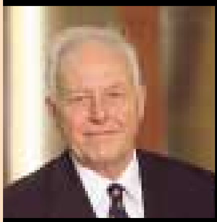
Gerhard Wendt, b. 1934, Ph.D.
Divisional General Manager 1972–88, President 1989–94: Kone Corporation
Chairman of the Board of Directors: Instrumentarium Corporation, Algol Oy
Member of the Board of Directors: A. Ahlstrom Corporation, Assa Abloy AB (publ), Kone Corporation, Kyro Corporation, Vaisala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

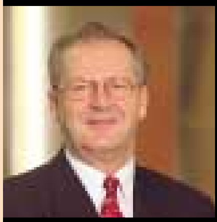
Vice Chairman

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

Members

Arto Honkaniemi, b. 1946, LL.M., B.Sc.(Econ.)
Industrial Counsellor 1998–: Ministry of Trade and Industry
Member of the Board: Partek Corporation
Owns no Outokumpu shares
Liisa Joronen, b. 1944, D.Ed., B.Sc.(Econ.)
Chairman of the Board of Directors 1992–: SOL Palvelut Oy
President 1980–91: Lindström Oy
Vice-Chairman of the Board: Sonera Corporation
Member of the Supervisory Board: Merita Bank Plc, Ilmarinen Insurance Company
Owns no Outokumpu shares.
Jyrki Juusela, see Group Executive Committee
Heimo Karinen, b. 1939, M.Sc.(Eng.)
Chairman and Chief Executive Officer: Kemira Oyj 1991–99
Member of the Board of Directors: Industrial Insurance Co. Ltd., Danisco A/S
Owns 750 Outokumpu shares.
Paavo Leppänen, b. 1941, M.Sc.(Eng.)
Manager of Sales Planning 1984–: Outokumpu Polarit Oy, employed by the Outokumpu Group since 1972
Owns 5 856 Outokumpu shares; under the 1999 convertible bond for the personnel owns creditor's rights worth EUR 10 000 entitling him to subscribe 1 100 shares in the Company.
Pekka Tuomisto, b. 1940, LL.M., M.Pol.Sc.
Director-General 1993–2000: Finnish Social Insurance Institution
Minister of Trade and Industry 1992–93
Secretary of State 1991–92: Prime Minister's Office
Member of the Supervisory Board: Fortum Corporation, Merita Bank Plc
Owns no Outokumpu shares.


Gerhard Wendt


Matti Puhakka


Arto Honkaniemi


Liisa Joronen


Jyrki Juusela


Heimo Karinen


Paavo Leppänen


Pekka Tuomisto

Group Executive Committee

Jyrki Juusela, b. 1943, D.Tech.
CEO and President 1992–
Chairman of the Group Executive Committee 2000–
Responsibilities: Group management, investor relations, economic affairs
Member of the Board of Directors 1988–, Chairman of the Group Executive Board 1997–2000, employed by the Outokumpu Group since 1971
Chairman of the Board Directors: AvestaPolarit Oyj Abp (as of January 22, 2001), Confederation of Finnish Industry and Employers
Member of the Board of Directors: Sampo-Leonia Insurance Company plc, Federation of Finnish Metal, Engineering and Electrotechnical Industries, Association of Finnish Steel and Metal Producers
Member of the Supervisory Board: Varma-Sampo Mutual Pension Insurance Company
Owns 10 000 Outokumpu shares, entitled to subscribe 90 000 shares under the 1994 warrant bond and 160 000 shares under the 1998 option program and 11 820 shares under the share remuneration scheme in 2000, and under the 1999 convertible bond for the personnel owns creditor's rights worth EUR 71 000, entitling him to subscribe 7 810 shares in the Company.

Ossi Virolainen, b. 1944, B.Sc.(Econ.), LL.M
Deputy Chief Executive, Deputy President 1992–2001
Vice Chairman of the Group Executive Committee 2000–01
Member of the Board of Directors 1983–97, Vice Chairman of the Group Executive Board 1997–2000, employed by the Outokumpu Group since 1967
Vice Chairman of the Board of Directors: Elisa Communications Corporation
Owns no Outokumpu shares, entitled to subscribe 70 000 shares under the 1994 warrant bond and 100 000 shares under the 1998 option program and 7 700 shares under the share remuneration scheme in 2000, and under the 1999 convertible bond for the personnel owns creditor's rights worth EUR 71 000, entitling him to subscribe 7 810 shares in the Company.
Became AvestaPolarit Oyj Abp's President and member of the Board of Directors as of January 22, 2001.

Risto Virrankoski, b. 1946, B.Sc.(Econ.)
Deputy Chief Executive, Deputy President 2001–
Member of the Group Executive Committee 2000–, Vice Chairman of the Group Executive Committee 2001–
Responsibilities: Business development, development of management resources and systems, corporate communications, information management, economic research, mining
Member of the Board of Directors 1986–97, member of the Group Executive Board 1997–2000, employed by the Outokumpu Group since 1969
Chairman of the Board of Directors: Okmetic Oyj
Vice Chairman of the Board of Directors: Partek Oyj
Member of the Board of Directors: AvestaPolarit Oyj Abp (as of January 22, 2001), VR Ltd (Finnish Railways)
Owns no Outokumpu shares, entitled to subscribe 45 000 shares under the 1994 warrant bond and 80 000 shares under the 1998 option program and 6 880 shares under the share remuneration scheme in 2000, and under the 1999 convertible bond for the personnel owns creditor's rights worth EUR 71 000, entitling him to subscribe 7 810 shares in the Company.

Tapani Järvinen, b. 1946, Lic.Tech.
Executive Vice President – Metallurgy
Member of the Group Executive Committee 2000–
Responsibilities: metallurgy, energy affairs
Employed by the Group since 1985
Owns no Outokumpu shares, entitled to subscribe 5 980 shares under the share remuneration scheme in 2000 and under the 1999 convertible bond for the personnel owns creditor's rights worth EUR 17 000, entitling him to subscribe 1 870 shares in the Company.

Esa Lager, b. 1959, M.Sc.(Econ.), LL.M.
Executive Vice President – Finance and Administration
Member of the Group Executive Committee as of January 23, 2001
Responsibilities: finance, administration and industrial relations, risk management, legal affairs, real estate

Employed by the Group since 1990
Member of the Board of Directors: Okmetic Oyj
Owns no Outokumpu shares, entitled to subscribe 25 000 shares under the 1998 option program and 3 880 shares under the share remuneration scheme in 2000, and under the 1999 convertible bond for the personnel owns creditor's rights worth EUR 71 000, entitling him to subscribe 7 810 shares in the Company.

Juho Mäkinen, b. 1945, D.Tech.
Executive Vice President – Technology
Member of the Group Executive Committee 2000–
Responsibilities: technology and intellectual property management, environment, health and safety, insurance services, technology investments
Member of the Board of Directors 1996–97, member of the Group Executive Board 1997–2000, employed by the Outokumpu Group since 1975
Chairman: The Finnish Association of Mining and Metallurgical Engineers
Vice Chairman of the Board of Directors: Espoo Chamber of Commerce
Board Member: International Council on Metals and the Environment, Eurometaux
Owns 1 200 Outokumpu shares, entitled to subscribe 80 000 shares under the 1998 option program and 6 590 shares under the share remuneration scheme in 2000, and under the 1999 convertible bond for the personnel owns creditor's rights worth EUR 71 000, entitling him to subscribe 7 810 shares in the Company.

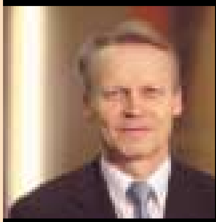
Kalevi Nikkilä, b. 1945, D.Tech.
Executive Vice President – Copper Products, President of Outokumpu Copper Products Oy
Member of the Group Executive Committee 2000–
Responsibilities: copper products, commercial affairs
Employed by the Group since 1991
Member of the Supervisory Board: International Copper Association, Ltd.
Owns 1 700 Outokumpu shares, entitled to subscribe 80 000 shares under the 1998 option program and 5 180 shares under the share remuneration scheme in 2000, and under the 1999 convertible bond for the personnel owns creditor's rights worth EUR 71 000, entitling him to subscribe 7 810 shares in the Company.

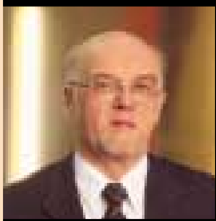
Antti Närhi, b. 1944, M.Sc.(Eng.)
Member of the Group Executive Committee 2000–01, member of the Group Executive Board 1998–2000, employed by the Outokumpu Group since 1971
Member of the Supervisory Board: Sampo Life Insurance Company Limited
Owns no Outokumpu shares, entitled to subscribe 30 000 shares under the 1994 warrant bond and 80 000 shares under the 1998 option program and 6 380 shares under the share remuneration scheme in 2000, and under the 1999 convertible bond for the personnel owns creditor's rights worth EUR 33 000 entitling him to subscribe 3 630 shares in the Company.
Became President of AvestaPolarit Oyj Abp's Special Products business area on January 22, 2001.

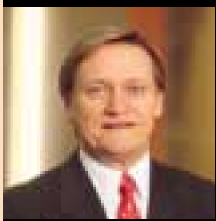
Executive Staff – Senior Vice Presidents

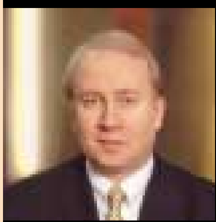
Jaakko Ahotupa, Corporate Administration and Industrial Relations
Petri Fernström, Corporate Commercial Affairs
Matti Koponen, Corporate Environmental Affairs
Seppo Kreula, Corporate Strategy and Planning
Kari Lassila, Investor Relations, Corporate Development
Eero Mustala, Corporate Communications
Esko Pääkkönen, Corporate Business Development
Raimo Rantanen, Corporate Research and Development
Vesa-Pekka Takala, Corporate Controller
Markku Toivanen, New Business Ventures
Seppo Turunen, Corporate Human Resources

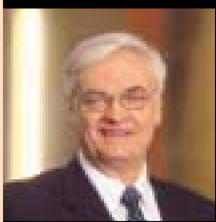

Jyrki Juusela

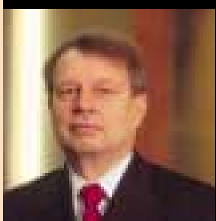

Ossi Virolainen

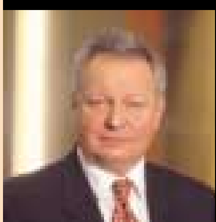

Risto Virrankoski


Tapani Järvinen


Esa Lager


Juho Mäkinen


Kalevi Nikkilä


Antti Närhi

Business unit management

Stainless Steel

Ossi Virolainen, AvestaPolarit Oyj Abp

Copper Products

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

Metallurgy

Ville Sipilä, Zinc
Jukka Järvinen, Copper
Juhani Vahtola, Technology
Kari Knuutila, Metallurgical research

Other business operations

Eero Laatio, Mining

Senior Management and their responsibilities are presented following the changes and appointments made on January 23, 2001.

Analysts
covering Outokumpu

The following banks and brokers have prepared investment analysis on Outokumpu during 2000.

Bank/Broker Analyst	Tel.	Fax	E-mail
ArosMaizels Equities Oy			
Ville Kivelä	+ 358 9 1234 0435	+358 9 1234 0310	ville.kivela@arosmaizels.com
D. Carnegie AB			
Christofer Sjögren	+46 8 676 8687	+46 8 676 8823	chrsjo@carnegie.se
Conventum Securities Limited			
Tuomas Hirvonen	+358 9 5499 3322	+358 9 5499 3335	tuomas.hirvonen@conventum.fi
Credit Lyonnais Securities Europe			
Ken Hughes	+44 20 72145 5581	+44 20 7214 5141	ken.hughes@creditlyonnais.co.uk
Danske Securities			
Örjan Rödén	+46 8 56 88 1550	+46 8 56 88 1509	orjan.roden@danskesecurities.com
Deutsche Bank AG			
Dirk Nettling	+49 69 910 31944	+49 69 910 31989	dirk.nettling@db.com
Enskilda Securities AB			
Johan Lindh	+358 9 616 28726	+358 9 616 28769	johan.lindh@enskilda.fi
Pankkiiriliike Evli Oyj			
Pekka Spolander	+358 9 4766 9201	+358 9 4766 9350	pekka.spolander@evli.com
Handelsbanken Investment Banking			
Gustav Lucander	+358 10 444 2409	+358 10 444 2578	gustav.lucander@handelsbanken.fi
J.P. Morgan Securities Ltd.			
Brett A. Olsher	+44 20 7325 5117	+44 20 7325 0609	olsher_brett@jpmorgan.com
Mandatum Stockbrokers			
Eeva Mäkelä	+358 10 513 5476	+358 10 513 5299	eeva.makela@mandatum.fi
Merrill Lynch			
Russell Skirrow	+44 20 7892 4723	+44 20 7772 2018	russell_skirrow@ml.com

Annual General Meeting and dividend

Annual General Meeting

The Annual General Meeting of Shareholders of Outokumpu Oyj will be held at Espoo Cultural Center in Espoo, Finland at 2 p.m. on Wednesday, March 21, 2001.

In order to attend the Annual General Meeting, shareholders must be registered in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. (Suomen Arvopaperikeskus Oy) no later than March 9, 2001.

Shareholders who have placed their shares in trust must temporarily re-register the shares under their own name to allow them to attend the Meeting. Such re-registration must be made no later than March 9, 2001.

Shareholders who wish to attend the Annual General Meeting must notify the Company of their intention to do so, by telephone (Tel:+358 9 421 2813), by e-mail (agm@outokumpu.com) or by letter addressed to Outokumpu Oyj, Share Register, P.O. Box 140, FIN-02201 Espoo, Finland by no later than March 16, 2001. The letter must be received by the Company on or before March 16, 2001.

A shareholder may attend and vote at the Meeting in person or by proxy. However, in accordance with Finnish practice the Company does not send proxy forms to its shareholders. Shareholders wishing to vote by proxy should submit their own proxy forms to the Company no later than March 16, 2001.

Dividend

The Board of Directors proposes a dividend of EUR 0.80 per share for 2000. The dividend will be paid to the shareholders that are registered as owners by the Finnish Central Securities Depository Ltd. on March 26, 2001. It is proposed that the dividend will be paid on April 2, 2001.

Annual report and interim reports

The Outokumpu Group will publish three interim reports during 2001, as follows:

1st quarter May 9, 2001, at 1 p.m. (Finnish time)

2nd quarter August 3, 2001, at 1 p.m. (Finnish time)

3rd quarter November 1, 2001, at 1 p.m. (Finnish time)

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

Annual reports and photocopies of interim report press releases can be obtained from:

Outokumpu Oyj / Corporate Communications,
Riihitontuntie 7 B, P.O. Box 140, 02201 Espoo, Finland.
Telephone +358 9 421 2416, fax +358 9 421 2429 and
e-mail corporate.comms@outokumpu.com

Contact information

Corporate Management

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

Other addresses

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

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

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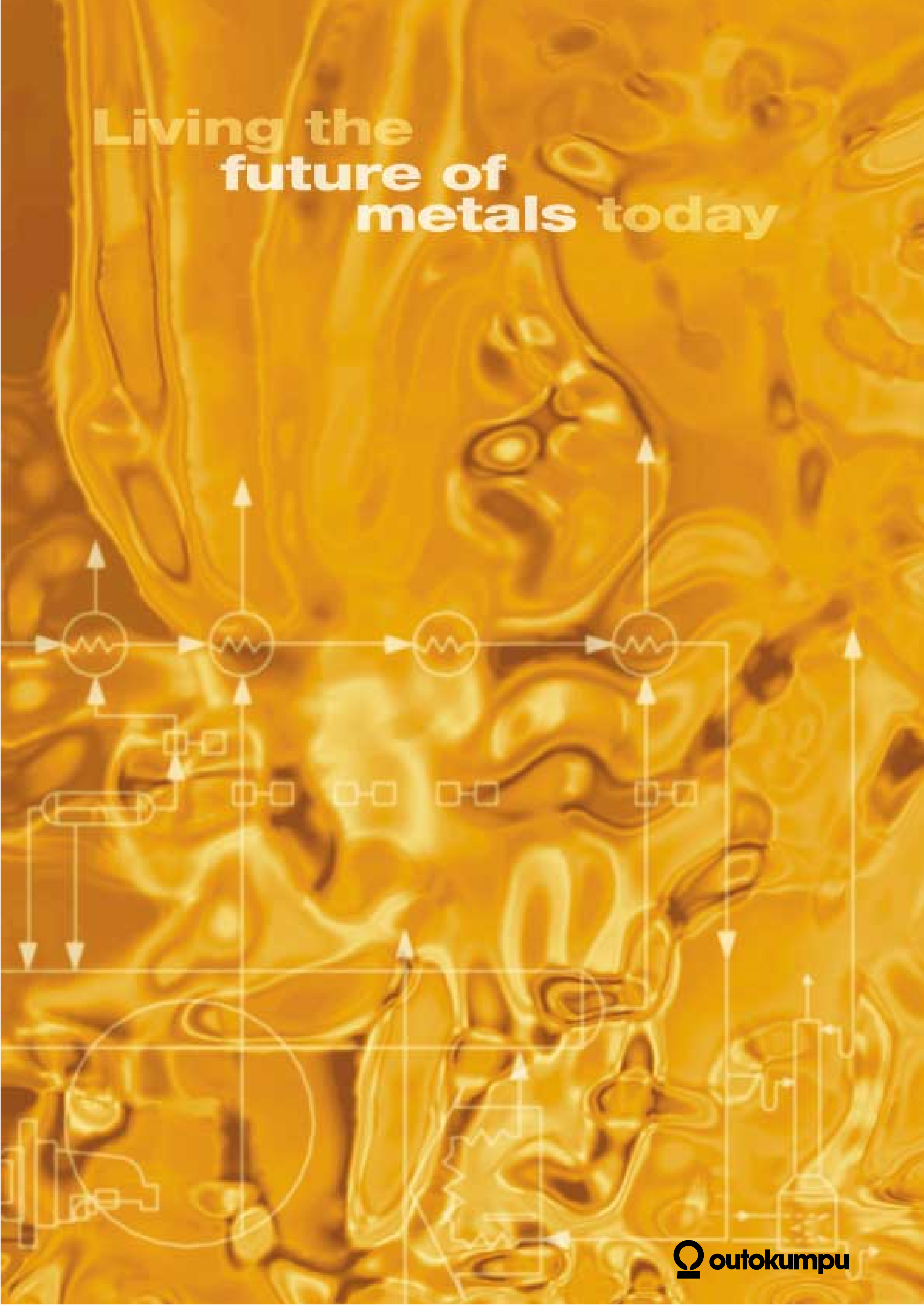
Living the
future of
metals today
outokumpu

Adding value to metals

outokumpu

OUTOKUMPU OYJ
Corporate Management
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www.outokumpu.com