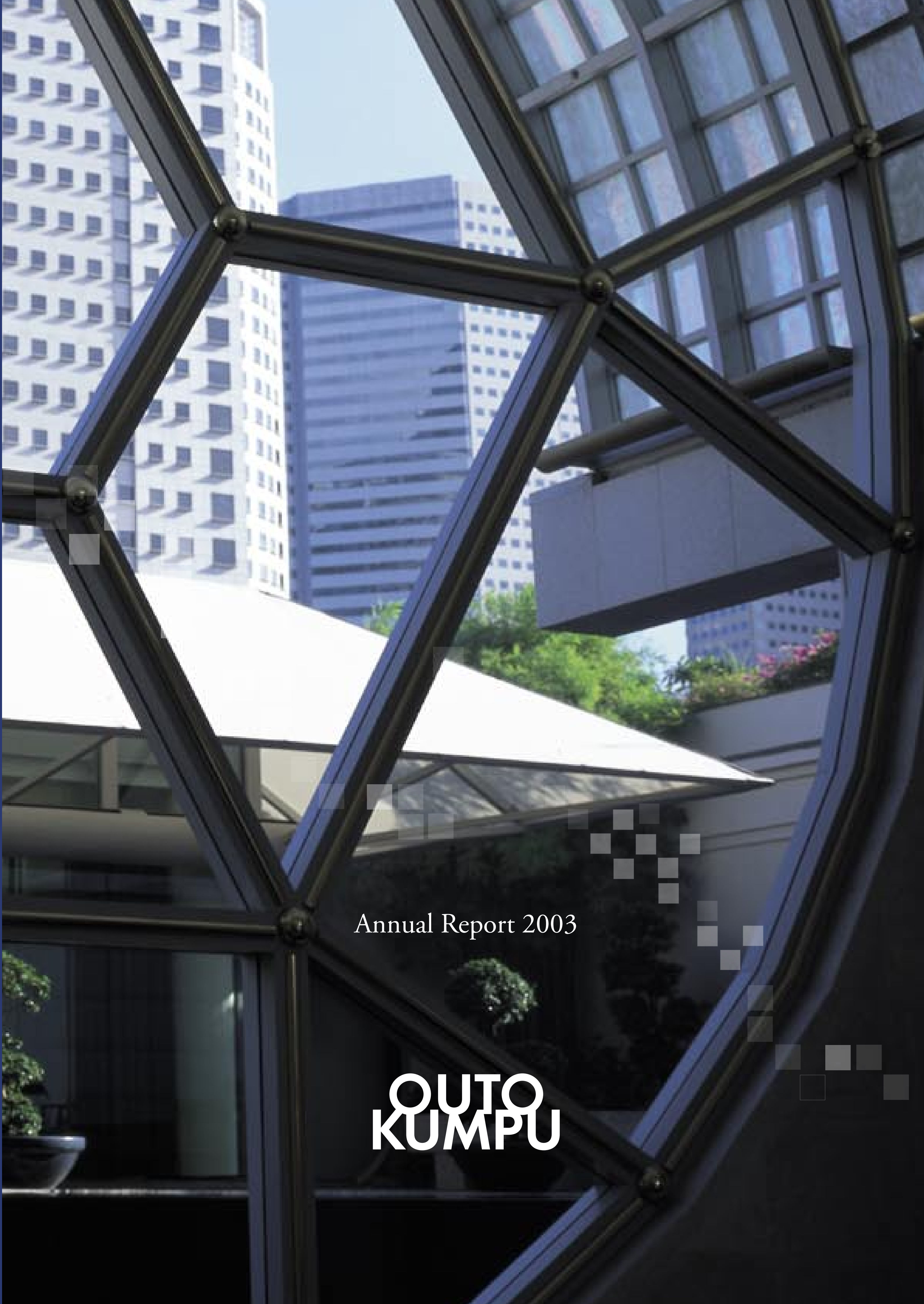
OUTOKUMPU ANNUAL REPORT 2003



Annual Report 2003

OUTOKUMPU

Greater than the sum of our parts.

All our businesses now united under the Outokumpu brand have vast experience in metals and metals processing. We posses knowledge of not only stainless steel and copper but also metals technologies used for various applications. With our experience and knowledge we can help our customers enhance their business and strengthen their position in the market.

Contents

Vision, strategy and values

Strategy

Since 2000, Outokumpu has rigorously executed a strategy of growth and transformation. Our clear target has been to double the volumes and profits of our businesses and to focus on more downstream and higher-margin businesses.

The implemention of the strategy has been succesful. We have increased capacity in the fast-growing businesses and divested the mining and smelting operations. Outokumpu is now stronger and more competitive than ever before, and we are able to offer greater value added to our customers and shareholders.

After a period of significant growth our immediate targets are labelled with efforts in making our new machinery to deliver. Our key objective for the near future is to make profits, improve cash flow and to bring the capital structure back to the target level.

In line with our strategy, we intend to:

- Strengthen our position as a leading metals and technology Group.
- Focus on efficient commissioning of investments, as well as on profitability and cash flow.
- In stainless steel, pursue global leadership through cost-efficient production, a broad product range and an extensive distribution network.
- In copper products, seek higher returns by focusing on products and businesses with faster growth and higher value-added content.
- In technology sales, fully utilize the expanded product and service offering and strengthen long-term customer relationships.
- Pursue for more profitable businesses and actively develop the Group's business portfolio.

Vision

We are the leading metals and technology Group that creates real value added for both customers and shareholders.

Being one of the foremost players in the businesses we operate.

Continuously exceeding our customers' expectations and helping them to enhance the performance of their processes, products and services.

Being committed to innovate and make major improvements in our areas of expertise.

Being the supplier of choice for our customers, a preferred employer for the best contributors in our field and a profitable investment for our owners.

The Outokumpu way

The Outokumpu way has been crystallized into the following values:

- Outstanding performance
- Superior knowledge
- Individual achievement
- Creating success with customers
- Leading the way

Outokumpu's values combine the requirements set by the Group strategy, the traditional strengths derived from the company's history and the expectations of individuals. In accordance with the Group's leadership principles, every Outokumpu employee is entitled to good leadership. The values are incorporated into Outokumpu's management systems and they are discussed continuously across different units and working groups. During 2004, the values will be discussed extensively group-wide, including Outokumpu Stainless and the units acquired from Boliden.

Financial objectives

Outokumpu's key financial objectives are to generate maximum economic value added on the capital invested by its shareholders and to maintain a sound capital structure. A sufficiently strong balance sheet will help Outokumpu to withstand business risks and industry cycles. The group-level financial objectives based on the growth and transformation strategy are presented on page 12.

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.

Outokumpu's key strengths

Exposure to the fastest growing areas of the metals market

Major investment program for future earnings growth now commissioning

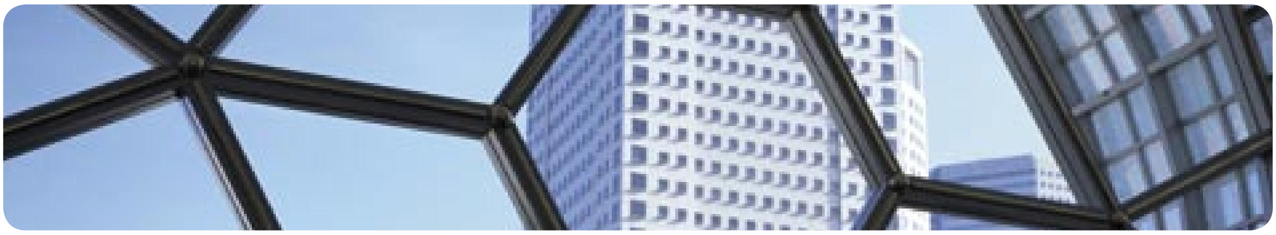
Extensive knowledge of metals and metals processing

Significant future potential as a versatile and cost-efficient producer of stainless steel

Focus on faster-growing and higher value-added copper products

Creating value through knowledge in metals technology and innovations

Outokumpu business operations and market position



Outokumpu specializes in stainless steel, high value-added copper products and technology. Outokumpu's metals, metal products and services are marketed worldwide to customers in a wide range of industries. More than 90% of net sales are generated outside of Finland.

In 2003, the Group's net sales amounted to EUR 5.9 billion and it employs some 19 000 people in more than 40 countries.

Outokumpu's operations are organized into three strategic entities as of January 2004: Stainless, Copper and Technology. The business reviews represent the businesses according to the new structure. The units transferred to new Boliden at the end of 2003 (the Zinc division, Harjavalta Metals and the Tara mine) are described in the section "Mining and smelting operations to new Boliden". The businesses acquired from Boliden are described in the business reviews of Copper and Technology.

Stainless

Main products and customers

Main products are cold and hot rolled stainless steel coils. Other products include precision strip, hot rolled plate, long products as well as tubes and fittings. These products are mainly used in process industries, such as pulp, paper and chemicals and the offshore oil industry, catering and households, vehicle manufacture and the building and construction industry.

Market position

- world market size 21 million tonnes or some EUR 35 billion. Consumption grows 5% per annum on average
- one of the world's largest and most cost-efficient producers: slab capacity will increase to 2.75 million tonnes and the capacity for cold rolled material and white hot strip to 1.9 million tonnes from the beginning of 2005
- 26% share of the stainless steel coil market in Europe and 8% worldwide
- main markets Europe (70% of net sales), Asia (19%) and North and South America (9%)

Production facilities

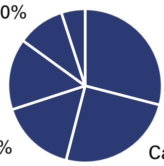
Main production facilities are located in Finland, Sweden, Britain and the US.

Raw materials and energy

Raw materials used are stainless steel and carbon steel scrap, ferrochrome and nickel. The Group operates its own chrome mine at Kemi and a ferrochrome smelter at Tornio. Stainless steel and carbon steel scrap, part of the ferrochrome and nickel are purchased on the open market.

Electric energy accounts for some 4% of total costs. The Group's single largest consumer of electric energy is the Tornio ferrochrome smelter.

End-uses

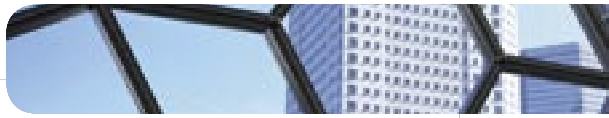


Source: CRU

Major producers

Estimated slab capacity (million t)	Slabs 2003	Slabs 2005
Arcelor, Luxembourg	3.40	3.20
ThyssenKrupp, Germany	2.88	2.88
Outokumpu, Finland	2.10	2.75
Acerinox, Spain	2.20	2.40
POSCO, Rep. of Korea	1.70	1.70

Source: CRU. Figures for Arcelor inlude the entire capacity of Acesita.

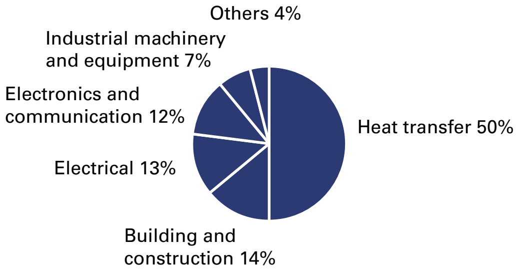


Copper

Main products and customers

Main products include ACR tubes, heat transfer coils and components used in air-conditioning applications, radiator strips used in the automotive industry, sanitary tubes and roofing and architectural products used in the building and construction industry, copper tubes, strips and connectors used in the electronics and communication industry, alloy wire and superconducting wire used in the electrical industry as well as welding electrodes.

Outokumpu customer groups



Market position

- world market size 20 million tonnes, of which the market served by Outokumpu 5.7 million tonnes or EUR 15 billion. Demand growth 2–3% per annum; for special products 5–10%
- the only global manufacturer of higher value-added products, production in the US, Europe and Asia
- delivery capacity 600 000 tonnes, over 10% share of the selected markets
- main markets Europe (45% of net sales), North and South America (39%) and Asia (15%)

Production facilities

Production facilities are located in the Netherlands, Belgium, Britain, Spain, Italy, Austria, China, Malaysia, Mexico, France, Sweden, Finland, Thailand, the Czech Republic and the US.

Raw materials and energy

Cathode copper, copper scrap and alloy elements, such as zinc and tin are used as raw material. Raw materials are purchased on the open market.

Electric energy accounts for some 2% of total costs.

Major producers

Estimated delivery capacity (1 000 t)	
SMI (KME), Italy	850
Outokumpu, Finland	600
Wieland-Werke, Germany	450
Poongsan, Rep. of Korea	370
Mueller Industries, the US	250
Lamitref Industries, Belgium	200

Source: Outokumpu

Technology

Main products and customers

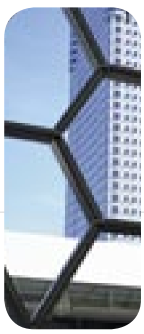
Main products are tailored solutions to improve the processes and productivity in the mining and metallurgical industries. Depending on customer needs, they can include technology, plants and processes, engineering, equipment, project and customer services, training and development. Cooperation can also cover financing, plant operation for the customer and marketing of products. Customers and partners are producers of metals and industrial minerals as well as chemical and other process industries.

Market position

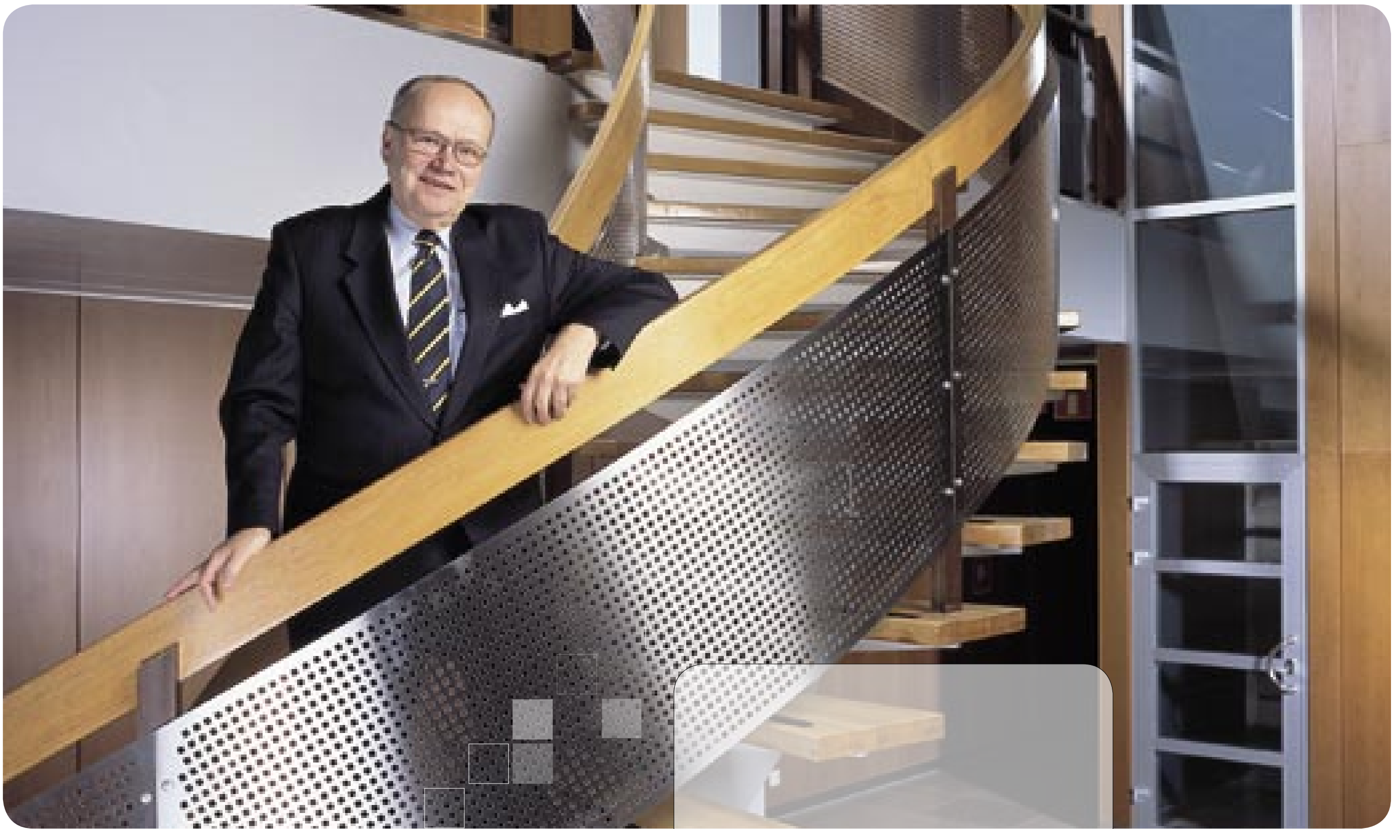
- solid experience in the whole production chain of metals as a strength
- market leader in many technologies
- extensive R&D resources
- competitors are either engineering companies or equipment manufacturers
- main markets North and South America (24% of net sales), Europe (23%), Asia (22%) as well as Australia and Oceania (19%)

Operations

Competence centers in Finland, Germany, Sweden, North and South America, Australia and Russia. Sales and service centers in altogether 17 countries.



CEO's statement



It's time to deliver.

Change and transformation were strongly present in our operations during 2003. The largest and most important project was the ramping up the new capacity at Tornio, where after initial difficulties, we are now moving ahead at a good clip. We will have full capacity available from the beginning of 2005.

At the end of last year, we sold our mining and smelting operations to Boliden of Sweden and acquired Boliden's fabrication and technology sales businesses. A company that was created, new Boliden, is operationally strong and it has top-caliber production facilities. Our shareholding in new Boliden is 49%. I believe that Outokumpu's shareholders will benefit more from having the copper and zinc operations belong to new Boliden than if they where wholly-owned by Outokumpu.

One of our biggest challenges is to get different corporate cultures to mesh together amidst a welter of structural arrangements. Our newest Outokumpu team members are the people who have transferred from Boliden to Outokumpu. The values embodied in our new brand – helping customers enhance their performance – will weld us together internally into an ever stronger entity.

On the operational results front, 2003 was a disappointing year. Although in recent years we have purposefully built a new Outokumpu with increased competitive muscle, the growth in the world economy did not yet kick in to support an improvement in our profitability.

Toward the end of 2003, we trained our sights on working capital and succeeded in lowering both net debt and the gearing ratio. Our gearing is still too high, and bringing it down systematically to the target level will call not only for good cash flow but also further divestitures. We must also continue our rigorous policy on capital expenditure and working capital. Our main objectives – making profits and generating cash flow – have been hammered home throughout the organization.

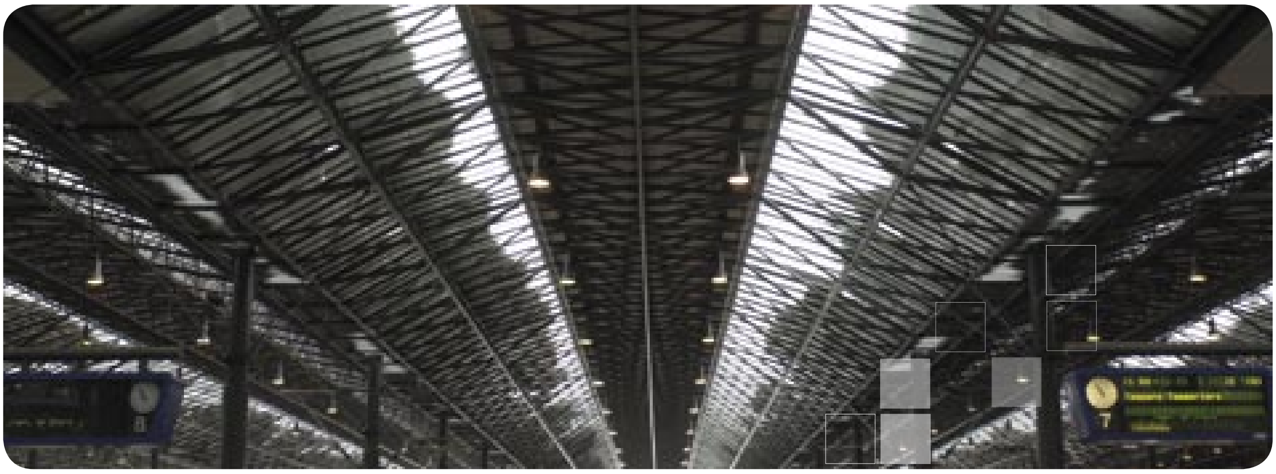
Although we have continuously improved safety at our sites by carrying out a number of measures, two fatal and regrettable accidents occurred in 2003. The first accident happened at the Pori plant in January, and in September an explosive fire broke out at Tornio, claiming three lives. The accidents are still being investigated by the authorities, and we will do our utmost to avoid similar incidents in the future.

The transformation, in which we are approaching the end of the strategic project we started a few years ago, has increased Outokumpu's attractiveness as a prospective investment. A number of new analysts have also begun to follow the company regularly. The Board of Directors has decided to propose a dividend payout of EUR 0.20 per share. The proposed payout is well in line with our dividend policy.

2004 has started on a positive note, and the outlook in the marketplace is clearer. The commissioning of the new capacity at Tornio is progressing well, and price increases have been put through in the first months of 2004. Demand for copper products and technology sales has also picked up. We are stronger and more competitive than ever before and the challenging goals portrayed in our new brand demonstrate that we want to exceed our customers' expectations. I firmly believe that we are well poised to deliver on our promises in 2004 and 2005.

Jyrki Juusela
CEO

Management discussion on the financial results and strategy



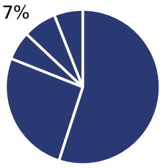
World economic growth accelerated in the second half of 2003, particularly in the US, and sentiment in the metals market picked up in line with the upswing. Demand grew owing to the economic recovery and partly to speculative demand. However, all the important conversion margins and treatment charges for Outokumpu declined in 2003. Despite the more positive trend toward year-end the year as a whole was still difficult.

The Group's net sales were up 7% on the previous year and amounted to EUR 5 921 million. Growth was due to increased stainless steel deliveries and higher raw material prices. The growth in net sales was slowed down by the weakening of the US dollar against the euro.

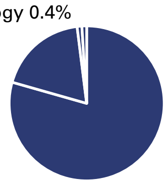
The Group's operating profit declined to EUR 206 million because of lower conversion margins and treatment charges. The bulk of the operating profit in 2003 came from capital gains on asset disposals. Profit for the financial year was EUR 92 million and earnings per share were EUR 0.54. The return on capital employed was 5.0%.

The progress of the commissioning the new capacity in Tornio will have a major impact on Outokumpu's profitability in 2004. The gradual ramp-up of the cold rolling mill will improve profitability because the proportion of cold rolled products is increasing. Although the full benefit from the expansion will not be obtained until the entire production capacity comes on stream in 2005, Outokumpu Stainless's operating profit is expected to improve markedly already in 2004. Based on improving market prospects and increased productivity, Outo-

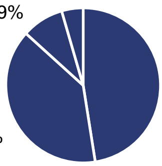
Net sales
5 921 € million



Operating capital
4 176 € million



Personnel 19 359



Group key figures

		2001	2002	2003
Net sales	€ million	5 324	5 558	5 921
– change from previous year	%	44.2	4.4	6.5
Operating profit	€ million	183	267	206
– in relation to net sales	%	3.4	4.8	3.5
Profit before extraordinary items	€ million	147	213	100
Profit for the financial year	€ million	76	159	92
Capital employed on Dec. 31	€ million	3 266	4 331	3 972
Return on capital employed	%	6.7	7.0	5.0
Operating capital on Dec. 31	€ million	3 507	4 569	4 176
Cash flow from operating activities	€ million	346	334	214
Net interest-bearing debt	€ million	1 175	2 385	2 013
– in relation to net sales	%	22.1	42.9	34.0
Equity-to-assets ratio	%	41.6	31.1	32.3
Debt-to-equity ratio	%	56.2	122.6	102.8
Earnings per share	€	0.55	1.15	0.54
Shareholders' equity per share	€	11.37	11.14	10.84
Dividend per share	€	0.55	0.40	0.20 [1]
Share price on Dec. 31	€	10.72	8.30	10.77
Market capitalization on Dec. 31	€ million	1 461	1 420	1 911
Capital expenditure	€ million	914	2 042	622
Personnel on Dec. 31		19 428	21 130	19 359

[1] Board's proposal to the Annual General Meeting.

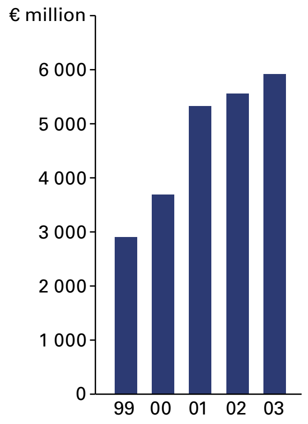
kumpu Copper's comparable operating profit is also expected to improve clearly. The Group's operating profit without unusual items as a whole is thus expected to improve significantly in 2004.

Asset disposals improved the capital structure

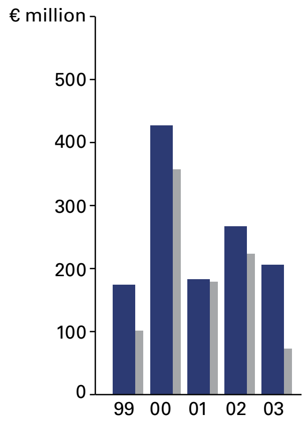
Cash flow from operating activities decreased from the previous year and was EUR 214 million. The Group's weak profitability, the growth in working capital related to the increase in production capacity and large-scale investments increased the Group's net debt in the first part of the year. However, divestments and stringent measures aiming at reducing the amount of working capital caused the amount of debt to head downward toward the end of the year. The Group's liquidity remained satisfactory throughout the year. The interest-bearing net debt decreased to EUR 2 013 million. The debt-to-equity ratio fell to 102.8% and the equity-to-assets ratio improved to 32.3%. Total capital expenditure was EUR 622 million.

In the second half of 2003, Outokumpu sold its 49% stake in Arctic Platinum Partnership for EUR 28 million, its shareholding in Inmet Mining for EUR 23 million and the remainder of its precious metals mining assets for EUR 12 million. Capital gains on these disposals totaled EUR 45 million. At the end of December, Outokumpu sold to Boliden of Sweden its zinc business, Harjavalta Metals and the Tara zinc mine for a total consideration of 849 million, which is based on the estimate at the time of completing the deal. The Boliden transaction resulted in a gross capital gain of EUR 208 million, of which EUR 106 million was entered in the fourth quarter of 2003. In January 2004, Outokumpu also completed the sale

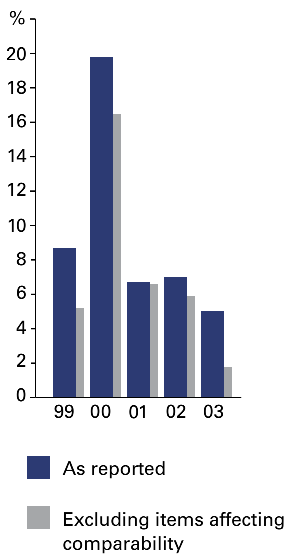
Net sales



Operating profit



Return on capital employed



The table below presents the operating profits of the businesses excluding inventory gains and losses relating to metal inventory valuation as well as one-off items.

Financial development excluding items affecting comparability

	Net sales			Operating profit		
€ million	2001	2002	**2003**	2001	2002	**2003**
Outokumpu Stainless						
Coil Products	2 053	2 328	**2 628**	77	162	**98**
Special Products	1 277	1 311	**1 297**	10	13	**(1)**
North America	269	267	**252**	(5)	3	**4**
Others	(748)	(904)	**(728)**	53	6	**16**
Outokumpu Stainless total	2 851	3 002	**3 449**	135	184	**117**
Outokumpu Copper						
Americas	344	340	**273**	7	19	**3**
Europe	527	526	**452**	34	9	**(14)**
Automotive Heat Exchangers	267	256	**244**	20	23	**15**
Appliance Heat Exchangers & Asia	281	351	**463**	6	(1)	**4**
Harjavalta Metals	428	391	**403**	15	14	**12**
Others	(225)	(195)	**(209)**	0	(4)	**(8)**
Outokumpu Copper total	1 622	1 669	**1 626**	82	60	**12**
Zinc	453	418	**396**	35	5	**16**
Outokumpu Technology	328	399	**402**	5	4	**0**
Other operations	472	336	**390**	(76)	(35)	**(72)**
Intra-group items	(402)	(266)	**(342)**	(2)	5	**0**
The Group total, excluding items affecting comparability	5 324	5 558	**5 921**	179	223	**73**
Market valuation provision in Outokumpu Stainless inventories				4	0	**1**
Market price adjustments to inventories of Outokumpu Copper and Zinc				(15)	1	**13**
Gain on the sale of the Sampo Oyj shares				22	–	**–**
Gain on Okmetic Oyj's directed share issue				1	–	**–**
Final settlement on the sale of the Harjavalta nickel refinery				1	(6)	**–**
Pension provision (the US)				(9)	(6)	**–**
AvestaPolarit's insurance compensation				–	20	**–**
Capital gain on the AvestaPolarit Oyj Abp shares				–	14	**–**
Gain on the sale of the real estate in Espoo				–	13	**–**
Gain on the sale of the Pyhäsalmi mine				–	6	**–**
Refund of actuarial surplus				–	4	**–**
Refund of pension surplus from Henki-Sampo, Outokumpu Oyj				–	2	**–**
Write down of reactors at Kokkola				–	(4)	**0**
Gain on the Boliden transaction				–	–	**106**
Gain on the sale of Arctic Platinum Partnership (49%)				–	–	**26**
Gain on the sale of the Inmet shares				–	–	**10**
Gain on the sale of the precious metals assets				–	–	**9**
Provision for the cartel fine (ACR tubes)				–	–	**(18)**
Provision for the Panteg closure				–	–	**(14)**
The Group total, as reported	5 324	5 558	**5 921**	183	267	**206**

of Technology's filter operations to Larox of Finland for EUR 31 million.

A substantial weakening in the Group's comparable operating profit

The Group's comparable operating profit declined to EUR 73 million and the comparable return on capital employed was 2%. The amount of capital employed was increased by still exceptionally large investments. On the other hand, the Boliden transaction that was completed at the end of 2003 freed up capital employed. The working capital was kept under control, despite higher nickel and copper prices, thanks to the working capital project that is underway across Group units.

Net sales of Stainless increased to EUR 3 449 million, but comparable operating profit weakened substantially to EUR 117 million. The total stainless steel deliveries were up 20% but conversion margins fell by 6%. Only a small portion of the growth in delivery volumes was attributable to the increase in cold rolled deliveries. The weakening of operating profit was due to the exceptionally large delivery volumes of lower-margin hot rolled material and slabs, as well as to high fixed costs relating to the commissioning phase of the Tornio expansion. The decline in the European base price of cold rolled stainless steel came to a halt toward the end of the year, and the price level has risen in the first months of 2004. In addition to the pick-up in the market situation, key factors for the Outokumpu Group's profitability as a whole are the improvement in Stainless's product mix and the growth in delivery volumes.

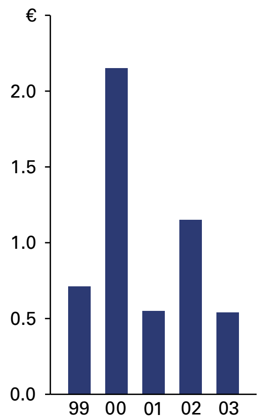
The fall in Outokumpu Copper's net sales was due to continued slack demand as well as to a decrease in the average conversion margins for copper products. The decline in net sales was nevertheless slowed down by the rise in the price of copper and the consolidation of Heatcraft into the Outokumpu Group as of August 2002. Outokumpu Copper's comparable operating profit decreased to EUR 12 million. The average conversion margin for copper products declined due to a weaker product mix and severe competition. Profits were down except for the Appliance Heat Exchangers & Asia division. For copper products, the near-term market outlook is still good in Asia, and in the US it is improving. However, in Europe there are so far only small signs of a recovery.

Net sales generated by the zinc business declined due to the fall in the price of zinc in spite of higher delivery volumes. The average zinc treatment charges received by Outokumpu fell by 20%. The comparable operating profit of the zinc business nevertheless improved to EUR 16 million owing to higher delivery volumes and successful currency hedging measures. It is estimated that treatment charges for zinc concentrates will rise in 2004. The zinc business is now part of new Boliden, whose net profit will be consolidated to Outokumpu's financial results as an associated company in accordance with Outokumpu's 49% ownership interest.

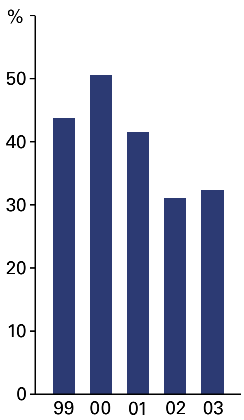
Technology's net sales remained unchanged because uncertainty on the world economy deferred customers' investment decisions, especially in the first part of the year. Operating profit fell short of the previous year's figure but was nevertheless in the black. In the second half, clear signs of an improvement in the business cycle began to appear and Technology's order backlog swung to growth.

Within Other operations, Mining posted an operating loss of EUR 26 million. Other operations also bear the business development and Corporate Management expenses that are not allocated to the businesses. The Tara mine and the precious metals mining assets were divested toward the end of 2003.

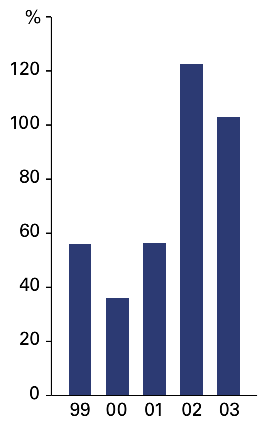
Earnings per share
(excl. extraordinary items)



Equity-to-assets ratio



Debt-to-equity ratio



Financial objectives

Outokumpu's financial objectives are to generate maximum economic value added on the capital that shareholders have invested in the company and to maintain a sound capital structure. A sufficiently strong balance sheet enables Outokumpu to withstand business risks and industry cycles. The group-level financial objectives according to the growth and transformation strategy are set out in the form of financial indicators in the adjacent table.

Growth

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

Transformation

- Conversion margins in relation to net sales to grow significantly.
- Capital turnover ratio to grow significantly.
- Operating profit margin to be at least 10%.

Profitability and balance sheet structure

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

Metals' value chain

Through investments as well as acquisitions and divestments, Outokumpu has built a solid foundation for future growth in profits. In accordance with its strategy, Outokumpu will move further along in the metals value chain, toward products and services with a higher degree of added value, and it will seek profitable growth in its core businesses – stainless steel, value-added copper products and technology sales.

Fast-track implementation of strategy – Mining and smelting operations to new Boliden

Since 2000, Outokumpu has forged ahead with its strategy of growth and transformation. The target has been to double the size and profits of the businesses and to carry through the transformation by focusing on more downstream and higher-margin businesses by 2004–2005.

In January 2001, Outokumpu combined its stainless steel operations with Avesta Sheffield to form AvestaPolarit, in which Outokumpu acquired full ownership in 2002. In addition to the billion-euro investments in stainless steel, Outokumpu has invested on higher value-added copper products and on metals technology companies.

Toward the end of 2003, Outokumpu sold its zinc business, Harjavalta Metals and the Tara zinc mine to Boliden. The transaction freed up significant financial resources for Outokumpu and shifted the focus of the company further ahead in the metals value chain – toward fast-growing stainless steel, selected higher value-added copper products and technology sales.

Outokumpu's investment in Boliden comprises not only its 49% holding but also a subordinated debenture of about EUR 146 million. The transaction with Boliden reduced Outokumpu's debt-to-equity ratio by about 40 percentage points. Outokumpu is not seeking a majority shareholder's position in new Boliden. In time, Outokumpu may reduce its shareholding in the company by a way of well-controlled transactions.

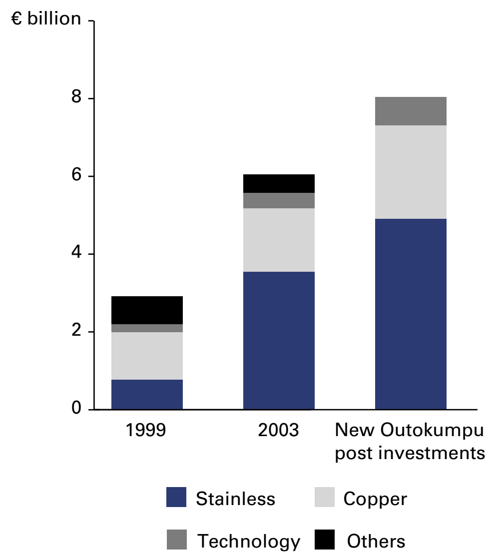
Outokumpu's exit from the base and precious metals mining businesses has been completed. The already completed disposals of the Pyhäsalmi and Black Swan mines were followed up in 2003 when Outokumpu sold its 49% interest in Arctic Platinum Partnership, the remainder of its precious metals mining operations and the Tara zinc mine. The operations of the Hitura nickel mine are likely to discontinue in 2005 due to the depletion of economically exploitable ore. The Kemi chrome mine continues to be an integral part of the integrated stainless steel production chain of the Tornio operations.

In line with its strategy, Outokumpu has doubled its net sales since 1999, but it has fallen short of its profitability targets owing to the Group's large-scale transformation processes and the nearly three-year slump in the world economy. After a successful ramp-up of the capacity in Tornio, Outokumpu will be a company with about EUR 8 billion in net sales. During a major period of growth and construction in 2001–2003 the return on capital employed has remained below the average cost of capital before taxes.

Over the next few years, Outokumpu will focus on the efficient commissioning and marketing of the new capacity in Tornio, as well as on improving business processes, profitability and cash flow. The Group's objective is for the new profit-making capacity to be in use in 2005.

Outokumpu continually monitors the development of its business portfolio in order to ensure that the businesses fit in with the Group's strategy and meet the profitability and performance targets. At the same time Outokumpu will evaluate potential acquisition and divestment candidates that would improve the value of the Group's business portfolio.

Development of net sales

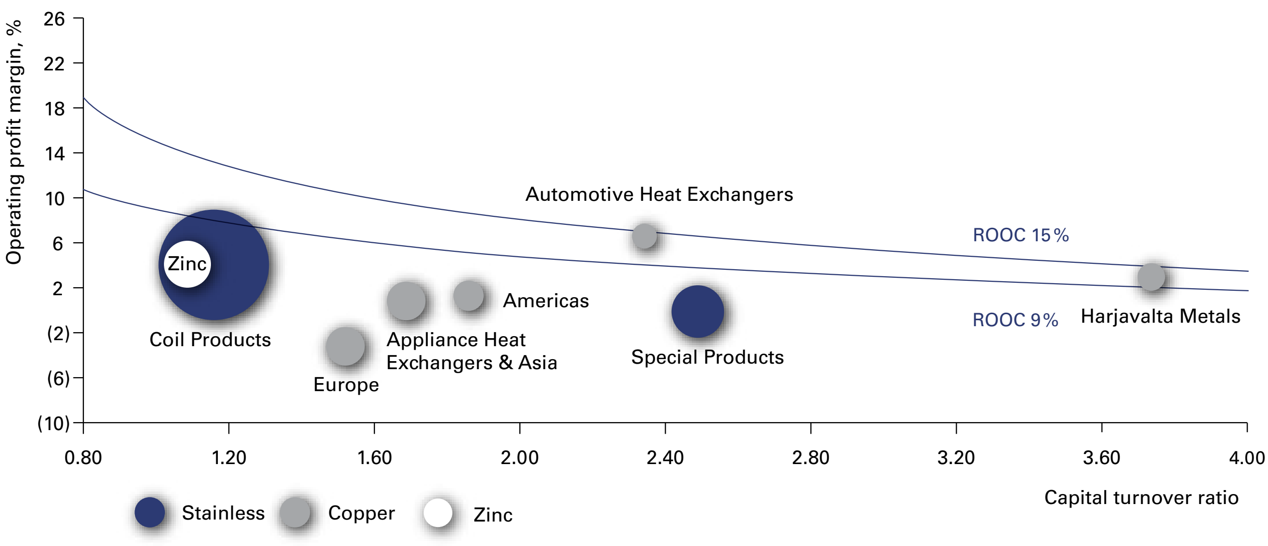


Profitability structure by business

Primarily owing to the difficult market situation and ongoing expansion programs, operating profit margins have fallen markedly short of the target level. In 2003, only Outokumpu Copper's Automotive Heat Exchangers division reached the 15% target yield for ROOC. The other units are nevertheless well poised when the market situation starts to improve.

A large amount of capital is tied in Outokumpu Stainless' Coil Products division due to the Tornio expansion program, and it will start to yield profits when these investments are completed. The profitability of the zinc business and Harjavalta Metals was unsatisfactory due to historically low treatment and refining charges.

Operating capital and return on operating capital 2003



The return on operating capital (ROOC) shown in the above chart comprises two components: the operating profit margin and the capital turnover ratio. There are two curves for ROOC. Each point on the upper curve gives a 15% target yield for operating capital and, similarly, the lower curve indicates the Group's weighted average cost of capital before taxes (WACC 9%). If a business unit does not cover the weighted average cost of capital, it will generate negative economic value added. The higher the capital turnover ratio, the less the change in the operating profit margin will impact ROOC. The size of the circle reflects the operating capital tied into a business. Operating capital has been calculated as the average for the beginning and the end of the year also for Harjavalta Metals and the Zinc division. Technology (capital turnover ratio 15.4 and operating profit margin 0.1), the North America division of Outokumpu Stainless (capital turnover ratio 9.9 and operating profit margin 1.6) and Mining (capital turnover ratio 0.8 and negative operating profit margin 23.5) are not shown in the chart.

The margins generated by operations

	Stainless steel production	Fabrication of copper products
Sales revenues	Base price + alloy surcharge	Metal price derived from LME [1)]+ conversion margin for end-product
Raw material costs	Price of raw materials	Metal price derived from LME
Margin	Conversion margin	Conversion margin

1) Price of copper quoted on the London Metal Exchange (LME)

Development of shareholder value

At the end of 2003, Outokumpu Oyj had a market capitalization of EUR 1 911 million – an increase of EUR 491 million since year-end 2002. Outokumpu paid dividends of EUR 69 million in 2003.

The Board of Directors has established a dividend policy specifying that the dividend pay-out ratio over a business cycle should be at least one-third of the Group's profit for the period. In its dividend proposal, the Board of Directors takes into account not only the financial results but also the Group's investment and development needs.

The proposed dividend for 2003 is EUR 0.20 per share, corresponding to 38% of the Group's profit for the financial year. The dividend yield is thus 1.9%. Outokumpu's average dividend pay-out ratio over the past five years has been approximately 42%.

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

In 2003, Outokumpu's WACC after taxes was about 6.5%. The figure was obtained using a target capital structure in which the weight of the equity cost was 60% and the weight of debt 40%. The cost of equity was 8% and the after-tax cost of debt was 4%.

In 2003, Outokumpu generated EUR 148 million of negative economic value added with a 6.5% WACC.

Factors affecting Outokumpu's profitability

Outokumpu's business is cyclical. Profitability depends not only on Outokumpu's own actions, but also on the trends in the operating environment, such as the overall economic situation, the industry cycle and, in particular, the amount of industrial investments. As a consequence of the transformation in line with the Group's strategy, metal prices no longer have a direct impact on Outokumpu's profitability. Rather, the key factors affecting earnings are the conversion margins for stainless steel and copper products.

In stainless steel production, operating profit is principally driven, in addition to conversion margins, by unit costs, delivery volumes and the product mix. The conversion margin for stainless steel is calculated by deducting the raw material costs from the transaction price. The transaction price is the selling price of stainless steel and is equal to the base price of stainless steel plus the alloy surcharge. The alloy surcharge includes costs of the alloys in the stainless steel: principally nickel, chrome and molybdenum. Typically, the base price charged to the customer is fixed, and the risk relating to changes in the cost of the alloys is passed on to the customer through the alloy surcharge. For fixed price sales contracts, the nickel portion of the price is hedged through derivative contracts. Because changes in market conditions affect the base price, changes in the base price reflect the direction in which the markets are moving. Changes in the base price are directly reflected in the conversion margin. The overall price and the conversion margin for stainless steel are linked to the economic cycle, and especially to the level of industrial investments in the key customer segments. Changes in the conversion margin are also partly attributable to strong

fluctuations in demand, which is often reflected in the destocking and re-stocking cycle.

In the fabrication of copper products, operating profit is determined mainly on the basis of conversion margins, unit costs, delivery volumes and the product mix. The conversion margin for fabricated copper products is the difference between the unit price of copper metal and the unit price of the product sold to the customer. Conversion margins for copper products are mainly driven by the demand in customer industries and the competitive situation. Changes in the conversion margins for copper products have generally not been as strong as they have been for stainless steel.

The pricing currencies for stainless steel and fabricated copper products are as a rule determined by the market area: euros in Europe, and US dollars in the US and Asia. Price levels between Europe, the US and Asia may vary considerably. Foreign exchange rates affect Outokumpu's profits, because a large part of net sales comes from sales that are tied to the US dollar. Production costs, in turn, are for the most part in euros, Swedish krona and British pounds sterling. Prices of raw materials are determined primarily in dollars.

The table below shows the sensitivity of Outokumpu's operating profit in 2004 to the changes in conversion margins as well as the foreign exchange rates between certain currencies and the euro.

10% sustained increase	Effect on operating profit, € million
Conversion margin of stainless steel	205
Conversion margin of fabricated copper products	70
USD/EUR	35
SEK/EUR	(55)
GBP/EUR	(30)

The figures are estimates and they do not take into account the impact of hedging. They are calculated on the basis of the average prices and margins in 2003 and projected 2004 production volumes.

In the production of stainless steel and the fabrication of copper products, the capacity utilization rate also has a major impact on operating profit. Production volumes depend on demand, and products are manufactured mainly against orders. Apart from delivery volumes, the product mix also has an effect on profitability, because the conversion margins vary with the value-added component of the product.

Outokumpu's interest in new Boliden's earnings is shown in the income statement after operating profit. Accordingly, via equity earnings in associated companies, Outokumpu's earnings per share are affected especially by changes in foreign exchange rates between the US dollar, the Swedish krona and the euro as well as by copper and zinc prices and treatment and refining charges for copper.

Hedging

Commonly, the customer who purchases stainless steel assumes the risk for the alloy price through the alloy surcharge mechanism. In accordance with Outokumpu's risk management policy, purchases and sales of metal by the copper products mills have been hedged systematically, and short-term margins have thus been secured in advance over the hedging period. However, if there is a permanent change in conversion margins, the margins cannot be secured by hedging measures.

In spite of the divestment of its smelting operations, Outokumpu still consumes a large amount of energy. For example, electricity accounts for more than a quarter of the variable costs of ferrochrome production. Electric energy consumption of the Group companies in the Nordic countries amounted 4.7 TWh in 2003. It is estimated that the consumption will be 3.1 TWh with the current Group structure in 2004. Outokumpu hedges the costs of purchased electric power. The hedging horizon is generally at least 3 years and the hedging level is increased gradually so that 80–100% of the electricity to be purchased is hedged before the time of delivery.

The Group's risk management is discussed in greater detail in note 18 to the consolidated financial statements on pages 75–76 as well as in the risk management section on pages 42–43.

Market review

Recovery in the economic background offers encouragement for 2004.

The economic background improved dramatically during 2003. Activity in the first half of the year remained weak, especially in Western Europe. But led by the continuing strong Chinese growth and the US recovery in the second half of 2003, global growth bounced back powerfully in the second half. As a result, world GDP in 2003 is estimated to have risen by 2.6%, its highest rate since 2000.

A variety of factors have underpinned the economic upturn. The cessation of the Iraq war and the end of the SARS epidemic provided a boost to confidence around mid-year, but low interest rates and a global pick-up in equity markets have been the key influences. Importantly, corporate profitability has started to recover in all the major regions, supporting a clear rise in business confidence. This in turn is leading to increased corporate investment.

Worries about economic prospects have not disappeared. Questions remain about the sustainability of the US current account deficit, and whether a credit clamp-down will dampen the extraordinary level of growth in China. There are also concerns that continued strengthening of the euro will curtail any recovery in Europe. However, business surveys are now strongly positive in North America, and are showing a clear improvement in Western Europe, Japan and developing Asia. This is an encouraging trend, and suggests that the global economic recovery will strengthen further in 2004 with China likely to remain the star performer.

Demand in the key end-uses starting to accelerate

Improvement in the general economic background has been mirrored in the main end-uses for metals. Although there are still clear areas of weakness, optimism about 2004 prospects has been growing due to increased demand.

The residential market in the US remained buoyant during 2003, underpinned by low interest rates, and housing starts rose firmly for the third year running. In contrast, commercial construction remained weak. In Western Europe, total housing starts fell for the fourth year in succession, and spending on commercial construction declined throughout the region with the exception of Britain and Spain. In Japan, construction activity was little changed from the previous year, but all construction spending continued to rise at a spectacular rate in China. Rising business confidence suggests that commercial construction activity will increase in 2004 in all the industrialized regions, though rising interest rates and a possible 'housing bubble' in some markets make prospects for residential construction rather more uncertain.

In the transportation sector, worldwide vehicle production increased by just under 2% in 2003, but this figure conceals a big divergence between regions. In North America and Western Europe, production and sales showed a modest decline. In China the vehicle markets continued to grow at a rate of well over 40% raising China to the world's third biggest market for automobiles. Production rose also in most of the other developing Asian economies and in Eastern Europe. The sales outlook in the US and Western Europe is only modestly positive, but continuing strong growth in the developing markets suggests that global prospects for 2004 are encouraging. Activity is expected to remain acutely depressed in the aircraft industry, where production has been cut savagely in response to the crisis in the aviation business.

Demand from the process industries and from the industrial machinery and equipment sectors remained weak for most of 2003 as companies continued to cut back investments. However, investment started to pick up in the US and Japan late in the year, and business surveys suggest that a firm increase is likely in both countries in 2004. European companies remain much more cautious about the outlook, but, even so, a modest increase in business spending is expected in 2004.

Activity in the electric, electronics and communications sector is also improving. The sector was particularly badly hit by the economic slowdown as a result of earlier over-investment: sales of connectors, for example, fell by a total of close to 30% in 2001–2002. Global demand for connectors rebounded by a modest 4% in 2003, mainly due to strong demand in China and Japan, and sales growth accelerated toward year-end. Little improvement in the communications business is foreseen before 2005, but the outlook for the rest of the sector is for solid growth over the next few months.

Bullish sentiment prompted a sharp pick-up in base metals prices

Judged purely in terms of Western world markets, 2003 was another weak year for metals demand. At a world level, however, growth was more encouraging, mainly due to a further massive rise in Chinese consumption. Global demand for stainless steel increased by more than 7%, nickel by over 6%, copper and copper alloy products by some 2% and both copper and zinc by about 3%. China now consumes more cold rolled stainless steel and zinc than the US and Japan combined, and the country's demand for all metals is expected to continue rising rapidly over the next few years.

The boom in Chinese demand, and, importantly, an increasing belief that the boom is sustainable, was a key factor behind the remarkable rise in investor interest seen in the metals markets during the second half of 2003. Sentiment was also buoyed by improving economic news in Western countries, by the tightness that was starting to be seen in commodities, and by predictions that the metals market was heading into a clear supply deficit over the next year. As the bullish mood grew, the US dollar denominated prices of base and precious metals rose firmly, with the upward trend boosted by the weakness of the US currency.

Prospects for metals during 2004 look positive, and most experts are forecasting further year-on-year rises in prices. Economic recovery in the Western world, coupled with continuing rapid growth in China, provides a highly positive background for metals demand. Moreover, stocks of nickel and copper are unusually low for this stage of the business cycle, and look likely to be drawn down further in 2004.

Annual metal market prices

		1999	2000	2001	2002	**2003**	Change % 2003/2002
Stainless steel							
Market price	€/kg	1.30	2.07	1.65	1.72	**1.80**	4.7
Base price	€/kg	1.18	1.52	1.28	1.41	**1.40**	(0.7)
Conversion margin	€/kg	0.74	1.08	0.86	0.97	**0.94**	(3.1)
Nickel	US$/lb	2.73	3.92	2.70	3.07	**4.37**	42.3
	€/kg	5.65	9.35	6.64	7.16	**8.52**	19.0
Ferrochrome (Cr-content)	US$/lb	0.36	0.43	0.32	0.31	**0.43**	38.7
	€/kg	0.75	1.03	0.79	0.73	**0.84**	15.1
Copper	US$/lb	0.71	0.82	0.72	0.71	**0.81**	14.1
	€/kg	1.48	1.96	1.76	1.65	**1.57**	(4.8)
Zinc	US$/lb	0.49	0.51	0.40	0.35	**0.38**	8.6
	€/kg	1.01	1.22	0.99	0.82	**0.73**	(11.0)

Sources:
Stainless steel: CRU - German conversion margin (2 mm cold rolled sheet), estimate of prices for deliveries during the period.
Nickel, copper and zinc: London Metal Exchange (LME) cash quotations converted into USD/lb and EUR/kg.
Ferrochrome: CRU - US imported high carbon 50–55% Cr.

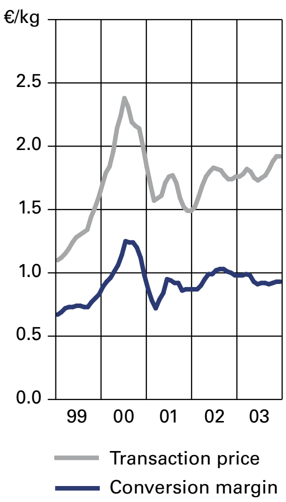
Stainless steel market was a disappointment; conversion margins fell modestly

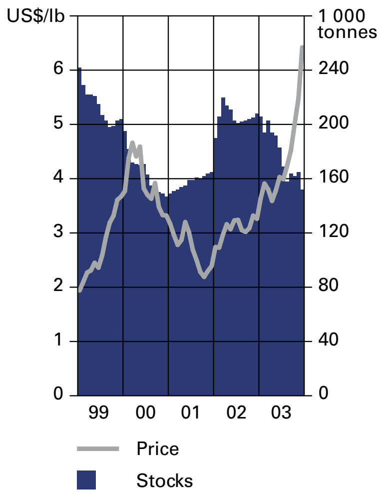
Stainless steel was a disappointing exception to the general improvement seen in the metals market during 2003. Average conversion margins for cold rolled stainless steel in the benchmark German market (transaction price of grade 304 minus the cost of raw materials) fell by 3% compared to the 2002 average, while average base prices fell 0.7%.

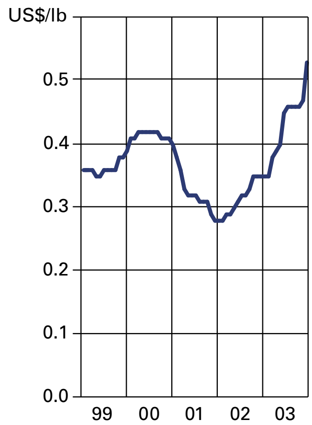
Market weakness was attributable to two main factors. First, the growth was mainly attributable to China where demand grew over 25%. In contrast, growth was disappointing in most Western economies, especially in Europe, where consumption fell slightly. Secondly, global production capacity was rising quickly. The result was that average industry utilization rates fell sharply, and in the case of slab were at their lowest level for five years. Nevertheless, there was a gradual improvement in the market conditions during the year. Prices and margins were on a clear declining trend in the first half. But, having reached 1.38 EUR/kg by the summer, base prices then stabilized and held at around this level for the rest of the year, supported by unexpected production losses, by cutbacks at some major producers, and by the first signs of improvement in underlying demand.

The demand for stainless steel has improved for the first months of 2004 and the stronger economic background suggests that demand will improve. Also the European cold rolled stainless steel base price has increased in certain markets. Utilization rates should improve gradually due to improved demand, with positive implications for base prices and conversion margins. However, the short-term outlook for austenitic (nickel-containing) stainless steel is clouded by developments in the market for nickel, one of the main alloying elements. During 2003 a massive rise in nickel prices led to the alloy surcharge increasing sharply in Europe – more than 200 EUR/tonne above the year-before level – and most experts forecast average prices to be even higher in 2004. Although stainless is secure in most of its end-uses, the combination of higher transaction prices and possible shortages of nickel raw material raises the threat of austenitic stainless being substituted by other materials.

The other stainless steel products were generally under pressure during 2003. Apparent consumption of hot rolled coil in Europe fell sharply and prices declined. European consumption of hot rolled plate (quarto plate) was also markedly lower and average prices fell significantly during the year. A lack of project activity was the main problem, but continuing high imports into the region from Asia have exacerbated the pressure on prices. Although deliveries have been improving, short-term prospects remain difficult. In precision strip, markets were depressed throughout the year. Demand in early 2004 remains poor and the downward pressure on prices shows no sign of easing. Average base prices for tubes also fell markedly during 2003. High stocks and over-capacity suggest that prices will remain low in the short-term, though markets are expected to improve later in the year. In the fittings market, base prices changed rather little during the year: demand from investment

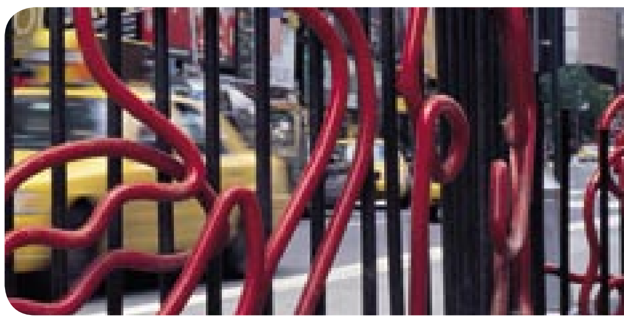






projects improved during the second half, but distributor sales remained poor. Global demand for long products also recovered late in the year, and the first quarter of 2004 looks reasonably firm. Even so, European base prices look unlikely to improve in the short-term.

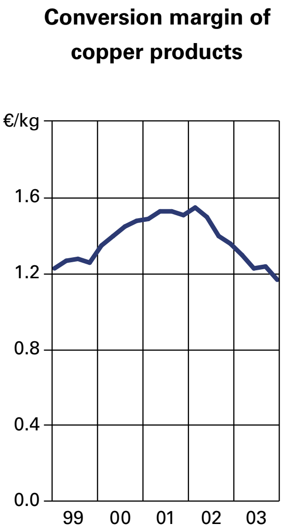
The price of the other main alloying element for stainless steel, ferrochrome, also rose firmly during the year. Average prices rose by some 39% to 43 USc/lb. In euro terms the increase was 15%. The increase was partly a reflection of firm demand, boosted by a continuing shortage of scrap, as a result of which stocks fell to the lowest level on record. But dollar denominated prices also rose in response to the strong appreciation of the South African rand against the US dollar. Market conditions for 2004 look very positive. But given that South Africa produces close to 70% of Western world output of ferrochrome, prices will continue to be heavily influenced by movements in the rand-dollar exchange rate.



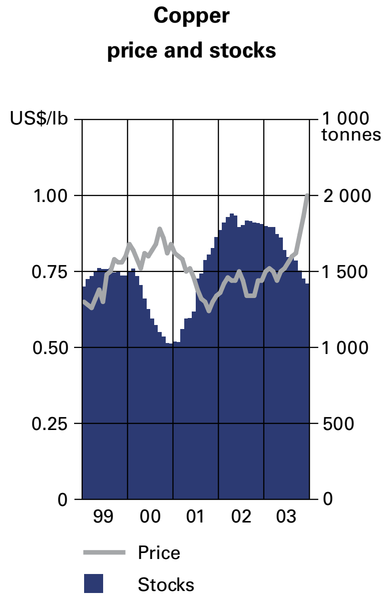
Demand for copper products brightening, but conversion margins continue to be squeezed

Although world consumption of copper and copper alloy products rose by just under 2% in 2003, performance varied sharply between regions. Consumption grew by more than 10% in Asia, mainly thanks to further spectacular growth in China, but fell in both Western Europe and North America. Pricing pressure remained intense almost everywhere, and prospects for conversion margins continue to look difficult during the first half of 2004.

Market review



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



Source: LME and CRU

Demand in Western Europe remained lackluster for most of 2003, and total consumption of copper and copper alloy products fell by some 2%. Construction activity varied between countries and deliveries of sanitary tube fell modestly. Continuing poor activity in telecom, low demand from manufacturing industry and weak construction activity all contributed to a sharp decline in demand for copper sheet and strip. In contrast, demand for drawn products for electrical applications was reasonably stable, and demand in the superconductor business was also steady, though overcapacity in MRI-wire production kept prices low.

The Americas division was also operating in a very weak market during 2003, and US consumption of copper and copper alloy products fell by more than 6%. The extent of the fall was surprising given the apparent strength of the economic background and the fact that demand is still well below the level seen three years ago. Part of the explanation is believed to be that many metals-using companies have relocated their facilities out of the US, mainly to the Far East. Telecom-related sales showed a huge decline as the sector continued to cut back investment, and demand for products used in the electrical sector also declined markedly. Alloy wire deliveries also showed a clear fall. The picture was a little better in connectors, stampings and construction copper, where deliveries were only marginally down on the 2002 level. Looking ahead, the picture becomes more encouraging. Demand for some products showed a clear improvement in the last quarter of 2003, and strengthening activity in most end-uses suggests that demand will further improve during 2004. One important factor is that stocks are believed to be low along the consumption chain, and re-stocking could provide a big boost to demand. The decline in the US dollar is already prompting foreign fabricators to pull back from the North American market, and this will clearly benefit domestic mills. Even so, competition remains intense and pricing is expected to remain under pressure over the next few months.

The Automotive Heat Exchangers division again performed well despite difficult market conditions. Production of heavy vehicles grew and demand for copper and brass radiator strip was strong especially in developing markets such as China and Russia. But average conversion margins in euro terms were badly affected by the slump in the US dollar and declined sharply during the year. Demand prospects for 2004 look promising, with North America and Europe expected to enjoy a modest recovery and deliveries to the fast-growing developing countries likely to continue growing. However, conversion margins will remain vulnerable to further weakness in the dollar.

The overall demand background for Heating, Ventilation, Air-Conditioning and Refrigeration (HVACR) products was healthy during 2003, though conditions varied markedly between regions. The strongest markets for ACR tubes and coils were China and South East Asia, helped by a hot summer and continuing rapid expansion in production of air-conditioners and relocation of ACR manufacturing away from the US, Japan and Europe to these regions. Relocation is expected to remain a key influence, though some slowdown in the trend is possible over the short-term due to overcapacity in Chinese manufacturing. In contrast, European demand for ACR tubes and HVACR coils was very weak throughout 2003. Some improvement is expected during 2004, but the European market is over-shadowed by the problems of low-priced Asian imports and the continuing migration of industry to Eastern Europe. The North American residential AC market maintained a high rate of activity, boosted by continuing high level of housing starts and house sales. The North American commercial and industrial HVACR segments were at a low level, but showed some improvement toward end-year. Consumption of other copper products, mainly for electrical and electronics industries

in South East Asia and China, recovered strongly. Demand prospects in these areas look strong for 2004, but price competition remains intense in all market segments, and little improvement is foreseen in conversion margins over the short term.

Zinc and copper smelters hit by lowest-ever treatment charges

The average zinc price in 2003 rose to 38 USc/lb, some 9% above 2002 levels. In euro terms, however, average zinc prices fell sharply for the third year running. Market prospects for zinc improved toward year-end, and zinc price rose rapidly.

The recovery in dollar denominated zinc prices was mainly attributable to the bullish sentiment that spread through the metals market in the second half of 2003. The fundamentals of the zinc market were also starting to look more encouraging in spite of rising stocks. Global demand was rising firmly, slab output was constrained by lack of concentrate and Western consumers were also seeing a sharp reduction in Chinese exports of zinc metal. The improvement is expected to continue in 2004.

Although the tightness of concentrate supply helped to underpin the recovery in zinc prices, it also had the unfortunate effect of depressing treatment charges. In 2003 typical US dollar denominated treatment charges on a contract basis fell by 14% from the year-before level, and were 42% below the level of 2000. In euro terms the fall has been even more severe, and the average treatment charges received by Outokumpu fell by 20%. However, current charges are sub-economic, and this has already led to several smelters closing permanently. This trend should gradually bring the concentrate market back into balance.

Terms have also continued to move against smelters in the copper concentrates market. Treatment and refining charges (TC/RCs) received by Outokumpu fell 30% from the already low 2002 level. Average TC/RCs (including price participation) on typical contracts negotiated in 2003 slumped by 18%. Spot terms continued their extraordinary decline, and the annual average was less than one-sixth of its level three years earlier. In real terms both contract and spot TC/RCs were at their lowest-ever levels. The fall in terms has been attributable to two main factors: first, reduced concentrate availability due to mine closures and cutbacks due to low prices; and second, the rising import requirements of new subsidized smelters in Asian countries. Typical TC/RCs on new contracts are likely to remain very low during 2004.

Technology sales already benefiting from stronger investment activity

Technology sales remained depressed during the first half of 2003, as companies continued to cut back investment in response to low metals prices and poor profitability. However, as sentiment in the markets started to improve, investment activity rose markedly and order intake in both minerals processing and metals processing was very encouraging in the second half of the year. The markets in Asia, Africa and South America were particularly strong.

The outlook for technology sales in 2004 is positive. Substantial new capacity is needed in both the mining and metallurgical sectors, the mood in the markets continues to be bullish, and industry profitability is improving. Given this background, investment activity in the metals industry is expected to be very strong over the next few years.

Customers and the Outokumpu brand

The Outokumpu brand conveys a promise to customers.

Over the past few years Outokumpu has successfully implemented a strategy on growth and transformation. The net sales of the Group have doubled to six billion euros, and the focus of the business has moved ahead in the metals value chain. Outokumpu has strengthened its global position as a leading metals and technology Group.

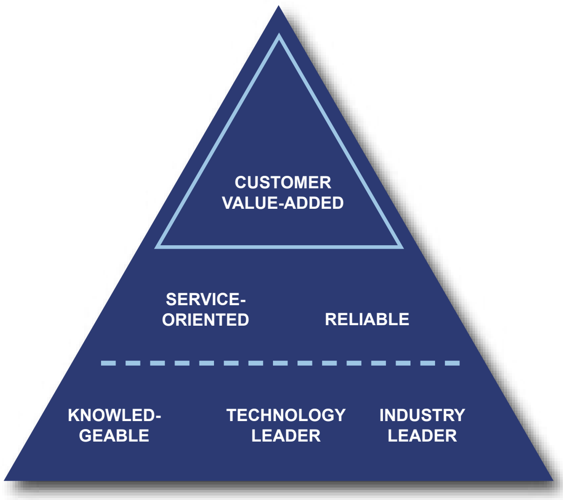
As a result of fast transformation and several acquisitions, the image of the Group no longer reflected the reality. Therefore, Outokumpu decided to renew and unify its brand during 2003. The renewed brand was launched in January 2004. The main elements of the renewed brand are a new target image among customers and other stakeholders, the use of Outokumpu as the single brand in the Group, and introduction of a new visual identity.

The Outokumpu factor constitutes a competitive advantage to customers

Outokumpu aims at bringing added value to its customers by service-orientation, reliability, knowledge, technology leadership and industry leadership.

To reach the leadership position requires that Outokumpu exceeds the customers' expectations. This extra in the offering we have opted to call the Outokumpu factor – a competitive advantage the customers get when Outokumpu helps them to enhance the performance of their processes, products and services. The customers can rely on that Outokumpu's products and services help them overcome even the most demanding challenges.

The added value of the Outokumpu factor is produced in different ways depending on the customer and products or services. A common denominator for all Outokumpu businesses is the uncompromising strive to become the best in their respective fields. This determination is demonstrated in exceeding customers' expectations. Outokumpu honors the brand promise daily in the customer work.



Outokumpu Stainless – Best in stainless

Outokumpu Stainless offers the widest stainless steel product range of the industry. Its competitiveness and availability are supported by strong R&D resources, versatile service centers and sales office network. Stainless' performance will further improve with the completion of the Tornio ramp-up.

The largest customer groups for the Coil Products division's cold and hot rolled flat products are stockists and distributors, representing some 40% of deliveries. Building and construction, process industry, transportation, wine and beer making, white goods industry, and other end-use customers cover some 20% of deliveries. The Group's own tube mills and external tube manufacturers take some 16% of the deliveries. Additionally some 15% of Coil Products' production is further processed within Stainless.

The Special Products division manufactures tubes and fittings, precision strip, welding rods and wire for end-use customers. Hot rolled plate as well as process tubes are sold to industrial process equipment manufacturers. Precision strip is delivered typically via component manufacturers to end-use customers, to be used e.g. in razor blades, engine gaskets and safety shoes.

Some of the mills are specialized in large volumes and big order lots while others supply smaller quantities and special grades. They all share the vision to be best in stainless, to offer the best quality, reliability, material knowledge, performance and customer service.

Outokumpu Copper – Versatile application marketer

Outokumpu Copper has a wide product range and a versatile customer base. Its business is largely based on special requirements of individual customers. The closer Copper moves to the end-use customer in the metals value chain, the more important the tailor-made applications become.

Copper's customer interface can be divided into three main types. A quarter of Copper's products are sold to industrial customers using standard products, which can be delivered by several producers. Typical clients for Copper are stockists and industrial customers, especially in building and construction. In this group, price is the dominant selection criteria, often combined with reliability in delivery.

The second group, some half of of Copper's net sales, comprises customers who themselves specify the product properties. Price competitiveness of the supplier is, however, more critical than technical expertise. The third group, a quarter of net sales, comprises industrial customers who want to utilize Outokumpu's application engineering skills. In many cases these customers base their competitiveness on Copper's materials and application knowledge.

The first two customer groups are especially served through cost-efficient production, marketing and distribution. To satisfy the needs of the third group, that appreciates application knowledge, requires in-depth understanding of the customer's business and the product end-use, complemented with innovativeness to create new solutions.

Outokumpu Technology – Total customer solutions

Outokumpu Technology's customer base comprises companies in the mineral processing and metallurgical industry. As a result of acquisitions and business development, Technology's competence has focused further downstream in the metals value chain.

Large plant and process deliveries are commenced by detailed technical and financial feasibility studies, which require in-depth expertise from Technology. In these projects the direct customers are most often the end-users, i.e. industrial manufacturers. In complete deliveries the customer expects know-how, alternative concepts, proven technologies, operational support and financing arrangements. References which prove that the offered plants and processes work in practice are essential.

In equipment sales typical customers represent the end-user's production management or third-party contractors. These customers value competitive pricing, reliability, service, spare part availability and standard compliance.

Sale of services calls for Technology's experts to bring in cost-efficiency to the customer's processes and to integrate seamlessly into the customer's business culture, way of working and organization.

Outokumpu Stainless

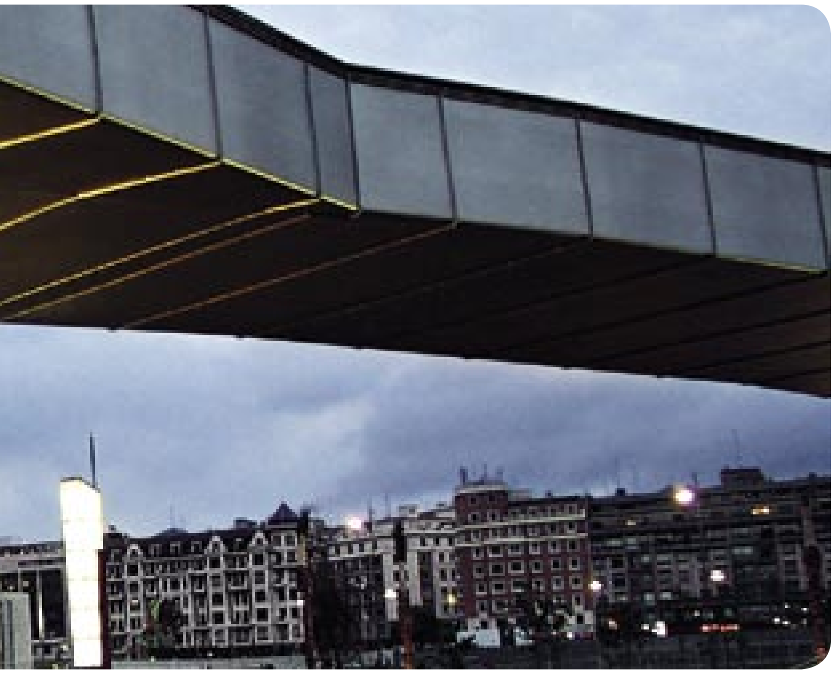
Key objective to maximize the benefits deriving from the ongoing investments and restructurings.

Demand for stainless steel is growing the fastest of all metals, on average by 5% per annum. Outokumpu has a strong market position because it is one of the world's largest and most cost-efficient producers of stainless steel. The annual slab capacity will rise to 2.75 million tonnes and the production capacity for cold rolled products and white hot strip will reach 1.9 million tonnes when the ongoing investments come fully on stream from the beginning of 2005.

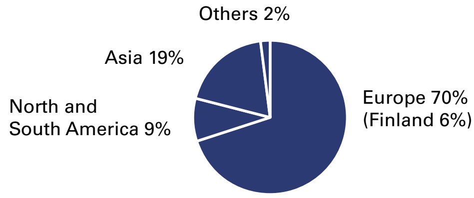
Stainless steel is an evolving material, and the use of it is bound strongly to a rising standard of living. A number of life-cycle studies indicate that in many applications, the total costs of stainless steel are lower than those of competing materials. Thanks to its excellent properties, stainless steel is an ideal choice for various demanding applications ranging from cutlery and razor blades all the way to food and chemical processing plants, as well as offshore oil platforms.

Outokumpu's main product is stainless steel coil, in which it has a market share of about 26% in Europe and 8% worldwide. Outokumpu also produces precision strip, quarto plates, long products, tubes and various tube fittings, flanges and welding consumables. Outokumpu's range of stainless steel products is the widest in the market, covering basic and special grades, various dimensions and a number of surface finishes. Outokumpu also has one of the world's most cost-efficient ferrochrome smelters as well as its own chrome mine. The extensive product range of the plants in Finland, Sweden, Britain and the US is complemented by a comprehensive network of sales companies and agents in over 40 countries.

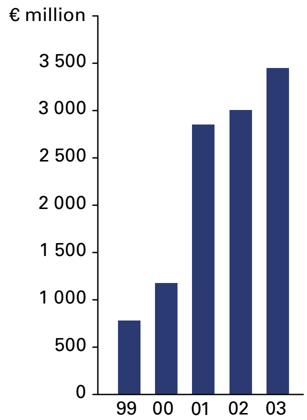
The large-scale investment program launched at the Tornio plant in 1999 is one of the cornerstones of the restructuring of Outokumpu Stainless' operations. The objective is to create the world's most efficient production structure, in which each plant will have a clearly defined role. Outokumpu wants to stand out in the market on the basis of the high quality of its products and operations, and its cost-efficiency. Over the next few years, the objective will be to maximize the benefits deriving from the ongoing investments and restructurings. At the same time, steps are being taken for future growth by exploring new product and market areas.



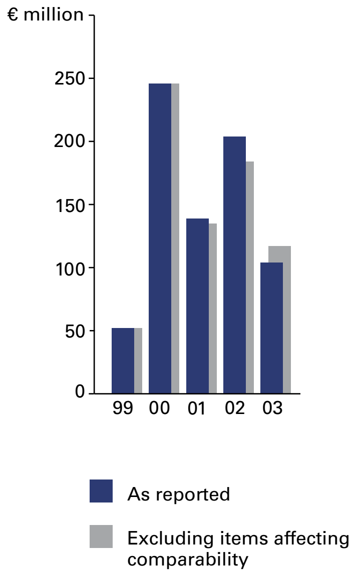
Net sales by market area



Net sales



Operating profit



Commissioning of the Tornio investment is the key objective in 2004

Outokumpu Stainless' key objective in 2004 is to commission the expansion at Tornio efficiently and to bring the increasing production volume and new products into the market in a well-controlled manner. The expanded 1.7 million tonne slab capacity is already in place, and the modernization of the older melt shop, which will be completed in the summer of 2004, is not expected to have a significant effect either on production or capacity. The expansion of the hot rolling mill to 1.7 million tonnes will be commissioned in the third quarter of 2004. The new cold rolling mill (RAP5) was commissioned in February 2003, deliveries of white hot strip began in March and deliveries of cold rolled material in August. The annealing and pickling stage of the RAP5 line is already operating well, and all the hot band material can be further processed into finished products. The production line is able to turn out both cold rolled products and white hot strip. The entire expanded capacity will be in full use at the beginning of 2005. The expansion has a total cost estimate of EUR 1.1 billion, of which EUR 0.9 billion had been used by the end of 2003.

Business restructuring moving ahead

Outokumpu has decided to close the unprofitable Panteg cold rolling mill in Wales by the end of March 2004. The plant is specialized in ferritic stainless steel. An EUR 14 million provision was entered in the fourth quarter of 2003 for the closure of Panteg. Alternative production routes are presently being developed for ferritic grades.

The Degerfors melt shop in Sweden was closed at the end of September 2003, and the manufacture of feedstock for long products has been centralized at the Sheffield melt shop in Britain. Difficulties of ramping up billet production in Sheffield led to the postponement of

Outokumpu Stainless

6.2.2003
AvestaPolarit invests in new service center in Sheffield

7.2.2003
Personnel negotiations at Jaro units completed

10.2.2003
The acquisition of ThyssenKrupp Nirosta's quarto plate business completed

17.2.2003
Pekka Erkkilä to head Outokumpu's Stainless Steel business area

24.2.2003
The older Tornio melt shop to be revamped

14.3.2003
Outokumpu obtains full ownership in AvestaPolarit

14.3.2003
AvestaPolarit share to be delisted from HEX

10.4.2003
The closure of Degerfors postponed until September

7.5.2003
World's largest stainless steel plant inaugurated at Tornio

2.6.2003
Rolling to be continued at Degerfors

9.6.2003
Arbitral award on the redemption of the minority shares in AvestaPolarit

18.6.2003
AvestaPolarit: The Administrative Court of Vaasa's ruling regarding waste not in line with sustainable development

19.9.2003
Explosive fire at the Tornio melt shop

23.10.2003
AvestaPolarit to close its Panteg operation

5.11.2003
Degerfors receives its first chemical tanker material order from China

4.2.2004
Consolidation of stainless steel tubes and fittings businesses

closure of the Degerfors melt shop from the original timetable. The rolling of billets for long products is continuing at Degerfors.

As part of the expansion project at the Tornio plant, the Terneuzen processing center in the Netherlands has also been expanded. When the expansion is completed by the end of 2004, processing capacity will nearly treble and rise to about 450 000 tonnes.

The stainless steel service center that was moved from Birmingham to Sheffield went into operation at the beginning of January 2004. Britain is Europe's fifth largest market area for stainless steel flat products and 75% of the stainless steel is sold through service centers. Outokumpu's new service center in Sheffield is Britain's largest and Outokumpu's market share in the country is about 50%. The bulk of the service center's material is supplied by Coil Products Sheffield, which is itself carrying out a transformation program with the aim of shortening lead times and improving delivery times and quality.

The sales company and service center organizations in Europe were streamlined last year. This has boosted efficiency, especially in Italy, Germany and the Benelux countries.

Integration of ThyssenKrupp Nirosta's quarto plate business, that was acquired in February 2003 for EUR 59 million, has progressed well. The reorganization of operations was completed in September, when production was moved to Degerfors. With its 50% share of the market, Outokumpu is the market leader in quarto plates that are used for heavy-duty applications in the process industry.

Underground mining at the Kemi chrome mine, which has a total investment cost of EUR 73 million, got started at the beginning of September. An increase in the capacity for long products in the US has also moved ahead as planned, and the completion of the EUR 22 million program in the first part of 2004 will improve Outokumpu's position as a cost-efficient producer.

In February 2004, a decision was made to combine the units manufacturing stainless steel tubes and tube fittings under a unified new brand – Outokumpu Stainless Tubular Products.

A marked weakening in profitability

The price trend for stainless steel was weaker than expected in 2003. Outokumpu Stainless' net sales were up 15% on the previous year, mainly due to higher delivery volumes and a rise in raw material prices. The delivery volumes of steel slabs and hot rolled material increased significantly as a consequence of ramping up the new capacity at Tornio. The average transaction prices were thus lower than in 2002 due to the weak product mix. Delivery volume of cold rolled products increased by 14%.

Operating profit weakened markedly, primarily owing to the decrease in average conversion margins. The factors behind

this were the fall in European base price, the temporary growth in the relative proportion of semi-finished products and the weakness in the US dollar against the euro. Furthermore, the geographical breakdown of sales was unfavorable: a larger proportion of deliveries than before went to Asia, where the price level was lower than in Europe. Operating profit was also burdened by increased fixed costs, which were primarily related to the ramping up of the Tornio expansion.

Demand for stainless steel has improved at the beginning of 2004 and the base price has risen in certain European markets. A more lasting upswing in the markets will nevertheless depend on an improvement in the outlook for the world economy. The ramping up of the new capacity at Tornio will continue to be the main factor affecting Outokumpu Stainless' profitability. The gradual commissioning of the new cold rolling mill is expected to improve profitability in 2004, because the proportion of cold rolled products will increase. Outokumpu Stainless' operating profit in 2004 is estimated to improve substantially on the previous year.

Research and development

Outokumpu Stainless' research center in Avesta concentrates on product and application development, whereas the emphasis of the research center in Tornio is on process development and improving the quality of production processes. The smaller research and development team in Sheffield focuses principally on developing the surface properties of stainless steel, as well as on demanding specialty products. The most significant aspect of product and application development projects in 2003 was the utilization of high strength and light weight in the construction industry and transport applications. A noteworthy example is a new grade, Lean Duplex – LDX2101®, as well as the special strength HyTens® steel grades that have been developed in cooperation with automotive manufacturers, including new applications for these grades. Among the most important projects at the Tornio research center were the ramping up of the new lines at Tornio, the commercialization of slag products and the development of production processes for ferritic grades. The total R&D expenditure was about EUR 15 million in 2003.

KEY FIGURES

€ million	2003	2002
Net Sales		
Coil Products	**2 628**	2 328
Special Products	**1 297**	1 311
North America	**252**	267
Others	**(728)**	(904)
Total	**3 449**	3 002
Operating profit		
Coil Products	**84**	162
Special Products	**(2)**	28
North America	**4**	3
Others	**18**	11
Total	**104**	204
Net sales/Group net sales, %	**55**	52
Operating profit margin, %	**3**	7
Operating capital Dec. 31	**3 317**	3 038
Return on operating capital, %	**3**	8
Capital expenditure	**373**	633
Depreciation	**160**	127

Production

Tonnes	2003	2002
Coil Products		
Steel slabs	**1 868 000**	1 594 000
– of which Long Product's share	**349 000**	501 000
Cold rolling mill production		
– Cold rolled	**807 000**	807 000
– White hot strip	**469 000**	385 000
Special Products		
Ferrochrome	**250 000**	248 000
Tubes	**69 000**	68 000
Quarto plate	**116 000**	95 000
Long products [1)]	**194 000**	180 000
Precision strip	**22 000**	21 000
North America		
Quarto plate, bar and tube	**76 000**	74 000

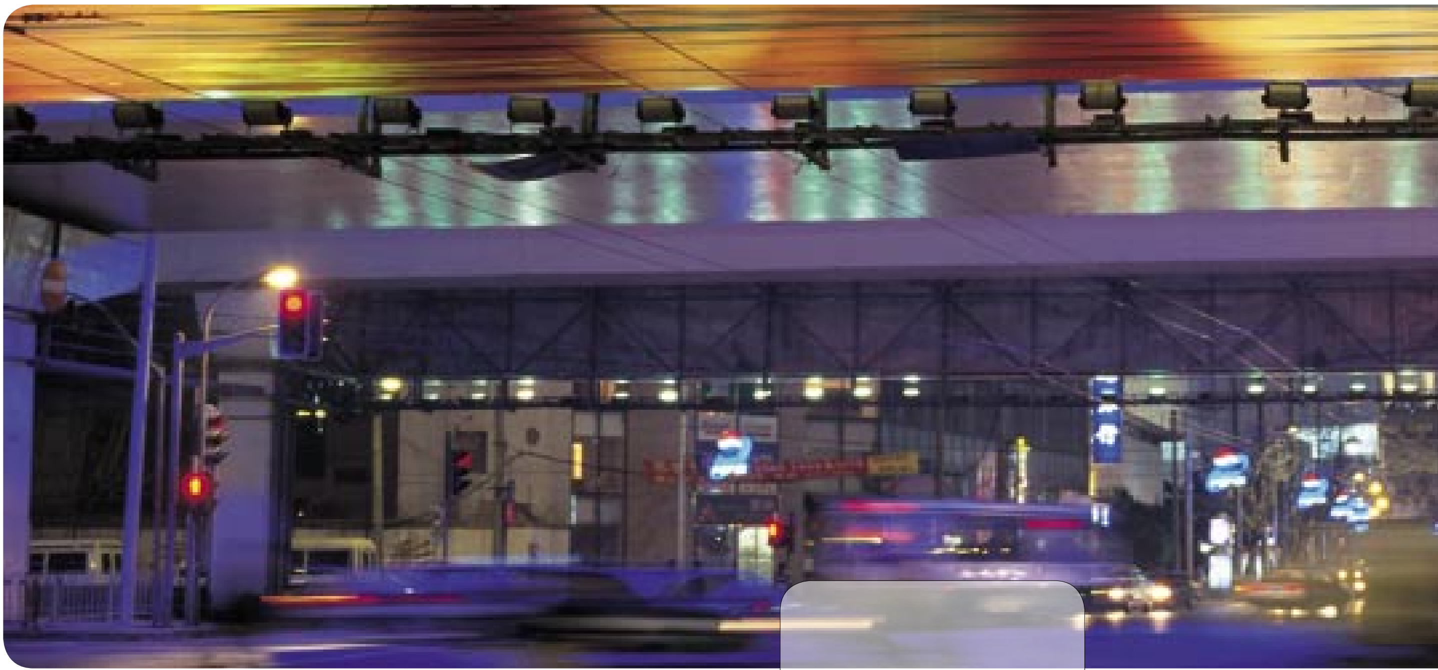
[1)] Other than slabs.

Production of the Kemi mine and ore reserves are presented on page 80.

Personnel

Dec. 31	2003	2002
Coil Products	**4 436**	4 262
Special Products	**3 342**	3 414
North America	**362**	367
Others	**1 060**	1 104
Total	**9 200**	9 147

Outokumpu Copper



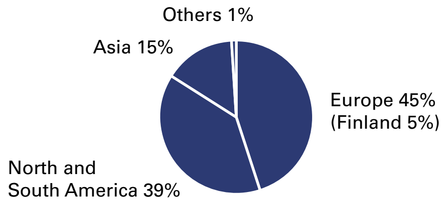
Top priority is to improve profitability.

Copper has superior properties – heat transfer, electrical conductivity and signal transmission – over other metals that are in wide commercial use. These properties are needed in developing energy production, communications, cooling and air-conditioning systems, as well as building and construction in the modern society.

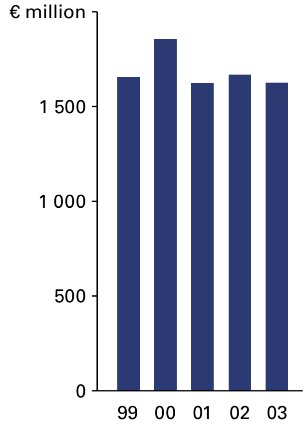
Outokumpu Copper's main products are ACR tubes, heat transfer coils and components used in air-conditioning applications, radiator strips used in the automotive industry, sanitary tubes and roofing and architectural products used in the building and construction industry, copper tubes, strips and connectors used in the electronics and communications applications, alloy wire and superconducting wires used in the electrical industry, as well as welding electrodes. Outokumpu is the world's second largest manufacturer of fabricated copper products, and it has a strong market position in the US, Europe and Asia. In its area of specialization, Outokumpu has a worldwide market share of over 10%.

Outokumpu Copper focuses on utilizing the superior properties of copper. In recent years, focus has been moved purposefully toward higher value-added products that have better profitability. But in a difficult market situation, the results for Outokumpu Copper, as for its competitors, have been unsatisfactory. Improving profitability will remain the key objective for Outokumpu Copper in the years ahead. The means it will deploy to accomplish this include capacity optimization, increasing cost-competitiveness and allocating capital to priority areas. Strong technological know-how provides also a solid foundation for developing innovative customer applications in close cooperation with demanding customers in growth areas. The principal growth areas for Outokumpu's copper business are cooling (including the automotive industry), air-conditioning, signal transmission and electrical equipment applications – all areas in which copper consumption is growing clearly faster than on average, by some 5–10% a year. Increasing the proportion of value-added products will continue to be an important objective for Outokumpu Copper.

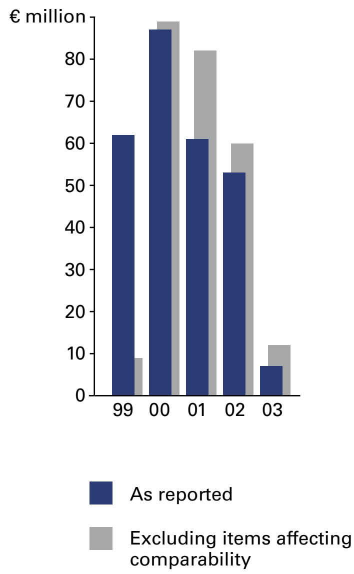
Net sales by market area



Net sales



Operating profit



First steps in the restructuring of the European copper products industry

Boliden's copper tube and brass business in Sweden, Belgium, the Netherlands and Britain was transferred to Outokumpu when the Boliden transaction was completed at the end of 2003. The copper fabrication units acquired from Boliden offer the potential for improved productivity and profitability when these units are combined with Outokumpu's operations. Outokumpu's position within the European copper tube business – where competition is fierce – will now be substantially stronger. The efficiency-boosting measures carried out at the copper tube mill in Pori in 2003 have been completed. The location of the acquired Boliden plants in the heart of Europe will also improve Outokumpu's market position.

Continuing investments into the fast-growing Asian market

Outokumpu Heatcraft's new heat transfer coil manufacturing plant started up its operations in Zhongshan, China in November 2003. The total investment for the plant was USD 3 million, and annual sales are estimated to be about USD 10–15 million depending on the product mix. The production technology as well as a large part of the machinery and equipment was moved to the new plant from Outokumpu Heatcraft's facilities in Grenada, the US. The manufacture of heat exchangers in China is a new and growing business for Outokumpu. Customers are manufacturing heat exchangers for commercial applications, as well as for replacement markets in China and its neighbouring countries. Outokumpu also has an

Outokumpu Copper

23.1.2003
A profitability improvement program of the Europe division starts

13.2.2003
Outokumpu expands alloy offering for connector strip in Europe

19.2.2003
Outokumpu's new radiator technology enters the Russian automotive market

17.3.2003
Personnel negotiations completed at Pori

7.7.2003
European Commission's Statement of Objections on ACR tubes

2.9.2003
European Commission's Statement of Objections on sanitary tubes

18.11.2003
Outokumpu Heatcraft to start heat transfer coil manufacturing in China

12.12.2003
Outokumpu and SMI in a copper products asset swap

16.12.2003
European Commission to fine Outokumpu for participation in an European ACR tube cartel

30.12.2003
Outokumpu to use treasury shares to acquire full ownership in Neumayer

11.2.2004
Outokumpu's and SMI's asset swap finalized

26.2.2004
The Neumayer deal finalized

ACR tube plant in Zhongshan, where the expansion to 25 000 tonnes was completed in the fall of 2002. China is the world's largest market area for air-conditioning equipment, and 40% of this industry has set up in the Guangdong province, where both of Outokumpu's plants are located. In view of an expected continuation of growth in this market, Outokumpu has a good position in Asia.

In February 2004, Outokumpu and SMI of Italy completed a transaction, in which Outokumpu exchanged its 50% holding in the Spanish company LOCSA – Laminados Oviedo-Córdoba S.A. for SMI's superconducting wire manufacture in Italy, as well as its ACR tube manufacture in China. The transaction improved Outokumpu's position as the world's largest manufacturer of high-quality copper tubes for air-conditioning and refrigeration equipment and systems. The plant in China has a capacity of 6 000 tonnes at the high end of the product range. The arrangement furthermore strengthened Outokumpu's position as the leading manufacturer of superconducting wire. Outokumpu's other plants manufacturing superconducting wire are located in Pori, Finland and in Waterbury, Connecticut, the US.

In February 2004, Outokumpu Copper also acquired full ownership in its subsidiary Neumayer, which manufactures various alloy wire products in Austria. Full ownership of the company will enable Outokumpu to develop the business more purposefully toward higher value-added products.

A disappointing earnings trend

Outokumpu Copper's net sales weakened markedly compared with the previous year. This was attributable primarily to a decrease in conversion margins owing to a weaker product mix and severe price pressure, one-time restructuring costs, the weakening of the US dollar against the euro, a strike at the Zaratamo plant in Spain, as well as the EUR 18 million cartel fine imposed by the European Commission. Only the Appliance Heat Exchangers & Asia division reported improved earnings in 2003.

Demand for fabricated copper products picked up in 2003 and demand is also set to strengthen this year. Demand in Asia is expected to remain strong, and in the US, demand has swung upward in a number of end-use sectors. In Europe, only slight signs of better prospects have been seen so far. Based on

improving market prospects and increasing productivity, the comparable operating profit of Outokumpu Copper is expected to improve clearly in 2004.

Research and development

Outokumpu Copper's research and development centers with their pilot plants are located in Pori, Finland and in Västerås, Sweden. Individual development projects are also carried out at different plants in close cooperation with customers. Outokumpu has also a 50% stake in a technology joint venture that was established together with Lennox International. The JV company develops new and innovative heating, ventilation, air-conditioning and cooling applications. The priority areas for Outokumpu Copper's R&D activities lie within customer applications, flexible and innovative production technologies and other innovations that open up new business opportunities. The main projects in 2003 were the commissioning of the proprietary Micro Mill concept for the manufacture of connector strips in Delaware, Ohio, the US, and the development of oxygen-free micro-alloy copper products for special end-use applications. Outokumpu Copper's research and development expenses totaled EUR 14 million in 2003.

KEY FIGURES

€ million	**2003**	2002
Net sales		
Americas	**273**	340
Europe	**452**	526
Automotive Heat Exchangers	**244**	256
Appliance Heat Exchangers & Asia	**463**	351
Harjavalta Metals	**403**	391
Others	**(209)**	(195)
Total	**1 626**	1 669
Operating profit		
Americas	**7**	14
Europe	**(12)**	6
Automotive Heat Exchangers	**18**	21
Appliance Heat Exchangers & Asia	**9**	1
Harjavalta Metals	**12**	14
Others	**(27)**	(3)
Total	**7**	53
Net sales/Group net sales, %	**26**	29
Operating profit margin, %	**0**	3
Operating capital Dec. 31	**779**	935
Return on operating capital, %	**1**	6
Capital expenditure	**106**	149
Depreciation	**81**	77

Deliveries

Tonnes	**2003**	2002
Americas	**91 000**	98 000
Europe	**139 000**	145 000
Automotive Heat Exchangers	**89 000**	88 000
Appliance Heat Exchangers & Asia	**103 000**	90 000
Deliveries within the business area	**(2 000)**	(6 000)
Total	**420 000**	415 000
Order backlog Dec. 31	**66 000**	60 000

Production of Harjavalta Metals

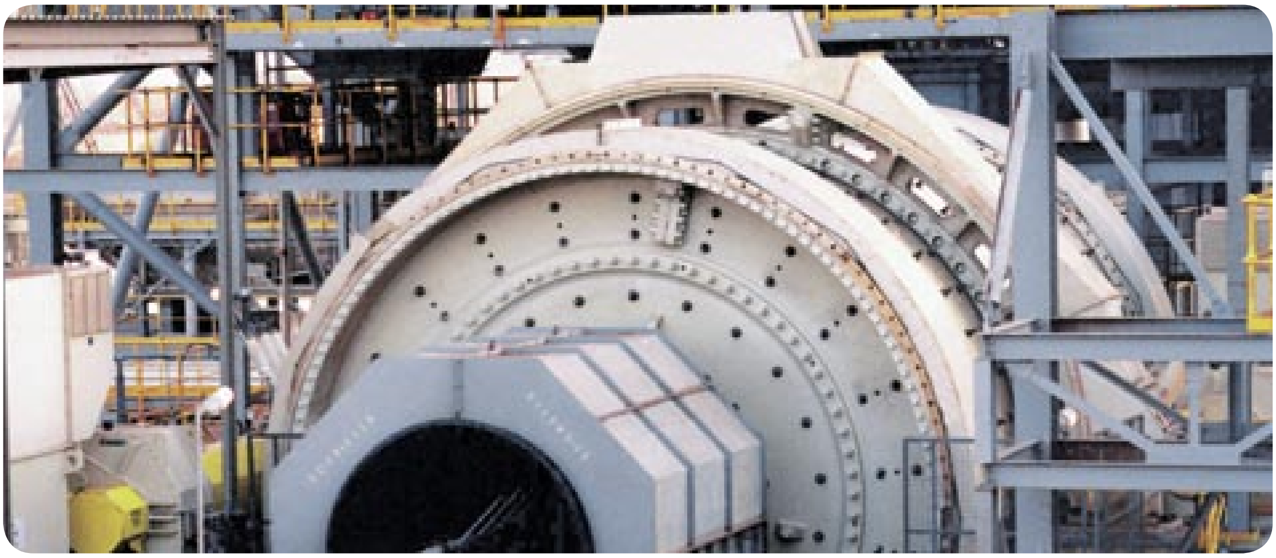
Tonnes	**2003**	2002
Blister copper	**161 000**	161 000
Cathode copper	**126 000**	115 000

Personnel

Dec. 31	**2003**	2002
Americas	**981**	1 028
Europe	**2 567**	1 882
Automotive Heat Exchangers	**646**	681
Appliance Heat Exchangers & Asia	**3 188**	3 367
Harjavalta Metals	**–**	436
Others	**203**	170
Total	**7 585**	7 564

Balance sheet key ratios and personnel figures at the end of 2003 include the effect of the Boliden transaction.

Outokumpu Technology



Outokumpu is one of the leading developers and suppliers of technology in its field. Outokumpu Technology designs and delivers plants, processes and equipment and it offers engineering, project and support services for the minerals processing and metallurgical industries being a responsible partner throughout the life-cycle of the investment. Outokumpu's strength is its in-depth understanding of customer needs due to solid experience in metals, innovativeness and extensive R&D resources. Many technologies developed by Outokumpu are market leaders in their respective fields. Outokumpu Technology operates worldwide, and it has a wide network of sales and service centers in its main market areas.

Changes in the business portfolio

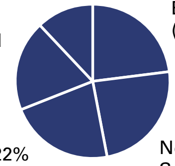
As part of the transaction between Outokumpu and Boliden, Boliden's technology sales business, Boliden Contech, was transferred to Outokumpu Technology at the end of 2003. Contech has annual net sales of about EUR 13 million and a payroll of some 100 employees. Contech's product and service offering, especially in precious metals technologies, will be integrated into Technology during 2004.

Outokumpu's filter business, comprising the Hoesch, Pannevis and Ceramec® trademarks, was sold to Larox of Finland at the beginning of 2004. The divested business had net sales of EUR 39 million in 2003 and it employs some 170 people.

Order intake on the rise

The market outlook for technology sales improved considerably in the third quarter of 2003. Customers have launched their investment projects, especially in emerging markets. New orders totaling EUR 456 million were landed in 2003, and the order backlog at the end of the year was EUR 356 million.

Net sales by market area



KEY FIGURES

€ million	2003	2002
Net sales	**402**	399
Operating profit	**0**	4
Net sales/Group net sales, %	**7**	7
Operating profit margin, %	**0**	1
Operating capital Dec. 31	**17**	35
Return on operating capital, %	**2**	10
Capital expenditure	**13**	8
Depreciation	**6**	6
Order backlog Dec. 31, € million	**356**	370
Personnel Dec. 31	**1 706**	1 737

17.9.2003
Tapani Järvinen to head Technology

19.9.2003
Technology to deliver the world's largest chromite pellet plant to Kazakhstan

30.9.2003
Technology to deliver copper plant to Laos

6.10.2003
Turula awarded for human resource development

20.10.2003
Large deals of alumina and aluminium technology

23.10.2003
Technology to modernize a sulfuric acid plant in Turkey

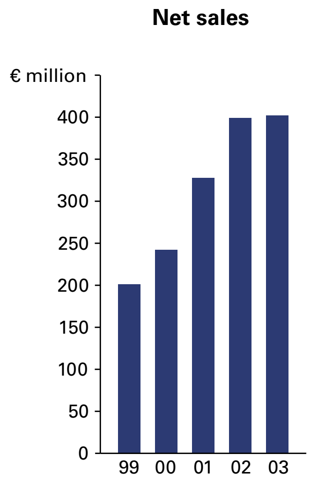
3.11.2003
Technology to deliver a copper plant to Mexico

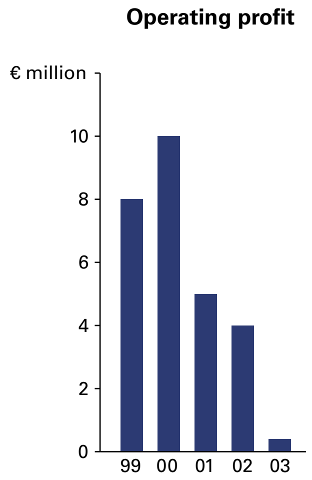
4.11.2003
Technology to deliver a third sinter plant to India

3.12.2003
Outokumpu and De Nora Elettrodi testing new clean copper technology

22.12.2003
Outokumpu to sell its filter business to Larox

9.1.2004
Sale of the filter business to Larox completed





The most important orders, worth some EUR 160 million in total, were two alumina calcinations plants to Alunorte in Brazil, minerals processing equipment and a copper solvent-extraction and electro-winning plant to Sepon project in Laos, a chromite pellet plant to Kazchrome's Donsky project in Kazakhstan, modernization of a sulphuric acid plant to Bagfas in Turkey, a pitch handling plant for Dubai Aluminium in Dubai, a sintering plant for Tata Iron & Steel in India, a copper solvent-extraction and electro-winning plant for Industrial Penoles in Mexico and minerals processing equipment to Kansanshi project in Zambia.

Improved order backlog not yet showing in profits

Technology's result for 2003 was weak. The good trend in order intake did not yet have time to feed through into full-year result, though fourth-quarter result was already good. The operating profit of Outokumpu Technology in 2004 is expected to improve thanks to the order backlog and better market conditions.

Research and development

Outokumpu Technology engages in active research and development work. Research and development expenses in 2003 amounted to some EUR 10 million. The most important research projects were the HydroCopper™ process and the Circofer® direct reduction method. The HydroCopper™ method is suited to copper production, especially at mine sites and its commercialization will continue.

An important copper solvent-extraction and electro-winning reference plant was delivered to Laos as part of the Sepon project. The first Minimill plant for processing copper scrap was also commissioned successfully in Russia.

At the beginning of 2004, Outokumpu Research, a reseach center located in Pori, Finland was transferred to the Outokumpu Technology business area as an independent unit. Outokumpu Research had net sales of EUR 10 million in 2003 and a payroll of nearly 200 employees. Intra-group projects covered about 95% of its net sales. The units transferred to Boliden at the turn of the year accounted for about 20% of net sales. In accordance with the technology and research cooperation agreement between Outokumpu and Boliden, cooperation with these units will continue.

HydroCopper™ is Outokumpu Research's largest-ever project. The pilot plant that started up in January at Pori provided employment for about 60 people for a full year. Other pilot plant and research projects included copper ore leaching, extraction and neutralization tests, flash smelting tests on impure copper concentrates and process development research on concentrating nickel-copper-platinum metals ore.

Mining and smelting operations to new Boliden

At the end of 2003, Outokumpu and Boliden completed a major transaction, through which Outokumpu sold its zinc mining and smelting, as well as copper smelting and refining operations to Boliden. At the same time, Outokumpu acquired Boliden's copper fabrication and technology sales businesses.

The transaction freed up for Outokumpu substantial financial resources and, in line with Outokumpu's strategy, shifted the focus further ahead in the metals value chain – toward fast growing stainless steel, selected higher value-added copper products and technology sales. Outokumpu has a 49% holding in new Boliden.

The operational and strategic synergies of the transaction ensure that Outokumpu's shareholders will benefit more from having new Boliden to own the divested businesses than if they were wholly owned by Outokumpu. The copper fabrication units acquired from Boliden in turn offer potential for improved productivity and profitability when these units are combined with Outokumpu's European copper products business.

The total consideration of the units sold was EUR 849 million. Outokumpu booked a EUR 208 million gross capital gain on the transaction, of which EUR 106 million was entered as unusual item in the fourth-quarter 2003 result. In addition, there is a deferred capital gain element which corresponds to the 49% of the gross capital gain. The consideration of the units acquired was EUR 54 million. The acquired businesses generated net sales of EUR 270 million in 2003. As a result of the transaction, Outokumpu's gearing decreased by some 40 percentage points. As part of the financing for the arrangement, new Boliden will arrange an EUR 150 million rights issue in March 2004. Outokumpu has committed to participate in the issue in full proportion to its holding in the company.

New Boliden that was created through the transaction is one of the world's leading mining and smelting companies with increased financial and operational flexibility. The transaction stepped up the pace of consolidation among both copper and zinc producers. New Boliden is now Europe's largest and the world's eighth largest producer of copper metal and Europe's largest and the world's fifth largest producer of zinc metal. As a zinc miner, the company is Europe's largest and the world's fourth largest. New Boliden's pro forma net sales in 2003 are estimated to have been about EUR 1.6 billion, and it had some 4 800 employees. New Boliden's management has estimated that the transaction will result in synergies – mainly related to raw materials and commercial optimization – of about EUR 25–30 million annually. In addition, in the future the company will be able to benefit from synergies connected with capital expenditure.

Outokumpu's investment in new Boliden consists of a 49% holding in the company and a subordinated debenture of about EUR 146 million. Outokumpu does not intend to increase its holding in new Boliden and is not seeking a majority position in the company. In time, Outokumpu may reduce its shareholding by a way of well-controlled transactions.

More about Boliden at www.boliden.com.

Businesses sold to Boliden	Consideration	Businesses acquired from Boliden	Consideration
Zinc business • Kokkola zinc smelter • Odda zinc smelter • Outokumpu Zinc Commercial Tara zinc mine Copper smelting and refining business • Harjavalta Metals	82 446 475 new Boliden shares, corresponding to a 49% holding EUR 146 million subordinated debenture EUR 373 million in cash	Copper fabrication units • in Sweden, Belgium, the Netherlands and Britain Technology sales • Boliden Contech	5 million new Outokumpu shares

KEY FIGURES

€ million	2003	2002
Net sales		
Zinc	**396**	418
Harjavalta Metals	**403**	391
Tara mine	**83**	18
Operating profit		
Zinc	**16**	3
Harjavalta Metals	**12**	14
Tara mine	**(18)**	(25)

Production

Tonnes	2003	2002
Zinc	**407 000**	380 000
Harjavalta Metals		
Blister copper	**161 000**	161 000
Cathode copper	**126 000**	115 000
Tara mine		
Zinc in concentrates	**188 000**	49 100

Personnel

Dec. 31	2003	2002
Zinc	–	1 117
Harjavalta Metals	–	436
Tara mine	–	667

Zinc has been reported as a stand-alone division, Harjavalta Metals under Copper and Tara under Other operations in 2003.

Other operations

Non-core businesses, the Business Support Unit (BSU), Corporate Management and industrial holdings are reported under Other operations.

Exiting mining to conclusion

In line with its strategy, Outokumpu has exited metals mining operations. In addition to the Tara zinc mine that was sold to Boliden, Outokumpu sold its precious metals mining operations, its 49% stake in Arctic Platinum Partnership and its shares in Inmet Mining in 2003.

Operations of the Hitura nickel mine, which is part of Other operations, will probably be wound up in 2005 due to depletion of the ore body. The Kemi chrome mine will, however, continue to be an essential part of Outokumpu Stainless' integrated production chain at Tornio.

Business Support Unit

The Business Support Unit (BSU) brings together group-wide expertise and processes that support the businesses. The unit comprises financial services, procurement, IT and business processes, sales, M&A and legal affairs, intellectual property rights, environment, health and safety (EHS), treasury and risk management, human resources, financial control and tax management, as well as corporate communications.

BSU aims to further develop group-wide business support processes by harmonization and rationalization measures. During 2003 a special effort was made to improve the efficiency of IT and procurement. In addition to Finland, financial service center sites were set up in Avesta, Sweden and Buffalo, the US.

Other

Since the beginning of 2004, Outokumpu Research has been part of the Technology business area.

Outokumpu Rossija, which specializes in Russian trade, was moved under Outokumpu Stainless' Coil Products division at the beginning of 2004.

Among Outokumpu's major industrial holdings are its 49% interest in new Boliden and its 32% holding in Okmetic, which produces silicon wafers.

KEY FIGURES

€ million	**2003**	2002
Net sales		
Mining	**107**	106
Outokumpu Rossija	**121**	87
Others	**162**	143
Total	**390**	336

Personnel Dec. 31.	**2003**	2002
Mining	**125**	874
Outokumpu Rossija	**30**	35
Outokumpu Research	**202**	188
Business Support Unit	**418**	370
Other business and service units	**64**	70
Corporate Management	**29**	28
Total	**868**	1 565

Mine production figures are presented on page 80.

Human resources

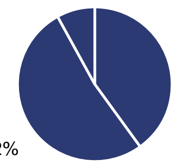
Skilled and motivated people are the driving force behind Outokumpu's success.

Outokumpu has defined three group-wide HR management processes that are to be applied across all business units. First, every employee should know what is expected of him or her, and it is the task of supervisors to give feedback on job accomplishments. This is done both through day-to-day interaction and by means of a regular performance-appraisal dialogue. Second, all business units are required to make regular measurements of the workplace atmosphere by means of the O'People Employee Survey. Third, all units must regularly assess their unit's management potential (Management Review Process). The results of the assessments are used in the recruitment process with the aim of promoting personal growth in step with job tasks and ensuring career rotation within the Group.

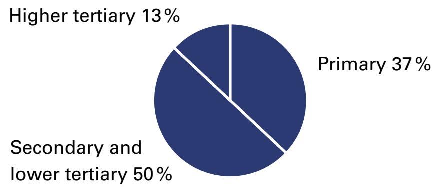
Outokumpu's business units are responsible for defining and implementing their own competitive strategy. Human resource management plays a central role in this process. The units actively build recruitment, performance assessment, remuneration and training systems that are tailored to their needs, and they deal with issues relating to employment contracts and well-being at work.

During 2003, a total of five development programs – O'Talent, Leading the Way and Outokumpu Management Development Program – were carried out and more than 100 people participated in them. In addition, the business areas ran numerous development programs tailored at their units' specific needs. Employees from different personnel groups participated in these programs.

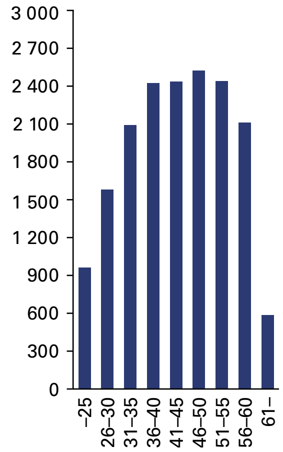
Educational background of permanent employees



New permanent employees, 822



Personnel age profile (permanent employees)



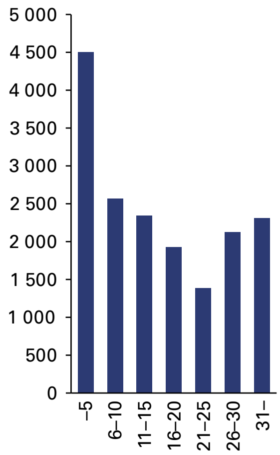
As in previous years, Outokumpu Stainless carried out the Management Review Process aiming at identifying management potential. It was run on a pilot basis at two units of Outokumpu Copper as well. The scope will be expanded in 2004 with the aim of arriving at a continuous group-wide assessment of management potential in 2005.

The employee survey identified concrete areas for improvement

In 2003, the O'People Employee Survey covering more than 8 000 Outokumpu employees in 14 countries was carried out for the first time across the Group. The units and working communities will make use of the survey results in developing their operations. The survey covered broadly Copper's and Technology's units, but it was not yet extended to the Stainless units. The surveys will be continued regularly and expanded to cover all Outokumpu employees. This will yield reference information on the general atmosphere in Outokumpu workplaces and how it is developing.

The overall outcome of the employee survey that was conducted in 2003 shows that on average Outokumpu staff views their employer slightly more critically than do the employees of peer companies. On the other hand, employees are very satisfied with the amount of training they receive and with the recognition they get from their supervisors, as well as the encouragement to develop their skills. Most Outokumpu employees feel that their jobs are challenging and interesting and they are clearly committed to their employer and ready to give their very best contribution to Outokumpu's success. Most feel that their work brings satisfaction, though at the same time, many

Personnel by years of service (permanent employees)



Human resources

mention that the work is mentally taxing and causes stress. Areas that were singled out for development were, for example, insufficient feedback and communication. Furthermore, working conditions at certain units should be improved. Employees feel that decision-making within Outokumpu is bureaucratic, with partially unclear decision-making authorizations. This points up a need to develop leadership. In many workplaces, team spirit is weak and it cuts down the willingness to assume personal responsibility. In these cases, another drawback is that there are difficulties between people in problem-solving situations. Another challenge is to develop Outokumpu's internal employer image. Uncertainty about staying in one's job was noted at units that had weak financial performance.

Big structural changes are transforming human resource management

In recent years, Outokumpu's personnel has been involved in sweeping changes as the Group has implemented its growth and transformation strategy. The integration of the administrative functions of Outokumpu and Outokumpu Stainless – formerly AvestaPolarit – has been seen to completion. The integration of the units that were transferred from Boliden to Outokumpu at the end of 2003 is underway.

The melding of different corporate cultures is continuing, and it will be supported by Outokumpu's new brand, which was introduced at the beginning of January 2004. The new brand brings together all the businesses under a unified visual identity and common customer-oriented brand values. The Group's set of core values underpins management, and a unified brand plays a central role in communicating the values. The value discussion is being continued group-wide during 2004, with Outokumpu Stainless and the units acquired from Boliden – which did not take part in the value discussion in 2002 – now joining in.

Though in the midst of changes, Outokumpu is striving for good management and leadership, which are embodied in clearly defined objectives and responsibilities, and through giving and receiving regular feedback. The management principles in line with Outokumpu's core values must form the framework for the entire process, because each and every Outokumpu employee is entitled to good leadership.

Challenges for human resource management

Outokumpu is currently in talks with employee representatives on the formation of a Europe-wide personnel participation system. In 2004, the key tasks of human resource management will be not only to continue the integration work and the value discussion, but also to introduce the joint human resource management processes that have been set as targets (Performance-Appraisal Dialogue, O'People Employee Survey and Management Review Process) throughout the group. To support this effort, tried-and-true tools will be made available to the business units, notably, via the Group intranet, such as the employee survey in electronic format.

KEY FIGURES	2003	2002
Net sales/person, € million	**0.3**	0.3
Incentives of total remuneration costs, %	**3.8**	4.5
Training costs of total remuneration costs, %	**1.1**	1.2
Training days/person	**3.7**	3.0
Days lost due to strikes	**7 047**	1 698
Turnover, %	**7.4**	6.6

Environment, health and safety

Outokumpu observes group-wide environmental, health and safety principles. The objective is to continuously improve the level of environmental protection and occupational safety.

Today, the environmental impacts of Outokumpu's operations derive primarily from stainless steel production and energy consumption. The fabrication of copper products and sales of technology have only minor impacts on the environment.

The key environmental targets are to decrease fugitive emissions, increase energy-efficiency, promote the utilization of by-products, reduce water consumption and decrease discharges to water, as well as to halve the frequency of accidents.

Voluntary energy-saving agreements and projects are continuing at Outokumpu units in various countries. Improving energy-efficiency of processes remains the highest priority. In the Nordic countries, Outokumpu's consumption of electric energy was 4.7 TWh in 2003, and outside the Nordic countries some 1 TWh.

Good progress in developing environmental management systems

Outokumpu aims that all its production sites have certified environmental management systems by the end of 2005. During 2003, the stainless steel plants in Malmö, Avesta and Fagersta in Sweden, the Wildwood plant in the US, as well as the Västerås copper products plant in Sweden certified their environmental management systems. Now altogether 27 sites have a certified environmental management system in place. Environmental impacts have also diminished thanks to the environmental management systems and operations are now more reliable and there are fewer disturbances.

No significant non-compliances

There were no significant non-compliances in 2003. There were a few minor breaches of permit conditions that were registered according to local practice at the stainless steel and copper products sites. A temporary non-compliance was recorded at the Harjavalta smelter in the spring during the annual maintenance when acidic water from washing the smelter's waste heat boiler and electrostatic precipitator was led to the waste water treatment plant, which did not have sufficient capacity to precipitate out the metals. Despite its environmental investment, difficulties have still been encountered at Pori in reaching the emission limit value that has been set for the foundry's off-gas treatment plant.

Sulfur dioxide emissions have originated mainly from the Harjavalta smelter. The sulfur dioxide and dust emissions at

Harjavalta were the smallest ever. The dust emission diminished by 42% from the figure reported in 2002.

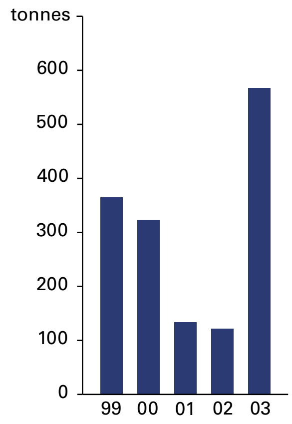
Most of the metal discharges to water originate from Harjavalta, the Odda zinc plant, the Tara mine, the copper products plants of Pori and Buffalo and the stainless steel plants at Avesta and Tornio. Most particulate emissions have come from the stainless steels plants at Tornio, Avesta, Degerfors and Sheffield, the hot rolling mill at New Castle as well as from the Harjavalta smelter and the Kemi mine. Emissions and discharges at other sites are insignificant.

Carbon dioxide emissions in 2003 amounted to about 1 160 000 tonnes, of which the Tornio plant accounted for 635 000 tonnes.

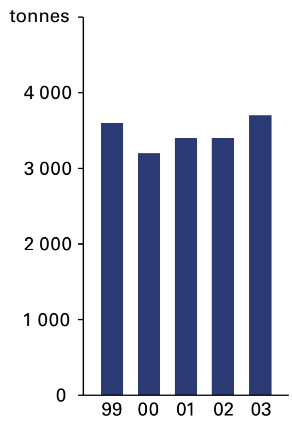
Emissions trading will mainly affect through higher price of electricity

In 1992, the Climate Change Convention at the United Nations Earth Summit in Rio de Janeiro approved a Framework Convention on limiting greenhouse gas emissions. It was supplemented in 1997 when the Kyoto Protocol was signed, whereby it was agreed that the industrial countries would take

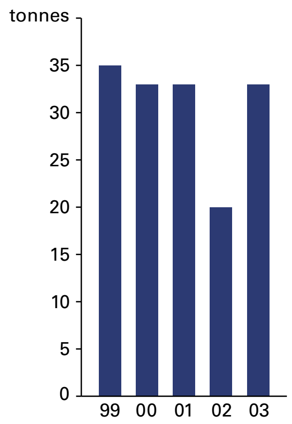
Particle emissions to air



Sulfur dioxide emissions



Metal discharges to water
(copper, nickel, zinc, molybdenum, chrome, lead, arsenic)



on the obligation of reducing their total emissions by 5.2% of the 1990 level during 2008–2012. Of the undertaking countries, the US, Australia and Russia have not ratified the treaty. The obligation did not concern the developing countries and, notably, China.

The European Union has, for its own part, committed itself to an 8% reduction compared with the 1990 level. The Kyoto Protocol provided for a flexible mechanism, including emissions trading, in which a country that came in below its quota could sell emissions allowances to a country that had exceeded its quota. In order to reach this target, the European Union has decided to begin emissions trading already in 2005–2007. The relevant directive is in the implementation stage. Each plant's emissions allowance will be decided at the national level. If actual emissions are greater, the plant will be obligated to purchase additional allowances. The European Commission will make final approval of the national initial allocation for the different players.

The Outokumpu sites covered by the EU's emissions trading directive are the stainless steel production plants in Tornio, Finland, Avesta and Degerfors in Sweden, and Sheffield in Britain.

The cost effects of emissions trading on Outokumpu's operations relate to the price of electric energy and the emissions allowances that may be purchased eventually. A rise in the price of electric energy will most likely have a greater impact.

Preparation of emissions trading is still in progress at both the national and EU level. Plans for the national initial allocations are to be brought before the European Commission by the end of March 2004.

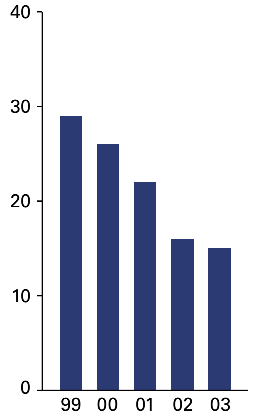
Environmental permits

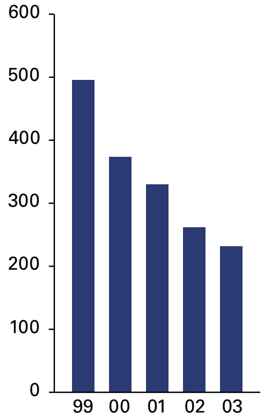
All Outokumpu units have valid environmental permits. The waste interpretations for slag produced in ferrochrome production at the Tornio site and for the metal scrap that is used as a raw material at the stainless steel plant, as well as the by-products of the mines have been appealed to the Supreme Administrative Court of Finland. In September 2003, the European Court of Justice handed down its preliminary ruling as requested by the Supreme Administrative Court with respect to the environmental permit decision for the Kemi mine. The Supreme Administrative Court has not yet issued its decision in the matter.

Environmental investments and expenditure

Environmental investments amounted to a total of approximately EUR 14 million. In line with the company's objective, the largest environmental investments in 2003 related to the improvement of the recycling of cooling water and treating of waste water. Environmental investments of the Tornio site amounted to EUR 3 million. At Harjavalta EUR 1.7 million were invested when the construction of the new landfill area was started. Other significant investments include the final work that was carried out on the surface water collection and recycling system and to modernize the waste water treatment plant at a total cost of EUR 1.5 million at the Odda zinc smelter and the sul-

The information for 2003 includes the zinc mining and smelting and copper smelting and refining operations that were transferred to new Boliden at the end of 2003. Information on Outokumpu Stainless is now reported for the first time in its entirety. Accordingly the 2003 environmental information is not comparable with previous years.





fur concentrate filter worth EUR 1 million at the Kokkola zinc smelter. A new bag filter for flue gases from continuous casting was built worth EUR 1.1 million, as well as an ultra-filtration unit for used emulsions worth EUR 0.2 million at Avesta. The EUR 0.9 million investment at Kloster, Sweden related to the reduction of nitrogen oxide emissions. Environmental investments at Nyby totaled EUR 0.6 million. An investment of EUR 0.4 million was made at Degerfors for boosting the efficiency of waste water treatment and for dust recovery. In addition, investment on the recycling of cooling water amounted to EUR 0.4 million at Avesta and EUR 0.2 million at Pori. At Torshälla EUR 0.4 million was invested in recycling of and energy recovery from cooling water. The Fagersta site in Sweden, which manufactures stainless steel tubular products, invested a total of EUR 0.3 million particularly for the development of energy recovery.

Operating costs for environmental protection amounted to about EUR 50 million in 2003.

Environmental liabilities and risks

In the US, the nearly 20-year long PGT groundwater case is still pending. The issue is explained in greater detail in the note 20 to the financial statements.

Intermittent non-compliances at the Zutphen brass strip plant in 2000–2001 were up for a hearing in a local court in December. The court ordered the payment of an EUR 80 000 fine. Outokumpu has appealed concerning the grounds for the fine. After the non-compliances occurred, all the corrective and preventive measures have been carried out.

Outokumpu is not a party in any significant juridical or administrative proceeding concerning environmental issues, nor is it aware of any environmental risks that would have a material impact on the Group's financial position.

Health and safety

The goal of the occupational safety actions carried out across the Outokumpu Group has been to halve the frequency of accidents compared with the average for the previous five years. Six sites reached this target: Harjavalta, Neumayer, Odda, Tara, Zhongshan and Zutphen. Nevertheless, the Group's average frequency of accidents was the same as in 2002. The program will continue.

During the year, there were two fatal accidents: one at the Pori copper products plant in January and the other one at the new stainless steel melt shop at Tornio in September. The explosive fire at the melt shop took the lives of three people. These cases are still under investigations.

In September, a group-wide occupational safety seminar was organized in Espoo. A discussion of experiences was held on issues such as technical protective solutions for machinery, and the attendees were briefed on the health risks of new microbes.

The Outokumpu Occupational Safety Award for 2003 was awarded to the Odda zinc plant for its excellent occupational safety work that has yielded good results.

Corporate social responsibility

Outokumpu cooperates with various authorities and organizations on the development of its environmental and safety practices. Outokumpu experts participate in preparation of legislation as members of working groups and also in commenting on issues both at the international and national level. The main issues during 2003 were waste and landfill statutes, climate change and water legislation.

Development of group-level corporate social responsibility reporting was started in 2003. The basic study involved a survey of the Group's administrative and reporting practices as well as the management, present situation and development needs in the area of social responsibility issues compared with the GRI principles of reporting on sustainable development.

In 2003, the transport functions of the Avesta plant in Sweden received the Bra Miljöval (Good Environmental Choice) certificate from Green Cargo, as well as the Ecolabel certificate from the Swedish Society for Nature Conservation.

Additional information on environmental issues is available at www.outokumpu.com.

Risk management

Introducing renewed risk management principles

In December 2003, Outokumpu's Board of Directors approved the Group's new risk management policy defining the objectives, approaches and areas of responsibility of Outokumpu's risk management.

The objective of Outokumpu's risk management is to support the Group strategy and business targets. Risk management also optimizes the Group's risk profile from the perspective of shareholders as well as other stakeholders, such as customers, suppliers and the personnel.

Outokumpu has defined a risk to be anything, which might have an impact on Outokumpu's performance against its objectives. Risks can thus be threats, factors of uncertainty or lost opportunities relating to present or future operations.

Outokumpu's risk tolerance provides the range in which the Group's capital structure and earnings can vary annually. The CEO and the Group Executive Committee confirm the Group's risk tolerance each year as part of strategic planning process. In practice, Outokumpu's risk management process is divided into four stages: identification of risks; assessment and measurement; controls and mitigation; and reporting. The risk management process will be integrated into the Group's management system.

The Board of Directors has the ultimate responsibility for the Group's risk management issues. The CEO and the Group Executive Committee are responsible for defining and putting into use risk management procedures and monitoring that risks are taken into account in the Group's strategic planning. The business units are responsible for managing the risks related to their operations. Business Support Unit, on the other hand, supports the implementation of risk management policy and develops practical ways of working. The external and internal auditors monitor the proper functioning of the risk management process.

Strategic and business risks

Strategic and business risks relate to the fundamentals of the business and are often non-quantifiable. Strategic risks relate to, among others, the Group's business portfolio, the market position or major investments. Business risks, in turn, are connected with the operating environment, customers' behavior and the economic outlook.

Cyclical nature of the metals industry

Outokumpu operates in an industry that is cyclical in nature, following general economic trends. Metal prices and conversion margins have been highly volatile and are affected by a number of factors beyond Outokumpu's control. Among such factors are the global economic and political conditions, the supply and demand for raw materials and products, the level of inventories maintained by producers and customers as well as international exchange rates. In addition, demand in certain Outokumpu's customer sectors, such as the automotive industry as well as building and construction, show seasonal variation.

Although Outokumpu has striven to mitigate the impact of the volatility by moving further downstream in the value chain and by exiting the mining business – which is highly sensitive to metals price volatility – as well as zinc and copper smelting, any substantial changes in the world economy, a recession in customer sectors or a prolonged fall in conversion margins can have an adverse effect on Outokumpu's operations and financial performance. Outokumpu's sensitivity to changes in conversion margins and exchange rates is discussed in greater detail on page 15.

Raw materials and energy

Apart from its own chrome mine, Outokumpu is dependent on external suppliers for the raw materials it uses and, as a rule the company has long-term agreements with them. The availability and prices of most raw materials and energy are subject to fluctuations. A tightening up of the availability of raw materials or a significant rise in their prices can have an adverse effect on Outokumpu's operations and profits if the hedging instruments used by Outokumpu prove insufficient or if the price rise can not be passed on to customers. Price risks are discussed in greater detail in note 18 to the consolidated financial statements on pages 75–76.

Competition in the metals industry

Competition in the metals industry is keen, and factors such as competitors' increases in production capacity, a decrease in prices or the development of superior products and services can cause difficulties. Metal companies also compete with manufacturers of substitute materials, such as other metals, plastics and composites. Outokumpu's competitiveness and long-term profitability depend to a significant extent upon its ability to maximize capacity utilization rates, maintain cost-efficient production and strengthen its position in the markets for higher value-added products as well as its prowess in creating long-term customer relationships.

The Tornio expansion

Outokumpu's investment program of about a billion euros on increasing the stainless steel capacity at the Tornio plant will come on stream from the beginning of 2005. The additional capacity represents about 5% of worldwide production in volume terms, and global demand for stainless steel has grown at about the same pace annually. Outokumpu has prepared for selling the new capacity for example by expanding its product mix, stepping up the operations of its service centers, especially in Britain, Italy, Germany and Benelux countries, and by beefing up marketing efforts in Asia.

Activities in emerging markets

Outokumpu has operations around the world, including countries in so-called emerging markets, such as Russia and China. Russia is an important source of raw materials and a major market area for Outokumpu Technology. China, in turn, has become an important consumer of stainless steel and copper products. Business operations in emerging markets expose Outokumpu to risks relating to changes in political, economic and social conditions. Such risks include e.g. the non-payment of invoices, the nationalization of assets, social, political or economic instability, greater currency risks and difficulty in repatriating profits. In addition, in certain countries in which Outokumpu operates, the legal system and methods of enforcing legislation may be fairly undeveloped, and this can also limit Outokumpu's possibilities of defending, say, its intellectual property rights.

Operational risks

Operational risks arise as a consequence of inadequate or failed internal processes, people's actions, systems or external events. Risks of this kind are often connected with a plant's operations, projects, information technology or infrastructure, and if they materialize, this can lead to liabilities, damage to property, suspension of operations or environmental impacts. Outokumpu continually carries out risk surveys to assess such risks and keep them under control. Operational risks have been covered partly by insurance.

M&A activity and management resources

Outokumpu's growth, competitive position and profitability have been bolstered significantly in recent years through acquisitions and the successful integration of the acquired companies. Outokumpu's continuing success will depend largely on its management and other key employees. Up to now, Outokumpu has not had difficulties in hiring skilled personnel and keeping them in its employ.

Financial risks

Financial risks comprise market, liquidity and default risks. The principal task of Outokumpu's financial risk management is to reduce the impacts of market price fluctuations and other factors of uncertainty on earnings as well as to ensure sufficient liquidity. The management of financial risks is discussed in detail in note 18 to the consolidated financial statements on pages 75–76.

Financial statements

Corporate review of the year

Outokumpu's financial result for 2003 declined due to major transformation process of the Group, slow global economic growth and difficult market conditions. The Group's financial performance deteriorated compared to the previous year, primarily due to the fall in the profitability of Stainless and Copper. Capital gains on the asset disposals contributed favorably to the financial result. The Group's net sales amounted to EUR 5 921 million (2002: EUR 5 558 million) and operating profit was EUR 206 million (2002: EUR 267 million). Profit for the financial year was EUR 92 million (2002: EUR 159 million) and earnings per share were EUR 0.54 (2002: EUR 1.15).

Cash flow from operating activities was EUR 214 million (2002: EUR 334 million) and capital expenditure amounted to EUR 622 million (2002: EUR 2 042 million). Group's capital structure improved markedly and gearing was reduced to 102.8% (Dec. 31, 2002: EUR 122.6%). Asset disposals contributed to the more solid balance sheet structure.

The Board of Directors is proposing to the Annual General Meeting that a dividend of EUR 0.20 per share be paid for 2003.

Demand for stainless steel grew by 7%

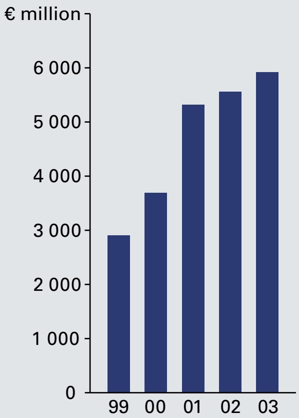
World economic growth accelerated in the second half of 2003 after slow growth in the first half of the year. However, due to the sluggish growth in the first half of the year global economic growth in 2003 amounted to just 2.6%. The recovery took place mainly in the US, where GDP rose 6% in the second half of the year. The US recovery was stimulated by massive fiscal measures and exceptionally low interest rates. Growth remained generally weak in Europe, but there were some faint signs of a recovery toward the end of the year. Chinese economic growth continued robust throughout the year. Also most Asian countries, supported by China, performed well.

Demand for stainless steel grew by some 7% in 2003, coming in above the long-term trend of 5.5%. The growth was led by China where consumption of cold rolled flat products increased by 25–30%. In Europe and in the US, demand remained unsatisfactory. European demand slowed down in the first half of the year but improved after the seasonally slow summer, supported by the rising nickel price. On annual basis demand for cold rolled flat products contracted slightly. The stainless steel market remained very poor in the US for most of the year, and the recovery in demand did not take place until the last quarter. The nickel markets were very volatile and the price more than doubled in the course of the year. The ferrochrome price increased quarter by quarter and the US dollar price rose over 50% during the year.

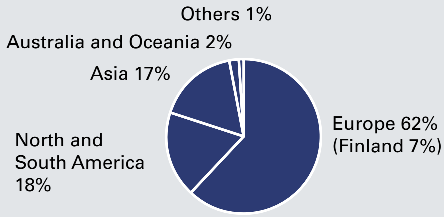
Price development of stainless steel was disappointing in 2003. The oversupply in Europe created by new capacity and imports, that were attracted by the strong euro, put pressure on base price. In the third quarter, the production cuts of some producers helped to balance supply and demand. The German annual average cold rolled base price was slightly lower compared to 2002. The cold rolled stainless steel conversion margin declined by 3% compared to 2002. Demand for quarto plate remained below normal levels throughout the year and the overcapacity in European long products market continued to put pressure on prices. Prices and demand for precision strip remained relatively stable. Prices of tubes decreased slightly toward the end of the year but prices of fittings were quite stable.

Global demand for copper and copper alloy products increased by just 2% in 2003. Asian demand increased by over 10%, while demand fell both in Europe and the US. The US demand fell by about 6% in spite of the strong economic recovery in the latter half of the year. The US industrial sector remained stagnant for most of the year, with housing the only growth sector. The healthy housing starts supported copper tube and alloy wire businesses, but in the telecom and electronics sectors demand fell

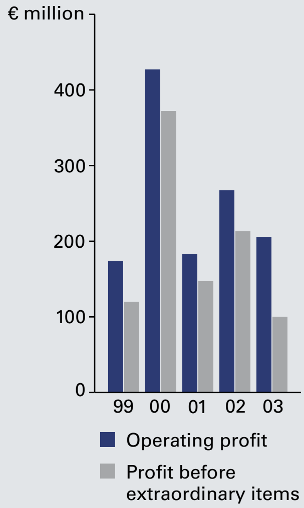
Net sales



Net sales by market area



Profit



clearly below 2002. Toward the end of 2003, there were signs that the strengthening US industrial sector was beginning to feed through. In Western Europe demand for copper products fell by some 2%. The construction sector grew only in few European countries, and in Germany construction was about 10% below year-ago levels. Overcapacity and a tight copper cathode and scrap market faced European producers with mounting problems. Demand continued at a very high level in China. In Japan, the economic recovery resulted in a significant increase in demand from the automotive industry. The Japanese electronics and construction sector continued to improve. Generally, there were heavy pressure on prices in 2003.

The zinc markets were poor for most of the year and recovered only in the last quarter of 2003. Global demand for zinc grew by some 3% driven by the 13% growth in China. Demand dropped in Europe and in the US due to the weakness within commercial construction and the stagnant automotive sector. The zinc metal market was oversupplied, inventories continued to rise and prices rose only in the last quarter of the year. The average US dollar price of zinc was 9% higher than in 2002, but the average price in euro terms declined by 11%. Because of China's massive purchases, the zinc concentrate markets remained tight and treatment charges were low. The average spot treatment charges fell by 4% and contract treatment charges were down 11% compared with 2002.

Net sales up 7%

The Group's net sales rose 7% compared with 2002 and amounted to EUR 5 921 million. The growth was primarily attributable to the increase in stainless steel delivery volumes and higher raw material prices.

Net sales by business

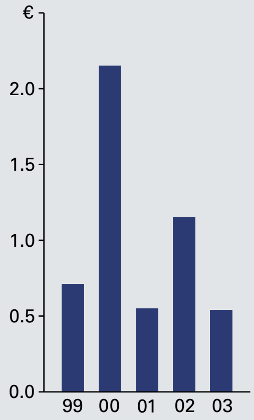
€ million	2003	2002	Change, %
Stainless	**3 449**	3 002	15
Copper	**1 626**	1 669	(3)
Zinc	**396**	418	(5)
Technology	**402**	399	1
Other operations	**390**	336	16
Intra-group sales	**(342)**	(266)	29
The Group	**5 921**	5 558	7

Net sales of Outokumpu Stainless rose 15% compared to the previous year. This resulted mainly from increased delivery volumes and higher raw material prices. A significant part of the increase in deliveries came from stainless steel slabs and hot rolled coils. This decreased the average transaction price compared to 2002. Deliveries of cold rolled products increased 14% on the previous year. The weakening in the US dollar against the euro had a negative effect on net sales.

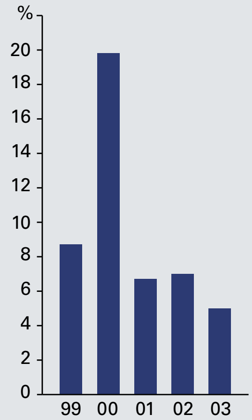
Net sales of Outokumpu Copper decreased by 3% compared with previous year. The drop in sales was mainly due to the lower average conversion margins resulting from weaker product mix, as well as to severe price pressure. Delivery volumes of fabricated copper products rose slightly.

Zinc's net sales declined by 5% in spite of slightly higher delivery volumes. The decrease resulted mainly from the 11% lower average euro price of zinc. Net sales of Outokumpu Technology remained at the previous year's level. Net sales of Other operations increased markedly due to the higher delivery volumes of zinc concentrates from the Tara mine.

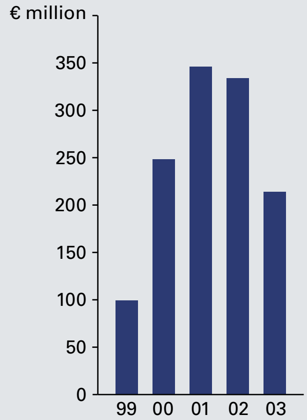
Earnings per share
(excl. extraordinary items)



Return on capital employed



Cash provided by operating activities



The Group's sales to Europe declined to 62% and to Americas to 18%, whereas Asia's share rose to 17%.

More detailed information on geographical distribution is given in note 2 to the consolidated financial statements and breakdown of production figures on pages 27, 31 and 34.

Profits down

The Group's operating profit declined to EUR 206 million (2002: EUR 267 million) and the operating profit margin was 3.5% (2002: 4.8%). Operating profit declined from previous year at both Stainless and Copper. Operating profit includes EUR 119 million of unusual items (2002: EUR 49 million).

Operating profit by business

€ million	**2003**	2002	Change
Stainless	**104**	204	(100)
Copper	**7**	53	(46)
Zinc	**16**	3	13
Technology	**0**	4	(4)
Other operations	**79**	18	61
Intra-group items	**0**	(15)	15
The Group	**206**	267	(61)

At Outokumpu Stainless, operating profit deteriorated appreciably compared to the previous year. The fall in profitability is primarily attributable to the decrease in average conversion margins, which resulted mainly from lower base prices in Europe, a higher relative share of semi-finished products and weaker US dollar against the euro. Furthermore, the geographical sales mix was unfavorable, with large proportion of deliveries going to Asia, where the price level was lower than in Europe. The increase in fixed costs, resulting mainly from the ramp-up of Tornio expansion, had an adverse effect on operating profit. Production difficulties encountered in the billet and bloom casting ramp-up at the Sheffield melt shop postponed the closure of the Degerfors melt shop to the end of the third quarter and cut into profitability. Operating profit includes an EUR 14 million provision for the closure of the Panteg plant in Wales, Britain.

Outokumpu Copper's operating profit declined markedly on 2002. The fall was mainly due to an EUR 18 million cartel fine from the European Commission, lower average conversion margins from weaker product mix and price pressure, one-time restructuring costs, weaker US dollar against the euro and a strike at the Zaratamo plant in Spain. The result includes an EUR 13 million market price adjustment to inventories (2002: EUR 1 million).

Zinc reported a significant improvement in operating profit compared with 2002, thought it was low by historical standards. Profits were up despite the weak US dollar against the euro and the Norwegian krone thanks to currency hedging measures. The smaller unit costs of production contributed to the rise in profitability. Technology managed to break even at the operating profit level despite a difficult start to the year.

The improvement in Other operations' operating profit was particularly due to an EUR 106 million gain on the Boliden transaction, an EUR 26 million gain on the sale of 49% stake in Arctic Platinum Partnership, an EUR 10 million gain on the sale of Inmet shares and an EUR 9 million gain on the sale of precious metals assets.

The Group's net financial expenses increased to EUR 91 million (2002: EUR 46 million). The increase was mainly due to the temporarily high amount of net interest-bearing debt prior to the completion of the Boliden transaction at the end of the year. The Group's profit before extraordinary items was EUR 100 million (2002: EUR 213 million).

The Group's return on capital employed was 5.0% and the return on shareholders' equity 4.7% (2002: 7.0% and 8.0%). Profit for the financial year was EUR 92 million and earnings per share EUR 0.54 (2002: EUR 159 million and EUR 1.15).

Improved capital structure

Cash flow from operating activities decreased from the previous year and was EUR 214 million (2002: EUR 334 million). The decrease was mainly attributable to weaker underlying profitability of key businesses.

Key financial indicators on financial position

€ million	2003	2002
Net interest-bearing debt		
Long-term debt	**1 782**	1 493
Short-term debt	**1 016**	1 352
Total interest-bearing debt	**2 798**	2 845
Interest-bearing assets	**(785)**	(460)
Net interest-bearing debt	**2 013**	2 385
Net interest-bearing debt in relation to net sales, %	**34.0**	42.9
Shareholders' equity	**1 924**	1 906
Debt-to-equity ratio, %	**102.8**	122.6
Equity-to-assets ratio, %	**32.3**	31.1
Cash provided by operating activities	**214**	334
Net financial expenses	**91**	46
Net financial expenses in relation to net sales, %	**1.5**	0.8
Interest cover	**2.0**	3.8

Due to several asset disposals, the Group's net interest-bearing debt decreased on the previous year and stood at EUR 2 013 million at year-end (Dec. 31, 2002: EUR 2 385 million). The Group's equity-to-assets ratio strengthened to 32.3% (Dec. 31, 2002: 31.1%) and the debt-to-equity ratio decreased to 102.8% (Dec. 31, 2002: 122.6%). The target for the gearing ratio is less than 75% by the end of 2004.

The Group's liquidity remained satisfactory throughout the year. At year-end, cash and marketable securities amounted to EUR 230 million. The total amount of committed credit facilities at the end of the year was EUR 1 475 million, of which about EUR 673 million was unused and available to the parent company. In addition to the above facilities, the Group has several uncommitted credit facilities with various financial institutions.

Capital expenditure remained high

The Group's total capital expenditure was still relatively high and amounted to EUR 622 million (2002: EUR 2 042 million). The comparison figure includes EUR 1 118 million used for the acquisition of the AvestaPolarit minority interest. Capital expenditure in 2004 is estimated to decrease compared with 2003, but it will nevertheless exceed the level of depreciation.

Capital expenditure by business

€ million	2003	2002
Stainless	**373**	633
Acquisition of the AvestaPolarit minority interest	**–**	1 118
Copper	**106**	149
Zinc	**60**	23
Technology	**13**	8
Other operations	**70**	111
The Group	**622**	2 042

The EUR 1 billion expansion program at Tornio progressed well, although the ramp-up of the new cold rolling mill proceeded slightly slower than originally planned. The full capacity of the Tornio investment is scheduled to be available in 2005. Commissioning of the new cold rolling mill (RAP5) was started in February, deliveries of hot band began in March and deliveries of cold rolled material started in August. The expansion to increase the hot rolling capacity in Tornio to 1.7 million tonnes is due to be commissioned in the third quarter of 2004. The reconditioning of the first steel melting shop in Tornio was announced in February 2003 and will be carried out in the second half of 2004 at a total investment cost of EUR 55 million. The integration of the quarto plate business of ThyssenKrupp Nirosta, which was acquired in February 2003 at a cost of EUR 59 million, proceeded well. The EUR 73 million Kemi underground mine investment was commissioned at the beginning of September 2003. The increase in long products capacity in the US is proceeding according to plan.

The EUR 88 million modernization program that is being carried out at the Odda zinc plant in Norway is moving ahead at planned cost estimate and schedule. The project will be completed in the autumn of 2004. The construction phase will not cause any significant production losses.

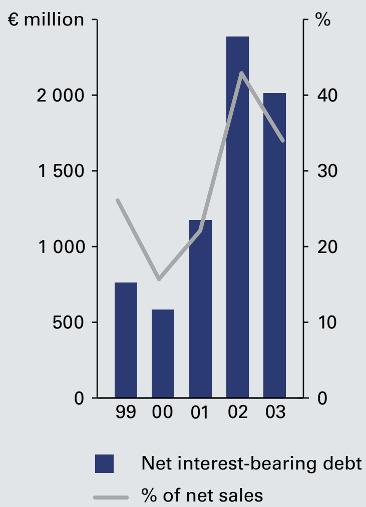
Outokumpu and Boliden completed a major zinc and copper restructuring

On December 30, 2003, Outokumpu and Boliden completed the transaction whereby Boliden acquired Outokumpu's mining and smelting operations within zinc and copper and sold its fabrication and technology sales operations to Outokumpu. New Boliden became one of the world-leading mining and smelting companies within zinc and copper. New Boliden started operations on January 1, 2004.

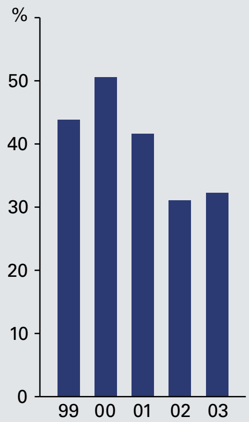
According to an estimate available at the closing, Boliden's total consideration for the acquired Outokumpu assets was EUR 849 million. Boliden's consideration consisted of issuance of new shares in kind to Outokumpu – corresponding to 49% of all shares in new Boliden – and cash payment of EUR 373 million as well as issue of a subordinated debenture to Outokumpu.

The final consideration will be adjusted depending on the closing accounts of the transaction, which will be finalized in March

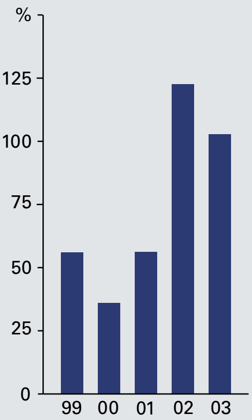
Net interest-bearing debt



Equity-to-assets ratio



Debt-to-equity ratio



2004 at the latest. Any changes in the capital employed of the assets acquired from Outokumpu in the closing accounts will be reflected in the subordinated debenture part of the total consideration. It is currently estimated that the subordinated debenture will amount to some EUR 146 million.

As a partial payment for the mining and smelting assets that Boliden acquired from Outokumpu, Outokumpu subscribed for 82 446 475 new shares in Boliden AB. Following the subscription, Outokumpu owns 49% of all the shares and votes in Boliden. Outokumpu has no intention of increasing this holding and nor will Outokumpu seek a majority position. Outokumpu may in time decrease its shareholding in Boliden by way of well-controlled transactions. Based on the closing price of the Boliden share on the Stockholm stock exchange on December 29, 2003, the total market value of issued shares was some EUR 349 million. The new shares are entitled to full dividends as from the financial year 2003, and carry the same rights as all the other outstanding shares in Boliden.

As a payment for the fabrication and technology sales operations that Outokumpu acquired from Boliden, Outokumpu issued Boliden 5 000 000 new shares in deviation of the shareholder's pre-emptive subscription right. Boliden sold all the Outokumpu shares in January 2004.

The assets acquired from Boliden were consolidated in Outokumpu's accounts at the end of the year. Outokumpu de-consolidated all the assets sold to Boliden at the end of 2003, while the results from these assets were consolidated until the end of 2003.

Outokumpu's gross gain on the sale of its mining and smelting assets to Boliden was some EUR 208 million, of which EUR 106 million was booked in the fourth-quarter financial results as a tax free unusual item. The deal decreased Outokumpu's gearing by some 40 percentage points. In addition to the EUR 106 million gain booked in 2003, there is a deferred gain element corresponding to 49% of the gross gain. The deferred gain will be released in the same period as Boliden will amortize the consolidation goodwill arising from the transaction. The deferred gain can also be released proportionately in the event that Outokumpu's ownership in Boliden falls, and entirely if Outokumpu's ownership in Boliden falls below 20%.

Divestment of non-core assets progressed well

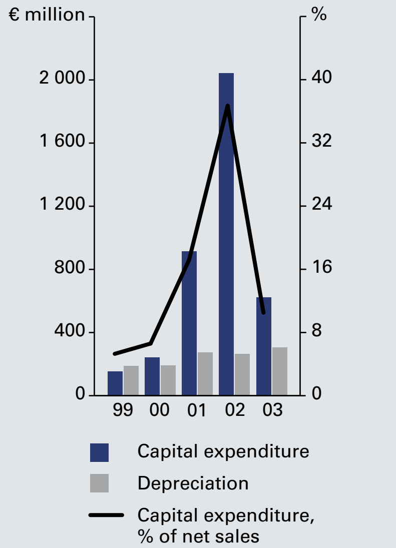
In September 2003, Gold Fields of South Africa exercised its pre-emptive right to acquire Outokumpu's 49% stake in Arctic Platinum Partnership and paid Outokumpu USD 23 million in cash and USD 8 million in Gold Fields shares, which Outokumpu sold immediately. A capital gain of EUR 26 million was entered as an unusual item in the third-quarter financial results of Other operations.

In October 2003, Outokumpu and Inmet agreed on removing the lock-up period for the Inmet shares held by Outokumpu. Outokumpu had received the shares as a partial payment for the sale of the Pyhäsalmi mine to Inmet in 2002. Outokumpu sold the shares for EUR 23 million, net of costs. The acquisition price of the shares was around EUR 13 million. A capital gain of EUR 10 million was entered as an unusual item in the fourth-quarter financial results of Other operations.

In November 2003, Outokumpu sold to Dragon Mining of Australia its wholly-owned precious metals mining assets, including the Orivesi gold mine and the Vammala concentrator as well as certain exploration assets, most of which are located in Finland. The total consideration was EUR 11 million, comprising EUR 6 million in cash and the balance in Dragon Mining shares. A capital gain of EUR 9 million was entered as an unusual item in the fourth-quarter financial results of Other operations.

The sale of Outokumpu Technology's filter business to Larox of Finland was completed in January 2004. At the closing, the

Capital expenditure and depreciation



total transaction value was EUR 31 million, and the capital employed of the business sold was EUR 12 million. The deal will be entered in the first-quarter 2004 financial results of Technology.

R&D focus on new products and applications

Total expenditure on research and development amounted to EUR 48 million, or 0.8% of net sales (2002: EUR 47 million and 0.8 %). Numerous innovations were made and a record number of patent applications, 74, were filed in 2003. In addition to new products and applications there was a focus on innovative process improvements and lower emissions, shortening of lead times and importance to make good quality.

Within applications, special R&D interest is directed on product development for building and transport vehicle segments. Advanced copper-based solutions for facades and roofing were developed, as well as continuous production technology for patinated surfaces. The automotive applications are approached with a new HyTens® -component concept, where the excellent forming characteristics and work hardening capability of austenitic stainless steel is utilized. A special downstream innovation task force has been assigned to work closely with car manufacturers.

Technology's new revolutionary method to produce copper, HydroCopper™, was demonstrated at the new hydrometallurgical pilot plant commissioned at the Pori research center. Commerzialization of the technology continues. The Circofer®-technology for the direct reduction of iron ore fines was successfully piloted at the Frankfurt research center. It will be further developed in specific applications to open new ironmaking routes.

The most important process development has been the ramp-up of the unique, integrated rolling, annealing and pickling (RAP5) line at the Tornio stainless steel plant. The planned capabilities of the line have been demonstrated in production scale. The quality of various products is equal or better than that from the existing processes and they are approved for demanding applications by the authorities. The concept has aroused even ideas for new production routes for ferritic stainless steel grades. Fine-tuning and process optimization continues, particularly in the pickling section.

Challenging tasks have also been the production swaps of stainless blooms and billets from Degerfors to Sheffield, as well as the move of the quartoplate hot rolling businesses from Germany to Degerfors. Furthermore, a new Micro Mill concept to produce connector strips was implemented in Delaware, Ohio.

Outokumpu is world leader in stainless special grades. The latest member in the family is the lean duplex grade LDX 2101® with low nickel content. It is designed for general construction applications, building and transportation. The special grade knowledge and competence was specifically demonstrated in winning a big desalination plant project in Israel and gas & oil field projects in China. Micro alloyed oxygen free (OF) copper product has been developed to tailor properties for specific end-uses.

Health and safety performance marked by serious accidents

The goal in safety performance was to halve the frequency of accidents compared with the average for five previous years. Some production units reached this target, but the group-level accident rate remained the same as in 2002.

In spite of various actions and positive development in safety there were two fatal accidents during the year. The first fatality took place in January 2003 in Pori. Furthermore, an explosive fire in September 2003 took the lives of three people in Tornio. These cases are still under investigations and the results will be utilized to prevent similar accidents.

Implementation of environmental management systems continued

Outokumpu's key environmental targets are to decrease fugitive emissions, increase energy-efficiency, promote the utilization of by-products, cut down water consumption and decrease discharges to water. In 2003 there were no significant non-compliances and energy saving agreements and projects continued.

Outokumpu's aim is that all of its production sites have certified environmental management systems by the end of 2005. Five new production sites certified their environmental management systems during 2003 and now altogether 27 sites have a certified environmental management system in place. Thanks to implemented environmental management systems the operational security has improved and there are less disturbances.

All the Outokumpu units have the necessary environmental permits in place. Outokumpu is not a party in any significant juridical or administrative proceeding concerning environmental issues, nor is it aware of any environmental risks that could have a material adverse effect on the Group's financial position.

Common tools for human resource development

During the past few years Outokumpu employees have experienced a strong transformation process as the Group has implemented its strategy of growth and transformation. The integration of administrative functions of Outokumpu Stainless (former AvestaPolarit) is now completed and the integration of the companies acquired from Boliden is ongoing.

In 2003, the first O'People employee survey of the Group was conducted with more than 8 000 people in 14 countries participating. Outokumpu units and other working groups will utilize the survey results in order to improve their performance. The survey did not yet include employees of Outokumpu Stainless, but the aim is to conduct surveys regularly so that all Outokumpu employees have a possibility to participate.

Outokumpu Stainless implemented once again the Management Review process, which is aimed at identifying future leaders. The process was also piloted in two units of Outokumpu Copper. Utilization of the Management Review process will be expanded in 2004 with the target to implement it group-wide in 2005.

Outokumpu values – the Outokumpu way – were defined in 2002. The group-wide value process will continue in 2004 and it will also cover Outokumpu Stainless and the units acquired from Boliden.

At the end of the year, the Group employed 19 359 people in some 40 countries. The number of personnel declined mainly due to the Boliden transaction. As a result of the transaction, some 2 200 Outokumpu employees transferred to new Boliden on December 31, 2003. At the same time some 1 200 people joined Outokumpu.

Further details of the geographical distribution of personnel are given under note 2 to the consolidated financial statements.

Personnel by business

Dec. 31	**2003**	2002
Stainless	**9 200**	9 147
Copper	**7 585**	7 564
Zinc	**–**	1 117
Technology	**1 706**	1 737
Other operations	**868**	1 565
The Group	**19 359**	21 130

Repurchase and transfer of the company's own shares

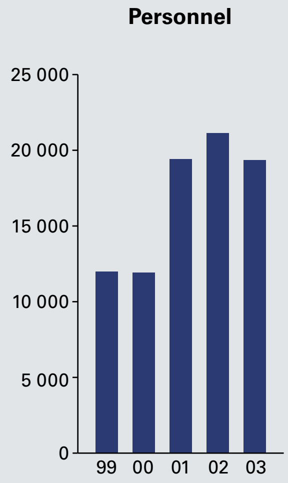
Outokumpu Oyj currently holds 1 123 440 treasury shares, which it has acquired in 2001.

The Board of Directors has a valid authorization from the Annual General Meeting on April 3, 2003 to repurchase and transfer of company's own shares. The authorizations are valid until the next Annual General Meeting. No shares have been repurchased on the basis of this authorization.

In December 2003, Outokumpu signed an agreement whereby it will acquire the remaining 50% holding in its subsidiary Neumayer GmbH. The transaction is aimed to be completed at the end of February 2004. As consideration Outokumpu Oyj would transfer 309 597 treasury shares to the seller.

On February 10, 2004, the Board of Directors confirmed the management remuneration of the second scheme that expired at the end of 2003. Approximately 329 510 treasury shares that the Company currently holds will be transferred to the assigned persons as share part of the total remuneration on February 12, 2004.

The repurchase and transfer of the company's own shares is dealt with more detail on pages 85–87.



Competition law issues

In December 2003, Outokumpu received a notification from the European Commission concerning participation by Outokumpu's copper tube business in a cartel with respect to air-conditioning and refrigeration (ACR) tubes in the European Union. The Commission has concluded that the company has participated in a cartel and has therefore decided to fine Outokumpu EUR 18 million. Outokumpu will study the Commission's decision and decide whether to appeal or not. A provision for the fine was entered as an unusual item in the fourth-quarter 2003 financial results of Outokumpu Copper.

Outokumpu had also received a Statement of Objections relating to sanitary tubes in September 2003. Outokumpu has submitted its written reply and the Commission's decision is expected during 2004. As the proceedings are still ongoing, no provision has been entered into the accounts with respect to the sanitary tube proceedings. Outokumpu has cooperated with the European Commission in connection with the investigations.

A united Outokumpu corporate brand launched

In August 2003, following an analysis of the Group's branding hierarchy, Outokumpu decided to align all its businesses under the Outokumpu brand. During the autumn, a renewed communications concept as well as a new visual identity were developed. On January 12, 2004, the project culminated in the launch of the renewed brand and a new visual identity. According to the new brand hierarchy, all Outokumpu business areas have adopted a uniform name structure. The uniformity will help bring together all the strengths of the businesses to form a strong, united Outokumpu brand, and enable all the Group's businesses to leverage the combined strength.

The essence of the brand is crystallized into the Outokumpu factor, which is the competitive advantage Outokumpu gives its customers by helping them enhance the performance of their processes, products and services. It is a factor customers can rely on to help them overcome even the most demanding challenges.

The renewed communication concept focuses on presenting the Outokumpu factor. Various cases will be highlighted to demonstrate where Outokumpu has enhanced customers' performance.

Better profitability for 2004

The global economy is estimated to grow at a rate of about 3–4% in 2004. The steady rise of the US confidence indices, the increase of equity prices and improved corporate profitability all indicate a recovery of the US economy, which is forecast to grow by about 4.5% in 2004. Growth prospects are supported by the weak US dollar and record-low interest rates. It is generally estimated that Europe will lag the US economic growth by about 6–9 months. The strengthening of the euro, however, has cast some uncertainty over the European outlook. The economic outlook remains very bright in Asia, with China being the engine of growth.

Demand for stainless steel has improved for the first months of 2004, bolstered by a significant increase in the price of nickel. The European cold rolled stainless steel base price has also increased marginally in certain markets for the first months of 2004. Capacity utilization rates are improving even though global production capacity continues to rise somewhat in 2004. Sustainable improvement in the stainless steel market is pending the improvement of world economic prospects. The nickel market is forecast to remain strongly undersupplied in 2004 keeping up the expectation of a high nickel price. The ferrochrome market is forecast to remain tight in 2004, and the reference price has risen another 15% for the first quarter.

Tornio ramp-up continues to be the key factor for Outokumpu's profitability. The gradual ramp-up of the cold rolling mill is estimated to have a positive effect on profitability in 2004 because the proportion of cold rolled products will increase. Successful reconditioning of the first melting shop and the capacity increase in the hot rolling mill in 2004 will also have a positive impact on profitability toward the end of the year. The full benefit of the investments will not be achieved until the full capacity is available in 2005. Outokumpu Stainless is expected to post clearly better operating profit in 2004 than in 2003.

The demand for fabricated copper products is expected to strengthen further during 2004. Based on improving market prospects and increasing productivity, the comparable operating profit of Outokumpu Copper in 2004 is estimated to improve clearly from 2003. Also, the operating profit of Outokumpu Technology in 2004 is expected to improve from 2003 thanks to the current order backlog and better market conditions.

Judged from the current market prospects of stainless steel, copper products and technology sales Outokumpu's management believes that the Group's operating profit without unusual items for 2004 will be significantly better than in 2003.

Board of Directors' proposal for profit distribution

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

The Board of Directors is proposing to the Annual General Meeting that a dividend of EUR 0.20 per share be paid from the profits of the financial year ended December 31, 2003 and that any remaining distributable funds be allocated to retained earnings. The suggested dividend record date is on April 7, 2004 and the dividend will be paid on April 16, 2004. All new shares issued in 2003 and all of the treasury shares transferred on February 12, 2004, from the company to the persons belonging to the management's share remuneration scheme are also entitled to a full dividend from 2003.

According to the financial statements at December 31, 2003, the Group's distributable funds total EUR 592 million and those of the parent company EUR 611 million. The proposed dividend corresponds to 38% of the Group's profit for the financial year.

Espoo, February 10, 2004

Heimo Karinen
Juha Rantanen
Evert Henkes
Arto Honkaniemi
Jorma Huuhtanen
Ole Johansson
Matti Puhakka
Leena Saarinen
Soili Suonoja
Seppo Ukskoski

Jyrki Juusela
CEO

Auditor's report

To the shareholders of Outokumpu Oyj

We have audited the accounting, the financial statements and the corporate governance of Outokumpu Oyj for the financial year 2003. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the CEO. Based on our audit we express an opinion on these financial statements and on the parent company's corporate governance.

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

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the CEO 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 19, 2004

PricewaterhouseCoopers Oy
Authorized Public Accountants

Markku Marjomaa
Authorized Public Accountant

Consolidated income statement

€ million		**2003**	2002
Net sales	[2–3]	**5 921**	5 558
Cost of sales	[4]	**(5 306)**	(4 800)
Gross margin		**615**	758
Selling and marketing expenses		**(205)**	(206)
Administrative expenses		**(270)**	(271)
Exploration, research and development expenses		**(55)**	(55)
Unusual items	[6]	**119**	49
Other operating income and expenses	[7]	**6**	(6)
Amortization of positive and negative goodwill on consolidation		**(4)**	(2)
Operating profit	[2–8, 11]	**206**	267
Equity earnings in associated companies	[13]	**(15)**	(7)
Financial income and expenses	[9]		
Net interest expenses		**(98)**	(75)
Exchange gains and losses		**(0)**	15
Other financial income and expenses		**7**	13
Total financial income and expenses		**(91)**	(47)
Profit before extraordinary items		**100**	213
Extraordinary items		**–**	–
Profit before taxes		**100**	213
Income taxes	[10]	**(8)**	(53)
Minority interest in earnings		**0**	(1)
Profit for the financial year		**92**	159
Earnings per share (excluding extraordinary items)		**0.54**	1.15
Earnings per share		**0.54**	1.15
Average number of shares		**171 623 035**	137 658 458

Figures in square brackets refer to the notes to the consolidated financial statements on pages 62–80.

Consolidated statement of cash flows

€ million	**2003**	2002
Operating activities		
Profit for the financial year	**92**	159
Depreciation and amortization	**311**	266
Equity earnings in associated companies, loss	**15**	7
Deferred taxes	**(10)**	0
Other adjustments [1]	**(148)**	18
	260	450
Change in working capital		
Increase in current non interest-bearing receivables	**(53)**	(45)
Increase in inventories	**(35)**	(146)
Increase in current and long-term non interest-bearing liabilities	**75**	91
	(13)	(100)
Other adjustments	**(33)**	(16)
Cash provided by operating activities	**214**	334
Investing activities		
Capital expenditure for purchase of fixed assets	**(622)**	(2 042)
Capital expenditure financed with own shares	**53**	–
Proceeds from sales of business operations and fixed assets [2]	**429**	76
Increase in other long-term financial assets	**(20)**	(5)
(Increase) decrease in working capital related to fixed assets	**(17)**	2
Cash used in investing activities	**(177)**	(1 969)
Cash flow before financing activities	**37**	(1 635)
Financing activities		
Borrowings of long-term debt	**734**	894
Repayments of long-term debt	**(384)**	(121)
(Decrease) increase in current debt	**(350)**	556
Dividends paid	**(69)**	(38)
Share offerings	**6**	309
Other financial items	**34**	(31)
Cash used in financing activities	**(29)**	1 569
Increase (decrease) in cash and marketable securities [3]	**8**	(66)
Adjustments [4]	**(3)**	7
Increase (decrease) in cash and marketable securities in the consolidated balance sheet	**5**	(59)

[1] Includes i.a. gains and losses on sales of business operations and fixed assets, provisions, exchange gains and losses and minority interest in earnings.
[2] Proceeds from sales of business operations are reported net of cash and marketable securities in the balance sheets of subsidiaries sold.
[3] Includes cash and bank and marketable securities.
[4] Includes i.a. the effect of exchange rates on cash and marketable securities in the consolidated balance sheet.

Consolidated balance sheet

€ million		2003	2002
ASSETS			
Fixed assets and other long-term investments	[11–13]		
Intangible assets		**380**	373
Property, plant and equipment		**2 665**	3 088
Long-term financial assets			
Interest-bearing		**480**	157
Non interest-bearing		**71**	105
Total fixed assets and other long-term investments		**3 596**	3 723
Current assets			
Inventories	[14]	**1 181**	1 235
Receivables	[10, 13, 15]		
Interest-bearing		**74**	76
Non interest-bearing		**1 056**	1 067
Marketable securities		**20**	31
Cash and bank		**210**	195
Total current assets		**2 541**	2 604
TOTAL ASSETS		**6 137**	6 327

€ million		2003	2002
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	[16]		
Share capital		**304**	293
Unregistered share capital		**0**	0
Premium fund		**681**	630
Other funds		**14**	15
Retained earnings		**833**	809
Profit for the financial year		**92**	159
		1 924	1 906
Minority interest		**34**	40
Liabilities			
Long-term	[10, 13, 17]		
Interest-bearing		**1 782**	1 493
Non interest-bearing		**384**	463
Current	[10, 13, 17]		
Interest-bearing		**1 016**	1 352
Non interest-bearing		**997**	1 073
Total liabilities		**4 179**	4 381
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**6 137**	6 327

Key financial figures

Key financial figures of the Group

		1999	2000	2001	2002	**2003**
SCOPE OF ACTIVITY						
Net sales	€ million	2 909	3 693	5 324	5 558	**5 921**
– change in net sales	%	0.7	27.0	44.2	4.4	**6.5**
– exports from and sales outside of Finland, of total net sales	%	92.2	90.7	91.8	92.4	**93.4**
Capital employed on Dec. 31	€ million	2 121	2 199	3 266	4 331	**3 972**
Operating capital on Dec. 31	€ million	2 286	2 331	3 507	4 569	**4 176**
Capital expenditure	€ million	153	242	914	2 042	**622**
– in relation to net sales	%	5.3	6.6	17.2	36.7	**10.5**
Depreciation and amortization [1]	€ million	189	192	266	264	**307**
Exploration costs	€ million	15	12	16	8	**7**
Research and development costs	€ million	37	35	41	47	**48**
– in relation to net sales	%	1.3	0.9	0.8	0.8	**0.8**
Personnel on Dec. 31		11 972	11 932	19 428	21 130	**19 359**
– average for the year		12 724	12 193	19 010	20 196	**21 442**
PROFITABILITY						
Operating profit	€ million	174	427	183	267	**206**
– in relation to net sales	%	6.0	11.6	3.4	4.8	**3.5**
Equity earnings in associated companies	€ million	(13)	2	2	(7)	**(15)**
Profit before extraordinary items	€ million	120	372	147	213	**100**
– in relation to net sales	%	4.1	10.1	2.8	3.8	**1.7**
Profit before taxes	€ million	120	391	147	213	**100**
– in relation to net sales	%	4.1	10.6	2.8	3.8	**1.7**
Profit for the financial year	€ million	97	315	76	159	**92**
– in relation to net sales	%	3.3	8.5	1.4	2.9	**1.6**
Return on shareholders' equity	%	7.3	19.8	6.9	8.0	**4.7**
Return on capital employed	%	8.7	19.8	6.7	7.0	**5.0**
Return on operating capital	%	8.0	18.5	6.3	6.6	**4.7**
FINANCING AND FINANCIAL POSITION						
Liabilities	€ million	1 787	1 605	3 009	4 381	**4 179**
Net interest-bearing debt	€ million	761	582	1 175	2 385	**2 013**
– in relation to net sales	%	26.1	15.7	22.1	42.9	**34.0**
Net financial expenses	€ million	41	57	38	46	**91**
– in relation to net sales	%	1.4	1.5	0.7	0.8	**1.5**
Net interest expenses	€ million	41	54	56	75	**98**
– in relation to net sales	%	1.4	1.4	1.1	1.4	**1.7**
Interest cover		4.0	7.9	3.6	3.8	**2.0**
Share capital [2]	€ million	212	212	212	294	**304**
Other shareholders' equity and minority interest	€ million	1 148	1 405	1 879	1 652	**1 654**
Equity-to-assets ratio [3]	%	43.8	50.6	41.6	31.1	**32.3**
Debt-to-equity ratio	%	56.0	36.0	56.2	122.6	**102.8**
Cash provided by operating activities	€ million	99	248	346	334	**214**
Dividends	€ million	31.1	99.6	75.2	68.6	**35.5** [4]

[1] Figures exclude amortization of positive and negative goodwill on consolidation.
[3] Figures for 2003 and 2002 include unregistered share capital.
[3] The negative goodwill is netted against assets.
[4] The Board of Directors' proposal to the Annual General Meeting.

Key financial figures by business

		1999	2000	2001	2002	**2003**
OUTOKUMPU STAINLESS						
Net sales	€ million	778	1 177	2 851	3 002	**3 449**
Share of the Group's net sales	%	22	28	50	52	**55**
Operating profit	€ million	52	246	139	204	**104**
Operating profit margin	%	7	21	5	7	**3**
Return on operating capital	%	7	30	10	8	**3**
Operating capital on Dec. 31	€ million	779	843	1 857	3 038	**3 317**
Capital expenditure	€ million	36	84	405	633	**373**
Depreciation	€ million	59	60	120	127	**160**
Personnel on Dec. 31		2 397	2 438	9 004	9 147	**9 200**
OUTOKUMPU COPPER [1)]						
Net sales	€ million	1 656	1 855	1 622	1 669	**1 626**
Share of the Group's net sales	%	47	44	28	29	**26**
Operating profit	€ million	62	87	61	53	**7**
Operating profit margin	%	4	5	4	3	**0**
Return on operating capital	%	6	9	6	6	**1**
Operating capital on Dec. 31	€ million	1 038	1 002	966	935	**779**
Capital expenditure	€ million	62	70	114	149	**106**
Depreciation	€ million	80	75	74	77	**81**
Personnel on Dec. 31		5 660	5 588	5 669	7 564	**7 585**
ZINC						
Net sales	€ million	325	385	453	418	**396**
Share of the Group's net sales	%	9	9	8	7	**6**
Operating profit	€ million	33	46	33	3	**16**
Operating profit margin	%	10	12	7	1	**4**
Return on operating capital	%	19	25	11	1	**9**
Operating capital on Dec. 31	€ million	175	188	393	361	**–**
Capital expenditure	€ million	10	27	241	23	**60**
Depreciation	€ million	13	13	26	35	**33**
Personnel on Dec. 31		756	762	1 183	1 117	**–**
OUTOKUMPU TECHNOLOGY						
Net sales	€ million	201	242	328	399	**402**
Share of the Group's net sales	%	6	6	6	7	**7**
Operating profit	€ million	8	10	5	4	**0**
Operating profit margin	%	4	4	2	1	**0**
Return on operating capital	%	22	31	13	10	**2**
Operating capital on Dec. 31	€ million	32	32	48	35	**17**
Capital expenditure	€ million	11	3	79	8	**13**
Depreciation	€ million	6	5	5	6	**6**
Personnel on Dec. 31		1 206	1 197	1 646	1 737	**1 706**
OTHER OPERATIONS [1)]						
Net sales	€ million	529	586	480	336	**390**
Share of the Group's net sales	%	15	14	8	6	**6**
Operating profit	€ million	20	9	(51)	18	**79**
Operating profit margin	%	4	2	neg.	5	**20**
Return on operating capital	%	6	3	neg.	8	**68**
Operating capital on Dec. 31	€ million	359	307	221	209	**24**
Capital expenditure	€ million	41	59	75	1 229	**70**
Depreciation	€ million	35	39	42	20	**29**
Personnel on Dec. 31		1 953	1 947	1 926	1 565	**868**

[1)] The figures for 1999–2002 have been restated to reflect the business organization in 2003.

Key financial figures

Financial development by quarter

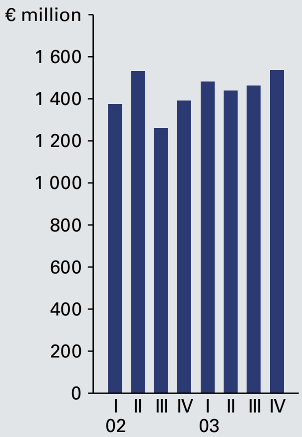
€ million	I/02	II/02	III/02	IV/02	I/03	II/03	III/03	IV/03
Net sales								
Outokumpu Stainless								
Coil Products	599	628	517	584	682	667	624	655
Special Products	325	375	299	312	349	327	273	348
North America	71	72	60	64	64	59	64	65
Others	(226)	(252)	(205)	(221)	(219)	(202)	(112)	(195)
Outokumpu Stainless total	769	823	671	739	876	851	849	873
Outokumpu Copper								
Americas	90	93	81	76	74	66	63	70
Europe	142	144	120	120	112	109	109	122
Automotive Heat Exchangers	61	74	63	58	59	62	62	61
Appliance Heat Exchangers & Asia	73	92	85	101	121	128	111	103
Harjavalta Metals	96	103	87	105	93	88	111	111
Others	(53)	(54)	(44)	(44)	(50)	(51)	(52)	(56)
Outokumpu Copper total	409	452	392	416	409	402	404	411
Zinc	99	120	101	98	93	95	98	110
Outokumpu Technology	71	114	90	124	88	81	98	135
Other operations	89	90	65	92	87	99	101	103
Intra-group sales	(61)	(68)	(59)	(78)	(70)	(89)	(86)	(97)
The Group	1 376	1 531	1 260	1 391	1 483	1 439	1 464	1 535
Operating profit								
Outokumpu Stainless								
Coil Products	54	60	16	32	45	35	(1)	5
Special Products	9	26	1	(8)	0	2	(8)	4
North America	1	3	1	(2)	(1)	0	4	1
Others	11	14	2	(16)	6	(1)	13	0
Outokumpu Stainless total	75	103	20	6	50	36	8	10
Outokumpu Copper								
Americas	7	6	1	(0)	3	1	3	0
Europe	2	6	(2)	0	(7)	(0)	(2)	(3)
Automotive Heat Exchangers	4	7	5	5	4	4	5	5
Appliance Heat Exchangers & Asia	5	4	(2)	(6)	2	7	(1)	1
Harjavalta Metals	8	(1)	2	5	3	(2)	2	9
Others	(4)	(1)	2	0	(1)	(1)	(3)	(22)
Outokumpu Copper total	22	21	6	4	4	9	4	(10)
Zinc	4	1	(4)	2	5	2	4	5
Outokumpu Technology	(8)	5	(1)	8	(9)	(4)	(1)	14
Other operations	2	43	(21)	(6)	(23)	(17)	13	106
Intra-group items	0	(22)	6	1	1	(1)	1	(1)
The Group	95	151	6	15	28	25	29	124
Equity earnings in associated companies	(0)	(2)	(3)	(2)	(3)	(3)	(4)	(5)
Financial income and expenses	(11)	10	(21)	(25)	(29)	(28)	(16)	(18)
Profit (loss) before extraordinary items	84	159	(18)	(12)	(4)	(6)	9	101
Income taxes	(12)	(48)	(12)	19	(1)	(5)	(9)	7
Minority interest in earnings	(26)	(28)	50	3	0	(1)	1	0
Profit (loss) for the period	46	83	20	10	(5)	(12)	1	108
Earnings per share, €	0.34	0.60	0.15	0.06	(0.03)	(0.07)	0.01	0.63

Euro exchange rates

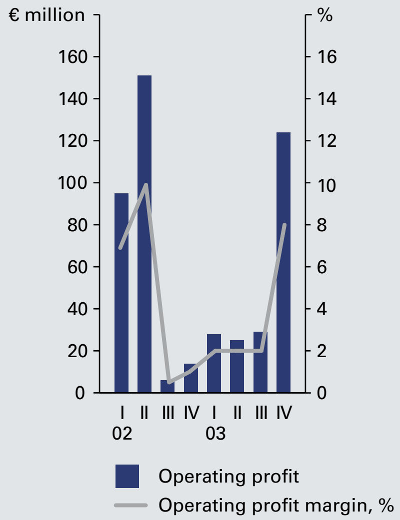
	Closing rates					Average rates	
	1999	2000	2001	2002	**2003**	2002	**2003**
USD	1.005	0.931	0.881	1.049	**1.263**	0.946	**1.131**
GBP	0.622	0.624	0.609	0.651	**0.705**	0.629	**0.692**
SEK	8.563	8.831	9.301	9.153	**9.080**	9.161	**9.124**
NOK	8.077	8.234	7.952	7.276	**8.414**	7.509	**8.003**
AUD	1.542	1.677	1.728	1.856	**1.680**	1.738	**1.738**

The European Central Bank's euro exchange rates.

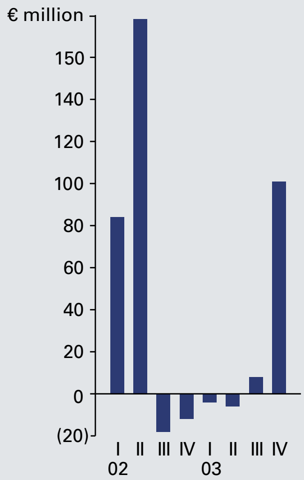
Net sales



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 financial statements of Outokumpu Oyj and the Group are compiled in compliance with these standards.

Consolidated financial statements

The consolidated financial statements cover the parent company Outokumpu Oyj, and its subsidiaries, i.e. companies which Outokumpu Oyj directly or indirectly controls. Real estate companies and condominiums, which Group employees use for accommodation 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 during the accounting period are included in the consolidated income statements until the date they lose subsidiary status.

To facilitate inclusion in the consolidated accounts, the statutory accounts of individual Group companies' records have, where necessary, been restated to comply with Outokumpu's uniform accounting standards.

Inter-company transactions and balances 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. 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 applying 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.

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.

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 currencies are translated into euro 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.

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.

Derivative financial instruments used as hedges against exchange and interest rate risks are valued at the market rate on the balance sheet date. The valuation items are accrued as exchange gains or losses and 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 as short or long-term receivables or debts, as applicable.

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 used in the consolidation of subsidiaries' financial statements are presented on page 61.

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

Fixed assets and other long-term investments

The carrying values of fixed assets are stated at historical cost less accumulated amortization and depreciation. 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. Estimated useful lives for various fixed asset classes are:

- Intangible rights 5–10 years
- Goodwill and goodwill on consolidation 5–20 years
- Other long-term expenses 5–10 years
- Buildings and structures 25–40 years
- Machinery and equipment 5–20 years
- Other fixed assets 4–40 years

As a main rule, the estimated useful life of goodwill on consolidation is five years. Based on separate consideration when the future economic benefits are expected to be generated from a longer period, it has been decided to apply a useful life of ten or twenty years regarding certain acquisitions. The negative goodwill is netted against assets.

Property, plant and equipment and other non-current assets including goodwill and other intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets whose carrying values exceed their recoverable amount are written down to an amount determined using discounted net future cash flows expected to be generated by the asset.

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

The inventories regarding purchased metals and metal raw materials within the Stainless business area are valued according to the FIFO (first in, first out) method at a lower of cost or market.

Purchased metals and metal raw materials are valued according to the LIFO (last in, first out) principle at the lower of cost or market within the Copper business area and the Zinc division. The re-valuation of non-priced metal raw materials within the Copper business area and the Zinc division is done when priced.

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

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

Cash and marketable securities

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

Marketable securities include 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 sales-related indirect taxes and discounts. 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 used for 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 costs

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. Also material cumulative effects on income arising from changes in accounting principles are included in extraordinary items. The extraordinary items of Group company financial statements 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.

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.

Transition to IFRS reporting

All publicly listed companies in the EU have to start applying International Financial Reporting Standards (IFRS/IAS) by January 1, 2005 at the latest. Outokumpu started to prepare for the transition to IFRS in the fall 2001. The most significant changes to the accounting practice from the Outokumpu Group's point of view relate to pension and inventory accounting, valuation of financial instruments and treatment of positive and negative goodwill. At the moment Outokumpu is creating readiness to start reporting according the IFRS already in 2004 if so decided. The Board of Directors of Outokumpu has not made a decision by February 10, 2004 when to start applying the new accounting practice.

Definitions of key financial indicators

Capital employed = Equity + minority interest + net interest-bearing debt

Operating capital = Capital employed + net tax liability

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

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

Return on capital employed (ROCE) = $\frac{\text{Operating profit}}{\text{Capital employed (average for period)}} \times 100$

Return on operating capital (ROOC) = $\frac{\text{Operating profit}}{\text{Operating capital (average for period)}} \times 100$

Net interest-bearing debt = Total interest-bearing debt – total interest-bearing assets

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

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

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

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

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

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

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

Market capitalization at end of period = Number of shares at end of period × trading price at end of period

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

2. Geographic information

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

€ million	Finland	Other Europe	North America	Asia	Australia	Other countries	Inter-area	Group total
Net sales								
2003	**2 414**	**3 256**	**857**	**335**	**130**	**67**	**(1 138)**	**5 921**
2002 [2]	1 992	2 983	870	217	143	76	(723)	5 558
Operating profit								
2003	**75**	**93**	**21**	**9**	**7**	**1**	**–**	**206**
2002	148	74	11	(1)	32	3	–	267
Total assets								
2003	**2 442**	**2 892**	**501**	**186**	**85**	**31**	**–**	**6 137**
2002	2 834	2 599	574	199	87	34	–	6 327

Net sales by country [3], € million	2003	%	2002	%
EUROPE				
Germany	**751**	**12.7**	722	13.0
Italy	**462**	**7.8**	418	7.5
Britain	**401**	**6.8**	435	7.8
Finland	**392**	**6.6**	423	7.6
Sweden	**295**	**5.0**	297	5.3
France	**213**	**3.6**	210	3.8
Spain	**195**	**3.3**	188	3.4
Belgium	**148**	**2.5**	121	2.2
Denmark	**120**	**2.0**	118	2.1
The Netherlands	**115**	**1.9**	120	2.2
Switzerland	**110**	**1.9**	102	1.8
Austria	**93**	**1.6**	84	1.5
Norway	**90**	**1.5**	93	1.7
Poland	**56**	**0.9**	38	0.7
Russia	**35**	**0.6**	67	1.2
Other Europe	**206**	**3.5**	209	3.8
	3 682	**62.2**	3 645	65.6
NORTH AND SOUTH AMERICA				
The United States	**845**	**14.3**	882	15.9
Canada	**69**	**1.2**	71	1.3
Chile	**60**	**1.0**	73	1.3
Brazil	**21**	**0.3**	27	0.5
Mexico	**21**	**0.3**	18	0.3
Argentina	**5**	**0.1**	2	0.0
Venezuela	**5**	**0.1**	5	0.1
Columbia	**3**	**0.1**	6	0.1
Other America	**13**	**0.2**	21	0.4
	1 042	**17.6**	1 105	19.9
ASIA				
China	**349**	**5.9**	179	3.2
Taiwan	**160**	**2.7**	72	1.3
Turkey	**91**	**1.5**	71	1.3
Rep. of Korea	**69**	**1.2**	38	0.7
Hong Kong	**46**	**0.8**	52	0.9
Thailand	**37**	**0.6**	34	0.6
Malaysia	**33**	**0.6**	30	0.5
India	**33**	**0.6**	19	0.3
Japan	**28**	**0.5**	21	0.4
United Arab Emirates	**24**	**0.4**	3	0.1
Sri Lanka	**23**	**0.4**	16	0.3
Indonesia	**17**	**0.3**	16	0.3
Singapore	**17**	**0.3**	15	0.3
Iran	**15**	**0.2**	12	0.2
Saudi Arabia	**9**	**0.1**	11	0.2
Israel	**9**	**0.1**	6	0.1
Other Asia	**30**	**0.5**	57	1.0
	990	**16.7**	652	11.7
Australia	**96**	**1.6**	82	1.5
South Africa	**49**	**0.9**	36	0.6
Algeria	**13**	**0.2**	8	0.1
Other countries	**49**	**0.8**	30	0.6
Group total	**5 921**	**100.0**	5 558	100.0

[1] Net sales, operating proft and total assets are presented by the locations of the Group or associated companies.
[2] The figures for 2002 have been restated.
[3] Net sales are presented by destination.

Personnel by country on Dec. 31	**2003**	2002
EUROPE		
Finland	**5 061**	6 493
Sweden	**3 930**	4 055
Britain	**2 260**	1 788
The Netherlands	**933**	622
Germany	**655**	559
Spain	**448**	474
France	**316**	349
Belgium	**270**	66
Italy	**204**	207
Czech Republic	**159**	109
Austria	**112**	134
Estonia	**68**	67
Russia	**66**	70
Poland	**28**	24
Denmark	**27**	28
Norway	**21**	410
Hungary	**18**	14
Lithuania	**6**	6
Ireland	**5**	673
Portugal	**5**	4
Switzerland	**–**	6
	14 592	16 158
NORTH AND SOUTH AMERICA		
The United States	**3 307**	3 588
Chile	**200**	219
Canada	**152**	138
Other countries	**30**	26
	3 689	3 971
ASIA		
China	**326**	262
Thailand	**277**	291
Malaysia	**224**	235
Indonesia	**23**	20
Other countries	**46**	45
	896	853
Australia	**133**	106
Africa	**49**	42
Group total	**19 359**	21 130

3. Percentage of completion method

Net sales include EUR 146 million (2002: EUR 159 million) of income recognized on the percentage of completion method for long-term construction contracts in the Technology division.

4. Cost of sales

€ million	**2003**	2002
Raw materials and merchandise	**(2 992)**	(2 683)
Fuels and supplies	**(347)**	(310)
Wages and salaries	**(588)**	(553)
Other personnel expenses	**(184)**	(169)
Rents and leases	**(21)**	(21)
Energy expenses	**(250)**	(224)
Depreciation and amortization	**(278)**	(241)
Other costs of sales	**(755)**	(785)
Production for own use	**29**	36
Change in inventories	**80**	150
	(5 306)	(4 800)

€ million	2003	2002
5. Personnel expenses		
Board of Directors' and Managing Directors' fees and salaries [1]	**18**	17
Other wages and salaries	**771**	737
Pension contributions	**92**	86
Other personnel expenses [2]	**158**	153
Personnel expenses in the income statement	**1 039**	993

[1] Includes bonuses of EUR 2 million (2002: EUR 2 million).
[2] Includes EUR 1 million (2002: EUR 1 million) of profit-sharing bonuses based on the Finnish Personnel Funds Act.

Average number of personnel	**21 442**	20 196
Personnel on Dec. 31	**19 359**	21 130

6. Unusual items

Gain on the Boliden transaction	**106**	–
Gain on the sale of Arctic Platinum Partnership (49%)	**26**	–
Gain on the sale of the Inmet shares	**10**	–
Gain on the sale of the precious metals assets	**9**	–
Write down of reactors at Kokkola	**0**	(4)
Provision for the Panteg closure	**(14)**	–
Provision for the cartel fine (ACR tubes)	**(18)**	–
Gain on the sale of the real estate in Espoo	**–**	13
Refund of actuarial surplus, Outokumpu Oyj	**–**	3
Refund of actuarial surplus, other companies	**–**	1
Refund of pension surplus from Henki-Sampo, Outokumpu Oyj	**–**	2
Final settlement on the sale of the Harjavalta nickel refinery	**–**	(6)
Capital gain on the AvestaPolarit Oyj Abp shares	**–**	14
AvestaPolarit's insurance compensation	**–**	20
Restructuring provision of AvestaPolarit	**–**	(32)
Additional amortization of negative goodwill of AvestaPolarit	**–**	32
Gain on the sale of the Pyhäsalmi mine	**–**	6
	119	49

7. Other operating income and expenses

Other operating income		
Gains on sales of fixed assets	**6**	17
Other income items	**17**	27
	23	44
Other operating expenses		
Losses on disposals of fixed assets and scrapping	**(4)**	(18)
Other expense items	**(13)**	(32)
	(17)	(50)
Other operating income and expenses, total	**6**	(6)

8. Provisions for restructuring measures

Provisions on Jan. 1	**28**	33
Translation differences	**(0)**	(1)
Provisions on Jan. 1 at closing rate	**28**	32
Restructuring costs charged against provisions	**(10)**	(19)
New provisions recorded	**14**	15
Provisions on Dec. 31	**32**	28

The new provisions in 2003 refer mainly to the restructuring of Outokumpu Stainless' Panteg operations in Britain.

9. Financial income and expenses

Dividends received	**3**	4
Interest income on long-term financial assets	**3**	1
Other interest income	**11**	11
Other financial income	**4**	2
Interest expenses	**(98)**	(70)
Other financial expenses	**(13)**	(10)
Valuation of marketable securities	**(1)**	0
Exchange gains (losses)	**(0)**	15
	(91)	(47)

Interest capitalized on investment projects during the year was EUR 14 million (2002: EUR 18 million). Total interest capitalized on investment projects on Dec. 31, 2003 was EUR 75 million (Dec. 31, 2002: EUR 72 million).

The interest component of derivative financial instruments consists of EUR 3 million (2002: EUR 0 million) in other interest income, and of EUR 4 million in interest expenses (2002: EUR 1 million).

€ million	**2003**	2002
Exchange gains and losses in the income statement		
In net sales	**49**	21
In purchases and other expenses	**(9)**	(18)
In financial income and expenses	**(0)**	15

At the balance sheet date, EUR 6 million of net exchange gain on financial instruments were deferred (Dec. 31, 2002: net gain of EUR 38 million).

10. Income taxes

Current taxes		
Accrued taxes for the year		
Finnish Group companies	**(11)**	(26)
Group companies outside of Finland	**(8)**	(27)
Tax adjustments for prior periods		
Finnish Group companies	**(0)**	(2)
Group companies outside of Finland	**1**	2
	(18)	(53)
Deferred taxes		
Deferred taxes in Group companies		
Finnish Group companies	**18**	(2)
Group companies outside of Finland	**7**	21
Deferred taxes on untaxed reserves		
Finnish Group companies	**(3)**	(17)
Group companies outside of Finland	**(5)**	(6)
Deferred taxes on consolidation		
Finnish Group companies	**(6)**	3
Group companies outside of Finland	**(1)**	1
	10	0
Total income taxes	**(8)**	(53)

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

Hypothetical income taxes at Finnish tax rate	**(29)**	(62)
Effect of different tax rates outside of Finland	**(9)**	7
Non-deductible expenses and tax exempt income	**71**	(2)
Losses incurred at Group companies outside of Finland for which no deferred tax benefit is recognized	**(29)**	(15)
Taxable items with no effect on the Group's result	**(28)**	5
Changes in carrying amounts of deferred tax assets on Jan. 1	**9**	17
Taxes from prior periods	**1**	0
Expected change in tax rate	**(0)**	0
Other items	**6**	(3)
Income taxes in the consolidated income statement	**(8)**	(53)

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	**57**	94
Provisions for future expenses	**40**	50
Valuation of inventory	**4**	7
Internal profits in fixed assets	**6**	4
Other items	**22**	5
	129	160
Deferred tax liabilities		
Depreciation and amortization of fixed assets	**(245)**	(292)
Untaxed reserves	**(32)**	(39)
Valuation of inventories	**(11)**	(8)
Capitalized interest	**(21)**	(19)
Effect of consolidation	**(6)**	(6)
Allocated fair value	**(4)**	(25)
Other items	**(14)**	(9)
	(333)	(398)
Net deferred tax liability	**(204)**	(238)

€ million	2003	2002
Deferred taxes in the balance sheet		
Long-term assets	**47**	73
Current assets	**21**	8
Long-term liabilities	**(267)**	(315)
Current liabilities	**(5)**	(4)
	(204)	(238)

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

Valuation allowances on deferred tax asset amount to EUR 145 million (2002: EUR 141 million).

After the proposed profit distribution, the tax surpluses in the parent company amount to EUR 18 million.

11. Fixed assets

€ million	Historical cost on Jan. 1, 2003	Translation difference	Additions	Disposals	Accumulated depreciation Dec. 31, 2003	Carrying value on Dec. 31, 2003
Intangible assets						
Intangible rights	36	(2)	29	(7)	(18)	38
Goodwill	36	(3)	60	(2)	(19)	72
Goodwill on consolidation	258	(1)	(23)	(55)	51	230
Other long-term expenses	90	(8)	26	(6)	(62)	40
	420	(14)	92	(70)	(48)	380
Property, plant and equipment						
Land	93	(1)	11	(49)	–	54
Mine properties	129	0	24	(122)	(6)	25
Buildings	1 006	(35)	139	(209)	(334)	567
Machinery and equipment	3 994	(137)	295	(860)	(1 817)	1 475
Other fixed assets	96	(4)	18	(26)	(21)	63
Advances paid for fixed assets and construction in progress	545	(8)	183	(239)	–	481
	5 863	(185)	670	(1 505)	(2 178)	2 665
Long-term financial assets						
Investments in associated companies [1)]	77	0	225	(33)	–	269
Other long-term equity investments	31	(1)	11	(17)	–	24
Long-term loans receivable	57	2	168	(30)	–	197
Deferred tax asset	73	0	24	(50)	–	47
Other financial assets	24	(3)	0	(7)	–	14
	262	(2)	428	(137)	–	551
Total fixed assets	6 545	(201)	1 190	(1 712)	(2 226)	3 596

Impairment tests on tangible assets and goodwill on consolidation have been conducted according to the accounting principles during the financial year. The tests did not lead to any impairment recognitions.

Depreciation

€ million	Accumulated depreciation on Jan. 1, 2003	Translation difference	Accumulated depreciation of disposals	Depreciation during period	Accumulated depreciation on Dec. 31, 2003
Intangible assets					
Intangible rights	(15)	1	1	(5)	(18)
Goodwill	(10)	0	2	(11)	(19)
Goodwill on consolidation	39	1	13	(2)	51
Other long-term expenses	(61)	6	4	(11)	(62)
	(47)	8	20	(29)	(48)
Property, plant and equipment					
Land	–	–	–	–	–
Mine properties	(112)	0	111	(5)	(6)
Buildings	(421)	12	112	(37)	(334)
Machinery and equipment	(2 216)	68	567	(236)	(1 817)
Other fixed assets	(26)	0	9	(4)	(21)
Advances paid for fixed assets and construction in progress	–	–	–	–	–
	(2 775)	80	799	(282)	(2 178)
Long-term financial assets	–	–	–	–	–
Total fixed assets	(2 822)	88	819	(311)	(2 226)

1) Associated companies on Dec. 31, 2003 are listed on page 79.

€ million	2003	2002
Depreciation and amortization by group of expenses		
Cost of sales	**278**	241
Selling and marketing expenses	**7**	5
Administrative expenses	**19**	15
Exploration, research and development expenses	**3**	3
Amortization of positive and negative goodwill on consolidation	**4**	2
	311	266

12. Goodwill

Positive goodwill on consolidation on Jan. 1 [1]	**765**	192
Change in translation difference	**(4)**	(3)
Additions	**12**	578
Disposals	**(56)**	(2)
Positive goodwill on consolidation on Dec. 31	**717**	765
Accumulated depreciation on Jan. 1	**(115)**	(76)
Change in translation difference	**0**	0
Additions	**(9)**	–
Disposals	**16**	2
Depreciation during period	**(42)**	(41)
Accumulated depreciation on Dec. 31	**(150)**	(115)
Negative goodwill on consolidation on Jan. 1 [2]	**(507)**	(498)
Change in translation difference	**2**	0
Additions [3]	**(35)**	(9)
Disposals	**1**	–
Negative goodwill on consolidation on Dec. 31	**(539)**	(507)
Accumulated amortization on Jan. 1	**154**	81
Change in translation difference	**(0)**	(1)
Amortization during period	**40**	42
Additional amortization	**–**	32
Additions	**7**	–
Disposals	**(0)**	–
Accumulated amortization on Dec. 31	**201**	154
Positive and negative goodwill on consolidation in the balance sheet on Dec. 31	**229**	297

[1] Includes the positive goodwill on consolidation from the acquisition of the AvestaPolarit minority interest. The goodwill will be depreciated in 20 years reflecting the estimated useful life of the goodwill of an unusual and significant acquisition. It also includes the positive goodwill from the acquisition of Heatcraft, Norzink, IGS-AS and Lurgi Metallurgie which will be depreciated in 10 years. The depreciation period reflects the estimated useful life of the goodwill.

[2] The negative goodwill on consolidation from the acquisition of Avesta Sheffield. The goodwill is amortized in 10 years reflecting the estimated useful life of the goodwill.

[3] The negative goodwill on consolidation from the acquisition of the fabrication business from Boliden.

13. Associated companies

€ million	2003	2002
Investments in associated companies at cost		
Historical cost on Jan. 1	**62**	54
Translation difference	**(0)**	0
Additions	**353**	11
Disposals	**(8)**	(3)
Historical cost on Dec. 31	**407**	62
Equity adjustment to investments in associated companies		
Jan. 1	**15**	22
Change in translation difference	**0**	2
Dividends received	**(0)**	0
Disposals and other changes	**(138)**	(1)
Equity earnings in associated companies	**(15)**	(7)
Dec. 31	**(138)**	15
Carrying value of investments in associated companies	**269**	77
Receivables from and liabilities to associated companies		
Long-term receivables		
Loans receivable	**0**	0
Subordinated loans receivable	**2**	2

€ million	2003	2002
Current receivables		
Loans receivable	**6**	6
Accounts receivable	**12**	6
Other receivables	**0**	0
Current liabilities		
Accounts payable	**2**	2
Other current liabilities	**0**	–

The Group's result includes interest income of EUR 0 million (2002: EUR 0 million) on loans receivable.

Significant associated companies

	2003	2002
Laminados Oviedo-Córdoba S.A.		
Net sales	**54**	66
Operating loss	**(9)**	(1)
Loss before extraordinary items	**(10)**	(2)
Loss for the financial year	**(17)**	(2)
Outokumpu's share of the loss 50%	**(9)**	(1)
Okmetic Oyj [1]		
Net sales	**39**	58
Operating loss	**(5)**	(6)
Loss before extraordinary items	**(6)**	(8)
Loss for the financial year	**(6)**	(6)
Outokumpu's share of the loss 32%	**(3)**	(2)
Outokumpu's share of translations difference	**(1)**	–
Arctic Platinum Partnership [2]		
Net sales	**0**	0
Operating loss	**(6)**	(13)
Loss before extraordinary items	**(6)**	(13)
Loss for the financial year	**(6)**	(13)
Outokumpu's share of the loss 49%	**(3)**	(6)

1) Okmetic's income statement figures for 2003 are based on the information published on Sep. 30, 2003. However, comparison figures are based on the entire financial year 2002. Outokumpu's share of Okmetic's profit is consolidated from the 12-month periods ending Sep. 30.
2) Arctic Platinum Partnership was sold to Gold Fields on Sep. 11, 2003. The share of the financial result has been included in the income statement until the date of the sale.

14. Inventories

	Balance sheet value		Replacement cost
€ million	**2003**	2002	**2003**
Raw materials	**253**	262	**257**
Fuels and supplies	**58**	69	**58**
Work in process	**425**	495	**430**
Finished goods and merchandise	**437**	404	**442**
Advances paid for inventories	**8**	5	**8**
	1 181	1 235	**1 195**

Inventory costs have been determined using the LIFO method for approximately 13% of the inventories, amounting to EUR 151 million. The replacement cost (without market value reserve) is EUR 1 million lower than the balance sheet value of the inventories based on LIFO method on Dec. 31, 2003.

15. Receivables

€ million	2003	2002
Accounts receivable	**902**	882
Loans receivable	**13**	42
Prepaid expenses and accrued income	**44**	46
Deferred tax asset	**21**	8
Other receivables	**150**	165
	1 130	1 143
Prepaid expenses and accrued income		
Accrued exchange difference	**1**	2
Prepaid interest expenses and accrued interest income	**6**	5
Accrued income related to long-term contracts	**3**	1
Other items	**34**	38
	44	46

On Dec. 31, 2003 the Group companies had EUR 0 million current loans to the management of the parent company or subsidiaries (2002: EUR 0 million). Receivables include non-current receivables of EUR 2 million (2002: EUR 3 million).

16. Shareholders' equity

€ million	2003	2002
Share capital		
On Jan. 1	**293**	212
Transfers from unregistered share capital	**0**	–
Share offering	**9**	80
Shares subscribed with options	**1**	–
Converted bonds	**1**	1
Share capital on Dec. 31	**304**	293
Unregistered share capital		
On Jan. 1	**0**	–
Transfers to unregistered share capital	**(0)**	–
Unregistered share options	**0**	–
Share offering	**–**	0
Unregistered share capital on Dec. 31	**0**	0
Premium fund		
On Jan. 1	**630**	409
Share offering	**45**	220
Costs for the share offering	**(0)**	(7)
Gain on the sale of the subscription rights on treasury shares	**–**	2
Shares subscribed with options	**4**	–
Converted bonds	**2**	6
Other changes	**–**	(0)
Premium fund on Dec. 31	**681**	630
Other funds		
On Jan. 1	**15**	13
Transfers to retained earnings	**(0)**	–
Transfers from retained earnings	**–**	2
Change in translation difference	**(0)**	0
Other changes	**(1)**	0
Other funds on Dec. 31	**14**	15
Retained earnings on Jan. 1	**809**	841
Prior year's profit	**159**	76
Dividends paid	**(69)**	(75)
Dividends to minority shareholders	**–**	(13)
Transfers from reserve fund	**0**	–
Transfers to reserve fund	**–**	(2)
Outokumpu Oyj shares owned by associated companies	**(26)**	–
Transfer of treasury shares	**2**	–
Change in translation difference	**(43)**	(19)
Other changes	**1**	1
Retained earnings on Dec. 31	**833**	809
Profit for the financial year	**92**	159
Total shareholders' equity on Dec. 31	**1 924**	1 906
Distributable funds		
Retained earnings	**833**	809
Profit for the financial year	**92**	159
Less untaxed reserves in shareholders' equity	**(317)**	(389)
Transfers to restricted equity	**–**	(1)
Undistributable equity	**(16)**	(16)
Distributable funds on Dec. 31	**592**	562
Untaxed reserves		
Accumulated depreciation difference	**434**	519
Other untaxed reserves	**13**	20
Untaxed reserves on Dec. 31	**447**	539
Deferred tax liability on untaxed reserves	**(130)**	(150)
Untaxed reserves in retained earnings on Dec. 31	**317**	389

17. Liabilities

€ million	2003	2002
Liabilities in the balance sheet		
Long-term liabilities		
Interest-bearing		
Bonds and debentures	**111**	111
Convertible bonds	**–**	7
Loans from financial institutions	**1 444**	1 196
Pension loans	**149**	123
Other long-term loans	**78**	56
	1 782	1 493
Non interest-bearing		
Accounts payable	**0**	0
Deferred tax liability	**267**	315
Other long-term liabilities	**117**	148
	384	463
Current liabilities		
Interest-bearing		
Bonds and debentures	**5**	0
Loans from financial institutions	**356**	742
Pension loans	**17**	15
Bills payable	**0**	1
Other current loans	**638**	580
	1 016	1 338
Non interest-bearing		
Advances received	**75**	65
Accounts payable	**493**	494
Accrued expenses and prepaid income	**279**	355
Deferred exchange gains	**7**	39
Deferred tax liability	**5**	4
Other current liabilities	**138**	130
	997	1 087
Total liabilities	**4 179**	4 381

Repayment schedule of long-term debt on Dec. 31, 2003

€ million		Repayments [1] 2004	2005	2006	2007	2008	2009–	Total
Bonds and debentures	EUR					89		89
	SEK				22			22
Convertible bonds	EUR	5						5
Loans from financial institutions	EUR	10	42	47	95	619	300	1 113
	GBP					99		99
	USD	19	32	34	93	85		263
	CNY	5						5
Pension loans	EUR	17	19	20	20	19	59	154
	SEK						4	4
Other long-term loans	EUR	5	5	6	6	5	37	64
	SEK	1	1	2	1	1	9	15
		62	99	109	237	917	409	1 833

[1] The repayments of 2004 are included in current interest-bearing liabilities.

Average maturity for long-term debt was 4 years and 10 months and the average interest rate was 3.31%.

Bonds and debentures	Interest rate %	€ million 2003	2002
Other bonds			
1991–2008	6.93	**111**	111
Convertible bond			
1999–2004	3.75 [1]	**5**	7
		116	118

[1] The terms and conditions of the convertible bond are presented on page 87.

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

Accrued expenses and prepaid income	2003	2002
Accrued employee related expenses	**135**	133
Income taxes payable	**8**	29
Accrued interest expenses and prepaid interest income	**37**	48
Other	**99**	145
	279	355

18. Financial risk management

The main objective of the Group's financial risk management is to reduce the impacts of price fluctuations in the financial markets and other factors of uncertainty on earnings, as well as to ensure sufficient liquidity. Other objectives include protection of Group's financial asset values and reduction of cash flow and balance sheet volatility.

The Board oversees the Group's risk management framework. The Board has approved the risk management policy, which also defines the financial risk management guidelines for the Group. Corporate Finance Management is responsible for development and implementation of financial risk management approach.

Financial risks consist of market, liquidity and default risks. Business units hedge their market risks against Treasury, which does most of the Group's financial contracts with banks and other financial institutions. Treasury has also a responsibility to manage certain group-level financial risks, such as interest rate risk and foreign currency translation risk.

MARKET RISK

Market risk is caused by changes in foreign exchange and interest rates, as well as commodity, energy and security prices. These risks may have substantial impact on Group's earnings, cash flows and balance sheet. In order to mitigate adverse effects the Group uses derivative contracts.

Exchange rate risk

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

The Group hedges most of its fair value risk. Cash flow risk related to firm commitments is hedged to large extent and forecasted cash flows are hedged selectively. The Group does not currently hedge its income statement translation risk; balance sheet translation risk is hedged selectively.

The total non-euro denominated shareholders' equity of the Group's foreign subsidiaries and associated companies was EUR 1 512 million on December 31, 2003 (2002: EUR 1 733 million). Approximately 2.2% (2002: 3.2%) of net investment exposure was hedged.

On December 31, 2003 the Group had the following outstanding foreign exchange derivative contract amounts (the notional amounts do not represent the amounts exchanged by the parties; those amounts may include also positions, which have been closed off):

€ million	**Dec. 31, 2003**	Dec. 31, 2002
Forward contracts	**1 620**	1 100
Currency options bought	**280**	60
Currency options written	**270**	60
Currency swaps	**40**	60

Interest rate risk

The Group's interest rate risk is monitored as cash flow and fair value risks. In order to efficiently manage the balance between risk and cost, most of the loans and financial investments have short term interest rates as reference rate. The Group's interest position comprises mainly of financial instruments. Interest rate swaps and forward rate agreements may be used for reducing cash flow risk.

Currencies having substantial contribution to interest rate risk are euro, Swedish krona, US dollar and English pound. Approximately 85% of the Group's interest bearing debt has an interest period of less than one year.

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

€ million	**Dec. 31, 2003**	Dec. 31, 2002
Interest rate swaps	**210**	70

Commodity and energy price risk

The Group uses substantial amount of raw materials and energy, which have price determination in regulated financial markets, such as London Metal Exchange and Nord Pool ASA. Only part of the raw material and energy price changes can effectively be included in product prices. Also timing differences between raw material purchase and pricing of products as well as changes in inventory levels may raise a requirement for financial hedging.

The most important commodity price risks are related to nickel and copper. The risks arising from the time difference between raw material purchase and product sale are reduced in Stainless mainly with sales contracts, which include alloy adjustment factor clause. Outokumpu Copper and certain units of Outokumpu Stainless use derivatives to hedge their metal price risks.

On December 31, 2003 the Group had metal derivative contracts in the following notional amounts (the notional amounts do not represent the amounts exchanged by the parties; those amounts may include also positions, which have been closed off):

Tonnes	**Dec. 31, 2003**	Dec. 31, 2002
Copper forwards and futures	**101 400**	121 200
Nickel forwards and futures	**4 300**	2 200
Nickel options bought	**720**	–
Zinc forwards and futures	**299 700**	197 300
Zinc options bought	**–**	3 000
Zinc options written	**–**	3 000
Aluminium forwards and futures	**2 800**	1 300
Gold forwards and futures (tr. oz.)	**146 800**	63 400
Silver forwards and futures (tr. oz.)	**886 800**	529 300

Derivatives made with entities sold to Boliden are treated as external contracts. Therefore the reported nominal amounts e.g. in zinc derivatives have increased compared with earlier reported amounts.

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

Electrical energy consumed in the Nordic countries is purchased and managed centrally and in other countries locally. Energy price risks are reduced with commercial as well as financial contracts. The Group has not used derivatives to hedge fuel price risks.

On December 31, 2003 the Group had exchange traded electricity forwards and futures 0 TWh (2002: 0.2 TWh) and other financial agreements 3.5 TWh (2002: 4.5 TWh). The electricity consumption of the production facilities in the Nordic countries was 4.7 TWh (2002: 4.4 TWh).

Securities price risk

The Group owns a portfolio of certain equity securities and occasionally the portfolio may also include fixed income securities. Majority of equity investments are long-term and securities price risk has not been hedged with derivatives.

CREDIT RISK

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

Treasury manages a major part of the credit risks related to financial instruments. The Group seeks to reduce these risks by limiting the counterparties to major banks, other financial institutions, brokers and suppliers of electrical power, which have a good credit standing. All investments related to liquidity management are made in liquid instruments with low credit risk.

LIQUIDITY RISK

Treasury raises most of the Group's debt centrally. The Group seeks to reduce liquidity and refinancing risks with a balanced maturity profile of loans as well as by keeping committed and uncommitted credit lines available. This objective calls also for efficient cash and liquidity management.

The main funding programs and standby credit facilities include the Finnish Commercial Paper Program totalling EUR 650 million, the Euro-Commercial Paper Program totalling USD 250 million, the Revolving Credit Facility of EUR 875 million and a committed financing facility of EUR 600 million. At the beginning of 2004 company has requested a partial cancellation of the EUR 600 million facility to EUR 450 million. The limit was reduced in January 2004.

Fair value of financial instruments

The carrying values and fair values of the Group's financial instruments on Dec. 31, 2003 are presented in the following table. Fair values are estimated based on market prices, dealer quotes, discounted cash flow analyses and, in respect of options, on evaluation models.

	2003		2002	
€ million	**Carrying value**	**Fair value**	Carrying value	Fair value
Investments and receivables				
Other long-term equity investments	**24**	**26**	31	34
Long-term loans receivable	**197**	**195**	57	57
Current loans receivable	**13**	**13**	43	43
Marketable securities	**20**	**20**	31	31
Cash and bank	**210**	**210**	195	195
Debt				
Long-term debt	**1 782**	**1 810**	1 493	1 524
Current debt	**986**	**986**	1 338	1 339
Financial derivatives [1]				
Forward foreign exchange contracts	**29**	**29**	27	27
Currency options				
Purchased	**5**	**5**	3	3
Written	**(4)**	**(4)**	0	0
Currency swaps	**(3)**	**(3)**	(4)	(5)
Interest rate swaps	**(3)**	**(3)**	(1)	(2)
Metal derivatives [1]				
Forward and futures copper contracts	**1**	**1**	(2)	(2)
Forward and futures nickel contracts	**1**	**7**	0	0
Nickel options				
Purchased	**0**	**0**	–	–
Forward and futures zinc contracts	**0**	**0**	0	0
Zinc options				
Puchased	**–**	**–**	0	0
Written	**–**	**–**	0	0
Forward and futures aluminium contracts	**0**	**0**	0	0
Forward and futures gold contracts	**0**	**0**	(1)	(1)
Forward and futures silver contracts	**0**	**0**	0	0
Electricity derivatives [1]				
Traded electricity forwards and futures	**–**	**0**	–	3
Other financial contracts	**–**	**6**	–	67

[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 balance sheet date. The realized gains and losses of derivative instruments are booked in the income statement according to the hedge accounting principle i.e. against the underlying transaction. The carrying amount of forward foreign exchange contracts, currency options and currency swaps include unrealized gains and losses relating to hedges of firm and anticipated commitments which have been deferred.

19. Commitments and contingent liabilities

€ million	**2003**	2002
Pledges on Dec. 31		
Mortgages to secure own borrowings	**142**	117
Other pledges to secure own borrowings	**2**	2
	144	119
Guarantees on Dec. 31		
On behalf of associated companies		
For financing	**6**	7
On behalf of other parties		
For financing	**28**	25
For other commitments	**24**	16
	58	48

The mortgages are given to secure mainly pension loans. The Group has also issued guarantees for the fulfillment of its own commitments. Management expects that the pledges and guarantees given on behalf of the Group's own commitments and on behalf of other parties will not have a material adverse effect on the Group's financial result or position.

€ million	2003	2002
Minimum future lease payments on operating leases on Dec. 31		
In 2004	**36**	28
Thereafter	**124**	105
	160	133

PENSION LIABILITIES
The additional pensions of Outokumpu Oyj's pension foundations have been transferred to Sampo Life Insurance in 1999. The assets relating to the transfer included some 2 million shares in Outokumpu Oyj, of which 0.5 million were in the possession of Sampo Life Insurance on Dec. 31, 2003. The value of the shares will be defined by Sep. 30, 2004. The net loss of the difference between the transfer of the shares and market value was EUR 0 million on Dec. 31, 2003 (2002: gain of EUR 1 million).

20. Disputes and litigations

Princeton Gamma-Tech, Inc. ("PGT"), a subsidiary acquired in 1985, has been designated, together with certain other parties, a potentially responsible party for ground water contamination at and around its production facilities in Princeton, New Jersey, by the United States Environmental Protection Agency ("USEPA"). USEPA has subsequently sued PGT to recover costs of investigation and clean up of the site. The alleged cause of the contamination relates to a time prior to the acquisition of PGT by Outokumpu. PGT is discussing with USEPA the suitable clean-up method. Outokumpu has received partial compensation for the costs incurred from prior owners and PGT has made claims to others who, it is believed, have contributed to the contamination. PGT has also made claims to and has initiated litigation against its insurance carriers under insurance policies in effect during the relevant period to recover the above costs. Some of the carriers settled the claims against them before commencement of the trial in October 1996.

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

PGT has reached a comprehensive settlement with USEPA and corresponding authorities of New Jersey which settlement is in the final documentation phase. PGT's insurance carriers will fund the settlement pursuant to separate settlement agreements with each of the carriers that are currently in the process of being executed. After the execution of the definitive settlement agreements with the environmental authorities, the settlement is further subject to the approval of the federal district court judge.

In light of the above, it is not anticipated that the potential costs to PGT for the clean up or any other contingent matters will have a material adverse effect on the Group's financial position.

In March 2001, the European Commission initiated an investigation concerning alleged participation by Outokumpu Oyj and Outokumpu Copper Products Oy in price and market-sharing cartel with respect to copper tubes and fittings in the European Union. Outokumpu has cooperated fully with the European Commission in connection with the investigation. The investigation involving Outokumpu has subsequently been divided into two separate proceedings: investigation into alleged price fixing and market sharing in the industrial copper tube sector and investigation into alleged price fixing and market sharing in the sanitary copper tube sector.

Pursuant to its investigations the European Commission has in its decision dated December 16, 2003, found Outokumpu Oyj and Outokumpu Copper Products Oy having infringed the applicable EU competition laws by participating in agreements and concerted practices consisting of price fixing and market sharing in the ACR tube sector during a period between May 3, 1988 and March 22, 2001. As a result, the European Commission imposed an aggregate fine of EUR 18 million on Outokumpu Oyj and Outokumpu Copper Products Oy. Outokumpu is currently reviewing the decision for purposes of determining whether to appeal or not. A provision for the fine has been entered as an unusual item in the fourth quarter 2003 results.

In connection with its investigation into alleged price fixing and market sharing in the copper sanitary tube sector, the European Commission has on September 1, 2003 issued a Statement of Objections, in which it accuses Outokumpu Oyj and Outokumpu Copper Products Oy for having infringed applicable EU competition laws for participation in agreements and concerted practices consisting of price fixing and market sharing in the sanitary tube sector during a period between June 1988 and March 2001. Outokumpu has submitted a written response to the Commission's Statement of Objections that were further complemented by oral submissions on November 28, 2003. The Commission's decision is expected during 2004. Even though the outcome of these proceedings is premature to assess at this stage, it must be prudently taken into account that Outokumpu Oyj and Outokumpu Copper Products Oy may be held liable to pay a fine in accordance with applicable EU competition rules. However, as the proceedings are still ongoing, no provision has been entered into the accounts with respect to the sanitary tube proceedings.

Net sales of all copper tubes manufactured by the company in Europe account for some 3.5% of the Group's total net sales in 2003.

In June 1998, the US International Trade Commission initiated an investigation relating to an alleged dumping of cold rolled stainless steel sheet and strip (including foil) against Britain. A preliminary deposit rate of 13.45% was determined, which applied to shipments from Britain to the US between December 17, 1998 and July 27, 1999. A final deposit rate of 14.84% was issued in July 1999, which has applied to shipments from Britain to the US from July 27, 1999.

In March 2002, under Section 201 safeguard measures, the US Government introduced tariffs on several categories of imported steel products including stainless wire rod. The tariff for rod of 15% (on a declining scale) was originally imposed for 3 years from March 20, 2002. Moreover, in October 2002, the International Trade Commission recommended that import restrictions be imposed on certain stainless steel long products and rendered a divided vote with respect to stainless tubular flanges and fittings. However, on December 4, 2003 the US announced the termination of the Section 201 measures, including among others, the tariff for wire rod and import restrictions for long products, with immediate effect.

Management believes that the foregoing actions taken by the US authorities do not have any material adverse effect on the Group's financial position.

In May 2002, the Chinese government announced an investigation into steel imports and instituted provisional tariffs on imports of steel. On November 20, 2002, definitive tariff quotas were imposed on stainless steel cold-rolled sheets and coils. Imports of stainless steel cold rolled sheets and coils into the People's Republic of China above the definitive tariff quotas were initially subject to an additional tariff of 18.1% up to May 23, 2003 and 16.7% from May 24, 2003. On December 26, 2003, the Chinese authorities terminated these measures and from the said date the additional tariffs were no longer applied.

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

21. Subsidiaries by business area on December 31, 2003

Outokumpu Stainless

		Country	Nature of activity	Group holding, %
Outokumpu Stainless Steel Oy	[1] [*]	Finland	■	100
AvestaPolarit Holding B.V.		The Netherlands	■	100
Outokumpu Stainless Holdings Ltd	[1]	Britain	■	100
Outokumpu Stainless Holding GmbH	[1]	Germany	■	100
Outokumpu Stainless, Inc.	[1]	The United States	■	100
AvestaPolarit East, Inc.		The United States	■	100
Outokumpu Chrome Oy	[1]	Finland	✖▲	100
Outokumpu PSC Benelux B.V.	[1]	The Netherlands	▲	100
Outokumpu Stainless B.V.	[1]	The Netherlands	▲	100
Hertecant N.V.		Belgium	▲	100
P.T. AvestaPolarit Welding		Indonesia	▲	100
AvestaPolarit ABE Ltd.		Canada	▲	100
AvestaPolarit ABE, S.A. de C.V.		Mexico	▲	100
AB Örnsköldsviks Mekaniska Verkstad (ÖMV)		Sweden	▲	100
AvestaPolarit Stainless Tube AB		Sweden	▲	83
AvestaPolarit ABE AB		Sweden	▲	100
Outokumpu PSC Nordic AB	[1]	Sweden	▲	100
Outokumpu Prefab AB	[1]	Sweden	▲	100
Outokumpu Press Plate AB	[1]	Sweden	▲	100
AvestaPolarit Welding AB		Sweden	▲	100
Calamo Nords AB		Sweden	▲	100
Husqvarna Elektrolytpolering AB		Sweden	▲	100
Outokumpu PSC Germany GmbH	[1]	Germany	▲	100
Outokumpu Stainless Oy	[1]	Finland	▲	100
Finnbend Oy		Finland	▲	100
Finnpipe Oy		Finland	▲	83
JARO Fittings Oy Ab		Finland	▲	100
JARO Oy Ab		Finland	▲	83
AS Avesta Polarit Ratas Oü	[4]	Estonia	▲	100
Outokumpu Stainless Bar, Inc.	[1]	The United States	▲	100
Outokumpu Stainless Pipe, Inc.	[1]	The United States	▲	100
Outokumpu Stainless Plate, Inc.	[1]	The United States	▲	100
Outokumpu Stainless Ltd	[1]	Britain	●▲	100
Outokumpu SpA	[1]	Italy	●▲	100
Outokumpu Stainless AB (publ.)	[1]	Sweden	■▲◆	100
Outokumpu B.V.	[1]	The Netherlands	●	100
Outokumpu Pty Ltd	[1]	Australia	●	100
Outokumpu N.V.	[1]	Belgium	●	100
AvestaPolarit S.A.		Spain	●	100
Outokumpu (Pty) Ltd	[1]	South Africa	●	100
Outokumpu Asia Pacific Ltd	[1]	Hongkong	●	100
Outokumpu Ltd	[1]	Ireland	●	100
Commerciale Acciai S.p.A.		Italy	●	100
Outokumpu Ges.m.b.H	[1]	Austria	●	100
Outokumpu K.K.	[1]	Japan	●	100
AvestaPolarit UAB		Lithuania	●	100
Outokumpu AS	[1]	Norway	●	100
Outokumpu Sp z o.o.	[1]	Poland	●	100
AvestaPolarit ABE SARL		France	●	100
Outokumpu SA	[1]	France	●	100
E.L.F.E. SA		France	●	100
Outokumpu Nordic AB	[1]	Sweden	●	100
Outokumpu GmbH	[1]	Germany	●	100
Outokumpu (S.E.A.) Pte Ltd.	[1]	Singapore	●	100
Outokumpu Distribution Oy	[1]	Finland	●	100
SH Trade Oy		Finland	●	100
Outokumpu A/S	[1]	Denmark	●	100
Outokumpu s.r.o.	[1]	Czech Republic	●	100
Outokumpu Kft	[1]	Hungary	●	100
ZAO AvestaPolarit		Russia	●	100
Outokumpu Baltic Oü	[1]	Estonia	●	100
Outokumpu Stainless Coil, Inc.	[1]	The United States	●	100
AvestaPolarit Welding, Inc.		The United States	●	100
AvestaPolarit Finance B.V.		The Netherlands	◗	100
AvestaPolarit Gebouwen B.V.		The Netherlands	◗	100
AvestaPolarit Pension Trustees Ltd		Britain	◗	100
2843617 Canada Inc.		Canada	◗	100
Visent Invest AB		Sweden	◗	100
Visenta Försäkrings AB		Sweden	◗	100
AvestaPolarit Holding GmbH & Co. KG		Germany	◗	100
Kandelinin Seuraajat Oy		Finland	◗	100

Outokumpu Copper

		Country	Nature of activity	Group holding, %
Outokumpu Copper Products Oy	[*]	Finland	■	100
Outokumpu Copper B.V.		The Netherlands	■	100
Outokumpu Copper Limited		Britain	■	100
Outokumpu Copper, Inc.		The United States	■	100
Outokumpu Copper Holdings Inc.		The United States	■	100
Outokumpu Copper Kenosha, Inc.		The United States	■	100
Outokumpu Heatcraft B.V.		The Netherlands	■	55
Outokumpu Holton Limited	[1]	Britain	▲	100
Neumayer GmbH		Austria	▲	50
Nippert Limited		Britain	▲	100
Outokumpu Advanced Superconductors Inc.		The United States	▲	100
Outokumpu American Brass, Inc.		The United States	▲	100
Outokumpu Castform Oy		Finland	▲	100
Outokumpu Copper Franklin, Inc.		The United States	▲	100
Outokumpu Copper Partner AB		Sweden	▲	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.	[4]	China	▲	100
Outokumpu Copper Products AB		Sweden	▲	100
Outokumpu Copper Tubes, S.A.		Spain	▲	100
Outokumpu Heatcraft Czech s.r.o.		Czech Republic	▲	55
Outokumpu Heatcraft de Mexico S de R.L. de C.V.		Mexico	▲	55
Outokumpu Heatcraft France SAS		France	▲	55
Outokumpu Heatcraft Italia s.r.l.		Italy	▲	55
Outokumpu Heatcraft USA LLC		The United States	▲	55
Outokumpu Heatcraft Heat Exchanger (Zhongshan) Co. Ltd.	[3]	China	●	55
Outokumpu Heatcraft Trading (Shanghai) Co.	[3]	China	▲	55
Outokumpu Hitachi Copper Tube (Thailand) Ltd.		Thailand	▲	64
Outokumpu Livernois Engineering LLC		The United States	▲	55
Outokumpu Poricopper Oy		Finland	▲	100
Outokumpu Wasacopper Oy	[4]	Finland	▲	90
Outokumpu Fabrication Technologies AB		Sweden	▲	100
Outokumpu Nippert Inc.	[1]	The United States	▲	100
Outokumpu Copper Valleycast LLC	[1]	The United States	▲	100
Outokumpu Plating Inc.		The United States	▲	100
Neumayer Corporation	[1]	The United States	●	50
Outokumpu Rawmet (UK) Limited		Britain	◗	100
Outokumpu Centro Servizi S.p.A.		Italy	◗▲	100
Outokumpu Copper Thatcher Limited	[1]	Britain	◗▲	100
Outokumpu Copper Fabrication AB	[1], [2], [*]	Sweden	■	100
Outokumpu Copper LDM B.V.	[1], [2]	The Netherlands	▲	100
Outokumpu Copper Nonferro Metal GmbH	[1], [2]	Germany	●	100
Outokumpu Holding UK Limited	[1], [2]	Britain	■	100
Outokumpu Copper MKM Limited	[1], [2]	Britain	▲	100
Outokumpu Copper Metal Supplies Limited	[1], [2]	Britain	●	100
Outokumpu Copper Brass International Limited	[1], [2]	Britain	●	100
Outokumpu Copper Brass SA	[1], [2]	France	●	100
Outokumpu Copper Gusum AB	[1], [2]	Sweden	■	100
Outokumpu Copper BCZ SA	[1], [2]	Belgium	▲	100
Outokumpu Copper Distribution Centre (France) SA	[1], [2]	France	●	100
Outokumpu Copper BCZ (Deutschland) GmbH	[1], [2]	Germany	●	100
Outokumpu Copper BCZ (Espana) SA	[1], [2]	Spain	●	100
Outokumpu Copper BCZ (Polaska) Sp. Zoo	[1], [2]	Poland	●	100
Outokumpu Copper HME B.V.	[1], [2]	The Netherlands	▲	100
Outokumpu Copper HME (France) SA	[1], [2]	France	●	100
Outokumpu Copper Securus GmbH	[1], [2]	Germany	●	100
Outokumpu Copper Tubes Kereskedelmi Kft.	[1], [2]	Hungary	●	100
Outokumpu Copper Distribution Centre (Belgium) SA	[1], [2]	Belgium	●	100

		Country	Nature of activity	Group holding, %
Outokumpu Technology				
Outokumpu Technology Oy	*)	Finland	■	100
Boliden Contech Chile SA	2)	Chile	▲	100
Boliden Contech GmbH	2)	Germany	▲	100
Outokumpu Technology GmbH		Germany	▲	100
Outokumpu Technology Turula Oy	1)	Finland	▲	100
Outokumpu Wenmec AB		Sweden	▲	100
SepTor Tehnologies B.V.		The Netherlands	▲	100
Royal Pannevis B.V.		The Netherlands	●▲	100
Outokumpu Mexicana, S.A. de C.V.		Mexico	●	100
Outokumpu Tecnologia Brasil Ltda.		Brasil	●	100
Pannevis Inc.		The United States	●	100
Boliden Contech AB	2), *)	Sweden	●◗	100
KHD Aluminium Technology GmbH		Germany	●◗	100
Lurgi Metallurgie GmbH		Germany	●◗	100
Outokumpu Technology Australasia Pty. Ltd.	1)	Australia	●◗	100
Outokumpu Technology Chile Limitada	1)	Chile	●◗	100
Outokumpu Technology Inc.		The United States	●◗	100
Outokumpu Technology Ltd.	1)	Canada	●◗	100
Outokumpu Technology Minerals Oy	1)	Finland	●◗	100
Outokumpu Technology Pty Ltd.		Australia	●◗	100
Outokumpu Technology (Pty) Ltd.		South Africa	●◗	100
Outokumpu Technology S.A.C.	1)	Peru	●◗	100
Aisco Systems Inc. Chile y Compañia Limitada		Chile	◗	100
MPE Service Oy		Finland	◗	96
Outokumpu Technology A/S		Norway	◗	100
Outokumpu Technology Ltd.		Britain	◗	100
ZAO Mineral Processing Engineers		Russia	◗	60
Eberhard Hoesch & Söhne GmbH		Germany	❋	100
Edifo AB	2)	Sweden	❋	100
International Project Services Ltd. Oy		Finland	❋	100
Kumpu Engineering, Inc.		The United States	❋	100
Other operations				
Mining				
Outokumpu Nickel B.V.	*)	The Netherlands	■	100
Outokumpu Nickel Resources B.V.	*)	The Netherlands	■	100
Outokumpu Zinc B.V.	*)	The Netherlands	■	100
Outokumpu Mining Oy		Finland	✖	100
Norsulfid A/S	*)	Norway	✔	100
Viscaria AB	*)	Sweden	✔	100
OAO Kola-Mining		Russia	◆	96
Outokumpu Minera Española S.A.		Spain	◆	100
Outokumpu Mines, Inc.	*)	Canada	◆	100
Outokumpu Copper Resources B.V.		The Netherlands	❋	100
Outokumpu Exploration Ventures Pty. Ltd.		Australia	❋	100
Outokumpu Mining Australia Pty. Ltd.		Australia	❋	100
Outokumpu Zinc Australia Pty. Ltd.	*)	Australia	❋	100
Corporate services				
Finero B.V.	*)	The Netherlands	■	100
Granefors Bruk AB	*)	Sweden	■	100
Outokumpu Sales Oy	*)	Finland	●	100
Outokumpu Portugal Ltda.	**)	Portugal	●	100
Outokumpu Copper (U.S.A.), Inc.		The United States	●	100
Outokumpu Deutschland GmbH		Germany	●	100
Outokumpu Istanbul Dis Ticaret Limited Sirketi	*)	Turkey	●	98
Outokumpu Japan K.K.	*)	Japan	●	100
Outokumpu Poland Sp. z o.o.	*)	Poland	●	100
Outokumpu Research Oy	*)	Finland	◆	100
Kopparlunden AB		Sweden	◗	100
Orijärvi Oy	*)	Finland	◗	100
Outokumpu Alueverkko Oy	*)	Finland	◗	100
Outokumpu Business Support Unit AB	1), *)	Sweden	◗	100
Outokumpu Business Support Unit Inc.	3)	The United States	◗	100
Outokumpu Rawmet, S.A.		Spain	◗	100
Outokumpu Rossija Oy	*)	Finland	◗	100
Pancarelian Ltd.	*)	Bermuda	◗	100
ZAO Outokumpu Moskva		Russia	◗	100
ZAO Outokumpu St. Petersburg		Russia	◗	100
OOO Outokumpu Norilsk		Russia	◗	100
Outokumpu Benelux B.V.	*)	The Netherlands	❋	100
Outokumpu Ecomills Oy	*)	Finland	❋	100
Outokumpu Engineering Enterprises, Inc.	*)	The United States	❋	100
Outokumpu Espana S.A.	*)	Spain	❋	100
Outokumpu France S.A.	*)	France	❋	100
Outokumpu Italia S.r.L	*)	Italy	❋	100
Outokumpu Scandinavia AB	*)	Sweden	❋	100
Outokumpu (S.E.A.) Pte Ltd	*)	Singapore	❋	100
Outokumpu (UK) Limited	*)	Britain	❋	100
Industrial holdings				
Princeton Gamma-Tech, Inc.		The United States	▲	82
Princeton Gamma-Tech U.K. Ltd.		Britain	●	99

22. Associated companies and other shares and stock on December 31, 2003

		Country	Nature of activity	Group holding, %
Shares and stock in associated companies				
Boliden AB (publ)	2)	Sweden	■	49
Folldal Industrielektro A/S		Norway	▲	40
Laminados Oviedo-Córdoba S.A.		Spain	▲	50
Okmetic Oyj	*)	Finland	▲	32
Fagersta Stainless AB		Sweden	▲	50
Outokumpu (Thailand) Co., Ltd.		Thailand	●	49
Outokumpu Copper Nordic Brass AB	2)	Sweden	●	50
Heatcraft Advanced Technologies LLC		The United States	◆	50
Placer Outokumpu Exploration Ltd.		Britain	◆	50
ZAO Arctic Nickel		Russia	◆	40
ABB Industriunderhåll AB		Sweden	◗	49
Kopparlunden Development AB		Sweden	◗	50

Other shares and stock
The market value of the shares in publicly listed companies included in other shares and stock is EUR 2 million higher than to the balance sheet value of EUR 7 million.

Foreign branches
Outokumpu S.A., branch office in Portugal
Outokumpu Asia Pacific Ltd., branch office in Rep. of Korea
Outokumpu Asia Pacific Ltd., agencies in China and Taiwan
Outokumpu Baltic Oü, branch office in Latvia
Outokumpu Copper Kenosha Inc., branch office in Mexico
Outokumpu Mining Oy, branch office in Spain
Outokumpu Sales Oy, branch office and agency in China
Outokumpu Sales Oy, branch office in Britain
Outokumpu Sales Oy, branch office in Spain
Outokumpu Sales Oy, branch office in Italy
Outokumpu Sales Oy, branch office in Rep. of Korea
Outokumpu Sales Oy, branch office in Norway
Outokumpu Sales Oy, branch office in France
Outokumpu Sales Oy, branch office in Singapore
Outokumpu Sales Oy, branch office in Denmark

Legend
■ = Management or holding
▲ = Production
● = Marketing
✖ = Operational mine
✔ = Mine production discontinued/sold
◆ = Exploration or research
◗ = Service
❋ = Dormant

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

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

23. Changes in Group structure in 2003

Companies acquired and established
See notes 21 and 22.

Companies merged and dissolved
Avesta Sandvik Tube B.V.
Outokumpu Indepro Ingeniería Limitada
Outokumpu Invest (U.K.) Ltd.
Outokumpu Metals Treasury
Outokumpu Resources & Exploration Pty. Ltd.
Outokumpu Técnica Chile Ltda.

Companies sold
Nikkel og Olivin A/S
OAO Kivijärvi
Outokumpu Harjavalta Metals Oy
Outokumpu Norzink A/S
Outokumpu Zinc Oy
Outokumpu Zinc Commercial B.V.
Polar Mining Oy
Tara Mines Limited
Tara Prospecting Limited
Arctic Platinum Ay
Oretec Resources Plc.
Thyssefaldene A/S

Effect of the sold business operations on the consolidated net sales

€ million	**2003**	2002
Nikkel og Olivin A/S	**0**	11
Orivesi mine	**8**	12
Outokumpu Harjavalta Metals Oy	**403**	391
Tara Group	**83**	18
Zinc dividion	**396**	418
Black Swan Nickel Pty Ltd	**–**	47

24. Group mine production

Tonnes	**2003**	2002
Ore excavated (million tonnes)		
Black Swan [1]	**–**	0.2
Hitura	**0.6**	0.6
Kemi	**1.1**	1.2
Nikkel og Olivin [2]	**–**	0.5
Orivesi [3]	**0.1**	0.2
Tara [2]	**2.5**	0.8
Total	**4.3**	3.5
Chromite concentrates		
Kemi	**549 000**	566 000
Zinc in concentrates		
Tara [2]	**188 000**	49 100
Nickel in concentrates		
Black Swan [1]	**–**	8 600
Hitura	**2 700**	2 500
Nikkel og Olivin [2]	**–**	1 700
Total	**2 700**	12 800
Lead in concentrates		
Tara [2]	**29 500**	8 300
Gold in concentrates (kg)		
Orivesi [3]	**900**	1 300

1) Includes the production of Black Swan until end of June 2002.
2) Nikkel og Olivin and Tara were sold to Boliden on Dec. 30, 2003. Tara put on care and maintenance on Nov. 1, 2001. The production was resumed at the beginning of Sep. 2002.
3) Orivesi mine was sold to Dragon Mining in Nov. 2003.

Ore reserves and mineral resources of the Kemi mine on December 31, 2003

Ore reserves		Mineral resources		
Proved	Probable	Measured	Indicated	Inferred
52 Mt	–	3.8 Mt	13 Mt	74 Mt
25% Cr^2O^3	–	28% Cr^2O^3	29% Cr^2O^3	29% Cr^2O^3

The information has been prepared in accordance with the "Australasian Code for Reporting of Mineral Resources and Ore Reserves, September 1999". A mineral resource is a concentration or occurrence of material, the extent and grades of which have been assessed by geological methods. Ore reserves are the economically exploitable part of the mineral resources defined on the basis of feasibility studies. Ore reserves are not included in the mineral resources.

The extent of ore reserves and mineral resources is presented in millions of tonnes (Mt) and the grades as percentages (%).

Cr_2O_3 = chromium oxide

Parent company financial statements

Income statement of the parent company

€ million		2003	2002
Net sales		**109**	103
Cost of sales		**(99)**	(84)
Gross margin		**10**	19
Administrative expenses		**(56)**	(43)
Research and development expenses		**(2)**	(3)
Unusual items	[3]	**1**	51
Other operating income and expenses	[4]	**5**	444
Operating profit	[1–4]	**(42)**	468
Financial income and expenses	[5]	**126**	66
Profit before extraordinary items		**84**	534
Extraordinary items	[6]	**(9)**	29
Profit before appropriations and taxes		**75**	563
Appropriations			
Change in depreciation difference		**(0)**	5
Income taxes	[7]	**(26)**	(24)
Profit for the financial year		**49**	544

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

Figures in square brackets refer to notes to the parent company financial statements on pages 83–84.

Statement of cash flows of the parent company

€ million	2003	2002
Operating activities		
Profit for the financial year	**49**	544
Adjustments:		
Depreciations according to plan	**6**	4
Unrealized exchange gains and losses	**(32)**	4
Other non-cash income and expenses	**9**	(27)
Merger gain	**–**	(434)
Other adjustments [1]	**10**	(55)
	42	36
Change in working capital		
Decrease in current non interest-bearing receivables	**19**	10
Decrease in current non interest-bearing liabilities	**(57)**	(26)
	(38)	(16)
Cash provided by operating activities	**4**	20
Investing activities		
Capital expenditures for purchase of fixed assets	**(11)**	(22)
Investments in group companies and other equity investments	**(9)**	(1 130)
Proceeds from sales of fixed assets	**2**	94
Decrease (increase) in long-term financial assets	**14**	(39)
Cash used in investing activities	**(4)**	(1 097)
Cash flow before financing activities	**0**	(1 077)
Financing activities		
Borrowings of long-term debt	**710**	202
Repayments of long-term debt	**(72)**	(51)
Increase in current debt	**452**	997
Dividends paid, other adjustments	**(69)**	(24)
Share offering	**6**	301
Other financial items	**(973)**	(382)
Cash used in financing activities	**54**	1 043
Increase (decrease) in cash and marketable securities	**54**	(34)
Adjustments	–	–
Increase (decrease) in cash and marketable securities in the balance sheet	**54**	(34)

[1] Includes write-downs and write-backs on shares, gains and losses on sales of fixed assets.

Balance sheet of the parent company

€ million		2003	2002
ASSETS			
Fixed assets and other ong-term investments	[8]		
Intangible assets		**38**	10
Property and equipment		**21**	43
Long-term financial assets	[10]	**3 128**	3 085
Total fixed assets and other long-term investments		**3 187**	3 138
Current assets			
Receivables	[10]	**1 688**	725
Cash and bank		**122**	68
Total current assets		**1 810**	793
TOTAL ASSETS		**4 997**	3 931

€ million		2003	2002
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	[9]		
Share capital		**304**	293
Unregistered share capital		**0**	0
Premium fund		**688**	636
Treasury shares		**10**	14
Retained earnings		**562**	85
Profit for the financial year		**49**	544
		1 613	1 572
Untaxed reserves			
Accumulated depreciation difference		**1**	1
Liabilities			
Long-term	[10]		
Interest-bearing		**1 253**	666
Non interest-bearing		**–**	–
Current	[10]		
Interest-bearing		**1 902**	1 464
Non interest-bearing		**228**	228
Total liabilities		**3 383**	2 358
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4 997**	3 931

€ million	2003	2002
1. Personnel expenses		
Board of Directors' and CEO's and his deputy's fees and salaries [1]	**2**	1
Other salaries	**16**	12
Pension contributions	**7**	2
Other personnel expenses [2]	**2**	2
Personnel expenses in the income statement	**27**	17

[1] Includes paid bonuses EUR 0 million in 2003 (2002: EUR 0 million).
[2] No profit-sharing bonuses based on the Finnish Personnel Funds Act were paid in 2003 (2002: EUR – million).

Average number of personnel	**275**	265
Personnel on Dec. 31	**272**	275

2. Depreciation and amortization

Depreciation and amortization by group of assets		
Intangible assets	**3**	0
Other long-term expenses	**2**	1
Buildings	**0**	1
Machinery and equipment	**1**	1
Other fixed assets	**0**	0
	6	4
Depreciation and amortization by group of expenses		
Cost of sales	**0**	0
Administrative expenses	**6**	4
	6	4

3. Unusual items

Sale of the precious metals assets	**2**	–
Expenses from the Boliden transaction	**(1)**	–
Capital gain on the AvestaPolarit Oyj Abp shares	**–**	33
Gain on the sale of the real estate in Espoo	**–**	13
Refund actuarial surplus	**–**	3
Refund of pension surplus from Henki-Sampo	**–**	2
	1	51

4. Other operating income and expenses

€ million	2003	2002
Other operating income		
Rental income	**2**	3
Gains on sales of fixed assets and shares	**1**	6
Gain on the merger of Outokumpu Base Metals Oy	**–**	435
Other income items	**4**	0
	7	444
Other operating expenses		
Losses on disposal of fixed assets and sales of shares	**(0)**	(0)
Other expense items	**(2)**	(0)
	(2)	(0)
Other operating income and expenses, total	**5**	444

5. Financial income and expenses

Dividends received	**146**	48
Interest income on long-term financial assets	**29**	32
Interest income on current assets	**43**	15
Other financial income	**1**	3
Interest expenses	**(85)**	(55)
Other financial expenses	**(9)**	(3)
Exchange gains (losses)	**1**	26
	126	66
Financial income from and expenses to subsidiaries		
Dividends received	**146**	40
Interest income on long-term financial assets	**29**	32
Interest income on current assets	**36**	11
Other financial income	**1**	3
Interest expenses	**(11)**	(7)
	201	79

6. Extraordinary items

Group contributions	**(9)**	29

7. Income taxes

Income taxes		
Accrued taxes for the year	**(26)**	(24)
Tax adjustments for prior years	**0**	(0)
	(26)	(24)
Hypothetical deferred taxes in the balance sheet		
Deferred tax liabilities	**–**	(6)
Deferred tax assets	**4**	1
Net deferred tax asset	**4**	(5)

8. Fixed assets

€ million	Historical cost on Jan. 1, 2003	Additions	Disposals	Accumulated depreciation on Jan. 1, 2003	Accumulated depreciation of disposals	Depreciation during the period	Accumulated depreciation on Dec. 31, 2003	Carrying value on Dec. 31, 2003
Intangible assets	13	34	(0)	(4)	(0)	(5)	(9)	38
Property and equipment								
Land	8	–	(0)	–	–	–	–	8
Buildings	4	–	(0)	(2)	0	(0)	(2)	2
Machinery and equipment	7	3	(0)	(5)	0	(1)	(6)	4
Other fixed assets	2	0	–	(1)	–	(0)	(1)	1
Construction in progress	29	4	(27)	–	–	–	–	6
	50	7	(27)	(8)	0	(1)	(9)	21
Long-term financial assets								
Shareholdings in subsidiaries	2 274	63	(10)	–	–	–	–	2 327
Treasury shares	14	–	(3)	–	–	–	–	11
Other long-term equity investments	12	8	(0)	–	–	–	–	20
Long-term loans receivables	785	–	(15)	–	–	–	–	770
	3 085	71	(28)	–	–	–	–	3 128
Total fixed assets	3 148	112	(55)	(12)	0	(6)	(18)	3 187

€ million	2003	2002
9. Shareholders' equity		
Share capital on Jan. 1	**293**	212
Transfers from unregistered share capital	**0**	–
Share offering	**9**	80
Shares subscribed with options	**1**	–
Converted bonds	**1**	1
Share capital on Dec. 31	**304**	293
Unregistered share capital on Jan. 1	**0**	–
Transfers to unregistered share capital	**(0)**	–
Unregistered share options	**0**	–
Share offering	**–**	0
Unregistered share capital on Dec. 31	**0**	0
Premium fund on Jan. 1	**636**	409
Share offering	**45**	220
Gain on the sale of the subscription rights on treasury shares	**–**	1
Shares subscribed with options	**5**	–
Converted bonds	**2**	6
Premium fund on Dec. 31	**688**	636
Treasury shares	**10**	14
Retained earnings on Jan. 1	**85**	46
Prior year's profit	**544**	114
Dividends paid	**(69)**	(75)
Transfer of treasury shares	**2**	–
Retained earnings on Dec. 31	**562**	85
Profit for the financial year	**49**	544
Total shareholders' equity on Dec. 31	**1 613**	1 572
Distributable funds		
Retained earnings	**562**	85
Profit for the financial year	**49**	544
Distributable funds on Dec. 31	**611**	629

€ million	2003	2002
10. Receivables and liabilities		
Receivables		
Accounts receivable	**21**	19
Loans receivable	**1 489**	560
Prepaid expenses and accrued income	**11**	23
Other receivables	**167**	123
	1 688	725
Long-term liabilities		
Interest-bearing		
Convertible bonds	**–**	7
Loans from financial institutions	**1 146**	591
Pension loans	**105**	66
Other long-term loans	**2**	2
	1 253	666
Non interest-bearing		
Other long-term liabilities	**–**	–
Current liabilities		
Interest-bearing		
Convertible bonds	**5**	–
Loans from financial institutions	**273**	638
Pension loans	**11**	9
Other current loans	**1 613**	817
	1 902	1 464
Non interest-bearing		
Accounts payable	**21**	12
Accrued expenses and prepaid income	**21**	16
Other current liabilities	**186**	200
	228	228
Total liabilities	**3 383**	2 358

€ million	2003	2002
Receivables from and liabilities to subsidiaries		
Long-term receivables		
Loans receivable	**744**	777
Current receivables		
Loans receivable	**1 486**	555
Accounts receivable	**20**	18
Prepaid expenses and accrued income	**11**	8
Other receivables	**90**	90
	1 607	671
Current liabilities		
Current loans	**1 047**	366
Accounts payable	**2**	2
Accrued expenses and prepaid income	**1**	1
Other current liabilities	**170**	185
	1 220	554
Receivables from associated companies		
Long-term		
Loans receivable	**2**	2
Current		
Prepaid expenses and accrued income	**0**	0
Prepaid expenses and accrued income		
Accrued exchange gains	**–**	1
Prepaid interest expenses and accrued interest income	**11**	11
Prepaid income taxes and income tax refunds receivable	**0**	10
Other	**0**	1
	11	23
Accrued expenses and prepaid income		
Accrued employee related expenses	**3**	3
Accrued interest expenses and prepaid interest income	**17**	12
Other	**1**	1
	21	16

€ million	2003	2002
11. Commitments and contingent liabilities		
Pledges on Dec. 31		
Mortgages to secure own borrowings	**39**	59
Guarantees on Dec. 31		
On behalf of subsidiaries		
For financing	**153**	127
For other commitments	**110**	95
On behalf of other parties		
For financing	**0**	0
For other commitments	**2**	–
	265	222

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.

Minimum future lease payments on operating leases on Dec. 31

	2003	2002
In 2004	**6**	5
Thereafter	**49**	53
	55	58

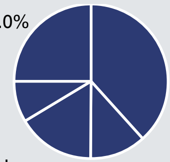
Outokumpu Oyj's shares and shareholders

Shares and share capital

Outokumpu Oyj's fully paid in and registered share capital at December 31, 2003 was EUR 303 576 080.50 and it consisted of 178 574 165 shares. On January 12, 2004, the share capital increased, following the registration with the Finnish Trade Register of the shares subscribed for with the 1998 stock options from December 20 to 31, 2003, to EUR 303 579 812.00 and consisted of 178 576 360 shares. The account equivalent value of a share is EUR 1.70. Each share entitles its holder to one vote at general meetings of shareholders. The Company's shares were entered in the Finnish book-entry securities system on February 11, 1994.

Pursuant to the Articles of Association, the share capital of Outokumpu Oyj is at minimum of EUR 150 000 000 and at maximum of EUR 1 200 000 000. The issued share capital may be increased or decreased within these limits without amending the Articles of Association.

Shareholders by group
January 12, 2004



Listing of shares

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

Treasury shares

The Company holds 1 123 440 treasury shares, corresponding to 0.6% of the Company's shares and voting rights. The repurchases have been made between April 9 and November 27, 2001.

State ownership

The Finnish State holds 38.3% of the Company's shares and voting rights. In accordance with a resolution passed by the Finnish Parliament in June 2001, the State's shareholding in the Company can be reduced down to 10%. A reduction below this limit would require a new resolution by the Finnish Parliament.

Redemption obligation

Pursuant to the Articles of Association, a shareholder whose proportion of all the Company's shares or aggregate voting rights reaches or exceeds 33 1/3 or 50% is obligated, upon a request by the other shareholders, to redeem their shares at a price that is to be calculated in the manner specified in the Articles of Association. The redemption obligation does not apply to a shareholder whose shareholding or voting threshold had been reached or exceeded prior to the registration of this redemption obligation with the Finnish Trade Register on May 18, 1994, as long as the shareholder's aggregate shareholding or voting rights remain above said threshold.

Board's authorization to increase the share capital and the completed share issue

On April 3, 2003, the Annual General Meeting authorized the Board of Directors to increase the Company's share capital by issuing new shares, granting stock options and/or issuing convertible bonds. On the basis of this authorization, the share capital may be increased by a maximum of EUR 29 352 050 by issuing for subscription a maximum of 17 265 911 new shares. The authorization provides for a deviation from shareholders' pre-emptive subscription rights and it is valid until the Annual General Meeting in 2004.

On December 22, 2003, the Board of Directors decided, on the basis of this authorization, to increase the Company's share capital through an issue of 5 000 000 new shares. The shares were offered, in deviation from shareholders' pre-emptive subscription rights, for subscription to Boliden Mineral AB, a subsidiary of Boliden AB (publ), in connection with the transaction between Outokumpu and Boliden. The subscription price was EUR 10.76 per share. The increase in the share capital was entered in the Finnish Trade Register on December 31, 2003.

Board's authorization to repurchase the Company's own shares

On April 3, 2003, the Annual General Meeting authorized the Board of Directors to repurchase the Company's own shares (treasury shares). A maximum of 8 632 955 shares can be repurchased, but nevertheless such that the number of treasury shares does not exceed 5% of the Company's registered total number of shares. The authorization is valid until the Annual General Meeting in 2004. The Company has not exercised this authorization.

Board's authorization to transfer the Company's own shares

On April 3, 2003, the Annual General Meeting authorized the Board of Directors to transfer the Company's own shares. A maximum of 8 632 955 shares can be transferred. The Board of Directors may decide on transfer of the shares in deviation of the shareholders' pre-emptive rights. The authorization is valid until the Annual General Meeting in 2004.

In December, Outokumpu signed an agreement on acquiring the remaining 50% of its subsidiary Neumayer GmbH. The

Outokumpu Oyj's shares and shareholders

Principal shareholders on January 12, 2004

Shareholder	Shares	%
The Finnish State	68 440 597	38.3
The Finnish Social Insurance Institution	21 031 248	11.8
Boliden Mineral AB	5 000 000	2.8
Pension Insurance Company Ilmarinen Ltd.	2 396 265	1.3
Varma Mutual Pension Insurance Company	1 631 354	0.9
Finnish State Pension Fund	1 150 000	0.7
Outokumpu Oyj	1 123 440	0.6
Tapiola Mutual Pension Insurance Company	889 361	0.5
Sampo Life Insurance Company Limited	798 256	0.5
Fortum Pension Foundation	740 636	0.4
Nominee accounts held at custodian banks [1)]	38 975 149	21.8
Other shareholders total	36 400 054	20.4
Total number of shares	178 576 360	100.0

[1)] According to the information available to Outokumpu, none of the holdings of the nominee accounts exceeds 5%.

Shareholders by group on January 12, 2004

Shareholder group	Shares	%
Privately held companies	5 051 283	2.8
Publicly held companies	64 041	0.0
Financial and insurance institutions	9 621 091	5.4
The public sector and public organizations		
The Finnish State	68 440 597	38.3
The Finnish Social Insurance Institution	21 031 248	11.8
Occupational pension schemes	10 477 931	5.9
Other	273 574	0.2
Non-profit organizations	3 523 852	2.0
Households/private persons	15 403 834	8.6
International shareholders	44 685 726	25.0
Shares not transferred to book-entry securities system	3 183	0.0
Total	178 576 360	100.0

Distribution of shareholding on January 12, 2004

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital	Average shareholding
1–100	1 753	11.5	100 439	0.1	57
101–500	5 834	38.4	1 580 187	0.9	271
501–1 000	2 983	19.6	2 232 421	1.2	748
1 001–10 000	4 291	28.2	12 100 543	6.8	2 820
10 001–100 000	273	1.8	7 162 533	4.0	26 236
100 001–1 000 000	53	0.4	15 649 001	8.8	295 264
over 1 000 000	7	0.1	100 772 904	56.4	14 396 129
	15 194	100.0	139 598 028	78.2	9 188
Nominee accounts held at custodian banks			38 975 149	21.8	
Shares not transferred to book-entry securities system			3 183	0.0	
Total			178 576 360	100.0	

transaction is to be completed by the end of February 2004. On the basis of the authorization, Outokumpu Oyj will transfer 309 597 treasury shares to the seller as consideration.

On February 10, 2004, the Board of Directors confirmed the remunerations for the second incentive period under the share remuneration scheme. An estimated 329 510 treasury shares will be transferred to the participants on February 12, 2004.

1998 option program

In March 1998, the Board of Directors decided, pursuant to an authorization granted by the Annual General Meeting, to offer option warrants for subscription to employees in management positions of the Outokumpu Group in deviation from the pre-emptive rights of shareholders. A total of 2 600 option warrants that are based on a reference index model were issued. The subscription period for shares with the option warrants commenced on May 2, 2001 and will end on March 31, 2004. At the beginning of the subscription period, 94 members of management held option warrants. The option warrants have been traded on the Helsinki Exchanges since June 21, 2001.

In accordance with the terms and conditions of the option warrants, which were amended due to the rights offering in 2002, each warrant entitles holders thereof to subscribe for 1 097.56 shares of the Company at a price of EUR 8.96 per share. Because the dividends payable annually are deducted from the subscription price, the subscription price following the dividend payout in the spring 2003, is EUR 8.56 per share up to March 31, 2004.

By the end of 2003, a total of 661 824 Company shares had been subscribed for with the option warrants. Through the exercise of the outstanding option warrants, a maximum of 2 174 266 Company shares may be subscribed for, and the Company's share capital may increase by a maximum of EUR 3 696 252.20, which corresponds to 1.2% of the Company's shares and the voting rights at the end of 2003.

1999 convertible bond

In February 1999, the Board of Directors decided, pursuant to an authorization granted by the Annual General Meeting, to issue convertible bonds, in deviation from the pre-emptive rights of shareholders, for subscription to the personnel of the Outokumpu Group. The convertible bond form a part of the incentive program for the Outokumpu Group personnel. The convertible bonds were issued on April 7, 1999. The loan period is five years and the annual interest rate is 3.75%. The conversion period commenced on April 9, 2001 and will end on April 5, 2004. The convertible bonds were offered primarily for subscription by permanent employees of the Outokumpu Group in Finland and secondarily to the Personnel Fund of the Outokumpu Group in Finland. A total of 742 Outokumpu employees subscribed for the convertible bonds and the aggregate amount of the convertible bond was confirmed at EUR 18 180 000.

In accordance with the terms and conditions, which were amended due to the rights offering in 2002, each convertible bond of EUR 1 000 entitles its holder to subscribe for 120.73 Company shares at a conversion price of EUR 8.28 per share.

By the end of 2003, a total of 1 297 968 Company shares had been subscribed for on the basis of the convertible bonds. Issued and outstanding convertible bonds at December 31, 2003, amounted to EUR 4 505 000, and they entitle holders thereof to subscribe for a total maximum of 543 888 Company shares. As a consequence of subscriptions, the Company's share capital may be increased by a maximum of EUR 924 609.60, which corresponds to 0.3% of the Company's shares and the voting rights at the end of 2003.

2000–2002 share remuneration schemes

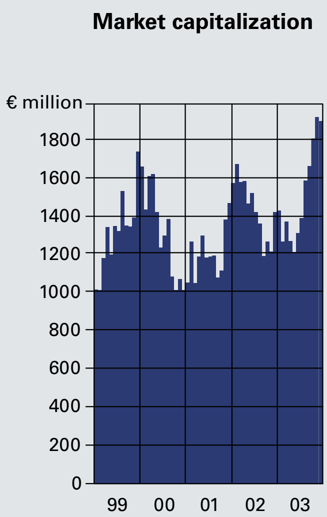
In March 2000, the Annual General Meeting approved a share remuneration scheme as part of the incentive program for the Group's management and other key personnel. The system comprises three incentive periods, each with a term of three years. The periods commenced on January 1, 2000, January 1, 2001 and January 1, 2002. The Board of Directors has decided on the persons entitled to participate in the scheme for each incentive period. At the close of the incentive period at the end of 2002, the scheme for 2000 included 149 persons. At the end of 2003, the scheme for 2001 covered 154 persons and the scheme for 2002 164 persons.

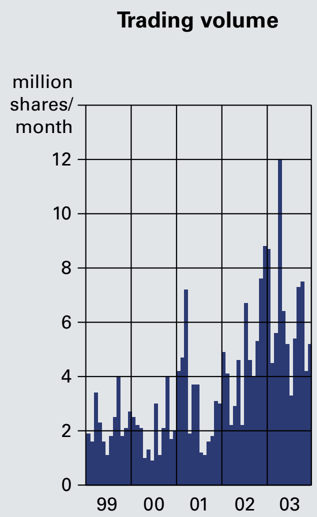
Pursuant to the scheme, the remuneration is based on the relative performance of the Company's share price, and a remuneration is paid provided that the average change in Outokumpu's share price equals or exceeds the average trend in the reference index. The maximum remuneration will be paid if the Company's share price has outperformed the reference index by at least 15%. The reference index is comprised of a combination of the Dow Jones World Mining Index (40%) and the Dow Jones Europe Steel Index (60%). The remuneration under the schemes is to be paid 60% in cash and 40% in Outokumpu shares. Under the scheme, entitled persons must keep the shares in their possession for at least one year from their receipt.

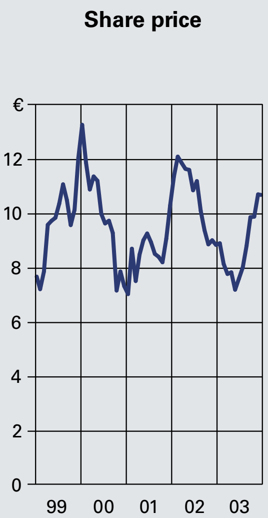
The remunerations for the first incentive period were paid on February 19, 2003, when 282 660 treasury shares were transferred to participants as the share portion of the total remuneration.

On February 10, 2004, the Board of Directors approved the remunerations according to the maximum remuneration for the second incentive period. An estimated 329 510 treasury shares will be transferred to participants on February 12, 2004. If persons covered by the share remuneration scheme were to receive the number of the shares in accordance with the maximum remuneration for the third incentive period as well, their shareholding obtained via the scheme for these two incentive periods would amount to 0.4% of the Company's shares and the voting rights at the end of 2003.

Outokumpu Oyj's shares and shareholders







Increase in share capital 1999–2004

	Number of shares	Share capital, €
Share capital on Jan. 1, 1999	124 529 660	209 443 852.98
Bonus issue on Apr. 28, 1999	–	211 700 422.00
Share subscriptions under the 1999 convertible bond		
Apr. 9–Nov. 30, 2001	+170 390	211 990 085.00
Apr. 8–Nov. 29, 2002	+872 161	213 472 758.70
Rights offering Nov. 28–Dec. 17, 2002		
Primary subscriptions registered on Dec. 23, 2002	+46 944 402	293 278 242.10
Secondary subscriptions registered on Jan. 3, 2003	+142 506	293 520 502.30
Share subscriptions under the 1999 convertible bond		
Apr. 8–Nov. 28, 2003	+255 417	293 954 711.20
Share subscriptions under the 1998 option warrants		
Sep. 10–Dec. 19, 2003	+659 629	295 076 080.50
Share issue to Boliden Mineral AB on Dec. 31, 2003	+5 000 000	303 576 080.50
Share capital on Dec. 31, 2003	178 574 165	303 576 080.50
Share subscriptions under the 1998 option warrants		
Dec. 20–Dec. 31, 2003 registered on Jan. 12, 2004	+2 195	303 579 812.00
Share capital on Jan. 12, 2004	178 576 360	303 579 812.00

Shares subscribed under the convertible bond and option warrants in 2004 are not entitled to dividends from the financial year 2003. The new shares registered after January 12, 2004, have been listed as a separate class from the old shares at the Helsinki Exchanges as of January 30, 2004. Following the payment of dividends from the financial year 2003, the separate class will be combined with the old shares.

2003 option program

The Annual General Meeting held on April 3, 2003, passed a resolution on a new stock option program. The stock options are part of the Group's incentive and commitment-building system for key employees and they are intended to encourage their recipients to work over the long term to increase shareholder value. The reward system under the scheme is based on both earnings and the Company's relative performance, with rewards being geared to accomplishments.

A total of 5 100 000 stock options will be issued. The stock options will be marked with symbols 2003A, 2003B and 2003C and they will be gratuitously distributed by a decision of the Board of Directors in 2004, 2005 and 2006, in deviation from the shareholders' pre-emptive rights, to the key personnel employed by or to be recruited by the Outokumpu Group.

In deciding on the amount of stock options to be distributed annually in total and to each person separately, the Board of Directors will assess the Group's earnings trend and performance by comparing, for example, the trend in earnings per share with peer companies' trend for the same key ratio. In making their assessment the Board will also take into account exceptional conditions and the effect on the Group's earnings per share of any acquisition or divestiture, M&A arrangement or other similar major change.

On June 6, 2003, the Board of Directors decided on the earnings criteria on the basis of which stock options 2003A can be distributed to 118 Outokumpu Group key employees in the spring of 2004. On the basis of the earnings per share for 2003, an amount not to exceed 50% of the maximum amount of distributable stock options can be distributed to the members of the Group Executive Committee. The other persons covered by the stock option program are entitled to receive, on the basis of the trend in earnings per share, no more than 75% of the maximum amount of the distributable stock options. A quarter of the maximum amount of the distributable stock options can be distributed on the basis of the trend in Outokumpu's share price if it exceeds the share price trend of peer companies in the industry.

The number of stock options that can be distributed to the members of the Group Executive Committee is furthermore affected by the Company's gearing ratio, the trend of which serves as a basis for distributing an amount not to exceed 25% of the maximum amount of the distributable stock options.

The 2003 option program furthermore comprises a share ownership plan whereby members of the Group Executive Committee are obligated to purchase Outokumpu shares with 10% of the income obtained from stock options.

By exercising the option warrants 2003A, a total maximum of 1 700 000 Outokumpu Oyj shares can be subscribed for.

The subscription price for shares through the exercise of stock option 2003A is the trading volume-weighted average price of the Outokumpu Oyj share on the Helsinki Exchanges from December 1, 2003 to February 29, 2004, with stock options 2003B, the trading volume-weighted average price of the Outokumpu Oyj share on the Helsinki Exchanges from December 1, 2004 to February 28, 2005, and with stock options 2003C, the trading volume-weighted average price of the Outokumpu Oyj share on the Helsinki Exchanges from December 1, 2005 to February 28, 2006.

The share subscription price of stock options will be lowered, on each dividend record date, by the amount of dividends to be decided after the close of the period for determining the subscription price and prior to the share subscription.

The subscription period for shares with the stock options 2003A is from September 1, 2006 to March 1, 2009, with stock options 2003B from September 1, 2007 to March 1, 2010 and with stock options 2003C from September 1, 2008 to March 1, 2011. Following the subscriptions with the 2003 stock options, Outokumpu Oyj's share capital may be increased by a maximum of EUR 8 670 000 and the number of shares by a maximum of 5 100 000 new shares.

The number of shares that can be subscribed for on the basis of the stock option program corresponds to a maximum of 2.9% of Company shares and voting rights at the end of 2003.

Management shareholding

On January 12, 2004, the members of the Board of Directors and the Group Executive Committee held a total of 83 226 Company shares, corresponding to 0.05% of the Company's shares and voting rights.

In addition, members of the Group Executive Committee are entitled to subscribe for a total of 246 950 Company shares under the 1998 option program and a total of 17 142 Company shares under the 1999 convertible bond. If the members of the Group Executive Committee were also to receive the maximum amount of shares under the share remuneration schemes for 2001–2002, their aggregate shareholding would increase by about 61 000 shares. If the subscription rights were exercised in their entirety and if the share remuneration schemes yielded the maximum amount of shares, the shareholding and aggregate voting rights held by the members of the Group Executive Committee would increase by 0.1 percentage point on the basis of the stock options, by 0.01 percentage point on the basis of the convertible bonds and by 0.03 percentage point on the basis of the share remuneration scheme.

Details of management's shareholdings are given on pages 94 and 96–99.

Price development and trading volume of shares and 1998 option warrants

Prices and trading volumes for shares and option warrants as well as share-related key figures for five years are given in the table on the next page.

Outokumpu Oyj's shares and shareholders

Share-related key figures

		1999	2000	2001	2002	**2003**
Earnings per share (excluding extraordinary items)	€	0.71	2.15	0.55	1.15	**0.54**
Earnings per share	€	0.71	2.29	0.55	1.15	**0.54**
Cash flow per share	€	0.72	1.81	2.52	2.42	**1.25**
Shareholders' equity per share	€	9.85	11.70	11.37	11.14	**10.84**
Dividend per share	€	0.23	0.72	0.55	0.40	**0.20** [1]
Dividend/earnings ratio	%	32.4	33.5	100.0	43.5	**38.4**
Dividend yield	%	1.8	9.9	5.1	4.8	**1.9**
Price/earnings ratio		17.9	3.4	19.4	7.2	**19.9**
Development of share price						
Average trading price	€	9.74	9.74	8.50	10.28	**8.75**
Lowest trading price	€	6.56	6.56	6.42	8.14	**6.87**
Highest trading price	€	13.57	14.29	10.81	12.67	**11.41**
Trading price at the end of period	€	12.71	7.28	10.72	8.30	**10.77**
Change during the period	%	78.5	(42.7)	47.2	(22.6)	**29.8**
Change in the HEX-index during the period	%	162.0	(10.6)	(32.4)	(34.4)	**4.4**
Market capitalization at the end of period	€ million	1 750	1 002	1 461	1 420	**1 911**
Development in trading volume [2]						
Trading volume	1 000 shares	27 204	24 028	37 155	58 198	**75 574**
In relation to weighted average number of shares	%	19.8	17.4	27.1	42.3	**44.0**
Average number of shares		137 643 380	137 643 380	137 127 433 [2]	137 658 458 [2]	**171 623 035** [2, 3]
Number of shares at the end of period		137 643 380	137 643 380	136 277 653 [2]	171 110 613 [2]	**177 450 725** [2]
1998 option warrants [4]						
Price development						
Average trading price	€			2 278	3 087	**1 732**
Lowest trading price	€			2 278	957	**320**
Highest trading price	€			2 278	3 672	**2 880**
Trading price at the end of period	€			2 278	1 051	**2 400**
Trading volume	pcs.			40	1 288	**1 263**
Number at the end of period				2 584	2 584	**2 179**

1) The Board of Directors' proposal to the Annual General Meeting.
2) Excluding treasury shares.
3) The average number of shares for 2003, diluted with the 1998 option warrants and the 1999 convertible bond, was 172 565 947. The items have no dilutive effect on earnings per share figures for 2003.
4) 1998 option warrants have been traded on the Helsinki Exchanges as of June 21, 2001. See page 87 for details.

Definitions of financial key figures are presented on page 65.

Outokumpu's corporate governance

The Outokumpu Group's parent company, Outokumpu Oyj, is a public limited liability company incorporated and domiciled in Finland. In its corporate governance and management, Outokumpu Oyj complies with Finnish legislation, the Company's Articles of Association and the corporate governance principles that were recast and approved by the Board of Directors in 2003. Furthermore, Outokumpu complies with the corporate governance recommendations for Listed Companies that was jointly published by the Helsinki Exchanges, the Central Chamber of Commerce in Finland and the Confederation of Finnish Industry and Employers in December 2003, as well as the regulations and recommendations by the Helsinki Exchanges.

Group structure

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

The Outokumpu Group's business organization is comprised of Corporate Management, Business Operations, the Business Support Unit and Industrial Holdings, which consists of the Group's non-core industrial holdings.

Corporate Management comprises the CEO of the parent company Outokumpu Oyj, the members of the Group Executive Committee as well as other executives and experts who assist the CEO and the Group Executive Committee members. Corporate Management's task is to manage the Group as a whole, and its duties include developing and implementing the Group strategy, directing and supervising the activities of the operational business units, establishing and maintaining uniform principles and policies for the key corporate functions, establishing and maintaining reporting and control systems, managing internal and external communications as well as investor relations, overseeing the legality of operations as well as compliance with the parent company's operational guidelines and decisions, assisting the CEO and deciding on major operational and execution matters at the Group level.

The Outokumpu Group's operational activities are organized within strategic business entities, or Business Areas, which are Stainless, Copper and Technology. The Business Areas consist of operational Business Units and/or groups of Business Units, i.e. the Divisions.

Activities supporting the businesses have been centralized within a separate Business Support Unit that reports to the Group Executive Committee member responsible for corporate administration. Industrial Holdings comprise non-core units, the management of which is decided separately.

The Outokumpu Group is managed in accordance with its business organization, whereby the Group's legal company structure provides the legal framework for operations. Clear-cut financial and operational targets have been defined for all operational business units.

Tasks and responsibilities of the governing bodies

General Meeting of Shareholders

The General Meeting of Shareholders normally convenes once a year. Under the Finnish Companies Act, certain important decisions fall within the exclusive domain of the General Meeting of Shareholders, such as approval of the financial statements, decisions on dividends and increasing or decreasing share capital, amendments to the Articles of Association as well as the election of the Board of Directors and the auditors.

The Board of Directors convenes a General Meeting of Shareholders. The Board can decide on convening a General Meeting on its own initiative, but it is obligated to convene a General Meeting if the auditor or shareholders holding at least 10% of all the Company's shares so request. Furthermore, each shareholder has the right to bring before a General Meeting a Company-related matter of his/her choice provided this has been requested from the Board in writing in such good time that the matter can be placed on the agenda included in the notice of meeting to convene the General Meeting of Shareholders.

According to the Articles of Association, Outokumpu has only one class of shares, whereby all the shares have equal voting power at General Meetings of Shareholders.

Board of Directors

The tasks and responsibilities of the Company's Board of Directors are determined on the basis of the Finnish Companies Act as well as other applicable legislation. 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's general task is to organize of the Company's management and operations. The Board must also act in all situations in accordance with the Company's best interest. The Board has set itself the objective of directing the Company's business and strategies in a manner that secures a significant and sustained increase in the value of the Company for its shareholders.

The Board of Directors has confirmed for itself rules of procedure defining its tasks and operating principles. The main duties of the Board of Directors are the following.

With respect to directing the Company's business and strategies:

- To decide on the Group's basic strategies and monitor their implementation;
- To decide on the annual plans for the Group's capital expenditures, monitor their implementation, review the plans quarterly and decide on any changes;
- To decide on individual investments or expenditures which are included in the approved capital expenditure plans and have a value exceeding EUR 30 million as well as on other major and strategically important investments, acquisitions or divestitures; and
- To decide on any major group-level financing arrangements.

With respect to organizing the Company's management and operations:

- To nominate and dismiss the CEO as well as his deputy and to decide on their terms of service, including incentive schemes, based on a proposal by the Board Nomination and Compensation Committee;
- To nominate and dismiss the members of the Group Executive Committee, to define their areas of responsibility, and decide on the terms of service, including incentive schemes, based on a proposal by Nomination and Compensation Committee;
- To decide on the composition of the boards of directors of the Group's subsidiaries, in which the CEO is a member;
- To monitor the adequacy and allocation of the Group's top management resources;
- To decide on any significant changes in the Group's business organization;
- To define the Group's ethical values and ways of working;
- To ensure that policies outlining the principles of corporate governance are in place;
- To ensure that policies outlining the principles of managing the Company's insider issues are in use; and
- To ensure that the Company has other guidelines concerning matters which the Board deems necessary and fall within the scope of the Board's duties and authority.

With respect to the preparation of matters to be resolved by General Meetings of Shareholders:

- To establish a dividend policy and put forth a proposal on dividend distribution; and
- To make other proposals to General Meetings of Shareholders.

With respect to financial control and risk management:

- To discuss and approve the interim reports and annual accounts;
- To monitor significant risks related to the Group's operations as well as risk management; and
- To ensure that adequate procedures concerning risk management are in place.

In addition, the Board of Directors assesses its own activities on a regular basis.

A decision of the Board of Directors shall be the opinion that is supported by more than half of the members present at the meeting. In the event of a tie, the Chairman shall have the casting vote.

The Annual General Meeting elects the members of the Board of Directors for a term expiring at the close of the following Annual General Meeting. Accordingly, the entire Board is elected at each Annual General Meeting. Under the Articles of Association, the Board of Directors itself elects from among its members a Chairman and a Vice Chairman. A Board member may at any time be removed from office by a resolution of a General Meeting of Shareholders. The proposals to the Annual General Meeting concerning the election of the Board members which have been made known to the Board prior to the Annual General Meeting will be made public if a given proposal is supported by shareholders holding a minimum of 10% of all the Company's shares and voting rights and if the person proposed has consented to the nomination.

Under the Articles of Association, the Board shall have a minimum of five and a maximum of twelve members. At the Annual General Meeting in 2003, ten members were elected to the Board of Directors. The CEO of Outokumpu is not a Board member.

The Company's largest shareholders have confirmed that they are in favor of adopting for the Company a principle according to which members of the Board of Directors should, as a rule, be qualified experts from outside the Company. Of the ten current members of the Board, nine are independent of the Company and six are independent of both the Company and its significant shareholders.

The Board of Directors shall meet at least five times a year. In 2003, the Board met ten times. The average attendance of members at Board meetings was 98%.

Board committees

The Board of Directors has set up from among its members two permanent committees and confirmed rules of procedure for them. The committees report on their work to the entire Board of Directors.

The Audit Committee comprises three Board members who are independent of the Company.

The task of the Audit Committee is to deal with matters relating to financial statements, auditing work, internal controls, the scope of internal and external audits, the billing of the auditors, the Group's financial policies and other procedures for managing the Group's risks. In addition, the Committee prepares a recommendation to the largest shareholders concerning the election and fees of the external auditor.

The Audit Committee met three times during 2003.

The Nomination and Compensation Committee comprises the Chairman of the Board and three other Board members who are independent of the Company.

The task of the Committee is to prepare proposals to the Board of Directors concerning appointments of the company's top management and the principles of their compensation. In addition, the Committee prepares recommendations to the largest shareholders on the composition of the Board of Directors and the compensation principles to be applied to the Board.

The Committee met five times during 2003.

The Board of Directors can also set up from among its members temporary working groups for attending to a specified task. The working groups report to the Board on their work.

CEO and Deputy CEO

The CEO is responsible for the Company's day-to-day operations with the objective of securing significant and sustainable growth in the value of the Company to its shareholders. It is the CEO's responsibility to make sure that existing laws and regulations are observed throughout the Group. The CEO also ensures that Board decisions are implemented properly. The CEO chairs meetings of the Group Executive Committee.

The Deputy CEO is responsible for attending to the CEO's duties in the event that the CEO himself is prevented from attending to them.

Group Executive Committee

The Group Executive Committee's task is to assist the CEO in managing the Group, to prepare matters to be dealt with by the Board of Directors and the CEO and to act as the CEO's advisor as well as to share information between the CEO, the members of the Group Executive Committee and the businesses.

The Group Executive Committee deals with all matters of central importance for managing the Group, such as issues relating to the Group's strategies, capital expenditures, acquisitions or divestments, reporting, corporate image, the management of investor relations, compensation systems as well as the main principles of risk management and the human resources policy, and it furthermore monitors the Group's operations.

The members of the Group Executive Committee are the CEO and his deputy, the Business Area Presidents as well as the Executive Vice Presidents, who are in charge of certain corporate or expert functions. The Executive Committee members who are in charge of corporate and expert functions monitor and guide the operation of their own area of responsibility across the entire Group.

The Group Executive Committee had eight members in 2003. From the beginning of 2004, the Executive Committee was augmented by adding one more member.

The Group Executive Committee meets 1–2 times a month, and the Executive Committee has weekly discussions on issues of interest to the Group.

Remuneration and other benefits of Board members, the CEO and members of the Group Executive Committee

The monthly fees of members of the Board of Directors, as confirmed by the Annual General Meeting are the following: Chairman EUR 3 600, Vice Chairman EUR 2 700 and other members EUR 2 200. All the members of the Board of Directors are to be paid a meeting fee of EUR 300. A meeting fee is also paid for meetings of Board committees. Board members are not paid a fee on any other basis than their Board membership.

The performance-related bonus paid to the CEO and members of the Group Executive Committee in addition to their salary and employee benefits is determined on the basis of the Group's return on capital employed. In 2003, the maximum amount of the bonus was 50% of annual salary based on basic monthly earnings. No separate remuneration is paid to the CEO or members of the Group Executive Committee for membership of the Committee or the governing bodies of the operational business units.

The fees, salaries and employee benefits paid to the members of the Board of Directors and the Group Executive Committee in 2003 are presented below.

€	Salaries and fees with employee benefits	Performance/project-related bonuses	Total
Members of the Board of Directors	299 034	–	299 034
CEO	439 636	128 754	568 390
Other Group Executive Committee members	1 709 028	217 435	1 926 463

In addition, the CEO and other Group Executive Committee members are covered by the Group's share-related incentive schemes. Shares and option warrants received through these schemes are included in the table on page 99.

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. Nor do they or closely related persons or institutions have any significant business relationships with the Company.

The period of notice for termination of the CEO's and his deputy's executive post for a competent reason is 24 months on the Company's side and 6 months on the CEO's and his deputy's side. The CEO's executive agreement contains a provision on severance compensation, which was applicable until the CEO reached the age of 60. The CEO is entitled, as are the other members of the Group Executive Committee and subject to a decision by the Board of Directors, to retire at the age of 60–65. The CEO reached the age of 60 in November 2003 and he can retire, if the Board so decides and informs him thereof six moths in advance. This is the reason why the provision in the CEO's executive agreement on severance compensation is no longer applicable.

Pension benefits of other members of the Group Executive Committee are based on the Finnish Employees' Pension Act (TEL). However, two of the Group Executive members are entitled to retire at the age of 60 on the basis of their prior employment with AvestaPolarit Oyj Abp.

Share ownership and options

The number of Outokumpu Oyj shares held by members of the Board of Directors and the Group Executive Committee on January 12, 2004 and the number of new shares they are entitled to subscribe for under option warrants and convertible bonds and the shares that are to be received through the 2001 share remuneration scheme as well as the shares that determine the maximum remuneration for the 2002 share remuneration scheme are shown in the table below.

Control systems

The Group's operations are controlled and steered by means of the above-described corporate governance system. The Group's organization into operational business units and divisions clearly channels financial responsibility within the Group and promotes supervision of the operations and administration of the Group's different parts. Outokumpu employs necessary reporting systems for operational business control and effective monitoring of the Group's assets and interests.

Ultimate responsibility for accounting and financial controls rests with the Board of Directors. It is the CEO's duty to attend to the practical arrangements for accounting and the control mechanism.

Realization of the objectives set is monitored monthly by means of an operational planning and financial control reporting system. In addition to actual data, the system provides up-to-date forecasts and plans for the current year and the next 12 months.

The accumulation of economic value added is monitored in the Outokumpu's internal quarterly reports and the information is published in the Annual Report.

Financial and metal price risks are managed centrally by the Group's finance function. Uniform risk management principles have been established for the Group, and in line with them, the operational business units define and identify their financial and metal price risks in cooperation with the finance function. The risks are transferred to the internal bank that is managed by the finance function. This cash pool covers the Group's external risks in accordance with the agreed principles. These risks are reported regularly to the Group Executive Committee and to the Board of Directors.

Property, loss-of-profits and liability risks resulting from the Group's operations are covered with the appropriate insurance.

	Members of the Board of Directors	Group Executive Committee members
Number of shares	4 218	79 008
1998 option program	–	246 950
1999 convertible bond	–	17 142
2001 share remuneration scheme [1]	–	32 890
2002 share remuneration scheme [2]	–	70 590

[1] On February 10, 2004, the Board of Directors confirmed the remuneration of the scheme that expired at the end of 2003. The table presents the estimate of the remuneration to be paid in Outokumpu shares.

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

The shareholdings and option warrants of members of the Board of Directors and the Group Executive Committee are set out on pages 96–99. Details of the terms and conditions of the option warrants and the share remuneration scheme as well as the convertible bonds are given on page 87.

The internal audit function that was set up within the Group in 2002 provides consultative auditing on areas and matters that are agreed separately with the Group Executive Committee and the business areas. The focus of the audit is on business risks and the sharing of information between Corporate Management and the business units. The internal audit acts in close cooperation with the Group's finance function, financial and business control and the auditors.

The CEO, the members of the Group Executive Committee and the Corporate Senior Vice Presidents are responsible for ensuring that the day-to-day operations of the Group are in compliance with existing laws and regulations, the Company's operating principles and decisions by the Board.

Insider rules

Outokumpu applies insider rules similar in content to the recommendations issued by the Helsinki Exchanges.

The Company's permanent insiders on the basis of their position are the members of the Board of Directors, the CEO and his deputy, the members of the Group Executive Committee, the secretaries to the Board of Directors and the Group Executive Committee, the secretaries and assistants of members of the Group Executive Committee as well as the responsible auditor of the Company's elected firm of independent public accountants. Similarly, the group of permanent insiders includes other persons designated by the CEO, who are responsible for the Group's key functions and regularly receive insider information in the course of their duties.

Permanent insiders must not buy or sell securities issued by the Company during 14 days before the publication of interim reports or annual accounts (so-called closed period).

The insider rules also contain regulations on a temporary suspension of trading in the Company's shares. Persons who are defined as being such project-specific insiders are those who in the course of their duties, in connection with a project, as a member of a cooperation committee or other working group or in some other way receive such information on the Group which, if made public, might materially affect the valuation of the Company's listed securities. Similarly, project-specific insiders include those persons outside the Company who, through auditing, consulting or specialist tasks, or otherwise receive information of the aforementioned kind.

Senior Vice President – Corporate Administration at Corporate Management is responsible for coordinating and supervising insider matters.

Auditors

Under the Articles of Association, the Company shall have a minimum of one and a maximum of two auditors who are auditors or firms of independent public accountants authorized by the Central Chamber of Commerce in Finland.

The Annual General Meeting elects the auditors to a term of office ending at the close of the next Annual General Meeting. The proposals to the Annual General Meeting concerning the election of auditors which have been made known to the Board prior to the Annual General Meeting will be made public if the proposal is supported by shareholders holding a minimum of 10% of all the Company's shares and voting rights and if the person or company proposed has consented to the nomination.

PricewaterhouseCoopers is responsible for auditing the Group's companies worldwide. The parent company, Outokumpu Oyj, is audited by PricewaterhouseCoopers Oy, the responsible auditor being Mr. Markku Marjomaa, Authorized Public Accountant. PricewaterhouseCoopers Oy is also responsible for overseeing and coordinating the audit of all Group companies.

The Company's auditors submit the statutory auditor's report to the Company's shareholders in connection with the Company's financial statements. In addition, the auditors report their findings regularly to the Board of Directors.

In 2003, the auditors were paid fees to a total amount of EUR 4.5 million, of which non-auditing services accounted for EUR 1.5 million.

Communications

The aim of Outokumpu's external communications is to support the correct valuation of the Company's listed securities by providing the markets with sufficient information on the Outokumpu's business structure, financial position, market developments and, in particular, the Group's objectives and strategy for attaining these objectives.

Outokumpu's website address is www.outokumpu.com. The website also sets out all the information that has been made public based on the disclosure requirements for listed companies.

Board of Directors

Pictured from the left: Seppo Ukskoski, Soili Suonoja, Heimo Karinen, Leena Saarinen, Matti Puhakka, Ole Johansson, Juha Rantanen, Arto Honkaniemi, Jorma Huuhtanen and Evert Henkes.

Chairman

Heimo Karinen, b. 1939
M.Sc. (Eng.)
Outokumpu Board member 1999–, Chairman of the Board 2003–, Chairman of the Nomination and Compensation Committee
Chairman and CEO: Kemira Oyj 1991–99
Board member: Danisco A/S
Owns 1 029 Outokumpu shares.

Vice Chairman

Juha Rantanen, b. 1952
M.Sc. (Econ.), MBA
Outokumpu Board member and Vice Chairman 2003–, Chairman of the Audit Committee
President & CEO 1998–: Ahlstrom Corporation
Chairman of the board of directors: Confederation of Finnish Industry and Employers
Board and executive committee member: Finnish Forest Industries Federation
Board member: KCI Konecranes plc
Supervisory board member: Varma Mutual Pension Insurance Company
Owns 500 Outokumpu shares.

Members

Evert Henkes, b. 1943
B.Sc. (Econ.)
Outokumpu Board member 2003–, member of the Nomination and Compensation Committee
CEO 1998–2003: Shell Chemicals Ltd
Board member: BPB plc, Tate & Lyle plc, CNOOC Ltd
Owns no Outokumpu shares.

Arto Honkaniemi, b. 1946
LL.M., B.Sc. (Econ.)
Outokumpu Board member 1999–, member of the Nomination and Compensation Committee
Industrial Counsellor 1998–: Ministry of Trade and Industry
Chairman of the board of directors: Finnish Export Credit plc
Owns no Outokumpu shares.

Jorma Huuhtanen, b. 1945
Licentiate (Med.)
Outokumpu Board member 2001–, member of the Audit Committee
Director-General 2000–: Finnish Social Insurance Institution
Member of Parliament 1987–2000
Member of the Council of State of Finland 1992–95
Supervisory board member: Fortum Corporation
Owns no Outokumpu shares.

Ole Johansson, b. 1951
B.Sc. (Econ.)
Outokumpu Board member 2002–, member of the Nomination and Compensation Committee
President & CEO 2000–: Wärtsilä Corporation
Board member: Confederation of Finnish Industry and Employers, Technology Industries of Finland, Central Chamber of Commerce of Finland
Supervisory board member: Rautaruukki Group, Varma Mutual Pension Insurance Company
Owns 1 789 Outokumpu shares.

Matti Puhakka, b. 1945
Technician
Outokumpu Board member 1997–, Board member and Vice Chairman 1997–2003, Outokumpu Supervisory Board member 1978–89, Supervisory Board member and Chairman 1992–96
Board member and Deputy Director-General 1996–: Finnish Social Insurance Institution
Member of Parliament 1975–91 and 1995–96
Member of the Council of State of Finland 1983–91
Chairman of the board of directors: State Pilotage Enterprise
Board member: Civil Aviation Administration
Owns no Outokumpu shares.

Leena Saarinen, b. 1960
M.Sc. (Food technology)
Outokumpu Board member 2003–, member of the Audit Committee
Managing Director 2003–: Unilever Bestfoods, Nordic Foodsolution National Manager 2002–: Suomen Unilever Oy and board member 1999 and 2001–
Owns no Outokumpu shares.

Soili Suonoja, b. 1944
Teacher of Home Economics, MBA
Outokumpu Board member 2003–
CEO 1989–2000: Amica Restaurants Ltd., Amica Services Ltd.
Board member: Finland Post Corporation, Altia Corporation, Finnish Road Enterprise, Lassila & Tikanoja plc, Lännen Tehtaat Oyj
Owns 300 Outokumpu shares.

Seppo Ukskoski, b. 1951
Machine engineer
Outokumpu Board member 2003–
Fire and Security Chief 1997–: Kokkola Zinc Oy
Employed by the Outokumpu Group 1968–2003
Owns 600 Outokumpu shares.

Group Executive Committee

Jyrki Juusela, b. 1943, D.Tech.
CEO 1992–
Chairman of the Group Executive Committee 2000–
Responsibility: Group management
Board member 1988–2002, Chairman of the Executive Board 1997–2000
Employed by the Outokumpu Group since 1971
Vice Chairman of the board of directors: Sampo plc, Varma Mutual Pension Insurance Company
Board member: Inmet Mining Corporation, Technology Industries of Finland, Association of Finnish Steel and Metal Producers

Risto Virrankoski, b. 1946, B.Sc. (Econ.)
Deputy CEO 2001–
Member of the Group Executive Committee 2000–, Vice Chairman of the Group Executive Committee 2001–
Responsibility: base metals investments
Board member 1986–97, member of the Executive Board 1997–2000
Employed by the Outokumpu Group since 1969
Chairman of the board of directors: Boliden AB (publ)
Board member: VR Ltd (Finnish Railways)

Pekka Erkkilä, b. 1958, M.Sc. (Eng.)
Executive Vice President – Outokumpu Stainless
Member of the Group Executive Committee 2003–
Responsibility: Outokumpu Stainless
Employed by the Outokumpu Group since 1983

Tapani Järvinen, b. 1946, Lic.Tech.
Executive Vice President – Outokumpu Technology
Member of the Group Executive Committee 2000–
Responsibilities: Outokumpu Technology, energy affairs
Employed by the Outokumpu Group since 1985
Board member: Boliden AB (publ), Dragon Mining NL, International Copper Association, Ltd., Eurométaux

Karri Kaitue, b. 1964, LL.Lic.
Executive Vice President – Strategy and Business Development
Member of the Group Executive Committee 2002–
Responsibilities: strategy and business development, investor relations, communications
Employed by the Outokumpu Group since 1990

Esa Lager, b. 1959, M.Sc. (Econ.), LL.M.
Executive Vice President – Finance and Administration
Member of the Group Executive Committee 2001–
Responsibilities: finance and administration, human resources, risk management, Business Support Unit
Employed by the Outokumpu Group since 1990
Board member: Olvi Oyj, Okmetic Oyj
Supervisory board member: Sampo Life Insurance Company Limited

Juho Mäkinen, b. 1945, D.Tech.
Executive Vice President – EHS and technologies
Member of the Group Executive Committee 2000–
Responsibilities: EHS, technology affairs, quality issues
Board member 1996–97, member of the Group Executive Board 1997–2000
Employed by the Outokumpu Group since 1975
Vice Chairman of the board of directors: Okmetic Oyj, Neorem Magnets Oy
Board member: Metorex Oy

Kalevi Nikkilä, b. 1945, D.Tech.
Executive Vice President – Outokumpu Copper
Member of the Group Executive Committee 2000–
Responsibility: Outokumpu Copper
Employed by the Outokumpu Group since 1991
Board member: International Copper Association, Ltd., International Wrought Copper Council

Vesa-Pekka Takala, b. 1966, M.Sc. (Econ.)
Executive Vice President – Corporate Controller
Member of the Group Executive Committee January 1, 2004–
Responsibilities: financial and business control and taxation
Employed by the Outokumpu Group since 1990

Pictured from the left:
Juho Mäkinen
Pekka Erkkilä
Kalevi Nikkilä
Jyrki Juusela
Vesa-Pekka Takala
Esa Lager
Tapani Järvinen
Karri Kaitue
Risto Virrankoski

Division management

Stainless

Antti Närhi	Coil Products
Olof Faxander	Special Products
Mike Rinker	North America

Copper

Warren Bartel	Americas
Hannu Wahlroos	Appliance Heat Exchangers & Asia
Staffan Anger	Automotive Heat Exchangers
Jussi Helavirta	Europe
Ari Ingman	Tube and Brass

Other Group key managers

Jaakko Ahotupa, Corporate Administration and Industrial Relations
Petri Fernström, Business Support Unit
Harri Hallberg, Internal Auditing
Pekka Hynynen, Corporate Human Resources
Jorma Kemppainen, Corporate Technology and Environmental Affairs
Kari Lassila, Investor Relations, Economic Research
Matti Louhija, Corporate Governance, Corporate Secretary
Kalle Luoto, Legal Affairs
Eero Mustala, Corporate Communications
Hannu Siltanen, Procurement
Claes Wallnér, Business Processes and IT

Shares and options of the Group Executive Committee members

Outokumpu Oyj shares held by the Group Executive Committee members, and the number of new shares they can subscribe for under the option warrants and convertible bond, as well as the shares received based on the share remuneration scheme of 2001 and the number of shares that determines the maximum remuneration for the share remuneration scheme of 2002 were as follows on January 12, 2004:

	Shares	1998 option program	1999 convertible bond to personnel	2001 share remuneration scheme[1)]	2002 share remuneration scheme[2)]
Jyrki Juusela	31 863	109 756	–	10 120	18 930
Risto Virrankoski	4 130	38 414	8 571	5 270	11 900
Pekka Erkkilä	2 180	–	–	–	–
Tapani Järvinen	6 162	27 439	–	4 300	10 130
Karri Kaitue	1 930	–	–	–	–
Esa Lager	10 891	27 439	–	2 550	7 210
Juho Mäkinen	6 025	–	–	4 480	8 340
Kalevi Nikkilä	5 436	43 902	8 571	4 230	9 950
Vesa-Pekka Takala	10 391	–	–	1 940	4 130

[1)] On February 10, 2004, the Board of Directors confirmed the remuneration of the scheme that expired at the end of 2003. The table presents the estimate of the remuneration to be paid in Outokumpu shares.
[2)] Number of shares that determines the maximum remuneration.

Investor and shareholder information

Annual General Meeting

The Annual General Meeting of Outokumpu Oyj will be held on Friday, April 2, 2004, at 10.00 am (Finnish time) at the Sellosali in Espoo, Finland, at the address Soittoniekanaukio 1 A, 02600 Espoo.

In order to attend the Annual General Meeting a shareholder must be registered in the Company's shareholders' register maintained by the Finnish Central Securities Depository Ltd. (Suomen Arvopaperikeskus Oy) on Tuesday, March 23, 2004. Nominee-registered shareholders who wish to attend the Annual General Meeting should temporarily re-register the shares under their own name in the shareholders' register. Such re-registrations should be effective on March 23, 2004 at the latest. In order to arrange the temporary re-registration, the nominee-registered shareholders should contact their bank or other custodian. Shareholders, whose shares have not been entered into the Finnish book-entry securities system, should mention this when giving notice to attend in order to reveive further intructions.

Shareholders who wish to attend the Annual General Meeting must notify the Company by no later than March 30, 2004 at 4.00 pm (Finnish time). Notification can be made by telephone +358 9 421 2813, by fax +358 9 421 2920 or by e-mail agm@outokumpu.com. Notification can also be made by a letter addressed to Outokumpu Oyj, Share Register, P.O. Box 140, 02201 Espoo, Finland. The letter must reach the Company on March 30, 2004 at the latest.

A shareholder may attend and vote at the meeting in person or by proxy. However, in accordance with Finnish practice, Outokumpu does not send proxy forms to its shareholders. Shareholders wishing to vote by proxy should submit their own proxy forms to the Company during the registration period.

Additional information on the Annual General Meeting is available at www.outokumpu.com.

Annual General Meeting and payment of dividends in 2004

Annual General Meeting	April 2
Ex-dividend date	April 5
Record date for dividend payment	April 7
Dividend payout	April 16

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be paid for the financial year 2003. Shares subscribed for in 2004 under the 1999 convertible bond and the 1998 option warrants are not entitled to dividends from the financial year 2003.

Financial reports in 2004

Financial Statements Bulletin	February 10
Annual Report	Week starting March 15
First-quarter interim report	April 28
Second-quarter interim report	August 5
Third-quarter interim report	October 26

Investor information is also available at the Group's website www.outokumpu.com. The website is in English. Also available at the website are annual reports, interim reports, as well as stock exchange and press releases, which are published in both Finnish and English.

Financial reports can also be obtained from Outokumpu Oyj/ Corporate Communications, Riihitontuntie 7 B, P.O. Box 140, 02201 Espoo, Finland, tel. +358 9 421 2416, fax +358 9 421 2429 and e-mail corporate.comms@outokumpu.com. Subscriptions to the e-mailing list for press releases and the mailing list for printed annual reports can also be made via the same e-mail address.

Shareholder mailings are made on the basis of the contact information in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. A shareholder should inform his/her account operator, or in case of a nominee registered shareholder the relevant bank or other custodian, about changes in contact details.

Outokumpu share basics

Listing	Helsinki Exchanges
Trading symbol	OUT1V
Trading lot	200 shares
Number of shares	178 576 360 (January 12, 2004)

Shares subscribed for in 2004 under the 1999 convertible bond and he 1998 option warrants were listed as a separate class under the trading symbol OUT1VN0104 because they are not entitled to dividends from the financial year 2003. Following the 2003 dividend payout on April 16, 2004, the separate class will be combined with the old shares.

Investor relations

Should you require further information about Outokumpu, please contact one of the following persons:

Päivi Laajaranta
IR Assistant
Tel. +358 9 421 4070, fax +358 9 421 2125
E-mail: paivi.laajaranta@outokumpu.com
Päivi Laajaranta coordinates meeting requests.

Johanna Sintonen
Vice President – Investor Relations
Tel. +358 9 421 2438, fax +358 9 421 2125
E-mail: johanna.sintonen@outokumpu.com

Kari Lassila
Senior Vice President – Investor Relations and Economic Research
Tel. +358 9 421 2555, fax +358 9 421 2125
E-mail: kari.lassila@outokumpu.com

Outokumpu observes a two-week closed period prior to the publication of financial statements and interim reports. During these periods we do not arrange meetings with investors or comment on result forecasts.

Analysts covering Outokumpu

The following banks and brokers prepare investment analysis on Outokumpu. The people mentioned below cover Outokumpu of their own initiative.

Company/analyst	Tel.	E-mail
ABG Sundal Collier Olof Cederholm	+46 8 5662 8628	olof.cederholm@abgsc.se
Alfred Berg Finland Markus Steinby	+358 9 2283 2712	markus.steinby@alfredberg.fi
CAI Cheuvreux Sasu Ristimäki	+44 20 7621 5173	sristimaki@caicheuvreux.com
Conventum Securities Limited Kaisa Ojainmaa	+358 9 2312 3326	kaisa.ojainmaa@conventum.fi
Credit Lyonnais Securities Christian Georges	+44 20 7214 5086	christian.georges@clse.com
Danske Equities Fasial Kalim Ahmad	+45 33 4404 26	fasial.kalim@danskebank.dk
D. Carnegie AB Johan Sjöberg	+46 8 676 8755	johan.sjoberg@carnegie.se
Deutsche Bank AG Carl-Henrik Frejborg	+358 9 2525 2551	carl-henrik.frejborg@db.com
Dresdner Kleinwort Wasserstein Simon Toyne	+44 20 7475 2464	simon.toyne@drkw.com
Enskilda Securities AB Johan Lindh	+358 9 6162 8726	johan.lindh@enskilda.fi
FIM Securities Mikko Linnanvuori	+358 9 6134 6353	mikko.linnanvuori@fim.com
Goldman Sachs International Edward Maravanyika	+44 20 7774 5198	edward.maravanyika@gs.com
Handelsbanken Capital Markets Gustav Lucander	+358 10 444 2409	gulu05@handelsbanken.se
HSBC Securities Julien Onillon	+33 1 5652 4321	julien.onillon@hsbcib.com
ING Financial Markets Alain William	+33 1 5639 4045	alain.william@ing.fr
J.P. Morgan Albert Minassian	+44 20 7325 1288	albert.minassian@jpmorgan.com
Mandatum Stockbrokers Ari Laakso	+358 10 236 4710	ari.laakso@mandatum.fi
Merrill Lynch Russell Skirrow	+44 20 7996 4723	russell_skirrow@ml.com
Morgan Stanley Charles Spencer	+44 20 7425 6602	charles.spencer@morganstanley.com
Nordea Securities Limited Annika Seppänen	+358 9 3694 9425	annika.seppanen@nordea.com
Opstock Securities Sanna Päiväniemi	+358 9 404 4393	sanna.paivaniemi@oko.fi
RBC Capital Markets Cliff Hale-Sanders	+1 416 842 7892	clifford.hale-sanders@rbccm.com

0006EN. Kreab/Libris, Helsinki, Finland. March 2004.

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

Domicile: Espoo, Finland
Business ID: 0215254-2

Outokumpu is a dynamic metals and technology group. Focusing on our core competences, that is, extensive knowledge of metals and metals processing, we aim to be leaders in all of our key businesses: stainless steel, copper and technology. Customers in a wide range of industries use our metals, metal products, technology and services worldwide.

OUTO KUMPU

stainless | copper | technology

www.outokumpu.com